

THE NATIONAL TREASURY



MONTHLY DEBT BULLETIN JULY 2020

1.1 Introduction

The total nominal public and publicly guaranteed debt as at end of July 2020 was Kshs. 6,911.16 billion an equivalent of 67.8 per cent in GDP terms. Domestic debt was Kshs. 3,272.66 billion or USD 30.38 billion while the External debt stock was Kshs. 3,638.51 billion or USD 33.78 billion. Domestic debt as a percentage of GDP stood at 32.1 percent whereas external debt stood at 35.7 percent. As a share of total debt, domestic and external debt accounted for 47.4 percent, and 52.6 percent of total debt respectively.

1.2 Movement in Exchange Rates

Kenya's public debt is denominated in five major currencies namely the USD, Euro, Yen, Yuan, and Sterling Pound. The Kenya shilling weakened against the five main currencies. As at end July, the USD and Japanese Yen depreciated by 1.1 per cent and 3.2 per cent, moving from Kshs. 106.52 and Kshs. 99.14 in June 2020 to Kshs 107.71; and Kshs. 102.32 in July 2020 respectively. The Euro, GBP, and Chinese Yuan depreciated during the month by 5.2 per cent, 6.5 per cent and 2.2 percent; moving from Kshs. 120.14, Kshs. 131.17, and Kshs 15.05, to Kshs. 126.39, Kshs. 139.63 and Kshs 15.38 respectively.

Movements in exchange rates had implications on both the size of the external debt stock and the cost of external debt service.

1.3 Size of Public and Publicly Guaranteed External Debt

Overall public and publicly guaranteed external debt increased by Kshs. 122.70 billion to stand at Kshs. 3,638.51 billion in July 2020 up from Kshs. 3,515.81 billion in June 2020. Debt owed to bilateral creditors increased by Kshs. 9.26 billion to stand at Kshs. 1,002.96 billion from Kshs. 993.70 billion while multilateral debt rose by Kshs. 88.97 billion to Kshs. 1,405.81 billion from Kshs. 1,316.84 billion. Commercial debt also increased by Kshs. 20.62 billion from Kshs. 1,040.03 billion to Kshs. 1,060.65 billion during the end of the same period.

1.4 Currency composition of external debt

As at end July 2020, the proportion of external debt denominated in USD stood at 65.9 percent, followed by the Euro at 19.2 percent. The Japanese Yen, Yuan, and Sterling Pound stood at 6.7 percent, 5.4 percent, and 2.5 per cent respectively. Other currencies accounted for 0.2 percent of external debt.

1.5 Actual Cumulative External Debt Service

The actual cumulative external debt service as at end July 2020 amounted to Kshs. 35.07 billion. For the month of July 2020, external debt service was at Kshs. 35.07 billion; comprising of principal payments of Kshs. 20.04 billion and interest payments of Kshs. 15.03 billion. Cumulatively, bilateral creditors accounted for 82.9 percent while Commercial creditors accounts for 10.1 percent of the total debt service.

Multilateral creditors accounted for 7.0 percent of the total debt service.

As at the end of July 2020, the Government did not pay any guaranteed loans of TARDA and East African Portland Company.

1.6 Government Domestic Borrowing

During the month of July 2020 amounts worth Kshs. 156.00 billion were advertised for Government securities. Bids worth Kshs. 444.98 billion were received comprising of Kshs. 263.21 billion and Kshs. 181.77 billion for the Treasury Bills and Treasury Bonds respectively. Successful bids amounted to Kshs. 252.34 billion; of which Kshs. 171.49 billion were for bills and Kshs. 80.85 billion for bonds. The monthly redemptions amounted to Kshs. 107.46 billion from bills as there were no redemptions for bonds. In aggregate, the exchequer received a surplus amounting to Kshs. 144.90 billion during the period under review.

1.7 Domestic Debt by Instruments

Total domestic debt stock was Kshs. 3,272.66 billion. The Treasury Bonds accounted for 70.2 per cent of Government domestic debt, against 29.1 percent for Treasury Bills. The Government overdraft at the Central Bank of Kenya, Tax Reserve Certificates and bank advances accounted for 0.8 percent of domestic debt as at end of July 2020.

1.8 Net Domestic Financing

The net domestic financing as at end July 2020 stood at Kshs. 42.46 billion against an annual target of Kshs. 493.40 billion for FY2020/21.

1.9 Cumulative Domestic Interest Payments

The actual domestic debt interest payment as at end of July 2020 stood at Kshs. 27.70 billion. For the Month of July 2020, the payments for treasury bonds and bills amounted to Kshs. 17.15 billion and Kshs.10.35 billion respectively. The interest payment on overdrafts was Kshs. 0.20 billion during the month.

1.10 Average Interest rates for Treasury Bills

On average, interest rate for Treasury bills declined during the month. The 91-day, 182-day and 364-day Treasury bills decreased from 7.1 percent, 7.9 per cent and 8.9 percent in June 2020 to 6.2 per cent, 6.7 per cent and 7.6 percent respectively in July 2020. This represents 90 basis point, 124 basis point and 127 basis point decline in interest rate respectively.

ANNEX 1: STOCK OF PUBLIC AND PUBLICLY GUARANTEED EXTERNAL DEBT BY SOURCE (IN KSHS MILLIONS) AS AT END OF JULY 2020

CREDITOR	Stock at the End June 2020	Stock at the End July 2020	Change
BILATERAL			
BELGIUM	11,975	12,562	587
AUSTRIA	1,399	1,472	73
DENMARK	604	586	(18)
FINLAND	1,427	1,502	74
FRANCE	79,719	81,967	2,248
GERMANY	30,487	32,167	1,680
ITALY	37,244	39,497	2,253
JAPAN	76,115	81,484	5,369
NETHERLANDS	55	58	3
USA	1,580	1,586	6
SPAIN	12,896	13,324	428
Other PARIS CLUB	3,732	3,774	42
Other NON -PARIS CLUB	17,103	16,939	(164)
CHINA	719,359	716,041	(3,318)
Sub Total	993,696	1,002,958	9,262
MULTILATERAL			
ADB/ADF	263,749	292,936	29,187
EEC/EIB	16,796	20,785	3,989
IDA	870,344	921,235	50,890
IFAD	19,572	20,368	796
IMF	110,605	114,213	3,607
Others	35,769	36,272	503
Sub Total	1,316,835	1,405,809	88,974
COMMERCIAL			
Commercial Bank	372,615	385,811	13,196
International Sovereign Bond	649,787	657,015	7,229
Suppliers Credit	17,631	17,827	196
Sub Total	1,040,033	1,060,653	20,620
Total Central Government	3,350,564	3,469,421	118,857
GUARANTEED			
JAPAN	75,569	77,920	2,351
GERMANY	4,992	5,539	546
IDA (KR Concessionaire)	4,794	4,847	53
Kenya Airways (Commercial Debt)	79,892	80,781	889
Sub Total	165,247	169,086	3,839
CENTRAL GOVERNMENT+ GUARANTEED TOTAL DEBT	3,515,811	3,638,506	122,696

Source: National Treasury

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