



REPUBLIC OF KENYA

THE NATIONAL TREASURY

DIRECTORATE OF PUBLIC DEBT MANAGEMENT

MONTHLY DEBT BULLETIN

MARCH 2016

1.0 PUBLIC DEBT

1.1 Introduction

As at end March 2016, total public and publicly guaranteed debt stood at Kshs 3,312.11 billion or 51.40 percent of GDP (Table 1). The increase of 1.5 percent over the end February 2016 position is attributed to an increase in domestic debt. Domestic debt increased by Ksh 41.3 billion to stand at Ksh 1,646.53 billion, while the external debt increased by Ksh 7.81 billion to stand at Ksh 1,665.58 billion in March 2016 (Table 1).

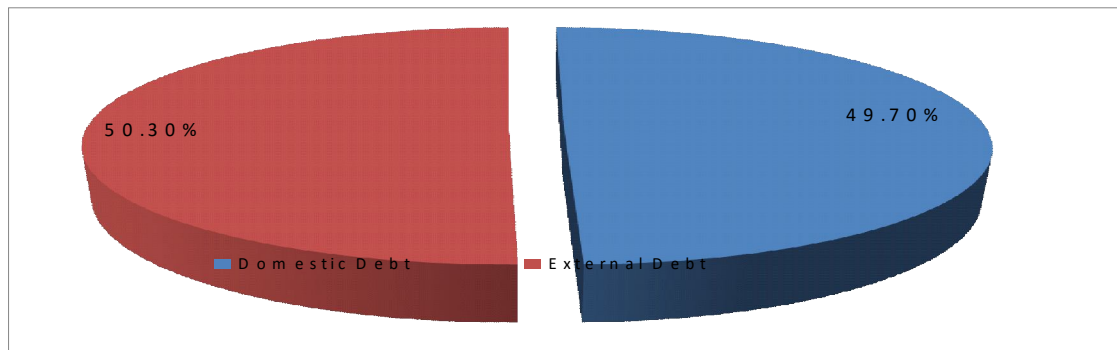
Table 1: Size of public debt, end March 2016, in billions

Debt Category	Kshs	USD	Percentage of GDP
Domestic Debt	1,646.53	16.25	25.55
External Debt	1,665.58	16.43	25.85
Total	3,312.11	32.68	51.40

Source: The National Treasury and Central Bank of Kenya

The structure of public and publicly guaranteed debt shows that 49.7 percent of the total debt is domestic debt while 50.3 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 0.7 percent and 6.3 years, respectively. In addition, the average maturity period for external loans was 37.7 years while the average grant element was 53.8 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 remained at 5 years as at end March 2016.

1.3 Movement in Exchange Rates

Table 2 shows market indicative end-month foreign exchange rates for the period January 2015 to March 2016. During these, the Kenya shilling appreciated against US Dollars and Sterling Pound by 0.92 and 0.86 percent respectively but depreciated against the Euro and Japanese Yen by 2.69 and 4.86 percent respectively. The shilling stood at Kshs 101.34 to the US Dollar at end of March 2016.

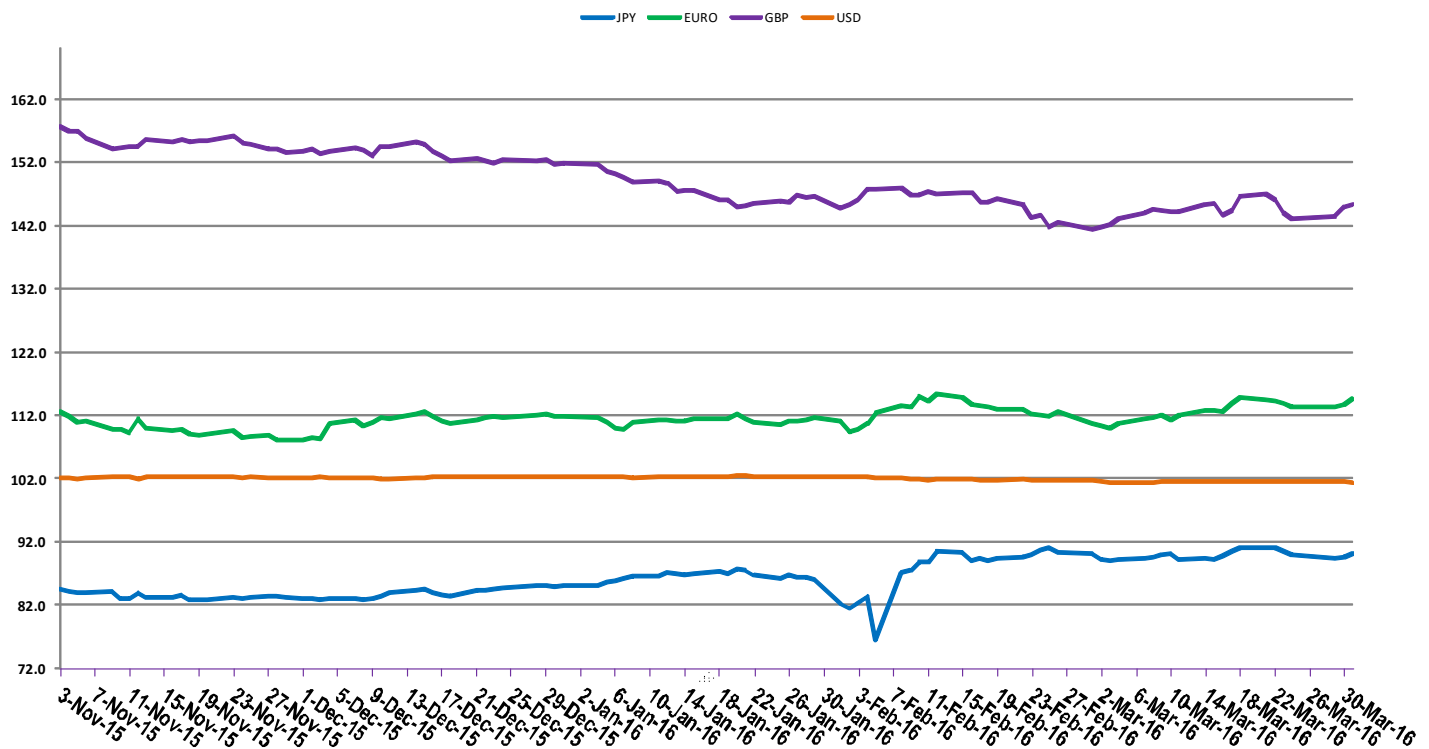
Table 2: Movement in exchange rates

Currency	January 2016	February 2016	March 2016
US Dollar	102.28	101.78	101.34
STG Pound	146.57	142.44	145.31
Euro	111.68	112.49	114.69
JPY(100)	86.03	90.37	90.21

Source: Central Bank of Kenya

Chart 2 shows the trends in daily exchange rates between Kenya Shilling and the four major foreign currencies from November 2015 to March 2016. The Kenya shilling remained relatively constant against the major currencies within the month of March 2016.

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

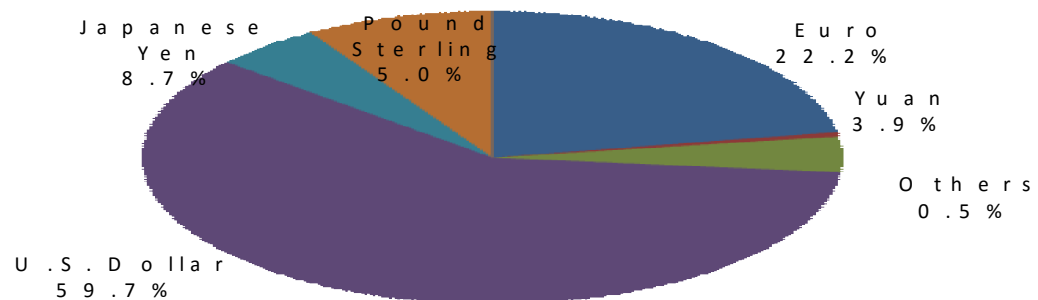
Overall, public and publicly guaranteed external debt increased by Kshs 7.81 billion as at end March 2016 to Kshs 1,665.58 billion from Kshs 1,657.77 billion at the end of February 2016 (Table 3).

Table 3: External debt stock, in billions

	February 2016		March 2016	
	Kshs	Kshs	Kshs	USD
Bilateral	476.40	4.68	478.88	4.72
Multilateral	752.39	7.39	762.09	7.52
Guaranteed	56.48	0.55	48.07	0.47
Suppliers Credit	8.46	0.08	16.36	0.16
Commercial Banks	364.05	3.58	360.17	3.58
o/w International Sovereign Bond	279.67	2.75	278.67	2.75
Total	1,657.77	16.29	1,665.58	16.44

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 59.7 percent followed by the Euro at 22.2 percent.

Chart 3. Currency Composition



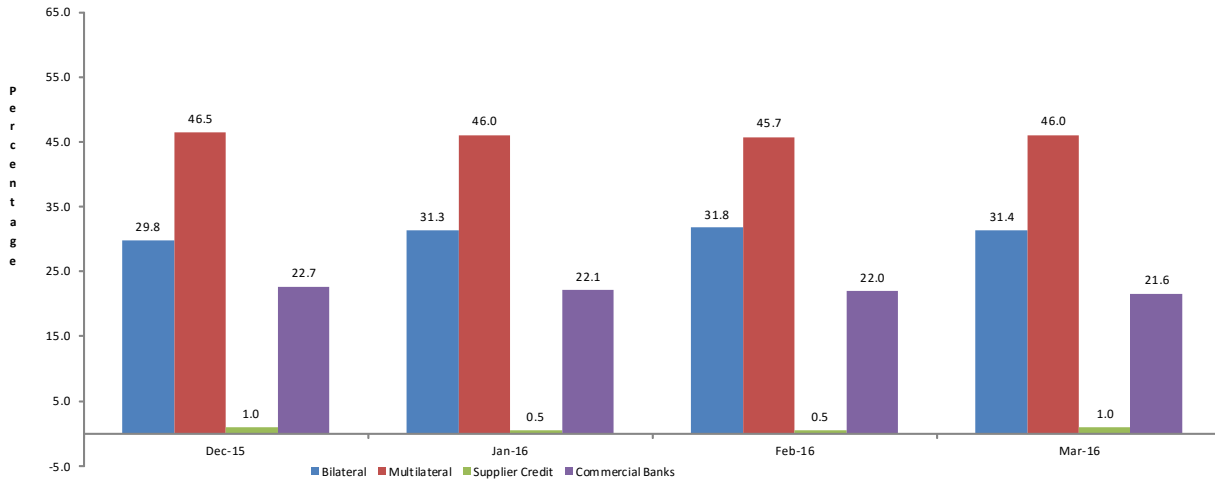
Source: The National Treasury

2.2 Structure of External Debt by Creditor

Official creditors account for 77.38 percent of the total public and publicly guaranteed external debt. Debt owed to multilateral creditors amounts to Ksh 766.65 billion (including Ksh 4.56 billion guaranteed debt owed to IDA) dominates the portfolio at 46.02 percent of the total. Bilateral debt stands at Kshs 522.39 billion (31.36 percent of the total), inclusive of Kshs 48.07 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 21.58 percent of the total public and publicly guaranteed external debt.

Chart 4: External Debt by Creditor

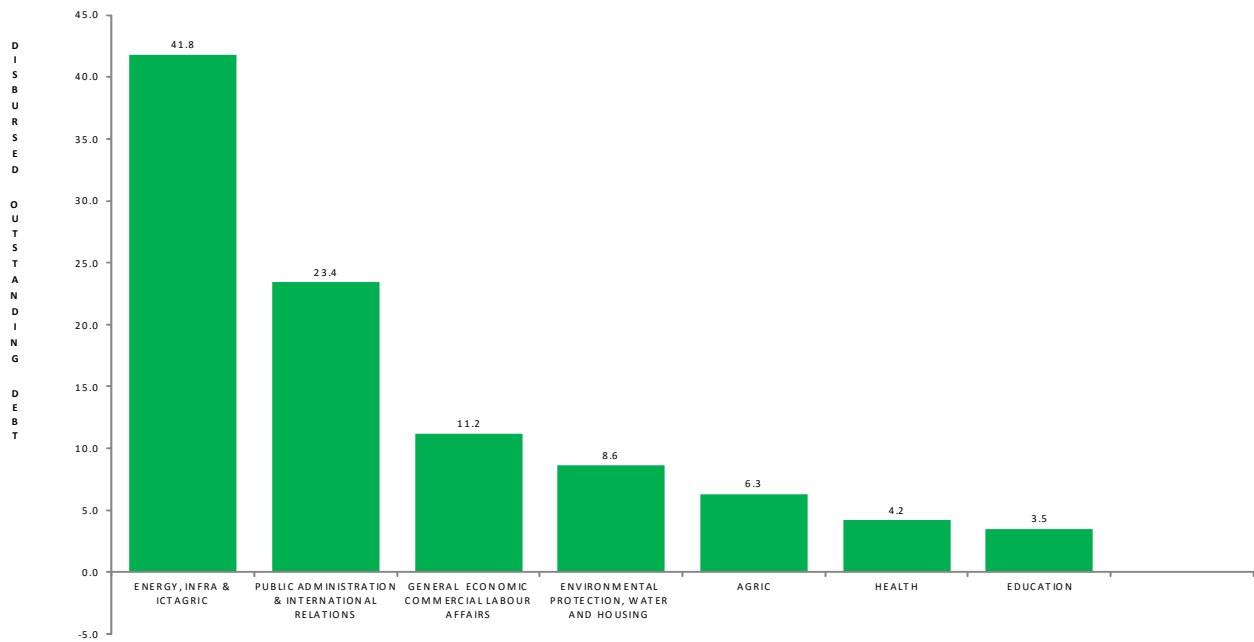


Source: The National Treasury

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 March 2016 stood at Kshs 46.36 billion. Principal and interest projections for the month of March 2016 was Kshs 4.46 billion and Kshs 1.48 billion, respectively. Bilateral and multilateral creditors constitute 45.01 percent and 33.72 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 March 2016, in Kshs billions

Creditor category	Principal	Interest	Total
Bilateral	13,703.69	7,165.26	20,868.95
Multilateral	11,711.91	3,920.53	15,632.44
Commercial	377.78	8,851.08	9,228.86
Guaranteed	577.05	55.34	632.39
Total	26,370.43	19,992.21	46,362.64

Source: The National Treasury

2.5 Actual Cumulative External Debt Service

Actual debt service as at end March 2016 stood at Kshs 52.01 billion (Table 5). Actual principal and interest payments during the month of March 2016 was Kshs 3.46 billion and Kshs 1.77 billion respectively.

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

Credit category	Principal	Interest	Total
Bilateral	13,444.15	12,982.01	26,426.16
Multilateral	11,310.93	3,592.30	14,903.23
Commercial	404.05	9,640.0	10,044.05
Guaranteed	588.52	49.01	637.53
Totals	25,747.65	26,263.32	52,010.97

Source: The National Treasury

2.6 Budget Deviation

The actual cumulative debt service for March 2016 was above the projected debt service by Kshs 5.65 billion. This is attributed partly to payments of some debts falling due in to exchange rate fluctuations during the period under review.

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 March 2016, the guaranteed external debt stock decreased by Kshs 8.41 billion to Kshs 48.07 billion from Ksh 56.48 billion in March 2016 (Table 6). This increase is attributed to repayments made during the month.

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

Creditor	January 2016	February 2016	March 2016
Japan	42.24	43.80	43.51
Germany	0.00	8.19	0.00
IDA (KR Concessionaire)	4.60	4.58	4.56
Totals	46.84	56.48	48.07

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 Central Government Domestic Debt

Government net domestic debt increased by Kshs 3.43 billion to Kshs 1,320.78 billion in March 2016 from Kshs 1,317.35 billion in February 2016 due to an increase in gross debt over the period under review. (Table 7).

Table 7: Government domestic debt, in Kshs billion

	January 2016	February 2016	March 2016
Gross domestic debt	1,523.05	1,605.23	1,646.53
<i>less</i>			
Govt. deposits at CBK	-143.93	-131.53	-160.56
Govt. deposits at commercial banks	-151.01	-150.65	-159.48
Govt. advances to parastatals	-5.70	-5.70	-5.70
Net domestic debt	1,222.41	1,317.35	1,320.78

3.2 Government Domestic Borrowing

During the month of March 2016, Government securities worth Kshs 89.0 billion were advertised. Bids worth Kshs 149.00 billion were received of which Treasury Bills was Ksh 122.82 billion and Treasury Bond was Ksh 26.18 billion. Successful bids amounted to Kshs 106.68 billion against redemptions of Kshs 58.35 billion leaving exchequer with a surplus of Kshs 44.85 billion (Table 8).

Table 8: Government domestic borrowing, in Kshs million

	Treasury Bills	Treasury Bonds	Total
Advertised	64,000	25,000	89,000.00
Bids received	122,817	26,180	148,997.00
Successful bids	89,573	17,105	106,678.00
Redemptions (cost)	(38,379)	(19,975)	(58,354.00)
Net domestic borrowing	47,722	(2,870)	44,852.00

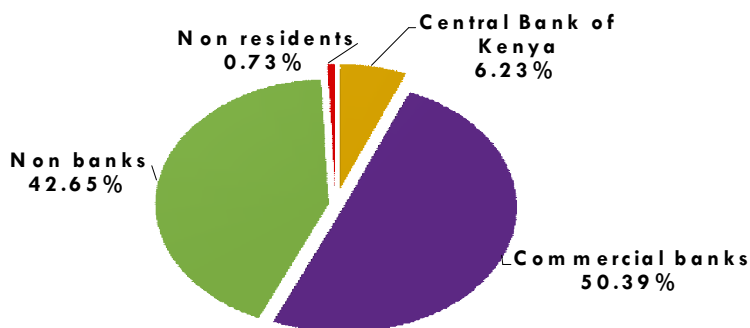
Source: The National Treasury

Table 9: Domestic debt instruments by holder end March 2016, in Kshs billion

Instrument/Holder	Commercial banks	Non banks	Central Bank of Kenya	Non residents	Total
Treasury bonds	527.78	552.65	9.43	5.59	1095.45
Treasury bills	296.35	149.59	20.59	6.37	472.9
Others	5,557	0	72.63	0.00	78.187
Total	829.69	702.24	102.65	11.96	1646.52
Percentage Holding	50.39%	42.65%	6.23%	0.73%	100%

At the end of March 2016, banks held the largest proportion of the outstanding Government debt securities amounting to Kshs 829.69 billion or 50.39 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 702.24 billion or 42.65 percent while the Government debt worth Kshs 11.96 billion or 0.73 percent was held by non residents who invest through nominee accounts in the local banks. Kshs 102.65 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 March 2016

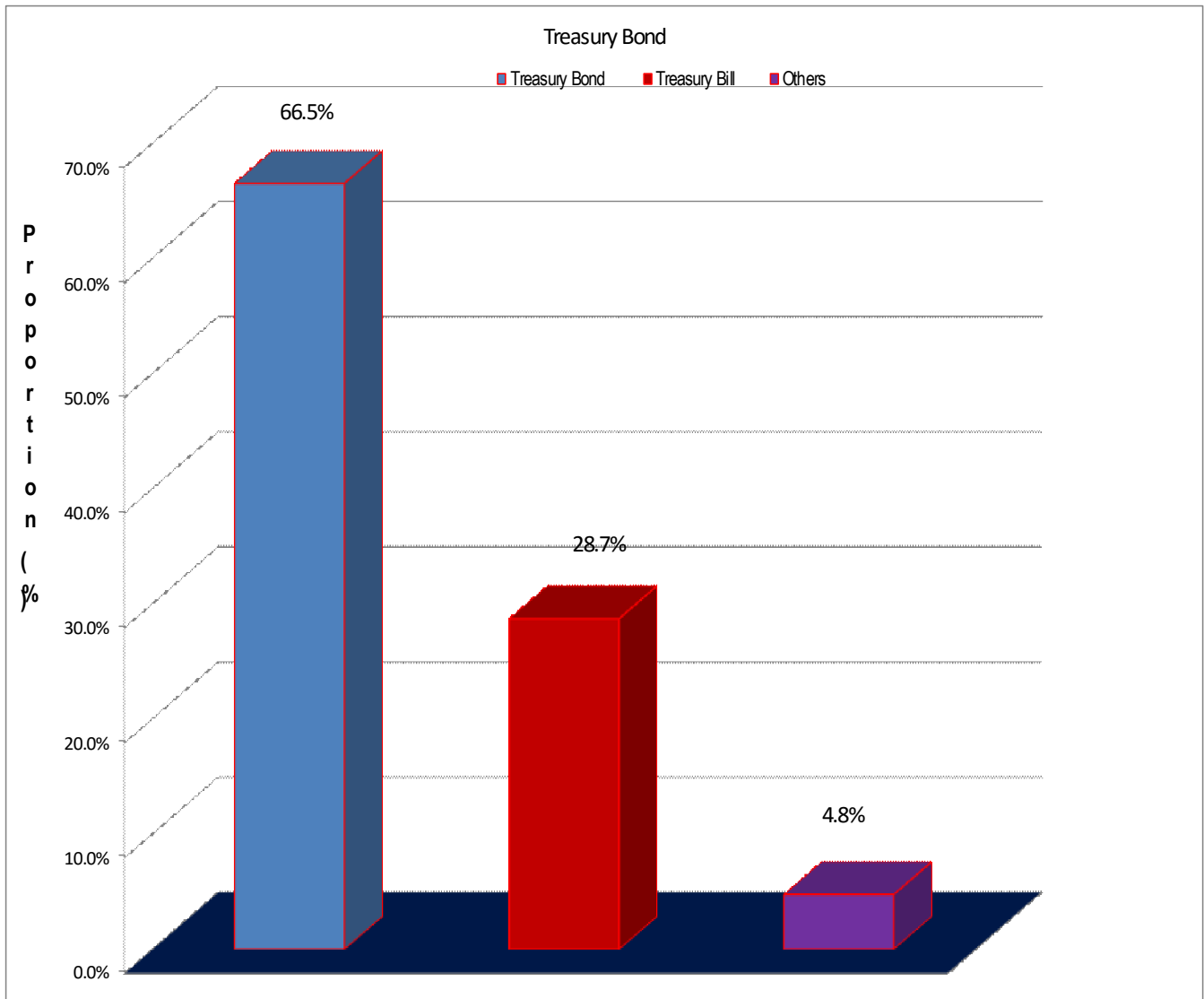


Source: Central Bank of Kenya

3.3 Domestic Debt by Instruments

Chart 7 shows the composition of the domestic debt as at end March 2016. 66.5 percent of Government domestic debt was in Treasury Bonds, 28.7 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 March 2016, the net domestic financing was at Kshs 127.83 billion.

Table 10: Net domestic financing, in Kshs billion

	June 2015	March 2016	Change
Treasury Bills	293.53	429.23	135.70
Treasury Bonds	994.44	1,048.45	54.01
Pre-1997 Govt. Overdraft debt	26.68	26.11	(0.57)
Other	37.83	50.79	12.96
<i>of which Overdraft (from CBK)</i>	36.49	46.45	9.96
Govt. deposits	141.29	215.56	74.27
Net Domestic Credit	1,211.19	1,339.02	127.83

Source: Central Bank of Kenya

3.5 Cumulative Domestic Interest Payments

As at end March 2016, Government actual domestic interest payments stood at Kshs 122.59 billion against the projected interest payments of Kshs 119.51 billion. Actual interest payments on Treasury Bonds and Treasury Bills amounted to Kshs 88.11 billion and Kshs 30.82 billion respectively (Table 11).

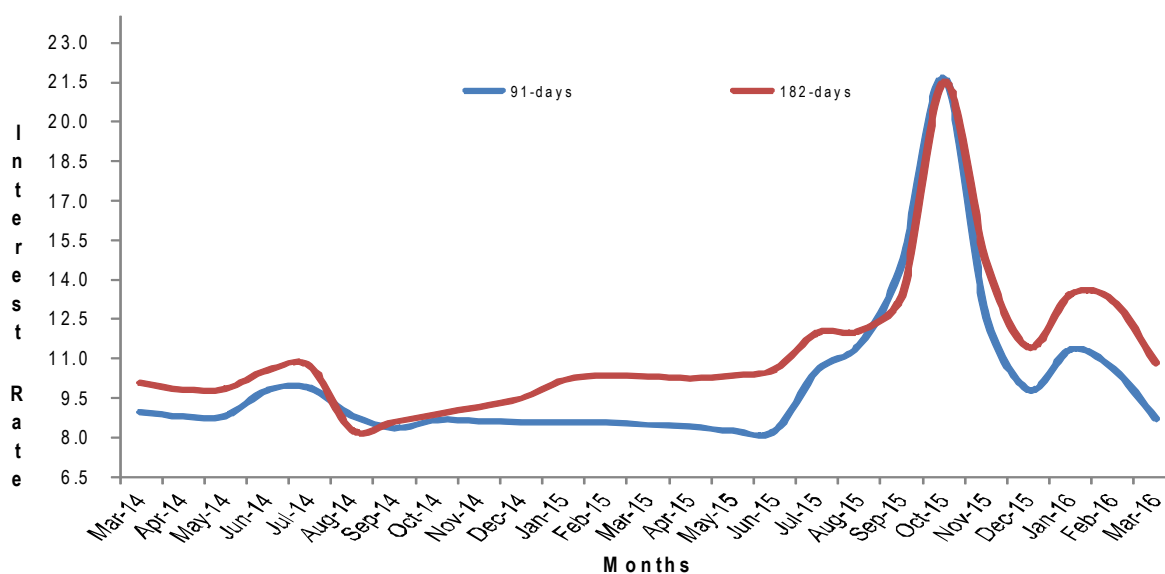
Table 11: Domestic interest payments, in Kshs million

Type of Debt	Projected	Actual	Variance
Treasury Bonds	84,953.16	88,115.26	3,162.10
Treasury Bills	33,071.42	30,821.42	(2,250.00)
Overdraft	3,110.46	3,050.98	(59.48)
Pre-1997 overdraft debt	621.49	599.22	(22.27)
Totals	119,506.53	122,586.88	830.35

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 March 2014. During the month of March 2016, the average interest rates for the 91-day Treasury bills dropped by 190 basis points to stand at 8.72 percent from 10.62 percent in February 2016 and the 182-days Treasury bill decreased by 236 basis points to 10.83 per cent per annum from 13.19 per cent in February 2016. The 364-days Treasury bill rate stood at an average of 12.25 percent per annum in February 2016.

Chart 8: Average interest rates on Treasury Bills



Source: Central Bank of Kenya

3.7 Yields on Treasury Bonds

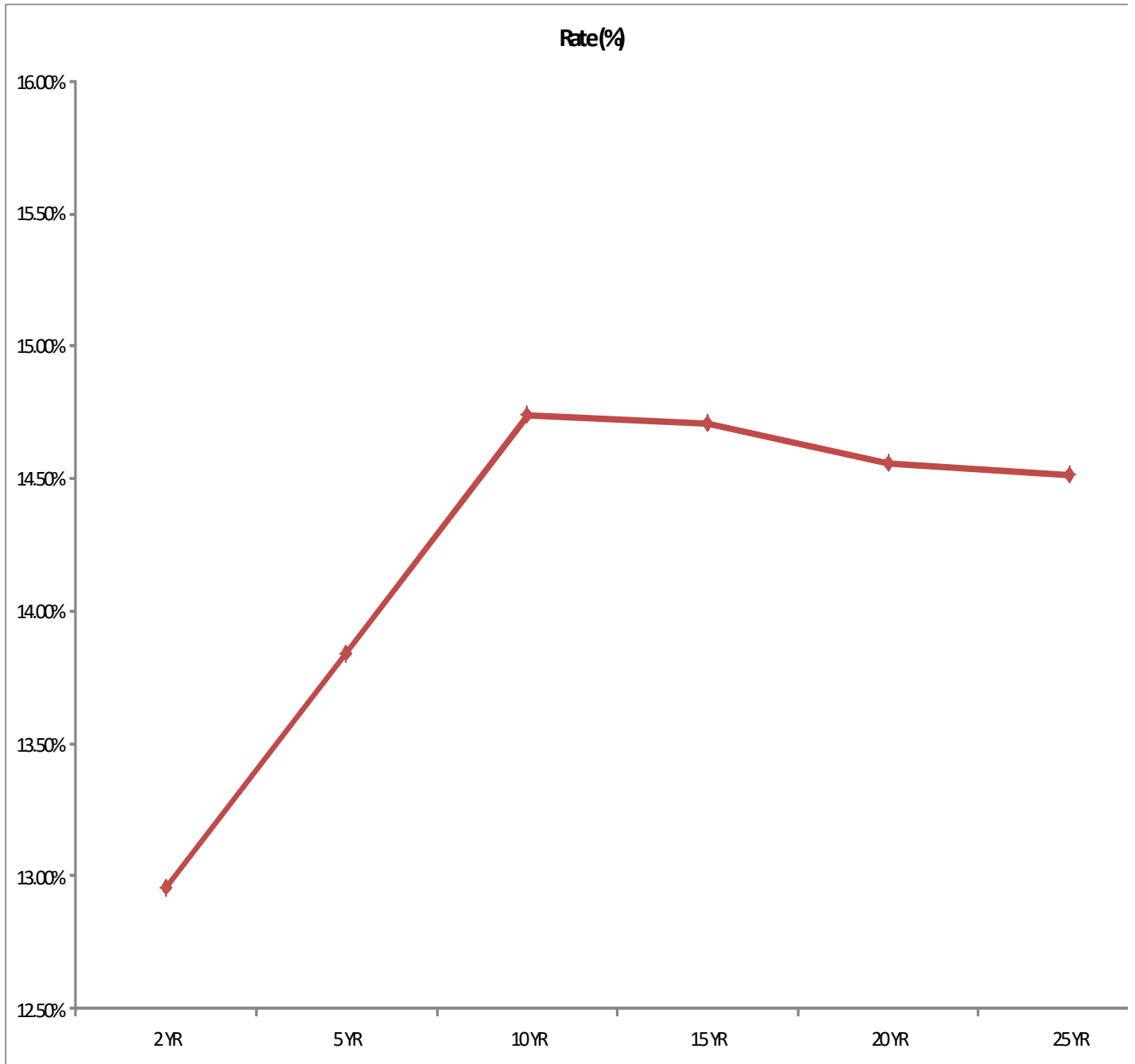
The Government has been implementing a Benchmark Bond programme to increase liquidity around selected Bonds and promote secondary trading. One of the key objectives of the programme is to lower both refinancing risk and cost of borrowing by the Government. Table 12 and Chart 9 shows the yields on selected benchmark Treasury Bonds in the secondary market as at end February 2016. The Yield curve is inverted due to limited trading in the secondary market.

Table 12 :Yields on selected Treasury Bonds as at end March, 2016

Tenure	Rate (%)
2 YR	12.96
5 YR	13.84
10 YR	14.74
15 YR	14.71
20 YR	14.56
25 YR	14.51

Source: Nairobi Securities Exchange (NSE)

Chart 9: Secondary Market yields on selected Treasury Bonds as at end January, 2016



Source: Nairobi Securities Exchange (NSE)

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

Creditor	Stock at end February 2016	Stock at end March 2016	Change
Central Government			
AUSTRIA	1,022.34	1051.85	29.51
BELGIUM	7,122.09	6706.38	(415.71)
CANADA	833.66	830.68	(2.98)
DENMARK	1,598.60	1646.82	48.22
FINLAND	277.30	47.34	(229.96)
FRANCE	59,973.26	61437.47	1,464.21
GERMANY	22,427.90	22508.62	80.72
ITALY	613.70	892.54	278.84
JAPAN	41,587.00	41152.37	(434.63)
NETHERLANDS	1,926.69	1771.61	(155.08)
UK	1,186.87	1218.31	31.44
USA	4,133.93	4054.43	(79.50)
PARIS CLUB OTHERS	8,243.92	9,992.65	1,748.73
NON PARIS CLUB	325,450.09	325571.7	121.57
o/w CHINA	316,637.16	318331.52	1,694.36
Sub total	476,397.34	478882.75	2,485.41
MULTILATERAL			
ADB/AFDB	172,803.88	175,552.15	2,748.27
EEC/EIB	21,169.52	21,521.78	352.26
IDA	452,750.05	457,927.73	5,177.68
IFAD	12,112.52	12,235.62	123.10
IMF	84,276.99	85,648.17	1,371.18
OTHERS	9,273.47	9,203.92	(69.55)
Sub total	752,386.43	762,089.37	9,702.94
COMMERCIAL BANKS	364,049.49	360,174.78	(3,874.71)
O/W International Sovereign Bond	279,667.03	278,668.23	
SUPPLIERS CREDIT	8,455.15	16,358.50	7,903.35
Sub Total	1,601,288.42	1,617,505.40	16,216.98
GUARANTEED DEBT			
CANADA			
JAPAN	43,797.91	43,512.61	(285.30)
USA	-	0	
GERMANY	8,109.29	0	
IDA (KR Concessionaire)	4,576.37	4,560.01	(16.36)
Sub Total	56,483.57	48,072.62	(8,410.95)
GOK+ GUARANTEED TOTAL	1,657,771.99	1,665,578,035.05	7,806.04

Source: National Treasury

GDP Ksh 6,444.0 billion

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