

MONTHLY ECONOMIC REVIEW

AUGUST 2015

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

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Enquiries concerning this publication should be addressed to: The Director, Research and Policy Analysis Department, Central Bank of Kenya, P. O. Box 60000-00200, Nairobi.

email: Researchstat@centralbank.go.ke

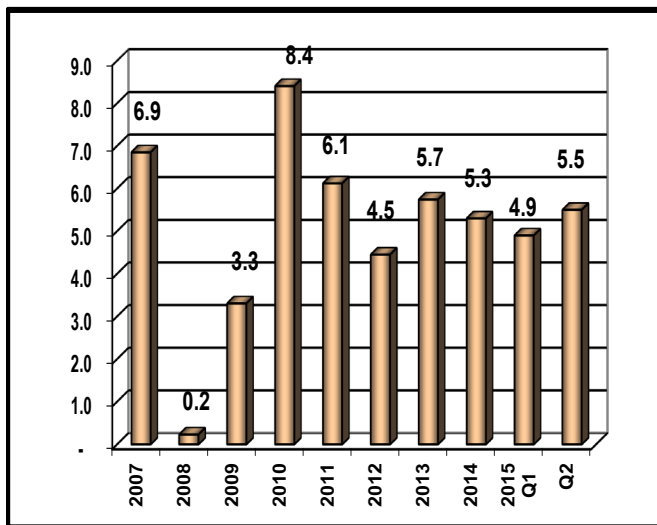
OVERVIEW

- Introduction** This Monthly Economic Review highlights recent economic developments through August 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 declined to 5.8 percent in August 2015 from 6.6 percent in July 2015, largely reflecting a decline in food which eased by 200 basis points to 9.4 percent. Non-food Non-fuel inflation also eased by 12 basis points to 4.5 percent. However, fuel inflation rose by 50 basis points to 1.1 percent, while the annual average inflation eased to 6.3 percent.
- Money Supply** Growth in broad money, M3, declined to 14.0 percent in the year to August 2015 from 21.8 percent recorded in August 2014, and was within target of 15.9 percent for August 2015. Deceleration in growth was reflected in the Net Foreign Assets component.
- Interest Rates** The Monetary Policy Committee maintained the Central Bank Rate (CBR) at 11.5 percent. The weighted average interbank rate increased to 18.80 percent in August 2015 from 12.88 percent in July 2015.
- Real GDP Growth** The economy grew by 5.5 percent in the second quarter of 2015 compared with growth of 6.0 in the same period in 2014. Growth in this Quarter was largely supported by improved performance in Electricity & water supply; Agriculture; Wholesale and retail and transport and communication.
- Balance of Payments** Kenya's overall Balance of Payments position deteriorated by USD 2,423.5 million to USD 798 million deficit in the year to August 2015 from a surplus of USD 1,626 million in the year to August 2014 reflecting larger reduction in the capital and financial account surplus.

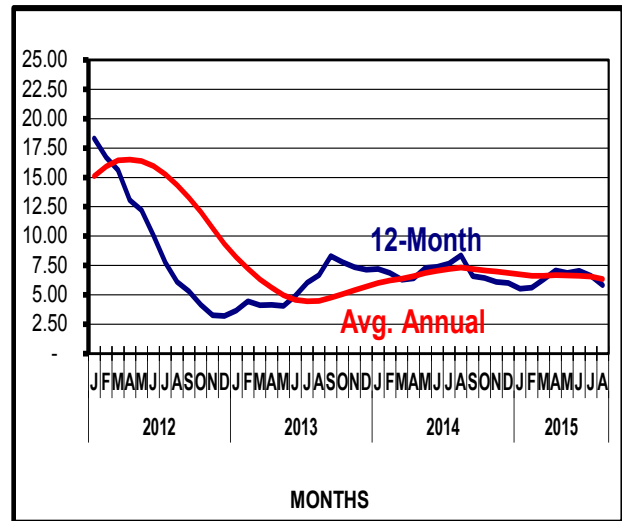
Exchange Rates	The Kenya shilling weakened against major international currencies but displayed mixed performance against EAC currencies during the month of August 2015. The performance of the Kenya Shilling during the period under review reflects developments in the international markets notably the strengthening of the US Dollar against major world currencies and high dollar demand on the domestic market.
Banking Sector Developments	The banking sector in Kenya comprised 42 commercial banks, 1 mortgage finance company, 12 microfinance banks, 8 representative offices of foreign banks, 86 foreign exchange bureaus, 14 money remittance providers and 3 credit reference bureaus as at August 31, 2015.
Government Budgetary Performance	The Government's budgetary operations during the first two months of the FY 2015/16 resulted in a surplus of Ksh 26.5 billion (0.5 percent of GDP) on a commitment basis compared with a deficit of Ksh 22.2 billion (0.5 percent of GDP) incurred in the same period of the FY 2014/15. This was within the Ksh 83.9 billion (1.6 percent of GDP) deficit programmed target for the period. The surplus reflects a slow start in absorption of expenditures which has typically been the trend in the first few months of a new fiscal year.
Public Debt	Kenya's public and publicly guaranteed debt rose by 104.7 billion to close at Ksh 2,933.8 billion (54.8 Percent of GDP) in August 2015 from Ksh 2,829.1 billion (52.8 percent of GDP) in June 2015.
Stock Market	The capital market recorded mixed performance in August 2015. The net foreign investors' activities at the NSE increased, with more purchases than sales.

SELECTED ECONOMIC PERFORMANCE INDICATORS

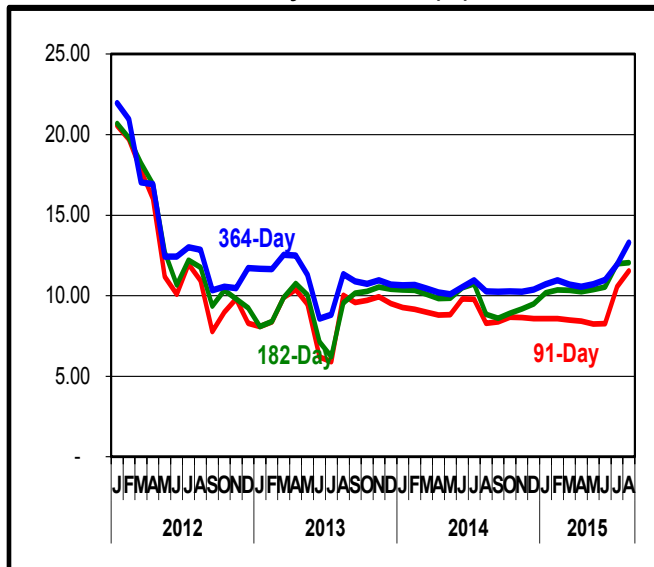
Real GDP Growth (%)



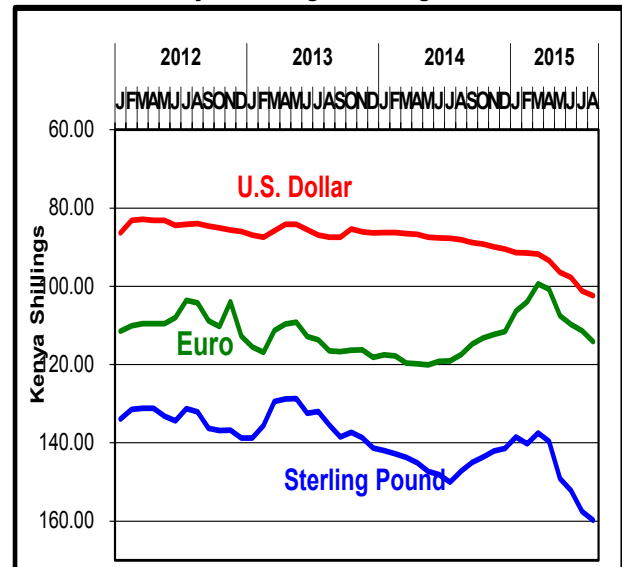
Inflation (%)



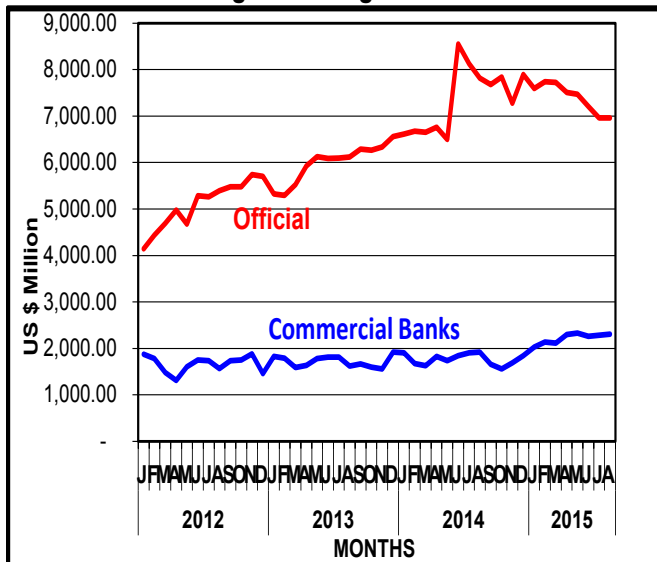
Treasury Bill Rates (%)



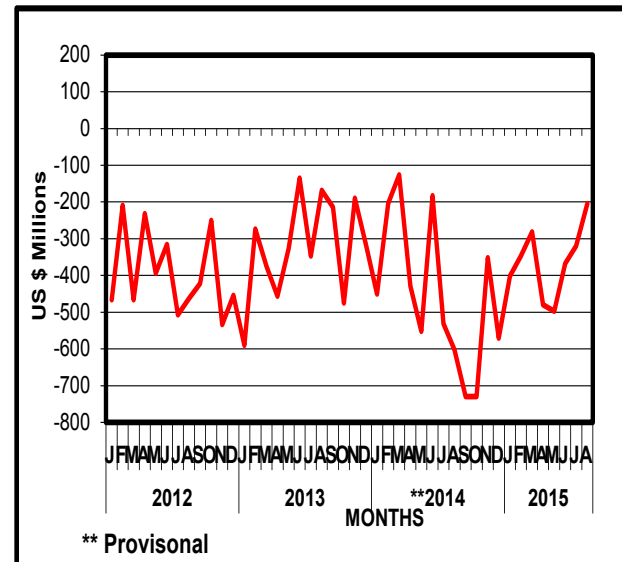
Kenya Shilling Exchange Rate



Foreign Exchange Reserves



Current Account Balance



SELECTED ANNUAL ECONOMIC INDICATORS

SELECTED ANNUAL ECONOMIC INDICATORS, 2000 -2014

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INDICATOR	25.8	32	35.9	37	40	42	50.3	55.2	
	2006	2007	2008	2009	2010	2011	2012	2013	2014*
1. POPULATION*									
People in Millions	36.10	37.20	38.30	38.60	38.50	39.50	40.70	41.80	43.00
Growth (%)	2.85	3.05	2.96	0.78	-0.26	2.60	3.04	2.70	2.87
2. NATIONAL ACCOUNTS**									
Gross value added at basic prices (Ksh m)	1,649,996	1,903,472	2,211,447	2,558,792	2,827,436	3,347,996	3,829,096	4,252,647	4,837,338
GDP at Market Prices (Ksh m):									
At Current Prices	1,862,041	2,151,349	2,483,058	2,863,688	3,169,301	3,725,918	4,261,151	4,730,801	5,357,672
At Constant 2009 Market Prices	2,588,279	2,765,595	2,772,019	2,863,688	3,104,303	3,294,026	3,444,066	3,639,938	3,833,876
Real GDP Growth (%)	...	6.9	0.2	3.3	8.4	6.1	4.6	5.7	5.3
Per Capita Income Real 2009 prices (Ksh)	74,862	77,197	75,431	75,910	80,689	83,298	84,721	87,105	89,240
3. GROSS NATIONAL SAVINGS (% of GDP at mkt prices)	16.1	16.7	15.4	14.6	14.1	14.6	12.6	10.1	11.0
4. GROSS DOMESTIC SAVINGS (% of GDP at mkt prices)	9.1	10.1	8.9	8.4	8.3	7.2	7.0	4.4	4.8
5. GROSS DOMESTIC INVESTMENTS (% of GDP at mkt prices)	18.6	20.5	19.6	19.3	20.8	21.7	21.5	20.1	21.4
6. OVERALL INFLATION BASE PERIOD= FEB 2009									
Annual Average Inflation	6.39	4.27	16.27	9.24	3.96	14.02	9.38	5.72	6.88
12-Month Inflation	7.98	5.70	17.83	5.32	4.51	18.93	3.20	7.15	6.02
7. STOCK MARKET									
Nairobi Stock Exchange Price Index (1966=100)	5,645.65	5,444.83	3,521.18	3,247.44	4,432.60	3,205.02	4,133.02	4,926.97	5,112.65
Trade Turnover Ratio (%)	1.70	1.29	0.29	0.64	0.99	0.46	0.58	0.58	1.07
8. GOVERNMENT BUDGET (Ksh bn) ***									
Revenue and Grants	331.21	383.59	457.67	511.36	614.53	679.53	734.43	868.17	994.44
Expenditure	368.65	405.20	534.84	621.91	791.79	817.09	915.89	1,117.02	1,281.16
Budget Deficit (-) / Surplus (+) incl. Grants (commitment basis)	(37.44)	(21.61)	(77.17)	(110.55)	(177.26)	(137.56)	(181.46)	(248.85)	(286.73)
Budget Deficit (% of GDP)	(2.74)	(1.02)	(3.93)	(4.94)	(7.21)	(4.98)	(5.51)	(5.26)	(5.35)
9. MONEY AND CREDIT (Ksh bn)(end period)									
Liquidity (L) ¹	834.16	992.42	1,091.93	1,280.44	1,558.16	1,854.93	2,129.49	2,527.00	2,949.06
Money Supply (M3) ²	666.84	797.54	901.05	1,045.66	1,271.64	1,514.15	1,727.32	2,000.02	2,329.98
Reserve Money	124.16	155.62	163.59	181.96	222.63	255.01	293.62	320.76	379.69
Total Domestic Credit	575.76	668.90	815.52	955.82	1,188.40	1,505.13	3,036.21	1,982.30	2,312.18
Government	137.81	137.40	155.32	205.07	277.78	311.58	368.83	397.16	379.32
Private sector and other public sector	437.94	531.49	660.20	750.75	910.62	1,193.55	1,333.69	1,585.13	1,932.86
10. BALANCE OF PAYMENTS (US\$ m)									
Overall Balance	675.18	854.26	(468.84)	780.53	163.40	(42.88)	1,261.00	684.72	1,378.34
Current Account	(510.80)	(1,033.75)	(1,985.76)	(1,688.88)	(2,526.32)	(3,329.76)	(4,252.77)	(4,785.96)	(6,097.07)
As % of GDP	(1.9)	(3.0)	(5.5)	(4.6)	(6.3)	(7.9)	(8.4)	(8.7)	(10.0)
Capital and Financial Account	1,185.98	1,888.01	1,516.92	2,469.41	2,689.71	3,286.88	5,513.78	5,470.68	7,475.41
11. FOREIGN EXCHANGE RESERVES (US\$ m) End Period	3,331.30	4,556.97	4,640.78	5,064.03	5,122.52	6,044.78	7,159.86	8,483.20	9,737.55
Official	2,415.27	3,354.85	2,875.46	3,847.39	4,001.68	4,247.66	5,701.85	6,560.17	7,894.92
Months of import cover****	3.89	4.84	3.36	4.08	3.85	3.71	4.29	4.49	5.01
Commercial Banks	916.03	1,202.12	1,765.32	1,216.63	1,120.84	1,797.12	1,458.01	1,923.02	1,842.64
12. PUBLIC DEBT (US\$ bn) End Period***	10.68	12.04	13.46	13.66	14.96	16.60	19.27	27.52	26.96
Domestic	4.84	6.08	6.66	6.72	8.06	8.51	10.20	14.91	14.61
As % of GDP	18.77	19.00	18.54	18.16	20.15	20.26	20.27	27.02	27.15
External	5.84	5.96	6.80	6.94	6.90	8.09	9.08	12.61	12.35
As % of GDP	22.62	18.62	18.94	18.75	17.25	19.26	18.04	22.84	22.95
13. EXCHANGE RATE (Ksh/US\$) (Annual Average)	72.10	67.32	69.18	77.35	79.26	88.87	84.52	86.13	87.92

* Provisional.

** Rebased data

*** Fiscal year to June 30th.

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

¹ Previously M3XT

² Previously M3X

³ Revised

Sources: Central Bureau of Statistics, Central Bank of Kenya & Nairobi Stock Exchange

SELECTED MONTHLY ECONOMIC INDICATORS

INDICATOR	2014						2015							
	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	June	July	August
1. INFLATION (%)														
CPI	150.60	152.02	152.24	151.92	151.85	152.51	153.43	154.14	155.86	158.70	159.98	160.46	160.57	160.90
Overall Inflation														
12-month overall inflation	7.67	8.36	6.60	6.43	6.09	6.02	5.53	5.61	6.31	7.08	6.87	7.03	6.62	5.84
Average annual overall inflation	7.19	7.33	7.19	7.08	6.97	6.88	6.74	6.63	6.63	6.69	6.65	6.63	6.54	6.34
2. INTEREST RATES (%)														
91-day Treasury bill interest rate	9.78	8.29	8.38	8.67	8.64	8.58	8.59	8.59	8.49	8.42	8.26	8.26	10.57	
Overdraft interest rate	17.12	16.20	15.79	15.77	15.66	15.86	15.95	15.67	15.68	15.52	15.10	15.65	16.05	
3. STOCK MARKET														
Nairobi Stock Exchange 20 Share Price Index	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	4,788.00	4,906.00	4,405.00	4,177.00
Turnover Ratio (%)	0.77	0.77	0.93	0.61	0.80	1.07	0.50	0.72	0.74	0.59	0.82	0.82	0.86	
4. GOVERNMENT BUDGET* (Ksh bn.)														
Revenue \$ Grants	69.58	142.36	248.08	335.24	410.52	524.99	614.43	690.52	779.30	888.78	982.30	1,110.55	81.27	165.17
Expenses	48.60	141.07	276.61	373.51	490.10	613.96	765.22	864.18	1,133.10	1,264.32	1,347.64	1,610.8	57.0	138.7
Budget Deficit (-) / Surplus (+)	20.97	1.29	(28.52)	(38.27)	(79.58)	(88.98)	(150.79)	(173.66)	(353.80)	(375.55)	(365.35)	(500.21)	24.29	26.47
5. MONEY AND CREDIT (Ksh bn.)														
Liquidity (L) ¹	2,812.44	2,880.19	3,020.09	3,037.95	3,102.53	3,124.10	2,983.73	3,032.40	3,034.64	3,098.44	3139.9	3196.9	3234.1	3252.0
Money Supply (M3) ²	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	2,464.48	2501.6	2553.0	2549.0	2569.9
Reserve Money	304.65	357.05	322.76	348.60	346.20	380.04	350.15	351.63	346.28	353.10	362.7	372.0	383.3	367.5
Total Domestic Credit	2,130.25	2,187.85	2,110.42	2,117.77	2,162.29	2,137.14	2,332.85	2,415.81	2,444.31	2,492.23	2558.7	2638.9	2724.3	2775.5
Government	346.88	372.79	251.07	239.96	256.64	204.27	385.89	456.30	469.78	477.64	489.7	522.0	565.7	579.5
Private sector and other public sector	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	2069.0	2116.9	2158.6	2196.0
6. MONEY AND CREDIT (Annual % Change)														
Liquidity (L) ¹	19.11	22.99	25.53	25.08	25.10	23.81	16.62	18.45	17.05	16.92	16.2	17.6	15.0	12.9
Money Supply (M3) ²	19.30	21.80	19.41	18.94	17.48	16.72	16.00	18.58	16.43	17.32	16.5	18.6	16.4	14.0
Reserve Money	7.28	15.25	11.16	13.46	9.29	18.48	15.82	11.45	11.77	12.00	15.0	14.9	25.8	2.9
Total Domestic Credit	20.05	21.06	12.54	12.09	9.92	8.02	16.02	17.41	16.51	17.12	17.5	29.2	27.9	26.9
Government	0.07	10.91	(34.37)	(34.91)	(37.21)	(48.57)	(6.64)	3.99	4.43	8.07	5.3	84.4	63.1	55.5
Private and other public sector	24.90	23.37	24.56	23.49	22.28	22.23	21.88	21.05	19.81	19.49	20.8	20.3	21.0	21.0
7. BALANCE OF PAYMENTS (US\$ m)														
Overall Balance	(419.32)	(313.45)	(137.65)	168.11	(559.44)	626.49	-294.47	143.54	-13.26	-208.60	-34.99	-238.59	-248.64	-0.02
Current Account	(592.93)	(658.56)	(794.18)	(767.48)	(381.68)	(621.04)	(371.93)	(317.51)	(281.84)	(479.68)	(497.35)	(367.62)	(319.50)	(204.02)
Trade Balance	(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)	(1,017.47)	(825.32)	(837.47)	(689.45)
Capital and Financial Account	173.61	345.10	656.54	935.60	(177.76)	1,247.53	77.46	461.05	268.58	271.07	462.36	129.03	70.87	204.00
8. FOREIGN EXCHANGE RESERVES (US\$ m)	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	9,798.73	9,473.11	9,248.79	9,265.36
Official	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	7,469.23	7,211.56	6,962.93	6,962.90
Months of import cover**	5.33	5.10	4.96	5.00	4.64	5.01	4.80	4.88	4.90	4.75	4.73	4.57	4.42	4.43
Commercial banks	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	2,329.50	2,261.55	2,285.86	2,302.45
9. PUBLIC DEBT (US\$ bn)	27.19	26.92	26.44	26.17	26.56	27.16	28.28	28.97	29.10	29.35	28.94	28.96	28.39	28.43
Domestic	14.77	14.54	14.19	13.97	14.49	14.23	14.42	14.79	15.20	15.15	14.61	14.54	14.02	13.70
As % of GDP	24.20	23.91	23.53	23.41	24.33	24.41	24.91	25.26	26.08	26.42	26.29	26.51	26.48	26.19
External	12.42	12.38	12.25	12.20	12.08	12.92	13.86	14.17	13.90	14.20	14.33	14.42	14.37	14.74
As % of GDP	20.34	20.36	20.30	20.32	20.33	21.85	23.64	24.20	23.86	24.77	25.78	26.29	27.50	28.57
10. GROSS DOMESTIC DEBT (Ksh bn)***	1,296.44	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	1,408.43	1,420.44	1,418.57	1,403.10
11. AVERAGE EXCHANGE RATE														
Ksh/US\$	87.77	88.11	88.84	89.23	89.96	90.44	91.36	91.49	91.73	93.44	96.39	97.70	101.20	102.43
Ksh/Pound Sterling	150.04	147.24	144.99	143.66	142.05	141.45	138.49	140.21	137.51	139.62	149.10	152.16	157.53	159.77
Ksh/100 Yen	86.32	85.63	82.90	82.62	77.53	75.79	77.19	77.17	76.22	78.18	79.89	79.00	82.10	83.12
Ksh/Euro	119.02	117.40	114.74	113.21	112.28	111.52	106.32	103.94	99.40	100.71	107.54	109.72	111.36	114.09

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

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

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

¹ Previously M3XT

² Previously M3X

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

DEVELOPMENT IN INFLATION

Overall Inflation

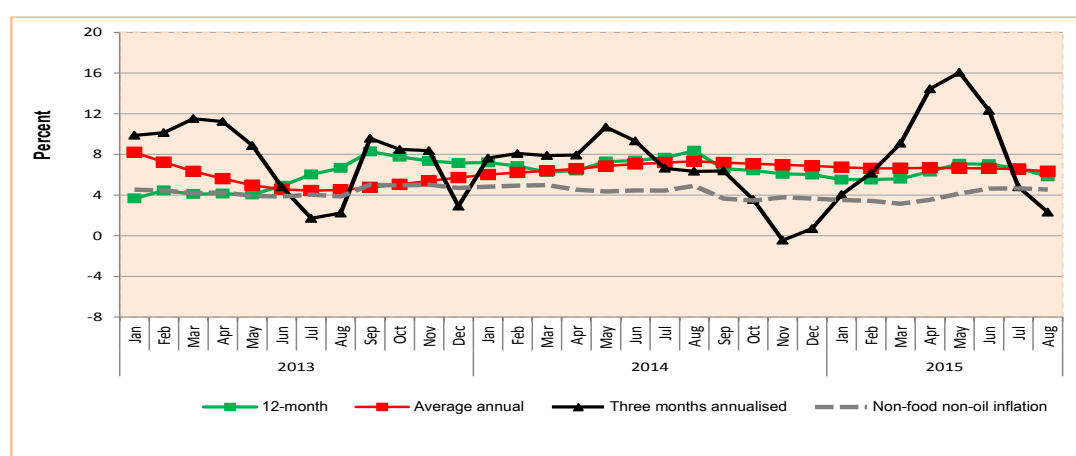
Overall 12-month inflation declined to 5.8 percent in August 2015 from 6.6 percent in July 2015. This largely reflects a decline in food which eased by 200 basis points to 9.4 percent. Non-food Non-fuel inflation also eased by 12 basis points to 4.5 percent in August 2015. Fuel inflation, however, rose by 52 basis points to 1.1 percent. The annual average and the three months annualized inflation rates eased to 6.3 percent and 2.3 percent, respectively, in August 2015, indicating a decrease in domestic inflationary pressures (Table 1.1 and Chart 1A).

TABLE 1.1: RECENT DEVELOPMENTS IN INFLATION (%)

Overall Inflation	2013			2014												2015							
	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug
12-month	7.76	7.36	7.15	7.21	6.86	6.27	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	6.87	7.03	6.62	5.84
Average annual	5.05	5.39	5.72	6.01	6.21	6.39	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	6.65	6.63	6.54	6.34
Food inflation	11.55	10.33	10.00	9.84	8.89	8.06	7.89	8.69	8.30	8.89	10.42	8.12	7.95	7.39	7.54	7.38	8.33	10.32	12.54	12.42	12.55	11.42	9.42
Fuel inflation	4.75	5.06	5.14	5.49	5.58	4.69	5.95	8.13	9.02	9.10	8.59	7.17	7.03	6.37	5.98	4.53	3.32	2.87	1.53	0.28	0.24	0.57	1.09
Three months annualised	8.49	8.37	2.91	7.64	8.09	7.89	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	16.06	12.32	4.81	2.31
Non-food non-fuel inflation	4.94	5.01	4.71	4.83	4.93	4.97	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	4.15	4.63	4.67	4.55

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

CHART 1A: EVOLUTION OF INFLATION



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

The decline in food inflation from 11.4 percent in July 2015 to 9.4 percent in August 2015 largely reflects a decrease in the 12-month inflation in the 'food and non-alcoholic beverages' category of goods and services from 12.1 percent in July 2015 to 9.9 percent in August 2015, due to favourable weather conditions that led to a decrease in prices of fresh agricultural produce.

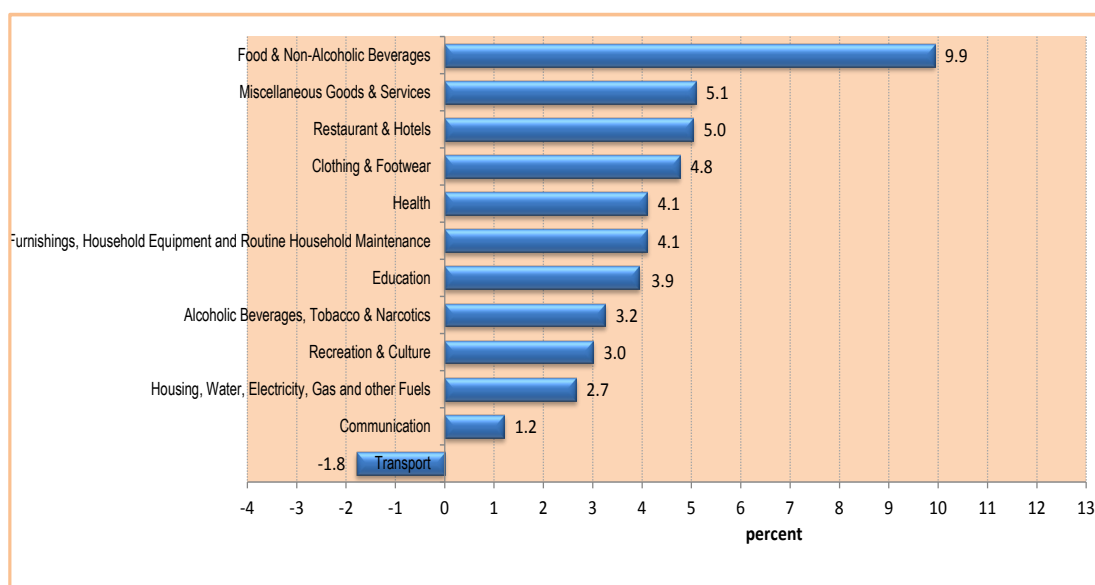
Fuel inflation rose from 0.6 percent in July 2015 to 1.1 percent in August 2015. This reflects an increase in 12-month inflation in the 'transport' category of goods and services, which rose by 67 basis points from -2.5 percent in July 2015 to -1.8 percent in August 2015, caused by the introduction of a road maintenance levy that saw the average retail prices of petrol and diesel go up by KSh 3.0 a litre. The

‘housing, water, electricity, gas and other fuels’ category of goods and services rose by 45 basis points from 2.2 percent to 2.7 percent in the period under review, due to increase in cost of cooking fuels and other household utilities.

Non-food non-fuel inflation marginally declined to 4.6 percent in August 2015 from 4.7 percent in July 2015, reflecting lower inflation in the ‘recreation and culture’, ‘miscellaneous goods and services’, ‘clothing & footwear’ and ‘health’ 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 74.4 percent of overall 12-month inflation in August 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 8.2 percent and -2.7 percent, respectively.

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



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

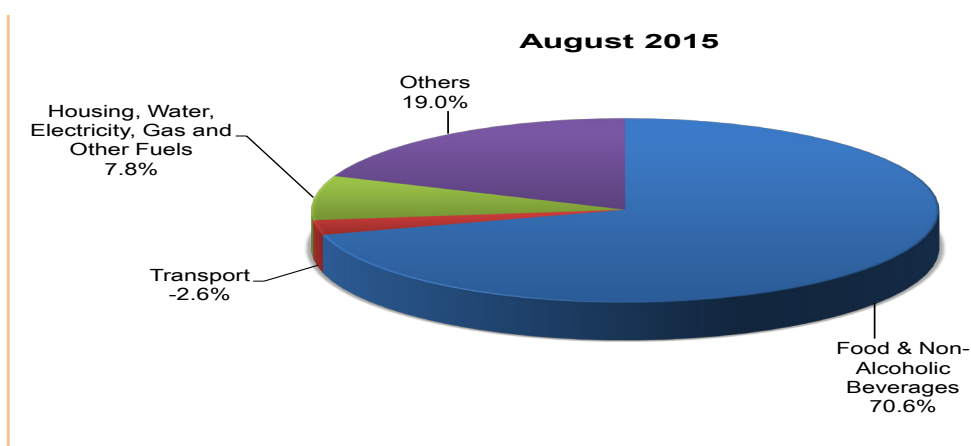
TABLE 1.2: 12 MONTH INFLATION ACROSS BASKETS AND INCOME GROUPS

August 2015	Weight-CPI Kenya	Income Groups				Rest of Kenya	TOTAL KENYA
		Lower Income	Middle Income	Upper Income	Nairobi Combined	Rest of Kenya Combined	
Food & Non-alcoholic beverages	42.4	9.7	6.8	9.8	9.0	10.5	9.9
Alcoholic beverages, Tobacco & narcotics	2.0	3.7	0.8	1.6	2.9	3.5	3.2
Clothing & Footwear	6.6	3.1	4.6	4.0	3.4	5.6	4.8
Housing, Water, Electricity, Gas and other fuels	16.8	2.4	1.6	-2.6	2.0	3.1	2.7
Furnishings, Household equipment and Routine household maintenance	5.5	3.0	4.1	3.7	3.3	4.6	4.1
Health	2.7	3.7	7.0	4.5	4.5	5.2	5.0
Transport	8.7	3.3	-0.6	1.8	2.4	-4.9	-1.8
Communication	1.9	1.5	4.5	0.3	2.4	0.5	1.2
Recreation & culture	2.0	2.6	6.7	-2.2	3.4	2.7	3.0
Education	2.5	3.0	11.3	3.8	5.1	3.1	3.9
Restaurants & hotels	4.7	3.1	4.7	12.5	3.7	5.9	5.0
Miscellaneous goods & services	3.9	2.3	6.3	2.7	3.2	6.3	5.1
ALL GROUPS	100.0	6.0	4.3	2.6	5.5	6.0	5.8

Source: Kenya National Bureau of Statistics

12-month inflation in Nairobi dropped to 5.5 percent in August 2015, compared to 6.4 percent recorded in July 2015. The 12-month consumer price inflation for the 'Nairobi Lower Income' group decreased from 7.3 percent in July 2015 to 6.0 percent in August 2015, while 12-month inflation for the 'Nairobi Middle Income' group rose to 4.3 percent in August 2015 from 4.2 percent in July 2015. 12-month inflation for the 'Nairobi Upper Income' group decreased to 2.6 percent in August 2015 from 2.9 percent recorded in July 2015, while 12-month inflation registered in urban centres outside Nairobi declined to 6.0 percent in August 2015 from 6.7 percent in July 2015 (Table 1.3).

CHART 1C: PERCENTAGE CONTRIBUTIONS TO OVERALL INFLATION (AUGUST 2015)



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

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

	May-14	Jun-14	Jul-14	Aug-14	Sep-14	Oct-14	Nov-14	Dec-14	Jan-15	Feb-15	Mar-15	Apr-15	May-15	Jun-15	Jul-15	Aug-15
Combined Nairobi	5.95	6.15	6.21	7.32	4.52	4.46	4.22	4.53	4.38	4.66	5.48	6.39	6.09	6.53	6.44	5.54
Lower Income	6.07	6.10	6.13	7.49	4.84	4.79	4.50	4.87	4.83	5.22	6.32	7.49	6.98	7.32	7.26	6.03
Middle Income	5.37	6.06	6.19	6.39	3.34	3.38	3.30	3.61	3.22	3.23	3.24	3.39	3.76	4.63	4.22	4.34
Upper Income	7.18	7.81	8.04	9.58	5.19	4.33	4.25	3.19	2.05	1.74	1.81	1.90	1.86	1.77	2.95	2.56
Other provinces- excluding Nairobi	8.23	8.25	8.68	9.07	8.04	7.79	7.37	7.05	6.32	6.26	6.88	7.55	7.39	7.38	6.75	6.05
TOTAL KENYA	7.30	7.39	7.67	8.36	6.60	6.43	6.09	6.02	5.53	5.61	6.31	7.08	6.87	7.03	6.62	5.84

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

DEVELOPMENTS IN MONEY, CREDIT AND INTEREST RATES

Monetary Aggregates

Growth in broad money, M3, declined to 14.0 percent in the year to August 2015 from 21.8 percent recorded in August 2014, and was within the respective target of 15.9 percent for August 2015. Over the same period, growth in M2 slowed down to 14.3 percent from 20.0 percent while growth in foreign currency deposits decreased to 12.9 percent from 32.0 percent (Table 2.1 and Chart 2A).

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

	2013 August	2014 August	2015 August	Absolute Change		%age change	
				2013/14 August	2014/15 August	12 months Aug-14	12 months Aug-15
Money supply, M3 (2+3) 2/	1850.0	2253.3	2569.9	403.3	316.6	21.8	14.0
1.1 Money supply, M2 3/	1575.5	1891.1	2161.1	315.5	270.0	20.0	14.3
1.2 Money supply, M1	758.9	918.4	1015.3	159.5	96.8	21.0	10.5
1.3 Currency outside banks	152.1	164.1	179.3	11.9	15.2	7.8	9.3
1.4 Foreign Currency Deposits	274.5	362.2	408.8	87.8	46.6	32.0	12.9
Net foreign assets 4/	376.3	481.3	404.7	105.0	-76.6	27.9	-15.9
Central Bank	408.7	556.1	557.7	147.4	1.6	36.1	0.3
Banking Institutions	-32.3	-74.7	-153.0	-42.4	-78.2		
Net domestic assets (3.1+3.2)	1473.7	1772.0	2165.1	298.4	393.1	20.2	22.2
3.1 Domestic credit (3.1.1+3.1.2)	1807.3	2187.8	2775.6	380.6	587.8	21.1	26.9
3.1.1 Government (net)	336.1	372.8	579.7	36.7	206.9	10.9	55.5
3.1.2 Private sector	1427.8	1777.1	2149.8	349.3	372.7	24.5	21.0
3.1.3 Other public sector	43.3	37.9	46.2	-5.4	8.2	-12.4	21.7
3.2 Other assets net (3-3.1)	-333.6	-415.8	-610.5	-82.2	-194.7		
Memorandum items							
Overall liquidity, L 1/	2341.8	2880.2	3252.0	538.4	371.9	23.0	12.9
Reserve money	309.8	357.1	367.5	47.2	10.4	15.2	2.9
Currency outside banks	152.1	164.1	179.3	11.9	15.2	7.8	9.3
Bank reserves	157.7	193.0	188.2	35.3	-4.8	22.4	-2.5

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

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

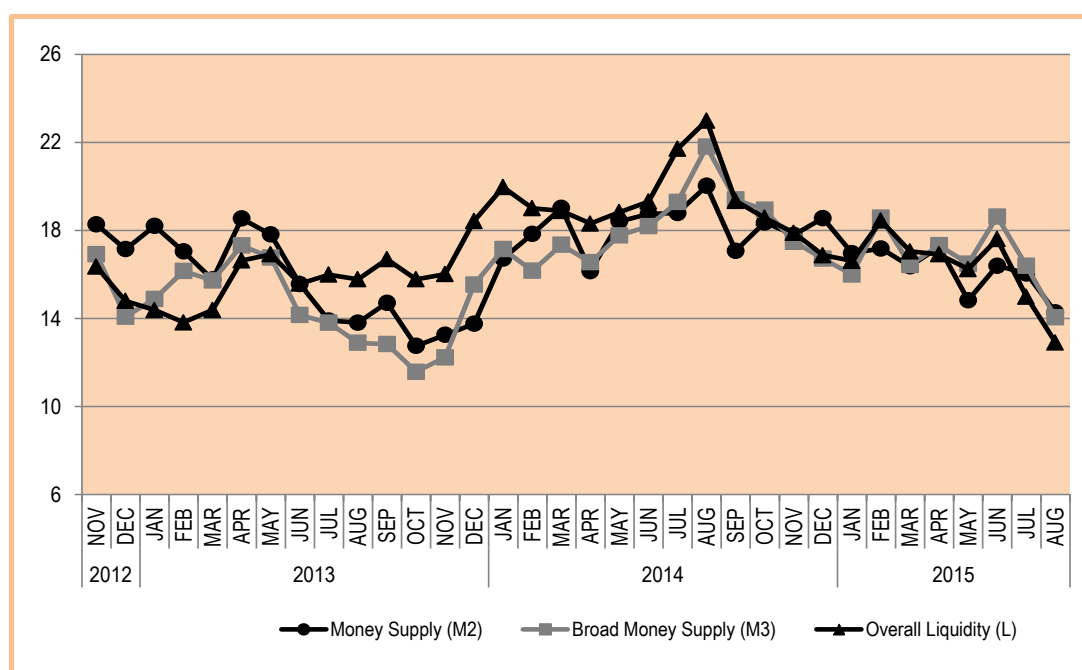
2/ Broader money, M3, comprises M2 and residents foreign currency deposits with local banks. It is comparable to M3X in the past publications. Foreign currency deposits are valued at current exchange rate from July 2008.

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

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 slowdown in broad money was reflected in the Net Foreign Assets of the banking system which declined by 15.9 percent in the year to August 2015 compared to a growth of 27.9 percent in the year to August 2014. The NFA of the Central Bank grew by 0.3 percent to KSh 557.7 billion in the year to August 2015 from KSh 556.1 billion in August 2014. The deceleration in growth is attributed to intervention by CBK in the interbank market through the sale of forex in order to stabilize the Kenya Shilling. The NFA held by other banking institutions also dropped, on account of increased loans from non-residents and other accounts payable. In the period under review, the NDA of the banking system increased by 22.2 percent from 20.2 percent on account of increased borrowing by Government from the banking sector. Credit to other public sector recorded growth of 21.7 percent in August 2015, compared to a decline of 12.4 percent recorded in August 2014 (Table 2.1).

TABLE 2.2: PERFORMANCE OF NET DOMESTIC OF THE BANKING SYSTEM (KSH BILLION)

	2014 August		2015 August		Absolute Change August		Annual %age Change August	
	Ksh bn	Share (%)	Ksh bn	Share (%)	2013/14	2014/15	2013/14	2014/15
1. Credit to Government	372.8	17.0	579.5	20.9	36.7	206.7	10.9	55.5
Central Bank	-92.9	-4.2	52.2	1.9	-47.8	145.1		
Commercial Banks & NBFIs	465.7	21.3	527.3	19.0	84.5	61.6	22.2	13.2
2. Credit to other public sector	37.9	1.7	46.2	1.7	-5.4	8.2	-12.4	21.7
Local government	0.1	0.0	1.1	0.0	0.0	1.0		
Parastatals	37.8	1.7	45.0	1.6	-5.4	7.2	-12.5	19.2
3. Credit to private sector	1777.1	81.2	2149.8	77.5	349.3	372.7	24.5	21.0
Agriculture	70.1	3.2	90.3	3.3	12.1	20.1	20.9	28.7
Manufacturing	221.0	10.1	277.1	10.0	47.0	56.0	27.0	25.3
Trade	293.2	13.4	369.1	13.3	58.8	75.9	25.1	25.9
Building and construction	77.1	3.5	94.1	3.4	7.5	17.1	10.8	22.1
Transport & communications	118.1	5.4	153.5	5.5	37.3	35.4	46.1	30.0
Finance & insurance	38.7	1.8	58.3	2.1	11.6	19.6	42.6	50.5
Real estate	239.8	11.0	275.7	9.9	54.5	35.9	29.4	15.0
Mining and quarrying	28.0	1.3	23.0	0.8	4.6	-5.0	19.6	-18.0
Private households	279.7	12.8	359.4	12.9	60.8	79.7	27.8	28.5
Consumer durables	106.1	4.9	128.4	4.6	16.5	22.2	18.4	21.0
Business services	161.1	7.4	197.3	7.1	38.8	36.2	31.7	22.5
Other activities	144.1	6.6	123.7	4.5	-0.2	-20.4	-0.2	-14.2
4. TOTAL (1+2+3) *	2187.8	100.0	2775.5	100.0	380.6	587.6	21.1	26.9

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

Source: Central Bank of Kenya

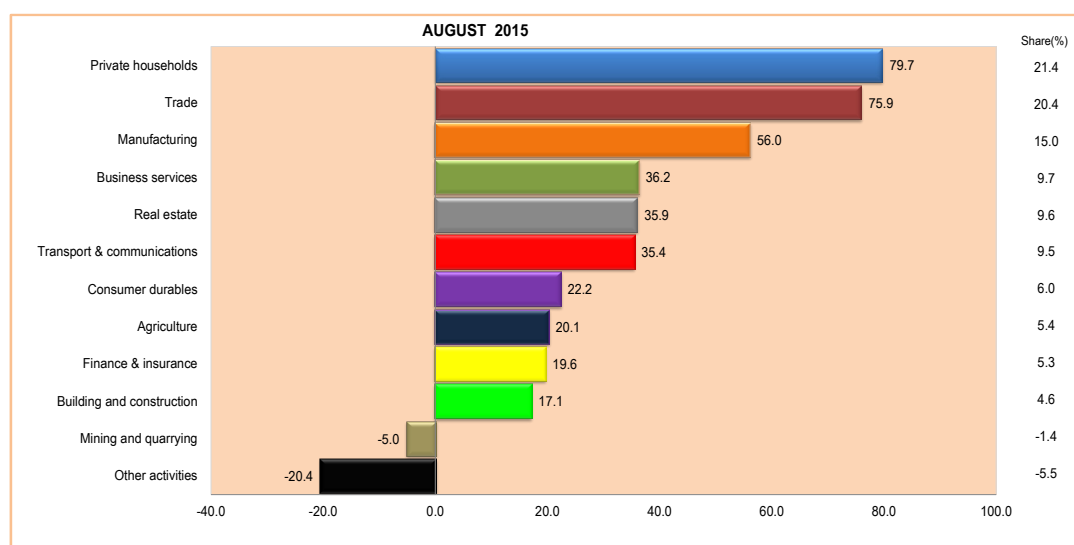
Domestic Credit Developments

Domestic credit from the banking sector increased by KSh 587.8 billion (26.9 percent) in the year to August 2015 compared with KSh 380.6 billion (21.1 percent) in a similar period in 2014 (Table 2.2). The robust growth in domestic credit largely reflects an increase in credit to government. In the period under review, growth in credit to the private sector declined to 21.0 percent from 24.5 percent recorded the previous year. In terms of shares to the total lending, the private sector accounted for 77.5 percent of the total bank credit compared with 20.9 percent to the Government. The credit flow to the private sector in August 2015 as shown in Chart 2B.

Reserve Money

Reserve money (RM) increased by 2.9 percent in the year to August 2015 compared with 15.2 percent growth in August 2014 (Table 2.3 and Chart 2C). At KSh 367.5 billion in August 2015, reserve money was KSh 2.9 billion above the target.

The growth in reserve money reflected 9.3 percent increase in currency outside banks. However, bank reserves declined by 2.5 percent in August 2015 compared to a growth of 22.4 percent in August 2014.

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

Source: Central Bank of Kenya

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

	2013	2014	2015	Absolute change		Change (%)		2015	
	August	August	August	2013/14	2014/15	2013/14	2014/15	August Target	
1. Net Foreign Assets	408.7	556.1	557.7	147.4	1.6	36.1	0.3	523.9	33.8
2. Net Domestic Assets	-98.9	-199.0	-190.2	-100.2	8.8			-159.4	-30.9
2.1 Government Borrowing (net)	-45.1	-92.9	52.3	-47.8	145.2			-23.0	75.3
2.2 Commercial banks (net)	0.0	29.2	-65.6	29.2	-94.8			-23.8	-41.8
2.3 Other Domestic Assets (net)	-57.6	-139.0	-180.6	-81.4	-41.5			-116.1	-64.4
3. Reserve Money	309.8	357.1	367.5	47.2	10.4	15.2	2.9	364.5	2.9
3.1 Currency outside banks	152.1	164.1	179.3	11.9	15.2	7.8	9.3	180.3	-1.0
3.2 Bank reserves	157.7	193.0	188.2	35.3	-4.8	22.4	-2.5	184.2	4.0

Source: Central Bank of Kenya

The NDA of the Central Bank increased by KSh 8.8 billion to KSh -190.2 billion in August 2015 from KSh -199.0 billion in August 2014. During the period under review, the NFA of the Central Bank, increased marginally by KSh 1.6 billion to KSh 557.7 billion in the year to August 2015.

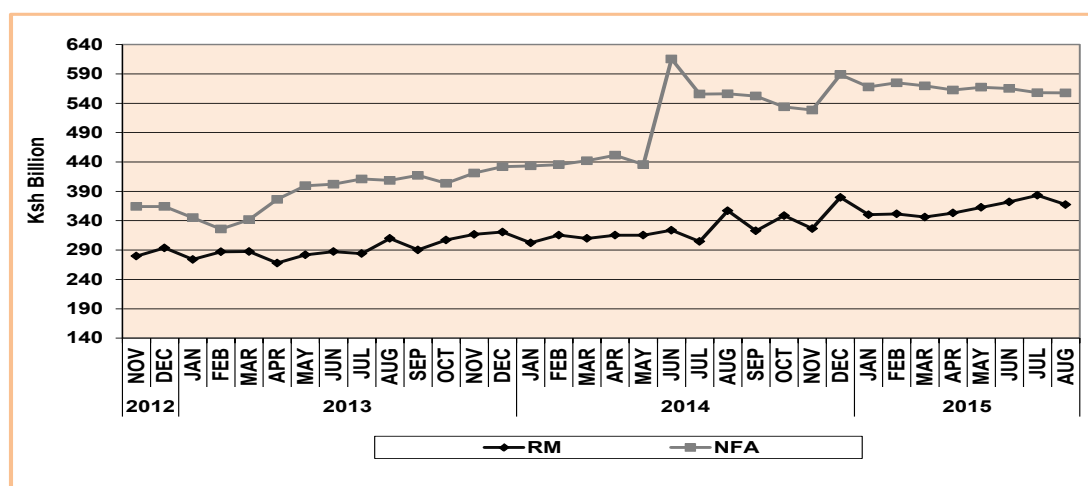
Central Bank Rate

The Monetary Policy Committee maintained the Central Bank Rate (CBR) at 11.5 percent on August 5, 2015.

Short Term Interest Rates

Short term interest rates increased in August 2015 (Table 2.4 and Chart 2D). The weighted average interbank rate increased to 18.49 percent in August 2015 from 13.48 percent in July 2015. The increase in short term interest rates reflected tight liquidity in the money market due to subdued government spending and open market operations by the Central Bank. The 91-day Treasury bill rate, which largely reflects the government's borrowing profile, increased to 11.54 percent in August 2015 from 10.57 percent in July 2015. Likewise, the 182-day Treasury bill rate increased to 12.06 percent in August 2015 from 11.99 percent in July 2015.

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



Source: Central Bank of Kenya

Lending and Deposit Rates

The average lending rate decreased slightly to 15.68 percent in August 2015 from 15.75 percent recorded in July 2015 while the average deposit rate increased to 6.91 percent in August 2015 from 6.31 percent in July 2015. Consequently, the interest rate spread narrowed to 8.77 percent in August 2015 from 9.44 percent in July 2015 (Table 2.4 and Chart 2D).

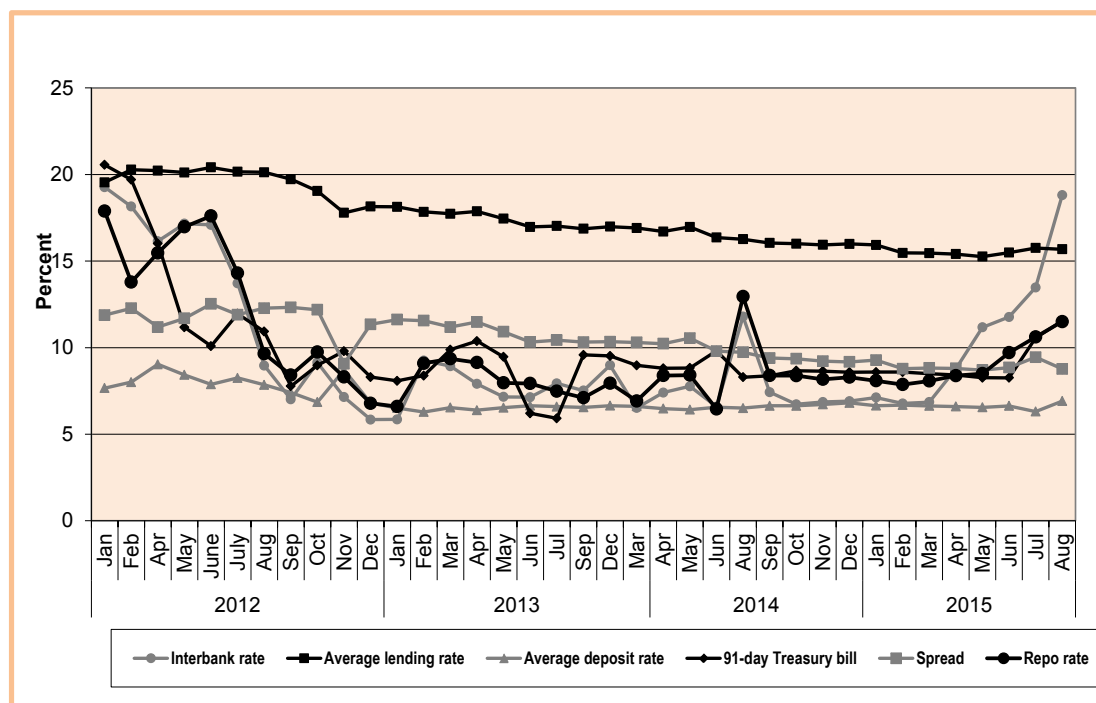
The proportion of cash to deposit liabilities held at the Central Bank by commercial banks for reserve requirements averaged 5.26 percent in August 2015 compared to 4.91 percent in July 2015 and was above the average 5.25 percent minimum requirement (Table 5.2 and Chart 5A). Commercial banks recorded a surplus of KSh 17.8 billion in relation to the average 5.25 percent minimum requirement at the Central Bank in August 2015 compared with a deficit of KSh 8.4 billion in July 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 15th through 14th of every month, but subject to a daily minimum of 3.0 percent.

Both Commercial banks and non-bank financial institutions held strong liquidity positions in August 2015, at 37.85 percent and 22.71 percent respectively, in relation to the 20 percent minimum requirement.

TABLE 2.4: INTEREST RATES (%)

	2014											2015							
	Jan	Mar	Apr	May	June	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	June	July	Aug		
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	8.26	8.26	10.57	11.54		
182-day Treasury bill rate	10.36	10.08	9.83	9.86	10.50	8.61	8.91	9.18	9.49	10.19	10.37	10.35	10.26	10.37	10.55	11.99	12.06		
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	15.10	15.65	16.05	15.98		
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	11.17	11.77	12.89	18.81		
Repo rate	-	6.92	8.39	8.42	6.46	8.39	8.39	8.17	8.29	8.09	7.87	8.08	8.38	8.50	9.70	10.61	11.50		
Reverse Repo rate	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
Central Bank Rate (CBR)	8.50	8.50	8.50	8.50	8.50	8.50	8.50	8.50	8.50	8.50	8.50	8.50	8.50	8.50	10.00	11.50	11.50		
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	15.26	15.48	15.75	15.68		
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	6.55	6.64	6.31	6.91		
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	9.72	9.73	9.67	10.03		
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	1.48	1.85	1.37	1.50		
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	8.70	8.85	9.44	8.77		

Source: Central Bank of Kenya

CHART 2D : EVOLUTION OF INTEREST RATES

Source: Central Bank of Kenya

PERFORMANCE OF THE REAL SECTOR

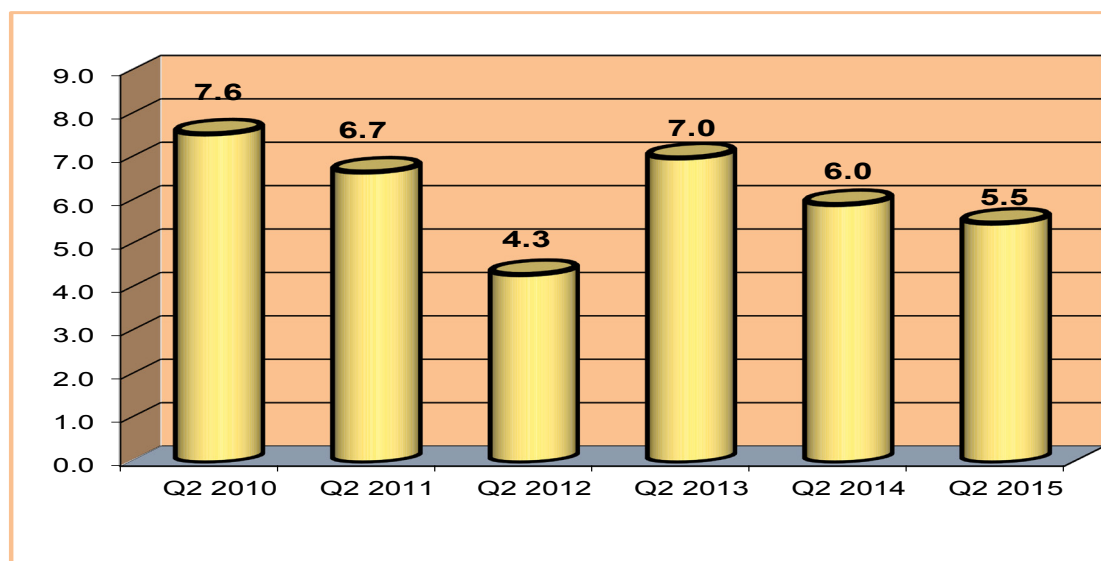
Overview Real GDP in the second quarter of 2015 grew by 5.5 percent compared with 6.0 percent growth in the same period in 2014 (Table 3.1, Chart 3A). Growth in this Quarter was largely supported by improved performance in Electricity & water supply; Agriculture; Wholesale and retail trade; and Transport and communication.

Agriculture Agriculture output grew by 5.4 percent in the second quarter of 2015 compared to 2.1 percent in the second quarter of 2014. The improved performance may be attributed to favourable weather conditions during the period under review, which led to increased activity in the sector. The price of maize and beans decreased in

TABLE 3.1: PERFORMANCE OF REAL GROSS DOMESTIC PRODUCT

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

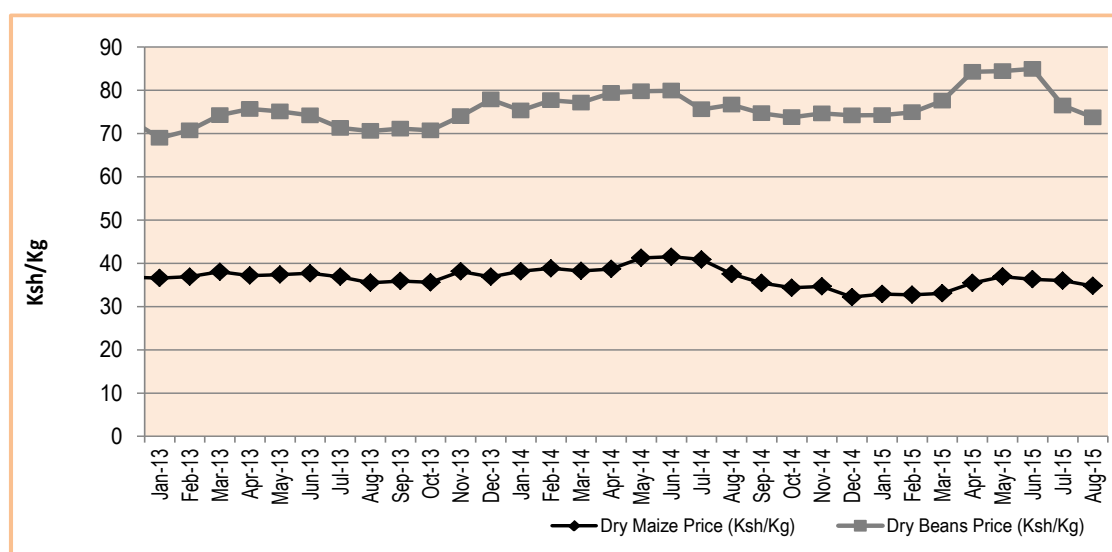
Source: Quarterly GDP Statistical Release, various issues, Kenya National Bureau of Statistics

CHART 3A: EVOLUTION GDP GROWTH IN THE THIRD QUARTER

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

August 2015 (Chart 3B) due to improved supply following the onset of the harvest season (Chart 3B).

Major Indicators in Agriculture Indicators on agriculture in the year to August 2015 show mixed performance (Table 3.2). Growth in production of tea declined by 9.2 percent in the year to August 2015 compared with growth of 0.8 percent recorded in the year to August 2014. The average auction price for tea at KSh 246.10 per kilogram in the year to August 2015 was 27.0 percent higher than KSh 193.74 per kilogram recorded in the year to August 2014 (Table 3.2).

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

Source: Kenya National Bureau of Statistics

Horticulture Export of fresh horticultural products rose by 0.9 percent from 309,303 metric tonnes in the year to August 2014 to 312,101 metric tonnes in the year to August 2015. During the period under review, exports of fresh vegetables dominated in terms of volume, while cut flowers brought in the largest contribution in terms of value (Table 3.2 and Chart 3C).

TABLE 3.2: OUTPUT GROWTH OF MAJOR CROPS AND MILK

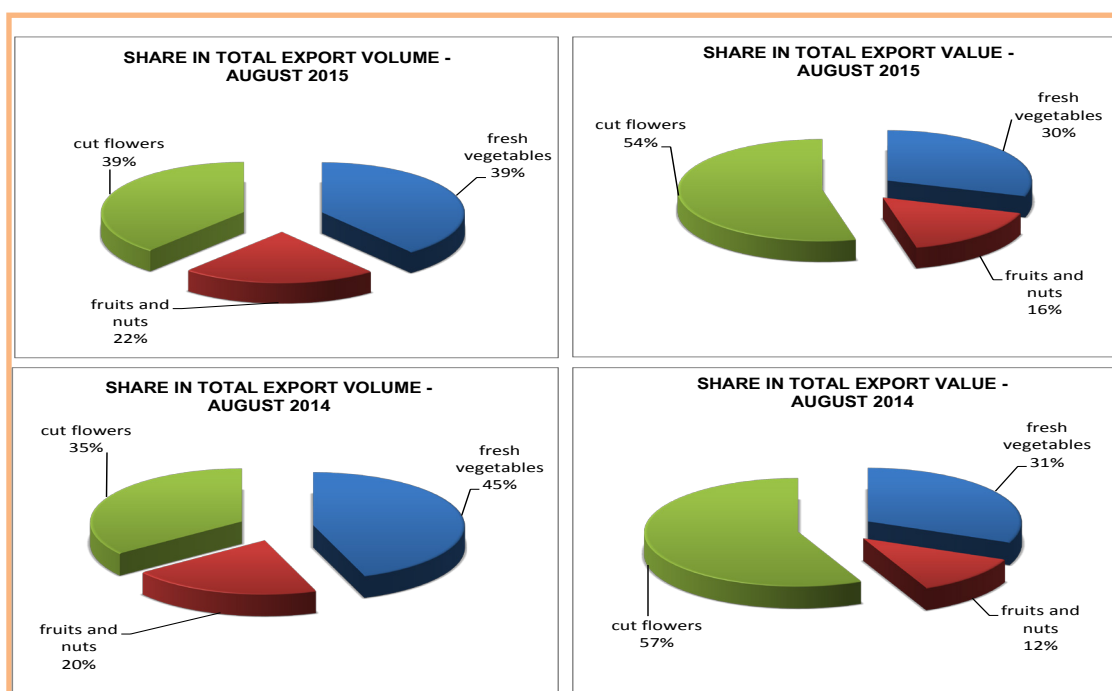
	Annual Totals			Year to August 2014	Year to August 2015
	2012	2013	2014		
Tea					
Output (Metric tonnes)	369,562	432,453	445,106	436,997	396,989
Growth (%)	-2.2%	17.0%	2.9%	0.8%	-9.2%
Horticulture					
Exports (Metric tonnes)	250,814	309,029	303,254	309,303	312,101
Growth (%)	5.1%	23.2%	-1.9%	5.9%	0.9%
Coffee					
Sales (Metric tonnes)	46,051	37,943	42,450	40,205	35,540
Growth (%)	53.6%	-17.6%	11.9%	0.1%	-11.6%
Milk					
Output (million litres)	495	523	544	535	521
Growth %	-9.8%	5.6%	4.0%	-1.3%	-2.6%
Sugar Cane					
Output (Metric tonnes)	5,716	6,672	6,478	7,060	N/A
Growth (%)	7.1%	16.7%	-2.9%	18.8%	

N/A - Data not available

Source: Kenya National Bureau of Statistics and Kenya Revenue Authority

Coffee Annual growth in coffee sales declined by 11.6 percent in the year to August 2015 compared with growth of 0.1 percent recorded in the year to August 2014. The average auction price for coffee increased by 15.6 percent to KSh 385.51 per kilogram in the year to August 2015 from KSh 333.55 per kilogram in the year to August 2014.

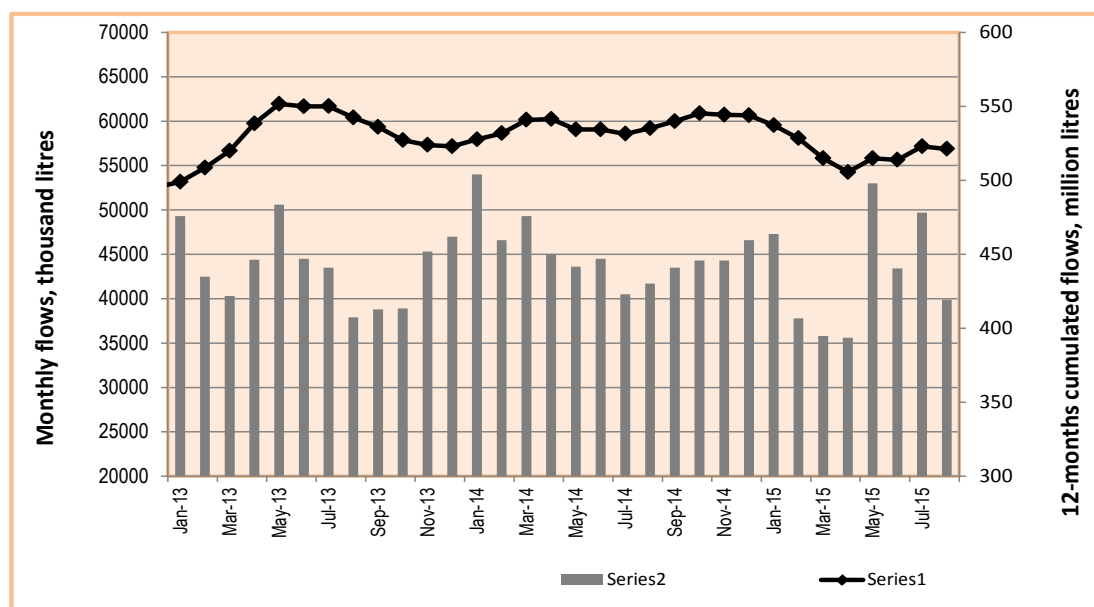
CHART 3C: STRUCTURE OF HORTICULTURAL EXPORTS



Source: Kenya Revenue Authority

Dairy

The volume of milk intake in the formal sector in the year to August 2015 declined by 2.6 percent to 521 million litres in the year to August 2015 from 535 million litres recorded in the year to August 2014 (Chart 3D).

CHART 3D: PROCESSED MILK (LITRES)

Source: Kenya National Bureau of Statistics

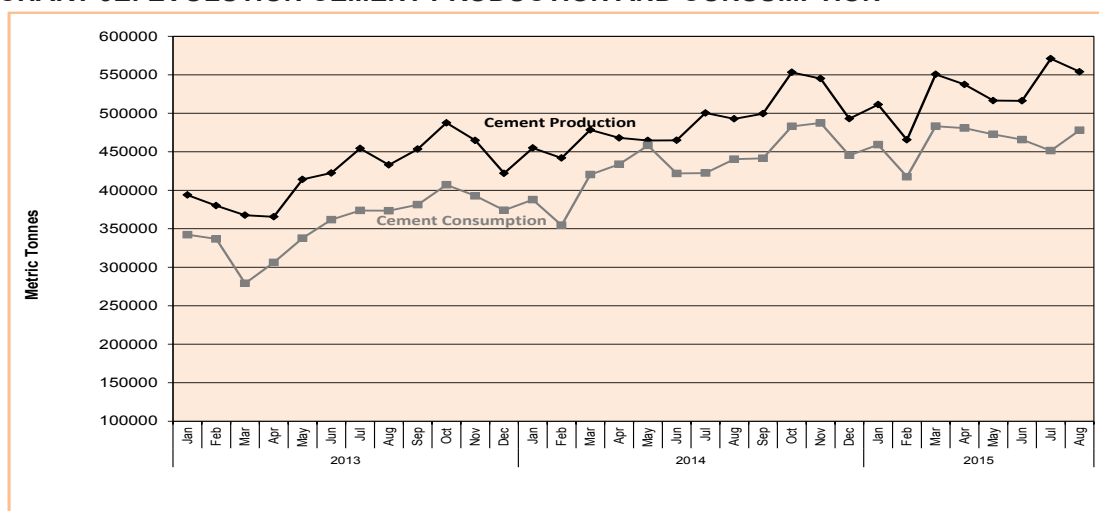
Manufacturing The manufacturing sector output, which accounted for 10.7 percent of GDP in the second quarter of 2015, is estimated to have increased by 4.5 percent in the second quarter of 2015 compared with 8.3 percent growth in the second quarter of 2014. In addition, indicators on performance of the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

TABLE 3.3: PRODUCTION OF SELECTED MANUFACTURED GOODS

	Annual Totals			Year to August 2014	Year to August 2015
	2012	2013	2014		
Cement production					
Output (MT)	4,639,693	5,059,129	5,856,828	5,594,196	6,312,958
Growth %	16.9%	9.0%	15.8%	16.4%	12.8%
Assembled vehicles					
Output (No.)	6,218	6,948	9,246	8,696	9,551
Growth %	2.8%	11.7%	33.1%	36.7%	9.8%
Galvanized sheets					
Output (MT)	235,812	306,100	284,509	290,322	N/A
Growth %	-12.0%	29.8%	-7.1%	0.1%	
Processed sugar					
Output (MT)	494,030	600,210	616,852	639,787	N/A
Growth %	4.0%	21.5%	2.8%	23.6%	
Soft drinks					
Output ('000 litres)	359,518	403,981	459,464	443,234	N/A
Growth %	-3.2%	12.4%	13.7%	16.1%	

MT = Metric tonnes

Source: Kenya National Bureau of Statistics

CHART 3E: EVOLUTION CEMENT PRODUCTION AND CONSUMPTION

Source: Kenya National Bureau of Statistics

Energy Sector

Annual growth in local generation of electricity decreased to 4.5 percent in the year to August 2015 from 10.9 percent growth recorded in the year to August 2014 (Table 3.4). The total amount of electricity generated in the year to August 2015 was 9,160 million kilowatt hours compared with 8,767 million kilowatt hours generated in the year to August 2014. This increase reflects accelerated generation of geo-thermal power by 95.1 percent in the year to August 2015, compared with 31.3 percent recorded in the year to August 2014. Generation of hydro-electricity power, on the other hand, contracted by 9.2 percent while that of thermal power contracted by 47.6 percent in the year to August 2015. The total supply in the year to August 2015 comprised 36.9 percent hydro-electricity, 46.8 percent geo-thermal power and 16.3 percent thermal power. Meanwhile, the average price of murban crude oil dropped to US\$ 64.9 per barrel in the year to August 2015 from US\$ 110.3 per barrel in the year to August 2014.

TABLE 3.4: ENERGY SECTOR PERFORMANCE

	2012	2013	2014	Year to August 2014	Year to August 2015
Electricity Supply (Generation)					
Output (million KWH)	7,544	8,217	8,889	8,767	9,160
Growth %	5.4%	8.9%	8.2%	10.9%	4.5%
Of which:					
Hydro-power Generation (million KWH)	4,032	4,387	3,411	3,730	3,386
Growth (%)	26.6%	8.8%	-22.2%	-14.4%	-9.2%
Geo-Thermal Generation (million KWH)	1,522	1,781	2,917	2,197	4,286
Growth (%)	5.4%	17.0%	63.8%	31.3%	95.1%
Thermal (million KWH)	1,963	2,049	2,561	2,840	1,488
Growth (%)	-22.5%	4.4%	24.9%	53.5%	-47.6%
Consumption of electricity (million KWH)	6,298	6,564	7,406	6,983	8,182
Growth %	2.4%	4.2%	12.8%	7.9%	17.2%
Consumption of Fuels ('000 tonnes)	3,764	3,649	3,873	3,855	N/A
Growth %	6.2%	-3.1%	6.2%	4.5%	
Murban crude oil average price (US \$ per barrel)	113.0	110.1	99.5	110.3	64.9
Growth %	2.1%	-2.5%	-9.7%	0.3%	-41.2%

Source: Kenya National Bureau of Statistics

Tourism The number of tourist arrivals declined by 27.5 percent in the year to August 2015 (Table 3.5) compared with a decline of 4.6 percent in the year to August 2014. The unfavourable performance is attributed to adverse travel advisories from source countries due to insecurity concerns. The ports of disembarkation for tourists remained Jomo Kenyatta International, Airport Nairobi (89.6 percent share), and the Moi International Airport, Mombasa (10.4 percent share).

TABLE 3.5: TOURIST ARRIVALS BY POINT OF ENTRY

	2012	2013	2014	Year to August 2014	Year to August 2015	Year to August 2015 % Share	Year to August 2015 % Growth
MIAM	187,151	168,654	117,796	156,282	77,794	10.4%	-50.2%
JKIA	1,053,361	912,998	743,600	878,131	671,805	89.6%	-23.5%
TOTAL	1,240,512	1,081,652	861,396	1,034,413	749,599	100.0%	-27.5%

Source: Kenya Tourist Board

Transport

The total number of passengers received at the Jomo Kenyatta International Airport, Nairobi (JKIA) increased by 2.7 percent in the year to August 2015, compared with a decline of 2.0 percent recorded in the year to August 2014. This increase was reflected in both incoming and outgoing passengers (Table 3.6). Meanwhile, the volume of oil passed through the Kenya pipeline rose to 6.2 percent in the year to August 2015 from 6.0 percent in the year to August 2014.

TABLE 3.6: THROUGHPUT IN SELECTED TRANSPORT FACILITIES

	2012	2013	2014	Year to August 2014	Year to August 2015
Number of Passengers thro' JKIA					
Total passenger flows	4,302,244	4,290,349	4,232,523	4,222,426	4,336,728
Growth (%)	4.0%	-0.3%	-1.3%	-2.0%	2.7%
o.w. Incoming	2,148,105	2,144,002	2,102,886	2,103,716	2,159,873
Growth (%)	2.8%	-0.2%	-1.9%	-2.0%	2.7%
Outgoing	2,154,139	2,146,347	2,129,637	2,118,710	2,176,855
Growth %	5.3%	-0.4%	-0.8%	-2.1%	2.7%
Kenya Pipeline Oil Throughput					
Output ('000 litres)	4,855,571	5,181,600	5,623,628	5,444,911	5,782,362
Growth %	14.0%	6.7%	8.5%	6.0%	6.2%
* Provisional					

Source: Kenya National Bureau of Statistics

DEVELOPMENTS IN THE BALANCE OF PAYMENTS AND EXCHANGE RATES

Overview

The overall balance of payments position deteriorated to a deficit of USD 798 million in the year to Aug 2015 from a surplus of USD 1,626 million in the year to August 2014 (Table 4.1). The performance in the overall balance reflects a larger reduction in the capital and financial account surplus.

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

ITEM	Year to Aug 2014	Year Aug to 2015*				Year to Aug 2015*	Change	% Change
		Sep-Nov	Dec-Feb	March-May	Jun-Aug			
1. OVERALL BALANCE	1626	-529	476	-257	-487	-798	-2423.5	-149.0
2. CURRENT ACCOUNT	-5181	-1943	-1310	-1259	-884	-5397	-215.9	4.2
2.1 Goods	-11941	-3583	-2816	-2712	-2352	-11464	476.5	-4.0
Exports (fob)	6156	1456	1382	1424	1611	5873	-282.7	-4.6
Imports (cif)	18097	5040	4198	4136	3963	17337	-759.2	-4.2
2.2 Services	6760	1640	1506	1454	1468	6067	-692.4	-10.2
Non-factor services (net)	3611	721	801	955	823	3300	-310.2	-8.6
Income (net)	-450	-96	-116	-239	-130	-582	-132.0	29.4
Current Transfers (net)	3599	1015	822	737	775	3349	-250.2	-7.0
3. CAPITAL & FINANCIAL ACCOUNT	6807	1414	1786	1002	397	4599	-2207.6	-32.4
3.1 Capital Transfers (net)	54	5	29	1	409	444	390.3	722.3
3.2 Financial Account	6753	1409	1757	1001	-12	4155	-2597.9	-38.5
memo:								
Gross Reserves	9731	8964	9873	9799	9265	9265	-466.1	-4.8
Official	7814	7274	7737	7469	6963	6963	-851.2	-10.9
import cover**	4.8	4.3	4.6	4.5	4.4	4.4	-0.4	-8.3
import cover***	5.1	4.6	4.9	4.7	4.4	4.4	-0.7	-13.1
Commercial Banks	1917	1691	2137	2330	2302	2302	385.0	20.1

* 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 215.9 million to a deficit of USD 5,397 million in the year to August 2015 from a deficit of USD 5,181 million in the year to August 2014 (Table 4.2). The deterioration reflects 10.2 percent worsening of the services account surplus and 4.0 percent decrease in the merchandise account deficit.

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

ITEM	Year to Aug 2014	Year Aug to 2015*				Year to Aug 2015*	Change	% Change
		Sep-Nov	Dec-Feb	March-May	Jun-Aug			
2. CURRENT ACCOUNT	-5181	-1943	-1310	-1259	-884	-5397	-215.9	4.2
2.1 Goods	-11941	-3583	-2816	-2712	-2352	-11464	476.5	-4.0
Exports (fob)	6156	1456	1382	1424	1611	5873	-282.7	-4.6
Coffee	216	58	42	66	58	224	8.3	3.8
Tea	1080	249	287	251	308	1095	15.4	1.4
Horticulture	805	199	190	178	171	738	-67.5	-8.4
Oil products	58	11	22	19	25	77	19.2	33.0
Manufactured Goods	629	148	124	128	150	549	-79.3	-12.6
Raw Materials	457	115	117	101	44	376	-80.4	-17.6
Chemicals and Related Products (n.e.s)	455	115	94	106	128	443	-12.0	-2.6
Miscellaneous Man. Articles	620	164	147	137	160	607	-13.1	-2.1
Re-exports	877	173	149	221	229	771	-106.0	-12.1
Other	959	224	211	219	338	991	32.7	3.4
Imports (cif)	18097	5040	4198	4136	3963	17337	-759.2	-4.2
Oil	4047	967	699	651	678	2995	-1052.7	-26.0
Chemicals	2364	556	712	603	582	2453	88.7	3.7
Manufactured Goods	2658	661	685	719	652	2717	58.6	2.2
Machinery & Transport Equipment	5285	1911	1226	1408	1265	5810	525.1	9.9
Other	3624	861	773	699	673	3006	-618.1	-17.1
2.2 Services	6760	1640	1506	1454	1468	6067	-692.4	-10.2
Non-factor services (net)	3611	721	801	955	823	3300	-310.2	-8.6
Non-factor services (credit)	5025	1189	1300	1338	1097	4923	-101.7	-2.0
of which transport	2236	534	500	509	456	1999	-237.5	-10.6
of which tourism (Travel)	803	208	205	160	176	749	-54.4	-6.8
Other services account: gov't	904	226	230	234	185	876	-28.6	-3.2
Other services account: private	1081	222	364	434	279	1300	218.8	20.2
Income (net)	-450	-96	-116	-239	-130	-582	-132.0	29.4
of which official interest	-179	-40	-100	-272	-117	-529	-350.0	195.5
Current Transfers (net)	3599	1015	822	737	775	3349	-250.2	-7.0
Private (net)	3315	933	738	652	690	3013	-302.6	-9.1
of which Remittances	1383	362	368	380	400	1510	127.1	9.2
Public (net)	283	82	84	85	85	336	52.4	18.5

* Provisional.

Source: Central Bank of Kenya

Merchandise Account The deficit in the merchandise account widened by USD 476.5 million to USD 11,464 million in the year to August 2015, reflecting 4.6 percent decrease in receipts from merchandise exports (Table 4.2).

Imports The value of merchandise imports decreased by USD 759.2 million (4.2 per cent) to USD 17,337 million during the year to August 2015. The decrease was notable in imported petroleum products which declined by USD 1,052.7 million (26 per cent) from USD 4,047 million in the year to August 2014 to USD 2,995 million in the year to August 2015. The value of other imports also declined by USD 618.1 million. The value of imports of machinery and transport equipment increased by USD 525.1 million and reflected increased importation of industrial machinery, aircraft, road vehicles and equipment for the construction of the standard gauge railway (SGR). Import values of chemicals increased by USD 88.7 million while that of manufactured goods increased by USD 58.6 million.

Kenya sourced most of her imports from China, with its share increasing from 13 per cent in the year to August 2014 to 20 percent in the year to August 2015. The share of Kenya's imports from the European Union increased to 15 percent, while that from India declined from 18 per cent to 16 percent over the same period. Imports from Africa, which accounted for 9 percent of total imports increased marginally to USD 1,647 million (Table 4.3).

Exports The value of merchandise exports declined by USD 282.7 million to USD 5,873 million in the year to August 2015 reflecting decrease in earnings from horticulture, manufactured goods, chemicals and related products, raw materials, miscellaneous manufactured articles and re-exports. Receipts from tea, coffee, oil products and other exports however, increased.

The share of Kenya's exports to Africa declined in the year to August 2015 (Table 4.3) largely reflecting decrease in the share of exports to the EAC region (Tanzania). The share of exports to the COMESA region and the rest of the world increased.

The share of exports to China stabilised at 1 percent while to the European Union, the share reduced to 22 percent in the year to August 2015. The share of other exports to the rest of the world increased to 23 percent.

Services Account The surplus in the services account declined by USD 692.4 million or 10.2 percent to USD 6,067 million in the year to August 2015 from USD 6,760 million in the year to August 2014. The deterioration was mainly in receipts from transport (10.6 percent), tourism (6.8 percent) and other government services (3.2 percent). However, receipts from other private services (insurance services; royalties and licence fees) increased by 20.2 percent. The deficit in the primary income account worsened by USD 132 million while the surplus in the current transfers account decreased by USD 250.2 million. Remittance inflows (under private transfers) increased by USD 127.1 million

TABLE 4.3: KENYA'S DIRECTION OF TRADE

IMPORTS (in millions of US dollars)				Share of Imports (%)		
Country	2013	2014	2015	Year to AUG		
				2013	2014	2015
Africa	1,654	1,637	1,647	10	9	9
Of which				0	0	0
South Africa	794	751	665	5	4	4
Egypt	296	275	280	2	2	2
Others	565	611	702	3	3	4
EAC	322	369	484	2	2	3
COMESA	651	628	741	4	3	4
Rest of the World	15,184	16,460	15,690	90	91	91
Of which				0	0	0
India	2,530	3,306	2,711	15	18	16
United Arab Emirates	1,550	1,119	959	9	6	6
China	1,965	2,389	3,399	12	13	20
Japan	892	989	935	5	5	5
USA	676	1,414	1,338	4	8	8
United Kingdom	572	539	499	3	3	3
Singapore	172	224	70	1	1	0
Germany	456	515	528	3	3	3
Saudi Arabia	540	494	747	3	3	4
Indonesia	478	580	502	3	3	3
Netherlands	275	216	237	2	1	1
France	269	250	240	2	1	1
Bahrain	504	466	128	3	3	1
Italy	208	239	254	1	1	1
Others	4,097	3,720	3,141	24	21	18
Total	16,838	18,097	17,337	100	100	100
EU	2,429	2,469	2,532	14	14	15
China	1,965	2,389	3,399	12	13	20

EXPORTS (in millions of US dollars)				Share of Exports (%)		
Country	2013	2014	2015	Year to AUG		
				2013	2014	2015
Africa	2,801	2,707	2,519	47	44	43
Of which				0	0	0
Uganda	780	658	715	13	11	12
Tanzania	498	503	368	8	8	6
Egypt	226	201	189	4	3	3
Sudan	73	71	63	1	1	1
South Sudan	205	213	188	3	3	3
Somalia	206	166	141	3	3	2
DRC	226	230	217	4	4	4
Rwanda	170	156	174	3	3	3
Others	417	509	465	7	8	8
EAC	1,513	1,394	1,337	25	23	23
COMESA	1,788	1,646	1,680	30	27	29
Rest of the World	3,205	3,449	3,354	53	56	57
Of which				0	0	0
United Kingdom	453	431	406	8	7	7
Netherlands	378	448	402	6	7	7
USA	335	407	376	6	7	6
Pakistan	316	245	267	5	4	5
United Arab Emirates	347	261	240	6	4	4
Germany	99	123	126	2	2	2
India	100	109	79	2	2	1
Afghanistan	199	129	110	3	2	2
Others	977	1,297	1,348	16	21	23
Total	6,006	6,156	5,873	100	100	100
EU	1,199	1,390	1,302	20	23	22
China	43	68	78	1	1	1

Source: Kenya Revenue Authority

to USD 1,510 million during the year to August 2015 (Table 4.2). Remittance inflows were resilient with the 12 month average to August 2015 increasing to USD 125.8million from an average of USD 115.3 million in the year to August 2014.

Capital and Financial Account

The capital and financial account surplus at USD 4,599 million in the year to August 2015 was 32.4 percent lower compared to USD 6,807 million in the year to August 2014.

Official, medium and long-term financial flows increased by USD 428.7 million to USD 2,021 million from USD 1,592 million in the year to August 2014, with the increase largely driven by a reduction in outflows.

Private medium and long term financial flows increased by USD 402.6 million to USD 1,248 million from USD 845 million in the year to August 2014, driven by increase in both commercial bank flows and other private medium and long term flows. Commercial bank flows increased from USD 453 million in the year to August 2014 to USD 680 million in the year to August 2015 reflecting increase in foreign liabilities (mainly in deposits, securities issues and loans from non-residents) and a run down in foreign assets mainly in two components: securities purchased and shares and other equity. The increase in other private medium and long term flows was on account of a slowdown in outflows during the review period.

During the same period, short term flows (including net errors and omissions) decreased by USD 3,429.2 million.

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

ITEM	Year to Aug 2014	Year to Aug 2015*				Year to Aug 2015*	Change	% Change
		Sep - Nov	Dec-Feb	March-May	June-Aug			
3. CAPITAL & FINANCIAL ACCOUNT	6807	1414	1786	1002	397	4599	-2207.6	-32.4
3.1 Capital Transfers (net)	54	5	29	1	409	444	390.3	722.3
3.2 Financial Account	6753	1409	1757	1001	-12	4155	-2597.9	-38.5
Official, medium & long-term	1592	48	702	1321	-50	2021	428.7	26.9
Inflows	2928	273	1141	1421	46	2881	-47.2	-1.6
Outflows	-1336	-225	-439	-100	-96	-860	475.9	-35.6
Private, medium & long-term (net)	845	590	-54	265	447	1248	402.6	47.6
Commercial Banks (net)	453	363	-261	267	311	680	226.9	50.1
Other private medium & long-term (net)	392	227	207	-3	136	568	175.7	44.8
Short-term (net) incl. errors & omissions	4315	771	1109	-585	-409	886	-3429.2	-79.5

* Provisional.

Source: Central Bank of Kenya

Foreign Exchange Reserves

The banking system's total foreign exchange holdings decreased by 4.8 percent to USD 9,265 million at the end of August 2015 from USD 9,731 million at the end of August 2014. Official reserves held by the Central Bank constituted the bulk of gross reserves and decreased to USD 6,963 million (4.4 months of import cover) at the end of August 2015 from USD 7,814 million (5.1 months of import cover) at the end of August 2014.

Foreign exchange reserves held by commercial banks increased to USD 2,302 million at the end of August 2015 from USD 1,917 million at the end of August 2014. During the same period, residents' foreign currency deposits increased to USD 4,381 million from USD 4,292 million (Table 4.5).

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

	Jul 14	Aug 14	Sep 14	Dec 14	Jan 15	Feb 15	Mar 15	Apr 15	May 15	Jun 15	Jul 15	Aug 15
1. Gross Reserves	10,029	9,731	9,336	9,738	9,620	9,873	9,834	9,806	9,799	9,473	9,249	9,265
of which:												
Official	8,128	7,814	7,676	7,895	7,593	7,737	7,723	7,509	7,469	7,212	6,963	6,963
import cover**	5.3	5.1	5.0	5.0	4.8	4.9	4.9	4.7	4.7	4.6	4.4	4.4
Commercial Banks	1,902	1,917	1,659	1,843	2,027	2,137	2,111	2,296	2,330	2,262	2,286	2,302
2. Residents' foreign currency deposits	4,084	4,292	4,148	4,080	4,243	4,396	4,154	4,278	4,448	4,488	4,395	4,381

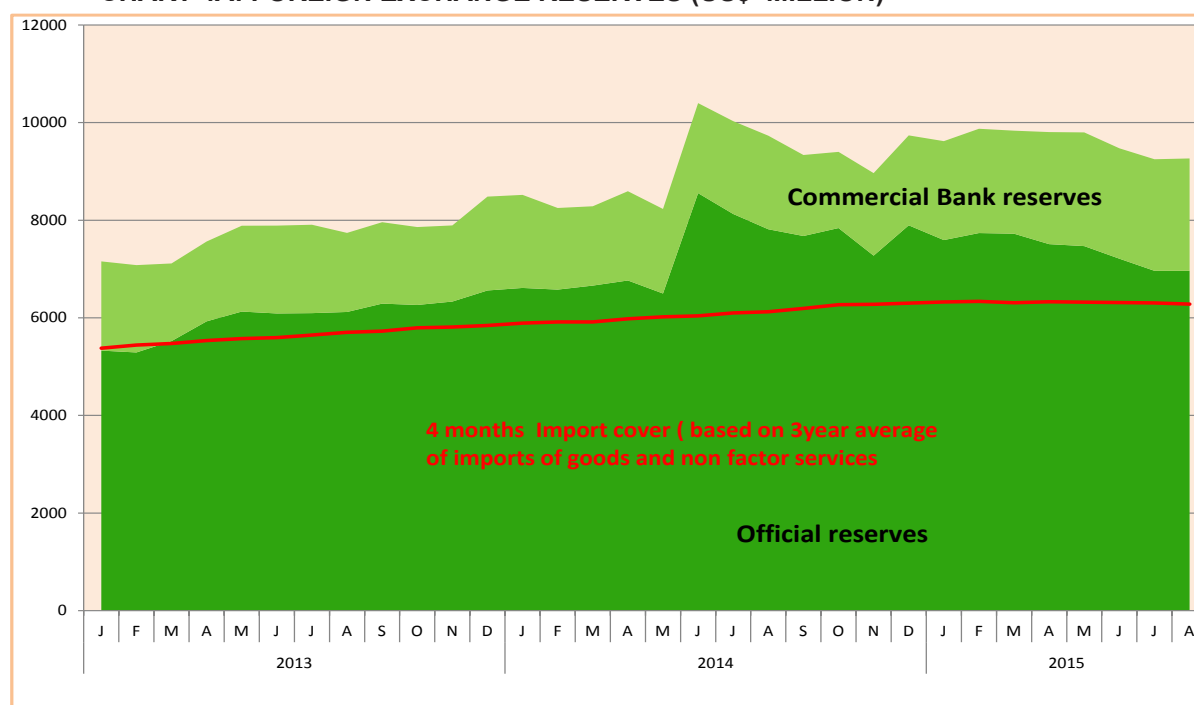
**Based on 36 month average of imports of goods and non-factor services

Source: Central Bank of Kenya

Exchange Rates

The Kenya Shilling depreciated by 1.22 percent against the US Dollar, 1.42 percent against the Pound Sterling, 2.45 percent against the Euro and 1.25 percent against the Japanese Yen in August 2015. The performance of the Kenya Shilling is a reflection of international and local developments notably the strengthening of US Dollar against major world currencies and high dollar demand in the domestic market.

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

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

Source: Central Bank of Kenya

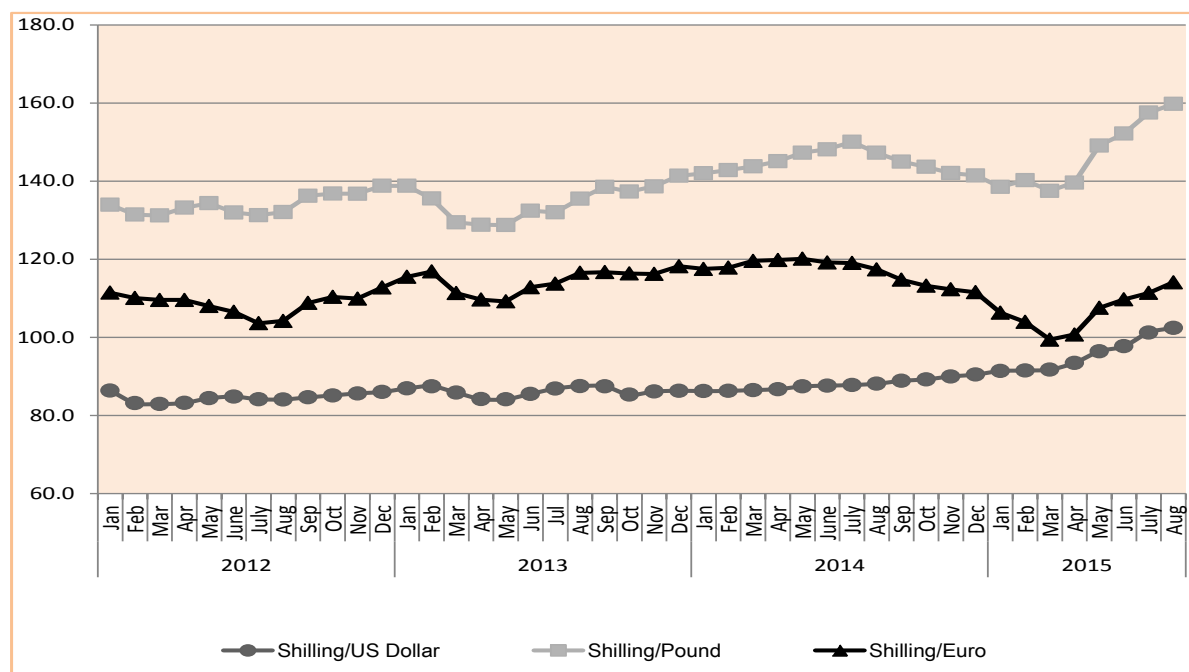
TABLE 4.6: KENYA SHILLING EXCHANGE RATE

	2014			2015								% change JULY-AUG 2015
	October	November	December	January	February	March	April	May	June	July	August	
US Dollar	89.23	89.96	90.44	91.36	91.49	91.73	93.44	96.39	97.70	101.20	102.43	1.22
Pound Sterling	143.66	142.05	141.45	138.49	140.21	137.51	139.62	149.10	152.16	157.53	159.77	1.42
Euro	113.21	112.28	111.52	106.32	103.94	99.40	100.71	107.54	109.72	111.36	114.09	2.45
100 Japanese Yen	82.62	77.53	75.79	77.19	77.17	76.22	78.18	79.89	79.00	82.10	83.12	1.25
Uganda Shilling*	30.03	30.37	30.62	31.29	31.36	32.19	32.04	31.17	32.67	33.23	34.66	4.31
Tanzania Shilling*	18.96	19.16	19.11	19.39	19.92	20.09	20.28	20.98	22.49	20.90	20.73	-0.82
Rwanda Franc*	7.72	7.66	7.62	7.53	7.52	7.56	7.37	7.16	7.37	7.23	6.99	-3.35
Burundi Franc*	17.47	17.39	17.28	17.14	17.12	17.05	16.72	16.23	16.06	15.92	15.11	-5.09

* Units of currency per Kenya Shilling

Source: Central Bank of Kenya

CHART 4B: KENYA SHILLING EXCHANGE RATE



Source: Central Bank of Kenya

DEVELOPMENTS IN THE BANKING SECTOR

Overview	The banking sector in Kenya comprised 42 commercial banks, 1 mortgage finance company, 12 microfinance banks, 8 representative offices of foreign banks, 86 foreign exchange bureaus, 14 money remittance providers and 3 credit reference bureaus as at 31st August 2015.
Structure of the Balance Sheet	The banking sector balance sheet expanded by 19.43 percent from Ksh 3,060.9 billion in August 2014 to Ksh. 3,655.7 billion in August 2015. The main components of the total assets were loans and advances, government securities and placements, which accounted for 60.0 percent, 17.8 percent and 5.5 percent of the total assets respectively.
Loans & Advances	The banking sector gross loans increased from Ksh. 1,840.7 billion in August 2014 to Ksh. 2,277.6 billion in August 2015, which translated to a growth of 23.74 percent. There was increased lending to all economic sectors except Mining and Quarrying sector.
Deposit Liabilities	The deposit base was Ksh. 2,567.0 billion in August 2015 compared to Ksh. 2,215.9 billion in August 2014 which translates to an increase of 15.9 percent. Deposits were the main components of the balance sheet on the liabilities side accounting for 70.2 percent of total liabilities.
Capital & Reserves	The banking sector recorded an improved capital position in August 2015 with total shareholders' funds increasing by 12.6 percent from Ksh. 479.6 billion in August 2014 to Ksh. 548.8 billion in August 2015. Core capital and total capital increased from Ksh. 384.9 billion and Ksh. 445.0 billion to Ksh. 462.5 billion and Ksh. 553.6 billion, respectively over the same period. The core capital to total risk-weighted assets ratio increased from 15.3 percent in August 2014 to 15.5 percent in August 2015, whereas the total capital to total risk-weighted assets ratio moved up from 17.7 percent in August 2014 to 18.6 percent in August 2015.
Non-performing Loans	<p>The gross non-performing loans (NPLs) increased by 26.4 percent from Ksh. 100.1 billion in August 2014 to Ksh.126.5 billion in August 2015. The gross NPLs to gross loans ratio increased from 5.4 percent at the end of August 2014 to 5.6 percent in August 2015. On the other hand, the coverage ratio, measured as a percentage of specific provisions to total NPLs decreased from 41.5 percent in August 2014 to 41.0 percent in August 2015.</p> <p>The quality of assets, measured as a proportion of net non-performing loans to gross loans remained constant at 2.5 percent in August 2014 and August 2015. A summary of asset quality for the banking sector over the period is shown in Table 1.</p>

TABLE 5.1: SUMMARY OF ASSET QUALITY OF THE BANKING SECTOR

		Aug-14	Aug-15
1	Gross loans and advances (Kshs. Bn)	1,840.7	2,277.6
2	Interest in Suspense (Kshs. Bn)	20.5	28.2
3	Loans and advances (net of interest suspended) (Kshs. Bn)	1,820.2	2,249.4
4	Gross non-performing loans (Kshs. Bn)	100.1	126.5
5	Specific Provisions (Kshs. Bn)	33.0	40.3
6	General Provisions (Kshs. Bn)	13.4	15.3
7	Total Provisions (5+6) (Kshs. Bn)	46.4	55.6
8	Net Advances (3-7) (Kshs. Bn)	1,773.8	2,193.8
9	Total Non-Performing Loans and Advances (4-2) (Kshs. Bn)	79.6	98.3
10	Net Non-Performing Loans and Advances (9-5) (Kshs. Bn)	46.6	58.0
11	Total NPLs as % of total advances (9/3)	4.40%	4.40%
12	Net NPLs as % of gross advances (10/1)	2.5 %t	2.50%
13	Specific Provisions as % of Total NPLs (5/9)	41.50%	41.00%

Source: Central Bank of Kenya

Profitability The banking sector's profitability grew by 7.7 percent in terms of pre-tax profits, from Ksh. 92.4 billion reported in the period ended August 2014 to Ksh 99.6 billion for the period ended August 31, 2015. The annual return on assets decreased to 3.2 percent in August 2015 from 3.5 percent in August 2014, while return on shareholders' funds reduced to 27.2 percent in August 2015 from 28.9 percent in August 2014.

Total income increased by 14.1 percent from Ksh 267.6 billion in August 2014 to Ksh. 305.3 billion in August 2015, while total expenses increased by 17.5 percent from Ksh. 175.2 billion in August 2014 to Ksh. 205.8 billion in August 2015. Interest on advances, other income and interest on government securities were the major sources of income accounting for 60.6 percent, 16.1 percent and 15.2 percent of total income, respectively. On the other hand, interest on deposits, salaries and wages and other expenses were the key components of expenses, accounting for 35.4 percent, 26.0 percent and 22.2 percent of total expenses, respectively.

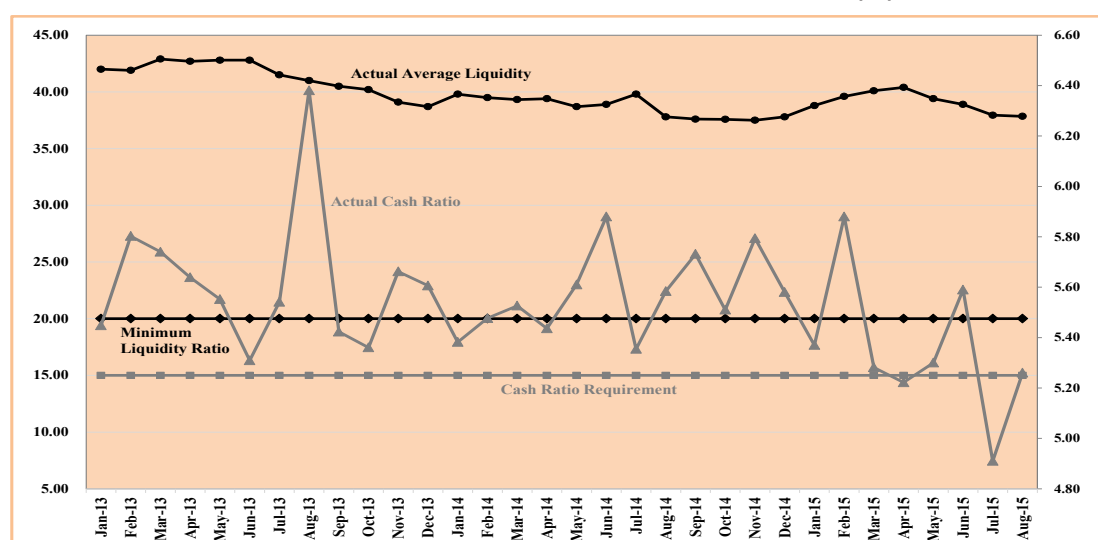
Liquidity Ratio Requirement For the month ended August 31, 2015, average liquid assets amounted to Ksh. 935.6 billion while total short-term liabilities stood at Ksh 2,487.2 billion, resulting to an average liquidity ratio of 37.9 percent. The liquidity ratio remained above the minimum stipulated limit of 20 percent (Table 5.2).

TABLE 5.2 : CASH AND LIQUIDITY RATIOS* (%)

	2014					2015							
	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	June	July	Aug
Commercial Banks													
Actual Average Liquidity	37.80	37.60	37.58	37.50	37.80	38.80	39.60	40.10	40.40	39.4	38.90	37.94	37.85
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	5.58	5.73	5.51	5.79	5.58	5.37	5.88	5.28	5.22	5.30	5.59	4.91	5.26
Minimum Cash Ratio Requirement	5.25	5.25	5.25	5.25	5.25	5.25	5.25	5.25	5.25	5.25	5.25	5.25	5.25
NBFIs													
Actual Average Liquidity Ratio	26.30	26.10	25.19	25.30	27.80	26.70	22.90	24.90	26.20	23.6	24.00	24.73	22.71
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

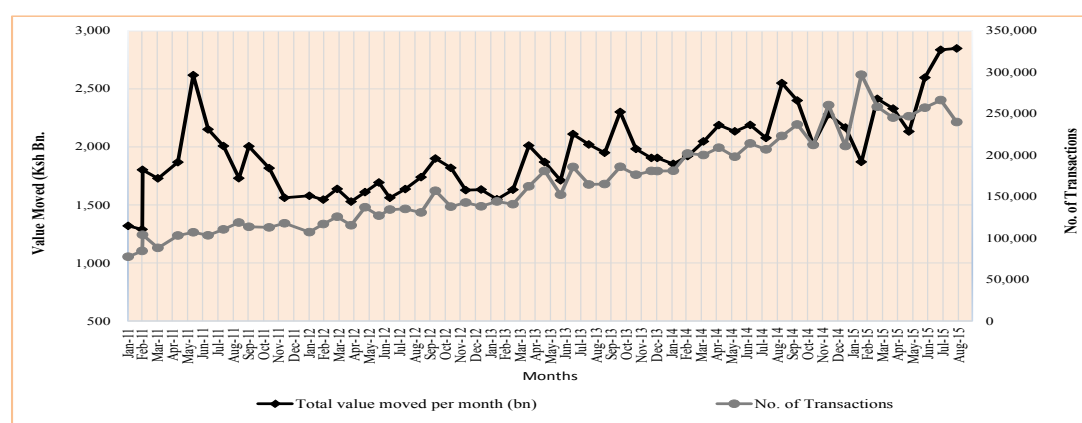
Kenya Electronic Payments and Settlement System (KEPSS) moved a volume of 239,842 transaction messages worth 2,848 billion in August 2015 compared with a volume of 266,342 transaction messages valued at Ksh 2,836 billion moved in July 2015. This represents an increase of 0.41 percent and a decrease of 12.21 percent in value and volume, respectively. Compared to August 2014, the volume increased by 15.90 percent from 206,937 transaction messages to 239,842 transaction messages in August 2015 while value increased by 37.14 percent from 2,077 billion to 2,848 billion, indicating an increase in the uptake of KEPSS services by the public.

During the twelve months period to August 31, 2015 the value moved averaged Ksh 10 million per transaction. On average, 11,751 transaction messages with an average value of approximately Ksh 113 billion were moved daily (Table 5.3 and Chart 5B). Direct settlements through KEPSS from commercial banks accounted for 99.0 percent of the total settlements while payments processed through the Automated Clearing House (ACH) and settled in KEPSS averaged 1.0 percent.

TABLE 5.3: TRENDS IN MONTHLY FLOWS THROUGH KEPSS

	Total value moved per month (bn)	Of which indirect {NSI (Ksh bn)}	No. of Transactions	Average value per transaction (bn)	Days worked	Per day	
						Value (bn)	Transactions
Jan-13	1,632	25	138,297	0.01	22	74	6,286
Feb-13	1,548	25	144,248	0.01	20	77	7,212
Mar-13	1,631	28	140,781	0.01	20	82	7,039
Apr-13	2,011	32	162,432	0.01	20	101	8,122
May-13	1,869	31	181,045	0.01	22	85	8,229
Jun-13	1,712	28	152,310	0.01	20	86	7,616
Jul-13	2,109	35	185,773	0.01	23	92	8,077
Aug-13	2,021	24	164,650	0.01	21	96	7,840
Sep-13	1,949	31	165,175	0.01	21	93	7,865
Oct-13	2,301	30	185,920	0.01	22	105	8,451
Nov-13	1,982	29	176,330	0.01	21	94	8,397
Dec-13	1,905	30	180,926	0.01	18	106	10,051
Jan-14	1,904	31	180,897	0.01	22	87	8,223
Feb-14	1,853	28	181,123	0.01	20	93	9,056
Apr-14	2,047	27	200,151	0.01	20	102	10,008
May-14	2,188	28	209,019	0.01	21	104	9,953
Jun-14	2,133	32	198,052	0.01	20	107	9,903
Jul-14	2,189	28	214,091	0.01	22	99	9,731
Aug-14	2,077	28	206,937	0.01	21	99	9,854
Sep-14	2,549	33	223,227	0.01	22	116	10,147
Oct-14	2,399	32	237,027	0.01	22	109	10,774
Nov-14	2,023	21	212,340	0.01	20	101	10,617
Dec-14	2,280	32	260,441	0.01	20	114	13,022
Jan-15	2,167	28	210,940	0.01	21	103	10,362
Feb-15	1,870	26	297,018	0.01	20	93	14,851
Mar-15	2,414	32	258,357	0.01	22	109	11,743
Apr-15	2,330	28	245,227	0.01	20	116	12,261
May-15	2,132	29	246,925	0.01	20	107	12,346
Jun-15	2,598	29	257,240	0.01	21	124	12,250
Jul-15	2,836	31	266,342	0.01	23	123	11,580
Aug-15	2,849	28	239,842	0.01	21	136	11,421

Source: Central Bank of Kenya

CHART 5B: TRENDS IN MONTHLY FLOWS THROUGH KEPSS

Source: Central Bank of Kenya

Third Party Messages

Multiple third party Message Type (MT 102), used for several credit transfers, decreased by 5.09 percent from 15,553 transaction messages in July 2015 to 14,761 transaction messages in August 2015. Compared with August 2014, MT 102 messages increased by 24.01 percent from 11,903 transaction messages to 14,761 transaction messages in August 2015.

Single third party Message Type (MT 103), used for single credit transfers, decreased by (7.87) percent from 281,594 transaction messages to 259,425 transaction messages in the same period. MT 103 messages increased by 16.42 percent from 222,826 transaction messages to 259,425 transaction messages.

Overall, total third party messages through KEPSS decreased by 7.73 percent from 297,147 transaction messages in July 2015 to 274,186 transaction messages in August 2015 (Table 5.4 and Chart 5C).

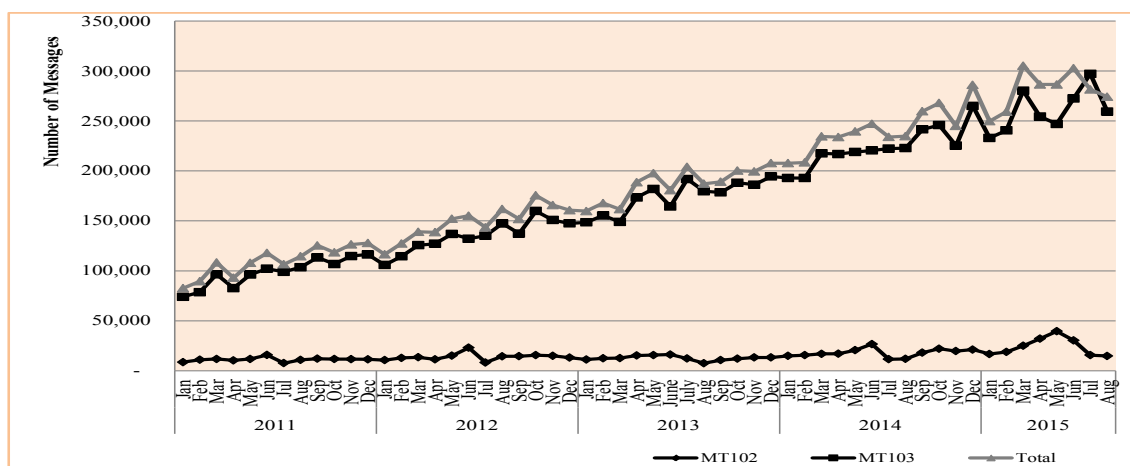
Inter-bank transfers (MT 202) accounted for 30.79 percent of the total value moved through KEPSS as at end of August 2015 while third party (MT 102 & MT 103) messages accounted for 69.21percent.

TABLE 5.4: TRENDS IN MT102 AND MT103 THROUGH KEPSS

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

Source: Central Bank of Kenya

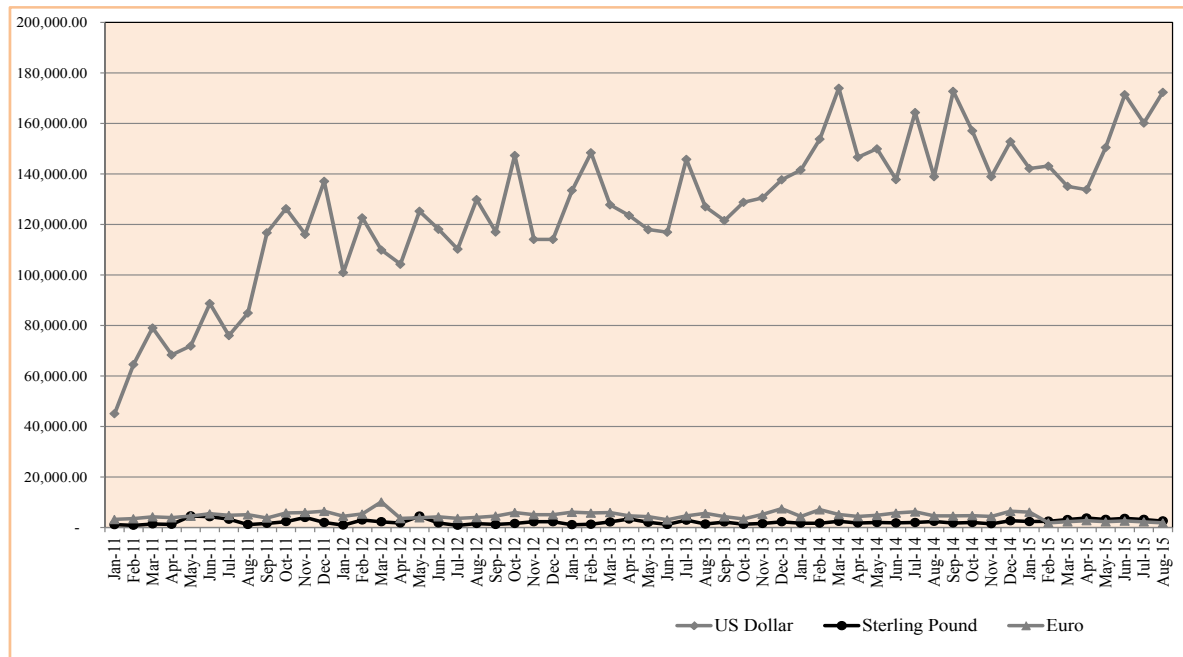
CHART 5C: TRENDS IN MT102 AND MT103 THROUGH KEPSS



Source: Central Bank of Kenya

Domestic Foreign Currency

Domestic Foreign Currency messages through KEPSS decreased by 4.43 percent from 23,083 transaction messages in July 2015 to 22,061 transaction messages in August 2015. Consequently, the corresponding value in Kenya Shillings equivalent moved in this period increased by 6.75 percent from Ksh 165.68 billion to Ksh 176.73 billion. The US dollar denominated transactions accounted for 97.54 percent of the value moved (Chart 5D) while the Sterling Pound and the Euro accounted for 1.44 percent and 1.03 percent, respectively.

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

Source: Central Bank of Kenya

GOVERNMENT BUDGET PERFORMANCE

The Government's budgetary operations during the first two months of the FY 2015/16 resulted in a surplus of Ksh 26.5 billion (0.5 percent of GDP) on a commitment basis compared with a deficit of Ksh 22.2 billion (0.5 percent of GDP) incurred in the same period of the FY 2014/15. This was within the Ksh 83.9 billion (1.6 percent of GDP) deficit programmed target for the period. The surplus reflects a slow start in absorption of expenditures which has typically been the trend at the beginning of a new fiscal year.

Revenue

Total government revenues and grants amounted to Ksh 165.2 billion during the first two months of the FY 2015/16, representing an increase of Ksh 22.8 billion from Ksh 142.4 billion mobilized during a similar period of the FY 2014/15 (Table 6.2). Tax revenues accounted for 92.8 percent of the total revenue realized. All revenues except non-tax revenues performed below targets. Specifically, receipts from tax revenue, external grants and appropriations-in-aid were below target by Ksh 10.0 billion, Ksh 9.6 billion and Ksh 0.2 billion respectively, during the period under review (Table 6.1).

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

	FY 2014/15	FY 2015/16		
	Aug Actual	Aug Provisional	Target	Over (+) / below (-) Target
1. TOTAL REVENUE & GRANTS			185.0	-19.9
Revenue	142.4	165.2	181.8	-19.6
Tax Revenue	129.0	153.3	163.3	-10.0
Non Tax Revenue	5.3	1.7	1.7	0.0
Appropriations-in-Aid	7.5	7.2	16.8	-9.6
External Grants	0.6	3.0	3.2	-0.2
2. TOTAL EXPENSES & NET LENDING	141.1	138.7	268.9	-130.2
Recurrent Expenses	129.1	97.1	152.9	-55.8
Development Expenses	11.9	29.8	61.5	-31.8
County Transfers	0.0	11.8	54.4	-42.6
Others	0.0	0.0	0.0	0.0
3. DEFICIT ON A COMMITMENT BASIS (1-2)	-22.2	26.5	-83.9	110.4
As percent of GDP	-0.5	0.5	-1.6	2.1
4. ADJUSTMENT TO CASH BASIS	0.0	-20.6	0.0	-20.6
5. DEFICIT ON A CASH BASIS	-22.2	5.8	-83.9	89.7
As percent of GDP	-0.5	0.1	-1.6	1.7
6. DISCREPANCY: Expenditure (+) / Revenue (-)	-25.1	26.7	0.0	26.7
7. FINANCING	-3.0	20.8	83.9	-63.0
Domestic (Net)	-1.8	18.8	56.0	-37.1
External (Net)	-1.2	2.0	27.9	-25.9
Capital Receipts (privatisation)	0.0	0.0	0.0	0.0
Others (Euro Bond sale proceeds)	0.0	0.0	0.0	0.0
Financing gap	0.0	0.0	0.0	0.0

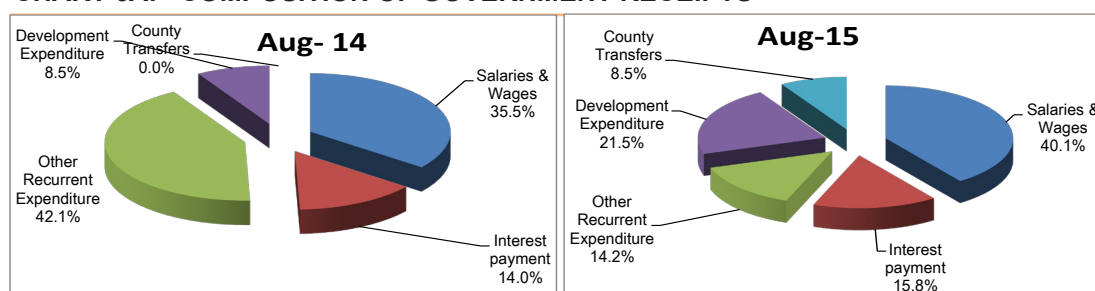
Source: National Treasury using the new re-based GDP figures as per 2015 economic survey

Tax revenue grew by Ksh 24.4 billion in the first two months of the FY 2015/16 to Ksh 153.3 billion from Ksh 129.0 billion collected in a similar period in the FY 2014/15 (Table 6.2). The income tax component increased by Ksh 7.1 billion. Excise duty, Value Added Tax, other tax revenue, Import duty, and external grants also increased by Ksh 4.9 billion, Ksh 6.8 billion, Ksh 3.0 billion, Ksh 2.5 billion and Ksh 2.4 billion, respectively. However, Appropriations in aid and other revenue declined by Ksh 0.4 billion and Ksh 3.6 billion respectively, during the period under review. All taxes performed below target. The performance of Government revenue in relation to the previous year is shown in Chart 6A. The main highlights include a 50 basis points decline in the share of other revenue and a 170 basis point decline in the share of income tax.

TABLE 6.2: COMPOSITION OF GOVERNMENT REVENUE (Ksh billion)

	Aug-14 Ksh bn	Aug-15 Ksh bn	Change
1. Revenue (2+3+4)	141.8	162.2	20.4
2. Tax Revenue	129.0	153.3	24.4
Income Tax	62.1	69.3	7.1
Value Added Tax	37.5	44.3	6.8
Import Duty	10.2	12.7	2.5
Excise Duty	14.9	19.8	4.9
Others	4.2	7.2	3.0
3. Appropriations-in-Aid	7.5	7.2	-0.4
4. Other Revenue	5.3	1.7	-3.6
5. External Grants	0.6	3.0	2.4
TOTAL RECEIPTS (1+5)	142.4	165.2	22.8

Source: National Treasury

CHART 6A: COMPOSITION OF GOVERNMENT RECEIPTS

Source: National Treasury

Expenditure and Net Lending

Government expenditure and net lending declined by Ksh 2.4 billion during the first two months of the FY 2015/16 to Ksh 138.7 from Ksh 141.1 billion expended during the same period in the FY 2014/15. Total expenditure during this period comprised Ksh 97.1 billion recurrent expenditure, Ksh 29.8 billion development expenditure. County transfers amounted to Ksh 11.8 billion during the period under review.

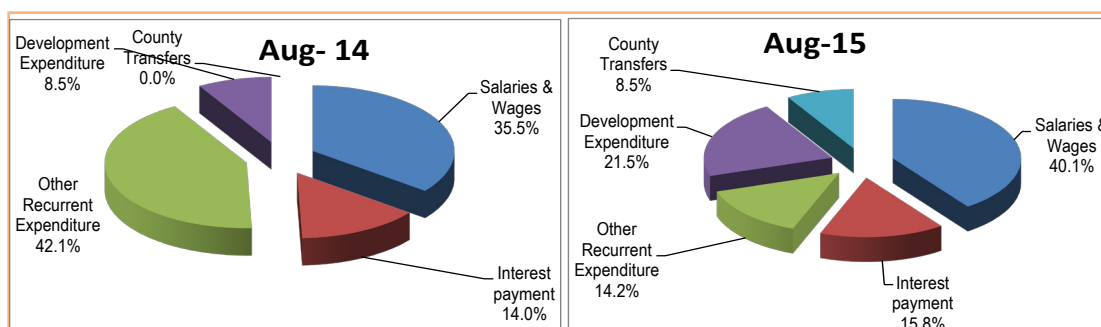
Recurrent expenditure declined by Ksh 32.0 billion over a comparable period in the previous fiscal year but was below target by Ksh 55.8 billion. In terms of its components, foreign interest payments accounted for Ksh 2.5 billion, domestic interest payments accounted for Ksh 19.4 billion and salaries and wages accounted for Ksh 55.6 billion. Development expenditure increased by Ksh 17.8 billion but was below the programmed target by Ksh 61.5 billion (Table 6.1 and 6.3). A slow start in absorption of development expenditures has typically been the trend at the start of a fiscal year.

TABLE 6.3: COMPOSITION OF GOVERNMENT EXPENDITURE (Ksh billion)

	Aug-14 Ksh bn	Aug-15 Ksh bn	Movement
1. Recurrent	129.1	97.1	-32.0
Salaries & Wages	50.0	55.6	5.6
Total Interest	19.7	21.8	2.1
of which			
Domestic*	18.7	19.4	0.7
Foreign interest due	1.1	2.5	1.4
Others	59.4	19.7	-39.7
2. Development	11.9	29.8	17.8
3. County Transfers	0.0	11.8	11.8
TOTAL EXPENSES	141.1	138.7	-2.4

*Includes commission and other charges paid to CBK

The performance of Government expenditure in relation to the previous year is indicated in Chart 6B. The main highlights include the 130 basis points increase in development expenditure and 460 basis points increase in the share of expenses on salaries and wages.

CHART 6B: COMPOSITION OF GOVERNMENT EXPENDITURE

Source: National Treasury

Financing

The financing requirements of Government operations stood at Ksh 78.5 billion for the first two months of the FY 2015/16. The Government sourced the funds through domestic borrowing of Ksh 51.9 billion. The funds were allocated to bridge the Government budgetary deficit of Ksh 20.8 billion and repayment of government debt owed to the commercial banks of Ksh 20.3 billion. The Government also reduced its deposits by Ksh 24.6 billion at the Central Bank (Table 6.4).

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

I. FINANCING REQUIREMENTS	Aug-14	Aug-15
1. Budget deficit	4.6	20.8
2. External debt reduction	0.0	0.0
3. Domestic debt reduction	5.5	57.6
3.1 Central Bank (incl. items in transit)	3.2	0.0
3.2 Commercial banks (net of deposits)	0.0	20.3
3.3 Non-bank sources	2.3	37.3
4. Increase in GoK deposits at CBK	0.0	0.0
TOTAL	10.1	78.5
II. FINANCING SOURCES	Aug-14	Aug-15
1. Budget surplus	0.0	0.0
2. External debt increase	3.1	2.0
3. Increase in domestic debt	4.5	51.9
3.1 Central Bank	0.0	51.9
3.2 Commercial banks	4.5	0.0
3.3 Non-bank sources	0.0	0.0
4. Reduction in GoK deposits at CBK	2.5	24.6
5. Privatisation proceeds (Net of Restructuring Costs)	0.0	0.0
7. Domestic Loan Repayments	0.0	0.0
TOTAL	10.1	78.5

Sources: National Treasury and Central Bank of Kenya

Government Borrowing from the Central Bank

The Government debt at the Central Bank rose by Ksh 53.3 billion to Ksh 115.3 billion during the period under review, compared to Ksh 62.0 billion owed in a similar period of the FY 2014/2015. The increase in Government's liability to the Central Bank reflected Ksh 38.7 billion maturity of rediscounted securities held by the Bank. In addition, the Government repaid Ksh 1.1 billion through the regular amortization of the pre-1997 securitized overdraft. Government borrowing through overdraft facility at the Central Bank rose by Ksh 15.7 billion during the period under review and remained within the statutory limit.

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

	2014	2015	Movement
	Aug	Aug	
Total Credit	62.0	115.3	53.3
1. Overdraft	30.4	46.1	15.7
2. Rediscounted securities	3.8	42.5	38.7
Treasury bills	3.7	33.2	29.5
Treasury bonds	0.0	9.2	9.2
3. Pre-1997 Government Overdraft at CBK	27.8	26.7	-1.1
4. IMF funds lent to Government	0.0	0.0	0.0
5. Cleared items in transit	0.0	0.0	0.0
Memorandum			
Authorised overdraft limit	39.1	46.8	7.7
Amount utilised to date	30.4	46.1	15.7
Amount available	8.7	0.7	-8.0

Source: Central Bank of Kenya

**Outlook for
FY 2014/15**

In the budget estimates for the FY 2015/16, ordinary revenue is estimated at Ksh 1,358.0 billion (20.8 percent of GDP) while external grants are estimated at Ksh 73.4 billion (1.1 percent of GDP). Government expenditure is estimated at Ksh 2000.6 billion (30.7 percent of GDP), of which, Ksh 1013.0 billion (15.5 percent of GDP) will be in recurrent expenses, transfer to the county governments at Ksh 264.2 billion, and development expenses at Ksh 718.5 billion (Table 6.6).

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

	Ksh (Bn)	% of GDP
1. TOTAL REVENUE	1236.9	23.1
Ordinary Revenue	1070.5	20.0
Appropriations-in-Aid	100.0	1.9
External Grants	66.4	1.2
2. TOTAL EXPENSES & NET LENDING	1821.8	34.0
Recurrent Expenses	940.5	17.6
Development Expenses	647.0	12.1
County Transfer	229.3	4.3
Contingency Fund	5.0	0.1
3. DEFICIT ON A COMMITMENT BASIS (1-2)	-584.9	-10.9
4. ADJUSTMENT TO CASH BASIS	0.0	0.0
5. DEFICIT ON A CASH BASIS	-584.9	-10.9
6. DISCREPANCY: Expenditure (+) / Revenue (-)	0.0	0.0
7. FINANCING	584.9	10.9
Domestic (Net)	182.3	3.4
External (Net)	402.6	7.5

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

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

DEVELOPMENTS IN PUBLIC DEBT

Overall Debt Kenya's public and publicly guaranteed debt increased by Ksh 104.7 billion to reach Ksh 2,933.8 billion in August 2015, from Ksh 2,829.1 billion in June 2015. The total debt stock at the end of August 2015 was equivalent to 54.8 percent of GDP, compared with 52.8 percent of GDP in June 2015. External debt to GDP ratio increased from 26.3 percent in June 2015 to 28.6 percent in August 2015. While domestic debt to GDP ratio declined from 26.5 percent in June 2015 to 26.2 percent in August 2015 (Table 7.1).

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

	Jun-14	Mar-15	Apr-15	May-15	Jun-15	Jul-15	Aug-15	Change 2015/16
EXTERNAL**								
Bilateral	289.9	384.6	397.1	426.3	430.4	461.1	470.4	30.7
Multilateral	597.3	618.5	648.3	664.2	684.6	707.3	751.0	22.7
Commercial Banks	182.2	259.7	265.5	274.4	276.9	287.7	291.7	14.7
Supplier Credits	16.5	15.3	15.9	16.3	16.6	17.1	17.6	0.9
Sub-Total	1085.9	1278.1	1326.8	1381.2	1408.6	1473.1	1530.7	122.1
(As a % of GDP)	23.0	23.9	24.8	25.8	26.3	27.5	28.6	
(As a % of total debt)	45.8	47.8	48.4	49.5	49.8	50.9	52.2	
DOMESTIC								
Banks	682.8	779.8	800.3	788.1	793.8	819.5	812.8	19.0
Central Bank	65.7	64.8	57.2	48.5	63.3	103.0	115.3	51.9
Commercial Banks	617.1	715.0	743.1	739.5	730.4	716.5	697.5	-32.9
Non-banks	586.5	604.4	602.7	607.9	616.0	588.2	579.2	-36.8
Pension Funds	322.9	348.1	346.5	350.1	352.7	358.7	353.3	0.6
Insurance Companies	121.0	125.2	125.1	124.8	127.9	130.0	123.6	-4.3
Other Non-bank Sources	142.6	131.2	131.0	133.0	135.4	99.5	102.4	-33.0
Non-residents	14.9	12.9	12.4	12.4	10.7	10.9	11.1	0.4
Sub-Total	1284.2	1397.1	1415.4	1408.4	1420.4	1418.6	1403.1	-17.3
(As a % of GDP)	27.1	26.1	26.4	26.3	26.5	26.5	26.2	
(As a % of total debt)	54.2	52.2	51.6	50.5	50.2	49.1	47.8	
GRAND TOTAL	2370.2	2675.2	2742.3	2789.6	2829.1	2891.7	2933.8	104.7
(As a % of GDP)	50.1	49.9	51.2	52.1	52.8	54.0	54.8	

computed using the re-based GDP figures

** External debt is inclusive of guaranteed debt

Sources: National Treasury and Central Bank of Kenya

Domestic Debt The total stock of domestic debt decreased by Ksh 17.3 billion during the first two months of the FY 2015/16 to Ksh 1,403.1 billion in August 2015 from Ksh 1,420.4 in June 2015. Reflecting this decrease, the share of domestic debt to GDP declined from 26.5 percent in June 2015 to 26.2 percent in August 2015. The domestic debt decline comprised of Ksh 32.5 billion decrease in government Treasury Bills, However this decline was partially offset by Kshs 6.1 billion increase in the holdings of Treasury Bonds and Kshs 9.5 billion increase in the utilization of the overdraft facility at the Central Bank. Consequently, the share of domestic debt in total debt declined from 50.2 percent in June 2015 to 47.8 percent in August 2015 (Table 7.1).

TABLE 7.2: GOVERNMENT GROSS DOMESTIC DEBT (Ksh billion)

	2015						Change	
	Jun-14	%	Jun-15	%	Jul-15	%	Aug-15	2015/16
Total Stock of Domestic Debt (A+B)	1,284.2	100.0	1,420.4	100.1	1,418.6	100.0	1,403.1	100.0 (17.3)
A. Government Securities	1,242.4	96.7	1,354.6	95.5	1,347.0	95.0	1,328.2	94.7 (26.4)
1. Treasury Bills (excluding Repo Bills)	299.4	23.3	318.9	22.5	298.9	21.1	286.4	20.4 (32.5)
Banking institutions	176.5	13.7	217.7	15.3	235.3	16.6	235.3	16.8 17.6
Others	123.0	9.6	101.2	7.1	63.6	4.5	51.1	3.6 (50.1)
2. Treasury Bonds	914.8	71.2	1,035.7	73.0	1,048.2	73.9	1,041.8	74.2 6.1
Banking institutions	436.4	34.0	510.3	36.0	512.7	36.1	512.7	36.5 2.5
Pension Funds	247.5	19.3	311.8	22.0	318.8	22.5	318.8	22.7 7.0
Others	230.9	18.0	213.7	15.1	216.7	15.3	210.3	15.0 (3.4)
4. Frozen account	28.3	2.2	26.7	1.9	26.7	1.9	26.7	1.9 -
Of which: Repo T/Bills	28.3	2.2	26.6	1.9	26.6	1.9	26.6	1.9 -
B. Others:	41.8	3.3	39.1	2.8	44.9	3.2	48.2	3.4 9.1
Of which CBK overdraft to Government	37.2	2.9	36.5	2.6	41.7	2.9	46.0	3.3 9.5

Source: Central Bank of Kenya

Treasury Bills

Treasury bill holdings, excluding those held by the CBK for open market operations (or Repos) decreased by Ksh 32.5 billion from Ksh 318.9 billion in June 2015 to Ksh 286.4 billion in August 2015 (Table 7.2). The proportion of Treasury bills to total domestic debt decreased to 20.4 percent in August 2015 from 22.5 percent in June 2015. The dominant investors were commercial banks (with a share of 51.9 percent) and pension funds (that accounted for 13.1 percent) by August 2015 (Table 7.3).

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

Holders	Jun-14		Apr-15		May-15		Jun-15		Jul-15		Aug-15		Change
		%		%		%		%		%		%	Jun 15 - Aug 15
Banking Institutions	176.5	58.9	246.9	71.2	232.6	69.6	217.7	68.3	203.8	68.2	181.8	63.5	-36.0
Central Bank	0.0	0.0	0.1	0.0	0.1	0.0	0.0	0.0	34.5	11.6	33.2	11.6	33.2
Comm. Banks	176.4	58.9	246.8	71.1	232.5	69.6	217.7	68.3	169.3	56.6	148.5	51.9	-69.2
Insurance Companies	19.9	6.6	21.0	6.1	20.0	6.0	20.8	6.5	20.6	6.9	16.5	5.8	-4.3
Parastatals	4.2	1.4	9.8	2.8	13.0	3.9	15.0	4.7	16.3	5.4	24.0	8.4	9.0
Pension Funds	67.8	22.6	42.5	12.3	43.0	12.9	40.9	12.8	39.9	13.4	37.6	13.1	-3.4
Others	31.1	10.4	26.7	7.7	25.5	7.6	24.4	7.7	18.2	6.1	26.6	9.3	2.2
Total	299.4	100.0	347.0	100.0	334.2	100.0	318.9	100.0	298.9	100.0	286.4	100.0	-32.5

Source: Central Bank of Kenya

Treasury Bonds

Outstanding Treasury bonds increased by Ksh 6.1 billion, from Ksh 1,035.7 billion in June 2015 to Ksh 1,041.8 billion in August 2015, and bond's share in domestic debt increased from 73 percent in June 2015 to 74.2 percent by July 2015 (Table 7.2). The holding of Treasury bonds by dominant investors comprised Ksh 508.3 billion, Ksh 315.7 billion and Ksh 107 billion absorbed by commercial banks, pension funds and insurance companies, respectively. The proportion of holdings by pension funds and parastatals increased from 29.7 percent and 3.2 percent to 30.3 percent and 3.5 percent, respectively. Meanwhile, commercial banks and other holders' share declined from 49.3 percent and 7.5 percent to 48.8 percent and 6.2 percent during the period under review. The proportion held by insurance companies and the Central Bank of Kenya recorded no movement (Table 7.4).

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

Holders	Apr-15	%	May-15	%	Jun-15	%	Jul-15	%	Aug-15	%	Change Jun 15 - Aug 15
Banking Institutions	494.3	49.0	505.0	49.4	510.3	49.3	512.7	48.9	517.6	49.7	7.3
Central Bank	0.1	0.0	0.1	0.0	0.0	0.0	0.0	0.0	9.2	0.9	9.2
Comm. Banks	494.3	49.0	504.9	49.4	510.2	49.3	512.7	48.9	508.3	48.8	-1.9
Insurance Companies	104.1	10.3	104.8	10.2	107.0	10.3	109.4	10.4	107.0	10.3	0.0
Parastatals	34.7	3.4	33.6	3.3	33.6	3.2	33.9	3.2	36.9	3.5	3.2
Of which: NSSF	14.6	1.4	13.6	1.3	13.6	1.3	13.6	1.3	13.6	1.3	0.0
Building Societies	0.1	0.0	0.1	0.0	0.1	0.0	0.1	0.0	0.1	0.0	0.0
Pension Funds	304.0	30.1	307.1	30.0	307.1	29.7	318.8	30.4	315.7	30.3	8.6
Others	72.0	7.1	72.3	7.1	77.5	7.5	73.3	7.0	64.5	6.2	-13.1
Total	1009.2	100.0	1022.9	100.0	1035.7	100.0	1048.2	100.0	1041.8	100.0	6.1

Source: Central Bank of Kenya

Domestic Debt Maturity structure

Total domestic debt as at August 2015 amounted to Ksh 1,403.1 billion. Government securities worth Ksh 27.2 billion matured in August 2015, comprising Ksh 0.7 billion, Ksh 5.2 billion and Ksh 3.4 billion in 91-day, 182-day and 364-day Treasury bills, respectively. Treasury bonds worth Ksh 17.9 billion matured in August 2015.

TABLE 7.5: DOMESTIC DEBT MATURITY STRUCTURE (Ksh billion)

		2014			2015								Change Jun 15 to Aug 15
		%	Jun-14	%	May-15	%	Jun-15	%	Jul-15	%			
Treasury bills	91-Day	3.3	54.7	4.3	21.7	1.5	18.6	1.3	19.9	1.4	22.5	1.6	3.9
	182-Day	6.3	88.9	6.9	80.5	5.7	75.3	5.3	65.7	4.6	53.8	3.8	-21.5
	364-Day	12.6	155.8	12.1	231.9	16.5	225.1	15.8	213.2	15.0	210.2	15.0	-15.0
Treasury Bonds	1-Year	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	2-Year	13.5	166.7	13.0	115.8	8.2	143.4	10.1	143.4	10.1	137.1	9.8	-6.4
	3-Year	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	4-Year	2.4	29.9	2.3	21.4	1.5	21.4	1.5	21.4	1.5	21.4	1.5	0.0
	5-Year	12.9	175.3	13.6	171.8	12.2	177.4	12.5	189.8	13.4	189.8	13.5	12.5
	6-Year	3.3	40.7	3.2	40.7	2.9	40.7	2.9	40.7	2.9	40.7	2.9	0.0
	7-Year	1.4	17.0	1.3	8.7	0.6	8.7	0.6	8.7	0.6	8.7	0.6	0.0
	8-Year	3.3	40.9	3.2	38.2	2.7	38.2	2.7	38.2	2.7	38.2	2.7	0.0
	9-Year	1.5	18.2	1.4	15.1	1.1	15.1	1.1	15.1	1.1	15.1	1.1	0.0
	10-Year	10.6	131.1	10.2	158.6	11.3	163.9	11.5	163.9	11.6	163.9	11.7	0.0
	11-Year	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	3.7	45.4	3.5	132.1	9.4	132.1	9.3	132.1	9.3	132.1	9.4	0.0
	15-Year	11.6	142.9	11.1	168.2	11.9	168.2	11.8	168.2	11.9	168.2	12.0	0.0
	20-Year	4.0	60.5	4.7	74.3	5.3	74.3	5.2	74.3	5.2	74.3	5.3	0.0
	25-Year	1.6	20.2	1.6	20.2	1.4	20.2	1.4	20.2	1.4	20.2	1.4	0.0
30-Year	1.8	22.1	1.7	28.1	2.0	28.1	2.0	28.1	2.0	28.1	2.0	0.0	
	Repo T bills	2.3	28.3	2.2	27.2	1.9	26.6	1.9	26.6	1.9	26.6	1.9	0.0
	Overdraft	3.2	39.1	3.0	21.1	1.5	36.5	2.6	36.5	2.6	41.7	3.0	5.2
	Other Domestic debt	0.27	2.76	0.22	28.8	2.0	2.7	0.2	8.4	0.6	6.6	0.5	3.9
Total Debt		100.00	1284.33	100.00	1408.4	100.0	1420.4	100.0	1418.6	100.0	1403.1	100.0	-17.3

Source: Central Bank of Kenya

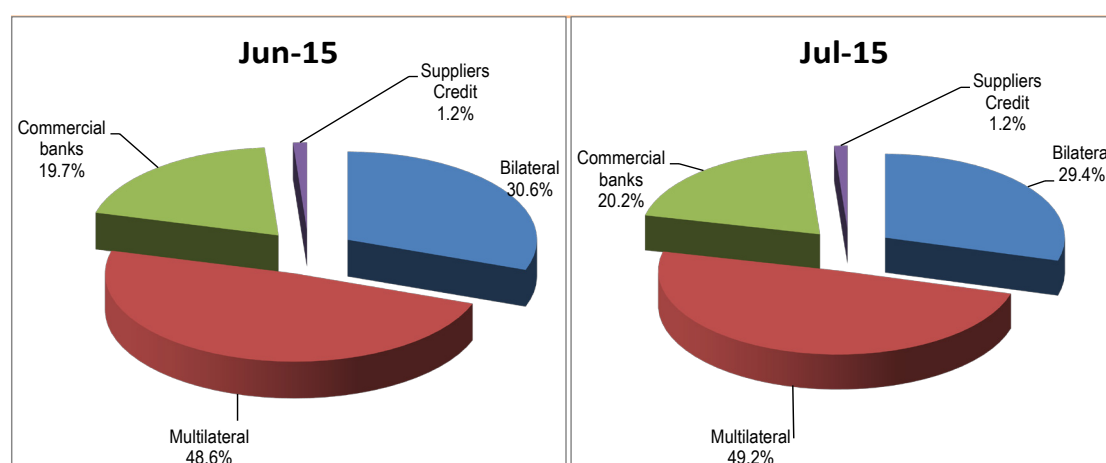
The average length of maturity of existing domestic debt remained constant at 5 years and 2 months in August 2015 which was similar to average time to maturity reported in June 2015.

External Debt

Kenya's public and publicly guaranteed external debt increased by Ksh 122.1 billion to Ksh 1,530.7 billion in August 2015, from Ksh 1,408.6 billion in June 2015 (Table 7.1). The central government stake amounted to Ksh 1,483.3 billion or 96.9 percent with the balance been government guarantee to parastatals. The from International Development Association (IDA) accounted for Ksh 40.4 billion of the increase in multilateral debt, while China accounted for Ksh 25.9 billion of the increase in bilateral debt. The growth in external debt during this period was attributed to disbursements from Exim bank China, concessional loan from International Development Association (IDA) and African Development Bank and exchange rate revaluation.

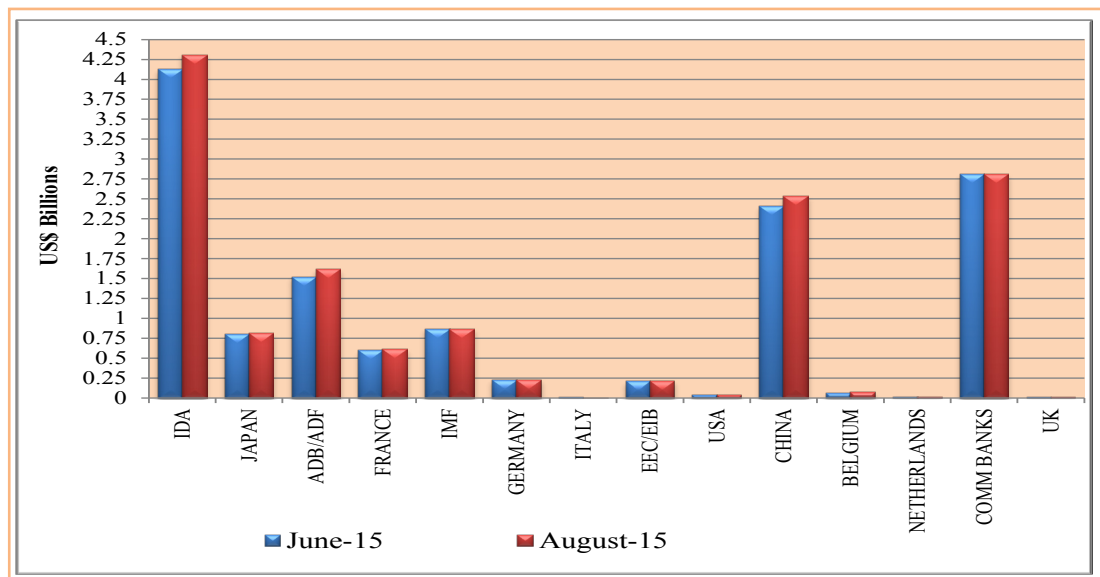
Composition of External Debt by Creditor

Official debt to multilateral and bilateral lenders accounted for 79.8 percent of total public and publicly guaranteed debt by August 2015. The proportion of external debt owed to bilateral lenders and multilateral lenders increased from 30.6 percent and 48.6 percent in June 2015 to 30.7 percent and 49.2 percent in August 2015, respectively. The share of external debt owed to commercial banks declined from 19.7 percent in June 2015 to 19.1 percent in August 2015. This decline was largely attributed to increase in commercial financing. (Chart 7A).

CHART 7A: COMPOSITION OF EXTERNAL DEBT

Source: National Treasury

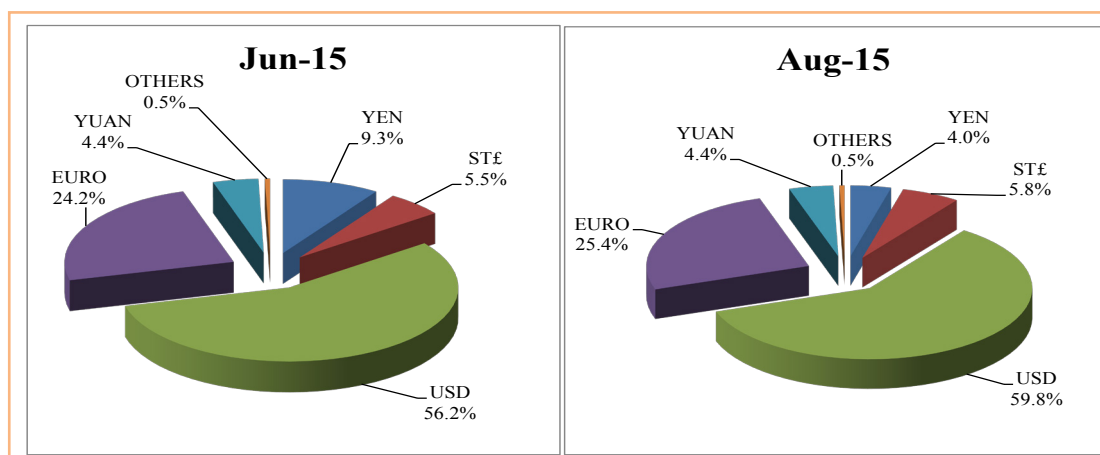
Debt owed to the International Development Association (IDA), Kenya's largest multilateral lender, amounted to USD 4.3 billion or 29.2 percent of total external debt while that owed to China, Kenya's largest bilateral lender, amounted to USD 2.5 billion, or 17.2 percent of the total external debt as at the end of August 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, Sterling Pound and the Euro increased from 56.2 percent, 5.5 percent and 24.2 percent in June 2015 to 59.8 percent, 5.8 percent and 25.4 percent in August 2015, respectively. While that denominated Japanese Yen declined from 9.3 percent in June 2015 to 4 percent in August 2015 (Chart 7C).

CHART 7C: EXTERNAL DEBT DISTRIBUTION BY CURRENCY

Source: National Treasury

Public Debt Service	Cumulative interest and other charges on domestic debt for the first two month FY 2015/16 amounted to Ksh 19.2 billion (or 0.4 percent GDP) compared with Ksh 18.7 (or 0.3 percent GDP) billion during a similar period of the FY 2014/15. The expenditure in the current period comprised interest and other charges on Treasury bills and Treasury bonds amounting to Ksh 2.4 billion and Ksh 9.7 billion, respectively. In addition, collective interest on regular government overdraft and the Pre-1997 overdraft amounted to Ksh 0.4 billion. Total external debt service for the first two month of the FY 2015/16 amounted to Ksh 3.2 billion (or 0.1 percent GDP), comprising Ksh 2.6 billion in principal repayments and Ksh 0.6 billion in interest payments.
Outlook for FY 2015/16	Total public and publicly guaranteed external debt is estimated at Ksh 1,430 billion (21.9 percent of GDP), of which gross and net domestic debt amount to Ksh1, 611.4 billion (24.7 percent of GDP) and Ksh 1,417.9 billion (21.7 percent of GDP), respectively.

ACTIVITY IN THE STOCK MARKET

Equity Market

The equities market leading indicators declined, except for number of shares traded. Net foreign investors' interest at the NSE rose, with purchases exceeding sales. Similarly, the bonds turnover rose significantly in August 2015 compared to performance in July 2015.

The number of shares traded rose by 2.64 percent in August 2015, reflecting exit by investors on bearish run. Equity turnover was down 3.53 percent to 20,792.29 billion by the end of August 2015 as Market capitalization lost KSh 74 billion to close at KSh 2,006.00 billion. The bear market saw the NSE 20 Share Index and the NASI decline to 4177 points and 143 points, respectively.

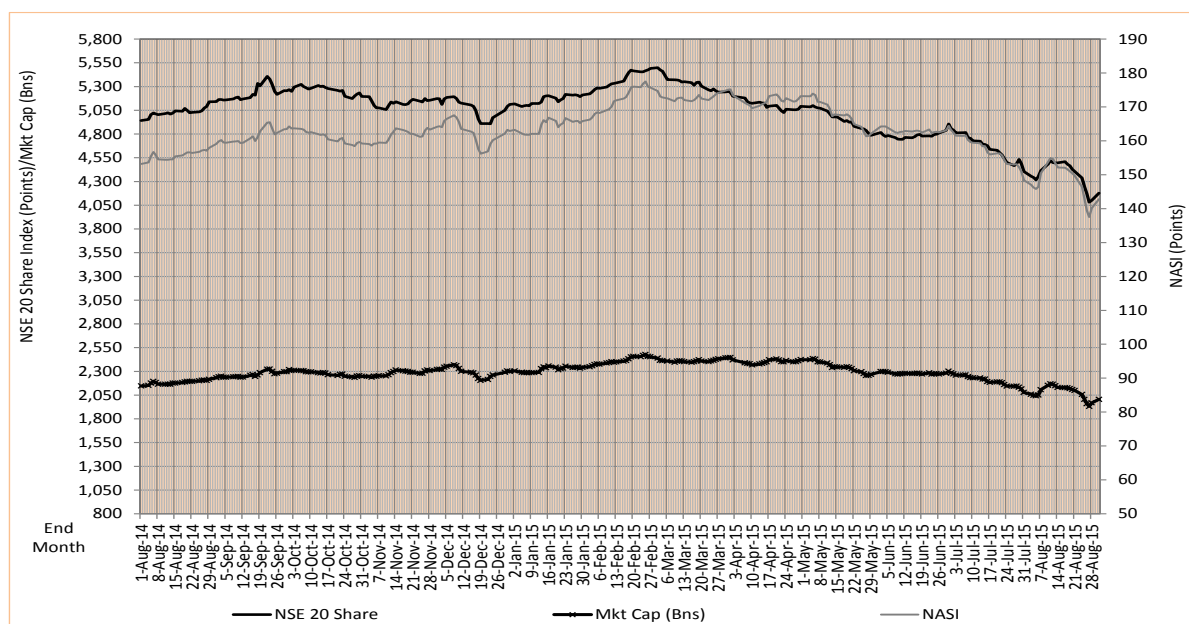
TABLE 8.1: SELECTED STOCK MARKET INDICATORS

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

Source: Nairobi Securities Exchange

Foreign investor activity dominated the NSE in August 2015, with net overall foreign shares accounting for 79.63 percent of total equity turnover up from 70.13 percent in July 2015. The five month net outflow trend at the NSE was reversed with foreign purchases exceeding sales during the month. Foreign purchases accounted for 82.47 percent of total equity turnover against 76.78 percent sales (Table 8.1). Market capitalization tended towards a KSh 2 trillion-mark, touching the lowest level in more than 2 years. (Chart 8A).

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



Source: Nairobi Securities Exchange

Most Active Sectors & FTSE NSE Kenya Index Series

Telecommunication and Technology, Banking and Energy and Petroleum sectors dominated equities trading in August 2015, accounting for 39.67 percent, 38.28 percent and 5.0 percent of all shares traded respectively. The FTSE NSE Kenya 15 Index, which measures performance of 15 largest stocks by market capitalization at the NSE, declined to 183.66 points in August 2015 from 197.85 points in July 2015. The FTSE NSE Kenya 25 Index, which measures performance of 25 most liquid stocks, closed lower at 183.15 points from 197.39 points over the same period. The FTSE NSE Kenyan Government Bond Index declined marginally to 91.30 points in August 2015 from 91.68 points in July 2015, reflecting stable secondary market yields.

Bond Market

The Bonds' turnover rose to KSh 18,419 million in August 2015 from KSh 12,399.58 million in July 2015. Deals transacted were 321 up from 203 deals, during the period. The IFB1/2015/012 accounted for the largest share at 43.76 percent of the total, with yields ranging from 11.1 percent to 14.8 percent, against a coupon rate of 11 percent. The Corporate bonds segment traded KSh 408.5 million, equivalent to 2.22 percent of total bond turnover.

STATEMENT OF FINANCIAL POSITION OF THE CENTRAL BANK OF KENYA AS AT AUGUST 31, 2015

(KENYA SHILLINGS MILLION)

1.0 ASSETS	AUG 2015	JUNE 2015	INCREASE/ (DECREASE)	AUG 2014
1.1 BALANCES DUE FROM BANKING INSTITUTIONS AND GOLD HOLDINGS	706,205	704,874	1,331	696,047
1.2 FUNDS HELD WITH IMF	4,618	4,385	233	3,368
1.3 ITEMS IN THE COURSE OF COLLECTION	38	82	(44)	30
1.4 ADVANCES TO COMMERCIAL BANKS	41,823	75	41,748	30,896
1.5 LOANS AND OTHER ADVANCES	2,532	2,479	54	33,208
1.6 OTHER ASSETS	4,134	4,299	(165)	2,886
1.7 RETIREMENT BENEFIT ASSET	4,668	4,668	-	7,659
1.8 PROPERTY AND EQUIPMENT	20,623	20,746	(123)	13,672
1.81 INTANGIBLE ASSETS	356	495	(139)	574
1.9 DUE FROM GOVERNMENT OF KENYA	72,811	63,163	9,648	27,779
TOTAL ASSETS	857,809	805,265	52,544	816,119
2.0 LIABILITIES				
2.1 CURRENCY IN CIRCULATION	228,228	222,178	6,050	205,927
2.2 INVESTMENTS BY BANKS	-	-	-	-
2.3 DEPOSITS	347,065	331,314	15,751	407,090
2.4 INTERNATIONAL MONETARY FUND	132,747	125,775	6,972	128,653
2.5 OTHER LIABILITIES	5,644	4,373	1,271	2,919
TOTAL LIABILITIES	713,684	683,640	30,044	744,745
3.0 EQUITY AND RESERVES	144,125	121,625	22,500	71,373
Share Capital	5,000	5,000	-	5,000
General reserve fund -Unrealized	78,433	78,592	(158)	51,432
General reserve fund -Realized	11,130	11,130	-	947
General reserve fund -Capital Pro	7,445	7,445	-	-
Period surplus	22,659		22,659	8,853
Asset Revaluation	14,790	14,790	-	5,141
Retirement Benefit Asset Reserves	4,668	4,668	-	-
4.0 TOTAL LIABILITIES AND EQUITY	857,809	805,265	52,544	816,119

Source: Central Bank of Kenya

NOTES ON THE FINANCIAL POSITION

Total assets increased by 6.5 percent (KSh 52.5 billion) in the year to August 2015 largely on account of advances to commercial banks.

Assets

Balances due from Banking institutions and Gold holdings category comprise of foreign reserves held in external current accounts, deposits and special/projects accounts, domestic foreign currency clearing accounts, gold, special drawing rights and RAMP securities invested with the World Bank. These balances increased by KSh 1,331 million to KSh 706,205 million in August 2015 from KSh 704,874 billion in June 2015.

Items in course of collection represent the value of clearing instruments which are held by the Central Bank of Kenya, while awaiting clearing by respective commercial banks. The balances as at August 2015 were KSh 38 million compared to KSh 82 million outstanding as at June 2015.

Advances to commercial banks are balances of money advanced by the Central Bank of Kenya to commercial banks in the management of interbank liquidity. The balance outstanding increased by KSh 41,748 million to KSh 41,823 million in August 2015 from KSh 75 million in June 2015.

Loans and other advances include outstanding balances on advances to commercial banks under the Overnight Loan Facility (OLF), and IMF funds on-lent to Government. The outstanding balance increased to KSh 2,532 million in August 2015 from KSh 2,479 million in June 2015.

Other Assets largely consist of prepayments and sundry debtors, and deferred currency expense. These assets declined by KSh 165 million to KSh 4,134 million in August 2015 from KSh 4,299 million in June 2015.

Liabilities

Debt due from Government of Kenya category has been revised to include Government utilization of the overdraft facility at the Central bank as well as the overdrawn accounts which were converted to a long term debt with effect from 1 August 1997 after an amendment to the Central Bank of Kenya Act to limit lending to Government to 5 percent of Government's audited revenue. Initially, the overdraft to the government was classified under 'Loans and advances'. The overall debt increased to KSh 72,811 million in August 2015 from KSh 63,163 million in June 2015. The overdraft as at August 2015 stood at KSh 46,074.67 million and was within the statutory limit of KSh 46,812.8 million.

Currency in circulation increased by KSh 6,050 million (or 2.7 percent) to KSh 228,228 million in August 2015 from KSh 222,178 million in June 2015.

Deposits represents deposits held by Government of Kenya, local commercial banks deposit, other public entities and project accounts and local banks' forex settlement accounts. The balances increased by KSh 15,751 million to KSh 347,065 million in August 2015 from KSh 331,314 million in June 2015.

Amount due to International Monetary Fund represents the Bank's obligations to the IMF. The balances increased by KSh 6,972 million to KSh 132,747 in August 2015 from KSh 125,775 million in June 2015.

Other liabilities include net impersonal accounts, sundry creditors, foreign exchange bureaus deposits and suspense accounts. The balance increased by KSh 1,271 million to KSh 5,644 million in August 2015 from KSh 4,373 million in June 2015.