



APRIL 21, 2017

Highlights

The money market was relatively liquid in the week ending April 19, 2017, largely supported by net government payments and net redemption from the government securities market. The average interbank rate increased to 4.31 percent in the week ending April 19, 2017 from 3.99 percent recorded in the previous week.

Capital markets recorded mixed performance during the week ending April 21, 2017 in both equity and bonds market segment.

GDP growth in 2016

The economy maintained robust growth in 2016, estimated at 5.8 percent compared to 5.7 percent in 2015, despite headwinds from the weak global economy. The strong growth was largely supported by a stable macroeconomic environment (inflation and exchange rate), high government investment in infrastructure which supported construction activities, low energy prices and recovery of the tourism sector.

In the fourth quarter of 2016, the economy grew by 5.8 percent, slightly higher than 5.7 percent recorded in the third quarter of 2016, largely boosted by the services sector. However, growth of the Agriculture Sector decelerated to 2.0 percent in the fourth quarter compared to 3.3 percent in the third quarter following unfavorable weather conditions in the second half of the year.

Monetary Policy Operations

The money market was relatively liquid in the week ending April 19, 2017 largely supported by net government payments and net redemption from the government securities market. The average interbank rate increased to 4.31 percent in the week ending April 19, 2017 from 3.99 percent recorded in the previous week. The Central Bank's open

market operations resulted in net liquidity withdrawal amounting to KSh 27.4 billion (**Table 1**). Commercial banks' excess reserves, above 5.25 percent averaging requirement, stood at KSh 8.8 billion, lower than the previous week's KSh 13.0 billion (**Chart A**).

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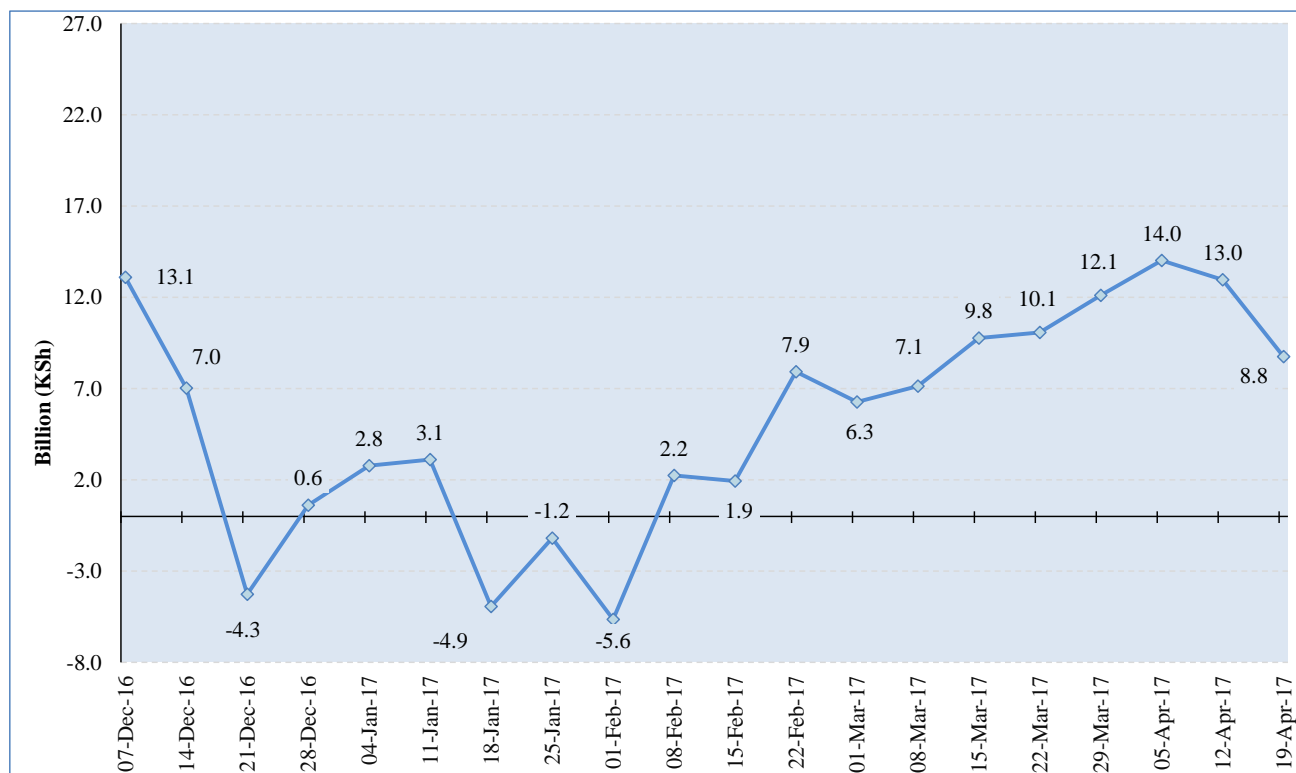
TABLE 1: INTERBANK LIQUIDITY FLOWS AND OPEN MARKET OPERATIONS (KSH BILLION)

	13-Apr-17	18-Apr-17	19-Apr-17	Total
Liquidity Flows				
Total liquidity injection \¹	38.0	60.4	16.0	114.4
Repos Maturities	0.0	19.9	0.0	19.9
Reverse Repo Purchases	0.0	3.9	1.8	5.7
Term Auction Deposit maturities	15.0	0.0	0.0	15.0
T/bills redemptions	0.0	25.8	0.0	25.8
T/bills rediscounts	0.0	0.0	0.0	0.0
T/bonds redemptions	0.0	0.0	0.0	0.0
T/bonds Interest	0.0	2.2	0.0	2.2
T/bonds rediscounts	0.0	0.0	0.0	0.0
Govt payments	23.0	8.6	14.2	45.8
Total liquidity reduction \¹	33.3	51.4	12.3	97.1
T/bills (Primary issues)	0.0	19.0	0.0	19.0
Tbonds Sales	0.0	0.0	0.0	0.0
T/bills/Tbonds (OMO Tap Sales)	0.0	0.0	0.0	0.0
Repos	0.0	0.0	7.2	7.2
Reverse Repos maturities	0.0	4.4	1.8	6.2
Term Auction Deposit	30.0	24.6	0.0	54.6
Transfer from Banks -Taxes	3.3	3.4	3.3	10.0
Net liquidity injection (+)/Withdrawal (-)	4.7	8.9	3.7	17.3
Open Market Operations Outcome				
Posted Amount	30.0	25.0	9.0	64.0
Realised Amount - Mop up	30.0	24.6	7.2	61.8
Repo (-)	0.0	0.0	7.2	7.2
Term Auction Deposits (-)	30.0	24.6	0.0	54.6
Reserve Money Position				
Reserve money (actual)	402.0	410.3	413.6	408.6

\¹ Only main transactions increasing or reducing liquidity are included.

Source: Central Bank of Kenya

CHART A: COMMERCIAL BANKS EXCESS RESERVES



Source: Central Bank of Kenya

Activity in the Interbank Market

The volumes transacted in the interbank market decreased to 8.8 billion during the week under review from KSh 10.8 billion in the previous week. Consequently, the average interbank rate increased to 4.31 percent from 3.99 percent recorded in the

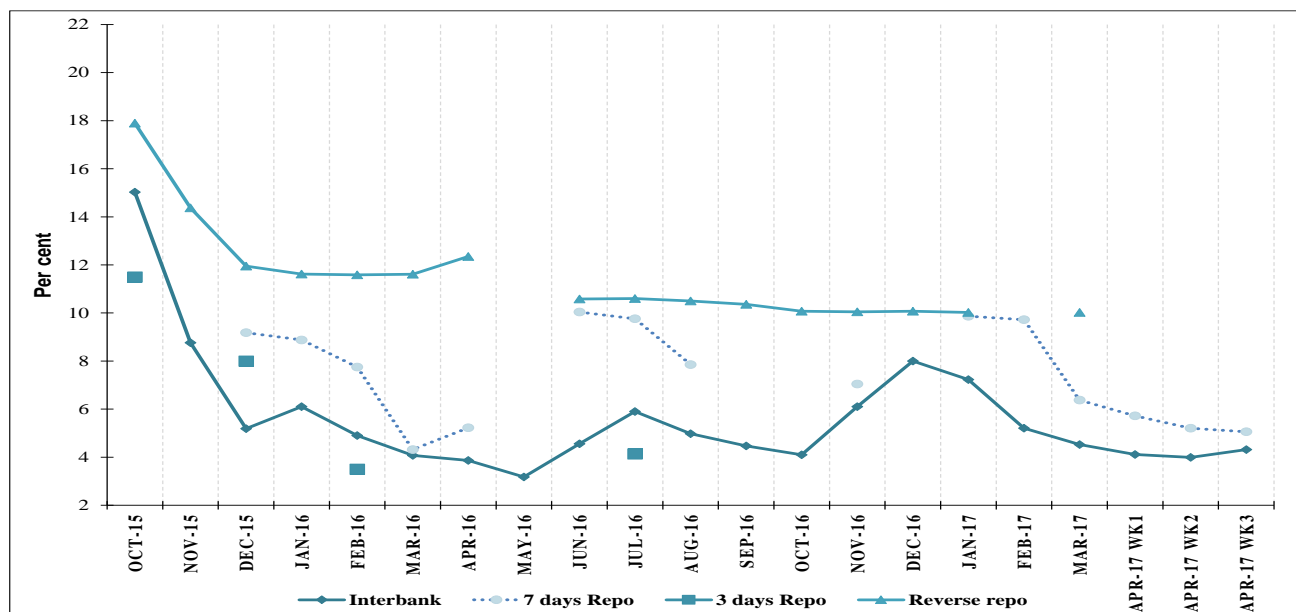
previous week while the average number of deals increased to 22 from 18. However, repo sales traded at a lower average rate of 5.06 percent compared to 5.20 percent in the previous week (**Chart B**).

TABLE 2: OPEN MARKET OPERATIONS (KSH MILLION)

Date	Number of Deals	Value (KSh M)	Average Interbank Rate (%)	7 days Average Repo Rate (%)
6-Apr-17	21	11,050	3.88	5.38
7-Apr-17	12	3,900	4.01	5.23
10-Apr-17	19	10,925	3.93	-
11-Apr-17	20	12,825	4.12	5.00
12-Apr-17	20	15,240	4.03	-
April 6, 2017 -April 12, 2017	18	10,788	3.99	5.20
13-Apr-17	19	8,270	3.77	5.00
18-Apr-17	23	10,250	4.46	-
19-Apr-17	23	7,925	4.72	5.12
April 13, 2017 -April 19, 2017	22	8,815	4.31	5.06

Source: Central Bank of Kenya

CHART B: STRUCTURE OF INTEREST RATES



Source: Central Bank of Kenya

Kenya Shilling Exchange Rate

The Kenya Shilling exchange rate depicted mixed performance against major international and regional currencies during the week ending April 20, 2017. It strengthened against the US Dollar but weakened against the Pound Sterling, the Euro and

the Japanese Yen. In the EAC region, the Kenya Shilling strengthened against Tanzania Shilling and the Burundi Franc but weakened against the Uganda and the Rwanda Franc.

TABLE 3: KENYA SHILLING EXCHANGE RATE

	USD	Sterling Pound	Euro	100 Japanese Yen	USHS*	TSHS*	RWF*	BIF*
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
18-Apr-17	103.36	129.42	109.81	94.54	35.00	21.61	7.95	16.54
19-Apr-17	103.43	131.66	110.52	95.02	34.95	21.60	8.12	16.38
20-Apr-17	103.41	132.62	110.77	94.76	34.93	21.61	7.95	16.54
18 -20 April 2017	103.40	131.23	110.37	94.77	34.96	21.61	8.01	16.49

* Units of currency per Kenya Shilling

Source: Central Bank of Kenya

The Capital Market

Capital markets recorded mixed performance during the week ending April 21, 2017 in both equity and bonds market segment. The REITs segment recorded significant decline while the

Barclays Gold Exchange Traded Funds (ETF) remained quiet during the week.

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Equity Market

Overall share prices declined in the week ending April 20, 2017 as reflected by a 0.58 percent decline in the NASI. However, prices of a basket of shares under the NSE 25 and NSE 20 indices gained during the week. The total number of shares traded

increased significantly, by 248.86 percent raising the equity turnover by 122.20 percent. In addition, shareholders' wealth measured by market capitalization declined by 0.58 percent (**Table 4**).

TABLE 4: KEY WEEKLY MARKET STATISTICS

INDICATOR	16-Feb-17	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	125.33	125.93	122.33	119.85	124.76	129.90	130.43	132.63	134.56	1.46
NSE 25 Share Index	3,263.60	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	2,971.50	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	4,891	5,006	4,847	4,561	5,583	5,049	5,074	4,937	4,257	-13.77
Total Shares Traded (Million)	154.88	133.04	102.39	113.03	212.74	132.79	116.38	116.21	66.03	-43.18
Equity Turnover (KSh Million)	3,014.60	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)	1,816.88	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)	0.23	11.13	0.13	0.09	1.76	1.70	3.43	0.79	0.30	-61.33
I-REIT in Units - Total Deals	20.00	27.00	18.00	11.00	33.00	29.00	19.00	30.00	17.00	-43.33
Bonds Turnover (KSh Million)	3,919.48	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	148.92	150.07	146.23	145.56	151.34	157.72	161.43	164.38	162.89	-0.91
FTSE NSE Kenya 25 Index	153.35	153.82	149.01	147.12	154.78	160.52	164.02	167.43	167.21	-0.13
FTSE NSE Bond Index	89.82	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

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) gained by 1.04 percent and 0.93 percent, respectively, over the week ending April 12, 2017. The Telecommunication and Technology and Banking sectors dominated trading, accounting for 85.15 percent of the total shares traded.

Turnover in the real estate market segment, Income-Real Estate Investment Trust (I-REIT²) declined by 82.34 percent, with number of deals declining by 76.47 percent over the week, perhaps signalling loss of investor appetite for asset-backed securities. The

Barclays Gold ETF segment was quiet during the week.

Bond Market

Volume of bonds traded declined by 9.71 percent with a corresponding increase in bond deals up 114 from 94 in the week ending April 21, 2017. The FTSE Bond Index remained stable. Investors' preference for bonds and reopening of the primary market may have impacted the secondary market trading activity.

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.

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TABLE 5: PERFORMANCE OF GOVERNMENT SECURITIES

91-Day Treasury Bills						
Date of Auction	02-Mar-17	23-Mar-17	30-Mar-17	06-Apr-17	13-Apr-17	20-Apr-17
Amount offered (Ksh M)	4,000.0	10,000.0	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	13,672.7
Amount Accepted (Ksh M)	5,848.0	2,158.4	7,084.8	11,330.0	8,737.5	6,672.9
Maturities (Ksh M)	5,721.5	3,750.1	1,393.8	3,525.0	3,555.0	4,897.8
Average interest Rate (%) - 91 Days	8.6	8.7	8.8	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	19-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	19-Apr-17
Amount offered (Ksh M)	6,000.0	10,000.0	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	19,661.4
Amount Accepted (Ksh M)	2,812.5	15,444.6	9,287.4	12,302.6	10,259.1	19,431.6
Maturities (Ksh M)	10,033.1	13,918.9	4,883.3	7,322.2	8,687.7	7,586.6
Average interest Rate (%) - 364 days	10.9	10.9	10.9	10.9	10.9	10.9
Treasury Bonds						
Date of Auction	22-Mar-17	29-Mar-17		19-Apr-17		
Tenor	FXD 3/2013/5	FXD 2/2014/5	FXD 3/2013/5	FXD3/2008/10	FXD1/2009/10	
Amount offered (Ksh M)	30,000.0	15,000.0		30,000.0		
Bids received (Ksh M)	64,248.4	14,463.7	12,109.4	21,755.92	27,631.07	
Amount Accepted (Ksh M)	24,864.0	7,582.7	7,842.8	14,617.39	18,146.85	
Maturities (Ksh M)	0.0	0.0		0		
Average interest Rate (%)	11.817	11.817	12.404	11.3	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
1. Treasury Bills (Excluding Repos)	598.48	607.90	619.59	615.77	621.39	625.06
(As % of total securities)	32.36	33.21	33.37	32.69	32.62	32.75
2. Treasury Bonds	1,250.70	1,222.61	1,236.94	1,268.16	1,283.61	1,283.76
(As % of total securities)	67.64	66.79	66.63	67.31	67.38	67.25
3. Total Securities (1+2)	1,849.17	1,830.51	1,856.52	1,883.93	1,905.01	1,908.83
4. Overdraft at Central Bank	13.58	25.13	21.20	30.27	22.57	21.20
5. Other Domestic debt*	32.10	30.97	31.05	31.06	31.04	30.74
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

* 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 PERCENT)

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

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

	02-Mar-17	09-Mar-17	16-Mar-17	23-Mar-17	30-Mar-17	06-Apr-17	13-Apr-17	20-Apr-17
1. CBK Usable Foreign Exchange Reserves (USD Million)*	6,994	7,027	6,973	7,777	7,731	8,015	7,957	7,959
2. CBK Usable Foreign Exchange Reserves (Months of Import Cover)**	4.62	4.64	4.61	5.14	5.11	5.30	5.26	5.26

*Excludes Encumbered Reserves

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

Source: Central Bank of Kenya