

THE NATIONAL TREASURY



MONTHLY DEBT BULLETIN FEBRUARY 2019

1.1 Introduction

As at end of Feb 2019, the nominal public and publicly guaranteed debt stood at Kshs 5.398 trillion or USD 53.94 billion which is 53.99 percent of GDP. Domestic debt stood at Kshs. 2.691 trillion or USD 26.89 billion while the External debt stock stood at Kshs 2.707 trillion or USD 27.049 billion. Domestic debt as a percentage of GDP stood at 26.92 percent whereas External debt stood at 27.07 percent. The structure of debt shows that domestic debt accounts for 49.85 percent of the total debt while external debt accounts for 50.15 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 and the cost of external debt service. The USD moved from Ksh. 100.89 in Jan 2019 to Ksh. 100.09 in Feb 2019 against the Kenya Shilling while the Euro moved from Ksh. 115.30 to Ksh. 113.89 during the same period. This was 0.80 percent and a 1.22 percent appreciation against the USD and the EURO respectively. The Sterling Pound moved from Ksh. 132.01 to Ksh. 133.24 while the Japanese Yen moved from Ksh. 92.09 to Ksh. 90.29 against the Kenya Shilling in the same period; translating to a 0.93 and 1.95 percent depreciation against the pound and appreciation against the Yen. Similarly, the Chinese Yuan

moved from KShs 15.03 in Jan 2019 to Kshs 14.98 in Feb 2019 translating to a 0.30 percent appreciation against the Yen.

1.3 Size of Public and Publicly Guaranteed External Debt

Overall public and publicly guaranteed external debt decreased by Kshs 22.19 billion from Kshs 2,729.48 billion in Jan 2019 to Kshs 2,707.29 billion in Feb 2019. Between Jan and Feb 2019, debt owed to bilateral creditors decreased by Kshs 4.3 billion from Kshs 868.5 billion to Kshs 864.2 billion while multilateral credit decreased by Kshs 6.9 billion from Kshs 849.2 billion to Kshs 842.3 billion. Commercial debt also decreased by Kshs 5.7 billion from Kshs 860.1 to Ksh 854.4 billion.

1.4 Currency composition of external debt

The proportion of debt denominated in USD stood at 69.24 percent, followed by Euro which accounts for 15.75 percent. The Japanese Yen, Yuan, and Sterling Pound accounted for 6.58 percent, 5.72 percent and 2.44 percent respectively. Other currencies accounted for 0.27 percent.

1.5 Actual Cumulative External Debt Service

Actual cumulative debt service as at end Feb 2019 stood at Kshs. 117.91 billion; comprising of principal payments of Kshs 56.79 billion

and interest payments of Kshs 61.12 billion. Commercial creditors accounted for Kshs. 61.33 billion (52.01 percent of the total debt service). Bilateral and Multilateral creditors stood at Kshs 41.68 and Kshs 14.90 billion accounting for 35.35 percent and 12.64 percent of the total debt service respectively.

The government being a guarantor of state enterprises debt is obliged to service such debt in the event the guarantee is called. There was no guaranteed debt in the month of Feb 2019.

1.6 Government Domestic Borrowing

During the month of February 2019, Government securities worth Kshs 158.0 billion were advertised. Bids worth Kshs 291.40 billion were received. Kshs 146.53 billion and Kshs 144.86 billion worth were bids received for the Treasury Bills and Treasury Bonds respectively. Successful bids from Treasury bills amounted to Kshs 114.75 billion against the month's redemptions of Kshs 88.57 billion, giving exchequer a surplus of Kshs. 26.18 billion. The successful bids from the Treasury Bonds was Kshs 76.83 billion against no redemptions billion giving a surplus of Ksh 76.83 billion to the exchequer.

1.7 Domestic Debt by Instruments

As at end Feb 2019, 61.99 percent of Government domestic debt was held in

Treasury Bonds, 36.10 percent in Treasury Bills while the remainder of 1.91 percent was held as Government overdraft at the Central Bank of Kenya and advances from commercial roads.

1.8 Net Domestic Financing

As at end February 2019 the net domestic financing stood at Kshs 230.44 billion against an annual target of Ksh 310.16 billion for FY2018/19.

1.9 Cumulative Domestic Interest Payments

During the financial year 2018/19, the Government is projected to pay Kshs. 300.98 billion as interest on domestic debt. The actual cumulative interest payment as at Feb 2019 stood at Kshs 165.63 billion. Of which, actual interest payments in February 2019 on Treasury Bonds and Treasury Bills were Kshs 11.84 billion and 6.97. billion, respectively. The remainder of Kshs 0.05 billion related to interest on overdraft and pre-1997 debt.

1.10 Average Interest rates for Treasury Bills

The average interest rates for 91 and 182 Treasury bills came down in Feb 2019 as compared to Jan 2019. The 91-day, 182-day and 364-day dropped from 7.19 percent, 8.92 percent and 9.96 percent in Jan to 7.02 percent, 8.55 percent and 9.64 percent respectively in Feb 2019.

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

Creditor	Stock at end January 2019	Stock at end February 2019	Change
BILATERAL			
AUSTRIA	960.14	948.36	(11.78)
BELGIUM	11,559.96	11,315.13	(244.83)
CANADA	153.47	152.25	(1.22)
DENMARK	944.18	851.75	(92.43)
FINLAND	1,780.88	1759.03	(21.85)
FRANCE	68,503.39	67,668.18	(835.21)
GERMANY	29,750.57	29,284.70	(465.87)
ITALY	233.00	230.15	(2.85)
JAPAN	57,137.95	60,083.72	2945.77
NETHERLANDS	419.47	414.32	(5.15)
UK	85.12	85.90	0.78
USA	2,144.60	2,094.42	(50.18)
PARIS CLUB OTHERS	57,292.59	56,711.46	(581.13)
NON PARIS CLUB	10,024.92	9,664.71	(360.21)
o/w CHINA	627,478.68	622,933.45	(4545.23)
Sub total	868,468.91	864,197.55	(4,271.36)
MULTILATERAL			
ADB/AFDB	224,415.31	224,696.87	281.56
EEC/EIB	1,966.71	1,923.64	(43.07)
IDA	528,543.89	523,045	(5,498.89)
IFAD	16,874.13	16,731.61	(142.52)
IMF	51,601.08	50,283.24	(1,317.84)
OTHERS	25,837.93	25,625.42	(212.51)
Sub total	849,239.07	842,306.06	(6,933.01)
COMMERCIAL			
Commercial Banks	364,202.00	362,441.43	(1760.58)
International Sovereign Bond	479,277.50	475,408.96	(3,818.53)
Suppliers Credit	16,698.72	16,565.66	(133.06)
Sub Total	860,128.22	854,416.06	(5,712.16)
Total National Government	2,577,836.20	2,560,919.67	(16,916.53)
GUARANTEED			
JAPAN	64,568.91	60,403.85	(4,165.06)
GERMANY	6,865.92	6,395.20	(470.72)
IDA (KR Concessionaire)	4,540.05	4,503.87	(36.18)
Kenya Airways (commercial debt)	75,667.50	75,064.58	(602.93)
Sub Total	151,642.38	146,367.50	(5,274.88)
National Government+ Guaranteed Total	2,729,478.57	2,707,287.17	(22,191.41)

Source: National Treasury

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