



## MONTHLY ECONOMIC REVIEW

APRIL 2015

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

<http://www.centralbank.go.ke>

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## OVERVIEW

**Introduction** This Monthly Economic Review highlights recent economic developments through April 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 increased from 6.3 percent in March 2015 to 7.1 percent in April 2015. This largely reflects increased food and non-food non-fuel inflation. Food inflation rose by 222 basis points to 12.5 percent in April 2015 while non-food non-fuel inflation rose by 37 basis points to 3.5 percent. Fuel inflation eased 134 basis to 1.5 percent. Annual average inflation rose marginally to 6.7 percent in April 2015 from 6.6 percent recorded in March 2015.

**Money Supply** Annual growth in broad money, M3, at 16.6 percent in April 2015 remained unchanged from April 2014 and was above April 2015 target of 14.8 percent. The increase in money supply was attributed to growth in credit to the private sector and accumulation of Net Foreign Assets (NFA).

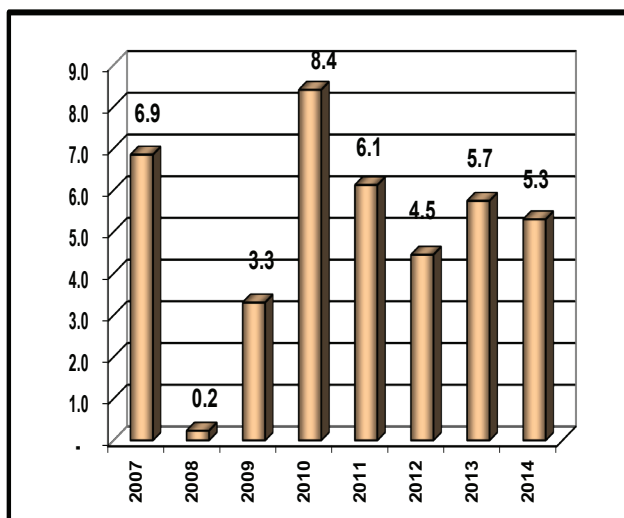
**Interest Rates** The Monetary Policy Committee maintained the Central Bank Rate (CBR) at 8.50 percent on March 26, 2015, in order to continue anchoring inflationary expectations. The weighted average interbank rate increased to 8.77 percent in April 2015 from 6.85 percent in March 2015.

**Real GDP Growth** The economy grew by 5.3 percent in 2014 compared with growth of 5.7 percent registered in 2013. Quarterly growth estimates indicate that the economy, which slowed in the last half of 2013 gained some momentum particularly after the first quarter of 2014. The economy grew by 4.8 percent in the first quarter, 6.1 percent in the second quarter, 5.4 percent in the third quarter and 5.1 percent in the fourth quarter of 2014 compared with growth of 6.0 percent, 7.0 percent, 6.8 percent and 3.0 percent in comparable quarters of 2013. Growth in 2014 was largely supported by improved performance in construction; transport and storage; education; financial and insurance activities; real estate; and information and communication.

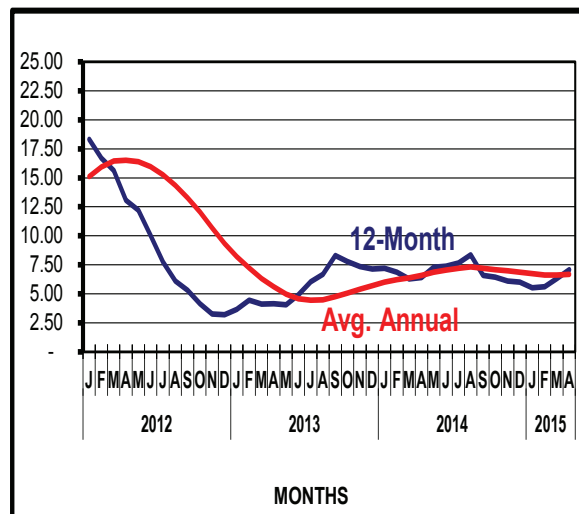
<b>Balance of Payments</b>	Kenya's overall balance of payments surplus improved by USD 17.1 million, to USD 789 million in the 12 months to April 2015 from a surplus of USD 772 million in the year to April 2014 following improvement in the capital and financial account surplus.
<b>Exchange Rates</b>	The Kenya shilling weakened against major international currencies and displayed mixed performance against EAC currencies during the month of April 2015. The performance of the Kenya Shilling during the review period reflects strengthening of the US Dollar against major world currencies anchored on positive sentiment on economic recovery, and high dollar demand on the domestic market.
<b>Banking Sector Developments</b>	As at April 30, 2015, the Kenyan banking sector comprised 43 commercial banks, 1 mortgage finance company, 11 microfinance banks, 8 representative offices of foreign banks, 86 foreign exchange bureaus, 14 money remittance providers and 2 credit reference bureaus.
<b>Government Budgetary Performance</b>	The Government's budgetary operations during the ten months of the FY 2014/15 resulted in a deficit of Ksh 375.5 billion (7 percent of GDP) on both commitment and cash basis compared with a deficit of Ksh 175.4 billion (3.3 percent of GDP) incurred in the same period of the FY 2013/14.
<b>Public Debt</b>	Kenya's public and publicly guaranteed debt rose by 372.1 billion to close at Ksh 2,742.3 billion (51.2 Percent of GDP) in April 2015 from Ksh 2,370.2 billion (44.2 percent of GDP) in June 2014.
<b>Stock Market</b>	Capital markets recorded weak performance in April 2015, with both the bonds and equity segment declining. The net foreign investor interest at the NSE improved, with more sales than purchases.

## SELECTED ECONOMIC PERFORMANCE INDICATORS

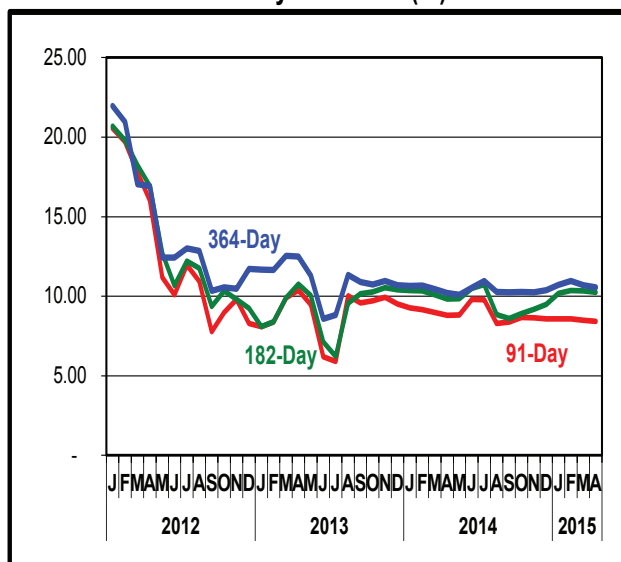
Real GDP Growth (%)



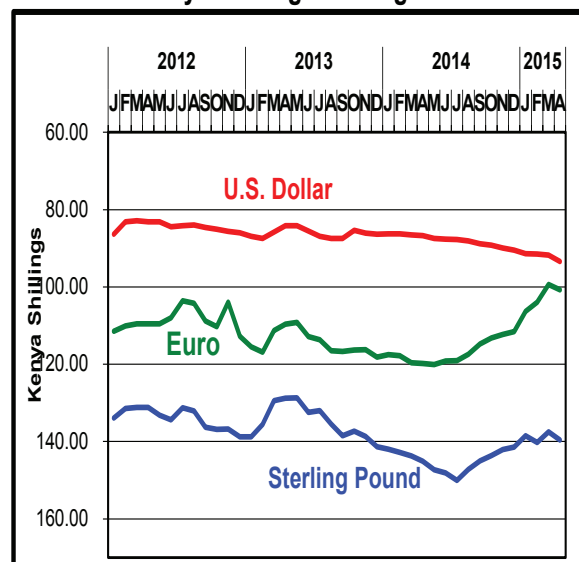
Inflation (%)



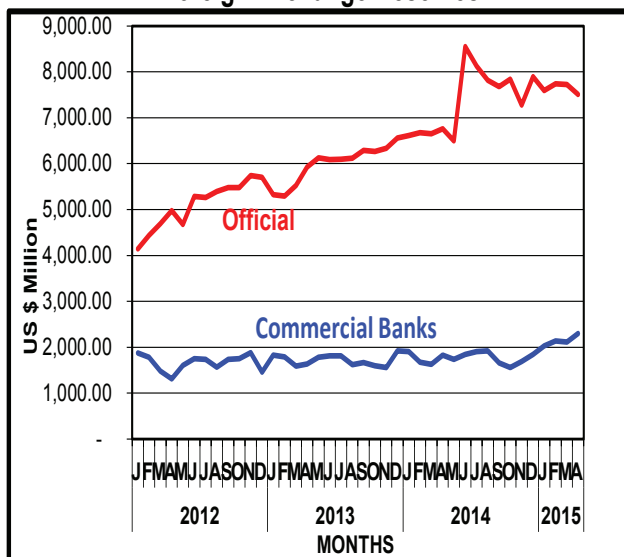
Treasury Bill Rates (%)



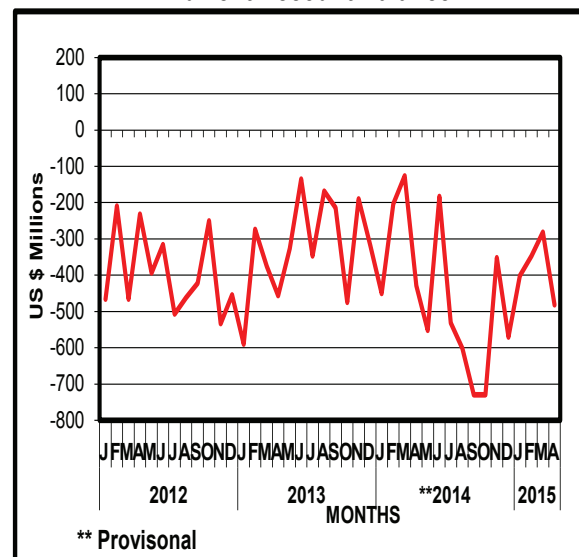
Kenya Shilling Exchange Rate



Foreign Exchange Reserves



Current Account Balance



# SELECTED ANNUAL ECONOMIC INDICATORS

	2006	2007	2008	2009	2010	2011	2012	2013	2014*
<b>1. POPULATION*</b>									
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
<b>2. NATIONAL ACCOUNTS**</b>									
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
<b>3. GROSS NATIONAL SAVINGS (% of GDP at mkt prices)<sup>3</sup></b>	<b>16.1</b>	<b>16.7</b>	<b>15.4</b>	<b>14.6</b>	<b>14.1</b>	<b>14.6</b>	<b>12.6</b>	<b>10.1</b>	<b>11.0</b>
<b>4. GROSS DOMESTIC SAVINGS (% of GDP at mkt prices)<sup>3</sup></b>	<b>9.1</b>	<b>10.1</b>	<b>8.9</b>	<b>8.4</b>	<b>8.3</b>	<b>7.2</b>	<b>7.0</b>	<b>4.4</b>	<b>4.8</b>
<b>5. GROSS DOMESTIC INVESTMENTS (% of GDP at mkt prices)</b>	<b>18.6</b>	<b>20.5</b>	<b>19.6</b>	<b>19.3</b>	<b>20.8</b>	<b>21.7</b>	<b>21.5</b>	<b>20.1</b>	<b>21.4</b>
<b>6. OVERALL INFLATION BASE PERIOD= FEB 2009</b>									
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
<b>7. STOCK MARKET</b>									
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
<b>8. GOVERNMENT BUDGET (Ksh bn) ***</b>									
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)
<b>9. MONEY AND CREDIT (Ksh bn)(end period)</b>									
Liquidity (L) <sup>1</sup>	834.16	992.42	1,091.93	1,280.44	1,558.16	1,854.93	2,129.49	2,527.00	
Money Supply (M3) <sup>2</sup>	666.84	797.54	901.05	1,045.66	1,271.64	1,514.15	1,727.32	2,000.02	
Reserve Money	124.16	155.62	163.59	181.96	222.63	255.01	293.62	320.76	
<b>Total Domestic Credit</b>	<b>575.76</b>	<b>668.90</b>	<b>815.52</b>	<b>955.82</b>	<b>1,188.40</b>	<b>1,505.13</b>	<b>3,036.21</b>	<b>1,982.30</b>	
Government	137.81	137.40	155.32	205.07	277.78	311.58	368.83	397.16	
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	
<b>10. BALANCE OF PAYMENTS (US\$ m)</b>									
<b>Overall Balance</b>	<b>675.18</b>	<b>854.26</b>	<b>(468.84)</b>	<b>780.53</b>	<b>163.40</b>	<b>(42.88)</b>	<b>1,261.00</b>	<b>684.72</b>	<b>1,378.34</b>
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)
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
<b>11. FOREIGN EXCHANGE RESERVES (US\$ m) End Period</b>	<b>3,331.30</b>	<b>4,556.97</b>	<b>4,640.78</b>	<b>5,064.03</b>	<b>5,122.52</b>	<b>6,044.78</b>	<b>7,159.86</b>	<b>8,483.20</b>	<b>9,737.55</b>
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
<b>12. PUBLIC DEBT (US\$ bn) End Period***</b>	<b>10.68</b>	<b>12.04</b>	<b>13.46</b>	<b>13.66</b>	<b>14.96</b>	<b>16.60</b>	<b>19.27</b>	<b>27.52</b>	<b>26.96</b>
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
<b>13. EXCHANGE RATE (Ksh/US\$) (Annual Average)</b>	<b>72.10</b>	<b>67.32</b>	<b>69.18</b>	<b>77.35</b>	<b>79.26</b>	<b>88.87</b>	<b>84.52</b>	<b>86.13</b>	<b>87.92</b>

\* Provisional.

\*\* Rebased data

\*\*\* Fiscal year to June 30th.

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

<sup>1</sup> Previously M3XT

<sup>2</sup> Previously M3X

<sup>3</sup> Revised

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

# SELECTED MONTHLY ECONOMIC INDICATORS

INDICATOR	2014									2015			
	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	April
<b>1. INFLATION (%)</b>													
CPI	148.20	149.70	149.91	150.60	152.02	152.24	151.92	151.85	152.51	153.43	154.14	155.86	158.70
Overall Inflation													
12-month overall inflation	6.41	7.30	7.39	7.67	8.36	6.60	6.43	6.09	6.02	5.53	5.61	6.31	7.08
Average annual overall inflation	6.58	6.85	7.05	7.19	7.33	7.19	7.08	6.97	6.88	6.74	6.63	6.63	6.69
<b>2. INTEREST RATES (%)</b>													
91-day Treasury bill interest rate	8.80	8.82	9.81	9.78	8.29	8.38	8.67	8.64	8.58	8.59	8.59	8.49	8.42
Overdraft interest rate	16.40	17.85	15.88	17.12	16.20	15.79	15.77	15.66	15.86	15.95	15.67	15.68	15.52
<b>3. STOCK MARKET</b>													
Nairobi Stock Exchange 20 Share Price Index	4,948.97	4,881.56	4,885.04	4,906.09	5,139.39	5,256.00	5,194.89	5,156.00	5,112.65	5,212.00	5,491.00	5,248.16	5,091.00
Turnover Ratio (%)	0.67	1.06	0.90	0.77	0.77	0.93	0.61	0.80	1.07	0.50	0.72	0.74	0.59
<b>4. GOVERNMENT BUDGET* (Ksh bn.)</b>													
Revenue \$ Grants	795.75	880.77	1,001.37	69.58	142.36	248.08	335.24	410.52	524.99	614.43	690.52	779.30	888.78
Expenses	971.11	1,114.34	1,297.76	48.60	141.07	276.61	373.51	490.10	613.96	765.22	864.18	1,133.10	1,264.32
Budget Deficit (-) / Surplus (+)	(175.36)	(233.57)	(296.39)	20.97	1.29	(28.52)	(38.27)	(79.58)	(88.98)	(150.79)	(173.66)	(353.80)	(375.55)
<b>5. MONEY AND CREDIT (Ksh bn.)</b>													
Liquidity (L) <sup>1</sup>	2,650.16	2,701.27	2,718.34	2,812.44	2,880.19	3,020.09	3,037.95	3,102.53	3,124.10	3,162.64	3,222.47	3,251.27	3,308.77
Money Supply (M3) <sup>2</sup>	2,100.61	2,147.48	2,152.13	2,190.08	2,253.32	2,251.76	2,260.02	2,295.15	2,329.98	2,350.80	2,407.83	2,398.76	2,448.76
Reserve Money	315.27	315.34	323.73	304.65	357.05	322.76	348.60	346.20	380.04	350.15	387.73	346.28	353.10
Total Domestic Credit	2,127.93	2,177.36	2,042.87	2,130.25	2,187.85	2,110.42	2,117.77	2,162.29	2,137.14	2,153.94	2,225.74	2,227.66	2,250.42
Government	441.96	465.19	283.06	346.88	372.79	251.07	239.96	256.64	204.27	206.97	266.23	253.13	235.84
Private sector and other public sector	1,685.97	1,712.17	1,759.82	1,783.37	1,815.06	1,859.35	1,877.81	1,905.65	1,932.86	1,946.96	1,959.51	1,974.53	2,014.59
<b>6. MONEY AND CREDIT (Annual % Change)</b>													
Liquidity (L) <sup>1</sup>	18.32	18.84	19.32	19.11	22.99	25.53	25.08	25.10	23.81	23.61	25.87	25.41	24.85
Money Supply (M3) <sup>2</sup>	16.55	17.77	18.19	19.30	21.80	19.41	18.94	17.48	16.72	16.00	18.58	16.43	16.57
Reserve Money	17.71	11.88	12.63	7.28	15.25	11.16	13.46	9.29	18.48	15.82	22.90	11.77	12.00
Total Domestic Credit	16.66	22.44	14.58	20.05	21.06	12.54	12.09	9.92	8.02	7.12	8.18	6.19	5.76
Government	(3.53)	18.42	(25.41)	0.07	10.91	(34.37)	(34.91)	(37.21)	(48.57)	(49.92)	(39.33)	(43.73)	(46.64)
Private and other public sector	23.43	23.58	25.39	24.90	23.37	24.56	23.49	22.28	22.23	21.88	21.05	19.81	19.49
<b>7. BALANCE OF PAYMENTS (US\$ m)</b>													
Overall Balance	110.54	(261.11)	2,056.50	(419.32)	(313.45)	(137.65)	168.11	(559.44)	626.49	(294.47)	150.95	(13.26)	(213.88)
Current Account	(456.08)	(587.59)	(227.72)	(592.93)	(658.56)	(794.18)	(767.48)	(381.68)	(621.04)	(371.93)	(317.53)	(281.84)	(479.68)
Trade Balance	(1,071.40)	(1,209.30)	(826.00)	(1,238.33)	(1,164.49)	(1,374.36)	(1,304.50)	(904.62)	(1,098.87)	(946.65)	(770.56)	(732.12)	(962.79)
Capital and Financial Account	566.62	326.48	2,284.22	173.61	345.10	656.54	935.60	(177.76)	1,247.53	77.46	468.48	268.58	265.80
<b>8. FOREIGN EXCHANGE RESERVES (US\$ m)</b>	8,593.52	8,230.25	10,398.72	10,029.34	9,731.50	9,335.92	9,399.90	8,964.49	9,737.55	9,619.76	9,873.29	9,834.29	9,805.54
Official	6,764.90	6,498.02	8,554.52	8,127.54	7,814.08	7,676.44	7,838.99	7,273.99	7,894.92	7,593.04	7,736.58	7,723.31	7,509.44
Months of import cover**	4.53	4.32	5.67	5.33	5.10	4.96	5.00	4.64	5.01	4.80	4.88	4.90	4.75
Commercial banks	1,828.62	1,732.24	1,844.21	1,901.81	1,917.42	1,659.49	1,560.91	1,690.50	1,842.64	2,026.72	2,136.71	2,110.98	2,296.10
<b>9. PUBLIC DEBT (US\$ bn)</b>	25.00	25.01	27.05	27.19	26.92	26.44	26.17	26.56	27.16	28.28	28.97	29.10	29.35
Domestic	14.03	14.10	14.66	14.77	14.54	14.19	13.97	14.49	14.23	14.42	14.79	15.20	15.15
As % of GDP	24.20	23.00	23.97	24.20	23.91	23.53	23.41	24.33	24.41	24.91	25.26	26.08	26.42
External	10.97	10.91	12.39	12.42	12.38	12.25	12.20	12.08	12.92	13.86	14.17	13.90	14.20
As % of GDP	17.75	17.88	20.27	20.34	20.36	20.30	20.32	20.33	21.85	23.64	24.20	23.86	24.77
<b>10. GROSS DOMESTIC DEBT (Ksh bn)***</b>	1,216.76	1,232.49	1,284.33	1,296.44	1,281.09	1,260.87	1,246.14	1,303.35	1,287.40	1,317.48	1,353.30	1,397.10	1,415.43
<b>11. AVERAGE EXCHANGE RATE</b>													
Ksh/US\$	86.72	87.41	87.61	87.77	88.11	88.84	89.23	89.96	90.44	91.36	91.49	91.73	93.44
Ksh/Pound Sterling	145.08	147.29	148.15	150.04	147.24	144.99	143.66	142.05	141.45	138.49	140.21	137.51	139.62
Ksh/100 Yen	84.59	85.84	85.88	86.32	85.63	82.90	82.62	77.53	75.79	77.19	77.17	76.22	78.18
Ksh/Euro	119.78	120.09	119.16	119.02	117.40	114.74	113.21	112.28	111.52	106.32	103.94	99.40	100.71

\* 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.

<sup>1</sup> Previously M3XT

<sup>2</sup> Previously M3X

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

## Overall Inflation

# TRENDS IN VARIOUS MEASURES OF INFLATION

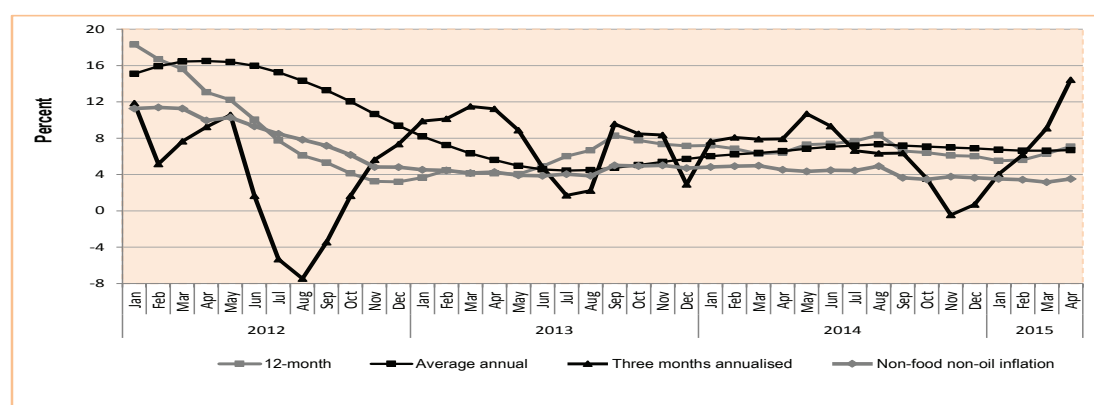
Overall 12-month inflation increased from 6.3 percent in March 2015 to 7.1 percent in April 2015. This largely reflects increased food and non-food non-fuel inflation. Food inflation rose by 222 basis points to 12.5 percent in April 2015 while non-food non-fuel inflation rose by 37 basis points to 3.5 percent. Fuel inflation eased 134 basis points to 1.5 percent in April 2015. Annual average inflation rose marginally to 6.7 percent in April 2015 from 6.6 percent recorded in March 2015. The three months annualized rate of inflation however rose to 14.4 percent in April 2015 indicating an increase in domestic inflationary pressures (Table 1.1 and Chart 1A). The increase in food inflation from 10.3 percent in March 2015 to 12.5 percent in April 2015 largely reflects an increase in the 12-month inflation in the 'food and non-alcoholic beverages' category of goods and services from 11.0 percent in March 2015 to 13.4 percent in April 2015.

**TABLE 1.1: INFLATION (%)**

Overall Inflation	2014									2015			
	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr
12-month	6.41	7.30	7.39	7.67	8.36	6.60	6.43	6.09	6.02	5.53	5.61	6.31	7.08
Average annual	6.58	6.85	7.05	7.19	7.33	7.19	7.08	6.97	6.88	6.74	6.63	6.63	6.69
Three months annualised	7.93	10.69	9.32	6.63	6.33	6.37	3.56	-0.44	0.70	4.05	6.16	9.09	14.44
Non-food non-oil inflation	4.53	4.35	4.47	4.45	4.92	3.65	3.46	3.77	3.65	3.51	3.43	3.16	3.53

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

Fuel inflation eased from 2.9 percent in March 2015 to 1.5 percent in April 2015. This reflects a decline in the 12-month inflation in the 'transport' category of goods and services from 2.8 percent in March 2015 to -0.8 percent in April 2015 as the 12-month inflation in the 'housing, water, electricity, gas and other fuels' category of goods and services declined marginally from 2.9 percent in March 2015 to 2.8 percent in April 2015. The decline in fuel inflation reflects a fall in the cost of electricity and the retail price of cooking gas.

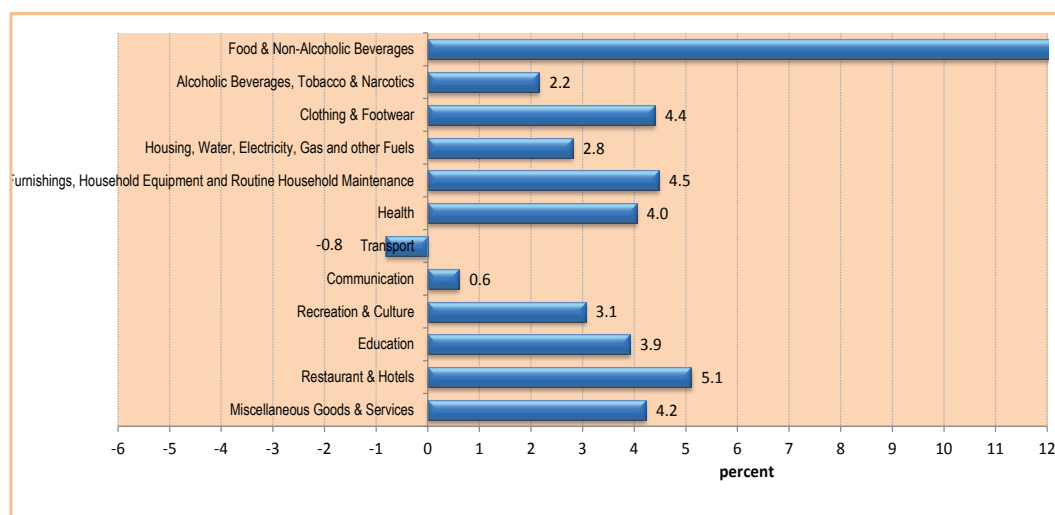


Non-food non-fuel inflation increased from 3.2 percent in March 2015 to 3.5 percent in April 2015 reflecting higher inflation in the ‘furnishings, household equipment and routine household maintenance,’ ‘clothing & footwear,’ ‘communication,’ ‘miscellaneous goods and services,’ ‘Alcoholic beverages, tobacco & narcotics,’ 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 1C shows that 76.5 percent of overall 12-month inflation in April 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 6.7 percent and -1.2 percent respectively.

12-month inflation increased both in Nairobi and in other urban centers across the country in April 2015 (Table 1.3). The 12-month consumer price inflation for the ‘Nairobi Lower Income’ group increased from 6.3 percent in March 2015 to 7.5

**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 MONTHS INFLATION ACROSS BASKETS AND INCOME GROUPS**

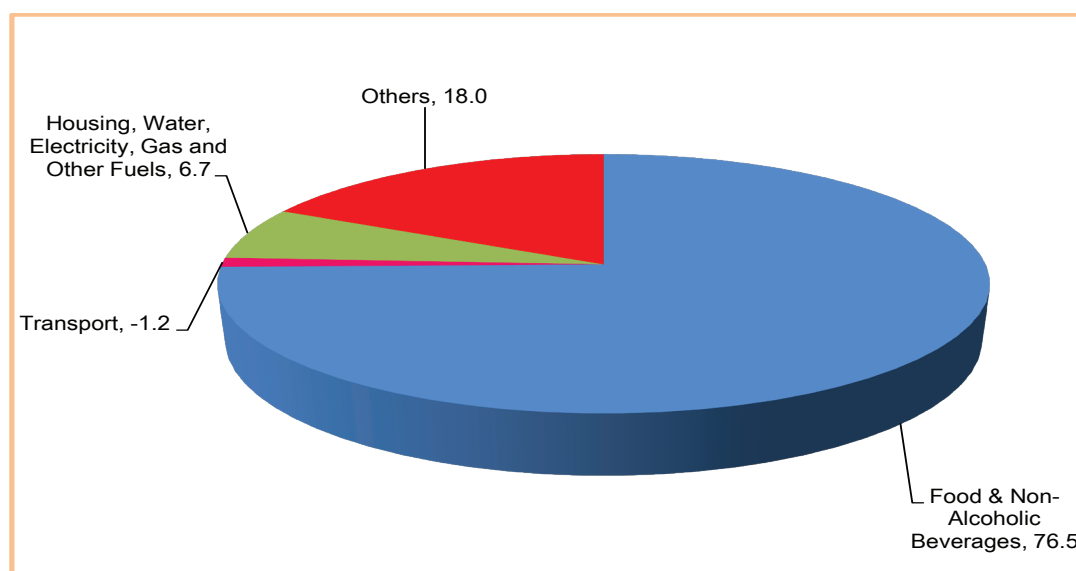
April 2015	Weight- CPI Kenya	NAIROBI				REST OF URBAN	TOTAL KENYA
		Lower Income	Middle Income	Upper Income	Nairobi Combined	Rest of Kenya Combined	
Food & Non-alcoholic beverages	43.0	13.2	10.1	10.4	12.4	14.1	13.4
Alcoholic beverages, Tobacco & narcotics	2.0	1.9	1.8	3.1	2.0	2.3	2.2
Clothing & Footwear	6.6	2.8	4.2	7.7	3.3	5.1	4.4
Housing, Water, Electricity, Gas and other fuels	16.5	0.8	-0.5	-0.1	0.5	4.4	2.8
Furnishings, Household equipment and Routine household maintenance	5.5	2.1	2.9	3.4	2.4	5.8	4.5
Health	2.7	3.5	2.7	3.1	3.3	4.5	4.0
Transport	8.7	6.0	-5.4	-2.3	3.3	-3.9	-0.8
Communication	1.9	-0.1	0.2	0.3	0.0	1.0	0.6
Recreation & culture	2.1	2.1	4.2	-2.2	2.4	3.5	3.1
Education	2.6	2.9	11.0	3.8	5.0	3.1	3.9
Restaurants & hotels	4.7	2.3	1.2	10.0	2.3	7.0	5.1
Miscellaneous goods & services	3.9	3.9	4.8	5.8	4.2	4.2	4.2
<b>ALL GROUPS</b>	<b>100.0</b>	<b>7.5</b>	<b>3.4</b>	<b>1.9</b>	<b>6.4</b>	<b>7.6</b>	<b>7.1</b>

Source: Kenya National Bureau of Statistics



percent in April 2015 while 12-month inflation for the 'Nairobi Middle Income' group increased marginally to 3.4 percent in April 2015. 12-month inflation for the 'Nairobi Upper Income' group increased marginally to 1.9 percent in April 2015 from 1.8 percent in the previous month. 12-month inflation registered in urban centers outside Nairobi increased to 7.6 percent in April 2015 from 6.9 percent in the previous period.

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



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

**TABLE 1.3: 12-MONTH INFLATION BY INCOME GROUPS (%)**

	Jul-14	Aug-14	Sep-14	Oct-14	Nov-14	Dec-14	Jan-15	Feb-15	Mar-15	Apr-15
Combined Nairobi	6.21	7.32	4.52	4.46	4.22	4.53	4.38	4.66	5.48	6.39
Lower Income	6.13	7.49	4.84	4.79	4.50	4.87	4.83	5.22	6.32	7.49
Middle Income	6.19	6.39	3.34	3.38	3.30	3.61	3.22	3.23	3.24	3.39
Upper Income	8.04	9.58	5.19	4.33	4.25	3.19	2.05	1.74	1.81	1.90
Other provinces- excluding Nairobi	8.68	9.07	8.04	7.79	7.37	7.05	6.32	6.26	6.88	7.55
<b>TOTAL KENYA</b>	<b>7.67</b>	<b>8.36</b>	<b>6.60</b>	<b>6.43</b>	<b>6.09</b>	<b>6.02</b>	<b>5.53</b>	<b>5.61</b>	<b>6.31</b>	<b>7.08</b>

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

## Inflation Outlook

Overall domestic inflation is expected to remain within the upper bound of the government medium term target on account of food inflation. However, inflationary pressures will moderate following improved weather conditions which are expected to boost supply of agricultural products as well as increase water levels in power generation dams and enhance usage of hydro power-ease on electricity costs.

# DEVELOPMENTS IN MONEY, CREDIT AND INTEREST RATES

## Monetary Aggregates

Annual growth of broad money, M3 at 16.6 percent in April 2015 remained unchanged from April 2014 and was above April 2015 target of 14.8 percent. The M3 growth through April 2015 reflected strong increases in both the Ksh components (narrow money, M2) and foreign currency deposits (Table 2.1 and Chart 2A).

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

	2013 April	2014 April	2015 April	Absolute Change		%age change	
				2013/14	2014/15	12 months	12 months
				April	April	Apr-14	Apr-15
<b>1. Money supply, M3 (2+3) 2/</b>	<b>1802.3</b>	<b>2100.6</b>	<b>2448.8</b>	<b>298.3</b>	<b>348.1</b>	<b>16.6</b>	<b>16.6</b>
1.1 Money supply, M2 3/	1532.6	1780.1	2071.5	247.5	291.3	16.1	16.4
1.2 Money supply, M1	753.9	881.4	984.0	127.6	102.6	16.9	11.6
1.3 Currency outside banks	144.6	156.8	174.1	12.2	17.3	8.5	11.0
1.4 Foreign Currency Deposits	269.6	320.5	377.3	50.8	56.8	18.8	17.7
<b>2. Net foreign assets 4/</b>	<b>319.6</b>	<b>391.6</b>	<b>466.2</b>	<b>72.1</b>	<b>74.6</b>	<b>22.6</b>	<b>19.1</b>
Central Bank	376.4	451.5	562.6	75.2	111.0	20.0	24.6
Banking Institutions	-23.8	-59.9	-96.3	-36.1			60.8
<b>3. Net domestic assets (3.1+3.2)</b>	<b>1449.7</b>	<b>1709.0</b>	<b>1982.5</b>	<b>259.3</b>	<b>273.5</b>	<b>17.9</b>	<b>16.0</b>
<b>3.1 Domestic credit (3.1.1+3.1.2)</b>	<b>1824.0</b>	<b>2127.9</b>	<b>2250.4</b>	<b>303.9</b>	<b>122.5</b>	<b>16.7</b>	<b>5.8</b>
3.1.1 Government (net)	458.1	442.0	235.8	-16.1	-206.1	-3.5	-46.6
3.1.2 Private sector	1327.1	1643.9	1970.8	316.8	326.9	23.9	19.9
3.1.3 Other public sector	38.8	42.1	43.8	3.3	1.7	8.5	4.0
<b>3.2 Other assets net (3-3.1)</b>	<b>-374.3</b>	<b>-418.9</b>	<b>-267.9</b>	<b>-44.6</b>	<b>151.0</b>		
<b>Memorandum items</b>							
1. Overall liquidity, L 1/	2239.9	2650.2	3308.8	410.2	658.6	18.3	24.9
2. Reserve money	267.8	315.3	353.1	47.4	37.8	17.7	12.0
Currency outside banks	144.6	156.8	174.1	12.2	17.3	8.5	11.0
Bank reserves	123.2	158.4	179.0	35.2	20.5	28.6	13.0

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.

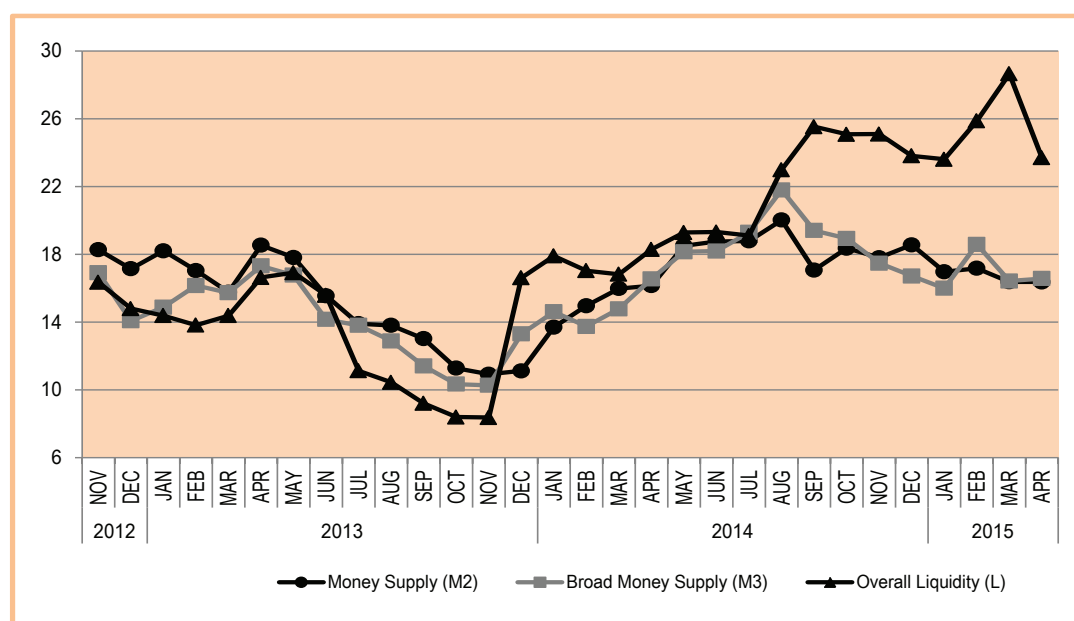
2/ Broader money, M3, comprises M2 and residents foreign currency deposits with local banks. It is comparable to M3X in the past publications. Foreign currency deposits are valued at current exchange rate from July 2008.

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

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

The M3 growth was attributed to increases of Net Foreign Assets (NFA) of the banking system (Table 2.1) and bank credit to the private sector. NFA of the banking system grew by 19.1 percent (or Ksh 74.6 billion) in the year to April 2015 compared with 22.6 percent (or Ksh 72.1 billion) over a similar period in 2014. The accumulation was wholly in the NFA held by the Central Bank following receipts from the Sovereign Bond issued in June 2014 and December 2014. The NFA held by other banking institutions however declined, on account of increased loans from non-residents and accumulation of foreign deposits. Over the same period, growth of the banking system NDA slowed down to 16.0 percent from 17.9 percent largely reflecting slowdown in government spending and buildup of Government deposits as credit growth to the private sector still remained strong (Table 2.1).

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

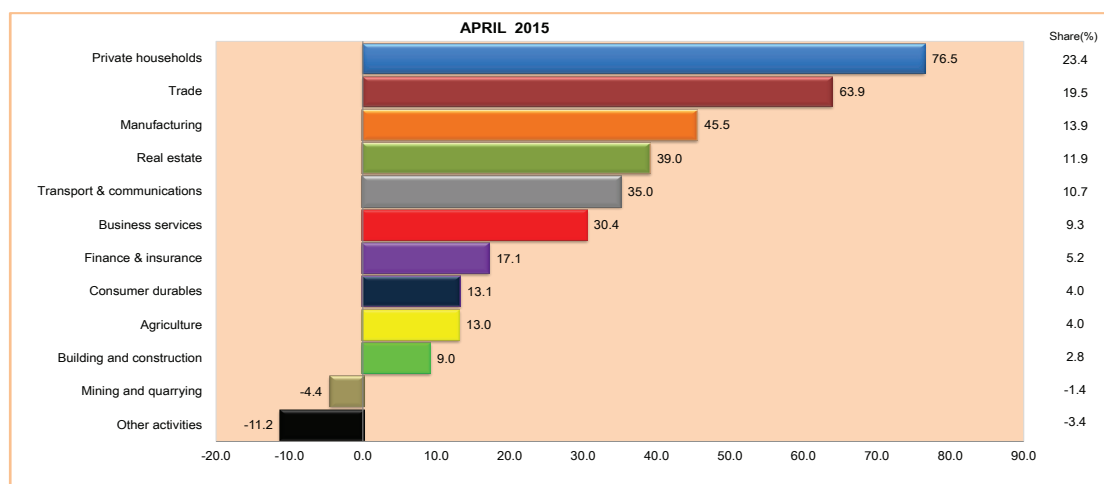
	2014 April		2015 April		Absolute Change April		Annual %age Change April	
	Ksh bn	Share (%)	Ksh bn	Share (%)	2013/14	2014/15	2012/13	2013/14
<b>1. Credit to Government</b>	<b>441.96</b>	<b>20.77</b>	<b>235.84</b>	<b>10.48</b>	<b>-16.15</b>	<b>-206.12</b>	<b>13.03</b>	<b>-46.64</b>
Central Bank	30.62	1.44	-86.49	-3.84	-23.60	-117.11	-37.78	-382.43
Commercial Banks & NBFIs	411.34	19.33	322.33	14.32	7.46	-89.01	20.34	-21.64
<b>2. Credit to other public sector</b>	<b>42.07</b>	<b>1.98</b>	<b>43.76</b>	<b>1.94</b>	<b>3.28</b>	<b>1.69</b>	<b>-6.81</b>	<b>4.02</b>
Local government	3.08	0.14	0.17	0.01	2.29	-2.91	122.09	-94.41
Parastatals	38.99	1.83	43.59	1.94	0.99	4.60	-10.89	11.79
<b>3. Credit to private sector</b>	<b>1,643.91</b>	<b>77.25</b>	<b>1,970.83</b>	<b>87.58</b>	<b>316.77</b>	<b>326.92</b>	<b>24.91</b>	<b>19.89</b>
Agriculture	62.56	2.94	75.55	3.36	8.67	12.99	10.53	20.77
Manufacturing	210.59	9.90	256.06	11.38	39.06	45.47	22.28	21.59
Trade	271.18	12.74	335.06	14.89	53.43	63.89	25.31	23.56
Building and construction	71.76	3.37	80.81	3.59	3.01	9.05	3.46	12.61
Transport & communications	108.33	5.09	143.36	6.37	33.81	35.03	47.04	32.33
Finance & insurance	34.79	1.64	51.91	2.31	8.28	17.11	38.19	49.18
Real estate	219.74	10.33	258.74	11.50	54.71	38.99	32.31	17.75
Mining and quarrying	25.89	1.22	21.45	0.95	-1.43	-4.44	-6.05	-17.14
Private households	258.89	12.17	335.37	14.90	67.37	76.48	43.06	29.54
Consumer durables	100.29	4.71	113.44	5.04	17.96	13.15	22.76	13.11
Business services	154.22	7.25	184.62	8.20	52.07	30.41	57.90	19.72
Other activities	125.66	5.91	114.45	5.09	-23.04	-11.20	-15.46	-8.91
<b>4. TOTAL (1+2+3) *</b>	<b>2,127.93</b>	<b>100.00</b>	<b>2,250.42</b>	<b>100.00</b>	<b>303.91</b>	<b>122.49</b>	<b>21.44</b>	<b>5.76</b>

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

Source: Central Bank of Kenya

**Domestic Credit Developments** Domestic credit from the banking sector increased by Ksh 122.5 billion (5.8 percent) in the year to April 2015 compared with Ksh 303.9 billion (16.7 percent) in a similar period in 2014 (Table 2.2). The deceleration largely reflected net repayment by Government as credit growth to the private sector remained on track. In terms of shares to the total lending, the private sector accounted for 87.6 percent compared with a 10.5 percent share to government in the period under review.

The credit flow to the private sector in April 2015 was allocated to the following activities in order of magnitude: private households 23.4 percent (or Ksh 76.5 billion); trade 19.5 percent (or Ksh 63.9 billion); manufacturing 13.9 percent (or Ksh 45.5 billion); real estate at 11.9 percent (or Ksh 39 billion); transport and communication 10.7 percent (or Ksh 35.0 billion); business services 9.3 percent (or Ksh 30.4 billion); finance & insurance 5.2 percent (or Ksh 17.1 billion); consumer durables 4.0 percent (or Ksh 13.1 billion); agriculture 4.0 percent (or Ksh. 13.0 billion); and building and construction 2.8 percent (or Ksh 9.0 billion). Mining activities and other activities repaid Ksh 4.4 billion and Ksh 11.2 billion respectively (Chart 2B).

**CHART 2B: SHARE OF CREDIT TO THE PRIVATE SECTOR IN THE TWELVE MONTHS TO APRIL 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 12.0 percent in the year to April 2015 compared with 17.7 percent growth in April 2014 (Table 2.3 and Chart 2C). At Ksh 353.1 billion in April 2015, reserve money was Ksh 10.9 billion above the respective target. The growth in reserve money reflected 13 percent increase in bank reserves and 11 percent increase in currency outside banks.

The accumulation of NFA at the Central Bank which was largely the main source of reserve growth in the year to April 2015 reflected receipts of proceeds of the June 2014 and December 2014 Sovereign Bond issuance. These Bond proceeds provided a reasonable buffer in gross foreign exchange reserves above the statutory minimum requirements of 4 months of imports of goods and non-factor services.

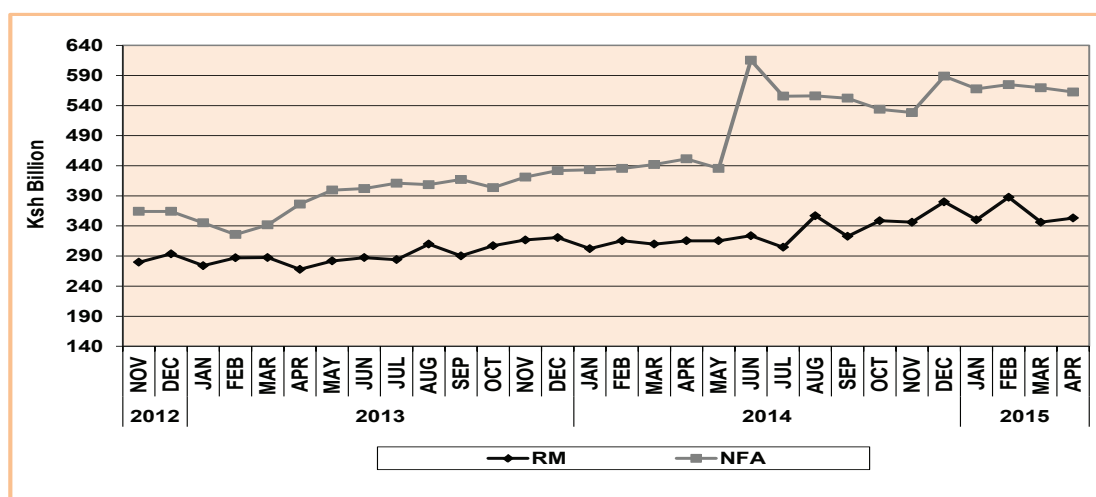
**TABLE 2.3: RESERVE MONEY AND ITS SOURCES (Ksh billion)**

	2013	2014	2015	Absolute change		Change (%)		2015	
	April	April	April	2013/14	2014/15	2013/14	2014/15	April Target	
1. Net Foreign Assets	376.4	451.5	562.6	75.2	111.0	20.0	24.6	587.0	-24.5
2. Net Domestic Assets	-108.5	-136.3	-209.5	-27.7	-73.2	25.6	53.7	-244.8	35.4
2.1 Government Borrowing (net)	54.2	30.6	-86.5	-23.6	-117.1			-10.7	-75.8
2.2 Commercial banks (net)	-46.6	-27.0	-1.3	19.6	25.7			-52.9	51.6
2.3 Other Domestic Assets (net)	-120.0	-143.6	-125.3	-23.6	18.3			-185.0	59.7
3. Reserve Money	267.8	315.3	353.1	47.4	37.8	17.7	12.0	342.2	10.9
3.1 Currency outside banks	144.6	156.8	174.1	12.2	17.3	8.5	11.0	169.3	4.9
3.2 Bank reserves	123.2	158.4	179.0	35.2	20.5	28.6	13.0	173.0	6.0

Source: Central Bank of Kenya

The NDA of the Central Bank decreased by Ksh 73.2 billion to Ksh -209.5 billion in April 2015 from Ksh -136.3 billion in April 2014 on account of accumulation of Government deposits.

CHART 2C: TRENDS IN RESERVE MONEY AND NET FOREIGN ASSETS



Source: Central Bank of Kenya

**Central Bank Rates** The Monetary Policy Committee maintained the Central Bank Rate (CBR) at 8.50 percent on March 26, 2015 in order to continue anchoring inflationary expectations.

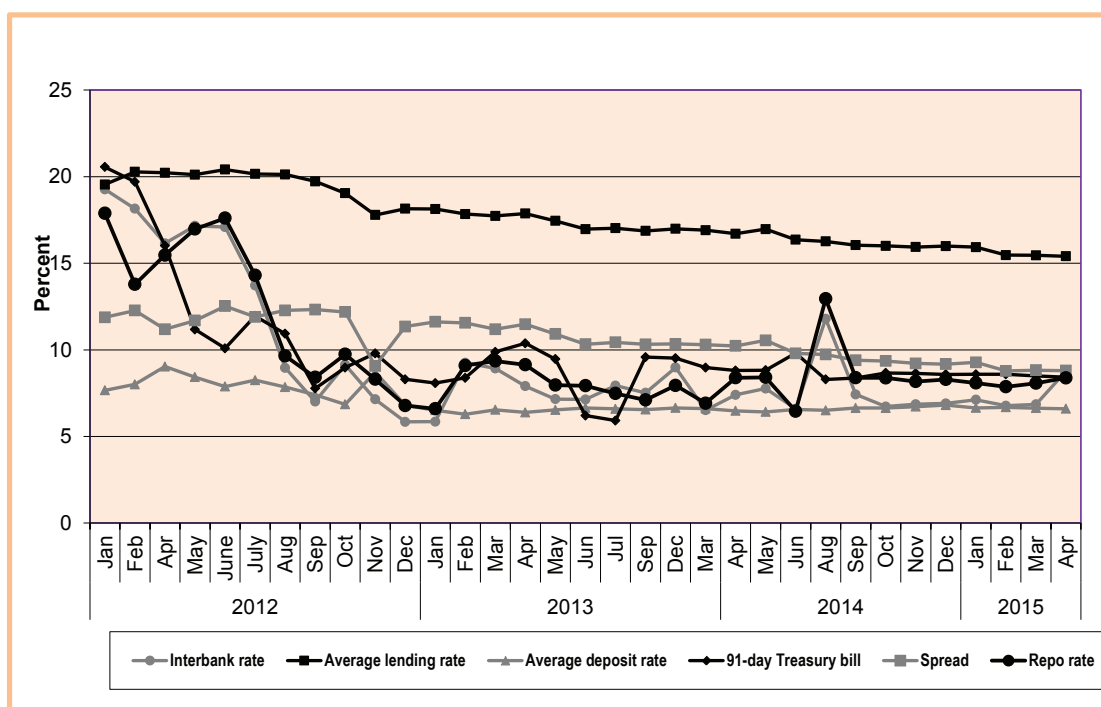
**Short Term Interest Rates** Short term interest rates showed mixed performance in April 2015 (Table 2.4 and Chart 2D). The weighted average interbank rate increased to 8.77 percent from 6.85 percent in March 2015. The 91-day Treasury bill rate, which largely reflects the government's borrowing profile, declined marginally to 8.42 percent from 8.49 percent in March 2015 while, the 182-day Treasury bill rate declined to 10.26 percent from 10.35 percent in March 2015.

**Lending and Deposit Rates** The average lending rate charged by commercial banks stabilized at 15.4 percent in April 2015 from 15.46 percent recorded in March 2015 and the average deposit rate stabilized at 6.60 percent from 6.63 percent in March 2015. Consequently, the interest rate spread stabilized at 8.8 percent in April 2015 compared with 8.82 percent in March 2015 (Table 2.4 and Chart 2D).

**TABLE 2.4: INTEREST RATES (%)**

	2014									2015			
	Jan	Mar	Apr	May	June	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr
91-day Treasury bill rate	9.26	8.98	8.80	8.82	9.81	8.38	8.67	8.64	8.58	8.59	8.59	8.49	8.42
Overdraft rate	16.82	16.44	16.44	17.85	15.88	15.79	15.77	15.66	15.86	15.95	15.67	15.68	15.52
Interbank rate	10.43	6.47	7.40	7.76	6.60	7.43	6.73	6.86	6.91	7.12	6.77	6.85	8.77
Repo rate	-	6.92	8.39	8.42	6.46	8.39	8.39	8.17	8.29	8.08	7.87	8.08	8.38
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	8.50	8.50	8.50
Average lending rate (1)	17.03	16.91	16.70	16.97	16.36	16.04	16.00	15.94	15.99	15.93	15.47	15.46	15.40
Average deposit rate (2)	6.55	6.61	6.48	6.42	6.56	6.64	6.64	6.72	6.81	6.65	6.68	6.63	6.60
Over 3 months deposit	9.39	10.02	9.63	9.65	10.05	9.96	9.80	10.51	9.84	9.84	9.90	9.85	9.81
Savings deposits	1.56	1.56	1.53	1.54	1.50	1.51	1.55	1.57	1.85	1.58	1.53	1.53	1.90
Spread (1-2)	10.48	10.30	10.23	10.55	9.80	9.40	9.36	9.22	9.18	9.28	8.78	8.82	8.80

Source: Central Bank of Kenya

**CHART 2D : TRENDS IN INTEREST RATES**

Source: Central Bank of Kenya

# PERFORMANCE OF THE REAL SECTOR

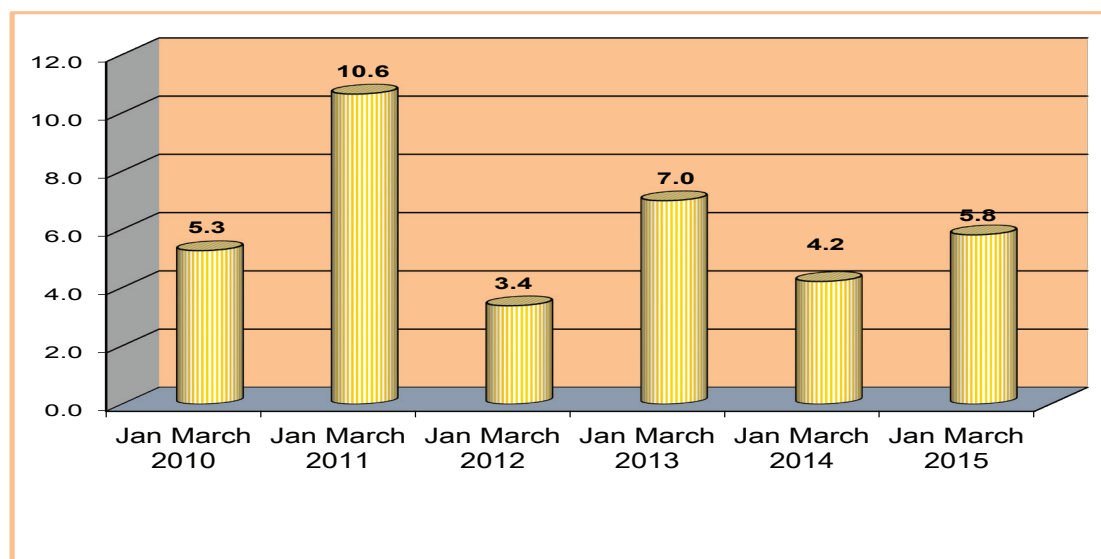
**Overview** Real GDP in 2014 grew by 5.3 percent and amounted to Ksh 3.83 trillion compared with 5.7 percent growth in 2013 (Table 3.1). The real GDP is estimated to have increased by 4.8 percent in the first quarter, 6.1 percent in the second quarter, 5.4 percent in the third quarter and 5.1 percent in the fourth quarter of 2014 (Chart 3A) compared with growth of 6.0 percent, 7.0 percent, 6.8 percent and 3.0 percent in comparable quarters of 2013. Growth in 2014 was largely supported by improved performance in construction; transport and storage; education; financial and insurance activities; real estate; and information and communication activities.

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

	Share in 2014	Share in 2014									
Main Sectors	Nominal GDP (%)	Real GDP (%)	2006	2007	2008	2009	2010	2011	2012	2013	2014
Agriculture, forestry and fishing	27.33	22.03	685,710	720,612	684,702	668,969	736,270	753,596	775,798	816,509	844,720
Mining and quarrying	0.79	0.92	13,849	16,289	16,296	18,134	23,884	28,429	33,838	30,814	35,197
Manufacturing	10.03	10.87	327,918	342,267	346,177	342,532	357,957	383,890	381,750	403,128	416,891
Electricity supply	1.03	1.60	34,035	39,792	36,947	39,162	40,545	45,949	52,187	57,301	61,218
Water supply; sewerage, waste management	0.79	0.80	22,769	22,558	22,885	24,869	27,493	28,489	29,358	29,616	30,690
Construction	4.85	4.83	89,513	97,119	95,474	112,219	133,650	139,050	154,816	163,841	185,302
Wholesale and retail trade; repairs	8.16	7.69	172,625	186,328	189,326	200,032	219,214	237,502	254,222	275,756	294,794
Transport and storage	8.29	6.59	173,502	185,955	191,536	205,774	215,976	231,333	237,495	240,429	252,474
Accommodation and food service activities	0.93	1.13	50,040	57,300	39,471	51,510	51,238	53,333	54,972	52,441	43,395
Information and communication	1.23	3.59	51,720	61,952	67,574	73,691	86,492	105,606	108,186	121,447	137,779
Financial and insurance activities	6.71	6.00	133,353	139,918	146,815	150,411	176,961	185,163	196,220	212,153	229,851
Real estate	7.85	8.12	214,219	224,439	235,102	246,546	258,953	272,055	283,061	294,747	311,148
Professional, scientific and technical activities	0.97	1.06	26,509	29,836	31,343	33,085	34,091	34,518	36,654	39,108	40,526
Administrative and support service activities	1.14	1.28	40,829	43,849	39,645	44,151	45,422	46,546	47,619	48,201	49,174
Public administration and defence	4.48	3.91	109,013	111,635	119,363	127,807	129,544	132,612	137,872	142,137	149,954
Education	5.21	6.99	145,223	154,720	168,955	177,993	196,170	210,928	234,345	249,055	267,842
Human health and social work activities	1.69	1.78	50,447	53,561	56,076	58,686	62,345	60,723	59,023	63,582	68,181
Arts, entertainment and recreation	0.14	0.14	3,887	3,951	3,945	4,326	4,853	5,025	4,892	5,039	5,200
Other service activities	0.65	0.68	20,144	20,703	21,004	20,885	21,618	21,853	22,732	24,403	25,990
Activities of households as employers	0.52	0.49	16,623	16,873	17,126	17,383	17,643	17,908	18,177	18,449	18,726
FISIM	-2.48	-2.52	-49,597	-51,383	-53,675	-59,373	-68,827	-75,076	-82,648	-86,932	-96,644
All economic activities	90.29	87.96	2,332,335	2,478,274	2,476,088	2,558,791	2,771,493	2,919,431	3,040,567	3,201,223	3,372,409
Taxes on products	9.71	12.04	255,944	287,322	295,931	304,896	332,810	374,594	403,499	438,715	461,467
GDP at market prices	100.00	100.00	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
Annual Growth Rates in Percent											
	Share in 2014	Share in 2014									
	Nominal GDP (%)	Real GDP (%)	2006	2007	2008	2009	2010	2011	2012	2013	2014
Agriculture, forestry and fishing	27.33	22.03	...	5.1	-5.0	-2.3	10.1	2.4	2.9	5.2	3.5
Mining and quarrying	0.79	0.92	...	17.6	0.0	11.3	31.7	19.0	19.0	-8.9	14.2
Manufacturing	10.03	10.87	...	4.4	1.1	-1.1	4.5	7.2	-0.6	5.6	3.4
Electricity supply	1.03	1.60	...	16.9	-7.1	6.0	3.5	13.3	13.6	9.8	6.8
Water supply; sewerage, waste management	0.79	0.80	...	-0.9	1.4	8.7	10.6	3.6	3.1	0.9	3.6
Construction	4.85	4.83	...	8.5	-1.7	17.5	19.1	4.0	11.3	5.8	13.1
Wholesale and retail trade; repairs	8.16	7.69	...	7.9	1.6	5.7	9.6	8.3	7.0	8.5	6.9
Transport and storage	8.29	6.59	...	7.2	3.0	7.4	5.0	7.1	2.7	1.2	5.0
Accommodation and food service activities	0.93	1.13	...	14.5	-31.1	30.5	-0.5	4.1	3.1	-4.6	-17.2
Information and communication	1.23	3.59	...	19.8	9.1	9.1	17.4	22.1	2.4	12.3	13.4
Financial and insurance activities	6.71	6.00	...	4.9	4.9	2.4	17.7	4.6	6.0	8.1	8.3
Real estate	7.85	8.12	...	4.8	4.8	4.9	5.0	5.1	4.0	4.1	5.6
Professional, scientific and technical activities	0.97	1.06	...	12.6	5.1	5.6	3.0	1.3	6.2	6.7	3.6
Administrative and support service activities	1.14	1.28	...	7.4	-9.6	11.4	2.9	2.5	2.3	1.2	2.0
Public administration and defence	4.48	3.91	...	2.4	6.9	7.1	1.4	2.4	4.0	3.1	5.5
Education	5.21	6.99	...	6.5	9.2	5.3	10.2	7.5	11.1	6.3	7.5
Human health and social work activities	1.69	1.78	...	6.2	4.7	4.7	6.2	-2.6	-2.8	7.7	7.2
Arts, entertainment and recreation	0.14	0.14	...	1.6	-0.2	9.7	12.2	3.5	-2.6	3.0	3.2
Other service activities	0.65	0.68	...	2.8	1.5	-0.6	3.5	1.1	4.0	7.4	6.5
Activities of households as employers	0.52	0.49	...	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5
FISIM	-2.48	-2.52	...	3.6	4.5	10.6	15.9	9.1	10.1	5.2	11.2
All economic activities	90.29	87.96	...	6.3	-0.1	3.3	8.3	5.3	4.1	5.3	5.3
Taxes on products	9.71	12.04	...	12.3	3.0	3.0	9.2	12.6	7.7	8.7	5.2
GDP at market prices	100.00	100.00	...	6.9	0.2	3.3	8.4	6.1	4.6	5.7	5.3

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

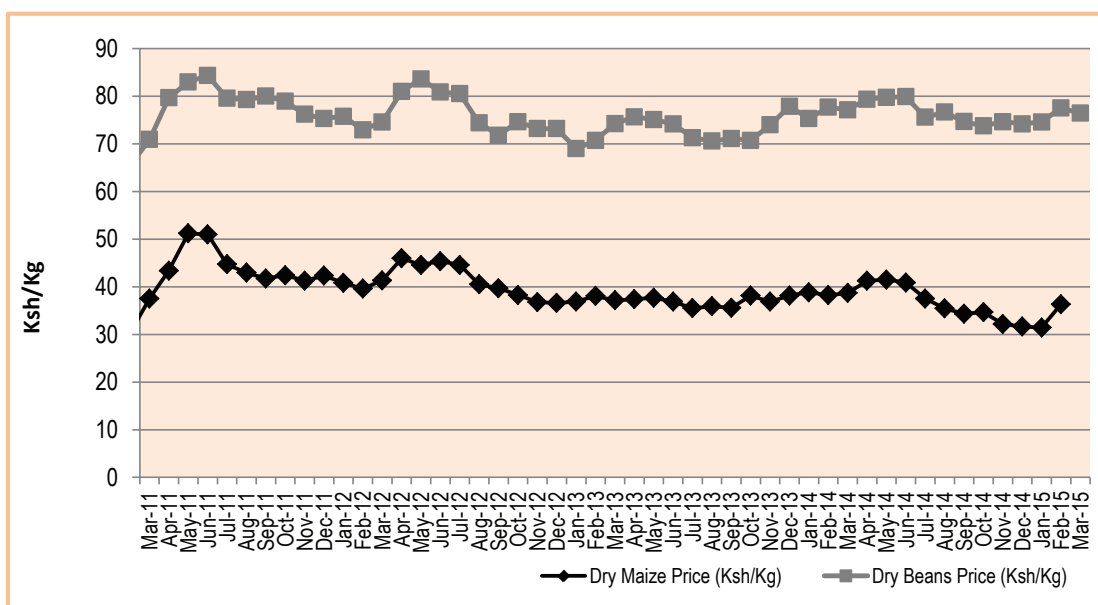


**CHART 3A: REAL GDP GROWTH IN THE JANUARY-MARCH QUARTERS**

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

### Agriculture

Agriculture output declined to record 3.5 percent growth in 2014 from 5.2 percent in 2013. The down turn reflected in the first two quarters offset the impact of the recovery in the latter two quarters of 2014. Specifically, agriculture output grew by 2.2 percent in the first quarter of 2014, 2.1 percent in the second quarter, 6.8 percent in the third quarter and 3.8 percent in the fourth quarter compared with increases of 6.3 percent in the first quarter of 2013, 6.6 percent in the second quarter, 6.4 percent in the third quarter and 0.9 percent in the fourth quarter of 2013. Dry weather conditions in the early part of 2015 resulted in higher prices in some food items such as beans (Chart 3B).

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

Source: Kenya National Bureau of Statistics

## Major Indicators in Agriculture

Indicators on agriculture in the year to March 2015 show mixed performance (Table 3.2). Among selected crops, growth in production of horticulture slowed while production of coffee improved.

**TABLE 3.2: OUTPUT GROWTH OF MAJOR CROPS AND MILK**

	Annual Totals			Year to March 2014	Year to March 2015*
	2012	2013	2014*		
<b>Tea</b>					
Output (Metric tonnes)	369,562	431,708	445,104	426,527	414,641
Growth (%)	-2.2%	16.8%	3.1%	2.9%	-2.8%
<b>Horticulture</b>					
Exports (Metric tonnes)	300,174	390,346	373,119	389,444	369,931
Growth (%)	5.1%	30.0%	-4.4%	17.9%	-5.0%
<b>Coffee</b>					
Sales (Metric tonnes)	45,488	35,983	42,450	37,225	41,209
Growth (%)	53.6%	-20.9%	18.0%	-9.7%	10.7%
<b>Milk</b>					
Output (million litres)	495	523	541	541	472
Growth %	-9.8%	5.6%	3.5%	4.0%	-12.6%
<b>Sugar Cane</b>					
Output (Metric tonnes)	5,716,300	6,671,800	6,477,650	7,020	N/A
Growth (%)	7.1%	16.7%	-2.9%	26.4%	

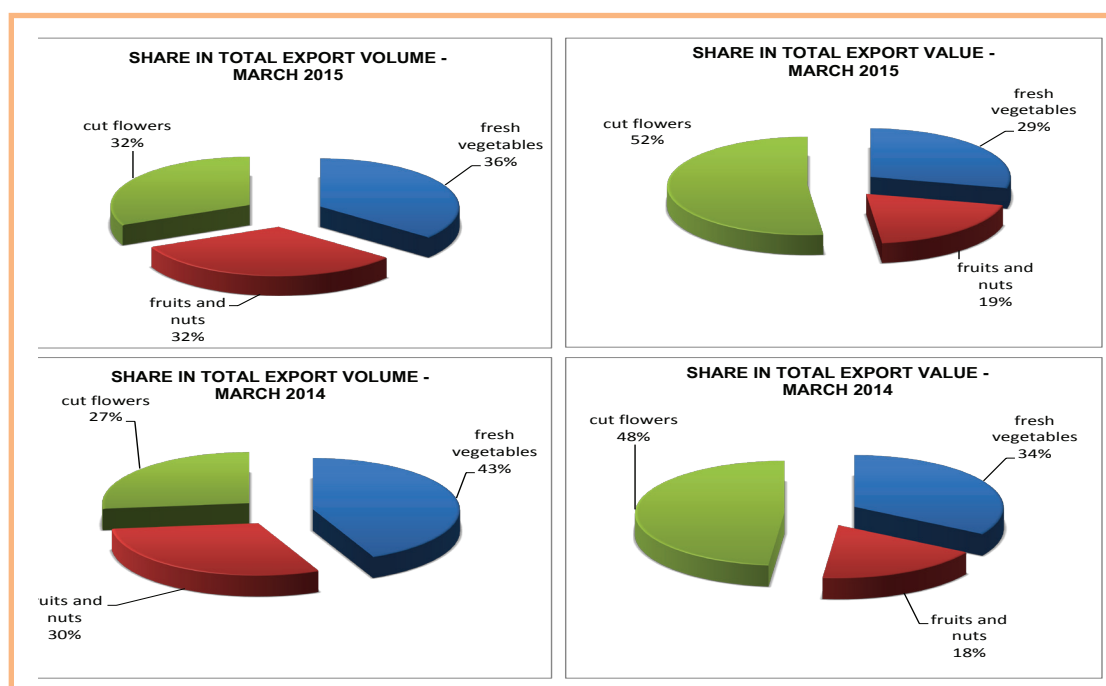
\* Provisional

Source: Kenya National Bureau of Statistics and Kenya Revenue Authority

**Tea** Growth in production of tea declined by 2.8 percent in the year to March 2015 compared with growth of 2.9 percent recorded in the year to March 2014 (Table 3.2) largely on account of a base effect. The average auction price for tea at Ksh 192.7 per kilogram in the year to March 2015 was 5.3 percent lower than Ksh 203.5 per kilogram in the year to March 2014.

**Horticulture** Export of fresh horticultural products contracted by 5.0 percent from 389,444 metric tonnes in the year to March 2014 to 369,931 metric tonnes in the year to March 2015. During the period under review, exports of fresh vegetables, fruits and nuts dominated in terms of volume, while cut flowers brought in the largest contribution in terms of value (Table 3.2 and Chart 3C).

**CHART 3C: HORTICULTURAL EXPORTS**

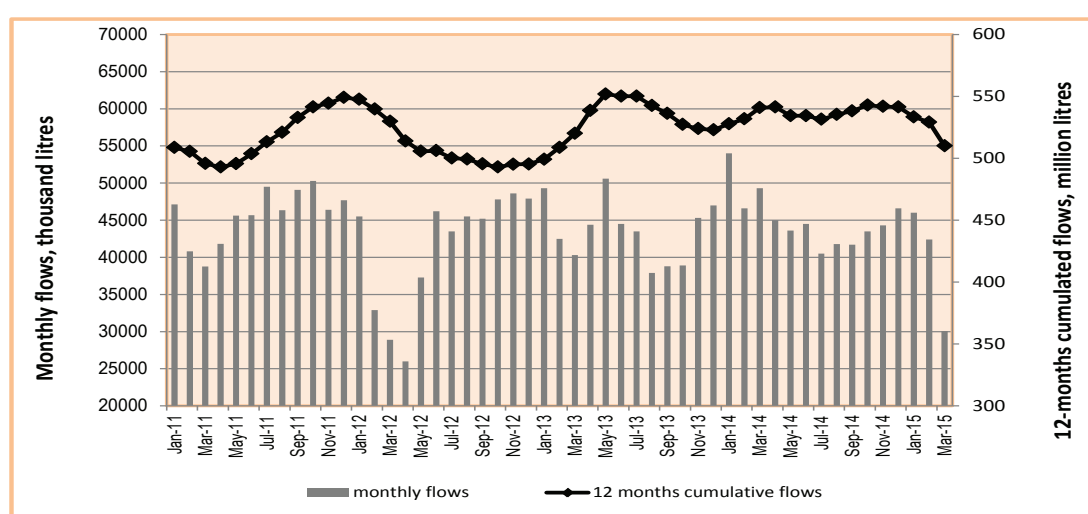


Source: Kenya Revenue Authority

**Coffee** Annual growth in coffee sales improved to 10.7 percent in the year to March 2015 compared with 9.7 percent contraction recorded in the year to March 2014. The average auction price for coffee increased by 36.1 percent, from Ksh 289.3 per kilogram in the year to March 2014 to Ksh 393.8 per kilogram in the year to March 2015. The price hike is attributed to improvement in quality.

**Dairy** The volume of milk intake in the formal sector in the year to March 2015 declined by 12.6 percent to 472 million litres in the year to March 2015 from 541 million litres recorded in the year to March 2014 (Chart 3D). The sharp drop in milk intake in March 2015 which pulled down the twelve month cumulative average to 472 million litres, the lowest volume since 2011, is attributed to dry weather conditions.

**CHART 3D: PROCESSED MILK (LITRES)**



Source: Kenya National Bureau of Statistics

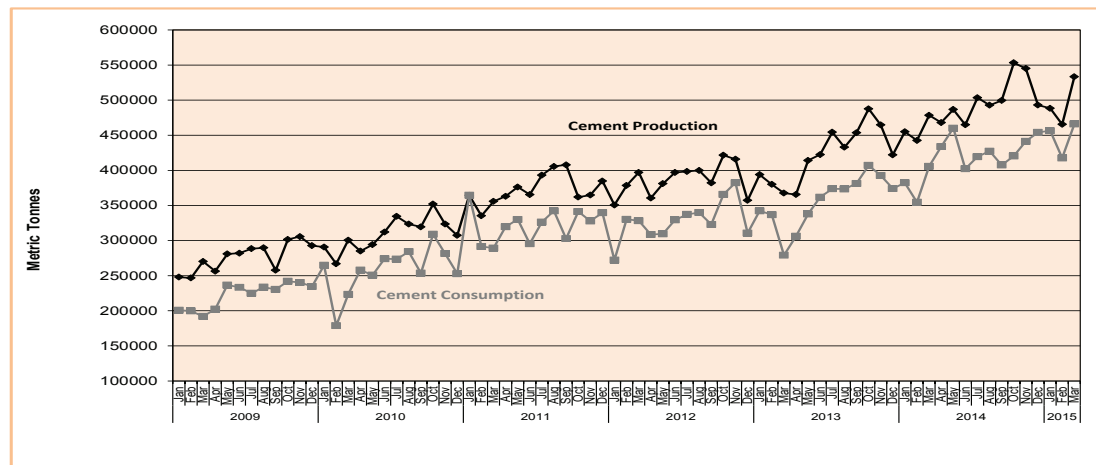
**Manufacturing** The manufacturing sector output, which accounted for 10.9 percent of the overall GDP growth in 2014, is estimated to have increased by 3.4 percent in 2014 compared with 5.6 percent growth in 2013. Available indicators of performance of manufacturing sector in the year to March 2015 (Table 3.3 and Chart 3E) show acceleration in production of cement, with the month of October 2014 recording the highest output. Monthly production rose through March 2015 due to increased demand.

**TABLE 3.3: PRODUCTION OF SELECTED MANUFACTURED GOODS**

	Annual Totals			Year to March 2014	Year to March 2015*
	2012	2013	2014*		
<b>Cement production</b>					
Output (MT)	4,639,723	5,059,129	5,882,537	5,292,806	5,968,697
Growth %	3.6%	9.0%	16.3%	13.7%	12.8%
<b>Assembled vehicles</b>					
Output (No.)	6,218	6,948	9,246	7,521	N/A
Growth %	2.8%	11.7%	33.1%	17.4%	
<b>Galvanized sheets</b>					
Output (MT)	255,815	306,099	284,509	293,331	N/A
Growth %	-4.6%	19.7%	-7.1%	10.1%	
<b>Processed sugar</b>					
Output (MT)	493,937	600,210	616,863	645,188	N/A
Growth %	4.0%	21.5%	2.8%	34.1%	
<b>Soft drinks</b>					
Output ('000 litres)	359,518	403,981	459,464	411,025	N/A
Growth %	-3.2%	12.4%	13.7%	11.9%	

MT = Metric tonnes  
N/A - data not available  
\* Provisional

Source: Kenya National Bureau of Statistics

**CHART 3E: CEMENT PRODUCTION AND CONSUMPTION**

Source: Kenya National Bureau of Statistics

## Energy Sector

Annual growth in local generation of electricity decreased to 6.1 percent in the year to March 2015 from 11.1 percent in the year to March 2014 (Table 3.4). The total amount of electricity generated in the year to March 2015 was 8,966 million kilowatt hours compared with 8,449 million kilowatt hours generated the year to March 2014. The supply in the year to March 2015 comprised 36.5 percent hydro-electricity, 39.4 percent geo-thermal power and 24.1 percent thermal power. The increase in the amount of electricity produced reflects accelerated generation of geo-thermal power by 86.4 percent in the year to March 2015 compared with 25.6 percent in the year to March 2014. Generation of hydro-electricity power contracted by 22.6 percent while that of thermal power contracted by 7.2 percent in the year to March 2015. Electricity consumption increased by 1.1 percent in the year to March 2015 compared with 0.7 percent in the year to March 2014. Meanwhile, the average price of murban crude oil declined from USD 109.3 per barrel in the year to March 2014 to USD 85.4 per barrel in the year to March 2015.

**TABLE 3.4: ENERGY SECTOR PERFORMANCE**

	2012	2013	2014*	Year to March 2014	Year to March 2015*
Electricity Supply (Generation)					
Output (million KWH)	7,544	8,217	8,889	8,449	8,966
Growth %	5.4%	8.9%	8.2%	11.1%	6.1%
<b>Of which:</b>					
Hydro-power Generation (million KWH)	4,032	4,387	3,411	4,225	3,269
Growth (%)	26.6%	8.8%	-22.2%	2.1%	-22.6%
Geo-Thermal Generation (million KWH)	1,522	1,781	2,917	1,899	3,540
Growth (%)	5.4%	17.0%	63.8%	25.6%	86.4%
Thermal (million KWH)	1,990	2,049	2,561	2,325	2,158
Growth (%)	-21.4%	3.0%	24.9%	20.3%	-7.2%
Consumption of electricity (million KWH)	6,270	6,552	7,406	6,686	6,757
Growth %	1.9%	4.5%	13.0%	0.7%	1.1%
Consumption of Fuels ('000 tonnes)	3,764	3,650	3,873	3,698	N/A
Growth %	6.2%	-3.0%	6.1%	-0.3%	
Murban crude oil average price (US \$ per barrel)	113.0	110.1	99.5	109.3	85.4
Growth %	2.1%	-2.5%	-9.7%	-1.5%	-21.9%

\* Provisional

N/A - data not available

Source: Kenya National Bureau of Statistics

**Tourism** The number of tourist arrivals declined by 27.7 percent in the year to March 2015 (Table 3.5) compared with a decline of 7.8 percent in the year to March 2014. The sustained decline is attributed to adverse travel advisories from source countries on account of insecurity concerns in Kenya. The ports of disembarkation for tourists remained Jomo Kenyatta International Airport Nairobi (88.6 percent share), and the Moi International Airport, Mombasa (11.4 percent share). But the Port of Mombasa recorded the steepest decline in tourist arrivals in the year to March 2015.

**TABLE 3.5: TOURIST ARRIVALS BY POINT OF ENTRY**

	2013	2014	Year to March 2014	Year to March 2015	Year to March 2015 % Share	Year to March 2015 % Growth
MIAM	189,654	117,796	153,555	89,515	11.4%	-41.7%
JKIA	912,998	743,600	929,124	693,001	88.6%	-25.4%
<b>TOTAL</b>	<b>1,102,652</b>	<b>861,396</b>	<b>1,082,679</b>	<b>782,516</b>	<b>100.0%</b>	<b>-27.7%</b>

Source: Kenya Tourist Board

**Transport** The total number of passengers (both incoming and outgoing) received at the Jomo Kenyatta International Airport, Nairobi (JKIA) declined by 1.3 percent in 2014, compared with a decline of 0.3 percent recorded in the previous year. The decline was reflected in both incoming and outgoing passengers (Table 3.6). Meanwhile, the volume of oil passed through the Kenya pipeline increased by 7.8 percent in the year to March 2015 compared with 7.7 percent growth in the year to March 2014.

**TABLE 3.6: THROUGHPUT IN SELECTED TRANSPORT FACILITIES**

	2012	2013	2014*	Year to March 2014	Year to March 2015*
<b>Number of Passengers thro' JKIA</b>					
Total passenger flows	4,302,244	4,290,349	4,232,523	4,268,193	N/A
Growth (%)	4.0%	-0.3%	-1.3%	-0.1%	
o.w. Incoming	2,148,105	2,144,002	2,102,886	2,132,594	N/A
Growth (%)	2.8%	-0.2%	-1.9%	-0.1%	
Outgoing	2,154,139	2,146,347	2,129,637	2,135,599	N/A
Growth %	5.3%	-0.4%	-0.8%	-0.2%	
<b>Kenya Pipeline Oil Throughput</b>					
Output ('000 litres)	4,855,573	5,181,609	5,625,626	5,301,867	5,715,437
Growth %	14.0%	6.7%	8.6%	7.7%	7.8%
<b>* Provisional</b>					

Source: Kenya National Bureau of Statistics

# DEVELOPMENTS IN THE BALANCE OF PAYMENTS AND EXCHANGE RATES

**Overview** The overall Balance of Payments surplus improved to USD 789 million in the year to April 2015 from a surplus of USD 772 million in the year to April 2014 (Table 4.1). The improvement reflects a relatively larger increase in the capital and financial account surplus compared to the widening of the current account deficit.

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

ITEM	Year to Apr 2014*	Year to April 2015*				Year to Apr 2015*	Change	% Change
		Q1 May-Jul	Q2 Aug-Oct	Q3 Nov-Jan	Q4 Feb-Apr			
1. OVERALL BALANCE	772	1376	-283	-227	-76	789	17.1	2.2
2. CURRENT ACCOUNT	-4590	-1408	-2220	-1375	-1079	-6082	-1491.6	32.5
2.1 Goods	-11109	-3274	-3843	-2950	-2465	-12533	-1423.1	12.8
Exports (fob)	5974	1573	1482	1403	1413	5871	-103.8	-1.7
Imports (cif)	17084	4847	5325	4353	3879	18403	1319.3	7.7
2.2 Services	6519	1865	1623	1575	1386	6450	-68.5	-1.1
Non-factor services (net)	3599	1004	701	868	774	3347	-251.9	-7.0
Income (net)	-305	-178	-130	-137	-155	-600	-294.2	96.3
Current Transfers (net)	3225	1039	1051	844	768	3703	477.5	14.8
3. CAPITAL & FINANCIAL ACCOUNT	5363	2784	1937	1147	1003	6872	1508.7	28.1
3.1 Capital Transfers (net)	80	10	5	4	25	44	-35.8	-44.9
3.2 Financial Account	5283	2774	1932	1143	978	6828	1544.5	29.2
memo:								
Gross Reserves	8594	10029	9400	9620	9806	9806	1212.0	14.1
Official	6765	8128	7839	7593	7509	7509	744.5	11.0
import cover**	4.4	5.1	4.6	4.5	4.5	4.5	0.1	1.6
import cover***	4.5	5.3	5.0	4.8	4.7	4.7	0.2	4.9
Commercial Banks	1829	1902	1561	2027	2296	2296	467.5	25.6

\* Provisional.

\*\* 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 worsened by USD 1,491.6 million to a deficit of USD 6,082 million in the year to April 2015 from a deficit USD 4,590 million in the year to April 2014. Measured in relation to GDP, the current account /GDP ratio increased to 9.98 percent in the year to April 2015 from 8.36 percent in the year to April 2014. The deterioration in value terms reflects a 12.8 percent worsening of the merchandise account deficit which fully offset the surplus in the services account (Table 4.2).

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

ITEM	Year to Apr 2014*	Year to April 2015*				Year to Apr 2015*	Change	% Change
		Q1 May-Jul	Q2 Aug-Oct	Q3 Nov-Jan	Q4 Feb-Apr			
2. CURRENT ACCOUNT	-4590	-1408	-2220	-1375	-1079	-6082	-1491.6	32.5
2.1 Goods	-11109	-3274	-3843	-2950	-2465	-12533	-1423.1	12.8
Exports (fob)	5974	1573	1482	1403	1413	5871	-103.8	-1.7
Coffee	201	75	55	47	57	235	34.4	17.2
Tea	1141	269	255	270	275	1069	-72.5	-6.4
Horticulture	764	209	197	181	189	776	12.2	1.6
Oil products	48	7	25	22	16	70	22.4	47.0
Manufactured Goods	687	127	156	127	129	539	-148.0	-21.5
Raw Materials	424	117	107	107	117	448	23.9	5.6
Chemicals and Related Products (n.e.s)	466	104	119	99	103	425	-40.7	-8.7
Miscellaneous Man. Articles	614	155	165	154	142	615	0.9	0.1
Re-exports	719	267	151	169	184	771	52.0	7.2
Other	911	243	251	227	202	923	11.5	1.3
Imports (cif)	17084	4847	5325	4353	3879	18403	1319.3	7.7
Oil	3766	1105	1024	779	585	3493	-273.4	-7.3
Chemicals	2327	573	583	688	607	2451	123.8	5.3
Manufactured Goods	2615	665	698	670	700	2732	117.6	4.5
Machinery & Transport Equipment	4681	1557	2057	1321	1207	6142	1461.1	31.2
Other	3575	927	883	789	734	3334	-240.7	-6.7
2.2 Services	6519	1865	1623	1575	1386	6450	-68.5	-1.1
Non-factor services (net)	3599	1004	701	868	774	3347	-251.9	-7.0
Non-factor services (credit)	4942	1349	1179	1298	1251	5077	134.6	2.7
of which transport	2179	592	556	518	496	2161	-17.9	-0.8
of which tourism (Travel)	835	212	208	211	160	790	-44.9	-5.4
Other services account: gov't	956	246	177	242	231	897	-58.9	-6.2
Other services account: private	972	299	237	327	364	1228	256.3	26.4
Income (net)	-305	-178	-130	-137	-155	-600	-294.2	96.3
of which official interest	-111	-85	-44	-95	-199	-423	-312.5	282.5
Current Transfers (net)	3225	1039	1051	844	768	3703	477.5	14.8
Private (net)	2986	958	969	762	683	3371	385.6	12.9
of which Remittances	1331	353	377	359	374	1463	131.5	9.9
Public (net)	239	82	82	83	85	331	91.9	38.4

\* Provisional.

Source: Central Bank of Kenya



**Merchandise Account** The deficit in the merchandise account widened by USD 1,423.1 million to USD 12,533 million in the year to April 2015 reflecting growth (7.7 percent) in the value of merchandise imports and decrease in the value of merchandise exports (1.7 percent) (Table 4.2).

**Imports** The value of merchandise imports increased by USD 1,319.3 million to USD 18,403 million in the year to April 2015, reflecting increase in imports of chemicals, manufactured goods and machinery and transport equipment. Imports of machinery and transport equipment increased by 31.2 percent largely in the industrial and transport equipment component while oil imports decreased by 7.3 percent largely on account of a decline in payments for kerosene, diesel oil and gas mainly on account of favourable oil prices and a reduction in import quantities.

Kenya sourced most of her imports from China (17 percent), India (16 percent) and the European Union (13 percent). Imports from Africa, which accounted for 9 percent of total imports declined marginally to USD 1,634 million (Table 4.3).

**Exports** The value of merchandise exports decreased by USD 103.8 million to USD 5,871 million in the year to April 2015 reflecting decreased earnings from tea, manufactured goods and chemicals and related products. However, receipts from coffee, horticulture, oil products, raw materials, miscellaneous manufactured articles, re-exports and other exports increased. The decline in receipts from tea exports was attributed to a decline in the price of tea.

The value and share of Kenya's exports to Africa declined in the year to April 2015 (Table 4.3) largely reflecting decrease in share of exports to the EAC (Uganda, Tanzania and Rwanda) and to the COMESA region. The decline in the share of the EAC countries is largely attributed to a decline in cement exports to Uganda. However, exports to the rest of the world, and in particular to the European Union, the USA and Pakistan increased.

TABLE 4.3: KENYA'S DIRECTION OF TRADE

IMPORTS (in millions of US dollars)				Share of Imports (%)			EXPORTS (in millions of US dollars)				Share of Exports (%)		
Country	Year to April			Year to April			Country	Year to April			Year to April		
	2013	2014	2015	2013	2014	2015		2013	2014	2015	2013	2014	2015
<b>Africa</b>	<b>1,683</b>	<b>1,726</b>	<b>1,634</b>	<b>10</b>	<b>10</b>	<b>9</b>	<b>Africa</b>	<b>2,911</b>	<b>2,720</b>	<b>2,493</b>	<b>47</b>	<b>46</b>	<b>42</b>
<i>Of which</i>							<i>Of which</i>						
South Africa	735	872	645	4	5	4	Uganda	799	745	578	13	12	10
Egypt	358	276	292	2	2	2	Tanzania	525	485	412	9	8	7
Others	589	578	697	3	3	4	Egypt	238	190	191	4	3	3
<b>EAC</b>	<b>356</b>	<b>332</b>	<b>471</b>	<b>2</b>	<b>2</b>	<b>3</b>	Sudan	67	72	72	1	1	1
<b>COMESA</b>	<b>735</b>	<b>633</b>	<b>733</b>	<b>4</b>	<b>4</b>	<b>4</b>	South Sudan	230	195	205	4	3	3
<b>Rest of the World</b>	<b>15,490</b>	<b>15,357</b>	<b>16,769</b>	<b>90</b>	<b>90</b>	<b>91</b>	Somalia	216	192	132	4	3	2
<i>Of which</i>							DRC	225	211	235	4	4	4
India	2,506	3,132	2,906	15	18	16	Rwanda	182	167	145	3	3	2
United Arab Emirates	1,760	1,133	1,022	10	7	6	Others	430	463	521	7	8	9
China	2,002	2,237	3,100	12	13	17	<b>EAC</b>	<b>1,567</b>	<b>1,465</b>	<b>1,222</b>	<b>26</b>	<b>25</b>	<b>21</b>
Japan	828	1,003	954	5	6	5	<b>COMESA</b>	<b>1,832</b>	<b>1,700</b>	<b>1,563</b>	<b>30</b>	<b>28</b>	<b>27</b>
USA	767	735	1,945	4	4	11	<b>Rest of the World</b>	<b>3,231</b>	<b>3,254</b>	<b>3,378</b>	<b>53</b>	<b>54</b>	<b>58</b>
United Kingdom	567	565	482	3	3	3	<i>Of which</i>						
Singapore	215	156	170	1	1	1	United Kingdom	486	428	407	8	7	7
Germany	485	497	496	3	3	3	Netherlands	373	413	446	6	7	8
Saudi Arabia	658	485	699	4	3	4	USA	330	370	428	5	6	7
Indonesia	583	538	524	3	3	3	Pakistan	278	243	264	5	4	5
Netherlands	221	269	214	1	2	1	United Arab Emirates	365	278	212	6	5	4
France	301	242	241	2	1	1	Germany	110	108	130	2	2	2
Bahrain	435	435	234	3	3	1	India	97	106	88	2	2	2
Italy	249	233	239	1	1	1	Afghanistan	139	165	123	2	3	2
Others	3,915	3,696	3,544	23	22	19	Others	1,052	1,143	1,279	17	19	22
<b>Total</b>	<b>17,173</b>	<b>17,084</b>	<b>18,403</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>Total</b>	<b>6,142</b>	<b>5,974</b>	<b>5,871</b>	<b>100</b>	<b>100</b>	<b>100</b>
<b>EU</b>	<b>2,479</b>	<b>2,480</b>	<b>2,442</b>	<b>14</b>	<b>15</b>	<b>13</b>	<b>EU</b>	<b>1,260</b>	<b>1,285</b>	<b>1,339</b>	<b>21</b>	<b>22</b>	<b>23</b>
<b>China</b>	<b>2,002</b>	<b>2,237</b>	<b>3,100</b>	<b>12</b>	<b>13</b>	<b>17</b>	<b>China</b>	<b>59</b>	<b>59</b>	<b>77</b>	<b>1</b>	<b>1</b>	<b>1</b>

Source: Kenya Revenue Authority

The trends in market shares by source and destination showed mixed performance in the year to April 2015. The share of Kenya's imports from the European Union decreased marginally to 13 percent while that from China increased to 17 percent from 13 percent in the twelve months to April 2014. However, the share of exports to China stabilised at 1 percent while to the European Union, the share of exports increased to 23 percent from 22 percent in the year to April 2014. The share of other exports to the rest of the world increased to 22 percent from 19 percent previously. The expansion is attributed to increased demand from other countries within the European Union (in addition to the Netherlands and Germany).

### Services Account

The surplus in the services account recorded USD 68.5 million or 1.1 percent decline, to USD 6,450 million in the year to April 2015 from USD 6,519 million in the year to April 2014. The deterioration reflects mainly in receipts from transport (0.8 percent), tourism (5.4 percent) and other government services (6.2 percent). Receipts from other private services (insurance services; royalties and licence fees) however increased by 26.4 percent. The deficit in the income account worsened by USD 294.2 million while the surplus in the current transfers account increased by USD 477.5 million. Remittance inflows (under private transfers) increased by USD 131.5 million to USD 1,463 million during the year to April 2015 (Table 4.2). Remittance inflows were resilient with the 12 month average to April 2015 increasing to USD 121.9 million from an average of USD 110.9 million in the year to April 2014.

### Capital and Financial Account

The capital and financial account surplus at USD 6,872 million in the year to April 2015 was 28.1 percent larger compared to USD 5,363 million in the year to April 2014. The improvement largely reflects 29.2 percent rise in the financial account surplus mainly on the back of an increase in official and private medium to long-term flows.

Official medium and long-term financial inflows improved by USD 4,082.5 million in the year to April 2015 and this was attributed to issuance of the Euro bond amounting to USD 2 billion in June 2014 and a tap sale on the same bond in December 2014 which brought in an additional USD 750 million. However, outflows under this component were substantial and partially offsetting at USD 1,455 million with the increase in outflows reflecting loan repayments including repayment of the USD 600 million syndicated loan.

Private medium and long term financial flows increased by USD 820.5 million to USD 1,221 million from USD 400 million in the year to April 2014, with the increase largely driven by receipts from private loans. Commercial bank flows however, declined from USD 370 million in the year to April 2014 to USD 341 million in the year to April 2015 reflecting build-up of foreign assets in two components: deposits and loans advanced to non-residents.

Short term flows (including net errors and omissions) decreased by USD 1,903.6 million during the period under review.

**TABLE 4.4.: BALANCE ON CAPITAL AND FINANCIAL ACCOUNT (USD M)**

ITEM	Year to Apr 2014*	Year to April 2015*				Year to Apr 2015*	Change	% Change
		Q1 May-Jul	Q2 Aug-Oct	Q3 Nov-Jan	Q4 Feb-Apr			
<b>3. CAPITAL &amp; FINANCIAL ACCOUNT</b>	<b>5363</b>	<b>2784</b>	<b>1937</b>	<b>1147</b>	<b>1003</b>	<b>6872</b>	<b>1508.7</b>	<b>28.1</b>
3.1 Capital Transfers (net)	80	10	5	4	25	44	-35.8	-44.9
3.2 Financial Account	5283	2774	1932	1143	978	6828	1544.5	29.2
Official, medium & long-term	658	1120	70	719	1377	3286	2627.5	399.1
Inflows	1000	2192	207	1088	1595	5083	4082.5	408.3
Outflows	-342	-1073	-137	-369	-218	-1797	-1455.0	425.9
Private, medium & long-term (net)	400	386	676	19	141	1221	820.5	205.1
Commercial Banks (net)	370	54	537	-257	8	341	-29.1	-7.9
Other private medium & long-term (net)	30	332	138	276	133	879	849.7	2873.1
Short-term (net) incl. errors & omissions	4225	1269	1186	405	-540	2321	-1903.6	-45.1

\* Provisional.

Source: Central Bank of Kenya

## Foreign Exchange Reserves

The banking system's total foreign exchange holdings increased by 14.1 percent to USD 9,806 million in April 2015 from USD 8,594 million in April 2014. Official reserves held by the Central Bank constituted the bulk of gross reserves and increased to USD 7,509 million (4.7 months of import cover) at the end of April 2015 from USD 6,765 million (4.5 months of import cover) at the end of April 2014. The build-up in foreign exchange reserves during the period was largely attributed to proceeds from the sale of the Eurobond in June 2014 and the associated tap sale in December 2014.

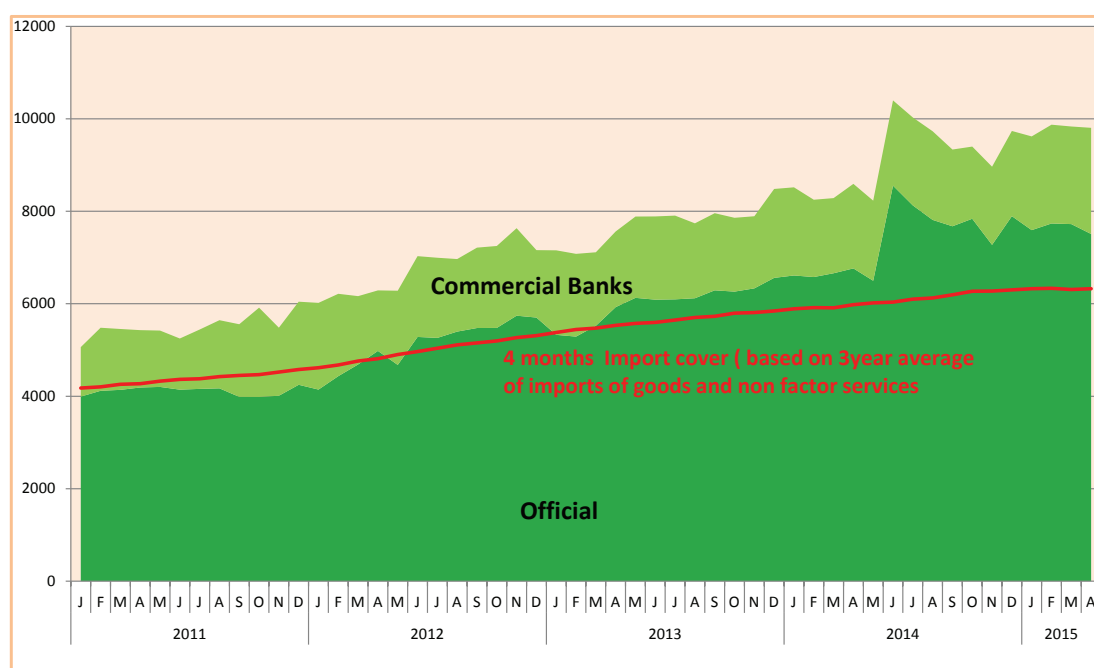
Foreign exchange reserves held by Commercial Banks increased to USD 2,296 million at the end of April 2015 from USD 1,829 million at the end of April 2014. During the same period, residents' foreign currency deposits increased to USD 4,412 million from USD 3,833 million (Table 4.5). s of goods and non-factor services

**TABLE 4.5: FOREIGN EXCHANGE RESERVES AND RESIDENTS' FOREIGN CURRENCY DEPOSITS (END OF PERIOD, USD MILLION)**

	Apr 14	May 14	Jun 14	Jul 14	Aug 14	Sep 14	Oct 14	Nov 14	Dec 14	Jan 15	Feb 15	Mar 15	Apr 15
<b>Gross Reserves</b>	<b>8,594</b>	<b>8,230</b>	<b>10,399</b>	<b>10,029</b>	<b>9,731</b>	<b>9,336</b>	<b>9,400</b>	<b>8,964</b>	<b>9,738</b>	<b>9,620</b>	<b>9,873</b>	<b>9,834</b>	<b>9,806</b>
of which:													
Official	6,765	6,498	8,555	8,128	7,814	7,676	7,839	7,274	7,895	7,593	7,737	7,723	7,509
import cover**	4.5	4.3	5.7	5.3	5.1	5.0	5.0	4.6	5.0	4.8	4.9	4.9	4.7
Commercial Banks	1,829	1,732	1,844	1,902	1,917	1,659	1,561	1,691	1,843	2,027	2,137	2,111	2,296
<b>Residents' foreign currency deposits</b>	<b>3,833</b>	<b>3,805</b>	<b>3,776</b>	<b>4,084</b>	<b>4,292</b>	<b>4,148</b>	<b>4,101</b>	<b>4,037</b>	<b>4,080</b>	<b>4,243</b>	<b>4,396</b>	<b>4,154</b>	<b>4,412</b>

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

Source: Central Bank of Kenya

**CHART 4A: FOREIGN EXCHANGE RESERVES (USD MILLION)**

Source: Central Bank of Kenya

### Exchange Rates

The Kenya Shilling depreciated by 1.86 percent against the US Dollar, 1.53 percent against the Pound Sterling, 1.31 percent against the Euro and 2.56 percent against the Japanese Yen in April 2015. The performance of the Shilling against major world currencies is a reflection of international and local developments (the strengthening of US Dollar against major world currencies and local high dollar demand from importers).

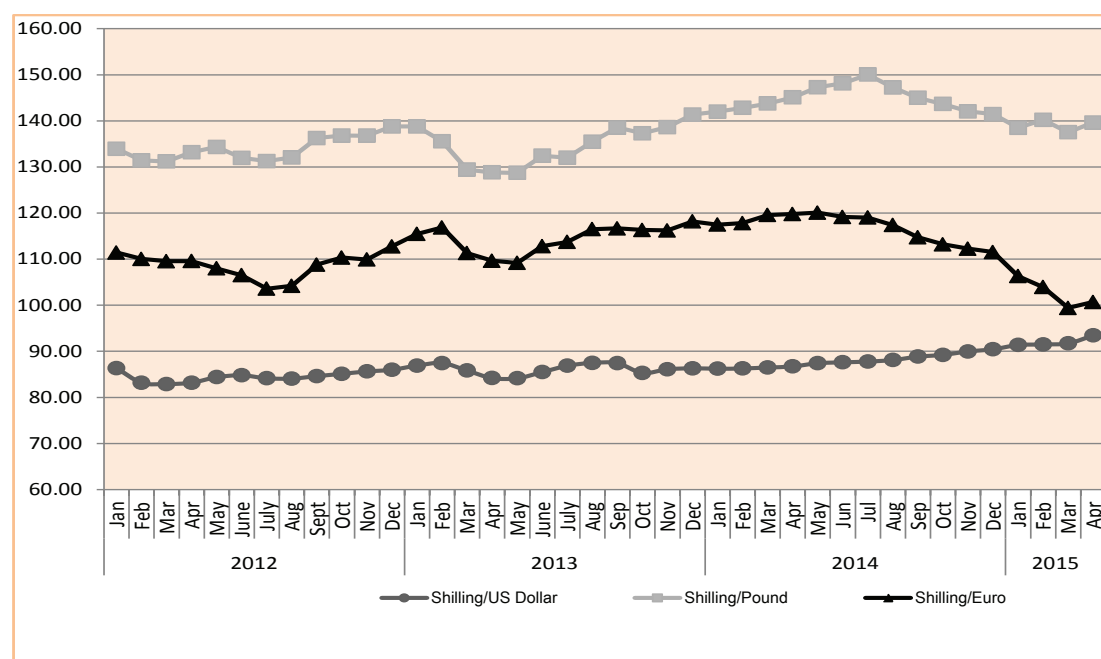
In the EAC region, the Kenya shilling strengthened against the Tanzania Shilling, but weakened against the Uganda Shilling as well as the Rwanda and Burundi Francs during the review period (Table 4.6 and Chart 4D).

**TABLE 4.6: KENYA SHILLING EXCHANGE RATE**

	2014					2015				% change March-April 2015
	August	September	October	November	December	January	February	March	April	
US Dollar	88.11	88.84	89.23	89.96	90.44	91.36	91.49	91.73	93.44	1.86
Pound Sterling	147.24	144.99	143.66	142.05	141.45	138.49	140.21	137.51	139.62	1.53
Euro	117.40	114.74	113.21	112.28	111.52	106.32	103.94	99.40	100.71	1.31
100 Japanese Yen	85.63	82.90	82.62	77.53	75.79	77.19	77.17	76.22	78.18	2.56
Indian Rupee	29.66	29.47	30.03	30.37	30.62	31.29	31.36	32.19	32.04	-0.45
South African Rand	18.89	18.78	18.96	19.16	19.11	19.39	19.92	20.09	20.28	0.99
Swiss Franc*	7.82	7.75	7.72	7.66	7.62	7.53	7.52	7.56	7.37	-2.46
French Franc*	17.57	17.43	17.47	17.39	17.28	17.14	17.12	17.05	16.72	-1.93

Units of currency per Kenya Shilling

Source: Central Bank of Kenya

**CHART 4B: KENYA SHILLING EXCHANGE RATE**

Source: Central Bank of Kenya

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## DEVELOPMENTS IN THE BANKING SECTOR

<b>Overview</b>	As at April 30, 2015, the Kenyan banking sector comprised 43 commercial banks, 1 mortgage finance company, 11 microfinance banks, 8 representative offices of foreign banks, 86 foreign exchange bureaus, 14 money remittance providers and 2 credit reference bureaus.
<b>Structure of the Balance Sheet</b>	The banking sector balance sheet expanded by 20.3 per cent in the year to April 2015 from Ksh 2,873.1 billion as at April 30, 2014 to Ksh 3,455.7 billion as at April 30, 2015. The main components of the balance sheet on the assets side were loans and advances, government securities and placements, which accounted for 57.6 percent, 21.7 percent and 5.8 percent of total assets, respectively.
<b>Loans &amp; Advances</b>	Gross loans and advances extended by the banking sector rose by 19.7 percent from Ksh 1,728 billion in April 2014 to Ksh 2,068.8 billion in April 2015. The growth is attributable to increased lending to financial services, transport and communication, energy and water and real estate sectors. Loans and advances net of provisions stood at Ksh 2,044.1 billion in April 2015, an increase of 19.6 percent from Ksh 1,709.7 billion in April 2014.
<b>Deposit Liabilities</b>	Customer deposits, which form the major source of funding for the banking sector, accounted for 71.1 percent of total liabilities as at April 30, 2015. The deposit base expanded by 17.6 percent from Ksh 2,089.3 billion in April 2014 to Ksh 2,456 billion in April 2015, driven largely by aggressive mobilization of deposits by banks, higher inbound remittances from the diaspora and increased receipts from exports.
<b>Capital &amp; Reserves</b>	The banking sector registered enhanced capital levels in April 2015 with total shareholders' funds growing by 16.5 percent from Ksh 461.1 billion in April 2014 to Ksh 537 billion in April 2015. Core capital and total capital increased from Ksh 370.8 billion and Ksh 432.6 billion to Ksh 447 billion and Ksh 530.1 billion, respectively over the same period. The ratio of core capital to total risk-weighted assets increased from 15.5 percent in April 2014 to 16.2 percent in April 2015, while the ratio of total capital to total risk-weighted assets increased from 18.1 per cent in April 2014 to 19.2 percent in April 2015. The increase in capital is attributable to both private and public issuance of new equity by banks as well as higher retention of earnings.
<b>Non-performing Loans</b>	<p>The value of gross non-performing loans (NPLs) grew by 22.2 percent from Ksh 97.9 billion in April 2014 to Ksh 119.6 billion in April 2015. However, the ratio of gross NPLs to gross loans was unchanged at 5.7 percent in April 2015 compared to April 2014. On the other hand, the coverage ratio, measured as a percentage of specific provisions to total NPLs, increased from 37.2 percent as at April 2014 to 41.3 percent as at April 2015.</p> <p>Asset quality, measured as a proportion of net non-performing loans to gross loans, decreased from 2.9 per cent in April 2014 to 2.7 percent in April 2015. The table below presents key indicators of asset quality in the banking sector as at the end of April 2014 and April 2015:</p>



**TABLE 5.1: NON-PERFORMING LOANS & PROVISIONS AMONG BANKS IN KENYA  
(KSH BILLION)**

		<b>14-Apr</b>	<b>15-Apr</b>
1	Gross loans and advances (Kshs. Bn)	1,728.0	2,068.8
2	Interest in Suspense (Kshs. Bn)	18.3	24.6
3	Loans and advances (net of interest suspended) (Kshs. Bn)	1,709.7	2,044.1
4	Gross non-performing loans (Kshs. Bn)	97.9	119.6
5	Specific Provisions (Kshs. Bn)	29.6	39.2
6	General Provisions (Kshs. Bn)	14.0	13.9
7	Total Provisions (5+6) (Kshs. Bn)	43.6	53.1
8	Net Advances (3-7) (Kshs. Bn)	1,665.4	1,990.9
9	Total Non-Performing Loans and Advances (4-2) (Kshs. Bn)	79.6	95.0
10	Net Non-Performing Loans and Advances (9-5) (Kshs. Bn)	50.0	55.7
11	Total NPLs as % of total advances (9/3)	4.7%	4.6%
12	Net NPLs as % of gross advances (10/1)	2.9%	2.7%
13	Specific Provisions as % of Total NPLs (5/9)	37.2%	42.5%

Source: Central Bank of Kenya

**Profitability** In the first four months of 2015, the banking sector posted pre-tax profits of Ksh 49.1 billion, an increase of 12.22 per cent over the Ksh 43.8 billion reported in the corresponding period of the previous year. The sector's overall Return on Assets decreased to 3.3 percent in the four months to April 2015 from 3.7 percent in the period to April 2014. On the other hand, return on equity decreased marginally to 27.4 per cent in the four months to April 2015 from 28.5 per cent in the corresponding period of the previous year.

Total revenue reported in the period to April 30, 2015 amounted to Ksh 147 billion, a 14.1 per cent increase from the Ksh 128.8 billion reported in the period to April 30, 2014. Total expenses increased by 15.1 percent from Ksh 85 billion in the four months to April 2015 to Ksh 97.8 billion as at April 2015. Interest on loans and advances, fees and commissions, and interest on government securities were the major sources of revenue in the period, accounting for 61 percent, 16.5 percent and 15.6 percent, respectively of total revenue. On the expenses side, interest on deposits, staff costs and other expenses were the largest expense components, accounting for 34.8 percent, 27.1 percent and 22.2 percent, respectively of total operating costs.

**Liquidity Ratio Requirement** As at the end of April 2015, average liquid assets amounted to Ksh 966 billion, while total short-term liabilities stood at Ksh. 2,405.3 billion, yielding an average liquidity ratio of 40.2 percent, compared to 39.2 percent recorded as at end of April 2014.

**Cash Ratio Requirement** The proportion of cash to deposit liabilities held at the Central Bank by commercial banks for reserve requirements averaged 5.22 percent in April 2015 compared to 5.28 percent in March 2015, and was within the 5.25 percent minimum statutory level (Table 5.2 and Chart 5A). Commercial banks maintained an average deficit of KSh 0.65billion above the 5.25 percent monthly average cash reserve requirement at the Central Bank in April 2015 compared with KSh 0.7 billion in March 2015. Commercial banks are required to maintain a Cash Reserve Ratio (CRR) monthly average of 5.25 percent in the 30 day maintenance cycle from 15<sup>th</sup> through 14<sup>th</sup> of every month, but subject to a daily minimum of 3.0 percent.



Both Commercial banks and nonbank financial institutions also observed strong liquidity positions in April 2015, at 40.4 percent and 26.2 percent respectively, in relation to the 20 percent minimum requirement.

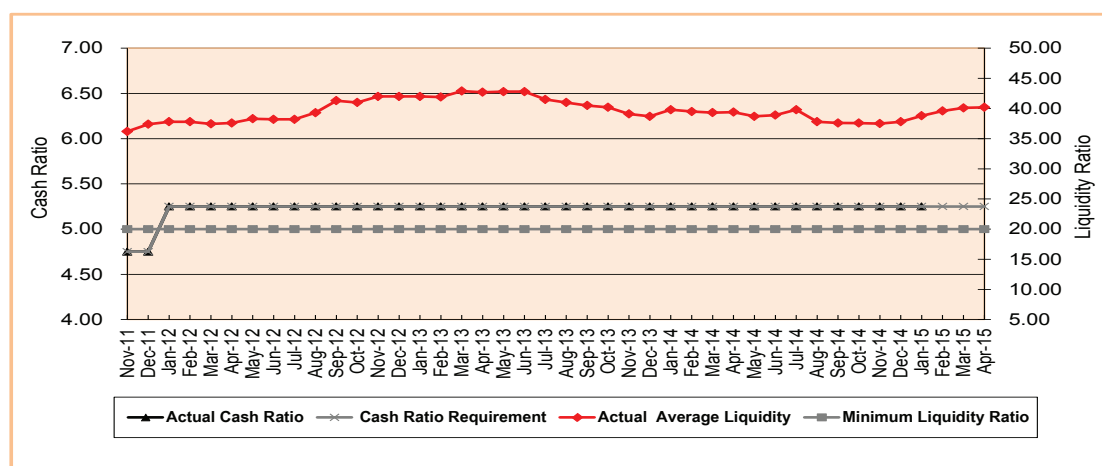
**TABLE 5.2 : CASH AND LIQUIDITY RATIOS\* (%)**

	2014										2015			
	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec		Jan	Feb	Mar	Apr
<b>Commercial Banks</b>														
Actual Average Liquidity	39.40	38.70	38.90	39.80	37.80	37.60	37.58	37.50	37.80		38.80	39.60	40.10	40.40
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	5.44	5.61	5.88	5.35	5.58	5.73	5.51	5.79	5.58		5.37	5.88	5.28	5.22
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
<b>NBFIs</b>														
Actual Average Liquidity Ratio	29.90	26.50	27.80	29.70	26.30	26.10	25.19	25.30	27.80		26.70	22.90	24.90	26.20
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

\* Monthly average liquidity and cash ratios

Source: Central Bank of Kenya

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



Source: Central Bank of Kenya

### KEPSS Kenya Shillings Flows

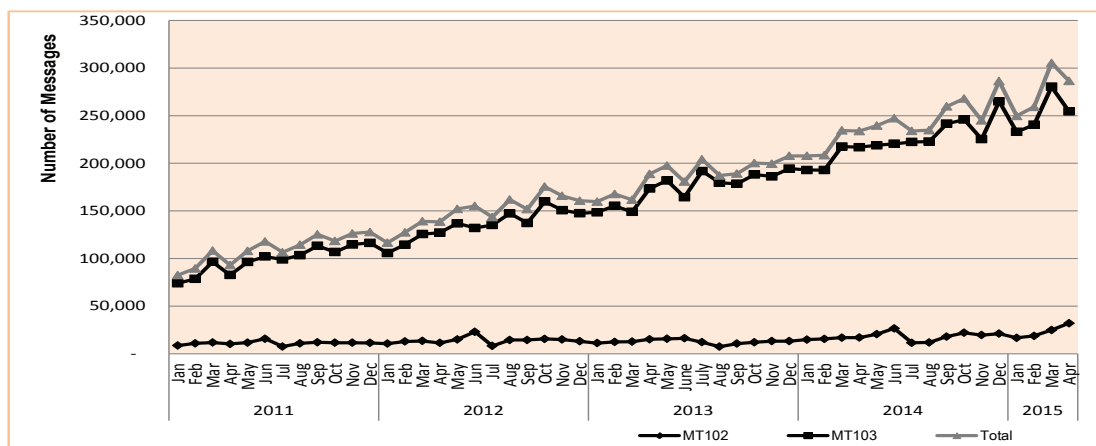
Kenya Electronic Payments and Settlement System (KEPSS) moved a volume of 245,227 transaction messages worth Ksh 2,330 billion in April 2015 compared with a volume of 258,357 transaction messages valued at Ksh 2,414 billion moved in March 2015. This represents a decline of 3.48 percent and a decrease of 5.08 percent in value and volume, respectively. Compared to April 2014, the volume increased by 22.52 percent from 200,151 transaction messages to 245,227 transaction messages in April 2015 while value increased by 13.84 percent from Ksh 2,047 billion to Ksh 2,330 billion, indicating increased uptake of KEPSS services by the public.

The value moved during the twelve months period to April 30, 2015 averaged Ksh 11 million per transaction. On average, 11,078 transaction messages with an average value of approximately Ksh 106 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	94,381	8,397
Dec-13	1,905	30	180,926	0.01	18	105,811	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

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 increased by 28.54 percent from 24,952 transaction messages in March 2015 to 32,074 transaction messages in April 2015. Compared with April 2014, MT 102 messages increased by 88.46 percent from 17,019 transaction messages to 32,074 transaction messages in April 2015.

Single third party Message Type (MT 103) used for single credit transfers decreased by 9.25 percent from 280,360 transaction messages to 254,422 transaction messages in the same period. MT 103 messages increased by 17.34 percent from 216,820 transaction messages to 254,422 transaction messages.

Overall, total third party messages through KEPSS decreased by 6.16 percent from 305,312 transaction messages in March 2015 to 286,496 transaction messages in April 2015. (Table 5.4 and Chart 5C).

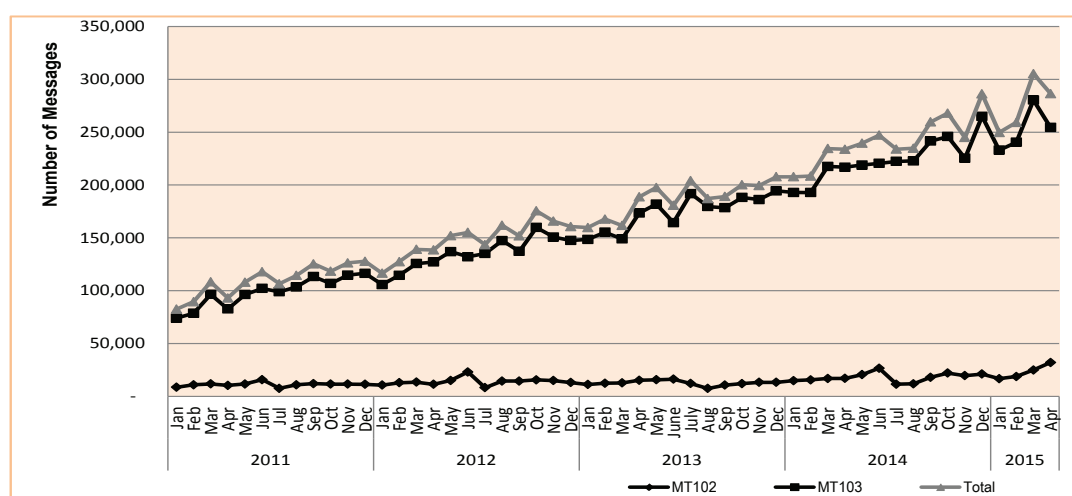
Inter-bank transfers (MT 202) accounted for 45 percent of the total value moved through KEPSS as at end of April 2015 while third party (MT 102 and MT 103) messages accounted for 55 percent.

**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

Source: Central Bank of Kenya

**CHART 5C: TRENDS IN MT102 AND MT103 THROUGH KEPSS**

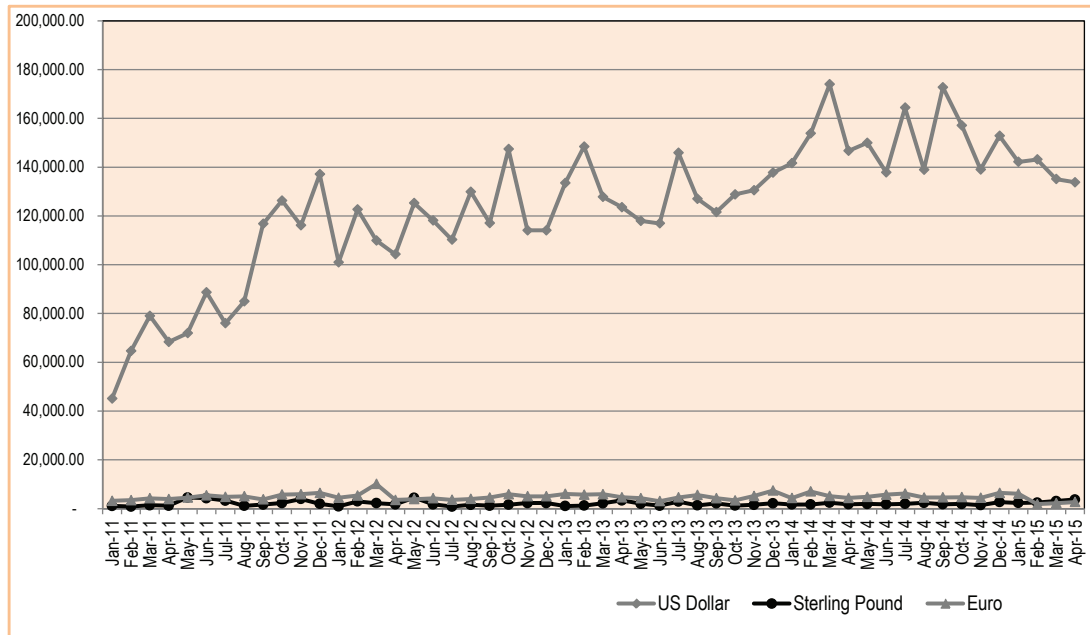


Source: Central Bank of Kenya

**Domestic Foreign Currency** Domestic Foreign Currency messages through KEPSS increased by 2.96 percent from 17,214 transaction messages in March 2015 to 17,724 transaction messages in April 2015. The corresponding value in Kenya Shillings equivalent moved in this period decreased by 0.15 percent from Ksh 140.46 billion to Ksh 140.24 billion. The US dollar denominated transactions accounted for 95.41 percent of the value moved (Chart 5D) while the Sterling Pound and the Euro accounted for 2.67 percent and 1.92 percent, respectively. The US dollar denominated transactions have maintained a downward trend (pressure) since November 2014 on account of the weakening Kenyan shilling thus there are less flows to United States to purchase the securities resulting to trade

imbalance.

**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 ten months of the FY 2014/15 resulted in a deficit of Ksh 375.5 billion (7 percent of GDP) on both commitment and cash basis compared with a deficit of Ksh 175.4 billion (3.3 percent of GDP) incurred in the same period of the FY 2013/14. This exceeded the Ksh 313.4 billion (5.8 percent of GDP) programmed target for the period owing to higher-than-projected absorption of development budget allocation to the Standard Gauge Railway project and lower-than-projected revenue collection.

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

	FY 2013/14	FY 2014/15		
	Apr Actual	Apr Provisional	Target	Over (+) / below(-) Target
<b>1. TOTAL REVENUE &amp; GRANTS</b>	<b>795.7</b>	<b>888.8</b>	<b>1009.6</b>	<b>-120.8</b>
Revenue	779.0	865.4	959.8	-94.5
Tax Revenue	705.8	794.7	851.9	-57.1
Non Tax Revenue	47.3	27.8	29.1	-1.3
Appropriations-in-Aid	25.9	42.8	78.9	-36.0
External Grants	16.7	23.4	49.8	-26.4
<b>2. TOTAL EXPENSES &amp; NET LENDING</b>	<b>971.1</b>	<b>1264.3</b>	<b>1323.0</b>	<b>-58.7</b>
Recurrent Expenses	633.0	692.9	723.3	-30.4
Development Expenses	213.3	399.1	406.5	-7.4
County Transfers	124.8	172.3	188.2	-15.9
Others	0.0	0.0	5.0	-5.0
<b>3. DEFICIT ON A COMMITMENT BASIS (1-2)</b>	<b>-175.4</b>	<b>-375.5</b>	<b>-313.4</b>	<b>-62.1</b>
As percent of GDP	-3.3	-7.0	-5.8	-1.2
<b>4. ADJUSTMENT TO CASH BASIS</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<b>5. DEFICIT ON A CASH BASIS</b>	<b>-175.4</b>	<b>-375.5</b>	<b>-313.4</b>	<b>-62.1</b>
As percent of GDP	-4.6	-7.0	-5.8	-1.2
<b>6. DISCREPANCY: Expenditure (+) / Revenue (-)</b>	<b>35.9</b>	<b>-1.8</b>	<b>0.0</b>	<b>-1.8</b>
<b>7. FINANCING</b>	<b>211.3</b>	<b>373.7</b>	<b>313.4</b>	<b>60.3</b>
Domestic (Net)	178.3	52.8	162.7	-109.9
External (Net)	33.0	178.3	150.8	27.5
Capital Receipts (privatisation)	0.0	0.0	0.0	0.0
Others(Euro Bond sale proceeds)	0.0	142.7	0.0	142.7
Financing gap	0.0	0.0	0.0	0.0

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

### Revenue

Total government revenues and grants increased by Ksh 93 billion to Ksh 888.8 billion during the first ten months of the FY 2014/15, from Ksh 795.7 billion collected during a similar period of the FY 2013/14 (Table 6.2). During the period under review, receipts from tax revenue, nontax revenue, external grants and appropriations-in-aid were below their respective targets by Ksh 57.1 billion, Ksh 1.3 billion, Ksh 26.4 billion and Ksh 36 billion (Table 6.1). Tax revenues accounted for 91.8 percent of the total revenue.

**TABLE 6.2: COMPOSITION OF GOVERNMENT REVENUE (Ksh billion)**

	Apr-14 Ksh bn	Apr-15 Ksh bn	Change
<b>1. Revenue (2+3+4)</b>	<b>779.0</b>	<b>865.4</b>	<b>86.3</b>
<b>2. Tax Revenue</b>	<b>705.8</b>	<b>794.7</b>	<b>88.9</b>
Income Tax	351.6	398.1	46.5
Value Added Tax	188.1	210.9	22.8
Import Duty	76.9	59.2	-17.7
Excise Duty	81.1	94.4	13.3
Others	8.1	32.2	24.1
<b>3. Appropriations-in-Aid</b>	<b>25.91</b>	<b>42.8</b>	<b>16.9</b>
<b>4. Other Revenue</b>	<b>47.3</b>	<b>27.8</b>	<b>-19.5</b>
<b>5. External Grants</b>	<b>16.7</b>	<b>23.4</b>	<b>6.7</b>
<b>TOTAL RECEIPTS (1+5)</b>	<b>795.7</b>	<b>888.8</b>	<b>93.0</b>

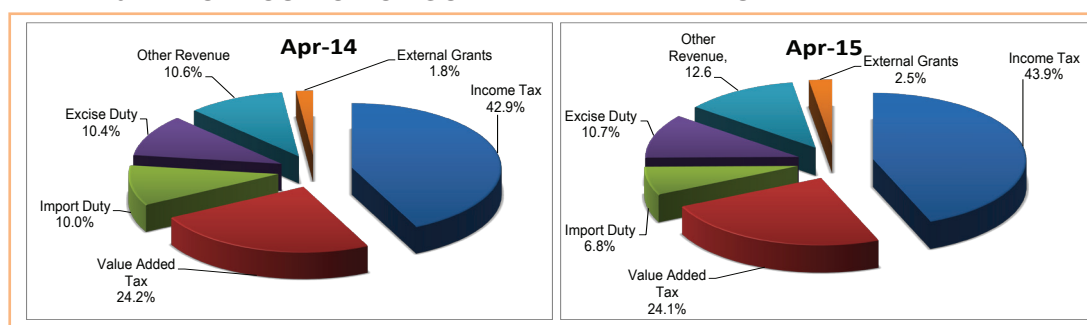
Source: National Treasury

Tax revenue increased by Ksh 88.9 billion in the first ten months of the FY 2014/15 to Ksh 794.7 billion from Ksh 705.8 billion collected during the first ten months of the FY 2013/14 (Table 6.2). In terms of component, income tax increased by Ksh 46.5 billion, excise duty, value Added tax, other tax revenue, appropriations-in-aid and external grants also increased by Ksh 13.3 billion, Ksh 22.8 billion , Ksh 24.1

billion, Ksh 16.9 billion and Ksh 6.7 billion, respectively. Import duty and other revenue however declined by Ksh 17.7 billion and Ksh 19.5 billion respectively, during the period under review. All taxes except income tax from corporations and Value Added

Tax on domestic goods and services performed below target. The performance of Government revenue in relation to the previous year is shown in Chart 6A.

**CHART 6A: COMPOSITION OF GOVERNMENT RECEIPTS**



Source: National Treasury

### Expenditure and Net Lending

Government expenditure and net lending increased by Ksh 293.2 billion to Ksh 1,264.3 during the first ten months of the FY 2014/15 from Ksh 971.1 billion expended during the same period in the FY 2013/14. Total expenditure during this period comprised Ksh 692.9 billion in recurrent expenditure, Ksh 399.1 billion in development expenditure and Ksh 172.3 billion in county transfers.

Recurrent expenditure increased by Ksh 59.9 billion over the review period and was below target by Ksh 30.4 billion. In terms of its components, wages and salaries accounted for Ksh 22.1 billion (or 36.9 percent) as foreign interest payment accounted for Ksh 12.5 billion (or 26.1 percent). Development expenditure increased by Ksh 185.8 billion which exceeded the programmed target by Ksh 7.4 billion. County transfers increased by Ksh 47.5 billion from Ksh 124.8 billion during the review period and was below target by Ksh 15.9 billion (Table 6.1 and 6.3). The larger-than-projected development budget is attributed to accelerated financing of the Standard Gauge Railway project.

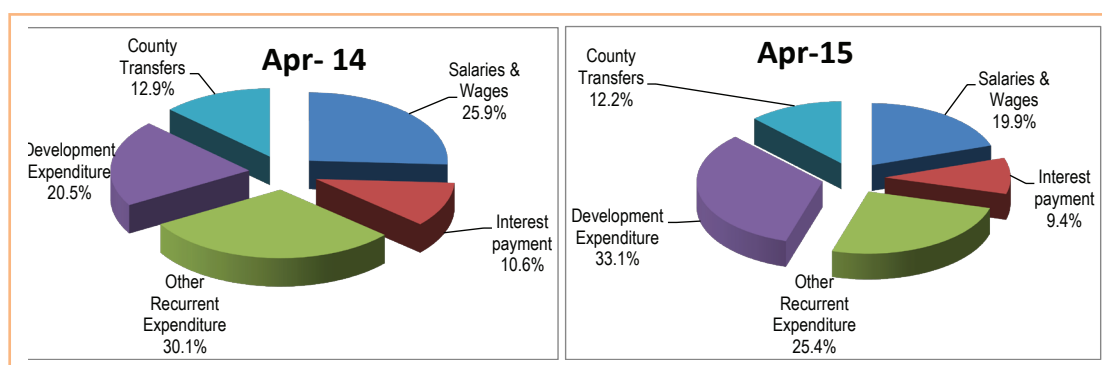
**TABLE 6.3: COMPOSITION OF GOVERNMENT EXPENDITURE (Ksh billion)**

	Apr-14 Ksh bn	Apr-15 Ksh bn	Movement
<b>1. Recurrent</b>	<b>633.0</b>	<b>692.9</b>	<b>59.9</b>
Salaries & Wages	227.9	250.0	22.1
Total Interest	99.5	119.0	19.6
of which			
Domestic*	90.7	97.7	7.0
Foreign interest due	8.8	21.3	12.5
Others	305.7	323.9	18.2
<b>2. Development</b>	<b>213.3</b>	<b>399.1</b>	<b>185.8</b>
<b>3. County Transfers</b>	<b>124.8</b>	<b>172.3</b>	<b>47.5</b>
<b>TOTAL EXPENSES</b>	<b>971.1</b>	<b>1264.3</b>	<b>293.2</b>

\*Includes commission and other charges paid to CBK

The composition of Government expenditure in relation to the previous fiscal year is indicated in Chart 6B.

**CHART 6B: COMPOSITION OF GOVERNMENT EXPENDITURE**



Source: National Treasury

## Financing

The financing requirements of Government operations increased to Ksh 443 billion in the first ten months of the FY 2014/15 compared with Ksh 211.3 billion in a similar period of the FY 2013/14. The Government sourced funds through net external borrowing of Ksh 178.3 billion, Euro Bond tap sale proceeds of Ksh 142.7 billion and additional domestic borrowing of Ksh 120.2 billion. The funds were allocated to bridge the Government budgetary deficit of Ksh 373.7 billion. The Government also accumulated deposits amounting to Ksh 61.3 billion at the Central Bank. (Table 6.4).

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

I. FINANCING REQUIREMENTS	Apr-14	Apr-15
1. Budget deficit	211.3	373.7
2. External debt reduction	0.0	0.0
3. Domestic debt reduction	0.0	8.0
3.1 Central Bank (incl. items in transit)	0.0	8.0
3.2 Commercial banks (net of deposits)	0.0	0.0
3.3 Non-bank sources	0.0	0.0
4. Increase in GoK deposits at CBK	0.0	61.3
<b>TOTAL</b>	<b>211.3</b>	<b>443.0</b>
II. FINANCING SOURCES	Apr-14	Apr-15
1. Budget surplus	0.0	0.0
2. External debt increase	33.0	178.3
3. Increase in domestic debt	153.1	120.2
3.1 Central Bank	26.8	0.0
3.2 Commercial banks	34.1	107.3
3.3 Non-bank sources	92.2	12.9
4. Reduction in GoK deposits at CBK	24.9	0.0
5. Privatisation proceeds (Net of Restructuring Costs)	0.0	0.0
7. Domestic Loan Repayments	0.3	1.8
6. Others ( Euro Bond sale proceeds)	0.0	142.7
<b>TOTAL</b>	<b>211.3</b>	<b>443.0</b>

Sources: National Treasury and Central Bank of Kenya

## Government Borrowing from the Central Bank

The Government debt at the Central Bank declined by Ksh 6.0 billion, to Ksh 57.2 billion during the period under review, compared with Ksh 63.1 billion owed in a similar period of the FY 2013/14. The decrease in Government's liability to the Central Bank reflected Ksh 0.4 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 reduced its outstanding overdraft at the Central Bank by Ksh 4.4 billion during the period under review.



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

	2014	2015	Movement
	Apr	Apr	
<b>Total Credit</b>	<b>63.1</b>	<b>57.2</b>	<b>-6.0</b>
1. Overdraft	34.2	29.8	-4.4
2. Rediscounted securities	0.6	0.2	-0.4
Treasury bills	0.5	0.1	-0.4
Treasury bonds	0.0	0.1	0.0
3. Pre-1997 Government Overdraft at CBK	28.3	27.2	-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
<b>Memorandum</b>			
Authorised overdraft limit	34.2	39.1	4.9
Amount utilised to date	34.2	29.8	-4.4
Amount available	0.0	9.4	9.4

Source: Central Bank of Kenya

In the revised budget estimates for the FY 2014/15, ordinary revenue is estimated at Ksh 1,254.9 billion (23.4 percent of GDP) while external grants are estimated at Ksh 73.5 billion (1.4 percent of GDP). Government expenditure is estimated at Ksh 1,998.5 billion (37.3 percent of GDP), of which, Ksh 1,015 billion (18.9 percent of GDP) will be in recurrent expenses, transfer to the county governments at Ksh 260.9 billion, and development expenses at Ksh 717.6 billion (Table 6.6).

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

	Ksh (Bn)	% of GDP
<b>1. TOTAL REVENUE</b>	<b>1,431.6</b>	<b>26.7</b>
Ordinary Revenue	1,254.9	23.4
Appropriations-in-Aid	103.2	1.9
External Grants	73.5	1.4
<b>2. TOTAL EXPENSES &amp; NET LENDING</b>	<b>1,998.5</b>	<b>37.3</b>
Recurrent Expenses	1,015.0	18.9
Development Expenses	717.6	13.4
County Transfer	260.9	4.9
Contingency Fund	5.0	0.1
<b>3. DEFICIT ON A COMMITMENT BASIS (1-2)</b>	<b>-567.0</b>	<b>-10.6</b>
<b>4. ADJUSTMENT TO CASH BASIS</b>	<b>0.0</b>	<b>0.0</b>
<b>5. DEFICIT ON A CASH BASIS</b>	<b>-567.0</b>	<b>-10.6</b>
<b>6. DISCREPANCY: Expenditure (+) / Revenue (-)</b>	<b>0.0</b>	<b>0.0</b>
<b>7. FINANCING</b>	<b>567.0</b>	<b>10.6</b>
Domestic (Net)	226.4	4.2
External (Net)	340.5	6.4

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

**Outlook for FY 2014/15** The revised overall budget deficit including grants on commitment basis is therefore estimated at Ksh 567.0 billion (10.6 percent of GDP) in 2014/15. The deficit is expected to be financed through net external borrowing of Ksh 340.5 billion, proceeds from the Euro Bond of Ksh 142.7 billion and net domestic borrowing of Ksh 226.4 billion.

## DEVELOPMENTS IN PUBLIC DEBT

**Overall Debt** Kenya's public and publicly guaranteed debt increased by Ksh 372.1 billion to reach Ksh 2,742.3 billion in April 2015, from Ksh 2,370.2 billion in June 2014. The total debt stock at the end of April 2015 was equivalent to 51.2 percent of GDP, compared with 44.2 percent of GDP in June 2014. Both external and domestic debt to GDP ratios increased from 20.3 percent and 24.0 percent in June 2014 to 24.8 percent and 26.4 percent in April 2015, respectively (Table 7.1).

**TABLE 7.1: KENYA'S PUBLIC DEBT (Ksh billion)**

	Mar-14	Apr-14	May-14	Jun-14	Jul-14	Aug-14	Sep-14	Oct-14	Nov-14	Dec-14	Jan-15	Feb-15	Mar-15	Apr-15	Change 2014/15
<b>EXTERNAL</b>															
Bilateral	283.7	288.5	288.4	289.9	286.2	285.3	278.5	275.8	272.3	287.2	387.0	383.9	384.6	397.1187	107.2
Multilateral	581.9	587.5	595.6	597.3	604.7	605.8	608.0	612.1	614.0	612.4	606.1	640.4	618.5	648.3033	51.0
Commercial Banks	59.2	59.1	59.6	182.2	182.5	183.6	185.2	184.9	186.5	255.2	257.8	257.0	259.7	265.5443	83.3
Supplier Credits	15.7	15.9	14.3	16.5	16.3	16.3	16.1	16.0	16.1	16.0	15.6	15.4	15.3	15.86894	-0.6
<b>Sub-Total</b>	<b>940.5</b>	<b>951.0</b>	<b>957.9</b>	<b>1085.9</b>	<b>1089.7</b>	<b>1091.0</b>	<b>1087.8</b>	<b>1088.8</b>	<b>1089.0</b>	<b>1170.7</b>	<b>1266.4</b>	<b>1296.7</b>	<b>1278.1</b>	<b>1326.8</b>	<b>240.9</b>
(As a % of GDP)	17.7	17.7	17.9	20.3	20.3	20.4	20.3	20.3	20.3	21.9	23.6	24.2	23.9	24.8	
(As a % of total debt)	42.3	42.3	43.7	45.8	45.7	46.0	46.3	46.5	45.5	47.2	48.7	48.9	47.8	48.4	
<b>DOMESTIC</b>															
<b>Banks</b>	<b>663.5</b>	<b>632.5</b>	<b>644.1</b>	<b>682.8</b>	<b>698.7</b>	<b>682.2</b>	<b>665.0</b>	<b>658.1</b>	<b>698.0</b>	<b>708.0</b>	<b>720.3</b>	<b>747.6</b>	<b>779.8</b>	<b>800.3</b>	117.5
Central Bank	77.2	63.2	68.1	65.7	61.6	62.0	63.6	47.6	45.8	58.3	54.9	61.6	64.8	57.2	-8.5
Commercial Banks	586.3	569.3	576.0	617.1	637.1	620.3	601.4	610.5	652.2	649.7389	665.4851	686.0	715.0	743.1	126.0
<b>Non-banks</b>	<b>606.7</b>	<b>650.5</b>	<b>575.3</b>	<b>586.5</b>	<b>583.6</b>	<b>585.7</b>	<b>584.1</b>	<b>583.8</b>	<b>592.3</b>	<b>585.9</b>	<b>600.4</b>	<b>591.0</b>	<b>604.4</b>	<b>602.7</b>	16.2
Pension Funds	310.6	311.1	313.6	322.9	323.3	323.6	321.2	317.4	318.4	310.6	319.5	341.3	348.1	346.5	23.7
Insurance Companies	117.8	118.3	120.1	121.0	121.1	125.8	127.6	127.8	129.2	129.3	130.3	126.6	125.2	125.1	4.1
Other Non-bank Sources	178.3	221.1	141.7	142.6	139.2	136.3	135.2	138.6	144.7	146.1	150.5	123.1	131.2	131.0	-11.5
<b>Non-residents</b>	<b>14.0</b>	<b>13.4</b>	<b>13.1</b>	<b>14.9</b>	<b>14.2</b>	<b>13.2</b>	<b>11.8</b>	<b>12.4</b>	<b>13.0</b>	<b>13.8</b>	<b>13.9</b>	<b>14.6</b>	<b>12.9</b>	<b>12.4</b>	-2.5
<b>Sub-Total</b>	<b>1284.2</b>	<b>1296.5</b>	<b>1232.5</b>	<b>1284.2</b>	<b>1296.4</b>	<b>1281.1</b>	<b>1260.9</b>	<b>1254.3</b>	<b>1303.4</b>	<b>1307.7</b>	<b>1334.6</b>	<b>1353.3</b>	<b>1397.1</b>	<b>1415.4</b>	131.2
(As a % of GDP)	24.2	24.2	23.0	24.0	24.2	23.9	23.5	23.4	24.3	24.4	24.9	25.3	26.1	26.4	
(As a % of total debt)	57.7	57.7	56.3	54.2	54.3	54.0	53.7	53.5	54.5	52.8	51.3	51.1	52.2	51.6	
<b>GRAND TOTAL</b>	<b>2224.7</b>	<b>2247.4</b>	<b>2190.4</b>	<b>2370.2</b>	<b>2386.1</b>	<b>2372.1</b>	<b>2348.7</b>	<b>2343.1</b>	<b>2392.3</b>	<b>2478.4</b>	<b>2601.1</b>	<b>2650.1</b>	<b>2675.2</b>	<b>2742.3</b>	372.1
((As a % of GDP)	41.9	41.9	40.9	44.2	44.5	44.3	43.8	43.7	44.7	46.3	48.5	49.5	49.9	51.2	

computed using the re-based GDP figures

Sources: National Treasury and Central Bank of Kenya

### Domestic Debt

The total stock of domestic debt increased by Ksh 131.2 billion during the first ten months of the FY 2014/15 to Ksh 1,415.4 billion in April 2015 from Ksh 1,284.2 in June 2014. The share of domestic debt to GDP therefore increased to 26.4 percent in April 2015 from 24.0 percent in June 2014. This was largely on account of an increase in government Treasury Bonds of Ksh 94.4 billion and an increase in Treasury Bills of Ksh 47.6 billion, partially offsetting a decline in other debt. The share of domestic debt in total debt declined from 54.2 percent in June 2014 to 51.6 percent in April 2015 (Table 7.1).

**TABLE 7.2: GOVERNMENT GROSS DOMESTIC DEBT (Ksh billion)**

	2014				2015								Change Jun 14 - Apr 15
	June	%	Dec	%	Jan	%	Feb	%	Mar	%	Apr	%	
<b>Total Stock of Domestic Debt (A+B)</b>	1,284.2	100.0	1,307.7	100.0	1,334.6	100.0	1,353.3	100.0	1,397.1	100.0	1,415.4	100.0	131.2
<b>A. Government Securities</b>	1,242.4	96.7	1,273.6	97.4	1,303.6	97.7	1,316.3	97.3	1,357.0	97.1	1,383.4	97.7	140.9
1. Treasury Bills (excluding Repo Bills)	299.4	23.3	291.4	22.3	299.3	22.4	308.1	22.8	342.3	24.5	347.0	24.5	47.6
Banking institutions	176.5	13.7	191.2	14.6	195.7	14.7	208.1	15.4	236.9	17.0	246.9	17.4	70.5
Others	123.0	9.6	100.2	7.7	103.6	7.8	100.1	7.4	105.4	7.5	100.1	7.1	(22.9)
2. Treasury Bonds	914.8	71.2	955.0	73.0	977.1	73.2	981.0	72.5	987.5	70.7	1,009.2	71.3	94.4
Banking institutions	436.4	34.0	456.1	34.9	467.0	35.0	475.5	35.1	475.8	34.1	494.3	34.9	57.9
Pension Funds	247.5	19.3	262.6	20.1	271.5	20.3	295.5	21.8	348.1	24.9	346.5	24.5	99.1
Others	230.9	18.0	236.3	18.1	238.6	17.9	210.0	15.5	163.7	11.7	168.4	11.9	(62.5)
4. Non-Interest Bearing Debt	28.3	2.2	27.2	2.1	27.2	2.0	27.2	2.0	27.2	1.9	27.2	1.9	(1.0)
Of which: Repo T/Bills	28.3	2.2	27.2	2.1	27.2	2.0	27.2	2.0	27.2	1.9	27.2	1.9	(1.1)
<b>B. Others:</b>	41.8	3.3	34.2	2.6	31.0	2.3	37.0	2.7	40.1	2.9	32.1	2.3	(9.7)
Of which CBK overdraft to Government	37.2	2.9	30.9	2.4	27.5	2.1	34.2	2.5	37.4	2.7	29.8	2.1	(7.5)

Source: Central Bank of Kenya

**Treasury Bills**

Treasury bill holdings, excluding repos, increased by Ksh 47.6 billion from Ksh 299.4 billion in June 2014 to Ksh 347.0 billion in April 2015 (Table 7.2). The proportion of Treasury bills to total domestic debt increased to 24.5 percent in April 2015 from 23.3 percent in June 2014. The dominant investors were commercial banks (71.1 percent) and pension funds (12.3 percent) by April 2015 (Table 7.3).

**TABLE 7.3: OUTSTANDING TREASURY BILLS BY HOLDER (Ksh billion)**

Holders	2014				2015								Jun 14 - Apr 15
	June	%	Dec	%	Jan	%	Feb	%	Mar	%	Apr	%	
Banking Institutions	176.5	58.9	191.1	65.6	196.2	65.6	208.1	67.6	236.9	69.2	246.9	71.2	70.5
Central Bank	0.0	0.0	0.1	0.0	0.6	0.2	0.1	0.0	0.1	0.0	0.1	0.0	0.1
Comm. Banks	176.4	58.9	191.1	65.6	195.6	65.4	208.1	67.5	236.8	69.2	246.8	71.1	70.4
Insurance Companies	19.9	6.6	24.7	8.5	23.8	8.0	22.5	7.3	22.5	6.6	21.0	6.1	1.2
Parastatals	4.2	1.4	3.6	1.2	4.0	1.3	5.6	1.8	7.8	2.3	44.5	12.8	40.3
Pension Funds	67.8	22.6	48.0	16.5	48.0	16.1	45.8	14.9	48.9	14.3	42.5	12.3	-25.3
Others	31.1	10.4	23.9	8.2	27.2	9.1	26.1	8.5	26.2	7.7	-8.0	-2.3	-39.1
<b>Total</b>	<b>299.4</b>	<b>100.0</b>	<b>291.4</b>	<b>100.0</b>	<b>299.3</b>	<b>100.0</b>	<b>308.1</b>	<b>100.0</b>	<b>342.3</b>	<b>100.0</b>	<b>347.0</b>	<b>100.0</b>	<b>47.6</b>

Source: Central Bank of Kenya

**Treasury Bonds**

While outstanding Treasury bonds increased by Ksh 94.4 billion, from Ksh 914.8 billion in June 2014 to Ksh 1,009.2 billion in April 2015, the share in domestic debt increased from 71.2 percent in June 2014 to 71.3 percent in April 2015 (Table 7.2). The holding of Treasury bonds by dominant investors comprised: Ksh 494.3 billion, Ksh 304.0 billion and Ksh 104.1 billion absorbed by commercial banks, pension funds and Insurance companies, respectively. The holdings by pension funds increased from 27.1 percent to 30.1 percent while insurance companies' share declined from 11.1 percent to 10.3 percent during the period under review. The proportion held by parastatals, commercial banks and the Central Bank of Kenya recorded marginal movements (Table 7.4).

**TABLE 7.4: OUTSTANDING TREASURY BONDS BY HOLDER (Ksh billion)**

Holders	June		Dec		Jan		Feb		Mar		Apr		Change Jun 14 - Apr 15
		%		%		%		%		%		%	
Banking Institutions	436.4	47.7	456.1	47.8	467.0	47.8	475.5	48.5	475.8	48.2	494.3	49.0	57.9
Central Bank	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.0	0.0
Comm. Banks	436.3	47.7	456.1	47.8	467.0	47.8	475.5	48.5	475.8	48.2	494.3	49.0	57.9
NBFIs	0.2	0.0	0.2	0.0	0.2	0.0	0.2	0.0	0.2	0.0	0.2	0.0	0.0
Insurance Companies	101.2	11.1	104.6	10.9	106.5	10.9	104.1	10.6	103.7	10.5	104.1	10.3	2.9
Parastatals	34.4	3.8	32.9	3.4	32.9	3.4	33.8	3.4	35.1	3.6	34.7	3.4	0.3
Of which: NSSF	16.2	1.8	14.9	1.6	14.9	1.5	14.8	1.5	14.8	1.5	14.6	1.4	-1.6
Building Societies	0.5	0.1	0.6	0.1	0.6	0.1	0.1	0.0	0.1	0.0	0.1	0.0	-0.3
Pension Funds	247.5	27.1	262.6	27.5	271.5	27.8	341.3	34.8	348.1	35.2	304.0	30.1	56.5
Others	94.7	10.3	98.0	10.3	98.4	10.1	26.0	2.7	24.5	2.5	71.8	7.1	-22.9
<b>Total</b>	<b>914.8</b>	<b>100.0</b>	<b>955.0</b>	<b>100.0</b>	<b>977.1</b>	<b>100.0</b>	<b>981.0</b>	<b>100.0</b>	<b>987.5</b>	<b>100.0</b>	<b>1009.2</b>	<b>100.0</b>	<b>94.4</b>

Source: Central Bank of Kenya

**Domestic Debt Maturity structure** Total domestic debt as at April 2015 amounted to Ksh 1,415.4 billion. Government securities worth Ksh 37.6 billion matured in April 2015, comprising Ksh 8.7 billion, Ksh 7.3 billion and Ksh 21.6 billion in 91-day, 182-day and 364-day Treasury bills, respectively. Treasury bonds worth Ksh 3.1 billion matured in April 2015.

**TABLE 7.5: DOMESTIC DEBT MATURITY STRUCTURE (Ksh billion)**

		2014				2015								Change Jun 14 to Apr 15
		Jun	%	Dec	%	Jan	%	Feb	%	Mar	%	Apr	%	
Treasury bills	91-Day	54.7	4.3	27.2	2.1	28.1	2.1	22.0	1.6	25.8	1.8	22.8	1.6	-31.9
	182-Day	88.9	6.9	49.9	3.8	50.8	3.8	54.9	4.1	75.7	5.4	87.4	6.2	-1.6
	364-Day	155.8	12.1	214.3	16.4	220.4	16.5	231.2	17.1	240.8	17.2	236.8	16.7	81.0
Treasury Bonds	1-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
	2-Year	166.7	13.0	132.6	10.1	132.6	9.9	135.7	10.0	115.8	8.3	154.4	10.9	-12.3
	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	2.3	29.9	2.2	21.4	1.6	21.4	1.5	29.9	2.1	0.0
	5-Year	175.3	13.6	175.5	13.4	183.7	13.8	183.7	13.6	183.7	13.2	158.9	11.2	-16.4
	6-Year	40.7	3.2	40.7	3.1	40.7	3.0	40.7	3.0	40.7	2.9	40.7	2.9	0.0
	7-Year	17.0	1.3	8.7	0.7	8.7	0.7	8.7	0.6	8.7	0.6	17.0	1.2	0.0
	8-Year	40.9	3.2	40.9	3.1	40.9	3.1	38.2	2.8	38.2	2.7	40.9	2.9	0.0
	9-Year	18.2	1.4	18.2	1.4	18.2	1.4	18.2	1.3	18.2	1.3	18.2	1.3	0.0
	10-Year	131.1	10.2	146.7	11.2	146.7	11.0	158.6	11.7	158.6	11.4	131.1	9.3	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	80.9	6.2	80.9	6.1	80.9	6.0	107.4	7.7	45.4	3.2	0.0
	15-Year	142.9	11.1	168.2	12.9	168.2	12.6	168.2	12.4	168.2	12.0	142.9	10.1	0.0
	20-Year	60.5	4.7	60.5	4.6	74.3	5.6	74.3	5.5	74.3	5.3	49.0	3.5	-11.4
	25-Year	20.2	1.6	20.2	1.5	20.2	1.5	20.2	1.5	20.2	1.4	20.2	1.4	0.0
	30-Year	22.1	1.7	28.1	2.2	28.1	2.1	28.1	2.1	28.1	2.0	22.1	1.6	0.0
	Repo T bills	28.3	2.2	27.2	2.1	27.2	2.0	27.2	2.0	27.2	1.9	27.2	1.9	-1.1
	Overdraft	39.1	3.0	30.9	2.4	27.5	2.1	34.2	2.5	37.4	2.7	29.8	2.1	-9.4
	Other Domestic debt	2.76	0.22	3.2	0.2	3.6	0.3	2.8	0.2	2.8	0.2	136.9	9.7	134.1
<b>Total Debt</b>		<b>1284.33</b>	<b>100.00</b>	<b>1307.7</b>	<b>100.0</b>	<b>1334.6</b>	<b>100.0</b>	<b>1353.3</b>	<b>100.0</b>	<b>1397.1</b>	<b>100.0</b>	<b>1415.4</b>	<b>100.0</b>	<b>131.1</b>

Source: Central Bank of Kenya

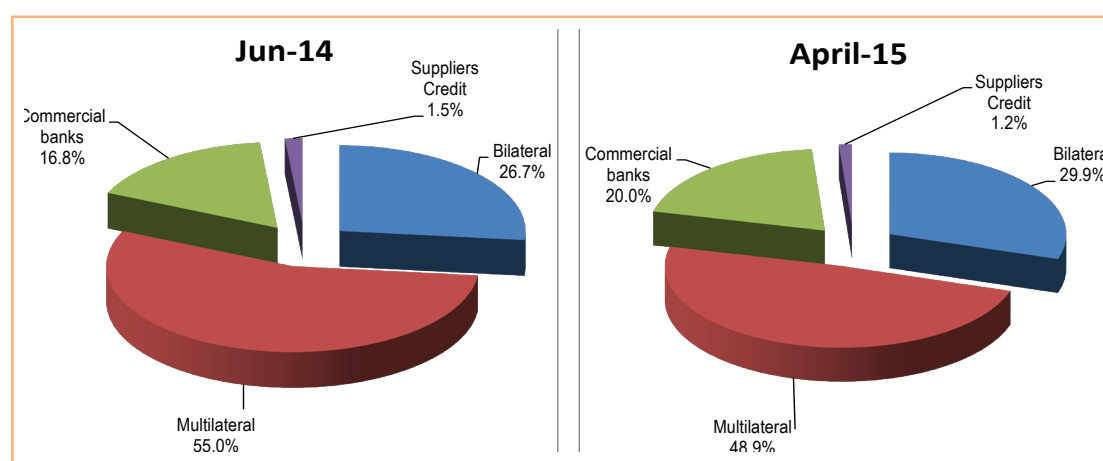
The average length of maturity of existing domestic debt rose to 5 years and 2 months in April 2015 from 4 years and 10 months in June 2014, as the Central Bank issued and re-opened longer dated securities.

**External Debt**

Kenya's public and publicly guaranteed external debt increased by Ksh 240.9 billion to Ksh 1,326.8 billion in April 2015, from Ksh 1,085.9 billion in June 2014 (Table 7.1). The central government stake amounted to Ksh 1,284.0 billion or 97 percent while the balance comprising government guarantee to parastatals. The African Development Bank (ADB) and the International Development Association (IDA) collectively accounted for Ksh 5.3 billion of the increase in multilateral debt, while China accounted for Ksh 2.1 billion of the increase in bilateral debt. Japan's contribution to the bilateral debt reduced by Ksh 0.2 billion, during the period under review. The growth in external debt during this period was largely attributed to exchange rate revaluation.

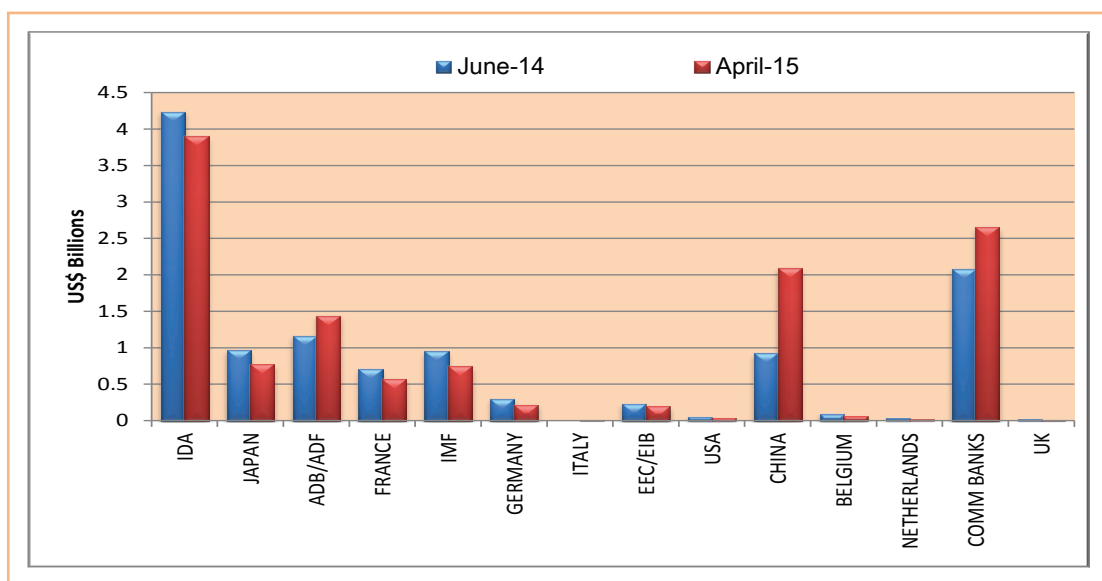
**Composition of External Debt by Creditor**

Official debt to multilateral and bilateral lenders accounted for 78.8 percent of total public and publicly guaranteed debt by April 2015. The proportion of external debt owed to commercial banks increased from 16.8 percent in June 2014 to 20.0 percent in April 2015, while that owed to bilateral lenders increased from 26.7 percent, in June 2014 to 29.9 percent in April 2015. The share of external debt owed to multilateral lenders declined from 55.0 percent in June 2014 to 48.9 percent in April 2015 (Chart 7A).

**CHART 7A: COMPOSITION OF EXTERNAL DEBT**

Source: National Treasury

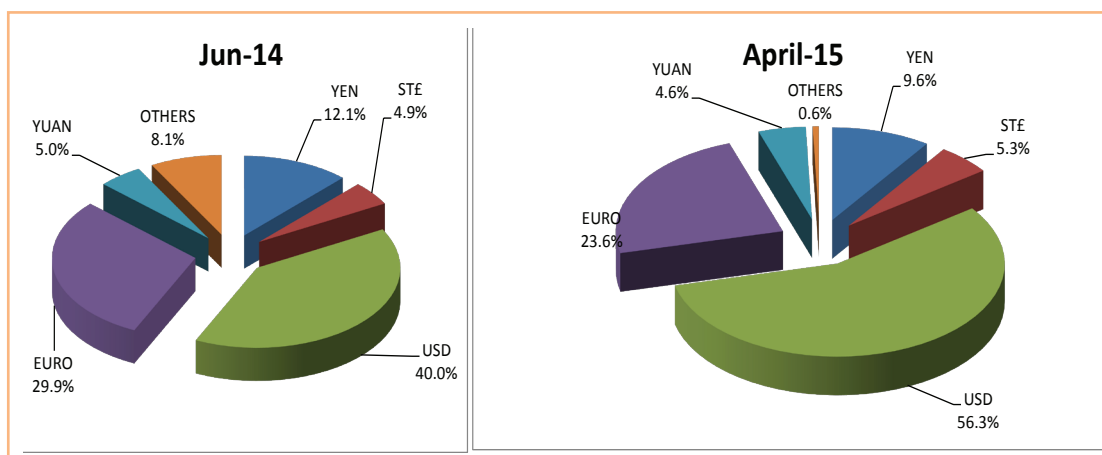
Debt owed to the International Development Association (IDA), Kenya's largest multilateral lender, amounted to USD 3.9 billion or 29.4 percent of total external debt while that owed to Japan, Kenya's largest bilateral lender, amounted to USD 0.8 billion, or 5.8 percent of the total external debt as at the end of April 2015 (Chart 7B).

**CHART 7B: EXTERNAL DEBT BY CREDITOR**

Source: National Treasury

### Currency Composition of External Debt

The proportion of external debt denominated in the US dollar increased from 40 percent in June 2014 to 56.3 percent in April 2015, while that denominated in Japanese Yen and Euro declined from 12.1 percent and 29.9 percent, respectively, to 9.6 percent and 23.6 percent during the period under review (Chart 7C). The rise in the US dollar denominated component is attributed to the proceeds from the Tap sale of the Sovereign bond issued in June 2015.

**CHART 7C: EXTERNAL DEBT DISTRIBUTION BY CURRENCY**

Source: National Treasury

**Public  
Debt  
Service**

Cumulative interest and other charges on domestic debt for the first ten months of FY 2014/15 amounted to Ksh 97.7 billion compared with Ksh 92.9 billion during a similar period of the FY 2013/14. The expenditure in the current period comprised interest and other charges on Treasury bills and Treasury bonds amounting to Ksh 23.4 billion and Ksh 71.8 billion, respectively. In addition, collective interest on Government overdraft and the Pre-97 overdraft amounted to Ksh 2.4 billion. External debt service amounted to Ksh 3.3 billion, comprising Ksh 2.6 billion in principal repayments and Ksh 0.7 billion in interest payments.

**Outlook  
for FY  
2014/15**

Total public and publicly guaranteed external debt is estimated at Ksh 1,195.7 billion (25.8 percent of GDP), of which gross and net domestic debt amount to Ksh1,274.7 billion (27.5 percent of GDP) and Ksh 1,213.4 billion (26.2 percent of GDP), respectively.



## ACTIVITY IN THE STOCK MARKET

**Equity Market** Both equities and bonds market segments' leading indicators declined in April 2015, partially explained by exit of foreign investors from NSE. Although the net foreign investors' participation at the NSE improved, there were more sales (outflow) than purchases (inflows).

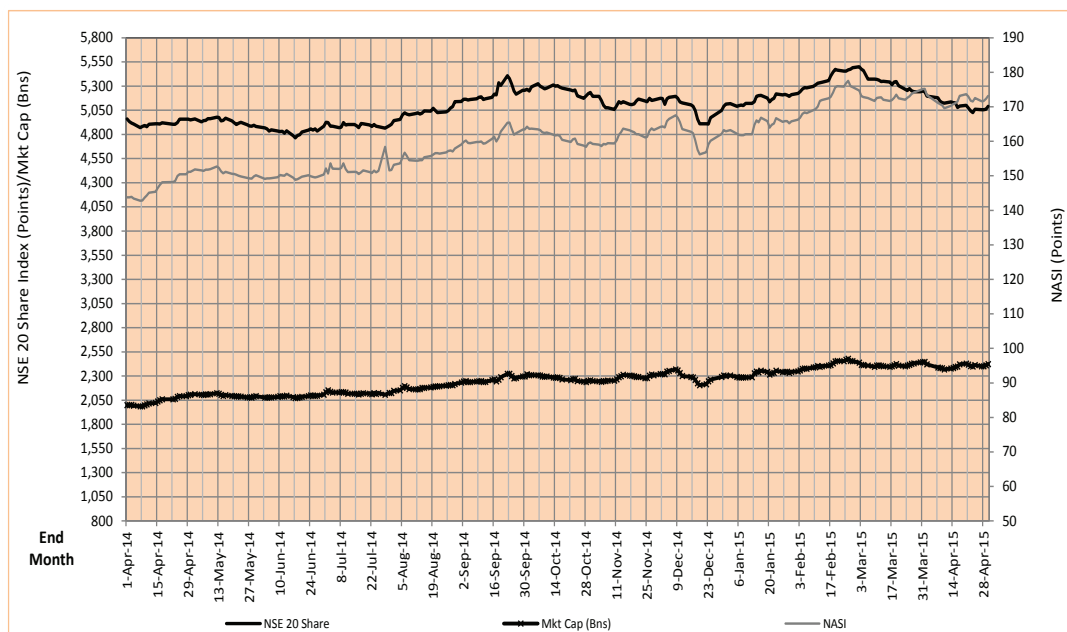
The NSE 20 Share Index and NASI closed 255 points and 1 point lower respectively in April 2015 from their March 2015 levels. Shareholders' wealth measured by market capitalization at the NSE declined by KSh 22.21 billion. Equities turnover dipped 28.64 percent on account of fall in prices across counters and 20.57 percent fall in number of shares traded.

**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%

Source: Nairobi Securities Exchange

Foreign investor activity at the NSE improved slightly, with overall net foreign participation to total equity turnover at 56.06 percent in April 2015 from 53.18 percent in March 2015. Purchases accounted for 55.83 percent of total equity turnover against 56.29 percent foreign sales, reflecting a net outflow (Table 8.1).

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

Source: Nairobi Securities Exchange

### Most Active Sectors & FTSE NSE Kenya Index Series

Both the NSE 20 Share Index and NASI declined in April 2015. Market Capitalization lost marginally but remained within Ksh 2.4 trillion-mark first reached in February 2015 (chart 8A).

Telecommunication and Technology, Banking and Energy and Petroleum sectors dominated trading in equities in April 2015, accounting for 45.70 percent, 25.86 percent and 6.94 percent respectively, of all shares traded.

The FTSE NSE Kenya 15 Index, which measures performance of 15 largest stocks by market capitalization at the NSE, dipped to 229.86 points in April 2015 from 231.56 points in March 2015. The FTSE NSE Kenya 25 Index that measures performance of 25 most liquid stocks also declined to 229.81 points from 231.87 points. The FTSE NSE Kenyan Government Bond Index increased to 92.75 points from 92.39 points, reflecting slight decline in secondary market yields.

### Bond Market

The Bonds' turnover declined by 44.65 percent in April 2015 to Ksh 25,378.31 million from Ksh 45,854.64 million in March 2015. Corresponding deals, however, rose to 5,463 from 500 deals during the period. The FXD1/2012/020 dominated trading, and accounted for 15.07 percent of total bond turnover, with yields ranging from 12.95 percent to 13.86 percent against a coupon rate of 12.00 percent. The Corporate bonds segment traded Ksh 388.54 million during April 2015, representing 1.53 percent of total bond turnover.

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

1.0 ASSETS	APR 2015	JUNE 2014	INCREASE/ (DECREASE)	APR 2014
1.1 BALANCES DUE FROM BANKING INSTITUTIONS AND GOLD HOLDINGS	701,656.52	759,650 -	57,993.62	592,269
1.2 FUNDS HELD WITH IMF	2,991.19	692	2,298.72	1,741
1.3 ITEMS IN THE COURSE OF COLLECTION	37.91	70 -	31.90	77
1.4 ADVANCES TO COMMERCIAL BANKS	74.53	50	24.04	70
1.5 LOANS AND OTHER ADVANCES	32,974.87	40,463 -	7,487.79	38,346
1.6 OTHER ASSETS	2,967.51	3,142 -	174.02	2,849
1.7 RETIREMENT BENEFIT ASSET	7,659.20	7,659	-	2,967
1.8 PROPERTY AND EQUIPMENT	14,121.77	13,811	310.50	13,033
1.81 INTANGIBLE ASSETS	372.69	639 -	266.37	688
1.9 DUE FROM GOVERNMENT OF KENYA	27,223.76	28,334 -	1,110.00	28,334
<b>TOTAL ASSETS</b>	<b>790,079.95</b>	<b>854,510 -</b>	<b>64,430.44</b>	<b>680,374</b>
<b>2.0 LIABILITIES</b>				
2.1 CURRENCY IN CIRCULATION	220,196.29	199,966	20,229.98	199,740
2.2 INVESTMENTS BY BANKS	499.19	-	499.19	25,887
2.3 DEPOSITS	352,490.31	448,800 -	96,309.47	232,430
2.4 INTERNATIONAL MONETARY FUND	122,523.53	130,064 -	7,540.75	129,832
2.5 OTHER LIABILITIES	2,051.83	5,097 -	3,045.40	28,023
2.6 PROVISIONS	156.64	157	-	123
<b>TOTAL LIABILITIES</b>	<b>697,917.79</b>	<b>784,084 -</b>	<b>86,166.45</b>	<b>616,035</b>
<b>3.0 EQUITY AND RESERVES</b>	<b>92,161.76</b>	<b>70,426</b>	<b>21,735.76</b>	<b>64,339</b>
Share Capital	5,000.00	5,000	-	5,000
General reserve fund	48,914.00	48,914	-	39,044
Period surplus	21,735.76		21,735.76	11,396
Asset Revaluation	8,853.00	8,853	-	8,899
Retirement Benefit Asset Reserves	7,659.00	7,659	-	-
Dividends payable	0.00	-	-	-
<b>4.0 TOTAL LIABILITIES AND EQUITY</b>	<b>790,079.55</b>	<b>854,510 -</b>	<b>64,430.69</b>	<b>680,374</b>

Source: Central Bank of Kenya

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## NOTES ON THE FINANCIAL POSITION

**Assets** Total assets declined by 7.5 percent or Ksh 64.4 billion in the 10 months to April 2015 largely on account of balances due from bank institutions and gold holdings. The contra of this reduction was on account of foreign debt repayments on behalf of Government and sale of forex to stem volatility in the foreign exchange market.

Balances due from Banking institutions and Gold holdings category comprise 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 decreased by Ksh 58.0 billion to Ksh 701.7 billion in April 2015 from Ksh 759.7 billion in June 2014.

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 April 2015 were Ksh 38 million, representing 46 percent recovery from Ksh 70 million outstanding as at June 2014.

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 by Ksh 24.5 million (or 47.6 percent) to Ksh 74.5 million in April 2015 from Ksh 50.5 million in June 2014.

Loans and other advances include outstanding balances on advances to commercial banks under the Overnight Loan Facility (OLF), Government overdraft and IMF funds on-lent to Government. Following repayments amounting to Ksh 7,488 million, the outstanding balance due declined to Ksh 32,975 million in April 2015 from Ksh 40,463 million in June 2014.

Other Assets largely consist of prepayments and sundry debtors, and deferred currency expense. These assets decreased by Ksh 174 million to Ksh 2,968 million in April 2015 from Ksh 3,142 million in June 2014.

Debt due from Government of Kenya category consist of overdrawn accounts which were converted to a long term debt with effect from 1<sup>st</sup> July 1997 after an amendment to the Central Bank of Kenya Act to limit lending to Government to 5 percent of Government's audited revenue. The debt reduced to Ksh 27,224 million in April 2015 from Ksh 28,334 million in June 2014.

**Liabilities** Currency in circulation increased by Ksh 20,230 million (or 10.1 percent) to Ksh 220,196 million in April 2015 from Ksh 199,966 million in June 2014.

Deposits liability 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 decreased by Ksh 96,309 million to Ksh 352,490

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million in April 2015 from Ksh 448,800 million in June 2014.

Amount due to International Monetary Fund represents the Bank's obligations to the IMF. The balances decreased by Ksh 7,541 million, to Ksh 122,524 in April 2015 from Ksh 130,064 million in June 2014.

Other liabilities include net impersonal accounts, sundry creditors, foreign exchange bureaus deposits and suspense accounts. The balance decreased by KSh 3,045million to Ksh 2,052 million in April 2015 from Ksh 5,097 million in June 2014.

Equity and reserves increased by Ksh 21,736 million, to Ksh 92,162 million in April 2015 from Ksh 70,426 million in June 2014 reflecting increase in period surplus.