



REPUBLIC OF KENYA

THE NATIONAL TREASURY

DIRECTORATE OF PUBLIC DEBT MANAGEMENT

MONTHLY DEBT BULLETIN

MAY 2016

As at end May 2016, total public and publicly guaranteed debt stood at Kshs 3,430.90 billion or 53.24 percent of GDP (Table 1). The increase of 3.57 percent over the end April 2016 position is attributed to an increase in domestic debt. Domestic debt increased by Ksh 61.23 billion to stand at Ksh 1,750.27 million, while the external debt decreased by Ksh 4.64 billion to stand at Ksh 1,680.63 billion in May 2016 (Table 1).

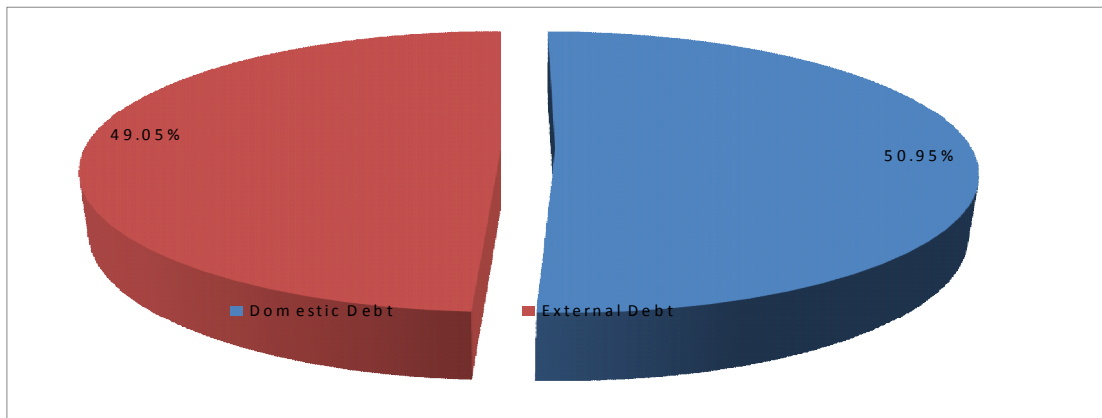
Table 1: Size of public debt, end May 2016, in billions

Debt Category	Kshs	USD	Percentage of GDP
Domestic Debt	1,750.27	17.36	27.16
External Debt	1,680.63	16.67	26.08
Total	3,430.90	34.03	53.24

Source: The National Treasury and Central Bank of Kenya

The structure of public and publicly guaranteed debt shows that 50.95 per cent of the total debt is domestic debt while 49.05 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 0.7 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 May 2016.

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h foreign exchange rates for the period March to May 2016. During these, the Kenya shilling appreciated against US Dollars and Euro by 0.50 and 2.03 per cent respectively but depreciated against the Sterling Pound and Japanese Yen by 1.44 and 0.55 percent respectively. The shilling stood at Kshs 100.83 to the US Dollar at end of May 2016.

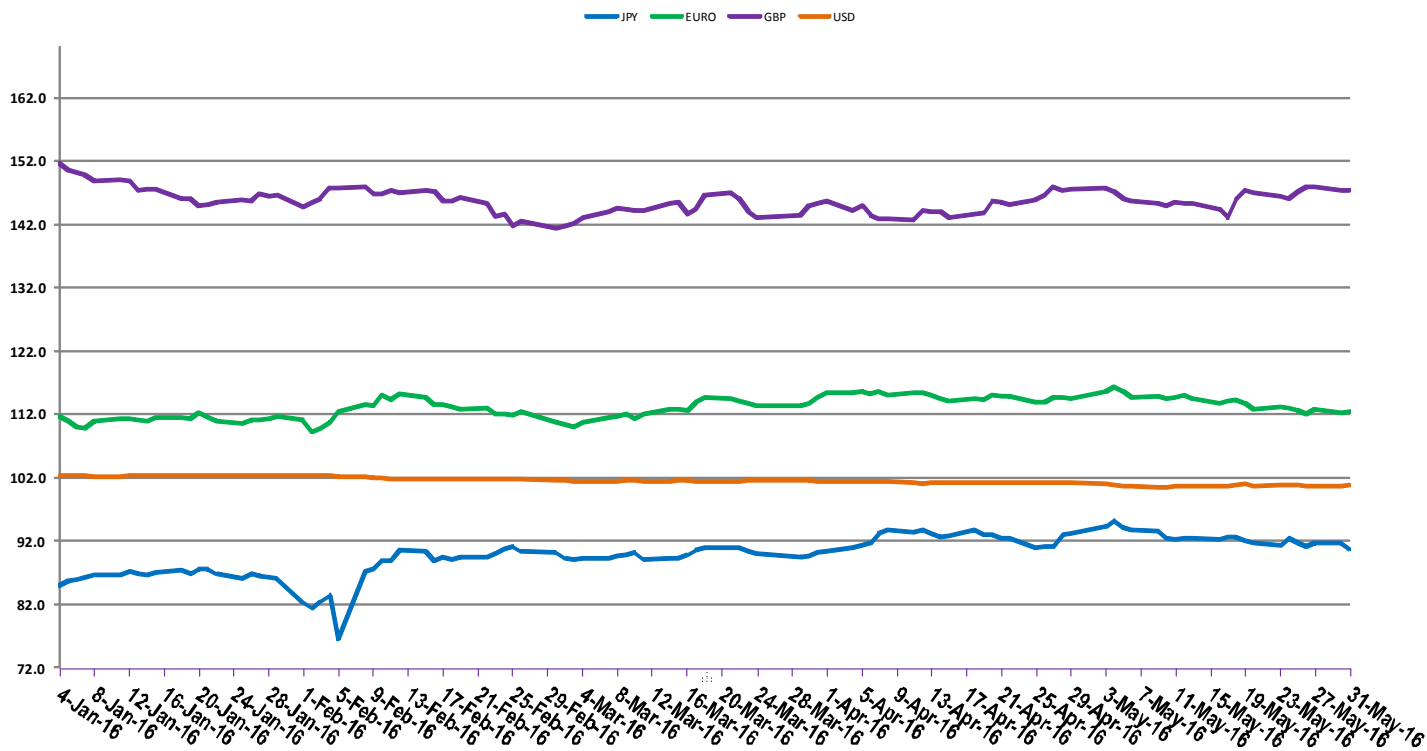
Table 2: Movement in exchange rates

Currency	March 2016	April 2016	May 2016
US Dollar	101.34	101.14	100.83
STG Pound	145.31	147.52	147.40
Euro	114.69	114.50	112.36
JPY(100)	90.21	93.15	90.71

Source: Central Bank of Kenya

Chart 2 shows the trends in daily exchange rates between Kenya Shilling and the four major foreign currencies from January to May 2016. The Kenya shilling remained relatively constant against the major currencies within the month under review.

Chart 2: Kenya Shilling Exchange Rate



Source: Central Bank of Kenya

Guaranteed External Debt

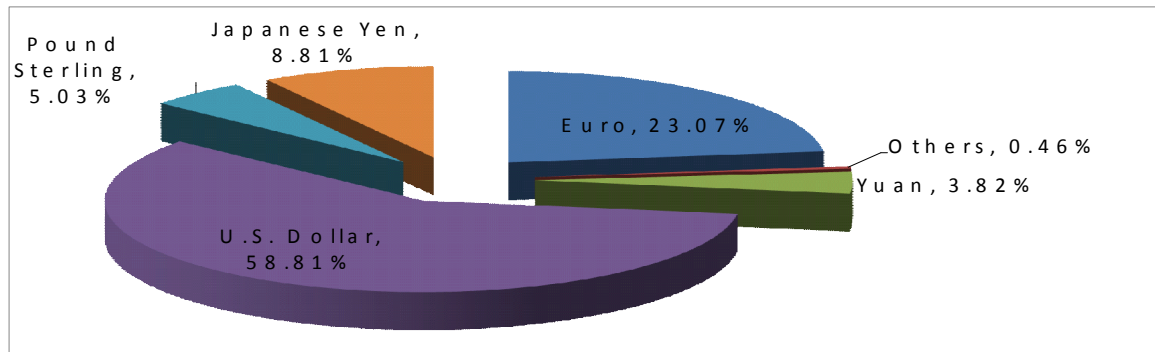
Overall, public and publicly guaranteed external debt decreased by Kshs 4.64 billion as at end May 2016 to Kshs 1,680.63 billion from Kshs 1,685.27 billion at the end of April 2016 (Table 3).

Table 3: External debt stock, in billions

	A p r i l 2 0 1 6		M a y 2 0 1 6	
	K s h s	K s h s	K s h s	U S D
B i l a t e r a l	4 9 6 . 5 8	4 . 8 3	4 9 1 . 5 7	4 . 8 7
M u l t i l a t e r a l	7 6 8 . 3 9	7 . 6 0	7 6 2 . 8 5	7 . 5 6
G u a r a n t e e d	5 8 . 4 6	0 . 5 8	5 7 . 1 0	0 . 5 7
S u p p l i e r s C r e d i t	8 . 5 6	0 . 0 8	8 . 4 6	0 . 0 8
C o m m e r c i a l B a n k s	3 6 1 . 8 4	3 . 5 8	3 6 0 . 6 5	3 . 5 7
o / w I n t e r n a t i o n a l S o v e r e i g n B o n d	2 7 8 . 1 4	2 . 7 5	2 7 7 . 2 8	2 . 7 5
T o t a l	1 6 8 5 . 2 7	1 6 . 6 6	1 , 6 8 0 . 6 3	1 6 . 6 7

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 58.81 percent followed by the Euro at 23.07 percent.

Chart 3. Currency Composition

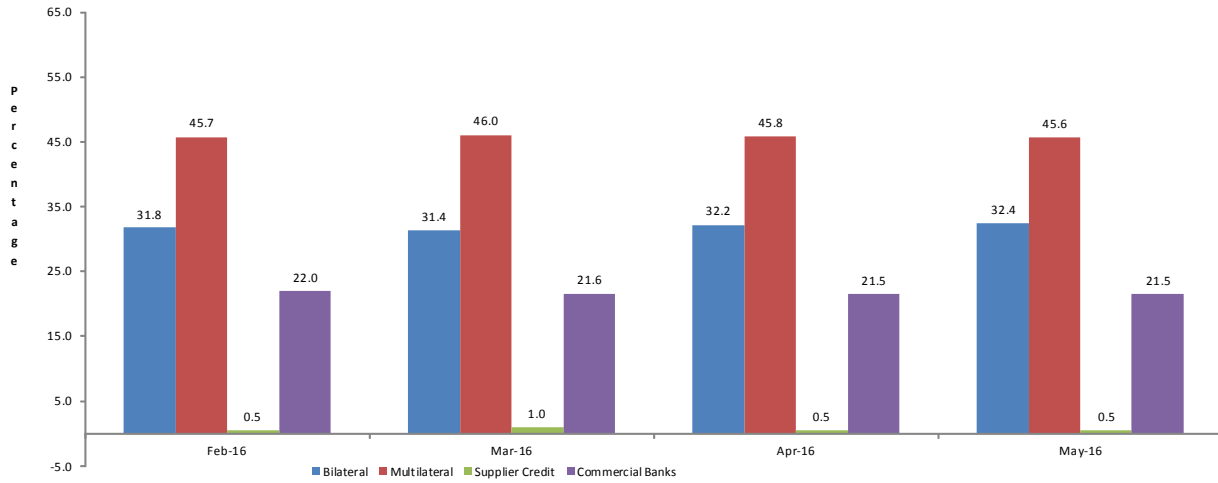


Source: The National Treasury

2.2 Structure of External Debt by Creditor

Official creditors account for 78.04 percent of the total public and publicly guaranteed external debt. Debt owed to multilateral creditors amounts to Ksh 766.90 billion (including Ksh 4.05 billion guaranteed debt owed to IDA) dominates the portfolio at 45.63 percent of the total. Bilateral debt stands at Kshs 544.62 billion (32.41 percent of the total), inclusive of Kshs 57.10 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 21.46 percent of the total public and publicly guaranteed external debt.

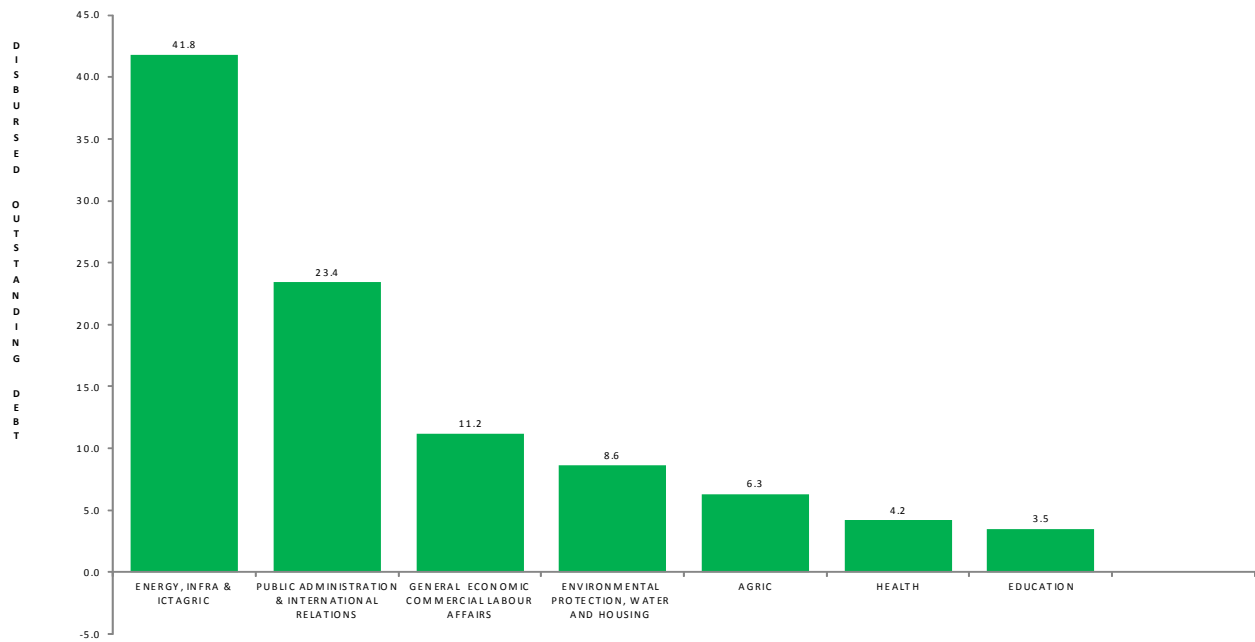


Source: The National Treasury

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

External Debt Service

for the period to end May 2016 stood at Kshs 55.70 billion. Principal and interest projections for the month of May 2016 was Kshs 0.93 billion and Kshs 5.30 billion, respectively. Bilateral and multilateral creditors constitute 42.77 percent and 35.21 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 May 2016, in Kshs billions

Creditor category	Principal	Interest	Total
Bilateral	14,838.90	8,982.95	23,821.85
Multilateral	13,872.41	5,737.17	19,609.58
Commercial	775.57	10,856.45	11,632.02
Guaranteed	577.05	55.34	632.39
Total	30,063.93	25,631.91	55,695.84

Source: The National Treasury

2.5 Actual Cumulative External Debt Service

Actual debt service as at end May 2016 stood at Kshs 57.89 billion (Table 5). Actual principal and interest payments during the month of May 2016 was Kshs 1.09 billion and Kshs 0.65 billion respectively.

Table 5: Actual cumulative external debt service as at end of May 2016, in Kshs billion

Creditor category	Principal	Interest	Total
Bilateral	14,515.21	12,692.85	27,208.06
Multilateral	13,861.97	5,501.88	19,363.85
Commercial	802.87	9,880.15	10,683.02
Guaranteed	588.52	49.01	637.57
Totals	29,768.57	28,123.89	57,892.46

Source: The National Treasury

2.6 Budget Deviation

The actual cumulative debt service for May 2016 was above the projected debt service by Kshs 2.20 billion. This is attributed to exchange rate fluctuations during the period under review.

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 May 2016, the guaranteed external debt stock decreased by Kshs 1.36 billion to Kshs 57.10 billion from Ksh 58.46 billion in April 2016 (Table 6). This increase is attributed to strengthening of the exchange rates during the month.

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

Creditor	March 2016	April 2016	May 2016
Japan	43.51	46.08	44.88
Germany	0.00	8.33	8.17
IDA (KR Concessionaire)	4.56	4.05	4.05
Totals	48.07	58.46	57.10

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.

Government Domestic Debt

Government net domestic debt increased by Kshs 54.62 billion to Kshs 1,379.62 billion in May 2016 from Kshs 1,325.00 billion in April 2016 due to an increase in gross debt over the period under review. (Table 7).

Table 7: Government domestic debt, in Kshs billion

	March 2016	April 2016	May 2016
Gross domestic debt	1,646.53	1,689.04	1,750.27
<i>less</i>			
Govt. deposits at CBK	-160.56	-181.90	-188.51
Govt. deposits at commercial banks	-159.48	-176.44	-176.44
Govt. advances to parastatals	-5.70	-5.70	-5.70
Net domestic debt	1,320.78	1,325.00	1,379.62

3.2 Government Domestic Borrowing

During the month of May 2016, Government securities worth Kshs 52.00 billion were advertised. Bids worth Kshs 46.10 billion were received of which Treasury Bills was Ksh 13.54 billion and Treasury Bond was Ksh 32.56 billion. Successful bids amounted to Kshs 39.42 billion against redemptions of Kshs 37.08 billion leaving exchequer with a surplus of Kshs 2.34 billion (Table 8).

Table 8: Government domestic borrowing, in Kshs million

	Treasury Bills	Treasury Bonds	Total
Advertised	32,000	20,000	52,000
Bids received	13,545	32,557	46,102
Successful bids	13,181	26,239	39,420
Redemptions (cost)	(25,095)	(11,986)	(37,081)
Net domestic borrowing	(11,914)	14,253	2,339

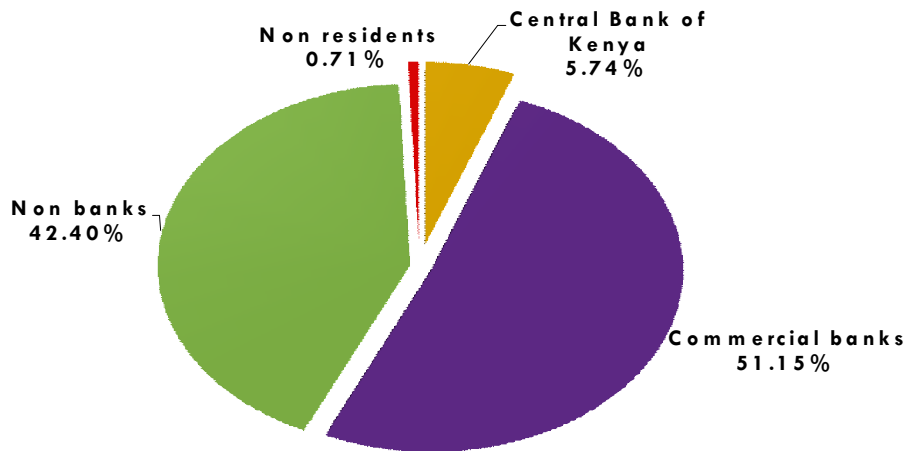
Source: The National Treasury

by holder end May 2016, in Kshs billion

Instrument/holder	Commercial banks	Non banks	Central Bank of Kenya	Non residents	Total
Treasury bonds	539.44	565.67	9.43	6.06	1,120.60
Treasury bills	350.51	176.40	20.59	6.411	553.91
Others	5.38	0	70.38	0.00	75.76
Total	895.33	742.07	100.39	12.47	1,750.27
Percentage Holding	51.15%	42.40%	5.74%	0.71%	100%

At the end of May 2016, banks held the largest proportion of the outstanding Government debt securities amounting to Kshs 895.33 billion or 51.15 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 742.07 billion or 42.40 percent while the Government debt worth Kshs 12.47billion or 0.71 percent was held by non residents who invest through nominee accounts in the local banks. Kshs 100.39 billion held by Central Bank of Kenya comprises the Government overdraft and Repo Treasury Bills used for execution of monetary policy.

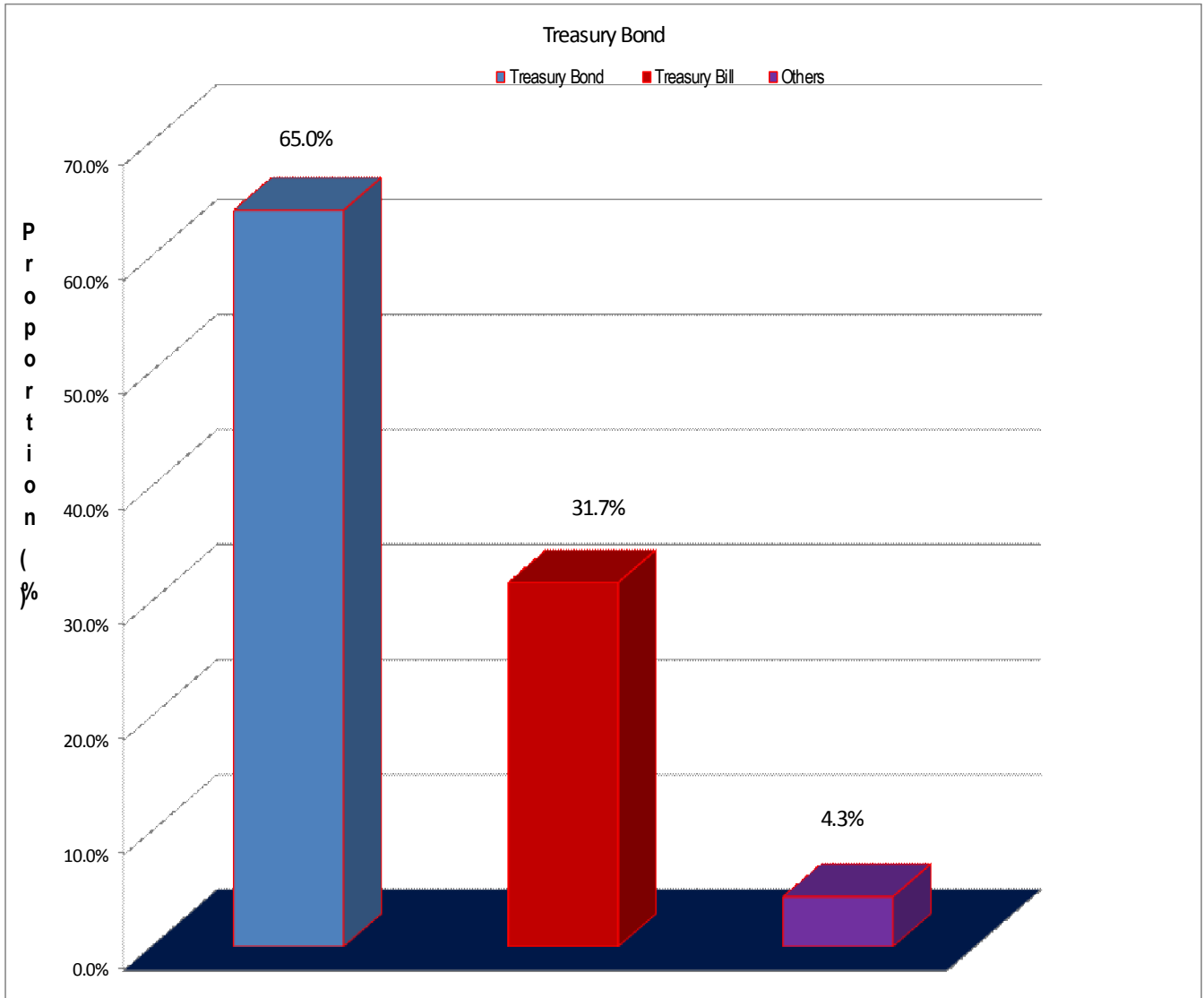
Chart 6: Domestic debt by holder as at end May, 2016



Source: Central Bank of Kenya

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 ...stic debt as at end May 2016. 65.0 per cent of Government domestic debt was in Treasury Bonds, 31.7 per cent 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



the net domestic financing was at Kshs 196.77 billion.

Table 10: Net domestic financing, in Kshs billion

	June 2015	May 2016	Change
Treasury Bills	293.53	505.56	212.03
Treasury Bonds	994.44	1,072.44	78
Pre-1997 Govt. Overdraft debt	26.68	26.68	0
Other	37.83	48.56	10.73
<i>of which Overdraft (from CBK)</i>	36.49	44.23	7.74
Govt. deposits	141.29	245.28	103.99
Net Domestic Credit	1,211.19	1,407.96	196.77

Source: Central Bank of Kenya

3.5 Cumulative Domestic Interest Payments

As at end May 2016, Government actual domestic interest payments stood at Kshs 153.79 billion against the projected interest payments of Kshs 149.27 billion. Actual interest payments on Treasury Bonds and Treasury Bills amounted to Kshs 111.43 billion and Kshs 37.91 billion respectively (Table 11).

Table 11: Domestic interest payments, in Kshs million

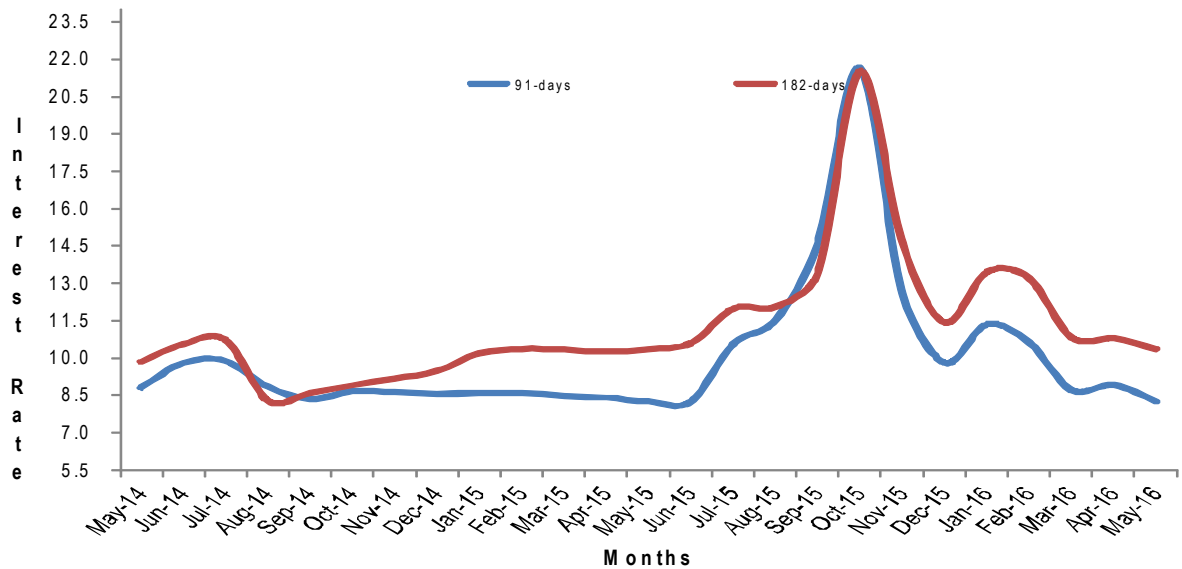
Type of Debt	Projected	Actual	Variance
Treasury Bonds	108,823.10	111,426.54	2,603.44
Treasury Bills	35,918.79	37,908.65	1,989.86
Overdraft	3,801.67	3,728.15	(73.52)
Pre-1997 overdraft debt	727.42	729.56	2.14
Totals	149,270.98	153,792.90	4,521.92

Treasury Bills

Chart 8 shows the monthly trends on average interest rates for both the 91-day and 182-day Treasury Bills

since May 2014. During the month of May 2016, the average interest rates for the 91-day Treasury bills dropped by 100 basis points to stand at 8.26 percent from 8.92 percent in April 2016 and the 182-days Treasury bill decreased by 43 basis points to 10.37 percent per annum from 10.80 percent in April 2016. The 364-days Treasury bill rate stood at an average of 10.71 percent per annum in May 2016.

Chart 8: Average interest rates on Treasury Bills



Source: Central Bank of Kenya

3.7 Yields on Treasury Bonds

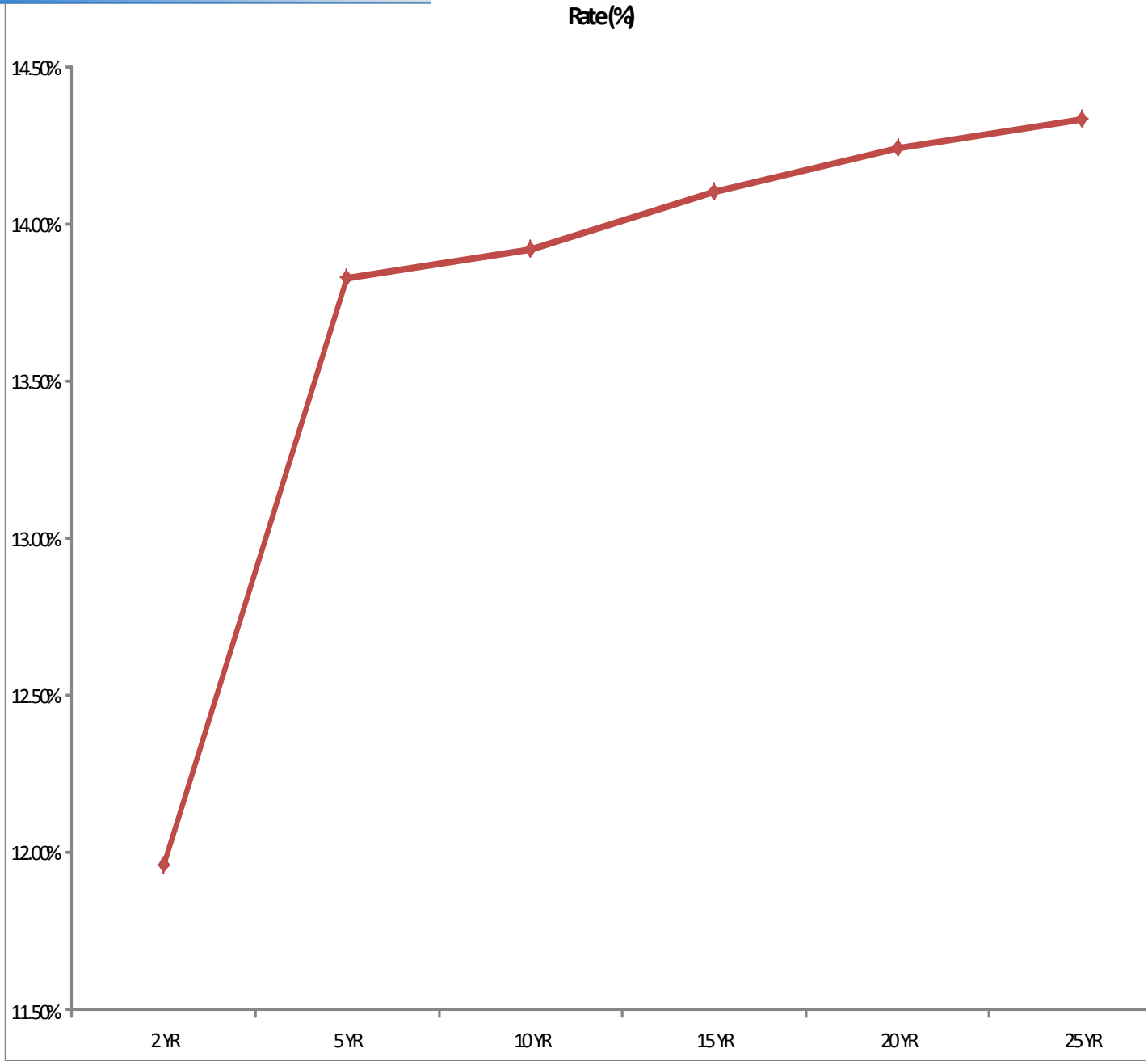
The Government has been implementing a Benchmark Bond programme to increase liquidity around selected Bonds and promote secondary trading. One of the key objectives of the programme is to lower both refinancing risk and cost of borrowing by the Government. Table 12 and Chart 9 shows the yields on selected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

Tenure	Rate (%)
2 YR	11.96
5 YR	13.83
10 YR	13.93
15 YR	14.10
20 YR	14.24
25 YR	14.33

Source: Nairobi Securities Exchange (NSE)

Yields on selected Treasury Bonds as at end May, 2016



Source: Nairobi Securities Exchange (NSE)

	at end April	Stock at end May 2016	Change
Central Government			
AUSTRIA	1050.11	1,030.50	(19.61)
BELGIUM	7802.47	7,565.88	(236.59)
CANADA	829.10	826.55	(2.55)
DENMARK	1604.50	1,575.73	(28.77)
FINLAND	283.71	278.95	(4.76)
FRANCE	60,771.53	60,135.24	(636.29)
GERMANY	23,621.39	23,180.33	(441.06)
ITALY	634.08	622.46	(11.62)
JAPAN	42,998.92	43,937.22	938.30
NETHERLANDS	2,108.06	2,029.16	(78.90)
UK	1,236.86	1,235.84	(1.02)
USA	4,052.48	4,040.03	(12.45)
PARIS CLUB OTHERS	14775.35	20,081.95	5,306.60
NON PARIS CLUB	325,854.94	325,231.35	(623.59)
o/w CHINA	314,873.10	314,103.20	(769.90)
Sub total	488013.56	491,569.061	3,555.50
MULTILATERAL			
ADB/AFDB	173307.92	174,309.60	1,001.68
EEC/EIB	21744.61	21,321.82	(422.79)
IDA	465770.66	461,017.89	(4,752.77)
IFAD	12316.18	12,149.17	(167.01)
IMF	86,001.76	84,863.45	(1,138.31)
OTHERS	9248.83	9,189.01	(59.82)
Sub total	768389.96	762,850.93	(5,539.03)
COMMERCIAL BANKS	361841.86	360,650.67	(1,191.19)
O/W International Sovereign Bond	278138.58	277,284.15	(854.43)
SUPPLIERS CREDIT	8565.77	8,462.44	(103.33)
Sub Total	1626811.15	1,623,533.11	(3,278.04)
GUARANTEED DEBT			
JAPAN	46082.77	44,879.01	(1,203.76)
USA	0	0	0
GERMANY	8329.58	8,174.06	(155.52)
IDA (KR Concessionaire)	4045.65	4,045.65	-
Sub Total	58458.01	57,098.72	(1,359.29)
GOK+ GUARANTEED TOTAL	1,685,269.16	1,680,631.83	(4,637.33)

Source: National Treasury
GDP Ksh 6,444.0 billion



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