

THE NATIONAL TREASURY



MONTHLY DEBT BULLETIN DECEMBER 2017

1.1 Introduction

As at end [December] 2017, public and publicly guaranteed debt stood at Kshs [4.6] trillion [USD 44.26] billion or [53.8] percent of GDP. Domestic debt stood at Kshs [2.2] trillion [USD 21.5] billion while the External debt stock stood at Kshs [2.3] trillion [USD 22.8] billion. Domestic debt as a percentage of GDP stood at 25.7 percent whereas External debt stood at 27.1 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 debt is denominated are USD, Euro, Sterling Pound and Yen. Movements in exchange rates have implications on both the size of the external debt and the cost of debt service. The USD moved from [103.25] to [103.23] against the Kenya Shilling while the Euro moved from [122.42] to [123.28]. This was a [0.02] percent decrease and a [0.7] percent [increase] for USD and EURO

respectively. The Sterling Pound moved from [138.38] to [138.75] while the Japanese Yen moved from [92.4] to [91.5] against the Kenya Shilling. This translated to a [0.3] percent increase and [0.9] percent decline.

1.3 Size of Public and Publicly Guaranteed External Debt

Overall public and publicly guaranteed external debt decreased by Kshs [7.9] billion from Kshs [2,357.2] billion in [November] 2017 to Kshs [2,349.3] billion in [December] 2017. Debt owed to bilateral creditors decreased from Kshs [792.49] billion to Kshs [782.59] billion while Multilateral credit [increased] from Kshs [839.76] billion to Kshs [841.85] billion. Guaranteed debt decreased from Kshs [138.24] billion to Kshs [128.59] billion whereas Commercial debt marginally remained stable at Kshs [707.76] billion.

1.4 Currency composition of external debt

The proportion of debt denominated in USD stood at [67.7] percent, followed by Euro which accounts for [16.5] percent. The Yuan, Japanese Yen and Sterling Pound accounted for [6.5] percent and [6.1] percent and 2.9 per cent respectively. Other currencies accounted for a paltry [0.29] percent.

1.5 Projected Cumulative External Debt Service

Projected cumulative external debt service for the period to end [December] 2017 stood at Kshs [73.17] billion. Principal and interest projections for the month of [December] were Kshs [31.85] billion and Kshs [41.32] billion, respectively. Multilateral and bilateral creditors account for [30.04] percent and [17.81] percent of the projected debt service respectively.

1.6 Actual Cumulative External Debt Service

Actual cumulative debt service as at end [December] 2017 stood at [69.33] billion. Multilateral and bilateral creditors account for Kshs [15.97] billion and Kshs [33.18] billion of total debt service. Actual principal and interest payments stood at

Kshs [29.12] billion and Kshs [40.21] billion, respectively.

1.7 Government Domestic Borrowing

During the month of [] 2017, Government securities worth Kshs [126.0] billion were advertised. Bids worth Kshs [100.49] billion were received. About Kshs [75.21] billion and Kshs [25.28] billion worth were Treasury Bills and Treasury Bonds respectively. Successful bids amounted to Kshs [81.94] billion against the months redemptions of Kshs [87.42] billion. The net borrowing for the month resulted in a [deficit] of Kshs [5.48] billion.

1.8 Domestic Debt by Instruments

As at end [December] 2017, [65.8] percent of Government domestic debt was held in Treasury Bonds, [30.8] percent in Treasury Bills while the remainder was held as Government overdraft at the Central Bank of Kenya.

1.9 Net Domestic Financing

The Net Domestic Financing for the FY 2017/18 was Kshs [244.79] billion. As at end [December] 2017, the net domestic financing stood at Kshs [183.56] billion.

1.10 Cumulative Domestic Interest Payments

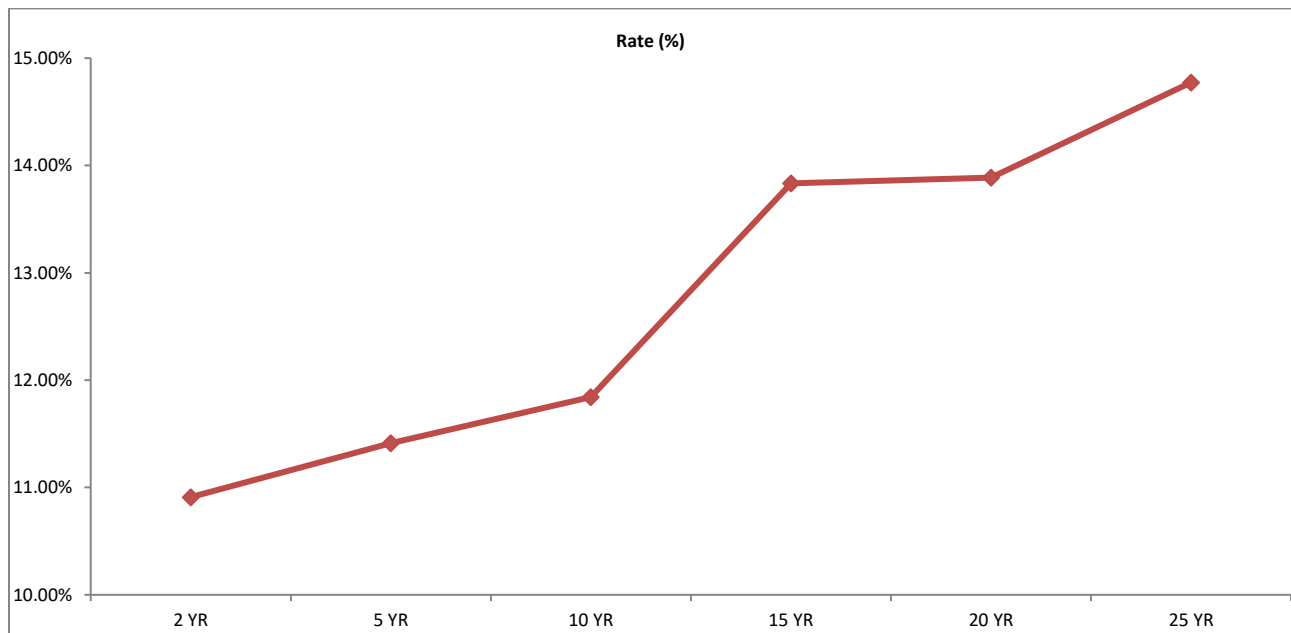
During the financial year 2017/18, the Government is projected to pay Kshs [215.24] billion as interest on domestic debt. The actual interest

payment as at [December] 2017, stood at Kshs [114.63] billion. Actual interest payments on Treasury Bonds and Treasury Bills was Kshs [79.96] billion and Kshs [33.52] billion, respectively.

1.11 Average Interest rates for Treasury Bills

The December average interest rates for both the 91-day and 182-day Treasury Bills were 8.01 percent and 10.58 percent per annum respectively. This was a rise by 1 bps and 5 bps for the 91-day and 182 days Treasury bills respectively from the previous month. The 364-day Treasury bills stood at an average of 11.13 percent per annum in December 2017. The secondary market yields for Government bonds is 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 November 2017	Stock at end December 2017	Change
Central Government			
AUSTRIA	530.67	452.122	(78.55)
BELGIUM	10,379.53	10,329.63	(49.90)
CANADA	535.93	419.892	(116.04)
DENMARK	1,269.14	1,240.32	(28.82)
FINLAND	1,667.32	1,667.39	0.07
FRANCE	64,697.61	64,264.03	(433.58)
GERMANY	26,048.71	25,800.11	(248.60)
ITALY	122.59	123.444	0.85
JAPAN	48,103.18	46,343.63	(1,759.56)
NETHERLANDS	1,229.27	1,138.81	(90.46)
UK	665.9	484.685	(181.22)
USA	3,170.68	3,019.06	(151.62)
PARIS CLUB OTHERS	27,497.33	28,913.84	1,416.51
NON PARIS CLUB	550,423.27	551,871.00	1,447.73
o/w CHINA	535,499.01	537,049.89	1,550.88
Sub total	736,341.13	736,067.96	(273.17)
MULTILATERAL			-
ADB/AFDB	204,609.49	204,778.02	168.53
EEC/EIB	20,454.81	20,394.03	(60.78)
IDA	511,605.40	515,741.98	4,136.58
IFAD	14,506.49	14,501.30	(5.18)
IMF	75,592.79	73,483.95	(2,108.84)
OTHERS	8,344.10	8,301.96	(42.13)
Sub total	835,113.06	837,201.24	2,088.18
COMMERCIAL BANKS	630,441.62	630,340.01	(101.60)
O/W International Sovereign Bond	283,946.58	283,887.18	(59.40)
SUPPLIERS CREDIT	17,089.88	17,086.31	(3.58)
Sub Total	2,218,985.69	2,220,695.52	1,709.82
GUARANTEED DEBT			-
JAPAN	47,933.04	38,803.28	(9,129.76)
GERMANY	8,221.36	7,716.42	(504.94)
IDA (KR Concessionaire)	4646.398	4,645.43	(0.97)
Kenya Airways(commercial debt)	77439.975	77,423.78	(16.20)
Sub Total	138,240.78	128,588.90	(9,651.87)
GOK+ GUARANTEED TOTAL	2,357,226.47	2,349,284.42	(7,942.05)

Source: National Treasury