



REPUBLIC OF KENYA

# THE NATIONAL TREASURY

DIRECTORATE OF PUBLIC DEBT MANAGEMENT

## *MONTHLY DEBT BULLETIN*

**MAY 2015**

# 1.0 PUBLIC DEBT

## 1.1 Introduction

As at end May 2015, total public and publicly guaranteed debt stood at Kshs 2,788.89 billion or 48.76 percent of GDP (Table 1). The increase of 0.81 percent over the end April 2015 position is attributed to an increase in external debt and appreciation of Kenya shilling against all foreign currencies. External debt increased by Ksh 54.32 billion to stand at Ksh 1,381.16 billion, while the gross domestic debt decreased by Ksh 7.7 billion to stand at Ksh 1,407.73 billion in May 2015 (Table 1).

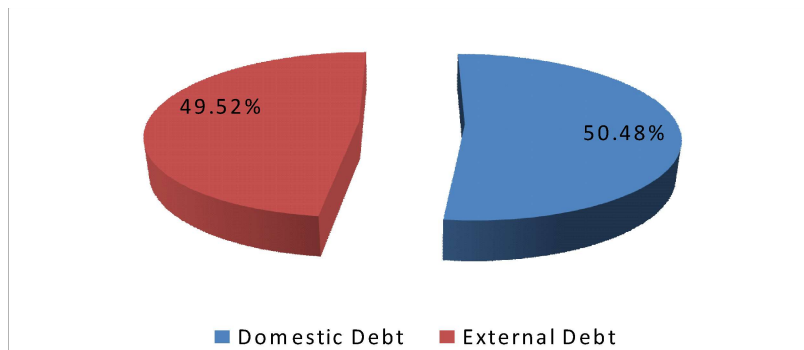
Table 1: Size of public debt, end May 2015, in billion

| Debt Category | Kshs     | USD   | Percentage of GDP |
|---------------|----------|-------|-------------------|
| Domestic Debt | 1,407.73 | 14.40 | 24.61             |
| External Debt | 1,381.16 | 14.12 | 24.15             |
| Total         | 2,788.89 | 28.52 | 48.76             |

Source: The National Treasury and Central Bank of Kenya

The structure of public and publicly guaranteed debt shows that 50.48 percent of the total debt is domestic debt while 49.52 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 0.6 percent and 6.4 years, respectively. In addition, the average maturity period for external loans was 21 years while the average grant element was 63.2 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 stood at 7 years 2 months as at end May 2015.

### 1.3 Movement in Exchange Rates

Table 2 shows market indicative end-month foreign exchange rates for the period March to May 2015. During this period, the Kenya shilling depreciated against the USD Dollar, Sterling Pound, Euro and appreciated against the JPY by 5.90, 9.86, 7.54 and 2.65 percent respectively. The shilling stood at Kshs 97.78 to the US Dollar at end of May 2015.

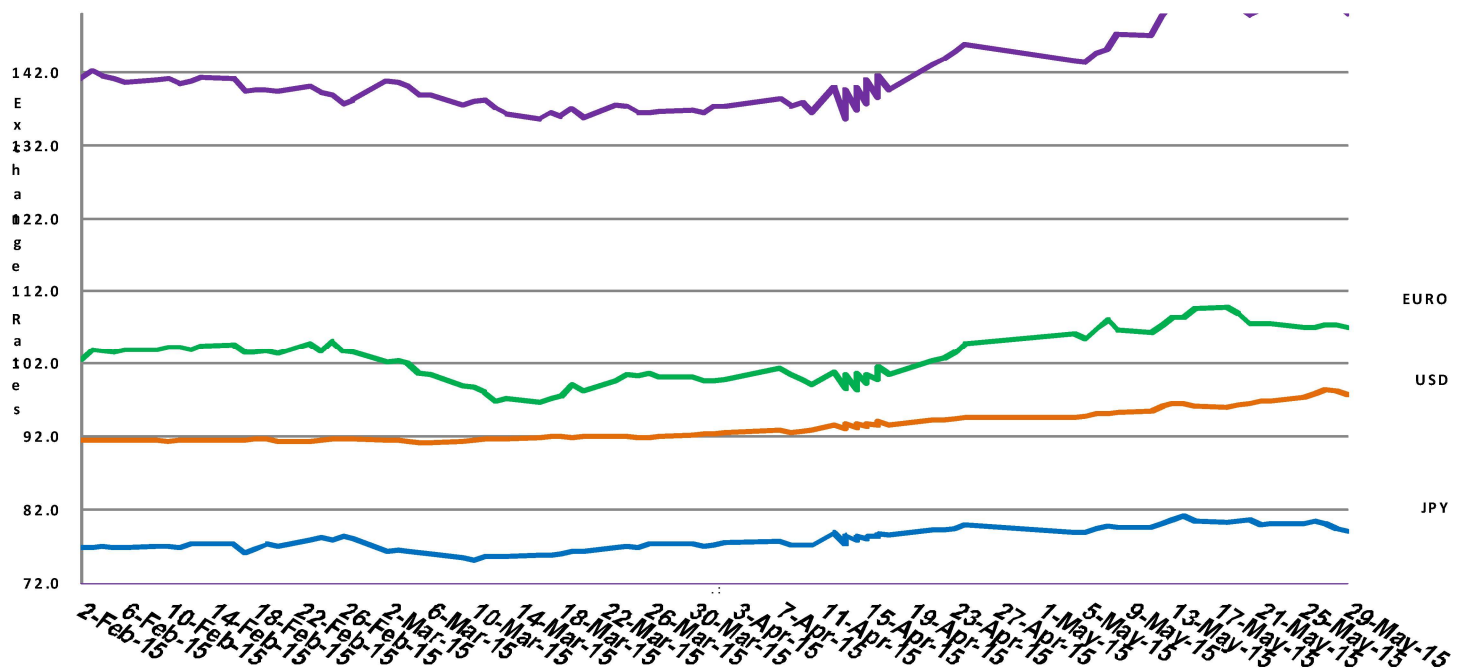
Table 2: Movement in exchange rates

| Currency  | March 2015 | April 2015 | May 2015 |
|-----------|------------|------------|----------|
| US Dollar | 92.33      | 94.60      | 97.78    |
| STG Pound | 136.45     | 145.82     | 149.91   |
| Euro      | 99.52      | 104.87     | 107.02   |
| JPY(100)  | 76.89      | 79.79      | 78.93    |

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 2015 to May 2015. The Kenya shilling showed mixed reactions with stability within the month of May 2015.

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

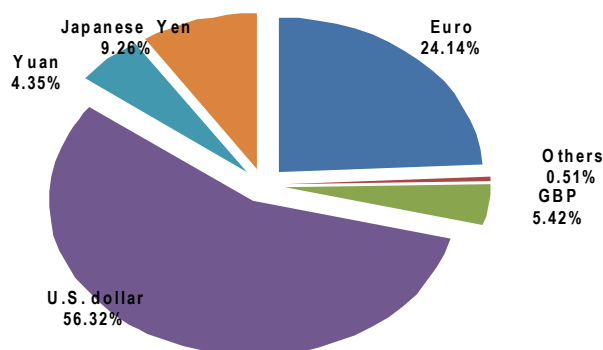
Overall, public and publicly guaranteed external debt increased by Kshs 54.33 billion as at end May 2015 to Kshs 1,381.16 billion from Kshs 1,326.83 billion at the end of April 2015 (Table 3). The increase is mainly attributed to weakening of the shilling against major currencies during the period.

Table 3: External debt stock, in billions

|                                     | April 2015      |              | May 2015        |              |
|-------------------------------------|-----------------|--------------|-----------------|--------------|
|                                     | Kshs            | USD          | Kshs            | USD          |
| Bilateral                           | 358.56          | 3.79         | 387.15          | 3.86         |
| Multilateral                        | 644.05          | 6.81         | 659.75          | 6.75         |
| Guaranteed                          | 42.81           | 0.45         | 43.56           | 0.44         |
| Suppliers Credit                    | 15.87           | 0.17         | 16.29           | 0.17         |
| Commercial Banks                    | 265.54          | 2.81         | 274.40          | 6.75         |
| o/w International<br>Sovereign Bond | 260.15          | 2.75         | 268.90          | 2.75         |
| <b>Total</b>                        | <b>1,326.83</b> | <b>14.03</b> | <b>1,381.16</b> | <b>14.12</b> |

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 56.8 percent followed by the Euro at 23.2 percent.

Chart 3. Currency Composition



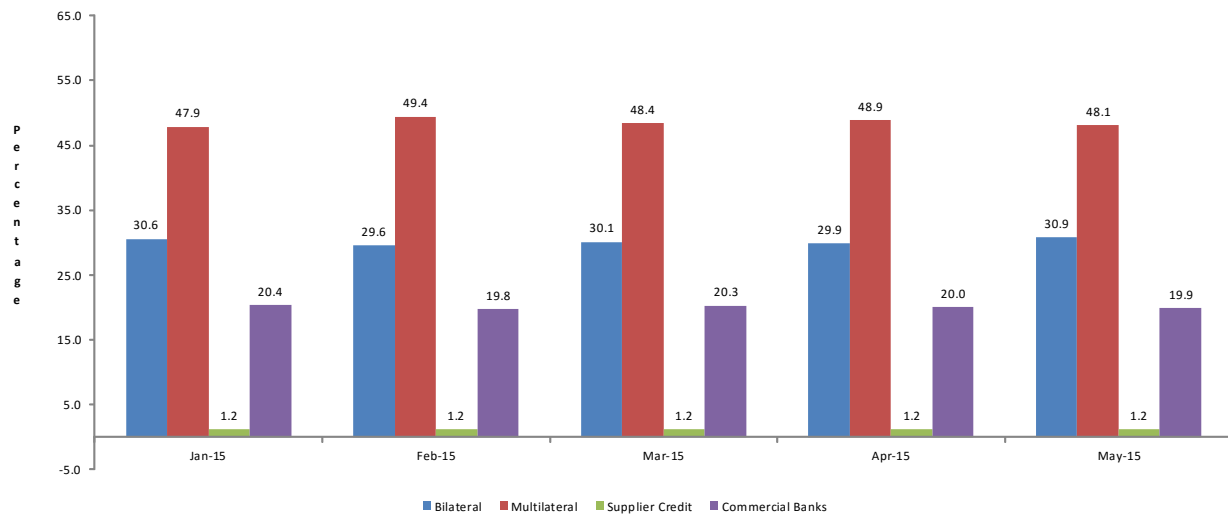
Source: The National Treasury

### 2.2 Structure of External Debt by Creditor

Official creditors account for 78.95 percent of the total public and publicly guaranteed external debt. Debt owed to multilateral creditors amounts to Ksh 664.15 billion (including Ksh 4.40 billion guaranteed debt owed to IDA) dominates the portfolio at 48.09 percent of the total. Bilateral debt stands at Kshs 426.31 billion (30.86 percent of the total), inclusive of Kshs 39.16 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 19.86 percent of the total public and publicly guaranteed external debt.

## Chart 4: External Debt by Creditor

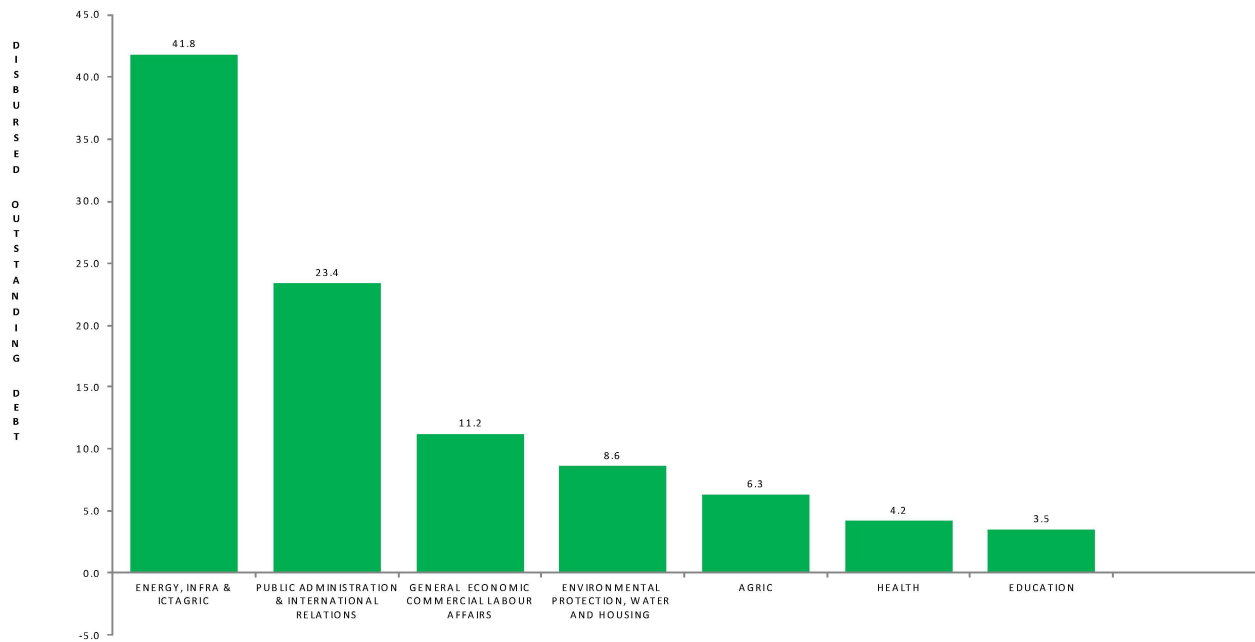


Source: The National Treasury

## 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

## 2.4 Projected Cumulative External Debt Service

Projected cumulative external debt service for the period to end May 2015 stood at Kshs 98.91 billion. Principal and interest projections for the month of May 2015 was Kshs 0.89 billion and Kshs 1.02 billion, respectively. Bilateral and multilateral creditors constitute 17.81 percent and 17.08 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 2015, in Kshs million

| Creditor category | Principal | Interest  | Total     |
|-------------------|-----------|-----------|-----------|
| Bilateral         | 11,172.34 | 6,446.42  | 17,618.76 |
| Multilateral      | 12,342.62 | 4,553.41  | 16,896.03 |
| Commercial        | 55,232.85 | 8,483.57  | 63,716.42 |
| Guaranteed        | 605.99    | 72.04     | 678.83    |
| Total             | 79,353.80 | 19,555.44 | 98,910.04 |

Source: The National Treasury

## 2.5 Actual Cumulative External Debt Service

Actual cumulative debt service as at end May 2015 was Kshs 99.83 billion (Table 5). Actual principal and interest payments for the month of May 2015 was Kshs 0.49 billion and Kshs 0.09 billion respectively.

Table 5: Actual cumulative external debt service as at end of May 2015, in Kshs million

| Credit category | Principal | Interest  | Total     |
|-----------------|-----------|-----------|-----------|
| Bilateral       | 10,645.14 | 9,816.78  | 20,461.92 |
| Multilateral    | 12,176.15 | 4,266.87  | 16,443.02 |
| Commercial      | 53,767.64 | 8,552.48  | 62,320.12 |
| Guaranteed      | 604.84    | 71.13     | 675.97    |
| Totals          | 77,193.77 | 22,636.13 | 99,829.90 |

Source: The National Treasury

## 2.6 Budget Deviation

The actual cumulative debt service for May 2015 was above the projected debt service by Kshs 0.92 million. This is attributed to exchange rate variations between the projected and actual exchange rates

## 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 currently stands at Kshs 200 billion. In the month of May 2015, the guaranteed external debt stock increased by Kshs 745.34 million to Kshs 43.56 billion from Ksh 42.81 billion in April 2015 (Table 6). This increase is attributed to exchange rate fluctuations.

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

| <b>Creditor</b>         | <b>March 2015</b> | <b>April 2015</b> | <b>May 2015</b>  |
|-------------------------|-------------------|-------------------|------------------|
| Japan                   | 36,755.36         | 38,198.19         | 38,788.30        |
| Canada                  | 350.89            | 359.49            | 371.58           |
| U.S.A                   | 0.00              | 0.00              | 0.00             |
| IDA (KR Concessionaire) | 4,115.07          | 4,257.00          | 4,400.14         |
| <b>Totals</b>           | <b>41,261.33</b>  | <b>42,814.68</b>  | <b>43,560.02</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.

## 3.0 DOMESTIC DEBT

### 3.1 Central Government Domestic Debt

Government net domestic debt increased by Kshs 12.52 billion to Kshs 1,135.59 billion in May 2015 from Kshs 1,123.07 billion in April 2015 due to decrease in deposits at Central Bank of Kenya over the period (Table 7).

Table 7: Government domestic debt, in Kshs billion

|                                    | March 2015 | April 2015 | May 2015 |
|------------------------------------|------------|------------|----------|
| Gross domestic debt                | 1,397.13   | 1,415.43   | 1,407.73 |
| <i>less</i>                        |            |            |          |
| Govt. deposits at CBK              | -126.63    | -128.53    | -108.31  |
| Govt. deposits at commercial banks | -148.46    | -158.13    | -158.13  |
| Govt. advances to parastatals      | -5.70      | -5.70      | -5.70    |
| Net domestic debt                  | 1,116.34   | 1,123.07   | 1,135.59 |

Source: Central Bank of Kenya

### 3.2 Government Domestic Borrowing

During the month of May 2015, 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 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)       | 14,254         | 2,340    |

Source: The National Treasury

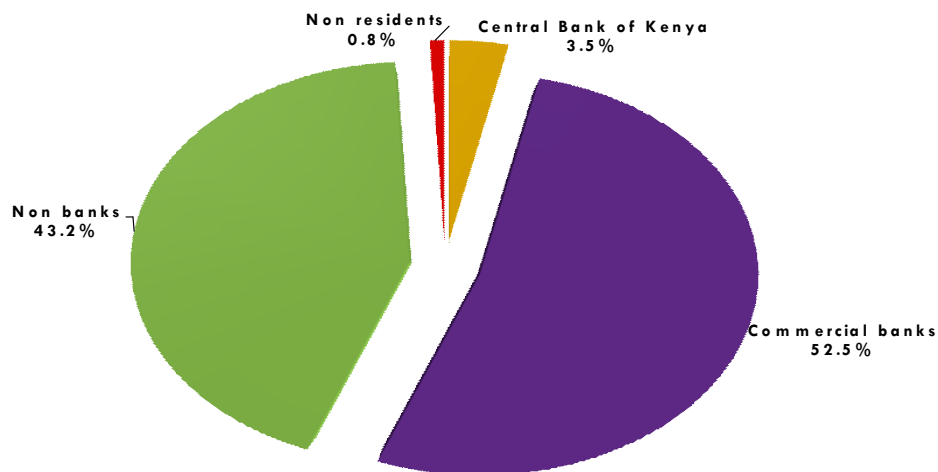


**Table 9: Domestic debt instruments by holder end May 2015, in Kshs billion**

| Instrument/Holder  | Commercial banks | Non banks     | Central Bank of Kenya | Non residents | Total           |
|--------------------|------------------|---------------|-----------------------|---------------|-----------------|
| Treasury bonds     | 504.77           | 514.17        | 0.05                  | 3.96          | 1,022.95        |
| Treasury bills     | 232.50           | 93.67         | 0.10                  | 7.87          | 334.14          |
| Others             | 2.19             | 0.69          | 48.38                 | -             | 51.26           |
| <b>Total</b>       | <b>739.46</b>    | <b>607.91</b> | <b>48.53</b>          | <b>11.83</b>  | <b>1,407.73</b> |
| Percentage Holding | 52.53%           | 43.18%        | 3.45%                 | 0.84%         | 100%            |

At the end of May 2015, banks held the largest proportion of the outstanding Government debt securities amounting to Kshs 739.46 billion or 52.53 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 607.91 billion or 43.18 percent while the Government debt worth Kshs 11.83 billion or 0.84 percent was held by non residents who invest through nominee accounts in the local banks. Kshs 48.53 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 2015**

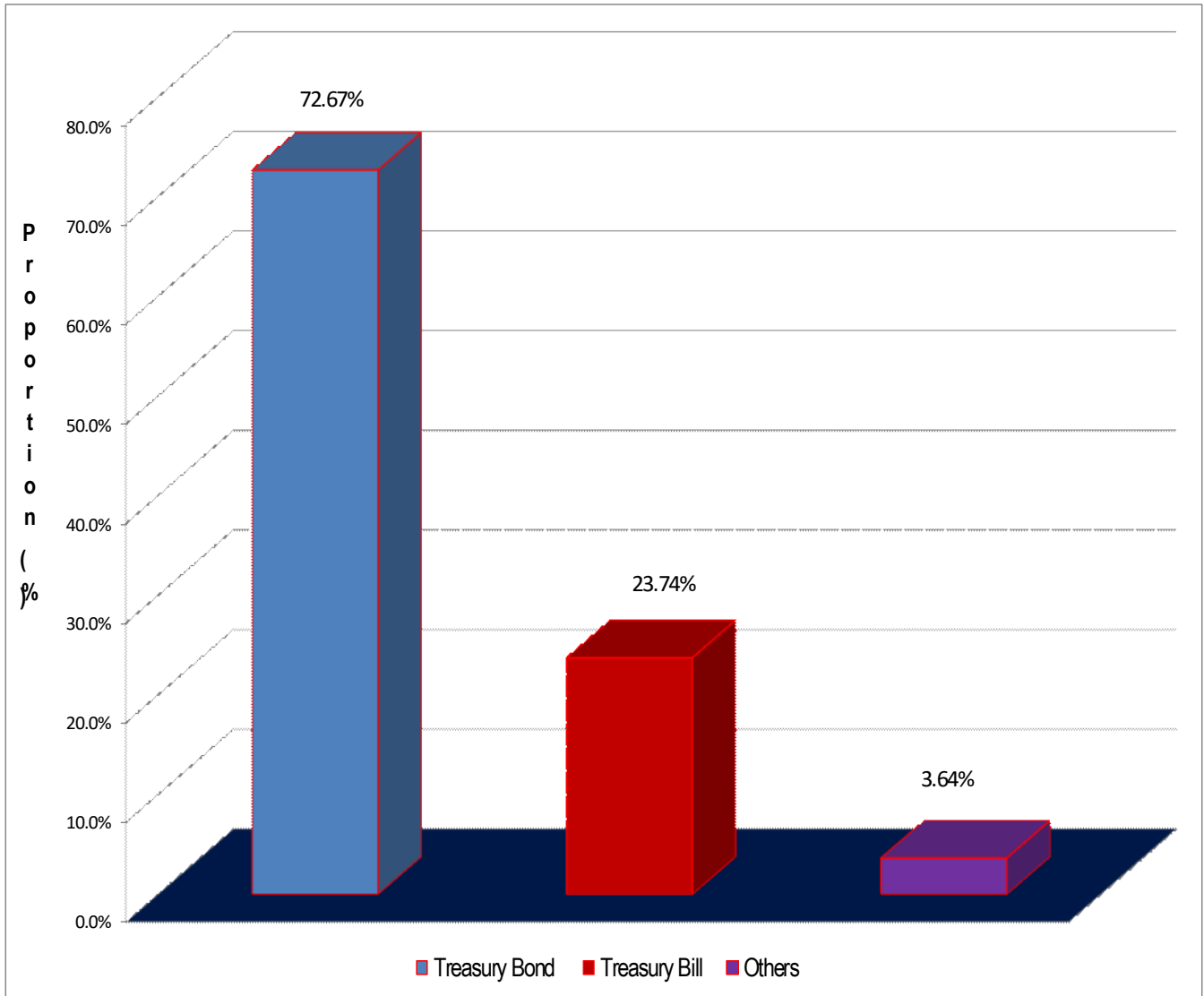


Source: Central Bank of Kenya

### 3.3 Domestic Debt by Instruments

Chart 7 shows the composition of the domestic debt as at end May 2015. 72.67 percent of Government domestic debt was in Treasury Bonds, 23.74 percent 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 development of domestic markets for Government securities.

Chart 7: Domestic debt by instrument



### 3.4 Net Domestic Financing

Table 10 shows that as at end May 2015, the net domestic financing was at Kshs 203.88billion.

Table 10: Net domestic financing, in Kshs billion

|                                      | June-2014     | May-2015        | Change        |
|--------------------------------------|---------------|-----------------|---------------|
| Treasury Bills                       | 278.92        | 308.07          | 29.15         |
| Treasury Bonds                       | 879.33        | 981.68          | 102.35        |
| Pre-1997 Govt. Overdraft debt        | 27.78         | 27.23           | (0.55)        |
| Other                                | 40.29         | 22.17           | (18.12)       |
| <i>of which Overdraft (from CBK)</i> | 37.24         | 21.09           | (16.15)       |
| Govt. deposits                       | 266.23        | 175.17          | (91.06)       |
| <b>Net Domestic Credit</b>           | <b>960.09</b> | <b>1,163.96</b> | <b>203.88</b> |

Source: Central Bank of Kenya

### 3.5 Cumulative Domestic Interest Payments

As at end May 2015, Government actual cumulative domestic interest payments stood at Kshs 125.98 billion against the cumulative projected interest payments of Kshs 122.89 billion. Actual interest payments on Treasury Bonds and Treasury Bills amounted to Kshs 97.89 billion and Kshs 25.35 billion respectively (Table 11).

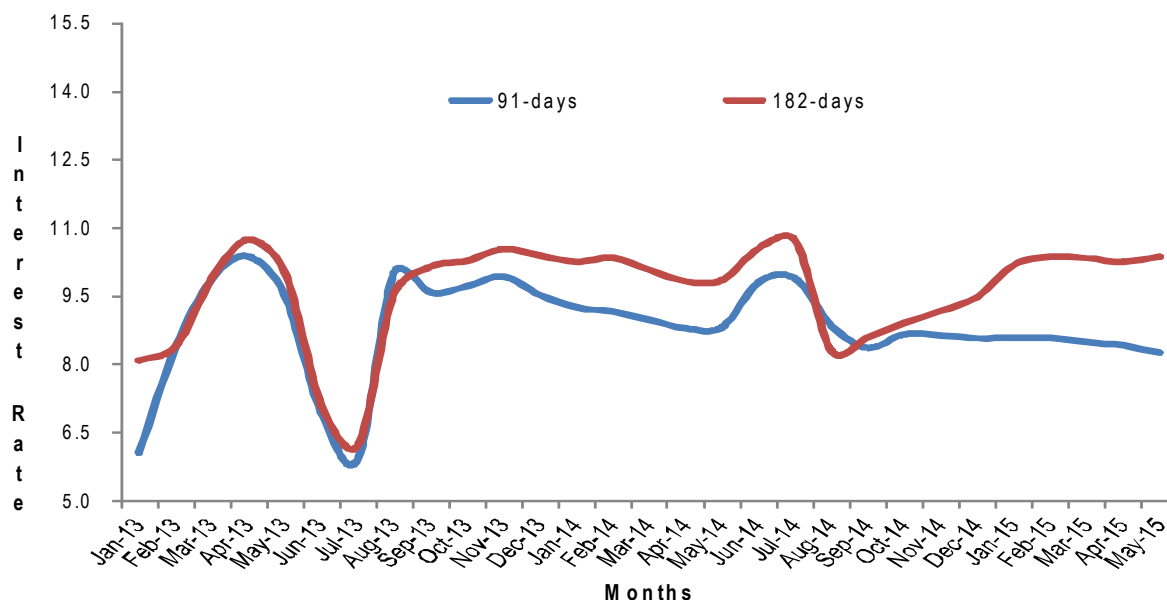
Table 11: Domestic interest payments, in Kshs million

| Type of Debt            | Projected         | Actual            | Variance          |
|-------------------------|-------------------|-------------------|-------------------|
| Treasury Bonds          | 95,452.59         | 97,895.18         | (2,442.59)        |
| Treasury Bills          | 23,448.73         | 25,353.71         | (1,904.98)        |
| Overdraft               | 3,228.77          | 1,978.14          | 1,250.63          |
| Pre-1997 overdraft debt | 757.98            | 757.98            | 0.00              |
| <b>Totals</b>           | <b>122,888.07</b> | <b>125,985.01</b> | <b>(3,096.94)</b> |

### 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 January 2013. During the month of May 2015, the average interest rates for the 91-day Treasury bills dropped by 16 basis points from 8.42 percent in April 2015 to 8.26 percent in May 2015 and the 182-days Treasury bill increased by 11 basis point to 10.37 per cent from 10.26 percent per annum. 364-days Treasury bill rate stood at an average of 10.71 percent per annum in May 2015.

Chart 8: Average interest rates on Treasury Bills



Source: Central Bank of Kenya

### 3.7 Yields on Treasury Bonds

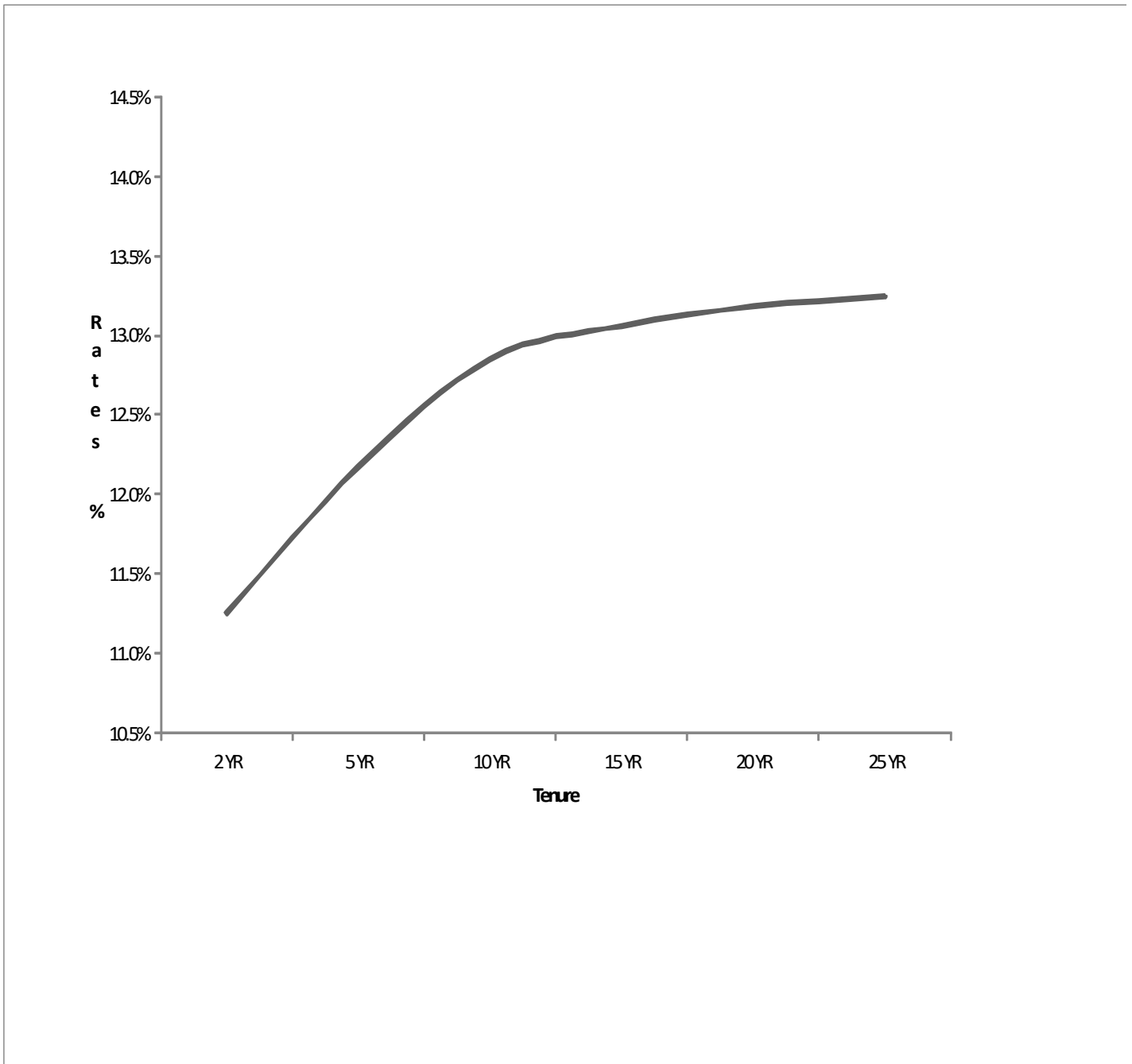
The Government has been implementing a Benchmark Bond programme to increase liquidity around selected Bonds and promote secondary trading. One of the key objectives of the programme is to lower both refinancing risk and cost of borrowing by the Government. Table 12 and Chart 9 shows the yields on selected benchmark Treasury Bonds in the secondary market as at end May 2015.

Table 12 : Yields on selected Treasury Bonds

| Tenure | Rate (%) |
|--------|----------|
| 2 YR   | 11.25    |
| 5 YR   | 12.17    |
| 10 YR  | 12.85    |
| 15 YR  | 13.06    |
| 20 YR  | 13.18    |
| 25 YR  | 13.24    |

Source: Nairobi Securities Exchange (NSE)

Chart 9: Secondary Market yields on selected Treasury Bonds



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

| <b>CREDITOR</b>                             | <b>Stock at end<br/>April 2015</b> | <b>Stock at end<br/>May 2015</b> | <b>Change</b>    |
|---|------------------------------------|----------------------------------|------------------|
| <b>CENTRAL GOVERNMENT</b>                   |                                    |                                  |                  |
| <b>BILATERAL</b>                            |                                    |                                  |                  |
| AUSTRIA                                     | 525.77                             | 536.54                           | 10.77            |
| BELGIUM                                     | 6,280.01                           | 6,299.42                         | 19.41            |
| CANADA                                      | 936.54                             | 968.03                           | 31.49            |
| DENMARK                                     | 1,606.22                           | 1,640.00                         | 33.78            |
| FINLAND                                     | 76.29                              | 78.39                            | 2.13             |
| FRANCE                                      | 57,145.67                          | 57,746.16                        | 600.49           |
| GERMANY                                     | 21,782.28                          | 22,228.19                        | 445.91           |
| ITALY                                       | 1,050.18                           | 1,067.64                         | 17.46            |
| JAPAN                                       | 38,888.15                          | 39,485.74                        | 597.59           |
| NETHERLANDS                                 | 1,959.47                           | 1,999.63                         | 40.16            |
| UK  | 1,526.73                           | 1,569.50                         | 42.77            |
| USA   | 4,394.91                           | 4,542.69                         | 147.78           |
| PARIS CLUB OTHERS                           | 5,669.27                           | 6,142.41                         | 473.14           |
| NON PARIS CLUB                              | 216,719.48                         | 242,842.00                       | 26,122.52        |
| o/w CHINA                                   | 209,480.63                         | 235,378.35                       | 25,897.72        |
| <b>Sub total</b>                            | <b>358,560.97</b>                  | <b>387,146.33</b>                | <b>28,585.36</b> |
| <b>MULTILATERAL</b>                         |                                    |                                  |                  |
| ADB/AFDB                                    | 143,820.44                         | 147,838.94                       | 4,018.50         |
| EEC/EIB                                     | 19,808.76                          | 20,214.27                        | 405.51           |
| IDA   | 385,880.50                         | 395,048.90                       | 9,168.40         |
| IFAD  | 10,933.57                          | 11,148.50                        | 214.93           |
| IMF   | 74,860.28                          | 76,501.64                        | 1,641.36         |
| OTHERS                                      | 8,742.75                           | 9,001.26                         | 258.51           |
| <b>Sub total</b>                            | <b>644,046.30</b>                  | <b>659,753.52</b>                | <b>15,707.22</b> |
| <b>COMMERCIAL BANKS</b>                     | <b>265,544.28</b>                  | <b>274,402.46</b>                | <b>8,858.18</b>  |
| <b>O/W International Sovereign<br/>Bond</b> | <b>260,150.00</b>                  | <b>268,897.75</b>                | <b>8,747.75</b>  |
| <b>SUPPLIERS CREDIT</b>                     | <b>15,868.94</b>                   | <b>16,294.64</b>                 | <b>425.70</b>    |
| <b>Sub Total</b>                            | <b>1,284,020.49</b>                | <b>1,337,596.96</b>              | <b>53,576.47</b> |
| <b>GUARANTEED DEBT</b>                      |                                    |                                  |                  |
| CANADA                                      | 359.49                             | 371.58                           | 12.09            |
| JAPAN                                       | 38,198.19                          | 38,788.30                        | 590.11           |
| USA   | 0.00                               | 0.00                             | 0.00             |
| IDA (KR Concessionaire)                     | 4,257.00                           | 4,400.14                         | 143.14           |
| <b>Sub Total</b>                            | <b>42,814.68</b>                   | <b>43,560.03</b>                 | <b>745.35</b>    |
| <b>GOK+ GUARANTEED TOTAL</b>                | <b>1,326,835.17</b>                | <b>1,381,156.98</b>              | <b>54,321.81</b> |

Source: The National Treasury

**Memorandum item**

**Nominal GDP (in Kshs Billion)      5,719**

**Source: 3rd Quarter QEBR 2015**

*Information in this publication may be reproduced without restriction provided that due acknowledgement of the source is made.*

Enquiries covering the publication should be addressed to:

**The Director,  
Debt Management Department,  
National Treasury**

1st Floor, Treasury Building, Harambee Avenue

P.O Box 30007-00100, Nairobi, Kenya

Tel: (254) 20 2252299

Fax: (254) 20 315294

Email: [dmd@treasury.go.ke](mailto:dmd@treasury.go.ke)