



REPUBLIC OF KENYA

# THE NATIONAL TREASURY

DIRECTORATE OF PUBLIC DEBT MANAGEMENT

## *MONTHLY DEBT BULLETIN*

**JANUARY 2015**

# 1.0 PUBLIC DEBT

## 1.1 Introduction

As at end January 2015, total public and publicly guaranteed debt stood at Kshs 2,601.09 billion or 45.48 percent of GDP (Table 1). The increase of 4.9 percent over the end December 2014 position is mainly attributed to increase in both domestic and external debt. External debt increased by Ksh 95.75 billion to stand at Ksh 1,266.45 billion, while the gross domestic debt increased by Ksh 22.68 billion to stand at Ksh 1,334.64 billion in January 2015 (Table 1).

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

Debt Category	Kshs	USD	Percentage of GDP
Domestic Debt	1,334.64	14.56	23.34
External Debt	1,266.45	13.82	22.14
Total	2,601.09	28.38	45.48

Source: The National Treasury and Central Bank of Kenya

The structure of public and publicly guaranteed debt shows that 51.3 percent of the total debt is domestic debt while 48.7 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 2.9 percent and 7.3 years, respectively. In addition, the average maturity period for external loans was 15.5 years while the average grant element was 59.6 percent.

As an indication of the success in the lengthening of maturity structure of domestic debt to minimise refinancing risk in line with the 2014 Medium Term Debt Strategy, the average maturity profile of outstanding Government domestic debt stood at 5 years 1 months as at end January 2015.

### 1.3 Movement in Exchange Rates

Table 2 shows market indicative end-month foreign exchange rates for the period November 2014 to January 2015. During this period, the Kenya shilling appreciated against the Euro and Sterling Pound by 7.46 and 2.30 percent respectively but depreciated against the Japanese and US Dollar Yen by 1.99 percent and 1.60 percent respectively. The shilling stood at Kshs 91.67 to the US Dollar at end of January 2015.

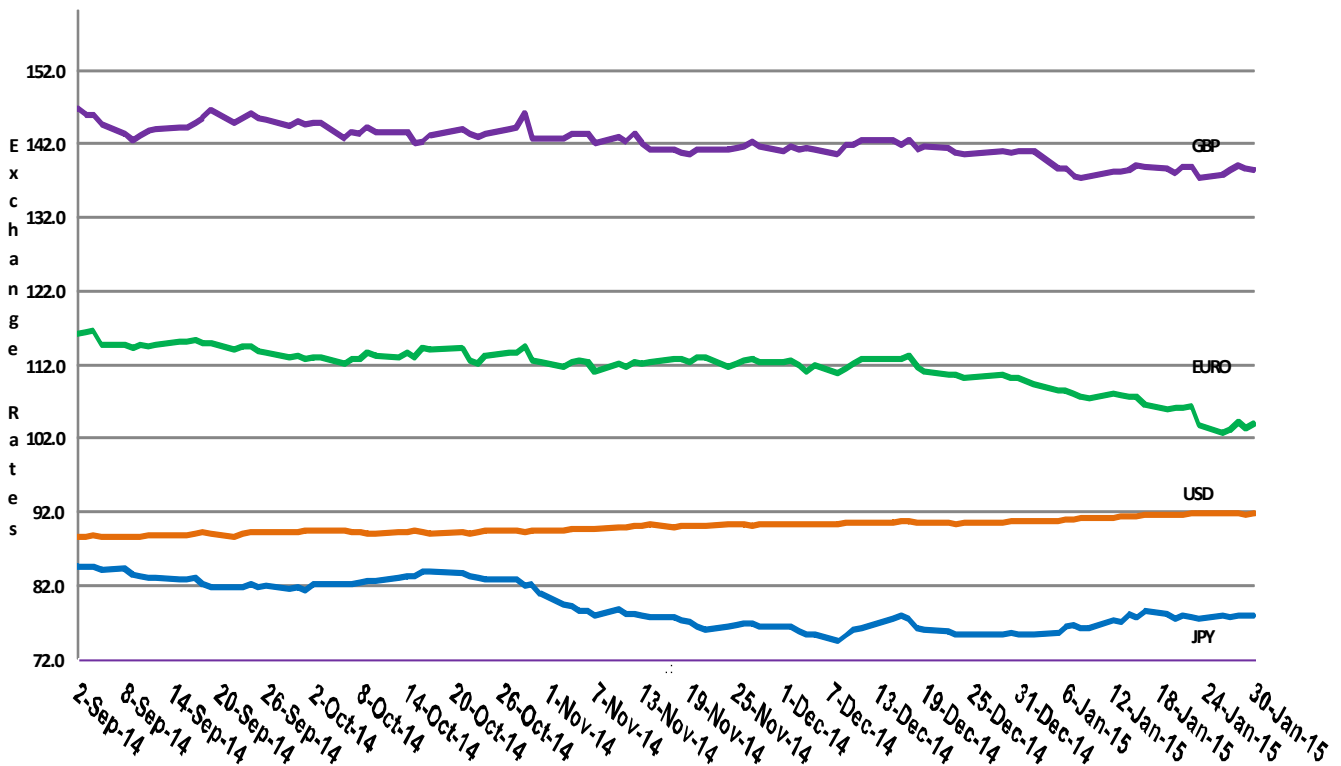
Table 2: Movement in exchange rates

Currency	November 2014	December 2014	January 2015
US Dollar	90.18	90.60	91.67
STG Pound	141.68	140.95	138.42
Euro	112.28	110.17	103.90
JPY(100)	76.27	75.30	77.79

Source: Central Bank of Kenya

Chart 2 shows the trends in daily exchange rates between Kenya Shilling and the four major foreign currencies from September 2014 to January 2015. The Kenya shilling appreciated against the Sterling Pound between end December 2014 and January 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 95.75 billion as at end January 2015 to Kshs 1,266.45 billion from Kshs 1,170.70 billion at the end of December 2014 (Table 3). The increase is attributed to the disbursements for the Standard Gauge Railway during the period.

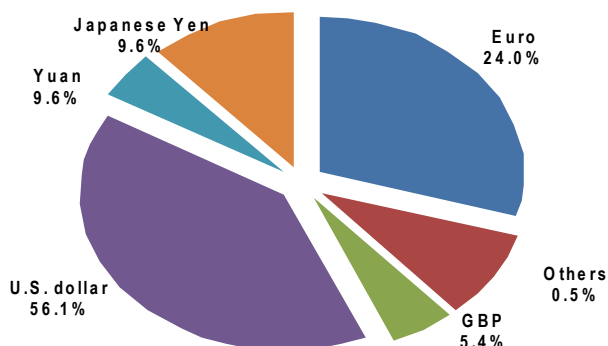
Table 3: External debt stock, in billions

	December 2014		January 2015	
	Kshs	USD		USD
Bilateral	251.26	2.77	349.76	3.82
Multilateral	608.28	6.71	601.98	6.57
Guaranteed	40.01	0.44	41.35	0.45
Suppliers Credit	15.96	0.18	15.56	0.17
Commercial	255.19	2.82	257.80	2.81
Banks				
<b>Total</b>	<b>1,170.70</b>	<b>12.92</b>	<b>1,266.45</b>	<b>13.82</b>

Source: The National Treasury

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 56.1 percent followed by the Euro at 24.0 percent.

Chart 3. Currency Composition



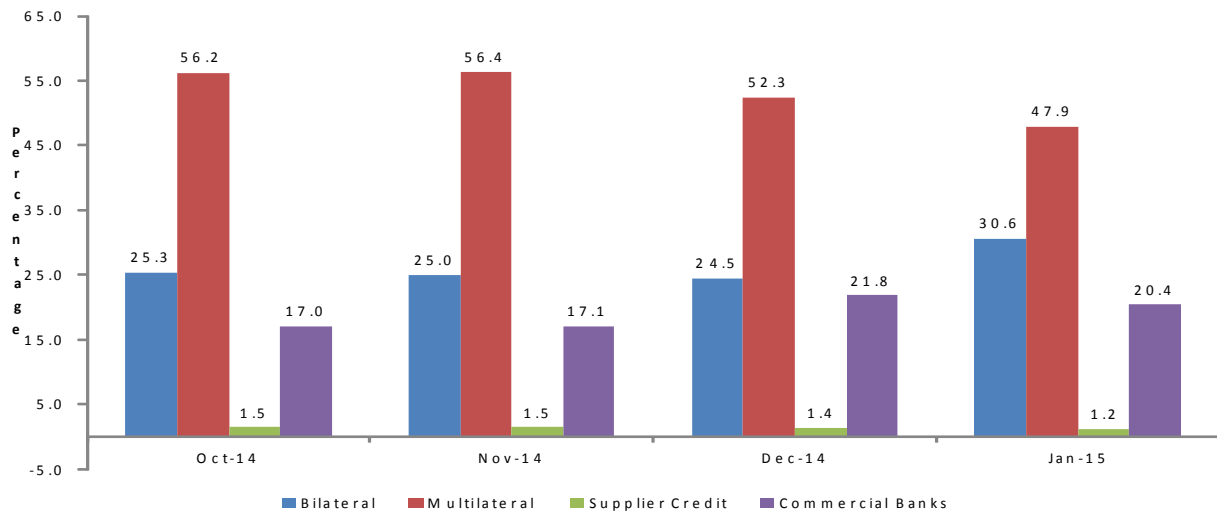
Source: The National Treasury

### 2.2 Structure of External Debt by Creditor

Official creditors account for 78.4 percent of the total public and publicly guaranteed external debt. Debt owed to multilateral creditors amounts to Ksh 606.11 billion (including Ksh 4.1 billion guaranteed debt owed to IDA) dominates the portfolio at 47.9 percent of the total. Bilateral debt stands at Kshs 386.98 billion (30.6 percent of the total), inclusive of Kshs 37.22 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 20.4 percent of the total public and publicly guaranteed external debt.

Chart 4: External Debt by Creditor

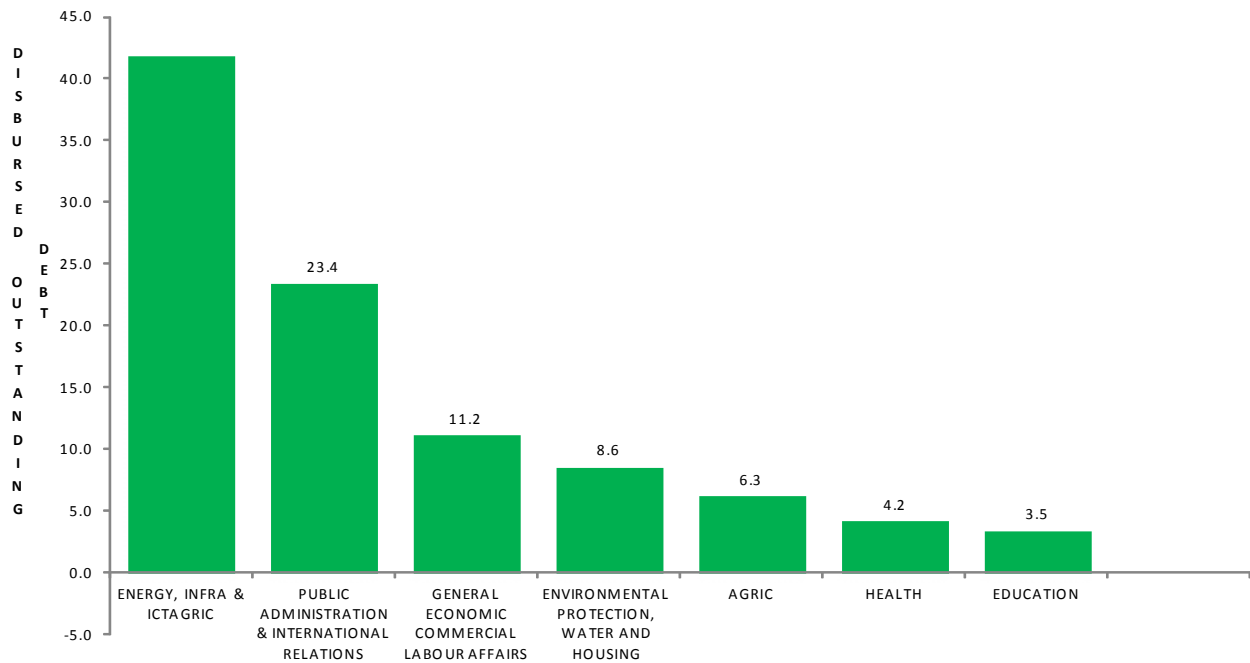


Source: The National Treasury

### 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 January 2015 stood at Kshs 86.27 billion. Principal and interest projections for the month of January 2015 was Kshs 2.38 billion and Kshs 1.73 billion, respectively. Multilateral and bilateral creditors constitute 11.5 percent and 14.6 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 January 2015, in Kshs million

Creditor category	Principal	Interest	Total
Bilateral	8,092.92	4,516.73	12,609.65
Multilateral	7,420.79	2,481.71	9,902.50
Commercial	54,845.47	8,405.39	63,250.86
Guaranteed	453.58	55.82	509.40
Total	70,812.76	15,459.65	86,272.41

Source: The National Treasury

## 2.5 Actual Cumulative External Debt Service

Actual cumulative debt service as at end January 2015 was Kshs 87.88 billion (Table 5). Actual principal and interest payments for the month of January 2015 was Kshs 2.20 billion and Kshs 3.73 billion respectively.

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

Credit category	Principal	Interest	Total
Bilateral	7,668.69	7,829.36	15,498.05
Multilateral	7,377.72	2,599.00	9,976.72
Commercial	53,417.12	8,486.19	61,903.31
Guaranteed	450.55	55.28	505.83
Totals	68,914.08	18,969.83	87,883.91
Of which			
December Arrears			

Source: The National Treasury

## 2.6 Budget Deviation

The actual cumulative debt service for January 2015 was above the projected debt service by Kshs 1.61 billion and this is attributed to exchange rate variations between the projected and actual exchange rates. For the month of January 2015, there were arrears of Kshs 600.30 million. This comprised of Kshs 409.43 million as principal arrears and Kshs 190.87 million as interest arrears.

## 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 January 2015, the guaranteed external debt stock increased by Kshs 1.34 billion to Kshs 41.35 billion from Ksh 40.01 billion in December 2014 due to depreciation of Kenyan Shilling against the Japanese Yen in which most of the guaranteed debt is denominated (Table 6).

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

<b>Creditor</b>	<b>November 2014</b>	<b>December 2014</b>	<b>January 2015</b>
Japan	36,044.75	35,549.36	36,836.12
Canada	351.71	344.29	348.37
U.S.A	38.33	38.50	38.96
IDA (KR Concessionaire)	4,058.06	4,076.90	4,125.31
Totals	40,492.85	40,009.05	41,348.76

**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 22.68 billion to Kshs 1,025.85 billion in January 2015 from Kshs 1,003.17 billion in December 2014 due to increase in gross domestic debt over the period (Table 7).

Table 7: Government domestic debt, in Kshs billion

	November 2014	December 2014	January 2015
Gross domestic debt	1,303.36	1,307.75	1,334.64
<i>less</i>			
Govt. deposits at CBK	-98.60	-151.26	-160.77
Govt. deposits at commercial banks	-133.00	-147.62	-142.32
Govt. advances to parastatals	-5.70	-5.70	-5.70
Net domestic debt	1,066.06	1,003.17	1,025.85

Source: Central Bank of Kenya

### 3.2 Government Domestic Borrowing

During the month of January 2015, Government securities worth Kshs 68.00 billion were advertised. Bids worth Kshs 73.05 billion were received of which Treasury Bills was Ksh 46.11 and Treasury Bond was Ksh 26.95 billion. Successful bids amounted to Kshs 56.61 billion against redemptions of Kshs 28.94 billion leaving exchequer with a surplus of Kshs 27.67 billion (Table 8).

Table 8: Government domestic borrowing, in Kshs million

	Treasury Bills	Treasury Bonds	Total
Advertised	48,000	20,000	68,000
Bids received	46,105	26,948	73,053
Successful bids	36,223	20,388	56,611
Redemptions (cost)	28,937	-	28,937
Net domestic borrowing	7,286	20,388	27,674

Source: The National Treasury

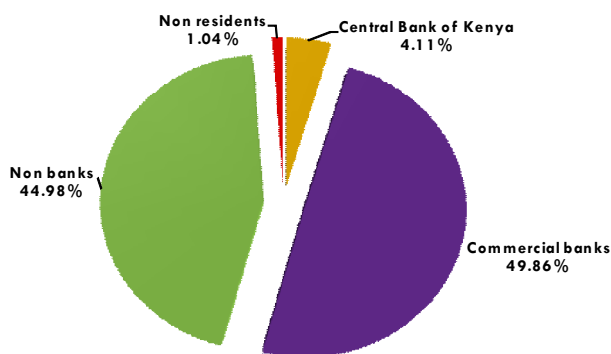


Table 9: Domestic debt instruments by holder end January 2015, in Kshs billion

Instrument/Holder	Commercial banks	Non banks	Central Bank of Kenya	Non residents	Total
Treasury bonds	466.42	507.17	0.04	3.44	977.07
Treasury bills	195.61	93.12	0.07	10.50	299.30
Others	3.45	0.07	54.75	0.00	58.27
Total	665.48	600.36	54.86	13.94	1,334.64
Percentage Holding	49.86	44.98	4.11	1.04	

At the end of January 2015, banks held the largest proportion of the outstanding Government debt securities amounting to Kshs 665.48 billion or 49.86 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 600.36 billion or 44.98 percent while the Government debt worth Kshs 13.94 billion or 1.04 percent was held by non residents who invest through nominee accounts in the local banks. Kshs 54.86 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 2015

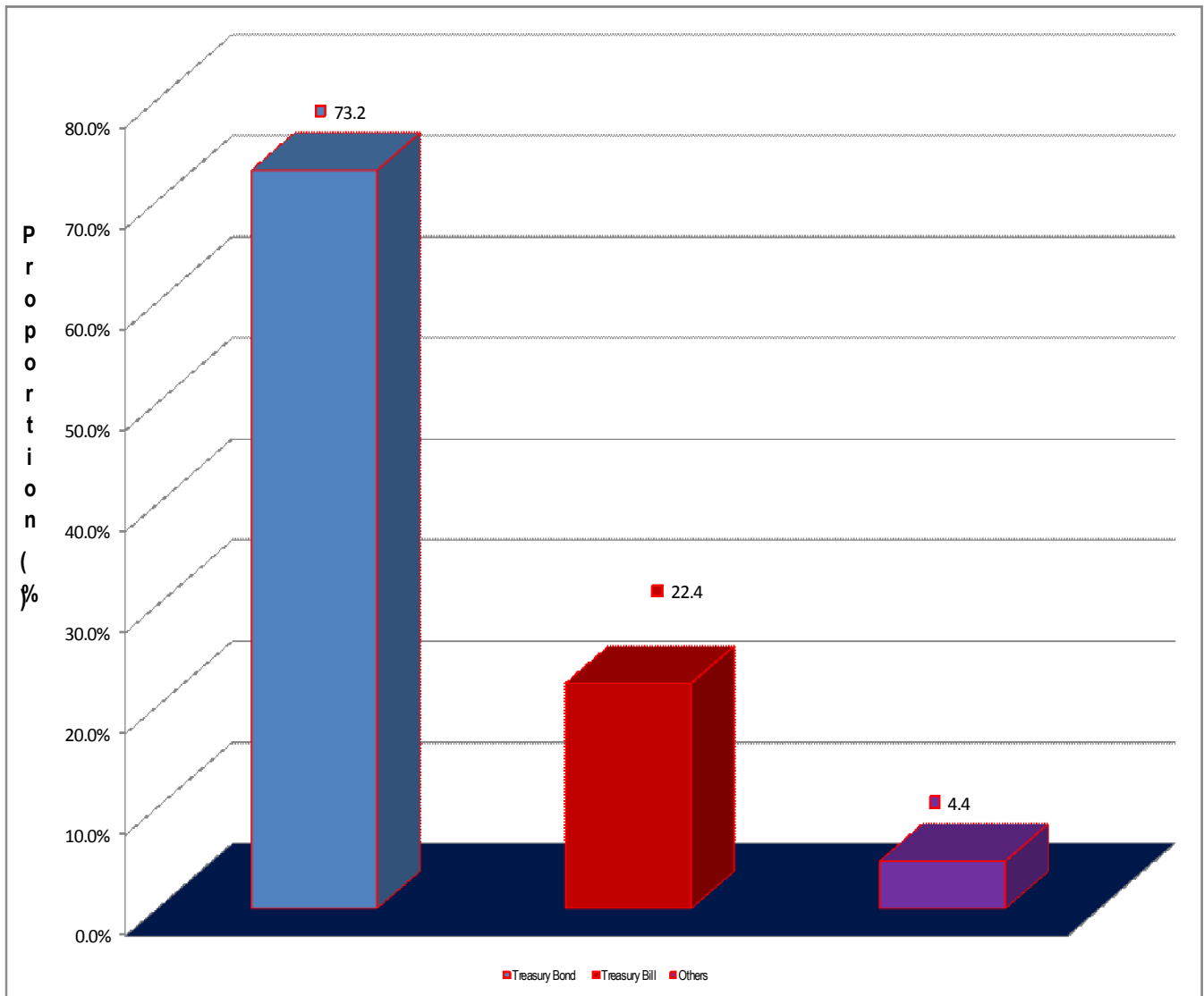


Source: Central Bank of Kenya

### 3.3 Domestic Debt by Instruments

Chart 7 shows the composition of the domestic debt as at end January 2015. 73.2 percent of Government domestic debt was in Treasury Bonds, 22.4 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



### 3.4 Net Domestic Financing

Table 10 shows that as at end January 2015, the net domestic financing stood at a net repayment of Kshs 42.54 billion.

Table 10: Net domestic financing, in Kshs billion

	June-2014	January-2015	Change
Treasury Bills	278.92	275.78	(3.14)
Treasury Bonds	879.33	937.41	58.08
Pre-1997 Govt. Overdraft debt	27.78	27.23	(0.55)
Other	39.74	29.75	(9.99)
<i>of which Overdraft (from CBK)</i>	37.24	27.49	(9.75)
Govt. deposits	125.76	212.70	86.94
<b>Net Domestic Credit</b>	<b>1,100.01</b>	<b>1,057.47</b>	<b>(42.54)</b>

Source: Central Bank of Kenya

### 3.5 Cumulative Domestic Interest Payments

As at end January 2015, Government actual cumulative domestic interest payments stood at Kshs 61.76 billion against the cumulative projected interest payments of Kshs 62.02 billion. Actual interest payments on Treasury Bonds and Treasury Bills amounted to Kshs 42.77 billion and Kshs 17.34 billion respectively (Table 11).

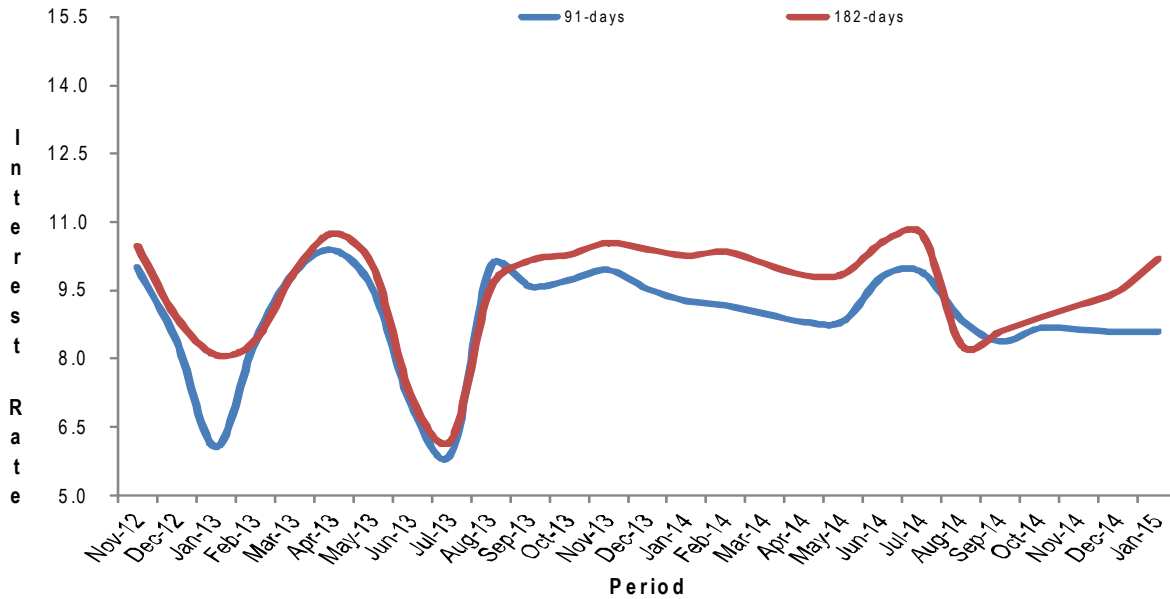
Table 11: Domestic interest payments, in Kshs million

Type of Debt	Projected	Actual	Variance
Treasury Bonds	51,662.42	42,766.18	(8,896.24)
Treasury Bills	9,258.04	17,341.39	8,083.35
Overdraft	600.83	1,163.34	562.51
Pre-1997 overdraft debt	494.78	489.49	(5.29)
<b>Totals</b>	<b>62,016.07</b>	<b>61,760.40</b>	<b>(255.67)</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 November 2012. During the month of January 2015, the average interest rates for the 91-day Treasury bills increased by 1 basis points to 8.59 percent from 8.58 percent in December 2014 and the 182-days Treasury bill increased by 70 basis points to 10.19 per cent from 9.49 percent per annum. 364-days Treasury bill rate stood at an average of 10.72 percent per annum in January 2015.

Chart 8: Average interest rates on Treasury Bills



Source: Central Bank of Kenya

### 3.7 Yields on Treasury Bonds

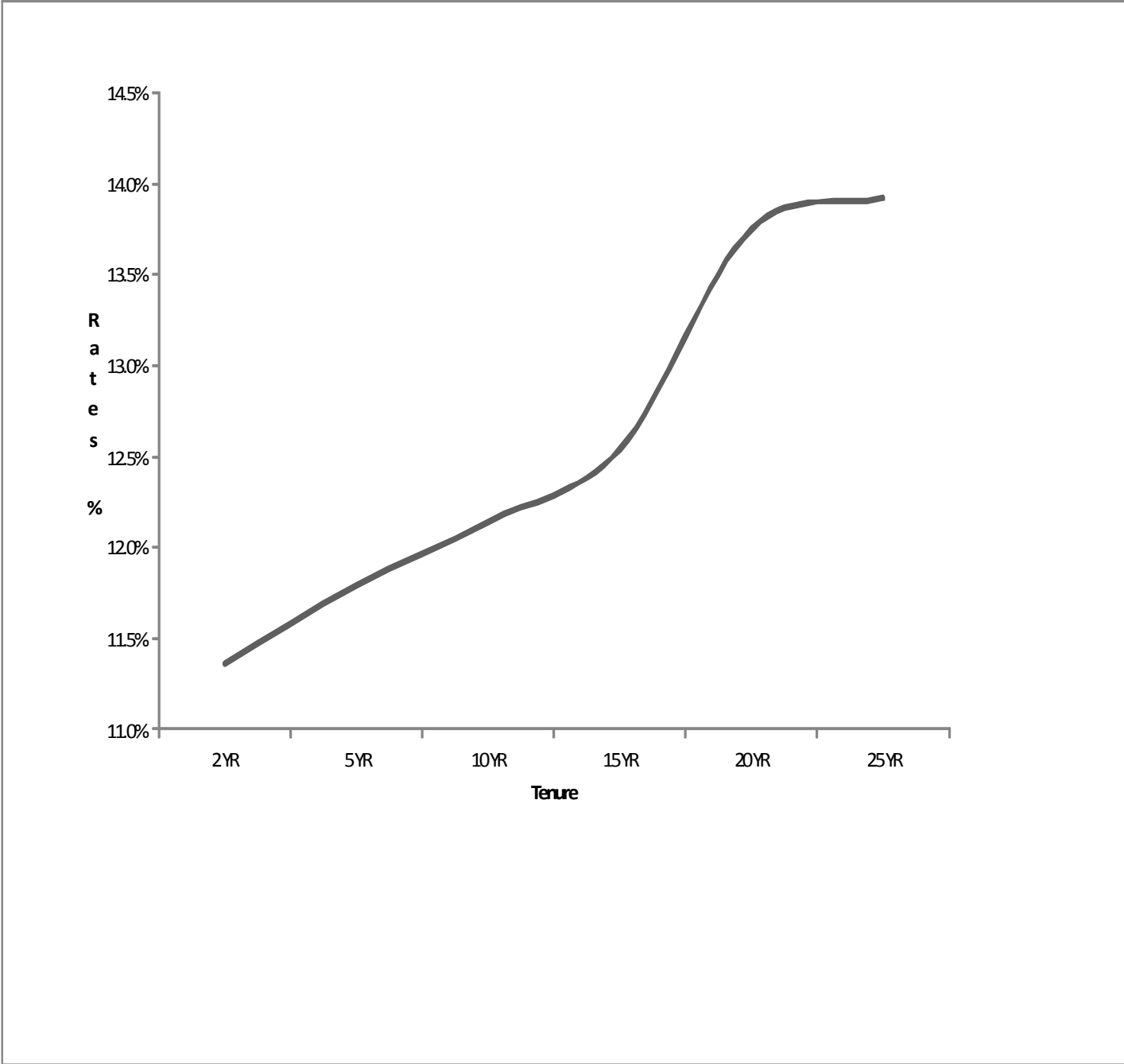
The Government has been implementing a Benchmark Bond programme to increase liquidity around selected Bonds and promote secondary trading. One of the key objectives of the programme is to lower both refinancing risk and cost of borrowing by the Government. Table 12 and Chart 9 shows the yields on selected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

Table 12 :Yields on selected Treasury Bonds

Tenure	Rate (%)
2 YR	11.36
5 YR	11.79
10 YR	12.14
15 YR	12.54
20 YR	13.75
25 YR	13.92

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 December 2014</b>	<b>Stock at end January 2015</b>	<b>Change</b>
<b>CENTRAL GOVERNMENT</b>			
<b>BILATERAL</b>			
AUSTRIA	552.33	520.90	(31.43)
BELGIUM	6,537.60	6,220.62	(316.98)
CANADA	896.92	907.57	10.65
DENMARK	1,729.71	1,633.48	(96.23)
FINLAND	76.35	74.70	(1.65)
FRANCE	60,189.70	56,651.16	(3,538.54)
GERMANY	23,847.72	21,580.29	(2,267.43)
ITALY	1,097.16	1,036.42	(60.74)
JAPAN	36,413.59	37,619.88	1,206.29
NETHERLANDS	2,183.60	2,005.03	(178.57)
UK	1,475.67	1,449.22	(26.45)
USA	4,356.35	4,316.47	(39.88)
PARIS CLUB OTHERS	5,579.38	5,623.42	44.04
NON PARIS CLUB	106,327.48	210,120.22	103,792.74
o/w CHINA	99,345.09	203,107.93	103,762.84
<b>Sub total</b>	<b>251,263.57</b>	<b>349,759.38</b>	<b>98,495.82</b>
<b>MULTILATERAL</b>			
ADB/AFDB	113,582.73	113,380.46	(202.27)
EEC/EIB	21,077.24	19,687.99	(1,389.25)
IDA	378,736.39	376,023.66	(2,712.73)
IFAD	10,592.73	10,550.85	(41.88)
IMF	75,494.79	73,688.17	(1,806.62)
OTHERS	8,792.27	8,649.79	(142.48)
<b>Sub total</b>	<b>608,276.16</b>	<b>601,980.92</b>	<b>(6,295.23)</b>
<b>COMMERCIAL BANKS</b>	<b>255,188.51</b>	<b>257,802.95</b>	<b>2,614.44</b>
<b>o/w INTERNATIONAL SOVEREIGN BOND SUPPLIERS CREDIT</b>	<b>249,143.95</b>	<b>252,102.40</b>	<b>2,958.45</b>
<b>Sub Total</b>	<b>1,130,687.23</b>	<b>1,225,098.96</b>	<b>94,411.75</b>
<b>GUARANTEED DEBT</b>			
CANADA	344.28	348.37	4.09
JAPAN	35,549.36	36,836.12	1,286.76
USA	38.50	38.96	0.46
IDA (KR Concessionaire)	4,076.90	4,125.31	48.41
<b>Sub Total</b>	<b>40,009.05</b>	<b>41,348.76</b>	<b>1,339.72</b>
<b>GOK+ GUARANTEED TOTAL</b>	<b>1,170,696.28</b>	<b>1,266,447.72</b>	<b>95,751.49</b>

Source: The National Treasury

**Memorandum item**

**Nominal GDP (in Kshs Billion)      5,719.10**

**Source: BPS 2015**

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