



REPUBLIC OF KENYA

# THE NATIONAL TREASURY

DIRECTORATE OF PUBLIC DEBT MANAGEMENT

## *MONTHLY DEBT BULLETIN*

**JUNE 2016**

As at end June 2016, total public and publicly guaranteed debt stood at Kshs 3,603.51 billion or 54.88 percent of GDP (Table 1). The increase of 5.03 percent over the end May 2016 position is attributed to an increase in both domestic and external debt. Domestic debt increased by Ksh 65.20 billion to stand at Ksh 1,815.47 billion, while the external debt increased by Ksh 107.41 billion to stand at Ksh 1,788.04 billion in June 2016 (Table 1).

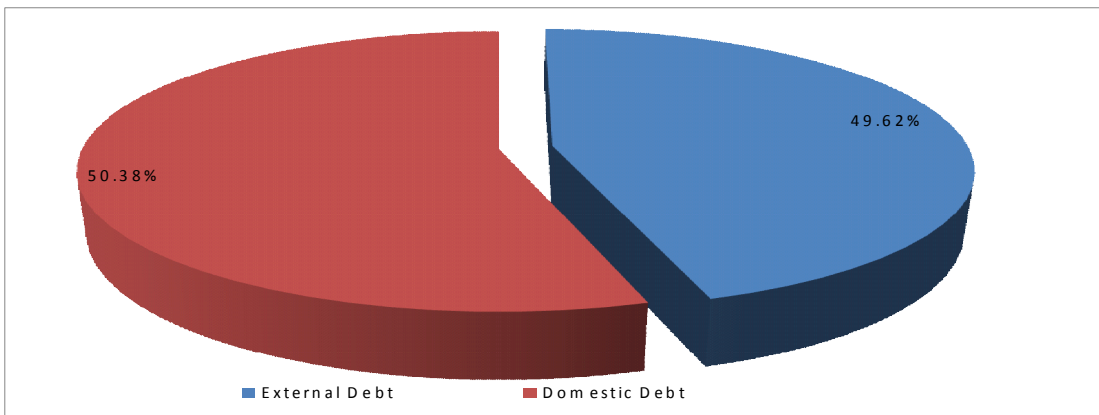
**Table 1: Size of public debt, end May 2016, in billions**

Debt Category	Kshs	USD	Percentage of GDP
Domestic Debt	1,815.47	17.96	27.65
External Debt	1,788.04	17.68	27.23
Total	3,603.51	35.64	54.88

Source: The National Treasury and Central Bank of Kenya

The structure of public and publicly guaranteed debt shows that 50.38 per cent of the total debt is domestic debt while 49.62 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 0.7 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 June 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, STG Pound and Euro by 0.04, 7.51 and 1.92 per cent respectively but depreciated against the Japanese Yen by 0.555.64 percent. The shilling stood at Kshs 101.10 to the US Dollar at end of June 2016.

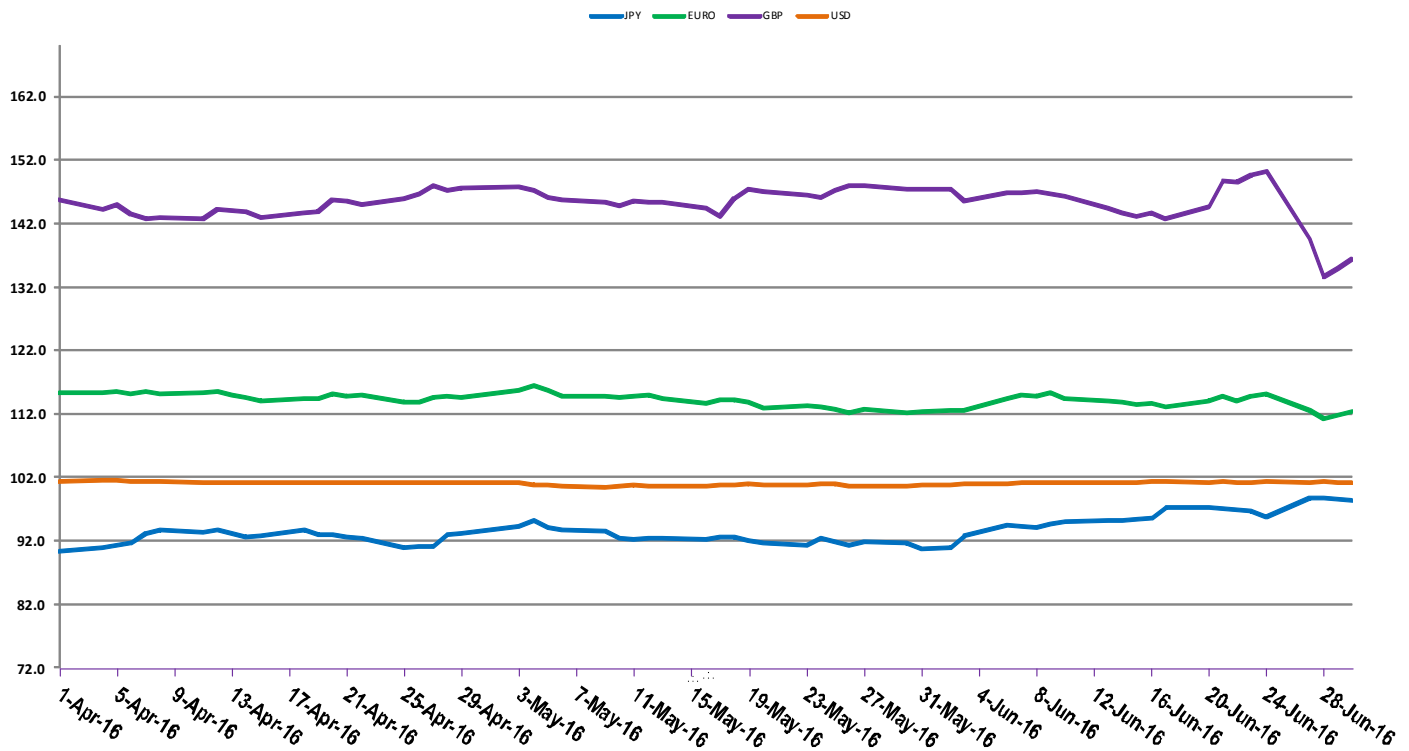
Table 2: Movement in exchange rates

Currency	April 2016	May 2016	June 2016
US Dollar	101.14	100.83	101.10
STG Pound	147.52	147.40	136.44
Euro	114.50	112.36	112.30
JPY(100)	93.15	90.71	98.40

Source: Central Bank of Kenya

Chart 2 shows the trends in daily exchange rates between Kenya Shilling and the four major foreign currencies from March to June 2016. The Kenya shilling strengthened against the Sterling Pound in the last week of 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

## Guaranteed External Debt

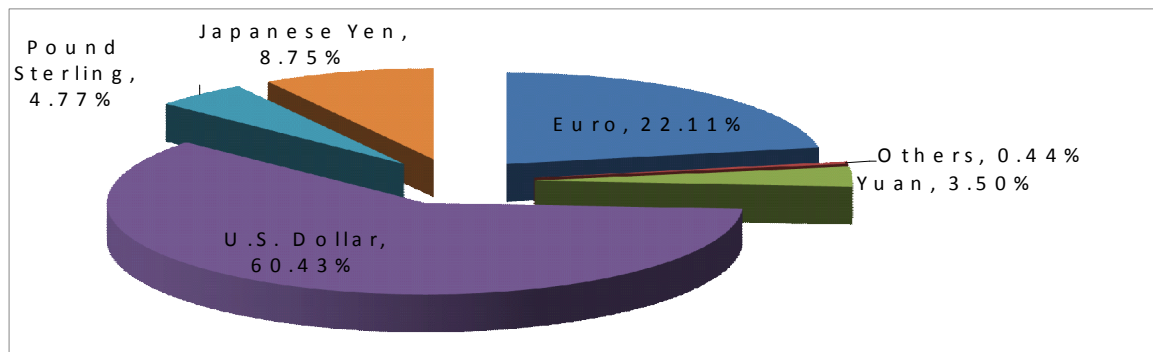
Overall, public and publicly guaranteed external debt increased by Kshs 107.41 billion as at end June 2016 to Kshs 1,788.04 billion from Kshs 1,680.63 billion at the end of May 2016 (Table 3).

**Table 3: External debt stock, in billions**

	M a y 2 0 1 6		J u n e 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 1 . 5 7	4 . 8 7	4 9 1 . 8 6	4 . 8 6
M u l t i l a t e r a l	7 6 2 . 8 5	7 . 5 6	7 9 4 . 8 0	7 . 8 6
G u a r a n t e e d	5 7 . 1 0	0 . 5 7	6 0 . 5 3	0 . 6 0
S u p p l i e r s C r e d i t	8 . 4 6	0 . 0 8	8 . 4 7	0 . 0 8
C o m m e r c i a l B a n k s	3 6 0 . 6 5	3 . 5 7	4 3 2 . 3 8	4 . 2 8
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 7 . 2 8	2 . 7 5	2 7 8 . 0 3	2 . 7 5
T o t a l	1 , 6 8 0 . 6 3	1 6 . 6 7	1 , 7 8 8 . 0 4	1 7 . 6 8

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 60.43 percent followed by the Euro at 22.11 percent.

**Chart 3. Currency Composition**

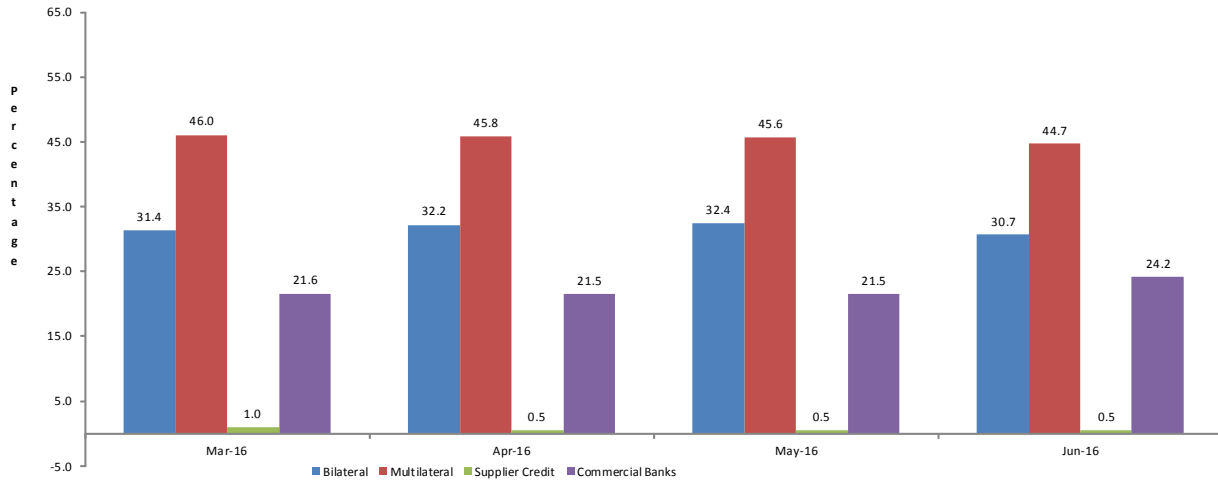


**Source: The National Treasury**

### 2.2 Structure of External Debt by Creditor

Official creditors account for 75.34 percent of the total public and publicly guaranteed external debt. Debt owed to multilateral creditors amounts to Ksh 798.84 billion (including Ksh 4.04 billion guaranteed debt owed to IDA) dominates the portfolio at 44.68 percent of the total. Bilateral debt stands at Kshs 548.35 billion (30.67 percent of the total), inclusive of Kshs 56.49 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 24.18 percent of the total public and publicly guaranteed external debt.

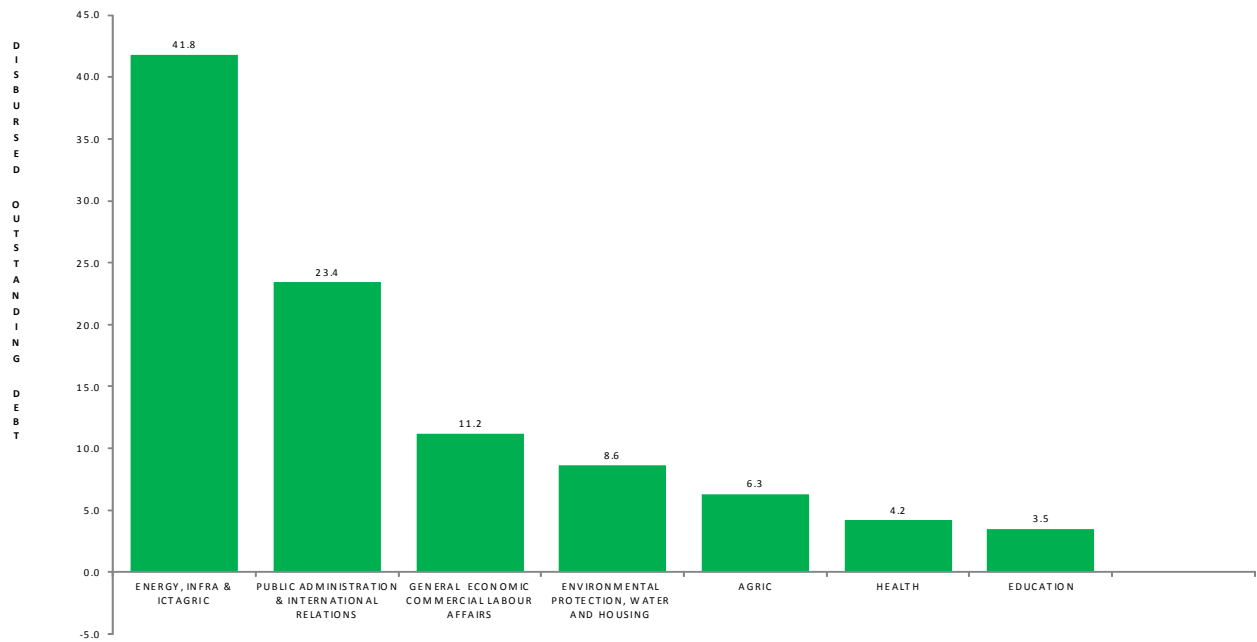


Source: The National Treasury

### 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 June 2016 stood at Kshs 77.04 billion. Principal and interest projections for the month of June 2016 was Kshs 5.51 billion and Kshs 9.01 billion, respectively. Bilateral and multilateral creditors constitute 32.79 percent and 36.92 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 June 2016, in Kshs billions**

Creditor category	Principal	Interest	Total
Bilateral	19,148.45	6,155.84	25,264.29
Multilateral	14,784.65	13,662.63	28,447.28
Commercial	775.57	21,608.57	22,384.14
Guaranteed	860.69	84.00	944.69
<b>Total</b>	<b>35,569.36</b>	<b>41,471.04</b>	<b>77,040.40</b>

Source: The National Treasury

## 2.5 Actual Cumulative External Debt Service

Actual debt service as at end June 2016 stood at Kshs 77.99 billion (Table 5). Actual principal and interest payments during the month of June 2016 was Kshs 1.09 billion and Kshs 0.65 billion respectively.

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

Credit category	Principal	Interest	Total
Bilateral	18,835.09	15,007.47	33,842.56
Multilateral	15,423.87	5,740.42	21,164.29
Commercial	802.87	21,539.88	22,342.75
Guaranteed	588.52	49.01	637.53
<b>Totals</b>	<b>35,650.35</b>	<b>42,336.78</b>	<b>77,987.13</b>

Source: The National Treasury

## 2.6 Budget Deviation

The actual cumulative debt service for June 2016 was above the projected debt service by Kshs 0.95 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 June 2016, the guaranteed external debt stock increased by Kshs 3.43 billion to Kshs 62.53 billion from Ksh 57.10 billion in May 2016 (Table 6). This increase is attributed to depreciation of the Kenya shilling against the Japanese Yen during the month.

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

<b>Creditor</b>	<b>April 2016</b>	<b>May 2016</b>	<b>June 2016</b>
Japan	46.08	44.88	48.32
Germany	8.33	8.17	8.17
IDA (KR Concessionaire)	4.05	4.05	4.55
<b>Totals</b>	<b>58.46</b>	<b>57.10</b>	<b>60.53</b>

**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 27.46 billion to Kshs 1,407.08 billion in June 2016 from Kshs 1,379.62 billion in May 2016 due to an increase in gross debt over the period under review. (Table 7).

**Table 7: Government domestic debt, in Kshs billion**

	April 2016	May 2016	June 2016
Gross domestic debt	1,689.04	1,750.27	1,815.47
<i>less</i>			
Govt. deposits at CBK	-181.90	-188.51	-233.96
Govt. deposits at commercial banks	-176.44	-176.44	-168.73
Govt. advances to parastatals	-5.70	-5.70	-5.70
Net domestic debt	1,325.00	1,379.62	1,407.08

### 3.2 Government Domestic Borrowing

During the month of June 2016, Government securities worth Kshs 60.00 billion were advertised. Bids worth Kshs 32.03 billion were received of which Treasury Bills was Ksh 15.67 billion and Treasury Bond was Ksh 16.36 billion. Successful bids amounted to Kshs 27.81 billion against redemptions of Kshs 28.91 billion leaving exchequer with a deficit of Kshs 1.09 billion to be financed with revenues. (Table 8).

**Table 8: Government domestic borrowing, in Kshs million**

	Treasury Bills	Treasury Bonds	Total
Advertised	40,000	20,000	60,000
Bids received	15,669	16,364	32,033
Successful bids	14,585	13,230	27,815
Redemptions (cost)	(28,906)	0.00	( 28,906)
Net domestic borrowing	(14,321)	13,230	(1,091 )

**Source: The National Treasury**

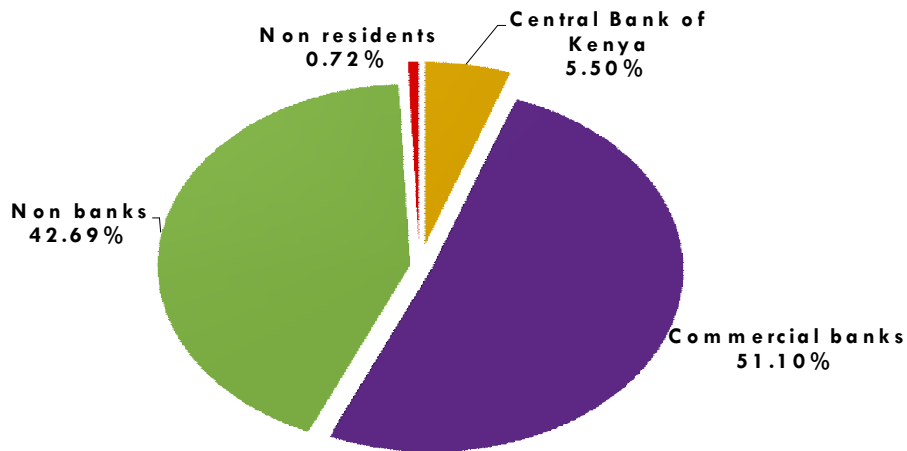


by holder end June 2016, in Kshs billion

Instrument/holder	Commercial banks	Non banks	Central Bank of Kenya	Non residents	Total
Treasury bonds	560.35	575.91	9.43	6.61	1152.3
Treasury bills	361.86	199.03	20.59	6.42	587.9
Others	5.43	0	69.84	0.00	75.27
<b>Total</b>	<b>927.64</b>	<b>774.94</b>	<b>99.86</b>	<b>13.03</b>	<b>1815.47</b>
Percentage Holding	51.10%	42.69%	5.50%	0.72%	100%

At the end of June 2016, banks held the largest proportion of the outstanding Government debt securities amounting to Kshs 927.64 billion or 51.10 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 774.94 billion or 42.69 percent while the Government debt worth Kshs 13.03 billion or 0.72 percent was held by non residents who invest through nominee accounts in the local banks. Kshs 99.86 billion held by Central Bank of Kenya comprises the Government overdraft and Repo Treasury Bills used for execution of monetary policy.

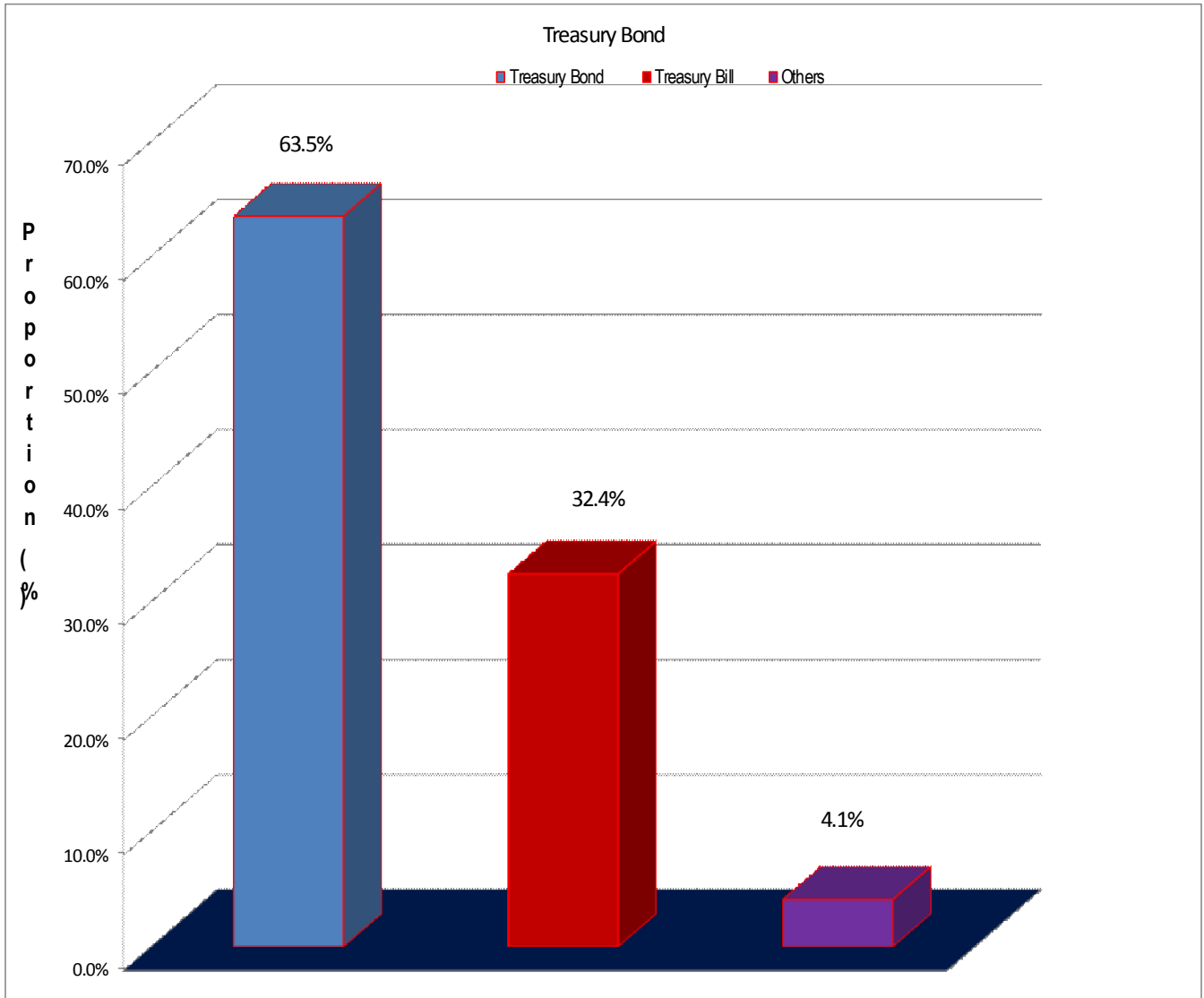
Chart 6: Domestic debt by holder as at end June, 2016



Source: Central Bank of Kenya

...domestic 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 214.44 billion.

**Table 10: Net domestic financing, in Kshs billion**

	June 2015	June 2016	Change
Treasury Bills	293.53	537.28	243.75
Treasury Bonds	994.44	1,103.05	108.61
Pre-1997 Govt. Overdraft debt	26.68	25.56	( 1.12 )
Other	37.83	48.56	10.73
<i>of which Overdraft (from CBK)</i>	36.49	44.20	7.71
Govt. deposits	141.29	288.83	147.54
<b>Net Domestic Credit</b>	<b>1,211.19</b>	<b>1,425.63</b>	<b>214.44</b>

Source: Central Bank of Kenya

### 3.5 Cumulative Domestic Interest Payments

As at end June 2016, Government actual domestic interest payments stood at Kshs 172.86 billion against the projected interest payments of Kshs 171.09 billion. Actual interest payments on Treasury Bonds and Treasury Bills amounted to Kshs 128.47 billion and Kshs 39.52 billion respectively (Table 11).

**Table 11: Domestic interest payments, in Kshs million**

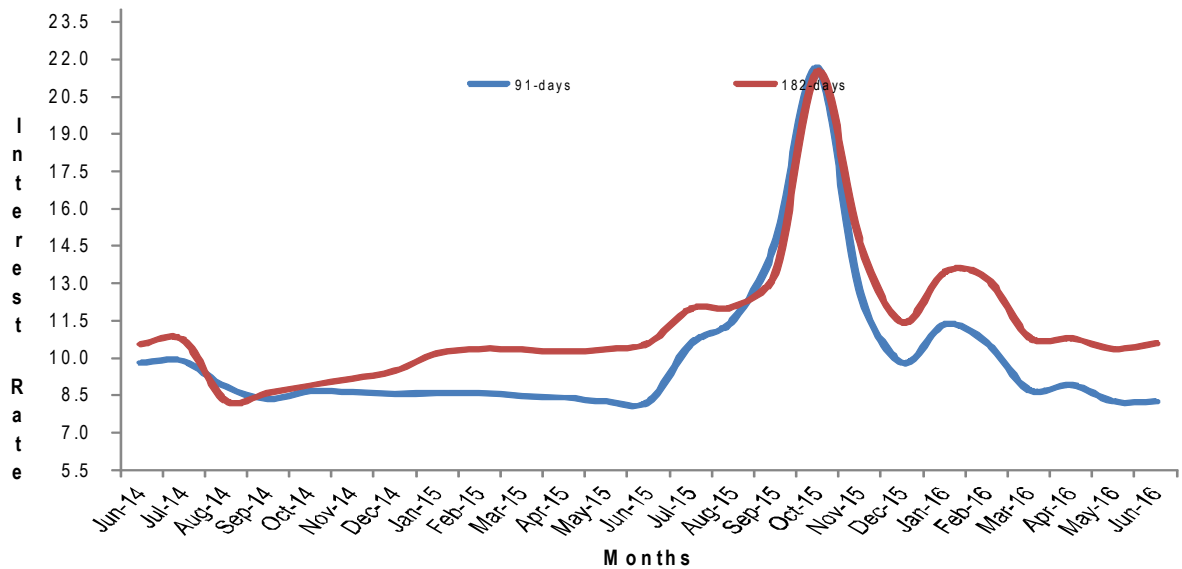
Type of Debt	Projected	Actual	Variance
Treasury Bonds	130,694.27	128,468.21	(2,226.06)
Treasury Bills	36,184.31	39,518.32	3,334.01
Overdraft	3,420.13	4,076.56	656.43
Pre-1997 overdraft debt	791.81	793.95	2.14
<b>Totals</b>	<b>171,090.52</b>	<b>172,857.04</b>	<b>1,766.52</b>

## Treasury Bills

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

since June 2014. During the month of June 2016, the average interest rates for the 91-day Treasury bills remained at 8.26 percent but 182-days Treasury bill increased by 23 basis points to 10.60 percent per annum from 10.370.80 percent in May 2016. The 364-days Treasury bill rate stood at an average of 10.98 percent per annum in June 2016.

Chart 8: Average interest rates on Treasury Bills



Source: Central Bank of Kenya

### 3.7 Yields on Treasury Bonds

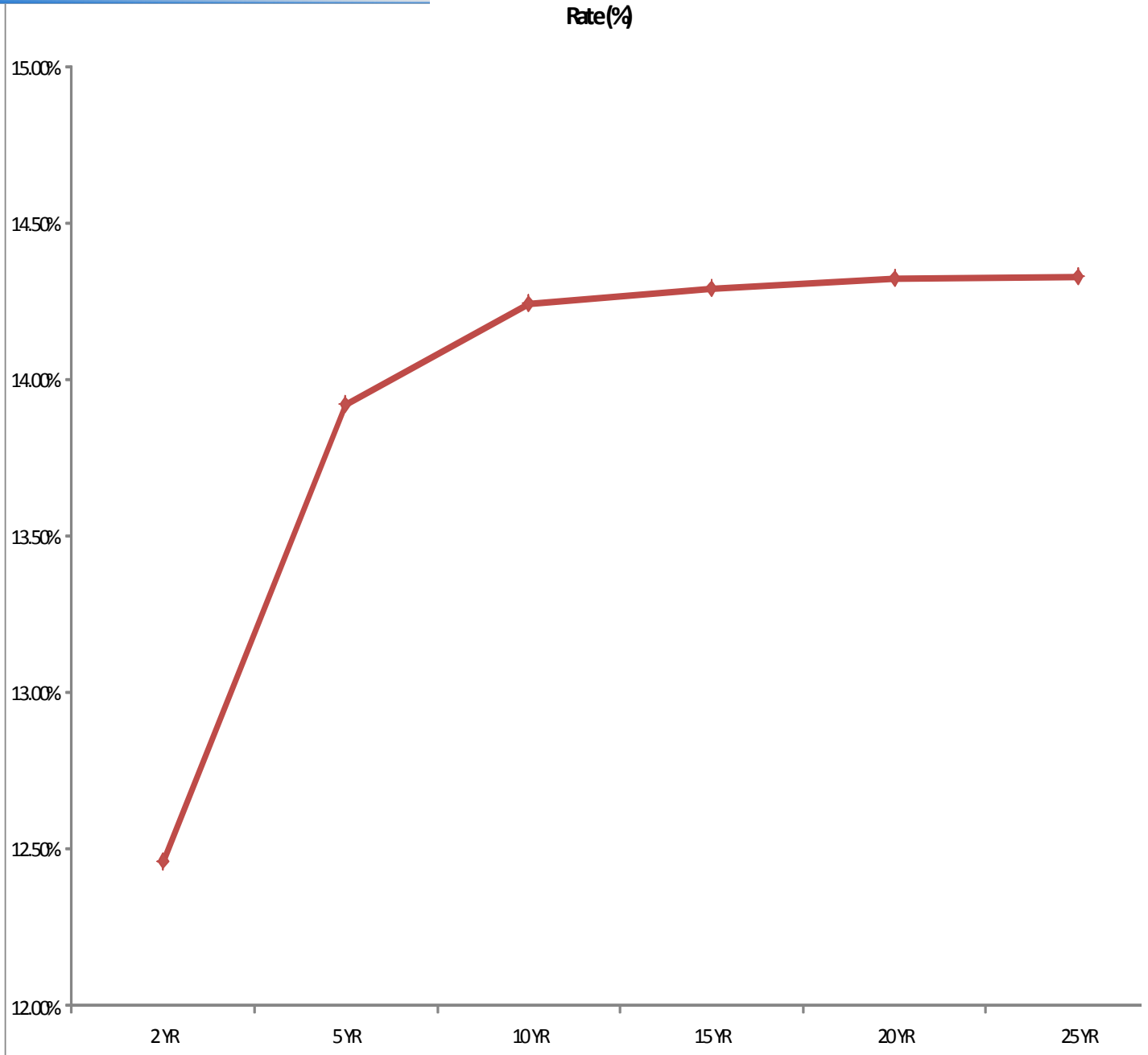
The Government has been implementing a Benchmark Bond programme to increase liquidity around selected Bonds and promote secondary trading. One of the key objectives of the programme is to lower both refinancing risk and cost of borrowing by the Government. Table 12 and Chart 9 shows the yields on selected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

Tenure	Rate (%)
2 YR	12.46
5 YR	13.92
10 YR	14.24
15 YR	14.29
20 YR	14.32
25 YR	14.33

Source: Nairobi Securities Exchange (NSE)

### Yields on selected Treasury Bonds as at end June, 2016



Source: Nairobi Securities Exchange (NSE)

## NET PUBLICLY GUARANTEED EXTERNAL DEBT BY COUNTRY (IN KSHS MILLIONS)

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	at end May 2016	Stock at end June 2016	Change
AUSTRIA	1,030.50	1,029.90	(0.60)
BELGIUM	7,565.88	7,468.84	(97.04)
CANADA	826.55	809.37	(17.18)
DENMARK	1,575.73	1,540.67	(35.06)
FINLAND	278.95	269.37	(9.58)
FRANCE	60,135.24	59,371.47	(763.77)
GERMANY	23,180.33	22,765.78	(414.55)
ITALY	622.46	622.14	(0.32)
JAPAN	43,937.22	46,096.47	2,159.25
NETHERLANDS	2,029.16	2,349.99	320.83
UK	1,235.84	992.14	(243.70)
USA	4,040.03	4,035.13	(4.90)
PARIS CLUB OTHERS	20,081.95	19,990.65	(91.30)
NON PARIS CLUB	325,231.35	324,381.94	(849.41)
o/w CHINA	314,103.20	313,127.34	(975.86)
<b>Sub total</b>	<b>491,569.061</b>	<b>491,863.88</b>	<b>294.82</b>
<b>MULTILATERAL</b>			
ADB/AFDB	174,309.60	179,226.58	4,916.98
EEC/EIB	21,321.82	21,073.19	(248.63)
IDA	461,017.89	488,330.01	27,312.12
IFAD	12,149.17	12,116.29	(32.88)
IMF	84,863.45	84,846.99	(16.46)
OTHERS	9,189.01	9,204.40	15.39
<b>Sub total</b>	<b>762,850.93</b>	<b>794,797.47</b>	<b>31,946.54</b>
COMMERCIAL BANKS	360,650.67	432,377.28	71,726.61
O/W International Sovereign Bond	277,284.15	278,031.05	746.90
SUPPLIERS CREDIT	8,462.44	8,469.37	6.93
<b>Sub Total</b>	<b>1,623,533.11</b>	<b>1,727,508.02</b>	<b>103,974.91</b>
<b>GUARANTEED DEBT</b>			
JAPAN	44,879.01	48,317.48	3,438.47
USA	0	0	-
GERMANY	8,174.06	8,169.33	(4.73)
IDA (KR Concessionaire)	4,045.65	4,044.09	(1.56)
<b>Sub Total</b>	<b>57,098.72</b>	<b>60,530.89</b>	<b>3,432.17</b>
<b>GOK+ GUARANTEED TOTAL</b>	<b>1,680,631.83</b>	<b>1,788,038.91</b>	<b>107,407.08</b>

Source: National Treasury  
GDP Ksh 6,566.44 billion



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