

MONTHLY ECONOMIC REVIEW

SEPTEMBER 2015

The Monthly Economic Review, prepared by the Central Bank of Kenya starting with the June 1997 edition, is available on the internet at:

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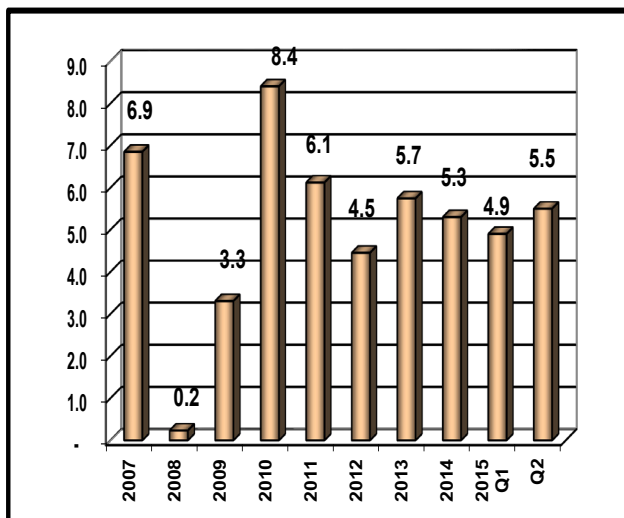
OVERVIEW

- Introduction** This Monthly Economic Review highlights recent economic developments through September 2015. This includes developments in inflation, money, credit and interest rates, the real sector, balance of payments and exchange rates. It also highlights developments in the banking sector, Government budgetary operations, public debt and the stock market.
- Inflation** Overall 12-month inflation rose to 6.0 percent in September 2015 from 5.8 percent in August 2015 largely reflecting an increase in fuel and non-food non-fuel inflation. Fuel inflation rose by 37 basis points to 1.5 percent in September 2015 from 1.1 percent in August 2015, while non-food non-fuel inflation rose by 14 basis points to 4.7 percent in the same period. Food inflation and annual average inflation, however, stabilized at 9.4 and 6.3 percent, respectively in September 2015.
- Money Supply** Growth in broad money, M3, declined to 13.5 percent in the year to September 2015 from 19.4 percent recorded in September 2014, and was below the respective target of 17.3 percent for September 2015.
- Interest Rates** The Monetary Policy Committee maintained the Central Bank Rate (CBR) at 11.5 percent on September 22, 2015. The short term interest rates and the lending rates increased in September 2015 on account of the tight monetary stance.
- Real GDP Growth** The economy grew by 5.5 percent in the second quarter of 2015 compared with growth of 6.0 in the same period in 2014. Growth in this quarter was largely supported by improved performance in Electricity and water supply; Agriculture; Wholesale and retail trade; and Transport and communication.
- Balance of Payments** Kenya's overall balance of payments position deteriorated by USD 2,228.9 million to USD 912 million deficit in the year to September 2015 from a surplus of USD 1,317 million in the year to September 2014 reflecting larger reduction in the capital and financial account surplus.

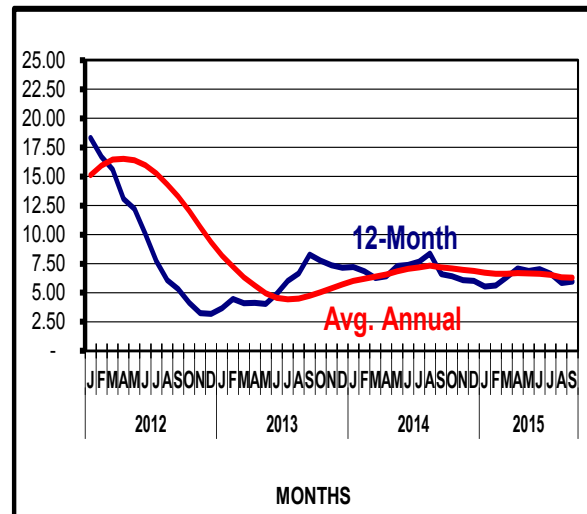
Exchange Rates	The Kenya shilling weakened against all major international currencies and displayed mixed performance against EAC currencies during the month of September 2015. The performance of the Kenya Shilling during the review period reflects developments in the international markets notably the strengthening of the US Dollar against major world currencies (anchored on positive sentiment on economic recovery) and high dollar demand on the domestic market.
Banking Sector Developments	The Kenyan banking sector comprised 42 commercial banks, 1 mortgage finance company, 12 microfinance banks, 8 representative offices of foreign banks, 86 foreign exchange bureaus, 14 money remittance providers and 3 credit reference bureaus as at September 30, 2015. Dubai Bank was placed under receivership on August 14, 2015 and subsequently under liquidation on August 24, 2015.
Government Budgetary Performance	The Government's budgetary operations during the first Quarter of the FY 2015/16 resulted in a surplus of KSh 28.3 billion (0.5 percent of GDP) on a commitment basis compared with a deficit of KSh 19.2 billion (0.4 percent of GDP) incurred during the same period in the FY 2014/15. This was within the KSh 64.1 billion (1.2 percent of GDP) deficit programmed target for the period.
Domestic Debt	Kenya's domestic debt declined by 32.5 billion to close at KSh 1,388.0 billion (25.9 Percent of GDP) in September 2015 from KSh 1,284.2 billion (27.1 percent of GDP) in June 2015.
Stock Market	Capital markets recorded mixed performance in September 2015.

SELECTED ECONOMIC PERFORMANCE INDICATORS

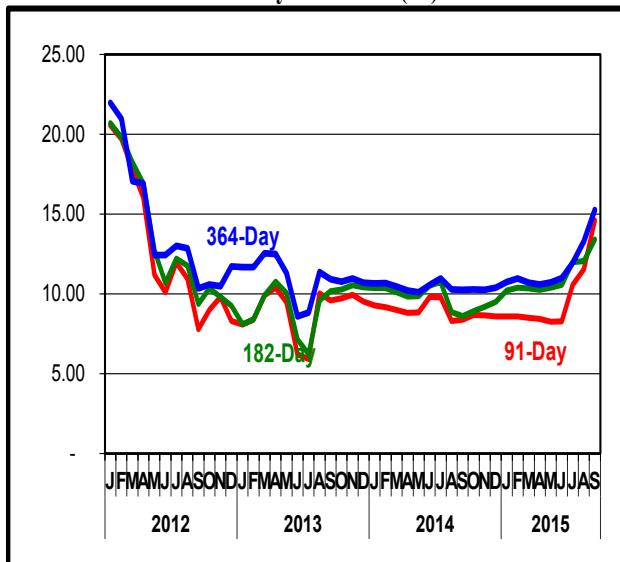
Real GDP Growth (%)



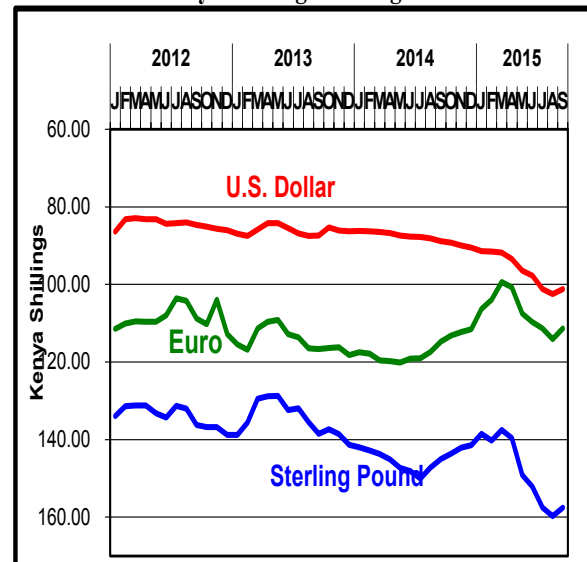
Inflation (%)



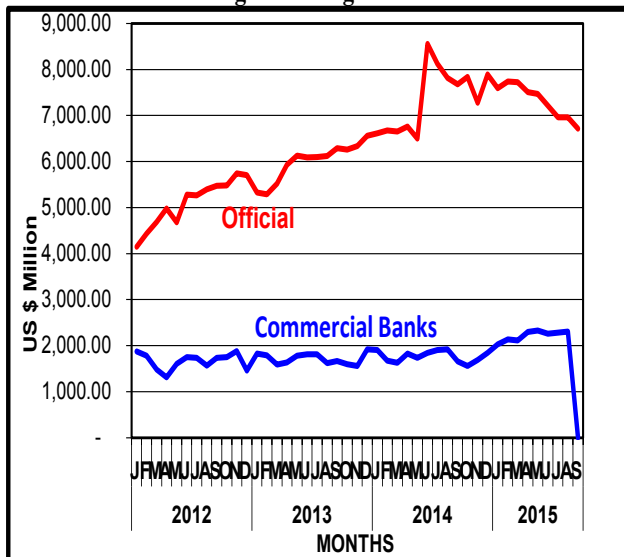
Treasury Bill Rates (%)



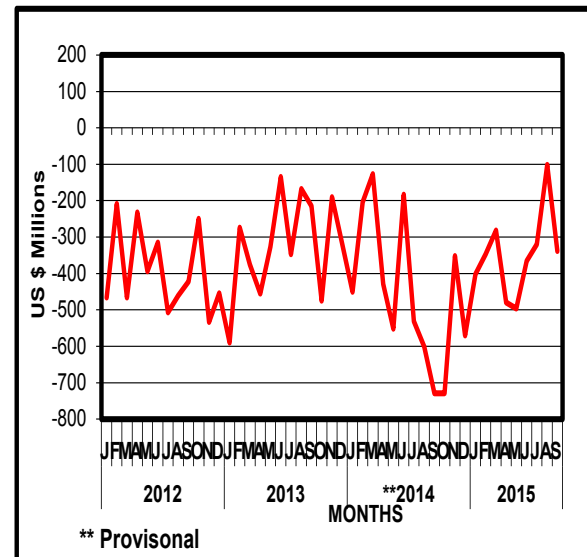
Kenya Shilling Exchange Rate



Foreign Exchange Reserves



Current Account Balance



SELECTED ANNUAL ECONOMIC INDICATORS

	2006	2007	2008	2009	2010	2011	2012	2013	2014*
1. POPULATION*									
People in Millions	36.10	37.20	38.30	38.60	38.50	39.50	40.70	41.80	43.00
Growth (%)	2.85	3.05	2.96	0.78	-0.26	2.60	3.04	2.70	2.87
2. NATIONAL ACCOUNTS**									
Gross value added at basic prices (Ksh m)	1,649,996	1,903,472	2,211,447	2,558,792	2,827,436	3,347,996	3,829,096	4,252,647	4,837,338
GDP at Market Prices (Ksh m):									
At Current Prices	1,862,041	2,151,349	2,483,058	2,863,688	3,169,301	3,725,918	4,261,151	4,730,801	5,357,672
At Constant 2009 Market Prices	2,588,279	2,765,595	2,772,019	2,863,688	3,104,303	3,294,026	3,444,066	3,639,938	3,833,876
Real GDP Growth (%)	...	6.9	0.2	3.3	8.4	6.1	4.6	5.7	5.3
Per Capita Income Real 2009 prices (Ksh)	74,862	77,197	75,431	75,910	80,689	83,298	84,721	87,105	89,240
3. GROSS NATIONAL SAVINGS (% of GDP at mkt prices)	16.1	16.7	15.4	14.6	14.1	14.6	12.6	10.1	11.0
4. GROSS DOMESTIC SAVINGS (% of GDP at mkt prices)	9.1	10.1	8.9	8.4	8.3	7.2	7.0	4.4	4.8
5. GROSS DOMESTIC INVESTMENTS (% of GDP at mkt prices)	18.6	20.5	19.6	19.3	20.8	21.7	21.5	20.1	21.4
6. OVERALL INFLATION BASE PERIOD= FEB 2009									
Annual Average Inflation	6.39	4.27	16.27	9.24	3.96	14.02	9.38	5.72	6.88
12-Month Inflation	7.98	5.70	17.83	5.32	4.51	18.93	3.20	7.15	6.02
7. STOCK MARKET									
Nairobi Stock Exchange Price Index (1966=100)	5,645.65	5,444.83	3,521.18	3,247.44	4,432.60	3,205.02	4,133.02	4,926.97	5,112.65
Trade Turnover Ratio (%)	1.70	1.29	0.29	0.64	0.99	0.46	0.58	0.58	1.07
8. GOVERNMENT BUDGET (Ksh bn) ***									
Revenue and Grants	331.21	383.59	457.67	511.36	614.53	679.53	734.43	868.17	994.44
Expenditure	368.65	405.20	534.84	621.91	791.79	817.09	915.89	1,117.02	1,281.16
Budget Deficit (-) / Surplus (+) incl. Grants (commitment basis)	(37.44)	(21.61)	(77.17)	(110.55)	(177.26)	(137.56)	(181.46)	(248.85)	(286.73)
Budget Deficit (% of GDP)	(2.74)	(1.02)	(3.93)	(4.94)	(7.21)	(4.98)	(5.51)	(5.26)	(5.35)
9. MONEY AND CREDIT (Ksh bn)(end period)									
Liquidity (L) ¹	834.16	992.42	1,091.93	1,280.44	1,558.16	1,854.93	2,129.49	2,527.00	2,949.06
Money Supply (M3) ²	666.84	797.54	901.05	1,045.66	1,271.64	1,514.15	1,727.32	2,000.02	2,329.98
Reserve Money	124.16	155.62	163.59	181.96	222.63	255.01	293.62	320.76	379.69
Total Domestic Credit	575.76	668.90	815.52	955.82	1,188.40	1,505.13	3,036.21	1,982.30	2,312.18
Government	137.81	137.40	155.32	205.07	277.78	311.58	368.83	397.16	379.32
Private sector and other public sector	437.94	531.49	660.20	750.75	910.62	1,193.55	1,333.69	1,585.13	1,932.86
10. BALANCE OF PAYMENTS (US\$ m)									
Overall Balance	675.18	854.26	(468.84)	780.53	163.40	(42.88)	1,261.00	684.72	1,378.34
Current Account	(510.80)	(1,033.75)	(1,985.76)	(1,688.88)	(2,526.32)	(3,329.76)	(4,252.77)	(4,785.96)	(6,097.07)
As % of GDP	(1.9)	(3.0)	(5.5)	(4.6)	(6.3)	(7.9)	(8.4)	(8.7)	(10.0)
Capital and Financial Account	1,185.98	1,888.01	1,516.92	2,469.41	2,689.71	3,286.88	5,513.78	5,470.68	7,475.41
11. FOREIGN EXCHANGE RESERVES (US\$ m) End Period	3,331.30	4,556.97	4,640.78	5,064.03	5,122.52	6,044.78	7,159.86	8,483.20	9,737.55
Official	2,415.27	3,354.85	2,875.46	3,847.39	4,001.68	4,247.66	5,701.85	6,560.17	7,894.92
Months of import cover****	3.89	4.84	3.36	4.08	3.85	3.71	4.29	4.49	5.01
Commercial Banks	916.03	1,202.12	1,765.32	1,216.63	1,120.84	1,797.12	1,458.01	1,923.02	1,842.64
12. PUBLIC DEBT (US\$ bn) End Period***	10.68	12.04	13.46	13.66	14.96	16.60	19.27	27.52	26.96
Domestic	4.84	6.08	6.66	6.72	8.06	8.51	10.20	14.91	14.61
As % of GDP	18.77	19.00	18.54	18.16	20.15	20.26	20.27	27.02	27.15
External	5.84	5.96	6.80	6.94	6.90	8.09	9.08	12.61	12.35
As % of GDP	22.62	18.62	18.94	18.75	17.25	19.26	18.04	22.84	22.95
13. EXCHANGE RATE (Ksh/US\$) (Annual Average)	72.10	67.32	69.18	77.35	79.26	88.87	84.52	86.13	87.92

* Provisional.

** Rebased data

*** Fiscal year to June 30th.

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

¹ Previously M3XT

² Previously M3X

³ Revised

Sources: Kenya National Bureau of Statistics, National Treasury, Central Bank of Kenya and Nairobi Securities Exchange

SELECTED MONTHLY ECONOMIC INDICATORS

INDICATOR	2014				2015								
	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	June	July	August	September
1. INFLATION (%)													
CPI	152.24	151.92	151.85	152.51	153.43	154.14	155.86	158.70	159.98	160.46	160.57	160.90	161.33
Overall Inflation													
12-month overall inflation	6.60	6.43	6.09	6.02	5.53	5.61	6.31	7.08	6.87	7.03	6.62	5.84	5.97
Average annual overall inflation	7.19	7.08	6.97	6.88	6.74	6.63	6.63	6.69	6.65	6.63	6.54	6.34	6.29
2. INTEREST RATES (%)													
91-day Treasury bill interest rate	8.38	8.67	8.64	8.58	8.59	8.59	8.49	8.42	8.26	8.26	10.57	11.54	14.61
Overdraft interest rate	15.79	15.77	15.66	15.86	15.95	15.67	15.68	15.52	15.10	15.65	16.05	15.98	16.40
3. STOCK MARKET													
Nairobi Stock Exchange 20 Share Price Index	5,256.00	5,194.89	5,156.00	5,112.65	5,212.00	5,491.00	5,248.16	5,091.00	4,788.00	4,906.00	4,405.00	4,177.00	4,173.00
Turnover Ratio (%)	0.93	0.61	0.80	1.07	0.50	0.72	0.74	0.59	0.82	0.82	0.86	0.88	0.52
4. GOVERNMENT BUDGET* (Ksh bn.)													
Revenue \$ Grants	248.08	335.24	410.52	524.99	614.43	690.52	779.30	888.78	982.30	1,110.55	81.27	165.17	282.49
Expenses	276.61	373.51	490.10	613.96	765.22	864.18	1,133.10	1,264.32	1,347.64	1,610.8	57.0	138.7	254.2
Budget Deficit (-) / Surplus (+)	(28.52)	(38.27)	(79.58)	(88.98)	(150.79)	(173.66)	(353.80)	(375.55)	(365.35)	(500.21)	24.29	26.47	28.29
5. MONEY AND CREDIT (Ksh bn.)													
Liquidity (L) ¹	3,020.09	3,037.95	3,102.53	3,124.10	2,983.73	3,032.40	3,034.64	3,098.44	3,139.9	3,196.9	3,234.1	3,252.0	3,274.5
Money Supply (M3) ²	2,251.76	2,260.02	2,295.15	2,329.98	2,350.80	2,407.83	2,398.76	2,464.48	2,501.6	2,553.0	2,549.0	2,569.9	2,556.0
Reserve Money	322.76	348.60	346.20	380.04	350.15	351.63	346.28	353.10	362.7	372.0	383.3	367.5	376.7
Total Domestic Credit	2,110.42	2,117.77	2,162.29	2,137.14	2,332.85	2,415.81	2,444.31	2,492.23	2,558.7	2,638.9	2,724.3	2,775.5	2,785.3
Government	251.07	239.96	256.64	204.27	385.89	456.30	469.78	477.64	489.7	522.0	565.7	579.5	553.3
Private sector and other public sector	1,859.35	1,877.81	1,905.65	1,932.86	1,946.96	1,959.51	1,974.53	2,014.59	2,069.0	2,116.9	2,158.6	2,196.0	2,232.0
6. MONEY AND CREDIT (Annual % Change)													
Liquidity (L) ¹	25.53	25.08	25.10	23.81	16.62	18.45	17.05	16.92	16.2	17.6	15.0	12.9	14.0
Money Supply (M3) ²	19.41	18.94	17.48	16.72	16.00	18.58	16.43	17.32	16.5	18.6	16.4	14.0	13.5
Reserve Money	11.16	13.46	9.29	18.48	15.82	11.45	11.77	12.00	15.0	14.9	25.8	2.9	16.7
Total Domestic Credit	12.54	12.09	9.92	8.02	16.02	17.41	16.51	17.12	17.5	29.2	27.9	26.9	23.3
Government	(34.37)	(34.91)	(37.21)	(48.57)	(6.64)	3.99	4.43	8.07	5.3	84.4	63.1	55.5	38.3
Private and other public sector	24.56	23.49	22.28	22.23	21.88	21.05	19.81	19.49	20.8	20.3	21.0	21.0	20.0
7. BALANCE OF PAYMENTS (US\$ m)													
Overall Balance	(137.65)	168.11	(559.44)	626.49	-294.47	143.54	-13.26	-208.60	-34.99	-238.59	-248.64	-0.02	-251.78
Current Account	(794.18)	(767.48)	(381.68)	(621.04)	(371.93)	(317.51)	(281.84)	(479.68)	(496.36)	(365.80)	(319.64)	(102.35)	(338.27)
Trade Balance	(1,374.36)	(1,304.50)	(904.62)	(1,098.87)	(946.65)	(770.56)	(732.12)	(962.79)	(1,017.47)	(825.32)	(837.47)	(689.45)	(843.53)
Capital and Financial Account	656.54	935.60	(177.76)	1,247.53	76.68	460.47	267.82	270.18	461.37	127.22	71.00	102.33	86.49
8. FOREIGN EXCHANGE RESERVES (US\$ m)	9,335.92	9,399.90	8,964.49	9,737.55	9,619.76	9,873.29	9,834.29	9,805.54	9,798.73	9,473.11	9,248.79	9,265.36	8,899.41
Official	7,676.44	7,838.99	7,273.99	7,894.92	7,593.04	7,736.58	7,723.31	7,509.44	7,469.23	7,211.56	6,962.93	6,962.90	6,711.13
Months of import cover**	4.96	5.00	4.64	5.01	4.80	4.88	4.90	4.75	4.73	4.57	4.42	4.43	4.27
Commercial banks	1,659.49	1,560.91	1,690.50	1,842.64	2,026.72	2,136.71	2,110.98	2,296.10	2,329.50	2,261.55	2,285.86	2,302.45	2,188.29
9. PUBLIC DEBT (US\$ bn)	26.44	26.17	26.56	27.16	28.28	28.97	29.10	29.35	28.94	28.96	28.39	28.43	
Domestic	14.19	13.97	14.49	14.23	14.42	14.79	15.20	15.15	14.61	14.54	14.02	13.70	13.18
As % of GDP	23.53	23.41	24.33	24.41	24.91	25.26	26.08	26.42	26.29	26.51	26.48	26.19	25.91
External	12.25	12.20	12.08	12.92	13.86	14.17	13.90	14.20	14.33	14.42	14.37	14.74	
As % of GDP	20.30	20.32	20.33	21.85	23.64	24.20	23.86	24.77	25.78	26.29	27.50	28.57	
10. GROSS DOMESTIC DEBT (Ksh bn)***	1,260.87	1,246.14	1,303.35	1,287.40	1,317.48	1,353.30	1,397.10	1,415.43	1,408.43	1,420.44	1,418.57	1,403.10	1,387.97
11. AVERAGE EXCHANGE RATE													
Ksh/US\$	88.84	89.23	89.96	90.44	91.36	91.49	91.73	93.44	96.39	97.70	101.20	102.43	105.27
Ksh/Pound Sterling	144.99	143.66	142.05	141.45	138.49	140.21	137.51	139.62	149.10	152.16	157.53	159.77	161.54
Ksh/ 100 Yen	82.90	82.62	77.53	75.79	77.19	77.17	76.22	78.18	79.89	79.00	82.10	83.12	87.64
Ksh/Euro	114.74	113.21	112.28	111.52	106.32	103.94	99.40	100.71	107.54	109.72	111.36	114.09	118.23

* Data on Government budget remain provisional until the books for the fiscal year are audited.

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

*** Excludes the IMF disbursements on-lent to the Govt. at the CBK, which is included in external public debt.

¹ Previously M3XT

² Previously M3X

Sources: Kenya National Bureau of Statistics, National Treasury, Nairobi Securities Exchange and Central Bank of Kenya

DEVELOPMENTS IN INFLATION

Overall Inflation

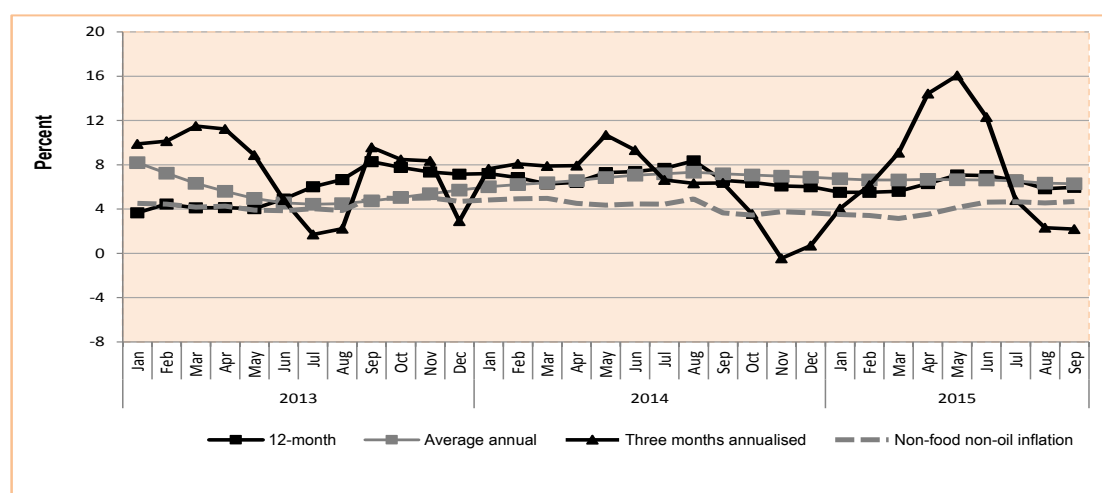
Overall 12-month inflation rose to 6.0 percent in September 2015 from 5.8 percent in August 2015. This largely reflects a rise in fuel and non-food non-fuel inflation levels. Fuel inflation rose by 37 basis points to 1.5 percent in September 2015 from 1.1 percent in August 2015, while non-food non-fuel inflation rose by 14 basis points to 4.7 percent in September 2015 from 4.5 percent in August 2015. Food inflation and annual average inflation, on the other hand, stabilized at 9.4 and 6.3 percent respectively in September 2015. The three months annualized inflation rate eased to 2.2 percent in September 2015, indicating a decrease in domestic inflationary pressures (Table 1.1 and Chart 1A).

TABLE 1.1: RECENT DEVELOPMENTS IN INFLATION (%)

Overall Inflation	2014					2015										
	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep		
12-month	8.36	6.60	6.43	6.09	6.02	5.53	5.61	6.31	7.08	6.87	7.03	6.62	5.84	5.97		
Average annual	7.33	7.19	7.08	6.97	6.88	6.74	6.63	6.63	6.69	6.65	6.63	6.54	6.34	6.29		
Three months annualised	6.33	6.37	3.56	-0.44	0.70	4.05	6.16	9.09	14.44	16.06	12.32	4.81	2.31	2.19		
Food inflation	10.42	8.12	7.95	7.39	7.54	7.38	8.33	10.32	12.54	12.42	12.55	11.42	9.42	9.36		
Fuel inflation	8.59	7.17	7.03	6.37	5.98	4.53	3.32	2.87	1.53	0.28	0.24	0.57	1.09	1.46		
Non-food non-fuel inflation	4.92	3.65	3.46	3.77	3.65	3.51	3.43	3.16	3.53	4.15	4.63	4.67	4.55	4.68		

Sources: Kenya National Bureau of Statistics and Central Bank of Kenya

CHART 1A: 12-MONTH OVERALL, AVERAGE ANNUAL AND THREE-MONTHS ANNUALISED INFLATION (%)



Sources: Kenya National Bureau of Statistics and Central Bank of Kenya

The high food inflation in September 2015 was largely driven by increase in prices of food commodities, which outweighed the decreases. Potatoes (Irish) registered the highest increase in price (41.58 percent), Onions (21.58 percent), Kale/sukuma wiki (25.31 percent) and Capsicum (22.85 percent). However, maize grains registered a decline in price (2.55 percent) in the period under review.

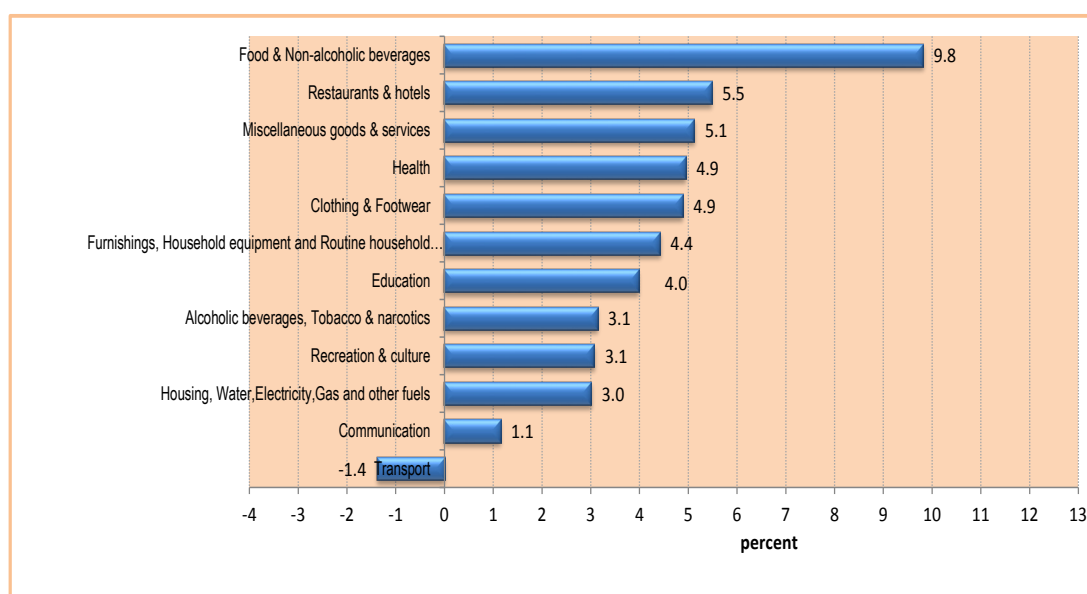
Fuel inflation rose from 1.1 percent in August 2015 to 1.5 percent in September 2015.

This reflects an increase in 12-month inflation in the ‘transport’ category of goods and services, which rose by 41 basis points from -1.8 percent in August 2015 to 1.4 percent in September 2015, reflecting the continued pass-through effects of the road maintenance levy introduced in August 2015. The ‘housing, water, electricity, gas and other fuels’ category of goods and services rose by 35 basis points from 2.7 percent to 3.0 percent in the period under review, due to an increase in the cost of cooking gas.

Non-food non-fuel inflation rose by 14 basis points to 4.7 percent in September 2015 from 4.5 percent in August 2015, reflecting higher inflation in the ‘furnishings, household equipment and routine household maintenance’, ‘clothing and footwear’, ‘recreation and culture’, ‘miscellaneous goods and services’ and ‘education’ consumption baskets.

Developments across all categories of goods and services, and the distribution of weights in the Kenya consumer price index (CPI) are summarized in Table 1.2 and Chart 1B.

CHART 1B: 12-MONTH INFLATION ACROSS THE CPI CATEGORIES OF GOODS AND SERVICES



Sources: Kenya National Bureau of Statistics and Central Bank of Kenya

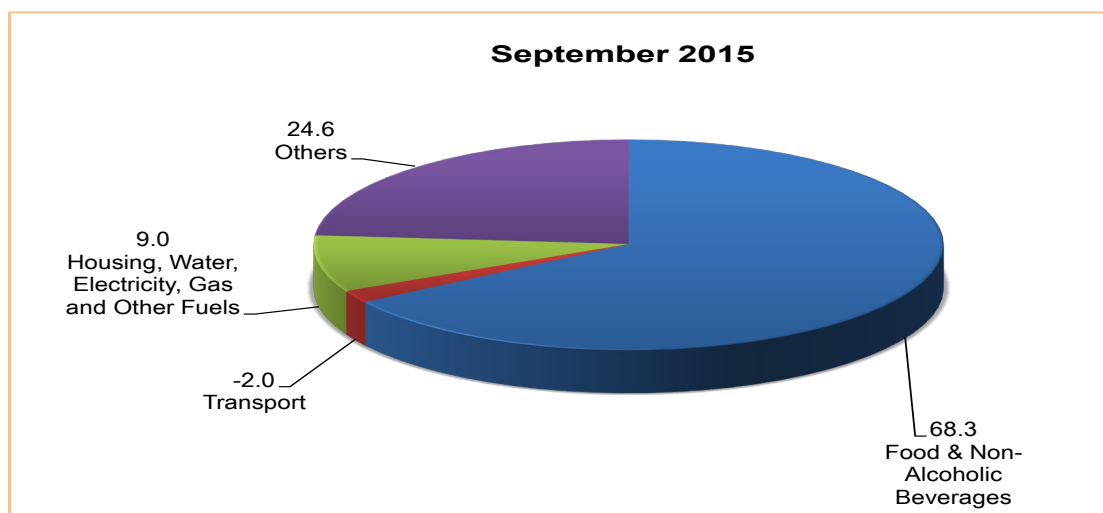
TABLE 1.2: 12 MONTH INFLATION ACROSS BASKETS AND INCOME GROUPS

September 2015	Weight-CPI Kenya	NAIROBI				REST OF URBAN	TOTAL KENYA
		Lower Income	Middle Income	Upper Income	Nairobi Combined	Rest of Kenya Combined	
Food & Non-alcoholic beverages	42.5	9.8	6.1	9.7	8.9	10.4	9.8
Alcoholic beverages, Tobacco & narcotics	2.0	3.8	0.7	1.3	3.0	3.3	3.1
Clothing & Footwear	6.6	3.4	4.9	3.9	3.7	5.6	4.9
Housing, Water, Electricity, Gas and other fuels	16.7	2.7	1.9	-2.1	2.4	3.4	3.0
Furnishings, Household equipment and Routine household maintenance	5.5	3.1	6.7	3.7	4.0	4.7	4.4
Health	2.7	3.7	7.6	4.2	4.6	5.2	4.9
Transport	8.7	2.5	1.6	2.4	2.3	-4.2	-1.4
Communication	1.9	1.4	4.4	0.3	2.3	0.5	1.1
Recreation & culture	2.0	2.8	7.2	-2.2	3.7	2.7	3.1
Education	2.5	3.0	11.6	3.8	5.2	3.1	4.0
Restaurants & hotels	4.7	4.2	6.7	12.0	4.9	5.8	5.5
Miscellaneous goods & services	3.9	2.3	6.8	2.6	3.3	6.3	5.1
ALL GROUPS	100.0	6.2	4.8	2.8	5.8	6.1	6.0

Source: Kenya National Bureau of Statistics

Chart 1C shows that 68.3 percent of overall 12-month inflation in September 2015 was attributed to ‘food and non-alcoholic beverages’ category of goods while inflation in ‘housing, water, electricity, gas and other fuels’ and ‘transport’ categories contributed 9.0 percent and -2.0 percent, respectively.

CHART 1C: PERCENTAGE CONTRIBUTIONS TO TOTAL INFLATION (SEPTEMBER 2015)



Sources: Kenya National Bureau of Statistics and Central Bank of Kenya

Overall 12-month inflation rose in all income groups, with inflation in Nairobi increasing to 5.8 percent in September 2015 compared to 5.5 percent recorded in August 2015. The 12-month consumer price inflation for the ‘Nairobi Lower Income’ group increased to 6.2 percent in September 2015 from 6.0 percent in August 2015, while 12-month inflation for the ‘Nairobi Middle Income’ group rose to 4.8 percent in September 2015 from 4.3 percent in August 2015. 12-month inflation for the ‘Nairobi Upper Income’ group increased to 2.8 percent in September 2015 from 2.6 percent recorded in August 2015, while 12-month inflation registered in urban centres outside Nairobi increased marginally to 6.1 percent in September 2015 from 6.0 percent in August 2015 (Table 1.3).

TABLE 1.3: OVERALL 12-MONTHS INFLATION BY INCOME GROUPS (%)

	Sep-14	Oct-14	Nov-14	Dec-14	Jan-15	Feb-15	Mar-15	Apr-15	May-15	Jun-15	Jul-15	Aug-15	Sep-15
Combined Nairobi	4.52	4.46	4.22	4.53	4.38	4.66	5.48	6.39	6.09	6.53	6.44	5.54	5.77
Lower Income	4.84	4.79	4.50	4.87	4.83	5.22	6.32	7.49	6.98	7.32	7.26	6.03	6.18
Middle Income	3.34	3.38	3.30	3.61	3.22	3.23	3.24	3.39	3.76	4.63	4.22	4.34	4.84
Upper Income	5.19	4.33	4.25	3.19	2.05	1.74	1.81	1.90	1.86	1.77	2.95	2.56	2.79
Other provinces- excluding Nairobi	8.04	7.79	7.37	7.05	6.32	6.26	6.88	7.55	7.39	7.38	6.75	6.05	6.10
KENYA	6.60	6.43	6.09	6.02	5.53	5.61	6.31	7.08	6.87	7.03	6.62	5.84	5.97

Sources: Kenya National Bureau of Statistics and Central Bank of Kenya

DEVELOPMENTS IN MONEY, CREDIT AND INTEREST RATES

Monetary Aggregates

Growth in broad money, M3, declined to 13.5 percent in the year to September 2015 from 19.4 percent recorded in September 2014, and was below the respective target of 17.3 percent for September 2015. This was reflected in the slowdown of both the M2 and foreign currency deposits. M2 growth slowed down to 12.7 percent from 17.1 percent while growth in foreign currency deposits decreased to 17.9 percent from 33.5 percent (Table 2.1 and Chart 2A).

TABLE 2.1: MONEY SUPPLY AND ITS SOURCES (KSH BILLION)

	2013 September	2014 September	2015 September	Absolute Change		%age change	
				2013/14 September	2014/15 September	12 months Sep-14	12 months Sep-15
1. Money supply, M3 (2+3) 2/	1885.8	2251.8	2556.0	366.0	304.3	19.4	13.5
1.1 Money supply, M2 3/	1617.2	1893.3	2133.4	276.1	240.0	17.1	12.7
1.2 Money supply, M1	802.4	903.1	979.8	100.8	76.7	12.6	8.5
1.3 Currency outside banks	146.3	157.8	174.9	11.5	17.1	7.9	10.8
1.4 Foreign Currency Deposits	268.6	358.4	422.7	89.9	64.3	33.5	17.9
2. Net foreign assets 4/	372.8	446.5	389.3	73.7	-57.2	19.8	-12.8
Central Bank	417.3	552.2	529.3	135.0	-23.0	32.3	-4.2
Banking Institutions	-44.5	-105.7	-139.9	-61.3	-34.2		
3. Net domestic assets (3.1+3.2)	1513.0	1805.3	2166.7	292.3	361.5	19.3	20.0
3.1 Domestic credit (3.1.1+3.1.2)	1875.3	2259.4	2785.3	384.1	526.0	20.5	23.3
3.1.1 Government (net)	382.6	400.0	553.3	174.4	153.3	4.5	38.3
3.1.2 Private sector	1452.6	1808.3	2184.0	355.7	375.7	24.5	20.8
3.1.3 Other public sector	40.1	51.0	48.0	11.0	-3.0	27.3	-5.9
3.2 Other assets net (3-3.1)	-362.3	-454.1	-618.6	-91.8	-164.5		
Memorandum items							
1. Overall liquidity, L 1/	2405.8	2871.2	3274.5	465.3	403.3	19.3	14.0
2. Reserve money	290.3	322.8	376.7	32.4	53.9	11.2	16.7
Currency outside banks	146.3	157.8	174.9	11.5	17.1	7.9	10.8
Bank reserves	144.0	164.9	201.8	20.9	36.9	14.5	22.4

Absolute and percentage changes may not necessarily add up due to rounding

1/ Overall liquidity, L, comprises M3 and non banking public holding of Government securities. It is comparable to M3XT in the past publications.

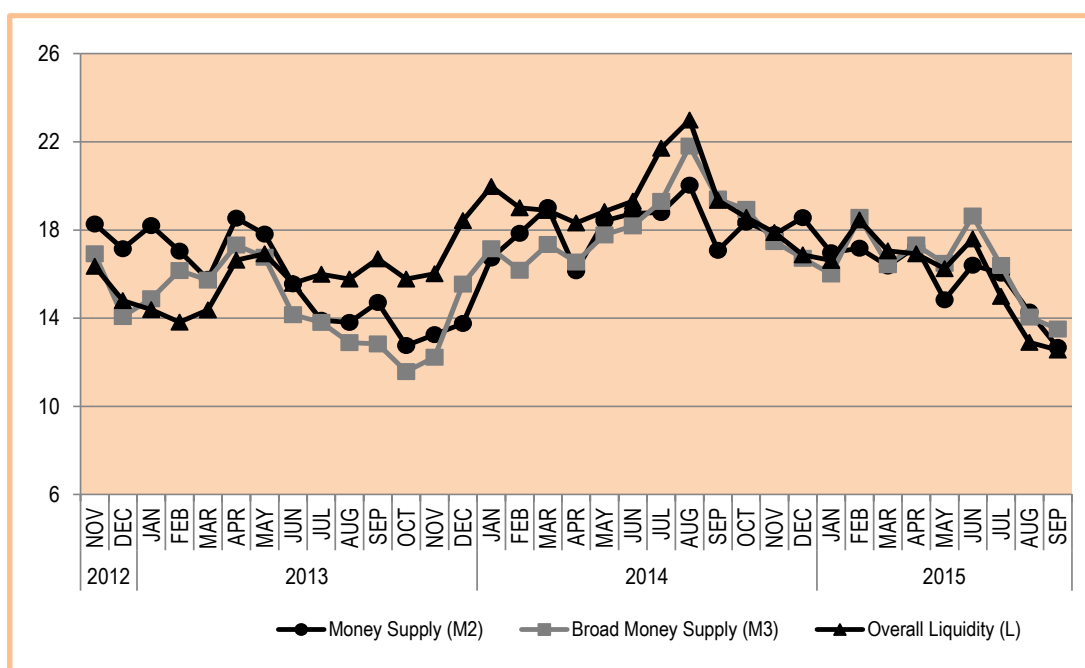
2/ Broader money, M3, comprises M2 and residents foreign currency deposits with local banks. It is comparable to M3X in the past publications. Foreign currency deposits are valued at current exchange rate from July 2008.

3/ Broad money, M2, comprises currency outside banking institutions, and all private and other public sector holdings of demand savings and time deposits. It excludes

4/ Net Foreign Assets at current exchange rate to the US dollar.

Source: Central Bank of Kenya

CHART 2A: ANNUAL PERCENTAGE CHANGE IN MONEY SUPPLY



Source: Central Bank of Kenya

On the asset side, the slowdown in broad money was reflected in the Net Foreign Assets of the banking system which declined by 12.8 percent in the year to September 2015 compared to a growth of 19.8 percent in the year to September 2014. The NFA of the Central Bank declined by 4.2 percent to KSh 529.3 billion in the year to September 2015 from KSh 552.2 billion in September 2014. The decline is attributed to intervention by CBK in the interbank market through the sale of forex in order to stabilize the Kenya Shilling. The NFA held by other banking institutions dropped by KSh 34.2 billion on account of increased loans from non-residents. In the period under review, the NDA of the banking system increased by 20.0 percent from 19.3 percent on account of increased borrowing by Government from the banking sector (Table 2.1).

TABLE 2.2: BANKING SYSTEM NET DOMESTIC CREDIT (KSH BILLION)

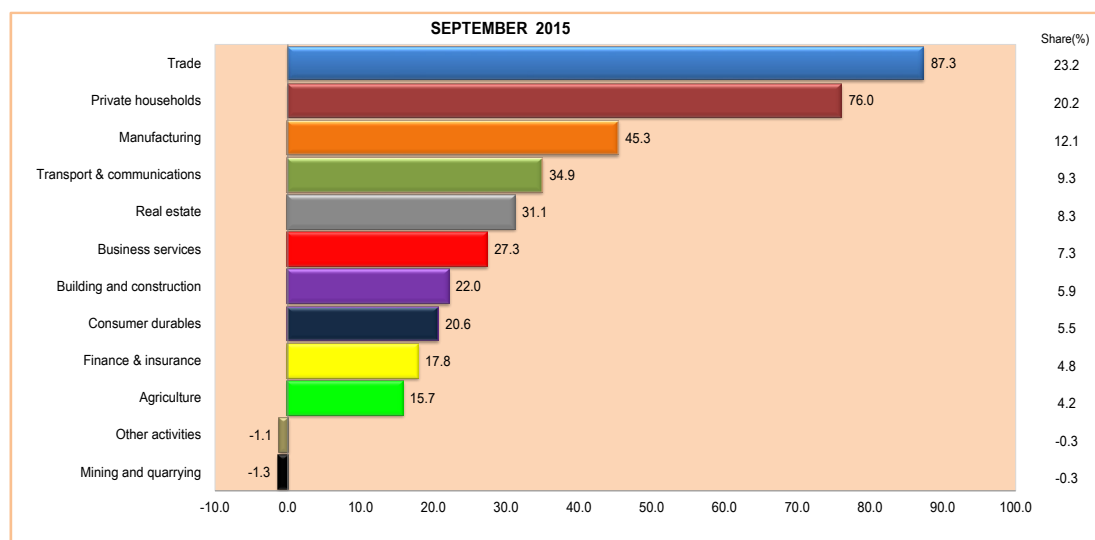
	2014 September		2015 September		Absolute Change September		Annual %age Change September	
	Ksh bn	Share (%)	Ksh bn	Share (%)	2013/14	2014/15	2012/13	2013/14
1. Credit to Government	400.0	17.7	553.3	19.9	17.4	153.3	4.5	38.3
Central Bank	-47.0	-2.1	46.7	1.7	-34.7	93.7		
Commercial Banks & NBFIs	447.0	19.8	506.6	18.2	52.1	59.6	13.2	13.3
2. Credit to other public sector	51.0	2.3	48.0	1.7	11.0	-3.0	27.3	-5.9
Local government	0.1	0.0	1.2	0.0	3.7	1.0		
Parastatals	50.9	2.3	46.9	1.7	7.3	-4.0	16.7	-7.9
3. Credit to private sector	1808.3	80.0	2184.0	78.4	355.7	375.7	24.5	20.8
Agriculture	73.3	3.2	89.0	3.2	17.3	15.7	30.8	21.4
Manufacturing	235.1	10.4	280.4	10.1	61.2	45.3	35.2	19.3
Trade	293.8	13.0	381.1	13.7	50.5	87.3	20.7	29.7
Building and construction	78.8	3.5	100.8	3.6	8.3	22.0	11.8	27.9
Transport & communications	120.2	5.3	155.1	5.6	36.6	34.9	43.8	29.0
Finance & insurance	39.0	1.7	56.9	2.0	11.2	17.8	40.4	45.7
Real estate	248.1	11.0	279.2	10.0	66.3	31.1	36.5	12.5
Mining and quarrying	24.1	1.1	22.8	0.8	-0.1	-1.3	-0.5	-5.4
Private households	285.9	12.7	361.9	13.0	55.0	76.0	23.8	26.6
Consumer durables	108.2	4.8	128.9	4.6	15.3	20.6	16.4	19.0
Business services	171.4	7.6	198.8	7.1	52.4	27.3	44.1	15.9
Other activities	130.3	5.8	129.2	4.6	-18.3	-1.1	-12.3	-0.9
4. TOTAL (1+2+3) *	2259.4	100.0	2785.3	100.0	384.1	526.0	20.5	23.3

* Absolute and percentage changes may not necessarily add-up due to rounding

Source: Central Bank of Kenya

Domestic Credit Domestic credit from the banking sector increased by KSh 526.0 billion (23.3 percent) in the year to September 2015 compared with KSh 384.1 billion (20.5 percent) in a similar period in 2014 (Table 2.1 and 2.2). This reflects an increase in credit to government by 38.3 percent in September 2015 compared to a 4.5 percent growth registered in September 2014. However, credit to the private sector slowed to 20.8 percent in September 2015 compared to a growth of 24.5 percent recorded in the previous year. Credit to other public sector declined by 5.9 percent in September 2015, compared to a growth of 27.3 percent recorded in September 2014.

In terms of shares to the total lending, the private sector accounted for 78.4 percent of the total bank credit compared with 19.9 percent to the Government. The distribution of credit flow to the private sector is shown on Chart 2B.

CHART 2B: DISTRIBUTION OF CREDIT TO THE PRIVATE SECTOR IN THE TWELVE MONTHS TO SEPTEMBER 2015 (Ksh billion)

Source: Central Bank of Kenya

Reserve Money

Reserve money (RM) comprises currency held by the non-bank public and commercial banks reserves (comprising deposits at the Central Bank and cash in their tills). It increased by 16.7 percent in the year to September 2015 compared with 11.2 percent growth in September 2014 (Table 2.3). At KSh 376.7 billion in September 2015, reserve money was KSh 23.3 billion above the target. The growth in reserve money reflected increases of 22.4 percent in bank reserves and 10.8 percent in currency outside banks.

TABLE 2.3: RESERVE MONEY AND ITS SOURCES (Ksh billion)

	2014	2015	Absolute change		Change (%)		2015	Deviation
	Sept	Sept	2013/14	2014/15	2013/14	2014/15	Sept Target	
1. Net Foreign Assets	552.2	529.3	135.0	-23.0	32.3	-4.2	520.5	8.8
2. Net Domestic Assets	-229.5	-152.6	-102.5	76.9			-167.1	14.5
2.1 Government Borrowing (net)	-47.0	46.7	-34.7	93.7			-23.0	69.7
2.2 Commercial banks (net)	-32.6	-31.0	-30.6	1.6			-14.8	-16.2
2.3 Other Domestic Assets (net)	-153.6	-171.8	-37.2	-18.2			-132.8	-39.0
3. Reserve Money	322.8	376.7	32.4	53.9	11.2	16.7	353.4	23.3
3.1 Currency outside banks	157.8	174.9	11.5	17.1	7.9	10.8	177.4	-2.5
3.2 Bank reserves	164.9	201.8	20.9	36.9	14.5	22.4	176.0	25.8

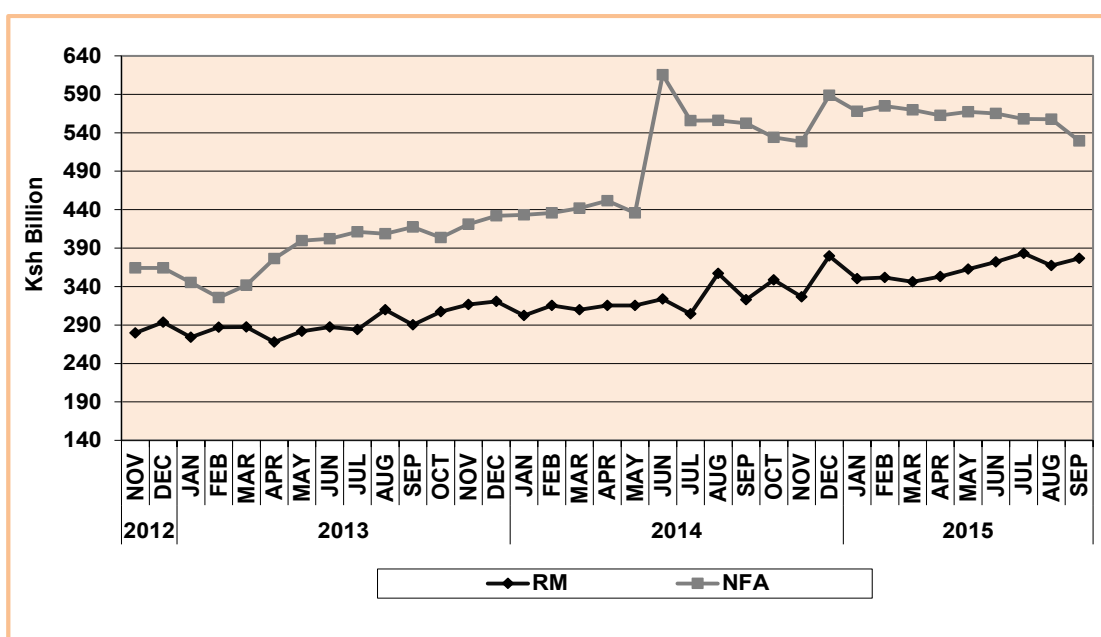
Source: Central Bank of Kenya

The NDA of the Central Bank increased by KSh 76.9 billion to KSh -152.6 billion in September 2015 from KSh -229.5 billion in September 2014. The NFA of the Central Bank, declined by KSh 23 billion to KSh 529.3 billion in the year to September 2015 from KSh 552.2 billion in September 2014.

Central Bank Rate

The Monetary Policy Committee retained the Central Bank Rate (CBR) at 11.5 percent on September 22, 2015.

CHART 2C: EVOLUTION OF RESERVE MONEY AND NET FOREIGN ASSETS



Source: Central Bank of Kenya

Short Term Interest Rates

Short term interest rates increased in September 2015 (Table 2.4 and Chart 2D). The weighted average interbank rate increased to 19.85 percent in September 2015 from 18.8 percent in August 2015. The increase in short term interest rates reflected tight liquidity in the money market due to subdued government spending and open market operations by the Central Bank. The 91-day Treasury bill rate, which largely reflects the government's borrowing profile, increased to 14.61 percent in September 2015 from 11.54 percent in August 2015. Likewise, the 182-day Treasury bill rate increased to 13.4 percent in September 2015 from 12.06 percent in August 2015.

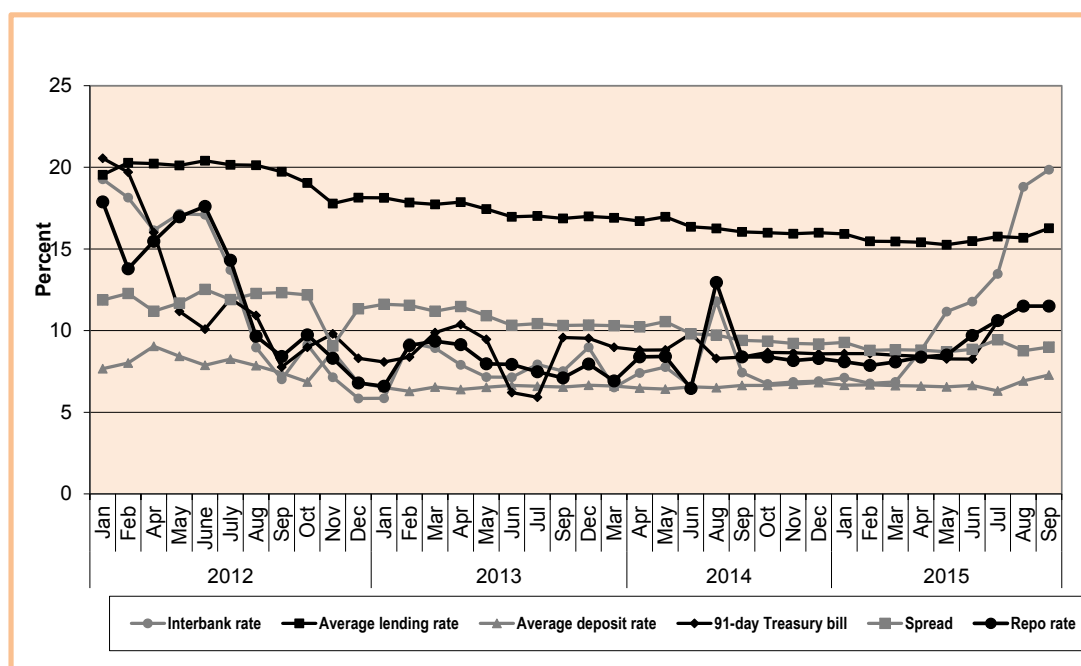
Lending and Deposit Rates

The average lending rate increased to 16.27 percent in September 2015 from 15.68 percent recorded in August 2015 while the average deposit rate increased to 7.28 percent in September 2015 from 6.91 percent in August 2015. The interest rate spread increased to 8.99 percent in September 2015 from 8.77 percent in August 2015 (Table 2.4 and Chart 2D).

TABLE 2.4: INTEREST RATES (%)

	2014					2015								
	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	June	July	Aug	Sep
91-day Treasury bill rate	8.29	8.38	8.67	8.64	8.58	8.59	8.59	8.49	8.42	8.26	8.26	10.57	11.54	14.61
182-day Treasury bill rate	8.85	8.61	8.91	9.18	9.49	10.19	10.37	10.35	10.26	10.37	10.55	11.99	12.06	13.40
Overdraft rate	16.20	15.79	15.77	15.66	15.86	15.95	15.67	15.68	15.52	15.10	15.65	16.05	15.98	16.05
Interbank rate	11.79	7.43	6.73	6.86	6.91	7.12	6.77	6.85	8.77	11.17	11.77	13.48	18.80	19.85
Repo rate	12.95	8.39	8.39	8.17	8.29	8.09	7.87	8.08	8.38	8.50	9.70	10.61	11.50	11.50
Reverse Repo rate	-	-	-	-		-	-	-	-	-	-	-	-	
Central Bank Rate (CBR)	8.50	8.50	8.50	8.50	8.50	8.50	8.50	8.50	8.50	8.50	10.00	11.50	11.50	11.50
Average lending rate (1)	16.24	16.04	16.00	15.94	15.99	15.93	15.47	15.46	15.40	15.26	15.48	15.75	15.68	16.27
Average deposit rate (2)	6.51	6.64	6.64	6.72	6.81	6.65	6.68	6.63	6.60	6.55	6.64	6.31	6.91	7.28
Over 3 months deposit	10.29	9.96	9.80	10.51	9.84	9.84	9.90	9.85	9.81	9.72	9.73	9.67	10.03	10.06
Savings deposits	1.50	1.51	1.55	1.57	1.85	1.58	1.53	1.53	1.90	1.48	1.85	1.37	1.50	1.71
Spread (1-2)	9.73	9.40	9.36	9.22	9.18	9.28	8.78	8.82	8.80	8.70	8.85	9.44	8.77	8.99

Source: Central Bank of Kenya

CHART 2D : EVOLUTION OF INTEREST RATES

Source: Central Bank of Kenya

PERFORMANCE OF THE REAL SECTOR

Overview

Real GDP in the second quarter of 2015 grew by 5.5 percent compared with 6.0 percent growth in the same period in 2014 (Table 3.1, Chart 3A). Growth in the second quarter of 2015 was largely supported by improved performance in electricity and water supply; agriculture; wholesale and retail trade; and transport and communication.

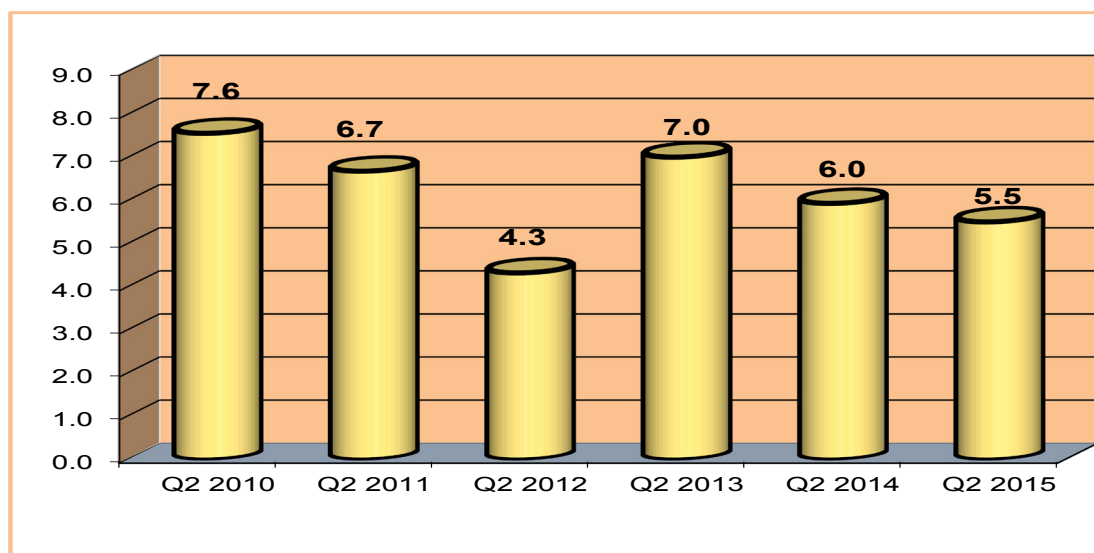
TABLE 3.1: GROSS DOMESTIC PRODUCT BY ACTIVITY (Constant 2001 Prices, Ksh)

GDP BY ACTIVITY - CONSTANT 2009=100 PRICES	KSh Million									
	2013				2014				2015	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
NEW QUARTERLY ESTIMATES - After rebasing										
Quarter										
Agriculture	251,073	225,044	173,597	166,796	256,499	229,752	185,362	173,108	267,896	242,141
Mining & Quarrying	8,899	6,415	8,262	7,237	9,837	8,144	8,384	8,831	10,293	8,756
Manufacturing	103,148	96,774	100,613	102,593	109,752	104,791	102,151	100,197	113,596	109,538
Electricity & water supply	21,094	22,098	21,682	22,043	21,919	23,108	23,234	23,647	23,757	25,457
Construction	39,760	40,482	42,774	40,825	42,780	47,206	46,557	48,758	47,613	51,877
Wholesale & Retail Trade	63,524	69,195	76,742	66,294	69,710	72,769	80,808	71,507	74,411	76,800
Accommodation & restaurant	16,102	10,758	13,553	12,027	13,836	8,686	10,776	10,098	12,802	8,617
Transport & Storage	53,381	58,287	61,171	67,589	55,402	61,623	65,933	69,514	58,745	65,456
Information & Communication	29,353	26,133	26,839	39,122	33,092	28,237	31,147	45,303	36,192	30,391
Financial & Insurance	51,599	52,602	53,526	54,427	55,876	56,770	57,313	59,892	60,986	60,203
Public administration	36,687	36,390	34,998	34,061	35,137	42,272	35,151	37,786	38,077	44,781
Professional, Administration & Support Services	21,253	20,503	22,512	23,040	21,890	21,023	22,944	23,800	22,855	22,312
Real estate	72,241	73,036	74,081	75,389	76,783	77,896	78,642	77,827	78,303	81,159
Education	61,866	61,701	62,506	62,982	65,947	66,775	67,188	67,496	68,103	69,112
Health	14,915	16,257	15,961	16,448	15,681	17,480	17,199	17,819	16,846	18,892
Other services	11,642	11,732	12,064	12,453	12,280	12,251	12,558	12,826	12,652	12,463
FISIM	(21,258)	(21,342)	(21,893)	(22,439)	(23,021)	(23,721)	(24,319)	(25,583)	(26,251)	(25,722)
All Industries at basic prices	835,280	806,065	778,990	780,888	873,400	855,061	821,029	822,826	916,877	902,231
Taxes on products	103,480	108,297	119,858	107,081	109,599	113,715	124,364	113,789	114,583	120,044
GDP at market prices	938,759	914,363	898,848	887,968	982,998	968,776	945,392	936,615	1,031,460	1,022,274
Growth Rates (%)										
Agriculture	6.3	6.6	6.4	0.9	2.2	2.1	6.8	3.8	4.4	5.4
Mining & Quarrying	11.6	-24.7	-5.2	-16.1	10.5	26.9	1.5	22.0	4.6	7.5
Manufacturing	9.3	6.0	6.4	1.0	6.4	8.3	1.5	-2.3	3.5	4.5
Electricity & water supply	5.6	10.3	6.9	3.7	3.9	4.6	7.2	7.3	8.4	10.2
Construction	9.2	9.5	9.0	-3.2	7.6	16.6	8.8	19.4	11.3	9.9
Wholesale & Retail Trade	15.7	11.3	5.7	2.7	9.7	5.2	5.3	7.9	6.7	5.5
Accommodation & restaurant	-20.6	-0.6	13.4	1.1	-14.1	-19.3	-20.5	-16.0	-7.5	-0.8
Transport & Storage	-8.9	0.9	2.7	9.8	3.8	5.7	7.8	2.8	6.0	6.2
Information & Communication	14.6	11.7	12.7	10.7	12.7	8.1	16.1	15.8	9.4	7.6
Financial & Insurance	10.6	9.8	7.0	5.4	8.3	7.9	7.1	10.0	9.1	6.0
Public administration	5.6	6.1	2.2	-1.5	-4.2	16.2	0.4	10.9	8.4	5.9
Professional, Administration & Support Services	3.8	4.4	3.6	2.7	3.0	2.5	1.9	3.3	4.4	6.1
Real estate	3.5	3.6	4.2	5.2	6.3	6.7	6.2	3.2	2.0	4.2
Education	9.1	7.6	3.9	4.8	6.6	8.2	7.5	7.2	3.3	3.5
Health	-1.4	9.8	8.6	14.3	5.1	7.5	7.8	8.3	7.4	8.1
Other services	3.1	4.8	4.0	6.3	5.5	4.4	4.1	3.0	3.0	1.7
FISIM	9.9	6.3	2.4	2.7	8.3	11.1	11.1	14.0	14.0	8.4
All Industries at basic prices	5.7	6.4	5.8	3.2	4.6	6.1	5.4	5.4	5.0	5.5
Taxes on products	8.4	12.0	13.2	1.4	5.9	5.0	3.8	6.3	4.5	5.6
GDP at market prices	6.0	7.0	6.8	2.9	4.7	6.0	5.2	5.5	4.9	5.5

Source: Quarterly GDP Statistical Release, various issues, Kenya National Bureau of Statistics

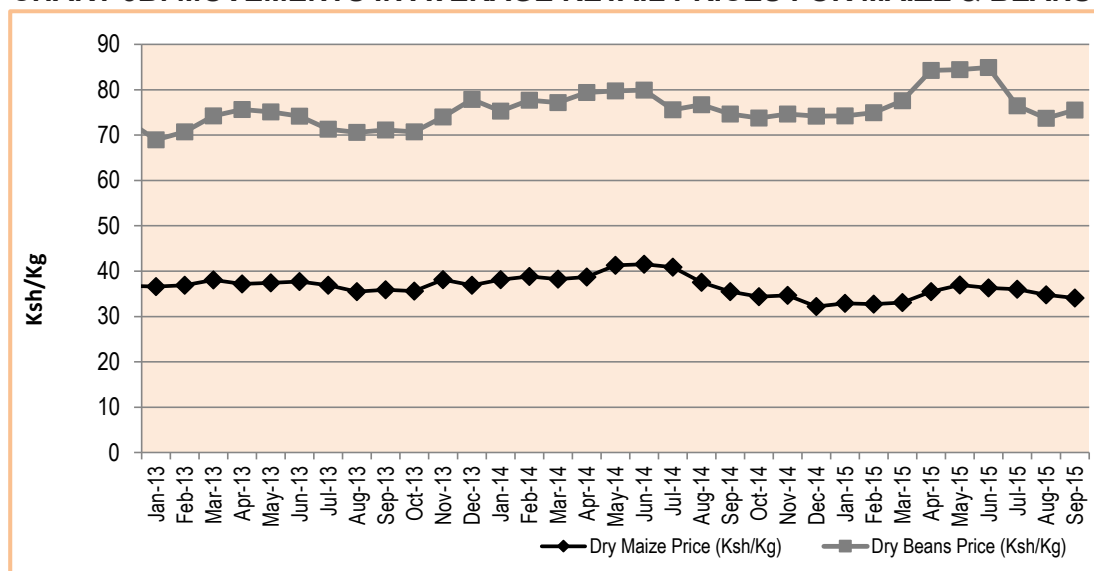
Agriculture Agriculture output increased by 5.4 percent in the second quarter of 2015 compared to 2.1 percent in the second quarter of 2014. The improved performance may be attributed to favourable weather conditions during the period under review, which led to increased activity in the sector. The price of maize stabilized in September 2015 due to improved supply following the onset of the harvest season while the price of beans increased marginally over the same period (Chart 3B).

CHART 3A: EVOLUTION GDP GROWTH IN THESECOND QUARTERS



Source: Quarterly GDP Statistical Release, various issues, Kenya National Bureau of Statistics

CHART 3B: MOVEMENTS IN AVERAGE RETAIL PRICES FOR MAIZE & BEANS



Source: Kenya National Bureau of Statistics

Major Indicators in Agriculture

Available indicators on agriculture in the year to September 2015 show negative performance (Table 3.2).

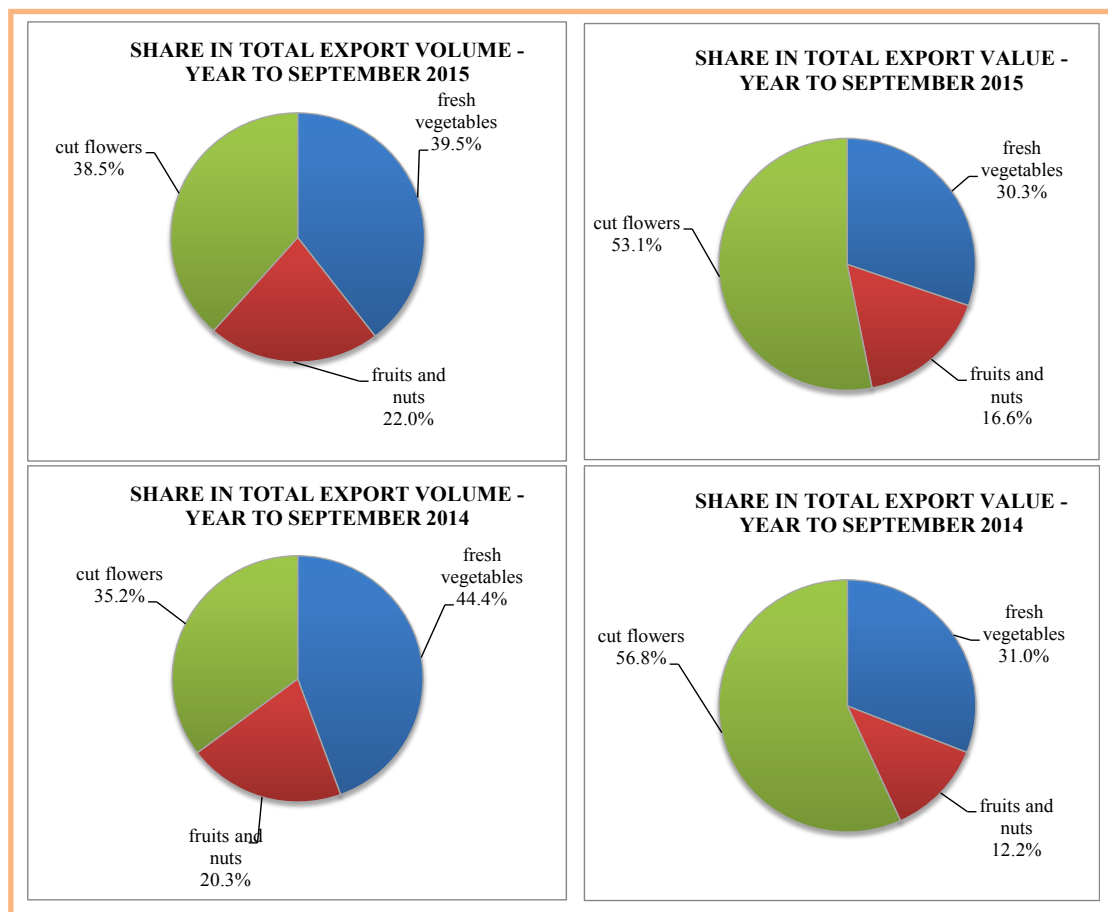
TABLE 3.2: OUTPUT GROWTH OF MAJOR CROPS AND MILK

	Annual Totals			Year to September 2014	Year to September 2015
	2012	2013	2014		
Tea					
Output (Metric tonnes)	369,562	432,453	445,106	437,518	400,152
Growth (%)	-2.21	17.02	2.93	1.14	-8.54
Horticulture					
Exports (Metric tonnes)	250,814	309,029	303,254	313,992	311,657
Growth (%)	5.14	23.21	-1.87	6.93	-0.74
Coffee					
Sales (Metric tonnes)	46,051	37,943	42,450	41,187	34,759
Growth (%)	53.59	-17.61	11.88	7.98	-15.61
Milk					
Output (million litres)	495	523	544	540	525
Growth %	-9.83	5.62	3.99	0.72	-2.74
Sugar Cane					
Output ('000 Metric tonnes)	5,716	6,672	6,478	7,050	6,447
Growth (%)	7.08	16.71	-2.91	15.32	-8.55

Source: Kenya National Bureau of Statistics and Kenya Revenue Authority

Tea Growth in production of tea declined by 8.5 percent in the year to September 2015 compared with growth of 1.1 percent recorded in the year to September 2014. The average auction price for tea at KSh 223.53 per kilogram in the year to September 2015, was 3.3 percent lower than KSh 231.52 per kilogram recorded in the year to September 2014 (Table 3.2).

Horticulture Export of fresh horticultural products declined by 0.7 percent from 313,992 metric tonnes in the year to September 2014 to 311,657 metric tonnes in the year to September 2015. During the period under review, exports of fresh vegetables dominated in terms of volume, while cut flowers had in the largest contribution in terms of value (Table 3.2 and Chart 3C).

CHART 3C: STRUCTURE OF HORTICULTURAL EXPORTS

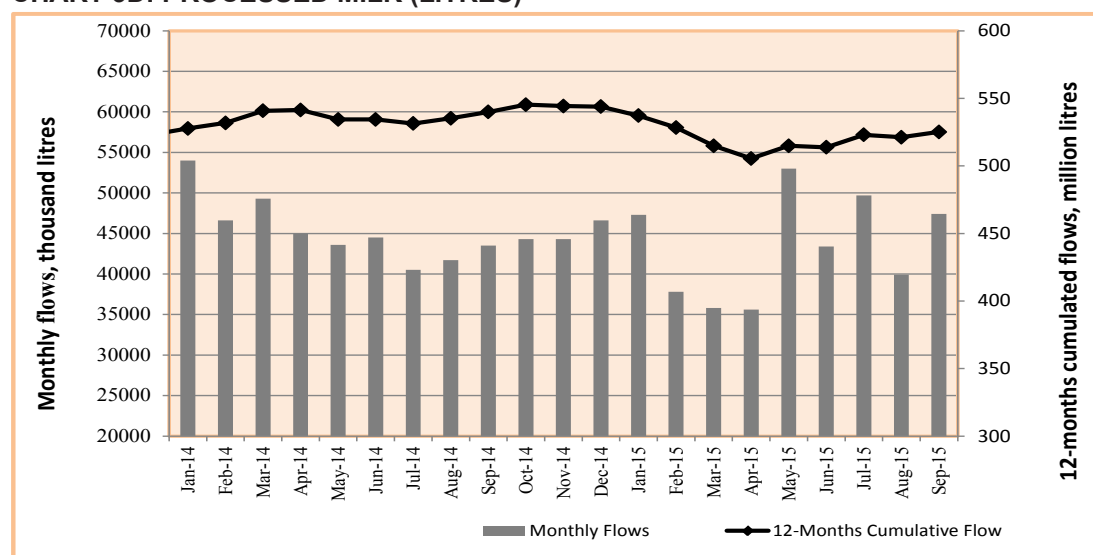
Source: Kenya Revenue Authority

Coffee

Annual growth in coffee sales declined by 15.6 percent in the year to September 2015 compared with growth of 8.0 percent recorded in the year to September 2014. The average auction price for coffee decreased by 0.5 percent to KSh 278.7 per kilogram in the year to September 2015 from KSh 280.1 per kilogram in the year to September 2014.

Dairy

The volume of milk intake in the formal sector declined by 2.7 percent to 525 million litres in the year to September 2015 from 540 million litres recorded in the year to September 2014 (Chart 3D).

CHART 3D: PROCESSED MILK (LITRES)

Source: Kenya National Bureau of Statistics

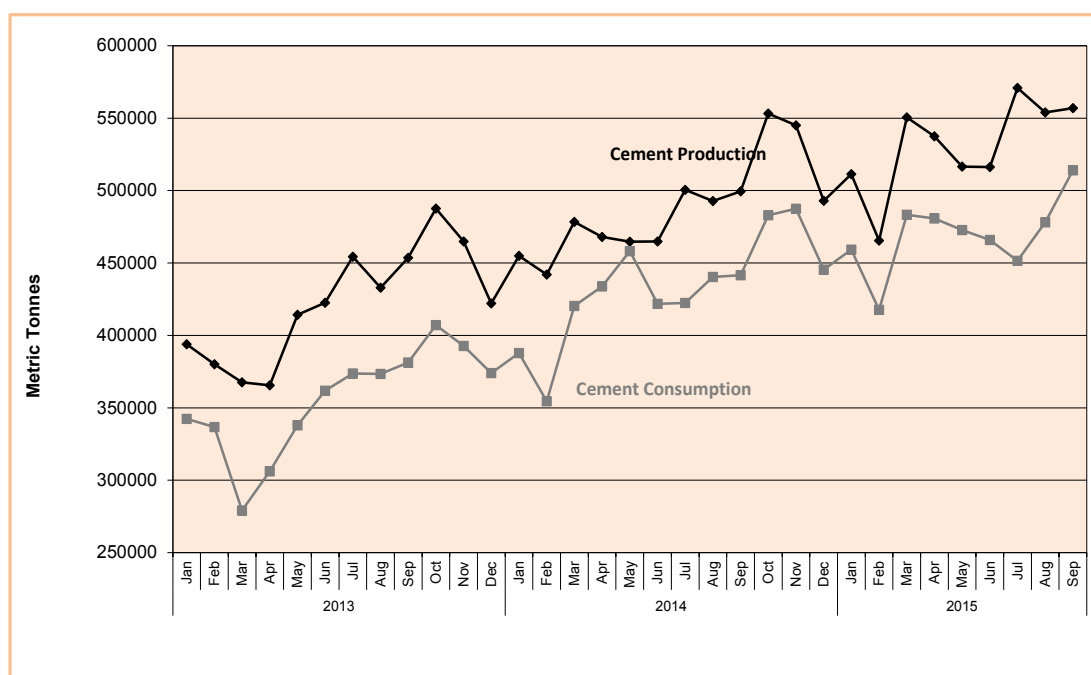
Manufacturing The manufacturing sector output, which accounted for 10.7 percent of GDP in the second quarter of 2015, is estimated to have increased by 4.5 percent in the second quarter of 2015 compared with 8.3 percent growth in the second quarter of 2014. In addition, indicators on performance of the manufacturing sector in the year to September 2015 show positive growth in production of cement (Table 3.3 and Chart 3E).

TABLE 3.3: PRODUCTION OF SELECTED MANUFACTURED GOODS

	Annual Totals			Year to Sept 2014	Year to Sept 2015
	2012	2013	2014		
Cement production					
Output (MT)	4,639,693	5,059,129	5,856,828	5,640,133	6,370,352
Growth %	16.90	9.04	15.77	15.59	12.95
Assembled vehicles					
Output (No.)	6,218	6,948	9,246	8,992	9,571
Growth %	2.79	11.74	33.07	41.52	6.44
Galvanized sheets					
Output (MT)	235,812	306,100	284,509	291,397	258,282
Growth %	-12.04	29.81	-7.05	-0.17	-11.36
Processed sugar					
Output (MT)	494,030	600,210	616,852	637,399	621,175
Growth %	3.99	21.49	2.77	19.06	-2.55
Soft drinks					
Output ('000 litres)	359,518	403,981	459,464	443,107	494,411
Growth %	-3.19	12.37	13.73	14.63	11.58

MT = Metric tonnes

Source: Kenya National Bureau of Statistics

CHART 3E: EVOLUTION CEMENT PRODUCTION AND CONSUMPTION

Source: Kenya National Bureau of Statistics

Energy Sector

Annual growth in local generation of electricity decreased to 4.8 percent in the year to September 2015 from 10.1 percent growth recorded in the year to September 2014 (Table 3.4). The total amount of electricity generated in the year to September 2015 was 9,220 million kilowatt hours compared with 8,794 million kilowatt hours generated in the year to September 2014. This increase reflects accelerated generation of geo-thermal power by 87.5 percent in the year to September 2015, compared with 37.7 percent recorded in the year to September 2014. Generation of hydro-electricity power, on the other hand, contracted by 5.9 percent while that of thermal power contracted by 49.6 percent in the year to September 2015. The total supply in the year to September 2015 comprised 37.0 percent hydro-electricity, 47.5 percent geo-thermal power and 15.54 percent thermal power. Meanwhile, the average price of murban crude oil dropped to US\$ 60.6 per barrel in the year to September 2015 from US\$ 108.9 per barrel in the year to September 2014.

TABLE 3.4: ENERGY SECTOR PERFORMANCE

	2012	2013	2014	Year to Sept 2014	Year to Sept 2015
Electricity Supply (Generation)					
Output (million KWH)	7,517	8,217	8,889	8,794	9,220
<i>Growth %</i>	4.98	9.31	8.18	10.12	4.84
Of which:					
Hydro-power Generation (million KWH)	4,032	4,387	3,411	3,631	3,415
<i>Growth (%)</i>	26.65	8.80	-22.24	-17.45	-5.95
Geo-Thermal Generation (million KWH)	1,522	1,781	2,917	2,337	4,382
<i>Growth (%)</i>	5.44	17.00	63.82	37.67	87.47
Thermal (million KWH)	1,963	2,049	2,561	2,826	1,423
<i>Growth (%)</i>	-22.51	4.39	24.95	51.72	-49.65
Consumption of electricity (million KWH)	6,298	6,564	7,406	7,086	8,265
<i>Growth %</i>	2.37	4.22	12.83	9.11	16.63
Consumption of Fuels ('000 tonnes)	3,764	3,649	3,873	3,864	4,069
<i>Growth %</i>	6.18	-3.06	6.15	4.71	5.28
Murban crude oil average price (US \$ per barrel)	113.0	110.1	99.5	108.9	60.6
<i>Growth %</i>	2.15	-2.54	-9.67	-0.90	-44.36

Source: Kenya National Bureau of Statistics

Tourism The number of tourist arrivals declined by 25.5 percent in the year to September 2015 (Table 3.5) compared with a decline of 7.1 percent in the year to September 2014. The unfavourable performance is attributed to adverse travel advisories from source countries due to insecurity concerns. The ports of disembarkation for tourists remained Jomo Kenyatta International, Airport Nairobi (89.8 percent share), and the Moi International Airport, Mombasa (10.2 percent share).

TABLE 3.5: TOURIST ARRIVALS BY POINT OF ENTRY

	2012	2013	2014	Year to Sep. 2014	Year to Sep. 2015	Year to Sept 2015 % Share	Year to Sept 2015 % Growth
MIAM	187,151	168,654	117,796	151,339	76,130	10.17	-49.70
JKIA	1,053,361	912,998	743,600	847,888	672,224	89.83	-20.72
TOTAL	1,240,512	1,081,652	861,396	999,227	748,354	100.00	-25.11

Source: Kenya Tourist Board

Transport The total number of passengers received at the Jomo Kenyatta International Airport, Nairobi (JKIA) increased by 3.1 percent in the year to September 2015, compared with a decline of 2.4 percent recorded in the year to September 2014. This increase was reflected in both incoming and outgoing passengers (Table 3.6). Meanwhile, the volume of oil passed through the Kenya pipeline rose to 2.7 percent in the year to September 2015 compared with a growth of 8.1 percent in the year to September 2014.

TABLE 3.6: THROUGHPUT IN SELECTED TRANSPORT FACILITIES

	2012	2013	2014	Year to Sept 2014	Year to Sept 2015
Number of Passengers thro' JKIA					
Total passenger flows*	4,302,244	4,290,349	4,232,523	4,215,273	4,347,081
Growth (%)	4.04	-0.28	-1.35	-2.41	3.13
o.w. Incoming*	2,148,105	2,144,002	2,102,886	2,096,693	2,168,311
Growth (%)	2.84	-0.19	-1.92	-2.86	3.42
Outgoing*	2,154,139	2,146,347	2,129,637	2,118,580	2,178,394
Growth %	5.27	-0.36	-0.78	-1.97	2.82
Output ('000 litres)	4,855,571	5,181,600	5,623,628	5,554,287	5,704,438
Growth %	14.05	6.71	8.53	8.12	2.70

* Provisional

Source: Kenya National Bureau of Statistics

DEVELOPMENTS IN THE BALANCE OF PAYMENTS AND EXCHANGE RATES

Overview The overall Balance of Payments position deteriorated to a deficit of USD 912 million in the year to September 2015 from a surplus of USD 1,317 million in the year to September 2014 (Table 4.1). The decrease reflects a larger reduction in the capital and financial account surplus.

TABLE 4.1: BALANCE OF PAYMENTS (US\$ M)

ITEM	Year to Sept 2014	Year to SEP 2015*				Year to Sept 2015*	Change	% Change
		Oct-Dec	Jan-March	April-June	July-Sep			
1. OVERALL BALANCE	1,317.3	235.2	-164.2	-482.2	-500.4	-911.6	-2,228.9	-169.2
2. CURRENT ACCOUNT	-5,650.5	-1,770.2	-971.3	-1,344.6	-788.3	-4,874.4	776.1	-13.7
2.1 Goods	-12,440.6	-3,308.0	-2,449.3	-2,805.6	-2,370.4	-10,933.4	1,507.2	-12.1
Exports (fob)	6,151.1	1,456.5	1,436.8	1,390.2	1,599.1	5,882.5	-268.6	-4.4
Imports (cif)	18,591.7	4,764.5	3,886.1	4,195.7	3,969.5	16,815.9	-1,775.8	-9.6
2.2 Services	6,790.1	1,537.8	1,478.1	1,460.9	1,582.1	6,058.9	-731.2	-10.8
Non-factor services (net)	3,560.9	743.9	803.6	958.4	933.2	3,439.2	-121.7	-3.4
Income (net)	-444.1	-157.6	-102.1	-247.9	-91.2	-598.8	-154.7	34.8
Current Transfers (net)	3,673.3	951.4	776.5	750.4	740.1	3,218.5	-454.8	-12.4
3. CAPITAL & FINANCIAL ACCOUNT	6,967.7	2,005.4	807.1	862.5	287.9	3,962.8	-3,005.0	-43.1
3.1 Capital Transfers (net)	45.3	6.4	27.7	409.0	53.0	496.1	450.8	994.3
3.2 Financial Account	6,922.4	1,999.0	779.4	453.5	234.9	3,466.7	-3,455.7	-49.9
memo:								
Gross Reserves	9,335.9	9,737.6	9,834.3	9,473.1	8,899.4	8,899.4	-436.5	-4.7
Official	7,676.4	7,894.9	7,723.3	7,211.6	6,711.1	6,711.1	-965.3	-12.6
import cover**	4.6	4.6	4.6	4.4	4.4	4.4	-0.2	-4.3
import cover***	5.0	5.0	4.9	4.6	4.3	4.3	-0.7	-13.8
Commercial Banks	1,659.5	1,842.6	2,111.0	2,261.5	2,188.3	2,188.3	528.8	31.9

** Based on current year's imports of goods and non-factor services

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

Source: Central Bank of Kenya

Current Account The current account balance improved by USD 776.1 million to a deficit of USD 4,874 million in the year to September 2015 from a deficit of USD 5,650 million in the year to September 2014 (Table 4.2). The improvement reflects 12.1 percent decrease in the merchandise account deficit.

TABLE 4.2: BALANCE ON CURRENT ACCOUNT (US\$ M)

ITEM	Year to Sept 2014	Year to SEP 2015*				Year to Sept 2015*	Change	% Change
		Oct-Dec	Jan-March	April-June	July-Sep			
2. CURRENT ACCOUNT	-5,650.5	-1,770.2	-971.3	-1,344.6	-788.3	-4,874.4	776.1	-13.7
2.1 Goods	-12,440.6	-3,308.0	-2,449.3	-2,805.6	-2,370.4	-10,933.4	1,507.2	-12.1
Exports (fob)	6,151.1	1,456.5	1,436.8	1,390.2	1,599.1	5,882.5	-268.6	-4.4
Coffee	219.4	51.3	51.3	65.0	52.5	220.0	0.6	0.3
Tea	1,074.3	260.5	290.6	270.1	301.2	1,122.4	48.1	4.5
Horticulture	819.2	189.8	198.4	157.0	183.7	728.9	-90.4	-11.0
Oil products	58.1	17.7	18.7	19.3	22.1	77.9	19.8	34.1
Manufactured Goods	620.1	142.5	125.4	120.8	147.1	535.8	-84.3	-13.6
Raw Materials	465.3	109.4	125.6	73.1	58.8	366.9	-98.4	-21.2
Chemicals and Related Products (n.e.s)	458.7	103.1	96.8	109.0	127.4	436.3	-22.4	-4.9
Miscellaneous Man. Articles	624.0	160.4	151.1	130.2	156.9	598.6	-25.4	-4.1
Re-exports	848.6	190.8	177.9	203.4	241.4	813.6	-35.0	-4.1
Other	963.4	231.0	200.9	242.3	308.0	982.3	18.9	2.0
Imports (cif)	18,591.7	4,764.5	3,886.1	4,195.7	3,969.5	16,815.9	-1,775.8	-9.6
Oil	4,175.5	862.4	587.5	697.5	617.2	2,764.7	-1,410.8	-33.8
Chemicals	2,360.2	624.7	642.1	629.1	565.3	2,461.1	101.0	4.3
Manufactured Goods	2,658.1	679.7	699.8	682.6	682.6	2,744.8	86.7	3.3
Machinery & Transport Equipment	5,651.0	1,651.5	1,152.5	1,430.9	1,330.2	5,565.1	-85.9	-1.5
Other	3,588.1	842.9	752.8	696.9	636.6	2,929.2	-658.9	-18.4
2.2 Services	6,790.1	1,537.8	1,478.1	1,460.9	1,582.1	6,058.9	-731.2	-10.8
Non-factor services (net)	3,560.9	743.9	803.6	958.4	933.2	3,439.2	-121.7	-3.4
Non-factor services (credit)	5,048.4	1,188.9	1,292.8	1,273.0	1,218.4	4,973.1	-75.3	-1.5
of which transport	2,216.8	536.1	488.0	497.1	435.9	1,957.1	-259.7	-11.7
of which tourism (Travel)	812.8	203.8	178.5	169.6	170.3	722.1	-90.7	-11.2
Other services account: gov't	889.9	229.6	224.0	216.7	231.8	902.1	12.1	1.4
Other services account: private	1,128.9	219.4	402.3	389.7	380.4	1,391.8	262.9	23.3
Income (net)	-444.1	-157.6	-102.1	-247.9	-91.2	-598.8	-154.7	34.8
of which official interest	-169.6	-94.2	-123.9	-257.4	-82.8	-558.4	-388.8	229.3
Current Transfers (net)	3,673.3	951.4	776.5	750.4	740.1	3,218.5	-454.8	-12.4
Private (net)	3,379.1	869.6	691.6	665.4	655.1	2,881.8	-497.3	-14.7
of which Remittances	1,403.0	365.1	364.1	389.5	392.5	1,511.2	108.2	7.7
Public (net)	294.2	81.8	85.0	85.0	85.0	336.7	42.5	14.4

* Provisional.

Source: Central Bank of Kenya

Merchandise Account The deficit in the merchandise account narrowed by USD 1,507.2 million to USD 10,933 million in the year to September 2015, reflecting 9.6 percent decrease in the value of merchandise imports (Table 4.2).

Imports The value of merchandise imports decreased by USD 1,775.8 million (9.6 percent) to USD 16,816 million during the year to September 2015. The decrease was notable in oil imports which declined by USD 1,410.8 million (33.8 per cent) from USD 4,176 million in the year to September 2014 to USD 2,765 million in the year to September 2015. The value of other imports also declined by USD 658.9 million as well as the value of machinery and transport equipment which declined by USD 85.9 million. Meanwhile, import values of chemicals increased by USD 101 million while the value of manufactured goods increased by USD 86.7 million.

Kenya sourced most of her imports from China, with its share in total imports to total imports increasing from 14 per cent in the year to September 2014 to 20 percent in the year to September 2015. The share of Kenya's imports from the European Union increased to 15 percent, while that from India declined to 16 percent from 17 percent over the same period. Imports from Africa, which accounted for 10 percent of total imports, decreased marginally to USD 1,638 million (Table 4.3).

Exports The value of merchandise exports declined by USD 268.6 million to USD 5,883 million in the year to September 2015 reflecting decrease in earnings from horticulture, manufactured goods, chemicals and related products, raw materials, miscellaneous manufactured articles and re-exports. However, receipts from tea, coffee, oil products and other exports increased.

The share of Kenya's exports to Africa declined in the year to September 2015 (Table 4.3) largely reflecting decrease in share of exports to the EAC region (Tanzania), South Sudan and Somalia. The share of exports to the COMESA region and the rest of the world increased. The share of exports to China stabilised at 1 percent while that to the European Union, reduced to 22 percent in the year to September 2015. The share of other exports to the rest of the world increased to 25 percent.

TABLE 4.3: KENYA'S DIRECTION OF TRADE

IMPORTS (in millions of US dollars)							EXPORTS (in millions of US dollars)						
YEAR TO SEPTEMBER 2015							YEAR TO SEPTEMBER 2015						
Country	2013	2014	2015	2013	2014	2015	Country	2013	2014	2015	2013	2014	2015
Africa	1,659	1,645	1,638	10	9	10	Africa	2,771	2,710	2,494	46	44	42
Of which				0	0	0	Of which				-	-	-
South Africa	790	754	667	5	4	4	Uganda	767	660	710	13	11	12
Egypt	290	282	279	2	2	2	Tanzania	499	500	354	8	8	6
Others	579	609	692	3	3	4	Egypt	215	202	192	4	3	3
EAC	308	388	470	2	2	3	Sudan	71	74	60	1	1	1
COMESA	648	641	733	4	3	4	South Sudan	200	215	185	3	4	3
Rest of the World	15,212	16,947	15,178	90	91	90	Somalia	213	157	139	4	3	2
Of which				0	0	0	DRC	229	230	217	4	4	4
India	2,717	3,198	2,692	16	17	16	Rwanda	166	157	178	3	3	3
United Arab Emirates	1,499	1,162	941	9	6	6	Others	412	515	460	7	8	8
China	1,948	2,657	3,302	12	14	20	EAC	1,495	1,400	1,319	25	23	22
Japan	909	1,004	925	5	5	6	COMESA	1,754	1,660	1,674	29	27	28
USA	672	1,519	1,219	4	8	7	Rest of the World	3,206	3,441	3,388	54	56	58
United Kingdom	579	525	494	3	3	3	Of which				-	-	-
Singapore	172	236	72	1	1	0	United Kingdom	444	431	407	7	7	7
Germany	451	529	514	3	3	3	Netherlands	377	455	370	6	7	6
Saudi Arabia	498	557	672	3	3	4	USA	336	411	343	6	7	6
Indonesia	484	568	511	3	3	3	Pakistan	306	250	270	5	4	5
Netherlands	277	231	215	2	1	1	United Arab Emirates	357	234	226	6	4	4
France	259	281	213	2	2	1	Germany	97	123	125	2	2	2
Bahrain	456	532	67	3	3	0	India	100	108	74	2	2	1
Italy	225	231	238	1	1	1	Afghanistan	203	122	104	3	2	2
Others	4,065	3,717	3,103	24	20	18	Others	985	1,307	1,469	16	21	25
Total	16,871	18,592	16,816	100	100	100	Total	5,977	6,151	5,883	100	100	100
EU	2,443	2,531	2,449	14	14	15	EU	1,198	1,393	1,303	20	23	22
China	1,948	2,657	3,302	12	14	20	China	44	74	69	1	1	1

Source: Kenya Revenue Authority

Services Account

The surplus in the services account declined by USD 731.2 million or 10.8 percent to USD 6,059 million in the year to September 2015 from USD 6,790 million in the year to September 2014. The decrease was in receipts from transport (11.7 percent) and tourism (11.2 percent). However, receipts from other private services (insurance services, royalties and licence fees) increased by 23.3 percent. The deficit in the primary income account worsened by USD 154.7 million while the surplus in the current transfers account decreased by USD 454.8 million. Remittance inflows (under private transfers) increased by USD 108.2 million to USD 1,511 million during the year to September 2015 (Table 4.2). Remittance inflows were resilient with the 12 month average to September 2015 increasing to USD 125.9 million from an average of USD 116.9 million in the year to September 2014.

Capital and Financial Account

The capital and financial account surplus at USD 3,963 million in the year to September 2015 was 43.1 percent lower compared to USD 6,968 million in the year to September 2014.

Official, medium and long-term financial flows increased by USD 520.9 million to USD 2,121 million from USD 1,600 million in the year to September 2014, with the increase largely driven by increased inflows and reduction in outflows. Private medium and long term financial flows decreased by USD 304.7 million to USD 828 million from USD 1,132 million in the year to September 2014 with the decrease largely driven by lower commercial bank. Commercial bank flows decreased from USD 655 million in the year to September 2014 to USD 143 million in the year to September 2015 reflecting build-up of foreign assets mainly in two components: deposits and loans advanced to non-residents.

Short term flows (including net errors and omissions) decreased by USD 3,672 million

during the period under review.

TABLE 4.4.: BALANCE ON CAPITAL AND FINANCIAL ACCOUNT (US\$ M)

ITEM	Year to Sept 2014	Year to SEP 2015*				Year to Sept 2015*	Change	% Change
		Oct-Dec	Jan-March	April-June	July-Sep			
3. CAPITAL & FINANCIAL ACCOUNT	6,967.7	2,005.4	807.1	862.5	287.9	3,962.8	-3,005.0	-43.1
3.1 Capital Transfers (net)	45.3	6.4	27.7	409.0	53.0	496.1	450.8	994.3
3.2 Financial Account	6,922.4	1,999.0	779.4	453.5	234.9	3,466.7	-3,455.7	-49.9
Official, medium & long-term	1,599.7	761.0	1,299.2	-18.6	79.0	2,120.6	520.9	32.6
Inflows	2,925.5	1,053.7	1,686.7	74.9	210.2	3,025.4	100.0	3.4
Outflows	-1,325.8	-292.7	-387.4	-93.5	-131.2	-904.8	421.0	-31.8
Private, medium & long-term (net)	1,132.4	330.5	-16.2	249.9	263.6	827.8	-304.7	-26.9
Commercial Banks (net)	655.2	16.9	-38.4	145.1	18.9	142.5	-512.7	-78.2
Other private medium & long-term (net)	477.2	313.5	22.2	104.9	244.6	685.3	208.0	43.6
Short-term (net) incl. errors & omissions	4,190.3	907.5	-503.7	222.1	-107.7	518.3	-3,672.0	-87.6

* Provisional.

Source: Central Bank of Kenya

Foreign Exchange Reserves

The banking system's total foreign exchange holdings decreased by 4.7 percent to USD 8,899 million at the end of September 2015 from USD 9,336 million at the end of September 2014. Official reserves held by the Central Bank constituted the bulk of gross reserves and decreased to USD 6,711 million (4.3 months of import cover) at the end of September 2015 from USD 7,676 million (5.0 months of import cover) at the end of September 2014.

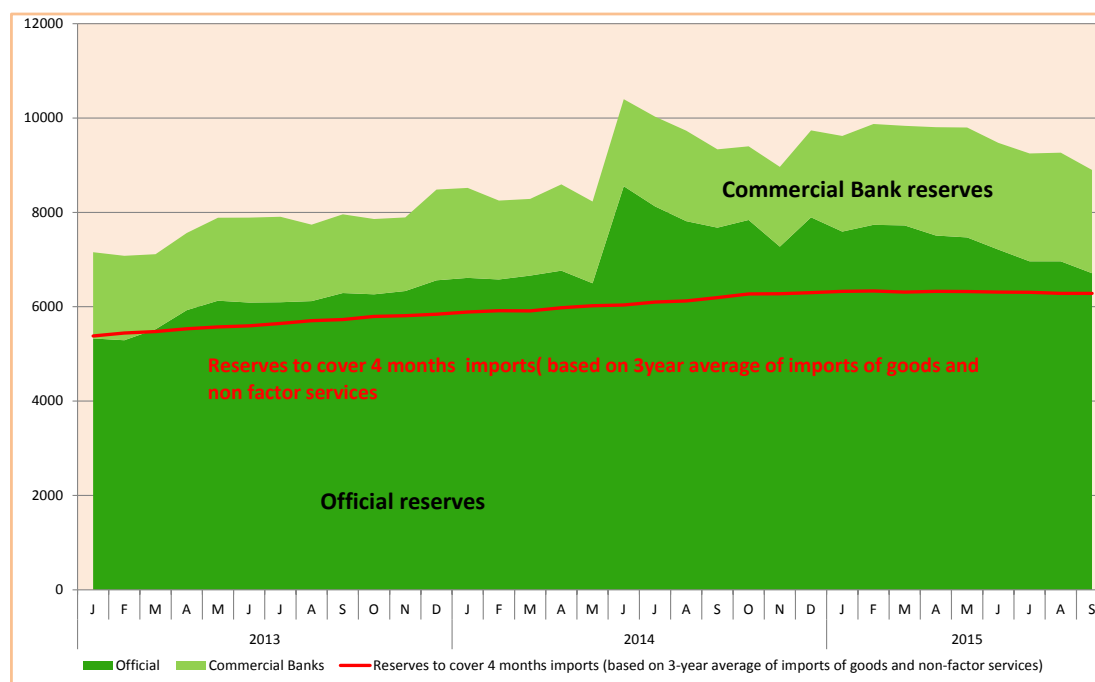
Foreign exchange reserves held by commercial banks increased to USD 2,188 million at the end of September 2015 from USD 1,659 million at the end of September 2014. During the same period, residents' foreign currency deposits increased to USD 4,278 million from USD 4,148 million (Table 4.5).

TABLE 4.5: FOREIGN EXCHANGE RESERVES AND RESIDENTS' FOREIGN CURRENCY DEPOSITS (END OF PERIOD, US\$ MILLION)

	Sep/14	Oct/14	Nov/14	Dec/14	Jan/15	Feb/15	Mar/15	Apr/15	May/15	Jun/15	Jul/15	Aug/15	Sep/15
1. Gross Reserves	9,336	9,400	8,964	9,738	9,620	9,873	9,834	9,806	9,799	9,473	9,249	9,265	8,899
of which:													
Official	7,676	7,839	7,274	7,895	7,593	7,737	7,723	7,509	7,469	7,212	6,963	6,963	6,711
import cover**	5	5	5	5	4.8	4.9	4.9	4.7	4.7	4.6	4.4	4.4	4.3
Commercial Banks	1,659	1,561	1,691	1,843	2,027	2,137	2,111	2,296	2,330	2,262	2,286	2,302	2,188
2. Residents' foreign currency deposits	4,148	4,101	4,037	4,080	4,243	4,396	4,154	4,278	4,448	4,488	4,395	4,381	4,278

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

Source: Central Bank of Kenya

CHART 4A: FOREIGN EXCHANGE RESERVES (US\$ MILLION)

Source: Central Bank of Kenya

Exchange Rates

The Kenya Shilling depreciated by 2.78 percent against the US Dollar, 1.11 percent against the Pound Sterling, 3.63 percent against the Euro and 5.44 percent against the Japanese Yen, in September 2015. The performance of the Kenya Shilling is largely a reflection of international and local developments, notably, the strengthening of US Dollar against major world currencies and high dollar demand on the domestic market.

In the EAC region, the Kenya shilling strengthened against the Uganda shilling but weakened against all other EAC currencies (Table 4.6 and Chart 4D).

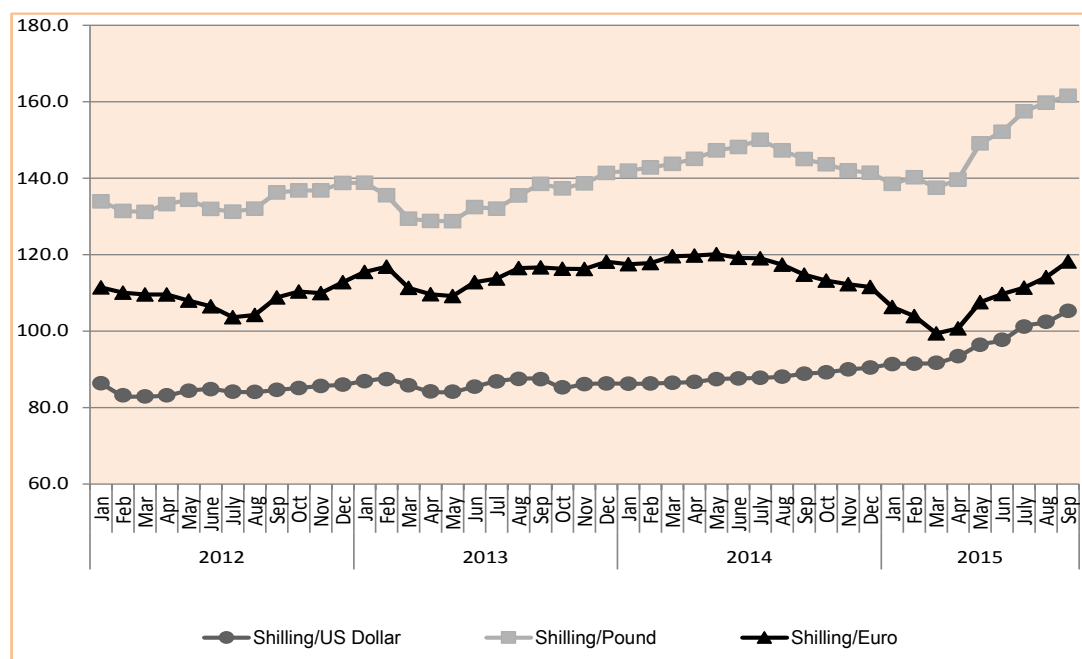
TABLE 4.6: KENYA SHILLING EXCHANGE RATE

	2014				2015										% change AUG-SEP 2015
	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep		
US Dollar	88.84	89.23	89.96	90.44	91.36	91.49	91.73	93.44	96.39	97.70	101.20	102.43	105.27	2.78	
Pound Sterling	144.99	143.66	142.05	141.45	138.49	140.21	137.51	139.62	149.10	152.16	157.53	159.77	161.54	1.11	
Euro	114.74	113.21	112.28	111.52	106.32	103.94	99.40	100.71	107.54	109.72	111.36	114.09	118.23	3.63	
100 Japanese Yen	82.90	82.62	77.53	75.79	77.19	77.17	76.22	78.18	79.89	79.00	82.10	83.12	87.64	5.44	
Uganda Shilling*	29.47	30.03	30.37	30.62	31.29	31.36	32.19	32.04	31.17	32.67	33.23	34.66	34.82	0.46	
Tanzania Shilling*	18.78	18.96	19.16	19.11	19.39	19.92	20.09	20.28	20.98	22.49	20.90	20.73	20.56	-0.79	
Rwanda Franc*	7.75	7.72	7.66	7.62	7.53	7.52	7.56	7.37	7.16	7.37	7.23	6.99	6.96	-0.32	
Burundi Franc*	17.43	17.47	17.39	17.28	17.14	17.12	17.05	16.72	16.23	16.06	15.92	15.11	14.68	-2.82	

* Units of currency per Kenya Shilling

Source: Central Bank of Kenya

CHART 4B: KENYA SHILLING EXCHANGE RATE



Source: Central Bank of Kenya

DEVELOPMENTS IN THE BANKING SECTOR

Overview The Kenyan banking sector comprised 42 commercial banks, 1 mortgage finance company, 12 microfinance banks, 8 representative offices of foreign banks, 86 foreign exchange bureaus, 14 money remittance providers and 3 credit reference bureaus as at September 30, 2015. Dubai Bank was placed under receivership on August 14, 2015 and subsequently under liquidation on August 24, 2015.

Structure of the Balance Sheet Total assets of the banking sector grew from KSh 3,075.2 billion in September 2014 to KSh 3,654.5 billion in September 2015 which translates to an annual growth of 18.84 percent. The main components of banking sector assets were loans and advances, government securities and placements, which accounted for 61.2 percent, 17.4 percent and 5.4 percent, respectively.

Loans & Advances The banking sector gross loans were KSh 2,318.0 billion in September 2015 compared to KSh 1,908.0 billion in September 2014 which translates to an annual growth of 21.49 percent. There was increased lending to all economic sectors except Mining and Quarrying sector which registered a decrease of KSh. 5.49 billion.

Deposit Liabilities The deposit base was KSh 2,568.4 billion in September 2015 compared to KSh 2,247.7 billion in September 2014 which translates to an annual growth of 14.3 percent. Customer deposits was the main component of the balance sheet on the liabilities side accounting for 70.3 percent of total liabilities.

Capital & Reserves The banking sector recorded an improved capital position in September 2015 with total shareholders' funds increasing by 13.7 percent from KSh 488.7 billion in September 2014 to KSh 555.5 billion in September 2015. Core capital and total capital increased from KSh 387.8 billion and KSh 488.1 billion to KSh 465.1 billion and KSh 560.7 billion respectively over the same period. The core capital to total risk-weighted assets ratio increased from 15.1 percent in September 2014 to 15.5 percent in September 2015, whereas the total capital to total risk-weighted assets ratio rose from 17.8 percent in September 2014 to 18.7 percent in September 2015.

Non-performing Loans The gross non-performing loans (NPLs) increased by 20.3 percent from KSh 103.7 billion in September 2014 to KSh 124.7 billion in September 2015. The gross NPLs to gross loans ratio remained constant at 5.4 percent in September 2014 and September 2015. Similarly, the coverage ratio, measured as a percentage of specific provisions to total NPLs increased from 40.4 percent in September 2014 to 41.0 percent in September 2015.

The quality of assets, measured as a proportion of net non-performing loans to gross loans decreased from 2.6 percent in September 2014 to 2.48 percent September 2015. A summary of asset quality for the banking sector over the period is shown on (Table 5.1).

TABLE 5.1: KEY INDICATORS OF THE BANKING SECTOR IN KENYA

		Sep-14 (KSh'Bn)	Sep-15 (KSh'Bn)
1	Gross loans and advances (Kshs. Bn)	1,908.0	2,318.0
2	Interest in Suspense (Kshs. Bn)	20.5	27.2
3	Loans and advances (net of interest suspended) (Kshs. Bn)	1,887.5	2,290.8
4	Gross non-performing loans (Kshs. Bn)	103.7	124.7
5	Specific Provisions (Kshs. Bn)	33.6	40.0
6	General Provisions (Kshs. Bn)	13.9	15.8
7	Total Provisions (5+6) (Kshs. Bn)	47.5	55.8
8	Net Advances (3-7) (Kshs. Bn)	1,773.8	2,193.8
9	Total Non-Performing Loans and Advances (4-2) (Kshs. Bn)	83.2	97.5
10	Net Non-Performing Loans and Advances (9-5) (Kshs. Bn)	49.6	57.5
11	Total NPLs as % of total advances (9/3)	4.41%	4.26%
12	Net NPLs as % of gross advances (10/1)	2.60%	2.48%
13	Specific Provisions as % of Total NPLs (5/9)	40.38%	41.03%

Source: Central Bank of Kenya

Profitability The banking sector's pre-tax profits grew by 9.3 percent from KSh 104.5 billion reported in the period ended September 2014 to KSh 114.2 billion for the period ended September 2015. The annual return on assets decreased to 3.3 percent in September 2015 from 3.6 percent in September 2014. Similarly, return on shareholders' funds reduced to 27.4 percent in September 2015 from 32.1 percent in September 2014.

Total income of the banking sector increased by 14.8 percent from KSh 303.0 billion in September 2014 to KSh 347.8 billion in September 2015, while total expenses increased by 17.7 percent from KSh 198.5 billion in September 2014 to KSh 233.6 billion in September 2015. The major sources of income were interest on advances, other income and interest on government securities, which accounted for 60.7 percent, 16.1 percent and 15.0 percent of total income, respectively. On the other hand, interest on deposits, salaries and wages and other expenses were the key components of expenses, accounting for 35.8 percent, 25.7 percent and 21.9 percent of total expenses, respectively.

Liquidity Ratio Requirement For the month ended September 30, 2015, average liquid assets amounted to KSh. 981.9 billion while total short-term liabilities stood at KSh. 2,535.4 billion, resulting to an average liquidity ratio of 38.7 percent which was higher than the ratio of 37.4 percent registered in September 2014. The liquidity ratio remained above the minimum stipulated limit of 20 percent.

Cash Ratio Requirement The proportion of cash to deposit liabilities held at the Central Bank by commercial banks for statutorily reserve requirements averaged 5.25 percent in September 2015 compared to 5.26 percent in August 2015 (Table 5.2 and Chart 5A). Commercial banks are required to maintain a Cash Reserve Ratio (CRR) monthly average of 5.25 percent in the 30 day maintenance cycle from 15th through 14th of every month, but subject to a daily minimum of 3.0 percent.

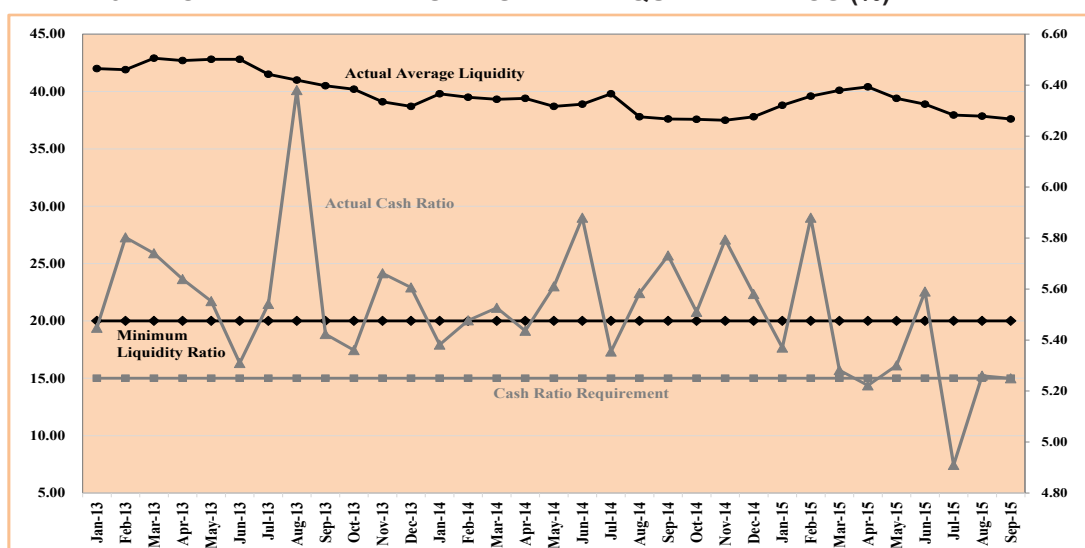
Both Commercial banks and non-bank financial institutions held strong liquidity positions in September 2015, at 37.6 percent and 23.59 percent respectively, in relation to the 20 percent minimum requirement.

TABLE 5.2 : CASH AND LIQUIDITY RATIOS* (%)

	2014				2015								
	Sept	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	June	July	Aug	Sept
Commercial Banks													
Actual Average Liquidity	37.60	37.58	37.50	37.80	38.80	39.60	40.10	40.40	39.4	38.90	37.94	37.85	37.60
Minimum Liquidity Ratio	20.00	20.00	20.00	20.00	20.00	20.00	20.00	20.00	20.00	20.00	20.00	20.00	20.00
Actual Cash Ratio - All Banks	5.73	5.51	5.79	5.58	5.37	5.88	5.28	5.22	5.30	5.59	4.91	5.26	5.25
Minimum Cash Ratio Requirement	5.25	5.25	5.25	5.25	5.25	5.25	5.25	5.25	5.25	5.25	5.25	5.25	5.25
NBFIs													
Actual Average Liquidity Ratio	26.10	25.19	25.30	27.80	26.70	22.90	24.90	26.20	23.6	24.00	24.73	22.71	23.59
Minimum Liquidity Ratio	20.00	20.00	20.00	20.00	20.00	20.00	20.00	20.00	20.00	20.00	20.00	20.00	20.00

Source: Central Bank of Kenya

CHART 5A: COMMERCIAL BANKS' CASH AND LIQUIDITY RATIOS (%)



Source: Central Bank of Kenya

KEPSS Kenya Shillings Flows

Kenya Electronic Payments and Settlement System (KEPSS) moved a volume of 266,523 transaction messages worth 2,891 billion in September 2015 compared with a volume of 239,842 transaction messages valued at KSh 2,849 billion moved in August 2015. This represents an increase of 1.52 percent and 11.12 percent in value and volume, respectively. Compared with September 2014, the volume increased by 19.40 percent from 223,227 transaction messages to 266,523 transaction messages in September 2015 while the value of transactions increased by 13.41 percent from 2,549 billion to 2,891 billion, indicating an increase in the uptake of KEPSS services by the public.

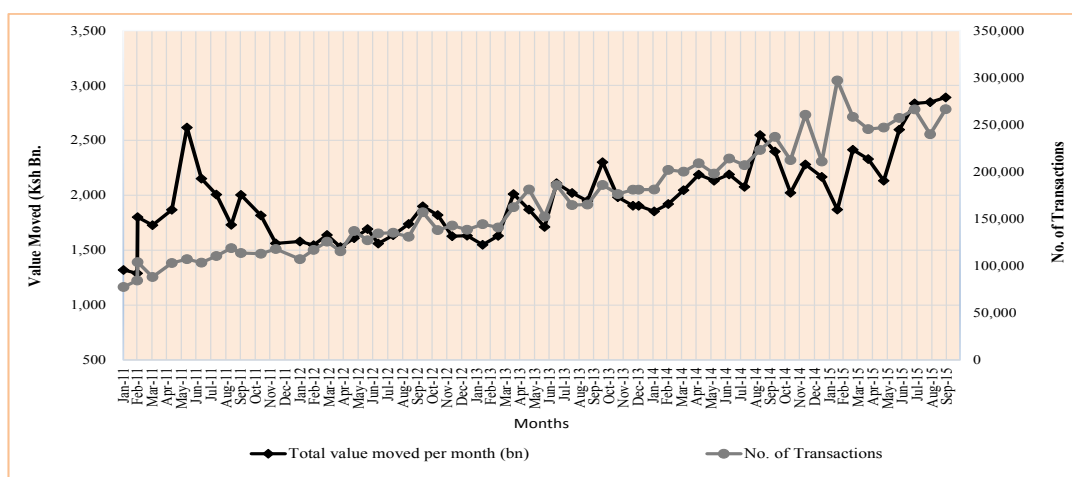
During the twelve months September 2015 the value of transactions moved averaged KSh 11 million per transaction. On average, 11,751 transaction messages with an average value of approximately KSh 113 billion were moved daily (Table 5.3 and Chart 5B). Direct settlements through KEPSS from commercial banks accounted for 99.0 percent of the total settlements, while payments processed through the Automated Clearing House (ACH) and settled in KEPSS averaged 1.0 percent.

TABLE 5.3: TRENDS IN MONTHLY FLOWS THROUGH KEPSS

	Total value moved per month (bn)	Of which indirect {NSI (Ksh bn)}	No. of Transactions	Average value per transaction (bn)	Days worked	Per day	
						Value (bn)	Transactions
Jan-12	1,579	28	107,230	0.01	21	75	5,106
Feb-12	1,546	27	116,990	0.01	21	74	5,571
Mar-12	1,638	26	125,739	0.01	22	74	5,715
Apr-12	1,529	26	115,514	0.01	19	80	6,080
May-12	1,610	26	137,135	0.01	22	73	6,233
Jun-12	1,693	26	127,147	0.01	20	85	6,357
Jul-12	1,561	26	134,391	0.01	23	71	6,109
Aug-12	1,637	26	135,243	0.01	23	71	5,880
Sep-12	1,739	26	130,874	0.01	20	87	6,544
Oct-12	1,900	26	157,020	0.01	23	83	6,827
Nov-12	1,820	26	137,975	0.01	22	83	6,272
Dec-12	1,627	30	142,867	0.01	18	90	7,937
Jan-13	1,632	25	138,297	0.01	22	74	6,286
Feb-13	1,548	25	144,248	0.01	20	77	7,212
Mar-13	1,631	28	140,781	0.01	20	82	7,039
Apr-13	2,011	32	162,432	0.01	20	101	8,122
May-13	1,869	31	181,045	0.01	22	85	8,229
Jun-13	1,712	28	152,310	0.01	20	86	7,616
Jul-13	2,109	35	185,773	0.01	23	92	8,077
Aug-13	2,021	24	164,650	0.01	21	96	7,840
Sep-13	1,949	31	165,175	0.01	21	93	7,865
Oct-13	2,301	30	185,920	0.01	22	105	8,451
Nov-13	1,982	29	176,330	0.01	21	94	8,397
Dec-13	1,905	30	180,926	0.01	18	106	10,051
Jan-14	1,904	31	180,897	0.01	22	87	8,223
Feb-14	1,853	28	181,123	0.01	20	93	9,056
Mar-14	1,920	31	202,035	0.01	21	91	9,621
Apr-14	2,047	27	200,151	0.01	20	102	10,008
May-14	2,188	28	209,019	0.01	21	104	9,953
Jun-14	2,133	32	198,052	0.01	20	107	9,903
Jul-14	2,189	28	214,091	0.01	22	99	9,731
Aug-14	2,077	28	206,937	0.01	21	99	9,854
Sep-14	2,549	33	223,227	0.01	22	116	10,147
Oct-14	2,399	32	237,027	0.01	22	109	10,774
Nov-14	2,023	21	212,340	0.01	20	101	10,617
Dec-14	2,280	32	260,441	0.01	20	114	13,022
Jan-15	2,167	28	210,940	0.01	21	103	10,362
Feb-15	1,870	26	297,018	0.01	20	93	14,851
Mar-15	2,414	32	258,357	0.01	22	109	11,743
Apr-15	2,330	28	245,227	0.01	20	116	12,261
May-15	2,132	29	246,925	0.01	20	107	12,346
Jun-15	2,598	29	257,240	0.01	21	124	12,250
Jul-15	2,836	31	266,342	0.01	23	123	11,580
Aug-15	2,849	28	239,842	0.01	21	136	11,421
Sep-15	2,891	29	266,523	0.01	22	131	12,115

Source: Central Bank of Kenya

CHART 5B: TRENDS IN MONTHLY FLOWS THROUGH KEPSS



Source: Central Bank of Kenya

Third Party Messages

Multiple third party Message Type (MT 102) used for several credit transfers decreased by 27.61 percent from 14,761 transaction messages in August 2015 to 18,836 transaction messages in September 2015. Compared with September 2014, MT 102 messages increased by 4.22 percent from 18,074 transaction messages to 18,836 transaction messages in September 2015. Single third party Message Type (MT 103) used for single credit transfers increased by 9.29 percent from 259,425 transaction messages to 283,530 transaction messages in the same period. MT 103 messages increased by 17.35 percent from 241,606 transaction messages in September 2014 to 283,520 transaction messages in September 2015.

Overall, total third party messages through KEPSS increased by 10.27 percent from 274,186 transaction messages in August 2015 to 302,356 transaction messages in September 2015 (Table 5.4 and Chart 5C).

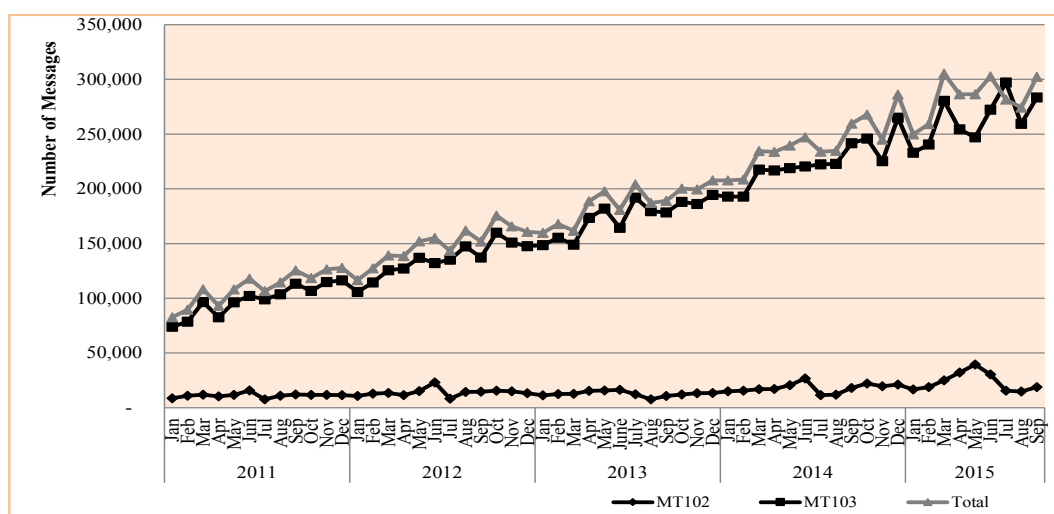
Inter-bank transfers (MT 202) accounted for 30.79 percent of the total value moved through KEPSS as at end of July 2015, while third party (MT 102 and MT 103) messages accounted for 69.21 percent.

TABLE 5.4: TRENDS IN MT102 AND MT103 THROUGH KEPSS

		MT102	MT103	Total
2013	Jan	11,267	148,497	159,764
	Feb	12,405	155,349	167,754
	Mar	12,681	148,954	161,635
	Apr	15,247	173,453	188,700
	May	15,690	181,934	197,624
	Jun	16,254	164,422	180,676
	Jul	12,189	191,864	204,053
	Aug	7,530	179,629	187,159
	Sep	10,655	178,480	189,135
	Oct	12,087	188,162	200,249
	Nov	13,265	186,194	199,459
	Dec	13,328	194,427	207,755
2014	Jan	14,858	192,905	207,763
	Feb	15,596	192,858	208,454
	Mar	16,935	217,572	234,507
	Apr	17,019	216,820	233,839
	May	20,543	218,936	239,479
	Jun	26,649	220,504	247,153
	Jul	11,546	222,388	233,934
	Aug	11,903	222,826	234,729
	Sep	18,074	241,606	259,680
	Oct	22,080	245,888	267,968
	Nov	19,626	225,312	244,938
	Dec	21,154	265,040	286,194
2015	Jan	16,749	232,962	249,711
	Feb	18,762	240,962	259,724
	Mar	24,952	280,360	305,312
	Apr	32,074	254,422	286,496
	May	39,486	247,003	286,489
	Jun	30,402	272,405	302,807
	Jul	15,553	281,594	297,147
	Aug	14,761	259,425	274,186
	Sep	18,836	283,520	302,356

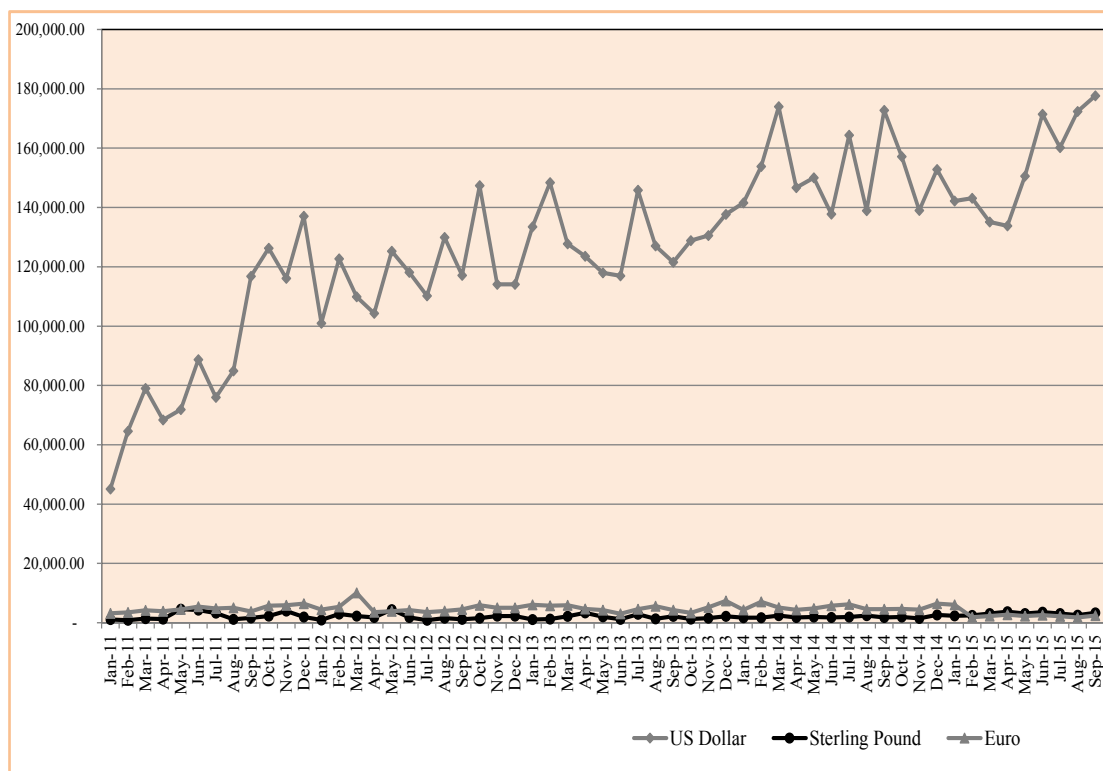
Source: Central Bank of Kenya

CHART 5C: TRENDS IN MT102 AND MT103 THROUGH KEPSS



Source: Central Bank of Kenya

Domestic Foreign Currency Domestic Foreign Currency messages through KEPSS increased by 6.93 percent from 22,061 transaction messages in August 2015 to 23,591 transaction messages in September 2015. Consequently, the corresponding value in Kenya Shillings equivalent moved in this period increased by 3.75 percent from KSh. 176.73 billion to KSh 183.36 billion. The US dollar denominated transactions accounted for 96.87 percent of the value moved (Chart 5D), while the Sterling Pound and the Euro accounted for 1.81 percent and 1.32 percent, respectively.

CHART 5D: DOMESTIC FOREIGN CURRENCY CHEQUE CLEARING KENYA SHILLING EQUIVALENT FLOW THROUGH KEPSS

Source: Central Bank of Kenya

GOVERNMENT BUDGET PERFORMANCE

The Government's budgetary operations during the first Quarter of the FY 2015/16 resulted in a surplus of KSh 28.3 billion (0.5 percent of GDP) on a commitment basis compared with a deficit of KSh 19.2 billion (0.4 percent of GDP) incurred during the same period in the FY 2014/15. This was within the KSh 64.1 billion (1.2 percent of GDP) deficit programmed target for the period. The surplus reflects a slow start in absorption of expenditures which has typically been the trend in the first few months of the fiscal year .

TABLE 6.1: STATEMENT OF CENTRAL GOVERNMENT BUDGETARY OPERATIONS (Ksh Bn)

	FY 2014/15	FY 2015/16		
	Sept Actual	Sept Provisional	Target	Over (+) / below(-) Target
1. TOTAL REVENUE & GRANTS	258.1	282.5	280.6	1.9
Revenue	252.2	277.0	277.2	-0.2
Tax Revenue	226.0	256.6	256.6	0.0
Non Tax Revenue	12.4	4.4	4.4	0.0
Appropriations-in-Aid	13.8	16.0	16.2	-0.2
External Grants	5.8	5.5	3.4	2.1
2. TOTAL EXPENSES & NET LENDING	277.2	254.2	344.7	-90.5
Recurrent Expenses	219.0	181.6	214.9	-33.3
Development Expenses	49.2	41.2	98.4	-57.2
County Transfers	9.1	31.4	31.4	0.0
Others	0.0	0.0	0.0	0.0
3. DEFICIT ON A COMMITMENT BASIS (1-2)	-19.2	28.3	-64.1	92.4
As percent of GDP	-0.4	0.5	-1.2	1.7
4. ADJUSTMENT TO CASH BASIS	0.0	0.0	61.7	-61.7
5. DEFICIT ON A CASH BASIS	-19.2	28.3	-2.4	30.6
As percent of GDP	-0.4	0.5	0.0	0.6
6. DISCREPANCY: Expenditure (+) / Revenue (-)	-25.1	40.7	-11.7	52.4
7. FINANCING	47.4	12.5	-9.3	21.8
Domestic (Net)	-61.1	2.8	-14.4	17.3
External (Net)	108.4	9.3	4.8	4.5
Capital Receipts (domestic loan receipts)	0.1	0.3	0.3	0.0
Others(Euro Bond sale proceeds)	0.0	0.0	0.0	0.0
Financing gap	0.0	0.0	0.0	0.0

Source: National Treasury using the new re-based GDP figures as per 2015 economic survey

Revenue

Total government revenues and grants amounted to KSh 282.5 billion during the first Quarter of the FY 2015/16, representing an increase of KSh 34.4 billion from KSh 248.1 billion mobilized during a similar period in the FY 2014/15 (Table 6.2). Tax revenues accounted for 90.8 percent of the total revenue realized. External Grants surpassed its target by KSh 2.1 billion during the period under review (Table 6.1).

TABLE 6.2: COMPOSITION OF GOVERNMENT REVENUE (Ksh billion)

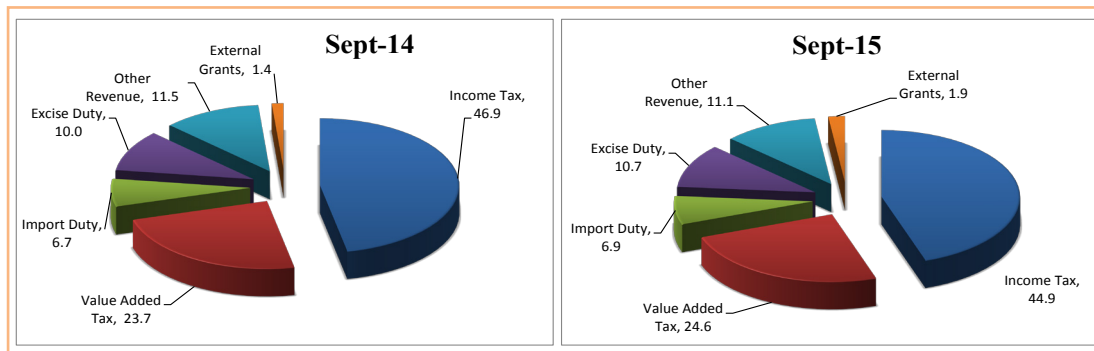
	Sep-14 Ksh bn	Sep-15 Ksh bn	Change
1. Revenue (2+3+4)	244.7	0.0	-244.7
2. Tax Revenue	223.0	0.0	-223.0
Income Tax	116.3	126.8	10.5
Value Added Tax	58.7	69.4	10.7
Import Duty	16.6	19.4	2.8
Excise Duty	24.7	30.1	5.4
Others	6.7	-245.7	-252.4
3. Appropriations-in-Aid	13.9	0.0	-13.9
4. Other Revenue	7.9	0.0	-7.9
5. External Grants	3.4	0.0	-3.4
TOTAL RECEIPTS (1+5)	248.1	0.0	-248.1

Source: National Treasury

Tax revenue grew by KSh 33.6 billion in the first Quarter of the FY 2015/16 to KSh 277.0 billion from KSh 244.7 billion collected in a similar period in the FY 2014/15 (Table 6.2). The income tax component increased by KSh 10.5 billion. Excise duty, Value Added Tax, Other tax revenue, Import duty, external grants and Appropriations in aid

also increased by KSh 5.4 billion, KSh 10.7 billion, KSh 4.2 billion, KSh 2.8 billion, KSh 2.1 billion, and KSh 2.1 billion, respectively. The performance of Government revenue in relation to the previous year is shown on Chart 6A. The main highlights include a 40 basis points decline in the share of other revenue and a 200 basis point decrease in the share of income tax.

CHART 6A: COMPOSITION OF GOVERNMENT RECEIPTS



Source: National Treasury

Expenditure and Net Lending

Government expenditure and net lending declined by KSh 22.5 billion during the first Quarter of the FY 2015/16 to KSh 254.2 from KSh 276.7 billion expended during the same period in the FY 2014/15. Total expenditure during this period comprised KSh 181.6 billion recurrent expenditure, KSh 41.2 billion development expenditure and county transfers of KSh 31.4 billion during the period under review.

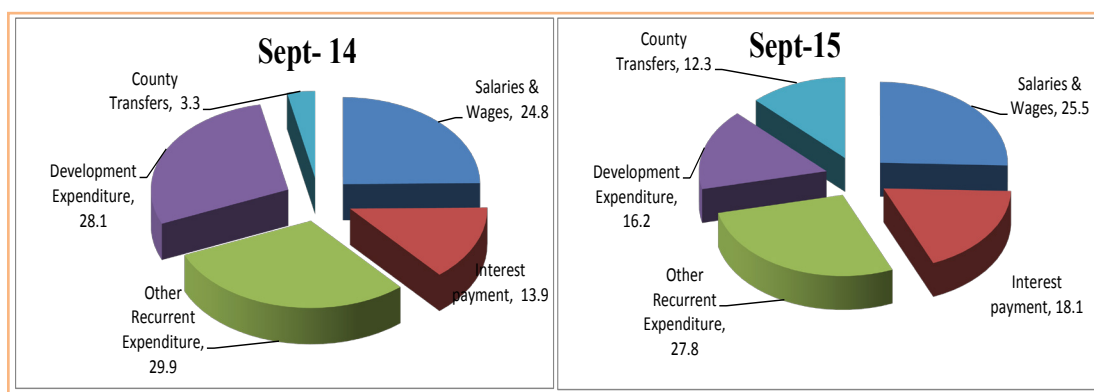
Recurrent expenditure declined by KSh 8.2 billion over a comparable period in the previous fiscal year but was below target by KSh 33.3 billion. In terms of its components, salaries and wage accounted for KSh 3.7 billion of the decline. Development expenditure declined by KSh 36.6 billion but was below the programmed target by KSh 57.2 billion (Table 6.1 and 6.3). A slow absorption of development expenditures has typically been the trend at the start of a new fiscal year.

TABLE 6.3: COMPOSITION OF GOVERNMENT EXPENDITURE (Ksh billion)

	Sep-14 Ksh bn	Sep-15 Ksh bn	Movement
1.Recurrent	189.8	181.6	-8.2
Salaries & Wages	68.6	64.9	-3.7
Total Interest	38.5	46.0	7.5
of which			
Domestic*	34.7	37.4	2.7
Foreign interest due	3.8	8.6	4.8
Others	82.6	70.7	-11.9
2. Development	77.8	41.2	-36.6
3. County Transfers	9.1	31.4	22.3
TOTAL EXPENSES	276.7	254.2	-22.5

*Includes commission and other charges paid to CBK

The performance of Government expenditure in relation to the previous year is indicated in Chart 6B. The main highlights include the 1190 basis points reduction in development expenditure and 70 basis points increase in the share of expenses on salaries and wages.

CHART 6B: COMPOSITION OF GOVERNMENT EXPENDITURE

Source: National Treasury

Financing The financing requirements of Government operations stood at KSh 77.1 billion for the first Quarter of the FY 2015/16. The Government sourced the funds through domestic borrowing of KSh 44.3 billion. The funds were allocated to bridge the Government budgetary deficit of KSh 12.5 billion and repayment of government debt owed to the commercial banks of KSh 35.9 billion. The Government also reduced its deposits by KSh 23.2 billion at the Central Bank (Table 6.4).

TABLE 6.4: GOVERNMENT BORROWING REQUIREMENTS & SOURCES (Ksh billion)

I. FINANCING REQUIREMENTS	Sep-14	Sep-15
1. Budget deficit	34.1	12.5
2. External debt reduction	0.0	0.0
3. Domestic debt reduction	17.6	64.6
3.1 Central Bank (incl. items in transit)	1.6	0.0
3.2 Commercial banks (net of deposits)	10.8	35.9
3.3 Non-bank sources	5.2	28.7
4. Increase in GoK deposits at CBK	43.6	0.0
5. Adjustment to cash basis	0.0	0.0
TOTAL	95.3	77.1
II. FINANCING SOURCES	Sep-14	Sep-15
1. Budget surplus	0.0	0.0
2. External debt increase	95.2	9.3
3. Increase in domestic debt	0.0	44.3
3.1 Central Bank	0.0	44.3
3.2 Commercial banks	0.0	0.0
3.3 Non-bank sources	0.0	0.0
4. Reduction in GoK deposits at CBK	0.0	23.2
5. Privatisation proceeds (Net of Restructuring Costs)	0.0	0.0
7. Domestic Loan Repayments	0.0	0.3
TOTAL	95.2	77.1

Sources: National Treasury and Central Bank of Kenya

Government Borrowing from the Central Bank

The Government debt at the Central Bank rose by KSh 44.0 billion to KSh 107.6 billion during the period under review, compared to KSh 63.6 billion owed in a similar period of the FY 2014/2015. The increase in Government's liability to the Central Bank reflected KSh 35.0 billion maturity of rediscounted securities held by the Bank. In addition, the Government repaid KSh 1.1 billion through the regular amortization of the pre-1997 securitized overdraft. Government borrowing through overdraft facility at the Central Bank rose by KSh 11.5 billion during the period under review and remained within the statutory limit.

TABLE 6.5: GOVERNMENT INDEBTEDNESS TO THE CENTRAL BANK (Ksh billion)

	2014	2015	Movement
	Sept	Sept	
Total Credit	63.6	107.6	44.0
1. Overdraft	34.4	45.9	11.5
2. Rediscounted securities	1.4	35.0	33.6
Treasury bills	1.4	25.5	24.1
Treasury bonds	0.0	9.4	9.4
3. Pre-1997 Government Overdraft at CBK	27.8	26.7	-1.1
4. IMF funds onlent to Government	0.0	0.0	0.0
5. Cleared items in transit	0.0	0.0	0.0
Memorandum			
Authorised overdraft limit	39.1	46.8	7.7
Amount utilised to date	34.4	45.9	11.5
Amount available	4.7	0.9	-3.8

Source: Central Bank of Kenya

**Outlook for
FY 2015/16**

In the budget estimates for the FY 2015/16, ordinary revenue is estimated at KSh 1,358.0 billion (20.8 percent of GDP) while external grants are estimated at KSh 73.4 billion (1.1 percent of GDP). Government expenditure is estimated at KSh 2,000.6 billion (30.7 percent of GDP), of which, KSh 1,013.0 billion (15.5 percent of GDP) will be in recurrent expenses, transfer to the county governments at KSh 264.2 billion, and development expenses at KSh 718.5 billion (Table 6.6).

TABLE 6.6: BUDGET ESTIMATES FOR THE FISCAL YEAR 2014/15 (Ksh Billion)

	Ksh (Bn)	% of GDP
1. TOTAL REVENUE	1358.0	20.8
Ordinary Revenue	1254.9	19.2
Appropriations-in-Aid	103.2	1.6
External Grants	73.4	1.1
2. TOTAL EXPENSES & NET LENDING	2000.6	30.7
Recurrent Expenses	1013.0	15.5
Development Expenses	718.5	11.0
County Transfer	264.2	4.1
Contingency Fund	5.0	0.1
3. DEFICIT ON A COMMITMENT BASIS (1-2)	-642.6	-9.9
4. ADJUSTMENT TO CASH BASIS	0.0	0.0
5. DEFICIT ON A CASH BASIS	-642.6	-9.9
6. DISCREPANCY: Expenditure (+) / Revenue (-)	0.0	0.0
7. FINANCING	569.2	8.7
Domestic (Net)	228.7	3.5
External (Net)	340.5	5.2

Source: National Treasury using the new re-based GDP figures as per 2015 economic survey

The overall budget deficit including grants, on commitment basis, is therefore estimated at KSh 642.6 billion (9.9 percent of GDP) in 2014/15. The deficit is expected to be financed through net external borrowing of KSh 340.5 billion and net domestic borrowing of KSh 228.7 billion.

DEVELOPMENTS IN DOMESTIC DEBT

Domestic Debt

The total stock of domestic debt decreased by KSh 32.5 billion during the first Quarter of the FY 2015/16 to KSh 1,388 billion in September 2015 from KSh 1,420.4 in June 2015. Reflecting this decrease, the share of domestic debt to GDP declined from 26.5 percent in June 2015 to 25.9 percent in September 2015. The domestic debt decline comprised of KSh 52.3 billion decrease in government Treasury Bills, however, this decline was partially offset by KSh 11.2 billion increase in the holdings of Treasury Bonds and KSh 8.6 billion increase in the utilization of the overdraft facility at the Central Bank (Table 7.1).

TABLE 7.1: GOVERNMENT GROSS DOMESTIC DEBT (Ksh billion)

									Change
	Sep-14	%	Jun-15	%	Aug-15	%	Sep-15	%	2015/16
Total Stock of Domestic Debt (A+B)	1,260.9	100.0	1,420.4	100.1	1,403.1	100.0	1,388.0	100.0	(32.5)
A. Government Securities	1,223.7	97.0	1,354.6	95.5	1,328.2	94.7	1,313.5	94.6	(41.1)
1. Treasury Bills (excluding Repo Bills)	276.0	21.9	318.9	22.5	286.4	20.4	266.6	19.2	(52.3)
Banking institutions	162.9	12.9	217.7	15.3	235.3	16.8	160.3	11.6	(57.4)
Others	113.2	9.0	101.2	7.1	51.1	3.6	106.3	7.7	5.1
2. Treasury Bonds	919.9	73.0	1,035.7	73.0	1,041.8	74.2	1,046.9	75.4	11.2
Banking institutions	437.8	34.7	510.3	36.0	512.7	36.5	518.1	37.3	7.8
Pension Funds	259.4	20.6	311.8	22.0	318.8	22.7	312.2	22.5	0.4
Others	222.7	17.7	213.7	15.1	210.3	15.0	216.6	15.6	3.0
4. Frozen account	27.8	2.2	26.7	1.9	26.7	1.9	26.7	1.9	-
Of which: Repo T/Bills	27.7	2.2	26.6	1.9	26.6	1.9	26.6	1.9	-
B. Others:	37.2	3.0	39.1	2.8	48.2	3.4	47.8	3.4	8.6
Of which CBK overdraft to Government	34.4	2.7	36.5	2.6	46.0	3.3	45.9	3.3	9.4

Source: Central Bank of Kenya

Treasury Bills

Treasury bill holdings, excluding those held by the CBK for open market operations (or Repos) decreased by KSh 52.3 billion from KSh 318.9 billion in June 2015 to KSh 266.6 billion in September 2015 (Table 7.1). The proportion of Treasury bills to total domestic debt decreased to 19.2 percent in September 2015 from 22.5 percent in June 2015. The dominant investors were commercial banks (with a share of 59.7 percent) and pension funds (that accounted for 12.4 percent) by September 2015 (Table 7.2).

TABLE 7.2: OUTSTANDING TREASURY BILLS BY HOLDER (Ksh billion)

Holders	Jun-14		Jun-15		Jul-15		Aug-15		Sep-15		Change
		%		%		%		%		%	Jun 15 - Sep 15
Banking Institutions	176.5	58.9	217.7	68.3	203.8	68.2	181.8	63.5	159.3	59.7	-58.5
Central Bank	0.0	0.0	0.0	0.0	34.5	11.6	33.2	11.6	25.5	9.6	25.5
Comm. Banks	176.4	58.9	217.7	68.3	169.3	56.6	148.5	51.9	133.7	50.2	-84.0
Insurance Companies	19.9	6.6	20.8	6.5	20.6	6.9	16.5	5.8	13.5	5.1	-7.3
Parastatals	4.2	1.4	15.0	4.7	16.3	5.4	24.0	8.4	28.1	10.5	13.1
Pension Funds	67.8	22.6	40.9	12.8	39.9	13.4	37.6	13.1	33.2	12.4	-7.8
Others	31.1	10.4	24.4	7.7	18.2	6.1	26.6	9.3	32.6	12.2	8.1
Total	299.4	100.0	318.9	100.0	298.9	100.0	286.4	100.0	266.6	100.0	-52.3

Source: Central Bank of Kenya

Treasury Bonds

Outstanding Treasury bonds increased by KSh 11.2 billion, from KSh 1,035.7 billion in June 2015 to KSh 1,046.9 billion in September 2015, and Treasury bond's share in domestic debt increased from 73 percent in June 2015 to 75.4 percent by September 2015 (Table 7.1). The holding of Treasury bonds by dominant investors comprised KSh 508.6 billion, KSh 312.2 billion and KSh 107.6 billion absorbed by commercial banks, pension funds and insurance companies, respectively. The proportion of holdings by pension funds parastatals and The Central Bank increased from 29.7 percent, 3.2 percent and nil to 29.8 percent, 3.6 percent and 0.9 percent, respectively. Meanwhile, commercial banks and other holders' shares declined from 49.3 percent and 7.5 percent to 48.6 percent and 6.8 percent, respectively, during the period under review. (Table 7.3).

TABLE 7.3: OUTSTANDING TREASURY BONDS BY HOLDER (Ksh billion)

Holders	Jun-14		Sep-14		Jun-15		Aug-15		Sep-15		Change
		%		%		%		%		%	Jun 15 - Sep 15
Banking Institutions	436.4	47.7	437.8	47.6	510.3	49.3	517.6	49.7	518.1	49.5	7.8
Central Bank	0.0	0.0	0.0	0.0	0.0	0.0	9.2	0.9	9.4	0.9	9.4
Comm. Banks	436.3	47.7	437.7	47.6	510.2	49.3	508.3	48.8	508.6	48.6	-1.6
Insurance Companies	101.2	11.1	101.7	11.1	107.0	10.3	107.0	10.3	107.6	10.3	0.5
Parastatals	34.4	3.8	32.9	3.6	33.6	3.2	36.9	3.5	37.9	3.6	4.2
Of which: NSSF	16.2	1.8	14.9	1.6	13.6	1.3	13.6	1.3	13.6	1.3	0.0
Building Societies	0.5	0.1	0.5	0.1	0.1	0.0	0.1	0.0	0.1	0.0	0.0
Pension Funds	247.5	27.1	259.4	28.2	307.1	29.7	315.7	30.3	312.2	29.8	5.1
Others	94.9	10.4	87.5	9.5	77.5	7.5	64.5	6.2	71.0	6.8	-6.5
Total	914.8	100.0	919.9	100.0	1035.7	100.0	1041.8	100.0	1046.9	100.0	11.2

Source: Central Bank of Kenya

Domestic Debt Maturity structure Total domestic debt as at September 2015 amounted to KSh 1,388 billion. Government securities worth KSh 70.3 billion matured in September 2015, comprising KSh 6.8 billion, KSh 18 billion and KSh 26.4 billion in 91-day, 182-day and 364-day Treasury bills, respectively. Treasury bonds falling due in September 2015 amounted to KSh 26.4 billion.

The average length of maturity of existing domestic debt remained constant at 5 years and 2 months in September 2015 which was similar to average time to maturity reported in June 2015.

Public Debt Service Cumulative interest and other charges on domestic debt for the first three months of the FY 2015/16 amounted to KSh 37.4 billion (or 0.1 percent GDP) compared with KSh 34.7 (or 0.1 percent GDP) billion during a similar period of the FY 2014/15. The expenditure in the current period comprised interest and other charges on Treasury bills and Treasury bonds amounting to KSh 9.6 billion and KSh 26.5 billion, respectively. In addition, collective interest on regular government overdraft and the Pre-1997 overdraft amounted to KSh 1.3 billion. Total external debt service for the first Quarter of the FY 2015/16 amounted to KSh 10.6 billion (or 0.1 percent GDP), comprising KSh 5.9 billion in principal repayments and KSh 4.7 billion in interest payments.

TABLE 7.4: DOMESTIC DEBT MATURITY STRUCTURE (Ksh billion)

		2014												Change Jun 15 to Sep 15
		Jun-14	%	Sep	%	Jun-15	%	Jul-15	%	Aug-15	%	Sep-15	%	
Treasury bills	91-Day	54.7	4.3	32.7	2.6	18.6	1.3	19.9	1.4	22.5	1.6	33.0	2.4	14.4
	182-Day	88.9	6.9	65.2	5.2	75.3	5.3	65.7	4.6	53.8	3.8	41.8	3.0	-33.5
	364-Day	155.8	12.1	157.6	12.5	225.1	15.8	213.2	15.0	210.2	15.0	191.8	13.8	-33.3
Treasury Bonds	1-Year	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	24.3	1.7	24.3
	2-Year	166.7	13.0	158.2	12.5	143.4	10.1	143.4	10.1	137.1	9.8	137.1	9.9	-6.4
	3-Year	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	4-Year	29.9	2.3	29.9	2.4	21.4	1.5	21.4	1.5	21.4	1.5	2.3	0.2	-19.1
	5-Year	175.3	13.6	175.5	13.9	177.4	12.5	189.8	13.4	189.8	13.5	189.8	13.7	12.5
	6-Year	40.7	3.2	40.7	3.2	40.7	2.9	40.7	2.9	40.7	2.9	40.7	2.9	0.0
	7-Year	17.0	1.3	8.7	0.7	8.7	0.6	8.7	0.6	8.7	0.6	8.7	0.6	0.0
	8-Year	40.9	3.2	40.9	3.2	38.2	2.7	38.2	2.7	38.2	2.7	38.2	2.8	0.0
	9-Year	18.2	1.4	18.2	1.4	15.1	1.1	15.1	1.1	15.1	1.1	15.1	1.1	0.0
	10-Year	131.1	10.2	146.7	11.6	163.9	11.5	163.9	11.6	163.9	11.7	163.9	11.8	0.0
	11-Year	4.0	0.3	4.0	0.3	4.0	0.3	4.0	0.3	4.0	0.3	4.0	0.3	0.0
	12-Year	45.4	3.5	45.4	3.6	132.1	9.3	132.1	9.3	132.1	9.4	132.1	9.5	0.0
	15-Year	142.9	11.1	142.9	11.3	168.2	11.8	168.2	11.9	168.2	12.0	168.2	12.1	0.0
	20-Year	60.5	4.7	60.5	4.8	74.3	5.2	74.3	5.2	74.3	5.3	74.3	5.4	0.0
	25-Year	20.2	1.6	20.2	1.6	20.2	1.4	20.2	1.4	20.2	1.4	20.2	1.5	0.0
	30-Year	22.1	1.7	28.1	2.2	28.1	2.0	28.1	2.0	28.1	2.0	28.1	2.0	0.0
	Repo T bills	28.3	2.2	27.7	2.2	26.6	1.9	26.6	1.9	26.6	1.9	26.6	1.9	0.0
	Overdraft	39.1	3.0	34.4	2.7	36.5	2.6	41.7	2.9	46.1	3.3	45.9	3.3	9.4
	Other Domestic debt	2.8	0.2	23.4	1.9	2.7	0.2	3.2	0.2	2.2	0.2	1.9	0.1	-0.8
Total Debt		1,284.3	100.0	1,260.9	100.0	1,420.4	100.0	1,418.6	100.0	1,403.1	100.0	1,388.0	100.0	-32.5

Source: Central Bank of Kenya

Outlook for FY 2015/16 Total public and publicly guaranteed external debt is estimated at KSh 1,430 billion (21.9 percent of GDP), of which gross and net domestic debt amount to KSh1, 611.4 billion (24.7 percent of GDP) and KSh 1,417.9 billion (21.7 percent of GDP), respectively.

ACTIVITY IN THE STOCK MARKET

Equity Market Segment

The NSE 20 share index shed 3 basis points while NASI added 4 basis points in September 2015. Equities turnover declined by 30.86 percent on account of 40.86 percent fall in number of shares traded. Market capitalization however, rose by KSh 58.64 billion due to improved share prices (Table 8.1).

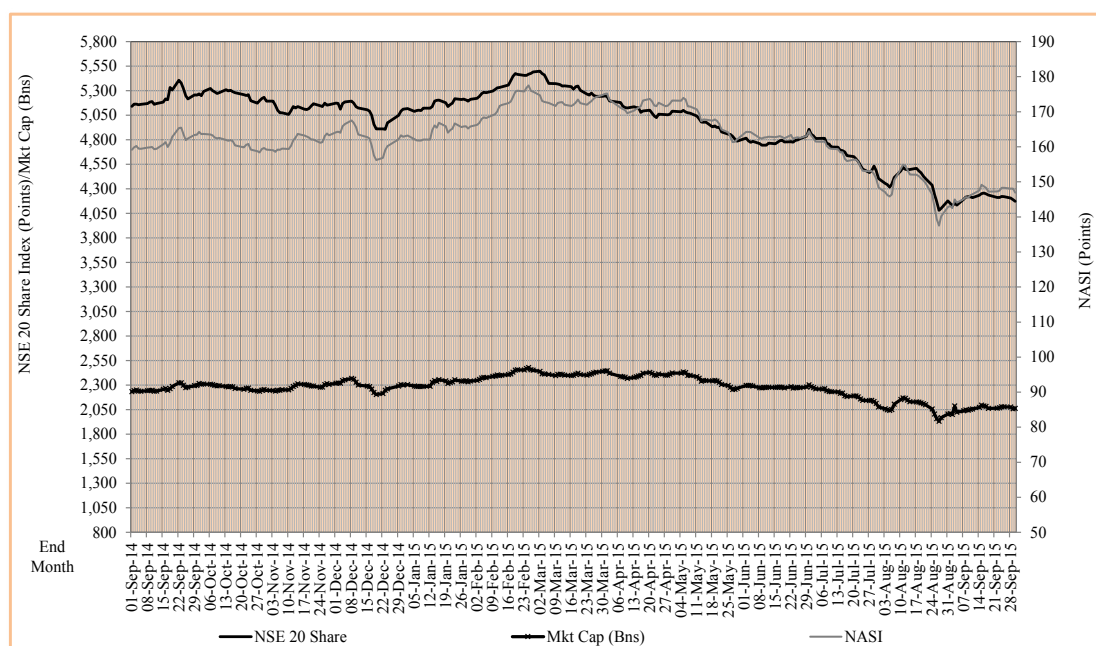
TABLE 8.1: SELECTED STOCK MARKET INDICATORS

Period (Month)	NSE 20 Share Index (1966=100)	NASI (2008=100)	Number of Shares Traded (Millions)	Equities Turnover (Ksh Millions)	Market Capitalization (Ksh Billions)	Bond Turnover (Ksh Millions)	FP to Equity Turnover	FS to Equity Turnover	Overall net FP to Equity Turnover
Jan-13	4,416.60	103.50	518.71	8,464.46	1,387.81	20,999.59	59.06%	33.86%	46.46%
Feb-13	4,518.59	106.91	692.28	14,693.27	1,451.01	20,240.18	42.73%	69.45%	56.09%
Mar-13	4,860.83	117.91	571.29	11,182.65	1,599.80	25,690.98	55.92%	39.74%	47.83%
Apr-13	4,765.23	118.07	596.83	9,856.50	1,601.93	35,190.25	56.75%	26.73%	42.67%
May-13	5,006.96	126.80	867.77	16,070.53	1,720.43	73,523.70	53.22%	31.60%	42.41%
Jun-13	4,598.16	116.31	727.78	13,021.29	1,618.27	85,904.11	66.13%	46.15%	56.14%
Jul-13	4,787.56	122.86	615.90	11,205.17	1,727.83	34,170.82	65.88%	51.38%	58.63%
Aug-13	4,697.75	119.96	670.38	20,797.41	1,681.66	24,520.25	75.75%	28.44%	52.10%
Sep-13	4,793.20	127.35	488.79	10,062.50	1,790.85	29,304.17	65.89%	45.39%	55.64%
Oct-13	4,992.88	133.24	804.51	15,937.19	1,873.66	51,674.82	64.28%	47.19%	55.73%
Nov-13	5,100.88	141.17	645.20	13,128.66	1,975.00	27,310.57	48.21%	41.47%	44.84%
Dec-13	4,926.97	136.65	466.25	11,329.23	1,920.72	23,695.80	54.95%	61.04%	57.99%
Jan-14	4,856.15	134.66	638.48	15,970.23	1,898.00	42,549.39	48.28%	53.77%	51.03%
Feb-14	4,933.41	141.05	545.32	14,742.87	1,960.55	27,671.60	47.52%	57.72%	52.62%
Mar-14	4,945.78	143.89	544.06	13,042.51	2,003.52	32,371.60	50.55%	53.61%	52.08%
Apr-14	4,948.97	151.13	728.00	15,750.00	2,106.08	58,572.78	62.32%	53.37%	57.84%
May-14	4,881.56	150.20	854.00	23,022.00	2,092.00	38,379.11	48.90%	60.10%	54.50%
Jun-14	4,885.00	150.00	731.00	18,190.00	2,107.00	28,541.83	63.40%	49.18%	56.29%
Jul-14	4,906.09	151.69	625.20	15,043.00	2,125.31	49,467.93	56.19%	55.25%	55.72%
Aug-14	5,139.39	157.94	628.64	15,512.78	2,216.57	55,003.41	55.06%	34.08%	44.57%
Sep-14	5,256.00	163.00	767.18	19,241.28	2,293.49	41,859.78	43.71%	48.13%	45.92%
Oct-14	5,194.89	159.23	506.05	19,286.82	2,246.61	38,080.27	50.82%	57.08%	53.95%
Nov-14	5,156.00	163.00	665.97	14,341.06	2,303.15	50,483.94	65.37%	47.69%	56.53%
Dec-14	5,113.00	170.00	899.75	31,583.30	2,316.32	43,068.58	33.99%	30.76%	32.37%
Jan-15	5,212.00	166.00	414.28	9,714.78	2,350.33	38,369.93	45.30%	48.11%	46.71%
Feb-15	5,491.00	176.00	593.24	16,109.49	2,460.83	45,145.38	44.55%	43.30%	43.92%
Mar-15	5,346.00	174.00	614.20	20,516.57	2,452.47	45,854.64	45.66%	60.70%	53.18%
Apr-15	5,091.00	173.00	487.84	14,641.57	2,430.26	25,378.31	55.83%	56.29%	56.06%
May-15	4,788.00	162.00	683.76	21,331.42	2,341.00	22,342.01	57.94%	67.46%	62.70%
Jun-15	4,906.00	164.00	680.71	24,250.87	2,302.00	12,176.84	72.82%	74.66%	73.74%
Jul-15	4,405.00	148.00	714.88	21,554.17	2,080.00	12,399.58	67.51%	72.74%	70.13%
Aug-15	4,177.00	143.00	733.76	20,792.29	2,006.00	18,419.00	82.47%	76.78%	79.63%
Sep-15	4,173.00	147.00	433.96	14,375.44	2,063.64	13,693.38	84.56%	39.35%	61.95%

Source: Nairobi Securities Exchange

Foreign investor purchases were 84.56 percent against 39.35 percent foreign sales to total equity turnover in September 2015, reflecting a net inflow. Overall, foreign investors accounted for 61.95 percent of total equity turnover (Table 8.1).

The market appears to have recovered from its lowest level in mid-August 2015 as reflected in three leading indicators. The NSE 20 Share Index, NASI and Market Capitalization improved in September 2015 (Chart 8A).

CHART 8A: NSE 20 SHARE INDEX, NASI AND MARKET CAPITALIZATION

Source: Nairobi Securities Exchange

Most Active Sectors & FTSE NSE Kenya Index Series

Telecommunication and Technology, Banking and Energy and the Commercial and Services sectors dominated trading, accounting for 48.71 percent, 23.65 percent and 6.8 percent of all shares traded respectively, during the month ending September 30, 2015.

The FTSE NSE Kenya 15 Index, which measures performance of 15 largest stocks by market capitalization at the NSE, rose from 183.66 points in August 2015 to 195.09 points in September 2015, while FTSE NSE Kenya 25 Index, which measures performance of 25 most liquid stocks, closed higher at 194.81 points from 183.15 points. The FTSE NSE Kenyan Government Bond Index declined marginally to 90.41 points from 91.30 points, reflecting marginal increase in secondary market yields.

Bond Market Bonds turnover declined by 25.66 percent in September 2015 to KSh 13,693.38 million from KSh 18,419.00 million in August 2015. Corresponding deals declined from 321 to 307 during the period. The IFB1/2015/012 dominated trading, accounting for 52.98 percent of total bonds traded, with yields ranging from 11.1 percent to 14.8 percent, against a coupon rate of 11 percent. The Corporate bonds segment traded KSh 431.11 million, equivalent to 3.15 percent of total bond turnover.

STATEMENT OF FINANCIAL POSITION OF THE CENTRAL BANK OF KENYA (KENYA SHILLINGS MILLION)

1.0 ASSETS	SEP 2015	JUNE 2015	INCREASE/ (DECREASE)	SEP 2014
1.1 BALANCES DUE FROM BANKING INSTITUTIONS AND GOLD HOLDINGS	678,711	704,874	(26,163)	691,474
1.2 FUNDS HELD WITH IMF	4,670	4,385	285	3,334
1.3 ITEMS IN THE COURSE OF COLLECTION	47	82	(35)	21
1.4 ADVANCES TO COMMERCIAL BANKS	37,123	75	37,048	1,393
1.5 LOANS AND OTHER ADVANCES	2,695	2,479	216	37,259
1.6 OTHER ASSETS	4,303	4,299	4	2,954
1.7 RETIREMENT BENEFIT ASSET	4,668	4,668	(0)	7,659
1.8 PROPERTY AND EQUIPMENT	21,167	20,746	421	13,612
1.81 INTANGIBLE ASSETS	256	495	(239)	546
1.9 DUE FROM GOVERNMENT OF KENYA	72,726	63,163	9,563	27,779
TOTAL ASSETS	826,366	805,265	21,101	786,030
2.0 LIABILITIES				
2.1 CURRENCY IN CIRCULATION	221,990	222,178	(188)	200,785
2.2 INVESTMENTS BY BANKS	-	-	-	27,007
2.3 DEPOSITS	317,843	331,314	(13,471)	326,139
2.4 INTERNATIONAL MONETARY FUND	134,215	125,775	8,440	127,358
2.5 OTHER LIABILITIES	2,911	4,373	(1,462)	32,108
TOTAL LIABILITIES	676,959	683,640	(6,681)	713,396
3.0 EQUITY AND RESERVES	149,407	121,625	27,782	72,634
Share Capital	5,000	5,000	-	5,000
General reserve fund -Unrealized	78,592	78,592	0	51,432
General reserve fund -Realized	11,130	11,130	-	-
General reserve fund -Capital Projects	7,445	7,445	0	-
Period surplus	27,782	-	27,782	2,208
Asset Revaluation	14,790	14,790	-	8,853
Retirement Benefit Asset Reserves	4,668	4,668	-	5,141
4.0 TOTAL LIABILITIES AND EQUITY	826,366	805,265	21,101	786,030

Source: Central Bank of Kenya

NOTES ON THE FINANCIAL POSITION

Total assets increased by 2.6 percent (or KSh 21.1 billion) in the year to September 2015 largely on account of advances to commercial banks.

Assets Balances due from Banking institutions and Gold holdings category comprise of foreign reserves held in external current accounts, deposits and special/projects accounts, domestic foreign currency clearing accounts, gold, special drawing rights and RAMP securities invested with the World Bank. These balances declined by KSh 26,163 million to KSh 678,711 million in September 2015 from KSh 704,874 billion in June 2015.

Items in course of collection represent the value of clearing instruments which are held by the Central Bank of Kenya, while awaiting clearing by respective commercial banks. The balances as at September 2015 were KSh 47 million compared to KSh 82 million outstanding as at June 2015.

Advances to commercial banks are balances of money advanced by the Central Bank of Kenya to commercial banks in the management of interbank liquidity. The balance outstanding increased to KSh 37,123 million in September 2015 from KSh 75 million in June 2015.

Loans and other advances include outstanding balances on advances to commercial banks under the Overnight Loan Facility (OLF), and IMF funds on-lent to Government. The outstanding balance increased to KSh 2,695 million in September 2015 from KSh 2,479 million in June 2015.

Other Assets largely consist of prepayments and sundry debtors, and deferred currency expense. These assets increased by KSh 4 million to KSh 4,303 million in September 2015 from KSh 4,299 million in June 2015.

Debt due from Government of Kenya category has been revised to include Government utilization of the overdraft facility at the Central bank as well as the overdrawn accounts which were converted to a long term debt with effect from 1 September 1997 after an amendment to the Central Bank of Kenya Act to limit lending to Government to 5 percent of Government's audited revenue. Initially, the overdraft to the government was classified under 'Loans and advances'. The overall debt increased to KSh 72,726 million in September 2015 from KSh 63,163 million in June 2015. As at September 2015, the overdraft was KSh 45,923.9million and within the statutory limit of KSh 46,812.8 million.

Liabilities Currency in circulation reduced by KSh 188 million to KSh 221,990 million in September 2015 from KSh 222,178 million in June 2015.

Deposits represents deposits held by Government of Kenya, local commercial banks deposit, other public entities and project accounts and local banks' forex settlement accounts. The balances declined by KSh 13,471 million to KSh 317,843 million in September 2015 from KSh 331,314 million in June 2015.

Amount due to International Monetary Fund represents the Bank's obligations to the IMF. The balances increased by KSh 8,440 million to KSh 134,215 in September 2015 from KSh 125,775 million in June 2015.

Other liabilities include net impersonal accounts, sundry creditors, foreign exchange bureaus deposits and suspense accounts. The balance declined by KSh 1,462 million to KSh 2,911 million in September 2015 from KSh 4,373 million in June 2015.

Equity and reserves increased by KSh 27,782 million, to KSh 149,407 million in September 2015 from KSh 121,625 million in June 2015 reflecting increase in period surplus of KSh 27,782 million.