



MARCH 3, 2017

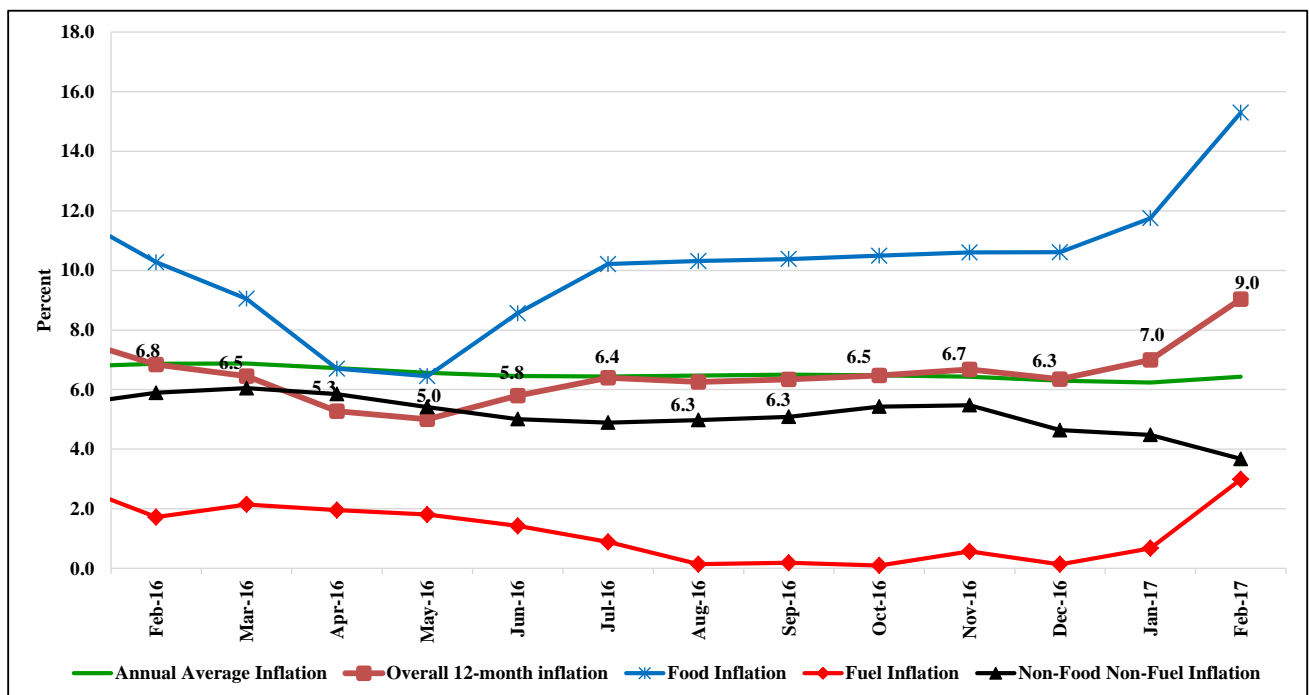
**Highlights**

Overall inflation accelerated to 9.0 percent in February 2017 from 7.0 percent in January 2017, on account of elevated food prices and rising fuel costs. Non-Food Non-Fuel (NFNF) inflation declined to 3.7 percent in February 2017 from 4.5 percent in January 2017.

Liquidity in the money market increased during the week ending March 1, 2017, supported by net open market operations and government operations. The average interbank rate declined to 5.21 percent in the week ending March 1, 2017 from 6.54 percent in the previous week.

Capital markets recorded mixed performance during the week ending March 2, 2017 with equities declining and bond market improving.

**CHART A: DEVELOPMENTS IN INFLATION**



Source: KNBS and Central Bank of Kenya

### Inflation

Overall inflation accelerated to 9.0 percent in February 2017 from 7.0 percent in January 2017, on account of elevated food prices and rising fuel costs (Chart A). Food inflation increased significantly to 15.3 percent in February from 11.8 percent in January 2017, largely driven by increases in prices of: *sukuma wiki*; *sifted maize flour*; *cabbages*; *Irish potatoes*; *loose maize grain*; *fresh unpacked milk*; and *offals (matumbo)*. The increase in the prices of these food items, which contributed 2.0 percentage points to overall inflation in February 2017, is mainly attributed to a decline in supply owing to the prevailing drought conditions. Fuel inflation increased to 3.0 percent in February from 0.7 percent in January 2017, mainly driven by rising costs of petrol, electricity, diesel, kerosene and rent.

Non-Food Non-Fuel (NFNF) inflation continued to decline and stood at 3.7 percent in February compared to 4.5 percent in January 2017. This reflected in the declined contributions of all constituent baskets in the NFNF category in February 2017, except the “Health” category.

### Monetary Policy Operations

Liquidity in the money market increased during the week ending March 1, 2017, supported by net repo maturities and government payments. The Central Bank’s open market operations resulted in a net liquidity injection of KSh 10.4 billion (Table 1).

Commercial banks’ free reserves based on the cash reserve requirement of 5.25 percent declined to a deficit of KSh 2.6 billion in the week ending March 1, 2017 compared to a surplus of KSh 7.9 billion recorded in the previous week (Chart B)

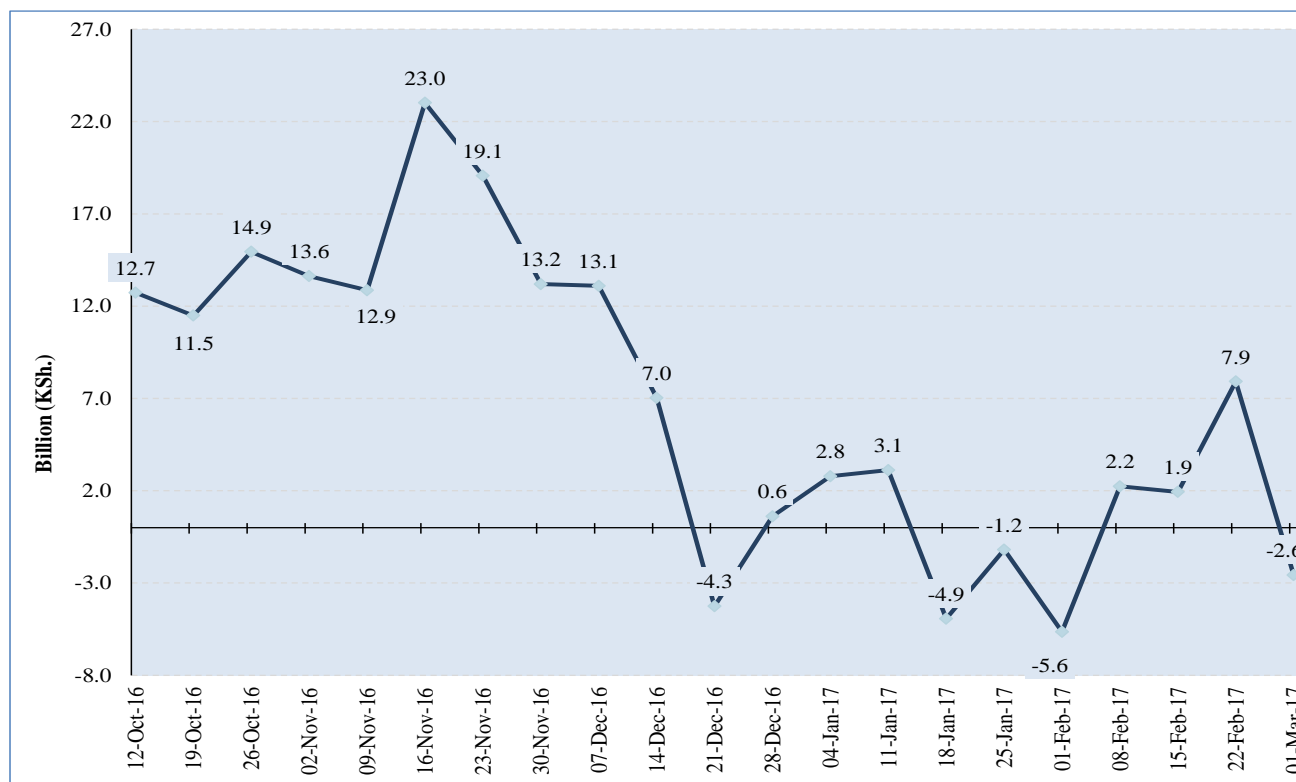
TABLE 1: INTERBANK LIQUIDITY FLOWS AND OPEN MARKET OPERATIONS (KSH BILLION)

	23-Feb-17	24-Feb-17	27-Feb-17	28-Feb-17	1-Mar-17	Total
<b>Liquidity Flows</b>						
<b>Total liquidity injection <sup>1</sup></b>	<b>6.9</b>	<b>5.2</b>	<b>56.5</b>	<b>22.3</b>	<b>7.1</b>	<b>98.0</b>
Repos Maturities	2.3	0.0	17.4	0.0	0.0	19.7
Reverse Repo Purchases	0.6	1.5	0.0	13.0	2.7	17.7
Term Auction Deposit maturities	0.1	0.0	13.0	0.0	0.6	13.7
T/bills redemptions	0.0	0.0	22.0	0.0	0.0	22.0
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	1.4	0.0	0.0	1.4
T/bonds rediscounts	0.0	0.0	0.0	0.0	0.0	0.0
Govt payments	4.0	3.7	2.8	9.2	3.8	23.5
<b>Total liquidity reduction <sup>1</sup></b>	<b>3.0</b>	<b>4.5</b>	<b>51.8</b>	<b>19.6</b>	<b>5.0</b>	<b>83.8</b>
T/bills (Primary issues)	0.0	0.0	22.5	0.0	0.0	22.5
Tbonds Sales	0.0	0.0	6.0	0.0	0.0	6.0
T/bills/Tbonds (OMO Tap Sales)	0.0	0.0	0.0	0.0	0.0	0.0
Repos	0.0	0.0	20.0	0.0	0.0	20.0
Reverse Repos maturities	0.8	1.5	1.9	13.9	2.7	20.7
Term Auction Deposit	0.0	0.0	0.0	0.0	0.0	0.0
Transfer from Banks -Taxes	2.2	3.0	1.4	5.6	2.3	14.5
<b>Net liquidity injection (+)/Withdrawal (-)</b>	<b>4.0</b>	<b>0.7</b>	<b>4.7</b>	<b>2.7</b>	<b>2.1</b>	<b>14.1</b>
<b>Open Market Operations Outcome</b>						
<b>Posted Amount</b>	0.0	0.0	20.0	0.0	0.0	20.0
<b>Realised Amount - Mop up</b>	<b>0.0</b>	-	<b>20.0</b>	-	-	<b>20.0</b>
Repo (-)	0.0	0.0	20.0	0.0	0.0	20.0
Term Auction Deposits (-)	0.0	0.0	0.0	0.0	0.0	0.0

<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

The average interbank rate declined to 5.2 percent in the week ending March 1, 2017 from 6.5 percent recorded the previous week,

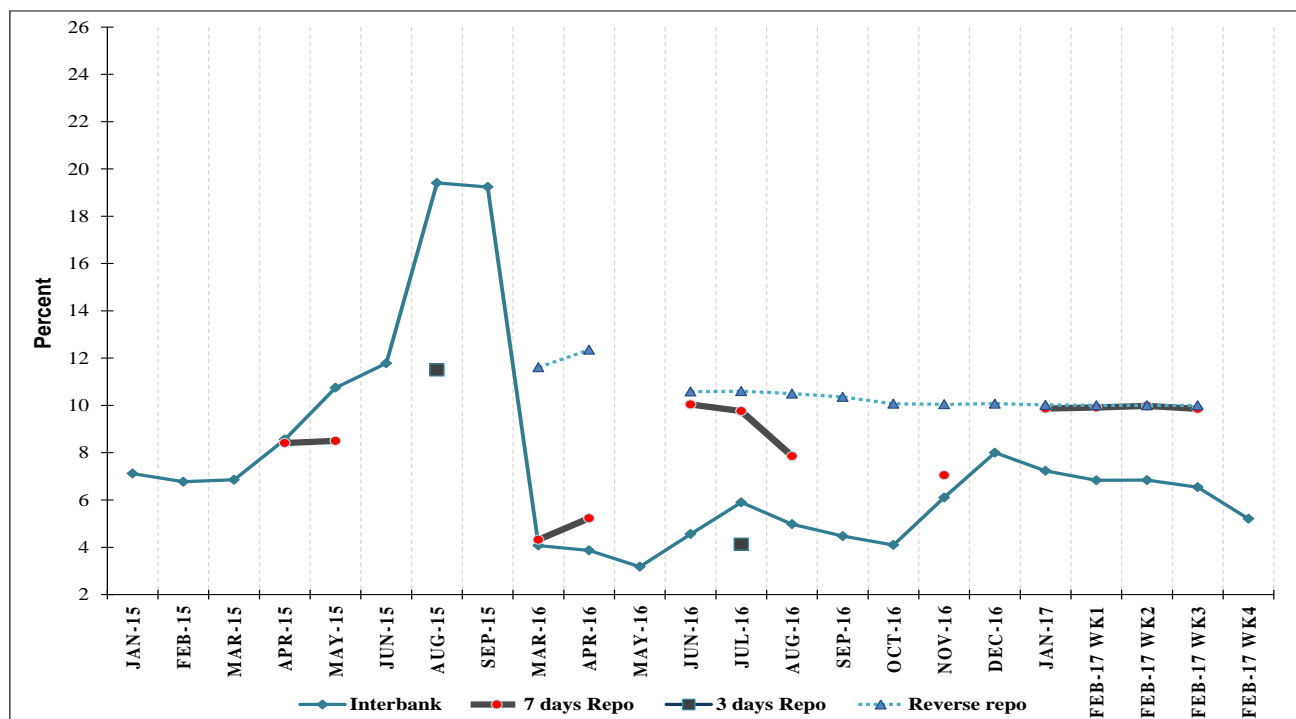
while the volumes transacted increased to KSh 12.6 billion compared to KSh 9.2 billion. (Table 2 and Chart C).

TABLE 2: OPEN MARKET OPERATIONS (KSh MILLION)

Date	Number of Deals	Value (KSh M)	Average Interbank Rate (%)	7 days Average Repo Rate (%)
16-Feb-17	25	9,900	7.45	
17-Feb-17	20	8,050	6.99	
20-Feb-17	20	8,650	6.24	
21-Feb-17	21	9,080	6.00	
22-Feb-17	28	10,480	6.02	
<b>Feb 16, 2017 - Feb 22, 2017</b>	<b>23</b>	<b>9,232</b>	<b>6.54</b>	
23-Feb-17	29	13,120	5.80	
24-Feb-17	24	14,885	5.45	
27-Feb-17	25	17,040	4.93	9.72
28-Feb-17	18	10,630	4.60	
1-Mar-17	18	7,405	5.26	
<b>Feb 16, 2017 - Feb 22, 2017</b>	<b>23</b>	<b>12,616</b>	<b>5.21</b>	<b>9.72</b>

Source: Central Bank of Kenya

CHART C: STRUCTURE OF INTEREST RATES



Source: Central Bank of Kenya

### Kenya Shilling Exchange Rate

The Kenya Shilling displayed mixed performance against major international and regional currencies during the week ending March 2, 2017. It strengthened against the US Dollar, the Pound Sterling and the Euro but

weakened against the Japanese Yen. In the EAC region, the Kenya Shilling strengthened against the Uganda and Tanzania Shillings as well as 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*
17-Feb-17	103.65	129.57	110.54	91.40	34.59	21.55	7.90	16.38
20-Feb-17	103.62	128.73	110.14	91.60	34.60	21.56	8.08	16.29
21-Feb-17	103.58	128.96	109.72	91.21	34.61	21.58	8.09	16.30
22-Feb-17	103.58	129.52	109.24	91.29	34.61	21.57	8.09	16.30
23-Feb-17	103.59	128.96	108.91	91.70	34.63	21.57	7.90	16.40
<b>17-23 February 2017</b>	<b>103.61</b>	<b>129.15</b>	<b>109.71</b>	<b>91.44</b>	<b>34.61</b>	<b>21.57</b>	<b>8.01</b>	<b>16.34</b>
24-Feb-17	103.55	129.51	109.54	91.83	34.62	21.57	7.91	16.41
27-Feb-17	103.47	128.61	109.37	92.23	34.65	21.60	8.10	16.32
28-Feb-17	103.34	128.40	109.47	92.04	34.74	21.61	7.93	16.45
1-Mar-17	102.98	127.92	109.08	91.87	34.86	21.70	7.96	16.51
2-Mar-17	102.83	126.44	108.22	90.22	34.91	21.73	7.97	16.54
<b>24 February-2 March 2017</b>	<b>103.23</b>	<b>128.18</b>	<b>109.14</b>	<b>91.64</b>	<b>34.76</b>	<b>21.64</b>	<b>7.97</b>	<b>16.45</b>

\* Units of currency per Kenya Shilling

Source: Central Bank of Kenya

## The Capital Market

Capital markets recorded mixed performance during the week ending March 2, 2017 with equities declining and bond market improving.

## Equity Market

All Share price indices declined during the week ending March 2, 2017. Similarly, shareholders' wealth, measured by market capitalization shed 2.9 percent, Equity turnover was down 15.1 percent and shares traded decreased by 23.0 percent (**Table 4**). This low performance reflects low investor appetite for risky assets owing to less impressive financial results released by listed firms.

**TABLE 4: KEY WEEKLY MARKET STATISTICS**

INDICATOR	19-Jan-17	26-Jan-17	2-Feb-17	9-Feb-17	16-Feb-17	23-Feb-17	2-Mar-17	Change (Percent)
NASI 100= 2008	124.21	122.42	123.43	125.19	125.33	125.93	122.33	-2.86
NSE 25 Share Index	3,234.77	3,160.28	3,174.11	3,263.05	3,263.60	3,279.56	3,208.62	-2.16
NSE 20 Share Index 100= 1996	2,924.90	2,824.32	2,833.09	2,933.09	2,971.50	3,009.19	2,969.12	-1.33
Number of Deals	4,839	4,581	4,316	4,843	4,891	5,006	4,847	-3.18
Total Shares Traded (Million)	124.12	109.79	140.58	217.76	154.88	133.04	102.39	-23.04
Equity Turnover (KSh Million)	3,200.87	2,924.39	3,122.69	4,196.56	3,014.60	2,387.68	2,027.90	-15.07
Market Capitalization (KSh Billion)	1,799.06	1,772.92	1,787.61	1,813.19	1,816.88	1,825.55	1,773.25	-2.86
I-REIT Turnover in (KSh Million)	0.46	0.06	0.27	0.54	0.23	11.13	0.13	-98.81
I-REIT in Units - Total Deals	25.00	5.00	13.00	29.00	20.00	27.00	18.00	-33.33
Bonds Turnover (KSh Million)	10,653.85	8,487.17	6,061.50	7,098.57	3,919.48	4,915.45	6,587.00	34.01
FTSE NSE Kenya 15 Index	147.33	144.74	141.55	149.94	148.92	150.07	146.23	-2.56
FTSE NSE Kenya 25 Index	152.44	150.28	148.11	154.55	153.35	153.82	149.01	-3.13
FTSE NSE Bond Index	89.86	89.63	89.70	89.73	89.82	89.80	89.64	-0.18

*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 the 15 largest companies by market capitalization and the 25 most liquid stocks at the Nairobi Securities Exchange (NSE), closed 146.2 and 149.0 points lower in the week under review. Telecommunication & Technology and Banking sectors accounted for 77.6 percent of the total shares traded in the week.

Activity in the real estate market segment declined with, Real Estate Investment Trust (REIT) turnover down by 98.8 percent. The number of deals transacted also declined by 33.3 percent.

## Bond Market

Bonds traded rose by 34.0 percent, on the lack of increased supply to raise funds for the tap sale of the infrastructure bond on offer.

<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.

## 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	29-Dec-16	26-Jan-17	2-Feb-17	9-Feb-17	16-Feb-17	23-Feb-17	2-Mar-17
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
Bids received (Ksh M)	1,367.7	5,840.1	3,735.4	1,760.7	1,510.5	3,847.0	5,897.0
Amount Accepted (Ksh M)	1,367.4	5,557.4	2,629.7	1,370.4	1,510.5	1,782.0	5,848.0
Maturities (Ksh M)	4,267.1	4,384.0	4,443.9	3,905.1	2,054.5	5,672.5	5,721.5
Average interest Rate (%) - 91 Days	8.6	8.7	8.7	8.7	8.6	8.6	8.6
<b>182-Day Treasury Bills</b>							
Date of Auction	28-Dec-16	25-Jan-17	1-Feb-17	8-Feb-17	15-Feb-17	22-Feb-17	1-Mar-17
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
Bids received (Ksh M)	2,140.8	5,078.3	15,335.2	17,917.5	8,483.4	24,748.7	24,178.7
Amount Accepted (Ksh M)	1,145.9	2,218.5	15,115.5	15,504.1	15,500.4	19,648.6	21,332.7
Maturities (Ksh M)	1,247.7	6,733.4	12,201.2	6,330.2	8,949.6	8,039.4	6,885.4
Average interest Rate (%) - 182 days	10.5	10.5	10.6	10.5	10.5	10.5	10.5
<b>364-Day Treasury Bills</b>							
Date of Auction	28-Dec-16	25-Jan-17	1-Feb-17	8-Feb-17	15-Feb-17	22-Feb-17	1-Mar-17
Amount offered (Ksh M)		6,000.0	6,000.0	6,000.0	6,000.0	6,000.0	6,000.0
Bids received (Ksh M)		1,339.6	7,718.3	8,241.0	9,663.5	1,064.4	3,443.9
Amount Accepted (Ksh M)		1,339.6	6,062.1	6,008.0	9,483.5	1,064.4	2,812.5
Maturities (Ksh M)		1,666.3	7,013.0	10,398.3	9,825.2	8,286.5	10,033.1
Average interest Rate (%) - 364 days		10.9	10.9	10.9	10.9	10.9	10.9
<b>Treasury Bonds</b>							
Date of Auction	29-Dec-16					22-Feb-17	23-Feb-17
Tenor	FXD3/2016/2 (Tap Sale)					IFBI/2017/12	IFBI/2017/12 (Tap Sale)
Amount offered (Ksh M)	20,000.0					30,000.0	24,000.0
Bids received (Ksh M)	1,354.0					33,135.4	8,050.3
Amount Accepted (Ksh M)	1,353.8					5,997.5	7,630.9
Maturities (Ksh M)	0.0					0.0	0.0
Average interest Rate (%)	12.5					13.6	13.6

Source: Central Bank of Kenya

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

	30-Dec-16	20-Jan-17	27-Jan-17	03-Feb-17	10-Feb-17	17-Feb-17	24-Feb-17
1. Treasury Bills (Excluding Repos)	620.19	604.78	598.48	595.13	596.72	600.42	607.90
(As % of total securities)	33.17	32.59	32.36	32.24	32.30	32.51	33.21
2. Treasury Bonds	1,249.34	1,250.70	1,250.70	1,250.70	1,250.70	1,246.20	1,222.61
(As % of total securities)	66.83	67.41	67.64	67.76	67.70	67.49	66.79
<b>3. Total Securities (1+2)</b>	<b>1,869.53</b>	<b>1,855.48</b>	<b>1,849.17</b>	<b>1,845.83</b>	<b>1,847.41</b>	<b>1,846.62</b>	<b>1,830.51</b>
4. Overdraft at Central Bank	29.93	1.12	13.58	17.30	17.23	9.54	25.13
5. Other Domestic debt*	31.39	31.53	32.10	30.96	30.96	30.95	30.97
<b>6. Gross Domestic Debt (3+4+5)</b>	<b>1,930.86</b>	<b>1,888.14</b>	<b>1,894.85</b>	<b>1,894.09</b>	<b>1,895.60</b>	<b>1,887.11</b>	<b>1,886.61</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 (IN PERCENT)**

	24-Jun-16	29-Jul-16	30-Dec-16	27-Jan-17	3-Feb-17	10-Feb-17	17-Feb-17	24-Feb-17
Treasury bills (Excluding Repos)	32.1	31.9	32.1	31.6	31.4	31.5	31.8	32.2
Treasury bonds	64.1	65.6	64.7	66.0	66.0	66.0	66.0	64.8
CBK Overdraft to Govt	2.1	0.8	1.6	0.7	0.9	0.9	0.5	1.3
Other domestic debt	1.7	1.7	1.6	1.7	1.6	1.6	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>

Source: Central Bank of Kenya

## CBK Weekly Statistical Bulletin of Key Monetary and Financial Indicators

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

	29-Jul-16	26-Aug-16	30-Sep-16	25-Nov-16	30-Dec-16	13-Jan-17	20-Jan-17	27-Jan-17	3-Feb-17	10-Feb-17	17-Feb-17	24-Feb-17
Banking Institutions	54.8	54.4	55.0	53.3	52.5	52.3	51.8	51.6	51.6	51.4	51.2	51.0
Insurance Companies	7.6	7.3	7.4	7.1	7.3	7.4	7.5	7.5	7.5	7.5	7.5	7.5
Parastatals	5.1	5.6	5.5	5.8	5.6	5.7	5.7	5.7	5.7	5.8	5.8	5.8
Pension funds	26.8	27.0	26.6	27.3	28.0	28.1	28.4	28.6	28.5	28.7	28.8	29.0
Other investors	5.7	5.6	5.6	6.5	6.5	6.6	6.7	6.7	6.7	6.7	6.7	6.7
<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>	<b>100.0</b>	<b>100.0</b>

Source: Central Bank of Kenya

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

	5-Jan-17	12-Jan-17	19-Jan-17	26-Jan-17	2-Feb-17	9-Feb-17	16-Feb-17	23-Feb-17	2-Mar-17
1. CBK Usable Foreign Exchange Reserves (USD Million)*	7,056	6,944	6,853	6,944	6,947	6,942	6,949	6,948	6,994
2. CBK Usable Foreign Exchange Reserves (Months of Import Cover)**	4.66	4.59	4.52	4.59	4.59	4.58	4.59	4.59	4.62

\*Excludes Encumbered Reserves

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

Source: Central Bank of Kenya