MONTHLY ECONOMIC REVIEW
MARCH 2013
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Overview

Introduction

This Monthly Economic Review highlights recent economic developments through March 2013. 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 dropped from 4.5 percent in February 2013 to 4.1 percent in March 2013 reflecting a decline in food inflation. Non-food, non-fuel inflation declined from 4.5 percent in February 2013 to 4.2 percent in March 2013, while annual average inflation also declined from 7.2 percent in February 2013 to 6.3 percent in March 2013.

Money Supply

Growth in broad money supply, M3, increased to 15.7 percent in the year to March 2013 from 14.5 percent in the year to March 2012 and was below the 17.8 percent target for March 2013. This reflected an increase in the growth of Net Foreign Assets (NFA) of the banking system.

Interest Rates

The Monetary Policy Committee (MPC) maintained the Central Bank Rate (CBR) at 9.50 percent in January 2013 through March 2013. The weighted average interbank interest rate decreased from 9.25 percent in February 2013 to 8.93 percent in March 2013.

Real GDP Growth

The economy grew at 4.6 percent in 2012 compared to 4.4 percent in 2011. Real GDP growths in the March, June, September and December quarters of 2012 are estimated at 4.0 percent, 4.4 percent, 4.5 percent, and 5.3 percent respectively, compared with growth rates of 4.8 percent, 3.5 percent, 4.0 percent and 5.2 percent in the March, June, September and December quarters of 2011. All the sectors of the economy recorded positive growth rates in the period under review. The main sectors that contributed to the overall GDP growth in 2012 were Agriculture (20.9 percent); Wholesale and Retail trade (11.0 percent); and Transport and communication (12.3 percent).

Balance of Payments

Kenya's overall Balance of Payments position improved from a surplus of US$ 362 million in the year to March 2012 to a surplus of US$ 642 million in the year to March 2013. This improvement reflects a larger increase in the capital and financial account surplus in relation to widening of the current account deficit. Official reserves held by the Central Bank increased by 17.8 percent to US$ 5,523 million or 4.1 months of import cover in March 2013. The accumulation of official reserves during the period derived from IMF disbursements under the 2011-14 Extended Credit Facility and purchases from the inter bank market.

Exchange Rates

The Kenya shilling strengthened against all major international currencies in March 2013.

Banking Sector Developments

The Kenyan Banking sector registered improved growth in assets in the year to March 2013 driven by growth in deposits, injection of capital and retention of profits. The sector registered improved performance in earnings and capital and the level of non-performing loans reduced compared with a similar period in 2012.

Government Budgetary Performance

The central Government budgetary operations for the nine months of the fiscal year 2012/13 resulted in a deficit of Ksh 198.7 billion (5.3 percent of GDP) on commitment basis, compared with Ksh 152.6 billion (4.6 percent of GDP), incurred in a similar period of fiscal year 2011/12 (Table 6.1). This was less than the Ksh 234.0 billion (6.2 percent of GDP) programmed target for the period.

Public Debt

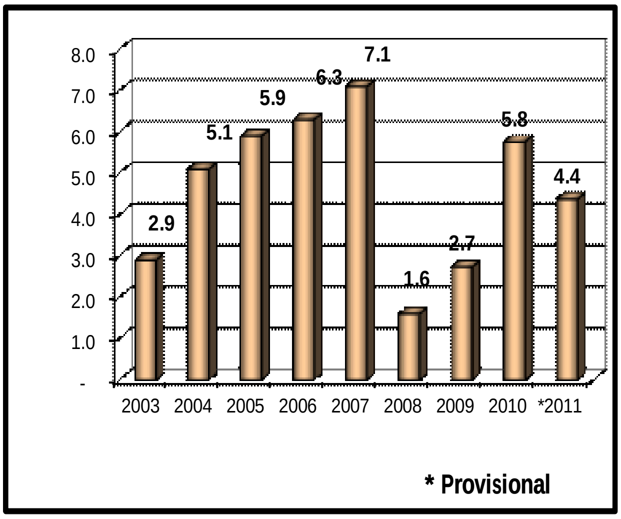
Kenya's public and publicly guaranteed debt increased by Ksh 177.4 billion during the first nine months of the fiscal year 2012/13 to reach Ksh 1,800.8 billion at the end of March 2013 from Ksh 1,623.4 billion at the end of June 2012. The total debt-to-GDP ratio declined to 47.7 percent in March 2013 from 49.3 percent in June 2012. Similarly, domestic debt to GDP and external debt to GDP ratios declined from 26.1 percent and 23.2 percent in June 2012 to 26.0 percent and 21.7 percent, respectively, in March 2013.

Stock Market

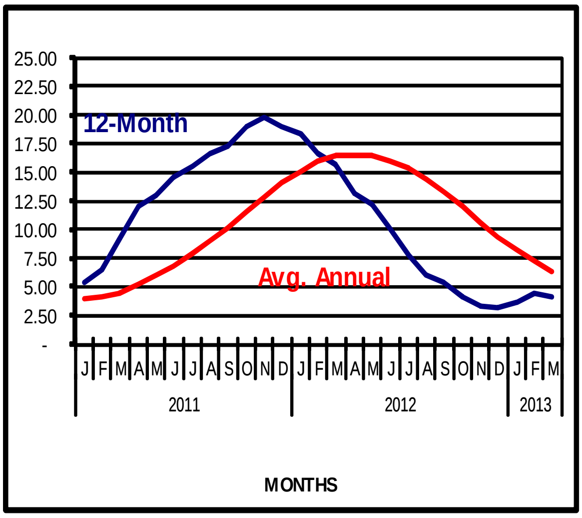
Capital markets performed strongly in March 2013, with a rally in equities market; and a 26.9 percent increase in bonds market turn over.

SELECTED ECONOMIC PERFORMANCE INDICATORS

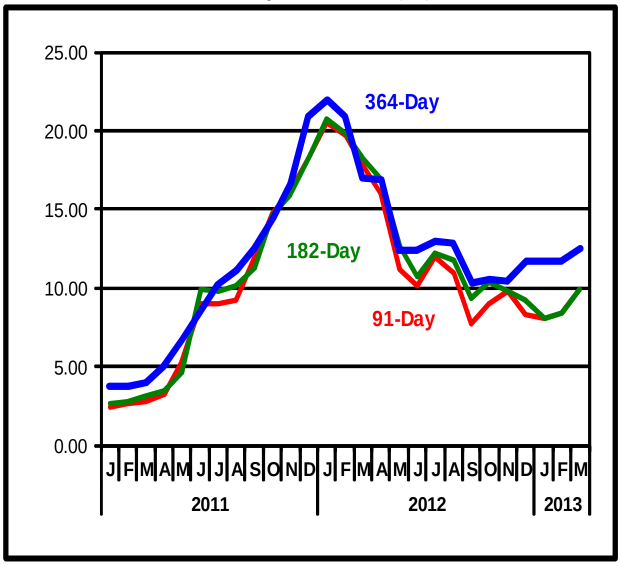
Real GDP Growth (%)



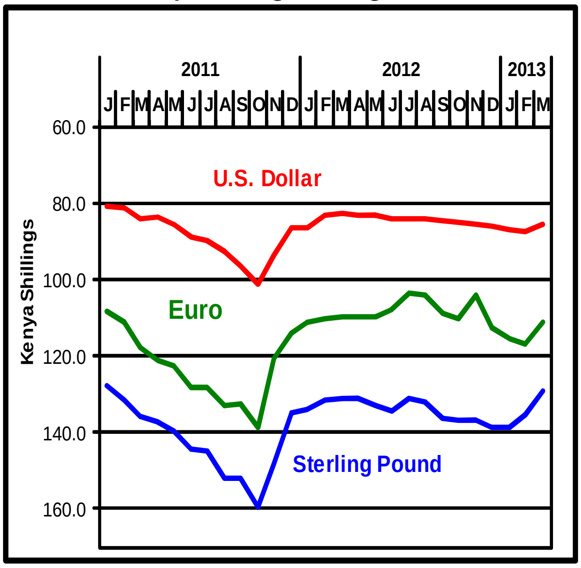
Inflation (%)



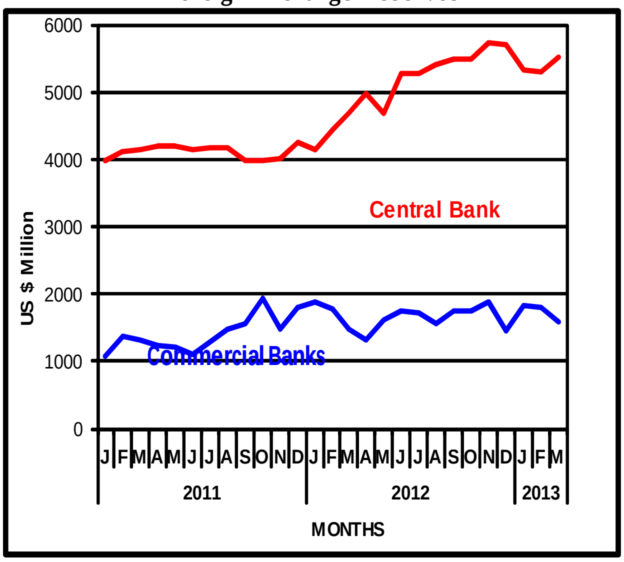
Treasury Bill Rates (%)



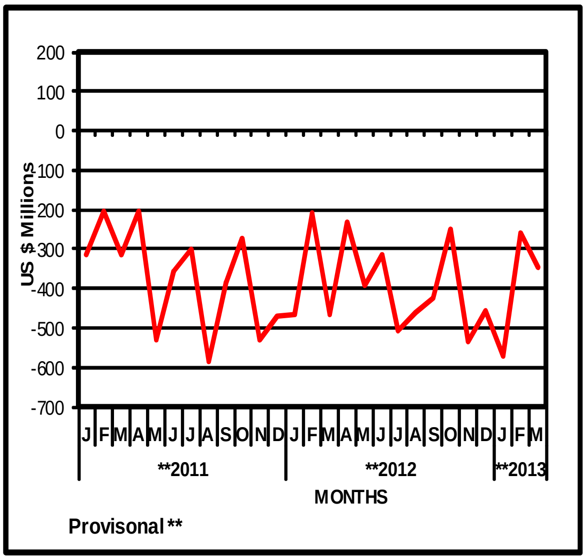
Kenya Shilling Exchange Rate



Foreign Exchange Reserves



Current Account Balance



SELECTED ANNUAL ECONOMIC INDICATORS

	INDICATOR	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010*	2011*
1.	POPULATION*												
	People in Millions	29.53	30.90	32.20	33.20	34.20	35.10	36.10	37.20	38.30	38.60	39.80	NA
	Growth (%)	3.00	4.64	4.21	3.11	2.54	2.50	2.85	3.05	2.96	0.78	3.11	NA
2.	NATIONAL ACCOUNTS**												
	Gross value added at basic prices (Ksh m)	858,919	906,874	918,914	1,006,062	1,132,850	1,261,625	1,444,113	1,616,010	1,858,371	2,090,948	2,238,630	2,671,285
	GDP at Market Prices (Ksh m):												
	At Current Prices	967,838	1,020,022	1,035,374	1,131,783	1,274,328	1,415,724	1,622,565	1,833,511	2,107,589	2,366,984	2,549,825	3,024,782
	At Constant 2001 Market Prices	982,855	1,020,022	1,025,584	1,055,658	1,109,541	1,175,133	1,249,470	1,336,846	1,357,263	1,394,387	1,474,763	1,539,306
	Real GDP Growth (%)	0.60	4.50	0.60	2.90	5.10	5.91	6.3	7.0	1.5	2.7	5.8	4.4
	Per Capita Income Real 2001 prices (Ksh)	33,283	33,767	31,828	31,825	32,443	33,480	34,574	37,316	36,933	36,962	38,332	38,925
3.	GROSS NATIONAL SAVINGS (% of GDP at mkt prices)\3	12.9	10.0	8.1	10.1	12.2	13.4	14.8	13.9	15.9	12.9	11.3	13.2
4.	GROSS DOMESTIC SAVINGS (% of GDP at mkt prices)\3	6.7	4.4	4.0	4.8	6.6	5.7	6.8	6.1	8.2	5.5	4.1	4.2
5.	GROSS DOMESTIC INVESTMENTS (% of GDP at mkt prices)	17.4	18.8	14.9	16.4	17.1	16.9	17.9	19.0	19.2	19.9	19.8	20.9
6.	OVERALL INFLATION BASE PERIOD= FEB 2009												
	Annual Average Inflation	9.97	5.73	1.97	9.81	11.79	9.87	6.39	4.27	16.27	9.24	3.96	14.02
	12-Month Inflation	11.78	1.60	4.25	8.35	17.08	4.70	7.98	5.70	17.83	5.32	4.51	18.93
7.	STOCK MARKET												
	Nairobi Stock Exchange Price Index (1966=100)	1,913.40	1,355.10	1,362.90	2,737.60	2,945.58	3,973.04	5,645.65	5,444.83	3,521.18	3,247.44	4,432.60	3,205.02
	Trade Turnover Ratio (%)	0.17	0.17	0.50	0.89	0.92	0.88	1.70	1.29	0.29	0.64	0.99	0.46
8.	GOVERNMENT BUDGET (Ksh bn) ***												
	Revenue and Grants	182.69	216.39	203.44	228.16	270.92	303.85	331.21	383.59	457.67	511.36	614.53	679.533
	Expenditure	175.12	232.92	225.76	255.28	289.54	298.13	368.65	405.20	534.84	621.91	791.79	817.09
	Budget Deficit (-) / Surplus (+) incl. Grants (commitment basis)	7.57	(16.53)	(22.32)	(27.11)	(18.62)	5.72	(37.44)	(21.61)	(77.17)	(110.55)	(177.26)	(137.56)
	Budget Deficit (% of GDP)	0.81	(1.66)	(2.19)	(2.51)	(0.97)	0.08	(2.74)	(1.02)	(3.93)	(4.94)	(7.21)	(4.98)
9.	MONEY AND CREDIT (Ksh bn)(end period)												
	Liquidity (L)¹	435.47	462.13	521.20	569.43	633.92	712.32	834.16	992.42	1,091.93	1,280.44	1,558.16	1,854.93
	Money Supply (M3)²	360.01	368.39	406.01	453.35	513.16	565.49	666.84	797.54	901.05	1,045.66	1,271.64	1,514.15
	Reserve Money	77.73	79.12	88.45	87.52	101.05	106.23	124.16	155.62	163.59	181.96	222.63	255.01
	Total Domestic Credit	331.29	334.00	364.93	405.20	473.61	498.66	575.76	668.90	815.52	955.82	1,188.40	1,505.13
	Government	76.45	89.08	108.61	133.85	132.34	122.16	137.81	137.40	155.32	205.07	277.78	311.58
	Private sector and other public sector	254.85	244.93	256.33	271.41	341.27	376.50	437.94	531.49	660.20	750.75	910.62	1,193.55
10.	BALANCE OF PAYMENTS (US$ m)**												
	Overall Balance	217.00	372.00	59.00	365.00	117.00	306.00	675.00	854.00	(469.00)	780.53	163.40	(42.88)
	Current Account	(240.00)	(385.00)	(117.69)	145.00	-133.00	-253.00	-511.00	-1,034.00	-1,983.00	-1,609.28	-2,511.91	-3,330.41
	Capital and Financial Account	457.00	757.00	176.00	219.00	250.00	560.00	1,187.00	1,888.00	1,514.00	2,389.81	2,675.30	3,287.53
11.	FOREIGN EXCHANGE RESERVES (US$ m) End Period	1,398.72	1,459.35	1,612.69	1,888.04	2,078.40	2,534.16	3,331.30	4,556.97	4,640.78	5,064.03	5,122.52	6,044.78
	Official	897.42	1,063.82	1,066.99	1,479.75	1,518.73	1,798.82	2,415.27	3,354.85	2,875.46	3,847.39	4,001.68	4,247.60
	Months of imports	*2.8*	*3.2*	*3.3*	*4.4*	*4.1*	*4.0*	*3.9*	*4.8*	*3.4*	*4.1*	*3.9*	*3.7*
	Commercial Banks	501.30	395.53	545.70	408.28	559.67	735.34	916.03	1,202.12	1,765.32	1,216.63	1,120.84	1,797.12
12.	PUBLIC DEBT (US$ bn) End Period***	7.58	7.85	8.09	9.39	9.14	9.84	10.68	12.04	13.46	13.66	14.96	16.60
	Domestic	2.50	2.80	3.30	3.90	3.85	4.14	4.84	6.08	6.66	6.72	8.06	8.51
	As % of GDP	*24.09*	*22.25*	*23.11*	*26.81*	*25.32*	*23.40*	*23.18*	23.56	21.15	21.67	25.90	27.78
	External	5.08	5.05	4.79	5.49	5.29	5.70	5.84	5.96	6.80	6.94	6.90	8.09
	As % of GDP	*42.21*	*40.13*	*36.99*	*37.72*	*36.64*	*32.21*	*27.93*	23.09	21.61	22.36	22.20	26.43
13.	EXCHANGE RATE (Ksh/US$) (Annual Average)	76.20	78.60	78.70	75.93	79.28	75.55	72.10	67.32	69.18	77.35	79.23	88.81

NA Not Available

* Provisional.

** Revised to reflect data reported in Economic Survey 2011.

*** Fiscal year to June 30th.

\1 Previously M3XT

\2 Previously M3X

\3 Revised

Sources: Kenya National Bureau of Statistics, Ministry of Finance**, Central Bank of Kenya and Nairobi Stock Exchange**

SELECTED MONTHLY ECONOMIC INDICATORS

INDICATOR	2012 Jan	2012 Feb	2012 Mar	2012 Jun	2012 Oct	2012 Nov	2012 Dec	2013 Jan	2013 Feb	2013 Mar
1. INFLATION (%)										
CPI	130.82	130.76	132.51	133.06	132.46	133.33	134.25	135.62	136.59	**137.96**
Overall Inflation										
12-month overall inflation	18.31	16.69	15.61	10.05	4.14	3.25	3.20	3.67	4.45	4.11
Average annual overall inflation	15.10	15.93	16.45	15.97	12.04	10.67	9.38	8.20	7.24	6.33
2. INTEREST RATES (%)										
91-day Treasury bill interest rate	20.56	19.70	17.80	10.09	9.0	9.8	8.3	8.1	8.4	9.9
Overdraft interest rate	20.38	20.53	20.53	20.36	19.1	18.8	17.8	18.0	17.7	17.5
3. STOCK MARKET										
Nairobi Stock Exchange 20 Share Price Index	3,224.00	3,303.75	3,366.89	3,703.94	4,147.28	4,083.52	4,133.02	4,416.60	4,518.59	4,860.83
Turnover Ratio (%)	0.48	0.47	0.50	0.52	0.59	1.07	0.58	0.65	0.86	0.71
4. GOVERNMENT BUDGET* (Ksh bn.)										
Revenue $ Grants	398.16	450.53	510.89	734.43	233.02	304.41	387.89	454.06	514.26	577.3
Expenses	512.65	586.55	663.82	915.89	308.46	405.53	506.41	589.55	664.32	776.1
Budget Deficit (-) / Surplus (+)	(114.49)	(136.0)	(152.9)	(181.5)	(75.4)	(101.1)	(118.52)	(135.5)	(150.1)	(198.7)
5. MONEY AND CREDIT (Ksh bn.)										
Liquidity (L)¹	1,864.44	1,889.87	1,906.47	1,970.12	2,096.61	2,136.55	2,129.49	2,131.81	2,149.77	2,180.21
Money Supply (M3)²	1,505.76	1,504.78	1,517.13	1,594.66	1,702.55	1,740.18	1,740.18	1,729.61	1,747.62	1,755.48
Reserve Money	244.14	231.67	257.91	257.28	250.8	279.65	293.62	274.02	287.10	287.58
Total Domestic Credit	1,495.66	1,512.09	1,530.95	1,552.36	1,654.80	1,686.98	1,702.52	1,744.37	1,747.49	1,751.72
Government	300.73	306.03	315.10	297.93	351.08	370.64	368.83	396.00	394.02	390.54
Private sector and other public sector	1,194.93	1,206.06	1,215.85	1,254.43	1,303.7	1,316.34	1,333.69	1,348.37	1,353.48	1,361.19
6. MONEY AND CREDIT (Annual % Change)										
Liquidity (L)¹	18.16	18.09	17.25	**15.29**	12.49	16.26	14.80	14.34	13.75	14.36
Money Supply (M3)²	17.14	15.19	14.53	15.52	12.48	16.81	14.93	14.87	16.14	15.71
Reserve Money	17.21	10.42	23.17	17.61	6.88	13.97	15.14	12.24	23.93	11.50
Total Domestic Credit	23.87	22.14	21.39	15.35	11.05	11.22	13.11	16.63	15.57	14.42
Government	7.95	7.15	8.76	5.29	11.05	11.22	18.37	31.68	28.75	23.94
Private and other public sector	28.64	26.64	25.15	17.97	8.51	10.64	11.74	12.84	12.22	11.95
7. BALANCE OF PAYMENTS (US$ m)										
Overall Balance	(95.81)	290.48	253.03	609.04	(3.76)	154.45	(44.45)	(366.30)	(37.77)	233.20
Current Account	(293.21)	(208.14)	(463.88)	(315.25)	(250.40)	(530.12)	(454.40)	(572.40)	(260.89)	(346.91)
Trade Balance	(686.72)	(697.09)	(968.19)	(834.96)	(732.93)	(979.08)	(894.31)	(962.58)	(797.25)	(795.86)
Capital and Financial Account	197.41	498.63	716.91	924.29	246.64	684.56	409.95	206.10	223.12	580.12
8. FOREIGN EXCHANGE RESERVES (US$ m)	6,019.39	6,215.52	6,165.00	7,029.88	7,249.80	7,634.33	7,160.07	7,155.80	7,080.45	7,113.87
Official**	4,144.10	4,434.58	4,687.62	5,282.58	5,477.63	5,742.46	5,701.85	5,327.85	5,290.07	5,523.28
Months of imports cover	3.59	3.80	3.94	4.27	4.23	4.38	4.31	3.98	3.91	4.06
Commercial banks	1,875.30	1,780.94	1,477.38	1,747.30	1,772.16	1,891.86	1,458.22	1,827.96	1,790.37	1,590.59
9. PUBLIC DEBT (US$ bn)	17.90	18.56	18.84	19.27	20.46	20.77	20.84	20.68	20.53	21.03
Domestic	9.57	10.57	10.69	10.20	10.92	11.16	11.29	11.16	10.94	11.47
As % of GDP	24.58	26.65	26.97	26.06	24.03	24.79	25.90	*25.3*	*25.0*	*26.0*
External	8.34	7.99	8.15	9.08	9.54	9.60	9.55	9.51	9.58	9.56
As % of GDP	21.42	20.13	20.55	23.53	21.01	21.33	21.26	*22.1*	*21.9*	*21.7*
10. GROSS DOMESTIC DEBT (Ksh bn)***	809.28	877.29	887.87	858.83	929.32	958.44	971.27	977.9	943.8	982.0
11. AVERAGE EXCHANGE RATE										
Ksh/US$	86.34	83.18	82.90	84.79	85.11	85.63	85.99	86.90	87.45	85.82
Ksh/Pound Sterling	133.94	131.42	131.18	131.95	136.81	136.77	138.78	138.80	135.54	129.42
Ksh/ 100 Yen	112.23	106.10	100.60	106.91	107.84	105.81	102.79	97.67	93.96	90.49
Ksh/Euro	111.42	110.06	109.55	106.51	110.35	109.91	112.77	115.47	116.86	111.31

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

** Figures in parentheses refer to official reserves in terms of 12 months 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, Ministry of Finance, Nairobi Stock Exchange and Central Bank of Kenya

Trends in Various Measures of Inflation

Overall Inflation

Overall 12-month inflation slightly dropped from 4.5 percent in February 2013 to 4.1 percent in March 2013 reflecting a decline in food inflation. Annual average inflation declined from 7.2 percent in February 2013 to 6.3 percent in March 2013. The seasonally unadjusted three months annualized rate of inflation increased from 10.1 percent in February 2013 to 11.5 percent in March 2013, while the seasonally adjusted three month annualized rate of inflation dropped from 10.5 percent in February 2013 to 9.9 percent in march 2013 (Table 1.1 and Chart 1A).

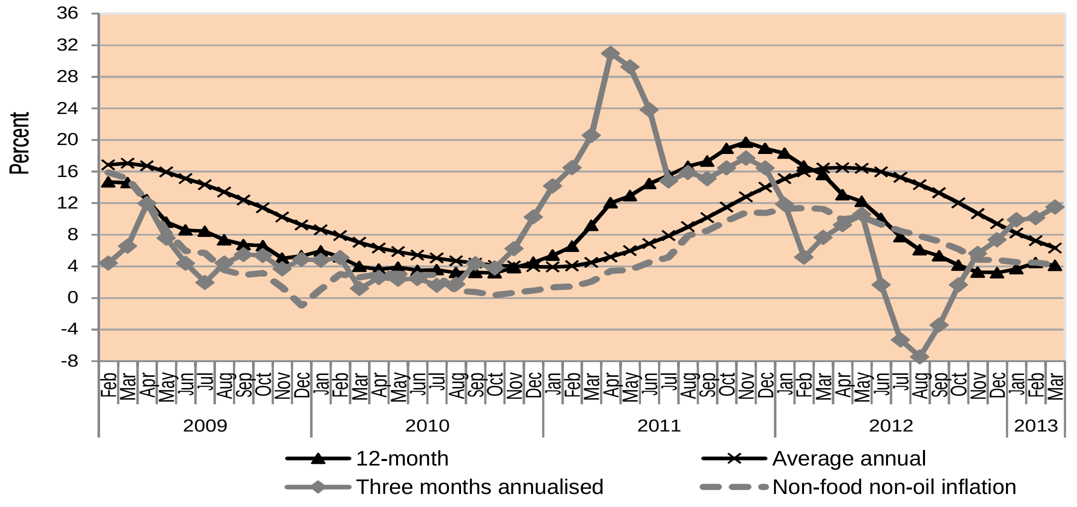
TABLE 1.1: 12-MONTHS OVERALL, AVERAGE ANNUAL & THREE MONTHS ANNUALISED INFLATION (%)

Overall Inflation	2012												2013		
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
12-month	18.31	16.69	15.61	13.06	12.22	10.05	7.74	6.09	5.32	4.14	3.25	3.20	3.67	3.67	4.11
Average annual	15.10	15.93	16.45	16.50	16.40	15.97	15.27	14.33	13.29	12.04	10.67	9.38	8.20	8.20	6.33
Three months annualised	11.86	5.16	7.66	9.24	10.57	1.65	-5.32	-7.46	-3.46	1.65	5.63	7.36	9.88	9.88	11.51
Non-food non-oil inflation	11.27	11.39	11.27	9.95	10.28	9.31	8.49	7.84	7.17	6.17	4.83	4.81	4.53	4.53	4.17

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

Fuel inflation rose in March 2013 as indicated by the increases in 12-month inflation in the 'Housing, Water, Electricity, Gas and other Fuels' category from 4.7 percent in February 2013 to 4.8 percent in March 2013 and 'transport' category from 4.4 percent in February 2013 to 6.1 percent in March 2013.

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



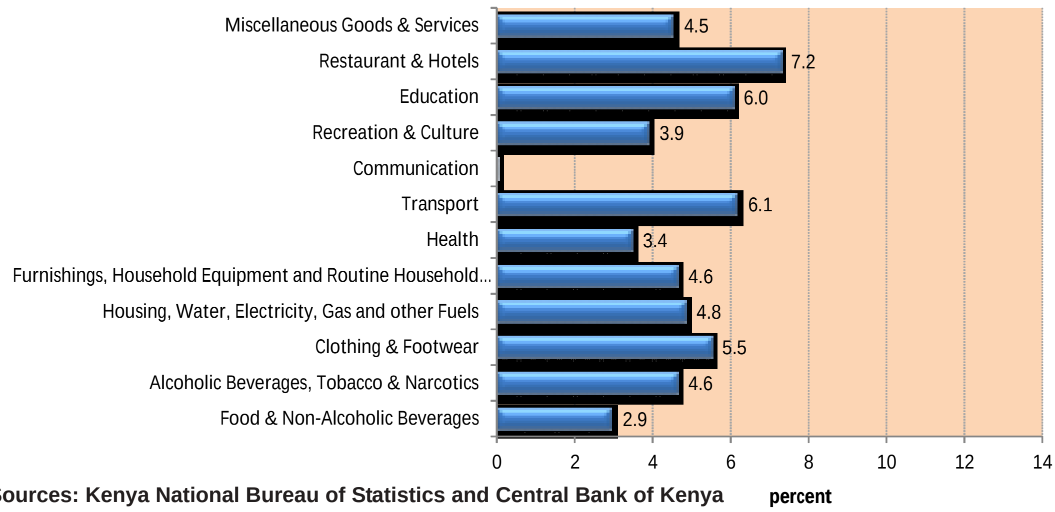
Sources: Kenya National Bureau of Statistics and Central Bank of Kenya

The 'non-food, non-fuel inflation' eased further to 4.2 percent in March 2013 from 4.5 percent in February 2013. This is reflected mainly in the easing of 12-month inflation in 'health' 'Miscellaneous Goods & Services', and 'Clothing and Footwear' consumption baskets to 3.4 percent, 4.5 percent, and 5.5 percent, respectively in March 2013, compared with 4.0 percent, 5.0 percent and 5.7 percent, respectively in February 2013.

Inflation Across Categories of Goods & Services

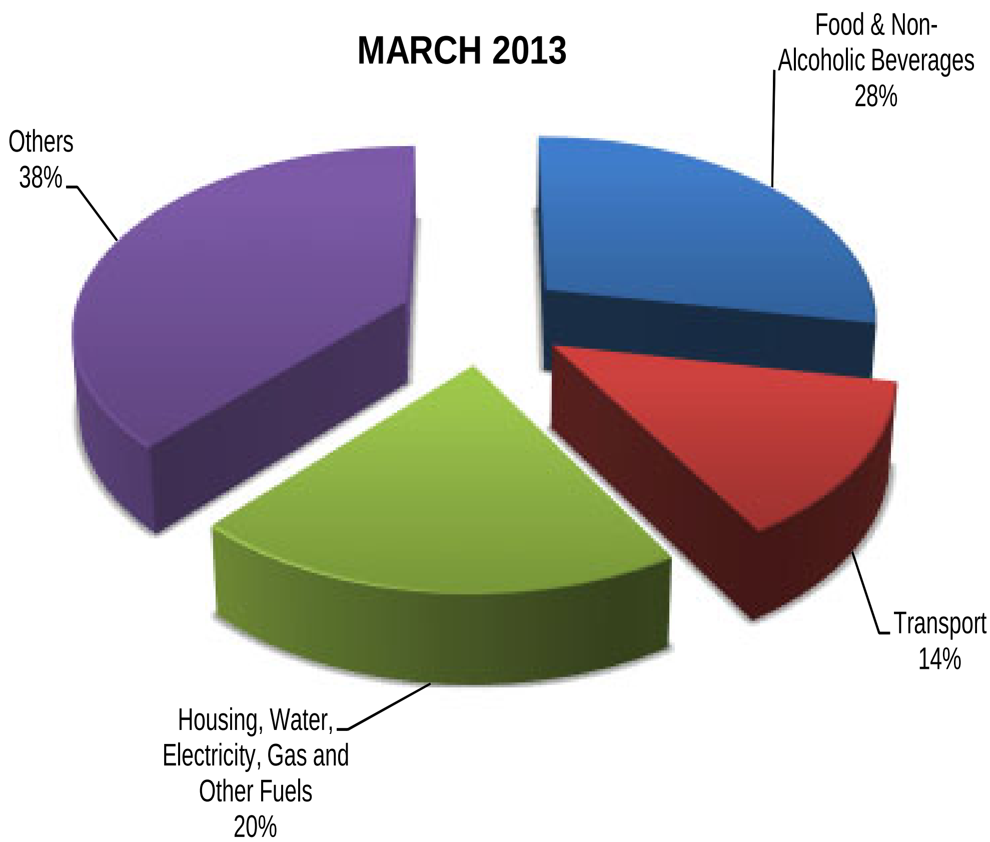
Developments across all categories of goods and services, and the distribution of weights in the Kenya consumer price index (CPI) are summarized in Table 1.2 and Chart 1B. Chart 1C shows that 28.0 percent of overall 12-month inflation in March 2013 was attributed to Food and Non-Alcoholic Beverages 14.0 percent to Transport and 20 percent to Housing, Water, Electricity, Gas and Other Fuels categories.

CHART 1B: 12-MONTH INFLATION ACROSS THE CPI CATEGORIES OF GOODS AND SERVICES (MARCH 2013 (%))



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

CHART 1C: PERCENTAGE CONTRIBUTIONS TO TOTAL INFLATION (MARCH 2013)



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

Inflationary pressures increased for all the income groups in Nairobi in March 2013. On average, the prices of goods and services in urban centers outside Nairobi was higher at 4.7 percent in March 2013 compared with 3.2 percent recorded in Nairobi (Table 1.3). The increase of inflation in Nairobi largely reflected in ‘transport’ and ‘Furnishings, household equipment and routine maintenance’ costs. In terms of income groups, the indices for the ‘Nairobi Lower Income’ and the ‘Nairobi Middle Income’ groups eased to 3.16 percent and 3.56 percent, respectively in March 2013 compared to 3.97 percent and 3.64 percent, respectively in February 2013. However, the price index for ‘Nairobi Upper Income group increased to 2.94 percent in March from 2.65 percent in February 2013.

TABLE 1.2: OVERALL INFLATION ACROSS THE CPI CATEGORIES OF GOODS AND SERVICES (MARCH 2013)

March 2013	Weight- CPI Kenya	NAIROBI				REST OF URBAN	TOTAL KENYA
		Lower Income	Middle Income	Upper Income	Nairobi Combined	Rest of Kenya Combined	
Food & Non-alcoholic beverages	36.0	0.60	5.3	1.3	1.7	3.8	2.9
Alcoholic beverages, Tobacco & narcotics	2.1	2.1	1.5	5.3	2.0	6.3	4.6
Clothing & Footwear	7.4	5.3	2.7	5.2	4.7	6.0	5.5
Housing, Water,Electricity,Gas and other fuels	18.3	4.4	1.4	2.6	3.7	5.6	4.8
Furnishings, Household equipment and Routine household maintenance	6.2	7.6	2.6	1.8	6.2	3.6	4.6
Health	3.1	4.0	5.2	1.9	4.2	2.9	3.4
Transport	8.7	8.0	4.1	2.6	6.9	5.5	6.1
Communication	3.8	-1.2	0.0	-1.2	-0.9	0.3	-0.2
Recreation & culture	2.3	2.9	3.6	3.3	3.1	4.4	3.9
Education	3.1	9.2	7.3	12.0	8.8	4.1	6.0
Restaurants & hotels	4.5	6.5	4.3	0.1	5.9	8.3	7.2
Miscellaneous goods & services	4.5	4.7	3.3	2.5	4.3	4.6	4.5
ALL GROUPS	100.0	3.2	3.6	2.9	3.2	4.7	4.1

Source: Kenya National Bureau of Statistics

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

	Jan-12	Feb-12	Mar-12	Jun-12	Oct-12	Nov-12	Dec-12	Jan-13	Feb-13	Mar-13
Combined Nairobi	18.49	16.48	15.39	9.73	3.45	2.68	2.26	3.12	3.85	3.24
Lower Income	20.27	17.80	16.50	10.11	3.50	2.98	2.56	3.23	3.97	3.16
Middle Income	14.07	13.15	12.56	9.17	3.58	1.99	1.46	2.86	3.64	3.56
Upper Income	11.56	11.09	10.87	5.54	1.79	0.79	1.16	2.37	2.65	2.94
Other provinces- excluding Nairobi	18.18	16.84	15.77	10.27	4.61	3.65	3.86	4.06	4.88	4.72
TOTAL KENYA	18.31	16.69	15.61	10.05	4.14	3.25	3.20	3.67	4.45	4.11

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

Inflation Outlook

Inflationary pressures are expected to ease in the coming months on account of the stable exchange rate and onset of long rains.

DEVELOPMENTS IN MONEY, CREDIT AND INTEREST RATES

Monetary Aggregates

Growth in broad money supply, M3, increased to 15.7 percent in the year to March 2013 from 14.5 percent in the year to March 2012 and was below the 17.8 percent target for March 2013. Expansion in money supply, M2, that is, M3 excluding foreign currency deposits, rose to 15.7 percent in the year to March 2013 from 11.5 percent in a corresponding period in 2012 (Table 2.1 and Chart 2A).

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

	2011	2012	2013	Absolute Change		%age change	
	March	March	March	2011/12 March	2012/13 March	12 months Mar-12	12 months Mar-13
1. Money supply, M3 (2+3) 2/	**1324.7**	**1517.1**	**1755.5**	**192.4**	**238.4**	**14.5**	**15.7**
1.1 Money supply, M2 3/	1145.0	1276.4	1477.4	131.4	201.0	11.5	15.7
1.2 Money supply, M1	603.4	611.8	720.6	8.4	108.8	1.4	17.8
1.3 Currency outside banks	114.2	129.3	150.0	15.0	20.7	13.2	16.0
2. Net foreign assets 4/	**286.1**	**276.2**	**319.6**	**-10.0**	**43.4**	**-3.5**	**15.7**
Central Bank	258.7	291.1	341.7	32.4	50.6	12.5	17.4
Banking Institutions	27.5	-15.0	-22.2	-42.4	-7.2	-154.5	48.3
3. Net domestic assets (3.1+3.2)	**1038.6**	**1241.0**	**1435.9**	**202.4**	**195.0**	**19.5**	**15.7**
3.1 Domestic credit (3.1.1+3.1.2)	**1261.2**	**1530.9**	**1751.7**	**269.7**	**220.8**	**21.4**	**14.4**
3.1.1 Government (net)	289.7	315.1	390.5	25.4	75.4	8.8	23.9
3.1.2 Private sector and other public sector	971.5	1215.9	1361.2	244.3	145.3	25.2	12.0
3.2 Other assets net (3-3.1)	**-222.7**	**-290.0**	**-315.8**	**-67.3**	**-25.8**	**30.2**	**8.9**
Memorandum items							
1. Overall liquidity, L 1/	**1626.0**	**1906.5**	**2180.2**	**280.5**	**273.7**	**17.2**	**14.4**
2. Reserve money	**209.4**	**257.9**	**287.6**	**48.5**	**29.7**	**23.2**	**11.5**
Currency outside banks	114.2	129.3	150.0	15.0	20.7	13.2	16.0
Bank reserves	95.2	128.6	137.6	33.5	8.9	35.2	6.9

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.

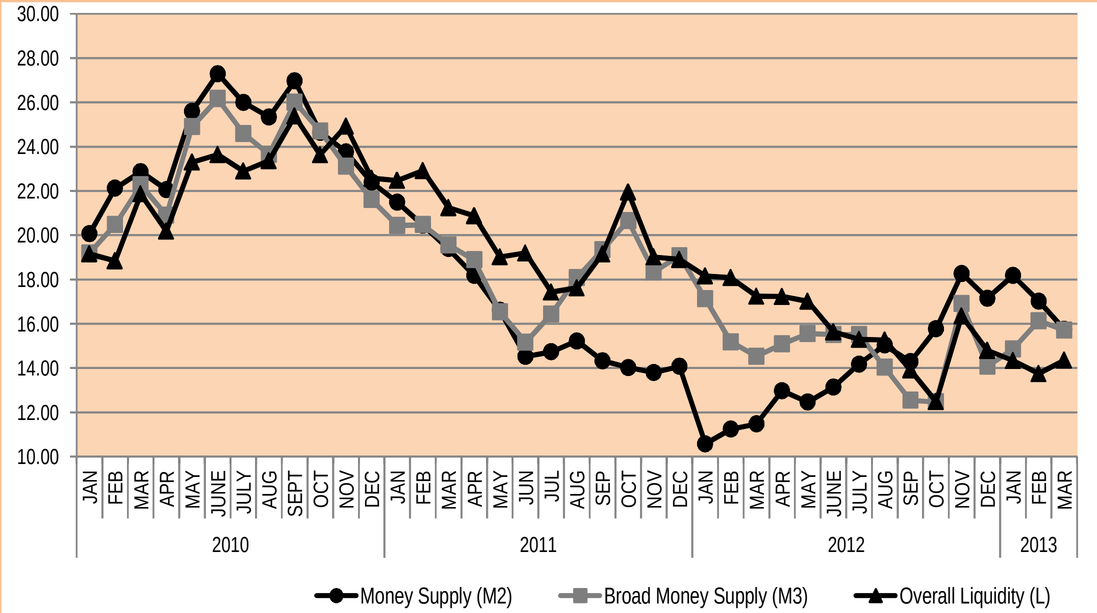
2/ Broader money, M3, comprises M2 and residents foreign currency deposits with local banks. It is comparable to M3X in the past publications. Foreign currency deposits are valued at current exchange rate from July 2008.

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

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 growth of broad money supply, M3, in the year to March 2013 was reflected largely in the net domestic credit from the banking system (Table 2.1). The NFA of the banking system increased by Ksh 43.4 billion (15.7 percent) in the twelve months to March 2013 and accounted for 18.2 percent of the increase in M3. The increase in the NFA of the banking system was mainly due to increased holdings by the Central Bank with purchases form commercial banks to build the stock of foreign exchange reserves. The NFA of the Central Bank grew by 17.4 percent (Ksh 50.6 billion) to Ksh 341.7 billion in the year to March 2013 from Ksh 291.1 billion in March 2012, while NFA of commercial banks declined by Ksh 7.2 billion (48.3 percent) to Ksh -22.2 billion from Ksh -15.0 billion in March 2012. Growth in the NDA of the banking system slowed to 15.7 percent (Ksh 195.0 billion) in the year to March 2013 from 19.5 percent (Ksh 202.4 billion) recorded in the previous year on account of deceleration in private sector credit growth (Table 2.2).

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

	2012 March		2013 March		Absolute Change March		Annual %age Change March	
	Ksh bn	Share (%)	Ksh bn	Share (%)	2011/12	2012/13	2011/12	2012/13
1. Credit to Government	315.1	20.6	390.5	22.3	25.4	75.4	8.8	23.9
Central Bank	21.1	1.4	49.2	2.8	22.6	28.1	-1506.6	133.3
Commercial Banks & NBFIs	294.0	19.2	341.3	19.5	2.8	47.3	1.0	16.1
2. Credit to other public sector	32.2	2.1	45.1	2.6	15.1	13.0	88.8	40.3
Local government	-1.0	-0.1	1.4	0.1	0.5	2.4	-35.2	-240.4
Parastatals	33.2	2.2	43.8	2.5	14.6	10.6	78.6	31.9
3. Credit to private sector	1183.7	77.3	1316.0	75.1	229.2	132.4	24.0	11.2
Agriculture	51.0	3.3	56.6	3.2	7.2	5.6	16.6	11.0
Manufacturing	152.9	10.0	172.2	9.8	35.8	19.3	30.5	12.6
Trade	196.3	12.8	216.4	12.4	38.0	20.1	24.0	10.2
Building and construction	56.0	3.7	69.4	4.0	19.7	13.4	54.4	23.9
Transport & communications	87.0	5.7	73.7	4.2	23.2	-13.3	36.3	-15.3
Finance & insurance	27.8	1.8	25.2	1.4	6.2	-2.6	28.4	-9.5
Real estate	143.4	9.4	166.1	9.5	38.5	22.6	36.7	15.8
Mining and quarrying	26.4	1.7	27.6	1.6	4.0	1.1	18.0	4.3
Private households	163.1	10.7	181.0	10.3	24.2	17.9	17.4	11.0
Consumer durables	76.6	5.0	81.7	4.7	12.7	5.1	19.9	6.7
Business services	78.8	5.1	97.7	5.6	-4.1	18.9	-5.0	24.0
Other activities	124.3	8.1	148.6	8.5	23.8	24.3	23.7	19.6
4. TOTAL (1+2+3) *	1530.9	100.0	1751.7	100.0	269.7	220.8	21.4	14.4

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

Source: Central Bank of Kenya

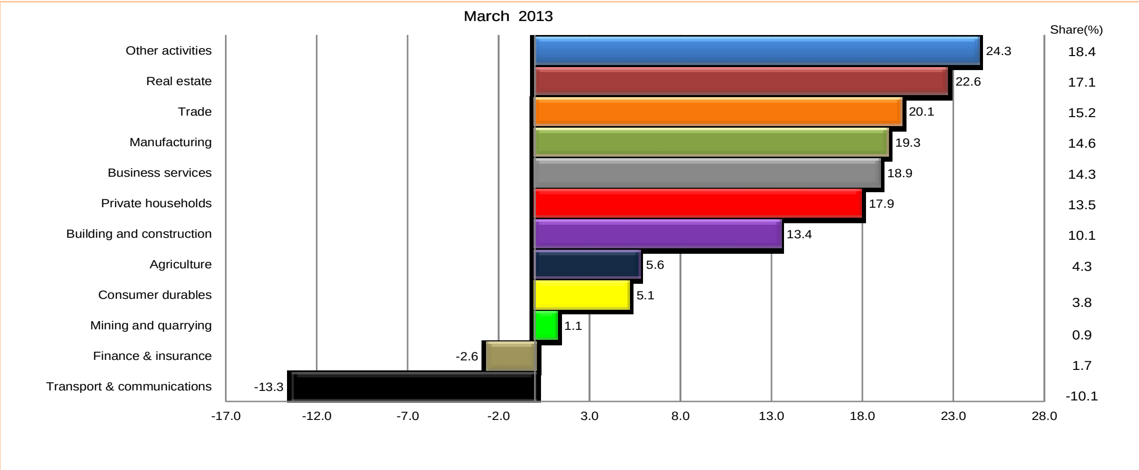
Domestic Credit Developments

Domestic credit from the banking sector expanded by Ksh 220.8 billion (14.4 percent) in the twelve months to March 2013 compared with Ksh 269.7 billion (21.4 percent) in a similar period in 2012 (Table 2.2).

The banking sector channeled its credit largely to the private sector, which accounted for 75.1 percent of total lending in March 2013 compared with 77.3 percent in similar period in 2012. The net increase in private sector credit in the year to March 2013 was Ksh 132.4 billion compared with Ksh 229.2 billion recorded in the year to March 2012. This translated into an annual growth rate of 11.2 percent compared with 24.0 percent in the year to March 2012 and a corresponding target of 13.7 percent in March 2013. The slower uptake of bank lending by the private sector partly reflects uncertainity related to the general elections that was conducted peacefully in March 2013.

Most activities of the private sector of the economy recorded reduced credit supply in the year to March 2013 save for business service sector compared with a corresponding period in 2012. In terms of shares in total private sector credit flow in the year to March 2013, real estate accounted for 17.1 percent (or Ksh 22.6 billion); trade accounted for 15.2 percent (or Ksh 20.1 billion); manufacturing accounted for 14.6 percent (or Ksh 19.3 billion); business services accounted for 14.3 percent (or Ksh 18.9 billion); private households accounted for 13.5 percent (or Ksh 17.9 billion); and building and construction accounted for 10.1 percent (or Ksh 13.4 billion).

CHART 2B: SHARE OF CREDIT TO THE PRIVATE SECTOR IN THE TWELVE MONTHS TO MARCH 2013 (Ksh billion)



Net credit to the government, which accounted for 22.3 percent of total bank credit in March 2013, increased by Ksh 75.4 billion (23.9 percent) to Ksh 390.5 billion during the year under review from Ksh 315.1 billion (20.6 percent of total bank credit) in March 2012.

Reserve Money

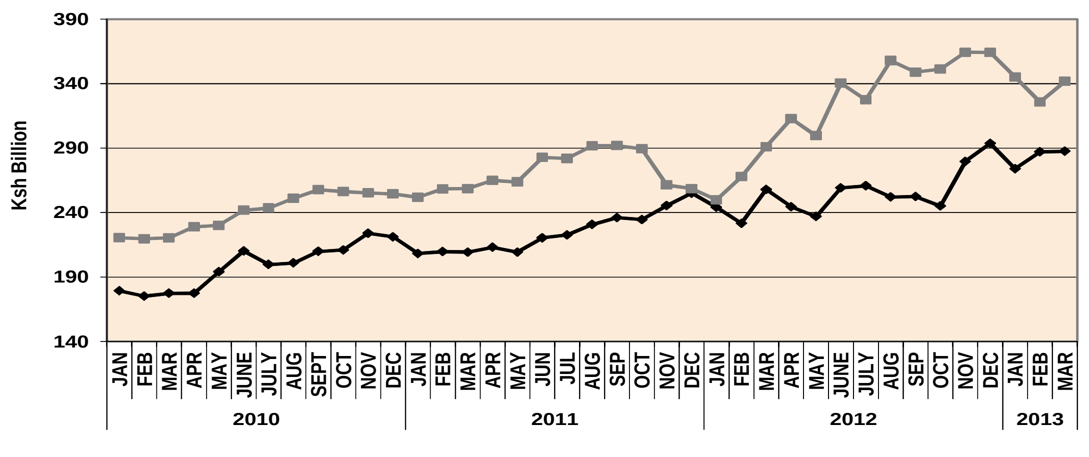
Reserve money increased by 11.5 percent in the twelve months to March 2013 compared with 15.8 percent growth in the corresponding period (Table 2.3 and Chart 2C). At Ksh 287.6 billion in March 2013, reserve money was Ksh 7.0 billion above respective target. The growth in reserve money comprised increases of 6.9 percent in bank reserves and 16.0 percent in currency outside banks.

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

	2012	2013	Absolute change		Change (%)		2013	
	March	March	2011/12	2012/13	2011/12	2012/13	March Target	Deviation
1. Net Foreign Assets	291.1	341.7	38.7	50.6	15.3	17.4	328.4	13.4
2. Net Domestic Assets	-33.2	-54.1	-3.4	-20.9	11.6	63.1	-47.8	-6.3
2.1 Government Borrowing (net)	21.1	49.2	24.8	28.1	-667.4	133.3	9.7	39.6
2.2 Commercial banks (net)	0.0	-53.1	-13.9	-53.1	-100.0	0.00	-7.0	-46.1
2.3 Other Domestic Assets (net)	-59.9	-54.1	-17.0	5.8	39.7	-9.7	-50.5	-3.6
3. Reserve Money	257.9	287.6	35.3	29.7	15.8	11.5	280.5	7.0
3.1 Currency outside banks	129.3	150.0	6.4	20.7	5.2	16.0	150.5	-0.5
3.2 Bank reserves	128.6	137.6	28.9	8.9	29.0	6.9	130.0	7.5

Source: Central Bank of Kenya

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



Source: Central Bank of Kenya

The source of reserve money growth in the twelve months to March 2013 was largely net foreign assets (NFA) of the Central Bank which rose by 17.4 percent on account of purchases from the interbank market to build the stock of foreign exchange reserves.

The NDA of the Central Bank decreased by Ksh 20.9 billion to a Ksh –54.1 billion in the year to March 2013, from Ksh -33.2 billion in the previous year. The increase in the net liabilities of the Central Bank is attributed to open market sales for liquidity management. Consequently net liability to commercial banks increased by Ksh 53.1 billion, wholly offsetting Ksh 28.1 billion additional net credit to Government. Meanwhile, other domestic assets (net) of the Central Bank increased by Ksh 5.8 billion to Ksh -54.1 billion in the year to March 2013 from Ksh -59.9 billion in March 2013.

Central Bank Rates

The Monetary Policy Committee (MPC) maintained the Central Bank Rate (CBR) at 9.50 percent in January 2013 through March 2013. This was to consolidate the monetary policy gains as reflected by inflation rate that had stabilized within Government medium term target of 5 percent, and sustained exchange rate stability.

Short Term Interest Rates

Short term interest rates depicted mixed performance in the month of March 2013 (Table 2.4 and Chart 2D). The weighted average interbank interest rate decreased from 9.25 percent in February 2013 to 8.93 percent in March 2013, which reflected an improved liquidity. The repo rate remained largely unchanged at 9.35 percent compared with 9.10 percent in February 2013. The 91-day Treasury bill rate increased from 8.38 percent in February 2013 to 9.88 percent in March 2013, while the 182-day Treasury bill rate rose from 8.40 percent to 9.89 percent in March 2013.

Lending and Deposit Rates

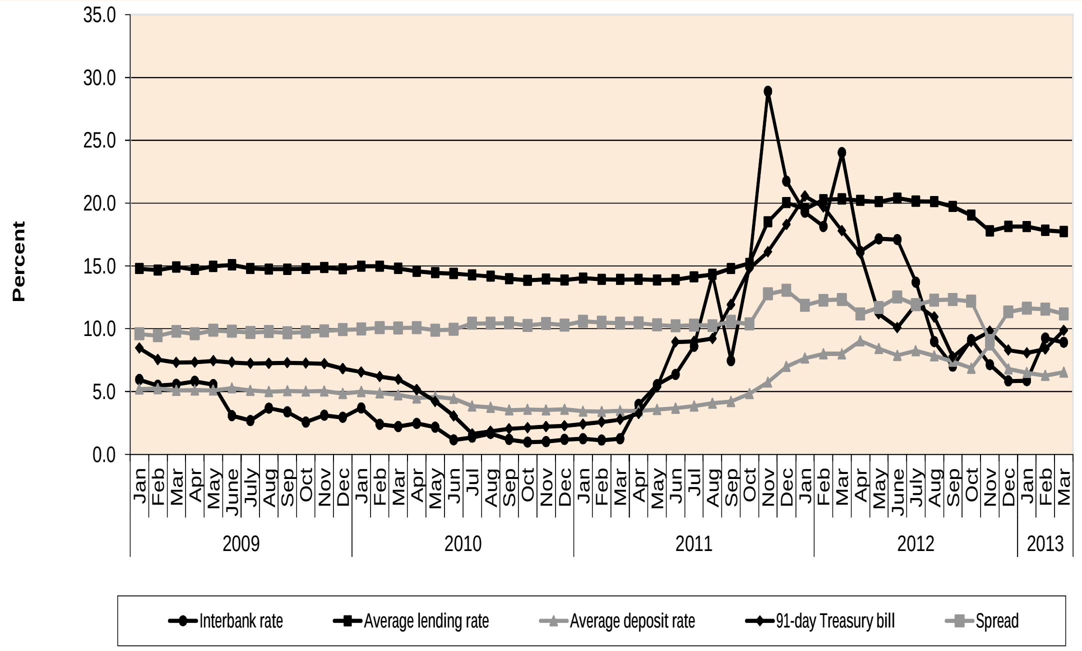
Commercial banks average lending rates remained largely unchanged at 17.54 percent in March 2013 compared with 17.84 percent in February 2013, while the average deposit rate increased from 6.29 percent in February 2013 to 6.54 percent in March 2013. Consequently, the interest rate spread declined marginally from 11.55 percent in February 2013 to 11.19 percent in March 2013.

TABLE 2.4: INTEREST RATES (%)

	2012												2013		
	Jan	Feb	Mar	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar
91-day Treasury bill rate	20.56	19.70	17.80	16.01	11.18	10.09	11.95	10.93	7.77	8.98	9.80	8.30	8.08	8.38	9.88
Overdraft rate	20.38	20.53	20.53	20.27	20.41	20.30	19.96	20.31	19.80	19.13	18.77	17.79	17.97	17.68	17.54
Interbank rate	19.27	18.15	24.02	16.15	17.16	17.09	13.71	8.97	7.02	9.14	7.14	5.84	5.86	9.25	8.93
Repo rate	17.88	13.78	0.00	15.47	16.97	17.60	14.31	9.65	8.42	9.74	8.30	6.79	6.60	9.10	9.35
Reverse Repo rate	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Central Bank Rate (CBR)	18.00	18.00	18.00	18.00	18.00	18.00	16.50	16.50	13.00	13.00	11.00	11.00	9.50	9.50	9.50
Average lending rate (1)	19.54	20.28	20.34	20.22	20.12	20.30	20.15	20.13	19.73	19.04	18.70	18.15	18.13	17.84	17.73
Average deposit rate (2)	7.66	8.01	8.01	9.04	8.42	7.88	8.25	7.85	7.40	6.85	6.69	6.80	6.51	6.29	6.54
0 to 3 - month deposit	9.87	9.98	10.21	11.82	10.85	10.07	10.52	9.84	10.10	9.39	9.17	9.62	9.11	8.86	9.62
Savings deposits	1.62	1.69	1.72	1.58	1.59	1.46	1.66	1.58	1.55	1.60	1.58	1.60	1.65	1.61	1.42
Spread (1-2)	**11.88**	**12.27**	**12.33**	**11.19**	**11.69**	**12.41**	**11.90**	**12.28**	**12.33**	**12.19**	**12.01**	**11.34**	**11.62**	**11.55**	**11.19**

Source: Central Bank of Kenya

CHART 2D : TRENDS IN INTEREST RATES



Source: Central Bank of Kenya

PERFORMANCE OF THE REAL SECTOR

Overview

Real GDP for the year 2012 grew by 4.6 percent and amounted to Ksh 1.61 trillion compared to 5.8 percent growth in 2011 which amounted to Ksh 1.54 trillion (Table 3.1). On a quarterly basis, real GDP is estimated to have increased by 4.0 percent; 4.4 percent; and 4.5 percent and 5.3 percent in the first, second, third and fourth quarter of 2012 respectively compared with growth rates of 4.8 percent, 3.5 percent, 4.0 percent and 5.2 percent of corresponding quarters of the previous year (Chart 3A). GDP growth in 2012 was driven largely by strong performance of the Agriculture and Forestry; Wholesale and retail; Transport and Communication sectors which contributed 20.9 percent; 11.0 percent and 12.3 percent, respectively to overall GDP.

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

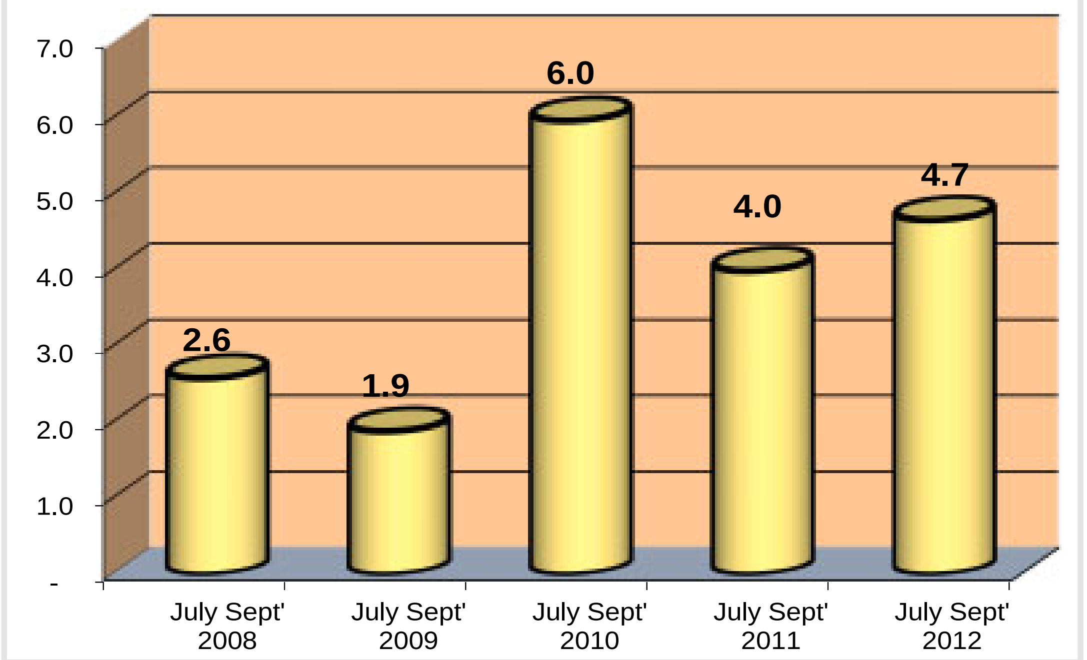
MAIN SECTORS	Share in 2011 Nominal GDP (%)	Share in 2011 Real GDP (%)	Kshs Million 2003	2004	2005	2006	2007	2008	2009	2010	*2011
Agriculture and Forestry	*24.01*	*21.01*	276,089	280,518	299,749	312,926	320,423	307,354	299,431	318,586	323,465
Fishing	*0.50*	*0.38*	4,765	5,246	5,751	6,249	6,181	5,363	5,564	5,713	5,891
Mining	*0.68*	*0.47*	5,213	5,195	5,334	5,554	6,272	6,453	6,163	6,763	7,246
Manufacturing	*9.45*	*9.61*	105,822	110,544	115,699	122,953	130,673	135,291	137,060	143,263	147,989
Electricity and water supply	*0.86*	*2.11*	27,074	27,877	27,898	27,288	29,769	31,341	30,397	33,335	32,465
Construction	*4.13*	*3.49*	31,530	32,932	35,446	37,649	40,405	43,735	49,270	51,486	53,713
Wholesale and retail trade, repairs	*10.61*	*10.80*	92,604	100,481	106,009	118,361	131,754	138,044	143,460	154,942	166,205
Hotels & Restaurants	*1.67*	*1.35*	9,899	13,741	15,572	17,894	20,814	13,298	18,993	19,796	20,792
Transport, Storage & Communications	*9.67*	*12.37*	104,915	112,251	122,243	136,306	156,845	161,615	171,994	182,181	190,382
Financial intermediation	*6.38*	*4.23*	42,064	42,657	43,869	47,170	50,306	51,659	55,375	60,379	65,095
Real estate, renting and business services	*4.45*	*5.25*	61,864	63,740	65,882	68,446	70,860	73,503	75,674	78,089	80,888
Public administration and defense	*5.00*	*3.14*	46,991	47,062	46,461	45,974	45,031	45,317	46,031	47,085	48,270
Education	*5.84*	*5.90*	71,045	72,268	72,908	73,188	76,257	80,771	82,952	86,651	90,873
Health and social work	*2.48*	*2.14*	25,431	26,408	27,249	28,075	28,983	30,035	31,352	31,786	32,896
Other community, social and personal services	*3.19*	*3.64*	42,917	44,514	45,876	47,814	49,420	50,829	52,156	53,557	55,988
Private households with employed persons	*0.44*	*0.29*	3,855	3,932	4,011	4,091	4,173	4,256	4,342	4,428	4,517
Less : Financial services indirectly measured	*(1.05)*	*-0.77*	(10,315)	(10,801)	(11,261)	(11,835)	(12,174)	(10,484)	(11,945)	(11,260)	(11,843)
All industries at basic 2001 prices	*88.31*	*85.42*	941,763	978,565	1,028,696	1,088,103	1,155,991	1,168,382	1,198,270	1,266,782	1,314,832
Taxes less subsidies on products	*11.69*	*14.58*	113,895	130,772	144,088	161,367	180,855	188,882	196,117	207,981	224,474
Real GDP at 2001 market prices	*100.00*	*100.00*	1,055,658	1,109,338	1,172,784	1,249,470	1,336,846	1,357,263	1,394,387	1,474,763	1,539,306
GDP at Mkt Prices			1,055,658	1,109,338	1,172,784	1,249,470	1,336,846	1,357,263	1,394,387	1,474,763	1,539,306
Overall GDP Deflator			107	115	121	130	137	155	170	173	197

Annual Growth Rates in Percent

	Share in 2011 Nominal GDP (%)	Share in 2011 Real GDP (%)	2003	2004	2005	2006	2007	2008	2009	2010	*2011
Agriculture and Forestry	24.01	21.01	2.6	1.6	6.9	4.4	2.4	(4.1)	(2.6)	6.4	1.5
Fishing	0.50	0.38	-6.9	10.1	9.6	8.7	-1.1	(13.2)	3.7	2.7	3.1
Mining	0.68	0.47	3.5	-0.3	2.7	4.1	12.9	2.9	(4.5)	9.7	7.1
Manufacturing	9.45	9.61	6.0	4.5	4.7	6.3	6.3	3.5	1.3	4.5	3.3
Electricity and water supply	0.86	2.11	14.0	3.0	0.1	-2.2	9.1	5.3	(3.0)	9.7	(2.6)
Construction	4.13	3.49	1.0	4.4	7.6	6.2	7.3	8.2	12.7	4.5	4.3
Wholesale and retail trade, repairs	10.61	10.80	1.5	8.5	5.5	11.7	11.3	4.8	3.9	8.0	7.3
Hotels & Restaurants	1.67	1.35	-20.3	38.8	13.3	14.9	16.3	(36.1)	42.8	4.2	5.0
Transport, Storage & Communications	9.67	12.37	3.5	7.0	8.9	11.5	15.1	3.0	6.4	5.9	4.5
Financial intermediation	6.38	4.23	1.5	1.4	2.8	7.5	6.6	2.7	7.2	9.0	7.8
Real estate, renting and business services	4.45	5.25	2.3	3.0	3.4	3.9	3.5	3.7	3.0	3.2	3.6
Public administration and defense	5.00	3.14	0.6	0.2	-1.3	-1.0	-2.1	0.6	1.6	2.3	2.5
Education	5.84	5.90	9.7	1.7	0.9	0.4	4.2	5.9	2.7	4.5	4.9
Health and social work	2.48	2.14	2.8	3.8	3.2	3.0	3.2	3.6	4.4	1.4	3.5
Other community, social and personal services	3.19	3.64	-0.0	3.7	3.1	4.2	3.4	2.9	2.6	2.7	4.5
Private households with employed persons	0.44	0.29	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Less : Financial services indirectly measured	-1.05	-0.77	-3.3	4.7	4.3	5.1	2.9	(13.9)	13.9	(5.7)	5.2
Total GDP at basic 2001 prices	88.31	85.42	3.1	3.9	5.1	5.8	6.2	1.1	2.6	5.7	3.8
Taxes less subsidies on products	11.69	14.58	1.3	14.8	10.2	12.0	12.1	4.4	3.8	6.0	7.9
Real GDP at 2001 market prices	100.00	100.00	2.9	5.1	5.7	6.5	7.0	1.5	2.7	5.8	4.4

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

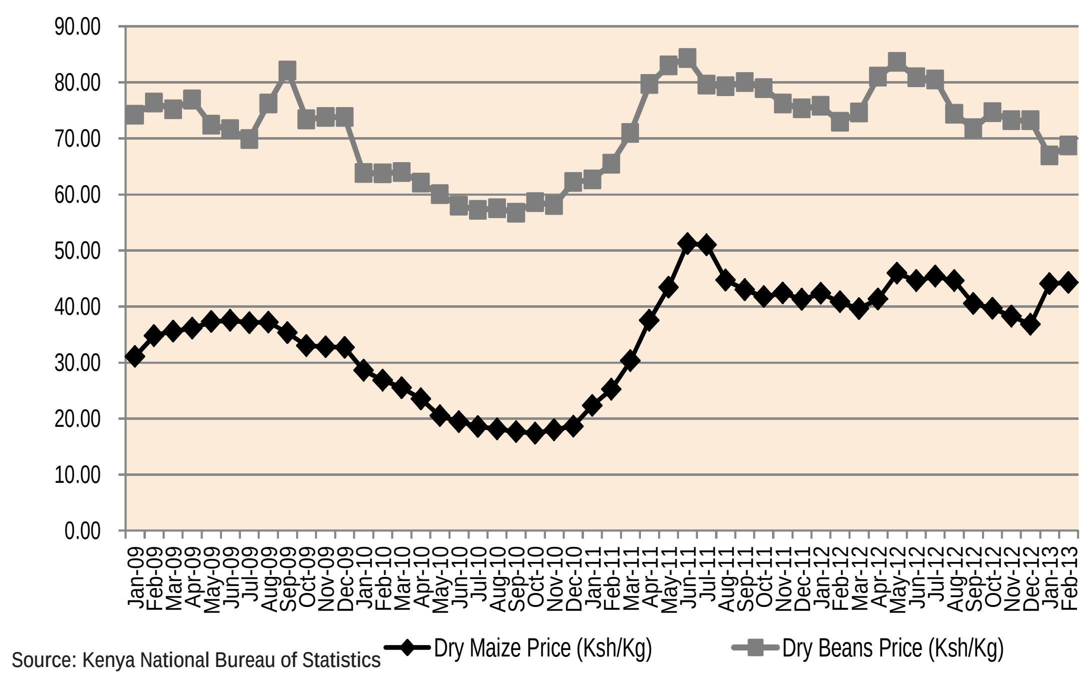
CHART 3A: REAL GDP GROWTH IN THE SECOND QUARTERS



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

Agriculture Agriculture contributed 17.6 percent of the overall GDP in 2012. Growth in this activity improved from 1.5 percent in 2011 to 3.8 percent in 2012. The acceleration in 2012 is attributed to improved rains in the second and fourth quarters on which positively impacted food supply leading to easing in the prices of food items such as maize and beans subsequently (Chart 3B).

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



Source: Kenya National Bureau of Statistics

Major Indicators in Agriculture

Performance in selected indicators of agriculture for the year to February 2013 largely improved (Table 3.2). Production of tea, horticulture, coffee and sugar cane increased in the year to February 2013 compared with production in the year to February 2012. Milk production declined in the period under review.

TABLE 3.2: OUTPUT GROWTH OF MAJOR CROPS AND MILK

	2011	2012*	Year to February 12*	Year to February 13*
Tea				
Output (Metric tonnes)	377,913	369,562	369,820	398,838
Growth (%)	*-5.3%*	*-2.2%*	*-5.0%*	*7.8%*
Horticulture				
Exports (Metric tonnes)	268,533	238,562	236,746	264,558
Growth (%)	*-11.2%*	*5.1%*	*-12.8%*	*11.7%*
Coffee				
Sales (Metric tonnes)	29,984	46,052	33,634	43,539
Growth (%)	*-23.0%*	*53.6%*	*-8.7%*	*29.4%*
Milk				
Output (million litres)	549	495	540	507
Growth %	*7.5%*	*-9.8%*	*6.7%*	*-6.1%*
Sugar Cane				
Output (Metric tonnes)	5,338,571	5,716,329	5,428,230	5,597,529
Growth (%)	*-6.5%*	*7.1%*	*-6.1%*	*3.1%*

* Provisional

Source: Kenya National Bureau of Statistics and Kenya Revenue Authority

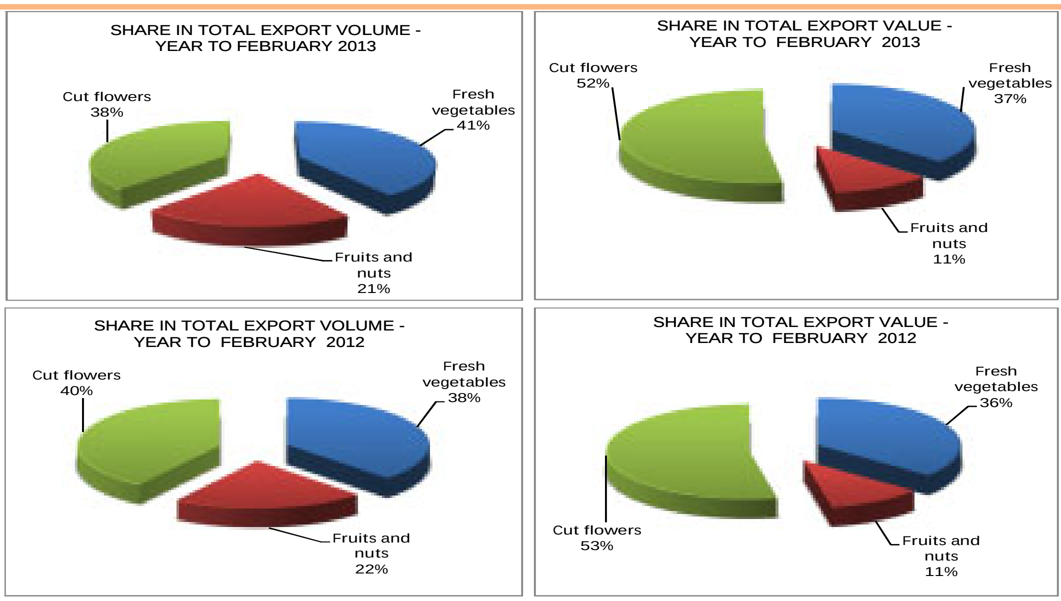
Tea

Production of tea improved by 7.8 percent from 369,820 metric tonnes in the year to February 2012 to 398,838 metric tonnes in the year to February 2013 (Table 3.2).The average auction price for tea rose from Ksh 264 per kilogram in the year to February 2012 to Ksh 274 per kilogram in the year to February 2013. The enhanced performance is attributed to improved rainfall recorded in the second half of 2012 in the tea growing areas.

Horticulture

Volume of exports of fresh horticultural products increased by 11.7 percent, from 236,746 metric tonnes in the year to February 2012 to 264,558 metric tonnes in the year to February 2013. (Table 3.2 and Chart 3C). The volume growth was in fresh vegetables as share of cut flowers, and fruits and nuts declined. The improvement in cut flowers is also reflected in share in export receipts.

CHART 3C: HORTICULTURAL EXPORTS



Source: Kenya Revenue Authority

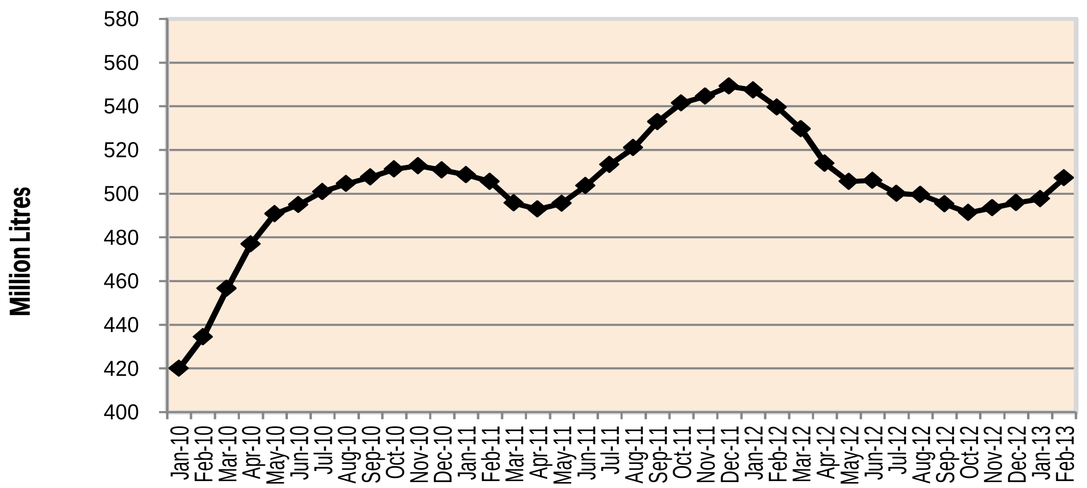
Coffee

Performance of the coffee sub-sector improved with volume sales increasing by 29.4 percent from 33,634 metric tonnes in the year to February 2012 to 43,539 metric tonnes in the year to February 2013. The average auction price for coffee however, declined from Ksh 502 per kilogram in the year to February 2012 to Ksh 303 per kilogram in the year to February 2013.

Milk

Milk delivered to factories declined to 507 million litres in the year to February 2013 compared with 540 million litres delivered in a comparable period in the previous year (Chart 3D). However, recovery is evident in the upward trend since September 2012 which is attributed to improved weather conditions

CHART 3D: PROCESSED MILK ('000 LITRES)



Source: Kenya National Bureau of Statistics

Sugarcane

Cane deliveries increased by 3.1 percent from 5.43 million tonnes in the year to February 2012 to 5.60 million tonnes in the year to February 2013.

Manufacturing

The manufacturing sector accounted for 9.5 percent of the overall GDP in 2012. The industry grew by 3.1 percent in 2012 compared to 3.4 percent in 2011. Selected monthly indicators registered improved performance except for the assembled vehicles in the year to February 2013. The amount of cement produced increased by 3.7 percent from 4,507,817 tonnes in the year to February 2012 to 4,675,743 tonnes in the year to February 2013 (Table 3.3 & Chart 3E). Domestic sugar production increased by 4.1 percent to 489,687 metric tonnes in the year to February 2013 compared to 470,350 metric tonnes produced in the year to February 2012. But the number of assembled vehicles declined by 1.3 percent from 6,321 in the year to February 2012 to 6,240 in the year to February 2013.

TABLE 3.3: PRODUCTION OF SELECTED MANUFACTURED GOODS

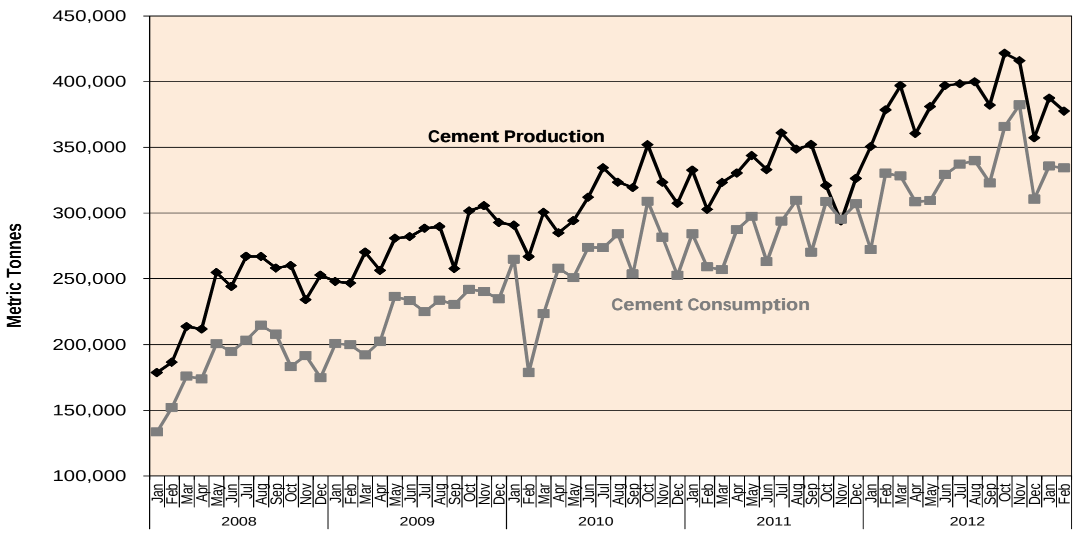
	Annual Totals		Year to February 12*	Year to February 13*
	2011	2012*		
Cement production				
Output (MT)	4,478,428	4,639,723	4,507,817	4,675,743
Growth %	*11.7%*	*20.7%*	*17.0%*	*3.7%*
Assembled vehicles				
Output (No.)	6,049	6,218	6,321	6,240
Growth %	*13.1%*	*10.9%*	*12.8%*	*-1.3%*
Processed sugar				
Output (MT)	475,061	493,937	470,350	489,687
Growth %	*-4.5%*	*-9.2%*	*-13.0%*	*4.1%*

MT = Metric tonnes

* Provisional

Source: Kenya National Bureau of Statistics

CHART 3E: CEMENT PRODUCTION AND CONSUPTION



Source: Kenya National Bureau of Statistics

Energy Sector

Local generation of electricity increased by 4.6 percent from 7,250 million kilowatt hours in the year to February 2012 to 7,583 million kilowatt hours in the year to February 2013 (Table 3.4). Of the total electricity produced in the year to February 2013, 53.8 percent was hydro-power, 26.3 percent was thermal power and 19.9 percent was geo-thermal power. Generation of hydro-electricity increased by 23.6 percent from 7,250 million kilowatt hours in the year to February 2012 to 4,081 million kilowatt hours in the year to February 2013. Geothermal power generation increased by 2.5 percent to 1,511 million kilowatt hours in the year to February 2013 while thermal power production declined by 19.5 percent to 1,991 million kilowatt hours in the same period. Estimated consumption of electricity increased by 1.5 percent to 6,276 million kilowatt hours in the year to February 2013 compared with consumption of 6,182 million kilowatt hours over the same period in 2012.

Meanwhile, the average price of murban crude oil declined by 1 percent, from an average of US$113.6 per barrel in the year to February 2012 to US$112.4 per barrel.

TABLE 3.4: ENERGY SECTOR PERFORMANCE

	2011*	2012*	Year to February 12*	Year to February 13*
Electricity Supply (Generation)				
Output (million KWH)	7,161	7,544	7,250	7,583
Growth %	*11.8%*	*5.4%*	*8.2%*	*4.6%*
Of which:				
Hydro-power Generation (million KWH)	3,183	4,032	3,303	4,081
Growth (%)	*-0.4%*	*26.7%*	*-3.4%*	*23.6%*
Geo-Thermal Generation (million KWH)	1,444	1,522	1,473	1,511
Growth (%)	*0.1%*	*5.4%*	*1.1%*	*2.5%*
Thermal (million KWH)	2,533	1,990	2,473	1,991
Growth (%)	*43.2%*	*-21.4%*	*35.8%*	*-19.5%*
Consumption of electricity (million KWH)	6,152	6,270	6,182	6,276
Growth %	*4.8%*	*1.9%*	*4.4%*	*1.5%*
Consumption of Fuels ('000 tonnes)*	3,545	3,764	3,619	3,745
Growth %	*11.6%*	*6.2%*	*12.0%*	*3.5%*
Murban crude oil average price (US $ per barrel)	110.6	113.0	113.6	112.4
Growth %	*39.7%*	*2.1%*	*36.6%*	*-1.0%*

Source: Kenya National Bureau of Statistics

Tourism

The number of tourist arrivals to Kenya declined by 4.9 percent from 1,265,831 in the year to February 2012 to 1,203,901 in the year to February 2013 (Table 3.5). By port of entry 84.6 percent of the tourist entered through the Jomo Kenyatta International Airport, Nairobi and 15.4 percent arrived via Moi International Airport, Mombasa.

TABLE 3.5: TOURIST ARRIVALS BY POINT OF ENTRY

	2011	2012	Year to February 12	Year to February 13*	February 13 % Share	February 13 % Growth
CRUISE	856	0	270	-	*0.00%*	*N.A.*
MIAM	233,844	187,151	219,633	184,858	*15.4%*	*-15.8%*
JKIA	1,030,436	1,048,390	1,045,928	1,019,043	*84.6%*	*-2.6%*
TOTAL	1,265,136	1,235,541	1,265,831	1,203,901	*100.0%*	*-4.9%*

Source: Kenya Tourist Board

In terms of region of origin, Europe and Africa dominated accounting for 43.2 percent and 24.3 percent of total tourist arrivals, respectively in the year to February 2013 (Table 3.6). Asia and Oceania countries recorded the highest growth sources of tourist arrivals with increases of 8.2 percent and 2.8 percent respectively. However, growth in tourist arrivals from Europe declined by 12 percent in the year to February 2013 compared to a growth of 6.8 percent in the year to February 2012. The declining trend from Europe is attributed to economic recession in European Economies.

TABLE 3.6: TOURIST ARRIVALS BY CONTINENT

REGION	2011	2012	Year to February 12	Year to February 13	Year to February 13 % Share	Year to February 13 % Growth
Africa	303,886	299,746	304,431	292,348	24.3%	-4.0%
Middle East	38,880	58,711	39,379	59,014	4.9%	N.A.
America	158,268	161,669	161,718	156,933	13.0%	-3.0%
Asia	137,707	147,062	140,458	144,383	12.0%	2.8%
Europe	596,587	537,369	590,626	519,894	43.2%	-12.0%
Oceania	28,952	30,984	28,949	31,329	2.6%	8.2%
Cruise	856	0	270	0	0.0%	N.A.
Total	**1,265,136**	**1,235,541**	**1,265,831**	**1,203,901**	**100.0%**	**-4.9%**

Source: Kenya Tourist Board

Transport

The total number of passengers (both incoming and outgoing) handled at the Jomo Kenyatta International Airport, Nairobi (JKIA) increased from 4,278,045 in the year to February 2012 to 4,302,241 in the year to February 2013. The number of incoming passengers declined by 1.1 percent to 2,144,992 in the year to February 2013, while the number of outgoing passengers increased by 2.3 percent to 2,157,249 in the same period. The volume of oil handled through Kenya pipeline increased by 13.8 percent to 4,930 million litres in the year to February 2013 (Table 3.7).

TABLE 3.7: THROUGHPUT IN SELECTED TRANSPORT FACILITIES

	2011	**2012***	Year to February 12	Year to February 13
Number of Passengers thro' JKIA				
Total passenger flows	4,135,126	4,302,244	4,278,045	4,302,241
Growth (%)	*36.5%*	*4.0%*	*35.1%*	*0.6%*
o.w. Incoming	2,088,798	2,148,105	2,168,534	2,144,992
Growth (%)	*38.4%*	*2.8%*	*37.4%*	*-1.1%*
Outgoing	2,046,328	2,154,139	2,109,511	2,157,249
Growth %	*34.6%*	*5.3%*	*32.8%*	*2.3%*
Kenya Pipeline Oil Throughput				
Output ('000 litres)	4,257,425	4,855,573	4,331,335	4,930,411
Growth %	*1.3%*	*14.0%*	*3.3%*	*13.8%*

* Provisional

Source: Kenya National Bureau of Statistics

Developments in the Balance of Payments and Exchange Rates

Overview

Kenya's overall Balance of Payments position improved from a surplus of US$ 362 million in the year to March 2012 to a surplus of US$ 642 million in the year to March 2013. This improvement reflects larger increase in the capital and financial account surplus in relation to widening of the current account deficit.

TABLE 4.1: BALANCE OF PAYMENTS (US$ M)

ITEM	Year to Mar 2012*	Year to March 2013* Q1 Apr-Jun	Q2 Jul- Sep	Q3 Oct- Dec	Q4 Jan- Mar	Year to Mar 2013*	Absolute Change	% Change
1. OVERALL BALANCE	362	487	201	125	-171	642	280	77.4
2. CURRENT ACCOUNT	-3768	-940	-1390	-1235	-1180	-4745	-977	25.9
2.1 Goods	-9329	-2613	-2592	-2606	-2556	-10367	-1038	11.1
Exports (fob)	5915	1470	1526	1575	1548	6120	205	3.5
Imports (cif)	15244	4083	4118	4181	4104	16486	1243	8.2
2.2 Services	5561	1673	1202	1371	1375	5622	61	1.1
Non-factor services (net)	2746	1011	701	760	732	3203	457	16.6
Income (net)	-106	-48	-38	-31	-50	-168	-62	58.5
Current Transfers (net)	2921	710	539	643	694	2587	-334	-11.4
3. CAPITAL & FINANCIAL ACCOUNT	4130	1427	1591	1360	1009	5387	1257	30.4
3.1 Capital Tranfers (net)	174	51	15	42	39	148	-26	-14.8
3.2 Financial Account	3956	1376	1575	1318	970	5239	1283	32.4
memo:								
Gross Reserves	6165	7030	7214	7160	7114	7114	949	15.4
Official	4688	5283	5476	5702	5523	5523	836	17.8
*imports cover***	*3.4*	*3.7*	*3.8*	*3.9*	*3.7*	3.7	0	10.0
*imports cover****	*3.9*	*4.3*	*4.3*	*4.3*	*4.1*	4.1	0	2.9
Commercial Banks	1477	1747	1738	1458	1591	1591	113	7.7

* 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 deficit widened by 25.9 percent to US$ 4,745 million in the year to March 2013. The deterioration is largely due to 8.2 percent or US$ 1,243 million increase in payments for imports of goods against marginal improvement in receipts from exports of goods (Table 4.2).

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

ITEM	Year to Mar 2012*	Year to March 2013* Q1 Apr-Jun	Q2 Jul- Sep	Q3 Oct- Dec	Q4 Jan- Mar	Year to Mar 2013*	Absolute Change	% Change
2. CURRENT ACCOUNT	-3768	-940	-1390	-1235	-1180	-4745	-977	25.9
2.1 Goods	-9329	-2613	-2592	-2606	-2556	-10367	-1038	11.1
Exports (fob)	5915	1470	1526	1575	1548	6120	205	3.5
Coffee	248	81	70	46	43	240	-8	-3.1
Tea	1175	249	301	336	347	1233	58	4.9
Horticulture	658	171	175	181	196	723	65	9.9
Oil products	105	14	21	21	17	73	-32	-30.1
Manufactured Goods	745	182	174	160	159	675	-70	-9.4
Raw Materials	411	97	92	86	106	381	-30	-7.2
Chemicals and Related Products (n.e.s)	580	142	133	124	126	525	-55	-9.5
Miscelleneous Man. Articles	547	133	148	140	135	557	10	1.9
Re-exports	324	113	101	152	116	482	158	48.7
Other	1124	287	312	328	303	1231	107	9.5
Imports (cif)	15244	4083	4118	4181	4104	16486	1243	8.2
Oil	4202	1007	866	1099	1071	4044	-158	-3.8
Chemicals	1992	479	538	498	550	2066	73	3.7
Manufactured Goods	2304	585	582	570	693	2430	125	5.4
Machinery & Transport Equipment	3747	1224	1346	1296	1092	4957	1210	32.3
Other	2998	787	785	719	698	2990	-9	-0.3
2.2 Services	5561	1673	1202	1371	1375	5622	61	1.1
Non-factor services (net)	2746	1011	701	760	732	3203	457	16.6
of which transport	684	281	190	196	225	892	209	30.5
of which tourism (Travel)	736	215	170	157	162	704	-32	-4.4
Other services account: gov't	672	218	174	193	177	762	89	13.3
Other services account: private	-76	65	-36	-4	-40	-15	61	-80.7
Income (net)	-106	-48	-38	-31	-50	-168	-62	58.5
of which official interest	-78	-45	-35	-30	-37	-147	-69	88.7
Current Transfers (net)	2921	710	539	643	694	2587	-334	-11.4
Private (net)	2791	715	544	648	699	2606	-185	-6.6
of which Remittances	995	296	280	295	309	1180	185	18.6
Public (net)	130	-5	-5	-5	-5	-19	-149	-114.9

* Provisional.

Source: Central Bank of Kenya

Merchandise Account

The balance in the goods account therefore widened from US$ 9,329 million deficit in the year to March 2012 to US$ 10,367 million deficit in the year to March 2013.

Exports

Total export values grew by 3.5 percent or US $ 6,120 million in the year to March 2013 following increases in Tea, Horticulture, Miscellaneous Manufactured articles, re-exports and other non-categorised exports. Receipts from Coffee, oil products, Raw materials, Chemicals and related products all declined. In terms of contribution to total export receipts, the main categories were tea (20 percent), horticulture (12 percent) and manufactured goods (11 percent). The share of exports to African countries was stable at 47.4 percent in the year to March 2013 compared with 48.8 percent in the year to March 2012. However, within Africa performance of exports was mixed with marginal decline in export share recorded in the EAC and COMESA regions. Exports to the EU declined marginally by 0.64 percent in the year to March 2013. At country destination level, Kenya's exports were mainly to Uganda (12.6 percent), Tanzania (8.6 percent), the United Kingdom (8 percent), the Netherlands (6.1 percent) and the United Arab Emirates (5.9 percent).

Imports

The total value of imports increased by 8.2 percent or US$ 1,243 million to US$ 16,486 million in the year to March 2013 reflecting a rise in payments for import categories of Chemicals, Manufactured Goods, Machinery and Transport Equipment and other non-categorised imports. Payments for oil imports accounted for 25 percent of total imports and decreased from US$ 4,202 million to US$ 4,044 million on account of a decline in imported crude oil quantities.

Payments for imports geared at supporting and enhancing capacity for domestic production also increased with Machinery and Transport equipment accounting for 30 percent of the total import bill in the year to March 2013 compared to 25 percent in the year to March 2012. This category of imports increased by 32.3 percent in value to US$ 4,957 million, largely reflecting in imports of power generating machinery and equipment and other transport equipment. Imports of manufactured items accounted for 15 percent of the total import bill in the year to March 2013.

The main source countries, and regions, for imports were India (15.5 percent), the European Union (14.7 percent), China (12.1 percent) and the UAE (10.4 percent). Imports from the EU increased in value by 8.3 percent from US$ 2,235 million in the year to March 2012 to US$ 2,421 million in the year to March 2013 largely following increase in imports from the United Kingdom, Germany, France and Italy. The COMESA region accounted for 4.5 percent of total imports and the EAC 2.2 percent (Table 4.3).

TABLE 4.3: KENYA'S DIRECTION OF TRADE

IMPORTS (in millions of US dollars)				Share of Imports (%)		
	Year to March			Year to March		
Country	2011	2012	2013	2011	2012	2013
Africa	1,509	1,708	1,679	11.7	11.2	10.2
Of which						
South Africa	785	763	725	6.1	5.0	4.4
Egypt	240	237	352	1.9	1.6	2.1
Others	484	708	603	3.8	4.7	3.7
EAC	264	309	366	2.0	2.0	2.2
COMESA	526	676	736	4.1	4.4	4.5
Rest of the World	11,349	13,511	14,807	88.3	88.8	89.8
Of which						
India	1,454	1,616	2,549	11.3	10.6	15.5
United Arab Emirates	1,658	2,259	1,721	12.9	14.8	10.4
China	1,541	1,731	1,997	12.0	11.4	12.1
Japan	719	673	792	5.6	4.4	4.8
USA	497	549	783	3.9	3.6	4.7
United Kingdom	614	503	550	4.8	3.3	3.3
Singapore	498	222	203	3.9	1.5	1.2
Germany	331	390	470	2.6	2.6	2.8
Saudi Arabia	331	824	622	2.6	5.4	3.8
Indonesia	390	560	618	3.0	3.7	3.7
Netherlands	233	249	196	1.8	1.6	1.2
France	241	241	304	1.9	1.6	1.8
Bahrain	104	216	371	0.8	1.4	2.2
Italy	149	185	244	1.2	1.2	1.5
Others	2,588	3,293	3,387	20.1	21.6	20.5
Total	12,857	15,220	16,486	100	100	100

EXPORTS (in millions of US dollars)				Share of Exports (%)		
	Year to March			Year to March		
Country	2011	2012	2013	2011	2012	2013
Africa	2,479	2,870	2,889	46.8	48.8	47.4
Of which						
Uganda	730	862	769	13.8	14.7	12.6
Tanzania	437	497	523	8.2	8.5	8.6
Egypt	214	288	236	4.0	4.9	3.9
Sudan	242	224	64	4.6	3.8	1.0
Somalia	155	209	219	2.9	3.6	3.6
DRC	169	207	221	3.2	3.5	3.6
Rwanda	138	165	180	2.6	2.8	3.0
Others	394	418	678	7.4	7.1	11.1
EAC	1,375	1,586	1,537	26.0	27.0	25.2
COMESA	1,802	2,068	1,795	34.0	35.2	29.5
Rest of the World	2,817	3,006	3,203	53.2	51.2	52.6
Of which						
United Kingdom	499	500	490	9.4	8.5	8.0
Netherlands	346	368	373	6.5	6.3	6.1
USA	288	298	321	5.4	5.1	5.3
Pakistan	232	247	279	4.4	4.2	4.6
United Arab Emirates	237	225	360	4.5	3.8	5.9
Germany	95	90	112	1.8	1.5	1.8
India	105	102	99	2.0	1.7	1.6
Afghanistan	134	164	135	2.5	2.8	2.2
Others	880	1,013	1,034	16.6	17.2	17.0
Total	5,295	5,877	6,092	100	100	100

Source: Kenya Revenue Authority

Services Account

In the year to March 2013, the Services account balance grew by 1.1 percent or US$ 61 million to US$ 5,622 million largely due to a 16.6 percent increase in net non-factor service flows. The increase in net non-factor service flows is reflected in flows from Transportation and other Government services. The income account balance worsened by 58.5 percent to US$ 168 million deficit in the year to March 2013 from a deficit of US$ 106 million in the year to March 2012 following a reduction in foreign investment receipts. Net current transfers declined by 11.4 percent resulting from a decline in both net public and private transfers. However, the contribution of remittances to the services account surplus increased to 21 percent in the year to March 2013 from 18 percent in the year to March 2012. Remittance inflows remained resilient recording 18.6 percent growth in the year to March 2013 and a marginal decline of 2.6 percent in the month of March 2013 to US$ 103.4 million from US$ 106.2 million in March 2012.

Capital and Financial Account

The Capital and Financial account recorded a 30.4 percent increase in surplus for the year to March 2013 in relation to the previous year. The improvement reflected largely in the financial account surplus which increased by 32.4 percent from US$ 3,956 million to US$ 5,239 million with flows in the official medium and long-term account. The increase in official medium and long term flows accounted for 66 percent of the Financial account incremental surplus (Table 4.4).

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

ITEM	Year to Mar 2012*	Year to March 2013* Q1 Apr-Jun	Q2 Jul- Sep	Q3 Oct- Dec	Q4 Jan- Mar	Year to Mar 2013*	Absolute Change	% Change
3. CAPITAL & FINANCIAL ACCOUNT	4130	1427	1591	1360	1009	5387	1257	30.4
3.1 Capital Tranfers (net)	174	51	15	42	39	148	-26	-14.8
3.2 Financial Account	3956	1376	1575	1318	970	5239	1283	32.4
Official, medium & long-term	404	833	-8	183	237	1246	842	208.4
Inflows	682	896	87	242	328	1553	871	127.6
Outflows	-279	-62	-95	-60	-91	-308	-29	10.4
Private, medium & long-term (net)	521	-119	-157	472	-230	-34	-555	-106.6
Commercial Banks (net)	511	-77	-132	472	-185	79	-432	-84.6
Other private medium & long-term (net)	10	-42	-25	-0	-46	-113	-123	-1224.9
Short-term (net) incl. errors & omissions	3032	661	1740	664	963	4028	996	32.9

* Provisional.

Source: Central Bank of Kenya

Foreign Exchange Reserves

The banking system's total foreign exchange holdings increased by 15.4 percent from US$ 6,165 million in March 2012 to US$ 7,114 million in March 2013. Official reserves held by the Central Bank accounted for 77.6 percent of foreign exchange reserves and increased by 17.8 percent to US$ 5,523 million or 4.1 months of import cover in March 2013. The accumulation of official reserves during the period consisted of IMF disbursements from programme support under the Extended Credit Facility financing and purchases from the inter-bank market. Foreign Exchange Reserves held by commercial banks increased by 7.7 percent to US$ 1,591 million in March 2013. Residents' Foreign Currency Deposits increased from US$ 3,089 million in March 2012 to US$ 3,441 million in March 2013 (Table 4.5).

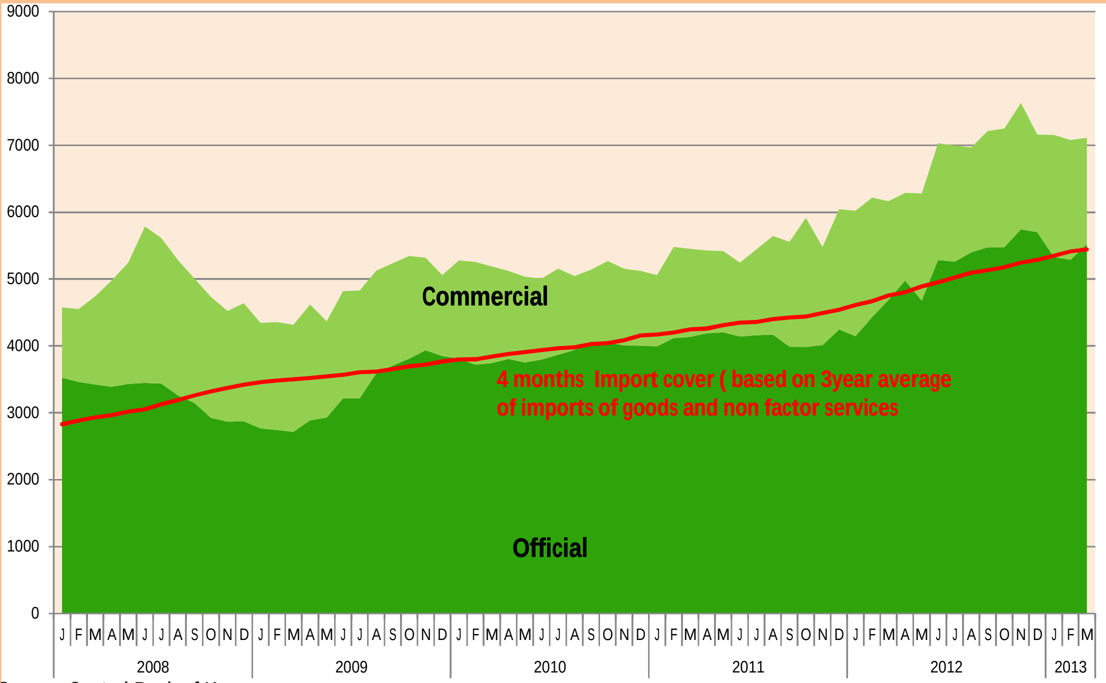
TABLE 4.5: FOREIGN EXCHANGE RESERVES AND RESIDENTS' FOREIGN CURRENCY DEPOSITS (END OF PERIOD, US$ MILLION)

	Mar 12	Apr 12	May 12	Jun 12	Jul 12	Aug 12	Sep 12	Oct 12	Nov 12	Dec 12	Jan 13	Feb 13	Mar 13
1. Gross Foreign Exchange Reserves	**6,165**	**6,289**	**6,282**	**7,030**	**6,995**	**6,967**	**7,214**	**7,250**	**7,634**	**7,160**	**7,156**	**7,080**	**7,114**
of which:													
Official	4,688	4,980	4,677	5,283	5,262	5,398	5,476	5,478	5,742	5,702	5,328	5,290	5,523
*imports cover***	*3.9*	*4.1*	*3.8*	*4.3*	*4.2*	*4.2*	*4.3*	*4.2*	*4.4*	*4.3*	*4.0*	*3.9*	*4.1*
Commercial Banks	1,477	1,309	1,605	1,747	1,733	1,569	1,738	1,772	1,892	1,458	1,828	1,790	1,591
2. Residents' foreign currency deposits	**3,089**	**3,108**	**3,106**	**3,236**	**3,145**	**3,184**	**3,259**	**3,345**	**3,399**	**3,203**	**3,357**	**3,387**	**3,441**

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

Source: Central Bank of Kenya

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



Source: Central Bank of Kenya

Exchange Rates

The Kenya Shilling strengthened against all major international currencies in March 2013. In effect it appreciated by 1.86 percent to the US Dollar to trade at an average of 85.82, 4.52 percent to the Pound Sterling to trade at an average of 129.42, 4.75 percent to Euro to trade at an average of 111.31 and 3.69 percent to the Japanese Yen to trade at an average of 90.49. This appreciation is attributed to easing of uncertainty following the peaceful general elections held on March 4, 2013.

In the EAC region, the Kenya Shilling appreciated against all EAC currencies in March 2013 to trade at an average of Ush 30.74 compared to Ush 30.40 in February 2013, Tsh 18.90 compared to Tsh 18.54 in February 2013, RWF 7.39 compared to RWF 7.11 in February 2013 and BIF 18.15 compared to BIF 17.81 in February 2013 (Table 4.6 and Chart 4D).

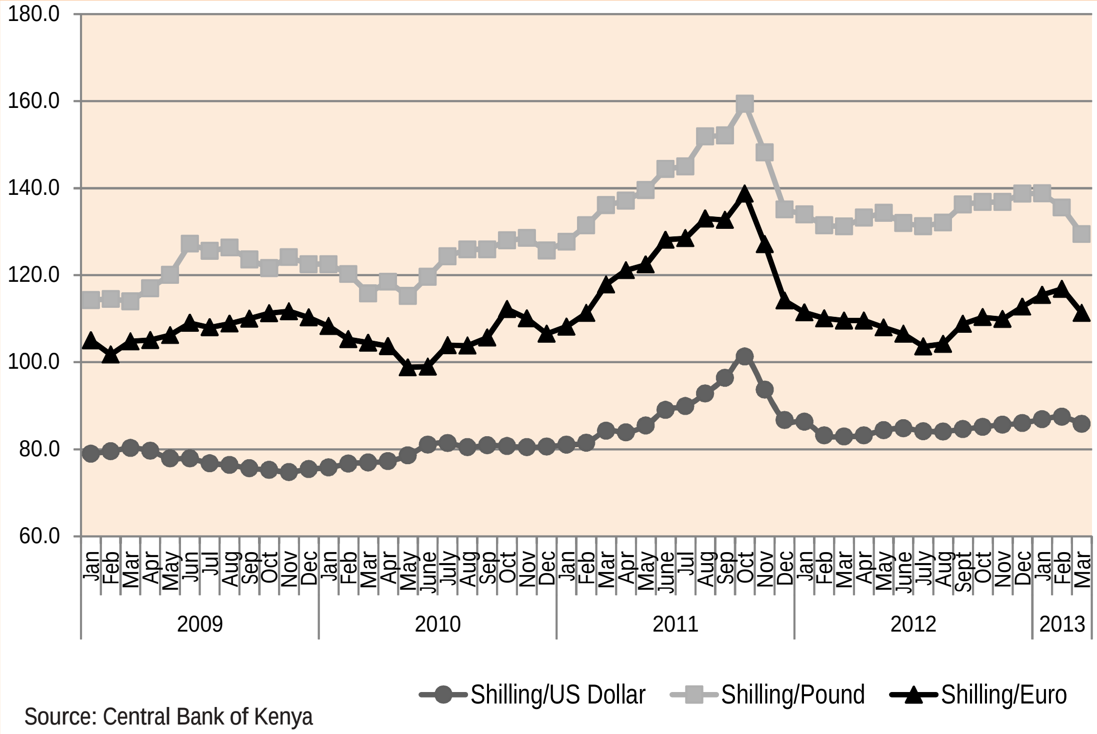
TABLE 4.6: KENYA SHILLING EXCHANGE RATE

	2012					2013			
	Mar	Apr	May	June	Dec	Jan	Feb	Mar	% change February-March 2013
US Dollar	82.90	83.19	84.38	84.79	85.99	86.90	87.45	85.82	-1.86
Pound Sterling	131.18	133.19	134.34	131.95	138.78	138.80	135.54	129.42	-4.52
100 Japanese Yen	100.60	102.26	105.83	106.91	102.79	97.67	93.96	90.49	-3.69
Uganda Shilling*	29.96	30.12	29.39	29.30	31.09	30.89	30.40	30.74	1.12
Tanzania Shilling*	19.23	19.08	18.78	18.68	18.55	18.43	18.54	18.90	1.94
Rwanda Franc*	7.29	7.26	7.16	7.12	7.19	7.12	7.11	7.39	3.94
Burundi Franc*	15.64	15.93	16.45	16.49	17.57	17.39	17.81	18.15	1.93
Euro	109.55	109.57	107.99	106.51	112.77	115.47	116.86	111.31	-4.75
Euro per US dollar	0.76	0.76	0.78	0.80	0.76	0.75	0.75	0.77	3.03

* 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

During the period ended March 31, 2013, the Kenyan Banking sector registered improved growth in assets driven by growth in deposits and retention of profits.

As at March 31, 2013, the sector comprised 43 commercial banks, 1 mortgage finance company, 8 deposit taking microfinance institutions, 108 foreign exchange bureaus and 2 credit reference bureaus.

Structure of the Balance Sheet

The banking sector's aggregate balance sheet rose by 15.4 percent from Ksh. 2,095.7 billion in March 2012 to Ksh 2,417.9 billion in March 2013. The main items of the balance sheet were loans and advances, government securities and placements, which accounted for 55.8 percent, 21.1 percent and 5.5 percent of total assets respectively.

Loans & Advances

The banking sector gross loans and advances increased from Ksh 1,235.7 billion in March 2012 to Ksh 1,402.4 billion in March 2013, which translated to a growth of 13.5 percent. The growth was attributed to increase in lending to households, trade, manufacturing and real estate sectors. Loans and advances net of provisions stood at Ksh 1,349.1 billion in March 2013, up from Ksh 1,190.5 billion registered in a similar period in 2012.

Deposit Liabilites

Deposits from customers were the major source of funding for the banking sector, accounting for 73.5 percent of total funding liabilities. The deposit base increased by 13.8 percent from Ksh 1,560.8 billion in March 2012 to Ksh 1,776.1 billion in March 2013 mainly supported by aggressive mobilization of deposits by banks, remittances and receipts from exports.

Capital & Reserves

The banking sector registered an increase in capital levels in March 2013 with total shareholders' funds growing by 25.3 percent from Ksh 299.8 billion in March 2012 to Ksh 375.6 billion in March 2013. As a result, the ratios of core and total capital to total risk-weighted assets increased from 17.9 percent and 20.2 percent to 20.3 percent and 23.2 percent, respectively.

Non-performing Loans

The stock of gross non-performing loans (NPLs) increased by 31.1 percent from Ksh 53.7 billion in March 2012 to Ksh 70.4 billion in March 2013 attributed mainly to the high interest rates experienced over the last one year that resulted in defaults on loans. However, the ratio of gross NPLs to gross loans increased from 4.3 percent in March 2012 to 5.0 percent in March 2013. On the other hand, the coverage ratio which is measured as a percentage of specific provisions to total NPLs decreased from 60.0 percent to 50.9 percent in March 2013 due to increase in provisions. The quality of assets, measured as a proportion of net non-performing loans to gross loans deteriorated from 1.4 percent in March 2012 to 2.0 percent in March 2013 as shown in the table.

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

		March-12	March-13
1	Gross loans and advances	1,235.7	1,402.4
2	Interest in Suspense	10.8	13.8
3	Loans and advances (net of interest suspended)	1,224.9	1,388.6
4	Gross non-performing loans	53.7	70.4
5	Specific Provisions	25.8	28.7
6	General Provisions	8.7	10.7
7	Total Provisions (5+6)	34.4	39.4
8	Net Advances (3-7)	1,190.5	1,349.1
9	Total Non-Performing Loans and advances (4-2)	42.9	56.6
10	Net Non-Performing Loans and advances (9-5)	17.1	27.7
11	Total NPLs as % of total advances (9/3)	3.50%	4.10%
12	Net NPLs as % of gross advances (10/1)	1.40%	2.00%
13	Specific Provisions as % of Total NPLs (5/9)	60.00%	50.90%

Source: Central Bank of Kenya

Profitablility

The banking sector registered a 14.4 per cent growth in pre-tax profits, from Ksh 24.7 billion in March 2012 to Ksh 28.2 billion as at end of March 2013. Similarly, the annualised return on assets remained at 3.7 percent during the period under review while return on equity declined from 32.9 percent to 30.1 percent over the same period. Total income declined by 3.9 percent from Ksh 88.4 billion in March 2012 to Ksh 84.9 billion in March 2013, while total expenses declined by 11.0 percent from Ksh 63.7 billion in March 2012 to Ksh 56.7 billion in March 2013 with the decline largely attributed to interest expenses on deposits. Interest on loans and advances, fees and commissions and government securities were the major sources of income accounting for 60.0 percent, 16.9 percent and 15.2 percent of total income respectively. On the other hand, interest on deposits, staff costs and other expenses were the key components of expenses, accounting for 31.3 percent, 30.2 percent and 23.7 percent respectively.

Liquidity Ratio Requirement

For the month ended 31st March 2013, average liquid assets amounted to Ksh 749.4 billion while total short-term liabilities stood at Ksh 1,751.3 billion, resulting to an average liquidity ratio of 42.8 percent, against 37.0 percent registered in March 2012.

Cash Ratio Requirement

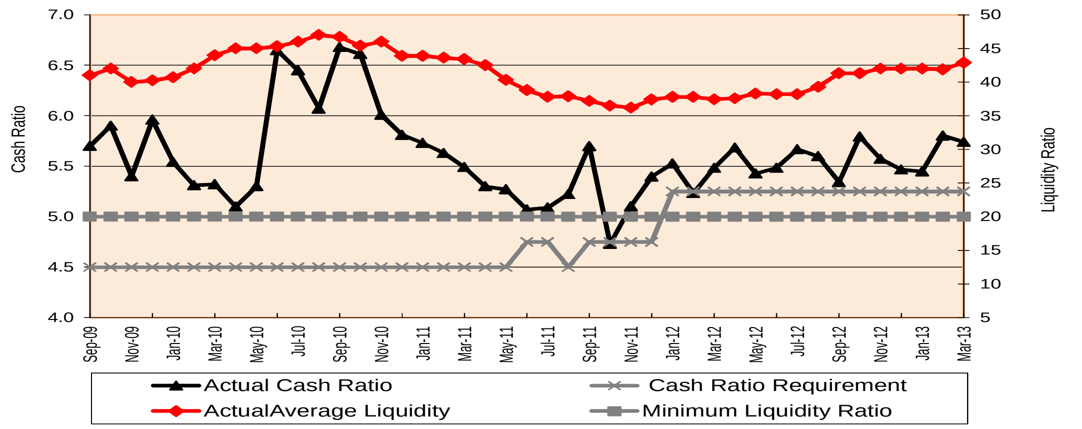
The proportion of cash to deposit liabilities held by commercial banks at the Central Bank for reserve requirements averaged 5.74 percent in March 2013 compared with 5.80 percent in February 2013, and 5.25 percent minimum statutory level as shown in Table 5.3 and Chart 5A. Commercial banks maintained an average of Ksh 8.3 billion above the 5.25 percent monthly average cash reserve requirement at the Central Bank in March 2013 compared with Ksh 9.4 billion in February 2013. Commercial banks are required to maintain Cash Reserve Ratio (CRR) on a 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.

TABLE 5.2 : CASH AND LIQUIDITY RATIOS* (%)

	2012						2013		
	Feb	Mar	Jun	Oct	Nov	Dec	Jan	Feb	Mar
Commercial Banks									
Actual Average Liquidity	37.80	37.45	38.20	41.30	42.00	42.00	42.00	41.90	42.90
Minimum Liquidity Ratio	20.00	20.00	20.00	20.00	20.00	20.00	20.00	20.00	20.00
Actual Cash Ratio - All Banks	5.23	5.48	5.48	5.79	5.57	5.47	5.45	5.80	5.74
Minimum Cash Ratio Requirement	5.25	5.25	5.25	5.25	5.25	5.25	5.25	5.25	5.25
NBFIs									
Actual Average Liquidity Ratio	26.85	25.11	32.00	29.60	34.70	35.60	32.80	31.40	32.90
Minimum Liquidity Ratio	20.00	20.00	20.00	20.00	20.00	20.00	20.00	20.00	20.00

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 140,781 transaction messages worth Ksh 1,631 billion in March 2013 compared with a volume of 144,248 transaction messages valued at Ksh 1,548 billion moved in February 2013, representing a 2.4 percent decrease in the volume and a 5.32 percent increase in value moved. Compared to March 2012, the volume increased by 11.96 percent from 125,739 transaction messages to 140,781 transaction messages in March 2013, while value decreased by 0.45 percent from 1,638 billion to 1,631 billion, indicating usage of KEPSS by the public during the period under review for transactions of low monetary value.

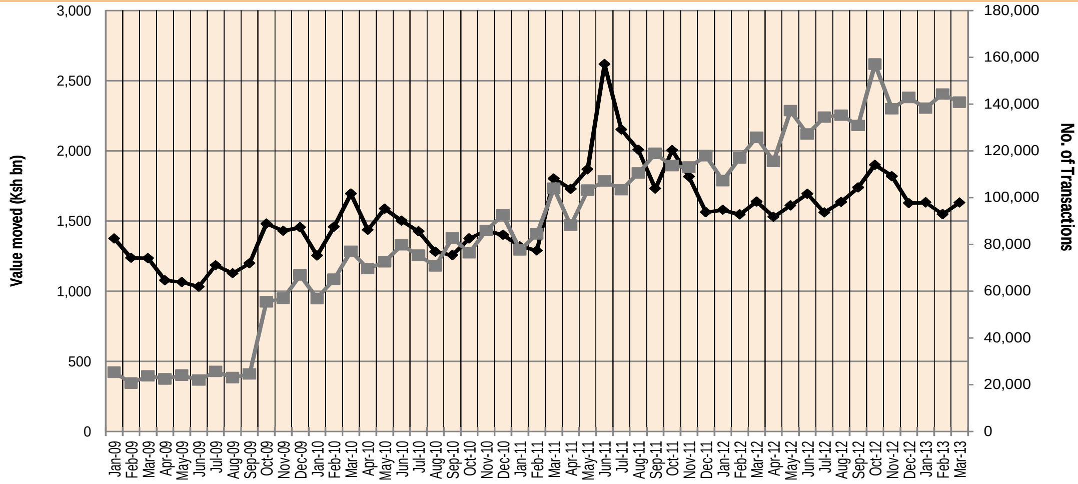
During the twelve months period to March 31, 2013 the value moved averaged Ksh 12 million per transaction. On average, 6,565 transaction messages with an average value of approximately Ksh 80 billion were moved daily (Table 5.3 and Chart 5B). Direct settlements through KEPSS from commercial banks accounted for 98.0 percent of the total settlements while payments processed through ACH and settled in KEPSS averaged 2.0 percent. This is in line with policy expectations after value capping of enhancing safety and efficiency of the payment process and instruments.

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-11	1,320	21	77,625	0.02	21	63	3,696
Feb-11	1,289	23	84,448	0.02	20	64	4,222
Mar-11	1,802	26	103,986	0.02	22	82	4,727
Apr-11	1,728	21	88,168	0.02	19	91	4,640
May-11	1,868	26	103,112	0.02	21	89	4,910
May-11	1,868	26	103,112	0.02	21	89	4,910
Jun-11	2,617	24	107,063	0.02	21	125	5,098
Jul-11	2,151	24	103,338	0.02	21	102	4,921
Aug-11	2,007	25	110,498	0.02	22	91	5,023
Sep-11	1,730	27	118,798	0.01	22	79	5,400
Oct-11	2,004	25	113,658	0.02	20	100	5,683
Nov-11	1,816	28	112,923	0.02	22	83	5,133
Dec-11	1,562	30	117,916	0.01	20	78	5,896
Jan-12	1,579	28	107,230	0.01	21	75	5,106
Feb-12	1,546	27	116,990	0.01	21	74	5,571
Mar-12	1,638	26	125,739	0.01	22	74	5,715
Apr-12	1,529	26	115,514	0.01	19	80	6,080
May-12	1,610	26	137,135	0.01	22	73	6,233
Jun-12	1,693	26	127,147	0.01	20	85	6,357
Jul-12	1,561	26	134,391	0.01	23	71	6,109
Aug-12	1,637	26	135,243	0.01	23	71	5,880
Sep-12	1,739	26	130,874	0.01	20	87	6,544
Oct-12	1,900	26	157,020	0.01	23	83	6,827
Nov-12	1,820	26	137,975	0.01	22	83	6,272
Dec-12	1,627	30	142,867	0.01	18	90	7,937
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

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 paying several recipients increased by 2.2 percent from 12,405 transaction messages in February 2013 to 12,681 transaction messages in March 2013, while single third party Message Type (MT 103) used to pay a single recipient decreased by 4.12 percent from 155,349 transaction messages to 148,954 transaction messages in the same period. Overall, total third party messages through KEPSS decreased by 3.65 percent from 167,754 transaction messages in February 2013 to 161,635 transaction messages in March 2013.

Compared with March 2012, multiple third party messages (MT 102) decreased by 5.56 percent from 13,428 transaction messages to 12,681 transaction messages in March 2013, while single third party messages (MT 103) increased by 18.57 percent from 125,628 transaction messages to 148,954 transaction messages (Table 5.4 and Chart 5C).

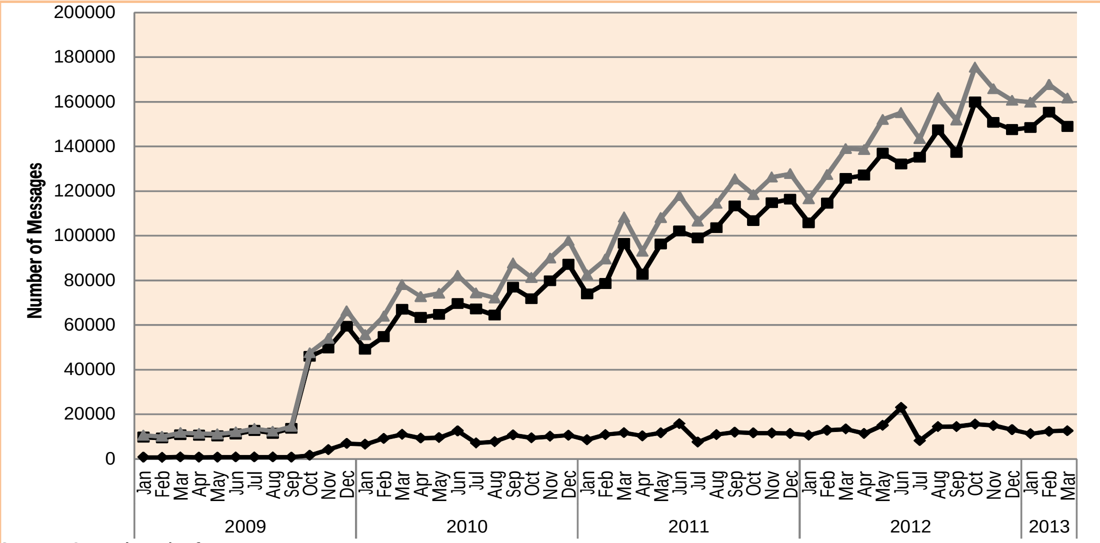
Inter-bank transfers (MT 202) accounted for 22.20 percent of the total value moved through KEPSS as at end of March 2013, while third party (MT 102 and MT 103) messages accounted for 77.80 percent. The total number of third party messages grew by 16.24 percent from 139,056 messages in March 2012 to 161,635 messages in March 2013. This signifies continued growth in KEPSS usage by individuals and non-bank corporate bodies.

TABLE 5.4: TRENDS IN MT102 AND MT103 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-11	1,320	21	77,625	0.02	21	63	3,696
Feb-11	1,289	23	84,448	0.02	20	64	4,222
Mar-11	1,802	26	103,986	0.02	22	82	4,727
Apr-11	1,728	21	88,168	0.02	19	91	4,640
May-11	1,868	26	103,112	0.02	21	89	4,910
May-11	1,868	26	103,112	0.02	21	89	4,910
Jun-11	2,617	24	107,063	0.02	21	125	5,098
Jul-11	2,151	24	103,338	0.02	21	102	4,921
Aug-11	2,007	25	110,498	0.02	22	91	5,023
Sep-11	1,730	27	118,798	0.01	22	79	5,400
Oct-11	2,004	25	113,658	0.02	20	100	5,683
Nov-11	1,816	28	112,923	0.02	22	83	5,133
Dec-11	1,562	30	117,916	0.01	20	78	5,896
Jan-12	1,579	28	107,230	0.01	21	75	5,106
Feb-12	1,546	27	116,990	0.01	21	74	5,571
Mar-12	1,638	26	125,739	0.01	22	74	5,715
Apr-12	1,529	26	115,514	0.01	19	80	6,080
May-12	1,610	26	137,135	0.01	22	73	6,233
Jun-12	1,693	26	127,147	0.01	20	85	6,357
Jul-12	1,561	26	134,391	0.01	23	71	6,109
Aug-12	1,637	26	135,243	0.01	23	71	5,880
Sep-12	1,739	26	130,874	0.01	20	87	6,544
Oct-12	1,900	26	157,020	0.01	23	83	6,827
Nov-12	1,820	26	137,975	0.01	22	83	6,272
Dec-12	1,627	30	142,867	0.01	18	90	7,937
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

Source: Central Bank of Kenya

CHART 5C: TRENDS IN MT102 AND MT103 THROUGH KEPSS

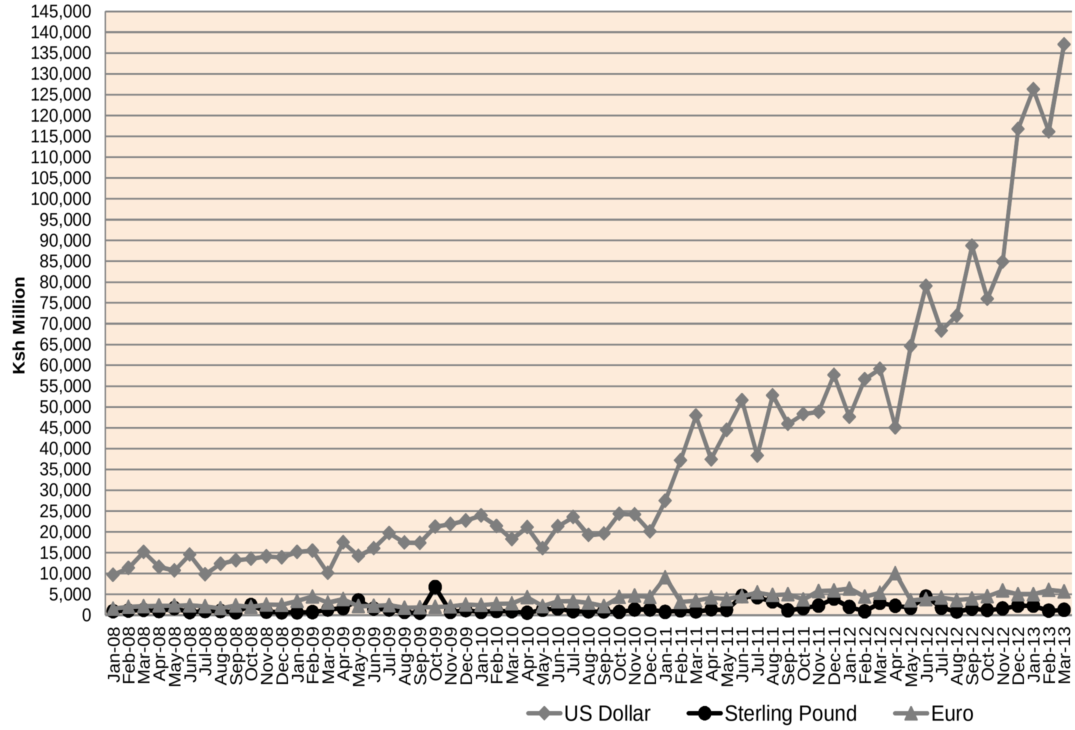


Source: Central Bank of Kenya

Domestic Foreign Currency

Domestic Foreign Currency messages through KEPSS decreased by 5.81 percent from 13,516 transaction messages in February 2013 to 12,731 transaction messages in March 2013. Similarly, the corresponding value in Kenya Shillings equivalent moved in this period decreased by 12.57 percent from Ksh 155.4 billion to Ksh 135.9 billion. The downturn in March 2013 compared to the increases in January and February 2013 is attributed to the macro environment including political during the period under review.The US dollar denominated transactions accounted for 94.03 percent of the value moved (Chart 5D), while the Sterling Pound and the Euro accounted for 1.62 percent and 4.35 percent, respectively.

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



Source: Central Bank of Kenya

Government Budget Performance

Central government budgetary operations for the period July 2012 – March 2013 in the fiscal year 2012/13 resulted in a deficit of Ksh 198.7 billion on commitment basis compared with Ksh 152.6 billion incurred in the same period of the fiscal year 2011/12 (Table 6.1). The deficit-to-GDP ratio stood at 5.3 percent and 5.2 percent on commitment and cash basis respectively, during this period. The budget deficit for the period was within the programmed target of 6.2 percent of GDP.

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

	FY 2011/12	FY 2012/13		
	March Actual	March Provisional	Target	Over (+) / below(-) Target
1. TOTAL REVENUE & GRANTS	**510.9**	**577.3**	**705.9**	**-128.6**
Revenue	499.9	565.2	662.3	-97.0
Tax Revenue	450.5	507.5	578.4	-70.9
Non Tax Revenue	14.7	24.1	32.1	-7.9
Appropriations-in-Aid	34.8	33.6	51.8	-18.2
External Grants	11.0	12.1	43.7	-31.5
2. TOTAL EXPENSES & NET LENDING	**663.5**	**776.1**	**940.0**	**-163.9**
Recurrent Expenses	479.1	576.4	588.6	-12.2
Development Expenses	184.4	199.7	351.4	-151.7
3. DEFICIT ON A COMMITMENT BASIS (1-2)	-152.6	-198.7	-234.0	-35.3
As percent of GDP	**-4.6**	**-5.26**	**-6.2**	
4. ADJUSTMENT TO CASH BASIS	**8.5**	**0.9**	**1.3**	**-0.4**
5. DEFICIT ON A CASH BASIS	-144.1	-197.9	-232.7	-34.9
As percent of GDP	**-4.4**	**-5.2**	**-6.2**	
6. DISCREPANCY: Expenditure (+) / Revenue (-)	**-9.8**	**-10.02**	**0.0**	
7. FINANCING	**134.3**	**187.8**	**232.7**	**-44.9**
Domestic (Net)	107.0	154.04	111.2	-77.4
External (Net)	27.3	33.8	121.5	-87.7
Capital Receipts (privatisation)	0.0	0.0	0.0	0.0
Others	0.0	0.0	0.0	0.0
Financing gap	0.0	0.0	0.0	0.0

Source: Treasury

Revenue

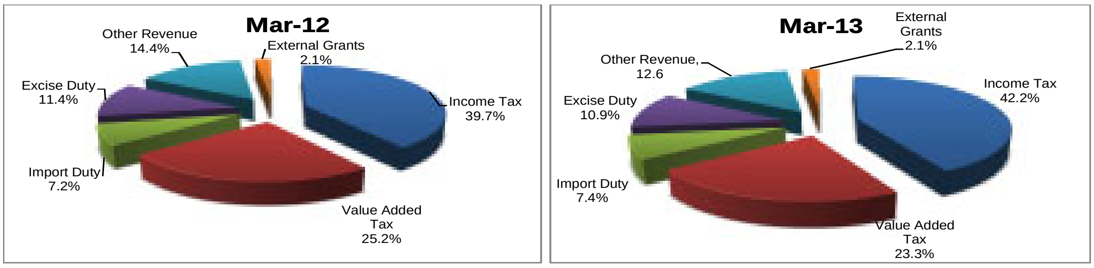
Total government revenues and grants amounted to Ksh 577.3 billion in the period July 2012 – March, 2013, representing an increase of Ksh 66.5 billion from Ksh 510.9 billion collected in a similar period of the fiscal year 2011/2012 (Table 6.2). During the period under review, total revenues excluding grants grew by Ksh 65.3 billion or 13.1 percent, but remained below the programmed target by Ksh 97.0 billion (Table 6.1). The underperformance was attributed to reduced economic activities associated with uncertainties of the general elections and legislative challenges pertaining to the administration of some taxes during the period.

TABLE 6.2: COMPOSITION OF GOVERNMENT REVENUE (Ksh billion)

	Mar-12 Ksh bn	Mar-13 Ksh bn	Change
1. Revenue (2+3+4)	**499.9**	**565.2**	**65.3**
2. Tax Revenue	450.5	507.5	57.0
Income Tax	203.1	243.6	40.5
Value Added Tax	128.6	134.5	5.8
Import Duty	36.6	42.5	5.9
Excise Duty	58.0	63.1	5.1
Others	24.2	23.9	-0.3
3. Appropriations-in-Aid	34.8	33.6	-1.13
4. Other Revenue	14.7	24.1	9.4
5. External Grants	**11.0**	**12.1**	**1.2**
TOTAL RECEIPTS (1+5)	**510.9**	**577.3**	**66.5**

Source: Treasury

CHART 6A: COMPOSITION OF GOVERNMENT RECEIPTS



Source: Treasury

Tax revenue grew by Ksh 57.0 billion, equivalent to 12.7 percent, from Ksh 450.5 billion collected in the first nine months of the fiscal year 2011/12 to Ksh 507.5 billion for a similar period of the fiscal year 2012/13 (Table 6.2). The increase was largely on account of income tax, which grew by Ksh 40.5 billion (20.0 percent) during the period. Excise duty, import duty and value added tax increased by Ksh 5.1 billion, Ksh 5.9 billion and Ksh 5.8 billion, respectively, during the period. However, other tax revenue declined by Ksh 0.3 billion (1.4 percent), to Ksh 23.9 billion during the period under review. All taxes underperformed with respect to the programmed targets in March, 2013 due to factors including a decline in oil volumes, a decline of containers landing with non-oil imports for domestic use, a shift of dry imports from high tariff bands to lower tariff bands, delay in enacting the VAT Bill and a shift in consumption patterns for beer and cigarettes from brands with higher rates to brands with lower or zero rates.

Expenditure and Net Lending

Government expenditure and net lending increased by Ksh 112.6 billion in the period July 2012 – March 2013 from Ksh 663.5 billion incurred during the same period in the fiscal year 2011/12. Total expenditure for the first nine months of the fiscal year 2012/13 amounted to Ksh 776.1 billion, comprising Ksh 576.4 billion and Ksh 199.7 billion in recurrent and development expenditure, respectively.

The main recurrent expenditure items included salaries and wages and interest payments on domestic debt, which increased by Ksh 38.3 billion and Ksh 22.8 billion, respectively. Increase in salaries and wages results from the increased salaries awarded to the teachers, police, doctors and other civil servants. Other recurrent expenditures amounted to Ksh 286.5 billion in the period July 2012 – March, 2013, an increase of Ksh 32.6 billion from Ksh 253.9 billion incurred in the period July 2011 – March 2012. Expenditure and net lending targets underperformed by Ksh 163.9 billion (Table 6.1) mainly on account of development budget by Ksh 151.7 billion.

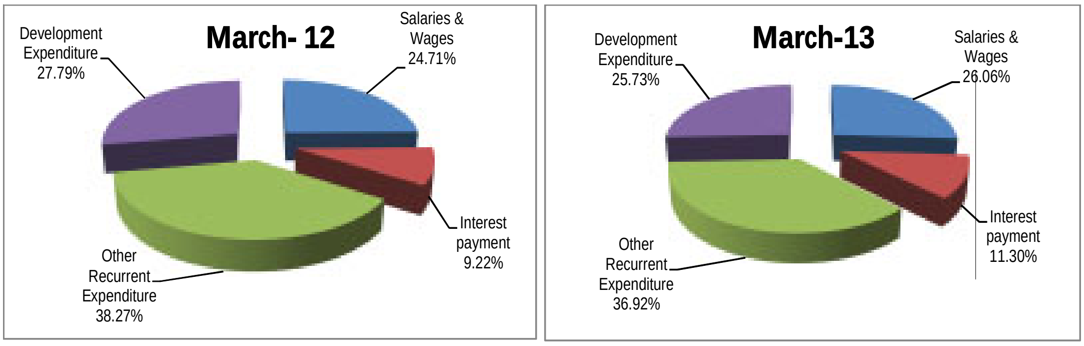
TABLE 6.3: COMPOSITION OF GOVERNMENT EXPENDITURE (Ksh billion)

	Mar-12 Ksh bn	Mar-13 Ksh bn	Movement
1.Recurrent	**479.1**	**576.4**	**97.3**
Salaries & Wages	164.0	202.2	**38.3**
Total Interest	61.2	87.7	**26.5**
of which			
Domestic*	56.1	78.9	22.8
Foreign interest	5.1	8.7	3.6
Others	253.9	286.5	32.6
2. Development	**184.4**	**199.7**	**15.3**
TOTAL EXPENSES	**663.5**	**776.1**	**112.6**

*Includes commission and other charges paid to CBK

Source: Treasury

CHART 6B: COMPOSITION OF GOVERNMENT EXPENDITURE



Source: Treasury

Financing

Budgetary operations of the Government resulted in a financing requirement of Ksh 187.8 billion for the period July 2012 – March 2013, compared with Ksh 134.3 billion for a similar period in the fiscal year 2011/12. The Government raised Ksh 116.2 billion through domestic borrowing and Ksh 33.8 billion in net external debt borrowing. In addition, Government reduced own deposits at the Central Bank by Ksh 37.9 billion (Table 6.4).

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

I. FINANCING REQUIREMENTS	Mar-12	Mar-13 *
1. Budget deficit	134.3	187.8
2. External debt reduction	0.0	0.0
3. Domestic debt reduction	0.0	0.0
3.1 Central Bank (incl. items in transit)	0.0	0.0
3.2 Commercial banks (net of deposits)	0.0	0.0
3.3 Non-bank sources	0.0	0.0
4. Increase in GoK deposits at CBK	0.0	0.0
TOTAL	**134.3**	**187.8**
II. FINANCING SOURCES	**Mar-12**	**Mar-13**
1. Budget surplus	0.0	0.0
2. External debt increase	27.3	33.8
3. Increase in domestic debt	101.1	116.2
3.1 Central Bank	21.3	8.0
3.2 Commercial banks	23.7	57.7
3.3 Non-bank sources	56.1	50.4
4. Reduction in GoK deposits at CBK	5.9	37.9
5. Privatisation proceeds (Net of Restructuring Costs)	0.0	0.0
TOTAL	**134.3**	**187.8**

Sources: Treasury and Central Bank of Kenya

Government Borrowing from the Central Bank

The government repaid Ksh 5.6 billion outstanding debt to the Central Bank thereby reducing the net stock of debt to Ksh 55.4 billion for the period July 2012 – March, 2013, compared with Ksh 61.0 billion owed in a similar period of the 2011/2012 fiscal year. The decrease in Government's liability to the Central Bank was largely attributed to redemptions of rediscounted securities acquired during the tight phase of monetary policy between November 2011 and June 2012. In addition, the Government repaid Ksh 1.0 billion, through the regular amortization of the pre-1997 overdraft at the Central Bank. Government overdraft at the Central Bank was maintained within the statutory limit of Ksh 25.4 billion, in March, 2013.

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

	2012	2013	Movement
	March	March	
Total Credit	**61.0**	**55.4**	**-5.6**
1. Overdraft	25.4	25.4	0.0
2. Rediscounted securities	5.0	0.4	-4.6
Treasury bills	1.2	0.0	-1.1
Treasury bonds	3.8	0.4	-3.4
3. Pre-1997 Government Overdraft at CBK	30.6	29.5	-1.0
4. IMF funds onlent to Government	0.0	0.0	0.0
5. Cleared items in transit	0.1	0.1	0.0
Memorandum			
Authorised overdraft limit	**25.4**	**25.4**	0.0
Amount utilised to date	25.4	25.4	0.0
Amount available	0.0	0.0	0.0

Source: Central Bank of Kenya

Outlook for FY 2012/13

In the revised budget estimates for the fiscal year 2012/13, total domestic revenue is estimated at Ksh 940.2 billion, equivalent to 24.9 percent of GDP. External grants are estimated at Ksh 76.1 billion or 2.0 percent of GDP. Government expenditure is estimated at Ksh 1,205.8 billion (or 31.9 percent of GDP), of which Ksh 846.5 billion (22.4 percent of GDP) will be in recurrent expenses and the rest in development expenses (Table 6.6).

TABLE 6.6: BUDGET ESTIMATES FOR THE FISCAL YEAR 2012/13 (Ksh Billion)

	Ksh (Bn)	% of GDP
1. TOTAL REVENUE	**1016.30**	**26.92**
Revenue	940.20	**24.90**
Tax Revenue	769.50	**20.38**
Non Tax Revenue	106.00	**2.81**
Appropriations-in-Aid	64.70	**1.71**
External Grants	76.10	**2.02**
2. TOTAL EXPENSES & NET LENDING	**1,205.80**	**31.94**
Recurrent Expenses	846.50	**22.42**
Development Expenses	354.30	**9.38**
Civil Contigency Fund	5.00	**0.13**
3. DEFICIT ON A COMMITMENT BASIS (1-2)	**-189.50**	**-5.02**
4. ADJUSTMENT TO CASH BASIS	**1.32**	**0.03**
5. DEFICIT ON A CASH BASIS	**-188.18**	**-4.98**
6. DISCREPANCY: Expenditure (+) / Revenue (-)	**0.00**	**0.00**
7. FINANCING	**-188.18**	**-4.98**
Domestic (Net)	137.20	**3.63**
External (Net)	51.00	**1.35**

Source: Central Bank of Kenya

The overall budget deficit including grants on cash basis is therefore estimated at Ksh 188.18 billion (or 5.0 percent of GDP) in 2012/13. The deficit is expected to be financed through net external borrowing of Ksh 51.0 billion and net domestic borrowing of Ksh 137.2 billion.

DEVELOPMENTS IN PUBLIC DEBT

Overall Debt Kenya's public and publicly guaranteed debt increased by Ksh 177.4 billion to reach Ksh 1,800.8 billion at the end of March 2013 from Ksh 1,623.4 billion in June 2012. The total debt stock by end March 2013 was equivalent to 47.7 percent of GDP, compared with 49.3 percent of GDP in June 2012. Domestic debt to GDP ratio and external debt to GDP ratio declined from 26.1 percent and 23.2 percent in June 2012, to 26.0 percent and 21.7 percent respectively, in March 2013 (Table 7.1).

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

	Jun-12	Sep-12	Dec-12 **	Jan-13 **	Feb-13 **	Mar-13 **	Change 2012/13
EXTERNAL***							
Bilateral	246.2	269.2	265.4	266.5	261.4	255.3	9.04
Multilateral	452.9	467.0	482.7	491.6	491.0	490.6	37.69
Commercial Banks	50.5	51.1	58.4	59.6	58.5	57.9	7.37
Supplier Credits	14.8	15.1	15.5	15.8	15.3	15.0	0.15
Sub-Total	**764.5**	**802.5**	**822.0**	**833.61**	**826.27**	**818.76**	**54.24**
(As a % of GDP)	23.20	20.8	21.3	22.1	21.9	21.7	
(As a % of total debt)	47.1	46.5	45.8	46.0	46.7	45.5	
DOMESTIC/[1]							
Banks	**459.2**	**505.9**	**542.9**	**550.1**	**514.6**	**530.8**	**71.58**
Central Bank	47.4	57.2	56.8	56.2	55.9	55.4	8.02
Commercial Banks	411.9	448.7	486.1	493.9	458.7	475.4	63.56
Non-banks	**388.5**	**406.5**	**418.5**	**419.7**	**421.1**	**442.3**	**53.71**
Non-bank Financial Institutions	1.5	0.6	0.6	0.4	0.4	0.4	-1.12
Other Non-bank Sources	387.0	405.9	417.9	419.3	420.7	441.9	54.84
Non-residents	**11.0**	**9.8**	**10.1**	**8.6**	**8.1**	**8.9**	**-2.12**
Sub-Total	**858.8**	**922.2**	**971.4**	**978.34**	**943.75**	**982.01**	**123.18**
(As a % of GDP)	26.06	23.9	25.1	25.9	25.0	26.01	
(As a % of total debt)	52.9	53.5	54.2	54.0	53.3	54.5	
GRAND TOTAL	**1623.4**	**1724.7**	**1793.4**	**1811.9**	**1770.0**	**1800.8**	**177.42**
(As a % of GDP)	49.3	44.6	46.4	48.0	46.9	47.7	

* External Revised
** External Debt Provisional
***Includes IMF Loans.
From January 2001 domestic debt is reported on a gross basis, that is, without netting out government deposits and Treasury advances to parastatals. The debt is, however, net of IMF disbursements on-lent to the Govt. by CBK and which are considered as part of external debt.

Sources: Treasury and Central Bank of Kenya

Domestic Debt Total domestic debt increased by Ksh 123.2 billion at the end of March 2013, from a stock of Ksh 858.8 billion at the end of June 2012. This followed increases of Ksh 46.3 billion in Treasury bonds, Ksh 54.5 billion in Treasury bills and Ksh 18.1 billion in the Government overdraft at the Central Bank (Table 7.2). In terms of composition, Treasury bonds and Treasury bills accounted for 74.7 percent and 19.0 percent of total debt, respectively, at the end of March, 2013.

TABLE 7.2: GOVERNMENT GROSS DOMESTIC DEBT (Ksh billion)

TABLE 7.2: GOVERNMENT GROSS DOMESTIC DEBT (Ksh billion)

	2012				2013				Change
	Jun	%	Dec	%	Feb	%	Mar	%	June-12 - Mar-13
Total Stock of Domestic Debt (A+B)	**858.8**	**100.0**	**971.4**	**100.0**	**943.75**	**100.0**	**982.01**	**100.0**	**123.2**
A. Government Securities	**849.0**	**98.9**	**942.3**	**97.0**	**911.4**	**96.6**	**949.3**	**96.7**	**100.3**
1. Treasury Bills (excluding Repo Bills)	**132.05**	**15.4**	**196.26**	**20.2**	**164.72**	**17.5**	**186.60**	**19.0**	**54.5**
Banking institutions	75.50	8.8	139.16	14.3	108.93	11.5	126.28	12.9	**50.8**
Others	56.55	6.6	57.10	5.9	55.79	5.9	60.32	6.1	**3.8**
2. Treasury Bonds	**686.95**	**80.0**	**716.07**	**73.7**	**717.15**	**76.0**	**733.22**	**74.7**	**46.3**
Banking institutions	334.11	38.9	343.52	35.4	342.98	36.3	342.02	34.8	**7.9**
Others	352.84	41.1	372.55	38.4	374.17	39.6	391.20	39.8	**38.4**
4. Non-Interest Bearing Debt	**30.00**	**3.5**	**30.00**	**3.1**	**29.53**	**3.1**	**29.53**	**3.0**	**-0.5**
Of which: Repo T/Bills	29.78	3.5	29.78	3.1	29.38	3.1	29.38	3.0	**-0.4**
B. Others:	**9.83**	**1.1**	**29.08**	**3.0**	**32.35**	**3.4**	**32.67**	**3.3**	**22.8**
Of which CBK overdraft to Government	7.26	0.8	25.37	2.6	25.37	2.7	25.37	2.6	**18.1**

From January 2001 domestic debt is reported on a gross basis without netting out government deposit and Treasury advances to parastatals

Source: Central Bank of Kenya

Treasury Bills

Treasury bill holdings excluding repos increased by Ksh 54.5 billion, during the first nine months of the fiscal year 2012/13, to Ksh 186.6 billion in March 2013 (Table 7.2). The bulk of this, Ksh 126.3 billion, equivalent to 67.7 percent, was held by commercial banks. Holdings by commercial banks, insurance companies and parastatals increased from Ksh 75.5 billion, Ksh 7.2 billion and Ksh 1.2 billion in June 2012 to Ksh 126.3 billion, Ksh 12.6 billion and Ksh 1.6 billion, respectively, in March, 2013. Pension funds and other holders accounted for 13.8 and 11.0 percent, respectively, of total Treasury bills during the period (Table 7.3).

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

	2011		2012						2013			
Holders	Jun	%	Jun	%	Sep	%	Dec	%	Feb	%	Mar	%
Banking Institutions	87.7	69.3	75.5	57.2	103.7	64.9	139.2	70.9	108.9	66.1	126.3	67.7
Central Bank	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Comm. Banks	87.7	69.3	75.5	57.2	103.7	64.9	139.2	70.9	108.9	66.1	126.3	67.7
NBFIs	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Insurance Companies	4.7	3.7	7.2	5.5	9.9	6.2	11.9	6.1	12.4	7.5	12.6	6.7
Parastatals	3.2	2.6	1.2	0.9	3.2	2.0	2.8	1.4	3.1	1.9	1.6	0.9
Of which: NSSF	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Pension Funds	4.8	3.8	28.7	21.7	26.1	16.3	24.2	12.3	22.7	13.8	25.7	13.8
Others	26.1	20.6	19.5	14.7	16.9	10.6	18.2	9.3	17.6	10.7	20.5	11.0
Total*	**126.6**	**100.0**	**132.0**	**100.0**	**159.7**	**100.0**	**196.3**	**100.0**	**164.7**	**100.0**	**186.6**	**100.0**

* Excludes repurchase order bills

Source: Central Bank of Kenya

Treasury Bonds

Treasury bonds increased by Ksh 46.3 billion, from Ksh 687.0 billion in June 2012 to Ksh 733.2 billion at the end of March 2013. Despite the increase, the proportion of Treasury bonds in total domestic debt declined from 80.0 percent in June 2012 to 74.7 percent in March 2013 (Table 7.2). Treasury bond holdings held by commercial banks and parastatals declined from 48.6 percent and 6.7 percent to 46.6 percent and 5.9 percent in March 2013, while those by insurance companies, pension funds and other holders increased from 12.4 percent, 24.0 percent and 8.0 percent in

June 2012 to 12.7 percent, 25.8 percent and 8.9 percent, respectively, in March 2013. Building societies' holdings remained constant at 0.1 percent in March 2013 (Table 7.4).

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

Holders	2012						2013					
	Jun	%	Sep	%	Dec	%	Jan	%	Feb	%	Mar	%
Banking Institutions	335.6	48.9	342.6	48.7	344.1	48.1	343.9	48.1	343.4	47.9	342.4	46.7
Central Bank	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Comm. Banks	334.1	48.6	342.0	48.6	343.5	48.0	343.5	48.0	343.0	47.8	342.0	46.6
NBFIs	1.5	0.2	0.6	0.1	0.6	0.1	0.4	0.1	0.4	0.1	0.4	0.1
Insurance Companies	85.1	12.4	85.2	12.1	87.0	12.2	88.0	12.3	90.9	12.7	93.2	12.7
Parastatals	46.1	6.7	44.4	6.3	44.4	6.2	43.4	6.1	43.4	6.0	43.0	5.9
Of which: NSSF	24.5	3.6	23.8	3.4	23.8	3.3	22.7	3.2	22.7	3.2	22.7	3.1
Building Societies	0.6	0.1	0.6	0.1	0.6	0.1	0.6	0.1	0.6	0.1	0.6	0.1
Pension Funds	164.5	24.0	175.2	24.9	171.5	23.9	171.0	23.9	184.9	25.8	188.9	25.8
Others	54.9	8.0	55.8	7.9	68.4	9.6	68.7	9.6	54.1	7.5	65.0	8.9
Total	687.0	100.0	703.9	100.0	716.1	100.0	715.6	100.0	717.2	100.0	733.2	100.0

Source: Central Bank of Kenya

Domestic Debt Maturity structure

Total domestic debt at the end of March 2013 amounted to Ksh 982.0 billion, which comprised Ksh 733.20 billion, Ksh 186.60 billion, Ksh 25.37 billion, Ksh 29.38 billion and Ksh 7.45 billion in Treasury bonds, Treasury bills, Government overdraft at the Central Bank, Repo Treasury bills and other domestic debt, respectively. Of these, Government securities worth Ksh 133.49 billion will fall due between April 2013 and June 2013, and will comprise Ksh 95.95 billion and Ksh 37.54 billion in Treasury bills and bonds, respectively. Treasury bill maturities in the period will comprise Ksh 34.18 billion, Ksh 55.14 billion and Ksh 6.63 billion in 91-day, 182-day and 364-day Treasury bills, respectively, while Treasury bonds maturing during this period will comprise Ksh 19.79 billion, Ksh 4.10 billion, Ksh 5.95 billion and Ksh 2.70 billion in 2-year, 5-year, 6-year and 10-year discounted fixed rate bonds, respectively, and Ksh 5.00 billion in special bonds.

In terms of days remaining to maturity of the existing domestic debt stock, the average length of maturity declined from 5 years and 4 months in June 2012 to 5 years and 2 months in March 2013.

TABLE 7.5: DOMESTIC DEBT MATURITY STRUCTURE (Ksh billion)

		2011		2012				2013		Change Jun-12 to Mar-13
		June	%	Jun	%	Dec	%	Mar	%	
Treasury bills	91-Day	69.1	9.0	24.3	2.8	47.6	4.9	34.2	3.5	9.9
	182-Day	22.5	2.9	75.7	8.8	96.9	10.0	72.4	7.4	-3.3
	364-Day	34.9	4.6	32.1	3.7	51.7	5.3	80.0	8.1	47.9
Treasury Bonds	1-Year	0.0	0.0	51.5	6.0	40.4	4.2	0.0	0.0	-51.5
	2-Year	73.0	9.6	86.5	10.1	115.6	11.9	141.8	14.4	55.3
	3-Year	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	4-Year	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	5-Year	114.6	15.0	115.3	13.4	109.5	11.3	122.2	12.4	6.9
	6-Year	70.8	9.3	57.4	6.7	51.6	5.3	51.6	5.3	-5.8
	7-Year	24.3	3.2	22.5	2.6	22.5	2.3	19.3	2.0	-3.2
	8-Year	25.7	3.4	17.6	2.0	17.6	1.8	17.6	1.8	0.0
	9-Year	27.7	3.6	25.4	3.0	18.2	1.9	18.2	1.9	-7.2
	10-Year	91.4	12.0	95.7	11.1	101.0	10.4	112.1	11.4	16.4
	11-Year	4.0	0.5	4.0	0.5	4.0	0.4	4.0	0.4	0.0
	12-Year	20.1	2.6	63.5	7.4	63.5	6.5	63.5	6.5	0.0
	15-Year	75.4	9.9	75.4	8.8	96.5	9.9	102.4	10.4	27.0
	20-Year	29.7	3.9	29.7	3.5	33.2	3.4	38.1	3.9	8.4
	25-Year	20.2	2.6	20.2	2.4	20.2	2.1	20.2	2.1	0.0
	30-Year	18.8	2.5	22.1	2.6	22.1	2.3	22.1	2.3	0.0
Repo T bills		30.78	4.0	29.2	3.4	29.78	3.1	29.38	3.0	0.2
Overdraft		7.57	1.0	7.3	0.8	25.4	2.6	25.37	2.6	18.1
Other Domestic debt		3.60	0.5	3.3	0.4	3.92	0.4	7.45	0.8	4.1
Total Debt		764.2	100.0	858.83	100.0	971.41	100.0	982.01	100.0	

Source: Central Bank of Kenya

External Debt

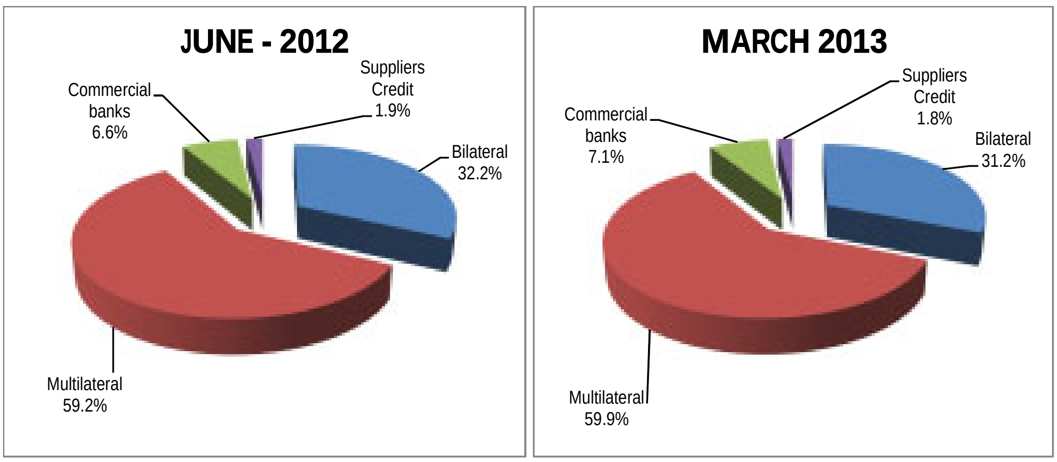
Kenya's external debt increased by Ksh 54.2 billion from Ksh 764.5 billion (USD 9.1 billion) in June 2012 to Ksh 818.8 billion (USD 9.6 billion) at the end of March 2013 (Table 7.1). This followed increases of Ksh 9.0 billion, Ksh 37.7 billion, Ksh 7.4 billion and Ksh 0.2 billion respectively, in the stocks of debt from bilateral sources, multilateral sources, commercial bank loans and suppliers' credits, during the period. The increase in bilateral debt stock was largely attributed to disbursements from China, meant for financing infrastructural projects, and disbursements from France, during the period. Disbursements from International Development Association (IDA) and Africa Development Bank (ADB) collectively accounted for Ksh 25.7 billion or 68.3 percent of the total multilateral debt increase. The bulk of external debt was owed to multilateral creditors, with IDA accounting for 37.0 percent of the total external debt. Debt owed to Japan declined from Ksh 107.4 billion in June 2012 to Ksh 87.4 billion in March, 2013. Other movements during the period were attributed to debt service and exchange rate revaluations.

Composition of External Debt by Creditor

Kenya's official creditors, the multilateral and bilateral lenders, accounted for 91.1 percent of total external debt in March 2013. The proportion of bilateral debt holdings in total debt declined from 32.2 percent in June 2012 to 31.2 percent in March 2013, largely due to repayments during the period. Holdings of commercial loans as a percentage of total external debt increased from 6.6 percent in June 2012 to 7.1 percent in March 2013, while debt extended through supplier's credits declined from 1.9 percent to 1.8 percent of total debt during the period (Chart 7A).

CHART 7A: COMPOSITION OF EXTERNAL DEBT

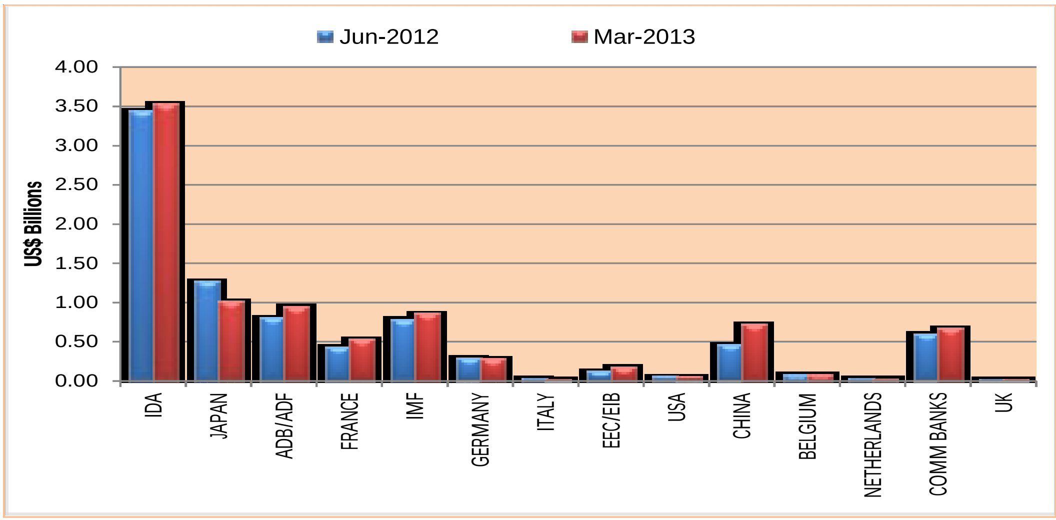
CHART 7A: COMPOSITION OF EXTERNAL DEBT



Source: Treasury

Debt owed to IDA, Kenya's largest multilateral lender, amounted to USD 3.5 billion or 37.0 percent of total external debt while that owed to Japan, Kenya's largest bilateral lender amounted to USD 1.0 billion at the end of March 2013 (Chart 7B).

CHART 7B: EXTERNAL DEBT BY CREDITOR

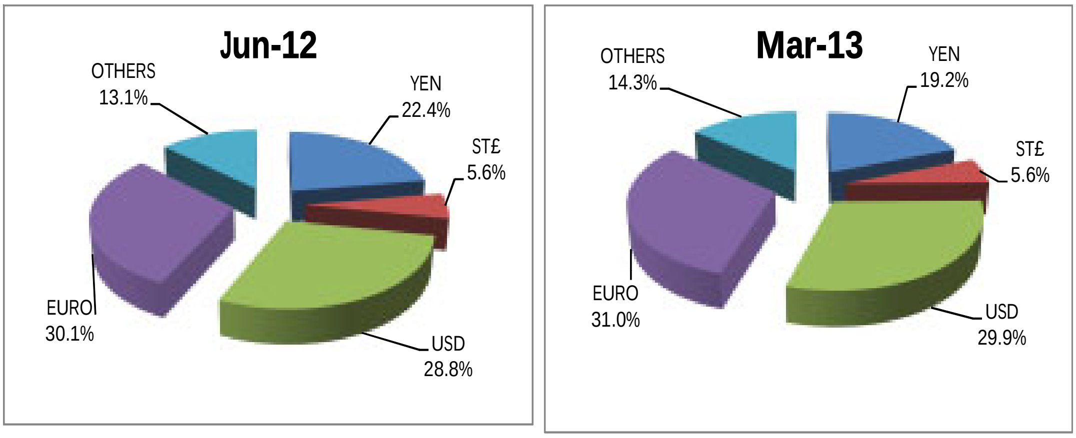


Source: Treasury

Currency Composition of External Debt

External debt held in the Euro, the US dollar and 'other currencies', which includes currencies from non-Paris club countries such as Korea, China, Kuwait and Saudi Arabia, increased from 30.1 percent, 28.8 percent and 13.1 percent of total external debt, respectively, in June 2012 to 31.0 percent, 29.9 percent and 14.3 percent in March 2013. Debt held in Japanese Yen declined from 22.4 percent to 19.2 percent, while that held in the sterling pound remained constant at 5.6 percent, during the same period (Chart 7C).

CHART 7C: EXTERNAL DEBT DISTRIBUTION BY CURRENCY



Source: Treasury

Public Debt Service

Cumulative interest and other charges on domestic debt for the period July, 2012 to March, 2013 in the 2012/13 fiscal year amounted to Ksh 78.93 billion compared with Ksh 56.09 billion during a similar period of the previous fiscal year. This comprised interest and other charges on Treasury bills and Treasury bonds amounting to Ksh 17.39 billion and Ksh 58.15 billion, respectively. In addition, interest on Government overdraft and the pre-1997 Government overdraft amounted to Ksh 2.21 billion and Ksh 1.18 billion, respectively. External debt service for the period

July 2012 – March 2013 amounted to Ksh 26.6 billion, comprising Ksh 18.9 billion in principal repayments, and Ksh 7.7 billion in interest payments.

Outlook for the FY 2012/13

In the fiscal year 2012/13, external debt is estimated at Ksh 900.8 billion while gross and net domestic debt are estimated at Ksh 996.0 billion (26.4 percent of GDP) and Ksh 844.1 billion (22.4 percent of GDP), respectively.

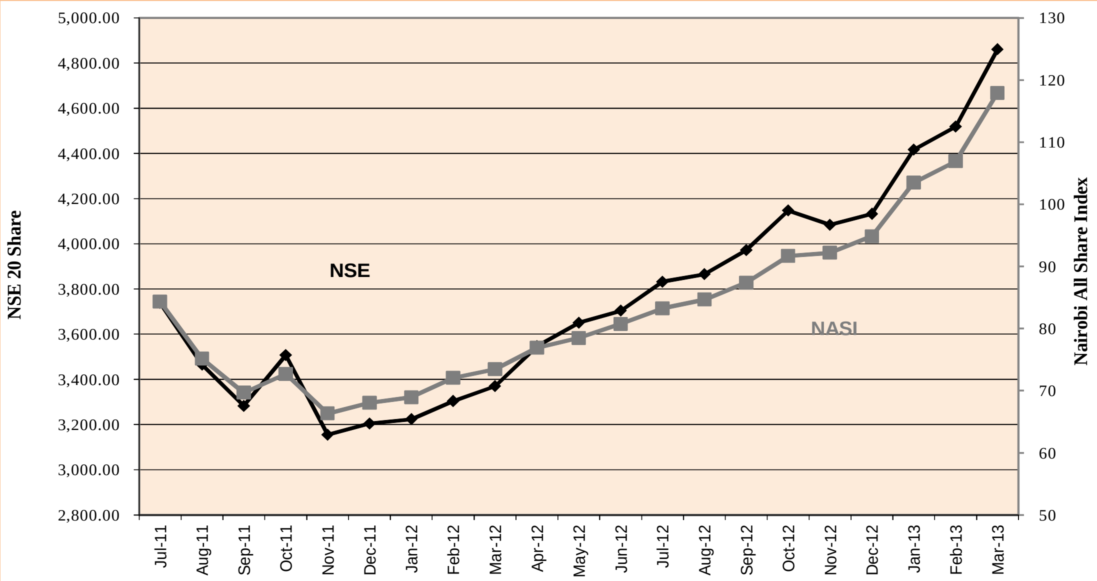
ACTIVITY IN THE STOCK MARKET

Market capitalization maintained a strong rally, remaining above the trillion shillings mark while the equities indices surpassed their February 2013 levels. The NSE 20 Share Index touched a monthly high since November 2010 while NASI recorded a monthly high since January 2010. Bonds segment was very active and recorded 26.93 percent increase in bonds turnover.

Equity Market

The NSE 20 Share Index gained 7.57 percent to reach 4,860.83 points in March 2013 from 4,518.59 points in February 2013. NASI gained 10.29 percent, rising to 117.91 points from 106.91 points in the same period. Market capitalization, which measures total shareholders' wealth at the NSE, closed 10.2 percent higher in March 2013 at Ksh 1,599.80 billion from Ksh 1,451.01 billion in February 2013 (Chart 8A).

CHART 8A: NSE 20 SHARE INDEX (1966=100)



Source: Nairobi Stock Exchange

Equity turnover declined by 23.89 percent from Ksh 14,693.27 million in February 2013 to Ksh 11,182.65 million in March 2013 on account of decline in the number of shares traded from 692 million to 571 million. Turnover ratio, a measure of market liquidity fell by 15 basis points to reach 0.71 percent in March 2013 from 0.86 percent in February 2013.

Overall Net Foreign Investor participation declined to 47.83 percent in March 2013 from 56.09 percent of total equity turnover in February 2013. Foreign investor purchases accounted for 55.92 percent of total equity turnover in March 2013 against 39.74 percent sales, reflecting continued investor confidence. Most targeted counters by foreign investors were Safaricom at 354 million, Equity Bank at 48 million and KCB at 42 million shares (Table 8.1).

TABLE 8.1: SELECTED STOCK MARKET INDICATORS

Period (Month)	NSE 20 Share Index (1966=100)	NASI (2008=100)	Number of Shares Traded (Millions)	Equities Turnover (Ksh Millions)	Market Capitalization (Ksh Billions)	Bond Turnover (Ksh Millions)	% of FP to Equity Turnover	% of FS to Equity Turnover	% overall net FP to Equity Turnover
Jan-11	4,464.92	99.02	725.05	9,462.18	1,192.28	19,891.30	52.29%	31.29%	41.79%
Feb-11	4,240.18	96.66	335.25	6,215.78	1,176.85	49,040.10	38.74%	28.73%	33.74%
Mar-11	3,887.07	89.50	469.03	7,984.12	1,090.23	40,116.05	40.41%	20.97%	30.69%
Apr-11	4,029.23	94.18	497.18	7,883.04	1,154.92	33,376.20	40.09%	78.45%	59.26%
May-11	4,078.10	93.15	410.00	8,405.61	1,144.00	33,646.10	34.61%	74.27%	54.44%
Jun-11	3,968.12	91.36	411.00	7,047.50	1,121.00	69,415.48	50.05%	72.71%	61.38%
Jul-11	3,738.46	84.32	434.00	7,132.18	1,050.00	33,414.55	62.91%	46.47%	54.69%
Aug-11	3,465.02	75.15	551.88	6,109.01	950.41	44,111.70	55.82%	45.65%	50.74%
Sep-11	3,284.06	69.68	582.39	5,453.00	885.57	36,112.40	48.52%	38.71%	43.62%
Oct-11	3,507.34	72.71	570.14	4,466.00	927.00	34,737.60	72.59%	56.49%	64.54%
Nov-11	3,155.46	66.33	398.90	3,928.00	854.68	26,691.60	71.79%	71.00%	71.40%
Dec-11	3,205.02	68.03	336.50	3,973.00	868.24	24,999.05	68.19%	44.65%	56.42%
Jan-12	3,224.00	69.00	351.00	3,544.00	880.00	24,513.50	31.55%	54.46%	43.00%
Feb-12	3,303.75	72.07	342.00	3,493.00	920.00	27,121.66	57.23%	34.47%	45.85%
Mar-12	3,366.89	73.47	366.00	6,386.00	940.00	47,811.97	60.44%	18.93%	39.69%
Apr-12	3,546.66	76.91	526.15	7,640.23	985.00	35,503.62	64.29%	41.11%	52.70%
May-12	3,650.85	78.48	543.29	8,815.35	1,005.19	47,343.28	58.32%	45.85%	52.09%
Jun-12	3,703.94	80.75	385.51	6,214.24	1,048.72	28,259.68	62.44%	36.06%	49.25%
Jul-12	3,832.42	83.26	383.61	6,037.89	1,098.90	34,170.82	51.90%	38.19%	45.05%
Aug-12	3,865.76	84.66	338.92	5,680.73	1,117.39	86,918.78	58.56%	40.12%	49.34%
Sep-12	3,972.03	87.38	470.26	9,781.50	1,155.99	95,866.77	68.67%	35.08%	51.88%
Oct-12	4,147.28	91.67	458.43	11,082.25	1,217.09	72,596.46	68.61%	41.85%	55.23%
Nov-12	4,083.52	92.20	836.90	10,537.05	1,234.47	38,895.86	67.02%	25.88%	46.45%
Dec-12	4,133.02	94.86	461.89	7,582.42	1,272.00	26,672.11	73.58%	45.50%	59.54%
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%

Source: Nairobi Stock Exchange

Leading Sectors & Counters

Telecommunication and Technology sector dominated trading, with 235.80 million shares, which accounted for 41.28 percent of the entire market. Banking and Energy and Petroleum sectors followed with 155.04 million shares or 27.14 percent and 52.92 million shares or 9.26 percent of the market, respectively. Safaricom, Equity Bank Ltd and Kenya Commercial Bank counters led the rest with 223.71 million, 49.20 million shares and 45.32 million shares traded, respectively.

FTSE NSE Kenya Index Series

FTSE NSE Kenya 15 Index, which measures performance of 15 largest stocks ranked by market capitalization at NSE and FTSE NSE Kenya 25 Index that measures performance of 25 most liquid stocks at the exchange, increased to 154.43 points and 157.81 points in March 2013 from 141.12 points and 144.27 points in February 2013, respectively. But the FTSE NSE Kenyan Shilling Government Bond Index closed lower at 90.23 points in March 28, 2013 compared to 93.09 points recorded on February 28, 2013.

Bond Market

Bonds turnover was up 26.93 percent, while corresponding deals declined to 342 in March 2013 from 461 deals in February 2013. Bonds worth Ksh 25.69 billion were traded compared to Ksh 20.24 billion in February. The IFB1/2011/012 dominated trading, accounting for 41.83 percent of total turnover with yield range of 11.35 percent to 12.4 percent against a coupon rate of 12 percent. Corporate bonds in the secondary market accounted for 0.14 percent of the trading.

Statement of Financial Position Of The Central Bank of Kenya
(Kenya shillings million)

	Mar-13	Jun-12 Audited	Mar 13/Jun 2012 Movement
ASSETS			
Balances due from Banking Institutions and Gold holdings	462,177	437,961	24,216
Funds held with International Monetary Fund	1,268	2,200	(932)
Items in the course of collection	97	333	(236)
Advances to commercial banks	404	9,973	(9,569)
Loans and Advances	29,419	10,817	18,602
Other Assets	2,432	2,224	208
Retirement Benefits Assets	2,193	2,193	0
Property and Equipment	11,055	12,083	(1,028)
Intangible Assets	1,029	1,412	(383)
Due from Government of Kenya	29,444	30,874	(1,430)
TOTAL ASSETS	539,518	510,070	29,448
LIABILITIES			
Currency in Circulation	186,113	159,216	26,897
Investments by Banks	26,200	35,673	(9,473)
Deposits	161,262	160,642	620
International Monetary Fund	109,593	101,868	7,725
Other Liabilities	1,418	1,755	(337)
Provisions	67	149	(82)
TOTAL LIABILITIES	484,652	459,303	25,349
EQUITIES AND RESERVES	54,866	50,767	4,099
Share capital	5,000	5,000	0
General Reserve Fund	36,480	36,857	(377)
Period Surplus	7,410	0	7,410
Asset Revaluation	4,476	7,410	(2,934)
Dividence Payable	1,500	1,500	0
TOTAL LIABILITIES AND EQUITY	539,518	510,070	29,448

Source: Central Bank of Kenya

NOTES ON THE FINANCIAL POSITION

Assets

Balances due from Banking institutions and Gold holdings category consist of foreign reserves held in external current accounts, deposits and special/projects accounts, foreign travelers cheques, Domestic Foreign Currency Clearing Accounts, Gold, Special Drawing Rights and RAMP securities invested with World Bank. The category increased by Ksh 24,216 million to Ksh 462,177 million in March 2013 from Ksh 437,961 million in June 2012.

Items in course of collection represent the value of clearing instruments which are held by the Bank, while awaiting clearing by respective commercial banks. The balances as at March 2013 were Ksh 97 million, a decrease of 236 million from Ksh 333 million as at June 2012.

Advances to commercial banks are balances of money lend by Central Bank to commercial banks through reverse Repo (injection of liquidity) for a short duration of up to 7 days only and the rediscounted Treasury bills and bonds by commercial banks. The balance outstanding decreased by Ksh 9,569 million to Ksh 404 million in March 2013 from Ksh 9,973 million in June 2012.

Loans and Advances class of asset includes mainly outstanding balances on advances to commercial bank under the Overnight Loan Facility (OLF) Window, Government overdraft and IMF fund on-lent to Government. The balances increased by Ksh 18,602 million to Ksh 29,419 million in March 2013 from Ksh 10,817 million in June 2012.

Other Assets largely consist of prepayments and sundry debtors, and deferred currency expense. Other assets increased by Ksh 208 million to Ksh 2,432 million in March 2013 from Ksh 2,224 million in June 2012.

Due from Government of Kenya liability category rose from 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 GoK to 5 percent of GoK audited revenue. The change in the balances represents partial payment of the loan.

Liabilities

Currency in circulation increased by Ksh 26,897 million to Ksh 186,113 million in March 2013 from Ksh 159,216 million in June 2012.

Deposits liability represents deposits held by Government of Kenya, local commercial bank deposit, other public entities and project accounts and local banks' forex settlement accounts. The balances increased by Ksh 620 million to Ksh 161,262 million in March 2013 from Ksh 160,642 million in June 2012.

Amount due to International Monetary Fund represents the Banks obligations to the IMF. The balances increased to Ksh 109,593 million in March 2013 from Ksh 101,868 million in June 2012.

Other liabilities include net impersonal accounts, sundry creditors, foreign exchange bureaus deposits and suspense accounts. The balance decreased by Ksh 337 million to Ksh 1,418 million in March 2013 from Ksh 1,755 million in June 2012.

Equities and reserves increased by Ksh 4,099 million to Ksh 54,866 million in March 2013 from Ksh 50,767 million in June 2012 reflecting an increase in the Period Surplus of Ksh 7,410 million.