



**DECEMBER 30, 2016**

## **Highlights**

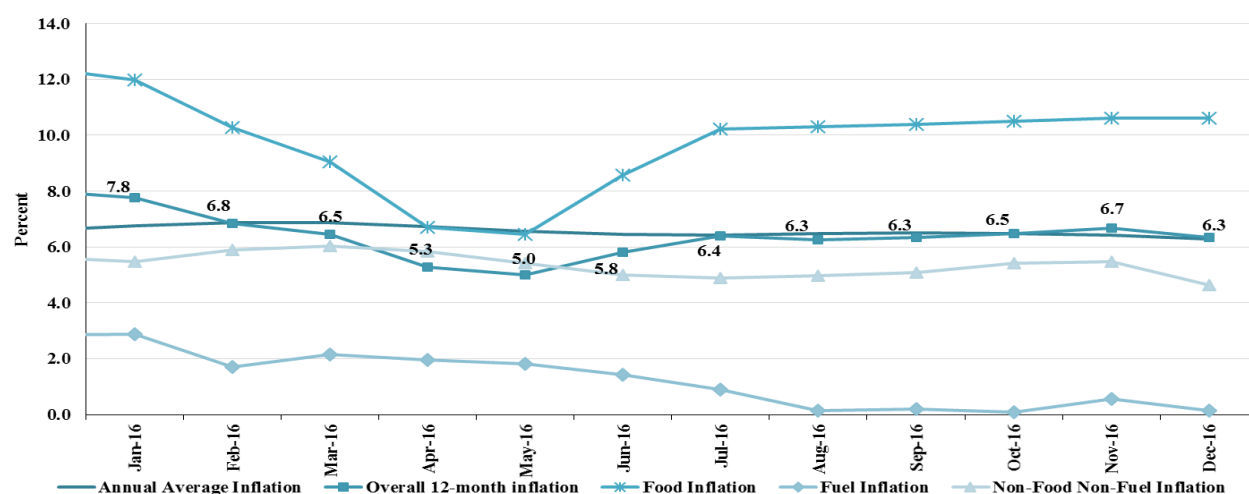
*Overall inflation declined to 6.4 percent in December 2016 from 6.7 percent in November 2016. It, however, remained elevated on account of high food prices. Non-Food Non-Fuel (NFNF) inflation declined to 4.6 percent in December 2016 from 5.5 percent in November, 2016.*

*The money market was relatively liquid during the week ending December 28, 2016, supported by government payments and net OMO actions. The average interbank rate rose to 8.0 percent in the week ending December 28, 2016 from 4.38 percent in the previous week.*

## **Inflation**

Overall inflation declined to 6.4 percent in December 2016 from 6.7 percent in November 2016, but remained elevated on account of high food prices (**Chart A**). The decline in overall inflation was largely driven by deceleration in Non-Food Non-Fuel (NFNF) inflation to 4.6 percent in December 2016 from 5.5 percent in November, 2016 following the dissipation of the effects of excise tax on cigarettes and beer, which was implemented in December 2015.

Fuel inflation eased to 0.14 percent in December 2016 from 0.57 percent in November 2016, owing to significant decline in the cost of Gas- (LPG) which exerted downward pressure to overall inflation by 0.10 percentage points. Food inflation stabilized at 10.6 percent in the period under review. The high food inflation was driven by rising prices of a few food items such as Sugar, Oranges, Cabbages and Sukuma wiki.

**CHART A: EVOLUTION OF INFLATION RATES**


Source: Central Bank of Kenya

### Monetary Policy Operations

The money market was relatively liquid during the week ending December 28, 2016, supported by government payments and net OMO actions. These inflows were partially offset by withdrawals through government issuance of securities, reverse repos maturities and tax remittances by commercial banks. The net liquidity injections in the interbank market amounted to KSh 23.3 billion (**Table 1**).

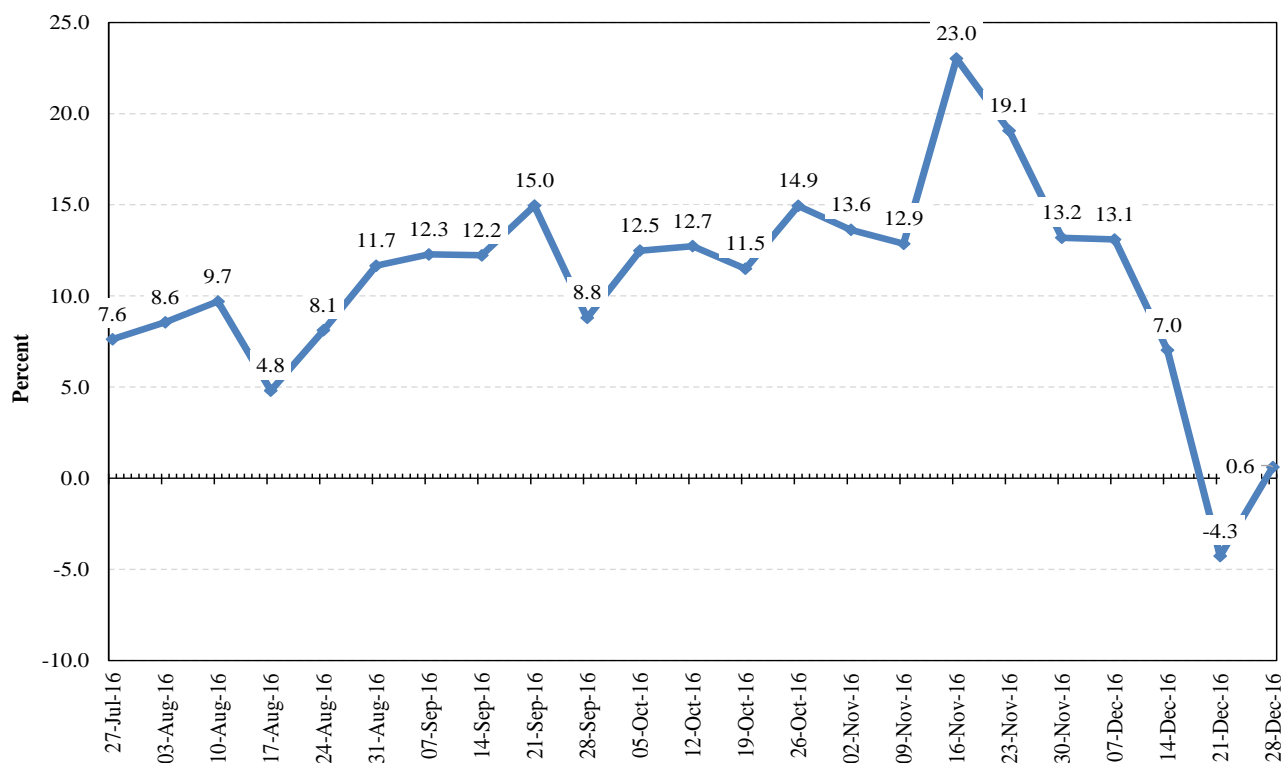
Commercial banks' excess reserves above 5.25 percent average reserve requirement increased to KSh 0.6 billion in the week ending December 28, 2016 from a deficit of KSh 4.3 billion recorded in the previous week (**Chart B**).

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

	22-Dec-16	23-Dec-16	27-Dec-16	28-Dec-16	Total
<b>Liquidity Flows</b>					
<b>Total liquidity injection <sup>\1</sup></b>	<b>15.7</b>	<b>25.7</b>	<b>41.3</b>	<b>13.3</b>	<b>96.0</b>
Repos Maturities	0.0	0.0	0.0	0.0	0.0
Reverse Repo Purchases	9.9	15.5	0.0	7.0	32.3
Term Auction Deposit maturities	0.0	0.0	0.0	0.0	0.0
T/bills redemptions	0.0	0.0	17.7	0.0	17.7
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	7.1	0.0	7.2
T/bonds rediscounts	0.0	0.0	0.0	0.0	0.0
Govt payments	5.8	10.2	16.5	0.1	32.6
<b>Total liquidity reduction <sup>\1</sup></b>	<b>14.1</b>	<b>13.1</b>	<b>33.3</b>	<b>12.1</b>	<b>72.6</b>
T/bills (Primary issues)	0.0	0.0	16.9	0.0	16.9
Tbonds Sales	0.0	0.0	0.0	0.0	0.0
T/bills/Tbonds (OMO Tap Sales)	0.0	0.0	13.6	0.0	13.6
Repos	0.0	0.0	0.0	0.0	0.0
Reverse Repos maturities	0.0	7.0	2.7	6.5	16.1
Term Auction Deposit	0.0	0.0	0.0	0.0	0.0
Transfer from Banks -Taxes	14.1	4.1	0.1	5.6	23.9
<b>Net liquidity injection (+)/Withdrawal (-)</b>	<b>1.5</b>	<b>12.5</b>	<b>8.0</b>	<b>1.2</b>	<b>23.3</b>
<b>Open Market Operations Outcome</b>					
Reverse Repos purchases	9.9	15.5	0.0	7.0	32.3
<b>Reserve Money Position</b>					
Reserve money (actual)	387.3	396.0	436.3	409.2	

<sup>\1</sup> 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

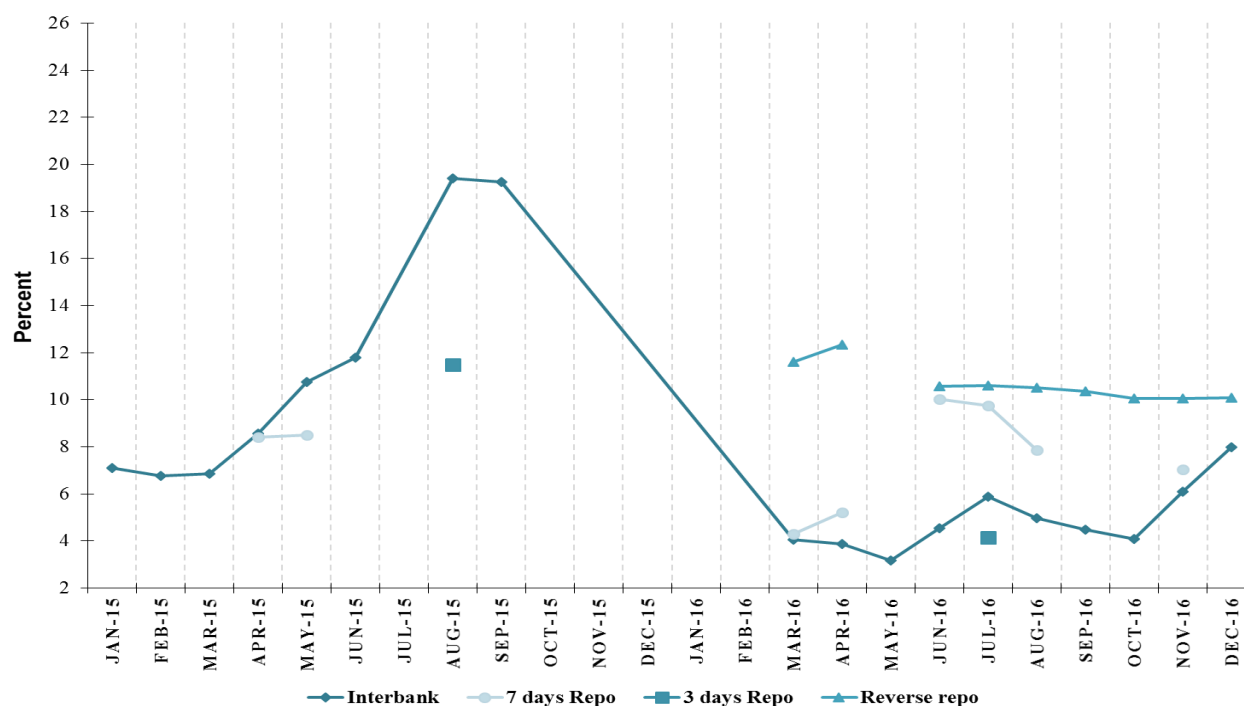
### Activity in the Interbank Market

Volumes transacted in the interbank market during the week ending December 28, 2016 decreased to KSh 16.2 billion from KSh 19.9 billion traded in the previous week. During the week under review, the volume transacted was at a higher weighted average rate of 8.0 percent compared to 4.38 percent recorded the previous week. The reverse repo purchases traded at an average rate of 10.07 percent in the week ending December 28, 2016 compared to 10.03 percent 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 (%)	Reverse Repo Rate (%)
15-Dec-16	27	14,905	4.34	10.05
16-Dec-16	37	27,250	4.18	10.00
19-Dec-16	35	19,750	4.31	10.04
20-Dec-16	38	22,570	4.12	10.00
21-Dec-16	39	14,880	4.97	10.08
<b>Dec 15-21, 2016</b>	<b>35</b>	<b>19,871</b>	<b>4.38</b>	<b>10.03</b>
22-Dec-16	39	12,955	7.12	10.14
23-Dec-16	38	17,840	8.22	10.06
28-Dec-16	29	17,680	8.67	10.02
<b>Dec 22-28, 2016</b>	<b>35</b>	<b>16,158</b>	<b>8.00</b>	<b>10.07</b>

Source: Central Bank of Kenya

**CHART C: STRUCTURE OF SHORT-TERM INTEREST RATES**


Source: Central Bank of Kenya

### Kenya Shilling Exchange Rate

The Kenya Shilling exchange rate displayed mixed performance against major international and regional currencies during the week ending December 29, 2016. It strengthened against the Sterling Pound but weakened against the USD, the Euro and the Japanese Yen. In the EAC region, it strengthened against the Uganda shilling, Rwanda Franc and Burundi Franc. However, it weakened against the Tanzania shilling (**Table 3**).

**TABLE 3: KENYA SHILLING EXCHANGE RATE**

	USD	Sterling Pound	Euro	100 Japanese Yen	USHS*	TSHS*	RWF*	BIF*
16-Dec-16	102.19	126.93	106.56	86.51	35.18	21.34	7.97	16.49
19-Dec-16	102.20	127.54	106.73	86.52	35.13	21.33	7.97	16.39
20-Dec-16	102.24	126.52	106.61	87.30	34.95	21.32	7.96	16.47
21-Dec-16	102.30	126.19	106.06	86.61	34.90	21.29	7.96	16.37
22-Dec-16	102.35	126.68	106.74	87.30	34.83	21.28	7.96	16.36
<b>16-22 December 2016</b>	<b>102.25</b>	<b>126.77</b>	<b>106.54</b>	<b>86.85</b>	<b>35.00</b>	<b>21.31</b>	<b>7.96</b>	<b>16.42</b>
23-Dec-16	102.36	126.28	106.91	86.88	34.93	21.28	8.14	16.36
28-Dec-16	102.36	125.34	106.90	87.26	34.93	21.28	8.14	16.36
29-Dec-16	102.44	125.15	106.47	87.03	35.17	21.26	7.96	16.47
<b>23-29 December 2016</b>	<b>102.39</b>	<b>125.59</b>	<b>106.76</b>	<b>87.06</b>	<b>35.01</b>	<b>21.27</b>	<b>8.08</b>	<b>16.40</b>

\* Units of currency per Kenya Shilling

Source: Central Bank of Kenya

## The Capital Market

The capital market recorded weak performance in the week ending December 29, 2016.

## Equity Market

The NASI and NSE 25 Share Index showed marginal decline of 0.56 percent and 0.10 percent, respectively, while the NSE 20 Share Index gained 1.60 percent during the week ending December 29, 2016. Shareholder wealth, measured by market capitalization, fell slightly by 0.56 percent on account of a decline in share prices. As a result of the short trading week the total number of shares traded fell by 62.48 percent while equity turnover declined by 53.83 percent compared to the previous week (**Table 4**).

**TABLE 4: KEY MARKET INDICATORS**

INDICATOR	10-Nov-16	17-Nov-16	24-Nov-16	01-Dec-16	08-Dec-16	15-Dec-16	22-Dec-16	29-Dec-16	Weekly Change (Percent)
NASI 100= 2008	139.89	139.96	138.39	136.74	133.7	130.95	132.04	131.30	-0.56
NSE 25 Share Index	3,686.03	3,709.91	3,681.55	3,599.17	3,526.83	3,466.52	3,459.04	3,455.66	-0.10
NSE 20 Share Index 100= 1996	3,246.72	3,283.77	3,273.71	3,250.62	3,180.56	3,129.78	3,106.91	3,156.59	1.60
Number of Deals	6,233	6,054	5,445	5,043	4,733	3,687	4,687	1,980	-57.76
Total Shares Traded (Million)	116.95	91.79	100.21	102.68	79.91	51.33	96.56	36.23	-62.48
Equity Turnover (KSh Million)	2,727.92	2,232.48	1,901.46	2,495.91	2,227.92	1,252.52	1,995.31	921.22	-53.83
Market Capitalization (KSh Billion)	2,026.78	2,027.74	2,009.91	1,980.97	1,936.75	1,896.95	1,912.71	1,901.97	-0.56
I-REIT Turnover in (KSh)	0.27	0.71	0.92	0.20	0.62	0.94	0.09	0.12	26.84
I-REIT in Units - Total Deals	23	35	29	26	22	16	16	11	-31.25
Bonds Turnover (KSh Million)	9,533.29	6,751.20	6,649.85	5,095.10	2,873.25	5,395.44	7,857.91	5,095.60	-35.15
FTSE NSE Kenya 15 Index	168.62	170.84	170.07	165.69	161.66	159.64	158.63	159.07	0.28
FTSE NSE Kenya 25 Index	174.99	176.43	174.71	170.40	166.28	163.83	163.96	164.30	0.21
FTSE NSE Bond Index	90.27	90.31	90.19	90.22	90.21	89.96	89.96	90.05	0.10

*Source: Nairobi Securities Exchange*

## FTSE NSE Kenya Index Series, REITS and Most Active Sectors

FTSE<sup>1</sup> 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 0.28 percent and 0.21 percent, respectively, over the week ending December 29, 2016. The Telecommunication and Technology and Banking sectors dominated trading accounting for 45.23 percent and 23.21 percent, respectively, of the total shares traded over the period under review.

Turnover in the real estate market segment, Real Estate Investment Trust (I-REIT<sup>2</sup>), increased by 26.84 percent, despite a decline of 31.25 percent in the number of deals made. This may be attributed to increased appetite for real estate products.

## Bond Market

Bond market turnover declined by 35.15 percent compared to the previous week, with corresponding deals down from 215 deals in the previous week to 111 deals in the week ending December 29, 2016. The reduced trading activity may be attributed to the three-day trading week following the Christmas holiday period. The FTSE Government Bond Index increased marginally by 0.10 percent, reflecting a decline in secondary market yields.

<sup>1</sup> 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

<sup>2</sup> 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

**TABLE 5: PERFORMANCE OF GOVERNMENT SECURITIES**

<b>91-Day Treasury Bills</b>									
Date of Auction	25-Aug-16	29-Sep-16	27-Oct-16	24-Nov-16	01-Dec-16	08-Dec-16	15-Dec-16	22-Dec-16	29-Dec-16
Amount offered (Ksh M)	4,000.0	4,000.0	4,000.0	4,000.0	4,000.0	4,000.0	4,000.0	4,000.0	4,000.0
Bids received (Ksh M)	1,682.2	4,722.1	4,335.7	5,911.3	5,664.1	2,174.2	2,588.8	3,687.5	1,367.7
Amount Accepted (Ksh M)	1,456.4	4,200.4	4,335.7	5,908.4	5,624.8	2,172.8	2,588.8	3,687.5	1,367.4
Maturities (Ksh M)	7,363.7	3,417.7	2,714.4	1,484.5	5,457.7	4,783.3	4,166.3	5,455.7	4,267.1
Average interest Rate (%) - 91 Days	8.6	7.8	8.0	8.3	8.4	8.4	8.5	8.6	8.6
<b>182-Day Treasury Bills</b>									
Date of Auction	24-Aug-16	28-Sep-16	26-Oct-16	23-Nov-16	30-Nov-16	07-Dec-16	14-Dec-16	21-Dec-16	28-Dec-16
Amount offered (Ksh M)	6,000.0	6,000.0	6,000.0	6,000.0	6,000.0	6,000.0	6,000.0	6,000.0	6,000.0
Bids received (Ksh M)	7,962.7	8,678.0	7,356.5	6,936.3	6,801.8	7,309.5	7,446.2	15,844.8	2,140.8
Amount Accepted (Ksh M)	7,626.3	5,311.7	7,356.5	6,915.3	6,741.1	7,162.3	4,229.9	11,266.4	1,145.9
Maturities (Ksh M)	5,446.0	2,051.1	9,520.1	5,649.1	7,332.9	6,790.4	5,676.3	10,721.8	1,247.7
Average interest Rate (%) - 182 days	11.2	10.4	10.3	10.4	10.5	10.5	10.6	10.5	10.5
<b>364-Day Treasury Bills</b>									
Date of Auction	24-Aug-16	28-Sep-16	26-Oct-16	23-Nov-16	30-Nov-16	07-Dec-16	14-Dec-16	21-Dec-16	28-Dec-16
Amount offered (Ksh M)	6,000.0	6,000.0	6,000.0	6,000.0	6,000.0	6,000.0	6,000.0	6,000.0	6,000.0
Bids received (Ksh M)	5,850.8	7,326.1	5,422.8	5,316.7	4,417.6	7,546.8	1,593.4	2,116.1	
Amount Accepted (Ksh M)	5,630.0	7,326.1	5,422.8	3,266.8	4,372.6	5,078.2	1,593.4	1,949.9	
Maturities (Ksh M)	1,669.4	3,666.6	8,529.4	1,290.5	3,456.7	3,062.6	818.3	1,506.1	
Average interest Rate (%) - 364 days	12.0	10.4	10.6	10.8	10.9	11.1	11.1	11.0	
<b>Treasury Bonds</b>									
Date of Auction	Aug-4-16		20-Oct-16	23-Nov-16			14-Dec-16	21-Dec-16	29-Dec-16
Tenor	FXD 1/2016/10	IFB1/2016/16 (Tap sale)	FXD 1/2008/20				FXD3/2016/2	FXD3/2016/2 (Tap Sale)	FXD3/2016/2 (Tap Sale)
Amount offered (Ksh M)	25,000.00		10,000.0	30,000.0			30,000.0	20,000.0	20,000.0
Bids received (Ksh M)	26,305.20		4,773.4	8,398.0			35,540.1	13,637.0	1,354.0
Amount Accepted (Ksh M)	18,312.23		4,471.4	7,876.6			10,535.3	13,637.0	1,353.8
Maturities (Ksh M)	-		0.0	0.0			29,375.7	0.0	0.0
Average interest Rate (%)	15.04		13.2	14.3			12.5	12.5	12.5

Source: Central Bank of Kenya

**TABLE 6: GOVERNMENT DOMESTIC DEBT (KSH BILLION)**

	24-Jun-16	29-Jul-16	26-Aug-16	30-Sep-16	28-Oct-16	25-Nov-16	02-Dec-16	09-Dec-16	16-Dec-16	23-Dec-16
1. Treasury Bills (Excluding Repos)	578.03	577.76	579.67	618.25	631.84	611.95	620.00	621.38	621.92	620.09
(As % of total securities)	33.41	32.75	33.09	33.97	34.04	33.19	33.07	33.12	33.14	33.41
2. Treasury Bonds	1,152.04	1,186.12	1,171.92	1,201.78	1,224.21	1,231.57	1,254.59	1,254.59	1,254.59	1,235.73
(As % of total securities)	66.59	67.25	66.91	66.03	65.96	66.81	66.93	66.88	66.86	66.59
<b>3. Total Securities (1+2)</b>	<b>1,730.07</b>	<b>1,763.88</b>	<b>1,751.59</b>	<b>1,820.02</b>	<b>1,856.05</b>	<b>1,843.52</b>	<b>1,874.60</b>	<b>1,875.97</b>	<b>1,876.52</b>	<b>1,855.82</b>
4. Overdraft at Central Bank	37.06	14.01	13.28	3.32	0.00	9.96	0.00	0.00	0.00	31.42
5. Other Domestic debt*	31.09	30.76	31.42	31.45	31.21	32.05	32.05	32.03	31.39	31.39
<b>6. Gross Domestic Debt (3+4+5)</b>	<b>1,798.22</b>	<b>1,808.64</b>	<b>1,796.29</b>	<b>1,854.80</b>	<b>1,887.26</b>	<b>1,885.54</b>	<b>1,906.65</b>	<b>1,908.00</b>	<b>1,907.90</b>	<b>1,918.63</b>

\* 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 (%)**

	24-Jun-16	29-Jul-16	26-Aug-16	30-Sep-16	28-Oct-16	25-Nov-16	02-Dec-16	09-Dec-16	16-Dec-16	23-Dec-16
Treasury bills (Excluding Repos)	32.1	31.9	32.3	33.3	33.5	32.5	32.5	32.6	32.6	32.3
Treasury bonds	64.1	65.6	65.2	64.8	64.9	65.3	65.8	65.8	65.8	64.4
CBK Overdraft to Govt	2.1	0.8	0.7	0.2	0.0	0.5	0.0	0.0	0.0	1.6
Other domestic debt	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.6	1.6
<b>TOTAL</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

Source: Central Bank of Kenya

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**TABLE 8: COMPOSITION OF GOVERNMENT DEBT BY HOLDER (%)**

	24-Jun-16	29-Jul-16	26-Aug-16	30-Sep-16	28-Oct-16	25-Nov-16	02-Dec-16	09-Dec-16	16-Dec-16	23-Dec-16
Banking Institutions	56.3	54.8	54.4	55.0	53.1	53.3	52.7	52.3	52.2	52.2
Insurance Companies	7.5	7.6	7.3	7.4	7.1	7.1	7.3	7.3	7.3	7.2
Parastatals	4.7	5.1	5.6	5.5	5.6	5.8	5.8	5.8	5.8	5.9
Pension funds	25.9	26.8	27.0	26.6	27.1	27.3	27.7	28.1	28.2	28.1
<b>Other investors</b>	<b>5.7</b>	<b>5.7</b>	<b>5.6</b>	<b>5.6</b>	<b>7.1</b>	<b>6.5</b>	<b>6.5</b>	<b>6.5</b>	<b>6.6</b>	<b>6.5</b>
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

Source: Central Bank of Kenya

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

	10-Nov-16	17-Nov-16	24-Nov-16	01-Dec-16	08-Dec-16	15-Dec-16	22-Dec-16	29-Dec-16
1. CBK Usable Foreign Exchange Reserves (USD Million)*	7,536	7,485	7,336	7,289	7,308	7,247	7,028	6,971
2. CBK Usable Foreign Exchange Reserves (Months of Import Cover)**	4.93	4.90	4.80	4.77	4.78	4.74	4.60	4.56

\*Excludes Encumbered Reserves

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

Source: Central Bank of Kenya