



MONTHLY ECONOMIC REVIEW

MARCH 2015

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

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OVERVIEW

Introduction This Monthly Economic Review highlights recent economic developments through March 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 from 5.6 percent in February 2015 to 6.3 percent in March 2015. This reflects higher food inflation. Food inflation rose by 199 basis points to 10.3 percent in March 2015 as fuel inflation and non-food non-fuel inflation eased by 45 basis points and 27 basis points, respectively. Annual average inflation stabilized at 6.6 percent in February and March 2015.

Money Supply Growth in broad money, M3, accelerated by 16.4 percent in the year to March 2015 compared to 17.3 percent in a similar period in 2014 and was slightly above the March 2015 target of 15.9 percent. The increase in money supply was attributed to accumulation of Net Foreign Assets (NFA).

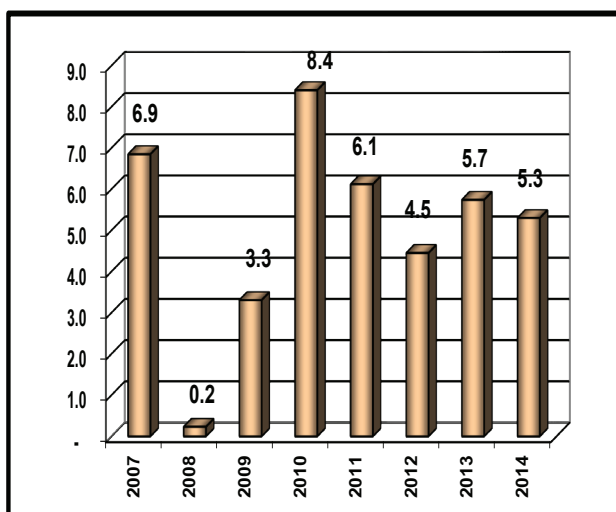
Interest Rates The Monetary Policy Committee maintained the Central Bank Rate (CBR) at 8.50 percent on February 26, 2015, in order to continue anchoring inflationary expectations. The weighted average interbank rate increased marginally to 6.85 percent in March 2015 from 6.77 percent in February 2015.

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

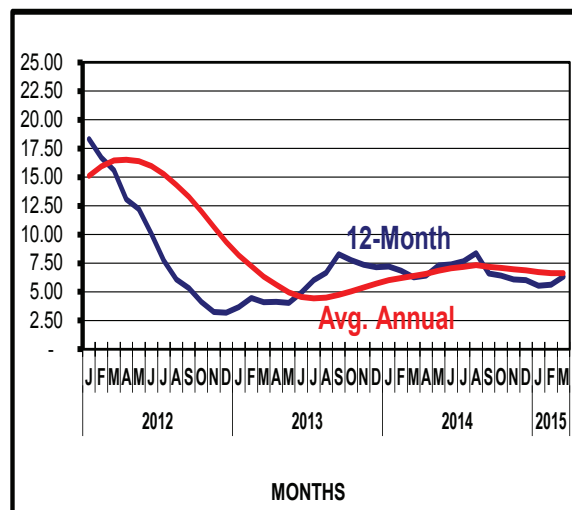
Balance of Payments	Kenya's overall balance of payments surplus improved by USD 150.6 million to USD 1,114 million in the 12 months to March 2015 from a surplus of USD 963 million in the year to March 2014 following improvement in the capital and financial account surplus.
Exchange Rates	The Kenya shilling displayed mixed performance against major international and EAC currencies during the month of March 2015. It strengthened against the Pound Sterling, the Euro and the Japanese Yen but weakened against the US Dollar largely on account of the strengthening of the US Dollar against major world currencies anchored on positive sentiment on economic recovery, and high dollar demand on the domestic market.
Banking Sector Developments	The Kenyan Banking sector registered improved growth in assets in the year to March 2015 driven by growth in deposits, injection of capital and retention of profits. The sector registered improved performance in earnings and capital and the level of non-performing loans reduced compared with a similar period in 2014.
Government Budgetary Performance	The Government's budgetary operations during the first three quarters of the FY 2014/15 resulted into a deficit of Ksh 353.8 billion (6.6 percent of GDP) on both commitment and cash basis compared with a deficit of Ksh 161 billion (3.4 percent of GDP) incurred in the same period of the FY 2013/14.
Public Debt	Kenya's public and publicly guaranteed debt rose by 305.1 billion to close at Ksh 2,675.2 billion (49.9 Percent of GDP) in March 2015 from Ksh 2,370.2 billion (44.2 percent of GDP) in June 2014.
Stock Market	The capital markets recorded a mixed performance in March 2015. The bonds segment performance improved but the equity market segment declined in several indicators. The net foreign investor interest at the NSE improved, with more sales than purchases.

SELECTED ECONOMIC PERFORMANCE INDICATORS

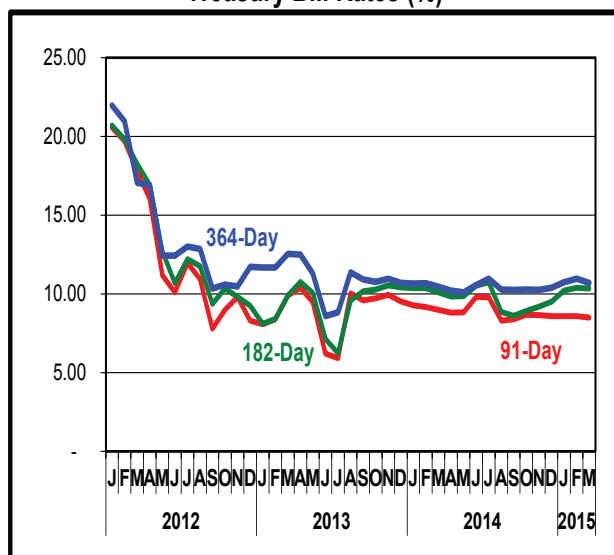
Real GDP Growth (%)



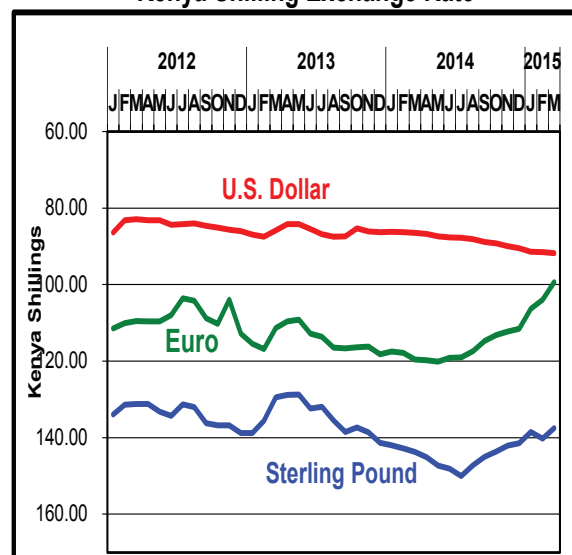
Inflation (%)



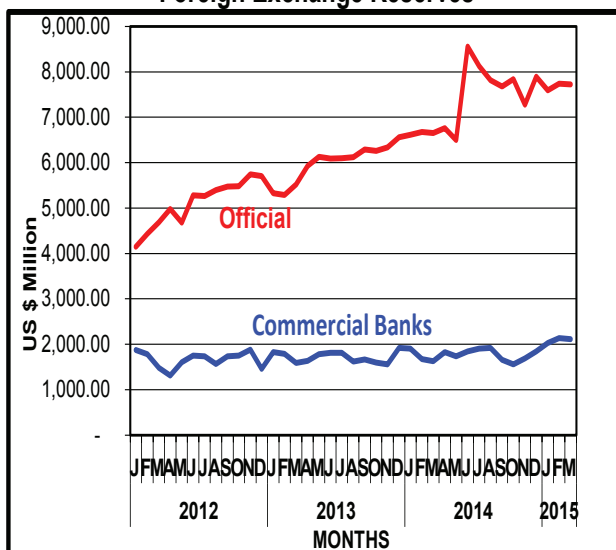
Treasury Bill Rates (%)



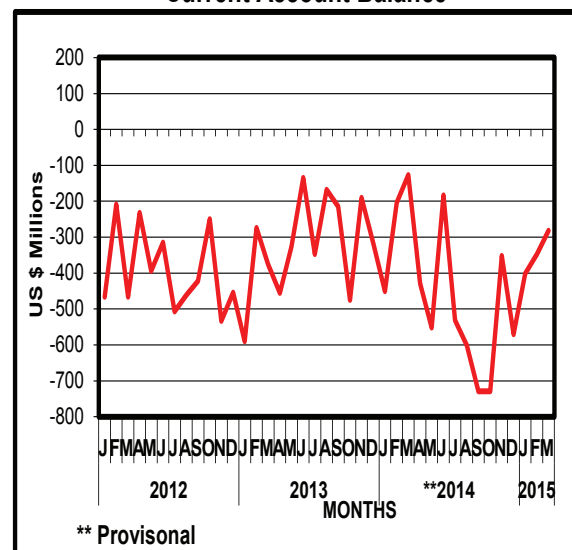
Kenya Shilling Exchange Rate



Foreign Exchange Reserves



Current Account Balance



SELECTED ANNUAL ECONOMIC INDICATORS

	2006	2007	2008	2009	2010	2011	2012	2013
1. POPULATION*								
People in Millions	36.10	37.20	38.30	38.60	38.50	39.50	40.70	41.80
Growth (%)	2.85	3.05	2.96	0.78	-0.26	2.60	3.04	2.70
2. NATIONAL ACCOUNTS**								
Gross value added at basic prices (Ksh m)	1,649,996	1,903,472	2,211,447	2,558,792	2,827,470	3,348,141	3,811,764	4,234,319
GDP at Market Prices (Ksh m):								
At Current Prices	1,862,041	2,151,349	2,483,058	2,863,688	3,169,335	3,726,052	4,254,772	4,757,532
At Constant 2009 Market Prices	2,588,279	2,765,595	2,772,019	2,863,688	3,104,401	3,294,454	3,441,132	3,638,761
Real GDP Growth (%)	...	6.9	0.2	3.3	8.4	6.1	4.5	5.7
Per Capita Income Real 2009 prices (Ksh)	74,862	77,197	75,431	75,910	80,689	83,309	84,649	88,750
3. GROSS NATIONAL SAVINGS (% of GDP at mkt prices)³	16.1	16.7	15.4	14.6	14.1	14.6	12.7	11.0
4. GROSS DOMESTIC SAVINGS (% of GDP at mkt prices)³	9.1	10.1	8.9	8.4	8.3	7.2	7.1	5.4
5. GROSS DOMESTIC INVESTMENTS (% of GDP at mkt prices)	18.6	20.5	19.6	19.3	20.8	21.7	21.6	19.9
6. OVERALL INFLATION BASE PERIOD= FEB 2009								
Annual Average Inflation	6.39	4.27	16.27	9.24	3.96	14.02	9.38	5.72
12-Month Inflation	7.98	5.70	17.83	5.32	4.51	18.93	3.20	7.15
7. STOCK MARKET								
Nairobi Stock Exchange Price Index (1966=100)	5,645.65	5,444.83	3,521.18	3,247.44	4,432.60	3,205.02	4,133.02	4,926.97
Trade Turnover Ratio (%)	1.70	1.29	0.29	0.64	0.99	0.46	0.58	0.58
8. GOVERNMENT BUDGET (Ksh bn) ***								
Revenue and Grants	331.21	383.59	457.67	511.36	614.53	679.53	734.43	1,001.40
Expenditure	368.65	405.20	534.84	621.91	791.79	817.09	915.89	1,297.80
Budget Deficit (-) / Surplus (+) incl. Grants (commitment basis)	(37.44)	(21.61)	(77.17)	(110.55)	(177.26)	(137.56)	(181.46)	(296.40)
Budget Deficit (% of GDP)	(2.74)	(1.02)	(3.93)	(4.94)	(7.21)	(4.98)	(5.51)	(6.20)
9. MONEY AND CREDIT (Ksh bn)(end period)								
Liquidity (L) ¹	834.16	992.42	1,091.93	1,280.44	1,558.16	1,854.93	2,129.49	2,527.00
Money Supply (M3) ²	666.84	797.54	901.05	1,045.66	1,271.64	1,514.15	1,727.32	2,000.02
Reserve Money	124.16	155.62	163.59	181.96	222.63	255.01	293.62	320.76
Total Domestic Credit	575.76	668.90	815.52	955.82	1,188.40	1,505.13	3,036.21	1,982.30
Government	137.81	137.40	155.32	205.07	277.78	311.58	368.83	397.16
Private sector and other public sector	437.94	531.49	660.20	750.75	910.62	1,193.55	1,333.69	1,585.13
10. BALANCE OF PAYMENTS (US\$ m)								
Overall Balance	675.00	854.00	(469.00)	780.53	163.40	(42.88)	1,261.00	684.72
Current Account	-511.00	-1,034.00	-1,983.00	-1,609.28	-2,511.91	-3,330.50	-4,252.77	-4,785.96
Capital and Financial Account	1,187.00	1,888.00	1,514.00	2,389.81	2,675.30	3,286.88	5,513.78	5,470.68
11. FOREIGN EXCHANGE RESERVES (US\$ m) End Period	3,331.30	4,556.97	4,640.78	5,064.03	5,122.52	6,044.78	7,159.86	8,483.20
Official	2,415.27	3,354.85	2,875.46	3,847.39	4,001.68	4,247.66	5,701.85	6,560.17
	3.9	4.8	3.4	4.1	3.9	3.7	4.3	4.5
Commercial Banks	916.03	1,202.12	1,765.32	1,216.63	1,120.84	(213.32)	854.32	49.38
12. PUBLIC DEBT (US\$ bn) End Period***	10.68	12.04	13.46	13.66	14.96	16.60	19.27	27.52
Domestic	4.84	6.08	6.66	6.72	8.06	8.51	10.20	14.91
As % of GDP	18.77	19.00	18.54	18.16	20.15	20.26	20.27	27.02
External	5.84	5.96	6.80	6.94	6.90	8.09	9.08	12.61
As % of GDP	22.62	18.62	18.94	18.75	17.25	19.26	18.04	22.84
13. EXCHANGE RATE (Ksh/US\$) (Annual Average)	72.10	67.32	69.18	77.35	79.26	88.87	84.52	86.13

* Provisional.

** Rebased data

*** Fiscal year to June 30th.

¹ Previously M3XT

² Previously M3X

³ Revised

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

SELECTED MONTHLY ECONOMIC INDICATORS

INDICATOR	2014										2015		
	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
1. INFLATION (%)													
CPI	146.61	148.20	149.70	149.91	150.60	152.02	152.24	151.92	151.85	152.51	153.43	154.14	155.86
Overall Inflation													
12-month overall inflation	6.27	6.41	7.30	7.39	7.67	8.36	6.60	6.43	6.09	6.02	5.53	5.61	6.31
Average annual overall inflation	6.39	6.58	6.85	7.05	7.19	7.33	7.19	7.08	6.97	6.88	6.74	6.63	6.63
2. INTEREST RATES (%)													
91-day Treasury bill interest rate	8.80	8.80	8.82	9.81	9.78	8.29	8.38	8.67	8.64	8.58	8.59	8.49	8.42
Overdraft interest rate	16.44	16.40	17.85	15.88	17.12	16.20	15.79	15.77	15.66	15.86	15.95	15.67	15.68
3. STOCK MARKET													
Nairobi Stock Exchange 20 Share Price Index	4,945.78	4,948.97	4,881.56	4,885.04	4,906.09	5,139.39	5,256.00	5,194.89	5,156.00	5,112.65	5,212.00	5,491.00	5,248.16
Turnover Ratio (%)	0.67	0.67	1.06	0.90	0.77	0.77	0.93	0.61	0.80	1.07	0.50	0.72	0.74
4. GOVERNMENT BUDGET* (Ksh bn.)													
Revenue \$ Grants	694.30	795.75	880.77	1,001.37	69.58	142.36	248.08	335.24	410.52	524.99	614.43	690.52	779.30
Expenses	855.33	971.11	1,114.34	1,297.76	48.60	141.07	276.61	373.51	490.10	613.96	765.22	864.18	1,133.10
Budget Deficit (-)/ Surplus (+)	(161.03)	(175.36)	(233.57)	(296.39)	20.97	1.29	(28.52)	(38.27)	(79.58)	(88.98)	(150.79)	(173.66)	(353.80)
5. MONEY AND CREDIT (Ksh bn.)													
Liquidity (L) ¹	2,592.54	2,650.16	2,701.27	2,718.34	2,812.44	2,880.19	3,020.09	3,037.95	3,102.53	3,124.10	3,162.64	3,222.47	3,251.27
Money Supply (M3) ²	2,060.31	2,100.61	2,147.48	2,152.13	2,190.08	2,253.32	2,251.76	2,260.02	2,295.15	2,329.98	2,350.80	2,407.83	2,398.76
Reserve Money	309.81	315.27	315.34	323.73	304.65	357.05	322.76	348.60	346.20	380.04	350.15	387.73	346.28
Total Domestic Credit	2,097.87	2,127.93	2,177.36	2,042.87	2,130.25	2,187.85	2,110.42	2,117.77	2,162.29	2,137.14	2,153.94	2,225.74	2,227.66
Government	449.87	441.96	465.19	283.06	346.88	372.79	251.07	239.96	256.64	204.27	206.97	266.23	253.13
Private sector and other public sector	1,648.00	1,685.97	1,712.17	1,759.82	1,783.37	1,815.06	1,859.35	1,877.81	1,905.65	1,932.86	1,946.96	1,959.51	1,974.53
6. MONEY AND CREDIT (Annual % Change)													
Liquidity (L) ¹	18.89	18.32	18.84	19.32	19.11	22.99	25.53	25.08	25.10	23.81	23.61	25.87	25.41
Money Supply (M3) ²	17.35	16.55	17.77	18.19	19.30	21.80	19.41	18.94	17.48	16.72	16.00	18.58	16.43
Reserve Money	7.73	17.71	11.88	12.63	7.28	15.25	11.16	13.46	9.29	18.48	15.82	22.90	11.77
Total Domestic Credit	19.73	16.66	22.44	14.58	20.05	21.06	12.54	12.09	9.92	8.02	7.12	8.18	6.19
Government	15.05	(3.53)	18.42	(25.41)	0.07	10.91	(34.37)	(34.91)	(37.21)	(48.57)	(49.92)	(39.33)	(43.73)
Private and other public sector	21.07	23.43	23.58	25.39	24.90	23.37	24.56	23.49	22.28	22.23	21.88	21.05	19.81
7. BALANCE OF PAYMENTS (US\$ m)													
Overall Balance	82.02	110.54	(261.11)	2,056.50	(419.32)	(313.45)	(137.65)	168.11	(559.44)	626.49	(294.47)	150.95	(13.26)
Current Account	(278.31)	(456.08)	(587.59)	(227.72)	(592.93)	(658.56)	(794.18)	(767.48)	(381.68)	(621.04)	(371.93)	(317.53)	(281.84)
Trade Balance	(708.31)	(1,071.40)	(1,209.30)	(826.00)	(1,238.33)	(1,164.49)	(1,374.36)	(1,304.50)	(904.62)	(1,098.87)	(946.65)	(770.56)	(732.12)
Capital and Financial Account	360.34	566.62	326.48	2,284.22	173.61	345.10	656.54	935.60	(177.76)	1,247.53	77.46	468.48	268.58
8. FOREIGN EXCHANGE RESERVES (US\$ m)	8,285.29	8,593.52	8,230.25	10,398.72	10,029.34	9,731.50	9,335.92	9,399.90	8,964.49	9,737.55	9,619.76	9,873.29	9,834.29
Official	6,660.17	6,764.90	6,498.02	8,554.52	8,127.54	7,814.08	7,676.44	7,838.99	7,273.99	7,894.92	7,593.04	7,736.58	7,723.31
Months of import cover**	4.51	4.53	4.32	5.67	5.33	5.10	4.96	5.00	4.64	5.01	4.80	4.88	4.90
Commercial banks	1,625.12	1,828.62	1,732.24	1,844.21	1,901.81	1,917.42	1,659.49	1,560.91	1,690.50	1,842.64	2,026.72	2,136.71	2,110.98
9. PUBLIC DEBT (US\$ bn)	24.60	25.00	25.01	27.05	27.19	26.92	26.44	26.17	26.56	27.16	28.28	28.97	29.10
Domestic	14.24	14.03	14.10	14.66	14.77	14.54	14.19	13.97	14.49	14.23	14.42	14.79	15.20
As % of GDP	24.20	24.20	23.00	23.97	24.20	23.91	23.53	23.41	24.33	24.41	24.91	25.26	26.08
External	10.36	10.97	10.91	12.39	12.42	12.38	12.25	12.20	12.08	12.92	13.86	14.17	13.90
As % of GDP	17.75	17.75	17.88	20.27	20.34	20.36	20.30	20.32	20.33	21.85	23.64	24.20	23.86
10. GROSS DOMESTIC DEBT (Ksh bn)***	1,231.20	1,216.76	1,232.49	1,284.33	1,296.44	1,281.09	1,260.87	1,246.14	1,303.35	1,287.40	1,317.48	1,353.30	1,397.10
11. AVERAGE EXCHANGE RATE													
Ksh/US\$	86.49	86.72	87.41	87.61	87.77	88.11	88.84	89.23	89.96	90.44	91.36	91.49	91.73
Ksh/Pound Sterling	143.76	145.08	147.29	148.15	150.04	147.24	144.99	143.66	142.05	141.45	138.49	140.21	137.51
Ksh/ 100 Yen	84.58	84.59	85.84	85.88	86.32	85.63	82.90	82.62	77.53	75.79	77.19	77.17	76.22
Ksh/Euro	119.58	119.78	120.09	119.16	119.02	117.40	114.74	113.21	112.28	111.52	106.32	103.94	99.40

* 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 M3XT² Previously M3X

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

Overall
Inflation

TRENDS IN VARIOUS MEASURES OF INFLATION

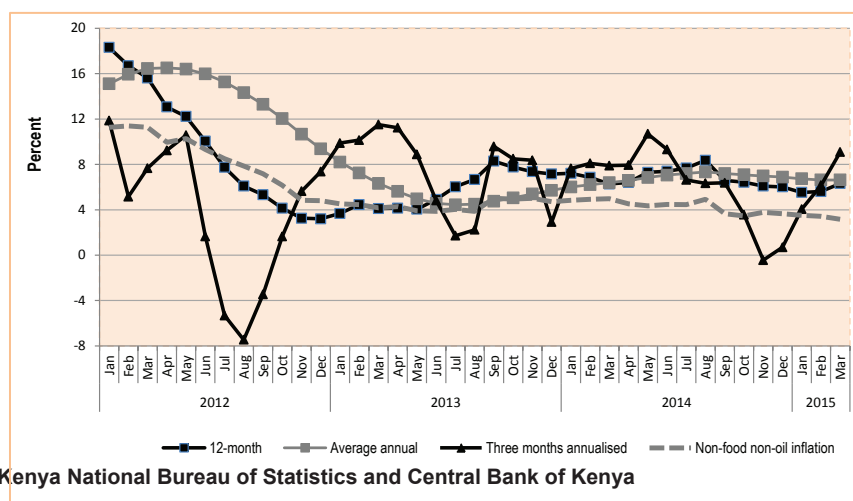
Overall 12-month inflation rose from 5.6 percent in February 2015 to 6.3 percent in March 2015. This reflects higher food inflation. Food inflation rose by 199 basis points to 10.3 percent in March 2015 as fuel inflation and non-food non-fuel inflation eased by 45 basis points and 27 basis points, respectively. Annual average inflation stabilized at 6.6 percent in February and March 2015. The three months annualized rate of inflation however, rose to 9.1 percent in March 2015 indicating an increase in domestic inflationary pressures (Table 1.1 and Chart 1A).

TABLE 1.1: INFLATION (%)

Overall Inflation	2014												2015		
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
12-month	7.21	6.86	6.27	6.41	7.30	7.39	7.67	8.36	6.60	6.43	6.09	6.02	5.53	5.61	6.31
Average annual	6.01	6.21	6.39	6.58	6.85	7.05	7.19	7.33	7.19	7.08	6.97	6.88	6.74	6.63	6.63
Three months annualised	7.64	8.09	7.89	7.93	10.69	9.32	6.63	6.33	6.37	3.56	-0.44	0.70	4.05	6.16	9.09
Non-food non-oil inflation	4.83	4.93	4.97	4.53	4.35	4.47	4.45	4.92	3.65	3.46	3.77	3.65	3.51	3.43	3.16

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

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



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

The rise in food inflation from 8.3 percent in February 2015 to 10.3 percent in March 2015 largely reflects an increase in the 12-month inflation in the 'food and non-alcoholic beverages' category of goods and services from 8.7 percent in February 2015 to 11.0 percent in March 2015.

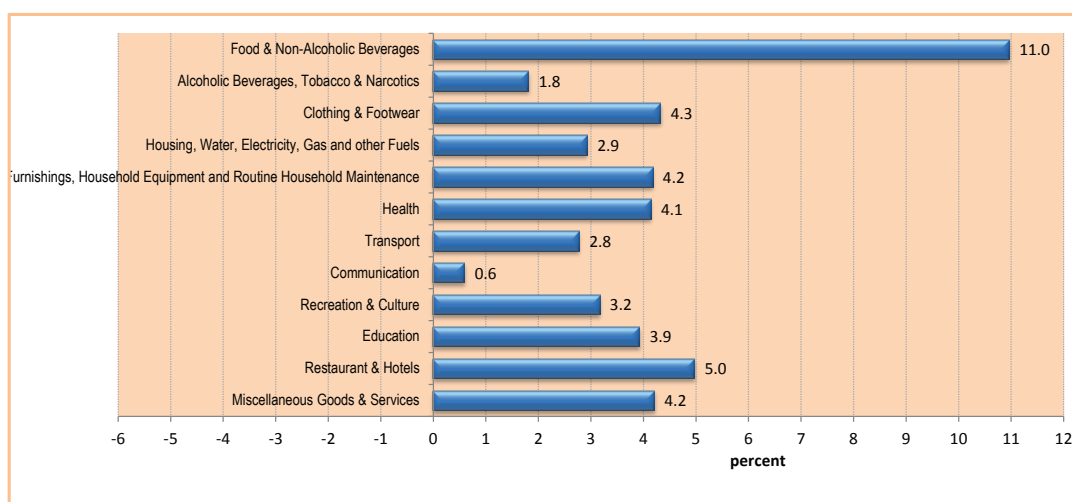
Fuel inflation eased from 3.3 percent in February 2015 to 2.9 percent in March 2015. This reflects a decline in 12-month inflation in the 'transport' category of goods and services from 3.4 percent in February 2015 to 2.8 percent in March 2015 and a decline in the 12-month inflation in the 'housing, water, electricity, gas and

other fuels' category of goods and services from 3.3 percent in February 2015 to 2.9 percent in March 2015. The decline in fuel inflation reflects a fall in the cost of electricity and the retail price of cooking gas.

Non-food non-fuel inflation eased from 3.4 percent in February 2015 to 3.2 percent in March 2015 reflecting lower inflation in the 'recreation and culture', 'health', 'education', 'furnishings, household equipment and routine household maintenance,' 'clothing & footwear' and 'alcoholic beverages, tobacco and narcotics' consumption baskets.

Developments across all categories of goods and services, and the distribution of weights in the Kenya consumer price index (CPI) are summarized in Table 1.2 and Chart 1B. Chart 1C shows that 69.0 percent of overall 12-month inflation in March 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 7.6 percent and 3.8 percent respectively.

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



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

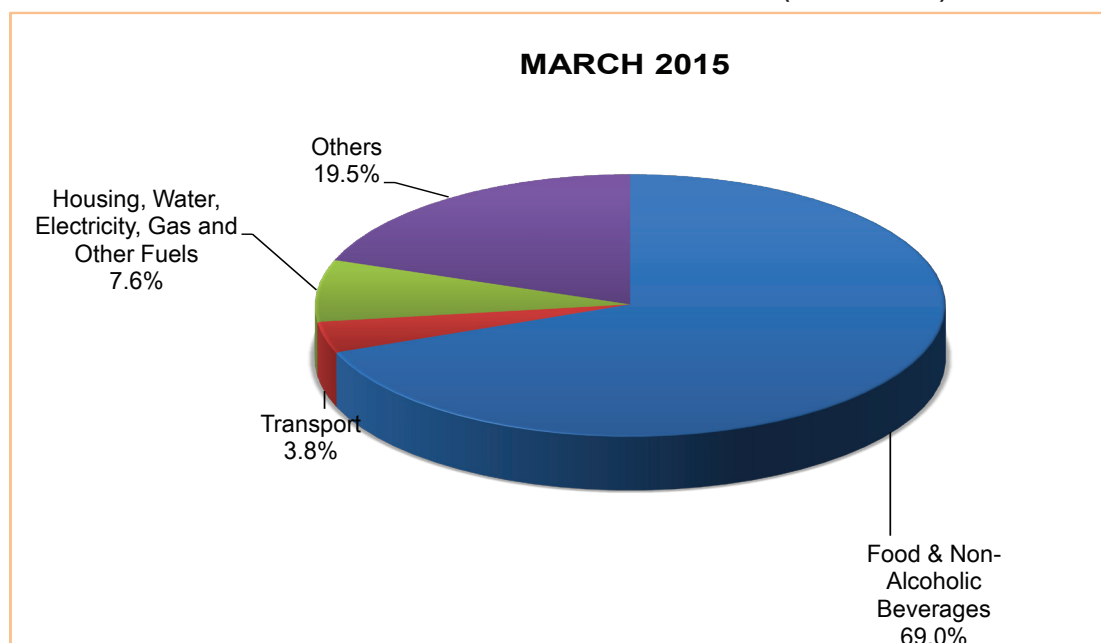
TABLE 1.2: 12 MONTHS INFLATION ACROSS BASKETS AND INCOME GROUPS

March 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	42.1	10.5	10.0	9.2	10.3	11.4	11.0
Alcoholic beverages, Tobacco & narcotics	2.0	1.6	1.8	2.0	1.7	1.9	1.8
Clothing & Footwear	6.7	2.7	3.9	6.4	3.1	5.1	4.3
Housing, Water, Electricity, Gas and other fuels	16.8	0.9	-0.2	0.0	0.7	4.5	2.9
Furnishings, Household equipment and Routine household maintenance	5.5	1.8	2.6	3.9	2.1	5.5	4.2
Health	2.8	3.7	2.7	3.1	3.4	4.6	4.1
Transport	8.9	8.1	-6.0	-2.0	4.7	1.3	2.8
Communication	1.9	-0.1	0.2	0.3	0.0	1.0	0.6
Recreation & culture	2.1	2.3	4.2	-2.2	2.6	3.5	3.2
Education	2.6	2.9	11.0	3.8	5.0	3.1	3.9
Restaurants & hotels	4.7	2.1	0.5	10.0	2.0	7.1	5.0
Miscellaneous goods & services	4.0	3.5	4.4	5.7	3.8	4.5	4.2
ALL GROUPS	100.0	6.3	3.2	1.8	5.5	6.9	6.3

Source: Kenya National Bureau of Statistics

12-month inflation rose both in Nairobi and in other urban centers across the country in March 2015 (Table 1.3). The 12-month consumer price inflation for the 'Nairobi Lower Income' group rose marginally from 5.2 percent in February 2015 to 6.3 percent in March 2015 while 12-month inflation for the 'Nairobi Middle Income' group stabilized at 3.2 percent in February and March 2015. 12-month inflation for the 'Nairobi Upper Income' group rose to 1.8 percent in March 2015 from 1.7 percent in the previous month. 12-month inflation registered at urban centers outside Nairobi rose to 6.9 percent in March 2015 from 6.3 percent in the previous period.

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



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

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

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

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

Inflation Outlook

Overall domestic inflation is expected to remain within the government medium term target on account of the on -going rains which are expected to boost supply of agricultural products as well as increase water levels in power generation dams and enhance usage of hydro power-ease on electricity costs.

DEVELOPMENTS IN MONEY, CREDIT AND INTEREST RATES

Monetary Aggregates

Broad money, M3, grew by 16.4 percent in the year to March 2015 compared to 17.3 percent in the comparable period in 2014 and was slightly above the March 2015 target of 15.9 percent. The M3 growth through March 2015 reflected strong growth in the Shilling and foreign currency deposits (Table 2.1 and Chart 2A).

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

	2013 March	2014 March	2015 March	Absolute Change		%age change	
				2013/14 March	2014/15 March	12 months Mar-14	12 months Mar-15
1. Money supply, M3 (2+3) 2/	1755.7	2060.3	2398.8	304.6	338.4	17.3	16.4
1.1 Money supply, M2 3/	1477.7	1758.8	2046.8	281.1	288.0	19.0	16.4
1.2 Money supply, M1	720.7	868.1	971.3	147.4	103.2	20.4	11.9
1.3 Currency outside banks	150.0	156.8	171.3	6.7	14.6	4.5	9.3
1.4 Foreign Currency Deposits	278.1	301.5	352.0	23.5	50.5	8.4	16.7
2. Net foreign assets 4/	319.6	370.5	462.0	51.0	91.5	16.0	24.7
Central Bank	341.7	442.1	569.6	100.4	127.5	29.4	28.9
Banking Institutions	-22.2	-71.5	-107.6	-49.4	-36.1		
3. Net domestic assets (3.1+3.2)	1436.2	1689.8	1936.8	253.6	247.0	17.7	14.6
3.1 Domestic credit (3.1.1+3.1.2)	1752.2	2097.9	2117.8	345.7	19.9	19.7	0.9
3.1.1 Government (net)	391.0	449.9	143.2	58.9	-306.6	15.1	-68.2
3.1.2 Private sector	1316.0	1614.3	1930.7	298.3	316.4	22.7	19.6
3.1.3 Other public sector	45.1	33.7	43.8	-11.4	10.1	-25.4	30.1
3.2 Other assets net (3-3.1)	-316.0	-408.1	-181.0	-92.1	227.1		
Memorandum items							
1. Overall liquidity, L 1/	2180.6	2592.5	3335.5	411.9	743.0	18.9	28.7
2. Reserve money	287.6	309.8	346.3	22.2	36.5	7.7	11.8
Currency outside banks	150.0	156.8	171.3	6.7	14.6	4.5	9.3
Bank reserves	137.6	153.1	175.0	15.5	21.9	11.3	14.3

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

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

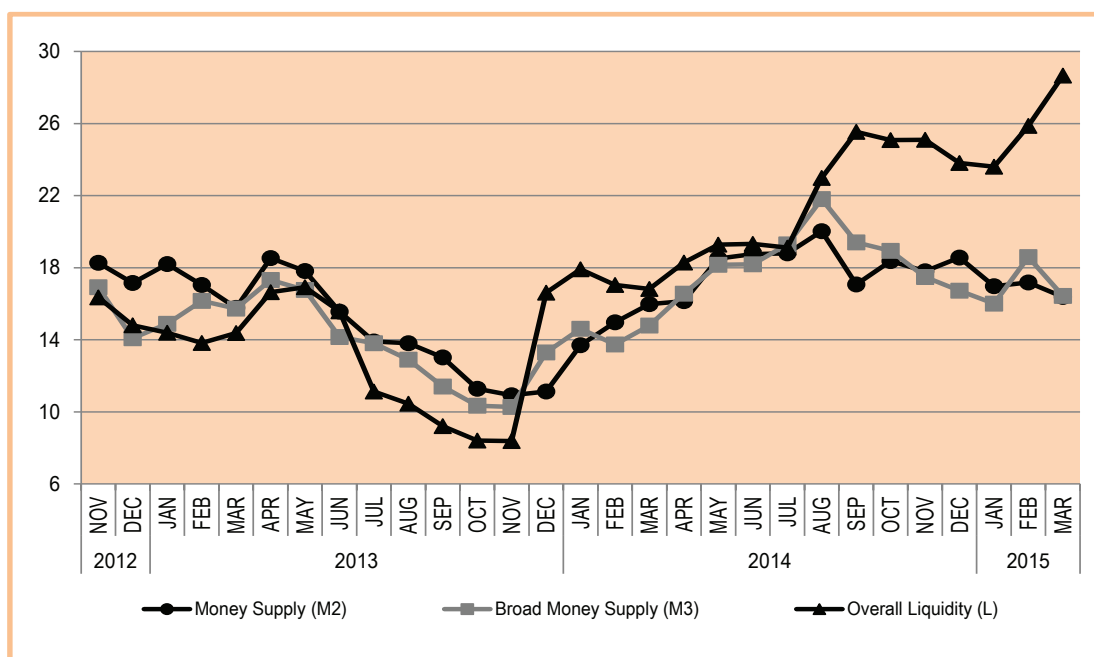
2/ Broader money, M3, comprises M2 and residents foreign currency deposits with local banks. It is comparable to M3X in the past publications. Foreign currency deposits are valued at current exchange rate from July 2008.

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

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

Source: Central Bank of Kenya

CHART 2A: ANNUAL PERCENTAGE CHANGE IN MONEY SUPPLY



Source: Central Bank of Kenya

The M3 growth derives from buildup of Foreign Assets and domestic assets of the banking system (Table 2.1). More specifically, the Net Foreign Assets (NFA) grew by 24.7 percent (or Ksh 91.5 billion) in the year to March 2015 compared with 16.0 percent (or Ksh 51.0 billion) over a similar period in 2014. The strong accumulation was boosted by receipts from the Sovereign Bond issued in June 2014 and December 2014. As a result, the NFA of the Central Bank increased by 28.9 percent to Ksh 569.6 billion in the year to March 2015 from Ksh 442.1 billion in March 2014, while other banking institutions accumulated foreign liabilities through loans from non-residents and foreign deposits. Over the same period, growth of the banking system NDA slowed down to 14.6 percent from 17.7 percent largely due to slowdown in Government spending and buildup of Government deposits at the Central Bank (Table 2.1).

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

	2014 March		2015 March		Absolute Change March		Annual %age Change March	
	Ksh bn	Share (%)	Ksh bn	Share (%)	2013/14	2014/15	2012/13	2013/14
1. Credit to Government	449.9	21.4	143.2	6.8	58.9	-306.6	15.1	-68.2
Central Bank	12.3	0.6	-61.2	-2.9	-36.9	-73.6		
Commercial Banks & NBFIs	437.5	20.9	204.5	9.7	95.7	-233.1	28.0	-53.3
2. Credit to other public sector	33.7	1.6	43.8	2.1	-11.4	10.1	-25.4	30.1
Local government	-2.0	-0.1	0.2	0.0	-3.4	2.1	-241.9	-108.7
Parastatals	35.7	1.7	43.7	2.1	-8.1	8.0	-18.5	22.4
3. Credit to private sector	1614.3	76.9	1930.7	91.2	298.3	316.4	22.7	19.6
Agriculture	61.0	2.9	74.6	3.5	4.4	13.6	7.7	22.3
Manufacturing	202.0	9.6	244.6	11.6	29.7	42.7	17.3	21.1
Trade	270.9	12.9	321.9	15.2	54.5	51.0	25.2	18.8
Building and construction	70.8	3.4	79.8	3.8	1.4	9.0	2.0	12.7
Transport & communications	106.7	5.1	140.0	6.6	33.0	33.4	44.8	31.3
Finance & insurance	35.0	1.7	51.6	2.4	9.8	16.6	39.0	47.5
Real estate	213.2	10.2	255.0	12.0	47.2	41.7	28.4	19.6
Mining and quarrying	25.2	1.2	20.1	1.0	-2.4	-5.1	-8.6	-20.1
Private households	260.5	12.4	333.4	15.7	79.6	72.9	44.0	28.0
Consumer durables	100.1	4.8	112.4	5.3	18.4	12.4	22.5	12.4
Business services	142.1	6.8	181.5	8.6	44.4	39.5	45.5	27.8
Other activities	127.0	6.1	115.6	5.5	-21.6	-11.4	-14.6	-8.9
4. TOTAL (1+2+3) *	2097.9	100.0	2117.8	100.0	345.7	19.9	19.7	0.9

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

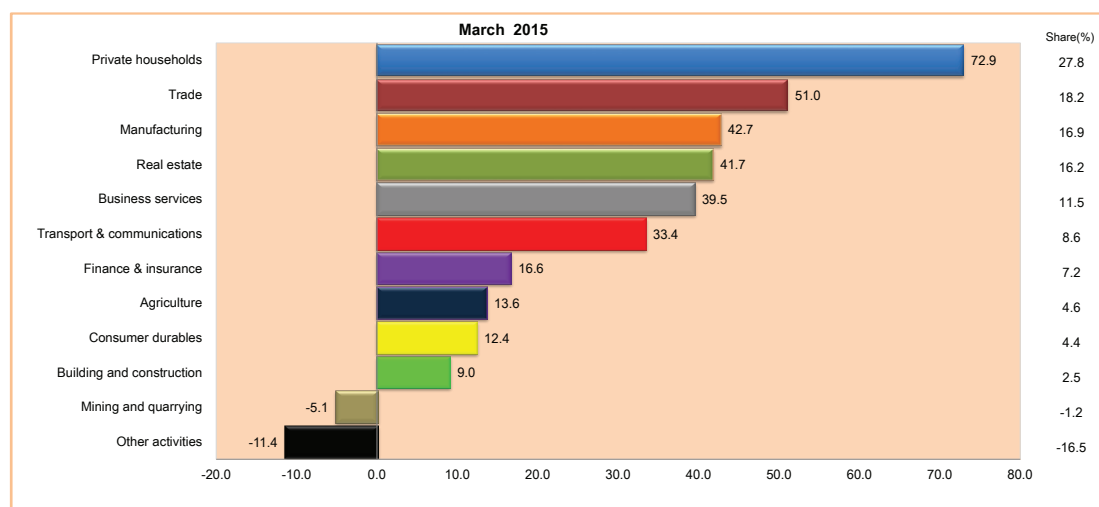
Source: Central Bank of Kenya

Domestic Credit Developments Domestic credit from the banking sector increased by Ksh 19.9 billion (0.9 percent) in the year to March 2015 compared with Ksh 345.7 billion (19.7 percent) in a similar period in 2014 (Table 2.2). The deceleration largely reflects net repayment by Government as credit growth to the private sector remained on track. In terms of shares in the total lending, the private sector accounted for 91.2 percent compared with a 6.8 percent share to government in the period under review.

Banking system credit to the private sector increased by 19.6 percent during the review period compared with 22.7 percent in the previous year. In absolute terms the credit flow was slightly larger than in the previous period. This credit was allocated to the following activities in order of magnitude: private households 23.0 percent (or Ksh 72.9 billion); trade 16.1 percent (or Ksh 51.0 billion); real estate at 13.5 percent (or Ksh 42.7 billion); manufacturing 13.2 percent (or Ksh 41.7 billion); business services 12.5 percent (or Ksh 39.5 billion); transport and communication 10.5 percent (or Ksh 33.4 billion); finance & insurance 5.3 percent (or Ksh 16.6 billion); agriculture 4.3 percent (or Ksh. 13.6 billion); consumer durables 3.9 percent

(or Ksh 12.4 billion); and building and construction 2.8 percent (or Ksh 9.0 billion). Mining activities and other activities repaid Ksh 5.1 billion and Ksh 11.4 billion, respectively (Chart 2B).

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



Source: Central Bank of Kenya

Reserve Money

Reserve money (RM) comprises of currency held by the non-bank public and commercial banks reserves (deposits at the Central Bank and cash in their tills). It increased by 28.9 percent in the year to March 2015 compared with 29.4 percent growth in March 2014 (Table 2.3 and Chart 2C). At Ksh 346.3 billion in March 2015, reserve money was Ksh 1.3 billion below the respective target. The growth in reserve money reflected 14.3 percent increase in bank reserves and 9.3 percent increase in currency outside banks.

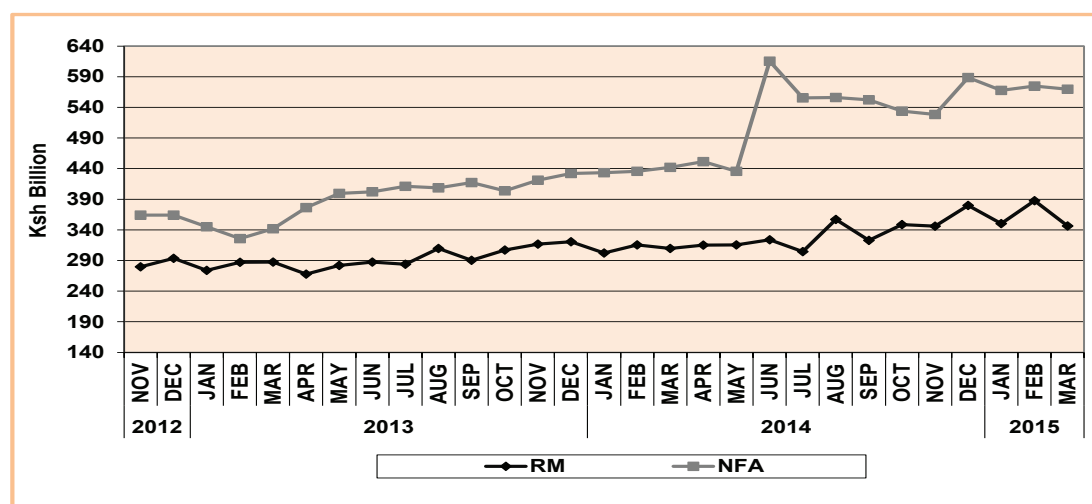
TABLE 2.3: RESERVE MONEY AND ITS SOURCES (Ksh billion)

	2013	2014	2015	Absolute change		Change (%)		2015	
	March	March	March	2013/14	2014/15	2013/14	2014/15	March Target	
1. Net Foreign Assets	341.7	442.1	569.6	100.4	127.5	29.4	28.9	589.4	-19.8
2. Net Domestic Assets	-54.1	-132.3	-223.3	-78.1	-91.1	144.3	68.9	-241.9	18.5
2.1 Government Borrowing (net)	49.2	12.3	-61.2	-36.9	-73.6			-27.5	-33.8
2.2 Commercial banks (net)	-53.1	-18.4	-42.6	34.7	-24.2			-54.1	11.6
2.3 Other Domestic Assets (net)	-54.1	-130.0	-123.1	-75.9	6.9			-164.1	41.0
3. Reserve Money	287.6	309.8	346.3	22.2	36.5	7.7	11.8	347.6	-1.3
3.1 Currency outside banks	150.0	156.8	171.3	6.7	14.6	4.5	9.3	169.9	1.4
3.2 Bank reserves	137.6	153.1	175.0	15.5	21.9	11.3	14.3	177.7	-2.7

Source: Central Bank of Kenya

Accumulation of NFA at the Central Bank was largely the main source of reserve growth in the year to March 2015 backed by receipts from the Sovereign Bond issued in June 2014 and the follow up tap sale in December 2014. These Bond proceeds provided a reasonable buffer in gross foreign exchange reserves above the statutory minimum requirements of 4 months of imports of goods and non-factor services.

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



Source: Central Bank of Kenya

The NFA of the Central Bank decreased by Ksh 91.1 billion to Ksh -223.3 billion in March 2015 from Ksh -132.3 billion in March 2014 on account of accumulation of Government deposits.

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

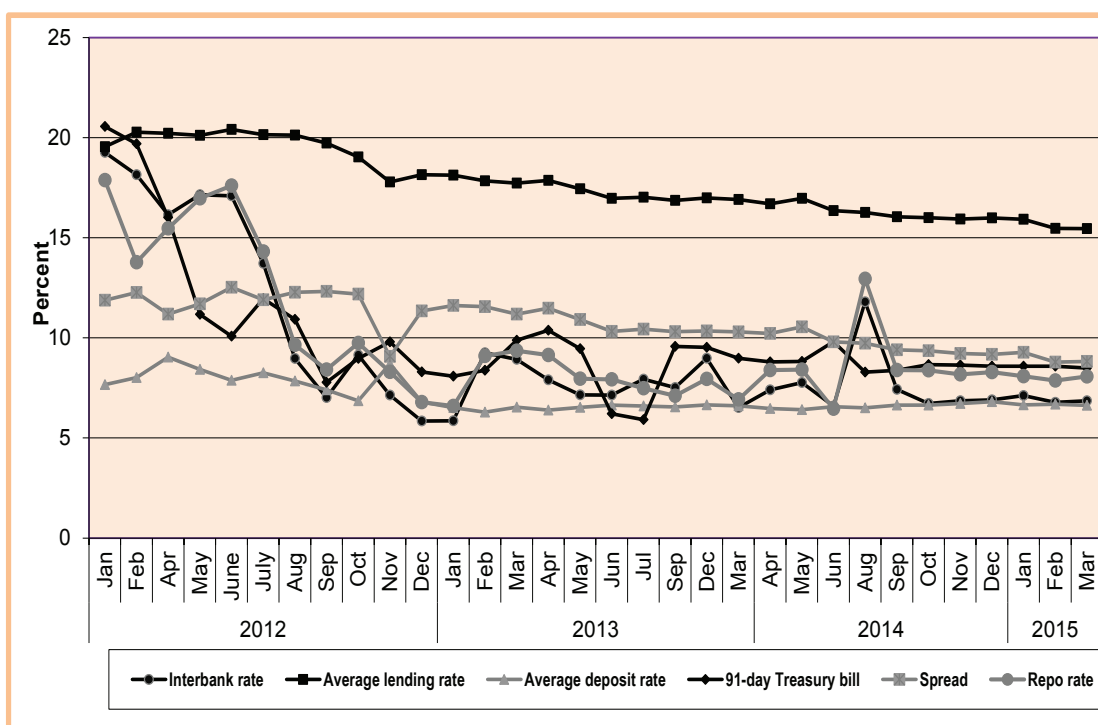
Short Term Interest Rates Short term interest rates showed mixed performance in March 2015 (Table 2.4 and Chart 2D). The weighted average interbank rate was stable at 6.85 percent in March 2015 compared with 6.77 percent in February 2015. The 91-day Treasury bill rate, which largely reflects the government's borrowing profile, which declined to 8.49 percent in March 2015 also stabilized compared with 8.59 percent in February 2015.

Lending and Deposit Rates The average lending rate stabilized at 15.46 percent in March compared to 15.47 percent in February 2015 and the average deposit rate stabilized at 6.63 percent in March 2015 compared to 6.68 percent in February 2015. Consequently, the interest rate spread stabilized at 8.82 percent in March 2015 compared with 8.78 percent in February 2014 (Table 2.4 and Chart 2D).

TABLE 2.4: INTEREST RATES (%)

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

Source: Central Bank of Kenya

CHART 2D : TRENDS IN INTEREST RATES

Source: Central Bank of Kenya

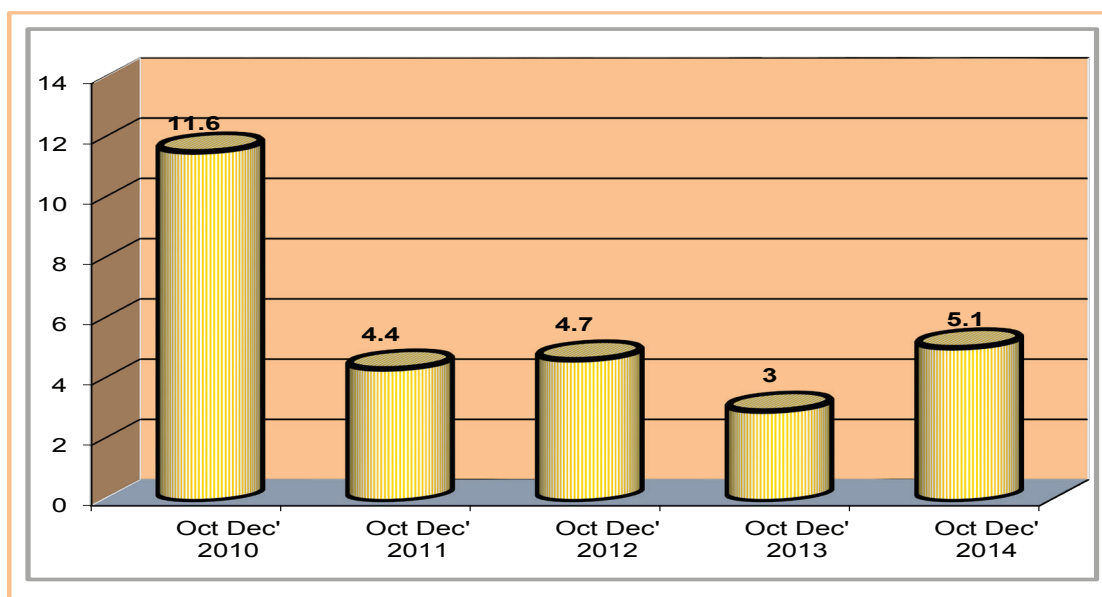
PERFORMANCE OF THE REAL SECTOR

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

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

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

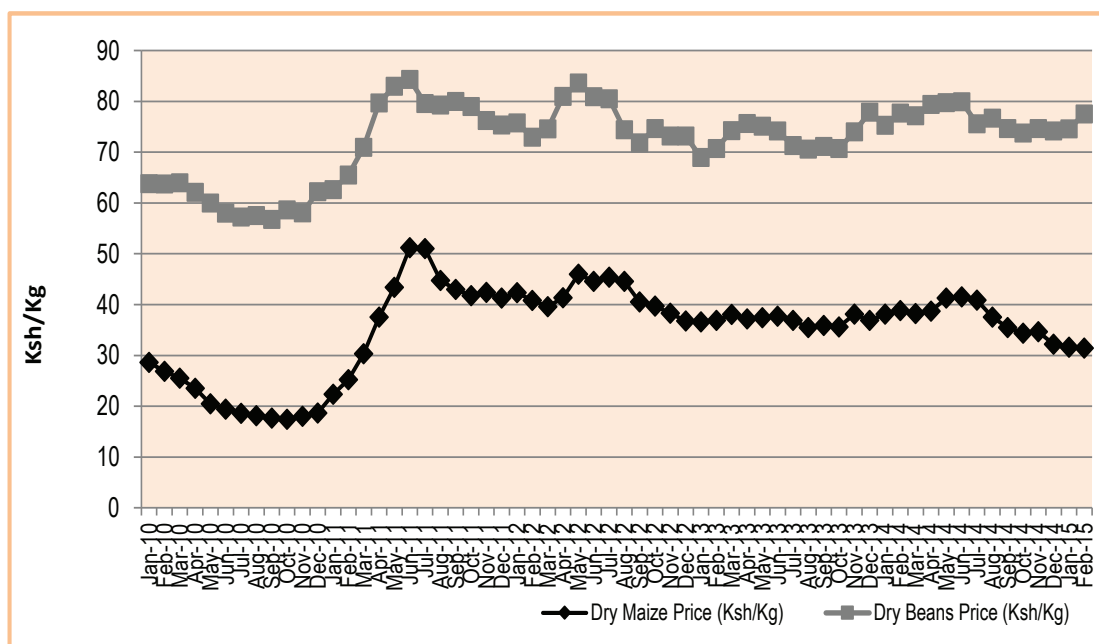
Source: Quarterly GDP Statistical Release, various issues, Kenya National Bureau of Statistics

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

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

Agriculture

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

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

Source: Kenya National Bureau of Statistics

Major Indicators in Agriculture

Indicators on agriculture in the year to February 2015 show mixed performance (Table 3.2). Among selected crops, growth in production of tea and horticulture slowed while production of coffee improved. Milk recorded a decline in growth in the year to February 2015, while volumes remained flat.

TABLE 3.2: OUTPUT GROWTH OF MAJOR CROPS AND MILK

	Annual Totals			Year to February 2014*	Year to February 2015*
	2012	2013	2014*		
Tea					
Output (Metric tonnes)	369,562	432,453	445,106	427,304	432,291
Growth (%)	-2.2%	17.0%	2.9%	7.1%	1.2%
Horticulture					
Exports (Metric tonnes)	250,814	309,029	303,254	308,118	301,165
Growth (%)	5.1%	23.2%	-1.9%	16.5%	-2.3%
Coffee					
Sales (Metric tonnes)	46,051	37,942	42,450	37,411	41,850
Growth (%)	53.6%	-17.6%	11.9%	-14.1%	11.9%
Milk					
Output (million litres)	495	523	541	532	529
Growth %	-9.8%	5.6%	3.5%	4.5%	-0.5%
Sugar Cane					
Output (Metric tonnes)	5,716,300	6,671,800	6,477,650	6,891,280	N/A
Growth (%)	7.1%	16.7%	-2.9%	22.1%	

* Provisional

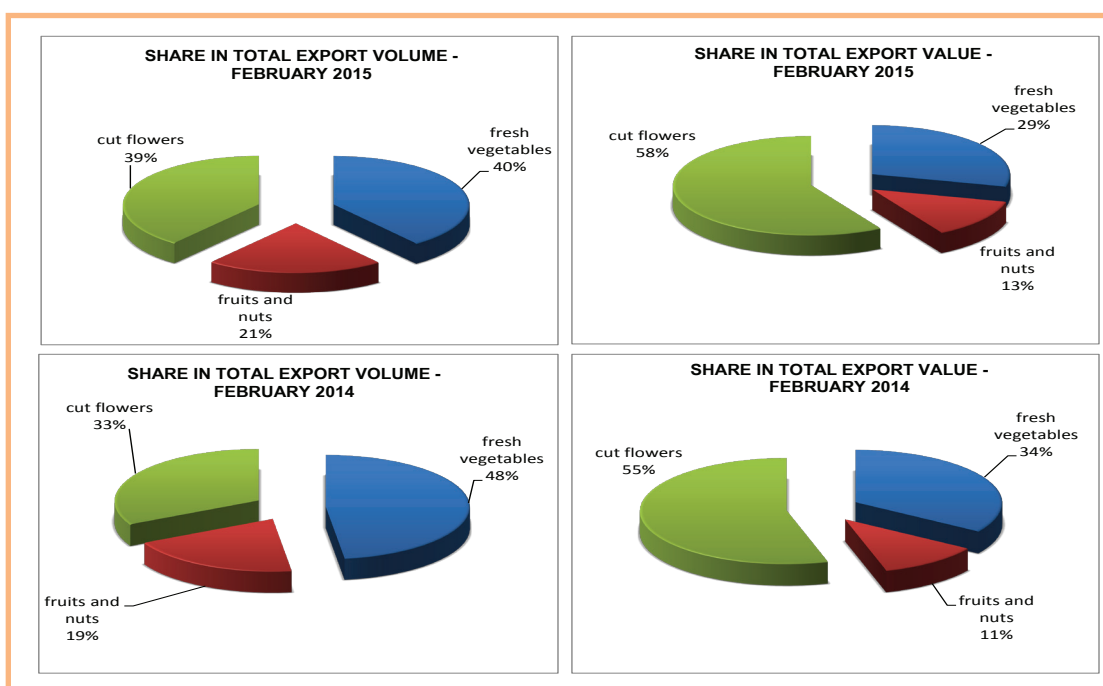
N/A - data not available

Source: Kenya National Bureau of Statistics and Kenya Revenue Authority

Tea Growth in production of tea slowed to 1.2 percent in the year to February 2015 compared with growth of 7.1 percent recorded in the year to February 2014 (Table 3.2) largely on account of a base effect. The average auction price for tea at Ksh 190 per kilogram in the year to February 2015 was 8.6 percent lower than Ksh 208 per kilogram in the year to February 2014.

Horticulture Export of fresh horticultural products contracted by 2.3 percent from 308,118 metric tonnes in the year to February 2014 to 301,165 metric tonnes in the year to February 2015. During the period under review, exports of fresh vegetables and cut flowers dominated in terms of volume, while cut flowers brought in the largest contribution in terms of value (Table 3.2 and Chart 3C).

CHART 3C: HORTICULTURAL EXPORTS



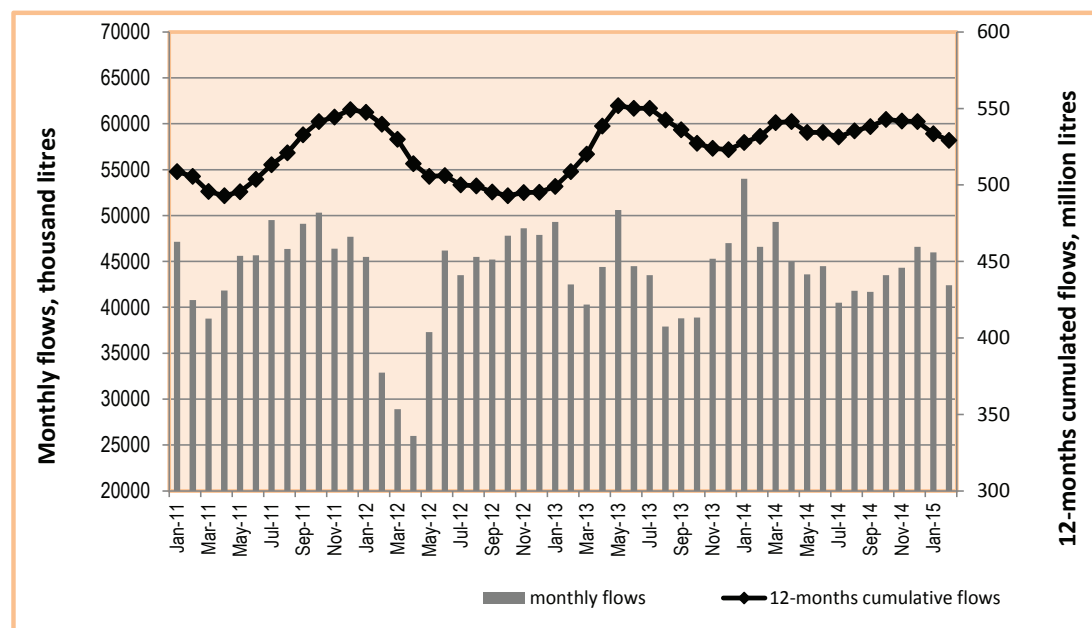
Source: Kenya Revenue Authority

Coffee

Annual growth in coffee sales improved to 11.9 percent in the year to February 2015 compared with 14.1 percent contraction recorded in the year to February 2014. The average auction price for coffee also increased, by 44.2 percent, from Ksh 278 per kilogram in the year to February 2014 to Ksh 401 per kilogram in the year to February 2015. The price hike is attributed to improvement on quality.

Dairy

The volume of milk intake in the formal sector in the year to February 2015 decreased by 0.5 percent to 529 million litres in the year to February 2015 from 532 million litres recorded in the year to February 2014 (Chart 3D).

CHART 3D: PROCESSED MILK (LITRES)

Source: Kenya National Bureau of Statistics

Manufacturing

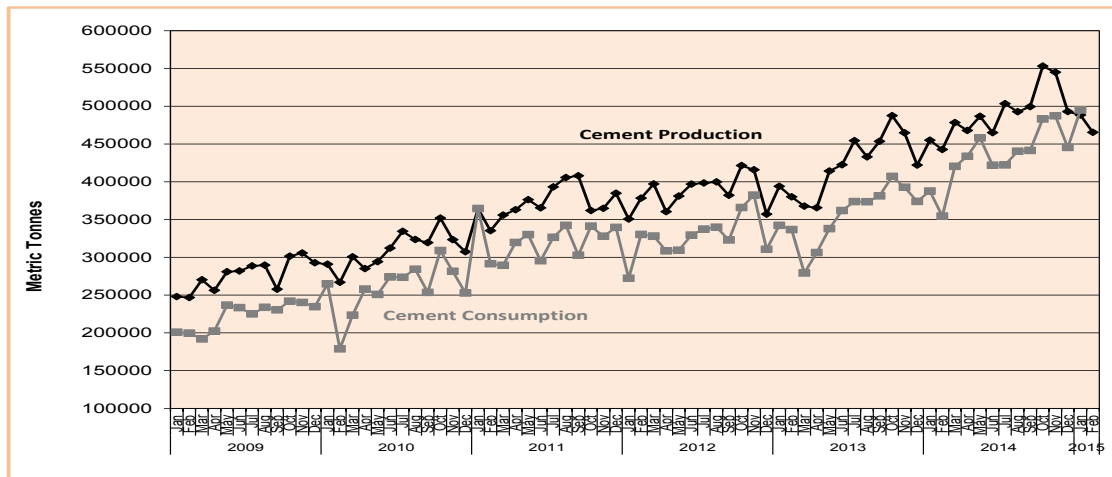
The manufacturing sector output, which accounted for 10.9 percent of the overall GDP growth in 2014, is estimated to have increased by 3.4 percent in 2014 compared with 5.6 percent growth in 2013. Available indicators of performance of the manufacturing sector in the year to February 2015 (Table 3.3 and Chart 3E) show acceleration in production of cement. The increase was largely in the March to October 2014 period, while monthly production declined through February 2015 due to subdued demand during the first quarter of 2015.

TABLE 3.3: PRODUCTION OF SELECTED MANUFACTURED GOODS

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

MT = Metric tonnes
NA = data not available
*Provisional

Source: Kenya National Bureau of Statistics

CHART 3E: CEMENT PRODUCTION AND CONSUMPTION

Source: Kenya National Bureau of Statistics

Energy Sector

Annual growth in local generation of electricity decreased to 7.1 percent in the year to February 2015 from 10.2 percent in the year to February 2014 (Table 3.4). The total amount of electricity generated in the year to February 2015 was 8,947 million kilowatt hours compared with 8,356 million kilowatt hours generated in the year to February 2014. The supply in the year to February 2015 comprised of 37.0 percent hydro-electricity, 37.3 percent geo-thermal power and 25.7 percent thermal power. The increase in the amount of electricity produced reflects accelerated generation of geo-thermal power by 79.0 percent in the year to February 2015 compared with 23.3 percent in the year to February 2014. Generation of thermal power improved by 4.4 percent while generation of hydro-electricity contracted by 22.8 percent in the year to February 2015. Electricity consumption increased by 14.0 percent in the year to February 2015 compared with 5.6 percent in the year to February 2014. Meanwhile, the average price of murban crude oil declined from US\$ 109.5 per barrel in the year to February 2014 to US\$ 89.7 per barrel in the year to February 2015.

TABLE 3.4: ENERGY SECTOR PERFORMANCE

	2012	2013	2014*	Year to February 2014*	Year to February 2015*
Electricity Supply (Generation)					
Output (million KWH)	7,544	8,217	8,889	8,356	8,947
Growth %	5.4%	8.9%	8.2%	10.2%	7.1%
Of which:					
Hydro-power Generation (million KWH)	4,032	4,387	3,411	4,286	3,309
Growth (%)	26.6%	8.8%	-22.2%	5.0%	-22.8%
Geo-Thermal Generation (million KWH)	1,522	1,781	2,917	1,863	3,334
Growth (%)	5.4%	17.0%	63.8%	23.3%	79.0%
Thermal (million KWH)	1,990	2,049	2,561	2,208	2,304
Growth (%)	-21.4%	3.0%	24.9%	10.9%	4.4%
Consumption of electricity (million KWH)	6,270	6,552	7,406	6,625	7,551
Growth %	1.9%	4.5%	13.0%	5.6%	14.0%
Consumption of Fuels ('000 tonnes)	3,764	3,650	3,873	3,628	N/A
Growth %	6.2%	-3.0%	6.1%	-3.5%	
Murban crude oil average price (US \$ per barrel)	113.0	110.1	99.5	109.5	89.7
Growth %	2.1%	-2.5%	-9.7%	-2.6%	-18.0%

* Provisional

N/A - data not available

Source: Kenya National Bureau of Statistics

Tourism

The number of tourist arrivals declined by 26.0 percent in the year to February 2015 (Table 3.5) compared with a decline of 9.8 percent in the year to February 2014. The unfavorable performance is attributed to adverse travel advisories from source countries on account of insecurity concerns in Kenya. The ports of disembarkation for tourists remained Jomo Kenyatta International Airport Nairobi (87.8 percent share), and the Moi International Airport, Mombasa (12.2 percent share).

TABLE 3.5: TOURIST ARRIVALS BY POINT OF ENTRY

	2013	2014	Year to February 2014	Year to February 2015	Year to February 2015 % Share	Year to February 2015 % Growth
MIAM	189,654	117,796	177,364	97,598	12.2%	-45.0%
JKIA	912,998	743,600	904,666	703,441	87.8%	-22.2%
TOTAL	1,102,652	861,396	1,082,030	801,039	100.0%	-26.0%

Source: Kenya Tourist Board

Transport

The total number of passengers (both incoming and outgoing) received at the Jomo Kenyatta International Airport, Nairobi (JKIA) declined by 1.3 percent in 2014, compared with a decline of 0.3 percent recorded in the previous year. The decline reflected in both incoming and outgoing passengers (Table 3.6). Meanwhile, the volume of oil passed through the Kenya pipeline increased by 8.2 percent in the year to February 2015 compared with 6.4 percent growth in the year to February 2014..

TABLE 3.6: THROUGHPUT IN SELECTED TRANSPORT FACILITIES

	2012	2013	2014*	Year to February 2014*	Year to February 2015*
Number of Passengers thro' JKIA					
Total passenger flows	4,302,244	4,290,349	4,232,523	4,273,203	N/A
Growth (%)	4.0%	-0.3%	-1.3%	-0.7%	
o.w. Incoming	2,148,105	2,144,002	2,102,886	2,134,128	N/A
Growth (%)	2.8%	-0.2%	-1.9%	-0.5%	
Outgoing	2,154,139	2,146,347	2,129,637	2,139,075	N/A
Growth %	5.3%	-0.4%	-0.8%	-0.8%	
Kenya Pipeline Oil Throughput					
Output ('000 litres)	4,855,573	5,181,609	5,625,626	5,246,478	5,676,314
Growth %	14.0%	6.7%	8.6%	6.4%	8.2%

* Provisional

Source: Kenya National Bureau of Statistics

DEVELOPMENTS IN THE BALANCE OF PAYMENTS AND EXCHANGE RATES

Overview

The overall Balance of Payments surplus improved to USD 1,114 million in the year to March 2015 from a surplus of USD 963 million in the year to March 2014 (Table 4.1). The improvement reflects in a relatively larger increase in the capital and financial account surplus compared with the widening of the current account deficit.

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

ITEM	Year to Mar 2014*	Year to March 2015*				Year to Mar 2015*	Change	% Change
		Q1 Apr-June	Q2 Jul-Sep	Q3 Oct-Dec	Q4 Jan-Mar			
1. OVERALL BALANCE	963	1906	-870	235	-157	1114	150.6	15.6
2. CURRENT ACCOUNT	-4461	-1164	-1863	-1653	-1060	-5739	-1278.5	28.7
2.1 Goods	-10915	-3009	-3684	-3217	-2449	-12360	-1444.2	13.2
Exports (fob)	5869	1617	1444	1427	1437	5924	55.6	0.9
Imports (cif)	16784	4625	5129	4644	3886	18284	1499.8	8.9
2.2 Services	6455	1845	1822	1564	1389	6620	165.7	2.6
Non-factor services (net)	3814	1130	1124	951	805	4009	195.7	5.1
Income (net)	-268	-103	-73	-111	-102	-389	-121.1	45.2
Current Transfers (net)	2909	817	771	725	687	3000	91.1	3.1
3. CAPITAL & FINANCIAL ACCOUNT	5424	3070	992	1888	903	6853	1429.1	26.3
3.1 Capital Transfers (net)	105	134	0	60	28	222	116.8	111.2
3.2 Financial Account	5319	2936	992	1828	875	6631	1312.3	24.7
memo:								
Gross Reserves	8285	10399	9336	9738	9834	9834	1549.0	18.7
Official	6660	8555	7676	7895	7723	7723	1063.1	16.0
import cover**	4.4	5.5	4.7	4.8	4.7	4.7	0.3	6.1
import cover***	4.5	5.7	5.0	5.1	5.0	5.0	0.4	9.9
Commercial Banks	1625	1844	1659	1843	2111.0	2111	485.9	29.9

* Provisional.

Source: Central Bank of Kenya

Current Account

The current account balance worsened by USD 1,278.5 million to a deficit of USD 5,739 million in the year to March 2015 from a deficit USD 4,461 million in the year to March 2014. Measured in relation to GDP, the current account /GDP ratio increased to 10.39 percent in the year to March 2015 from 8.07 percent in the year to March 2014. The deterioration in value terms reflects a 13.2 percent worsening of the merchandise account deficit which fully offset the surplus in the services account (Table 4.2).

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

ITEM	Year to Mar 2014*	Year to March 2015*				Year to Mar 2015*	Change	% Change
		Q1 Apr-June	Q2 Jul-Sep	Q3 Oct-Dec	Q4 Jan-Mar			
2. CURRENT ACCOUNT	-4461	-1164	-1863	-1653	-1060	-5739	-1278.5	28.7
2.1 Goods	-10915	-3009	-3684	-3217	-2449	-12360	-1444.2	13.2
Exports (fob)	5869	1617	1444	1427	1437	5924	55.6	0.9
Coffee	193	72	64	51	51	239	45.9	23.8
Tea	1147	262	269	260	291	1082	-65.1	-5.7
Horticulture	760	205	197	190	198	791	30.6	4.0
Oil products	42	16	24	18	19	76	33.8	80.2
Manufactured Goods	711	144	140	143	125	552	-159.3	-22.4
Raw Materials	421	120	103	109	126	458	37.6	8.9
Chemicals and Related Products (n.e.s)	470	110	117	103	97	426	-43.3	-9.2
Miscellaneous Man. Articles	609	160	156	160	151	628	18.4	3.0
Re-exports	646	293	169	191	178	830	184.0	28.5
Other	870	235	206	201	201	843	-27.1	-3.1
Imports (cif)	16784	4625	5129	4644	3886	18284	1499.8	8.9
Oil	3711	1159	1061	862	587	3670	-41.1	-1.1
Chemicals	2309	566	617	625	642	2450	141.5	6.1
Manufactured Goods	2587	672	670	680	700	2721	133.9	5.2
Machinery & Transport Equipment	4597	1412	1975	1652	1152	6192	1594.8	34.7
Other	3463	794	737	722	768	3020	-443.0	-12.8
2.2 Services	6455	1845	1822	1564	1389	6620	165.7	2.6
Non-factor services (net)	3814	1130	1124	951	805	4009	195.7	5.1
Non-factor services (credit)	5091	1415	1471	1312	1293	5491	399.8	7.9
of which transport	2191	527	582	523	488	2120	-71.2	-3.3
of which tourism (Travel)	840	201	210	201	178	789	-51.1	-6.1
Other services account: gov't	944	236	193	222	224	875	-69.1	-7.3
Other services account: private	1116	452	487	366	402	1707	591.3	53.0
Income (net)	-268	-103	-73	-111	-102	-389	-121.1	45.2
of which official interest	-112	-78	-44	-94	-124	-340	-228.1	204.0
Current Transfers (net)	2909	817	771	725	687	3000	91.1	3.1
Private (net)	2767	822	776	729	692	3019	252.3	9.1
of which Remittances	1323	349	373	365	364	1452	128.8	9.7
Public (net)	142	-5	-5	-5	-5	-19	-161.2	-113.6

* Provisional.

Source: Central Bank of Kenya

Merchandise Account The deficit in the merchandise account widened by USD 1,444.2 million to USD 12,360 million in the year to March 2015 reflecting larger growth (8.9 percent) in the value of merchandise imports relative to the value of merchandise exports, which improved by 0.9 percent (Table 4.2).

Imports The value of merchandise imports increased by USD 1,499.8 million to USD 18,284 million in the year to March 2015, reflecting increase in imports of chemicals, manufactured goods and machinery and transport equipment. Imports of machinery and transport equipment increased by 34.7 percent largely in the industrial and transport equipment component while oil imports decreased by 1.1 percent largely on account of a decline in payments for kerosene and diesel oil mainly on account of favourable oil prices.

Kenya sourced most of her imports from India (17 percent), China (17 percent) and the USA (11 percent). The imports from the USA relate to importation of Aircraft. Imports from Africa, which accounted for 9 percent of total imports declined marginally to USD 1,650 million (Table 4.3).

Exports The value of merchandise exports increased by USD 55.6 million to USD 5,924 million in the year to March 2015 reflecting increased earnings from coffee, horticulture, oil products, raw materials, miscellaneous manufactured articles and re-exports. However, receipts from tea, manufactured goods, chemicals and related products declined. The decline in receipts from tea exports was attributed to a decline in the price of tea.

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

TABLE 4.3: KENYA'S DIRECTION OF TRADE

IMPORTS (in millions of US dollars)				Share of Exports (%)			EXPORTS (in millions of US dollars)				Share of Exports (%)		
Country	Year to March			Year to March			Country	Year to March			Year to March		
	2013	2014	2015	2013	2014	2015		2013	2014	2015	2013	2014	2015
Africa	1,679	1,703	1,650	10	10	9	Africa	2,889	2,714	2,560	46	47	43
Of which							Of which						
South Africa	725	860	674	4	5	4	Uganda	769	770	585	12	13	10
Egypt	352	274	292	2	2	2	Tanzania	523	484	429	8	8	7
Others	603	568	684	4	3	4	Egypt	236	194	189	4	3	3
EAC	366	331	458	2	2	3	Sudan	64	75	73	1	1	1
COMESA	736	630	725	4	4	4	South Sudan	234	192	210	4	3	4
Rest of the World	15,524	15,145	16,631	90	90	91	Somalia	219	193	135	4	3	2
Of which							DRC	221	213	237	4	4	4
India	2,549	2,952	3,111	15	18	17	Rwanda	180	166	147	3	3	2
United Arab Emirates	1,721	1,162	1,031	10	7	6	Others	444	429	555	7	7	9
China	1,997	2,188	3,056	12	13	17	EAC	1,537	1,485	1,249	25	26	21
Japan	792	1,018	939	5	6	5	COMESA	1,795	1,718	1,586	29	30	27
USA	783	646	1,958	5	4	11	Rest of the World	3,332	3,032	3,409	54	53	57
United Kingdom	550	573	489	3	3	3	Of which						
Singapore	203	165	172	1	1	1	United Kingdom	490	427	412	8	7	7
Germany	470	466	538	3	3	3	Netherlands	373	408	443	6	7	7
Saudi Arabia	622	519	674	4	3	4	USA	321	364	437	5	6	7
Indonesia	618	524	539	4	3	3	Pakistan	279	240	269	4	4	5
Netherlands	196	297	209	1	2	1	United Arab Emirates	360	280	218	6	5	4
France	304	239	243	2	1	1	Germany	112	105	131	2	2	2
Bahrain	371	475	260	2	3	1	India	99	106	89	2	2	1
Italy	244	236	236	1	1	1	Afghanistan	135	171	123	2	3	2
Others	4,104	3,685	3,176	24	22	17	Others	1,163	930	1,286	19	16	22
Total	17,203	16,848	18,280	100	100	100	Total	6,221	5,746	5,969	100	100	100
EU	2,421	2,467	2,478	14	15	14	EU	1,272	1,260	1,354	20	22	23
China	1,997	2,188	3,056	12	13	17	China	59	57	77	1	1	1

Source: Kenya Revenue Authority

The trends in market shares by source and destination showed mixed performance in the year to March 2015. The share of Kenya's imports from the EU decreased marginally to 14 percent while that from China increased to 17 percent from 13 percent in the twelve months to March 2014. However, the share of exports to China stabilised at 1 percent while to the EU the share of exports increased to 23 percent from 22 percent in the year to March 2014. The share of the rest of exports to the rest of the world increased to 22 percent from 16 percent previously. The expansion is attributed to increased demand from other countries within the European Union (excluding the United Kingdom, the Netherlands and Germany).

Services Account

The services account recorded a surplus of USD 165.7 million, or 2.6 percent growth, to USD 6,620 million in the year to March 2015 from USD 6,455 million in the year to March 2014. The improvement reflects mainly in receipts from non-factor services which rose to USD 5,491 million on account of other private services (insurance and communication services; royalties and licence fees). The deficit in the income account worsened by USD 121.1 million while the surplus in the current transfers account increased by USD 91.1 million. Remittance inflows (under private transfers) increased by USD 128.8 million to USD 1,452 million during the year to March 2015 (Table 4.2). Remittance inflows were resilient with the 12 month average to March 2015 increasing to USD 121 million from an average of USD 110.2 million in the year to March 2014.

Capital and Financial Account

The capital and financial account surplus at USD 6,853 million in the year to March 2015 was 26.3 percent larger compared to USD 5,424 million in the year to March 2014. The improvement largely reflects 24.7 percent rise in the financial account surplus on the back of increased inflows of official medium to long-term financial flows. Official medium and long-term financial inflows improved by USD 4,305 million in the year to March 2015 and this was attributed to issuance of the Euro bond of USD 2 billion in June 2014 and a tap sale on the same bond in December

2014 which brought in an additional USD 750 million. However, outflows under this component were substantial and partially offsetting at USD 1,716.5 million. The fivefold increase in outflows reflects loan repayments including repayment of the USD 600 million syndicated loan.

Commercial bank flows declined from USD 535 million in the year to March 2014 to USD 326 million in the year to March 2015. The reduction reflects build-up of foreign assets in two components: deposits and loans advanced to non-residents. Short term flows (including net errors and omissions) decreased by USD 1,027.2 million during the period under review.

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

ITEM	Year to Mar 2014*	Year to March 2015*				Year to Mar 2015*	Change	% Change
		Q1 Apr-June	Q2 Jul-Sep	Q3 Oct-Dec	Q4 Jan-Mar			
3. CAPITAL & FINANCIAL ACCOUNT	5424	3070	992	1888	903	6853	1429.1	26.3
3.1 Capital Transfers (net)	105	134	0	60	28	222	116.8	111.2
3.2 Financial Account	5319	2936	992	1828	875	6631	1312.3	24.7
Official, medium & long-term	553	1671	-542	713	1299	3142	2588.5	468.1
Inflows	903	2332	135	1054	1687	5208	4305.0	476.8
Outflows	-350	-662	-677	-340	-388	-2066	-1716.5	490.5
Private, medium & long-term (net)	312	8	88	-17	-16	63	-249.0	-79.7
Commercial Banks (net)	535	156	192	17	-38	326	-208.7	-39.0
Other private medium & long-term (net)	-222	-148	-103	-34	22	-263	-40.3	18.1
Short-term (net) incl. errors & omissions	4453	1257	1445	1132	-408	3426	-1027.2	-23.1

* Provisional.

Source: Central Bank of Kenya

Foreign Exchange Reserves

The banking system's total foreign exchange holdings increased by 18.7 percent to USD 9,834 million in March 2015 from USD 8,285 million in 2014. Official reserves held by the Central Bank constituted the bulk of gross reserves and increased to USD 7,723 million (5 months of import cover) at the end of March 2015 from USD 6,660 million (4.5 months of import cover) at the end of March 2014. The build-up in foreign exchange reserves during the period was largely attributed to proceeds from the sale of the Eurobond in June 2014 and the associated tap sale in December 2014.

Foreign exchange reserves held by Commercial Banks increased to USD 2,111 million at the end of March 2015 from USD 1,625 million at the end of March 2014. During the same period, residents' foreign currency deposits increased to USD 4,154 million from USD 3,636 million (Table 4.5).

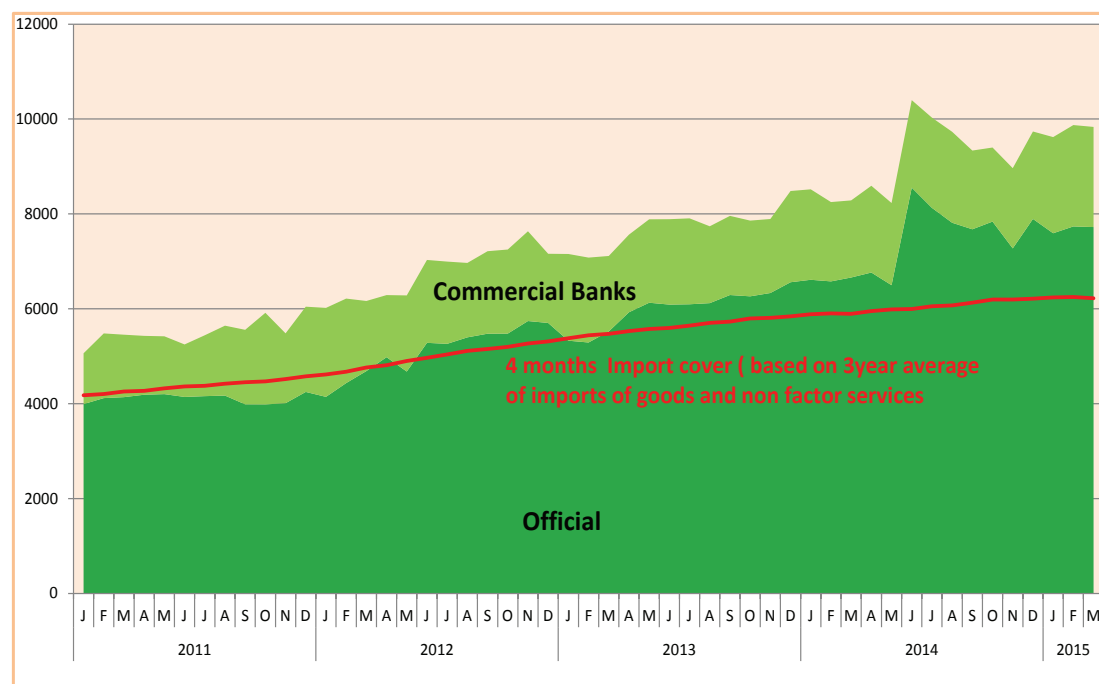
TABLE 4.5: FOREIGN EXCHANGE RESERVES AND RESIDENTS' FOREIGN CURRENCY DEPOSITS (END OF PERIOD, US\$ MILLION)

	Mar 14	Jun 14	Sep 14	Oct 14	Nov 14	Dec 14	Jan 15	Feb 15	Mar 15
1. Gross Reserves	8,285	10,399	9,336	9,400	8,964	9,738	9,620	9,873	9,834
of which:									
Official	6,660	8,555	7,676	7,839	7,274	7,895	7,593	7,737	7,723
import cover**	4.5	5.7	5.0	5.1	4.7	5.1	4.9	5.0	5.0
Commercial Banks	1,625	1,844	1,659	1,561	1,691	1,843	2,027	2,137	2,111
2. Residents' foreign currency deposits	3,636	3,776	4,148	4,101	4,037	4,080	4,243	4,396	4,154

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

Source: Central Bank of Kenya

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



Source: Central Bank of Kenya

Exchange Rates

The Kenya Shilling strengthened against the Pound Sterling, the Euro and the Japanese Yen by 1.93 percent, 4.37 percent and 1.22 percent, respectively in March 2015 but weakened against the US Dollar by 0.26 percent. The performance of the Shilling against major world currencies is a reflection of international developments (the strengthening of US Dollar against major world currencies) and high dollar demand from importers.

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

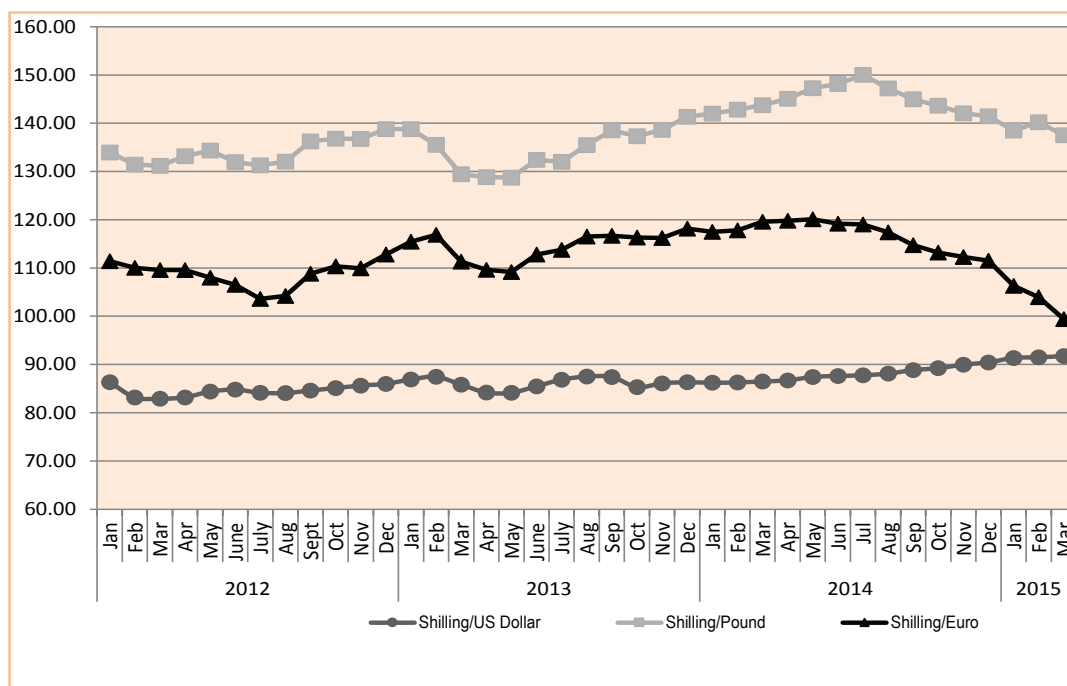
TABLE 4.6: KENYA SHILLING EXCHANGE RATE

	2014										2015			% change February - March 2015
	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	
US Dollar	86.49	86.72	87.41	87.61	87.77	88.11	88.84	89.23	89.96	90.44	91.36	91.49	91.73	0.26
Pound Sterling	143.76	145.08	147.29	148.15	150.04	147.24	144.99	143.66	142.05	141.45	138.49	140.21	137.51	-1.93
Euro	119.58	119.78	120.09	119.16	119.02	117.40	114.74	113.21	112.28	111.52	106.32	103.94	99.40	-4.37
100 Japanese Yen	84.58	84.59	85.84	85.88	86.32	85.63	82.90	82.62	77.53	75.79	77.19	77.17	76.22	-1.22
Uganda Shilling*	29.27	29.19	28.97	29.44	29.97	29.66	29.47	30.03	30.37	30.62	31.29	31.36	32.19	2.63
Tanzania Shilling*	18.88	18.86	18.92	19.18	18.97	18.89	18.78	18.96	19.16	19.11	19.39	19.92	20.09	0.83
Rwanda Franc*	7.85	7.82	7.76	7.74	7.76	7.82	7.75	7.72	7.66	7.62	7.53	7.52	7.56	0.48
Burundi Franc*	17.98	17.88	17.72	17.68	17.65	17.57	17.43	17.47	17.39	17.28	17.14	17.12	17.05	-0.37

* 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 comprises of 43 commercial banks, 1 mortgage finance company, 11 microfinance banks, 8 representative offices of foreign banks, 86 foreign exchange bureaus, 14 money remittance providers and 2 credit reference bureaus as at March 31, 2015.
Structure of the Balance Sheet	The banking sector balance sheet expanded by 19.73 percent from Ksh 2,816.8 billion in March 2014 to Ksh 3,372.6 billion in March 2015. The main components of the balance sheet on the assets side were loans and advances, government securities and placements, which accounted for 58.2 percent, 21.4 percent and 5.2 percent of the total assets respectively.
Loans & Advances	The banking sector gross loans and advances increased from Ksh 1,688.3 billion in March 2014 to Ksh 2,039.2 billion in March 2015, which translated to a growth of 20.8 percent. The growth was attributed to increased lending to financial services, transport and communication, energy and water and real estate sectors. Loans and advances net of provisions stood at Ksh 2,015.5 billion in March 2015, up from Ksh 1,670.8 billion registered in a similar period in 2014.
Deposit Liabilities	Deposits from customers which form the major source of funding for the banking sector, accounted for 71.5 percent of total liabilities. The deposit base expanded by 18.4 percent from Ksh 2,037.1 billion in March 2014 to Ksh 2,411.6 billion in March 2015 mainly supported by aggressive mobilization of deposits by banks, remittances and receipts from exports.
Capital & Reserves	<p>The banking sector registered improved capital levels in March 2015 with total shareholders' funds growing by 17.7 percent from Ksh 453.6 billion in March 2014 to Ksh 533.9 billion in March 2015. Core capital and total capital increased from Ksh 368.7 billion and Ksh 426.6 billion to Ksh 447.0 billion and Ksh 530.1 billion respectively over the same period.</p> <p>The ratio of core capital to total risk-weighted assets increased from 15.7 percent in March 2014 to 16.2 percent in March 2015 while the ratio of total capital to total risk-weighted assets increased from 18.2 percent in March 2014 to 19.2 percent in March 2015.</p>
Non-performing Loans	The value of gross non-performing loans (NPLs) grew by 23.2 percent from Ksh 95.1 billion in March 2014 to Ksh 117.2 billion in March 2015. However, the ratio of gross NPLs to gross loans increased marginally from 5.6 percent in March 2014 to 5.7 percent in March 2015. On the other hand, the coverage ratio, measured as a percentage of specific provisions to total NPLs increased from 39 percent in March 2014 to 42.5 percent in March 2015. The quality of assets, measured as a proportion of net non-performing loans to gross loans decreased from 2.8 percent in March 2014 to 2.6 percent in March 2015.

A summary of asset quality for the banking sector over the period March 2014 to March 2015 (Table 5.1)

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

		14-Mar	15-Mar
1	Gross loans and advances (Kshs. Bn)	1,688.3	2,039.1
2	Interest in Suspense (Kshs. Bn)	17.6	23.6
3	Loans and advances (net of interest suspended) (Kshs. Bn)	1,670.8	2,015.5
4	Gross non-performing loans (Kshs. Bn)	95.1	117.2
5	Specific Provisions (Kshs. Bn)	30.3	39.8
6	General Provisions (Kshs. Bn)	12.8	13.7
7	Total Provisions (5+6) (Kshs. Bn)	43.1	53.5
8	Net Advances (3-7) (Kshs. Bn)	1,627.7	1,962.0
9	Total Non-Performing Loans and Advances (4-2) (Kshs. Bn)	77.6	93.5
10	Net Non-Performing Loans and Advances (9-5) (Kshs. Bn)	47.2	53.8
11	Total NPLs as % of total advances (9/3)	4.60%	4.60%
12	Net NPLs as % of gross advances (10/1)	2.80%	2.60%
13	Specific Provisions as % of Total NPLs (5/9)	39.00%	42.50%

Source: Central Bank of Kenya

Profitability The banking sector recorded a growth of 11.6 percent in pre-tax profits, from Ksh 33.4 billion in March 2014 to Ksh 37.3 billion as at end of March 2015. The return on assets decreased to 3.5 percent in March 2015 from 3.7 percent in March 2014. Similarly, the return on equity decreased to 27.9 percent in March 2015 from 29.5 percent in March 2014.

Total income increased by 15.7 percent from Ksh 95.1 billion in March 2014 to Ksh 110.0 billion in March 2015, while total expenses increased by 18.0 percent from Ksh 61.6 billion in March 2014 to Ksh 72.7 billion in March 2015. Interest on loans and advances, fees and commissions and interest on government securities were the major sources of income accounting for 61.0 percent, 16.4 percent and 15.3 percent of total income respectively. On the other hand, interest on deposits, staff costs and other expenses were the key components of expenses, accounting for 35.3 percent, 26.7 percent and 22.3 percent, respectively.

Liquidity Ratio Requirement For the period ended March 2015, average liquid assets amounted to Ksh 938.6 billion, while total short-term liabilities stood at Ksh 2,355.3 billion, resulting to an average liquidity ratio of 39.9 percent, against 39.2 percent registered in March 2014.

Cash Ratio Requirement The proportion of cash to deposit liabilities held at the Central Bank by commercial banks for reserve requirements averaged 5.28 percent in March 2015 compared to 5.88 percent in February 2015, and was within the 5.25 percent minimum statutory level (Table 5.2 and Chart 5A). Commercial banks economized on excess deposits maintaining an average of Ksh 0.72 billion above the 5.25 percent monthly average cash reserve requirement at the Central Bank in March 2015 compared with 14.2 billion in February 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 the 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 March 2015, at 40.1 percent and 24.9 percent, respectively, in relation to the 20 percent minimum requirement.

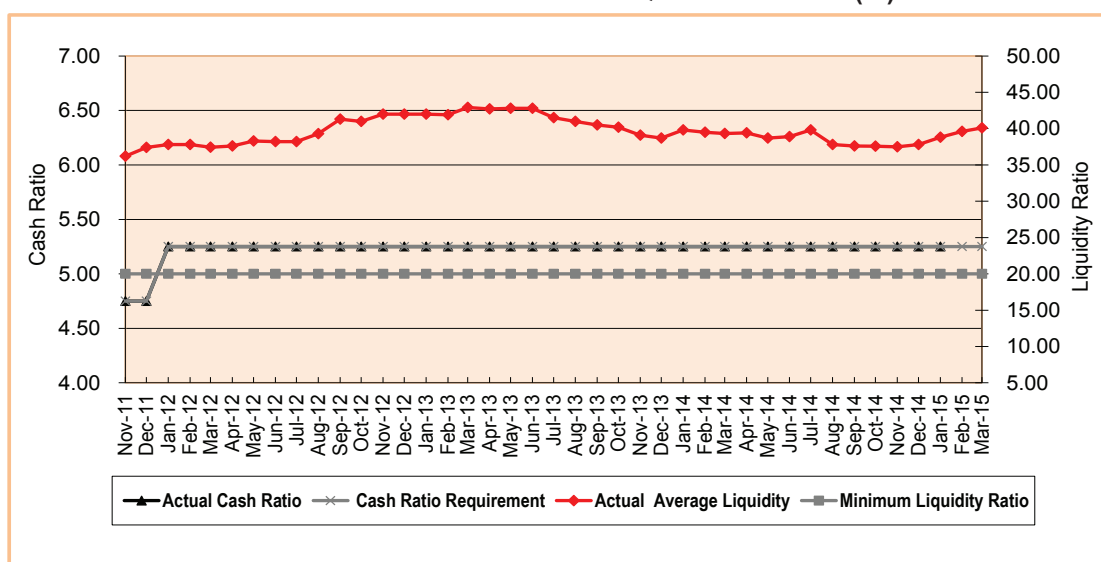
TABLE 5.2 : CASH AND LIQUIDITY RATIOS* (%)

	2014						2015		
	Mar	Jun	Sept	Oct	Nov	Dec	Jan	Feb	Mar
Commercial Banks									
Actual Average Liquidity	39.32	38.90	37.60	37.58	37.50	37.80	38.80	39.60	40.10
Minimum Liquidity Ratio	20.00	20.00	20.00	20.00	20.00	20.00	20.00	20.00	20.00
Actual Cash Ratio - All Banks	5.53	5.88	5.73	5.51	5.79	5.58	5.37	5.88	5.28
Minimum Cash Ratio Requirement	5.25	5.25	5.25	5.25	5.25	5.25	5.25	5.25	5.25
NBFIs									
Actual Average Liquidity Ratio	32.69	27.80	26.10	25.19	25.30	27.80	26.70	22.90	24.90
Minimum Liquidity Ratio	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

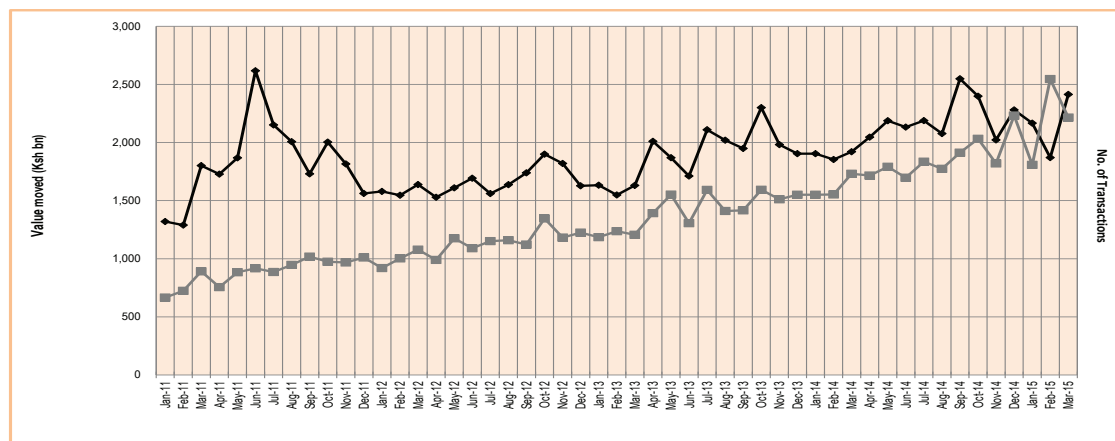
Kenya Electronic Payments and Settlement System (KEPSS) moved a volume of 258,357 transaction messages worth Ksh 2,414 billion in March 2015 compared with a volume of 297,679 transaction messages valued at Ksh 1,870 billion moved in February 2015. This represents a decline of 13.21 percent and an increase of 29.07 percent in volume and value respectively. Compared to March 2014, the volume increased by 27.88 percent from 202,035 transaction messages to 258,357 transaction messages in March 2015 while value increased by 25.70 percent from 1,920 billion to 2,414 billion, indicating increased uptake of KEPSS services by the public.

During the twelve month period to March 31, 2015 the value moved averaged Ksh 10 million per transaction. On average, 10,890 transaction messages with an average value of approximately Ksh 105 billion were moved daily (Table 5.3 and Chart 5B). Direct settlements through KEPSS from commercial banks accounted for 99.0 percent of the total settlements, while payments processed through the Automated Clearing House (ACH) and settled in KEPSS averaged 1.0 percent.

TABLE 5.3: TRENDS IN MONTHLY FLOWS THROUGH KEPSS

	Total value moved per month (bn)	Of which indirect {NSI (Ksh bn)}	No. of Transactions	Average value per transaction (bn)	Days worked	Per day	
						Value (bn)	Transactions
Jan-13	1,632	25	138,297	0.01	22	74	6,286
Feb-13	1,548	25	144,248	0.01	20	77	7,212
Mar-13	1,631	28	140,781	0.01	20	82	7,039
Apr-13	2,011	32	162,432	0.01	20	101	8,122
May-13	1,869	31	181,045	0.01	22	85	8,229
Jun-13	1,712	28	152,310	0.01	20	86	7,616
Jul-13	2,109	35	185,773	0.01	23	92	8,077
Aug-13	2,021	24	164,650	0.01	21	96	7,840
Sep-13	1,949	31	165,175	0.01	21	93	7,865
Oct-13	2,301	30	185,920	0.01	22	105	8,451
Nov-13	1,982	29	176,330	0.01	21	94,381	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

Source: Central Bank of Kenya

CHART 5B: TRENDS IN MONTHLY FLOWS THROUGH KEPSS

Source: Central Bank of Kenya

Third Party Messages

Multiple third party Message Type (MT 102) used for several credit transfers increased by 32.99 percent from 18,762 transaction messages in February 2015 to 24,952 transaction messages in March 2015 while single third party Message Type (MT 103) used for single credit transfers increased by 16.58 percent from 240,489 transaction messages to 280,360 transaction messages in the same period. Overall, total third party messages through KEPSS increased by 17.77 percent from 259,251 transaction messages in February 2015 to 305,312 transaction messages in March 2015.

Compared with March 2014, multiple third party messages (MT 102) increased by 47.34 percent from 16,935 transaction messages to 24,952 transaction messages in March 2015, while single third party messages (MT 103) increased by 28.86 percent from 217,572 transaction messages to 280,360 transaction messages (Table 5.4 and Chart 5C).

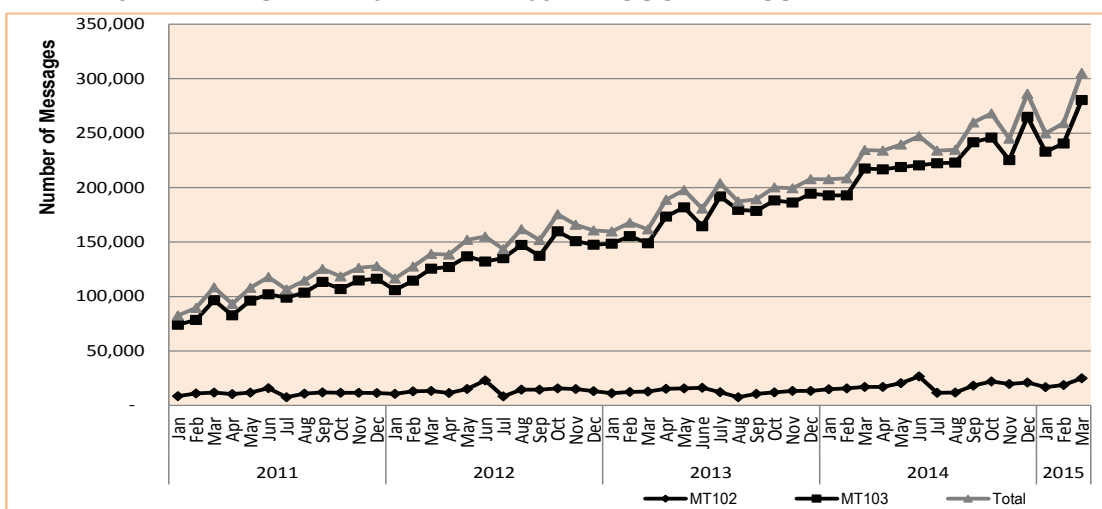
Inter-bank transfers (MT 202) accounted for 39.0 percent of the total value moved through KEPSS as at end of March 2015, while third party (MT 102 and MT 103) messages accounted for 61 percent. The total number of third party messages grew by 17.77 percent from 259,251 messages in February 2014 to 305,312 messages in March 2015. This signifies continued growth in KEPSS usage by individuals and non-bank corporate bodies.

TABLE 5.4: TRENDS IN MT102 AND MT103 THROUGH KEPSS

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

Source: Central Bank of Kenya

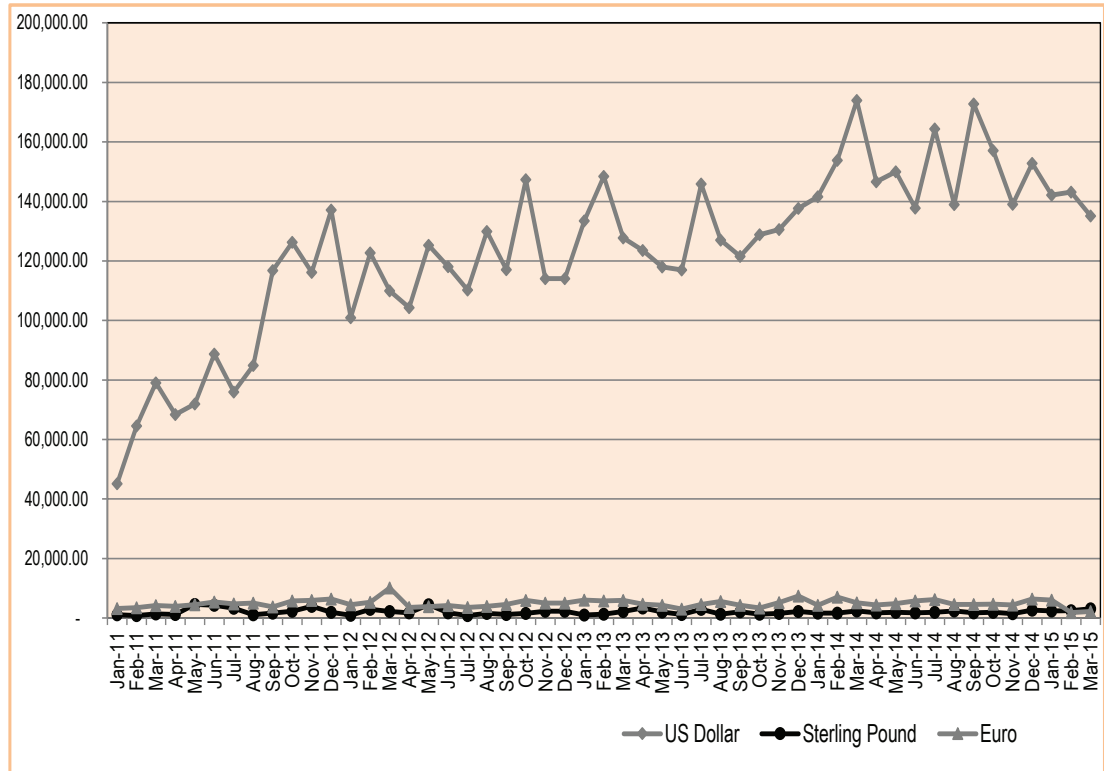
CHART 5C: TRENDS IN MT102 AND MT103 THROUGH KEPSS



Source: Central Bank of Kenya

Domestic Foreign Currency

Domestic Foreign Currency messages through KEPSS decreased by 4.12 percent from 17,954 transaction messages in February 2015 to 17,214 transaction messages in March 2015. Consequently, the corresponding value in Kenya Shillings equivalent moved in this period decreased by 4.73 percent from Ksh 147.44 billion to Ksh 140.46 billion. The US dollar denominated transactions accounted for 96.19 percent of the value moved (Chart 5D) while the Sterling Pound and the Euro accounted for 2.21 percent and 1.60 percent, respectively.

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

Source: Central Bank of Kenya

GOVERNMENT BUDGET PERFORMANCE

The Government's budgetary operations during the first three quarters of the FY 2014/15 resulted into a deficit of Ksh 353.8 billion (6.6 percent of GDP) on both commitment and cash basis compared with a deficit of Ksh 161 billion (3.4 percent of GDP) incurred in the same period of the FY 2013/14. This was however, higher than the Ksh 310.2 billion (5.8 percent of GDP) programmed target for the period and is reflected in higher than projected absorption of development budget allocation to the Standard Gauge Railway project and a slower pace of revenue mobilization.

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

	FY 2013/14	FY 2014/15		
	Mar Actual	Mar Provisional	Target	Over (+) / below (-) Target
1. TOTAL REVENUE & GRANTS	694.3	779.3	874.5	-95.2
Revenue	681.6	760.2	829.3	-69.1
Tax Revenue	615.6	696.2	732.4	-36.2
Non Tax Revenue	44.3	26.0	26.2	-0.2
Appropriations-in-Aid	21.7	38.0	70.7	-32.7
External Grants	12.7	19.1	45.2	-26.1
2. TOTAL EXPENSES & NET LENDING	855.3	1133.1	1184.7	-51.6
Recurrent Expenses	569.6	619.7	644.8	-25.1
Development Expenses	175.6	375.4	367.5	7.9
County Transfers	110.1	138.1	167.4	-29.3
Others	0.0	0.0	5.0	-5.0
3. DEFICIT ON A COMMITMENT BASIS (1-2)	-161.0	-353.8	-310.2	-43.6
As percent of GDP	-3.4	-6.6	-5.8	-0.8
4. ADJUSTMENT TO CASH BASIS	0.0	0.0	0.0	0.0
5. DEFICIT ON A CASH BASIS	-161.0	-353.8	-310.2	-43.6
As percent of GDP	-3.4	-6.6	-5.8	-0.8
6. DISCREPANCY: Expenditure (+) / Revenue (-)	-5.9	27.3	0.0	27.3
7. FINANCING	196.9	381.1	310.2	70.9
Domestic (Net)	172.6	48.5	171.1	-122.7
External (Net)	24.3	190.0	139.1	50.9
Capital Receipts (privatisation)	0.0	0.0	0.0	0.0
Others(Euro Bond sale proceeds)	0.0	142.7	0.0	142.7
Financing gap	0.0	0.0	0.0	0.0

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

Revenue Total government revenues and grants amounted to Ksh 779.3 billion during the first three quarters of the FY 2014/15, representing an increase of Ksh 85.0 billion from Ksh 694.3 billion mobilized during the comparable period of the FY 2013/14 (Table 6.2). Tax revenues accounted for 89.3 percent of the total revenue realized. All revenues performed below targets, specifically; receipts from tax revenue, nontax revenue external grants and appropriations-in-aid were below target by Ksh 36.2 billion, Ksh 0.2 billion, Ksh 32.7 billion and Ksh 26.1 billion, respectively, during the period under review (Table 6.1).

TABLE 6.2: COMPOSITION OF GOVERNMENT REVENUE (Ksh billion)

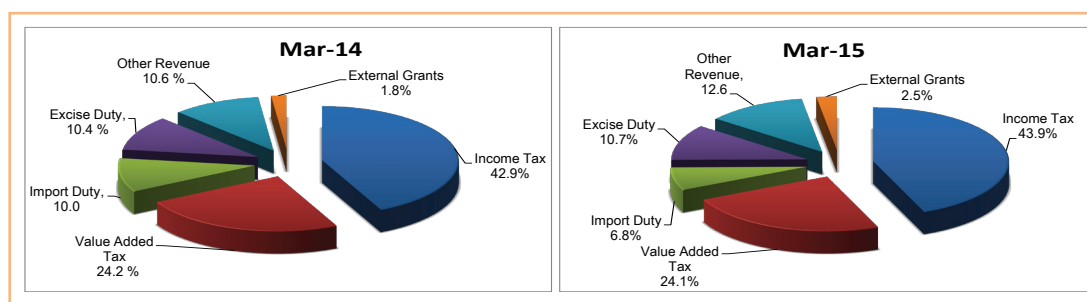
	Mar-14 Ksh bn	Mar-15 Ksh bn	Change
1. Revenue (2+3+4)	681.6	760.2	78.6
2. Tax Revenue	615.6	696.2	80.6
Income Tax	298.2	342.2	44.0
Value Added Tax	168.1	187.6	19.5
Import Duty	69.5	53.2	-16.3
Excise Duty	72.5	83.8	11.3
Others	7.3	29.3	22.0
3. Appropriations-in-Aid	21.70	38.0	16.3
4. Other Revenue	44.3	26.0	-18.3
5. External Grants	12.7	19.1	6.4
TOTAL RECEIPTS (1+5)	694.3	779.3	85.0

Source: National Treasury

Tax revenue grew by Ksh 80.6 billion in the first three quarters of the FY 2014/15, equivalent to 13.1 percent increase, to Ksh 696.2 billion from Ksh 615.6 billion collected during the first three quarters of the FY 2013/14 (Table 6.2). The income tax component increased by Ksh 44 billion or 14.8 percent, and accounted for 54.6 percent of the increase in tax revenue during the period under review. Excise duty,

Value Added Tax, other tax revenue, Appropriations-In-Aid and external grants also increased by Ksh 11.3 billion, Ksh 19.5 billion, Ksh 22 billion, Ksh 16.3 billion and Ksh 6.4 billion, respectively. On the other hand, import duty and other revenue declined by Ksh 16.3 billion and Ksh 18.3 billion, respectively during the period under review. All taxes except income tax from corporations and Value Added Tax on domestic goods and services performed below target.

CHART 6A: COMPOSITION OF GOVERNMENT RECEIPTS



Source: National Treasury

The performance of Government revenue in relation to the previous year is shown in Chart 6A. The main highlights include a 320 basis points reduction in collections from import duty and 200 basis points increase in the share of other revenue.

Expenditure and Net Lending

Government expenditure and net lending increased by Ksh 277.8 billion during the first three quarters of the FY 2014/15 from Ksh 855.3 billion expended during the same period in the FY 2013/14. Total expenditure during this period amounted to Ksh 1,133.1 billion, and comprised Ksh 619.7 billion recurrent expenditure, Ksh 375.4 billion development expenditure and Ksh 138.1 billion county transfers.

The recurrent expenditure increase of Ksh 50.1 billion over the comparable period in the previous fiscal year was Ksh 25.1 billion lower than target. In terms of components, other recurrent expenditure dominated contributing Ksh 30.1 billion increase or 60 percent as foreign interest payment contributed Ksh 13.1 billion or 26.1 percent. Development expenditure increased by Ksh 199.8 billion which surpassed the programmed target by Ksh 7.9 billion. County transfers increased by Ksh 27.9 billion from Ksh 110.1 billion in a similar period of the previous fiscal year but was below target by Ksh 29.3 billion (Table 6.1). The higher than projected absorption in the development budget is largely reflected in external financing of the Standard Gauge Railway project and is attributed to increased disbursement of

TABLE 6.3: COMPOSITION OF GOVERNMENT EXPENDITURE (Ksh billion)

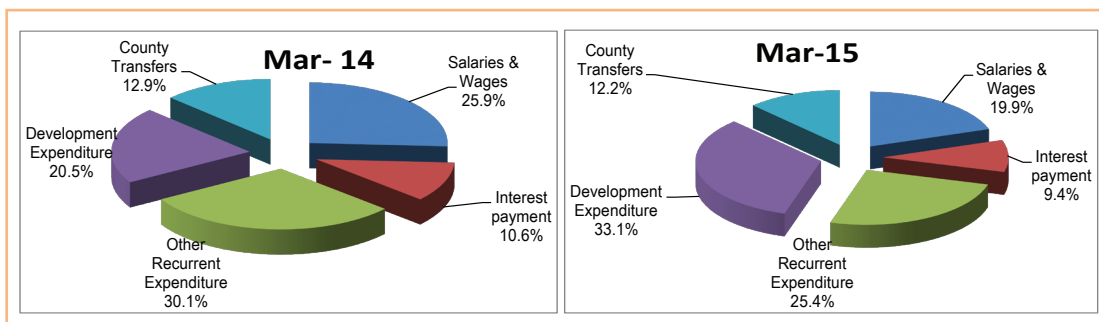
	Mar-14 Ksh bn	Mar-15 Ksh bn	Movement
1. Recurrent	569.6	619.7	50.1
Salaries & Wages	221.2	225.0	3.8
Total Interest	90.8	107.0	16.2
of which			
Domestic*	82.6	85.7	3.1
Foreign interest due	8.2	21.3	13.1
Others	257.6	287.7	30.1
2. Development	175.6	375.4	199.8
3. County Transfers	110.1	138.1	27.9
TOTAL EXPENSES	855.3	1133.1	277.8

*Includes commission and other charges paid to CBK

the project's funds.

The performance of Government expenditure in relation to the previous year is indicated in Chart 6B. The main highlights include the 470 basis points and 600 basis points reductions in other recurrent expenditure and expenses on salaries and wages, respectively.

CHART 6B: COMPOSITION OF GOVERNMENT EXPENDITURE



Source: National Treasury

Financing

The financing requirements of Government operations increased by 123.9 percent to Ksh 440.8 billion in the first three quarters of the FY 2014/15 compared with Ksh 196.9 billion in the same period of the FY 2013/14. The Government sourced the funds through net external borrowing of Ksh 190 billion, Euro Bond tap sale proceeds of Ksh 142.7 billion and additional domestic borrowing of Ksh 106.6 billion. The funds were allocated to bridge the Government budgetary deficit of Ksh 381.1 billion. The Government also accumulated deposits amounting to Ksh 59.4 billion (Table 6.4).

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

I. FINANCING REQUIREMENTS	Mar-14	Mar-15
1. Budget deficit	196.9	381.1
2. External debt reduction	0.0	0.0
3. Domestic debt reduction	0.0	0.3
3.1 Central Bank (incl. items in transit)	0.0	0.3
3.2 Commercial banks (net of deposits)	0.0	0.0
3.3 Non-bank sources	0.0	0.0
4. Increase in GoK deposits at CBK	0.0	59.4
TOTAL	196.9	440.8
II. FINANCING SOURCES	Mar-14	Mar-15
1. Budget surplus	0.0	0.0
2. External debt increase	24.3	190.0
3. Increase in domestic debt	167.2	106.6
3.1 Central Bank	40.8	0.0
3.2 Commercial banks	51.0	91.8
3.3 Non-bank sources	75.5	14.8
4. Reduction in GoK deposits at CBK	5.2	0.0
5. Privatisation proceeds (Net of Restructuring Costs)	0.0	0.0
7. Domestic Loan Repayments	0.2	1.5
6. Others (Euro Bond sale proceeds)	0.0	142.7
TOTAL	196.9	440.8

Sources: National Treasury and Central Bank of Kenya

Government Borrowing from the Central Bank

The Government debt at the Central Bank declined by Ksh 12.3 billion to Ksh 64.8 billion during the period under review, compared to Ksh 77.2 billion owed in a similar period of the FY 2013/2014. The decrease in Government's liability to the Central Bank reflected Ksh 14.5 billion maturity of rediscounted securities held by the Bank. In addition, the Government repaid Ksh 1.1 billion through the regular amortization of the pre-1997 securitized overdraft. Government borrowing through

overdraft facility at the Central Bank increased by Ksh 3.2 billion during the period under review but remained within the statutory limit.

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

	2014	2015	Movement
	Mar	Mar	
Total Credit	77.2	64.8	-12.3
1. Overdraft	34.2	37.4	3.2
2. Rediscounted securities	14.6	0.1	-14.5
Treasury bills	14.6	0.1	-14.5
Treasury bonds	0.0	0.0	0.0
3. Pre-1997 Government Overdraft at CBK	28.3	27.2	-1.1
4. IMF funds onlent to Government	0.0	0.0	0.0
5. Cleared items in transit	0.0	0.1	0.0
Memorandum			
Authorised overdraft limit	34.2	39.1	4.9
Amount utilised to date	34.2	37.4	3.2
Amount available	0.0	1.7	1.7

Source: Central Bank of Kenya

Outlook for FY 2014/15 In the revised budget estimates for the FY 2014/15, ordinary revenue is estimated at Ksh 1,070.5 billion (20 percent of GDP) while external grants are estimated at Ksh 66.4 billion (1.2 percent of GDP). Government expenditure is estimated at Ksh 1,806 billion (33.7 percent of GDP), of which, Ksh 935.4 billion (17.5 percent of GDP) will be in recurrent expenses, transfer to the county government at Ksh 229.3 billion, and development expenses at Ksh 637 billion (Table 6.6).

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

	Ksh (Bn)	% of GDP
1. TOTAL REVENUE	1231.0	23.0
Ordinary Revenue	1070.5	20.0
Appropriations-in-Aid	94.1	1.8
External Grants	66.4	1.2
2. TOTAL EXPENSES & NET LENDING	1806.7	33.7
Recurrent Expenses	935.4	17.5
Development Expenses	637.0	11.9
County Transfer	229.3	4.3
Contingency Fund	5.0	0.1
3. DEFICIT ON A COMMITMENT BASIS (1-2)	-575.6	-10.7
4. ADJUSTMENT TO CASH BASIS	0.0	0.0
5. DEFICIT ON A CASH BASIS	-575.6	-10.7
6. DISCREPANCY: Expenditure (+) / Revenue (-)	0.0	0.0
7. FINANCING	575.6	10.7
Domestic (Net)	173.1	3.2
Euro Bond Proceeds	141.4	2.6
External (Net)	261.2	4.9

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

The revised overall budget deficit including grants on commitment basis is therefore estimated at Ksh 575.6 billion (10.7 percent of GDP) in 2014/15. The deficit is expected to be financed through net external borrowing of Ksh. 173.1 billion, Euro Bond proceeds of Ksh 141.4 billion and net domestic borrowing of Ksh 261.2 billion.

DEVELOPMENTS IN PUBLIC DEBT

Overall Debt

Kenya's public and publicly guaranteed debt increased by Ksh 305.1 billion to reach Ksh 2,675.2 billion in March 2015, from Ksh 2,370.2 billion in June 2014. The total debt stock at the end of March 2015 was equivalent to 49.9 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 23.9 percent and 26.1 percent in March 2015, respectively (Table 7.1).

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

	Jul-14	Aug-14	Sep-14	Oct-14	Nov-14	Dec-14	Jan-15	Feb-15	Mar-15	Change 2014/15
EXTERNAL										
Bilateral	286.2	285.3	278.5	275.8	272.3	287.2	387.0	383.9	384.6	94.7
Multilateral	604.7	605.8	608.0	612.1	614.0	612.4	606.1	640.4	618.5	21.1
Commercial Banks	182.5	183.6	185.2	184.9	186.5	255.2	257.8	257.0	259.7	77.5
Supplier Credits	16.3	16.3	16.1	16.0	16.1	16.0	15.6	15.4	15.3	-1.2
Sub-Total	1089.7	1091.0	1087.8	1088.8	1089.0	1170.7	1266.4	1296.7	1278.1	192.2
(As a % of GDP)	20.3	20.4	20.3	20.3	20.3	21.9	23.6	24.2	23.9	
(As a % of total debt)	45.7	46.0	46.3	46.5	45.5	47.2	48.7	48.9	47.8	
DOMESTIC										
Banks	698.7	682.2	665.0	658.1	698.0	708.0	720.3	747.6	779.8	97.0
Central Bank	61.6	62.0	63.6	47.6	45.8	58.3	54.9	61.6	64.8	-0.9
Commercial Banks	637.1	620.3	601.4	610.5	652.2	649.7389	665.4851	686.0	715.0	97.9
Non-banks	583.6	585.7	584.1	583.8	592.3	585.9	600.4	591.0	604.4	17.9
Pension Funds	323.3	323.6	321.2	317.4	318.4	310.6	319.5	341.3	348.0586	25.2
Insurance Companies	121.1	125.8	127.6	127.8	129.2	129.3	130.3	126.6	125.1795	4.2
Other Non-bank Sources	139.2	136.3	135.2	138.6	144.7	146.1	150.5	123.1	131.2	-11.4
Non-residents	14.2	13.2	11.8	12.4	13.0	13.8	13.9	14.6	12.89069	-2.0
Sub-Total	1296.4	1281.1	1260.9	1254.3	1303.4	1307.7	1334.6	1353.3	1397.1	112.9
(As a % of GDP)	24.2	23.9	23.5	23.4	24.3	24.4	24.9	25.3	26.1	
(As a % of total debt)	54.3	54.0	53.7	53.5	54.5	52.8	51.3	51.1	52.2	
GRAND TOTAL	2386.1	2372.1	2348.7	2343.1	2392.3	2478.4	2601.1	2650.1	2675.2	305.1
(As a % of GDP)	44.5	44.3	43.8	43.7	44.7	46.3	48.5	49.5	49.9	

Sources: National Treasury and Central Bank of Kenya

Domestic Debt

The total stock of domestic debt increased by Ksh 97.0 billion during the first nine months of the FY 2014/15 to reach Ksh 1,397.1 billion in March 2015 from Ksh 1,284.2 in June 2014. The share of domestic debt to GDP therefore increased to 26.1 percent in March 2015 from 24.0 percent in June 2014. This was largely on account of an increase in government treasury bonds of Ksh 72.7 billion and a partially offsetting decline in other debt. The share of domestic debt in total debt declined from 54.2 percent in June 2014 to 52.2 percent in March 2015 (Table 7.1).

TABLE 7.2: GOVERNMENT GROSS DOMESTIC DEBT (Ksh billion)

	2015														Change
	Sep	%	Oct	%	Nov	%	Dec	%	Jan	%	Feb	%	Mar	%	Jun 14 - Mar 15
al Stock of Domestic Debt (A+B)	1,260.9	100.0	1,254.3	100.0	1,303.4	100.0	1,307.7	100.0	1,334.6	100.0	1,353.3	100.0	1,397.1	100.0	112.9
. Government Securities	1,223.7	97.0	1,233.8	94.7	1,283.5	98.5	1,273.6	97.4	1,303.6	97.7	1,316.3	97.3	1,357.0	97.1	114.6
1. Treasury Bills (excluding Repo Bills)	276.0	21.9	283.9	21.8	302.0	23.2	291.4	22.3	299.3	22.4	308.1	22.8	342.3	24.5	42.9
Banking institutions	162.9	12.9	173.5	13.3	196.1	15.0	191.2	14.6	195.7	14.7	208.1	15.4	236.9	17.0	60.4
Others	113.2	9.0	110.4	8.5	105.9	8.1	100.2	7.7	103.6	7.8	100.1	7.4	105.4	7.5	(17.6)
2. Treasury Bonds	919.9	73.0	922.1	70.7	953.7	73.2	955.0	73.0	977.1	73.2	981.0	72.5	987.5	70.7	72.7
Banking institutions	437.8	34.7	436.9	33.5	454.3	34.9	456.1	34.9	467.0	35.0	475.5	35.1	475.8	34.1	39.4
Pension Funds	259.4	20.6	255.7	19.6	262.0	20.1	262.6	20.1	271.5	20.3	295.5	21.8	348.1	24.9	100.6
Others	222.7	17.7	229.5	17.6	237.4	18.2	236.3	18.1	238.6	17.9	210.0	15.5	163.7	11.7	(67.3)
4. Non-Interest Bearing Debt	27.8	2.2	27.8	2.1	27.8	2.1	27.2	2.1	27.2	2.0	27.2	2.0	27.2	1.9	(1.0)
Of which: Repo T/Bills	27.7	2.2	27.7	2.1	27.7	2.1	27.2	2.1	27.2	2.0	27.2	2.0	27.2	1.9	(1.1)
. Others:	37.2	3.0	20.5	1.6	19.9	1.5	34.2	2.6	31.0	2.3	37.0	2.7	40.1	2.9	(1.7)
Of which CBK overdraft to Government	34.4	2.7	18.3	1.4	18.3	1.4	30.9	2.4	27.5	2.1	34.2	2.5	37.4	2.7	0.2

Source: Central Bank of Kenya

Treasury Bills

Treasury bill holdings, excluding repos, increased by Ksh 42.9 billion from Ksh 299.4 billion in June 2014 to Ksh 342.3 billion in March 2015 (Table 7.2). The proportion of Treasury bills to total domestic debt increased to 24.5 percent in March 2015 from 23.3 percent in June 2014. The dominant investors were commercial banks (69.2 percent) and pension funds (14.3 percent) by March 2015 (Table 7.3).

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

									2015								Change
Holdes	Sep	%	Oct	%	Nov	%	Dec	%	Jan	%	Feb	%	Mar	%	Jun 14 Mar 15		
Banking Institutions	162.9	59.0	173.5	61.1	196.1	64.9	191.1	65.6	196.2	65.6	208.1	67.6	236.9	69.2	60.4		
Central Bank	1.4	0.5	1.4	0.5	1.4	0.5	0.1	0.0	0.6	0.2	0.1	0.0	0.1	0.0	0.1		
Comm. Banks	161.5	58.5	172.1	60.6	194.7	64.5	191.1	65.6	195.6	65.4	208.1	67.5	236.8	69.2	60.3		
Insurance Companies	25.9	9.4	24.1	8.5	24.5	8.1	24.7	8.5	23.8	8.0	22.5	7.3	22.5	6.6	2.7		
Parastatals	3.1	1.1	3.6	1.3	3.6074	1.2	3.6178	1.2	4.0	1.3	5.6	1.8	7.8	2.3	3.6		
Pension Funds	61.9	22.4	61.7	21.7	56.4	18.7	48.0	16.5	48.0	16.1	45.8	14.9	48.9	14.3	-18.9		
Others	22.2	8.1	21.0	7.4	21.4	7.1	23.9	8.2	27.2	9.1	26.1	8.5	26.2	7.7	-4.9		
Total	276.0	100.0	283.9	100.0	302.0	100.0	291.4	100.0	299.3	100.0	308.1	100.0	342.3	100.0	42.9		

Source: Central Bank of Kenya

Treasury Bonds

While outstanding Treasury bonds increased by Ksh 72.7 billion, from Ksh 914.8 billion in June 2014 to Ksh 987.5 billion in March 2015 the share in domestic debt decreased from 71.2 percent in June 2014 to 70.7 percent in March 2015 (Table 7.2). The holding of Treasury bonds by dominant investors comprised: Ksh 475.8 billion, Ksh 348.1 billion and Ksh 103.7 billion absorbed by commercial banks, Pension Funds and Insurance companies, respectively. The holdings by pension funds therefore increased from 27.1 percent to 35.2 percent while insurance companies' share declined from 11.1 percent to 10.5 percent during the period under review. The proportion held by parastatals, commercial banks and the central bank recorded marginal movement. (Table 7.4).

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

Holders	Sep	%	Oct	%	Nov	%	Dec	%	Jan	%	Feb	%	Mar	%	Change Jun 14 - Mar 15
Banking Institutions	437.8	47.6	436.9	47.4	436.9	45.8	456.1	47.8	467.0	47.8	475.5	48.5	475.8	48.2	39.4
Central Bank	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Comm. Banks	437.7	47.6	436.9	47.4	436.9	45.8	456.1	47.8	467.0	47.8	475.5	48.5	475.8	48.2	39.4
NBFIs	0.2	0.0	0.2	0.0	0.2	0.0	0.2	0.0	0.2	0.0	0.2	0.0	0.2	0.0	0.0
Insurance Companies	101.7	11.1	103.7	11.2	103.7	10.9	104.6	10.9	106.5	10.9	104.1	10.6	103.7	10.5	2.5
Parastatals	32.9	3.6	32.9	3.6	32.9	3.5	32.9	3.4	32.9	3.4	33.8	3.4	35.1	3.6	0.7
Of which: NSSF	14.9	1.6	14.9	1.6	14.9	1.6	14.9	1.6	14.9	1.5	14.8	1.5	14.8	1.5	-1.3
Building Societies	0.5	0.1	0.6	0.1	0.6	0.1	0.6	0.1	0.6	0.1	0.1	0.0	0.1	0.0	-0.3
Pension Funds	259.4	28.2	255.7	27.7	255.7	26.8	262.6	27.5	271.5	27.8	341.3	34.8	348.1	35.2	100.6
Others	87.4	9.5	92.1	10.0	123.7	13.0	98.0	10.3	98.4	10.1	26.0	2.7	24.5	2.5	-70.2
Total	919.9	100.0	922.1	100.0	953.7	100.0	955.0	100.0	977.1	100.0	981.0	100.0	987.5	100.0	72.7

Source: Central Bank of Kenya

Domestic Debt Maturity structure

Total domestic debt as at March 2015 amounted to Ksh 1,397.1 billion. Government securities worth Ksh 26.7 billion fell due in March 2015, comprising Ksh 7.1 billion, Ksh 3.3 billion and Ksh 22.3 billion in 91-day, 182-day and 364-day Treasury bills, respectively. Treasury bonds worth Ksh 20 billion fell due in March 2015

TABLE 7.5: DOMESTIC DEBT MATURITY STRUCTURE (Ksh billion)

		2014						2015						Change Jun 14 to Mar 15
		Oct	%	Nov	%	Dec	%	Jan	%	Feb	%	Mar	%	
Treasury bills	91-Day	27.7	2.1	32.3	2.5	27.2	2.1	28.1	2.1	22.0	1.6	25.8	1.8	-28.9
	182-Day	57.8	4.4	58.7	4.5	49.9	3.8	50.8	3.8	54.9	4.1	75.7	5.4	-13.2
	364-Day	176.5	13.5	211.0	16.2	214.3	16.4	220.4	16.5	231.2	17.1	240.8	17.2	85.0
Treasury Bonds	1-Year	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	2-Year	144.5	11.1	144.5	11.1	132.6	10.1	132.6	9.9	135.7	10.0	115.8	8.3	-50.9
	3-Year	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	4-Year	29.9	2.3	29.9	2.3	29.9	2.3	29.9	2.2	21.4	1.6	21.4	1.5	-8.5
	5-Year	175.5	13.5	175.5	13.5	175.5	13.4	183.7	13.8	183.7	13.6	183.7	13.2	8.4
	6-Year	40.7	3.1	40.7	3.1	40.7	3.1	40.7	3.0	40.7	3.0	40.7	2.9	0.0
	7-Year	8.7	0.7	8.7	0.7	8.7	0.7	8.7	0.7	8.7	0.6	8.7	0.6	-8.3
	8-Year	40.9	3.1	40.9	3.1	40.9	3.1	40.9	3.1	38.2	2.8	38.2	2.7	-2.7
	9-Year	18.2	1.4	18.2	1.4	18.2	1.4	18.2	1.4	18.2	1.3	18.2	1.3	0.0
	10-Year	146.7	11.3	146.7	11.3	146.7	11.2	146.7	11.0	158.6	11.7	158.6	11.4	27.5
	11-Year	4.0	0.3	4.0	0.3	4.0	0.3	4.0	0.3	4.0	0.3	4.0	0.3	0.0
	12-Year	61.4	4.7	80.9	6.2	80.9	6.2	80.9	6.1	80.9	6.0	107.4	7.7	61.9
	15-Year	142.9	11.0	155.0	11.9	168.2	12.9	168.2	12.6	168.2	12.4	168.2	12.0	25.3
	20-Year	60.5	4.6	60.5	4.6	60.5	4.6	74.3	5.6	74.3	5.5	74.3	5.3	13.9
	25-Year	20.2	1.5	20.2	1.5	20.2	1.5	20.2	1.5	20.2	1.5	20.2	1.4	0.0
	30-Year	28.1	2.2	28.1	2.2	28.1	2.2	28.1	2.1	28.1	2.1	28.1	2.0	6.0
Other Domestic debt	Repo T bills	27.7	2.1	27.7	2.1	27.2	2.1	27.2	2.0	27.2	2.0	27.2	1.9	-1.1
	Overdraft	18.3	1.4	18.3	1.4	30.9	2.4	27.5	2.1	34.2	2.5	37.4	2.7	-1.7
	Other Domestic debt	24.1	1.8	1.6	0.1	3.2	0.2	3.6	0.3	2.8	0.2	2.8	0.2	0.0
Total Debt		1254.3	96.2	1303.4	100.0	1307.7	100.0	1334.6	100.0	1353.3	100.0	1397.1	100.0	112.8

Source: Central Bank of Kenya

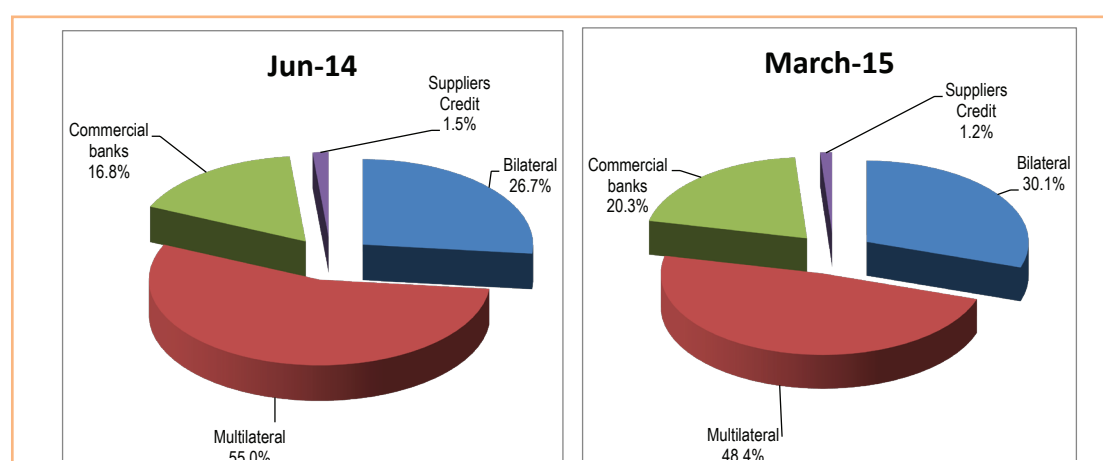
The average length of maturity of existing domestic debt rose to 5 years and 2 months in March 2015 from 4 years and 10 months in June 2014, as the Central bank sought to issue and re-open longer dated securities.

External Debt

Kenya's public and publicly guaranteed external debt increased by Ksh 192.2 billion to Ksh 1,278.1 billion in March 2015, from Ksh 1085.9 billion in June 2014 (Table 7.1). The central government stake amounted to Ksh 1,236.8 billion or 96.8 percent with the balance on government guarantee to parastatals. The African Development Bank (ADB) and the International Development Association (IDA) collectively accounted for Ksh 5.1 billion of the increase in multilateral debt, while China accounted for Ksh 2.0 billion of the increase in bilateral debt. Japan's contribution to the bilateral debt reduced by Ksh 0.2 billion, during the period under review. The growth in external debt during this period was largely attributed to exchange rate revaluations.

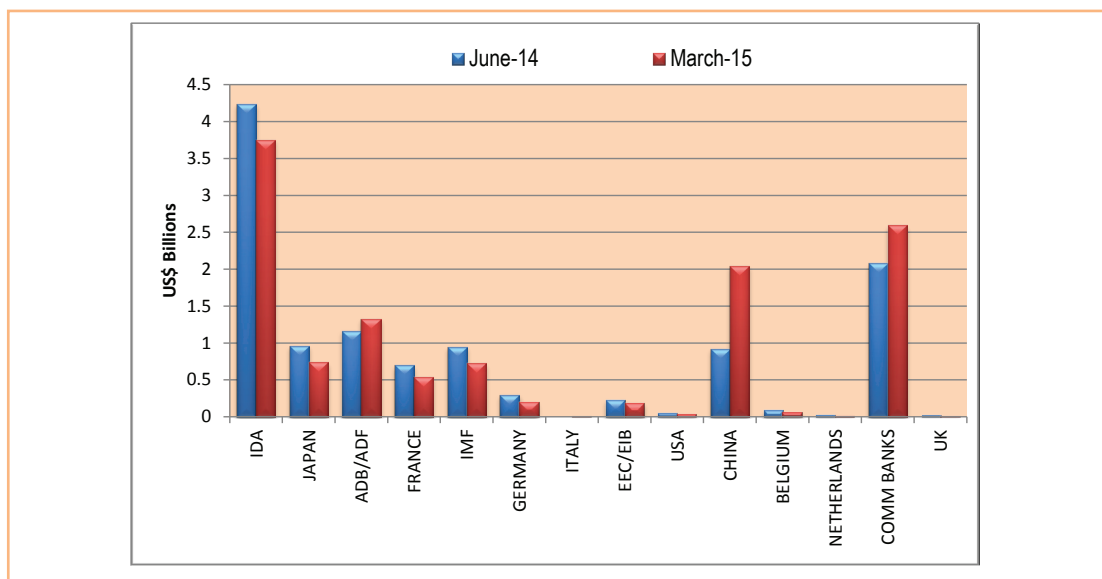
Composition of External Debt by Creditor

Kenya's official external creditors, the multilateral and bilateral lenders, accounted for 78.5 percent of total public and publicly guaranteed debt by March 2015. The proportion of external debt owed to commercial banks increased from 16.8 percent in June 2014 to 20.3 percent in March 2015, while that owed to bilateral lenders increased from 26.7 percent, in June 2014 to 30.1 percent in March 2015. The share of external debt owed to multilateral lenders declined from 55.0 percent in June 2014 to 48.4 percent in March 2015 (Chart 7A).

CHART 7A: COMPOSITION OF EXTERNAL DEBT

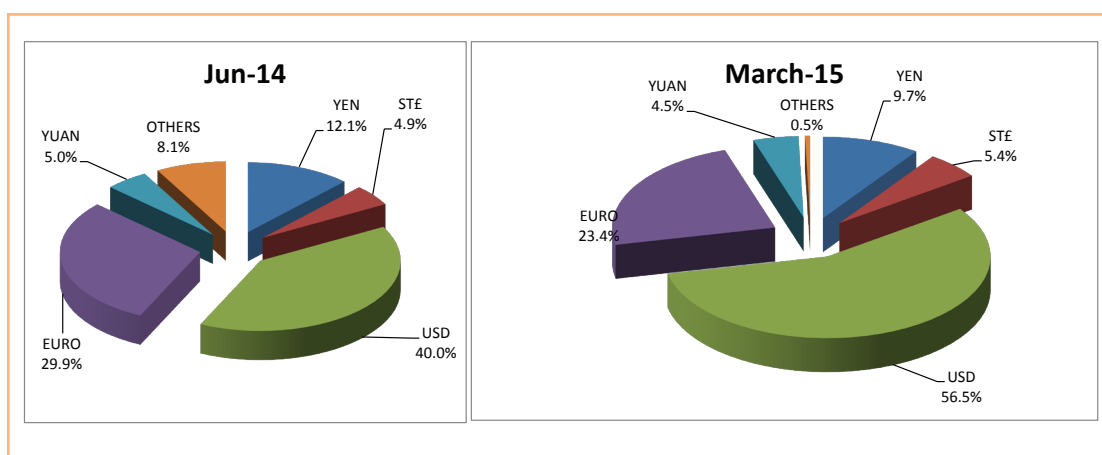
Source: National Treasury

Debt owed to IDA, Kenya's largest multilateral lender, amounted to USD 3.8 billion or 29.4 percent of total external debt while that owed to Japan, Kenya's largest bilateral lender, amounted to USD 0.7 billion, which is equivalent to 5.8 percent of the total external debt at the end of March 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 56.5 percent in March 2015, while that denominated in the Japanese Yen and the Euro declined from 12.1 percent and 29.9 percent, respectively, to 9.7 percent and 23.4 percent, respectively, during the period under review (Chart 7C). The rise in the US dollar denominated component is attributed to the proceeds from the Tap sale of the Sovereign bond issued in June 2015. Cumulative interest and other charges on domestic debt for the first nine months

CHART 7C: EXTERNAL DEBT DISTRIBUTION BY CURRENCY

Source: National Treasury

Public Debt Service	of FY 2014/15 amounted to Ksh 85.9 billion compared with Ksh 80.1 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 21.0 billion and Ksh 62.8 billion, respectively. In addition, collective interest on Government overdraft and the Pre-97 overdraft amounted to Ksh 2.2 billion. External debt service in the first nine months of FY 2014/15, amounted to Ksh 5.7 billion, comprising Ksh 3.4 billion in principal repayments and Ksh 2.3 billion in interest payments.
Outlook for FY 2014/15	Total public and publicly guaranteed external debt is estimated at Ksh 1,195.7 billion (25.8 percent of GDP), of which gross and net domestic debt amount to Ksh1,274.7 billion (27.5 percent of GDP) and Ksh 1,213.4 billion (26.2 percent of GDP), respectively.

ACTIVITY IN THE STOCK MARKET

Equity Market The equity markets segment had mixed performance, with half of the leading indicators on the decline in March 2015. Although net foreign investors' interest at the NSE improved, there were more sellers than buyers, hence net outflow. The bond market segment performance improved.

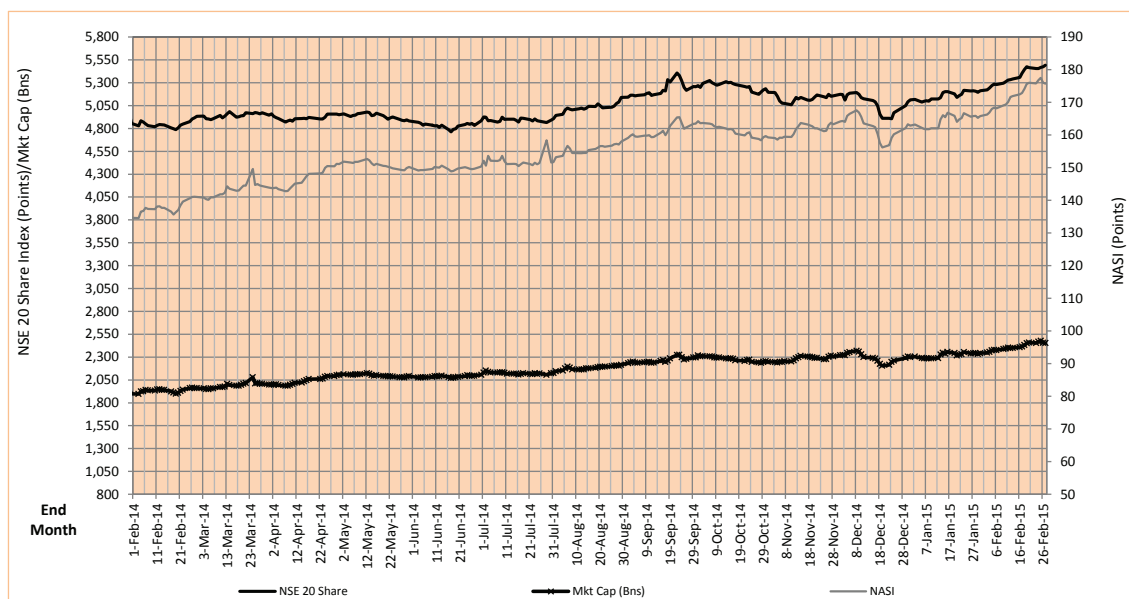
The NSE 20 Share Index and NASI closed 243.11 points and 0.59 points lower respectively in March 2015 compared to their February 2015 level. The shareholders of counters at the NSE lost KSh 8.35 billion during the period. Equity turnover rose by 27.36 percent on account of increased volume of shares traded despite average decline in share prices.

TABLE 8.1: SELECTED STOCK MARKET INDICATORS

		2014										2015						Change Jun to Mar 15
		Aug	%	Sep	%	Oct	%	Nov	%	Dec	%	Jan	%	Feb	%	Mar	%	
Treasury bills	91-Day	52.1	4.1	32.7	2.6	27.7	2.1	32.3	2.5	27.2	2.1	28.1	2.1	22.0	1.6	25.8	1.8	-28.9
	182-Day	85.8	6.7	65.2	5.2	57.8	4.4	58.7	4.5	49.9	3.8	50.8	3.8	54.9	4.1	75.7	5.4	-13.2
	364-Day	146.7	11.5	157.6	12.5	176.5	13.5	211.0	16.2	214.3	16.4	220.4	16.5	231.2	17.1	240.8	17.2	85.0
Treasury Bonds	1-Year	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	2-Year	158.2	12.4	158.2	12.5	144.5	11.1	144.5	11.1	132.6	10.1	132.6	9.9	135.7	10.0	115.8	8.3	-50.9
	3-Year	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	4-Year	29.9	2.3	29.9	2.4	29.9	2.3	29.9	2.3	29.9	2.3	29.9	2.2	21.4	1.6	21.4	1.5	-8.5
	5-Year	188.7	14.7	175.5	13.9	175.5	13.5	175.5	13.5	175.5	13.4	183.7	13.8	183.7	13.6	183.7	13.2	8.4
	6-Year	40.7	3.2	40.7	3.2	40.7	3.1	40.7	3.1	40.7	3.1	40.7	3.0	40.7	3.0	40.7	2.9	0.0
	7-Year	8.7	0.7	8.7	0.7	8.7	0.7	8.7	0.7	8.7	0.7	8.7	0.7	8.7	0.6	8.7	0.6	-8.3
	8-Year	40.9	3.2	40.9	3.2	40.9	3.1	40.9	3.1	40.9	3.1	40.9	3.1	38.2	2.8	38.2	2.7	-2.7
	9-Year	18.2	1.4	18.2	1.4	18.2	1.4	18.2	1.4	18.2	1.4	18.2	1.4	18.2	1.3	18.2	1.3	0.0
	10-Year	131.1	10.2	146.7	11.6	146.7	11.3	146.7	11.3	146.7	11.2	146.7	11.0	158.6	11.7	158.6	11.4	27.5
	11-Year	4.0	0.3	4.0	0.3	4.0	0.3	4.0	0.3	4.0	0.3	4.0	0.3	4.0	0.3	4.0	0.3	0.0
	12-Year	45.4	3.5	45.4	3.6	61.4	4.7	80.9	6.2	80.9	6.2	80.9	6.1	80.9	6.0	107.4	7.7	61.9
	15-Year	142.9	11.2	142.9	11.3	142.9	11.0	155.0	11.9	168.2	12.9	168.2	12.6	168.2	12.4	168.2	12.0	25.3
	20-Year	60.5	4.7	60.5	4.8	60.5	4.6	60.5	4.6	60.5	4.6	74.3	5.6	74.3	5.5	74.3	5.3	13.9
	25-Year	20.2	1.6	20.2	1.6	20.2	1.5	20.2	1.5	20.2	1.5	20.2	1.5	20.2	1.5	20.2	1.4	0.0
30-Year	23.9	1.9	28.1	2.2	28.1	2.2	28.1	2.2	28.1	2.2	28.1	2.1	28.1	2.1	28.1	2.0	6.0	
	Repo T bills	27.7	2.2	27.7	2.2	27.7	2.1	27.7	2.1	27.2	2.1	27.2	2.0	27.2	2.0	27.2	1.9	-1.1
	Overdraft	30.4	2.4	34.4	2.7	18.3	1.4	18.3	1.4	30.9	2.4	27.5	2.1	34.2	2.5	37.4	2.7	-1.7
	Other Domestic debt	25.2	2.0	23.4	1.9	24.1	1.8	1.6	0.1	3.2	0.2	3.6	0.3	2.8	0.2	2.8	0.2	0.0
Total Debt		4384.4	400.0	4369.0	400.0	4354.3	385.9	4389.4	400.0	4387.7	400.0	4394.6	400.0	4399.3	400.0	4387.4	400.0	449.0

Source: Nairobi Securities Exchange

Foreign Investors activity at the NSE increased in March 2015, as reflected in increases in overall net foreign participation to total equity turnover at 53.18 percent from 43.92 percent in February 2015. Foreign purchases accounted for 45.66 percent of total equity turnover against 60.70 percent foreign sales, reflecting net outflow (Table 8.1).

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

Source: Nairobi Securities Exchange

Most Active Sectors & FTSE NSE Kenya Index Series

The three leading equity market indicators; NSE 20 Share Index, NASI and Market Capitalization trended downward but stable since the beginning of March 2015 (Chart 8A).

Telecommunication & Technology, Banking and Energy & Petroleum sectors dominated trading, with 30.73 percent, 28.51 percent and 12.42 percent respectively of all shares traded.

FTSE NSE Kenya 15 Index, which measures performance of 15 largest stocks by market capitalization at NSE rose to 231.56 points from 230.39 points in the period. FTSE NSE Kenya 25 Index that measures performance of 25 most liquid stocks rose to 231.87 points from 230.79 points. The FTSE NSE Kenyan Government Bond Index declined slightly to 92.39 points from 92.82 points, reflecting uptick in secondary market yields.

Bond Market

Bond turnover was up 1.57 percent, with a total of KSh 45,854.64 million traded in March 2015 up from Ksh 45,145.38 million in February 2015. Corresponding deals were 500 from 445 deals during the period. The FXD1/2012/20 dominated trading, at 19.75 percent of total turnover, with yields ranging from 13.00 percent to 13.92 percent against a coupon rate of 12.00 percent. The Corporate bond segment traded Ksh 152.47 million.

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

1.0 ASSETS	MAR 2015	JUNE 2014	INCREASE/ (DECREASE)	MAR 2014
1.1 BALANCES DUE FROM BANKING INSTITUTIONS AND GOLD HOLDINGS	703,835.72	759,650.14	(55,814.42)	578,905
1.2 FUNDS HELD WITH IMF	3,370.33	692.47	2,677.86	1,959
1.3 ITEMS IN THE COURSE OF COLLECTION	62.09	69.81	(7.72)	39
1.4 ADVANCES TO COMMERCIAL BANKS	96.57	50.49	46.08	1,567
1.5 LOANS AND OTHER ADVANCES	40,570.92	40,462.66	108.26	38,292
1.6 OTHER ASSETS	3,087.71	3,141.53	(53.82)	2,763
1.7 RETIREMENT BENEFIT ASSET	7,659.20	7,659.20	0.00	2,967
1.8 PROPERTY AND EQUIPMENT	13,766.67	13,811.27	(44.60)	12,326
1.8.2 INTANGIBLE ASSETS	397.27	639.06	(241.79)	715
1.9 DEBT DUE FROM GOVERNMENT OF KENYA	27,223.76	28,333.76	(1,110.00)	28,334
TOTAL ASSETS	800,070.24	854,510.39	(54,440.15)	667,867
2.0 LIABILITIES				
2.1 CURRENCY IN CIRCULATION	218,135.99	199,966.31	18,170	198,952
2.2 INVESTMENTS BY BANKS (REPOs)	20,164.69	0.00	20,165	16,224
2.3 DEPOSITS	348,724.72	448,799.78	(100,075)	247,728
2.4 INTERNATIONAL MONETARY FUND	119,014.59	130,064.28	(11,050)	129,170
2.5 OTHER LIABILITIES	21,886.40	5,097.23	16,789	14,056
2.6 PROVISIONS	156.64	156.64	0.00	123
TOTAL LIABILITIES	728,083.03	784,084.24	(56,001)	606,253
3.0 EQUITY AND RESERVES	71,987.21	70,426.15	1,561	61,614
Share Capital	5,000.00	5,000.00	-	5,000
General reserve fund	48,914.37	48,914.15	0	39,044
Period surplus	1,560.82		1,560.82	8,671
Asset Revaluation	8,853.16	8,853.00	0	8,899
Retirement Benefit Asset Reserves	7,658.86	7,659.00	(0)	
Dividends payable	0.00	0.00	-	-
4.0 TOTAL LIABILITIES AND EQUITY	800,070.24	854,510.39	(54,440.15)	667,867

Source: Central Bank of Kenya

NOTES ON THE FINANCIAL POSITION

Total assets declined by 6.4 percent or Ksh 54.4 billion in the 9 months to March 2015 largely on account of balances due from bank institutions and gold holdings. The contra of this reduction was largely in the Deposits category and in particular government deposits.

Assets Balances due from Banking institutions and Gold holdings category comprise of foreign reserves held in external current accounts, deposits and special/projects accounts, domestic foreign currency clearing accounts, gold, special drawing rights and RAMP securities invested with the World Bank. These balances decreased by KSh 55.8 billion to KSh 703.8 billion in March 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 March 2015 were KSh 62 million, representing 11.1 percent recovery from KSh 70 million outstanding as at June 2014.

Advances to commercial banks are balances of money advanced by the Central Bank of Kenya to commercial banks in the management of interbank liquidity. The balance outstanding increased by KSh 46 million (or 91.3 percent) to KSh 96.6 million in March 2015 from KSh 50.5 million in June 2014.

Loans and other advances include outstanding balances on advances to commercial banks under the Overnight Loan Facility (OLF), Government overdraft and IMF funds on-lent to Government. Following repayments amounting to KSh 108 million, the outstanding balance due declined to KSh 40,571 million in March 2015 from KSh 40,463 million in June 2014.

Other Assets largely consist of prepayments and sundry debtors, and deferred currency expense. These assets decreased by KSh 53.82 million to KSh 3,088 million in March 2015 from KSh 3,142 million in June 2014.

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

Liabilities Currency in circulation increased by KSh 18,170 million (or 9.1 percent) to KSh 218,136 million in March 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 100,075 million to KSh

348,724.7 million in March 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 11,050 million, to KSh 119,015 in March 2015 from KSh 130,064 million in June 2014.

Other liabilities include net impersonal accounts, sundry creditors, foreign exchange bureaus deposits and suspense accounts. The balance increased by KSh 16,789 million to KSh 21,886 million in March 2015 from KSh 5,097 million in June 2014.

Equities and reserves increased by KSh 1,561 million, to KSh 71,987 million in March 2015 from KSh 70,426 million in June 2014 reflecting increase in period surplus.