



MAY 6, 2016

Highlights

Overall 12-month inflation eased from 6.45 percent in March 2016 to 5.27 percent in April 2016, the lowest level in the last 12 months. Non-Food Non-Fuel (NFNF) inflation also eased from 6.05 percent to 5.85 percent.

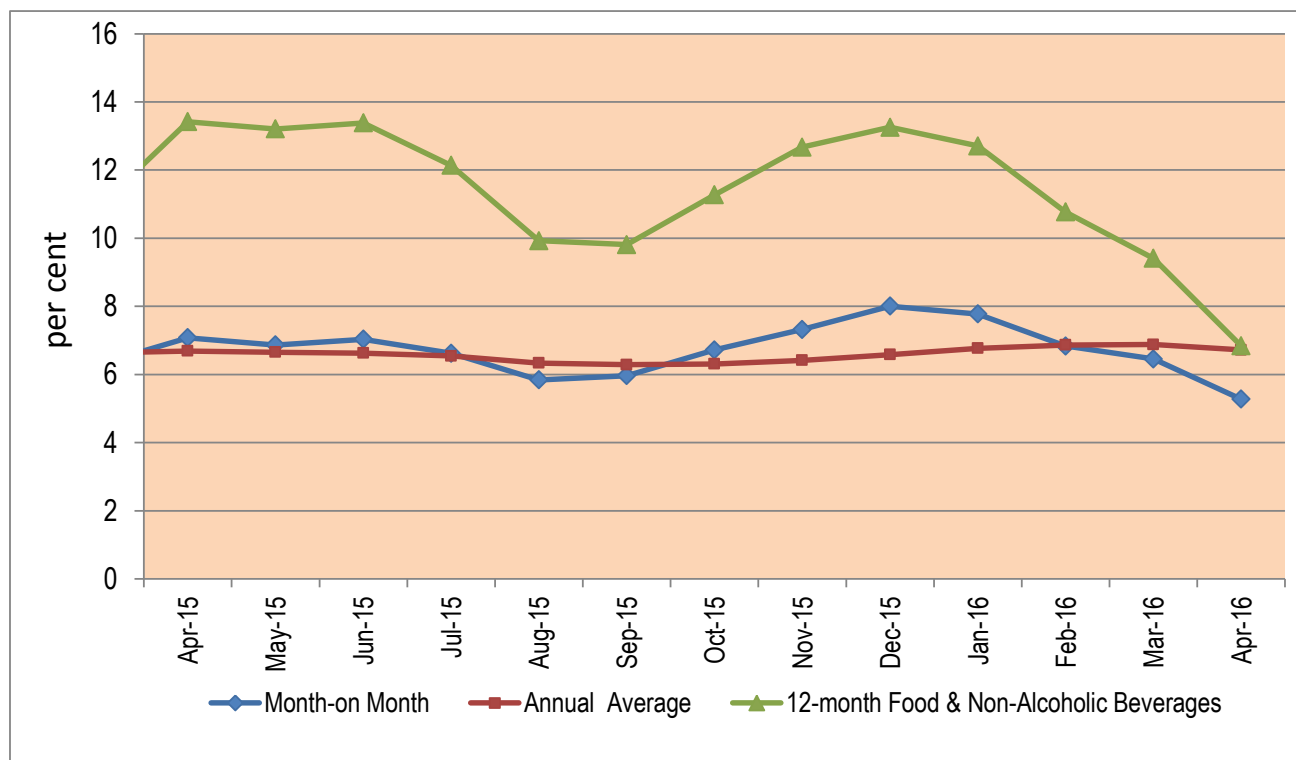
The average interbank rate rose to 4.03 percent in the week ending May 4, 2016 from 3.75 percent in the previous week reflecting reduction of interbank liquidity.

Overall, capital markets recorded reduced activity in the week ending May 5, 2016.

Inflation

Overall 12-month inflation eased from 6.45 percent in March 2016 to 5.27 percent in April 2016, (**Chart A**). This decline is largely attributed to declining food and fuel prices. Food inflation eased by 235 basis points to 6.70 percent in April 2016 from 9.05 percent in March 2016, reflecting favorable prices of fresh produce resulting from good weather conditions experienced in the month of April 2016. Fuel inflation eased by 19 basis points to 1.95 percent in April 2016 from 2.14 percent in March 2016 supported by low international oil prices. Meanwhile, Non-Food Non-Fuel (NFNF) inflation declined by 20 basis points from 6.05 percent in March 2016 to 5.85 percent in April 2016. The decline was reflected across most components of NFNF. However, the excise tax introduced in December 2015 has left the NFNF inflation elevated.

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



Source: Central Bank of Kenya

Monetary Policy Operations

Liquidity in the money market declined in the week ending May 4, 2016, compared to the previous week. The decline reflects net inflow to government from taxes and issuance of securities, and net sales through OMO (**Table 1**).

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

	28-Apr-16	29-Apr-16	3-May-16	4-May-16	Total
Liquidity Flows					
Total liquidity injection	16.2	19.7	36.0	7.5	79.3
Repos Maturities	0.0	5.0	0.0	0.0	5.0
Reverse Repo Purchases	0.4	0.3	0.1	0.5	1.3
Term Auction Deposit maturities	4.9	5.2	7.2	0.0	17.2
T/bills redemptions	0.0	0.0	15.9	0.0	15.9
T/bills rediscounts	0.0	0.0	0.0	0.0	0.0
T/bonds redemptions	0.0	0.0	0.0	0.0	0.0
T/bonds Interest	0.0	0.0	0.0	0.0	0.0
T/bonds rediscounts	0.0	0.0	0.0	0.0	0.0
Govt payments	8.9	8.2	11.7	5.0	33.9
Total liquidity reduction	25.6	15.7	41.1	10.6	93.0
T/bills (Primary issues)	0.0	0.0	29.5	0.0	29.5
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	0.4	0.0	0.0	0.0	0.4
Term Auction Deposit	20.0	12.0	5.0	0.0	37.0
Transfer from Banks -Taxes	5.1	3.7	6.6	10.6	26.0
Net liquidity injection (+)/Withdrawal (-)	-9.4	3.9	-5.2	-3.0	-13.7
Open Market Operations Outcome					
Posted Amount	20.0	12.0	5.0	0.0	37.0
Realised Amount	20.0	12.0	5.0	0.0	37.0
Repo (-)	0.0	0.0	0.0	0.0	0.0
Term Auction Deposits (-)	20.0	12.0	5.0	0.0	37.0
Reverse Repo (+)	0.4	0.3	0.1	0.5	1.3
Reserve Money Position					
Reserve money (actual)	386.4	388.3	384.1	378.7	

Source: Central Bank of Kenya

Activity in the Interbank Market

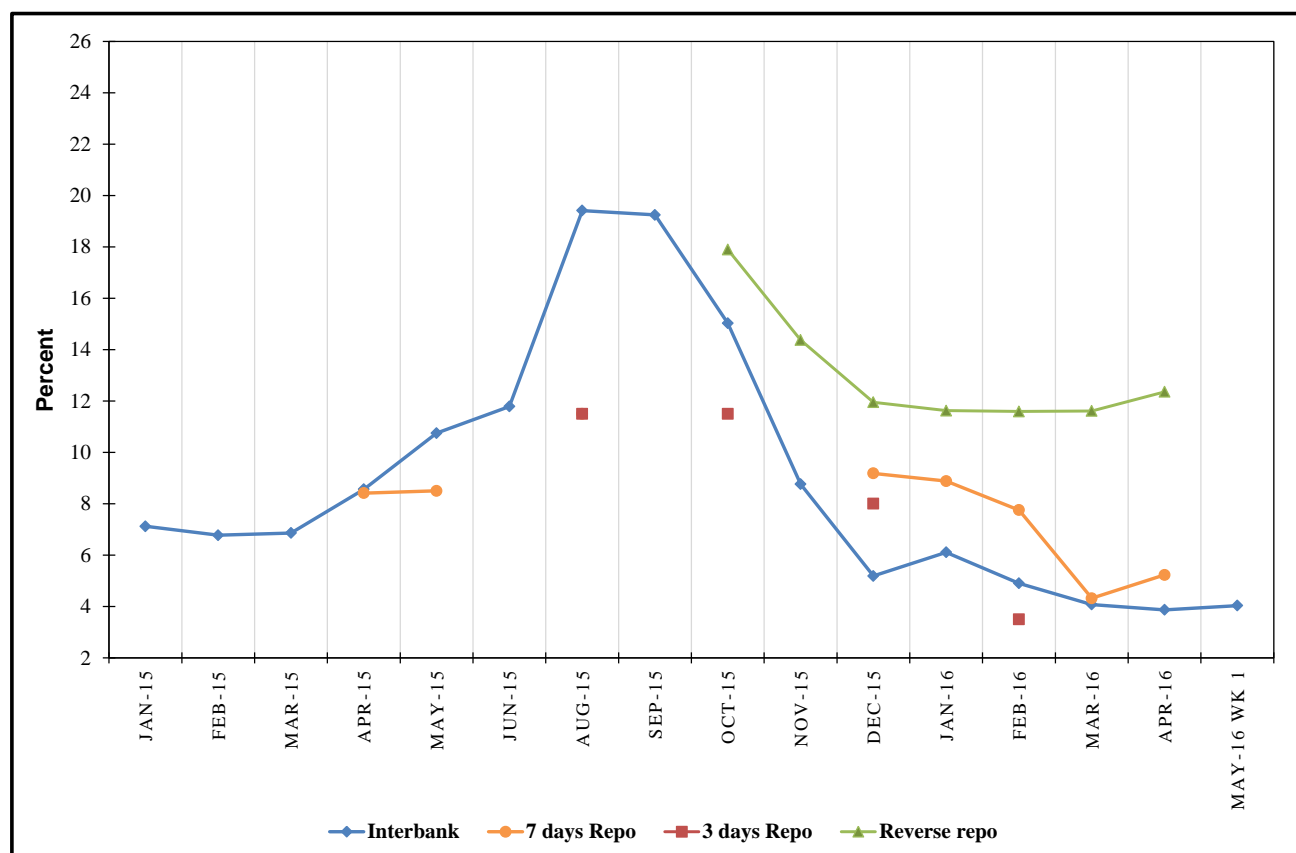
The average interbank rate rose to 4.03 percent in the week ending May 4, 2016 from 3.75 percent in the previous week reflecting reduced liquidity in the interbank market. The interbank market volumes traded declined by 5.82 percent with the number of deals unchanged from the previous week (Table 1 and 2 and Chart B).

TABLE 2: OPEN MARKET OPERATIONS (KSH MILLION)

Date	Number of deals	Value (Ksh M)	Average Interbank Rate (%)
21-Apr-16	6	1,710	3.79
22-Apr-16	12	8,780	3.73
25-Apr-16	13	6,800	3.78
26-Apr-16	15	10,050	3.78
27-Apr-16	11	3,950	3.68
April 21, 2016 - April 27, 2016	11	6,258	3.75
28-Apr-16	9	3,950	3.68
29-Apr-16	14	7,125	4.05
3-May-16	10	6,800	4.15
4-May-16	10	5,700	4.25
April 28, 2016 - May 4, 2016	11	5,894	4.03

Source: Central Bank of Kenya

CHART B: STRUCTURE OF SHORT-TERM INTEREST RATES

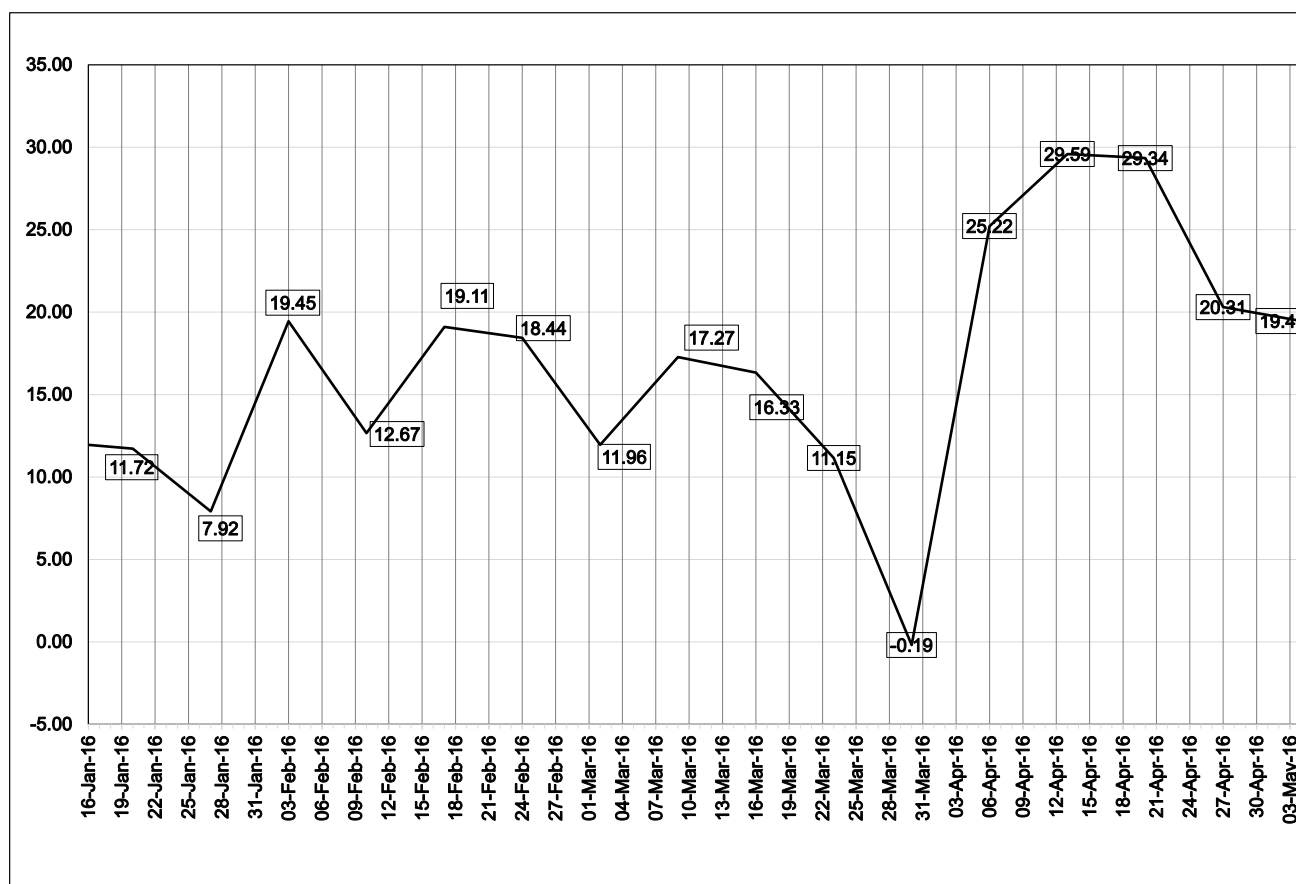


Source: Central Bank of Kenya

Commercial Banks Clearing Account Balances

Commercial banks' clearing account balances declined to KSh 19.46 billion in the week ending May 4, 2016 from KSh 20.31 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

The Kenya Shilling exchange rate displayed mixed performance against major international currencies as well as regional currencies during the week ending March 5, 2016. It strengthened against the US Dollar on the back of improved inflows to various sectors; but weakened against the Pound Sterling, the Euro and the Japanese Yen. In the EAC region it strengthened against the Uganda Shilling, and the Burundi and Rwanda Francs. It however weakened against the Tanzania Shilling (**Table 3**).

TABLE 3: KENYA SHILLING EXCHANGE RATE

	USD	Sterling Pound	Euro	100 Japanese Yen	USHS*	TSHS*	RWF*	BIF*
22-Apr-16	101.14	145.06	114.93	92.37	32.68	21.70	7.38	15.39
25th-April-16	101.21	145.87	113.91	90.84	32.70	21.76	7.38	15.39
26th-April-16	101.22	146.63	113.91	91.13	32.95	21.77	7.38	15.38
27th-April-16	101.20	148.00	114.67	91.14	33.10	21.75	7.38	15.46
28th-April-16	101.18	147.28	114.69	92.90	33.11	21.74	7.68	15.25
22-28 April 2016	101.19	146.57	114.42	91.67	32.91	21.74	7.44	15.38
29th-April-2016	101.14	147.52	114.50	93.14	32.95	21.65	7.38	15.46
3rd-May-2016	101.11	147.82	115.66	94.21	32.84	21.67	7.38	15.38
4th-May-2016	100.79	147.20	116.42	95.16	32.99	21.73	7.41	15.51
5th-May-2016	100.69	146.15	115.69	94.02	33.02	21.76	7.73	15.33
April 29 - May 5 2016	100.93	147.17	115.57	94.13	32.95	21.70	7.47	15.42

Source: Central Bank of Kenya

The Capital Markets

The capital market segments recorded declines across most of the leading indicators in the week ending May 5, 2016.

Equities Market

The NASI, NSE 25 and NSE 20 Share Index closed the week lower by 0.63 percent, 0.62 percent, and 0.31 percent, respectively. Equity turnover and market capitalization declined by 26.51 percent and 0.63 percent, respectively during the week (Table 4) on the back of low share prices.

TABLE 4: KEY WEEKLY MARKET STATISTICS

INDICATOR	24-Mar-16	31-Mar-16	7-Apr-16	14-Apr-16	21-Apr-16	28-Apr-16	5-May-16	Weekly Change (%)
NASI 100= 2008	147.25	147.44	147.44	145.23	147.41	146.56	145.63	-0.63
NSE 25 Share Index	4,260.12	4,261.05	4,257.39	4,153.65	4,215.12	4,239.83	4,213.37	-0.62
NSE 20 Share Index 100= 1996	3,991.95	3,982.09	4,054.29	3,901.45	3,968.75	3,990.20	3,977.85	-0.31
Number of Deals	6,085.00	4,544.00	5,890.00	6,056.00	5,994.00	5,851.00	4,233.00	-27.65
Total Shares Traded (Millions)	123.27	72.50	71.96	71.39	122.34	101.93	111.63	9.52
Equity Turnover (Ksh. Millions)	2,905.90	1,547.17	2,335.40	2,013.08	3,220.17	2,199.68	1,616.53	-26.51
Market Capitalization (Ksh. Bn.)	2,075.40	2,078.28	2,078.25	2,047.08	2,077.84	2,065.77	2,052.68	-0.63
I-REIT Turnover in (Ksh.Millions)	2.22	14.69	0.66	2.15	4.57	2.70	2.04	-24.57
I-REIT in Units - Total Deals	40	98	21	49	61	39	39	0.00
Bonds Turnover (Ksh. Millions)	4,170.55	8,242.90	7,183.65	14,546.30	5,806.50	10,719.64	7,205.26	-32.78
FTSE NSE Kenya 15 Index	185.11	185.17	186.41	182.72	183.27	187.39	187.17	-0.12
FTSE NSE Kenya 25 Index	185.60	185.47	186.14	183.25	183.74	187.31	187.27	-0.02
FTSE NSE Bond Index	89.46	89.28	89.08	88.69	88.61	87.13	86.98	-0.17

Source: Nairobi Securities Exchange

FTSE NSE Kenya Index Series, REITS and Most Active Sectors

The FTSE NSE Kenya 15 Index and FTSE NSE Kenya 25 Index, which measure performance of 15 largest list firms by market capitalization and 25 most liquid stocks, respectively declined by 0.12 percent and 0.02 percent.

Telecommunication & Technology and Banking sectors accounted for 73.1 percent of all shares traded in the week. Longhorn Kenya Limited under Commercial & Services sector traded significant Rights recently issued to the market.

Bonds Market Segment

Total value of bonds traded declined by 32.78 percent compared to the previous week, with corresponding deals down to 80 from 164 deals. This reduced trading activity could be attributed to the holiday at the beginning of the week under review. The FTSE Government Bond Index declined by 0.17 percent, reflecting slight increase in secondary market yields.

TABLE 5: PERFORMANCE OF GOVERNMENT SECURITIES

91-Day Treasury Bills				
Date of Auction	25-Feb-16	31-Mar-16	28-Apr-16	05-May-16
Amount offered (Ksh M)	4,000.0	4,000.0	4,000.0	4,000.0
Bids received (Ksh M)	10,996.2	1,160.2	16,656.1	15,977.4
Amount Accepted (Ksh M)	8,363.1	1,160.2	12,402.4	6,608.9
Maturities (Ksh M)	4,075.0	1,358.0	8,365.5	5,891.7
Average interest Rate (%)- 91 Days	9.3	9.0	8.5	8.3
182-Day Treasury Bills				
Date of Auction	24-Feb-16	30-Mar-16	27-Apr-16	04-May-16
Amount offered (Ksh M)	6,000.0	6,000.0	6,000.0	6,000.0
Bids received (Ksh M)	9,785.8	2,547.2	16,280.5	5,957.5
Amount Accepted (Ksh M)	5,159.8	1,951.1	9,052.6	5,954.7
Maturities (Ksh M)	815.8	2,856.4	6,185.7	6,093.6
Average interest Rate (%)- 182 days	11.9	10.7	10.5	10.4
364-Day Treasury Bills				
Date of Auction	24-Feb-16	30-Mar-16	27-Apr-16	04-May-16
Amount offered (Ksh M)	6,000.0	6,000.0	6,000.0	6,000.0
Bids received (Ksh M)	7,352.2	4,365.8	10,180.4	9,030.9
Amount Accepted (Ksh M)	7,335.1	4,365.8	8,004.7	9,028.2
Maturities (Ksh M)	7,471.0	6,451.1	1,379.2	1,470.4
Average interest Rate (%)- 364 days	13.3	11.9	11.7	11.7
Treasury Bonds				
Date of Auction				
Tenor	FXD 1/2012/10			
Amount offered (Ksh M)	25,000.0			
Bids received (Ksh M)	53,854.8			
Amount Accepted (Ksh M)	30,297.2			
Maturities (Ksh M)	0.0			
Average interest Rate (%)	14.3			

Source: Central Bank of Kenya

TABLE 6: GOVERNMENT DOMESTIC DEBT (KSH BILLION)

	31-Dec-15	29-Jan-16	26-Feb-16	25-Mar-16	22-Apr-16	29-Apr-16
1. Treasury Bills (Excluding Repos)	390.75	378.82	420.76	462.85	491.56	507.90
(As % of total securities)	26.71	26.03	28.27	29.70	30.98	31.50
2. Treasury Bonds	1,072.32	1,076.60	1,067.83	1,095.37	1,095.37	1,104.68
(As % of total securities)	73.29	73.97	71.73	70.30	69.02	68.50
3. Total Securities (1+2)	1,463.07	1,455.42	1,488.59	1,558.23	1,586.94	1,612.58
4. Overdraft at Central Bank	39.85	35.67	43.58	37.74	25.89	44.87
5. Other Domestic debt*	28.28	31.68	31.96	31.69	31.79	31.77
6. Gross Domestic Debt (3+4+5)	1,531.20	1,522.77	1,564.13	1,627.66	1,644.62	1,689.22

* 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

	29-Jan-16	26-Feb-16	25-Mar-16	22-Apr-16	29-Apr-16
Treasury bills (Excluding Repos)	24.9	26.9	28.4	29.9	30.1
Treasury bonds	70.7	68.3	67.3	66.6	65.4
CBK Overdraft to Govt	2.3	2.8	2.3	1.6	2.7
Other domestic debt	2.1	2.0	1.9	1.9	1.9
TOTAL	100.0	100.0	100.0	100.0	100.0

Source: Central Bank of Kenya

TABLE 8: COMPOSITION OF GOVERNMENT DEBT BY HOLDER

	29-Jan-16	26-Feb-16	25-Mar-16	22-Apr-16	29-Apr-16
Banking Institutions	54.8	55.5	55.7	55.5	56.5
Insurance Companies	8.6	8.3	8.2	8.1	7.9
Parastatals	4.7	4.7	4.7	4.8	4.6
Pension funds	25.7	25.4	25.5	25.7	25.2
Other investors	6.2	6.1	5.9	5.9	5.8
Total	100.0	100.0	100.0	100.0	100.0

Source: Central Bank of Kenya

TABLE 9: OFFICIAL FOREIGN RESERVES US\$ MILLION (USABLE)

	18-Feb-16	25-Feb-16	3-Mar-16	10-Mar-16	17-Mar-16	24-Mar-16	31-Mar-16	7-Apr-16	14-Apr-16	21-Apr-16	28-Apr-16	5-May-16
1. CBK Usable Foreign Exchange Reserves (USD Mn)*	7,127	7,162	7,214	7,332	7,352	7,370	7,377	7,411	7,510	7,557	7,618	7,707
2. CBK Usable Foreign Exchange Reserves (Months of Import Cover)**	4.56	4.58	4.62	4.69	4.70	4.72	4.72	4.74	4.89	4.92	4.96	5.01

*Excludes Encumbered Reserves

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

Source: Central Bank of Kenya