



APRIL 13, 2017

Highlights

Overall inflation accelerated further to 10.3 per cent in March 2017 from 9.0 per cent in February 2017, on account of continued increase in food prices.

The money market was relatively liquid in the week ending April 12, 2017. The average interbank rate remained stable at 3.99 per cent in the ending April 12, 2017 compared to 4.11 per cent recorded in the previous week.

The capital markets recorded mixed performance during the week ending April 12, 2017.

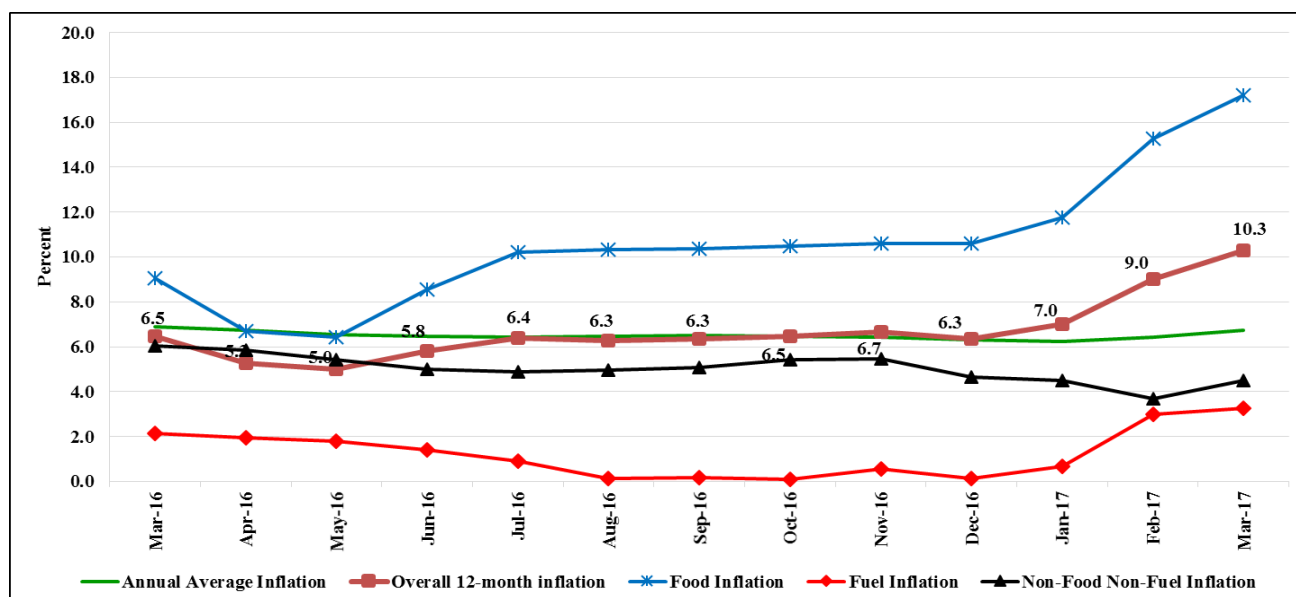
Inflation

Overall inflation accelerated further to 10.3 per cent in March 2017 from 9.0 per cent in February 2017, on account of continued increase in food prices. Food inflation increased to 17.2 per cent in March 2017 from 15.3 per cent in February 2017 and its contribution to overall inflation increased to 16.7 per cent in March 2017 from 14.9 per cent in February 2017 (**Chart A**) largely due to the prevailing drought conditions. The items recording significant price increase include: sifted maize flour (27.7 per cent); sugar (17.7 per cent); Irish potatoes

(33.2 per cent); loose maize grain (25.4 per cent); fresh unpackaged milk (8.1 per cent); rice grade 2 (12.8 per cent); fresh packaged milk (6.0 per cent), and loose maize flour (24.0 per cent).

Fuel inflation increased to 3.3 per cent from 3.0 per cent and Non-food Non-fuel (NFNF) inflation to 4.5 per cent in March 2017 from 3.7 per cent in February 2017. However, inflation in these categories remain below the 5 per cent medium term target for overall inflation.

CHART A: DEVELOPMENTS IN INFLATION



Source: KNBS and Central Bank of Kenya

Monetary Policy Operations

The money market was relatively liquid in the week ending April 12, 2017. The Central Bank's open market operations resulted in KSh 3.2 billion net liquidity withdrawal (Table 1).

Commercial banks' excess reserves above 5.25 per cent averaging requirement stood at KSh 13.0 billion, marginally lower than the previous week of KSh 14.0 billion (Chart B).

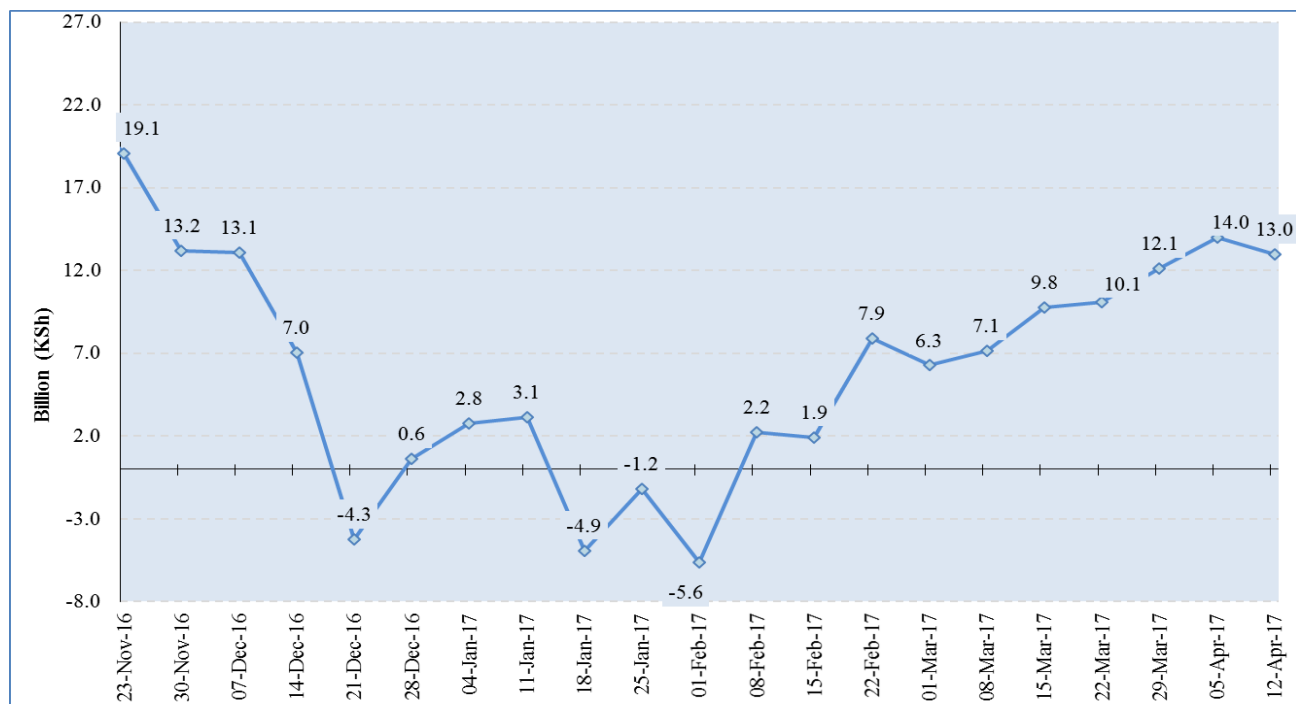
TABLE 1: INTERBANK LIQUIDITY FLOWS AND OPEN MARKET OPERATIONS (KSH BILLION)

	6-Apr-17	7-Apr-17	10-Apr-17	11-Apr-17	12-Apr-17	Total
Liquidity Flows						
Total liquidity injection ¹	14.2	23.7	28.1	22.2	8.1	96.3
Repos Maturities	0.0	14.2	0.0	0.0	0.0	14.2
Reverse Repo Purchases	0.0	0.0	4.4	0.2	0.0	4.6
Term Auction Deposit maturities	9.9	0.0	0.0	20.0	0.0	29.9
T/bills redemptions	0.0	0.0	21.5	0.0	0.0	21.5
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	4.3	9.6	2.2	1.9	8.1	26.1
Total liquidity reduction ¹	18.5	15.0	35.2	24.7	6.2	99.5
T/bills (Primary issues)	0.0	0.0	23.7	0.0	0.0	23.7
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	9.9	0.0	0.0	0.0	9.9
Reverse Repos maturities	0.0	1.2	5.5	0.2	0.0	6.9
Term Auction Deposit	15.0	0.0	0.0	10.0	0.0	25.0
Transfer from Banks - Taxes	3.4	3.9	6.0	11.4	6.2	30.9
Net liquidity injection (+)/Withdrawal (-)	-4.2	8.7	-7.0	-2.5	1.9	-3.2
Open Market Operations Outcome						
Posted Amount	10.0	15.0	0.0	20.0	0.0	45.0
Realised Amount - Mop up	9.9	14.2	0.0	20.0	0.0	44.1
Repo (-)	0.0	14.2	0.0	0.0	0.0	14.2
Term Auction Deposits (-)	9.9	0.0	0.0	20.0	0.0	29.9
Reserve Money Position						
Reserve money (actual)	398.0	406.9	399.3	397.0	398.2	399.9

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 volumes transacted in the interbank market decreased marginally to 10.8 billion during the week under review from KSh 14.7 billion in the previous week, with the average number of deals declining marginally to 18 per cent compared to 23 per cent in the previous week. The average

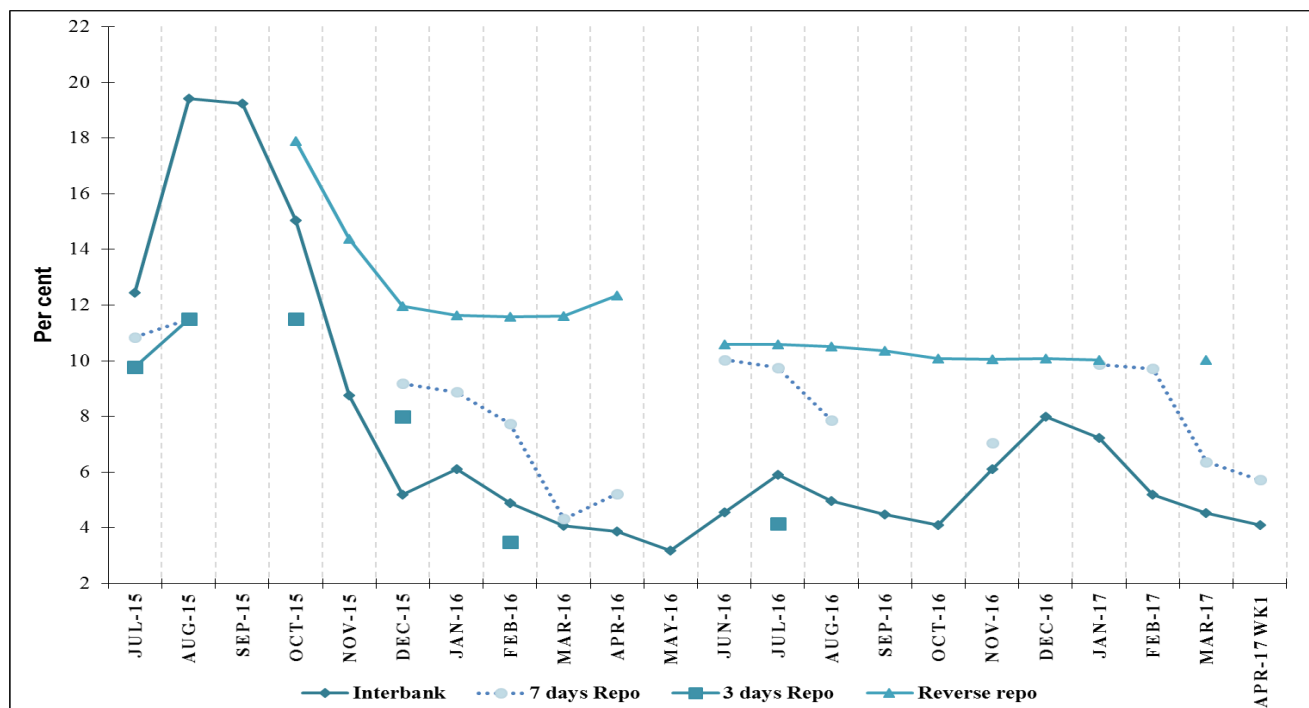
interbank rate was stable at 3.99 per cent in the ending April 12, 2017 compared to 4.11 per cent recorded in the previous week. Meanwhile, repo sales traded at a lower average rate of 5.20 per cent in the week ending April 12, 2017 compared to 5.72 per cent in the previous week (Table 2 and Chart C).

TABLE 2: OPEN MARKET OPERATIONS (KSH MILLION)

Date	Number of Deals	Value (KSh M)	Average Interbank Rate (%)	7 days Average Repo Rate (%)
30-Mar-17	31	16,400	4.34	5.68
31-Mar-17	21	14,235	3.95	5.76
3-Apr-17	14	9,430	4.02	-
4-Apr-17	23	16,015	4.06	-
5-Apr-17	26	17,300	4.19	-
Mar 30, 2017 -April 5, 2017	23	14,676	4.11	5.72
6-Apr-17	31	11,050	3.88	5.38
7-Apr-17	21	3,900	4.01	5.23
10-Apr-17	14	10,925	3.93	-
11-Apr-17	23	12,825	4.12	5.00
12-Apr-17	26	15,240	4.03	-
April 6, 2017 -April 12, 2017	23	10,788	3.99	5.20

Source: Central Bank of Kenya

CHART C: STRUCTURE OF INTEREST RATES



Source: Central Bank of Kenya

Kenya Shilling Exchange Rate

and regional currencies during the week ending April 13, 2017 (Table 3).

The Kenya Shilling exchange rate recorded marginal movements against major international

TABLE 3: KENYA SHILLING EXCHANGE RATE

	USD	Sterling Pound	Euro	100 Japanese Yen	USHS*	TSHS*	RWF*	BIF*
31-Mar-17	103.00	128.83	110.56	92.62	35.08	21.67	7.98	16.57
3-Apr-17	103.10	129.33	110.11	92.57	35.02	21.66	8.13	16.41
4-Apr-17	103.19	128.35	110.00	93.39	35.03	21.64	8.13	16.40
5-Apr-17	103.24	128.57	109.94	93.27	35.00	21.63	7.96	16.54
6-Apr-17	103.28	128.85	110.14	92.73	34.98	21.61	7.99	16.64
31 Mar-6 April 2017	103.16	128.79	110.15	92.92	35.02	21.64	8.04	16.51
7-Apr-17	103.44	129.10	110.27	93.29	35.00	21.59	8.12	16.52
10-Apr-17	103.39	128.11	109.86	93.37	35.01	21.60	7.98	16.53
11-Apr-17	103.44	128.44	109.50	93.01	34.95	21.58	7.94	16.52
12-Apr-17	103.42	128.59	109.74	94.40	34.96	21.59	8.12	16.37
13-Apr-17	103.41	129.14	109.76	94.78	34.96	21.59	8.12	16.37
7 -13 April 2017	103.42	128.68	109.83	93.77	34.97	21.59	8.06	16.46

* Units of currency per Kenya Shilling

Source: Central Bank of Kenya

Stock Market

The capital markets recorded mixed performance during the week ending April 12, 2017.

Equity Market

Share prices rose over the week ending April 12, 2017 as reflected by gains in the NASI,

NSE 25 and the NSE 20 indices. Shareholders' wealth measured by market capitalization rose by 1.49 per cent attributable to improved share prices. The equity turnover however declined by 23.55 per cent, partly explained by decline in number of shares traded (**Table 4**).

TABLE 4: KEY WEEKLY MARKET STATISTICS

INDICATOR	23-Feb-17	02-Mar-17	09-Mar-17	16-Mar-17	23-Mar-17	30-Mar-17	06-Apr-17	12-Apr-17	Weekly Change (Percent)
NASI 100= 2008	125.93	122.33	119.85	124.76	129.90	130.43	132.63	134.56	1.46
NSE 25 Share Index	3,279.56	3,208.62	3,192.55	3,278.25	3,427.14	3,481.32	3,524.12	3,534.60	0.30
NSE 20 Share Index 100= 1996	3,009.19	2,969.12	2,951.15	2,965.31	3,082.85	3,122.51	3,101.19	3,109.78	0.28
Number of Deals	5,006	4,847	4,561	5,583	5,049	5,074	4,937	4,257	-13.77
Total Shares Traded (Million)	133.04	102.39	113.03	212.74	132.79	116.38	116.21	66.03	-43.18
Equity Turnover (KSh Million)	2,387.68	2,027.90	2,200.28	4,227.18	2,354.20	2,339.75	2,442.60	1,867.41	-23.55
Market Capitalization (KSh Billion)	1,825.55	1,773.25	1,737.20	1,808.54	1,883.31	1,893.11	1,925.17	1,953.85	1.49
I-REIT Turnover in (KSh Million)	11.13	0.13	0.09	1.76	1.70	3.43	0.79	0.30	-61.33
I-REIT in Units - Total Deals	27.00	18.00	11.00	33.00	29.00	19.00	30.00	17.00	-43.33
Bonds Turnover (KSh Million)	4,915.45	6,587.00	11,708.54	13,597.39	7,284.40	15,127.23	8,183.45	4,405.05	-46.17
FTSE NSE Kenya 15 Index	150.07	146.23	145.56	151.34	157.72	161.43	164.38	162.89	-0.91
FTSE NSE Kenya 25 Index	153.82	149.01	147.12	154.78	160.52	164.02	167.43	167.21	-0.13
FTSE NSE Bond Index	89.80	89.64	89.66	89.68	89.66	89.73	89.71	89.84	0.14

Source: Nairobi Securities Exchange

FTSE NSE Kenya Index Series, REITS and Most Active Sectors

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) declined over the week ending April 12, 2017. The Banking and Telecommunication and Technology sectors accounted for 79.78 per cent of all shares traded.

Turnover in the Income-Real Estate Investment Trust (I-REIT²) segment declined by 61.33 per cent, reflecting a 43.33 per cent decline in deals

transacted. This signals less investor appetite for asset-backed securities in the week. Barclays Gold Exchange Traded Funds traded 1 Unit yielding a turnover of KSh 125,000 in the week.

Bond Market

The volume of Bonds traded declined by 46.17 per cent with corresponding deals at 94 in the week ending April 12, 2017 from 103 recorded in the previous week. The FTSE Bond Index marginally increased by 0.14 per cent, reflecting marginal decline in secondary market yields. Reduced activity reflect short trading period due to Easter Holidays.

TABLE 5: PERFORMANCE OF GOVERNMENT SECURITIES

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.

CBK Weekly Statistical Bulletin of Key Monetary and Financial Indicators

91-Day Treasury Bills					
Date of Auction	02-Mar-17	23-Mar-17	30-Mar-17	06-Apr-17	12-Apr-17
Amount offered (Ksh M)	4,000.0	10,000.0	10,000.0	10,000.0	10,000.0
Bids received (Ksh M)	5,897.0	8,806.8	11,223.1	12,485.5	12,748.7
Amount Accepted (Ksh M)	5,848.0	2,158.4	7,084.8	11,330.0	8,737.5
Maturities (Ksh M)	5,721.5	3,750.1	1,393.8	3,525.0	3,555.0
Average interest Rate (%) - 91 Days	8.6	8.7	8.8	8.8	8.8
182-Day Treasury Bills					
Date of Auction	01-Mar-17	22-Mar-17	29-Mar-17	05-Apr-17	12-Apr-17
Amount offered (Ksh M)	6,000.0				
Bids received (Ksh M)	24,178.7				
Amount Accepted (Ksh M)	21,332.7				
Maturities (Ksh M)	6,885.4				
Average interest Rate (%) - 182 days	10.5				
364-Day Treasury Bills					
Date of Auction	01-Mar-17	22-Mar-17	29-Mar-17	05-Apr-17	12-Apr-17
Amount offered (Ksh M)	6,000.0	10,000.0	10,000.0	10,000.0	10,000.0
Bids received (Ksh M)	3,443.9	20,305.3	13,275.7	17,394.3	10,708.9
Amount Accepted (Ksh M)	2,812.5	15,444.6	9,287.4	12,302.6	10,259.1
Maturities (Ksh M)	10,033.1	13,918.9	4,883.3	7,322.2	8,687.7
Average interest Rate (%) - 364 days	10.9	10.9	10.9	10.9	10.9
Treasury Bonds					
Date of Auction	22-Mar-17		29-Mar-17		
Tenor	FXD 3/2013/5 (re-open)	FXD 2/2014/5 (re-open)	FXD 3/2013/5 (re-open)		
Amount offered (Ksh M)	30,000.0	15,000.0			
Bids received (Ksh M)	64,248.4	14,463.7	12,109.4		
Amount Accepted (Ksh M)	24,864.0	7,582.7	7,842.8		
Maturities (Ksh M)	0.0		0.0		
Average interest Rate (%)	11.817	11.817	12.404		

Source: Central Bank of Kenya

TABLE 6: GOVERNMENT DOMESTIC DEBT (KSH BILLION)

	27-Jan-17	17-Feb-17	24-Feb-17	17-Mar-17	24-Mar-17	31-Mar-17	07-Apr-17
1. Treasury Bills (Excluding Repos)	598.48	600.42	607.90	617.91	619.59	615.77	621.39
(As % of total securities)	32.36	32.51	33.21	33.31	33.37	32.69	32.62
2. Treasury Bonds	1,250.70	1,246.20	1,222.61	1,236.94	1,236.94	1,268.16	1,283.61
(As % of total securities)	67.64	67.49	66.79	66.69	66.63	67.31	67.38
3. Total Securities (1+2)	1,849.17	1,846.62	1,830.51	1,854.85	1,856.52	1,883.93	1,905.01
4. Overdraft at Central Bank	13.58	9.54	25.13	23.12	21.20	30.27	22.57
5. Other Domestic debt*	32.10	30.95	30.97	31.05	31.05	31.06	31.04
6. Gross Domestic Debt (3+4+5)	1,894.85	1,887.11	1,886.61	1,909.02	1,908.77	1,945.25	1,958.62

* 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	17-Feb-17	24-Feb-17	17-Mar-17	24-Mar-17	31-Mar-17	07-Apr-17
Treasury bills (Excluding Repos)	31.6	31.8	32.2	32.4	32.5	31.7	31.7
Treasury bonds	66.0	66.0	64.8	64.8	64.8	65.2	65.5
CBK Overdraft to Govt	0.7	0.5	1.3	1.2	1.1	1.6	1.2
Other domestic debt	1.7	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

Source: Central Bank of Kenya

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TABLE 8: COMPOSITION OF GOVERNMENT DEBT BY HOLDER (IN PER CENT)

	03-Feb-17	10-Feb-17	17-Feb-17	24-Feb-17	17-Mar-17	24-Mar-17	31-Mar-17	07-Apr-17
Banking Institutions	51.6	51.4	51.2	51.0	51.1	51.2	54.1	54.4
Insurance Companies	7.5	7.5	7.5	7.5	7.5	7.5	7.1	7.1
Parastatals	5.7	5.8	5.8	5.8	6.1	6.1	6.5	6.5
Pension funds	28.5	28.7	28.8	29.0	28.9	28.8	28.2	28.0
Other investors	6.7	6.7	6.7	6.7	6.4	6.4	4.0	4.0
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-Feb-17	23-Feb-17	02-Mar-17	09-Mar-17	16-Mar-17	23-Mar-17	30-Mar-17	06-Apr-17	13-Apr-17
1. CBK Usable Foreign Exchange Reserves (USD Million)*	6,949	6,948	6,994	7,027	6,973	7,777	7,731	8,015	7,957
2. CBK Usable Foreign Exchange Reserves (Months of Import Cover)**	4.59	4.59	4.62	4.64	4.61	5.14	5.11	5.30	5.26

*Excludes Encumbered Reserves

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

Source: Central Bank of Kenya