



MONTHLY ECONOMIC REVIEW

FEBRUARY 2015

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

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OVERVIEW

Introduction This Monthly Economic Review highlights recent economic developments through February 2015. This includes developments in inflation, money, credit and interest rates, the real sector, balance of payments and exchange rates. It also highlights developments in the banking sector, Government budgetary operations, public debt and the stock market.

Inflation Overall 12-month inflation increased from 5.5 percent in January 2015 to 5.6 percent in February 2015. The rise largely reflects in food inflation which rose by 95 basis points to 8.3 percent in February 2015. Meanwhile, fuel inflation and non-food non-fuel inflation eased by 121 basis points and 8 basis points, respectively. Annual average inflation declined from 6.7 percent in January 2015 to 6.6 percent in February 2015.

Money Supply Growth in broad money, M3, accelerated to 18.6 percent in the year to February 2015 from 16.2 percent in a similar period in 2014 and was above the February 2015 target of 16.5 percent. The increase in money supply was attributed to accumulation of Net Foreign Assets (NFA).

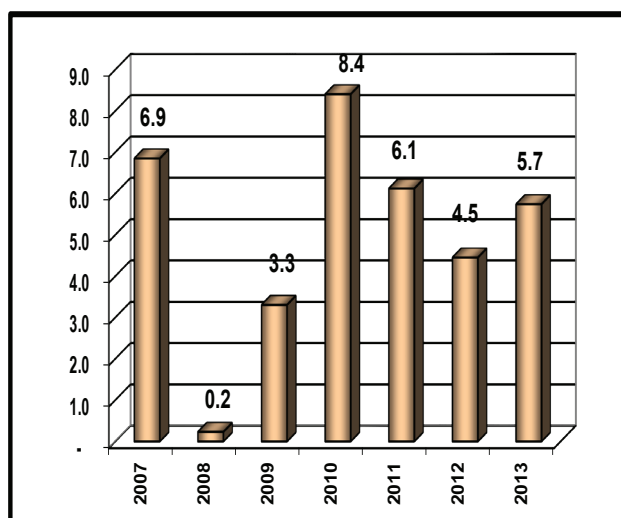
Interest Rates The Monetary Policy Committee maintained the Central Bank Rate (CBR) at 8.50 percent on February 26, 2015, in order to continue anchoring inflationary expectations. The weighted average interbank rate decreased marginally to 6.77 percent in February 2015 from 7.12 percent in January 2015.

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

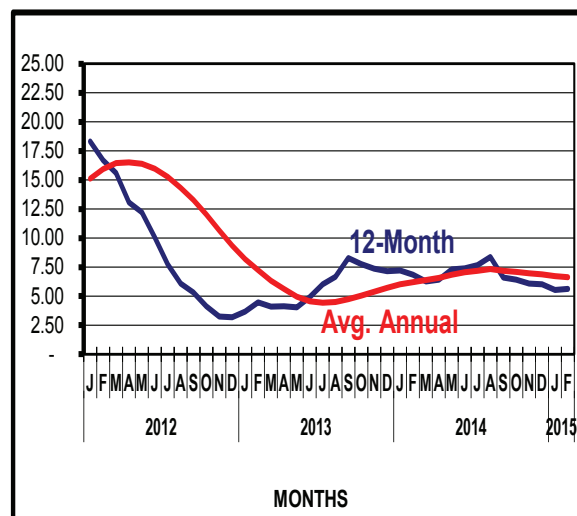
Balance of Payments	Kenya's overall balance of payments surplus improved by USD 94.7 million to USD 1,209 million in the 12 months to February 2015 from a surplus of USD 1,114 million in the year to February 2014 following improvement in the capital and financial account surplus.
Exchange Rates	The Kenya shilling displayed mixed performance against major international and EAC currencies during the month of February 2015. It strengthened against the Euro and the Japanese Yen but weakened against the US Dollar and the Pound Sterling largely on account of the strengthening of the US Dollar against major world currencies anchored on positive sentiment on economic recovery, and high dollar demand on the domestic market.
Banking Sector Developments	The Kenyan Banking sector registered improved growth in assets in the year to February 2015 driven by growth in deposits, injection of capital and retention of profits. The sector registered improved performance in earnings and capital and the level of non-performing loans reduced compared with a similar period in 2014.
Government Budgetary Performance	The Government's budgetary operations during the first eight months of the FY 2014/15 resulted into a deficit of Ksh 173.7 billion (3.7 percent of GDP) on both commitment and cash basis compared with a deficit of Ksh 158.8 billion (3.3 percent of GDP) incurred in the same period of the FY 2013/14.
Public Debt	Kenya's public and publicly guaranteed debt rose by 279.9 billion to close at Ksh 2,650.1 billion in February 2015 from Ksh 2,370.3 billion in June 2014. The total debt stock at the end of February 2015 was equivalent to 55.7 percent of GDP.
Stock Market	The capital markets recorded a strong performance in February 2015, with both bonds and equity segments registering gains. Overall net foreign investor interest at the NSE declined, with more purchases than sales.

SELECTED ECONOMIC PERFORMANCE INDICATORS

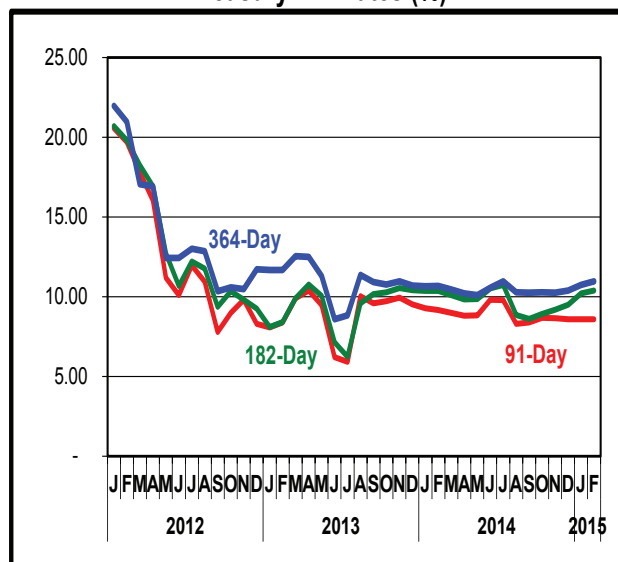
Real GDP Growth (%)



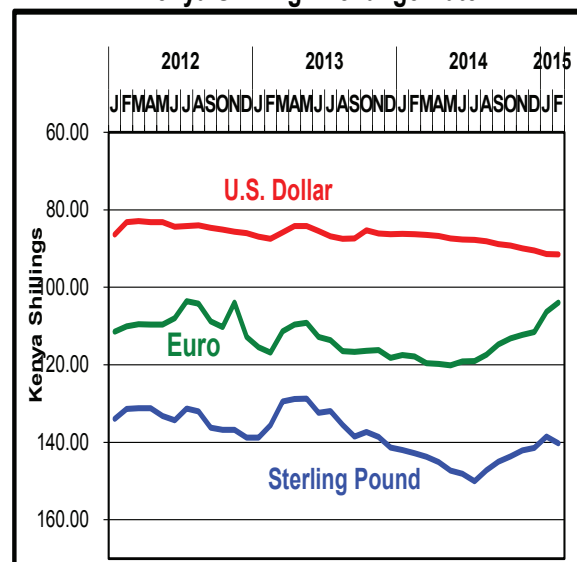
Inflation (%)



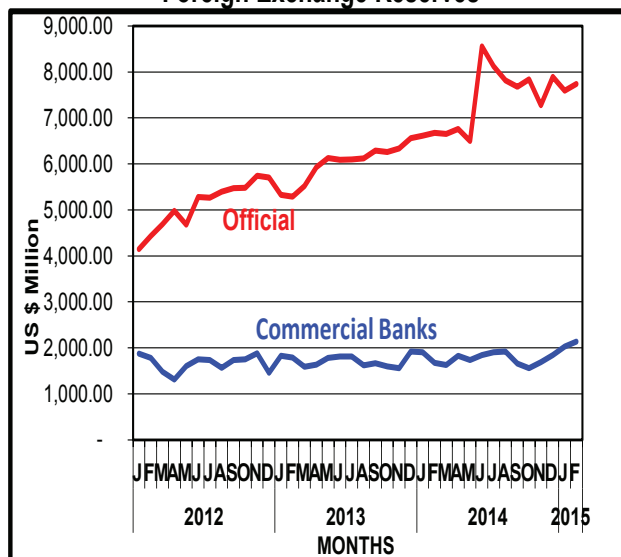
Treasury Bill Rates (%)



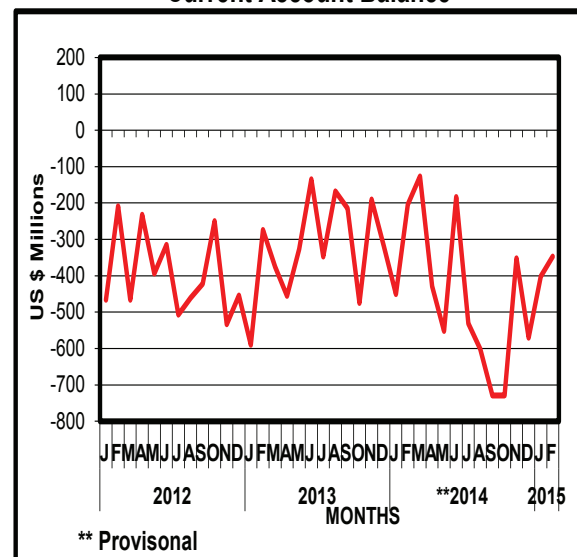
Kenya Shilling Exchange Rate



Foreign Exchange Reserves



Current Account Balance



SELECTED ANNUAL ECONOMIC INDICATORS

	2006	2007	2008	2009	2010	2011	2012	2013
1. POPULATION*								
People in Millions	36.10	37.20	38.30	38.60	38.50	39.50	40.70	41.80
Growth (%)	2.85	3.05	2.96	0.78	-0.26	2.60	3.04	2.70
2. NATIONAL ACCOUNTS**								
Gross value added at basic prices (Ksh m)	1,649,996	1,903,472	2,211,447	2,558,792	2,827,470	3,348,141	3,811,764	4,234,319
GDP at Market Prices (Ksh m):								
At Current Prices	1,862,041	2,151,349	2,483,058	2,863,688	3,169,335	3,726,052	4,254,772	4,757,532
At Constant 2009 Market Prices	2,588,279	2,765,595	2,772,019	2,863,688	3,104,401	3,294,454	3,441,132	3,638,761
Real GDP Growth (%)	...	6.9	0.2	3.3	8.4	6.1	4.5	5.7
Per Capita Income Real 2009 prices (Ksh)	74,862	77,197	75,431	75,910	80,689	83,309	84,649	88,750
3. GROSS NATIONAL SAVINGS (% of GDP at mkt prices)³	16.1	16.7	15.4	14.6	14.1	14.6	12.7	11.0
4. GROSS DOMESTIC SAVINGS (% of GDP at mkt prices)³	9.1	10.1	8.9	8.4	8.3	7.2	7.1	5.4
5. GROSS DOMESTIC INVESTMENTS (% of GDP at mkt prices)	18.6	20.5	19.6	19.3	20.8	21.7	21.6	19.9
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
12-Month Inflation	7.98	5.70	17.83	5.32	4.51	18.93	3.20	7.15
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
Trade Turnover Ratio (%)	1.70	1.29	0.29	0.64	0.99	0.46	0.58	0.58
8. GOVERNMENT BUDGET (Ksh bn) ***								
Revenue and Grants	331.21	383.59	457.67	511.36	614.53	679.53	734.43	1,001.40
Expenditure	368.65	405.20	534.84	621.91	791.79	817.09	915.89	1,297.80
Budget Deficit (-) / Surplus (+) incl. Grants (commitment basis)	(37.44)	(21.61)	(77.17)	(110.55)	(177.26)	(137.56)	(181.46)	(296.40)
Budget Deficit (% of GDP)	(2.74)	(1.02)	(3.93)	(4.94)	(7.21)	(4.98)	(5.51)	(6.20)
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
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
Reserve Money	124.16	155.62	163.59	181.96	222.63	255.01	293.62	320.76
Total Domestic Credit	575.76	668.90	815.52	955.82	1,188.40	1,505.13	3,036.21	1,982.30
Government	137.81	137.40	155.32	205.07	277.78	311.58	368.83	397.16
Private sector and other public sector	437.94	531.49	660.20	750.75	910.62	1,193.55	1,333.69	1,585.13
10. BALANCE OF PAYMENTS (US\$ m)								
Overall Balance	675.00	854.00	(469.00)	780.53	163.40	(42.88)	1,261.00	684.72
Current Account	-511.00	-1,034.00	-1,983.00	-1,609.28	-2,511.91	-3,330.50	-4,252.77	-4,785.96
Capital and Financial Account	1,187.00	1,888.00	1,514.00	2,389.81	2,675.30	3,286.88	5,513.78	5,470.68
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
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
	3.9	4.8	3.4	4.1	3.9	3.7	4.3	4.5
Commercial Banks	916.03	1,202.12	1,765.32	1,216.63	1,120.84	(213.32)	854.32	49.38
12. PUBLIC DEBT (US\$ bn) End Period***	10.68	12.04	13.46	13.66	14.96	16.60	19.27	27.52
Domestic	4.84	6.08	6.66	6.72	8.06	8.51	10.20	14.91
As % of GDP	18.77	19.00	18.54	18.16	20.15	20.26	20.27	27.02
External	5.84	5.96	6.80	6.94	6.90	8.09	9.08	12.61
As % of GDP	22.62	18.62	18.94	18.75	17.25	19.26	18.04	22.84
13. EXCHANGE RATE (Ksh/US\$) (Annual Average)	72.10	67.32	69.18	77.35	79.26	88.87	84.52	86.13

* Provisional.

** Rebased data

*** Fiscal year to June 30th.

¹ Previously M3XT

² Previously M3X

³ Revised

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

SELECTED MONTHLY ECONOMIC INDICATORS

INDICATOR	2014											2015	
	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb
1. INFLATION (%)													
CPI	145.95	146.61	148.20	149.70	149.91	150.60	152.02	152.24	151.92	151.85	152.51	153.43	154.14
Overall Inflation													
12-month overall inflation	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
Average annual overall inflation	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
2. INTEREST RATES (%)													
91-day Treasury bill interest rate	8.98	8.80	8.80	8.82	9.81	9.78	8.29	8.38	8.67	8.64	8.58	8.59	8.49
Overdraft interest rate	16.88	16.44	16.40	17.85	15.88	17.12	16.20	15.79	15.77	15.66	15.86	15.95	15.67
3. STOCK MARKET													
Nairobi Stock Exchange 20 Share Price Index	4,933.41	4,945.78	4,948.97	4,881.56	4,885.04	4,906.09	5,139.39	5,256.00	5,194.89	5,156.00	5,112.65	5,212.00	5,491.00
Turnover Ratio (%)	0.68	0.67	0.67	1.06	0.90	0.77	0.77	0.93	0.61	0.80	1.07	0.50	0.72
4. GOVERNMENT BUDGET* (Ksh bn.)													
Revenue \$ Grants	611.90	694.30	795.75	880.77	1,001.37	69.58	142.36	248.08	335.24	410.52	524.99	614.43	690.52
Expenses	770.60	855.33	971.11	1,114.34	1,297.76	48.60	141.07	276.61	373.51	490.10	613.96	765.22	864.18
Budget Deficit (-) / Surplus (+)	(158.70)	(161.03)	(175.36)	(233.57)	(296.39)	20.97	1.29	(28.52)	(38.27)	(79.58)	(88.98)	(150.79)	(173.66)
5. MONEY AND CREDIT (Ksh bn.)													
Liquidity (L) ¹	2,560.08	2,592.54	2,650.16	2,701.27	2,718.34	2,752.26	2,880.19	3,020.09	3,037.95	3,102.53	3,124.10	3,162.64	3,222.47
Money Supply (M3) ²	2,030.49	2,060.31	2,100.61	2,147.48	2,152.13	2,190.08	2,253.32	2,251.76	2,260.02	2,295.15	2,329.98	2,350.80	2,407.83
Reserve Money	315.49	309.81	315.27	315.34	323.73	304.65	357.05	322.76	348.60	346.20	380.04	350.15	387.73
Total Domestic Credit	2,057.51	2,097.87	2,127.93	2,177.36	2,042.87	2,130.25	2,187.85	2,110.45	2,117.81	2,162.33	2,137.14	2,153.91	2,225.71
Government	438.80	449.87	441.96	465.19	283.06	346.88	372.79	251.10	240.00	256.68	204.27	206.94	266.20
Private sector and other public sector	1,618.71	1,648.00	1,685.97	1,712.17	1,759.82	1,783.37	1,815.06	1,859.35	1,877.81	1,905.65	1,932.86	1,946.96	1,959.51
6. MONEY AND CREDIT (Annual % Change)													
Liquidity (L) ¹	19.01	18.89	18.32	18.84	19.32	19.11	22.99	25.53	25.08	25.10	23.81	23.61	25.87
Money Supply (M3) ²	16.17	17.35	16.55	17.77	18.19	19.30	21.80	19.41	18.94	17.48	16.72	16.00	18.58
Reserve Money	9.89	7.73	17.71	11.88	12.63	7.28	15.25	11.16	13.46	9.29	18.48	15.82	22.90
Total Domestic Credit	17.77	19.73	16.66	22.44	14.58	20.05	21.06	12.54	12.09	9.92	8.02	7.12	8.2
Government	11.48	15.05	(3.53)	18.42	(25.41)	0.07	10.91	(34.37)	(34.91)	(37.21)	(48.57)	(49.93)	(39.33)
Private and other public sector	19.60	21.07	23.43	23.58	25.39	24.90	23.37	24.56	23.49	22.3	22.2	21.9	21.1
7. BALANCE OF PAYMENTS (US\$ m)													
Overall Balance	(33.77)	82.02	110.54	(261.11)	2,056.50	(419.32)	(313.45)	(137.65)	168.11	(559.44)	626.49	(294.47)	150.95
Current Account	(203.78)	(249.12)	(428.83)	(551.92)	(183.10)	(531.47)	(601.60)	(729.49)	(729.62)	(352.15)	(570.86)	(401.38)	(347.14)
Trade Balance	(746.71)	(683.99)	(1,041.20)	(1,173.89)	(793.62)	(1,204.68)	(1,135.01)	(1,344.76)	(1,269.37)	(874.89)	(1,072.77)	(946.65)	(770.56)
Capital and Financial Account	170.01	331.14	539.37	290.81	2,239.60	112.15	288.14	591.85	897.73	(207.29)	1,197.35	106.91	498.09
8. FOREIGN EXCHANGE RESERVES (US\$ m)	8,250.21	8,285.29	8,593.52	8,230.25	10,398.72	10,029.34	9,731.50	9,335.92	9,399.90	8,964.49	9,737.55	9,619.76	9,873.29
Official	6,578.15	6,660.17	6,764.90	6,498.02	8,554.52	8,127.54	7,814.08	7,676.44	7,838.99	7,273.99	7,894.92	7,593.04	7,736.58
Months of import cover**	4.46	4.52	4.54	4.34	5.70	5.37	5.15	5.01	5.06	4.70	5.08	4.87	4.95
Commercial banks	1,672.06	1,625.12	1,828.62	1,732.24	1,844.21	1,901.81	1,917.42	1,659.49	1,560.91	1,690.50	1,842.64	2,026.72	2,136.71
9. PUBLIC DEBT (US\$ bn)	24.59	24.60	25.00	25.01	27.05	27.19	26.92	26.44	26.17	26.56	27.16	28.28	28.97
Domestic	14.25	14.24	14.03	14.10	14.66	14.77	14.54	14.19	13.97	14.49	14.23	14.42	14.79
As % of GDP	25.84	25.88	25.58	25.91	27.00	27.25	26.93	26.50	26.19	27.40	27.10	27.70	28.40
External	10.34	10.36	10.97	10.91	12.39	12.42	12.38	12.25	12.20	12.08	12.92	13.86	14.17
As % of GDP	18.76	18.84	19.99	20.05	22.83	22.90	22.93	22.87	22.89	22.89	24.60	26.60	27.30
10. GROSS DOMESTIC DEBT (Ksh bn)***	1,229.30	1,231.20	1,216.76	1,232.49	1,284.33	1,296.44	1,281.09	1,260.87	1,246.14	1,303.35	1,287.40	1,317.48	1,353.30
11. AVERAGE EXCHANGE RATE													
Ksh/US\$	86.28	86.49	86.72	87.41	87.61	87.77	88.11	88.84	89.23	89.96	90.44	91.36	91.49
Ksh/Pound Sterling	142.81	143.76	145.08	147.29	148.15	150.04	147.24	144.99	143.66	142.05	141.45	138.49	140.21
Ksh/100 Yen	84.52	84.58	84.59	85.84	85.88	86.32	85.63	82.90	82.62	77.53	75.79	77.19	77.17
Ksh/Euro	117.81	119.58	119.78	120.09	119.16	119.02	117.40	114.74	113.21	112.28	111.52	106.32	103.94

* 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

TRENDS IN VARIOUS MEASURES OF INFLATION

Overall Inflation

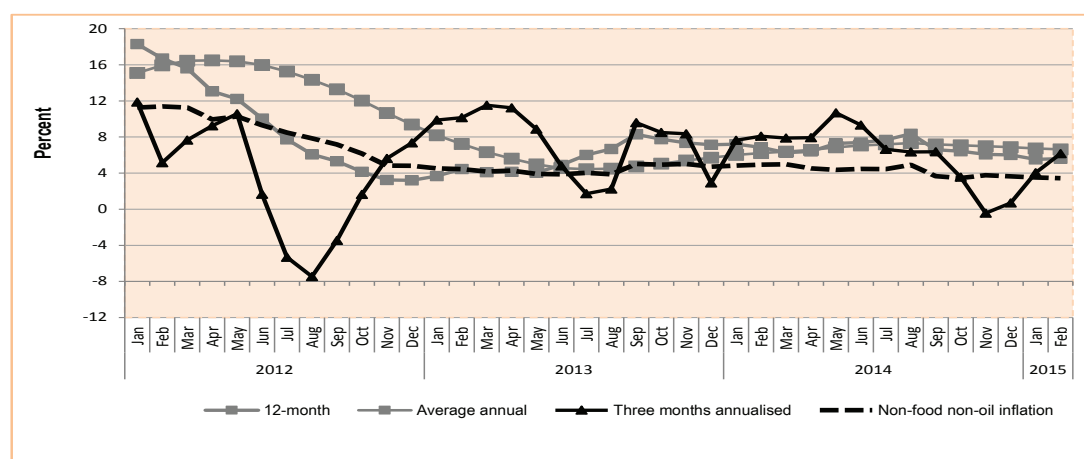
Overall 12-month inflation increased slightly from 5.5 percent in January 2015 to 5.6 percent in February 2015 largely reflecting increased food inflation. Food inflation rose by 95 basis points to 8.3 percent in February 2015 while fuel inflation and non-food non-fuel inflation eased by 121 basis points and 8 basis points, respectively. The three months annualized rate of inflation however rose to 6.2 percent in February 2015 indicating an increase in domestic inflationary pressures

TABLE 1.1: INFLATION (%)

Overall Inflation	2014											2015	
	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb
12-month	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
Average annual	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
Three months annualised	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
Non-food non-oil inflation	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

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

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



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

The increase in food inflation, from 7.4 percent in January 2015 to 8.3 percent in February 2015, reflects both in the 'food and non-alcoholic beverages' category of goods and services (from 7.7 percent to 8.7 percent and in the 'restaurant and hotels' category of goods and services (from 4.9 percent to 5.2 percent).

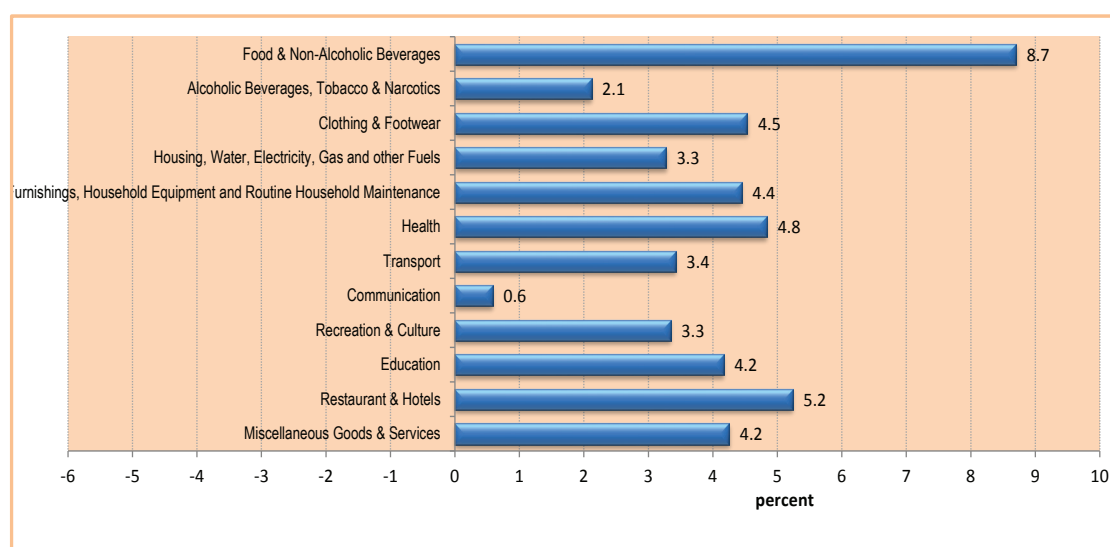
Fuel inflation eased from 4.5 percent in January 2015 to 3.3 percent in February 2015. The decline reflects in the 'transport' category of goods and services (from 5.3 percent to 3.4 percent) and in the 'housing, water, electricity, gas and other fuels' category of goods and services (from 4.1 percent to 3.3 percent). The decline in

fuel inflation is attributed to a fall in the retail prices of diesel, petrol, kerosene and cooking gas.

Non-food non-fuel inflation eased from 3.5 percent in January 2015 to 3.4 percent in February 2015 reflecting lower inflation in the ‘recreation and culture’, ‘health’, ‘education’, ‘furnishings, household equipment and routine household maintenance’ and ‘miscellaneous goods and services’ consumption baskets.

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

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



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

TABLE 1.2: 12 MONTHS INFLATION ACROSS BASKETS AND INCOME GROUPS

February 2015	Weight- CPI Kenya	NAIROBI				REST OF URBAN	TOTAL KENYA
		Lower Income	Middle Income	Upper Income	Nairobi Combined	Rest of Kenya Combined	
Food & Non-alcoholic beverages	36.0	7.9	8.2	8.2	8.0	9.2	8.7
Alcoholic beverages, Tobacco & narcotics	2.1	1.8	1.3	2.0	1.7	2.4	2.1
Clothing & Footwear	7.4	2.8	4.0	7.0	3.3	5.4	4.5
Housing, Water, Electricity, Gas and other fuels	18.3	1.2	1.3	0.7	1.2	4.7	3.3
Furnishings, Household equipment and Routine household maintenance	6.2	1.7	2.5	3.9	2.0	6.1	4.4
Health	3.1	3.7	2.7	3.1	3.4	5.8	4.8
Transport	8.7	8.7	-5.2	-2.5	5.3	1.9	3.4
Communication	3.8	-0.1	0.2	0.3	0.0	0.9	0.6
Recreation & culture	2.3	2.3	4.2	-2.2	2.6	3.9	3.3
Education	3.1	2.7	11.2	3.8	4.9	3.7	4.2
Restaurants & hotels	4.5	1.9	0.5	10.0	1.9	7.6	5.2
Miscellaneous goods & services	4.5	3.3	4.3	5.7	3.6	4.7	4.2
ALL GROUPS	100.0	5.2	3.2	1.7	4.7	6.3	5.6

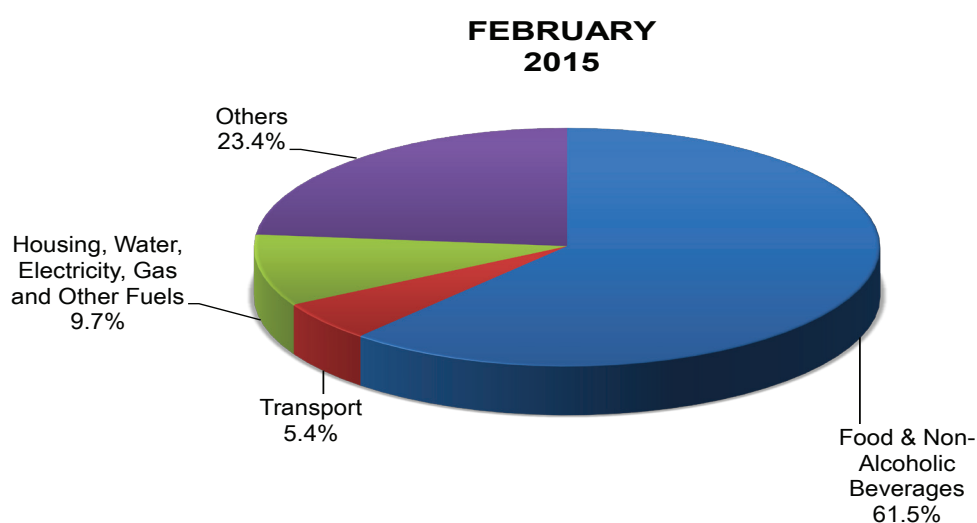
Source: Kenya National Bureau of Statistics

12-month inflation increased in Nairobi but eased in other urban centers across the country in February 2015. Inflationary pressures eased for the upper income group in Nairobi in February 2015 (Table 1.3). The 12-month consumer price inflation for the ‘Nairobi Lower Income’ group increased marginally from 4.8 percent in January 2015 to 5.2 percent in February 2015 while 12-month inflation for the ‘Nairobi Middle

Income' group stabilized at 3.2 percent in January and February 2015. 12-month inflation for the 'Nairobi Upper Income' group eased to 1.7 percent in February 2015 from 2.1 percent in the previous month. 12-month inflation registered at urban centers outside Nairobi eased to 6.3 percent in February 2015.

Chart 1C shows that 61.5 percent of overall 12-month inflation in February 2015 was attributed to 'food and non-alcoholic beverages' category of goods while inflation in 'housing, water, electricity, gas and other fuels' and 'transport' categories contributed 9.7 percent and 5.4 percent, respectively.

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



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

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

	Feb-14	Mar-14	Apr-14	May-14	Jun-14	Jul-14	Aug-14	Sep-14	Oct-14	Nov-14	Dec-14	Jan-15	Feb-15
Combined Nairobi	6.10	5.53	5.16	5.95	6.15	6.21	7.32	4.52	4.46	4.22	4.53	4.38	4.66
Lower Income	6.46	5.80	5.36	6.07	6.10	6.13	7.49	4.84	4.79	4.50	4.87	4.83	5.22
Middle Income	4.93	4.65	4.43	5.37	6.06	6.19	6.39	3.34	3.38	3.30	3.61	3.22	3.23
Upper Income	5.84	5.38	5.64	7.18	7.81	8.04	9.58	5.19	4.33	4.25	3.19	2.05	1.74
Other provinces- excluding Nairobi	7.38	6.78	7.27	8.23	8.25	8.68	9.07	8.04	7.79	7.37	7.05	6.32	6.26
TOTAL KENYA	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

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

Inflation Outlook

Overall domestic inflation is expected to remain sticky around the upper bound of the government medium term target on account of delayed long rains and reversal of sharp declines of international oil prices.

DEVELOPMENTS IN MONEY, CREDIT AND INTEREST RATES

Monetary Aggregates Growth in broad money, M3, accelerated to 18.6 percent in the year to February 2015 from 16.2 percent in a similar period in 2014 and was above the February 2015 target of 16.5 percent. The M3 growth through February 2015 reflected strongly in the foreign currency deposits component which grew by 26.8 percent compared with 7.2 percent previous period in 2014 (Table 2.1 and Chart 2A). But in terms of contribution by component, local currency deposits dominated, with a share of 78.9 percent in the total M3 increase.

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

1. money supply, M3 (2+3) ¹	1141.9	2030.9	2401.8	262.6	311.3	16.2	18.6
1.1 Money supply, M2 ²	1471.2	1733.8	2031.7	262.6	297.9	17.8	17.2
1.2 Money supply, M1	715.4	860.8	946.5	145.3	85.7	20.3	10.0
1.3 Currency outside banks	148.9	156.3	171.7	7.5	15.3	5.0	9.8
1.4 Foreign Currency Deposits	276.7	296.7	376.1	20.0	79.5	7.2	26.8
2. Net foreign assets ³	328.2	371.0	486.6	42.8	115.6	13.0	31.2
Central Bank	325.7	435.6	574.8	109.8	139.2	33.7	32.0
Banking Institutions	2.5	-64.6	-88.2	-67.1	-23.6		
3. Net domestic assets (3.1+3.2)	1419.7	1659.5	1921.2	239.8	261.7	16.9	15.8
3.1 Domestic credit (3.1.1+3.1.2)	1747.1	2057.5	2225.7	310.4	168.2	17.8	8.2
3.1.1 Government (net)	393.6	438.8	266.2	45.2	-172.6	11.5	-39.3
3.1.2 Private sector	1307.1	1587.7	1915.8	280.6	328.1	21.5	20.7
3.1.3 Other public sector	46.3	31.0	43.7	-15.3	12.7	-33.1	41.0
3.2 Other assets net (3-3.1)	-327.4	-398.0	-304.5	-70.6	93.5		
Memorandum items							
1. Overall liquidity, L ⁴	2151.1	2560.1	3222.5	408.9	662.4	19.0	25.9
2. Reserve money	287.1	315.5	387.7	28.4	72.2	9.9	22.9
Currency outside banks	148.9	156.3	171.7	7.5	15.3	5.0	9.8
Bank reserves	138.2	159.2	216.1	20.9	56.9	15.1	35.8

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.

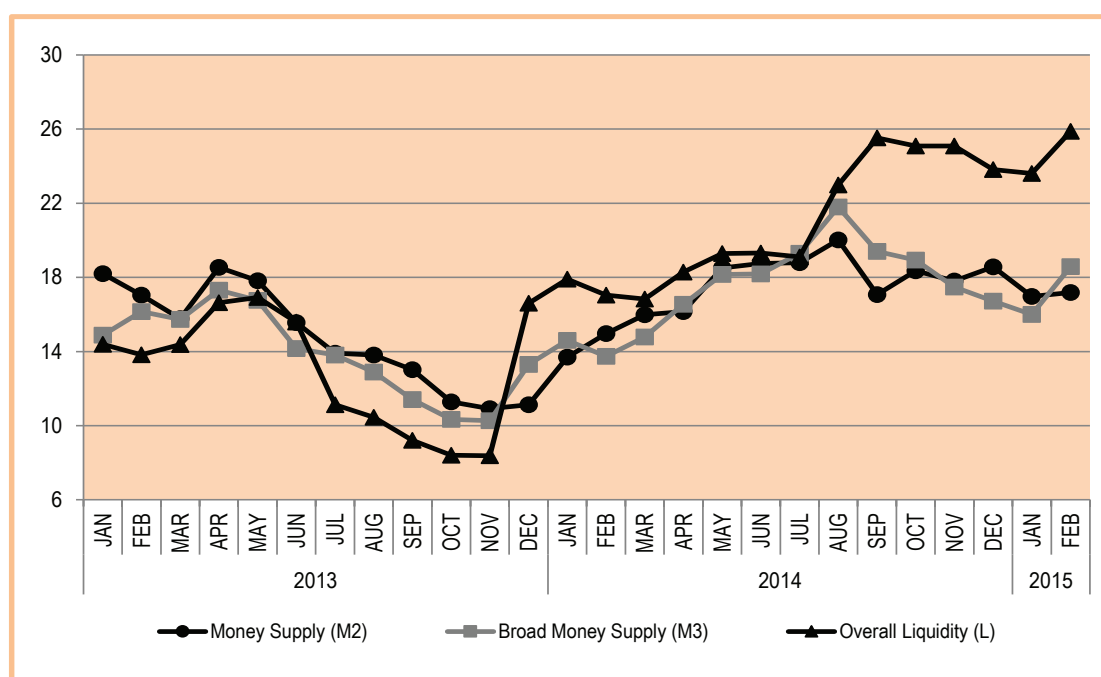
² / Broader money, M2, comprises M2 and residents foreign currency deposits with local banks. It is comparable to M3X in the past publications. Foreign currency

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

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

Source: Central Bank of Kenya

CHART 2A: ANNUAL PERCENTAGE CHANGE IN MONEY SUPPLY



Source: Central Bank of Kenya

The M3 growth was attributed to increases of Net Foreign Assets (NFA) of the banking system and credit to the private sector (Table 2.1). NFA of the banking system grew by 31.2 percent (or Ksh 115.6 billion) in the year to February 2015 compared with 13.0 percent (or Ksh 42.8 billion) over a similar period in 2014. This accumulation reflected wholly in holdings of the Central Bank, and largely from the proceeds of the Sovereign Bond issued in June 2014 followed by a tap sale in December 2014. The NFA of the Central Bank therefore increased by 32.0 percent to Ksh 574.8 billion in the year to February 2015 from Ksh 435.6 billion in February 2014. Meanwhile, the NFA held by other banking institutions declined, on account of increased loans from non-residents and accumulation of foreign deposits. Over the same period, growth of the banking system NDA slowed down to 15.8 percent from 16.9 percent largely reflecting build-up of government deposits by Government and a slowdown in credit growth to the private sector (Table 2.1) .

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

	2014 February		2015 February		Absolute Change February		Annual %age Change February	
	Ksh bn	Share (%)	Ksh bn	Share (%)	2013/14	2014/15	2012/13	2013/14
1. Credit to Government	438.8	21.3	266.2	12.0	45.2	-172.6	11.5	-39.3
Central Bank	-3.0	-0.1	-53.3	-2.4	-61.5	-50.4		
Commercial Banks & NBFIs	441.8	21.5	319.5	14.4	106.7	-122.2	31.8	-27.7
2. Credit to other public sector	31.0	1.5	43.7	2.0	-15.3	12.7	-33.1	41.0
Local government	-4.7	-0.2	0.2	0.0	-5.7	4.9	-570.8	-103.7
Parastatals	35.7	1.7	43.6	2.0	-9.6	7.8	-21.2	21.9
3. Credit to private sector	1587.7	77.2	1915.8	86.1	280.6	328.1	21.5	20.7
Agriculture	58.1	2.8	72.4	3.3	1.9	14.4	3.4	24.7
Manufacturing	192.7	9.4	245.8	11.0	27.7	53.0	16.8	27.5
Trade	257.4	12.5	312.9	14.1	43.3	55.4	20.2	21.5
Building and construction	71.2	3.5	79.4	3.6	3.6	8.3	5.4	11.6
Transport & communications	97.8	4.8	135.5	6.1	23.3	37.7	31.2	38.6
Finance & insurance	29.6	1.4	53.2	2.4	3.2	23.6	12.1	79.6
Real estate	205.1	10.0	264.7	11.9	39.6	59.6	24.0	29.1
Mining and quarrying	25.0	1.2	20.9	0.9	-4.1	-4.0	-14.0	-16.2
Private households	235.1	11.4	326.2	14.7	55.6	91.1	30.9	38.7
Consumer durables	98.2	4.8	113.2	5.1	16.6	15.0	20.4	15.3
Business services	145.4	7.1	173.5	7.8	47.2	28.1	48.1	19.3
Other activities	172.1	8.4	118.1	5.3	22.6	-54.0	15.1	-31.4
4. TOTAL (1+2+3) *	2057.5	100.0	2225.7	100.0	310.4	168.2	17.8	8.2

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

Source: Central Bank of Kenya

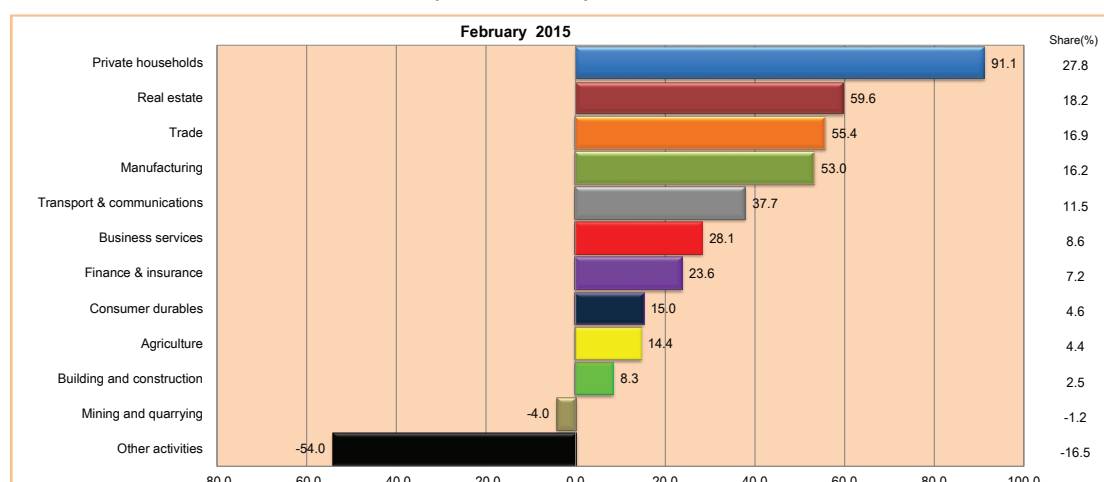
Domestic Credit Developments

Domestic credit from the banking sector increased by Ksh 168.2 billion (8.2 percent) in the year to February 2015 compared with Ksh 310.4 billion (17.8 percent) in a similar period in 2014 (Table 2.2). The deceleration reflected repayment by Government and slowdown in credit growth to the private sector. In terms of shares to the total lending, the private sector accounted for 86.1 percent compared with a 12 percent share to government in the period under review.

The credit flow to the private sector in the year to February 2015 was allocated as follows, in order of magnitude: private households 27.8 percent (or Ksh 91.1 billion); real estate at 18.2 percent (or Ksh. 59.6 billion); trade at 16.9 percent (or Ksh 55.4 billion); manufacturing 16.2 percent (or Ksh 53.0 billion); transport and communication 11.5 percent (or Ksh 37.7 billion); business services 8.6 percent (or Ksh 28.1 billion); finance & insurance 7.2 percent (or Ksh 23.6 billion); consumer durables 4.6 percent (or Ksh 15 billion); agriculture 4.4 percent (or Ksh. 14.4 billion);

and building and construction 2.5 percent (or Ksh. 8.3 billion). Mining activities and other activities repaid Ksh 4 billion and Ksh 54 billion respectively (Chart 2B).

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



Source: Central Bank of Kenya

Reserve Money

Reserve money (RM) comprises currency held by the non-bank public and commercial banks reserves (deposits at the Central Bank and cash in their tills). It increased by 22.9 percent in the year to February 2015 compared with 9.9 percent growth in February 2014 (Table 2.3 and Chart 2C). At Ksh 387.7 billion in February 2015, reserve money was Ksh 46.5 billion above the respective target. The growth in reserve money reflected 35.8 percent increase in bank reserves and 9.8 percent increase in currency outside banks.

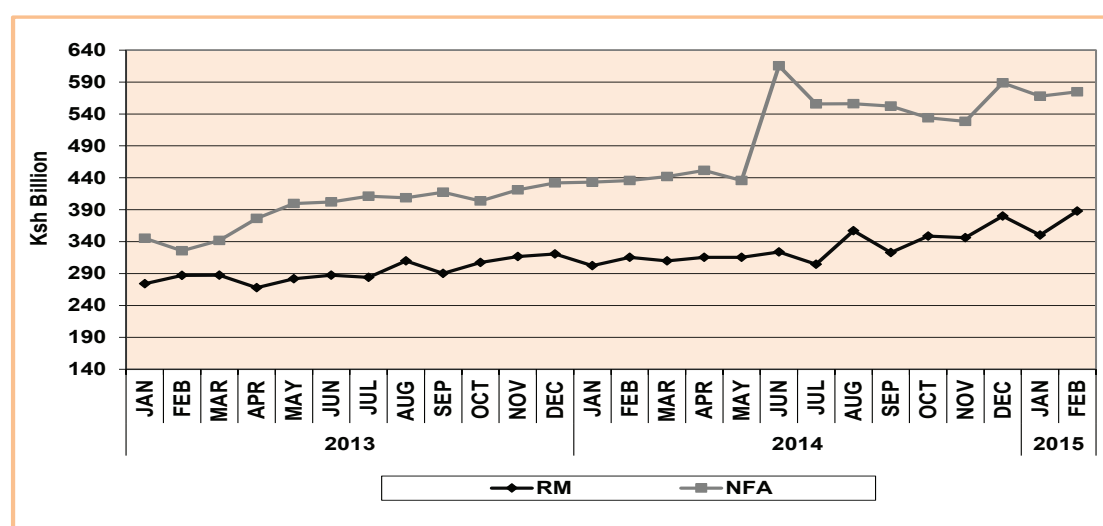
TABLE 2.3: RESERVE MONEY AND ITS SOURCES (Ksh billion)

	2013	2014	2015	Absolute change		Change (%)		2015	
	February	February	February	2013/14	2014/15	2013/14	2014/15	February Target	
1. Net Foreign Assets	325.7	435.6	574.8	109.8	139.2	33.7	32.0	592.9	-18.1
2. Net Domestic Assets	-38.6	-120.1	-187.1	-81.5	-67.0	210.9	55.8	-251.7	64.6
2.1 Government Borrowing (net)	58.6	-3.0	-53.3	-61.5	-50.4			-44.2	-9.1
2.2 Commercial banks (net)	-44.8	0.0	-2.1	44.8	-2.1			-50.7	48.6
2.3 Other Domestic Assets (net)	-56.2	-120.9	-135.3	-64.7	-14.4			-160.6	25.3
3. Reserve Money	287.1	315.5	387.7	28.4	72.2	9.9	22.9	341.2	46.5
3.1 Currency outside banks	148.9	156.3	171.7	7.5	15.3	5.0	9.8	168.0	3.6
3.2 Bank reserves	138.2	159.2	216.1	20.9	56.9	15.1	35.8	173.2	42.9

Source: Central Bank of Kenya

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

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



Source: Central Bank of Kenya

The NDA of the Central Bank decreased by Ksh 67 billion to Ksh -187.1 billion in February 2015 from Ksh -120.1 billion in February 2014 on account of accumulation of Government deposits.

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

Short Term Interest Rates Short term interest rates showed mixed performance in February 2015 (Table 2.4 and Chart 2D). The weighted average interbank rate decreased marginally to 6.77 percent in February 2015 from 7.12 percent in January 2015. The 91-day Treasury bill rate, which largely reflects the government's borrowing profile, remained unchanged at 8.59 percent in February 2015 while, the 182-day Treasury bill rate increased slightly to 10.37 percent in February 2015 from 10.19 percent in January 2015.

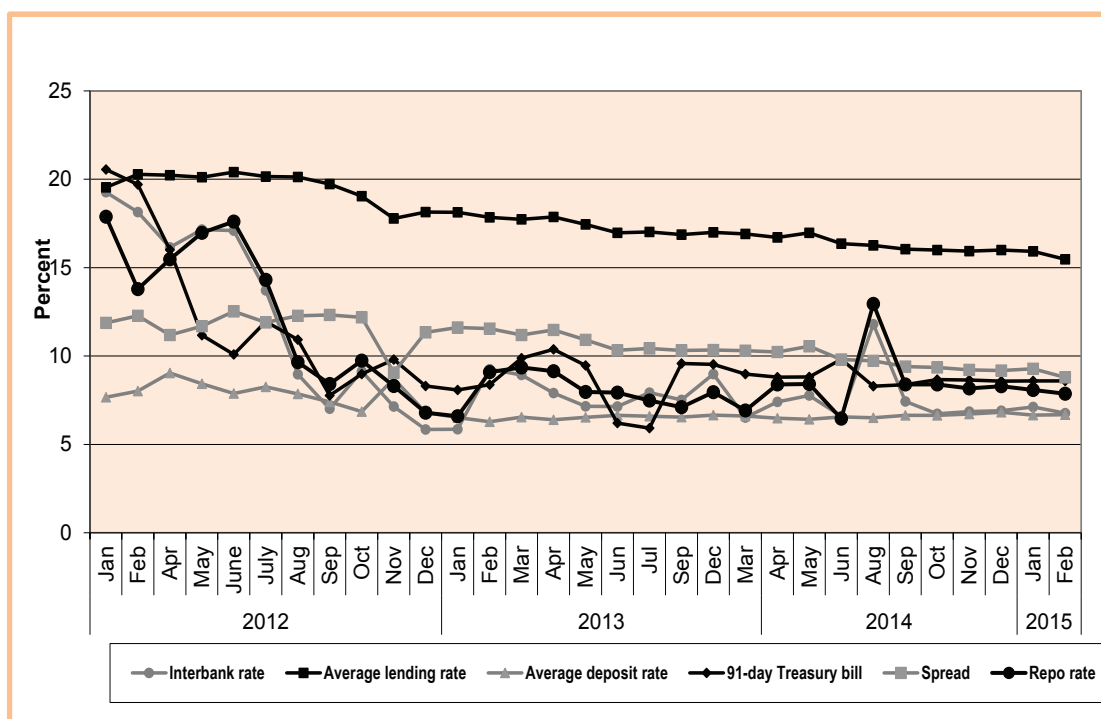
Lending and Deposit Rates The average lending rate declined marginally to 15.47 percent in February 2015 from 15.93 percent in January 2015 while the average deposit rate increased to 6.68 percent in February 2015 from 6.65 percent in January 2015. Consequently, the interest rate spread decreased to 8.78 percent from 9.28 percent in February 2014 (Table 2.4 and Chart 2D).

TABLE 2.4: INTEREST RATES (%)

	2014									2015	
	Feb	Mar	Apr	May	June	Sep	Oct	Nov	Dec	Jan	Feb
91-day Treasury bill rate	9.16	8.98	8.80	8.82	9.81	8.38	8.67	8.64	8.58	8.59	8.59
Overdraft rate	16.88	16.44	16.44	17.85	15.88	15.79	15.77	15.66	15.86	15.95	15.67
Interbank rate	8.83	6.47	7.40	7.76	6.60	7.43	6.73	6.86	6.91	7.12	6.77
Repo rate	-	6.92	8.39	8.42	6.46	8.39	8.39	8.17	8.29	8.08	7.87
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
Average lending rate (1)	17.06	16.91	16.70	16.97	16.36	16.04	16.00	15.94	15.99	15.93	15.47
Average deposit rate (2)	6.57	6.61	6.48	6.42	6.56	6.64	6.64	6.72	6.81	6.65	6.68
Over 3 months deposit	9.43	10.02	9.63	9.65	10.05	9.96	9.80	10.51	9.84	9.84	9.90
Savings deposits	1.49	1.56	1.53	1.54	1.50	1.51	1.55	1.57	1.85	1.58	1.53
Spread (1-2)	10.49	10.30	10.23	10.55	9.80	9.40	9.36	9.22	9.18	9.28	8.78

Source: Central Bank of Kenya

CHART 2D : TRENDS IN INTEREST RATES



Source: Central Bank of Kenya

PERFORMANCE OF THE REAL SECTOR

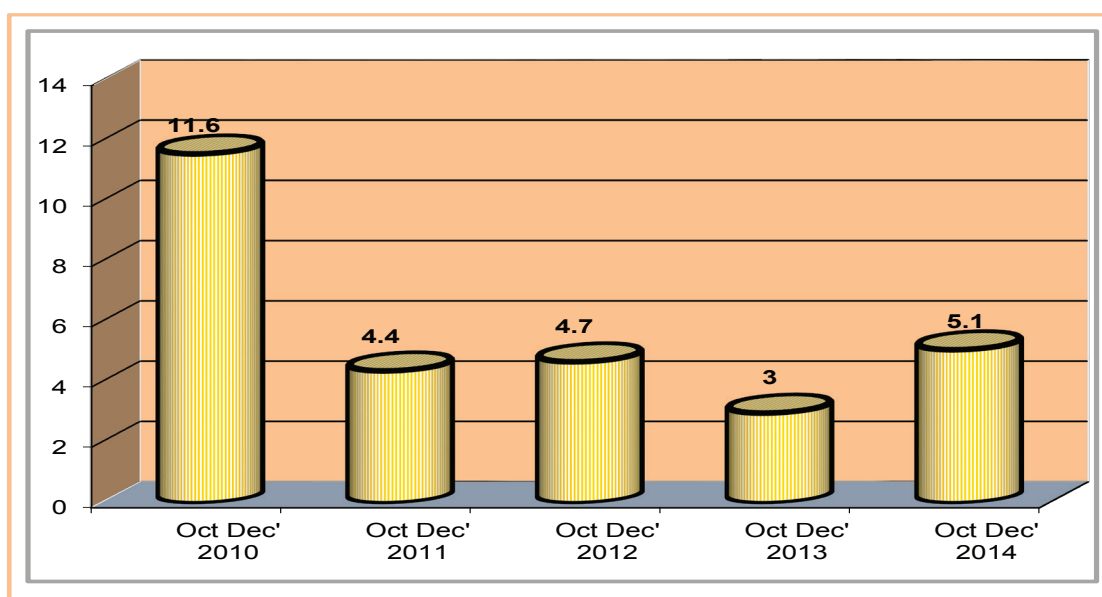
Overview

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

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

Main Sectors	Share in 2014 Nominal GDP (%)	Share in 2014 Real GDP (%)									
			2006	2007	2008	2009	2010	2011	2012	2013	2014
Agriculture, forestry and fishing	27.33	22.03	685,710	720,612	684,702	668,969	736,270	753,596	775,798	816,509	844,720
Mining and quarrying	0.79	0.92	13,849	16,289	16,296	18,134	23,884	28,429	33,838	30,814	35,197
Manufacturing	10.03	10.87	327,918	342,267	346,177	342,532	357,957	383,890	381,750	403,128	416,891
Electricity supply	1.03	1.60	34,035	39,792	36,947	39,162	40,545	45,949	52,187	57,301	61,218
Water supply; sewerage, waste management	0.79	0.80	22,769	22,558	22,885	24,869	27,493	28,489	29,358	29,616	30,690
Construction	4.85	4.83	89,513	97,119	95,474	112,219	133,650	139,050	154,816	163,841	185,302
Wholesale and retail trade; repairs	8.16	7.69	172,625	186,328	189,326	200,032	219,214	237,502	254,222	275,756	294,794
Transport and storage	8.29	6.59	173,502	185,955	191,536	205,774	215,976	231,333	237,495	240,429	252,474
Accommodation and food service activities	0.93	1.13	50,040	57,300	39,471	51,510	51,238	53,333	54,972	52,441	43,395
Information and communication	1.23	3.59	51,720	61,952	67,574	73,691	86,492	105,606	108,186	121,447	137,779
Financial and insurance activities	6.71	6.00	133,353	139,918	146,815	150,411	176,961	185,163	196,220	212,153	229,851
Real estate	7.85	8.12	214,219	224,439	235,102	246,546	258,953	272,055	283,061	294,747	311,148
Professional, scientific and technical activities	0.97	1.06	26,509	29,836	31,343	33,085	34,091	34,518	36,654	39,108	40,526
Administrative and support service activities	1.14	1.28	40,829	43,849	39,645	44,151	45,422	46,546	47,619	48,201	49,174
Public administration and defence	4.48	3.91	109,013	111,635	119,363	127,807	129,544	132,612	137,872	142,137	149,954
Education	5.21	6.99	145,223	154,720	168,955	177,993	196,170	210,928	234,345	249,055	267,842
Human health and social work activities	1.69	1.78	50,447	53,561	56,076	58,686	62,345	60,723	59,023	63,582	68,181
Arts, entertainment and recreation	0.14	0.14	3,887	3,951	3,945	4,326	4,853	5,025	4,892	5,039	5,200
Other service activities	0.65	0.68	20,144	20,703	21,004	20,885	21,618	21,853	22,732	24,403	25,990
Activities of households as employers	0.52	0.49	16,623	16,873	17,126	17,383	17,643	17,908	18,177	18,449	18,726
FISIM	-2.48	-2.52	-49,597	-51,383	-53,675	-59,373	-68,827	-75,076	-82,648	-86,932	-96,644
All economic activities	90.29	87.96	2,332,335	2,478,274	2,476,088	2,558,791	2,771,493	2,919,431	3,040,567	3,201,223	3,372,409
Taxes on products	9.71	12.04	255,944	287,322	295,931	304,896	332,810	374,594	403,499	438,715	461,467
GDP at market prices	100.00	100.00	2,588,279	2,765,595	2,772,019	2,863,688	3,104,303	3,294,026	3,444,066	3,639,938	3,833,876
Annual Growth Rates in Percent											
Main Sectors	Share in 2014 Nominal GDP (%)	Share in 2014 Real GDP (%)									
			2006	2007	2008	2009	2010	2011	2012	2013	2014
Agriculture, forestry and fishing	27.33	22.03	...	5.1	-5.0	-2.3	10.1	2.4	2.9	5.2	3.5
Mining and quarrying	0.79	0.92	...	17.6	0.0	11.3	31.7	19.0	19.0	-8.9	14.2
Manufacturing	10.03	10.87	...	4.4	1.1	-1.1	4.5	7.2	-0.6	5.6	3.4
Electricity supply	1.03	1.60	...	16.9	-7.1	6.0	3.5	13.3	13.6	9.8	6.8
Water supply; sewerage, waste management	0.79	0.80	...	-0.9	1.4	8.7	10.6	3.6	3.1	0.9	3.6
Construction	4.85	4.83	...	8.5	-1.7	17.5	19.1	4.0	11.3	5.8	13.1
Wholesale and retail trade; repairs	8.16	7.69	...	7.9	1.6	5.7	9.6	8.3	7.0	8.5	6.9
Transport and storage	8.29	6.59	...	7.2	3.0	7.4	5.0	7.1	2.7	1.2	5.0
Accommodation and food service activities	0.93	1.13	...	14.5	-31.1	30.5	-0.5	4.1	3.1	-4.6	-17.2
Information and communication	1.23	3.59	...	19.8	9.1	9.1	17.4	22.1	2.4	12.3	13.4
Financial and insurance activities	6.71	6.00	...	4.9	4.9	2.4	17.7	4.6	6.0	8.1	8.3
Real estate	7.85	8.12	...	4.8	4.8	4.9	5.0	5.1	4.0	4.1	5.6
Professional, scientific and technical activities	0.97	1.06	...	12.6	5.1	5.6	3.0	1.3	6.2	6.7	3.6
Administrative and support service activities	1.14	1.28	...	7.4	-9.6	11.4	2.9	2.5	2.3	1.2	2.0
Public administration and defence	4.48	3.91	...	2.4	6.9	7.1	1.4	2.4	4.0	3.1	5.5
Education	5.21	6.99	...	6.5	9.2	5.3	10.2	7.5	11.1	6.3	7.5
Human health and social work activities	1.69	1.78	...	6.2	4.7	4.7	6.2	-2.6	-2.8	7.7	7.2
Arts, entertainment and recreation	0.14	0.14	...	1.6	-0.2	9.7	12.2	3.5	-2.6	3.0	3.2
Other service activities	0.65	0.68	...	2.8	1.5	-0.6	3.5	1.1	4.0	7.4	6.5
Activities of households as employers	0.52	0.49	...	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5
FISIM	-2.48	-2.52	...	3.6	4.5	10.6	15.9	9.1	10.1	5.2	11.2
All economic activities	90.29	87.96	...	6.3	-0.1	3.3	8.3	5.3	4.1	5.3	5.3
Taxes on products	9.71	12.04	...	12.3	3.0	3.0	9.2	12.6	7.7	8.7	5.2
GDP at market prices	100.00	100.00	...	6.9	0.2	3.3	8.4	6.1	4.6	5.7	5.3

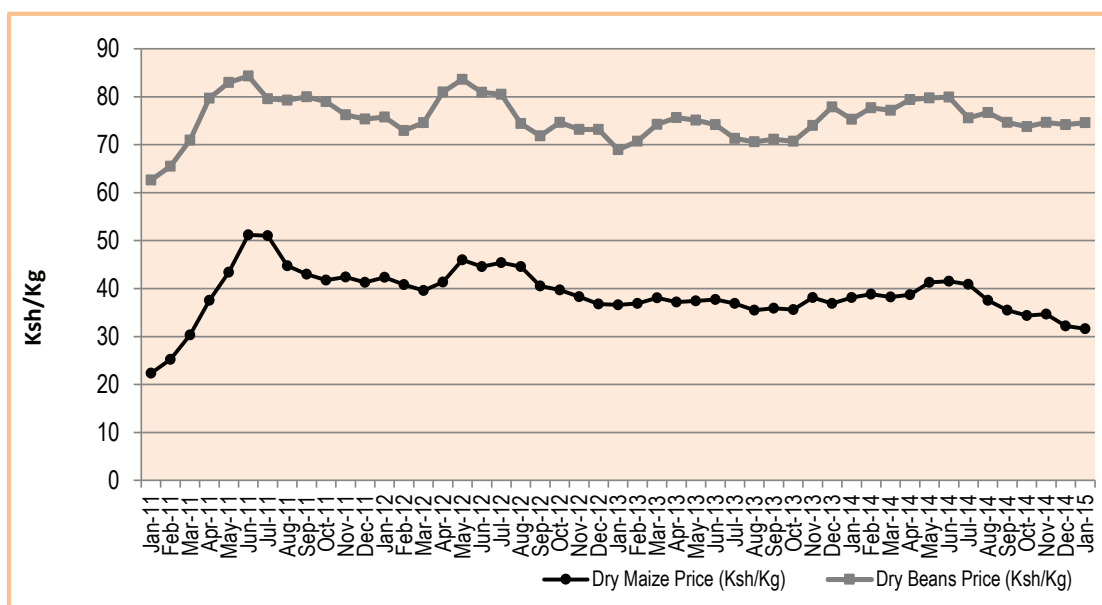
Source: Quarterly GDP Statistical Release, various issues, Kenya National Bureau of Statistics

CHART 3A: REAL GDP GROWTH IN THE OCTOBER-DECEMBER QUARTERS

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

Agriculture

Agriculture recorded 2.2 percent growth in output in the first quarter of 2014, 2.1 percent growth in the second quarter, 6.8 percent growth in the third quarter and 3.8 percent growth in the fourth quarter compared with 6.3 percent growth in the first quarter of 2013, 6.6 percent growth in the second quarter, 6.4 percent growth in the third quarter and 0.9 percent growth in the fourth quarter of 2013. Improved weather conditions in the last quarter of 2014 resulted in reduced prices of food items such as maize and beans (Chart 3B).

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

Source: Kenya National Bureau of Statistics

Major Indicators in Agriculture

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

TABLE 3.2: OUTPUT GROWTH OF MAJOR CROPS AND MILK

	Annual Totals			Year to January 2014	Year to January 2015*
	2012	2013	2014*		
Tea					
Output (Metric tonnes)	369,562	432,453	445,106	432,033	441,789
Growth (%)	-2.2%	17.0%	2.9%	14.1%	2.3%
Horticulture					
Exports (Metric tonnes)	250,814	309,029	303,254	311,056	303,975
Growth (%)	5.1%	23.2%	-1.9%	22.1%	-2.3%
Coffee					
Sales (Metric tonnes)	46,051	37,942	42,450	36,854	42,398
Growth (%)	53.6%	-17.6%	11.9%	-18.5%	15.0%
Milk					
Output (million litres)	495	523	541	528	533
Growth %	-9.8%	5.6%	3.5%	5.7%	1.1%

* Provisional

Source: Kenya National Bureau of Statistics and Kenya Revenue Authority

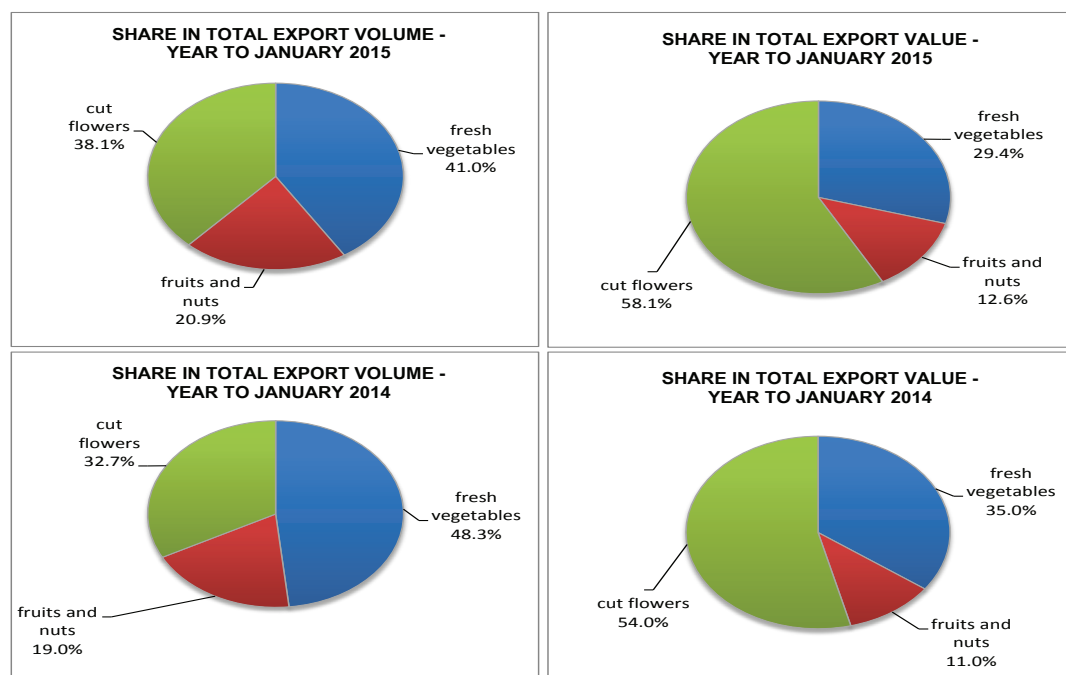
Tea

Growth in production of tea slowed to 2.3 percent in the year to January 2015 compared with growth of 14.1 percent recorded in the year to January 2014 (Table 3.2). The average auction price for tea declined from Ksh 214 per kilogram in the year to January 2014 to Ksh 188 per kilogram in the year to January 2015.

Horticulture

Export of fresh horticultural products registered a reduction in annual growth of 2.3 percent from 311,056 metric tonnes in the year to January 2014 to 303,975 metric tonnes in the year to January 2015. Exports of fresh vegetables dominated in terms of volume, while cut flowers brought in the largest contribution in value in the year to January 2015 (Table 3.2 and Chart 3C).

CHART 3C: HORTICULTURAL EXPORTS



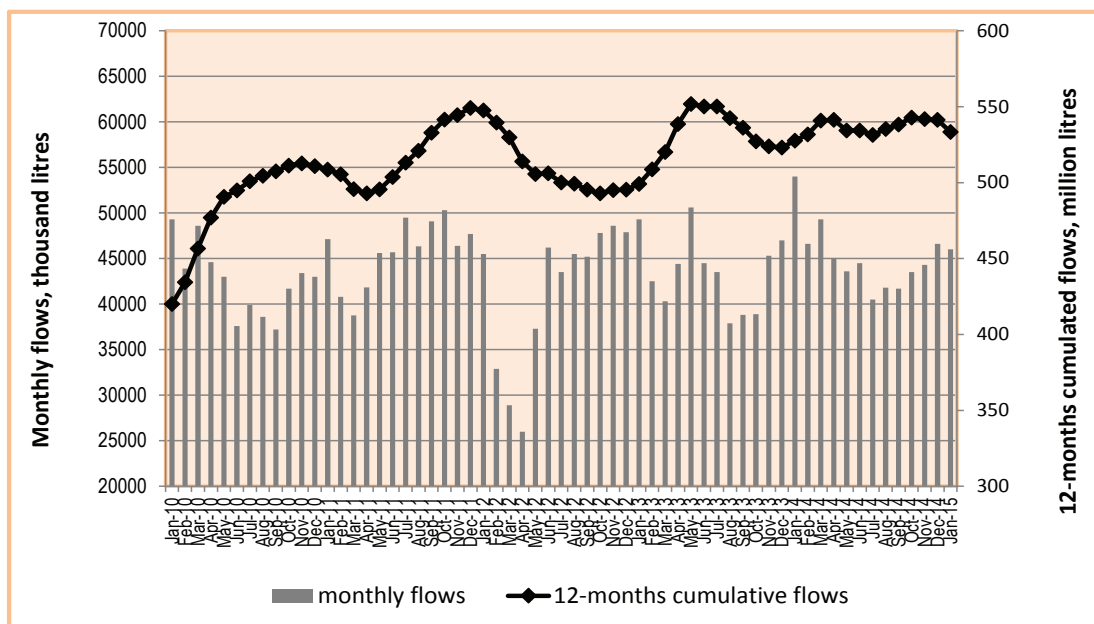
Source: Kenya Revenue Authority

Coffee

Annual growth in coffee sales improved to 15 percent in the year to January 2015 compared with 18.5 percent contraction recorded in the year to January 2014. The average auction price for coffee also rose from Ksh 272 per kilogram in the year to January 2014 to Ksh 393 per kilogram in the year to January 2015. The price hike is attributed to better quality.

Dairy

The volume of milk intake in the formal sector in the year to January 2015 rose by 1.1 percent to 533 million litres in the year to January 2015 from 528 million litres recorded in the year to January 2014 (Chart 3D).

CHART 3D: PROCESSED MILK (LITRES)

Source: Kenya National Bureau of Statistics

Manufacturing

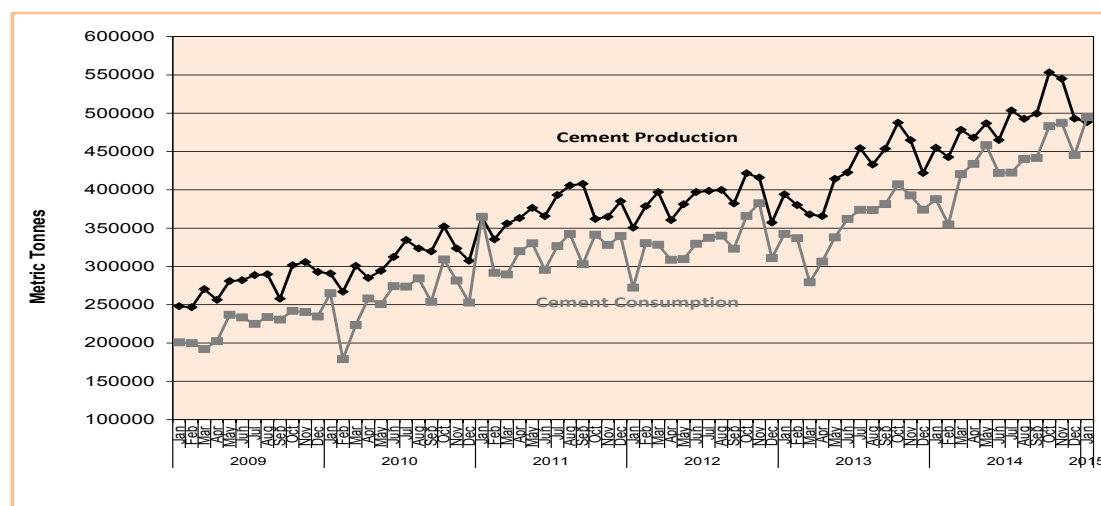
The manufacturing sector accounted for 10.9 percent of the overall GDP growth in 2014. The sector's output grew by 3.4 percent in 2014 compared with 5.6 percent growth in 2013. Available indicators of performance of manufacturing sector in the year to January 2015 (Table 3.3 and Chart 3E) show acceleration in production of cement.

TABLE 3.3: PRODUCTION OF SELECTED MANUFACTURED GOODS

	Annual Totals			Year to January 2014*	Year to January 2015*
	2012	2013	2014*		
Cement production					
Output (MT)	4,639,723	5,059,129	5,882,537	5,120,168	5,915,984
Growth %	3.6%	9.0%	16.3%	9.3%	15.5%
Assembled vehicles					
Output (No.)	6,218	6,948	9,246	7,024	NA
Growth %	2.8%	11.7%	33.1%	12.1%	
Galvanized sheets					
Output (MT)	255,815	306,099	284,509	302,661	NA
Growth %	-4.6%	19.7%	-7.1%	17.1%	
Processed sugar					
Output (MT)	493,937	600,210	616,863	615,462	NA
Growth %	4.0%	21.5%	2.8%	25.8%	
Soft drinks					
Output ('000 litres)	359,518	403,981	459,464	410,179	NA
Growth %	-3.2%	12.4%	13.7%	14.6%	

MT = Metric tonnes
 NA = data not available
 *Provisional

Source: Kenya National Bureau of Statistics

CHART 3E: CEMENT PRODUCTION AND CONSUMPTION

Source: Kenya National Bureau of Statistics

Energy Sector

Annual growth in local generation of electricity decreased to 7.6 percent in the year to January 2015 from 9.2 percent in the year to January 2014 (Table 3.4). The total amount of electricity generated in the year to January 2015 was 8,918 million kilowatt hours compared with 8,288 million kilowatt hours generated in the year to January 2014. The supply in the year to January 2015 comprised 37.6 percent hydro-electricity, 35.0 percent geo-thermal power and 27.4 percent thermal power. The increase in the amount of electricity produced reflects accelerated generation of geo-thermal and thermal power (green energy) to 70.8 percent and 15.7 percent, respectively, in the year to January 2015 compared with 20.2 percent and 6.0 percent growth registered in the year to January 2014. Generation of hydro-electricity, however, decreased by 23.0 percent in the year to January 2015 from 6.6 percent growth in the previous year. Electricity consumption increased by 13.6 percent in the year to January 2015 compared with 5.1 percent in the year to January 2014. The average price of murban crude oil declined from US\$ 109.9 per barrel in the year to January 2014 to US\$ 94.2 per barrel in the year to January 2015.

TABLE 3.4: ENERGY SECTOR PERFORMANCE

	2012	2013	2014*	Year to January 2014	Year to January 2015*
Electricity Supply (Generation)					
Output (million KWH)	7,544	8,217	8,889	8,288	8,918
Growth %	5.4%	8.9%	8.2%	9.2%	7.6%
Of which:					
Hydro-power Generation (million KWH)	4,032	4,387	3,411	4,349	3,350
Growth (%)	26.6%	8.8%	-22.2%	6.6%	-23.0%
Geo-Thermal Generation (million KWH)	1,522	1,781	2,917	1,830	3,127
Growth (%)	5.4%	17.0%	63.8%	20.2%	70.8%
Thermal (million KWH)	1,990	2,049	2,561	2,109	2,441
Growth (%)	-21.4%	3.0%	24.9%	6.0%	15.7%
Consumption of electricity (million KWH)	6,270	6,552	7,406	6,585	7,481
Growth %	1.9%	4.5%	13.0%	5.1%	13.6%
Consumption of Fuels ('000 tonnes)	3,764	3,650	3,873	3,636	NA
Growth %	6.2%	-3.0%	6.1%	-3.8%	
Murban crude oil average price (US \$ per barrel)	113.0	110.1	99.5	109.9	94.2
Growth %	2.1%	-2.5%	-9.7%	-0.2%	-14.3%

* Provisional

Source: Kenya National Bureau of Statistics

Tourism

The number of tourist arrivals declined by 24.8 percent in the year to January 2015 (Table 3.5) compared with a decline of 11.8 percent in the year to January 2014. The unfavorable performance is attributed to adverse travel advisories from source countries regarding insecurity in Kenya. The ports of disembarkation for tourists remained Jomo Kenyatta International Airport Nairobi (86.8 percent share), and the Moi International Airport, Mombasa (13.2 percent share).

TABLE 3.5: TOURIST ARRIVALS BY POINT OF ENTRY

	2012	2013	2014	Year to January 2014	Year to January 2015	Year to January 2015 % Share	Year to January 2015 % Growth
IAM	187,151	189,654	117,796	183,061	108,050	13.2%	-41.0%
KIA	1,048,390	912,998	743,600	903,366	708,540	86.8%	-21.6%
TOTAL	1,235,541	1,102,652	861,396	1,086,427	816,590	100.0%	-24.8%

Source: Kenya Tourist Board

Transport

The total number of passengers (both incoming and outgoing) received at the Jomo Kenyatta International Airport, Nairobi (JKIA) declined by 1.3 percent in 2014, compared with a decline of 0.3 percent recorded in the previous year. The decline is reflected in both incoming and outgoing passengers (Table 3.6). Meanwhile, the volume of oil passed through the Kenya pipeline increased by 8.2 percent in the year to January 2015 compared with 6.6 percent growth in the year to January 2014.

TABLE 3.6: THROUGHPUT IN SELECTED TRANSPORT FACILITIES

	2012	2013	2014*	Year to January 2014*	Year to January 2015*
Number of Passengers thro' JKIA					
Total passenger flows	4,302,244	4,290,349	4,232,521	4,279,308	N/A
Growth (%)	4.0%	-0.3%	-1.3%	-0.5%	
o.w. Incoming	2,148,105	2,144,002	2,102,884	2,138,570	N/A
Growth (%)	2.8%	-0.2%	-1.9%	-0.4%	
Outgoing	2,154,139	2,146,347	2,129,637	2,140,738	N/A
Growth %	5.3%	-0.4%	-0.8%	-0.6%	
Kenya Pipeline Oil Throughput					
Output ('000 litres)	4,855,573	5,181,609	5,625,626	5,223,503	5,650,413
Growth %	14.0%	6.7%	8.6%	6.6%	8.2%

* Provisional

Source: Kenya National Bureau of Statistics

DEVELOPMENTS IN THE BALANCE OF PAYMENTS AND EXCHANGE RATES

Overview

The overall Balance of Payments surplus improved to USD 1,209 million in the year to February 2015 from a surplus of USD 1,114 million in the year to February 2014 (Table 4.1). The improvement reflects in a relatively larger increase in the capital and financial account surplus compared with the widening of the current account deficit.

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

ITEM	Year to Feb 2014*	Year to February 2015*				Year to Feb 2015*	Change	% Change
		Q1 Mar-May	Q2 Jun-Aug	Q3 Sep-Nov	Q4 Dec-Feb			
1. OVERALL BALANCE	1114	-69	1324	-529	483	1209	94.7	8.5
2. CURRENT ACCOUNT	-4570	-1230	-1316	-1811	-1319	-5677	-1106.6	24.2
2.1 Goods	-11101	-2899	-3133	-3489	-2790	-12311	-1210.0	10.9
Exports (fob)	5746	1677	1493	1427	1372	5969	222.7	3.9
Imports (cif)	16848	4576	4626	4916	4162	18280	1432.7	8.5
2.2 Services	6531	1669	1817	1678	1471	6635	103.4	1.6
Non-factor services (net)	3748	1092	1173	946	884	4096	347.6	9.3
Income (net)	-285	-38	-140	-47	-102	-326	-41.1	14.4
Current Transfers (net)	3068	615	784	778	689	2865	-203.1	-6.6
3. CAPITAL & FINANCIAL ACCOUNT	5685	1161	2640	1282	1802	6886	1201.3	21.1
3.1 Capital Transfers (net)	102	94	50	48	40	232	129.1	126.0
3.2 Financial Account	5582	1067	2590	1235	1762	6654	1072.2	19.2
memo:								
Gross Reserves	8250	8230	9731	8964	9873	9873	1623.1	19.7
Official	6578	6498	7814	7274	7737	7737	1158.4	17.6
import cover**	4.4	4.2	4.9	4.5	4.7	4.7	0.3	6.4
import cover***	4.5	4.3	5.1	4.7	5.0	5.0	0.4	9.4
Commercial Banks	1672	1732	1917	1691	2136.7	2137	464.6	27.8

* Provisional.

Source: Central Bank of Kenya

Current Account

The current account balance worsened by USD 1,106.6 million to a deficit of USD 5,677 million in the year to February 2015 from a deficit USD 4,570 million in the year to February 2014. The deterioration reflects a 10.9 percent worsening of the merchandise account deficit. The surplus in the services account however, improved by 1.6 percent (Table 4.2).

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

ITEM	Year to Feb 2014*	Year to February 2015*				Year to Feb 2015*	Change	% Change
		Q1 Mar-May	Q2 Jun-Aug	Q3 Sep-Nov	Q4 Dec-Feb			
2. CURRENT ACCOUNT	-4570	-1230	-1316	-1811	-1319	-5677	-1106.6	24.2
2.1 Goods	-11101	-2899	-3133	-3489	-2790	-12311	-1210.0	10.9
Exports (fob)	5746	1677	1493	1427	1372	5969	222.7	3.9
Coffee	188	67	68	58	42	235	46.9	24.9
Tea	1155	266	275	249	287	1077	-77.9	-6.7
Horticulture	747	214	197	199	190	800	53.4	7.2
Oil products	44	17	23	11	22	74	30.0	68.9
Manufactured Goods	699	165	129	148	124	566	-132.8	-19.0
Raw Materials	407	132	103	115	117	467	59.4	14.6
Chemicals and Related Products (n.e.s)	459	117	110	115	94	436	-22.9	-5.0
Miscellaneous Man. Articles	595	167	152	164	147	629	34.2	5.7
Re-exports	583	311	211	173	149	844	260.3	44.6
Other	869	221	225	195	200	841	-28.0	-3.2
Imports (cif)	16848	4576	4626	4916	4162	18280	1432.7	8.5
Oil	3806	1152	991	967	699	3809	3.4	0.1
Chemicals	2316	576	593	556	712	2437	121.5	5.2
Manufactured Goods	2577	660	663	661	685	2670	93.0	3.6
Machinery & Transport Equipment	4539	1436	1583	1911	1226	6155	1616.2	35.6
Other	3486	733	770	737	736	2977	-508.9	-14.6
2.2 Services	6531	1669	1817	1678	1471	6635	103.4	1.6
Non-factor services (net)	3748	1092	1173	946	884	4096	347.6	9.3
Non-factor services (credit)	5008	1371	1486	1314	1356	5527	518.7	10.4
of which transport	2173	531	590	520	496	2137	-36.2	-1.7
of which tourism (Travel)	843	189	209	204	204	807	-36.3	-4.3
Other services account: gov't	948	229	198	219	227	874	-73.5	-7.8
Other services account: private	1044	422	488	370	429	1709	664.8	63.7
Income (net)	-285	-38	-140	-47	-102	-326	-41.1	14.4
of which official interest	-119	-23	-92	-40	-100	-255	-135.8	113.8
Current Transfers (net)	3068	615	784	778	689	2865	-203.1	-6.6
Private (net)	2908	619	788	783	694	2884	-24.1	-0.8
of which Remittances	1307	353	362	362	368	1445	138.4	10.6
Public (net)	160	-5	-5	-5	-5	-19	-179.1	-112.1

* Provisional.

Source: Central Bank of Kenya

Merchandise Account The deficit in the merchandise account worsened by USD 1,210 million to USD 12,311 million in the year to February 2015 reflecting larger growth (8.5 percent) in the value of merchandise imports relative to the value of merchandise exports, which improved by 3.9 percent (Table 4.2).

Imports

The value of merchandise imports increased by USD 1,432.7 million to USD 18,280 million in the year to February 2015, reflecting increase in imports of oil, chemicals, manufactured goods and machinery and transport equipment. Imports of machinery and transport equipment increased by 35.6 percent largely in the industrial and transport equipment component while oil imports increased by 0.1 percent largely on account of imports of jet fuel and diesel oil.

Kenya sourced most of her imports from India (17 percent), China (16 percent) and USA (11 percent). The imports from the USA relate to importation of Aircrafts. Imports from Africa, which accounted for 9 percent of total imports and declined marginally (Table 4.3).

Exports

The value of merchandise exports increased by USD 222.7 million to USD 5,969 million in the year to February 2015 reflecting increased earnings from coffee, horticulture, oil products, raw materials, miscellaneous manufactured articles and re-exports. However, receipts from tea, manufactured goods, chemicals and related products declined. The decline in receipts from tea exports was attributed to commodity decline in the price of tea.

The value and share of Kenya's exports to Africa declined in the year to February 2015 (Table 4.3) largely reflecting decrease in exports to the EAC (Uganda, Tanzania and Rwanda) and to the COMESA region. Exports to the rest of the world, and in particular to the European Union and the USA increased.

TABLE 4.3: KENYA'S DIRECTION OF TRADE

IMPORTS (in millions of US dollars)				Share of Exports (%)			EXPORTS (in millions of US dollars)				Share of Exports (%)		
Country	Year to February			Year to February			Country	Year to February			Year to February		
	2013	2014	2015	2013	2014	2015		2013	2014	2015	2013	2014	2015
Africa	1,705	1,714	1,649	10	10	9	Africa	2,947	2,658	2,592	47	46	43
Of which							Of which						
South Africa	738	850	686	4	5	4	Uganda	795	759	591	13	13	10
Egypt	371	284	289	2	2	2	Tanzania	541	476	439	9	8	7
Others	596	581	674	3	3	4	Egypt	241	191	191	4	3	3
EAC	371	329	452	2	2	2	Sudan	59	81	71	1	1	1
COMESA	754	644	713	4	4	4	South Sudan	214	182	217	3	3	4
Rest of the World	15,498	15,133	16,631	90	90	91	Somalia	230	185	139	4	3	2
Of which							DRC	226	207	238	4	4	4
India	2,548	2,864	3,084	15	17	17	Rwanda	188	159	149	3	3	2
United Arab Emirates	1,838	1,291	1,079	11	8	6	Others	453	419	556	7	7	9
China	2,029	2,095	3,005	12	12	16	EAC	1,590	1,458	1,268	26	25	21
Japan	783	1,001	953	5	6	5	COMESA	1,843	1,693	1,590	30	29	27
USA	806	649	1,958	5	4	11	Rest of the World	3,274	3,088	3,377	53	54	57
United Kingdom	552	570	490	3	3	3	Of which						
Singapore	183	181	177	1	1	1	United Kingdom	492	420	412	8	7	7
Germany	481	467	533	3	3	3	Netherlands	371	395	448	6	7	8
Saudi Arabia	733	516	664	4	3	4	USA	320	356	436	5	6	7
Indonesia	635	529	514	4	3	3	Pakistan	279	246	265	4	4	4
Netherlands	213	286	223	1	2	1	United Arab Emirates	356	278	216	6	5	4
France	315	234	244	2	1	1	Germany	114	100	124	2	2	2
Bahrain	260	537	307	2	3	2	India	96	109	90	2	2	2
Italy	239	247	230	1	1	1	Afghanistan	132	180	127	2	3	2
Others	3,881	3,667	3,169	23	22	17	Others	1,114	1,006	1,259	18	17	21
Total	17,203	16,848	18,280	100	100	100	Total	6,221	5,746	5,969	100	100	100
EU	2,452	2,474	2,479	14	15	14	EU	1,284	1,221	1,364	21	21	23

Source: Kenya Revenue Authority

The trends in market shares by source and destination showed mixed performance in the year to February 2015. The share of Kenya's imports from the EU decreased marginally to 14 percent while that from China increased to 16 percent from 12 percent in the twelve months to February 2014. However, the share of exports to China stabilised at 1 percent while to the EU the share of exports increased to 23 percent from 21 percent in the year to February 2014.

Services Account

The services account recorded a surplus of USD 103.4 million or 1.6 percent to USD 6,635 million in the year to February 2015 from USD 6,531 million in the year to February 2014. The improvement reflects increases in receipts from non-factor services which rose to USD 5,527 million on account of other private services (insurance and communication services; royalties and licence fees). The deficit in the income account worsened by USD 41.1 million while the surplus in the current transfers account decreased by USD 203.1 million. However, remittance inflows (under private transfers) increased by USD 138.4 million to USD 1,445 million during the year to February 2015 (Table 4.2). Remittance inflows were resilient with the 12 month average to February 2015 increasing to USD 120.4 million from an average of USD 108.9 million in the year to February 2014.

Capital and Financial Account

The capital and financial account surplus at USD 6,886 million in the year to February 2015 was 21.1 percent larger compared to USD 5,685 million in the year to February 2014. The improvement largely reflects 19.2 percent rise in the financial account surplus on the back of increased inflows of official medium to long-term financial flows and short term flows (including net errors and omissions).

Official medium and long-term financial inflows improved by USD 2,934.9 million in the year to February 2015 and this was attributed to issuance of the Euro bond of USD 2 billion in June 2014 and a tap sale on the same bond in December 2014 amounting to USD 750 million. However, outflows under this component were

substantial and partially offsetting at USD 1,721.1 million.

Commercial bank flows declined from USD 753 million in the year to February 2014 to USD 183 million in the year to February 2015. The decline in the flows was on account of an increase in foreign assets of Commercial Banks and largely in two components: loans advanced to non-residents and shares and other equity. Short term flows (including net errors and omissions) increased by USD 535.1 million during the period under review.

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

ITEM	Year to Feb 2014*	Year to February 2015*				Year to Feb 2015*	Change	% Change
		Q1 Mar-May	Q2 Jun-Aug	Q3 Sep-Nov	Q4 Dec-Feb			
3. CAPITAL & FINANCIAL ACCOUNT	5685	1161	2640	1282	1802	6886	1201.3	21.1
3.1 Capital Transfers (net)	102	94	50	48	40	232	129.1	126.0
3.2 Financial Account	5582	1067	2590	1235	1762	6654	1072.2	19.2
Official, medium & long-term	626	213	929	11	686	1840	1213.8	193.9
Inflows	972	311	2182	273	1141	3907	2934.9	302.0
Outflows	-346	-97	-1252	-262	-455	-2067	-1721.1	497.7
Private, medium & long-term (net)	572	-77	-125	312	-215	-105	-677.1	-118.4
Commercial Banks (net)	753	65	16	363	-261	183	-570.5	-75.7
Other private medium & long-term (net)	-182	-143	-141	-51	46	-288	-106.6	58.7
Short-term (net) incl. errors & omissions	4385	931	1786	912	1291	4920	535.1	12.2

* Provisional.

Source: Central Bank of Kenya

The banking system's total foreign exchange holdings increased to USD 9,873 million in February 2015 from USD 8,250 million in 2014. Official reserves held by the Central Bank constituted the bulk of gross reserves and increased to USD 7,737 million (5 months of import cover) at the end of February 2015 from USD 6,578 million (4.5 months of import cover) at the end of February 2014. The build-up in foreign exchange reserves during the period was largely attributed to proceeds from the sale of the Eurobond in June 2014 and the tap sale in December 2014.

Foreign Exchange Reserves

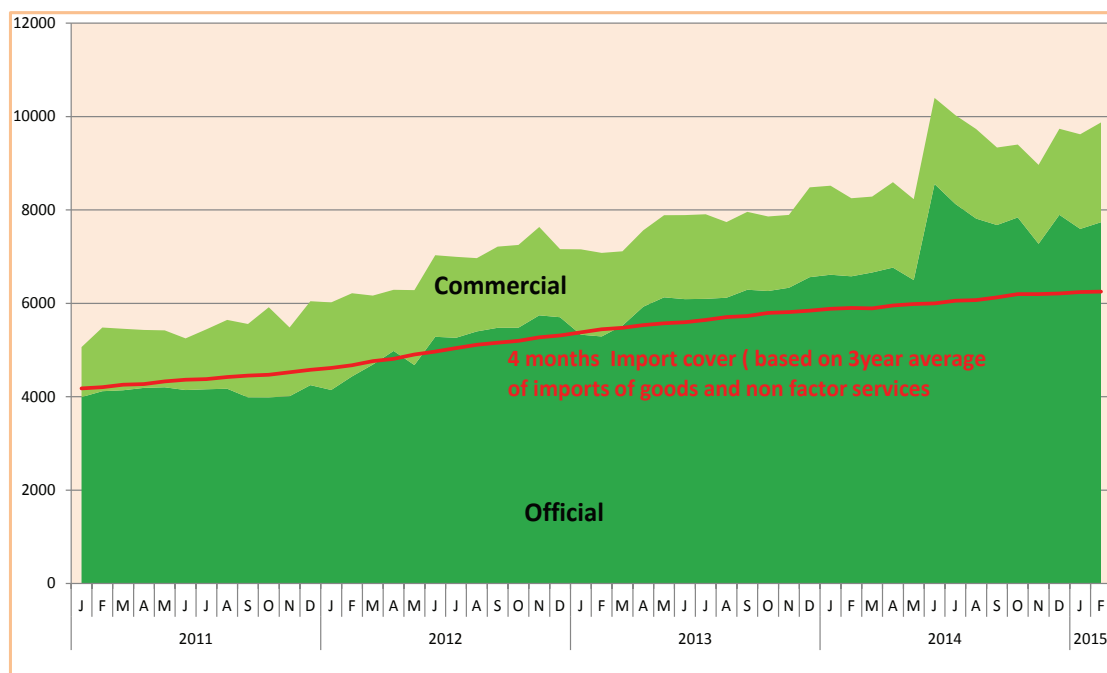
Foreign exchange reserves held by Commercial Banks increased to USD 2,137 million at the end of February 2015 from USD 1,672 million at the end of February 2014. During the same period, residents' foreign currency deposits increased to USD 4,396 million from USD 3,562 million (Table 4.5).

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

	Feb 14	Mar 14	Apr 14	May 14	Jun 14	Jul 14	Aug 14	Sep 14	Oct 14	Nov 14	Dec 14	Jan 15	Feb 15
1. Gross Reserves	8,250	8,285	8,594	8,230	10,399	10,029	9,731	9,336	9,400	8,964	9,738	9,620	9,873
of which:													
Official	6,578	6,660	6,765	6,498	8,555	8,128	7,814	7,676	7,839	7,274	7,895	7,593	7,737
import cover**	4.5	4.5	4.5	4.3	5.7	5.4	5.1	5.0	5.1	4.7	5.1	4.9	5.0
Commercial Banks	1,672	1,625	1,829	1,732	1,844	1,902	1,917	1,659	1,561	1,691	1,843	2,027	2,137
2. Residents' foreign currency deposits	3,562	3,636	3,833	3,805	3,776	4,084	4,292	4,148	4,101	4,037	4,080	4,243	4,396

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

Source: Central Bank of Kenya

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

Source: Central Bank of Kenya

Exchange Rates

The Kenya Shilling strengthened against the Euro and the Japanese Yen by 2.23 percent and 0.02 percent, respectively in February 2015 but weakened against the US Dollar and the Pound Sterling by 0.14 percent and 1.24 percent, respectively. The performance of the Shilling against major world currencies is a reflection of international developments (the strengthening of US Dollar against major world currencies) and high dollar demand from importers.

In the EAC region, the Kenya shilling strengthened against the Uganda and Tanzania shillings but weakened against the Rwanda and Burundi Francs (Table 4.6 and Chart 4D).

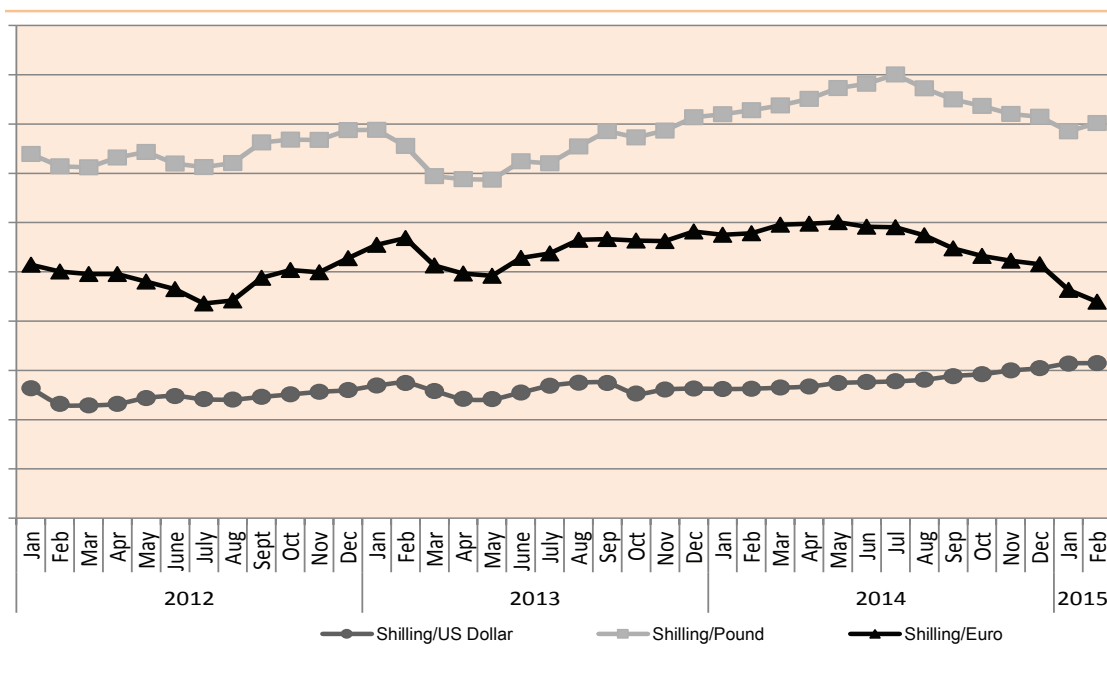
TABLE 4.6: KENYA SHILLING EXCHANGE RATE

	2014											2015		% change January 2015 - February 2015
	Feb	Mar	Apr	May	June	July	August	September	October	November	December	January	February	
US Dollar	86.28	86.49	86.72	87.41	87.61	87.77	88.11	88.84	89.23	89.96	90.44	91.36	91.49	0.14
Pound Sterling	142.81	143.76	145.08	147.29	148.15	150.04	147.24	144.99	143.66	142.05	141.45	138.49	140.21	1.24
Euro	117.81	119.58	119.78	120.09	119.16	119.02	117.40	114.74	113.21	112.28	111.52	106.32	103.94	-2.23
100 Japanese Yen	84.52	84.58	84.59	85.84	85.88	86.32	85.63	82.90	82.62	77.53	75.79	77.19	77.17	-0.02
Uganda Shilling*	28.61	29.27	29.19	28.97	29.44	29.97	29.66	29.47	30.03	30.37	30.62	31.29	31.36	0.24
Tanzania Shilling*	18.82	18.88	18.86	18.92	19.18	18.97	18.89	18.78	18.96	19.16	19.11	19.39	19.92	2.71
Rwanda Franc*	7.87	7.85	7.82	7.76	7.74	7.76	7.82	7.75	7.72	7.66	7.62	7.53	7.52	-0.13
Burundi Franc*	18.00	17.98	17.88	17.72	17.68	17.65	17.57	17.43	17.47	17.39	17.28	17.14	17.12	-0.13

* Units of currency per Kenya Shilling

Source: Central Bank of Kenya

CHART 4B: KENYA SHILLING EXCHANGE RATE



Source: Central Bank of Kenya

DEVELOPMENTS IN THE BANKING SECTOR

Overview	The Kenyan banking sector comprised 43 commercial banks, 1 mortgage finance company, 10 microfinance banks, 8 representative offices of foreign banks, 86 foreign exchange bureaus, 14 money remittance providers and 2 credit reference bureaus as at February 28, 2015.
Structure of the Balance Sheet	The banking sector balance sheet expanded by 21.03 percent from Ksh 2,758.1 billion in February 2014 to Ksh 3,338.2 billion in February 2015. The main components of the balance sheet on the assets side were loans and advances, government securities and placements, which accounted for 58.1 percent, 20.9 percent and 6.0 percent of the total assets respectively.
Loans & Advances	The banking sector gross loans and advances increased from Ksh 1,646.0 billion in February 2014 to Ksh 2,012.9 billion in February 2015, which translated to a growth of 22.3 percent. The growth was attributed to increased lending to personal/households, trade, manufacturing, transport and communication and real estate sectors. Loans and advances net of provisions stood at Ksh 1,989.3 billion in February 2015, up from Ksh 1,628.7 billion registered in a similar period in 2014.
Deposit Liabilities	Deposits from customers which form the major source of funding for the banking sector, accounted for 72.3 percent of total liabilities. The deposit base expanded by 20.7 percent from Ksh 2,001.0 billion in February 2014 to Ksh. 2,414.6 billion in February 2015 mainly supported by aggressive mobilization of deposits by banks, remittances and receipts from exports.
Capital & Reserves	The banking sector registered improved capital levels in February 2015 with total shareholders' funds growing by 17.0 percent from Ksh 448.0 billion in February 2014 to Ksh 524.0 billion in February 2015. Core capital and total capital increased from Ksh 366.7 billion and Ksh 426.7 billion to Ksh 443.1 billion and Ksh 528.6 billion respectively over the same period. The ratio of core capital to total risk-weighted assets increased from 16.0 percent in February 2014 to 16.2 percent in February 2015 while the ratio of total capital to total risk-weighted assets increased from 18.6 percent in February 2014 to 19.4 percent in February 2015.
Non-performing Loans	<p>The value of gross non-performing loans (NPLs) grew by 20.5 percent from Ksh 95.9 billion in February 2014 to Ksh 115.6 billion in February 2015. However, the ratio of gross NPLs to gross loans decreased marginally from 5.8 percent in February 2014 to 5.7 percent in February 2015. On the other hand, the coverage ratio, measured as a percentage of specific provisions to total NPLs increased from 37.2 percent in February 2014 to 40.9 percent February 2015.</p> <p>The quality of assets, measured as a proportion of net non-performing loans to gross loans decreased from 3.0 percent in February 2014 to 2.7 percent in February 2015. A summary of asset quality for the banking sector over the period February 2014 to February 2015 (Table 5.1).</p>

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

		14-Feb	15-Feb
1	Gross loans and advances (Kshs. Bn)	1,646.0	2,012.9
2	Interest in Suspense (Kshs. Bn)	17.3	23.1
3	Loans and advances (net of interest suspended) (Kshs. Bn)	1,628.7	1,989.3
4	Gross non-performing loans (Kshs. Bn)	95.9	115.6
5	Specific Provisions (Kshs. Bn)	29.2	37.9
6	General Provisions (Kshs. Bn)	13.1	13.7
7	Total Provisions (5+6) (Kshs. Bn)	42.3	51.6
8	Net Advances (3-7) (Kshs. Bn)	1,586.4	1,937.7
9	Total Non-Performing Loans and Advances (4-2) (Kshs. Bn)	78.6	92.5
10	Net Non-Performing Loans and Advances (9-5) (Kshs. Bn)	49.4	54.6
11	Total NPLs as % of total advances (9/3)	4.30%	4.70%
12	Net NPLs as % of gross advances (10/1)	3.00%	2.70%
13	Specific Provisions as % of Total NPLs (5/9)	37.20%	40.90%

Source: Central Bank of Kenya

Profitability The banking sector recorded a growth of 14.4 percent in pre-tax profits, from Ksh 20.1 billion in February 2014 to Ksh 23.0 billion as at end of February 2015. The return on assets decreased to 2.8 percent in February 2015 from 3.4 percent in February 2014. On the other hand, return on equity decreased marginally to 26.3 percent in February 2015 from 26.9 percent in February 2014.

Total income increased by 14.7 percent from Ksh 62.1 billion in February 2014 to Ksh 71.2 billion in February 2015, while total expenses increased by 15.0 percent from Ksh 42.0 billion in February 2014 to Ksh 48.3 billion in February 2015. Interest on loans and advances, fees and commissions and interest on government securities were the major sources of income accounting for 61.6 percent, 15.9 percent and 15.1 percent of total income respectively. On the other hand, interest on deposits, staff costs and other expenses were the key components of expenses, accounting for 34.7 percent, 27.4 percent and 22.7 percent, respectively.

Liquidity Ratio Requirement For the month ended February 2015, average liquid assets amounted to Ksh 924.4 billion while total short-term liabilities stood at Ksh 2,351.1 billion, resulting to an average liquidity ratio of 38.6 percent, against 39.4 percent registered in February 2014.

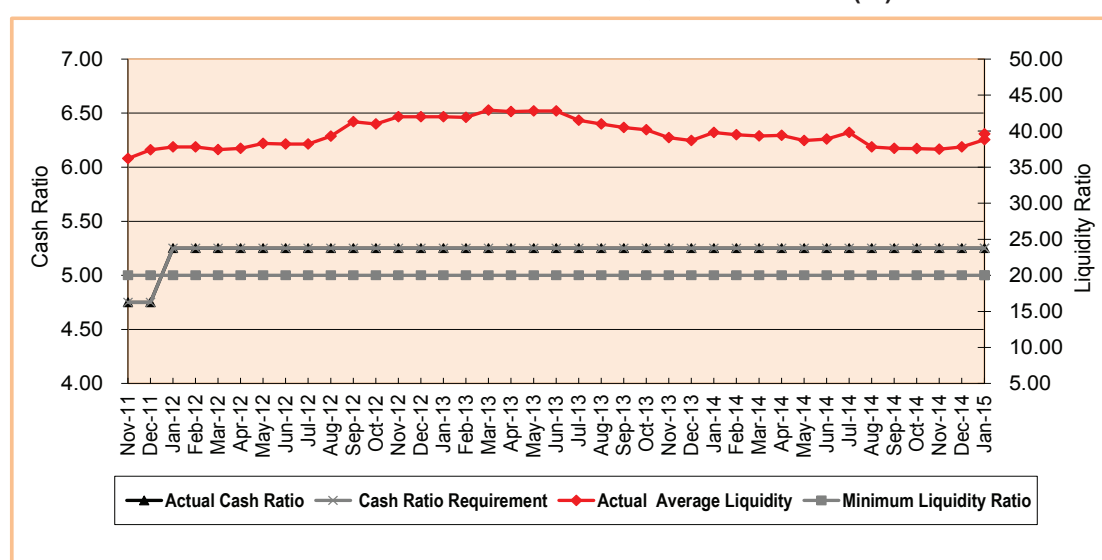
Cash Ratio Requirement The proportion of cash to deposit liabilities held at the Central Bank by commercial banks for reserve requirements averaged 5.88 percent in February 2015 compared to 5.37 percent in January 2015, and was within the 5.25 percent minimum statutory level (Table 5.2 and Chart 5A). Commercial banks maintained an average of Ksh 14.2 billion above the 5.25 percent monthly average cash reserve requirement at the Central Bank in February 2015 compared with Ksh 2.7 billion in January 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 nonbank financial institutions also observed strong liquidity positions in February 2015, at 39.6 percent and 22.9 percent respectively, in relation to the 20 percent minimum requirement.

TABLE 5.2 : CASH AND LIQUIDITY RATIOS* (%)

	2014											2015	
	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	Jan	Feb
Commercial Banks													
Actual Average Liquidity	39.50	39.32	39.40	38.70	38.90	39.80	37.80	37.60	37.58	37.50	37.80	38.80	39.60
Minimum Liquidity Ratio	20.00	20.00	20.00	20.00	20.00	20.00	20.00	20.00	20.00	20.00	20.00	20.00	20.00
Actual Cash Ratio - All Banks	5.48	5.53	5.44	5.61	5.88	5.35	5.58	5.73	5.51	5.79	5.58	5.37	5.88
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	34.13	32.69	29.90	26.50	27.80	29.70	26.30	26.10	25.19	25.30	27.80	26.70	22.90
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

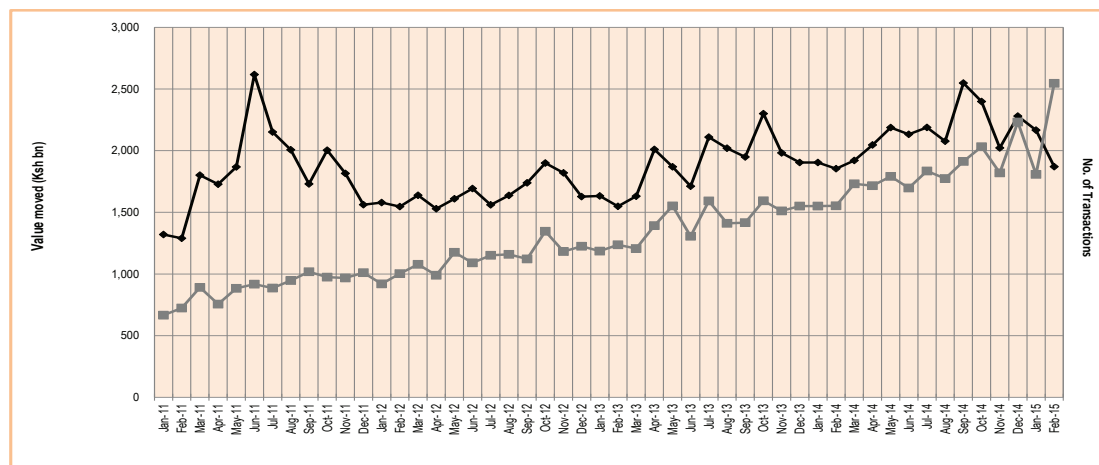
Kenya Electronic Payments and Settlement System (KEPSS) moved a volume of 297,018 transaction messages worth Ksh 1,870 billion in February 2015 compared with a volume of 210,940 transaction messages valued at Ksh 2,167 billion moved in January 2015. This represents an increase of 40.81 percent and a decline of 13.71 percent in volume and value, respectively. Compared to February 2014, the volume increased by 63.99 percent from 181,123 transaction messages to 297,018 transaction messages in January 2015 while value increased by 0.92 percent from 1,853 billion to 1,870 billion, indicating increased uptake of KEPSS services by the public.

During the twelve months period to February 28, 2015 the value moved averaged Ksh 10 million per transaction. On average, 10,710 transaction messages with an average value of approximately Ksh 104 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
an-12	1,579	28	107,230	0.01	21	75	5,106
eb-12	1,546	27	116,990	0.01	21	74	5,571
far-12	1,638	26	125,739	0.01	22	74	5,715
pr-12	1,529	26	115,514	0.01	19	80	6,080
lay-12	1,610	26	137,135	0.01	22	73	6,233
un-12	1,693	26	127,147	0.01	20	85	6,357
ul-12	1,561	26	134,391	0.01	23	71	6,109
ug-12	1,637	26	135,243	0.01	23	71	5,880
ep-12	1,739	26	130,874	0.01	20	87	6,544
oct-12	1,900	26	157,020	0.01	23	83	6,827
nov-12	1,820	26	137,975	0.01	22	83	6,272
dec-12	1,627	30	142,867	0.01	18	90	7,937
an-13	1,632	25	138,297	0.01	22	74	6,286
eb-13	1,548	25	144,248	0.01	20	77	7,212
far-13	1,631	28	140,781	0.01	20	82	7,039
pr-13	2,011	32	162,432	0.01	20	101	8,122
lay-13	1,869	31	181,045	0.01	22	85	8,229
un-13	1,712	28	152,310	0.01	20	86	7,616
ul-13	2,109	35	185,773	0.01	23	92	8,077
ug-13	2,021	24	164,650	0.01	21	96	7,840
ep-13	1,949	31	165,175	0.01	21	93	7,865
oct-13	2,301	30	185,920	0.01	22	105	8,451
nov-13	1,982	29	176,330	0.01	21	94,381	8,397
dec-13	1,905	30	180,926	0.01	18	105,811	10,051
an-14	1,904	31	180,897	0.01	22	87	8,223
eb-14	1,853	28	181,123	0.01	20	93	9,056
far-14	1,920	31	202,035	0.01	21	91	9,621
pr-14	2,047	27	200,151	0.01	20	102	10,008
lay-14	2,188	28	209,019	0.01	21	104	9,953
un-14	2,133	32	198,052	0.01	20	107	9,903
ul-14	2,189	28	214,091	0.01	22	99	9,731
ug-14	2,077	28	206,937	0.01	21	99	9,854
ep-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
an-15	2,167	28	210,940	0.01	21	103	10,362
eb-15	1,870	26	297,018	0.01	20	93	14,851

Source: Central Bank of Kenya

CHART 5B: TRENDS IN MONTHLY FLOWS THROUGH KEPSS

Source: Central Bank of Kenya

Third Party Messages

Multiple third party Message Type (MT 102) used for several credit transfers increased by 12.02 percent from 16,749 transaction messages in February 2015 to 18,762 transaction messages in January 2015 while single third party Message Type (MT 103) used for single credit transfers increased by 3.23 percent from 232,962 transaction messages to 240,489 transaction messages in the same period. Overall, total third party messages through KEPSS increased by 3.82 percent from 249,711 transaction messages in January 2015 to 259,251 transaction messages in February 2015.

Compared with February 2014, multiple third party messages (MT 102) increased by 20.30 percent from 15,596 transaction messages to 18,762 transaction messages in January 2015, while single third party messages (MT 103) increased by 24.70 percent from 192,858 transaction messages to 240,489 transaction messages (Table 5.4 and Chart 5C).

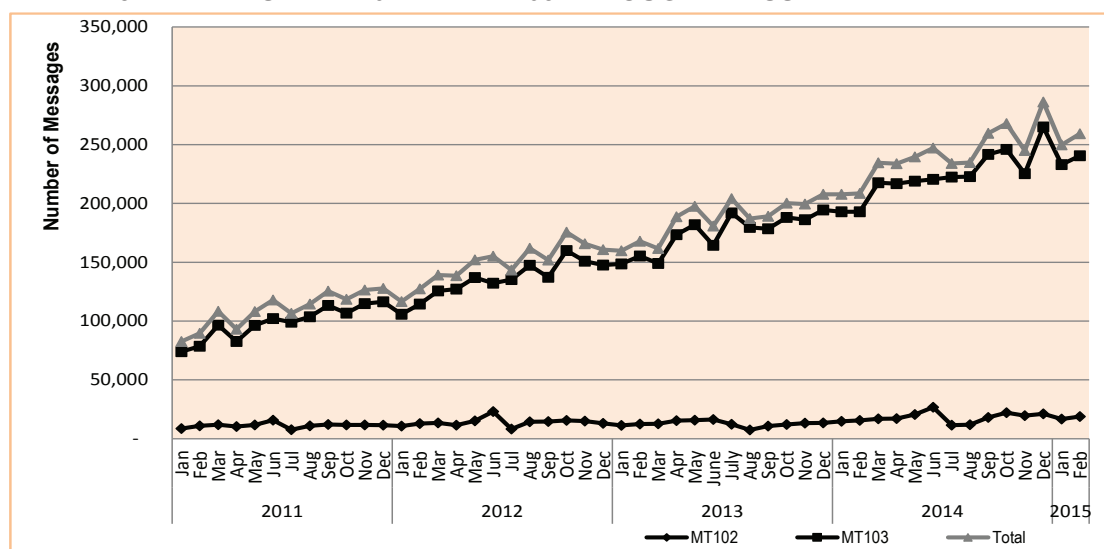
Inter-bank transfers (MT 202) accounted for 33.15 percent of the total value moved through KEPSS as at end of February 2015 while third party (MT 102 and MT 103) messages accounted for 66.84 percent. The total number of third party messages grew by 24.37 percent from 208,454 messages in February 2014 to 259,251 messages in February 2015. This signifies continued growth in KEPSS usage by individuals and non-bank corporate bodies.

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	259,251

Source: Central Bank of Kenya

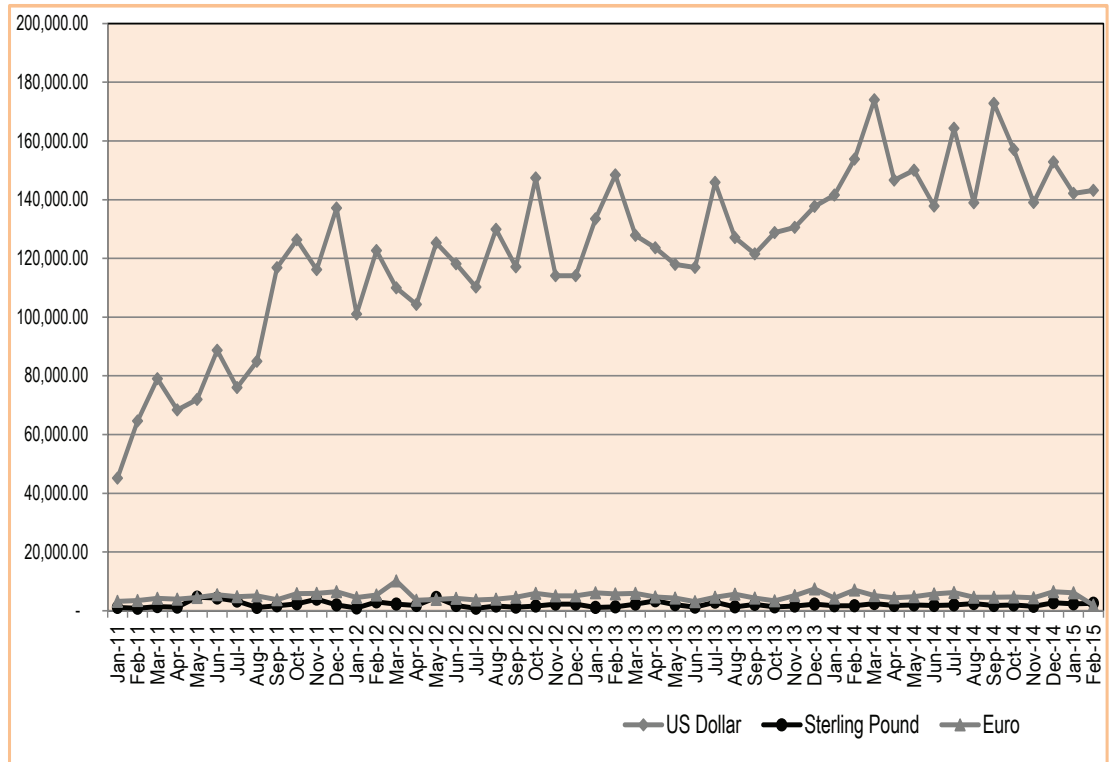
CHART 5C: TRENDS IN MT102 AND MT103 THROUGH KEPSS



Source: Central Bank of Kenya

Domestic Foreign Currency

Domestic Foreign Currency messages through KEPSS increased by 4.82 percent from 17,128 transaction messages in January 2015 to 17,954 transaction messages in February 2015. Consequently, the corresponding value in Kenya Shillings equivalent moved in this period increased by 69.33 percent from Ksh 150.573 billion to Ksh 147.44 billion. The US dollar denominated transactions accounted for 97.09 percent of the value moved (Chart 5D), while the Sterling Pound and the Euro accounted for 1.67 percent and 5.13 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 eight months of the FY 2014/15 resulted into a deficit of Ksh 173.7 billion (3.7 percent of GDP) on both commitment and cash basis compared with a deficit of Ksh 158.8 billion (3.3 percent of GDP) incurred in the same period of the FY 2013/14. This was however, lower than the Ksh 274.9 billion (5.8 percent of GDP) programmed target for the period and is reflected in lower absorption of public commitments and a slack in all revenue mobilization other than nontax revenue.

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

	FY 2013/14	FY 2014/15		
	Feb Actual	Feb Provisional	Target	Over (+) / below (-) Target
1. TOTAL REVENUE & GRANTS	611.9	690.5	772.5	-82.0
Revenue	600.3	675.4	734.2	-58.8
Tax Revenue	547.3	618.0	649.2	-31.2
Non Tax Revenue	33.5	23.6	21.5	2.1
Appropriations-in-Aid	19.5	33.8	63.5	-29.7
External Grants	11.6	15.2	38.3	-23.2
2. TOTAL EXPENSES & NET LENDING	770.7	864.2	1047.4	-183.2
Recurrent Expenses	517.3	536.0	579.8	-43.8
Development Expenses	162.1	212.9	317.2	-104.3
County Transfers	91.2	115.3	148.0	-32.6
Others		0.0	2.5	-2.5
3. DEFICIT ON A COMMITMENT BASIS (1-2)	-158.8	-173.7	-274.9	101.3
As percent of GDP	-3.3	-3.7	-5.8	2.1
4. ADJUSTMENT TO CASH BASIS	0.0	0.0	0.0	0.0
5. DEFICIT ON A CASH BASIS	-158.8	-173.7	-274.9	101.3
As percent of GDP	-3.3	-3.7	-5.8	2.1
6. DISCREPANCY: Expenditure (+) / Revenue (-)	-3.9	49.7	0.0	49.7
7. FINANCING	168.1	223.3	273.2	-49.9
Domestic (Net)	147.4	17.4	142.5	-125.1
External (Net)	20.7	63.3	130.7	-67.4
Capital Receipts (privatisation)	0.0	0.0	0.0	0.0
Others (Euro Bond Tap sale proceeds)	0.0	142.7	0.0	142.7
Financing gap	0.0	0.0	0.0	0.0

Source: National Treasury using the new re-based GDP figures as of Sept 2014

Revenue Total government revenues and grants amounted to Ksh 690.5 billion during the first eight months of the FY 2014/15, representing an increase of Ksh 78.6 billion from Ksh 611.9 billion mobilized during a similar period of the FY 2013/14 (Table 6.2). Tax revenue accounted for 89.5 percent of the total revenue realized. All revenues performed below targets except non tax revenue which surpassed by Ksh 2.1 billion. Specifically; receipts from tax revenue, external grants and appropriations-in-aid were below target by Ksh 31.2 billion, Ksh 23.2 billion and Ksh 29.7 billion, respectively during the period under review (Table 6.1).

TABLE 6.2: COMPOSITION OF GOVERNMENT REVENUE (Ksh billion)

	Feb-14 Ksh bn	Feb-15 Ksh bn	Change
1. Revenue (2+3+4)	600.3	675.4	75.0
2. Tax Revenue	547.3	618.0	70.7
Income Tax	264.2	303.1	38.9
Value Added Tax	149.4	166.8	17.4
Import Duty	62.5	47.4	-15.1
Excise Duty	64.7	74.5	9.8
Others	6.5	26.3	19.8
3. Appropriations-in-Aid	19.52	33.8	14.3
4. Other Revenue	33.5	23.6	-9.9
5. External Grants	11.6	15.2	3.6
TOTAL RECEIPTS (1+5)	611.9	690.5	78.6

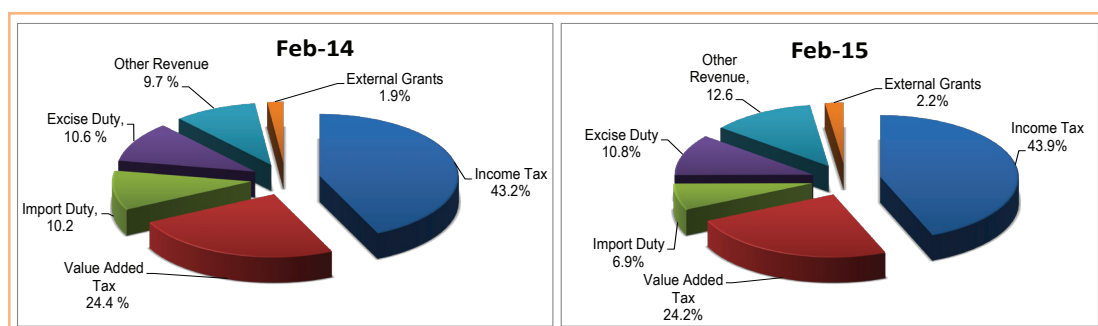
Source: National Treasury

Tax revenue grew by Ksh 70.7 billion in the first eight months of the FY 2014/15, equivalent to 12.9 percent increase, to Ksh 618 billion from Ksh 547.3 billion collected during the first eight months of the FY 2013/14 (Table 6.2). The increase in income tax receipts amounting to Ksh 38.9 billion or 14.7 percent, accounted for 55 percent of the increase in tax revenue during the period under review. Excise

duty, Value Added Tax, other tax revenue, Appropriations-In-Aid and external grants also increased by Ksh 9.8 billion, Ksh 17.4 billion, Ksh 19.8 billion, Ksh 14.3 billion and Ksh 3.6 billion, respectively. On the other hand, import duty and other revenue declined by Ksh 15.1 billion and Ksh 9.9 billion, respectively during the period under review. All taxes except income tax from corporations performed below target.

The performance of Government revenue in relation to the previous year is shown in Chart 6A. The main highlights include a 330 basis points reduction in collections from import duty and 290 basis points increase in the share of other revenue.

CHART 6A: COMPOSITION OF GOVERNMENT RECEIPTS



Source: National Treasury

Expenditure and Net Lending

Government expenditure and net lending increased by Ksh 93.5 billion during the first eight months of the FY 2014/15 from Ksh 770.7 billion expended during the same period in the FY 2013/14. Total expenditure during this period amounted to Ksh 864.2 billion, and comprised Ksh 536 billion recurrent expenditure, Ksh 212.9 billion in development expenditure and Ksh 115.3 billion in county transfers.

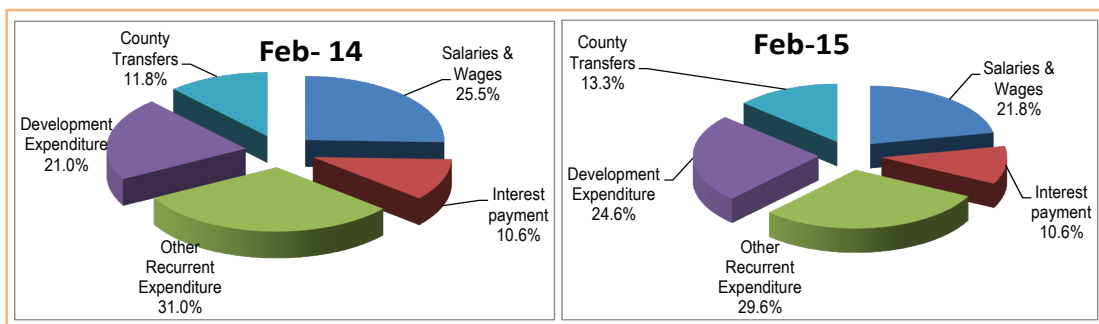
Recurrent expenditure increased by Ksh 18.6 billion and performed below the programmed target by Ksh 43.8 billion during the period under review. This increase was largely the Ksh 17.1 billion increase in other recurrent expenditure, which was partially offset by the decline in salaries and wages amounting to Ksh 8.1 billion. Development expenditure increased by Ksh 50.7 billion but performed below the programmed target by Ksh 104.3 billion. County transfers increased by Ksh 24.1 billion from Ksh 91.2 billion in a similar period of the previous fiscal year but was below target by Ksh 32.6 billion (Table 6.1). The lower than projected absorption in the development budget reflects largely in funds from external sources and is attributed to delayed disbursement of funds.

TABLE 6.3: COMPOSITION OF GOVERNMENT EXPENDITURE (Ksh billion)

	Feb-14 Ksh bn	Feb-15 Ksh bn	Movement
1.Recurrent	517.3	536.0	18.6
Salaries & Wages	196.8	188.7	-8.1
Total Interest	81.7	91.3	9.6
of which			
Domestic	75.7	72.4	-3.3
Foreign interest due	6.0	18.9	12.9
Others	238.8	255.9	17.1
2. Development	162.1	212.9	50.7
3. County Transfers	91.2	115.3	24.1
TOTAL EXPENSES	770.7	864.2	93.5

*Includes commission and other charges paid to CBK

The performance of Government expenditure in relation to the previous year is indicated in Chart 6B. The main highlights include the 140 basis points and 370 basis points reductions in other recurrent expenditure and expenses on salaries and wages, respectively which largely contributed to expansion of the development budget and county transfer.

CHART 6B: COMPOSITION OF GOVERNMENT EXPENDITURE

Source: National Treasury

Financing

Budgetary operations of the Government resulted in a financing requirement of Ksh 275 billion in the first seven months of the FY 2014/15 compared with Ksh 183.1 billion in the same period of the FY 2013/14. The Government sourced the funds through net external borrowing of Ksh 63.3 billion, Euro Bond tap sale proceeds of Ksh 142.7 billion and additional domestic borrowing of Ksh 67.7 billion. The funds were allocated to bridge the Government budgetary deficit of Ksh 223.3 billion. Furthermore the successful debut in the Euro Bond market enabled the Government to reduce its domestic debt by Ksh 3.5 billion (that comprised Ksh 3.5 billion repayment of debt owed to the Central Bank) The Government also accumulated deposits amounting to Ksh 48.2 billion (Table 6.4).

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

I. FINANCING REQUIREMENTS	Feb-14	Feb-15
1. Budget deficit	168.1	223.3
2. External debt reduction	0.0	0.0
3. Domestic debt reduction	0.0	3.5
3.1 Central Bank (incl. items in transit)	0.0	3.5
3.2 Commercial banks (net of deposits)	0.0	0.0
3.3 Non-bank sources	0.0	0.0
4. Increase in GoK deposits at CBK	15.0	48.2
TOTAL	183.1	275.0
II. FINANCING SOURCES	Feb-14	Feb-15
1. Budget surplus	0.0	0.0
2. External debt increase	20.7	63.3
3. Increase in domestic debt	162.3	67.7
3.1 Central Bank	36.9	0.0
3.2 Commercial banks	52.5	64.1
3.3 Non-bank sources	72.9	3.6
4. Reduction in GoK deposits at CBK	0.0	0.0
5. Privatisation proceeds (Net of Restructuring Costs)	0.0	0.0
7. Domestic Loan Repayments	0.1	1.4
6. Others (Euro Bond tap sale proceeds)	0.0	142.7
TOTAL	183.1	275.0

Sources: National Treasury and Central Bank of Kenya

Government Borrowing from the Central Bank

The government debt at the Central Bank declined by Ksh 11.7 billion to Ksh 61.6 billion during the period under review, compared to Ksh 73.3 billion owed in a similar period of the FY 2013/2014. The decrease in Government's liability to the Central Bank was largely attributed to Kshs 10.6 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 overdraft at the Central Bank. Government borrowing through overdraft facility at the Central Bank was within the statutory limit.

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

	2014	2015	Movement
	Feb	Feb	
Total Credit	73.3	61.6	-11.7
1. Overdraft	34.2	34.2	0.0
2. Rediscounted securities	10.7	0.1	-10.6
Treasury bills	10.7	0.1	-10.6
Treasury bonds	0.0	0.0	0.0
3. Pre-1997 Government Overdraft at CBK	28.3	27.2	-1.1
4. IMF funds onlent to Government	0.0	0.0	0.0
5. Cleared items in transit	0.0	0.0	0.0
Memorandum			
Authorised overdraft limit	34.2	39.1	4.9
Amount utilised to date	34.2	34.2	0.0
Amount available	0.0	4.9	4.9

Source: Central Bank of Kenya

Outlook for FY 2014/15 In the budget estimates for the FY 2014/15 ordinary revenue is estimated at Ksh 1087.1 billion (22.9 percent of GDP) while external grants are estimated at Ksh 58.7 billion (1.2 percent of GDP). Government expenditure is estimated at Ksh 1,597.8 billion (33.6 percent of GDP), of which, Ksh 871.5 billion (18.3 percent of GDP) will be in recurrent expenses, transfer to the county government of Ksh 229.3 billion, a contingency fund of Ksh 5.0 billion and the balance is in development expenses (Table 6.6).

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

	Ksh (Bn)	% of GE
TOTAL REVENUE	1240.0	26
Ordinary Revenue	1087.1	22
Appropriations-in-Aid	94.1	2
External Grants	58.7	1
TOTAL EXPENSES & NET LENDING	1597.8	33
Recurrent Expenses	871.5	18
Development Expenses	492.0	10
County Transfer	229.3	4
Contingency Fund	5.0	0
DEFICIT ON A COMMITMENT BASIS (1-2)	-357.8	-7
ADJUSTMENT TO CASH BASIS	0.0	0
DEFICIT ON A CASH BASIS	-357.8	-7

Source: National Treasury using the new re-based GDP figures as of Sept 2014

The overall budget deficit including grants on commitment basis is therefore estimated at Ksh 357.8 billion (7.5 percent of GDP) in 2014/15. The deficit is expected to be financed through net external borrowing of Ksh 165.8 billion and net domestic borrowing of Ksh 192.1 billion.

DEVELOPMENTS IN PUBLIC DEBT

Overall Debt Kenya's public and publicly guaranteed debt increased by Ksh 279.9 billion to reach Ksh 2,650.1 billion in February 2015, from Ksh 2,370.3 billion in June 2014. The total debt stock at the end of February 2015 was equivalent to 55.7 percent of GDP, compared with 49.8 percent of GDP in June 2014. Both external and domestic debt to GDP ratios increased from 22.8 percent and 27.0 percent in June 2014 to 27.3 percent and 28.4 percent in February 2015, respectively (Table 7.1).

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

	Feb-14	Mar-14	Apr-14	May-14	Jun-14	Jul-14	Aug-14	Sep-14	Oct-14	Nov-14	Dec-14	Jan-15	Feb-15	Change 2014/15
EXTERNAL														
Bilateral	244.2	283.7	288.5	288.4	289.9	286.2	285.3	278.5	275.8	272.3	287.2	387.0	383.9	94.0
Multilateral	573.3	581.9	587.5	595.6	597.3	604.7	605.8	608.0	612.1	614.0	612.4	606.1	640.4	43.0
Commercial Banks	59.1	59.2	59.1	59.6	182.2	182.5	183.6	185.2	184.9	186.5	255.2	257.8	257.0	74.8
Supplier Credits	15.7	15.7	15.9	14.3	16.5	16.3	16.3	16.1	16.0	16.1	16.0	15.6	15.4	-1.0
Sub-Total	892.3	940.5	951.0	957.9	1085.9	1089.7	1091.0	1087.8	1088.8	1089.0	1170.7	1266.4	1296.7	210.8
(As a % of GDP)	18.8	19.8	20.0	20.1	22.8	22.9	22.9	22.9	22.9	22.9	24.6	26.6	27.3	
(As a % of total debt)	42.1	42.3	42.3	43.7	45.8	45.7	46.0	46.3	46.5	45.5	47.2	48.7	48.9	
DOMESTIC														
Banks	664.4	663.5	632.5	644.1	682.8	698.7	682.2	665.0	658.1	698.0	708.0	720.3	747.6	64.8
Central Bank	73.3	77.2	63.2	68.1	65.7	61.6	62.0	63.6	47.6	45.8	58.3	54.9	61.6	-4.1
Commercial Banks	591.1	586.3	569.3	576.0	617.1	637.1	620.3	601.4	610.5	652.2	649.7389	665.4851	686.0	68.9
Non-banks	553.2	606.7	650.5	575.3	586.5	583.6	585.7	584.1	583.8	592.3	585.9	600.4	591.0	4.5
Pension Funds	304.8	310.6	311.1	313.6	322.9	323.3	323.6	321.2	317.4	318.4	310.6	319.5	341.3	18.4
Insurance Companies	117.3	117.8	118.3	120.1	121.0	121.1	125.8	127.6	127.8	129.2	129.3	130.3	126.6	5.6
Other Non-bank Sources	131.1	178.3	221.1	141.7	142.6	139.2	136.3	135.2	138.6	144.7	146.1	150.5	123.1	-19.4
Non-residents	11.7	14.0	13.4	13.1	14.9	14.2	13.2	11.8	12.4	13.0	13.8	13.9	14.6	-0.3
Sub-Total	1229.3	1284.2	1296.5	1232.5	1284.2	1296.4	1281.1	1260.9	1254.3	1303.4	1307.7	1334.6	1353.3	69.1
(As a % of GDP)	25.8	25.9	25.6	25.9	27.0	27.3	26.9	26.5	26.4	27.4	27.5	28.1	28.4	
(As a % of total debt)	57.9	57.7	57.7	56.3	54.2	54.3	54.0	53.7	53.5	54.5	52.8	51.3	51.1	
GRAND TOTAL	2121.6	2224.7	2247.4	2190.4	2370.2	2386.1	2372.1	2348.7	2343.1	2392.3	2478.4	2601.1	2650.1	279.9
(As a % of GDP)	44.6	45.6	45.6	46.0	49.8	50.2	49.9	49.4	49.3	50.3	52.1	54.7	55.7	

Sources: National Treasury and Central Bank of Kenya

Domestic Debt The total stock of domestic debt increased by Ksh 69.1 billion during the first eight months of the FY 2014/15 to reach Ksh 1,353.3 billion in February 2015. As a result domestic debt to GDP ratio increased by 140 basis points to 28.4 percent. This was largely on account of an increase in government Treasury Bonds of Ksh 66.2 billion and a partially offsetting decline in other debt. The share of domestic debt in total debt however, declined from 54.2 percent in June, 2014 to 51.1 percent in February 2015 (Table 7.1).

TABLE 7.2: GOVERNMENT GROSS DOMESTIC DEBT (Ksh billion)

	2014												2015				Change		
	June	%	July	%	Aug	%	Sep	%	Oct	%	Nov	%	Dec	%	Jan	%	Feb	%	Jun 14 - Feb 15
Total Stock of Domestic Debt (A+B)	1,284.2	100.0	1,296.4	100.0	1,281.1	100.0	1,260.9	100.0	1,254.3	100.0	1,303.4	100.0	1,307.7	100.0	1,334.6	100.0	1,353.3	100.0	69.1
A. Government Securities	1,242.4	96.7	1,261.3	97.3	1,246.6	98.9	1,223.7	97.0	1,233.8	94.7	1,283.5	98.5	1,273.6	97.4	1,303.6	97.7	1,316.3	97.3	73.9
1. Treasury Bills (excluding Repo Bills)	299.4	23.3	319.2	24.6	305.6	24.2	276.0	21.9	283.9	21.8	302.0	23.2	291.4	22.3	299.3	22.4	308.1	22.8	8.7
Banking institutions	176.5	13.7	199.7	15.4	187.4	14.9	162.9	12.9	173.5	13.3	196.1	15.0	191.2	14.6	195.7	14.7	208.1	15.4	31.6
Others	123.0	9.6	119.5	9.2	118.2	9.4	113.2	9.0	110.4	8.5	105.9	8.1	100.2	7.7	103.6	7.8	100.1	7.4	(22.9)
2. Treasury Bonds	914.8	71.2	914.4	70.5	913.2	72.4	919.9	73.0	922.1	70.7	953.7	73.2	955.0	73.0	977.1	73.2	981.0	72.5	66.2
Banking institutions	436.4	34.0	436.2	33.6	433.2	34.4	437.8	34.7	436.9	33.5	454.3	34.9	456.1	34.9	467.0	35.0	475.5	35.1	39.1
Pension Funds	247.5	19.3	322.9	24.9	255.7	20.3	259.4	20.6	255.7	19.6	262.0	20.1	262.6	20.1	271.5	20.3	295.5	21.8	48.0
Others	230.9	18.0	155.3	12.0	224.4	17.8	222.7	17.7	229.5	17.6	237.4	18.2	236.3	18.1	238.6	17.9	210.0	15.5	(20.9)
4. Non-Interest Bearing Debt	28.3	2.2	27.7	2.1	27.8	2.2	27.8	2.2	27.8	2.1	27.8	2.1	27.2	2.1	27.2	2.0	27.2	2.0	(1.0)
Of which: Repo T/Bills	28.3	2.2	27.7	2.1	27.7	2.2	27.7	2.2	27.7	2.1	27.7	2.1	27.2	2.1	27.2	2.0	27.2	2.0	(1.1)
B. Others:	41.8	3.3	35.2	2.7	34.5	2.7	37.2	3.0	20.5	1.6	19.9	1.5	34.2	2.6	31.0	2.3	37.0	2.7	(4.8)
Of which CBK overdraft to Government	37.2	2.9	31.7	2.4	30.4	2.4	34.4	2.7	18.3	1.4	18.3	1.4	30.9	2.4	27.5	2.1	34.2	2.5	(3.0)

Source: Central Bank of Kenya

Treasury Bills

Treasury bill holdings, excluding repos, increased by Ksh 8.7 billion from Ksh 299.4 billion in June 2014 to Ksh 308.1 billion in February 2015 (Table 7.2). The proportion of Treasury bills to total domestic debt decreased marginally to 22.8 percent in February 2015 from 23.3 percent in June 2014. The dominant investors in Treasury bills were Commercial Banks (67.5 percent) and Pension Funds (14.9 percent) in February 2015 (Table 7.3).

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

Holders	June	%	July	%	Aug	%	Sep	%	Oct	%	Nov	%	Dec	%	Jan	%	Feb	%	Feb 15
Banking Institutions	176.5	58.9	199.7	62.6	187.4	67.9	162.9	59.0	173.5	61.1	196.1	64.9	191.1	65.6	196.2	65.6	208.1	67.6	31.7
Central Bank	0.0	0.0	2.0	0.6	3.7	1.3	1.4	0.5	1.4	0.5	1.4	0.5	0.1	0.0	0.6	0.2	0.1	0.0	0.1
Comm. Banks	176.4	58.9	197.6	61.9	183.7	66.5	161.5	58.5	172.1	60.6	194.7	64.5	191.1	65.6	195.6	65.4	208.1	67.5	31.6
Insurance Companies	19.9	6.6	20.5	6.4	23.3	8.4	25.9	9.4	24.1	8.5	24.5	8.1	24.7	8.5	23.8	8.0	22.5	7.3	2.7
Parastatals	4.2	1.4	4.2	1.3	3.1	1.1	3.1	1.1	3.6	1.3	3.6	1.2	3.6	1.2	4.0	1.3	5.6	1.8	1.4
Pension Funds	67.8	22.6	67.6	21.2	67.8	24.6	61.9	22.4	61.7	21.7	56.4	18.7	48.0	16.5	48.0	16.1	45.8	14.9	-22.0
Others	31.1	10.4	27.1	8.5	24.0	8.7	22.2	8.1	21.0	7.4	21.4	7.1	23.9	8.2	27.2	9.1	26.1	8.5	-5.0
Total	299.4	100.0	319.2	100.0	305.6	100.0	276.0	100.0	283.9	100.0	302.0	100.0	291.4	100.0	299.3	100.0	308.1	100.0	8.7

Source: Central Bank of Kenya

Treasury Bonds

Outstanding Treasury Bonds increased by Ksh 66.2 billion, from Ksh 914.8 billion in June 2014 to Ksh 981.0 billion in February 2015. The proportion of Treasury Bonds in domestic debt increased from 71.2 percent in June 2014 to 72.5 percent in February 2015 (Table 7.2). The holding of Treasury Bonds by dominant investors was as follows: Ksh 475.5 billion, Ksh 341.3 billion and Ksh 104.1 billion absorbed by Commercial Banks, Pension Funds and Insurance Companies, respectively. The proportion of holdings of Treasury Bonds by Pension Funds increased from 27.1 percent to 34.8 percent while the proportion held by insurance companies declined from 11.1 percent to 10.6 percent during the period under review. The proportion held by parastatals declined from 3.8 percent in June 2014 to 3.4 percent in February 2015. The proportions held by Commercial Banks increased from 47.7 percent to 48.5 percent during the period under review. Meanwhile, the proportion of holdings by the Central Bank remained constant during the period under review (Table 7.4).

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

Holders	June	%	July	%	Aug	%	Sep	%	Oct	%	Nov	%	Dec	%	Jan	%	Feb	%	Change Jun 14 - Feb 15
Banking Institutions	436.4	47.7	436.2	47.7	433.2	47.4	437.8	47.6	436.9	47.4	436.9	45.8	456.1	47.8	467.0	47.8	475.5	48.5	39.1
Central Bank	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Comm. Banks	436.3	47.7	436.1	47.7	433.1	47.4	437.7	47.6	436.9	47.4	436.9	45.8	456.1	47.8	467.0	47.8	475.5	48.5	39.1
NBFIs	0.2	0.0	0.2	0.0	0.2	0.0	0.2	0.0	0.2	0.0	0.2	0.0	0.2	0.0	0.2	0.0	0.2	0.0	0.0
Insurance Companies	101.2	11.1	100.6	11.0	102.6	11.2	101.7	11.1	103.7	11.2	103.7	10.9	104.6	10.9	106.5	10.9	104.1	10.6	2.9
Parastatals	34.4	3.8	34.1	3.7	34.2	3.7	32.9	3.6	32.9	3.6	32.9	3.5	32.9	3.4	32.9	3.4	33.8	3.4	-0.6
Of which: NSSF	16.2	1.8	16.1	1.8	16.1	1.8	14.9	1.6	14.9	1.6	14.9	1.6	14.9	1.6	14.9	1.5	14.8	1.5	-1.3
Building Societies	0.5	0.1	0.5	0.1	0.5	0.1	0.5	0.1	0.6	0.1	0.6	0.1	0.6	0.1	0.6	0.1	0.1	0.0	-0.3
Pension Funds	247.5	27.1	322.9	35.3	255.7	28.0	259.4	28.2	255.7	27.7	255.7	26.8	262.6	27.5	271.5	27.8	341.3	34.8	93.8
Others	94.7	10.3	19.9	2.2	86.9	9.5	87.4	9.5	92.1	10.0	123.7	13.0	98.0	10.3	98.4	10.1	26.0	2.7	-68.6
Total	914.8	100.0	914.4	100.0	913.2	100.0	919.9	100.0	922.1	100.0	953.7	100.0	955.0	100.0	977.1	100.0	981.0	100.0	66.2

Source: Central Bank of Kenya

Domestic Debt Maturity structure

Total domestic debt as at February 2015 amounted to Ksh 1,353.3 billion. Government securities worth Ksh 26.7 billion fell due in February 2015, comprising Ksh 7.0 billion, Ksh 12.3 billion and Ksh 7.4 billion in 91-day, 182-day and 364-day Treasury bills, respectively. Treasury Bonds worth Ksh 31.6 billion fell due in February 2015

TABLE 7.5: DOMESTIC DEBT MATURITY STRUCTURE (Ksh billion)

		2014												2015			Change Jun 14 to Feb 15			
		Jun	%	Jul	%	Aug	%	Sep	%	Oct	%	Nov	%	Dec	%	Jan		%	Feb	%
Treasury bills	91-Day	54.7	4.3	59.4	4.6	52.1	4.1	32.7	2.6	27.7	2.1	32.3	2.5	27.2	2.1	28.1	2.1	22.0	1.6	-32.7
	182-Day	88.9	6.9	93.9	7.2	85.8	6.7	65.2	5.2	57.8	4.4	58.7	4.5	49.9	3.8	50.8	3.8	54.9	4.1	-34.0
	364-Day	155.8	12.1	165.3	12.8	146.7	11.5	157.6	12.5	176.5	13.5	211.0	16.2	214.3	16.4	220.4	16.5	231.2	17.1	75.4
Treasury Bonds	1-Year	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	2-Year	166.7	13.0	174.5	13.5	158.2	12.4	158.2	12.5	144.5	11.1	144.5	11.1	132.6	10.1	132.6	9.9	135.7	10.0	-30.9
	3-Year	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	4-Year	29.9	2.3	29.9	2.3	29.9	2.3	29.9	2.4	29.9	2.3	29.9	2.3	29.9	2.3	29.9	2.2	21.4	1.6	-8.5
	5-Year	175.3	13.6	175.3	13.5	188.7	14.7	175.5	13.9	175.5	13.5	175.5	13.5	175.5	13.4	183.7	13.8	183.7	13.6	8.4
	6-Year	40.7	3.2	40.7	3.1	40.7	3.2	40.7	3.2	40.7	3.1	40.7	3.1	40.7	3.1	40.7	3.0	40.7	3.0	0.0
	7-Year	17.0	1.3	8.7	0.7	8.7	0.7	8.7	0.7	8.7	0.7	8.7	0.7	8.7	0.7	8.7	0.7	8.7	0.6	-8.3
	8-Year	40.9	3.2	40.9	3.2	40.9	3.2	40.9	3.2	40.9	3.1	40.9	3.1	40.9	3.1	40.9	3.1	38.2	2.8	-2.7
	9-Year	18.2	1.4	18.2	1.4	18.2	1.4	18.2	1.4	18.2	1.4	18.2	1.4	18.2	1.4	18.2	1.4	18.2	1.3	0.0
	10-Year	131.1	10.2	131.1	10.1	131.1	10.2	146.7	11.6	146.7	11.3	146.7	11.3	146.7	11.2	146.7	11.0	158.6	11.7	27.5
	11-Year	4.0	0.3	4.0	0.3	4.0	0.3	4.0	0.3	4.0	0.3	4.0	0.3	4.0	0.3	4.0	0.3	4.0	0.3	0.0
	12-Year	45.4	3.5	45.4	3.5	45.4	3.5	45.4	3.6	61.4	4.7	80.9	6.2	80.9	6.2	80.9	6.1	80.9	6.0	35.5
	15-Year	142.9	11.1	142.9	11.0	142.9	11.2	142.9	11.1	142.9	11.0	155.0	11.9	168.2	12.9	168.2	12.6	168.2	12.4	25.3
	20-Year	60.5	4.7	60.5	4.7	60.5	4.7	60.5	4.8	60.5	4.6	60.5	4.6	60.5	4.6	74.3	5.6	74.3	5.5	13.9
	25-Year	20.2	1.6	20.2	1.6	20.2	1.6	20.2	1.6	20.2	1.5	20.2	1.5	20.2	1.5	20.2	1.5	20.2	1.5	0.0
30-Year	22.1	1.7	22.1	1.7	23.9	1.9	28.1	2.2	28.1	2.2	28.1	2.2	28.1	2.2	28.1	2.1	28.1	2.1	6.0	
Other Domestic debt	Repo T bills	28.3	2.2	27.7	2.1	27.7	2.2	27.7	2.2	27.7	2.1	27.7	2.1	27.2	2.1	27.2	2.0	27.2	2.0	-1.1
	Overdraft	39.1	3.0	31.7	2.4	30.4	2.4	34.4	2.7	18.3	1.4	18.3	1.4	30.9	2.4	27.5	2.1	34.2	2.5	-4.9
	Other Domestic debt	2.76	0.22	4.1	0.3	25.2	2.0	23.4	1.9	24.1	1.8	1.6	0.1	3.2	0.2	3.6	0.3	2.8	0.2	0.1
Total Debt		1284.33	100.00	1296.4	100.0	1281.1	100.0	1260.9	100.0	1254.3	96.2	1303.4	100.0	1307.7	100.0	1334.6	100.0	1353.3	100.0	69.0

Source: Central Bank of Kenya

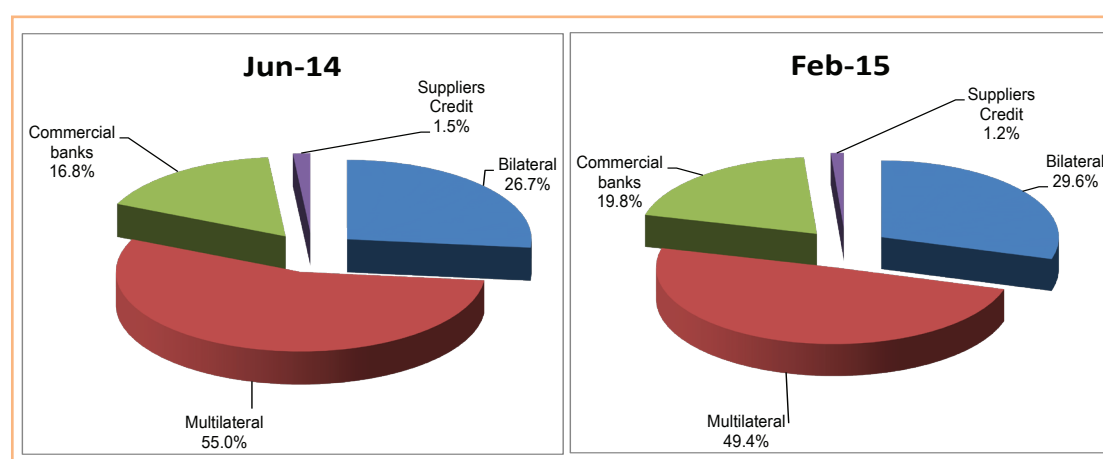
The average length of maturity of existing domestic debt rose to 5 years and 3 months in February 2015 from 4 years and 10 months in June 2014.

External Debt

Kenya's public and publicly guaranteed external debt increased by Ksh 210.8 billion to Ksh 1,296.7 billion in February 2015, from Ksh 1085.9 billion in June, 2014 (Table 7.1). The amount of public external debt held by the central government was Ksh 1,255.2 billion, while the rest was parastatals debt guaranteed by the government. The African Development Bank (ADB) and the International Development Association (IDA) collectively accounted for Ksh 5.8 billion of the increase in multilateral debt, while China accounted for Ksh 2.2 billion of the increase in bilateral debt. Japan's contribution to the bilateral debt reduced by Ksh 0.1 billion, during the period under review. The growth in external debt during this period was largely driven by exchange rate revaluations.

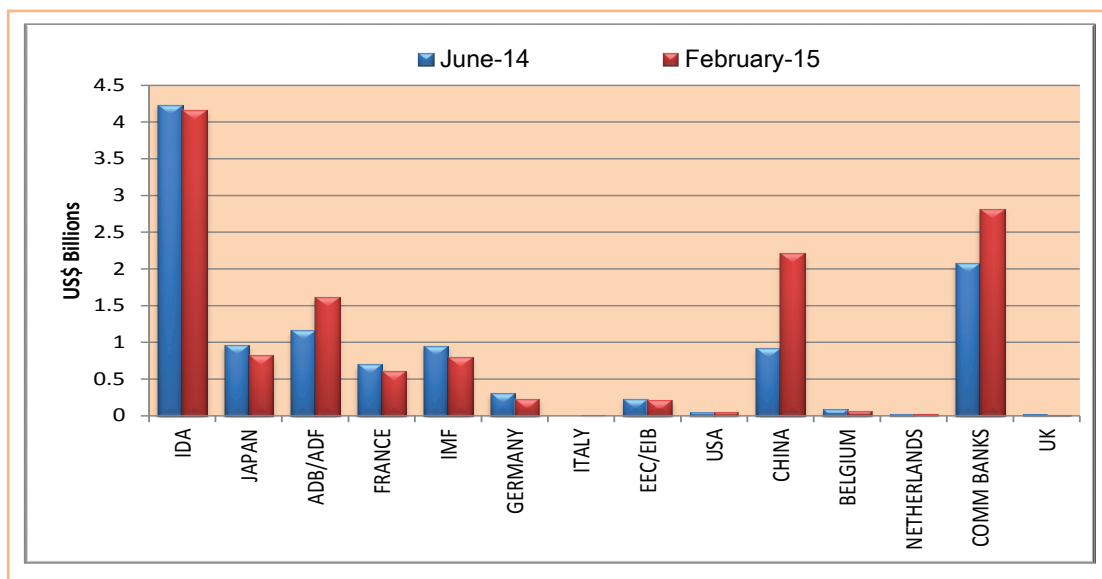
Composition of External Debt by Creditor

Kenya's official external creditors, the multilateral and bilateral lenders, accounted for 48.9 percent of total public and publicly guaranteed debt by February 2015. The proportion of external debt owed to Commercial Banks increased from 16.8 percent in June 2014 to 19.8 percent in February 2015, while that owed to bilateral lenders increased from 26.7 percent, in June 2014 to 29.6 percent in February 2015. The share of external debt owed to multilateral lenders declined from 55.0 percent in June 2014 to 49.4 percent in February 2015 (Chart 7A).

CHART 7A: COMPOSITION OF EXTERNAL DEBT

Source: National Treasury

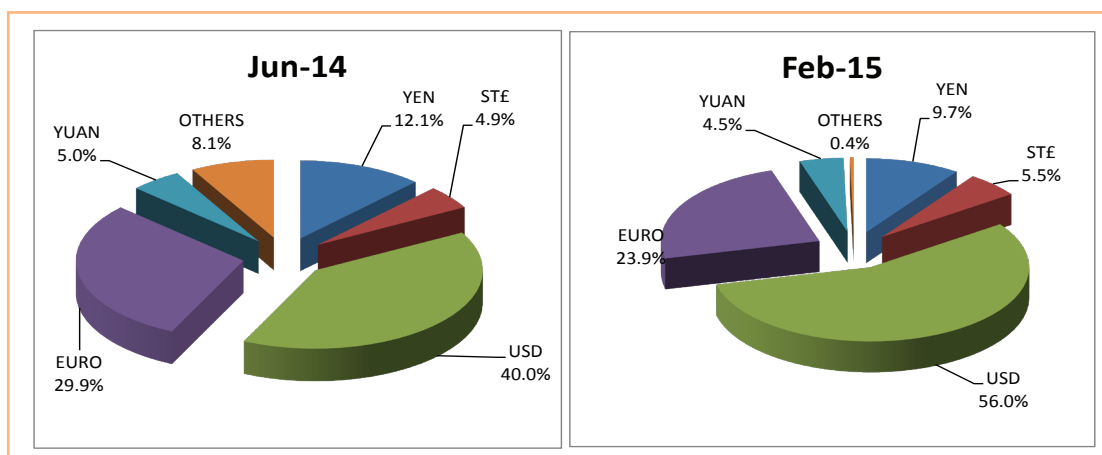
Debt owed to IDA, Kenya's largest multilateral lender, amounted to USD 4.2 billion or 29.4 percent of total external debt while that owed to Japan, Kenya's largest bilateral lender, amounted to USD 0.8 billion, which is equivalent to 5.8 percent of the total external debt at the end of February 2015 (Chart 7B).

CHART 7B: EXTERNAL DEBT BY CREDITOR

Source: National Treasury

Currency Composition of External Debt

The proportion of external debt denominated in the US dollar increased from 40 percent in June 2014 to 56.0 percent in February 2015, while that denominated in Japanese Yen and Euro declined from 12.1 percent and 29.9 percent, respectively, to 9.7 percent and 23.9 percent, respectively, during the period under review (Chart 7C). The rise in the US dollar denominated component is attributed to the proceeds from the Tap sale of the Sovereign bond

CHART 7C: EXTERNAL DEBT DISTRIBUTION BY CURRENCY

Source: National Treasury

**Public
Debt
Service**

Cumulative interest and other charges on domestic debt for first eight months of FY 2014/15 amounted to Ksh 72.3 billion compared with Ksh 69.9 billion during a similar period of the FY 2013/14. The expenditure comprised of interest and other charges on Treasury bills and Treasury Bonds amounting to Ksh 18.6 billion and Ksh 51.9 billion, respectively. In addition, collective interest on Government overdraft and the Pre-97 overdraft, amounted to Ksh 1.9 billion. External debt service in the first eight months of FY 2014/15, amounted to Ksh 1.9 billion, comprising Ksh 1.5 billion in principal repayments and Ksh 0.4 billion in interest payments.

**Outlook
for FY
2014/15**

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

ACTIVITY IN THE STOCK MARKET

The equity markets segment recorded better performance, with all leading indicators making gains. However, the net foreign investors' interest at the NSE declined, but with more foreign purchases than sales. Transactions in the bonds' market segment improved in February 2015.

Equity Market

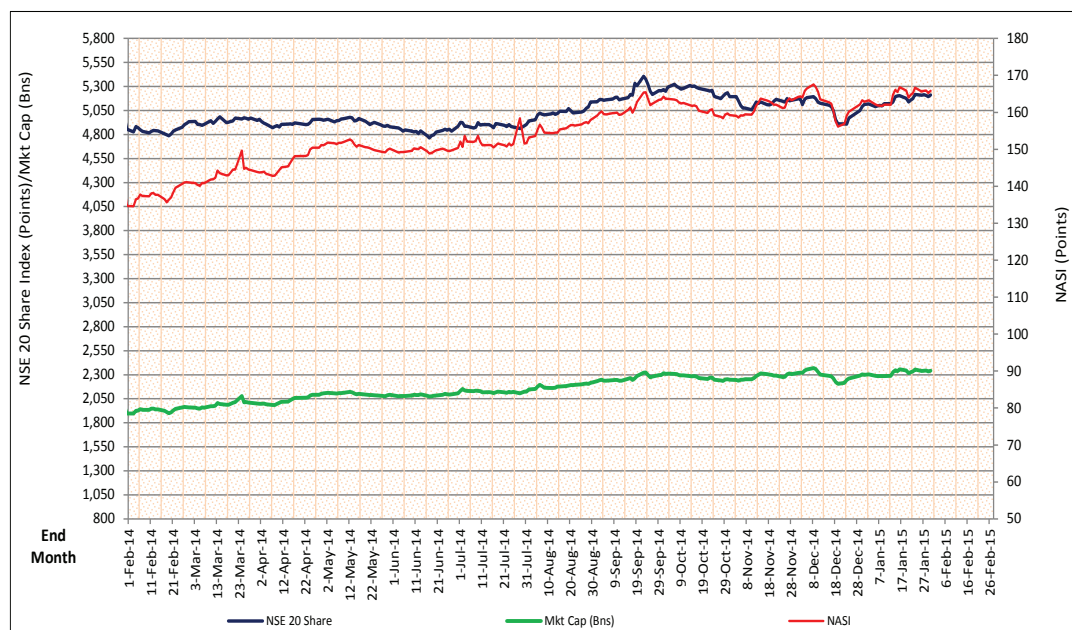
The NSE 20 Share Index closed 279.26 points higher in February 2015 while NASI was 9.9 points up compared to their level in January 2015. Following the strong performance in share prices, shareholders' wealth at the NSE increased by KSh 110.5 billion in February 2015. Equities turnover was up 65.83 percent on account of 43.20 percent rise in shares traded and the increase in share prices.

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%

Source: Nairobi Securities Exchange

Foreign Investors participation at the NSE declined, with overall net foreign participation to total equity turnover at 43.92 percent in February 2015 from 46.71 percent in January 2015. Foreign purchases accounted for 44.55 percent of total equity turnover against 43.30 percent foreign sales, reflecting net inflow (Chart 8.1). The NSE 20 and NASI Share Indices gained strongly in February 2015. Shareholders' wealth measured by market capitalization crossed a historical high of 2.4 trillion.

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 Manufacturing and Allied sectors dominated trading, and accounted for 33.25 percent, 27.06 percent and 12.51 percent, respectively of all shares traded.

FTSE NSE Kenya 15 Index, which measures performance of 15 largest stocks by market capitalization increased to 230.39 points in February 2015 from 219.75 points in January 2015. FTSE NSE Kenya 25 Index that measures performance of 25 most liquid stocks rose to 230.79 points from 221.50 points. The FTSE NSE Kenyan Government Bond Index declined slightly to 92.82 points from 93.81 points, reflecting uptick in secondary market yields.

Bond Market

Bonds turnover improved by 17.66 percent in February 2015, with a total of Ksh 45,145.38 million traded compared with a value of Ksh 38,369.93 million in January 2015. Corresponding deals increased to 445 from 338 deals during the period. The FXD1/2013/010 dominated trading during the month; accounting for 21.10 percent of total turnover, with yields ranging from 11.34 percent to 13.60 percent against a coupon rate of 12.37 percent. The Corporate bonds segment traded Ksh 8.40 million.

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

1.0 ASSETS	FEB 2015	JUNE 2014	INCREASE/ (DECREASE)
1.1 BALANCES DUE FROM BANKING INSTITUTIONS AND GOLD HOLDINGS	710,153	759,650	(49,497)
1.2 FUNDS HELD WITH IMF	3,411	692	2,719
1.3 ITEMS IN THE COURSE OF COLLECTION	41	70	(29)
1.4 ADVANCES TO COMMERCIAL BANKS	92	50	42
1.5 LOANS AND OTHER ADVANCES	37,333	40,463	(3,130)
1.6 OTHER ASSETS	(25,777)	3,142	(28,919)
1.7 RETIREMENT BENEFIT ASSET	7,659	7,659	0
1.8 PROPERTY AND EQUIPMENT	13,775	13,811	(36)
1.81 INTANGIBLE ASSETS	423	639	(216)
1.9 DUE FROM GOVERNMENT OF KENYA	27,224	28,334	(1,110)
TOTAL ASSETS	774,334	854,510	(80,177)
2.0 LIABILITIES			
2.1 CURRENCY IN CIRCULATION	214,127	199,966	14,161
2.2 INVESTMENTS BY BANKS	2,097	-	2,097
2.3 DEPOSITS	359,256	448,800	(89,544)
2.4 INTERNATIONAL MONETARY FUND	120,422	130,064	(9,642)
2.5 OTHER LIABILITIES	5,412	5,097	315
2.6 PROVISIONS	157	157	0
TOTAL LIABILITIES	701,471	784,084	(82,614)
3.0 EQUITY AND RESERVES	72,864	70,426	2,438
Share Capital	5,000	5,000	-
General reserve fund	48,914	48,914	-
Period surplus	2,438		2,438
Asset Revaluation	8,853	8,853	-
Retirement Benefit Asset Reserves	7,659	7,659	-
Dividends payable	-	-	-
4.0 TOTAL LIABILITIES AND EQUITY	774,334	854,510	(80,176)

Source: Central Bank of Kenya

NOTES ON THE FINANCIAL POSITION

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. The category decreased by KSh 49.5 billion to KSh 710.2 billion in February 2015 from KSh 759.7 billion in June 2014.

Items in course of collection represent the value of clearing instruments which are held by the Central Bank of Kenya, while awaiting clearing by respective commercial banks. The balances as at February 2015 were KSh 41 million, representing 41.3 percent recovery from KSh 70 million outstanding as at June 2014.

Advances to commercial banks are balances of money advanced by the Central Bank of Kenya to commercial banks through reverse Repos for augment interbank liquidity for a short duration (7 days) and rediscounted Treasury bills and bonds by commercial banks. The balance outstanding increased by KSh 42 million (or 82 percent) to KSh 92 million in February 2015 from KSh 50 million in June 2014.

Loans and other advances include outstanding balances on advances to commercial banks under the Overnight Loan Facility (OLF) Window, Government overdraft and IMF funds on-lent to Government. The balances decreased by KSh 3,130 million to KSh 37,333 million in February 2015 from KSh 40,463 million in June 2014.

Other Assets largely consist of prepayments and sundry debtors, and deferred currency expense. These assets decreased by KSh 28,919 million to KSh 25,777 million in February 2015 from KSh 3,142 million in June 2014.

Debt due from Government of Kenya category consist of overdrawn accounts which were converted to a long term debt with effect from 1 July 1997 after an amendment to the Central Bank of Kenya Act to limit lending to Government to 5 percent of Government's audited revenue. The debt reduced to KSh 27,224 million in February 2015 from KSh 28,334 million in June 2013.

Liabilities

Currency in circulation increased by KSh 14,161 million (or 7.1 percent) to KSh 214,127 million in February 2015 from KSh 199,966 million in June 2014.

Deposits liability represents deposits held by Government of Kenya, local commercial banks deposit, other public entities and project accounts and local banks' forex settlement accounts. The balances decreased by KSh 89,544 million to KSh 359,256 million in February 2015 from KSh 448,800 million in June 2014.

Amount due to International Monetary Fund represents the Bank's obligations to the IMF. The balances decreased by KSh 9,642 million, to KSh 120,422 in February 2015 from KSh 130,064 million in June 2014.

Other liabilities include net impersonal accounts, sundry creditors, foreign exchange bureaus deposits and suspense accounts. The balance increased by KSh 315 million to KSh 5,412 million in February 2015 from KSh 5,097 million in June 2014.

Equities and reserves increased by KSh 2,438 million, to KSh 72,864 million in February 2015 from KSh 70,426 million in June 2014 reflecting increase in period surplus.