



REPUBLIC OF KENYA

THE NATIONAL TREASURY

DIRECTORATE OF PUBLIC DEBT MANAGEMENT

MONTHLY DEBT BULLETIN

JULY 2015

1.0 PUBLIC DEBT

1.1 Introduction

As at end July 2015, total public and publicly guaranteed debt stood at Kshs 2,891.71 billion or 50.56 percent of GDP (Table 1). The increase of 1.69 percent over the end June 2015 position is attributed to an increase in external debt and depreciation of Kenya shilling against all foreign currencies. External debt increased by Ksh 48.89 billion to stand at Ksh 1,473.14 billion, while the gross domestic debt decreased marginally by Ksh 1.87 billion to stand at Ksh 1,418.57 billion in July 2015 (Table 1).

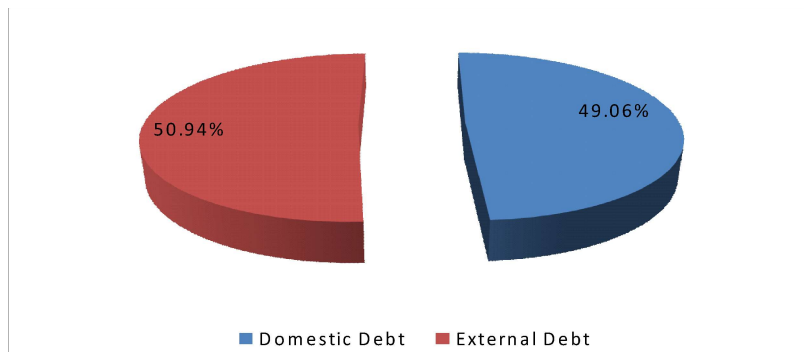
Table 1: Size of public debt, end July 2015, in billion

Debt Category	Kshs	USD	Percentage of GDP
Domestic Debt	1,418.57	13.84	24.80
External Debt	1,473.14	14.37	25.76
Total	2,891.71	28.21	50.56

Source: The National Treasury and Central Bank of Kenya

The structure of public and publicly guaranteed debt shows that 49.06 percent of the total debt is domestic debt while 50.94 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 0.6 percent and 6.4 years, respectively. In addition, the average maturity period for external loans was 21 years while the average grant element was 63.2 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 stood at 5 years 2 months as at end July 2015.

1.3 Movement in Exchange Rates

Table 2 shows market indicative end-month foreign exchange rates for the period May to July 2015. During this period, the Kenya shilling depreciated against all the major currencies by 4.85, 6.72, 4.72 and 5.02 percent respectively for the USD Dollar, Sterling Pound, Euro and Japanese Yen. The shilling stood at Kshs 102.52 to the US Dollar at end of July 2015.

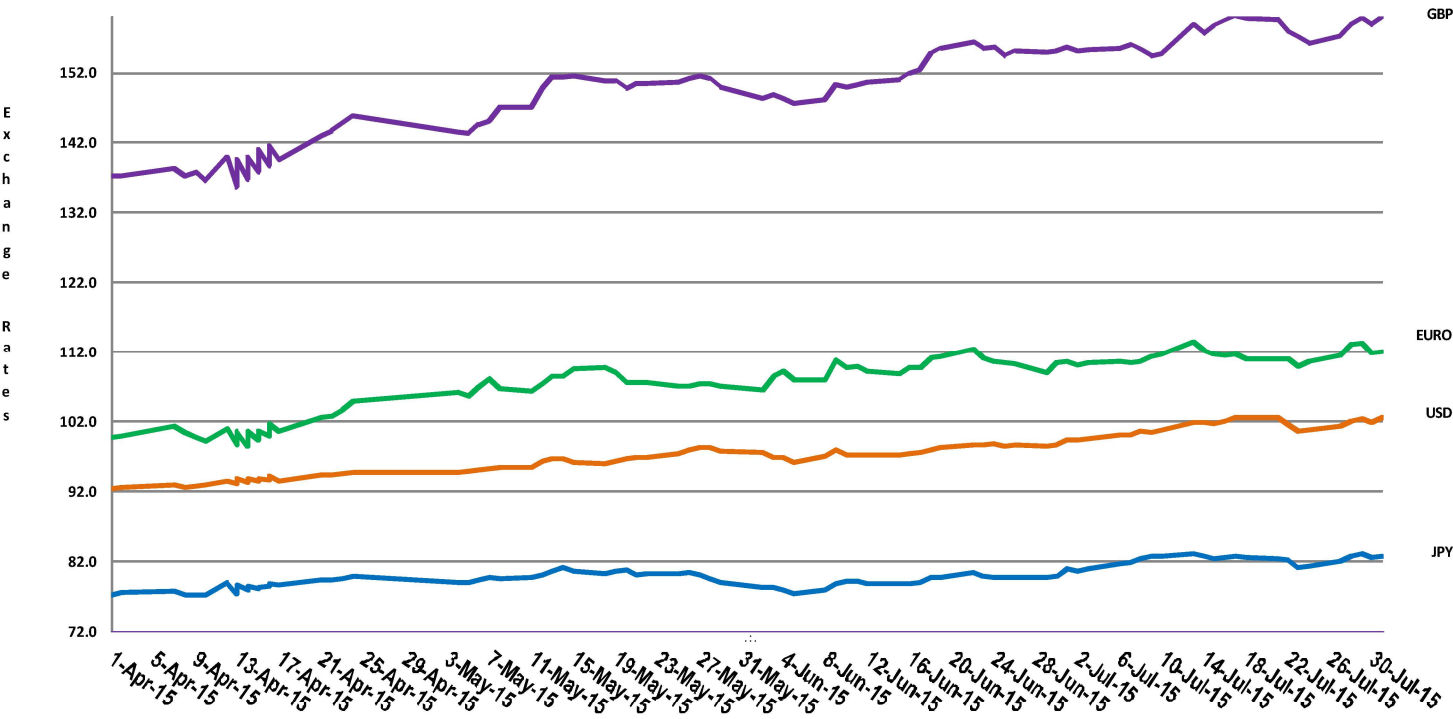
Table 2: Movement in exchange rates

Currency	May 2015	June 2015	July 2015
US Dollar	97.78	98.64	102.52
STG Pound	149.91	155.10	159.99
Euro	107.02	110.39	112.07
JPY(100)	78.93	79.77	82.59

Source: Central Bank of Kenya

Chart 2 shows the trends in daily exchange rates between Kenya Shilling and the four major foreign currencies from April 2015 to July 2015. The Kenya shilling showed a constant rise against all major currencies within the month of July 2015.

Chart 2: Kenya Shilling Exchange Rate



2.0 EXTERNAL DEBT

2.1 Size of Public and Publicly Guaranteed External Debt

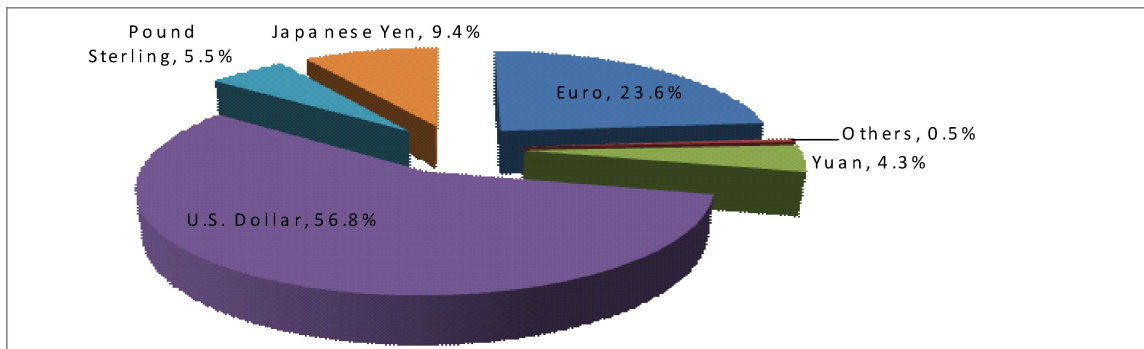
Overall, public and publicly guaranteed external debt increased by Kshs 49.89 billion as at end July 2015 to Kshs 1,473.14 billion from Kshs 1,423.25 billion at the end of June 2015 (Table 3). The increase is mainly attributed to weakening of the shilling against major currencies and disbursement during the period.

Table 3: External debt stock, in billions

	June 2015		July 2015	
	Kshs	USD	Kshs	USD
Bilateral	405.56	4.11	419.99	4.10
Multilateral	680.19	6.89	702.67	6.85
Guaranteed	43.93	0.44	45.72	0.44
Suppliers Credit	16.23	0.17	17.07	0.17
Commercial Banks	276.94	2.81	287.70	2.81
o/w International Sovereign Bond	271.26	2.75	281.93	2.75
Total	1,423.25	14.43	1,473.14	14.37

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 56.7 percent followed by the Euro at 23.6 percent.

Chart 3. Currency Composition



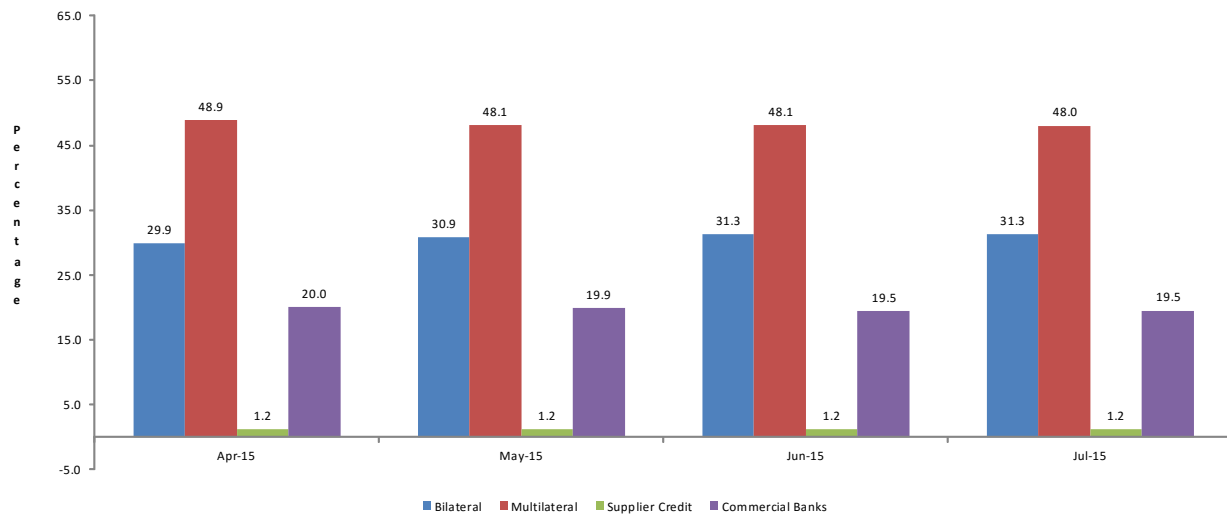
Source: The National Treasury

2.2 Structure of External Debt by Creditor

Official creditors account for 79.31 percent of the total public and publicly guaranteed external debt. Debt owed to multilateral creditors amounts to Ksh 707.28 billion (including Ksh 4.61 billion guaranteed debt owed to IDA) dominates the portfolio at 48.01 percent of the total. Bilateral debt stands at Kshs 461.09 billion (31.30 percent of the total), inclusive of Kshs 41.10 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 19.53 percent of the total public and publicly guaranteed external debt.

Chart 4: External Debt by Creditor

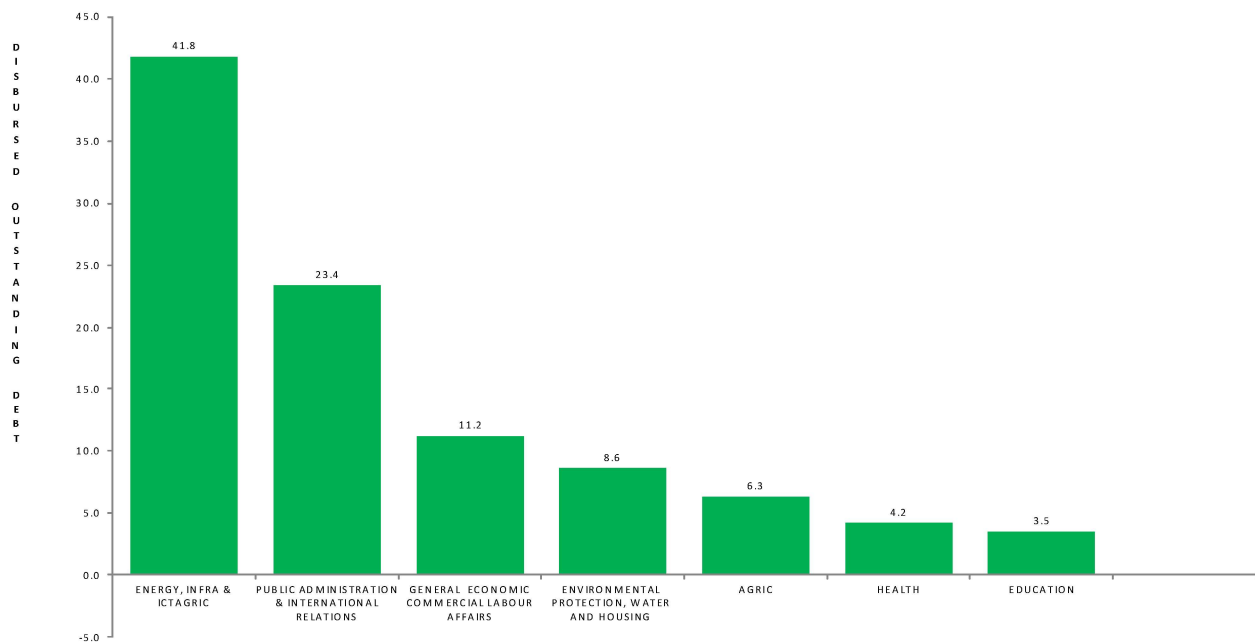


Source: The National Treasury

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 July 2015 stood at Kshs 4.73 billion. Principal and interest projections for the month of July 2015 was Kshs 2.76 billion and Kshs 1.97 billion, respectively. Bilateral and multilateral creditors constitute 69.33 percent and 30.67 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 July 2015, in Kshs million

Creditor category	Principal	Interest	Total
Bilateral	1,519.42	1,763.96	3,283.38
Multilateral	1,243.26	209.05	1,452.31
Commercial	0.00	0.00	0.00
Guaranteed	0.00	0.00	0.00
Total	2,762.68	1,973.01	4,735.69

Source: The National Treasury

2.5 Actual Cumulative External Debt Service

Actual debt service as at end July 2015 stood at Kshs 7.76 billion (Table 5). Actual principal and interest payments during the month of July 2015 was Kshs 2.25 billion and Kshs 5.51 billion respectively.

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

Credit category	Principal	Interest	Total
Bilateral	992.48	183.68	1,176.16
Multilateral	1,255.57	5,328.47	6,584.04
Commercial	0.00	0.00	0.00
Guaranteed	0.00	0.00	0.00
Totals	2,248.05	5,512.14	7,760.19

Source: The National Treasury

2.6 Budget Deviation

The actual cumulative debt service for July 2015 was above the projected debt service by Kshs 3.02 million.

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 July 2015, the guaranteed external debt stock increased by Kshs 1.78 billion to Kshs 45.72 billion from Ksh 43.93 billion in June 2015 (Table 6). This increase is attributed to exchange rate fluctuations.

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

Creditor	May 2015	June 2015	July 2015
Japan	38,788.30	39,119.95	40,713.07
Canada	371.58	374.84	389.59
U.S.A	0.00	0.00	0.00
IDA (KR Concessionaire)	4,400.14	4,438.77	4,613.45
Totals	43,560.02	43,933.56	45,716.12

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 increased by Kshs 7.30 billion to Kshs 1,185.48 billion in July 2015 from Kshs 1,178.18 billion in June 2015 due to decrease in deposits over the period under review. (Table 7).

Table 7: Government domestic debt, in Kshs billion

	May 2015	June 2015	July 2015
Gross domestic debt	1,407.73	1,420.44	1,418.57
<i>less</i>			
Govt. deposits at CBK	-108.31	-86.33	-82.45
Govt. deposits at commercial banks	-158.13	-150.23	-144.93
Govt. advances to parastatals	-5.70	-5.70	-5.70
Net domestic debt	1,135.59	1,178.18	1,185.48

Source: Central Bank of Kenya

3.2 Government Domestic Borrowing

During the month of July 2015, Government securities worth Kshs 52.00 billion were advertised. Bids worth Kshs 28.60 billion were received of which Treasury Bills was Ksh 15.70 and Treasury Bond was Ksh 12.90 billion. Successful bids amounted to Kshs 25.14 billion against redemptions of Kshs 31.55 billion leaving exchequer with a net repayment of Kshs 6.41 billion to be financed through exchequer (Table 8).

Table 8: Government domestic borrowing, in Kshs million

	Treasury Bills	Treasury Bonds	Total
Advertised	37,000	15,000	52,000
Bids received	15,703	12,899	28,602
Successful bids	13,144	11,999	25,143
Redemptions (cost)	(31,549)	-	(31,549)
Net domestic borrowing	(18,405)	11,999	(6,406)

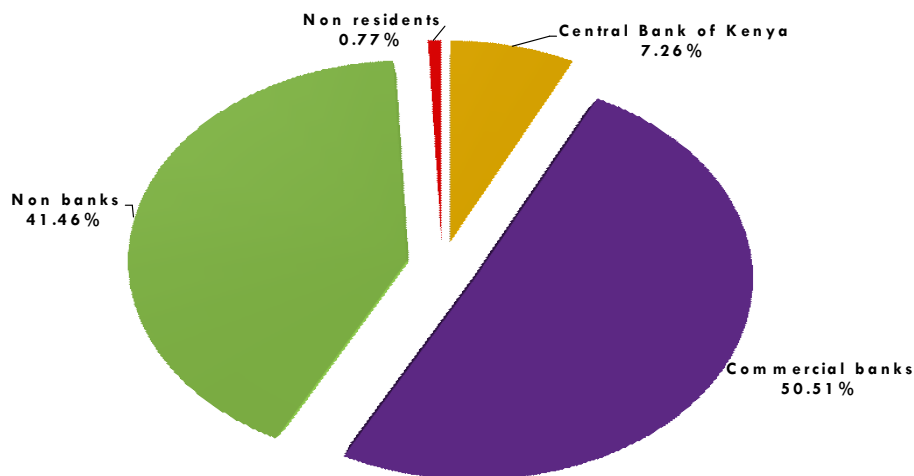
Source: The National Treasury

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

Instrument/Holder	Commercial banks	Non banks	Central Bank of Kenya	Non residents	Total
Treasury bonds	512.68	531.55	34.59	3.96	1,082.78
Treasury bills	200.76	56.60	0.05	6.95	264.36
Others	3.07	0.00	68.36	-	71.43
Total	716.51	588.15	102.99	10.91	1,418.57
Percentage Holding	50.51%	41.46%	7.26%	0.77%	100%

At the end of July 2015, banks held the largest proportion of the outstanding Government debt securities amounting to Kshs 716.51 billion or 50.51 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 588.15 billion or 41.46 percent while the Government debt worth Kshs 10.91 billion or 0.77 percent was held by non residents who invest through nominee accounts in the local banks. Kshs 102.99 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 July 2015

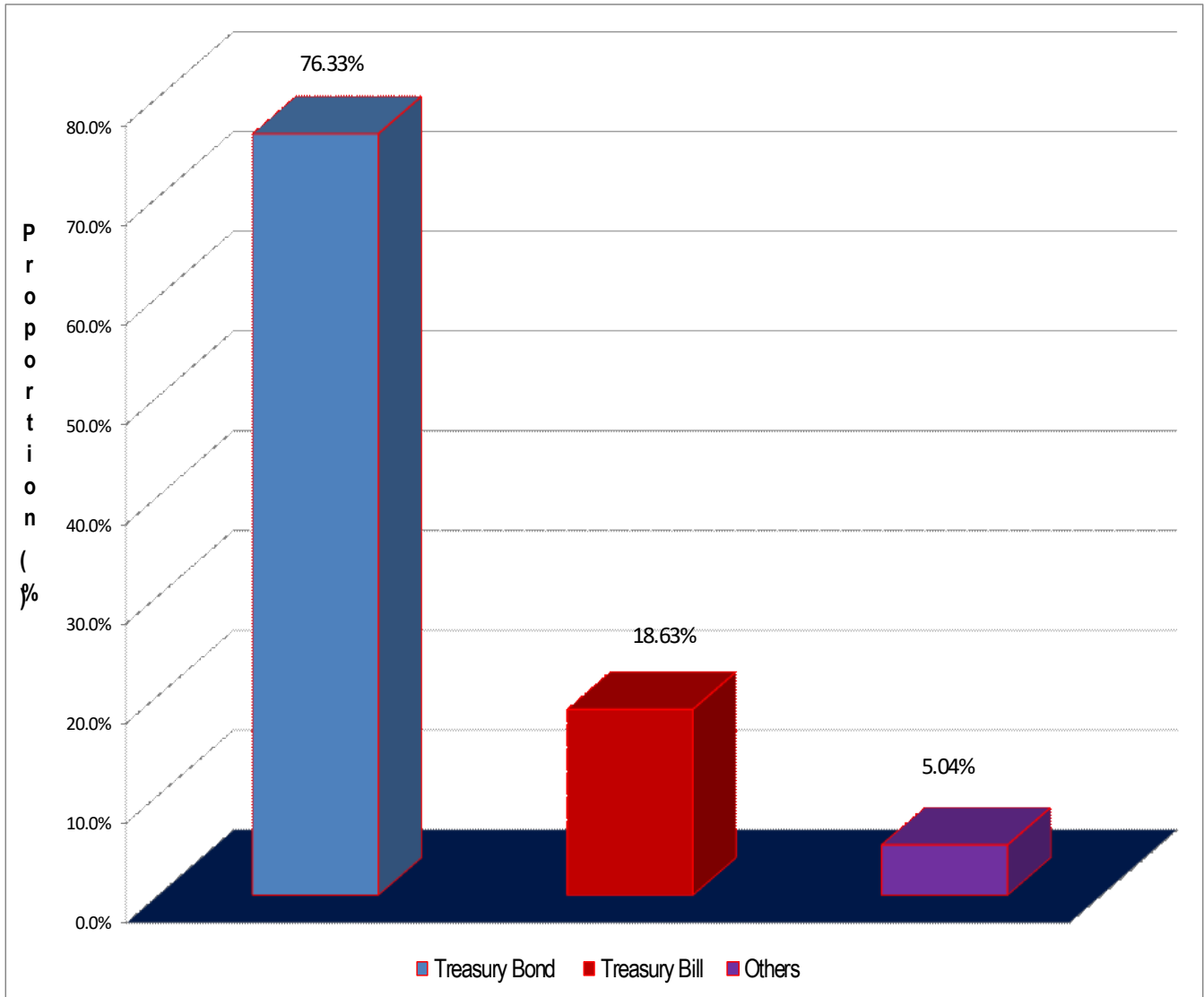


Source: Central Bank of Kenya

3.3 Domestic Debt by Instruments

Chart 7 shows the composition of the domestic debt as at end July 2015. 76.33 percent of Government domestic debt was in Treasury Bonds, 18.63 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 July 2015, the net domestic financing was at Kshs 3.93 billion.

Table 10: Net domestic financing, in Kshs billion

	June-2015	July 2015	Change
Treasury Bills	293.52	274.96	(18.56)
Treasury Bonds	994.44	1,006.43	11.99
Pre-1997 Govt. Overdraft debt	26.68	26.68	(0.00)
Other	38.83	43.22	4.39
<i>of which Overdraft (from CBK)</i>	36.44	41.68	5.24
Govt. deposits	141.28	135.17	(6.11)
Net Domestic Credit	1,211.19	1,216.12	3.93

Source: Central Bank of Kenya

3.5 Cumulative Domestic Interest Payments

As at end July 2015, Government actual domestic interest payments stood at Kshs 6.72 billion against the projected interest payments of Kshs 7.96 billion. Actual interest payments on Treasury Bonds and Treasury Bills amounted to Kshs 3.96 billion and Kshs 2.34 billion respectively (Table 11).

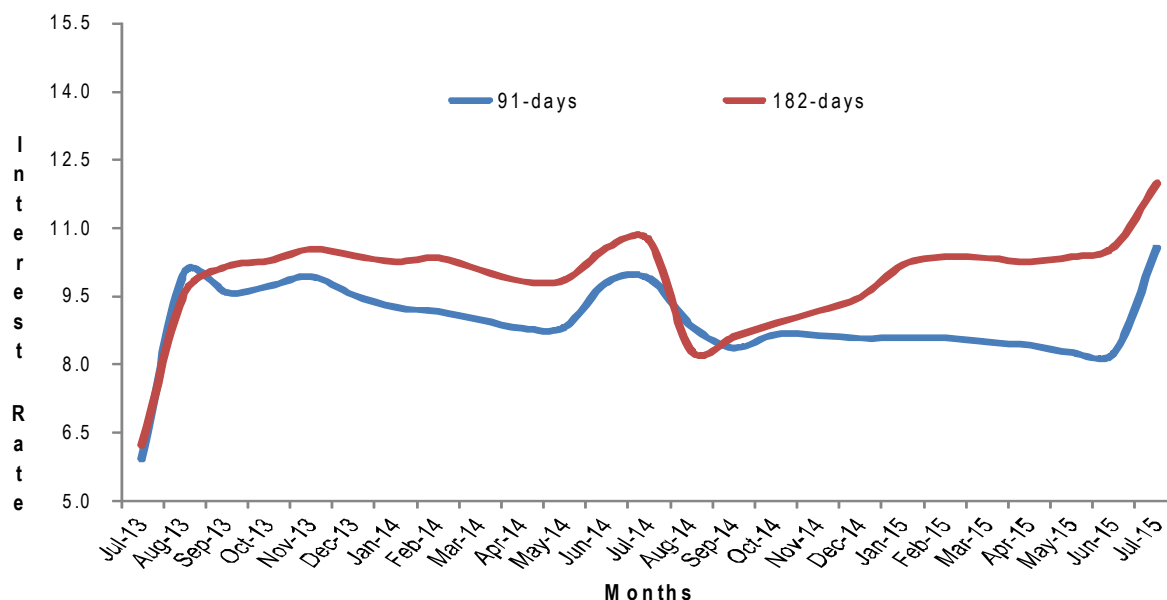
Table 11: Domestic interest payments, in Kshs million

Type of Debt	Projected	Actual	Variance
Treasury Bonds	4,786.35	3,957.26	(829.09)
Treasury Bills	2,826.74	2,339.11	(487.63)
Overdraft	277.12	357.70	80.58
Pre-1997 overdraft debt	67.95	67.97	0.02
Totals	7,958.16	6,722.04	(1,236.12)

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 July 2013. During the month of July 2015, the average interest rates for the 91-day Treasury bills rose by 231 basis point to stand at 10.57 percent from 8.26 percent in June and the 182-days Treasury bill increased by 139 basis point to 11.99 per cent from 10.60 percent per annum. 364-days Treasury bill rate stood at an average of 11.93 percent per annum in July 2015.

Chart 8: Average interest rates on Treasury Bills



Source: Central Bank of Kenya

3.7 Yields on Treasury Bonds

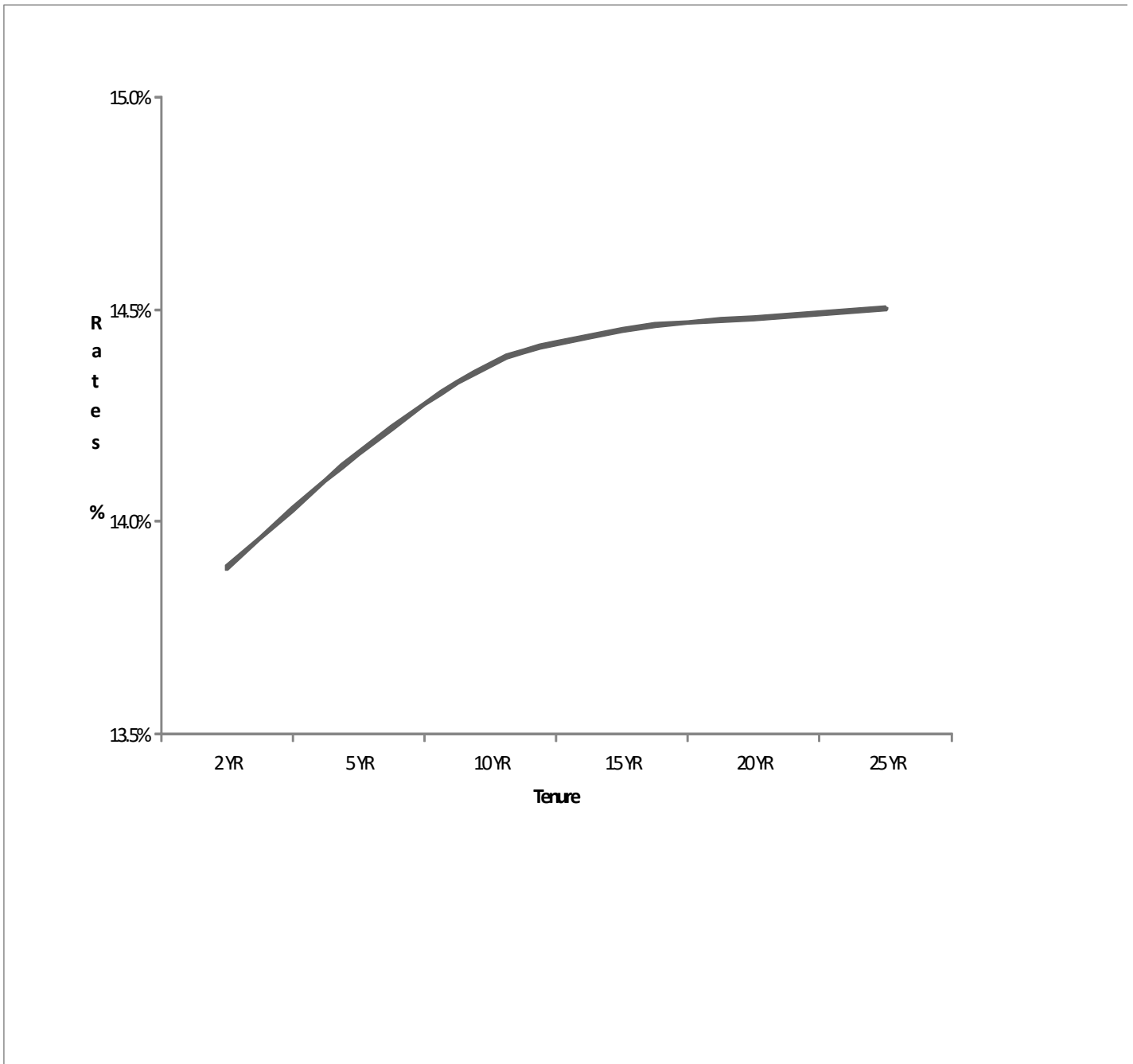
The Government has been implementing a Benchmark Bond programme to increase liquidity around selected Bonds and promote secondary trading. One of the key objectives of the programme is to lower both refinancing risk and cost of borrowing by the Government. Table 12 and Chart 9 shows the yields on selected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

Table 12 : Yields on selected Treasury Bonds as at end July 2015

Tenure	Rate (%)
2 YR	13.89
5 YR	14.16
10 YR	14.37
15 YR	13.45
20 YR	14.48
25 YR	14.50

Source: Nairobi Securities Exchange (NSE)

Chart 9: Secondary Market yields on selected Treasury Bonds as at end July 2015



Source: Nairobi Securities Exchange (NSE)

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

CREDITOR	Stock at end June 2015	Stock at end July 2015	Change
CENTRAL GOVERNMENT			
BILATERAL			
AUSTRIA	742.87	754.14	11.27
BELGIUM	6,141.68	6,461.47	319.79
CANADA	895.32	930.55	35.23
DENMARK	1,437.14	1,459.31	22.17
FINLAND	71.43	288.02	216.59
FRANCE	59,032.26	61,113.46	2,081.20
GERMANY	22,558.54	22,900.81	342.27
ITALY	1,101.31	1,118.02	16.71
JAPAN	39,896.88	40,893.38	996.50
NETHERLANDS	1,960.29	1,928.95	(31.34)
UK	1,466.59	1,512.83	46.24
USA	4,461.91	4,432.47	(29.44)
PARIS CLUB OTHERS	6,235.18	6,270.40	35.22
NON PARIS CLUB	259,560.43	269,922.61	10,362.18
o/w CHINA	252,039.33	261,549.48	9,510.15
Sub total	405,561.84	419,986.44	14,424.60
MULTILATERAL			
ADB/AFDB	150,229.35	157,103.96	6,874.61
EEC/EIB	20,624.97	20,728.31	103.34
IDA	402,855.00	415,016.77	12,161.77
IFAD	11,302.50	11,615.33	312.83
IMF	86,149.90	88,795.93	2,646.03
OTHERS	9,030.22	9,409.26	379.04
Sub total	680,181.95	702,669.56	22,487.61
COMMERCIAL BANKS	276,936.67	287,697.78	10,761.11
O/W International Sovereign Bond	271,258.35	281,933.30	10,674.95
SUPPLIERS CREDIT	16,628.21	17,073.79	445.58
Sub Total	1,379,318.68	1,427,427.58	48,108.90
GUARANTEED DEBT			
CANADA	374.84	389.59	14.75
JAPAN	39,119.95	40,713.07	1,593.12
USA	0.00	0.00	0.00
IDA (KR Concessionaire)	4,438.77	4,613.45	174.68
Sub Total	43,933.56	45,716.12	1,782.56
GOK+ GUARANTEED TOTAL	1,423,252.24	1,473,143.69	49,891.45

Source: The National Treasury

Memorandum item

Nominal GDP (in Kshs Billion) 5,719

Source: 4th Quarter QEBR 2015

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