MONTHLY ECONOMIC REVIEW
NOVEMBER 2014
The Monthly Economic Review, prepared by the Central Bank of Kenya starting with the June 1997 edition, is available on the internet at:
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Overview

Introduction

This Monthly Economic Review highlights recent economic developments through November 2014. This includes developments in inflation, money, credit and interest rates, the real sector, balance of payments and exchange rates. It also highlights developments in the banking sector, Government budgetary operations, public debt and the stock market.

Inflation

Overall 12-month inflation declined from 6.4 percent in October 2014 to 6.1 percent in November 2014. This was reflected in reduced prices in food and fuel categories of inflation. Food inflation declined by 56.4 basis points to 7.4 percent, while fuel inflation fell by 66.0 basis points to 6.4 percent. Non-food non-fuel inflation, however, rose by 30.7 basis points to 3.8 percent while annual average inflation declined marginally from 7.1 percent in October 2014 to 7.0 percent in November 2014.

Money Supply

Growth in broad money, M3, accelerated to 17.5 percent in the year to November 2014 from 12.2 percent in a comparable period in 2013 and within the respective target of 17.6 percent. The increase in money supply was reflected in both Net Foreign Assets (NFA) and Net Domestic Assets (NDA) of the banking system.

Interest Rates

The Monetary Policy Committee maintained the Central Bank Rate (CBR) at 8.50 percent in November 4, 2014 in order to continue anchoring inflationary expectations. The weighted average interbank rate increased marginally to 6.86 percent in November 2014 from 6.73 percent in October 2014.

Real GDP Growth

The economy was resilient, with output growth at 5.7 percent in 2013 compared with 4.5 percent in 2012. In the first three quarters of 2014, the economy grew by 4.5 percent, 5.7 percent and 5.5 percent, respectively, compared with growth of 6.3 percent, 7.3 percent and 6.2 percent in comparable quarters of 2013. Growth in the first three quarters of 2014 was largely supported by improved performance in construction, financial and insurance, wholesale and retail trade, information and communication, manufacturing, health and agriculture.

Balance of Payments

Kenya's overall Balance of Payments surplus improved by USD 344.2 million in the year to November 2014 reflecting an 18.3 percent increase in the Capital and Financial account surplus.

Exchange Rates

The Kenya shilling displayed mixed performance against major international and EAC currencies during the month of November 2014. It strengthened against the Pound Sterling, the Euro and the Japanese Yen but weakened against the US Dollar largely on account of the strengthening of the US Dollar against major world currencies in the international markets, high dollar demand from local importers and manufacturers and falling revenue from tourism and tea sectors.

Banking Sector Developments

The Kenyan Banking sector registered improved growth in assets in the year to November 2014 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 2013.

Government Budgetary Performance

The Government budgetary operations for the first five months of the FY 2014/15 yielded a deficit of Ksh 79.6 billion (1.7 percent of GDP) on both commitment and cash basis compared with a deficit of Ksh 110.4 billion (2.6 percent of GDP) incurred in the same period of the FY 2013/14.

Public Debt

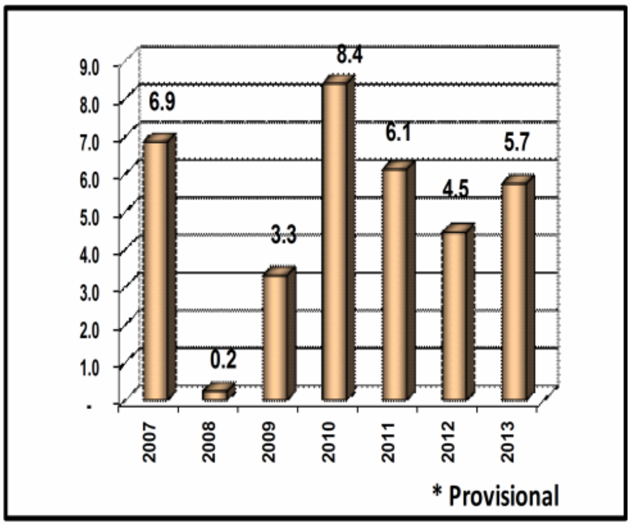
Kenya's public and publicly guaranteed debt rose by 22.1 billion to reach Ksh 2,392.3 billion in November 2014, from Ksh 2370.3 billion in June 2014. The total debt stock at the end of November 2014 was equivalent to 50.3 percent of GDP, compared with 49.8 percent of GDP in June 2014.

Stock Market

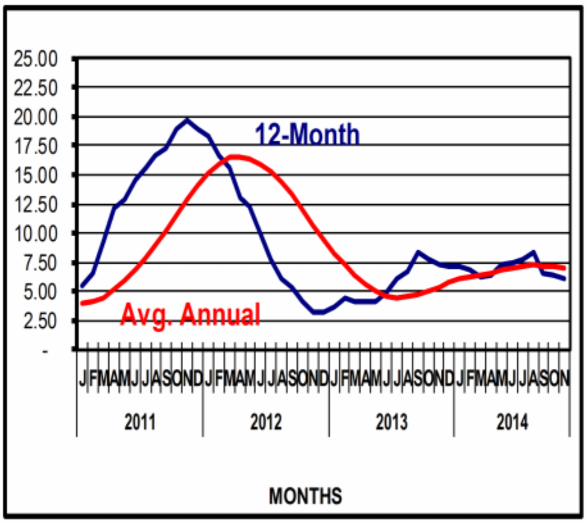
The capital markets recorded positive performance in November 2014, with bonds segment up while equity market segment registered mixed performance. Overall net foreign investor interest at the NSE improved, with more purchases than sales.

SELECTED ECONOMIC PERFORMANCE INDICATORS

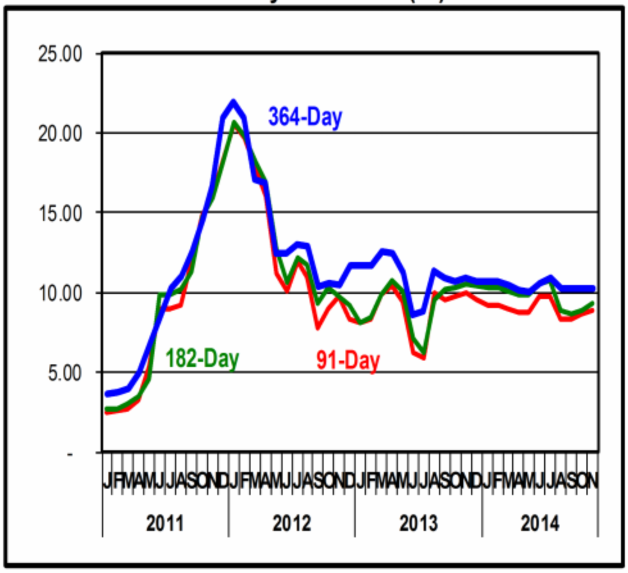
Real GDP Growth (%)



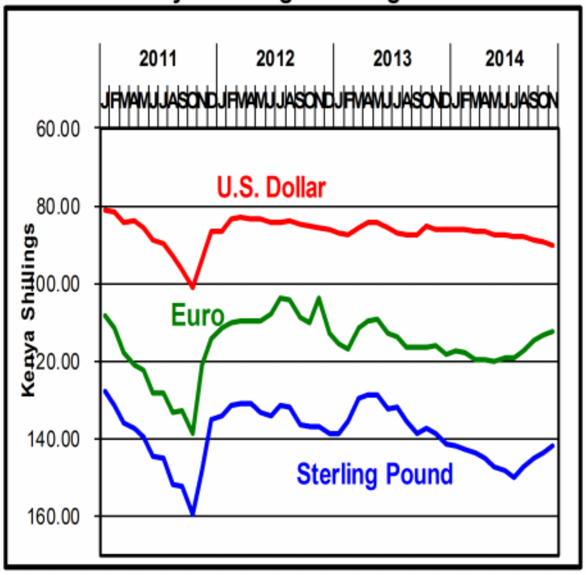
Inflation (%)



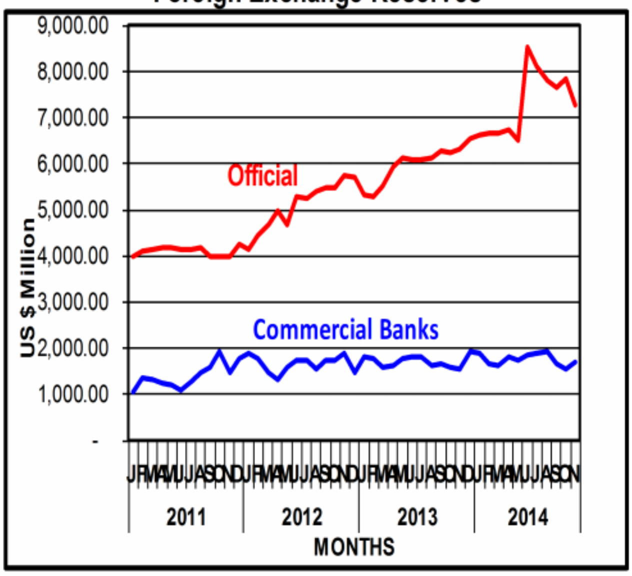
Treasury Bill Rates (%)



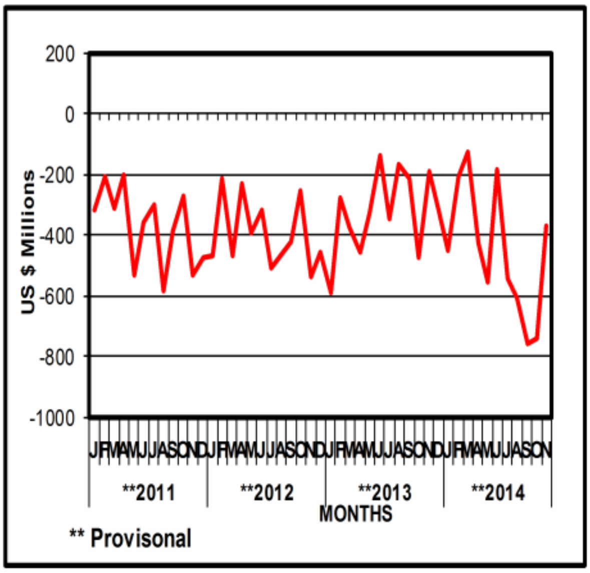
Kenya Shilling Exchange Rate



Foreign Exchange Reserves



Current Account Balance



SELECTED ANNUAL ECONOMIC INDICATORS

		2006	2007	2008	2009	2010	2011	2012	2013*
1.	**POPULATION***								
	People in Millions	36.10	37.20	38.30	38.60	38.50	39.50	40.70	41.80
	Growth (%)	2.85	3.05	2.96	0.78	-0.26	2.60	3.04	2.70
2.	**NATIONAL ACCOUNTS****								
	Gross value added at basic prices (Ksh m)	1,649,996	1,903,472	2,211,447	2,558,792	2,827,470	3,348,141	3,811,764	4,234,319
	GDP at Market Prices (Ksh m):								
	At Current Prices	1,862,041	2,151,349	2,483,058	2,863,688	3,169,335	3,726,052	4,254,772	4,757,532
	At Constant 2009 Market Prices	2,588,279	2,765,595	2,772,019	2,863,688	3,104,401	3,294,454	3,441,132	3,638,761
	Real GDP Growth (%)	..	6.9	0.2	3.3	8.4	6.1	4.5	5.7
	Per Capita Income Real 2009 prices (Ksh)	74,862	77,197	75,431	75,910	80,689	83,309	84,649	88,750
3.	**GROSS NATIONAL SAVINGS (% of GDP at mkt prices)\[3]**	**16.1**	**16.7**	**15.4**	**14.6**	**14.1**	**14.6**	**12.7**	**11.0**
4.	**GROSS DOMESTIC SAVINGS (% of GDP at mkt prices)\[3]**	**9.1**	**10.1**	**8.9**	**8.4**	**8.3**	**7.2**	**7.1**	**5.4**
5.	**GROSS DOMESTIC INVESTMENTS (% of GDP at mkt prices)**	**18.6**	**20.5**	**19.6**	**19.3**	**20.8**	**21.7**	**21.6**	**19.9**
6.	**OVERALL INFLATION BASE PERIOD= FEB 2009**								
	Annual Average Inflation	6.39	4.27	16.27	9.24	3.96	14.02	9.38	5.72
	12-Month Inflation	7.98	5.70	17.83	5.32	4.51	18.93	3.20	7.15
7.	**STOCK MARKET**								
	Nairobi Stock Exchange Price Index (1966=100)	5,645.65	5,444.83	3,521.18	3,247.44	4,432.60	3,205.02	4,133.02	4,926.97
	Trade Turnover Ratio (%)	1.70	1.29	0.29	0.64	0.99	0.46	0.58	0.58
8.	**GOVERNMENT BUDGET (Ksh bn) *****								
	Revenue and Grants	331.21	383.59	457.67	511.36	614.53	679.53	734.43	1,001.40
	Expenditure	368.65	405.20	534.84	621.91	791.79	817.09	915.89	1,297.80
	Budget Deficit (-) / Surplus (+) incl. Grants (commitment basis)	(37.44)	(21.61)	(77.17)	(110.55)	(177.26)	(137.56)	(181.46)	(296.40)
	Budget Deficit (% of GDP)	(2.74)	(1.02)	(3.93)	(4.94)	(7.21)	(4.98)	(5.51)	(6.20)
9.	**MONEY AND CREDIT (Ksh bn)(end period)**								
	Liquidity (L)[1]	834.16	992.42	1,091.93	1,280.44	1,558.16	1,854.93	2,129.49	2,527.00
	Money Supply (M3)[2]	666.84	797.54	901.05	1,045.66	1,271.64	1,514.15	1,727.32	2,000.02
	Reserve Money	124.16	155.62	163.59	181.96	222.63	255.01	293.62	320.76
	Total Domestic Credit	**575.76**	**668.90**	**815.52**	**955.82**	**1,188.40**	**1,505.13**	**3,036.21**	**1,982.30**
	Government	137.81	137.40	155.32	205.07	277.78	311.58	368.83	397.16
	Private sector and other public sector	437.94	531.49	660.20	750.75	910.62	1,193.55	1,333.69	1,585.13
10.	**BALANCE OF PAYMENTS (US$ m)**								
	Overall Balance	**675.00**	**854.00**	**(469.00)**	**780.53**	**163.40**	**(42.88)**	**1,261.00**	**684.72**
	Current Account	-511.00	-1,034.00	-1,983.00	-1,609.28	-2,511.91	-3,330.50	-4,538.37	-4785.96
	Capital and Financial Account	1,187.00	1,888.00	1,514.00	2,389.81	2,675.30	3,287.61	5,799.37	5470.68
11.	**FOREIGN EXCHANGE RESERVES (US$ m) End Period**	**3,331.30**	**4,556.97**	**4,640.78**	**5,064.03**	**5,122.52**	**6,044.78**	**7,159.86**	**8,483.20**
	Official	2,415.27	3,354.85	2,875.46	3,847.39	4,001.68	4,247.66	5,701.85	6,560.17
		3.9	*4.8*	*3.4*	*4.1*	*3.9*	*3.7*	*4.3*	*4.5*
	Commercial Banks	916.03	1,202.12	1,765.32	1,216.63	1,120.84	1,797.12	1,458.01	1,923.02
12.	**PUBLIC DEBT (US$ bn) End Period*****	**10.68**	**12.04**	**13.46**	**13.66**	**14.96**	**16.60**	**19.27**	**27.52**
	Domestic	4.84	6.08	6.66	6.72	8.06	8.51	10.20	14.91
	As % of GDP	*18.77*	*19.00*	*18.54*	*18.16*	*20.15*	*20.26*	*20.27*	*27.02*
	External	5.84	5.96	6.80	6.94	6.90	8.09	9.08	12.61
	As % of GDP	*22.62*	*18.62*	*18.94*	*18.75*	*17.25*	*19.26*	*18.04*	*22.84*
13.	**EXCHANGE RATE (Ksh/US$) (Annual Average)**	**72.10**	**67.32**	**69.18**	**77.35**	**79.26**	**88.91**	**84.53**	**86.12**

* Provisional.

** Rebased data

*** Fiscal year to June 30th.

\1 Previously M3XT

\2 Previously M3X

\3 Revised

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

SELECTED MONTHLY ECONOMIC INDICATORS

INDICATOR	2013		2014										
	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov
1. INFLATION (%)													
CPI	**143.14**	**143.85**	**145.40**	**145.95**	**146.61**	**148.20**	**149.70**	**149.91**	**150.60**	**152.02**	**152.24**	**151.92**	**151.85**
Overall Inflation													
12-month overall inflation	7.36	7.15	7.21	6.86	6.27	6.41	7.30	7.39	7.67	8.36	6.60	6.43	6.09
Average annual overall inflation	5.39	5.72	6.01	6.21	6.39	6.58	6.85	7.05	7.19	7.33	7.19	7.08	6.97
2. INTEREST RATES (%)													
91-day Treasury bill interest rate	9.94	9.52	9.26	8.98	8.80	8.80	8.82	9.81	9.78	8.29	8.38	8.67	8.64
Overdraft interest rate	16.50	16.51	16.82	16.88	16.44	16.40	17.85	15.88	17.12	16.20	15.79	15.77	15.66
3. STOCK MARKET													
Nairobi Stock Exchange 20 Share Price Index	5,100.88	4,926.97	4,856.15	4,933.41	4,945.78	4,948.97	4,881.56	4,885.04	4,906.09	5,139.39	5,256.00	5,194.89	5,156.00
Turnover Ratio (%)	0.80	0.58	0.79	0.68	0.67	0.67	1.06	0.90	0.77	0.77	0.93	0.61	0.80
4. GOVERNMENT BUDGET* (Ksh bn.)													
Revenue $ Grants	363.59	468.97	548.10	611.90	694.30	795.75	880.77	1,001.37	69.58	142.36	248.08	335.24	410.52
Expenses	473.98	574.21	691.60	770.60	855.33	971.11	1,114.34	1,297.76	48.60	141.07	276.61	373.51	490.10
Budget Deficit (-) / Surplus (+)	**(110.39)**	**(105.24)**	**(143.50)**	**(158.70)**	**(161.03)**	**(175.36)**	**(233.57)**	**(296.39)**	**20.97**	**1.29**	**(28.52)**	**(38.27)**	**(79.58)**
5. MONEY AND CREDIT (Ksh bn.)													
Liquidity (L)[1]	2,480.13	2,523.23	2,558.56	2,560.08	2,592.54	2,650.16	2,701.27	2,718.34	2,752.26	2,880.19	3,020.09	3,037.95	3,102.53
Money Supply (M3)[2]	1,953.62	1,996.24	2,026.57	2,030.49	2,060.31	2,100.61	2,147.48	2,152.13	2,190.08	2,253.32	2,251.76	2,260.02	2,295.15
Reserve Money	316.78	320.76	302.32	315.49	309.81	315.27	315.34	323.73	304.65	357.05	322.76	348.60	346.20
Total Domestic Credit	1,967.19	1,978.52	2,010.72	2,057.51	2,097.87	2,127.93	2,177.36	2,042.87	2,130.25	2,187.85	2,110.45	2,117.81	2,162.33
Government	408.81	397.16	413.32	438.80	449.87	441.96	465.19	283.06	346.88	372.79	251.10	240.00	256.68
Private sector and other public sector	1,558.38	1,581.36	1,597.40	1,618.71	1,648.00	1,685.97	1,712.17	1,759.82	1,783.37	1,815.06	1,859.35	1,877.81	1,905.65
6. MONEY AND CREDIT (Annual % Change)													
Liquidity (L)[1]	**16.02**	**18.43**	**19.97**	**19.01**	**18.89**	**18.32**	**18.84**	**19.32**	**19.11**	**22.99**	**25.53**	**25.08**	**25.10**
Money Supply (M3)[2]	12.23	15.54	17.15	16.17	17.35	16.55	17.77	18.19	19.30	21.80	19.41	18.94	17.48
Reserve Money	13.27	9.24	10.33	9.89	7.73	17.71	11.88	12.63	7.28	15.25	11.16	13.46	9.29
Total Domestic Credit	**16.61**	**16.21**	**15.27**	**17.77**	**19.73**	**16.66**	**22.44**	**14.58**	**20.05**	**21.06**	**12.54**	**12.09**	**9.92**
Government	10.30	7.68	4.37	11.48	15.05	(3.53)	18.42	(25.41)	0.07	10.91	(34.37)	(34.91)	(37.21)
Private and other public sector	18.39	18.57	18.47	19.60	21.07	23.43	23.58	25.39	24.90	23.37	24.56	23.49	22.3
7. BALANCE OF PAYMENTS (US$ m)													
Overall Balance	**75.64**	**120.13**	**59.41**	**(33.77)**	**82.02**	**110.54**	**(261.11)**	**2,056.50**	**(419.32)**	**(313.45)**	**(137.65)**	**168.11**	**(559.44)**
Current Account	(315.98)	(395.36)	(450.68)	(203.78)	(249.12)	(428.83)	(551.97)	(183.10)	(541.27)	(605.82)	(754.55)	(741.49)	(369.23)
Trade Balance	(898.50)	(970.78)	(1,009.74)	(746.71)	(683.99)	(1,041.20)	(1,173.89)	(793.62)	(1,204.68)	(1,135.01)	(1,344.76)	(1,269.37)	(874.89)
Capital and Financial Account	391.62	515.49	510.09	170.01	331.14	539.37	290.86	2,239.60	121.95	292.36	616.90	909.61	(190.22)
8. FOREIGN EXCHANGE RESERVES (US$ m)	7,893.00	8,483.20	8,518.60	8,250.21	8,285.29	8,593.52	8,230.25	10,398.72	10,029.34	9,731.50	9,335.92	9,399.90	8,964.49
Official	6,333.14	6,560.17	6,611.91	6,578.15	6,660.17	6,764.90	6,498.02	8,554.52	8,127.54	7,814.08	7,676.44	7,838.99	7,273.99
*Months of import cover***	4.36	4.49	4.50	4.46	4.52	4.54	4.34	5.70	5.37	5.15	5.01	5.06	4.70
Commercial banks	1,559.86	1,923.02	1,906.68	1,672.06	1,625.12	1,828.62	1,732.24	1,844.21	1,901.81	1,917.42	1,659.49	1,560.91	1,690.50
9. PUBLIC DEBT (US$ bn)	**24.18**	**24.46**	**24.61**	**24.59**	**24.60**	**25.00**	**25.01**	**27.05**	**27.19**	**26.92**	**26.44**	**26.17**	**26.56**
Domestic	13.59	13.78	13.93	14.25	14.24	14.03	14.10	14.66	14.77	14.54	14.19	13.97	14.49
As % of GDP	*24.62*	*24.96*	*25.24*	*25.84*	*25.88*	*25.58*	*25.91*	*27.00*	*27.25*	*26.93*	*26.50*	*26.19*	*27.40*
External	10.59	10.69	10.68	10.34	10.36	10.97	10.91	12.39	12.42	12.38	12.25	12.20	12.08
As % of GDP	*19.19*	*19.36*	*19.35*	*18.76*	*18.84*	*19.99*	*20.05*	*22.83*	*22.90*	*22.93*	*22.87*	*22.89*	*22.89*
10. GROSS DOMESTIC DEBT (Ksh bn)***	1,170.05	1,189.18	1,200.90	1,229.30	1,231.20	1,216.76	1,232.49	1,284.33	1,296.44	1,281.09	1,260.87	1,246.14	1,303.35
11. AVERAGE EXCHANGE RATE													
Ksh/US$	86.10	86.31	86.21	86.28	86.49	86.72	87.41	87.61	87.77	88.11	88.84	89.23	89.96
Ksh/Pound Sterling	138.64	141.37	141.99	142.81	143.76	145.08	147.29	148.15	150.04	147.24	144.99	143.66	142.05
Ksh/ 100 Yen	86.21	83.51	82.92	84.52	84.58	84.59	85.84	85.88	86.32	85.63	82.90	82.62	77.53
Ksh/Euro	116.22	118.18	117.50	117.81	119.58	119.78	120.09	119.16	119.02	117.40	114.74	113.21	112.28

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

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

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

[1] Previously M3XT

[2] Previously M3X

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

TRENDS IN VARIOUS MEASURES OF INFLATION

Overall Inflation

Overall 12-month inflation further eased from 6.4 percent in October 2014 to 6.1 percent in November 2014 reflecting the continued easing in both food and fuel inflation. Food inflation fell by 56.4 basis points to 7.4 percent in November 2014 while fuel inflation fell by 66.0 basis points to 6.4 percent. Non-food non-fuel inflation however rose by 30.7 basis points to 3.8 percent in November 2014. The three months annualized rate of inflation was -0.44 percent in November 2014 indicating easing domestic inflationary pressures (Table 1.1 and Chart 1A).

TABLE 1.1: INFLATION (%)

Overall Inflation	2013		2014										
	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov
12-month	7.36	7.15	7.21	6.86	6.27	6.41	7.30	7.39	7.67	8.36	6.60	6.43	6.09
Average annual	5.39	5.72	6.01	6.21	6.39	6.58	6.85	7.05	7.19	7.33	7.19	7.08	6.97
Three months annualised	8.37	2.91	7.64	8.09	7.89	7.93	10.69	9.32	6.63	6.33	6.37	3.56	-0.44
Non-food non-oil inflation	5.01	4.71	4.83	4.93	4.97	4.53	4.35	4.47	4.45	4.92	3.65	3.46	3.77

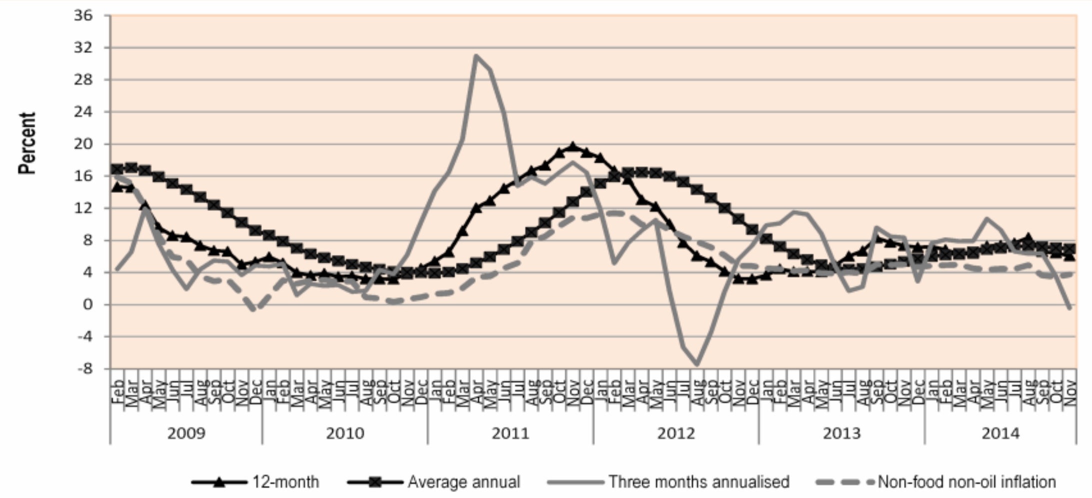
Sources: Kenya National Bureau of Statistics and Central Bank of Kenya

The decline in food inflation from 7.9 percent in October 2014 to 7.4 percent in November 2014 reflects a fall in the 12-month inflation in the 'food and non-alcoholic beverages' index from 8.2 percent in October 2014 to 7.5 percent in November 2014. This development is attributed to a decline in prices of maize, rice and fresh produce. The 12-month inflation in the 'restaurant and hotels' category of goods and services stabilized at 6.1 percent in November 2014.

Fuel inflation eased from 7.0 percent in October 2014 to 6.4 percent in November 2014. This reflected a decline in 12-month inflation in the 'housing, water, electricity, gas and other fuels' category of goods and services from 5.4 percent in October 2014 to 4.5 percent in November 2014 and a decline in 12-month inflation in the 'transport' category of goods and services from 10.1 percent in October 2014 to 9.9 percent in November 2014. The decline in fuel inflation reflects a fall in the retail prices of diesel, petrol and electricity.

Non-food non-fuel inflation rose from 3.5 percent in October 2014 to 3.8 percent in November 2014 reflecting marginally higher inflation in 'miscellaneous goods and services', 'recreation and culture', 'alcoholic beverages, tobacco and narcotics', 'clothing and footwear' and 'furnishings, household equipment and routine household maintenance' consumption baskets.

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

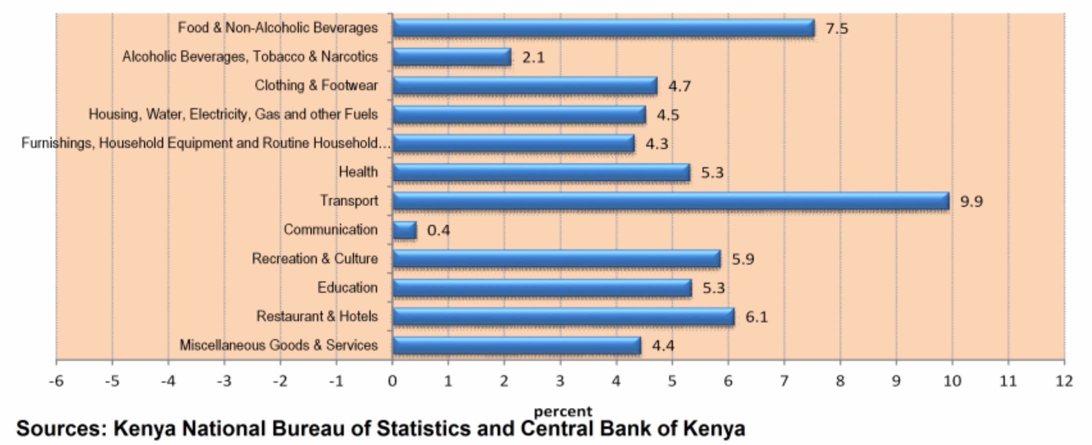


Sources: Kenya National Bureau of Statistics and Central Bank of Kenya

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 48.9 percent of overall 12-month inflation in November 2014 was attributed to 'food and non-alcoholic beverages' category of goods while inflation in 'housing, water, electricity, gas and other fuels' and 'transport' categories contributed 12.5 percent and 14.5 percent, respectively.

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



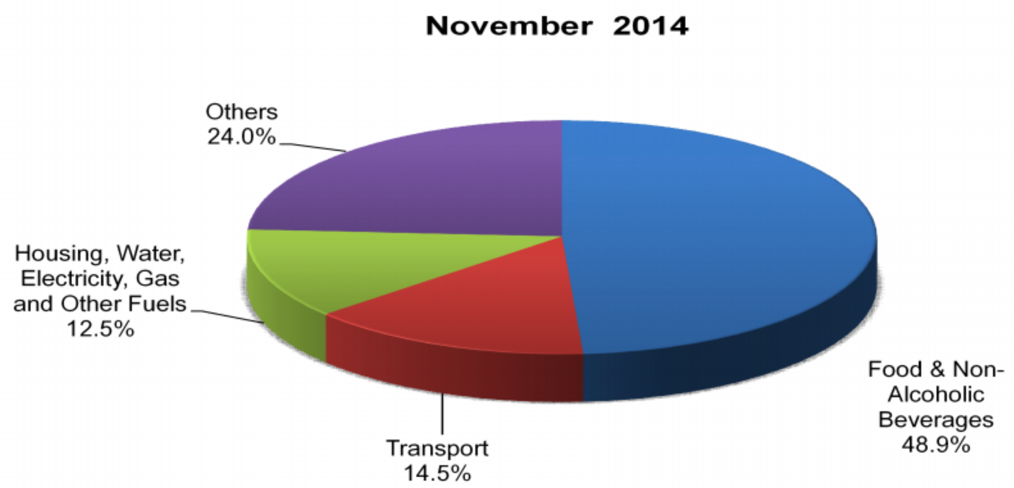
Sources: Kenya National Bureau of Statistics and Central Bank of Kenya

TABLE 1.2: 12 MONTHS INFLATION ACROSS BASKETS AND INCOME GROUPS

November 2014	Weight- CPI Kenya	NAIROBI Lower Income	Middle Income	Upper Income	Nairobi Combined	REST OF URBAN Rest of Kenya Combined	TOTAL KENYA
Food & Non-alcoholic beverages	**36.0**	5.4	5.3	7.3	5.4	9.0	**7.5**
Alcoholic beverages, Tobacco & narcotics	**2.1**	1.3	1.2	4.1	1.4	2.6	**2.1**
Clothing & Footwear	**7.4**	3.7	3.7	9.8	3.9	5.3	**4.7**
Housing, Water,Electricity,Gas and other fuels	**18.3**	2.0	1.6	0.3	1.9	6.4	**4.5**
Furnishings, Household equipment and Routine household maintenance	**6.2**	1.5	2.1	2.1	1.7	6.1	**4.3**
Health	**3.1**	4.3	1.3	2.7	3.5	6.5	**5.3**
Transport	**8.7**	10.5	3.9	3.5	8.8	10.8	**9.9**
Communication	**3.8**	0.1	0.0	0.0	0.1	0.6	**0.4**
Recreation & culture	**2.3**	5.4	3.7	2.7	4.9	6.5	**5.9**
Education	**3.1**	5.1	4.2	9.6	5.0	5.6	**5.3**
Restaurants & hotels	**4.5**	2.8	2.1	9.4	2.9	8.4	**6.1**
Miscellaneous goods & services	**4.5**	4.4	3.8	5.3	4.3	4.5	**4.4**
ALL GROUPS	**100.0**	**4.5**	**3.3**	**4.2**	**4.2**	**7.4**	**6.1**

Source: Kenya National Bureau of Statistics

CHART 1C: PERCENTAGE CONTRIBUTIONS TO TOTAL INFLATION (NOVEMBER 2014)



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

Inflationary pressures eased for the lower, middle and upper income groups in Nairobi in November 2014 (Table 1.3). The 12-month consumer price inflation for the 'Nairobi Lower Income' group eased to 4.5 percent in November 2014 from 4.8 percent in October 2014 while 12-month inflation for the 'Nairobi Middle Income' group eased marginally to 3.3 percent in November 2014 from 3.4 percent in October 2014 from 5.2 percent in September 2014. 12-month inflation for the 'Nairobi Upper Income' group also eased marginally to 4.2 percent in November 2014 from 4.3 percent in the previous month. 12-month inflation registered at urban centers outside Nairobi also eased to 7.4 percent in November 2014.

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

	Nov-13	Dec-13	Jan-14	Feb-14	Mar-14	Apr-14	May-14	Jun-14	Jul-14	Aug-14	Sep-14	Oct-14	Nov-14
Combined Nairobi	7.63	7.20	6.73	6.10	5.53	5.16	5.95	6.15	6.21	7.32	4.52	4.46	4.22
Lower Income	8.25	7.65	7.16	6.46	5.80	5.36	6.07	6.10	6.13	7.49	4.84	4.79	4.50
Middle Income	5.92	5.97	5.44	4.93	4.65	4.43	5.37	6.06	6.19	6.39	3.34	3.38	3.30
Upper Income	5.50	5.62	5.89	5.84	5.38	5.64	7.18	7.81	8.04	9.58	5.19	4.33	4.25
Other provinces- excluding Nairobi	7.17	7.11	7.54	7.38	6.78	7.27	8.23	8.25	8.68	9.07	8.04	7.79	7.37
TOTAL KENYA	**7.36**	**7.15**	**7.21**	**6.86**	**6.27**	**6.41**	**7.30**	**7.39**	**7.67**	**8.36**	**6.60**	**6.43**	**6.09**

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

Inflation Outlook

Overall domestic inflation is expected to stabilize in the near term on account of lower food, fuel and energy inflation.

Developments in Money, Credit and Interest Rates

Monetary Aggregates

Growth in broad money, M3, accelerated to 17.5 percent in the year to November 2014 from 12.2 percent in a comparable period in 2013 and within the respective target of 17.6 percent. M2 increased to 17.8 percent in the year to November 2014 from a growth of 13.3 percent in 2013 and, foreign currency deposits increased by Ksh 46.4 billion (15.7 percent) compared with an increase of Ksh 18.9 billion (6.8 percent) in the previous year (Table 2.1 and Chart 2A).

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

	2012 November	2013 November	2014 November	Absolute Change 2012/13 November	Absolute Change 2013/14 November	%age change 12 months Nov-13	%age change 12 months Nov-14
1. Money supply, M3 (2+3) 2/	**1740.7**	**1953.6**	**2295.1**	**213.0**	**341.5**	**12.2**	**17.5**
1.1 Money supply, M2 3/	1464.2	1658.2	1953.4	194.0	295.1	13.3	17.8
1.2 Money supply, M1	691.4	828.5	940.5	137.1	112.0	19.8	13.5
1.3 Currency outside banks	141.4	160.3	167.0	18.9	6.7	13.3	4.2
1.4 Foreign Currency Deposits	276.5	295.4	341.8	18.9	46.4	6.8	15.7
2. Net foreign assets 4/	**370.5**	**363.1**	**419.0**	**-7.4**	**55.9**	**-2.0**	**15.4**
Central Bank	364.3	421.2	528.4	56.9	107.3	15.6	25.5
Banking Institutions	6.2	-58.1	-109.4	-64.3	-51.4		
3. Net domestic assets (3.1+3.2)	**1370.2**	**1590.5**	**1876.2**	**220.3**	**285.6**	**16.1**	**18.0**
3.1 Domestic credit (3.1.1+3.1.2)	**1687.0**	**1967.2**	**2162.3**	**280.2**	**195.1**	**16.6**	**9.9**
3.1.1 Government (net)	370.6	408.8	256.7	38.2	-152.1	10.3	-37.2
3.1.2 Private sector and other public sector	1316.3	1558.4	1905.7	242.0	347.3	18.4	22.3
3.2 Other assets net (3-3.1)	**-316.8**	**-376.7**	**-286.2**	**-59.9**	**90.5**		
Memorandum items							
1. Overall liquidity, L 1/	**2137.7**	**2480.1**	**3102.5**	**342.4**	**622.4**	**16.0**	**25.1**
2. Reserve money	**279.7**	**316.8**	**346.2**	**37.1**	**29.4**	**13.3**	**9.3**
Currency outside banks	141.4	160.3	167.0	18.9	6.7	13.3	4.2
Bank reserves	138.2	156.5	179.2	18.3	22.7	13.2	14.5

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.

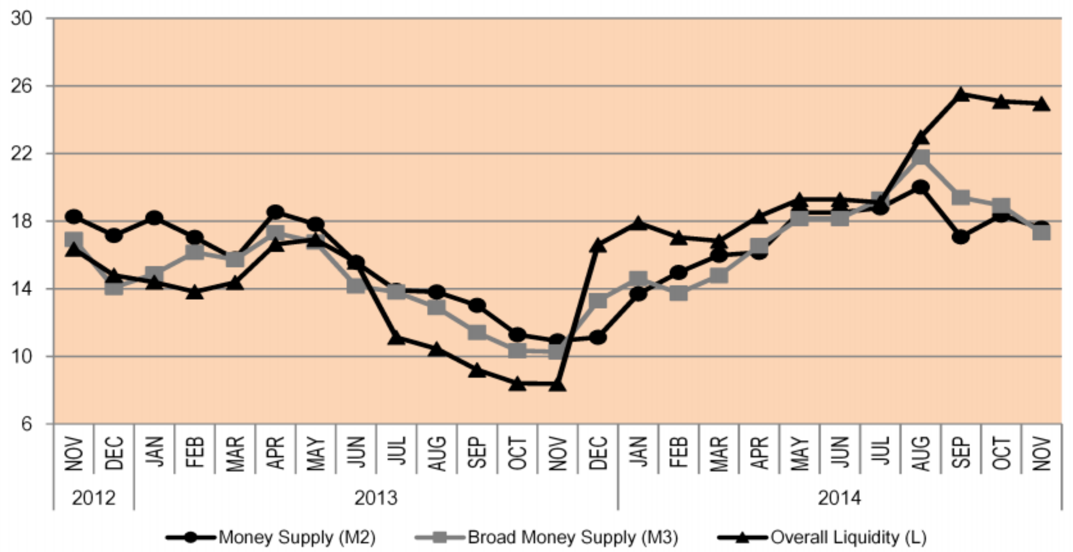
2/ Broader money, M3, comprises M2 and residents foreign currency deposits with local banks. It is comparable to M3X in the past publications. Foreign currency deposits are valued at current exchange rate from July 2008.

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 M3 growth was reflected in increases of both Net Foreign Assets (NFA) and Net Domestic Assets of the banking system (Table 2.1). NFA of the banking system grew by 15.4 percent (or Ksh 55.9 billion) in the twelve months to November 2014 compared with a decline of 2.0 percent (or Ksh -7.4 billion) in a corresponding period in 2013. This accumulation reflected wholly in holdings of the Central Bank, largely from proceeds of the sovereign bond issued in June 2014 and purchases from the interbank market. NFA of the Central Bank increased by 25.5 percent to Ksh 528.4 billion in November 2014 from Ksh 421.2 billion in November 2013, while that of other banking institutions declined by Ksh 51.4 billion, to Ksh -109.4 billion from Ksh -58.1 billion in November 2013, on account of increased loans from non-residents and accumulation of foreign deposits. Over the same period, annual growth in Net Domestic Assets (NDA) of the banking system increased to 18.0 percent compared with a growth of 16.1 percent in a similar period in 2013 largely driven by strong growth in domestic credit to the private sector (Table 2.1).

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

	2013 November		2014 November		Absolute Change November		Annual %age Change November	
	Ksh bn	Share (%)	Ksh bn	Share (%)	2012/13	2013/14	2012/13	2013/14
1. Credit to Government	**408.8**	**20.8**	**256.7**	**11.9**	**38.2**	**-152.1**	**10.3**	**-37.2**
Central Bank	2.3	0.1	-53.8	-2.5	-11.8	-56.2		
Commercial Banks & NBFIs	406.5	20.7	310.5	14.4	50.0	-96.0	14.0	-23.6
2. Credit to other public sector	**39.1**	**2.0**	**48.4**	**2.2**	**-11.6**	**9.3**	**-22.8**	**23.8**
Local government	-1.0	-0.1	0.1	0.0	-4.2	1.1	-130.8	-114.5
Parastatals	40.1	2.0	48.2	2.2	-7.4	8.2	-15.5	20.4
3. Credit to private sector	**1519.3**	**77.2**	**1857.3**	**85.9**	**253.6**	**338.0**	**20.0**	**22.2**
Agriculture	56.7	2.9	74.9	3.5	1.6	18.2	2.9	32.1
Manufacturing	182.1	9.3	236.3	10.9	21.7	54.2	13.6	29.8
Trade	255.5	13.0	305.8	14.1	48.2	50.3	23.2	19.7
Building and construction	72.6	3.7	80.7	3.7	6.7	8.2	10.2	11.3
Transport & communications	86.5	4.4	125.6	5.8	11.1	39.1	14.7	45.2
Finance & insurance	27.7	1.4	46.2	2.1	-5.6	18.5	-16.8	66.9
Real estate	193.3	9.8	254.5	11.8	30.0	61.2	18.4	31.6
Mining and quarrying	25.5	1.3	26.0	1.2	4.0	0.5	18.5	1.9
Private households	223.5	11.4	310.4	14.4	48.4	86.9	27.7	38.9
Consumer durables	98.5	5.0	110.7	5.1	19.5	12.2	24.7	12.4
Business services	132.1	6.7	170.2	7.9	38.6	38.2	41.3	28.9
Other activities	165.3	8.4	115.9	5.4	29.4	-49.4	21.6	-29.9
4. TOTAL (1+2+3) *	**1967.2**	**100.0**	**2162.3**	**100.0**	**280.2**	**195.1**	**16.6**	**9.9**

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

Source: Central Bank of Kenya

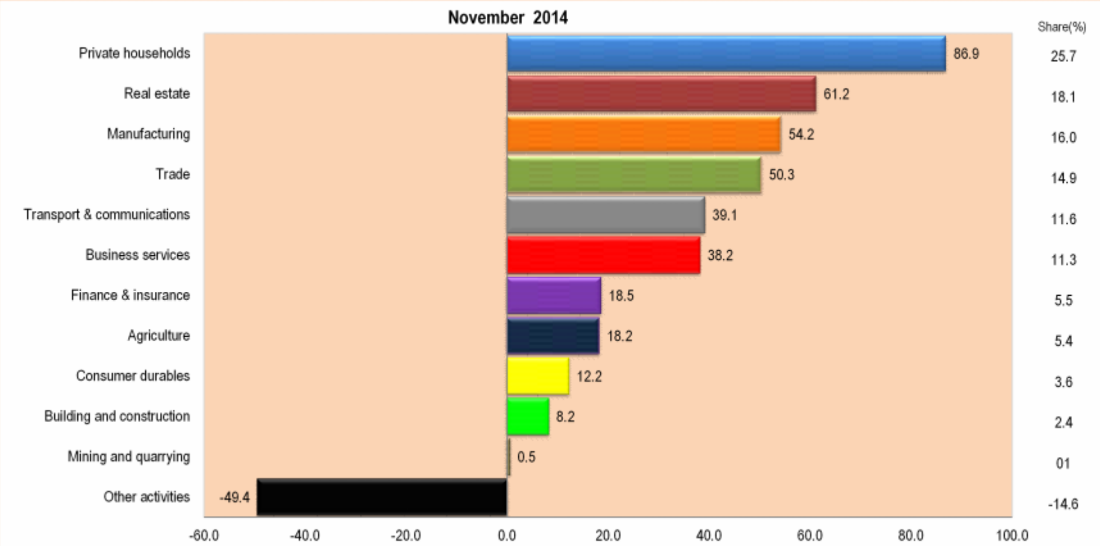
Domestic Credit Developments

Domestic credit from the banking sector increased by Ksh 195.1 billion (9.9 percent) in the twelve months to November 2014 compared with Ksh 280.2 billion (16.6 percent) in a similar period in 2013 (Table 2.2). The domestic credit expansion reflected in credit to the private sector which grew by 22.2 percent in the year to November 2014 compared with 20.0 percent in a similar period in 2013. The private sector continued to dominate banking system lending; accounting for 85.9 percent of total lending in November 2014 compared with 11.9 percent share of government.

Private sector credit in the twelve months to November 2014 was allocated to the following activities, in order of magnitude: private households 25.7 percent (or Ksh 86.9 billion); real estate at 18.1 percent (or Ksh. 61.2 billion); manufacturing 16.0 percent (or Ksh 54.2 billion); trade at 14.9 percent (or Ksh 50.3 billion); transport and communication 11.6 percent (or Ksh. 39.1 billion); business services 11.3 percent (or Ksh. 38.2 billion); finance & insurance 5.5 percent (or Ksh. 18.5 billion); and agriculture 5.4 percent (or Ksh. 18.2 billion). Chart 2B below presents the sectoral distribution of private sector credit.

Net credit to Government decreased by 37.2 percent (or Ksh 152.6 billion) in the year to November 2014 compared with an increase of 10.3 percent (or Ksh 38.2 billion) in a corresponding period in 2013. Over a similar period, credit to the 'other public sector' increased by Ksh 9.3 billion compared with repayment of Ksh 11.6 billion over a similar period in 2013.

CHART 2B: SHARE OF CREDIT TO THE PRIVATE SECTOR IN THE TWELVE MONTHS TO NOVEMBER 2014 (Ksh billion)



Source: Central Bank of Kenya

Reserve Money

Reserve money (RM) comprises currency held by the non-bank public and commercial banks deposits at the Central Bank. It increased by 9.3 percent in the year to November 2014 compared with 13.3 percent growth in the corresponding period in 2013 (Table 2.3 and Chart 2C). At Ksh 346.2 billion in November 2014, reserve money was Ksh 0.9 billion below the respective target. The growth in reserve money reflected 14.5 percent increases in bank reserves and 4.2 percent in currency outside banks.

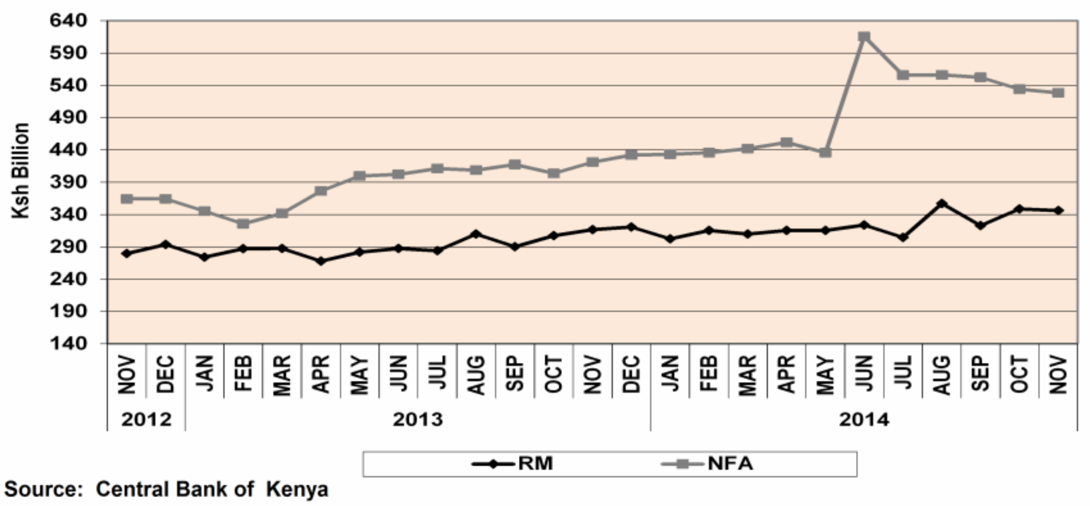
TABLE 2.3: RESERVE MONEY AND ITS SOURCES (Ksh billion)

	2013	2014	Absolute change		Change (%)		2014	
	November	November	2012/13	2013/14	2012/13	2013/14	November Target	Deviation
1. Net Foreign Assets	421.2	528.4	56.9	107.3	15.6	25.5	545.7	-17.3
2. Net Domestic Assets	-104.4	-182.2	-19.8	-77.8	23.4	74.6	-198.6	16.3
2.1 Government Borrowing (net)	2.3	-53.8	-11.8	-56.2			-94.3	40.5
2.2 Commercial banks (net)	0.0	-12.1	43.0	-12.1			-44.4	32.3
2.3 Other Domestic Assets (net)	-110.5	-120.0	-52.5	-9.5			-104.3	-15.7
3. Reserve Money	316.8	346.2	37.1	29.4	13.3	9.3	347.1	-0.9
3.1 Currency outside banks	160.3	167.0	18.9	6.7	13.3	4.2	167.8	-0.8
3.2 Bank reserves	156.5	179.2	18.3	22.7	13.2	14.5	179.3	-0.2

Source: Central Bank of Kenya

The source of reserve money growth in the twelve months to November 2014 was largely an accumulation of Net Foreign Assets (NFA) at the Central Bank. The NFA increased by 25.5 percent (or Ksh 107.3 billion) to Ksh 528.4 billion in November 2014 from Ksh 421.2 billion in November 2013. The NFA build up reflect receipt of

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



Source: Central Bank of Kenya

proceeds of the June 2014 2014 Euro Bond issuance and purchases of foreign exchange from the interbank to augment the stock of foreign exchange reserves in line with the statutory minimum requirements of 4 months of imports of goods and non-factor services.

Over a similar period, the NDA of the Central Bank decreased by Ksh 77.8 billion to Ksh -182.2 billion from Ksh -104.4 billion in November 2013. This was due to accumulation of Government deposits at the Central Bank following sale of Eurobond Dollars to the Central Bank, and liquidity mop up operations by the Central Bank.

Central Bank Rates

The Monetary Policy Committee maintained the Central Bank Rate (CBR) at 8.50 percent in November 4, 2014 in order to continue anchoring inflationary expectations.

Short Term Interest Rates

Short term interest rates increased marginally in November 2014 (Table 2.4 and Chart 2D). The weighted average interbank rate increased marginally to 6.86 percent in November 2014 from 6.73 percent in October 2014. The 91-day Treasury bill rate, which largely reflects the government's borrowing profile, remained largely unchanged at 8.64 percent in November 2014 compared with 8.67 percent in October 2014 while, the 182-day Treasury bill rate increased to 9.18 percent from 8.91 percent.

Lending and Deposit Rates

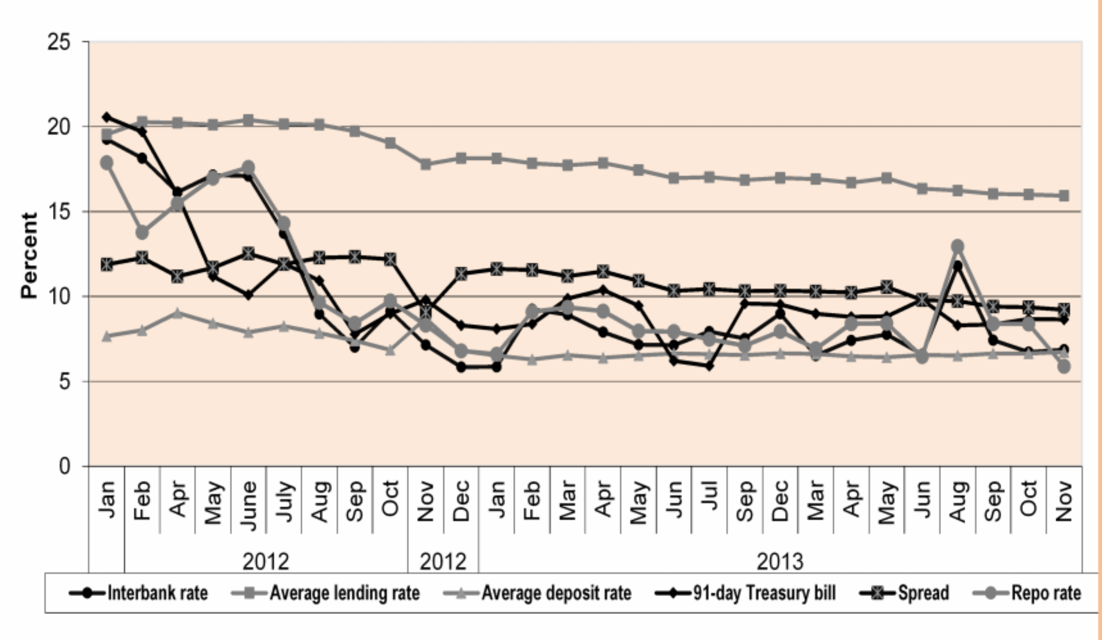
The average lending rate declined to 15.94 percent in November 2014 from 16.00 percent in October 2014, while the average deposit rate increased marginally from 6.64 percent in October 2014 to 6.72 percent in November. Consequently, the interest rate spread decreased marginally to 9.22 percent in November 2014 from 9.36 percent in October 2014 (Table 2.4 and Chart 2D).

TABLE 2.4: INTEREST RATES (%)

	2013		2014										
	Nov	Dec	Jan	Feb	Mar	Apr	May	June	July	Aug	Sep	Oct	Nov
91-day Treasury bill rate	9.94	9.52	9.26	9.16	8.98	8.80	8.82	9.81	9.78	8.29	8.38	8.67	8.64
Overdraft rate	16.50	16.51	16.82	16.88	16.44	16.44	17.85	15.88	17.12	16.20	15.79	15.77	15.66
Interbank rate	10.77	8.98	10.43	8.83	6.47	7.40	7.76	6.60	8.08	11.79	7.43	6.73	6.86
Repo rate	-	7.95	-	-	6.92	8.39	8.42	6.46	-	12.95	8.39	8.39	5.88
Reverse Repo rate	12.35	11.28	-	-	-	-	-	-	-	-	-	-	-
Central Bank Rate (CBR)	8.50	8.50	8.50	8.50	8.50	8.50	8.50	8.50	8.50	8.50	8.50	8.50	8.50
Average lending rate (1)	16.89	16.99	17.03	17.06	16.91	16.70	16.97	16.36	16.91	16.24	16.04	16.00	15.94
Average deposit rate (2)	6.61	6.65	6.55	6.57	6.61	6.48	6.42	6.56	6.59	6.51	6.64	6.64	6.72
0 to 3 - month deposit	8.78	8.98	9.39	9.43	10.02	9.63	9.65	10.05	9.80	10.29	9.96	9.80	10.51
Savings deposits	1.58	1.58	1.56	1.49	1.56	1.53	1.54	1.50	1.33	1.50	1.51	1.55	1.52
Spread (1-2)	**10.28**	**10.34**	**10.48**	**10.49**	**10.30**	**10.23**	**10.55**	**9.80**	**10.33**	**9.73**	**9.40**	**9.36**	**9.22**

Source: Central Bank of Kenya

CHART 2D : TRENDS IN INTEREST RATES



Source: Central Bank of Kenya

Performance of The Real Sector

Overview

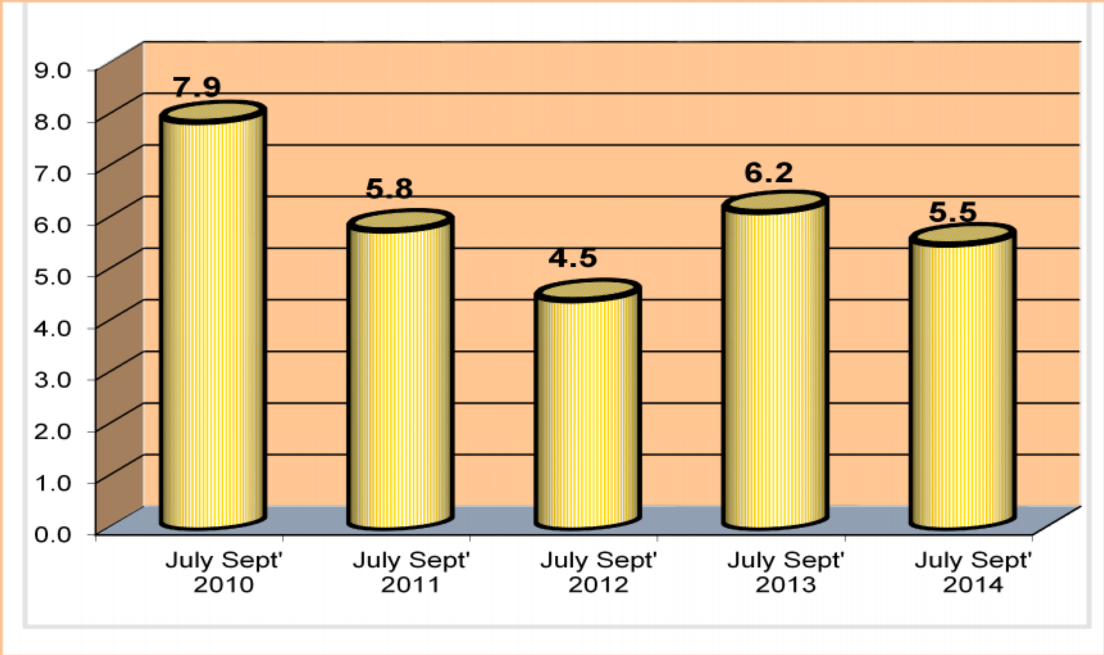
Real GDP in 2013 grew by 5.7 percent and amounted to Ksh 3.64 trillion compared with 4.5 percent growth in 2012 (Table 3.1). The real GDP is estimated to have increased by 4.5 percent in the first quarter of 2014, 5.7 percent in the second quarter of 2014 and 5.5 percent in the third quarter of 2014 compared with growth of 6.3 percent, 7.3 percent and 6.2 percent in comparable quarters of 2013 (Chart 3A). Growth in the first three quarters of 2014 was largely supported by improved performance in construction, financial and insurance, wholesale and retail trade, information and communication, manufacturing, health and agriculture.

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

Main Sectors	Share in 2013 Nominal GDP (%)	Share in 2013 Real GDP (%)	2006	2007	2008	2009	2010	2011	2012	2013
Agriculture, forestry and fishing	26.27	22.40	685,710	720,612	684,702	668,969	736,195	753,598	775,799	815,087
Mining and quarrying	0.81	0.85	13,849	16,289	16,296	18,134	23,884	28,428	33,830	30,795
Manufacturing	10.43	11.12	327,918	342,267	346,177	342,532	357,958	383,891	381,942	404,502
Electricity supply	1.06	1.54	34,035	39,792	36,947	39,162	40,545	45,949	52,187	56,045
Water supply; sewerage, waste management	0.87	0.83	22,769	22,558	22,885	24,869	27,493	28,489	29,390	30,270
Construction	4.46	4.48	89,513	97,119	95,474	112,219	133,647	139,033	154,621	163,075
Wholesale and retail trade; repairs	7.85	7.63	172,625	186,328	189,326	200,032	219,221	237,516	254,231	277,699
Transport and storage	7.38	6.62	173,502	185,955	191,536	205,774	215,970	231,340	237,734	240,764
Hotels and restaurants	1.23	1.44	50,040	57,300	39,471	51,510	51,238	53,333	54,972	52,441
Information and communication	1.44	3.36	51,720	61,952	67,574	73,691	86,492	105,483	107,773	122,310
Financial and insurance activities	6.58	5.89	133,353	139,918	146,815	150,411	176,968	185,206	196,265	214,497
Real estate	7.89	8.10	214,219	224,439	235,102	246,546	258,953	272,055	283,061	294,747
Professional, scientific and technical activities	0.99	1.06	26,509	29,836	31,343	33,085	34,092	34,628	36,440	38,553
Administrative and support service activities	1.20	1.33	40,829	43,849	39,645	44,151	45,422	46,546	47,619	48,303
Public administration and defence	4.80	3.88	109,013	111,635	119,363	127,807	129,710	132,986	140,851	141,198
Education	5.43	6.92	145,223	154,720	168,955	177,993	196,171	210,958	235,476	251,650
Human health and social work activities	1.58	1.72	50,447	53,561	56,076	58,686	62,345	60,723	58,761	62,752
Arts, entertainment and recreation	0.14	0.14	3,887	3,951	3,945	4,326	4,853	5,026	4,892	5,076
Other service activities	0.62	0.67	20,144	20,703	21,004	20,885	21,618	21,853	22,732	24,294
Activities of households as employers	0.54	0.51	16,623	16,873	17,126	17,383	17,643	17,908	18,177	18,449
FISIM	-2.57	-2.40	-49,597	-51,383	-53,675	-59,373	-68,827	-75,076	-82,648	-87,358
All economic activities	**89.00**	**88.08**	**2,332,335**	**2,478,274**	**2,476,088**	**2,558,791**	**2,771,591**	**2,919,872**	**3,044,104**	**3,205,148**
Taxes on products	11.00	11.92	255,944	287,322	295,931	304,896	332,810	374,582	397,028	433,613
GDP at market prices	**100.00**	**100.00**	**2,588,279**	**2,765,595**	**2,772,019**	**2,863,688**	**3,104,401**	**3,294,454**	**3,441,132**	**3,638,761**
Annual Growth Rates in Percent										
	Share in 2013 Nominal GDP (%)	Share in 2013 Real GDP (%)	2006	2007	2008	2009	2010	2011	2012	2013
Agriculture, forestry and fishing	26.27	22.40	…	5.1	-5.0	-2.3	10.0	2.4	2.9	5.1
Mining and quarrying	0.81	0.85	…	17.6	0.0	11.3	31.7	19.0	19.0	-9.0
Manufacturing	10.43	11.12	…	4.4	1.1	-1.1	4.5	7.2	-0.5	5.9
Electricity supply	1.06	1.54	…	16.9	-7.1	6.0	3.5	13.3	13.6	7.4
Water supply; sewerage, waste management	0.87	0.83	…	-0.9	1.4	8.7	10.6	3.6	3.2	3.0
Construction	4.46	4.48	…	8.5	-1.7	17.5	19.1	4.0	11.2	5.5
Wholesale and retail trade; repairs	7.85	7.63	…	7.9	1.6	5.7	9.6	8.3	7.0	9.2
Transport and storage	7.38	6.62	…	7.2	3.0	7.4	5.0	7.1	2.8	1.3
Hotels and restaurants	1.23	1.44	…	14.5	-31.1	30.5	-0.5	4.1	3.1	-4.6
Information and communication	1.44	3.36	…	19.8	9.1	9.1	17.4	22.0	2.2	13.5
Financial and insurance activities	6.58	5.89	…	4.9	4.9	2.4	17.7	4.7	6.0	9.3
Real estate	7.89	8.10	…	4.8	4.8	4.9	5.0	5.1	4.0	4.1
Professional, scientific and technical activities	0.99	1.06	…	12.6	5.1	5.6	3.0	1.6	5.2	5.8
Administrative and support service activities	1.20	1.33	…	7.4	-9.6	11.4	2.9	2.5	2.3	1.4
Public administration and defence	4.80	3.88	…	2.4	6.9	7.1	1.5	2.5	5.9	0.2
Education	5.43	6.92	…	6.5	9.2	5.3	10.2	7.5	11.6	6.9
Human health and social work activities	1.58	1.72	…	6.2	4.7	4.7	6.2	-2.6	-3.2	6.8
Arts, entertainment and recreation	0.14	0.14	…	1.6	-0.2	9.7	12.2	3.6	-2.7	3.8
Other service activities	0.62	0.67	…	2.8	1.5	-0.6	3.5	1.1	4.0	6.9
Activities of households as employers	0.54	0.51	…	1.5	1.5	1.5	1.5	1.5	1.5	1.5
FISIM	-2.57	-2.40	…	3.6	4.5	10.6	15.9	9.1	10.1	5.7
All economic activities	**89.00**	**88.08**	…	**6.3**	**-0.1**	**3.3**	**8.3**	**5.4**	**4.3**	**5.3**
Taxes on products	11.00	11.92	…	12.3	3.0	3.0	9.2	12.6	6.0	9.2
GDP at market prices	**100.00**	**100.00**	…	**6.9**	**0.2**	**3.3**	**8.4**	**6.1**	**4.5**	**5.7**

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

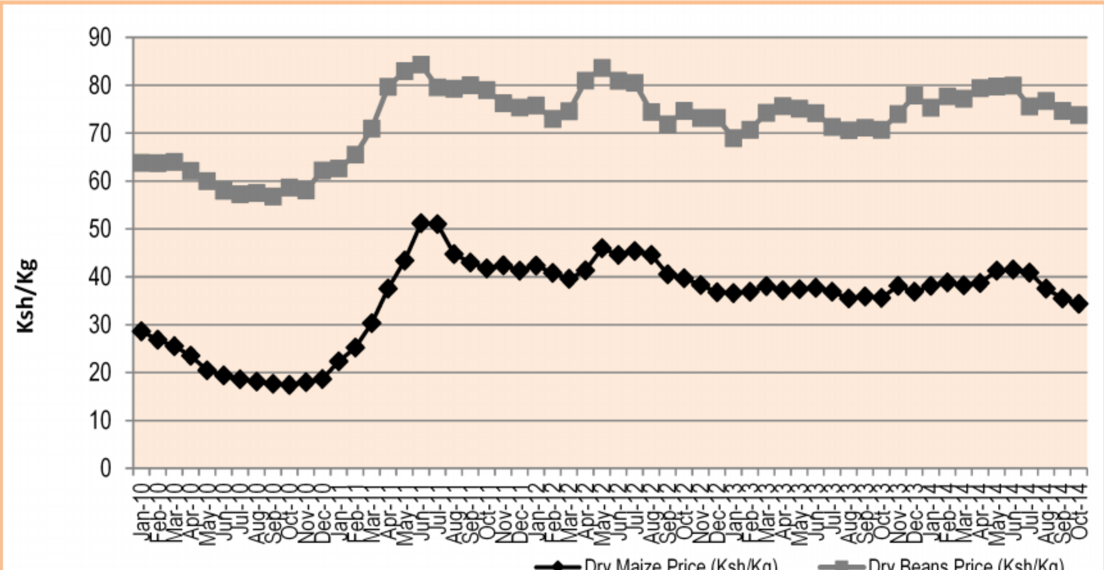
CHART 3A: REAL GDP GROWTH IN THE JULY - SEPTEMBER QUARTERS



Agriculture

Agriculture recorded 5.7 percent growth in output in the first quarter of 2014, 4.5 percent growth in the second quarter of 2014 and 6.2 percent growth in the third quarter compared with 5.0 percent growth in the first quarter of 2013, 5.9 percent growth in the second quarter of 2013 and 5.8 percent growth in the third quarter of 2013. Unfavorable weather conditions in the first half of 2014, however, resulted in increased prices of food items such as maize and beans (Chart 3B).

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



Source: Kenya National Bureau of Statistics

Major Indicators in Agriculture

Indicators on agriculture in the year to October 2014 show mixed performance (Table 3.2). Among selected crops, growth in production of tea and horticulture slowed while production of coffee improved. Growth in production of milk declined during the year to October 2014.

TABLE 3.2: OUTPUT GROWTH OF MAJOR CROPS AND MILK

	2012	2013	Year to October 13	Year to October 14*
Tea				
Output (Metric tonnes)	369,562	432,453	436,649	438,603
Growth (%)	*-2.2%*	*17.0%*	*19.2%*	*0.4%*
Horticulture				
Exports (Metric tonnes)	250,814	309,029	298,553	310,515
Growth (%)	*5.1%*	*23.2%*	*20.1%*	*4.0%*
Coffee				
Sales (Metric tonnes)	46,051	37,942	36,796	42,408
Growth (%)	*53.6%*	*-17.6%*	*-20.5%*	*15.3%*
Milk				
Output (million litres)	495	523	527	544
Growth %	*-9.8%*	*5.6%*	*7.0%*	*3.2%*

* Provisional

Source: Kenya National Bureau of Statistics and Kenya Revenue Authority

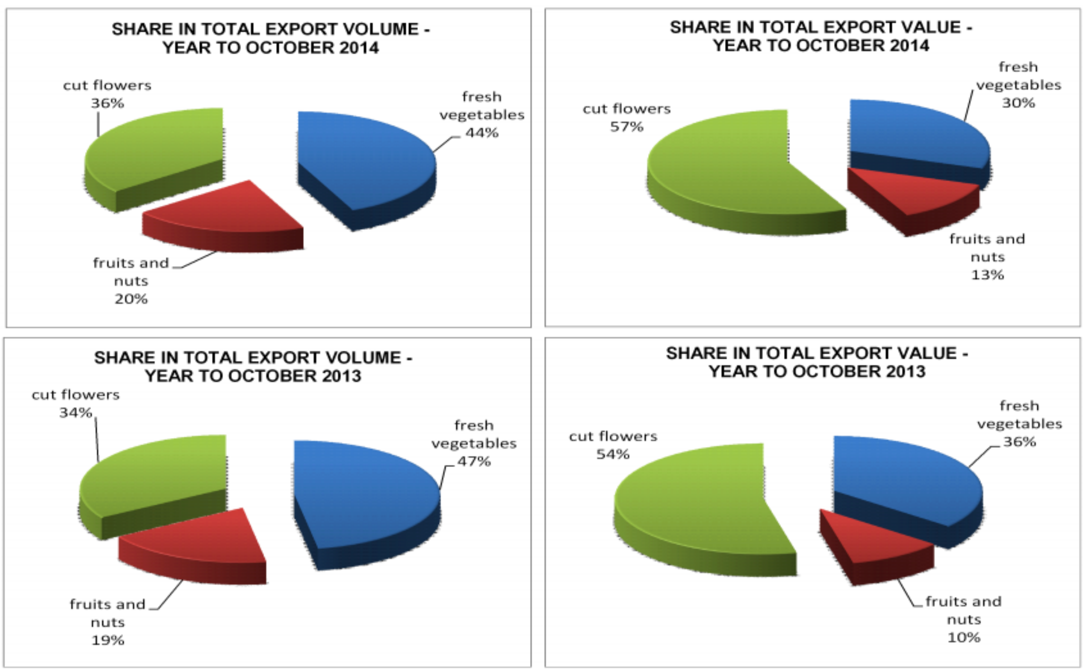
Tea

Production of tea improved marginally by 0.4 percent in the year to October 2014 compared with growth of 19.2 percent recorded in the year to October 2013 (Table 3.2). The average auction price for tea declined from Ksh 231 per kilogram in the year to October 2013 to Ksh 193 per kilogram in the year to October 2014.

Horticulture

Export of fresh horticultural products increased by 4.0 percent from 298,553 metric tonnes in the year to October 2013 to 310,515 metric tonnes in the year to October 2014. Exports of fresh vegetables dominated in terms of volume, while cut flowers brought in the largest contribution to total export value in the year to October 2014 (Table 3.2 and Chart 3C).

CHART 3C: HORTICULTURAL EXPORTS



Source: Kenya Revenue Authority

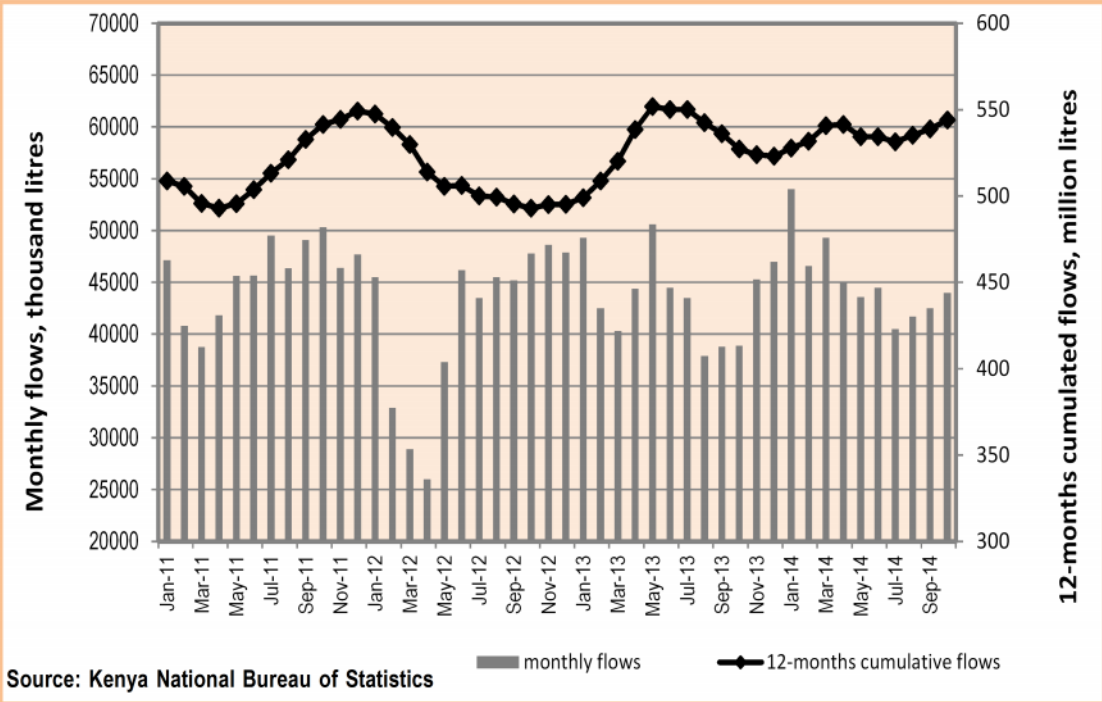
Coffee

Coffee sales rose from 36,796 metric tonnes in the year to October 2013 to 42,408 metric tonnes in the year to October 2014. The average auction price for coffee also rose from Ksh 280 per kilogram in the year to October 2013 to Ksh 359 per kilogram in the year to October 2014 owing to improved quality.

Dairy

The volume of milk intake in the formal sector rose by 3.2 percent to 544 million litres in the year to October 2014 (Chart 3D).

CHART 3D: PROCESSED MILK (LITRES)



Source: Kenya National Bureau of Statistics

Manufacturing

TABLE 3.3: PRODUCTION OF SELECTED MANUFACTURED GOODS

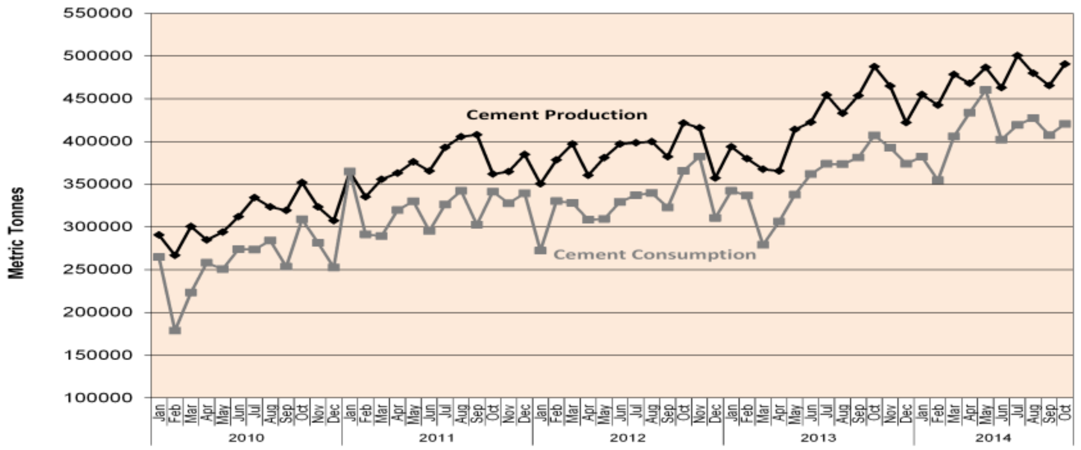
	Annual Totals 2012	Annual Totals 2013*	Year to October 13*	Year to October 14*
Cement production				
Output (MT)	4,639,723	5,059,129	4,945,325	5,616,820
Growth %	*3.6%*	*9.0%*	*7.1%*	*13.6%*
Assembled vehicles				
Output (No.)	6,218	6,948	6,421	9,227
Growth %	*2.8%*	*11.7%*	*0.4%*	*43.7%*
Galvanized sheets				
Output (MT)	255,815	305,152	299,018	282,103
Growth %	*-4.6%*	*19.3%*	*15.6%*	*-5.7%*
Soft drinks				
Output ('000 litres)	359,518	407,027	391,280	454,789
Growth %	*-3.2%*	*13.2%*	*8.3%*	*16.2%*

MT = Metric tonnes

* Provisional

Source: Kenya National Bureau of Statistics

CHART 3E: CEMENT PRODUCTION AND CONSUMPTION



Source: Kenya National Bureau of Statistics

Energy Sector

Annual growth in local generation of electricity accelerated from 8.6 percent in the year to October 2013 to 9.1 percent in the year to October 2014 (Table 3.4). The total amount of electricity generated thus increased from 8,082 million kilowatt hours to 8,819 million kilowatt hours. The supply in the current period comprised 40.0 percent of hydro-electricity, 31.4 percent of thermal power and 28.6 percent of geo-thermal power. The increase in the amount of electricity produced reflects accelerated generation of thermal and geo-thermal power (green energy) to 42.7 percent and 46.8 percent, respectively, in the year to October 2014 compared with -5.1 percent and 13.8 percent growth registered in the comparable period of 2013. Generation of hydro-electricity, however, decreased by 20.3 percent in the year to October 2014 from 13.8 percent growth in the previous year. Growth in consumption of electricity increased from 3.4 percent in the year to October 2013 to 10.9 percent in the year to October 2014. The average price of murban crude oil declined from US$ 109.8 per barrel in the year to October 2013 to US$ 106.8 per barrel in the year to October 2014.

TABLE 3.4: ENERGY SECTOR PERFORMANCE

	2012	2013	Year to October 13	Year to October 14*
Electricity Supply (Generation)				
Output (million KWH)	7,544	8,217	8,082	8,819
Growth %	*5.4%*	*8.9%*	*8.6%*	*9.1%*
Of which:				
Hydro-power Generation (million KWH)	4,032	4,387	4,423	3,526
Growth (%)	*26.6%*	*8.8%*	*13.8%*	*-20.3%*
Geo-Thermal Generation (million KWH)	1,522	1,781	1,720	2,526
Growth (%)	*5.4%*	*17.0%*	*13.8%*	*46.8%*
Thermal (million KWH)	1,990	2,049	1,939	2,767
Growth (%)	*-21.4%*	*3.0%*	*-5.1%*	*42.7%*
Consumption of electricity (million KWH)	6,270	6,564	6,494	7,200
Growth %	*1.9%*	*4.7%*	*3.4%*	*10.9%*
Murban crude oil average price (US $ per barrel)	113.0	110.1	109.8	106.8
Growth %	*2.1%*	*-2.5%*	*-3.0%*	*-2.7%*

* Provisional
Source: Kenya National Bureau of Statistics

Tourism

The number of tourist arrivals declined by 12.1 percent in the year to October 2014 compared with a decline of 12.3 percent in the year to October 2013 (Table 3.5). The unfavourable performance is attributed to adverse travel advisories from source countries regarding insecurity in Kenya. The ports of disembarkation for tourists remained Jomo Kenyatta International Airport Nairobi (84.8 percent share), and the Moi International Airport, Mombasa (15.2 percent share).

TABLE 3.5: TOURIST ARRIVALS BY POINT OF ENTRY

	2012	2013	Year to October 2013	Year to October 2014	Year to October 2014 % Share	Year to October 2014 % Growth
MIAM	187,151	189,654	184,852	145,300	*15.2%*	*-21.4%*
JKIA	1,048,390	912,998	903,729	811,449	*84.8%*	*-10.2%*
TOTAL	**1,235,541**	**1,102,652**	**1,088,581**	**956,749**	***100.0%***	***-12.1%***

Source: Kenya Tourist Board

Transport

The total number of passengers (both incoming and outgoing) received at the Jomo Kenyatta International Airport, Nairobi (JKIA) declined by 2.2 percent in the year to October 2014, compared with a decline of 0.1 percent recorded in the previous year. The decline is reflected in both incoming and outgoing passengers (Table 3.6). The volume of oil passed through the Kenya pipeline increased by 9.1 percent in the year to October 2014 compared with 8.2 percent growth in the year to October 2013.

TABLE 3.6: THROUGHPUT IN SELECTED TRANSPORT FACILITIES

	2012	2013*	Year to September 13*	Year to September 14*
Number of Passengers thro' JKIA				
Total passenger flows	4,302,244	4,290,349	4,312,021	4,217,618
Growth (%)	*4.0%*	*-0.3%*	*-0.1%*	*-2.2%*
o.w. Incoming	2,148,105	2,144,002	2,154,595	2,096,647
Growth (%)	*2.8%*	*-0.2%*	*-0.1%*	*-2.7%*
Outgoing	2,154,139	2,146,347	2,157,426	2,120,971
Growth %	*5.3%*	*-0.4%*	*0.0%*	*-1.7%*
Kenya Pipeline Oil Throughput				
Output ('000 litres)	4,855,573	5,181,609	5,140,315	5,609,175
Growth %	*14.0%*	*6.7%*	*8.2%*	*9.1%*

*** Provisional**

Source: Kenya National Bureau of Statistics

Developments in the Balance of Payments and Exchange Rates

Overview

The overall Balance of Payments surplus improved to USD 872 million in the year to November 2014 from a surplus of USD 528 million in the year to November 2013 (Table 4.1). The improvement reflects a USD 983.9 million build up in the Capital and Financial account surplus.

TABLE 4.1: BALANCE OF PAYMENTS (US$ M)

ITEM	Year to Nov 2013	Year to November 2014* Q1 Dec-Feb	Q2 Mar-May	Q3 Jun-Aug	Q4 Sep-Nov	Year to Nov 2014*	Absolute Change	% Change
1. OVERALL BALANCE	528	146	-69	1324	-529	872	344.2	65.2
2. CURRENT ACCOUNT	-4835	-1050	-1230	-1330	-1865	-5475	-639.7	13.2
2.1 Goods	-11178	-2727	-2899	-3133	-3489	-12249	-1070.6	9.6
Exports (fob)	5828	1458	1677	1493	1427	6055	227.2	3.9
Imports (cif)	17006	4185	4576	4626	4916	18304	1297.8	7.6
2.2 Services	6343	1677	1669	1803	1624	6773	430.8	6.8
Non-factor services (net)	3582	988	1092	1173	946	4200	617.3	17.2
Income (net)	-327	-50	-38	-154	-101	-342	-14.4	4.4
Current Transfers (net)	3088	739	615	784	778	2916	-172.1	-5.6
3. CAPITAL & FINANCIAL ACCOUNT	5363	1196	1161	2654	1336	6347	983.9	18.3
3.1 Capital Tranfers (net)	104	24	94	50	0	168	64.0	61.8
3.2 Financial Account	5260	1172	1067	2604	1336	6180	919.9	17.5
memo:								
Gross Reserves	7893	8352	8223	9731	8964	8964	1071.5	13.6
Official	6333	6679	6491	7814	7274	7274	940.8	14.9
*import cover***	4.2	4.4	4.2	4.9	4.5	4.5	0.3	7.1
*import cover****	4.4	4.5	4.3	5.1	4.7	4.7	0.3	7.7
Commercial Banks	1560	1673	1732	1917	1691	1691	130.6	8.4

* 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 worsened by 13.2 percent or USD 639.7 million to USD 5,475 million in the year to November 2014 from USD 4,835 million in the year to November 2013. The deterioration reflects 9.6 percent worsening of the Merchandise account deficit (Table 4.2) which more than offset the 6.8 percent improvement in the Services account.

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

ITEM	Year to Nov 2013	Year to November 2014* Q1 Dec-Feb	Q2 Mar-May	Q3 Jun-Aug	Q4 Sep-Nov	Year to Nov 2014*	Absolute Change	% Change
2. CURRENT ACCOUNT	-4,835.4	-1,049.8	-1,229.9	-1,330.2	-1,865.3	-5,475.2	-639.7	13.2
2.1 Goods	-11,178.1	-2,727.2	-2,899.1	-3,133.3	-3,489.0	-12,248.6	-1,070.6	9.6
Exports (fob)	5,828.2	1,458.2	1,677.2	1,492.9	1,427.1	6,055.4	227.2	3.9
Coffee	190.2	35.8	67.1	67.8	57.9	228.5	38.3	20.1
Tea	1,220.6	279.3	265.9	274.8	249.4	1,069.4	-151.2	-12.4
Horticulture	733.0	202.2	214.2	197.0	199.3	812.7	79.7	10.9
Oil products	52.5	8.4	17.0	23.3	11.1	59.8	7.3	13.9
Manufactured Goods	706.9	154.3	165.3	129.0	147.7	596.4	-110.5	-15.6
Raw Materials	393.4	116.3	132.3	102.6	115.1	466.2	72.8	18.5
Chemicals and Related Products (n.e.s)	473.3	111.7	116.6	110.5	115.5	454.3	-19.0	-4.0
Miscelleneous Man. Articles	584.7	148.8	166.6	152.1	163.6	631.1	46.4	7.9
Re-exports	535.0	182.8	311.5	210.9	172.7	878.0	343.0	64.1
Other	938.7	218.5	220.8	224.9	194.8	859.1	-79.6	-8.5
Imports (cif)	17,006.2	4,185.4	4,576.3	4,626.2	4,916.1	18,304.0	1,297.8	7.6
Oil	3,908.5	953.8	1,152.1	991.3	967.3	4,064.5	156.0	4.0
Chemicals	2,220.1	620.8	575.9	592.9	556.1	2,345.7	125.6	5.7
Manufactured Goods	2,582.9	665.9	660.1	663.3	661.4	2,650.8	67.9	2.6
Machinery & Transport Equipment	4,642.0	1,117.1	1,435.8	1,582.7	1,910.7	6,046.4	1,404.3	30.3
Other	3,519.5	795.4	733.2	770.3	737.2	3,036.1	-483.4	-13.7
2.2 Services	6,342.6	1,677.4	1,669.2	1,803.1	1,623.7	6,773.4	430.8	6.8
Non-factor services (net)	3,582.3	987.7	1,092.3	1,173.3	946.3	4,199.6	617.3	17.2
Non-factor services (credit)	4,833.8	1,304.4	1,371.0	1,486.2	1,313.8	5,475.5	641.7	13.3
of which transport	2,175.3	519.1	530.9	590.0	520.3	2,160.3	-15.1	-0.7
of which tourism (Travel)	886.0	185.0	189.3	209.2	204.3	787.8	-98.2	-11.1
Other services account: gov't	935.2	229.3	229.3	198.5	218.9	875.9	-59.2	-6.3
Other services account: private	837.3	371.0	421.6	488.5	370.3	1,651.5	814.2	97.2
Income (net)	-327.3	-49.7	-37.7	-153.7	-100.5	-341.7	-14.4	4.4
of which official interest	-126.4	-27.1	-23.2	-91.9	-43.7	-185.8	-59.5	47.1
Current Transfers (net)	3,087.6	739.5	614.6	783.5	778.0	2,915.6	-172.1	-5.6
Private (net)	2,889.9	726.4	619.4	788.3	782.8	2,916.9	27.0	0.9
of which Remittances	1,283.0	334.6	352.7	362.0	362.8	1,412.1	129.1	10.1
Public (net)	197.7	13.1	-4.8	-4.8	-4.8	-1.4	-199.1	-100.7

* Provisional.

Source: Central Bank of Kenya

Merchandise Account

The deficit in the merchandise account deteriorated by USD 1,070.6 million to USD 12,249 million in the year to November 2014 due to a 7.6 percent increase in payments for merchandise imports that more than offset the 3.9 percent increase in receipts from merchandise exports (Table 4.2).

Imports

Payments for merchandise imports increased by USD 1,297.8 million to USD 18,304 million in the year to November 2014 attributed to increased spending on imports of oil, chemicals, manufactured goods and machinery and transport equipment. The value of imports of machinery and transport equipment increased by 30 percent while that of oil increased by 4 percent.

Imports from Africa decreased to USD 1,649 million (Table 4.3) and accounted for 9 percent of total imports. India and China were the dominant sources accounting for 17 percent and 15 percent of total imports respectively.

Exports

Receipts from merchandise exports increased by USD 227.2 million to USD 6,055 million in the year to November 2014 reflecting increased earnings from coffee, horticulture, oil products, raw materials, miscellaneous manufactured articles and re-exports. The increase in coffee receipts was on account of favourable international commodity prices while the increase in horticulture exports was on account of both increased export quantities and favourable world prices. Exports of tea, manufactured goods, chemicals and related products and other exports decreased. Earnings from tea exports declined by USD 151.2 million largely reflecting lower commodity prices.

The value and share of Kenya's exports to Africa declined in the year to November 2014 particularly those to the EAC and COMESA (Table 4.3). Exports to the rest of the world and in particular to the European Union and the USA increased.

TABLE 4.3: KENYA'S DIRECTION OF TRADE

IMPORTS (in millions of US dollars)				Share of Exports (%)		
	Year to November			Year to November		
Country	2012	2013	2014	2012	2013	2014
Africa	**1,709**	**1,696**	**1,649**	**10**	**10**	**9**
Of which						
South Africa	741	802	750	4	5	4
Egypt	354	296	270	2	2	1
Others	613	598	628	4	4	3
EAC	**363**	**330**	**405**	**2**	**2**	**2**
COMESA	**746**	**673**	**638**	**4**	**4**	**3**
Rest of the World	**14,975**	**15,310**	**16,655**	**90**	**90**	**91**
Of which						
India	2,200	2,840	3,082	13	17	17
United Arab Emirates	1,889	1,439	1,201	11	8	7
China	1,961	2,068	2,722	12	12	15
Japan	728	964	966	4	6	5
USA	778	675	1,891	5	4	10
United Kingdom	528	570	509	3	3	3
Singapore	153	214	162	1	1	1
Germany	491	428	526	3	3	3
Saudi Arabia	849	468	628	5	3	3
Indonesia	683	488	565	4	3	3
Netherlands	213	278	229	1	2	1
France	296	262	261	2	2	1
Bahrain	268	406	477	2	2	3
Italy	250	230	236	2	1	1
Others	3,688	3,979	3,201	22	23	17
Total	**16,684**	**17,006**	**18,304**	**100**	**100**	**100**
EU	2,395	2,423	2,507	14	14	14
China	1,961	2,068	2,722	12	12	15

EXPORTS (in millions of US dollars)				Share of Exports (%)		
	Year to November			Year to November		
Country	2012	2013	2014	2012	2013	2014
Africa	**2,952**	**2,707**	**2,686**	**48**	**46**	**44**
Of which						
Uganda	806	761	634	13	13	10
Tanzania	542	491	470	9	8	8
Egypt	260	192	207	4	3	3
Sudan	94	75	75	2	1	1
South Sudan	163	192	214	3	3	4
Somalia	236	197	152	4	3	3
DRC	211	226	234	3	4	4
Rwanda	192	158	156	3	3	3
Others	449	416	545	7	7	9
EAC	**1,602**	**1,475**	**1,343**	**26**	**25**	**22**
COMESA	**1,889**	**1,720**	**1,646**	**30**	**30**	**27**
Rest of the World	**3,249**	**3,121**	**3,370**	**52**	**54**	**56**
Of which						
United Kingdom	486	437	413	8	7	7
Netherlands	362	374	455	6	6	8
USA	310	348	429	5	6	7
Pakistan	256	280	248	4	5	4
United Arab Emirates	326	301	232	5	5	4
Germany	113	95	122	2	2	2
India	96	105	104	2	2	2
Afghanistan	141	186	120	2	3	2
Others	1,158	995	1,247	19	17	21
Total	**6,200**	**5,828**	**6,055**	**100**	**100**	**100**
EU	1,290	1,202	1,369	21	21	23
China	68	46	75	1	1	1

Source: Kenya Revenue Authority

Services Account

The services account recorded a larger surplus of USD 6,773 million in the year to November 2014 from USD 6,343 million in the year to November 2013 on account of increased receipts from non-factor services. Receipts from non-factor services primarily insurance and communication services, royalties and licences rose to USD 5,475 million. The income account deteriorated by USD 14.4 million in the year to November 2014 to a deficit of USD 342 million. The surplus in the current transfers account declined to USD 2,916 million due to a USD 199.1 million decline in net public transfers which more than offset a USD 27 million increase in net private transfers.

Remittance inflows (under private transfers) improved by USD 129.1 million to USD 1,412 million during the year to November 2014 from USD 1,283 million during the year to November 2013 (Table 4.2). Average remittance inflows in the 12 months to November 2014 increased to USD 117.6 million from an average of USD 106.9 million during the year to November 2013, underscoring resilience of remittances flows.

Capital and Financial Account

The surplus in the capital and financial account increased to USD 6,347 million in the year to November 2014 from USD 5,363 million in the year to November 2013, largely reflecting a 17.5 percent improvement in the financial account surplus supported by increased official and short term flows (including net errors and omissions). Official flows rose by USD 656.4 million to USD 1,298 million. Commercial bank flows decreased to USD 526 million in the year to November 2014 reflecting a USD 181.3 million accumulation of net foreign assets. Short term flows (including net errors and omissions) increased by USD 643.2 million during the period under review.

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

ITEM	Year to Nov 2013	Year to November 2014* Q1 Dec-Feb	Q2 Mar-May	Q3 Jun-Aug	Q4 Sep-Nov	Year to Nov 2014*	Absolute Change	% Change
3. CAPITAL & FINANCIAL ACCOUNT	5,363.27	1,195.59	1,161.37	2,653.91	1,336.29	6,347.16	983.89	18.35
3.1 Capital Tranfers (net)	103.56	23.61	94.43	49.50	0.04	167.58	64.02	61.82
3.2 Financial Account	5,259.71	1,171.99	1,066.94	2,604.41	1,336.26	6,179.58	919.87	17.49
Official, medium & long-term	641.85	143.65	213.98	929.70	10.97	1,298.30	656.45	102.27
Inflows	976.65	227.15	311.35	2,181.96	273.06	2,993.51	2,016.86	206.51
Outflows	-334.80	-83.50	-97.37	-1,252.26	-262.08	-1,695.21	-1,360.41	406.33
Private, medium & long-term (net)	531.14	42.16	-77.33	-125.15	311.71	151.39	-379.75	-71.50
Commercial Banks (net)	706.96	81.79	65.20	15.69	362.98	525.66	-181.30	-25.65
Other private medium & long-term (net)	-175.82	-39.63	-142.52	-140.85	-51.27	-374.27	-198.45	112.87
Short-term (net) incl. errors & omissions	4,086.71	986.18	930.28	1,799.86	1,013.57	4,729.90	643.18	15.74

* Provisional.

Source: Central Bank of Kenya

Foreign Exchange Reserves

The banking system's total foreign exchange holdings increased to USD 8,964 million in November 2014 from USD 7,893 million at the end of November 2013. Official reserves held by the Central Bank constituted the bulk of gross reserves and increased to USD 7,274 million (4.7 months of import cover) at the end of November 2014 from USD 6,333 million (4.4 months of import cover) at the end of November 2013. The build-up in foreign exchange reserves during the period was largely attributed to proceeds received from the sale of the Eurobond in June 2014 and purchases from the interbank market.

Foreign Exchange Reserves held by commercial banks increased to USD 1,691 million at the end of November 2014 from USD 1,560 million at the end of November 2013. During the same period, Residents' Foreign Currency Deposits increased to USD 4,037 million from USD 3,562 million (Table 4.5).

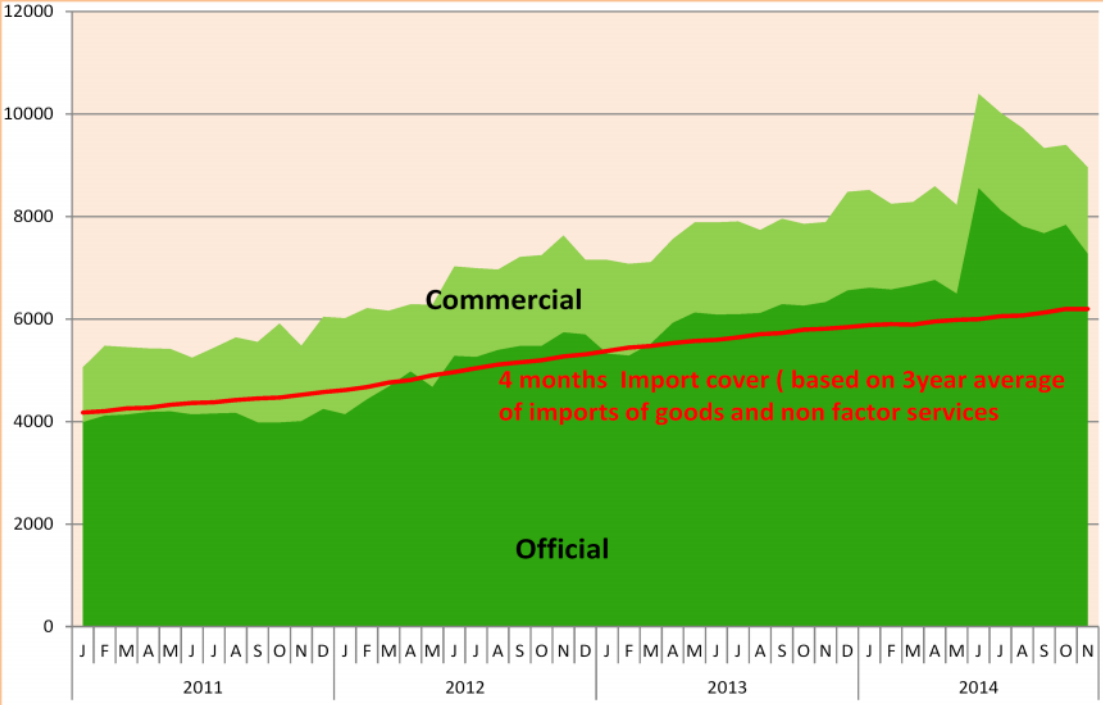
TABLE 4.5: FOREIGN EXCHANGE RESERVES AND RESIDENTS' FOREIGN CURRENCY DEPOSITS (END OF PERIOD, US$ MILLION)

	Nov 13	Dec 13	Jan 14	Feb 14	Mar 14	Apr 14	May 14	Jun 14	Jul 14	Aug 14	Sep 14	Oct 14	Nov 14
1. Gross Foreign Exchange Reserves	7,893	8,483	8,519	8,250	8,285	8,594	8,230	10,399	10,029	9,731	9,336	9,400	8,964
of which:													
Official	6,333	6,560	6,612	6,578	6,660	6,765	6,498	8,555	8,128	7,814	7,676	7,839	7,274
*import cover***	*4.4*	*4.5*	*4.5*	*4.5*	*4.5*	*4.5*	*4.3*	*5.7*	*5.4*	*5.1*	*5.0*	*5.1*	*4.7*
Commercial Banks	1,560	1,923	1,907	1,672	1,625	1,829	1,732	1,844	1,902	1,917	1,659	1,561	1,691
2. Residents' foreign currency deposits	3,562	3,909	3,938	3,562	3,636	3,833	3,805	3,776	4,084	4,292	4,148	4,101	4,037

**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

In November 2014, the Kenya Shilling weakened against the US Dollar to trade at an average of 89.96 per USD compared to an average of 89.23 per USD in October 2014. The weakening of the shilling was largely on account of the strengthening of the US Dollar against major world currencies in the international markets, high dollar demand from local importers and manufacturers and falling revenue from tourism and tea sectors. The Kenya Shilling strengthened against the Pound Sterling, the Euro and the Japanese Yen. In the EAC region, the Kenya shilling strengthened against the Uganda and Tanzania shilling but weakened against the Rwanda and Burundi Francs (Table 4.6 and Chart 4D).

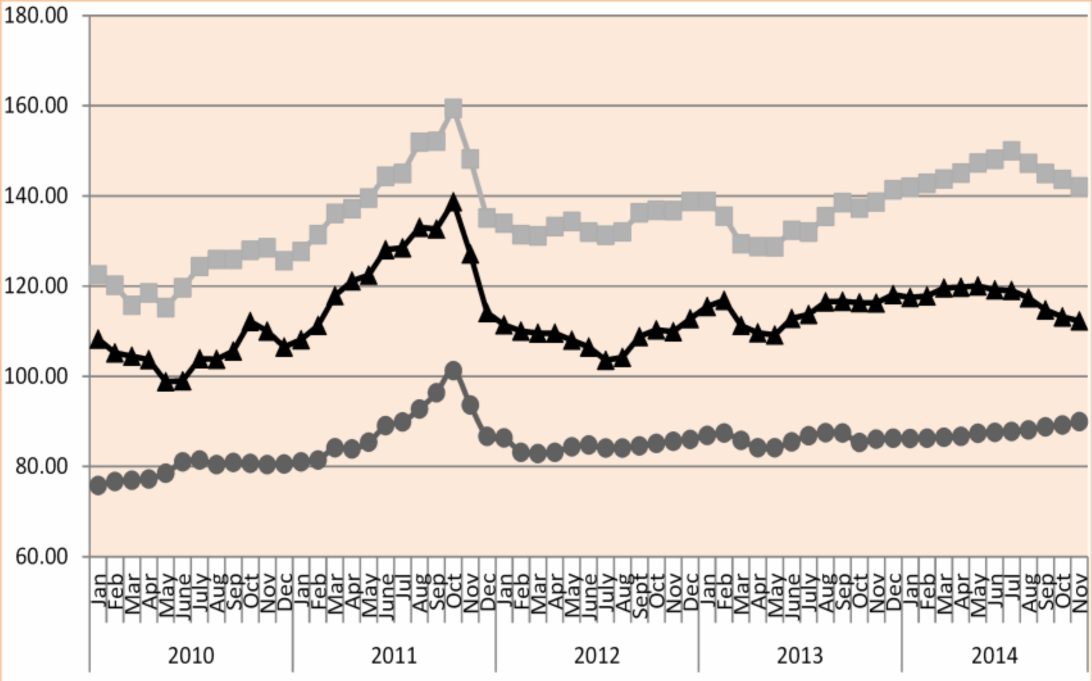
TABLE 4.6: KENYA SHILLING EXCHANGE RATE

	2013		2014											
	Nov	Dec	Jan	Feb	Mar	Apr	May	June	Jul	Aug	Sep	Oct	Nov	% change October - November 2014
US Dollar	86.10	86.31	86.21	86.28	86.49	86.72	87.41	87.61	87.77	88.11	88.84	89.23	89.96	0.82
Pound Sterling	138.64	141.37	141.99	142.81	143.76	145.08	147.29	148.15	150.04	147.24	144.99	143.66	142.05	-1.12
Euro	116.22	118.18	117.50	117.81	119.58	119.78	120.09	119.16	119.02	117.40	114.74	113.21	112.28	-0.82
100 Japanese Yen	86.21	83.51	82.92	84.52	84.58	84.59	85.84	85.88	86.32	85.63	82.90	82.62	77.53	-6.16
Uganda Shilling*	29.31	29.20	29.00	28.61	29.27	29.19	28.97	29.44	29.97	29.66	29.47	30.03	30.37	1.14
Tanzania Shilling*	18.68	18.63	18.68	18.82	18.88	18.86	18.92	19.18	18.97	18.89	18.78	18.96	19.16	1.03
Rwanda Franc*	7.80	7.76	7.85	7.87	7.85	7.82	7.76	7.74	7.76	7.82	7.75	7.72	7.66	-0.69
Burundi Franc*	18.01	17.91	17.99	18.00	17.98	17.88	17.72	17.68	17.65	17.57	17.43	17.47	17.39	-0.42

* Units of currency per Kenya Shilling

Source: Central Bank of Kenya

CHART 4B: KENYA SHILLING EXCHANGE RATE



Source: Central Bank of Kenya

Developments in The Banking Sector

Overview

The Kenyan banking sector comprised 43 commercial banks, 1 mortgage finance company, 9 microfinance banks, 7 representative offices of foreign banks, 90 foreign exchange bureaus, 9 money remittance providers and 2 credit reference bureaus as at November 30, 2014.

Structure of the Balance Sheet

The banking sector balance sheet expanded by 20.4 percent from Ksh 2,631.6 billion in November 2013 to Ksh 3,168.7 billion in November 2014. The main components of the balance sheet on the asset side were loans and advances, government securities and placements, which accounted for 59.3 percent, 21.1 percent and 4.9 percent of total assets, respectively.

Loans & Advances

The banking sector gross loans and advances increased from Ksh 1,588.9 billion in November 2013 to Ksh 1,948.4 billion in November 2014, which translated to a growth of 22.6 percent. The growth was attributed to increase in lending to personal/ households, trade, manufacturing, transport and communication and real estate sectors. Loans and advances net of provisions stood at Ksh 1,878.4 billion in November 2014, up from Ksh 1,530.7 billion registered in a similar period in 2013.

Deposit Liabilites

Deposits from customers which form the major source of funding for the banking sector, accounted for 72.0 percent of total funding liabilities. The deposit base expanded by 19.0 percent from Ksh 1,916.1 billion in November 2013 to Ksh 2,279.8 billion in November 2014 mainly supported by aggressive mobilization of deposits by banks, remittances and receipts from exports.

Capital & Reserves

The banking sector registered improved capital levels in November 2014 with total shareholders' funds growing by 22.2 percent from Ksh 419.2 billion in November 2013 to Ksh 512.3 billion in November 2014. Core capital and total capital increased from Ksh 328.1 billion and Ksh 388.9 billion to Ksh 402.5 billion and Ksh 473.2 billion respectively over the same period. However, the ratios of core and total capital to total risk-weighted assets declined from 19.0 percent and 22.5 percent in November 2013 to 15.5 percent and 18.2 percent respectively. The decline in capital adequacy ratios was as a result of increase in total risk weighted assets occasioned by the capital charge for market and operational risks that took effect from January 2014.

Non-performing Loans

The value of gross non-performing loans (NPLs) grew by 32.7 percent from Ksh 81.4 billion in November 2013 to Ksh 108.0 billion in November 2014. Similarly, the ratio of gross NPLs to gross loans increased from 5.1 percent in November 2013 to 5.5 percent in November 2014. On the other hand, the coverage ratio which is measured as a percentage of specific provisions to total NPLs declined from 43.1 percent to 39.7 percent in November 2014.

The quality of assets, measured as a proportion of net non-performing loans to gross loans deteriorated from 2.3 percent in November 2013 to 2.7 percent in November 2014 (Table 5.1).

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

		13-Nov	14-Nov
1	Gross loans and advances	1588.9	1948.4
2	Interest in Suspense	16.2	21.5
3	Loans and advances (net of interest suspended)	1572.7	1926.9
4	Gross non-performing loans	81.4	108
5	Specific Provisions	28.1	34.3
6	General Provisions	13.9	14.2
7	Total Provisions (5+6)	42	48.5
8	Net Advances (3-7)	1530.7	1878.4
9	Total Non-Performing Loans and Advances (4-2)	65.2	86.5
10	Net Non-Performing Loans and Advances (9-5)	37.1	52.2
11	Total NPLs as % of total advances (9/3)	4.10%	4.50%
12	Net NPLs as % of gross advances (10/1)	2.30%	2.70%
13	Specific Provisions as % of Total NPLs (5/9)	43.10%	39.70%

Source: Central Bank of Kenya

Profitablility

The banking sector recorded a growth of 13.5 percent in pre-tax profits, from Ksh 111.5 billion in November 2013 to Ksh 126.6 billion as at end of November 2014. The annualised return on assets declined slightly to 3.4 percent from 3.6 percent over the same period. Similarly, return on equity decreased to 27.0 percent from 29.0 percent over the same period. Total income increased by 15.0 percent from Ksh 325.5 billion in November 2013 to Ksh 374.3 billion in November 2014, while total expenses increased by 15.7 percent from Ksh 214.0 billion in November 2013 to Ksh 247.6 billion in November 2014. Interest on loans and advances, fees and commissions and government securities were the major sources of income accounting for 59.6 percent, 18.3 percent and 15.1 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 32.7 percent, 28.0 percent and 24.4 percent respectively.

Liquidity Ratio Requirement

For the month ended November 30, 2014, average liquid assets amounted to Ksh 829.8 billion while total short-term liabilities stood at Ksh 2,225.2 billion, resulting to an average liquidity ratio of 37.3 percent, against 39.0 percent registered in November 2013.

Cash Ratio Requirement

The proportion of cash to deposit liabilities held at the Central Bank by commercial banks for reserve requirements averaged 5.79 percent in November 2014 compared with 5.51 percent in October 2014, and 5.25 percent minimum statutory level (Table 5.2 and Chart 5A). Commercial banks maintained an average of KSh 11.7 billion above the 5.25 percent monthly average cash reserve requirement at the Central Bank in November 2014 compared with Ksh 5.6 billion in October 2014. Commercial banks are required to maintain a Cash Reserve Ratio (CRR) monthly average of 5.25 percent in the 30 day maintenance cycle from 15th through 14th of every month, but subject to a daily minimum of 3.0 percent.

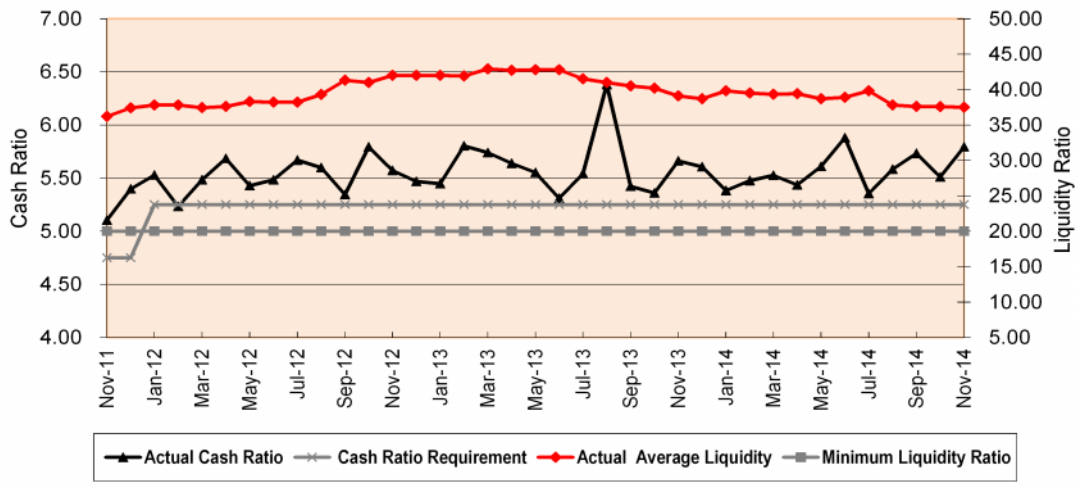
TABLE 5.2 : CASH AND LIQUIDITY RATIOS* (%)

	2013		2014										
	Nov	Dec	Jan	Feb	Mar	Apr	May	June	July	Aug	Sep	Oct	Nov
Commercial Banks													
Actual Average Liquidity	39.10	38.70	39.80	39.50	39.32	39.40	38.70	38.90	39.80	37.80	37.60	37.58	37.50
Minimum Liquidity Ratio	20.00	20.00	20.00	20.00	20.00	20.00	20.00	20.00	20.00	20.00	20.00	20.00	20.00
Actual Cash Ratio - All Banks	5.66	5.61	5.38	5.48	5.53	5.44	5.61	5.88	5.35	5.58	5.73	5.51	5.79
Minimum Cash Ratio Requirement	5.25	5.25	5.25	5.25	5.25	5.25	5.25	5.25	5.25	5.25	5.25	5.25	5.25
NBFIs													
Actual Average Liquidity Ratio	32.60	32.60	34.20	34.13	32.69	29.90	26.50	27.80	29.70	26.30	26.10	25.19	25.30
Minimum Liquidity Ratio	20.00	20.00	20.00	20.00	20.00	20.00	20.00	20.00	20.00	20.00	20.00	20.00	20.00

* Monthly average liquidity and cash ratios

Source: Central Bank of Kenya

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



Source: Central Bank of Kenya

KEPSS Kenya Shillings Flows

Kenya Electronic Payments and Settlement System (KEPSS) moved a volume of 212,340 transaction messages worth Ksh 2,023 billion in November 2014 compared with a volume of 237,027 transaction messages valued at Ksh 2,399 billion moved in October 2014, representing a decrease of 15.68 percent and 10.42 percent in value and volume respectively. Compared to November 2013, the volume increased by 20.42 percent from 176,330 transaction messages to 212,340 transaction messages in November 2014 while value increased by 2.06 percent from 1,982 billion to 2,023 billion, indicating increased uptake of KEPSS services by the public.

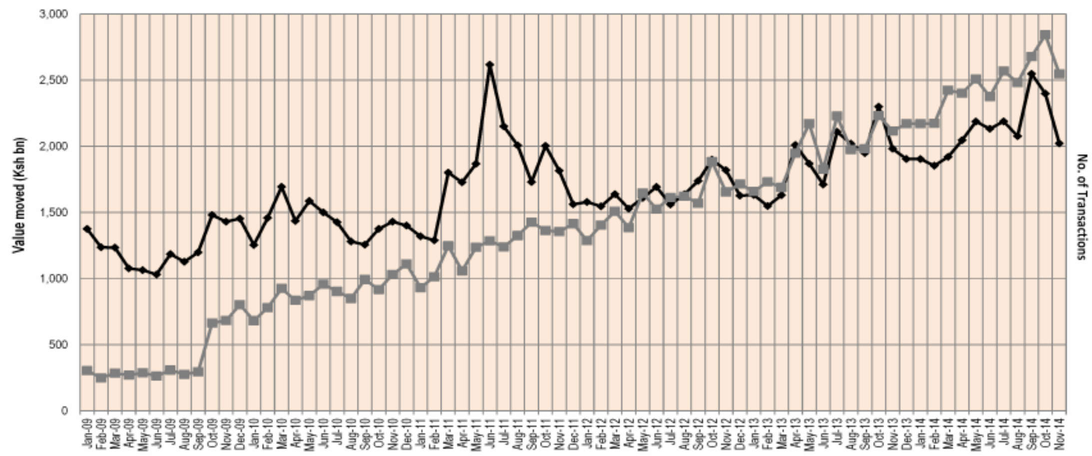
During the twelve months period to November 30, 2014 the value moved averaged Ksh 10 million per transaction. On average, 9,828 transaction messages with an average value of approximately Ksh 101 billion were moved daily (See Table 5.3 and Chart 5B below). Direct settlements through KEPSS from commercial banks accounted for 99.0 percent of the total settlements, while payments processed through the Automated Clearing House (ACH) and settled in KEPSS averaged 1.0 percent.

TABLE 5.3: TRENDS IN MONTHLY FLOWS THROUGH KEPSS

	Total value moved per month (bn)	*Of which indirect {NSI (Ksh bn)}*	No. of Transactions	Average value per transaction (bn)	Days worked	Per day	
						Value (bn)	Transactions
Jan-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
Apr-13	2,011	32	162,432	0.01	20	101	8,122
May-13	1,869	31	181,045	0.01	22	85	8,229
Jun-13	1,712	28	152,310	0.01	20	86	7,616
Jul-13	2,109	35	185,773	0.01	23	92	8,077
Aug-13	2,021	24	164,650	0.01	21	96	7,840
Sep-13	1,949	31	165,175	0.01	21	93	7,865
Oct-13	2,301	30	185,920	0.01	22	105	8,451
Nov-13	1,982	29	176,330	0.01	21	94,381	8,397
Dec-13	1,905	30	180,926	0.01	18	105,811	10,051
Jan-14	1,904	31	180,897	0.01	22	87	8,223
Feb-14	1,853	28	181,123	0.01	20	93	9,056
Mar-14	1,920	31	202,035	0.01	21	91	9,621
Apr-14	2,047	27	200,151	0.01	20	102	10,008
May-14	2,188	28	209,019	0.01	21	104	9,953
Jun-14	2,133	32	198,052	0.01	20	107	9,903
Jul-14	2,189	28	214,091	0.01	22	99	9,731
Aug-14	2,077	28	206,937	0.01	21	99	9,854
Sep-14	2,549	33	223,227	0.01	22	116	10,147
Oct-14	2,399	32	237,027	0.01	22	109	10,774
Nov-14	2,023	21	212,340	0.01	20	101	10,617

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 multiple credit transfers decreased by 11.11 percent from 22,080 transaction messages in October 2014 to 19,626 transaction messages in November 2014 while single third party Message Type (MT 103) used for single credit transfers decreased by 8.37 percent from 245,888 transaction messages to 225,312 transaction messages in the same period. Overall, total third party messages through KEPSS decreased by 8.59 percent from 267,968 transaction messages in October 2014 to 244,938 transaction messages in November 2014.

Compared with November 2013, multiple third party messages (MT 102) increased by 47.95 percent from 13,265 transaction messages to 19,626 transaction messages in November 2014, while single third party messages (MT 103) increased by 21.01 percent from 186,194 transaction messages to 225,312 transaction messages (Table 5.4 and Chart 5C).

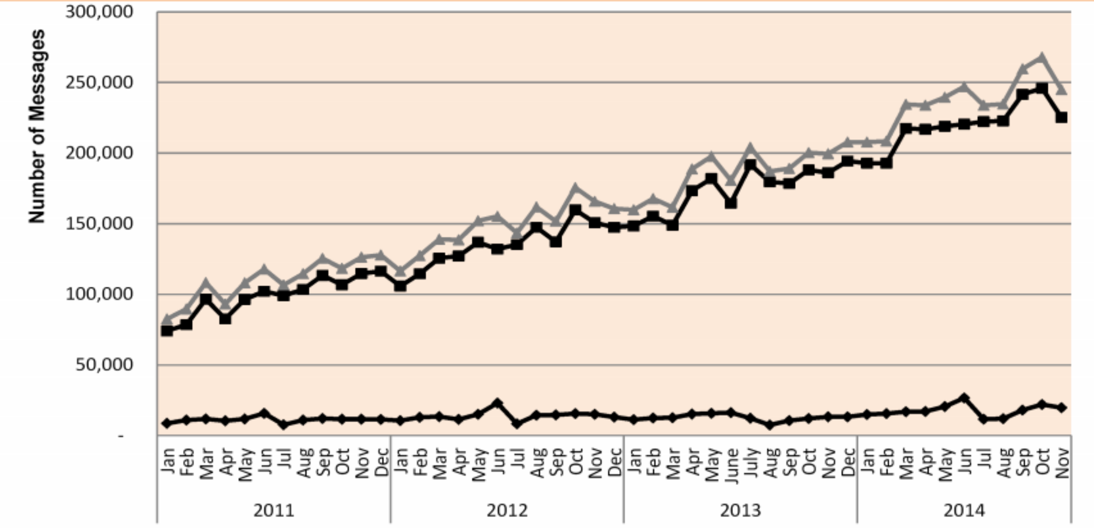
Inter-bank transfers (MT 202) accounted for 38.68 percent of the total value moved through KEPSS as at end of November 2014, while third party (MT 102 and MT 103) messages accounted for 61.32 percent. The total number of third party messages grew by 22.80 percent from 199,459 messages in November 2013 to 244,938 messages in November 2014. This signifies continued growth in KEPSS usage by individuals and non-bank corporate bodies.

TABLE 5.4: TRENDS IN MT102 AND MT103 THROUGH KEPSS

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

Source: Central Bank of Kenya

CHART 5C: TRENDS IN MT102 AND MT103 THROUGH KEPSS

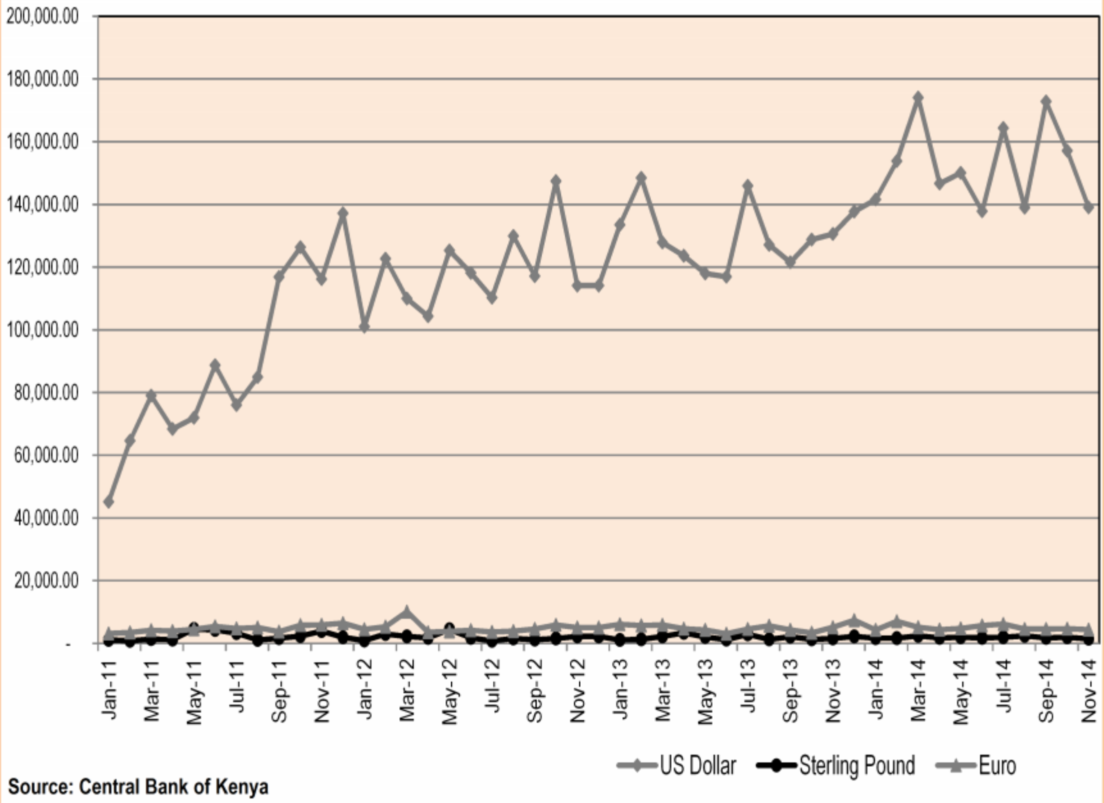


Source: Central Bank of Kenya

Domestic Foreign Currency

Domestic Foreign Currency messages through KEPSS decreased by 9.35 percent from 18,923 transaction messages in October 2014 to 17,154 transaction messages in November 2014. Consequently, the corresponding value in Kenya Shillings equivalent moved in this period decreased by 11.55 percent from Ksh 163.8 billion to Ksh 144.9 billion. The US dollar denominated transactions accounted for 95.97 percent of the value moved (Chart 5D), while the Sterling Pound and the Euro accounted for 1.00 percent and 3.04 percent, respectively.

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



Source: Central Bank of Kenya

GOVERNMENT BUDGET PERFORMANCE

The Government budgetary operations for the first five months of the FY 2014/15 yielded a deficit of Ksh 79.6 billion (1.7 percent of GDP) on both commitment and cash basis compared with a deficit of Ksh 110.4 billion (2.6 percent of GDP) in the same period of the FY 2013/14. This was lower than the Ksh 159.9 billion (3.4 percent of GDP) programmed target for the period.

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

	FY 2013/14	FY 2014/15		
	Nov Actual	Nov Provisional	Target	Over (+) / below(-) Target
1. TOTAL REVENUE & GRANTS	**363.6**	**410.5**	**465.0**	**-54.5**
Revenue	**355.7**	**403.9**	**442.9**	**-39.1**
Tax Revenue	335.0	373.5	393.3	-19.9
Non Tax Revenue	7.9	9.5	10.4	-0.9
Appropriations-in-Aid	12.8	20.9	39.2	-18.3
External Grants	7.9	6.7	22.1	-15.5
2. TOTAL EXPENSES & NET LENDING	**474.0**	**490.1**	**624.9**	**-134.8**
Recurrent Expenses	333.3	302.4	360.3	-57.9
Development Expenses	88.4	117.7	178.5	-60.8
County Transfers	52.2	69.9	86.0	-16.1
Others	0.0	0.0	2.5	-2.5
3. DEFICIT ON A COMMITMENT BASIS (1-2)	**-110.4**	**-79.6**	**-159.9**	**80.3**
As percent of GDP	-2.6	-1.7	*-3.4*	
4. ADJUSTMENT TO CASH BASIS	**0.0**	**0.0**	**0.0**	**0.0**
5. DEFICIT ON A CASH BASIS	**-110.4**	**-79.6**	**-159.9**	**80.3**
As percent of GDP	-2.6	-1.7	-3.4	
6. DISCREPANCY: Expenditure (+) / Revenue (	**-37.4**	**1.4**	**0.0**	**1.4**
7. FINANCING	**73.0**	**80.9**	**162.4**	**-81.4**
Domestic (Net)	64.7	-12.7	115.2	-127.9
External (Net)	8.3	93.6	47.2	46.5
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: National Treasury

Revenue

Total government revenues and grants amounted to Ksh 410.5 billion in the period July – November 2014, representing an increase of Ksh 46.9 billion from Ksh 363.6 billion collected in a similar period of the FY 2013/14. Tax revenue accounted for 91 percent of the total revenue realized. All revenues performed below target, specifically, tax revenue, non-tax revenue, external grants and appropriations-in-aid underperformed by Ksh 19.9 billion, Ksh 0.9 billion, Ksh 15.5 billion and Ksh 18.3 billion, respectively, with respect to the targeted amounts of Ksh 393.3 billion, Ksh 10.4 billion, Ksh 22.1 billion and Ksh 39.2 billion during this period (Table 6.1).

TABLE 6.2: COMPOSITION OF GOVERNMENT REVENUE (Ksh billion)

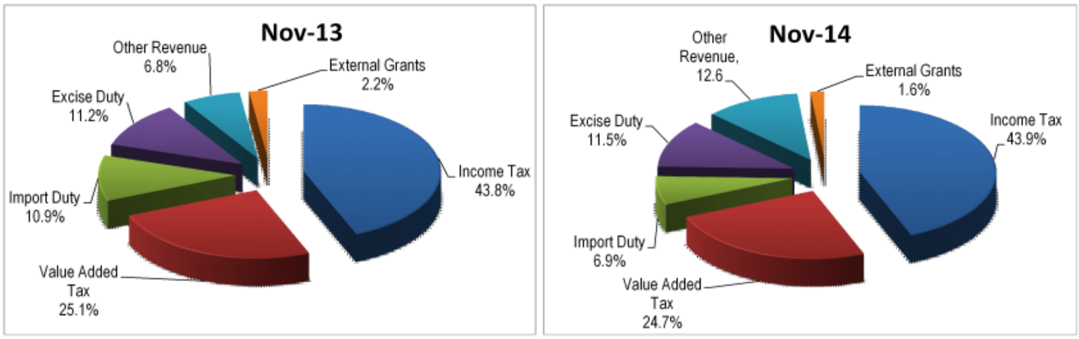
	Nov-13 Ksh bn	Nov-14 Ksh bn	Change
1. Revenue (2+3+4)	**355.7**	**403.9**	**48.2**
2. Tax Revenue	335.0	373.5	38.5
Income Tax	159.2	180.3	21.1
Value Added Tax	91.2	101.5	10.3
Import Duty	39.7	28.2	-11.6
Excise Duty	40.8	47.4	6.5
Others	4.0	16.1	12.0
3. Appropriations-in-Aid	12.81	20.9	8.1
4. Other Revenue	7.9	9.5	1.6
5. External Grants	**7.9**	**6.7**	**-1.2**
TOTAL RECEIPTS (1+5)	**363.6**	**410.5**	**46.9**

Source: National Treasury

Tax revenue grew by Ksh 38.5 billion, equivalent to 11.5 percent increase, from Ksh 335 billion collected for the first five months of the FY 2013/14 to Ksh 373.5 billion collected in a similar period of the FY 2014/15 (Table 6.2). The increase was largely on account of income tax, which grew by Ksh 21.1 billion (13.3 percent) during the period under review. Excise duty, Value Added Tax, other tax revenue, appropriations-in-aid and other revenue increased by Ksh 6.5 billion, Ksh 10.3 billion , Ksh 12.0

billion, Ksh 8.1 billion and Ksh 1.6 billion, respectively. On the other hand, import duty declined by Ksh11.6 billion during the period under review. All taxes except excise duty, underperformed with respect to set targets. The higher than expected performance in Excise Duty resulted from the increase in excisable volumes of both Keg and non-Keg beers.

CHART 6A: COMPOSITION OF GOVERNMENT RECEIPTS



Source: National Treasury

Expenditure and Net Lending

Government expenditure and net lending increased by Ksh 16.1 billion during the period July – November 2014 from Ksh 474.0 billion expended during the same period in the FY 2013/14. Total expenditure during this period amounted to Ksh 490.1 billion, comprising Ksh 302.4 billion, Ksh 117.7 billion and Ksh 69.9 billion in recurrent expenditure, development expenditure and county transfers, respectively.

Recurrent expenditure declined by Ksh 30.9 billion, resulting in underperformance relative to target of Ksh 57.9 billion during the period under review. This decline was largely on account of Ksh 32.9 billion decline in other recurrent expenditure, which was partially offset by increases in salaries and wages and interest payment amounting to Ksh 0.6 billion and Ksh 1.4 billion, respectively. Development expenditure increased by Ksh 29.3 billion but underperformed relative to the set target of Ksh 60.8 billion. County transfers increased to Ksh 69.9 billion from Ksh 52.2 billion in a similar period of the previous financial year but was below target by Ksh 16.1 billion (Table 6.1). The lower than projected absorption in the development budget is attributed to slow absorption of funds from external sources.

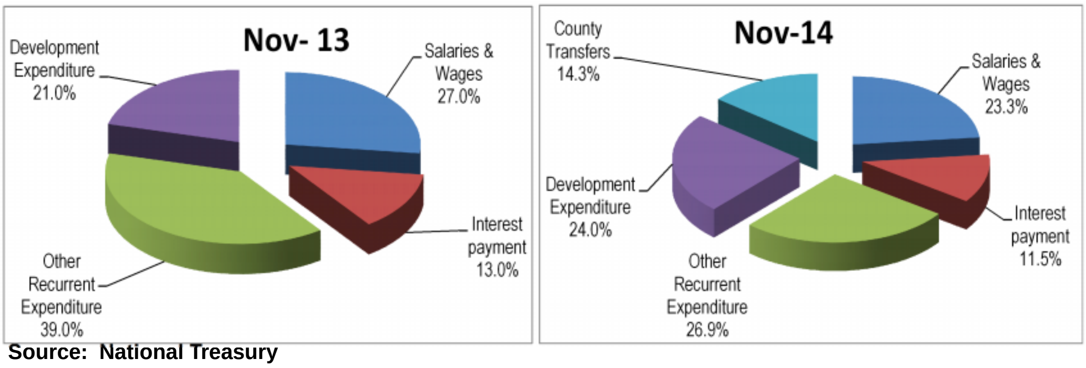
TABLE 6.3: COMPOSITION OF GOVERNMENT EXPENDITURE (Ksh billion)

	Nov-13 Ksh bn	Nov-14 Ksh bn	Movement
1.Recurrent	**333.3**	**302.4**	**-30.9**
Salaries & Wages	113.7	114.4	0.6
Total Interest	55.0	56.4	1.4
of which			
Domestic*	50.9	51.2	0.3
Foreign interest due	4.0	5.2	1.1
Others	164.6	131.7	-32.9
2. Development	**88.4**	**117.7**	**29.3**
3. County Transfers	**52.2**	**69.9**	**17.7**
TOTAL EXPENSES	**474.0**	**490.1**	**16.1**

*Includes commission and other charges paid to CBK

Source: National Treasury

CHART 6B: COMPOSITION OF GOVERNMENT EXPENDITURE



Source: National Treasury

Financing

Budgetary operations of the Government resulted in a financing requirement of Ksh 131.7 billion in the period July – November 2014 compared with Ksh 127.7 billion in the same period of the FY 2013/14. The Government sourced the funds through net external borrowing of Ksh 93.6 billion and additional domestic borrowing of Ksh 37.3 billion. The funds were allocated to bridge the Government budgetary deficit of Ksh 80.9 billion, repayment of domestic debt of Ksh 19.4 billion and buildup of government deposits by Ksh 31.3 billion (Table 6.4). The build-up of Government deposits in part mirror lower than budgeted uptake in development expenses.

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

I. FINANCING REQUIREMENTS	Nov-13	Nov-14
1. Budget deficit	85.5	80.9
2. External debt reduction	0.0	0.0
3. Domestic debt reduction	0.0	19.4
3.1 Central Bank (incl. items in transit)	0.0	19.4
3.2 Commercial banks (net of deposits)	0.0	0.0
3.3 Non-bank sources	0.0	0.0
4. Increase in GoK deposits at CBK	35.0	31.3
TOTAL	127.7	131.7
II. FINANCING SOURCES	**Nov-13**	**Nov-14**
1. Budget surplus	0.0	0.0
2. External debt increase	8.3	93.6
3. Increase in domestic debt	119.5	37.3
3.1 Central Bank	30.8	0.0
3.2 Commercial banks	14.9	33.4
3.3 Non-bank sources	73.8	3.9
4. Reduction in GoK deposits at CBK	0.0	0.0
5. Privatisation proceeds (Net of Restructuring Costs)	0.0	0.0
6. Others (domestic loan repayments)	0.0	0.7
TOTAL	127.7	131.7

Sources: National Treasury and Central Bank of Kenya

Government Borrowing from the Central Bank

The government debt at the Central Bank declined by Ksh 21.4 billion to Ksh 45.7 billion for the period July – November 2014, compared to Ksh 67.2 billion owed in a similar period of the FY 2013/2014. The decrease in the Government's liability to the Central Bank was largely attributed to a decline in utilization of government overdraft facility at the Central Bank as well as decreased holding of rediscounted securities. In addition, the Government repaid Ksh 1.1 billion, through the regular amortization of the pre- 1997 overdraft at the Central Bank. The Government borrowing through overdraft facility at the Central Bank was within the statutory limit.

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

	2013	2014	Movement
	Nov	Nov	
Total Credit	**67.2**	**45.7**	**-21.4**
1. Overdraft	34.2	16.5	-17.7
2. Rediscounted securities	4.1	1.5	-2.6
Treasury bills	4.1	1.4	-2.7
Treasury bonds	0.0	0.0	0.0
3. Pre-1997 Government Overdraft at CBK	28.9	27.8	-1.1
4. IMF funds onlent to Government	0.0	0.0	0.0
5. Cleared items in transit	0.0	0.0	0.0
Memorandum			
Authorised overdraft limit	25.4	39.1	13.8
Amount utilised to date	34.2	16.5	-17.7
Amount available	-8.8	22.6	31.4

Source: Central Bank of Kenya

Outlook for FY 2014/15

In the budget estimates for the FY 2014/15, ordinary revenue is estimated at Ksh 950.5 billion (23.1 percent of GDP) while external grants are estimated at Ksh 78.9 billion (1.7 percent of GDP). Government expenditure is estimated at Ksh 1,470.6 billion (or 30.9 percent of GDP), comprising recurrent expenditure amounting to Ksh 821.9 billion (17.3 percent of GDP), development expenditure amounting to Ksh 455.26 billion (9.57 percent of GDP) and county transfers amounting to Ksh 193.5 billion (4.1 percent of GDP) (Table 6.6).

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

	Ksh (Bn)	% of GDP
1. TOTAL REVENUE	**1,097.6**	**23.1**
Ordinary Revenue	950.5	20.0
Appropriations-in-Aid	68.2	1.4
External Grants	78.9	1.7
2. TOTAL EXPENSES & NET LENDING	**1,470.6**	**30.9**
Recurrent Expenses	821.9	17.3
Development Expenses	455.3	9.6
County Transfer	193.5	4.1
Contigency Fund	0.0	0.0
3. DEFICIT ON A COMMITMENT BASIS (1-2)	**-373.0**	**-7.8**
4. ADJUSTMENT TO CASH BASIS	**0.0**	**0.0**
5. DEFICIT ON A CASH BASIS	**-373.0**	**-7.8**
6. DISCREPANCY: Expenditure (+) / Revenue (-)	**0.0**	**0.0**
7. FINANCING	**372.9**	**7.8**
Domestic (Net)	134.7	2.8
External (Net)	238.2	5.0

Source: National Treasury using the new re-based GDP figures as of Sept 2014

The overall budget deficit including grants on commitment basis is therefore estimated at Ksh 373 billion (7.8 percent of GDP) in 2014/15. The deficit is expected to be financed through net external borrowing of Ksh 238.3 billion and net domestic borrowing of Ksh 134.7 billion.

DEVELOPMENTS IN PUBLIC DEBT

Overall Debt Kenya's public and publicly guaranteed debt increased by Ksh 22.2 billion to reach Ksh 2,392.3 billion in November 2014, from Ksh 2,370.2 billion in June, 2014. The total debt stock at the end of November 2014 was equivalent to 50.3 percent of GDP, compared with 49.8 percent of GDP in June 2014. Both external and domestic debt to GDP ratios increased from 22.8 percent and 27.0 percent in June 2014 to 22.9 percent and 27.4 percent in November 2014, respectively (Table 7.1).

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

	Feb-14	Mar-14	Apr-14	May-14	Jun-14	Jul-14	Aug-14	Sep-14	Oct-14	Nov-14	Change 2014/15
EXTERNAL											
Bilateral	244.2	283.7	288.5	288.4	289.9	286.2	285.3	278.5	275.8	272.3	-17.6
Multilateral	573.3	581.9	587.5	595.6	597.3	604.7	605.8	608.0	612.1	614.0	16.7
Commercial Banks	59.1	59.2	59.1	59.6	182.2	182.5	183.6	185.2	184.9	186.5	4.3
Supplier Credits	15.7	15.7	15.9	14.3	16.5	16.3	16.3	16.1	16.0	16.1	-0.4
Sub-Total	**892.3**	**940.5**	**951.0**	**957.9**	**1085.9**	**1089.7**	**1091.0**	**1087.8**	**1088.8**	**1089.0**	**3.0**
(As a % of GDP)	18.8	19.8	20.0	20.1	22.8	22.9	22.9	22.9	22.9	22.9	
(As a % of total debt)	42.1	42.3	42.3	43.7	45.8	45.7	46.0	46.3	46.6	45.5	
DOMESTIC											
Banks	**664.4**	**663.5**	**632.5**	**644.1**	**682.8**	**698.7**	**682.2**	**665.0**	**638.1**	**698.0**	15.2
Central Bank	73.3	77.2	63.2	68.1	65.7	61.6	62.0	63.6	29.1	45.8	-19.9
Commercial Banks	591.1	586.3	569.3	576.0	617.1	637.1	620.3	601.4	609.0	652.2	35.1
Non-banks	**553.2**	**606.7**	**650.5**	**575.3**	**586.5**	**583.6**	**585.7**	**584.1**	**595.6**	**592.3**	5.8
Pension Funds	304.8	310.6	311.1	313.6	322.9	323.3	323.6	321.2	317.4	318.4	-4.5
Insurance Companies	117.3	117.8	118.3	120.1	121.0	121.1	125.8	127.6	127.8	129.2	8.2
Other Non-bank Sources	131.1	178.3	221.1	141.7	142.6	139.2	136.3	135.2	150.4	144.7	2.1
Non-residents	**11.7**	**14.0**	**13.4**	**13.1**	**14.9**	**14.2**	**13.2**	**11.8**	**12.4**	**13.0**	**-1.9**
Sub-Total	**1229.3**	**1284.2**	**1296.5**	**1232.5**	**1284.2**	**1296.4**	**1281.1**	**1260.9**	**1246.1**	**1303.3**	**19.1**
(As a % of GDP)	25.8	25.9	25.6	25.9	27.0	27.3	26.9	26.5	26.2	27.4	
(As a % of total debt)	57.9	57.7	57.7	56.3	54.2	54.3	54.0	53.7	53.4	54.5	
GRAND TOTAL	**2121.6**	**2224.7**	**2247.4**	**2190.4**	**2370.2**	**2386.1**	**2372.1**	**2348.7**	**2335.0**	**2392.3**	22.1
(As a % of GDP)	44.6	45.6	45.6	46.0	49.8	50.2	49.9	49.4	49.1	50.3	

Sources: National Treasury and Central Bank of Kenya

Domestic Debt The total stock of domestic debt increased by Ksh 19.1 billion during the first five months of the FY 2014/15 to reach Ksh 1,303.4 billion in November 2014, resulting in a 0.4 percent increase in domestic debt to GDP ratio to 27.4 percent. This was largely on account of an increase in government securities of Ksh 41 billion which offset the decrease in other debt and non-interest bearing debt. The share of domestic debt in total debt increased from 54.2 percent in June, 2014 to 54.5 percent in November 2014 (Table 7.1).

TABLE 7.2: GOVERNMENT GROSS DOMESTIC DEBT (Ksh billion)

	2014												Change
	June	%	July	%	Aug	%	Sep	%	Oct	%	Nov	%	Jun 14 - Nov 14
Total Stock of Domestic Debt (A+B)	1,284.3	100.0	1,296.4	100.0	1,281.1	100.0	1,260.9	100.0	1,246.1	100.0	1,303.3	100.0	19.0
A. Government Securities	1,242.4	96.7	1,261.3	97.3	1,246.6	98.9	1,223.7	97.0	1,233.8	94.7	1,283.5	98.5	41.0
1. Treasury Bills (excluding Repo Bills)	299.4	23.3	319.2	24.6	305.6	24.2	276.0	21.9	283.9	21.8	302.0	23.2	2.6
Banking institutions	176.5	13.7	199.7	15.4	187.4	14.9	162.9	12.9	173.5	13.3	196.1	15.0	19.6
Others	123.0	9.6	119.5	9.2	118.2	9.4	113.2	9.0	110.4	8.5	105.9	8.1	(17.1)
2. Treasury Bonds	914.8	71.2	914.4	70.5	913.2	72.4	919.9	73.0	922.1	70.7	953.7	73.2	38.9
Banking institutions	436.4	34.0	436.2	33.6	433.2	34.4	437.8	34.7	436.9	33.5	454.3	34.9	17.9
Pension Funds	247.5	19.3	322.9	24.9	255.7	20.3	259.4	20.6	255.7	19.6	262.0	20.1	14.5
Others	230.9	18.0	155.3	12.0	224.4	17.8	222.7	17.7	229.5	17.6	237.4	18.2	6.5
4. Non-Interest Bearing Debt	28.3	2.2	27.7	2.1	27.8	2.2	27.8	2.2	27.8	2.1	27.8	2.1	(0.5)
Of which: Repo T/Bills	28.3	2.2	27.7	2.1	27.7	2.2	27.7	2.2	27.7	2.1	27.7	2.1	(0.6)
B. Others:	41.9	3.3	35.2	2.7	34.5	2.7	37.2	3.0	12.4	0.9	19.9	1.5	(22.0)
Of which CBK overdraft to Government	37.2	2.9	31.7	2.4	30.4	2.4	34.4	2.7	18.3	1.4	18.3	1.4	(18.9)

Source: Central Bank of Kenya

Treasury Bills

Treasury bill holdings, excluding repos, increased by Ksh 2.6 billion from Ksh 299.4 billion in June 2014 to Ksh 302 billion in November 2014 (Table 7.2). The proportion of Treasury bills to total domestic debt decreased marginally to 23.2 percent in November 2014 from 23.3 percent in June 2014. The dominant investors in Treasury Bills were commercial banks (64.5 percent) and pension funds (18.7 percent) in November 2014 (Table 7.3).

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

	2014												Change
Holders	June	%	July	%	Aug	%	Sep	%	Oct	%	Nov	%	Jun 14 - Nov 14
Banking Institutions	176.5	58.9	199.7	62.6	187.4	67.9	162.9	59.0	173.5	61.1	196.1	64.9	19.7
Central Bank	0.0	0.0	2.0	0.6	3.7	1.3	1.4	0.5	1.4	0.5	1.4	0.5	1.4
Comm. Banks	176.4	58.9	197.6	61.9	183.7	66.5	161.5	58.5	172.1	60.6	194.7	64.5	18.3
Insurance Companies	19.9	6.6	20.5	6.4	23.3	8.4	25.9	9.4	24.1	8.5	24.5	8.1	4.7
Parastatals	4.2	1.4	4.2	1.3	3.1	1.1	3.1	1.1	3.6	1.3	3.1	1.0	-1.1
Pension Funds	67.8	22.6	67.6	21.2	67.8	24.6	61.9	22.4	61.7	21.7	56.4	18.7	-11.4
Others	31.1	10.4	27.1	8.5	24.0	8.7	22.2	8.1	21.0	7.4	21.8	7.2	-9.3
Total	**299.4**	**100.0**	**319.2**	**100.0**	**305.6**	**100.0**	**276.0**	**100.0**	**283.9**	**100.0**	**302.0**	**100.0**	2.6

Source: Central Bank of Kenya

Treasury Bonds

Outstanding Treasury bonds increased by Ksh 38.9 billion, from Ksh 914.8 billion in June 2014 to Ksh 953.7 billion in November 2014. The proportion of Treasury bonds in domestic debt increased from 71.2 percent in June 2014 to 73.2 percent in November 2014 (Table 7.2). The holding of Treasury bonds by dominant investors was as follows: Ksh 454.8 billion, Ksh 262 billion and Ksh 104.7 billion absorbed by commercial banks, Pension Funds and Insurance companies, respectively. The proportion of holdings of Treasury bonds by pension funds increased from 27.1 percent to 27.5 percent while the proportion held by insurance companies declined from 11.1 percent to 11 percent during the period under review. Meanwhile, the proportion of holdings by commercial banks, the Central Bank on-bank financial institutions and other holders remained constant during the period under review (Table 7.4).

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

Holders	June	%	July	%	Aug	%	Sep	%	Oct	%	Nov	%	Change Jun 14 - Nov 14
Banking Institutions	436.4	47.7	436.2	47.7	433.2	47.4	437.8	47.6	436.9	45.8	454.9	47.7	18.5
Central Bank	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Comm. Banks	436.3	47.7	436.1	47.7	433.1	47.4	437.7	47.6	436.9	45.8	454.8	47.7	18.5
NBFIs	0.2	0.0	0.2	0.0	0.2	0.0	0.2	0.0	0.2	0.0	0.2	0.0	0.0
Insurance Companies	101.2	11.1	100.6	11.0	102.6	11.2	101.7	11.1	103.7	10.9	104.7	11.0	3.5
Parastatals	34.4	3.8	34.1	3.7	34.2	3.7	32.9	3.6	32.9	3.5	32.9	3.5	-1.5
Of which: NSSF	16.2	1.8	16.1	1.8	16.1	1.8	14.9	1.6	14.9	1.6	14.9	1.6	-1.3
Building Societies	0.5	0.1	0.5	0.1	0.5	0.1	0.5	0.1	0.6	0.1	0.6	0.1	0.1
Pension Funds	247.5	27.1	322.9	35.3	255.7	28.0	259.4	28.2	255.7	26.8	262.0	27.5	14.5
Others	94.7	10.3	19.9	2.2	86.9	9.5	87.4	9.5	92.1	9.7	98.5	10.3	3.8
Total	**914.8**	**100.0**	**914.4**	**100.0**	**913.2**	**100.0**	**919.9**	**100.0**	**922.1**	**96.7**	**953.7**	**100.0**	**38.9**

Source: Central Bank of Kenya

Domestic Debt Maturity structure

Total domestic debt as at November 2014 amounted to Ksh 1,303.4 billion. Government securities worth Ksh 48.5 billion will fall due in November 2014, comprising Ksh 12.7 billion, Ksh 14.3 billion and Ksh 6.09 billion in 91-day, 182-day and 364-day Treasury bills, respectively.

The average length of maturity of existing domestic debt rose to 5 years and 1 month in October 2014 from 4 years and 10 months in June 2014.

TABLE 7.5: DOMESTIC DEBT MATURITY STRUCTURE (Ksh billion)

		2014												Change Jun 14 to Nov 14
	%	Jun	%	Jul	%	Aug	%	Sep	%	Oct	%	Nov	%	
Treasury bills	91-Day	54.7	4.3	59.4	4.6	52.1	4.1	32.7	2.6	27.7	2.1	32.3	2.5	-22.4
	182-Day	88.9	6.9	93.9	7.2	85.8	6.7	65.2	5.2	57.8	4.4	58.7	4.5	-30.2
	364-Day	155.8	12.1	165.3	12.8	146.7	11.5	157.6	12.5	176.5	13.5	211.0	16.2	55.2
Treasury Bonds	1-Year	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	2-Year	166.7	13.0	174.5	13.5	158.2	12.4	158.2	12.5	144.5	11.1	144.5	11.1	-22.2
	3-Year	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	4-Year	29.9	2.3	29.9	2.3	29.9	2.3	29.9	2.4	29.9	2.3	29.9	2.3	0.0
	5-Year	175.3	13.6	175.3	13.5	188.7	14.7	175.5	13.9	175.5	13.5	175.5	13.5	0.2
	6-Year	40.7	3.2	40.7	3.1	40.7	3.2	40.7	3.2	40.7	3.1	40.7	3.1	0.0
	7-Year	17.0	1.3	8.7	0.7	8.7	0.7	8.7	0.7	8.7	0.7	8.7	0.7	-8.3
	8-Year	40.9	3.2	40.9	3.2	40.9	3.2	40.9	3.2	40.9	3.1	40.9	3.1	0.0
	9-Year	18.2	1.4	18.2	1.4	18.2	1.4	18.2	1.4	18.2	1.4	18.2	1.4	0.0
	10-Year	131.1	10.2	131.1	10.1	131.1	10.2	146.7	11.6	146.7	11.3	146.7	11.3	15.6
	11-Year	4.0	0.3	4.0	0.3	4.0	0.3	4.0	0.3	4.0	0.3	4.0	0.3	0.0
	12-Year	45.4	3.5	45.4	3.5	45.4	3.5	45.4	3.6	61.4	4.7	80.9	6.2	35.5
	15-Year	142.9	11.1	142.9	11.0	142.9	11.2	142.9	11.3	142.9	11.0	155.0	11.9	12.1
	20-Year	60.5	4.7	60.5	4.7	60.5	4.7	60.5	4.8	60.5	4.6	60.5	4.6	0.0
	25-Year	20.2	1.6	20.2	1.6	20.2	1.6	20.2	1.6	20.2	1.5	20.2	1.5	0.0
	30-Year	22.1	1.7	22.1	1.7	23.9	1.9	28.1	2.2	28.1	2.2	28.1	2.2	6.0
	Repo T bills	28.3	2.2	27.7	2.1	27.7	2.2	27.7	2.2	27.7	2.1	27.7	2.1	-0.6
	Overdraft	39.1	3.0	31.7	2.4	30.4	2.4	34.4	2.7	18.3	1.4	18.3	1.4	-20.8
	Other Domestic debt	2.76	0.22	4.1	0.3	25.2	2.0	23.4	1.9	16.0	1.2	1.6	0.1	-1.1
Total Debt		1284.33	100.00	1296.4	100.0	1281.1	100.0	1260.9	100.0	1246.1	95.6	1303.3	100.0	19.0

Source: Central Bank of Kenya

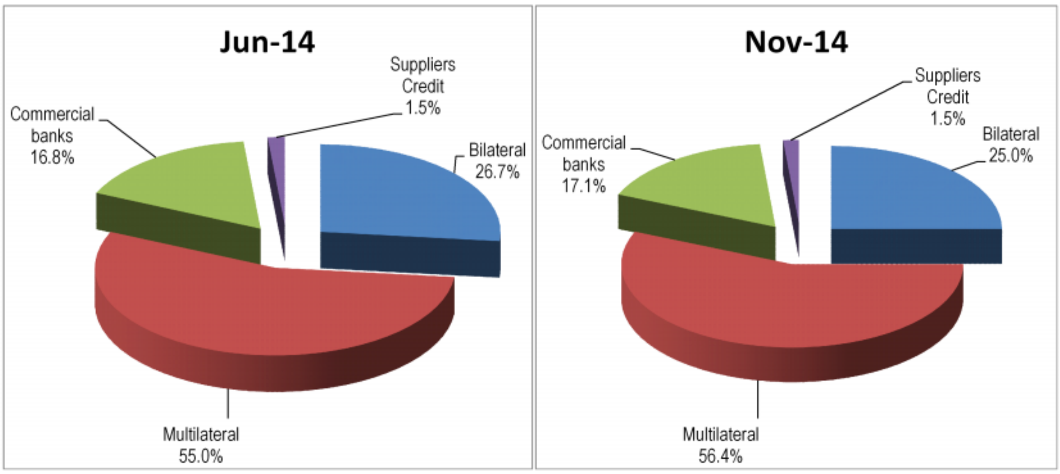
External Debt

Kenya's public and publicly guaranteed external debt increased by Ksh 3.0 billion to Ksh 1,089.0 billion in November 2014, from Ksh 1085.9 billion in June, 2014 (Table 7.1). The amount of public external debt to the central government was Ksh 1048.5 billion, while the rest was to parastatals guaranteed by the government. The African Development Bank (ADB) and International Development Association (IDA) collectively accounted for Ksh 5.5 billion of the increase in multilateral debt, while France and China accounted for Ksh 0.7 billion and Ksh 1.0 billion, respectively, of the increase in bilateral debt. Japan's contribution to the bilateral debt reduced by Ksh 0.2 billion, during the period under review. The growth in external debt during this period was largely driven by exchange rate revaluations.

Composition of External Debt by Creditor

Kenya's official external creditors, the multilateral and bilateral lenders, accounted for 37.1 percent of total public and publicly guaranteed debt by November 2014. The proportion of external debt owed to commercial banks increased from 16.8 percent in June 2014 to 17.1 percent in November 2014, while that owed to bilateral lenders declined from 26.7 percent, in June 2014 to 25 percent in November 2014. The share of external debt owed to multilateral lenders increased from 55.0 percent in June 2014 to 56.4 percent in November 2014 (Chart 7A).

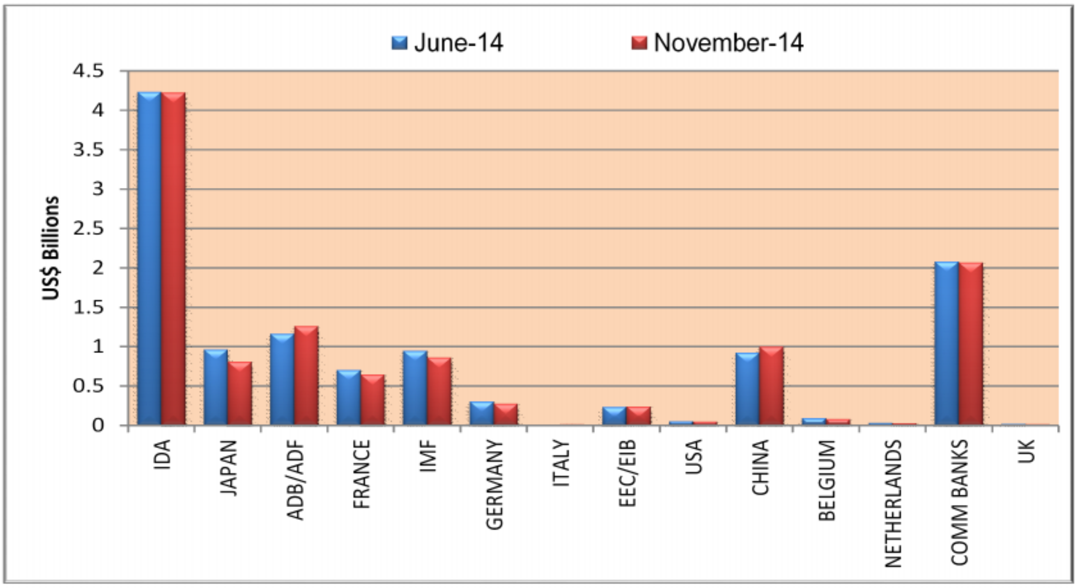
CHART 7A: COMPOSITION OF EXTERNAL DEBT



Source: National Treasury

Debt owed to IDA, Kenya's largest multilateral lender, amounted to USD 4.2 billion or 35 percent of total external debt while that owed to Japan, Kenya's largest bilateral lender, amounted to USD 0.8 billion, which is equivalent to 6.7 percent of the total external debt at the end of November 2014 (Chart 7B).

CHART 7B: EXTERNAL DEBT BY CREDITOR

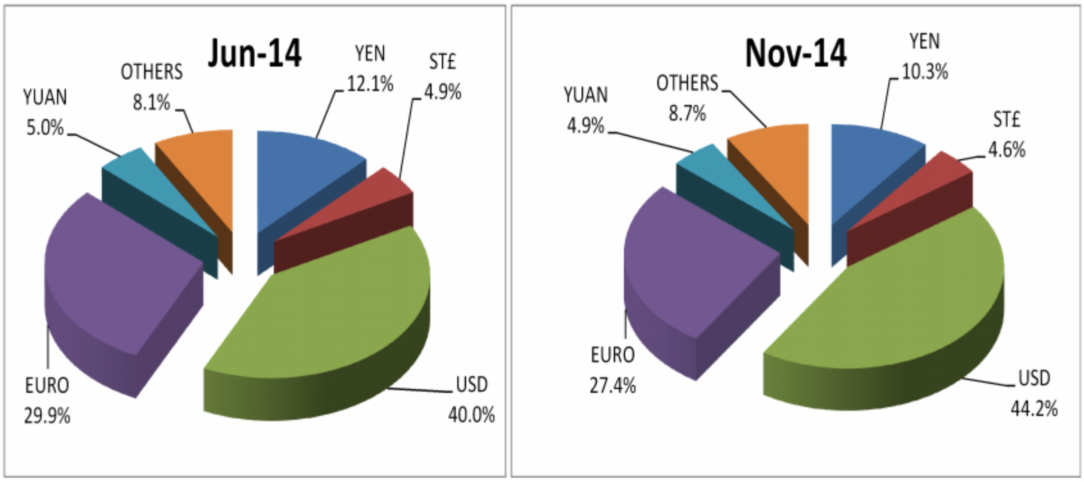


Source: National Treasury

Currency Composition of External Debt

The proportion of external debt denominated in the US dollar increased slightly from 40 percent in June 2014 to 44.2 percent in November 2014, while that denominated in Japanese Yen and Euro declined from 12.1 percent and 29.9 percent, respectively, to 10.3 percent and 27.4 percent, respectively, during the period under review (Chart 7C).

CHART 7C: EXTERNAL DEBT DISTRIBUTION BY CURRENCY



Source: National Treasury

Public Debt Service

Cumulative interest and other charges on domestic debt for first five months of FY 2014/15 amounted to Ksh 51.2 billion compared with Ksh 47.1 billion during a similar period of the FY 2013/14. This comprised of interest and other charges on Treasury bills and Treasury bonds amounting to Ksh 13.4 billion and Ksh 36.7 billion, respectively. In addition, collective interest on Government overdraft and the Pre-97 overdraft, amounted to Ksh 1.2 billion. External debt service the first five months of FY 2014/15, amounted to Ksh 1.8 billion, comprising Ksh 0.8 billion in principal repayments and Ksh 1 billion in interest payments.

Performance for the FY 2014/15

Total public and publicly guaranteed external debt is estimated at Ksh 1,195.7 billion (25.8 percent of GDP), of which gross and net domestic debt stand at Ksh1, 274.7 billion (27.5 percent of GDP) and Ksh 1,213.4 billion (26.2 percent of GDP), respectively.

Activity in the Stock Market

Equity market segment leading indicators had mixed performance, with Equity Turnover and NSE 20 share Index declining but the rest rising. The net foreign investors' interest at the NSE improved, with more foreign purchases than sales. The bond market segment recorded gains.

Equity Market

The NSE 20 Share Index closed 38.56 points lower in November 2014 compared to its level in October 2014. NASI improved to 163.27 points from 159.23 points during the period. Similarly, Market Capitalization closed the month higher at Ksh 2,303.15 billion from Ksh 2,246.61 billion. The volume of shares traded increased by 31.60 percent despite equities turnover declining by 26.64 percent on account drop in prices. This may reflect seasonality factors and anticipation of capital gain tax re-introduction from January 1, 2015

TABLE 8.1: SELECTED STOCK MARKET INDICATORS

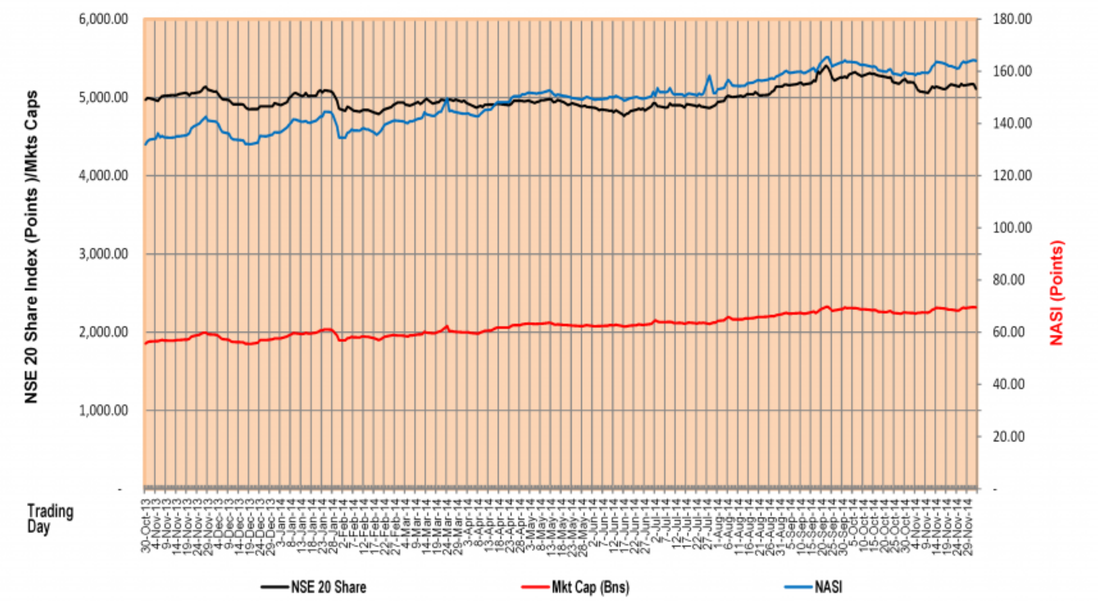
Period (Month)	NSE 20 Share Index (1966=100)	NASI (2008=100)	Number of Shares Traded (Millions)	Equities Turnover (Ksh Millions)	Market Capitalization (Ksh Billions)	Bond Turnover (Ksh Millions)	FP to Equity Turnover	FS to Equity Turnover	Overall net FP to Equity Turnover
Jan-13	4,416.60	103.50	518.71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

Source: Nairobi Securities Exchange

Foreign Investors participation dominated the NSE activities, with overall net foreign participation to total equity turnover closing higher at 56.53 percent in November 2014 from 53.95 percent in October 2014. Foreign purchases accounted for 65.37 percent of total equity turnover against 47.69 percent foreign sales, reflecting net inflow (Chart 8.1).

The NSE 20 Share Index declined further in November 2014 but NASI re-bounced to its historic high. Shareholders' wealth measured by market capitalization reached its previous historical high of 2.3 trillion-mark in November 2014 (Chart 8A).

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



Source: Nairobi Securities Exchange

Most Active Sectors & FTSE NSE Kenya Index Series

Telecommunication and Technology, Banking, and Manufacturing and Allied sectors dominated trading, accounting for 50.06 percent, 18.32 percent and 11.79 percent respectively of all shares traded in the month.

FTSE NSE Kenya 15 Index, which measures performance of 15 largest stocks by market capitalization at NSE improved to 213.52 points in November 2014 from 208.21 points in October 2014. FTSE NSE Kenya 25 Index that measures performance of 25 most liquid stocks improved to 214.99 points from 207.87 points in October 2014. The FTSE NSE Kenyan Government Bond Index improved to 94.45 points from 93.33 points, reflecting decline in market yields.

Bond Market

Bonds turnover increased by 32.57 percent in November 2014, with a total Ksh 50,483.94 million traded down from Ksh 38,080.27 million in October 2014. Corresponding deals were 706 up from 596 deals in October 2014. The IFB1/2014/012 dominated trading, at 27.91 percent of total turnover, with yields ranging from 10.50 percent to 11.34 percent against a coupon rate of 11 percent. The Corporate bonds segment traded Ksh 169.15 million, with KENB dominating at Ksh 161.38 million bonds traded.

Statement of Financial Position Of The Central Bank of Kenya

(Kenya shillings million)

1.0 ASSETS	NOV 2014	JUNE 2014	INCREASE/ (DECREASE)	NOV 2013
1.1 BALANCES DUE FROM BANKING INSTITUTIONS AND GOLD HOLDINGS	663,155	759,650	(96,495)	548,870
1.2 FUNDS HELD WITH IMF	2,313	692	1,621	1,369
1.3 ITEMS IN THE COURSE OF COLLECTION	35	70	(35)	57
1.4 ADVANCES TO COMMERCIAL BANKS	86	50	36	3,519
1.5 LOANS AND OTHER ADVANCES	19,480	40,463	(20,983)	38,216
1.6 OTHER ASSETS	2,634	3,142	(508)	3,225
1.7 RETIREMENT BENEFIT ASSET	7,659	7,659	0	2,967
1.8 PROPERTY AND EQUIPMENT	13,775	13,811	(36)	12,453
1.81 INTANGIBLE ASSETS	492	639	(147)	828
1.9 DUE FROM GOVERNMENT OF KENYA	27,779	28,334	(555)	28,889
TOTAL ASSETS	737,409	854,510	(117,102)	640,393
2.0 LIABILITIES				
2.1 CURRENCY IN CIRCULATION	210,315	199,966	10,349	197,498
2.2 INVESTMENTS BY BANKS	12,082	-	12,082	-
2.3 DEPOSITS	313,371	448,800	(135,428)	257,123
2.4 INTERNATIONAL MONETARY FUND	125,358	130,064	(4,706)	120,659
2.5 OTHER LIABILITIES	1,348	5,097	(3,749)	1,255
2.6 PROVISIONS	157	157	0	123
TOTAL LIABILITIES	662,631	784,084	(121,453)	576,658
3.0 EQUITY AND RESERVES	74,777	70,426	4,351	63,735
Share Capital	5,000	5,000	-	5,000
General reserve fund	51,430	51,432	(2.483)	39,056
Period surplus	4,351		4,351	10,780
Asset Revaluation	8,853	8,853	0.162	8,899
Retirment Benefit Asset Reserves	5,144	5,141	2.518	
Dividends payable	-	-	-	-
4.0 TOTAL LIABILITIES AND EQUITY	737,409	854,510	(117,102)	640,393

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 decreased by Ksh 96,495 million to Ksh 663,155 million in November 2014 from Ksh 759,650 million in June 2014. The decline reflects repayment of syndicated loans in July 2014 and sale of foreign exchange in the interbank market to stem volatility in the exchange rate.

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 November 2014 were Ksh 35 million, representing 50.0 percent recovery from Ksh 70 million outstanding as at June 2014.

Advances to commercial banks are balances of money advanced by Central Bank to commercial banks through reverse Repo (injection of liquidity) for a short duration of 7 days and rediscounted Treasury bills and bonds by commercial banks. The balance outstanding increased by Ksh 36 million to Ksh 86 million in November 2014 from Ksh 50 million in June 2014.

Loans and Advances class of asset includes mainly outstanding balances on advances to commercial banks under the Overnight Loan Facility (OLF) Window, Government overdraft and IMF fund on-lent to Government. The balances decreased by Ksh 20,983 million to Ksh 19,480 million in November 2014 from Ksh 40,463 million in June 2014.

Other Assets largely consist of prepayments and sundry debtors, and deferred currency expense. Other assets decreased by Ksh 508 million to Ksh 2,634 million in November 2014 from Ksh 3,142 million in June 2014.

Due from Government of Kenya asset 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 debt reduced to Ksh 27,779 million in November 2014 from Ksh 28,334 million in June 2013.

Liabilities

Currency in circulation increased by Ksh 10,349 million to Ksh 210,315 million in November 2014 from Ksh 199,966 million in June 2014.

Deposits liability represents deposits held by Government of Kenya, local commercial banks deposit, other public entities and project accounts and local banks' forex settlement accounts. The balances decreased by Ksh 135,428 million to Ksh 313,371 million in November 2014 from Ksh 448,800 million in June 2014 partly reflecting repayments of syndicated loans in July 2014 and increased Government payments.

Amount due to International Monetary Fund represents the Banks obligations to the IMF. The balances decreased by Ksh 4,706 million to Ksh 125,358 in November 2014 from Ksh 130,064 million in June 2014.

Other liabilities include net impersonal accounts, sundry creditors, foreign exchange bureaus deposits and suspense accounts. The balance decreased by Ksh 3,749 million to Ksh 1,348 million in November 2014 from Ksh 5,097 million in June 2014.

Equities and reserves increased by Ksh 4,351 million to Ksh 74,777 million in November 2014 from Ksh 70,426 million in June 2014 reflecting increases of Ksh 4,351 million in period surplus.