



REPUBLIC OF KENYA

# THE NATIONAL TREASURY

## *MONTHLY DEBT BULLETIN*

APRIL 2014

# 1.0 PUBLIC DEBT

## 1.1 Introduction

As at end April 2014, public and publicly guaranteed debt stood at Kshs 2,167.95 billion or 52.1 percent of GDP (see Table 1). The decrease of 0.17 percent over the end March 2014 position is attributed to decrease in domestic debt. Gross domestic debt decreased by Ksh 14.21 billion to stand at Ksh 1,216.97 billion, while external debt increased by Ksh 10.58 billion to stand at Ksh 950.98 billion in April 2014 . (See Table 1).

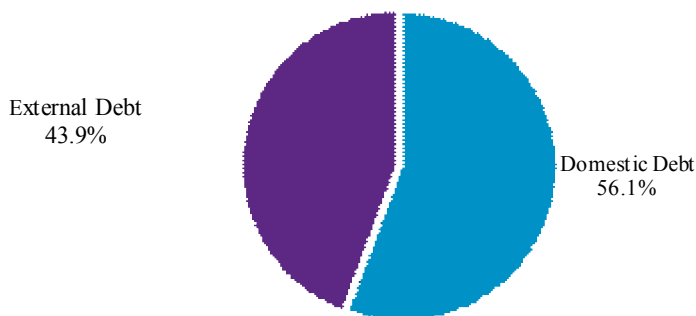
Table 1: Size of public debt, end April 2014, in billion

Debt Category	Kshs	USD
Domestic Debt	1,216.97	14.01
External Debt	950.98	10.95
Total	2,167.95	24.96

Source: The National Treasury and Central Bank of Kenya

The structure of public and publicly guaranteed debt shows that 56.1 percent of the total debt is domestic debt while 43.9 percent is external debt as shown in Chart 1.

Chart 1: Composition of public debt



Source: The National Treasury

## 1.2 Cost/Risk Characteristics of Public Debt

Reflecting Government external debt strategy of contracting or guaranteeing external loans with highly concessional terms to minimise interest rate cost, the average interest rate and grace period on the external debt portfolio was 1.1 percent and 6.6 years, respectively. In addition, the average maturity period for external loans was 19.9 years while the average grant element was 66.8 percent.

As an indication of the success in the lengthening of maturity structure of domestic debt to minimise refinancing risk in line with the Medium Term Debt Strategy, the average maturity profile of outstanding Government domestic debt stood at 4 years 11 months as at end April 2014 .

### 1.3 Movement in Exchange Rates

Table 2 shows market indicative end-month foreign exchange rates for the period February to April 2014. During this period, the Kenya shilling depreciated against the Sterling Pound, Euro, US Dollar and Japanese Yen by 0.6, 1.4, 1.4 and 0.1 percent respectively. The shilling stood at Kshs 86.87 to the US Dollar at end of April 2014.

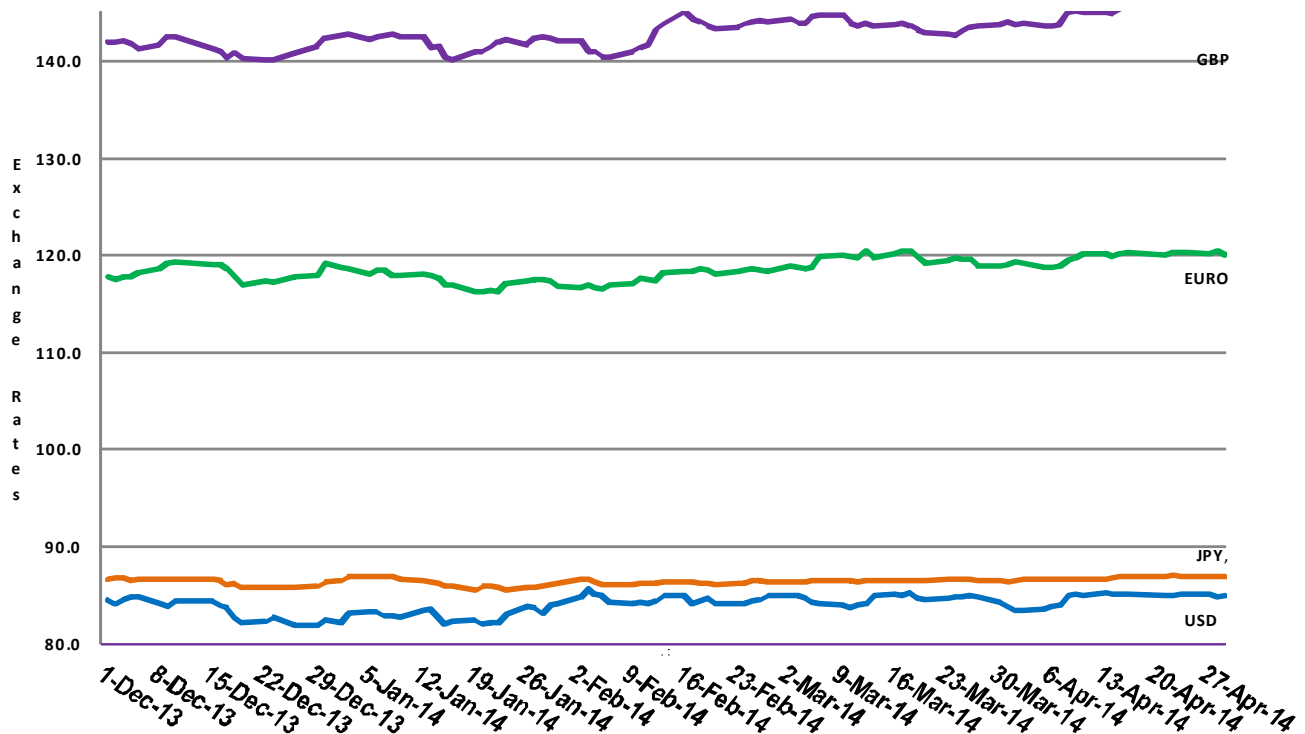
Table 2: Movement in exchange rates

Currency	February 2014	March 2014	April 2014
US Dollar	86.33	86.44	86.87
STG Pound	144.07	143.81	146.14
Euro	118.33	118.92	120.02
JPY(100)	84.87	84.18	84.92

Source: Central Bank of Kenya

Chart 2 shows the trends in daily exchange rates between Kenya Shilling and the four major foreign currencies from December 2013 to April 2014. The exchange rate against the four major currencies depicted a more stable movement during the month of April 2014.

Chart 2: Kenya Shilling Exchange Rate



Source: Central Bank of Kenya

## 2.0 EXTERNAL DEBT

### 2.1 Size of Public and Publicly Guaranteed External Debt

Overall, public and publicly guaranteed external debt increased by Kshs 10.58 billion as at end April 2014 to Kshs 950.98 billion from Kshs 940.40 billion at the end of March 2014 as shown in Table 3.

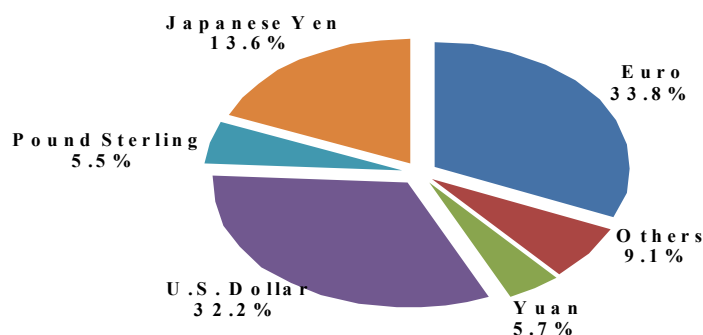
Table 3: External debt stock, in billions

	March 2014		April 2014	
	Kshs	USD	Kshs	USD
Bilateral	243.50	2.82	244.13	2.81
Multilateral	577.91	6.69	587.53	6.76
Guaranteed	44.04	0.51	44.33	0.51
Others	15.75	0.18	15.87	0.18
Commercial Banks	59.20	0.68	59.12	0.68
<b>Total</b>	<b>940.40</b>	<b>10.88</b>	<b>950.98</b>	<b>10.94</b>

Source: The National Treasury

This increase is attributed to disbursements from IDA, IFAD and ADB. Chart 3 below indicates the currency composition of external debt, and it shows that the Euro forms the largest share of the external debt portfolio at 33.8 percent followed by the US Dollar at 32.2 percent.

Chart 3. Currency Composition



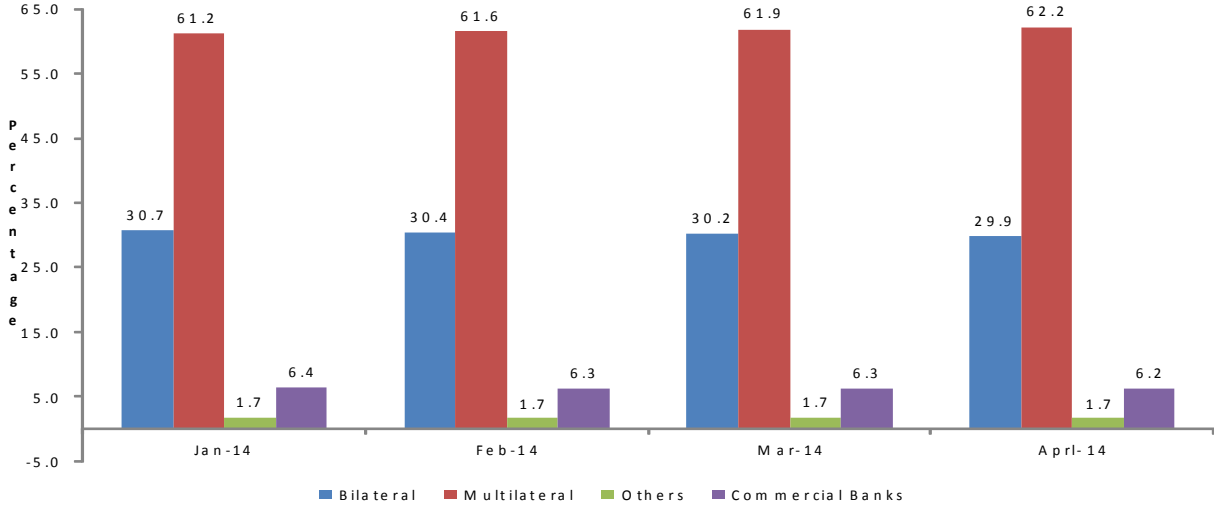
Source: The National Treasury

### 2.2 Structure of External Debt by Creditor

Official creditors account for 92.11 percent of the total public and publicly guaranteed external debt, out of which debt owed to multilateral creditors amounts to Ksh 591.44 billion (including Ksh 3.91 billion guaranteed debt owed to IDA) dominates the portfolio at 62.19 percent of the total. Bilateral debt stands at Kshs 284.55 billion (29.92 percent of the total), inclusive of Kshs 40.42 billion guaranteed debt, as shown in Chart 4 and Annex 1.

In the multilateral category, IDA, ADB/ADF, IMF and EEC/EIB account for the largest proportion of external credit, while China, France and Japan are the leading creditors in the bilateral category. The Commercial debt constitutes 6.22 percent of the total public and publicly guaranteed external debt.

Chart 4: External Debt by Creditor

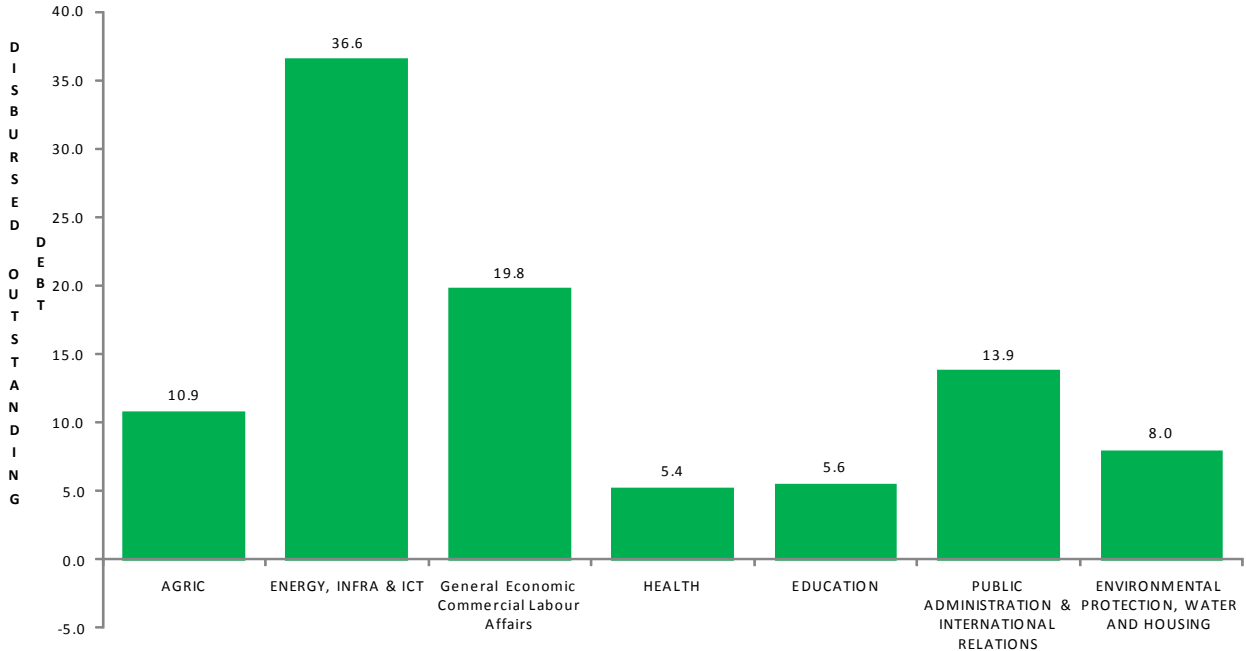


Source: The National Treasury

2.3 External Debt by Sector

Chart 5 below illustrates how the outstanding external debt is shared among the economic and social sectors of the economy.

Chart 5: External Debt Share by Sectors



Source: The National Treasury

## 2.4 Projected Cumulative External Debt Service

Projected cumulative external debt service for the period to end April 2014 stood at Kshs 36.25 billion. Principal and interest projections for the month of April 2014 was Kshs 2.72 billion and Kshs 0.53 billion, respectively. Multilateral and bilateral creditors constitute 40.8 percent and 50.4 percent of the cumulative projected debt service respectively during the period under review as shown in Table 4.

Table 4: Projected Cumulative External Debt Service as at end of April 2014, in Kshs million

Creditor category	Principal	Interest	Total
Bilateral	14,036.68	4,230.56	18,267.43
Multilateral	12,080.05	2,717.23	14,797.28
Commercial	-	3,184.77	3,184.77
Total	26,116.92	10,132.56	36,249.48

Source: The National Treasury

## 2.5 Actual Cumulative External Debt Service

Actual cumulative debt service as at end April 2014 was Kshs 33.92 billion as shown in Table 5. Actual principal and interest payments for the month of April 2014 was Kshs 3.47 billion and Kshs 1.31 billion respectively.

Table 5: Actual cumulative external debt service as at end of April 2014, in Kshs million

Credit category	Principal	Interest	Total
Bilateral	10,968.37	4,250.08	15,218.45
Multilaterals	11,173.47	3,729.07	14,902.54
Commercials	830.83	2,972.55	3,803.38
Totals	22,972.67	10,951.70	33,924.37

Source: The National Treasury

## 2.6 Budget Deviation

The actual cumulative debt service for April 2014 was below the projected debt service by Kshs 2.32 billion and this is attributed to the exchange rate difference in the projected and actual debt service.

## 2.7 Guaranteed External Debt

Under the Public Financial Management Act, 2012, the government may issue guarantees under various conditions so long as it does not exceed the statutory ceiling set by Parliament which currently stands at Kshs 200 billion. In the month of April 2014, the guaranteed external debt increased by Kshs 294 million to Kshs 44.33 billion from Ksh 44.03 billion in March 2014 due to depreciation of exchange rates during the period.

Table 6: Guaranteed outstanding debt by creditor, in Kshs million

<b>Creditor</b>	<b>February 2014</b>	<b>March 2014</b>	<b>April 2014</b>
Japan	40,660.63	39,727.88	40,000.58
Canada	345.32	345.78	347.50
U.S.A	110.07	73.48	73.84
IDA (KR Concessionaire)	3,884.69	3,889.86	3,909.20
<b>Totals</b>	<b>45,000.71</b>	<b>44,037.00</b>	<b>44,331.12</b>

**Source: The National Treasury**

## 3.0 DOMESTIC DEBT

### 3.1 Central Government Domestic Debt

Government net domestic debt decreased by Kshs 7.56 billion to Kshs 1,045.70 billion in April 2014 from Kshs 1,053.26 billion in March 2014 due to decrease in Government gross debt over the period as indicated in Table 7.

Table 7: Government domestic debt, in Kshs billion

	February 2014	March 2014	April 2014
Gross domestic debt	1,229.42	1,231.18	1,216.97
<i>less</i>			
Govt. deposits at CBK	-72.31	-52.15	-32.47
Govt. deposits at commercial banks	-117.45	-120.07	-133.10
Govt. advances to parastatals	-5.70	-5.70	-5.70
Net domestic debt	1,033.96	1,053.26	1,045.70

Source: Central Bank of Kenya

### 3.2 Government Domestic Borrowing

During the month of April 2014, Government securities worth Kshs 51.00 billion were advertised. Bids worth Kshs 48.54 billion and 30.40 billion were received for Treasury Bills and Treasury Bond respectively during the month. Successful bids amounted to Kshs 59.57 billion against redemptions of Kshs 72.46 billion leaving exchequer with a deficit of Kshs 12.89 billion.

Table 8: Government domestic borrowing, in Kshs million

	Treasury Bills	Treasury Bonds	Total
Advertised	36,000	15,000	51,000
Bids received	48,542	30,401	78,943
Successful bids	42,054	17,514	59,568
Redemptions (cost)	(66,043)	(6,418)	(72,461)
Net domestic borrowing	(23,989)	11,096	(12,893)

Source: The National Treasury



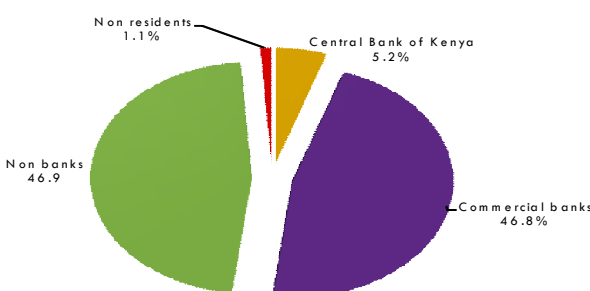
Table 9: Domestic debt instruments by holder end April 2014, in Kshs billion

Instrument/Holder	Commercial banks	Non banks	Central Bank of Kenya	Non residents	Total
Treasury bonds	414.72	456.43	0.05	9.98	881.17
Treasury bills	151.39	114.79	0.54	3.46	270.18
Others	2.96	0.07	62.60	0.00	65.63
Total	569.07	571.29	63.18	13.44	1,216.98
Percentage Holding	46.8	46.9	5.2	1.1	100.00

Source: Central Bank of Kenya

At the end of April 2014, Non banks held the largest proportion of the outstanding Government debt securities amounting to Kshs 571.29 billion or 46.9 percent overtaking the Commercial Banks as shown in Table 9 and Chart 6. This percentage constitute mostly Treasury Bonds and Bills. The non banks category comprises non bank financial institutions, National Social Security Fund (NSSF), parastatals, insurance companies, building societies, pension funds and individuals. The Commercial Bank held Kshs 569.07 billion or 46.8 percent while the Government debt worth Kshs 13.44 billion or 1.1 percent was held by non residents who invest through nominee accounts in the local banks. Kshs 63.18 billion held by Central Bank of Kenya comprises the Government overdraft and Repo Treasury Bills used for execution of monetary policy.

Chart 6: Domestic debt by holder as at end April 2014

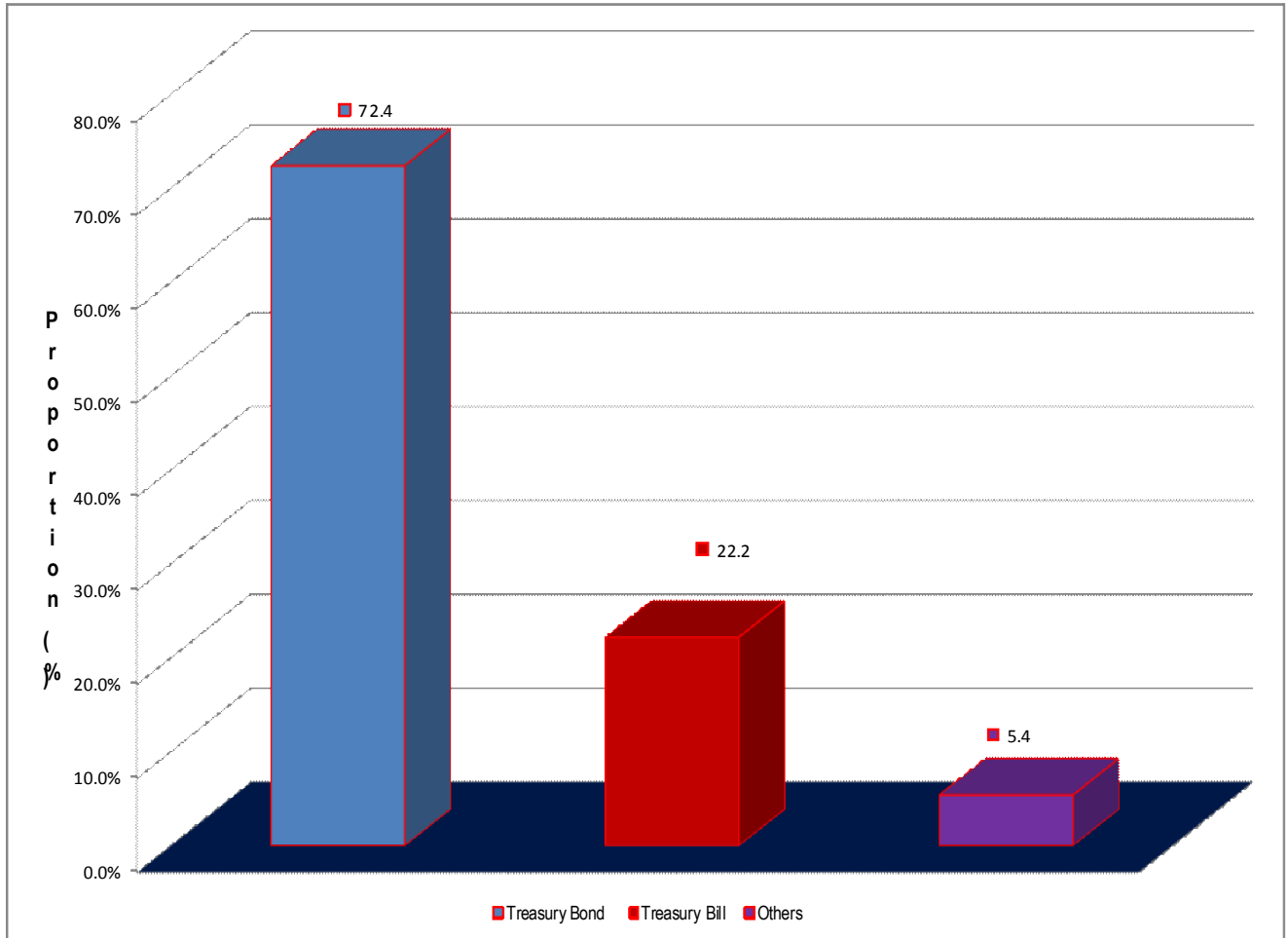


Source: Central Bank of Kenya

### 3.3 Domestic Debt by Instruments

Chart 7 shows the composition of the domestic debt as at end April 2014. 72.4 percent of Government domestic debt was in Treasury Bonds, 22.2 percent in Treasury Bills while the balance is mainly the Government overdraft at the Central Bank of Kenya. The structure of the holding is consistent with the debt strategy of holding more domestic debt on longer dated instruments to minimise refinancing risk and promote development of domestic markets for Government securities.

Chart 7: Domestic debt by instrument



Source: Central Bank of Kenya

### 3.4 Net Domestic Financing

Table 10 shows that as at end April 2014, the net domestic financing stood at Kshs 177.97 billion.

Table 10: Net domestic financing, in Kshs billion

	June-2013	April -2014	Change
Treasury Bills	245.48	256.17	10.69
Treasury Bonds	713.12	840.18	127.06
Pre-1997 Govt. Overdraft debt	28.89	28.33	(0.56)
Other	8.72	36.35	27.63
<i>of which Overdraft (from CBK)</i>	7.00	34.19	27.18
Govt. deposits	97.37	84.22	(13.15)
Net Domestic Credit	898.84	1,076.82	177.98

Source: Central Bank of Kenya

### 3.5 Cumulative Domestic Interest Payments

As at end April 2014, Government actual cumulative domestic interest payments stood at Kshs 98.41 billion against the cumulative projected interest payments of Kshs 99.39 billion. Actual interest payments on Treasury Bonds and Treasury Bills amounted to Kshs 71.81 billion and Kshs 24.82 billion respectively. The variance of Kshs 979 million is attributed to more payment made to pre-1997 overdraft debt against the projections.

Table 11: Domestic interest payments, in Kshs million

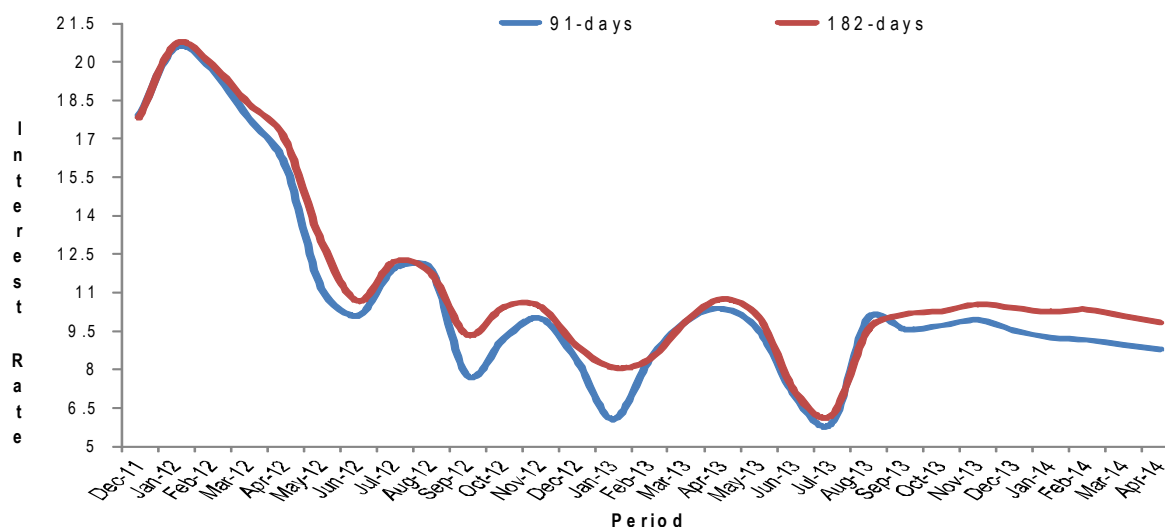
Type of debt	Projected	Actual	Variance
Treasury bonds	71,623.21	71,809.95	186.74
Treasury bills	25,368.01	24,818.76	(549.25)
Overdraft	1,684.71	530.39	(1,153.32)
Pre-1997 overdraft debt	712.33	1,248.73	536.40
Totals	99,387.26	98,407.82	(979.43)

Source: Central Bank of Kenya

### 3.6 Average Interest rates for Treasury Bills

Chart 8 shows the monthly trends on average interest rates for both the 91-day and 182-day Treasury Bills since December 2011. During the month of April 2014, the average interest rates for the 91-day Treasury bills decreased by 18 basis points to 8.80 percent from 8.98 percent in March 2014 and the 182-days Treasury bill decreased by 26 basis point to 9.82 per cent from 10.08 percent per annum. 364-days Treasury bill rate stood at an average of 10.20 percent per annum in April 2014.

Chart 8: Average interest rates on Treasury Bills



Source: Central Bank of Kenya

### 3.7 Yields on Treasury Bonds

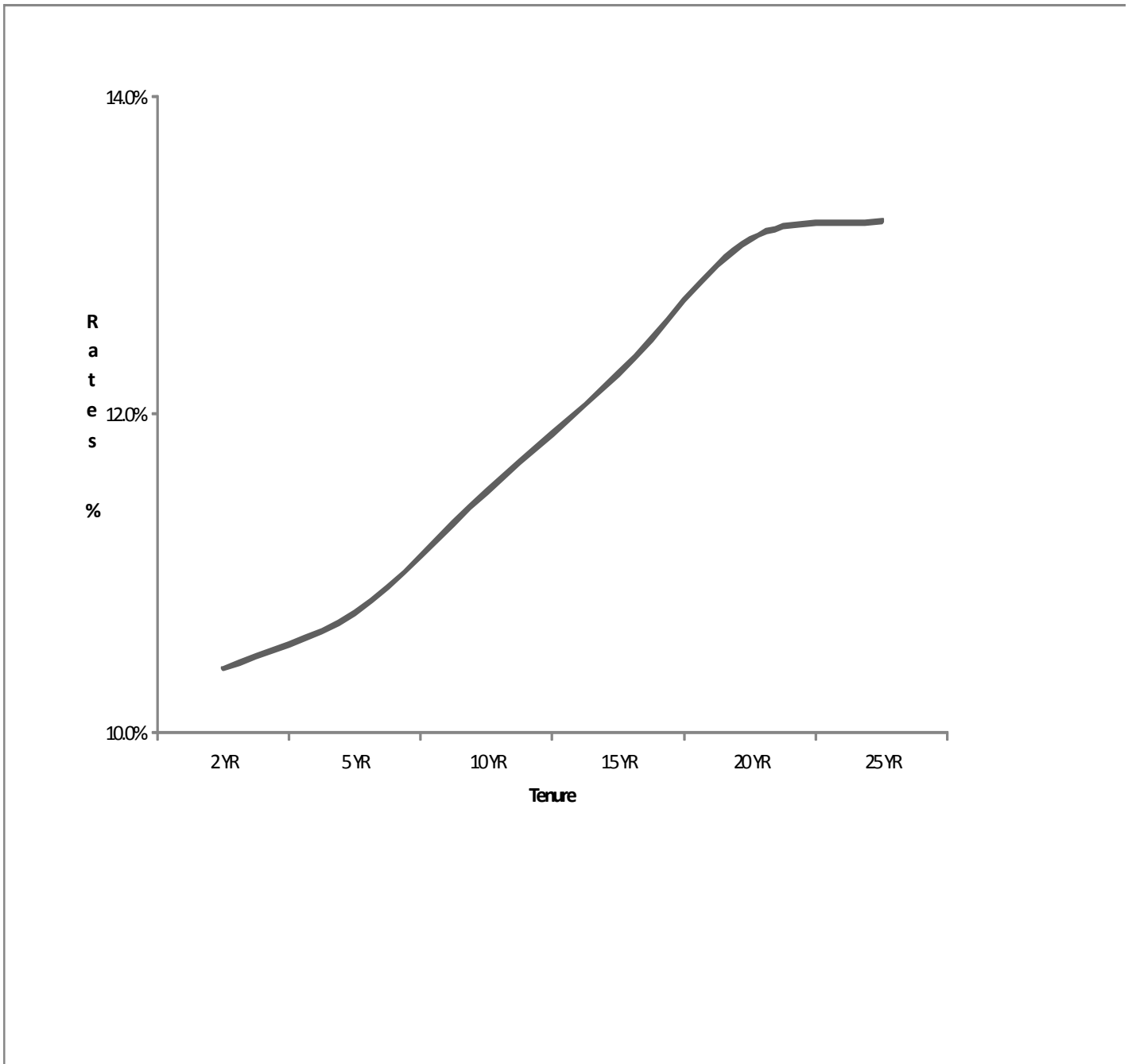
The Government has been implementing a Benchmark Bond programme to increase liquidity around selected Bonds and promote secondary trading. One of the key objectives of the programme is to lower both refinancing risk and cost of borrowing by the Government. Table 12 shows the yields on selected benchmark Treasury Bonds in the secondary market as at end April 2014.

Table 12 : Yields on selected Treasury Bonds

Tenure	Rate (%)
2 YR	10.40
5 YR	10.75
10 YR	11.51
15 YR	12.25
20 YR	13.10
25 YR	13.22

Source: Nairobi Securities Exchange (NSE)

Chart 9: Secondary Market yields on selected Treasury Bonds



**ANNEX 1: STOCK OF PUBLIC AND PUBLICLY GUARANTEED EXTERNAL DEBT BY SOURCE (IN KSHS MILLIONS)**

<b>CREDITOR</b>	<b>Stock at end March 2014</b>	<b>Stock at end April 2014</b>	<b>Change</b>
<b>CENTRAL GOVERNMENT</b>			
<b>BILATERAL</b>			
AUSTRIA	871.43	719.80	(151.63)
BELGIUM	8,002.51	7,986.69	(15.82)
CANADA	984.76	989.65	4.89
DENMARK	2,021.10	2,038.15	17.05
FINLAND	92.72	93.39	0.67
FRANCE	59,595.98	59,351.08	(244.90)
GERMANY	26,261.87	26,711.65	449.78
ITALY	1,710.66	1,722.66	12.00
JAPAN	43,084.57	43,477.84	393.27
NETHERLANDS	2,718.55	2,743.81	25.26
UK	1,773.61	1,802.41	28.8
USA	4,440.18	4,427.50	(12.68)
PARIS CLUB OTHERS	5,464.30	5,531.26	(66.96)
NON PARIS CLUB	86,475.49	86,536.07	60.58
o/w CHINA	79,399.92	79,430.81	30.89
<b>Sub total</b>	<b>243,497.73</b>	<b>244,131.96</b>	<b>634.23</b>
<b>MULTILATERAL</b>			
ADB/AFDB	102,743.09	100,830.75	(1,912.34)
EEC/EIB	15,889.96	20,378.24	4,488.28
IDA	357,277.87	363,697.30	6,419.43
IFAD	9,822.36	10,762.44	940.08
IMF	83,143.14	82,766.25	(376.89)
OTHERS	9,037.55	9,095.82	58.27
<b>Sub total</b>	<b>577,913.97</b>	<b>587,530.80</b>	<b>9,616.83</b>
<b>COMMERCIAL BANKS</b>	<b>59,204.76</b>	<b>59,119.22</b>	<b>(85.54)</b>
<b>SUPPLIERS CREDIT</b>	<b>15,749.54</b>	<b>15,868.03</b>	<b>118.49</b>
<b>Sub Total</b>	<b>896,366.00</b>	<b>906,650.01</b>	<b>10,284.01</b>
<b>GUARANTEED DEBT</b>			
CANADA	345.78	347.50	1.72
JAPAN	39,727.88	40,000.58	272.7
USA	73.48	73.84	0.36
IDA (KR Concessionaire)	3,889.86	3,909.20	19.34
<b>Sub Total</b>	<b>44,037.00</b>	<b>44,331.12</b>	<b>294.12</b>
<b>GOK+ GUARANTEED TOTAL</b>	<b>940,403.00</b>	<b>950,981.13</b>	<b>10,578.12</b>

Source: The National Treasury

**Memorandum item**

**Nominal GDP (in Kshs Billion) 4,164.56**

**Source: QEBR March 2014**

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