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Highlights

Overall 12-month inflation declined from 7.8 percent in January 2016 to 6.8 percent in February 2016 on account of a decline of food and fuel inflation.

The money market was relatively liquid during the week ending March 2, 2016. The average interbank rate declined to 3.96 percent in the week ending March 2, 2016 from 4.16 percent in the previous week.

The capital market recorded improved performance in the week ending March 3, 2016.

Inflation

Overall 12-month inflation declined from 7.8 percent in January 2016 to 6.8 percent in February 2016 (**Chart A**). This decline is largely reflected in food and fuel inflation.

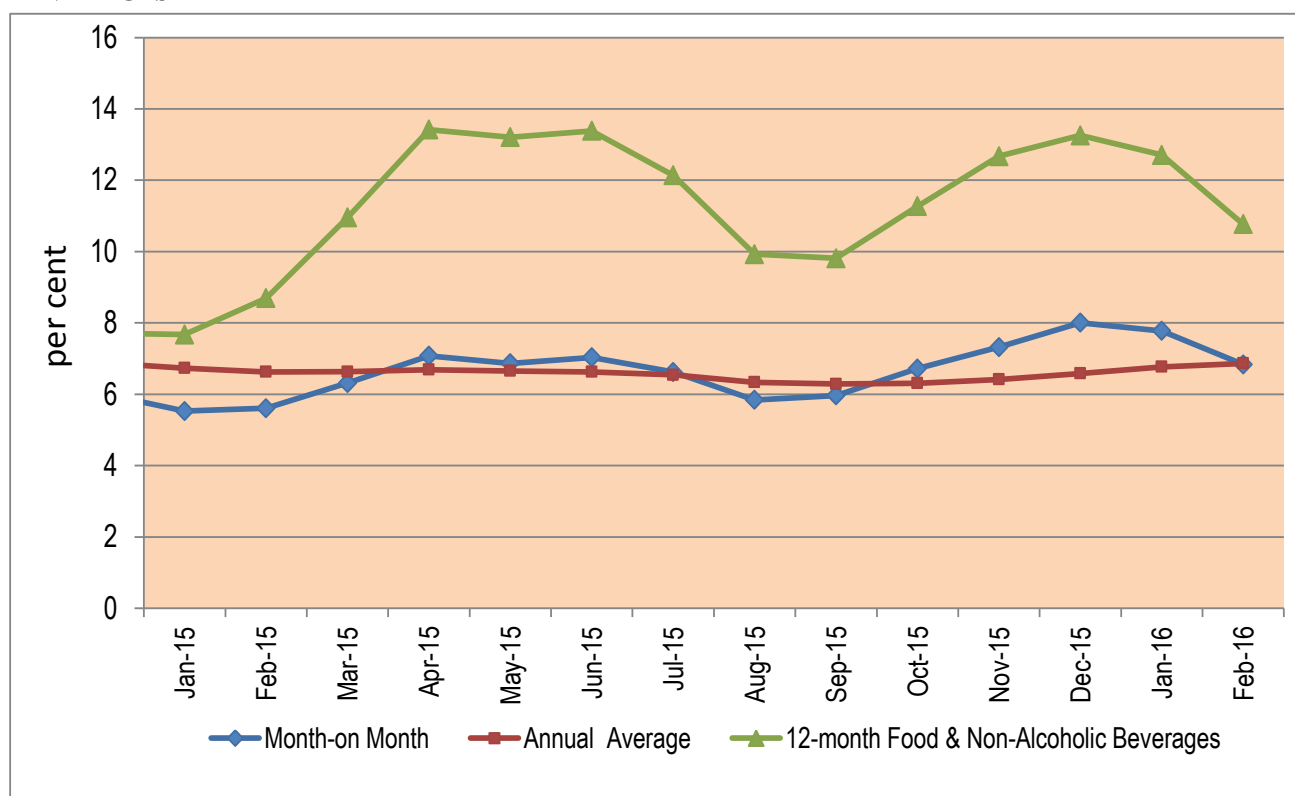
Food inflation eased by 170 basis points to 10.28 percent in February 2016 from 11.98 percent in January 2016, largely on account of improved weather conditions and the harvest period of some food items. The 'Food and Non-Alcoholic Beverages' category contributed 9.66 percentage points to food inflation while the 'Restaurants and Hotels' contributed 0.62 percentage points.

Fuel inflation eased by 116 basis points to 1.72 percent from 2.88 percent, due to decreased prices of cooking fuels and the continued effect of low fuel prices. In the 'Housing, Water, Electricity, Gas and Other Fuels' category, house rents (one room) contributed 0.37 percentage points to overall inflation in February 2016 from 0.35 percentage points in January 2016, reflecting the continued rent

adjustments that come at the beginning of the year. Kerosene and cooking gas exerted downward pressure on inflation of 0.01 percentage points and 0.11 percentage points respectively, supported by the low international oil prices. In the ‘Transport’ category, petrol prices exerted upward pressure of 0.03 percentage points on overall inflation while diesel exerted downward pressure of 0.02 percentage points.

Non-food non-fuel inflation (NFNF) increased by 40 basis points from 5.49 percent in January 2016 to 5.89 percent in February 2016. The contributions of all components of NFNF inflation to overall inflation increased in February 2016.

CHART A: MONTH-ON-MONTH ANNUAL AVERAGE AND 12-MONTH FOOD & NON-ALCOHOLIC BEVERAGES



Source: Central Bank of Kenya

Monetary Policy Operations

The money market was relatively liquid during the week ending March 2, 2016. Liquidity injections through government payments and net OMO action was partially offset by withdrawals through net issue of government securities in the primary market and tax remittances by commercial banks (**Table 1**).

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

	25-Feb-16	26-Feb-16	29-Feb-16	1-Mar-16	2-Mar-16	Total
Liquidity Flows						
Total liquidity injection	2.2	16.4	30.7	17.3	14.0	80.6
Repos Maturities	0.0	10.0	0.0	0.0	0.0	10.0
Reverse Repo Purchases	0.0	0.0	4.3	0.0	4.8	9.0
Term Auction Deposit maturities	0.0	2.0	0.0	5.2	0.0	7.2
T/bills redemptions	0.0	0.0	12.4	0.0	0.0	12.4
T/bills rediscounts	0.0	0.0	0.0	0.0	0.0	0.0
T/bonds redemptions	0.0	0.0	0.0	0.0	0.0	0.0
T/bonds Interest	0.0	0.0	0.0	0.0	0.0	0.0
T/bonds rediscounts	0.0	0.0	0.0	0.0	0.0	0.0
Govt payments	2.2	2.3	11.5	8.0	7.2	31.2
Total liquidity reduction	2.1	4.5	58.4	2.2	7.3	74.6
T/bills (Primary issues)	0.0	0.0	20.9	0.0	0.0	20.9
Tbonds Sales	0.0	0.0	30.3	0.0	0.0	30.3
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	4.6	0.0	4.6	9.2
Term Auction Deposit	0.0	0.0	0.0	0.0	0.0	0.0
Transfer from Banks -Taxes	2.1	4.4	2.6	2.2	1.8	13.1
Net liquidity injection (+)/Withdrawal (-)	0.1	11.9	-27.8	15.1	6.7	6.0
Open Market Operations Outcome						
Posted Amount	0.0	0.0	5.0	0.0	5.0	10.0
Realised Amount	0.0	0.0	4.3	0.0	4.8	9.0
Repo (-)	0.0	0.0	0.0	0.0	0.0	0.0
Term Auction Deposits (-)	0.0	0.0	0.0	0.0	0.0	0.0
Reverse Repo (+)	0.0	0.0	4.3	0.0	4.8	9.0
Reserve Money Position						
Reserve money (actual)	370.2	385.3	355.5	368.7	375.5	

Source: Central Bank of Kenya

Activity in the Interbank Market

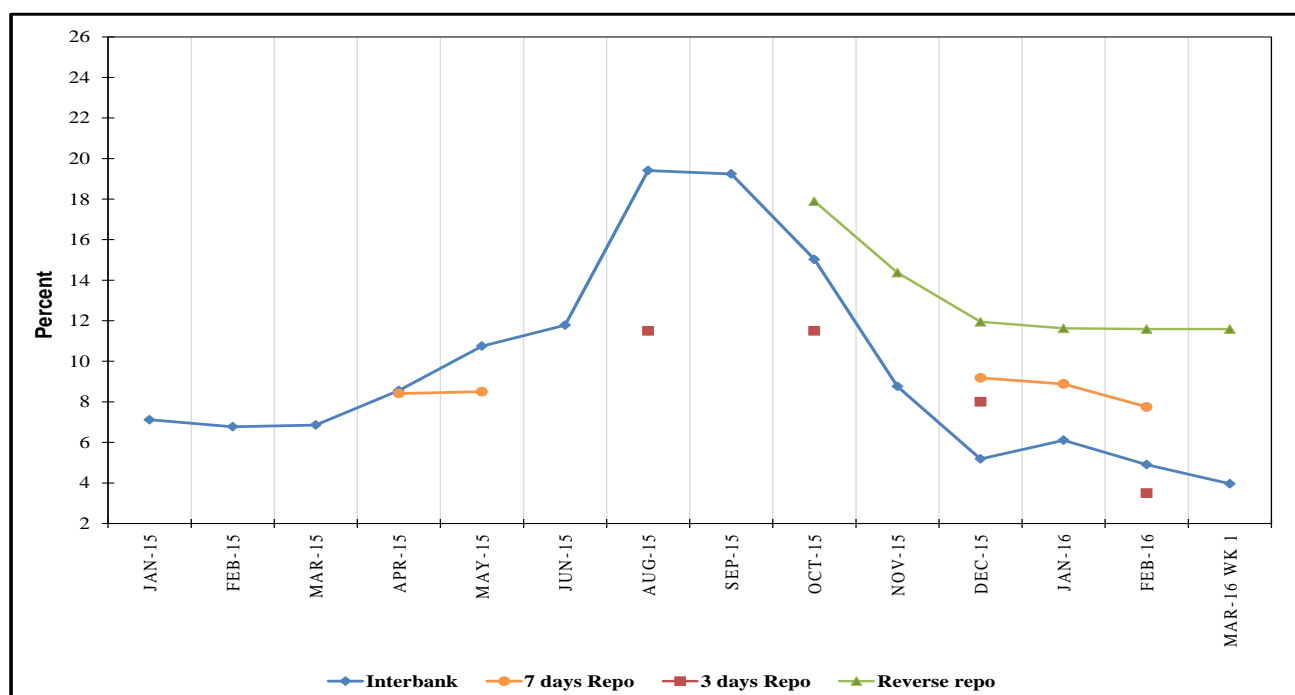
The average interbank rate declined to 3.96 percent in the week ending March 2, 2016 from 4.16 percent in the previous week, while the volumes traded and the number of deals increased. The Reverse repo rate stabilized at 11.59 percent (Table 2 and Chart B).

TABLE 2: OPEN MARKET OPERATIONS (KSH MILLION)

Date	Number of deals	Value (Ksh M)	Average Interbank Rate (%)	Reverse Repo Rate (%)
18-Feb-16	34	14,750	4.73	
19-Feb-16	34	15,580	4.42	
22-Feb-16	35	12,265	4.17	11.63
23-Feb-16	35	16,785	3.75	
24-Feb-16	35	12,186	3.74	11.55
February 18, 2016 - February 24, 2016	35	14,313	4.16	11.59
25-Feb-16	35	14,101	3.77	
26-Feb-16	50	21,440	3.71	
29-Feb-16	56	26,225	3.91	11.61
1-Mar-16	45	17,302	4.09	
2-Mar-16	36	12,580	4.32	11.58
February 25, 2016 - March 2, 2016	44	18,330	3.96	11.59

Source: Central Bank of Kenya

CHART B: STRUCTURE OF SHORT-TERM INTEREST RATES

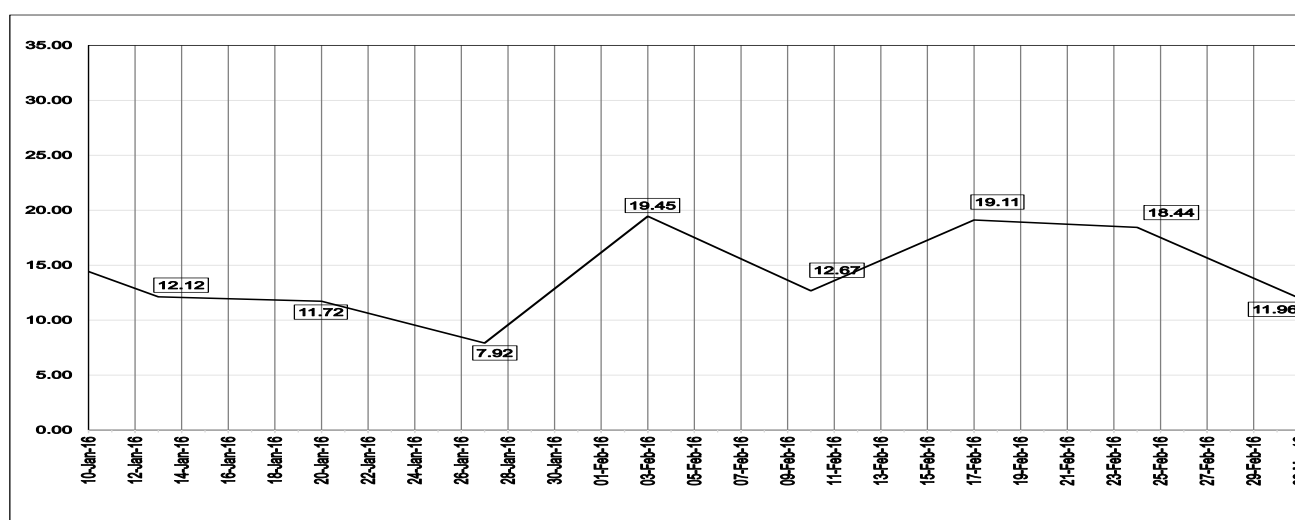


Source: Central Bank of Kenya

Commercial Banks Clearing Account Balances

Commercial banks’ daily free reserves based on the cash reserve requirement of 5.25 percent averaged KSh 11.96 billion in the week ending March 2, 2016 compared to KSh 18.44 billion recorded in the previous week (**Chart B**). The reduction is attributed to commercial banks’ active participation in the government securities market on February 29, 2016

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 strengthened against all major international currencies but showed mixed performance against regional currencies during the week ending March 3, 2016. In the EAC region, the Kenya Shilling strengthened against the Tanzania Shilling and Rwanda Franc but weakened against the Uganda Shilling and remained unchanged against the Burundi Franc.

TABLE 3: KENYA SHILLING EXCHANGE RATE

	USD	Sterling Pound	Euro	100 Japanese Yen	USHS*	TSHS*	RWF*	BIF*
19th-Feb-2016	101.79	146.28	112.85	89.44	33.65	21.49	7.41	15.34
22nd-Feb-2016	101.81	145.29	113.01	89.46	33.72	21.49	7.33	15.32
23rd-Feb-2016	101.80	143.33	112.12	89.96	33.72	21.50	7.33	15.36
24th-Feb-2016	101.79	143.59	112.02	90.69	33.45	21.51	7.41	15.40
25th-Feb-2016	101.78	141.76	111.79	91.10	33.41	21.50	7.33	15.28
19th-25th Feb 2016	101.80	144.05	112.36	90.13	33.59	21.50	7.36	15.34
26th-Feb 2016	101.78	142.44	112.49	90.37	33.01	21.51	7.52	15.10
29th-Feb 2016	101.70	141.56	111.48	89.48	32.97	21.51	7.34	15.33
1st-March 2016	101.67	141.35	110.77	90.11	32.89	21.53	7.53	15.52
2nd -March 2016	101.57	141.71	110.29	89.27	32.84	21.54	7.47	15.32
3rd-March 2016	101.40	142.13	109.95	89.00	32.97	21.59	7.36	15.43
26thFeb-3rd march 2016	101.62	141.84	110.99	89.64	32.94	21.53	7.44	15.34

* Units of currency per Kenya Shilling

Source: Central Bank of Kenya

The Capital Markets

Both equities and bonds market segments recorded improved performance compared to the previous week. However, the Income Real Estate Investment Trusts (I-REITS) segment declined in both turnover and deals.

Equities Market

Equities market capitalization rose by 3.07 percent on account of overall share prices gain as reflected by increases in all the five NSE equities indices. Equity turnover increased in the week under review on account of increased supply of shares (Table 4).

TABLE 4: KEY WEEKLY MARKET STATISTICS

INDICATOR	21-Jan-16	28-Jan-16	04-Feb-16	11-Feb-16	18-Feb-16	25-Feb-16	03-Mar-16	Wkly Change
NASI 100= 2008	137.02	136.92	140.90	140.41	139.96	140.90	145.21	3.06%
NSE 25 Share Index	3,911.82	3,929.46	4,029.43	4,065.90	4,063.63	4,063.38	4,172.71	2.69%
NSE 20 Share Index 100= 1996	3,759.94	3,763.36	3,785.73	3,825.18	3,804.73	3,867.06	3,932.48	1.69%
Number of Deals	7,268.00	6,707.00	6,162.00	6,408.00	5,970.00	5,674.00	7,184.00	26.61%
Total Shares Traded (millions)	112.71	131.64	98.83	85.16	99.54	57.66	99.42	72.42%
Equity Turnover (Ksh. Millions)	3,179.85	3,737.11	3,397.40	3,102.47	2,425.45	1,651.33	2,518.63	52.52%
Market Capitalization (Ksh. Bn.)	1,927.15	1,927.99	1,984.41	1,977.21	1,970.92	1,984.20	2,045.05	3.07%
I-REIT Turnover in (Ksh.Millions)			2.89	2.25	9.97	4.81	2.27	-52.81%
I-REIT in Units - Total Deals			65.00	76.00	86.00	87.00	55.00	-36.78%
Bonds Turnover (Ksh. Millions)	4,761.10	5,176.80	4,666.65	5,010.40	5,517.19	8,662.24	19,249.25	122.22%
FTSE NSE Bond Index	171.40	172.36	179.15	179.42	178.84	178.67	183.30	2.59%
FTSE NSE Kenya 15 Index	172.15	171.40	178.31	179.61	178.63	178.68	184.06	3.01%
FTSE NSE Kenya 25 Index	89.51	89.61	88.3	88.59	88.68	88.82	89.07	0.28%

Source: Nairobi Securities Exchange

FTSE NSE Kenya Index Series, REITS and Most Active Sectors

FTSE NSE Kenya 15 Index and FTSE NSE Kenya 25 Index, which measure performance of 15 largest listed companies by market capitalization and 25 most liquid stocks at the NSE closed the week higher compared to the previous week's performance. The REITSs market segment recorded declines in turnover and deals transacted, which may signal less optimism in the real estate market.

Telecommunication & Technology, Banking and Energy & Petroleum sectors accounted for 86.44 percent of the total shares traded.

Bonds Market Segment

The bonds market recorded improved activity largely due to the re-opening of FXD 1/2015/5yr five year and FXD 1/2012/10yr ten year government bonds.

TABLE 5: PERFORMANCE OF GOVERNMENT SECURITIES

91-Day Treasury Bills						
Date of Auction	26-Nov-15	31-Dec-15	28-Jan-16	18-Feb-16	25-Feb-16	03-Mar-16
Amount offered (Ksh M)	6,000.0	4,000.0	4,000.0	4,000.0	4,000.0	4,000.0
Bids received (Ksh M)	4,478.9	2,089.5	12,409.3	10,445.3	10,996.2	5,130.1
Amount Accepted (Ksh M)	3,992.6	1,340.5	8,151.8	4,537.2	8,363.1	5,128.6
Maturities (Ksh M)	3,298.5	8,120.7	7,187.5	537.1	4,075.0	5,353.7
Average interest Rate (%) - 91 Days	9.2	10.8	11.7	9.9	9.3	9.1
182-Day Treasury Bills						
Date of Auction	25-Nov-15	30-Dec-15	27-Jan-16	17-Feb-16	24-Feb-16	02-Mar-16
Amount offered (Ksh M)	6,000.0	6,000.0	6,000.0	6,000.0	6,000.0	6,000.0
Bids received (Ksh M)	473.9	3,390.4	14,999.9	28,108.9	9,785.8	8,611.7
Amount Accepted (Ksh M)	473.9	2,410.2	7,673.8	11,691.4	5,159.8	6,157.1
Maturities (Ksh M)	390.2	1,235.5	400.3	269.9	815.8	1,848.2
Average interest Rate (%) - 182 days	10.1	12.8	14.4	12.5	11.9	11.3
364-Day Treasury Bills						
Date of Auction	25-Nov-15	30-Dec-15	27-Jan-16	17-Feb-16	24-Feb-16	02-Mar-16
Amount offered (Ksh M)	6,000.0	6,000.0	6,000.0	6,000.0	6,000.0	6,000.0
Bids received (Ksh M)	1,157.9	4,632.9	6,447.7	11,397.2	7,352.2	14,250.0
Amount Accepted (Ksh M)	1,157.9	3,182.1	1,475.3	8,666.5	7,335.1	8,895.8
Maturities (Ksh M)	2,555.4	2,984.2	2,104.5	8,050.4	7,471.0	8,262.7
Average interest Rate (%) - 364 days	11.9	13.3	14.5	13.4	13.3	12.8
Treasury Bonds						
Date of Auction	25-Nov-15	30-Dec-15				
Tenor	5 Year FXD			FXD 1/2015/5	D 1/2012/10	
Amount offered (Ksh M)	20,000.0	16,000.0		25,000.0		
Bids received (Ksh M)	32,997.9	1,474.0		53,854.8		
Amount Accepted (Ksh M)	30,700.4	1,248.0		30,297.2		
Maturities (Ksh M)	9,193.7	0.0		0.0		
Average interest Rate (%)	13.9	14.8		13.9	14.3	

Source: Central Bank of Kenya

TABLE 6: GOVERNMENT DOMESTIC DEBT (KSH BILLION)

CBK Weekly Statistical Bulletin of Key Monetary and Financial Indicators

	27-Nov-15	31-Dec-15	29-Jan-16	12-Feb-16	19-Feb-16	26-Feb-16
1. Treasury Bills (Excluding Repos)	378.05	390.75	378.82	402.45	406.92	420.76
(As % of total securities)	26.43	26.71	26.03	27.21	27.43	28.27
2. Treasury Bonds	1052.45	1,072.32	1,076.60	1,076.60	1,076.60	1,067.83
(As % of total securities)	73.57	73.29	73.97	72.79	72.57	71.73
3. Total Securities (1+2)	1,430.49	1,463.07	1,455.42	1,479.05	1,483.53	1,488.59
4. Overdraft at Central Bank	26.57	39.85	35.67	35.67	29.68	43.58
5. Other Domestic debt*	28.23	28.28	31.68	31.67	31.68	31.96
6. Gross Domestic Debt (3+4+5)	1,485.30	1,531.20	1,522.77	1,546.39	1,544.89	1,564.13

* 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

	27-Nov-15	31-Dec-15	29-Jan-16	05-Feb-16	12-Feb-16	19-Feb-16	26-Feb-16
Treasury bills (Excluding Repos)	25.5	25.5	24.9	25.3	26.0	26.3	26.9
Treasury bonds	70.9	70.0	70.7	70.3	69.6	69.7	68.3
CBK Overdraft to Govt	1.8	2.6	2.3	2.3	2.3	1.9	2.8
Other domestic debt	1.9	1.8	2.1	2.1	2.0	2.1	2.0
TOTAL	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

	27-Nov-15	31-Dec-15	29-Jan-16	05-Feb-16	12-Feb-16	19-Feb-16	26-Feb-16
Banking Institutions	55.4	55.4	54.8	54.8	55.1	55.0	55.5
Insurance Companies	8.4	8.4	8.6	8.5	8.5	8.5	8.3
Parastatals	4.9	4.6	4.7	4.7	4.7	4.7	4.7
Pension funds	25.4	25.4	25.7	25.8	25.7	25.7	25.4
Other investors	6.0	6.1	6.2	6.2	6.2	6.2	6.1
Total	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)

	31-Dec-15	07-Jan-16	14-Jan-16	21-Jan-16	28-Jan-16	04-Feb-16	11-Feb-16	18-Feb-16	25-Feb-16	03-Mar-16
1. CBK Usable Foreign Exchange Reserves (USD Mn)*	7,072	7,013	7,024	6,986	6,976	7,016	7,111	7,127	7,162	7,214
2. CBK Usable Foreign Exchange Reserves (Months of Import Cover)**	4.50	4.47	4.47	4.45	4.44	4.47	4.55	4.56	4.58	4.62

*Excludes Encumbered Reserves

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

Source: Central Bank of Kenya