



REPUBLIC OF KENYA

THE NATIONAL TREASURY

MONTHLY DEBT BULLETIN

JANUARY 2014

1.0 PUBLIC DEBT

1.1 Introduction

As at end January 2014, public and publicly guaranteed debt stood at Kshs 2,121.31 billion or 50.9 percent of GDP (see Table 1). The increase of 0.46 percent over the end December 2013 position is mainly attributed to increase in domestic debt. Gross domestic debt increased by Ksh 11.72 billion to stand at Ksh 1,200.90 billion, while external debt decreased by Ksh 1.96 billion to stand at Ksh 920.41 billion in January 2014 . (See Table 1).

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

Debt Category	Kshs	USD
Domestic Debt	1,200.90	13.93
External Debt	920.41	10.67
Total	2,121.31	24.60

Source: The National Treasury and Central Bank of Kenya

The structure of public and publicly guaranteed debt shows that 56.7 percent of the total debt is domestic debt while 43.3 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 1.2 percent and 7.2 years, respectively. In addition, the average maturity period for external loans was 31.5 years while the average grant element was 68.8 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 10 month as at end January 2014 compared with 4 years 11 months in December 2013.

1.3 Movement in Exchange Rates

Table 2 shows market indicative end-month foreign exchange rates for the period November 2013 to January 2014. During this period, the Kenya shilling appreciated against the US Dollar, Sterling Pound, Euro, and Japanese Yen by 0.86, 0.12, 1.39 and 1.38 percent respectively. The shilling stood at Kshs 86.24 to the US Dollar at end of January 2014. Appreciation of the Kenya Shilling has the effect of decreasing external debt stock and the cost of debt service.

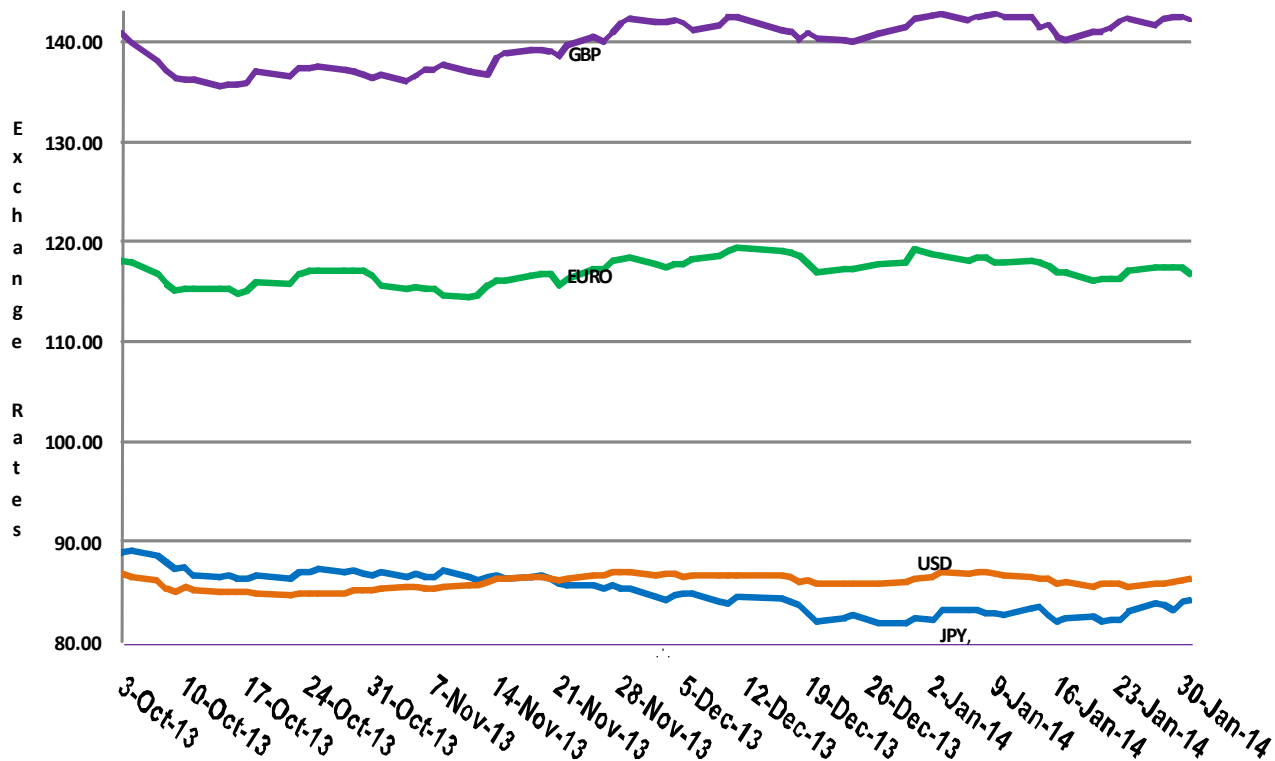
Table 2: Movement in exchange rates

Currency	November 2013	December 2013	January 2014
US Dollar	86.99	86.31	86.24
STG Pound	142.31	142.39	142.14
Euro	118.47	119.22	116.82
JPY(100)	85.28	82.42	84.10

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 January 2014. The exchange rate against the four major currencies showed mixed movements during the month of January 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 decreased by Kshs 1.96 billion as at end January 2014 to Kshs 920.41 billion from Kshs 922.37 billion as shown in Table 3.

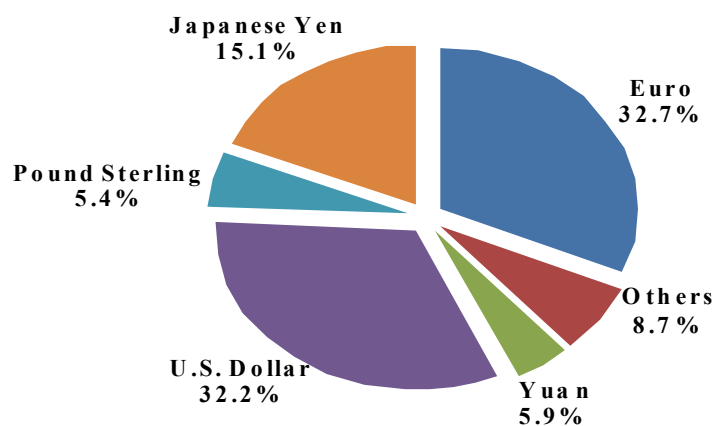
Table 3: External debt stock, in billions

	December 2013		January 2014	
	Kshs	USD	Kshs	USD
Bilateral	245.14	2.84	241.28	2.82
Multilateral	558.73	6.47	557.85	6.47
Guaranteed	43.60	0.51	44.69	0.52
Others	15.76	0.18	15.57	0.18
Commercial Banks	59.14	0.69	58.95	0.68
Total	922.37	10.69	918.34	10.67

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 32.7 percent followed by the US Dollar at 32.2 percent.

Chart 3. Currency Composition

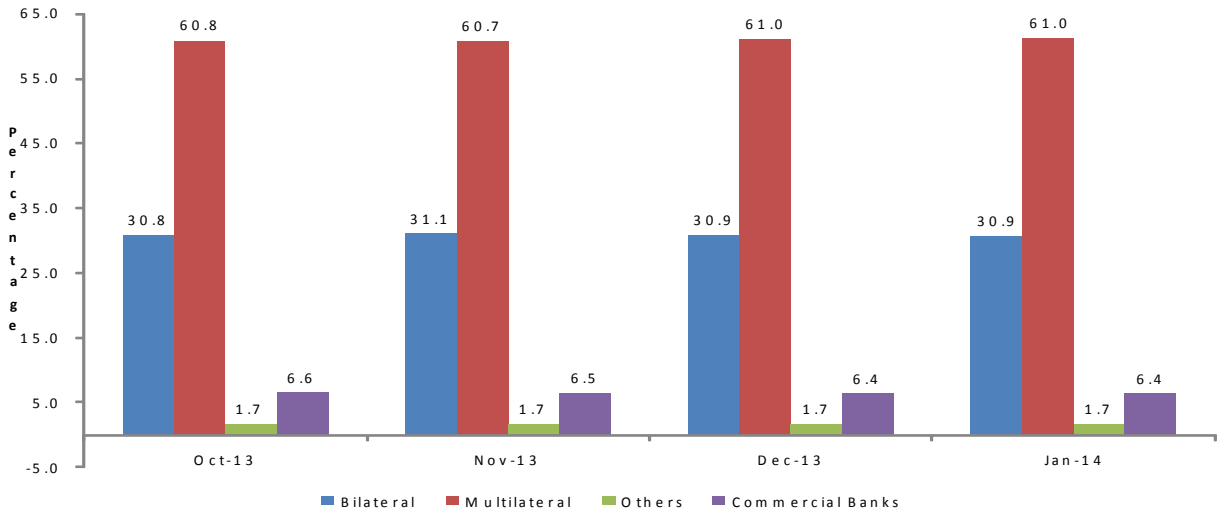


2.2 Structure of External Debt by Creditor

Official creditors account for 91.90 percent of the total public and publicly guaranteed external debt, out of which debts owed to multilateral creditors amounts to Ksh 561.73 billion (including Ksh 3.88 billion guaranteed debt owed to IDA) dominate the portfolio (61.03 percent of the total). Bilateral debt stands at Kshs 284.16 billion (30.87 percent of the total), inclusive of Kshs 40.81 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 6.40 percent of the total public and publicly guaranteed external debt.

Chart 4: External Debt by Creditor

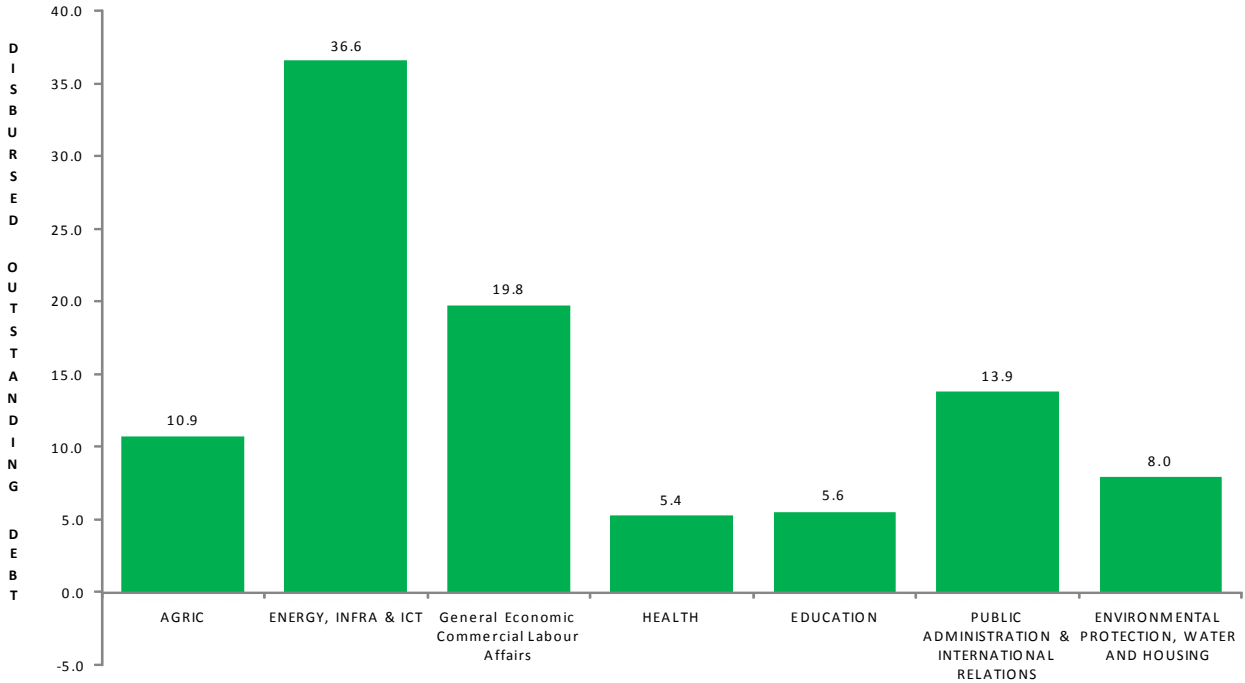


Source: The National

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 January 2014 stood at Kshs 25.11 billion. Principal and interest projections for the month of January 2014 was Kshs 2.70 billion and Kshs 0.68 billion, respectively. Multilateral and bilateral creditors constitute 44.9 percent and 51.8 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 January 2014, in Kshs million

Creditor category	Principal	Interest	Total
Bilateral	9,971.26	3,049.65	13,020.91
Multilateral	9,338.13	1,928.38	11,266.51
Commercial	-	828.33	828.33
Total	19,309.39	5,806.36	25,115.75

Source: The National Treasury

2.5 Actual Cumulative External Debt Service

Actual cumulative debt service as at end January 2014 was Kshs 20.87 billion as shown in Table 5. Actual principal and interest payments for the month of January 2014 was Kshs 1.85 billion and Kshs 0.76 billion respectively.

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

Credit category	Principal	Interest	Total
Bilateral	7,053.45	2,979.19	10,032.64
Multilaterals	6,767.50	2,143.81	8,911.31
Commercials	411.63	1,513.67	1,925.30
Totals	14,232.58	6,636.67	20,869.25

Source: The National Treasury

2.6 Budget Deviation

The actual cumulative debt service for January 2014 was below the projected debt service by Kshs 4.2 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 January 2014, the guaranteed external debt increased by Kshs 1.10 billion to Kshs 44.69 billion in January 2014 from Ksh 43.59 billion in December 2013 due to disbursements during the period.

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

Creditor	November 2013	December 2013	January 2014
Japan	40,907.25	39,257.19	40,358.34
Canada	356.68	345.25	344.96
U.S.A	110.92	110.04	109.95
IDA (KR Concessionaire)	3,914.69	3,883.94	3,880.62
Totals	45,289.54	43,596.42	44,693.87

Source: The National Treasury

3.0 DOMESTIC DEBT

3.1 Central Government Domestic Debt

Government net domestic debt increased by Kshs 19.60 billion to Kshs 964.18 billion in January 2014 from Kshs 944.58 billion in December 2013 due to decrease in Government deposits over the period as indicated in Table 7.

Table 7: Government domestic debt, in Kshs billion

	November 2013	December 2013	January 2014
Gross domestic debt	1,170.05	1,189.18	1,200.90
<i>less</i>			
Govt. deposits at CBK	-98.64	-115.56	-114.84
Govt. deposits at commercial banks	-105.16	-123.34	-116.18
Govt. advances to parastatals	-5.70	-5.70	-5.70
Net domestic debt	960.55	944.58	964.18

Source: Central Bank of Kenya

3.2 Government Domestic Borrowing

During the month of January 2014, Government securities worth Kshs 46 billion were advertised. Bids worth Kshs 28.23 billion and 40.82 billion were received for Treasury Bills and Treasury Bond respectively during the month. Successful bids amounted to Kshs 40.47 billion against redemptions of Kshs 16.16 billion leaving exchequer with a surplus of Kshs 23.86 billion.

Table 8: Government domestic borrowing, in Kshs million

	Treasury Bills	Treasury Bonds	Total
Advertised	36,000	10,000	46,000
Bids received	28,233	40,823	69,056
Successful bids	25,440	15,030	40,470
Redemptions (cost)	(16,611)	-	(16,611)
Net domestic borrowing	8,829	15,030	23,859

Source: The National Treasury

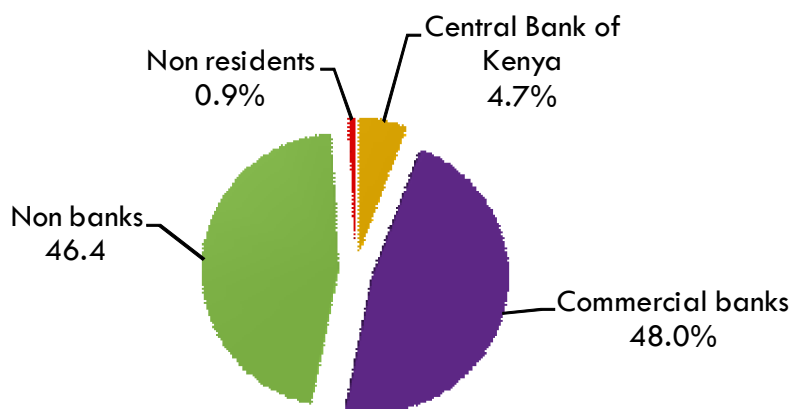
Table 9: Domestic debt instruments by holder end January 2014, in Kshs billion

Instrument/Holder	Commercial banks	Non banks	Central Bank of Kenya	Non residents	Total
Treasury bonds	381.36	446.44	0.04	3.48	831.32
Treasury bills	193.06	110.48	5.67	7.05	316.26
Others	2.38	0.07	50.87	0.00	53.32
Total	576.80	556.99	56.59	10.53	1,200.90
Percentage Holding	48.0	46.4	4.7	0.9	100.00

Source: Central Bank of Kenya

At the end of January 2014, commercial banks continued to hold the largest proportion of the outstanding Government debt securities amounting to Kshs 576.80 billion or 48.0 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 10.53 billion or 0.9 percent was held by non residents who invest through nominee accounts in the local banks. Kshs 56.59 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 January 2014



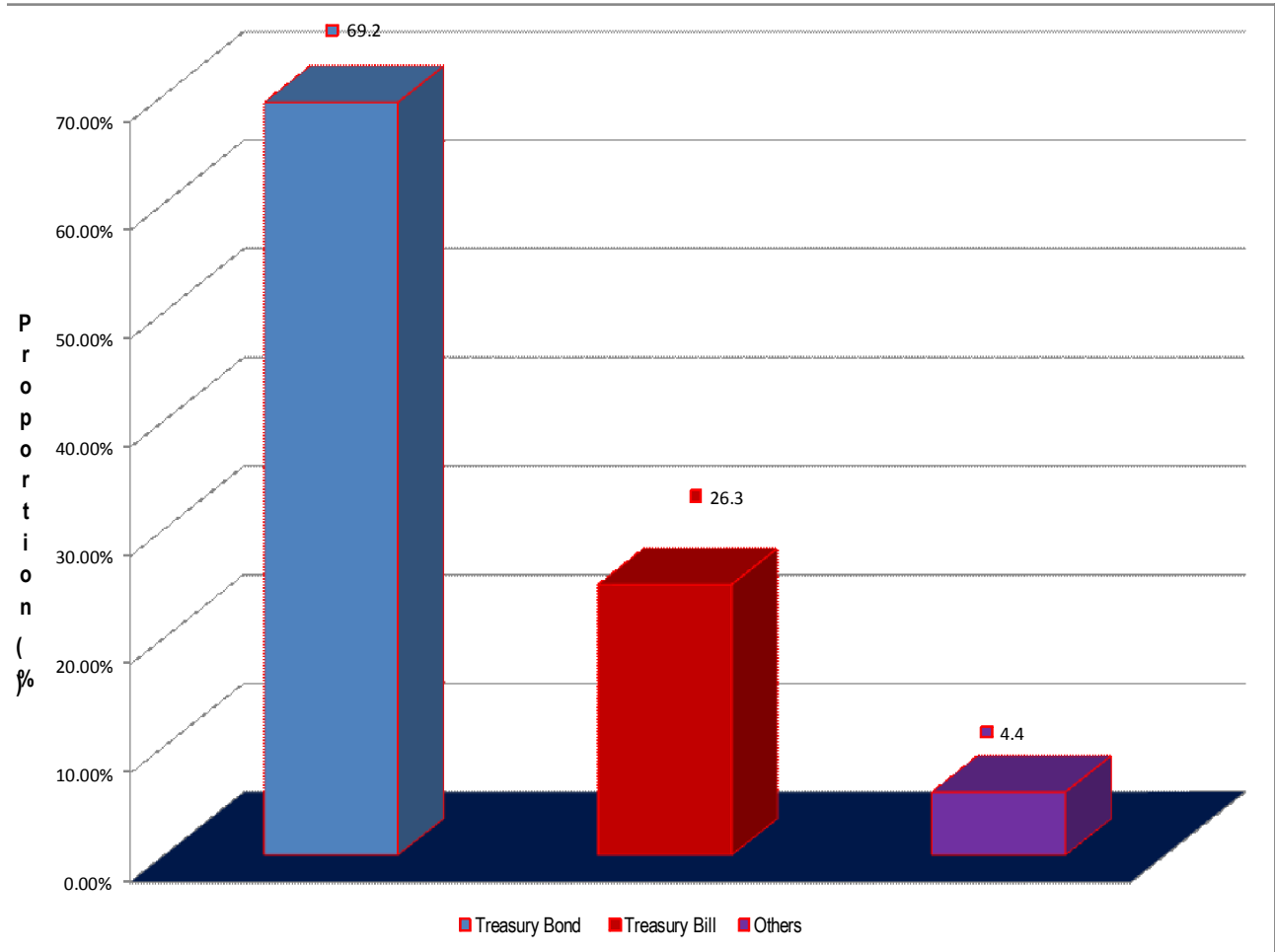
Source: Central Bank of Kenya

3.3 Domestic Debt by Instruments

Chart 7 shows the composition of the domestic debt as at end January 2014.

69.2 percent of Government domestic debt was in Treasury Bonds, 26.3 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 January 2014, the net domestic financing stood at Kshs 79.00 billion.

Table 10: Net domestic financing, in Kshs billion

	June-2013	January -2014	Change
Treasury Bills	245.48	288.92	43.44
Treasury Bonds	713.12	797.93	84.81
Pre-1997 Govt. Overdraft debt	28.89	28.33	(0.55)
Other	8.72	24.13	15.40
<i>of which Overdraft (from CBK)</i>	7.00	22.47	15.47
Govt. deposits	97.37	161.47	64.10
Net Domestic Credit	898.84	977.84	79.00

Source: Central Bank of Kenya

3.5 Cumulative Domestic Interest Payments

As at end January 2014, Government actual cumulative domestic interest payments stood at Kshs 64.92 billion against the cumulative projected interest payments of Kshs 57.60 billion. Actual interest payments on Treasury Bonds and Treasury Bills amounted to Kshs 50.6 billion and Kshs 9.92 billion respectively. The variance of Kshs 4.3 billion between actual and budgeted interest payments is attributed to higher interest payments on Treasury bonds.

Table 11: Domestic interest payments, in Kshs million

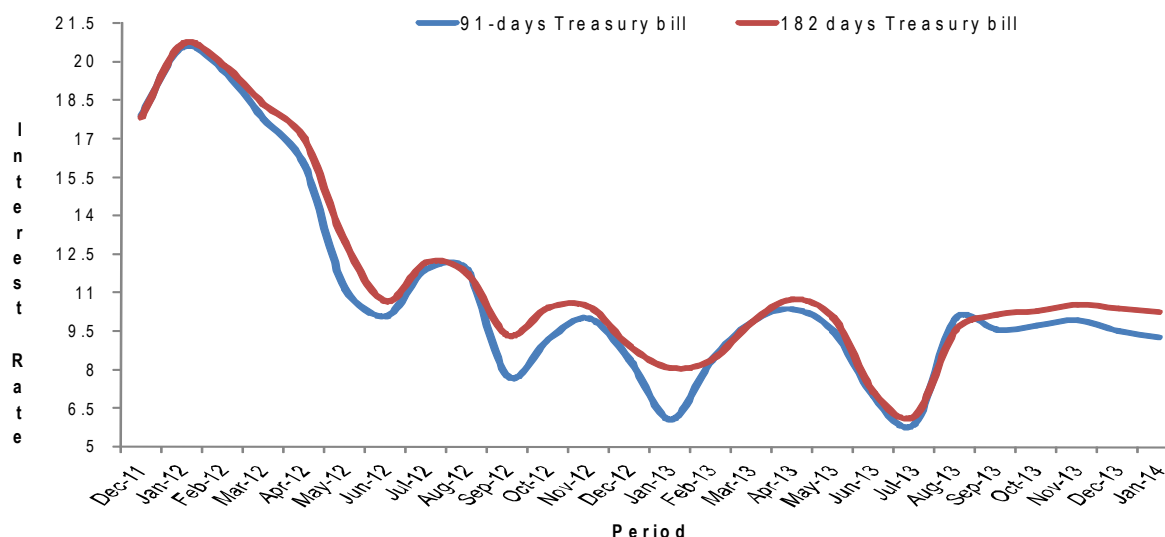
Type of debt	Projected	Actual	Variance
Treasury bonds	45,777.47	50,605.56	4,828.09
Treasury bills	10,199.62	9,920.91	(278.71)
Overdraft	1,126.60	530.39	(596.21)
Pre-1997 overdraft debt	498.63	889.56	390.93
Totals	57,602.32	64,918.71	4,344.10

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 January 2014, the average interest rates for the 91-day Treasury bills decreased by 27 basis points to 9.26 percent from 9.53 percent in December 2013 and the 182-days Treasury bill decreased by 4 basis points from 10.40 per cent to 10.26 percent per annum. 364-days Treasury bill rate stood at an average of 10.65 percent per annum in January 2014.

Chart 8: Average interest rates on Treasury Bills



Source: Central Bank of Kenya

3.7 Yields on Treasury Bonds

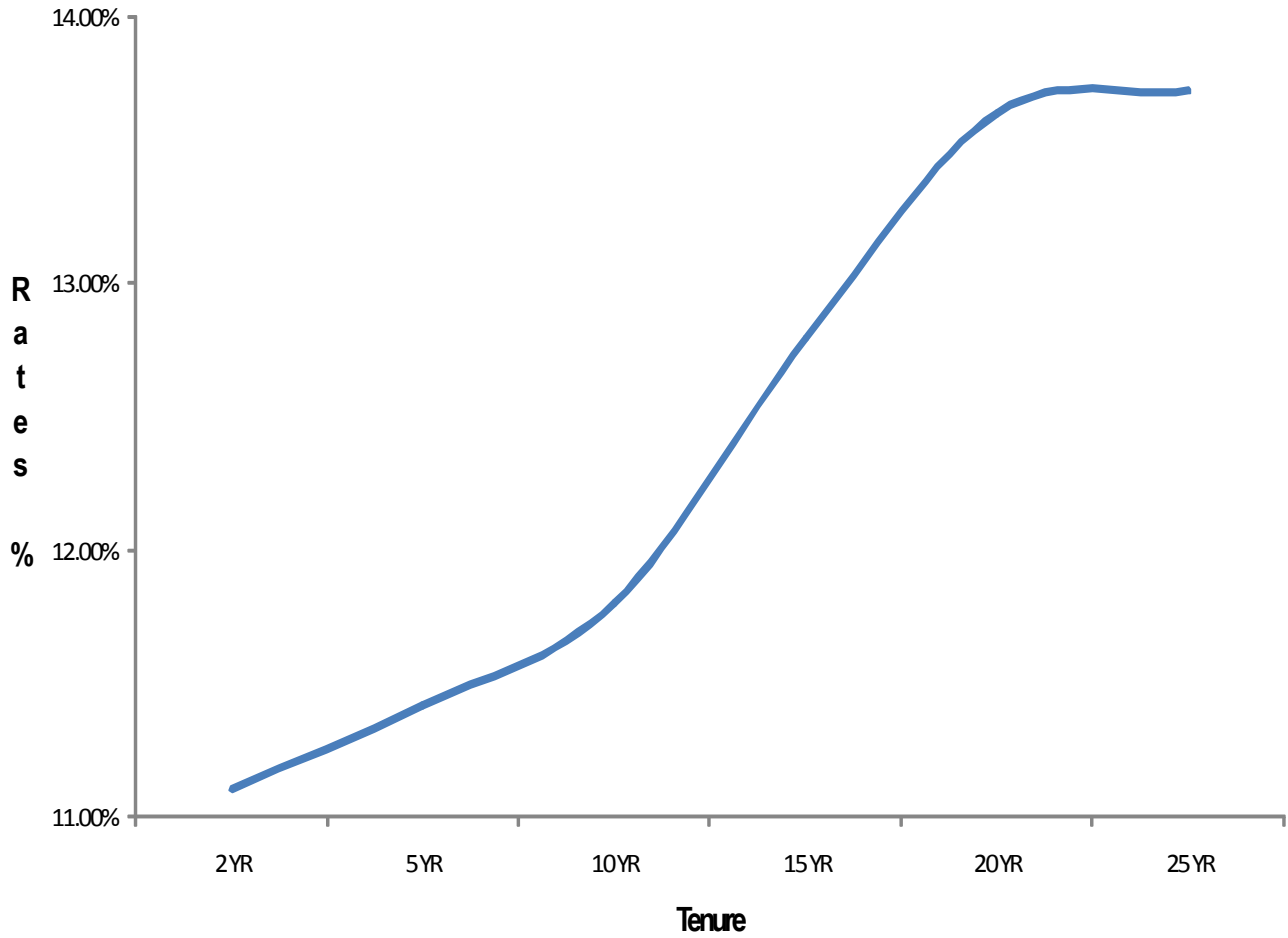
The Government has been implementing a Benchmark Bond programme to increase liquidity around selected Bonds and promote secondary trading. One of the key objectives of the programme is to lower both refinancing risk and cost of borrowing by the Government. Table 12 shows the yields on selected benchmark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

Table 12 : Yields on selected Treasury Bonds

Tenure	Rate (%)
2 YR	11.10
5 YR	11.42
10 YR	11.80
15 YR	12.79
20 YR	13.64
25 YR	13.72

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 December 2013	Stock at end January 2014	Change
CENTRAL GOVERNMENT			
BILATERAL			
AUSTRIA	873.68	856.08	17.60
BELGIUM	7,585.93	7,909.38	(323.45)
CANADA	983.26	982.42	0.84
DENMARK	2,024.98	1,986.17	38.81
FINLAND	92.78	91.77	1.01
FRANCE	58,998.50	57,739.42	1,259.08
GERMANY	26,329.67	25,799.20	530.47
ITALY	1,714.93	1,681.06	33.87
JAPAN	43,321.58	43,776.22	(454.64)
NETHERLANDS	2,803.14	2,745.88	57.26
UK	1,756.21	1,753.02	3.19
USA	4,498.18	4,468.68	29.50
PARIS CLUB OTHERS	5,571.52	5,412.56	158.96
NON PARIS CLUB	88,584.44	88,146.17	438.27
o/w CHINA	81,185.57	80,811.98	373.59
Sub total	245,138.79	243,348.03	1,790.76
MULTILATERAL			
ADB/AFDB	96,291.47	95,139.39	(1,152.08)
EEC/EIB	16,203.06	15,658.02	(545.04)
IDA	343,906.75	345,935.29	2,028.54
IFAD	9,808.07	9,761.32	(46.75)
IMF	83,378.66	82,332.29	(1,046.37)
OTHERS	9,137.50	9,023.72	(113.78)
Sub total	558,725.52	557,850.01	(875.51)
COMMERCIAL BANKS	59,144.09	58,952.27	(192.42)
SUPPLIERS CREDIT	15,763.73	15,570.36	(193.37)
Sub Total	878,772.73	875,720.67	(3,052.06)
GUARANTEED DEBT			
CANADA	345.25	344.96	(0.29)
JAPAN	39,257.19	40,358.34	1,101.15
USA	110.04	109.95	(0.09)
IDA (KR Concessionaire)	3,883.94	3,880.62	(3.32)
Sub Total	43,596.42	44,693.87	1,097.45
GOK+ GUARANTEED TOTAL	922,369.15	920,414.54	(1,954.61)

Source: The National Treasury

Memorandum item

Nominal GDP (in Kshs Billion) 4,164.56

Source: QEBR June 2013

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