



SEPTEMBER 4, 2015

Highlights

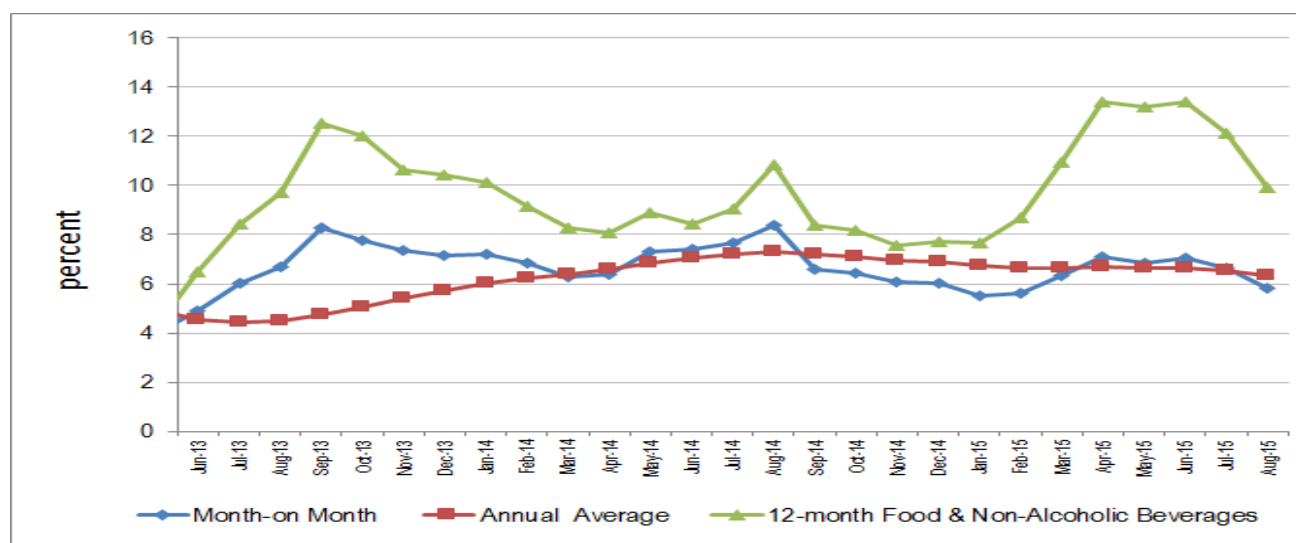
Overall 12-month inflation eased in August 2015 to 5.8 percent from 6.6 percent in July 2015 and non-food non-fuel inflation from 4.7 percent to 4.6 percent.

The money market was relatively liquid during the week ending September 2, 2015, supported by government payments, redemption of government securities and Term Auction Deposits (TAD) maturities. However, reverse flows through mop-up operations by CBK, issuance of government securities in the primary market and tax remittances partially offset the liquidity injection. This moderated the decline in the average interbank rate to 14.5 percent in the week ending September 2, 2015 from 15.2 percent in the previous week.

Capital markets recorded mixed performance of leading indicators during the week ending September 3, 2015, reflecting volatility spill overs from global markets.

Inflation

Overall 12-month inflation declined to 5.8 percent in August 2015 from 6.6 percent in July 2015 (Chart A). This decline is largely attributed to lower food and non-food non-fuel inflation. Food inflation declined to 9.4 percent in August 2015 from 11.4 percent in July 2015 due to lower prices of fresh produce. Non-food non fuel inflation reversed the upward trend since April 2015, declining marginally to 4.6 percent in August 2015 from 4.7 percent in July 2015. Meanwhile, fuel inflation rose from 0.6 percent in July 2015 to 1.1 percent in August 2015 reflecting upward review of pump prices by the Energy Regulatory Commission.

CHART A: SUMMARY REPORT ON GENERAL INFLATION


Source: Central Bank of Kenya

Monetary Policy Operations

The money market was relatively liquid during the week ending September 2, 2015, boosted by government payments, redemption of government securities and TAD maturities. The liquidity injection was partially offset by mop-up operations by CBK, issuance of government securities in the primary market and tax remittances (Table 1). The CBK liquidity management alone absorbed KSh 49.9 billion through the Term Auction Deposit. Reserve money averaged KSh 363.5 billion during the week ending September 2, 2015 and was KSh 3.6 billion above target.

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

	27-Aug-15	28-Aug-15	31-Aug-15	1-Sep-15	2-Sep-15	Total
Liquidity Flows						
Total liquidity injection	7.7	17.4	22.4	7.8	12.8	68.1
Repos Maturities	0.0	0.0	0.0	0.0	0.0	0.0
Reverse Repo Purchases	0.0	0.0	0.0	0.0	0.0	0.0
Term Auction Deposit maturities	0.0	8.0	5.0	6.0	1.0	20.0
T/bills redemptions	0.0	0.0	0.0	0.0	0.0	0.0
T/bills rediscounts	0.0	0.0	0.0	0.0	0.0	0.0
T/bonds redemptions	0.0	0.0	9.3	0.0	0.0	9.3
T/bonds rediscounts	0.0	0.0	0.0	0.0	0.0	0.0
Govt payments	7.7	9.4	8.1	1.8	11.8	38.8
Total liquidity reduction	5.2	11.2	26.5	20.3	4.5	67.7
T/bills (Primary issues)	0.0	0.0	5.4	0.0	0.0	5.4
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	2.0	9.9	18.9	15.5	3.6	49.9
Transfer from Banks -Taxes	2.9	1.2	2.1	4.8	0.6	11.7
Net liquidity injection (+)/Withdrawal (-)	2.5	6.2	-4.1	-12.5	8.3	0.5
Open Market Operations Outcome						
Posted Amount	12.0	24.0	29.0	14.0	13.0	92.0
Realised Amount	2.0	9.9	18.9	15.5	3.6	49.9
Repo (-)	0.0	0.0	0.0	0.0	0.0	0.0
Term Auction Deposits (-)	2.0	9.9	18.9	15.5	3.6	49.9
Reverse Repo (+)	0.0	0.0	0.0	0.0	0.0	0.0
Reserve Money Position						
Reserve money (actual)	365.6	371.3	365.1	354.5	361.3	363.5
Reserve money target	359.5	359.5	359.5	360.6	360.6	359.9
Deviation from target	6.1	11.8	5.6	-6.0	0.7	3.6
Commercial banks excess reserves Exc(+)/ Short(-)	10.1	15.3	8.5	-3.1	3.7	6.9
Cash outside bank Exc(+)/ Short(-)	-4.1	-3.5	-2.9	-3.0	-3.1	-3.3

Source: Central Bank of Kenya

Interbank Rates

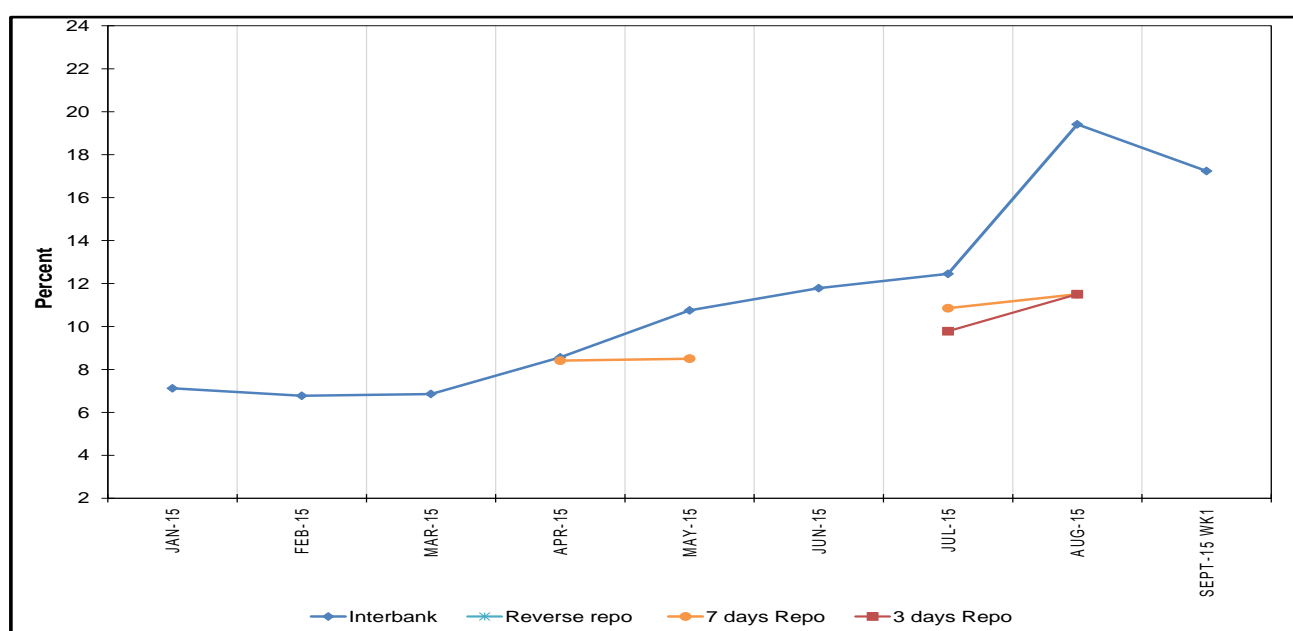
The average interbank rate decreased marginally to 11.32 percent in the week ending July 1, 2015 from 11.74 percent in the previous week. The volume transacted increased to Ksh 26.3 billion from Ksh 20.2 billion traded in the previous week while the number of deals decreased to 49 deals from 52 deals (**Table 2 and Chart B**).

TABLE 2: OPEN MARKET OPERATIONS (KSH BILLION)

Date	Number of deals	Value (Ksh M)	Average Interbank Rate (%)
August 13,2015- August 19,2015	55	25,821	19.43
20-Aug-15	69	32,810	15.34
21-Aug-15	72	35,860	15.31
24-Aug-15	81	40,463	15.09
25-Aug-15	76	32,502	15.17
26-Aug-15	76	29,852	15.28
August 20,2015- August 26,2015	75	34,297	15.24
27-Aug-15	81	36,587	15.18
28-Aug-15	64	23,615	14.78
31-Aug-15	57	19,694	14.46
1-Sep-15	62	20,403	13.93
2-Sep-15	48	11,815	13.91
August 27,2015- September 2,2015	62	22,423	14.45

Source: Central Bank of Kenya

CHART B: STRUCTURE OF INTEREST RATES

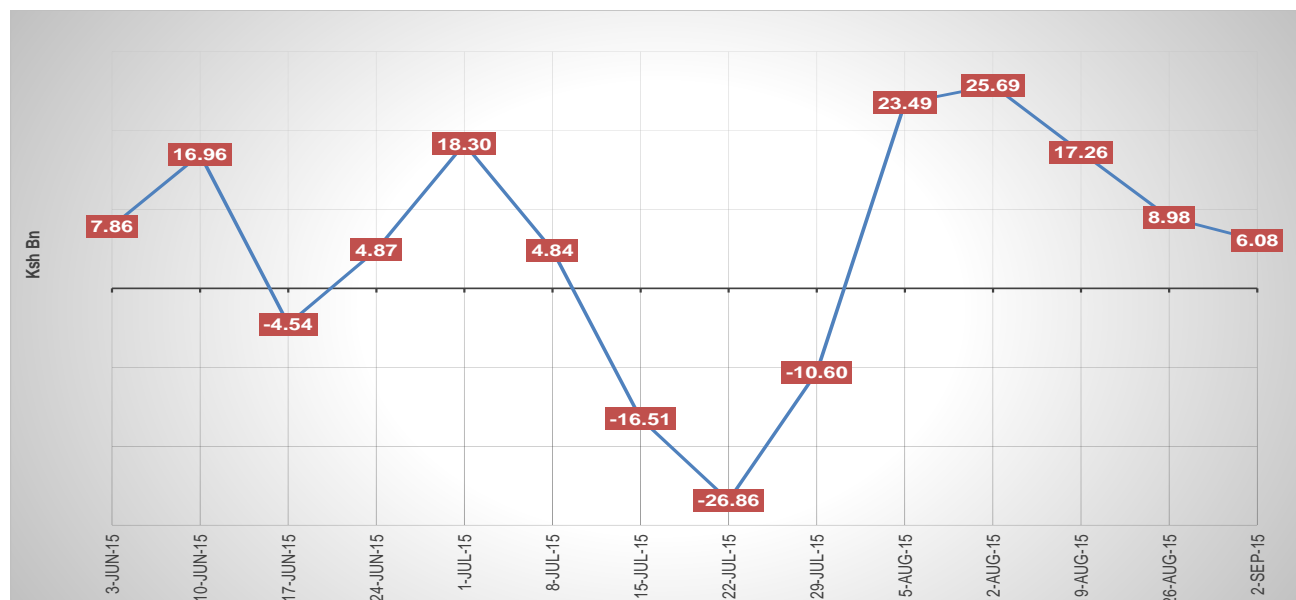


Source: Central Bank of Kenya

Commercial Banks Clearing Account Balances

Commercial banks' clearing account excess balances in the week ending September 2, 2015 declined to KSh 6.08 billion in relation to the cash reserve requirement of 5.25 percent (KSh 129.1 billion) from KSh 8.98 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 3rd Sep 2015, the Kenya Shilling exchange rate displayed mixed performance against major international and EAC currencies. It appreciated by 1.42 percent against the Pound Sterling and 1.01 percent against the Euro but depreciated by 0.43 percent against the US Dollar and 0.61 percent against the Japanese Yen. In the EAC region it appreciated against the Uganda Shilling but depreciated against the rest of the currencies (Table 3).

TABLE 3: KENYA SHILLING EXCHANGE RATE

	USD	Sterling Pound	Euro	100 Japanese Yen	USHS*	TSHS*	RWF*	BIF*
21-Aug-15	103.48	162.44	116.76	84.16	34.55	20.57	7.03	14.97
24-Aug-15	103.60	162.28	118.44	84.26	34.80	20.63	7.02	14.85
25-Aug-15	103.77	163.50	120.04	87.14	35.41	20.57	7.03	14.87
26-Aug-15	103.81	162.92	119.08	86.74	34.15	20.62	7.02	14.93
27-Aug-15	103.60	160.59	117.58	86.38	34.31	20.70	7.04	14.96
21-27 Aug	103.65	162.35	118.38	85.74	34.64	20.62	7.03	14.92
28-Aug-15	103.75	160.13	116.77	85.66	35.04	20.58	7.03	14.94
31-Aug-15	103.87	160.31	116.80	85.72	35.19	20.60	7.02	14.81
1-Sep-15	103.96	160.12	117.15	86.13	35.30	20.63	7.02	14.84
2-Sep-15	104.23	159.58	117.64	86.88	35.31	20.63	7.00	14.76
3-Sep-15	104.69	160.08	117.56	86.90	35.10	20.56	6.97	14.68
28 Aug-3 Sep	104.10	160.04	117.18	86.26	35.19	20.60	7.01	14.81

* Units of currency per Kenya Shilling

Source: Central Bank of Kenya

The Nairobi Securities Exchange (NSE)

The NSE recorded mixed performance across key market indicators in the week ending 3rd September 2015.

Equities Market

The prices of quoted shares improved with the NSE 20 Share Index and NASI rising by 1.78 percent and 5.41 percent, respectively. Meanwhile, equity turnover declined by 17.81 percent due to a 21.1 percent drop in the volume of shares traded. Shareholders' wealth measured by market capitalisation gained 8.06 percent during the week under review (**Table 4**).

TABLE 4: KEY WEEKLY MARKET STATISTICS

INDICATOR	23-Jul-15	30-Jul-15	06-Aug-15	13-Aug-15	20-Aug-15	27-Aug-15	03-Sep-15	Wkly Change
NASI 100= 2008	154.25	150.95	146.43	153.38	150.42	137.51	144.95	5.41%
NSE 20 Share Index 100= 1996	4,539.47	4,487.38	4,350.70	4,495.52	4,429.87	4,080.83	4,153.31	1.78%
Number of Deals	7,489.00	6,797.00	7,751.00	7,517.00	7,838.00	7,410.00	7,343.00	-0.90%
Total Shares Traded	123.65	98.96	286.63	100.59	184.66	135.34	106.78	-21.10%
Equity Turnover (Ksh. Millions)	3,236.69	2,280.28	6,930.15	2,806.07	5,973.23	4,036.50	3,317.80	-17.81%
Market Capitalization (Ksh. Bn.)	2,160.06	2,113.79	2,050.22	2,147.80	2,109.49	1,931.10	2,086.82	8.06%
Bonds Turnover (Ksh. Millions)	1,504.51	4,088.10	9,773.41	2,396.45	4,294.75	2,654.06	7,126.55	168.51%
FTSE NSE Kenya 15 Index	205.23	197.85	190.31	199.07	193.90	183.66	187.08	1.86%
FTSE NSE Kenya 25 Index	204.71	197.39	188.92	198.08	192.97	183.15	186.61	1.89%
FTSE NSE Bond Index	91.80	91.68	91.58	91.33	91.17	91.30	90.91	-0.43%

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 performance of 15 largest companies by market capitalization and 25 most liquid stocks at the NSE, rose by 1.86 percent and 1.89 percent respectively in the week. The FTSE Government Bond Index declined by 0.43 percent, reflecting a marginal increase in secondary market yields.

The Telecommunication and Technology sector accounted for 40.09 percent of total shares traded while Banking and Investment sectors accounted for 33.42 percent and 6.1 percent of total shares traded, respectively. The Agricultural sector was the least active with 87,400 shares traded.

Bonds Market

The bond's turnover rose by 168.51 percent to KSh 7,126.55 million from KSh 2654.06 million of the previous week, perhaps a portfolio realignment given the turbulence in the equities markets.

5: PERFORMANCE OF TREASURY BILL AUCTIONS

91-Day Treasury Bills							
Date of Auction	23-Jul-15	30-Jul-15	06-Aug-15	13-Aug-15	20-Aug-15	27-Aug-15	03-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
Bids received (Ksh M)	1,726.4	1,364.0	2,142.5	2,193.2	1,824.5	3,220.8	1,326.2
Amount Accepted (Ksh M)	1,243.4	871.2	688.9	1,706.9	1,822.4	3,213.3	1,316.0
Maturities (Ksh M)	1,062.9	366.7	1,526.5	593.0	2,713.0	722.8	3,177.6
Average interest Rate (%)	11.5	11.5	11.6	11.5	11.6	11.5	11.5
182-Day Treasury Bills							
Date of Auction	22-Jul-15	29-Jul-15	05-Aug-15	12-Aug-15	19-Aug-15	26-Aug-15	02-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
Bids received (Ksh M)	1,063.1	864.7	721.1	2,524.3	718.4	1,240.9	1,742.7
Amount Accepted (Ksh M)	600.0	402.7	212.6	2,512.9	254.3	757.1	1,742.7
Maturities (Ksh M)	3,432.7	1,528.4	4,402.8	4,254.1	955.2	5,169.0	4,735.4
Average interest Rate (%)	12.4	11.9	11.8	11.9	12.3	12.4	12.3
364-Day Treasury Bills							
Date of Auction	22-Jul-15	29-Jul-15	05-Aug-15	12-Aug-15	19-Aug-15	26-Aug-15	02-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
Bids received (Ksh M)	769.7	2,146.7	6,955.3	4,056.8	2,088.6	1,888.9	1,274.0
Amount Accepted (Ksh M)	342.1	1,719.2	5,132.7	3,851.4	1,659.2	1,459.5	1,274.0
Maturities (Ksh M)	4,088.1	1,149.0	5,522.3	7,656.9	956.7	3,424.7	5,354.9
Average interest Rate (%)	13.0	13.5	13.1	13.0	13.0	13.8	14.0
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	

TABLE 6: GOVERNMENT DOMESTIC DEBT (KSH BILLION)

	3rd July 2015	10th July 2015	17th July 2015	24th July 2015	31st July 2015	7th August 2015	14th August 2015	21st August 2015	28th August 2015
1. Treasury Bills (Excluding Repos)	318.82	314.64	308.05	305.26	298.86	299.05	294.33	290.58	289.97
(As % of total securities)	23.54	23.30	22.91	22.76	22.19	22.20	21.92	21.71	21.77
2. Treasury Bonds	1035.71	1035.71	1036.71	1035.71	1048.17	1048.17	1048.17	1048.17	1041.80
(As % of total securities)	76.46	76.70	77.09	77.24	77.81	77.80	78.08	78.29	78.23
3. Total Securities (1+2)	1,354.53	1,350.35	1,344.76	1,340.96	1,347.03	1,347.22	1,342.50	1,338.75	1,331.76
4. Overdraft at Central Bank	34.98	39.30	37.73	32.12	41.68	30.37	35.88	29.14	36.76
5. Other Domestic debt*	29.04	29.05	28.27	29.27	29.27	29.27	29.85	29.86	29.85
6. Gross Domestic Debt (3+4+5)	1,418.55	1,418.69	1,410.76	1,402.35	1,417.99	1,406.85	1,408.23	1,397.75	1,398.37

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

Source: Central Bank of Kenya

TABLE 7: COMPOSITION OF GOVERNMENT DEBT BY INSTRUMENT

	03-Jul-15	10-Jul-15	17-Jul-15	24-Jul-15	31-Jul-15	07-Aug-15	14-Aug-15	21-Aug-15	28-Aug-15
Treasury bills (Excluding Repos)	22.5	22.2	21.8	21.8	21.1	21.3	20.9	20.8	20.7
Treasury bonds	73.0	73.0	73.5	73.9	73.9	74.5	74.4	75.0	74.5
CBK Overdraft to Govt	2.5	2.8	2.7	2.3	2.9	2.2	2.5	2.1	2.6
Other domestic debt	2.0	2.0	2.0	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

Source: Central Bank of Kenya

TABLE 8: COMPOSITION OF GOVERNMENT DEBT BY HOLDER

	03-Jul-15	10-Jul-15	17-Jul-15	24-Jul-15	31-Jul-15	07-Aug-15	14-Aug-15	21-Aug-15	28-Aug-15
Banking Institutions	55.9	55.9	57.1	57.1	57.8	57.4	57.6	57.0	57.3
Insurance Companies	9.0	9.0	9.1	9.1	9.2	9.2	8.8	9.1	8.8
Parastatals	3.4	3.4	3.5	3.5	3.5	3.7	4.1	4.1	4.3
Pension funds	24.9	24.9	24.9	25.1	25.3	25.5	25.3	25.6	25.2
Other investors	6.8	6.8	5.5	5.2	4.2	4.2	4.2	4.3	4.3
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)

	11-Jun-15	18-Jun-15	25-Jun-15	02-Jul-15	09-Jul-15	16-Jul-15	23-Jul-15	30-Jul-15	06-Aug-15	13-Aug-15	20-Aug-15	27-Aug-15	03-Sep-15
1. CBK Usable Foreign Exchange Reserves (USD Mn)*	6,735	6,788	6,720	6,658	6,623	6,545	6,448	6,434	6,400	6,390	6,386	6,392	6,392
2. CBK Usable Foreign Exchange Reserves (Months of Import Cover)**	4.26	4.29	4.25	4.21	4.19	4.14	4.08	4.07	4.06	4.05	4.05	4.05	4.05

*Excludes Encumbered Reserves

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

Source: Central Bank of Kenya