

THE NATIONAL TREASURY



MONTHLY DEBT BULLETIN MAY 2018

1.1 Introduction

As at end May 2018, the nominal public and publicly guaranteed debt stood at Kshs 5.04 trillion or USD 49.63 billion which is 58.90 percent of GDP. Domestic debt stood at Kshs 2.45 trillion or USD 24.10 billion while the External debt stock stood at Kshs 2.59 trillion or USD 25.54 billion. Domestic debt as a percentage of GDP stood at 28.60 percent whereas External debt stood at 30.31 percent. The structure of debt shows that domestic debt accounts for 48.6 percent of the total debt while external debt accounts for 51.4 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. 100.4 in April 2018 to Ksh. 101.6 in May 2018 against the Kenya Shilling while the Euro moved from Ksh. 121.3 to Ksh. 117.2 during the same period. This was 1.2 percent depreciation for the USD and a 3.4 percent appreciation for the EURO. The Sterling Pound moved from Ksh. 138.3 to Ksh. 134.6 while the Japanese Yen moved from Ksh. 91.9 to Ksh. 93.5 against the Kenya Shilling in the same period; translating to a 2.7 percent appreciation against the pound and a 1.7 percent depreciation against the Yen, respectively.

1.3 Size of Public and Publicly Guaranteed External Debt

Overall public and publicly guaranteed external debt increased by Kshs 80.9 billion from Kshs 2,512.7 billion in April 2018 to Kshs 2,593.7 billion in May 2018. Between April and May 2018, debt owed to bilateral creditors increased by Kshs 10.9 billion to Kshs 766.6 billion while multilateral credit increased by Kshs 34.5 billion to Kshs 845.2 billion. Commercial debt increased by 33.8 billion to Kshs 842.9 billion.

1.4 Currency composition of external debt

The proportion of debt denominated in USD stood at 71.3 percent, followed by Euro which accounts for 15.15 percent. The Japanese Yen, Yuan, and Sterling Pound accounted for 4.28 percent, 6.38 percent and 2.61 per cent respectively. Other currencies accounted for a paltry 0.28 percent.

1.5 Actual Cumulative External Debt Service

Actual cumulative debt service as at end May 2018 stood at Kshs. 183.3 billion; comprising of principal payments of Kshs 113.4 billion and interest payments of Kshs 69.9 billion. Commercial creditors accounted for more than half of the debt service at Kshs. 113.9 billion (62.1 percent of the total debt service). Bilateral and Multilateral creditors accounted for 26.2 percent and 11.7 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 June 2017 to May 2018, the guaranteed debt service was Kshs. 1.419

billion. These comprised debt serviced on behalf of TARDA (Ksh. 301.3 million), KBC (Ksh. 379.1 million) and EAPC (Ksh. 738.6 million).

1.6 Government Domestic Borrowing

During the month of May 2018, Government securities worth Kshs 136.0 billion were advertised. Bids worth Kshs 181.0 billion were received. Kshs 160.8 billion and Kshs 20.2 billion worth were bids received for the Treasury Bills and Treasury Bonds respectively. Successful bids from Treasury bills amounted to Kshs 131.2 billion against the month's redemptions of Kshs 87.6 billion, giving exchequer surplus of Kshs. 43.6 billion. The successful bids from the Treasury Bonds was Kshs 12.9 billion against redemptions worth Ksh 30.4 billion leaving a deficit of Ksh 17.6 billion that was paid from the exchequer.

1.7 Domestic Debt by Instruments

As at end May 2018, 62.6 percent of Government domestic debt was held in Treasury Bonds, 34.3 percent in Treasury Bills while the remainder of 3.1 percent was held as Government overdraft at the Central Bank of Kenya.

1.8 Net Domestic Financing

As at end May 2018, the net domestic financing stood at Kshs 213.5 billion against an annual target of Ksh 293.77 billion for FY2017/18.

The net actual cumulative domestic borrowing was at Ksh 280.9 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 May 2018

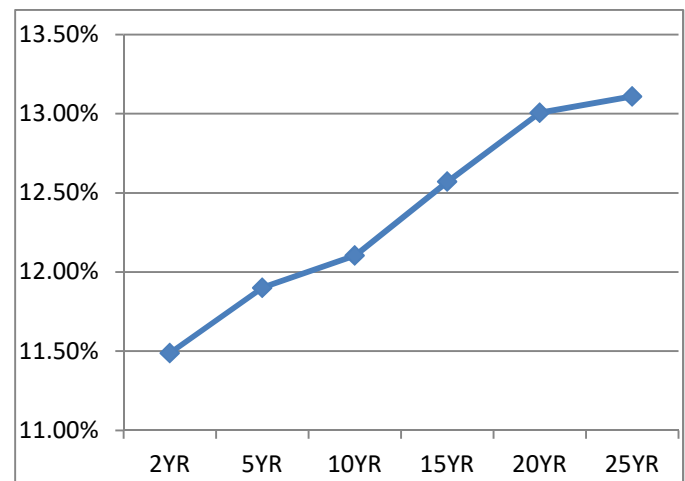
stood at Kshs 221.3 billion. Of which, actual interest payments on Treasury Bonds and Treasury Bills were Kshs 155.4 billion and Kshs 63.2 billion, respectively.

1.10 Average Interest rates for Treasury Bills

The average interest rates for 91 and 182 Treasury bills came down in May 2018 as compared to April 2018. The 91-day and 182-day dropped from 8.00 percent and 10.30 percent in April to 7.96 percent and 10.26 percent respectively while 364-day Treasury Bills remained constant at 11.13 percent in May 2018.

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 April 2018	Stock at end May 2018	Change
BILATERAL			
AUSTRIA	600.26	579.91	(20.35)
BELGIUM	10,129.90	10,095.01	(34.89)
CANADA	406.34	413.12	6.78
DENMARK	1,126.33	1,136.58	10.25
FINLAND	1,494.94	1,675.82	180.88
FRANCE	60,637.35	60,467.07	(170.28)
GERMANY	25,939.91	27,699.47	1,759.56
ITALY	125.90	125.28	(0.62)
JAPAN	48,492.68	49,939.80	1,447.12
NETHERLANDS	1,042.66	1,041.14	(1.51)
UK	483.15	470.34	(12.82)
USA	2,744.82	2,859.59	114.77
PARIS CLUB OTHERS	34,030.52	35,015.89	985.37
NON PARIS CLUB	568,505.02	575,106.81	6,601.79
<i>o/w CHINA</i>	559,128.70	564,622.02	5,493.31
Sub total	755,759.79	766,625.83	10,866.04
MULTILATERAL			
ADB/AFDB	204,611.23	193,669.88	(10,941.34)
EEC/EIB	20,495.23	19,800.33	(694.90)
IDA	499,332.76	534,586.78	35,254.02
IFAD	14,435.23	14,555.17	119.94
IMF	64,042.76	73,017.00	8,974.24
OTHERS	7,854.47	9,616.70	1,762.23
Sub total	810,771.67	845,245.85	34,474.18
Commercial Banks			
Commercial Banks	315,779.10	343,619.75	27,840.65
International Sovereign Bond	476,715.23	482,437.55	5,722.33
Suppliers Credit	16,611.18	16,810.58	199.39
Sub Total	809,105.51	842,867.88	33,762.37
Total Central Government	2,375,636.97	2,454,739.55	79,102.58
Guaranteed External Debt			
JAPAN	49,552.42	50,731.39	1,178.97
GERMANY	7,766.41	7,503.09	(263.32)
IDA (KR Concessionaire)	4,516.25	4,570.46	54.21
Kenya Airways(commercial debt)	75,270.83	76,174.35	903.53
Sub Total	137,105.91	138,979.29	1,873.38
Central Government+ Guaranteed Total	2,512,742.87	2,593,718.84	80,975.97

Source: National Treasury