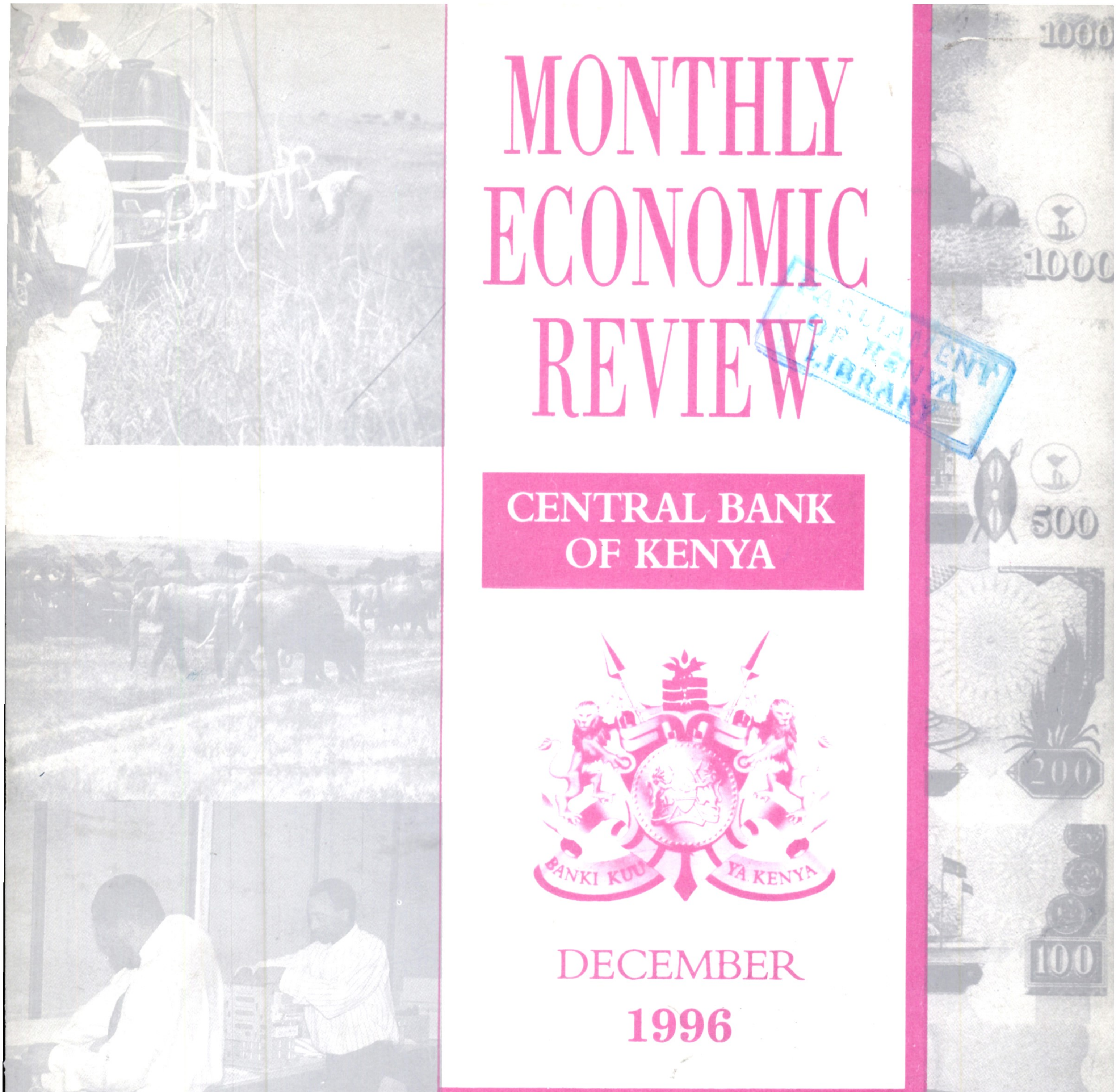


MONTHLY ECONOMIC REVIEW

CENTRAL BANK OF KENYA

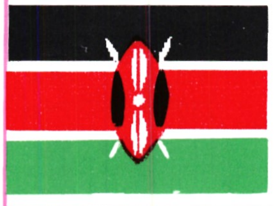
BANKI KUU YA KENYA

DECEMBER

1996

PRINCIPAL OBJECTIVES

The principal objectives of the Central Bank of Kenya are to maintain both price stability and sound financial system.



KENYA'S MONTHLY ECONOMIC REVIEWS

These Monthly Economic Reviews, prepared by the Central Bank of Kenya, are available on the Internet starting with the April 1996 edition at address: **http:/www.arcc.or.ke/cbk.htm**

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SELECTED ANNUAL ECONOMIC INDICATORS, 1991–1996

INDICATOR	1991	1992	1993	1994	1995 Prov.	1996 Target
1. POPULATION						
Numbers in Millions	24.5	25.2	26.0	26.8	27.5	28.3
Growth (%)	3.1	3.5	3.4	3.6	3.2	3.2
2. NATIONAL INCOME (US$M)						
GDP at Factor Cost*:						
Current Prices	6989.0	6824.0	4659.0	5813.0	7570.0	8024.0
Constant Prices (1982 = 100)	3159.0	2691.0	1498.0	1595.0	1826.0	1926.0
Real GDP Growth (%)	2.1	0.5	0.1	3.0	4.9	6.0
Per Capita Income (US Dollars)	285.0	271.0	179.0	217.0	275.0	309.0
Gross National Savings as % of GDP	15.7	13.8	17.1	18.5	16.6	18.5
Gross Domestic Investment a % of GDP	21.3	17.4	18.4	19.6	22.0	23.4
3 CONSUMER PRICE INFLATION(%)						
Average Annual	19.6	27.3	45.6	28.8	1.6	4.5
Month-on-Month	10.5	33.7	54.7	6.6	6.9	8.6
4. STOCK MARKET						
NSE Price Index	958.3	1167.3	2513.7	4559.4	3468.9	
Trade Turnover (%)	2.4	1.7	1.1	2.3	3.2	
5. GOVERNMENT BUDGET(SHS BN)**						
Budget Deficit as % of GDP	–5.4	–1.4	–5.3	–7.1	–0.2	0.3
Budget Deficit	–12.2	–3.5	–14.9	–28.6	–0.9	1.3
Revenue and grants	53.6	67.3	78.5	107.3	151.3	164.8
Expenditure	65.8	70.8	93.4	135.8	152.2	163.5
6. MONEY AND CREDIT (SHS BN)						
Money Supply (M3)	100.2	126.6	161.6	205.8	231.6	262.0
Money Supply (M2)	74.3	99.3	124.8	162.7	193.0	
Reserve Money	18.0	25.7	42.1	55.3	71.2	72.1
Total Domestic Credit	124.2	142.2	153.5	204.2	249.5	257.2
Government	39.2	42.2	50.1	76.1	78.5	69.9
Others	85.0	100.0	103.4	128.1	171.0	187.3
7. BALANCE OF PAYMENTS (US$ M)						
Overall Balance	–91.0	–264.0	439.0	102.0	–139.0	374.0
Current Account	–211.0	–98.0	99.0	50.0	–395.0	61.0
Exports (f.o.b)	1062.0	1004.0	1186.0	1482.0	1876.0	1975.0
Imports (c.i.f)	1710.0	1595.0	1493.0	2044.0	3066.0	2734.0
Services (net)	437.0	493.0	406.0	612.0	795.0	820.0
Capital Account	120.0	–166.0	340.0	52.0	256.0	313.0
8. FOREIGN RESERVES (US$ M)	262.0	336.0	857.0	1050.0	900.0	1260.0
Official	192.0	177.0	508.0	625.0	460.0	820.0
Months of Import Cover (official)	1.8	1.3	4.1	3.7	1.8	3.6
Commercial Banks & public	70.0	159.0	349.0	425.0	440.0	440.0
9. FOREIGN DEBT AS % OF GDP	102.4	98.1	129.0	106.0	86.0	80.0
Debt Service Ratio(%)***	28.7	26.6	31.0	32.0	25.0	24.0
10. EXCHANGE RATE (Kshs/US$)	27.3	32.2	58.0	56.1	51.4	

* Based on Economic Survey, 1996

** Fiscal year ending June 30; on a commitment basis

*** As a percentage of exports of goods and services

Source: Economic Survey and Central Bank of Kenya

SELECTED SIX MONTHS ECONOMIC INDICATORS

INDICATOR	1995 Dec	June	July	Aug.	Sept.	Oct.*	Nov.*
1. INFLATION (%)							
Average Annual	1.6	5.2	6.2	7.1	7.8	8.4	8.7
Month-on-Month	6.9	9.7	11.2	11.0	10.4	10.8	11.4
3-Month Annualised	3.0	15.3	20.1	18.2	9.3	4.4	3.8
2. INTEREST RATES(%)							
91 Days Treasury Bill	21.7	21.7	21.8	21.6	22.5	24.3	22.1
Overdraft	29.2	28.6	27.9	28.0	28.0	28.4	
3. STOCK MARKET							
NSE Price Index	3468.9	3144	3150	3074	3089.8	3056.0	
Trade Turnover (%)	0.15	0.38	0.28	0.38	0.30	0.50	
4. CUMMULATIVE GOVERNMENT BUDGET (SHS BN)**							
Budget Deficit(–)/Surplus(+)	–9.9	–0.9	–9.8	–9.0	–7.6	–7.8	
Revenue and grants	67.2	151.3	9.2	19.4	35.3	49.0	
Expenditure: of which,	77.1	152.2	19.0	28.4	42.9	56.8	
Domestic Debt Interest payment	11.4	25.9	2.3	4.6	6.7	9.2	
External Debt Interest Payment	5.2	11.3	1.1	1.8	2.9	4.2	
5. MONEY AND CREDIT (SHS BN)							
Money Supply (M3)	231.6	255.6	260.2	259.9	255.5	257.8	
Money Supply (M2)	193.0	220.6	225.0	225.8	221.0	223.9	
Reserve Money	71.2	68.8	74.3	72.9	73.7	73.5	
Total Domestic Credit	249.5	254.3	265.9	266.4	270.3	267.1	
Government	78.5	69.7	78.0	77.9	79.0	75.8	
Private Sector	171.0	184.7	187.9	188.5	191.3	191.3	
6. MONEY AND CREDIT (Annual % Change)							
Money Supply (M3)	22.5	18.4	22.0	19.6	16.1	18.2	
Money Supply (M2)	18.6	26.6	33.6	32.1	26.1	29.4	
Reserve Money	28.7	30.0	33.7	26.5	25.0	20.9	
Total Domestic Credit	22.2	13.3	16.0	14.5	17.0	10.9	
Government	3.1	–7.90	2.8	3.4	10.6	–0.6	
Private Sector	33.5	24.0	22.5	19.8	19.9	16.1	
7. BALANCE OF PAYMENTS (US$ M)							
Overall Balance	–139.0	346	400	349	322	403	
Current Account	–395.0	–56	–127	–86	–60	–62	
Exports (f.o.b)	1876.0	1978	1904	1881	1884	1850	
Imports (c.i.f)	3066.0	2789	2745	2618	2558	2515	
Services (net)	795.0	755	714	651	614	603	
Capital Account	256.0	402	527	435	382	465	
8. FOREIGN RESERVES (US $ M)	.897.0	1246	1227	1226	1179	1221	
Official	458.0	806	814	824	777	832	
Months of imports cover (official)	1.8	3.5	3.6	3.8	3.6	4.0	
Commercial banks and public	439.0	440	413	402	402	389	
9. AVERAGE EXCHANGE RATE							
Kshs/US$	55.8	58.0	57.3	57.0	56.4	55.9	55.6
Kshs/Sterling Pound	86.0	89.4	89.1	88.4	88.0	88.5	92.4
Kshs/Yen (100)	54.8	53.3	52.4	52.9	51.4	49.8	49.6
Kshs/DM	38.3	38.0	38.1	38.5	37.5	36.6	36.8

* Provisional as at November 1996

** Commulative fiscal year budget out-turn: deficit including grants on commitment basis.

Source: Economic Survey and Central Bank of Kenya

CHALLENGE TO THE AFRICAN COUNTRIES TO ACHIEVE MONETARY CO-OPERATION

Remarks by Micah Cheserem, Governor, Central Bank of Kenya at the Closing Ceremony of the Monetary Co-operation Seminar on October 14, 1996

Your Excellency, Dr. Eric Kristoffe, Acting German Ambassador to Kenya, Seminar participants, ladies and gentlemen.

It gives me great pleasure to have been requested to come and close this important regional seminar on Monetary Policy and Monetary Co-operation sponsored by the Federal Ministry of Economic Co-operation and Development on behalf of the Government of the Federal Republic of Germany. May I at the outset thank the German Government through their Ambassador in Kenya for organising this seminar.

I believe each one of you has been specifically selected to attend this seminar because of the important responsibilites you hold now and the future potential that your country sees in you. I am aware you come from various countries including Uganda, Ethiopia, Ghana, Zimbabwe and Kenya.

As you go back to your countries, I would challenge each one of you to stress the importance of us Africans having a hands-on approach to the implementation of necessary economic reforms so that we can at long long last, unlock the economic potential of our continent.

Our challenges are many but, I would like to specifically leave you with the following ten:

1. We in sub-Saharan Africa should first achieve monetary co-operation in our region before we seek monetary integration with the rest of the world. The convertibility of the East African currencies, effective 1st July, 1996 has set the pace in the convertibility of African currencies. Regrettably there are still many African countries whose currencies are not "respectable". A currency is not respectable if the citizens of the country prefer foreign currencies instead of their own.

2. Remember that the press can be an ally or an obstacle in the implementation of economic reforms depending on how we treat it. I strongly recommend that you work closely with the press in your country so that they can in turn sell the positive aspects of economic reforms to the general public. It is counterproductive to treat the press as the enemy.

3. We need to rid our economies of excessive administrative controls

such as exchange controls, price controls, import controls, exchange rate fixing and so on. Our economies should instead be market-driven.

4. We Africans should instill discipline in the conduct of public affairs if we expect the international community to take us seriously. The challenge to us in the various African Central Banks is to set the pace in being disciplined in all our activities.

5. There is an urgent need to have an efficient judicial system in our countries to speedily deal with commercial disputes. Disputes are bound to arise from time to time in the course of trade and other economic transactions. Disputes act as drag on economic progress if they are not speedily settled.

6. Central Banks can and should play a significant role in economic development of our continent. The objectives of the majority of the progressive central banks today are to maintain price stability and to manage a stable banking system. Countries such as Germany, South Africa, New Zealand and United States of American have given their central banks autonomy in the management of their country's monetary policy. The challenge for you is to persuade your countries to give the Central Banks greater autonomy to achieve the above two objectives.

7. The past practice of using technical jargon by economic professionals in explaining economic policies left many stakeholders out of the important debates. Technical jargon is only acceptable when addressing members of the same profession. I challenge you to reduce your presentations into laymans language so that we can convince a greater constituency on the benefits of economic reforms.

8. We, as Central Bankers, should collaborate with all interested parties to fight corruption which has put a major brake on economic growth and given Africa a bad image.

9. The economic reforms in many Sub-Saharan African countries have been highly commended and are already bearing fruit. We should press on to implement the remaining economic reforms.

10. We should take every opportunity to appeal to the developed countries to open up their markets to our goods so that we can move our economies away from aid to trade dependency. We should appeal to those donors who have imposed quotas on Africa's exports to lift such quotas.

It is now my pleasant task to officially declare this seminar closed.

General Trend

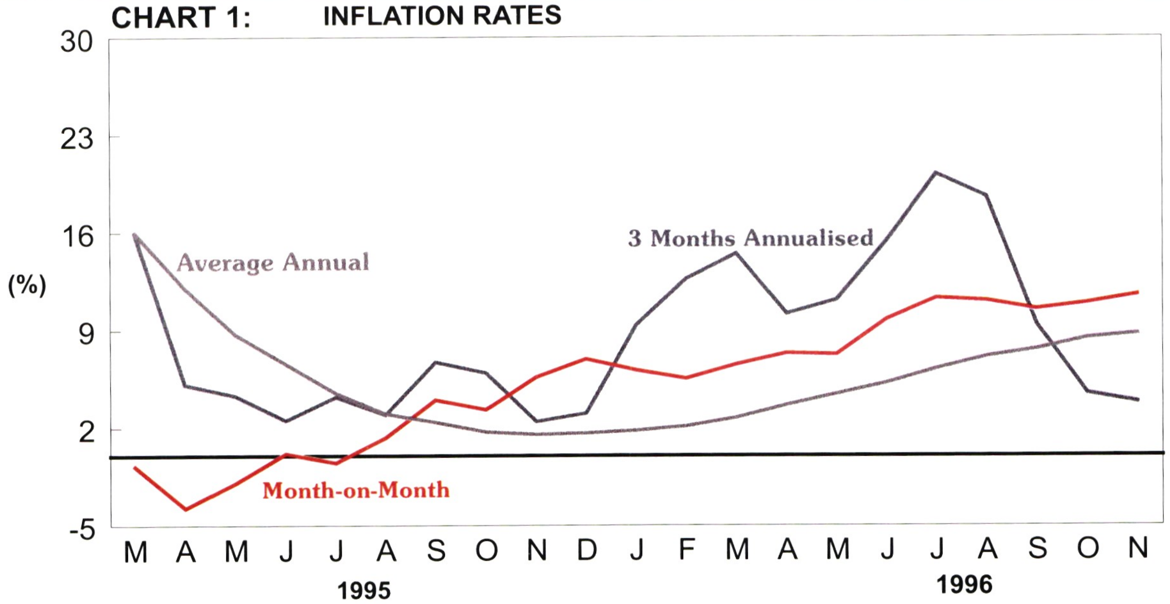
The rise in inflation experienced the previous month continued in November 1996. The month-on-month inflation rose to 11.4% in November from 10.8% in October 1996. The average annual inflation rose to 8.7% from 8.4% during the same period. The 3-months annualised inflation however, declined to 3.8% in November from 4.4% in October (Table 1 and Chart 1). The increase in inflation was more pronounced in the lower and middle income groups and affected mainly motor fuels and other lubricants as well as transportation charges (Chart 2).

TABLE 1: INFLATION RATES (CPI)(%)

1995	Mar	Jun	Sep	Oct	Nov	Dec
3 Months Annualised	15.9	2.5	6.7	5.9	2.4	3.0
Month-on-Month	-0.7	0.2	4.0	3.3	5.6	6.9
Average Annual	16.0	6.6	2.4	1.7	1.5	1.6
1996						
3 Months Annualised	14.4	15.3	9.3	4.4	3.8	
Month-on-Month	6.5	9.7	10.4	10.8	11.4	
Average Annual	2.7	5.2	7.8	8.4	8.7	

Source: Central Bureau of Statistics

CHART 1: INFLATION RATES

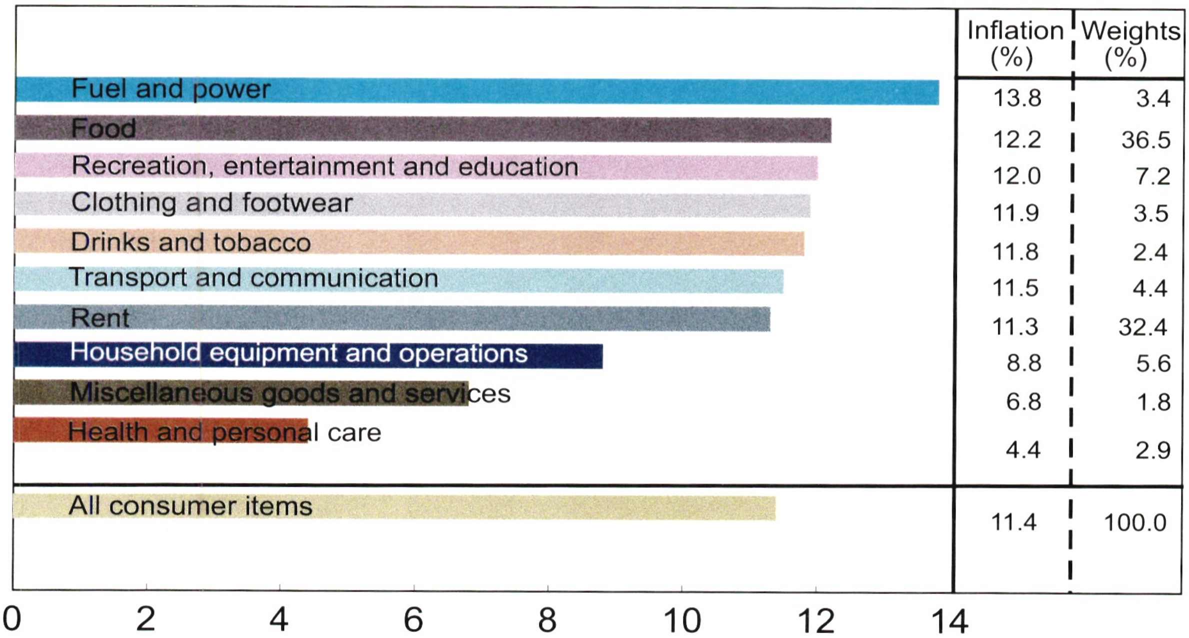


Source: Central Bureau of Statistics

Factors Behind the Rising Inflation

The upward adjustment in the prices of petroleum and petroleum related products was a significant factor in explaining the rising trend in inflation. This had a pass-through effect on inflation since petroleum is an important input in various production processes especially in agriculture, industrial, and transportation sectors.

CHART 2: CHANGES IN CONSUMER PRICES (NOV 1995 TO NOV 1996)



Source: Central Bureau of Statistics and CBK calculations

The increase in money supply also influenced the rising trend in inflation. Money supply (M3) rose by 18.2% in the year to October 1996 compared to the targeted increase of 13.1% during this fourth quarter of the year.

Outlook and Current Measures to Combat Inflation

Inflationary presssure is expected to ease towards the first quarter of 1997 on account of expected slowdown in monetary expansion. In particular, growth in money supply (M3)is expected to slow down considerably to the targeted 13.1% in the early part of 1997. To improve the effectiveness of the current monetary policy stance, fiscal policy is geared towards increasing revenues and reducing expenditures, thus reducing demand and lowering pressure on inflation.

MONEY AND CREDIT

Liquidity increased more rapidly in the twelve months to October 1996 with money supply (M3) rising by 18.2% compared with 16.1% in the year to September 1996 and 11.6% in the year to October 1995 (Table 2 and Chart 3). The monetary expansion was supported by both net foreign assets (NFA) and net domestic assets (NDA). However, in absolute terms the money supply at shs 257.8bn at the end of October 1996 was shs 4.2bn within the December 1996 target of shs 262.0bn (Table 3 and Chart 4).

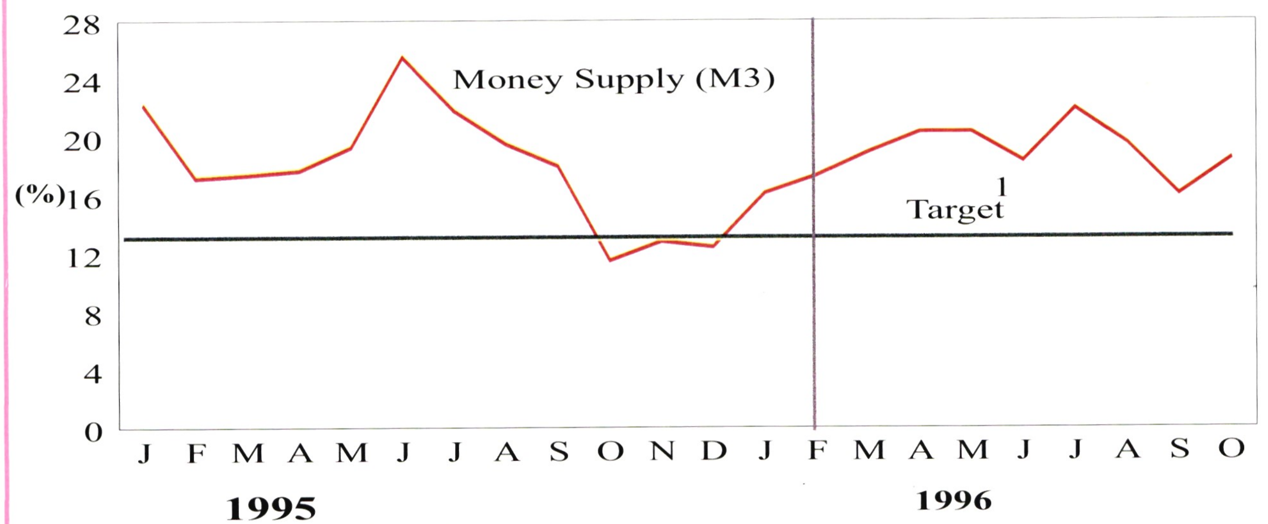
The NFA of the banking system rose by shs 19.5bn to shs 25.2bn in the twelve months to October 1996. The NFA of the Central Bank rose by shs 22.1bn to shs 23.2bn while that of commercial banks fell by shs 2.7bn and that of NBFIs rose by shs 0.1bn. Foreign exchange accumulation at the Central Bank continue to reflect inflows of donor aid and purchases of foreign exchange in the local interbank market. The NFA movement accounted for 49.2% of the increase in the money supply during the year and the stock at shs 25.2bn in October 1996 was shs 2.7bn less than the target of shs 27.9bn for December 1996.

TABLE 2: MONEY SUPPLY (M3): annual percentage change 1995-1996

	1995		**1996**					
	Sep	Dec	Mar	Jun	Sep	Oct	Nov	Dec
M3	18.1	12.5	19.0	18.4	16.1	18.2		
M3 Target								**13.1**

Source: Central Bank of Kenya

CHART 3: MONEY SUPPLY (M3) : annual % change 1995-96



Source: Central Bank of Kenya

The Money Supply M3 target is for December 1996.

The NDA of the banking system rose by shs 20.2bn or 9.5% in the twelve months to October 1996. Domestic credit rose by shs 26.1bn or 10.9%, and wholly offset the decline of shs 5.9bn in other assets net of other liabilities. The new lending was channelled primarily to the private and other public sector as credit to Government declined by shs 0.4bn to shs 75.8bn in the year to October 1996. Central Bank lending to Government fell by shs 9.0bn or 22.6%, and fully offset shs 8.5bn credit expansion from commercial banks and NBFIs.

TABLE 3: MONEY SUPPLY AND ITS SOURCES (ON AN ANNUAL BASIS) KSHS. BN

		1995 Oct	1996 Oct*	Change Absolute	Change %	Target Dec 1996	Deviation
1	**Money supply M3[1] (2+3)**	**218.1**	**257.8**	**39.7**	**18.2**	**262.0**	**-4.2**
	Money supply M2	173.1	223.9	50.9	29.4		
2	**Net foreign assets:**	**5.7**	**25.2**	**19.5**	**343.8**	**27.9**	**-2.7**
	Gross foreign exchange	50.0	67.0	17.0	33.9		
	Liabilities in foreign exchange	44.4	41.8	-2.6	-5.8		
3	**Net domestic assets**	**212.4**	**232.1**	**20.2**	**9.5**	**234.1**	**-1.5**
	Domestic credit	240.9	267.1	26.1	10.9	257.2	9.9
	Government (net) :	**76.2**	**75.8**	**-0.4**	**-0.6**	**69.9**	**5.9**
	Central Bank	39.8	30.8	-9.0	-22.6	26.0	4.9
	Gross borrowing	39.8	38.0	-1.9	-4.7	33.5	4.4
	Overdraft thro' Pay Master General(PMG)	24.5	36.2	11.8	48.0	30.5	5.7
	Borrowing to redeem Treasury bills	13.3	0.0	-13.3	-100.0	0.0	0.0
	Cleared items awaiting posting to PMG	1.5	0.4	-1.1	-71.5	0.0	0.4
	Rediscounted securities	0.5	1.3	0.8	144.2	3.0	-1.7
	Deposits from:	0.0	7.1	7.1	0.0	7.5	-0.4
	Treasury bill sales	0.0	2.7	2.7	0.0	4.3	-1.6
	Privatisation	na	4.4	4.4	0.0	3.2	1.2
	Commercial banks & NBFIs	36.4	44.9	8.5	23.5	43.9	1
	Commercial banks	25.2	40.9	15.7	62.5		
	NBFIs	11.2	4	-7.2	-64.3		
	Private sector and other public sector :	**164.7**	**191.3**	**26.6**	**16.1**	**187.3**	**4**
	Commercial Banks	118.3	152.0	33.6	28.4		
	NBFIs	46.4	39.4	-7.0	-15.1		
	Other items net:	**-28.5**	**-34.4**	**-5.9**	**20.8**	**-23.2**	**-11.3**
4	**Reserve Money:**	**60.7**	**73.4**	**12.7**	**20.4**	**72.1**	**1.4**
	Cash in till	4.1	4.3	0.2	2.3	4.6	-0.2
	Currency outside the banking system	26.4	28.4	2.0	7.0	27.5	0.9
	Deposits with CBK	30.2	40.7	10.4	34.5	40.0	0.7
	Memorandum item						
	Outstanding Treasury bills	**68.7**	**84.7**	**16.0**	**23.3**	**86.3**	**-1.6**

* Provisional

Source: Central Bank of Kenya

1 *Broad money, M3, is the money supplied by Central Bank, commercial Banks and NBFIs. It comprises currency outside Banking institutions, other non-bank institutions' deposits with Central Bank, demand, savings and time deposits as well as certificate of deposits held by the private and other public sectors with the banking institutions. It excludes Central Government deposits with banking institutions.*

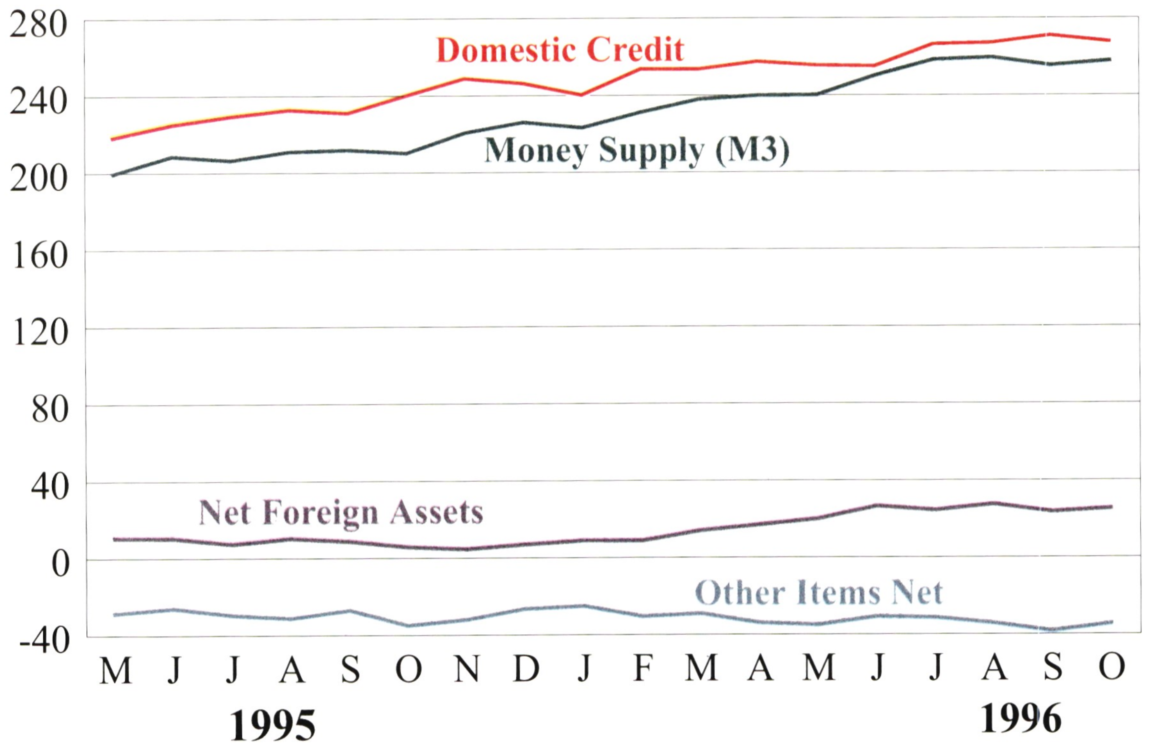
The fall in Central Bank lending to Government comprised:

- a decline of shs 1.9bn in gross lending.
- a build-up of shs 2.7bn in deposits from receipts of Treasury bills sales and shs 4.4bn in proceeds from the on-going sales of Government stake in public companies.

The decline of shs 1.9bn in Central Bank gross lending to Government during the twelve months to October 1996 reduced the outstanding credit to shs 38.0bn as at end October 1996 which was shs 4.4bn above the December 1996 target of shs 33.5bn. However, the Government managed to finance redemption of Treasury bills from the proceeds of Treasury bills sales during the year to October 1996. In the process the outstanding stocks of Treasury bills rose to shs 84.7bn by October 1996 from shs 68.7bn in October 1995.

Developments in money supply and credit on a financial year basis are shown in Table 4.

CHART 4: MONEY SUPPLY (M3) AND ITS SOURCES (SHS BN)



Source: Central Bank of Kenya

TABLE 4: MONEY SUPPLY AND ITS SOURCES (FISCAL YEAR 96/97) IN KSHS. BN

		1996 Jun	1996 Oct*	Change Absolute	Change %	Target Dec 1996	Deviation
1	**Money supply, M3 (2+3)**	**255.6**	**257.1**	**2.2**	**1.1**	**262.0**	**-4.2**
	Money supply, M2	220.1	223.9	3.9	1.8		
2	**Net foreign assets:**	**26.5**	**25.2**	**-1.3**	**-5.0**	**27.9**	**-2.7**
	Gross foreign exchange	70.5	67.0	-3.5	-5.0		
	Liabilities in foreign exchange	44.0	41.8	-2.2	-5.0		
3	**Net domestic assets**	**229.1**	**232.6**	**3.5**	**1.5**	**234.1**	**-1.5**
	Domestic credit	254.4	267.1	12.7	5.0	257.2	9.9
	Government (net) :	**69.6**	**75.8**	**6.1**	**8.8**	**69.9**	**5.9**
	From Central Bank	27.8	30.8	3.0	10.9	26.0	4.9
	Gross borrowing	31.7	38.0	6.3	19.8	33.5	4.4
	Overdraft thro' Pay Master General (PMG)	27.2	36.2	9.0	33.3	30.5	5.7
	Borrowing to redeem Treasury Bills	0.9	0.0	-0.9	-100.0	0.0	0.0
	Cleared items awaiting transfer to PMG	0.5	0.4	0.0	-4.6	0.0	0.4
	Rediscounted securities	3.2	1.3	-1.9	-59.4	3.0	-1.7
	Deposits from:	3.8	7.1	3.3	84.7	7.5	-0.4
	Treasury bills	0.0	2.7	2.7	0.0	4.3	-1.6
	Privatization	3.8	4.4	0.6	14.6	3.2	1.2
	From Commercial banks & NBFIs	41.8	44.9	3.1	7.5	43.9	1.0
	Commercial banks	37.9	40.9	3.0	7.8		
	NBFIs	3.9	4.0	0.1	-3.8		
	Private sector and other public sector :	**184.7**	**191.3**	**6.6**	**3.6**	**187.3**	**4.0**
	Commercial Banks	144.9	152.0	7.1	4		
	NBFIs	39.9	39.4	-0.5	-1.3		
	Other items net:	**-25.3**	**-34.4**	**-9.2**	**36.4**	**-23.2**	**11.3**
4	**Reserve money:**	**68.8**	**73.4**	**4.6**	**6.7**	**72.1**	**1.4**
	Cash in till	3.5	4.3	0.8	23.0	4.6	-0.2
	Currency outside the banking system	28.7	28.4	-0.3	-1.1	27.5	0.9
	Deposits with CBK	36.5	40.7	4.1	11.3	40.0	0.7
	Memorandum items						
	Outstanding Treasury bills	**81.1**	**84.7**	**3.6**	**4.4**	**86.3**	**-1.6**

Source: Central Bank of Kenya * Provisional

Reserve Money

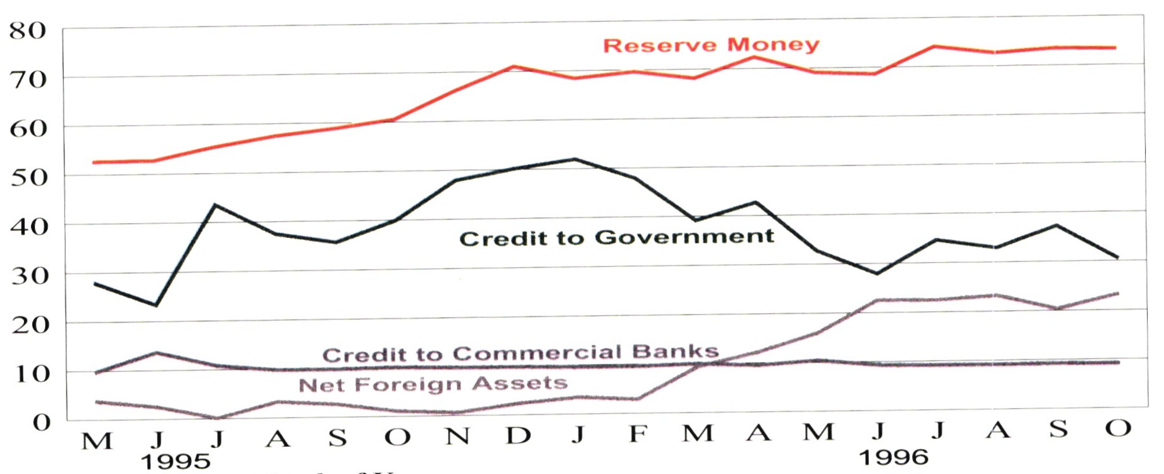
Reserve money, comprising notes and coins issued by the Central Bank and deposits of both commercial banks and NBFIs with the Central Bank, rose by shs 12.7bn or 20.9% to shs 73.4bn in the year to October 1996 (Table 3 and Chart 5). Deposits of commercial banks and NBFIs at the Central Bank rose by shs 10.4bn or 34.5% and contributed 82.3% of the increase in reserve money. These institutions are required to deposit at least 18% of their deposit liabilities at the Central Bank for liquidity control purposes. Currency in circulation rose by shs 2.2bn or 7.4% in the year. The reserve money growth was supported by net foreign assets (NFA) as net domestic assets (NDA) continued to fall. The NFA of the Central Bank rose by shs 22.1bn to shs 23.2bn in the twelve months to October.

The build up of foreign exchange reserves reflects official programme inflows as well as purchases of foreign exchange from the local interbank market. Meanwhile, NDA of the Central Bank fell by shs 9.4bn or 15.8% to shs 50.2bn in the twelve months to October 1996. In the NDA , credit to Government declined by shs 9.0bn or 22.6% during the twelve months to October 1996, while credit to commercial banks fell by shs 0.9bn or 8.7%. Other assets net of other liabilities rose by shs 0.4bn during the same period.

The decline in credit to Government was wholly in the overdraft, which fell by shs 9.8bn or 24.8% to shs 29.6bn during the year to October 1996. The lower overdraft was largely on account of shs 7.3bn dividends paid to Government by the Central Bank during financial year 1995/96. Meanwhile, Central Bank holding of Government securities rose by shs 0.8bn during the twelve months to October 1996. The increase comprise shs 0.5bn in rediscounted Treasury bills and shs 0.3bn in outstanding Repurchase Agreement (REPO) Treasury bills (from an initial stock of shs 2.5bn worth of Treasury bills acquired from the primary market for Repo transactions that commenced in September 1996).

Reserve money fell by shs 0.3bn in the month of October 1996. The decline was wholly in the NDA as NFA rose by shs 2.9bn. NDA fell by shs 3.2bn in the month largely on account of shs 6.3bn and shs 0.1bn decline in credit to Government and to commercial banks, respectively. The decline in credit was however, partly offset by an increase of shs 3.2bn in other assets net of other liabilities in the month.

CHART 5: RESERVE MONEY AND ITS SOURCES (SHS BN)



Source: Central Bank of Kenya

Credit to the Private Sector

Combined credit to the private and other public sectors rose by shs 26.6bn or 16.1% compared with an increase of sh 43.9bn or 36.3% in the year to October

1995. The slowdown is attributed to the high cost of bank credit as reflected in the increase in the overdraft interest rate charged by commercial banks. The overdraft interest rate rose to 28.4% in October 1996 from 25.7% in October 1995. The slowdown in credit growth was however, below expectation as the outstanding credit at shs 191.3bn as at end October 1996 was already shs 4.0bn above the December expectation of shs 187.3bn. The new lending was largely from commercial banks as outstanding credit from NBFIs declined by shs 7.0bn. Trade, manufacturing, building and construction, business services and real estate sectors accounted for 70.2% of the new borrowing while credit to other public sector rose by shs 0.4bn or 6.8% to shs 5.6bn (Table 5 and Chart 6).

TABLE 5: CREDIT TO THE PRIVATE AND OTHER PUBLIC SECTOR (SHS BN)****

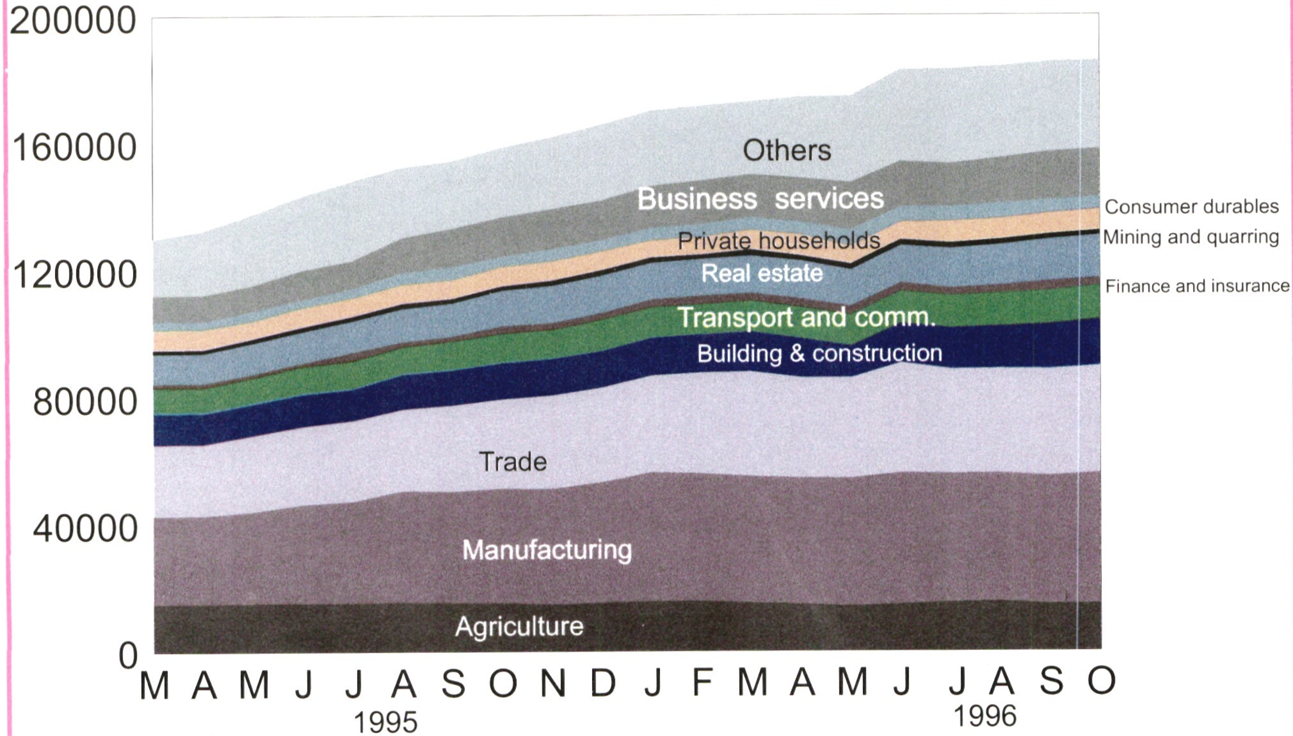
	1995	1996	CHANGE	
	Oct	Oct*	Absolute	%
1 Credit to other public sector	**5.3**	**5.6**	**0.3**	**6.8**
Local government	0.4	0.3	0.1	-15.8
Parastatals	4.9	5.3	0.4	8.5
2 Credit to private sector	**159.5**	**185.7**	**26.2**	**16.5**
Agriculture	15.3	14.9	-0.3	-2.2
Manufacturing	35.9	40.9	5.0	13.8
Trade	28.2	33.7	5.5	19.5
Exports	0.7	0.8	0.2	27.9
Imports	2.2	1.5	-0.7	-30.2
Domestic	25.3	31.3	6.0	23.5
Building and construction	11.3	14.5	3.2	28.5
Transport and communication	9.3	10.7	1.4	15.2
Financial institution	2.4	2.5	0.1	2.9
Real estate	11.2	13.5	2.3	20.3
Mining and quarrying	1.3	1.4	0.0	3.0
Private households	5.9	6.6	0.7	11.0
Consumer durables	4.3	4	-0.3	-6.1
Business services	12.4	15.1	2.7	21.9
Other activities	22.0	28.0	6.0	27.3
3 TOTAL (1+2)	**164.8**	**191.3**	**26.5**	**16.1**

* Provisional

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

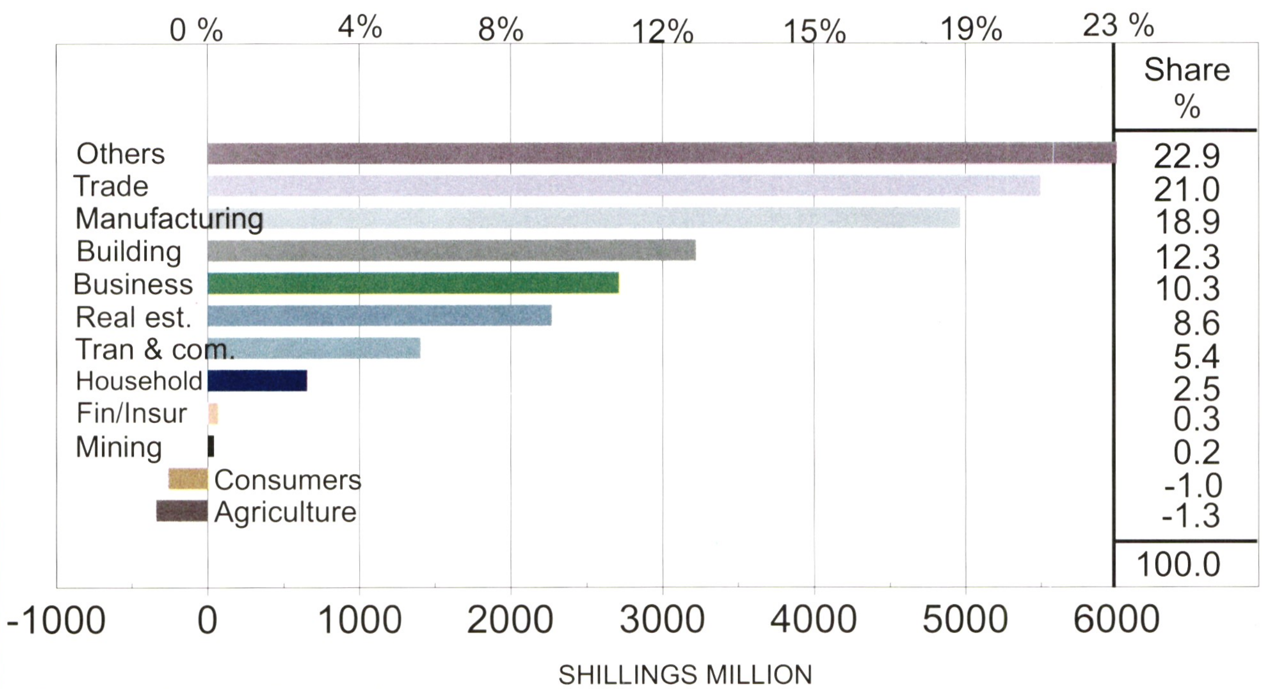
Source: Central Bank of Kenya

CHART 6: DISTRIBUTION OF COMMERCIAL BANK AND NBFIs CREDIT TO PRIVATE SECTOR (SHS M)



Source: Central Bank of Kenya

CHART 7: SHARE OF THE INCREASES IN CREDIT TO PRIVATE SECTOR IN THE 12 MONTHS TO OCTOBER '96



Source: Central Bank of Kenya

LIQUIDITY

Banking institutions continued to maintain high liquidity in October 1996. The ratio of the liquid assets to deposit liabilities for commercial banks and NBFIs averaged 40% and 34%, respectively, compared with 25% minimum requirement (Table 6 and Chart 8). Treasury bills and balances held at the Central Bank for cash ratio purposes dominated the liquid asset holdings of commercial banks and NBFIs.

TABLE 6: LIQUIDITY AND CASH RATIOS (%)*

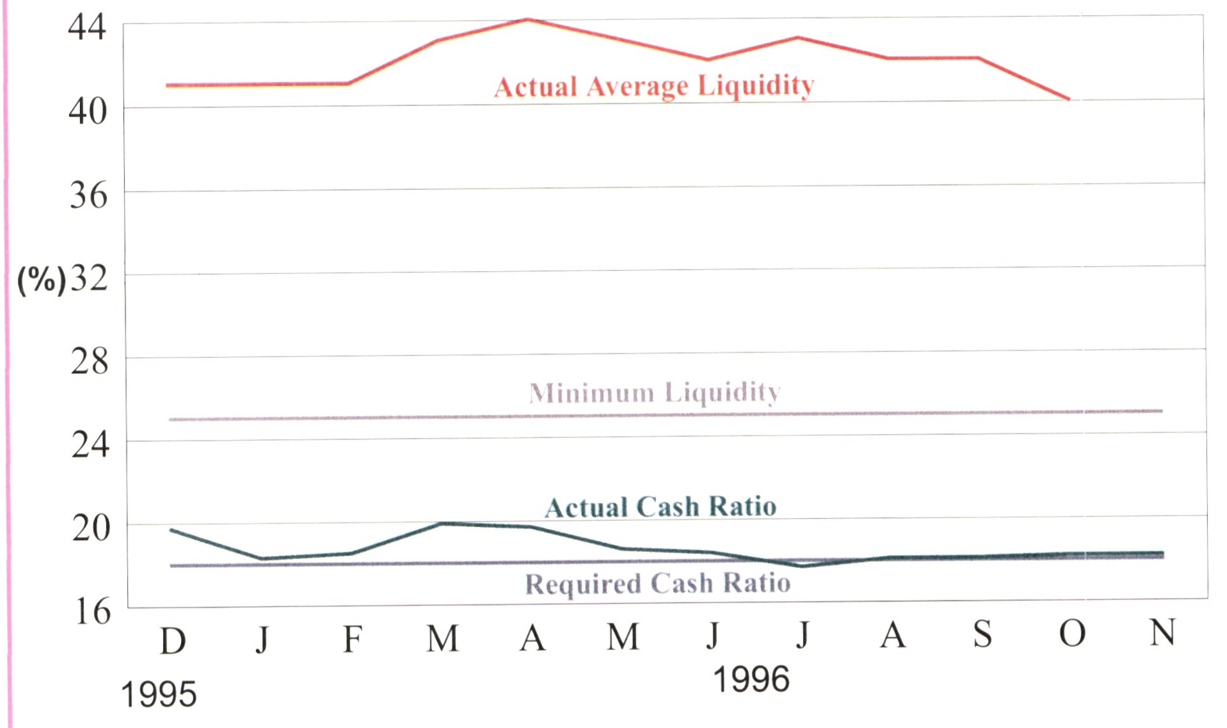
	1995	1996				
	Dec	Mar	Jun	Sep	Oct	Nov
Commercial Banks						
Avg. Liquidity	41	43	42	42	40	
Minimum Liquidity	25	25	25	25	25	25
Cash Ratio - All Banks	19.7	19.9	18.4	18.3	18.3	18.2**
Minimum Cash Ratio***	18	18	18	18	18	18
NBFIs						
Average Liquidity	38	39	38	35	34	
Minimum Liquidity	25	25	25	25	25	25
Cash Ratio	18.2	18.5	19.9	18.8	18.8	18.8**
Minimum Cash Ratio***	18	18	18	18	18	18
Mortgage Companies						
Average Liquidity	29.9	27.2	29	31	30	
Minimum Liquidity	20	20	20	20	20	20
Building Societies						
Average Liquidity	59.9	61.9	57.6	58	57	
Minimum Liquidity	10	10	10	10	10	10

* Monthly average liquidity and end month cash ratios
** Cash ratio as at 20th November, 1996
*** Eligible deposit-taking institutions in addition, must observe an average 18% cash ratio after every 14 days, subject to a daily minimum of 15% with effect from 1st May, 1996.

Source: Central Bank of Kenya

Liquidity ratios for mortgage finance companies and building societies were 30% and 57%, respectively in October 1996 compared with their statutory minimum requirements of 20% and 10% respectively. Deposit taking institutions which are subject to cash ratio requirement on average met the 18% requirement in November 1996. Commercial Banks and NBFIs cash balances with the Central Bank averaged 18.2% and 18.8% of their deposit liabilities, respectively, by the 20th November

CHART 8: COMMERCIAL BANKS LIQUIDITY



Source: Central Bank of Kenya

1996. Commercial banks and NBFIs relied largely on own reserves to meet the cash ratio requirements. However, some banks turned to the Central Bank to bridge their financial shortfalls when the interbank money market was tight. Institutions facing cash ratio shortages sought accommodation through the two over-night borrowing windows and the Repurchase Agreement Facility. Banks utilised their entitlement to the relatively cheaper window, namely the Lombard facility. The turnover in repurchase agreement rose to shs 15,450m by 21st November from shs 8,000m in October. The turnover under the Lombard facility on the other hand fell to shs 686.2m by 21st November 1996 from shs 904m in October 1996.

Treasury Bills Market

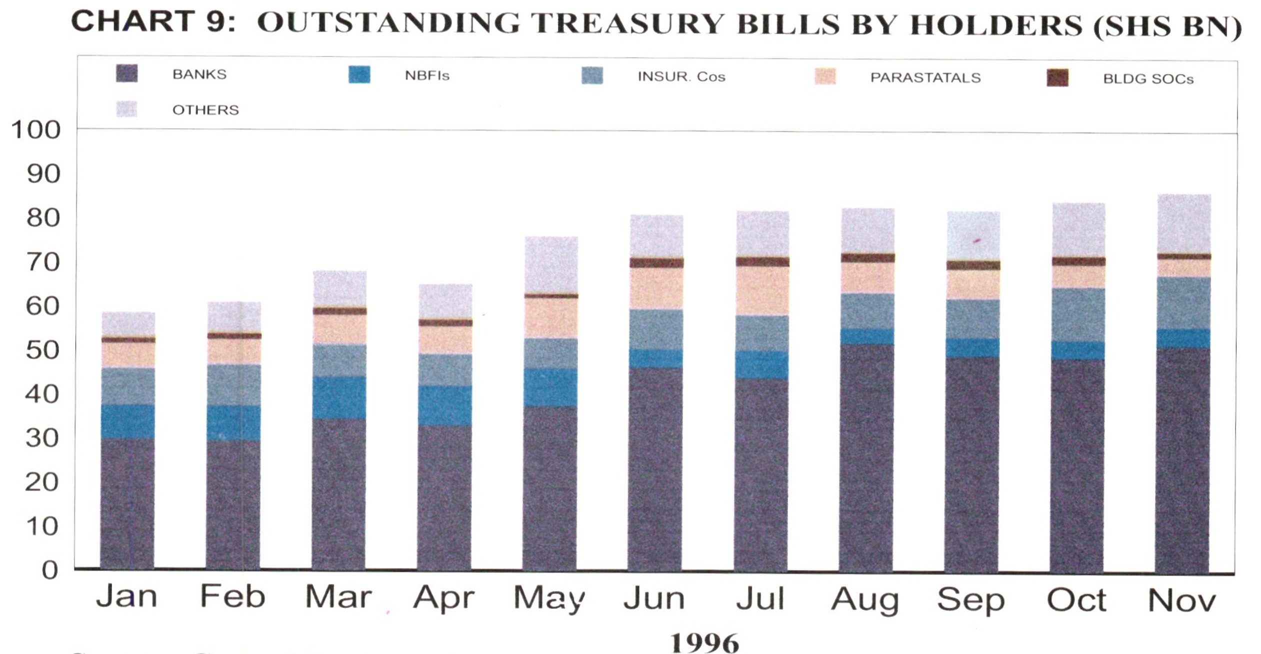
Treasury bills continued to play an important role as a tool for raising funds for budgetary financing as well as sterilising liquidity injected in the economy through increased Government borrowing from the Central Bank and the Bank's purchase of foreign exchange from the interbank market. Consequently, the stock of Treasury bills increased to shs 83.0bn in November from shs 81.1bn in June 1996. The 91 days maturity accounted for 98.8% of the stock, reflecting the high interest rates on them (Table 7 and Chart 9).

TABLE 7: OUTSTANDING TREASURY BILLS BY HOLDERS (SHS BN)

	1996							
Holders	**Mar**	**%**	**Jun**	**%**	**Sep**	**%**	**Nov***	**%**
Banking Institutions	43.9	64.5	51.5	64.3	53.2	64.6	52.5	63.2
Banks	35.4	52.0	46.3	57.8	49.1	59.6	49.0	59.0
Financial Institutions	8.5	12.5	5.2	6.5	4.1	5.0	3.5	4.2
Insurance Companies	7.5	11.0	8.0	10.1	8.9	10.8	11.8	14.2
Parastatals	6.5	9.6	9.4	11.8	6.6	8.1	4.2	5.1
of which NSSF	1.4	2.1	4.8	6.0	0.5	0.6	1.2	1.4
Building Societies	1.6	2.3	2.1	2.6	2.1	2.5	1.2	1.4
Others	8.6	12.6	10.1	12.7	11.5	14.0	13.3	16.0
Total	**68.1**	**100.0**	**81.1**	**100.0**	**82.3**	**100.0**	**83.0**	**100.0**

* Provisional as at November 22, 1996.

Source: Central Bank of Kenya



Source: Central Bank of Kenya

Banking instititutions continued to dominate the market, holding bills valued at shs 52.5bn or 63.2% of the stock. Insurance companies and private investors held stocks worth shs 11.8bn and shs 13.3bn respectively.

The Stock Market

Trading at the Nairobi Stock Exchange (NSE) improved substantially in October 1996 compared with the decline in September 1996. The upswing was boosted by the successful NIC Banks' sale of 4.9 million shares valued at shs 217 million in October 1996. The market capitalization rose by shs 1.1bn to shs 100.1bn in October while the NSE 20 share Index lost 34 index points to 3056.

The number of shares traded rose by 4.5 million to 13 million while the value of shares traded rose by shs 196.1m to shs 497.8m in October 1996. However, total shares outstanding in October 1996 remained at 2.5 billion as in the previous month. The number of transactions fell to 5283 from 5998 in September 1996. As a result of these developments:

- turnover, here defined as the ratio of value of shares traded over market capi talization rose to 0.5% in October from 0.3% in September 1996.

- the ratio of shares traded to outstanding shares also rose to 0.5% in October from 0.3% in September 1996.

- the average value per transaction rose by 87% to shs 94,232 from shs 50,310 in September 1996.

Activity was also high at the foreign transactions board in October 1996 with a total turnover of 3.6m shares valued at US$ 2.4m compared with 1.2m shares worth US$ 0.9m in September 1996.

Total capital inflow in October 1996 fell by US$ 0.1m to US$ 0.7m while capital outflow rose by US$ 0.6m. Consequently cummulative net foreign capital inflows since January 1995 dropped to US$ 7.9m in October from US$ 8.4m in September 1996.

BALANCE OF PAYMENTS

The overall balance of payments registered a surplus of US$ 403m in the year to October 1996 compared with a deficit of US$ 382m in the year to October 1995. The strong external payment position resulted from the favourable performance in both the current and capital accounts.

Current Account

The current account recorded a smaller deficit of US$ 62m in the year to October 1996 compared with a deficit of US$ 589m in the year to October 1995 (Table 8 and Chart 10). This is a reflection of the remarkable improvement in the merchandise deficit from US$ 1,204m in the previous year to US$ 665m in the period under review. The improvement in the merchandise

TABLE 8: CURRENT ACCOUNT BALANCE ON A 12-MONTHS BASIS (US $ M)

			1994/95	1995/96			
			Dec	Mar	Jun	Sep	Oct*
Current Account Balance			-395	-122	-56	-60	-62
	Trade Balance		-1190	-959	-811	-674	-665
		Exports	1876	1934	1978	1884	1850
		Imports	3066	2893	2789	2558	2515
	Services Account (net)		795	837	755	614	603
		Tourism	486	476	445	433	431
		Other	309	361	310	181	172

*** Provisional**
Source: Central Bank of Kenya

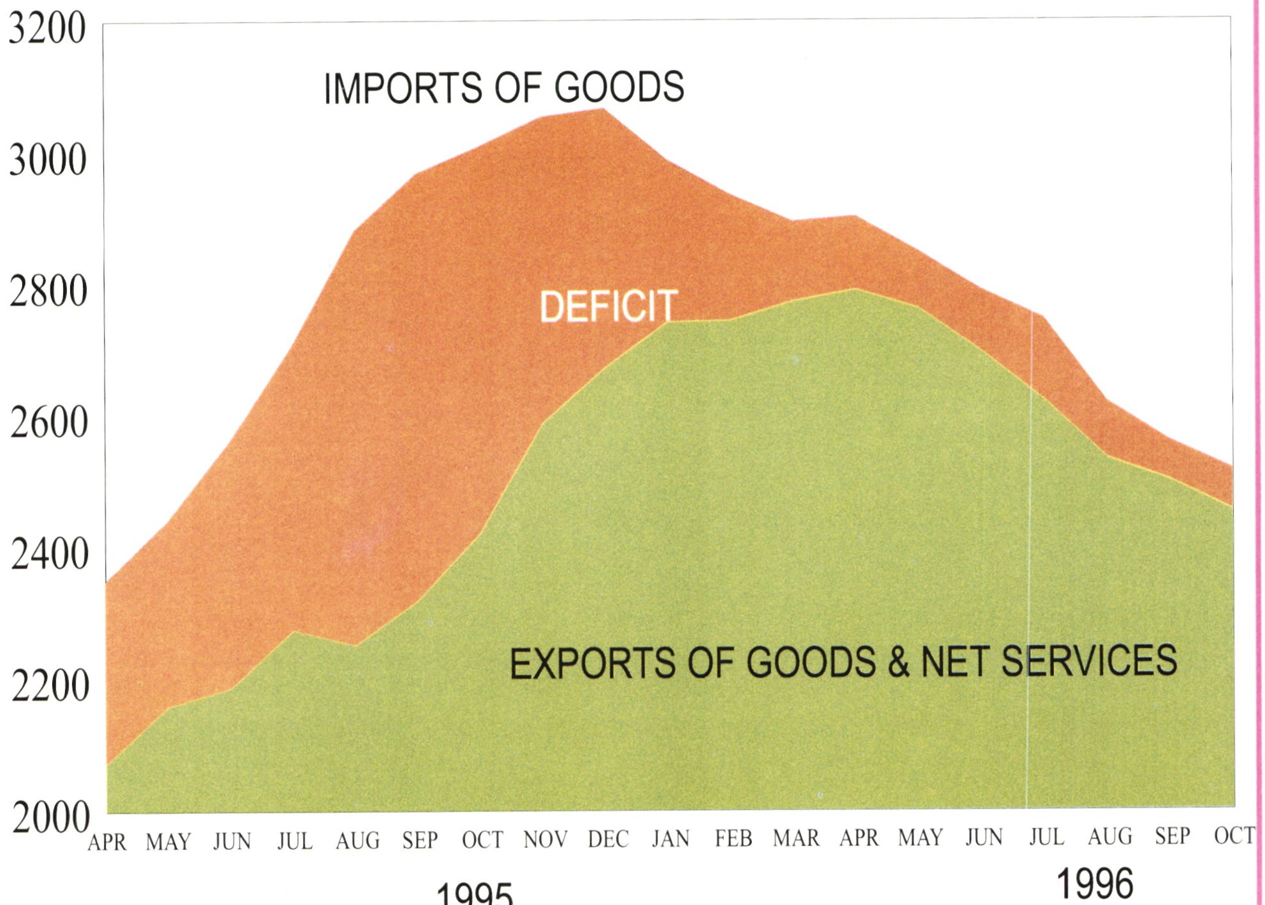
balance was wholly attributed to the fall in imports from US$ 3,009m to US$ 2515m as exports improved slightly from US$ 1,805m to US$ 1850m.

The services account surplus however, declined from US$ 615m to US$ 603m. The lower surplus recorded in the services account in the year to October 1996 reflecting a decline in tourism earnings from US$ 480m in the year to October 1995 to US$ 431m, a development attributed to unfavourable factors in the industry.

Capital Account

The capital account continued to improve, registering a surplus of US$ 465m in the year to October 1996 from a surplus of US$ 207m in the corresponding period in 1995. The increase in the capital account surplus is mainly attributed to an increase in private and short term capital inflows from US$ 277m to US$ 651m and a decrease in official capital outflows from US$ 455m to US$ 442m. Meanwhile, official capital inflows however, fell from US$ 387m to US$ 318m.

CHART 10: CURRENT ACCOUNT BALANCE (US $ M)



Source: Central Bank of Kenya

The favourable private short-term capital inflows is attributed to the relatively more attractive interest rates compared to international interest rates, and to the prevailing conducive macro-economic environment in general.

Overall Balance

The improvement in the country's overall balance of payments in the year to October 1996 reflects (Table 9 and Chart 11):

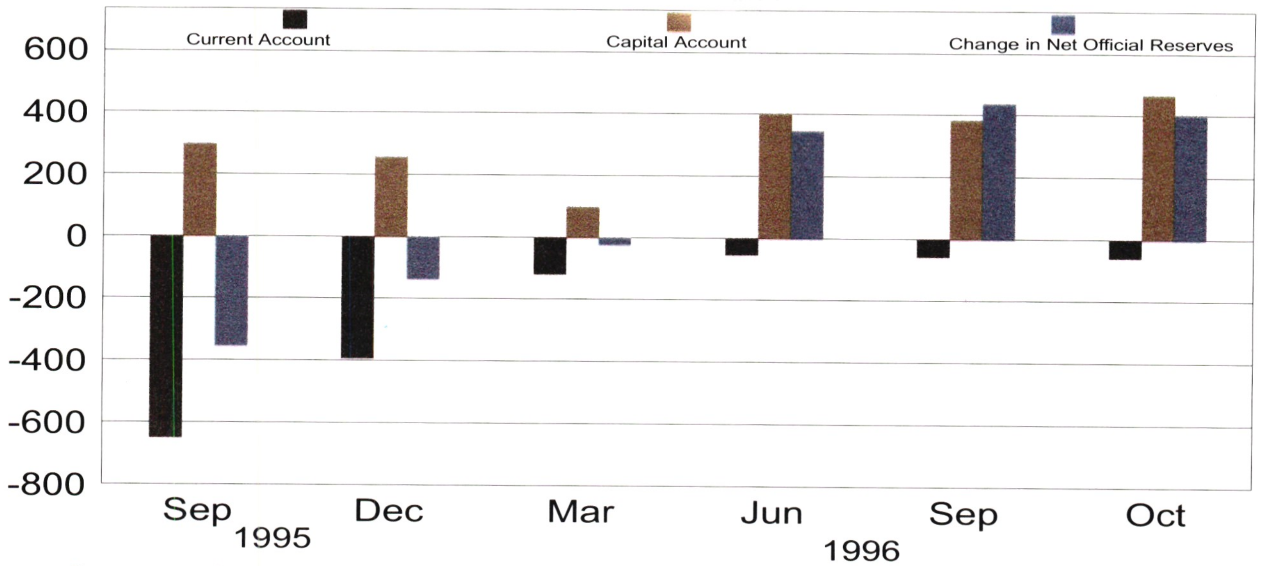
- significant improvement in the current account from a deficit of US$ 589m to a deficit of US$ 62m.
- an increase in the capital account surplus from US$ 207m to US$ 465m.

TABLE 9: OVERALL BALANCE OF PAYMENTS (US $ MILLIONS)

	1994/95	1995/96			
	Dec	Mar	Jun	Sep	Oct*
Overall balance	-139	-24	346	322	403
Current account	-395	-122	-56	-60	-62
Capital account (net)	256	98	402	382	465

* Provisional
Source: Central Bank of Kenya

CHART 11: OVERALL BALANCE AND ITS SOURCES (US $ M)



Source: Central Bank of Kenya

In relation to GDP, the country's overall balance of payments improved remarkably from a deficit of 5.0% of GDP in the year to October 1995 to a surplus of 5.0% of GDP in the year to October 1996, while the current account deficit declined from 7.8% of GDP to 0.8% of GDP over the same period.

Foreign Exchange Reserves

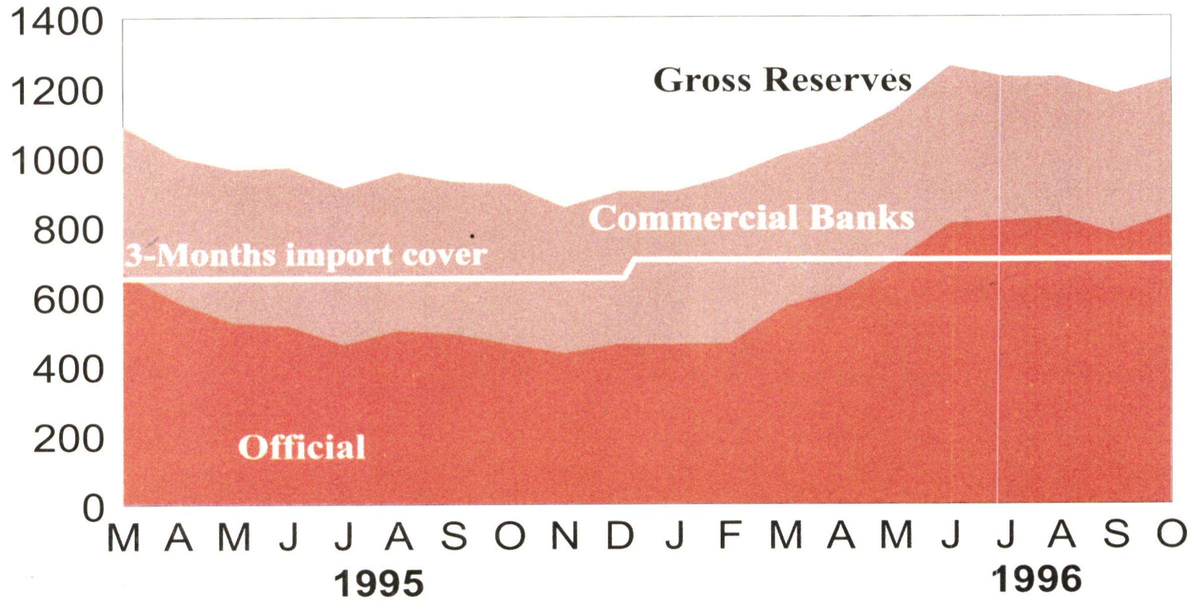
In line with the improvement in the balance of payments position, the country's foreign exchange reserves increased from US$ 921m at the end of October 1995 to US$ 1221m at the end of October 1996. Out of the total, official reserves increased from US$ 460m to US$ 832m, while commercial banks reserves declined from US$ 461m to US$ 389m over the same period (Table 10 and Chart 12).

TABLE 10: FOREIGN RESERVES (US $ MILLIONS)

	1995	1996			
	Dec	Mar	Jun	Sep	Oct*
Gross Reserves	897	1005	1246	1179	1221
Official	458	568	806	777	832
Banks	439	437	440	402	389
Months of Import Cover	3.5	4.2	4.2	5.4	5.5
Official	1.8	2.4	3.5	3.6	4.0
Banks	1.7	1.8	1.9	1.9	1.8

* Provisional
Source: Central Bank of Kenya

CHART 12: FOREIGN RESERVES (US $ M)



Source: Central Bank of Kenya

BUDGETARY DEVELOPMENTS

Budget Outturn

During the four months to October 1996/97 financial year, the Government budget deficit on a commitment basis was shs 7.8bn or 1.7% of GDP compared to shs 0.4bn or 0.1% of GDP in a similar period of 1995/96 financial year. On a cash basis, the respective positions were deficit of shs 7.1bn for the current year and a surplus of shs 1.3bn for the previous year (Table 11 and Chart 13). The large deficit was attributed mainly to rising recurrent expenditure as a result of high interest payments on domestic and external debt.

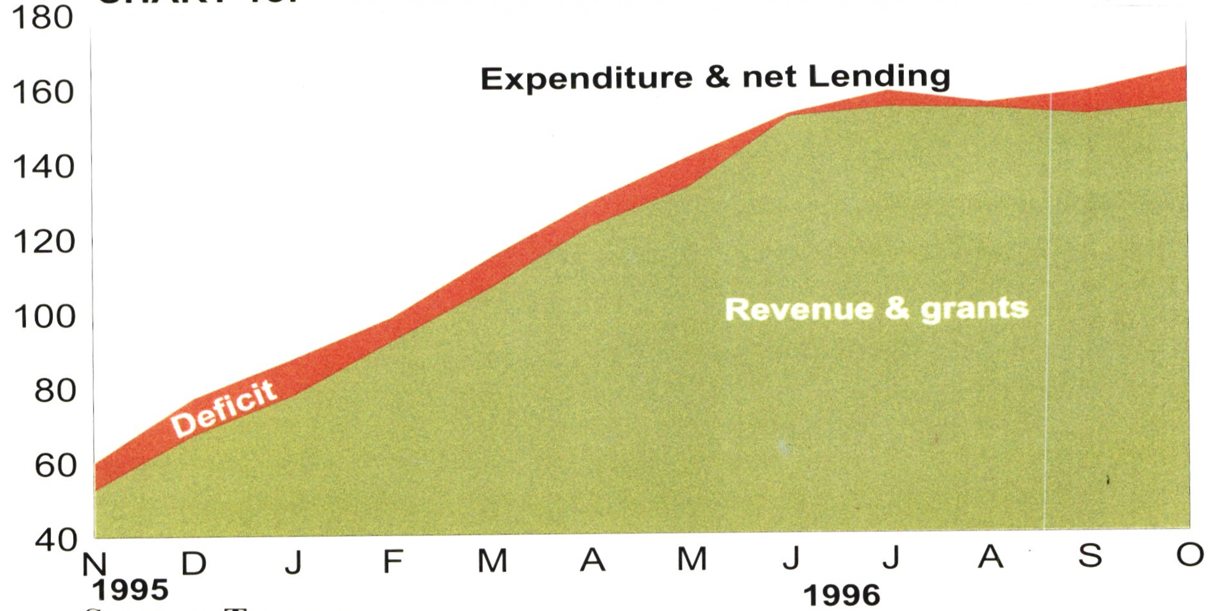
TABLE 11: BUDGET OUT-TURN (SHS BN)

		FY 1995/96		FY 1996/97			FY 1996/97
			Cum. to Oct 1995	Cum. to Oct 1996		Over(+)/ Below(-)	
		Actual	Actual	Actual*	Target		Target
1.	**Revenue & Grants**	**151.3**	**45.8**	**49.0**	**51.2**	**-2.2**	**164.8**
	Ordinary Revenue	138.6	41.7	43.7	45.7	-2.0	148.6
	Appropriations-in-Aid	6.9	2.3	2.9	2.9	0.0	8.4
	Grants	5.8	1.8	2.4	2.6	-0.2	7.8
2.	**Expenditure & Net Lending**	**152.2**	**46.2**	**56.8**	**56.0**	**0.8**	**163.6**
	Recurrent expenditure	122.5	37.3	44.9	44.8	0.1	126.5
	Recurrent expenditure less interest payment	85.3	26.3	31.5	31.7	-0.2	93.0
	Domestic interest	25.9	7.0	9.2	8.9	0.3	23.3
	External interest	11.3	4.0	4.2	4.2	0.0	10.2
	Development expenditure and net lending	29.3	7.4	11.5	11.2	0.3	37.1
	Cleared items awaiting transfer to PMG	0.4	1.5	0.4	0.0	0.4	0.0
3.	**Deficit on commitment basis (1-2)**	**-0.9**	**-0.4**	**-7.8**	**-4.8**	**3.0**	**1.2**
	As % of GDP	-0.2	-0.1	-1.7	-1.0		0.3
4.	Foreign interest arrears paid	0.2	0.2	0.0	0.0	0.0	0.0
5.	Foreign interest due but not paid	0.0	1.1	0.5	0.0	0.5	0.0
6.	Change in pending bills	-0.7	0.8	0.2	-1.2	1.4	-3.4
7.	**Deficit on a cash basis{(3-4)+(5+6)}**	**-1.8**	**1.3**	**-7.1**	**-6.0**	**1.1**	**-2.2**
	% of GDP	-0.4	0.3	-1.5	-1.3		-0.5
8.	**Float (7+9): Expenditure (+)/Revenue(-)**	**5.9**	**4.4**	**1.9**	**0.0**		**-0.1**
9.	**Financing**	**7.7**	**3.1**	**9.0**	**6.0**		**2.1**
	Domestic (net)	5.6	7.8	11.0	8.6		0.5
	Central Bank	7.5	15.6	3.0			
	Commercial Banks	7.8	-9.3	4.9			
	Other domestic sources	-9.7	1.5	3.1			
	Non-banks	13.5	0.1	2.6			
	Capital Receipts	3.8	1.4	0.5	0.7	-0.2	3.0
	External (net)	2.1	-4.7	-2.0	-2.6	-0.6	1.6

*** Provisional**

Source: Treasury and Central Bank of Kenya

CHART 13: 12 MONTHS CUMULATIVE BUDGET OUT-TURN (SHS BN)



Source: Treasury

Revenue and Grants

Government revenue and grants for the period under review was shs 49.0bn in 1996/97 financial year compared with shs 45.8bn for 1995/96 financial year. Of this, shs 43.7bn was ordinary revenue compared with shs 41.7bn for the same period of last year. Receipts from grants and appropriations in aid amounted to shs 5.3bn, an improvement of 29% over the previous year.

Expenditure and Net Lending

Government expenditure and net lending amounted to shs 56.8bn for the first four months of 1996/97 financial year compared with shs 46.2bn for the comparable period of 1995/96 financial year. The increased expenditure comprised shs 9.2bn domestic interest, shs 4.2bn foreign loan interest and shs 31.5bn for wages and salaries and other net issues compared with shs 7.0bn, shs 4.0bn and shs 26.3bn respectively for the same categories in the corresponding period of 1995/96 financial year. Development expenditure for the respective periods was shs 11.5bn in the 1996/97 Financial year and shs 7.4bn in 1995/96.

Financing

Government borrowing for the four months to October 1996 was shs 10.5bn, with shs 3.0bn, shs 4.9bn and shs 2.6bn borrowed from the Central Bank, commercial banks and non-banking sector respectively (Table 12 and Chart 14).

The shs 10.5bn borrowed was used to:

- finance shs 8.5bn purchase of goods and services.
- make shs 2.0bn net repayment of external debt.

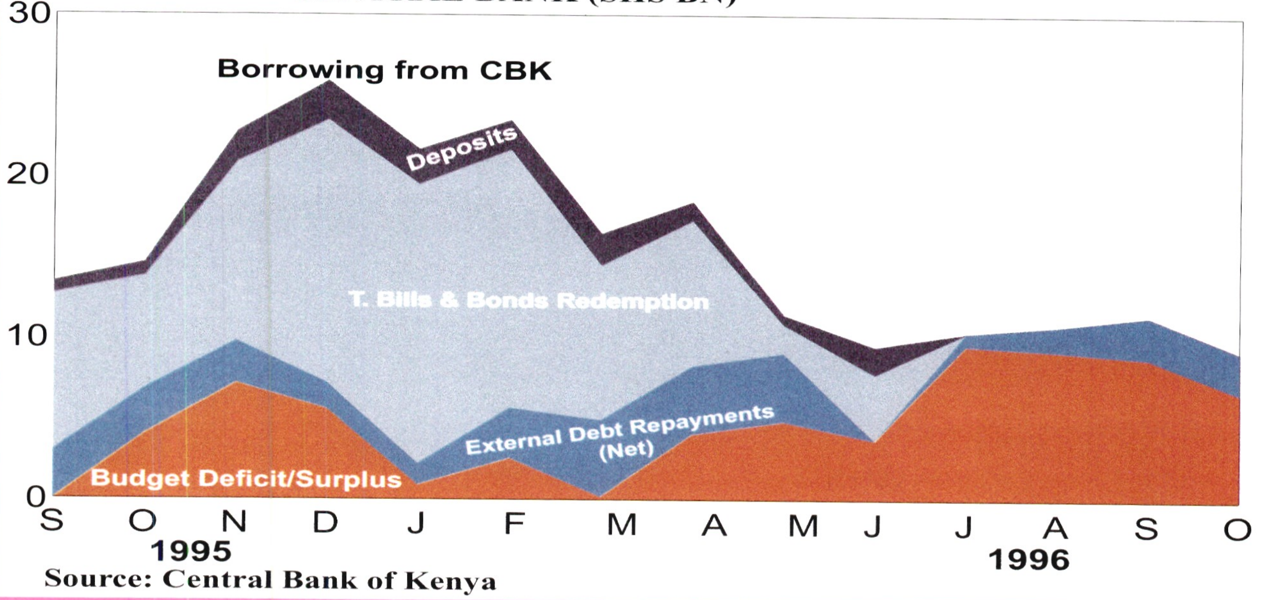
TABLE 12: UTILIZATION OF GOVERNMENT BORROWING (SHS BN)

Quarter Ending		1995 Dec	1996 Mar	Jun	Sep	Oct*	Cum. FY1996/97
Borrowing from Central Bank of Kenya		27.33	16.40	7.45	9.27	2.97	12.24
Redemption of government securities		16.35	9.58	4.09	-1.94	-6.24	-8.18
	Treasury bills	16.03	7.32	-5.74	-1.43	-3.57	-5.00
	Treasury bonds	0.24	2.16	7.05	-0.78	-0.74	-1.52
	Rediscounts(Treasury bills & bonds)	0.08	0.10	2.78	0.28	-1.93	-1.65
External debt repayments (net)		1.59	4.74	-2.13	2.53	2.05	4.58
Budget deficit(+)/surplus(-)		6.98	0.18	3.79	9.41	8.29	17.70
Cash build up/ overdraft at comm. banks		2.41	1.95	1.69	-0.73	-1.14	-1.87

* Provisional

Source: Central Bank of Kenya

CHART 14: UTILIZATION OF GOVERNMENT BORROWINGS FROM CENTRAL BANK (SHS BN)



Source: Central Bank of Kenya

INTEREST RATES

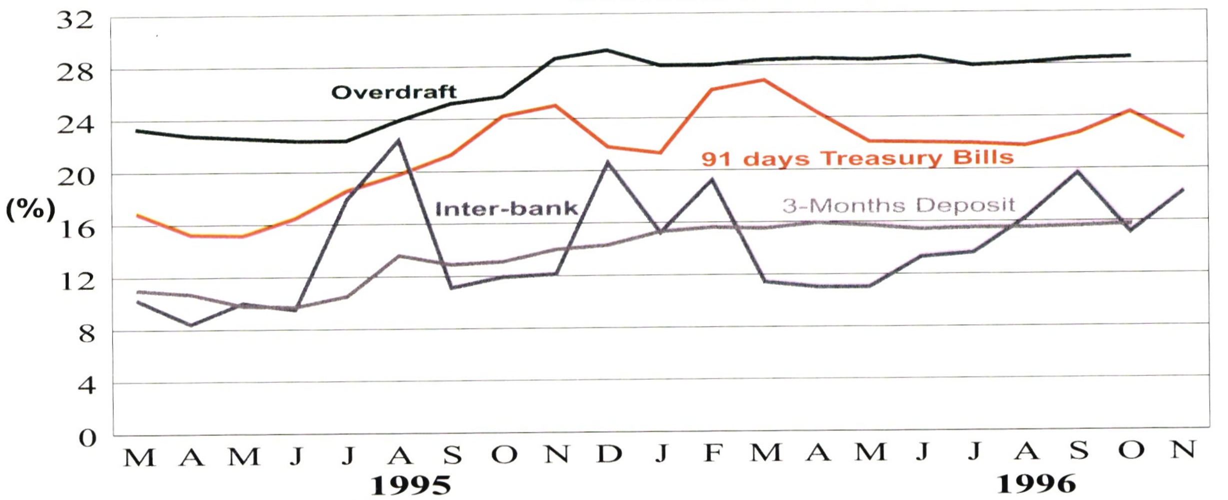
The behaviour of the principal interest rates was mixed in November 1996. The average interest rate on the 91 days Treasury bill, declined by 1.99 percentage points to 22.1% as at 22nd November while the average interbank rate rose by 2.65 percentage points to 18.1% in the first twenty-one days of November. Reflecting the decline in the Treasury bill rates, total outstanding Treasury bills fell by shs 2.1bn to shs 82.9bn by 22nd November. Commercial banks interest rates also registered mixed behaviour in October 1996. The average overdraft rate gained 0.23 of a percentage point to 28.4% compared with an increase of 0.13 of a percentage point in September. The average deposit rate however, fell to 14.2% in October from 14.3% in September while the savings rate remained at the September level of 10.7%(Table 13 and Chart 15).

TABLE 13: TREASURY BILL, OVERDRAFT, DEPOSIT, SAVINGS AND INTER-BANK LENDING RATES

	1995	1996				
	Dec	Mar	Jun	Sep	Oct	Nov
Overdraft	29.2	28.4	28.6	28.1	28.4**	
Treasury Bill*	21.7	26.7	21.9	22.5	24.1	22.1
Inter-bank	20.6	11.4	13.3	19.6	15.1	18.1*
3-Month Deposit	14.3	15.5	15.4	15.6	15.8*	
Savings	9.5	10.2	10.7	10.7	10.7*	

** 91-days Treasury bill yield * Provisional
Source: Central Bank of Kenya

CHART 15: TREASURY BILL YIELD, OVERDRAFT, DEPOSIT AND AVERAGE INTER-BANK INTEREST RATES



Source: Central Bank of Kenya

THE SHILLING EXCHANGE RATE

In the foreign exchange market, the shilling continued to remain buoyant in November 1996, a reflection of the stable underlying economic conditions prevailing since the begining of the year. On average, it remained fairly stable against the US dollar and the 100 Japanese Yen exchanging at shs 55.60 and shs 49.50, respectively. The shilling, however, lost against the Pound Sterling and the Deutschemark by 3.9% and 1.0% respectively in November, a development reflecting the weakening of the US dollar against these currencies in the international currency market. (Table 14 and Chart 16)

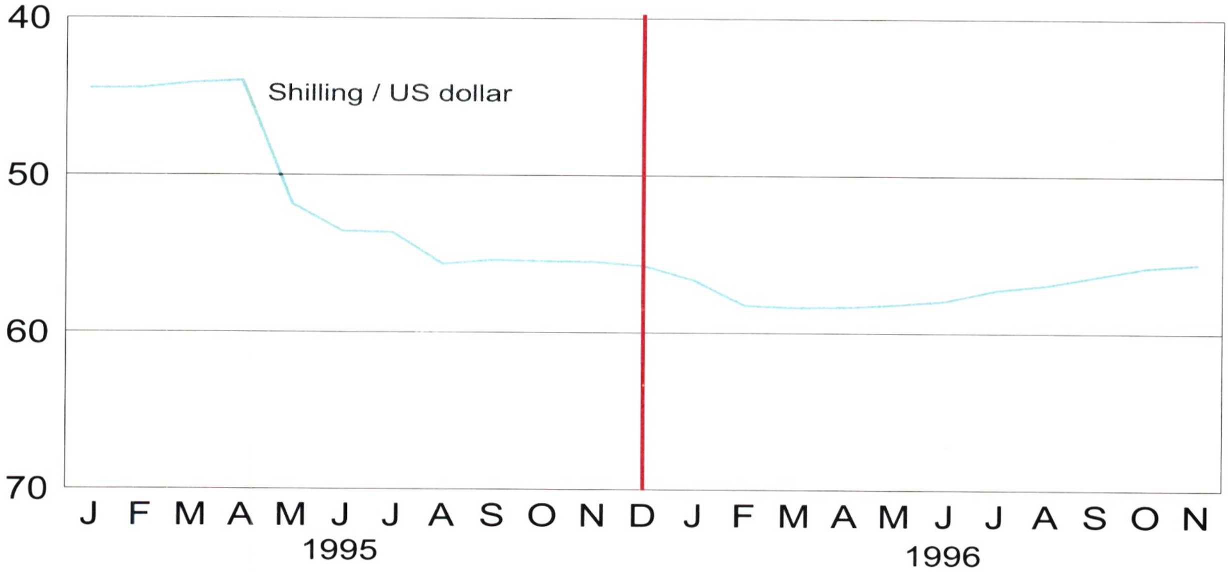
TABLE 14: SHILLING EXCHANGE RATES

Month	US Dollar		Pound Sterling		Deutschemark		100 Japanese Yen		Uganda Shilling*		Tanzania Shilling*	
	1995	1996	1995	1996	1995	1996	1995	1996	1995	1996	1995	1996
Mar	44.14	58.41	70.62	89.25	31.24	39.35	48.69	55.19	21.00	17.43	12.33	9.28
Jun	53.62	57.99	85.55	89.42	38.14	37.97	63.50	53.27	17.99	17.79	11.10	10.33
Sep	55.43	56.43	86.35	88.02	37.94	37.50	55.18	51.39	17.64	19.03	11.07	10.47
Nov	**55.54**	**55.62**	**86.9**	**92.44**	**39.24**	**36.79**	**54.51**	**49.55**	**18.59**	**19.57**	**10.56**	**10.74**
Dec	55.80		85.97		38.77		54.84		18.34		10.00	

* Units of currency per Kenya Shilling

Source: Central Bank of Kenya

CHART 16: SHILLING EXCHANGE RATE

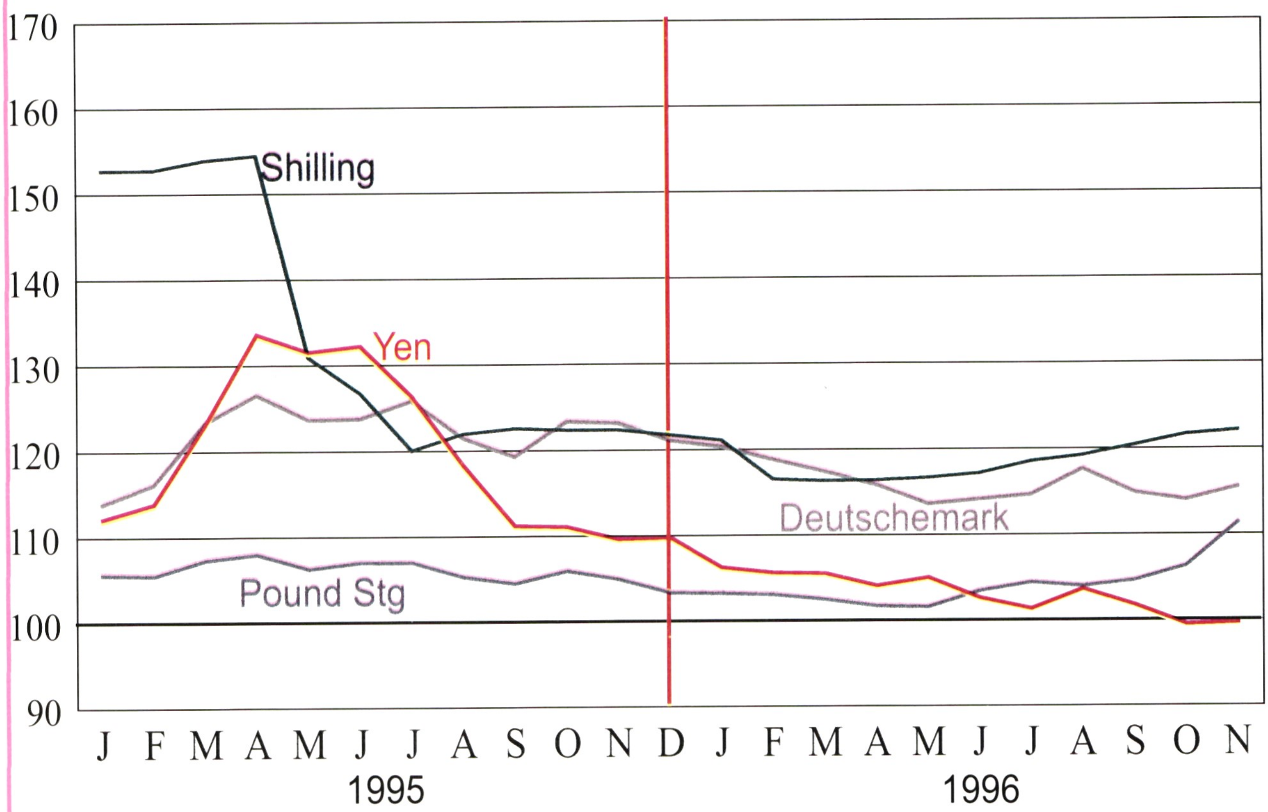


Source: Central Bank of Kenya

Consequently, the nominal effective exchange rate index, that is the trade weighted average of the shilling exchange rate against all the above currencies remained more or less constant since June 1995. In real terms, however, that is after accounting for inflation differences between Kenya and her major trading partners, the shilling exchange rate appreciated by 9.2%.

Among the regional currencies, the Kenya shilling lost slightly against the Uganda shilling but gained against the Tanzania shilling to exchange at Ushs 19.60 and Tshs 10.70 in November, respectively. Meanwhile, currency trading in the international market showed continued fall of the US dollar against the Yen and a drop for the first time in two months against the Deutschemark. These developments have occured against the background of a strong belief among traders that the Japanese Government would not let the Yen fall much lower against the US dollar after falling far enough in the last 18 months. This belief was also intensified by the low expectations of the likely increase in US interest rates (Chart 17).

CHART 17: EXCHANGE RATE INDICES AGAINST THE US DOLLAR



Source: Central Bank of Kenya

CENTRAL BANK OF KENYA

BALANCE SHEET*

(AMOUNT IN SHS MILLION)

As At End	October 1996	October 1995	Movement
ASSETS			
Gold and Foreign Exchange	45297	24443	20854
Investment in Government Securities	1282	525	757
Advances and Discounts to Banks	9128	9999	-871
Uncleared Effects	431	1514	-1083
Fixed Assets	2381	1555	826
Other Assets	1255	1364	-109
Revaluation Account	24585	24088	497
Government of Kenya Overdraft	29135	37802	-8667
TOTAL ASSETS	**113494**	**101290**	**12204**
LIABILITIES			
Currency in Circulation	32752	30507	2245
Deposits	68498	59268	9230
Commercial Banks			
- Kenya	36000	24777	11223
- External	19	30	-11
Non-Banks Financial Institutions	4699	5452	-753
IMF	22073	23351	-1278
Other Public Entities and Project A/Cs	5707	5658	49
Other Liabilities and Provisions	7837	8126	-289
CAPITAL AND OTHER RESERVES			
Capital Account	1500	500	1000
General Reserve Fund	172	359	-187
Year's Surplus	2735	2530	205
TOTAL LIABILITIES, CAPITAL AND RESERVES	**113494**	**101290**	**12204**

* **Provisional**

NOTES ON THE BALANCE SHEET

The following changes took place in items of the balance sheet between October 1995 and October 1996.

Assets

Gold and foreign exchange increased by shs 20,854m to shs 45,297m mainly due to improved inflows of foreign exchange.

Advances and Discounts to banks decreased by shs 871m to shs 9,128m mainly due to recovery of money owed by banks under liquidation.

Uncleared effects, these are cheques which had not been cleared as at the Balance Sheet date, decreased by shs 1,083m.

Fixed assets increased by shs 826m mainly due to the on-going construction of CBK Towers and Kenya School of Monetary Studies and acquisition of office equipment particularly computers and note sorting machines.

Government of Kenya overdraft decreased by shs 8,667m to sh 29,135m mainly due to improved revenue collection by Kenya Revenue Authority.

Liabilities

Currency in circulation increased by shs 2,245m to shs 32,752m mainly due to increased inflow of foreign reserves.

Deposit liabilities increased by shs 9,230m to shs 68,498m due to increase in the deposit base of banks and non-bank financial institutions observing cash ratio requirement.

Other liabilities and provisions decreased by shs 289m to shs 7,837m.

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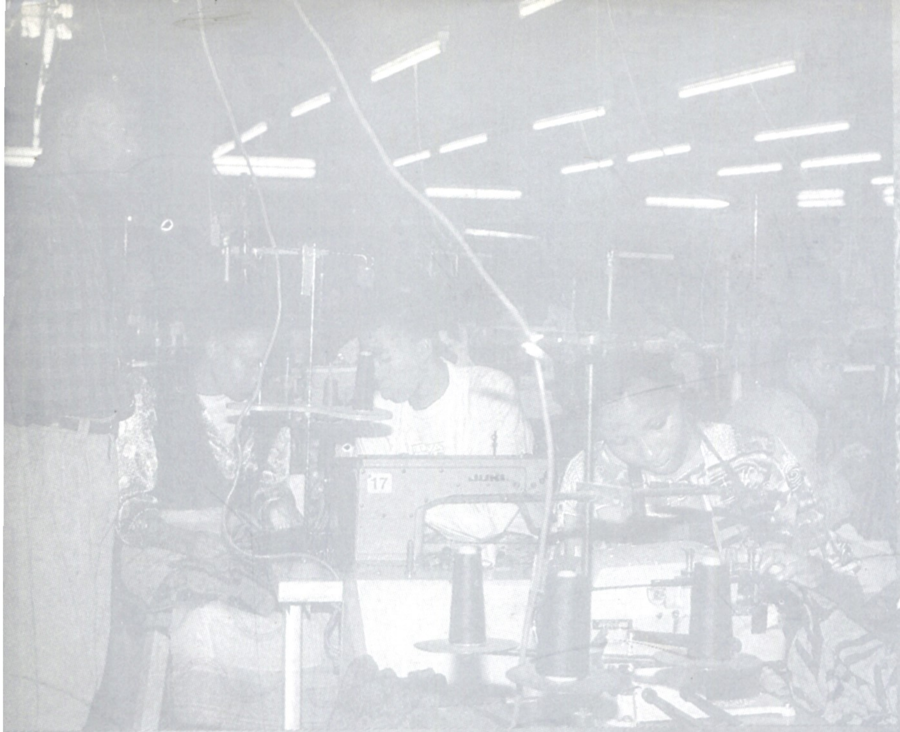


KPA
CAILLARD