



REPUBLIC OF KENYA

# THE NATIONAL TREASURY

DIRECTORATE OF PUBLIC DEBT MANAGEMENT

## *MONTHLY DEBT BULLETIN*

January 2016

# 1.0 PUBLIC DEBT

## 1.1 Introduction

As at end January 2016, total public and publicly guaranteed debt stood at Kshs 3,177.79 billion or 55.56 percent of GDP (Table 1). The increase of 0.71 percent over the end December 2015 position is attributed to an increase in external debt. External debt increased by Ksh 39.56 billion to stand at Ksh 1,654.74 billion, while the gross domestic debt decreased by Ksh 16.97 billion to stand at Ksh 1,523.05 billion in January 2016 (Table 1).

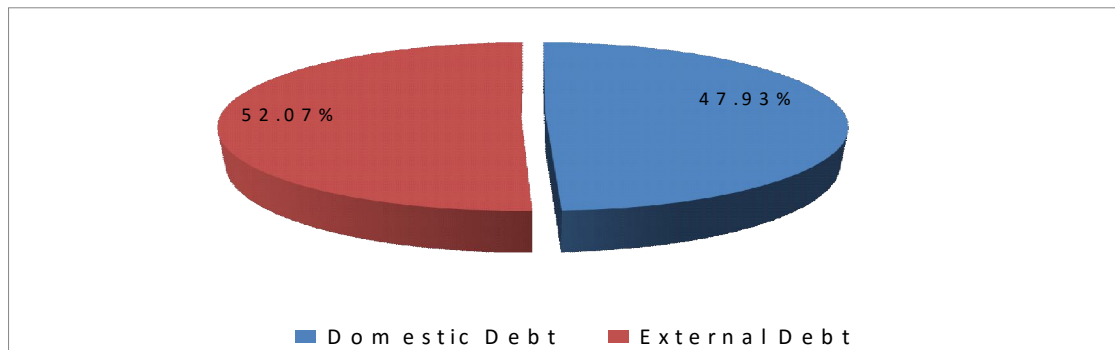
Table 1: Size of public debt, end January 2016, in billions

Debt Category	Kshs	USD	Percentage of GDP
Domestic Debt	1,523.05	14.89	26.63
External Debt	1,654.74	16.18	28.93
Total	3,177.79	31.07	55.56

Source: The National Treasury and Central Bank of Kenya

The structure of public and publicly guaranteed debt shows that 47.93 percent of the total debt is domestic debt while 52.07 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 0.7 percent and 6.3 years, respectively. In addition, the average maturity period for external loans was 37.7 years while the average grant element was 53.8 percent.

As an indication of the success in the lengthening of maturity structure of domestic debt to minimise refinancing risk in line with the 2015 Medium Term Debt Strategy, the average maturity profile of outstanding Government domestic debt remained at 5 years 2 months as at end January 2016.

### 1.3 Movement in Exchange Rates

Table 2 shows market indicative end-month foreign exchange rates for the period November 2015 to January 2016. During this period, the Kenya shilling appreciated against STG by 4.55 percent but depreciated against all the other major currencies by 0.17, 3.26, and 3.40 percent for the USD Dollar, Euro and JPY respectively. The shilling stood at Kshs 102.28 to the US Dollar at end of January 2016.

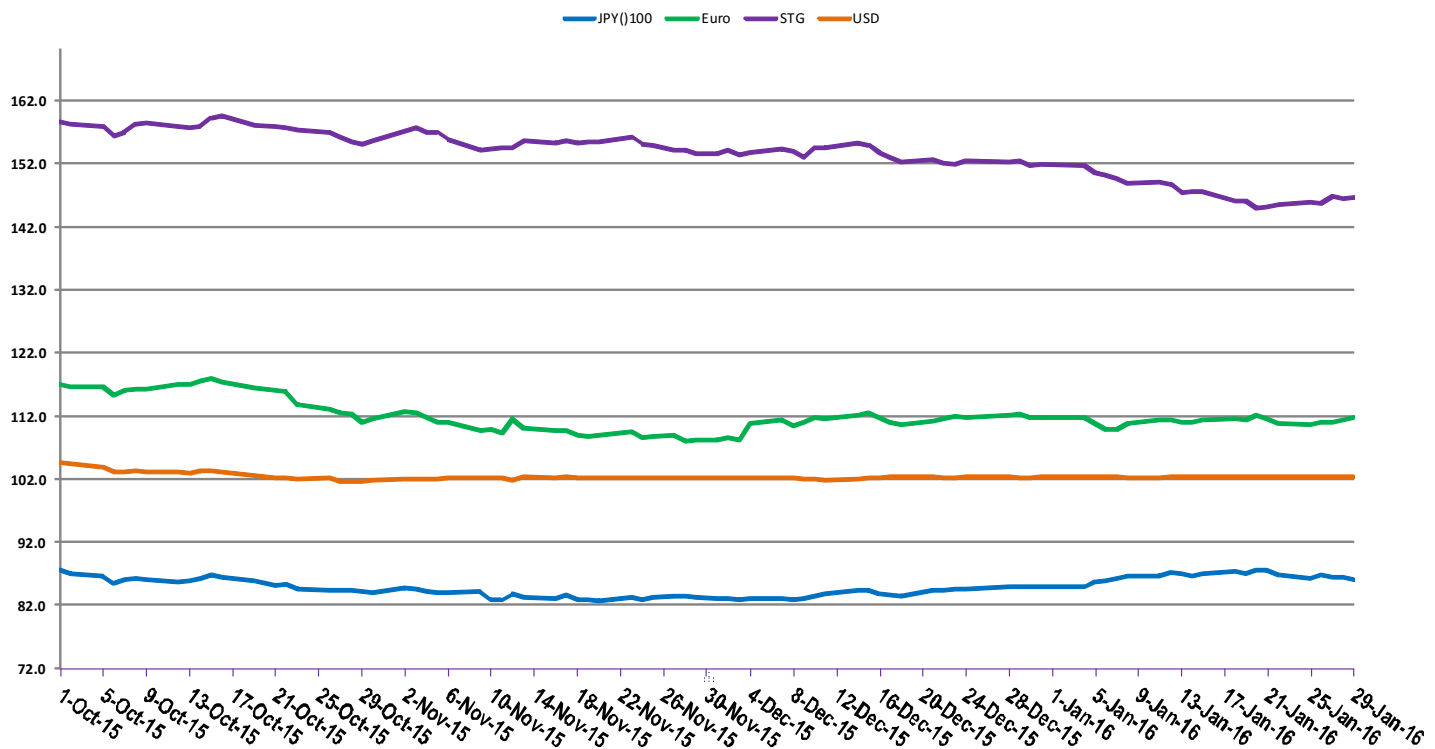
Table 2: Movement in exchange rates

Currency	November 2015	December 2015	January 2016
US Dollar	102.11	102.31	102.28
STG Pound	153.56	151.80	146.57
Euro	108.15	111.78	111.68
JPY(100)	83.20	84.97	86.03

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 2015 to January 2016. Except for the Sterling Pound, the Kenya shilling depreciate against the other three major currencies within the month of January 2016.

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

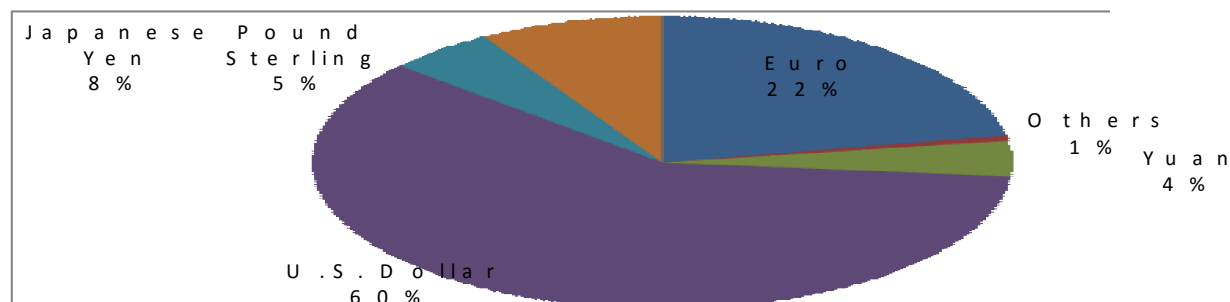
Overall, public and publicly guaranteed external debt increased by Kshs 39.56 billion as at end January 2016 to Kshs 1,654.74 billion from Kshs 1,615.18 billion at the end of December 2015 (Table 3).

Table 3: External debt stock, in billions

	December 2015		January 2016	
	Kshs	USD	Kshs	USD
Bilateral	439.67	4.29	476.28	4.66
Multilateral	746.75	7.30	757.01	7.40
Guaranteed	41.61	0.41	46.84	0.46
Suppliers Credit	16.52	0.16	8.48	0.08
Commercial Banks	366.23	3.58	366.12	3.58
o/w International Sovereign Bond	281.36	2.75	281.36	2.75
Total	1,615.18	15.79	1,654.74	16.18

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 60.0 percent followed by the Euro at 22 percent.

Chart 3. Currency Composition



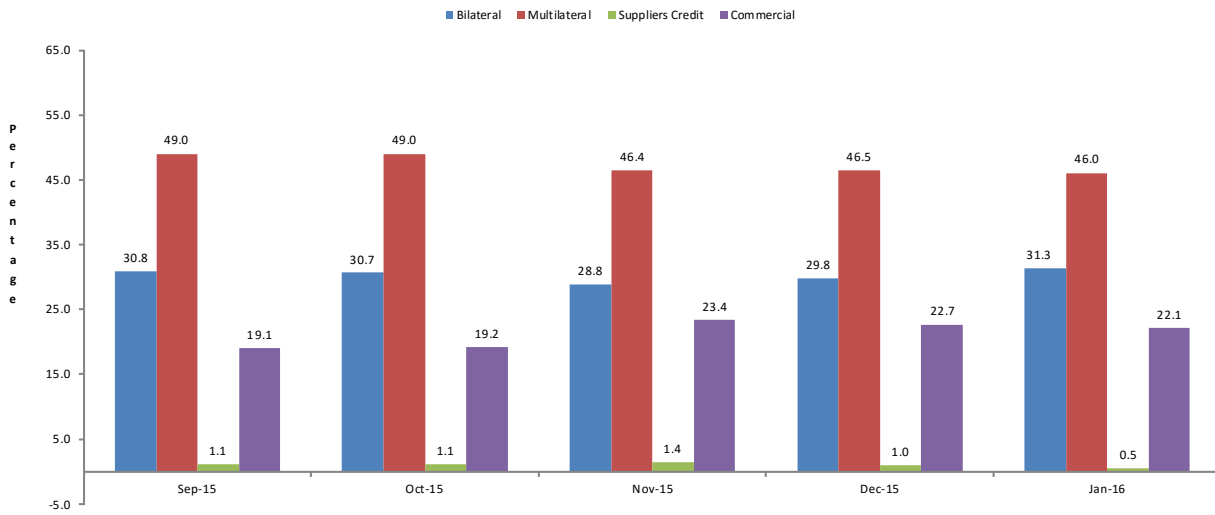
Source: The National Treasury

### 2.2 Structure of External Debt by Creditor

Official creditors account for 77.35 percent of the total public and publicly guaranteed external debt. Debt owed to multilateral creditors amounts to Ksh 761.61 billion (including Ksh 4.6 billion guaranteed debt owed to IDA) dominates the portfolio at 46.02 percent of the total. Bilateral debt stands at Kshs 518.52 billion (31.33 percent of the total), inclusive of Kshs 42.23 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 22.13 percent of the total public and publicly guaranteed external debt.

Chart 4: External Debt by Creditor

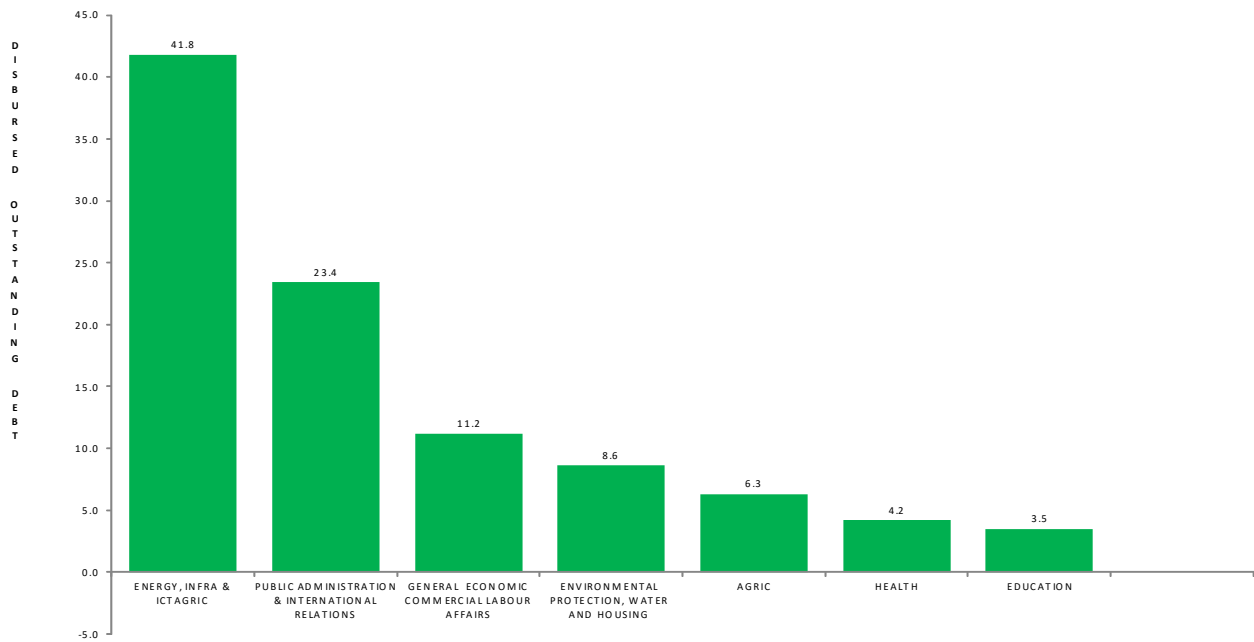


Source: The National Treasury

### 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 2016 stood at Kshs 37.74 billion. Principal and interest projections for the month of January 2016 were Kshs 2.58 billion and Kshs 2.31 billion, respectively. Bilateral and multilateral creditors constitute 44.96 percent and 30.6 percent of the cumulative projected debt service respectively during the period under review (Table 4).

Table 4: Projected Cummulative External Debt Service as at end of January 2016, in Kshs billions

Creditor category	Principal	Interest	Total
Bilateral	11,012.19	5,956.40	16,968.59
Multilateral	8,462.60	3,099.49	11,562.09
Commercial	377.78	8,318.29	8,696.07
Guaranteed	473.07	42.72	515.79
Total	20,325.64	17,416.90	37,742.54

Source: The National Treasury

## 2.5 Actual Cumulative External Debt Service

Actual debt service as at end January 2016 stood at Kshs 38.88 billion (Table 5). Actual principal and interest payments during the month of January 2016 was Kshs 3.26 billion and Kshs 0.65 billion respectively.

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

Credit category	Principal	Interest	Total
Bilateral	10,688.54	6,913.78	17,602.32
Multilateral	7,948.62	2,780.35	10,728.97
Commercial	404.05	9,640.0	10,044.05
Guaranteed	454.96	49.01	503.97
Totals	19,496.17	19,383.14	38,879.31

Source: The National Treasury

## 2.6 Cummulative External Debt Service Budget Deviation

The actual cumulative debt service for January 2016 was above the projected debt service by Kshs 1.14 billion. This is attributed to exchange rate fluctuations during the period under review.

## 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 2016, the guaranteed external debt stock increased by Kshs 5.24 billion to Kshs 46.84 billion from Ksh 41.60 billion in December 2015 (Table 6). This increase is attributed to exchange rate fluctuations during the month.

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

<b>Creditor</b>	<b>November 2015</b>	<b>December 2015</b>	<b>January 2016</b>
Japan	38.56	38.00	42.24
Canada	0.00	0.00	0.00
U.S.A	0.00	0.00	0.00
IDA (KR Concessionaire)	4.60	3.60	4.60
<b>Total</b>	<b>43.16</b>	<b>41.60</b>	<b>46.84</b>

**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 National Government Domestic Debt

Government net domestic debt decreased by Kshs 6.41 billion to Kshs 1,222.41 billion in January 2016 from Kshs 1,228.82 billion in December 2015 due to an decrease in gross debt over the period under review. (Table 7).

Table 7: Government domestic debt, in Kshs billion

	November 2015	December 2015	January 2016
Gross domestic debt	1,516.36	1,540.02	1,523.05
<i>less</i>			
Govt. deposits at CBK	-101.54	-146.84	-143.93
Govt. deposits at commercial banks	-130.69	-158.66	-151.01
Govt. advances to parastatals	-5.70	-5.70	-5.70
Net domestic debt	1,278.43	1,228.82	1,222.41

### 3.2 Government Domestic Borrowing

During the month of January 2016, Government securities worth Kshs 59.00 billion were advertised. Bids worth Kshs 113.18 billion were received of which Treasury Bills was Ksh 76.85 billion and Treasury Bond was Ksh 36.33 billion. Successful bids amounted to Kshs 76.75 billion against redemptions of Kshs 86.00 billion leaving exchequer with a deficit of Kshs 9.25 billion (Table 8).

Table 8: Government domestic borrowing, in Kshs million

	Treasury Bills	Treasury Bonds	Total
Advertised	24,000	35,000	59,000
Bids received	76,851	36,327	113,178
Successful bids	52,602	24,148	76,750
Redemptions (cost)	(64,170)	(21,834)	(86,004)
Net domestic borrowing	(11,568)	2,314	(9,254)

Source: The National Treasury

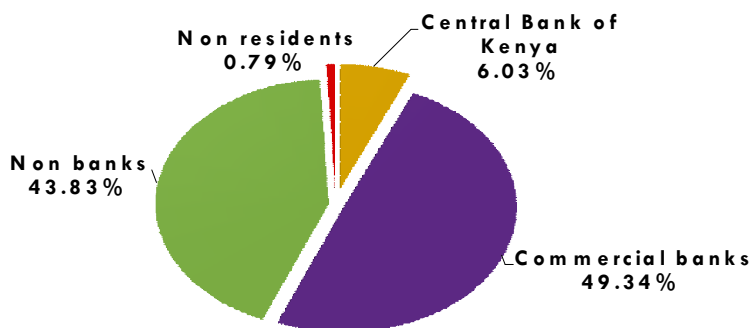


Table 9: Domestic debt instruments by holder end January 2016, in Kshs billion

Instrument/Holder	Commercial banks	Non banks	Central Bank of Kenya	Non residents	Total
Treasury bonds	515.54	546.86	9.43	4.84	1,076.67
Treasury bills	230.26	120.72	20.59	7.25	378.82
Others	5.73	0.00	61.83	-	67.56
Total	751.53	667.58	91.84	12.09	1,523.05
Percentage Holding	49.34%	43.83%	6.03%	0.79%	100%

At the end of January 2016, banks held the largest proportion of the outstanding Government debt securities amounting to Kshs 751.53 billion or 49.34 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 667.58 billion or 43.83 percent while the Government debt worth Kshs 12.09 billion or 0.79 percent was held by non residents who invest through nominee accounts in the local banks. Kshs 91.84 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 2016

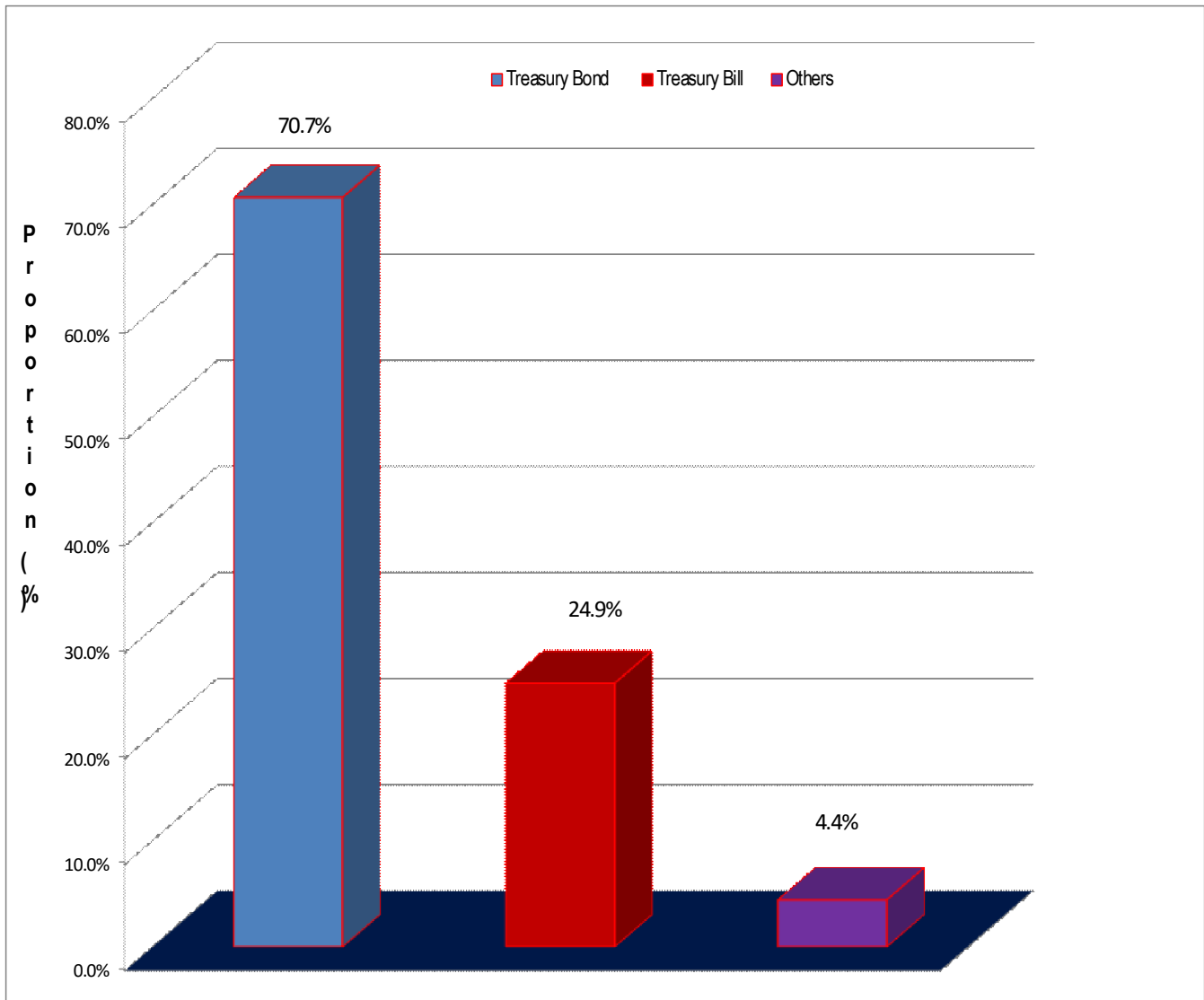


Source: Central Bank of Kenya

### 3.3 Domestic Debt by Instruments

Chart 7 shows the composition of the domestic debt as at end January 2016. 70.7 percent of Government domestic debt was in Treasury Bonds, 24.9 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 liquidity in domestic secondary markets for Government bonds

Chart 7: Domestic debt by instrument



### 3.4 Net Domestic Financing

Table 10 shows that as at end January 2016, the net domestic financing was at Kshs 27.41 billion.

Table 10: Net domestic financing, in Kshs billion

	June 2015	January 2016	Change
Treasury Bills	293.53	343.45	49.92
Treasury Bonds	994.44	1,033.61	39.17
Pre-1997 Govt. Overdraft debt	26.68	26.11	(0.57)
Other	37.83	40.11	2.28
<i>of which Overdraft (from CBK)</i>	36.49	35.66	(0.83)
Govt. deposits	141.29	204.68	63.39
Net Domestic Credit	1,211.19	1,238.60	27.41

Source: Central Bank of Kenya

### 3.5 Cumulative Domestic Interest Payments

As at end January 2016, Government actual domestic interest payments stood at Kshs 92.69 billion against the projected interest payments of Kshs 87.36 billion. Actual interest payments on Treasury Bonds and Treasury Bills amounted to Kshs 66.10 billion and Kshs 23.75 billion respectively (Table 11).

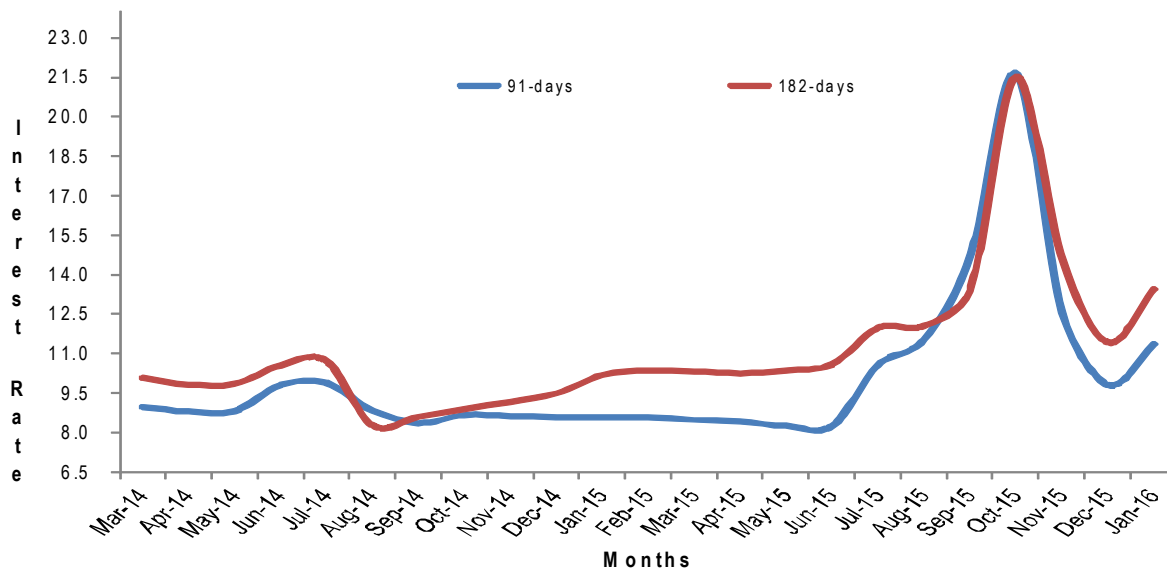
Table 11: Domestic interest payments, in Kshs million

Type of Debt	Projected	Actual	Variance
Treasury Bonds	64,665.01	66,105.36	1,440.35
Treasury Bills	19,787.17	23,750.65	3,963.48
Overdraft	2,419.25	2,358.20	(61.05)
Pre-1997 overdraft debt	489.47	471.86	(17.61)
<b>Totals</b>	<b>87,360.90</b>	<b>92,686.07</b>	<b>5,325.17</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 March 2014. During the month of January 2016, the average interest rates for the 91-day Treasury bills dropped by 155 basis points to stand at 11.36 percent from 9.81 percent in December 2015 and the 182-days Treasury bill decreased by 203 basis points to 13.46 per cent per annum from 11.43 per cent in December 2015. The 364-days Treasury bill rate stood at an average of 14.08 percent per annum in December 2015.

Chart 8: Average interest rates on Treasury Bills



Source: Central Bank of Kenya

### 3.7 Yields on Treasury Bonds

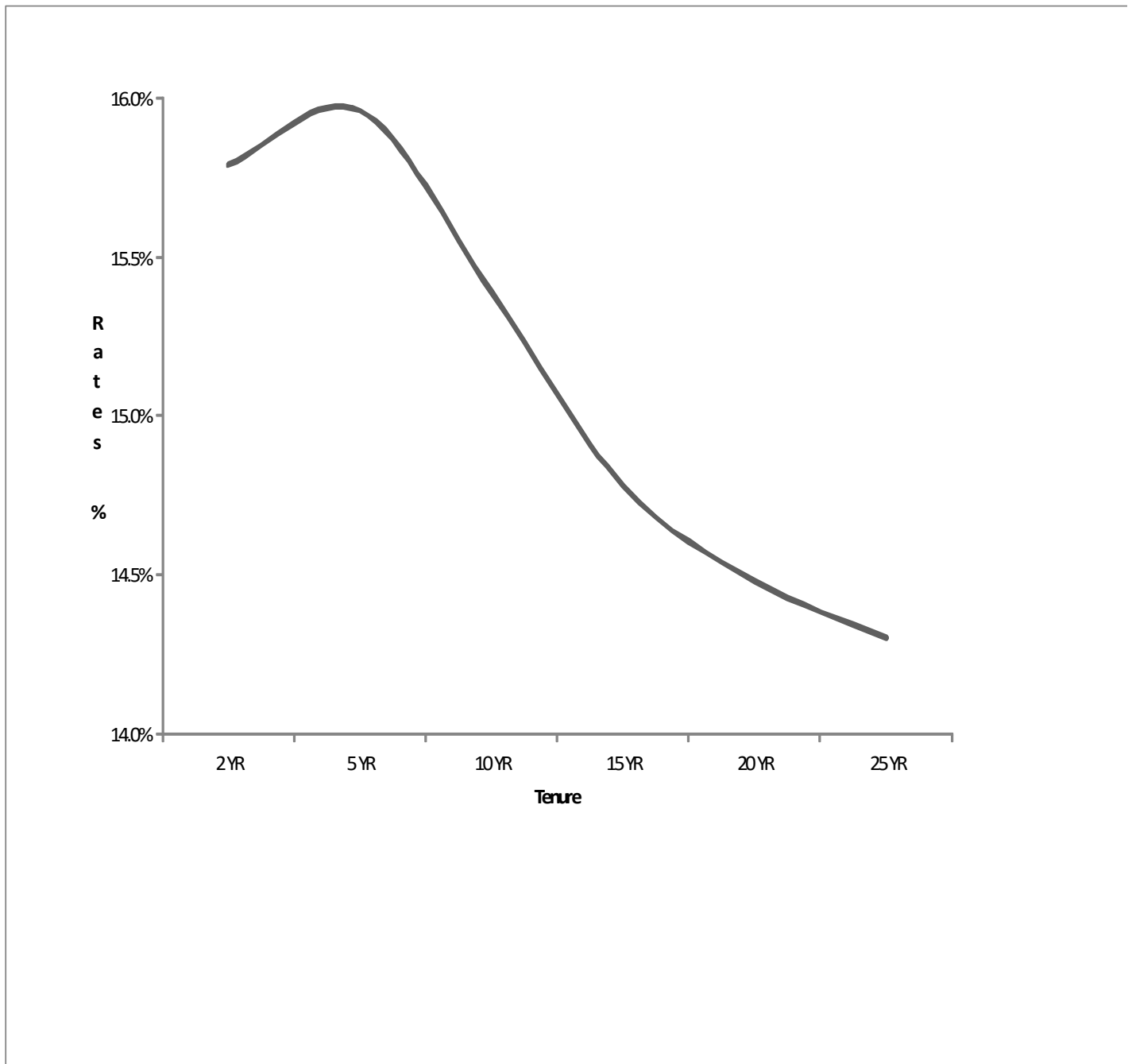
The Government has been implementing a Benchmark Bond programme to increase liquidity around selected Bonds and promote secondary trading. One of the key objectives of the programme is to lower both refinancing risk and cost of borrowing by the Government. Table 12 and Chart 9 shows the yields on selected benchmark Treasury Bonds in the secondary market as at end January 2016. The Yield curve is inverted due to limited trading in the secondary market.

Table 12 :Yields on selected Treasury Bonds as at end January, 2016

Tenure	Rate (%)
2 YR	15.79
5 YR	15.96
10 YR	15.39
15 YR	14.78
20 YR	14.48
25 YR	14.30

Source: Nairobi Securities Exchange (NSE)

Chart 9: Secondary Market yields on selected Treasury Bonds as at end January, 2016



Source: Nairobi Securities Exchange (NSE)

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

<b>Creditor</b>	<b>Stock at end December 2015</b>	<b>Stock at end January 2016</b>	<b>Change</b>
<b>Central Government</b>			
AUSTRIA	703.35	1,024.23	320.88
BELGIUM	6497.85	6845.82	347.97
CANADA	930.11	838.46	(91.65)
DENMARK	1759.51	1,601.78	(157.73)
FINLAND	5886.5	2317.78	(3,568.72)
FRANCE	58002.86	60,219.19	2,216.33
GERMANY	21358.64	22,440.75	1,082.11
ITALY	545.94	614.89	68.95
JAPAN	40043.35	39,970.51	(72.84)
NETHERLANDS	1895.12	1,701.42	(193.70)
UK	-1432.2	1,228.92	2,661.12
USA	3990.76	4,182.95	192.19
PARIS CLUB OTHERS	6926.29	9,744.32	2,818.03
NON PARIS CLUB	257466.216	323,553.38	66,087.16
o/w CHINA	252,622.52	317,535.11	64,912.59
<b>Sub total</b>	<b>404,574.30</b>	<b>476,284.40</b>	<b>71,710.10</b>
<b>MULTILATERAL</b>			
ADB/AFDB	168,382.84	173,810.25	71,710.10
EEC/EIB	21,455.32	21,265.05	(190.27)
IDA	451,966.32	455,676.67	3,710.35
IFAD	11,482.74	12,201.14	718.40
IMF	88,044.30	84,712.66	(3,331.64)
OTHERS	6,223.04	9,343.43	3,120.39
<b>Sub total</b>	<b>747,554.56</b>	<b>757,007.20</b>	<b>9,452.64</b>
<b>COMMERCIAL BANKS</b>	<b>366,230.99</b>	<b>366,127.36</b>	<b>(103.63)</b>
<b>O/W International Sovereign Bond</b>	<b>281,356.35</b>	<b>281,279.35</b>	<b>(77.00)</b>
SUPPLIERS CREDIT	16,516.30	8,485.05	(8,031.25)
Sub Total	1,534,876.15	1,607,906.05	73,029.90
<b>GUARANTEED DEBT</b>			
CANADA	-		
JAPAN	38,010.662	42,235.69	4,225.03
USA			
IDA (KR Concessionaire)	3,600	4,602.75	1,002.75
<b>Sub Total</b>	<b>41,610.66</b>	<b>46,838.44</b>	<b>5,227.78</b>
<b>GOK+ GUARANTEED TOTAL</b>	<b>1,615,184.2</b>	<b>1,654,744.49</b>	<b>39,560.29</b>

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Enquiries covering the publication should be addressed to:

**The Director,  
Debt Management Department,  
National Treasury**  
1st Floor, Treasury Building, Harambee Avenue  
P.O Box 30007-00100, Nairobi, Kenya  
Tel: (254) 20 2252299  
Fax: (254) 20 315294  
Email: [dmd@treasury.go.ke](mailto:dmd@treasury.go.ke)