



MONTHLY ECONOMIC REVIEW

OCTOBER 2015

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

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

CONTENTS

Overview	2
1. Developments in Inflation	7
2. Developments in Money, Credit and Interest Rates	11
3. Performance of the Real Sector	16
4. Developments in the Balance of Payments and Exchange Rates.....	24
5. Developments in the Banking Sector	30
6. Government Budget Performance	36
7. Developments in Public Debt	40
8. Activity in the Stock Market	46
9. Balance Sheet of the Central Bank of Kenya.....	48

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OVERVIEW

Introduction This Monthly Economic Review highlights recent economic developments through October 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 to 6.7 percent in October 2015 from 6.0 percent in September 2015 largely reflecting a rise in food inflation which rose by 124 basis points to 10.6 percent. Fuel inflation rose by 59 basis points to 2.1 percent in October 2015 from 1.5 percent in September 2015, while non-food non-fuel inflation rose by 12 basis points to 4.8 percent in October 2015. Annual average inflation rose slightly to 6.3 percent in October 2015.

Money Supply Growth in broad money, M3, declined to 13.6 percent in the year to October 2015 from 18.9 percent recorded in October 2014, and was below the respective target of 18.2 percent for October 2015.

Interest Rates The Central Bank maintained the Central Bank Rate (CBR) at 11.5 percent in October 2015, in order to continue anchoring inflationary expectations. The short term interest rates registered mixed performance in October 2015. The lending rates increased marginally in October 2015.

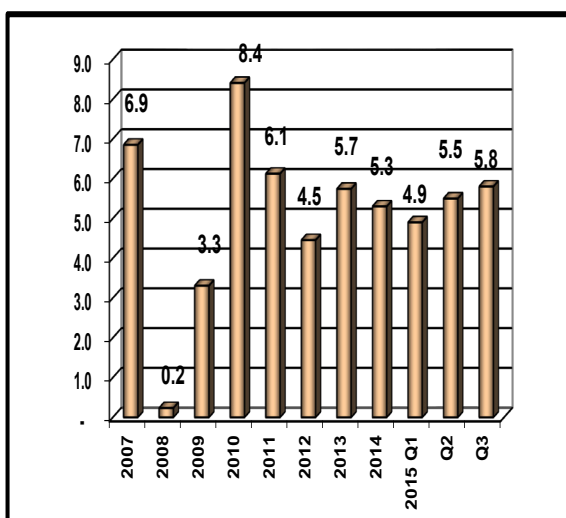
Real GDP Growth The economy grew by 5.8 percent in the third quarter of 2015 compared with growth of 5.2 percent in the same period in 2014. Growth in this Quarter was largely supported by improved performance in Agriculture; Construction; Financial and Insurance; Wholesale and Retail Trade; and Transport and Storage.

Balance of Payments Kenya's overall balance of payments position deteriorated by USD 2,018 million to USD 511 million deficit in the year to October 2015 from a surplus of USD 1,507 million in the year to October 2014 reflecting larger reduction in the capital and financial account surplus.

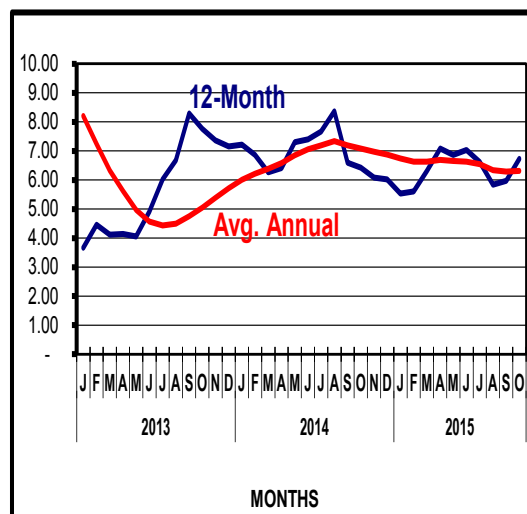
Exchange Rates	The Kenya Shilling strengthened against all major international currencies as well as the EAC region currencies during the month of October 2015. The performance of the Kenya Shilling during the review period was a reflection of developments on both the international and domestic currency markets.
Banking Sector Developments	The Kenyan banking sector comprised 41 commercial banks, 1 mortgage finance company, 12 microfinance banks, 8 representative offices of foreign banks, 86 foreign exchange bureaus, 14 money remittance providers and 3 credit reference bureaus as at October 30, 2015. Imperial Bank was placed under receivership on October 13, 2015 due to unsafe and unsound business conditions.
Government Budgetary Performance	The Government's budgetary operations during the four months of the FY 2015/16 resulted in a deficit of KSh 24.7 billion (0.5 percent of GDP) on a commitment basis compared with a deficit of KSh 38.3 billion (0.7 percent of GDP) incurred in the same period of the FY 2014/15. This was within the KSh 213.3 billion (4.0 percent of GDP) deficit programmed target for the period.
Public Debt	Kenya's public and publicly guaranteed debt rose by 152.5 billion to close at KSh 2,981.6 billion (55.7 Percent of GDP) in October 2015 from KSh 2,829.1 billion (52.8 percent of GDP) in June 2015.
Stock Market	Capital markets recorded mixed performance in October 2015 as reflected across leading market indicators.

SELECTED ECONOMIC PERFORMANCE INDICATORS

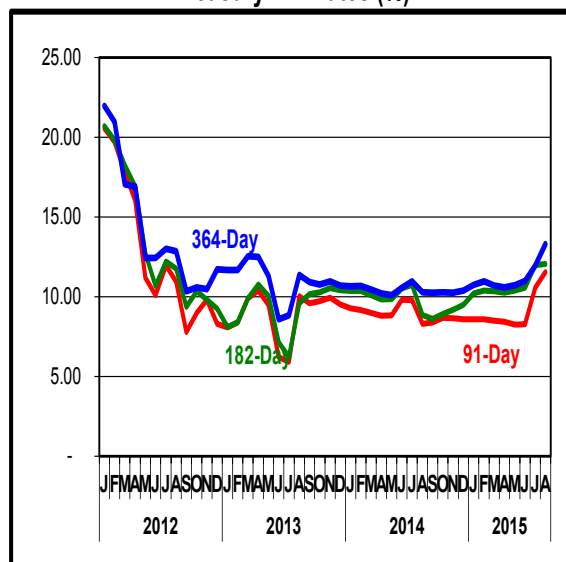
Real GDP Growth (%)



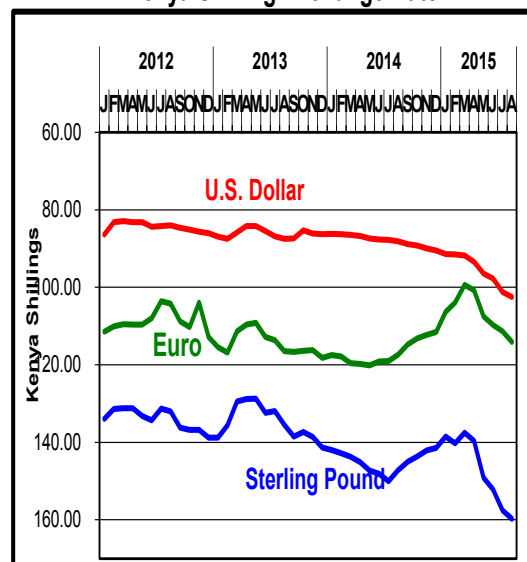
Inflation (%)



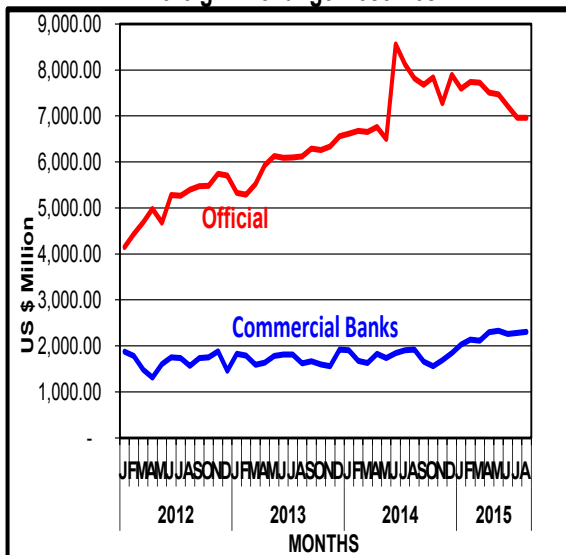
Treasury Bill Rates (%)



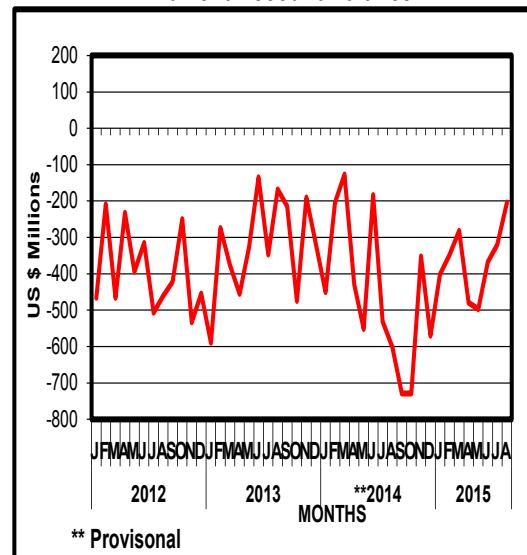
Kenya Shilling Exchange Rate



Foreign Exchange Reserves



Current Account Balance



SELECTED ANNUAL ECONOMIC INDICATORS

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

* Provisional.

** Rebased data

*** Fiscal year to June 30th.

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

¹ Previously M3XT

² Previously M3X

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			
	Oct	Nov	Dec	Jul	Aug	Sep	Oct
1. INFLATION (%)							
CPI	151.92	151.85	152.51	160.57	160.90	161.33	162.13
Overall Inflation							
12-month overall inflation	6.43	6.09	6.02	6.62	5.84	5.97	6.72
Average annual overall inflation	7.08	6.97	6.88	6.54	6.34	6.29	6.31
2. INTEREST RATES (%)							
91-day Treasury bill interest rate	8.67	8.64	8.58	10.57	11.54	14.61	21.65
Overdraft interest rate	15.77	15.66	15.86	16.05	15.98	16.40	16.77
3. STOCK MARKET							
Nairobi Stock Exchange 20 Share Price Index	5,194.89	5,156.00	5,112.65	4,405.00	4,177.00	4,173.00	3,869
Turnover Ratio (%)	0.61	0.80	1.07	0.86	0.88	0.52	0.65
4. GOVERNMENT BUDGET* (Ksh bn.)							
Revenue & Grants	335.24	410.52	524.99	81.27	165.17	282.49	427.60
Expenses	373.51	490.10	613.96	57.0	138.7	254.2	640.9
Budget Deficit (-) / Surplus (+)	(38.27)	(79.58)	(88.98)	24.29	26.47	28.29	(213.27)
5. MONEY AND CREDIT (Ksh bn.)							
Liquidity (L) ¹	3,037.95	3,102.53	3,124.10	3,234.07	3,252.04	3,274.46	3,271.39
Money Supply (M3) ²	2,260.02	2,295.15	2,329.98	2,549.0	2,569.9	2,556.0	2,567.4
Reserve Money	348.60	346.20	380.04	383.3	367.5	376.7	433.9
Total Domestic Credit	2,117.77	2,162.29	2,137.14	2,724.30	2,775.46	2,785.32	2,768.69
Government	239.96	256.64	204.27	565.65	579.50	553.28	535.32
Private sector and other public sector	1,877.81	1,905.65	1,932.86	2,158.65	2,195.96	2,232.04	2,233.37
6. MONEY AND CREDIT (Annual % Change)							
Liquidity (L)¹	25.08	25.10	23.81	15.0	12.9	14.0	13.6
Money Supply (M3) ²	18.94	17.48	16.72	16.4	14.0	13.5	13.6
Reserve Money	13.46	9.29	18.48	25.8	2.9	16.7	24.5
Total Domestic Credit	12.09	9.92	8.02	27.9	26.9	23.3	21.7
Government	(34.91)	(37.21)	(48.57)	63.1	55.5	38.3	34.5
Private and other public sector	23.49	22.28	22.23	21.0	21.0	20.0	18.9
7. BALANCE OF PAYMENTS (US\$ m)							
Overall Balance	168.11	(559.44)	626.49	-248.64	-0.02	-251.78	568.44
Current Account	(767.48)	(381.68)	(621.04)	(319.64)	(102.35)	(338.27)	(99.66)
Trade Balance	(1,304.50)	(904.62)	(1,098.87)	(837.47)	(689.45)	(843.53)	(724.89)
Capital and Financial Account	935.60	(177.76)	1,247.53	71.00	102.33	86.49	668.10
8. FOREIGN EXCHANGE RESERVES (US\$ m)	9,399.90	8,964.49	9,737.55	9,248.79	9,265.36	8,899.41	9,323.97
Official	7,838.99	7,273.99	7,894.92	6,962.93	6,962.90	6,711.13	7,274.30
<i>Months of import cover**</i>	5.00	4.64	5.01	4.42	4.43	4.27	4.64
Commercial banks	1,560.91	1,690.50	1,842.64	2,285.86	2,302.45	2,188.29	2,049.67
9. PUBLIC DEBT (US\$ bn)	26.17	26.56	27.16	28.39	28.43	27.91	28.79
Domestic	13.97	14.49	14.23	14.02	13.70	13.18	14.15
<i>As % of GDP</i>	<i>23.41</i>	<i>24.33</i>	<i>24.41</i>	<i>26.48</i>	<i>26.19</i>	<i>25.91</i>	<i>27.14</i>
External	12.20	12.08	12.92	14.37	14.74	14.72	14.64
<i>As % of GDP</i>	<i>20.32</i>	<i>20.33</i>	<i>21.85</i>	<i>27.50</i>	<i>28.57</i>	<i>28.93</i>	<i>28.51</i>
10. GROSS DOMESTIC DEBT (Ksh bn)***	1,246.14	1,303.35	1,287.40	1,418.57	1,403.10	1,387.97	1,454.25
11. AVERAGE EXCHANGE RATE							
Ksh/US\$	89.23	89.96	90.44	101.20	102.43	105.27	102.79
Ksh/Pound Sterling	143.66	142.05	141.45	157.53	159.77	161.54	157.46
Ksh/ 100 Yen	82.62	77.53	75.79	82.10	83.12	87.64	85.62
Ksh/Euro	113.21	112.28	111.52	111.36	114.09	118.23	115.39

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

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

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

¹ Previously M3XT

² Previously M3X

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

DEVELOPMENTS IN INFLATION

Overall Inflation

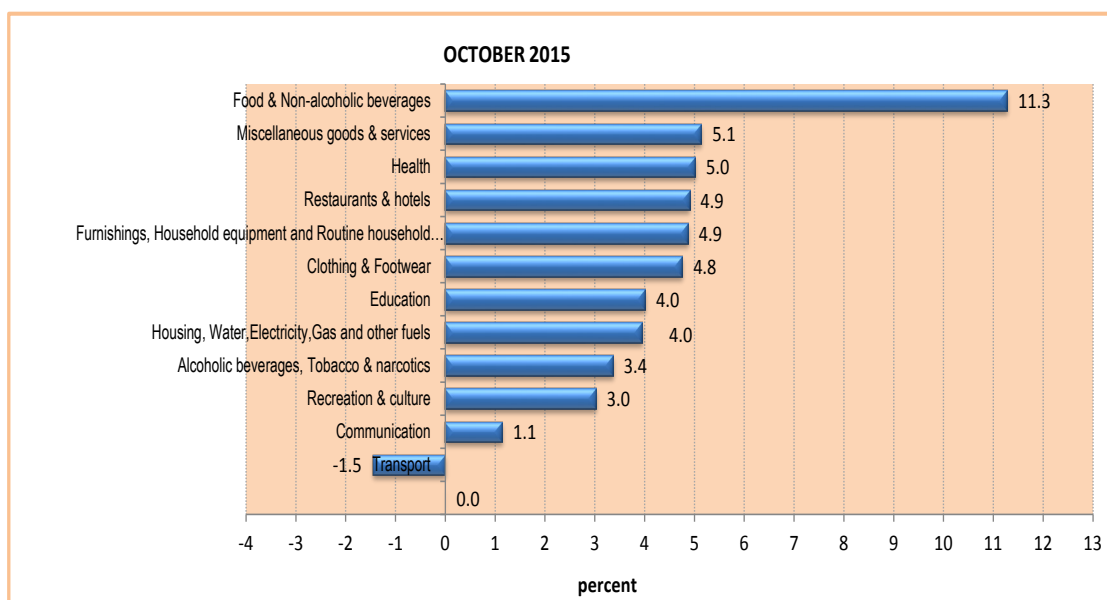
Overall 12-month inflation rose to 6.7 percent in October 2015 from 6.0 percent in September 2015 largely reflecting a rise in food inflation which rose by 124 basis points to 10.6 percent in the period under review. Fuel inflation rose by 59 basis points to 2.1 percent in October 2015 from 1.5 percent in September 2015, while non-food non-fuel inflation rose by 12 basis points to 4.8 percent in October 2015. Annual average inflation rose slightly to 6.3 percent in October 2015. The three months annualized inflation rate rose to 3.9 percent in October 2015 (Table 1.1 and Chart 1A).

TABLE 1.1: RECENT DEVELOPMENT IN INFLATION (%)

Overall Inflation	2014			2015									
	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct
12-month	6.43	6.09	6.02	5.53	5.61	6.31	7.08	6.87	7.03	6.62	5.84	5.97	6.72
Average annual	7.08	6.97	6.88	6.74	6.63	6.63	6.69	6.65	6.63	6.54	6.34	6.29	6.31
Three months annualised	3.56	-0.44	0.70	4.05	6.16	9.09	14.44	16.06	12.32	4.81	2.31	2.19	3.94
Food inflation	7.95	7.39	7.54	7.38	8.33	10.32	12.54	12.42	12.55	11.42	9.42	9.36	10.60
Fuel inflation	7.03	6.37	5.98	4.53	3.32	2.87	1.53	0.28	0.24	0.57	1.09	1.46	2.05
Non-food non-oil inflation	3.46	3.77	3.65	3.51	3.43	3.16	3.53	4.15	4.63	4.67	4.55	4.68	4.80

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

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



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

Contributions to Overall 12-month Inflation

Developments across all categories of goods and services shows that 'Food and Non-Alcoholic Beverages' contributed 4.1 percentage points to the overall 12-month inflation of 6.72 percent in October 2015, while 'Housing, Water, Electricity, Gas and Other Fuels' category contributed 0.76 percentage points. However, Transport category exerted downward pressure on inflation of 0.08 percentage points largely on account of the effect

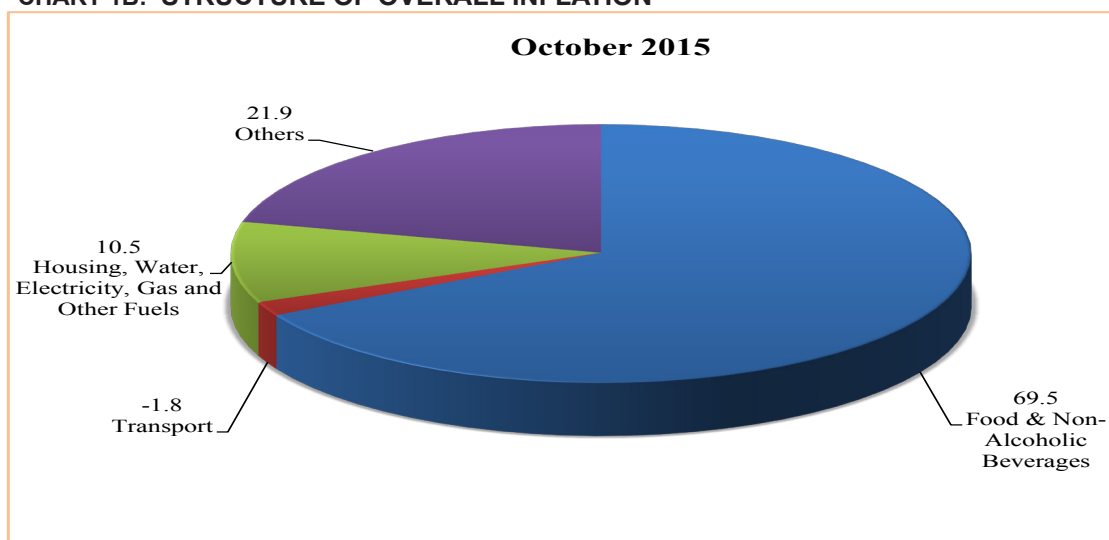
of lower cost of petrol and diesel (Table 1.2 and Chart 1B). This therefore suggests that food accounted for 61.0 percent of inflation in October 2015.

TABLE 1.2: CONTRIBUTIONS OF VARIOUS COMPONENTS OF THE CPI BASKET TO OVERALL INFLATION

	Food & Non-Alcoholic Beverages	Alcoholic Beverages, Tobacco & Narcotics	Clothing & Footwear	Housing, Water, Electricity, Gas and other Fuels	Furnishings, Household Equipment and Routine Household Maintenance	Health	Transport	Communication	Recreation & Culture	Education	Restaurant & Hotels	Miscellaneous Goods & Services	Contribution to Overall inflation
2014 Oct	2.94	0.04	0.35	1.00	0.26	0.17	0.88	0.02	0.13	0.17	0.28	0.18	6.43
Nov	2.72	0.05	0.36	0.83	0.27	0.17	0.87	0.02	0.14	0.17	0.28	0.21	6.09
Dec	2.78	0.04	0.33	0.82	0.28	0.17	0.77	0.02	0.14	0.17	0.28	0.21	6.02
2015 Jan	2.77	0.05	0.33	0.76	0.29	0.16	0.47	0.03	0.08	0.16	0.23	0.20	5.53
Feb	3.14	0.05	0.35	0.61	0.28	0.16	0.31	0.03	0.09	0.14	0.24	0.20	5.61
Mar	3.96	0.06	0.34	0.55	0.27	0.15	0.26	0.04	0.09	0.14	0.24	0.21	6.31
Apr	4.87	0.08	0.36	0.55	0.31	0.16	(0.04)	0.06	0.10	0.16	0.26	0.22	7.08
May	4.80	0.08	0.38	0.47	0.31	0.20	(0.27)	0.06	0.11	0.16	0.30	0.27	6.87
June	4.87	0.10	0.41	0.41	0.31	0.21	(0.22)	0.09	0.12	0.16	0.29	0.28	7.03
Jul	4.42	0.11	0.41	0.45	0.29	0.20	(0.17)	0.09	0.12	0.16	0.28	0.28	6.62
Aug	3.61	0.10	0.39	0.52	0.29	0.19	(0.12)	0.08	0.10	0.16	0.26	0.26	5.84
Sep	3.57	0.10	0.40	0.59	0.31	0.19	(0.08)	0.08	0.11	0.16	0.28	0.27	5.97
Oct	4.10	0.11	0.39	0.76	0.34	0.20	(0.08)	0.08	0.11	0.17	0.26	0.27	6.72

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

CHART 1B: STRUCTURE OF OVERALL INFLATION



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

Food Inflation

The increase in food inflation to 10.6 percent in October 2015 from 9.4 percent in September 2015 largely reflects an increase in the 12-month inflation in the 'Food and Non-Alcoholic Beverages' category of goods and services to 11.3 percent in October 2015 from 9.8 percent in September 2015, on account of increase in prices of some food items.

The main food items that had noticeable increase in prices include; 'Irish potatoes', 'coriander leaves' (dhania), 'onions', 'kale' (sukuma wiki), 'avocado', 'spinach', 'tomatoes' and 'beef on bone'. Collectively, these items account for approximately 8.76 percent of the total CPI basket (translating to 24.3 percent of the food basket). These food items contributed 1.56 percentage points to overall inflation and 4.34 percentage points to food inflation in October 2015 (Table 1.3).

TABLE 1.3: CONTRIBUTIONS OF MAIN FOOD ITEMS TO FOOD INFLATION

Commodity Name	Sep-14	Oct-14	Sep-15	Oct-15	YoY % change 2014	YoY % change 2015	Contribution to food inflation	Contribution to overall inflation
Avocado	39.97	39.56	44.79	47.35	(49.44)	19.68	0.19	0.07
Spinach	40.34	40.24	45.09	46.36	(9.96)	15.22	0.09	0.03
Kale-Sukuma Wiki	30.27	30.25	37.93	38.84	(32.38)	28.40	0.81	0.29
Coriander Leaves (Dania)	40.51	41.81	61.99	65.75	24.15	57.26	0.19	0.07
Tomatoes	99.73	93.33	106.58	100.72	49.62	7.92	0.26	0.09
Onions	92.87	89.96	119.01	121.58	(14.93)	35.15	0.54	0.19
Potatoes (Irish)	44.73	45.20	63.33	73.77	(9.27)	63.21	1.85	0.67
Beef - With Bones	161.61	162.01	169.90	170.06	6.37	4.97	0.49	0.18
Maize Grain - Loose	179.65	178.66	175.08	171.91	8.10	(3.78)	(0.08)	(0.03)
							4.34	1.56

Source: Kenya National Bureau of Statistics

**Fuel
Inflation**

Fuel inflation rose from 1.5 percent in September 2015 to 2.1 percent in October 2015. This reflects an increase in 12-month inflation in the 'Housing, Water, Electricity, Gas and Other Fuels' category of goods and services, which rose by 95 basis points from 3.0 percent in September 2015 to 4.0 percent in October 2015, on account of increase in house rents and cost of common cooking fuels. This increase was reflected largely in the cost of consuming 50 and 200 KWh of electricity which increased by 8.5 percent and 5.4 percent, respectively, as a result of higher forex adjustments in the month of October 2015.

**Non-food
Non-Fuel
Inflation**

Non-food non-fuel (NFNF) inflation remained relatively stable. It slightly rose to 4.8 percent in October 2015 from 4.7 percent in September 2015, reflecting marginally higher inflation in the 'Furnishings, Household Equipment and Routine Household Maintenance', 'Alcoholic Beverages', 'Tobacco and Narcotics', 'Health' and 'Education' consumption baskets.

In terms of the contribution of various components of NFNF basket, it is noted that 'Clothing and Footwear', 'Furnishings, Household Equipment and Routine Household Maintenance' and 'Miscellaneous Goods and Services' categories contributed the largest share to the non-food non fuel inflation accounting for 63.7 percent.

TABLE 1.4: STRUCTURE OF CONTRIBUTIONS TO NFNF INFLATION

	Alcoholic Beverages, Tobacco & Narcotics	Clothing & Footwear	Furnishings, Household Equipment and Routine Household Maintenance	Health	Communication	Recreation & Culture	Education	Miscellaneous Goods & Services	Non-food non-fuel Inflation
Weight	0.02	0.07	0.06	0.03	0.04	0.02	0.03	0.05	
2014 Oct	0.05	1.04	0.77	0.42	-0.07	0.33	0.39	0.54	3.46
Nov	0.08	1.01	0.84	0.48	-0.02	0.38	0.43	0.60	3.77
Dec	0.10	1.02	0.87	0.46	0.00	0.23	0.43	0.58	3.65
2015 Jan	0.08	1.00	0.85	0.44	-0.02	0.21	0.41	0.57	3.51
Feb	0.09	1.03	0.83	0.42	-0.02	0.19	0.33	0.55	3.43
Mar	0.07	0.98	0.77	0.35	-0.02	0.18	0.31	0.54	3.16
Apr	0.13	1.03	0.86	0.37	0.01	0.20	0.34	0.58	3.53
May	0.16	1.11	0.88	0.52	0.06	0.27	0.38	0.76	4.15
June	0.24	1.24	0.93	0.57	0.13	0.29	0.41	0.82	4.63
Jul	0.29	1.24	0.88	0.56	0.14	0.31	0.42	0.82	4.67
Aug	0.29	1.20	0.88	0.55	0.14	0.28	0.42	0.78	4.55
Sep	0.29	1.24	0.95	0.55	0.14	0.29	0.43	0.80	4.68
Oct	0.31	1.21	1.04	0.56	0.14	0.29	0.44	0.80	4.80

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

**12-Month
Inflation
across Income
Groups**

12-month inflation in Nairobi rose to 6.6 percent in October 2015, from 5.8 percent recorded in September 2015. The 12-month inflation for the 'Nairobi Lower Income' group rose to 7.2 percent in October 2015 from 6.2 percent in September 2015, while 12-month inflation for the 'Nairobi Middle Income' group rose slightly to 4.9 percent in October 2015 from 4.8 percent in September 2015. 12-month inflation for the 'Nairobi Upper Income' group rose to 3.5 percent in October 2015 from 2.8 percent recorded in September 2015, while 12-month inflation registered in urban centres outside Nairobi increased to 6.8 percent in October 2015 from 6.1 percent in September 2015 (Table 1.5 and 1.6).

TABLE 1.5: 12-MONTH INFLATION ACROSS INCOME GROUPS AND REGIONS

October 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	42.7	11.5	6.7	9.8	10.3	11.9	11.3
Alcoholic beverages, Tobacco & narcotics	1.9	3.9	0.7	1.3	3.0	3.6	3.4
Clothing & Footwear	6.6	3.2	4.9	3.1	3.6	5.5	4.8
Housing, Water, Electricity, Gas and other fuels	16.8	3.5	2.8	-1.0	3.2	4.5	4.0
Furnishings, Household equipment and Routine household maintenance	5.5	3.3	6.8	3.8	4.2	5.3	4.9
Health	2.7	3.7	7.6	1.9	4.5	5.3	5.0
Transport	8.6	4.0	-0.9	5.4	3.0	-4.9	-1.5
Communication	1.8	1.4	4.4	0.3	2.3	0.5	1.1
Recreation & culture	2.0	2.9	7.2	-2.1	3.8	2.5	3.0
Education	2.5	3.0	11.6	3.8	5.2	3.1	4.0
Restaurants & hotels	4.7	3.9	7.0	5.3	4.6	5.1	4.9
Miscellaneous goods & services	3.9	2.6	6.9	2.7	3.6	6.2	5.1
ALL GROUPS	100.0	7.2	4.9	3.5	6.6	6.8	6.7

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

TABLE 1.6: OVERALL 12-MONTH INFLATION BY INCOME GROUPS IN NAIROBI

	Oct-14	Nov-14	Dec-14	Jan-15	Feb-15	Mar-15	Apr-15	May-15	Jun-15	Jul-15	Aug-15	Sep-15	Oct-15
Combined Nairobi	4.46	4.22	4.53	4.38	4.66	5.48	6.39	6.09	6.53	6.44	5.54	5.77	6.58
Lower Income	4.79	4.50	4.87	4.83	5.22	6.32	7.49	6.98	7.32	7.26	6.03	6.18	7.23
Middle Income	3.38	3.30	3.61	3.22	3.23	3.24	3.39	3.76	4.63	4.22	4.34	4.84	4.87
Upper Income	4.33	4.25	3.19	2.05	1.74	1.81	1.90	1.86	1.77	2.95	2.56	2.79	3.50
Other provinces- excluding Nairobi	7.79	7.37	7.05	6.32	6.26	6.88	7.55	7.39	7.38	6.75	6.05	6.10	6.82
TOTAL KENYA	6.43	6.09	6.02	5.53	5.61	6.31	7.08	6.87	7.03	6.62	5.84	5.97	6.72

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

DEVELOPMENTS IN MONEY, CREDIT AND INTEREST RATES

Monetary Aggregates

Growth in broad money, M3, declined to 13.6 percent in the year to October 2015 from 18.9 percent recorded in October 2014, and was below the respective target of 18.2 percent. This was reflected in the slowdown of both the M2 and foreign currency deposits. M2 growth slowed down to 13.6 percent from 18.4 percent while growth in foreign currency deposits decreased to 13.6 percent from 22.2 percent (Table 2.1 and Chart 2A).

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

	2013 October	2014 October	2015 October	Absolute Change		%age change	
				2013/14 October	2014/15 October	12 months Oct-14	12 months Oct-15
1. Money supply, M3 (2+3) 2/	1,900.19	2,260.02	2,566.63	359.83	306.61	18.94	13.57
1.1 Money supply, M2 3/	1,617.67	1,914.72	2,174.21	297.04	259.49	18.36	13.55
1.2 Money supply, M1	810.93	915.66	1,014.79	104.73	99.14	12.91	10.83
1.3 Currency outside banks	153.59	163.19	181.77	9.60	18.58	6.25	11.38
1.4 Foreign Currency Deposits	282.52	345.31	392.43	62.78	47.12	22.22	13.65
2. Net foreign assets 4/	364.66	418.22	436.55	53.56	18.33	14.69	4.38
Central Bank	403.71	533.89	590.50	130.18	56.61	32.25	10.60
Banking Institutions	-39.05	-115.67	-153.95	-76.62	-38.28		
3. Net domestic assets (3.1+3.2)	1,535.53	1,841.80	2,130.08	306.27	288.28	19.95	15.65
3.1 Domestic credit (3.1.1+3.1.2)	1,889.31	2,275.71	2,768.69	386.40	492.98	20.45	21.66
3.1.1 Government (net)	368.71	397.90	535.32	29.20	137.42	7.92	34.53
3.1.2 Private sector	1,480.47	1,829.39	2,186.63	348.93	357.24	23.57	19.53
3.1.3 Other public sector	40.14	48.41	46.74	8.28	-1.68	20.62	-3.46
3.2 Other assets net (3-3.1)	-353.78	-433.91	-638.61	-80.13	-204.70		
Memorandum items							
1. Overall liquidity, L 1/	2,428.78	2,880.01	3,276.67	451.24	396.66	18.58	13.77
2. Reserve money	307.25	348.60	433.88	41.35	85.27	13.46	24.46
Currency outside banks	153.59	163.19	181.77	9.60	18.58	6.25	11.38
Bank reserves	153.66	185.41	252.11	31.75	66.69	20.66	35.97

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

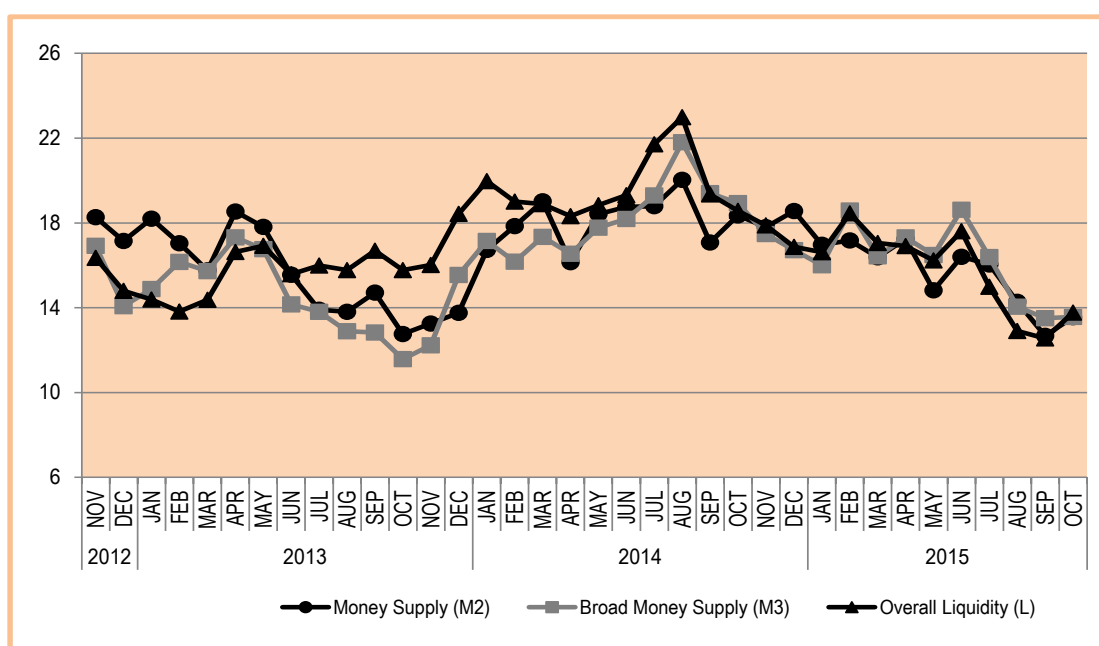
2/ Broader money, M3, comprises M2 and residents foreign currency deposits with local banks. It is comparable to M3X in the past publications. Foreign currency deposits are valued at current exchange rate from July 2008.

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

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

On the asset side, the slowdown in broad money was reflected in the Net Foreign Assets (NFA) and Net Domestic assets (NDA) of the banking system. The NFA of the banking system grew by 4.4 percent in the year to October 2015 compared to a growth of 14.7 percent. The slow growth may be attributed to NFA holdings by banking institutions which dropped by KSh 38.3 billion on account of increased loans from non-residents. In the period under review, the NDA of the banking system grew by 15.7 percent compared to 19.9 percent over a similar period in 2014 and was reflected in a decline in other domestic assets of the banking system (Table 2.1).

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

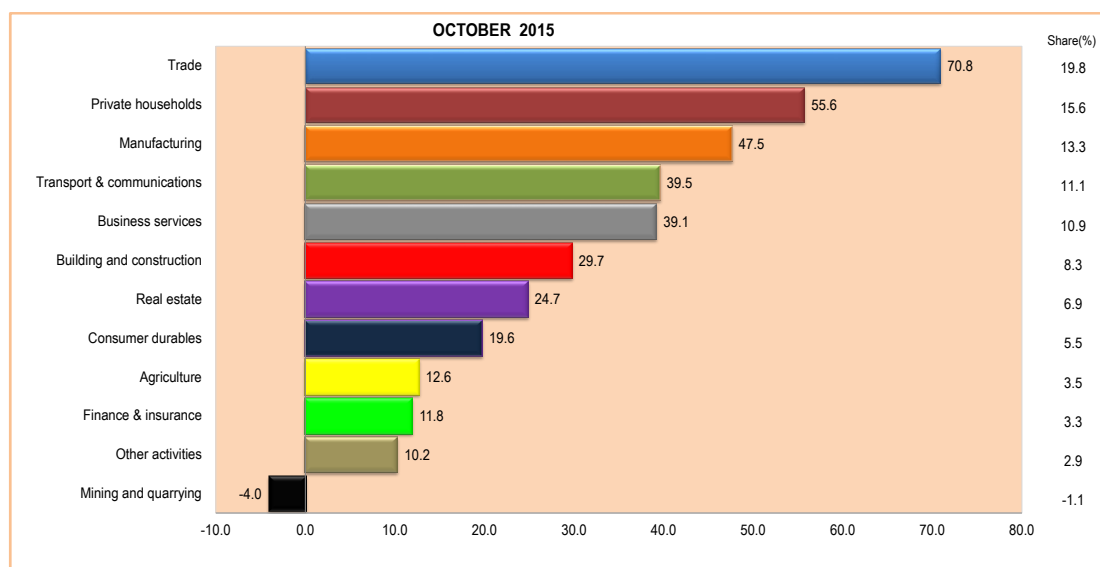
	2014 October		2015 October		Absolute Change October		Annual %age Change October	
	Ksh bn	Share (%)	Ksh bn	Share (%)	2013/14	2014/15	2012/13	2013/14
1. Credit to Government	397.9	17.5	535.3	19.3	29.2	137.4	7.9	34.5
Central Bank	-52.6	-2.3	-20.9	-0.8	-19.4	31.7	58.3	-60.3
Commercial Banks & NBFIs	450.5	19.8	556.2	20.1	48.6	105.7	12.1	23.5
2. Credit to other public sector	48.4	2.1	46.7	1.7	8.3	-1.7	20.6	-3.5
Local government	0.1	0.0	1.2	0.0	2.1	1.0		
Parastatals	48.3	2.1	45.6	1.6	6.2	-2.7	14.7	-5.6
3. Credit to private sector	1829.4	80.4	2186.6	79.0	348.9	357.2	23.6	19.5
Agriculture	73.3	3.2	85.8	3.1	19.7	12.6	36.8	17.2
Manufacturing	235.3	10.3	282.8	10.2	57.9	47.5	32.7	20.2
Trade	300.7	13.2	371.5	13.4	47.4	70.8	18.7	23.6
Building and construction	78.8	3.5	108.5	3.9	7.3	29.7	10.3	37.6
Transport & communications	123.0	5.4	162.5	5.9	38.4	39.5	45.4	32.1
Finance & insurance	44.9	2.0	56.7	2.0	19.2	11.8	75.1	26.4
Real estate	252.7	11.1	277.5	10.0	66.6	24.7	35.7	9.8
Mining and quarrying	25.7	1.1	21.7	0.8	0.9	-4.0	3.5	-15.5
Private households	305.6	13.4	361.2	13.0	84.2	55.6	38.0	18.2
Consumer durables	109.3	4.8	129.0	4.7	11.2	19.6	11.4	18.0
Business services	162.1	7.1	201.2	7.3	35.0	39.1	27.5	24.1
Other activities	118.0	5.2	128.2	4.6	-38.9	10.2	-24.8	8.6
4. TOTAL (1+2+3) *	2275.7	100.0	2768.7	100.0	386.4	493.0	20.5	21.7

* 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 493 billion (21.7 percent) in the year to October 2015 compared with KSh 386.4 billion (20.5 percent) in a similar period in 2014 (Table 2.1 & 2.2). This reflects an increase in credit to government of 34.5 percent in year to October 2015 compared to a 7.9 percent growth registered over a similar period in 2014. However, credit to the private sector slowed in the twelve months to 19.5 percent in October 2015 compared to a growth of 23.6 percent recorded in the previous year. Credit to other public sector declined by 3.5 percent compared to a growth of 20.6 percent recorded in 2014. In terms of shares to the total lending, the private sector accounted for 79.0 percent of the total bank credit compared with 19.3 percent to the Government.

The credit flow to the private sector in October 2015 was mainly allocated to: trade 19.8 percent (or KSh 70.8 billion); private households 15.6 percent (or KSh 55.6 billion); manufacturing 13.3 percent (or KSh 47.5 billion). Credit to the mining and quarrying sector contracted by repaid KSh 4.0 billion (Chart 2B).

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

Source: Central Bank of Kenya

Reserve Money

Reserve money¹ increased by 24.5 percent in the year to October 2015 compared with 13.5 percent growth over a similar period in 2014 (Table 2.3). At KSh 433.9 billion in October 2015, reserve money was KSh 72.9 billion above the target. The growth in reserve money reflected increases of 36.0 percent in bank reserves and 11.4 percent in currency outside banks.

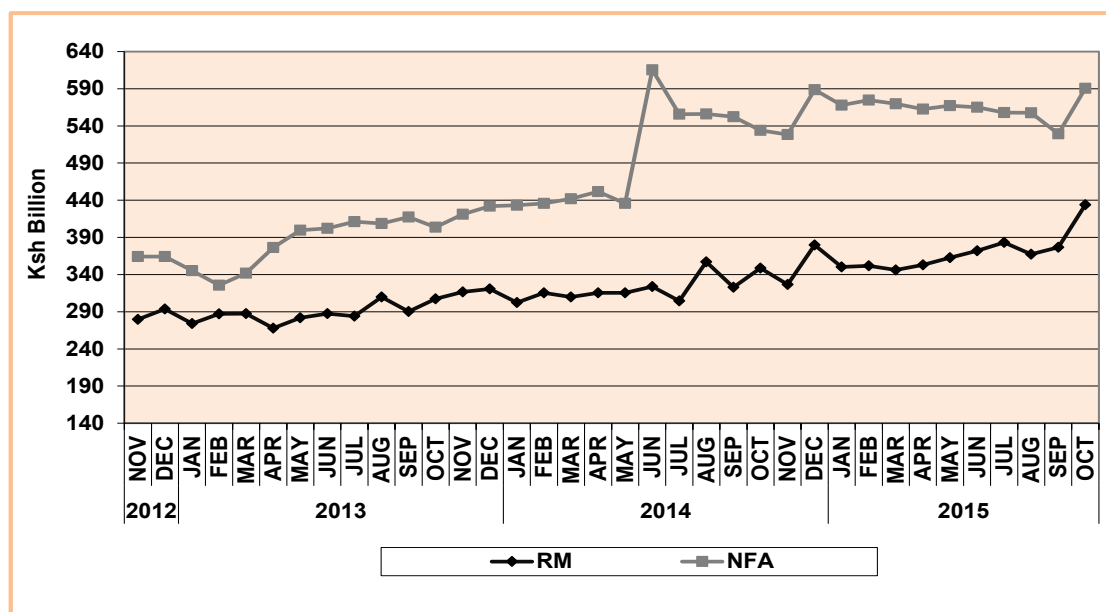
TABLE 2.3: RESERVE MONEY AND ITS SOURCES (Ksh billion)

	2014	2015	Absolute change		Change (%)		2015	
	October	October	2013/14	2014/15	2013/14	2014/15	October Target	
1. Net Foreign Assets	533.9	590.5	130.2	56.6	32.2	10.6	517.7	72.8
2. Net Domestic Assets	-185.3	-156.6	-88.8	28.7			-156.7	0.1
2.1 Government Borrowing (net)	-52.6	-20.9	-19.4	31.7			-23.0	2.1
2.2 Commercial banks (net)	-24.7	21.4	-40.4	46.1			-21.7	43.1
2.3 Other Domestic Assets (net)	-111.6	-160.7	-28.9	-49.1			-115.5	-45.2
3. Reserve Money	348.6	433.9	41.4	85.3	13.5	24.5	360.9	72.9
3.1 Currency outside banks	163.2	181.8	9.6	18.6	6.3	11.4	184.0	-2.3
3.2 Bank reserves	185.4	252.1	31.8	66.7	20.7	36.0	176.9	75.2

Source: Central Bank of Kenya

The NDA of the Central Bank increased by KSh 28.7 billion to KSh -156.6 billion in October 2015 from KSh -185.3 billion in October 2014 reflecting an increase in government borrowing and the Central Bank repo sales to commercial banks. The NFA of the Central Bank, increased by KSh 56.6 billion to KSh 590.5 billion in the year to October 2015 from KSh 533.9 billion in October 2014 following receipts of the first tranche of the syndicated loans by the Government.

¹Reserve money (RM) comprises currency held by the non-bank public and commercial banks reserves (comprising deposits at the Central Bank and cash in their tills).

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

Source: Central Bank of Kenya

Central Bank Rate The Central Bank policy rate (CBR) remained at 11.5 percent in October 2015

Short Term Interest Rates Short term interest rates registered mixed performance in October 2015 (Table 2.4 and Chart 2D). The weighted average interbank rate declined to 14.82 percent in October 2015 from 19.85 percent in September 2015 on account of ample liquidity in the money market. Liquidity improved in October 2015 mainly on account of government spending and OMO maturities.

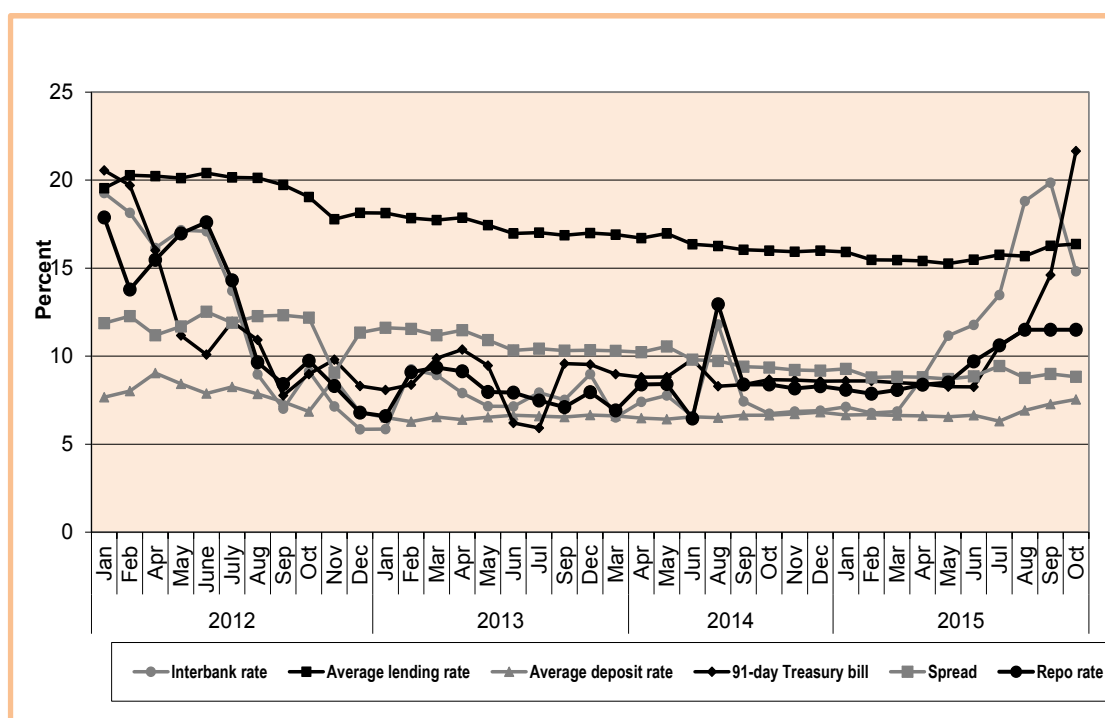
The 91-day Treasury bill rate, which largely reflects the government's borrowing profile, rose to 21.65 percent in October 2015 from 14.61 percent in September 2015. Likewise, the 182-day Treasury bill rate increased to 21.52 percent in October 2015 from 13.4 percent in September 2015. The rise in the Treasury bill rates may be attributed to increased costs of borrowing in the interbank money market from mid-September to mid October 2015.

Lending and Deposit Rates The average lending rate increased marginally to 16.37 percent in October 2015 from 16.27 percent recorded in September 2015 while the average deposit rate increased to 7.54 percent in October 2015 from 7.28 percent recorded in September 2015. Consequently, the interest rate spread declined to 8.83 percent in October 2015 from 8.99 percent in September 2015 (Table 2.4 and Chart 2D).

TABLE 2.4: INTEREST RATES (%)

	2014					2015										
	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	June	July	Aug	Sep	Oct	
91-day Treasury bill rate	8.29	8.38	8.67	8.64	8.58	8.59	8.59	8.49	8.42	8.26	8.26	10.57	11.54	14.61	21.65	
182-day Treasury bill rate	8.85	8.61	8.91	9.18	9.49	10.19	10.37	10.35	10.26	10.37	10.55	11.99	12.06	13.40	21.52	
Overdraft rate	16.20	15.79	15.77	15.66	15.86	15.95	15.67	15.68	15.52	15.10	15.65	16.05	15.98	16.05	16.77	
Interbank rate	11.79	7.43	6.73	6.86	6.91	7.12	6.77	6.85	8.77	11.17	11.77	13.48	18.80	19.85	14.82	
Repo rate	12.95	8.39	8.39	8.17	8.29	8.09	7.87	8.08	8.38	8.50	9.70	10.61	11.50	11.50	11.50	
Reverse Repo rate	-	-	-	-	-	-	-	-	-	-	-	-	-	-	18.12	
Central Bank Rate (CBR)	8.50	8.50	8.50	8.50	8.50	8.50	8.50	8.50	8.50	8.50	10.00	11.50	11.50	11.50	11.50	
Average lending rate (1)	16.24	16.04	16.00	15.94	15.99	15.93	15.47	15.46	15.40	15.26	15.48	15.75	15.68	16.27	16.37	
Average deposit rate (2)	6.51	6.64	6.64	6.72	6.81	6.65	6.68	6.63	6.60	6.55	6.64	6.31	6.91	7.28	7.54	
Over 3 months deposit	10.29	9.96	9.80	10.51	9.84	9.84	9.90	9.85	9.81	9.72	9.73	9.67	10.03	10.06	10.38	
Savings deposits	1.50	1.51	1.55	1.57	1.85	1.58	1.53	1.53	1.90	1.48	1.85	1.37	1.50	1.71	1.68	
Spread (1-2)	9.73	9.40	9.36	9.22	9.18	9.28	8.78	8.82	8.80	8.70	8.85	9.44	8.77	8.99	8.83	

Source: Central Bank of Kenya

CHART 2D : TRENDS IN INTEREST RATES

Source: Central Bank of Kenya

PERFORMANCE OF THE REAL SECTOR

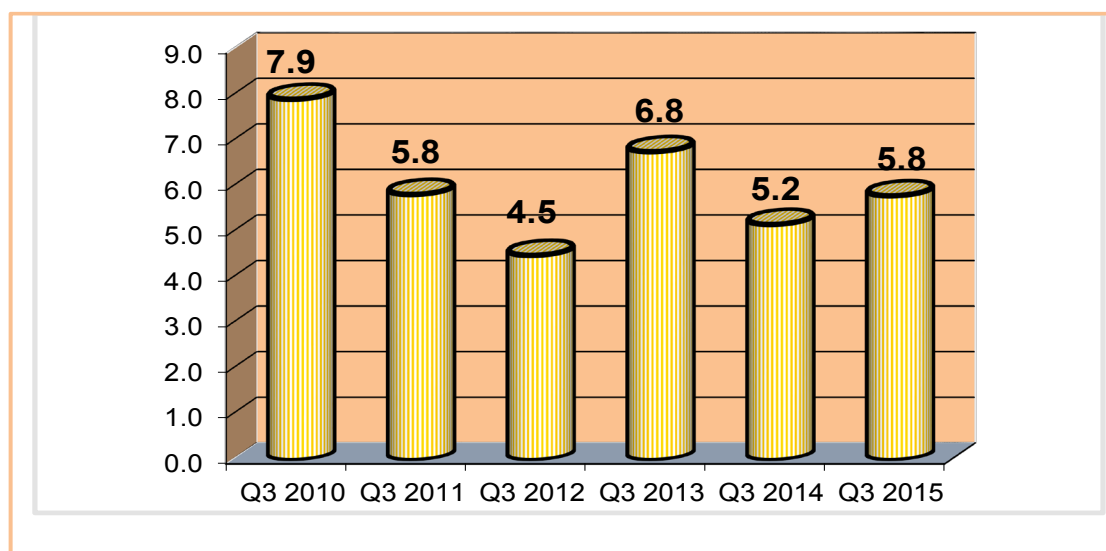
Overview

Real GDP in the third quarter of 2015 grew by 5.8 percent compared with 5.2 percent in the same period in 2014 (Table 3.1, Chart 3A). Growth in this Quarter was largely supported by improved performance in Agriculture; Construction; Financial and Insurance; Wholesale and Retail Trade; and Transport and Storage. The Construction industry recorded the largest growth of 14.1 percent followed by Mining and Quarrying, Electricity Supply and Financial and Insurance with growths of 12.5 percent, 11.0 percent and 10.1 percent, respectively. Growth in the Accommodation and Food Services (Hotels and Restaurants) was subdued, resulting from the lagged effect of negative travel advisories by some key tourist source countries following insecurity concerns in the country.

TABLE 3.1: GROSS DOMESTIC PRODUCT AT CONSTANT 2001 PRICES, KSH MILLION

GDP BY ACTIVITY - CONSTANT 2009=100 PRICES		KSh Million						
NEW QUARTERLY ESTIMATES - After rebasing		2014				2015		
Quarter		Q1	Q2	Q3	Q4	Q1	Q2	Q3
Agriculture		256,499	229,752	185,362	173,108	267,896	242,532	198,453
Mining & Quarrying		9,837	8,144	8,384	8,831	10,293	8,756	9,434
Manufacturing		109,752	104,791	102,151	100,197	113,596	109,559	104,971
Electricity & water supply		21,919	23,108	23,234	23,647	23,759	25,459	25,790
Construction		42,780	47,206	46,557	48,758	47,550	51,808	53,129
Wholesale & Retail Trade□		69,710	72,769	80,808	71,507	74,411	76,800	86,058
Accommodation & restaurant		13,836	8,686	10,776	10,098	12,802	8,617	10,526
Transport & Storage		55,402	61,623	65,933	69,514	58,745	65,399	71,686
Information & Communication		33,092	28,237	31,147	45,303	36,192	30,415	33,932
Financial & Insurance		55,876	56,770	57,313	59,892	61,715	61,087	63,130
Public administration		35,137	42,272	35,151	37,786	38,077	44,781	36,088
Professional, Administration & Support Services		21,933	21,023	22,944	23,800	22,856	22,234	23,530
Real estate		76,783	77,896	78,642	77,827	78,303	81,159	82,889
Education		66,947	66,775	67,188	67,496	68,103	69,112	70,355
Health		15,681	17,480	17,199	17,819	16,851	18,898	18,026
Other services		12,280	12,251	12,558	12,826	12,654	12,465	12,842
FISIM		(23,021)	(23,721)	(24,319)	(25,583)	(26,251)	(25,837)	(28,620)
All Industries at basic prices		873,400	855,061	821,029	822,826	917,552	903,244	872,217
Taxes on products		109,599	113,715	124,364	113,789	114,583	120,044	128,064
GDP at market prices		982,998	968,776	945,392	936,615	1,032,134	1,023,287	1,000,281
		Growth Rates (%)						
Agriculture		2.2	2.1	6.8	3.8	4.4	5.6	7.1
Mining & Quarrying		10.5	27.0	1.5	22.0	4.6	7.5	12.5
Manufacturing		6.4	8.3	1.5	-2.3	3.5	4.6	2.8
Electricity & water supply		3.9	4.6	7.2	7.3	8.4	10.2	11.0
Construction		7.6	16.6	8.8	19.4	11.2	9.7	14.1
Wholesale & Retail Trade□		9.7	5.2	5.3	7.9	6.7	5.5	6.5
Accommodation & restaurant		-14.1	-19.3	-20.5	-16.0	-7.5	-0.8	-2.3
Transport & Storage		3.8	5.7	7.8	2.8	6.0	6.1	8.7
Information & Communication		12.7	8.1	16.1	15.8	9.4	7.7	8.9
Financial & Insurance		8.3	7.9	7.1	10.0	10.4	7.6	10.1
Public administration		-4.2	16.2	0.4	10.9	8.4	5.9	2.7
Professional, Administration & Support Services		3.2	2.5	1.9	3.3	4.2	5.8	2.6
Real estate		6.3	6.7	6.2	3.2	2.0	4.2	5.4
Education		8.2	8.2	7.5	7.2	1.7	3.5	4.7
Health		5.1	7.5	7.8	8.3	7.5	8.1	4.8
Other services		5.5	4.4	4.1	3.0	3.0	1.7	2.3
FISIM		8.3	11.1	11.1	14.0	14.0	8.9	17.7
All Industries at basic prices		4.6	6.1	5.4	5.4	5.1	5.6	6.2
Taxes on products		5.9	5.0	3.8	6.3	4.5	5.6	3.0
GDP at market prices		4.7	6.0	5.2	5.5	5.0	5.6	5.8

Source: Kenya National Bureau of Statistics

CHART 3A: EVOLUTION OF GDP GROWTH IN THE THIRD QUARTER

Source: Kenya National Bureau of Statistics

Sectoral Contributions to GDP

The Agriculture sector had the largest share to GDP in the third quarter of 2015 at 19.8 percent, a marginal increase from 19.6 percent share in the same period in 2014. The favourable performance is attributed to improved weather conditions, which led to increased productivity of most major crops and the dairy sub-sector. The Manufacturing sector share to GDP was 10.49 percent in the period under review, a marginal decline from 10.8 percent share in the same period in 2014, although the sector benefited from lower oil and electricity prices. Wholesale and retail trade and Real estate share to GDP stabilised at 8.60 percent and 8.3 percent, respectively in the third quarter of 2014 and 2015.

TABLE 3.2: SECTORAL CONTRIBUTION TO GDP

	2014				2015		
	Q1	Q2	Q3	Q4	Q1	Q2	Q3
Agriculture	26.1	23.7	19.6	18.5	26.0	23.7	19.84
Mining & Quarrying	1.0	0.8	0.9	0.9	1.0	0.9	0.94
Manufacturing	11.2	10.8	10.8	10.7	11.0	10.7	10.49
Electricity & water supply	2.2	2.4	2.5	2.5	2.3	2.5	2.58
Construction	4.4	4.9	4.9	5.2	4.6	5.1	5.31
Wholesale & Retail Trade	7.1	7.5	8.5	7.6	7.2	7.5	8.60
Accommodation & restaurant	1.4	0.9	1.1	1.1	1.2	0.8	1.05
Transport & Storage	5.6	6.4	7.0	7.4	5.7	6.4	7.17
Information & Communication	3.4	2.9	3.3	4.8	3.5	3.0	3.39
Financial & Insurance	5.7	5.9	6.1	6.4	6.0	6.0	6.31
Public administration	3.6	4.4	3.7	4.0	3.7	4.4	3.61
Professional, Administration & Support Services	2.2	2.2	2.4	2.5	2.2	2.2	2.35
Real estate	7.8	8.0	8.3	8.3	7.6	7.9	8.29
Education	6.8	6.9	7.1	7.2	6.6	6.8	7.03
Health	1.6	1.8	1.8	1.9	1.6	1.8	1.80
Other services	1.2	1.3	1.3	1.4	1.2	1.2	1.28
FISIM	-2.3	-2.4	-2.6	-2.7	-2.5	-2.5	-2.86
Taxes on products	11.1	11.7	13.2	12.1	11.1	11.7	12.80
GDP at market prices	100.0	100.0	100.0	100.0	100.0	100.0	100.00

Source: Kenya National Bureau of Statistics

AGRICULTURE Output in the Agriculture sector increased by 7.1 percent in the third quarter of 2015 compared to 6.8 percent in the third quarter of 2014. The improved performance was mainly attributed to increased performance of major crops and the dairy subsector following improved weather conditions.

Available data on key indicators on agriculture in the year to October 2015 largely show subdued performance (Table 3.3).

TABLE 3.3: OUTPUT GROWTH OF MAJOR CROPS AND MILK

	Annual Totals			Year to October 2014	Year to October 2015*
	2012	2013	2014		
Tea					
Output (Metric tonnes)	369,562	432,453	445,106	438,603	396,127
Growth (%)	-2.21	17.02	2.93	0.45	-9.68
Horticulture					
Exports (Metric tonnes)	250,814	309,029	303,254	310,515	312,562
Growth (%)	5.14	23.21	-1.87	4.01	0.66
Coffee					
Sales (Metric tonnes)	46,051	37,943	42,450	42,408	33,726
Growth (%)	53.59	-17.61	11.88	15.25	-20.47
Milk					
Output (million litres)	495	523	544	545	532
Growth %	-9.83	5.62	3.99	3.43	-2.53
Sugar Cane					
Output (Metric tonnes)	5,716	6,672	6,478	6,948	N/A
Growth (%)	7.08	16.71	-2.91	10.07	

N/A - data not available

* Provisional

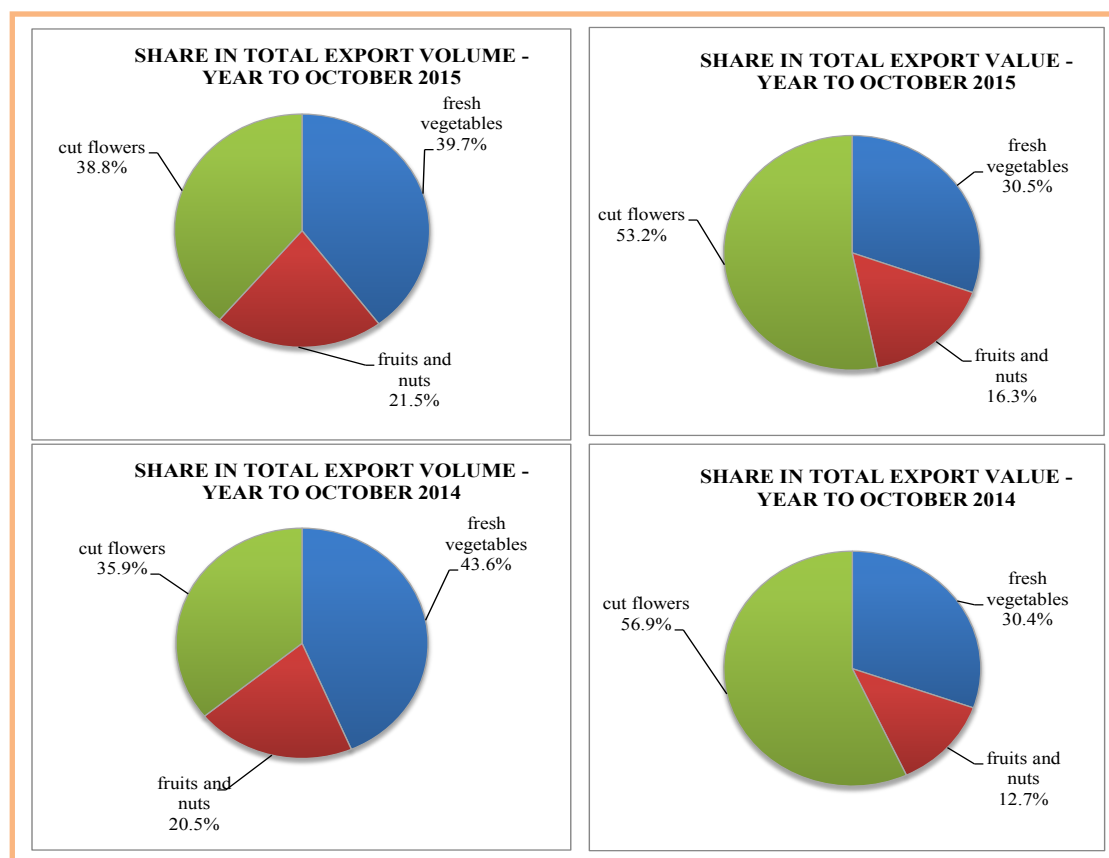
Source: Kenya National Bureau of Statistics

Tea

Growth in production of tea declined by 9.7 percent in the year to October 2015 compared with growth of 0.4 percent recorded in the year to October 2014. The average auction price for tea at KSh 259.02 per kilogram in the year to September 2015 was 34.4 percent higher than KSh 192.68 per kilogram recorded in the year to September 2014 (Table 3.3).

Horticulture

Export of fresh horticultural products slowed down to record growth of 0.7 percent from 310,515 metric tonnes in the year to October 2014 to 312,562 metric tonnes in the year to October 2015. The lower exports may be attributed to decline in external demand due to the strengthening of the Kenya Shilling against the Euro. In the period under review, exports of fresh vegetables dominated in terms of volume, while cut flowers brought in the largest contribution in terms of value (Table 3.3 and Chart 3B).

CHART 3B: HORTICULTURAL EXPORTS

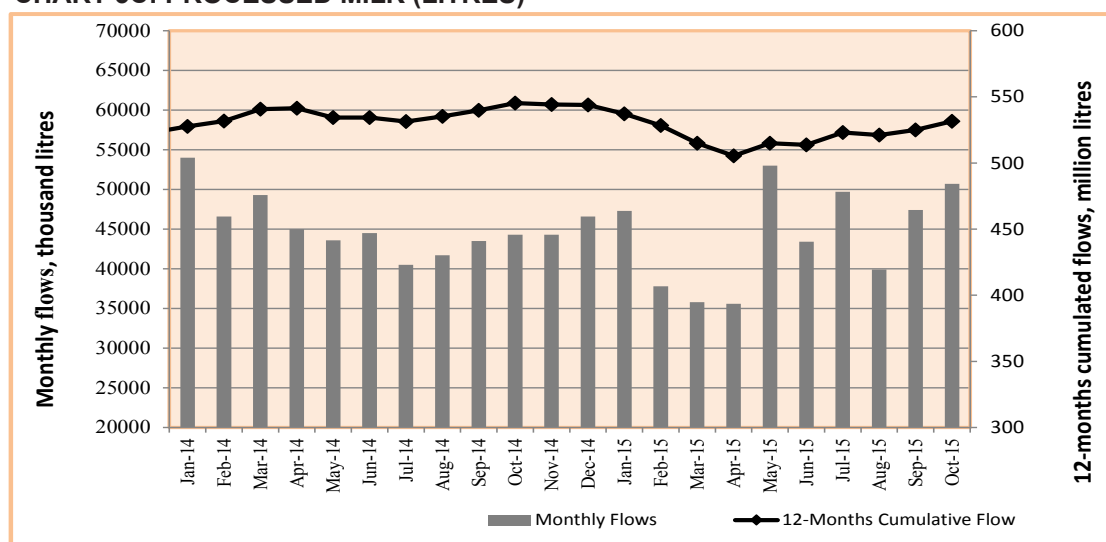
Source: Kenya Revenue Authority

Coffee

Annual growth in coffee sales declined by 20.5 percent in the year to October 2015 compared with growth of 15.2 percent recorded in the year to October 2014. The decline was occasioned by the lagged effect of the recess of the Nairobi Coffee Exchange in June 2015, where there was no coffee auction. The average auction price for coffee increased by 3.9 percent to KSh 372.47 per kilogram in the year to October 2015 from KSh 358.65 per kilogram in the year to October 2014.

Dairy

The volume of milk intake in the formal sector declined by 2.5 percent to 532 million litres in the year to October 2015 from 545 million litres recorded in the year to October 2014 (Chart 3C).

CHART 3C: PROCESSED MILK (LITRES)

Source: Kenya National Bureau of Statistics

MANUFACTURING The manufacturing sector output, is estimated to have grown by 2.8 percent in the third quarter of 2015, an increase from 1.5 percent growth recorded in the same period in 2014. In addition, indicators on performance of the manufacturing sector in the year to October 2015 show positive growth in production of cement and assembled vehicles (Table 3.4 and Chart 3D).

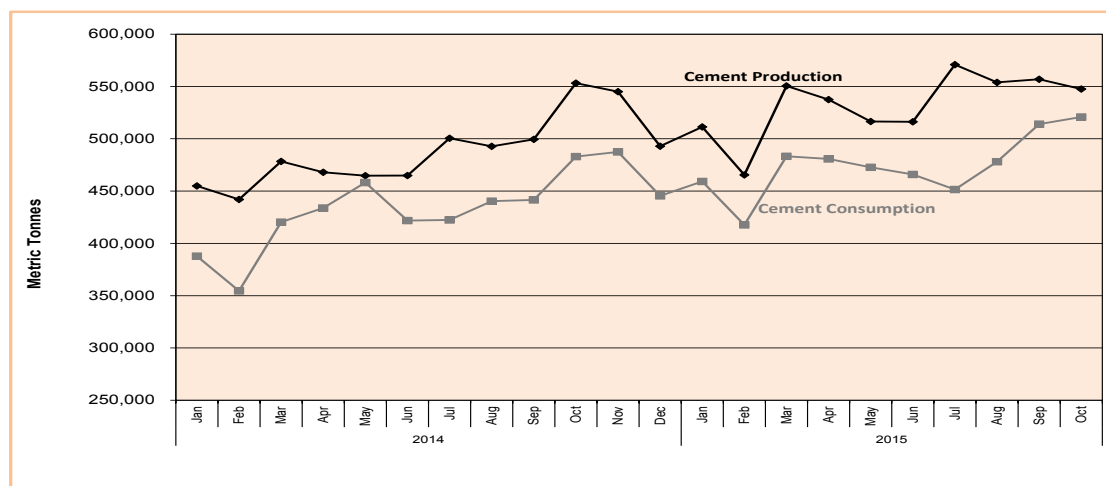
TABLE 3.4: PRODUCTION OF SELECTED MANUFACTURED GOODS

	Annual Totals			Year to October 2014	Year to October 2015*
	2012	2013	2014		
Cement production					
Output (MT)	4,639,693	5,059,129	5,856,828	5,705,725	6,364,675
Growth %	16.9%	9.0%	15.8%	15.4%	11.5%
Assembled vehicles					
Output (No.)	6,218	6,948	9,246	9,227	9,680
Growth %	2.8%	11.7%	33.1%	43.7%	4.9%
Galvanized sheets					
Output (MT)	235,812	306,100	284,509	290,541	N/A
Growth %	-12.0%	29.8%	-7.1%	-2.8%	
Processed sugar					
Output (MT)	494,030	600,210	616,852	626,845	N/A
Growth %	4.0%	21.5%	2.8%	12.3%	
Soft drinks					
Output ('000 litres)	359,518	403,981	459,464	449,898	N/A
Growth %	-3.2%	12.4%	13.7%	15.7%	

MT = Metric tonnes

* Provisional

Source: Kenya National Bureau of Statistics

CHART 3E: CEMENT PRODUCTION AND CONSUMPTION

Source: Kenya National Bureau of Statistics

ELECTRICITY & WATER SUPPLY

Electricity and water supply recorded accelerated growth of 11.0 percent in the third quarter of 2015, an increase from a growth of 7.2 percent in the same period in 2014. The growth is attributed to increased generation of hydro-electric and geothermal power on account of improved long rains and additional geothermal capacity coupled with a significant reduction in generation of the more expensive thermal electric power.

Electricity generation

Annual growth in local generation of electricity decreased to 5.0 percent in the year to October 2015 from 9.2 percent growth recorded in the year to October 2014 (Table 3.5). The total amount of electricity generated in the year to October 2015 was 9,256 million kilowatt hours compared with 8,819 million kilowatt hours generated in the year to October 2014. This increase reflects accelerated generation of geo-thermal power by 76.0 percent in the year to October 2015, compared with 46.8 percent recorded in the year to October 2014. Generation of hydro-electricity power, on the other hand, contracted by 2.3 percent while that of thermal power contracted by 50.6 percent in the year to October 2015. The total supply in the year to October 2015 comprised 37.2 percent hydro-electricity, 48.0 percent geo-thermal power and 14.8 percent thermal power. Meanwhile, the average price of murban crude oil dropped to US\$ 57.3 per barrel in the year to October 2015 from US\$ 106.8 per barrel in the year to October 2014.

TABLE 3.5: ENERGY SECTOR

	2012	2013	2014	Year to October 2014	Year to October 2015
Electricity Supply (Generation)					
Output (million KWH)	7,540	8,217	8,889	8,819	9,256
Growth %	5.3%	9.0%	8.2%	9.2%	5.0%
<i>Of which:</i>					
Hydro-power Generation (million KWH)	4,032	4,387	3,411	3,526	3,446
Growth (%)	26.6%	8.8%	-22.2%	-20.3%	-2.3%
Geo-Thermal Generation (million KWH)	1,522	1,781	2,917	2,526	4,444
Growth (%)	5.4%	17.0%	63.8%	46.8%	76.0%
Thermal (million KWH)	1,986	2,049	2,561	2,767	1,366
Growth (%)	-21.6%	3.2%	24.9%	43.1%	-50.6%
Consumption of electricity (million KWH)	6,298	6,564	7,406	7,200	8,275
Growth %	2.4%	4.2%	12.8%	10.2%	14.9%
Consumption of Fuels ('000 tonnes)	3,764	3,649	3,873	3,869	N/A
Growth %	6.2%	-3.1%	6.2%	5.5%	
Murban crude oil average price (US \$ per barrel)	113.0	110.1	99.5	106.8	57.3
Growth %	2.1%	-2.5%	-9.7%	-2.7%	-46.4%

Source: Kenya National Bureau of Statistics, Energy Regulatory Commission

ACCOMMODATION AND RESTAURANT The sector contracted by 2.3 percent in the third quarter of 2015, a slower decline compared to 20.5 percent decline in the same period in 2014. The recovery is on account of positive revision of travel advisories by major tourist source countries as a result of improved security, especially in the coastal region, as well as increased marketing of the country's tourism industry globally.

Tourist arrivals

The number of tourist arrivals declined by 20.4 percent in the year to October 2015 (Table 3.6) compared with a decline of 10.5 percent in the year to October 2014. The decline was observed at both ports of disembarkation; the Jomo Kenyatta International Airport, Nairobi (90 percent share) recorded a decline of 15.5 percent while the Moi International Airport, Mombasa (10 percent share) recorded a much larger decline at 47.8 percent. The unfavourable performance is attributed to the lagged effects of the adverse travel advisories from source countries due to insecurity concerns that continue to be felt in the tourism sector.

TABLE 3.5: TOURIST ARRIVALS BY POINT OF ENTRY

	2012	2013	2014	Year to October 2014	Year to October 2015	Year to October 2015 % Share	Year to October 2015 % Growth
MIAM	187,151	168,654	117,796	145,300	75,856	10.0%	-47.8%
JKIA	1,053,361	912,998	743,600	811,449	686,059	90.0%	-15.5%
TOTAL	1,240,512	1,081,652	861,396	956,749	761,915	100.0%	-20.4%

Source: Kenya Tourist Board

TRANSPORT AND STORAGE The sector grew by 8.7 percent in the third quarter of 2015 compared to a growth of 7.8 percent recorded in the period in 2014. The accelerated growth was on account of increased demand for freight transport as well as a fall in oil prices.

Transport

The total number of passengers received at the Jomo Kenyatta International Airport, Nairobi (JKIA) increased by 3.1 percent in the year to September 2015, compared with a decline of 2.4 percent recorded in the year to September 2014. This increase was reflected in both incoming and outgoing passengers (Table 3.7). Meanwhile, the volume of oil passed through the Kenya pipeline rose by 1.2 percent in the year to October 2015 compared with a growth of 9.1 percent in the year to October 2014.

TABLE 3.6: THROUGHPUT IN SELECTED TRANSPORT FACILITIES

	2012	2013	2014	Year to September 2014	Year to September 2015
Number of Passengers thro' JKIA					
Total passenger flows	4,302,244	4,290,349	4,232,523	4,215,273	4,347,081
Growth (%)	4.0	-0.3	-1.3	-2.4	3.1
o.w. Incoming	2,148,105	2,144,002	2,102,886	2,096,693	2,168,311
Growth (%)	2.8	-0.2	-1.9	-2.9	3.4
Outgoing	2,154,139	2,146,347	2,129,637	2,118,580	2,178,770
Growth %	5.3	-0.4	-0.8	-2.0	2.8
Kenya Pipeline Oil Throughput*					
Output ('000 litres)	4,855,571	5,181,600	5,623,628	5,609,175	5,675,745
Growth %	14.0	6.7	8.5	9.1	1.2

* Data up to October 2015

Source: Kenya National Bureau of Statistics, Kenya Pipeline Company Ltd.

DEVELOPMENTS IN THE BALANCE OF PAYMENTS AND EXCHANGE RATES

Overview The overall Balance of Payments position deteriorated to a deficit of USD 511 million in the year to October 2015 from a surplus of USD 1,507 million in the year to October 2014 (Table 4.1). The decrease reflects larger reduction in the capital and financial account surplus.

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

ITEM	Year to October 2014	Year to October 2015*				Year to October 2015*	Change	% Change
		Nov-Jan	Feb-April	May-July	Aug-Oct			
1. OVERALL BALANCE	1,507	-227	-78	-522	317	-511	-2,018.4	-133.9
2. CURRENT ACCOUNT	-5,797	-1,372	-1,077	-1,196	-512	-4,157	1,640.2	-28.3
2.1 Goods	-12,585	-2,950	-2,465	-2,680	-2,258	-10,354	2,230.9	-17.7
Exports (fob)	6,198	1,403	1,413	1,550	1,519	5,885	-312.7	-5.0
Imports (cif)	18,782	4,353	3,879	4,231	3,777	16,239	-2,543.5	-13.5
2.2 Services	6,787	1,578	1,389	1,484	1,746	6,197	-590.6	-8.7
Non-factor services (net)	3,475	868	774	935	963	3,540	64.7	1.9
Income (net)	-450	-135	-153	-207	2	-493	-43.4	9.7
Current Transfers (net)	3,762	844	768	756	781	3,150	-611.9	-16.3
3. CAPITAL AND FINANCIAL ACCOUNT	7,304	1,145	998	674	828	3,646	-3,658.6	-50.1
3.1 Capital Transfers (net)	35	4	25	41	57	127	92.1	261.0
3.2 Financial Account	7,269	1,141	974	633	771	3,518	-3,750.7	-51.6
Memo:								
Gross Reserves	9,400	9,620	9,806	9,249	9,324	9,324	-75.6	-0.8
Official	7,839	7,593	7,509	6,963	7,274	7,274	-564.7	-7.2
import cover**	5	4	4	4	5	5	0.3	6.4
import cover***	5	5	5	4	5	5	-0.4	-7.2
Commercial Banks	1,561	2,027	2,296	2,286	2,050	2,050	489.1	31.3

* Provisional.

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

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

Source: Central Bank of Kenya

Current Account The current account balance improved by USD 1,640 million to a deficit of USD 4,157 million in the year to October 2015 from a deficit of USD 5,797 million in the year to October 2014 (Table 4.2). The improvement reflects 17.7 percent decrease in the merchandise account deficit.

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

ITEM	Year to October 2014	Year to October 2015*				Year to October 2015*	Change	% Change
		Nov-Jan	Feb-April	May-July	Aug-Oct			
2. CURRENT ACCOUNT	-5797	-1372	-1077	-1196	-512	-4157	1640	-28.3
2.1 Goods	-12585	-2950	-2465	-2680	-2258	-10354	2231	-17.7
Exports (fob)	6198	1403	1413	1550	1519	5885	-313	-5.0
Coffee	223	47	57	64	53	221	-1	-0.6
Tea	1076	270	275	293	333	1171	95	8.8
Horticulture	817	181	189	185	222	777	-40	-4.9
Oil products	58	22	16	26	14	78	20	35.0
Manufactured Goods	611	127	129	141	128	525	-87	-14.2
Raw Materials	465	107	117	74	118	416	-49	-10.6
Chemicals and Related Products (n.e.s)	455	99	103	127	111	440	-15	-3.3
Miscellaneous Man. Articles	628	154	142	151	143	589	-39	-6.2
Re-exports	890	169	184	233	209	795	-95	-10.7
Other	975	227	202	255	189	874	-102	-10.4
Imports (cif)	18782	4353	3879	4231	3777	16239	-2544	-13.5
Oil	4091	779	585	725	587	2676	-1414	-34.6
Chemicals	2350	688	607	621	528	2444	93	4.0
Manufactured Goods	2649	670	700	681	704	2755	105	4.0
Machinery & Transport Equipment	5974	1321	1207	1414	1235	5177	-798	-13.4
Other	3546	789	734	669	662	2855	-690	-19.5
2.2 Services	6787	1578	1389	1484	1746	6197	-591	-8.7
Non-factor services (net)	3475	868	774	935	963	3540	65	1.9
Non-factor services (credit)	4999	1298	1251	1235	1231	5015	17	0.3
of which transport	2230	518	496	481	432	1927	-303	-13.6
of which tourism (Travel)	804	211	160	178	164	712	-92	-11.5
Other services account: gov't	884	242	231	211	224	908	24	2.7
Other services account: private	1081	327	364	366	411	1469	388	35.9
Income (net)	-450	-135	-153	-207	2	-493	-43	9.7
of which official interest	-177	-95	-199	-202	-19	-516	-339	190.8
Current Transfers (net)	3762	844	768	756	781	3150	-612	-16.3
Private (net)	3457	762	683	671	696	2812	-645	-18.6
of which Remittances	1411	359	374	396	399	1527	116	8.3
Public (net)	305	83	85	85	85	338	33	10.7

Source: Central Bank of Kenya

Merchandise Account The deficit in the merchandise account narrowed by USD 2,231 million to USD 10,354 million in the year to October 2015, reflecting 13.5 percent decrease in payments for merchandise imports (Table 4.2).

Imports The value of merchandise imports decreased by USD 2,544 million (13.5 percent) to USD 16,239 million during the year to October 2015. The decrease was notable in oil imports which declined by USD 1,414 million (34.6 percent) from USD 4,091 million in the year to October 2014 to USD 2,676 million in the year to October 2015. The value of other imports also declined by USD 690 million as well as the value of machinery and transport equipment which declined by USD 798 million. Meanwhile, import values of chemicals increased by USD 93 million while that of manufactured goods increased by USD 105 million.

Kenya sourced most of her imports from China, with the share of imports to total imports increasing from 15 percent in the year to October 2014 to 20 percent in the year to October 2015. The share of Kenya's imports from the European Union increased to 15 percent, while that from India remained at 16 percent over the same period. Imports from Africa, which accounted for 10 percent of total imports decreased marginally to USD 1,581 million (Table 4.3).

Exports The value of merchandise exports declined by USD 313 million to USD 5,885 million in the year to October 2015 reflecting decrease in earnings from horticulture (4.9 percent), coffee (0.6 percent), manufactured goods (14.2 percent), chemicals and related products (3.3 percent), raw materials (10.6 percent), miscellaneous manufactured articles (6.2 percent), re-exports (10.7 percent) and other exports (10.4 percent). However, receipts from tea and oil products increased by 8.8 percent and 35.0 percent respectively.

Kenya's exports to Africa declined in the year to October 2015 (Table 4.3) largely reflecting decrease in exports to the EAC region (Tanzania), Egypt, Sudan, South Sudan, Somalia and the Democratic Republic of Congo (DRC). The share of exports to the COMESA region and the rest of the world increased.

TABLE 4.3: KENYA'S DIRECTION OF TRADE

IMPORTS (in millions of US dollars)							EXPORTS (in millions of US dollars)						
Country	Year to October 2015						Country	Year to October 2015					
	2013	2014	2015	2013	2014	2015		2013	2014	2015	2013	2014	2015
Africa	1,704	1,643	1,581	10	9	10	Africa	2,730	2,716	2,476	47	44	42
Of which				0	0	0	Of which				-	-	-
South Africa	809	758	646	5	4	4	Uganda	763	655	707	13	11	12
Egypt	294	276	275	2	1	2	Tanzania	495	492	346	8	8	6
Others	600	610	660	3	3	4	Egypt	200	207	199	3	3	3
EAC	329	385	445	2	2	3	Sudan	72	74	59	1	1	1
COMESA	670	629	711	4	3	4	South Sudan	196	217	179	3	4	3
Rest of the World	15,448	17,139	14,658	90	91	90	Somalia	206	154	148	4	2	3
Of which							DRC	229	234	213	4	4	4
India	2,894	3,051	2,620	17	16	16	Rwanda	159	159	180	3	3	3
United Arab Emirates	1,491	1,232	881	9	7	5	Others	410	524	446	7	8	8
China	1,993	2,727	3,301	12	15	20	EAC	1,481	1,392	1,305	25	22	22
Japan	950	991	922	6	5	6	COMESA	1,728	1,667	1,667	29	27	28
USA	679	1,795	917	4	10	6	Rest of the World	3,130	3,482	3,409	53	56	58
United Kingdom	571	523	480	3	3	3	Of which						
Singapore	225	179	94	1	1	1	United Kingdom	438	424	411	7	7	7
Germany	447	525	506	3	3	3	Netherlands	372	461	330	6	7	6
Saudi Arabia	460	557	712	3	3	4	USA	339	420	304	6	7	5
Indonesia	507	559	494	3	3	3	Pakistan	293	252	266	5	4	5
Netherlands	266	234	209	2	1	1	United Arab Emirates	314	241	207	5	4	4
France	260	273	210	2	1	1	Germany	96	122	124	2	2	2
Bahrain	393	531	80	2	3	0	India	98	108	68	2	2	1
Italy	229	236	227	1	1	1	Afghanistan	196	119	97	3	2	2
Others	4,084	3,729	3,004	24	20	18	Others	984	1,335	1,602	17	22	27
Total	17,152	18,782	16,239	100	100	100	Total	5,859	6,198	5,885	100	100	100
EU	2,420	2,538	2,399	14	14	15	EU	1,191	1,386	1,319	20	22	22
China	1,993	2,727	3,301	12	15	20	China	45	75	63	1	1	1

Source: Kenya Revenue Authority

The share of exports to China and the European Union stabilised at 1 percent and 22 percent respectively in the year to October 2015. The share of other exports to the rest of the world increased to 27 percent.

Services Account

The surplus in the services account declined by USD 591 million or 8.7 percent to USD 6,197 million in the year to October 2015 from USD 6,787 million in the year to October 2014. The decrease was in receipts from transport (13.6 percent) and tourism (11.5 percent). However, receipts from other government services and receipts from other private services (insurance services; royalties and licence fees) increased by 2.7 percent and 35.9 percent respectively. The deficit in the primary income account worsened by USD 43 million while the surplus in the current transfers account decreased by USD 612 million. Remittance inflows (under private transfers) increased by USD 116 million to USD 1,527 million during the year to October 2015 (Table 4.2). Remittance inflows were resilient with the 12 month average to October 2015 increasing to USD 127.3 million from an average of USD 117.6 million in the year to October 2014.

Capital and Financial Account

The capital and financial account surplus at USD 3,646 million in the year to October 2015 was 50.1 percent lower compared to USD 7,304 million in the year to October 2014. Official, medium and long-term financial flows increased by USD 930 million to USD 2,462 million from USD 1,532 million in the year to October 2014, with the increase largely driven by increased inflows and reduction in outflows.

Private medium and long term financial flows decreased by USD 517 million to USD 809 million from USD 1,326 million in the year to October 2014 with the decrease largely driven by a reduction in commercial bank flows. Commercial bank flows decreased from USD 814 million in the year to October 2014 to USD 220 million in the year to October 2015 reflecting build-up of foreign assets mainly in two components: deposits and loans advanced to non-residents.

Short term flows (including net errors and omissions) decreased by USD 4,164 million during the period under review.

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

ITEM	Year to October 2014*	Year to October 2015*				Year to October 2015*	Change	%age Change
		Nov-Jan	Feb-April	May-July	Aug-Oct			
3. CAPITAL & FINANCIAL ACCOUNT	7,304	1,145	998	674	828	3,646	-3,658.6	-50.1
3.1 Capital Transfers (net)	35	4	25	41	57	127	92.1	261.0
3.2 Financial Account	7,269	1,141	974	633	771	3,518	-3,750.7	-51.6
Official, medium & long-term	1,532	719	1,377	-61	427	2,462	930.2	60.7
Inflows	2,904	1,088	1,595	60	513	3,256	351.6	12.1
Outflows	-1,372	-369	-218	-121	-86	-793	578.7	-42.2
Private, medium & long-term (net)	1,326	19	111	366	312	808	-517.5	-39.0
Commercial Banks (net)	814	-257	-22	402	97	220	-594.2	-73.0
Other private medium & long-term (net)	512	276	133	-35	215	589	76.8	15.0
Short-term (net) incl. errors & omissions	4,411	403	-514	327	32	248	-4,163.4	-94.4

* Provisional.

Source: Central Bank of Kenya

Foreign Exchange Reserves

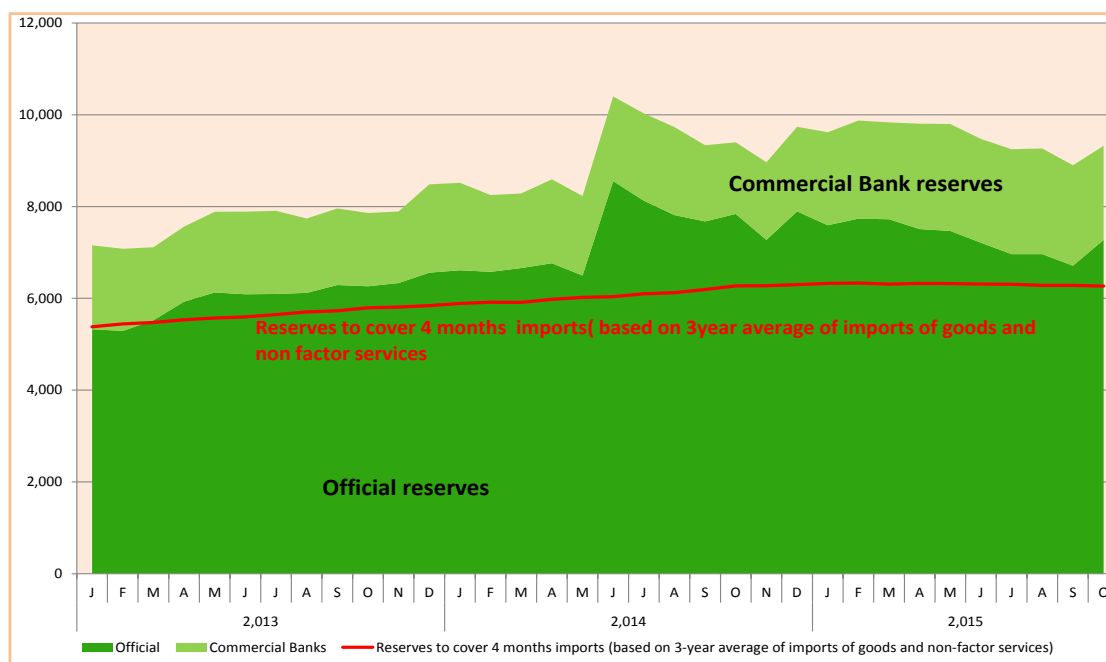
The banking system's total foreign exchange holdings decreased by 0.8 percent to USD 9,324 million at the end of October 2015 from USD 9,400 million at the end of October 2014. Official reserves held by the Central Bank constituted the bulk of gross reserves and decreased to USD 7,274 million (4.6 months of import cover) at the end of October 2015 from USD 7,839 million (5.0 months of import cover) at the end of October 2014. Foreign exchange reserves held by commercial banks increased to USD 2,050 million at the end of October 2015 from USD 1,561 million at the end of October 2014. During the same period, residents' foreign currency deposits decreased to USD 4,098 million from USD 4,101 million (Table 4.5).

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

	Sep 14	Oct 14	Nov 14	Dec 14	Jan 15	Feb 15	Mar 15	Apr 15	May 15	Jun 15	Jul 15	Aug 15	Sep 15	Oct 15
1. Gross Reserves	9,335.9	9,399.9	8,964.5	9,737.6	9,619.8	9,873.3	9,834.3	9,805.5	9,798.7	9,473.1	9,248.8	9,265.4	8,899.0	9,324.0
of which:														
Official	7,676.4	7,839.0	7,274.0	7,894.9	7,593.0	7,736.6	7,723.3	7,509.4	7,469.2	7,211.5	6,962.9	6,962.9	6,711.0	7,274.3
import cover**	5.0	5.0	4.6	5.0	4.8	4.9	4.9	4.7	4.7	4.6	4.4	4.4	4.3	4.6
Commercial Banks	1,659.5	1,560.9	1,690.5	1,842.6	2,026.7	2,136.7	2,111.0	2,296.1	2,329.5	2,262.0	2,285.9	2,302.5	2,188.0	2,049.7
2. Residents' foreign currency deposits	4,147.6	4,101.4	4,036.7	4,079.9	4,243.4	4,396.4	4,153.6	4,277.7	4,447.7	4,487.7	4,228.3	4,202.5	4,277.9	4,097.5

**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 appreciated by 2.36 percent against the US Dollar, 2.53 percent against the Pound Sterling, 2.40 percent against the Euro and 2.31 percent against the Japanese Yen in October 2015 compared to its performance in September 2015. The strengthening of the Shilling reflected developments on both the domestic and international currency markets during the review period. On the domestic scene, rising yields on Government securities resulting in increased investor participation as well as subdued corporate demand for the dollar increased demand for the shilling while negative sentiment surrounding a rise in interest rates by the Federal Reserve occasioned low demand for the US Dollar on the international markets.

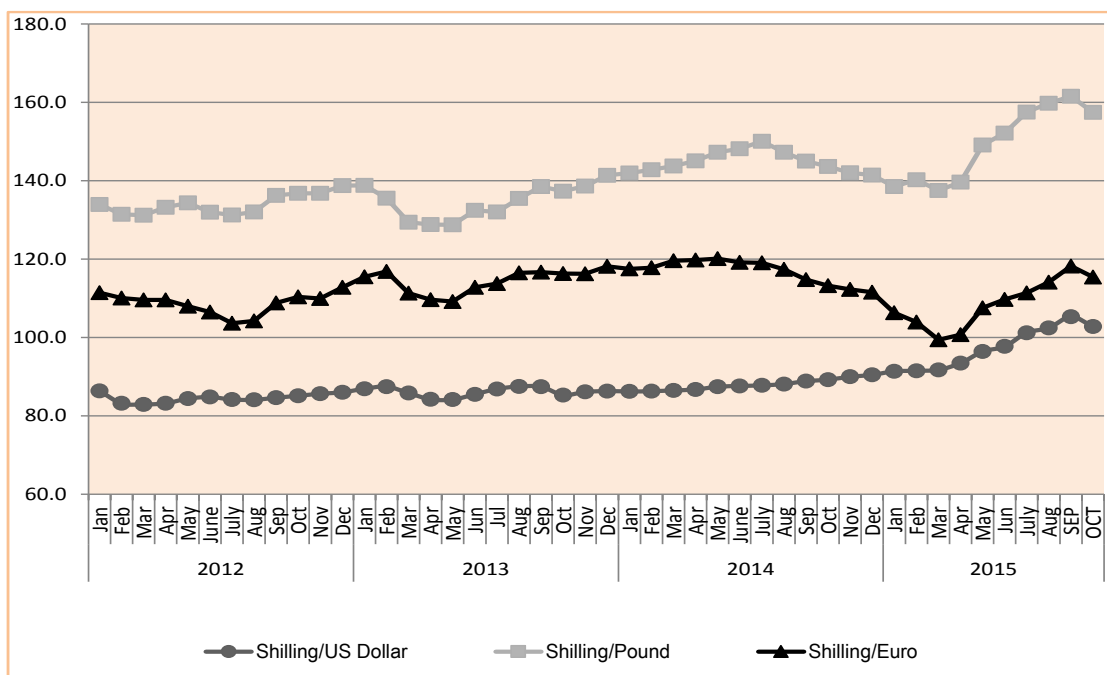
In the EAC region, the Kenya Shilling strengthened against all the currencies (Table 4.6 and Chart 4D).

TABLE 4.6: KENYA SHILLING EXCHANGE RATE

	2014			2015										%age Change Sep - Oct 2015
	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	
US Dollar	89.23	89.96	90.44	91.36	91.49	91.73	93.44	96.39	97.70	101.20	102.43	105.27	102.79	-2.36
Pound Sterling	143.66	142.05	141.45	138.49	140.21	137.51	139.62	149.10	152.16	157.53	159.77	161.54	157.46	-2.53
Euro	113.21	112.28	111.52	106.32	103.94	99.40	100.71	107.54	109.72	111.36	114.09	118.23	115.39	-2.40
100 Japanese Yen	82.62	77.53	75.79	77.19	77.17	76.22	78.18	79.89	79.00	82.10	83.12	87.64	85.62	-2.31
Uganda Shilling*	30.03	30.37	30.62	31.29	31.36	32.19	32.04	31.17	32.67	33.23	34.66	34.82	35.40	1.68
Tanzania Shilling*	18.96	19.16	19.11	19.39	19.92	20.09	20.28	20.98	22.49	20.90	20.73	20.56	21.19	3.04
Rwanda Franc*	7.72	7.66	7.62	7.53	7.52	7.56	7.37	7.16	7.37	7.23	6.99	6.96	7.12	2.23
Burundi Franc*	17.47	17.39	17.28	17.14	17.12	17.05	16.72	16.23	16.06	15.92	15.11	14.68	15.08	2.71

* 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

Structure of the Balance Sheet	<p>Total assets of the banking sector grew from KSh 3,129.3 billion in October 2014 to KSh 3,591.1 billion in October 2015 which translates to an annual growth of 14.76 percent. The main components of banking sector assets were loans and advances, government securities and balances at Central Bank, which accounted for 60.1 percent, 18.0 percent and 6.4 percent, respectively.</p>
Loans & Advances	<p>The banking sector gross loans were KSh 2,244.0 billion in October 2015 compared to KSh 1,931.2 billion in October 2014 which translates to an annual growth of 16.20 percent. There was increased lending to all economic sectors except mining and quarrying sector which registered a decrease of KSh 7.46 billion.</p>
Deposit Liabilities	<p>The deposit base was KSh 2,508.9 billion in October 2015 compared to KSh 2,255.1 billion in October 2014 which translates to an annual growth of 11.3 percent. Deposits were the main components of the balance sheet on the liabilities side accounting for 69.9 percent of total liabilities.</p>
Capital & Reserves	<p>The banking sector recorded an improved capital position in October 2015 with total shareholders' funds increasing by 9.6 percent from KSh 500.7 billion in October 2014 to KSh 548.6 billion in October 2015. Core capital and total capital increased from KSh 394.2 billion and KSh 465.4 billion to KSh 457.4 billion and KSh 550.9 billion respectively over the same period. The core capital to total risk-weighted assets ratio increased from 15.2 percent in October 2014 to 15.5 percent in October 2015, whereas the total capital to total risk-weighted assets ratio moved up from 17.9 percent in October 2014 to 18.7 percent in October 2015.</p>
Non-performing Loans	<p>The gross non-performing loans (NPLs) increased by 23.2 percent from KSh 104.0 billion in October 2014 to KSh 128.1 billion in October 2015. The gross NPLs to gross loans ratio moved from 5.4 percent in October 2014 to 5.7 percent in October 2015. Similarly, the coverage ratio, measured as a percentage of specific provisions to total NPLs decreased from 40.8 percent in October 2014 to 40.5 percent in October 2015.</p> <p>The quality of assets, measured as a proportion of net non-performing loans to gross loans increased from 2.6 percent in October 2014 to 2.7 percent October 2015. A summary of asset quality for the banking sector over the period (Table 5.1).</p>

TABLE 5.1: KEY INDICATORS OF THE BANKING SECTOR IN KENYA (KSH BILLION)

		Oct-14 (Ksh Bn)	Oct-15 (KSh'Bn)
1	Gross loans and advances (Kshs. Bn)	1,931.2	2,244.0
2	Interest in Suspense (Kshs. Bn)	20.8	28.2
3	Loans and advances (net of interest suspended) (Kshs. Bn)	1,910.4	2,215.8
4	Gross non-performing loans (Kshs. Bn)	104.0	128.1
5	Specific Provisions (Kshs. Bn)	33.9	40.5
6	General Provisions (Kshs. Bn)	14.3	15.7
7	Total Provisions (5+6) (Kshs. Bn)	48.2	56.2
8	Net Advances (3-7) (Kshs. Bn)	1,862.2	2,159.6
9	Total Non-Performing Loans and Advances (4-2) (Kshs. Bn)	83.2	99.9
10	Net Non-Performing Loans and Advances (9-5) (Kshs. Bn)	49.3	59.4
11	Total NPLs as % of total advances (9/3)	4.36%	4.51%
12	Net NPLs as % of gross advances (10/1)	2.55%	2.65%
13	Specific Provisions as % of Total NPLs (5/9)	40.75%	40.50%

Source: Central Bank of Kenya

Profitability The banking sector's pre-tax profits grew by 5.3 percent from KSh 116.2 billion reported in the period ended October 2014 to KSh 122.4 billion for the period ended October, 2015. The annual return on assets decreased to 3.2 percent in October 2015 from 3.5 percent in October 2014. Similarly, return on shareholders' funds reduced to 26.8 percent in October 2015 from 27.9 percent in October 2014.

Total income increased by 13.4 percent from KSh 338.6 billion in October 2014 to KSh 384.0 billion in October 2015, while total expenses increased by 17.6 percent from KSh 222.4 billion in October 2014 to KSh 261.6 billion in October 2015. The major sources of income were interest on advances, other income and interest on government securities accounting for 60.7 percent, 16.4 percent and 14.7 percent of total income, respectively. On the other hand, interest on deposits, salaries and wages and other expenses were the key components of expenses, accounting for 36.0 percent, 25.2 percent and 21.8 percent of total expenses, respectively.

Liquidity Ratio Requirement In October 2015, average liquid assets amounted to KSh. 898.0 billion while total short-term liabilities stood at KSh. 2,461.4 billion, resulting to an average liquidity ratio of 36.5 percent which was lower than the ratio of 37.4 percent registered in October 2014. The liquidity ratio remained above the minimum stipulated limit of 20 percent.

Cash Ratio Requirement The proportion of cash to deposit liabilities held at the Central Bank by commercial banks for reserve requirements averaged 5.26 percent in October 2015 compared to 5.25 percent in August 2015 and was within the average 5.25 percent minimum requirement (Table 5.2 and Chart 5A). Commercial banks are required to maintain a Cash Reserve Ratio (CRR) monthly average of 5.25 percent in the 30 day maintenance cycle from 15th through 14th of every month, but subject to a daily minimum of 3.0 percent.

Both Commercial banks and non-bank financial institutions held strong liquidity positions in October 2015, at 36.6 percent and 27.47 percent respectively, in relation to the 20 percent minimum requirement.

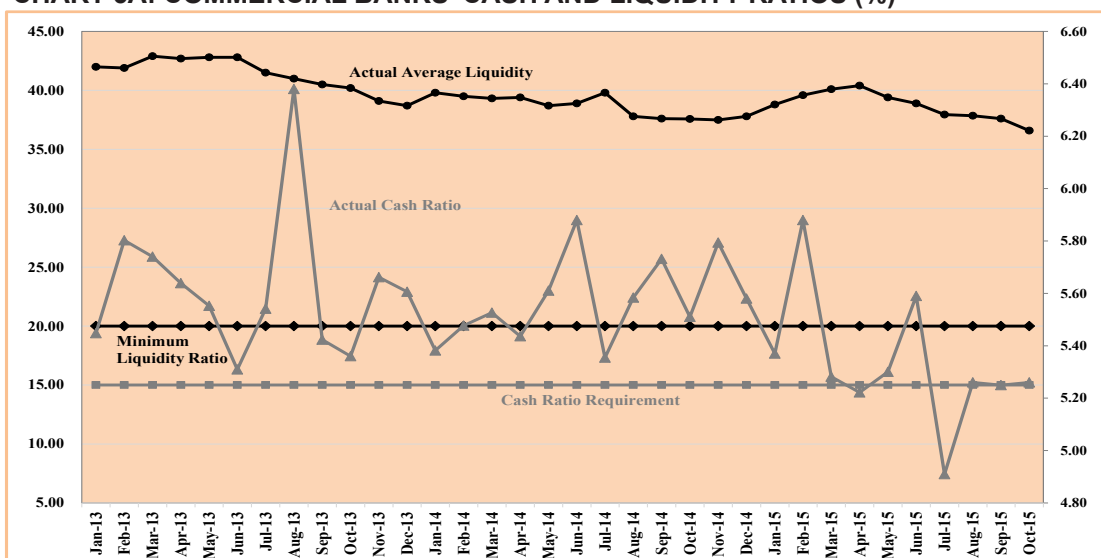
TABLE 5.2 : CASH AND LIQUIDITY RATIOS* (%)

	2014				2015											
	Sept	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	June	July	Aug	Sep	Oct		
Commercial Banks																
Actual Average Liquidity	37.60	37.58	37.50	37.80	38.80	39.60	40.10	40.40	39.4	38.90	37.94	37.85	37.60	36.59		
Minimum Liquidity Ratio	20.00	20.00	20.00	20.00	20.00	20.00	20.00	20.00	20.00	20.00	20.00	20.00	20.00	20.00		
Actual Cash Ratio - All Banks	5.73	5.51	5.79	5.58	5.37	5.88	5.28	5.22	5.30	5.59	4.91	5.26	5.25	5.26		
Minimum Cash Ratio Requirement	5.25	5.25	5.25	5.25	5.25	5.25	5.25	5.25	5.25	5.25	5.25	5.25	5.25	5.25		
NBFIs																
Actual Average Liquidity Ratio	26.10	25.19	25.30	27.80	26.70	22.90	24.90	26.20	23.6	24.00	24.73	22.71	23.59	27.47		
Minimum Liquidity Ratio	20.00	20.00	20.00	20.00	20.00	20.00	20.00	20.00	20.00	20.00	20.00	20.00	20.00	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

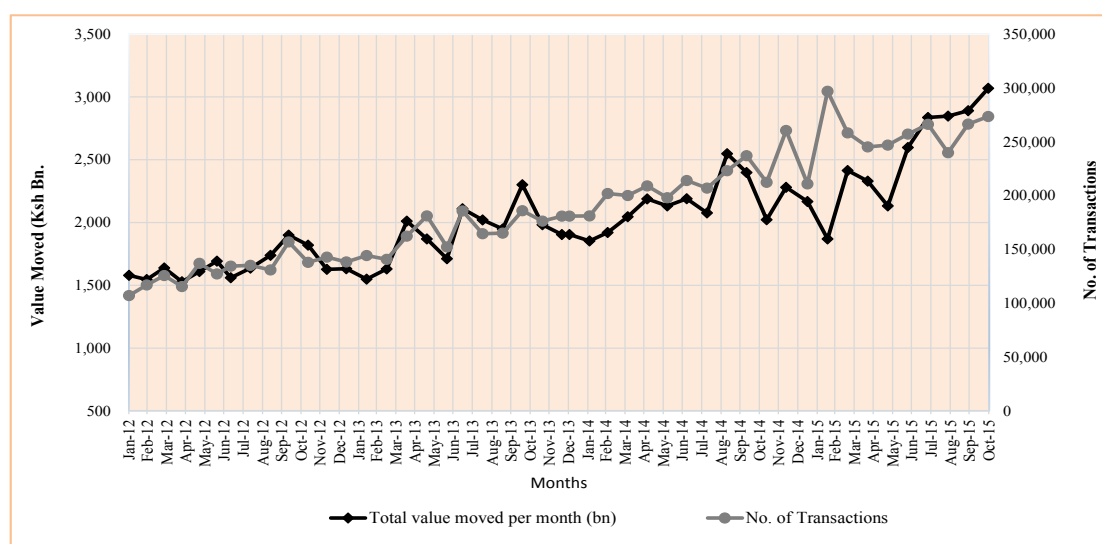
Kenya Electronic Payments and Settlement System (KEPSS) moved a volume of 273,487 transaction messages worth 3,070 billion in October 2015 compared with a volume of 266,523 transaction messages worth 2,891 billion in September 2015. This represents an increase of 2.61 percent and 6.19 percent in value and volume, respectively. Compared to October 2014, the volume increased by 15.38 percent from 237,027 transaction messages to 273,487 transaction messages in October 2015, while value increased by 27.97 percent from 2,399 billion to 3,070 billion, indicating an increase in the uptake of KEPSS services by the public.

During the twelve months to October 2015 the value moved averaged KSh 11 million per transaction. On average, 12,127 transaction messages with an average value of approximately KSh 117 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

		MT102	MT103	Total
2014	Jan	14,858	192,905	207,763
	Feb	15,596	192,858	208,454
	Mar	16,935	217,572	234,507
	Apr	17,019	216,820	233,839
	May	20,543	218,936	239,479
	Jun	26,649	220,504	247,153
	Jul	11,546	222,388	233,934
	Aug	11,903	222,826	234,729
	Sep	18,074	241,606	259,680
	Oct	22,080	245,888	267,968
	Nov	19,626	225,312	244,938
	Dec	21,154	265,040	286,194
2015	Jan	16,749	232,962	249,711
	Feb	18,762	240,962	259,724
	Mar	24,952	280,360	305,312
	Apr	32,074	254,422	286,496
	May	39,486	247,003	286,489
	Jun	30,402	302,807	333,209
	Jul	15,553	297,147	312,700
	Aug	14,761	274,186	288,947
	Sep	18,836	302,356	321,192
	Oct	21,224	308,041	329,265

Source: Central Bank of Kenya

CHART 5B: TRENDS IN MONTHLY FLOWS THROUGH KEPSS

Source: Central Bank of Kenya

Third Party Messages

Multiple third party Message Type (MT 102) used for several credit transfers increased by 12.68 percent from 18,836 transaction messages in September 2015 to 21,224 transaction messages in October 2015. Compared with October 2014, MT 102 messages decreased by 3.88 percent from 22,080 transaction messages to 21,224 transaction messages in October 2015.

Single third party Message Type (MT 103) used for single credit transfers increased by 1.16 percent from 283,520 transaction messages to 286,817 transaction messages in the same period. MT 103 messages increased by 16.65 percent from 245,888 transaction messages in October 2014 to 286,817 transaction messages in October 2015. Overall, total third party messages through KEPSS increased by 1.88 percent from 302,356 transaction messages in September 2015 to 308,041 transaction messages in October 2015 (Table 5.4 and Chart 5C).

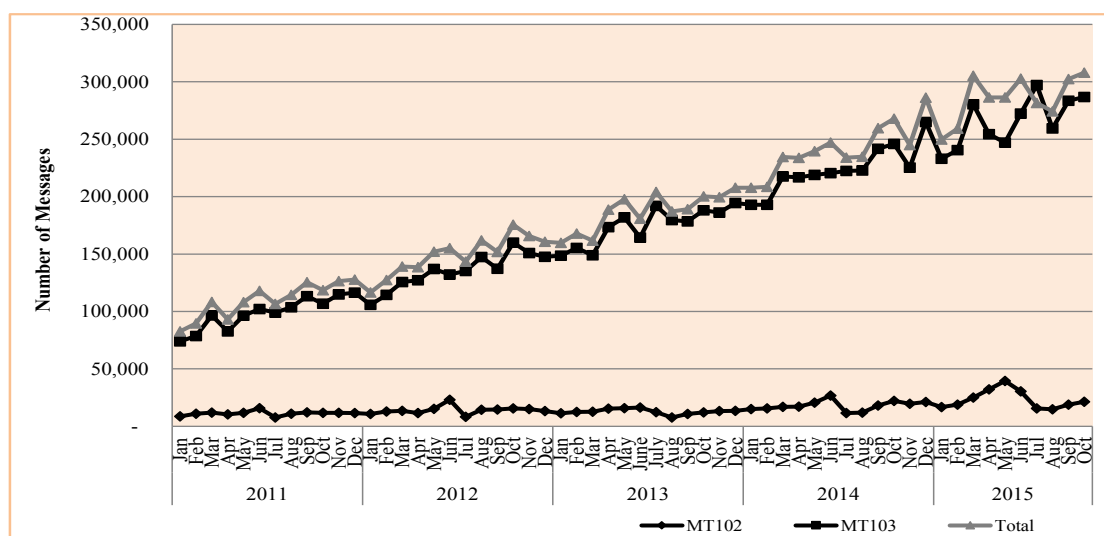
Inter-bank transfers (MT 202) accounted for 46.84 percent of the total value moved through KEPSS as at end of October 2015 while third party (MT 102 and MT 103) messages accounted for 53.16 percent.

TABLE 5.4: TRENDS IN MT102 AND MT103 THROUGH KEPSS

		MT102	MT103	Total
2014	Jan	14,858	192,905	207,763
	Feb	15,596	192,858	208,454
	Mar	16,935	217,572	234,507
	Apr	17,019	216,820	233,839
	May	20,543	218,936	239,479
	Jun	26,649	220,504	247,153
	Jul	11,546	222,388	233,934
	Aug	11,903	222,826	234,729
	Sep	18,074	241,606	259,680
	Oct	22,080	245,888	267,968
	Nov	19,626	225,312	244,938
	Dec	21,154	265,040	286,194
2015	Jan	16,749	232,962	249,711
	Feb	18,762	240,962	259,724
	Mar	24,952	280,360	305,312
	Apr	32,074	254,422	286,496
	May	39,486	247,003	286,489
	Jun	30,402	272,405	302,807
	Jul	15,553	281,594	297,147
	Aug	14,761	259,425	274,186
	Sep	18,836	283,520	302,356
	Oct	21,224	286,817	308,041

Source: Central Bank of Kenya

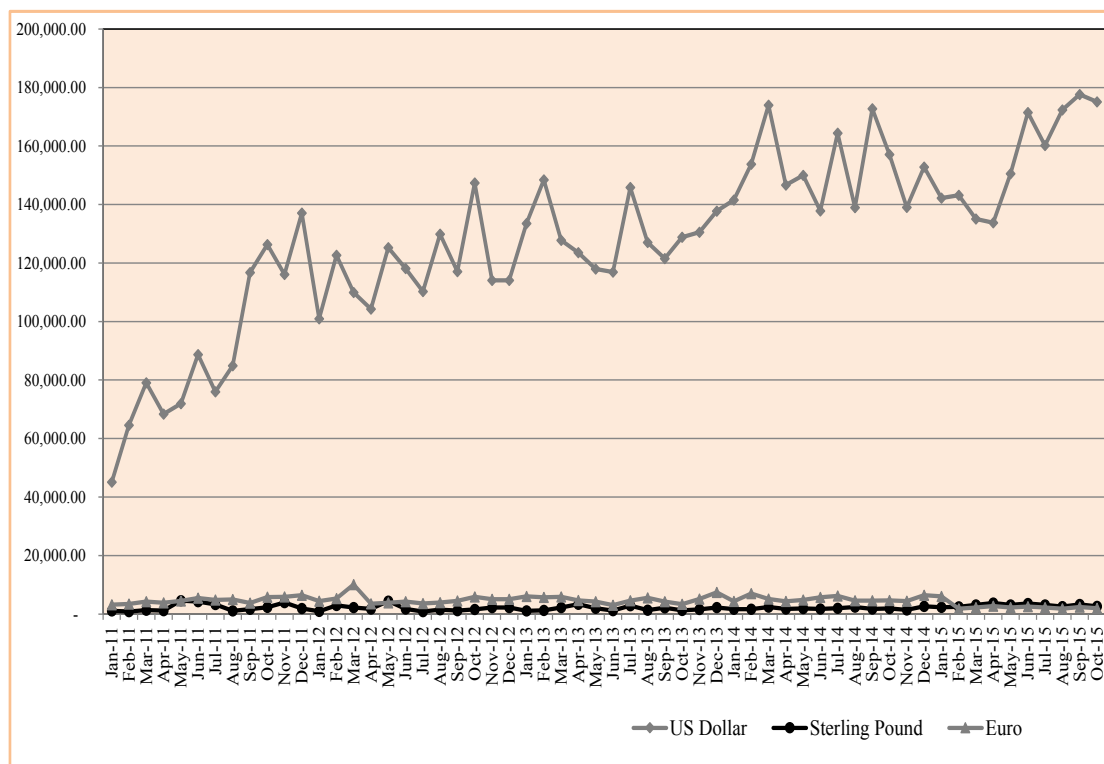
CHART 5C: TRENDS IN MT102 AND MT103 THROUGH KEPSS



Source: Central Bank of Kenya

Domestic Foreign Currency

Domestic Foreign Currency messages through KEPSS increased by 3.36 percent from 23,591 transaction messages in September 2015 to 24,384 transaction messages in October 2015. Consequently, the corresponding value in Kenya Shillings equivalent moved in this period decreased by 1.97 percent from KSh. 183.36 billion to KSh 179.75 billion. The US dollar denominated transactions accounted for 97.43 percent of the value moved (Chart 5D), while the Sterling Pound and the Euro accounted for 1.48 percent and 1.09 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 four months of the FY 2015/16 resulted in a deficit of KSh 24.7 billion (0.5 percent of GDP) on a commitment basis compared with a deficit of KSh 38.3 billion (0.7 percent of GDP) incurred in the same period of the FY 2014/15. This was within the KSh 213.3 billion (4.0 percent of GDP) deficit programmed target for the period.

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

	FY 2014/15	FY 2015/16		
	Oct Actual	Oct Provisional	Target	Over (+) / below(-) Target
1. TOTAL REVENUE & GRANTS	335.2	372.0	427.6	-55.6
Revenue	329.2	365.5	406.0	-40.6
Tax Revenue	299.8	337.0	366.2	-29.3
Non Tax Revenue	12.3	6.7	5.9	0.8
Appropriations-in-Aid	17.2	21.8	33.9	-12.1
External Grants	6.0	6.5	21.6	-15.1
2. TOTAL EXPENSES & NET LENDING	373.5	396.7	640.9	-244.2
Recurrent Expenses	249.5	285.0	342.6	-57.6
Development Expenses	73.2	57.5	193.5	-136.0
County Transfers	50.7	54.2	103.5	-49.3
Others	0.0	0.0	1.3	-1.3
3. DEFICIT ON A COMMITMENT BASIS (1-2)	-38.3	-24.7	-213.3	188.6
As percent of GDP	-0.7	-0.5	-4.0	3.5
4. ADJUSTMENT TO CASH BASIS	0.0	0.0	0.0	0.0
5. DEFICIT ON A CASH BASIS	-38.3	-24.7	-213.3	188.6
As percent of GDP	-0.7	-0.5	-4.0	3.5
6. DISCREPANCY: Expenditure (+) / Revenue (-)	-4.5	-8.5	-0.5	-8.0
7. FINANCING	33.8	16.1	212.7	-196.6
Domestic (Net)	-58.2	9.6	119.1	-109.5
External (Net)	92.0	5.9	93.6	-87.7
Capital Receipts (domestic loan receipts)	0.0	0.6	0.5	0.1
Others (Euro Bond sale proceeds)	0.0	0.0	0.0	0.0
Financing gap	0.0	0.0	0.0	0.0

Source: National Treasury

Revenue

Total government revenues and grants amounted to KSh 372.0 billion during the first four months of the FY 2015/16, representing an increase of KSh 36.7 billion from KSh 335.2 billion mobilized during a similar period of the FY 2014/15 (Table 6.2). Tax revenues accounted for 90.5 percent of the total revenue realized. Most revenues were below target, with the exception of non-tax revenues. Non-tax revenues surpassed the target by KSh 0.8 billion during the period under review (Table 6.1).

TABLE 6.2: COMPOSITION OF GOVERNMENT REVENUE (Ksh billion)

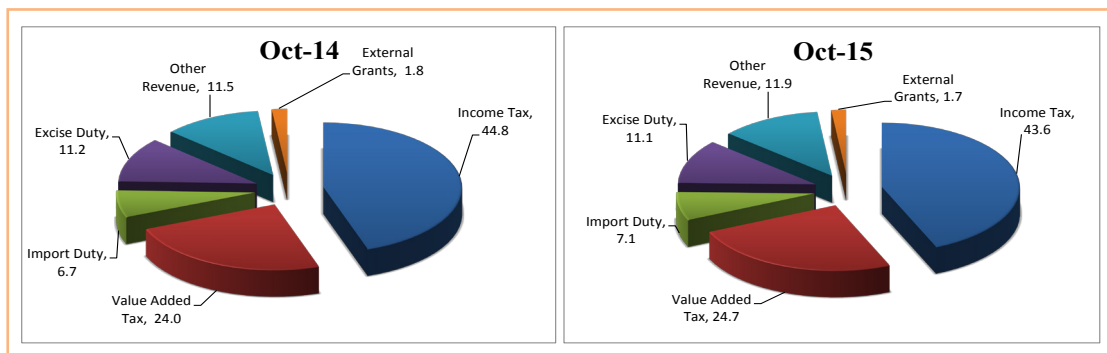
	Oct-14 Ksh bn	Oct-15 Ksh bn	Change
1. Revenue (2+3+4)	329.2	365.5	36.3
2. Tax Revenue	299.8	337.0	37.2
Income Tax	150.4	162.2	11.8
Value Added Tax	80.4	91.8	11.4
Import Duty	22.5	26.2	3.8
Excise Duty	37.5	41.1	3.6
Others	9.0	15.6	6.6
3. Appropriations-in-Aid	17.2	21.8	4.6
4. Other Revenue	12.3	6.7	-5.6
5. External Grants	6.0	6.5	0.5
TOTAL RECEIPTS (1+5)	335.2	372.0	36.7

Source: National Treasury

Tax revenue grew by KSh 37.2 billion in the first four months of the FY 2015/16 to KSh 337.0 billion from KSh 299.8 billion collected in a similar period in the FY 2014/15 (Table 6.2). The income tax component increased by KSh 11.8 billion. Excise duty, Value Added Tax, other tax revenue, Import duty, external grants and Appropriations in aid also increased by KSh 3.6 billion, KSh 11.4 billion, KSh 6.6 billion, KSh 3.8 billion,

KSh 0.5 billion, and KSh 4.6 billion, respectively. However, other revenue declined by KSh 5.6 billion during the period under review. The performance of Government revenue in relation to the previous year is shown in Chart 6A. The main highlights include a 40 basis points increase in the share of other revenue and a 140 basis point decline in the share of income tax.

CHART 6A: COMPOSITION OF GOVERNMENT RECEIPTS



Source: National Treasury

Expenditure and Net Lending

Government expenditure and net lending rose by KSh 23.2 billion during the first four months of the FY 2015/16 to KSh 396.7 from KSh 373.5 billion expended during the same period in the FY 2014/15. Total expenditure during this period comprised KSh 285.0 billion recurrent expenditure, KSh 57.5 billion development expenditure and county transfers of KSh 54.2 billion during the period under review.

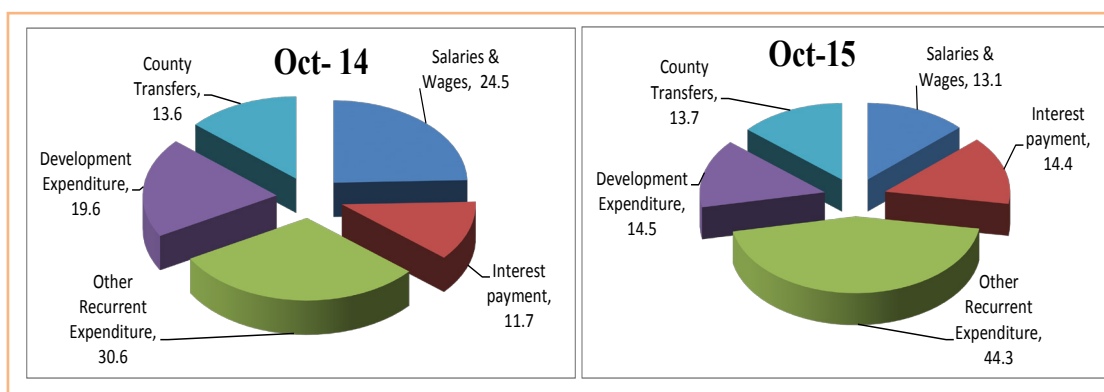
Recurrent expenditure declined by KSh 35.5 billion over a comparable period in the previous fiscal year but was below target by KSh 57.6 billion. In terms of its components, salaries and wages contributed the largest portion of the decline. Development expenditure declined by KSh 15.8 billion and was below the programmed target by KSh 136.0 billion (Table 6.1 and Table 6.3).

TABLE 6.3: COMPOSITION OF GOVERNMENT EXPENDITURE (Ksh billion)

	Oct-14 Ksh bn	Oct-15 Ksh bn	Movement
1. Recurrent	249.5	285.0	35.5
Salaries & Wages	91.5	52.1	-39.4
Total Interest	43.7	57.2	13.4
of which			
Domestic*	39.6	51.6	12.0
Foreign interest due	4.2	5.6	1.5
Others	114.3	175.8	61.5
2. Development	73.2	57.5	-15.8
3. County Transfers	50.7	54.2	3.4
TOTAL EXPENSES	373.5	396.7	23.2

*Includes commission and other charges paid to CBK

The composition of Government expenditure in relation to the previous year is indicated in Chart 6B. The main highlights include a 510 basis points reduction in development expenditure and a 1140 basis points decline in the share of expenses on salaries and wages. The financing requirements of Government operations stood at KSh 45.5 billion for the

CHART 6B: COMPOSITION OF GOVERNMENT EXPENDITURE

Source: National Treasury

Financing

first four months of the FY 2015/16. The Government sourced the funds through domestic borrowing of KSh 39.0 billion. The funds were allocated to bridge the Government budgetary deficit of KSh 16.1 billion and repayment of government debt owed to the commercial banks of KSh 1.0 billion. The Government also increased its deposits by KSh 28.3 billion at the Central Bank (Table 6.4).

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

I. FINANCING REQUIREMENTS	Oct-14	Oct-15
1. Budget deficit	33.8	16.1
2. External debt reduction	0.0	0.0
3. Domestic debt reduction	26.9	1.0
3.1 Central Bank (incl. items in transit)	17.6	0.0
3.2 Commercial banks (net of deposits)	4.6	1.0
3.3 Non-bank sources	4.7	0.0
4. Increase in GoK deposits at CBK	31.9	28.3
5. Adjustment to cash basis	0.0	0.0
5. Domestic Loan Receipts	92.5	
TOTAL	92.5	45.5
II. FINANCING SOURCES	Oct-14	Oct-15
1. Budget surplus	0.0	0.0
2. External debt increase	92.0	5.9
3. Increase in domestic debt	0.0	39.0
3.1 Central Bank	0.0	31.3
3.2 Commercial banks	0.0	0.0
3.3 Non-bank sources	0.0	7.6
4. Reduction in GoK deposits at CBK	0.0	0.0
5. Privatisation proceeds (Net of Restructuring Costs)	0.0	0.0
7. Domestic Loan Receipt	0.5	0.6
TOTAL	92.5	45.5

Sources: National Treasury and Central Bank of Kenya

Government Borrowing from the Central Bank

The Government debt at the Central Bank rose by KSh 47.1 billion to KSh 94.7 billion during the period under review, compared to KSh 46.7 billion for a similar period in the FY 2014/2015. The increase in Government's liability to the Central Bank reflected KSh 31.0 billion maturities of rediscounted securities held by the Central Bank. In addition, the Government repaid KSh 1.1 billion through the regular amortization of the pre-1997 securitized overdraft. Government borrowing through overdraft facility at the Central Bank rose by KSh 18.6 billion during the period under review and remained within the statutory limit.

In the budget estimates for the FY 2015/16, ordinary revenue is estimated at KSh 1,358.0

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

	2014	2015	Movement
	Oct	Oct	
Total Credit	47.6	94.7	47.1
1. Overdraft	18.3	36.9	18.6
2. Rediscounted securities	1.4	31.0	29.6
Treasury bills	1.4	21.6	20.2
Treasury bonds	0.0	9.4	9.4
3. Pre-1997 Government Overdraft at CBK	27.8	26.7	-1.1
4. IMF funds onlent to Government	0.0	0.0	0.0
5. Cleared items in transit	0.0	0.1	0.1
Memorandum			
Authorised overdraft limit	39.1	46.8	7.7
Amount utilised to date	18.3	36.9	18.6
Amount available	20.8	9.9	-10.9

Source: Central Bank of Kenya

**Outlook for
FY 2015/16**

billion (20.8 percent of GDP) while external grants are estimated at KSh 73.4 billion (1.1 percent of GDP). Government expenditure is estimated at KSh 2000.6 billion (30.7 percent of GDP), of which, KSh 1013.0 billion (15.5 percent of GDP) will be in recurrent expenses, transfer to the county governments at KSh 264.2 billion, and development expenses at KSh 718.5 billion (Table 6.6).

TABLE 6.6: BUDGET ESTIMATES FOR THE FISCAL YEAR 2015/16 (Ksh Billion)

	Ksh (Bn)	% of GDP
1. TOTAL REVENUE	1,358.0	20.8
Ordinary Revenue	1,254.9	19.2
Appropriations-in-Aid	103.2	1.6
External Grants	73.4	1.1
2. TOTAL EXPENSES & NET LENDING	2,000.6	30.7
Recurrent Expenses	1,013.0	15.5
Development Expenses	718.5	11.0
County Transfer	264.2	4.1
Contingency Fund	5.0	0.1
3. DEFICIT ON A COMMITMENT BASIS (1-2)	-642.6	-9.9
4. ADJUSTMENT TO CASH BASIS	0.0	0.0
5. DEFICIT ON A CASH BASIS	-642.6	-9.9
6. DISCREPANCY: Expenditure (+) / Revenue (-)	0.0	0.0
7. FINANCING	569.2	8.7
Domestic (Net)	228.7	3.5
External (Net)	340.5	5.2

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

The overall budget deficit including grants on commitment basis is, therefore, estimated at KSh 642.6 billion (9.9 percent of GDP) in 2015/16. The deficit is expected to be financed through net external borrowing of KSh 340.5 billion and net domestic borrowing of KSh 228.7 billion.

DEVELOPMENTS IN PUBLIC DEBT

Overall Debt Kenya's public and publicly guaranteed debt increased by KSh 152.5 billion to reach KSh 2,981.6 billion in October 2015, from KSh 2,829.1 billion in June 2015. The total debt stock at the end of October 2015 was equivalent to 55.7 percent of GDP, compared with 52.8 percent of GDP in June 2015. External debt and domestic debt to GDP ratio increased from 26.3 percent and 26.5 in June 2015 to 28.5 percent and 27.1 percent in October 2015, respectively (Table 7.1).

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

	Oct-14	Jun-15	Jul-15	Aug-15	Sep-15	Oct-15	Change 2015/16
EXTERNAL**							
Bilateral	275.8	430.4	461.1	470.4	477.5	458.0	27.6
Multilateral	612.1	684.6	707.3	751.0	759.3	730.0	45.4
Commercial Banks	184.9	276.9	287.7	291.7	295.6	322.3	45.4
Supplier Credits	16.0	16.6	17.1	17.6	17.8	17.0	0.3
Sub-Total	1088.8	1408.6	1473.1	1530.7	1550.2	1527.4	118.7
(As a % of GDP)	20.3	26.3	27.5	28.6	28.9	28.5	
(As a % of total debt)	46.5	49.8	50.9	52.2	52.8	51.2	
DOMESTIC							
Banks	658.1	793.8	819.5	812.8	790.3	822.5	28.7
Central Bank	47.6	63.3	103.0	115.3	107.6	101.2	37.8
Commercial Banks	610.5	730.4	716.5	697.5	682.7	721.3	-9.1
Non-banks	583.8	616.0	588.2	579.2	586.1	619.3	3.2
Pension Funds	317.4	352.7	358.7	353.3	345.4	366.1	13.4
Insurance Companies	127.8	127.9	130.0	123.6	121.1	127.3	-0.5
Other Non-bank Sources	138.6	135.4	99.5	102.4	119.6	125.8	-9.6
Non-residents	12.4	10.7	10.9	11.1	11.5	12.5	1.9
Sub-Total	1254.3	1420.4	1418.6	1403.1	1388.0	1454.2	33.8
(As a % of GDP)	23.4	26.5	26.5	26.2	25.9	27.1	0.6
(As a % of total debt)	53.5	50.2	49.1	47.8	47.2	48.8	-1.4
GRAND TOTAL	2343.1	2829.1	2891.7	2933.8	2938.2	2981.6	152.5
(As a % of GDP)	43.7	52.8	54.0	54.8	54.8	55.7	

Computed using the re-based GDP figures

** External debt is inclusive of guarantee

Sources: National Treasury and Central Bank of Kenya

Domestic Debt The total stock of domestic debt increased by KSh 33.8 billion during the first four months of the FY 2015/16 to KSh 1,454.2 billion in October 2015 from KSh 1,420.4 in June 2015. This increase was attributed to the tight monetary policy stance that led to an upsurge of interest rates on short dated securities thus making investment in debt securities attractive. Reflecting this increase, the share of domestic debt to GDP increased from 26.5 percent in June 2015 to 27.1 percent in October 2015. The domestic debt increase comprised of KSh 2.8 billion and KSh 31.7 increase in government Treasury Bills and Treasury Bonds, respectively. However, the share of domestic debt in total debt declined from 50.2 percent in June 2015 to 48.8 percent in October 2015 (Table 7.1).

TABLE 7.2: GOVERNMENT GROSS DOMESTIC DEBT (Ksh billion)

	Oct-14		Jun-15		Sep-15		Oct-15		Change
		%		%		%		%	2015/16
Total Stock of Domestic Debt (A+B)	1,254.3	100.0	1,420.4	100.1	1,388.0	100.0	1,454.2	100.0	33.8
A. Government Securities	1,233.8	94.7	1,354.6	95.5	1,313.5	94.6	1,389.1	95.5	34.5
1. Treasury Bills (excluding Repo Bills)	283.9	21.8	318.9	22.5	266.6	19.2	321.7	22.1	2.8
Banking institutions	173.5	13.3	217.7	15.3	160.3	11.6	178.5	12.3	(39.3)
Others	110.4	8.5	101.2	7.1	106.3	7.7	143.2	9.8	42.0
2. Treasury Bonds	922.1	70.7	1,035.7	73.0	1,046.9	75.4	1,067.4	73.4	31.7
Banking institutions	436.9	33.5	510.3	36.0	518.1	37.3	573.9	39.5	63.6
Pension Funds	255.7	19.6	311.8	22.0	312.2	22.5	305.4	21.0	(6.3)
Others	229.5	17.6	213.7	15.1	216.6	15.6	188.1	12.9	(25.6)
4. Frozen account	27.8	2.1	26.7	1.9	26.7	1.9	26.7	1.8	-
Of which: Repo T/Bills	27.7	2.1	26.6	1.9	26.6	1.9	26.6	1.8	-
B. Others:	20.5	1.6	39.1	2.8	47.8	3.4	38.5	2.6	(0.7)
Of which CBK overdraft to Government	18.3	1.4	36.5	2.6	45.9	3.3	36.9	2.5	0.4

Source: Central Bank of Kenya

Treasury Bills

Treasury bill holdings, excluding those held by the CBK for open market operations (or Repos) increased by KSh2.8 billion from KSh318.9 billion in June 2015 to KSh 321.7 billion in October 2015 (Table 7.2). The proportion of Treasury bills to total domestic debt decreased to 22.1 percent in October 2015 from 22.5 percent in June 2015. The dominant investors were commercial banks (with a share of 46.9 percent) and pension funds (that accounted for 15.3 percent) by October 2015 (Table 7.3).

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

	Oct-14		Jun-15		Sep-15		Oct-15		Change
Holders		%		%		%		%	Jun 15 - Oct 15
Banking Institutions	173.5	61.1	217.7	68.3	159.3	59.7	178.5	55.5	-39.3
Central Bank	1.4	0.5	0.0	0.0	25.5	9.6	27.6	8.6	27.6
Comm. Banks	172.1	60.6	217.7	68.3	133.7	50.2	150.9	46.9	-66.8
Insurance Companies	24.1	8.5	20.8	6.5	13.5	5.1	17.7	5.5	-3.1
Parastatals	3.6	1.3	15.0	4.7	28.1	10.5	29.9	9.3	14.9
Pension Funds	61.7	21.7	40.9	12.8	33.2	12.4	49.1	15.3	8.2
Others	21.0	7.4	24.4	7.7	32.6	12.2	46.4	14.4	22.0
Total	283.9	100.0	318.9	100.0	266.6	100.0	321.7	100.0	2.8

Source: Central Bank of Kenya

Treasury Bonds

Outstanding Treasury bonds increased by KSh 31.7 billion, from KSh 1,035.7 billion in June 2015 to KSh 1,067.4 billion in October 2015, and bond's share in domestic debt increased from 73 percent in June 2015 to 73.4 percent by October 2015 (Table 7.2). The holding of Treasury bonds by dominant investors comprised KSh 564.0 billion, KSh 305.4 billion and KSh 107.3 billion absorbed by commercial banks, pension funds and insurance companies, respectively. The proportion of holdings by commercial banks, parastatals and The Central Bank increased from 49.3 percent, 3.2 percent and no holdings to 52.8 percent, 3.6 percent and 0.9 percent, respectively. Meanwhile, pension funds, insurance companies and other holders' share declined from 29.7 percent, 10.3 percent and 7.5 percent to 28.6 percent, 10.0 percent and 4.0 percent during the period under review. The proportion held by building societies recorded no movement (Table 7.4).

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

Holders	Oct	%	Jun-15	%	Aug-15	%	Sep-15	%	Oct-15	%	Change Jun 15 - Oct 15
Banking Institutions	436.9	47.4	510.3	49.3	517.6	49.7	518.1	49.5	573.9	53.8	63.6
Central Bank	0.0	0.0	0.0	0.0	9.2	0.9	9.4	0.9	9.9	0.9	9.9
Comm. Banks	436.9	47.4	510.2	49.3	508.3	48.8	508.6	48.6	564.0	52.8	53.7
Insurance Companies	103.7	11.2	107.0	10.3	107.0	10.3	107.6	10.3	107.3	10.0	0.2
Parastatals	32.9	3.6	33.6	3.2	36.9	3.5	37.9	3.6	38.2	3.6	4.6
Of which: NSSF	14.9	1.6	13.6	1.3	13.6	1.3	13.6	1.3	13.3	1.2	-0.3
Building Societies	0.6	0.1	0.1	0.0	0.1	0.0	0.1	0.0	0.1	0.0	0.0
Pension Funds	255.7	27.7	307.1	29.7	315.7	30.3	312.2	29.8	305.4	28.6	-1.7
Others	92.2	10.0	77.5	7.5	64.5	6.2	71.0	6.8	42.5	4.0	-35.1
Total	922.1	100.0	1035.7	100.0	1041.8	100.0	1046.9	100.0	1067.4	100.0	31.7

Source: Central Bank of Kenya

Domestic Debt Maturity structure Total domestic debt as at October 2015 amounted to KSh 1,454.2 billion. Government securities worth KSh 49.9 billion matured in October 2015, comprising KSh 6.9 billion, KSh 18 billion and KSh 25 billion in 91-day, 182-day and 364-day Treasury bills, respectively. No Treasury bond fell due in October 2015.

The average length of maturity of existing domestic debt declined to 4 years and 10 months in October 2015 from 5 years and 2 months reported in June 2015.

TABLE 7.5: DOMESTIC DEBT MATURITY STRUCTURE (Ksh billion)

		Oct-14		Jun-15		Sep-15		Oct-15		Change Jun 15 to Oct 15
		%	%	%	%	%	%	%	%	
Treasury bills	91-Day	27.7	2.1	18.6	1.3	33.0	2.4	74.0	5.1	55.5
	182-Day	57.8	4.4	75.3	5.3	41.8	3.0	39.5	2.7	-35.8
	364-Day	176.5	13.5	225.1	15.8	191.8	13.8	208.2	14.3	-16.9
Treasury Bonds	1-Year	0.00	0.00	0.00	0.00	24.3	1.75	44.74	3.08	44.74
	2-Year	144.5	11.1	143.4	10.1	137.1	9.9	137.1	9.4	-6.4
	3-Year	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	4-Year	29.9	2.3	21.4	1.5	2.3	0.2	2.3	0.2	-19.1
	5-Year	175.5	13.5	177.4	12.5	189.8	13.7	189.8	13.1	12.5
	6-Year	40.7	3.1	40.7	2.9	40.7	2.9	40.7	2.8	0.0
	7-Year	8.7	0.7	8.7	0.6	8.7	0.6	8.7	0.6	0.0
	8-Year	40.9	3.1	38.2	2.7	38.2	2.8	38.2	2.6	0.0
	9-Year	18.2	1.4	15.1	1.1	15.1	1.1	15.1	1.0	0.0
	10-Year	146.7	11.3	163.9	11.5	163.9	11.8	163.9	11.3	0.0
	11-Year	4.0	0.3	4.0	0.3	4.0	0.3	4.0	0.3	0.0
	12-Year	61.4	4.7	132.1	9.3	132.1	9.5	132.1	9.1	0.0
	15-Year	142.9	11.0	168.2	11.8	168.2	12.1	168.2	11.6	0.0
	20-Year	60.5	4.6	74.3	5.2	74.3	5.4	74.3	5.1	0.0
	25-Year	20.2	1.5	20.2	1.4	20.2	1.5	20.2	1.4	0.0
	30-Year	28.1	2.2	28.1	2.0	28.1	2.0	28.1	1.9	0.0
	Repo T bills	27.7	2.1	26.6	1.9	26.6	1.9	26.6	1.8	0.0
	Overdraft	18.3	1.4	36.5	2.6	45.9	3.3	36.9	2.5	0.4
	Other Domestic debt	24.1	1.8	2.7	0.2	1.9	0.1	1.6	0.1	-1.1
Total Debt		1254.3	96.2	1420.4	100.0	1,388.0	100.0	1454.2	100.0	33.8

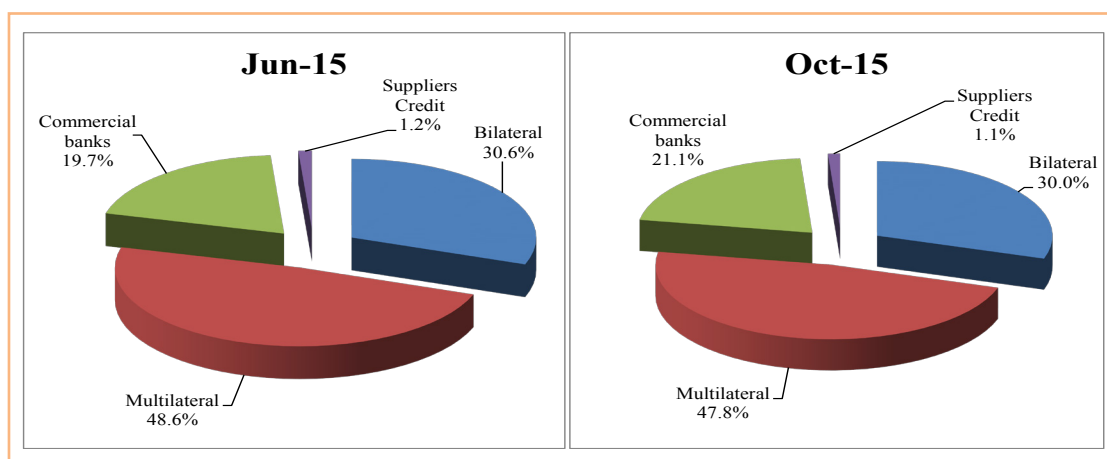
Source: Central Bank of Kenya

External Debt

Kenya's public and publicly guaranteed external debt increased by KSh 118.7 billion to KSh 1,527.4 billion in October 2015, from KSh 1,408.6 billion in June 2015 (Table 7.1). The central government stake amounted to KSh 1,480.7 billion (or 96.9 percent) with the balance being government guarantee to parastatals. The debt from International Development Association (IDA) accounted for KSh 27.9 billion of the increase in multilateral debt, while China accounted for KSh 20.9 billion of the increase in bilateral debt. The growth in external debt during this period was attributed to disbursements from Exim bank China, concessional loans from International Development Association (IDA) and exchange rate revaluation.

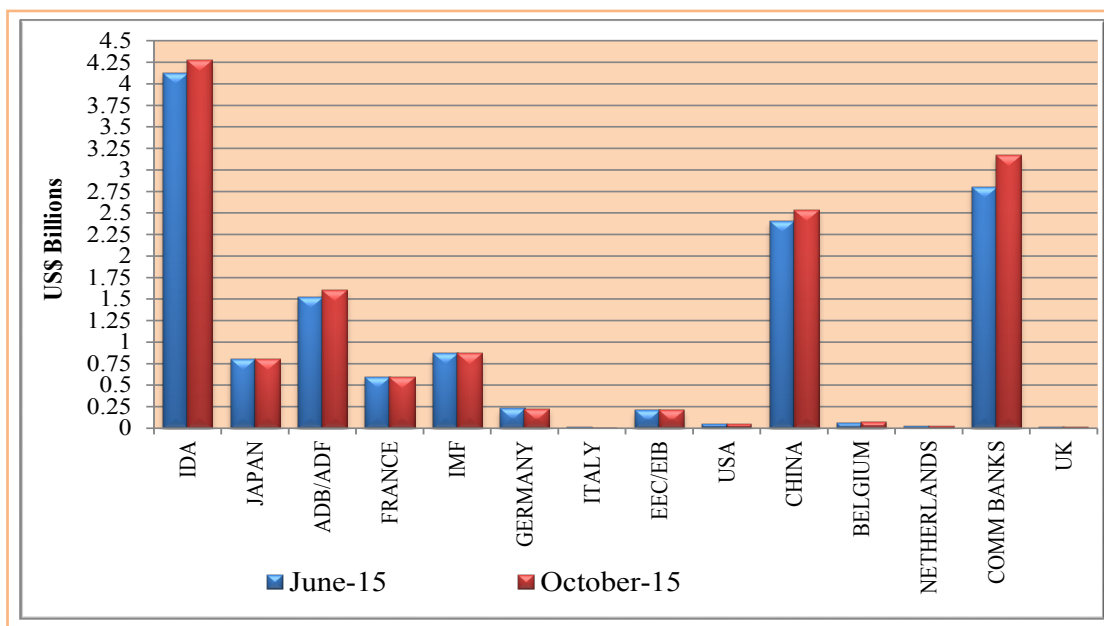
Composition of External Debt by Creditor

Official debt to multilateral and bilateral lenders accounted for 77.8 percent of total public and publicly guaranteed external debt by October 2015. The proportion of external debt owed to bilateral lenders, multilateral lenders and supplier creditors decreased from 30.6 percent, 48.6 percent and 1.2 percent in June 2015 to 30 percent, 47.8 percent and 1.1 percent in October 2015, respectively. The share of external debt owed to commercial banks increased from 19.7 percent in June 2015 to 21.1 percent in October 2015, respectively. This increase in the proportion held by commercial banks was largely attributed to disbursements of part of the Syndicated Medium Term Loan. (Chart 7A).

CHART 7A: COMPOSITION OF EXTERNAL DEBT

Source: National Treasury

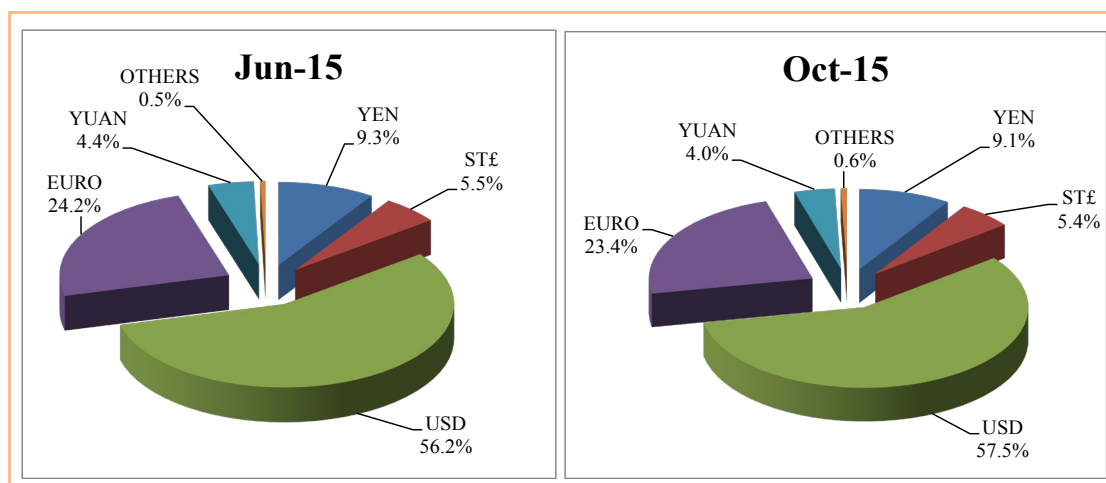
Debt owed to the International Development Association (IDA), Kenya's largest multilateral lender, amounted to USD 4.1 billion or 28.5 percent of total external debt while that owed to China, Kenya's largest bilateral lender, amounted to USD 2.5 billion, or 16.9 percent of the total external debt as at the end of October 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 Sterling Pound, Euro, Yuan, ‘other currencies’ and Japanese Yen decreased from 5.5 percent, 24.2 percent, 4.4 percent and 9.3 percent in June 2015 to 5.4 percent, 23.4 percent, 4.0 percent and 9.1 percent in October 2015, respectively. While that denominated in the US dollar and ‘other currencies’ increased from 56.2 percent and 0.5 percent in June 2015 to 57.5 percent and 0.6 percent in October 2015, respectively (Chart 7C).

CHART 7C: EXTERNAL DEBT DISTRIBUTION BY CURRENCY

Source: National Treasury

**Public
Debt
Service**

Cumulative interest and other charges on domestic debt for the first four months of the FY 2015/16 amounted to KSh 51.6 billion (or 0.9 percent GDP) compared with KSh 39.6 (or 0.7 percent GDP) billion during a similar period of the FY 2014/15. The expenditure in the current period comprised interest and other charges on Treasury bills and Treasury bonds amounting to KSh 14.3 billion and KSh 35.6 billion, respectively. In addition, collective interest on regular government overdraft and the Pre-1997 overdraft amounted to KSh 1.7 billion.

Total external debt service for the first four months of the FY 2015/16 amounted to KSh 10.6 billion (or 0.1 percent GDP), comprising KSh 5.9 billion in principal repayments and KSh 4.7 billion in interest payments.

**Outlook
for FY
2015/16**

Total public and publicly guaranteed external debt is estimated at KSh 1,430 billion (21.9 percent of GDP), of which gross and net domestic debt amount to KSh1, 611.4 billion (24.7 percent of GDP) and KSh 1,417.9 billion (21.7 percent of GDP), respectively.

ACTIVITY IN THE STOCK MARKET

Equity Market Segment

The NASI and NSE 20 declined by 10 points and 304 points respectively, in October 2015. The market capitalization lost KSh 132.64 billion on account of fall in share prices. Equities turnover however, rose by 24.08 percent on account of 24.44 percent increase in the number of shares traded. (Table 8.1).

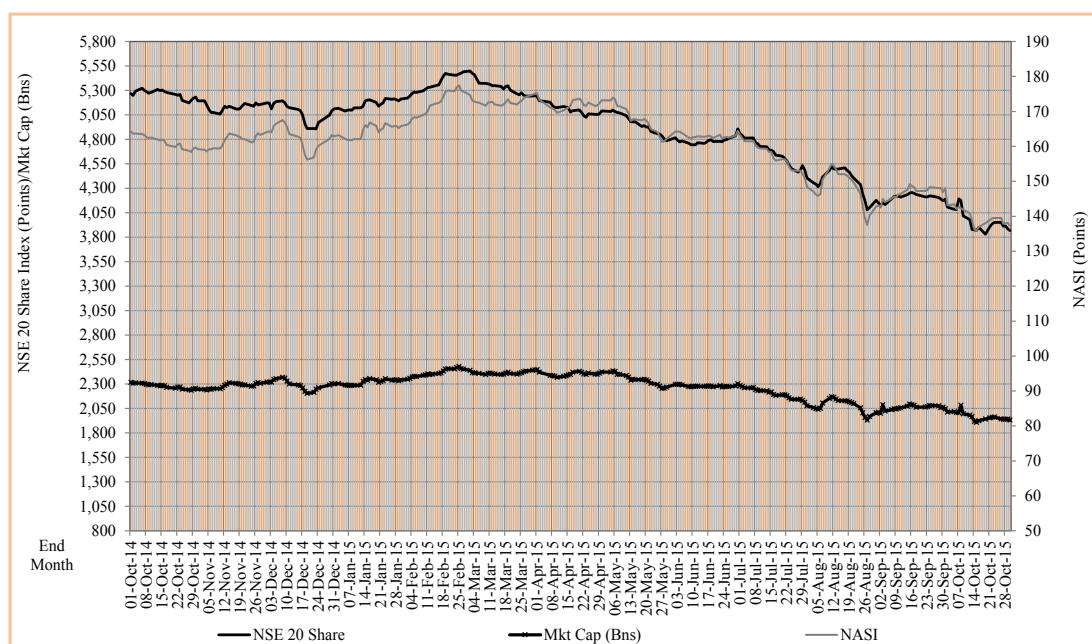
TABLE 8.1: SELECTED STOCK MARKET INDICATORS

Period (Month)	NSE 20 Share Index (1966=100)	NASI (2008=100)	Number of Shares Traded (Millions)	Equities Turnover (Ksh Millions)	Market Capitalization (Ksh Billions)	Bond Turnover (Ksh Millions)	FP to Equity Turnover	FS to Equity Turnover	Overall net FP to Equity Turnover
Oct-13	4,992.88	133.24	804.51	15,937.19	1,873.66	51,674.82	64.28%	47.19%	55.73%
Nov-13	5,100.88	141.17	645.20	13,128.66	1,975.00	27,310.57	48.21%	41.47%	44.84%
Dec-13	4,926.97	136.65	466.25	11,329.23	1,920.72	23,695.80	54.95%	61.04%	57.99%
Jan-14	4,856.15	134.66	638.48	15,970.23	1,898.00	42,549.39	48.28%	53.77%	51.03%
Feb-14	4,933.41	141.05	545.32	14,742.87	1,960.55	27,671.60	47.52%	57.72%	52.62%
Mar-14	4,945.78	143.89	544.06	13,042.51	2,003.52	32,371.60	50.55%	53.61%	52.08%
Apr-14	4,948.97	151.13	728.00	15,750.00	2,106.08	58,572.78	62.32%	53.37%	57.84%
May-14	4,881.56	150.20	854.00	23,022.00	2,092.00	38,379.11	48.90%	60.10%	54.50%
Jun-14	4,885.00	150.00	731.00	18,190.00	2,107.00	28,541.83	63.40%	49.18%	56.29%
Jul-14	4,906.09	151.69	625.20	15,043.00	2,125.31	49,467.93	56.19%	55.25%	55.72%
Aug-14	5,139.39	157.94	628.64	15,512.78	2,216.57	55,003.41	55.06%	34.08%	44.57%
Sep-14	5,256.00	163.00	767.18	19,241.28	2,293.49	41,859.78	43.71%	48.13%	45.92%
Oct-14	5,194.89	159.23	506.05	19,286.82	2,246.61	38,080.27	50.82%	57.08%	53.95%
Nov-14	5,156.00	163.00	665.97	14,341.06	2,303.15	50,483.94	65.37%	47.69%	56.53%
Dec-14	5,113.00	170.00	899.75	31,583.30	2,316.32	43,068.58	33.99%	30.76%	32.37%
Jan-15	5,212.00	166.00	414.28	9,714.78	2,350.33	38,369.93	45.30%	48.11%	46.71%
Feb-15	5,491.00	176.00	593.24	16,109.49	2,460.83	45,145.38	44.55%	43.30%	43.92%
Mar-15	5,346.00	174.00	614.20	20,516.57	2,452.47	45,854.64	45.66%	60.70%	53.18%
Apr-15	5,091.00	173.00	487.84	14,641.57	2,430.26	25,378.31	55.83%	56.29%	56.06%
May-15	4,788.00	162.00	683.76	21,331.42	2,341.00	22,342.01	57.94%	67.46%	62.70%
Jun-15	4,906.00	164.00	680.71	24,250.87	2,302.00	12,176.84	72.82%	74.66%	73.74%
Jul-15	4,405.00	148.00	714.88	21,554.17	2,080.00	12,399.58	67.51%	72.74%	70.13%
Aug-15	4,177.00	143.00	733.76	20,792.29	2,006.00	18,419.00	82.47%	76.78%	79.63%
Sep-15	4,173.00	147.00	433.96	14,375.44	2,063.64	13,693.38	84.56%	39.35%	61.95%
Oct-15	3,869.00	137.00	540.00	17,837.00	1,931.00	29,928.04	69.69%	64.70%	67.19%

Source: Nairobi Securities Exchange

Foreign investor purchases as a percentage of total equity turnover were 69.69 percent against 64.70 percent foreign sales in October 2015, reflecting a net inflow. Net foreign investor participation accounted for 67.19 percent of total equity turnover up from 61.19 percent (Table 8.1).

The market remained subdued in the month of October 2015 as reflected across all the three indicators; the NSE 20 Share Index, NASI and Market Capitalization (Chart 8A). Banking, Telecommunication and Technology and Energy and Petroleum dominated trading, accounting for 57.10 percent, 21.40 percent and 5.62 percent of all shares traded respectively, in October 2015.

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

Source: Nairobi Securities Exchange

Most Active Sectors & FTSE NSE Kenya Index Series

The FTSE NSE Kenya 15 Index, which measures performance of 15 largest stocks by market capitalization at the NSE, declined from 195.09 points in September 2015 to 180.26 points in October 2015. Similarly, FTSE NSE Kenya 25 Index, which measures performance of 25 most liquid stocks, closed lower at 179.58 points from 194.81 points. The FTSE NSE Kenyan Government Bond Index declined marginally to 90.13 points from 90.41 points, reflecting marginal increase in secondary market yields.

Bond Market Bonds traded increased by 118.56 percent to KSh 29,928.04 million from KSh 13,693.38 million in September 2015. Corresponding deals were 397 up from 307 deals during the period. The FXD2/2015/001 dominated trading, at 24.28 percent of total bonds traded, with yields ranging from 23.8 percent to 16.5 percent, against a coupon rate of 22.95 percent. The Corporate bonds segment traded KSh 9.46 million, equivalent to 0.03 percent of total bond turnover.

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

1.0 ASSETS	OCT 2015	JUNE 2015	INCREASE/ (DECREASE)	OCT 2014
1.1 BALANCES DUE FROM BANKING INSTITUTIONS AND GOLD HOLDINGS	734,014	704,874	29,140	669,564
1.2 FUNDS HELD WITH IMF	3,946	4,385	(439)	2,818
1.3 ITEMS IN THE COURSE OF COLLECTION	83	82	1	28
1.4 ADVANCES TO COMMERCIAL BANKS	66,077	75	66,002	85
1.5 LOANS AND OTHER ADVANCES	2,687	2,478	208	21,233
1.6 OTHER ASSETS	3,684	4,299	(615)	2,773
1.7 RETIREMENT BENEFIT ASSET	4,668	4,668	(0)	7,659
1.8 PROPERTY AND EQUIPMENT	20,385	20,746	(361)	13,779
1.81 INTANGIBLE ASSETS	270	495	(225)	517
1.9 DUE FROM GOVERNMENT OF KENYA	63,744	63,163	581	27,779
TOTAL ASSETS	899,557	805,265	94,292	746,235
2.0 LIABILITIES				
2.1 CURRENCY IN CIRCULATION	225,946	222,178	3,768	207,518
2.2 INVESTMENTS BY BANKS	-	-	-	11,862
2.3 DEPOSITS	405,220	331,314	73,906	326,846
2.4 INTERNATIONAL MONETARY FUND	128,267	125,775	2,492	126,110
2.5 OTHER LIABILITIES	4,162	4,373	(211)	1,731
TOTAL LIABILITIES	763,595	683,640	79,955	674,067
3.0 EQUITY AND RESERVES	135,962	121,625	14,337	72,168
Share Capital	5,000	5,000	-	5,000
General reserve fund -Unrealized	78,443	78,592	(149)	51,432
-Realized	11,130	11,130	-	-
-Capital Projects	7,445	7,445	-	-
Period surplus	14,486	-	14,486	1,742
Asset Revaluation	14,790	14,790	-	8,853
Retirement Benefit Asset Reserves	4,668	4,668	-	5,141
4.0 TOTAL LIABILITIES AND EQUITY	899,557	805,265	94,292	746,235

Source: Central Bank of Kenya

NOTES ON THE FINANCIAL POSITION

Total assets increased by 4.1 percent (KSh 94,292 million) in the year to October 2015 largely on account of advances to commercial banks and balances due from banking institutions.

Assets

Balances due from Banking institutions and Gold holdings category comprise of foreign reserves held in external current accounts, deposits and special/projects accounts, domestic foreign currency clearing accounts, gold, special drawing rights and RAMP securities invested with the World Bank. These balances increased by KSh 29,140 million to KSh 734,014 million in October 2015 from KSh 704,874 billion in June 2015.

Items in course of collection represent the value of clearing instruments which are held by the Central Bank of Kenya, while awaiting clearing by respective commercial banks. The balances as at October 2015 were KSh 83 million compared to KSh 82 million outstanding as at June 2015.

Advances to commercial banks are balances of money advanced by the Central Bank of Kenya to commercial banks in the management of interbank liquidity. The balance outstanding increased to KSh 66,077 million in October 2015 from KSh 75 million in June 2015.

Loans and other advances include outstanding balances on advances to commercial banks under the Overnight Loan Facility (OLF), and IMF funds on-lent to Government. The outstanding balance increased by KSh 208 million to KSh 2,687 million in October 2015 from KSh 2,478 million in June 2015.

Other Assets largely consist of prepayments and sundry debtors, and deferred currency expense. These assets declined by KSh 615 million to KSh 3,684 million in October 2015 from KSh 4,299 million in June 2015.

Debt due from Government of Kenya category has been revised to include Government utilization of the overdraft facility at the Central bank as well as the overdrawn accounts which were converted to a long term debt with effect from 1 October 1997 after an amendment to the Central Bank of Kenya Act to limit lending to Government to 5 percent of Government's audited revenue. Initially, the overdraft to the government was classified under 'Loans and advances'. The overall debt increased to KSh 63,744 million in October 2015 from KSh 63,163 million in June 2015. As at October 2015, the overdraft stood at KSh 36,873.2 million and within the statutory limit of KSh 46,812.8 million.

Liabilities

Currency in circulation increased by KSh 3,768 million to KSh 225,946 million in October 2015 from KSh 222,178 million in June 2015.

Deposits represents deposits held by Government of Kenya, local commercial banks deposit, other public entities and project accounts and local banks' forex settlement accounts. The balances increased by KSh 73,906 million to KSh 405,220 million in October 2015 from KSh 331,314 million in June 2015.

Amount due to International Monetary Fund represents the Bank's obligations to the IMF. The balances increased by KSh 2,492 million to KSh 128,267 in October 2015 from KSh 125,775 million in June 2015.

Other liabilities include net impersonal accounts, sundry creditors, foreign exchange bureaus deposits and suspense accounts. The balance declined by KSh 211 million to KSh 4,162 million in October 2015 from KSh 4,373 million in June 2015.

Equity and reserves increased by KSh 14,337 million, to KSh 135,962 million in October 2015 from KSh 121,625 million in June 2015 reflecting increase in period surplus of KSh 14,486 million.