



REPUBLIC OF KENYA

THE NATIONAL TREASURY

MONTHLY DEBT BULLETIN

DECEMBER 2013

1.0 PUBLIC DEBT

1.1 Introduction

As at end December 2013, public and publicly guaranteed debt stood at Kshs 2,111.55 billion or 50.7 percent of GDP (see Table 1). The increase of 1.41 percent over the end November 2013 position is mainly attributed to increase in domestic debt. Gross domestic debt increased by Ksh 19.13 billion to stand at Ksh 1,189.18 billion, while external debt increased by Ksh 10.14 billion to stand at Ksh 922.37 billion in December 2013 . (See Table 1).

Table 1: Size of public debt end December 2013, in billion

Debt Category	Kshs	USD
Domestic Debt	1,189.18	13.78
External Debt	922.37	10.69
Total	2,111.55	24.47

Source: The National Treasury and Central Bank of Kenya

The structure of public and publicly guaranteed debt shows that 56.6 percent of the total debt is domestic debt while 43.4 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 7.5 years, respectively. In addition, the average maturity period for external loans was 32.6 years while the average grant element was 71.0 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 month as at end December 2013 compared with 4 year 11 months in December 2012.

1.3 Movement in Exchange Rates

Table 2 shows market indicative end-month foreign exchange rates for the period October 2013 to December 2013. During this period, the Kenya shilling depreciated against the US Dollar, Sterling Pound and Euro by 0.01, 0.04 and 0.02 percent respectively. The shilling appreciated against the Japanese Yen by 0.05. The shilling stood at Kshs 86.31 to the US Dollar at end of December 2013. Depreciation of the Kenya Shilling has the effect of increasing external debt stock and the cost of debt service.

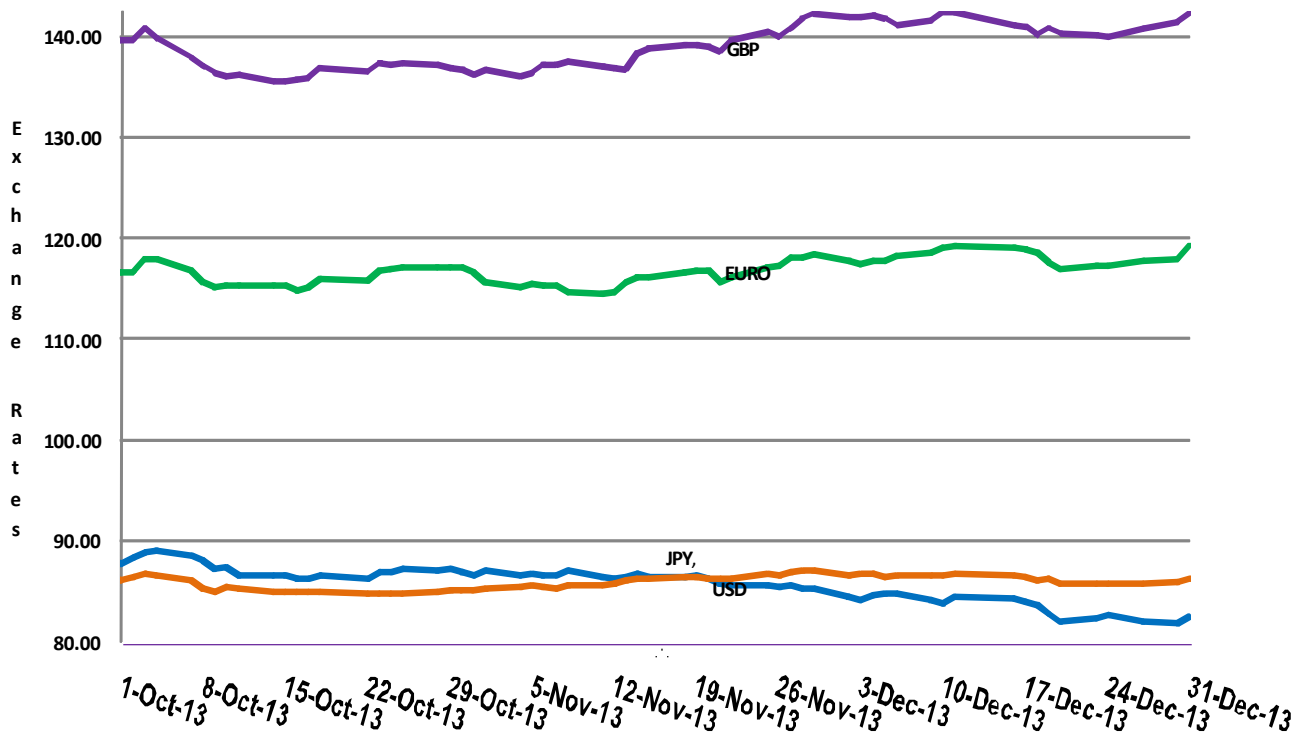
Table 2: Movement in exchange rates

Currency	October 2013	November 2013	December 2013
US Dollar	85.15	86.99	86.31
STG Pound	136.38	142.31	142.39
Euro	116.68	118.47	119.22
JPY(100)	86.57	85.28	82.42

Source: Central Bank of Kenya

Chart 2 shows the trends in daily exchange rates between Kenya Shilling and the four major foreign currencies from October 2013 to December 2013. The exchange rate against the four major currencies showed mixed movements during the month of December 2013.

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 10.14 billion as at end December 2013 to Kshs 922.37 billion from Kshs 912.23 billion as shown in Table 3.

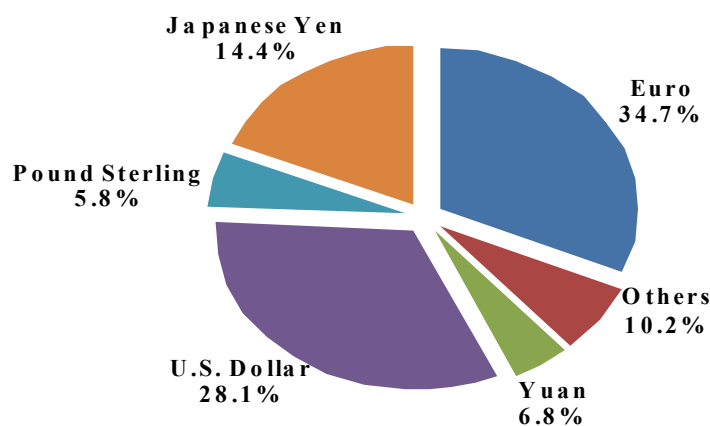
Table 3: External debt stock, in billions

	November 2013		December 2013	
	Kshs	USD	Kshs	USD
Bilateral	242.30	2.79	245.14	2.84
Multilateral	549.38	6.32	558.73	6.47
Guaranteed	45.29	0.52	43.60	0.51
Others	15.75	0.18	15.76	0.18
Commercial Banks	59.51	0.68	59.14	0.69
Total	912.23	10.49	922.37	10.69

Source: The National Treasury

This increase is attributed to disbursements from IDA, France and China. Chart 3 below indicates the currency composition of external debt, it shows that the Euro forms the largest share of the external debt portfolio at 34.7 percent followed by the US Dollar at 28.1 percent.

Chart 3. Currency Composition

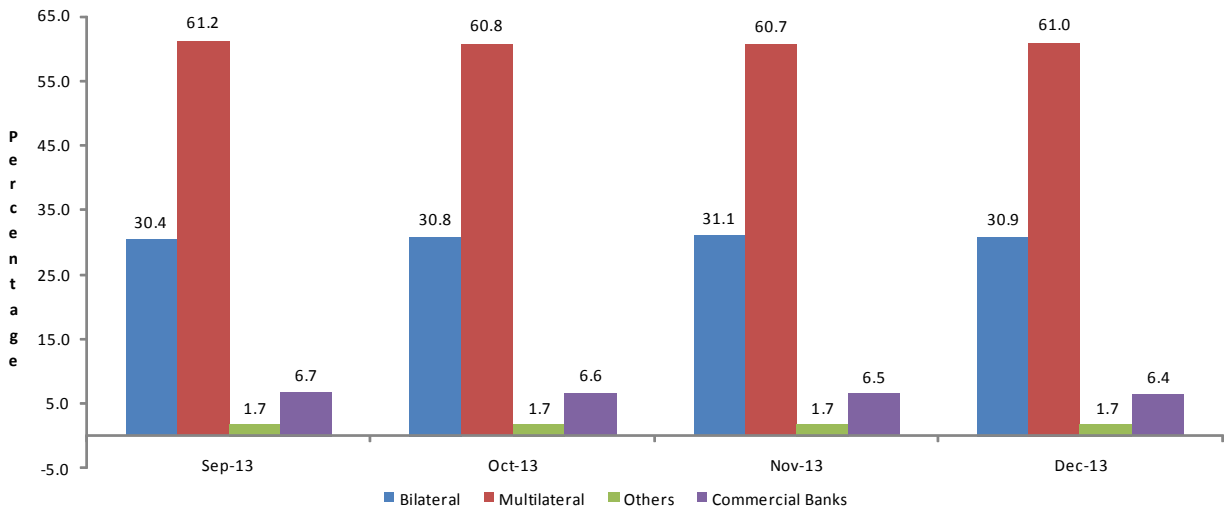


2.2 Structure of External Debt by Creditor

Official creditors account for 91.88 percent of the total public and publicly guaranteed external debt, out of which debts owed to multilateral creditors amounts to Ksh 562.61 billion (including Ksh 3.88 billion guaranteed debt owed to IDA) dominate the portfolio (61.00 percent of the total). Bilateral debt stands at Kshs 284.85 billion (30.88 percent of the total), inclusive of Kshs 39.71 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 Japan, China and France are the leading creditors in the bilateral category. The Commercial debt constitutes 6.41 percent of the total public and publicly guaranteed external debt.

Chart 4: External Debt by Creditor

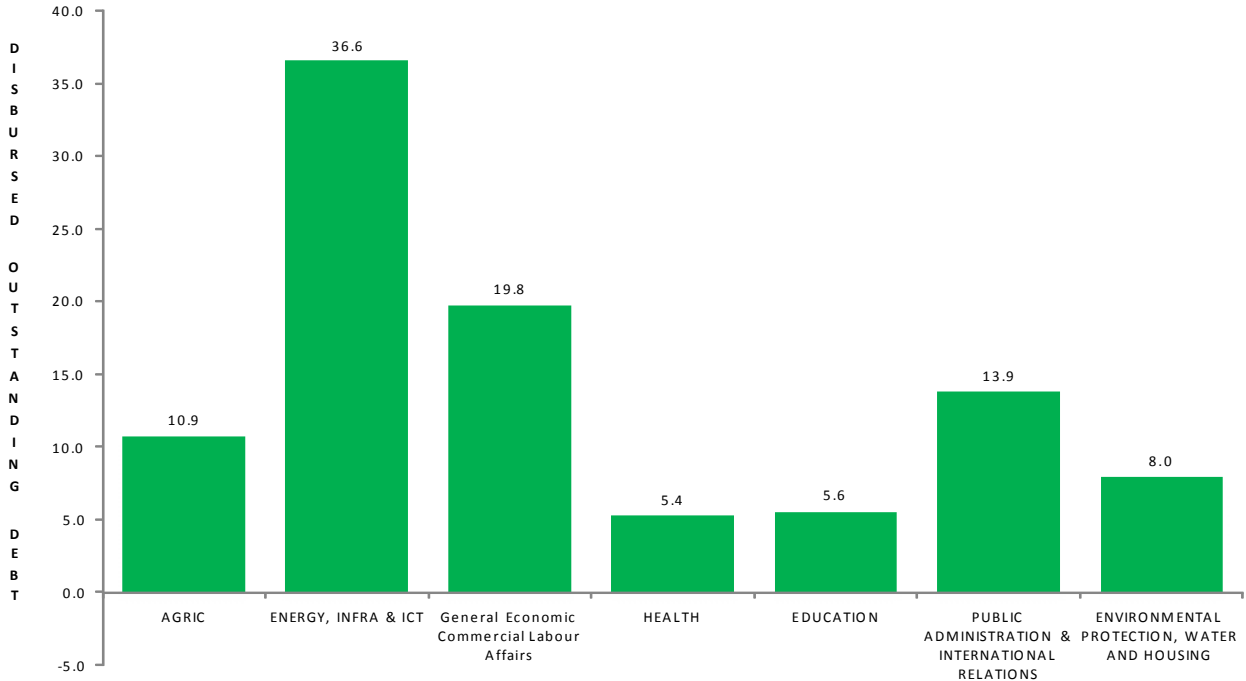


Source: The National

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



2.4 Projected Cumulative External Debt Service

Projected cumulative external debt service for the period to end December 2013 stood at Kshs 21.71 billion. Principal and interest projections for the month of December 2013 was Kshs 3.36 billion and Kshs 1.08 billion, respectively. Multilateral and bilateral creditors constitute 42.8 percent and 53.4 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 December 2013, in Kshs million

Creditor category	Principal	Interest	Total
Bilateral	9,031.50	2,553.27	11,584.77
Multilateral	7,547.35	1,748.18	9,295.53
Commercial	-	828.33	828.33
Total	16,578.85	5,129.78	21,708.63

Source: The National Treasury

2.5 Actual Cumulative External Debt Service

Actual cumulative debt service as at end December 2013 was Kshs 18.25 billion as shown in Table 5. Actual principal and interest payments for the month of December 2013 was Kshs 2.88 billion and Kshs 0.73 billion respectively.

Table 5: Actual cumulative external debt service as at end of December 2013, in Kshs million

Credit category	Principal	Interest	Total
Bilateral	5,923.31	2,340.80	8,264.11
Multilaterals	6,043.23	2,016.96	8,060.19
Commercials	411.63	1,513.67	1,925.30
Totals	12,378.17	5,871.43	18,249.60

Source: The National Treasury

2.6 Budget Deviation

The actual cumulative debt service for December 2013 was below the projected debt service by Kshs 3.5 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 so long as it does not exceed the statutory ceiling set by Parliament which currently stands at Kshs 200 billion. The guaranteed external debt decreased by Kshs 1.69 billion to Kshs 43.60 billion in December 2013 from Ksh 45.33 billion in November 2013 due to repayments during the month.

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

Creditor	October 2013	November 2013	December 2013
Japan	41,039.54	40,907.25	39,257.19
Canada	349.12	356.68	345.25
U.S.A	108.56	110.92	110.04
IDA (KR Concessionaire)	3,831.61	3,914.69	3,883.94
Totals	45,328.83	45,289.54	43,596.42

Source: The National Treasury

3.0 DOMESTIC DEBT

3.1 Central Government Domestic Debt

Government net domestic debt decreased by Kshs 15.97 billion to Kshs 944.58 billion in December 2013 from Kshs 960.55 billion in November 2013 due to increase in Government deposits over the period as indicated in Table 7.

Table 7: Government domestic debt, in Kshs billion

	October 2013	November 2013	December 2013
Gross domestic debt	1,174.78	1,170.05	1,189.18
<i>less</i>			
Govt. deposits at CBK	-114.54	-98.64	-115.56
Govt. deposits at commercial banks	-122.85	-105.16	-123.34
Govt. advances to parastatals	-5.70	-5.70	-5.70
Net domestic debt	931.69	960.55	944.58

Source: Central Bank of Kenya

3.2 Government Domestic Borrowing

During the month of December 2013, Government securities worth Kshs 58 billion were advertised. Bids worth Kshs 36.70 billion and 30.69 billion were received for Treasury Bills and Treasury Bond respectively during the month. Successful bids amounted to Kshs 58.67 billion against the months redemptions of Kshs 38.89 billion leaving exchequer with a surplus of Kshs 19.79 billion.

Table 8: Government domestic borrowing, in Kshs million

	Treasury Bills	Treasury Bonds	Total
Advertised	43,000	15,000	58,000
Bids received	36,698	30,686	67,384
Successful bids	33,422	25,252	58,674
Redemptions (cost)	(36,624)	(2,262)	(38,886)
Net domestic borrowing	(3,202)	22,990	19,788

Source: The National Treasury

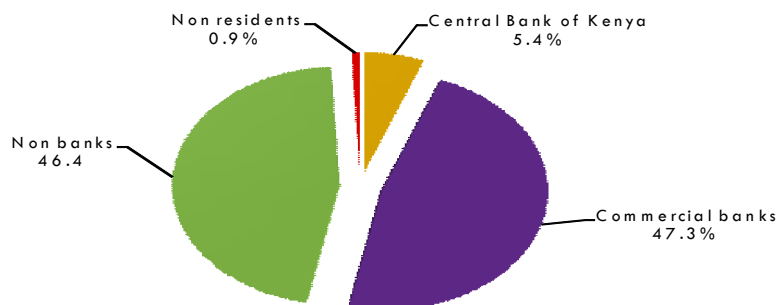
Table 9: Domestic debt instruments by holder, in Kshs billion

Instrument/Holder	Commercial banks	Non banks	Central Bank of Kenya	Non residents	Total
Treasury bonds	369.49	443.29	0.03	3.48	816.29
Treasury bills	191.08	107.92	1.46	6.80	307.26
Others	2.44	0.07	63.12	0.00	65.63
Total	563.01	551.28	64.62	10.28	1,189.18
Percentage Holding	47.3	46.4	5.4	0.9	100.00

Source: Central Bank of Kenya

At the end of December 2013, commercial banks continued to hold the largest proportion of the outstanding Government debt securities amounting to Kshs 563.01 billion or 47.3 percent as shown in Table 9 and Chart 6. The non banks held 46.4 percent of the outstanding Government paper, mostly Treasury Bonds. The non banks category comprises non bank financial institutions, National Social Security Fund (NSSF), parastatals, insurance companies, building societies, pension funds and individuals. Government debt worth Kshs 10.28 billion or 0.9 percent was held by non residents who invest through nominee accounts in the local banks. Kshs 64.62 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 December 2013

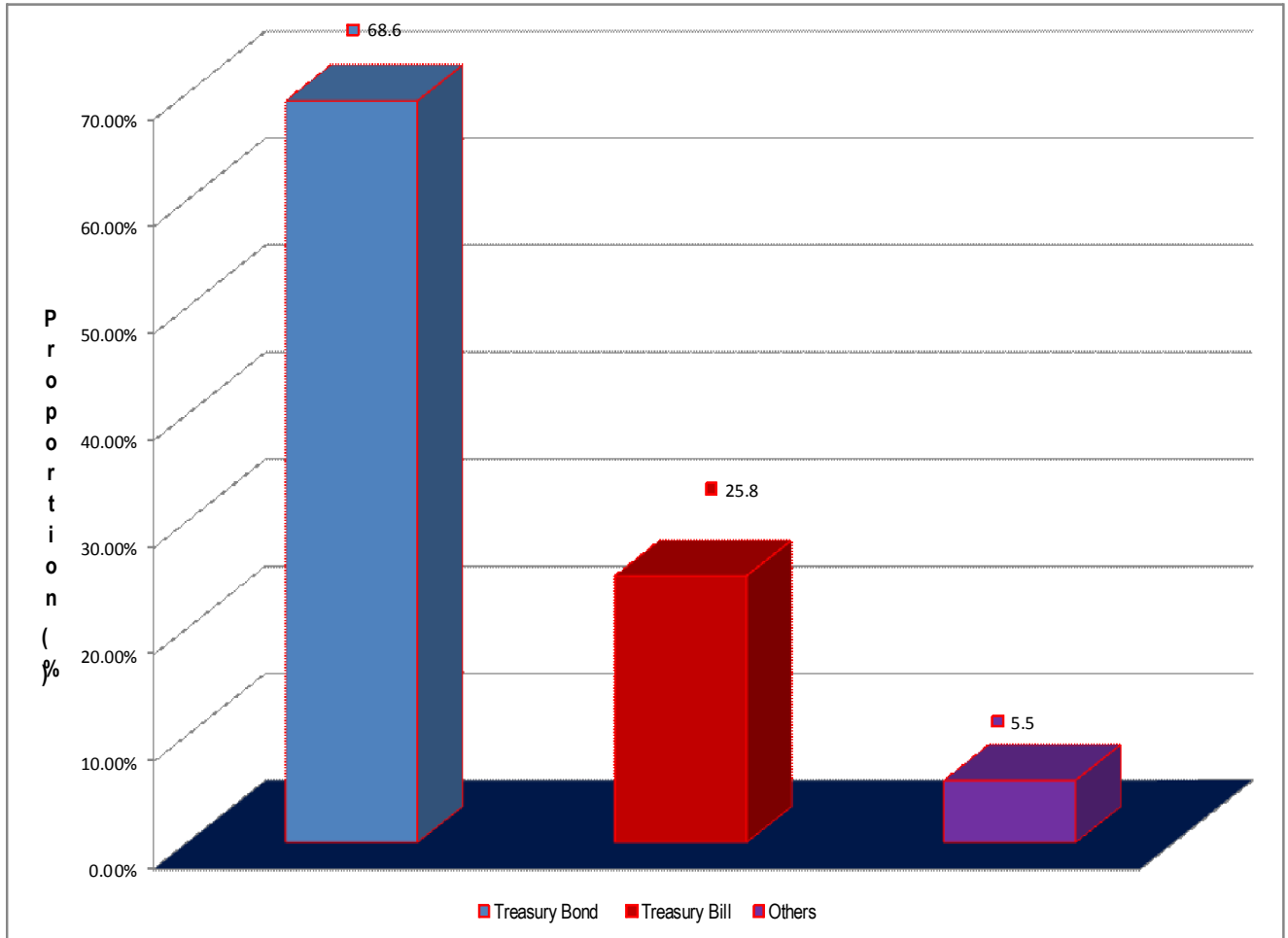


Source: Central Bank of Kenya

3.3 Domestic Debt by Instruments

Chart 7 shows the composition of the domestic debt as at end November 2013. 68.6 percent of Government domestic debt was in Treasury Bonds, 25.8 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 December 2013, the net domestic financing stood at Kshs 67.37 billion.

Table 10: Net domestic financing, in Kshs billion

	June-2013	December -2013	Change
Treasury Bills	245.48	280.35	34.87
Treasury Bonds	713.12	782.90	69.78
Pre-1997 Govt. Overdraft debt	28.89	28.89	0.00
Other	8.72	35.78	27.06
<i>of which Overdraft (from CBK)</i>	7.00	34.19	27.19
Govt. deposits	97.37	161.71	64.34
Net Domestic Credit	898.84	966.21	67.37

Source: Central Bank of Kenya

3.5 Cumulative Domestic Interest Payments

As at end December 2013, Government actual cumulative domestic interest payments stood at Kshs 56.92 billion against the cumulative projected interest payments of Kshs 53.69 billion. Actual interest payments on Treasury Bonds and Treasury Bills amounted to Kshs 47.1 billion and Kshs 8.76 billion respectively. The variance of Kshs 3.2 billion between actual and budgeted interest payments is attributed to interest payments on Treasury bonds.

Table 11: Domestic interest payments, in Kshs million

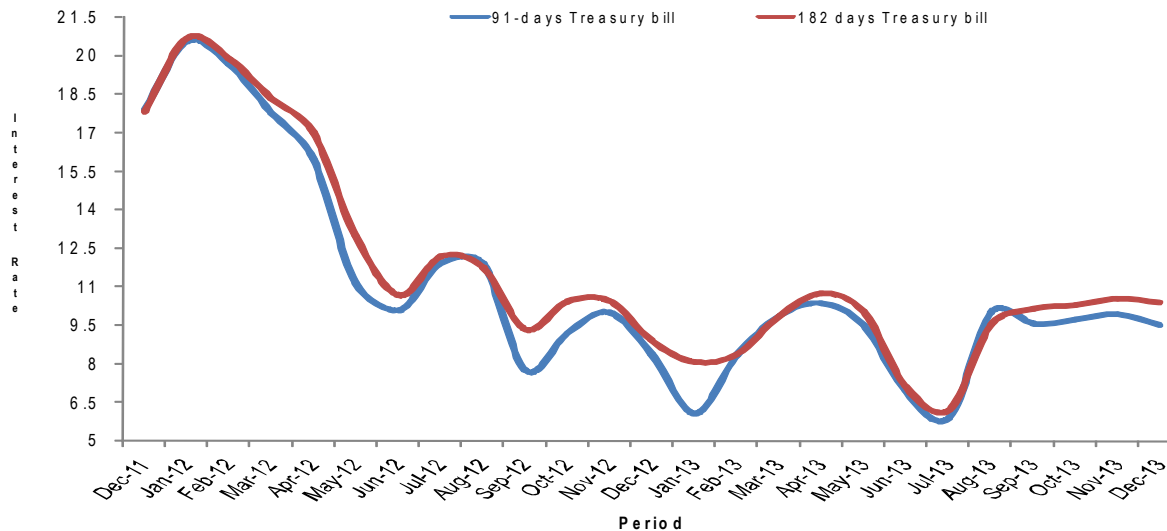
Type of debt	Projected	Actual	Variance
Treasury bonds	43,773.43	47,122.87	3,349.44
Treasury bills	8,553.41	8,765.76	212.35
Overdraft	940.89	530.39	(410.50)
Pre-1997 overdraft debt	427.40	504.38	76.98
Totals	53,695.13	56,923.40	3,228.27

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 December 2013, the average interest rates for the 91-day Treasury bills decreased by 41 basis points to 9.53 percent from 9.94 percent in November 2013 and the 182-days Treasury bill decreased by 14 basis points from 10.54 per cent to 10.40 percent per annum. 364-days Treasury bill rate stood at an average of 10.67 percent per annum in December 2013.

Chart 8: Average interest rates on Treasury Bills



Source: Central Bank of Kenya

3.7 Yields on Treasury Bonds

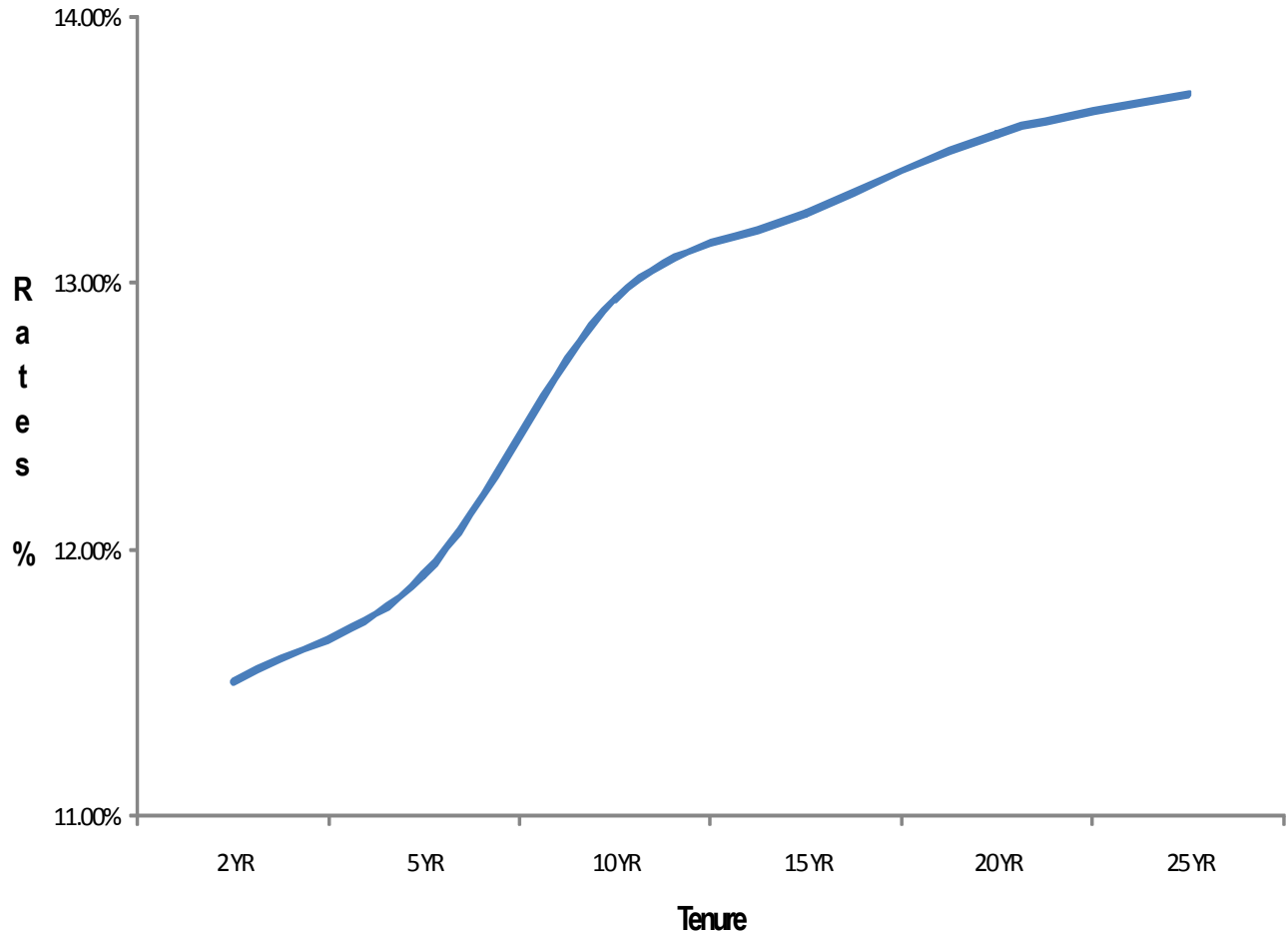
The Government has been implementing a Benchmark Bond programme to increase liquidity around selected Bonds and promote secondary trading. One of the key objectives of the programme is to lower both refinancing risk and cost of borrowing by the Government. Table 12 shows the yields on selected benchmark Treasury Bonds in the secondary market as at end December 2013.

Table 12 : Yields on selected Treasury Bonds

Tenure	Rate (%)
2 YR	11.50
5 YR	11.90
10 YR	12.94
15 YR	13.26
20 YR	13.56
25 YR	13.71

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)**

CREDITOR	Stock at end November 2013	Stock at end December 2013	Change
CENTRAL GOVERNMENT			
BILATERAL			
AUSTRIA	921.74	873.68	(48.06)
BELGIUM	7,885.83	7,585.93	(299.90)
CANADA	1,049.60	983.26	(66.34)
DENMARK	2,051.82	2,024.98	(26.84)
FINLAND	99.83	92.78	(7.05)
FRANCE	56,458.37	58,998.50	2,540.13
GERMANY	26,499.03	26,329.67	(169.36)
ITALY	1,720.93	1,714.93	(6.00)
JAPAN	45,180.37	43,321.58	(1,858.79)
NETHERLANDS	2,921.97	2,803.14	(118.83)
UK	1,876.37	1,756.21	(120.16)
USA	4,627.73	4,498.18	(129.55)
PARIS CLUB OTHERS	5,504.14	5,571.52	67.38
NON PARIS CLUB	85,505.72	88,584.44	3,078.72
o/w CHINA	78,845.90	81,185.57	2,339.67
Sub total	242,303.44	245,138.79	2,835.35
MULTILATERAL			
ADB/AFDB	94,963.71	96,291.47	1,327.76
EEC/EIB	16,334.46	16,203.06	(131.40)
IDA	344,480.47	343,906.75	(573.72)
IFAD	9,909.90	9,808.07	(101.83)
IMF	74,506.10	83,378.66	8,872.56
OTHERS	9,182.90	9,137.50	(45.40)
Sub total	549,377.55	558,725.52	9,347.97
COMMERCIAL BANKS	59,508.12	59,144.69	(363.43)
SUPPLIERS CREDIT	15,755.66	15,763.73	8.07
Sub Total	866,944.77	878,772.73	11,827.96
GUARANTEED DEBT			
CANADA	356.69	345.25	(11.44)
JAPAN	40,907.25	39,257.19	(1,650.06)
USA	110.92	110.04	(0.88)
IDA (KR Concessionaire)	3,914.69	3,883.94	(30.75)
Sub Total	45,289.55	43,596.42	(1,693.13)
GOK+ GUARANTEED TOTAL	912,234.31	922,369.15	10,134.84

Source: The National Treasury

Memorandum item

Nominal GDP (in Kshs Billion) 4,164.56

Source: QEBR June 2013

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