MONTHLY ECONOMIC REVIEW

JULY 2015

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

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Overview

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

Inflation Overall 12-month inflation declined to 6.6 percent in July 2015 from 7.0 percent in June 2015 largely reflecting a decline in food inflation which eased by 113 basis points to 11.4 percent. However, fuel inflation rose by 33 basis points to 0.6 percent, while non-food non-fuel inflation rose by 4 basis points to 4.7 percent in the same period. The annual average rate of inflation eased by 10 basis points to 6.5 percent in July 2015.

Money Supply Growth in broad money, M3, declined to 16.4 percent in the year to July 2015 from 19.3 percent recorded in July 2014, and was within its programmed target of 17.9 percent for July 2015.

Interest Rates The Monetary Policy Committee raised the Central Bank Rate (CBR) to 11.5 percent on July 7, 2015. KBRR was also raised to 9.87 percent in July 7, 2015 from 8.54 percent in January 2015. Short term interest rates as well as the average lending rate increased in July 2015.

Real GDP Growth The economy grew by 5.5 percent in the second quarter of 2015 compared with growth of 6.0 in the same period in 2014. Growth in this Quarter was largely supported by improved performance in Electricity & water supply; Agriculture; Wholesale and retail trade; and Transport and communication.

Balance of Payments Kenya's overall balance of payments position deteriorated by USD 3,074.3 million to USD 1,111 million deficit in the year to July 2015 from a surplus of USD 1,963 million in the year to July 2014 reflecting larger reduction in the capital and financial account surplus, and a widening of the current account deficit.

Exchange Rates The Kenya shilling weakened against major international currencies but displayed mixed performance against EAC currencies during the month of July 2015. The performance of the Kenya Shilling reflects developments in the international markets notably the strengthening of the US Dollar against major world currencies and high dollar demand on the domestic market.

Banking Sector Developments

The banking sector in Kenya comprised 43 commercial banks, 1 mortgage finance company, 12 microfinance banks, 8 representative offices of foreign banks, 86 foreign exchange bureaus, 14 money remittance providers and 3 credit reference bureaus as at 31st July 2015.

Government Budgetary Performance

The Government's budgetary operations during the first month of the FY 2015/16 resulted in a surplus of Ksh 24.3 billion (0.5 percent of GDP) on a commitment basis compared with a surplus of Ksh 21.0 billion (0.4 percent of GDP) incurred in the same period of the FY 2014/15. This was within the Ksh 14.4 billion (0.3 percent of GDP), programmed budget deficit for the period.

Public Debt

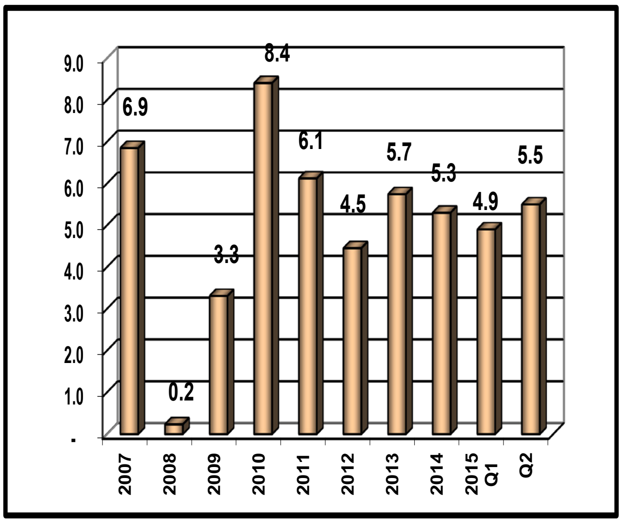
Kenya's public and publicly guaranteed debt rose by Ksh 62.7 billion to close at Ksh 2,891.7 billion (54 Percent of GDP) in July 2015 from Ksh 2,829.1 billion (52.8 percent of GDP) in June 2015.

Stock Market

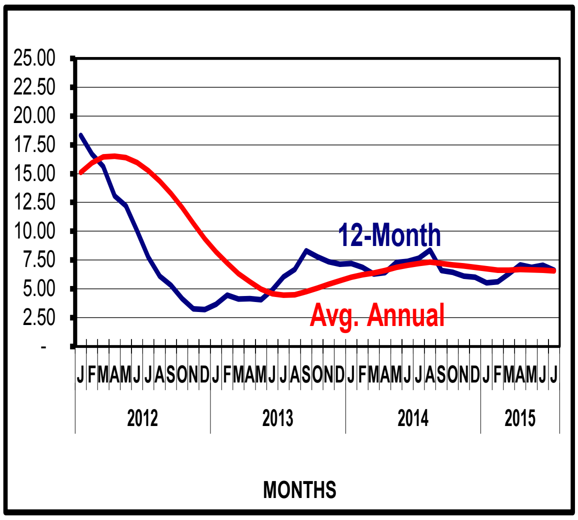
Performance of the NSE in July 2015 declined across all leading market indicators. The net foreign investors' activities at the NSE declined, with sales outstripping purchases..

SELECTED ECONOMIC PERFORMANCE INDICATORS

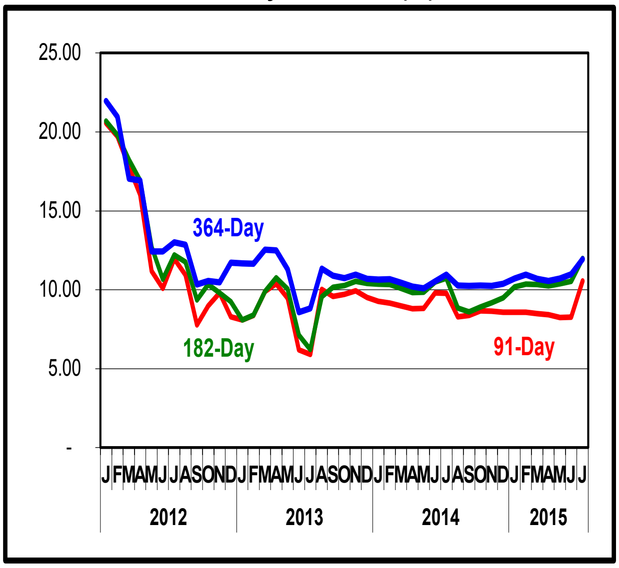
Real GDP Growth (%)



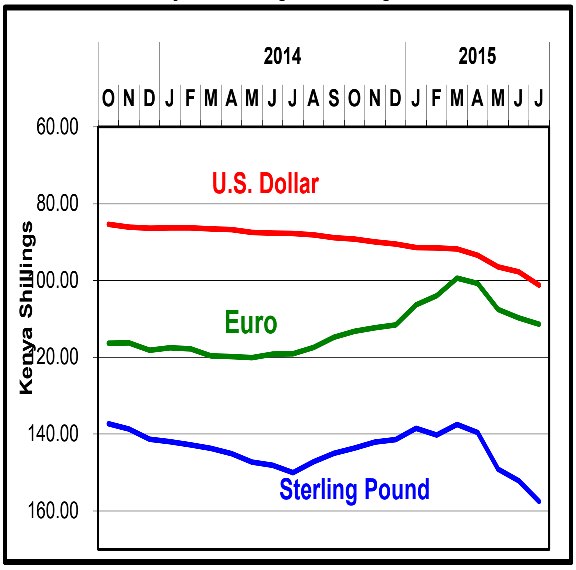
Inflation (%)



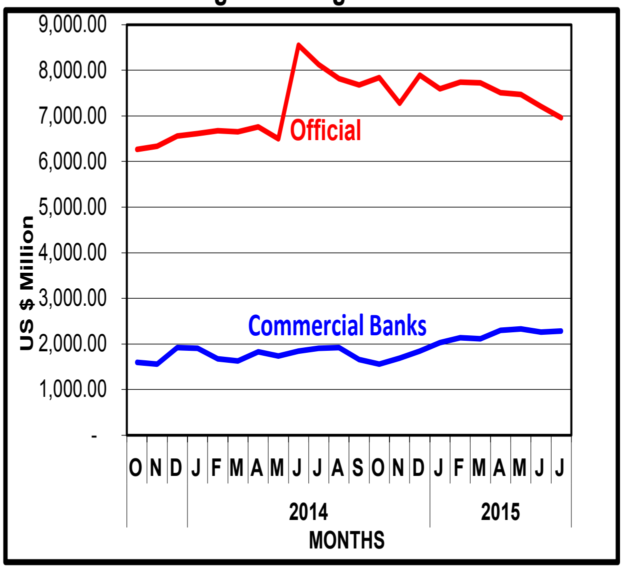
Treasury Bill Rates (%)



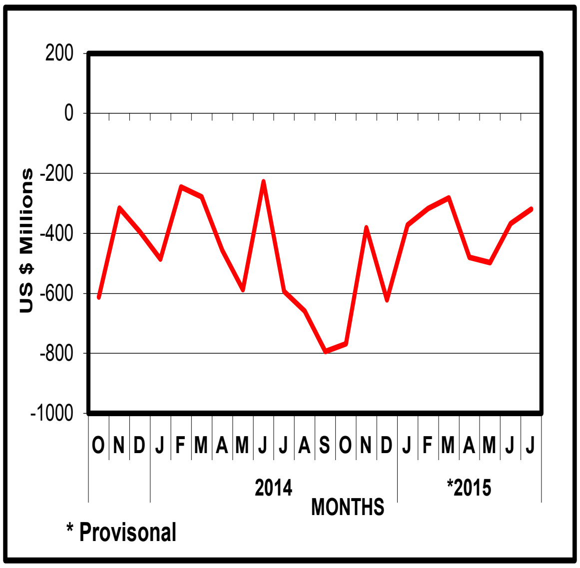
Kenya Shilling Exchange Rate



Foreign Exchange Reserves



Current Account Balance



SELECTED ANNUAL ECONOMIC INDICATORS

		2006	2007	2008	2009	2010	2011	2012	2013	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**	**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 basi	(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						
	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	June	July
1. INFLATION (%)													
CPI	**150.60**	**152.02**	**152.24**	**151.92**	**151.85**	**152.51**	**153.43**	**154.14**	**155.86**	**158.70**	**159.98**	**160.46**	**160.57**
Overall Inflation													
12-month overall inflation	7.67	8.36	6.60	6.43	6.09	6.02	5.53	5.61	6.31	7.08	6.87	7.03	6.62
Average annual overall inflation	7.19	7.33	7.19	7.08	6.97	6.88	6.74	6.63	6.63	6.69	6.65	6.63	6.54
2. INTEREST RATES (%)													
91-day Treasury bill interest rate	9.78	8.29	8.38	8.67	8.64	8.58	8.59	8.59	8.49	8.42	8.26	8.26	10.57
Overdraft interest rate	17.12	16.20	15.79	15.77	15.66	15.86	15.95	15.67	15.68	15.52	15.10	15.65	16.05
3. STOCK MARKET													
Nairobi Stock Exchange 20 Share Price Index	4,906.09	5,139.39	5,256.00	5,194.89	5,156.00	5,112.65	5,212.00	5,491.00	5,248.16	5,091.00	4,788.00	4,906.00	4,405.00
Turnover Ratio (%)	0.77	0.77	0.93	0.61	0.80	1.07	0.50	0.72	0.74	0.59	0.82	0.82	0.86
4. GOVERNMENT BUDGET* (Ksh bn.)													
Revenue $ Grants	69.58	142.36	248.08	335.24	410.52	524.99	614.43	690.52	779.30	888.78	982.30	1,110.55	81.27
Expenses	48.60	141.07	276.61	373.51	490.10	613.96	765.22	864.18	1,133.10	1,264.32	1,347.64	1610.8	57.0
Budget Deficit (-) / Surplus (+)	**20.97**	**1.29**	**(28.52)**	**(38.27)**	**(79.58)**	**(88.98)**	**(150.79)**	**(173.66)**	**(353.80)**	**(375.55)**	**(365.35)**	**(500.21)**	**24.29**
5. MONEY AND CREDIT (Ksh bn.)													
Liquidity (L)[1]	2,812.44	2,880.19	3,020.09	3,037.95	3,102.53	3,124.10	3,162.64	3,222.47	3,034.64	3,098.44	**3140.0**	**3196.9**	**3218.8**
Money Supply (M3)[2]	2,190.08	2,253.32	2,251.76	2,260.02	2,295.15	2,329.98	2,350.80	2,407.83	2,398.76	2,464.48	2501.6	2553.0	2533.7
Reserve Money	304.65	357.05	322.76	348.60	346.20	380.04	350.15	351.63	346.28	353.10	362.7	372.0	383.3
Total Domestic Credit	2,130.25	2,187.85	2,110.42	2,117.77	2,162.29	2,137.14	2,153.91	2,225.71	2,444.26	2,492.26	**2558.7**	**2639.0**	**2709.1**
Government	346.88	372.79	251.07	239.96	256.64	204.27	206.94	266.20	469.72	477.67	**489.7**	**522.1**	**550.4**
Private sector and other public sector	1,783.37	1,815.06	1,859.35	1,877.81	1,905.65	1,932.86	1,946.96	1,959.51	1,974.53	2,014.59	**2069.0**	**2116.9**	**2158.6**
6. MONEY AND CREDIT (Annual % Change)													
Liquidity (L)[1]	**19.11**	**22.99**	**25.53**	**25.08**	**25.10**	**23.81**	**23.61**	**25.87**	**17.05**	**16.92**	**16.2**	**17.6**	**14.4**
Money Supply (M3)[2]	19.30	21.80	19.41	18.94	17.48	16.72	16.00	18.58	16.43	17.32	16.5	18.6	15.7
Reserve Money	7.28	15.25	11.16	13.46	9.29	18.48	15.82	11.45	11.77	12.00	15.0	14.9	25.8
Total Domestic Credit	**20.05**	**21.06**	**12.54**	**12.09**	**9.92**	**8.02**	**7.12**	**8.17**	**16.51**	**17.12**	**17.5**	**29.2**	**27.2**
Government	0.07	10.91	(34.37)	(34.91)	(37.21)	(48.57)	(49.93)	(39.33)	4.41	8.08	**5.3**	**84.5**	**58.7**
Private and other public sector	24.90	23.37	24.56	23.49	22.28	22.23	21.88	21.05	19.81	19.49	**20.8**	**20.3**	**21.0**
7. BALANCE OF PAYMENTS (US$ m)													
Overall Balance	**(419.32)**	**(313.45)**	**(137.65)**	**168.11**	**(559.44)**	**626.49**	**-294.47**	**143.54**	**-13.26**	**-208.60**	**-34.99**	**-238.59**	**-248.64**
Current Account	(592.93)	(658.56)	(794.18)	(767.48)	(381.68)	(621.04)	(371.93)	(317.51)	(281.84)	(479.68)	(497.35)	(367.62)	(319.50)
Trade Balance	(1,238.33)	(1,164.49)	(1,374.36)	(1,304.50)	(904.62)	(1,098.87)	(946.65)	(770.56)	(732.12)	(962.79)	(1,017.47)	(825.32)	(837.47)
Capital and Financial Account	173.61	345.10	656.54	935.60	(177.76)	1,247.53	77.46	461.05	268.58	271.07	462.36	129.03	70.87
8. FOREIGN EXCHANGE RESERVES (US$ m)	**10,029.34**	**9,731.50**	**9,335.92**	**9,399.90**	**8,964.49**	**9,737.55**	**9,619.76**	**9,873.29**	**9,834.29**	**9,805.54**	**9,798.73**	**9,473.11**	**9,248.79**
Official	8,127.54	7,814.08	7,676.44	7,838.99	7,273.99	7,894.92	7,593.04	7,736.58	7,723.31	7,509.44	7,469.23	7,211.56	6,962.93
*Months of import cover***	5.33	5.10	4.96	5.00	4.64	5.01	4.80	4.88	4.90	4.75	4.73	4.57	4.42
Commercial banks	1,901.81	1,917.42	1,659.49	1,560.91	1,690.50	1,842.64	2,026.72	2,136.71	2,110.98	2,296.10	2,329.50	2,261.55	2,285.86
9. PUBLIC DEBT (US$ bn)	**27.19**	**26.92**	**26.44**	**26.17**	**26.56**	**27.16**	**28.28**	**28.97**	**29.10**	**29.35**	**28.94**	**28.96**	**28.39**
Domestic	14.77	14.54	14.19	13.97	14.49	14.23	14.42	14.79	15.20	15.15	14.61	14.54	14.02
As % of GDP	*24.20*	*23.91*	*23.53*	*23.41*	*24.33*	*24.41*	*24.91*	*25.26*	*26.08*	*26.42*	*26.29*	*26.51*	*26.48*
External	12.42	12.38	12.25	*12.20*	*12.08*	*12.92*	*13.86*	*14.17*	*13.90*	*14.20*	*14.33*	*14.42*	*14.37*
As % of GDP	*20.34*	*20.36*	*20.30*	*20.32*	*20.33*	*21.85*	*23.64*	*24.20*	*23.86*	*24.77*	*25.78*	*26.29*	*27.50*
10. GROSS DOMESTIC DEBT (Ksh bn)***	1,296.44	1,281.09	1,260.87	1,246.14	1,303.35	1,287.40	1,317.48	1,353.30	1,397.10	1,415.43	1,408.43	1,420.44	1,418.57
11. AVERAGE EXCHANGE RATE													
Ksh/US$	87.77	88.11	88.84	89.23	89.96	90.44	91.36	91.49	91.73	93.44	96.39	97.70	101.20
Ksh/Pound Sterling	150.04	147.24	144.99	143.66	142.05	141.45	138.49	140.21	137.51	139.62	149.10	152.16	157.53
Ksh/ 100 Yen	86.32	85.63	82.90	82.62	77.53	75.79	77.19	77.17	76.22	78.18	79.89	79.00	82.10
Ksh/Euro	119.02	117.40	114.74	113.21	112.28	111.52	106.32	103.94	99.40	100.71	107.54	109.72	111.36

* 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 declined to 6.6 percent in July 2015 from 7.0 percent in June 2015 largely reflecting a decline in food inflation which eased by 113 basis points to 11.4 percent. However, fuel inflation rose by 33 basis points to 0.6 percent, while non-food non-fuel inflation rose by 4 basis points to 4.7 percent in the same period. The annual average rate of inflation eased by 10 basis points to 6.5 percent in July 2015, while the three months annualized rate of inflation eased to 4.8 percent, indicating a decrease in domestic inflationary pressures (Table 1.1 and Chart 1A).

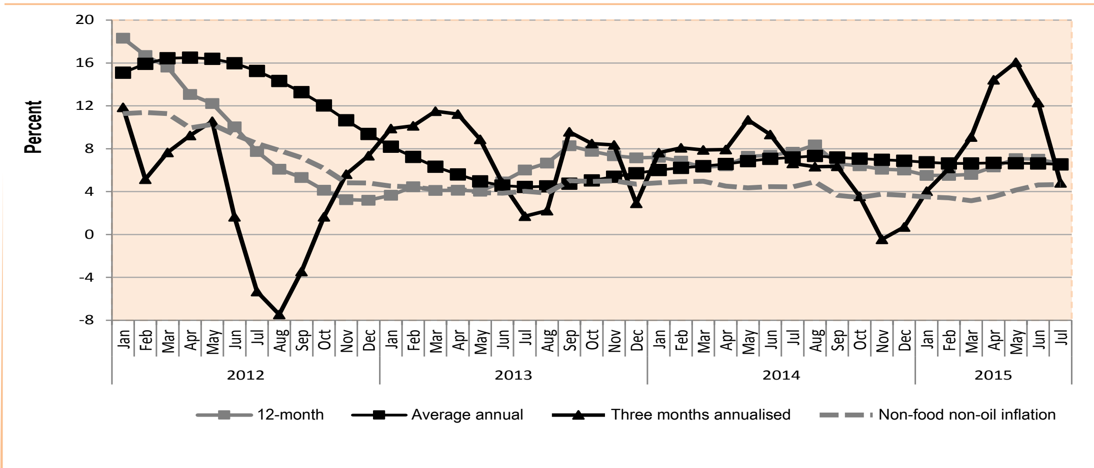
The decline in food inflation from 12.6 percent in June 2015 to 11.4 percent in July 2015 largely reflects a decrease in the 'food and non-alcoholic beverages' category of goods and services from 13.4 percent in June 2015 to 12.1 percent in July 2015, due to favorable weather conditions that led to improved supply of fresh agricultural produce resulting in lower prices. .

TABLE 1.1: RECENT DEVELOPMENTS IN INFLATION

Overall Inflation	2014								2015						
	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul
12-month	7.30	7.39	7.67	8.36	6.60	6.43	6.09	6.02	5.53	5.61	6.31	7.08	6.87	7.03	6.62
Average annual	6.85	7.05	7.19	7.33	7.19	7.08	6.97	6.88	6.74	6.63	6.63	6.69	6.65	6.63	6.54
Three months annualised	10.69	9.32	6.63	6.33	6.37	3.56	-0.44	0.70	4.05	6.16	9.09	14.44	16.06	12.32	4.81
Food inflation	8.69	8.30	8.89	10.42	8.12	7.95	7.39	7.54	7.38	8.33	10.32	12.54	12.42	12.55	11.42
Fuel inflation	8.13	9.02	9.10	8.59	7.17	7.03	6.37	5.98	4.53	3.32	2.87	1.53	0.28	0.24	0.57
Non-food non-fuel inflation	4.35	4.47	4.45	4.92	3.65	3.46	3.77	3.65	3.51	3.43	3.16	3.53	4.15	4.63	4.67

Sources: Kenya National Bureau of Statistics

CHART 1A: EVOLUTION OF INFLATION



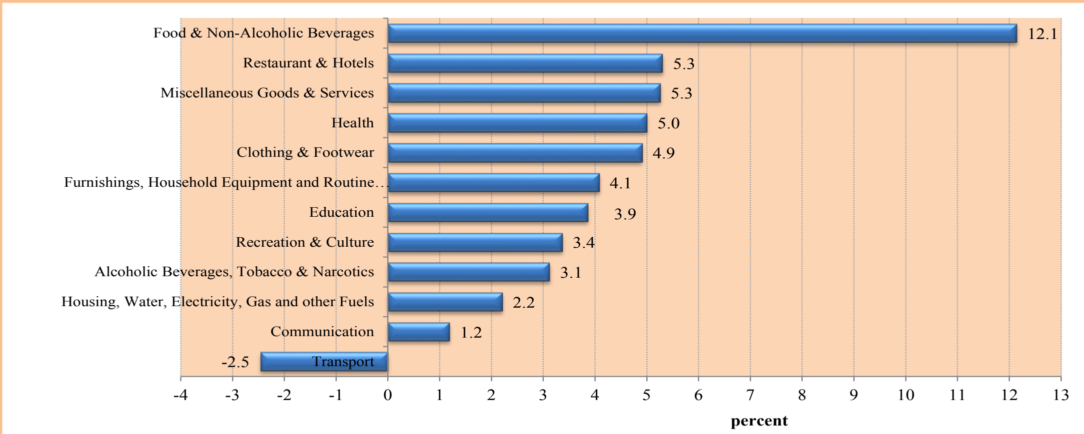
Sources: Kenya National Bureau of Statistics and Central Bank of Kenya

Fuel inflation rose from 0.2 percent in June 2015 to 0.6 percent in July 2015. This reflects an increase in 12-month inflation in the 'transport' category of goods and services, which rose by 60 basis points from -3.0 percent in June 2015 to -2.5 percent in July 2015 on account of a slight rise in the cost of petrol and diesel. The 'housing, water, electricity, gas and other fuels' category of goods and services, rose by 20 basis points from 2.0 percent in June 2015 to 2.2 percent in July 2015, due to an increase in the cost of common cooking fuels and other household utilities.

Non-food non-fuel inflation rose from 4.6 percent in June 2015 to 4.7 percent in July 2015, reflecting a rise in inflation in the 'Alcoholic Beverages, Tobacco & Narcotics', 'recreation and culture' and 'education' consumption baskets.

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

CHART 1B: 12-MONTH INFLATION ACROSS THE CPI CATEGORIES OF GOODS AND SERVICES, JULY 2015



Sources: Kenya National Bureau of Statistics

TABLE 1.2: 12 MONTH INFLATION ACROSS BASKETS AND INCOME GROUPS, JULY 2015

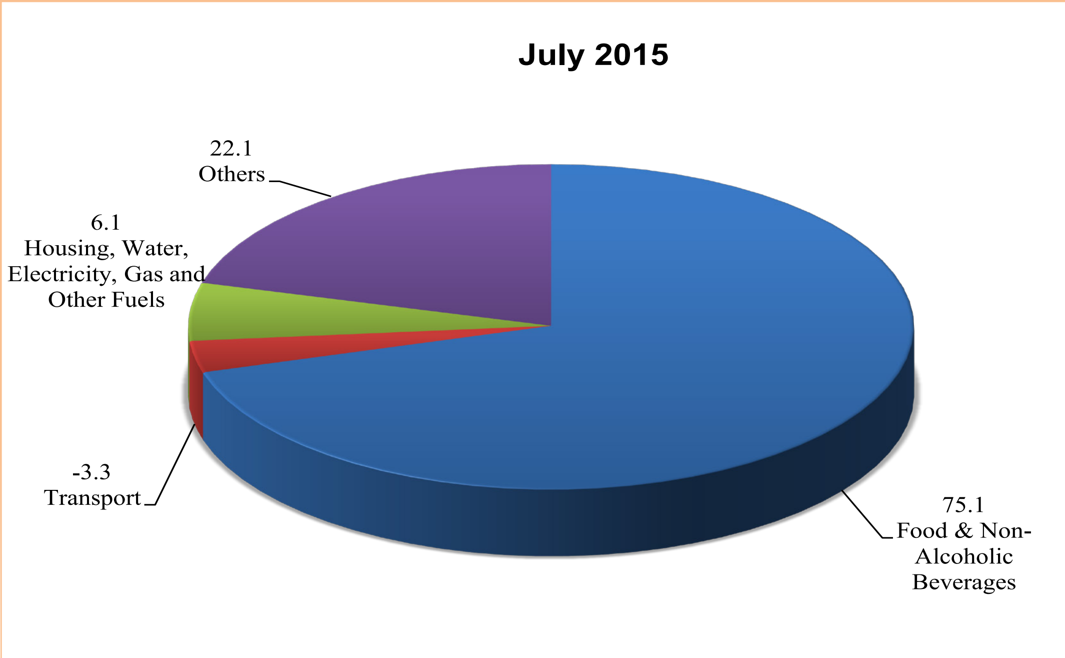
July 2015	Weight-CPI Kenya	NAIROBI Lower Income	NAIROBI Middle Income	NAIROBI Upper Income	NAIROBI Nairobi Combined	REST OF URBAN Rest of Kenya Combined	TOTAL KENYA
Food & Non-alcoholic beverages	**42.6**	12.6	8.0	10.4	11.4	12.6	**12.1**
Alcoholic beverages, Tobacco & narcotics	**2.0**	3.5	0.9	1.6	2.8	3.3	**3.1**
Clothing & Footwear	**6.6**	3.5	4.9	4.9	3.9	5.6	**4.9**
Housing, Water,Electricity,Gas and other fuels	**16.7**	1.9	0.7	-3.7	1.4	2.7	**2.2**
Furnishings, Household equipment and Routine household maintenance	**5.5**	2.5	3.9	3.6	2.9	4.8	**4.1**
Health	**2.7**	3.4	7.0	4.5	4.3	5.5	**5.0**
Transport	**8.6**	3.0	-2.2	3.2	1.9	-5.7	**-2.5**
Communication	**1.9**	1.7	4.5	0.3	2.5	0.4	**1.2**
Recreation & culture	**2.0**	2.4	6.7	-2.2	3.3	3.4	**3.4**
Education	**2.6**	3.0	11.3	3.8	5.1	3.0	**3.9**
Restaurants & hotels	**4.7**	3.6	4.7	12.5	4.1	6.1	**5.3**
Miscellaneous goods & services	**3.9**	2.4	6.2	2.7	3.3	6.5	**5.3**
ALL GROUPS	**100.0**	**7.3**	**4.2**	**2.9**	**6.4**	**6.7**	**6.6**

Source: Kenya National Bureau of Statistics

12-month inflation in Nairobi dropped to 6.4 percent in July 2015, from 6.5 percent in June 2015. The 12-month inflation for the 'Nairobi Lower Income' group stabilized at 7.3 percent in June and July 2015, while that for the 'Nairobi Middle Income' group eased to 4.2 percent in July 2015 from 4.6 percent in June 2015. For the 'Nairobi Upper Income' group, it increased to 3.0 percent in July 2015 from 1.8 percent recorded in June 2015, while that in urban centres outside Nairobi declined to 6.8 percent in July 2015 from 7.4 percent in June 2015 (Table 1.3).

Chart 1C shows that 75.1 percent of overall 12-month inflation in July 2015 was attributed to 'food and non-alcoholic beverages' category of goods while inflation in 'housing, water, electricity, gas and other fuels' and 'transport' categories contributed 6.1 percent and -3.3 percent, respectively.

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



Sources: Kenya National Bureau of Statistics

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

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

Sources: Kenya National Bureau of Statistics

Developments in Money, Credit and Interest Rates

Monetary Aggregates

Growth in broad money, M3, decelerated to 16.4 percent in the year to July 2015 from 19.3 percent recorded in the year to July 2014, and was within target of 17.9 percent for July 2015. Over the same period, growth in M2 slowed down to 16.0 percent from 18.8 percent while growth in foreign currency deposits decelerated to 18.2 percent from 22.1 percent (Table 2.1 and Chart 2A).

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

	2013	2014	2015	Absolute Change		%age change	
				2013/14	2014/15	12 months	12 months
	July	July	July	July	July	Jul-14	Jul-15
1. Money supply, M3 (2+3) 2/	**1835.8**	**2190.1**	**2549.0**	**354.3**	**358.9**	**19.3**	**16.4**
1.1 Money supply, M2 3/	1554.0	1846.1	2142.3	292.1	296.2	18.8	16.0
1.2 Money supply, M1	756.4	899.4	1016.7	143.1	117.2	18.9	13.0
1.3 Currency outside banks	148.4	161.2	181.3	12.7	20.1	8.6	12.5
1.4 Foreign Currency Deposits	281.8	344.0	406.7	62.2	62.7	22.1	18.2
2. Net foreign assets 4/	**383.3**	**489.1**	**412.9**	**105.8**	**-76.2**	**27.6**	**-15.6**
Central Bank	411.0	555.6	558.0	144.6	2.4	35.2	0.4
Banking Institutions	-27.7	-66.5	-145.1	-38.8	-78.5		
3. Net domestic assets (3.1+3.2)	**1452.5**	**1701.0**	**2136.1**	**248.5**	**435.1**	**17.1**	**25.6**
3.1 Domestic credit (3.1.1+3.1.2)	**1774.5**	**2130.3**	**2724.5**	**355.8**	**594.2**	**20.0**	**27.9**
3.1.1 Government (net)	346.6	346.9	565.8	0.3	218.9	0.1	63.1
3.1.2 Private sector	1389.5	1744.4	2113.8	354.9	369.4	25.5	21.2
3.1.3 Other public sector	38.3	39.0	44.9	0.6	5.9	1.6	15.2
3.2 Other assets net (3-3.1)	**-322.0**	**-429.2**	**-588.4**	**-107.3**	**-159.2**		
Memorandum items							
1. Overall liquidity, L 1/	**2310.7**	**2812.4**	**3234.1**	**501.7**	**421.6**	**21.7**	**15.0**
2. Reserve money	**284.0**	**304.7**	**383.3**	**20.7**	**78.7**	**7.3**	**25.8**
Currency outside banks	148.4	161.2	181.3	12.7	20.1	8.6	12.5
Bank reserves	135.6	143.5	202.1	7.9	58.6	5.9	40.8

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

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

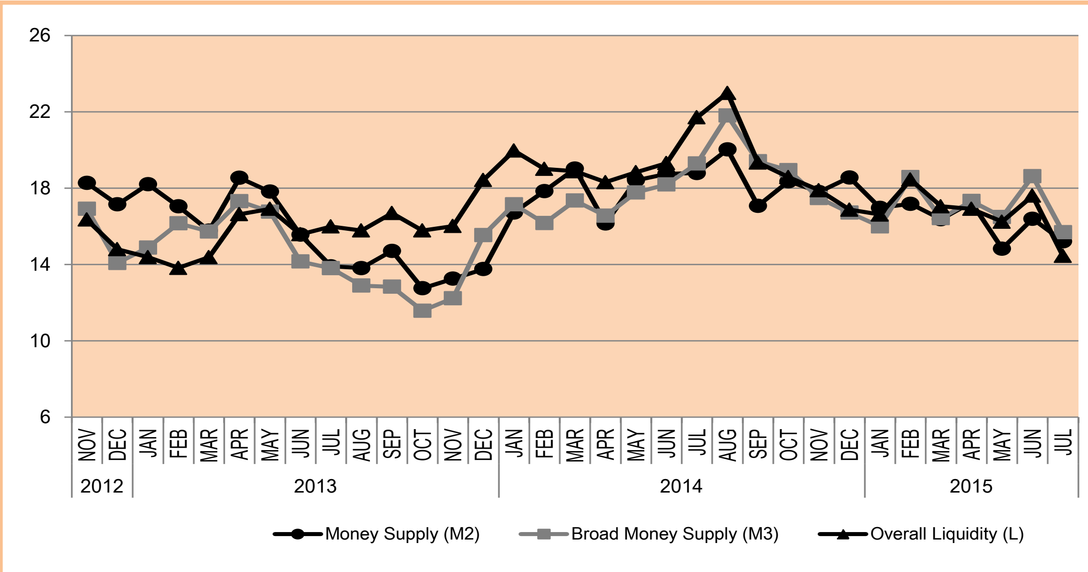
2/ Broader money, M3, comprises M2 and residents foreign currency deposits with local banks. It is comparable to M3X in the past publications. Foreign currency deposits are valued at current exchange rate from July 2008.

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

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

Source: Central Bank of Kenya

CHART 2A: ANNUAL PERCENTAGE CHANGE IN MONEY SUPPLY



Source: Central Bank of Kenya

The slowdown in broad money was largely on account of changes in the Net Foreign Assets (NFA) of the banking system which declined by 15.6 percent in the year to July 2015 compared to an increase of 27.6 percent in the year to July 2014. The NFA of the Central Bank grew by 0.4 percent to KSh 558.0 billion in the year to July 2015 from KSh 555.6 billion in July 2014. The sluggish growth of NFA was on account of sale of forex by CBK in the interbank market to stabilize the Kenya Shilling during the period. The NFA held by other banking institutions also declined on account of increased loans from non-residents and other accounts payable. Over the same period, the NDA of the banking system grew by 25.6 percent from 17.1 percent largely on increased borrowing by Government from the banking system (Table 2.1).

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

	2014 July		2015 July		Absolute Change July		Annual %age Change July	
	Ksh bn	Share (%)	Ksh bn	Share (%)	2013/14	2014/15	2013/14	2014/15
1. Credit to Government	**346.9**	**16.3**	**565.8**	**20.8**	**0.3**	**218.9**	**0.1**	**63.1**
Central Bank	-130.9	-6.1	28.1	1.0	-82.6	159.0	171.1	-121.5
Commercial Banks & NBFIs	477.8	22.4	537.7	19.7	82.9	59.9	21.0	12.5
2. Credit to other public sector	**39.0**	**1.8**	**44.9**	**1.6**	**0.6**	**5.9**	**1.6**	**15.2**
Local government	3.1	0.1	0.4	0.0	4.4	-2.7	-338.5	-87.0
Parastatals	35.9	1.7	44.5	1.6	-3.8	8.6	-9.5	24.0
3. Credit to private sector	**1744.4**	**81.9**	**2113.8**	**77.6**	**354.9**	**369.4**	**25.5**	**21.2**
Agriculture	68.4	3.2	87.9	3.2	10.8	19.5	18.8	28.5
Manufacturing	219.7	10.3	268.8	9.9	47.4	49.0	27.5	22.3
Trade	285.4	13.4	361.7	13.3	58.7	76.3	25.9	26.7
Building and construction	74.7	3.5	89.5	3.3	6.4	14.8	9.4	19.8
Transport & communications	114.5	5.4	152.7	5.6	34.0	38.2	42.3	33.4
Finance & insurance	38.0	1.8	55.8	2.0	10.4	17.8	37.8	46.8
Real estate	236.6	11.1	273.3	10.0	55.8	36.7	30.8	15.5
Mining and quarrying	28.9	1.4	23.7	0.9	5.7	-5.2	24.3	-17.9
Private households	275.1	12.9	353.8	13.0	63.9	78.7	30.2	28.6
Consumer durables	104.3	4.9	126.7	4.7	17.6	22.4	20.3	21.5
Business services	155.1	7.3	194.2	7.1	41.5	39.2	36.5	25.3
Other activities	143.7	6.7	125.7	4.6	2.6	-18.1	1.8	-12.6
4. TOTAL (1+2+3) *	**2130.3**	**100.0**	**2724.5**	**100.0**	**355.8**	**594.2**	**20.0**	**27.9**

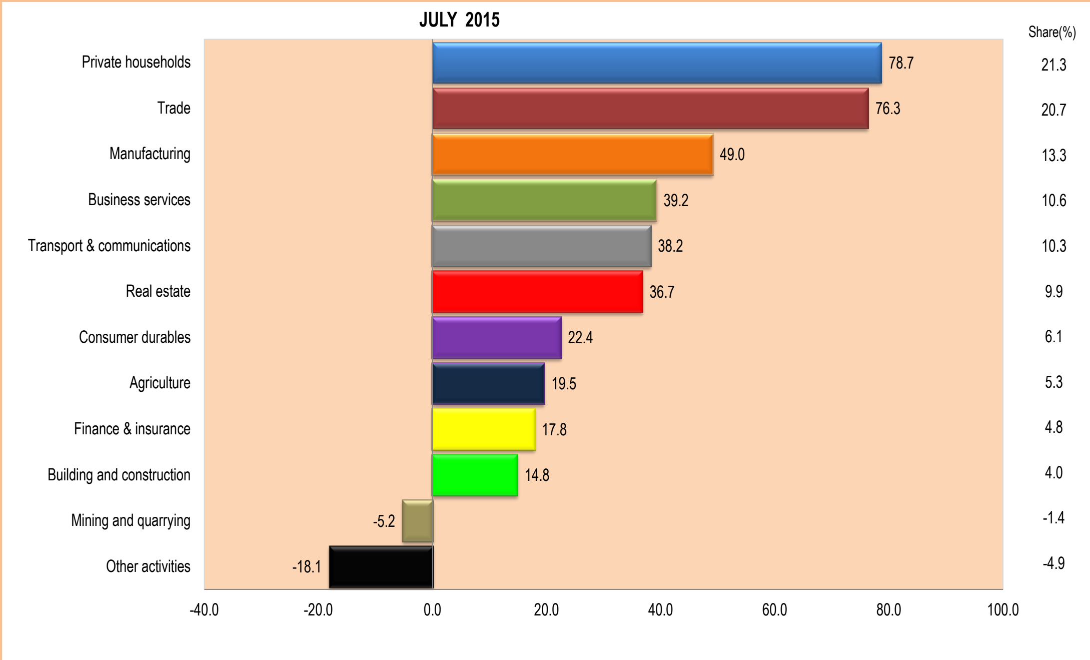
* Absolute and percentage changes may not necessarily add-up due to rounding

Source: Central Bank of Kenya

Domestic Credit Developments

Domestic credit from the banking system increased by KSh 594.2 billion (27.9 percent) in the year to July 2015 compared with KSh 355.8 billion (20.0 percent) in a similar period in 2014 (Table 2.2). The strong growth in domestic credit largely reflects increase in credit to government. The government drew down the deposits at CBK reflecting utilization of proceeds from the Eurobond (issued in June 2014) and the Tap sale in December 2014. In the period under review, growth in credit to the private sector decelarated to 21.2 percent from 25.5 percent recorded the previous year. In terms of contribution to the total lending, the private sector accounted for 77.6 percent of the total bank credit compared with 20.8 percent to the Government. The distribution of credit to private sector is shown on (Chart 2B).

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



Source: Central Bank of Kenya

Reserve Money

Reserve money (RM) increased by 25.8 percent in the year to July 2015 compared with 7.3 percent in July 2014 (Table 2.3). At KSh 383.3 billion in July 2015, reserve money was KSh 29.7 billion above the target. The growth in reserve money reflected 40.8 percent increase in bank reserves and 12.5 percent increase in currency outside banks.

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

	2013	2014	2015	Absolute change		Change (%)		2015	
	July	July	July	2013/14	2014/15	2013/14	2014/15	July Target	Deviation
1. Net Foreign Assets	411.0	555.6	558.0	144.6	2.4	35.2	0.4	527.3	30.7
2. Net Domestic Assets	-127.0	-250.9	-174.6	-123.9	76.3			-173.7	-1.0
2.1 Government Borrowing (net)	-48.3	-130.9	28.1	-82.6	159.0			-23.0	51.1
2.2 Commercial banks (net)	-12.8	0.7	-26.0	13.5	-26.7			-45.1	19.1
2.3 Other Domestic Assets (net)	-69.8	-124.4	-180.3	-54.6	-55.9			-109.1	-71.1
3. Reserve Money	284.0	304.7	383.3	20.7	78.7	7.3	25.8	353.6	29.7
3.1 Currency outside banks	148.4	161.2	181.3	12.7	20.1	8.6	12.5	178.0	3.3
3.2 Bank reserves	135.6	143.5	202.1	7.9	58.6	5.9	40.8	175.6	26.4

Source: Central Bank of Kenya

The NDA of the Central Bank increased by KSh 76.3 billion to KSh -174.6 billion in July 2015 from KSh -250.9 billion in July 2014 on account of drawdown on Government deposits at CBK following utilization of proceeds from the Eurobond (issued in June 2014) and its Tap sale in December 2014. During the period under review, the NFA of the Central Bank, increased marginally by KSh 2.4 billion to KSh 558.0 billion.

Central Bank Rates

The Monetary Policy Committee raised the Central Bank Rate (CBR) to 11.5 percent on July 7, 2015. Consequently, the Kenya Bank Reference Rate (KBRR) was revised to 9.87 percent.

Short Term Interest Rates

Short term interest rates increased in July 2015 (Table 2.4 and Chart 2C). The weighted average interbank rate increased to 13.48 percent in July 2015 from 11.77 percent in June 2015. The 91-day Treasury bill rate, which largely reflects the government's borrowing profile, increased to 10.57 percent in July 2015 from 8.26 percent in June 2015 while the 182-day Treasury bill rate increased to 11.99 percent in July 2015 from 10.55 percent in June 2015. The increase in short term interest rates reflected tight liquidity in the money market following the upward revision of the CBR.

Lending and Deposit Rates

The average lending rate increased slightly to 15.75 percent in July 2015 from 15.48 percent recorded in June 2015 while the average deposit rate declined to 6.31 percent in July 2015 from 6.64 percent in June 2015. Consequently, the interest rate spread increased to 9.44 percent in July 2015 from 8.85 percent in June 2015 (Table 2.4 and Chart 2C).

The proportion of cash to deposit liabilities held at the Central Bank by commercial banks to meet the statutory cash reserve requirement averaged 4.91 percent in July 2015 compared to 5.59 percent in June 2015 and was below the average of 5.25 percent, being minimum the cash reserves requirement (Table 5.2). Commercial banks recorded a shortfall of KSh 8.4 billion in relation to the minimum cash reserve requirement in July 2015 compared with a surplus of KSh 8.02 billion in June 2015. Commercial banks are required to maintain a Cash Reserve requirement (CRR) monthly average of 5.25 percent in the 30 day maintenance cycle from 15th through 14th of each month, but subject to a daily minimum of 3.0 percent.

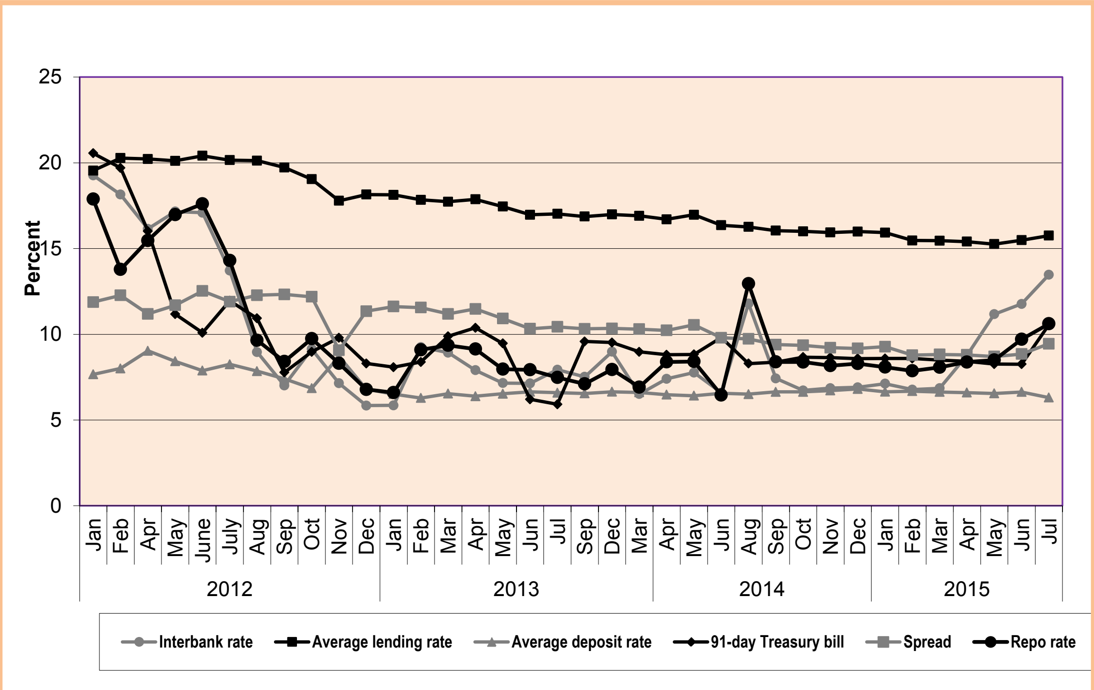
Both commercial banks and nonbank financial institutions held strong liquidity positions in July 2015, at 38.9 percent and 24.0 percent respectively, in relation to the 20 percent minimum requirement.

TABLE 2.4: INTEREST RATES (%)

	2014						2015						
	July	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	June	July
91-day Treasury bill rate	9.78	8.29	8.38	8.67	8.64	8.58	8.59	8.59	8.49	8.42	8.26	8.26	10.57
182-day Treasury bill rate	10.74	8.85	8.61	8.91	9.18	9.49	10.19	10.37	10.35	10.26	10.37	10.55	11.99
Overdraft rate	17.12	16.20	15.79	15.77	15.66	15.86	15.95	15.67	15.68	15.52	15.10	15.65	16.05
Interbank rate	8.08	11.79	7.43	6.73	6.86	6.91	7.12	6.77	6.85	8.77	11.17	11.77	13.48
Repo rate	-	12.95	8.39	8.39	8.17	8.29	8.08	7.87	8.08	8.38	8.50	9.70	10.61
Reverse Repo rate	-	-	-	-	-								
Central Bank Rate (CBR)	8.50	8.50	8.50	8.50	8.50	8.50	8.50	8.50	8.50	8.50	8.50	10.00	11.50
Average lending rate (1)	16.91	16.24	16.04	16.00	15.94	15.99	15.93	15.47	15.46	15.40	15.26	15.48	15.75
Average deposit rate (2)	6.59	6.51	6.64	6.64	6.72	6.81	6.65	6.68	6.63	6.60	6.55	6.64	6.31
Over 3 months deposit	9.80	10.29	9.96	9.80	10.51	9.84	9.84	9.90	9.85	9.81	9.72	9.73	9.67
Savings deposits	1.33	1.50	1.51	1.55	1.57	1.85	1.58	1.53	1.53	1.90	1.48	1.85	1.37
Spread (1-2)	**10.33**	**9.73**	**9.40**	**9.36**	**9.22**	**9.18**	**9.28**	**8.78**	**8.82**	**8.80**	**8.70**	**8.85**	**9.44**

Source: Central Bank of Kenya

CHART 2C : TRENDS IN INTEREST RATES



Source: Central Bank of Kenya

Performance of The Real Sector

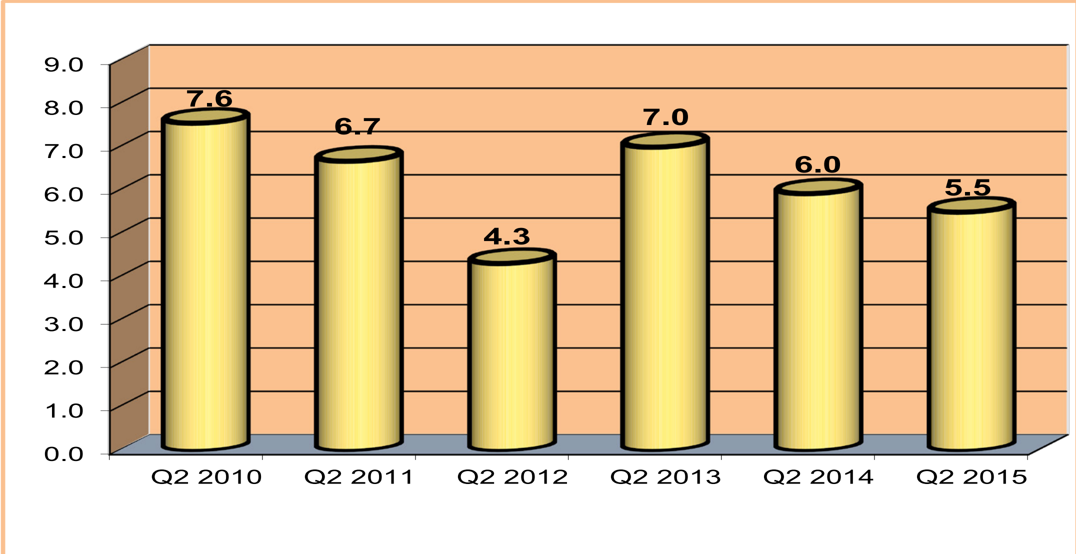
Overview Real GDP in the second quarter of 2015 grew by 5.5 compared with 6.0 percent growth in the same period in 2014 (Table 3.1, Chart 3A). Growth in this Quarter was largely supported by improved performance in Electricity & water supply; Agriculture; Wholesale and retail trade; and Transport and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

TABLE 3.1: PERFORMANCE OF REAL GROSS DOMESTIC PRODUCT

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

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

CHART 3A: EVOLUTION GDP GROWTH IN SECOND QUARTER

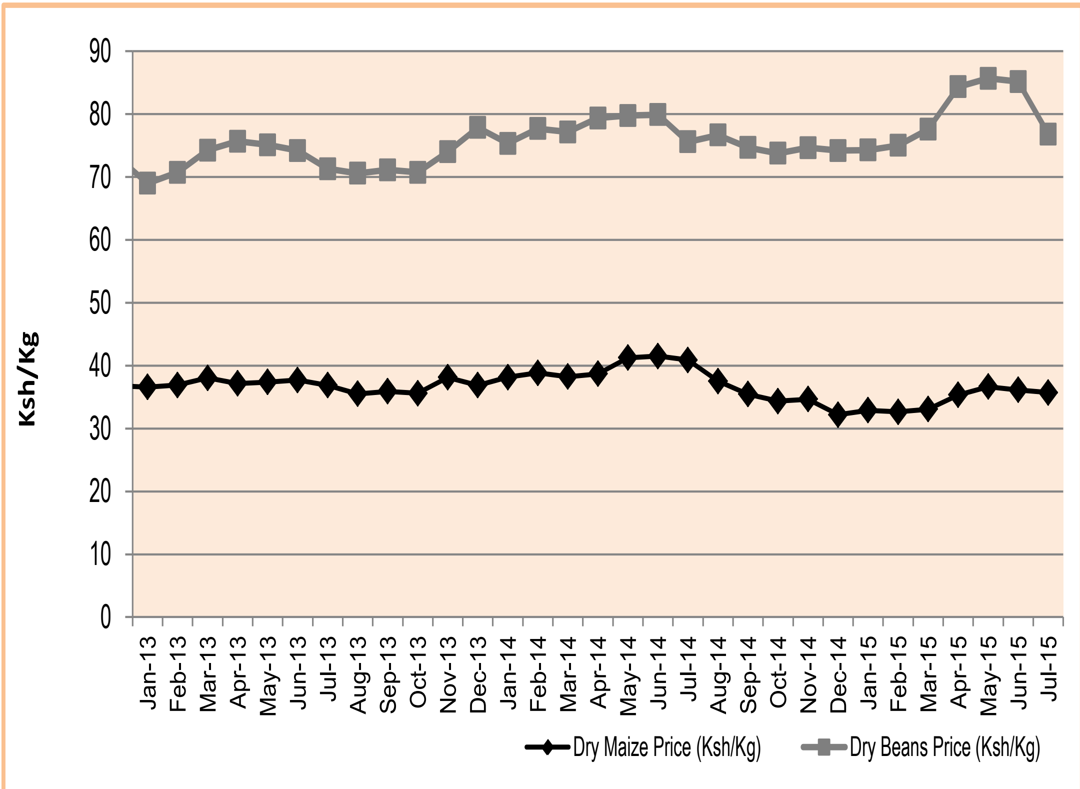


Source: Quarterly GDP Statistical Release, various issues, Kenya National Bureau of Statistics

Agriculture

Agriculture output increased by 5.4 percent in the second quarter of 2015 compared to 2.1 percent in the second quarter of 2014. The improved performance is attributed to favourable weather conditions which led to increased activity in the sector (Chart 3B). In the period under review, the price of beans decreased while that of maize remained stable.

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



Source: Kenya National Bureau of Statistics

Major Indicators in Agriculture

Indicators on agriculture in the year to July 2015 show a decline in performance (Table 3.2).

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

	Annual Totals			Year to July 2014	Year to July 2015
	2012	2013	2014		
Tea					
Output (Metric tonnes)	369,562	431,708	445,104	435,832	395,335
Growth (%)	*-2.2%*	*16.8%*	*3.1%*	*-0.7%*	*-9.3%*
Horticulture					
Exports (Metric tonnes)	250,814	309,029	303,254	308,201	299,495
Growth (%)	*5.1%*	*23.2%*	*-1.9%*	*6.0%*	*-2.8%*
Coffee					
Sales (Metric tonnes)	44,641	37,942	42,446	40,403	35,462
Growth (%)	*48.9%*	*-15.0%*	*11.9%*	*-0.7%*	*-12.2%*
Milk					
Output (million litres)	495	523	540	531	512
Growth %	*-9.8%*	*5.6%*	*3.3%*	*-3.4%*	*-3.7%*
Sugar Cane					
Output (Metric tonnes)	5,716	6,672	6,478	7,135	N/A
Growth (%)	*7.1%*	*16.7%*	*-2.9%*	*23.3%*	

N/A - data not available

Source: Kenya National Bureau of Statistics

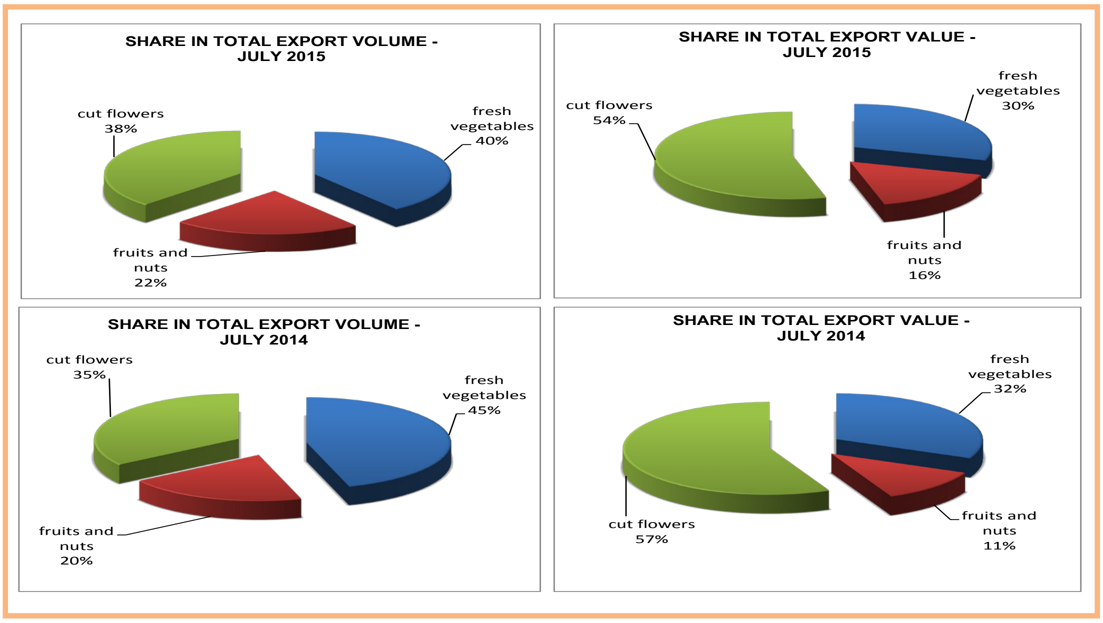
Tea

Growth in production of tea slowed by 9.3 percent in the year to July 2015 compared with a decline of 0.7 percent recorded in the year to July 2014. The average auction price for tea, at KSh 234.58 per kilogram in the year to July 2015, was 20.2 percent higher than KSh 195.15 per kilogram recorded in the year to July 2014 (Table 3.2).

Horticulture

Export of fresh horticultural products contracted by 2.8 percent from 308,201 metric tonnes in the year to July 2014 to 299,495 metric tonnes in the year to July 2015. During the period under review, exports of fresh vegetables dominated in terms of volume, while cut flowers brought in the largest contribution in terms of value (Table 3.2 and Chart 3C).

CHART 3C: STRUCTURE OF HORTICULTURAL EXPORTS



Source: Kenya Revenue Authority

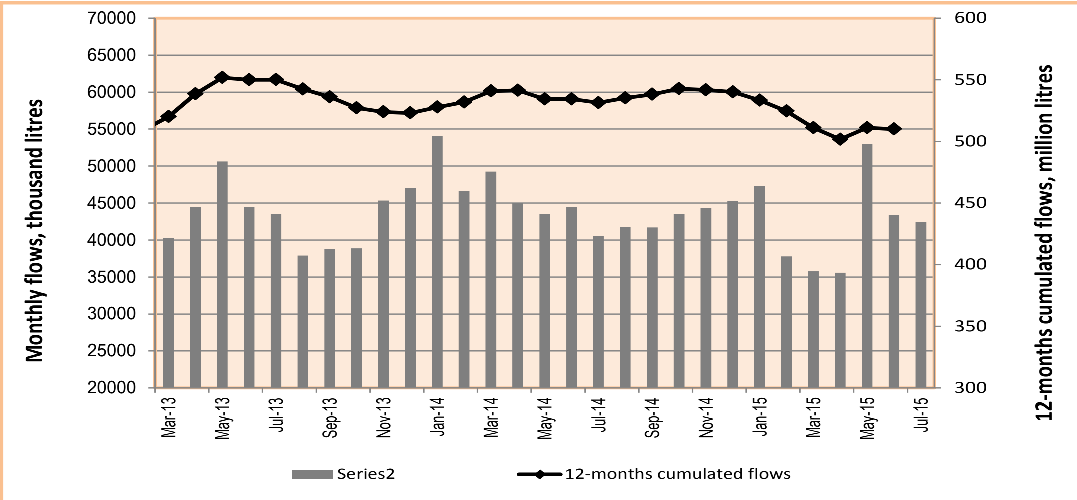
Coffee

Annual growth in coffee sales declined by 12.2 percent in the year to July 2015 compared to a contraction of 0.7 percent recorded in the year to July 2014. The average auction price for coffee increased by 18.3 percent to KSh 386.42 per kilogram in the year to July 2015 from KSh 326.54 per kilogram in the year to July 2014.

Dairy

The volume of milk intake in the formal sector in the year to July 2015 declined by 3.7 percent to 512 million litres from 531 million litres recorded in the year to July 2014 (Chart 3D).

CHART 3D: PROCESSED MILK (LITRES)



Source: Kenya National Bureau of Statistics

Manufacturing

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

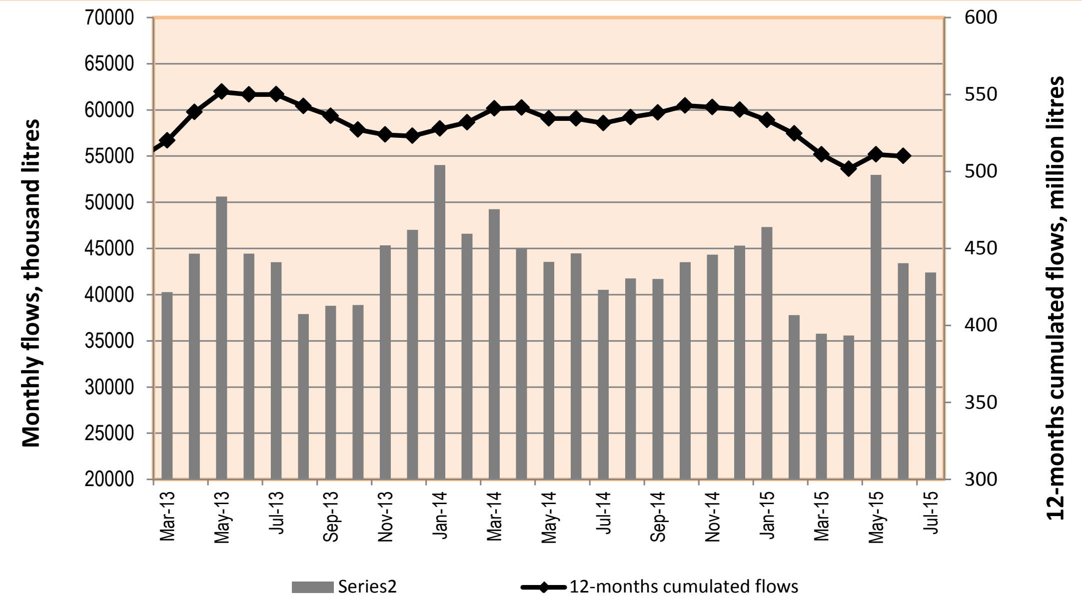
TABLE 3.3: PRODUCTION OF SELECTED MANUFACTURED GOODS

	Annual Totals			Year to July 2014	Year to July 2015
	2012	2013	2014		
Cement production					
Output (MT)	4,639,723	5,059,129	5,730,642	5,555,042	5,998,680
Growth %	*16.9%*	*9.0%*	*13.3%*	*16.3%*	*8.0%*
Assembled vehicles					
Output (No.)	6,218	6,948	9,246	8,446	9,530
Growth %	*2.8%*	*11.7%*	*33.1%*	*32.6%*	*12.8%*
Galvanized sheets					
Output (MT)	235,812	306,100	284,509	291,967	277,357
Growth %	*-12.0%*	*29.8%*	*-7.1%*	*2.2%*	*-5.0%*
Processed sugar					
Output (MT)	494,030	600,210	616,852	648,334	N/A
Growth %	*4.0%*	*21.5%*	*2.8%*	*30.7%*	
Soft drinks					
Output ('000 litres)	359,518	403,981	459,464	437,527	N/A
Growth %	*-3.2%*	*12.4%*	*13.7%*	*15.6%*	

MT = Metric tonnes
N/A Data not available

Source: Kenya National Bureau of Statistics

CHART 3E: CEMENT PRODUCTION AND CONSUMPTION



Source: Kenya National Bureau of Statistics

Energy Sector Annual growth in local generation of electricity decelerated to 4.6 percent in the year to July 2015 from 11.7 percent recorded in the year to July 2014 (Table 3.4). The total amount of electricity generated in the year to July 2015 was 9,117 million kilowatt hours compared to 8,718 million kilowatt hours generated in the year to July 2014. This increase reflects accelerated generation of geo-thermal power by 97.1 percent in the year to July 2015, compared to 28.7 percent recorded in the year to July 2014. Generation of hydro-electricity power, on the other hand, contracted by 11.8 percent while that of thermal power contracted by 42.8 percent in the year to July 2015. The total supply in the year to July 2015 comprised 36.8 percent hydro-electricity, 45.6 percent geo-thermal power and 17.6 percent thermal power. Meanwhile, the average price of murban crude oil dropped to US$ 69.50 per barrel in the year to July 2015 from US$ 110.9 per barrel in the year to July 2014.

TABLE 3.4: ENERGY SECTOR PERFORMANCE

	2012	2013	2014	Year to July 2014	Year to July 2015
Electricity Supply (Generation)					
Output (million KWH)	7,517	8,217	8,889	8,718	9,117
Growth %	*5.0%*	*9.3%*	*8.2%*	*11.7%*	*4.6%*
Of which:					
Hydro-power Generation (million KWH)	4,032	4,387	3,411	3,813	3,362
Growth (%)	*26.6%*	*8.8%*	*-22.2%*	*-11.8%*	*-11.8%*
Geo-Thermal Generation (million KWH)	1,522	1,781	2,917	2,108	4,155
Growth (%)	*5.4%*	*17.0%*	*63.8%*	*28.7%*	*97.1%*
Thermal (million KWH)	1,963	2,049	2,561	2,797	1,600
Growth (%)	*-22.5%*	*4.4%*	*24.9%*	*51.7%*	*-42.8%*
Consumption of electricity (million KWH)	6,298	6,564	7,406	6,866	8,144
Growth %	*2.4%*	*4.2%*	*12.8%*	*6.5%*	*18.6%*
Murban crude oil average price (US $ per barrel)	113.0	110.1	99.5	110.9	69.5
Growth %	*2.1%*	*-2.5%*	*-9.7%*	*0.9%*	*-37.3%*

Source: Kenya National Bureau of Statistics

Tourism

The number of tourist arrivals declined by 21.0 percent in the year to July 2015 (Table 3.5) compared with a decline of 16.8 percent in the year to July 2014. The unfavourable performance is attributed to adverse travel advisories from source countries due to insecurity concerns. The ports of disembarkation for tourists remained Jomo Kenyatta International, Airport Nairobi (89.5 percent share), and the Moi International Airport, Mombasa (10.5 percent share).

TABLE 3.5: TOURIST ARRIVALS BY POINT OF ENTRY

	2012	2013	2014	Year to July 2014	Year to July 2015	Year to July 2015 % Share	Year to July 2015 % Growth
MIAM	187,151	168,654	117,796	147,654	81,271	*10.5%*	*-45.0%*
JKIA	1,053,361	912,998	743,600	829,415	690,938	*89.5%*	*-16.7%*
TOTAL	**1,240,512**	**1,081,652**	**861,396**	**977,069**	**772,209**	***100.0%***	***-21.0%***

Source: Kenya National Bureau of Statistics

Transport

The total number of passengers received at the Jomo Kenyatta International Airport, Nairobi (JKIA) increased by 2.3 percent in the year to July 2015, compared with a decline of 2.1 percent recorded in the year to July 2014. This increase was reflected in both incoming and outgoing passengers (Table 3.6). Meanwhile, the volume of oil passed through the Kenya pipeline remained unchanged at 6.2 percent in the year to July 2015.

TABLE 3.6: THROUGHPUT IN SELECTED TRANSPORT FACILITIES

	2012	2013	2014	Year to July 2014	Year to July 2015
Number of Passengers thro' JKIA					
Total passenger flows*	4,302,244	4,290,349	4,232,523	4,229,850	4,326,299
Growth (%)	*4.0%*	*-0.3%*	*-1.3%*	*-2.1%*	*2.3%*
o.w. Incoming*	2,148,105	2,144,002	2,102,886	2,107,992	2,154,546
Growth (%)	*2.8%*	*-0.2%*	*-1.9%*	*-2.0%*	*2.2%*
Outgoing*	2,154,139	2,146,347	2,129,637	2,121,858	2,171,753
Growth %	*5.3%*	*-0.4%*	*-0.8%*	*-2.2%*	*2.4%*
Output ('000 litres)	4,855,571	5,181,600	5,623,628	5,431,920	5,768,049
Growth %	*14.0%*	*6.7%*	*8.5%*	*6.2%*	*6.2%*

Source: Kenya National Bureau of Statistics and Kenya Pipeline Company Limited

Developments in the Balance of Payments and Exchange Rates

Overview

The overall balance of payments position deteriorated to a deficit of USD 1,111 million in the year to July 2015 from a surplus of USD 1,963 million in the year to July 2014 (Table 4.1). The decrease reflects a larger reduction in the capital and financial account surplus as well as further widening of the current account deficit.

TABLE 4.1: BALANCE OF PAYMENTS (US$ M)

ITEM	Year to July 2014	Year July to 2015*: Aug-Oct	Nov-Jan	Feb-Apr	May-Jul	Year to July 2015*	Change	% Change
1. OVERALL BALANCE	1963	-283	-227	-78	-522	-1111	-3074.3	-156.6
2. CURRENT ACCOUNT	-5030	-2220	-1375	-1079	-1241	-5915	-884.1	17.6
2.1 Goods	-11739	-3843	-2950	-2465	-2680	-11939	-199.9	1.7
Exports (fob)	6108	1482	1403	1413	1550	5848	-259.9	-4.3
Imports (cif)	17847	5325	4353	3879	4231	17787	-59.9	-0.3
2.2 Services	6709	1623	1575	1386	1440	6025	-684.1	-10.2
Non-factor services (net)	3610	701	868	774	935	3278	-331.4	-9.2
Income (net)	-412	-130	-137	-155	-252	-674	-261.8	63.5
Current Transfers (net)	3511	1051	844	768	756	3420	-91.0	-2.6
3. CAPITAL & FINANCIAL ACCOUNT	6994	1937	1147	1001	718	4804	-2190.2	-31.3
3.1 Capital Tranfers (net)	56	5	4	25	410	444	387.9	694.0
3.2 Financial Account	6938	1932	1143	976	309	4360	-2578.0	-37.2
memo:								
Gross Reserves	10029	9400	9620	9806	9249	9249	-780.6	-7.8
Official	8128	7839	7593	7509	6963	6963	-1164.6	-14.3
*import cover***	*5.1*	*4.6*	*4.5*	*4.5*	*4.3*	*4.3*	-0.8	-15.4
*import cover****	*5.3*	*5.0*	*4.8*	*4.7*	*4.4*	*4.4*	-0.9	-17.1
Commercial Banks	1902	1561	*2027*	*2296*	*2286*	2286	384.1	20.2

* Provisional.
** Based on current year's imports of goods and non-factor services
*** Based on 36 month average of imports of goods and non-factor services

Source: Central Bank of Kenya

Current Account

The current account balance worsened by USD 884.1 million to a deficit of USD 5,915 million in the year to July 2015 from a deficit of USD 5,030 million in the year to July 2014 (Table 4.2). The deterioration reflects 10.2 percent worsening of the services account surplus and 1.7 percent improvement in the merchandise account deficit.

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

ITEM	Year to July 2014	Year July to 2015*: Aug-Oct	Nov-Jan	Feb-Apr	May-Jul	Year to July 2015*	Change	% Change
2. CURRENT ACCOUNT	-5030	-2220	-1375	-1079	-1241	-5915	-884.1	17.6
2.1 Goods	-11739	-3843	-2950	-2465	-2680	-11939	-199.9	1.7
Exports (fob)	6108	1482	1403	1413	1550	5848	-259.9	-4.3
Coffee	215	55	47	57	64	224	8.6	4.0
Tea	1084	255	270	275	293	1093	9.7	0.9
Horticulture	796	197	181	189	185	752	-43.3	-5.4
Oil products	42	25	22	16	26	89	47.1	111.8
Manufactured Goods	635	156	127	129	141	553	-82.6	-13.0
Raw Materials	451	107	107	117	74	405	-45.6	-10.1
Chemicals and Related Products (n.e.s)	453	119	99	103	127	448	-4.5	-1.0
Miscelleneous Man. Articles	622	165	154	142	151	611	-11.3	-1.8
Re-exports	885	151	169	184	233	737	-147.7	-16.7
Other	925	251	227	202	255	935	9.9	1.1
Imports (cif)	17847	5325	4353	3879	4231	17787	-59.9	-0.3
Oil	4013	1024	779	585	725	3113	-900.2	-22.4
Chemicals	2326	583	688	607	621	2499	173.4	7.5
Manufactured Goods	2673	698	670	700	681	2748	75.1	2.8
Machinery & Transport Equipment	5066	2057	1321	1207	1414	5999	933.5	18.4
Other	3635	883	789	734	669	3077	-558.5	-15.4
2.2 Services	6709	1623	1575	1386	1440	6025	-684.1	-10.2
Non-factor services (net)	3610	701	868	774	935	3278	-331.4	-9.2
Non-factor services (credit)	4993	1179	1298	1251	1235	4964	-29.0	-0.6
of which transport	2174	556	518	496	481	2051	-123.7	-5.7
of which tourism (Travel)	807	208	211	160	178	756	-51.0	-6.3
Other services account: gov't	944	177	242	231	211	862	-82.3	-8.7
Other services account: private	1067	237	327	364	366	1295	228.0	21.4
Income (net)	-412	-130	-137	-155	-252	-674	-261.8	63.5
of which official interest	-168	-44	-95	-199	-242	-581	-412.9	246.1
Current Transfers (net)	3511	1051	844	768	756	3420	-91.0	-2.6
Private (net)	3239	969	762	683	671	3085	-153.3	-4.7
of which Remittances	1361	377	359	374	396	1506	144.7	10.6
Public (net)	272	82	83	85	85	335	62.3	22.9

* Provisional.

Source: Central Bank of Kenya

Merchandise Account

The deficit in the merchandise account widened by USD 199.9 million to USD 11,939 million in the year to July 2015, reflecting 4.3 percent decrease in the value of merchandise exports.(Table 4.2).

Exports

The value of merchandise exports declined by USD 259.9 million to USD 5,848 million in the year to July 2015 reflecting decrease in earnings from horticulture, manufactured goods, chemicals and related products, raw materials, miscellaneous manufactured articles and re-exports. However, receipts from tea, coffee, oil products and other exports increased.

The share of Kenya's exports to Africa declined to 43.0 percent in the year to July 2015 from 44.0 percent in the year to July 2014 (Table 4.3). The decline largely reflects decreases in share of exports to the EAC (Tanzania) region. The share of exports to the COMESA and the rest of the world increased. The share of exports to China stabilised at 1 percent while that to the European Union stabilized at 22 percent in the year to July 2015.

Imports

The value of merchandise imports decreased by USD 59.9 million (0.3 per cent) to USD 17,787 million during the year to July 2015. The decrease was noticeable in imported petroleum products which declined by USD 900.2 million (22.4 per cent) from USD 4,013 million in the year to July 2014 to USD 3,113 million in the year to July 2015. The value of other imports also declined by USD 558.5 million. The value of imports of machinery and transport equipment increased by USD 933.5 million and reflected increased importation of aircraft, road vehicles and equipment for the construction of the standard gauge railway (SGR). In addition, import values of chemicals increased by USD 173.4 million while that of manufactured goods increased by USD 75.1 million.

Kenya sourced most of its imports from China, with its share increasing from 13 percent in the year to July 2014 to 18 percent in the year to July 2015. The share of Kenya's imports from the European Union stabilised at 14 percent, while that from India declined from 18 per cent to 14 percent over the same period. Imports from Africa, which accounted for 9 percent of total imports, also declined marginally to USD 1,651 million (Table 4.3).

TABLE 4.3: KENYA'S DIRECTION OF TRADE

IMPORTS (in millions of US dollars)				Share of Imports (%)		
	Year to July			Year to July		
Country	**2013**	**2014**	**2015**	**2013**	**2014**	**2015**
Africa	**1,592**	**1,695**	**1,651**	**9**	**9**	**9**
Of which						
South Africa	732	814	664	4	5	4
Egypt	291	279	286	2	2	2
Others	568	603	702	3	3	4
EAC	**329**	**368**	**481**	**2**	**2**	**3**
COMESA	**652**	**625**	**750**	**4**	**4**	**4**
Rest of the	**15,238**	**16,152**	**16,136**	**91**	**91**	**91**
Of which						
India	2,518	3,264	2,490	15	18	14
United Arab	1,595	1,091	870	9	6	5
China	1,952	2,356	3,116	12	13	18
Japan	868	1,006	895	5	6	5
USA	707	1,195	1,571	4	7	9
United King	573	544	503	3	3	3
Singapore	241	195	96	1	1	1
Germany	466	507	525	3	3	3
Saudi Arabi	530	540	734	3	3	4
Indonesia	510	574	723	3	3	4
Netherlands	234	246	244	1	1	1
France	284	242	247	2	1	1
Bahrain	502	464	128	3	3	1
Italy	235	235	250	1	1	1
Others	4,024	3,692	3,744	24	21	21
Total	**16,830**	**17,847**	**17,787**	**100**	**100**	**100**
EU	2,438	2,488	2,556	14	14	14
China	1,952	2,356	3,116	12	13	18

EXPORTS (in millions of US dollars)				Share of Exports (%)		
	Year to July			Year to July		
Country	**2013**	**2014**	**2015**	**2013**	**2014**	**2015**
Africa	**2,841**	**2,701**	**2,526**	**47**	**44**	**43**
Of which						
Uganda	788	666	677	13	11	12
Tanzania	508	503	374	8	8	6
Egypt	228	204	188	4	3	3
Sudan	71	72	68	1	1	1
South Suda	210	203	194	3	3	3
Somalia	209	169	135	3	3	2
DRC	229	225	216	4	4	4
Rwanda	181	156	166	3	3	3
Others	417	502	509	7	8	9
EAC	**1,539**	**1,396**	**1,299**	**25**	**23**	**22**
COMESA	**1,812**	**1,646**	**1,649**	**30**	**27**	**28**
Rest of the	**3,228**	**3,407**	**3,322**	**53**	**56**	**57**
Of which						
United King	464	429	395	8	7	7
Netherlands	381	441	420	6	7	7
USA	331	404	415	5	7	7
Pakistan	300	238	263	5	4	4
United Arab	350	272	247	6	4	4
Germany	105	123	120	2	2	2
India	98	108	87	2	2	1
Afghanistan	188	128	132	3	2	2
Others	1,011	1,264	1,243	17	21	21
Total	**6,069**	**6,108**	**5,848**	**100**	**100**	**100**
EU	1,226	1,364	1,278	20	22	22
China	43	63	84	1	1	1

Source: Kenya Revenue Authority

Services Account

The surplus in the services account declined by USD 684.1 million or 10.2 percent to USD 6,025 million in the year to July 2015 from USD 6,709 million in the year to July 2014. The deterioration was mainly in the receipts from transport (5.7 percent), tourism (6.3 percent) and other government services (8.7 percent). However, receipts from other private services (insurance services, royalties and licence fees) increased by 21.4 percent. The deficit in the income account worsened by USD 261.8 million while the surplus in the current transfers account decreased by USD 91 million.

Remittance inflows, a component of private transfers, increased by USD 144.7 million to USD 1,506 million during the year to July 2015 (Table 4.2). Remittance inflows were resilient with the 12 month average to July 2015 increasing to USD 125.5 million from an average of USD 113.4 million in the year to July 2014.

Capital and Financial Account

The capital and financial account surplus, at USD 4,804 million in the year to July 2015, was 31.3 percent lower compared to USD 6,994 million in the year to July 2014. Official, medium and long-term financial flows increased by USD 553.5 million to USD 2,112 million from USD 1,559 million in the year to July 2014 (Table 4.4).

Private medium and long term financial flows increased by USD 450.1 million to USD 1,225 million from USD 775 million in the year to July 2015, with the increase largely driven by commercial bank flows. Commercial bank flows increased from USD 409 million in the year to July 2014 to USD 713 million in the year to July 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 3,581.7million during the period under review.

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

ITEM	Year to July 2014	Year to July 2015* Aug-Oct	Nov-Jan	Feb-Apri	May-Jul	Year to July 2015*	Change	% Change
3. CAPITAL & FINANCIAL ACCOUNT	6994	1937	1147	1001	718	4804	-2190.2	-31.3
3.1 Capital Tranfers (net)	56	5	4	25	410	444	387.9	694.0
3.2 Financial Account	6938	1932	1143	976	309	4360	-2578.0	-37.2
Official, medium & long-term	1559	70	719	1377	-54	2112	553.5	35.5
Inflows	2902	207	1088	1595	67	2957	55.0	1.9
Outflows	-1343	-137	-369	-218	-121	-845	498.6	-37.1
Private, medium & long-term (net)	775	676	19	111	420	1225	450.1	58.1
Commercial Banks (net)	409	537	-257	-22	455	713	303.2	74.1
Other private medium & long-term (net)	365	138	276	133	-35	512	146.9	40.2
Short-term (net) incl. errors & omissions	4604	1186	405	-512	-57	1023	-3581.7	-77.8

* Provisional.

Source: Central Bank of Kenya

Foreign Exchange Reserves

The banking system's total foreign exchange holdings decreased by 7.8 percent to USD 9,249 million at the end of July 2015 from USD 10,029 million at the end of July 2014. Official foreign exchange reserves held by the Central Bank constituted the bulk of gross reserves and decreased to USD 6,963 million (4.4 months of import cover) at the end of July 2015 from USD 8,128 million (5.3 months of import cover) at the end of July 2014.

Foreign exchange reserves held by commercial banks increased to USD 2,286 million at the end of July 2015 from USD 1,902 million at the end of July 2014. During the same period, residents' foreign currency deposits increased to USD 4,395 million from USD 4,084 million (Table 4.5 and Chart A).

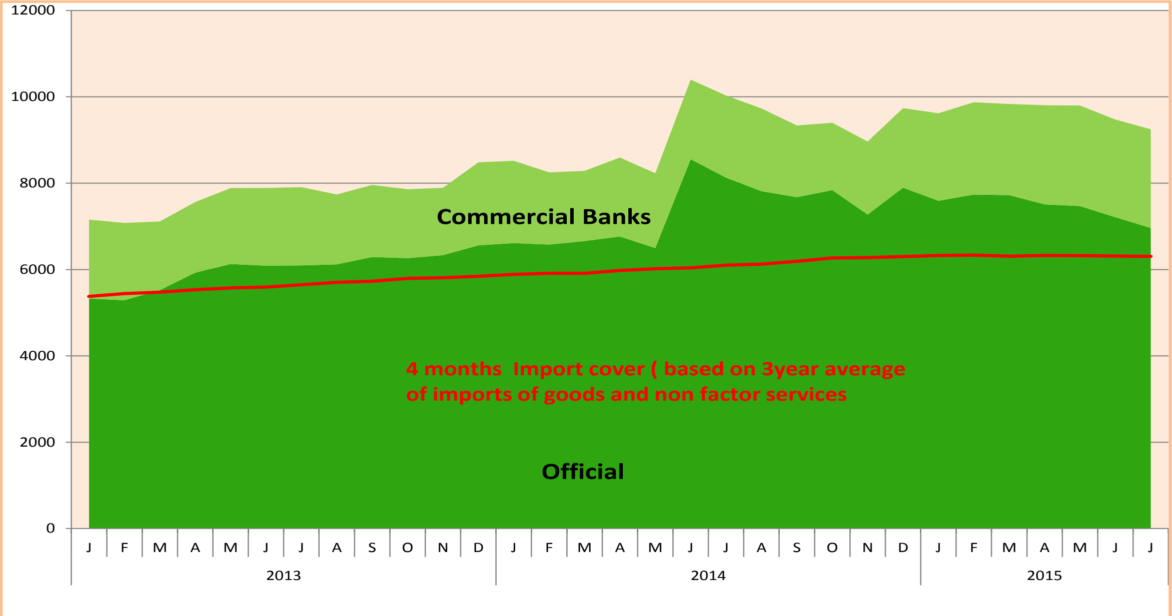
TABLE 4.5: FOREIGN EXCHANGE RESERVES AND RESIDENTS' FOREIGN CURRENCY DEPOSITS (END OF PERIOD, USD MILLION)

	Jul 14	Aug 14	Sep 14	Oct 14	Nov 14	Dec 14	Jan 15	Feb 15	Mar 15	Apr 15	May 15	Jun 15	Jul 15
1. Gross Reserves	10,029	9,731	9,336	9,400	8,964	9,738	9,620	9,873	9,834	9,806	9,799	9,473	9,249
of which:													
Official	8,128	7,814	7,676	7,839	7,274	7,895	7,593	7,737	7,723	7,509	7,469	7,212	6,963
*import cover***	5.3	5.1	5.0	5.0	4.6	5.0	4.8	4.9	4.9	4.7	4.7	4.6	4.4
Commercial Banks	1,902	1,917	1,659	1,561	1,691	1,843	2,027	2,137	2,111	2,296	2,330	2,262	2,286
2. Residents' foreign currency deposits	4,084	4,292	4,148	4,101	4,037	4,080	4,243	4,396	4,154	4,278	4,448	4,488	4,395

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

Source: Central Bank of Kenya

CHART 4A: FOREIGN EXCHANGE RESERVES (USD MILLION)



Source: Central Bank of Kenya

Exchange Rates

The Kenya Shilling depreciated by 3.57 percent against the US Dollar, 3.52 percent against the Pound Sterling, 1.50 percent against the Euro and 3.92 against the Japanese Yen in July 2015. The performance of the Kenya Shilling is a reflection of international and local developments notably the strengthening of US Dollar against major world currencies and high dollar demand in the domestic market.

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

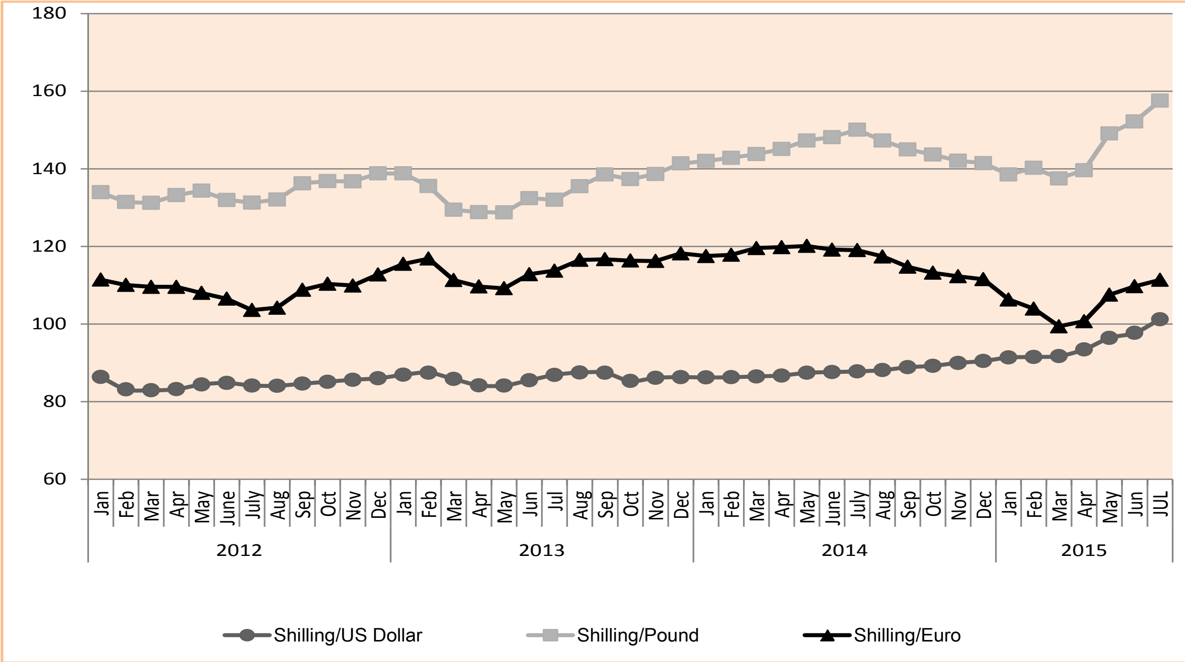
TABLE 4.6: KENYA SHILLING EXCHANGE RATE

	2014			2015							
	October	November	December	January	February	March	April	May	June	JULY	% change JUNE-JULY 2015
US Dollar	89.23	89.96	90.44	91.36	91.49	91.73	93.44	96.39	97.70	101.1960	3.57
Pound Sterling	143.66	142.05	141.45	138.49	140.21	137.51	139.62	149.10	152.16	157.5261	3.52
Euro	113.21	112.28	111.52	106.32	103.94	99.40	100.71	107.54	109.72	111.3582	1.50
100 Japanese Yen	82.62	77.53	75.79	77.19	77.17	76.22	78.18	79.89	79.00	82.10	3.92
Uganda Shilling*	30.03	30.37	30.62	31.29	31.36	32.19	32.04	31.17	32.67	33.2265	1.72
Tanzania Shilling*	18.96	19.16	19.11	19.39	19.92	20.09	20.28	20.98	22.49	20.8995	-7.07
Rwanda Franc*	7.72	7.66	7.62	7.53	7.52	7.56	7.37	7.16	7.37	7.2291	-1.91
Burundi Franc*	17.47	17.39	17.28	17.14	17.12	17.05	16.72	16.23	16.06	15.9168	-0.86

* Units of currency per Kenya Shilling

Source: Central Bank of Kenya

CHART 4B: KENYA SHILLING EXCHANGE RATE



Source: Central Bank of Kenya

Developments in The Banking Sector

Overview

The banking sector in Kenya comprised 43 commercial banks, 1 mortgage finance company, 12 microfinance banks, 8 representative offices of foreign banks, 86 foreign exchange bureaus, 14 money remittance providers and 3 credit reference bureaus as at July 31, 2015.

Structure of the Balance Sheet

The banking sector balance sheet expanded by 19.94 percent from KSh 3,008.2 billion in July 2014 to KSh 3,608.0 billion in July 2015. The main components of the balance sheet on the assets side in July 2015 were loans and advances, government securities and placements, which accounted for 59.4 percent, 18.7 percent and 5.5 percent of the total assets, respectively.

Loans & Advances

The banking sector gross loans increased from KSh 1,806.2 billion in July 2014 to KSh 2,225.4 billion in July 2015, which translated to a growth of 23.20 percent (Table 5.1). There was increased lending to all economic sectors except Mining and Quarrying sector.

Deposit Liabilites

The deposit base was KSh 2,537.9 billion in July 2015 compared to KSh. 2,183.5 billion in July 2014 which translated to an increase of 16.2 percent. Deposits were the main components of the balance sheet on the liabilities side accounting for 70.3 percent of total liabilities.

Capital & Reserves

The banking sector recorded an improved capital position in July 2015 with total shareholders' funds increasing by 16.2 percent from KSh 470.6 billion in July 2014 to KSh 547.0 billion in July 2015. Core capital and total capital increased from KSh 376.6 billion and KSh 437.1 billion to KSh 460.0 billion and KSh 552.9 billion respectively over the same period. The core capital to total risk-weighted assets ratio increased from 15.0 percent in July 2014 to 15.7 percent in July 2015, whereas the total capital to total risk-weighted assets ratio increased from 17.4 percent in July 2014 to 18.8 percent in July 2015.

Non-performing Loans

The gross non-performing loans (NPLs) increased by 26.7 percent from KSh 100.7 billion in July 2014 to KSh 127.6 billion in July 2015. The gross NPLs to gross loans ratio increased from 5.6 percent at the end of July 2014 to 5.7 percent in July 2015. On the other hand, the coverage ratio, measured as a percentage of specific provisions to total NPLs decreased from 40.4 percent in July 2014 to 39.9 percent in July 2015 (Table 5.1).

The quality of assets, measured as a proportion of net non-performing loans to gross loans remained constant at 2.7 percent in July 2014 and July 2015. A summary of asset quality of the banking sector over the period is shown in Table 5.1.

TABLE 5.1: SUMMARY OF ASSET QUALITY OF THE BANKING SECTOR

		July-2014	July-2015
1	Gross loans and advances (Kshs. Bn)	1,806.2	2,225.4
2	Interest in Suspense (Kshs. Bn)	19.8	28.7
3	Loans and advances (net of interest suspended) (Kshs. Bn)	1,786.4	2,196.7
4	Gross non-performing loans (Kshs. Bn)	100.7	127.6
5	Specific Provisions (Kshs. Bn)	32.7	39.5
6	General Provisions (Kshs. Bn)	12.4	14.7
7	Total Provisions (5+6) (Kshs. Bn)	45.1	54.2
8	Net Advances (3-7) (Kshs. Bn)	1,741.3	2142.5
9	Total Non-Performing Loans and Advances (4-2) (Kshs. Bn)	80.9	98.9
10	Net Non-Performing Loans and Advances (9-5) (Kshs. Bn)	48.2	59.4
11	Total NPLs as % of total advances (9/3)	4.5%	4.5%
12	Net NPLs as % of gross advances (10/1)	2.7%	2.7%
13	Specific Provisions as % of Total NPLs (5/9)	40.4%	39.9%

Source: Central Bank of Kenya

Profitablility

The banking sector's profitability grew by 9.5 percent, in terms of pre-tax profits, from KSh 81.4 billion reported in the period ended July 2014 to KSh 89.1 billion for the period ended July 31, 2015. The annual return on assets decreased to 3.4 percent in July 2015 from 3.6 percent in July 2014. On the other hand, return on shareholders' funds reduced to 27.9 percent in July 2015 from 29.7 percent in July 2014.

Total income increased by 12.5 percent from KSh 236.2 billion in July 2014 to KSh 265.7 billion in July 2015, while total expenses increased by 14.1 percent from KSh 154.8 billion in July 2014 to KSh 176.6 billion in July 2015. Interest on advances, other income and interest on government securities were the major sources of income accounting for 60.1 percent, 16.5 percent and 15.5 percent of total income, respectively. On the other hand, interest on deposits, salaries and wages and other expenses were the key components of expenses, accounting for 35.2 percent, 26.0 percent and 22.6 percent of total expenses, respectively.

Liquidity Ratio Requirement

For the month ended 31st July 2015, average liquid assets amounted to KSh 944.9 billion while total short-term liabilities stood at KSh 2,503.4 billion, resulting to an average liquidity ratio of 37.7 percent which was less than the ratio registered in July 2014 of 39.7 percent. However, 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 4.91 percent in July 2015 compared to 5.59 percent in June 2015 and was below the average 5.25 percent minimum requirement (Table 5.2 and Chart 5A). Commercial banks recorded a shortfall of KSh 8.4 billion in relation to the average 5.25 percent minimum requirement at the Central Bank in July 2015 compared to a surplus of KSh 8.02 billion in June 2015. Commercial banks are required to maintain a Cash Reserve Ratio (CRR) monthly average of 5.25 percent in the 30 day maintenance cycle from 15th through 14th of every month, but subject to a daily minimum of 3.0 percent.

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

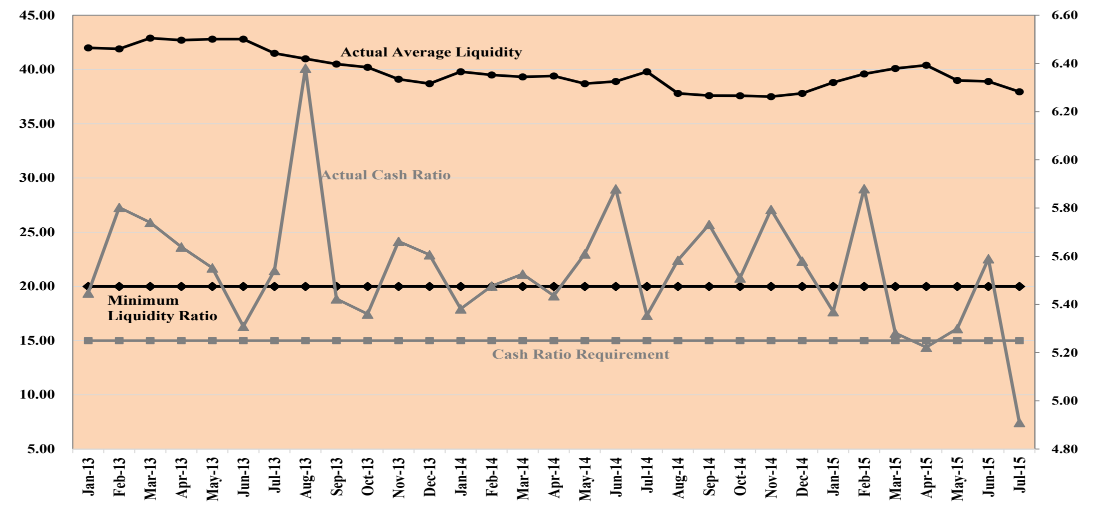
TABLE 5.2 : CASH AND LIQUIDITY RATIOS* (%)

	2014						2015						
	Jul	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	June	July
Commercial Banks													
Actual Average Liquidity	39.80	37.80	37.60	37.58	37.50	37.80	38.80	39.60	40.10	40.40	39.4	38.90	37.94
Minimum Liquidity Ratio	20.00	20.00	20.00	20.00	20.00	20.00	20.00	20.00	20.00	20.00	20.00	20.00	20.00
Actual Cash Ratio - All Banks	5.35	5.58	5.73	5.51	5.79	5.58	5.37	5.88	5.28	5.22	5.30	5.59	4.91
Minimum Cash Ratio Requirement	5.25	5.25	5.25	5.25	5.25	5.25	5.25	5.25	5.25	5.25	5.25	5.25	5.25
NBFIs													
Actual Average Liquidity Ratio	29.70	26.30	26.10	25.19	25.30	27.80	26.70	22.90	24.90	26.20	23.6	24.00	24.73
Minimum Liquidity Ratio	20.00	20.00	20.00	20.00	20.00	20.00	20.00	20.00	20.00	20.00	20.00	20.00	20.00

* Monthly average liquidity and cash ratios

Source: Central Bank of Kenya

CHART 5A: COMMERCIAL BANKS' CASH AND LIQUIDITY RATIOS (%)



Source: Central Bank of Kenya

KEPSS Kenya Shillings Flows

Kenya Electronic Payments and Settlement System (KEPSS) moved a volume of 266,342 transaction messages worth 2,836 billion in July 2015 compared to a volume of 257,240 transaction messages valued at KSh 2,598 billion moved in June 2015. This represents an increase of 9.18 percent and 3.54 percent in value and volume, respectively. Compared to July 2014, the volume increased by 24.41 percent from 214,091 transaction messages to 266,342 transaction messages in July 2015 while value increased by 29.57 percent from 2,189 billion to 2,836 billion, indicating an increase in the uptake of KEPSS services by the public.

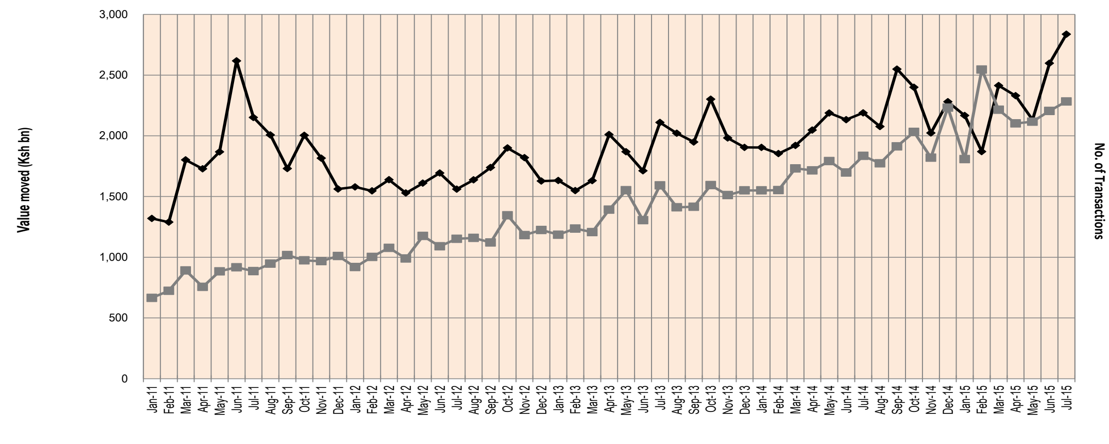
During the twelve months period to July 31, 2015 the value moved averaged KSh 11 million per transaction. On average, 11,627 transaction messages with an average value of approximately KSh 110 billion were moved daily (Table 5.3 and Chart 5B). Direct settlements through KEPSS from commercial banks accounted for 99.0 percent of the total settlements while payments processed through the Automated Clearing House (ACH) and settled in KEPSS averaged 1.0 percent.

TABLE 5.3: TRENDS IN MONTHLY FLOWS THROUGH KEPSS

	Total value moved per month (bn)	*Of which indirect {NSI (Ksh bn)}*	No. of Transactions	Average value per transaction (bn)	Days worked	Per day	
						Value (bn)	Transactions
Jan-13	1,632	25	138,297	0.01	22	74	6,286
Feb-13	1,548	25	144,248	0.01	20	77	7,212
Mar-13	1,631	28	140,781	0.01	20	82	7,039
Apr-13	2,011	32	162,432	0.01	20	101	8,122
May-13	1,869	31	181,045	0.01	22	85	8,229
Jun-13	1,712	28	152,310	0.01	20	86	7,616
Jul-13	2,109	35	185,773	0.01	23	92	8,077
Aug-13	2,021	24	164,650	0.01	21	96	7,840
Sep-13	1,949	31	165,175	0.01	21	93	7,865
Oct-13	2,301	30	185,920	0.01	22	105	8,451
Nov-13	1,982	29	176,330	0.01	21	94,381	8,397
Dec-13	1,905	30	180,926	0.01	18	105,811	10,051
Jan-14	1,904	31	180,897	0.01	22	87	8,223
Feb-14	1,853	28	181,123	0.01	20	93	9,056
Mar-14	1,920	31	202,035	0.01	21	91	9,621
Apr-14	2,047	27	200,151	0.01	20	102	10,008
May-14	2,188	28	209,019	0.01	21	104	9,953
Jun-14	2,133	32	198,052	0.01	20	107	9,903
Jul-14	2,189	28	214,091	0.01	22	99	9,731
Aug-14	2,077	28	206,937	0.01	21	99	9,854
Sep-14	2,549	33	223,227	0.01	22	116	10,147
Oct-14	2,399	32	237,027	0.01	22	109	10,774
Nov-14	2,023	21	212,340	0.01	20	101	10,617
Dec-14	2,280	32	260,441	0.01	20	114	13,022
Jan-15	2,167	28	210,940	0.01	21	103	10,362
Feb-15	1,870	26	297,018	0.01	20	93	14,851
Mar-15	2,414	32	258,357	0.01	22	109	11,743
Apr-15	2,330	28	245,227	0.01	20	116	12,261
May-15	2,132	29	246,925	0.01	20	107	12,346
Jun-15	2,598	29	257,240	0.01	21	124	12,250
Jul-15	2,836	31	266,342	0.01	23	123	11,580

Source: Central Bank of Kenya

CHART 5B: TRENDS IN MONTHLY FLOWS THROUGH KEPSS



Source: Central Bank of Kenya

Third Party Messages

Multiple third party Message Type (MT 102) used for several credit transfers decreased by 48.84 percent from 30,402 transaction messages in June 2015 to 15,553 transaction messages in July 2015. Compared with July 2014, MT 102 messages increased by 34.70 percent from 11,546 transaction messages to 15,553 transaction messages in July 2015.

Single third party Message Type (MT 103) used for single credit transfers increased by 3.37 percent from 272,405 transaction messages to 281,594 transaction messages in the same period. MT 103 messages increased by 26.62 percent from 222,388 in July 2014 transaction messages to 281,594 transaction messages in July 2015.

Overall, total third party messages through KEPSS decreased by 1.87 percent from 302,807 transaction messages in June 2015 to 297,147 transaction messages in July 2015 (Table 5.4 and Chart 5C).

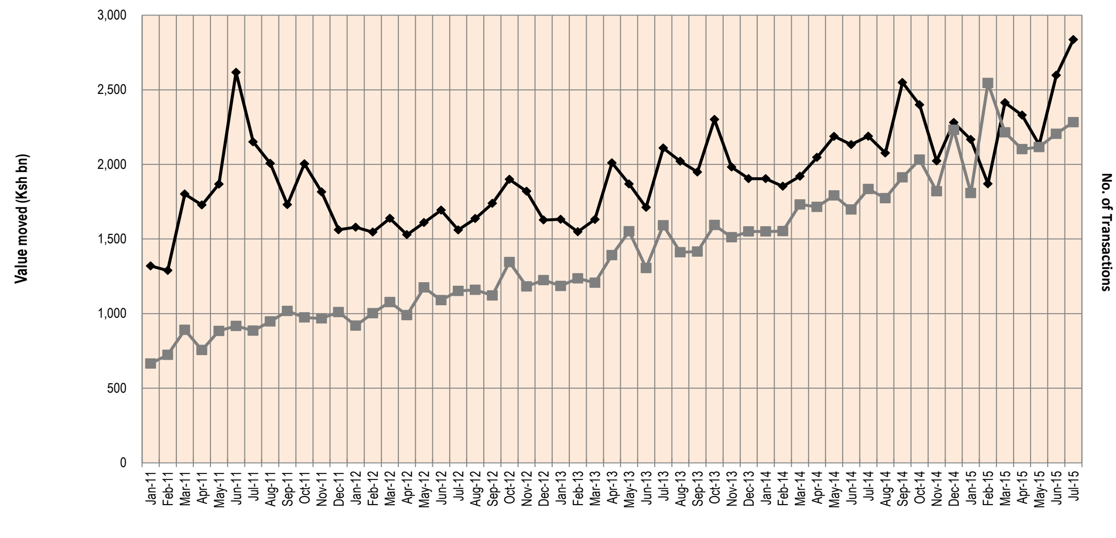
Inter-bank transfers (MT 202) accounted for 50 percent of the total value moved through KEPSS as at end of July 2015 while third party (MT 102 and MT 103) messages accounted for 50 percent.

TABLE 5.4: TRENDS IN MT102 AND MT103 THROUGH KEPSS

		MT102	MT103	Total
2013	Jan	11,267	148,497	159,764
	Feb	12,405	155,349	167,754
	Mar	12,681	148,954	161,635
	Apr	15,247	173,453	188,700
	May	15,690	181,934	197,624
	Jun	16,254	164,422	180,676
	Jul	12,189	191,864	204,053
	Aug	7,530	179,629	187,159
	Sep	10,655	178,480	189,135
	Oct	12,087	188,162	200,249
	Nov	13,265	186,194	199,459
	Dec	13,328	194,427	207,755
2014	Jan	14,858	192,905	207,763
	Feb	15,596	192,858	208,454
	Mar	16,935	217,572	234,507
	Apr	17,019	216,820	233,839
	May	20,543	218,936	239,479
	Jun	26,649	220,504	247,153
	Jul	11,546	222,388	233,934
	Aug	11,903	222,826	234,729
	Sep	18,074	241,606	259,680
	Oct	22,080	245,888	267,968
	Nov	19,626	225,312	244,938
	Dec	21,154	265,040	286,194
2015	Jan	16,749	232,962	249,711
	Feb	18,762	240,962	259,251
	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

Source: Central Bank of Kenya

CHART 5C: TRENDS IN MT102 AND MT103 THROUGH KEPSS

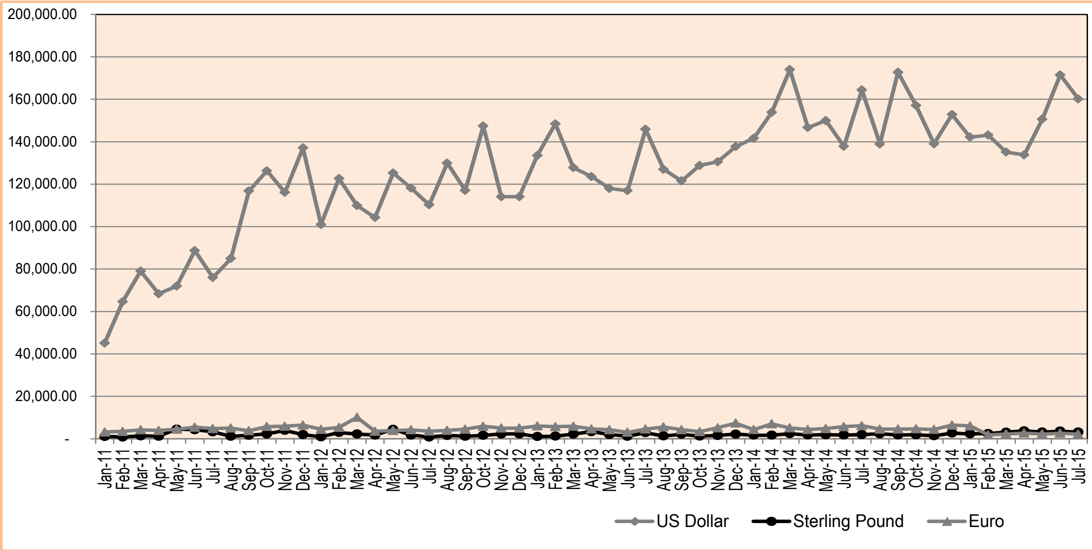


Source: Central Bank of Kenya

Domestic Foreign Currency

Domestic Foreign Currency messages through KEPSS increased by 8.03 percent from 21,367 transaction messages in June 2015 to 23,083 transaction messages in July 2015. Consequently, the corresponding value in Kenya Shillings equivalent moved in this period decreased by 6.73 percent from KSh. 177.64 billion to KSh 165.68 billion. The US dollar denominated transactions accounted for 96.77 percent of the value moved (Chart 5D) while the Sterling Pound and the Euro accounted for 1.89 percent and 1.34 percent, respectively.

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



Source: Central Bank of Kenya

Government Budget Performance

The Government's budgetary operations during the first month of the FY 2015/16 resulted in a surplus of Ksh 24.3 billion (0.5 percent of GDP) on a commitment basis compared with a surplus of Ksh 21.0 billion (0.4 percent of GDP) incurred in the same period of the FY 2014/15. This was within the Ksh 14.4 billion (0.3 percent of GDP) programmed target for the period. The surplus reflects a slow start in absorption of expenditures which has typically been the trend at the start of the fiscal year.

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

	July Actual	July Provisional	Target	Over (+) / below(-) Target
1. TOTAL REVENUE & GRANTS	69.6	81.3	**92.6**	**-11.3**
Revenue	**69.6**	**81.2**	**91.3**	**-10.1**
Tax Revenue	64.1	77.1	82.2	-5.0
Non Tax Revenue	1.1	0.3	0.8	-0.6
Appropriations-in-Aid	4.3	3.8	8.3	-4.5
External Grants	0.0	0.1	1.3	-1.2
2. TOTAL EXPENSES & NET LENDING	**48.6**	**57.0**	**106.9**	**-49.9**
Recurrent Expenses	47.9	51.8	75.2	-23.3
Development Expenses	0.7	5.2	31.8	-26.6
County Transfers	0.0	0.0	0.0	0.0
Others	**21.0**	**0.0**	0.0	0.0
3. DEFICIT ON A COMMITMENT BASIS (1-2)	**21.0**	**24.3**	**-14.4**	**38.6**
As percent of GDP	0.4	0.5	-0.3	0.7
4. ADJUSTMENT TO CASH BASIS	**0.0**	**0.0**	**0.0**	**0.0**
5. DEFICIT ON A CASH BASIS	**21.0**	**24.3**	**-14.4**	**38.6**
As percent of GDP	0.4	0.5	-0.3	0.7
6. DISCREPANCY: Expenditure (+) / Revenue (-	**-17.0**	**26.5**	**26.0**	**0.5**
7. FINANCING	**-38.0**	**2.172**	**40.3**	**-38.2**
Domestic (Net)	-35.2	4.9	25.3	-20.4
External (Net)	-2.8	-2.8	15.0	-17.8
Capital Receipts (privatisation)	0.0	0.0	0.0	0.0
Others(Euro Bond sale proceeds)	0.0	0.0	0.0	0.0
Financing gap	0.0	0.0	0.0	0.0

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

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

Revenue

Total government revenues and grants amounted to Ksh 81.3 billion during the first month of the FY 2015/16, representing an increase of Ksh 11.3 billion from Ksh 69.6 billion mobilized during a similar period of the FY 2014/15 (Table 6.2). Tax revenues accounted for 95.5 percent of the total revenue realized. All revenues performed below respective targets, specifically; receipts from tax revenue, nontax revenue, external grants and appropriations-in-aid were below target by Ksh 5.0 billion, Ksh 0.6 billion, Ksh 4.5 billion and Ksh 1.2 billion, respectively, during the period under review (Table 6.1).

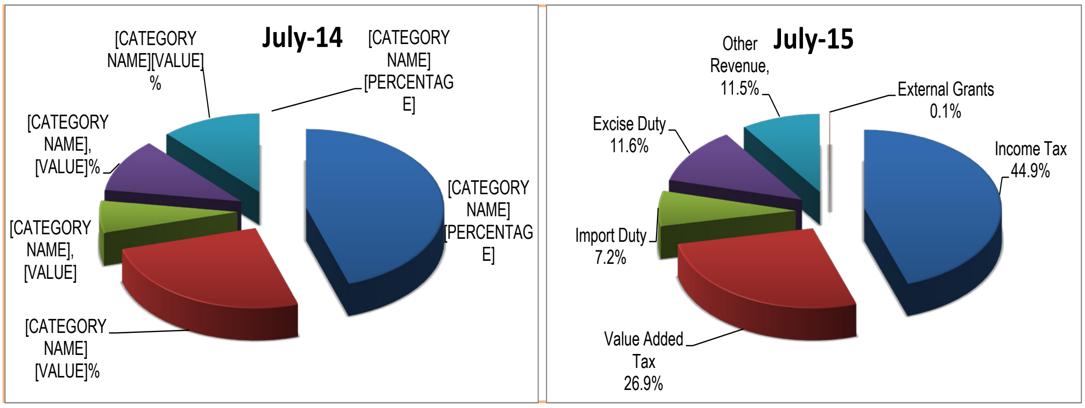
TABLE 6.2: COMPOSITION OF GOVERNMENT REVENUE (Ksh billion)

	Jul-14 Ksh bn	Jul-15 Ksh bn	Change
1. Revenue (2+3+4)	**69.6**	**81.2**	**11.6**
2. Tax Revenue	64.1	77.1	13.0
Income Tax	31.3	36.5	5.2
Value Added Tax	17.9	21.9	4.0
Import Duty	4.6	5.9	1.3
Excise Duty	7.6	9.4	1.8
Others	2.7	3.5	0.7
3. Appropriations-in-Aid	4.3	3.8	-0.5
4. Other Revenue	1.1	0.3	-0.9
5. External Grants	**0.0**	**0.1**	**0.1**
TOTAL RECEIPTS (1+5)	**69.6**	**81.3**	**11.7**

Tax revenue grew by Ksh 13.0 billion in the first month of the FY 2015/16 to Ksh 77.1 billion from Ksh 64.1 billion collected in a similar period in the FY 2014/15 (Table 6.2).

The income tax component increased by Ksh 5.2 billion. In addition, Excise duty, Value Added Tax, other tax revenue , Import duty, and external grants increased by Ksh 1.8 billion, Ksh 4.0 billion, Ksh 0.7 billion, Ksh 1.3 billion and Ksh 0.1 billion, respectively. However, Appropriations in aid and other revenue declined by Ksh 0.5 billion and Ksh 0.9 billion, respectively, during the period under review. The performance of Government revenue in relation to the previous year is shown in Chart 6A.

CHART 6A: COMPOSITION OF GOVERNMENT RECEIPTS



Source: National Treasury

Expenditure and Net Lending

Government expenditure and net lending increased by Ksh 8.4 billion during the first month of the FY 2015/16 to Ksh 57.0 from Ksh 48.6 billion expended during the same period in the FY 2014/15. Total expenditure during this period comprised Ksh 51.8 billion recurrent expenditure and Ksh 5.2 billion development expenditure.

Recurrent expenditure increased by Ksh 3.9 billion compared to similar period in the previous fiscal year but was below target by Ksh 23.3 billion. In terms of its components, foreign interest payment accounted for Ksh 0.7 billion of the increase while salaries and wages accounted for Ksh 2.8 billion of the increase. Development expenditure increased by Ksh 4.5 billion but was below the programmed target by Ksh 26.6 billion (Table 6.1 and 6.3). A slow start in absorption of development expenditures has been the trend at the start of the fiscal year.

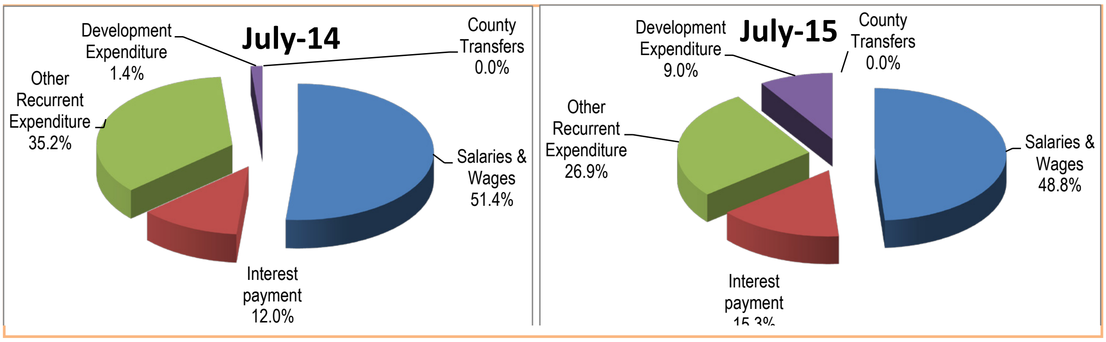
TABLE 6.3: COMPOSITION OF GOVERNMENT EXPENDITURE (Ksh billion)

	Jul-14 Ksh bn	Jul-15 Ksh bn	Movement
1.Recurrent	**47.9**	**51.8**	**3.9**
Salaries & Wages	25.0	27.8	2.8
Total Interest	5.8	8.7	2.9
of which			
Domestic*	4.5	6.7	2.2
Foreign interest due	1.3	2.0	0.7
Others	17.1	15.3	-1.8
2. Development	**0.7**	**5.2**	**4.5**
3. County Transfers	**0.0**	**0.0**	**0.0**
TOTAL EXPENSES	**48.6**	**57.0**	**8.4**

Source: National Treasury

The performance of Government expenditure in relation to the previous year is indicated in Chart 6B. The main highlights include the 760 basis points increase in development expenditure and 260 basis points reduction in the share of expenses on salaries and wages.

CHART 6B: COMPOSITION OF GOVERNMENT EXPENDITURE



Source: National Treasury

Financing

The financing requirements of Government operations stood at Ksh 43.5 billion for the first month of the FY 2015/16. The Government sourced the funds through domestic borrowing of Ksh 39.7 billion. The Government also reduced its deposits at the Central Bank by Ksh 3.9 billion. The funds were allocated to bridge the Government budgetary deficit of Ksh 2.2 billion and repayment of domestic and external debts amounting to Ksh. 2.8 billion and Ksh 38.6 billion, respectively (Table 6.4).

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

I. FINANCING REQUIREMENTS	Jul-14	Jul-15
1. Budget deficit	0.0	2.2
2. External debt reduction	2.8	2.8
3. Domestic debt reduction	7.1	38.6
3.1 Central Bank (incl. items in transit)	3.6	0.0
3.2 Commercial banks (net of deposits)	0.0	10.8
3.3 Non-bank sources	3.5	27.8
4. Increase in GoK deposits at CBK	44.3	0.0
TOTAL	54.2	43.5
II. FINANCING SOURCES	**Jul-14**	**Jul-15**
1. Budget surplus	38.0	0.0
2. External debt increase	0.0	0.0
3. Increase in domestic debt	16.2	39.7
3.1 Central Bank	0.0	39.7
3.2 Commercial banks	16.2	0.0
3.3 Non-bank sources	0.0	0.0
4. Reduction in GoK deposits at CBK	0.0	3.9
5. Privatisation proceeds (Net of Restructuring Costs)	0.0	0.0
7. Domestic Loan Repayments	0.0	0.0
TOTAL	54.2	43.5

Sources: National Treasury and Central Bank of Kenya

Government Borrowing from the Central Bank

The Government debt at the Central Bank rose by Ksh 41.4 billion to Ksh 103.0 billion during the period under review, compared to Ksh 61.6 billion owed in a similar period of the FY 2014/2015. The increase in Government's liability to the Central Bank reflected Ksh 34.6 billion maturity of rediscounted securities held by the Bank. Government borrowing through overdraft facility at the Central Bank rose by Ksh 10 billion during the period under review and remained within the statutory limit. However, the Government repaid Ksh 1.1 billion through the regular amortization of the pre-1997 securitized overdraft.

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

	2014	2015	Movement
	July	July	
Total Credit	**61.6**	**103.0**	**41.4**
1. Overdraft	31.7	41.7	10.0
2. Rediscounted securities	2.1	34.6	32.5
Treasury bills	2.0	34.5	32.5
Treasury bonds	0.0	0.0	0.0
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	0.0	0.0
Memorandum			
Authorised overdraft limit	39.1	46.8	7.7
Amount utilised to date	39.1	41.7	2.6
Amount available	0.0	5.1	5.1

Source: Central Bank of Kenya

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

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

	Ksh (Bn)	% of GDP
1. TOTAL REVENUE	**1358.0**	**20.8**
Ordinary Revenue	1254.9	19.2
Appropriations-in-Aid	103.2	1.6
External Grants	73.4	1.1
2. TOTAL EXPENSES & NET LENDING	**2000.6**	**30.7**
Recurrent Expenses	1013.0	15.5
Development Expenses	718.5	11.0
County Transfer	264.2	4.1
Contigency 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: Treasury using the new re-based GDP figures as per 2015 economic survey

Outlook for FY 2014/15

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

Developments in Public Debt

Overall Debt

Kenya's public and publicly guaranteed debt increased by Ksh 62.7 billion to reach Ksh 2,891.7 billion in July 2015, from Ksh 2,829.1 billion in June 2015. The total debt stock at the end of July 2015 was equivalent to 54 percent of GDP, compared with 52.8 percent of GDP in June 2015. External debt to GDP ratio increased from 26.3 percent in June 2015 to 27.5 percent in July 2015. While domestic debt to GDP ratio remained constant at 26.5 percent (Table 7.1).

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

	Jun-14	Jul-14	May-15	Jun-15	Jul-15	Change 2015/16
EXTERNAL**						
Bilateral	289.9	286.2	426.3	430.4	461.1	30.7
Multilateral	597.3	604.7	664.2	684.6	707.3	22.7
Commercial Banks	182.2	182.5	274.4	276.9	287.7	10.8
Supplier Credits	16.5	16.3	16.3	16.6	17.1	0.4
Sub-Total	**1085.9**	**1089.7**	**1381.2**	**1408.6**	**1473.1**	**64.5**
(As a % of GDP)	23.0	20.3	25.8	26.3	27.5	
(As a % of total debt)	45.8	45.7	49.5	49.8	50.9	
DOMESTIC						
Banks	**682.8**	**698.7**	**788.1**	**793.8**	**819.5**	**25.7**
Central Bank	65.7	61.6	48.5	63.3	103.0	39.7
Commercial Banks	617.1	637.1	739.5	730.4	716.5	-13.9
Non-banks	**586.5**	**583.6**	**607.9**	**616.0**	**588.2**	**-27.9**
Pension Funds	322.9	323.3	350.1	352.7	358.7	6.0
Insurance Companies	121.0	121.1	124.8	127.9	130.0	2.1
Other Non-bank Sources	142.6	139.2	133.0	135.4	99.5	-36.0
Non-residents	**14.9**	**14.2**	**12.4**	**10.7**	**10.9**	**0.3**
Sub-Total	**1284.2**	**1296.4**	**1408.4**	**1420.4**	**1418.6**	**-1.9**
(As a % of GDP)	27.1	24.2	26.3	26.5	26.5	
(As a % of total debt)	54.2	54.3	50.5	50.2	49.1	
GRAND TOTAL	**2370.2**	**2386.1**	**2789.6**	**2829.1**	**2891.7**	**62.7**
(As a % of GDP)	50.1	44.5	52.1	52.8	54.0	

The ratios of GDP are not in net present value (NPV) terms

** External debt is inclusive of guaranteed debt

Sources: National Treasury and Central Bank of Kenya

Domestic Debt

The total stock of domestic debt decreased by Ksh 1.9 billion during the first month of the FY 2015/16 to Ksh 1,418.6 billion in July 2015 from Ksh 1,420.4 in June 2015. The domestic debt decline comprised of Ksh 20.1 billion decrease in government Treasury Bills. However, this decline was partially offset by Kshs 12.5 billion increase in the holdings of Treasury Bonds and Kshs 5.2 billion increase in the utilization of the overdraft facility at the Central Bank. Consequently, the share of domestic debt in total debt declined from 50.2 percent in June 2015 to 49.1 percent in July 2015 (Table 7.1).

TABLE 7.2: GOVERNMENT GROSS DOMESTIC DEBT (Ksh billion)

							2015		Change
	Apr-15	%	May-15	%	Jun-15	%	Jul-15	%	2015/16
Total Stock of Domestic Debt (A+B)	**1,415.4**	**100.0**	**1,408.4**	**99.3**	**1,420.4**	**100.1**	**1,418.6**	**100.0**	(1.9)
A. Government Securities	**1,383.4**	**97.7**	**1,384.3**	**97.6**	**1,354.6**	**95.5**	**1,347.0**	**95.0**	(7.6)
1. Treasury Bills (excluding Repo Bills)	**347.0**	**24.5**	**334.2**	**23.6**	**318.9**	**22.5**	**298.9**	**21.1**	(20.1)
Banking institutions	246.9	17.4	232.6	16.4	217.7	15.3	235.3	16.6	17.6
Others	100.1	7.1	101.5	7.2	101.2	7.1	63.6	4.5	(37.6)
2. Treasury Bonds	**1,009.2**	**71.3**	**1,022.9**	**72.1**	**1,035.7**	**73.0**	**1,048.2**	**73.9**	12.5
Banking institutions	494.3	34.9	504.9	35.6	510.3	36.0	512.7	36.1	2.5
Pension Funds	346.5	24.5	350.1	24.7	311.8	22.0	318.8	22.5	7.0
Others	168.4	11.9	167.9	11.8	213.7	15.1	216.7	15.3	3.0
4. Frozen account	**27.2**	**1.9**	**27.2**	**1.9**	**26.7**	**1.9**	**26.7**	**1.9**	-
Of which: Repo T/Bills	27.2	1.9	27.2	1.9	26.6	1.9	26.6	1.9	-
B. Others:	**32.1**	**2.3**	**24.1**	**1.7**	**39.1**	**2.8**	**44.9**	**3.2**	**5.7**
Of which CBK overdraft to Government	29.8	2.1	21.1	1.5	36.5	2.6	41.7	2.9	5.2

Source: Central Bank of Kenya

Treasury Bills

Treasury bill holdings, excluding those held by the CBK for open market operations (or Repos), decreased by Ksh 20.1 billion from Ksh 318.9 billion in June 2015 to Ksh 298.9 billion in July 2015 (Table 7.2). The proportion of Treasury bills to total domestic debt decreased to 21.1 percent in July 2015 from 22.5 percent in June 2015. The dominant investors were commercial banks (56.6 percent) and pension funds (3.4 percent) by July 2015 (Table 7.3).

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

							2015		Change
Holders	Apr-15	%	May-15	%	Jun-15	%	Jul-15	%	2015/16
Banking Institutions	246.9	71.2	232.6	69.6	217.7	68.3	203.8	68.2	-13.9
Central Bank	0.1	0.0	0.1	0.0	0.0	0.0	34.5	11.6	34.5
Comm. Banks	246.8	71.1	232.5	69.6	217.7	68.3	169.3	56.6	-48.4
Insurance Companies	21.0	6.1	20.0	6.0	20.8	6.5	20.6	6.9	-0.2
Parastatals	9.8	2.8	13.0	3.9	15.0	4.7	16.3	5.4	1.3
Pension Funds	42.5	12.3	43.0	12.9	40.9	12.8	39.9	13.4	-1.0
Others	26.7	7.7	25.5	7.6	24.4	7.7	18.2	6.1	-6.2
Total	**347.0**	**100.0**	**334.2**	**100.0**	**318.9**	**100.0**	**298.9**	**100.0**	**-20.1**

Source: Central Bank of Kenya

Treasury Bonds

Outstanding Treasury bonds increased by Ksh 12.5 billion, from Ksh 1,035.7 billion in June 2015 to Ksh 1,048.2 billion in July 2015, and accounted for 73.9 percent of domestic debt compared to 73 percent in June 2014 (Table 7.2). The holding of Treasury bonds by dominant investors comprised Ksh 512.7 billion, Ksh 318.8 billion and Ksh 109.4 billion absorbed by commercial banks, pension funds and insurance companies, respectively. The proportion of holdings by pension funds and insurance companies increased from 29.7 percent and 10.3 percent to 30.4 percent and 10.4 percent, respectively. Meanwhile, the shares of commercial banks and other holders' declined from 49.3 percent and 7.5 percent to 48.9 percent and 7 percent during the period under review. The proportion held by parastatals, and the Central Bank of Kenya remained unchanged (Table 7.4).

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

Holders	Apr-15	%	May-15	%	Jun-15	%	Jul-15	%	Change 2015/16
Banking Institutions	494.3	49.0	505.0	49.4	510.3	49.3	512.7	48.9	2.5
Central Bank	0.1	0.0	0.1	0.0	0.0	0.0	0.0	0.0	0.0
Comm. Banks	494.3	49.0	504.9	49.4	510.2	49.3	512.7	48.9	2.5
Insurance Companies	104.1	10.3	104.8	10.2	107.0	10.3	109.4	10.4	2.3
Parastatals	34.7	3.4	33.6	3.3	33.6	3.2	33.9	3.2	0.3
Of which: NSSF	14.6	1.4	13.6	1.3	13.6	1.3	13.6	1.3	0.0
Building Societies	0.1	0.0	0.1	0.0	0.1	0.0	0.1	0.0	0.0
Pension Funds	304.0	30.1	307.1	30.0	307.1	29.7	318.8	30.4	11.7
Others	72.0	7.1	72.3	7.1	77.5	7.5	73.3	7.0	-4.2
Total	**1009.2**	**100.0**	**1022.9**	**100.0**	**1035.7**	**100.0**	**1048.2**	**100.0**	**12.5**

Source: Central Bank of Kenya

Domestic Debt Maturity structure

Government securities worth Ksh 8.6 billion matured in July 2015, comprising Ksh 1.1 billion, Ksh 3.4 billion and Ksh 4.1billion in 91-day, 182-day and 364-day Treasury bills, respectively.

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

TABLE 7.5: DOMESTIC DEBT MATURITY STRUCTURE (Ksh billion)

		Apr-15	%	May-15	%	Jun-15	%	Jul-15	%	Change 2015/16
Treasury bills	91-Day	22.8	1.6	21.7	1.5	18.6	1.3	19.9	1.4	1.3
	182-Day	87.4	6.2	80.5	5.7	75.3	5.3	65.7	4.6	-9.5
	364-Day	236.8	16.7	231.9	16.5	225.1	15.8	213.2	15.0	-11.9
Treasury Bonds	1-Year	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	2-Year	115.8	8.2	115.8	8.2	143.4	10.1	143.4	10.1	0.0
	3-Year	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	4-Year	21.4	1.5	21.4	1.5	21.4	1.5	21.4	1.5	0.0
	5-Year	183.7	13.0	171.8	12.2	177.4	12.5	189.8	13.4	12.5
	6-Year	40.7	2.9	40.7	2.9	40.7	2.9	40.7	2.9	0.0
	7-Year	8.7	0.6	8.7	0.6	8.7	0.6	8.7	0.6	0.0
	8-Year	38.2	2.7	38.2	2.7	38.2	2.7	38.2	2.7	0.0
	9-Year	15.1	1.1	15.1	1.1	15.1	1.1	15.1	1.1	0.0
	10-Year	158.6	11.2	158.6	11.3	163.9	11.5	163.9	11.6	0.0
	11-Year	4.0	0.3	4.0	0.3	4.0	0.3	4.0	0.3	0.0
	12-Year	132.1	9.3	132.1	9.4	132.1	9.3	132.1	9.3	0.0
	15-Year	168.2	11.9	168.2	11.9	168.2	11.8	168.2	11.9	0.0
	20-Year	74.3	5.2	74.3	5.3	74.3	5.2	74.3	5.2	0.0
	25-Year	20.2	1.4	20.2	1.4	20.2	1.4	20.2	1.4	0.0
	30-Year	28.1	2.0	28.1	2.0	28.1	2.0	28.1	2.0	0.0
	Repo T bills	27.2	1.9	27.2	1.9	26.6	1.9	26.6	1.9	0.0
	Overdraft	29.8	2.1	21.1	1.5	36.5	2.6	41.7	2.9	5.2
	Other Domestic debt	2.4	0.2	28.8	2.0	2.7	0.2	3.2	0.2	0.5
Total Debt		**1415.4**	**100.0**	**1408.4**	**100.0**	**1420.4**	**100.0**	**1418.6**	**100.0**	**-1.9**

Source: Central Bank of Kenya

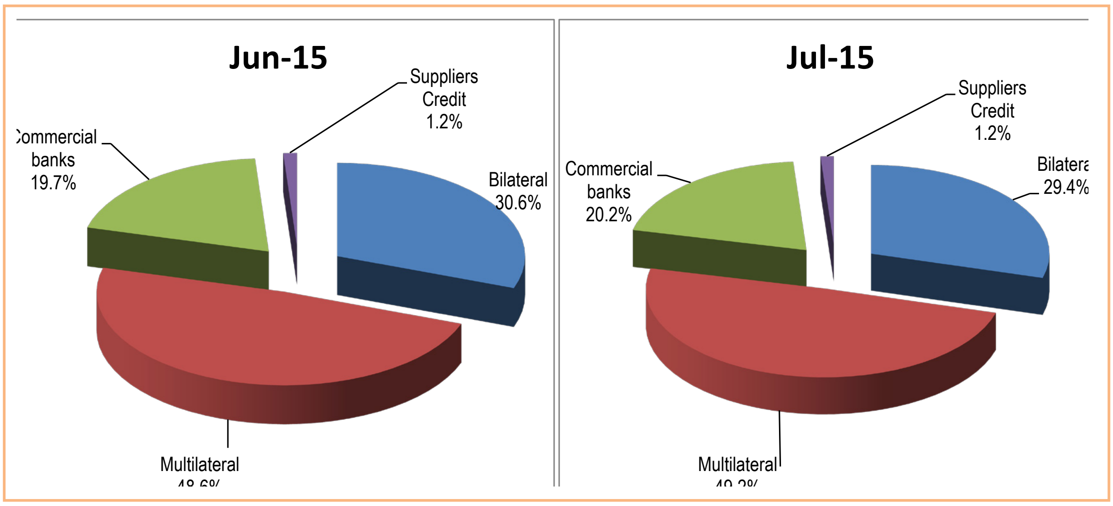
External Debt

Kenya's public and publicly guaranteed external debt increased by Ksh 64.5 billion to Ksh 1,473.1 billion in July 2015, from Ksh 1,408.6 billion in June 2015 (Table 7.1). The central government stake amounted to Ksh 1,427.4 billion or 96.9 percent with the balance being government guarantee to parastatals. The debt from International Development Association (IDA) accounted for Ksh 12.3 billion of the increase in multilateral debt, while China accounted for Ksh 24.2 billion of the increase in bilateral debt. The growth in external debt during this period was attributed to disbursements from Exim bank China, concessional loan from International Development Association (IDA) and exchange rate revaluation.

Composition of External Debt by Creditor

Official debt to multilateral and bilateral lenders accounted for 79.3 percent of total public and publicly guaranteed debt by July 2015. The proportion of external debt owed to commercial banks and multilateral lenders increased from 19.7 percent and 48.6 percent in June 2015 to 20.2 percent and 49.2 percent in July 2015, respectively. The share of external debt owed to bilateral lenders declined from 30.6 percent in June 2015 to 29.4 percent in July 2015 (Chart 7A).

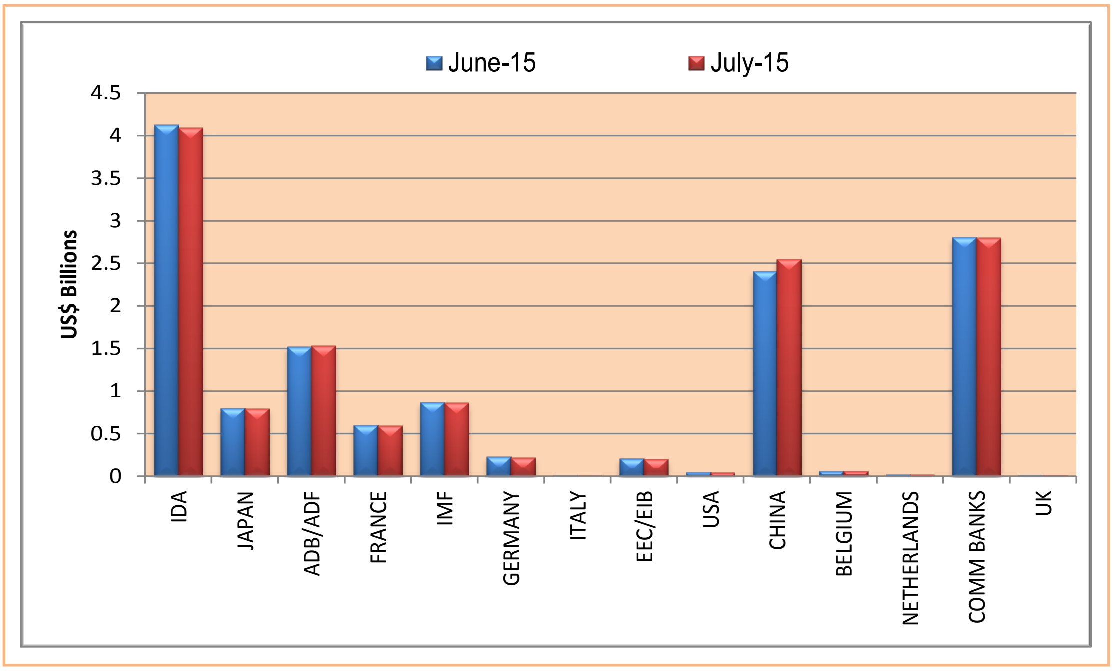
CHART 7A: COMPOSITION OF EXTERNAL DEBT



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 2.6 billion, or 17.8 percent of the total external debt as at the end of July 2015 (Chart 7B).

CHART 7B: EXTERNAL DEBT BY CREDITOR

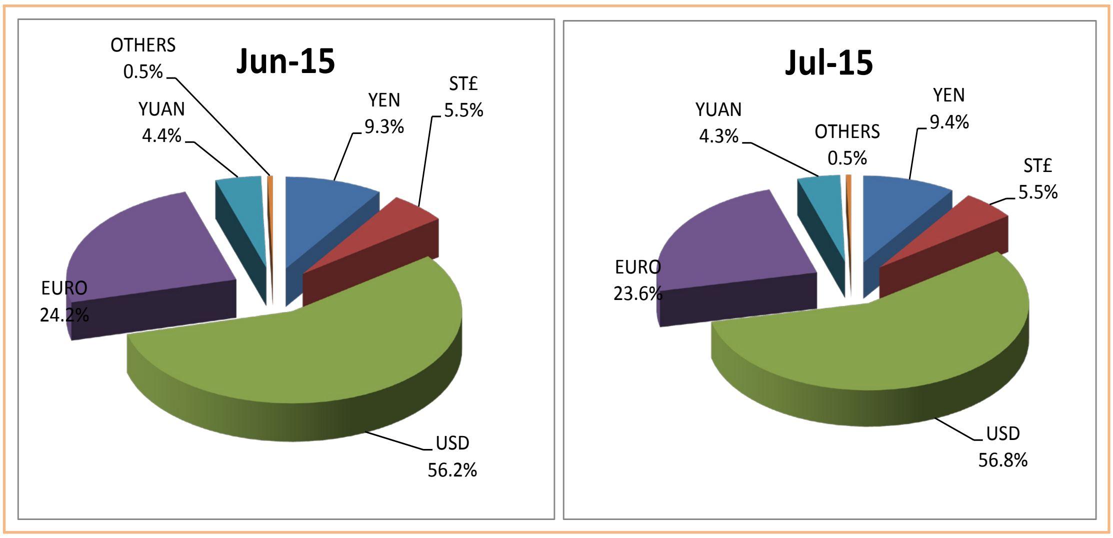


Source: National Treasury

Currency Composition of External Debt

The proportion of external debt denominated in the US dollar and Japanese Yen increased from 56.2 percent and 9.3 percent in June 2015 to 56.8 percent and 9.4 percent in July 2015, respectively. While that denominated in the Euro and Yuan declined from 24.2 percent and 4.4 percent in June 2015 to 23.6 percent and 4.3 percent, respectively in July 2015 (Chart 7C).

CHART 7C: EXTERNAL DEBT DISTRIBUTION BY CURRENCY



Source: National Treasury

Public Debt Service

Cumulative interest and other charges on domestic debt for the first month FY 2015/16 amounted to Ksh 6.7 billion (or 0.1 percent GDP) compared with Ksh 4.5 billion (or 0.1 percent GDP) during a similar period of the FY 2014/15. The interest payments expenditure in the current period comprised interest and other charges on Treasury bills and Treasury bonds amounting to Ksh 2.3 billion and Ksh 4 billion, respectively. In addition, collective interest on regular government overdraft and the Pre-1997 overdraft amounted to Ksh 0.4 billion.

Total external debt service for the first month of the FY 2015/16 amounted to Ksh 7.7 billion (or 0.1 percent GDP), comprising Ksh 2.2 billion in principal repayments and Ksh 5.5 billion in interest payments.

Outlook for FY 2014/15

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

Activity in the Stock Market

Equity Market

The leading indicators declined in the equities market except for the number of shares traded. Net foreign investors' interest at the NSE also declined, with sales exceeding purchases. The bonds turnover increased marginally from its level in June 2015.

The number of shares traded increased by 5.02 percent in July 2015, reflecting exit by investors. Equity turnover was down 11.12 percent in July 2015 at KSh 21,554.17 billion. Market capitalization lost KSh 222 billion to close at KSh 2,080.00 billion. The NSE 20 Share Index and the NASI closed at 4405 points and 148 points, respectively, at the end of July 2015.

TABLE 8.1: SELECTED STOCK MARKET INDICATORS

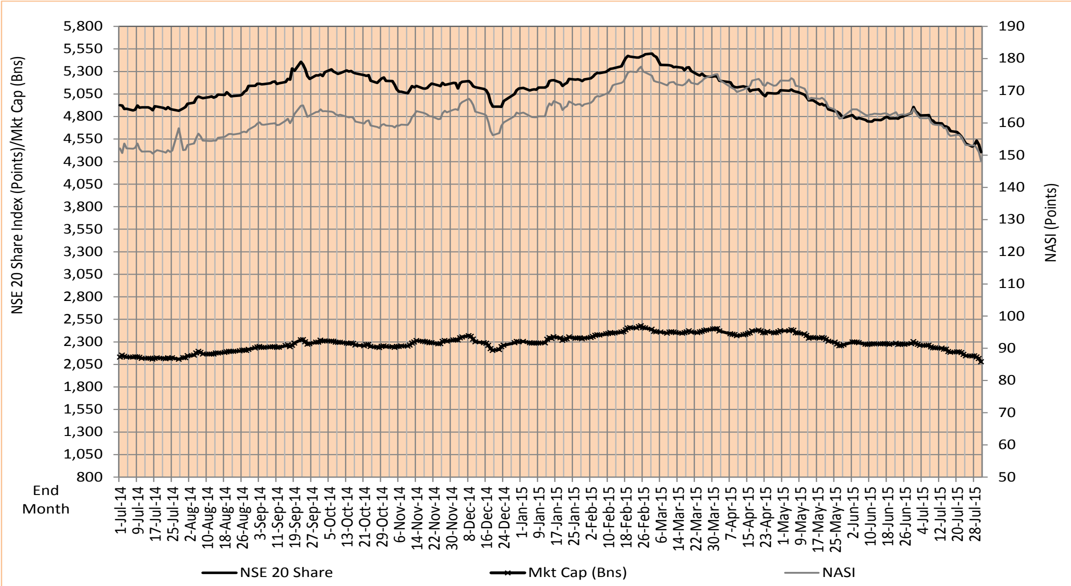
Period (Month)	NSE 20 Share Index (1966=100)	NASI (2008=100)	Number of Shares Traded (Millions)	Equities Turnover (Ksh Millions)	Market Capitalization (Ksh Billions)	Bond Turnover (Ksh Millions)	FP to Equity Turnover	FS to Equity Turnover	Overall net FP to Equity Turnover
Jan-13	4,416.60	103.50	518.71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

Source: Nairobi Securities Exchange

Foreigners' participation remained dominant at the NSE through July 2015, with net overall foreigners'activities accounting for 70.13 percent of total equity turnover. For five months in a row, NSE recorded net foreign investors outflow as sales exceeded purchases. Foreign purchases accounted for 67.51 percent of total equity turnover against 72.74 percent sales (Table 8.1).

Both the NSE 20 Share Index and NASI declined further in July 2015 signifying downward market trends. Market capitalization tended towards the KSh 2 trillion-mark, the lowest level since May 2014 (Chart 8A).

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



Source: Nairobi Securities Exchange

Most Active Sectors & FTSE NSE Kenya Index Series

Telecommunication and Technology, Banking and Energy and Petroleum sectors dominated trading in equities in July 2015, accounting for 43.41 percent, 30.09 percent and 10.69 percent of all shares traded, respectively during the month.

The FTSE NSE Kenya 15 Index, which measures performance of 15 largest stocks by market capitalization at the NSE, closed lower at 197.85 points in July 2015 from 216.07 points in June 2015. The FTSE NSE Kenya 25 Index, which measures performance of 25 most liquid stocks, closed lower at 197.39 points from 215.28 points over the same period. The FTSE NSE Kenyan Government Bond Index decreased marginally to 91.68 points in July 2015 from 92.03 points in June 2015, reflecting marginal increase in secondary market yields.

Bond Market

The Bond market turnover rose by 1.83 percent in July 2015 to KSh 12,399.58 million from KSh 12,176.84 million in June 2015. Corresponding deals declined to 203 from 304 deals, during the period. The Treasury bond, FXD1/2015/005, dominated trading, accounting for 24.73 percent of total bonds turnover, with yields ranging from 11.4 percent to 14.2 percent, against a coupon rate of 15 percent. The corporate bonds segment traded KSh 220.5 million, equivalent to 1.78 percent of total bond turnover.

Statement of Financial Position Of The Central Bank of Kenya

(Kenya shillings million)

1.0 ASSETS	JUNE(Audited) 2015	JUNE 2014	INCREASE/ (DECREASE)	JULY 2015	JUNE 2015	INCREASE/ (DECREASE)
1.1 BALANCES DUE FROM BANKING INSTITUTIONS AND GOLD HOLDINGS	704,975	759,592	(54,617)	702,739	704,874	(2,135)
1.2 FUNDS HELD WITH IMF	4,385	692	3,692	4,528	4,385	143
1.3 ITEMS IN THE COURSE OF COLLECTION	82	70	12	38	82	(44)
1.4 ADVANCES TO COMMERCIAL BANKS	75	50	24	42,655	75	42,580
1.5 LOANS AND OTHER ADVANCES	2,480	2,584	(104)	2,573	2,479	94
1.6 OTHER ASSETS	4,302	4,882	(580)	4,149	4,299	(150)
1.7 RETIREMENT BENEFIT ASSET	4,668	7,659	(2,991)	4,668	4,668	(0)
1.8 PROPERTY AND EQUIPMENT	20,743	13,813	6,930	20,606	20,746	(140)
1.9 INTANGIBLE ASSETS	495	639	(144)	383	495	(112)
2.0 DUE FROM GOVERNMENT OF KENYA	63,163	66,138	(2,975)	68,421	63,163	5,258
TOTAL ASSETS	**805,367**	**856,120**	**(50,753)**	**850,759**	**805,265**	**45,494**
2.0 LIABILITIES	222,178	199,966	22,212			
2.1 CURRENCY IN CIRCULATION	-	-	-	229,128	222,178	6,950
2.3 DEPOSITS	331,314	448,800	(117,486)	349,671	331,314	18,357
2.4 INTERNATIONAL MONETARY FUND	125,775	130,064	(4,289)	129,803	125,775	4,028
2.5 OTHER LIABILITIES	4,300	5,225	(925)	1,386	4,373	(2,987)
TOTAL LIABILITIES	167	157	10	709,988	683,640	26,348
3.0 EQUITY AND RESERVES	683,734	784,212	(100,478)	140,772	121,625	19,147
Share Capital	5,000	5,000	-	5,000	5,000	-
General reserve fund - Unrealized (BF)	37,793	37,793	0	96,987	97,144	(157)
General reserve fund - Realized (BF)	5,199	7,574	- 2,375			
General reserve fund - Capital Projects Account (BF)	7,445	5,029	2,416			
Period surplus -Realized	5,963		5,963	19,304		19,304
Period surplus - Unrealized	40,775		40,775			
Asset Revaluation	14,790	8,853	5,937	14,813	14,813	-
Retirment Benefit Asset Reserves	4,668	7,659	- 2,991	4,668	4,668	-
Dividends payable	-	-	-	-	-	-
4.0 TOTAL LIABILITIES AND EQUITY	**805,367**	**856,120**	**(50,753)**	**850,759**	**805,265**	**45,494**

Source: Central Bank of Kenya

Notes on the Financial Position

Assets

Total assets increased by 5.6 percent (KSh 45.5 billion) in the year to July 2015 largely on account of advances to commercial banks.

Balances due from Banking institutions and Gold holdings category comprise of foreign reserves held in external current accounts, deposits and special/projects accounts, domestic foreign currency clearing accounts, gold, special drawing rights and RAMP securities invested with the World Bank. These balances decreased by KSh 2.1 billion to KSh 702.7 billion in July 2015 from KSh 704.9 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 July 2015 were KSh 38 million compared to KSh 82 million outstanding as at June 2015.

Advances to commercial banks are balances of money advanced by the Central Bank of Kenya to commercial banks in the management of interbank liquidity. The balance outstanding increased by KSh 42.6 billion to KSh 42.7 billion in July 2015 from KSh 75 million in June 2015.

Loans and other advances include outstanding balances on advances to commercial banks under the Overnight Loan Facility (OLF), and IMF funds on-lent to Government. The outstanding balance increased to KSh 2,573 million in July 2015 from KSh 2,479 million in June 2015.

Other Assets largely consist of prepayments and sundry debtors, and deferred currency expense. These assets declined by KSh 150 million to KSh 4,149 million in July 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 July 1997 after an amendment to the Central Bank of Kenya Act to limit lending to Government to 5 percent of Government's audited revenue. Initially, the overdraft to the government was classified under 'Loans and advances'. The overall debt increased to KSh 68,421 million in July 2015 from KSh 63,163 million in June 2015. The overdraft as at July 2015 stood at KSh 41,684.2 million and was within the statutory limit of KSh 46,812.8 million.

Liabilities

Currency in circulation increased by KSh 6,950 million (or 3.1 percent) to KSh 229,128 million in July 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 18,357 million to KSh 349,671 million in July 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 4,028 million to KSh 129,803 in July 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 decreased by KSh 2,987 million to KSh 1,386 million in July 2015 from KSh 4,373 million in June 2015.

Equity and reserves increased by KSh 19,147 million, to KSh 140,772 million in July 2015 from KSh 121,625 million in June 2015 reflecting increase in period surplus of KSh 19,304 million.