

THE NATIONAL TREASURY



MONTHLY DEBT BULLETIN APRIL 2018

1.1 Introduction

As at end April 2018, public and publicly guaranteed debt stood at Kshs 4.93 trillion or USD 49.10 billion which is 57.6 percent of GDP. Domestic debt stood at Kshs 2.42 trillion or USD 24.06 billion while the External debt stock stood at Kshs 2.51 trillion or USD 25.04 billion. Domestic debt as a percentage of GDP stood at 28.22 percent whereas External debt stood at 29.36 percent. The structure of debt shows that domestic debt accounts for 48.6 percent of the total debt while external debt accounts for 51.4 percent.

1.2 Movement in Exchange Rates

The key currencies in which debt is denominated are US Dollars, Euro, Yuan and Sterling Pound. Movements in exchange rates have implications on both the size of the external debt and the cost of external debt service. The US Dollars moved from 101.2 in March 2018 to 100.4 in April 2018 against the Kenya Shilling while the Euro moved from 124.7 to 121.3 during the same period. This was a 0.8 percent and a 2.8 percent appreciation of the Kenya Shilling against the US Dollars and EURO respectively. The Sterling Pound moved from 141.2 to 138.3 while the Japanese Yen moved from 95.3 to 91.9 against the Kenya Shilling in the same period; translating to a 2.1 percent appreciation

and a 3.6 percent appreciation against the Pound and the Yen, respectively.

1.3 Size of Public and Publicly Guaranteed External Debt

Overall public and publicly guaranteed external debt increased by Kshs 1.55 billion from Kshs 2,511.2 billion in March 2018 to Kshs 2,512.7 billion in April 2018. Between March and April 2018, debt owed to bilateral creditors increased by Kshs 15.9 billion to Kshs 755.7 billion while multilateral credit decreased by Kshs 21.5 billion to Kshs 810.8 billion. Commercial debt increased by 10 billion to Kshs 809.1 billion.

1.4 Currency composition of external debt

The proportion of debt denominated in USD stood at 68.9 percent, followed by Euro which accounts for 14.8 percent. The Japanese Yen, Yuan, and Sterling Pound accounted for 7.1 percent, 6.2 percent and 2.7 percent respectively. Other currencies accounted for a paltry 0.3 percent.

1.5 Actual Cumulative External Debt Service

Actual cumulative debt service as at end April 2018 stood at Kshs. 175.2 billion; comprising of principal payments of Kshs 110.8 billion and interest payments of Kshs 64.4 billion. Commercial debt service accounted for more

than half of the debt service at Kshs. 111.4 billion (63.6 percent of the total debt service). Multilateral and bilateral creditors accounted for 11.6 percent and 24.8 percent of the total debt service respectively.

The government being a guarantor of state enterprises debt is obliged to service such debt if the guarantee is called. Cumulatively from June 2017 to April 2018, the guaranteed debt service was Kshs. 1.049 billion. These comprised debt serviced on behalf of TARDA (28.7 percent), KBC (35.1 percent) and EAPC (36.1 percent).

1.6 Government Domestic Borrowing

During the month of April 2018, Government securities worth Kshs 160.0 billion were advertised. Bids worth Kshs 156.5 billion were received. Kshs 123.7 billion and Kshs 32.8 billion worth were bids received for the Treasury Bills and Treasury Bonds respectively. Successful bids from Treasury bills amounted to Kshs 109.3 billion against the month’s redemptions of Kshs 92.9 billion, giving exchequer surplus of Kshs. 16.4 billion. The successful binds from the Treasury Bonds was Kshs 26.9 billion against redemptions worth Ksh 20.4 billion leaving a surplus of Ksh 6.5 billion that went into funding the development projects as had been provided in the bond’s prospectus.

1.7 Domestic Debt by Instruments

As at end April 2018, 64.2 percent of Government domestic debt was held in Treasury Bonds, 32.7 percent in Treasury Bills while the remainder (3.1 percent) was held as Government overdraft at the Central Bank of Kenya.

1.8 Net Domestic Financing

As at end April 2018, the net domestic financing stood at Kshs 214.4 billion against a target of Ksh 293.77 billion for FY2017/18.

The net actual cumulative domestic borrowing is at Ksh 254.8 billion.

1.9 Cumulative Domestic Interest Payments

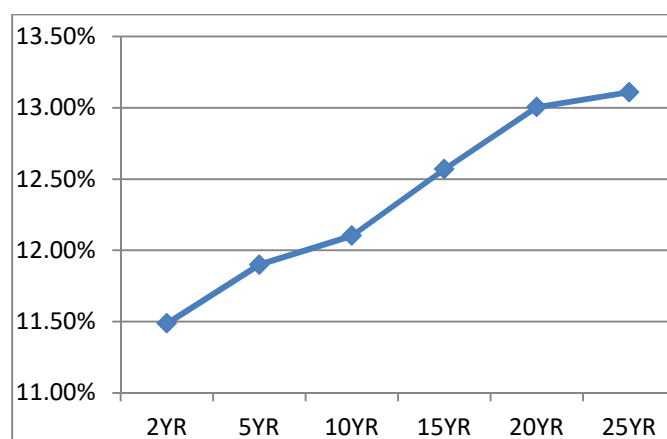
During the financial year 2017/18, the Government is projected to pay Kshs 215.2 billion as interest on domestic debt. The actual interest payment as at April 2018 stood at Kshs 189.9 billion. Of which, actual interest payments on Treasury Bonds and Treasury Bills were Kshs 130.4 billion and Kshs 57.1 billion, respectively.

1.10 Average Interest rates for Treasury Bills

The average interest rates for all the three Treasury bills came down in April 2018 as compared to March 2018. The 91-day and 182-day dropped from 8.02 percent and 10.39 percent in March to 8.00 percent and 10.30 percent respectively while 364-day Treasury Bills remained constant at 11.13 percent in April 2018 as compared to March 2018.

The secondary market yields for Government bonds are shown in the chart below.

Chart 1: Secondary Market yields on selected Treasury Bonds as at end December, 2017



Source: Nairobi Securities Exchange (NSE)

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

Creditor	Stock at end March 2018	Stock at end April 2018	Change
BILATERAL			
AUSTRIA	457.48	600.2648564	142.78
BELGIUM	10,809.88	10,129.90	(679.98)
CANADA	410.19	406.3380382	(3.85)
DENMARK	12.41	1,126.33	1,113.92
FINLAND	1,686.71	1,494.94	(191.77)
FRANCE	64,801.57	60,637.35	(4,164.22)
GERMANY	26,105.90	25,939.91	(165.99)
ITALY	124.91	125.9017298	0.99
JAPAN	51,042.17	48,492.68	(2,549.49)
NETHERLANDS	1,108.00	1,042.66	(65.34)
UK	477.79	483.1539665	5.36
USA	2,953.89	2,744.82	(209.07)
PARIS CLUB OTHERS	37,581.21	34,030.52	(3,550.69)
NON PARIS CLUB	542,230.37	568,505.02	26,274.65
<i>o/w CHINA</i>	534,070.25	559,128.70	25,058.45
Sub total	739,802.48	755,759.79	15,957.31
MULTILATERAL			
ADB/AFDB	206,285.30	204,611.23	(1,674.07)
EEC/EIB	17,952.24	20,495.23	2,542.99
IDA	508,940.24	499,332.76	(9,607.48)
IFAD	14,689.27	14,435.23	(254.04)
IMF	73,846.77	64,042.76	(9,804.01)
OTHERS	10,513.74	7,854.47	(2,659.27)
Sub total	832,227.56	810,771.68	(21,455.88)
OTHERS			
Commercial Banks	303,402.37	315,779.10	12,376.73
International Sovereign Bond	479,024.20	476,715.23	(2,308.97)
Suppliers Credit	16,691.64	16,611.18	(80.46)
Sub Total	799,118.20	809,105.51	9,987.31
Total GoK	2,371,148.24	2,375,636.98	4,488.74
GUARANTEED			
JAPAN	52,062.00	49,552.42	(2,509.58)
GERMANY	7,807.88	7,766.41	(41.47)
IDA (KR Concessionaire)	4,538.12	4,516.25	(21.87)
Kenya Airways(commercial debt)	75,635.40	75,270.83	(364.57)
Sub Total	140,043.41	137,105.91	(2,937.50)
GOK+ GUARANTEED TOTAL	2,511,191.65	2,512,742.89	1,551.24

Source: National Treasury