MONTHLY ECONOMIC REVIEW

NOVEMBER 2013

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

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Overview

Introduction This Monthly Economic Review highlights recent economic developments through Novmber 2013. This includes developments in inflation, money, credit and interest rates, the real sector, balance of payments and exchange rates. It also highlights developments in the banking sector, Government budgetary operations, public debt and the stock market.

Inflation Overall 12-month inflation declined from 7.8 per cent in October 2013 to 7.4 per cent in November 2013. This was reflected in food inflation, which declined by 121.7 basis points to 10.3 per cent. Fuel inflation and non-food, non-fuel inflation however, rose by 30.5 and 6.9 basis points, respectively, in November 2013 largely due to increase in prices of electricity and cooking gas . Annual average inflation rose from 5.0 per cent in October 2013 to 5.4 per cent in November 2013.

Money Supply Growth in broad money, M3, decelerated to 10.3 percent in the year to November 2013 from 16.8 percent in the year to November 2012 and was within the 12.0 percent target for November 2013.

Interest Rates The Monetary Policy Committee (MPC) maintained the Central Bank Rate (CBR) at 8.50 percent on November 5, 2013 in order to consolidate the monetary policy gains, as reflected in low and stable inflation rate and sustained exchange rate stability and to provide time for its previous decisions to work through the economy. The weighted average interbank interest rate increased marginally from 10.66 percent in October 2013 to 10.77 percent in November 2013 due to liquidity tightness in the money market.

Real GDP Growth The economy grew at 4.6 percent in 2012 compared to 4.4 percent in 2011. Economic growth remained resilient in 2013, with real GDP increasing by 5.1 percent in the first quarter of 2013, 4.3 percent in the second quarter, and 4.4 percent in the third quarter. This compares favorably with increase of 4.0 percent, 4.4 percent and 4.5 percent in the first three quarters of 2012, respectively. The growth momentum in the first quarter of 2013 is attributed to favorable weather conditions that supported agriculture while the slowdown in the next quarter through hotels and restaurants is due to uncertainty prior to the March 2013 general elections.

Balance of Payments Kenya's overall balance of payments surplus position reduced to USD 528 million in the year to November 2013 from USD 1,397 million in the year to November

2012. This is attributed to a reduction in the Capital and Financial account surplus. The cumulative current account deficit as a proportion of GDP reduced to 9.46 percent in the year to November 2013 from 10.29 percent in the year to November 2012.

Exchange Rates

The Kenya shilling registered mixed performance against major international currencies in the month of November 2013, weakening against the US Dollar and the Pound Sterling while strengthening against the Euro and the Japanese Yen. In the EAC region, the Kenya Shilling weakened against all EAC currencies during the month of November 2013.

Banking Sector Developments

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

Government Budgetary Performance

The Central Government budgetary operations for the period July 2013 – November 2013 resulted in a deficit of Ksh 110.4 billion on commitment basis compared with a deficit of Ksh 100.1 billion recorded in the same period of 2012. This was lower than the Ksh 135.3billion (3.5 percent of GDP) programmed target for the period.

Public Debt

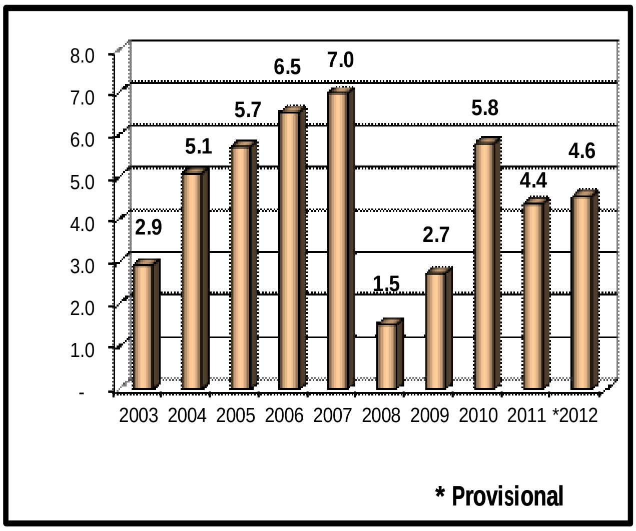
Kenya's public and publicly guaranteed debt grew by Ksh 188.2 billion (or 9.9 percent) during the first five months of fiscal year 2013/14 to reach Ksh 2,082.3 billion in November, 2013, from Ksh 1,894.1 billion at the end of June 2013. Total debt-to-GDP ratio increased from 51.7 percent in June 2013 to 53.7 percent in November 2013. In terms of composition, the share of domestic debt increased from 55.5 percent in June 2013, to 56.2 percent in November, 2013.

Stock Market

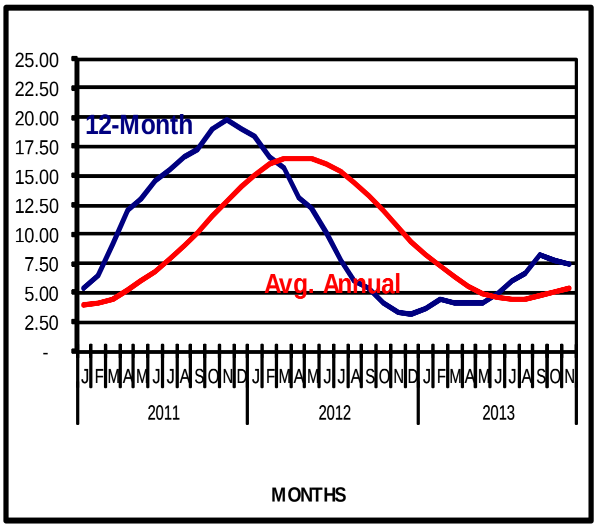
The capital markets recorded mixed performance in November 2013. While most equity market indices improved, the foreign investor interest at NSE, share supply and turnover and bond market turnover declined.

SELECTED ECONOMIC PERFORMANCE INDICATORS

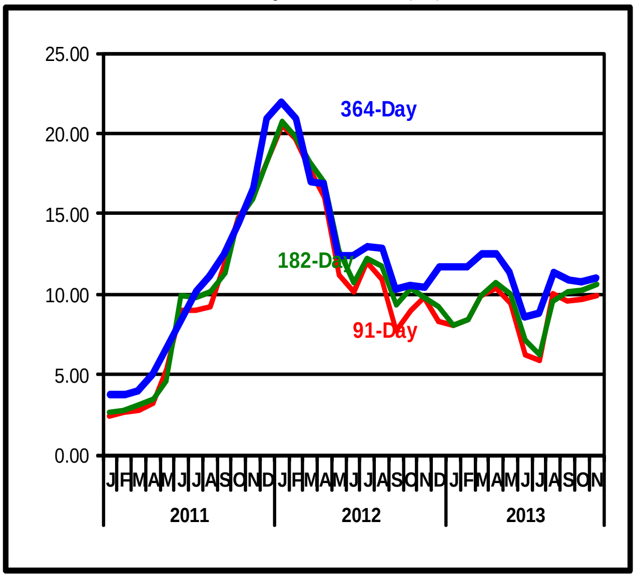
Real GDP Growth (%)



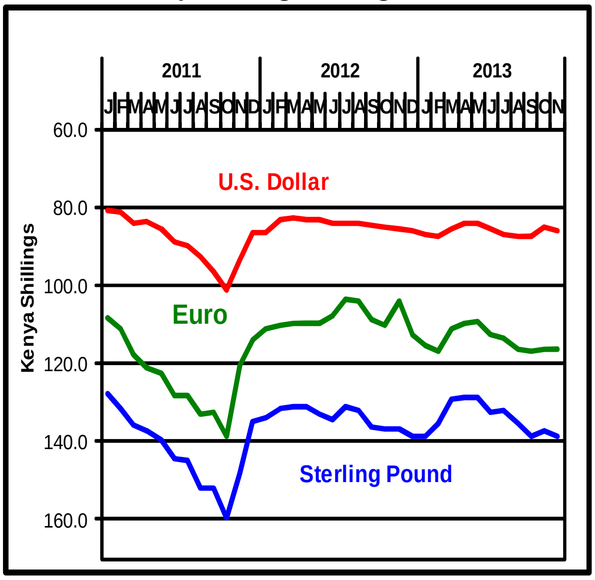
Inflation (%)



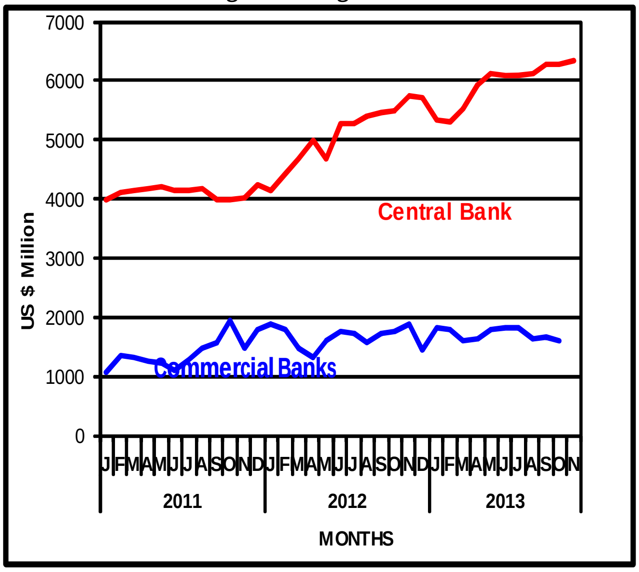
Treasury Bill Rates (%)



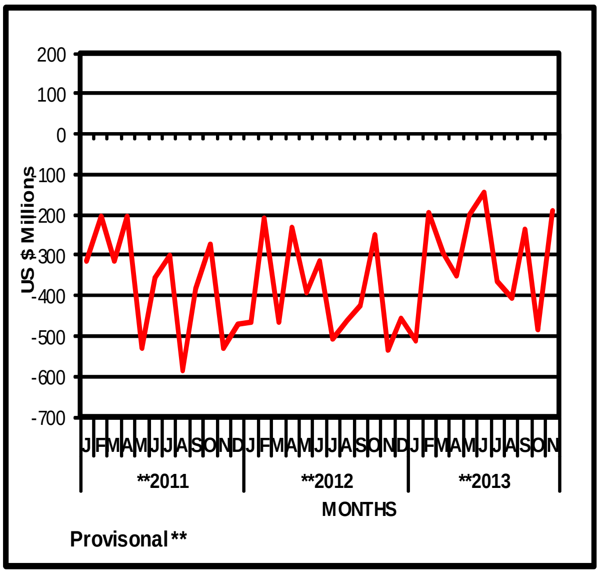
Kenya Shilling Exchange Rate



Foreign Exchange Reserves



Current Account Balance



SELECTED ANNUAL ECONOMIC INDICATORS

		1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011*	2012*
1.	POPULATION*															
	People in Millions	28.88	29.54	29.53	30.90	32.20	33.20	34.20	35.10	36.10	37.20	38.30	38.60	39.80	NA	NA
	Growth (%)	2.31	2.29	3.00	4.64	4.21	3.11	2.54	2.50	2.85	3.05	2.96	0.78	3.11	NA	NA
2.	NATIONAL ACCOUNTS**															
	Gross value added at basic prices (Ksh m)	755,827.00	804,994.00	858,919	906,874	918,914	1,006,062	1,132,850	1,261,625	1,444,113	1,616,010	1,858,371	2,090,948	2,241,570	2,694,791	3,041,610
	GDP at Market Prices (Ksh m):															
	At Current Prices	850,808.00	906,928.00	967,838	1,020,022	1,035,374	1,131,783	1,274,328	1,415,724	1,622,565	1,833,511	2,107,589	2,366,984	2,553,733	3,048,867	3,440,115
	At Constant 2001 Market Prices	955,179.00	976,996.00	982,855	1,020,022	1,025,584	1,055,658	1,109,541	1,175,133	1,249,470	1,336,846	1,357,263	1,394,387	1,475,302	1,539,912	1,610,084
	Real GDP Growth (%)	3.30	2.30	0.60	4.50	0.60	2.90	5.10	5.91	6.3	7.0	1.5	2.7	5.8	4.4	4.6
	Per Capita Income Real 2001 prices (Ksh)	33,165.94	33,118.50	33,283	33,767	31,828	31,825	32,443	33,480	34,574	37,316	36,933	36,962	38,346	38,941	39,607
3.	GROSS NATIONAL SAVINGS (% of GDP at mkt prices)[3]	8.90	9.70	12.9	10.0	8.1	10.1	12.2	13.4	14.8	13.9	15.9	12.9	11.8	14.0	12.2
4.	GROSS DOMESTIC SAVINGS (% of GDP at mkt prices)[3]	6.06	5.67	6.7	4.4	4.0	4.8	6.6	5.7	6.8	6.1	8.2	5.5	4.7	6.3	5.0
5.	GROSS DOMESTIC INVESTMENTS (% of GDP at mkt prices	17.30	16.20	17.4	18.8	14.9	16.4	17.1	16.9	17.9	19.0	19.2	19.9	19.8	20.5	20.1
6.	OVERALL INFLATION BASE PERIOD= FEB 2009															
	Annual Average Inflation	6.70	5.60	9.97	5.73	1.97	9.81	11.79	9.87	6.39	4.27	16.27	9.24	3.96	14.02	9.38
	12-Month Inflation	0.67	10.43	11.78	1.60	4.25	8.35	17.08	4.70	7.98	5.70	17.83	5.32	4.51	18.93	3.20
7.	STOCK MARKET															
	Nairobi Stock Exchange Price Index (1966=100)	2,963.10	2,303.20	1,913.40	1,355.10	1,362.90	2,737.60	2,945.58	3,973.04	5,645.65	5,444.83	3,521.18	3,247.44	4,432.60	3,205.02	4,133.02
	Trade Turnover Ratio (%)	0.40	0.23	0.17	0.17	0.50	0.89	0.92	0.88	1.70	1.29	0.29	0.64	0.99	0.46	0.58
8.	GOVERNMENT BUDGET (Ksh bn) ***															
	Revenue and Grants	184.87	201.18	182.69	216.39	203.44	228.16	270.92	303.85	331.21	383.59	457.67	511.36	614.53	679.53	734.43
	Expenditure	194.97	197.34	175.12	232.92	225.76	255.28	289.54	298.13	368.65	405.20	534.84	621.91	791.79	817.09	915.89
	Budget Deficit (-) / Surplus (+) incl. Grants (commitment basis)	(10.10)	3.84	7.57	(16.53)	(22.32)	(27.11)	(18.62)	5.72	(37.44)	(21.61)	(77.17)	(110.55)	(177.26)	(137.56)	(181.46)
	Budget Deficit (% of GDP)	(1.25)	0.44	0.81	(1.66)	(2.19)	(2.51)	(0.97)	0.08	(2.74)	(1.02)	(3.93)	(4.94)	(7.21)	(4.98)	(5.51)
9.	MONEY AND CREDIT (Ksh bn)(end period)															
	Liquidity (L)[1]	381.35	414.43	435.47	462.13	521.20	569.43	633.92	712.32	834.16	992.42	1,091.93	1,280.44	1,558.16	1,854.93	2,129.49
	Money Supply (M3)[2]	328.32	345.73	360.01	368.39	406.01	453.35	513.16	565.49	666.84	797.54	901.05	1,045.66	1,271.64	1,514.15	1,727.32
	Reserve Money	74.99	78.99	77.73	79.12	88.45	87.52	101.05	106.23	124.16	155.62	163.59	181.96	222.63	255.01	293.62
	Total Domestic Credit	350.60	358.48	331.29	334.00	364.93	405.20	473.61	498.66	575.76	668.90	815.52	955.82	1,188.40	1,505.13	3,036.21
	Government	91.10	84.13	76.45	89.08	108.61	133.85	132.34	122.16	137.81	137.40	155.32	205.07	277.78	311.58	368.83
	Private sector and other public sector	260.60	274.35	254.85	244.93	256.33	271.41	341.27	376.50	437.94	531.49	660.20	750.75	910.62	1,193.55	1,333.69
10.	BALANCE OF PAYMENTS (US$ m)															
	Overall Balance	(4.80)	5.80	217.00	372.00	59.00	365.00	117.00	306.00	675.00	854.00	(469.00)	780.53	163.40	(42.88)	1,261.00
	Current Account	(475.10)	(89.60)	(240.00)	(385.00)	(117.69)	145.00	-133.00	-253.00	-511.00	-1,034.00	-1,983.00	-1,609.28	-2,511.91	-3,330.50	-4,252.54
	Capital and Financial Account	617.50	263.80	457.00	757.00	176.00	219.00	250.00	560.00	1,187.00	1,888.00	1,514.00	2,389.81	2,675.30	3,287.61	5,513.54
11.	FOREIGN EXCHANGE RESERVES (US$ m) End Period	1,100.00	1,104.00	1,398.72	1,459.35	1,612.69	1,888.04	2,078.40	2,534.16	3,331.30	4,556.97	4,640.78	5,064.03	5,122.52	6,044.78	7,160.07
	Official	782.00	789.00	897.42	1,063.82	1,066.99	1,479.75	1,518.73	1,798.82	2,415.27	3,354.85	2,875.46	3,847.39	4,001.68	4,247.66	5,701.85
		(2.5)	*(2.9)*	*2.8*	*3.2*	*3.3*	*4.4*	*4.1*	*4.0*	*3.9*	*4.8*	*3.4*	*4.1*	*3.9*	*3.7*	*4.3*
	Commercial Banks	328.00	315.00	501.30	395.53	545.70	408.28	559.67	735.34	916.03	1,202.12	1,765.32	1,216.63	1,120.84	1,797.12	1,458.22
12.	PUBLIC DEBT (US$ bn) End Period***	8.45	8.00	7.58	7.85	8.09	9.39	9.14	9.84	10.68	12.04	13.46	13.66	14.96	16.60	19.27
	Domestic	3.00	2.60	2.50	2.80	3.30	3.90	3.85	4.14	4.84	6.08	6.66	6.72	8.06	8.51	10.20
	As % of GDP	*22.01*	*21.84*	*24.09*	*22.25*	*23.11*	*26.81*	*25.32*	*23.40*	*23.18*	*23.56*	*21.15*	*21.67*	*25.90*	*27.78*	*26.06*
	External	5.45	*5.40*	5.08	5.05	4.79	5.49	5.29	5.70	5.84	5.96	6.80	6.94	6.90	8.09	9.08
	As % of GDP	*39.99*	*45.36*	*42.21*	*40.13*	*36.99*	*37.72*	*36.64*	*32.21*	*27.93*	*23.09*	*21.61*	*22.36*	*22.20*	*26.43*	*23.53*
13.	EXCHANGE RATE (Ksh/US$) (Annual Average)	60.40	70.30	76.20	78.60	78.70	75.93	79.28	75.55	72.10	67.32	69.18	77.35	79.23	88.87	84.52

NA Not Available

* Provisional.

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

*** Fiscal year to June 30th.

[1] Previously M3XT

[2] Previously M3X

[3] Revised

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

SELECTED MONTHLY ECONOMIC INDICATORS

INDICATOR	2012 Nov	2012 Dec	2013 Jan	Feb	Mar	Apr	May	June	July	Aug	Sep	Oct	Nov
1. INFLATION (%)													
CPI	133.33	134.25	135.62	136.59	137.96	139.28	139.52	139.59	139.87	140.29	142.82	142.75	143.14
Overall Inflation													
12-month overall inflation	3.25	3.20	3.67	4.45	4.11	4.14	4.05	4.91	6.02	6.67	8.29	7.76	7.36
Average annual overall inflation	10.67	9.38	8.20	7.24	6.33	5.61	4.96	4.56	4.44	4.50	4.75	5.05	5.39
2. INTEREST RATES (%)													
91-day Treasury bill interest rate	9.8	8.3	8.1	8.4	9.9	10.4	9.5	6.2	5.9	10.0	9.6	9.7	9.9
Overdraft interest rate	18.8	17.8	18.0	17.7	17.5	17.7	17.6	16.9	17.0	16.9	16.4	17.0	16.5
3. STOCK MARKET													
Nairobi Stock Exchange 20 Share Price Index	4,083.52	4,133.02	4,416.60	4,518.59	4,860.83	4,765.23	5,006.96	4,598.16	4,787.56	4,697.75	4,793.20	4,992.88	5,100.88
Turnover Ratio (%)	1.07	0.58	0.65	0.86	0.71	0.74	1.08	0.90	0.76	0.99	0.61	1.00	0.80
4. GOVERNMENT BUDGET* (Ksh bn.)													
Revenue $ Grants	304.41	387.89	454.06	514.26	577.34	675.72	758.31	851.19	58.60	128.42	210.23	286.22	363.59
Expenses	405.53	506.41	589.55	664.32	776.08	882.08	995.21	1,100.83	49.70	150.58	269.87	357.20	473.98
Budget Deficit (-) / Surplus (+)	(101.1)	(118.52)	(135.48)	(150.06)	(198.73)	(206.37)	(236.90)	(249.64)	8.90	(22.16)	(59.63)	(70.94)	(110.39)
5. MONEY AND CREDIT (Ksh bn.)													
Liquidity (L)[1]	2,137.72	2,130.55	2,132.66	2,151.14	2,180.65	2,239.92	2,273.12	2,278.29	2,213.87	2,234.01	2,251.42	2,273.96	2,316.67
Money Supply (M3)[2]	1,740.66	1,727.69	1,729.90	1,747.89	1,755.74	1,802.28	1,823.40	1,820.88	1,835.80	1,849.97	1,861.96	1,879.11	1,919.52
Reserve Money	279.65	293.62	274.02	287.10	287.58	267.85	281.85	287.44	283.98	309.81	290.35	307.25	316.78
Total Domestic Credit	1,686.97	1,702.51	1,744.37	1,747.08	1,752.20	1,824.02	1,778.27	1,782.95	1,667.72	1,731.67	1,756.77	1,780.09	1,882.78
Government	370.62	368.82	396.00	393.61	391.02	458.11	392.82	379.51	239.86	260.49	264.09	259.49	324.40
Private sector and other public sector	1,316.34	1,333.69	1,348.37	1,353.47	1,361.19	1,365.92	1,385.45	1,403.44	1,427.86	1,471.18	1,492.68	1,520.60	1,558.38
6. MONEY AND CREDIT (Annual % Change)													
Liquidity (L)[1]	**16.33**	**14.86**	**14.39**	**13.82**	**14.38**	**16.64**	**16.92**	**15.58**	**11.13**	**10.45**	**9.20**	**8.40**	**8.37**
Money Supply (M3)[2]	16.84	14.10	14.89	16.16	15.73	17.31	16.77	14.16	13.81	12.89	11.41	10.34	10.28
Reserve Money	13.97	15.14	12.24	23.93	11.50	9.54	18.93	11.72	10.31	23.81	12.09	22.68	13.27
Total Domestic Credit	11.22	13.11	16.63	15.54	14.45	17.13	13.05	14.86	4.07	8.31	8.43	7.41	11.61
Government	13.34	18.37	31.68	28.62	24.09	43.68	25.68	27.39	(27.59)	(18.80)	(20.61)	(26.08)	(12.47)
Private and other public sector	10.64	11.74	12.84	12.22	11.95	10.29	9.92	11.88	12.32	15.12	15.94	16.42	18.39
7. BALANCE OF PAYMENTS (US$ m)													
Overall Balance	154.45	(36.77)	(366.30)	(37.77)	233.20	301.41	206.16	(35.34)	14.32	23.89	171.07	(21.69)	75.65
Current Account	(279.05)	(454.24)	(511.99)	(196.14)	(295.69)	(351.08)	(201.12)	(142.85)	(367.04)	(406.37)	(238.37)	(483.50)	(190.21)
Trade Balance	(1,012.61)	(919.36)	(962.58)	(797.25)	(823.38)	(903.64)	(833.08)	(683.33)	(951.89)	(901.02)	(812.43)	(1,089.67)	(833.00)
Capital and Financial Account	433.50	417.47	145.69	158.37	528.90	652.49	407.28	107.51	381.36	430.26	409.44	461.80	265.87
8. FOREIGN EXCHANGE RESERVES (US$ m)	7,634.33	7,160.07	7,155.81	7,079.54	7,113.72	7,563.46	7,886.58	7,888.94	7,906.76	7,739.68	7,958.83	7,859.49	7,893.00
Official**	5,742.46	5,701.85	5,327.85	5,290.07	5,523.28	5,927.56	6,128.10	6,089.00	6,095.76	6,119.65	6,290.71	6,263.25	6,333.14
Months of imports cover	4.36	4.29	3.97	3.90	4.05	4.31	4.43	4.39	4.36	4.34	4.45	4.39	4.43
Commercial banks	1,891.86	1,458.22	1,827.96	1,789.47	1,590.44	1,635.89	1,758.48	1,799.94	1,811.01	1,620.03	1,668.11	1,596.24	1,559.86
9. PUBLIC DEBT (US$ bn)	20.77	20.84	20.68	20.53	21.03	22.46	22.40	22.02	22.39	22.88	23.54	23.55	24.18
Domestic	11.16	11.29	11.16	10.94	11.47	12.71	12.63	12.21	12.36	12.75	13.36	13.41	13.59
As % of GDP	24.79	25.90	25.29	25.00	26.01	28.23	28.47	28.68	29.12	29.53	30.13	30.30	30.18
External	9.60	9.55	9.51	9.58	9.56	9.74	9.78	9.81	10.03	10.13	10.17	10.14	10.59
As % of GDP	21.33	21.26	22.08	21.89	21.69	21.63	23.22	23.00	23.63	23.96	22.94	30.30	23.53
10. GROSS DOMESTIC DEBT (Ksh bn)***	958.44	971.27	977.93	943.75	981.91	1,065.61	1,074.80	1,050.56	1,078.60	1,116.68	1,168.23	1,174.78	1,170.05
11. AVERAGE EXCHANGE RATE													
Ksh/US$	85.63	85.99	86.90	87.45	85.82	84.19	84.15	85.49	86.86	87.49	87.41	85.31	86.10
Ksh/Pound Sterling	136.77	138.78	138.80	135.54	129.42	128.81	128.72	132.42	132.00	135.47	138.54	137.31	138.64
Ksh/ 100 Yen	105.81	102.79	97.67	93.96	90.49	86.12	83.37	87.77	87.28	89.39	88.14	87.24	86.21
Ksh/Euro	109.91	112.77	115.47	116.86	111.31	109.65	109.18	112.81	113.74	116.51	116.67	116.33	116.22

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

** Figures refer to official reserves in terms of 12 months of imports of goods and non-factor services.

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

[1] Previously M3XT

[2] Previously M3X

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

TRENDS IN VARIOUS MEASURES OF INFLATION

Overall Inflation

Overall 12-month inflation declined from 7.8 percent in October 2013 to 7.4 percent In November 2013 largely reflecting a decrease in food inflation. Non-food non fuel inflation, however increased marginally from 4.9 percent in October to 5.0 percent in November 2013. The rise in non-food, non-fuel inflation in November 2013 was reflected in all consumption baskets except 'miscellaneous goods and services', 'communication' and 'education'. The three month annualised rate of inflation decreased for 8.5 percent in October 2013 to 8.4 percent in November 2013 indicating moderation in domestic inflationary pressures(Table 1.1 and Chart 1A) after the implementation of revised VAT 2013 in September.

Food inflation declined from 11.5 per cent in October 2013 to 10.3 per cent in November 2013. This reflected a decline in 12-month inflation in the 'food and non-alcoholic beverages' index, from 12.0 percent in October 2013 to 10.7 percent in November 2013 and largely in the retail prices of milk and vegetables.

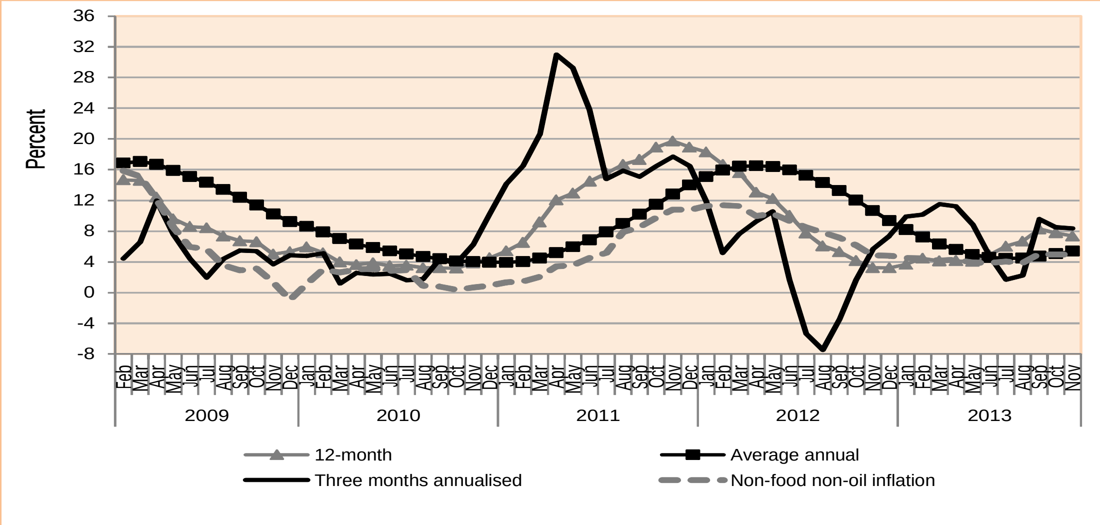
TABLE 1.1: 12-MONTHS OVERALL, AVERAGE ANNUAL & THREE MONTHS ANNUALISED INFLATION (%)

Overall Inflation	2012			2013										
	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov
12-month	4.14	3.25	3.20	3.67	4.45	4.11	4.14	4.05	4.91	6.02	6.67	8.29	7.76	7.36
Average annual	12.04	10.67	9.38	8.20	7.24	6.33	5.61	4.96	4.56	4.44	4.50	4.75	5.05	5.39
Three months annualised	1.65	5.63	7.36	9.88	10.14	11.51	11.23	8.87	4.81	1.71	2.23	9.58	8.49	8.37
Non-food non-oil inflation	6.17	4.83	4.81	4.53	4.45	4.17	4.28	3.91	3.86	4.04	3.86	5.02	4.94	5.01

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

Fuel inflation rose from 4.8 per cent in October 2013 to 5.1 per cent in November 2013. This reflected a rise in the 12-month inflation in the 'housing, water, electricity, gas and other fuels' category from 4.4 percent in October 2013 to 5.1 per cent in November 2013 owing to a rise in the price of electricity and cooking gas. The 12-month inflation in the 'transport' category however, declined from 5.5 per cent in October 2013 to 5.0 per cent in November 2013 following a decline in the retail price of petrol, diesel and kerosene.

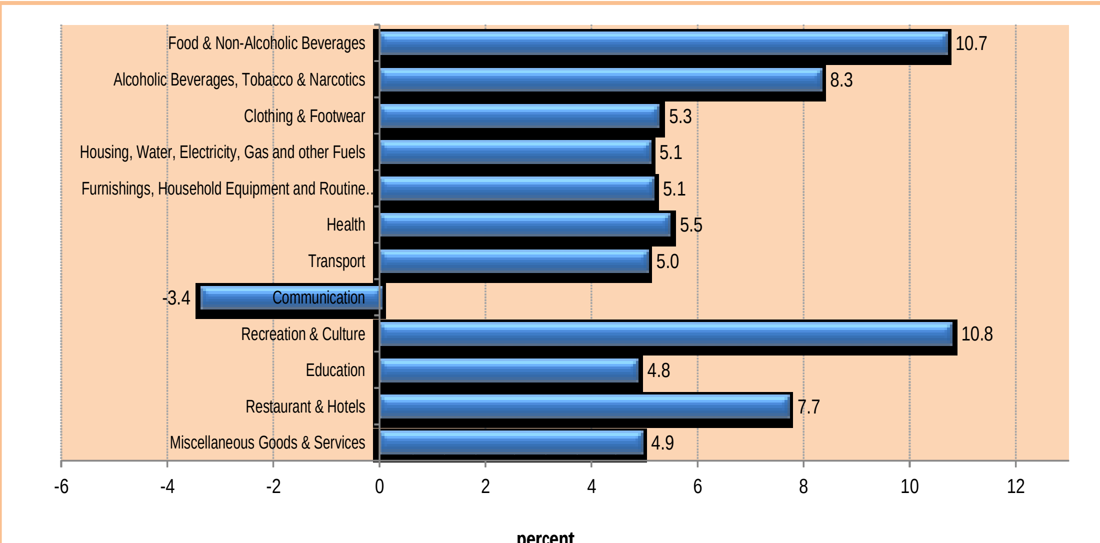
CHART 1A: 12-MONTHS OVERALL, AVERAGE ANNUAL & THREE MONTHS ANNUALISED INFLATION (%)



Inflation Across Categories of Goods & Services

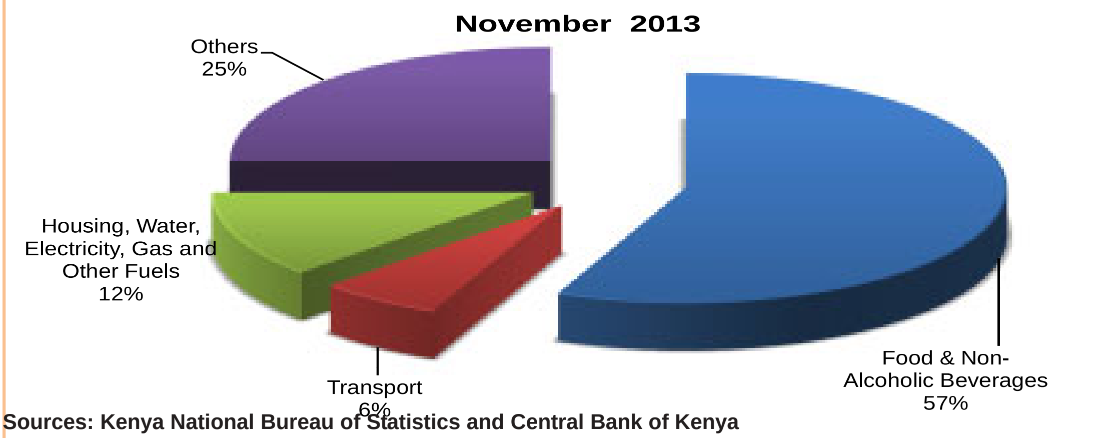
Developments across all categories of goods and services, and the distribution of weights in the Kenya consumer price index (CPI) are summarized in Table 1.2 and Chart 1B. Chart 1C shows that 56.5 per cent of overall 12-month inflation in November 2013 was attributed to ‘food and non-alcoholic beverages’ category of goods while inflation in ‘housing, water, electricity, gas and other fuels’ and ‘transport’ categories contributed 12.2 per cent and 6.3 per cent, respectively.

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



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

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



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

Inflationary pressures decreased for all income groups in Nairobi except 'Nairobi Upper Income' largely due to easing of food prices. On average, the prices of goods and services in urban centers outside Nairobi rose by 7.2 percent in November 2013 compared with 7.6 recorded in Nairobi (Table 1.3). The indices for the 'Nairobi Lower Income' and the 'Nairobi Middle Income' group declined to 8.13 percent and 5.9 percent, respectively in November 2013, from 9.0 percent and 6.3 percent, respectively, in October 2013. The index for the 'Nairobi Upper Income' rose to 5.5 percent in November 2013 from 5.4 percent in October 2013

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

NOVEMBER 2013	Weight-CPI Kenya	NAIROBI Lower Income	Middle Income	Upper Income	Nairobi Combined	REST OF URBAN Rest of Kenya Combined	TOTAL KENYA
Food & Non-alcoholic beverages	36.0	10.97	11.8	10.8	11.2	10.3	10.7
Alcoholic beverages, Tobacco & narcotics	2.1	6.6	5.6	5.8	6.3	9.6	8.3
Clothing & Footwear	7.4	4.8	1.7	7.5	4.2	6.0	5.3
Housing, Water,Electricity,Gas and other fuels	18.3	6.7	4.0	2.0	6.0	4.5	5.1
Furnishings, Household equipment and Routine household maintenance	6.2	3.3	8.5	2.2	4.4	5.6	5.1
Health	3.1	7.1	9.8	1.5	7.5	4.1	5.5
Transport	8.7	11.0	3.5	6.5	9.1	2.0	5.0
Communication	3.8	-9.7	-9.1	-1.2	-9.2	0.5	-3.4
Recreation & culture	2.3	9.0	14.1	11.5	10.3	11.1	10.8
Education	3.1	8.3	7.5	12.0	8.2	2.6	4.8
Restaurants & hotels	4.5	5.0	3.4	3.3	4.7	9.9	7.7
Miscellaneous goods & services	4.5	5.1	3.7	2.5	4.7	5.1	4.9
ALL GROUPS	100.0	8.3	5.9	5.5	7.6	7.2	7.4

Source: Kenya National Bureau of Statistics

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

	Nov-12	Dec-12	Jan-13	Feb-13	Mar-13	Apr-13	May-13	Jun-13	Jul-13	Aug-13	Sep-13	Oct-13	Nov-13
Combined Nairobi	2.68	2.26	3.12	3.85	3.24	3.67	3.28	4.21	5.79	6.46	8.97	8.25	7.63
Lower Income	2.98	2.56	3.23	3.97	3.16	3.85	3.51	4.75	6.33	7.23	9.67	8.99	8.25
Middle Income	1.99	1.46	2.86	3.64	3.56	3.31	2.77	2.83	4.59	4.57	7.11	6.32	5.92
Upper Income	0.79	1.16	2.37	2.65	2.94	2.39	1.82	1.68	2.28	2.38	6.16	5.37	5.50
Other provinces- excluding Nairobi	3.65	3.86	4.06	4.88	4.72	4.47	4.59	5.40	6.18	6.83	7.82	7.43	7.17
TOTAL KENYA	3.25	3.20	3.67	4.45	4.11	4.14	4.05	4.91	6.02	6.67	8.29	7.76	7.36

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

Inflation Outlook

Demand pressures are expected to continue easing on account of relatively stable exchange rate and dissipating effects of the VAT imposed in September 2013.

Developments in Money, Credit and Interest Rates

Monetary Aggregates

Growth in broad money, M3, decelerated to 10.3 percent in the year to November 2013 from 16.8 percent in the year to November 2012 and was within the 12.0 percent target for November 2013. The expansion in money supply, M2 defined as, M3 excluding foreign currency deposits, decreased to 10.9 percent in the year to November 2013 from 18.2 percent in a corresponding period in 2012 (Table 2.1 and Chart 2A). Over a similar period, foreign currency deposits in M3, increased by Ksh 18.9 billion (6.8 percent) compared with an increase of Ksh 25.6 billion (10.2 percent) in the previous year. Money supply M3 growth has remained below target since November 2011 thereby signaling minimal demand side inflationary pressure.

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

	2011 November	2012 November	2013 November	Absolute Change 2011/12 November	Absolute Change 2012/13 November	%age change 12 months Nov-12	%age change 12 months Nov-13
1. Money supply, M3 (2+3) 2/	**1489.8**	**1740.7**	**1919.5**	**250.9**	**178.9**	**16.8**	**10.3**
1.1 Money supply, M2 3/	1238.9	1464.2	1624.1	225.3	159.9	18.2	10.9
1.2 Money supply, M1	632.7	691.4	794.3	58.7	103.0	9.3	14.9
1.3 Currency outside banks	131.2	141.4	160.3	10.2	18.9	7.8	13.3
2. Net foreign assets 4/	**288.8**	**370.5**	**363.1**	**81.7**	**-7.4**	**28.3**	**-2.0**
Central Bank	261.4	364.3	421.2	102.9	56.9	39.4	15.6
Banking Institutions	27.4	6.2	-58.1	-21.2	-64.3	-77.4	-1037.2
3. Net domestic assets (3.1+3.2)	**1201.0**	**1370.2**	**1556.4**	**169.2**	**186.2**	**14.1**	**13.6**
3.1 Domestic credit (3.1.1+3.1.2)	**1516.8**	**1687.0**	**1933.1**	**170.2**	**246.1**	**11.2**	**14.6**
3.1.1 Government (net)	327.0	370.6	374.7	43.6	4.1	13.3	1.1
3.1.2 Private sector and other public sector	1189.8	1316.3	1558.4	126.6	242.0	10.6	18.4
3.2 Other assets net (3-3.1)	**-315.8**	**-316.8**	**-376.7**	**-0.9**	**-59.9**	**0.3**	**18.9**
Memorandum items							
1. Overall liquidity, L 1/	**1837.7**	**2137.7**	**2446.0**	**300.0**	**308.3**	**16.3**	**14.4**
2. Reserve money	**245.4**	**279.7**	**316.8**	**34.3**	**37.1**	**14.0**	**13.3**
Currency outside banks	131.2	141.4	160.3	10.2	18.9	7.8	13.3
Bank reserves	114.2	138.2	156.5	24.1	18.3	21.1	13.2

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

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

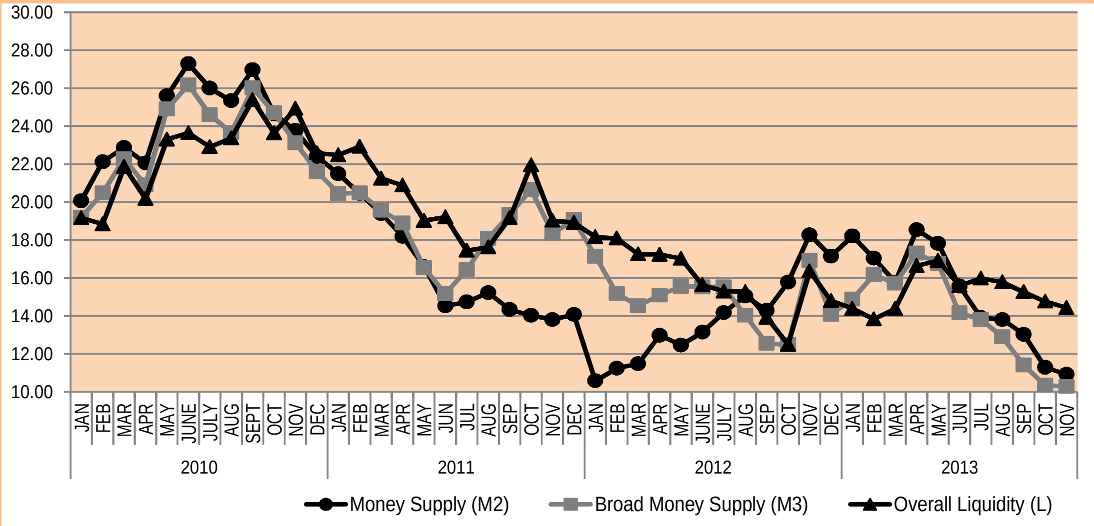
2/ Broader money, M3, comprises M2 and residents foreign currency deposits with local banks. It is comparable to M3X in the past publications. Foreign currency deposits are valued at current exchange rate from July 2008.

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

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

Source: Central Bank of Kenya

CHART 2A: ANNUAL PERCENTAGE CHANGE IN MONEY SUPPLY



Source: Central Bank of Kenya

The slowdown in the growth of broad money supply was reflected in the Net Foreign Assets (NFA) of the banking system and reduction in net credit to Government (Table 2.1). The NFA of the banking system declined by 2.0 percent in the twelve months to November 2013, with the decline confined largely in the holding of commercial banks and the build-up in net liabilities attributed to increased loans from non-residents and a decrease in commercial banks' deposits abroad. Meanwhile, the NFA of the Central Bank increased by 15.6 percent in the year to November 2013 with funds drawn from the IMF balance of payment support under the economic programme supported by the Extended Credit Facility and outright purchase of foreign exchange from the interbank market. The annual growth of Net domestic Assets (NDA) of the banking system decreased to 13.6 percent in the year to November 2013 from 14.1 percent over a similar period 2012, with the slowdown largely in net credit to Government (on account of accumulation of Government deposits at the CBK) and net repayment by other public sector institutions (Table 2.1 and 2.2).

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

	2012 November		2013 November		Absolute Change November		Annual %age Change November	
	Ksh bn	Share (%)	Ksh bn	Share (%)	2011/12	2012/13	2011/12	2012/13
1. Credit to Government	370.6	22.0	374.7	19.4	43.6	4.1	13.3	1.1
Central Bank	14.1	0.8	-31.8	-1.6	-44.5	-45.9	-75.9	-324.9
Commercial Banks & NBFIs	356.5	21.1	406.5	21.0	88.1	50.0	32.8	14.0
2. Credit to other public sector	50.6	3.0	39.1	2.0	21.3	-11.6	72.4	-22.8
Local government	3.2	0.2	-1.0	-0.1	2.4	-4.2	301.2	-130.8
Parastatals	47.4	2.8	40.1	2.1	18.8	-7.4	66.0	-15.5
3. Credit to private sector	1265.7	75.0	1519.3	78.6	105.3	253.6	9.1	20.0
Agriculture	55.1	3.3	56.7	2.9	3.5	1.6	6.7	2.9
Manufacturing	160.4	9.5	182.1	9.4	14.9	21.7	10.2	13.6
Trade	207.4	12.3	255.5	13.2	9.5	48.2	4.8	23.2
Building and construction	65.9	3.9	72.6	3.8	17.7	6.7	36.8	10.2
Transport & communications	75.4	4.5	86.5	4.5	-8.7	11.1	-10.3	14.7
Finance & insurance	33.3	2.0	27.7	1.4	4.0	-5.6	13.8	-16.8
Real estate	163.3	9.7	193.3	10.0	28.4	30.0	21.1	18.4
Mining and quarrying	21.5	1.3	25.5	1.3	-6.7	4.0	-23.8	18.5
Private households	175.1	10.4	223.5	11.6	12.4	48.4	7.6	27.7
Consumer durables	79.0	4.7	98.5	5.1	4.9	19.5	6.7	24.7
Business services	93.5	5.5	132.1	6.8	7.1	38.6	8.2	41.3
Other activities	135.9	8.1	165.3	8.6	18.2	29.4	15.5	21.6
4. TOTAL (1+2+3) *	1687.0	100.0	1933.1	100.0	170.2	246.1	11.2	14.6

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

Source: Central Bank of Kenya

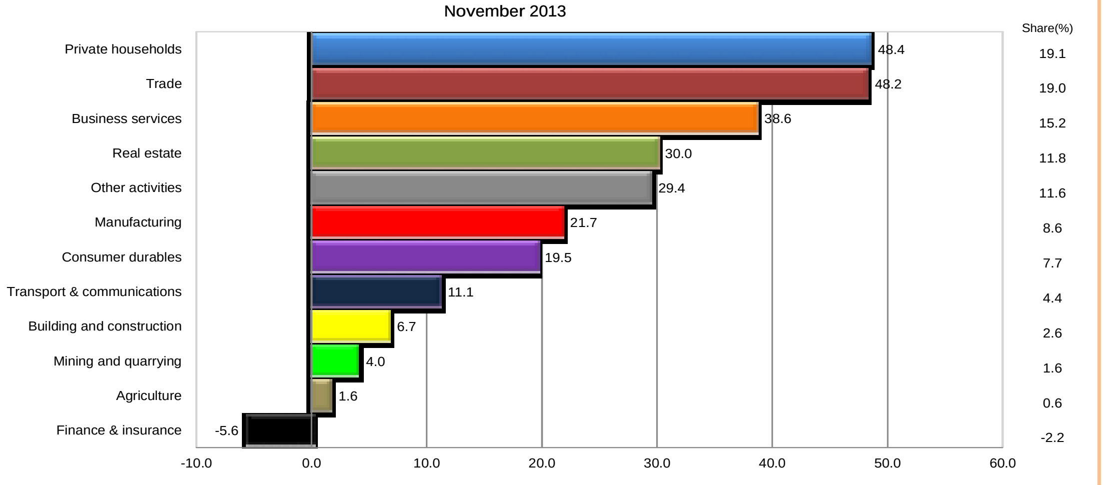
Domestic Credit Developments

Domestic credit from the banking sector increased by Ksh 246.1 billion (14.6 percent) in the twelve months to November 2013 compared with Ksh 170.2 billion (11.2 percent) in a similar period in 2012 (Table 2.2). The acceleration was mainly in growth of credit to the private sector which rose to 20.0 percent in the year to November 2013 from 9.1 percent in a similar period in 2012. The private sector continued to dominate banking system lending; accounting for 78.6 percent of total lending in November 2013 compared with 19.4 percent share of government.

The allocation of the additional credit to the private sector, in order of magnitude, was to the following activities: private households 19.1 percent (or Ksh 48.4 billion); trade at 19.0 percent (or Ksh 48.2 billion); business services 15.2 percent (or Ksh 38.6 billion); real estate sector at 11.8 percent (or Ksh 30.0 billion); manufacturing 8.6 percent (or Ksh 21.7 billion); consumer durables at 7.7 percent (or Ksh 19.5 billion); transport and communication 4.4 percent (or Ksh 11.1 billion) and building and construction at 2.6 percent (or Ksh 6.7 billion). Chart 2B presents the credit distribution across private sector activities.

Growth in net credit to Government decelerated to 1.1 percent (or Ksh 4.1 billion) in the year to November 2013 from 13.3 percent (or Ksh 43.6 billion) in a corresponding period in 2012 largely due to accumulation of Government deposits at the Central Bank. Meanwhile, the 'other public sector' repaid Ksh 11.6 billion in the year to November 2013 compared to a net credit of Ksh 21.3 billion over a similar in 2012 (Table 2.2).

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



Source: Central Bank of Kenya

Reserve Money

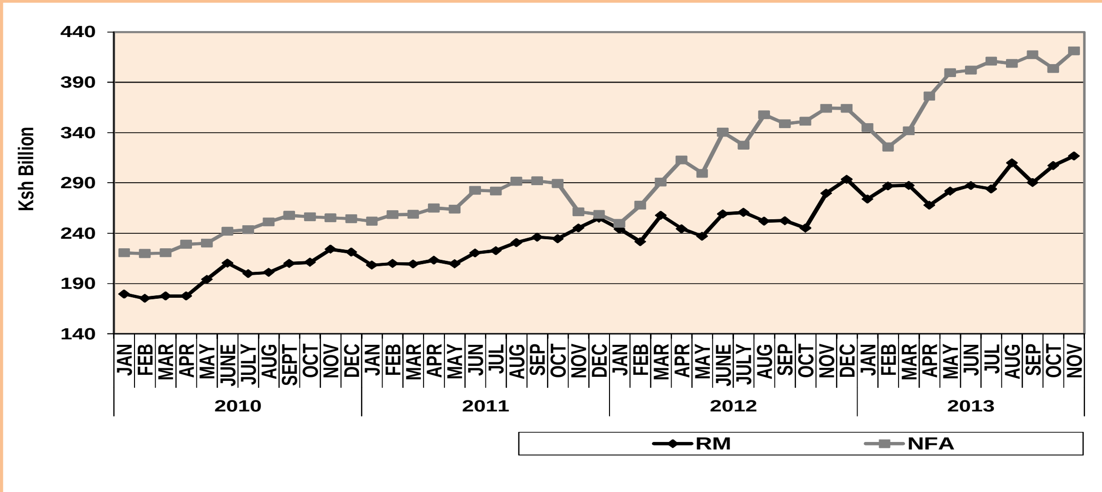
Reserve money (RM) comprises currency held by the non-bank public and commercial banks deposits at the Central Bank. It increased by 13.3 percent in the twelve months to November 2013 compared with 19.2 percent growth in the corresponding period in 2012 (Table 2.3 and Chart 2C). At Ksh 316.8 billion in November 2013, reserve money was Ksh 19.3 billion above respective target. The growth in reserve money reflects increases by 13.2 percent increase in bank reserves and 13.3 percent in currency outside banks.

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

	2012	2013	Absolute change		Change (%)		2013	
	November	November	2011/12	2012/13	2011/12	2012/13	November Target	Deviation
1. Net Foreign Assets	364.3	421.2	102.9	56.9	39.4	15.6	364.1	57.0
2. Net Domestic Assets	-84.6	-104.4	-68.6	-19.8	428.7	23.4	-66.6	-37.8
2.1 Government Borrowing (net)	14.1	-31.8	-44.5	-45.9	-75.9	-324.9	19.6	-51.4
2.2 Commercial banks (net)	-43.0	0.0	-43.3	43.0	-18023.4	-100.00	-26.7	26.7
2.3 Other Domestic Assets (net)	-58.0	-76.4	22.4	-18.4	-27.9	31.8	-59.5	-16.9
3. Reserve Money	279.7	316.8	34.3	37.1	14.0	13.3	297.5	19.3
3.1 Currency outside banks	141.4	160.3	10.2	18.9	7.8	13.3	155.4	4.9
3.2 Bank reserves	138.2	156.5	24.1	18.3	21.1	13.2	142.1	14.4

Source: Central Bank of Kenya

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



The source of reserve money growth in the 12 months to November 2013 was largely an accumulation of net foreign assets (NFA) of the Central Bank. The NFA of Central Bank rose by 15.6 percent to Ksh 421.2 billion in the year to November 2013 on account of purchases from the interbank market to augment the stock of foreign exchange reserves in line with the statutory required minimum 4 months value of imports and non- factor services.

Over a similar period, the NDA of the Central Bank decreased by Ksh 19.8 billion to Ksh -104.4 billion in the year to November 2013 from Ksh -84.6 billion in the previous year. This was reflected largely in other domestic assets, as the increase in net liability to Government (of Ksh 45.9 billion) was counterbalanced by redemption of outstanding repo bills by banks (of Ksh 43. billion)..

Central Bank Rates

The Monetary Policy Committee (MPC) maintained the Central Bank Rate (CBR) at 8.50 percent on November 5, 2013. This was to consolidate the monetary policy gains, as reflected in low and stable inflation rate and sustained exchange rate stability, and to provide time for MPC previous decisions to work through the economy.

Short Term Interest Rates

Interbank market liquidity stabilised following accumulation of Government deposits at the Central Bank and skewed distribution of liquidity in the interbank market. Consequently, short term interest rates posted marginal increase during the month of November 2013 (Table 2.4 and Chart 2D). The weighted average interbank interest rate increased from 10.66 percent in October 2013 to 10.77 percent in November 2013. The 91-day Treasury bill rate, which largely reflects the government’s borrowing profile, increased from 9.72 percent in October 2013 to 9.94 percent in November 2013, while the 182-day Treasury bill rate increased from 10.28 percent to 10.54 percent.

Lending and Deposit Rates

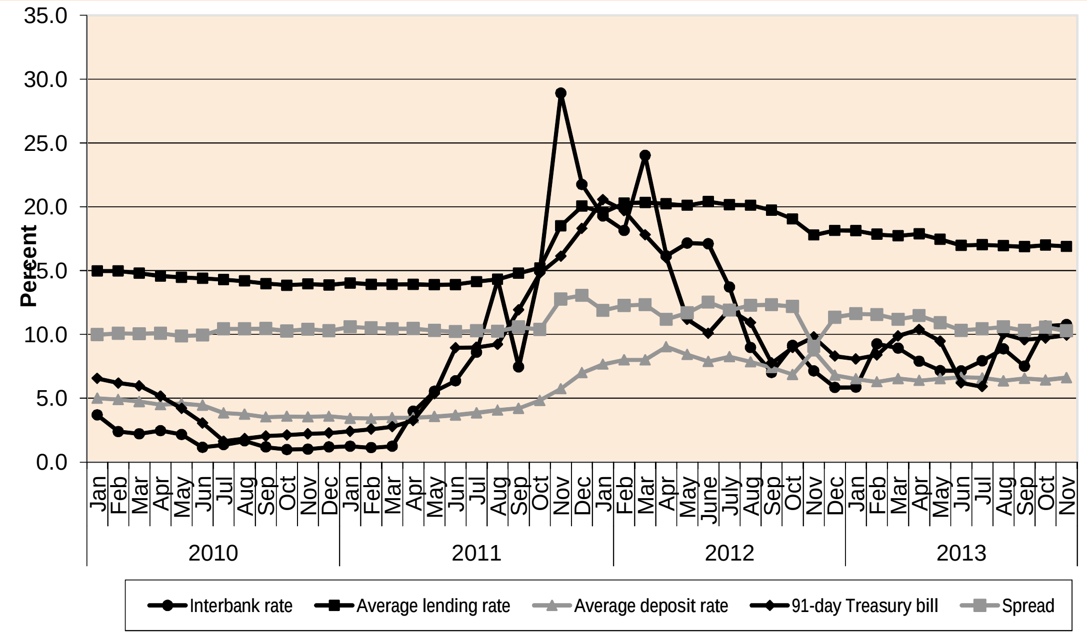
Commercial banks average lending rate decreased from 17.0 percent in October 2013 to 16.89 percent in November 2013, while the average deposit rate increased from 6.43 percent to 6.61 percent. Consequently, the interest rate spread narrowed from 10.57 percent in October 2013 to 10.28 percent in November 2013 (Table 2.4).

TABLE 2.4: INTEREST RATES (%)

	2012		2013										
	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov
91-day Treasury bill rate	9.80	8.30	8.08	8.38	9.88	10.38	9.46	6.21	5.92	10.03	9.58	9.72	9.94
Overdraft rate	18.77	17.79	17.97	17.68	17.54	17.71	17.60	16.92	17.00	16.89	16.42	16.96	16.50
Interbank rate	7.14	5.84	5.86	9.25	8.93	7.90	7.16	7.14	7.93	8.88	7.52	10.66	10.77
Repo rate	8.30	6.79	6.60	9.10	9.35	9.14	7.96	7.93	7.48		7.11		
Reverse Repo rate	-	-	-	-	-	-	-	-	-	8.77	-	10.85	12.35
Central Bank Rate (CBR)	11.00	11.00	9.50	9.50	9.50	9.50	8.50	8.50	8.50	8.50	8.50	8.50	8.50
Average lending rate (1)	18.70	18.15	18.13	17.84	17.73	17.87	17.45	16.97	17.02	16.96	16.86	17.00	16.89
Average deposit rate (2)	6.69	6.80	6.51	6.29	6.54	6.39	6.53	6.65	6.59	6.36	6.55	6.43	6.61
0 to 3 - month deposit	9.17	9.62	9.11	8.86	9.62	9.14	9.11	9.44	9.44	9.03	9.56	9.31	9.47
Savings deposits	1.58	1.60	1.65	1.61	1.42	1.45	1.53	1.73	1.64	1.67	1.64	1.63	1.58
Spread (1-2)	**12.01**	**11.34**	**11.62**	**11.55**	**11.19**	**11.48**	**10.91**	**10.32**	**10.43**	**10.60**	**10.32**	**10.57**	**10.28**

Source: Central Bank of Kenya

CHART 2D : TRENDS IN INTEREST RATES



Source: Central Bank of Kenya

PERFORMANCE OF THE REAL SECTOR

Overview

Real GDP grew by 4.6 percent in 2012 (amounted to Ksh 1.61 trillion) compared to 4.4 percent growth in 2011 (Table 3.1). The GDP growth in 2012 was more broad based and driven largely by strong performances of the Agriculture and Forestry; Wholesale and retail; Transport and Communication which constituted 20.9 percent; 11 percent and 12.3 percent, respectively of the overall GDP. In the first three quarters of 2013, the real GDP is estimated to have increased by 5.1 percent, 4.3 percent and 4.4 percent, respectively, compared with 4.0 percent, 4.4 percent and 4.5 percent in the first three quarters of 2012, respectively (Chart 3A).

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

MAIN SECTORS	Share in 2012 Nominal GDP (%)	Share in 2012 Real GDP (%)	Kshs Million 2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Agriculture and Forestry	*25.94*	*20.86*	276,089	280,518	299,749	312,926	320,423	307,354	299,431	318,586	323,465	335,785
Fishing	*0.47*	*0.38*	4,765	5,246	5,751	6,249	6,181	5,363	5,564	5,713	5,891	6,093
Mining	*0.69*	*0.47*	5,213	5,195	5,334	5,554	6,272	6,453	6,163	6,763	7,246	7,545
Manufacturing	*9.21*	*9.49*	105,822	110,544	115,699	122,953	130,673	135,291	137,060	143,263	147,989	152,735
Electricity and water supply	*1.37*	*2.22*	27,074	27,877	27,898	27,288	29,769	31,341	30,397	33,292	32,465	35,773
Construction	*4.12*	*3.50*	31,530	32,932	35,446	37,649	40,405	43,735	49,270	51,492	53,713	56,314
Wholesale and retail trade, repairs	*10.18*	*10.99*	92,604	100,481	106,009	118,361	131,754	138,044	143,460	154,942	166,205	176,874
Hotels & Restaurants	*1.64*	*1.32*	9,899	13,741	15,572	17,894	20,814	13,298	18,993	19,796	20,792	21,322
Transport, Storage & Communications	*9.33*	*12.31*	104,915	112,251	122,243	136,306	156,845	161,616	171,994	182,181	190,382	198,234
Financial intermediation	*5.16*	*4.31*	42,064	42,657	43,869	47,170	50,306	51,659	55,375	60,379	65,095	69,349
Real estate, renting and business services	*4.25*	*5.19*	61,864	63,740	65,882	68,446	70,860	73,503	75,674	78,089	80,888	83,583
Public administration and defense	*5.41*	*3.08*	46,991	47,062	46,461	45,974	45,031	45,317	46,031	47,085	48,270	49,584
Education	*5.48*	*5.91*	71,045	72,268	72,908	73,188	76,257	80,771	82,952	86,651	90,873	95,102
Health and social work	*2.38*	*2.11*	25,431	26,408	27,249	28,075	28,983	30,035	31,352	31,786	32,896	34,008
Other community, social and personal services	*3.16*	*3.59*	42,917	44,514	45,876	47,814	49,420	50,829	52,156	53,507	55,988	57,753
Private households with employed persons	*0.44*	*0.29*	3,855	3,932	4,011	4,091	4,173	4,256	4,342	4,428	4,517	4,607
Less : Financial services indirectly measured	*(0.81)*	*-0.73*	(10,315)	(10,801)	(11,261)	(11,835)	(12,174)	(10,484)	(11,945)	(11,260)	(11,843)	(11,729)
All industries at basic 2001 prices	*88.42*	*85.27*	941,763	978,565	1,028,696	1,088,103	1,155,991	1,168,395	1,198,270	1,266,694	1,314,832	1,372,932
Taxes less subsidies on products	*11.58*	*14.73*	113,895	130,772	144,088	161,367	180,855	188,882	196,117	208,607	224,474	237,153
Real GDP at 2001 market prices	*100.00*	*100.00*	1,055,658	1,109,338	1,172,784	1,249,470	1,336,846	1,357,263	1,394,387	1,475,302	1,539,306	1,610,084
GDP at Mkt Prices			1,055,658	1,109,338	1,172,784	1,249,470	1,336,846	1,357,263	1,394,387	1,475,302	1,539,306	1,610,084
Overall GDP Deflator			107	115	121	130	137	155	170	173	198	214

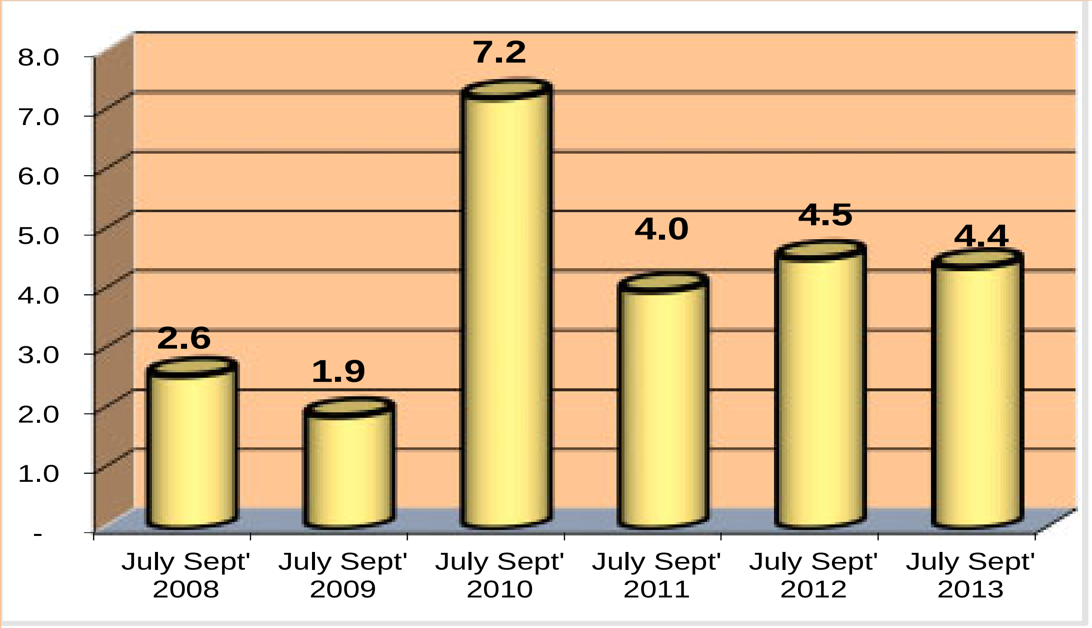
Annual Growth Rates in Percent

	Share in 2012 Nominal GDP (%)	Share in 2012 Real GDP (%)	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012*
Agriculture and Forestry	25.94	20.86	2.6	1.6	6.9	2.4	-4.1	(2.6)	6.4	1.5	1.5	3.8
Fishing	0.47	0.38	-6.9	10.1	9.6	-1.1	-13.2	3.8	2.7	3.1	3.1	3.4
Mining	0.69	0.47	3.5	-0.3	2.7	12.9	2.9	(4.5)	9.7	7.1	7.1	4.1
Manufacturing	9.21	9.49	6.0	4.5	4.7	6.3	3.5	1.3	4.5	3.3	3.4	3.1
Electricity and water supply	1.37	2.22	14.0	3.0	0.1	9.1	5.3	(3.0)	9.5	(2.6)	(2.6)	10.3
Construction	4.12	3.50	1.0	4.4	7.6	7.3	8.2	12.7	4.5	4.3	4.3	4.8
Wholesale and retail trade, repairs	10.18	10.99	1.5	8.5	5.5	11.3	4.8	3.9	8.0	7.3	7.3	6.4
Hotels & Restaurants	1.64	1.32	-20.3	38.8	13.3	16.3	-36.1	42.8	4.2	5.0	4.9	2.6
Transport, Storage & Communications	9.33	12.31	3.5	7.0	8.9	15.1	3.0	6.4	5.9	4.5	4.7	4.0
Financial intermediation	5.16	4.31	1.5	1.4	2.8	6.6	2.7	7.2	9.0	7.8	7.8	6.5
Real estate, renting and business services	4.25	5.19	2.3	3.0	3.4	3.5	3.7	3.0	3.2	3.6	3.6	3.3
Public administration and defense	5.41	3.08	0.6	0.2	-1.3	-2.1	0.6	1.6	2.3	2.5	2.5	2.7
Education	5.48	5.91	9.7	1.7	0.9	4.2	5.9	2.7	4.5	4.9	4.8	4.7
Health and social work	2.38	2.11	2.8	3.8	3.2	3.2	3.6	4.4	1.4	3.5	3.5	3.4
Other community, social and personal services	3.16	3.59	-0.0	3.7	3.1	3.4	2.9	2.6	2.6	4.5	4.6	3.2
Private households with employed persons	0.44	0.29	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Less : Financial services indirectly measured	-0.81	-0.73	-3.3	4.7	4.3	2.9	-13.9	13.9	(5.7)	5.2	5.2	(1.0)
Total GDP at basic 2001 prices	88.42	85.27	3.1	3.9	5.1	6.2	1.1	2.6	5.7	3.8	3.8	4.4
Taxes less subsidies on products	11.58	14.73	1.3	14.8	10.2	12.1	4.4	3.8	6.4	7.9	7.8	5.5
Real GDP at 2001 market prices	100.00	100.00	2.9	5.1	5.7	7.0	1.5	2.7	5.8	4.4	4.4	4.6

*Provisional

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

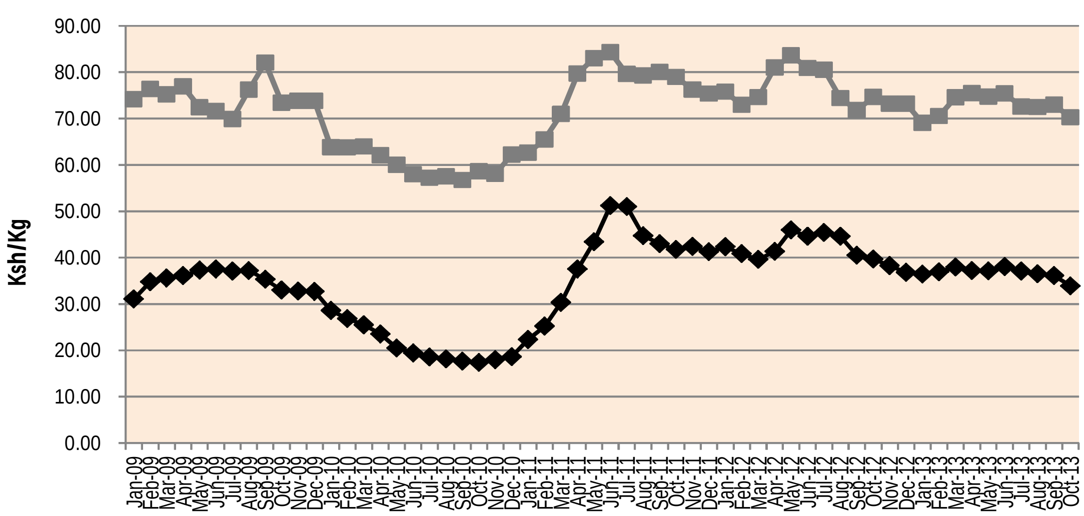
CHART 3A: REAL GDP GROWTH IN THE FIRST QUARTERS



Agriculture

Agriculture contributed 20.9 percent of GDP in 2012 and recorded 3.8 percent growth over the same period compared with 1.5 percent increase in 2011. The sector's performance improved through the first half of 2013 after recording 8.1 percent and 5.0 percent growth in output in the first and second quarters of 2013, respectively, compared with growths of 2.1 percent and 2.0 percent in the first and second quarters of 2012, respectively. The improved outturn is attributed to favorable weather conditions which resulted in better production and dampened the prices of critical food items such as maize and beans (Chart 3B). Third quarter growth in output from agriculture, however, slowed to 3.4 percent in 2013 compared with 5.8 percent growth recorded in the third quarter of 2012.

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



Source: Kenya National Bureau of Statistics

Major Indicators in Agriculture

Most indicators of performance in agriculture in the year to October 2013 point to favorable outcome (Table 3.2). Among selected crops, production of tea, horticulture and sugar cane increased in the year to October 2013. Production of milk also increased during the period under review.

TABLE 3.2: OUTPUT GROWTH OF MAJOR CROPS AND MILK

	2011	2012*	Year to Oct 12*	Year to Oct 13*
Tea				
Output (Metric tonnes)	377,913	369,562	366,402	436,649
Growth (%)	*-5.3%*	*-2.2%*	*-2.3%*	*19.2%*
Horticulture				
Exports (Metric tonnes)	238,562	250,814	248,489	298,553
Growth (%)	*-11.2%*	*5.1%*	*1.3%*	*20.1%*
Coffee				
Sales (Metric tonnes)	29,984	46,051	46,313	36,796
Growth (%)	*-23.0%*	*53.6%*	*43.0%*	*-20.5%*
Milk				
Output (million litres)	549	495	493	527
Growth %	*7.5%*	*-9.8%*	*-9.0%*	*7.0%*
Sugar Cane				
Output (Metric tonnes)	5,338,571	5,716,300	5,749	6,312
Growth (%)	*-6.5%*	*7.1%*	*4.2%*	*9.8%*

* Provisional

Source: Kenya National Bureau of Statistics and Kenya Revenue Authority

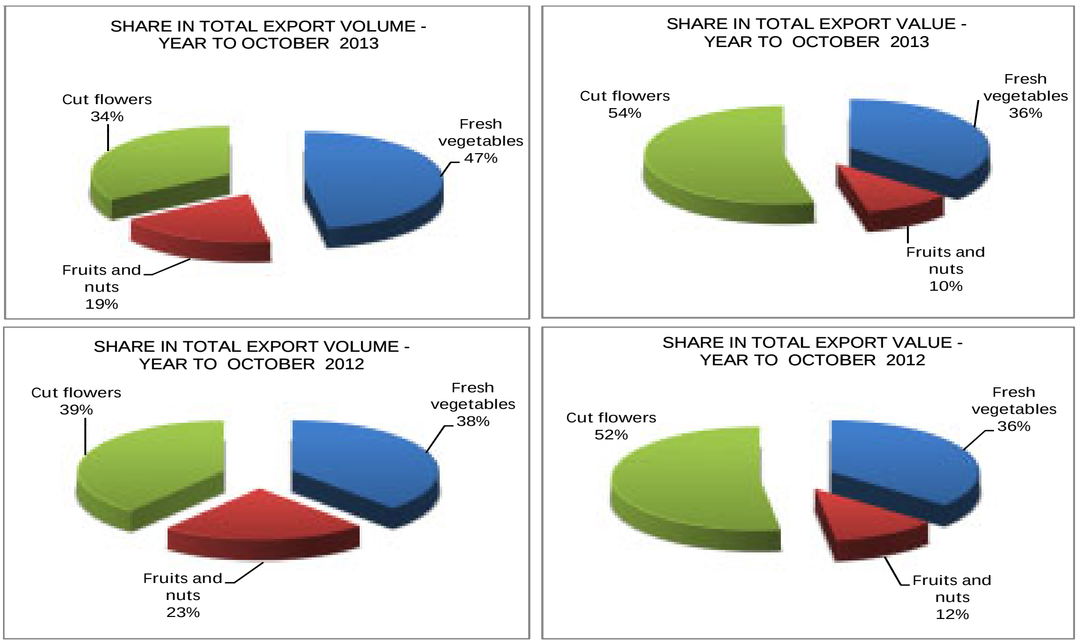
Tea

Production of tea increased by 19.2 percent in the year to October 2013 reversing the negative trends recorded in year to October 2012 and 2011 (Table 3.2). The improvement is attributed to relatively favorable weather conditions. Reflecting the larger volume of tea supplied in the market, the average auction price for tea declined from Ksh 266 per kilogram in the year to October 2012 to Ksh 231 per kilogram in the year to October 2013.

Horticulture

Export of fresh horticultural products increased by 20.1 percent from 248,489 metric tonnes in the year to October 2012 to 298,553 metric tonnes in the year to October 2013. Fresh vegetables dominated in terms of volume, while cut flowers brought in the largest contribution to total export value in the year to October 2013 (Table 3.2 and Chart 3C).

CHART 3C: HORTICULTURAL EXPORTS



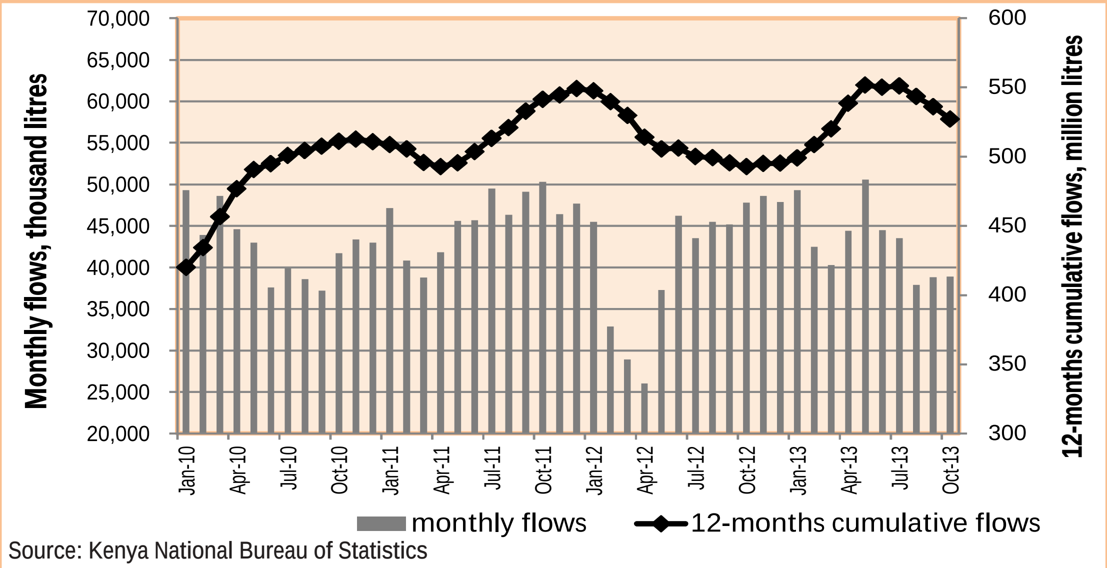
Source: Kenya Revenue Authority

Coffee Coffee sales declined by 20.5 percent from 46,313 metric tonnes in the year to October 2012 to 36,796 metric tonnes in the year to October 2013. The average auction price for coffee also declined from Ksh 371 per kilogram in the year to October 2012 to Ksh 280 per kilogram in the year to October 2013, reflecting increased global supply and reduced world prices.

Sugar cane Cane deliveries increased by 9.8 percent in the year to October 2013 from 4.2 percent growth in the year to October 2012.

Milk The volume of milk delivered to factories increased by 7.2 percent in the year to October 2013 to 527 million litres from 493 million litres delivered in a comparable period in the previous year (Chart 3D).

CHART 3D: PROCESSED MILK ('000 LITRES)



Source: Kenya National Bureau of Statistics

Manufacturing The manufacturing sector accounted for 9.5 percent of the overall GDP growth in 2012. This activity grew by 4.2 percent in the first quarter of 2013, by 4.3 percent in the second quarter and by 4.6 percent in the third quarter compared with growths of 1.4 percent, 2.1 percent and 2.6 percent in the first three quarters of 2012, respectively. Indicators of the performance of manufacturing activity are largely positive for the 12-month period to October 2013 (Table 3.3 and Chart 3E), with growth in production of sugar, soft drinks and galvanized sheets accelerating to 12.3 percent, 13.7 percent and 13.4 percent, respectively. Growth in the production of cement, however, slowed to 3.3 percent in the year to October 2013 compared with 5.9 percent in the comparable period in 2012. With local cement consumption below production level (Chart 3E), the industry continued to generate some surplus for export. The number of vehicles assembled locally, however, declined by 5.8 percent to 6,029 in the year to October 2013 (Table 3.3 and Chart 3E).

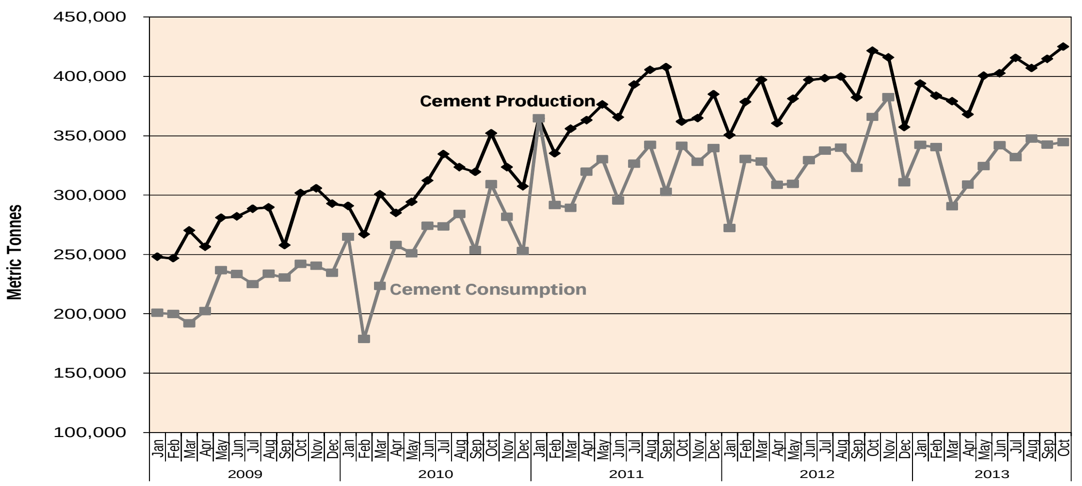
TABLE 3.3: PRODUCTION OF SELECTED MANUFACTURED GOODS

	Annual Totals		Year to Oct 12*	Year to Oct 13*
	2011	2012*		
Cement production				
Output (MT)	4,478,428	4,639,723	4,616,287	4,767,171
Growth %	*20.7%*	*3.6%*	*5.9%*	*3.3%*
Assembled vehicles**				
Output (No.)	6,049	6,218	6,397	6,029
Growth %	*5.7%*	*2.8%*	*4.9%*	*-5.8%*
Galvanized sheets				
Output (MT)	268,095	255,815	258,700	293,411
Growth %	*33.1%*	*-4.6%*	*2.0%*	*13.4%*
Processed sugar				
Output (MT)	475,061	493,937	496,818	558,001
Growth %	*-9.2%*	*4.0%*	*-2.9%*	*12.3%*
Soft drinks**				
Output ('000 litres)	371,353	359,518	361,282	410,680
Growth %	*2.8%*	*-3.2%*	*-1.2%*	*13.7%*

MT = Metric tonnes
* Provisional

Source: Kenya National Bureau of Statistics

CHART 3E: CEMENT PRODUCTION AND CONSUPTION



Energy Sector

Local generation of electricity increased from 4.4 percent in the year to October 2012 to 8.5 percent in the year to October 2013 (Table 3.4). The total amount of electricity generated thus increased from 7,440 million kilowatt hours to 8,075 million kilowatt hours. The supply in the current period comprised 54.8 percent of hydro-electricity, 23.9 percent of thermal power and 21.3 percent of geo-thermal power. The increase in the amount of electricity produced reflects accelerated generation of geo-thermal power (green energy). Generation of hydro-electricity increased by 13.8 percent to a supply of 4,423 million kilowatt hours in the year to October 2013, while generation of geo-thermal power increased by 13.8 percent compared with 4.4 percent growth in the year to October 2012. The generation of thermal power, declined further by 5.4 percent in the year to October 2013 compared with 17.9 percent in the year to October 2012. However, over the same periods the average price of murban crude oil declined to US$ 109.8 per barrel in the year to October 2013 from US$ 113.2 per barrel in the year. Consumption of electricity also increased to 4.8 percent in the year to October 2013 from 2.7 percent in the year to October 2012.

TABLE 3.4: ENERGY SECTOR PERFORMANCE

	2011	2012*	Year to Oct 12*	Year to Oct 13*
Electricity Supply (Generation)				
Output (million KWH)	7,161	7,544	7,440	8,075
Growth %	*11.8%*	*5.4%*	*4.4%*	*8.5%*
Of which:				
Hydro-power Generation (million KWH)	3,183	4,032	3,885	4,423
Growth (%)	*-0.4%*	*26.6%*	*21.7%*	*13.8%*
Geo-Thermal Generation (million KWH)	1,444	1,522	1,512	1,720
Growth (%)	*0.1%*	*5.4%*	*4.4%*	*13.8%*
Thermal (million KWH)	2,533	1,990	2,043	1,932
Growth (%)	*43.2%*	*-21.4%*	*-17.9%*	*-5.4%*
Consumption of electricity (million KWH)	6,152	6,270	6,279	6,583
Growth %	*4.8%*	*1.9%*	*2.7%*	*4.8%*
Murban crude oil average price (US $ per barrel)	110.6	113.0	113.2	109.8
Growth %	*39.7%*	*2.1%*	*6.3%*	*-3.0%*

* Provisional

Source: Kenya National Bureau of Statistics

Tourism

The number of tourist arrivals declined by 7.0 percent from 1,257,869 in the year to July 2012 (Table 3.5). Of the total tourist arrivals 84.5 percent was through the Jomo Kenyatta International Airport, Nairobi and 15.5 percent was through the Moi International Airport, Mombasa.

TABLE 3.5: TOURIST ARRIVALS BY POINT OF ENTRY

	2011	2012	Year to Jul 12	Year to Jul 13	Year to Jul 13 % Share	Year to Jul 13 % Growth
CRUISE	856	0	0	0	*0.00%*	*N/A*
MIAM	233,844	187,151	204,426	181,440	*15.5%*	*-11.2%*
JKIA	1,030,436	1,048,390	1,053,443	987,910	*84.5%*	*-6.2%*
TOTAL	1,265,136	1,235,541	1,257,869	1,169,350	*100.0%*	*-7.0%*

Source: Kenya Tourist Board

In terms of region of origin, Europe and Africa dominated accounting for 41.9 percent and 24.5 percent of total tourist arrivals, respectively in the year to July 2013 (Table 3.6). The Middle East (mainly, United Arab Emirates) and Oceanic countries (mainly, Australia) recorded the highest growth in terms of source of tourists with increases of 26.6 percent and 7.4 percent, respectively. Tourist arrivals from Europe however, declined by 15.3 percent in the year to July 2013 compared with a growth of 1.2 percent in the year to July 2012 partly due to the economic recession in the Euro Zone countries.

TABLE 3.6: TOURIST ARRIVALS BY CONTINENT

REGION	2011	2012	Year to Jul 12	Year to Jul 13	Year to Jul 13 % Share	Year to Jul 13 % Growth
Africa	303,886	299,746	295,867	286,776	24.5%	-3.1%
Middle East	38,880	58,711	49,425	62,590	5.4%	26.6%
America	158,268	161,669	165,772	153,898	13.2%	-7.2%
Asia	137,707	147,062	140,081	145,587	12.5%	3.9%
Europe	596,587	537,369	577,797	489,429	41.9%	-15.3%
Oceanic	28,952	30,984	28,927	31,070	2.7%	7.4%
Cruise	856	0	0	0	0.0%	N/A
Total	**1,265,136**	**1,235,541**	**1,257,869**	**1,169,350**	**100.0%**	**-7.0%**

Source: Kenya Tourist Board

Transport

The total number of passengers (both incoming and outgoing) handled at the Jomo Kenyatta International Airport, Nairobi (JKIA) declined marginally (by 0.1 percent) from 4,314,445 in the year to October 2012 to 4,312,021 in the year to October 2013. The volume of oil passed through Kenya pipeline, however, increased by 8.2 percent to 5,140 million litres in the year to October 2013 compared with 4,750 million litres in the year to October 2012 (Table 3.7).

TABLE 3.7: THROUGHPUT IN SELECTED TRANSPORT FACILITIES

	2011	2012*	Year to Oct 12*	Year to Oct 13*
Number of Passengers thro' JKIA				
Total passenger flows	4,135,126	4,302,244	4,314,445	4,312,021
Growth (%)	*36.5%*	*4.0%*	*9.0%*	*-0.1%*
o.w. Incoming	2,088,798	2,148,105	2,156,208	2,154,595
Growth (%)	*38.4%*	*2.8%*	*7.2%*	*-0.1%*
Outgoing	2,046,328	2,154,139	2,158,237	2,157,426
Growth %	*34.6%*	*5.3%*	*10.8%*	*0.0%*
Kenya Pipeline Oil Throughput				
Output ('000 litres)	4,257,426	4,855,573	4,750,114	5,140,315
Growth %	*1.3%*	*14.0%*	*12.0%*	*8.2%*

* Provisional

Source: Kenya National Bureau of Statistics

Developments in the Balance of Payments and Exchange Rates

Overview

Kenya's posted smaller overall balance of payments surplus, at USD 528 million in the year to November 2013 compared with a surplus of USD 1,397 million in the year to November 2012, which reflected a reduction in the Capital and Financial account surplus (Table 4.1).

TABLE 4.1: BALANCE OF PAYMENTS (US$ M)

ITEM	Year to Nov 2012	Year to November 2013* Q1 Dec-Feb	Q2 Mar-May	Q3 Jun-Aug	Q4 Sep-Nov	Year to Nov 2013*	Absolute Change	% Change
1. OVERALL BALANCE	1397	-441	741	3	225	528	-869.2	-62.2
2. CURRENT ACCOUNT	-4190	-1173	-848	-916	-913	-3850	340.0	-8.1
2.1 Goods	-10486	-2679	-2560	-2536	-2735	-10511	-24.8	0.2
Exports (fob)	6198	1547	1469	1397	1447	5860	-338.2	-5.5
Imports (cif)	16684	4227	4029	3933	4182	16370	-313.4	-1.9
2.2 Services	6296	1506	1712	1620	1822	6661	364.9	5.8
Non-factor services (net)	3630	845	1075	968	1084	3972	342.0	9.4
Income (net)	-181	-39	-13	-13	-15	-80	101.4	-55.9
Current Transfers (net)	2847	701	650	665	753	2769	-78.5	-2.8
3. CAPITAL & FINANCIAL ACCOUNT	5587	732	1589	919	1138	4377	-1209.2	-21.6
3.1 Capital Tranfers (net)	243	36	50	30	68	183	-59.7	-24.6
3.2 Financial Account	5344	696	1539	889	1070	4194	-1149.5	-21.5
memo:								
Gross Reserves	7634	7080	7887	7740	7927	7927	292.7	3.8
Official	5742	5290	6128	6120	6333	6333	590.7	10.3
*import cover***	*3.8*	*3.5*	*4.1*	*4.2*	*4.4*	*4.4*	0.5	13.6
*import cover****	*4.4*	*3.9*	*4.4*	*4.3*	*4.4*	*4.4*	0.1	1.7
Commercial Banks	1892	1789	1758	1620	1594	1594	-298.0	-15.8

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

Source: Central Bank of Kenya

Current Account

The Current account balance improved from a deficit of USD 4,190 million in the year to November 2012 to a deficit of USD 3,850 million in the year to November 2013. The improvement is reflected in the services account surplus **(**Table 4.2**),** and attributed to the other private non-factor services and specifically telecommunications and insurance services.

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

ITEM	Year to Nov 2012	Year to November 2013* Q1 Dec-Feb	Q2 Mar-May	Q3 Jun-Aug	Q4 Sep-Nov	Year to Nov 2013*	Absolute Change	% Change
2. CURRENT ACCOUNT	-4190	-1173	-848	-916	-913	-3850	340.0	-8.1
2.1 Goods	-10486	-2679	-2560	-2536	-2735	-10511	-24.8	0.2
Exports (fob)	6198	1547	1469	1397	1447	5860	-338.2	-5.5
Coffee	271	38	52	55	45	190	-81.0	-29.9
Tea	1206	345	308	308	260	1221	14.1	1.2
Horticulture	686	188	190	163	192	733	47.0	6.9
Oil products	81	17	13	12	9	53	-28.6	-35.3
Manufactured Goods	706	163	187	177	180	707	0.8	0.1
Raw Materials	417	97	87	76	75	335	-81.8	-19.6
Chemicals and Related Products (n.e.s)	570	126	115	116	116	473	-97.0	-17.0
Miscelleneous Man. Articles	559	138	143	150	153	585	25.5	4.6
Re-exports	435	134	118	111	172	535	100.3	23.1
Other	1266	301	256	227	244	1028	-237.4	-18.8
Imports (cif)	16684	4227	4029	3933	4182	16370	-313.4	-1.9
Oil	4082	1056	1106	796	950	3908	-173.9	-4.3
Chemicals	2097	525	574	546	575	2220	123.5	5.9
Manufactured Goods	2327	672	586	656	669	2583	255.8	11.0
Machinery & Transport Equipment	4629	1220	1091	1182	1149	4642	12.7	0.3
Other	3548	753	672	753	839	3017	-531.4	-15.0
2.2 Services	6296	1506	1712	1620	1822	6661	364.9	5.8
Non-factor services (net)	3630	845	1075	968	1084	3972	342.0	9.4
of which transport	875	170	273	209	236	888	12.5	1.4
of which tourism (Travel)	771	154	170	155	152	630	-140.5	-18.2
Other services account: gov't	829	169	196	191	176	733	-96.0	-11.6
Other services account: private	97	95	235	207	304	841	743.3	764.4
Income (net)	-181	-39	-13	-13	-15	-80	101.4	-55.9
of which official interest	-127	-34	-34	-21	-37	-127	0.5	-0.4
Current Transfers (net)	2847	701	650	665	753	2769	-78.5	-2.8
Private (net)	2630	686	655	669	758	2768	137.8	5.2
of which Remittances	1150	311	319	320	334	1283	132.5	11.5
Public (net)	217	15	-5	-5	-5	1	-216.3	-99.7

* Provisional.

Source: Central Bank of Kenya

Merchandise Account

The merchandise account deficit widened by USD 24.8 million or 0.2 percent to USD 10,511 million in the year to November 2013 from USD 10,486 million in the year to November 2012, reflecting high spending on merchandise imports (Table 4.2).

Exports

Receipts from merchandise exports declined by USD 338.2 million or 5.5 percent, to USD 5,860 million in the year to November 2013. The decline reflects reduced earnings from coffee, oil products, raw materials, chemicals and related products and other non categorised exports. The proceeds from tea exports increased by 1.2 percent in the year to November 2013 while the share of tea exports to total exports increased from 19 percent in the year to November 2012 to 21 percent in the year to November 2013. Values of horticulture exports also increased by USD 47 million, to USD 733 million, accounting for 13 percent of total exports up from 11 percent during the 12 months to November 2012. The increase in export receipts from tea and horticulture is attributed to an increase in export quantities during the period under review. Both the share and value of coffee exports declined in the year to November 2013: the share from 4 to 3 percent of total exports and values from USD 271 million to USD 190 million (following a decline in coffee export quantities and prices).

In terms of destination of exports (Table 4.3) the share to Africa declined to 46.2 percent from 48 percent in the year to November 2012. This reduction is reflected at the sub-regional level where exports receipts from the EAC and COMESA declined (reflected in exports receipts from Uganda, Tanzania, Egypt, Sudan and Somalia). The share of exports to the EU region declined from 21 percent to 20.5 percent. Over the same period, exports receipts from the Netherlands, the USA, Pakistan and Afghanistan increased.

Imports

Payments for merchandise imports decreased by 1.9 percent, or USD 313.4 million to USD 16,370 million in the year to November 2013, largely reflecting decreases in imports of oil and other non categorised imports (Table 4.2). The oil import bill declined by USD 173.9 million (or 35.3 percent) mainly due to reduced importation of crude oil. The share of oil to total imports however remained unchanged at 24 percent. The share of machinery and transport equipment to total imports payments also remained unchanged at 28 percent while the actual payments increased marginally.

In terms of origin (Table 4.3) Africa accounted for 10.4 percent of total imports (marginally lower than 10.5 percent in the previous period). The decline was reflected in all sub regions other than South Africa. Imports from the EU region accounted for 14.8 percent of total imports and was marginally higher than the previous year); while the share of imports from China increased. Analysis at country level reveals that most of Kenya's imports were from India (17.4 percent), China (12.7 percent), the UAE (8.8 percent) and Japan (5.9 percent).

TABLE 4.3: KENYA'S DIRECTION OF TRADE

IMPORTS (in millions of US dollars)				Share of Imports (%)		
	Year to Nov			Year to Nov		
Country	2011	2012	2013	2011	2012	2013
Africa	1,702	1,709	1,696	11.7	10.5	10.4
Of which						
South Africa	825	741	802	5.7	4.5	4.9
Egypt	208	354	296	1.4	2.2	1.8
Others	670	613	598	4.6	3.8	3.7
EAC	303	363	330	2.1	2.2	2.0
COMESA	604	746	673	4.1	4.6	4.1
Rest of the World	12,891	14,570	14,645	88.3	89.5	89.6
Of which						
India	1,700	2,200	2,840	11.6	13.5	17.4
United Arab Emirates	2,090	1,889	1,439	14.3	11.6	8.8
China	1,616	1,961	2,068	11.1	12.0	12.7
Japan	719	728	964	4.9	4.5	5.9
USA	527	778	675	3.6	4.8	4.1
United Kingdom	482	528	570	3.3	3.2	3.5
Singapore	382	153	214	2.6	0.9	1.3
Germany	356	491	428	2.4	3.0	2.6
Saudi Arabia	522	849	468	3.6	5.2	2.9
Indonesia	483	683	488	3.3	4.2	3.0
Netherlands	247	213	278	1.7	1.3	1.7
France	234	296	262	1.6	1.8	1.6
Bahrain	215	268	406	1.5	1.6	2.5
Italy	151	250	230	1.0	1.5	1.4
Others	3,168	3,282	3,314	21.7	20.2	20.3
Total	14,592	16,278	16,341	100	100	100
EU	2,146	2,395	2,423	14.7	14.7	14.8

EXPORTS (in millions of US dollars)				Share of Exports (%)		
	Year to Nov			Year to Nov		
Country	2011	2012	2013	2011	2012	2013
Africa	2,770	2,952	2,707	48.0	48.0	46.2
Of which						
Uganda	854	806	761	14.8	13.1	13.0
Tanzania	461	542	491	8.0	8.8	8.4
Egypt	262	260	192	4.5	4.2	3.3
Sudan	251	94	75	4.3	1.5	1.3
South Sudan	0	163	192	0.0	2.6	3.3
Somalia	180	236	197	3.1	3.8	3.4
DRC	195	211	226	3.4	3.4	3.9
Rwanda	152	192	158	2.6	3.1	2.7
Others	416	449	416	7.2	7.3	7.1
EAC	1,535	1,602	1,475	26.6	26.1	25.2
COMESA	2,041	1,889	1,720	35.4	30.7	29.4
Rest of the World	3,001	3,192	3,149	52.0	52.0	53.8
Of which						
United Kingdom	529	486	437	9.2	7.9	7.5
Netherlands	378	362	374	6.6	5.9	6.4
USA	320	310	348	5.6	5.0	5.9
Pakistan	238	256	280	4.1	4.2	4.8
United Arab Emirates	223	326	301	3.9	5.3	5.1
Germany	89	113	95	1.5	1.8	1.6
India	102	96	105	1.8	1.6	1.8
Afghanistan	152	141	186	2.6	2.3	3.2
Others	969	1,102	1,022	16.8	17.9	17.5
Total	5,771	6,144	5,855	100	100	100
EU	1,310	1,290	1,202	22.7	21.0	20.5
China	39	68	46	0.7	1.1	0.8

Source: Kenya Revenue Authority

Services Account

The surplus in the services account increased by USD 364.9 million or 5.8 percent to USD 6,661 million in the year to November 2013. The increase is attributed mainly to net non-factor services, which rose by USD 342 million or 9.4 percent and more specifically in transportation flows and other private services. The deficit in the income account improved by USD 101.4 million or 55.9 percent to USD 80 million in the year to November 2013 attributed to an increase in investment income and a reduction in private interest payments.

Flows from current transfer services declined by USD 78.5 million or 2.8 percent to USD 2,769 million reflecting declines in public transfers. However, remittance inflows increased by USD 132.5 million, to USD 1,283 million during the year to November 2013 from USD 1,150 million during the year to November 2012 (Table 4.2). Remittance inflows have remained resilient with the 12 month cumulative average rising to USD 107 million from USD 95.9 million during the previous period.

Capital and Financial Account

The surplus in the capital and financial account declined to USD 4,377 million in the year to November 2013 from USD 5,587 million in the year to November 2012 (Table 4.4). The decline is largely attributed to a decline in the financial account surplus, from USD 5,344 million in the year to November 2012 to USD 4,194 million in the year to November 2013**.** This decline largely comprises official medium to long term inflows (USD 528.6 million) and short term net including errors and omissions (USD 1,039.4million).

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

ITEM	Year to Nov 2012	Year to November 2013*				Year to Nov 2013*	Absolute Change	% Change
		Q1 Dec-Feb	Q2 Mar- May	Q3 Jun- Aug	Q4 Sep- Nov			
3. CAPITAL & FINANCIAL ACCOUNT	5587	732.0	1588.7	919	1137.6	4377	-1209.2	-21.6
3.1 Capital Tranfers (net)	**243**	**36**	**50**	**30**	**68**	**183**	-59.7	-24.6
3.2 Financial Account	**5344**	**696**	**1539**	**889**	**1070**	**4194**	-1149.5	-21.5
Official, medium & long-term	**1180**	160	241	132	120	**652**	-528.6	-44.8
Inflows	**1485**	232	321	215	256	**1024**	-460.8	-31.0
Outflows	**-304**	-72	-80	-84	-136	**-372**	-67.9	22.3
Private, medium & long-term (net)	**143**	2	322	37	201	**561**	418.5	293.0
Commercial Banks (net)	**222**	36	328	53	304	**720**	498.5	224.6
Other private medium & long-term (net)	**-79**	-34	-6	-16	-104	**-159**	-80.0	101.0
Short-term (net) incl. errors & omissions	**4020**	534	976	721	750	**2981**	-1039.4	-25.9

* Provisional.

Source: Central Bank of Kenya

Foreign Exchange Reserves

The banking system's total foreign exchange holdings increased from USD 7,634 million in November 2012 to USD 7,927 million in November 2013. Official reserves held by the Central Bank constituted the bulk of gross reserves and increased to USD 6,333 million in November 2013 from USD 5,742 million in November 2012. Months of import cover remained unchanged at 4.4 months. The accumulation of official reserves during the period consisted of IMF disbursements under the Extended Credit Facility and purchases from the Foreign Exchange market. Meanwhile, foreign Exchange Reserves held by commercial banks declined to USD 1,594 million in November 2013 from USD 1,892 million in November 2012. Residents' Foreign Currency Deposits increased from USD 3,399 million in November 2012 to USD 3,639 million in November 2013 (Table 4.5).

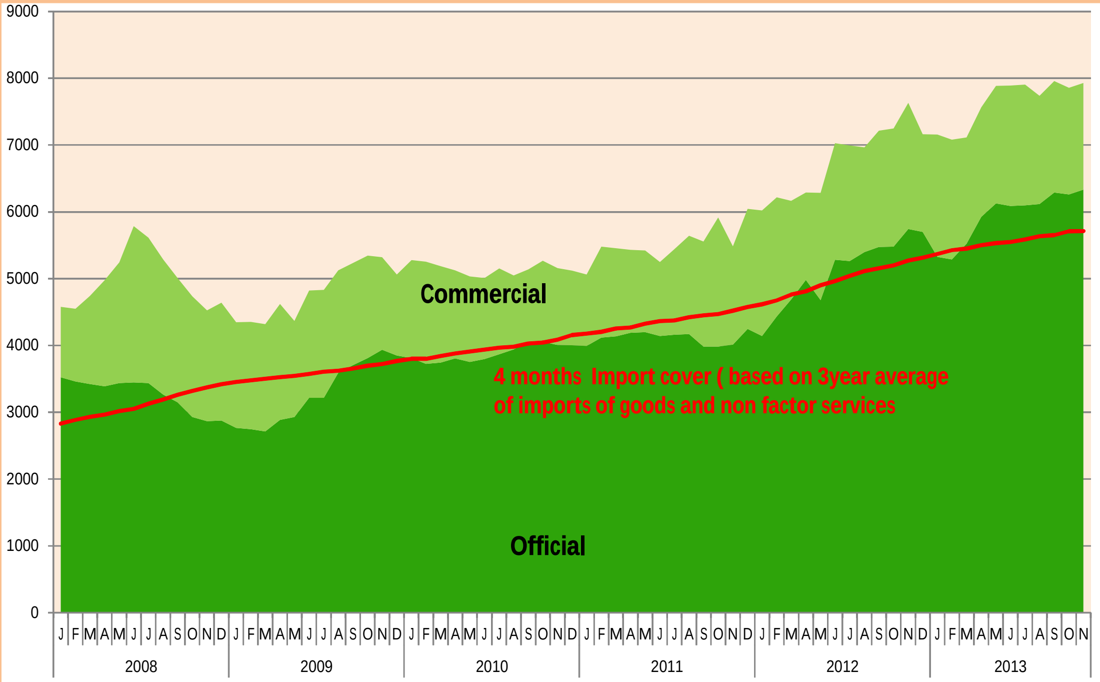
TABLE 4.5: FOREIGN EXCHANGE RESERVES AND RESIDENTS' FOREIGN CURRENCY DEPOSITS (END OF PERIOD, US$ MILLION)

	Nov 12	Dec 12	Jan 13	Feb 13	Mar 13	Apr 13	May 13	Jun 13	Jul 13	Aug 13	Sep 13	Oct 13	Nov 13
1. Gross Foreign Exchange Reserves	**7,634**	**7,160**	**7,156**	**7,080**	**7,114**	**7,563**	**7,887**	**7,889**	**7,907**	**7,740**	**7,959**	**7,859**	**7,927**
of which:													
Official	5,742	5,702	5,328	5,290	5,523	5,928	6,128	6,089	6,096	6,120	6,291	6,263	6,333
*imports cover***	*4.4*	*4.3*	*4.0*	*3.9*	*4.1*	*4.3*	*4.4*	*4.4*	*4.4*	*4.3*	*4.5*	*4.4*	*4.4*
Commercial Banks	1,892	1,458	1,828	1,789	1,590	1,636	1,758	1,800	1,811	1,620	1,668	1,596	1,594
2. Residents' foreign currency deposits	**3,399**	**3,203**	**3,357**	**3,387**	**3,441**	**3,444**	**3,479**	**3,371**	**3,462**	**3,362**	**3,318**	**3,504**	**3,639**

**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 registered mixed performance against major international currencies in the month of November 2013, weakening against the US Dollar and the Pound Sterling while strengthening against the Euro and the Japanese Yen to trade at an average of 86.10 per USD, 138.64 per Pound Sterling, 116.22 per Euro and 86.21 per 100 Japanese Yen (Table 4.6). The Shilling depreciation against the USD largely reflected increased demand for the US dollar from the energy and manufacturing sectors. In the EAC region, the Kenya Shilling weakened against all EAC currencies during the month of November 2013 to trade at an average of Ush 29.31, Tsh 18.68, RWF 7.80 and BIF 18.01 against an average of Ush 29.74, Tsh 18.87, RWF 7.85 and BIF 18.13 in October 2013 (Table 4.6 and Chart 4D).

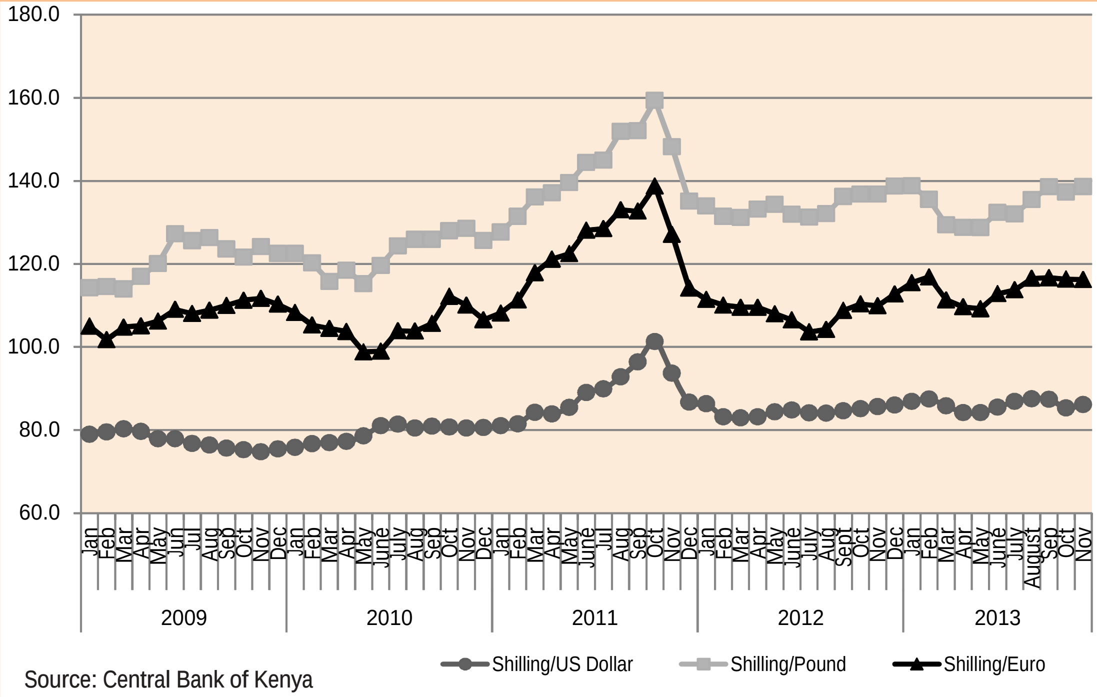
TABLE 4.6: KENYA SHILLING EXCHANGE RATE

			2013											
	Nov	Dec	Jan	Feb	Mar	Apr	May	June	Jul	Aug	Sep	Oct	Nov	% change October-November 2013
US Dollar	85.63	85.99	86.90	87.45	85.82	84.19	84.15	85.49	86.86	87.49	87.41	85.31	86.10	0.93
Pound Sterling	136.77	138.78	138.80	135.54	129.42	128.81	128.72	132.42	132.00	135.47	138.54	137.31	138.64	0.97
100 Japanese Yen	105.81	102.79	97.67	93.96	90.49	86.12	83.37	87.77	87.28	89.39	88.14	87.24	86.21	-1.17
Uganda Shilling*	30.61	31.09	30.89	30.40	30.74	30.64	30.74	30.34	29.79	29.48	29.41	29.74	29.31	-1.42
Tanzania Shilling*	18.65	18.55	18.43	18.54	18.90	19.28	19.36	19.13	18.69	18.50	18.48	18.87	18.68	-0.98
Rwanda Franc*	7.22	7.19	7.12	7.11	7.39	7.53	7.67	7.56	7.46	7.40	7.50	7.85	7.80	-0.59
Burundi Franc*	17.32	17.57	17.39	17.81	18.15	18.70	18.69	18.22	17.83	17.58	17.59	18.13	18.01	-0.65
Euro	109.91	112.77	115.47	116.86	111.31	109.65	109.18	112.81	113.74	116.51	116.67	116.33	116.22	-0.10
Euro per US dollar	0.78	0.76	0.75	0.75	0.77	0.77	0.77	0.76	0.76	0.75	0.75	0.73	0.74	1.03

* Units of currency per Kenya Shilling

Source: Central Bank of Kenya

CHART 4B: KENYA SHILLING EXCHANGE RATE



Source: Central Bank of Kenya

Developments in The Banking Sector

Overview

The Kenyan banking sector comprised of 43 commercial banks, 1 mortgage finance company, 9 deposit taking microfinance institutions, 7 representative offices of foreign banks, 105 foreign exchange bureaus and 2 credit reference bureaus as at November 30, 2013.

Structure of the Balance Sheet

The banking sector balance sheet increased in size by 11.1 percent from Ksh 2,368.1 billion in November 2012 to Ksh 2,631.6 billion in November 2013. The major components of the balance sheet on the asset side were loans and advances, government securities and placements, which accounted for 58.2 percent, 21.6 percent and 5.1 percent of total assets, respectively.

Loans & Advances

The banking sector gross loans and advances rose from Ksh 1,351.2 billion in November 2012 to Ksh 1,588.9 billion in November 2013, which translated to a growth of 17.6 percent. The growth was attributed to increase in lending to households, trade, manufacturing and real estate sectors. Loans and advances net of provisions stood at Ksh 1,572.7 billion in November 2013, up from Ksh 1,337.8 billion registered in a similar period in 2012.

Deposit Liabilites

Deposits from customers which form the main source of funding for the banking sector, accounted for 72.8 percent of total funding liabilities. The deposit base grew by 10.9 percent from Ksh 1,761.9 billion in November 2012 to Ksh 1,916.1 billion in November 2013 largely supported by aggressive mobilization of deposits by banks, remittances and receipts from exports.

Capital & Reserves

The banking sector registered enhanced capital levels in November 2013 with total shareholders' funds growing by 19.6 percent from Ksh 350.6 billion in November 2012 to Ksh 419.2 billion in November 2013. As a result, the ratios of core and total capital to total risk-weighted assets increased from 18.1 percent and 21.0 percent in November 2012 to 19.0 percent and 22.5 percent, respectively.

Non-performing Loans

The value of gross non-performing loans (NPLs) grew by 30.3 percent from Ksh 62.2 billion in November 2012 to Ksh 81.1 billion in November 2013 and was attributed mainly to high interest rates and the reduced economic activities during the period towards and after the March 2013 general elections. Similarly, the ratio of gross NPLs to gross loans deteriorated from 4.6 percent in November 2012 to 5.1 percent in November 2013. On the other hand, the coverage ratio which is measured as a percentage of specific provisions to total NPLs declined from 56.0 percent to 43.3 percent in November 2013 due to a higher growth in NPLs than the increase in provisions.

The quality of assets, measured as a proportion of net non-performing loans to gross loans declined from 1.6 percent in November 2012 to 2.3 percent in November 2013 (Table 5.1).

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

		Nov-12	Nov-13
1	Gross loans and advances	1351.2	1588.9
2	Interest in Suspense	13.4	16.2
3	Loans and advances (net of interest suspended)	1337.8	1572.7
4	Gross non-performing loans	62.2	81.1
5	Specific Provisions	27.4	28.1
6	General Provisions	10.3	13.9
7	Total Provisions (5+6)	37.7	42
8	Net Advances (3-7)	1300.1	1530.7
9	Total Non-Performing Loans and Advances (4-2)	48.8	64.9
10	Net Non-Performing Loans and Advances (9-5)	21.4	36.8
11	Total NPLs as % of total advances (9/3)	3.60%	4.10%
12	Net NPLs as % of gross advances (10/1)	1.60%	2.30%
13	Specific Provisions as % of Total NPLs (5/9)	56.10%	43.30%

Source: Central Bank of Kenya

Profitablility

The banking sector registered an increase of 12.7 percent growth in pre-tax profits, from Ksh 98.9 billion in November 2012 to Ksh 111.5 billion as at end of November 2013. The annualised return on assets declined marginally from 3.7 percent in November 2012 to 3.6 percent in November 2013. Similarly, return on equity declined from 30.8 percent to 29.0 percent over the same period. Total income increased by 0.6 percent from Ksh 323.7 billion in November 2012 to Ksh 325.5 billion in November 2013, while total expenses declined by 4.8 percent from Ksh 224.6 billion in November 2012 to Ksh 213.9 billion in November 2013 with the decline largely attributed to reduction in interest expenses. Interest on loans and advances, fees and commissions and government securities were the main sources of income accounting for 59.0 percent, 18.3 percent and 15.5 percent of total income respectively. On the other hand, interest on deposits, staff costs and other expenses were the key components of expenses, accounting for 30.6 percent, 29.6 percent and 25.2 percent, respectively.

Liquidity Ratio Requirement

For the month ended November 30, 2013, average liquid assets amounted to Ksh 728.3 billion while total short-term liabilities stood at Ksh 1,863.2 billion, resulting to an average liquidity ratio of 39.0 percent, against 42.0 percent registered in November 2012.

Cash Ratio Requirement

The proportion of cash to deposit liabilities held at the Central Bank by commercial banks for reserve requirements averaged 5.66 percent in November 2013 compared with 5.36 percent in October 2013, and the 5.25 percent minimum statutory level (Table 5.2 and Chart 5A). Commercial banks maintained an average of Ksh 7.53 billion above the 5.25 percent monthly average cash reserve requirement at the Central Bank in November 2013 compared with Ksh 1.99 billion in October 2013. Commercial banks are required to maintain Cash Reserve Ratio (CRR) on a monthly average of 5.25 percent in the 30 day maintenance cycle from 15th through 14th of every month but subject to a daily minimum of 3.0 percent.

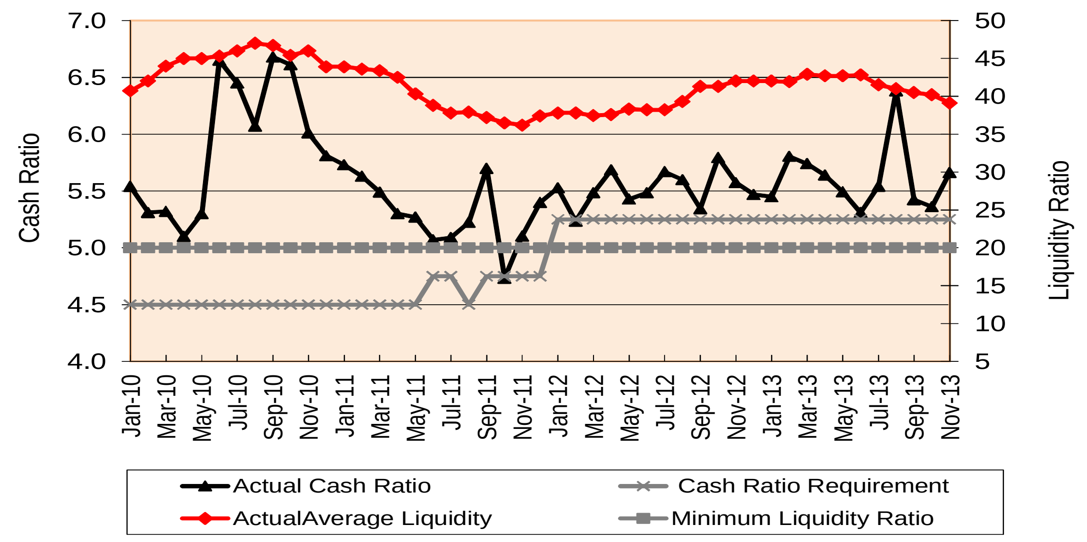
TABLE 5.2 : CASH AND LIQUIDITY RATIOS* (%)

	2012		2013										
	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov
Commercial Banks													
Actual Average Liquidity	42.00	42.00	42.00	41.90	42.90	42.70	42.70	42.80	41.50	41.00	40.50	40.20	39.10
Minimum Liquidity Ratio	20.00	20.00	20.00	20.00	20.00	20.00	20.00	20.00	20.00	20.00	20.00	20.00	20.00
Actual Cash Ratio - All Banks	5.57	5.47	5.45	5.80	5.74	5.64	5.49	5.31	5.54	6.38	5.42	5.36	5.66
Minimum Cash Ratio Requirement	5.25	5.25	5.25	5.25	5.25	5.25	5.25	5.25	5.25	5.25	5.25	5.25	5.25
NBFIs													
Actual Average Liquidity Ratio	34.70	35.60	32.80	31.40	32.90	34.20	34.40	33.10	39.50	36.50	36.80	33.10	32.60
Minimum Liquidity Ratio	20.00	20.00	20.00	20.00	20.00	20.00	20.00	20.00	20.00	20.00	20.00	20.00	20.00

* Monthly average liquidity and cash ratios

Source: Central Bank of Kenya

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



Source: Central Bank of Kenya

KEPSS Kenya Shillings Flows

Kenya Electronic Payments and Settlement System (KEPSS) moved a volume of 176,330 transaction messages worth Ksh 1,982 billion in November 2013 compared with a volume of 185,920 transaction messages valued at Ksh 2,301 billion moved in October 2013, representing a decrease of 5.16 percent and 13.85 percent in volume and in value moved, respectively. Compared to November 2012, the volume increased by 27.80 percent from 137,975 transaction messages to 176,330 transaction messages in November 2013, while value increased by 8.93 percent from 1,820 billion to 1,982 billion, indicating increased usage of KEPSS by the public.

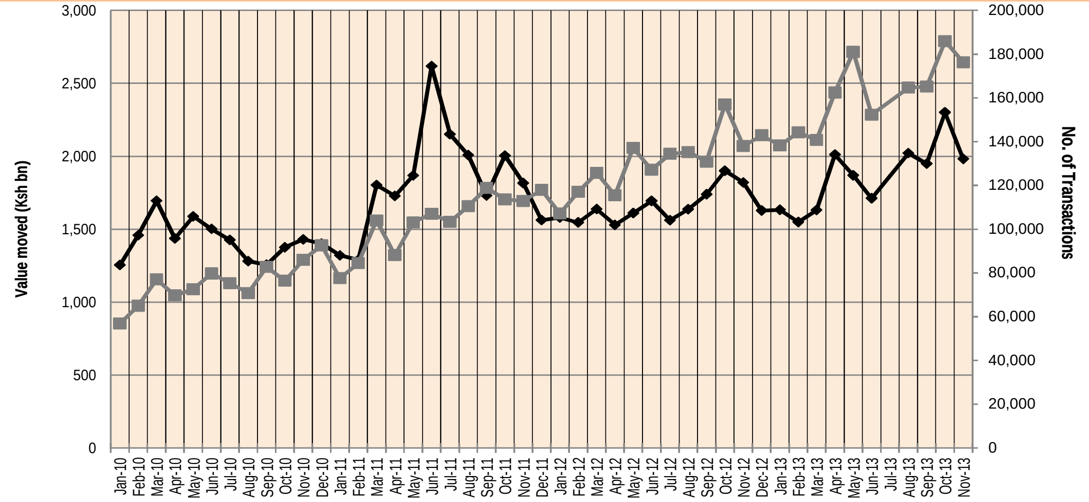
During the twelve months period to November 30, 2013 the value moved averaged Ksh 12 million per transaction. On average, 7,756 transaction messages with an average value of approximately Ksh 90 billion were moved daily (Table 5.3 and Chart 5B). Direct settlements through KEPSS from commercial banks accounted for 98.0 percent of the total settlements, while payments processed through Automated Clearing House and settled in KEPSS averaged 2.0 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)	Per day Transactions
Jan-11	1,320	21	77,625	0.02	21	63	3,696
Feb-11	1,289	23	84,448	0.02	20	64	4,222
Mar-11	1,802	26	103,986	0.02	22	82	4,727
Apr-11	1,728	21	88,168	0.02	19	91	4,640
May-11	1,868	26	103,112	0.02	21	89	4,910
May-11	1,868	26	103,112	0.02	21	89	4,910
Jun-11	2,617	24	107,063	0.02	21	125	5,098
Jul-11	2,151	24	103,338	0.02	21	102	4,921
Aug-11	2,007	25	110,498	0.02	22	91	5,023
Sep-11	1,730	27	118,798	0.01	22	79	5,400
Oct-11	2,004	25	113,658	0.02	20	100	5,683
Nov-11	1,816	28	112,923	0.02	22	83	5,133
Dec-11	1,562	30	117,916	0.01	20	78	5,896
Jan-12	1,579	28	107,230	0.01	21	75	5,106
Feb-12	1,546	27	116,990	0.01	21	74	5,571
Mar-12	1,638	26	125,739	0.01	22	74	5,715
Apr-12	1,529	26	115,514	0.01	19	80	6,080
May-12	1,610	26	137,135	0.01	22	73	6,233
Jun-12	1,693	26	127,147	0.01	20	85	6,357
Jul-12	1,561	26	134,391	0.01	23	71	6,109
Aug-12	1,637	26	135,243	0.01	23	71	5,880
Sep-12	1,739	26	130,874	0.01	20	87	6,544
Oct-12	1,900	26	157,020	0.01	23	83	6,827
Nov-12	1,820	26	137,975	0.01	22	83	6,272
Dec-12	1,627	30	142,867	0.01	18	90	7,937
Jan-13	1,632	25	138,297	0.01	22	74	6,286
Feb-13	1,548	25	144,248	0.01	20	77	7,212
Mar-13	1,631	28	140,781	0.01	20	82	7,039
Apr-13	2,011	32	162,432	0.01	20	101	8,122
May-13	1,869	31	181,045	0.01	22	85	8,229
Jun-13	1,712	28	152,310	0.01	20	86	7,616
Jul-13	2,109	35	185,773	0.01	23	92	8,077
Aug-13	2,021	24	164,650	0.01	21	96	7,840
Sep-13	1,949	31	165,175	0.01	21	93	7,865
Oct-13	2,301	30	185,920	0.01	22	105	8,451
Nov-13	1,982	29	176,330	0.01	21	94,381	8,397

Source: Central Bank of Kenya

CHART 5B: TRENDS IN MONTHLY FLOWS THROUGH KEPSS



Source: Central Bank of Kenya

Third Party Messages

Multiple third party Message Type (MT 102) used for multiple credit transfers increased by 9.75 percent from 12,087 transaction messages in October 2013 to 13,265 transaction messages in November 2013 while single third party Message Type (MT 103) used for single credit transfers decreased by 1.05 percent from 188,162 transaction messages to 186,194 transaction messages in the same period. Overall, total third party messages through KEPSS decreased by 0.39 percent from 200,249 transaction messages in October 2013 to 199,459 transaction messages in November 2013.

Compared with November 2012, multiple third party messages (MT 102) decreased by 11.61 percent from 15,008 transaction messages to 13,265 transaction messages in November 2013 while single third party messages (MT 103) increased by 23.47 percent from 150,800 transaction messages to 186,194 transaction messages (Table 5.4 and Chart 5C).

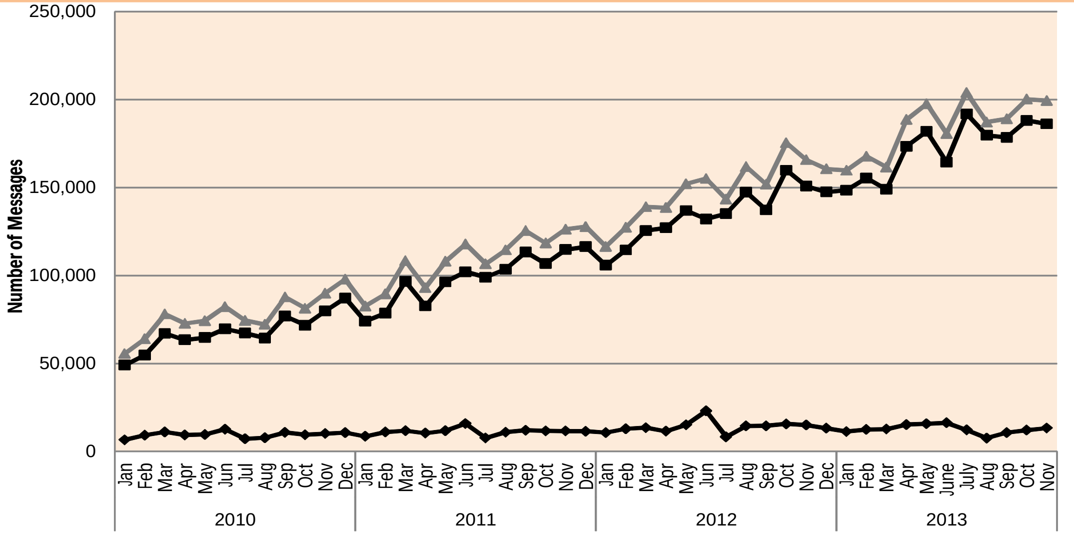
Inter-bank transfers (MT 202) accounted for 41.41 percent of the total value moved through KEPSS as at end of November 2013, while third party (MT 102 and MT 103) messages accounted for 58.59 percent. The total number of third party messages grew by 20.30 percent from 165,808 messages in November 2012 to 199,459 messages in November 2013. This signifies continued growth in KEPSS usage by individuals and non-bank corporate bodies.

TABLE 5.4: TRENDS IN MT102 AND MT103 THROUGH KEPSS

		MT102	MT103	Total
2012	Jan	10,661	105,817	116,478
	Feb	12,871	114,522	127,393
	Mar	13,428	125,628	139,056
	Apr	11,439	127,126	138,565
	May	15,093	136,942	152,035
	Jun	23,048	132,103	155,151
	Jul	8,268	135,173	143,441
	Aug	14,459	147,373	161,832
	Sep	14,527	137,268	151,795
	Oct	15,616	159,847	175,463
	Nov	15,008	150,800	165,808
	Dec	13,123	147,510	160,633
2013	Jan	11,267	148,497	159,764
	Feb	12,405	155,349	167,754
	Mar	12,681	148,954	161,635
	Apr	15,247	173,453	188,700
	May	15,690	181,934	197,624
	Jun	16,254	164,422	180,676
	Jul	12,189	191,864	204,053
	Aug	7,530	179,629	187,159
	Sep	10,655	178,480	189,135
	Oct	12,087	188,162	200,249
	Nov	13,265	186,194	199,459

Source: Central Bank of Kenya

CHART 5C: TRENDS IN MT102 AND MT103 THROUGH KEPSS

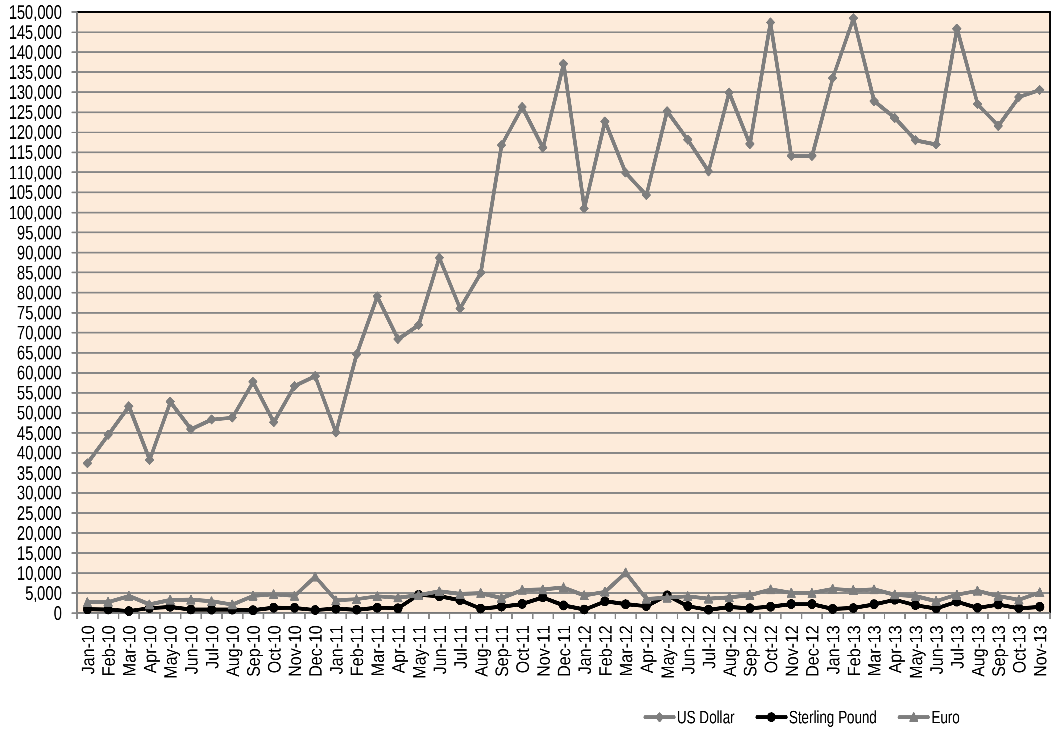


Source: Central Bank of Kenya

Domestic Foreign Currency

Domestic Foreign Currency messages through KEPSS decreased by 7.24 percent from 15,997 transaction messages in October 2013 to 14,839 transaction messages in November 2013. Similarly, the corresponding value in Kenya Shillings equivalent moved in this period increased by 2.92 percent from Ksh 133.4 billion to Ksh 137.3 billion. The US dollar denominated transactions accounted for 95.08 percent of the value moved (Chart 5D), while the Sterling Pound and the Euro accounted for 1.15 percent and 3.78 percent, respectively.

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



Source: Central Bank of Kenya

Government Budget Performance

Central Government budgetary operations for the period July 2013 – November 2013 in the FY2013/14 resulted in a deficit of Ksh 110.4 billion on commitment basis compared with a deficit of Ksh 100.1 billion in the same period of the FY 2012/13 (Table 6.1). The deficit-to-GDP ratio stood at 2.9 percent both on commitment basis and cash basis during this period. The budget deficit for the period was within the programmed target of 3.5 percent of GDP.

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

	FY 2012/13	FY 2013/14		
	November Actual	November Provisional	Target	Over (+) / below(-) Target
1. TOTAL REVENUE & GRANTS	**303.0**	**363.6**	**412.7**	**-49.1**
Revenue	298.6	355.7	385.7	-30.0
Tax Revenue	268.5	335.0	348.4	-13.5
Non Tax Revenue	12.5	7.9	10.4	-2.5
Appropriations-in-Aid	17.6	12.8	26.9	-14.1
External Grants	4.4	7.9	27.0	-19.1
2. TOTAL EXPENSES & NET LENDING	**403.1**	**474.0**	**473.7**	**0.2**
Recurrent Expenses	303.1	333.3	308.5	24.8
Development Expenses	99.9	88.4	165.2	-76.8
County Transfers	0.0	52.2	74.2	-22.0
3. DEFICIT ON A COMMITMENT BASIS (1-2)	-100.1	**-110.4**	**-61.0**	**49.3**
As percent of GDP	**-2.59**	**-3.0**	**-1.7**	
4. ADJUSTMENT TO CASH BASIS	**0.0**	**0.0**	**0.0**	**0.0**
5. DEFICIT ON A CASH BASIS	-100.1	**-110.4**	**-61.0**	**49.3**
As percent of GDP	**-2.59**	**-3.0**	**-1.7**	
6. DISCREPANCY: Expenditure (+) / Revenue	**4.4**	**-37.4**	**68.2**	
7. FINANCING	**104.5**	**73.0**	**129.2**	**-56.3**
Domestic (Net)	98.9	64.7	67.7	-3.0
External (Net)	5.6	8.3	61.5	-53.3
Capital Receipts (privatisation)	0.0	0.0	0.0	0.0
Others	0.0	0.0	0.0	0.0
Financing gap	0.0	0.0	0.0	0.0

Source: National Treasury

Revenue

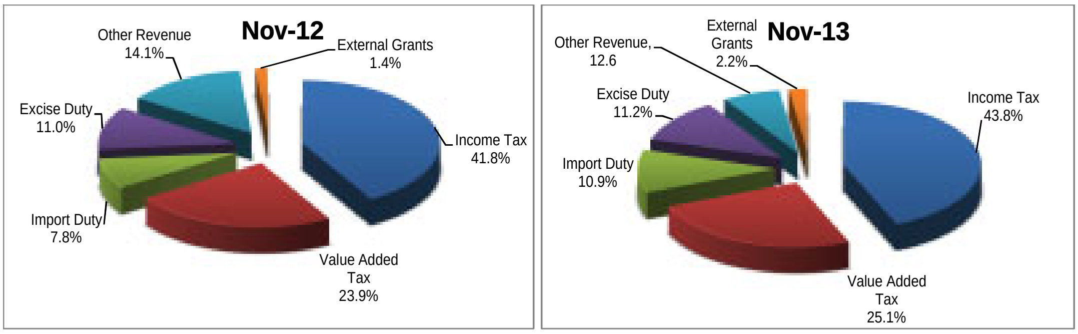
Total government revenues and grants amounted to Ksh 363.6 billion in the period July – November 2013, representing an increase of Ksh 60.6 billion from Ksh 303.0 billion collected in a similar period of the FYFY 2012/2013 (Table 6.2). Government revenue accounted for 94.2 percent of total receipts to Government in the five months to November 2013, with income taxes accounting for over 50 percent of the revenue. However, total government revenue and external grants underperforming by Ksh 30.0 billion and Ksh 19.1 billion respectively, with respect to the targeted amounts of Ksh 385.7 billion and 27.0 billion during the period (Table 6.1)

TABLE 6.2: COMPOSITION OF GOVERNMENT REVENUE (Ksh billion)

	Nov-12 Ksh bn	Nov-13 Ksh bn	Change
1. Revenue (2+3+4)	**298.6**	**355.7**	**57.1**
2. Tax Revenue	268.5	335.0	66.5
Income Tax	126.6	159.2	32.6
Value Added Tax	72.6	91.2	18.6
Import Duty	23.5	39.7	16.2
Excise Duty	33.2	40.8	7.6
Others	12.6	4.0	-8.6
3. Appropriations-in-Aid	17.64	12.81	-4.83
4. Other Revenue	12.5	7.9	-4.6
5. External Grants	**4.4**	**7.9**	**3.5**
TOTAL RECEIPTS (1+5)	**303.0**	**363.6**	**60.6**

Source: National Treasury

CHART 6A: COMPOSITION OF GOVERNMENT RECEIPTS



Source: National Treasury

Tax revenue grew by Ksh 66.5 billion, equivalent to 24.8 percent, from Ksh 268.5 billion collected in the first five months of 2012/13 to Ksh 335.0 billion for a similar period of FY 2013/14 (Table 6.2). The increase was largely on account of income tax, which grew by Ksh 32.6 billion (25.8 percent) during the period. Excise, import duty and value added tax increased by Ksh 7.6 billion, Ksh 16.2 billion and Ksh 18.6 billion respectively, while other tax revenue declined by Ksh 8.6 billion, during the period under review. All taxes underperformed with respect to their programmed targets, except VAT, which is indicative of reduced level of economic activity during this period in relation to expectation. The VAT may have performed well on account of implementation of the VAT law on September 1, 2013.

Expenditure and Net Lending

Government expenditure and net lending increased by Ksh 70.9 billion in the period July – November 2013 from Ksh 403.1 billion expended during the same period in the FY 2012/13. Total expenditure during this period amounted to Ksh 474.0 billion, comprising Ksh 333.3 billion, Ksh 88.4 billion and Ksh 52.2 billion in recurrent expenditure, development expenditure and county transfers, respectively.

The main recurrent expenditure items included salaries and wages, domestic interest payments and other recurrent expenditures, which increased by Ksh 4.8 billion, 5.1 billion and Ksh 20.7 billion respectively. Total expenditure and net lending underperformed by Ksh 74.0 billion with the shortfall accounted for by the development expenditure (Ksh 76.8 billion) and county transfers (Ksh 22.0 billion) (Table 6.1).

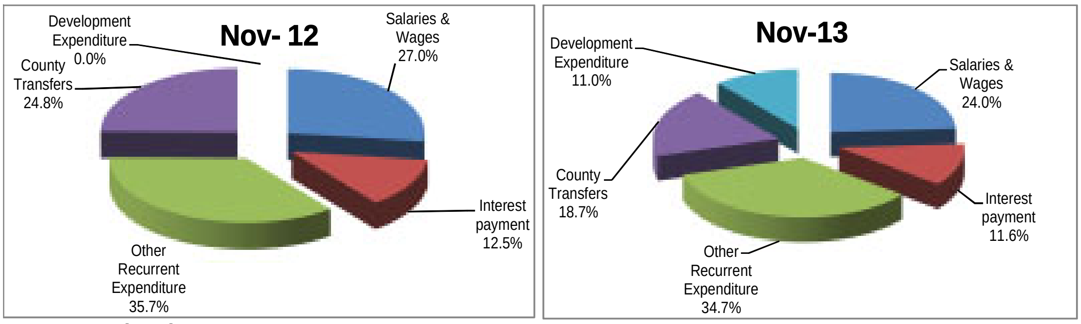
TABLE 6.3: COMPOSITION OF GOVERNMENT EXPENDITURE (Ksh billion)

	Nov-12 Ksh bn	Nov-13 Ksh bn	Movement
1.Recurrent	**303.1**	**333.3**	**30.2**
Salaries & Wages	108.9	113.7	**4.8**
Total Interest	50.3	55.0	**4.7**
of which			
Domestic*	45.8	50.9	5.1
Foreign interest due	4.5	4.0	-0.4
Others	143.9	164.6	20.7
2. Development	**99.9**	**88.4**	**-11.5**
3. County Transfers	**0.0**	**52.2**	**52.2**
TOTAL EXPENSES	**403.1**	**474.0**	**70.9**

*Includes commission and other charges paid to CBK

Source: National Treasury

CHART 6B: COMPOSITION OF GOVERNMENT EXPENDITURE



Source: National Treasury

Financing

Budgetary operations of the Government resulted in a financing requirement of Ksh 127.7 billion in the period July – November 2013 compared with Ksh 105.4 billion in the same period in 2012/13. The Government sourced the funds through domestic borrowing amounting to Ksh 119.5 billion and net external debt borrowing of Ksh 8.3 billion. The funds were allocated to bridge the Government budgetary deficit of Ksh 85.5 billion and as government deposits accumulated by Ksh 35.5 billion (Table 6.4).

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

I. FINANCING REQUIREMENTS	Nov-12	Nov-13
1. Budget deficit	104.5	85.5
2. External debt reduction	0.0	0.0
3. Domestic debt reduction	0.0	0.0
3.1 Central Bank (incl. items in transit)	0.0	0.0
3.2 Commercial banks (net of deposits)	0.0	0.0
3.3 Non-bank sources	0.0	0.0
4. Increase in GoK deposits at CBK	0.0	35.0
5. Adjustment to cash basis	1.0	7.3
TOTAL	**105.4**	**127.7**
II. FINANCING SOURCES	**Nov-12**	**Nov-13**
1. Budget surplus	0.0	0.0
2. External debt increase	5.6	8.3
3. Increase in domestic debt	99.6	119.5
3.1 Central Bank	9.8	30.8
3.2 Commercial banks	67.4	14.9
3.3 Non-bank sources	22.4	73.8
4. Reduction in GoK deposits at CBK	0.2	0.0
5. Privatisation proceeds (Net of Restructuring Costs)	0.0	0.0
TOTAL	**105.4**	**127.7**

Sources: National Treasury and Central Bank of Kenya

Government Borrowing from the Central Bank

Government gross indebtedness to the Central Bank amounted to Ksh 67.2 billion in the period July – November 2013, which was Ksh 10.0 billion higher than the Ksh 57.2 billion in the same period of the FY 2012/13. The increase in Government liability to the Central Bank was attributed to a raise in the overdraft by Ksh 8.8 billion from Ksh 25.4 billion at the end of November 2012. The rediscounted securities increased by Ksh 2.3 billion and the increase was largely in Treasury bills. Amortization of the pre-1997 overdraft reduced Government indebtedness at the Central Bank by Ksh 1.1 billion.

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

	2012	2013	Movement
	November	November	
Total Credit	**57.2**	**67.2**	**10.0**
1. Overdraft	25.4	34.2	8.8
2. Rediscounted securities	1.8	4.1	2.3
Treasury bills	1.0	4.1	3.1
Treasury bonds	0.8	0.0	-0.7
3. Pre-1997 Government Overdraft at CBK	30.0	28.9	-1.1
4. IMF funds onlent to Government	0.0	0.0	0.0
5. Cleared items in transit	0.1	0.0	-0.1
Memorandum			
Authorised overdraft limit	**25.4**	**25.4**	0.0
Amount utilised to date	25.4	34.2	8.8
Amount available	0.0	-8.8	-8.8

Source: Central Bank of Kenya

Outlook for FY 2013/14

In the budget estimates for the FY 2013/14, total domestic revenue is estimated at Ksh 955.0 billion, equivalent to 24.7 percent of GDP. External grants are estimated at Ksh 56.2 billion or 1.5 percent of GDP. Government expenditure is estimated at Ksh 1,263.3 billion (or 32.7 percent of GDP), of which Ksh 802.7 billion (20.8 percent of GDP) will be in recurrent expenses and the rest in development expenses (Table 6.6).

TABLE 6.6: BUDGET ESTIMATES FOR THE FISCAL YEAR 2013/14 (Ksh Billion)

	Ksh (Bn)	% of GDP
1. TOTAL REVENUE	**1011.20**	**26.15**
Revenue	955.03	**24.70**
Tax Revenue	816.47	**21.12**
Non Tax Revenue	53.71	**1.39**
Appropriations-in-Aid	84.84	**2.19**
External Grants	56.18	**1.45**
2. TOTAL EXPENSES & NET LENDING	**1,263.32**	**32.67**
Recurrent Expenses	802.65	**20.76**
Development Expenses	455.68	**11.78**
Civil Contigency Fund	5.00	**0.13**
3. DEFICIT ON A COMMITMENT BASIS (1-2)	**-252.12**	**-6.52**
4. ADJUSTMENT TO CASH BASIS	**1.32**	**0.03**
5. DEFICIT ON A CASH BASIS	**-250.80**	**-6.49**
6. DISCREPANCY: Expenditure (+) / Revenue (-)	**0.00**	**0.00**
7. FINANCING	**-250.80**	**-6.49**
Domestic (Net)	106.74	**2.76**
External (Net)	144.06	**3.73**

Source: Central Bank of Kenya

The overall budget deficit including grants on commitment basis is therefore estimated at Ksh 252.1 billion (or 6.5 percent of GDP) in 2013/14. The deficit is expected to be financed through net external borrowing of Ksh 144.1 billion and net domestic borrowing of Ksh 106.7 billion.

Developments in Public Debt

Overall Debt Kenya's public and publicly guaranteed debt increased by 9.9 percent to reach Ksh 2,082.3 billion at the end of November, 2013 from Ksh 1,894.1 billion in June, 2013. The total debt stock at the end of November, 2013 was equivalent to 53.7 percent of GDP, compared with 51.7 percent of GDP in June, 2013. Debt to GDP ratios for both domestic and external debts increased from 28.7 percent and 23.0 percent, respectively, in June 2013 to 30.2 percent and 23.5 percent, in November 2013 (Table 7.1).

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

	Jun-12	Dec-12	May-13	Jun-13	Jul-13	Aug-13	Sep-13	Oct-13	Nov-13	Change 2013/14
EXTERNAL										
Bilateral	246.2	265.4	254.8	257.6	270.6	272.0	270.0	273.9	283.7	26.0
Multilateral	452.9	482.7	504.2	511.8	529.1	539.8	544.1	539.9	553.3	41.5
Commercial Banks	50.5	58.4	58.3	58.9	59.9	60.1	59.6	58.7	59.5	0.6
Supplier Credits	14.8	15.5	15.0	15.2	15.6	15.6	15.6	15.5	15.8	0.5
Sub-Total	**764.5**	**822.0**	**832.24**	**843.56**	**875.23**	**887.54**	**889.31**	**887.99**	**912.23**	**68.7**
(As a % of GDP)	23.56	22.7	22.7	23.0	23.6	23.5	22.9	22.9	23.5	
(As a % of total debt)	47.1	45.8	43.6	44.5	44.8	44.3	43.2	43.0	43.8	
DOMESTIC										
Banks	**459.2**	**542.9**	**595.9**	**563.5**	**573.7**	**593.7**	**618.3**	**612.8**	**609.2**	**45.72**
Central Bank	47.4	56.8	64.0	36.4	47.7	64.7	63.6	57.4	67.2	**30.83**
Commercial Banks	411.9	486.1	531.8	527.1	526.0	528.9	554.7	555.4	542.0	**14.88**
Non-banks	**388.5**	**418.5**	**469.0**	**477.5**	**496.1**	**513.8**	**540.2**	**551.6**	**550.6**	**73.03**
Pension Funds	193.2	195.7	256.6	263.1	272.4	281.7	289.5	284.9	288.2	**25.14**
Insurance Companies	92.4	98.9	109.3	108.6	111.9	115.9	117.2	117.8	117.6	**8.98**
Other Non-bank Sources	103.0	123.9	103.1	105.9	111.8	116.1	133.5	149.0	144.8	**38.91**
Non-residents	**11.0**	**10.1**	**10.0**	**9.6**	**8.9**	**9.2**	**9.7**	**10.3**	**10.3**	**0.75**
Sub-Total	**858.8**	**971.4**	**1074.8**	**1050.6**	**1078.6**	**1116.7**	**1168.2**	**1174.8**	**1170.1**	**119.50**
(As a % of GDP)	26.47	26.9	29.3	28.7	29.1	29.5	30.1	30.3	30.2	
(As a % of total debt)	52.9	54.2	56.4	55.5	55.2	55.7	56.8	57.0	56.2	
GRAND TOTAL	**1623.4**	**1793.4**	**1907.0**	**1894.1**	**1953.8**	**2004.2**	**2057.5**	**2062.8**	**2082.3**	**188.17**
(As a % of GDP)	50.0	49.6	52.1	51.7	52.7	53.0	53.1	53.2	53.7	

Sources: National Treasury and Central Bank of Kenya

Domestic Debt Total domestic debt increased by Ksh 119.5 billion (or 11.4 percent) in the first five months of fiscal year 2013/14 to reach Ksh 1,170.1 billion in November 2013, from Ksh 1,050.6 billion at the end of June 2013. This followed increases of Ksh 49.2 billion in Treasury bonds, Ksh 42.4 billion in Treasury bills, Ksh 27.9 billion in other domestic debt (of which Ksh 27.2 billion was through overdraft to Government at the Central Bank during the period (Table 7.2)). Consequently, the domestic debt-to-total debt ratio increased from 55.5 percent in June, 2013 to 56.2 percent in November, 2013, while domestic debt-to-GDP edged up to 30.2 percent in November, 2013, from 28.7 percent in June, 2013 (Table 7.1).

TABLE 7.2: GOVERNMENT GROSS DOMESTIC DEBT (Ksh billion)

	2012		2013												Change
	Jun	%	June	%	July	%	August	%	Sept	%	Oct	%	Nov	%	Jun-13 - Nov-13
Total Stock of Domestic Debt (A+B)	**858.8**	**100.0**	**1,050.6**	**100.0**	**1,078.6**	**100.0**	**1,116.7**	**100.0**	**1,168.2**	**100.0**	**1,174.8**	**100.0**	**1,170.1**	**100.0**	**119.5**
A. Government Securities	**849.0**	**98.9**	**1,040.8**	**99.1**	**1,060.4**	**98.3**	**1,081.3**	**96.8**	**1,131.4**	**96.8**	**1,142.8**	**97.3**	**1,132.3**	**96.8**	**92.0**
1. Treasury Bills (excluding Repo Bills)	**132.0**	**15.4**	**267.7**	**25.5**	**254.8**	**23.6**	**278.0**	**24.9**	**307.6**	**26.3**	**312.0**	**26.6**	**310.8**	**26.5**	**42.4**
Banking institutions	75.5	8.8	183.5	17.5	179.1	16.6	184.7	16.5	199.3	17.1	197.4	16.8	190.6	16.3	**7.1**
Others	56.5	6.6	84.2	8.0	75.7	7.0	93.3	8.4	108.3	9.3	114.6	9.8	119.5	10.2	**35.3**
2. Treasury Bonds	**687.0**	**80.0**	**744.2**	**70.8**	**776.7**	**72.0**	**774.4**	**69.3**	**794.8**	**68.0**	**801.8**	**68.3**	**793.4**	**67.8**	**49.2**
Banking institutions	334.1	38.9	341.0	32.5	344.3	31.9	341.7	30.6	352.9	30.2	354.1	30.1	347.9	29.7	**6.9**
Pension Funds	164.5	19.2	220.1	21.0	229.8	21.3	232.3	20.8	232.0	19.9	229.6	19.5	229.6	19.6	**9.5**
Others	188.3	21.9	183.0	17.4	202.6	18.8	200.5	18.0	209.9	18.0	218.1	18.6	215.8	18.4	**32.8**
4. Non-Interest Bearing Debt	**30.0**	**3.5**	**28.9**	**2.7**	**28.9**	**2.7**	**28.9**	**2.6**	**28.9**	**2.5**	**28.9**	**2.5**	**28.9**	**2.5**	**-**
Of which: Repo T/Bills	29.8	3.5	28.9	2.8	28.8	2.7	28.8	2.6	28.8	2.5	28.8	2.5	28.8	2.5	**(0.1)**
B. Others:	**9.8**	**1.1**	**9.8**	**0.9**	**18.2**	**1.7**	**35.4**	**3.2**	**36.9**	**3.2**	**32.0**	**2.7**	**37.7**	**3.2**	**27.9**
Of which CBK overdraft to Government	7.3	0.8	7.0	0.7	20.5	1.9	32.7	2.9	34.2	2.9	28.0	2.4	34.2	2.9	**27.2**

Source: Central Bank of Kenya

Treasury Bills

Treasury bill holdings, excluding repos, increased by Ksh 42.4 billion to reach Ksh 310.1 billion in November 2013 (Table 7.2). As a result, the proportion of Treasury bills in total domestic debt increased to 26.5 percent in November, 2013, from 25.5 percent in June, 2013. Meanwhile, the share of total outstanding Treasury bills held by commercial banks and parastatals declined from 68.5 percent and 2.1 percent, respectively, in June, 2013 to 61.5 percent and 1.5 percent in November. The holdings by insurance companies, pension funds and 'other' holders, which comprise Saccos, listed and private companies, self-help groups, educational institutions, religious institutions and individuals increased to 6.7 percent, 20 percent and 10.3 percent, respectively, during the same period (Table 7.3).

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

	2012		2013											
Holders	Jun	%	Jun	%	Jul	%	Aug	%	Sept	%	Oct	%	Nov	%
Banking Institutions	75.5	57.2	183.5	68.5	179.1	70.3	184.7	66.4	199.3	64.8	197.4	63.3	190.6	61.5
Central Bank	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Comm. Banks	75.5	57.2	183.5	68.5	179.1	70.3	184.7	66.4	199.3	64.8	197.4	63.3	190.6	61.5
NBFIs	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Insurance Companies	7.2	5.5	14.9	5.6	15.5	6.1	18.7	6.7	19.2	6.2	20.4	6.6	20.9	6.7
Parastatals	1.2	0.9	5.6	2.1	5.6	2.2	5.9	2.1	4.7	1.5	4.6	1.5	4.6	1.5
Of which: NSSF	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Pension Funds	28.7	21.7	42.9	16.0	42.6	16.7	49.4	17.8	57.4	18.7	62.0	19.9	62.0	20.0
Others	19.5	14.7	20.8	7.8	12.1	4.8	19.3	6.9	27.0	8.8	27.6	8.8	32.1	10.3
Total	**132.0**	**100.0**	**267.7**	**100.0**	**254.8**	**100.0**	**278.0**	**100.0**	**307.6**	**100.0**	**312.0**	**100.0**	**310.2**	**100.0**

Source: Central Bank of Kenya

Treasury Bonds

Outstanding treasury bonds increased by Ksh 49.2 billion, from Ksh 744.2 billion in June 2013 to Ksh 793.4 billion at the end of November 2013. In terms of investing institutions, the accumulation was allocated as follows: Ksh 6.9 billion, Ksh 8.6 billion, Ksh 3.0 billion and Ksh 33.2 billion absorbed by commercial banks, pension funds, insurance companies and other holders, respectively. Parastatal and building society holdings declined by Ksh 2.4 billion and Ksh 0.1 billion, respectively, while those held by non-bank financial institutions remained unchanged during the period. The proportion of bonds in total domestic debt declined from 70.8 percent in June 2013 to 67.8 percent in November 2013 following increased acquisition of Treasury bills and use of the overdraft facility by the Government, during the period (Table 7.2).

Treasury bond holdings by commercial banks, insurance companies, parastatals and pension funds declined from 45.8 percent, 12.6 percent, 5.7 percent and 29.6 percent in June, 2013 to 43.9 percent, 12.2 percent, 5.1 percent and 28.8 percent, respectively in November, 2013. Those by other holders increased to 10.0 percent from 6.2 percent, while those by building societies and non-bank financial institutions remained unchanged during the period (Table 7.4).

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

	2012				2013											
Holders	Jun	%	Dec	%	June	%	Jul	%	Aug	%	Sep	%	Oct	%	Nov	%
Banking Institutions	335.6	48.9	344.1	48.1	341.2	45.9	344.4	44.3	341.9	44.1	353.1	44.4	354.3	44.2	348.1	43.9
Central Bank	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Comm. Banks	334.1	48.6	343.5	48.0	341.0	45.8	344.3	44.3	341.7	44.1	352.9	44.4	354.1	44.2	347.9	43.9
NBFIs	1.5	0.2	0.6	0.1	0.2	0.0	0.2	0.0	0.2	0.0	0.2	0.0	0.2	0.0	0.2	0.0
Insurance Companies	85.1	12.4	87.0	12.2	93.7	12.6	96.4	12.4	97.2	12.6	98.0	12.3	97.3	12.1	96.7	12.2
Parastatals	46.1	6.7	44.4	6.2	42.7	5.7	42.7	5.5	41.0	5.3	41.0	5.2	40.3	5.0	40.3	5.1
Of which: NSSF	24.5	3.6	23.8	3.3	22.7	3.1	22.7	2.9	22.3	2.9	22.3	2.8	21.6	2.7	21.6	2.7
Building Societies	0.6	0.1	0.6	0.1	0.6	0.1	0.6	0.1	0.5	0.1	0.5	0.1	0.5	0.1	0.5	0.1
Pension Funds	164.5	24.0	171.5	23.9	220.1	29.6	229.8	29.6	232.3	30.0	232.0	29.2	229.6	28.6	228.8	28.8
Others	54.9	8.0	68.4	9.6	45.8	6.2	62.8	8.1	61.6	8.0	70.3	8.8	79.8	10.0	79.0	10.0
Total	**687.0**	**100.0**	**716.1**	**100.0**	**744.2**	**100.0**	**776.7**	**100.0**	**774.4**	**100.0**	**794.8**	**100.0**	**801.8**	**100.0**	**793.4**	**100.1**

Source: Central Bank of Kenya

Domestic Debt Maturity structure

Total domestic debt at the end of November 2013 amounted to Ksh 1,170.0 billion, and comprised Ksh 793.4 billion, Ksh 310.1 billion, , Ksh 28.8 billion and Ksh 37.7 billion in Treasury bonds, Treasury bills, securitized pre 1997 government overdraft and other domestic debt, respectively (Table 7.2). In terms of maturity structure, Government securities worth Ksh 82.6 billion will fall due between December 2013 and February 2014, and will comprise Ksh 77.0 billion and Ksh 5.6 billion in Treasury bills and Treasury bonds, respectively. Treasury bill maturities in the period will comprise Ksh 36.2 billion, Ksh 19.2 billion and Ksh 21.6 billion in 91-day, 182-day and 364-day Treasury bills, respectively, while Treasury bonds maturing during this period will comprise Ksh 2.3 billion, and Ksh 3.3 billion in 7–year and 8–year fixed rate Treasury bonds.

The average length of maturity of existing domestic debt declined to 5 years in November, 2013, from 5 years and 2 months in June 2013.

TABLE 7.5: DOMESTIC DEBT MATURITY STRUCTURE (Ksh billion)

		2012		2013												Change Jun-13 to Nov-13
		Jun	%	June	%	July	%	August	%	Sept	%	Oct	%	Nov	%	
Treasury bills	91-Day	24.3	2.8	36.2	3.4	28.8	2.7	30.2	2.7	40.3	3.4	42.3	3.6	38.30	3.3	2.1
	182-Day	75.7	8.8	52.2	5.0	49.7	4.6	54.5	4.9	58.4	5.0	55.2	4.7	50.20	4.3	-2.0
	364-Day	32.1	3.7	179.3	17.1	176.3	16.3	193.3	17.3	208.9	17.8	214.5	18.3	221.60	18.9	42.3
Treasury Bonds	1-Year	51.5	6.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	2-Year	86.5	10.1	122.0	11.6	122.0	11.3	139.9	12.5	139.0	11.8	139.0	11.8	115.60	9.9	-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	0.0	0.0	0.0	0.0
	4-Year	0.0	0.0	19.1	1.8	19.1	1.8	19.1	1.7	25.1	2.1	25.1	2.1	25.10	2.1	6.0
	5-Year	115.3	13.4	138.4	13.2	151.2	14.0	136.4	12.2	136.4	11.6	127.0	10.8	127.00	10.8	-11.3
	6-Year	57.4	6.7	40.7	3.9	40.7	3.8	40.7	3.6	40.7	3.5	40.7	3.5	40.70	3.5	0.0
	7-Year	22.5	2.6	19.3	1.8	19.3	1.8	19.3	1.7	19.3	1.6	19.3	1.6	19.30	1.6	0.0
	8-Year	17.6	2.0	31.8	3.0	31.8	2.9	31.8	2.8	38.7	3.3	38.7	3.3	38.70	3.3	6.9
	9-Year	25.4	3.0	18.2	1.7	18.2	1.7	18.2	1.6	18.2	1.5	18.2	1.5	18.20	1.5	0.0
	10-Year	95.7	11.1	109.4	10.4	121.5	11.3	116.1	10.4	116.1	9.9	116.1	9.9	116.10	9.9	6.7
	11-Year	4.0	0.5	4.0	0.4	4.0	0.4	4.0	0.4	4.0	0.3	4.0	0.3	4.00	0.3	0.0
	12-Year	63.5	7.4	30.2	2.9	30.2	2.8	30.2	2.7	38.7	3.3	54.7	4.7	54.70	4.7	34.5
	15-Year	75.4	8.8	119.8	11.4	127.3	11.8	127.3	11.4	127.3	10.8	127.3	10.8	127.30	10.8	7.5
	20-Year	29.7	3.5	49.0	4.7	49.0	4.5	49.0	4.4	49.0	4.2	49.0	4.2	49.00	4.2	0.0
	25-Year	20.2	2.4	20.2	1.9	20.2	1.9	20.2	1.8	20.2	1.7	20.2	1.7	20.19	1.7	0.0
	30-Year	22.1	2.6	22.1	2.1	22.1	2.1	22.1	2.0	22.1	1.9	22.1	1.9	22.14	1.9	0.0
Repo T bills		29.2	3.4	28.9	2.8	28.8	2.7	28.83	2.6	28.83	2.5	28.83	2.5	28.83	2.5	-0.1
Overdraft		7.3	0.8	7.0	0.7	15.5	1.4	32.72	2.9	34.19	2.9	27.98	2.4	27.98	2.4	21.0
Other Domestic debt		3.3	0.4	2.79	0.3	2.81	0.3	2.72	0.2	2.75	0.2	4.46	0.4	25.15	2.1	22.4
Total Debt		858.83	100.0	1050.56	100.0	1078.60	100.0	1116.68	100.0	1168.23	99.4	1174.76	100.0	1,170.50	100.0	

Source: Central Bank of Kenya

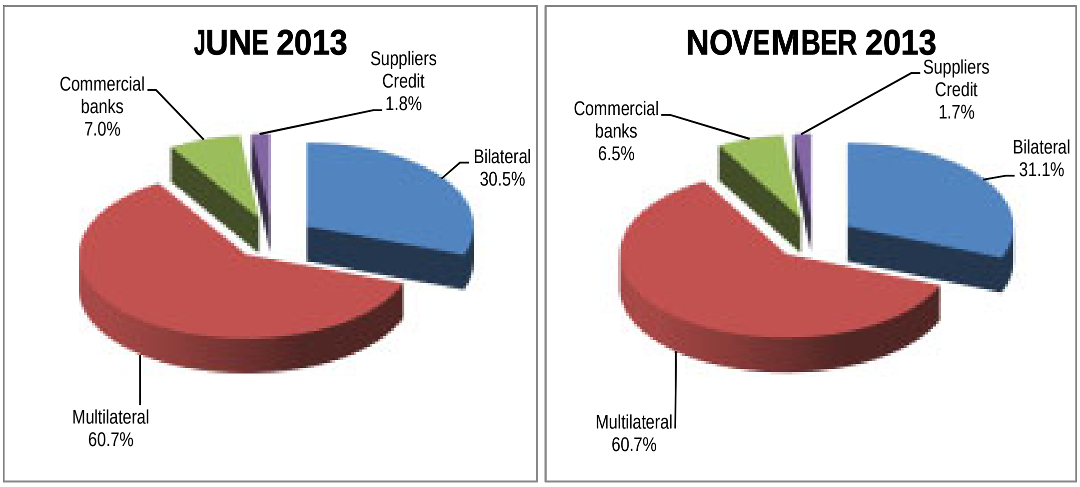
External Debt

Kenya's public and publicly guaranteed external debt increased by Ksh 68.7 billion to Ksh 912.23 billion (USD 10.5 billion), at the end of the first five months of fiscal year 2013/14, from Ksh 843.6 billion (USD 9.8 billion) in June, 2013. Total external debt to the Government amounted to Ksh 866.9 billion (USD 10.0 billion), while the rest was external debt to Parastatals guaranteed by the Government. Public and publicly guaranteed debt from bilateral sources, multilateral sources, commercial banks and Suppliers' credits increased by Ksh 26.0 billion, Ksh 41.5 billion, Ksh 0.6 billion and Ksh 0.5 billion respectively, during the period. African Development Bank (ADB) and International Development Association (IDA) collectively accounted for Ksh 35.3 billion of the multilateral debt increase while France and China accounted for Ksh 9.0 billion and Ksh 15.6 billion, respectively, of the bilateral debt increase. These increases were largely due to additional disbursements and exchange rate revaluations during the period. Japan's contribution to the bilateral debt reduced by Ksh 0.7 billion during the period under review.

Composition of External Debt by Creditor

Kenya's official creditors, the multilateral and bilateral lenders, accounted for 92.0 percent of total public and publicly guaranteed external debt by November 2013. The proportion of debt owed to commercial banks and supplier's credit declined to 6.5 percent and 1.7 percent, respectively, in November, 2013 from 7.0 percent and 1.8 percent in June, 2013. However, bilateral debt increased to 31.1 percent, of total public debt in November, 2013 following additional disbursements during the period. The proportion of debt owed to multilateral lenders remained unchanged at 60.7 percent (Chart 7A).

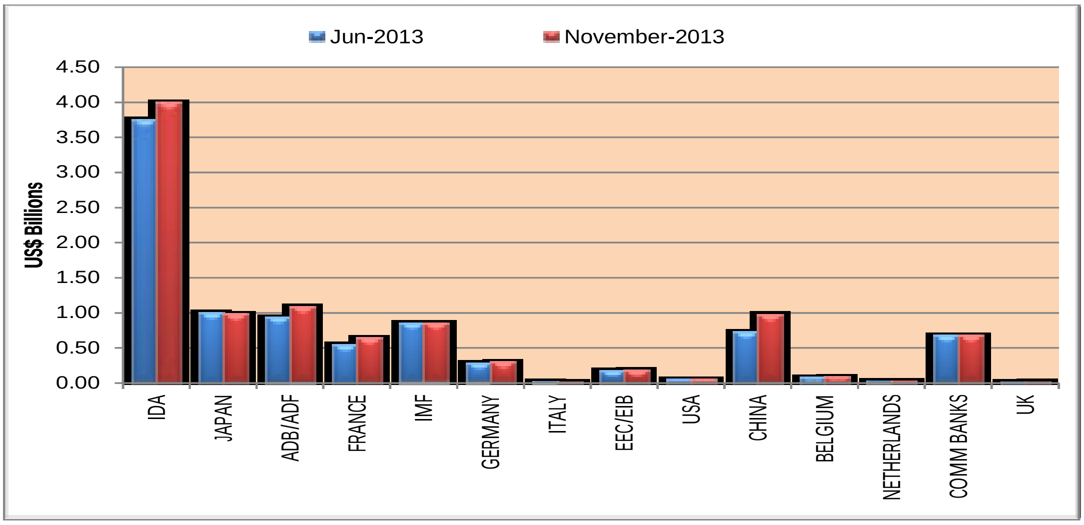
CHART 7A: COMPOSITION OF EXTERNAL DEBT



Source: National Treasury

Debt owed to IDA, Kenya's largest multilateral lender, amounted to USD 4.0 billion or 38.9 percent of total external debt while that owed to Japan, Kenya's largest bilateral lender, amounted to USD 1.0 billion at the end of November 2013 (Chart 7B).

CHART 7B: EXTERNAL DEBT BY CREDITOR

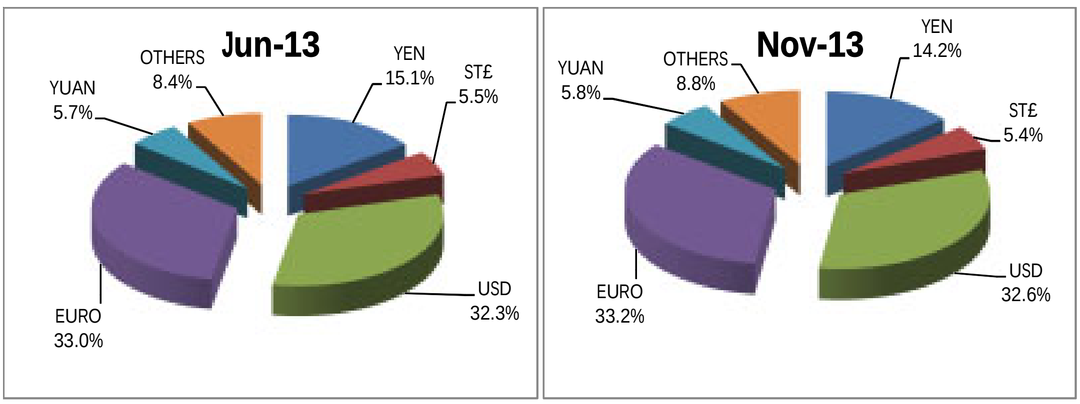


Source: National Treasury

Currency Composition of External Debt

The Euro and US dollar denominated debt constituted 65.6 percent of total public and publicly guaranteed external debt in November, 2013. Debt held in the US Dollar, the Euro, the Chinese Yuan and 'other currencies', which includes currencies from non-Paris club countries such as Korea, Kuwait and Saudi Arabia, increased from 32.3 percent, 33.0 percent, 5.7 percent and 8.4 percent, respectively, in June 2013, to 32.6 percent, 33.2 percent, 5.8 percent and 8.8 percent in November 2013. However, holdings in the Japanese Yen and the Sterling Pound declined to 14.2 percent and 5.4 percent, respectively during the period.

CHART 7C: EXTERNAL DEBT DISTRIBUTION BY CURRENCY



Source: National Treasury

Public Debt Service

Cumulative interest and other charges on domestic debt for November 2013 amounted to Ksh 49.5 billion compared with Ksh 45.8 billion during a similar period of the previous fiscal year. This comprised interest and other charges on Treasury bills and Treasury bonds amounting to Ksh 9.0 billion and Ksh 39.4 billion, respectively, while Ksh 0.4 billion was on interest charges on Government overdraft at the Central Bank. External debt service for July 2013 - November 2013 amounted to Ksh 1.4 billion, comprising Ksh 0.6 billion in principal repayments and Ksh 0.8 billion in interest payments.

Performance for the FY 2013/14

In the fiscal year 2013/14, total public and publicly guaranteed external debt is estimated at Ksh 926.8 billion (22.3 percent of GDP), while gross and net domestic debt are estimated at Ksh 1,130.5 billion (27.1 percent of GDP) and Ksh 978.6 (23.5 percent of GDP), respectively.

Activity in the Stock Market

The capital market recorded mixed performance in November 2013, with only a few indicators in the equity market recording improvements .

Equity Market

The NSE 20 Share Index rose by 108 points to close at 5,100.88 points in November 2013 from 4,992.88 points in October 2013. The NASI also rose to 141.17 points from 133.24 points in the period under review. Market Capitalization added Ksh 101.35 billion reflecting the gain in share prices (Table 8.1).

TABLE 8.1: SELECTED STOCK MARKET INDICATORS

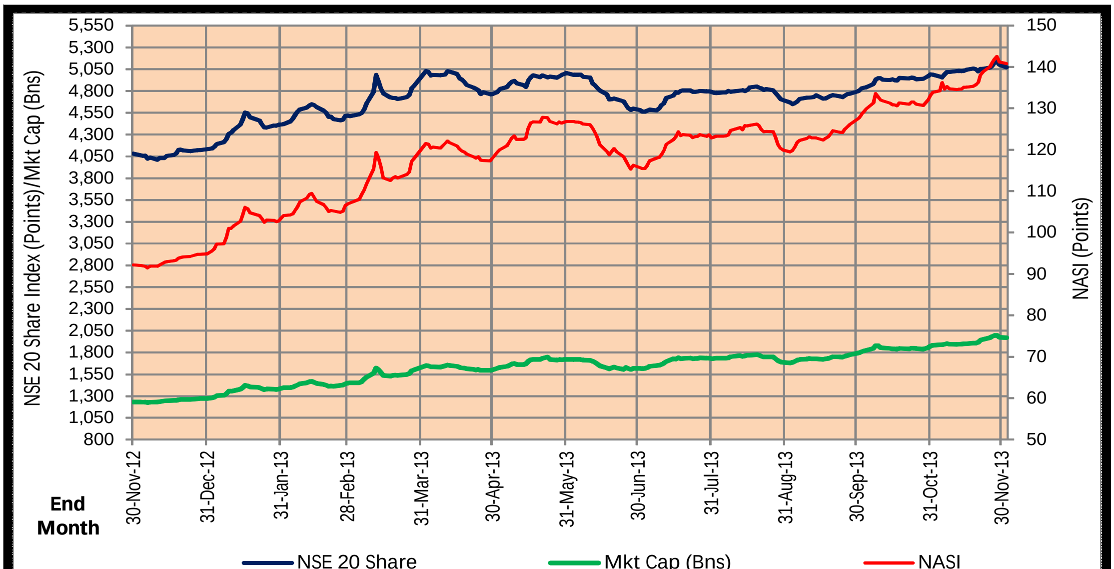
Period (Month)	NSE 20 Share Index (1966=100)	NASI (2008=100)	Number of Shares Traded (Millions)	Equities Turnover (Ksh Millions)	Market Capitalizatio n (Ksh Billions)	Bond Turnover (Ksh Millions)	FP to Equity Turnover	FS to Equity Turnover	Overall net FP to Equity Turnover
Nov-11	3,155.46	66.33	398.90	3,928.00	854.68	26,691.60	71.79%	71.00%	71.40%
Dec-11	3,205.02	68.03	336.50	3,973.00	868.24	24,999.05	68.19%	44.65%	56.42%
Jan-12	3,224.00	69.00	351.00	3,544.00	880.00	24,513.50	31.55%	54.46%	43.00%
Feb-12	3,303.75	72.07	342.00	3,493.00	920.00	27,121.66	57.23%	34.47%	45.85%
Mar-12	3,366.89	73.47	366.00	6,386.00	940.00	47,811.97	60.44%	18.93%	39.69%
Apr-12	3,546.66	76.91	526.15	7,640.23	985.00	35,503.62	64.29%	41.11%	52.70%
May-12	3,650.85	78.48	543.29	8,815.35	1,005.19	47,343.28	58.32%	45.85%	52.09%
Jun-12	3,703.94	80.75	385.51	6,214.24	1,048.72	28,259.68	62.44%	36.06%	49.25%
Jul-12	3,832.42	83.26	383.61	6,037.89	1,098.90	34,170.82	51.90%	38.19%	45.05%
Aug-12	3,865.76	84.66	338.92	5,680.73	1,117.39	86,918.78	58.56%	40.12%	49.34%
Sep-12	3,972.03	87.38	470.26	9,781.50	1,155.99	95,866.77	68.67%	35.08%	51.88%
Oct-12	4,147.28	91.67	458.43	11,082.25	1,217.09	72,596.46	68.61%	41.85%	55.23%
Nov-12	4,083.52	92.20	836.90	10,537.05	1,234.47	38,895.86	67.02%	25.88%	46.45%
Dec-12	4,133.02	94.86	461.89	7,582.42	1,272.00	26,672.11	73.58%	45.50%	59.54%
Jan-13	4,416.60	103.50	518.71	8,464.46	1,387.81	20,999.59	59.06%	33.86%	46.46%
Feb-13	4,518.59	106.91	692.28	14,693.27	1,451.01	20,240.18	42.73%	69.45%	56.09%
Mar-13	4,860.83	117.91	571.29	11,182.65	1,599.80	25,690.98	55.92%	39.74%	47.83%
Apr-13	4,765.23	118.07	596.83	9,856.50	1,601.93	35,190.25	56.75%	26.73%	42.67%
May-13	5,006.96	126.80	867.77	16,070.53	1,720.43	73,523.70	53.22%	31.60%	42.41%
Jun-13	4,598.16	116.31	727.78	13,021.29	1,618.27	85,904.11	66.13%	46.15%	56.14%
Jul-13	4,787.56	122.86	615.90	11,205.17	1,727.83	34,170.82	65.88%	51.38%	58.63%
Aug-13	4,697.75	119.96	670.38	20,797.41	1,681.66	24,520.25	75.75%	28.44%	52.10%
Sep-13	4,793.20	127.35	488.79	10,062.50	1,790.85	29,304.17	65.89%	45.39%	55.64%
Oct-13	4,992.88	133.24	804.51	15,937.19	1,873.66	51,674.82	64.28%	47.19%	55.73%
Nov-13	5,100.88	141.17	645.20	13,128.66	1,975.00	27,310.57	48.21%	41.47%	44.84%

Source: Nairobi Securities Exchange

Equities turnover declined to Ksh 13,128.66 million in November 2013 from Ksh 15,937.19 million in October 2013 on the back of 19.8 percent reduction in the number of shares supplied.

Overall Net Foreign Investor participation declined to 44.84 percent in November 2013 from 55.73 percent of total equity turnover in October 2013. Foreign purchases accounted for 48.21 percent of total equity turnover against 41.47 percent sales.

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



Source: Nairobi Securities Exchange

Overall, the stock market remained strong and stable in November 2013 as reflected by trends of NASI and NSE 20 Share Index and market capitalization (Chart 8A).

Most Active Sectors & FTSE NSE Kenya Index Series

Telecommunication and Technology sector dominated trading, with 327.51 million shares, which accounted for 50.76 percent of the market. The banking sector traded 121.05 million shares or 18.76 percent and the insurance sector 66.62 million shares or 10.33 percent of the market. Safaricom, KCB and British American Insurance Company were most active counters with 327.51 million, 40.10 million and 30.21 million shares traded, respectively.

FTSE NSE Kenya 15 Index, which measures performance of 15 largest stocks by market capitalization at NSE and FTSE NSE Kenya 25 Index that measures performance of 25 most liquid stocks, closed higher at 180.21 points and 182.17 points in November 2013, from 174.65 points and 174.66 points in October 2013, respectively. FTSE NSE Kenyan Shilling Government Bond Index stabilised at 91 points in November 2013 reflecting stable market yields.

Bond Market

Bonds turnover declined by 47.15 percent (with bonds worth Ksh 27.31 billion traded compared Ksh 51.67 billion turnover in October 2013) Corresponding deals reduced to 409 in November 2013 from 603 deals in October 2013.. The IFB1/ 2013/12 dominated trading, at 28.77 percent of total turnover, with yields ranging from 11.50 percent to 12.30 percent against 11.0 percent coupon rate. The corporate bonds segment accounted for 0.18 percent of the market, where KenGen had 10 deals worth Ksh 44 million of the total Ksh 50.13 million in this segment.

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

	Nov-13	Jun-13	Nov 13/Jun 2013 Movement
ASSETS			
Balances due from Banking Institutions and Gold holdings	548,870	527,944	20,926
Funds held with International Monetary Fund	1,369	2,694	(1,325)
Items in the course of collection	57	154	(97)
Advances to commercial banks	3,519	351	3,168
Loans and Advances	38,216	10,887	27,329
Other Assets	3,225	2,545	680
Retirement Benefits Assets	2,967	2,967	0
Property and Equipment	12,453	12,052	401
Intangible Assets	828	973	(145)
Due from Government of Kenya	28,889	28,889	0
TOTAL ASSETS	640,394	589,456	50,938
LIABILITIES			
Currency in Circulation	197,498	183,047	14,451
Investments by Banks	-	10,633	(10,633)
Deposits	257,123	221,927	35,196
International Monetary Fund	120,659	118,568	2,091
Other Liabilities	1,255	2,203	(948)
Provisions	123	123	0
TOTAL LIABILITIES	576,659	536,501	40,158
EQUITY AND RESERVES	63,735	52,955	10,780
Share Capital	5,000	5,000	0
General reserve fund	39,056	40,545	(1,489)
Period surplus	10,780	0	10,780
Asset revaluation reserve	8,899	7,410	1,489
Dividends payable	0	0	0
Proposed Dividends			
TOTAL LIABILITIES AND EQUITY	640,394	589,456	50,938

Source: Central Bank of Kenya

Notes on the Financial Position

Assets

Balances due from Banking institutions and Gold holdings category consist of foreign reserves held in external current accounts, deposits and special/projects accounts, foreign travelers cheques, domestic foreign currency clearing accounts, gold, special drawing rights and RAMP securities invested with World Bank. This assets increased by Ksh 20,926 million to Ksh 548,870 million in November 2013 from Ksh 527,944 million in June 2013. The expansion reflected largely CBK purchase of foreign exchange from the domestic interbank market to build official reserves.

Items in course of collection represent the value of clearing instruments which are held by the Bank, while awaiting clearing by respective commercial banks. The balance as at November 2013 was Ksh 57 million, representing 63.0 percent recovery from Ksh 154 million outstanding as at June 2013.

Advances to commercial banks are balances of money lent by the Central Bank to commercial banks through reverse Repo (injection of liquidity) for a short duration of 7 days and rediscounted Treasury bills and bonds by commercial banks. The balance outstanding increased by Ksh 3,168 million to Ksh 3,519 million in November 2013, from Ksh 351 million in June 2013.

Loans and Advances class of asset includes mainly outstanding balances on advances to commercial bank under the Overnight Loan Facility (OLF) Window, Government overdraft and IMF funds on-lent to Government. The balances increased by Ksh 27,329 million to Ksh 38,216 million in November 2013 from Ksh 10,887 million in June 2013.

Other Assets largely consist of prepayments and sundry debtors, and deferred currency expense. Other assets increased by Ksh 680 million to Ksh 3,225 million in November 2013, from Ksh 2,545 million in June 2013.

Due from Government of Kenya liability category rose from overdrawn accounts which were converted to a long term debt with effect from 1 July 1997 after an amendment to the Central Bank of Kenya Act to limit lending to GoK to 5 percent of latest GoK audited revenue. The change in the balances represents partial payment of the loan.

Liabilities

Currency in circulation increased by Ksh 14,451 million to Ksh 197,498 million in November 2013, from Ksh 183,047 million in June 2013.

Deposits liability represents deposits held by Government of Kenya, local commercial bank deposit, other public entities and project accounts and local banks' forex settlement accounts. The balances increased by Ksh 35,196 million to Ksh 257,123 million in November 2013, from Ksh 221,927 million in June 2013.

Amount due to International Monetary Fund represents the Central Bank's obligations to the IMF. The balances increased to Ksh 120,659 million in November 2013, from Ksh 118,568 million in June 2013.

Other liabilities include net impersonal accounts, sundry creditors, foreign exchange bureaus deposits and suspense accounts. The balance decreased by Ksh 948 million to Ksh 1,255 million in November 2013, from Ksh 2,203 million in June 2013.

Equities and reserves increased by Ksh 10,780 million to Ksh 63,735 million in November 2013 from Ksh 52,955 million in June 2013 reflecting an increase in the period surplus.