



REPUBLIC OF KENYA

THE NATIONAL TREASURY

DIRECTORATE OF PUBLIC DEBT MANAGEMENT

MONTHLY DEBT BULLETIN

JANUARY 2017

1.0 PUBLIC DEBT

1.1 Introduction

As at end January 2017, total public and publicly guaranteed debt stood at Kshs 3,886.40 billion or 52.28 per cent of GDP (Table 1). The increase of 1.54 per cent over the end December 2016 position is attributed to a slight increase on the external debt. Domestic debt decreased by Ksh 36.8 billion to stand at Ksh 1,894.11 million, while the external debt increased by Ksh 95.85 billion to stand at Ksh 1,992.29 billion in January 2017 (Table 1).

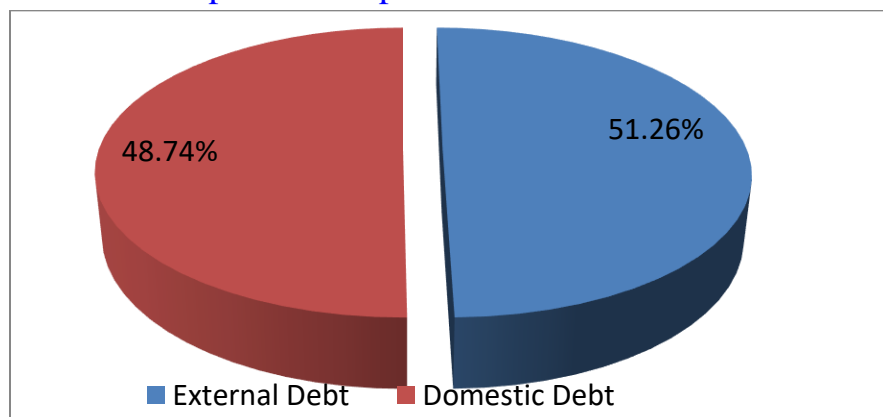
Table 1: Size of public debt, end January 2017, in billions

Debt Category	Kshs	USD	Percentage of GDP
Domestic Debt	1,894.11	18.22	25.47
External Debt	1,992.29	19.16	26.80
Total	3,886.4	37.38	52.27

Source: The National Treasury and Central Bank of Kenya

The structure of public and publicly guaranteed debt shows that 48.74 per cent of the total debt is domestic debt while 51.26 per cent 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 minimize interest rate cost, the average interest rate and grace period on the external debt portfolio was 0.6 percent and 6.9 years, respectively. In addition, the average maturity period for external loans was 30.6 years while the average grant element was 49.22 percent.

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

1.3 Movement in Exchange Rates

Table 2 shows market indicative end-month foreign exchange rates for the period November to January 2017. During the month, the Kenya shilling Depreciated against US Dollar, STG Pound, JPY and Euro by 1.943, 2.242, 1.184 and 2.748 per cent percent respectively. The shilling stood at Kshs 103.96 to the US Dollar at end of January 2017.

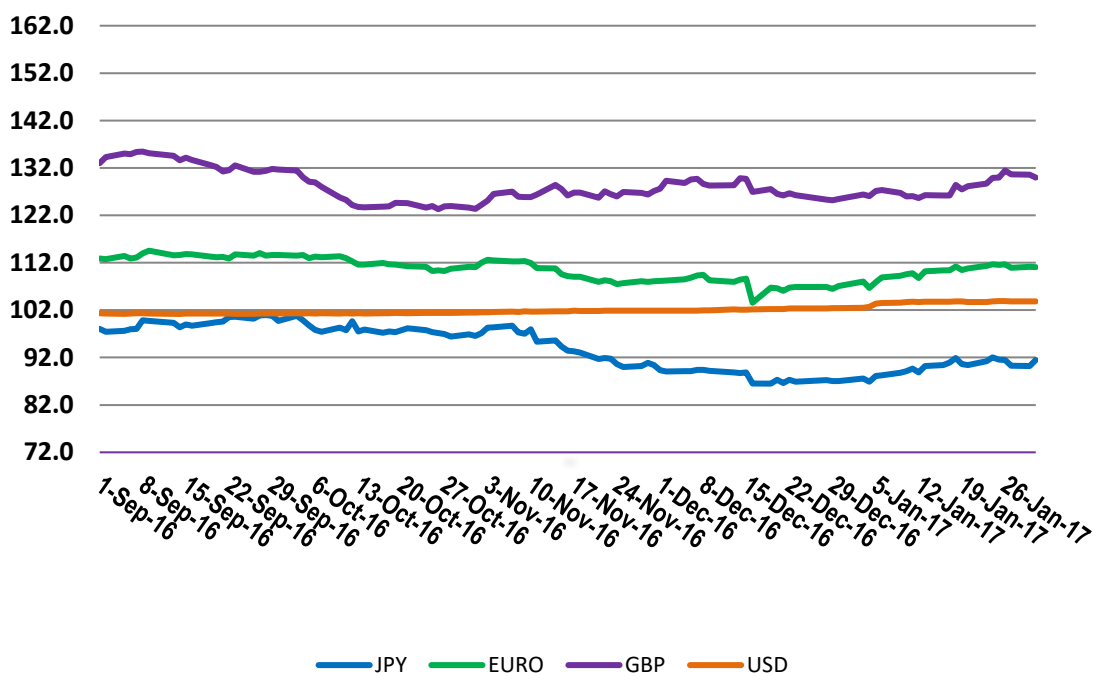
Table 2: Movement in Exchange Rates

Currency	November 2016	December 2016	January 2017	Appreciation/(Depreciation)
US Dollar	101.88	102.49	103.86	1.943%
STG Pound	127.10	125.42	129.95	2.2423%
Euro	108.07	107.06	111.04	2.7482%
JPY(100)	90.39	87.06	91.46	1.1838%

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 to January 2017. The Kenya shilling strengthened against the Sterling Pound during the month under review while it remained relatively constant against the USD, Euro and Japanese yen.

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

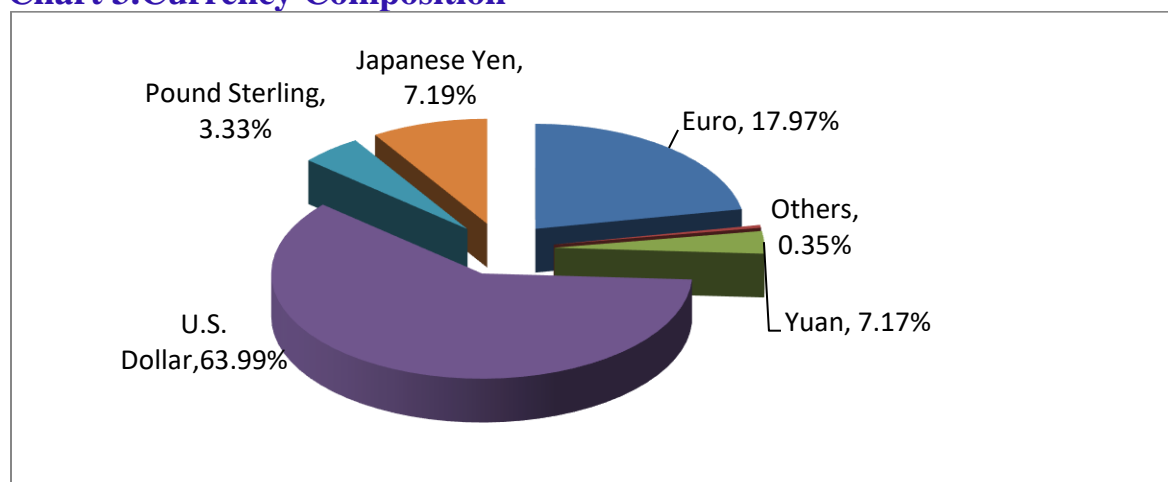
Overall, public and publicly guaranteed external debt increased by Kshs 96.36 billion as at end January 2017 to Kshs 1,992.8 billion from Kshs 1,896.44 billion at the end of December 2016 (Table 3).

Table 3: External debt stock, in billions

	December 2016		January 2017	
	Kshs	USD	Kshs	USD
Bilateral	591.33	5.15	639.14	6.15
Multilateral	776.64	7.58	802.09	7.72
Guaranteed	55.05	0.15	55.55	0.53
Suppliers Credit	15.30	0.54	15.63	0.15
Commercial Banks	458.12	4.47	480.39	4.62
o/w International Sovereign Bond	281.84	2.75	285.88	2.75
Total	1,896.44	18.51	1,992.8	19.17

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 63.99 percent followed by the Euro at 17.97 percent.

Chart 3. Currency Composition



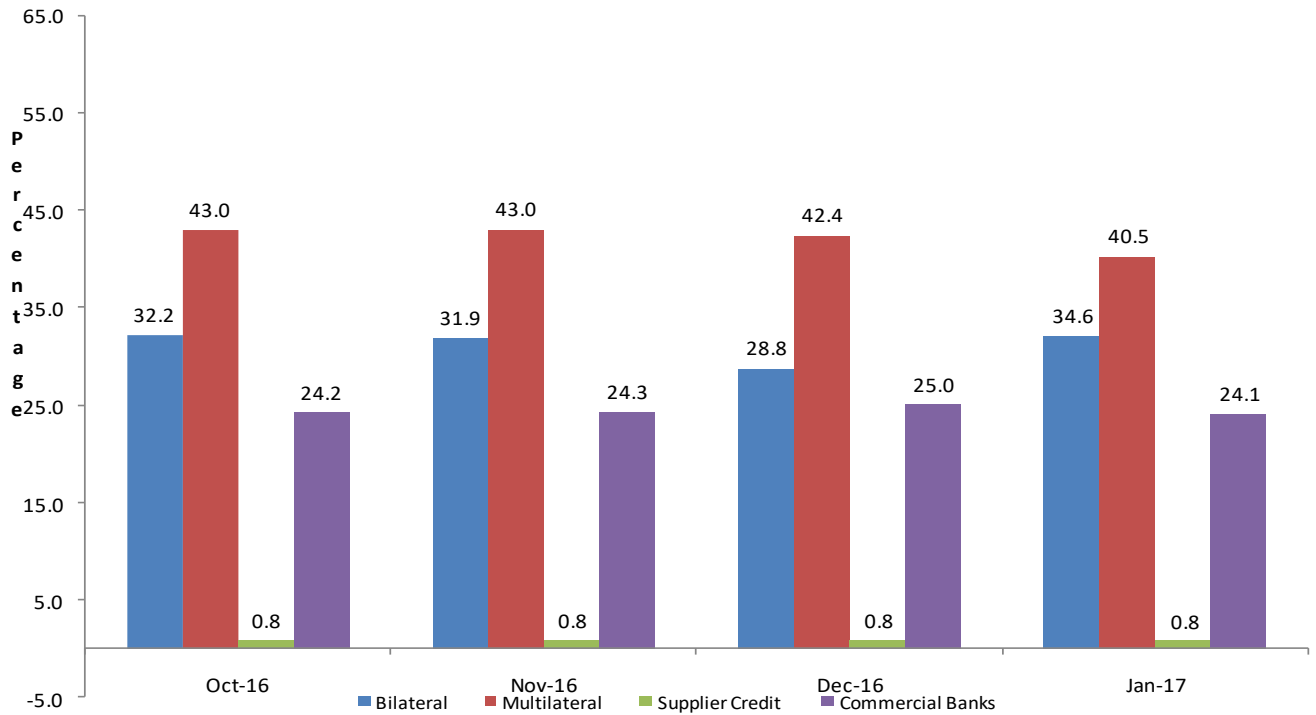
Source: The National Treasury

2.2 Structure of External Debt by Creditor

Official creditors account for 75.12 percent of the total public and publicly guaranteed external debt. Debt owed to multilateral creditor's amounts to Ksh 806.69 billion (including Ksh 4.61 billion guaranteed debt owed to IDA) dominates the portfolio at 40.48 percent of the total. Bilateral debt stands at Kshs 689.57 billion (34.64 percent of the total), inclusive of Kshs 50.43 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 25 percent of the total public and publicly guaranteed external debt.

Chart 4: External Debt by Creditor

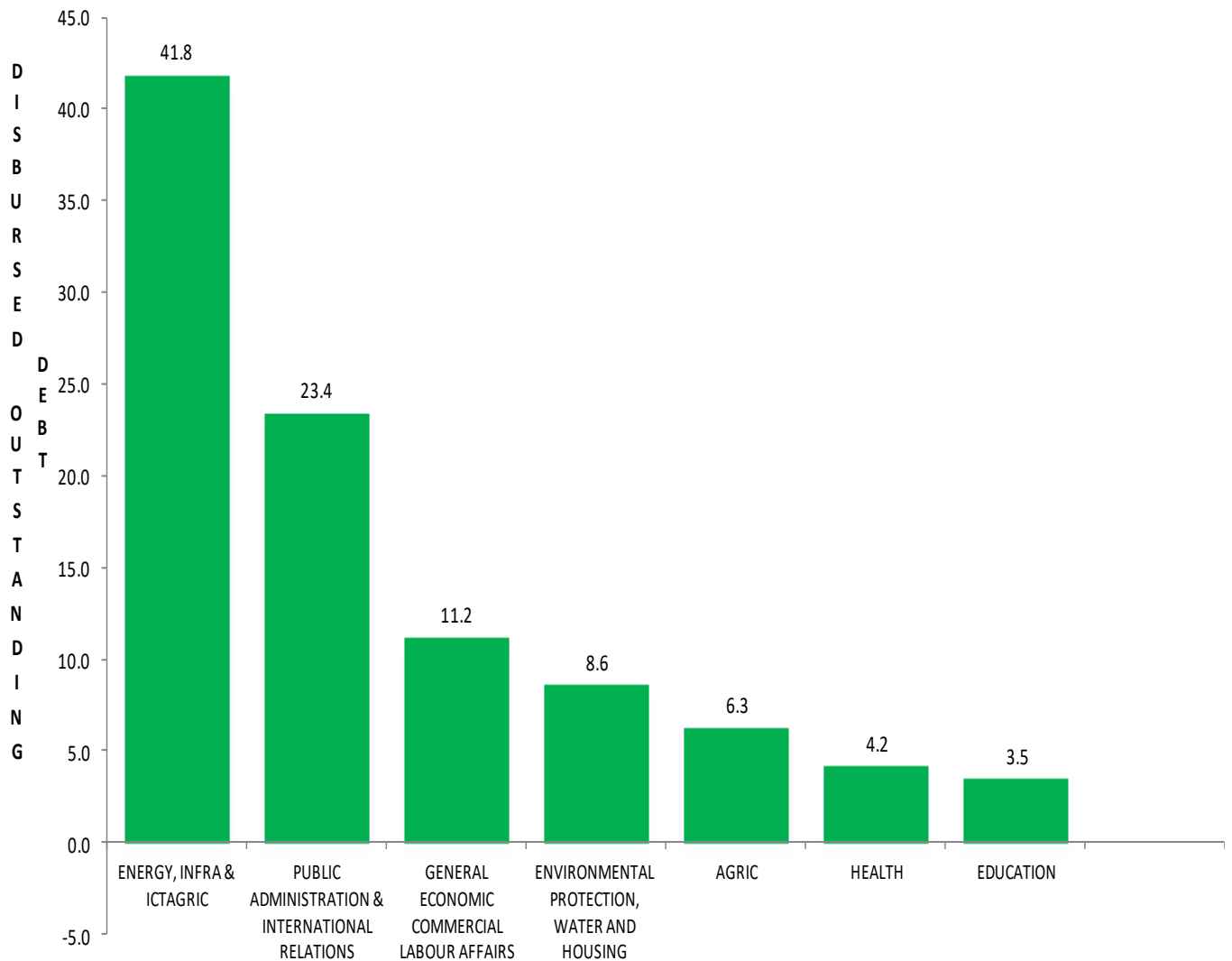


Source: The National Treasury

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

2.3 Projected Cumulative External Debt Service

Projected cumulative external debt service for the period to end January 2017 stood at Kshs 60.45 billion.

Principal and interest projections for the month of January 2017 were Kshs 4.23 billion and Kshs 9.36 billion, respectively. Bilateral, multilateral and commercial creditors constitute 56.75 percent, 22.60 percent and 20.65 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 2017, in Kshs billions

Creditor category	Principal	Interest	Total
Bilateral	15,416.46	18,884.13	34,300.59
Multilateral	9,875.01	3,788.66	13,663.67
Commercial	415.75	12,064.99	12,480.74
Guaranteed	0.00	0.00	0.00
Total	25,707.22	34,737.78	60,445.00

Source: The National Treasury

2.5 Actual Cumulative External Debt Service

Actual debt service as at end January 2017 stood at Kshs 51.06 billion (Table 5). Actual principal and interest payments during the month of January 2017 were Kshs 3.53 billion and Kshs 6.46 billion respectively.

Table 5: Actual cumulative external debt service as at end of January 2017, in Kshs billion

Credit category	Principal	Interest	Total
Bilateral	9,779.49	13,486.42	23,265.91
Multilateral	9,026.01	3,624.35	12,650.36
Commercial	384.16	14,562.88	14,947.04
Guaranteed	201.08	0.00	201.08
Totals	19,390.74	31,673.65	51,064.39

Source: The National Treasury

2.6 Budget Deviation

The projected cumulative debt service for January 2017 was above the actual debt service by Kshs 9.38 billion.

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 50 per cent of the GDP billion of the total public debt levels in the Net Present terms. In the month of January 2017, the guaranteed external debt stock increased by Kshs 0.51 billion to Kshs 55.55 billion from Ksh 55.04 billion in December 2016 (Table 6).

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

Creditor	November 2016	December 2016	January 2017
Japan	44.65	42.95	45.22
Germany	8.08	7.48	5.65
IDA (KR Concessionaire)	4.56	4.61	4.68
Totals	57.29	55.04	55.55

Source: The National Treasury

3.0 DOMESTIC DEBT

3.1 Central Government Domestic Debt

Government net domestic debt decreased by Kshs 17.05 billion to Kshs 1,535.22 billion in January 2017 from Kshs 1,552.27 billion in December 2016 due to an decreased in gross debt over the period under review (Table 7).

Table 7: Government domestic debt, in Kshs billion

	November 2016	December 2016	January 2017
Gross domestic debt	1,918.66	1,930.98	1,903.17
less			
Govt. deposits at CBK	-201.76	-181.80	-171.04
Govt. deposits at commercial banks	-195.07	-191.21	-191.21
Govt. advances to parastatals	-5.70	-5.70	-5.70
Net domestic debt	1,516.13	1,552.27	1,535.22

Source: Central Bank of Kenya

3.2 Government Domestic Borrowing

During the month of January 2017, Government securities worth Kshs 94.0 billion were advertised. Bids worth Kshs 52.39 billion were received of which Treasury Bills was Ksh 51.03 billion and Treasury bond was Ksh 1.35 billion. Successful bids amounted to Kshs 40.89 billion against redemptions of Kshs 62.96 billion leaving exchequer with a deficit of Kshs 22.07 billion. (Table 8).

Table 8: Government domestic borrowing, in Kshs million

	Treasury Bills	Treasury Bonds	Total
Advertised	74,000	20,000	94,000
Bids received	51,031	1,354	52,385
Successful bids	39,535	1,354	40,889
Redemptions (cost)	(62,955)	-	(62,955)
Net domestic borrowing	(23,420)	1,354	(22,066)

Source: The National Treasury

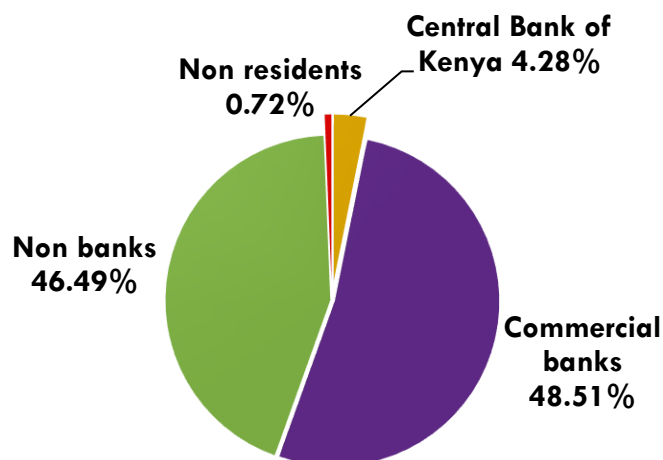
Table 9: Domestic debt instruments by holder end January 2017, in Kshs billion

Instrument/Holder	Commercial banks	Non banks	Central Bank of Kenya	Non residents	Total
Treasury bonds	591.63	642.08	9.43	7.56	1,250.7
Treasury bills	325.71	242.62	20.59	6.23	595.15
Others	5.87	0	51.40	0.00	57.27
Total	923.21	884.70	81.42	13.79	1,903.12
Percentage Holding	48.51%	46.49%	4.28%	0.72%	100%

Source: The National Treasury

At the end of January 2017, banks held the largest proportion of the outstanding Government debt securities amounting to Kshs 923.21 billion or 48.51 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 884.7 billion or 46.49 percent while the Government debt worth Kshs 13.79 billion or 0.72 percent was held by non residents who invest through nominee accounts in the local banks. Kshs 81.42 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, 2017

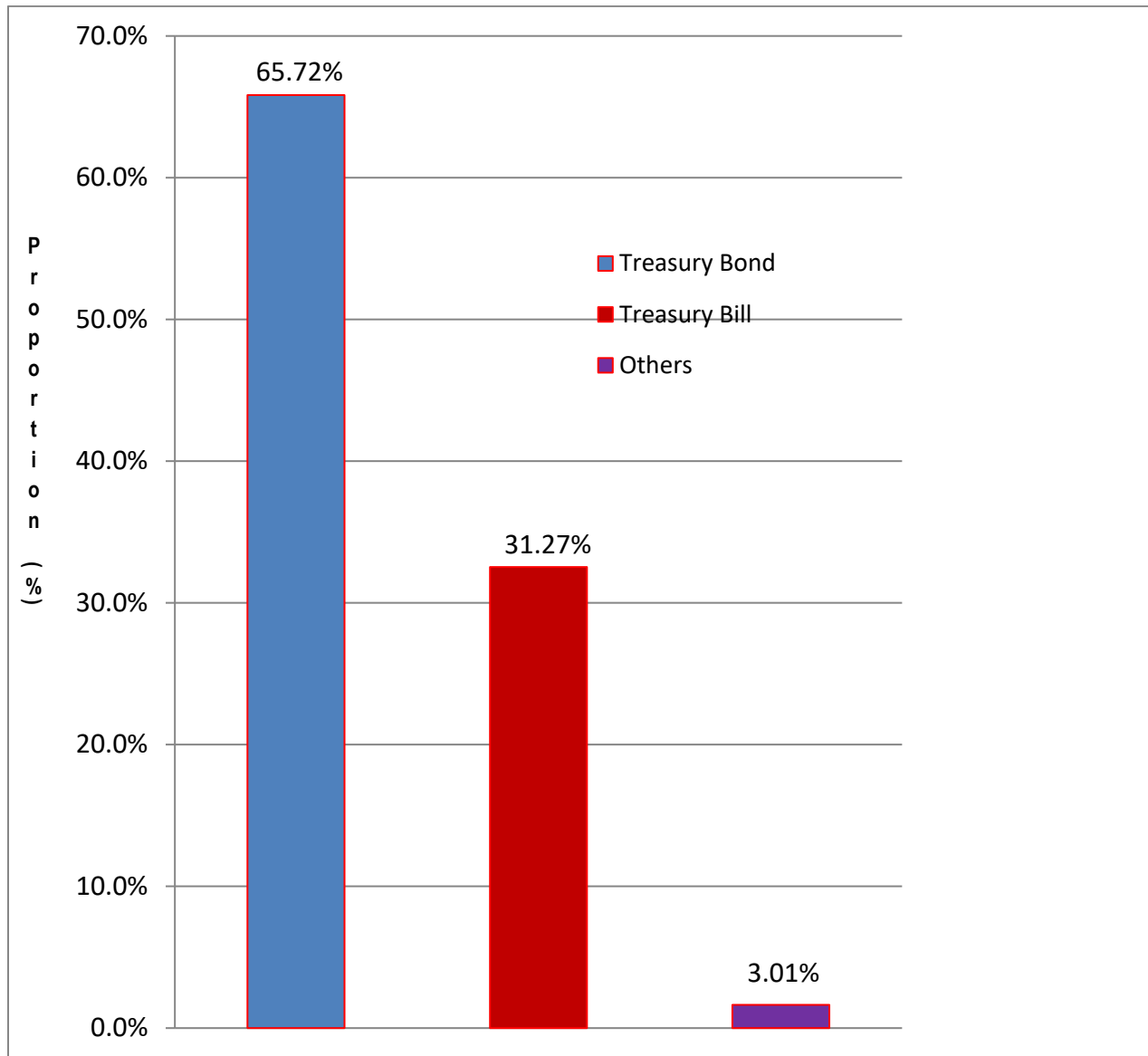


Source: Central Bank of Kenya

3.3 Domestic Debt by Instruments

Chart 7 shows the composition of the domestic debt as at end January 2017. 65.72 per cent of Government domestic debt was in Treasury Bonds, 31.27 per cent 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 minimize refinancing risk and promote liquidity in domestic secondary markets for Government bonds.

Chart 7: Domestic debt by instrument, January 2017



Source: Central Bank of Kenya

3.4 Net Domestic Financing

Table 10 shows that as at end January 2017, the net domestic financing was at Kshs 162.44 billion.

Table 10: Net domestic financing, in Kshs billion

	June 2016	January 2017	Change
Treasury Bills	537.28	547.74	10.46
Treasury Bonds	1,103.05	1197.12	94.07
Pre-1997 Govt. Overdraft debt	25.56	25.00	-0.56
Other	48.37	21.67	-26.70
<i>of which Overdraft (from CBK)</i>	44.2	17.30	-26.90
Govt. deposits	283.01	215.14	-67.87
Net Domestic Credit	1,431.25	1,593.69	162.44

Source: Central Bank of Kenya

3.5 Cumulative Domestic Interest Payments

As at end January 2017, Government actual domestic interest payments stood at Kshs 110.13 billion against the projected interest payments of Kshs 113.67 billion. Actual interest payments on Treasury Bonds and Treasury Bills amounted to Kshs 72.57 billion and Kshs 36.43 billion respectively (Table 11).

Table 11: Domestic interest payments, in Kshs million

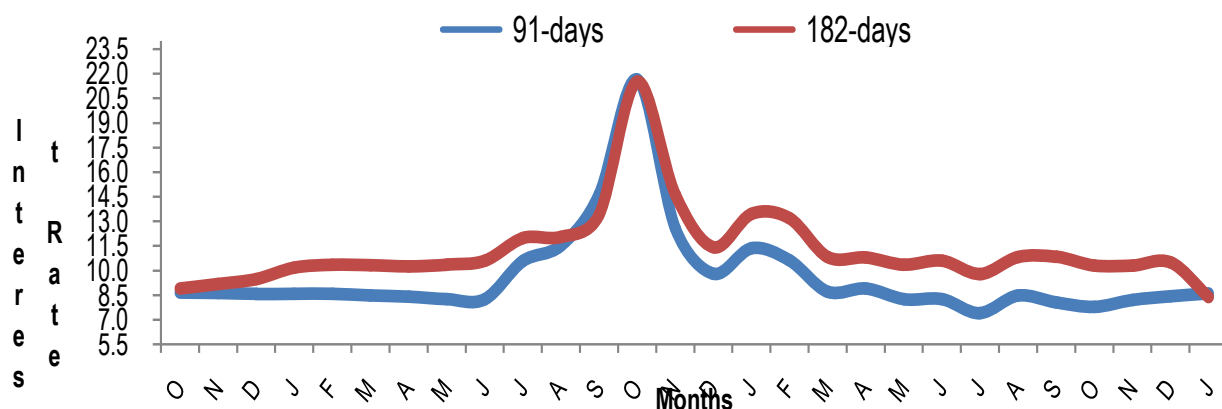
Type of Debt	Projected	Actual	Variance
Treasury Bonds	75,907.21	72,565.21	(3,342.00)
Treasury Bills	34,241.64	36,431.87	2,190.23
Overdraft	3,140.36	680.97	(2,453.39)
Pre-1997 overdraft debt	379.25	450.24	70.99
Totals	113,668.46	110,128.29	(3,540.17)

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 September 2014. During the month of January 2017, the average interest rates for the 91-day Treasury bills increased by 18 bps to stand at 8.62 per cent while that of 182-days Treasury bill remain constant at 10.50 per cent per annum from November 2016. The 364-days Treasury bill rate stood at an average of 10.96 percent per annum in January 2017.

Chart 8: Average interest rates on Treasury Bills



Source: Central Bank of Kenya

3.7 Yields on Treasury Bonds

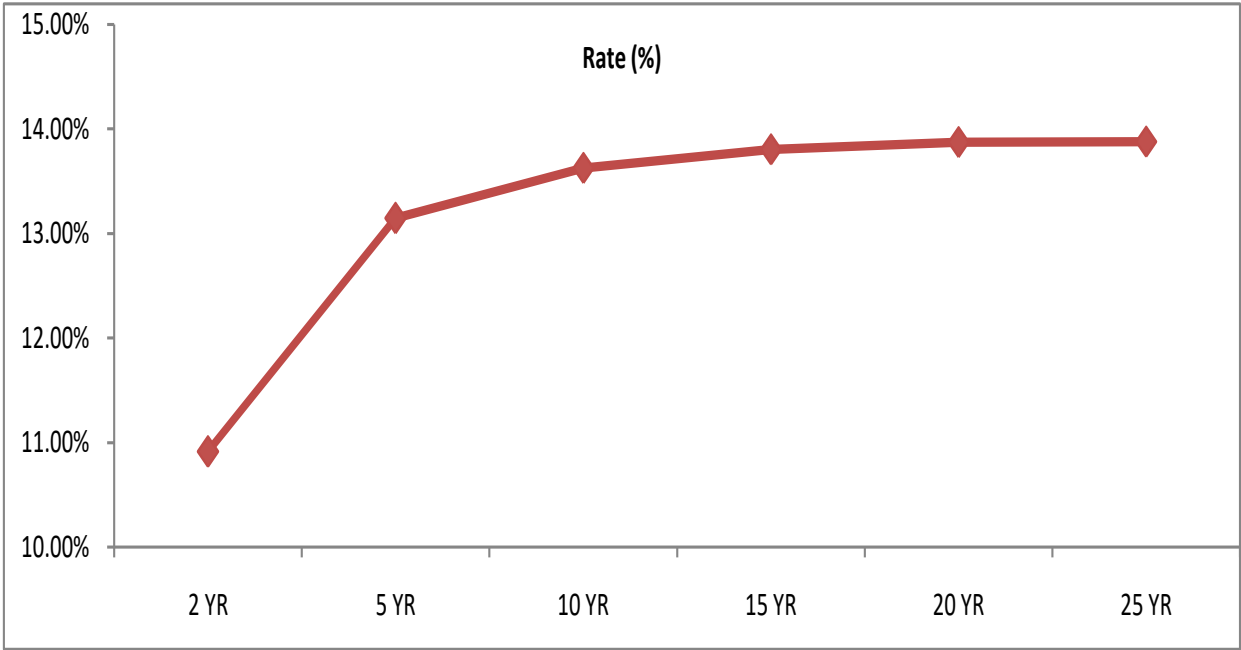
The Government has been implementing a Benchmark Bond programme to increase liquidity around selected Bonds and promote secondary trading. Table 12 and Chart 9 shows the yields on selected benchmark Treasury Bonds in the secondary market as at end January 2017. The Yield curve is flatter at the longer end due to limited trading in the secondary market.

Table 12: Yields on selected Treasury Bonds as at end January, 2017

Tenure	Rate (%)
2 YR	10.910
5 YR	13.144
10 YR	13.625
15 YR	13.802
20 YR	13.879
25 YR	14.825

Source: Nairobi Securities Exchange (NSE)

Chart 9: Secondary Market yields on selected Treasury Bonds as at end January, 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 December 2016	Stock at end January 2017	Change
Central Government			
AUSTRIA	853.73	552.93	-300.8
BELGIUM	7,220.04	8,973.99	1,753.95
CANADA	744.01	754.69	10.68
DENMARK	1,398.02	1,314.58	-83.44
FINLAND	1,161.71	1,638.05	476.34
FRANCE	56,140.43	57,892.38	1,751.95
GERMANY	21,714.33	22,582.32	867.99
ITALY	119.66	615.44	495.78
JAPAN	43,297.43	41,888.05	-1,409.38
NETHERLANDS	1,699.55	1,976.68	277.13
UK	765.05	793.53	28.48
USA	3,724.15	3,580.33	-143.82
PARIS CLUB OTHERS	22,495.07	21,520.48	-974.59
NON PARIS CLUB	365,997.39	475,053.99	109,056.60
o/w CHINA	355,079.69	461,035.96	105,956.27
Sub total	591,325.03	639,137.44	47,812.41
MULTILATERAL			
ADB/AFDB	180,393.20	185,127.40	4,734.20
EEC/EIB	19,202.45	19,779.85	577.40
IDA	480,087.20	498,199.17	18,111.97
IFAD	11,998.72	12,505.68	506.96
IMF	75,953.34	77,873.60	1,920.26
OTHERS	9,008.96	8,608.36	-400.60
Sub total	776,640.87	802,087.11	25,446.24
COMMERCIAL BANKS	458,122.37	480,391.31	22,268.94
O/W International Sovereign Bond	281,835.95	285,877.90	4,041.95
SUPPLIERS CREDIT	15,301.50	15,631.41	329.91
Sub Total	1,777.39	1,937.24	159.85
GUARANTEED DEBT			
JAPAN	42,953.98	45,221.12	2,267.14
GERMANY	7,484.39	5,648.74	-1,835.65
IDA (KR Concessionaire)	4,611.86	4,678.00	66.14
Sub Total	55,050.23	55,547.86	497.63
GOK+ GUARANTEED TOTAL	1,896.44	1,992.78	96.34

Source: National Treasury

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