

THE NATIONAL TREASURY



MONTHLY DEBT BULLETIN OCTOBER 2019

1.1 Introduction

The nominal public and publicly guaranteed debt as at end of October 2019 stood at Kshs 6.03 trillion or USD 58.42 billion equivalent to 58.07 percent of GDP. Domestic debt stood at Kshs. 2.90 trillion or USD 28.11 billion while the External debt stock stood at Kshs 3.13 trillion or USD 30.31 billion. Domestic debt as a percentage of GDP stood at 27.94 percent whereas external debt stood at 30.12 percent. As a share of total debt, in October 2019, domestic and external debt accounted for 48.12 percent, and 51.88 percent of total debt respectively.

1.2 Movement in Exchange Rates

Kenya's public debt is denominated in five major currencies namely the USD, Euro, Yen, Yuan, and Sterling Pound. The USD moved from Kshs. 103.89 in September to Kshs. 103.21 in October 2019 against the Kenya Shilling while the Euro moved from Kshs. 114.63 to Kshs. 114.71 during the same period. This was 0.65 percent appreciation and 0.06 percent depreciation of Ksh against the Euro respectively. The Sterling Pound moved from Kshs.126.40 to Kshs. 132.98 while the Japanese Yen moved from Kshs. 97.29(per 100 JPY) to Kshs. 94.79 against the Kenya Shilling in the same period; translating to 5.2 percent depreciation in pound and a 2.57 appreciation against the Yen, respectively.

Movements in exchange rates have implications on both the size of the external debt stock and the cost of external debt service.

1.3 Size of Public and Publicly Guaranteed External Debt

Overall public and publicly guaranteed external debt rose by Kshs 15.83 billion to stand at Kshs 3,127.60 billion in October 2019 up from 3,111.77 in September 2019. Debt owed to bilateral creditors increased by Kshs 19.91 billion to stand at Kshs. 941.09 billion from Kshs 921.18 billion while multilateral credit rose by Kshs 9.69 billion to Kshs 1,029.11 billion from Kshs. 1,019.42 billion. Commercial debt decreased by Kshs 12.07 billion from Kshs 1,007.94 billion to Ksh 995.88 billion at the end of the same period.

1.4 Currency composition of external debt

In October 2019, the proportion of external debt denominated in USD stood at 67.5 percent, followed by the Euro at 17.3 percent. Other currencies which include among others; the Japanese Yen, Yuan, and Sterling Pound stood at 7.2 percent, 5.2 percent, and 2.5 percent respectively. Other currencies accounted for 0.3 percent of external debt.

1.5 Actual Cumulative External Debt Service

The accumulative actual debt service as at end October 2019 stood at Kshs 68.81 billion; comprising of principal payments of Kshs. 28.33 billion and interest payments of Kshs. 40.48 billion. Cumulatively, bilateral creditors accounted for 36.09 percent while Commercial creditors accounts for 48.23 percent of the total debt service.

Multilateral creditors held 15.68 percent of the total debt service.

As at the end of October 2019, the government did not pay any amount towards the guaranteed loans towards KBC modernization, TARDA, and East African Portland Company.

1.6 Government Domestic Borrowing

During the month of October 2019, amounts worth Kshs. 156.00 billion were advertised for Government securities in Treasury Bills and bonds. Bids worth Kshs. 177.44 billion were received composed of Kshs. 81.13 billion and Kshs. 96.31 billion for the Treasury Bills and Treasury Bonds respectively. Successful bids from Treasury bills and bonds amounted to Kshs. 135.75 billion; of which Kshs. 57.92 billion were for bills and Kshs. 77.83 billion for bonds billion. The redemptions for bills amounted to Kshs. 88.97 billion leaving a deficit of Kshs. 31.05 billion to be financed through exchequer. Notably, there were no bond redemptions for the period leaving a surplus of Kshs. 77.83 billion to the exchequer from bonds and in aggregate, the exchequer received a surplus amounting to Kshs. 46.78 billion in the month of October, 2019.

1.7 Domestic Debt by Instruments

The Treasury Bonds stood at 65.97 per cent of Government domestic debt, against 31.64 percent for Treasury Bills. The Government overdraft at the Central Bank of Kenya, Tax Reserve Certificates and advances from commercial loans accounted for 2.39 percent as at end October 2019.

1.8 Net Domestic Financing

The net domestic financing as at end October 2019 stood at Kshs. 116.60 billion against an annual target of Ksh 300.3 billion for FY2019/20.

1.9 Cumulative Domestic Interest Payments

The actual cumulative domestic debt interest payment as at end of October 2019 stood at Kshs 97.81 billion. For the Month of October, 2019, the payments for treasury bonds and bills amounted to Kshs.15.56 billion and Kshs. 5.18 billion respectively while Kshs. 0.44 billion was paid to interest on overdrafts.

1.10 Average Interest rates for Treasury Bills

On average, interest rate for Treasury bills increased in the month of October 2019. The 91-day and the 182-day Treasury bills increased from 6.35 and 7.09 percent in September 2019 to 6.38 percent and 7.23 percent respectively in October 2019. This represents 3 basis points and 14 basis points rise in interest rate respectively. Further, the 364- days Treasury bill increased by 19 basis points from 9.60 in September to 9.79 percent in October 2019.

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ANNEX 1: STOCK OF PUBLIC AND PUBLICLY GUARANTEED EXTERNAL DEBT BY SOURCE (IN KSHS MILLIONS) AS AT END OF OCTOBER 2019

CREDITOR	Stock at End Sept. 2019	Stock at End Oct 2019	Change
BILATERAL			
AUSTRIA	1,833.34	1,852.23	18.89
BELGIUM	11,270.07	11,583.52	313.45
CANADA	112.32	111.59	(0.73)
DENMARK	773.81	739.14	(34.67)
FINLAND	1,618.77	1,635.45	16.68
FRANCE	70,630.03	72,694.76	2,064.73
GERMANY	29,131.44	30,427.74	1,296.30
ITALY	35,747.43	36,093.31	345.88
JAPAN	68,005.05	86,369.38	18,364.33
NETHERLANDS	227.37	229.72	2.35
UK	58.67	60.95	2.28
USA	1,881.96	1,857.94	(24.02)
Other PARIS CLUB	19,323.91	20,383.72	1,059.81
Other NON-PARIS CLUB	14,598.31	13,559.33	(1,038.98)
CHINA	665,969.66	663,491.63	(2,478.03)
Sub Total	921,182.14	941,090.39	19,908.25
MULTILATERAL			
ADB/AFDB	239,044.12	238,358.36	(685.76)
EEC/EIB	16,676.32	16,535.41	(140.91)
IDA	694,706.69	706,215.15	11,508.46
IFAD	17,455.06	18,408.89	953.83
IMF	42,320.14	40,491.39	(1,828.75)
Others	9,214.64	9,100.03	(114.61)
Sub Total	1,019,416.98	1,029,109.24	9,692.26
COMMERCIAL			
Commercial Banks	357,047.89	349,241.03	(7,806.86)
International Sovereign Bond	633,702.16	629,555.99	(4,146.17)
Suppliers Credit	17,194.54	17,082.04	(112.50)
Sub Total	1,007,944.59	995,879.05	(12,065.54)
Total Central Government	2,948,543.70	2,966,078.69	17,534.99
GUARANTEED			
JAPAN	74,584.13	73,361.13	(1,223.00)
GERMANY	6,050.39	6,112.75	62.36
IDA (KR Concessionaire)	4,674.85	4,644.27	(30.58)
Kenya Airways (commercial debt)	77,914.20	77,404.43	(509.77)
Sub Total	163,223.57	161,522.57	(1,701.00)
CENTRAL GOVERNMENT+ GUARANTEED TOTAL DEBT	3,111,767.27	3,127,601.25	15,833.98

Source: National Treasury