



MONTHLY ECONOMIC REVIEW

JUNE 2015

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

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

CONTENTS

Overview	2
1. Developments in Inflation	7
2. Developments in Money, Credit and Interest Rates	10
3. Performance of the Real Sector	15
4. Developments in the Balance of Payments and Exchange Rates	22
5. Developments in the Banking Sector	28
6. Government Budget Performance	34
7. Developments in Public Debt	38
8. Activity in the Stock Market	44
9. Balance Sheet of the Central Bank of Kenya	46

Information in the Monthly Economic Review is provided for public information and may be reproduced with due acknowledgment. Enquiries concerning this publication should be addressed to: The Director, Research and Policy Analysis Department, Central Bank of Kenya, P. O. Box 60000-00200, Nairobi.

email: Researchstat@centralbank.go.ke

OVERVIEW

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

Inflation Overall 12-month inflation rose marginally from 6.9 percent in May 2015 to 7.0 percent in June 2015. This largely reflects an increase in food and non-food non-fuel inflation. Food inflation rose by 13 basis points to 12.5 percent, while non-food non-fuel inflation rose by 48 basis points to 4.6 percent in June 2015. Fuel inflation eased by 4 basis points to 0.2 percent, and annual average inflation eased to 6.6 percent in June 2015.

Money Supply Growth in broad money, M3, increased marginally to 18.6 percent in the year to June 2015 from 18.2 percent recorded in June 2014, and was above the June 2015 target of 14.2 percent. Growth in M3 was supported by growth in net domestic assets of the banking system.

Interest Rates The Monetary Policy Committee raised the Central Bank Rate (CBR) to 10.0 percent on 9th June 2015, in order to continue anchoring inflationary expectations. The weighted average interbank rate increased to 11.77 percent in June 2015 from 11.17 percent in May 2015.

Real GDP Growth Real GDP is estimated to have expanded by 5.5 percent in the second quarter of 2015, compared with 6.0 percent growth in the same period in 2014. Growth in second Quarter was largely supported by improved performance in Electricity & water supply; Agriculture; Wholesale and retail trade and Transport and communication.

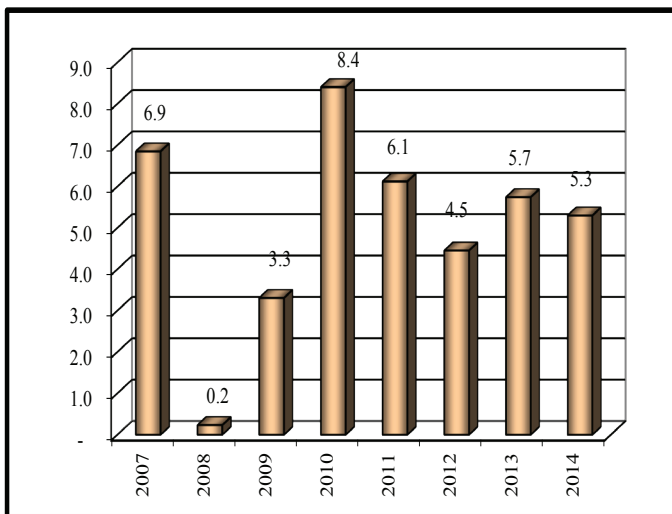
Balance of Payments Kenya's overall balance of payments deficit worsened by USD 3,678.6 million to USD 1,282 million in the year to June 2015 from a surplus of USD 2,397 million in the year to June 2014 following a decrease in the capital and financial account surplus.

The Kenya shilling weakened against major international currencies and displayed mixed

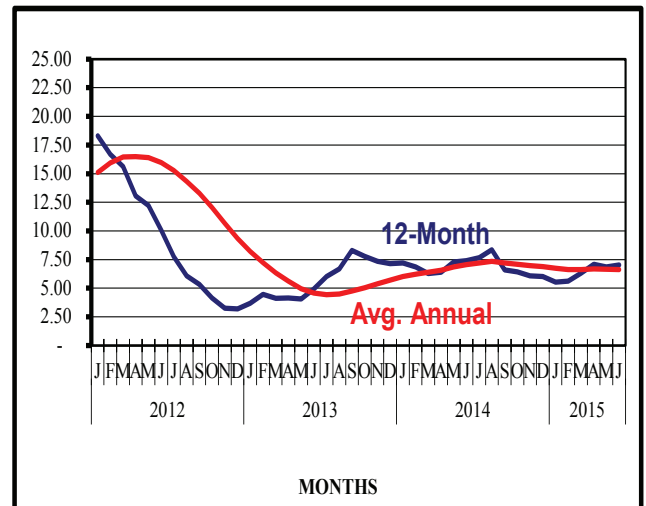
Exchange Rates	performance against EAC currencies during the month of June 2015. The performance of the Kenya Shilling during the review period reflects developments in the international markets notably the strengthening of the US Dollar against major world currencies (anchored on positive sentiment on economic recovery) and high dollar demand on the domestic market.
Banking Sector Developments	The Kenyan banking sector comprised 43 commercial banks, 1 mortgage finance company, 12 microfinance banks, 8 representative offices of foreign banks, 86 foreign exchange bureaus, 14 money remittance providers and 3 credit reference bureaus as at June 30, 2015.
Government Budgetary Performance	The Government's budgetary operations during the FY 2014/15 resulted in a deficit of Ksh 500.2 billion (9.3 percent of GDP) on a commitment basis compared with a deficit of Ksh 296.4 billion (5.5 percent of GDP) incurred in the same period of the FY 2013/14.
Public Debt	Kenya's public and publicly guaranteed debt rose by 458.9 billion to close at Ksh 2,829.1 billion (52.8 percent of GDP) in June 2015 from Ksh 2,370.2 billion (44.2 percent of GDP) in June 2014.
Stock Market	Capital markets displayed mixed performance in the equity segment and slowed performance in the bond segment for the month of June 2015. The net foreign investor interest at the NSE improved, with more purchases than sales, reflecting net inflows.

SELECTED ECONOMIC PERFORMANCE INDICATORS

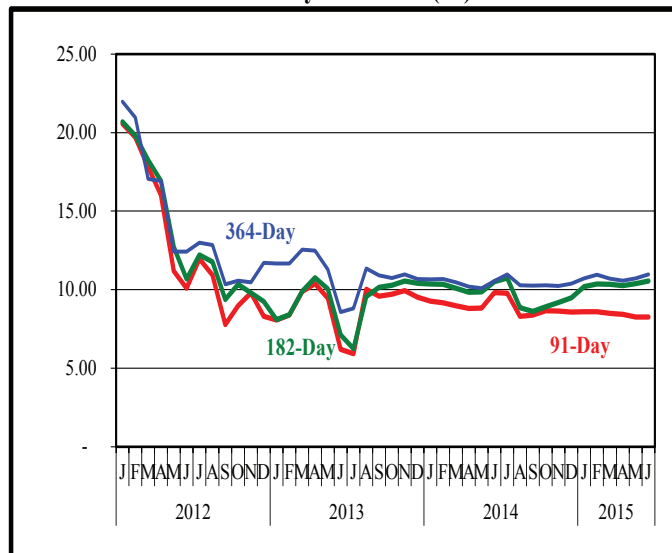
Real GDP Growth (%)



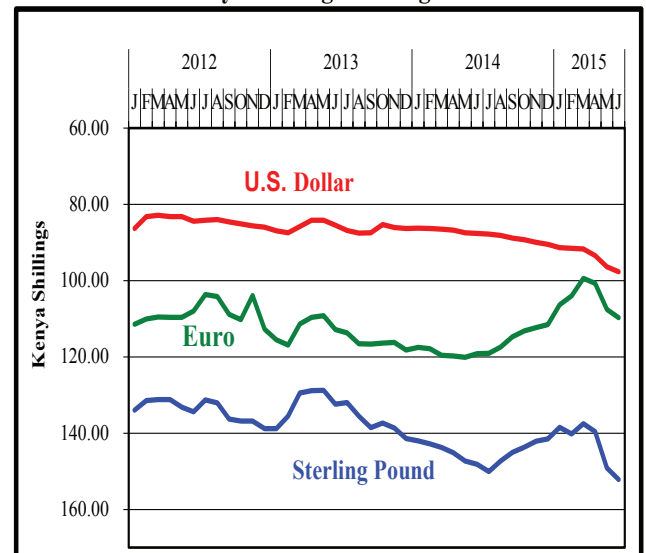
Inflation (%)



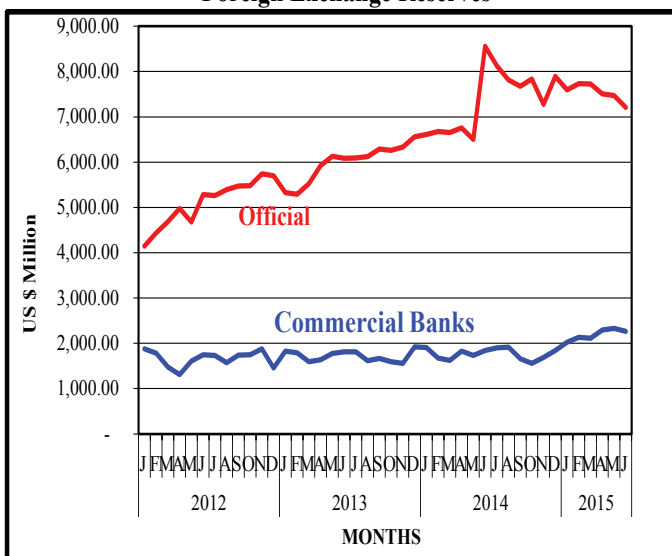
Treasury Bill Rates (%)



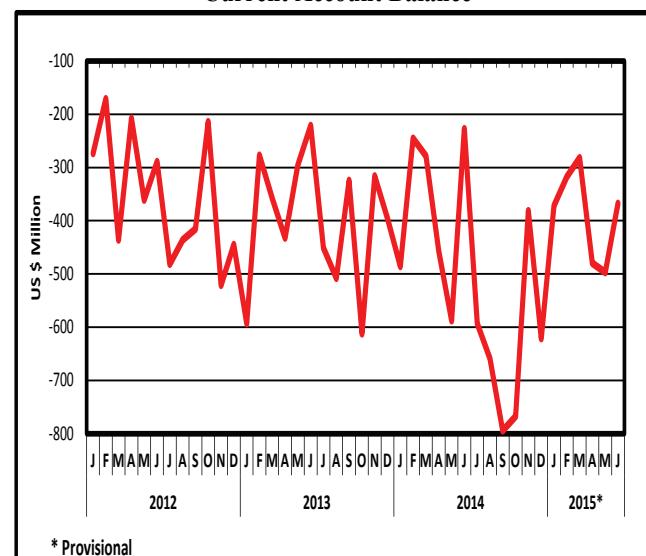
Kenya Shilling Exchange Rate



Foreign Exchange Reserves



Current Account Balance



SELECTED ANNUAL ECONOMIC INDICATORS

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

* Provisional.

** Rebased data

*** Fiscal year to June 30th.

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

¹ Previously M3XT

² Previously M3X

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

SELECTED MONTHLY ECONOMIC INDICATORS

INDICATOR	2014							2015					
	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	June
1. INFLATION (%)													
CPI	149.91	150.60	152.02	152.24	151.92	151.85	152.51	153.43	154.14	155.86	158.70	159.98	160.46
Overall Inflation													
12-month overall inflation	7.39	7.67	8.36	6.60	6.43	6.09	6.02	5.53	5.61	6.31	7.08	6.87	7.03
Average annual overall inflation	7.05	7.19	7.33	7.19	7.08	6.97	6.88	6.74	6.63	6.63	6.69	6.65	6.63
2. INTEREST RATES (%)													
91-day Treasury bill interest rate	9.81	9.78	8.29	8.38	8.67	8.64	8.58	8.59	8.59	8.49	8.42	8.26	8.26
Overdraft interest rate	15.88	17.12	16.20	15.79	15.77	15.66	15.86	15.95	15.67	15.68	15.52	15.10	15.65
3. STOCK MARKET													
Nairobi Stock Exchange 20 Share Price Index	4,885.04	4,906.09	5,139.39	5,256.00	5,194.89	5,156.00	5,112.65	5,212.00	5,491.00	5,248.16	5,091.00	4,788.00	4,906.00
Turnover Ratio (%)	0.90	0.77	0.77	0.93	0.61	0.80	1.07	0.50	0.72	0.74	0.59	0.82	0.82
4. GOVERNMENT BUDGET* (Ksh bn.)													
Revenue \$ Grants	1,001.37	69.58	142.36	248.08	335.24	410.52	524.99	614.43	690.52	779.30	888.78	982.30	1,110.55
Expenses	1,297.76	48.60	141.07	276.61	373.51	490.10	613.96	765.22	864.18	1,133.10	1,264.32	1,347.64	1,610.8
Budget Deficit (-) / Surplus (+)	(296.39)	20.97	1.29	(28.52)	(38.27)	(79.58)	(88.98)	(150.79)	(173.66)	(353.80)	(375.55)	(365.35)	(500.21)
5. MONEY AND CREDIT (Ksh bn.)													
Liquidity (L) ¹	2,718.34	2,812.44	2,880.19	3,020.09	3,037.95	3,102.53	3,124.10	3,162.64	3,222.47	3,034.64	3,098.44	3,140.0	3,196.9
Money Supply (M3) ²	2,152.13	2,190.08	2,253.32	2,251.76	2,260.02	2,295.15	2,329.98	2,350.80	2,407.83	2,398.76	2,464.48	2,501.6	2,553.0
Reserve Money	323.73	304.65	357.05	322.76	348.60	346.20	380.04	350.15	351.63	346.28	353.10	362.7	372.0
Total Domestic Credit	2,042.87	2,130.25	2,187.85	2,110.42	2,117.77	2,162.29	2,137.14	2,153.91	2,225.71	2,444.26	2,492.26	2,558.7	2,639.0
Government	283.06	346.88	372.79	251.07	239.96	256.64	204.27	206.94	266.20	469.72	477.67	489.7	522.1
Private sector and other public sector	1,759.82	1,783.37	1,815.06	1,859.35	1,877.81	1,905.65	1,932.86	1,946.96	1,959.51	1,974.53	2,014.59	2,069.0	2,116.9
6. MONEY AND CREDIT (Annual % Change)													
Liquidity (L) ¹	19.32	19.11	22.99	25.53	25.08	25.10	23.81	23.61	25.87	17.05	16.92	16.2	17.6
Money Supply (M3) ²	18.19	19.30	21.80	19.41	18.94	17.48	16.72	16.00	18.58	16.43	17.32	16.5	18.6
Reserve Money	12.63	7.28	15.25	11.16	13.46	9.29	18.48	15.82	11.45	11.77	12.00	15.0	14.9
Total Domestic Credit	14.58	20.05	21.06	12.54	12.09	9.92	8.02	7.12	8.17	16.51	17.12	17.5	29.2
Government	(25.41)	0.07	10.91	(34.37)	(34.91)	(37.21)	(48.57)	(49.93)	(39.33)	4.41	8.08	5.3	84.5
Private and other public sector	25.39	24.90	23.37	24.56	23.49	22.28	22.23	21.88	21.05	19.81	19.49	20.8	20.3
7. BALANCE OF PAYMENTS (US\$ m)													
Overall Balance	2,056.50	(419.32)	(313.45)	(137.65)	168.11	(559.44)	626.49	(294.47)	143.54	(13.26)	(208.60)	(34.99)	(238.59)
Current Account	(227.72)	(592.93)	(658.56)	(794.18)	(767.48)	(381.68)	(621.04)	(371.93)	(317.51)	(281.84)	(479.68)	(497.35)	(367.62)
Trade Balance	(826.00)	(1,238.33)	(1,164.49)	(1,374.36)	(1,304.50)	(904.62)	(1,098.87)	(946.65)	(770.56)	(732.12)	(962.79)	(1,017.47)	(825.32)
Capital and Financial Account	2,284.22	173.61	345.10	656.54	935.60	(177.76)	1,247.53	77.46	461.05	268.58	271.07	462.36	129.03
8. FOREIGN EXCHANGE RESERVES (US\$ m)	10,398.72	10,029.34	9,731.50	9,335.92	9,399.90	8,964.49	9,737.55	9,619.76	9,873.29	9,834.29	9,805.54	9,798.73	9,473.11
Official	8,554.52	8,127.54	7,814.08	7,676.44	7,838.99	7,273.99	7,894.92	7,593.04	7,736.58	7,723.31	7,509.44	7,469.23	7,211.56
Months of import cover**	5.67	5.33	5.10	4.96	5.00	4.64	5.01	4.80	4.88	4.90	4.75	4.73	4.57
Commercial banks	1,844.21	1,901.81	1,917.42	1,659.49	1,560.91	1,690.50	1,842.64	2,026.72	2,136.71	2,110.98	2,296.10	2,329.50	2,261.55
9. PUBLIC DEBT (US\$ bn)	27.05	27.19	26.92	26.44	26.17	26.56	27.16	28.28	28.97	29.10	29.35	28.94	28.96
Domestic	14.66	14.77	14.54	14.19	13.97	14.49	14.23	14.42	14.79	15.20	15.15	14.61	14.54
As % of GDP	23.97	24.20	23.91	23.53	23.41	24.33	24.41	24.91	25.26	26.08	26.42	26.29	26.51
External	12.39	12.42	12.38	12.25	12.20	12.08	12.92	13.86	14.17	13.90	14.20	14.33	14.42
As % of GDP	20.27	20.34	20.36	20.30	20.32	20.33	21.85	23.64	24.20	23.86	24.77	25.78	26.29
10. GROSS DOMESTIC DEBT (Ksh bn)***	1,284.33	1,296.44	1,281.09	1,260.87	1,246.14	1,303.35	1,287.40	1,317.48	1,353.30	1,397.10	1,415.43	1,408.43	1,420.44
11. AVERAGE EXCHANGE RATE													
Ksh/US\$	87.61	87.77	88.11	88.84	89.23	89.96	90.44	91.36	91.49	91.73	93.44	96.39	97.70
Ksh/Pound Sterling	148.15	150.04	147.24	144.99	143.66	142.05	141.45	138.49	140.21	137.51	139.62	149.10	152.16
Ksh/100 Yen	85.88	86.32	85.63	82.90	82.62	77.53	75.79	77.19	77.17	76.22	78.18	79.89	79.00
Ksh/Euro	119.16	119.02	117.40	114.74	113.21	112.28	111.52	106.32	103.94	99.40	100.71	107.54	109.72

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

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

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

¹ Previously M3XT

² Previously M3X

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

DEVELOPMENTS IN INFLATION

Overall Inflation

Overall 12-month inflation rose marginally from 6.9 percent in May 2015 to 7.0 percent in June 2015. This largely reflects an increase in food and non-food non-fuel inflation. Food inflation rose by 13 basis points to 12.5 percent, while non-food non-fuel inflation rose by 48 basis points to 4.6 percent. Fuel inflation eased by 4 basis points to 0.2 percent, and annual average inflation stabilized at 6.6 percent. The three months annualized rate of inflation eased to 12.3 percent, indicating a decrease in domestic inflationary pressures (Table 1.1 and Chart 1A)

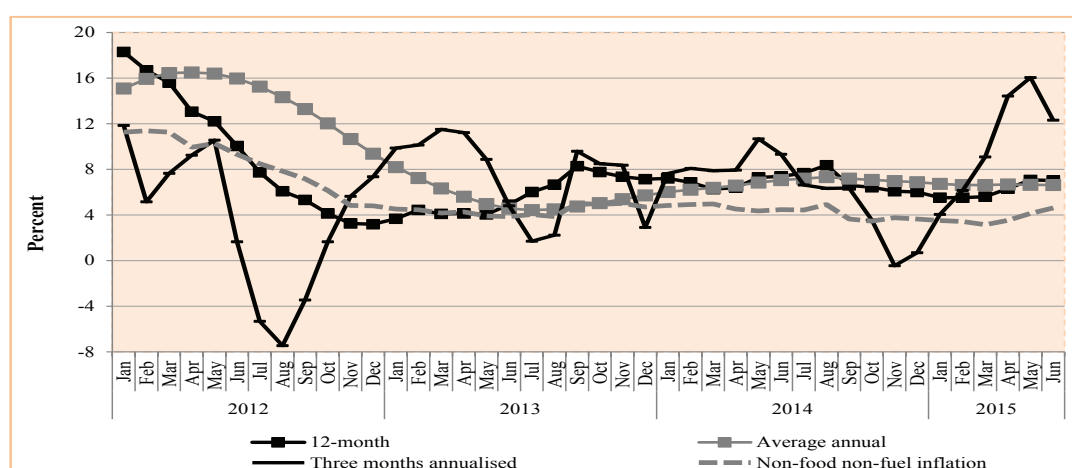
Food inflation increased from 12.4 percent in May 2015 to 12.5 percent in June 2015. This reflected an increase in the 12-month inflation the ‘food and non-alcoholic beverages’ category of goods and services from 13.2 percent in May 2015 to 13.4 percent in June 2015, on account of a rise in the average retail prices of fresh produce.

TABLE 1.1: INFLATION RATE (%)

Overall Inflation	2014							2015					
	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
12-month	7.39	7.67	8.36	6.60	6.43	6.09	6.02	5.53	5.61	6.31	7.08	6.87	7.03
Average annual	7.05	7.19	7.33	7.19	7.08	6.97	6.88	6.74	6.63	6.63	6.69	6.65	6.63
Three months annualised	9.32	6.63	6.33	6.37	3.56	(0.44)	0.70	4.05	6.16	9.09	14.44	16.06	12.32
Non-food non-oil inflation	4.47	4.45	4.92	3.65	3.46	3.77	3.65	3.51	3.43	3.16	3.53	4.15	4.63

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

CHART 1A: EVOLUTION OF INFLATION RATE



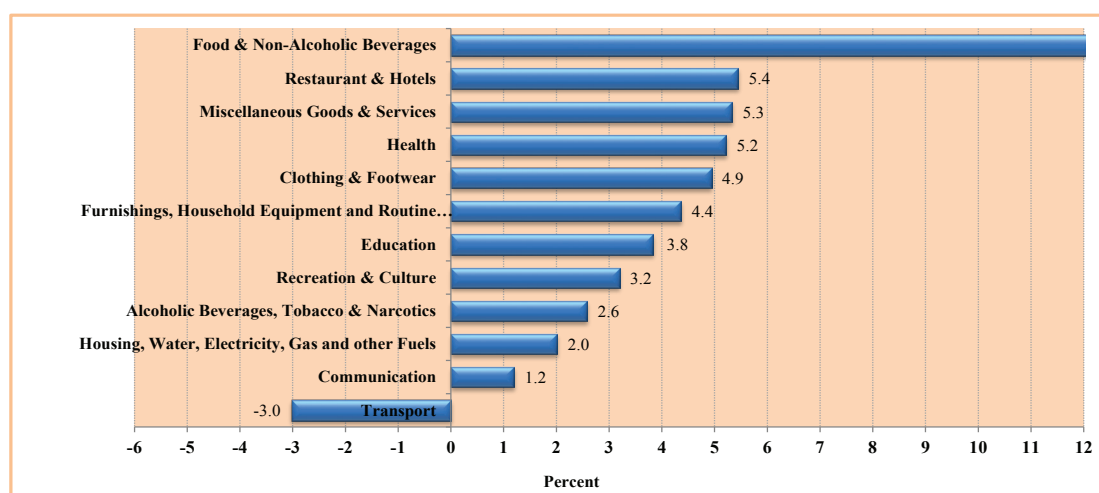
Sources: Kenya National Bureau of Statistics and Central Bank of Kenya

Fuel inflation eased marginally from 0.28 percent in May 2015 to 0.24 percent in June 2015. This reflects a decline in 12-month inflation in the ‘housing, water, electricity, gas and other fuels’ categories of goods from 2.4 percent in May 2015 to 2.0 percent in June 2015. The ‘transport’ category of goods and services exhibited sustained deflation, edging upwards to -3.0 percent in June 2015 from -3.5 percent in May 2015 on account of an increase in the average retail prices of fuels.

Non-food non-fuel (NFNF) inflation rose from 4.1 percent in May 2015 to 4.6 percent in June 2015, reflecting higher prices in the ‘alcoholic beverages, tobacco and narcotics’, ‘communication’, ‘clothing & footwear’, ‘health’, ‘miscellaneous goods and services’ and ‘furnishings, household equipment and routine household maintenance’ consumption baskets. The inflation pressures in most of the NFNF components reflect imported inflation arising from exchange rate depreciation during the period under review.

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, JUNE 2015



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

TABLE 1.2: 12 MONTHS INFLATION ACROSS BASKETS AND INCOME GROUPS, JUNE 2015

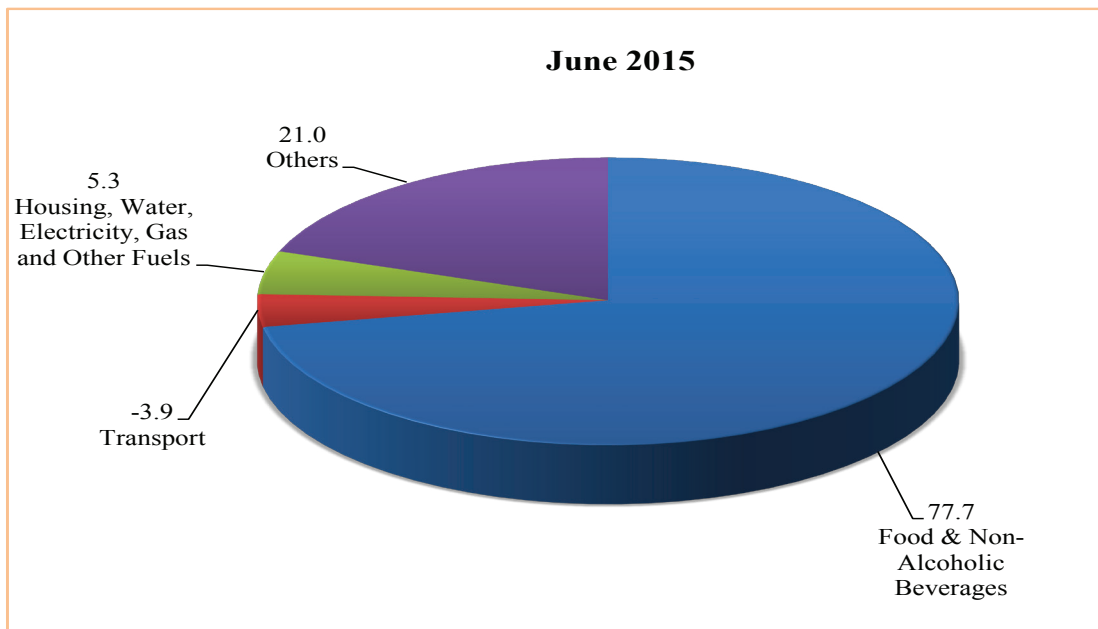
	Weight- CPI Kenya	NAIROBI				REST OF URBAN	TOTAL KENYA
		Lower Income	Middle Income	Upper Income	Nairobi Combined	Rest of Kenya Combined	
Food & Non-alcoholic beverages	42.90	13.32	9.46	10.53	12.32	14.09	13.39
Alcoholic beverages, Tobacco and narcotics	1.96	2.68	0.96	3.05	2.28	2.78	2.58
Clothing and Footwear	6.59	3.07	4.93	5.05	3.57	5.83	4.94
Housing, Water, Electricity, Gas and other fuels	16.59	0.82	1.26	(1.95)	0.82	2.82	2.01
Furnishings, Household equipment and Routine household maintenance	5.45	2.83	4.32	3.24	3.21	5.11	4.37
Health	2.74	3.52	7.46	4.46	4.49	5.70	5.22
Transport	8.56	2.13	(2.44)	(1.01)	1.04	(6.05)	(3.02)
Communication	1.86	1.65	4.42	0.31	2.43	0.46	1.20
Recreation and culture	2.04	2.29	4.83	(2.15)	2.74	3.51	3.20
Education	2.55	2.97	10.90	3.78	5.03	2.97	3.83
Restaurants and hotels	4.71	2.92	3.99	10.95	3.37	6.87	5.45
Miscellaneous goods and services	3.94	2.72	6.28	2.64	3.53	6.50	5.33
ALL GROUPS	100.00	7.32	4.63	1.77	6.53	7.38	7.03

Source: Kenya National Bureau of Statistics

As shown in Chart 1C, 77.7 percent of the overall 12-month inflation in June 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 5.3 percent and -3.9 percent, respectively.

12-month inflation in Nairobi rose to 6.5 percent in June 2015, compared to 6.1 percent in May 2015. The increase in Nairobi inflation was in the lower and middle income groups, as the upper income group recorded a marginal drop. On the other hand, 12-month inflation registered in urban centers outside Nairobi remained stable at 7.4 percent in May and June 2015 (Table 1.3)

CHART 1C: PERCENTAGE CONTRIBUTIONS TO OVERALL INFLATION, JUNE 2015



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

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

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

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

DEVELOPMENTS IN MONEY, CREDIT AND INTEREST RATES

Monetary Aggregates

Growth in broad money, M3, increased marginally to 18.6 percent in the year to June 2015 from 18.2 percent recorded in June 2014, and was above the June 2015 target of 14.2 percent. Growth in M3 was largely on account of buildup in net domestic assets of the banking system. Over the same period, growth in M2 slowed down to 16.4 percent from 18.8 percent in a similar period in 2014 (Table 2.1 and Chart 2A).

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

	2013 June	2014 June	2015 June	Absolute Change		%age change	
				2013/14 June	2014/15 June	12 months Jun-14	12 months Jun-15
1. Money supply, M3 (2+3) ^{2/}	1,820.88	2,152.13	2,552.99	331.25	400.86	18.19	18.63
1.1 Money supply, M2 ^{3/}	1,547.88	1,838.14	2,139.53	290.25	301.40	18.75	16.40
1.2 Money supply, M1	752.83	913.02	1,000.97	160.19	87.95	21.28	9.63
1.3 Currency outside banks	147.98	158.17	175.25	10.19	17.08	6.89	10.80
1.4 Foreign Currency Deposits	273.00	314.00	413.46	41.00	99.47	15.02	31.68
2. Net foreign assets ^{4/}	361.22	529.43	435.52	168.20	(93.90)	46.56	(17.74)
Central Bank	402.14	615.42	565.16	213.28	(50.27)	53.04	(8.17)
Banking Institutions	(40.92)	(86.00)	(129.63)	(45.08)	(43.63)		50.74
3. Net domestic assets (3.1+3.2)	1,459.65	1,622.71	2,117.47	163.05	494.76	11.17	30.49
3.1 Domestic credit (3.1.1+3.1.2)	1,782.95	2,042.87	2,638.96	259.92	596.08	14.58	29.18
3.1.1 Government (net)	379.51	283.06	522.06	(96.45)	239.00	(25.41)	84.44
3.1.2 Private sector	1,367.25	1,719.82	2,072.22	352.57	352.40	25.79	20.49
3.1.3 Other public sector	36.20	39.99	44.68	3.80	4.68	10.49	11.71
3.2 Other assets net (3-3.1)	(323.30)	(420.17)	(521.49)	(96.87)	(101.32)		
Memorandum items							
1. Overall liquidity, L ^{1/}	2,278.29	2,718.34	3,196.87	440.05	478.53	19.32	17.60
2. Reserve money	287.44	323.73	371.99	36.29	48.26	12.63	14.91
Currency outside banks	147.98	158.17	175.25	10.19	17.08	6.89	10.80
Bank reserves	139.47	165.57	196.74	26.10	31.17	18.71	18.83

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

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

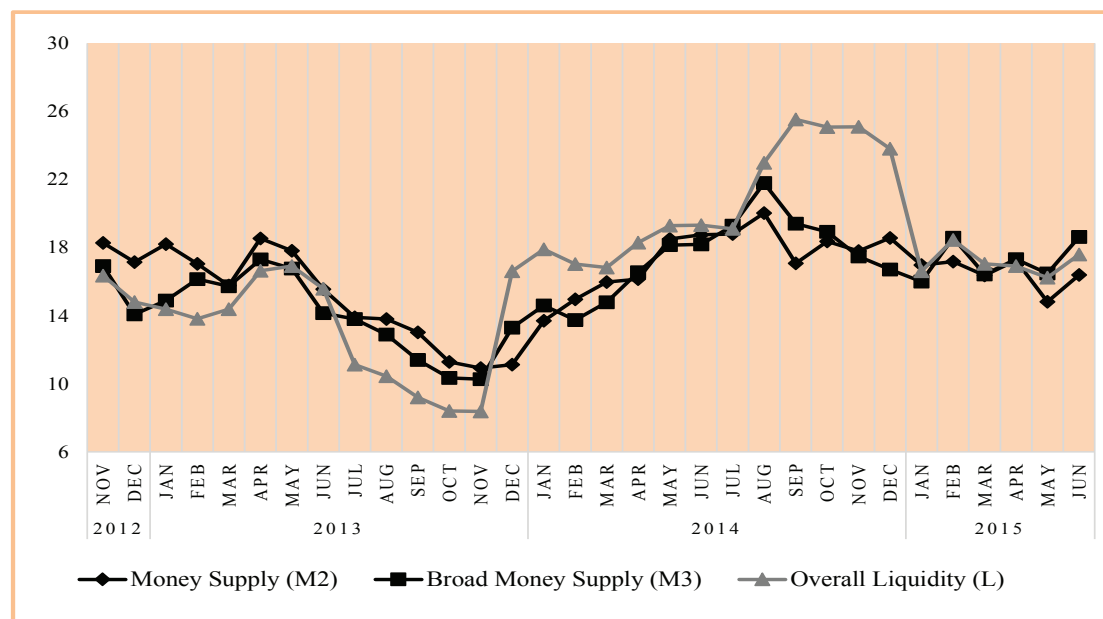
^{2/} Broader money, M3, comprises M2 and residents foreign currency deposits with local banks. It is comparable to M3X in the past publications. Foreign

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

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

Source: Central Bank of Kenya

CHART 2A: ANNUAL PERCENTAGE CHANGE IN MONEY SUPPLY



Source: Central Bank of Kenya

The NDA of the banking system grew by 30.5 percent from 11.2 percent largely on increased borrowing by Government and private sector credit from the banking sector. Over the same period, the NFA of the banking system decelerated by 17.7 percent (or KSh 93.9 billion) compared with a growth of 46.6 percent (or KSh 168.2 billion) over a similar period in 2014. The NFA of the Central Bank decreased by 8.2 percent to KSh 565.2 billion in the year to June 2015 from KSh 615.4 billion in June 2014, largely due to sale of forex by CBK in the interbank market to stem volatility of the exchange rate. The NFA held by other banking institutions also declined, on account of increased loans from non-residents and other accounts payable (Table 2.2).

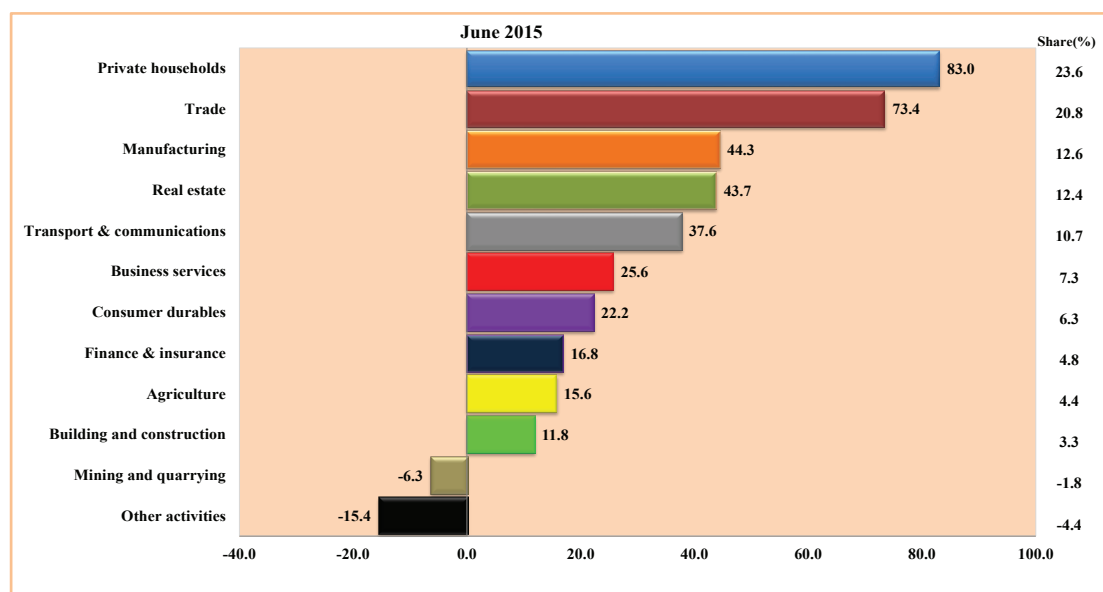
TABLE 2.2: PERFORMANCE OF NET DOMESTIC CREDIT OF THE BANKING SYSTEM (KSH BILLION)

	2014 June		2015 June		Absolute Change June		Annual %age Change June	
	Ksh bn	Share (%)	Ksh bn	Share (%)	2013/14	2014/15	2012/13	2013/14
1. Credit to Government	283.06	13.86	522.06	19.78	(96.45)	239.00	(25.41)	84.44
Central Bank	(176.07)	(8.62)	(23.07)	(0.87)	(155.21)	153.01	743.73	(86.90)
Commercial Banks & NBFIs	459.13	22.47	545.13	20.66	58.76	85.99	14.68	18.73
2. Credit to other public sector	39.99	1.96	44.68	1.69	3.80	4.68	10.49	11.71
Local government	3.08	0.15	0.29	0.01	6.05	(2.79)	(203.75)	(90.54)
Parastatals	36.91	1.81	44.39	1.68	(2.25)	7.47	(5.74)	20.24
3. Credit to private sector	1,719.82	84.19	2,072.22	78.52	352.57	352.40	25.79	20.49
Agriculture	65.27	3.19	80.90	3.07	9.92	15.63	17.93	23.95
Manufacturing	221.09	10.82	265.41	10.06	53.18	44.32	31.67	20.05
Trade	283.50	13.88	356.89	13.52	55.55	73.40	24.37	25.89
Building and construction	75.77	3.71	87.54	3.32	9.92	11.77	15.06	15.53
Transport & communications	111.43	5.45	149.06	5.65	34.20	37.64	44.28	33.78
Finance & insurance	38.90	1.90	55.73	2.11	9.25	16.83	31.21	43.27
Real estate	225.14	11.02	268.87	10.19	48.54	43.73	27.49	19.42
Mining and quarrying	28.47	1.39	22.17	0.84	6.68	(6.30)	30.66	(22.13)
Private households	266.21	13.03	349.21	13.23	58.77	83.00	28.33	31.18
Consumer durables	103.00	5.04	125.20	4.74	17.56	22.20	20.55	21.55
Business services	162.36	7.95	187.99	7.12	44.89	25.63	38.22	15.79
Other activities	138.68	6.79	123.24	4.67	4.09	(15.45)	3.04	(11.14)
4. TOTAL (1+2+3) *	2,042.87	100.00	2,638.96	100.00	259.92	596.08	14.58	29.18

* 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 596.2 billion (29.2 percent) in the year to June 2015 compared with KSh 259.9 billion (14.6 percent) in a similar period in 2014 (Table 2.2). The strong growth in domestic credit largely reflected in a drawdown of Government at deposits at CBK following utilization of proceeds from the Eurobond (issued in June 2014) and its Tap sale in December 2014. Credit to Government grew by 84.4 percent in the year to June 2015. Over the same period, growth in credit to the private sector decreased to 20.5 percent from 25.8 percent the previous year. In terms of shares to the total lending, the private sector accounted for 78.5 percent of the total bank credit compared with 19.8 percent to the Government.

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

Source: Central Bank of Kenya

Reserve Money

Reserve money (RM) comprises currency held by the non-bank public and commercial banks reserves (comprising deposits at the Central Bank and cash in their tills). It increased by 14.9 percent in the year to June 2015 compared with 12.6 percent growth in June 2014 (Table 2.1). At KSh 372.0 billion in June 2015, reserve money was KSh 17.4 billion above the target of KSh 354.6 billion. The growth in reserve money reflected 18.8 percent increase in bank reserves and 10.8 percent increase in currency outside banks (Table 2.3).

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

	2013	2014	2015	Absolute change		Change (%)		2015	
	June	June	June	2013/14	2014/15	2013/14	2014/15	June Target	Deviation
1. Net Foreign Assets	402.14	615.42	565.16	213.28	(50.27)	53.04	(8.17)	574.97	(9.82)
2. Net Domestic Assets	(114.70)	(291.69)	(193.17)	(176.99)	98.52	154.31	(33.78)	(220.39)	27.22
2.1 Government Borrowing (net)	(20.87)	(176.07)	(23.07)	(155.21)	153.01			(35.58)	12.51
2.2 Commercial banks (net)	(41.65)	-	(29.70)	41.65	(29.70)			(45.14)	15.44
2.3 Other Domestic Assets (net)	(56.01)	(119.33)	(143.94)	(63.31)	(24.62)			(143.45)	(0.49)
3. Reserve Money	287.44	323.73	371.99	36.29	48.26	12.63	14.91	354.58	17.41
3.1 Currency outside banks	147.98	158.17	175.25	10.19	17.08	6.89	10.80	171.36	3.89
3.2 Bank reserves	139.47	165.57	196.74	26.10	31.17	18.71	18.83	183.22	13.51

Source: Central Bank of Kenya

The NDA of the Central Bank increased by KSh 98.5 billion to KSh -193.2 billion in June 2015 from KSh -291.7 billion in June 2014 on account of drawdown on Government deposits at CBK following utilization of proceeds from the Eurobond (issued in June 2014) and its Tap sale in December 2014. During the period under review, the NFA of the Central Bank, declined by KSh 50.3 billion to KSh 562.2 billion in the year to June 2015. The drawdown is attributed to CBK intervention in the forex market to mitigate the volatility of the exchange rate.

Central Bank Rates The Monetary Policy Committee raised the Central Bank Rate (CBR) to 10.0 percent on June 9, 2015 in order to mitigate against emerging demand pressures associated with the weakening of the Kenya Shilling against the US dollar.

Short Term Interest Rates Short term interest rates showed mixed performance in June 2015 (Table 2.4 and Chart 2D). The weighted average interbank rate increased to 11.77 percent in June 2015 from 11.17 percent in May 2015. The 91-day Treasury bill rate, which largely reflects the government's borrowing profile, remained unchanged at 8.26 percent in June 2015 while the 182-day Treasury bill rate increased to 10.6 percent in June 2015 from 10.4 percent in May 2015.

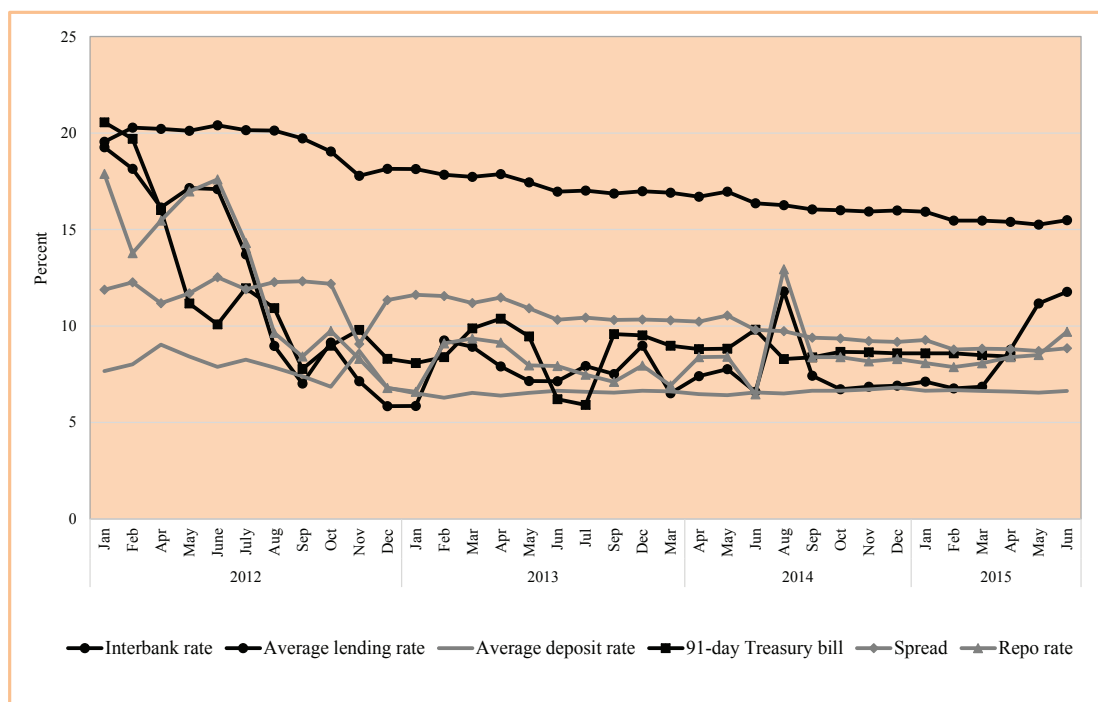
Lending and Deposit Rates The average lending rate increased slightly to 15.48 percent in June 2015 from 15.26 percent recorded in May 2015 while the average deposit rate increased to 6.64 percent in June 2015 from 6.55 percent in May 2015. Consequently, the interest rate spread increased marginally to 8.85 percent in June 2015 from 8.7 percent in May 2015 (Table 2.4 and Chart 2C).

TABLE 2.4: INTEREST RATES (%)

	2014							2015					
	June	July	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	June
91-day Treasury bill rate	9.81	9.78	8.29	8.38	8.67	8.64	8.58	8.59	8.59	8.49	8.42	8.26	8.26
182-day Treasury bill rate	10.50	10.74	8.85	8.61	8.91	9.18	9.49	10.19	10.37	10.35	10.26	10.37	10.55
Overdraft rate	15.88	17.12	16.20	15.79	15.77	15.66	15.86	15.95	15.67	15.68	15.52	15.10	15.65
Interbank rate	6.60	8.08	11.79	7.43	6.73	6.86	6.91	7.12	6.77	6.85	8.77	11.17	11.77
Repo rate	6.46	-	12.95	8.39	8.39	8.17	8.29	8.08	7.87	8.08	8.38	8.50	9.70
Reverse Repo rate	-	-	-	-	-	-	-	-	-	-	-	-	-
Central Bank Rate (CBR)	8.50	8.50	8.50	8.50	8.50	8.50	8.50	8.50	8.50	8.50	8.50	8.50	10.00
Average lending rate (1)	16.36	16.91	16.24	16.04	16.00	15.94	15.99	15.93	15.47	15.46	15.40	15.26	15.48
Average deposit rate (2)	6.56	6.59	6.51	6.64	6.64	6.72	6.81	6.65	6.68	6.63	6.60	6.55	6.64
Over 3 months deposit	10.05	9.80	10.29	9.96	9.80	10.51	9.84	9.84	9.90	9.85	9.81	9.72	9.73
Savings deposits	1.50	1.33	1.50	1.51	1.55	1.57	1.85	1.58	1.53	1.53	1.90	1.48	1.85
Spread (1-2)	9.80	10.33	9.73	9.40	9.36	9.22	9.18	9.28	8.78	8.82	8.80	8.70	8.85

Source: Central Bank of Kenya

CHART 2C : TRENDS IN INTEREST RATES



Source: Central Bank of Kenya

PERFORMANCE OF THE REAL SECTOR

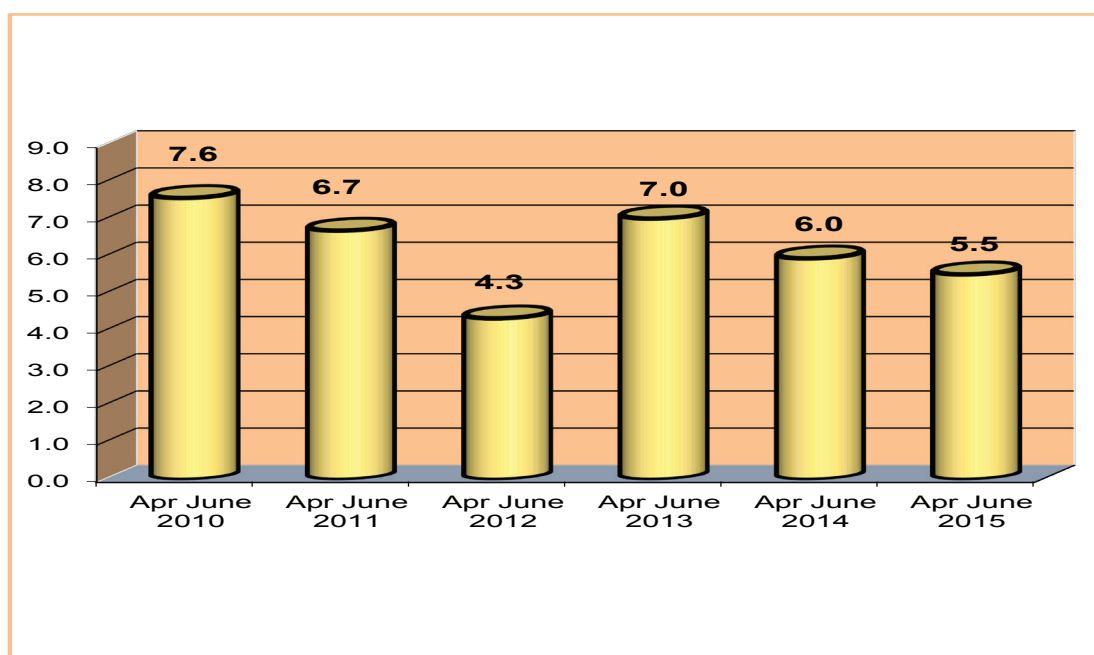
Overview Real GDP is estimated to have expanded by 5.5 percent in the second quarter of 2015, compared with 6.0 percent growth in the same period in 2014 (Table 3.1, Chart 3A). Growth in the second Quarter was largely supported by improved performance in Electricity & water supply; Agriculture; Wholesale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

TABLE 3.1: PERFORMANCE OF REAL GROSS DOMESTIC PRODUCT

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

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

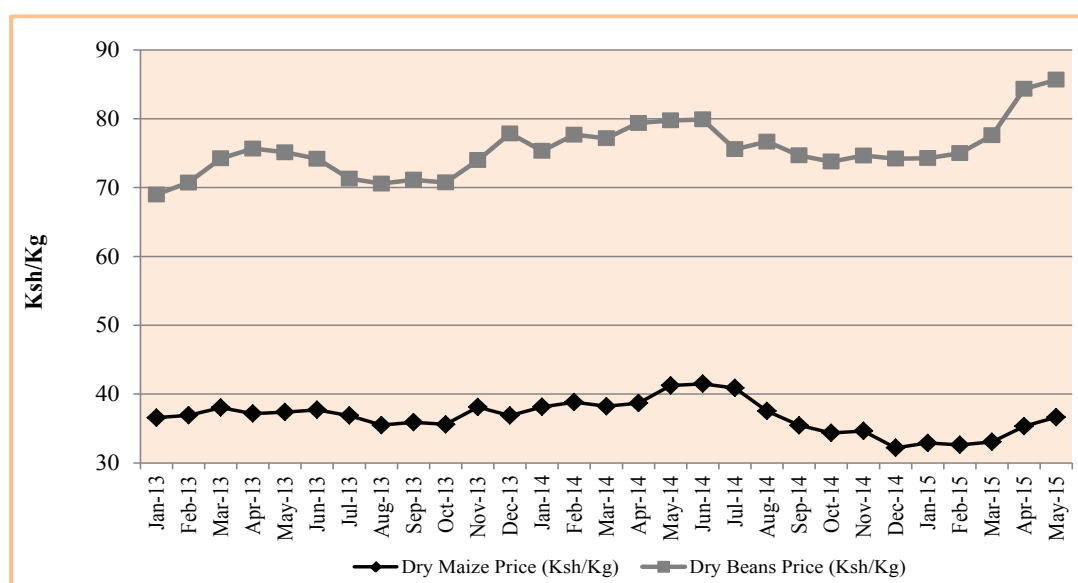
CHART 3A: REAL GDP GROWTH IN APRIL - JUNE QUARTERS



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

Agriculture Agriculture output increased by 5.4 percent in the second quarter of 2015 compared to 2.1 percent in the second quarter of 2014. The improved performance is attributed to favourable weather conditions during the period under review, which led to increased activity in the sector (Table 3.1). However the price of beans increased due to farm losses attributed to the adverse effects of heavy rains in some parts of the country (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 May 2015 show a general decline in performance (Table 3.2).

TABLE 3.2: PERFORMANCE OF OUTPUT OF OF MAJOR CROPS AND MILK

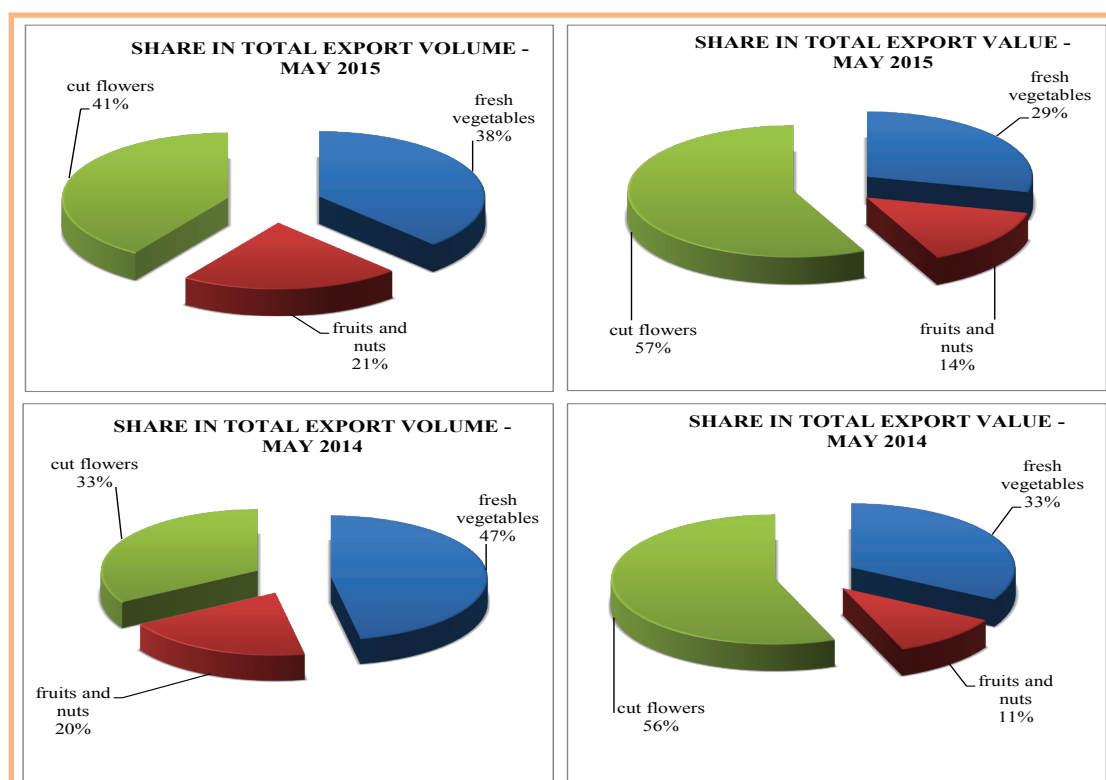
	Annual Totals			Year to May 2014	Year to May 2015
	2012	2013	2014		
Tea					
Output (Metric tonnes)	369,562	432,453	445,106	430,603	394,842
Growth (%)	-2.2%	17.0%	2.9%	-1.4%	-8.3%
Horticulture					
Exports (Metric tonnes)	250,814	309,029	303,254	308,118	290,361
Growth (%)	5.1%	23.2%	-1.9%	10.2%	-5.8%
Coffee					
Sales (Metric tonnes)	46,051	37,943	42,450	39,388	37,534
Growth (%)	53.6%	-17.6%	11.9%	-11.6%	-4.7%
Milk					
Output (million litres)	495	523	544	534	515
Growth %	-9.8%	5.6%	4.0%	-3.1%	-3.6%
Sugar Cane					
Output (Metric tonnes)	5,716	6,672	6,478	7,240	6,418
Growth (%)	7.1%	16.7%	-2.9%	29.9%	-11.4%

Source: Kenya National Bureau of Statistics and Kenya Revenue Authority

Tea Growth in production of tea declined by 8.3 percent in the year to May 2015 compared with decline of 1.4 percent recorded in the year to May 2014, largely on account of unfavourable weather conditions early in the year (Table 3.2).

Horticulture Export of fresh horticultural products contracted by 5.8 percent from 308,118 metric tonnes in the year to May 2014 to 290,361 metric tonnes in the year to May 2015. During the period under review, exports of cut flowers dominated in terms of volume and value (Table 3.2 and Chart 3C).

CHART 3C: STRUCTURE OF HORTICULTURAL EXPORTS

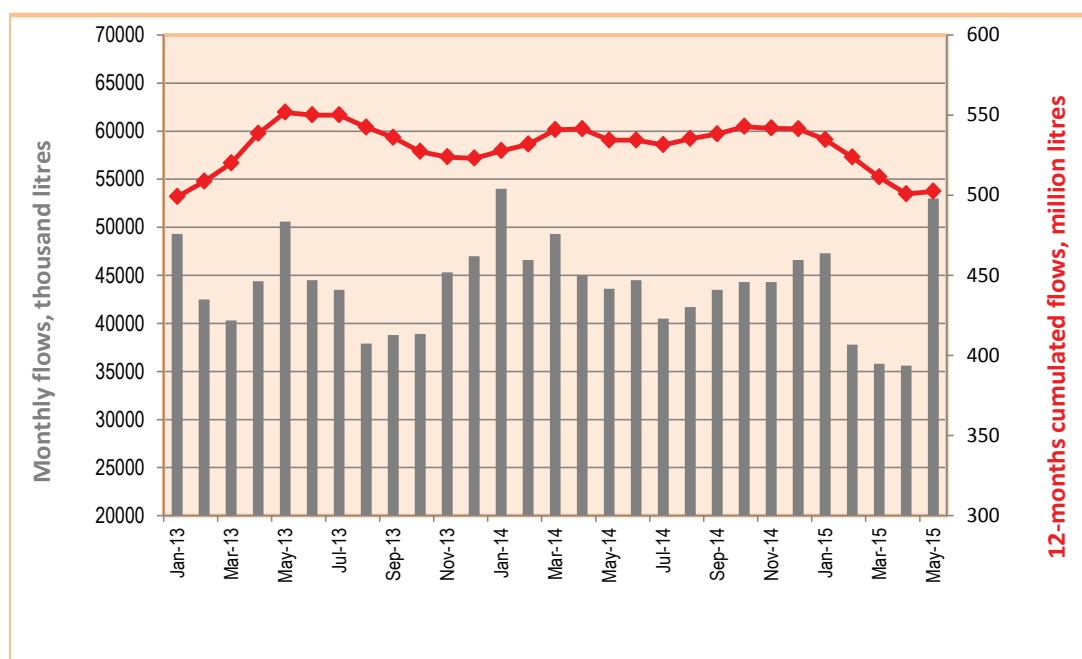


Source: Kenya Revenue Authority

Coffee Annual growth in coffee sales declined by 4.7 percent in the year to May 2015 compared with 11.6 percent contraction recorded in the year to May 2014. The average auction price for coffee increased by 23.7 percent from KSh 308.71 per kilogram in the year to May 2014 to KSh 381.98 per kilogram in the year to May 2015.

Dairy The volume of milk intake in the formal sector in the year to May 2015 declined by 3.6 percent to 515 million litres in the year to May 2015 from 534 million litres recorded in the year to May 2014 (Chart 3D).

CHART 3D: PROCESSED MILK (LITRES)



Source: Kenya National Bureau of Statistics

Manufacturing The manufacturing sector output, which accounted for 10.7 percent of GDP in the second quarter of 2015, is estimated to have increased by 4.5 percent in the second quarter of 2015 compared with 8.3 percent growth in the second quarter of 2014. (Table 3.3 and Chart 3E). Available indicators on performance of the manufacturing sector in the year to May 2015 show acceleration in the production of cement, assembled vehicles and soft drinks, and a deceleration in the production of galvanized sheets and processed sugar.

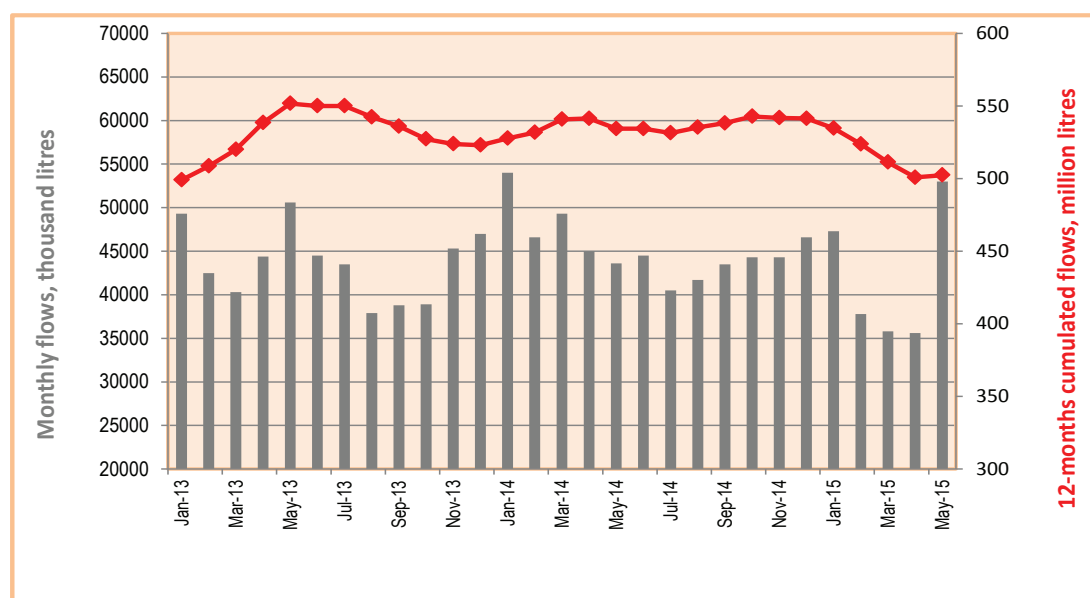
TABLE 3.3: PRODUCTION OF SELECTED MANUFACTURED GOODS

	Annual Totals			Year to May 2014	Year to May 2015
	2012	2013	2014		
Cement production					
Output (MT)	4,639,693	5,059,129	5,856,828	5,445,783	6,060,620
Growth %	3.6%	9.0%	15.8%	16.0%	11.3%
Assembled vehicles					
Output (No.)	6,218	6,948	9,246	8,007	9,653
Growth %	2.8%	11.7%	33.1%	27.0%	20.6%
Galvanized sheets					
Output (MT)	235,812	306,100	284,509	296,877	279,163
Growth %	-12.0%	29.8%	-7.1%	8.7%	-6.0%
Processed sugar					
Output (MT)	494,030	600,210	616,852	660,880	612,567
Growth %	4.0%	21.5%	2.8%	40.2%	-7.3%
Soft drinks					
Output ('000 litres)	359,518	403,981	459,464	434,414	476,599
Growth %	-3.2%	12.4%	13.7%	17.9%	9.7%

MT = Metric tonnes

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 slowed down to 5.2 percent in the year to May 2015 from 11.3 percent in the year to May 2014 (Table 3.4). The total amount of electricity generated in the year to May 2015 was 9,040 million kilowatt hours compared with 8,597 million kilowatt hours generated in the year to May 2014. The increase in the amount of electricity produced reflects accelerated generation of geo-thermal power by 101.1 percent in the year to May 2015 compared with 24.4 percent in the year to May 2014. Generation of hydro-electricity power, on the other hand, contracted by 19.3 percent while that of thermal power contracted by 28.7 percent in the year to May 2015. The total supply in the year to May 2015 comprised 36.2 percent hydro-electricity, 43.3 percent geo-thermal power and 20.5 percent thermal power. Meanwhile, the average price of murban crude oil declined from US\$ 110.0 per barrel in the year to May 2014 to US\$ 77.8 per barrel in the year to May 2015.

TABLE 3.4: ENERGY SECTOR PERFORMANCE

	2012	2013	2014	Year to May 2014	Year to May 2015
Electricity Supply (Generation)					
Output (million KWH)	7,544	8,217	8,889	8,597	9,040
<i>Growth %</i>	5.4%	8.9%	8.2%	11.3%	5.2%
<i>Of which:</i>					
Hydro-power Generation (million KWH)	4,032	4,387	3,411	4,060	3,276
<i>Growth (%)</i>	26.6%	8.8%	-22.2%	-4.7%	-19.3%
Geo-Thermal Generation (million KWH)	1,522	1,781	2,917	1,949	3,918
<i>Growth (%)</i>	5.4%	17.0%	63.8%	24.4%	101.1%
Thermal (million KWH)	1,963	2,049	2,561	2,588	1,846
<i>Growth (%)</i>	-22.5%	4.4%	24.9%	38.3%	-28.7%
Consumption of electricity (million KWH)	6,298	6,564	7,406	6,784	8,071
<i>Growth %</i>	2.4%	4.2%	12.8%	6.9%	19.0%
Consumption of Fuels ('000 tonnes)	3,764	3,649	3,873	3,771	4,074
<i>Growth %</i>	6.2%	-3.1%	6.2%	1.9%	8.0%
Murban crude oil average price (US \$ per barrel)	113.0	110.1	99.5	110.0	77.8
<i>Growth %</i>	2.1%	-2.5%	-9.7%	0.8%	-29.2%

Source: Kenya National Bureau of Statistics

Tourism

The number of tourist arrivals declined by 28.2 percent in the year to May 2015 (Table 3.5) compared with a decline of 9.0 percent in the year to May 2014. The unfavorable performance is attributed to adverse travel advisories from source countries on account of insecurity concerns in Kenya. The preferred ports of arrival for tourists remained Jomo Kenyatta International, Airport Nairobi (88.9 percent share), and the Moi International Airport, Mombasa (11.1 percent share).

TABLE 3.5: TOURIST ARRIVALS BY POINT OF ENTRY

	2012	2013	2014	Year to May 2014	Year to May 2015	Year to May 2015 % Share	Year to May 2015 % Growth
MIAM	187,151	168,654	117,796	153,304	84,786	11.1%	-44.7%
JKIA	1,053,361	912,998	743,600	911,379	680,007	88.9%	-25.4%
TOTAL	1,240,512	1,081,652	861,396	1,064,683	764,793	100.0%	-28.2%

Source: Kenya Tourist Board

Transport

The total number of passengers (both incoming and outgoing) received at the Jomo Kenyatta International Airport, Nairobi (JKIA) increased by 1.2 percent in the year to May 2015, compared with a decline of 1.8 percent recorded in the year to May 2014. The increase was reflected in both incoming and outgoing passengers (Table 3.6). Meanwhile, the volume of oil passed through the Kenya pipeline increased by 5.5 percent in the year to May 2015 compared with 8.3 percent growth in the year to May 2014.

TABLE 3.6: THROUGHPUT IN SELECTED TRANSPORT FACILITIES

	2012	2013	2014	Year to May 2014	Year to May 2015
Number of Passengers thro' JKIA					
Total passenger flows	4,302,244	4,290,349	4,232,523	4,250,540	4,300,262
Growth (%)	4.0%	-0.3%	-1.3%	-1.8%	1.2%
o.w. Incoming	2,148,105	2,144,002	2,102,886	2,121,082	2,139,654
Growth (%)	2.8%	-0.2%	-1.9%	-1.8%	0.9%
Outgoing	2,154,139	2,146,347	2,129,637	2,129,458	2,160,608
Growth %	5.3%	-0.4%	-0.8%	-1.8%	1.5%
Kenya Pipeline Oil Throughput					
Output ('000 litres)	4,855,571	5,181,600	5,623,628	5,412,855	5,710,086
Growth %	14.0%	6.7%	8.5%	8.3%	5.5%

Source: Kenya National Bureau of Statistics

DEVELOPMENTS IN THE BALANCE OF PAYMENTS AND EXCHANGE RATES

Overview The overall balance of payments position deteriorated to a deficit of USD 1,282 million in the year to June 2015 from a surplus of USD 2,397 million in the year to June 2014 (Table 4.1). The decrease reflects a reduction in the capital and financial account surplus as well as a further widening of the current account deficit.

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

ITEM	Year to June 2014*	Year to June 2015*				Year to June 2015*	Change	% Change
		Q1 Jul-Sep	Q2 Oct-Dec	Q3 Jan-Mar	Q4 Apr-Jun			
1. OVERALL BALANCE	2397	-870	235	-164	-482	-1282	-3678.6	-153.5
2. CURRENT ACCOUNT	-4888	-2046	-1770	-971	-1353	-6140	-1252.1	25.6
2.1 Goods	-11512	-3777	-3308	-2449	-2806	-12340	-828.2	7.2
Exports (fob)	6085	1475	1456	1437	1390	5759	-326.7	-5.4
Imports (cif)	17597	5252	4764	3886	4196	18099	501.5	2.9
2.2 Services	6624	1732	1538	1478	1452	6200	-423.9	-6.4
Non-factor services (net)	3550	860	744	804	958	3366	-183.5	-5.2
Income (net)	-390	-136	-158	-102	-257	-652	-262.1	67.2
Current Transfers (net)	3464	1007	951	777	750	3485	21.7	0.6
3. CAPITAL & FINANCIAL ACCOUNT	7285	1175	2005	807	871	4859	-2426.4	-33.3
3.1 Capital Transfers (net)	56	0	6	28	114	148	92.3	164.9
3.2 Financial Account	7229	1175	1999	779	757	4710	-2518.8	-34.8
memo:								
Gross Reserves	10399	9336	9738	9834	9473	9473	-925.6	-8.9
Official	8555	7676	7895	7723	7212	7212	-1343.0	-15.7
import cover**	5.4	4.6	4.6	4.6	4.4	4.4	-1.0	-19.2
import cover***	5.7	5.0	5.0	4.9	4.6	4.6	-1.1	-19.4
Commercial Banks	1844	1659	1843	2111	2262	2262	417.3	22.6

* Provisional.

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

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

Source: Central Bank of Kenya

Current Account The current account balance worsened by USD 1,252.1 million to a deficit of USD 6,140 million in the year to June 2015 from a deficit of USD 4,888 million in the year to June 2014 (Table 4.2). The deterioration reflects 7.2 percent worsening of the merchandise account deficit and a 6.4 percent reduction in the services account surplus.

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

ITEM	Year to June 2014*	Year to June 2015*				Year to June 2015*	Change	% Change
		Q1 Jul-Sep	Q2 Oct-Dec	Q3 Jan-Mar	Q4 Apr-Jun			
2. CURRENT ACCOUNT	(4,888.2)	(2,045.7)	(1,770.2)	(971.3)	(1,353.2)	(6,140.4)	-1252.1	25.6
2.1 Goods	(11,511.9)	(3,777.2)	(3,308.0)	(2,449.3)	(2,805.6)	(12,340.1)	-828.2	7.2
Exports (fob)	6,085.3	1,475.1	1,456.5	1,436.8	1,390.2	5,758.6	-326.7	-5.4
Coffee	205.8	64.4	51.3	51.3	65.0	231.9	26.1	12.7
Tea	1,101.4	268.5	260.5	290.6	270.1	1,089.7	-11.7	-1.1
Horticulture	785.6	197.3	189.8	198.4	157.0	742.5	-43.1	-5.5
Oil products	46.3	23.6	17.7	18.7	19.3	79.4	33.1	71.5
Manufactured Goods	663.9	140.2	142.5	125.4	120.8	528.9	-135.0	-20.3
Raw Materials	443.7	103.3	109.4	125.6	73.1	411.4	-32.2	-7.3
Chemicals and Related Products (n.e.s.)	462.2	116.8	103.1	96.8	109.0	425.7	-36.5	-7.9
Miscellaneous Man. Articles	623.2	156.0	160.4	151.1	130.2	597.7	-25.4	-4.1
Re-exports	816.8	168.6	190.8	177.9	203.4	740.7	-76.1	-9.3
Other	936.4	236.4	231.0	200.9	242.3	910.7	-25.7	-2.7
Imports (cif)	17,597.1	5,252.3	4,764.5	3,886.1	4,195.7	18,098.7	501.5	2.9
Oil	3,952.4	1,060.7	862.4	587.5	697.5	3,208.2	-744.2	-18.8
Chemicals	2,313.3	617.2	624.7	642.1	629.1	2,513.0	199.7	8.6
Manufactured Goods	2,689.9	669.5	679.7	699.8	682.6	2,731.7	41.8	1.6
Machinery & Transport Equipment	4,876.2	1,975.3	1,651.5	1,152.5	1,430.9	6,210.3	1334.0	27.4
Other	3,637.7	860.1	842.9	752.8	696.9	3,152.7	-485.0	-13.3
2.2 Services	6,623.6	1,731.5	1,537.8	1,478.1	1,452.4	6,199.7	-423.9	-6.4
Non-factor services (net)	3,549.6	860.1	743.9	803.6	958.4	3,366.1	-183.5	-5.2
Non-factor services (credit)	4,912.7	1,300.9	1,188.9	1,292.8	1,273.0	5,055.6	142.9	2.9
of which transport	2,133.4	596.7	536.1	488.0	497.1	2,118.0	-15.4	-0.7
of which tourism (Travel)	815.7	212.9	203.8	178.5	169.6	764.7	-51.0	-6.3
Other services account: gov't	945.7	199.6	229.6	224.0	216.7	869.9	-75.7	-8.0
Other services account: private	1,017.9	291.6	219.4	402.3	389.7	1,303.0	285.1	28.0
Income (net)	(389.8)	(135.7)	(157.6)	(102.1)	(256.5)	(651.9)	-262.1	67.2
of which official interest	(158.7)	(44.2)	(94.2)	(123.9)	(266.0)	(528.4)	-369.6	232.9
Current Transfers (net)	3,463.8	1,007.1	951.4	776.5	750.4	3,485.5	21.7	0.6
Private (net)	3,202.4	925.3	869.6	691.6	665.4	3,152.0	-50.5	-1.6
of which Remittances	1,357.0	373.3	365.1	364.1	389.5	1,492.1	135.0	10.0
Public (net)	261.4	81.8	81.8	85.0	85.0	333.5	72.1	27.6

* Provisional.

Source: Central Bank of Kenya

Merchandise Account The deficit in the merchandise account widened by USD 828.2 million to USD 12,340 million in the year to June 2015 reflecting 2.9 percent increase in the value of merchandise imports and 5.4 percent decrease in the value of merchandise exports (Table 4.2).

Imports The value of merchandise imports rose by US\$ 501.5 million to US\$ 18,099 million during the year to June 2015. The increase was notable in machinery and transport equipment (27.4 percent), chemicals (8.6 percent) and manufactured goods (1.6 percent). The value of import of machinery and transport equipment increased by US\$ 1,334 million and reflected increased importation of aircrafts, road vehicles and equipment for the construction of the standard gauge railway (SGR). On the other hand, the value of imported petroleum products and other imports (mainly food items) declined by US\$ 744.2 million and USD 485 million mainly on account of lower commodity prices in the international market.

Kenya sourced most of her imports from China (16 percent), India (15 percent) and the European Union (14 percent). Imports from Africa, which accounted for 9 percent of total imports declined marginally to USD 1,649 million (Table 4.3).

Exports The value of merchandise exports declined by USD 326 million to USD 5,759 million in the year to June 2015 reflecting decrease in earnings from tea, horticulture, manufactured goods, chemicals and related products, miscellaneous manufactured articles, re-exports and other exports. However, receipts from coffee, oil products, and raw materials increased. The decline in receipts from tea exports was attributed to a decline in the price of tea in the international market.

The share of Kenya's exports to Africa declined in the year to June 2015 (Table 4.3) largely reflecting decrease in share of exports to the EAC (Uganda and Tanzania) and to the COMESA region. Exports to the rest of the world however increased, notably to the USA and Pakistan.

TABLE 4.3: KENYA'S DIRECTION OF TRADE

IMPORTS (in millions of US dollars)				Share of Imports (%)			EXPORTS (in millions of US dollars)				Share of Exports (%)		
Year to June				Year to June			Year to June				Year to June		
Country	2013	2014	2015	2013	2014	2015	Country	2013	2014	2015	2013	2014	2015
Africa	1,635	1,715	1,649	10	10	9	Africa	2,860	2,724	2,456	47	45	43
Of which							Of which						
South Africa	724	834	659	4	5	4	Uganda	792	719	585	13	12	10
Egypt	335	282	285	2	2	2	Tanzania	506	499	390	8	8	7
Others	575	599	705	3	3	4	Egypt	235	198	184	4	3	3
EAC	346	350	484	2	2	3	Sudan	68	73	69	1	1	1
COMESA	706	634	744	4	4	4	South Sudan	216	193	207	4	3	4
Rest of the World	15,212	15,882	16,449	90	90	91	Somalia	211	171	134	3	3	2
Of which							DRC	227	221	225	4	4	4
India	2,576	3,178	2,648	15	18	15	Rwanda	184	166	146	3	3	3
United Arab Emirates	1,688	1,052	890	10	6	5	Others	423	485	515	7	8	9
China	1,935	2,355	2,985	11	13	16	EAC	1,540	1,453	1,206	25	24	21
Japan	860	1,002	904	5	6	5	COMESA	1,820	1,696	1,546	30	28	27
USA	730	915	1,871	4	5	10	Rest of the World	3,248	3,361	3,303	53	55	57
United Kingdom	571	544	478	3	3	3	Of which						
Singapore	231	205	94	1	1	1	United Kingdom	478	425	393	8	7	7
Germany	457	514	518	3	3	3	Netherlands	373	439	416	6	7	7
Saudi Arabia	557	479	739	3	3	4	USA	331	395	413	5	6	7
Indonesia	530	554	728	3	3	4	Pakistan	286	242	261	5	4	5
Netherlands	226	274	216	1	2	1	United Arab Emirates	364	262	236	6	4	4
France	284	243	244	2	1	1	Germany	105	115	123	2	2	2
Bahrain	449	496	128	3	3	1	India	99	108	86	2	2	1
Italy	245	232	246	1	1	1	Afghanistan	173	141	135	3	2	2
Others	3,874	3,839	3,762	23	22	21	Others	1,039	1,234	1,239	17	20	22
Total	16,846	17,597	18,099	100	100	100	Total	6,108	6,085	5,759	100	100	100
EU	2,411	2,543	2,479	14	14	14	EU	1,245	1,340	1,269	20	22	22
China	1,935	2,355	2,985	11	13	16	China	58	65	80	1	1	1

Source: Kenya Revenue Authority

The share of Kenya's imports from the European Union stabilised at 14 percent while that from China increased to 16 percent from 13 percent in the twelve months to June 2015. The share of exports to China stabilised at 1 percent while to the European Union, the share also stabilised to 22 percent in the year to June 2015. The share of other exports to the rest of the world increased to 22 percent from 20 percent recorded previously.

Services Account

The surplus in the services account recorded USD 423.9 million or 6.4 percent decline, to USD 6,200 million in the year to June 2015 from USD 6,624 million in the year to June 2014. The deterioration was mainly in the receipts from other government services (8.0 percent) and tourism (6.3 percent). Receipts from transport services and other private services (insurance services; royalties and licence fees) however increased by 2.9 percent and 28.0 percent respectively. The deficit in the primary income account worsened by USD 262.1 million while the surplus in the current transfers account increased by USD 21.7 million. Remittance inflows (under private transfers) increased by USD 135.0 million to USD 1,492 million during the year to June 2015 (Table 4.2). Remittance inflows were resilient with the 12 month average to June 2015 increasing to USD 124.3 million from an average of USD 113.1 million in the year to June 2014.

The capital and financial account surplus at USD 4,859 million in the year to June 2015 was 33.3 percent lower compared to USD 7,285 million in the year to June 2014. This reflects a 34.8 percent decline in the financial account surplus mainly on account of reduced official medium to long-term inflows.

Capital and Financial Account

Private medium and long term financial flows increased by USD 532.4 million to USD 1,105 million from USD 572 million in the year to June 2014, with the increase largely driven by receipts from private loans and Foreign Direct Investment. Commercial bank flows however, declined from USD 473 million in the year to June 2014 to USD 315 million in the year to June 2015 reflecting build-up of foreign assets mainly in two components: deposits and loans advanced to non-residents.

Short term flows (including net errors and omissions) decreased by USD 2,545.9 million during the period under review.

Foreign exchange holdings decreased by 9.0 percent to USD 9,473 million at the end of June 2015 from USD 10,399 million at the end of June 2014. Official reserves held by the Central Bank constituted the bulk of gross reserves and decreased to USD 7,212 million (4.6 months of import cover) at the end of June 2015 from USD 8,555 million (5.7 months of import cover) at the end of June 2014 (Table 4.1).

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

ITEM	Year to June 2014*	Year to June 2015*				Year to June 2015*	Change	% Change
		Q1	Q2	Q3	Q4			
		Jul-Sep	Oct-Dec	Jan-Mar	Apr-Jun			
3. CAPITAL & FINANCIAL ACCOUNT	7,285	1,175	2,005	807	871	4,859	-2,426	-33
3.1 Capital Tranfers (net)	56	0	6	28	114	148	92	163
3.2 Financial Account	7,229	1,175	1,999	779	757	4,710	-2,519	-33
Official, medium & long-term	2,059	-447	761	1,299	-59	1,554	-505	-22
Inflows	2,902	135	1,054	1,687	43	2,918	16	1
Outflows	-843	-582	-293	-387	-103	-1,365	-521	62
Private, medium & long-term (net)	572	540	330	-16	250	1,105	532	93
Commercial Banks (net)	473	192	17	-38	145	315	-158	-33
Other private medium & long-term (net)	99	349	314	22	105	789	690	695
Short-term (net) incl. errors & omissions	4,598	1,082	908	-504	566	2,052	-2,546	-55

* Provisional.

Source: Central Bank of Kenya

Foreign Exchange Reserves

Foreign exchange reserves held by commercial banks increased to USD 2,262 million at the end of June 2015 from USD 1,844 million at the end of June 2014. During the same period, residents' foreign currency deposits increased to USD 4,488 million from USD 3,776 million (Table 4.5 and Chart 4A).

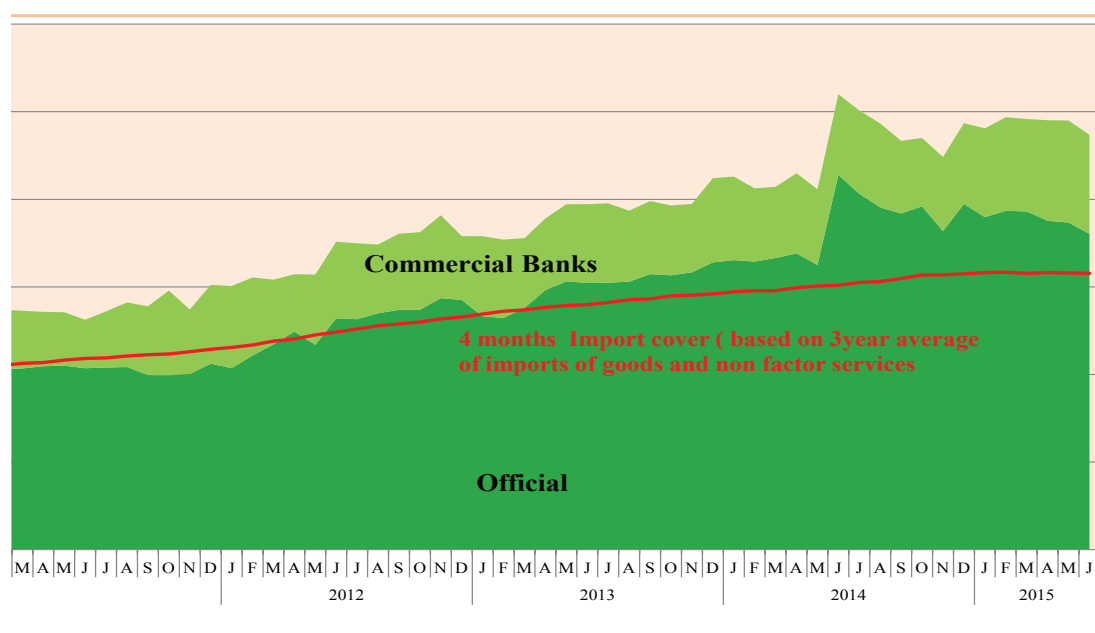
TABLE 4.5: FOREIGN EXCHANGE RESERVES AND RESIDENTS' FOREIGN CURRENCY DEPOSITS (END OF PERIOD, USD MILLION)

	Jun 14	Jul 14	Aug 14	Sep 14	Oct 14	Nov 14	Dec 14	Jan 15	Feb 15	Mar 15	Apr 15	May 15	Jun 15
1. Gross Reserves	10,399	10,029	9,731	9,336	9,400	8,964	9,738	9,620	9,873	9,834	9,806	9,799	9,473
of which:													
Official	8,555	8,128	7,814	7,676	7,839	7,274	7,895	7,593	7,737	7,723	7,509	7,469	7,212
import cover**	5.7	5.3	5.1	5.0	5.0	4.6	5.0	4.8	4.9	4.9	4.7	4.7	4.6
Commercial Banks	1,844	1,902	1,917	1,659	1,561	1,691	1,843	2,027	2,137	2,111	2,296	2,330	2,262
2. Residents' foreign currency deposits	3,776	4,084	4,292	4,148	4,101	4,037	4,080	4,243	4,396	4,154	4,278	4,448	4,488

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

Source: Central Bank of Kenya

CHART 4A: FOREIGN EXCHANGE RESERVES (USD MILLION)



Source: Central Bank of Kenya

Exchange Rates

The Kenya Shilling depreciated by 1.36 percent against the US Dollar, 2.06 percent against the Pound Sterling, 2.03 percent against the Euro in June 2015. However, it appreciated by 1.12 percent against the Japanese Yen in June 2015. The performance of the Kenya Shilling is a reflection of international and local developments notably the strengthening of US Dollar against major world currencies and high dollar demand from importers.

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

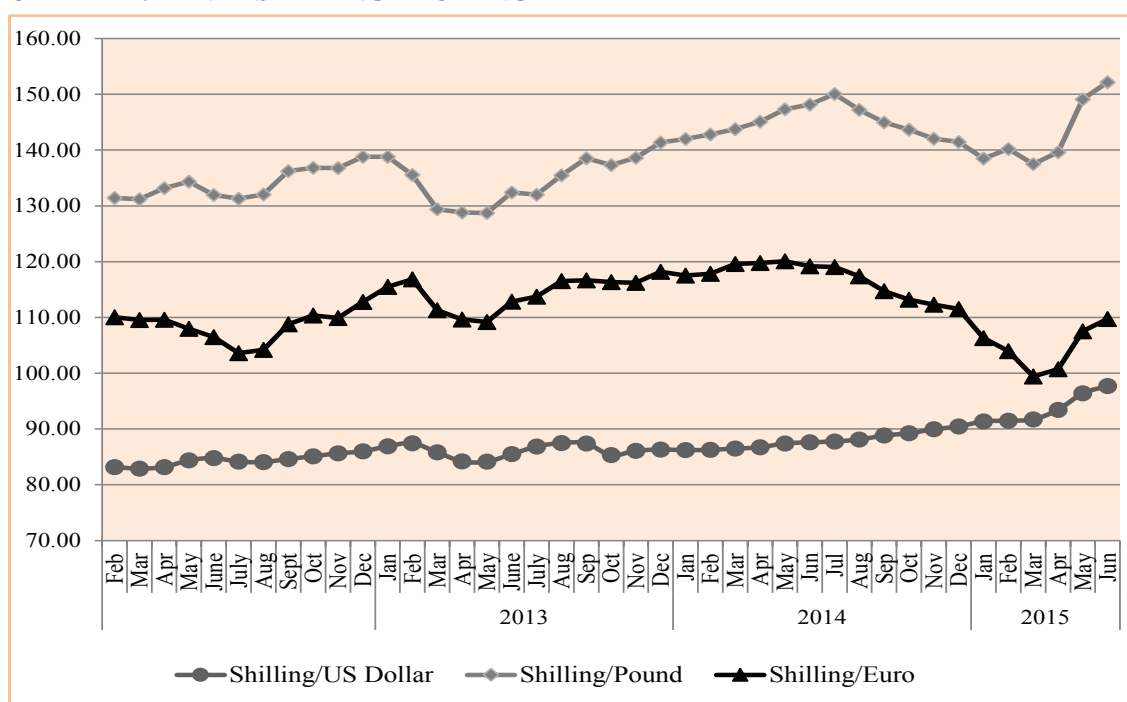
TABLE 4.6: KENYA SHILLING EXCHANGE RATE

	2014							2015							% change May- June 2015
	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun		
US Dollar	87.61	87.77	88.11	88.84	89.23	89.96	90.44	91.36	91.49	91.73	93.44	96.39	97.70	1.3648	
Pound Sterling	148.15	150.04	147.24	144.99	143.66	142.05	141.45	138.49	140.21	137.51	139.62	149.10	152.16	2.0579	
Euro	119.16	119.02	117.40	114.74	113.21	112.28	111.52	106.32	103.94	99.40	100.71	107.54	109.72	2.0264	
100 Japanese Yen	85.88	86.32	85.63	82.90	82.62	77.53	75.79	77.19	77.17	76.22	78.18	79.89	79.00	-1.12	
Uganda Shilling*	29.44	29.97	29.66	29.47	30.03	30.37	30.62	31.29	31.36	32.19	32.04	31.17	32.67	4.7938	
Tanzania Shilling*	19.18	18.97	18.89	18.78	18.96	19.16	19.11	19.39	19.92	20.09	20.28	20.98	22.49	7.1777	
Rwanda Franc*	7.74	7.76	7.82	7.75	7.72	7.66	7.62	7.53	7.52	7.56	7.37	7.16	7.37	2.9016	
Burundi Franc*	17.68	17.65	17.57	17.43	17.47	17.39	17.28	17.14	17.12	17.05	16.72	16.23	16.06	-1.0523	

* Units of currency per Kenya Shilling

* 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, 12 microfinance banks, 8 representative offices of foreign banks, 86 foreign exchange bureaus, 14 money remittance providers and 3 credit reference bureaus as at June 30, 2015.
Structure of the Balance Sheet	The banking sector balance sheet expanded by 21.4 percent from KSh 2,967.6 billion in June 2014 to KSh 3,601.4 billion in June 2015. The main components of the balance sheet on the assets side were loans and advances, government securities and placements, which accounted for 58.0 percent, 20.4 percent and 5.3 percent of the total assets, respectively.
Loans & Advances	The banking sector gross loans increased from KSh 1,784.3 billion in June 2014 to KSh 2,166.9 billion in June 2015, which translated to a growth of 21.44 percent. (Table 5.1). The growth was attributed to increase in lending to Wholesale and Retail Trade, Restaurants and Hotels, and Manufacturing.
Deposit Liabilities	The main component of the balance sheet on the liabilities side was customer deposits, which accounted for 71.4 percent of total liabilities. The deposit base was KSh 2,573.6 billion in June 2015 compared to KSh 2,147.9 billion in June 2014, which translates to an increase of 19.8 percent. This is partly a result of diaspora remittances.
Capital & Reserves	The banking sector recorded an improved capital position in June 2015 with total shareholders' funds increasing by 18.3 percent from KSh 459.4 billion in June 2014 to KSh 543.3 billion in June 2015. Core capital and total capital increased from KSh 374.6 billion and KSh 436.6 billion to KSh 458.1 billion and KSh 549.0 billion respectively over the same period. The core capital to total risk-weighted assets ratio increased from 15.0 percent in June 2014 to 15.7 percent in June 2015, whereas the total capital to total risk-weighted assets ratio moved up from 17.5 percent in June 2014 to 18.9 percent in June 2015.
Non-performing Loans	<p>The gross non-performing loans (NPLs) increased by 22 percent from KSh 101.7 billion in June 2014 to KSh 123.9 billion in June 2015 (Table 5.1). However, the gross NPLs to gross loans ratio declined marginally at 4.6 percent at the end of June 2015 compared with 4.7 percent in as it was in June 2014. On the other hand, the coverage ratio, measured as a percentage of specific provisions to total NPLs increased from 38.5 percent in June 2014 to 39.1 percent in June 2015.</p> <p>The quality of assets, measured as a proportion of net non-performing loans to gross loans decreased marginally from 2.8 percent in June 2014 to 2.7 percent in June 2015. A summary of asset quality for the banking sector over the period is shown (Table 5.1).</p>

TABLE 5.1: NON-PERFORMING LOANS & PROVISIONS AMONG BANKS IN KENYA

		June-14 (KSh Bn)	June-15 (KSh Bn)
1	Gross Loans and Advances	1,784.3	2,166.9
2	Interest in Suspense	19.4	26.3
3	Total Loans and Advances (Gross Loans and Advances net of Interest in Suspense) (1 - 2)	1,764.9	2,140.6
4	Gross Non-Performing Loans	101.7	123.9
5	Specific Provisions	31.7	38.2
6	General Provisions	13.0	14.9
7	Total Provisions (5+6)	44.7	53.1
8	Net Advances (3-7)	1,720.2	2,087.5
9	Total Non-Performing Loans and Advances (4-2)	82.3	97.6
10	Net Non-Performing Loans and Advances (9-5)	50.6	59.4
11	Total NPLs as % of Total Advances (9/3)	4.70%	4.60%
12	Net NPLs as % of Gross Advances (10/1)	2.80%	2.70%
13	Specific Provisions as % of Total NPLs (5/9)	38.50%	39.10%

Source: Central Bank of Kenya

Profitability The banking sector's profitability grew by 8.3 percent in terms of pre-tax profits, from KSh 71.0 billion reported in the period ended June 2014 to KSh 76.9 billion for the period ended June 30, 2015. The annual return on assets decreased to 3.3 percent in June 2015 from 3.7 percent in June 2014. On the other hand, return on shareholders' funds reduced to 28.3 percent in June 2015 from 30.9 percent in June 2014.

Total income increased by 13.7 percent from KSh 199.0 billion in June 2014 to KSh 226.3 billion in June 2015, while total expenses increased by 16.7 percent from KSh 128.0 billion in June 2014 to KSh 149.4 billion in June 2015. Interest on advances, other income and interest on government securities were the major sources of income accounting for 60.4 percent, 16.4 percent and 15.5 percent of total income, respectively. On the other hand, interest on deposits, salaries and wages, and other expenses were the key components of expenses, accounting for 35.6 percent, 26.6 percent and 22.4 percent of total expenses, respectively.

Liquidity Ratio Requirement For the month ended June 30, 2015, average liquid assets amounted to KSh 970.1 billion, while total short-term liabilities stood at KSh 2,507.3 billion, resulting to an average liquidity ratio of 38.7 percent which was the same ratio registered in June 2014 (Table 5.2). The liquidity ratio remained above the minimum stipulated limit of 20 percent.

Cash Ratio Requirement The proportion of cash to deposit liabilities held at the Central Bank by commercial banks for reserve requirements averaged 5.59 percent in June 2015 compared to 5.3 percent in May 2015, and was within the 5.25 percent minimum statutory level (Table 5.2 and Chart 5A). Commercial banks maintained an average of KSh 8.06 billion above the 5.25 percent monthly average cash reserve requirement at the Central Bank in June 2015 compared with KSh 1.18 billion in May 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.

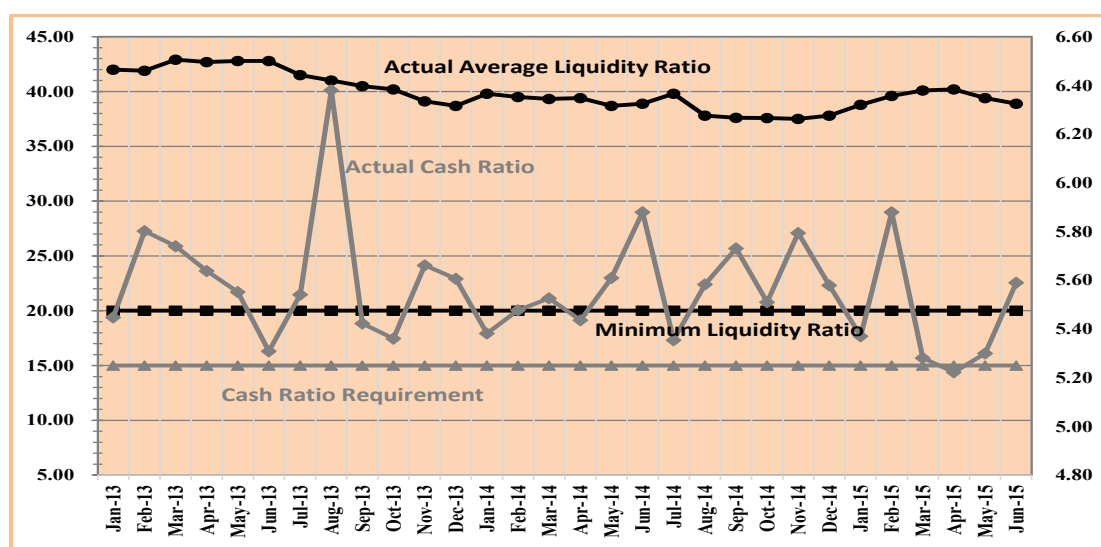
Both Commercial banks and nonbank financial institutions also observed strong liquidity positions in June 2015, at 38.9 percent and 24.0 percent respectively, in relation to the 20 percent minimum requirement.

TABLE 5.2 : CASH AND LIQUIDITY RATIOS* (%)

	2014							2015					
	Jun	Jul	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	June
Commercial Banks													
Actual Average Liquidity	38.90	39.80	37.80	37.60	37.58	37.50	37.80	38.80	39.60	40.10	40.40	39.4	38.90
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
Actual Cash Ratio - All Banks	5.88	5.35	5.58	5.73	5.51	5.79	5.58	5.37	5.88	5.28	5.22	5.30	5.59
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	27.80	29.70	26.30	26.10	25.19	25.30	27.80	26.70	22.90	24.90	26.20	23.6	24.00
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 242,187 transaction messages worth 2.5 billion in June 2015 compared with a volume of 246,925 transaction messages valued at KSh 2.1 billion moved in May 2015. This represents an increase of 19.03 percent and a decline of 1.92 percent in value and volume, respectively. Compared to June 2014, the volume increased by 22.28 percent from 198,052 transaction messages to 242,187 transaction messages in June 2015, while value increased by 19.05 percent from 2.1 billion to 2.5 billion, indicating an increase in the uptake of KEPSS services by the public.

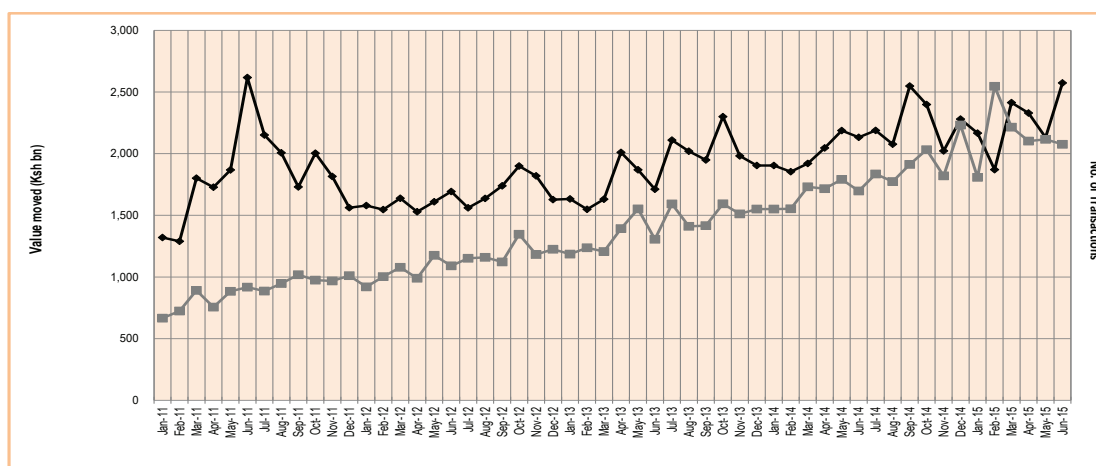
During the twelve months period to June 30, 2015 the value moved averaged KSh 9.5 million per transaction. On average, 11,373 transaction messages with an average value of approximately KSh 108 billion were moved daily (Table 5.3 and Chart 5B). Direct settlements through KEPSS from commercial banks accounted 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
Feb-13	1,548	25	144,248	0.01	20	77	7,212
Mar-13	1,631	28	140,781	0.01	20	82	7,039
Apr-13	2,011	32	162,432	0.01	20	101	8,122
May-13	1,869	31	181,045	0.01	22	85	8,229
Jun-13	1,712	28	152,310	0.01	20	86	7,616
Jul-13	2,109	35	185,773	0.01	23	92	8,077
Aug-13	2,021	24	164,650	0.01	21	96	7,840
Sep-13	1,949	31	165,175	0.01	21	93	7,865
Oct-13	2,301	30	185,920	0.01	22	105	8,451
Nov-13	1,982	29	176,330	0.01	21	94,381	8,397
Dec-13	1,905	30	180,926	0.01	18	105,811	10,051
Jan-14	1,904	31	180,897	0.01	22	87	8,223
Feb-14	1,853	28	181,123	0.01	20	93	9,056
Mar-14	1,920	31	202,035	0.01	21	91	9,621
Apr-14	2,047	27	200,151	0.01	20	102	10,008
May-14	2,188	28	209,019	0.01	21	104	9,953
Jun-14	2,133	32	198,052	0.01	20	107	9,903
Jul-14	2,189	28	214,091	0.01	22	99	9,731
Aug-14	2,077	28	206,937	0.01	21	99	9,854
Sep-14	2,549	33	223,227	0.01	22	116	10,147
Oct-14	2,399	32	237,027	0.01	22	109	10,774
Nov-14	2,023	21	212,340	0.01	20	101	10,617
Dec-14	2,280	32	260,441	0.01	20	114	13,022
Jan-15	2,167	28	210,940	0.01	21	103	10,362
Feb-15	1,870	26	297,018	0.01	20	93	14,851
Mar-15	2,414	32	258,357	0.01	22	109	11,743
Apr-15	2,330	28	245,227	0.01	20	116	12,261
May-15	2,132	29	246,925	0.01	20	107	12,346
Jun-15	2,574	29	242,187	0.01	21	118	11,533

Source: Central Bank of Kenya

CHART 5B: TRENDS IN MONTHLY FLOWS THROUGH KEPSS



Source: Central Bank of Kenya

Third Party Messages

Multiple third party Message Type (MT 102) used for several credit transfers decreased by 23.01 percent from 39,486 transaction messages in May 2015 to 30,402 transaction messages in June 2015. Compared with June 2014, MT 102 messages increased by 14.08 percent from 26,649 transaction messages to 30,402 transaction messages in June 2015.

Single third party Message Type (MT 103) used for single credit transfers increased by 10.28 percent from 247,003 transaction messages to 272,405 transaction messages in the same period. MT 103 messages increased by 23.54 percent from 220,504 transaction messages to 272,405 transaction messages between June 2014 and June 2015.

Overall, total third party messages through KEPSS increased by 5.70 percent from 286,489 transaction messages in May 2015 to 302,807 transaction messages in June 2015. (Table 5.4 and Chart 5C).

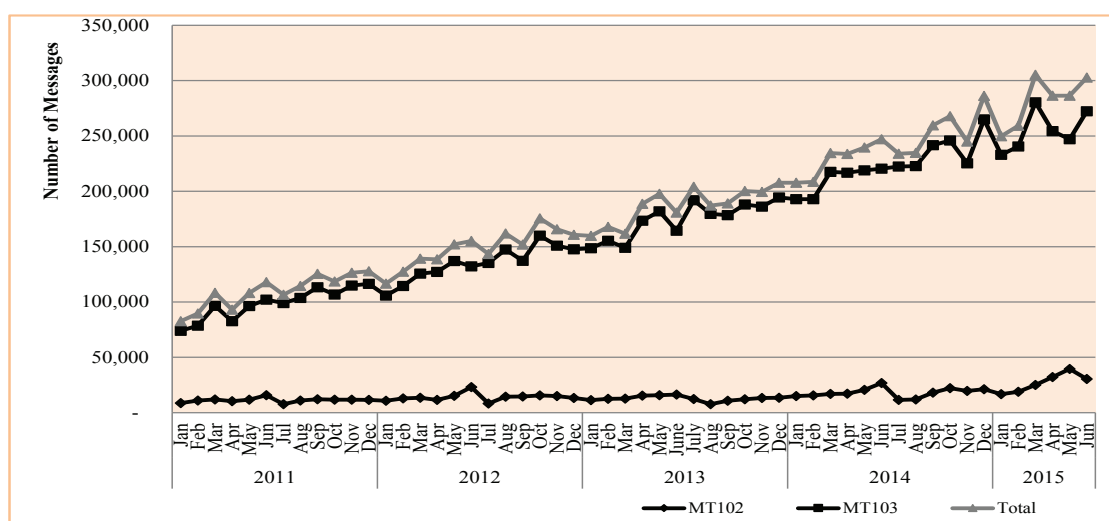
Inter-bank transfers (MT 202) accounted for 40 percent of the total value moved through KEPSS as at end of June 2015 while third party (MT 102 and MT 103) messages accounted for 60 percent.

TABLE 5.4: TRENDS IN MT102 AND MT103 THROUGH KEPSS

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

Source: Central Bank of Kenya

CHART 5C: TRENDS IN MT102 AND MT103 THROUGH KEPSS

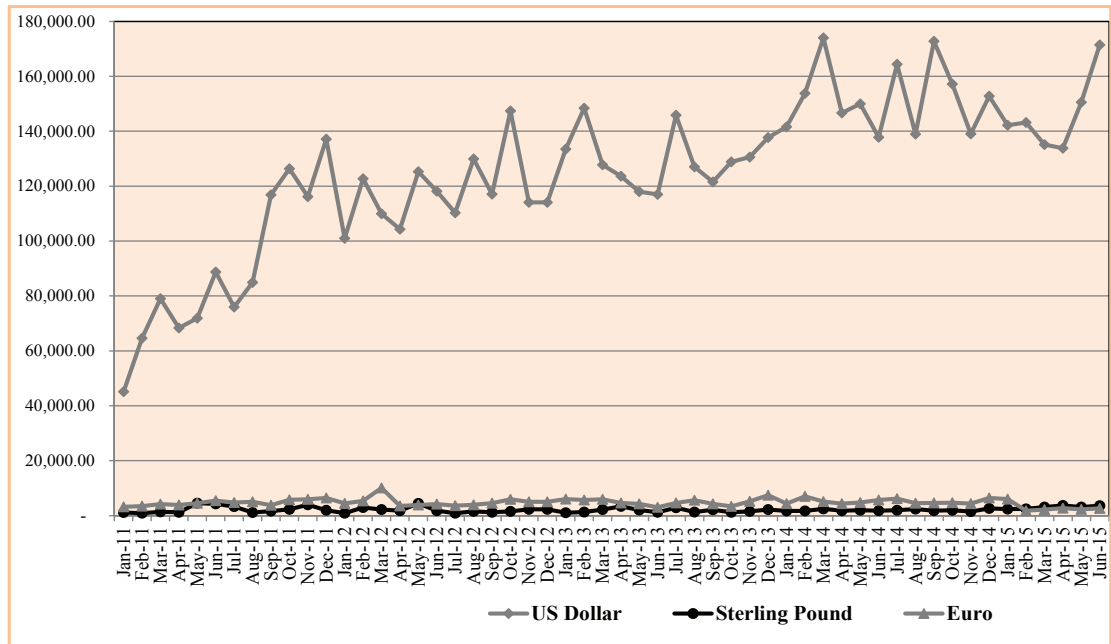


Source: Central Bank of Kenya

Domestic Foreign Currency

Domestic Foreign Currency messages through KEPSS increased by 12.10 percent from 19,061 transaction messages in May 2015 to 21,367 transaction messages in June 2015. Consequently, the corresponding value in Kenya Shillings equivalent moved in this period increased by 13.92 percent from KSh 155.93 billion to KSh 177,638 billion. The US dollar denominated transactions accounted for 96.52 percent of the value moved (Chart 5D), while the Sterling Pound and the Euro accounted for 2.02 percent and 1.46 percent, respectively.

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



GOVERNMENT BUDGET PERFORMANCE

The Government's budgetary operations during the FY 2014/15 resulted in a deficit of Ksh 500.2 billion (9.3 percent of GDP) on a commitment basis compared with a deficit of Ksh 296.4 billion (5.5 percent of GDP) incurred in FY 2013/14. This was lower than the Ksh 506.5 billion (9.5 percent of GDP) programmed target for the period.

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

	FY 2013/14	FY 2014/15		
	June Actual	June Provisional	Target	Over (+) / below (-) Target
1. TOTAL REVENUE & GRANTS	1001.37	1110.55	1161.81	-51.26
Revenue	974.42	1083.16	1131.51	-48.35
Tax Revenue	851.80	985.76	987.12	-1.36
Non Tax Revenue	67.19	45.49	46.28	-0.79
Appropriations-in-Aid	55.43	51.91	98.12	-46.20
External Grants	26.96	27.38	30.29	-2.91
2. TOTAL EXPENSES & NET LENDING	1297.76	1610.76	1668.30	-57.54
Recurrent Expenses	785.06	864.25	919.38	-55.13
Development Expenses	319.31	512.22	515.39	-3.17
County Transfers	193.39	229.34	228.53	0.81
Others	0.00	4.95	5.00	-0.05
3. DEFICIT ON A COMMITMENT BASIS (1-2)	-296.39	-500.21	-506.49	6.28
As percent of GDP	-5.53	-9.34	-9.45	0.12
4. ADJUSTMENT TO CASH BASIS	-12.74	16.94	0.00	16.94
5. DEFICIT ON A CASH BASIS	-309.13	-483.27	-506.49	23.22
As percent of GDP	-5.77	-9.02	-9.45	0.43
6. DISCREPANCY: Expenditure (+) / Revenue (-)	0.00	5.57	0.00	5.57
7. FINANCING	309.12	488.84	506.49	-17.65
Domestic (Net)	202.99	130.85	136.34	-5.49
External (Net)	106.13	217.48	222.54	-5.06
Capital Receipts (privatisation)	0.00	0.00	6.20	-6.20
Others(Euro Bond sale proceeds)	0.00	140.51	141.41	-0.90
Other receipts	0.00	0.00	0.00	140.51
Financing gap	0.00	0.00	0.00	0.00

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

Revenue

Total government revenues and grants amounted to Ksh 1,110.5 billion during the FY 2014/15, representing an increase of Ksh 109.2 billion from Ksh 1,001.4 billion mobilized during a similar period of the FY 2013/14 (Table 6.2). Tax revenues accounted for 88.7 percent of the total revenue realized including grants. All revenues performed below targets, specifically; receipts from tax revenue, nontax revenue external grants and appropriations-in-aid were below target by Ksh 1.4 billion, Ksh 0.8 billion, Ksh 2.9 billion and Ksh 46.2 billion, respectively, during the period under review (Table 6.1).

TABLE 6.2: COMPOSITION OF GOVERNMENT REVENUE (Ksh billion)

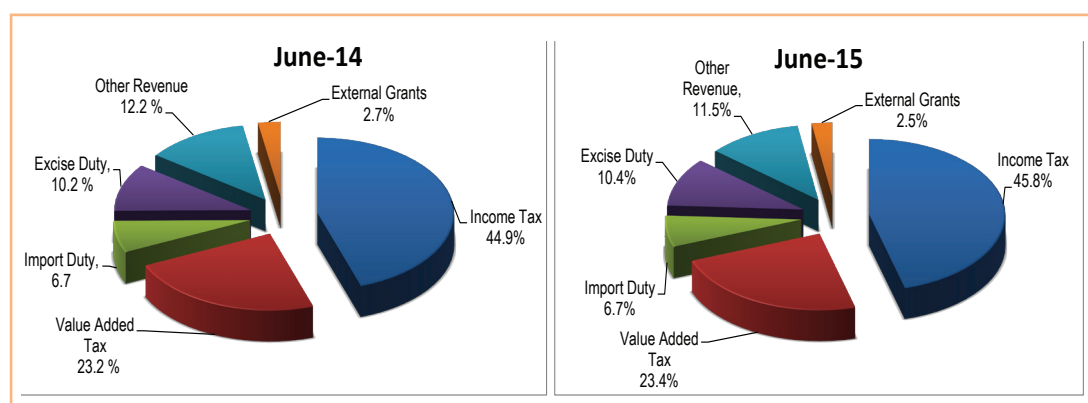
	Jun-14 Ksh bn	Jun-15 Ksh bn	Change
1. Revenue (2+3+4)	974.4	1083.2	108.7
2. Tax Revenue	851.8	985.8	134.0
Income Tax	449.6	508.6	59.0
Value Added Tax	232.6	259.7	27.1
Import Duty	67.6	74.0	6.5
Excise Duty	102.0	115.9	13.8
Others	0.0	27.6	27.6
3. Appropriations-in-Aid	55.4	51.9	-3.5
4. Other Revenue	67.2	45.5	-21.7
5. External Grants	27.0	27.4	0.4
TOTAL RECEIPTS (1+5)	1001.4	1110.5	109.2

Source: National Treasury

Tax revenue increased by Ksh 134.0 billion in the FY 2014/15 to Ksh 985.8 billion from Ksh 851.8 billion collected during the FY 2013/14 (Table 6.2). The income tax component increased by Ksh 59 billion. Excise duty, Value Added Tax, other tax revenue, Import duty, and external grants also increased by Ksh 13.8 billion, Ksh 27.1 billion, Ksh 27.6

billion, Ksh 6.5 billion and Ksh 0.4 billion, respectively. However, Appropriations in aid and other revenue declined by Ksh 3.5 billion and Ksh 21.7 billion respectively, during the period under review. All taxes performed below target. The performance of Government revenue in relation to the previous year is shown in Chart 6A. The main highlights include a 70 basis points decline in the share of other revenue and a 90 basis point decline in the share of income tax.

CHART 6A: COMPOSITION OF GOVERNMENT RECEIPTS



Source: National Treasury

Expenditure and Net Lending

Government expenditure and net lending increased by Ksh 313.0 billion during the FY 2014/15 to Ksh 1,610.8 from Ksh 1297.8 billion expended during the same period in the FY 2013/14. Total expenditure during this period comprised Ksh 864.2 billion recurrent expenditure, Ksh 512.2 billion development expenditure and Ksh 229.3 billion county transfers.

Recurrent expenditure increased by Ksh 79.2 billion over a comparable period in the previous fiscal year but was below target by Ksh 55.1 billion. In terms of components, other recurrent expenditures accounted for the Ksh 25.3 billion increase while foreign interest payment accounted for Ksh 16.5 billion of the increase. Development expenditure increased by Ksh 192.9 billion but was below the programmed target by Ksh 3.2 billion. County transfers increased by Ksh 35.9 billion from Ksh 193.4 billion in a similar period of the previous fiscal year and surpassed target by Ksh 0.8 billion (Table 6.1 and 6.3). The higher than projected absorption in the development budget is explained by the accelerated financing of the Standard Gauge Railway project.

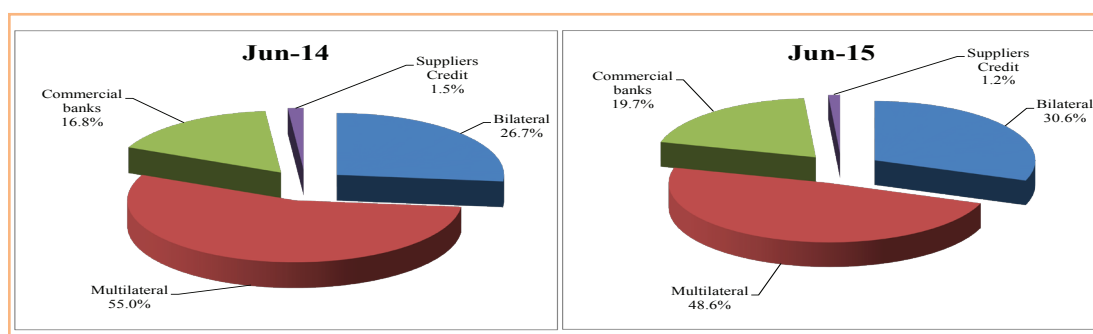
TABLE 6.3: COMPOSITION OF GOVERNMENT EXPENDITURE (Ksh billion)

	Jun-14 Ksh bn	Jun-15 Ksh bn	Movement
1.Recurrent	785.1	864.2	79.2
Salaries & Wages	281.2	298.0	16.8
Total Interest	132.0	169.0	37.1
of which			
Domestic*	119.2	139.7	20.5
Foreign interest due	12.8	29.3	16.5
Others	371.9	397.3	25.3
2. Development	319.3	512.2	192.9
3. County Transfers	193.4	229.3	35.9
TOTAL EXPENSES	1297.8	1610.8	313.0

Source: National Treasury

The performance of Government expenditure in relation to the previous year is indicated in Chart 6B. The main highlights include the 730 basis points increase in the share of development expenditure and 310 basis points reduction in the share of expenses on salaries and wages.

CHART 6B: COMPOSITION OF GOVERNMENT EXPENDITURE



Source: National Treasury

Financing

The financing requirements of Government operations increased to Ksh 491.2 billion during the FY 2014/15 compared with Ksh 339.9 billion in the same period of the FY 2013/14. The Government sourced the funds through net external borrowing of Ksh 217.5 billion and additional domestic borrowing of Ksh 132.1 billion. The funds were allocated to bridge the Government budgetary deficit of Ksh 488.8 billion and repayment of government debt owed to the Central Bank by Ksh 2.4 billion. The Government also reduced its deposits by Ksh 138.7 billion at the Central Bank (Table 6.4).

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

I. FINANCING REQUIREMENTS	Jun-14	Jun-15
1. Budget deficit	309.1	488.8
2. External debt reduction	0.0	0.0
3. Domestic debt reduction	0.0	2.4
3.1 Central Bank (incl. items in transit)	0.0	2.4
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	46.2	0.0
TOTAL	339.9	491.2
II. FINANCING SOURCES	Jun-14	Jun-15
1. Budget surplus	0.0	0.0
2. External debt increase	106.1	217.5
3. Increase in domestic debt	233.8	132.1
3.1 Central Bank	29.3	0.0
3.2 Commercial banks	90.1	108.0
3.3 Non-bank sources	114.3	24.1
4. Reduction in GoK deposits at CBK	0.0	138.7
5. Privatisation proceeds (Net of Restructuring Costs)	0.0	0.0
7. Domestic Loan Repayments	0.0	3.0
TOTAL	339.9	491.2

Sources: National Treasury and Central Bank of Kenya

Government Borrowing from the Central Bank

The Government debt at the Central Bank declined by Ksh 2.3 billion to Ksh 63.3 billion during the period under review, compared to Ksh 65.7 billion owed in a similar period of the FY 2013/2014. The decrease in Government's liability to the Central Bank reflected Ksh 0.1 billion maturity of rediscounted securities held by the Bank. In addition, the Government repaid Ksh 1.7 billion through the regular amortization of the pre-1997 securitized overdraft. Government borrowing through overdraft facility at the Central Bank declined by Ksh 0.7 billion during the period under review and remained within the statutory limit.

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

	2014	2015	Movement
	June	June	
Total Credit	65.7	63.3	-2.3
1. Overdraft	37.2	36.5	-0.7
2. Rediscounted securities	0.1	0.1	0.0
Treasury bills	0.0	0.0	0.0
Treasury bonds	0.0	0.0	0.0
3. Pre-1997 Government Overdraft at CBK	28.3	26.7	-1.7
4. IMF funds onlent to Government	0.0	0.0	0.0
5. Cleared items in transit	0.0	0.1	0.0
Memorandum			
Authorised overdraft limit	37.2	39.1	1.9
Amount utilised to date	37.2	36.5	-0.7
Amount available	0.0	2.6	2.6

Source: Central Bank of Kenya

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

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

	Ksh (Bn)	% of GDP
1. TOTAL REVENUE	1,358.0	20.8
Ordinary Revenue	1,254.9	19.2
Appropriations-in-Aid	103.2	1.6
External Grants	73.4	1.1
2. TOTAL EXPENSES & NET LENDING	2,000.6	30.7
Recurrent Expenses	1,013.0	15.5
Development Expenses	718.5	11.0
County Transfer	264.2	4.1
Contingency Fund	5.0	0.1
3. DEFICIT ON A COMMITMENT BASIS (1-2)	(642.6)	(9.9)
4. ADJUSTMENT TO CASH BASIS	-	-
5. DEFICIT ON A CASH BASIS	(642.6)	(9.9)
6. DISCREPANCY: Expenditure (+) / Revenue (-)	-	-
7. FINANCING	569.2	8.7
Domestic (Net)	228.7	3.5
External (Net)	340.5	5.2

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

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

DEVELOPMENTS IN PUBLIC DEBT

Overall Debt Kenya's public and publicly guaranteed debt increased by Ksh 458.9 billion to reach Ksh 2,829.1 billion in June 2015, from Ksh 2,370.2 billion in June 2014. The total debt stock at the end of June 2015 was equivalent to 52.8 percent of GDP, compared with 44.2 percent of GDP in June 2014. Both external and domestic debt to GDP ratios increased from 20.3 percent and 24.0 percent in June 2014 to 26.3 percent and 26.5 percent in June 2015, respectively (Table 7.1).

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

	Jun-14	Jan-15	Feb-15	Mar-15	Apr-15	May-15	Jun-15	Change 2014/15
EXTERNAL**								
Bilateral	289.9	387.0	383.9	384.6	397.1	426.3	430.4	140.5
Multilateral	597.3	606.1	640.4	618.5	648.3	664.2	684.6	87.3
Commercial Banks	182.2	257.8	257.0	259.7	265.5	274.4	276.9	94.7
Supplier Credits	16.5	15.6	15.4	15.3	15.9	16.3	16.6	0.2
Sub-Total (External)	1085.9	1266.4	1296.7	1278.1	1326.8	1381.2	1408.6	322.7
(As a % of GDP)	20.3	23.6	24.2	23.9	24.8	25.8	26.3	
(As a % of total debt)	45.8	48.7	48.9	47.8	48.4	49.5	49.8	
DOMESTIC								
Banks	682.8	720.3	747.6	779.8	800.3	788.1	793.8	110.9
Central Bank	65.7	54.9	61.6	64.8	57.2	48.5	63.3	-2.4
Commercial Banks	617.1	665.5	686.0	715.0	743.1	739.5	730.4	113.3
Non-banks	586.5	600.4	591.0	604.4	602.7	607.9	616.0	29.5
Pension Funds	322.9	319.5	341.3	348.1	346.5	350.1	352.7	29.8
Insurance Companies	121.0	130.3	126.6	125.2	125.1	124.8	127.9	6.9
Other Non-bank Sources	142.6	150.5	123.1	131.2	131.0	133.0	135.4	-7.2
Non-residents	14.9	13.9	14.6	12.9	12.4	12.4	10.7	-4.3
Sub-Total (Domestic)	1284.2	1334.6	1353.3	1397.1	1415.4	1408.4	1420.4	136.2
(As a % of GDP)	24.0	24.9	25.3	26.1	26.4	26.3	26.5	
(As a % of total debt)	54.2	51.3	51.1	52.2	51.6	50.5	50.2	
GRAND TOTAL	2370.2	2601.1	2650.1	2675.2	2742.3	2789.6	2829.1	458.9
((As a % of GDP)	44.2	48.5	49.5	49.9	51.2	52.1	52.8	

Sources: National Treasury and Central Bank of Kenya

Domestic Debt The total stock of domestic debt increased by Ksh 136.2 billion during the FY 2014/15 to Ksh 1,420.4 billion in June 2015 from Ksh 1,284.2 in June 2014. Reflecting this increase, the share of domestic debt to GDP rose to 26.5 percent by June 2015 from 24.0 percent reported in June 2014. The domestic debt build up comprised increases of Ksh 120.9 billion in government Treasury Bonds and Ksh 19.5 billion in Treasury Bills. However, the share of domestic debt in total debt declined from 54.2 percent in June 2014 to 50.2 percent in June 2015 (Table 7.1).

TABLE 7.2: GOVERNMENT GROSS DOMESTIC DEBT (Ksh billion)

	2014			2015			Change
	June	%	Apr	%	May	%	Jun 14 - Jun 15
total domestic debt	1,284.2	100.0	1,415.4	100.0	1,408.4	100.0	136.2
Government securities (1+2)	1,214.2	94.5	1,356.1	95.8	1,357.1	96.4	140.5
Treasury Bills (Excluding REPOs)	299.4	23.3	347.0	24.5	334.2	23.7	19.5
Banking institutions	176.5	13.7	246.9	17.4	232.6	16.5	41.3
Others	123.0	9.6	100.1	7.1	101.5	7.2	(21.8)
Treasury Bonds	914.8	71.2	1,009.2	71.3	1,022.9	72.6	120.9
Banking institutions	436.4	34.0	494.3	34.9	504.9	35.8	73.9
Pension Funds	247.5	19.3	346.5	24.5	350.1	24.9	64.3
Others	230.9	18.0	168.4	11.9	167.9	11.9	(17.3)
Frozen Account	28.3	2.2	27.2	1.9	27.2	1.9	(1.6)
Of which: Repo T/Bills	28.3	2.2	27.2	1.9	27.2	1.9	(1.7)
Others	70.1	5.5	59.3	4.2	51.3	3.6	(4.2)
Of which CBK overdraft to Government	37.2	2.9	29.8	2.1	21.1	1.5	(0.7)

Source: Central Bank of Kenya

Treasury Bills Treasury bill holdings, excluding those held by the CBK for open market operations (or Repos) increased by Ksh 19.5 billion from Ksh 299.4 billion in June 2014 to Ksh 318.9 billion in June 2015 (Table 7.2). The proportion of Treasury bills to total domestic debt decreased to 22.5 percent in June 2015 from 23.3 percent in June 2014. The dominant investors were commercial banks (with a share of 68.3 percent) and pension funds (that accounted for 12.8 percent) by June 2015 (Table 7.3).

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

	2014		2015						Change
Holders	June	%	Apr	%	May	%	Jun	%	Jun 14 - Jun 15
Banking Institutions	176.5	58.9	246.9	71.2	232.6	69.6	217.7	68.3	41.3
Central Bank	0.0	0.0	0.1	0.0	0.1	0.0	0.0	0.0	0.0
Comm. Banks	176.4	58.9	246.8	71.1	232.5	69.6	217.7	68.3	41.3
Insurance Companies	19.9	6.6	21.0	6.1	20.0	6.0	20.8	6.5	1.0
Parastatals	4.2	1.4	9.8	2.8	13.0	3.9	15.0	4.7	10.8
Pension Funds	67.8	22.6	42.5	12.3	43.0	12.9	40.9	12.8	-26.9
Others	31.1	10.4	26.7	7.7	25.5	7.6	24.4	7.7	-6.7
Total	299.4	100.0	347.0	100.0	334.2	100.0	318.9	100.0	19.5

Source: Central Bank of Kenya

Treasury Bonds

Outstanding Treasury bonds increased by Ksh 120.9 billion, from Ksh 914.8 billion in June 2014 to Ksh 1,035.7 billion in June 2015, and bond's share in domestic debt also increased from 71.2 percent in June 2014 to 72.9 percent by June 2015 (Table 7.2). The holding of Treasury bonds by dominant investors comprised Ksh 510.2 billion, Ksh 311.8 billion and Ksh 107 billion absorbed by commercial banks, pension funds and insurance companies, respectively. The proportion of holdings by pension funds and commercial banks increased from 27.1 percent and 47.7 percent to 30.1 percent and 49.3 percent, respectively. Meanwhile, insurance companies' and other holders' share declined from 11.1 percent and 10.4 percent to 10.3 percent and 7 percent during the period under review. The proportion held by parastatals, and the Central Bank of Kenya recorded marginal movement (Table 7.4).

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

Holders	2014		2015						Change Jun 14 - Jun 15
	June	%	Apr	%	May	%	Jun	%	
Banking Institutions	436.4	47.7	494.3	49.0	505.0	49.4	510.3	49.3	73.9
Central Bank	0.0	0.0	0.1	0.0	0.1	0.0	0.0	0.0	0.0
Comm. Banks	436.3	47.7	494.3	49.0	504.9	49.4	510.2	49.3	73.9
Insurance Companies	101.2	11.1	104.1	10.3	104.8	10.2	107.0	10.3	5.9
Parastatals	34.4	3.8	34.7	3.4	33.6	3.3	33.6	3.2	-0.8
Of which: NSSF	16.2	1.8	14.6	1.4	13.6	1.3	13.6	1.3	-2.6
Pension Funds	247.5	27.1	304.0	30.1	307.1	30.0	311.8	30.1	64.3
Others	95.3	10.4	72.1	7.1	72.4	7.1	73.0	7.0	-22.4
Total	914.8	100.0	1009.2	100.0	1022.9	100.0	1035.7	100.0	120.9

Source: Central Bank of Kenya

Domestic Debt Maturity structure

Total domestic debt as at June 2015 amounted to Ksh 1,420.4 billion. Government securities worth Ksh 16.5 billion matured in June 2015, comprising Ksh 1.1 billion, Ksh 1.6 billion and Ksh 1.0 billion in 91-day, 182-day and 364-day Treasury bills, respectively. Treasury bonds worth Ksh 12.8 billion matured in June 2015.

The average length of maturity of existing domestic debt rose to 5 years and 2 months in June 2015 from 4 years and 10 months in June 2014. This increase was attributed to the issuance and re-opening longer dated securities by the Central thereby reducing domestic debt refinancing risk.

TABLE 7.5: DOMESTIC DEBT MATURITY STRUCTURE (Ksh billion)

		2014		2015				Change Jun 14 to Jun 15
		Jun	%	Apr	%	May	%	
Treasury bills	91-Day	54.7	4.3	22.8	1.6	21.7	1.5	-36.1
	182-Day	88.9	6.9	87.4	6.2	80.5	5.7	-13.7
	364-Day	155.8	12.1	236.8	16.7	231.9	16.5	69.3
Treasury Bonds	1-Year	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	2-Year	166.7	13.0	115.8	8.2	115.8	8.2	-23.2
	3-Year	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	4-Year	29.9	2.3	21.4	1.5	21.4	1.5	-8.5
	5-Year	175.3	13.6	183.7	13.0	171.8	12.2	2.1
	6-Year	40.7	3.2	40.7	2.9	40.7	2.9	0.0
	7-Year	17.0	1.3	8.7	0.6	8.7	0.6	-8.3
	8-Year	40.9	3.2	38.2	2.7	38.2	2.7	-2.7
	9-Year	18.2	1.4	15.1	1.1	15.1	1.1	-3.1
	10-Year	131.1	10.2	158.6	11.2	158.6	11.3	32.7
	11-Year	4.0	0.3	4.0	0.3	4.0	0.3	0.0
	12-Year	45.4	3.5	132.1	9.3	132.1	9.4	86.7
	15-Year	142.9	11.1	168.2	11.9	168.2	11.8	25.3
	20-Year	60.5	4.7	74.3	5.2	74.3	5.3	13.9
	25-Year	20.2	1.6	20.2	1.4	20.2	1.4	0.0
	30-Year	22.1	1.7	28.1	2.0	28.1	2.0	6.0
Repo T bills	Repo T bills	28.3	2.2	27.2	1.9	27.2	1.9	-1.7
	Overdraft	39.1	3.0	29.8	2.1	21.1	1.5	-2.6
	Other Domestic debt	2.66	0.21	2.4	0.2	28.8	2.0	0.0
Total Debt		1284.22	100.00	1415.4	100.0	1408.4	100.0	136.2

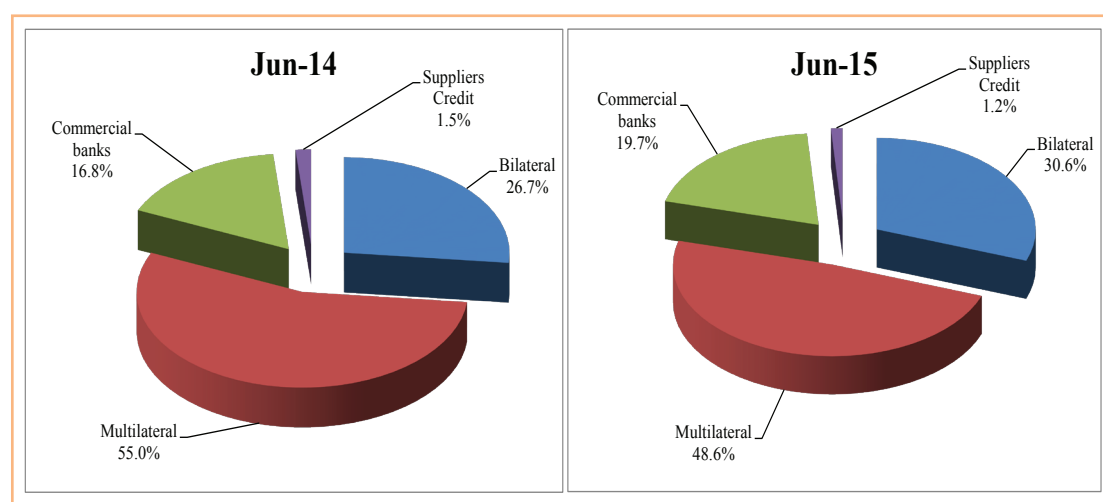
Source: Central Bank of Kenya

External Debt

Kenya's public and publicly guaranteed external debt increased by Ksh 322.7 billion to Ksh 1,408.6 billion in June 2015, from Ksh 1,085.9 billion in June 2014 (Table 7.1). The central government stake amounted to Ksh 1,364.7 billion or 96.9 percent with the balance being government guarantee to parastatals. The African Development Bank (ADB) accounted for Ksh 35.3 billion of the increase in multilateral debt, while China accounted for Ksh 146.4 billion of the increase in bilateral debt. Japan's contribution to the bilateral debt reduced by Ksh 16.1 billion, during the period under review. The growth in external debt during this period was attributed to proceeds from Eurobond tap sale, disbursements from the Chinese government towards various public investment projects, and Exim bank China and exchange rate revaluation.

Composition of External Debt by Creditor

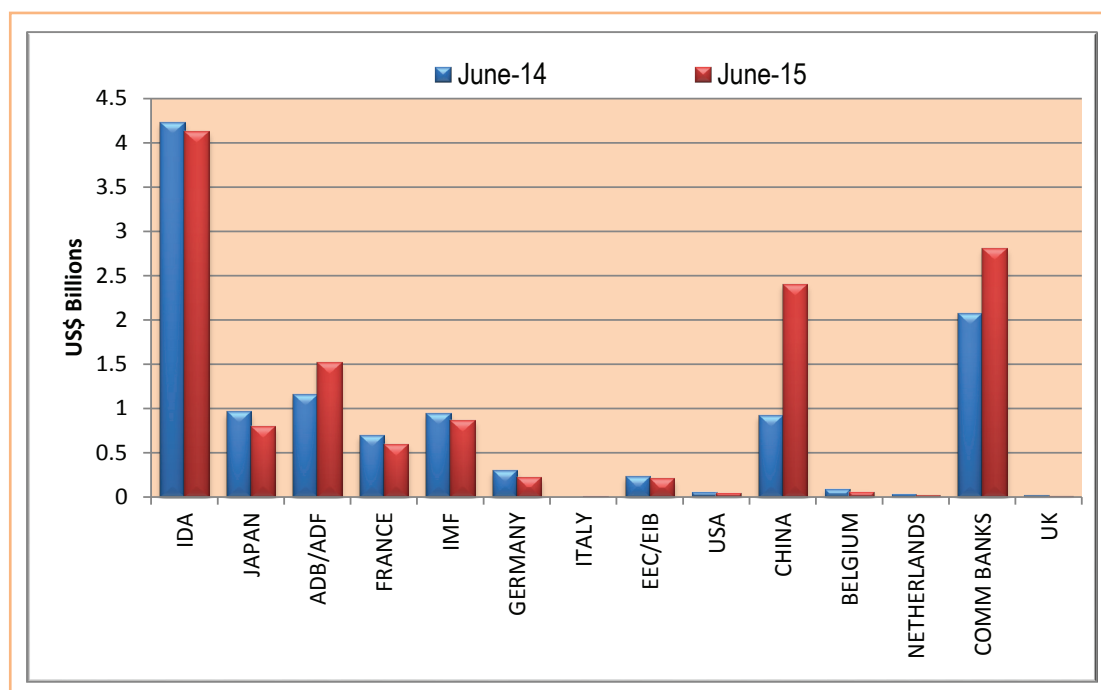
Official debt to multilateral and bilateral lenders accounted for 79.2 percent of total public and publicly guaranteed external debt by June 2015. The proportion of external debt owed to commercial banks and bilateral lenders increased from 16.8 percent and 26.7 percent in June 2014 to 19.7 percent and 30.6 percent in June 2015, respectively. The share of external debt owed to multilateral lenders declined from 55.0 percent in June 2014 to 48.6 percent in June 2015. This decline was largely attributed to increase in commercial financing. (Chart 7A).

CHART 7A: COMPOSITION OF EXTERNAL DEBT

Source: National Treasury

Debt owed to the International Development Association (IDA), Kenya's largest multilateral lender, amounted to USD 4.1 billion or 28.9 percent of total external debt while that owed to China, Kenya's largest bilateral lender, amounted to USD 2.4 billion, or 16.9 percent of the total external debt as at the end of June 2015 (Chart 7B).

CHART 7B: EXTERNAL DEBT BY CREDITOR

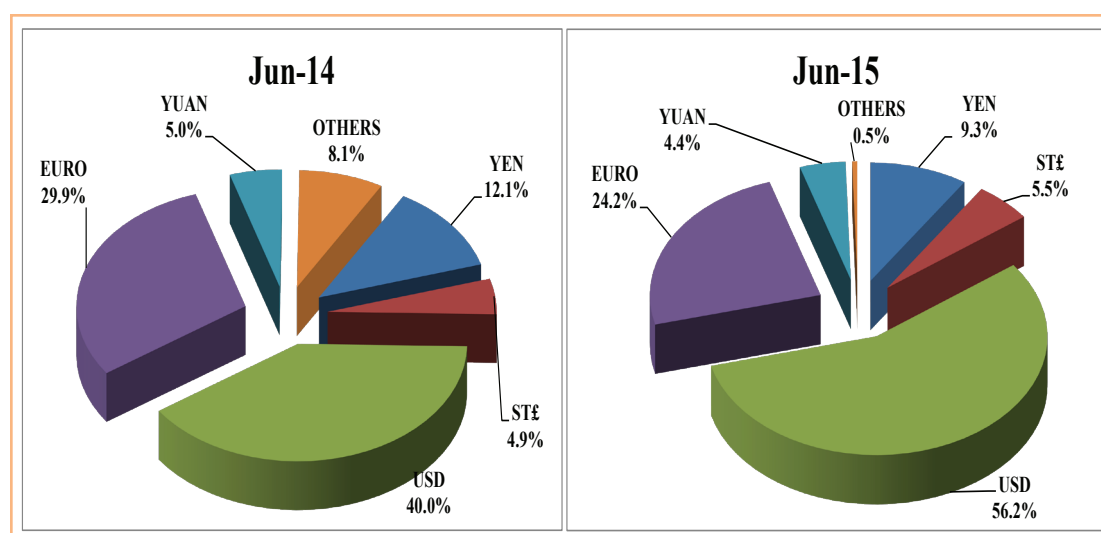


Source: National Treasury

Currency Composition of External Debt

The proportion of external debt denominated in the US dollar increased from 40 percent in June 2014 to 56.2 percent in June 2015, while that denominated in Japanese Yen other currencies and Euro declined from 12.1 percent, 8.1 percent and 29.9 percent, respectively, to 9.3 percent, 0.5 percent and 24.2 percent during the period under review (Chart 7C). The rise in the US dollar denominated component is largely attributed to the proceeds from the December Tap sale of the Sovereign bond first issued in June 2014.

CHART 7C: EXTERNAL DEBT DISTRIBUTION BY CURRENCY



Source: National Treasury

Public Debt Service Cumulative interest and other charges on domestic debt for the FY 2014/15 amounted to Ksh 139.8 billion (or 2.6 percent GDP) compared with Ksh 108.8 (or 2 percent GDP) billion during a similar period of the FY 2013/14. The expenditure in the current period comprised interest and other charges on Treasury bills and Treasury bonds amounting to Ksh 27.0 billion and Ksh 109.7 billion, respectively. In addition, collective interest on regular government overdraft and the Pre-1997 overdraft amounted to Ksh 3.1 billion. Total external debt service for the FY 2014/15 amounted to Ksh 104.5 billion (or 1.95 percent GDP), comprising Ksh 81.9 billion in principal repayments and Ksh 22.5 billion in interest payments.

Outlook for FY 2014/15 Total public and publicly guaranteed external debt is estimated at Ksh 1,430 billion (21.9 percent of GDP), of which gross and net domestic debt amount to Ksh1,611.4 billion (24.7 percent of GDP) and Ksh 1,417.9 billion (21.7 percent of GDP), respectively.

ACTIVITY IN THE STOCK MARKET

Equity Market During the month of June 2015, equities market segment recorded mixed performance. The net foreign investors' activity to total equity turnover increased, with more sales than purchases reflecting net outflow. The bonds market segment recorded 46 percent drop in turnover in June 2015.

NSE 20 Share Index and the NASI closed 118 and 2 points higher respectively, in June 2015 compared with the level in May 2015. Shareholders wealth, measured by market capitalization, declined by KSh 39 billion. Equities turnover rose by 13.69 percent in June 2015 on account of increase in share prices (Table 8.1).

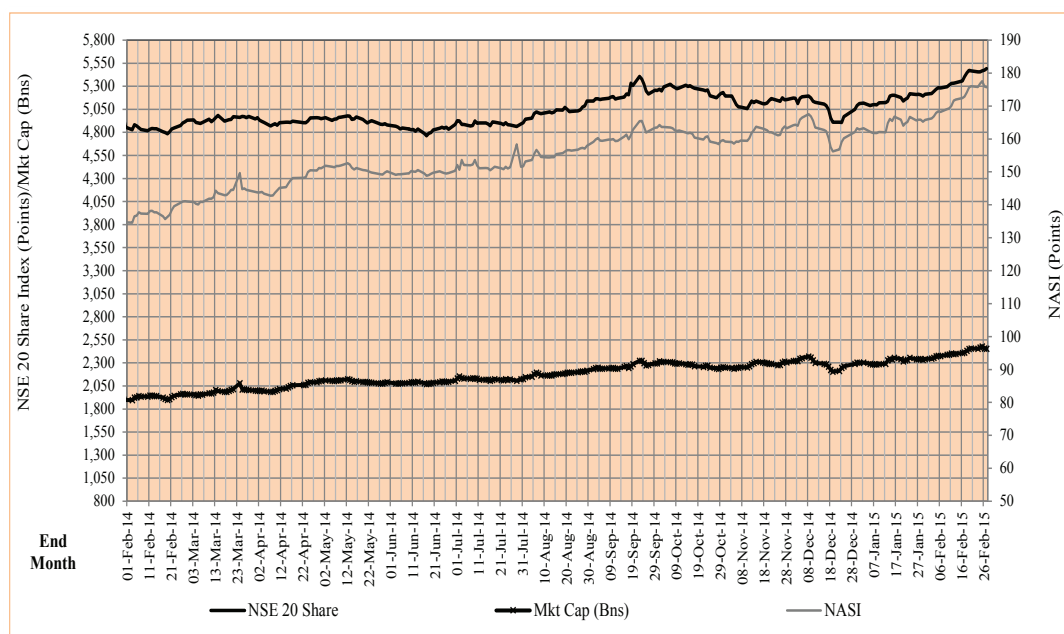
TABLE 8.1: SELECTED STOCK MARKET INDICATORS

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

Source: Nairobi Securities Exchange

Foreign participation dominated the market, with overall net foreign participation to total equity turnover at 73.74 percent in June 2015, up from 62.7 percent in May 2015. Both the NSE 20 Share Index and NASI rose in June 2015. Market capitalization, however, declined marginally and remained below the 2.4 trillion mark, first recorded in February 2015. (Chart 8A). A net outflow was recorded in the month of June, despite an increase in foreign purchases of 14.88 percent over the period. Foreign purchases accounted for 72.82 percent of total equity turnover against 74.66 percent for foreign sales (Table 8.1).

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



Source: Nairobi Securities Exchange

Most Active Sectors & FTSE NSE Kenya Index Series

Banking, Telecommunication and Technology, and Insurance sectors dominated trading in equities in June 2015 and accounted for 42.47 percent, 31.8 percent and 8.16 percent of all shares traded respectively, in June 2015.

FTSE NSE Kenya 15 Index, which measures performance of 15 largest stocks by market capitalization at the NSE, closed at 216.07 points in June 2015 from 215.52 points in May 2015. FTSE NSE Kenya 25 Index, which measures performance of 25 most liquid stocks, closed at 214.80 points in June from 215.27 points in the previous month. FTSE NSE Kenyan Government Bond Index declined to 92.03 points from 92.42 points, reflecting slight increase in secondary market yields.

Bond Market

The Bonds' turnover declined by 45.5 percent in June 2015 to KSh 12,176.84 million from KSh 22,342.01 million in May 2015. Corresponding deals were 304 compared to 472 deals in May 2015. The IFB1/2014/012 dominated trading, at 17.94 percent of total bonds turnover, with yields ranging from 10.4 percent to 12.3 percent, against a coupon rate of 11 percent. Corporate bonds segment traded KSh 230.10 million, representing 1.89 percent of total bond turnover.

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

1.0 ASSETS	JUNE* 2015	JUNE 2014	INCREASE/ (DECREASE)
1.1 BALANCES DUE FROM BANKING INSTITUTIONS AND GOLD HOLDINGS	704,001	759,650	(55,650)
1.2 FUNDS HELD WITH IMF	4,385	692	3,692
1.3 ITEMS IN THE COURSE OF COLLECTION	82	70	12
1.4 ADVANCES TO COMMERCIAL BANKS	75	50	24
1.5 LOANS AND OTHER ADVANCES	38,974	40,463	(1,489)
1.6 OTHER ASSETS	4,299	3,142	1,157
1.7 RETIREMENT BENEFIT ASSET	4,668	7,659	(2,991)
1.8 PROPERTY AND EQUIPMENT	19,987	13,811	6,176
1.9 INTANGIBLE ASSETS	495	639	(144)
1.91 DEBT DUE FROM GOVERNMENT OF KENYA	26,669	28,334	(1,665)
TOTAL ASSETS	803,634	854,510	(50,877)
2.0 LIABILITIES			
2.1 CURRENCY IN CIRCULATION	222,178	199,966	22,212
2.2 INVESTMENTS BY BANKS	-	-	-
2.3 DEPOSITS	329,931	448,800	(118,869)
2.4 INTERNATIONAL MONETARY FUND	125,775	130,064	(4,289)
2.5 OTHER LIABILITIES	4,716	5,097	(381)
2.6 PROVISIONS	167	157	10
TOTAL LIABILITIES	682,767	784,084	(101,317)
3.0 EQUITY AND RESERVES	120,867	70,426	50,440
Share Capital	5,000	5,000	-
General reserve fund	48,914	48,914	0
Period surplus	48,253		48,253
Asset Revaluation	14,032	8,853	5,179
Retirement Benefit Asset Reserves	4,668	7,659	(2,991)
Dividends payable			-
4.0 TOTAL LIABILITIES AND EQUITY	803,634	854,510	(50,877)

*Provisional

Source: Central Bank of Kenya

NOTES ON THE FINANCIAL POSITION

Assets

Total assets declined by 6.0 percent or KSh 50.9 billion in the year to June 2015 largely on account of balances due from bank institutions and gold holdings. The contra of this reduction was on account of foreign debt repayments on behalf of Government and sale of forex to stem volatility in the foreign exchange market.

Balances due from Banking institutions and Gold holdings category comprise of foreign reserves held in external current accounts, deposits and special/projects accounts, domestic foreign currency clearing accounts, gold, special drawing rights and RAMP securities invested with the World Bank. These balances decreased by KSh 55.7 billion to KSh 704.0 billion in June 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 June 2015 were KSh 82 million compared to KSh 70 million outstanding as at June 2014.

Advances to commercial banks are balances of money advanced by the Central Bank of Kenya to commercial banks in the management of interbank liquidity. The balance outstanding increased by KSh 24 million (or 48.5 percent) to KSh 75 million in June 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), Government overdraft and IMF funds on-lent to Government. The government repaid KSh 1,489 million, reducing the outstanding balance due to KSh 38,974 million in June 2015 from KSh 40,463 million in June 2014.

Other Assets largely consist of prepayments and sundry debtors, and deferred currency expense. These assets increased by KSh 1,157 million to KSh 4,299 million in June 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 26,669 million in June 2015 from KSh 28,334 million in June 2014.

Liabilities

Currency in circulation increased by KSh 22,212 million (or 11.1 percent) to KSh 222,178 million in June 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 118,869 million to KSh 329,931 million in June 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 4,289 million, to KSh 125,775 in June 2015 from KSh 130,064 million in June 2014.

Other liabilities include net impersonal accounts, sundry creditors, foreign exchange bureaus deposits and suspense accounts. The balance decreased by KSh 381 million to KSh 4,716 million in June 2015 from KSh 5,097 million in June 2014.

Equity and reserves increased by KSh 50,440 million, to KSh 120,867 million in June 2015 from KSh 70,426 million in June 2014 reflecting increase in period surplus of KSh 48,253 million and assets revaluation gain of KSh 5,179 and a drawdown of retirement benefit asset reserves of KSh 2,991.