MONTHLY ECONOMIC REVIEW
NOVEMBER 2015
The Monthly Economic Review, prepared by the Central Bank of Kenya starting with the June 1997 edition, is available on the internet at:
http://www.centralbank.go.ke

CONTENTS

Enquiries concerning this publication should be addressed to: The Director, Research, Central Bank of Kenya, P. O. Box 60000-00200, Nairobi.
email: Researchstat@centralbank.go.ke

Overview

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

Inflation Overall 12-month inflation rose by 60 basis points in November 2015 largely reflecting a rise in food inflation. However, non-food non-fuel inflation remained relatively stable.

Money Supply Annual growth in broad money, M3, moderated to 13.5 percent in the year to November 2015 from a growth of 13.9 percent recorded in October 2015.

Interest Rates The short term interest rates declined in November 2015 while the interest rate speed increased.

Real GDP Growth The Kenyan economy grew by 5.8 percent in the third quarter of 2015, supported by higher public investment spending in the construction sector and improved weather conditions that boosted agricultural and hydro-power electricity production.

Balance of Payments Kenya's overall balance of payments position deteriorated by USD 932 million to USD 60 million deficit in the year to November 2015 from a surplus of USD 872 million in the year to November 2014 reflecting a larger reduction in the capital and financial account surplus.

Exchange Rates The Kenya shilling strengthened against major international currencies but displayed mixed performance against the EAC currencies during the month of November 2015. The performance of the Kenya Shilling during the review period was a reflection of developments on the domestic market.

Banking Sector Developments The Kenyan banking sector comprised 42 commercial banks, 1 mortgage finance company, 12 microfinance banks, 8 representative offices of foreign banks, 82 foreign exchange bureaus, 15 money remittance providers and 3 credit reference bureaus as at November 30, 2015.

Government Budgetary Performance

The Government's budgetary operations during the first five months of the FY 2015/16 resulted in a deficit of Ksh 150.4 billion (2.8 percent of GDP) on a commitment basis compared with a deficit of Ksh 79.6 billion (1.7 percent of GDP) incurred in the same period of the FY 2014/15.

Public Debt

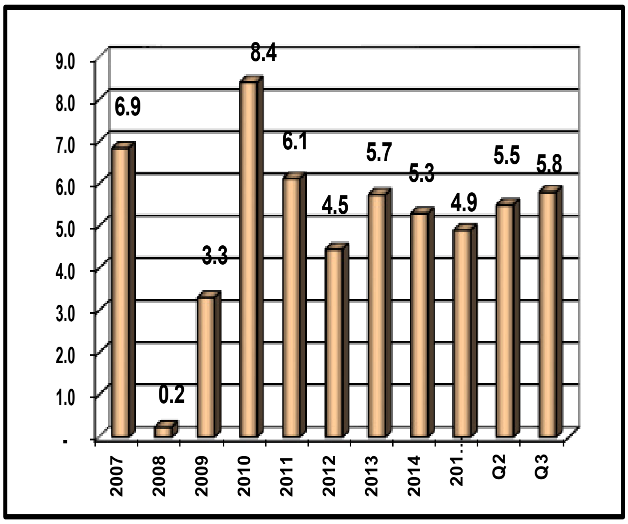
Kenya's public and publicly guaranteed debt increased by 8.8 percent between June and November 201.

Stock Market

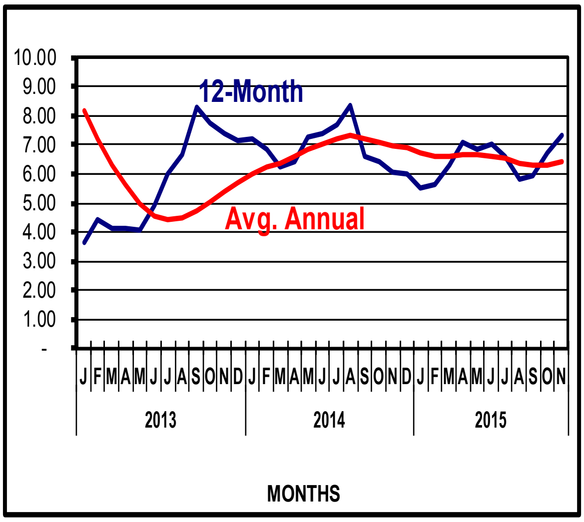
Capital markets recorded mixed performance in November 2015 as reflected by leading market indicators.

SELECTED ECONOMIC PERFORMANCE INDICATORS

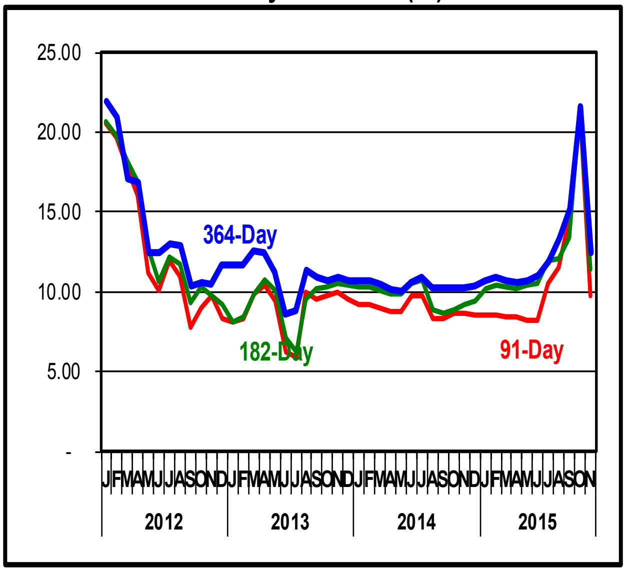
Real GDP Growth (%)



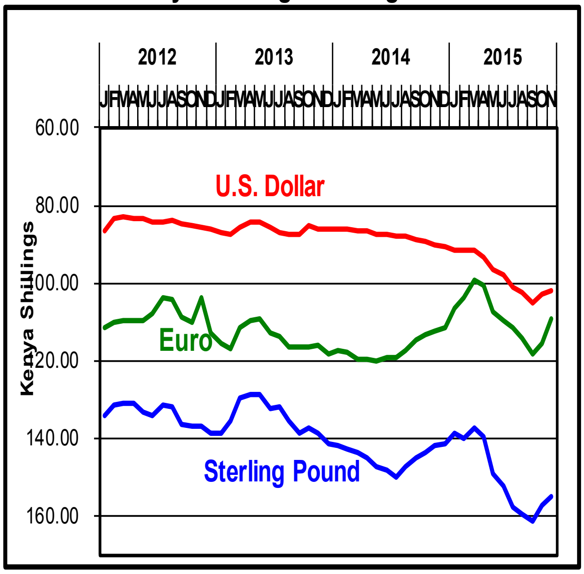
Inflation (%)



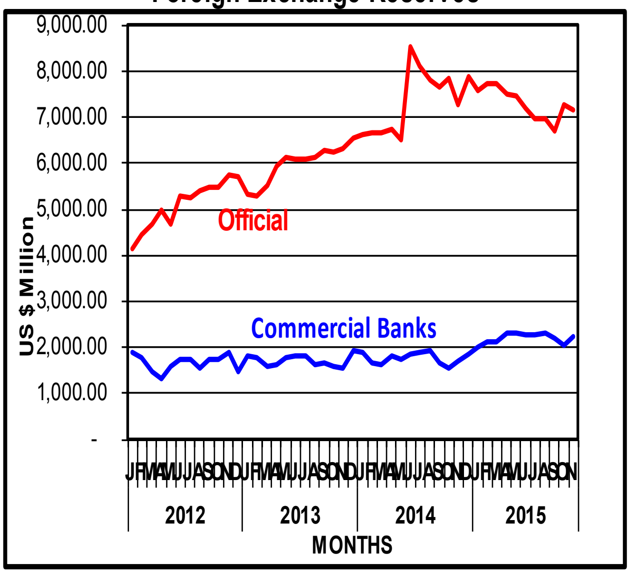
Treasury Bill Rates (%)



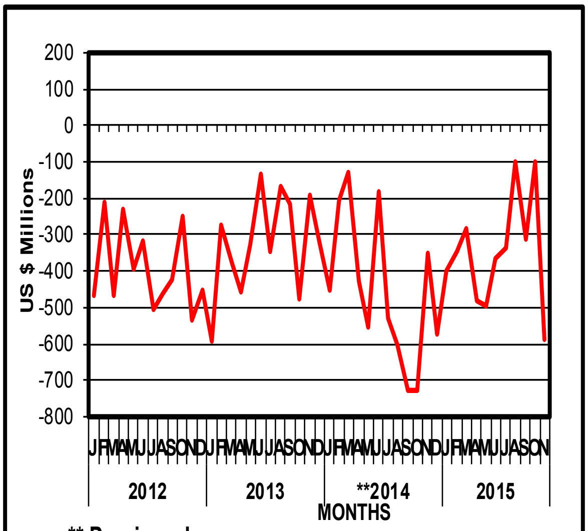
Kenya Shilling Exchange Rate



Foreign Exchange Reserves



Current Account Balance



** Provisonal

SELECTED ANNUAL ECONOMIC INDICATORS

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

* Provisional.
** Rebased data
*** Fiscal year to June 30th.
**** Based on 36 months average of imports of goods and non-factor services
\[1] Previously M3XT
\[2] Previously M3X
\[3] Revised

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

SELECTED MONTHLY ECONOMIC INDICATORS

	2014		2015										
INDICATOR	**Nov**	**Dec**	**Jan**	**Feb**	**Mar**	**Apr**	**May**	**Jun**	**Jul**	**Aug**	**Sep**	**Oct**	**Nov**
1. INFLATION (%)													
CPI	**151.85**	**152.51**	**153.43**	**154.14**	**155.86**	**158.70**	**159.98**	**160.46**	**160.57**	**160.90**	**161.33**	**162.13**	**162.97**
Overall Inflation													
12-month overall inflation	6.09	6.02	5.53	5.61	6.31	7.08	6.87	7.03	6.62	5.84	5.97	6.72	7.32
Average annual overall inflation	6.97	6.88	6.74	6.63	6.63	6.69	6.65	6.63	6.54	6.34	6.29	6.31	6.42
2. INTEREST RATES (%)													
91-day Treasury bill interest rate	8.64	8.58	8.59	8.59	8.49	8.42	8.26	8.26	10.57	11.54	14.61	21.65	12.335
Overdraft interest rate	15.66	15.86	15.95	15.67	15.68	15.52	15.10	15.65	16.05	15.98	16.65	16.81	17.59
3. STOCK MARKET													
Nairobi Stock Exchange 20 Share Price Index	5,156.00	5,112.65	5,212.00	5,491.00	5,248.16	5,091.00	4,788.00	4,906.00	4,405.00	4,177.00	4,173.00	3,869	**4016.2**
Turnover Ratio (%)	0.80	1.07	0.50	0.72	0.74	0.59	0.82	0.82	0.86	0.88	0.52	0.65	0.53
4. GOVERNMENT BUDGET* (Ksh bn.)													
Revenue $ Grants	410.52	524.99	614.43	690.52	779.30	888.78	982.30	1,110.55	81.27	165.17	282.49	427.60	459.5
Expenses	490.10	613.96	765.22	864.18	1,133.10	1,264.32	1,347.64	1,610.76	56.98	138.70	254.20	640.87	610.0
Budget Deficit (-) / Surplus (+)	**(79.58)**	**(88.98)**	**(150.79)**	**(173.66)**	**(353.80)**	**(375.55)**	**(365.35)**	**(500.21)**	**24.29**	**26.47**	**28.29**	**(213.27)**	**(150.42)**
5. MONEY AND CREDIT (Ksh bn.)													
Liquidity (L)[1]	3,102.53	3,124.10	2,983.73	3,032.40	3,034.64	3,098.44	3,139.91	3,196.87	3,234.07	3,252.04	3,231.61	3,276.67	**3320.4**
Money Supply (M3)[2]	2,295.15	2,329.98	2,350.80	2,407.83	2,398.76	2,464.48	2501.6	2553.0	2549.0	2569.9	2556.0	2566.6	2593.0
Reserve Money	346.20	380.04	350.15	351.63	346.28	353.10	362.7	372.0	383.3	367.4	376.7	433.9	391.1
Total Domestic Credit	2,162.29	2,137.14	2,332.85	2,415.81	2,444.31	2,492.23	2,558.67	2,638.93	2,724.30	2,775.46	2,785.32	2,768.69	**2807.5**
Government	256.64	204.27	385.89	456.30	469.78	477.64	489.66	522.03	565.65	579.50	553.28	535.32	**555.8**
Private sector and other public sector	1,905.65	1,932.86	1,946.96	1,959.51	1,974.53	2,014.59	2,069.01	2,116.90	2,158.65	2,195.96	2,232.04	2,233.37	2251.6
6. MONEY AND CREDIT (Annual % Change)													
Liquidity (L)[1]	**25.10**	**23.81**	**16.62**	**18.45**	**17.05**	**16.92**	**16.2**	**17.6**	**15.0**	**12.9**	**12.6**	**13.8**	**13.6**
Money Supply (M3)[2]	17.48	16.72	16.00	18.58	16.43	17.32	16.5	18.6	16.4	14.0	13.5	13.6	13.0
Reserve Money	9.29	18.48	15.82	11.45	11.77	12.00	15.0	14.9	25.8	2.9	16.7	24.5	19.8
Total Domestic Credit	**9.92**	**8.02**	**16.02**	**17.41**	**16.51**	**17.12**	**17.5**	**29.2**	**27.9**	**26.9**	**23.3**	**21.7**	**19.9**
Government	(37.21)	(48.57)	(6.64)	3.99	4.43	8.07	5.3	84.4	63.1	55.5	38.3	34.5	**27.7**
Private and other public sector	22.28	22.23	21.88	21.05	19.81	19.49	20.8	20.3	21.0	21.0	20.0	18.9	18.2
7. BALANCE OF PAYMENTS (US$ m)													
Overall Balance	**(559.44)**	**626.49**	**-294.47**	**143.54**	**-13.26**	**-208.60**	**-34.99**	**-238.59**	**-248.64**	**-0.02**	**-251.78**	**568.41**	**-108.43**
Current Account	(381.68)	(621.04)	(371.93)	(317.51)	(281.84)	(479.68)	(496.36)	(365.80)	(334.11)	(101.94)	(310.12)	(99.66)	(589.80)
Trade Balance	(904.62)	(1,098.87)	(946.65)	(770.56)	(732.12)	(962.79)	(1,017.47)	(825.32)	(837.47)	(689.45)	(843.53)	(724.89)	(1,118.61)
Capital and Financial Account	(177.76)	1,247.53	76.68	460.47	267.82	270.18	461.37	127.22	85.47	101.91	58.34	668.07	481.37
8. FOREIGN EXCHANGE RESERVES (US$ m)	**8,964.49**	**9,737.55**	**9,619.76**	**9,873.29**	**9,834.29**	**9,805.54**	**9,798.73**	**9,473.11**	**9,248.79**	**9,265.36**	**8,899.41**	**9,324.30**	**9,411.03**
Official	7,273.99	7,894.92	7,593.04	7,736.58	7,723.31	7,509.44	7,469.23	7,211.56	6,962.93	6,962.90	6,711.13	7,274.30	7,160.73
*Months of import cover***	4.64	5.01	4.80	4.88	4.90	4.75	4.73	4.57	4.42	4.43	4.27	4.64	4.57
Commercial banks	1,690.50	1,842.64	2,026.72	2,136.71	2,110.98	2,296.10	2,329.50	2,261.55	2,285.86	2,302.45	2,188.29	2,050.00	2,250.30
9. PUBLIC DEBT (US$ bn)	**26.56**	**27.16**	**28.28**	**28.97**	**29.10**	**29.35**	**28.94**	**28.96**	**28.39**	**28.43**	**27.91**	**28.79**	**30.13**
Domestic	14.49	14.23	14.42	14.79	15.20	15.15	14.61	14.54	14.02	13.70	13.18	14.15	14.84
As % of GDP	*24.33*	*24.41*	*24.91*	*25.26*	*26.08*	*26.42*	*26.29*	*26.51*	*26.48*	*26.19*	*25.91*	*27.14*	*28.3*
External	*12.08*	*12.92*	*13.86*	*14.17*	*13.90*	*14.20*	*14.33*	*14.42*	*14.37*	*14.74*	*14.72*	*14.64*	*15.3*
As % of GDP	*20.33*	*21.85*	*23.64*	*24.20*	*23.86*	*24.77*	*25.78*	*26.29*	*27.50*	*28.57*	*28.93*	*28.51*	*29.2*
10. GROSS DOMESTIC DEBT (Ksh bn)***	1,303.35	1,287.40	1,317.48	1,353.30	1,397.10	1,415.43	1,408.43	1,420.44	1,418.57	1,403.10	1,387.97	1,454.25	1,516.37
11. AVERAGE EXCHANGE RATE													
Ksh/US$	89.96	90.44	91.36	91.49	91.73	93.44	96.39	97.70	101.20	102.43	105.27	102.79	102.19
Ksh/Pound Sterling	142.05	141.45	138.49	140.21	137.51	139.62	149.10	152.16	157.53	159.77	161.54	157.46	155.09
Ksh/ 100 Yen	77.53	75.79	77.19	77.17	76.22	78.18	79.89	79.00	82.10	83.12	87.64	85.62	83.30
Ksh/Euro	112.28	111.52	106.32	103.94	99.40	100.71	107.54	109.72	111.36	114.09	118.23	115.39	109.39

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

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

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

[1] Previously M3XT

[2] Previously M3X

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

Developments in Inflation

Overall Inflation

Overall 12-month inflation rose by 60 basis points to 7.32 percent in November from 6.72 percent in October 2015. This largely reflects a rise in food and Fuel inflation. However, non-food non-fuel inflation remained relatively stable in October and November 2015. The annual average inflation increased marginally while the three months annualized inflation rate rose significantly, indicating a build-up of inflationary pressures (Table 1.1).

TABLE 1.1: Recent Developments in Inflation (%)

Overall Inflation	2014			2015										
	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov
12-month	6.43	6.09	6.02	5.53	5.61	6.31	7.08	6.87	7.03	6.62	5.84	5.97	6.72	7.32
Average annual	7.08	6.97	6.88	6.74	6.63	6.63	6.69	6.65	6.63	6.54	6.34	6.29	6.31	6.42
Three months annualised	3.56	-0.44	0.70	4.05	6.16	9.09	14.44	16.06	12.32	4.81	2.31	2.19	3.94	5.25
Food inflation	7.95	7.39	7.54	7.38	8.33	10.32	12.54	12.42	12.55	11.42	9.42	9.36	10.60	11.82
Fuel inflation	7.03	6.37	5.98	4.53	3.32	2.87	1.53	0.28	0.24	0.57	1.09	1.46	2.05	2.27
Non-food non-fuel inflation	3.46	3.77	3.65	3.51	3.43	3.16	3.53	4.15	4.63	4.67	4.55	4.68	4.80	4.75

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

The elevated overall inflation in November 2015 is largely supported by the contribution of food inflation at 4.88 percentage points. Fuel inflation contributed 0.75 percentage points to overall inflation which is largely reflected in the 'Housing, Water, Electricity, Gas and other Fuels' category at 0.81 percentage points while transport category exerted downward pressure at 0.06 percentage points. Non-food-non-fuel inflation, although stable, it contributed 1.69 percentage points to overall inflation (Table 1.2).

TABLE 1.2: CONTRIBUTION VARIOUS COMPONENTS OF THE CPI TO OVERALL INFLATION

	Food & Non-Alcoholic Beverages	Alcoholic Beverages, Tobacco & Narcotics	Clothing & Footwear	Housing, Water, Electricity, Gas and other Fuels	Furnishings, Household Equipment and Routine Household Maintenance	Health	Transport	Communication	Recreation & Culture	Education	Restaurant & Hotels	Miscellaneous Goods & Services	Contribution to Overall inflation
2014 Nov	2.72	0.05	0.36	0.83	0.27	0.17	0.87	0.02	0.14	0.17	0.28	0.21	**6.09**
Dec	2.78	0.04	0.33	0.82	0.28	0.17	0.77	0.02	0.14	0.17	0.28	0.21	**6.02**
2015 Jan	2.77	0.05	0.33	0.76	0.29	0.16	0.47	0.03	0.08	0.16	0.23	0.20	**5.53**
Feb	3.14	0.05	0.35	0.61	0.28	0.16	0.31	0.03	0.09	0.14	0.24	0.20	**5.61**
Mar	3.96	0.06	0.34	0.55	0.27	0.15	0.26	0.04	0.09	0.14	0.24	0.21	**6.31**
Apr	4.87	0.08	0.36	0.55	0.31	0.16	-0.04	0.06	0.10	0.16	0.26	0.22	**7.08**
May	4.80	0.08	0.38	0.47	0.31	0.20	-0.27	0.06	0.11	0.16	0.30	0.27	**6.87**
June	4.87	0.10	0.41	0.41	0.31	0.21	-0.22	0.09	0.12	0.16	0.29	0.28	**7.03**
Jul	4.42	0.11	0.41	0.45	0.29	0.20	-0.17	0.09	0.12	0.16	0.28	0.28	**6.62**
Aug	3.61	0.10	0.39	0.52	0.29	0.19	-0.12	0.08	0.10	0.16	0.26	0.26	**5.84**
Sep	3.57	0.10	0.40	0.59	0.31	0.19	-0.08	0.08	0.11	0.16	0.28	0.27	**5.97**
Oct	4.10	0.11	0.39	0.76	0.34	0.20	-0.08	0.08	0.11	0.17	0.26	0.27	**6.72**
Nov	4.62	0.12	0.39	0.81	0.35	0.21	-0.06	0.09	0.11	0.18	0.26	0.26	**7.32**

Source: KNBS and CBK

Fuel Inflation

Fuel inflation rose marginally from 2.1 percent in October 2015 to 2.3 percent in November 2015. The Housing, Water, Electricity, Gas and other Fuels' category of goods and services, contributed 2.71 percentage points to fuel inflation, reflecting increases in house rents arising from enforcement and compliance with the Rental Income Tax Law. The contribution of house rents to Housing, Water, Electricity, Gas and other Fuels' category's inflation stood at 4.1 percentage points. However, the fall in the cost of electricity, gas and kerosene during this period exerted downward pressure of 0.73 percentage points. The transport category exerted downward pressure on fuel inflation of 0.44 percentage points on account of the fall in the contribution of fares of 1.69 percentage points arising from low and declining cost of international and domestic oil prices.

Food Inflation

Food inflation remained elevated in November 2015. It rose by 122 basis points from 10.60 percent in October 2015 to 11.82 percent in November 2015. The increase in food inflation was driven by the Food and Non Alcoholic Beverages category, with a contribution of 11.33 percentage points while Restaurants and Hotels category contributed 0.49 percentage points. The food items in the 'Food and Non Alcoholic Beverages' category which had the highest contribution to food inflation include; Irish potatoes, Tomatoes, Kale (Sukuma wiki), Onions, Ripe bananas, Beans, Avocados, Green maize and Peas. Collectively, these nine food items contributed 5.17 percentage points to food inflation (Table 1.3). The elevated prices for these food items may be on account of the effect of unfavourable weather conditions arising from the El Niño rains.

TABLE 1.3: Contribution of Main Food Items to Inflation in November 2015

Commodity Name	Oct-14	Nov-14	Oct-15	Nov-15	Weights	YoY % change 2014	YoY % change 2015	Contribution to food inflation	Contribution to overall inflation
Avocado	39.56	40.54	47.35	50.07	0.34	-48.43	23.50	0.22	0.08
Banana - Ripe	69.30	68.30	77.37	78.92	0.69	3.17	15.55	0.30	0.11
Kale-Sukuma Wiki	30.25	30.97	38.84	37.47	1.03	-30.10	20.99	0.60	0.22
Beans	105.48	105.10	118.80	119.09	0.77	7.65	13.31	0.28	0.10
Tomatoes	93.33	83.30	100.72	107.56	1.16	24.20	29.12	0.94	0.34
Onions	89.96	90.54	121.58	124.30	0.55	-13.33	37.29	0.57	0.21
Potatoes (Irish)	45.20	46.46	73.77	78.14	1.06	-7.30	68.20	2.00	0.72
Peas	111.61	110.62	126.26	129.08	0.15	-15.69	16.68	0.07	0.02
Green Maize	20.24	20.11	24.35	25.13	0.25	-23.19	24.97	0.18	0.06
					6.01			**5.17**	**1.86**

Source: KNBS and CBK

Non-food Non-Fuel Inflation

Non-food non-fuel (NFNF) inflation remained relatively stable in November 2015. It declined marginally by 5 basis points from 4.80 percent in October 2015 to 4.75 percent in November 2015 (Table 1.4).

Table 1.4 : Contributions of various Baskets to Non-Food-Non-Fuel Inflation

	Alcoholic Beverages, Tobacco & Narcotics	Clothing & Footwear	Furnishings, Household Equipment and Routine Household Maintenance	Health	Communication	Recreation & Culture	Education	Miscellaneous Goods & Services	**Non-food non-fuel Inflation**
Weight	**0.02**	**0.07**	**0.06**	**0.03**	**0.04**	**0.02**	**0.03**	**0.05**	
2014 Nov	0.08	1.01	0.84	0.48	-0.02	0.38	0.43	0.60	**3.77**
Dec	0.10	1.02	0.87	0.46	0.00	0.23	0.43	0.58	**3.65**
2015 Jan	0.08	1.00	0.85	0.44	-0.02	0.21	0.41	0.57	**3.51**
Feb	0.09	1.03	0.83	0.42	-0.02	0.19	0.33	0.55	**3.43**
Mar	0.07	0.98	0.77	0.35	-0.02	0.18	0.31	0.54	**3.16**
Apr	0.13	1.03	0.86	0.37	0.01	0.20	0.34	0.58	**3.53**
May	0.16	1.11	0.88	0.52	0.06	0.27	0.38	0.76	**4.15**
June	0.24	1.24	0.93	0.57	0.13	0.29	0.41	0.82	**4.63**
Jul	0.29	1.24	0.88	0.56	0.14	0.31	0.42	0.82	**4.67**
Aug	0.29	1.20	0.88	0.55	0.14	0.28	0.42	0.78	**4.55**
Sep	0.29	1.24	0.95	0.55	0.14	0.29	0.43	0.80	**4.68**
Oct	0.31	1.21	1.04	0.56	0.14	0.29	0.44	0.80	**4.80**
Nov	0.32	1.18	1.06	0.58	0.16	0.27	0.46	0.74	**4.75**

12-Month Inflation Across Regions

12- Month inflation in Nairobi stood at 7.63 percent compared with 7.12 percent in the Other Provinces in November 2015. The elevated inflation at regional level reflects increases in food inflation. In Nairobi, both the lower income and middle income groups experienced a rise in inflation while the upper income witnessed a fall inflation (Table 1.5)

Table 1.5: Overall 12-Month Inflation by Region and Income Groups (%)

	Jan-15	Feb-15	Mar-15	Apr-15	May-15	Jun-15	Jul-15	Aug-15	Sep-15	Oct-15	Nov-15
Combined Nairobi	4.38	4.66	5.48	6.39	6.09	6.53	6.44	5.54	5.77	6.58	7.63
Lower Income	4.83	5.22	6.32	7.49	6.98	7.32	7.26	6.03	6.18	7.23	8.60
Middle Income	3.22	3.23	3.24	3.39	3.76	4.63	4.22	4.34	4.84	4.87	5.03
Upper Income	2.05	1.74	1.81	1.90	1.86	1.77	2.95	2.56	2.79	3.50	3.38
Other provinces- excluding Nairobi	6.32	6.26	6.88	7.55	7.39	7.38	6.75	6.05	6.10	6.82	7.12
TOTAL KENYA	**5.53**	**5.61**	**6.31**	**7.08**	**6.87**	**7.03**	**6.62**	**5.84**	**5.97**	**6.72**	**7.32**

Developments in Money, Credit and Interest Rates

Monetary Aggregates

Annual growth in broad money, M3, moderated to 13.5 percent in the year to November 2015 from a growth of 13.9 percent recorded in October 2015. The decline in M3 growth, is reflected in the M2 component. The foreign currency deposits on the other hand, registered an increase in the annual growth from 20.8 percent in October to 21.6 percent in November 2015(Table 2.1).

TABLE 2.1: MONETARY AGGREGATES

	END MONTH LEVEL			MONTLY FLOW			ANNUAL GROWTH RATE		
	Sep-15	Oct-15	Nov-15	Sep-15	Oct-15	Nov-15	Sep-15	Oct-15	Nov-15
1. Money supply, M3 (2+3) 2/	**2,556.0**	**2,574.7**	**2,604.5**	**-13.8**	**18.7**	**29.8**	**13.5**	**13.9**	**13.5**
1.1 Money supply, M2 3/	2,133.4	2,182.3	2,191.7	-27.7	48.9	9.4	12.7	14.0	12.2
1.2 Money supply, M1	979.8	1,022.9	1,026.0	-35.5	43.1	3.1	8.5	11.7	9.1
1.3 Currency outside banks	174.9	181.8	182.3	-4.4	6.9	0.6	10.8	11.4	9.2
1.4 Foreign Currency Deposits	422.7	392.4	412.8	13.9	-30.3	20.4	17.9	13.6	20.8
2. Net foreign assets 4/	**389.3**	**436.6**	**445.9**	**-15.4**	**47.2**	**9.4**	**-12.8**	**4.4**	**6.4**
Central Bank	529.3	590.5	580.6	-28.4	61.2	-9.9	-4.2	10.6	9.9
Banking Institutions	-139.9	-153.9	-134.7	13.0	-14.0	19.3	32.4	33.1	23.1
3. Net domestic assets (3.1+3.2)	**2,166.7**	**2,138.2**	**2,158.6**	**1.6**	**-28.6**	**20.4**	**20.0**	**16.1**	**15.1**
3.1 Domestic credit	**2,785.3**	**2,776.8**	**2,818.9**	**9.9**	**-8.6**	**42.2**	**23.3**	**22.0**	**20.4**
3.1.1 Government (net)	553.3	543.4	567.3	-26.2	-9.9	23.9	38.3	36.6	30.3
3.1.2 Private sector	2,184.0	2,186.6	2,204.4	34.2	2.6	17.8	20.8	19.5	18.7
3.1.3 Other public sector	48.0	46.7	47.2	1.9	-1.3	0.5	-5.9	-3.5	-2.3
3.2 Other assets net (3-3.1)	**-618.6**	**-638.6**	**-660.4**	**-8.3**	**-20.0**	**-21.7**	**36.2**	**47.2**	**42.1**
Memorandum items									
Overall liquidity, L 1/	**3,231.6**	**3,284.7**	**3,331.8**	**-20.4**	**53.1**	**47.1**	**12.6**	**14.1**	**14.0**

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

Domestic Credit Developments

Annual growth of overall domestic credit decerelated to 20.4 percent in November 2015 from 22.0 percent in October and 23.3 percent in September 2015. This is evident in the growth of credit to the government and the private sector (Table 2.2). The low uptake of credit by the Government reflects buildup of deposits at the CBK arising from the syndicated loan proceeds.

Among the components of credit to the private sector, agriculture, private households and consumable durables recorded lower growth rates from September to November 2015.

TABLE 2.2: BANKING SECTOR NET DOMESTIC CREDIT

	END MONTH LEVEL			MONTHLY FLOW			ANNUAL GROWTH RATE		
	Sep-15	Oct-15	Nov-15	Sep-15	Oct-15	Nov-15	Sep-15	Oct-15	Nov-15
1. Credit to Government	**553.3**	**543.4**	**567.3**	**-26.2**	**-9.9**	**23.9**	**38.3**	**36.6**	**30.3**
Central Bank	46.7	-12.8	-9.1	-5.5	-59.5	3.7	-199.2	-75.6	-83.2
Commercial Banks & NBFIs	506.6	556.2	576.4	-20.7	49.6	20.2	13.3	23.5	17.8
2. Credit to other public sector	**48.0**	**46.7**	**47.2**	**1.9**	**-1.3**	**0.5**	**-5.9**	**-3.5**	**-2.3**
Local government	1.2	1.2	1.2	0.0	0.0	0.0	697.7	714.1	705.6
Parastatals	46.9	45.6	46.1	1.8	-1.3	0.5	-7.9	-5.6	-4.4
3. Credit to private sector	**2,184.0**	**2,186.6**	**2,204.4**	**34.2**	**2.6**	**17.8**	**20.8**	**19.5**	**18.7**
Agriculture	89.0	85.8	84.2	-1.2	-3.2	-1.6	21.4	17.2	12.5
Manufacturing	280.4	282.8	285.4	3.4	2.4	2.7	19.3	20.2	20.8
Trade	381.1	371.5	373.7	12.0	-9.6	2.2	29.7	23.6	22.2
Building and construction	100.8	108.5	108.2	6.7	7.7	-0.3	27.9	37.6	34.0
Transport & communications	155.1	162.5	166.1	1.6	7.4	3.6	29.0	32.1	32.3
Finance & insurance	56.9	56.7	59.4	-1.4	-0.2	2.7	45.7	26.4	28.5
Real estate	279.2	277.5	281.4	3.4	-1.7	4.0	12.5	9.8	10.6
Mining and quarrying	22.8	21.7	20.1	-0.2	-1.1	-1.6	-5.4	-15.5	-22.8
Private households	361.9	361.2	362.1	2.5	-0.7	0.9	26.6	18.2	16.7
Consumer durables	128.9	129.0	127.6	0.5	0.1	-1.3	19.0	18.0	15.3
Business services	198.8	201.2	203.1	1.5	2.5	1.8	15.9	24.1	19.3
Other activities	129.2	128.2	132.9	5.5	-1.0	4.7	-0.9	8.6	14.6
4. TOTAL (1+2+3)	**2,785.3**	**2,776.8**	**2,818.9**	**9.9**	**-8.6**	**42.2**	**23.3**	**22.0**	**20.4**

Source: Central Bank of Kenya

Reserve Money

Annual growth in reserve money decreased to 19.8 percent in November 2015 from 24.5 percent, in October 2015 (Table 2.3). The decline was reflected in currency outside banks and commercial banks reserves at the Central Bank.

TABLE 2.3: RESERVE MONEY AND ITS SOURCES (KSH BILLION)

	END MONTH LEVEL			MONTHLY FLOW			ANNUAL GROWTH RATE		
	Sep-15	Oct-15	Nov-15	Sep-15	Oct-15	Nov-15	Sep-15	Oct-15	Nov-15
1. Net Foreign Assets	529.3	590.5	580.6	-28.4	61.2	-9.9	-4.2	10.6	9.9
2. Net Domestic Assets	-152.6	-156.6	-189.5	37.7	-4.1	-32.9	-33.5	-15.5	-6.1
2.1 Government Borrowing (net)	46.7	-12.8	-9.1	-5.5	-59.5	3.7	-199.2	-75.6	-83.2
2.2 Commercial banks (net)	-31.0	21.4	12.9	34.6	52.4	-8.5	-4.8	-186.7	-140.5
2.3 Other Domestic Assets (net)	-171.8	-168.8	-196.9	8.6	3.0	-28.1	11.9	51.2	64.1
3. Reserve Money	376.7	433.9	391.1	9.2	57.2	-42.8	16.7	24.5	19.8
3.1 Currency outside banks	174.9	181.8	182.3	-4.4	6.9	0.6	10.8	11.4	9.2
3.2 Bank reserves	201.8	252.1	208.7	13.6	50.3	-43.4	22.4	36.0	30.9

Source: Central Bank of Kenya

Short Term Interest Rates

Short term interest rates declined in November 2015 (Table 2.4). The weighted average interbank rate declined from 14.82 percent in October to 8.77 percent in November 2015 due to improved liquidity in the interbank market. The liquidity was, however, held by a few banks. CBK supported the market through issuance of reverse repo. The pressure on Treasury bill rates in October 2015 eased in November 2015 as the government issued a syndicated loan.

Lending and Deposit Rates

The weighted average lending rate increased from 16.5 percent in October to 17.2 percent in November 2015 while the deposit rate edged down to 7.39 percent from 7.54 percent recorded in October resulting in a wider interest rate spread of 9.77 percent (Table 2.4.).

TABLE 2.4: INTEREST RATES (%)

	2015										
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov
91-day Treasury bill rate	6.65	6.68	6.63	6.60	6.55	8.26	10.57	12.06	13.40	21.52	14.02
182-day Treasury bill rate	10.19	10.37	10.35	10.26	10.37	10.55	11.99	13.30	15.24	21.61	15.20
Overdraft rate	15.95	15.67	15.68	15.52	15.10	15.65	16.05	15.98	16.70	16.85	17.84
Interbank rate	7.12	6.77	6.85	8.77	11.17	11.77	13.48	18.80	19.85	14.82	8.77
Repo rate	8.09	7.87	8.08	8.38	8.50	9.70	10.61	11.50	11.50	11.50	
Reverse Repo rate	-	-	-	-	-	-	-	-		18.12	14.21
Central Bank Rate (CBR)	8.50	8.50	8.50	8.50	8.50	10.00	11.50	11.50	11.50	11.50	11.50
Average lending rate (1)	15.93	15.47	15.46	15.40	15.26	16.06	15.75	15.68	16.82	16.58	17.16
Average deposit rate (2)	6.65	6.68	6.63	6.60	6.55	6.64	6.31	6.91	7.28	7.54	7.39
Over 3 months deposit	9.84	9.90	9.85	9.81	9.72	9.73	9.67	10.03	10.06	10.38	10.35
Savings deposits	1.58	1.53	1.53	1.90	1.48	1.85	1.37	1.50	1.71	1.68	1.32
Spread (1-2)	**9.28**	**8.78**	**8.82**	**8.80**	**8.70**	**9.42**	**9.44**	**8.77**	**9.54**	**9.04**	**9.77**

Source: Central Bank of Kenya

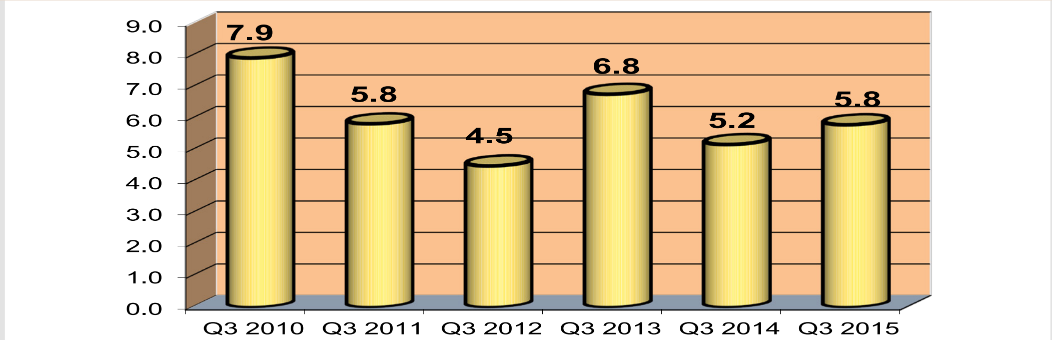
Performance of The Real Sector

Overview

The Kenyan economy has continued to perform well despite headwinds from a weaker global economic environment. Real GDP growth accelerated to 5.8 percent in the third quarter of 2015 from 5.0 percent and 5.6 percent, respectively, in the first and second quarters, supported by higher public investment spending, and improved weather conditions that boosted agricultural and hydro-power electricity production (Chart 3A). The improved performance was witnessed in Agriculture; Construction; Financial and Insurance; Wholesale and Retail Trade; and Transport and Storage (Table 3.1).

The improved performance in the Agriculture, and Electricity and Water Supply sectors resulted from improved weather conditions that led to increased output of major crops and the dairy sub sector, and hydroelectric supply. The Construction sector recorded the highest growth rate at 14.1 per cent supported by high public investment such as the Standard Gauge Railway (SGR) and major road construction projects across the country. The Transport and Storage sector sustained robust growth in 2015 supported by easing of operations costs in the sector arising from low international oil prices. The Accommodation and Food Services sector performance remained subdued but it is on a recovery path following improved tourists arrivals in the country arising from lifting of travel advisories by some western countries.

Chart 3A: Evolution of GDP Growth in Third Quarters.



Source: Kenya National Bureau of Statistics

TABLE 3.1: ECONOMIC PERFORMANCE BY SECTOR

GDP BY ACTIVITY - CONSTANT 2009=100 PRICES	Growth rates (%)						
NEW QUARTERLY ESTIMATES - After rebasing	2014				2015		
Quarter	Q1	Q2	Q3	Q4	Q1	Q2	Q3
Agriculture	2.2	2.1	6.8	3.8	4.4	5.6	7.1
Mining & Quarrying	10.5	27.0	1.5	22.0	4.6	7.5	12.5
Manufacturing	6.4	8.3	1.5	-2.3	3.5	4.6	2.8
Electricity & water supply	3.9	4.6	7.2	7.3	8.4	10.2	11.0
Construction	7.6	16.6	8.8	19.4	11.2	9.7	14.1
Wholesale & Retail Trade	9.7	5.2	5.3	7.9	6.7	5.5	6.5
Accommodation & restaurant	-14.1	-19.3	-20.5	-16.0	-7.5	-0.8	-2.3
Transport & Storage	3.8	5.7	7.8	2.8	6.0	6.1	8.7
Information & Communication	12.7	8.1	16.1	15.8	9.4	7.7	8.9
Financial & Insurance	8.3	7.9	7.1	10.0	10.4	7.6	10.1
Public administration	-4.2	16.2	0.4	10.9	8.4	5.9	2.7
Professional, Administration & Support Services	3.2	2.5	1.9	3.3	4.2	5.8	2.6
Real estate	6.3	6.7	6.2	3.2	2.0	4.2	5.4
Education	8.2	8.2	7.5	7.2	1.7	3.5	4.7
Health	5.1	7.5	7.8	8.3	7.5	8.1	4.8
Other services	5.5	4.4	4.1	3.0	3.0	1.7	2.3
FISIM	8.3	11.1	11.1	14.0	14.0	8.9	17.7
All Industries at basic prices	**4.6**	**6.1**	**5.4**	**5.4**	**5.1**	**5.6**	**6.2**
Taxes on products	5.9	5.0	3.8	6.3	4.5	5.6	3.0
GDP at market prices	**4.7**	**6.0**	**5.2**	**5.5**	**5.0**	**5.6**	**5.8**

Source: Kenya National Bureau of Statistics

Performance of key indicators in the Real sector

The key indicators in the real sector recorded subdued performance in the month of November 2015 compared to the month of October 2015.

Major Indicators in Agriculture

Most of the key indicators of agricultural performance declined in November 2015 as shown on Table 3.2.

TABLE 3.2: OUTPUT GROWTH OF MAJOR CROPS AND MILK

	2013	2014	Year to November 2014	Year to November 2015*	October 2015*	November 2015*
Cement production						
Output (MT)	5,059,129	5,856,828	5,785,932	6,342,080	547,509	522,446
Growth %	*9.0*	*15.8*	*15.9*	*9.6*	*-1.7*	*-4.6*
Assembled vehicles						
Output (No.)	6,948	9,246	9,218	9,776	996	820
Growth %	*11.7*	*33.1*	*36.9*	*6.1*	*14.1*	*-17.7*
Galvanized sheets						
Output (MT)	306,100	284,509	289,676	258,466	26,008	25,726
Growth %	*29.8*	*-7.1*	*-4.6*	*-10.8*	*26.5*	*-1.1*
Processed sugar						
Output (MT)	600,210	616,852	606,548	648,166	56,360	43,401
Growth %	*21.5*	*2.8*	*4.4*	*6.9*	*-7.7*	*-23.0*
Soft drinks						
Output ('000 litres)	403,981	459,464	453,760	502,667	43,215	41,323
Growth %	*12.4*	*13.7*	*15.3*	*10.8*	*1.6*	*-4.4*

MT = Metric tonnes
*** Provisional**

Source: Kenya National Bureau of Statistics

Tea

The production and price of tea declined by 2.3 percent and 6.6 percent, respectively in November 2015. The reduction in volume is partly attributed to disruptive weather conditions associated with El Nino, in some major tea growing areas in November 2015 while the fall in the international prices of tea is attributed to increased supply in the international market (Table 3.2).

Coffee

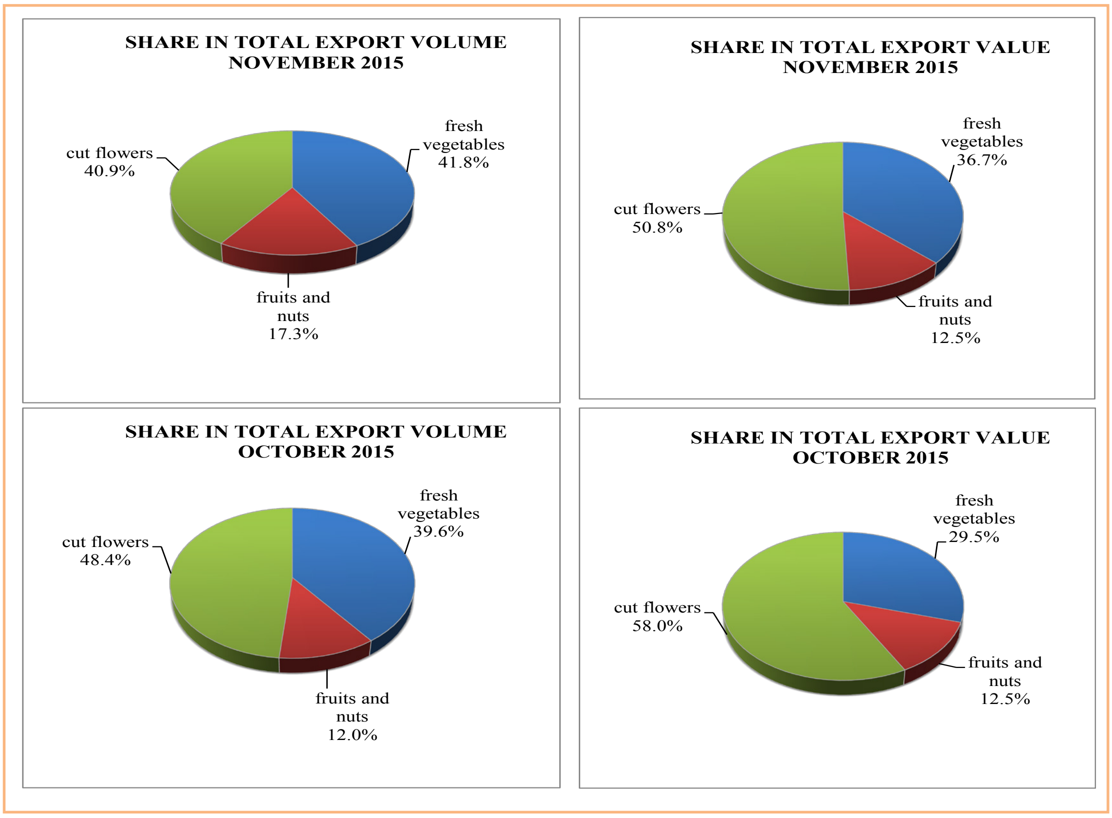
The volume of coffee sold declined by 28.3 percent through November 2015, owing to the disruptive weather conditions associated with El Nino which affected the drying of coffee beans. However, auction prices improved by 5.5 percent on account of improved quality of coffee beans obtained during the November-December harvest season (Table 3.2).

Horticulture

Horticultural exports declined by 21.0 percent in November 2016 (Table 3.2), largely reflecting the decline in volume of exports of cut flowers. The decline in horticulture is attributed to the effect of the El Niño rains which resulted in outbreak of diseases such as Downy Mildew and Botrytis which affected flower output, as well as the disruption of supply chains. However, exports of fresh vegetables, fruits and nuts increased on account of favourable weather conditions, which led to increased production (Chart 3B).

The performance of key indicators in the manufacturing sector declined in November 2015, compared to October 2015 (Table 3.3).

Chart 3B: Composition of Horticultural Exports



Source: Kenya National Bureau of Statistics

Manufacturing Cement production declined due to subdued demand for local cement following competition from the cheaper imported cement. In addition, the production of galvanized sheets declined by 1.1 percent in November 2015.

Table 3.3: Performance of output of Selected Manufactured Goods

	2013	2014	Year to November 2014	Year to November 2015*	October 2015*	November 2015*
Cement production						
Output (MT)	5,059,129	5,856,828	5,785,932	6,342,080	547,509	522,446
Growth %	*9.0*	*15.8*	*15.9*	*9.6*	*-1.7*	*-4.6*
Assembled vehicles						
Output (No.)	6,948	9,246	9,218	9,776	996	820
Growth %	*11.7*	*33.1*	*36.9*	*6.1*	*14.1*	*-17.7*
Galvanized sheets						
Output (MT)	306,100	284,509	289,676	258,466	26,008	25,726
Growth %	*29.8*	*-7.1*	*-4.6*	*-10.8*	*26.5*	*-1.1*
Processed sugar						
Output (MT)	600,210	616,852	606,548	648,166	56,360	43,401
Growth %	*21.5*	*2.8*	*4.4*	*6.9*	*-7.7*	*-23.0*
Soft drinks						
Output ('000 litres)	403,981	459,464	453,760	502,667	43,215	41,323
Growth %	*12.4*	*13.7*	*15.3*	*10.8*	*1.6*	*-4.4*

MT = Metric tonnes
*** Provisional**

Electricity and water

Electricity generation

Generally, electricity generation declined in November 2015 with the largest decline recorded in thermal energy. The large decline in thermal energy, reflects a shift from expensive sources of energy on account of enhanced rainfall which supported production of hydro power (Table 3.4).

Table 3.4: Performance of key energy sector indicators

	2013	2014	Year to November 2014	Year to November 2015	October 2015*	November 2015*
Electricity Supply (Generation)						
Output (million KWH)	8216.900	8,889	8,837	9,287	812	782
Growth %	*0.1*	*8.2*	*8.3*	*5.1*	*2.2*	*-3.7*
Of which:						
Hydro-power Generation (million KWH)	4,387	3,411	3,475	3,439	310	300
Growth (%)	*0.1*	*-22.2*	*-21.2*	*-1.0*	*1.2*	*-3.2*
Geo-Thermal Generation (million KWH)	1,781	2,917	2,697	4,515	402	393
Growth (%)	*0.2*	*63.8*	*54.1*	*67.4*	*3.4*	*-2.4*
Thermal (million KWH)	2,049	2,561	2,665	1,333	100	89
Growth (%)	*0.0*	*24.9*	*33.3*	*-50.0*	*0.7*	*-10.8*
Consumption of electricity (million KWH)	6,563.54	7,406	7,283	8,281	695	673
Growth %	*0.0*	*12.8*	*10.7*	*13.7*	*-7.9*	*-3.2*
Consumption of Fuels ('000 tonnes)	3,648.98	3,873	3,861	4,371	385	350
Growth %	*0.0*	*6.2*	*5.5*	*13.2*	*3.4*	*-9.1*
Murban crude oil average price (US $ per barrel)	110.10	99.5	103.9	54.5	47.3	43.6
Growth %	*0.0*	*-9.7*	*-5.4*	*-47.6*	*1.5*	*-7.9*

Source: Kenya National Bureau of Statistics

Tourist arrivals

Overall, tourist arrivals declined in November 2015. The number of tourist arrivals through Moi International Airport Mombasa (MIAM) increased, with the recovery attributed to removal of travel advisories to the Kenyan Coast by major tourist source countries as a result of improved security in the coastal region, increased government incentives to attract tourists and aggressive marketing of the country's tourism industry. However, the number of tourist arrivals through Jomo Kenyatta International Airport (JKIA) declined, offsetting the improvement through MIAM.

Table 3.5: Tourist Arrivals by Point of Entry

	2013	2014	Year to November 2014	Year to November 2015	September 2015*	October 2015*	November 2015*	October 2015* % Growth	November 2015* % Growth
MIAM	168,654	117796	133385	76482	5114	6049	7718	18.28	27.59
JKIA	912,998	743600	781687	688201	54162	66441	53622	22.67	-19.29
TOTAL	**1,081,652**	**861396**	**915072**	**764683**	**59276**	***72490***	***61340***	**0.22**	**-15.38**

Source:KNBS, Kenya Tourism Board

Transport

The total number of passengers received at the Jomo Kenyatta International Airport, Nairobi (JKIA) increased in the period under review, with the increase reflected in both incoming and outgoing passengers. The increase in the number of passengers is partly attributed to the Papal visit to the country in the month of November (Table 3.6). Meanwhile, the volume of oil passed through the Kenya pipeline declined.

Table 3.6: Throughput of Selected Transport Companies

	2014	Year to November 2014	Year to November 2015	October 2014*	November 2015*
Number of Passengers thro' JKIA					
Total passenger flows	4,232,523	4,224,710	4,346,034	360,384	362,478
Growth (%)	*-1.3*	*-1.8*	*2.9*	*-0.3*	*0.6*
o.w. Incoming	2,102,886	2,099,578	2,169,705	180,054	181,239
Growth (%)	*-1.9*	*-2.3*	*3.3*	*0.0*	*0.7*
Outgoing	2,129,637	2,125,132	2,176,329	180,330	181,239
Growth %	*-0.8*	*-1.3*	*2.4*	*-0.5*	*0.5*
Kenya Pipeline Oil Throughput*					
Output ('000 litres)	5,623,628	5,593,722	5,701,335	481,681	451,045
Growth %	*8.5*	*8.7*	*1.9*	*3.2*	*-6.4*

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

Developments in the Balance of Payments and Exchange Rates

Overview

Kenya's overall balance of payments position deteriorated by USD 932 million to USD 60 million deficit in the year to November 2015 from a surplus of USD 872 million in the year to November 2014 reflecting a larger reduction in the capital and financial account surplus.

The Kenya shilling strengthened against major international currencies but displayed mixed performance against the EAC currencies during the month of November 2015. The performance of the Kenya Shilling during the review period was a reflection of developments on the domestic market.

Balance of Payments Developments

The overall Balance of Payments position deteriorated to a deficit of USD 60 million in the year to November 2015 from a surplus of USD 872 million in the year to November 2014 (Table 4.1). The decrease reflects larger reduction in the capital and financial account surplus.

Current Account

TABLE 4.1: BALANCE OF PAYMENTS (US$ M)

ITEM	Year to November 2014	Year to November 2015*: Dec-Feb	March-May	June-Aug	Sep-Nov	Year to November 2015*	Change	% Change
1. OVERALL BALANCE	872	476	-257	-487	208	-60	-932	-106.9
2. CURRENT ACCOUNT	-5862	-1308	-1256	-802	-1000	-4366	1497	-25.5
2.1 Goods	-12591	-2816	-2712	-2352	-2687	-10568	2023	-16.1
Exports (fob)	6173	1382	1424	1611	1458	5875	-298	-4.8
Imports (cif)	18763	4198	4136	3963	4145	16443	-2321	-12.4
2.2 Services	6728	1508	1456	1550	1687	6202	-526	-7.8
Non-factor services (net)	3412	801	955	909	904	3569	158	4.6
Income (net)	-454	-114	-236	-126	-14	-491	-37	8.1
Current Transfers (net)	3770	822	737	767	798	3123	-647	-17.2
3. CAPITAL & FINANCIAL ACCOUNT	6734	1784	999	315	1208	4305	-2429	-36.1
3.1 Capital Tranfers (net)	26	29	1	44	36	110	84	326.5
3.2 Financial Account	6709	1754	999	271	1172	4195	-2513	-37.5
memo:								
Gross Reserves	8964	9873	9799	9265	9411	9411	447	5.0
Official	7274	7737	7469	6963	7161	7161	-113	-1.6
*import cover***	*4.3*	*4.6*	*4.5*	*4.4*	*4.8*	*4.8*	1	11.7
*import cover****	*4.6*	*4.9*	*4.7*	*4.4*	*4.6*	*4.6*	-0	-1.5
Commercial Banks	1691	2137	2330	2302	2250.3	2250	560	33.1

* 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 Balance

The current account balance improved by USD 1,497 million to a deficit of USD 4,366 million in the year to November 2015 from a deficit of USD 5,862 million in the year to November 2014 (Table 4.2). The improvement reflects 16.1 percent decrease in the merchandise account deficit.

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

ITEM	Year to November 2014*	Year to November 2015* Dec-Feb	March-May	June-Aug	Sep-Nov	Year to November 2015*	Change	% Change
2. CURRENT ACCOUNT	**-5862**	**-1308**	**-1256**	**-802**	**-1000**	**-4366**	**1497**	**-25.5**
2.1 Goods	**-12591**	**-2816**	**-2712**	**-2352**	**-2687**	**-10568**	**2023**	**-16.1**
Exports (fob)	**6173**	1382	1424	1611	1458	**5875**	**-298**	**-4.8**
Coffee	**229**	42	66	58	48	**214**	**-14**	**-6.3**
Tea	**1069**	287	251	308	359	**1205**	**136**	**12.7**
Horticulture	**813**	190	178	220	180	**767**	**-46**	**-5.6**
Oil products	**60**	22	19	25	11	**77**	**17**	**28.3**
Manufactured Goods	**596**	124	128	150	116	**517**	**-79**	**-13.3**
Raw Materials	**466**	117	101	93	96	**406**	**-61**	**-13.0**
Chemicals and Related Products (n.e.s)	**454**	94	106	128	109	**437**	**-17**	**-3.8**
Miscelleneous Man. Articles	**631**	147	137	160	143	**587**	**-44**	**-7.0**
Re-exports	**878**	149	221	229	208	**806**	**-72**	**-8.1**
Other	**976**	211	219	241	189	**859**	**-117**	**-12.0**
Imports (cif)	**18763**	4198	4136	3963	4145	**16443**	**-2321**	**-12.4**
Oil	**4064**	699	651	678	560	**2587**	**-1477**	**-36.3**
Chemicals	**2346**	712	603	582	558	**2455**	**109**	**4.7**
Manufactured Goods	**2651**	685	719	652	698	**2754**	**103**	**3.9**
Machinery & Transport Equipment	**6046**	1226	1408	1265	1608	**5508**	**-539**	**-8.9**
Other	**3496**	773	699	673	628	**2773**	**-723**	**-20.7**
2.2 Services	**6728**	**1508**	**1456**	**1550**	**1687**	**6202**	**-526**	**-7.8**
Non-factor services (net)	**3412**	801	955	909	904	**3569**	**158**	**4.6**
Non-factor services (credit)	**4944**	1300	1338	1188	1190	**5015**	**71**	**1.4**
of which transport	**2210**	500	509	466	431	**1906**	**-304**	**-13.8**
of which tourism (Travel)	**799**	205	160	171	169	**705**	**-94**	**-11.8**
Other services account: gov't	**903**	230	234	219	226	**909**	**5**	**0.6**
Other services account: private	**1031**	364	434	332	365	**1495**	**464**	**45.0**
Income (net)	**-454**	-114	-236	-126	-14	**-491**	**-37**	**8.1**
of which official interest	**-182**	-100	-272	-120	-38	**-530**	**-348**	**191.1**
Current Transfers (net)	**3770**	822	737	767	798	**3123**	**-647**	**-17.2**
Private (net)	**3454**	738	652	682	713	**2784**	**-670**	**-19.4**
of which Remittances	**1412**	368	380	400	396	**1544**	**133**	**9.4**
Public (net)	**316**	84	85	85	85	**339**	**23**	**7.2**

* Provisional.

Merchandise Account

The improvement in the merchandise account deficit was largely through lower payments for imports on account of lower oil prices on the international market.

Imports

The value of other imports, machinery and transport equipment also declined. Kenya sourced most imports from China, with China's share in total imports increasing from 15 per cent in the year to November 2014 to 20 percent in the year to November 2015. The increase reflects a rise in imports related to the construction of the Standard Gauge Railway (SGR). The share of Kenya's imports from the European Union also increased to 15 percent from 13 percent, while that from India stabilised at 16 percent. Imports from Africa accounted for 10 percent, a marginal improvement over the 2014 period (Table 4.3).

Exports

The value of merchandise exports declined by 4.8 percent in the year to November 2015 reflecting a decrease in earnings from horticulture, coffee, manufactured goods, chemicals and related products, raw materials, miscellaneous manufactured articles, re-exports and other products, while wholly displaced an increase in receipts from tea and oil products.

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

TABLE 4.3: KENYA'S DIRECTION OF TRADE

IMPORTS (in millions of US dollars)				Share of Imports (%)		
	Year to November			Year to November		
Country	**2013**	**2014**	**2015**	**2013**	**2014**	**2015**
Africa	**1,696.1**	**1,648.8**	**1,564.4**	**10.0**	**8.8**	**9.5**
Of which						
South Africa	802.1	750.5	641.8	4.7	4.0	3.9
Egypt	295.8	270.2	276.3	1.7	1.4	1.7
Others	598.1	628.1	646.4	3.5	3.3	3.9
EAC	**330.3**	**404.7**	**427.3**	**1.9**	**2.2**	**2.6**
COMESA	**672.8**	**637.9**	**705.7**	**4.0**	**3.4**	**4.3**
Rest of the World	**15,310.2**	**17,114.6**	**14,878.2**	**90.0**	**91.2**	**90.5**
Of which						
India	2,840.0	3,081.7	2,646.3	16.7	16.4	16.1
United Arab Emirates	1,439.3	1,201.0	868.4	8.5	6.4	5.3
China	2,067.7	2,721.6	3,301.4	12.2	14.5	20.1
Japan	963.7	965.9	934.6	5.7	5.1	5.7
USA	675.0	1,890.9	1,261.2	4.0	10.1	7.7
United Kingdom	569.6	509.4	472.8	3.3	2.7	2.9
Singapore	214.4	162.4	96.9	1.3	0.9	0.6
Germany	428.4	525.9	504.8	2.5	2.8	3.1
Saudi Arabia	468.1	627.9	628.3	2.8	3.3	3.8
Indonesia	488.1	564.8	480.8	2.9	3.0	2.9
Netherlands	278.1	228.8	205.0	1.6	1.2	1.2
France	262.3	261.4	207.2	1.5	1.4	1.3
Bahrain	406.4	476.9	56.8	2.4	2.5	0.3
Italy	230.5	235.5	229.9	1.4	1.3	1.4
Others	3,978.8	3,660.4	2,983.8	23.4	19.5	18.1
Total	**17,006.2**	**18,763.4**	**16,442.7**	**100.0**	**100.0**	**100.0**
EU	2,423.0	2,507.1	2,400.9	14.2	13.4	14.6
China	2,067.7	2,721.6	3,301.4	12.2	14.5	20.1

EXPORTS (in millions of US dollars)				Share of Exports (%)		
	Year to November			Year to November		
Country	**2013**	**2014**	**2015**	**2013**	**2014**	**2015**
Africa	**2,707**	**2,686**	**2,460**	**46**	**44**	**42**
Of which						
Uganda	761	640	699	13	10	12
Tanzania	491	478	349	8	8	6
Egypt	192	208	196	3	3	3
Sudan	75	72	60	1	1	1
South Sudan	192	217	178	3	4	3
Somalia	197	155	147	3	3	3
DRC	226	236	211	4	4	4
Rwanda	158	158	179	3	3	3
Others	416	523	439	7	8	7
EAC	**1,475**	**1,361**	**1,298**	**25**	**22**	**22**
COMESA	**1,720**	**1,648**	**1,648**	**30**	**27**	**28**
Rest of the World	**3,121**	**3,487**	**3,415**	**54**	**56**	**58**
Of which						
United Kingdom	437	412	410	7	7	7
Netherlands	374	462	294	6	7	5
USA	348	429	264	6	7	4
Pakistan	280	248	259	5	4	4
United Arab Emirates	301	236	191	5	4	3
Germany	95	122	120	2	2	2
India	105	104	62	2	2	1
Afghanistan	186	120	84	3	2	1
Others	995	1,354	1,730	17	22	29
Total	**5,828**	**6,173**	**5,875**	**100**	**100**	**100**
EU	1,202	1,368	1,318	21	22	22
China	46	75	59	1	1	1

Source: Kenya Revenue Authority

The share of exports to China and the European Union remained stabile at 1 percent and 22 percent respectively in the year to November 2015. The share of other exports to the rest of the world increased to 29 percent.

Services Account

The surplus in the services account declined by 7.8 percent in the year to November 2015 reflecting reduction in receipts from current transfers. Receipts from non-factor services increased largely driven by improvement in inflows from other private services (insurance services; royalties and licence fees).

The deficit in the primary income account worsened by USD 37 million while the surplus in the current transfers account decreased by USD 647 million. Remittance inflows (under private transfers) increased by USD 133 million to USD 1,544 million during the year to November 2015 (Table 4.2). Remittance inflows were resilient with the 12 month average to November 2015 increasing to USD 128.7 million from an average of USD 117.6 million in the year to November 2014.

Capital and Financial Account

The capital and financial account surplus in the year to November 2015 was 36.1 percent lower compared with the previous year.

Official, medium and long-term financial flows more than doubled mainly reflecting increased flows of loans for the Standard Gauge Railway (SGR) project.

Private medium and long term financial flows decreased by 57 percent largely driven by a reduction in commercial bank flows which reflected build-up of foreign assets in deposits and loans advanced to non-residents.

Short term flows (including net errors and omissions) decreased by 92.4 percent during the period under review.

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

ITEM	Year to November 2014*	Year to November 2015*				Year to November2015*	Change	% Change
		Dec-Feb	March-May	June-Aug	Sep-Nov			
3. CAPITAL & FINANCIAL ACCOUNT	**6734**	**1784**	**999**	**315**	**1208**	**4305**	**-2429**	**-36.1**
3.1 Capital Tranfers (net)	**26**	**29**	**1**	**44**	**36**	**110**	**84**	**326.5**
3.2 Financial Account	**6709**	**1754**	**999**	**271**	**1172**	**4195**	**-2513**	**-37.5**
Official, medium & long-term	**1530**	702	1321	23	1309	**3355**	**1825**	**119.3**
Inflows	**2993**	1141	1421	106	1378	**4046**	**1054**	**35.2**
Outflows	**-1463**	-439	-100	-82	-70	**-691**	**772**	**-52.8**
Private, medium & long-term (net)	**1260**	-54	265	306	25	**542**	**-719**	**-57.0**
Commercial Banks (net)	**526**	-261	267	251	-160	**97**	**-429**	**-81.5**
Other private medium & long-term (net)	**735**	207	-3	55	185	**444**	**-290**	**-39.5**
Short-term (net) incl. errors & omissions	**3918**	1106	-587	-59	-162	**299**	**-3620**	**-92.4**

* Provisional.

Source: Central Bank of Kenya

Foreign Exchange Reserves

The banking system's total foreign exchange holdings decreased by 5.0 percent in November 2015. Official reserves held by the Central Bank constituted 76.1 percent of gross reserves. In terms of months of import cover, the ratio stabilised at 4.6 months in November 2015 and November 2014.

Foreign exchange reserves held by commercial banks increased by 33.1 percent in November 2015 (Table 4.5).

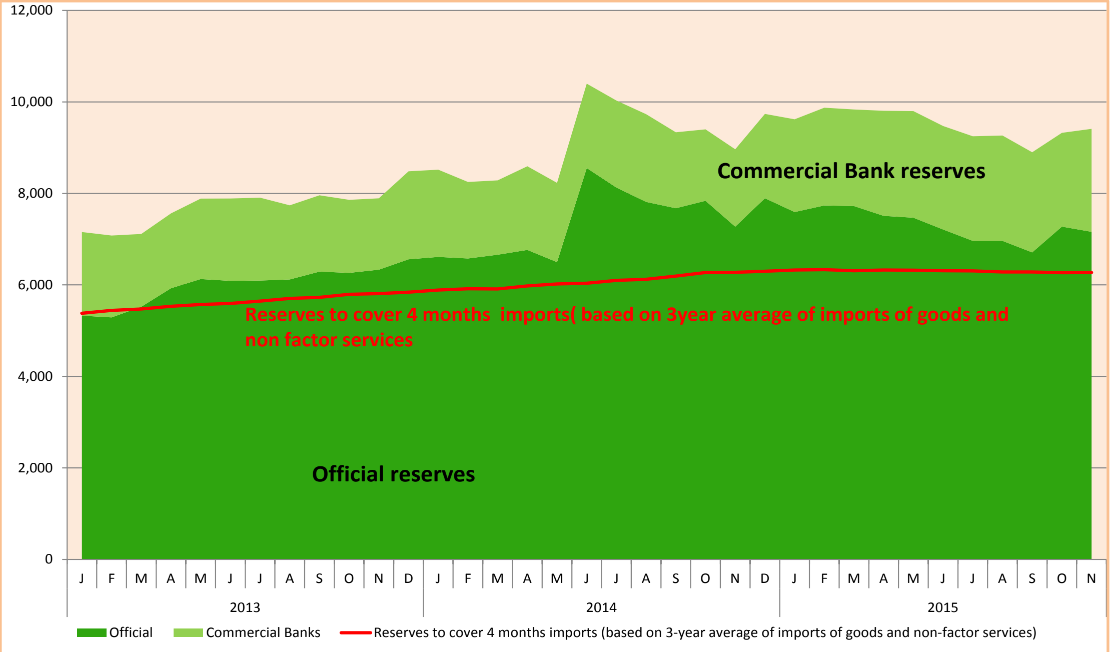
TABLE 4.5: FOREIGN EXCHANGE RESERVES AND RESIDENTS' FOREIGN CURRENCY DEPOSITS (END OF PERIOD, US$ MILLION)

	Nov 14	Dec 14	Jan 15	Feb 15	Mar 15	Apr 15	May 15	Jun 15	Jul 15	Aug 15	Sep 15	Oct 15	Nov 15
1 Gross Reserves	**8,964.5**	**9,737.6**	**9,619.8**	**9,873.3**	**9,834.3**	**9,805.5**	**9,798.7**	**9,473.1**	**9,248.8**	**9,265.4**	**8,899.0**	**9,324.0**	**9,411.0**
of which:													
Official	7,274.0	7,894.9	7,593.0	7,736.6	7,723.3	7,509.4	7,469.2	7,211.5	6,962.9	6,962.9	6,711.0	7,274.3	7,160.7
*import cover**	4.6	5.0	4.8	4.9	4.9	4.7	4.7	4.6	4.4	4.4	4.3	4.6	4.6
Commercial Banks	1,690.5	1,842.6	2,026.7	2,136.7	2,111.0	2,296.1	2,329.5	2,262.0	2,285.9	2,302.5	2,188.0	2,049.7	2,250.3
2. Residents' foreign currency deposits	**4,036.7**	**4,079.9**	**4,243.4**	**4,396.4**	**4,153.6**	**4,277.7**	**4,447.7**	**4,487.7**	**4,228.3**	**4,202.5**	**4,277.9**	**4,097.5**	**4,288.1**

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

Source: Central Bank of Kenya

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



Source: Central Bank of Kenya

Exchange Rates

The Kenya Shilling appreciated by 0.6 percent against the US Dollar, 1.3 percent against the Pound Sterling, 4.9 percent against the Euro and 2.5 percent against the Japanese Yen in November 2015. The performance of the Shilling largely reflected developments on the domestic currency market during the review period such as the spill over effect of rising yields on Government securities resulting in high investor participation in October thus increasing demand for the shilling.

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

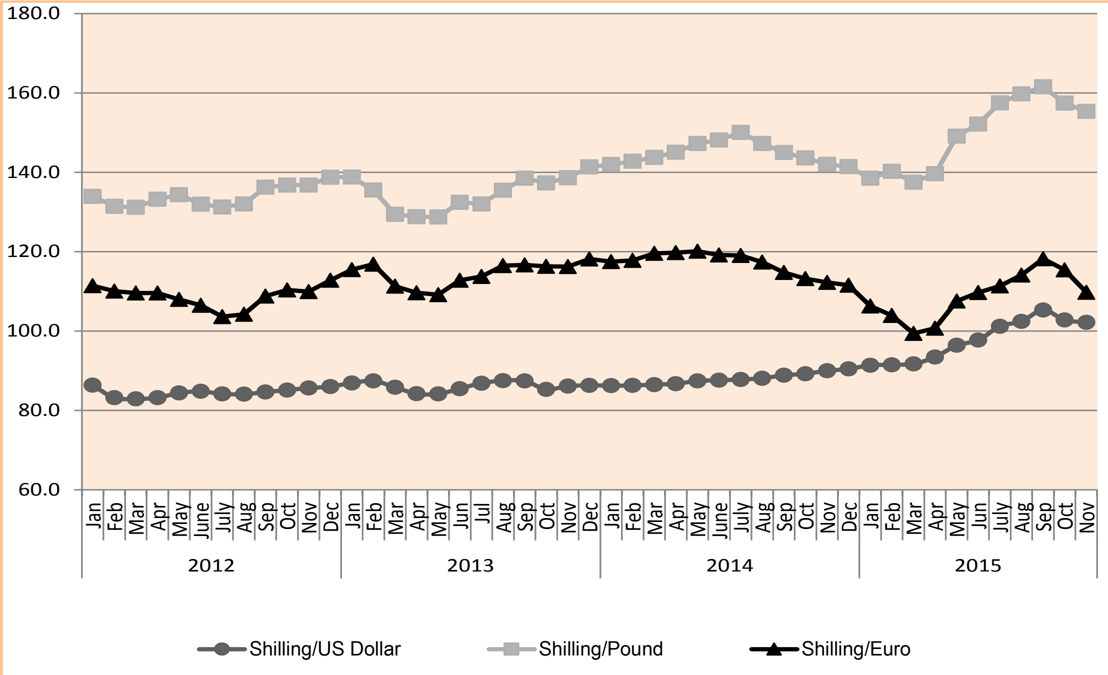
TABLE 4.6: KENYA SHILLING EXCHANGE RATE

	2014		2015											
	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	%age Change Oct - Nov 2015
US Dollar	89.96	90.44	91.36	91.49	91.73	93.44	96.39	97.70	101.20	102.43	105.27	102.79	102.17	-0.61
Pound Sterling	142.05	141.45	138.49	140.21	137.51	139.62	149.10	152.16	157.53	159.77	161.54	157.46	155.39	-1.32
Euro	112.28	111.52	106.32	103.94	99.40	100.71	107.54	109.72	111.36	114.09	118.23	115.39	109.78	-4.86
100 Japanese Yen	77.53	75.79	77.19	77.17	76.22	78.18	79.89	79.00	82.10	83.12	87.64	85.62	83.45	-2.53
Uganda Shilling*	30.37	30.62	31.29	31.36	32.19	32.04	31.17	32.67	33.23	34.66	34.82	35.40	33.59	-5.12
Tanzania Shilling*	19.16	19.11	19.39	19.92	20.09	20.28	20.98	22.49	20.90	20.73	20.56	21.19	21.13	-0.29
Rwanda Franc*	7.66	7.62	7.53	7.52	7.56	7.37	7.16	7.37	7.23	6.99	6.96	7.12	7.29	2.39
Burundi Franc*	17.39	17.28	17.14	17.12	17.05	16.72	16.23	16.06	15.92	15.11	14.68	15.08	15.20	0.81

* Units of currency per Kenya Shilling

Source: Central Bank of Kenya

CHART 4B: KENYA SHILLING EXCHANGE RATE



Source: Central Bank of Kenya

Developments in The Banking Sector

Structure of the Balance Sheet

The balance sheet in terms of total assets grew from KSh 3,168.7 billion in November 2014 to KSh 3,626.9 billion in November 2015 which translates to an annual growth of 14.5 percent. The main components of banking sector assets were loans and advances, government securities and placements, which accounted for 59.9 percent, 19.3 percent and 5.2 percent, respectively.

Loans & Advances

The banking sector gross loans were KSh 2,260.2 billion in November 2015 compared to KSh 1,948.4 billion in November 2014 which translates to an annual growth of 16 percent. There was increased lending to all economic sectors except Mining and Quarrying sector which registered a decrease of KSh 6.26 billion.

Deposit Liabilites

The deposit base was KSh 2,553.8 billion in November 2015 compared to KSh 2,279.8 billion in November 2014 which translates to an annual growth of 12 percent. Deposits were the main components of the balance sheet on the liabilities side accounting for 70.4 percent of total liabilities which was a decrease of 1.6 percent compared to 72 percent recorded in November 2014.

Capital & Reserves

The banking sector recorded an improved capital position in November 2015 with total shareholders' funds increasing by 10.2 percent from KSh 512.3 billion in November 2014 to KSh 564.7 billion in November 2015. Core capital and total capital increased from KSh 402.5 billion and KSh 473.2 billion to KSh 460.3 billion and KSh 552.1 billion respectively over the same period. The core capital to total risk-weighted assets ratio marginally decreased from 15.5 percent in November 2014 to 15.4 percent in November 2015, whereas the total capital to total risk-weighted assets ratio increased marginally from 18.2 percent in November 2014 to 18.5 percent in November 2015.

Non-performing Loans

The gross non-performing loans (NPLs) increased by 29.5 percent from KSh 108.0 billion in November 2014 to KSh 139.9 billion in November 2015. The gross NPLs to gross loans ratio increased from 5.5 percent in November 2014 to 6.2 percent in November 2015. Similarly, the coverage ratio, measured as a percentage of specific provisions to total NPLs decreased from 39.6 percent in November 2014 to 38.5 percent in November 2015.

The quality of assets, measured as a proportion of net non-performing loans to gross loans increased from 2.7 percent in November 2014 to 3 percent in November 2015. A summary of asset quality for the banking sector over the period is shown on Table 5.1.

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

		Nov-14 (KSh'Bn)	Nov-15 (KSh'Bn)
1	Gross loans and advances (Kshs. Bn)	1,948.4	2,260.2
2	Interest in Suspense (Kshs. Bn)	21.5	28.5
3	Loans and advances (net of interest suspended) (Kshs. Bn)	1,926.9	2,231.7
4	Gross non-performing loans (Kshs. Bn)	108.0	139.9
5	Specific Provisions (Kshs. Bn)	34.3	42.9
6	General Provisions (Kshs. Bn)	14.2	15.2
7	Total Provisions (5+6) (Kshs. Bn)	48.5	58.1
8	Net Advances (3-7) (Kshs. Bn)	1,878.4	2,173.6
9	Total Non-Performing Loans and Advances (4-2) (Kshs. Bn)	86.5	111.4
10	Net Non-Performing Loans and Advances (9-5) (Kshs. Bn)	52.2	68.5
11	Total NPLs as % of total advances (9/3)	4.50%	5.00%
12	Net NPLs as % of gross advances (10/1)	2.70%	3.00%
13	Specific Provisions as % of Total NPLs (5/9)	39.70%	38.50%

Source: Central Bank of Kenya

Profitablility

The banking sector's pre-tax profits grew by 3.24 percent from KSh 126.6 billion reported in the period ended November 30, 2014 to KSh 130.7 billion for the period ended November 30, 2015. The annual return on assets decreased to 3.1 percent in November 2015 from 3.4 percent in November 2014. Similarly, return on shareholders' funds reduced to 25.2 percent in November 2015 from 27.0 percent in November 2014.

Total income increased by 13.96 percent from KSh 374.3 billion in November 2014 to KSh 426.5 billion in November 2015, while total expenses increased by 19.45 percent from KSh 247.6 billion in November 2014 to KSh 295.8 billion in November 2015. The major sources of income were interest on advances, other income and interest on government securities accounting for 61.1 percent, 16.2 percent and 14.7 percent of total income, respectively. On the other hand, interest on deposits, salaries and wages, and other expenses were the key components of expenses, accounting for 36.4 percent, 24.7 percent and 21.2 percent of total expenses, respectively.

Liquidity Ratio Requirement

For the month ended November 30, 2015, average liquid assets amounted to KSh 936.4 billion while total short-term liabilities stood at KSh 2,497.3 billion, resulting to an average liquidity ratio of 37.5 percent which was higher than the 37.3 percent registered in November 2014. The liquidity ratio remained above the minimum stipulated limit of 20 percent.

Cash Ratio Requirement

The proportion of cash to deposit liabilities held at the Central Bank by commercial banks for reserve requirements averaged 5.27 percent in November 2015 compared to 5.26 percent in October 2015 and was within the average 5.25 percent minimum requirement (Table 5.2 and Chart 5A). Commercial banks are required to maintain a Cash Reserve Ratio (CRR) monthly average of 5.25 percent in the 30 day maintenance cycle from 15th through 14th of every month, but subject to a daily minimum of 3.0 percent.

Both Commercial banks and non-bank financial institutions held strong liquidity positions in November 2015, at 37.7 percent and 24.7 percent respectively, in relation to the 20 percent minimum requirement.

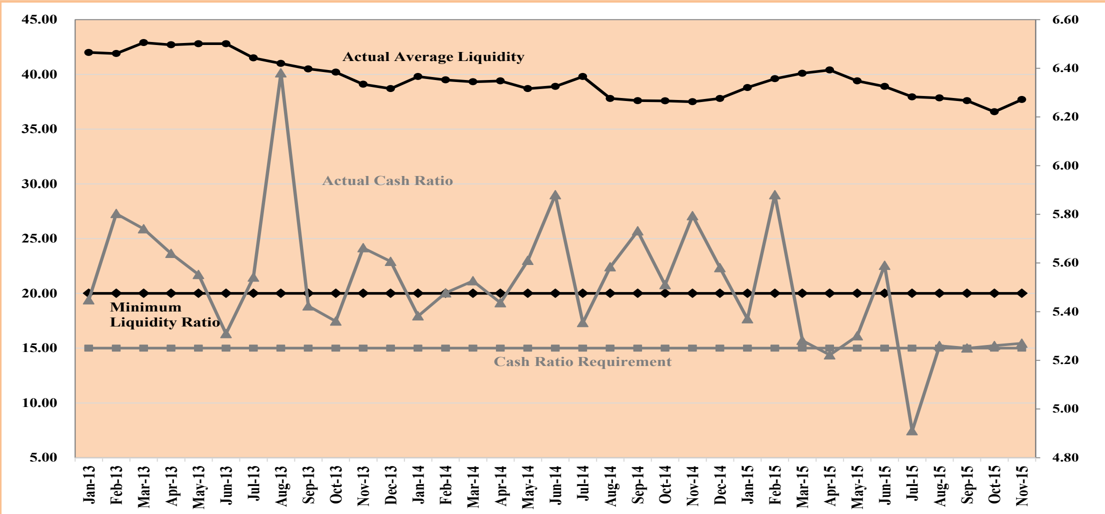
TABLE 5.2 : CASH AND LIQUIDITY RATIOS* (%)

	2014				2015										
	Sept	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	June	July	Aug	Sep	Oct	Nov
Commercial Banks															
Actual Average Liquidity	37.60	37.58	37.50	37.80	38.80	39.60	40.10	40.40	39.4	38.90	37.94	37.85	37.60	36.59	37.70
Minimum Liquidity Ratio	20.00	20.00	20.00	20.00	20.00	20.00	20.00	20.00	20.00	20.00	20.00	20.00	20.00	20.00	20.00
Actual Cash Ratio - All Banks	5.73	5.51	5.79	5.58	5.37	5.88	5.28	5.22	5.30	5.59	4.91	5.26	5.25	5.26	5.27
Minimum Cash Ratio Requirement	5.25	5.25	5.25	5.25	5.25	5.25	5.25	5.25	5.25	5.25	5.25	5.25	5.25	5.25	5.25
NBFIs															
Actual Average Liquidity Ratio	26.10	25.19	25.30	27.80	26.70	22.90	24.90	26.20	23.6	24.00	24.73	22.71	23.59	27.47	24.70
Minimum Liquidity Ratio	20.00	20.00	20.00	20.00	20.00	20.00	20.00	20.00	20.00	20.00	20.00	20.00	20.00	20.00	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 248,109 transaction messages worth 2,104 billion in November 2015 compared with a volume of 273,487 transaction messages worth 3,070 billion in October 2015. This represents a decrease of 31.47 percent and 9.28 percent in value and volume respectively. Compared to November 2014, the volume increased by 16.85 percent from 212,340 transaction messages to 248,109 transaction messages in November 2015, while value increased by 4.02 percent from 2,023 billion to 2,104 billion, indicating an increase in the uptake of KEPSS services by the public.

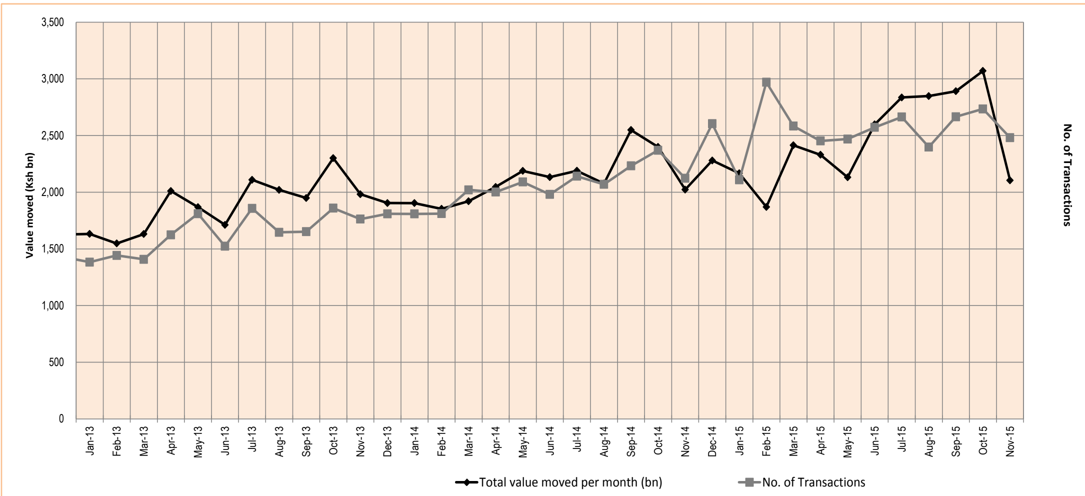
During the twelve months period to November 30, 2015 the value moved averaged KSh 10 million per transaction. On average, 12,227 transaction messages with an average value of approximately KSh 117 billion were moved daily (Table 5.3 and Chart 5B). Direct settlements through KEPSS from commercial banks accounted for 99.0 percent of the total settlements, while payments processed through the Automated Clearing House (ACH) and settled in KEPSS averaged 1.0 percent.

TABLE 5.3: TRENDS IN MONTHLY FLOWS THROUGH KEPSS

	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
Dec-13	1,905	30	180,926	0.01	18	106	10,051
Jan-14	1,904	31	180,897	0.01	22	87	8,223
Feb-14	1,853	28	181,123	0.01	20	93	9,056
Mar-14	1,920	31	202,035	0.01	21	91	9,621
Apr-14	2,047	27	200,151	0.01	20	102	10,008
May-14	2,188	28	209,019	0.01	21	104	9,953
Jun-14	2,133	32	198,052	0.01	20	107	9,903
Jul-14	2,189	28	214,091	0.01	22	99	9,731
Aug-14	2,077	28	206,937	0.01	21	99	9,854
Sep-14	2,549	33	223,227	0.01	22	116	10,147
Oct-14	2,399	32	237,027	0.01	22	109	10,774
Nov-14	2,023	21	212,340	0.01	20	101	10,617
Dec-14	2,280	32	260,441	0.01	20	114	13,022
Jan-15	2,167	28	210,940	0.01	21	103	10,045
Feb-15	1,870	26	297,018	0.01	20	93	14,851
Mar-15	2,414	32	258,357	0.01	22	109	11,697
Apr-15	2,330	28	245,227	0.01	20	116	12,261
May-15	2,132	29	246,925	0.01	20	107	12,346
Jun-15	2,598	29	257,240	0.01	21	124	12,250
Jul-15	2,836	31	266,342	0.01	23	123	11,878
Aug-15	2,849	28	239,842	0.01	21	136	11,421
Sep-15	2,891	29	266,523	0.01	22	131	12,115
Oct-15	3,070	30	273,487	0.01	21	146	13,023
Nov-15	2,104	30	248,109	0.01	21	100	11,815

Source: Central Bank of Kenya

CHART 5B: TRENDS IN MONTHLY FLOWS THROUGH KEPSS



Source: Central Bank of Kenya

Third Party Messages

Multiple third party Message Type (MT 102) used for several credit transfers decreased by 3.27 percent from 21,224 transaction messages in October 2015 to 20,529 transaction messages in November 2015. Compared with November 2014, MT 102 messages increased by 4.60 percent from 19,626 transaction messages to 20,529 transaction messages in November 2015.

Single third party Message Type (MT 103) used for single credit transfers decreased by 6.32 percent from 286,817 transaction messages to 268,683 transaction messages in the same period. MT 103 messages increased by 19.25 percent from 225,312 transaction messages in November 2014 to 268,683 transaction messages in November 2015.

Overall, total third party messages through KEPSS decreased by 6.11 percent from 308,041 transaction messages in October 2015 to 289,212 transaction messages in November 2015. (Table 5.4 and Chart 5C).

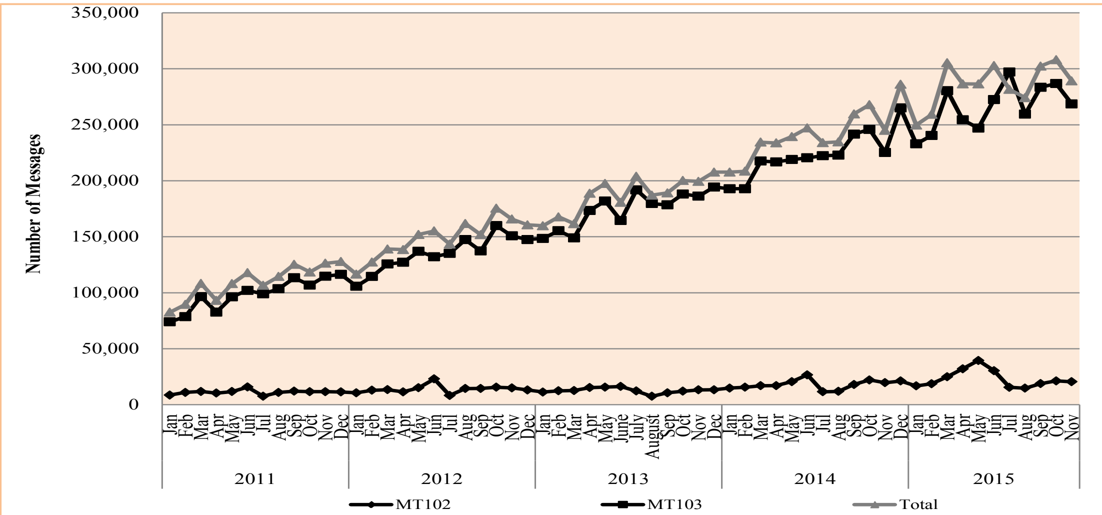
Inter-bank transfers (MT 202) accounted for 29.8 percent of the total value moved through KEPSS as at end of July 2015 while third party (MT 102 and MT 103) messages accounted for 70.20 percent.

TABLE 5.4: TRENDS IN MT102 AND MT103 THROUGH KEPSS

		MT102	MT103	Total
2014	Jan	14858	192,905	207,763
	Feb	15596	192,858	208,454
	Mar	16935	217,572	234,507
	Apr	17019	216,820	233,839
	May	20543	218,936	239,479
	Jun	26649	220,504	247,153
	Jul	11546	222,388	233,934
	Aug	11903	222,826	234,729
	Sep	18074	241,606	259,680
	Oct	22080	245,888	267,968
	Nov	19626	225,312	244,938
	Dec	21154	265,040	286,194
2015	Jan	16749	232,962	249,711
	Feb	18762	240,962	259,251
	Mar	24952	280,360	305,312
	Apr	32074	254,422	286,496
	May	39486	247,003	286,489
	Jun	30,402	272,405	302807
	Jul	15,553	281,594	297147
	Aug	14,761	259,425	274186
	Sep	18,836	283,520	302356
	Oct	21,224	286,817	308,041
	Nov	20,529	268,683	289,212

Source: Central Bank of Kenya

CHART 5C: TRENDS IN MT102 AND MT103 THROUGH KEPSS

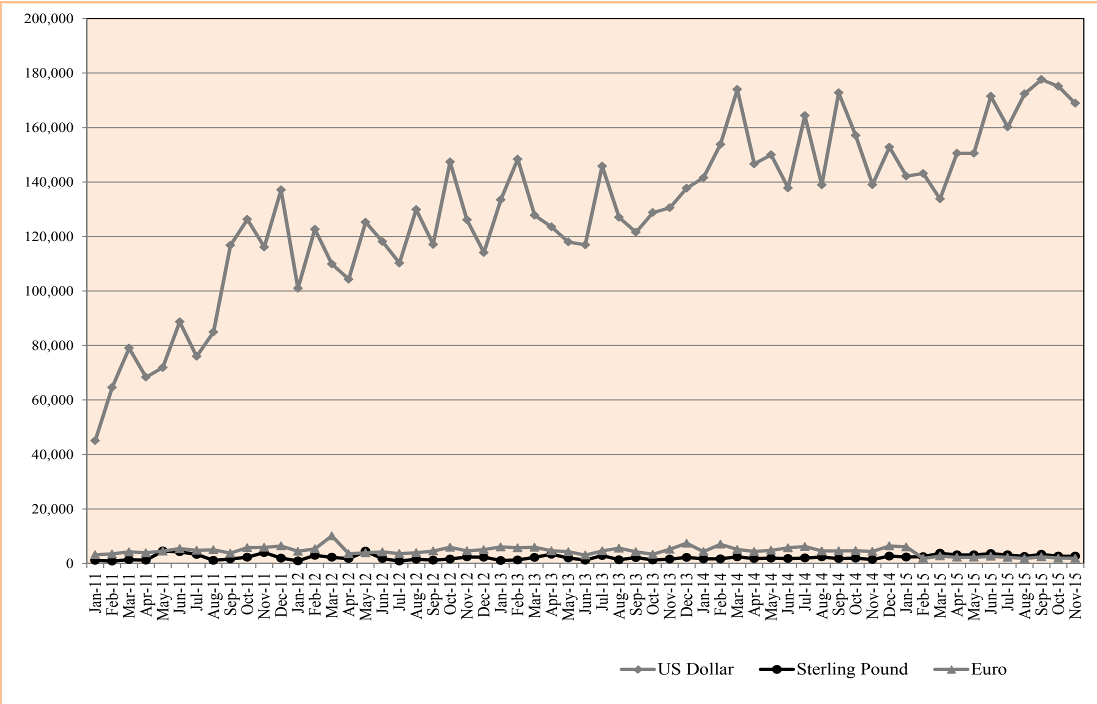


Source: Central Bank of Kenya

Domestic Foreign Currency

Domestic Foreign Currency messages through KEPSS increased by 3.36 percent from 23,591 transaction messages in September 2015 to 24,384 transaction messages in October 2015. Consequently, the corresponding value in Kenya Shillings equivalent moved in this period decreased by 1.97 percent from KSh. 183.36 billion to KSh 179.75 billion. The US dollar denominated transactions accounted for 97.43percent of the value moved (Chart 5D), while the Sterling Pound and the Euro accounted for 1.48 percent and 1.09 percent, respectively.

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



Source: Central Bank of Kenya

Government Budget Performance

The Government's budgetary operations during the first five months of the FY 2015/16 resulted in a deficit 2.8 percent of GDP on a commitment basis compared with a deficit of 1.7 percent of GDP incurred in the same period of the FY 2014/15. This was within the 5.4 percent of GDP deficit programmed for the period (Table 6.1).

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

	FY 2014/15	FY 2015/16		
	Nov Actual	Nov Provisional	Target	Over (+) / below(-) Target
1. TOTAL REVENUE & GRANTS	**410.5**	**459.5**	**535.0**	**-75.4**
Revenue	**403.9**	**451.3**	**506.9**	**-55.6**
Tax Revenue	373.5	416.1	454.5	-38.4
Non Tax Revenue	9.5	8.8	9.9	-1.1
Appropriations-in-Aid	20.9	26.4	42.5	-16.1
External Grants	6.7	8.3	28.1	-19.9
2. TOTAL EXPENSES & NET LENDING	**490.1**	**610.0**	**825.4**	**-215.5**
Recurrent Expenses	302.4	371.6	427.1	-55.5
Development Expenses	117.7	159.6	269.1	-109.5
County Transfers	69.9	78.8	128.0	-49.2
Others	**0.0**	**0.0**	1.3	-1.3
3. DEFICIT ON A COMMITMENT BASIS (1-2)	**-79.6**	**-150.4**	**-290.4**	**140.0**
As percent of GDP	-1.7	-2.8	-5.4	2.6
4. ADJUSTMENT TO CASH BASIS	**0.0**	**0.0**	**0.0**	**0.0**
5. DEFICIT ON A CASH BASIS	**-79.6**	**-150.4**	**-290.4**	**140.0**
As percent of GDP	-1.7	-2.8	-5.4	2.6
6. DISCREPANCY: Expenditure (+) / Revenue (-)	**1.4**	**26.5**	**-0.5**	**27.0**
7. FINANCING	**80.9**	**176.9**	**289.9**	**-113.0**
Domestic (Net)	-12.7	75.5	173.1	-97.6
External (Net)	93.6	100.8	116.8	-16.1
Capital Receipts (domestic loan receipts)	0.0	0.6	0.5	0.1
Others(Euro Bond sale proceeds)	0.0	0.0	0.0	0.0
Financing gap	0.0	0.0	0.0	0.0

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

Source: National Treasury

Revenue

Total government revenues and grants grew by 11.9 percent between November 2014 and November 2015. Over the same period, tax revenue increased by 11.4 percent and accounted for 90.6 percent of the total revenue realized. All revenues were below target, with largest shortfall being in tax revenue amounting to KSh38.4 billion (Table 6.1).

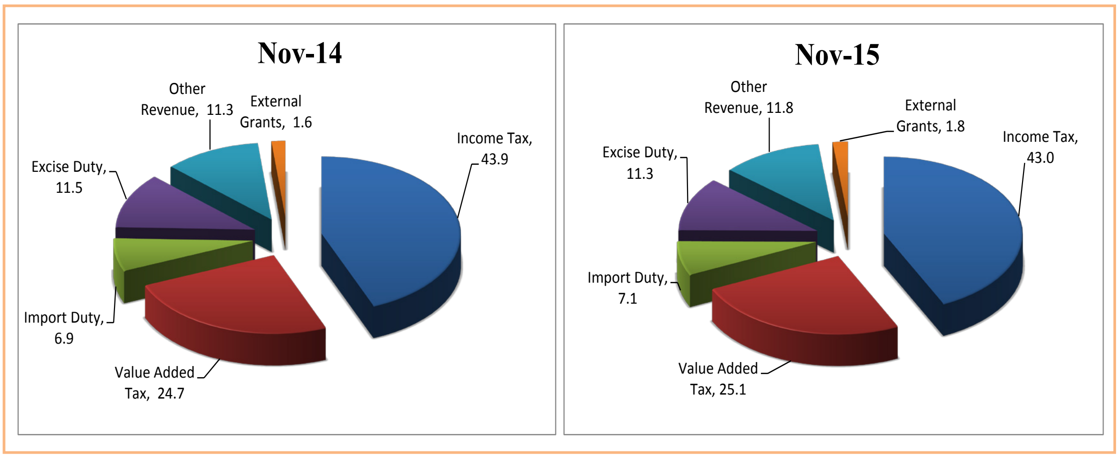
TABLE 6.2: COMPOSITION OF GOVERNMENT REVENUE (KSh billion)

	Nov-14 Ksh bn	Nov-15 Ksh bn	Change
1. Revenue (2+3+4)	**403.9**	**451.3**	**47.4**
2. Tax Revenue	373.5	416.1	42.6
Income Tax	180.3	197.4	17.1
Value Added Tax	101.5	115.1	13.6
Import Duty	28.2	32.7	4.6
Excise Duty	47.4	51.8	4.4
Others	16.1	19.0	2.9
3. Appropriations-in-Aid	20.9	26.4	5.5
4. Other Revenue	9.5	8.8	-0.7
5. External Grants	**6.7**	**8.3**	**1.6**
TOTAL RECEIPTS (1+5)	**410.5**	**459.5**	**49.0**

Source: National Treasury

Tax revenue grew by 11.4 percent in November 2015 compared with a similar period in 2014. Income tax increased by 9.5 percent while Excise duty, Value Added Tax, other tax revenue, and Import duty increased by 9.4 percent, 13.4 percent, 18.2 percent, and 16.2 percent, respectively. External grants and Appropriations-in-aid grew by 23.8 percent and 26.4 percent, respectively, during the period under review (Table 6.2). The performance of Government revenue in relation to the previous year is shown in Chart 6A. The main highlights include a 50 basis points increase in the share of other revenue and a 90 basis point decline in the share of income tax.

CHART 6A: COMPOSITION OF GOVERNMENT RECEIPTS



Source: National Treasury

Expenditure and Net Lending

Government expenditure and net lending rose by 24.5 percent between November 2014 and November 2015. Over the same period, development expenditure and County transfers grew by 22.9 percent and 12.7 percent, respectively. Recurrent expenditure accounted for 60.9 percent of government spending in November 2015 while development expenditure and County transfers accounted for 26.2 percent and 12.9 percent, respectively (Table 6.3).

Recurrent expenditure grew by 22.9 percent over the period under review. In terms of its components, total interest payment grew by 33.9 percent but expenditure on salaries and wages declined by 15 percent mainly due to delayed salaries for teachers arising from the industrial dispute between the teachers union and Teachers Service Commission during that period. Although development expenditure increased by 35.6 percent, it was below the programmed target by KSh 109.5 billion (Table 6.1 and Table 6.3). A slow start in absorption of development expenditures has typically been the trend during the first few months of the FY 2015/2016.

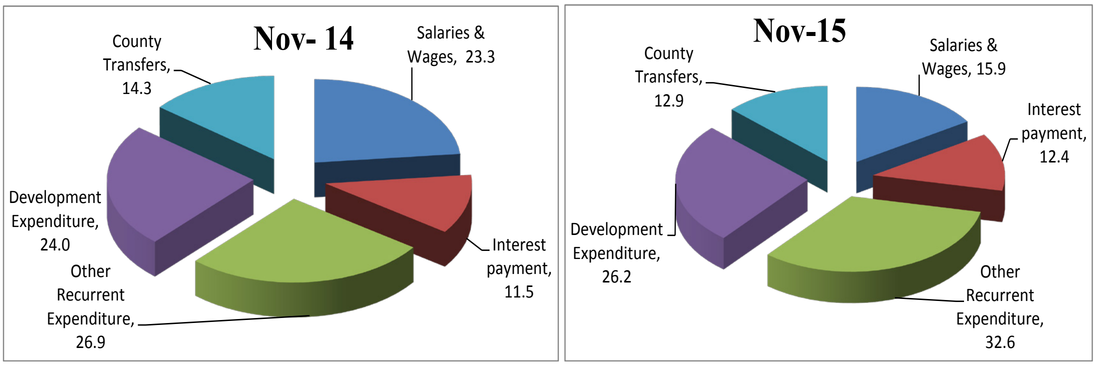
TABLE 6.3: COMPOSITION OF GOVERNMENT EXPENDITURE (KSh billion)

	Nov-14 Ksh bn	Nov-15 Ksh bn	Movement
1.Recurrent	**302.4**	**371.6**	**69.2**
Salaries & Wages	114.4	97.2	-17.1
Total Interest	56.4	75.5	19.1
of which			
Domestic*	51.2	67.3	16.0
Foreign interest due	5.2	8.2	3.1
Others	131.7	198.9	67.2
2. Development	**117.7**	**159.6**	**41.8**
3. County Transfers	**69.9**	**78.8**	**8.9**
TOTAL EXPENSES	**490.1**	**610.0**	**119.9**

*Includes commission and other charges paid to CBK

The performance of Government expenditure in relation to the previous year is indicated in Chart 6B. The main highlights include a 220 basis points increase in development expenditure and a 800 basis points decline in the share of expenses on salaries and wages.

CHART 6B: COMPOSITION OF GOVERNMENT EXPENDITURE



Source: National Treasury

Financing

The financing requirements of Government operations stood at KSh 192.1 billion for the first five months of the FY 2015/16. This financing requirement was met through external sources (52.5 percent) and domestic sources (47.2 percent) (Table 6.4).

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

I. FINANCING REQUIREMENTS	Nov-14	Nov-15
1. Budget deficit	80.9	176.9
2. External debt reduction	0.0	0.0
3. Domestic debt reduction	19.4	0.0
3.1 Central Bank (incl. items in transit)	19.4	0.0
3.2 Commercial banks (net of deposits)	0.0	0.0
3.3 Non-bank sources	0.0	0.0
4. Increase in GoK deposits at CBK	31.3	15.2
5. Adjustment to cash basis	0.0	
5. Domestic Loan Receipts		
TOTAL	**131.7**	**192.1**
II. FINANCING SOURCES	**Nov-14**	**Nov-15**
1. Budget surplus	0.0	0.0
2. External debt increase	93.6	100.8
3. Increase in domestic debt	37.3	90.7
3.1 Central Bank	0.0	33.0
3.2 Commercial banks	33.4	30.2
3.3 Non-bank sources	3.9	27.6
4. Reduction in GoK deposits at CBK	0.0	0.0
5. Privatisation proceeds (Net of Restructuring Costs)	0.0	0.0
7. Domestic Loan Receipt	0.7	0.6
TOTAL	**131.7**	**192.1**

Sources: National Treasury and Central Bank of Kenya

Government Borrowing from the Central Bank

The Government debt at the Central Bank more than doubled during the period under review (Table 6.5). The increase in Government's liability to the Central Bank reflected KSh 31.6 billion maturities of rediscounted securities held by the Bank. In addition, the Government repaid KSh 1.1 billion through the regular amortization of the pre-1997 securitized overdraft. Government borrowing through overdraft facility at the Central Bank rose by KSh 20.0 billion during the period under review and remained within the statutory limit.

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

	2014	2015	Movement
	Nov	Nov	
Total Credit	**45.7**	**96.3**	**50.6**
1. Overdraft	16.5	36.5	20.0
2. Rediscounted securities	1.5	33.0	31.6
Treasury bills	1.4	23.1	21.7
Treasury bonds	0.0	9.9	9.9
3. Pre-1997 Government Overdraft at CBK	27.8	26.7	-1.1
4. IMF funds onlent to Government	0.0	0.0	0.0
5. Cleared items in transit	0.0	0.1	0.1
Memorandum			
Authorised overdraft limit	39.1	46.8	7.7
Amount utilised to date	16.5	36.5	20.0
Amount available	22.6	10.3	-12.3

Source: Central Bank of Kenya

Outlook for FY 2015/16

In the budget estimates for the FY 2015/16, ordinary revenue is estimated at KSh 1,358.0 billion (20.8 percent of GDP) while external grants are estimated at KSh 73.4 billion (1.1 percent of GDP). Government expenditure is estimated at KSh 2,000.6 billion (30.7 percent of GDP), of which KSh 1,013.0 billion (15.5 percent of GDP) will be in recurrent expenses, transfer to the county governments at KSh 264.2 billion, and development expenses at KSh 718.5 billion (Table 6.6).

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

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

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

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

Developments in Public Debt

Overall Debt Kenya's public and publicly guaranteed debt increased by 8.8 percent between June and November 2015 with external debt accounting for much of the increase. As percentage of GDP, total debt stock in November 2015 was 57.5 percent compared with 52.8 percent in June 2015. External debt and domestic debt to GDP ratio increased from 26.3 percent and 26.5 percent in June to 29.2 percent and 28.3 percent in November 2015, respectively (Table 7.1).

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

	Jun-15	Jul-15	Aug-15	Sep-15	Oct-15	Nov-15	Change 2015/16
EXTERNAL**							
Bilateral	430.4	461.1	470.4	477.5	458.0	450.3	19.8
Multilateral	684.6	707.3	751.0	759.3	730.0	729.8	45.2
Commercial Banks	276.9	287.7	291.7	295.6	322.3	365.4	88.5
Supplier Credits	16.6	17.1	17.6	17.8	17.0	17.0	0.4
Sub-Total	**1408.6**	**1473.1**	**1530.7**	**1550.2**	**1527.4**	**1562.5**	**153.9**
(As a % of GDP)	26.3	27.5	28.6	28.9	28.5	29.2	
(As a % of total debt)	49.8	50.9	52.2	52.8	51.2	50.7	
DOMESTIC							
Banks	**793.8**	**819.5**	**812.8**	**790.3**	**822.5**	**856.3**	**62.5**
Central Bank	63.3	103.0	115.3	107.6	101.2	96.3	33.0
Commercial Banks	730.4	716.5	697.5	682.7	721.3	760.0	29.6
Non-banks	**616.0**	**588.2**	**579.2**	**586.1**	**619.3**	**647.2**	**31.2**
Pension Funds	352.7	358.7	353.3	345.4	366.1	381.9	29.2
Insurance Companies	127.9	130.0	123.6	121.1	127.3	127.2	-0.7
Other Non-bank Sources	135.4	99.5	102.4	119.6	125.8	138.1	2.7
Non-residents	**10.7**	**10.9**	**11.1**	**11.5**	**12.5**	**12.9**	**2.2**
Sub-Total	**1420.4**	**1418.6**	**1403.1**	**1388.0**	**1454.2**	**1516.4**	**95.9**
(As a % of GDP)	26.5	26.5	26.2	25.9	27.1	28.3	
(As a % of total debt)	50.2	49.1	47.8	47.2	48.8	49.3	
GRAND TOTAL	**2829.1**	**2891.7**	**2933.8**	**2938.2**	**2981.6**	**3078.9**	**249.8**
(As a % of GDP)	52.8	54.0	54.8	54.8	55.7	57.5	

Computed using the re-based GDP figures

** External debt is inclusive of guaranteed debt

Sources: National Treasury and Central Bank of Kenya

Domestic Debt The total stock of domestic debt increased by 6.8 percent rising from KSh 1,440.4 billion in June to KSh 1,516.4 billion in November 2015. This increase was attributed to the tightening of monetary policy stance that led to an upsurge of interest rates on short dated securities thus making investment in debt securities attractive. Reflecting this increase, the share of domestic debt to GDP increased from 26.5 percent in June 2015 to 28.3 percent in November 2015. The increase in domestic debt comprises 18.4 percent and 3.7 percent in government Treasury Bills and Treasury Bonds, respectively. However, the share of domestic debt in total debt declined from 50.2 percent in June to 49.3 percent in November 2015 (Table 7.1 and Table 7.2).

TABLE 7.2: GOVERNMENT GROSS DOMESTIC DEBT (Ksh billion)

	Jun-15	%	Sep-15	%	Oct-15	%	Nov-15	%	Change 2015/16
Total Stock of Domestic Debt (A+B)	**1,420.4**	**100.1**	**1,388.0**	**100.0**	**1,454.2**	**100.0**	**1,516.4**	**100.0**	**95.9**
A. Government Securities	**1,354.6**	**95.5**	**1,313.5**	**94.6**	**1,389.1**	**95.5**	**1,451.6**	**95.7**	**96.9**
1. Treasury Bills (excluding Repo Bills)	**318.9**	**22.5**	**266.6**	**19.2**	**321.7**	**22.1**	**377.6**	**24.9**	**58.7**
Banking institutions	217.7	15.3	160.3	11.6	178.5	12.3	207.6	13.7	(10.1)
Others	101.2	7.1	106.3	7.7	143.2	9.8	170.0	11.2	68.9
2. Treasury Bonds	**1,035.7**	**73.0**	**1,046.9**	**75.4**	**1,067.4**	**73.4**	**1,073.9**	**70.8**	**38.2**
Banking institutions	510.3	36.0	518.1	37.3	573.9	39.5	535.9	35.3	25.6
Pension Funds	311.8	22.0	312.2	22.5	305.4	21.0	319.2	21.1	7.5
Others	213.7	15.1	216.6	15.6	188.1	12.9	218.8	14.4	5.2
4. Frozen account	**26.7**	**1.9**	**26.7**	**1.9**	**26.7**	**1.8**	**26.7**	**1.8**	**-**
Of which: Repo T/Bills	26.6	1.9	26.6	1.9	26.6	1.8	26.6	1.8	-
B. Others:	**39.1**	**2.8**	**47.8**	**3.4**	**38.5**	**2.6**	**38.1**	**2.5**	**(1.0)**
Of which CBK overdraft to Government	36.5	2.6	45.9	3.3	36.9	2.5	36.5	2.4	0.0

Source: Central Bank of Kenya

Source: Central Bank of Kenya

Treasury Bills

Treasury bill holding, excluding those held by the CBK for open market operations (Repos) increased by 18.4 percent between June and November 2015. The proportion of Treasury bills to total domestic debt increased to 24.9 percent in November 2015 from 22.5 percent in June with the dominant investors being commercial banks (with a share of 48.9 percent) and pension funds (with a share of 16.6 percent) by November 2015 (Table 7.3).

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

Holders	Jun-15	%	Sep-15	%	Oct-15	%	Nov-15	%	Change Jun 15 - Nov 15
Banking Institutions	217.7	68.3	159.3	59.7	178.5	55.5	207.6	55.0	-10.1
Central Bank	0.0	0.0	25.5	9.6	27.6	8.6	23.1	6.1	23.0
Comm. Banks	217.7	68.3	133.7	50.2	150.9	46.9	184.5	48.9	-33.2
Insurance Companies	20.8	6.5	13.5	5.1	17.7	5.5	17.3	4.6	-3.6
Parastatals	15.0	4.7	28.1	10.5	29.9	9.3	34.0	9.0	19.0
Pension Funds	40.9	12.8	33.2	12.4	49.1	15.3	62.7	16.6	21.7
Others	24.4	7.7	32.6	12.2	46.4	14.4	56.1	14.9	31.7
Total	**318.9**	**100.0**	**266.6**	**100.0**	**321.7**	**100.0**	**377.6**	**100.0**	**58.7**

Source: Central Bank of Kenya

Treasury Bonds

Outstanding Treasury bonds increased by 3.7 percent from KSh 1,035.7 billion in June to KSh 1,073.9 billion in November 2015 with bond's share in domestic debt decreasing by 220 basis points from 73 percent in June to 70.8 percent in November 2015. The decline was on account of increased appetite for short-dated securities by domestic debt market investors (Table 7.2). The dominant holders of Treasury bonds were commercial banks, Pension Funds and Insurance companies which counted for 49.3 percent, 29.7 percent and 10.3 percent, respectively (Table 7.4).

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

Holders	Jun-15	%	Aug-15	%	Sep-15	%	Oct-15	%	Nov-15	%	Change Jun 15 - Nov 15
Banking Institutions	510.3	49.3	517.6	49.7	518.1	49.5	573.9	53.8	535.9	49.9	25.6
Central Bank	0.0	0.0	9.2	0.9	9.4	0.9	9.9	0.9	9.9	0.9	9.9
Comm. Banks	510.2	49.3	508.3	48.8	508.6	48.6	564.0	52.8	525.9	49.0	15.7
Insurance Companies	107.0	10.3	107.0	10.3	107.6	10.3	107.3	10.0	109.9	10.2	2.9
Parastatals	33.6	3.2	36.9	3.5	37.9	3.6	38.2	3.6	37.3	3.5	3.7
Of which: NSSF	13.6	1.3	13.6	1.3	13.6	1.3	13.3	1.2	13.2	1.2	-0.4
Building Societies	0.1	0.0	0.1	0.0	0.1	0.0	0.1	0.0	0.1	0.0	0.0
Pension Funds	307.1	29.7	315.7	30.3	312.2	29.8	305.4	28.6	319.2	29.7	12.1
Others	77.5	7.5	64.5	6.2	71.0	6.8	42.5	4.0	71.4	6.7	-6.1
Total	**1035.7**	**100.0**	**1041.8**	**100.0**	**1046.9**	**100.0**	**1067.4**	**100.0**	**1073.9**	**100.0**	**38.2**

Source: Central Bank of Kenya

Domestic Debt Maturity structure

Government securities (Treasury bills and Bonds) worth KSh 77 billion matured in November 2015. Two Treasury Bonds of five year and six year tenures matured in November 2015.

The average length to maturity of existing domestic debt declined to 4 years and 9 months in November 2015 from 5 years and 2 months reported in June 2015. This decline reflects the increase in the proportion of short-dated debt securities in the domestic debt portfolio.

TABLE 7.5: DOMESTIC DEBT MATURITY STRUCTURE (Ksh billion)

		Oct-14	%	Jun-15	%	Sep-15	%	Oct-15	%	Nov-15	%	Change Jun 15 to Nov 15
Treasury bills	91-Day	27.7	2.1	18.6	1.3	33.0	2.4	74.0	5.1	97.5	6.4	78.9
	182-Day	57.8	4.4	75.3	5.3	41.8	3.0	39.5	2.7	66.1	4.4	-9.1
	364-Day	176.5	13.5	225.1	15.8	191.8	13.8	208.2	14.3	214.0	14.1	-11.1
Treasury Bonds	1-Year	0.00	0.00	0.00	0.00	24.3	1.75	44.74	3.08	44.74	2.95	44.74
	2-Year	144.5	11.1	143.4	10.1	137.1	9.9	137.1	9.4	137.1	9.0	-6.4
	3-Year	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	21.4	1.5	2.3	0.2	2.3	0.2	2.3	0.2	-19.1
	5-Year	175.5	13.5	177.4	12.5	189.8	13.7	189.8	13.1	205.5	13.6	28.2
	6-Year	40.7	3.1	40.7	2.9	40.7	2.9	40.7	2.8	31.5	2.1	-9.2
	7-Year	8.7	0.7	8.7	0.6	8.7	0.6	8.7	0.6	8.7	0.6	0.0
	8-Year	40.9	3.1	38.2	2.7	38.2	2.8	38.2	2.6	38.2	2.5	0.0
	9-Year	18.2	1.4	15.1	1.1	15.1	1.1	15.1	1.0	15.1	1.0	0.0
	10-Year	146.7	11.3	163.9	11.5	163.9	11.8	163.9	11.3	163.9	10.8	0.0
	11-Year	4.0	0.3	4.0	0.3	4.0	0.3	4.0	0.3	4.0	0.3	0.0
	12-Year	61.4	4.7	132.1	9.3	132.1	9.5	132.1	9.1	132.1	8.7	0.0
	15-Year	142.9	11.0	168.2	11.8	168.2	12.1	168.2	11.6	168.2	11.1	0.0
	20-Year	60.5	4.6	74.3	5.2	74.3	5.4	74.3	5.1	74.3	4.9	0.0
	25-Year	20.2	1.5	20.2	1.4	20.2	1.5	20.2	1.4	20.2	1.3	0.0
	30-Year	28.1	2.2	28.1	2.0	28.1	2.0	28.1	1.9	28.1	1.9	0.0
	Repo T bills	27.7	2.1	26.6	1.9	26.6	1.9	26.6	1.8	26.6	1.8	0.0
	Overdraft	18.3	1.4	36.5	2.6	45.9	3.3	36.9	2.5	36.5	2.4	0.0
	Other Domestic debt	24.1	1.8	2.7	0.2	1.9	0.1	1.6	0.1	1.7	0.1	-1.0
Total Debt		**1254.3**	**96.2**	**1420.4**	**100.0**	**1,388.0**	**100.0**	**1454.2**	**100.0**	**1516.4**	**100.0**	**95.9**

Source: Central Bank of Kenya

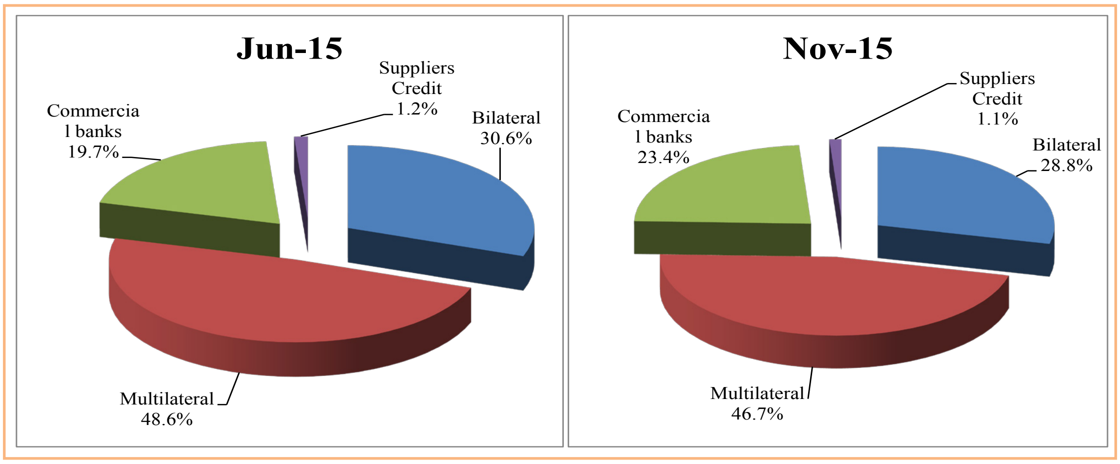
External Debt

Public and publicly guaranteed external debt increased by 10.9 percent between June and November 2015 with the central government stake accounting for 97.2 percent. The International Development Association (IDA) accounted for KSh 18 billion of the increase in multilateral debt, while the syndicated loan accounted for KSh 76.6 billion of the increase in commercial debt. The growth in external debt during this period was mainly attributed to disbursements of the syndicated loan to the government.

Composition of External Debt by Creditor

Official debt to multilateral and bilateral lenders accounted for 75.5 percent of total public and publicly guaranteed debt by November 2015. The proportion of external debt owed to bilateral lenders, multilateral lenders and supplier creditors decreased from 30.6 percent, 48.6 percent and 1.2 percent in June 2015 to 28.8 percent 46.7 percent and 1.1 percent in November 2015, respectively. The share of external debt owed to commercial banks increased from 19.7 percent in June 2015 to 23.4 percent in November 2015. This increase in the proportion held by commercial banks was largely attributed to disbursements of part of the syndicated loan to the government (Chart 7A).

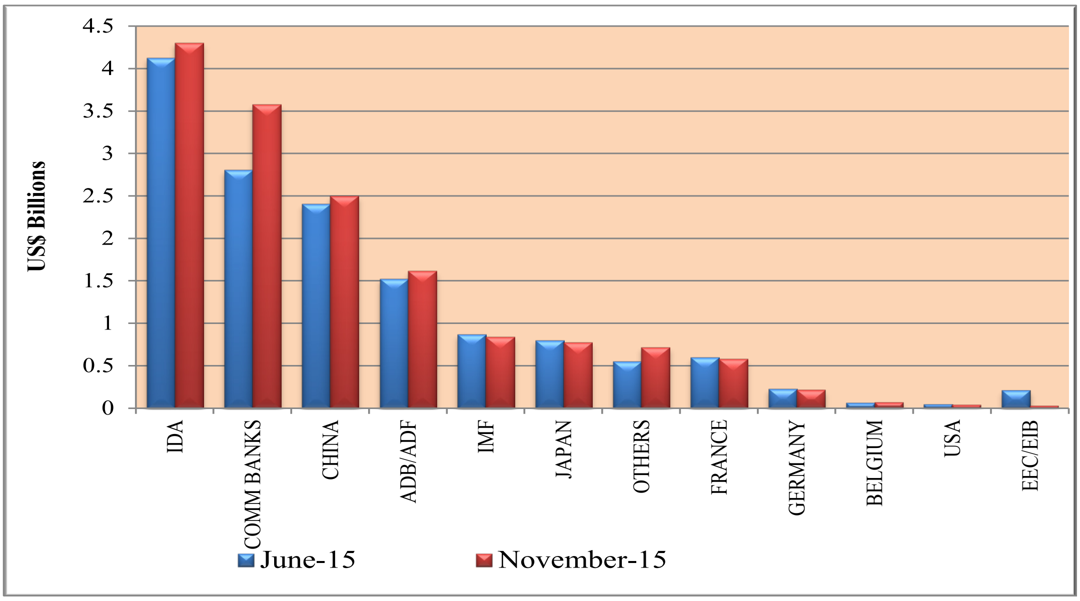
CHART 7A: COMPOSITION OF EXTERNAL DEBT



Source: National Treasury

Debt owed to the International Development Association (IDA), Kenya's largest multilateral lender, amounted to USD 4.3 billion or 28.2 percent of total external debt while that owed to China, Kenya's largest bilateral lender, amounted to USD 2.5 billion, or 16.4 percent of the total external debt by November 2015 (Chart 7B).

CHART 7B: EXTERNAL DEBT BY CREDITOR

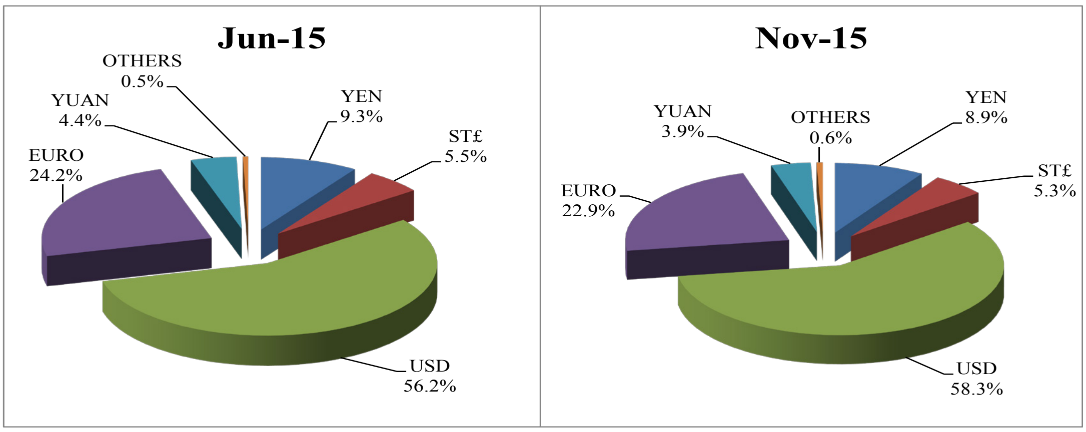


Source: National Treasury

Currency Composition of External Debt

External debt denominated in international currencies (excluding USD) declined between June and November 2015. The proportion in Sterling Pound, Euro, Yuan and Japanese Yen decreased from 5.5 percent, 24.2 percent, 4.4 percent and 9.3 percent in June 2015 to 5.3 percent, 22.9 percent, 3.9 percent and 8.9 percent in November 2015, respectively. External debt denominated in US dollar and 'other currencies' increased from 56.2 percent and 0.5 percent in June 2015 to 58.3 percent and 0.6 percent in November 2015, mainly on account of the syndicated medium term loan (Chart 7C).

CHART 7C: EXTERNAL DEBT DISTRIBUTION BY CURRENCY



Source: National Treasury

Public Debt Service

Cumulative interest and other charges on domestic debt for the first five months of the FY 2015/16 amounted to KSh 67.3 billion (or 1.3 percent GDP) compared with KSh 51.2 (or 0.9 percent GDP) billion during a similar period of the FY 2014/15. The expenditure in the current period comprised interest and other charges on Treasury bills and Treasury bonds amounting to KSh 17.3 billion and KSh 49.9 billion, respectively. In addition, collective interest on regular government overdraft and the Pre-1997 overdraft amounted to KSh 2.1 billion. Total external debt service for the first five months to November 2015 amounted to KSh 19.6 billion (or 0.4 percent GDP), comprising KSh 11.3 billion in principal repayments and KSh 8.4 billion in interest payments.

Outlook for FY 2015/16

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

ACTIVITY IN THE STOCK MARKET

Equity Market Segment

Overall share prices improved with NASI and NSE 20 Share Index gaining 6 points and 147 points, respectively in November 2015. Equities turnover declined by 26.28 percent on account of 18.33 percent decline in the number of shares traded. The market capitalization, however, increased by added KSh 87.13 billion arising from higher share prices (Table 8.1).

TABLE 8.1: SELECTED STOCK MARKET INDICATORS

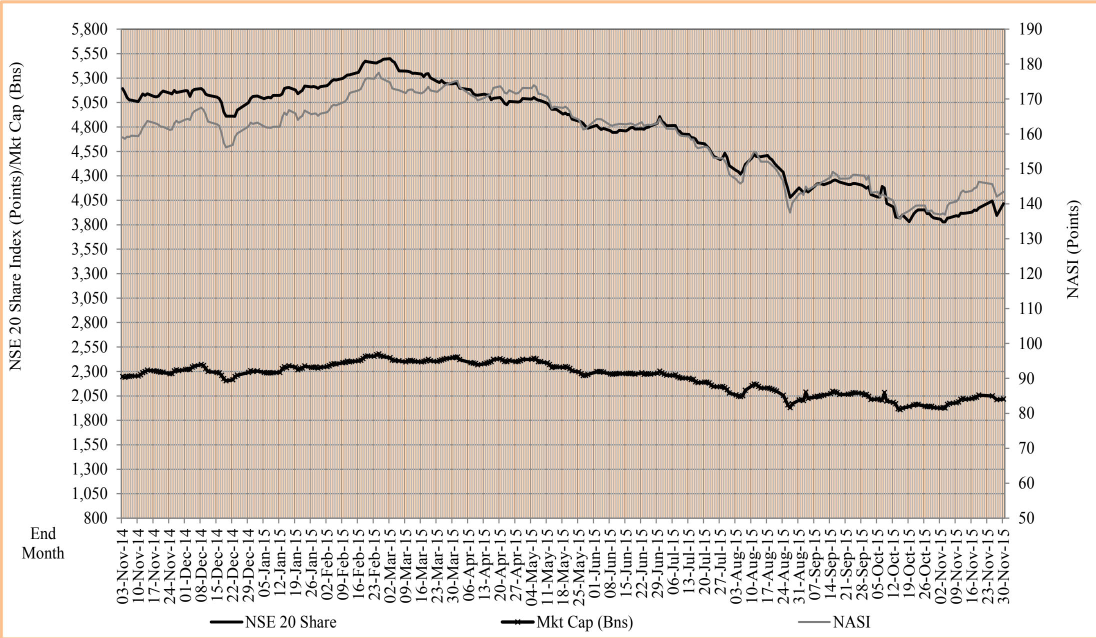
Period (Month)	NSE 20 Share Index (1966=100)	NASI (2008=100)	Number of Shares Traded (Millions)	Equities Turnover (Ksh Millions)	Market Capitalization (Ksh Billions)	Bond Turnover (Ksh Millions)	FP to Equity Turnover (%)	FS to Equity Turnover (%)	Overall net FP to Equity Turnover (%)
Nov-13	5,100.88	141.17	645.20	13,128.66	1,975.00	27,310.57	48.21	41.47	44.84
Dec-13	4,926.97	136.65	466.25	11,329.23	1,920.72	23,695.80	54.95	61.04	57.99
Jan-14	4,856.15	134.66	638.48	15,970.23	1,898.00	42,549.39	48.28	53.77	51.03
Feb-14	4,933.41	141.05	545.32	14,742.87	1,960.55	27,671.60	47.52	57.72	52.62
Mar-14	4,945.78	143.89	544.06	13,042.51	2,003.52	32,371.60	50.55	53.61	52.08
Apr-14	4,948.97	151.13	728.00	15,750.00	2,106.08	58,572.78	62.32	53.37	57.84
May-14	4,881.56	150.20	854.00	23,022.00	2,092.00	38,379.11	48.90	60.10	54.50
Jun-14	4,885.00	150.00	731.00	18,190.00	2,107.00	28,541.83	63.40	49.18	56.29
Jul-14	4,906.09	151.69	625.20	15,043.00	2,125.31	49,467.93	56.19	55.25	55.72
Aug-14	5,139.39	157.94	628.64	15,512.78	2,216.57	55,003.41	55.06	34.08	44.57
Sep-14	5,256.00	163.00	767.18	19,241.28	2,293.49	41,859.78	43.71	48.13	45.92
Oct-14	5,194.89	159.23	506.05	19,286.82	2,246.61	38,080.27	50.82	57.08	53.95
Nov-14	5,156.00	163.00	665.97	14,341.06	2,303.15	50,483.94	65.37	47.69	56.53
Dec-14	5,113.00	170.00	899.75	31,583.30	2,316.32	43,068.58	33.99	30.76	32.37
Jan-15	5,212.00	166.00	414.28	9,714.78	2,350.33	38,369.93	45.30	48.11	46.71
Feb-15	5,491.00	176.00	593.24	16,109.49	2,460.83	45,145.38	44.55	43.30	43.92
Mar-15	5,346.00	174.00	614.20	20,516.57	2,452.47	45,854.64	45.66	60.70	53.18
Apr-15	5,091.00	173.00	487.84	14,641.57	2,430.26	25,378.31	55.83	56.29	56.06
May-15	4,788.00	162.00	683.76	21,331.42	2,341.00	22,342.01	57.94	67.46	62.70
Jun-15	4,906.00	164.00	680.71	24,250.87	2,302.00	12,176.84	72.82	74.66	73.74
Jul-15	4,405.00	148.00	714.88	21,554.17	2,080.00	12,399.58	67.51	72.74	70.13
Aug-15	4,177.00	143.00	733.76	20,792.29	2,006.00	18,419.00	82.47	76.78	79.63
Sep-15	4,173.00	147.00	433.96	14,375.44	2,063.64	13,693.38	84.56	39.35	61.95
Oct-15	3,869.00	137.00	540.00	17,837.00	1,931.00	29,928.04	69.69	64.70	67.19
Nov-15	4,016.00	143.00	441.00	13,148.61	2,018.13	19,473.99	63.71	70.01	66.86

Source: Nairobi Securities Exchange

The equities market segment recorded mixed performance, with gains in NSE 20 Share Index, NASI and Market capitalization. The net foreign investors' interest at the NSE declined marginally, with more foreign sales than purchases. The bond market segment recorded subdued activity in terms of volume and number of deals.

Foreign investor purchases as a percentage of total equity turnover was 63.71 percent against 70.01 percent foreign sales, reflecting a net outflow. Overall, foreign investors participation accounted for 66.86 percent of total equity turnover. (Table 8.1). The NSE 20 Share Index, NASI and Market Capitalization improved, on average, during the month (Chart 8A) . Telecommunication Technology and Banking sectors dominated trading, accounting for 38.36 percent and 36.71 percent of all shares traded, respectively in November 2015.

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



Source: Nairobi Securities Exchange

Most Active Sectors & FTSE NSE Kenya Index Series

Telecommunication & Technology and Banking sectors dominated trading, accounting for 38.36 percent and 36.71 percent of all shares traded, respectively in November 2015.

The FTSE NSE Kenya 15 Index, which measures performance of 15 largest stocks by market capitalization at the NSE, rose from 180.26 points in October 2015 to 187.51 points in November 2015. Similarly, FTSE NSE Kenya 25 Index, which measures performance of 25 most liquid stocks rose to 186.94 points from 179.58 points.

Bond Market

The volume of bonds traded declined by 34.93 percent in November 2015 and corresponding deals by 40 percent. The IFB1/2015/012 dominated trading, accounting for 32.38 percent of total bonds traded, with yields ranging from 14.25 percent to 11.00 percent, against a coupon rate of 11.00 percent. The Corporate bonds segment accounted for 0.06 percent of total bond traded.The FTSE NSE Kenyan Government Bond Index increased marginally to 90.87 points from 90.13 points, reflecting a marginal decline in secondary market yields.

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

1.0 ASSETS	NOV 2015	JUNE 2015	INCREASE/ (DECREASE)	NOV 2014
1.1 BALANCES DUE FROM BANKING INSTITUTIONS AND GOLD HOLDINGS	723,169	704,874	18,295	663,155
1.2 FUNDS HELD WITH IMF	3,373	4,385	(1,012)	2,313
1.3 ITEMS IN THE COURSE OF COLLECTION	118	82	36	35
1.4 ADVANCES TO COMMERCIAL BANKS	42,021	75	41,946	86
1.5 LOANS AND OTHER ADVANCES	2,663	2,478	185	19,480
1.6 OTHER ASSETS	3,455	4,299	(844)	2,634
1.7 RETIREMENT BENEFIT ASSET	4,668	4,668	(0)	7,659
1.8 PROPERTY AND EQUIPMENT	20,298	20,746	(448)	13,775
1.81 INTANGIBLE ASSETS	220	495	(275)	492
1.9 DUE FROM GOVERNMENT OF KENYA	63,433	63,163	270	27,779
TOTAL ASSETS	**863,419**	**805,265**	**58,154**	**737,409**
2.0 LIABILITIES				
2.1 CURRENCY IN CIRCULATION	229,919	222,178	7,741	210,315
2.2 INVESTMENTS BY BANKS	-	-	-	12,082
2.3 DEPOSITS	345,115	331,314	13,801	313,371
2.4 INTERNATIONAL MONETARY FUND	126,353	125,775	577	125,358
2.5 OTHER LIABILITIES	24,776	4,373	20,403	1,505
TOTAL LIABILITIES	726,163	683,640	42,523	662,631
3.0 EQUITY AND RESERVES	137,256	121,625	15,631	74,778
Share Capital	5,000	5,000	-	5,000
General reserve fund -Unrealized	78,442	78,592	(150)	51,430
-Realized	11,130	11,130	0	-
-Capital Projects	7,445	7,445	-	
Period surplus	15,780	-	15,780	4,351
Asset Revaluation	14,790	14,790	-	8,853
Retirment Benefit Asset Reserves	4,668	4,668	-	5,144
4.0 TOTAL LIABILITIES AND EQUITY	**863,419**	**805,265**	**58,154**	**737,409**

Source: Central Bank of Kenya

Notes on the Financial Position

Total assets increased by 7.2 percent (KSh 58,154 million) in November 2015 largely on account of advances to commercial banks and balances due from banking institutions.

Assets

Balances due from Banking institutions and Gold holdings category comprise of foreign reserves held in external current accounts, deposits and special/projects accounts, domestic foreign currency clearing accounts, gold, special drawing rights and RAMP securities invested with the World Bank. These balances increased by KSh 18,295 million to KSh 723,169 million in November 2015 from KSh 704,874 billion in June 2015.

Items in course of collection represent the value of clearing instruments which are held by the Central Bank of Kenya, while awaiting clearing by respective commercial banks. The balances as at November 2015 were KSh 118 million compared to KSh 82 million outstanding as at June 2015.

Advances to commercial banks are balances of money advanced by the Central Bank of Kenya to commercial banks in the management of interbank liquidity. The balance outstanding increased to KSh 42,021 million in November 2015 from KSh 75 million in June 2015.

Loans and other advances include outstanding balances on advances to commercial banks under the Overnight Loan Facility (OLF), and IMF funds on-lent to Government. The outstanding balance increased by KSh 185 million to KSh 2,663 million in November 2015 from KSh 2,478 million in June 2015.

Other Assets largely consist of prepayments and sundry debtors, and deferred currency expense. These assets declined by KSh 844 million to KSh 3,455 million in November 2015 from KSh 4,299 million in June 2015.

Debt due from Government of Kenya category has been revised to include Government utilization of the overdraft facility at the Central bank as well as the overdrawn accounts which were converted to a long term debt with effect from 1 November 1997 after an amendment to the Central Bank of Kenya Act to limit lending to Government to 5 percent of Government's audited revenue. Initially, the overdraft to the government was classified under 'Loans and advances'. The overall debt increased to KSh 63,433 million in November 2015 from KSh 63,163 million in June 2015. As at November 2015, the overdraft stood at KSh 36,495.1 million and was within the statutory limit of KSh 46,812.8 million.

Liabilities

Currency in circulation increased by KSh 7,741 million to KSh 229,919 million in November 2015 from KSh 222,178 million in June 2015.

Deposits represents deposits held for the Government of Kenya, local commercial banks deposit, other public entities and project accounts and local banks' forex settlement accounts. The balances increased by KSh 13,801 million to KSh 345,115 million in November 2015 from KSh 331,314 million in June 2015.

Amount due to International Monetary Fund represents the Bank's obligations to the IMF. The balances increased by KSh 577 million to KSh 126,353 in November 2015 from KSh 125,775 million in June 2015.

Other liabilities include net impersonal accounts, sundry creditors, foreign exchange bureaus deposits and suspense accounts. The balance increased by KSh 20,403 million to KSh 24,776 million in November 2015 from KSh 4,373 million in June 2015.

Equity and reserves increased by KSh 15,631 million, to KSh 137,256 million in November 2015 from KSh 121,625 million in June 2015 reflecting increase in period surplus of KSh 15,780 million.