



REPUBLIC OF KENYA

THE NATIONAL TREASURY

DIRECTORATE OF PUBLIC DEBT MANAGEMENT

MONTHLY DEBT BULLETIN

JUNE 2017

1.0 PUBLIC DEBT

1.1 Introduction

As at end June 2017, total public and publicly guaranteed debt stood at Kshs 4,405.86 billion or 57.15 per cent of GDP (Table 1). The increase of 4.1 per cent over the end June 2017 position is attributed to the increase in the domestic and external debt. Domestic debt increased by Ksh 66.24 billion to stand at Ksh 2,111.71 million, while the external debt increased by Ksh 106.93 billion to stand at Ksh 2,294.15 billion in June 2017 (Table 1).

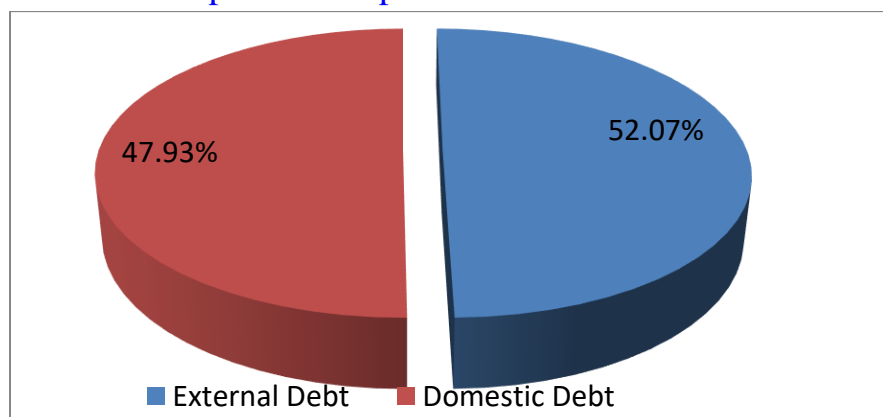
Table 1: Size of public debt, end April 2017, in billions

Debt Category	Kshs	USD	Percentage of GDP
Domestic Debt	2,111.71	20.38	27.39
External Debt	2,294.15	22.14	29.76
Total	4,405.86	42.52	57.15

Source: The National Treasury and Central Bank of Kenya

The structure of public and publicly guaranteed debt shows that 47.93 per cent of the total debt is domestic debt while 52.07 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 minimise 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 minimise refinancing risk in line with the 2017 Medium Term Debt Strategy, the average maturity profile of outstanding Government domestic debt remained at 5 years.

1.3 Movement in Exchange Rates

Table 2 shows market indicative end-month foreign exchange rates for the period April 2017 to June 2017. During the month, the Kenya shilling depreciated against US Dollar, STG and Euro by 0.5633, 0.9131 and 5.4004 per cent percent respectively whereas JPY(100) appreciated against the Kenyan shilling by 0.7456. The shilling stood at Kshs 103.71 to the US Dollar at end of June 2017.

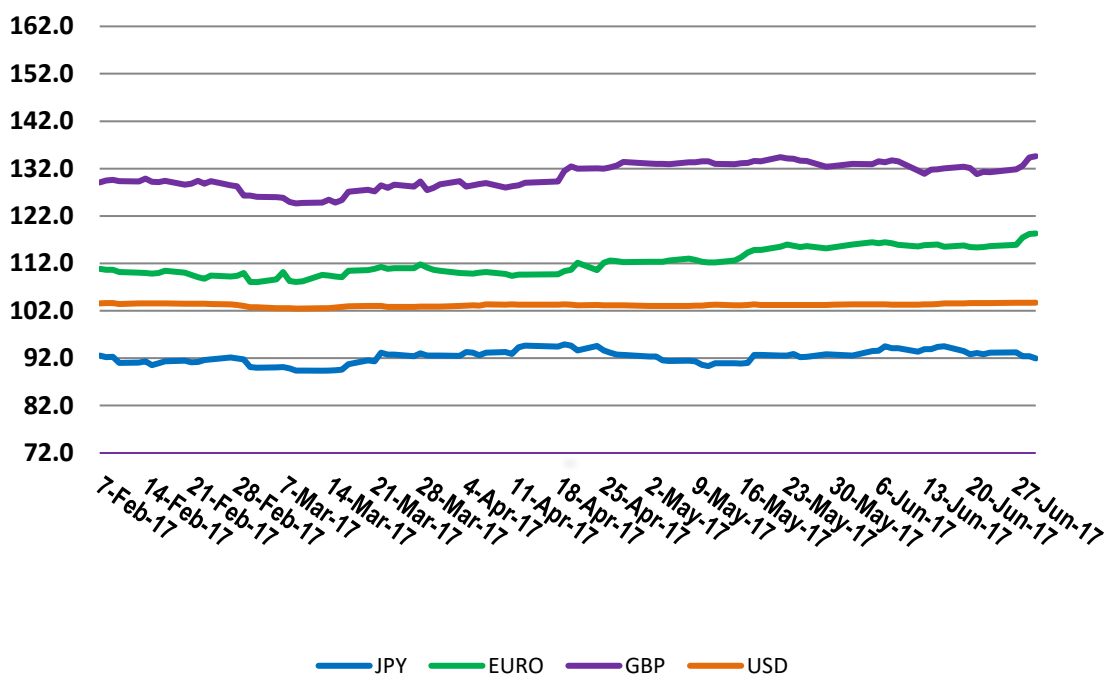
Table 2: Movement in Exchange Rates

Currency	April 2017	May 2017	June 2017	Appreciation/(Depreciation)
US Dollar	103.13	103.28	103.711	0.5633%
STG Pound	133.38	132.92	134.598	0.9131%
Euro	112.25	115.50	118.312	5.4004%
JPY(100)	92.67	93.10	91.979	(0.7456)%

Source: Central Bank of Kenya

Chart 2 shows the trends in daily exchange rates between Kenya Shilling and the four major foreign currencies from February to June 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

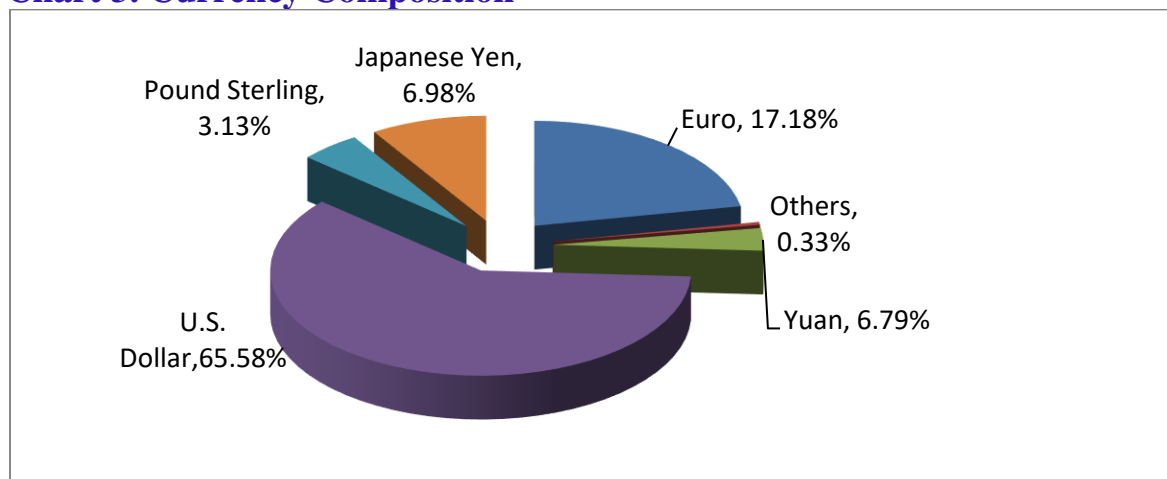
Overall, public and publicly guaranteed external debt increased by Kshs 106.93 billion as at end June 2017 to Kshs 2,294.15 billion from Kshs 2,187.22 billion at the end of May 2017 (Table 3).

Table 3: External debt stock, in billions

	May 2017		June 2017	
	Kshs	USD	Kshs	USD
Bilateral	656.89	6.36	669.84	6.45
Multilateral	823.58	7.97	839.72	8.09
Guaranteed	58.78	0.57	135.17	1.30
Suppliers Credit	15.76	0.15	15.30	0.15
Commercial Banks	632.21	6.12	634.12	6.11
o/w International Sovereign Bond	284.29	2.75	285.21	2.75
Total	2,187.22	21.17	2,294.15	22.12

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 65.58 percent followed by the Euro at 17.18 percent.

Chart 3. Currency Composition



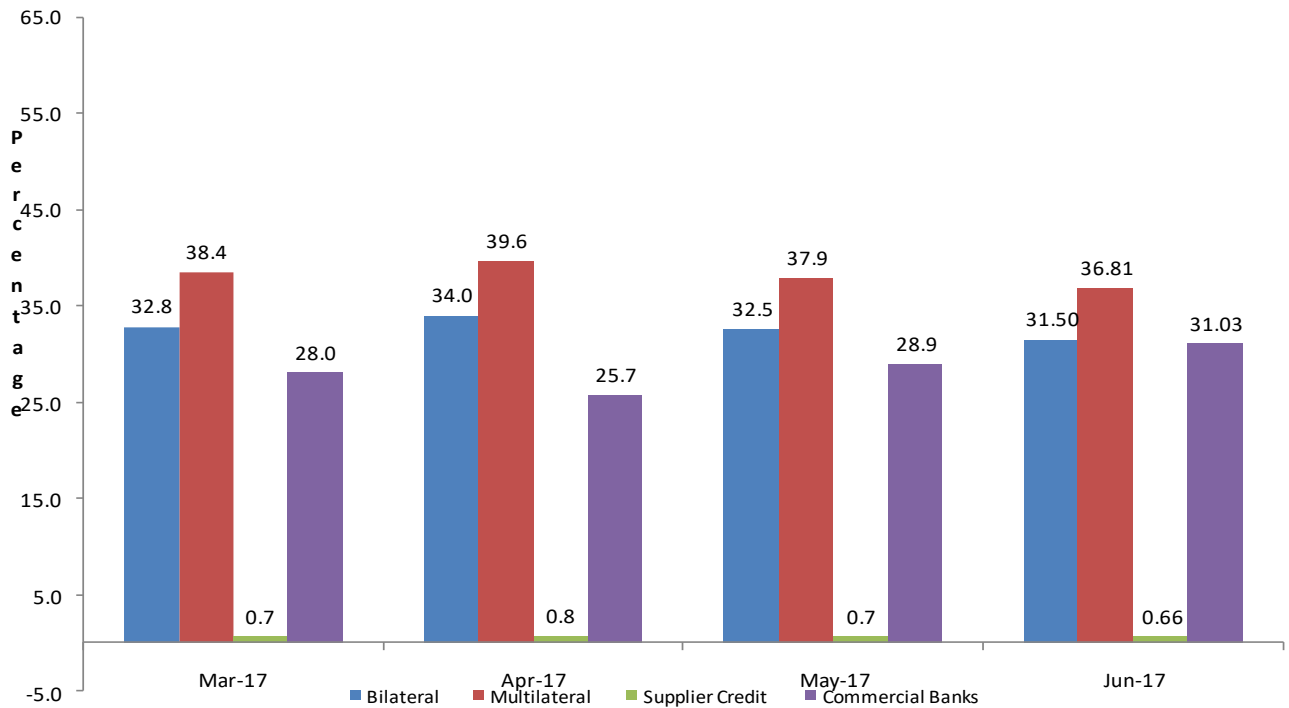
Source: The National Treasury

2.2 Structure of External Debt by Creditor

Official creditors account for 68.81 percent of the total public and publicly guaranteed external debt. Debt owed to multilateral creditor's amounts to Ksh 844.39 billion (including Ksh 4.67 billion guaranteed debt owed to IDA) dominates the portfolio at 36.81 percent of the total. Bilateral debt stands at Kshs 722.57 billion (31.50 percent of the total), inclusive of Kshs 22.73 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 31.03 percent of the total public and publicly guaranteed external debt.

Chart 4: External Debt by Creditor

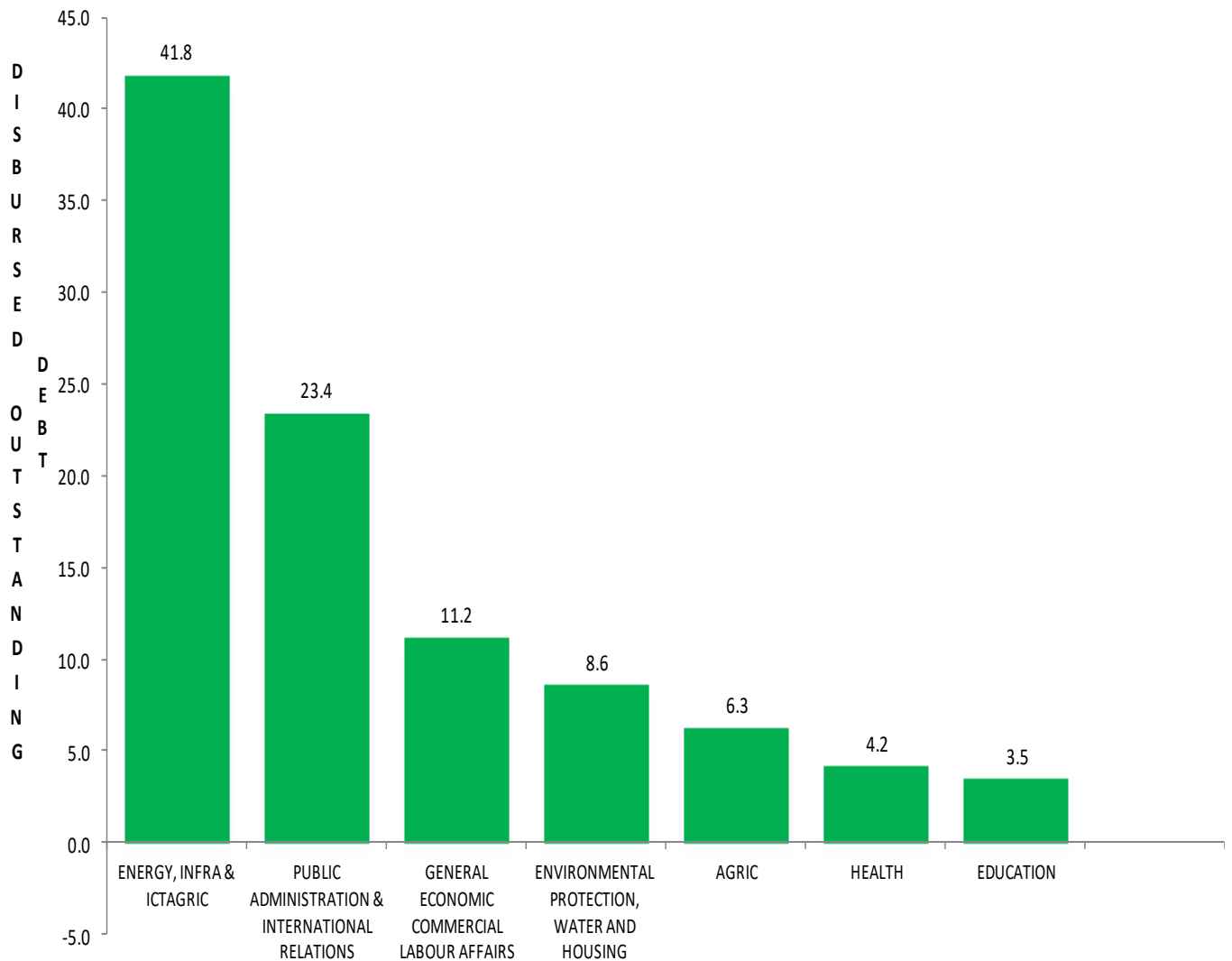


Source: The National Treasury

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 June 2017 stood at Kshs 96.69 billion.

Principal and interest projections for the month of June 2017 were Kshs 4.9 billion and Kshs 10.52 billion, respectively. Bilateral, multilateral and commercial creditors constitute 48.81 percent, 25.39 percent and 25.80 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 2017, in Kshs billions

Creditor category	Principal	Interest	Total
Bilateral	25,410.27	21,786.29	47,196.56
Multilateral	17,380.69	7,171.37	24,552.06
Commercial	831.62	24,112.50	24,944.12
Guaranteed	0.00	0.00	0.00
Total	43,622.58	53,070.16	96,692.74

Source: The National Treasury

2.5 Actual Cumulative External Debt Service

Actual debt service as at end June 2017 stood at Kshs 95.72 billion (Table 5). Actual principal and interest payments during the month of June 2017 were Kshs 4.8 billion and Kshs 15.06 billion respectively.

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

Credit category	Principal	Interest	Total
Bilateral	19,329.84	22,721.44	42,051.25
Multilateral	15,820.82	5,764.04	21,584.86
Commercial	771.72	29,882.11	30,653.83
Guaranteed	1,325.67	106.81	1,432.48
Totals	37,248.05	58,474.40	95,722.45

Source: The National Treasury

2.6 Budget Deviation

The projected cumulative debt service for June 2017 was above the actual debt service by Kshs 0.97 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 form part of the total public debt and currently stands at 50 per cent of the GDP of the total public debt levels in the Net Present terms. In the month of June 2017, the guaranteed external debt stock increased by Kshs 76.39 billion to Kshs 135.17 billion from Ksh 58.78 billion in May. 2017 (Table 6).

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

Creditor	April 2017	May 2017	June 2017
Japan	45.62	45.85	44.55
Germany	8.06	8.29	8.17
IDA (KR Concessionaire)	4.64	4.64	4.66
Exim Bank (Commercial)	-	-	77.78
Totals	58.32	58.78	135.17

Source: The National Treasury

3.0 DOMESTIC DEBT

3.1 Central Government Domestic Debt

Government net domestic debt increased by Kshs 80.58 billion to Kshs 1,668.72 billion in June 2017 from Kshs 1,588.14 billion in May, 2017. (Table 7).

Table 7: Government domestic debt, in Kshs billion

	April 2017	May 2017	June 2017
Gross domestic debt	1,979.87	2,045.47	2,112.28
less			
Govt. deposits at CBK	-227.25	-225.31	-211.54
Govt. deposits at commercial banks	-221.42	-226.32	-226.32
Govt. advances to parastatals	-5.70	-5.70	-5.70
Net domestic debt	1,525.50	1,588.14	1,668.72

Source: Central Bank of Kenya

3.2 Government Domestic Borrowing

During the month of June 2017, Government securities worth Kshs 126.0 billion were advertised. Bids worth Kshs 188.80 billion were received of which Treasury Bills was Ksh 149.73 billion and Treasury bond was Ksh 39.07 billion. Successful bids amounted to Kshs 156.35 billion against redemptions of Kshs 91.38 billion leaving exchequer with a surplus of Kshs 64.97 billion. (Table 8).

Table 8: Government domestic borrowing, in Kshs million

	Treasury Bills	Treasury Bonds	Total
Advertised	96,000.00	30,000.00	126,000.00
Bids received	149,729.00	39,073.00	188,802.00
Successful bids	129,939.00	26,410.00	156,347.00
Redemptions (cost)	(72,633.00)	(18,747.00)	(91,380.00)
Net domestic borrowing	57,306.00	7,663.00	64,967.00

Source: The National Treasury

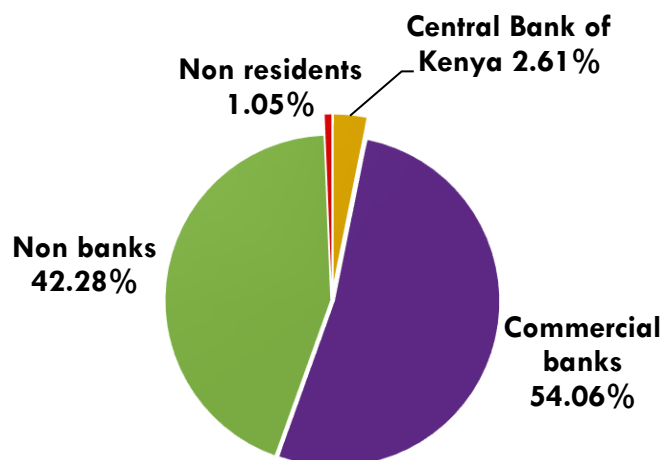
Table 9: Domestic debt instruments by holder end June 2017, in Kshs billion

Instrument/Holder	Commercial banks	Non banks	Central Bank of Kenya	Non residents	Total
Treasury bonds	714.946	591.625	9.426	6.122	1,322.12
Treasury bills	415.923	301.522	20.588	15.978	754.01
Others	11.031	0.00	25.047	0.00	36.08
Total	1,141.900	893.147	55.161	22.100	2,112.21
Percentage Holding	54.06%	42.28%	2.61%	1.05%	100%

Source: The National Treasury

At the end of June 2017, banks held the largest proportion of the outstanding Government debt securities amounting to Kshs 1,141.90 billion or 54.06 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 893.15 billion or 42.28 percent while the Government debt worth Kshs 22.10 billion or 1.05 percent was held by non residents who invest through nominee accounts in the local banks. Kshs 55.06 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 June, 2017

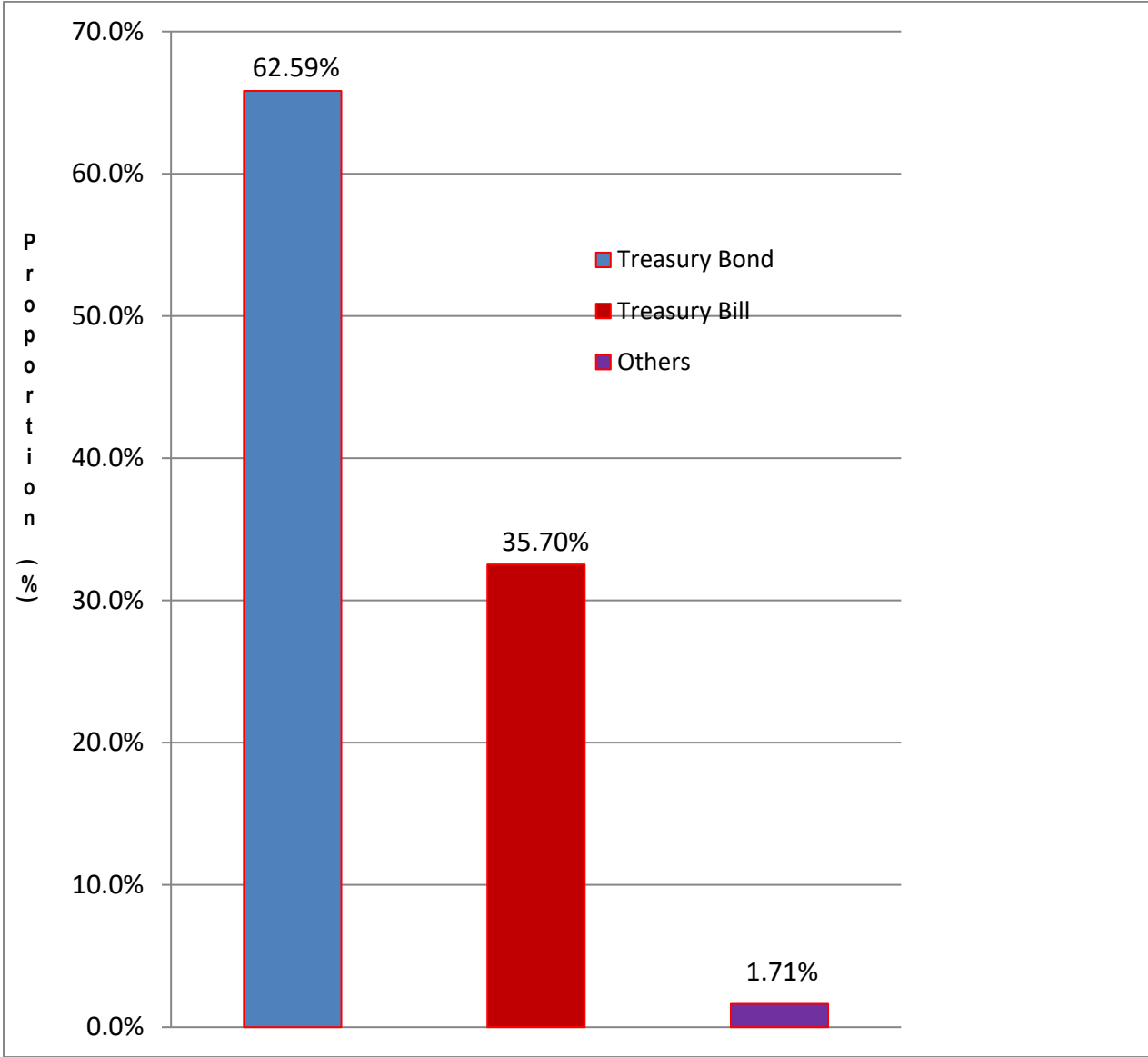


Source: Central Bank of Kenya

3.3 Domestic Debt by Instruments

Chart 7 shows the composition of the domestic debt as at end June 2017. 62.59 per cent of Government domestic debt was in Treasury Bonds, 35.70 per cent in Treasury Bills while the balance of 1.71 percent 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, June 2017



Source: Central Bank of Kenya

3.4 Net Domestic Financing

Table 10 shows that as at end June 2017, the net domestic financing was at Kshs 312.49 billion.

Table 10: Net domestic financing, in Kshs billion

	May 2017	June 2017	Change
Treasury Bills	633.007	689.565	56.558
Treasury Bonds	1,264.246	1,272.237	7.990
Pre-1997 Govt. Overdraft debt	25.004	25.004	0
Other	9.746	9.771	0.025
<i>of which Overdraft (from CBK)</i>	0.000	0.000	0
Govt. deposits	266.611	252.833	-13.778
Net Domestic Credit	1,665.390	1,743.744	78.35

Source: Central Bank of Kenya

3.5 Cumulative Domestic Interest Payments

As at end June 2017, Government actual domestic interest payments stood at Kshs 212.87 billion against the projected interest payments of Kshs 202.55 billion. Actual interest payments on Treasury Bonds and Treasury Bills amounted to Kshs 144.57 billion and Kshs 66.27 billion respectively (Table 11).

Table 11: Domestic interest payments, in Kshs million

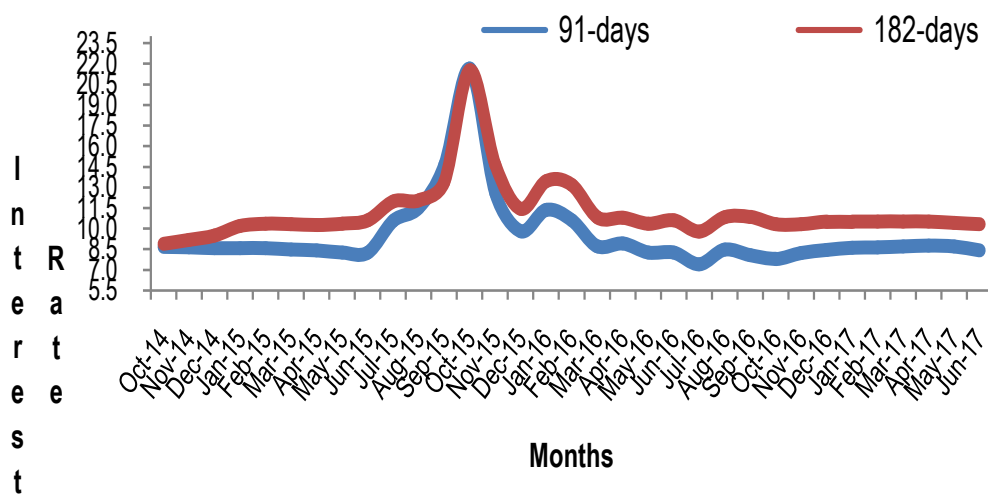
Type of Debt	Projected	Actual	Variance
Treasury Bonds	137,706.89	144,566.01	6,859.12
Treasury Bills	58,699.92	66,270.33	7,570.41
Overdraft	5,383.47	1,270.39	(4,113.08)
Pre-1997 overdraft debt	758.51	758.51	0
Totals	202,548.79	212,865.24	10,316.45

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 October 2014. During the month of June 2017, the average interest rates for the 91-day Treasury bills decreased by 29 bps to stand at 8.42 per cent while that of 182-days Treasury bill decreased by 8 bps to stand at 10.33 per cent per annum. The 364-days Treasury bill rate stood at an average of 10.88 percent per annum in June 2017.

Chart 8: Average interest rates on Treasury Bills



Source: Central Bank of Kenya

3.7 Yields on Treasury Bonds

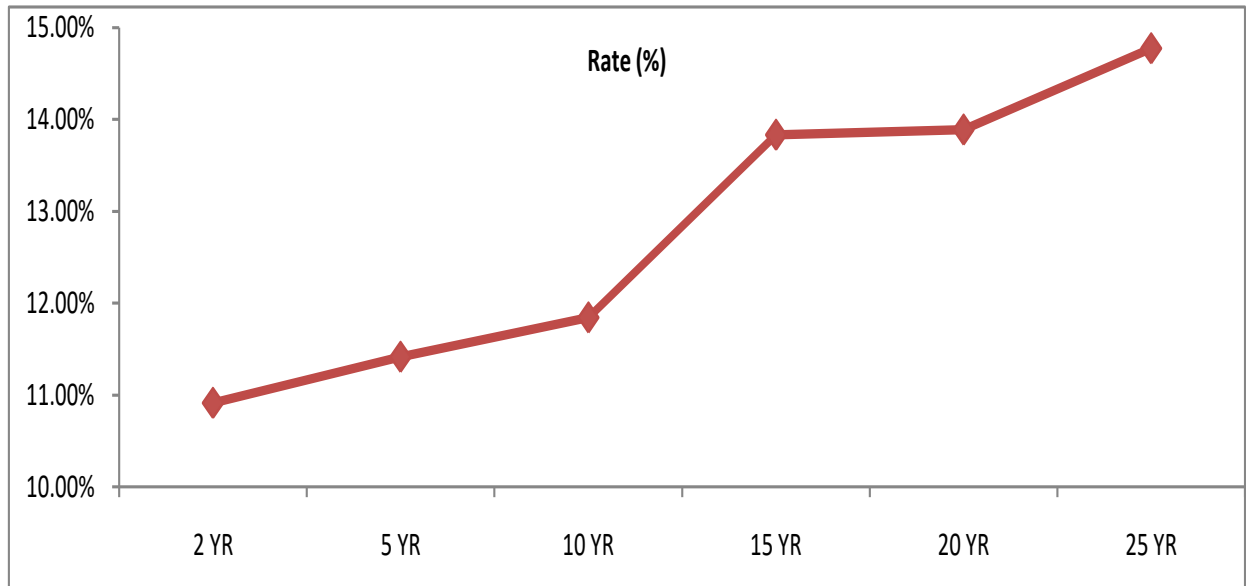
The Government has been implementing a Benchmark Bond programme to increase liquidity around selected Bonds and promote secondary trading. Table 12 and Chart 9 shows the yields on selected benchmark Treasury Bonds in the secondary market as at end June 2017. The Yield curve is flatter at the longer end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

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

Tenure	Rate (%)
2 YR	10.908
5 YR	11.412
10 YR	11.841
15 YR	13.834
20 YR	13.888
25 YR	14.774

Source: Nairobi Securities Exchange (NSE)

Chart 9: Secondary Market yields on selected Treasury Bonds as at end June, 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 May 2017	Stock at end June 2017	Change
Central Government			
AUSTRIA	575.16	512.85	-62.31
BELGIUM	9,538.53	9,938.02	399.49
CANADA	750.51	538.31	-212.2
DENMARK	1,366.44	1,355.76	-10.68
FINLAND	1,683.99	1,711.78	27.79
FRANCE	62,837.15	63,262.08	424.93
GERMANY	23,776.23	23,492.55	-283.68
ITALY	639.53	654.09	14.56
JAPAN	48,983.55	46,903.42	-2080.13
NETHERLANDS	1,797.72	1,752.72	-45
UK	811.68	650.14	-161.54
USA	3,502.65	3,497.23	-5.42
PARIS CLUB OTHERS	26,118.81	26,112.44	-6.37
NON PARIS CLUB	474,509.23	489,452.30	14,943.07
o/w CHINA	463,426.16	478,606.83	15,180.67
Sub total	656,891.18	669,833.69	12,942.51
MULTILATERAL			0
ADB/AFDB	186,431.48	197,490.09	11,058.61
EEC/EIB	20,370.40	20,399.50	29.1
IDA	516,705.81	521,912.47	5,206.66
IFAD	13,444.37	13,935.26	490.89
IMF	78,148.18	77,637.37	-510.81
OTHERS	8,485.03	8,347.06	-137.97
Sub total	823,585.27	839,721.75	16,136.48
COMMERCIAL BANKS	632,207.27	634,108.85	1901.58
O/W International Sovereign Bond	284,298.03	285,207.18	909.15
SUPPLIERS CREDIT	15,764.18	15,303.14	-461.04
Sub Total	2,128,447.90	2,158,967.43	30,519.53
GUARANTEED DEBT			0
JAPAN	45,848.78	44,552.19	-1296.59
GERMANY	8,292.62	8,176.56	-116.06
IDA (KR Concessionaire)	4,635.00	4,667.03	32.03
		77,783.78	77,783.78
Sub Total	58,776.40	135,179.56	76,403.16
GOK+ GUARANTEED TOTAL	2,187,224.30	2,294,146.99	106,922.69

Source: National Treasury

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