



REPUBLIC OF KENYA

# THE NATIONAL TREASURY

DIRECTORATE OF PUBLIC DEBT MANAGEMENT

## *MONTHLY DEBT BULLETIN*

APRIL 2016

As at end April 2016, total public and publicly guaranteed debt stood at Kshs 3,312.11 billion or 51.40 percent of GDP (Table 1). The increase of 1.9 percent over the end March 2016 position is attributed to an increase in domestic debt. Domestic debt increased by Ksh 42.51 billion to stand at Ksh 1,689.04 million, while the external debt increased by Ksh 19.69 billion to stand at Ksh 1,685.27 billion in April 2016 (Table 1).

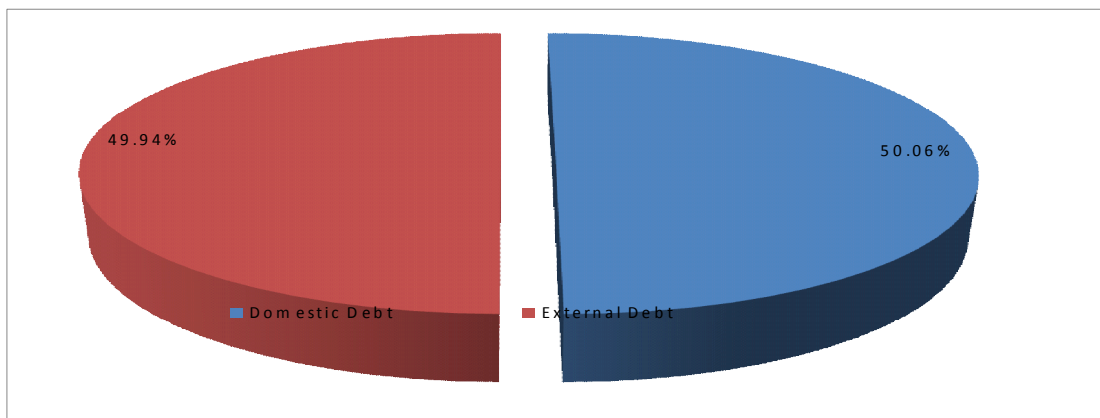
**Table 1: Size of public debt, end April 2016, in billions**

Debt Category	Kshs	USD	Percentage of GDP
Domestic Debt	1,689.04	16.70	26.21
External Debt	1,685.27	16.66	26.15
Total	3,374.31	33.36	52.36

**Source: The National Treasury and Central Bank of Kenya**

The structure of public and publicly guaranteed debt shows that 50.06 per cent of the total debt is domestic debt while 49.94 percent is external debt (Chart 1).

**Chart 1: Composition of public debt**



**Source: The National Treasury**

## 1.2 Cost/Risk Characteristics of Public Debt

Reflecting Government external debt strategy of contracting or guaranteeing external loans with highly concessional terms to minimise interest rate cost, the average interest rate and grace period on the external debt portfolio was 0.7 percent and 6.3 years, respectively. In addition, the average maturity period for external loans was 37.7 years while the average grant element was 53.8 percent.

As an indication of the success in the lengthening of maturity structure of domestic debt to minimise refinancing risk in line with the 2015 Medium Term Debt Strategy, the average maturity profile of outstanding Government domestic debt remained at 5 years as at end April 2016.

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with foreign exchange rates for the period February to April 2016. During these, the Kenya shilling appreciated against US Dollars , 0.63 percent but depreciated against the Sterling Pound ,Euro and Japanese Yen by 3.57, 1.79 and 3.08 percent respectively. The shilling stood at Kshs 101.14 to the US Dollar at end of April 2016.

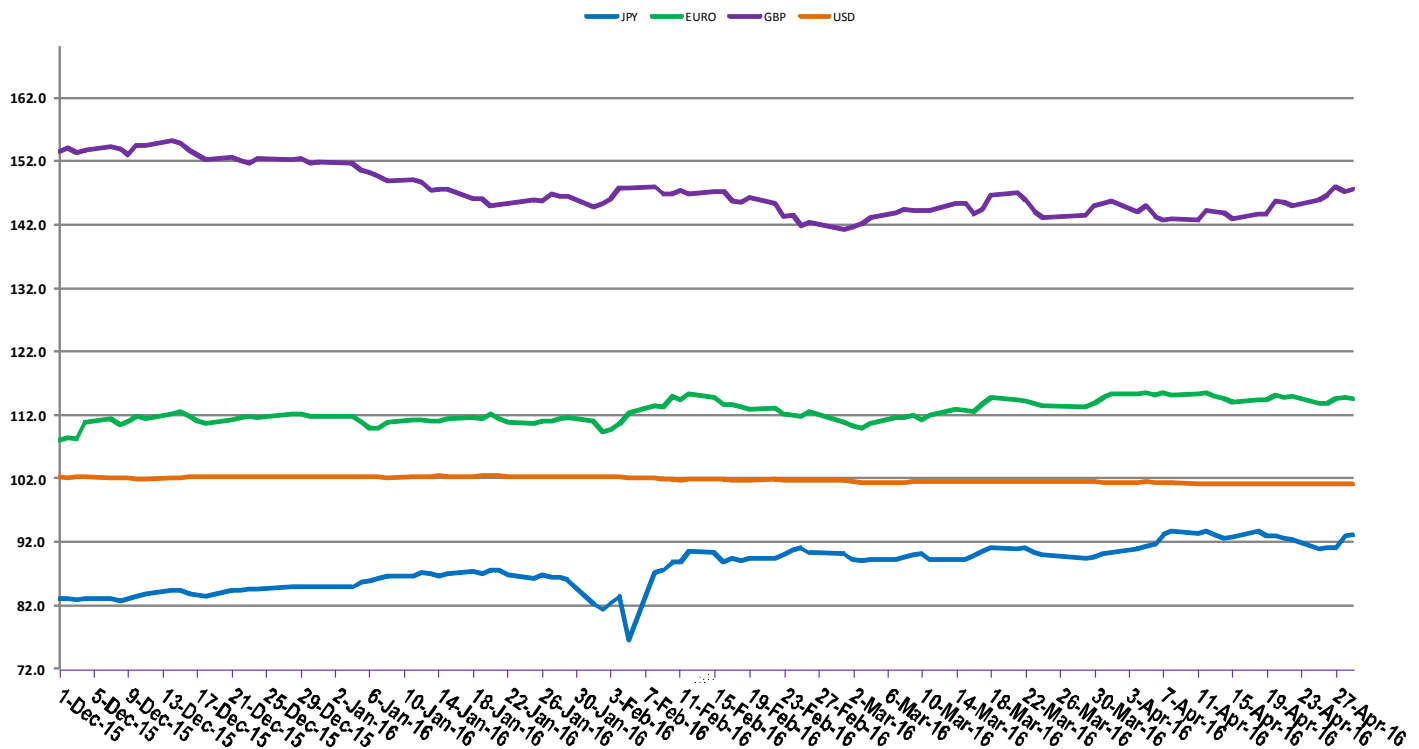
**Table 2: Movement in exchange rates**

Currency	February 2016	March 2016	April 2016
US Dollar	101.78	101.34	101.14
STG Pound	142.44	145.31	147.52
Euro	112.49	114.69	114.50
JPY(100)	90.37	90.21	93.15

Source: Central Bank of Kenya

Chart 2 shows the trends in daily exchange rates between Kenya Shilling and the four major foreign currencies from December 2015 to April 2016. The Kenya shilling remained relatively constant against the major currencies within the month under review.

**Chart 2: Kenya Shilling Exchange Rate**



Source: Central Bank of Kenya

## Guaranteed External Debt

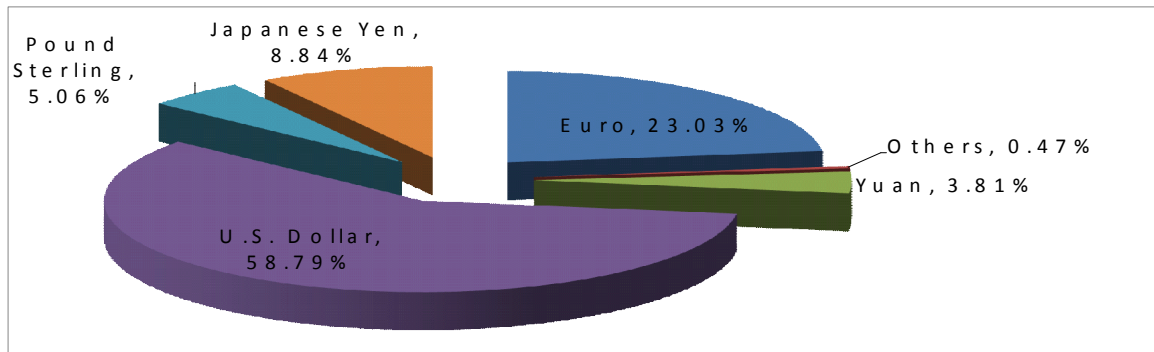
Overall, public and publicly guaranteed external debt increased by Kshs 19.69 billion as at end April 2016 to Kshs 1,685.27 billion from Kshs 1,665.58 billion at the end of March 2016 (Table 3).

**Table 3: External debt stock, in billions**

	M a r c h 2 0 1 6		A p r i l 2 0 1 6	
	K s h s	K s h s	K s h s	U S D
B i l a t e r a l	4 7 8 . 8 8	4 . 7 2	4 9 6 . 5 8	4 . 8 3
M u l t i l a t e r a l	7 6 2 . 0 9	7 . 5 2	7 6 8 . 3 9	7 . 6 0
G u a r a n t e e d	4 8 . 0 7	0 . 4 7	5 8 . 4 6	0 . 5 8
S u p p l i e r s C r e d i t	1 6 . 3 6	0 . 1 6	8 . 5 6	0 . 0 8
C o m m e r c i a l B a n k s	3 6 0 . 1 7	3 . 5 8	3 6 1 . 8 4	3 . 5 8
o / w I n t e r n a t i o n a l S o v e r e i g n B o n d	2 7 8 . 6 7	2 . 7 5	2 7 8 . 1 4	2 . 7 5
T o t a l	1 , 6 6 5 . 5 8	1 6 . 4 4	1 6 8 5 . 2 7	1 6 . 6 6

Chart 3 below indicates the currency composition of external debt, and it shows that the US Dollar forms the largest share of the external debt portfolio at 58.79 percent followed by the Euro at 23.03 percent.

**Chart 3. Currency Composition**

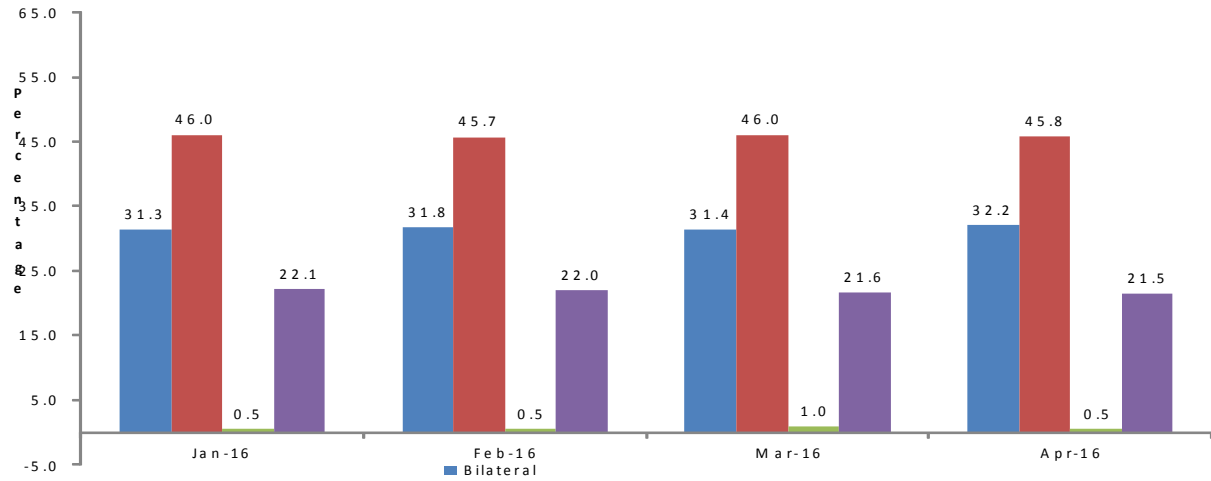


**Source: The National Treasury**

### 2.2 Structure of External Debt by Creditor

Official creditors account for 77.38 percent of the total public and publicly guaranteed external debt. Debt owed to multilateral creditors amounts to Ksh 772.43 billion (including Ksh 4.05 billion guaranteed debt owed to IDA) dominates the portfolio at 45.83 percent of the total. Bilateral debt stands at Kshs 542.43 billion (32.19 percent of the total), inclusive of Kshs 54.41 billion guaranteed debt, (Chart 4 and Annex 1).

In the multilateral category, IDA, ADB/ADF and IMF account for the largest proportion of external credit, while China, France and Japan are the leading creditors in the bilateral category. The Commercial debt constitutes 21.47 percent of the total public and publicly guaranteed external debt.

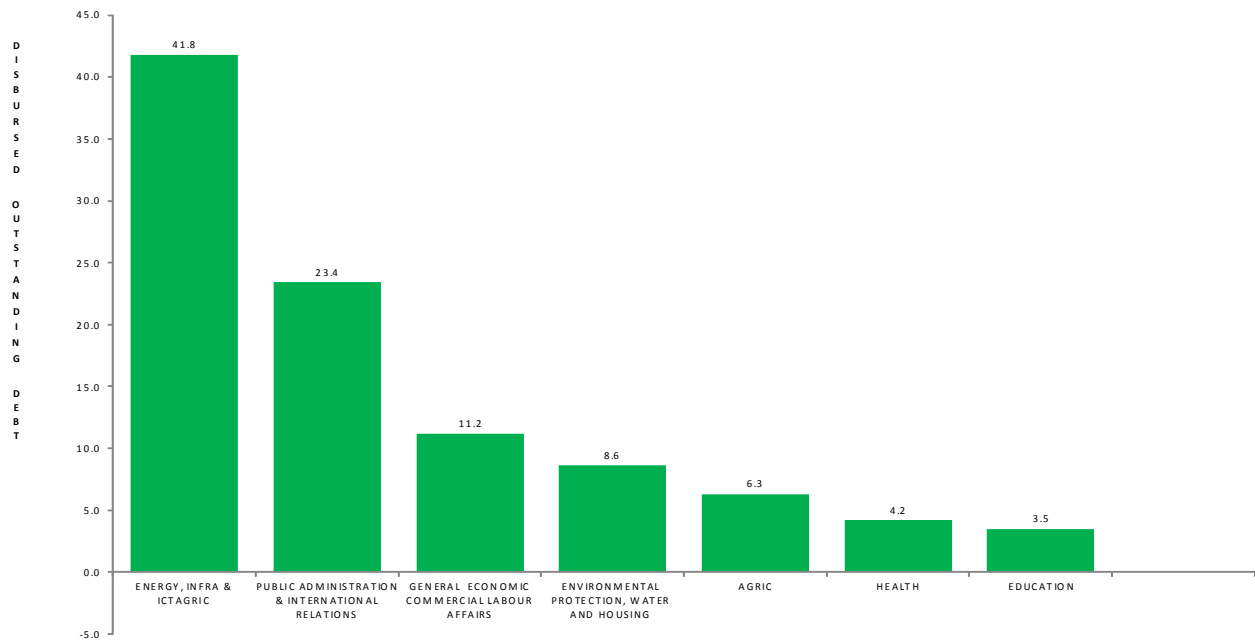


Source: The National Treasury

### 2.3 External Debt by Sector

Chart 5 below illustrates how the outstanding external debt is shared among the economic and social sectors of the economy.

Chart 5: External Debt Share by Sectors



Source: The National Treasury

## External Debt Service

External debt service for the period to end April 2016 stood at Kshs 49.44 billion. Principal and interest projections for the month of April 2016 was Kshs 2.74 billion and Kshs 0.85 billion, respectively. Bilateral and multilateral creditors constitute 44.8 percent and 35.4 percent of the cumulative projected debt service respectively during the period under review (Table 4).

**Table 4: Projected Cumulative External Debt Service as at end of April 2016, in Kshs billions**

Creditor category	Principal	Interest	Total
Bilateral	14,776.29	7,373.25	22,149.54
Multilateral	13,002.64	4,494.17	17,496.81
Commercial	775.57	8,386.55	9,162.12
Guaranteed	577.05	55.34	632.39
<b>Total</b>	<b>29,131.55</b>	<b>20,309.31</b>	<b>49,440.86</b>

Source: The National Treasury

## 2.5 Actual Cumulative External Debt Service

Actual debt service as at end April 2016 stood at Kshs 56.14 billion (Table 5). Actual principal and interest payments during the month of April 2016 was Kshs 2.39 billion and Kshs 1.21 billion respectively.

**Table 5: Actual cumulative external debt service as at end of April 2016, in Kshs billion**

Credit category	Principal	Interest	Total
Bilateral	14,168.63	12,669.70	26,838.33
Multilateral	13,116.32	4,869.40	17,985.72
Commercial	802.87	9,880.15	10,683.02
Guaranteed	588.52	49.01	637.53
<b>Totals</b>	<b>28,676.34</b>	<b>27,468.26</b>	<b>56,144.60</b>

Source: The National Treasury

## 2.6 Budget Deviation

The actual cumulative debt service for April 2016 was above the projected debt service by Kshs 6.70 billion. This is attributed to exchange rate fluctuations during the period under review.

Under the Public Finance Management Act, 2012, the government may issue guarantees under various conditions so long as it does not exceed the statutory ceiling set by Parliament which currently stands at Kshs 200 billion. In the month of April 2016, the guaranteed external debt stock increased by Kshs 10.39 billion to Kshs 58.46 billion from Ksh 48.07 billion in March 2016 (Table 6). This increase is attributed to exchange rate fluctuations during the month.

**Table 6: Guaranteed outstanding debt by creditor, in Kshs billion**

<b>Creditor</b>	<b>February 2016</b>	<b>March 2016</b>	<b>April 2016</b>
Japan	43.80	43.51	46.08
Germany	8.19	0.00	8.33
IDA (KR Concessionaire)	4.58	4.56	4.05
<b>Totals</b>	<b>56.48</b>	<b>48.07</b>	<b>58.46</b>

**Source: The National Treasury**

The national government has not issued any new guarantees to either County and State Corporations in the period July 1st, 2014 to date.

## Government Domestic Debt

Government net domestic debt increased by Kshs 4.22 billion to Kshs 1,325.00 billion in April 2016 from Kshs 1,320.78 billion in March 2016 due to an increase in gross debt over the period under review. (Table 7).

**Table 7: Government domestic debt, in Kshs billion**

	February 2016	March 2016	April 2016
Gross domestic debt	1,605.23	1,646.53	1,689.04
<i>less</i>			
Govt. deposits at CBK	-131.53	-160.56	-181.90
Govt. deposits at commercial banks	-150.65	-159.48	-176.44
Govt. advances to parastatals	-5.70	-5.70	-5.70
Net domestic debt	1,317.35	1,320.78	1,325.00

### 3.2 Government Domestic Borrowing

During the month of April 2016, Government securities worth Kshs 84.00 billion were advertised. Bids worth Kshs 161.58 billion were received of which Treasury Bills was Ksh 125.23 billion and Treasury Bond was Ksh 36.35 billion. Successful bids amounted to Kshs 94.72 billion against redemptions of Kshs 52.63 billion leaving exchequer with a surplus of Kshs 43.08 billion (Table 8).

**Table 8: Government domestic borrowing, in Kshs million**

	Treasury Bills	Treasury Bonds	Total
Advertised	64,000	20,000	84,000
Bids received	125,230	36,347	161,577
Successful bids	76,175	19,546	94,721
Redemptions (cost)	(42,393)	(10,241)	(52,634)
Net domestic borrowing	33,782	9,304	43,086

**Source: The National Treasury**

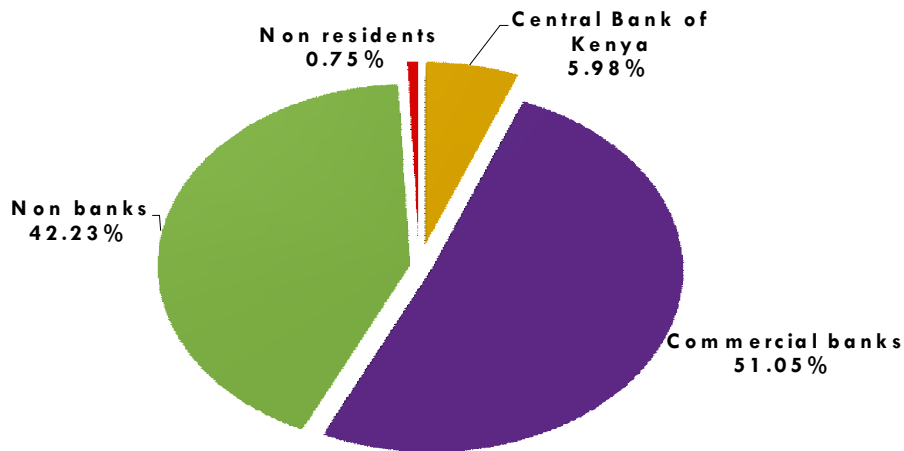


by holder end April 2016, in Kshs billion

Instrument/holder	Commercial banks	Non banks	Central Bank of Kenya	Non residents	Total
Treasury bonds	531.91	557.58	9.43	5.82	1,104.74
Treasury bills	324.89	155.64	20.59	6.78	507.9
Others	5.38	0	71.02	0.00	76.4
<b>Total</b>	<b>862.18</b>	<b>713.23</b>	<b>101.03</b>	<b>12.6</b>	<b>1,689.04</b>
Percentage Holding	51.05%	42.23%	5.98%	0.75%	100%

At the end of April 2016, banks held the largest proportion of the outstanding Government debt securities amounting to Kshs 862.18 billion or 51.05 percent ( Table 9 and Chart 6.) This percentage comprises mostly Treasury Bonds and Bills. The non banks category comprises non bank financial institutions, National Social Security Fund (NSSF), parastatals, insurance companies, building societies, pension funds and individuals. The Non Banks held Kshs 713.23 billion or 42.23 percent while the Government debt worth Kshs12.60 billion or 0.75 percent was held by non residents who invest through nominee accounts in the local banks. Kshs 101.03 billion held by Central Bank of Kenya comprises the Government overdraft and Repo Treasury Bills used for execution of monetary policy.

Chart 6: Domestic debt by holder as at end April, 2016

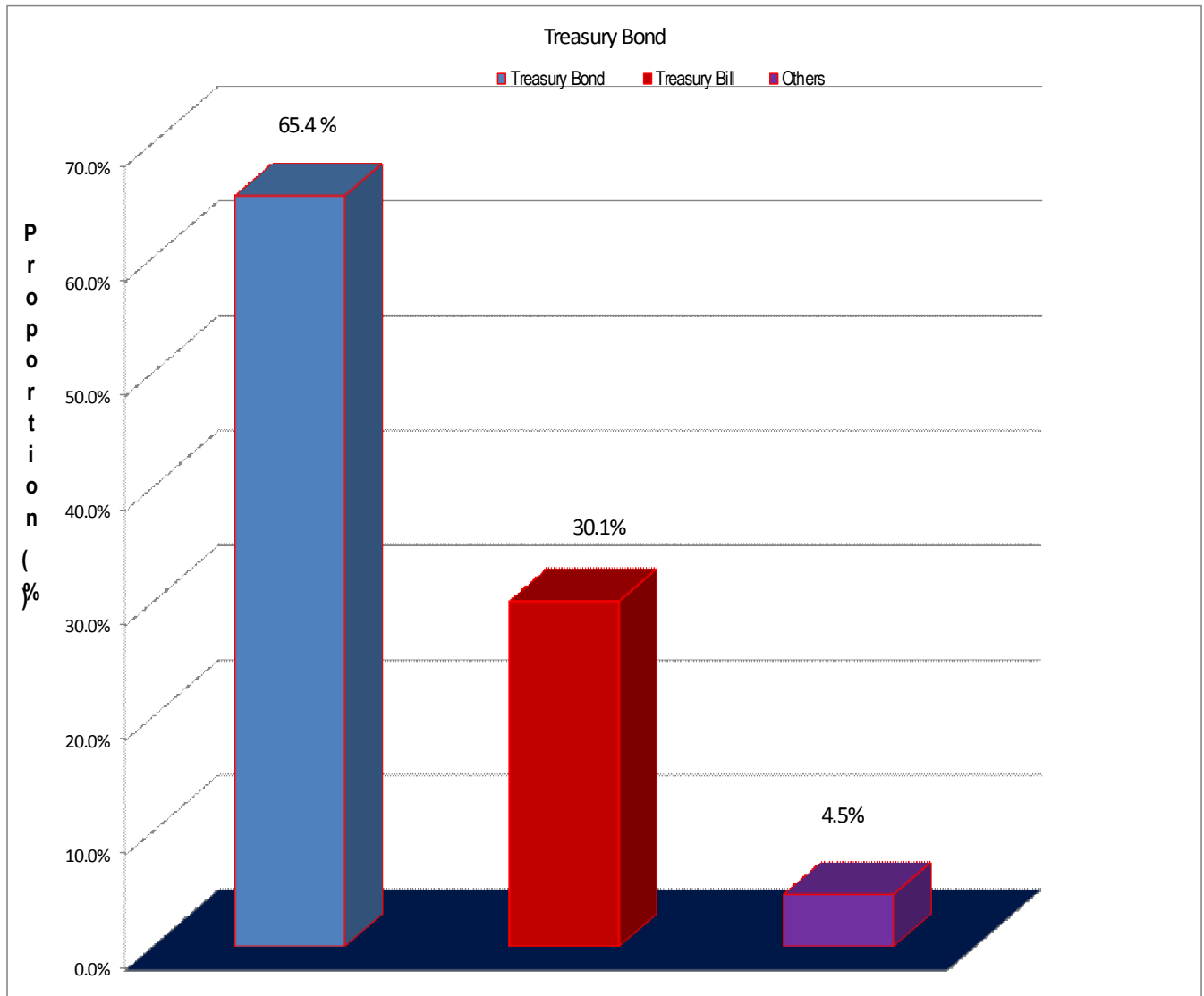


Source: Central Bank of Kenya

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domestic debt as at end April 2016. 65.4 per cent of Government domestic debt was in Treasury Bonds, 30.1 per cent in Treasury Bills while the balance is mainly the Government overdraft at the Central Bank of Kenya. The structure of the holding is consistent with the debt strategy of holding more domestic debt in longer dated instruments to minimise refinancing risk and promote liquidity in domestic secondary markets for Government bonds

**Chart 7: Domestic debt by instrument**



he net domestic financing was at Kshs 146.70 billion.

Table 10: Net domestic financing, in Kshs billion

	June 2015	April 2016	Change
Treasury Bills	293.53	462.92	169.39
Treasury Bonds	994.44	1,057.76	63.32
Pre-1997 Govt. Overdraft debt	26.68	26.68	0.00
Other	37.83	49.20	11.36
<i>of which Overdraft (from CBK)</i>	36.49	44.28	7.79
Govt. deposits	141.29	238.67	97.38
<b>Net Domestic Credit</b>	<b>1,211.19</b>	<b>1,357.89</b>	<b>146.70</b>

Source: Central Bank of Kenya

### 3.5 Cumulative Domestic Interest Payments

As at end April 2016, Government actual domestic interest payments stood at Kshs 128.59 billion against the projected interest payments of Kshs 125.47 billion. Actual interest payments on Treasury Bonds and Treasury Bills amounted to Kshs 90.07 billion and Kshs 34.45 billion respectively (Table 11).

Table 11: Domestic interest payments, in Kshs million

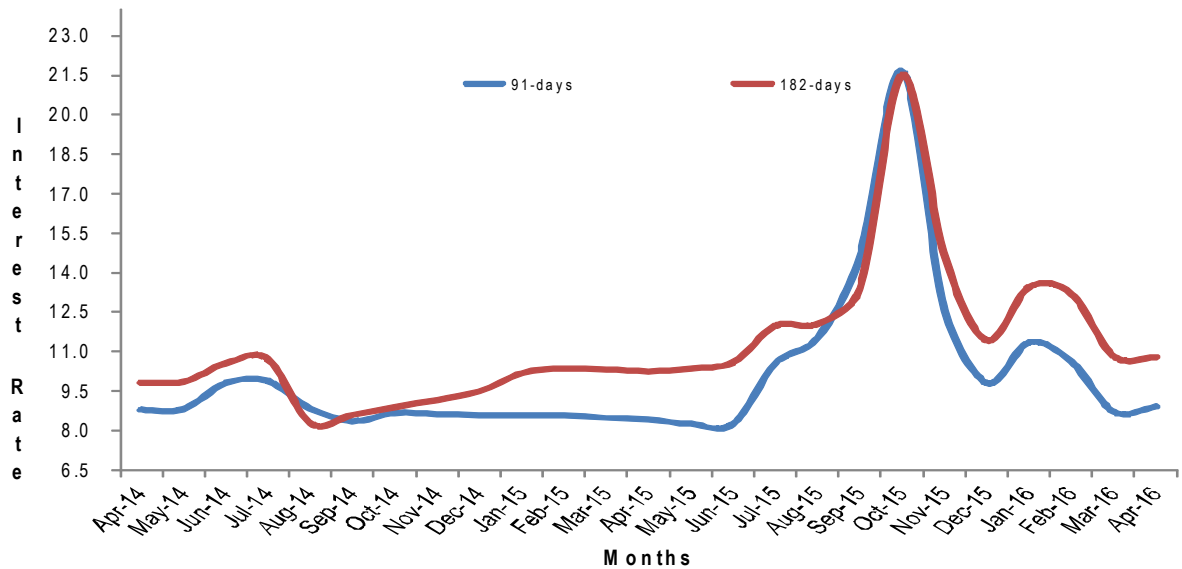
Type of Debt	Projected	Actual	Variance
Treasury Bonds	93,087.30	90,066.70	(3,020.60)
Treasury Bills	28,267.39	34,445.82	6,178.43
Overdraft	3,456.06	3,420.13	(35.93)
Pre-1997 overdraft debt	660.88	663.03	2.15
<b>Totals</b>	<b>125,471.63</b>	<b>128,595.68</b>	<b>3,124.05</b>

## Treasury Bills

Chart 8 shows the monthly trends on average interest rates for both the 91-day and 182-day Treasury Bills

since April 2014. During the month of April 2016, the average interest rates for the 91-day Treasury bills increased by 20 basis points to stand at 8.92 percent from 8.72 percent in March 2016 and the 182-days Treasury bill decreased by 3 basis points to 10.80 percent per annum from 10.83 percent in March 2016. The 364-days Treasury bill rate stood at an average of 11.84 percent per annum in April 2016.

Chart 8: Average interest rates on Treasury Bills



Source: Central Bank of Kenya

### 3.7 Yields on Treasury Bonds

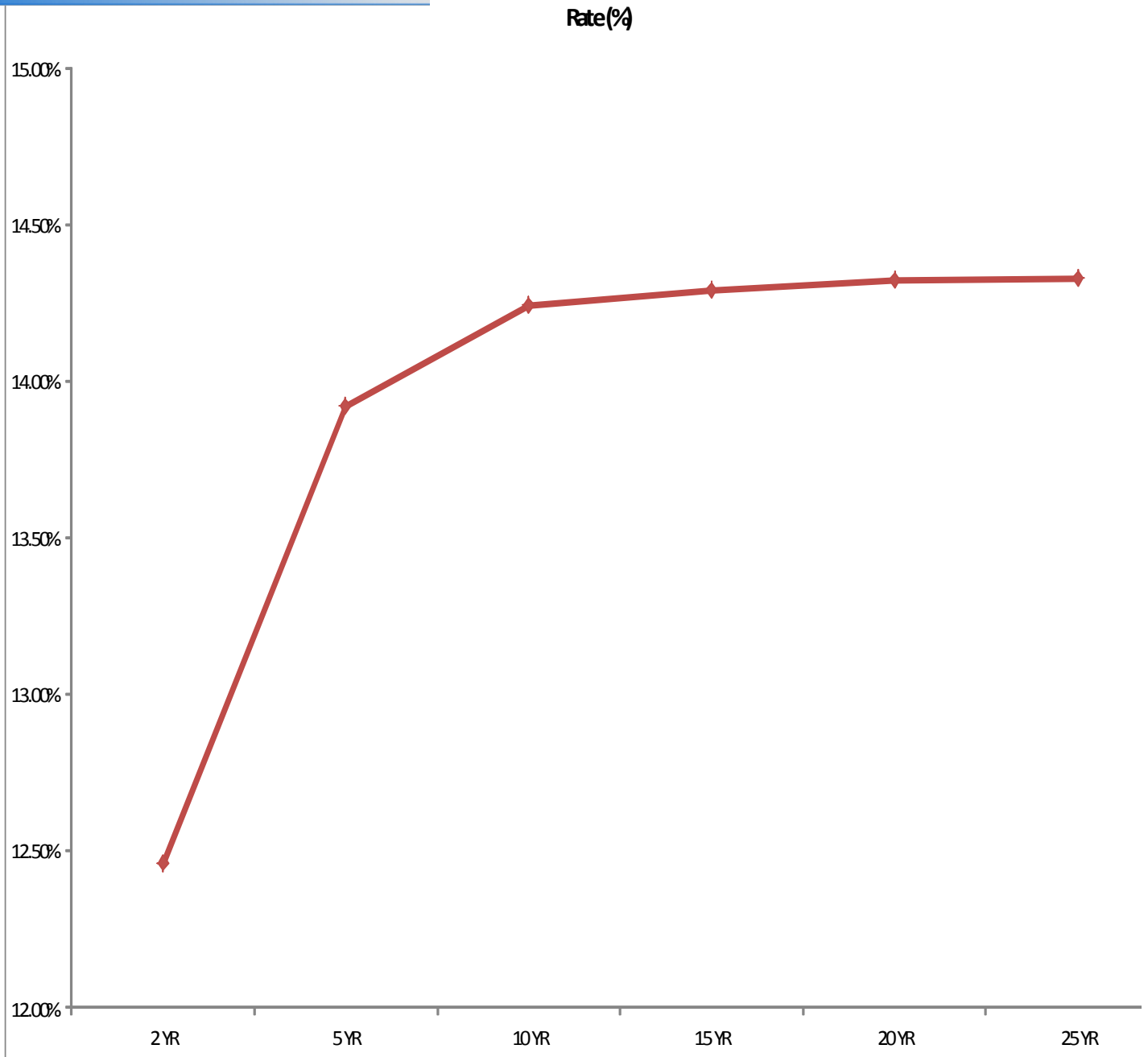
The Government has been implementing a Benchmark Bond programme to increase liquidity around selected Bonds and promote secondary trading. One of the key objectives of the programme is to lower both refinancing risk and cost of borrowing by the Government. Table 12 and Chart 9 shows the yields on selected benchmark Treasury Bonds in the secondary market as at end April 2016. The Yield curve is flatter at the longer end due to limited trading in the secondary market.

Table 12 : Yields on selected Treasury Bonds as at end April, 2016

Tenure	Rate (%)
2 YR	12.46
5 YR	13.92
10 YR	14.24
15 YR	14.29
20 YR	14.32
25 YR	14.33

Source: Nairobi Securities Exchange (NSE)

Yields on selected Treasury Bonds as at end April, 2016



Source: Nairobi Securities Exchange (NSE)

## NET PUBLICLY GUARANTEED EXTERNAL DEBT BY COUNTRY (IN KSHS MILLIONS)

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	end March 2016	Stock at end April 2016	Change
AUSTRIA	1051.85	1050.11	(1.74)
BELGIUM	6706.38	7802.47	1,096.09
CANADA	830.68	829.10	(1.58)
DENMARK	1646.82	1604.50	(42.32)
FINLAND	47.34	283.71	236.37
FRANCE	61437.47	60,771.53	(665.94)
GERMANY	22508.62	23,621.39	1,112.77
ITALY	892.54	634.08	(258.46)
JAPAN	41,152.37	42,998.92	1,846.55
NETHERLANDS	1771.61	2,108.06	336.45
UK	1218.31	1,236.86	18.55
USA	4054.43	4,052.48	(1.95)
PARIS CLUB OTHERS	9,992.65	14775.35	4,782.70
NON PARIS CLUB	325571.7	325,854.94	(3,458.42)
o/w CHINA	318331.52	314,873.10	9,130.81
<b>Sub total</b>	<b>478882.75</b>	<b>488013.56</b>	<b>(3,458.42)</b>
<b>MULTILATERAL</b>			
ADB/AFDB	175,552.15	173307.92	(2,244.23)
EEC/EIB	21,521.78	21744.61	222.83
IDA	457,927.73	465770.66	7,842.93
IFAD	12,235.62	12316.18	80.56
IMF	85,648.17	86001.76	353.59
OTHERS	9,203.92	9248.83	44.91
<b>Sub total</b>	<b>762,089.37</b>	<b>768389.96</b>	<b>6,300.59</b>
COMMERCIAL BANKS	360,174.78	361841.86	1,667.08
O/W International Sovereign Bond	278,668.23	278138.58	(529.65)
SUPPLIERS CREDIT	16,358.50	8565.77	(7,792.73)
Sub Total	1,617,505.40	1626811.15	9,305.75
<b>GUARANTEED DEBT</b>			
JAPAN	43,512.61	46082.77	2,570.16
USA	0	0	
GERMANY	0	8329.58	8,329.58
IDA (KR Concessionaire)	4,560.01	4045.65	(514.36)
<b>Sub Total</b>	<b>48,072.62</b>	<b>58458.01</b>	<b>10,385.39</b>
<b>GOK+ GUARANTEED TOTAL</b>	<b>1,665,578,035.05</b>	<b>1685269.16</b>	<b>19,691.12</b>

Source: National Treasury  
GDP Ksh 6,444.0 billion



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