



JANUARY 2, 2015

Highlights

Overall 12-month inflation eased from 6.09 percent in November 2014 to 6.02 percent in December 2014 and remained within the target of ± 250 basis points from the 5 percent medium term target. Non-food non-fuel inflation which measures the impact of monetary policy also eased by 12.1 basis points from 3.77 percent in November 2014 to 3.65 percent in December 2014.

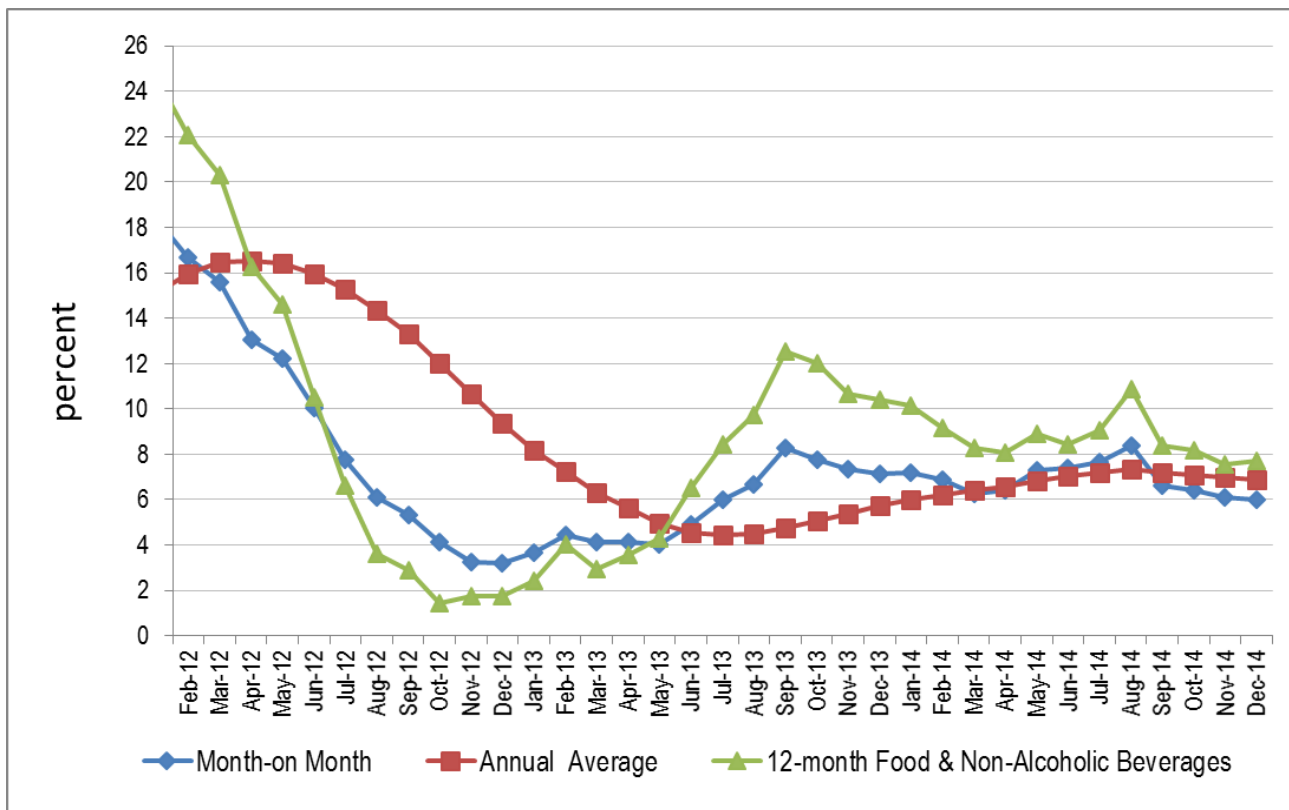
The money market was relatively liquid during the week ending December 31, 2014 largely on account of end month Government payments, net redemption of Government securities and maturities of OMO term auction deposits (TAD). The average interbank rate increased marginally to 7.46 percent in the week ending December 31, 2014 from 7.23 percent recorded in the previous week.

The capital markets closed the year 2014 with strong performance across all key market indicators in both the bonds and equities segments save for Bonds turnover.

Inflation

Overall 12-month inflation eased from 6.09 percent in November 2014 to 6.02 percent in December 2014. (Chart A). The decline in the overall inflation in December 2014 is largely attributed to lower fuel inflation. Fuel inflation eased from 6.37 percent in November 2014 to 5.98 percent in December 2014 reflecting a fall in the retail price of kerosene, diesel and petrol. Non-food non-fuel inflation also eased from 3.77 percent in November 2014 to 3.65 percent in December 2014. Food inflation however, rose from 7.39 percent in November 2014 to 7.54 percent in December 2014. This reflects the 12-month change in the 'food and non-alcoholic beverages' index, which rose from 7.54 percent in November 2014 to 7.71 percent in December 2014.

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 December 31, 2014 largely on account of end month Government payments, net redemption of Government securities and maturities of OMO term auction deposits (TAD). The Central Bank liquidity management resulted in net liquidity injection of Ksh 1.1 billion (Table 1). The excess reserves largely comprised of bank balances at Central Bank held to service cash demand during the festive season and to improve on the deficiency in the average CRR position of banks since the beginning of the CRR cycle.

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

	25-Dec-14	26-Dec-14	29-Dec-14	30-Dec-14	31-Dec-14	Total
Liquidity Flows						
Total liquidity injection			21.8	20.4	7.1	49.4
Repos Maturities			0.0	0.0	0.0	0.0
Reverse Repo Purchases			0.0	0.0	0.0	0.0
Term Auction Deposit maturities			2.7	4.2	0.0	6.9
T/bills redemptions			8.5	0.0	0.0	8.5
T/bonds redemptions			0.0	0.0	0.0	0.0
Govt payments			8.4	16.3	7.1	31.7
Total liquidity reduction			5.8	8.1	2.6	16.6
T/bills (Primary issues)			3.7	0.0	0.0	3.7
Tbonds Sales			0.0	5.8	0.0	5.8
Repos			0.0	0.0	0.0	0.0
Term Auction Deposit			0.0	0.0	0.0	0.0
Transfer from Banks - Taxes			2.2	2.3	2.6	7.1
Net liquidity injection (+)/Withdrawal (-)			16.0	12.3	4.5	32.8
Open Market Operations Outcome						
Posted Amount			0.0	10.0	0.0	10.0
Realised Amount			0.0	5.8	0.0	5.8
Repo (-)			0.0	5.8	0.0	5.8
Term Auction Deposits (-)			0.0	0.0	0.0	0.0
Reverse Repo (+)			0.0	0.0	0.0	0.0
Reserve Money Position						Average
Reserve money (actual)			361.8	374.1	379.5	371.8
Reserve money target			353.7	353.7	353.7	353.7
Deviation from target			8.1	20.4	25.8	18.1
Commercial banks excess reserves Exc(+)/ Short(-)			20.9	35.6	44.3	33.6
Cash outside bank Exc(+)/ Short(-)			-12.8	-15.2	-18.5	-15.5

Source: Central Bank of Kenya

Interbank Rates

The average interbank rate increased to 7.46 percent in the week ending December 31, 2014 from 7.23 percent recorded in the previous week. The volume transacted declined to Ksh 16.8 billion from Ksh 19.2 billion traded in the previous week while the number of deals decreased to 47 from 60 deals (Table 2 and Chart A).

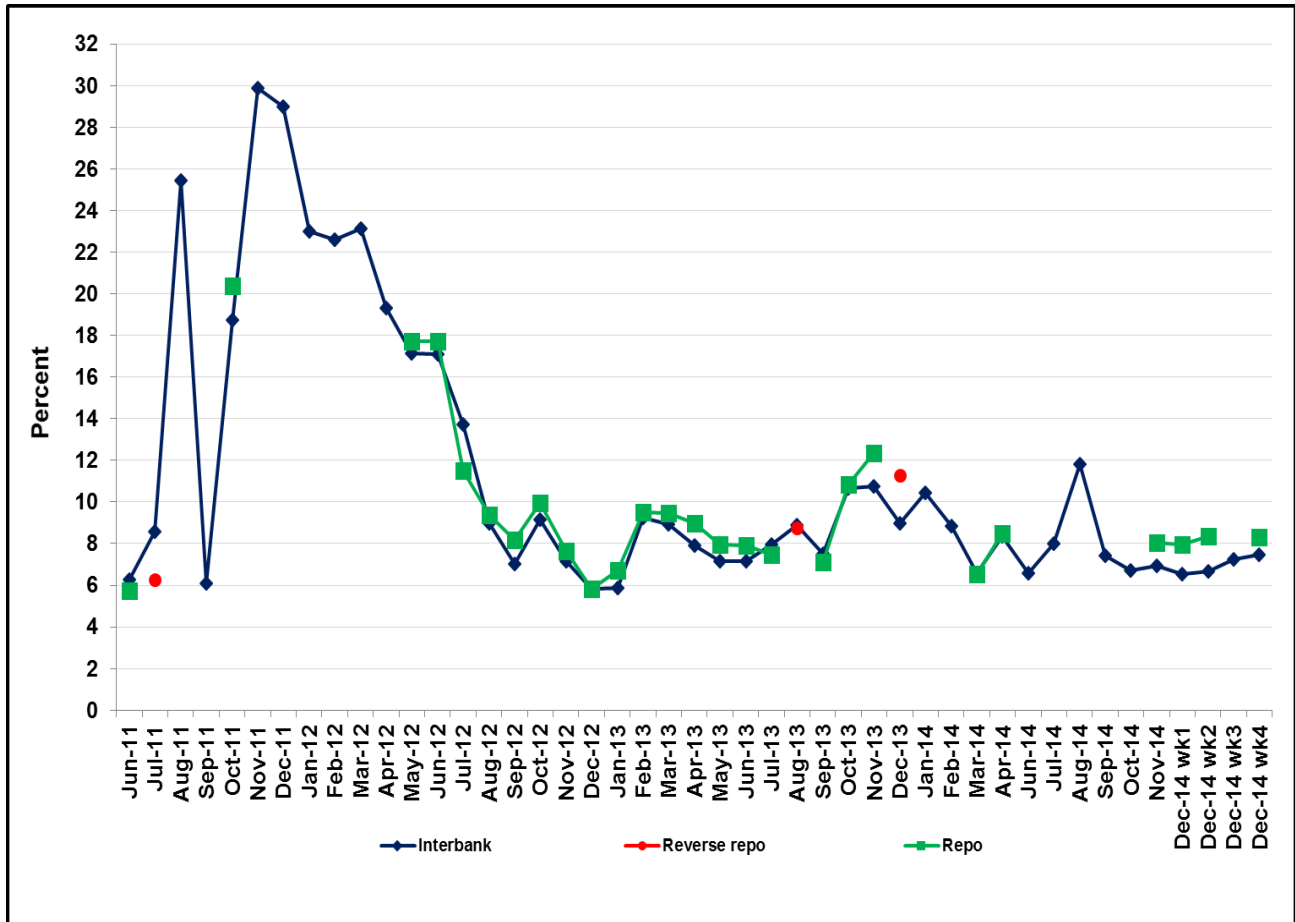
TABLE 2: OPEN MARKET OPERATIONS (KSH BILLION)

Date	Number of deals	Value (Ksh M)	Average Interest Rate (%)
18-Dec-14	51	17,669	6.93
19-Dec-14	64	20,455	7.03
22-Dec-14	59	19,095	7.24
23-Dec-14	61	19,006	7.37
24-Dec-14	63	19,555	7.58
December 18, 2014 - December 24, 2014	60	19,156	7.23
25-Dec-14	HOLIDAY		
26-Dec-14	HOLIDAY		
29-Dec-14	45	14,470	7.62
30-Dec-14	46	19,695	7.51
31-Dec-14	50	16,305	7.24
December 25, 2014 - December 31, 2014	47	16,823	7.46

Source: Central Bank of Kenya

The average repo rate decreased to 7.97 percent in the week ending December 31, 2014 from 8.03 percent in the previous week (Chart A).

CHART B: STRUCTURE OF INTEREST RATES

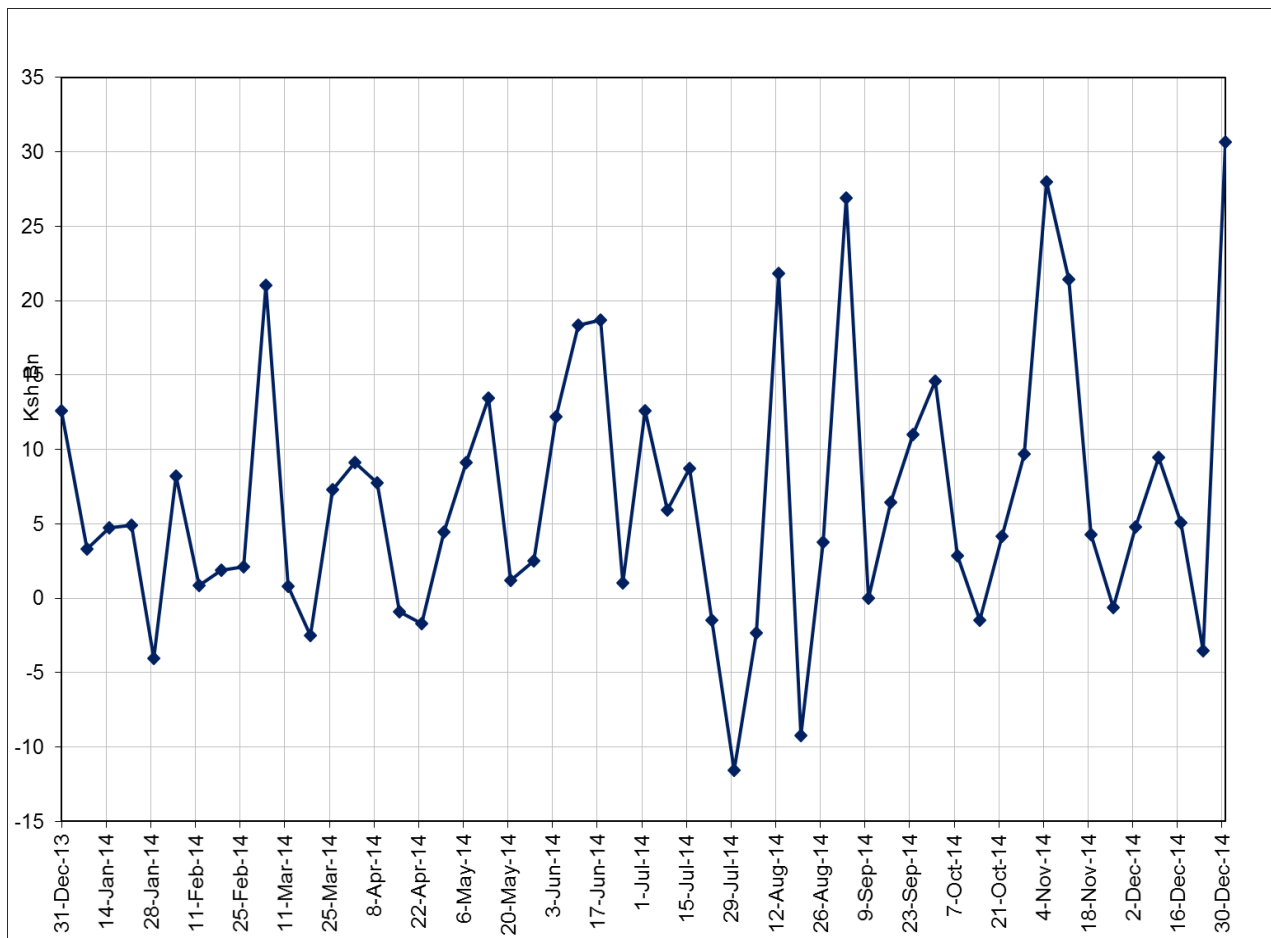


Source: Central Bank of Kenya

Commercial Banks Clearing Account Balances

Commercial banks’ clearing account balance during the week ending December 31, 2014, was at a surplus of Ksh 30.7 billion in relation to the cash reserve requirement of 5.25 percent (Ksh 115.6 billion) compared with a deficit of Ksh 3.5 billion recorded in the previous week (Chart B). The increase is attributed to improved liquidity in the money market.

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 depicted a mixed performance against both international currencies and the EAC currencies during the week ending December 31, 2014. The shilling weakened to the US Dollar, but strengthened against the Euro, the Pound Sterling and the Japanese Yen.

In the EAC region, the Kenya Shilling strengthened to the Uganda shilling, the Rwanda Franc and the Burundi Franc, but weakened against the Tanzania shilling during the period under review (Table 3).

TABLE 3: KENYA SHILLING EXCHANGE RATE

	US dollar	Sterling Pound	Euro	Japanese Yen	USHS	TSHS	RWF	BIF
19-Dec-14	90.48	141.61	111.09	75.81	30.72	18.73	7.61	17.35
22-Dec-14	90.43	141.48	110.68	75.66	30.62	18.74	7.62	17.32
23-Dec-14	90.38	140.89	110.55	75.23	30.63	18.74	7.61	17.21
24-Dec-14	90.50	140.55	110.27	75.22	30.53	19.03	7.60	17.35
19 -24 Dec 2014	90.45	141.13	110.65	75.48	30.63	18.81	7.61	17.31
29-Dec-14	90.57	141.10	110.67	75.30	30.50	18.98	7.60	17.17
30-Dec-14	90.71	140.81	110.13	75.40	30.63	19.02	7.60	17.31
31-Dec-14	90.60	140.95	110.17	75.30	30.57	19.10	7.61	17.17
29 -31 Dec 2014	90.62	140.95	110.32	75.33	30.57	19.03	7.60	17.22

Source: Central Bank of Kenya

The Nairobi Securities Exchange

Except for the bonds turnover, all other leading market indicators in both equity and bonds segments recorded strong gains in the week ended December 31, 2014 compared to the previous week's performance.

Equities Market

Average stock prices closed the last week of 2014 higher as reflected in the NSE 20 Share Index, which rose 4.19 percent, NASI added 2.38 percent and shareholders' wealth measured by market capitalization grew by 2.39 percent. Equity turnover increased by 96.69 percent supported by strong price gains and 15.57 percent increase in shares traded (Table 4).

TABLE 4: KEY WEEKLY MARKET STATISTICS

INDICATOR	20-Nov-14	27-Nov-14	4-Dec-14	10-Dec-14	18-Dec-14	23-Dec-14	31-Dec-14	Wkly Change
NASI 100= 2008	162.07	163.77	165.84	165.58	157.56	159.10	162.89	2.38%
NSE 20 Share Index 100= 1996	5,145.28	5,132.26	5,169.88	5,135.97	4,957.52	4,907.27	5,112.65	4.19%
Number of Deals	10,206	11,058	10,046	1,657	10,184	5,134	6,492	26.45%
Total Shares Traded (in Millions)	204.81	131.36	217.97	128.49	222.64	147.11	170.02	15.57%
Equity Turnover (Ksh. Millions)	3,711.16	3,843.14	5,710.13	3,657.26	7,566.44	4,900.28	9,638.54	96.69%
Market Capitalization (Ksh. Bn.)	2,290.40	2,314.46	2,344.85	2,329.56	2,224.56	2,246.43	2,300.05	2.39%
Bonds Turover (Ksh. Millions)	15,664.70	8,036.76	13,566.05	9,023.81	8,699.40	10,376.40	5,771.05	-44.38%
FTSE NSE Kenya 15 Index	210.63	213.93	216.59	219.26	211.38	208.57	217.76	4.41%
FTSE NSE Kenya 25 Index	211.32	215.41	216.25	220.85	212.82	209.65	218.7	4.32%
FTSE NSE Bond Index	93.1	93.2	93.76	93.04	93.52	92.9	93.31	0.44%

Source: Nairobi Securities Exchange

FTSE NSE Kenya Price 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 4.41 percent higher while the FTSE NSE Kenya 25 Index, which measures 25 most liquid stocks at the NSE, rose by 4.32 percent over last week's level. The FTSE Government Bond Index closed the week 0.44 percent higher, reflecting marginal declines in yields in the secondary market.

Manufacturing and Allied, Insurance and Telecommunication and Technology sectors were the top three most active, representing 33.5 percent, 21.6 percent and 21.7 percent of the total shares traded, respectively. Automobiles and Accessories sector was least active, with 81,100 shares traded in the period.

The Bond Market

The bond's turnover declined by 44.38 percent to Ksh 5,771.05 million from Ksh 10,376.40 million in the previous week. The number of deals however increased to 72 from the 41 deals traded last week. This could be attributed to absence of major institutional investors/traders on account of the festive season.

TABLE 5: PERFORMANCE OF TREASURY BILL AUCTIONS

91-Day Treasury Bills							
Date of Auction	20-Nov-14	27-Nov-14	4-Dec-14	11-Dec-14	18-Dec-14	24-Dec-14	31-Dec-14
Amount offered (Ksh M)	3,000.00	3,000.00	3,000.00	3,000.00	3,000.00	3,000.00	3,000.00
Bids received (Ksh M)	4,502.93	2,353.75	2,674.88	1,995.21	1,625.12	767.20	3,482.97
Amount Accepted (Ksh M)	4,502.93	1,131.09	1,448.25	1,975.66	1,625.12	767.20	3,482.97
Maturities (Ksh M)	1,267.80	1,075.55	1,152.48	3,218.45	2,272.25	4,458.55	3,375.80
Average interest Rate (%)	8.597	8.605	8.615	8.595	8.513	8.571	8.532
182-Day Treasury Bills							
Date of Auction	19-Nov-14	26-Nov-14	3-Dec-14	10-Dec-14	17-Dec-14	24-Dec-14	31-Dec-14
Amount offered (Ksh M)	4,000.00	4,000.00	4,000.00	4,000.00	4,000.00	4,000.00	4,000.00
Bids received (Ksh M)	1152.28	4226.59	863.01	1155.84	1089.93	1998.94	2427.11
Amount Accepted (Ksh M)	1152.28	4226.59	863.01	1155.84	1089.93	1523.82	2427.11
Maturities (Ksh M)	695.6	3576.25	492.69	6787.35	2873.2	4262.8	4108.15
Average interest Rate (%)	9.201	9.286	9.318	9.450	9.517	9.855	10.048
364-Day Treasury Bills							
Date of Auction	19-Nov-14	26-Nov-14	3-Dec-14	10-Dec-14	17-Dec-14	24-Dec-14	31-Dec-14
Amount offered (Ksh M)	5,000.00	5,000.00	5,000.00	5,000.00	5,000.00	5,000.00	5,000.00
Bids received (Ksh M)	4098.14	2345.52	4291.11	4375.51	4888.85	1546.94	3371.33
Amount Accepted (Ksh M)	4098.14	4098.14	3811.25	4375.51	3988.51	1370.48	2695.98
Maturities (Ksh M)	2880.55	2880.55	3170.82	3049.5	111.9	80.8	3119.25
Average interest Rate (%)	10.244	11.244	10.285	10.388	10.388	10.575	10.687
Treasury Bonds							
Date of Auction	12-Nov-14			17-Dec-14			
Tenor	15 year Fxd		2 year Fxd	15 year Fxd			
Amount offered (Ksh M)	15000			20000			
Bids received (Ksh M)	11897.41		13113.27	13900.02			
Amount Accepted (Ksh M)	10708.89		8905.12	11920.73			
Maturities (Ksh M)	0			20774			
Average interest Rate (%)	12.422		10.890	12.766			

Source: Central Bank of Kenya

TABLE 6: GOVERNMENT DOMESTIC DEBT (KSH BILLION)

	7th November 2014	14th November 2014	21st November 2014	28th November 2014	5th December 2014	11th December 2014	19th December 2014	24th December 2014
1. Treasury Bills (Excluding Repos)	283.17	293.02	296.60	302.00	298.02	299.40	294.39	296.33
(As % of total securities)	23.29	23.76	24.67	24.05	23.81	23.89	23.58	23.68
2. Treasury Bonds	932.89	939.98	905.87	953.70	953.70	953.70	953.97	955.00
(As % of total securities)	76.71	76.24	75.33	75.95	76.19	76.11	76.42	76.32
3. Total Securities (1+2)	1,216.06	1,232.99	1,202.47	1,255.70	1,251.71	1,253.10	1,248.36	1,251.33
4. Overdraft at Central Bank	19.78	10.85	11.09	16.49	18.46	17.62	23.58	30.08
5. Other Domestic debt*	30.60	29.99	65.70	30.01	30.00	30.01	29.74	30.00
6. Gross Domestic Debt (3+4+5)	1,266.44	1,273.84	1,279.26	1,302.20	1,300.17	1,300.73	1,301.68	1,311.41

* 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

	7-Nov-14	14-Nov-14	21-Nov-14	28-Nov-14	5-Dec-14	11-Dec-14	19-Dec-14	24-Dec-14
Treasury bills (Excluding Repos)	22.4	23.0	23.2	23.2	22.9	23.0	22.6	22.6
Treasury bonds	73.7	73.8	70.8	73.2	70.5	73.3	73.3	72.8
CBK Overdraft to Govt	1.6	0.9	0.9	1.3	1.4	1.4	1.8	2.3
Other domestic debt	2.4	2.4	5.1	2.3	5.2	2.3	2.3	2.3
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

	7-Nov-14	14-Nov-14	21-Nov-14	28-Nov-14	5-Dec-14	11-Dec-14	19-Dec-14	24-Dec-14
Banking Institutions	52.9	52.8	53.3	53.6	53.7	53.7	54.0	54.3
Insurance Companies	10.1	10.1	10.0	9.9	9.9	9.9	9.9	9.9
Parastatals	2.9	2.8	2.8	2.8	2.8	2.8	2.8	2.8
Pension funds	24.8	24.8	24.4	24.5	24.3	24.3	24.0	23.9
Other investors	9.3	9.4	9.4	9.3	9.3	9.3	9.3	9.2
Total	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)

CBK Weekly Statistical Bulletin of Key Monetary and Financial Indicators

	6-Nov-14	13-Nov-14	20-Nov-14	27-Nov-14	4-Dec-14	11-Dec-14	18-Dec-14	24-Dec-14	31-Dec-14
1. CBK Usable Foreign Exchange Reserves (USD Mn)*	7,035	7,011	6,961	6,901	6,837	6,789	6,731	7,515	7,425
2. CBK Usable Foreign Exchange Reserves (Months of Import Cover)**	4.59	4.58	4.54	4.50	4.46	4.43	4.39	4.90	4.85

*Excludes Encumbered Reserves

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

Source: Central Bank of Kenya