



REPUBLIC OF KENYA

# THE NATIONAL TREASURY

DIRECTORATE OF PUBLIC DEBT MANAGEMENT

## *MONTHLY DEBT BULLETIN*

APRIL 2015

# 1.0 PUBLIC DEBT

## 1.1 Introduction

As at end April 2015, total public and publicly guaranteed debt stood at Kshs 2,742.27 billion or 47.95 percent of GDP (Table 1). The increase of 2.50 percent over the end March 2015 position is attributed to an increase in domestic debt and depreciation of Kenya shilling against all foreign currencies. External debt increased by Ksh 48.73 billion to stand at Ksh 1,326.84 billion, while the gross domestic debt increased by Ksh 18.3 billion to stand at Ksh 1,415.43 billion in April 2015 (Table 1).

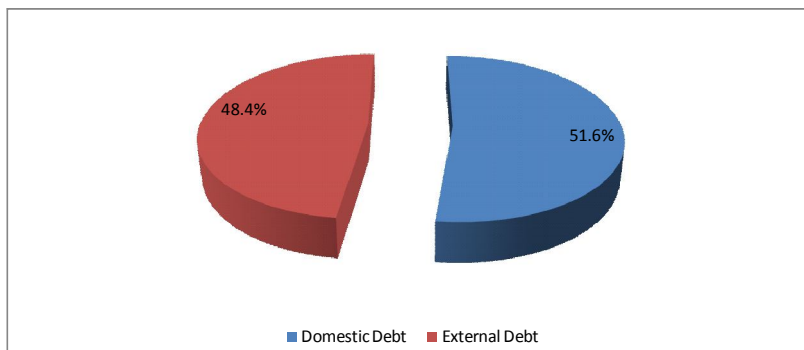
Table 1: Size of public debt, end April 2015, in billion

Debt Category	Kshs	USD	Percentage of GDP
Domestic Debt	1,415.43	14.96	24.75
External Debt	1,326.84	14.03	23.20
Total	2,742.27	28.99	47.95

Source: The National Treasury and Central Bank of Kenya

The structure of public and publicly guaranteed debt shows that 51.6 percent of the total debt is domestic debt while 48.4 percent is external debt (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 0.6 percent and 6.4 years, respectively. In addition, the average maturity period for external loans was 21 years while the average grant element was 63.2 percent.

As an indication of the success in the lengthening of maturity structure of domestic debt to minimise refinancing risk in line with the 2015 Medium Term Debt Strategy, the average maturity profile of outstanding Government domestic debt stood at 7 years 2 months as at end April 2015.

### 1.3 Movement in Exchange Rates

Table 2 shows market indicative end-month foreign exchange rates for the period February to April 2015. During this period, the Kenya shilling depreciated against the USD Dollar, Sterling Pound, Euro and JPY by 3.48, 3.29, 2.30 and 1.15 percent respectively. The shilling stood at Kshs 94.60 to the US Dollar at end of April 2015.

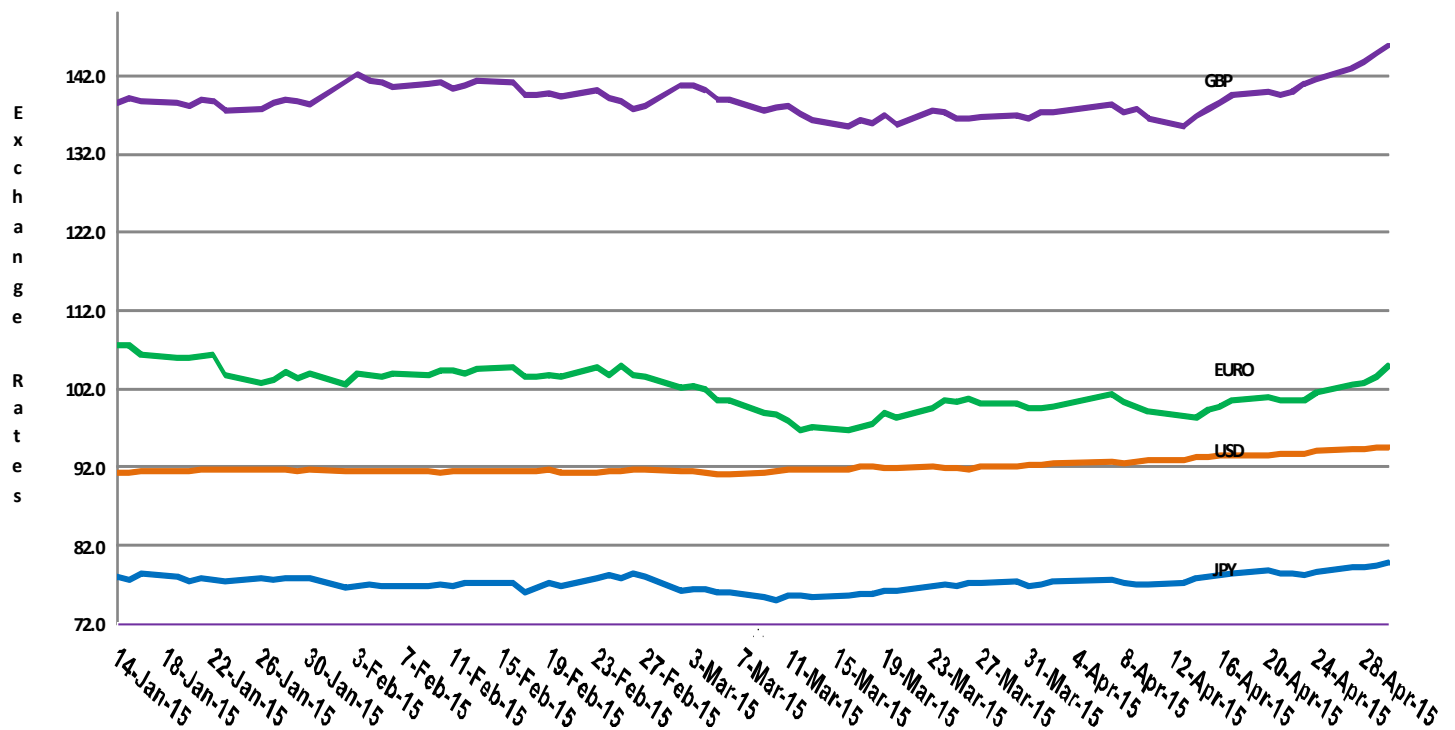
Table 2: Movement in exchange rates

Currency	February 2015	March 2015	April 2015
US Dollar	91.42	92.33	94.60
STG Pound	141.18	136.45	145.82
Euro	102.51	99.52	104.87
JPY(100)	76.71	76.89	79.79

Source: Central Bank of Kenya

Chart 2 shows the trends in daily exchange rates between Kenya Shilling and the four major foreign currencies from January 2015 to April 2015. The Kenya shilling showed mixed reactions with stability within the month of April 2015.

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

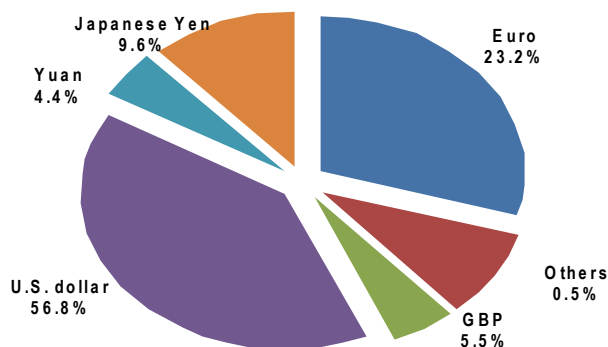
Overall, public and publicly guaranteed external debt increased by Kshs 48.72 billion as at end April 2015 to Kshs 1,326.83 billion from Kshs 1,278.11 billion at the end of March 2015 (Table 3). The increase is mainly attributed to weakening of the shilling against major currencies during the period.

Table 3: External debt stock, in billions

	M a r c h 2 0 1 5		A p r i l 2 0 1 5	
	K s h s	K s h s	K s h s	U S D
B i l a t e r a l	3 4 7 . 5 0	3 . 7 6	3 5 8 . 5 6	3 . 7 9
M u l t i l a t e r a l	6 1 4 . 3 0	6 . 6 5	6 4 4 . 0 5	6 . 8 1
G u a r a n t e e d	4 1 . 2 6	0 . 4 5	4 2 . 8 1	0 . 4 5
S u p p l i e r s C r e d i t	1 5 . 3 0	0 . 1 7	1 5 . 8 7	0 . 1 7
C o m m e r c i a l B a n k s	2 5 9 . 7 5	2 . 8 1	2 6 5 . 5 4	2 . 8 1
o / w I n t e r n a t i o n a l	2 5 3 . 9 2	2 . 7 5	2 6 0 . 1 5	2 . 7 5
S o v e r e i g n B o n d				
<b>Total</b>	<b>1,278.11</b>	<b>13.84</b>	<b>1,326.83</b>	<b>14.03</b>

Chart 3 below indicates the currency composition of external debt, and it shows that the US Dollar forms the largest share of the external debt portfolio at 56.8 percent followed by the Euro at 23.2 percent.

Chart 3. Currency Composition



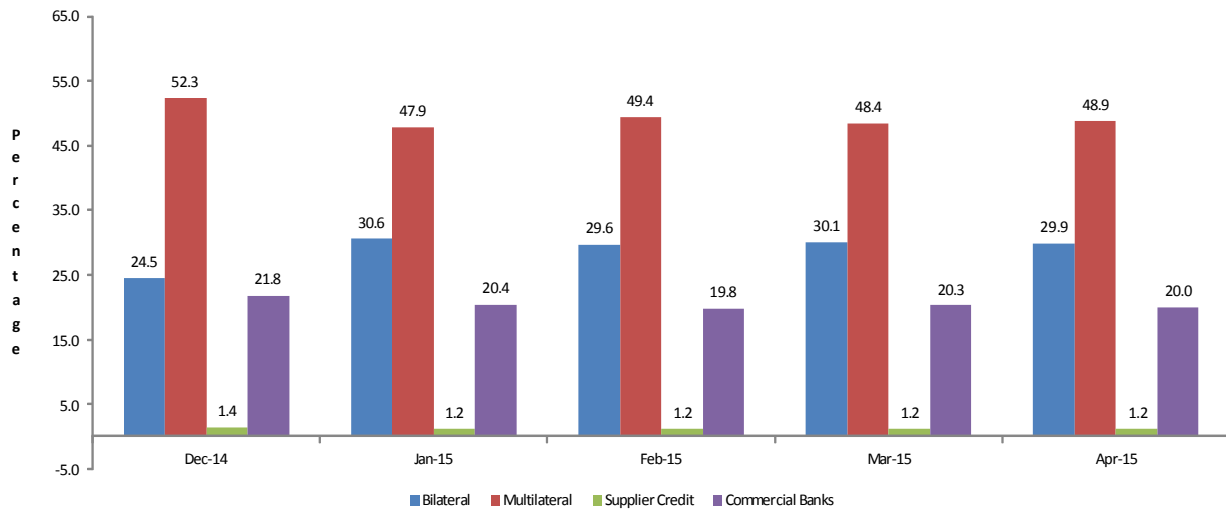
Source: The National Treasury

### 2.2 Structure of External Debt by Creditor

Official creditors account for 78.81 percent of the total public and publicly guaranteed external debt. Debt owed to multilateral creditors amounts to Ksh 648.30 billion (including Ksh 4.26 billion guaranteed debt owed to IDA) dominates the portfolio at 48.9 percent of the total. Bilateral debt stands at Kshs 397.12 billion (29.9 percent of the total), inclusive of Kshs 38.56 billion guaranteed debt, (Chart 4 and Annex 1).

In the multilateral category, IDA, ADB/ADF and IMF 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 20.0 percent of the total public and publicly guaranteed external debt.

**Chart 4: External Debt by Creditor**

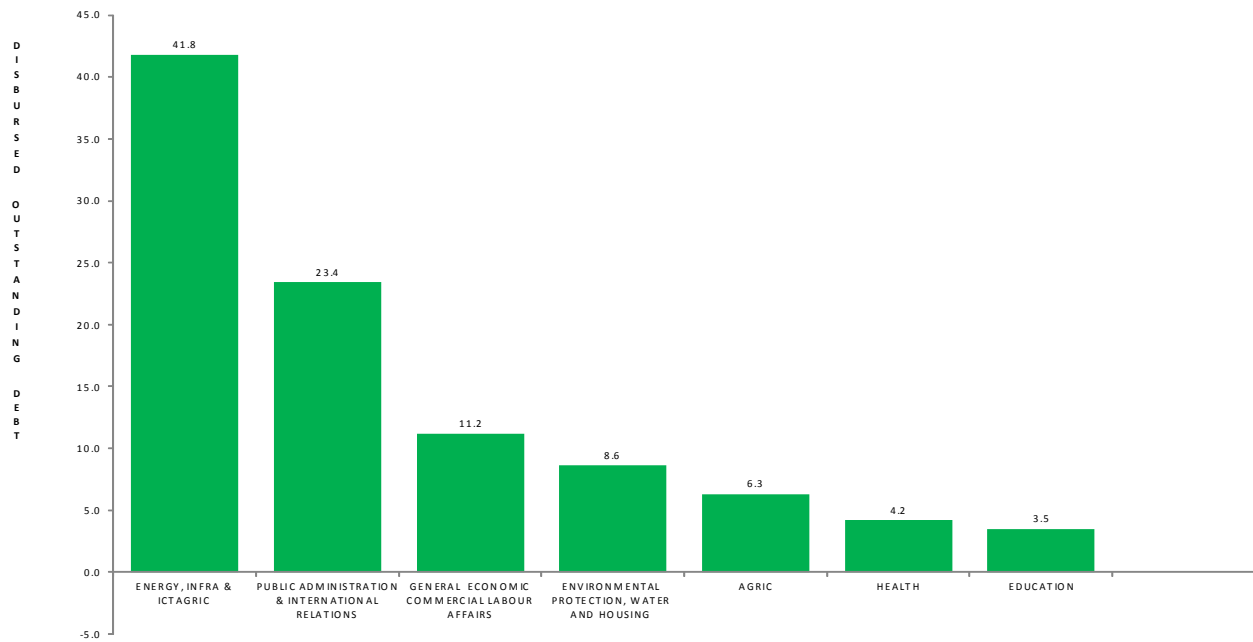


**Source: The National Treasury**

### 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 2015 stood at Kshs 96.99 billion. Principal and interest projections for the month of April 2015 was Kshs 2.67 billion and Kshs 0.68 billion, respectively. Bilateral and multilateral creditors constitute 17.95 percent and 15.66 percent of the cumulative projected debt service respectively during the period under review (Table 4).

Table 4: Projected Cumulative External Debt Service as at end of April 2015, in Kshs million

<b>Creditor category</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
Bilateral	10,978.48	6,433.03	17,411.51
Multilateral	11,639.42	3,549.94	15,189.36
Commercial	55,232.85	8,483.57	63,716.42
Guaranteed	605.99	72.04	678.83
<b>Total</b>	<b>78,456.74</b>	<b>18,538.58</b>	<b>96,995.32</b>

Source: The National Treasury

## 2.5 Actual Cumulative External Debt Service

Actual cumulative debt service as at end April 2015 was Kshs 99.33 billion (Table 5). Actual principal and interest payments for the month of April 2015 was Kshs 3.15 billion and Kshs 1.24 billion respectively.

Table 5: Actual cumulative external debt service as at end of April 2015, in Kshs million

<b>Credit category</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
Bilateral	10,410.98	9,805.84	20,216.82
Multilateral	11,924.13	4,188.15	16,112.28
Commercial	53,767.64	8,552.48	62,320.12
Guaranteed	604.84	71.13	675.97
<b>Totals</b>	<b>76,707.59</b>	<b>22,617.60</b>	<b>99,325.19</b>

Source: The National Treasury

## 2.6 Budget Deviation

The actual cumulative debt service for April 2015 was above the projected debt service by Kshs 2.34 billion. This is attributed to exchange rate variations between the projected and actual exchange rates and arrears for February paid in the month of April 2015.

## 2.7 Guaranteed External Debt

Under the Public Finance 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 2015, the guaranteed external debt stock increased by Kshs 1,553.35 million to Kshs 42.81 billion from Ksh 41.26 billion in March 2015 (Table 6). This decrease is attributed to net repayments.

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

<b>Creditor</b>	<b>February 2015</b>	<b>March 2015</b>	<b>April 2015</b>
Japan	37,042.71	36,755.36	38,198.19
Canada	347.42	350.89	359.49
U.S.A	38.85	0.00	0.00
IDA (KR Concessionaire)	4,114.04	4,115.07	4,257.00
Totals	41,525.03	41,261.33	42,814.68

**Source: The National Treasury**

The national government has not issued any new guarantees to either County and State Corporations in the period July 1st, 2014 to date.

## 3.0 DOMESTIC DEBT

### 3.1 Central Government Domestic Debt

Government net domestic debt increased by Kshs 6.73 billion to Kshs 1,123.07 billion in April 2015 from Kshs 1,116.34 billion in March 2015 due to increase in gross domestic debt over the period (Table 7).

Table 7: Government domestic debt, in Kshs billion

	February 2015	March 2015	April 2015
Gross domestic debt	1,353.30	1,397.13	1,415.43
<i>less</i>			
Govt. deposits at CBK	-115.40	-126.63	-128.53
Govt. deposits at commercial banks	-143.41	-148.46	-158.13
Govt. advances to parastatals	-5.70	-5.70	-5.70
Net domestic debt	1,088.78	1,116.34	1,123.07

Source: Central Bank of Kenya

### 3.2 Government Domestic Borrowing

During the month of April 2015, Government securities worth Kshs 57.00 billion were advertised. Bids worth Kshs 71.74 billion were received of which Treasury Bills was Ksh 47.00 and Treasury Bond was Ksh 24.74 billion. Successful bids amounted to Kshs 64.29 billion against redemptions of Kshs 38.14 billion leaving exchequer with a surplus of Kshs 26.15 billion (Table 8).

Table 8: Government domestic borrowing, in Kshs million

	Treasury Bills	Treasury Bonds	Total
Advertised	32,000	25,000	57,000
Bids received	47,001	24,736	71,737
Successful bids	39,558	24,736	64,294
Redemptions (cost)	(35,083)	(3,060)	(38,143)
Net domestic borrowing	4,476	21,676	26,151

Source: The National Treasury

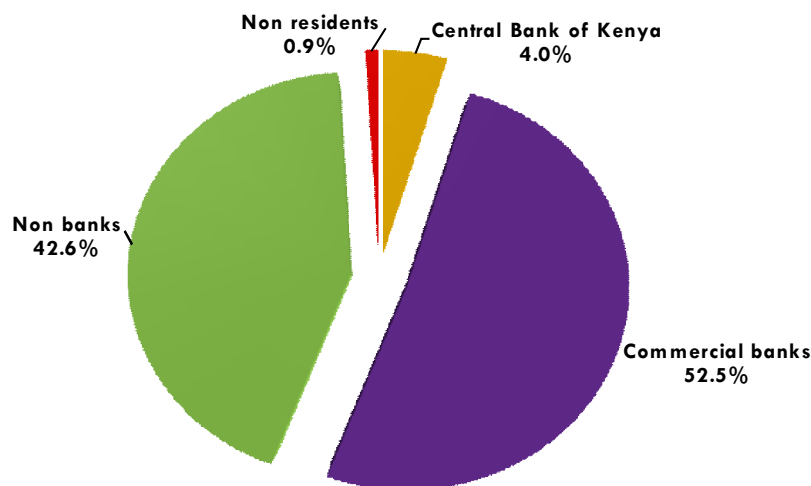


**Table 9: Domestic debt instruments by holder end April 2015, in Kshs billion**

Instrument/Holder	Commercial banks	Non banks	Central Bank of Kenya	Non residents	Total
Treasury bonds	494.12	511.06	0.05	3.93	1,009.16
Treasury bills	246.81	91.54	0.10	8.52	346.97
Others	2.19	0.07	57.04	-	59.30
<b>Total</b>	<b>743.12</b>	<b>602.67</b>	<b>57.19</b>	<b>12.45</b>	<b>1,415.43</b>
<b>Percentage Holding</b>	<b>52.5%</b>	<b>42.6%</b>	<b>4.0%</b>	<b>0.9%</b>	

At the end of April 2015, banks held the largest proportion of the outstanding Government debt securities amounting to Kshs 743.12 billion or 52.5 percent ( Table 9 and Chart 6.) This percentage comprises 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 Non Banks held Kshs 602.67 billion or 42.6 percent while the Government debt worth Kshs 12.45 billion or 0.9 percent was held by non residents who invest through nominee accounts in the local banks. Kshs 57.19 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 2015**

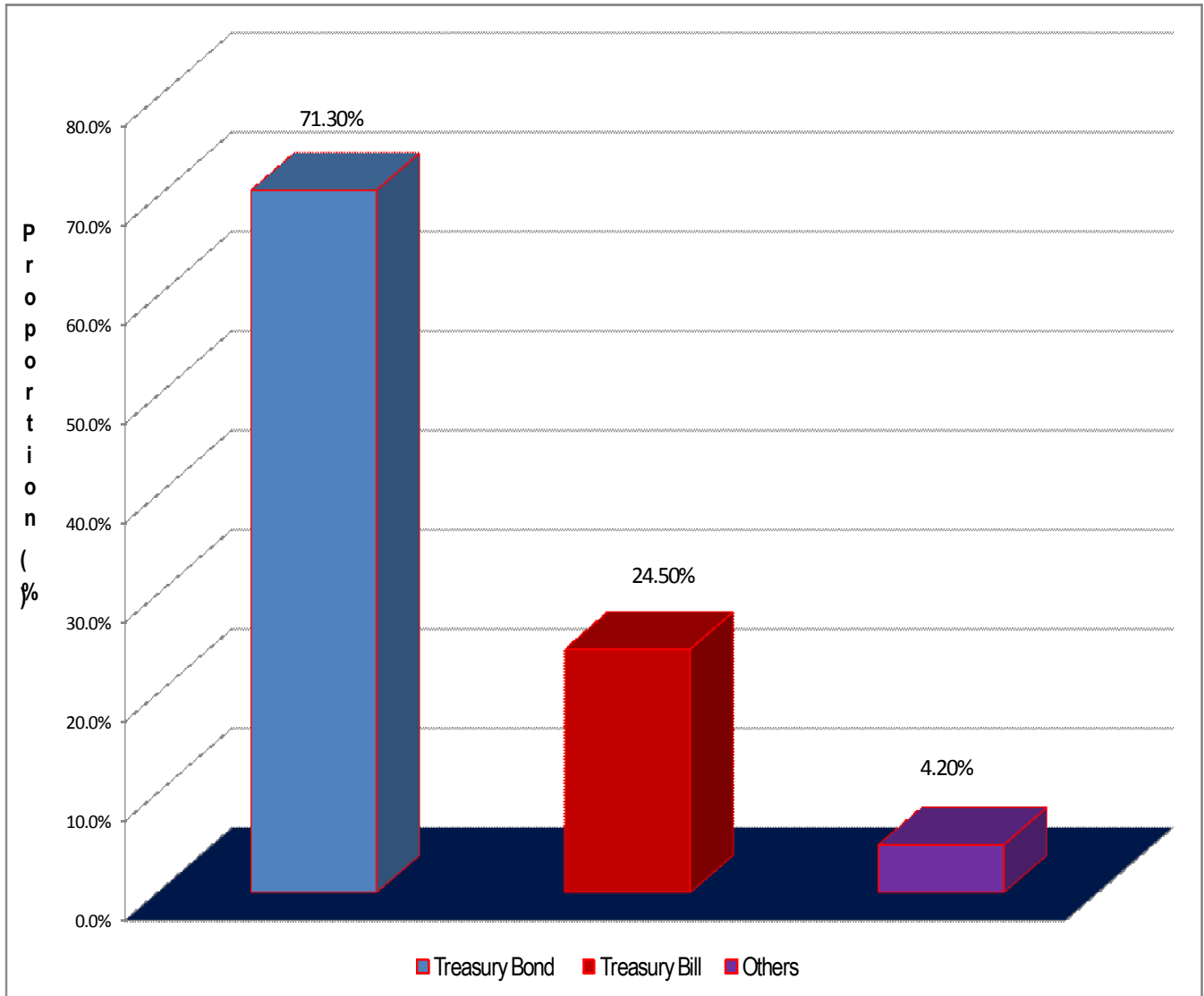


Source: Central Bank of Kenya

### 3.3 Domestic Debt by Instruments

Chart 7 shows the composition of the domestic debt as at end April 2015. 71.3 percent of Government domestic debt was in Treasury Bonds, 24.5 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 in longer dated instruments to minimise refinancing risk and promote development of domestic markets for Government securities.

Chart 7: Domestic debt by instrument



### 3.4 Net Domestic Financing

Table 10 shows that as at end April 2015, the net domestic financing was at Kshs 190.92 billion.

Table 10: Net domestic financing, in Kshs billion

	June-2014	April-2015	Change
Treasury Bills	278.92	319.92	41.00
Treasury Bonds	879.33	968.41	89.08
Pre-1997 Govt. Overdraft debt	27.78	27.23	(0.55)
Other	40.29	30.86	(9.43)
<i>of which Overdraft (from CBK)</i>	37.24	37.40	0.16
Govt. deposits	266.23	195.41	(70.82)
<b>Net Domestic Credit</b>	<b>960.09</b>	<b>1,151.01</b>	<b>190.92</b>

Source: Central Bank of Kenya

### 3.5 Cumulative Domestic Interest Payments

As at end April 2015, Government actual cumulative domestic interest payments stood at Kshs 97.74 billion against the cumulative projected interest payments of Kshs 106.39 billion. Actual interest payments on Treasury Bonds and Treasury Bills amounted to Kshs 71.81 billion and Kshs 23.48 billion respectively (Table 11).

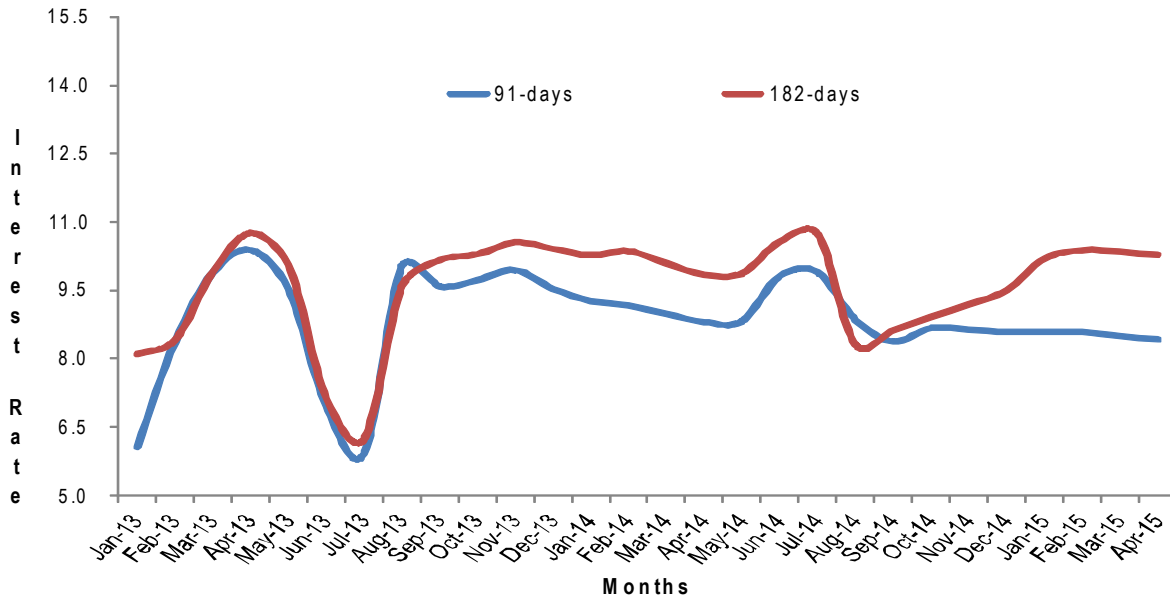
Table 11: Domestic interest payments, in Kshs million

Type of Debt	Projected	Actual	Variance
Treasury Bonds	81,289.06	71,810.06	9,479.00
Treasury Bills	21,317.03	23,484.22	(2,167.19)
Overdraft	2,935.24	1,752.60	1,182.64
Pre-1997 overdraft debt	848.19	688.68	159.51
<b>Totals</b>	<b>106,389.52</b>	<b>97,735.56</b>	<b>8,653.96</b>

### 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 January 2013. During the month of April 2015, the average interest rates for the 91-day Treasury bills dropped by 7 basis points from 8.49 percent in March 2015 to 8.42 percent in April 2015 and the 182-days Treasury bill decreased by 8 basis point to 10.26 per cent from 10.34 percent per annum. 364-days Treasury bill rate stood at an average of 10.57 percent per annum in April 2015.

Chart 8: Average interest rates on Treasury Bills



Source: Central Bank of Kenya

### 3.7 Yields on Treasury Bonds

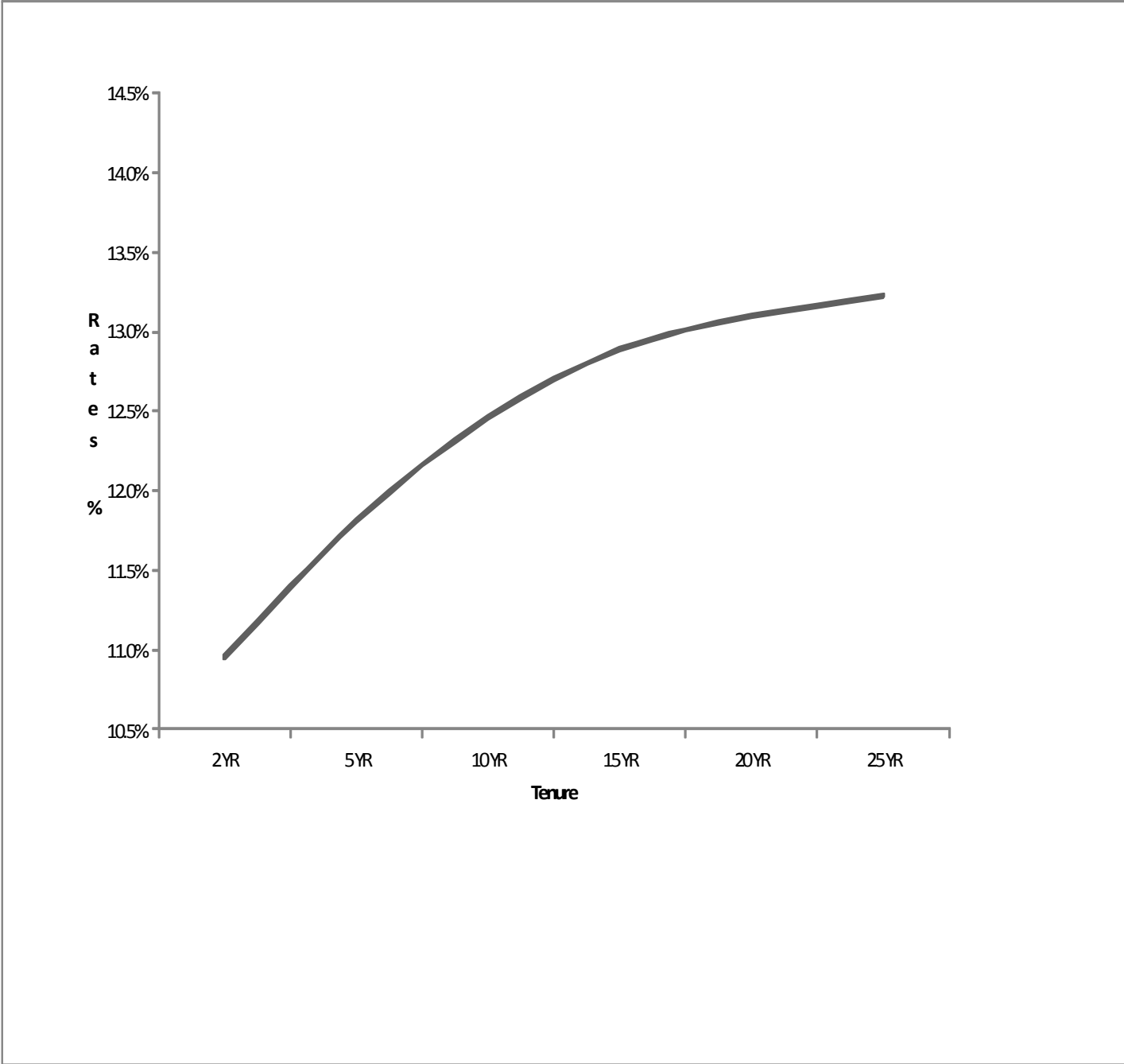
The Government has been implementing a Benchmark Bond programme to increase liquidity around selected Bonds and promote secondary trading. One of the key objectives of the programme is to lower both refinancing risk and cost of borrowing by the Government. Table 12 and Chart 9 shows the yields on selected benchmark Treasury Bonds in the secondary market as at end April 2015.

Table 12 :Yields on selected Treasury Bonds

Tenure	Rate (%)
2 YR	10.95
5 YR	11.81
10 YR	12.46
15 YR	12.89
20 YR	13.10
25 YR	13.23

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 2015</b>	<b>Stock at end April 2015</b>	<b>Change</b>
<b>CENTRAL GOVERNMENT</b>			
<b>BILATERAL</b>			
AUSTRIA	500.97	525.77	24.80
BELGIUM	5,982.62	6,280.01	297.39
CANADA	914.11	936.54	22.43
DENMARK	1,558.46	1,606.22	47.76
FINLAND	73.64	76.29	2.65
FRANCE	54,449.24	57,145.67	2,696.43
GERMANY	20,754.61	21,782.28	1,027.67
ITALY	999.97	1,050.18	50.21
JAPAN	37,390.88	38,888.15	1,497.27
NETHERLANDS	1,867.02	1,959.47	92.45
UK	1,428.55	1,526.73	98.18
USA	4,329.33	4,394.91	65.58
PARIS CLUB OTHERS	5,663.41	5,669.27	5.86
NON PARIS CLUB	211,587.94	216,719.48	5,131.54
o/w CHINA	204,479.00	209,480.63	5,001.63
<b>Sub total</b>	<b>347,500.76</b>	<b>358,560.97</b>	<b>11,060.22</b>
<b>MULTILATERAL</b>			
ADB/AFDB	132,818.87	143,820.44	11,001.57
EEC/EIB	18,872.95	19,808.76	935.81
IDA	371,021.08	385,880.50	14,859.42
IFAD	10,439.92	10,933.57	493.65
IMF	72,624.12	74,860.28	2,236.16
OTHERS	8,524.10	8,742.75	218.65
<b>Sub total</b>	<b>614,301.05</b>	<b>644,046.30</b>	<b>29,745.26</b>
<b>COMMERCIAL BANKS</b>	<b>259,746.34</b>	<b>265,544.28</b>	<b>5,797.94</b>
<b>O/W International Sovereign Bond</b>	<b>253,921.25</b>	<b>260,150.00</b>	<b>6,228.75</b>
<b>SUPPLIERS CREDIT</b>	<b>15,298.39</b>	<b>15,868.94</b>	<b>570.55</b>
<b>Sub Total</b>	<b>1,236,846.54</b>	<b>1,284,020.49</b>	<b>47,173.97</b>
<b>GUARANTEED DEBT</b>			
CANADA	350.89	359.49	8.60
JAPAN	36,755.36	38,198.19	1,442.83
USA	0.00	0.00	0.00
IDA (KR Concessionaire)	4,155.07	4,257.00	101.93
<b>Sub Total</b>	<b>41,261.33</b>	<b>42,814.68</b>	<b>1,553.36</b>
<b>GOK+ GUARANTEED TOTAL</b>	<b>1,278,107.87</b>	<b>1,326,835.17</b>	<b>48,727.33</b>

Source: The National Treasury

**Memorandum item**

**Nominal GDP (in Kshs Billion) 5,719**

**Source: 3rd Quarter QEBR 2015**

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