



# THE NATIONAL TREASURY & ECONOMIC PLANNING

## MONTHLY PUBLIC DEBT BULLETIN

### JUNE 2023

#### I.1 Introduction

The total nominal public and publicly guaranteed debt stock as at end of June 2023 was Kshs. 10,278.67 billion (70.8 percent of GDP<sup>1</sup>). Domestic debt stock was Kshs. 4,832.11 billion (33.3 percent of GDP), equivalent to USD<sup>2</sup> 34.39 billion, while the external debt stock was Kshs. 5,446.56 billion (37.5 percent of GDP), equivalent to USD 38.76 billion. Domestic and external debt stock accounted for 47.1 percent and 52.9 percent of total debt stock, respectively.

#### I.2 Movement in Exchange Rates

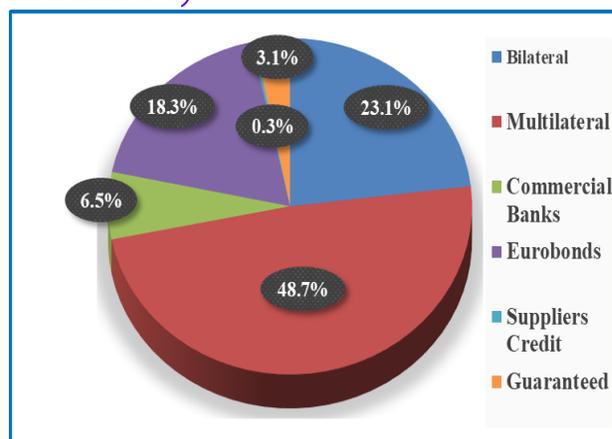
Kenya's public and publicly guaranteed debt is denominated in five major currencies, namely the USD, Euro, Yen, Yuan and Sterling Pound. During the month under review, the Kenya shilling depreciated against the USD, Euro, and Sterling Pound by 1.5 percent, 3.0 percent, 3.0 percent respectively. On the other hand, the Kenya Shilling appreciated against the Japanese Yen and Chinese Yuan by 2.0 percent and 0.9 percent respectively. The base<sup>3</sup> exchange rates for the aforementioned five currencies, notably the USD, Euro, Yen, Yuan and Sterling Pound were Kshs. 138.49, Kshs. 148.54, Kshs. 99.02, Kshs. 19.56 and Kshs. 172.12 respectively.

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

The National Government's external debt stock increased by Kshs. 309.40 billion from Kshs 5,137.16 billion in May 2023 to Kshs. 5,446.56

billion in June 2023. This was attributed to disbursements made during the month and the depreciation of the Kenya shilling against major currencies. Debt owed to bilateral creditors increased by Kshs 15.79 billion from Kshs. 1,241.71 billion to Kshs. 1,257.50 billion while multilateral debt increased by Kshs. 212.98 billion from Kshs. 2,441.95 billion to Kshs. 2,654.93 billion. Commercial debt increased by Kshs. 83.46 billion from Kshs. 1,280.44 billion to Kshs. 1,363.90 billion during the same period. Publicly guaranteed external debt marginally decreased by 2.83 billion from Kshs. 173.06 in May 2023 to Kshs. 170.23 billion in June 2023 on account of exchange rate movement against the Kenya shilling.

**Chart I: External Debt Composition by Creditor Category as at end of June 2023 (Percentage of Total External Debt)**



*Source: National Treasury*

#### I.4 Movement of Domestic Debt

The domestic debt stock increased by Kshs. 188.52 billion from Kshs. 4,643.60 billion in May 2023 to

<sup>1</sup> Kshs. 14,521.62 billion

<sup>2</sup> Kshs to USD 140.52

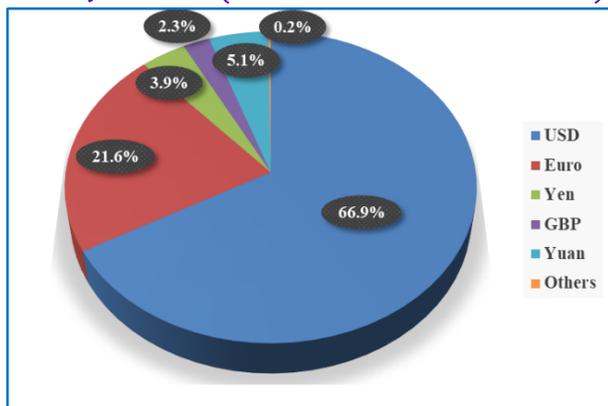
<sup>3</sup> End May 2023 is the base month for all parameters

Kshs. 4,832.11 billion in June 2023. The stock of Treasury bills decreased by Kshs. 9.03 billion from Kshs. 623.76 billion to Kshs. 614.73 billion whereas the stock of Treasury bonds increased by Kshs. 192.55 billion from Kshs 3,821.34 billion to Kshs 4,013.89 billion during the same period. Others including tax reserve, Government overdraft at the Central Bank of Kenya, bank advances and IMF SDR allocation increased by Kshs 5 billion from Kshs. 198.50 billion to Kshs 203.50 billion during the same period.

### 1.5 Currency composition of external debt

The proportion of external debt denominated in USD, Euro, Yen, Yuan and Sterling Pound was at 67.2 percent, 21.3 percent, 3.9 percent, 5.1 percent and 2.3 percent respectively. Other currencies<sup>4</sup> accounted for 0.2 percent of total external debt (See chart 2 below). The Government is currently exercising currency diversification with an aim of mitigating the exchange rate risks on external debt.

**Chart 2: External Debt by Currency Composition as at end June 2023 (Percent of Total External Debt)**



*Source: National Treasury*

### 1.6 Actual Cumulative External Debt Service

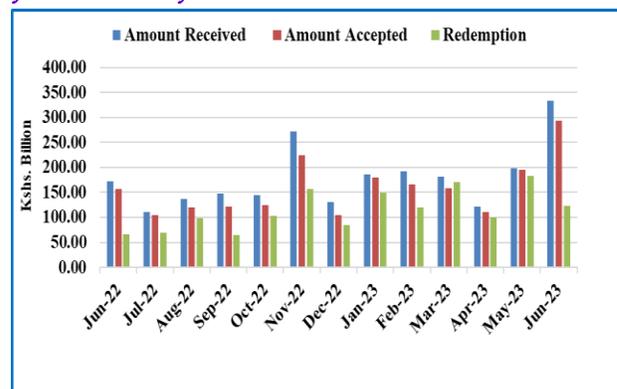
The actual cumulative external debt service as at end June 2023 was Kshs. 402.37 billion. External debt service during the month of June 2023 was Kshs. 31.44 billion, comprising principal and interest payments of Kshs. 15.60 billion and Kshs. 15.83

billion respectively. Debt service to bilateral creditors accounted for 37.8 percent of the total cumulative debt service while commercial, multilateral creditors and guarantees accounted for 40.2 percent, 19.0 percent and 3.0 percent, respectively.

### 1.7 Domestic Borrowing

During the month of June 2023, Government securities amounting to Kshs. 171.00 billion were advertised. Bids worth Kshs. 333.89 billion were received, comprising of Kshs. 94.62 billion and Kshs. 239.21 billion Treasury bills and bonds respectively. Bids worth Kshs. 293.55 billion were successful, out of which Kshs. 78.65 billion and Kshs. 214.90 billion were Treasury bills and bonds respectively. The monthly redemptions were Kshs. 123.32 comprising of Kshs. 85.97 billion, and Kshs. 37.35 of Treasury bills and bonds respectively. (Chart 3). In aggregate, the exchequer had a surplus of Kshs. 170.23 billion during the month.

**Chart 3: Government Securities Performance from June 2022 to June 2023 in Kshs. Billions**



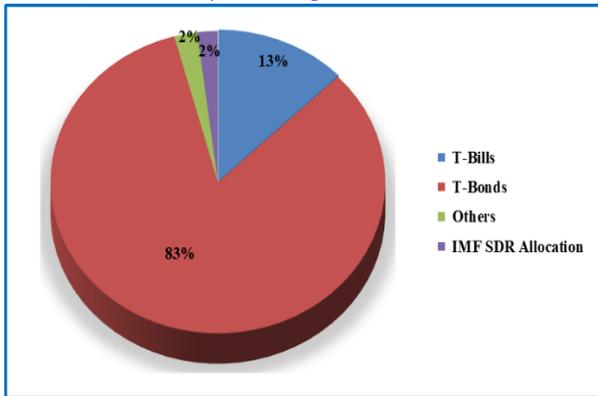
*Source: National Treasury*

### 1.8 Domestic Debt by Instruments

As at the end of June 2023, the ratio of bonds to bills was 83:13. The Government overdraft at the Central Bank of Kenya, Tax Reserve Certificates and bank advances accounted for 2 percent. The IMF SDR Allocation accounted for the remaining 2 percent of domestic debt during the same period (Chart 4).

<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 4: Stock of Domestic debt instruments as at the end of June 2023 (Percentage of Total Domestic Debt)**



*Source: National Treasury*

### I.9 Net Domestic Financing

The net domestic borrowing as at end of June 2023 was Kshs. 437.53 billion against an annual target of Kshs. 478.15 billion for FY 2022/23.

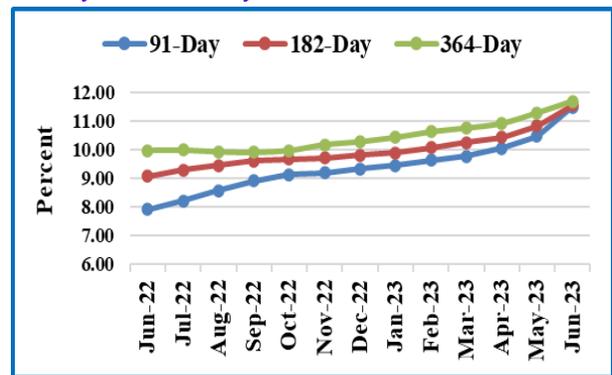
### I.10 Cumulative Domestic Interest Payments

As at end of June 2023, the actual cumulative domestic interest payment amounted to Kshs. 533.10 billion against a cumulative target of 537.38 billion. Interest payments for Treasury bonds and Treasury bills in the month of June amounted to Kshs. 35.56 billion and Kshs. 5.85 billion, respectively. The interest payment on the overdraft was Kshs. 0.63 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 11.49 percent, 11.54 percent and 11.69 percent in June 2023 from 10.47 percent, 10.83 percent and 11.28 percent in May 2023, respectively as shown in Chart 5.

**Chart 5: Average Interest rates for Treasury Bills from June 2022 to June 2023**



*Source: National Treasury*

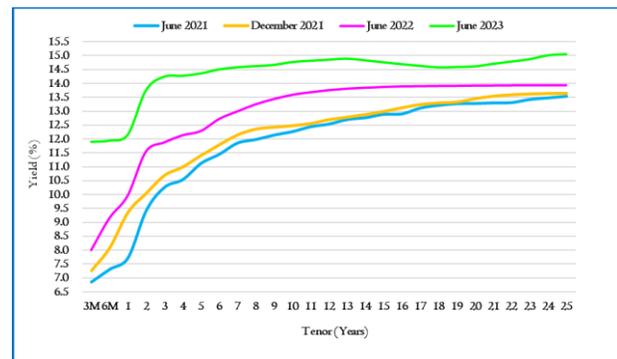
The average interest rates for the 91-day, 182-day and 364-day Treasury bills increased by 102, 71 and 41 basis points, respectively.

### 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 11.9 percent as at end June 2023 (a 504 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 June 2023 was 8.6 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 BI rating by Moody's in 2012, which was the only rating agency to upgrade Kenya's sovereign rating to B2 in 2018. S&P has however cut Kenya's ratings outlook from stable to negative while Fitch credited Kenya a B with a negative outlook. Moody's assigned a B3 with a negative outlook (**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
Moody's	B3	Negative	July 28 2023
Fitch	B	Negative	July 20 2023
Standard and Poors	B	Negative	Feb 28 2023
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	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

Source: National Treasury

### ANNEX II: STOCK OF PUBLIC AND PUBLICLY GUARANTEED EXTERNAL DEBT BY SOURCE AS AT THE END OF JUNE 2023 IN KSHS MILLIONS

CREDITOR	Stock at the End May 2023	Stock at the End June 2023	CHANGE
<b>BILATERAL</b>			
BELGIUM	25,069.78	25,596.95	527.17
AUSTRIA	1,915.74	1,931.92	16.18
DENMARK	419.59	431.48	11.89
FINLAND	705.95	727.04	21.10
FRANCE	105,517.11	109,722.16	4,205.05
GERMANY	44,498.64	44,749.38	250.74
ITALY	46,898.08	48,298.33	1,400.25
JAPAN	103,645.01	99,116.85	(4,528.16)
USA	1,209.28	1,198.68	(10.60)
SPAIN	15,911.74	16,016.88	105.14
Other PARIS CLUB	2,437.63	2,473.40	35.77
Other NON -PARIS CLUB	23,609.92	24,692.76	1,082.84
CHINA	869,870.51	882,541.68	12,671.18
<b>Sub Total</b>	<b>1,241,708.98</b>	<b>1,257,497.52</b>	<b>15,788.54</b>
<b>MULTILATERAL</b>			
ADB/ADF	496,274.87	517,899.51	21,624.64
EEC/EIB	27,174.25	29,162.80	1,988.55
IDA	1,462,726.62	1,573,647.90	110,921.28
IFAD	30,840.66	31,811.60	970.93
IMF	330,165.65	335,592.95	5,427.30
Others	94,771.49	166,819.50	72,048.01
<b>Sub Total</b>	<b>2,441,953.55</b>	<b>2,654,934.26</b>	<b>212,980.71</b>
<b>COMMERCIAL</b>			
Commercial Bank	282,672.50	351,335.14	68,662.64
International Sovereign Bond	983,287.52	997,716.85	14,429.33
Suppliers Credit	14,478.29	14,848.21	369.92
<b>Sub Total</b>	<b>1,280,438.31</b>	<b>1,363,900.20</b>	<b>83,461.89</b>
<b>Total Central Government</b>	<b>4,964,100.83</b>	<b>5,276,331.98</b>	<b>312,231.14</b>
<b>GUARANTEED</b>			
JAPAN	87,311.88	79,490.52	(7,821.36)
GERMANY	5,153.41	2,514.57	(2,638.83)
Kenya Airways (Commercial Debt)	80,596.47	88,223.87	7,627.40
<b>Sub Total</b>	<b>173,061.75</b>	<b>170,228.96</b>	<b>(2,832.79)</b>
<b>CENTRAL GOVERNMENT+ GUARANTEED TOTAL DEBT</b>	<b>5,137,162.59</b>	<b>5,446,560.94</b>	<b>309,398.35</b>

Source: National Treasury

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