



# THE NATIONAL TREASURY MONTHLY DEBT BULLETIN OCTOBER 2022

## I.1 Introduction

The total nominal public and publicly guaranteed debt stock as at end of October 2022 was Kshs. 8,745.66 billion (62.3 percent of GDP<sup>1</sup>). Domestic debt stock was Kshs. 4,386.09 billion (31.2 percent of GDP), equivalent to USD<sup>2</sup> 36.15 billion, while the external debt stock was Kshs. 4,359.67 billion (31.1 percent of GDP), equivalent to USD 35.93 billion. Domestic and external debt stock accounted for 50.2 percent and 49.8 percent of total debt stock, respectively.

## I.2 Movement in Exchange Rates

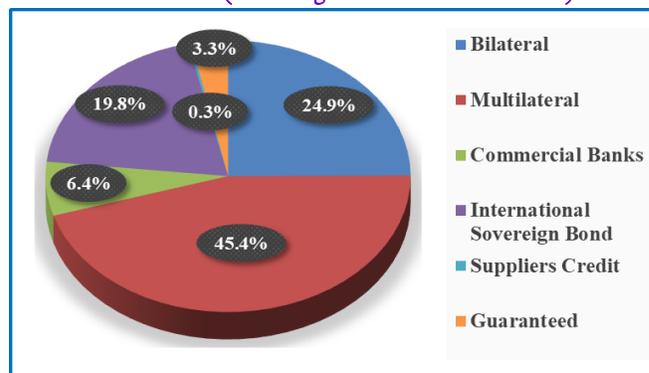
Kenya's public and publicly guaranteed debt is denominated in five major currencies, namely the USD, Euro, Yen, Yuan and Sterling Pound. During the month, the Kenya shilling depreciated marginally against the US dollar, Euro and Sterling Pound by 0.5 percent, 3.4 percent and 7.4 percent, respectively. However, against the Japanese Yen and Chinese Yuan, the Shilling appreciated by 1.5 percent and 1.1 percent respectively. The base<sup>3</sup> exchange rate for the aforementioned five currencies, notably the USD, Euro, Yen, Yuan and Sterling Pound was Kshs. 121.73, Kshs. 117.13, Kshs. 83.48, Kshs. 16.92 and Kshs. 130.66 respectively.

## I.3 Size of Public and Publicly Guaranteed External Debt

Overall, the National Government's external debt stock increased by Kshs. 24.78 billion from Kshs. 4,334.79 billion in September 2022 to Kshs. 4,359.57 billion in October 2022. This was attributed to disbursements made during the month and the exchange rate depreciation. Debt owed to bilateral creditors increased by Kshs. 6.82 billion from Kshs.

1,078.96 billion to Kshs. 1,085.78 billion while multilateral debt increased by Kshs. 20.75 billion from Kshs. 1,957.90 billion to Kshs. 1,978.65 billion. Commercial debt decreased by Kshs. 2.40 billion from Kshs. 1,155.47 billion to Kshs. 1,153.06 billion during the same period. This is consistent with the 2022 Medium-Term Debt Management Strategy, whose objective is to optimize concessional borrowing and reduce commercial borrowing. Publicly guaranteed external debt marginally decreased by 0.38 billion, from Kshs. 142.47 in September 2022 to Kshs. 142.08 billion in October 2022.

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



Source: National Treasury

## I.4 Currency composition of external debt

The proportion of external debt denominated in USD, Euro, Yen, Yuan and Sterling Pound was 69.3 percent, 18.8 percent, 4.1 percent, 5.3 percent and 2.3 percent respectively. Other currencies<sup>4</sup> accounted for 0.2 percent of total external debt (Chart 2). The Government is currently exercising currency diversification with an aim of mitigating the exchange rate risk on external debt.

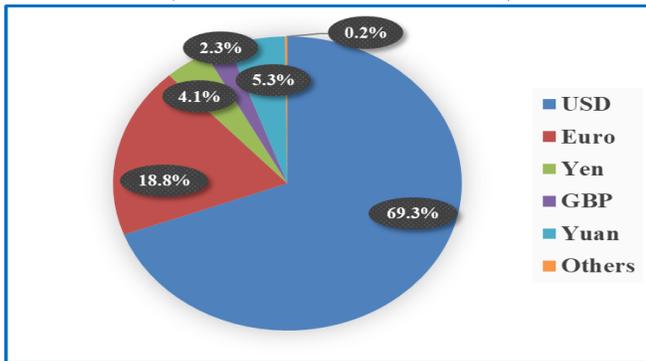
<sup>1</sup> Kshs. 14,038.43 billion

<sup>2</sup> Kshs to USD 121.33

<sup>3</sup> End September 2022 is the base month for all parameters

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

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



Source: National Treasury

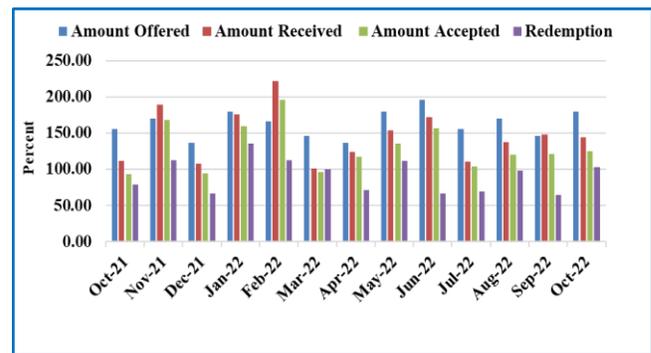
### 1.5 Actual Cumulative External Debt Service

The actual cumulative external debt service as at end October 2022 was Kshs. 121.98 billion. External debt service during the month of October 2022 was Kshs. 18.95 billion, comprising principal and interest payments of Kshs. 15.23 billion and Kshs. 3.72 billion respectively. Debt service to bilateral creditors accounted for 48.1 percent of the total cumulative debt service while commercial and multilateral creditors accounted for 35.8 percent and 16.1 percent, respectively.

### 1.6 Domestic Borrowing

During the month of October 2022, Government securities amounting to Kshs. 180.00 billion were advertised. Bids worth Kshs. 143.91 billion were received, comprising of Kshs. 110.22 billion and Kshs. 33.69 billion Treasury bills and bonds respectively. Bids worth Kshs. 124.77 billion were successful, out of which Kshs. 94.23 billion and Kshs. 30.54 billion were Treasury bills and bonds respectively. The monthly redemptions amounted to Kshs. 103.20 billion from Treasury bills (Chart 3). In aggregate, the exchequer had a surplus of Kshs. 21.57 billion during the month.

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

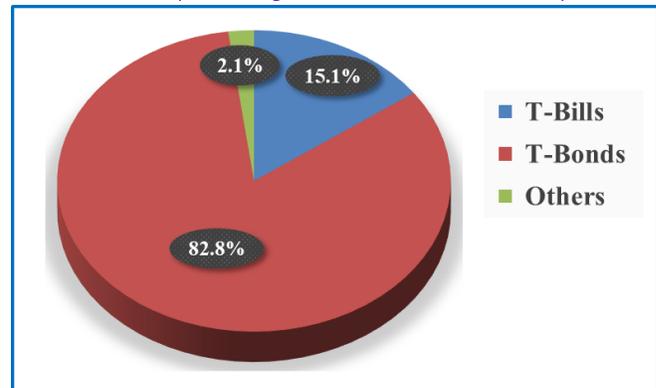


Source: National Treasury

### 1.7 Domestic Debt by Instruments

As at the end of October 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 accounted for 2.1 percent of domestic debt during the same period. (Chart 4).

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



Source: National Treasury

### 1.8 Net Domestic Financing

The net domestic financing as at end of October 2022 was Kshs. 116.02 billion against an annual target of Kshs. 581.73 billion for FY 2022/23.

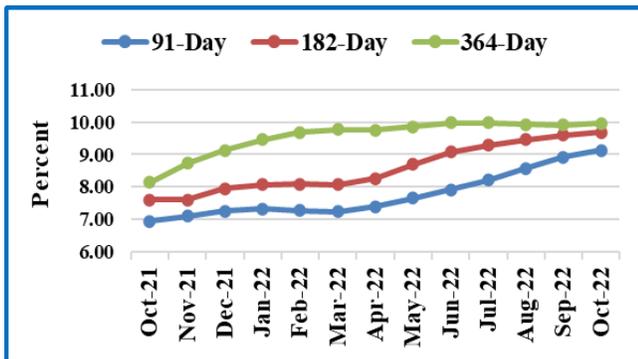
### I.9 Cumulative Domestic Interest Payments

As at end of October 2022, the actual cumulative domestic interest payment amounted to Kshs. 159.15 billion. Interest payments for Treasury bonds and bills in the month of October, amounted to Kshs. 40.32 billion and Kshs. 3.97 billion, respectively. The interest payment on the overdraft was Kshs. 0.05 billion.

### I.10 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, 364-day Treasury bills increased to 9.13 percent, 9.68 percent and 9.97 percent in October from 8.92 percent, 9.60 percent and 9.90 percent in September 2022, respectively as shown in Chart 5.

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



Source: National Treasury

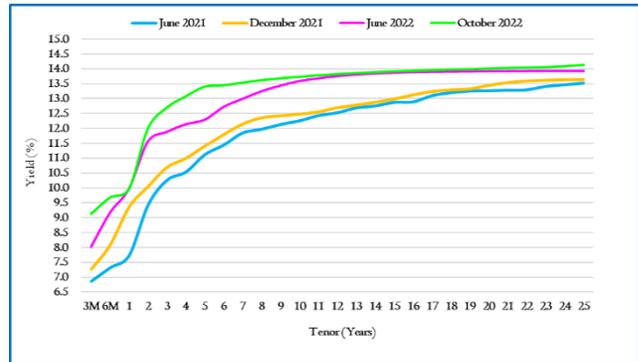
The average interest rates for the 91-day, 182-day and 364-day Treasury bills increased by 21, 8 and 7 basis points, respectively.

### I.11 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 9.1 percent as at end October 2022 (a 227 basis points increase) as shown in Chart 6.

Chart 6: Government Securities Yield Curve



Source: Nairobi Stock Exchange

### I.12 Average Time to Maturity for Treasury Bonds

The Average Time to Maturity (ATM) for Treasury Bonds during the month of October 2022 was 9.0 years.

### I.13 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 BI 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, B+ with a negative outlook and B2 with a negative outlook by S&P, Fitch and Moody's, respectively (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
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	B1	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	B1	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 OCTOBER 2022 IN KSHS MILLIONS**

CREDITOR	Stock at the End September 2022	Stock at the End October 2022	CHANGE
<b>BILATERAL</b>			
BELGIUM	13,279.89	13,644.64	364.75
AUSTRIA	1,552.44	1,604.91	52.46
DENMARK	385.42	396.54	11.12
FINLAND	695.85	719.36	23.52
FRANCE	84,084.50	86,577.69	2,493.20
GERMANY	34,800.49	35,986.81	1,186.31
ITALY	36,753.80	37,993.67	1,239.87
JAPAN	85,502.07	84,291.87	(1,210.20)
USA	1,184.75	1,190.64	5.89
SPAIN	12,805.06	13,335.25	530.19
Other PARIS CLUB	2,479.23	2,491.55	12.32
Other NON -PARIS CLUB	19,933.12	20,030.76	97.64
CHINA	785,499.60	787,511.81	2,012.21
Sub Total	<b>1,078,956.22</b>	<b>1,085,775.49</b>	<b>6,819.27</b>
<b>MULTILATERAL</b>			
ADB/ADF	392,888.22	398,185.15	5,296.93
EEC/EIB	18,854.60	19,472.46	617.86
IDA	1,207,797.10	1,220,310.60	12,513.50
IFAD	24,180.09	25,549.78	1,369.69
IMF	235,060.43	235,351.19	290.76
Others	79,118.50	79,777.91	659.41
Sub Total	<b>1,957,898.94</b>	<b>1,978,647.09</b>	<b>20,748.15</b>
<b>COMMERCIAL</b>			
Commercial Bank	286,508.53	279,550.31	(6,958.22)
International Sovereign Bond	857,200.04	861,460.04	4,260.00
Suppliers Credit	11,760.21	12,053.98	293.77
Sub Total	<b>1,155,468.78</b>	<b>1,153,064.33</b>	<b>(2,404.45)</b>
<b>Total Central Government</b>	<b>4,192,323.94</b>	<b>4,217,486.90</b>	<b>25,162.96</b>
<b>GUARANTEED</b>			
JAPAN	61,430.11	60,525.94	(904.16)
GERMANY	4,063.75	4,201.08	137.33
Kenya Airways (Commercial Debt)	76,973.03	77,355.56	382.53
Sub Total	<b>142,466.88</b>	<b>142,082.58</b>	<b>(384.30)</b>
<b>CENTRAL GOVERNMENT+ GUARANTEED TOTAL DEBT</b>	<b>4,334,790.82</b>	<b>4,359,569.49</b>	<b>24,778.66</b>

*Source: National Treasury*

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