

THE NATIONAL TREASURY



MONTHLY DEBT BULLETIN JANUARY 2018

1.1 Introduction

As at end January 2018, public and publicly guaranteed debt stood at Kshs 4.7 trillion (USD 45.9 billion) or 53.3 percent of GDP. Domestic debt stood at Kshs 2.3 trillion (USD 22.47 billion) while the External debt stock stood at Kshs 2.4 trillion (USD 23.44 billion). Domestic debt as a percentage of GDP stood at 26.08 percent whereas External debt stood at 27.21 percent. The structure of debt shows that domestic debt accounts for 48.95 percent of the total debt while external debt accounts for 51.06 percent.

1.2 Movement in Exchange Rates

The key currencies in which debt is denominated are USD Euro, Yuan and Sterling Pound. Movements in exchange rates have implications on both the size of the external debt and the cost of debt service. The USD moved from 103.23 in December 2017 to 102.35 in January 2018 against the Kenya Shilling while the Euro moved from 123.28 to 127.24. This was 0.85 percent increase and 3.21 percent decrease for the USD and EURO respectively. The Sterling Pound moved from 138.75 to 144.66 while the Japanese Yen moved from 91.48 to 94.24 against the Kenya Shilling translating to a 4.26 percent and a 3.01 percent decrease respectively.

1.3 Size of Public and Publicly Guaranteed External Debt

Overall public and publicly guaranteed external debt increased by Kshs 28.4 billion from Kshs 2,349 billion in December 2017 to Kshs 2,377 billion in January 2018. Between December 2017 and January 2018, debt owed to bilateral creditors increased from Kshs 736.1 billion to Kshs 748.6 billion while multilateral credit increased from Kshs 837.2 billion to Kshs 848.9 billion excluding Guaranteed debt. Commercial debt decreased from Kshs 630.3 billion to Kshs 625.2 billion during the same period.

1.4 Currency composition of external debt

The proportion of debt denominated in USD stood at 67.2 percent, followed by Euro which accounts for 17.0 percent. The Yuan, Japanese Yen and Sterling Pound accounted for 6.8 percent, 5.7 percent and 3.0 percent respectively. Other currencies accounted for a 0.3 percent.

1.5 Projected Cumulative External Debt Service

Projected cumulative external debt service stood at Kshs 87.49 billion in January 2018. Principal and interest projections for the month of January were Kshs 37.12 billion and Kshs 50.38 billion respectively. Multilateral, bilateral and Commercial creditors account for percent 40, 17

percent 43 percent of the projected debt service respectively.

1.6 Actual Cumulative External Debt Service

Actual cumulative debt service as at end January 2018 stood at Kshs. 81.42 billion; comprising of principal payments of Kshs 31.7 billion and interest payments of Kshs 49.8 billion. Commercial debt service accounted for 43.6 percent, multilateral and bilateral creditors accounted for 15.1 percent and 41.3 percent of the total debt service respectively. Cumulatively from June 2017 to January 2018, the guaranteed debt service was Kshs. 0.7 billion.

1.7 Government Domestic Borrowing

During the month of January 2018, Government securities worth Kshs 160.0 billion were advertised. Bids worth Kshs 186.9bn were received. About Kshs 116.95 billion and Kshs 55.8 billion worth were Treasury Bills and Treasury Bonds respectively. Successful bids from Treasury bills amounted to Kshs 100.66 billion against the month’s redemptions of Kshs 57.05 billion, giving exchequer surplus of Kshs. 43.61 billion. The successful bids from the Treasury Bonds was Kshs 5.04 billion that went into funding the development projects as had been provided in the bond’s prospectus.

1.7 Domestic Debt by Instruments

As at end January 2018, 64.7 percent of Government domestic debt was held in Treasury Bonds, 32.6 percent in Treasury Bills while the remainder (2.7 percent) was held as Government overdraft at Central Bank of Kenya among other debt.

1.8 Net Domestic Financing

As at end January 2018, the net domestic financing stood at Kshs 214.32 billion against a target of Ksh 293.77 billion for FY2017/18.

1.9 Cumulative Domestic Interest Payments

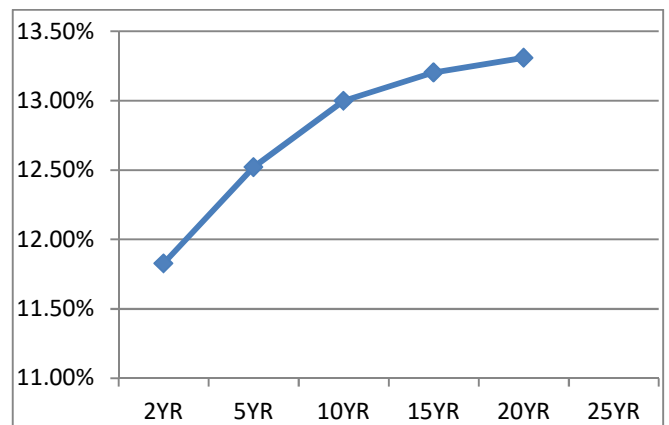
During the financial year 2017/18, the Government is projected to pay Kshs 215.2 billion as interest on domestic debt. The actual interest payment as at end January 2018 stood at Kshs 125.9 billion. Of which, actual interest payments on Treasury Bonds and Treasury Bills were Kshs 88.2 billion and Kshs 36.5 billion, respectively.

1.10 Average Interest rates for Treasury Bills

The average interest rates for Treasury bills increased in January 2018 as compared to December 2017. The 91-day, 182-day and 364-day Treasury Bills increased from 8.008 percent, 10.528 percent and 11.084 percent in December 2017 to 8.038 percent, 10.588 percent and 11.138 percent in January 2018, respectively.

The secondary market yields for Government bonds are shown in the chart below.

Chart 1: Secondary Market yields on selected Treasury Bonds as at end January, 2018



Source: Nairobi Securities Exchange (NSE)

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

Provisional Debt Stock			
CREDITOR-NAME			
	Dec-17	Jan-18	Change
Multilateral			
IDA	515,741,977,753.50	521,025,869,086.65	5,283,891,333.15
EEC	2,440,209,802.45	2,468,595,288.74	28,385,486.29
IFAD	14,501,303,975.92	14,958,216,234.90	456,912,258.98
ADB	204,778,017,657.96	208,609,457,795.92	3,831,440,137.96
EIB	17,953,820,653.95	18,341,326,235.70	387,505,581.75
BADEA	3,058,789,970.80	3,019,100,813.50	(39,689,157.30)
OPEC	2,233,856,396.99	2,208,114,656.47	(25,741,740.51)
NDF	3,009,319,760.17	3,105,973,155.59	96,653,395.41
IMF	73,483,949,045.27	75,120,551,130.31	1,636,602,085.04
Sub Total Multilateral	837,201,245,017.01	848,857,204,397.78	11,655,959,380.77
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Bilateral			
USA	3,019,063,900.04	2,993,316,418.09	(25,747,481.94)
Saudi Arabia	2,306,557,209.41	2,451,908,222.52	145,351,013.11
Denmark	1,240,318,309.36	1,280,988,536.10	40,670,226.74
Japan	46,343,627,762.01	48,655,780,360.02	2,312,152,598.01
Kuwait	754,026,732.95	702,071,096.17	(51,955,636.78)
Spain	28,770,191,518.06	31,656,715,967.47	2,886,524,449.41
France	64,264,029,681.33	66,738,769,813.20	2,474,740,131.87
Germany	25,800,114,922.95	26,628,763,557.22	828,648,634.26
Belgium	10,329,634,415.64	10,499,326,207.94	169,691,792.31
Switzerland	75,801,424.88	79,027,899.82	3,226,474.93
Austria	452,122,286.17	466,643,559.27	14,521,273.11
Netherlands	1,138,807,815.39	1,131,042,876.02	(7,764,939.36)
Finland	1,667,389,351.36	1,720,430,150.98	53,040,799.62
China	537,049,890,113.22	540,640,297,706.81	3,590,407,593.59
UK	484,685,363.41	485,677,465.34	992,101.94
Sweden	67,845,124.15	51,258,599.92	(16,586,524.23)
Italy	123,444,864.54	127,409,669.29	3,964,804.76
Canada	419,892,981.72	416,335,969.56	(3,557,012.16)
Korea	2,566,368,782.06	2,704,627,023.65	138,258,241.59
India	4,323,624,768.18	4,319,425,087.27	(4,199,680.92)
Israel	4,048,553,305.76	4,014,257,058.92	(34,296,246.85)
Poland	821,982,411.25	834,978,859.00	12,996,447.75
Sub Total Bilateral	736,067,973,043.83	748,599,052,104.60	12,531,079,060.76
Suppliers Credit	17,086,305,761.32	16,941,563,648.31	(144,742,113.02)
Commercial Banks	346,452,839,873.67	343,689,542,082.16	(2,763,297,791.52)
International Sovereign Bond	283,887,175,000.00	281,482,300,000.00	(2,404,875,000.00)
Sub Total Commercial	630,340,014,873.67	625,171,842,082.16	(5,168,172,791.52)
Sub Total	2,220,695,538,695.84	2,239,569,662,232.83	18,874,123,537.00
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Guaranteed			
Japan	38,803,279,962.85	48,614,574,873.01	9,811,294,910.16
Germany	7,716,422,921.57	7,964,259,155.42	247,836,233.85
IDA	4,645,426,500.00	4,606,074,000.00	(39,352,500.00)
Kenya Airways (Commercial Debt)	77,423,775,000.00	76,767,900,000.00	(655,875,000.00)
Sub Total Guaranteed	128,588,904,384.42	137,952,808,028.43	9,363,903,644.01
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Grand Total	2,349,284,443,080.26	2,377,522,470,261.27	28,238,027,181.01

Source: National Treasury