



THE NATIONAL TREASURY & ECONOMIC PLANNING

MONTHLY DEBT BULLETIN

DECEMBER 2022

I.1 Introduction

The total nominal public and publicly guaranteed debt stock as at end of December 2022 was Kshs. 9,145.98 billion (63.0 percent of GDP¹). Domestic debt stock was Kshs. 4,472.84 billion (30.8 percent of GDP), equivalent to USD² 36.25 billion, while the external debt stock was Kshs. 4,673.14 billion (32.2 percent of GDP), equivalent to USD 37.88 billion. Domestic and external debt stock accounted for 48.9 percent and 51.1 percent of total debt stock, respectively.

I.2 Movement in Exchange Rates

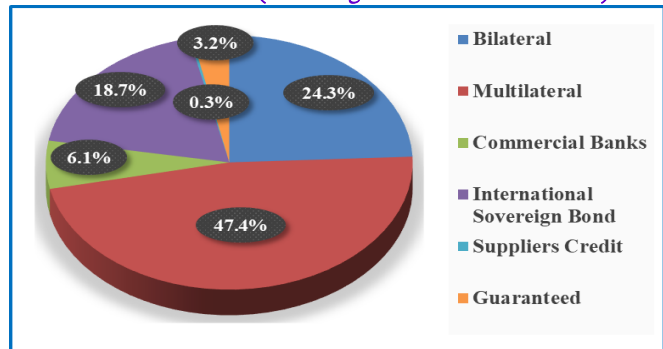
Kenya's public and publicly guaranteed debt is denominated in five major currencies, namely the USD, Euro, Yen, Yuan and Sterling Pound. During the month, the Kenya shilling depreciated against the USD, Euro, Yen, Yuan and Sterling Pound by 0.8 percent, 3.3 percent, 4.4 percent, 3.4 percent, and 0.9 percent respectively. The base³ exchange rate for the aforementioned five currencies, was Kshs. 122.44, Kshs. 127.13, Kshs. 88.41, Kshs. 17.14 and Kshs. 147.21 respectively.

I.3 Size of Public and Publicly Guaranteed External Debt

Overall, the National Government's external debt stock increased by Kshs. 210.25 billion from Kshs 4,462.89 billion in November 2022 to Kshs. 4,673.14 billion in December 2022. This was attributed to disbursements made during the month and the exchange rate depreciation. Debt owed to bilateral creditors increased by Kshs 21.25 billion from Kshs. 1,113.21 billion to Kshs. 1,134.46 billion while multilateral debt increased by Kshs. 180.61 billion from Kshs. 2,033.14 billion to Kshs. 2,213.76 billion. Commercial debt increased by Kshs. 4.85 billion from Kshs. 1,169.00 billion to Kshs.

1,173.85 billion during the same period. Publicly guaranteed external debt marginally increased by 3.54 billion, from Kshs. 147.53 in November 2022 to Kshs. 151.08 billion in December 2022.

Chart I: External Debt Composition by Creditor Category as at end of December 2022 (Percentage of Total External Debt)



Source: National Treasury

I.4 Movement of Domestic Debt

The domestic debt stock increased by Kshs. 49.47 billion from Kshs. 4,435.57 billion in November 2022 to Kshs. 4,472.84 billion in December 2022. Treasury bills decreased by Kshs. 16.17 billion from, Kshs. 687.68 billion in November 2022 to Kshs. 671.51 billion in December 2022, while the treasury bonds increased by Kshs. 36.82 billion from Ksh 3673.80 billion in November 2022 to Ksh 3,710.62 in December 2022. Others (tax reserve, Government overdraft at the Central Bank of Kenya and bank advances) reduced by Kshs. 16.62 billion from Kshs. 74.09 billion in November 2022 to Kshs. 90.71 billion in December 2022.

I.5 Currency composition of external debt

The proportion of external debt denominated in USD, Euro, Yen, Yuan and Sterling Pound 68.1 percent, 19.8 percent, 4.2 percent, 5.4 percent and 2.4 percent

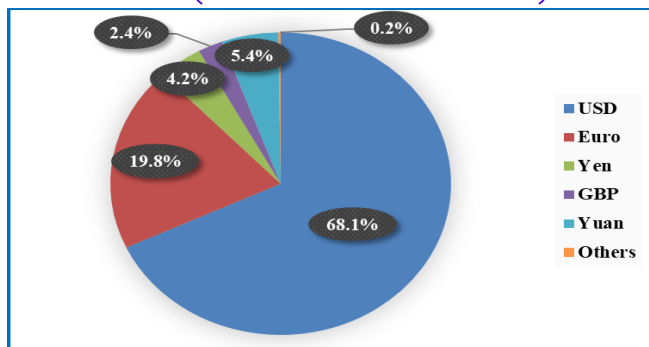
¹ Kshs. 14,521.62 billion

² Kshs to USD 123.37

³ End November 2022 is the base month for all parameters

respectively. Other currencies⁴ accounted for 0.2 percent of total external debt (Chart 2). The Government is keen on currency diversification with an aim of mitigating the exchange rate risk on external debt.

Chart 2: External Debt by Currency Composition as at end December 2022 (Percent of Total External Debt)



Source: National Treasury

1.6 Actual Cumulative External Debt Service

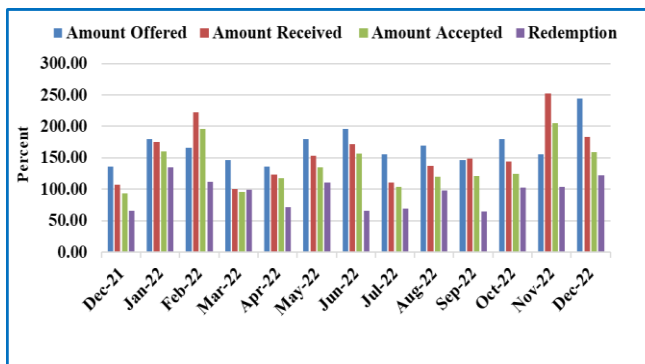
The actual cumulative external debt service as at end December 2022 was Kshs. 181.38 billion. External debt service during the month of December 2022 was Kshs. 24.10 billion, comprising principal and interest payments of Kshs. 12.63 billion and Kshs. 11.47 billion respectively. Debt service to commercial creditors accounted for 42.43 percent of the total cumulative debt service while bilateral and multilateral creditors accounted for 39.41 percent and 18.16 percent, respectively.

1.7 Domestic Borrowing

During the month of December 2022, Government securities amounting to Kshs. 243.80 billion were advertised. Bids worth Kshs. 183.42 billion were received, comprising of Kshs. 89.06 billion and Kshs. 94.36 billion in form of Treasury bills and bonds respectively. Bids worth Kshs. 158.92 billion were successful, out of which Kshs. 69.98 billion and Kshs. 88.94 billion were Treasury bills and bonds respectively. The monthly redemptions amounted to Kshs. 122.75 out of which Kshs. 76.74 billion and Kshs. 46.02 billion were Treasury bills and bonds respectively (Chart 3). In

aggregate, the exchequer had a surplus of Kshs. 36.16 billion during the month.

Chart 3: Government Securities Performance from December 2021 to December 2022 in Kshs. Billions

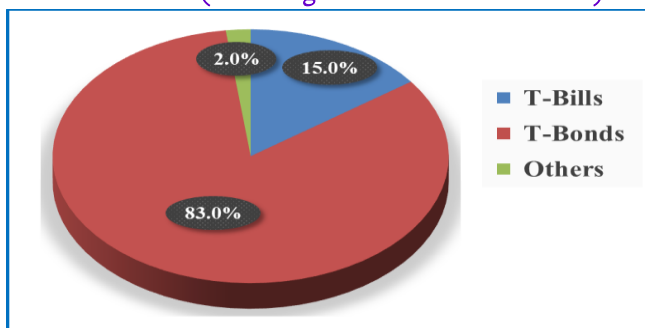


Source: National Treasury

1.8 Domestic Debt by Instruments

As at the end of December 2022, the ratio of bonds to bills was 83:15. The Government overdraft at the Central Bank of Kenya, Tax Reserve Certificates and bank advances accounts for 2.0 percent of domestic debt during the same period. (Chart 4).

Chart 4: Stock of Domestic debt instruments as at the end of December 2022 (Percentage of Total Domestic Debt)



Source: National Treasury

1.9 Net Domestic Financing

The net domestic financing as at end of December 2022 was Kshs. 121.81 billion against an annual target of Kshs. 581.73 billion for FY 2022/23.

⁴ Other currencies include Danish Kroner, African Unit of Account, Kuwait Dinar, Korean won, Indian Rupee, Canadian Dollar, Saudi Riyal, Swedish Kroner and Emirati Dirham

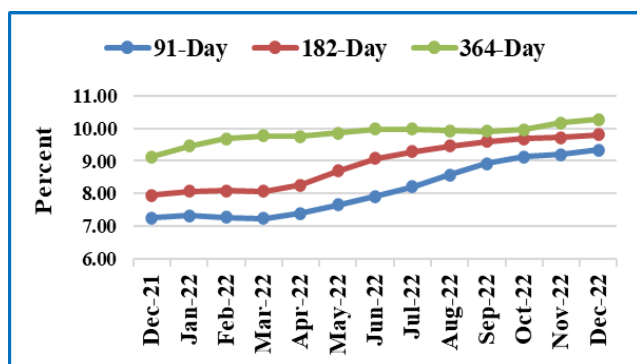
I.10 Cumulative Domestic Interest Payments

As at end of December 2022, the actual cumulative domestic interest payment amounted to Kshs. 251.56 billion. Interest payments for Treasury bonds and bills in the month of December amounted to Kshs. 29.03 billion and Kshs. 3.63 billion, respectively. The interest payment on the overdraft was Kshs. 0.49 billion.

I.11 Average Interest rates for Treasury Bills

On average, there was a marginal change in interest rate for Treasury bills during the month. The average interest rates for 91-day, 182-day, and 364-day Treasury bills increased to 9.33 percent, 9.80 percent and 10.27 percent in December, 2022 from 9.19 percent, 9.71 percent and 10.17 percent in November 2022, respectively as shown in Chart 5.

Chart 5: Average Interest rates for Treasury Bills from December 2021 to December 2022



Source: National Treasury

The average interest rates for the 91-day, 182-day and 364-day Treasury bills increased by 14, 9 and 10 basis points, respectively.

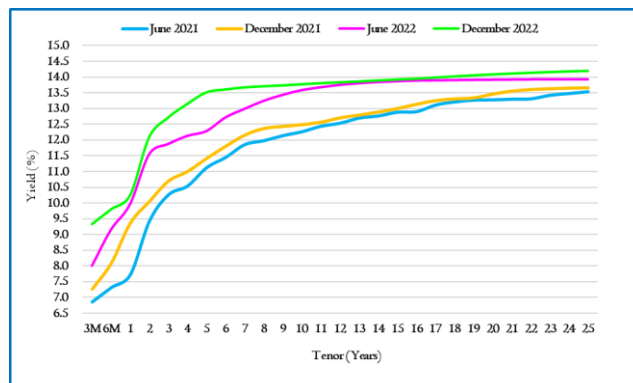
I.12 Government Securities Yields

The interest rates have been on the rise both in the international capital markets and domestic market following monetary policy tightening by the Central Banks both in the advanced and developing economies to contain inflationary pressures.

The 91 Day Treasury bill interest rates has increased from 6.9 percent at end June 2021 to 9.3 percent as at

end December 2022 (a 247 basis points increase) as shown in Chart 6.

Chart 6: Government Securities Yield Curve



Source: Nairobi Stock Exchange

I.13 Average Time to Maturity for Treasury Bonds

The Average Time to Maturity (ATM) for Treasury Bonds during the month of December 2022 was 9.1 years.

I.14 Sovereign Credit Rating

Kenya was assigned a B sovereign credit rating by Standard & Poor's (S&P) and Fitch in 2006, and 2007, respectively. It was assigned a B+, equivalent of B1 rating by Moody's in 2012, which was the only rating agency to upgrade Kenya's sovereign rating to B2 in 2018. The sovereign credit ratings for Kenya have been relatively stable, currently standing at B with a stable outlook by S&P and Fitch and B2 with a negative outlook by Moody's (Annex I). The variations in the credit rating scores of the three agencies shows the influence of subjectivity and the perceptions generated in the qualitative analysis.

In order for Kenya to graduate to investment grade (BBB-) and attract cheaper debt from global markets, there is need for: actualizing the long planned fiscal consolidation; improvement of export sector performance and expand foreign reserves accumulation; promotion of economic growth to boost GDP per Capita; and improve on food production, access and affordability in order to lower and stabilize the Consumer Price Index (CPI) and Real Effective Exchange Rate (REER), among others.

ANNEX I: KENYA'S CREDIT RATING

| Agency | Rating | Outlook | Date |
|--------------------|--------|--------------|-------------|
| Fitch | B | Stable | Dec 14 2022 |
| Standard and Poors | B | Stable | Aug 25 2022 |
| Standard and Poors | B | Stable | Mar 05 2021 |
| Standard and Poors | B+ | Negative | Jul 14 2020 |
| Fitch | B+ | Negative | Jun 19 2020 |
| Moody's | B2 | Negative | May 07 2020 |
| Moody's | B2 | Stable | Feb 13 2018 |
| Fitch Rating | B+ | Stable | Feb 09 2018 |
| Moody's | BI | Under Review | Oct 02 2017 |
| Standard and Poors | B+ | Stable | Oct 14 2016 |
| Standard and Poors | B+ | Negative | Oct 16 2015 |
| Fitch Rating | B+ | Negative | Jul 17 2015 |
| Moody's | BI | Stable | Nov 08 2012 |
| Standard and Poors | B+ | Stable | Nov 19 2010 |
| Fitch Rating | B+ | Stable | Jan 16 2009 |
| Standard and Poors | B | Positive | Aug 04 2008 |
| Standard and Poors | B | Stable | Mar 10 2008 |
| Standard and Poors | B | Negative | Feb 04 2008 |
| Fitch Rating | B+ | Negative | Jan 30 2008 |
| Fitch Rating | B+ | Stable | Dec 12 2007 |
| Standard and Poors | B+ | Stable | Sep 08 2006 |

ANNEX II: STOCK OF PUBLIC AND PUBLICLY GUARANTEED EXTERNAL DEBT BY SOURCE AS AT THE END OF DECEMBER 2022 IN KSHS MILLIONS

| CREDITOR | Stock at the End November 2022 | Stock at the End December 2022 | CHANGE |
|--|--------------------------------|--------------------------------|-------------------|
| BILATERAL | | | |
| BELGIUM | 14,304.40 | 14,549.65 | 245.25 |
| AUSTRIA | 1,684.86 | 1,704.50 | 19.64 |
| DENMARK | 415.76 | 430.74 | 14.98 |
| FINLAND | 755.20 | 779.79 | 24.60 |
| FRANCE | 89,932.13 | 94,262.36 | 4,330.23 |
| GERMANY | 37,888.23 | 38,161.42 | 273.18 |
| ITALY | 39,886.38 | 41,184.83 | 1,298.45 |
| JAPAN | 90,934.02 | 93,124.09 | 2,190.07 |
| USA | 1,201.58 | 1,186.15 | (15.43) |
| SPAIN | 14,309.45 | 14,769.74 | 460.28 |
| Other PARIS CLUB | 2,514.44 | 2,533.46 | 19.02 |
| Other NON -PARIS CLUB | 20,989.44 | 21,272.98 | 283.54 |
| CHINA | 798,396.14 | 810,505.12 | 12,108.98 |
| Sub Total | 1,113,212.04 | 1,134,464.82 | 21,252.79 |
| MULTILATERAL | | | |
| ADB/ADF | 410,707.71 | 430,684.69 | 19,976.98 |
| EEC/EIB | 20,441.44 | 21,081.63 | 640.19 |
| IDA | 1,254,275.93 | 1,291,732.87 | 37,456.94 |
| IFAD | 26,862.38 | 27,387.98 | 525.60 |
| IMF | 238,591.35 | 359,670.75 | 121,079.40 |
| Others | 82,265.54 | 83,198.04 | 932.50 |
| Sub Total | 2,033,144.34 | 2,213,755.96 | 180,611.61 |
| COMMERCIAL | | | |
| Commercial Bank | 287,120.60 | 285,072.68 | (2,047.91) |
| International Sovereign Bond | 869,374.41 | 875,951.85 | 6,577.44 |
| Suppliers Credit | 12,507.63 | 12,823.79 | 316.16 |
| Sub Total | 1,169,002.64 | 1,173,848.33 | 4,845.69 |
| Total Central Government | 4,315,359.02 | 4,522,069.11 | 206,710.09 |
| GUARANTEED | | | |
| JAPAN | 65,055.44 | 67,864.15 | 2,808.71 |
| GERMANY | 4,410.36 | 4,554.00 | 143.64 |
| Kenya Airways (Commercial Debt) | 78,066.24 | 78,656.86 | 590.63 |
| Sub Total | 147,532.04 | 151,075.02 | 3,542.98 |
| CENTRAL GOVERNMENT+ GUARANTEED TOTAL DEBT | 4,462,891.06 | 4,673,144.13 | 210,253.07 |

Source: National Treasury

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