



REPUBLIC OF KENYA

# THE NATIONAL TREASURY

DIRECTORATE OF PUBLIC DEBT MANAGEMENT

## *MONTHLY DEBT BULLETIN*

JUNE 2015

# 1.0 PUBLIC DEBT

## 1.1 Introduction

As at end June 2015, total public and publicly guaranteed debt stood at Kshs 2,843.69 billion or 49.75 percent of GDP (Table 1). The increase of 1.96 percent over the end May 2015 position is attributed to an increase in external debt and depreciation of Kenya shilling against all foreign currencies. External debt increased by Ksh 42.09 billion to stand at Ksh 1,423.25 billion, while the gross domestic debt increased by Ksh 12.71 billion to stand at Ksh 1,420.44 billion in June 2015 (Table 1).

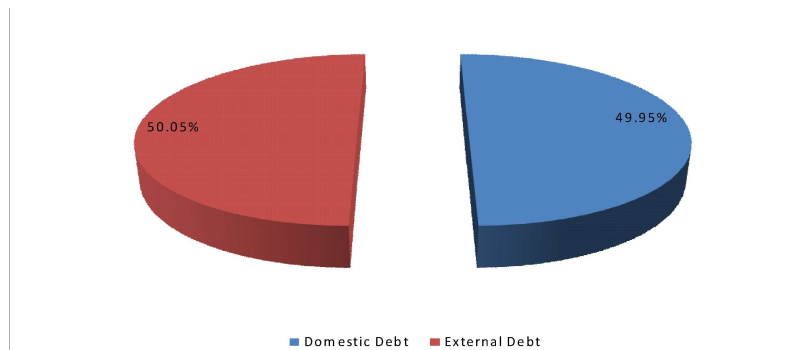
**Table 1: Size of public debt, end June 2015, in billion**

Debt Category	Kshs	USD	Percentage of GDP
Domestic Debt	1,420.44	14.40	24.84
External Debt	1,423.25	14.43	24.89
Total	2,843.69	28.83	49.75

**Source: The National Treasury and Central Bank of Kenya**

The structure of public and publicly guaranteed debt shows that 49.95 percent of the total debt is domestic debt while 50.05 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 7 years 11 months as at end June 2015.

### 1.3 Movement in Exchange Rates

Table 2 shows market indicative end-month foreign exchange rates for the period April to June 2015. During this period, the Kenya shilling depreciated against the USD Dollar, Sterling Pound, Euro and appreciated against the JPY by 4.27, 6.36, 5.52 and 0.02 percent respectively. The shilling stood at Kshs 98.64 to the US Dollar at end of June 2015.

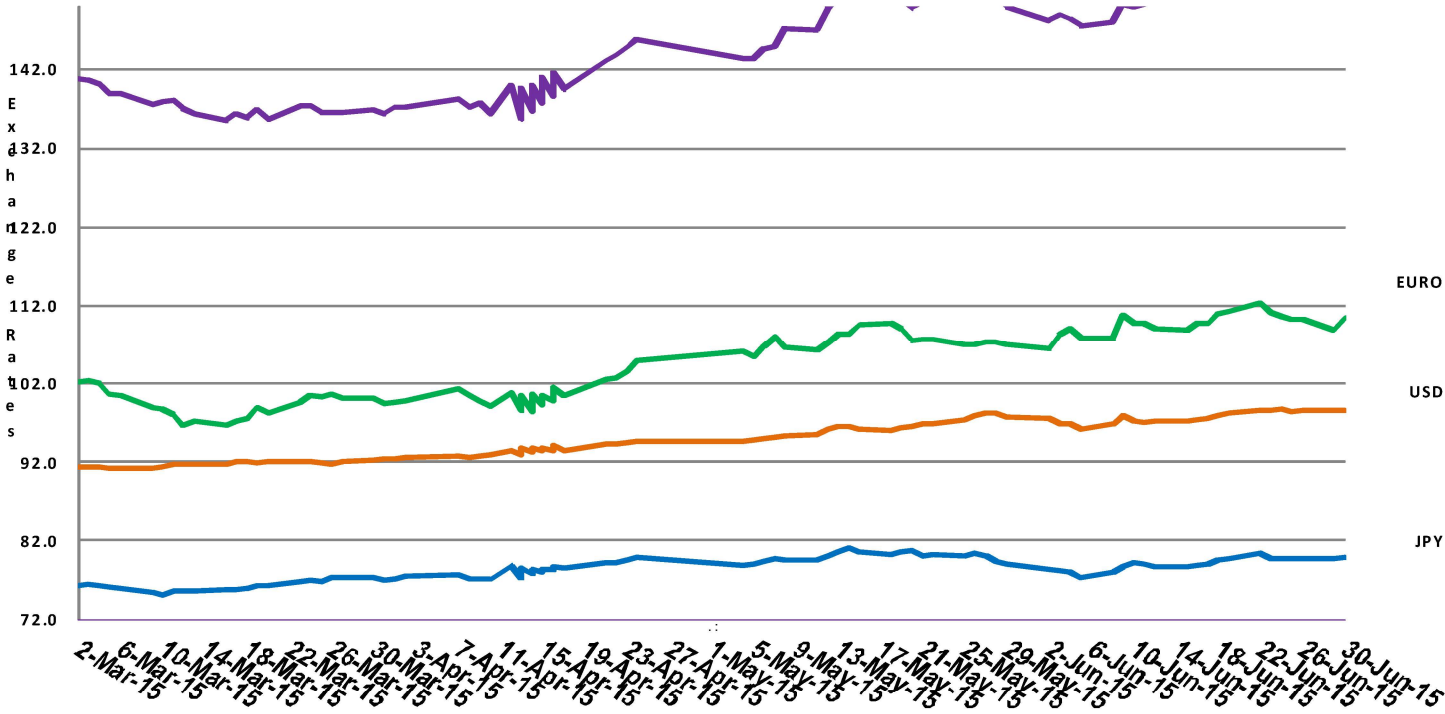
Table 2: Movement in exchange rates

Currency	April 2015	May 2015	June 2015
US Dollar	94.60	97.78	98.64
STG Pound	145.82	149.91	155.10
Euro	104.87	107.02	110.39
JPY(100)	79.79	78.93	79.77

Source: Central Bank of Kenya

Chart 2 shows the trends in daily exchange rates between Kenya Shilling and the four major foreign currencies from March 2015 to June 2015. The Kenya shilling showed mixed reactions with stability within the month of June 2015.

Chart 2: Kenya Shilling Exchange Rate



## 2.0 EXTERNAL DEBT

### 2.1 Size of Public and Publicly Guaranteed External Debt

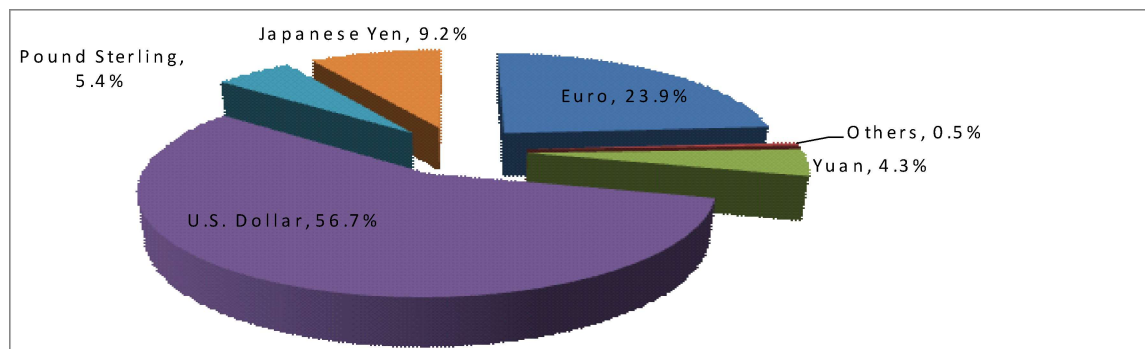
Overall, public and publicly guaranteed external debt increased by Kshs 42.09 billion as at end June 2015 to Kshs 1,423.25 billion from Kshs 1,381.16 billion at the end of May 2015 (Table 3). The increase is mainly attributed to weakening of the shilling against major currencies during the period.

Table 3: External debt stock, in billions

	May 2015		June 2015	
	Kshs	USD	Kshs	USD
Bilateral	387.15	3.86	405.56	4.11
Multilateral	659.75	6.75	680.19	6.89
Guaranteed	43.56	0.44	43.93	0.44
Suppliers Credit	16.29	0.17	16.63	0.17
Commercial Banks	274.40	6.75	276.94	2.81
o/w International Sovereign Bond	268.90	2.75	271.26	2.75
<b>Total</b>	<b>1,381.16</b>	<b>14.12</b>	<b>1,423.25</b>	<b>14.43</b>

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 23.9 percent.

Chart 3. Currency Composition



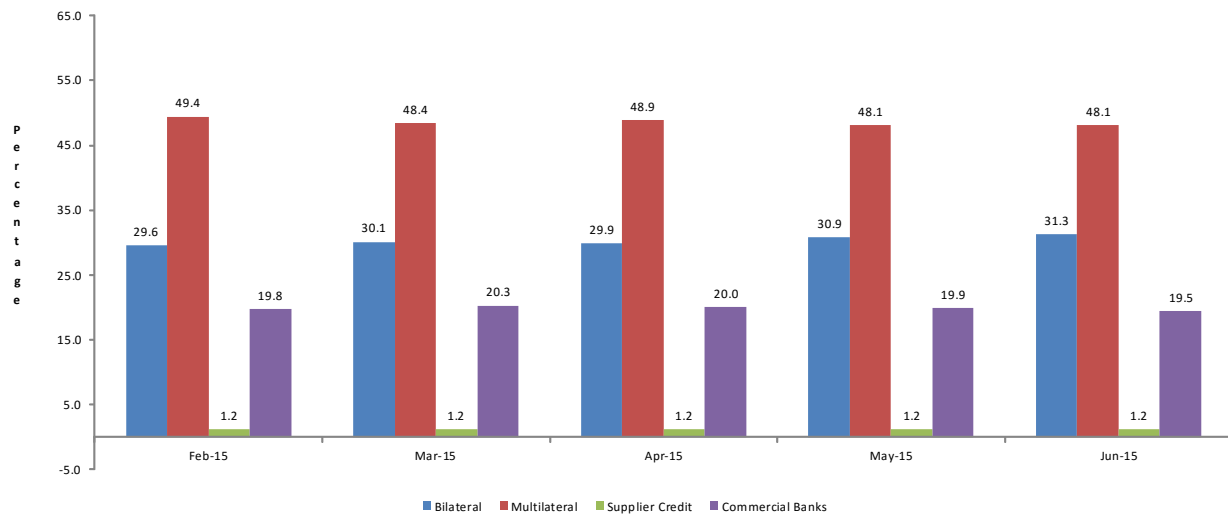
Source: The National Treasury

### 2.2 Structure of External Debt by Creditor

Official creditors account for 79.37 percent of the total public and publicly guaranteed external debt. Debt owed to multilateral creditors amounts to Ksh 684.63 billion (including Ksh 4.44 billion guaranteed debt owed to IDA) dominates the portfolio at 48.10 percent of the total. Bilateral debt stands at Kshs 445.06 billion (31.27 percent of the total), inclusive of Kshs 39.49 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 19.46 percent of the total public and publicly guaranteed external debt.

## Chart 4: External Debt by Creditor

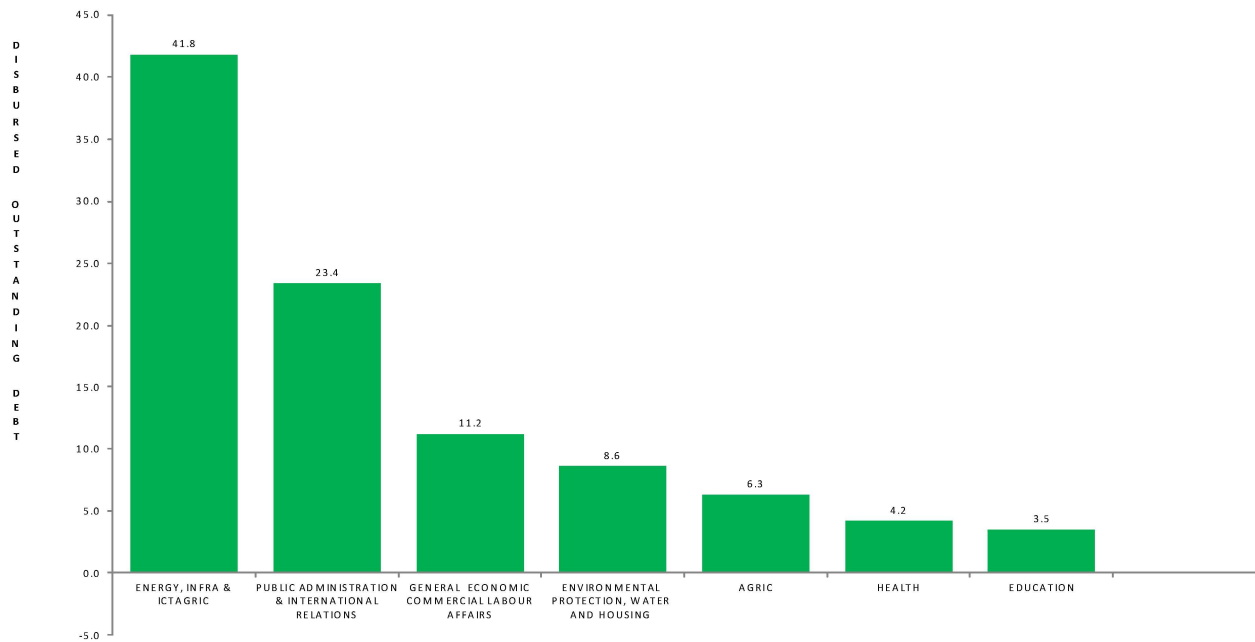


Source: The National Treasury

## 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 June 2015 stood at Kshs 112.92 billion. Principal and interest projections for the month of June 2015 was Kshs 3.19 billion and Kshs 9.42 billion, respectively. Bilateral and multilateral creditors constitute 19.28 percent and 15.47 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 June 2015, in Kshs million

Creditor category	Principal	Interest	Total
Bilateral	13,913.05	7,857.27	21,770.32
Multilateral	12,790.82	4,684.45	17,475.27
Commercial	55,232.85	17,430.60	72,663.45
Guaranteed	907.16	105.92	1,013.08
Total	82,843.88	30,078.24	112,922.12

Source: The National Treasury

## 2.5 Actual Cumulative External Debt Service

Actual cumulative debt service as at end June 2015 was Kshs 114.54 billion (Table 5). Actual principal and interest payments for the month of June 2015 was Kshs 3.20 billion and Kshs 9.70 billion respectively.

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

Credit category	Principal	Interest	Total
Bilateral	13,096.61	10,574.11	23,670.72
Multilateral	13,349.28	4,881.16	18,230.44
Commercial	53,767.64	17,874.92	71,641.82
Guaranteed	899.28	115.67	1,014.95
Totals	81,112.81	33,445.86	114,558.67

Source: The National Treasury

## 2.6 Budget Deviation

The actual cumulative debt service for June 2015 was above the projected debt service by Kshs 1.62 million. This is attributed to exchange rate fluctuations during the year.

## 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 June 2015, the guaranteed external debt stock increased by Kshs 373.54 million to Kshs 43.93 billion from Ksh 43.56 billion in May 2015 (Table 6). This increase is attributed to exchange rate fluctuations.

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

<b>Creditor</b>	<b>April 2015</b>	<b>May 2015</b>	<b>June 2015</b>
Japan	38,198.19	38,788.30	39,119.95
Canada	359.49	371.58	374.84
U.S.A	0.00	0.00	0.00
IDA (KR Concessionaire)	4,257.00	4,400.14	4,438.77
<b>Totals</b>	<b>42,814.68</b>	<b>43,560.02</b>	<b>43,933.56</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 increased by Kshs42.59 billion to 1,178.18 Kshs billion in June 2015 from Kshs 1,135.59 billion in May 2015 due to decrease in deposits and increased gross domestic debt over the period (Table 7).

Table 7: Government domestic debt, in Kshs billion

	April 2015	May 2015	June 2015
Gross domestic debt	1,415.43	1,407.73	1,420.44
<i>less</i>			
Govt. deposits at CBK	-128.53	-108.31	-86.33
Govt. deposits at commercial banks	-158.13	-158.13	-150.23
Govt. advances to parastatals	-5.70	-5.70	-5.70
Net domestic debt	1,123.07	1,135.59	1,178.18

Source: Central Bank of Kenya

### 3.2 Government Domestic Borrowing

During the month of June 2015, Government securities worth Kshs 60.00 billion were advertised. Bids worth Kshs 32.03 billion were received of which Treasury Bills was Ksh 15.67 and Treasury Bond was Ksh 16.36 billion. Successful bids amounted to Kshs 27.81 billion against redemptions of Kshs 28.91 billion leaving exchequer with a net repayment of Kshs 1.09 billion to be financed through exchequer (Table 8).

Table 8: Government domestic borrowing, in Kshs million

	Treasury Bills	Treasury Bonds	Total
Advertised	40,000	20,000	60,000
Bids received	15,669	16,364	32,033
Successful bids	14,585	13,230	27,815
Redemptions (cost)	(28,906)	-	(28,906)
Net domestic borrowing	(14,321)	13,230	(1,091)

Source: The National Treasury

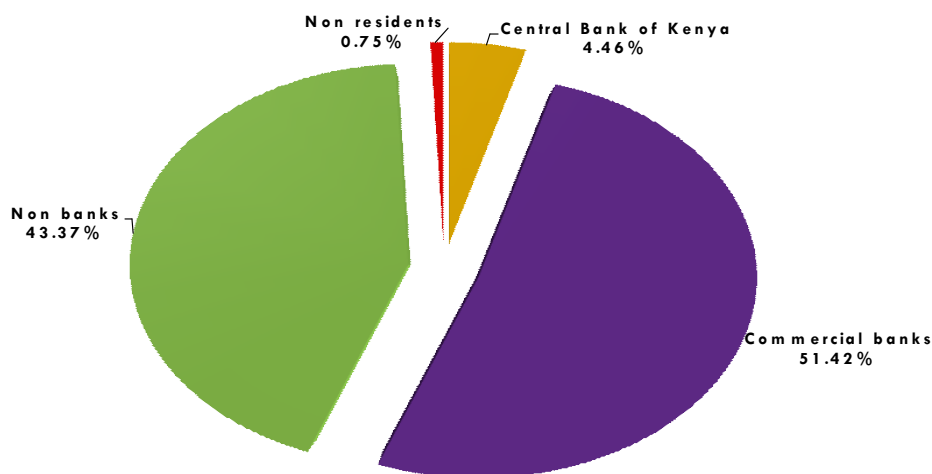


**Table 9: Domestic debt instruments by holder end June 2015, in Kshs billion**

Instrument/Holder	Commercial banks	Non banks	Central Bank of Kenya	Non residents	Total
Treasury bonds	510.23	521.55	0.05	3.96	1,035.79
Treasury bills	217.70	94.48	0.04	6.71	318.93
Others	2.49	0.00	63.23	-	65.72
<b>Total</b>	<b>730.42</b>	<b>616.02</b>	<b>63.32</b>	<b>10.66</b>	<b>1,420.44</b>
<b>Percentage Holding</b>	<b>51.42%</b>	<b>43.37</b>	<b>4.45%</b>	<b>0.75%</b>	<b>100%</b>

At the end of June 2015, banks held the largest proportion of the outstanding Government debt securities amounting to Kshs 730.42 billion or 51.42 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 616.02 billion or 43.37 percent while Kshs 63.32 billion held by Central Bank of Kenya comprises the Government overdraft and Repo Treasury Bills used for execution of monetary policy. Government debt worth Kshs 10.66 billion or 0.75 percent was held by non residents who invest through nominee accounts in the local banks.

**Chart 6: Domestic debt by holder as at end June 2015**

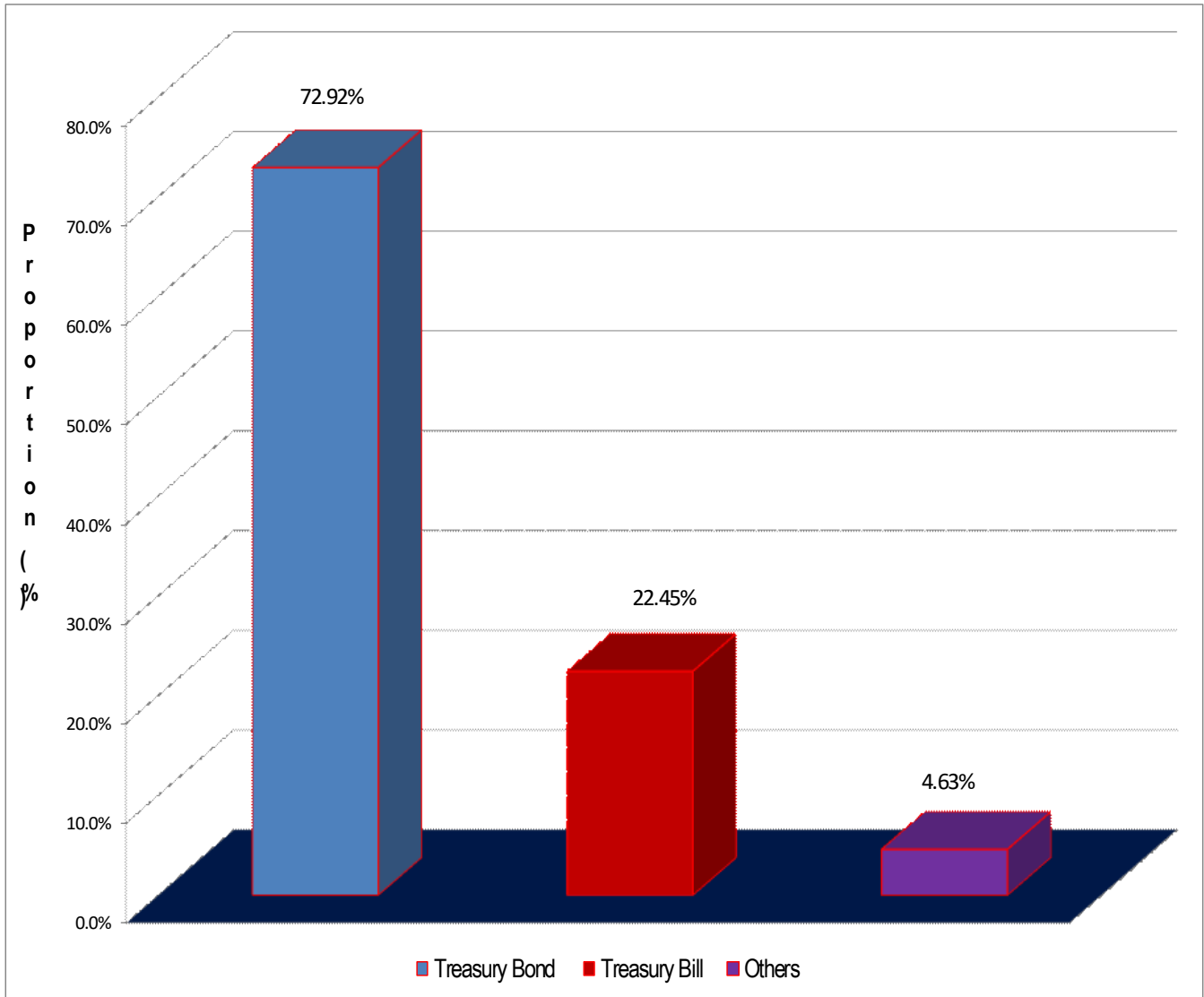


Source: Central Bank of Kenya

### 3.3 Domestic Debt by Instruments

Chart 7 shows the composition of the domestic debt as at end June 2015. 72.92 percent of Government domestic debt was in Treasury Bonds, 22.45 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 development of domestic markets for Government securities.

Chart 7: Domestic debt by instrument



### 3.4 Net Domestic Financing

Table 10 shows that as at end June 2015, the net domestic financing was at Kshs 252.10 billion.

Table 10: Net domestic financing, in Kshs billion

	June-2014	June-2015	Change
Treasury Bills	278.92	293.52	14.60
Treasury Bonds	879.33	994.44	115.11
Pre-1997 Govt. Overdraft debt	27.78	26.68	(1.10)
Other	40.29	38.83	(1.46)
<i>of which Overdraft (from CBK)</i>	37.24	36.44	(0.80)
Govt. deposits	266.23	141.28	(124.95)
<b>Net Domestic Credit</b>	<b>960.09</b>	<b>1,211.19</b>	<b>252.10</b>

Source: Central Bank of Kenya

### 3.5 Cumulative Domestic Interest Payments

As at end June 2015, Government actual cumulative domestic interest payments stood at Kshs 139.61 billion against the cumulative projected interest payments of Kshs 137.61 billion. Actual interest payments on Treasury Bonds and Treasury Bills amounted to Kshs 109.69 billion and Kshs 26.86 billion respectively (Table 11).

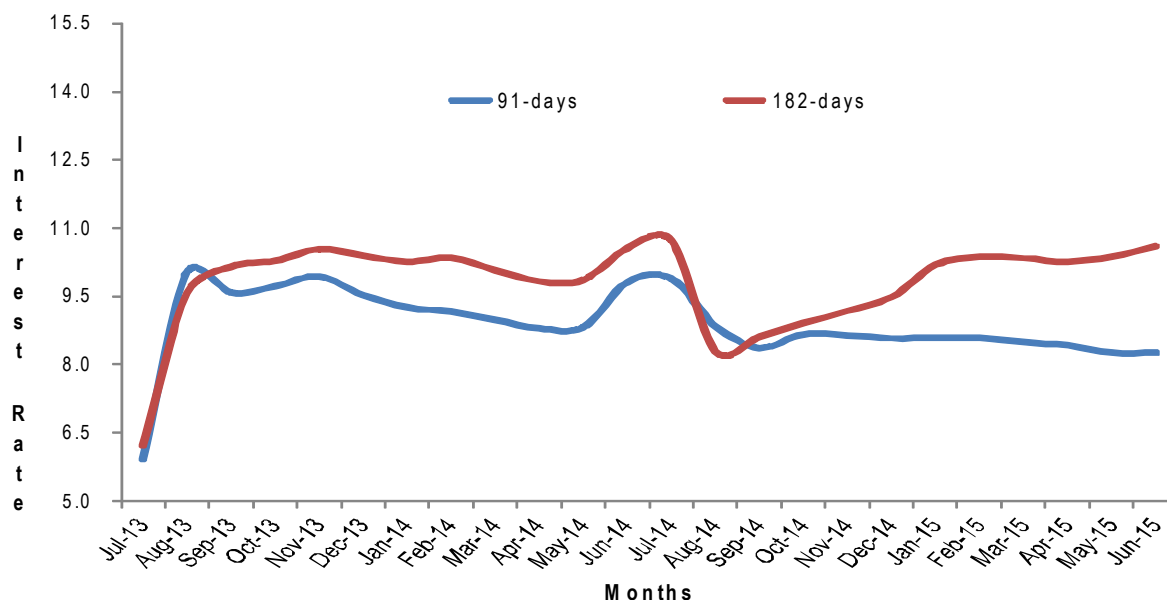
Table 11: Domestic interest payments, in Kshs millionm, as at June 2015

Type of Debt	Projected	Actual	Variance
Treasury Bonds	107,654.35	109,687.59	2,033.24
Treasury Bills	25,580.43	26,862.04	1,281.61
Overdraft	3522.29	2,240.49	(1,281.80)
Pre-1997 overdraft debt	848.19	825.11	(33.08)
<b>Totals</b>	<b>137,605.26</b>	<b>139,615.22</b>	<b>(2,009.96)</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 July 2013. During the month of June 2015, the average interest rates for the 91-day Treasury bills remained constant at 8.26 percent and the 182-days Treasury bill increased by 23 basis point to 10.60 per cent from 10.37 percent per annum. 364-days Treasury bill rate stood at an average of 10.98 percent per annum in June 2015.

Chart 8: Average interest rates on Treasury Bills



Source: Central Bank of Kenya

### 3.7 Yields on Treasury Bonds

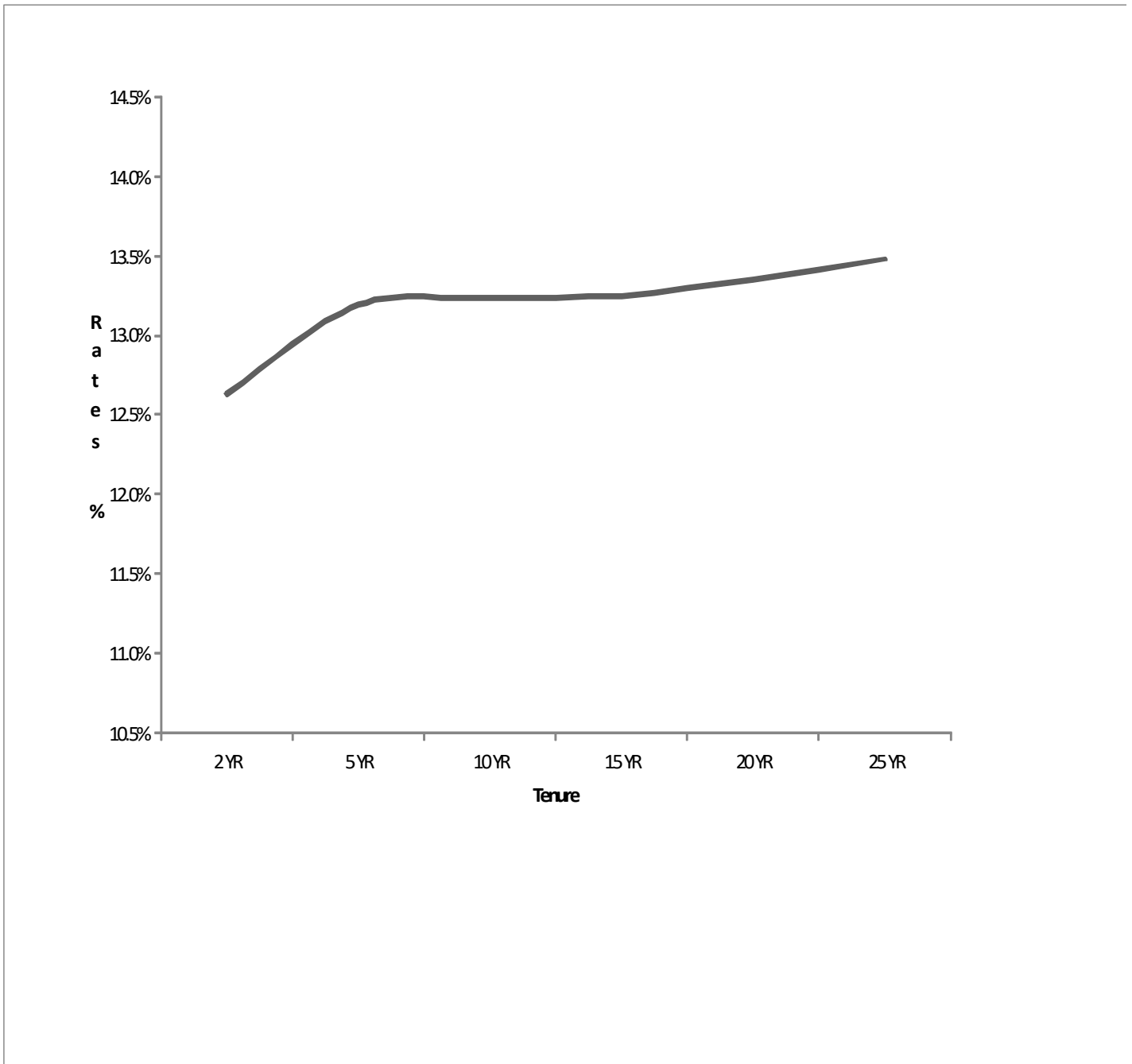
The Government has been implementing a Benchmark Bond programme to increase liquidity around selected Bonds and promote secondary trading. One of the key objectives of the programme is to lower both refinancing risk and cost of borrowing by the Government. Table 12 and Chart 9 shows the yields on selected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

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

Tenure	Rate (%)
2 YR	12.63
5 YR	13.19
10 YR	13.23
15 YR	13.25
20 YR	13.35
25 YR	13.48

Source: Nairobi Securities Exchange (NSE)

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



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 May 2015</b>	<b>Stock at end June 2015</b>	<b>Change</b>
<b>CENTRAL GOVERNMENT</b>			
<b>BILATERAL</b>			
AUSTRIA	536.54	742.87	206.33
BELGIUM	6,299.42	6,141.68	(157.74)
CANADA	968.03	895.32	(72.71)
DENMARK	1,640.00	1,437.14	(202.86)
FINLAND	78.39	71.43	(6.96)
FRANCE	57,746.16	59,032.26	1,286.10
GERMANY	22,228.19	22,558.54	330.35
ITALY	1,067.64	1,101.31	33.67
JAPAN	39,485.74	39,896.88	411.14
NETHERLANDS	1,999.63	1,960.29	(39.34)
UK	1,569.50	1,466.59	(102.91)
USA	4,542.69	4,461.91	(80.78)
PARIS CLUB OTHERS	6,142.41	6,235.18	92.77
NON PARIS CLUB	242,842.00	259,560.43	16,718.43
o/w CHINA	235,378.35	252,039.33	16,660.98
<b>Sub total</b>	<b>387,146.33</b>	<b>405,561.84</b>	<b>18,415.51</b>
<b>MULTILATERAL</b>			
ADB/AFDB	147,838.94	150,229.35	2,390.41
EEC/EIB	20,214.27	20,624.97	410.70
IDA	395,048.90	402,855.00	7,806.10
IFAD	11,148.50	11,302.50	154.00
IMF	76,501.64	86,149.90	9,648.26
OTHERS	9,001.26	9,030.22	28.96
<b>Sub total</b>	<b>659,753.52</b>	<b>680,181.95</b>	<b>20,428.43</b>
<b>COMMERCIAL BANKS</b>	<b>274,402.46</b>	<b>276,936.67</b>	<b>2,534.21</b>
<b>O/W International Sovereign Bond</b>	<b>268,897.75</b>	<b>271,258.35</b>	<b>2,360.60</b>
<b>SUPPLIERS CREDIT</b>	<b>16,294.64</b>	<b>16,628.21</b>	<b>333.57</b>
<b>Sub Total</b>	<b>1,337,596.96</b>	<b>1,379,318.68</b>	<b>41,721.72</b>
<b>GUARANTEED DEBT</b>			
CANADA	371.58	374.84	3.26
JAPAN	38,788.30	39,119.95	331.65
USA	0.00	0.00	0.00
IDA (KR Concessionaire)	4,400.14	4,438.77	38.63
<b>Sub Total</b>	<b>43,560.03</b>	<b>43,933.56</b>	<b>373.53</b>
<b>GOK+ GUARANTEED TOTAL</b>	<b>1,381,156.98</b>	<b>1,423,252.24</b>	<b>42,095.26</b>

Source: The National Treasury

**Memorandum item**

**Nominal GDP (in Kshs Billion)      5,719**

**Source: 4th Quarter QEBR 2015**

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