

THE NATIONAL TREASURY



MONTHLY DEBT BULLETIN June 2019

1.1 Introduction

As at end of June 2019, the nominal public and publicly guaranteed debt stood at Kshs 5.81 trillion or USD 56.78 billion which is 61.08 percent of GDP. Domestic debt stood at Kshs. 2.79 trillion or USD 27.23 billion while the External debt stock stood at Kshs 3.02 trillion or USD 29.55 billion. Domestic debt as a percentage of GDP stood at 29.29 percent whereas External debt stood at 31.79 percent. The structure of debt shows that domestic debt accounts for 48.0 percent of the total debt while external debt accounts for 52.0 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 stock and the cost of external debt service. The USD moved from Kshs. 101.36 in May 2016 to Kshs. 102.30 in June 2019 against the Kenya Shilling while the Euro moved from Kshs. 112.81 to Kshs. 116.31 during the same period. The Sterling Pound moved from Kshs. 127.96 to Kshs. 129.96 while the Japanese Yen moved from Kshs. 93.00 (per 100 JPY) to Kshs. 94.87 against the Kenya Shilling in the same period.

1.3 Size of Public and Publicly Guaranteed External Debt

Overall public and publicly guaranteed external debt increased by Kshs 188.30 billion from Kshs 2,834.84 billion in May 2019 to Kshs 3,023.14 billion in June 2019. Between May and June 2019, debt owed to bilateral creditors increased by Kshs 19.55 billion from Kshs 898.43 to Kshs. 917.98 billion while multilateral credit increased by Kshs. 25.44 billion from Kshs. 884.35 to Kshs 909.79 billion. Commercial debt increased by Kshs 140.22 billion from Kshs 895.74 to Ksh 1,035.96.

1.4 Currency composition of external debt

The proportion of debt denominated in USD stood at 70.3 percent, followed by Euro which accounts for 17.4 percent. The Japanese Yen, Yuan, and Sterling Pound accounted for 4.3 percent, 5.4 percent and 2.4 per cent respectively. Other currencies accounted for 0.3 percent

1.5 Actual Cumulative External Debt Service

Actual cumulative debt service as at end June 2019 stood at Kshs. 368.48 billion; comprising of principal payments of Kshs. 265.11 billion and interest payments of Kshs. 103.37 billion. Commercial creditors accounted for Kshs. 279.77 billion (75.93 percent of the total debt

service). Bilateral and Multilateral creditors stood at Kshs 63.50 billion and Kshs. 25.21 billion accounting for 17.23 percent and 6.84 percent of the total debt service respectively.

The government acts as a guarantor to state enterprises and has an obligation to service debt in the event such a guarantee is called. Cumulatively, up-to end of June 2019, the guaranteed debt service was Kshs 1,375 million. This comprised of loans serviced on behalf of: KBC modernization (740.79 million), TARDA Project (Kshs 281.77 million), and East African Portland Co. (Kshs. 352.56 million).

1.6 Government Domestic Borrowing

During the month of June 2019, Government securities worth Kshs. 136.0 billion were advertised. Bids worth Kshs. 224.33 billion were received composed of Kshs. 147.05 billion and Kshs. 77.29 billion for the Treasury Bills and Treasury Bonds respectively. Successful bids from Treasury bills amounted to Kshs. 66.52 billion against redemptions of Kshs. 75.61 billion, leaving a deficit of Kshs. 9.10 billion to the exchequer. The successful bids from the Treasury Bonds were Kshs. 38.94 billion against the month's redemptions of 36.94 giving a surplus of Ksh 2.00 billion to the Exchequer.

1.7 Domestic Debt by Instruments

As at end June 2019, 63 percent of Government domestic debt was held in Treasury Bonds, 34 percent in Treasury Bills while the remainder of 3 percent was held as Government overdraft at the Central Bank of Kenya and advances from commercial loans.

1.8 Net Domestic Financing

As at end June 2019 the net domestic financing stood at Kshs. 298.81 billion against an annual target of Ksh 310.16 billion for FY2018/19.

1.9 Cumulative Domestic Interest Payments

The actual cumulative interest payment as at June 2019 stood at 272.35 Kshs. billion. For the month of June, 2019 actual interest payments on Treasury Bonds and Treasury Bills were Kshs.19.54 billion and Kshs. 6.53 billion, respectively.

1.10 Average Interest rates for Treasury Bills

The average interest rate for 91-day bill decreased from 7.17 in May to 6.90 percent in June. Similarly, the 182-day and 364-day dropped from 7.85 percent and 9.32 percent in May 2019, to 7.64 percent and 9.23 percent respectively in June 2019.

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

Creditor	Stock at end May 2019	Stock at end June 2019	Change
BILATERAL			
AUSTRIA	1,277.78	1,803.02	525.24
BELGIUM	7,679.99	11,590.96	3,910.97
CANADA	154.18	110.6	(43.58)
DENMARK	843.19	874.88	31.69
FINLAND	1,742.34	1,796.41	54.07
FRANCE	70,460.45	72,567.94	2,107.49
GERMANY	29,875.85	30,745.63	869.78
ITALY	35,096.72	36,292.98	1,196.26
JAPAN	62,944.09	63,681.49	737.40
NETHERLANDS	332.86	343.19	10.33
UK	82.5	59.56	(22.94)
USA	2,103.10	2,089.28	(13.82)
Other PARIS CLUB	24,054.02	24,472.90	418.88
Other NON-PARIS CLUB	10,207.58	10,493.07	285.49
CHINA	651,578.52	661,058.54	9,480.02
Sub Total	898,433.17	917,980.46	19,547.29
MULTILATERAL			
ADB/AFDB	225,855.20	229,638.40	3,783.20
EEC/EIB	1,758.56	1,724.06	(34.50)
IDA	565,607.17	586,649.73	21,042.56
IFAD	17,424.66	17,735.85	311.19
IMF	48,544.07	49,208.15	664.08
OTHERS	9,332.67	9,318.64	(14.03)
Sub Total	884,349.33	909,791.39	25,442.06
COMMERCIAL			
Commercial Banks	397,523.19	395,010.25	(2,512.94)
International Sovereign Bond	481,439.10	624,019.63	142,580.53
Suppliers Credit	16,775.78	16,931.81	156.03
Sub Total	895,738.07	1,035,961.70	140,223.63
Total Central Government	2,678,520.57	2,863,733.54	185,212.97
GUARANTEED			
JAPAN	69,411.27	71,547.72	2,136.45
GERMANY	6,334.50	6,531.06	196.56
IDA (KR Concessionaire)	4,561.00	4,603.42	42.42
Kenya Airways (commercial debt)	76,016.70	76,723.73	707.03
Sub Total	156,323.47	159,405.93	3,082.46
Central Government+ Guaranteed Total Debt	2,834,844.04	3,023,139.47	188,295.43

Source: National Treasury

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