



REPUBLIC OF KENYA

THE NATIONAL TREASURY

DIRECTORATE OF PUBLIC DEBT MANAGEMENT

MONTHLY DEBT BULLETIN

MAY 2017

1.0 PUBLIC DEBT

1.1 Introduction

As at end May 2017, total public and publicly guaranteed debt stood at Kshs 4,232.69 billion or 54.90 per cent of GDP (Table 1). The increase of 2.06 per cent over the end April 2017 position is attributed to the increase in the domestic and external debt. Domestic debt increased by Ksh 65.6 billion to stand at Ksh 2,045.47 million, while the external debt increased by Ksh 19.97 billion to stand at Ksh 2,187.22 billion in May 2017 (Table 1).

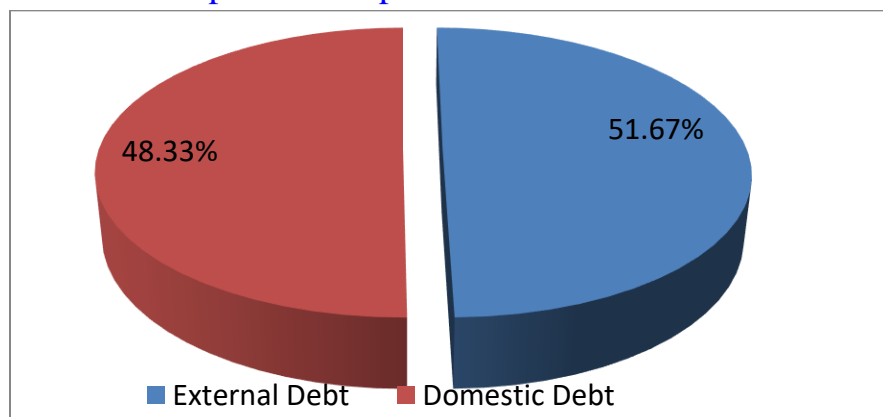
Table 1: Size of public debt, end April 2017, in billions

Debt Category	Kshs	USD	Percentage of GDP
Domestic Debt	2,045.47	19.79	26.53
External Debt	2,187.22	21.16	28.37
Total	4,232.69	40.95	54.90

Source: The National Treasury and Central Bank of Kenya

The structure of public and publicly guaranteed debt shows that 48.33 per cent of the total debt is domestic debt while 51.67 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 March 2017 to May 2017. During the month, the Kenya shilling depreciated against US Dollar, STG, Euro, and JPY by 0.3692, 3.2869, 2.8953 and 0.6160 per cent percent respectively. The shilling stood at Kshs 103.28 to the US Dollar at end of May 2017.

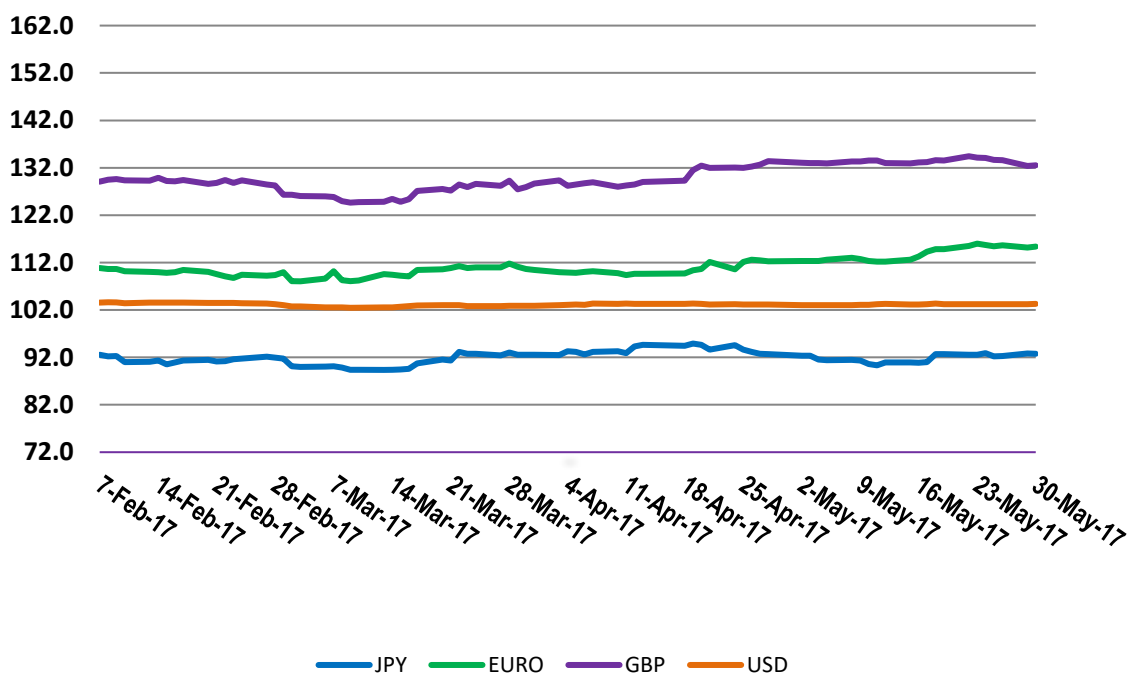
Table 2: Movement in Exchange Rates

Currency	March 2017	April 2017	May 2017	Appreciation/(Depreciation)
US Dollar	102.90	103.13	103.28	0.3692%
STG Pound	128.69	133.38	132.92	3.2869%
Euro	110.44	112.25	115.50	2.8953%
JPY(100)	92.53	92.67	93.10	0.6160%

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 May 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

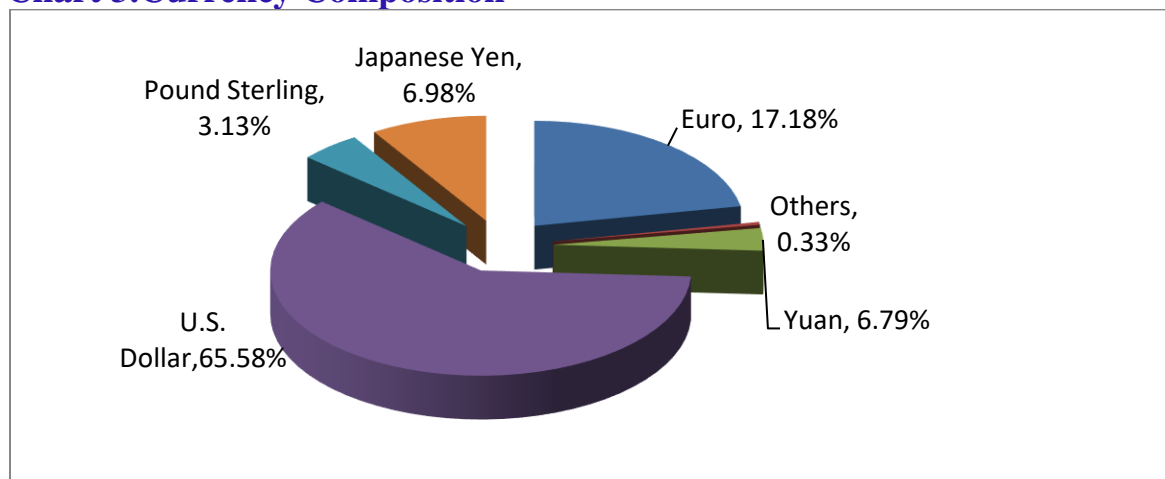
Overall, public and publicly guaranteed external debt increased by Kshs 19.97 billion as at end May 2017 to Kshs 2,187.22 billion from Kshs 2,167.25 billion at the end of April 2017 (Table 3).

Table 3: External debt stock, in billions

	April 2017		May 2017	
	Kshs	USD	Kshs	USD
Bilateral	648.07	6.28	656.89	6.36
Multilateral	814.14	7.89	823.58	7.97
Guaranteed	58.32	0.57	58.78	0.57
Suppliers Credit	15.61	0.15	15.76	0.15
Commercial Banks	631.11	6.12	632.21	6.12
o/w International Sovereign Bond	28386	2.75	284.29	2.75
Total	2,167.25	21.01	2,187.22	21.17

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



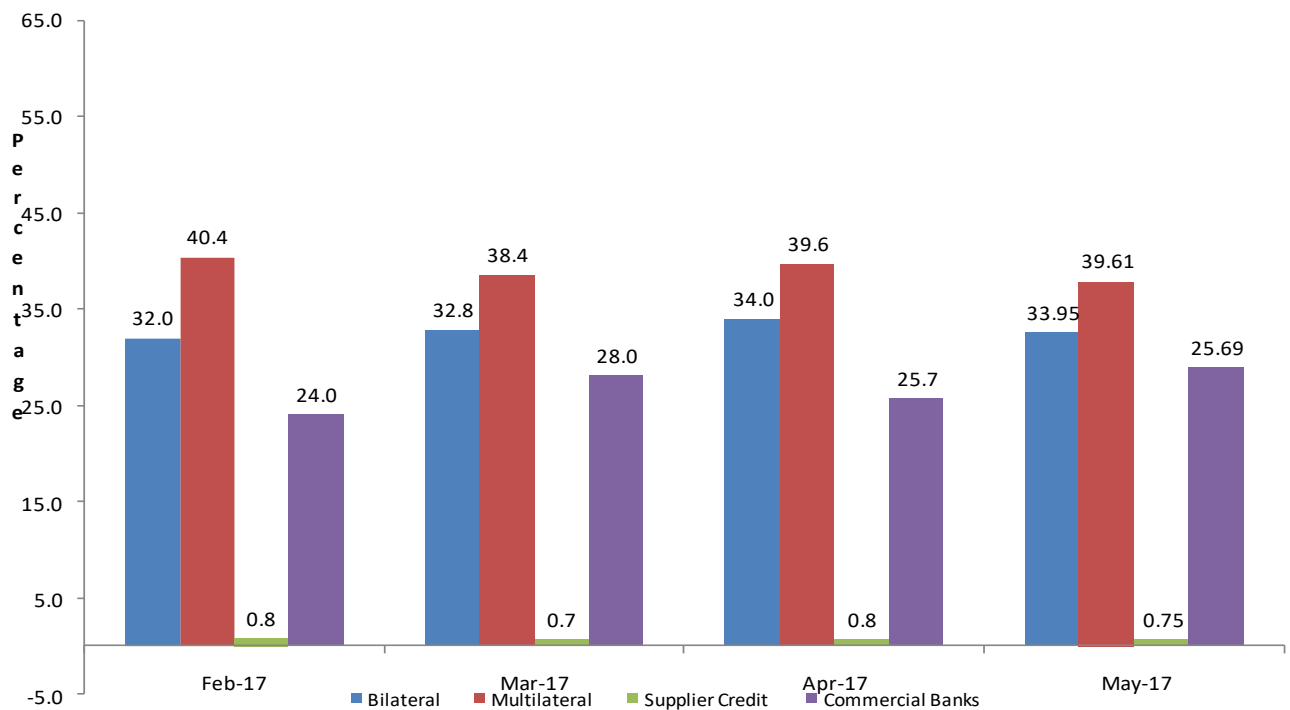
Source: The National Treasury

2.2 Structure of External Debt by Creditor

Official creditors account for 70.38 percent of the total public and publicly guaranteed external debt. Debt owed to multilateral creditor's amounts to Ksh 828.22 billion (including Ksh 4.64 billion guaranteed debt owed to IDA) dominates the portfolio at 37.87 percent of the total. Bilateral debt stands at Kshs 711.03 billion (32.51 percent of the total), inclusive of Kshs 54.14 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 28.90 percent of the total public and publicly guaranteed external debt.

Chart 4: External Debt by Creditor

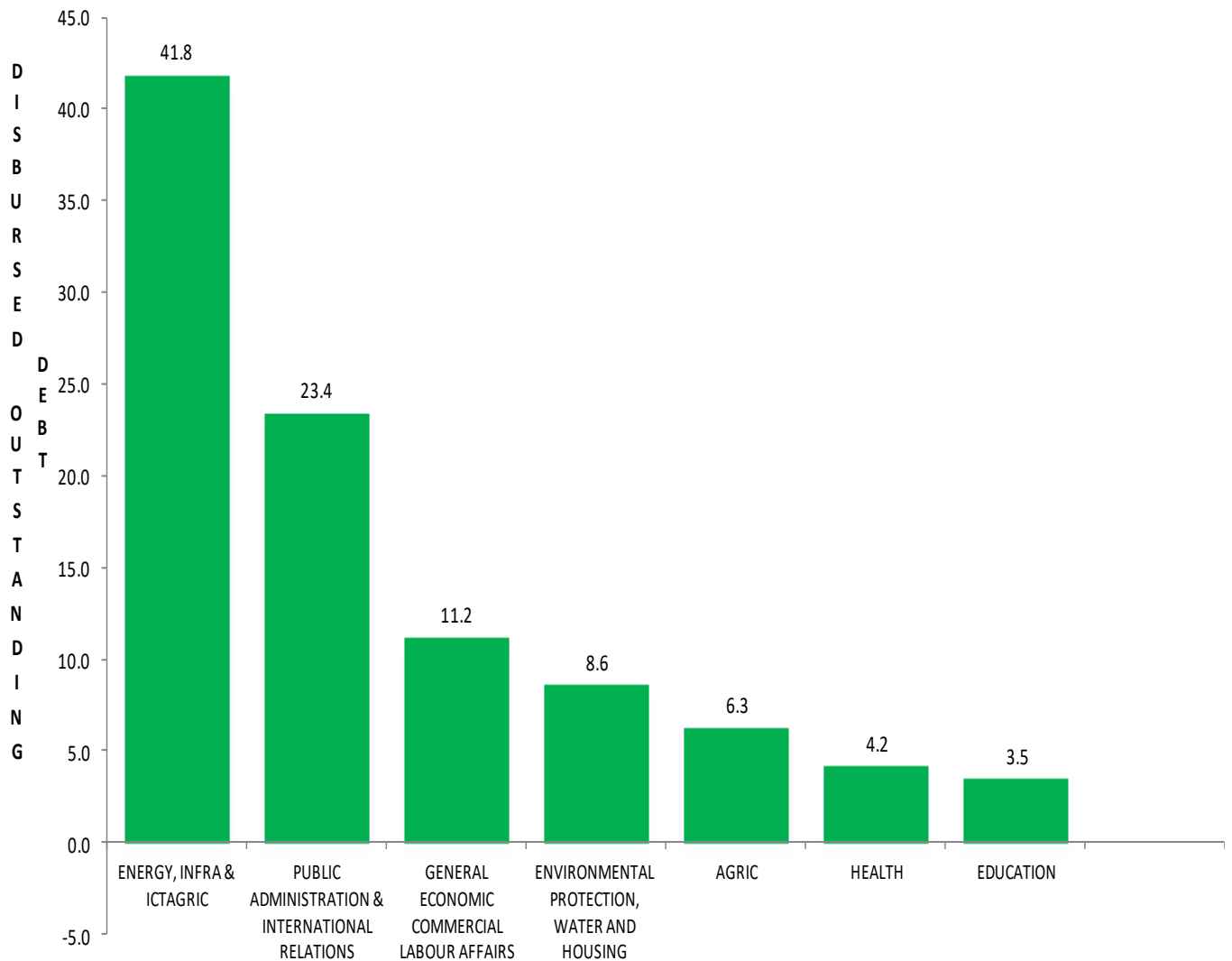


Source: The National Treasury

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 May 2017 stood at Kshs 81.21 billion.

Principal and interest projections for the month of May 2017 were Kshs 2.19 billion and Kshs 4.10 billion, respectively. Bilateral, multilateral and commercial creditors constitute 51.96 percent, 29.27 percent and 18.76 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 2017, in Kshs billions

Creditor category	Principal	Interest	Total
Bilateral	21,087.92	21,111.65	42,199.57
Multilateral	16,738.91	7,034.06	23,772.97
Commercial	828.82	14,407.51	15,236.33
Guaranteed	0.00	0.00	0.00
Total	38,655.65	42,553.22	81,208.87

Source: The National Treasury

2.5 Actual Cumulative External Debt Service

Actual debt service as at end May 2017 stood at Kshs 69.07 billion (Table 5). Actual principal and interest payments during the month of May 2017 were Kshs 1.04 billion and Kshs 0.67 billion respectively.

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

Credit category	Principal	Interest	Total
Bilateral	15,052.86	18,501.45	33,554.31
Multilateral	14,086.34	5,503.32	19,589.66
Commercial	384.16	14,495.17	14,879.33
Guaranteed	966.18	84.40	1,050.50
Totals	30,489.54	38,584.34	69,073.88

Source: The National Treasury

2.6 Budget Deviation

The projected cumulative debt service for May 2017 was above the actual debt service by Kshs 12.13 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 May 2017, the guaranteed external debt stock increased by Kshs 0.46 billion to Kshs 58.78 billion from Ksh 58.32 billion in April 2017 (Table 6).

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

Creditor	March 2017	April 2017	May 2017
Japan	45.19	45.62	45.85
Germany	7.85	8.06	8.29
IDA (KR Concessionaire)	4.63	4.64	4.64
Totals	57.68	58.32	58.78

Source: The National Treasury

3.0 DOMESTIC DEBT

3.1 Central Government Domestic Debt

Government net domestic debt decreased by Kshs 62.64 billion to Kshs 1,588.14 billion in May 2017 from Kshs 1,525.50 billion in April, 2017. (Table 7).

Table 7: Government domestic debt, in Kshs billion

	March 2017	April 2017	May 2017
Gross domestic debt	1,944.95	1,979.87	2,045.47
less			
Govt. deposits at CBK	-183.58	-227.25	-225.31
Govt. deposits at commercial banks	181.32	-221.42	-226.32
Govt. advances to parastatals	-5.70	-5.70	-5.70
Net domestic debt	1,574.35	1,525.50	1,588.14

Source: Central Bank of Kenya

3.2 Government Domestic Borrowing

During the month of May 2017, Government securities worth Kshs 156.0 billion were advertised. Bids worth Kshs 211.26 billion were received of which Treasury Bills was Ksh 161.09 billion and Treasury bond was Ksh 50.17 billion. Successful bids amounted to Kshs 173.82 billion against redemptions of Kshs 121.38 billion leaving exchequer with a surplus of Kshs 52.45 billion. (Table 8).

Table 8: Government domestic borrowing, in Kshs million

	Treasury Bills	Treasury Bonds	Total
Advertised	116,000.00	40,000.00	156,000.00
Bids received	161,093.00	50,170.00	211,263.00
Successful bids	142,505.00	31,317.00	173,822.00
Redemptions (cost)	(90,295.00)	(31,080.00)	(121,375.00)
Net domestic borrowing	52,210.00	237.00	52,447.00

Source: The National Treasury

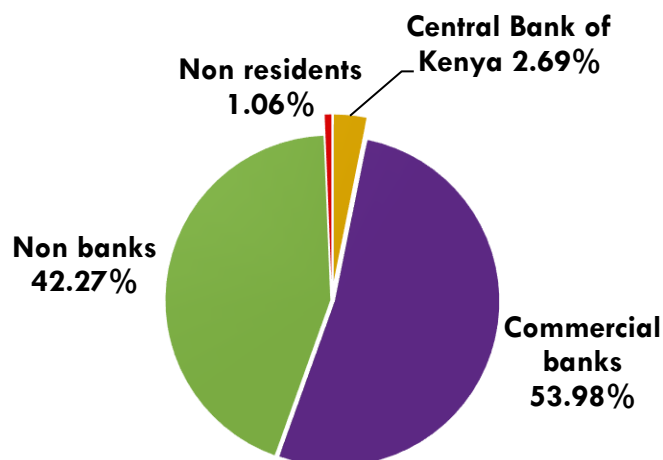
Table 9: Domestic debt instruments by holder end May 2017, in Kshs billion

Instrument/Holder	Commercial banks	Non banks	Central Bank of Kenya	Non residents	Total
Treasury bonds	709.48	590.82	9.43	15.56	1,325.29
Treasury bills	383.63	273.74	20.59	6.11	684.07
Others	11.03	0.00	25.02	0.00	36.05
Total	1,104.14	864.62	55.04	21.67	2,045.47
Percentage Holding	53.98%	42.27%	1.06%	2.69%	100%

Source: The National Treasury

At the end of May 2017, banks held the largest proportion of the outstanding Government debt securities amounting to Kshs 1,104.14 billion or 53.98 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 864.62 billion or 42.27 percent while the Government debt worth Kshs 21.67 billion or 2.69 percent was held by non residents who invest through nominee accounts in the local banks. Kshs 55.04 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, 2017

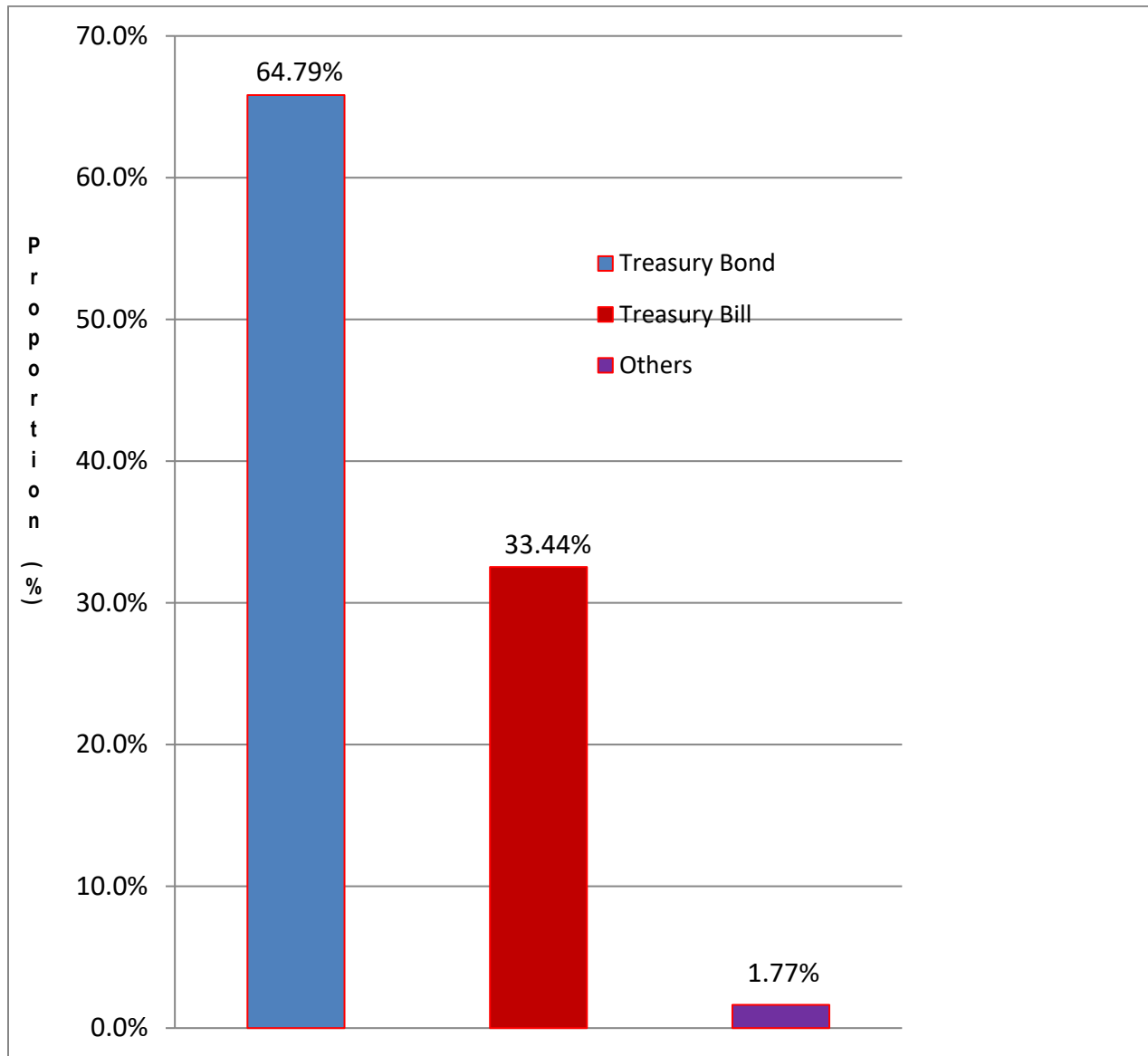


Source: Central Bank of Kenya

3.3 Domestic Debt by Instruments

Chart 7 shows the composition of the domestic debt as at end May 2017. 64.79 per cent of Government domestic debt was in Treasury Bonds, 33.44 per cent in Treasury Bills while the balance of 1.77 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, May 2017



Source: Central Bank of Kenya

3.4 Net Domestic Financing

Table 10 shows that as at end May 2017, the net domestic financing was at Kshs 234.138 billion.

Table 10: Net domestic financing, in Kshs billion

	April 2017	May 2017	Change
Treasury Bills	578.89	633.007	95.724
Treasury Bonds	1,257.37	1,264.246	161.193
Pre-1997 Govt. Overdraft debt	25.00	25.004	-0.555
Other	9.67	9.746	-38.626
<i>of which Overdraft (from CBK)</i>	0.00	0.000	-44.204
Govt. deposits	274.94	266.611	-16.403
Net Domestic Credit	1,596.01	1,665.390	234.138

Source: Central Bank of Kenya

3.5 Cumulative Domestic Interest Payments

As at end May 2017, Government actual domestic interest payments stood at Kshs 188.58 billion against the projected interest payments of Kshs 182.16 billion. Actual interest payments on Treasury Bonds and Treasury Bills amounted to Kshs 124.69 billion and Kshs 61.93 billion respectively (Table 11).

Table 11: Domestic interest payments, in Kshs million

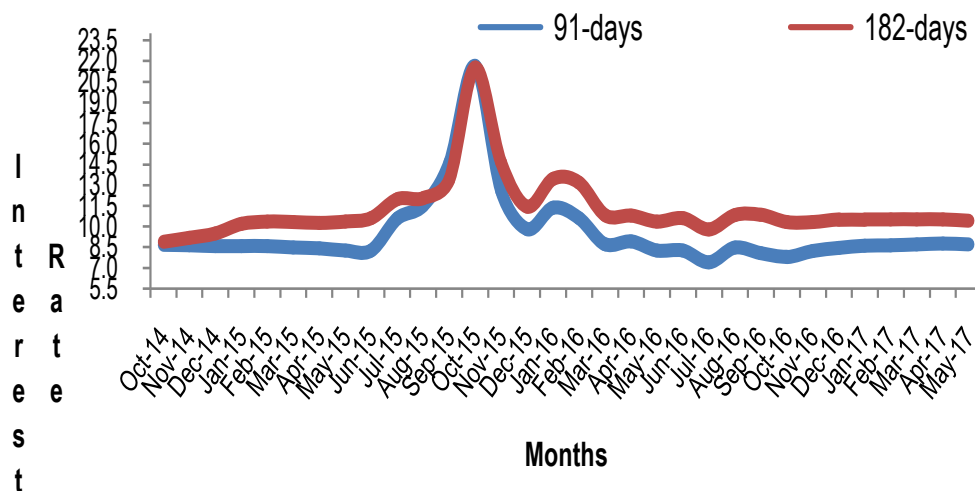
Type of Debt	Projected	Actual	Variance
Treasury Bonds	123,041.03	124,687.31	1,646.28
Treasury Bills	53,808.29	61,928.85	8,120.56
Overdraft	4,934.85	1,264.69	(3,670.16)
Pre-1997 overdraft debt	379.25	696.85	317.6
Totals	182,163.42	188,577.70	6,414.28

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 May 2017, the average interest rates for the 91-day Treasury bills decreased by 6 bps to stand at 8.71 per cent while that of 182-days Treasury bill decreased by 2 bps to stand at 10.41 per cent per annum. The 364-days Treasury bill rate stood at an average of 10.92 percent per annum in May 2017.

Chart 8: Average interest rates on Treasury Bills



Source: Central Bank of Kenya

3.7 Yields on Treasury Bonds

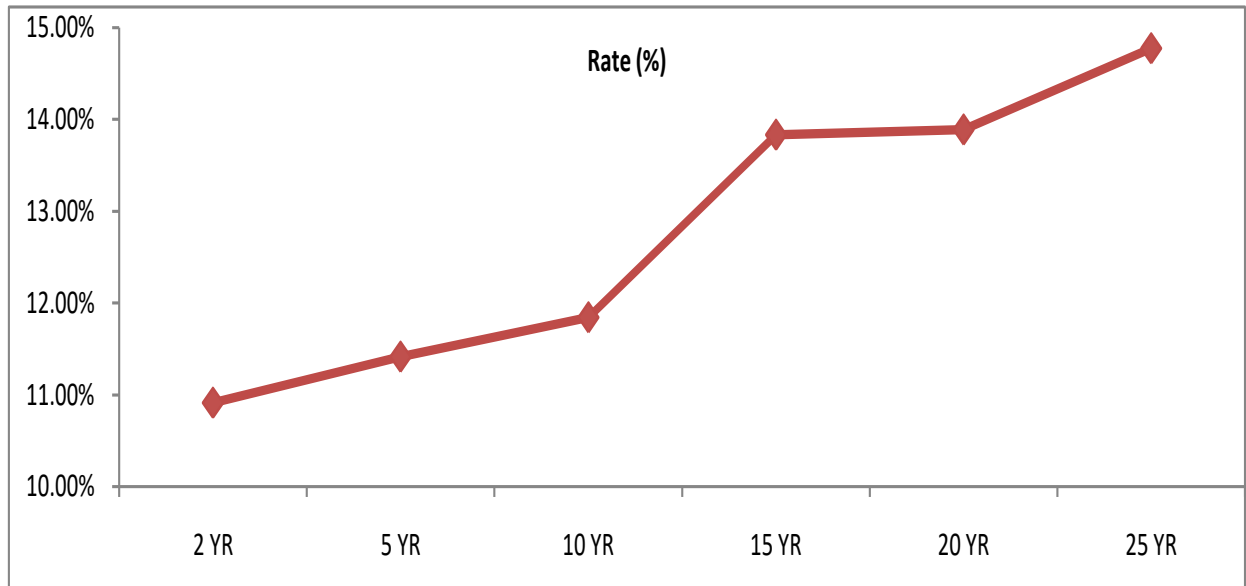
The Government has been implementing a Benchmark Bond programme to increase liquidity around selected Bonds and promote secondary trading. Table 12 and Chart 9 shows the yields on selected benchmark Treasury Bonds in the secondary market as at end May 2017. The Yield curve is flatter at the longer end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

Table 12: Yields on selected Treasury Bonds as at end May, 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 May, 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 April 2017	Stock at end May 2017	Change
Central Government			
AUSTRIA	558.94	575.16	16.22
BELGIUM	9,205.42	9,538.53	333.11
CANADA	749.36	750.51	1.15
DENMARK	1,328.16	1,366.44	38.28
FINLAND	1,637.14	1,683.99	46.85
FRANCE	59,816.11	62,837.15	3,021.04
GERMANY	23,105.65	23,776.23	670.58
ITALY	621.87	639.53	17.66
JAPAN	48,248.45	48,983.55	735.1
NETHERLANDS	1,926.56	1,797.72	-128.84
UK	814.48	811.68	-2.8
USA	3,497.27	3,502.65	5.38
PARIS CLUB OTHERS	25,376.35	26,118.81	742.46
NON PARIS CLUB	471,180.00	474,509.23	3329.23
o/w CHINA	460,026.07	463,426.16	3400.09
Sub total	648,065.76	656,891.18	8,825.42
MULTILATERAL			0
ADB/AFDB	185,608.04	186,431.48	823.44
EEC/EIB	19,796.76	20,370.40	573.64
IDA	509,541.07	516,705.81	7,164.74
IFAD	13,315.71	13,444.37	128.66
IMF	77,487.19	78,148.18	660.99
OTHERS	8,395.90	8,485.03	89.13
Sub total	814,144.67	823,585.27	9440.6
COMMERCIAL BANKS	631,119.24	632,207.27	1,088.03
O/W International Sovereign Bond	283,861.05	284,298.03	436.98
SUPPLIERS CREDIT	15,607.01	15,764.18	157.17
Sub Total	2,108,937.68	2,128,447.90	19,510.22
GUARANTEED DEBT			0
JAPAN	45,623.40	45,848.78	225.38
GERMANY	8,058.74	8,292.62	233.88
IDA (KR Concessionaire)	4,635.00	4,635.00	0
Sub Total	58,317.14	58,776.40	459.26
GOK+ GUARANTEED TOTAL	2,167,254.82	2,187,224.30	19,969.48

Source: National Treasury

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