

# THE NATIONAL TREASURY



## MONTHLY DEBT BULLETIN JUNE 2018

### 1.1 Introduction

As at end June 2018, the nominal public and publicly guaranteed debt stood at Kshs 5.05 trillion or USD 49.95 billion which is 59.00 percent of GDP. Domestic debt stood at Kshs 2.48 trillion or USD 24.53 billion while the External debt stock stood at Kshs 2.57 trillion or USD 25.42 billion. Domestic debt as a percentage of GDP stood at 28.96 percent whereas External debt stood at 30.01 percent. The structure of debt shows that domestic debt accounts for 49.1 percent of the total debt while external debt accounts for 50.9 percent.

### 1.2 Movement in Exchange Rates

The key currencies in which Kenya's public debt is denominated are USD, Euro, 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. 101.6 in May 2018 to Ksh. 101.2 in June 2018 against the Kenya Shilling while the Euro moved from Ksh. 117.2 to Ksh. 116.9 during the same period. This was 0.5 percent and a 0.3 percent appreciation against the USD and the EURO respectively. The Sterling Pound moved from Ksh. 134.6 to Ksh. 132.2 while the Japanese Yen moved from Ksh. 93.5 to Ksh. 91.7 against the Kenya Shilling in the same period; translating to a 1.9 percent appreciation against the pound and a 2.0 percent depreciation against the Yen, respectively.

### 1.3 Size of Public and Publicly Guaranteed External Debt

Overall public and publicly guaranteed external debt decreased by Kshs 25.3 billion from Kshs 2,593.7 billion in May 2018 to Kshs 2,568.4 billion in June 2018. Between May and June 2018, debt owed to bilateral creditors decreased by Kshs 7.61 billion to Kshs 759.0 billion while multilateral credit decreased by Kshs 19.9 billion to Kshs 825.3 billion. Commercial debt increased by 4.5 billion to Kshs 847.4 billion.

### 1.4 Currency composition of external debt

The proportion of debt denominated in USD stood at 70.4 percent, followed by Euro which accounts for 14.6 percent. The Japanese Yen, Yuan, and Sterling Pound accounted for 6.1 percent, 6.0 percent and 2.6 percent respectively. Other currencies accounted for a paltry 0.3 percent.

### 1.5 Actual Cumulative External Debt Service

Actual cumulative debt service as at end June 2018 stood at Kshs. 219.2 billion; comprising of principal payments of Kshs 137.6 billion and interest payments of Kshs 81.6 billion. Commercial creditors accounted for more than half of the debt service at Kshs. 113.9 billion (66.3 percent of the total debt service). Bilateral and Multilateral creditors accounted for 23.5 percent and 11.2 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. Cumulatively from July 2017 to end June 2018,

the guaranteed debt service was Kshs. 1.480 billion. These comprised debt serviced on behalf of TARDA (Ksh. 320.7 million), KBC (Ksh. 403.5 million) and EAPC (Ksh. 756.2 million).

### **1.6 Government Domestic Borrowing**

During the month of June 2018, Government securities worth Kshs 136.0 billion were advertised. Bids worth Kshs 223.0 billion were received. Kshs 212.9 billion and Kshs 10.1 billion worth were bids received for the Treasury Bills and Treasury Bonds respectively. Successful bids from Treasury bills amounted to Kshs 111.0 billion against the month's redemptions of Kshs 73.6 billion, giving exchequer surplus of Kshs. 37.4 billion. The successful bids from the Treasury Bonds was Kshs 5.2 billion against redemptions worth Ksh 26.6 billion leaving a deficit of Ksh 21.5 billion that was paid from the exchequer.

### **1.7 Domestic Debt by Instruments**

As at end June 2018, 61.0 percent of Government domestic debt was held in Treasury Bonds, 35.4 percent in Treasury Bills while the remainder of 3.6 percent was held as Government overdraft at the Central Bank of Kenya.

### **1.8 Net Domestic Financing**

As at end June 2018, the net domestic financing stood at Kshs 267 billion against an annual target of Ksh 293.77 billion for FY2017/18.

The net actual cumulative domestic borrowing was at Ksh 298.8 billion.

### **1.9 Cumulative Domestic Interest Payments**

During the financial year 2017/18, the Government is projected to pay Kshs 215.2 billion as interest on domestic debt. The actual

cumulative interest payment as at June 2018 stood at Kshs 239.5 billion. Of which, actual interest payments on Treasury Bonds and Treasury Bills were Kshs 167.4 billion and Kshs 69.2 billion, respectively.

### **1.10 Average Interest rates for Treasury Bills**

The average interest rates for 91 and 182 Treasury bills came down in June 2018 as compared to May 2018. The 91-day, 182-day and 364-day dropped from 7.96 percent, 10.26 percent and 11.13 percent in May to 7.83 percent, 9.93 percent and 10.82 percent respectively in June 2018.

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

<b>Creditor</b>	<b>Stock at end April 2018</b>	<b>Stock at end June 2018</b>	<b>Change</b>
<b>BILATERAL</b>			
AUSTRIA	579.91	496.79	(83.12)
BELGIUM	10,095.01	10,198.56	103.55
CANADA	413.12	285.70	(127.42)
DENMARK	1,136.58	1,049.23	(87.35)
FINLAND	1,675.82	1,642.15	(33.67)
FRANCE	60,467.07	60,803.04	335.97
GERMANY	27,699.47	27,149.15	(550.32)
ITALY	125.28	124.90	(0.38)
JAPAN	49,939.80	48,342.19	(1,597.61)
NETHERLANDS	1,041.14	983.02	(58.12)
UK	470.34	296.65	(173.69)
USA	2,859.59	2,672.67	(186.92)
PARIS CLUB OTHERS	35,015.89	34,156.79	(859.09)
NON PARIS CLUB	575,106.81	570,815.87	(4,290.94)
<i>o/w CHINA</i>	564,622.02	560,534.48	(4,087.54)
<b>Sub total</b>	<b>766,625.83</b>	<b>759,016.72</b>	<b>(7,609.11)</b>
ADB/AFDB	193,669.88	204,706.87	11,036.99
EEC/EIB	19,800.33	19,544.23	(256.10)
IDA	534,586.78	506,158.63	(28,428.15)
IFAD	14,555.17	14,148.86	(406.31)
IMF	73,017.00	71,588.41	(1,428.59)
OTHERS	9,616.70	9,151.67	(465.03)
<b>Sub total</b>	<b>845,245.85</b>	<b>825,298.66</b>	<b>(19,947.19)</b>
Commercial Banks	343,619.75	350,664.64	7,044.89
International Sovereign Bond	482,437.55	479,987.50	(2,450.05)
Suppliers Credit	16,810.58	16,725.20	(85.37)
<b>Sub Total</b>	<b>842,867.88</b>	<b>847,377.34</b>	<b>4,509.47</b>
<b>Total Central Government</b>	<b>2,454,739.55</b>	<b>2,431,692.72</b>	<b>(23,046.83)</b>
JAPAN	50,731.39	49,371.03	(1,360.36)
GERMANY	7,503.09	7,000.18	(502.91)
IDA (KR Concessionaire)	4,570.46	4,547.25	(23.21)
Kenya Airways(commercial debt)	76,174.35	75,787.50	(386.85)
<b>Sub Total</b>	<b>138,979.29</b>	<b>136,705.95</b>	<b>(2,273.34)</b>
<b>Central Government+ Guaranteed Total</b>	<b>2,593,718.84</b>	<b>2,568,398.68</b>	<b>(25,320.16)</b>

**Source: National Treasury**