

THE NATIONAL TREASURY



MONTHLY DEBT BULLETIN MAY 2019

1.1 Introduction

As at end of May 2019, the nominal public and publicly guaranteed debt stood at Kshs. 5.61 trillion or USD 55.33 billion. Domestic debt stood at Kshs. 2.77 trillion or USD 27.36 billion while the External debt stock stood at Kshs. 2.83 trillion or USD 27.97 billion. Domestic debt as a percentage of GDP stood at 29.16 percent whereas External debt stood at 29.81 percent. The structure of debt shows that domestic debt accounts for 49.4 per cent of the total debt while external debt accounts for 50.6 percent.

1.2 Movement in Exchange Rates

The key currencies in which Kenya's public debt is denominated are USD, Euro, Yen, Yuan and Sterling Pound. Movements in exchange rates have implications on both the size of the external debt stock and the cost of external debt service. The Ksh/USD moved from Ksh 101.38 in April 2019 to Kshs. 101.36 in May against the Kenya Shilling while the Ksh/Euro moved from Ksh.113.11 to Kshs. 112.81 during the same period. The Sterling Pound moved from Kshs. 130.98 to Kshs. 127.96 while the Japanese Yen moved from Kshs. 90.67 (per 100 JPY) to Kshs. 93.00 against the Kenya Shilling in the same period.

1.3 Size of Public and Publicly Guaranteed External Debt

Overall public and publicly guaranteed external debt decreased by Kshs. 7.64 billion from Kshs. 2,842.48 billion in April 2019 to Kshs. 2,834.84 billion in May 2019. Between April and May 2019, debt owed to bilateral creditors decreased by Kshs. 4.02 billion from kshs.902.46 to Kshs.898.43 billion while multilateral credit decreased by Kshs. 3.39 billion from Kshs. 887.74 to Kshs. 884.35 billion. Commercial debt decreased by Kshs 1.73 billion from Kshs. 897.46 to Kshs. 895.74 in the same period.

1.4 Currency composition of external debt

The proportion of debt denominated in USD stood at 65.6 percent, followed by Euro which accounts for 19.8 percent. The Japanese Yen, Yuan, and Sterling Pound accounted for 6.7 percent, 5.3 percent and 2.3 per cent respectively. Other currencies accounted for 0.3 percent.

1.5 Actual Cumulative External Debt Service

Actual cumulative debt service as at end May 2019 stood at Kshs. 273.29 billion; comprising

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of principal payments of Kshs. 182.84 billion and interest payments of Kshs. 90.45 billion. Commercial creditors accounted for Kshs. 191.02 billion (69.90 percent of the total debt service). Bilateral and Multilateral creditors stood at Kshs 58.63 billion and Kshs. 23.64 billion accounting for 21.45 percent and 8.65 percent of the total debt service respectively. The government acts as a guarantor to state enterprises and has an obligation to service debt in the event such a guarantee is called. Cumulatively, up-to the month of May 2019 the guaranteed debt service was Kshs. 993.80 million. This comprised of loans serviced on behalf of: KBC modernization (359.47 million), TARDA Project (Kshs. 281.77 million), and East African Portland Co. (Kshs. 352.56 million).

1.6 Government Domestic Borrowing

During the month of May 2019, Government securities worth Kshs 146.0 billion were advertised. Bids worth Kshs 150.11 billion were received composed of Kshs. 79.27 billion and Kshs 70.84 billion bids for the Treasury Bills and Treasury Bonds respectively. Successful bids from Treasury bills amounted to Kshs. 71.16 billion against redemptions of Kshs 104.74 billion, leaving a deficit of Kshs. 33.58 billion. The successful bids from the Treasury Bonds were Kshs. 58.53 billion against the month's redemptions of 5.00 billion giving a surplus of Ksh 53.53 billion to the Exchequer.

1.7 Domestic Debt by Instruments

As at end May 2019, 62.97 percent of Government domestic debt was held in Treasury Bonds, 35.60 percent in Treasury Bills while the remainder of 1.43 percent was held as Government overdraft at the Central Bank of Kenya and advances from commercial loans.

1.8 Net Domestic Financing

As at end May 2019 the net domestic financing stood at Kshs 167.93 billion against an annual target of Ksh 310.16 billion for FY2018/19.

1.9 Cumulative Domestic Interest Payments

The actual cumulative interest payment as at May 2019 stood at Kshs. 245.96 billion. For the month of May 2019 actual interest payments on Treasury Bonds and Treasury Bills were Kshs 16.29 billion and Kshs. 9.32 billion, respectively.

1.10 Average Interest rates for Treasury Bills

The average interest rate for 91-day bill decreased from 7.40 percent in April to 7.17 percent in May 2019. Similarly, the 182-day and 364-day dropped from 8.11 and 9.37 percent to 7.85 and 9.32 percent respectively in May 2019.

ANNEX 1: STOCK OF PUBLIC AND PUBLICLY GUARANTEED EXTERNAL DEBT BY SOURCE (IN KSHS MILLIONS) as at end of May 2019

| Creditor | Stock at end April 2019 | Stock at end May 2019 | Change |
|---|--------------------------------|------------------------------|-------------------|
| BILATERAL | | | |
| AUSTRIA | 1,281.19 | 1,277.78 | (3.41) |
| BELGIUM | 7,779.55 | 7,679.99 | (99.56) |
| CANADA | 154.22 | 154.18 | (0.04) |
| DENMARK | 804.76 | 843.19 | 38.43 |
| FINLAND | 1,747.00 | 1,742.34 | (4.66) |
| FRANCE | 70,645.74 | 70,460.45 | (185.29) |
| GERMANY | 29,955.67 | 29,875.85 | (79.82) |
| ITALY | 35,190.50 | 35,096.72 | (93.78) |
| JAPAN | 61,121.19 | 62,944.09 | 1,822.90 |
| NETHERLANDS | 333.75 | 332.86 | (0.89) |
| UK | 84.44 | 82.5 | (1.94) |
| USA | 2,103.62 | 2,103.10 | (0.52) |
| Other PARIS CLUB OTHERS | 23,821.22 | 24,054.02 | 232.80 |
| Other NON-PARIS CLUB | 10,442.09 | 10,207.58 | (234.51) |
| CHINA | 656,991.17 | 651,578.52 | (5,412.65) |
| Sub Total | 902,456.11 | 898,433.17 | (4,022.94) |
| MULTILATERAL | | | |
| ADB/AFDB | 226,078.43 | 225,855.20 | (223.23) |
| EEC/EIB | 1,696.22 | 1,758.56 | 62.34 |
| IDA | 568,977.67 | 565,607.17 | (3,370.50) |
| IFAD | 17,557.41 | 17,424.66 | (132.75) |
| IMF | 48,842.80 | 48,544.07 | (298.73) |
| OTHERS | 9,324.90 | 9,332.67 | 7.77 |
| Sub Total | 887,743.43 | 884,349.33 | (3,394.10) |
| COMMERCIAL | | | |
| Commercial Banks | 399,127.07 | 397,523.19 | (1,603.88) |
| International Sovereign Bond | 481,556.43 | 481,439.10 | (117.33) |
| Suppliers Credit | 16,779.87 | 16,775.78 | (4.09) |
| Sub Total | 897,463.37 | 895,738.07 | (1,725.30) |
| Total Central Government | 2,687,662.91 | 2,678,520.57 | (9,142.34) |
| GUARANTEED | | | |
| JAPAN | 67,869.34 | 69,411.27 | 1,541.93 |
| GERMANY | 6,351.43 | 6,334.50 | (16.93) |
| IDA (KR Concessionaire) | 4,562.11 | 4,561.00 | (1.11) |
| Kenya Airways (commercial debt) | 76,035.23 | 76,016.70 | (18.53) |
| Sub Total | 154,818.11 | 156,323.47 | 1,505.36 |
| | | | |
| Central Government+ Guaranteed Total | 2,842,481.02 | 2,834,844.04 | (7,636.98) |

Source: National Treasury

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