



RBM puts a tight lid on money supply

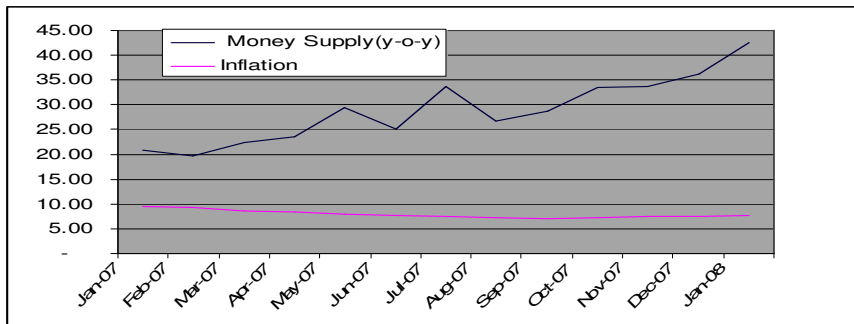
During the recent Monetary Policy Committee meeting, authorities raised some concerns on the escalating money supply and possible increases in inflation.

Money supply

On a monthly basis money supply rose by 3.6 percent in January to K86.5 billion owing to an increase in net credit to central government coupled with the accumulation of net foreign assets by the commercial banks. Year on year growth in money supply also rose in January to 42.4 percent from 36.1 percent recorded in December 2007.

Inflation

Annual inflation rates have also been on the rise with March recording 8.2 percent from 7.7 percent recorded in January 2008 and 7.5 percent in December 2007. The increase has been attributed to the non-food component that recorded increases owing to the upward adjustment in gasoline prices as well as seasonal pressures.



Resolutions

In effort to curb the acceleration of money supply, authorities resolved to keep the bank rate- the rate charged on money borrowed by the commercial banks from the central bank-at 15.00 percent. The liquidity reserve requirement-non interest earning money deposited at the central bank by commercial bank-was also maintained at 15.5 percent following the extension of this requirement to other market players.

Market outlook

With the present monetary policy stance taken as well as the increase in food supply as people across the country harvest the staple food crop, maize, inflation is expected to ease up. Average inter-bank rates, however, are expected to increase and banks may turn to the discount window for accommodation. With the need to earn positive real interest rates average Treasury bill rates may actually increase.

MARKET STATISTICS

Treasury Bill Yields

Table with 3 columns: Tenor days, Current %, Previous %

RBM Bill Yields

Table with 3 columns: Tenor days, Current %, Previous %

CDH Investment Rates

Table with 2 columns: Tenor/Period, Rate %

Inflation Rates

Table with 3 columns: Category, Feb. 08, Mar. 08

Middle Exchange Rates

Table with 3 columns: Currency, 07.05.08, 30.04.08

Stock Exchange

Week ended 02nd May 2008

Table with 3 columns: Index, Current Points, Previous Points

Nominal Treasury bill stock

Table with 3 columns: In K'billion, Jan.08, Feb.08, Mar.08

Source: NSO, RBM,,MSE,CDH

Martin Luther King Jr (1929-68): "Faith is taking the first step even when you don't see the whole staircase". But CDH can help