

THE NATIONAL TREASURY



MONTHLY DEBT BULLETIN MARCH 2018

1.1 Introduction

As at end March 2018, public and publicly guaranteed debt stood at Kshs 4.9 trillion (USD 48.4 billion) or 56.4 percent of GDP. Domestic debt stood at Kshs 2.4 trillion (USD 23.5 billion) while the External debt stock stood at Kshs 2.5 trillion (USD 24.9 billion). Domestic debt as a percentage of GDP stood at 27.9 percent whereas External debt stood at 29.1 percent. The structure of debt shows that domestic debt accounts for 48.9 percent of the total debt while external debt accounts for 51.02 percent.

1.2 Movement in Exchange Rates

The key currencies in which 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 debt service. The USD moved from 101.6 in February 2018 to 101.2 in March 2018 against the Kenya Shilling while the Euro moved from 125.02 to 124.7 during the same period. This was a 0.4 percent and a 0.32 percent appreciation against the USD and EURO respectively. The Sterling Pound moved from 141.58 to 141.2 while the Japanese Yen moved from 93.9 to 95.3 against the Kenya Shilling translating to a 0.38 percent depreciation against the Pound and a 1.4 percent appreciation against the Yen.

1.3 Size of Public and Publicly Guaranteed External Debt

Overall public and publicly guaranteed external debt decreased by Kshs 51.9 billion from Kshs 2.56 trillion in February 2018 to Kshs 2.51 trillion in March 2018. Between February and March, debt owed to bilateral creditors decreased from Kshs 747 billion to Kshs 739 billion while multilateral credit decreased from Kshs 837 billion to Kshs 832 billion (excluding guaranteed debt). Commercial debt decreased substantially from Kshs 840 billion to Kshs 799 billion excluding the commercial debt guarantee to Kenya Airways).

1.4 Currency composition of external debt

The proportion of debt denominated in USD stood at 69.4 percent, followed by Euro which accounts for 15.6 percent. The Chinese Yuan, Japanese Yen and Sterling Pound accounted for 6.5 percent, 5.4 percent and 2.8 percent respectively. Other currencies accounted for 0.29 percent.

1.5 Actual Cumulative External Debt Service

Actual cumulative debt service as at end March 2018 stood at Kshs. 130.6 billion; comprising of principal payments of Kshs 76.0 billion and interest payments of Kshs 54.6 billion. Commercial debt service accounted for more

than half of the debt service at Kshs. 72.4 billion (55.5 percent of the total debt service). Multilateral and bilateral creditors accounted for 12.7 percent and 31.8 percent of the total debt service respectively.

Cumulatively from June 2017 to March 2018, the guaranteed debt service was Kshs. 1.05 billion. These comprised debt serviced on behalf of TARDA (28.7 percent), KBC (35.1 percent) and EAPC (36.1 percent).

1.6 Government Domestic Borrowing

During the month of March 2018, Government securities worth Kshs 163.0 billion were advertised. Bids worth Kshs 186.9bn were received. About Kshs 135.5 billion and Kshs 51.4 billion worth were Treasury Bills and Treasury Bonds respectively. Successful bids from Treasury bills amounted to Kshs 115.1 billion against the month’s redemptions of Kshs 111.5 billion, giving exchequer surplus of Kshs. 3.6 billion. The successful bids from the Treasury Bonds were Kshs 31.6 billion that went into funding the development projects as had been provided in the bond’s prospectus.

1.7 Domestic Debt by Instruments

As at end March 2018, 66.8 percent of Government domestic debt was held in Treasury Bonds, 31.3 percent in Treasury Bills while the remainder (1.9 percent) was held as Government overdraft at the Central Bank of Kenya.

1.8 Net Domestic Financing

As at end March 2018, the net domestic financing stood at Kshs 151.4 billion against a target of Ksh 293.77 billion for FY2017/18.

The net actual cumulative domestic borrowing stood at Ksh 216.2 billion.

1.9 Cumulative Domestic Interest Payments

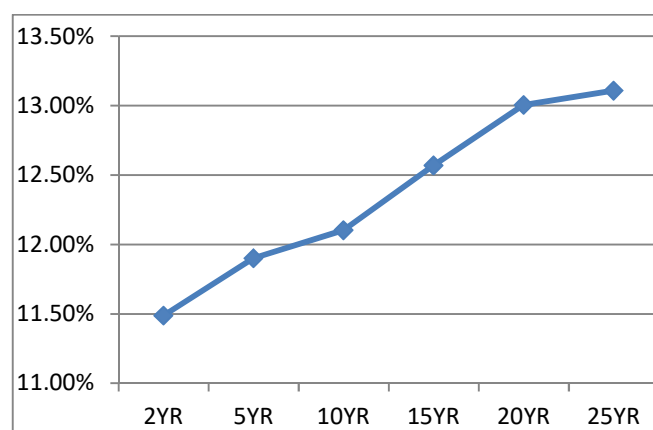
During the financial year 2017/18, the Government is projected to pay Kshs 215.2 billion as interest on domestic debt. The actual interest payment as at March 2018 stood at Kshs 164.6 billion. Of which, actual interest payments on Treasury Bonds and Treasury Bills were Kshs 111.8 billion and Kshs 49.5 billion, respectively.

1.10 Average Interest rates for Treasury Bills

The average interest rates for all the three Treasury bills instruments came down in March 2018 as compared to February 2018. The 91-day, 182-day and 364-day Treasury Bills dropped from 8.03 percent, 10.42 percent and 11.15 percent in February to 8.02 percent, 10.39 percent and 11.13 percent in March 2018, respectively.

The secondary market yields for Government bonds are shown in the chart below.

Chart 1: Secondary Market yields on selected Treasury Bonds as at end December, 2017



Source: Nairobi Securities Exchange (NSE)

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

Creditor	Stock at end February 2017	Stock at end March 2017	Change
BILATERAL			
AUSTRIA	458.51	457.48	(1.03)
BELGIUM	10,393.29	10,809.88	416.59
CANADA	413.32	410.19	(3.13)
DENMARK	1,251.70	12.41	(1,239.29)
FINLAND	1,690.57	1,686.71	(3.86)
FRANCE	65,575.34	64,801.57	(773.78)
GERMANY	26,164.56	26,105.90	(58.66)
ITALY	125.19	124.91	(0.28)
JAPAN	50,869.69	51,042.17	172.48
NETHERLANDS	1,111.33	1,108.00	(3.33)
UK	475.33	477.79	2.46
USA	2,976.43	2,953.89	(22.54)
PARIS CLUB OTHERS	37,911.17	37,581.21	(329.96)
NON PARIS CLUB	548,218.49	542,230.37	(5,988.12)
<i>o/w CHINA</i>	<i>539,969.96</i>	<i>534,070.25</i>	<i>(5,899.71)</i>
Sub total	747,634.91	739,802.48	(7,832.43)
MULTILATERAL			
ADB/AFDB	207,296.59	206,285.30	(1,011.28)
EEC/EIB	18,021.59	17,952.24	(69.35)
IDA	512,493.33	508,940.24	(3,553.09)
IFAD	14,720.37	14,689.27	(31.10)
IMF	74,002.33	73,846.77	(155.56)
OTHERS	10,667.44	10,513.74	(153.70)
Sub total	837,201.65	832,227.56	(4,974.09)
COMMERCIAL			
Commercial Banks	341,158.64	303,402.37	(37,756.27)
International Sovereign Bond	482,679.33	479,024.20	(3,655.13)
Suppliers Credit	16,819.00	16,691.64	(127.36)
Sub Total	840,656.96	799,118.20	(41,538.76)

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Total GoK	2,425,493.53	2,371,148.24	(54,345.28)
GUARANTEED DEBT			
JAPAN	48,963.74	52,062.00	3,098.27
GERMANY	7,825.42	7,807.88	(17.54)
IDA (KR Concessionaire)	4,572.75	4,538.12	(34.63)
Kenya Airways(commercial debt)	76,212.53	75,635.40	(577.13)
Sub Total	137,574.43	140,043.41	2,468.97
GOK+ GUARANTEED TOTAL	2,563,067.96	2,511,191.65	(51,876.31)

Source: National Treasury