



MAY 5, 2017

Highlights

Overall inflation accelerated further to 11.5 per cent in April 2017 from 10.3 per cent in March 2017, on account of continued increase in food prices. The increase in overall inflation was reflected by increased inflation in the “Food and Non-Alcoholic Beverages” category.

The money market was fairly liquid during the week ending May 3, 2017, largely supported by net government payments. The average interbank rate was stable at 6.09 per cent compared to 6.42 per cent recorded in the previous week.

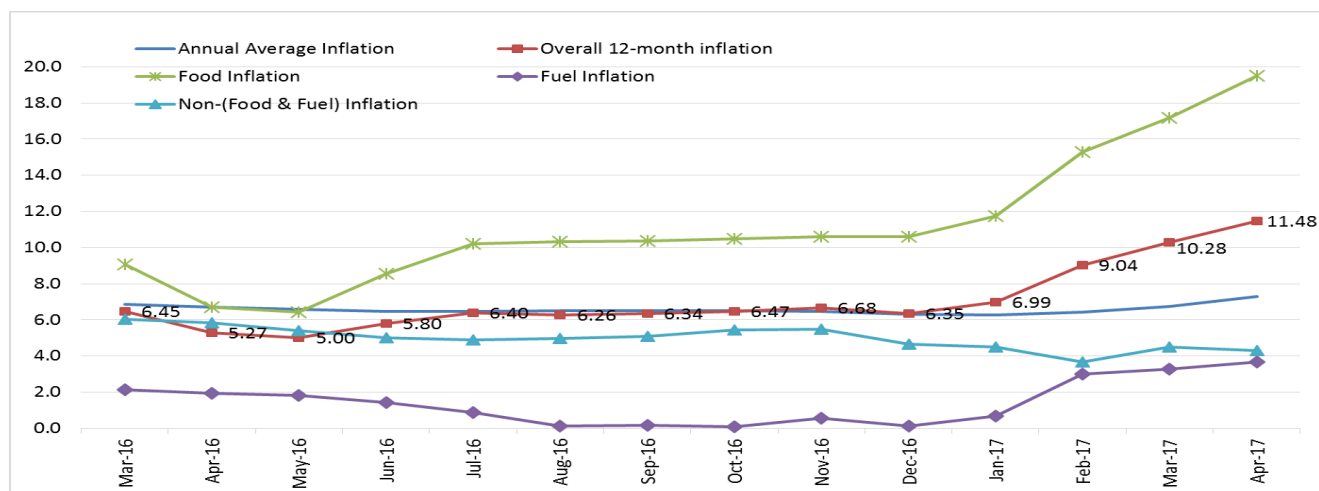
The capital markets recorded mixed performance during the week ending May 4, 2017.

Inflation

Overall inflation continued to rise and remained outside the Government target band for the third consecutive month. It accelerated further to 11.5 per cent in April 2017 from 10.3 per cent in March 2017 (**Chart A**), largely supported by continued increases in the prices of key food items following unfavorable weather conditions in the first quarter of the year in most parts

of the country. Food inflation increased to 19.5 per cent in April 2017 from 17.2 per cent in March 2017, while Fuel inflation increased marginally to 3.7 per cent in April 2017 from 3.3 per cent in March 2017, mainly driven by increases in the cost of rent and electricity. However, the Non-Food-Non Fuel inflation declined marginally to 4.3 per cent in April 2017 from 4.5 per cent in March 2017.

CHART A: DEVELOPMENTS IN INFLATION



Source: KNBS and Central Bank of Kenya

Monetary Policy Operations

The money market was fairly liquid during the week ending May 3, 2017, largely supported by net Government payments. However, these inflows were more than offset by withdrawals through Central Bank’s open market operations of KSh 15.6 billion. The net liquidity withdrawal in the

interbank market amounted to KSh 11.9 billion (Table 1).

Commercial banks’ excess reserves above 5.25 per cent averaging requirement increased marginally to KSh 15.2 billion, from the previous week’s KSh 14.2 billion (Chart B).

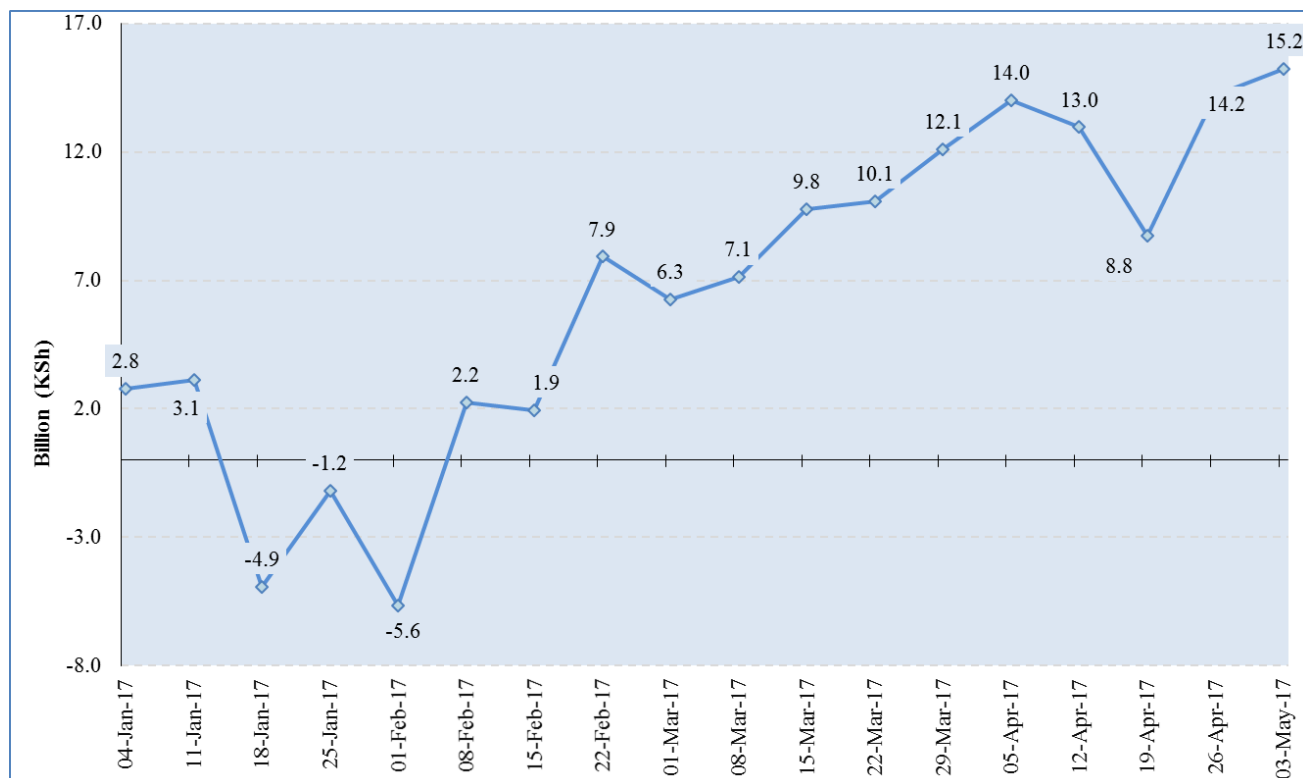
TABLE 1: INTERBANK LIQUIDITY FLOWS AND OPEN MARKET OPERATIONS (KSh BILLION)

	27-Apr-17	28-Apr-17	2-May-17	3-May-17	Total
Liquidity Flows					
Total liquidity injection ¹	19.2	15.7	34.9	9.3	79.1
Repos Maturities	11.3	0.0	0.0	0.0	11.3
Reverse Repo Purchases	0.5	0.2	2.7	0.0	3.4
Term Auction Deposit maturities	0.0	1.0	0.0	0.0	1.0
T/bills redemptions	0.0	0.0	22.3	0.0	22.3
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	7.4	14.5	9.9	9.3	41.2
Total liquidity reduction ¹	22.7	16.5	39.1	12.6	91.0
T/bills (Primary issues)	0.0	0.0	19.2	0.0	19.2
Tbonds Sales	0.0	0.0	0.0	0.0	0.0
T/bills/Tbonds (OMO Tap Sales)	0.0	0.0	7.2	0.0	7.2
Repos	15.0	0.0	0.0	0.0	15.0
Reverse Repos maturities	0.5	0.2	4.2	0.0	4.9
Term Auction Deposit	0.0	11.5	0.0	0.0	11.5
Transfer from Banks -Taxes	7.3	4.8	8.5	12.6	33.2
Net liquidity injection (+)/Withdrawal (-)	-3.51	-0.80	-4.29	-3.27	-11.9
Open Market Operations Outcome					
Posted Amount	15.0	15.0	-	-	30.0
Realised Amount - Mop up	15.0	11.5	0.0	0.0	26.5
Repo (-)	15.0	-	-	-	15.0
Term Auction Deposits (-)	-	11.5	-	-	11.5
Reserve Money Position					
Reserve money (actual)	405.2	403.8	400.1	397.2	401.6

¹ Only main transactions increasing or reducing liquidity are included.

Source: Central Bank of Kenya

CHART B: COMMERCIAL BANKS EXCESS RESERVES



Source: Central Bank of Kenya

Activity in the Interbank Market

The average interbank rate was stable at 6.09 per cent in the week ending May 3, 2017 compared to 6.42 per cent recorded in the previous week as liquidity improved in the interbank market. The volumes transacted declined to KSh 12.8 billion

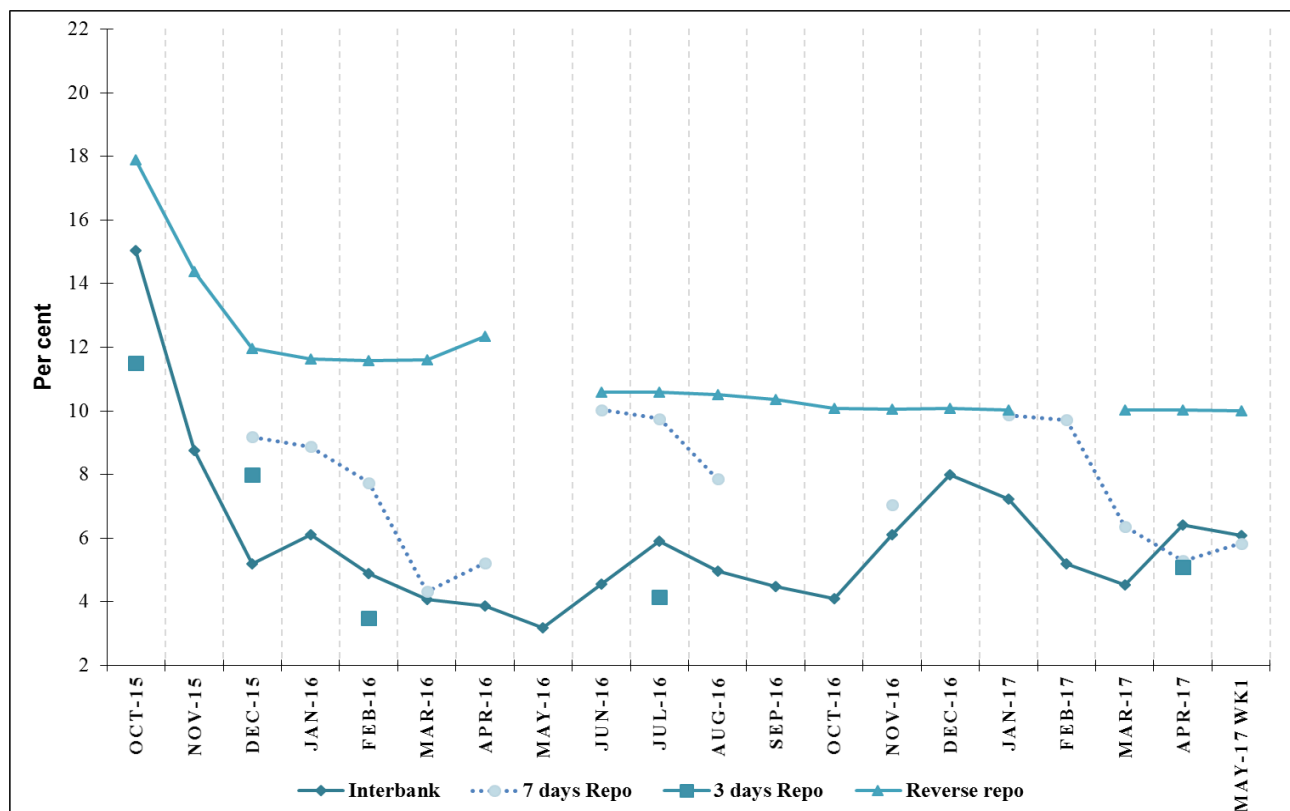
from KSh 20.9 billion, in the previous week, with the average number of deals declining to 30 from 38 (Table 2 and Chart C).

TABLE 2: OPEN MARKET OPERATIONS (KSh MILLION)

Date	Number of Deals	Value (KSh M)	Average Interbank Rate (%)	7 days Average Repo Rate (%)	Reverse Repo Rate (%)
20-Apr-17	27	13,760	4.93	5.09	-
21-Apr-17	40	16,930	5.66	5.50	-
24-Apr-17	49	29,200	6.83	-	10.00
25-Apr-17	40	29,645	7.20	-	10.04
26-Apr-17	35	14,850	7.48	-	10.05
April 20, 2017 -April 26, 2017	38	20,877	6.42	5.29	10.03
27-Apr-17	31	13,970	6.58	5.50	-
28-Apr-17	36	16,840	6.13	6.18	-
1-May-17	PUBLIC HOLIDAY				
2-May-17	25	10,050	6.02	-	10.00
3-May-17	26	10,315	5.63	-	-
April 27, 2017 -May 3, 2017	30	12,794	6.09	5.84	10.00

Source: Central Bank of Kenya

CHART C: STRUCTURE OF INTEREST RATES



Source: Central Bank of Kenya

Kenya Shilling Exchange Rate

The Kenya Shilling strengthened against the US Dollar and the Japanese Yen but weakened against the Pound Sterling and the Euro during the week ending May 4, 2017. In the EAC region, the Kenya Shilling strengthened against the Uganda Shilling,

the Tanzania Shilling and the Burundi Franc but weakened against the Rwanda Franc (Table 3).

TABLE 3: KENYA SHILLING EXCHANGE RATE

	USD	Sterling Pound	Euro	100 Japanese Yen	USHS*	TSHS*	RWF*	BIF*
21-Apr-17	103.38	132.42	111.23	94.54	34.95	21.62	8.12	16.39
24-Apr-17	103.32	132.21	110.69	94.67	34.99	21.65	8.11	16.35
25-Apr-17	103.27	132.16	112.24	93.76	35.01	21.64	8.13	16.40
26-Apr-17	103.27	132.37	112.71	93.28	35.18	21.65	7.96	16.58
27-Apr-17	103.28	132.82	112.60	92.87	35.24	21.64	8.13	16.40
21 -27 April 2017	103.31	132.40	111.89	93.82	35.07	21.64	8.09	16.43
28-Apr-17	103.22	133.52	112.37	92.77	35.31	21.65	8.14	16.41
2-May-17	103.15	133.19	112.44	92.48	35.39	21.69	8.14	16.43
3-May-17	103.10	133.13	112.46	92.43	35.31	21.68	8.00	16.62
4-May-17	103.09	133.14	112.46	91.66	35.21	21.68	8.01	16.62
28 April -4 May 2017	103.14	133.24	112.43	92.34	35.30	21.67	8.07	16.52

* Units of currency per Kenya Shilling

Source: Central Bank of Kenya

CBK Weekly Statistical Bulletin of Key Monetary and Financial Indicators

The Capital Market

The capital markets recorded mixed performance during the week ending May 4, 2017 in all four market segments; equities, bonds, REITS and Barclays Gold ETFs (Table 4).

Equity Market

Share prices gained marginally as indicated by NASI and NSE 25 indices that rose by 1.04 per cent

and 0.49 per cent, respectively. The NSE 20 index, however, declined by 0.62 per cent in the same period. Equity turnover decreased by 15.43 per cent on account of a 15.28 per cent decline in the number of shares traded. Shareholder wealth measured by market capitalization increased marginally by 1.01 per cent, on account of increase in price.

TABLE 4: KEY WEEKLY MARKET STATISTICS

INDICATOR	23-Mar-17	30-Mar-17	06-Apr-17	12-Apr-17	20-Apr-17	27-Apr-17	04-May-17	Weekly Change (Percent)
NASI 100= 2008	129.90	130.43	132.63	134.58	133.78	133.20	134.58	1.04
NSE 25 Share Index	3,427.14	3,481.32	3,524.12	3,534.60	3,536.93	3,534.00	3,551.26	0.49
NSE 20 Share Index 100= 1996	3,082.85	3,122.51	3,101.19	3,109.78	3,149.33	3,164.00	3,144.38	-0.62
Number of Deals	5,049	5,074	4,937	4,257	4,136	4,696	4,230	-9.92
Total Shares Traded (Million)	132.79	116.38	116.21	66.03	230.34	97.38	82.50	-15.28
Equity Turnover (KSh Million)	2,354.20	2,339.75	2,442.60	1,867.41	4,149.43	2,768.86	2,341.64	-15.43
Market Capitalization (KSh Billion)	1,883.31	1,893.11	1,925.17	1,953.85	1,942.49	1,934.61	1,954.12	1.01
I-REIT Turnover in (KSh Million)	1.70	3.43	0.79	0.30	0.05	0.43	0.33	-22.18
I-REIT in Units - Total Deals	29.00	19.00	30.00	17.00	4.00	12.00	21.00	75.00
Bonds Turnover (KSh Million)	7,284.40	15,127.23	8,183.45	4,405.05	3,977.40	10,647.71	8,706.15	-18.23
FTSE NSE Kenya 15 Index	157.72	161.43	164.38	162.89	164.59	164.10	165.27	0.71
FTSE NSE Kenya 25 Index	160.52	164.02	167.43	167.21	168.76	168.20	170.11	1.14
FTSE NSE Bond Index	89.66	89.73	89.71	89.84	89.84	89.90	89.96	0.07

Source: Nairobi Securities Exchange

FTSE NSE Kenya Index Series, REITS and Most Active Sectors

Performance of FTSE¹ 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 Nairobi Securities Exchange (NSE) increased in the period under review. Telecommunication and Technology and Banking sectors dominated trading, accounting for 75.48 per cent of the total shares traded in the week under review.

Turnover in the real estate market segment, Income-Real Estate Investment Trust (I-REIT²) declined by

22.18 per cent, despite 75 per cent increase in deals transacted over the week ending May 4, 2017, perhaps signalling renewed investor appetite for asset-backed securities. Barclays Gold ETF traded 1 unit valued KSh 124,600.

Bond Market

The volume of bonds traded declined by 18.23 per cent in the week ending May 4, 2017 with corresponding deals down to 180 from 204 for the previous week.

¹ FTSE refers to Financial Times Stock Exchange, which is an average of share prices in the 100 largest, most actively traded companies on the London Stock Exchange. The two NSE indices are indexed on FTSE
² I-REIT is a collective investment vehicle that allows investors to pool capital, which is then invested in a

portfolio of selected properties for a return. Investors gain through capital appreciation and rental income, with the latter being distributed to unit-holders annually.

TABLE 5: PERFORMANCE OF GOVERNMENT SECURITIES

91-Day Treasury Bills				
Date of Auction	23-Mar-17	30-Mar-17	27-Apr-17	04-May-17
Amount offered (Ksh M)	10,000.0	10,000.0	10,000.0	4,000.0
Bids received (Ksh M)	8,806.8	11,223.1	12,373.5	11,828.9
Amount Accepted (Ksh M)	2,158.4	7,084.8	11,239.8	3,602.9
Maturities (Ksh M)	3,750.1	1,393.8	5,657.4	1,381.9
Average interest Rate (%) - 91 Days	8.7	8.8	8.8	8.8
182-Day Treasury Bills				
Date of Auction	22-Mar-17	29-Mar-17	26-Apr-17	03-May-17
Amount offered (Ksh M)				10,000.0
Bids received (Ksh M)				25,376.5
Amount Accepted (Ksh M)				20,401.7
Maturities (Ksh M)				6,660.0
Average interest Rate (%) - 182 days				10.5
364-Day Treasury Bills				
Date of Auction	22-Mar-17	29-Mar-17	26-Apr-17	03-May-17
Amount offered (Ksh M)	10,000.0	10,000.0	10,000.0	10,000.0
Bids received (Ksh M)	20,305.3	13,275.7	8,245.6	9,892.6
Amount Accepted (Ksh M)	15,444.6	9,287.4	7,987.5	8,879.0
Maturities (Ksh M)	13,918.9	4,883.3	8,932.5	6,846.0
Average interest Rate (%) - 364 days	10.9	10.9	10.9	10.9
Treasury Bonds				
Date of Auction	29-Mar-17		27-Apr-17	
Tenor	FXD 2/2014/5	FXD 3/2013/5	FXD1/2009/11	
Amount offered (Ksh M)	15,000.0		7,000.0	
Bids received (Ksh M)	14,463.7	12,109.4	6,143.05	
Amount Accepted (Ksh M)	7,582.7	7,842.8	4,009.60	
Maturities (Ksh M)	0.0		0	
Average interest Rate (%)	11.817	12.404	12.0	

Source: Central Bank of Kenya

TABLE 6: GOVERNMENT DOMESTIC DEBT (KSh BILLION)

	27-Jan-17	24-Feb-17	24-Mar-17	31-Mar-17	07-Apr-17	13-Apr-17	21-Apr-17	28-Apr-17
1. Treasury Bills (Excluding Repos)	598.48	607.90	619.59	615.77	621.39	625.06	619.53	626.90
(As % of total securities)	32.36	33.21	33.37	32.69	32.62	32.75	32.55	32.25
2. Treasury Bonds	1,250.70	1,222.61	1,236.94	1,268.16	1,283.61	1,283.76	1,283.76	1,317.02
(As % of total securities)	67.64	66.79	66.63	67.31	67.38	67.25	67.45	67.75
3. Total Securities (1+2)	1,849.17	1,830.51	1,856.52	1,883.93	1,905.01	1,908.83	1,903.29	1,943.92
4. Overdraft at Central Bank	13.58	25.13	21.20	30.27	22.57	21.20	25.87	-
5. Other Domestic debt*	32.10	30.97	31.05	31.06	31.04	30.74	30.75	30.75
6. Gross Domestic Debt (3+4+5)	1,894.85	1,886.61	1,908.77	1,945.25	1,958.62	1,960.77	1,959.90	1,974.67

* 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 (IN PER CENT)

	27-Jan-17	24-Feb-17	24-Mar-17	31-Mar-17	07-Apr-17	13-Apr-17	21-Apr-17	28-Apr-17
Treasury bills (Excluding Repos)	31.6	32.2	32.5	31.7	31.7	31.9	31.6	31.7
Treasury bonds	66.0	64.8	64.8	65.2	65.5	65.5	65.5	66.7
CBK Overdraft to Govt	0.7	1.3	1.1	1.6	1.2	1.1	1.3	0.0
Other domestic debt	1.7	1.6	1.6	1.6	1.6	1.6	1.6	1.6
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 (IN PER CENT)

	27-Jan-17	24-Feb-17	24-Mar-17	31-Mar-17	07-Apr-17	13-Apr-17	21-Apr-17	28-Apr-17
Banking Institutions	51.6	51.0	51.2	54.1	54.4	54.7	54.9	55.1
Insurance Companies	7.5	7.5	7.5	7.1	7.1	7.1	7.0	7.0
Parastatals	5.7	5.8	6.1	6.5	6.5	6.5	6.5	6.5
Pension funds	28.6	29.0	28.8	28.2	28.0	27.8	27.8	27.5
Other investors	6.7	6.7	6.4	4.0	4.0	3.9	3.9	3.9
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)

	16-Mar-17	23-Mar-17	30-Mar-17	06-Apr-17	13-Apr-17	20-Apr-17	27-Apr-17	04-May-17
1. CBK Usable Foreign Exchange Reserves (USD Million)*	6,973	7,777	7,731	8,015	7,957	7,959	8,309	8,299
2. CBK Usable Foreign Exchange Reserves (Months of Import Cover)**	4.61	5.14	5.11	5.30	5.26	5.26	5.49	5.48

*Excludes Encumbered Reserves

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

Source: Central Bank of Kenya