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THE NATIONAL TREASURY AND PLANNING

Quarterly Economic and Budgetary Review

Fourth Quarter, Financial Year 2022/2023
Period Ending 30th June, 2023

August 2023 Edition



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ACKNOWLEDGEMENT

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LIST OF ABBREVIATIONS AND ACRONYMS

| | |
|--------|---|
| ADB | African Development Bank |
| ADF | Asian Development Fund |
| A-I-A | Appropriation-in-Aid |
| AMISOM | African Union Mission in Somalia |
| ARUD | Agriculture, Rural and Urban Development |
| BAEA | Arab Bank for Economic Development of Africa |
| CBK | Central Bank of Kenya |
| CBR | Central Bank Rate |
| CF | Contingency Fund |
| CFS | Consolidated Fund Services |
| EAPC | East African Portland Cement |
| EBUs | Extra Budgetary Units |
| EEC | European Economic Community |
| EIB | European Investment Bank |
| EI&ICT | Energy, Infrastructure and Information Communication Technology |
| EPW&NR | Environment Protection, Water and Natural Resources |
| ES | Equitable Share |
| DANIDA | Danish International Development Agency |
| FPE | Free Primary Education |
| FSE | Free Secondary Education |
| FY | Financial Year |
| GDP | Gross Domestic Product |
| GECA | General Economic and Commercial Affairs |
| GFSM | Government Finance Statistics Manual |
| GJLO | Governance, Justice, Law and Order |
| GOP | Gross Operating Balance |
| ICT | Information, Communication and Technology |
| IDA | International Development Association |
| IDF | Import Declaration Fee |
| IFAD | International Fund for Agricultural Development |
| IMF | International Monetary Fund |
| KNBS | Kenya National Bureau of Statistics |

| | |
|-------|---|
| KSh. | Kenya Shillings |
| MDAs | Ministries, Departments and Agencies |
| Mn | Million |
| NDA | Net Domestic Assets |
| NDF | Nordic Development Fund |
| NFA | Net Foreign Assets/Non-Financial Assets |
| NIS | National Intelligence Service |
| NLB | Net Lending/ Borrowing |
| NOB | Net Operating Balance |
| NSE | Nairobi Securities Exchange |
| O & M | Operation and Maintenance |
| OPEC | Oil Producing and Exporting Countries |
| PAIR | Public Administration and International Affairs |
| PAYE | Pay as You Earn |
| PDL | Petroleum Development Levy |
| QEBR | Quarterly Economic and Budgetary Review |
| RDL | Railway Development Levy |
| RML | Road Maintenance Levy |
| SAGAS | Semi-Autonomous Government Agencies |
| SC | State Corporations |
| SGR | Standard Gauge Railway |
| SOEs | State Owned Enterprises |
| SPC&R | Social Protection, Culture and Recreation |
| TARDA | Tana River Development Authority |
| UK | United Kingdom |
| US\$ | United States Dollar |
| VAT | Value Added Tax |
| O/W | Of Which |

LEGAL BASIS FOR THE QUARTERLY ECONOMIC AND BUDGETARY REVIEW REPORTS

The Quarterly Economic and Budgetary Review Report is Published in accordance with Section 83 of the Public Finance Management Act, 2012. It states as follows:

83. (1) An accounting officer for a national government entity shall prepare a report for each quarter of the financial year in respect of the entity.

(2) In preparing a quarterly report for a national government entity, the accounting officer shall ensure that the report—

(a) Contains information on the financial and non-financial performance of the entity; and

(b) Is in a form that complies with the standards prescribed and published by the Accounting Standards Board from time to time.

(3) Not later than fifteen days after the end of each quarter, the accounting officer shall submit the quarterly report to the Cabinet Secretary responsible for the entity and the National Treasury.

(4) The Cabinet Secretary responsible for an entity shall forward a copy of the report to the Cabinet Secretary and Controller of Budget.

(5) **Not later than forty five days after the end of each quarter**, the National Treasury shall—

(a) consolidate the quarterly reports and submit them to the National Assembly and a copy of the reports to the Controller of Budget, Auditor General and the Commission on Revenue Allocation; and

(b) Publish and publicize the reports.

(6) In the case of an entity that is a state corporation, the accounting officer for the corporation shall submit the quarterly report to the Cabinet Secretary responsible for the corporation who shall, upon approving it, forward a copy to the Cabinet Secretary.

HIGHLIGHTS OF THE FOURTH QUARTERLY ECONOMIC AND BUDGETARY REVIEW REPORT IN THE 2022/23 FY

1. Economic growth

The economy remained resilient and expanded by 5.3 percent in the first quarter of 2023, compared to 6.2 percent in a similar quarter in 2022. The growth was mainly supported by a rebound of the agriculture sector and continued resilience of service sectors

2. Inflation rate

Year-on-year overall inflation rate inflation has been above the 7.5 percent upper bound target since June 2022. Inflation rate remained sticky at 7.9 percent in June 2023 same as in June 2022 driven by relatively higher food and fuel prices.

To anchor inflation expectations, the Central Bank tightened the monetary policy by raising the Central Bank Rate to 10.50 percent in June 2023 from 9.50 percent in March 2023.

3. Interest Rates

Short-term interest rates have remained relatively stable despite tight liquidity conditions. The interbank rate increased to 9.6 percent in June 2023 compared to 5.1 percent in June 2022 while the 91-day Treasury Bills rate was at 11.5 percent compared to 7.9 percent over the same period.

4. Money and Credit

Broad money supply, M3, grew by 13.4 percent in the year to June 2023 compared to a growth of 7.4 percent in the year to June 2022. This growth was mainly due to an increase in the Net Foreign Assets (NFA) of the banking system that more than offset the decline in growth of the Net Domestic Assets (NDA).

5. Current Account

The current account deficit improved to USD 4,629.4 million (4.6 percent of GDP) in June 2023 compared to USD 5,833.9 million (5.1 percent of GDP) in June 2022. The current account balance was supported by an improvement in the net merchandise account and the net secondary income balance despite a deterioration in the net primary income balance and net receipts on the services account.

6. Foreign Exchange Reserves

The official foreign exchange reserves held by the Central Bank stood at USD 8,036.7 million in June 2023 compared to USD 8,494.9 million in June 2022. This represented 4.4 months of import cover as compared to the 4.9 months of import cover, respectively and therefore provides adequate buffer against short term shocks in the foreign exchange market.

7. Capital Markets

Activity in the capital markets slowed down in June 2023 compared to June 2022. The NSE 20 Share Index declined to 1,575 points in June 2023 compared to 1,613 points in June 2022 while Market capitalization also declined to KSh 1,666 billion from KSh 1,939 billion over the same period.

8. Revenue Collection

The National Government's cumulative revenue collection including A-I-A for the period between July 2022-June 2023 amounted to KSh. 2,360.5 billion (16.3 percent of GDP) against a target of KSh. 2,478.6 billion. The revenue was below target mainly due to shortfalls recorded in collection of both ordinary revenue and ministerial appropriation-in-aid (A.I.A).

9. Expenditure and Net Lending

The total expenditure and net lending inclusive of transfers to County Governments for the period ending 30th June, 2023 amounted to KSh. 3,218.2 billion, against a target of KSh. 3,366.6 billion. The resultant under expenditure of KSh. 148.4 billion is mainly attributed to lower absorption recorded in both recurrent and development expenditures by the National Government.

10. Guaranteed Debt

The government serviced guaranteed debt on behalf of Kenya Airways (KQ) amounting to **Ksh 12.3 billion** during the period under review.

11. Fiscal Balance

The fiscal balance excluding grants (on a commitment basis) amounted to a deficit of KSh. 857.7 billion (5.9 percent of GDP), as at the end of June, 2023 as compared to a target of Ksh 887.9 billion (6.1 percent of GDP).

12. External Financing

The Net Foreign financing amounted to KSh. 310.8 billion (2.1 percent of the GDP) during the period ending 30th June, 2023.

13. Net Domestic Borrowing

Net domestic financing amounted to a net borrowing of KSh. 459.5 billion (3.2 percent of GDP) in the period ending 30th June, 2023.

14. Domestic Debt Stock

The stock of gross domestic debt increased by KSh. 503 billion from KSh. 4,329.1 billion in June 2022 to KSh. 4,832.1 billion in June, 2023.

15. External Debt Stock

The total external debt stock, including the International Sovereign Bond, stood at KSh. 36,983.3 billion by the end of June, 2023. The debt stock comprised of multilateral debt (51.0 percent), commercial debt (24.6 percent), bilateral debt (24.1 percent) and suppliers' credit (0.3 percent).

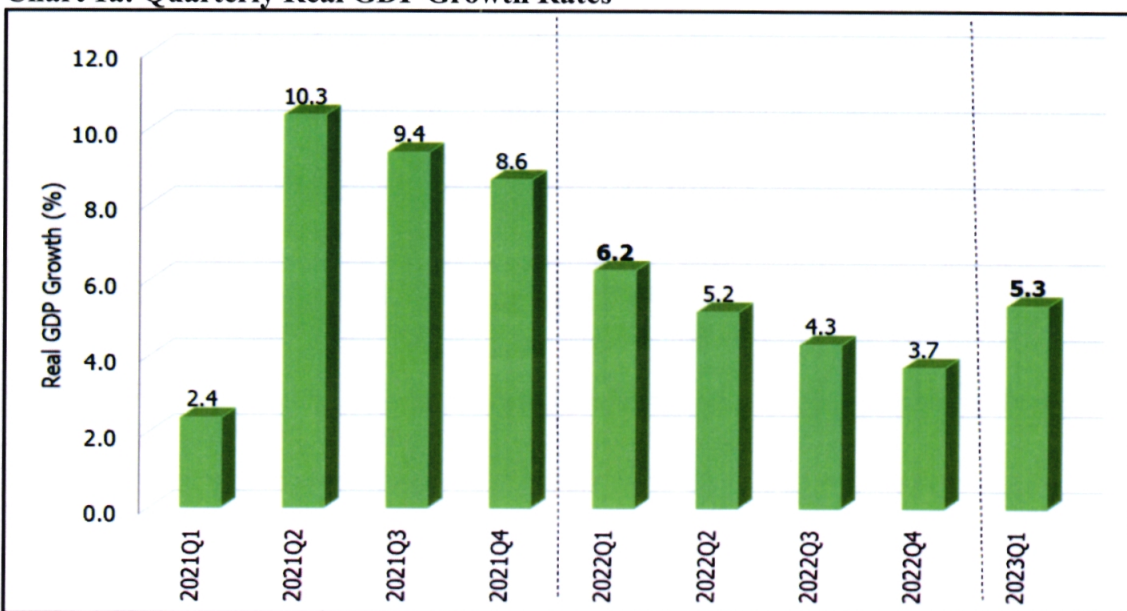
1.0 RECENT ECONOMIC DEVELOPMENTS

1.1 Economic Growth

1. The Kenyan economy slowed down to a growth of 4.8 percent in 2022 compared to a revised growth of 7.6 percent in 2021. The slowdown was due to the impact of climate change that led to drought affecting agricultural productivity which also contributed to a slowdown in growth in manufacturing and in wholesale and retail trade. The growth in 2022 was spread across all sectors of the economy but was more pronounced in service-oriented activities.

2. The economy remained resilient and expanded by 5.3 percent in the first quarter of 2023, compared to 6.2 percent in a similar quarter in 2022 (**Chart 1**). The growth was mainly supported by a rebound of the agriculture sector and continued resilience of service sectors. All economic sectors recorded positive growths, though the magnitudes varied across activities

Chart 1a: Quarterly Real GDP Growth Rates



Source of Data: Kenya National Bureau of Statistics

3. Activities in the agriculture, forestry and fishing sub-sector expanded by 5.8 percent in the first quarter of 2023 compared to a contraction of 1.7 percent in the first quarter of 2022 (**Table 1**). The significantly improved performance of the sector was attributable to favorable weather conditions that led to enhanced production, especially that of food crops. The performance was evident in the significant increase in export of vegetables and fruits recorded during the first quarter of 2023. However, the sector’s performance was somewhat curtailed by decline in milk deliveries to processors, production of tea, coffee and sugarcane.

Table 1: Sectoral GDP Growth rate (percent)

| Sectors | 2022 | | | | | 2023 |
|--|--------------|--------------|--------------|--------------|----------------|------------|
| | Q1 | Q2 | Q3 | Q4 | Annual (Q1-Q4) | Q1 |
| Primary Industry | (0.4) | (1.5) | (1.5) | (0.8) | (1.0) | 5.6 |
| Agriculture, Forestry and Fishing | (1.7) | (2.4) | (1.3) | (0.9) | (1.6) | 5.8 |
| Mining and Quarrying | 23.8 | 16.6 | (4.5) | 1.6 | 9.3 | 3.3 |
| Secondary Sector (Industry) | 4.4 | 4.2 | 3.0 | 2.5 | 3.5 | 2.4 |
| Manufacturing | 3.8 | 3.6 | 1.8 | 1.8 | 2.7 | 2.0 |
| Electricity and Water supply | 3.2 | 5.6 | 6.0 | 4.9 | 4.9 | 2.3 |
| Construction | 6.0 | 4.5 | 3.5 | 2.4 | 4.1 | 3.1 |
| Tertiary sector (Services) | 8.5 | 7.7 | 5.7 | 5.0 | 6.7 | 6.0 |
| Wholesale and Retail trade | 4.9 | 4.1 | 3.6 | 2.7 | 3.8 | 5.7 |
| Accommodation and Restaurant | 40.1 | 44.0 | 16.9 | 14.9 | 26.2 | 21.5 |
| Transport and Storage | 7.7 | 7.2 | 5.1 | 2.7 | 5.6 | 6.2 |
| Information and Communication | 9.0 | 11.2 | 11.8 | 8.0 | 9.9 | 8.7 |
| Financial and Insurance | 17.0 | 16.1 | 9.6 | 9.4 | 12.8 | 5.8 |
| Public Administration | 6.2 | 3.8 | 3.4 | 4.7 | 4.5 | 6.6 |
| Others | 6.7 | 5.5 | 4.7 | 4.2 | 5.2 | 4.9 |
| of which Professional, Admin & Support Services | 13.1 | 10.9 | 9.0 | 5.3 | 9.4 | 7.3 |
| Real Estate | 6.0 | 5.0 | 4.0 | 2.9 | 4.5 | 5.2 |
| Education | 4.6 | 4.4 | 3.9 | 6.1 | 4.8 | 3.6 |
| Health | 5.7 | 4.4 | 3.7 | 4.3 | 4.5 | 5.4 |
| Taxes less subsidies | 9.5 | 6.1 | 7.3 | 5.3 | 7.0 | 4.4 |
| Real GDP | 6.2 | 5.2 | 4.3 | 3.7 | 4.8 | 5.3 |

Source of Data: Kenya National Bureau of Statistics

4. The performance of the industry sector slowed down to a growth of 2.4 percent in the first quarter of 2023 compared to a growth of 4.4 percent in the first quarter of 2022. This was mainly on account of a slowdown in activities in the manufacturing; electricity and water supply; and construction sub-sectors.

5. Manufacturing sub-sector expanded by 2.0 percent in the first quarter of 2023 compared to a growth of 3.8 percent in a similar quarter in 2022. The growth was mainly supported by the manufacture of food products that included bakery products and processing and preservation of fish. In the non-food manufacturing the growth performance was supported by substantial growth in the manufacture of basic metals and fabricated metal products.

6. Electricity and Water Supply sub-sector expanded by 2.3 percent in the first quarter of 2023 compared to 3.2 percent growth registered in the first quarter of 2022. The growth in the sub-sector was supported by increased generation of electricity from renewable sources such as geothermal and wind that more than offset the decline in generation from hydroelectric sources. Activities of the construction sub-sector expanded by 3.1 percent in the first quarter of 2023 compared to a 6.0 percent growth in the first quarter of 2022. The slowdown in growth of the sector's performance in the first quarter of 2023 was mirrored in the decline of volume of cement consumption and imports of various construction materials such as bitumen and iron and steel.

7. The activities in the services sector remained strong in the first quarter of 2023 growing by 6.0 percent compared to a growth of 8.5 percent in a similar period in 2022. This

RECENT ECONOMIC DEVELOPMENTS

performance was largely characterized by significant growths in Accommodation and Food Service; Information and Communication Technology; Transportation and Storage; Financial and Insurance; and Wholesale and Retail Trade Sub-Sectors.

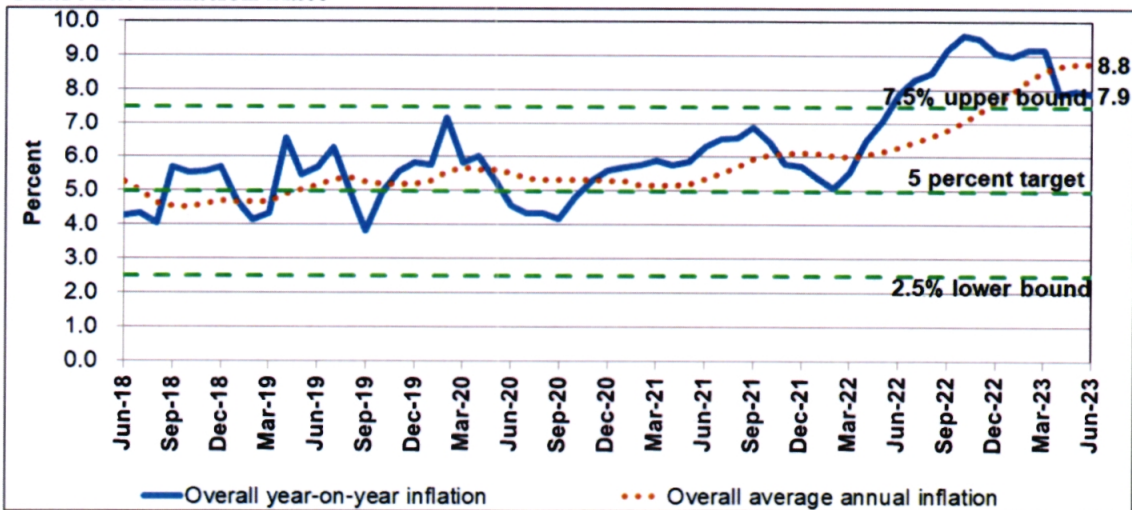
8. Accommodation and Food Service sub-sector is estimated to have expanded by 21.5 percent in the first quarter of 2023 compared to 40.1 percent growth recorded in the first quarter of 2022. Activities in the sub-sector have been growing steadily owing to dissipation of the effects of the COVID-19 pandemic that consequently led to improved economic environment in most tourist destinations. Transportation and Storage sub-sector grew by 6.2 percent in the first quarter of 2023 compared to a growth of 7.7 percent in a similar quarter in 2022. The growth was attributed to improved performance in most of the subsectors, especially transportation of passenger and freight through rail.

9. Information and communication sub-sector recorded a growth of 8.7 percent in the first quarter of 2023 compared to a growth of 9.0 percent in the first quarter of 2022. This growth was mainly supported by increase in mobile money transfers, domestic voice traffic, domestic Short Messaging Services (SMSs), and utilized international bandwidth. Financial and Insurance sub-sector grew by 5.8 percent in the first quarter of 2023 compared to 17.0 percent growth in the corresponding quarter of 2022

1.2 Inflation

10. Year-on-year overall inflation rate has been above the 7.5 percent upper bound of the policy target range since June 2022. Inflation rate remained sticky at 7.9 percent in June 2023 same as June 2022 driven by relatively higher food and fuel prices. Overall annual average inflation increased to 8.8 percent in June 2023 compared to 6.3 percent recorded in June 2022 (Chart 2a).

Chart 2a: Inflation Rate



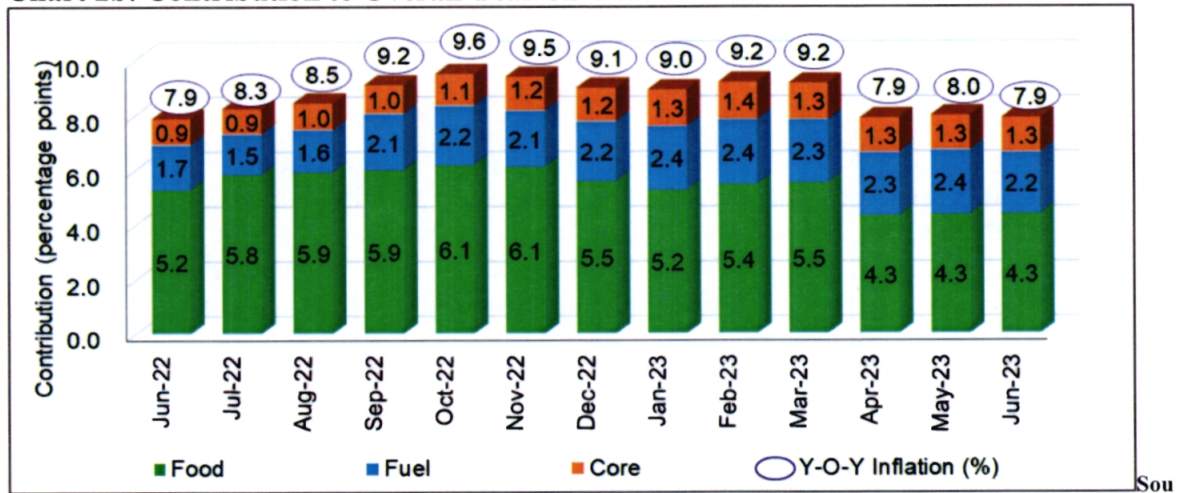
Source of Data: Kenya National Bureau of Statistics

11. Food inflation remained the main driver of overall year-on-year inflation in June 2023, contributing 4.3 percentage points, a decline, compared to a contribution of 5.2 percentage points in June 2022 (Chart 2b). The decrease was mainly attributed to favorable weather conditions that led to improved production of key food items. However, food inflation remained relatively higher reflecting high prices of select vegetables and sugar due to supply constraints.

RECENT ECONOMIC DEVELOPMENTS

12. Fuel inflation increased to contribute 2.2 percentage points to year-on-year overall inflation in June 2023 from a contribution of 1.7 percentage points in June 2022. This was mainly driven by the increase in electricity prices due to higher tariffs and increase in prices of kerosene/paraffin, diesel and petrol on account of relatively higher international oil prices. The gas/LPG prices declined during the period. The contribution of core (non-food non-fuel) inflation to year-on-year overall inflation has been low and stable, consistent with the muted demand pressures in the economy, supported by prudent monetary policy.

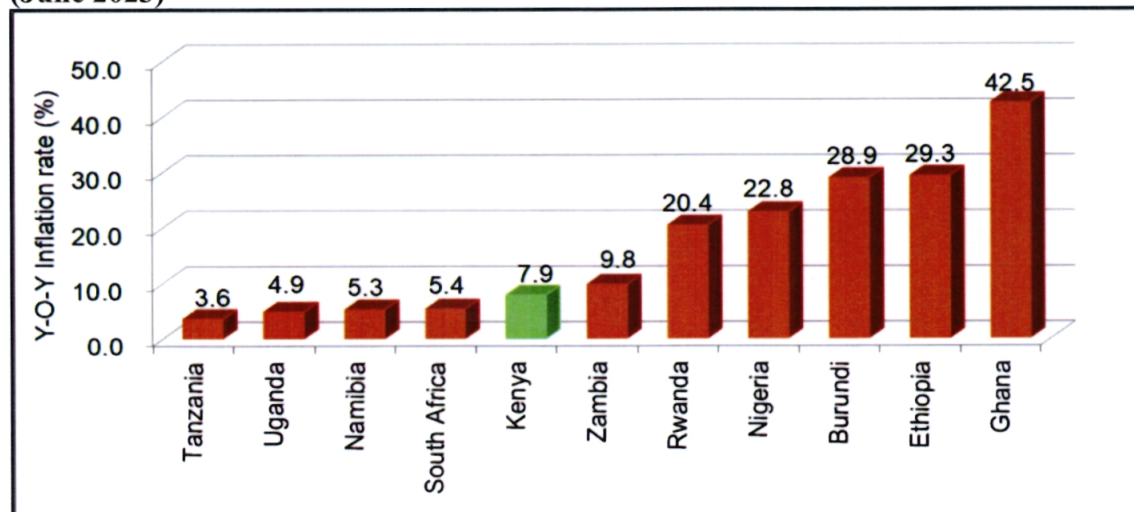
Chart 2b: Contribution to Overall Year-on-Year Inflation



Source of Data: Kenya National Bureau of Statistics

13. Inflation rate remains high in most Sub-Saharan African economies fueled by rising international food and energy prices as well as weaker currencies and natural disasters. Kenya’s inflation rate at 7.9 percent in June 2023 is much lower than that of majority countries in the Sub-Saharan African region that have double digits’ inflation (**Chart 2c**).

Chart 2c: Year on Year Inflation Rates of selected Sub-Saharan African Countries (June 2023)



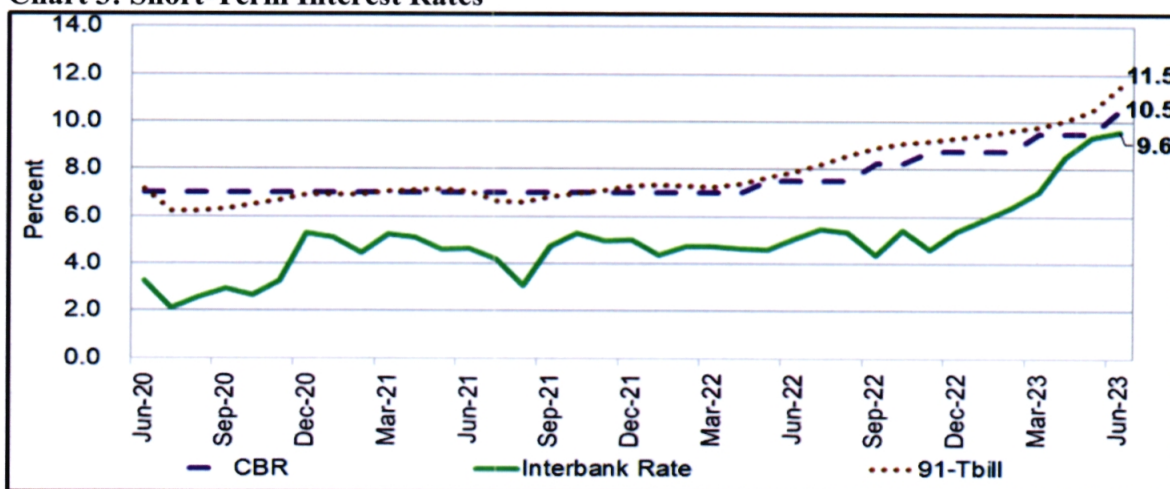
Source of Data: National Central Banks

1.3 Interest Rates

14. Monetary policy stance remains tight to anchor inflation expectations due to the sustained inflationary pressures, increased risks to the inflation outlook, the elevated global risks such as financial market volatility, and their potential impact on the domestic economy. In this regard, the Central Bank Rate was raised from 9.50 percent to 10.50 percent in June 2023 (**Chart 3**).

15. Short-term interest rates have remained relatively stable despite tight liquidity conditions. The interbank rate increased to 9.6 percent in June 2023 compared to 5.1 percent in June 2022 while the 91-day Treasury Bills rate was at 11.5 percent compared to 7.9 percent over the same period.

Chart 3: Short-Term Interest Rates



Source of Data: Central Bank of Kenya

16. Commercial banks average lending and deposit rates increased in the year to May 2023 in tandem with the tightening of the monetary policy stance. The average lending rate increased to 13.2 percent in May 2023 from 12.2 percent in May 2022 while the average deposit rate increased to 7.7 percent from 6.6 percent over the same period. Consequently, the average interest rate spread declined to 5.5 percent in May 2023 from 5.6 percent in May 2022.

1.4 Money and Credit

17. Broad money supply, M3, grew by 13.4 percent in the year to June 2023 compared to a growth of 7.4 percent in the year to June 2022 (**Table 2**). This growth was mainly due to an increase in the Net Foreign Assets (NFA) of the banking system that more than offset the decline in growth of the Net Domestic Assets (NDA). Net Foreign Assets (NFA) of the banking system in the year to June 2023 expanded by 29.5 percent compared to a contraction of 41.7 percent in the year to June 2022. The improvement reflected a decline in commercial bank borrowing from foreign sources despite a reduction in reserves at the Central Bank due to scheduled debt service.

18. Net Domestic Assets (NDA) registered a growth of 11.5 percent in the year to June 2023, compared to a growth of 18.8 percent over a similar period in 2022. The slowdown in

RECENT ECONOMIC DEVELOPMENTS

growth largely reflects reduced growth in net lending to government. Growth of domestic credit extended by the banking system to the Government declined to a growth of 13.0 percent in the year to June 2023 compared to a growth of 26.3 percent in the year to June 2022. Lending to other public sector reduced slightly, mainly due to a decline in advances to county governments and parastatals. The growth in NDA was mainly supported by resilient growth in credit to the private sector as business activities improved.

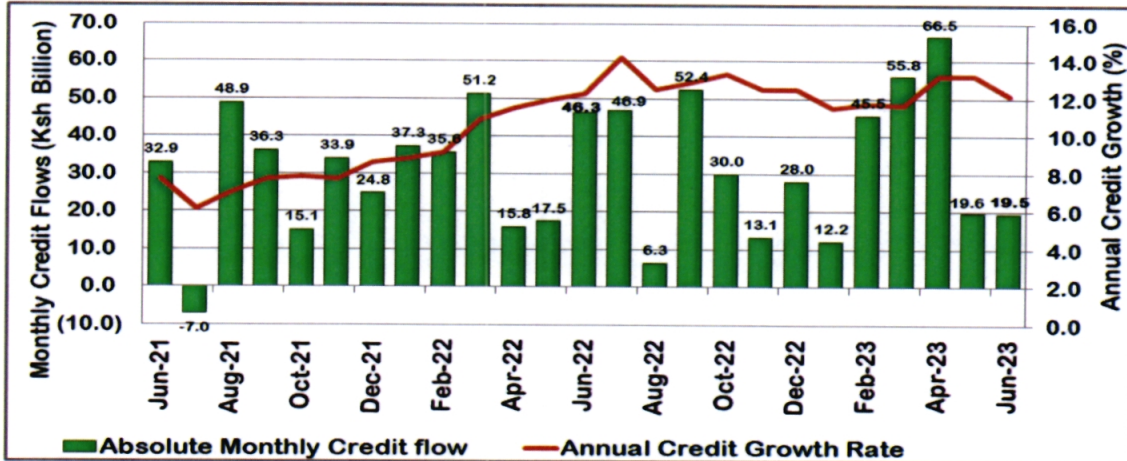
Table 2: Money and Credit Developments (12 Months to June 2023 KSh. Billion)

| | | | | Change | | Percent Change | |
|---|----------------|----------------|----------------|-------------------|-------------------|-------------------|-------------------|
| | 2021 June | 2022 June | 2023 June | 2021-2022 June | 2022-2023 June | 2021-2022 June | 2022-2023 June |
| COMPONENTS OF M3 | | | | | | | |
| 1. Money supply, M1 (1.1+1.2+1.3) | 1,779.2 | 1,906.8 | 2,098.2 | 127.6 | 191.4 | 7.2 | 10.0 |
| 1.1 currency outside banks (M0) | 225.9 | 251.4 | 257.9 | 25.5 | 6.5 | 11.3 | 2.6 |
| 1.2 Demand deposits | 1,409.9 | 1,552.0 | 1,680.7 | 142.1 | 128.7 | 10.1 | 8.3 |
| 1.3 Other deposits at CBK | 143.5 | 103.5 | 159.6 | (40.0) | 56.2 | (27.9) | 54.3 |
| 2. Money supply, M2 (1+2.1) | 3,377.5 | 3,551.5 | 3,852.2 | 174.0 | 300.7 | 5.2 | 8.5 |
| 2.1 Time and savings deposits | 1,598.2 | 1,644.7 | 1,754.0 | 46.4 | 109.3 | 2.9 | 6.6 |
| Money supply, M3 (2+3.1) | 4,137.8 | 4,443.0 | 5,037.4 | 305.2 | 594.4 | 7.4 | 13.4 |
| 3.1 Foreign currency deposits | 760.3 | 891.5 | 1,185.2 | 131.2 | 293.7 | 17.3 | 32.9 |
| SOURCES OF M3 | | | | | | | |
| 1. Net foreign assets (1.1+1.2) | 783.8 | 456.8 | 591.5 | (327.0) | 134.6 | (41.7) | 29.5 |
| 1.1 Central Bank | 835.8 | 641.5 | 616.9 | (194.3) | (24.6) | (23.2) | (3.8) |
| 1.2 Banking Institutions | (52.0) | (184.7) | (25.4) | (132.6) | 159.3 | 254.9 | 86.2 |
| 2. Net domestic assets (2.1+2.2) | 3,354.0 | 3,986.2 | 4,445.9 | 632.2 | 459.7 | 18.8 | 11.5 |
| 2.1 Domestic credit (2.1.1+2.1.2+2.1.3) | 4,445.8 | 5,185.8 | 5,820.2 | 740.0 | 634.4 | 16.6 | 12.2 |
| 2.1.1 Government (net) | 1,460.2 | 1,844.8 | 2,083.9 | 384.5 | 239.2 | 26.3 | 13.0 |
| 2.1.2 Other public sector | 84.4 | 84.1 | 83.7 | (0.3) | (0.4) | (0.4) | (0.5) |
| 2.1.3 Private sector | 2,901.1 | 3,256.9 | 3,652.6 | 355.7 | 395.7 | 12.3 | 12.2 |
| 2.2 Other assets net | (1,091.8) | (1,199.6) | (1,374.3) | (107.8) | (174.7) | (9.9) | (14.6) |

Source of Data: Central Bank of Kenya

19. Growth in private sector credit remained stable at 12.2 percent in the year to June 2023 compared to a growth of 12.3 percent in the year to June 2022 (**Chart 4**). Most of the economic sectors registered positive annual growth rates reflecting increased credit demand following improved economic activities. Strong credit growth was observed in various sub-sectors that include finance and insurance, mining, transport and communication, agriculture and manufacturing. However, there were fluctuations in the Monthly (month on month) credit flows to the private sector which amounted to Ksh 19.5 billion in June 2023 compared to Ksh 46.3 billion in June 2022.

Chart 4: Private Sector Credit

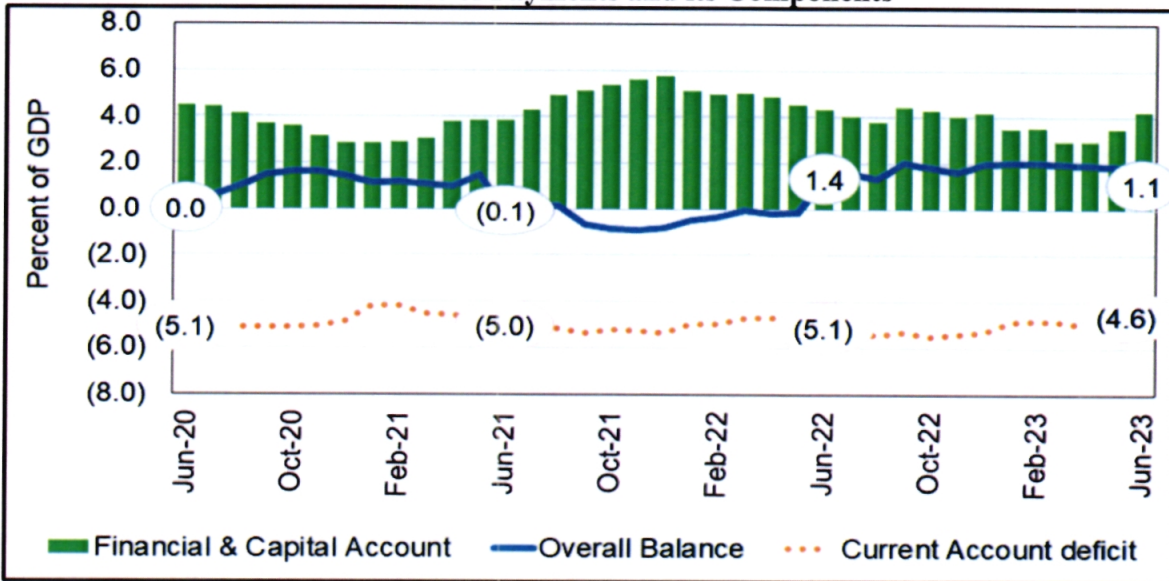


Source of Data: Central Bank of Kenya

1.5 Balance of Payments

20. The overall balance of payments position slowed down to a surplus of USD 1,113.5 million (1.1 percent of GDP) in June 2023 from a surplus of USD 1,555.5 million (1.4 percent of GDP) in June 2022 (Chart 5). This was mainly due to a decline in the financial account reflecting concerns about financial sector stability in the advanced economies in spite of an improvement in the current and capital accounts.

Chart 5: Performance of Balance of Payments and its Components



Source of Data: Central Bank of Kenya

21. The current account deficit improved to USD 4,629.4 million (4.6 percent of GDP) in June 2023 compared to USD 5,833.9 million (5.1 percent of GDP) in June 2022. The current account balance was supported by an improvement in the net merchandise account and the net secondary income balance despite a deterioration in the net primary income balance and net receipts on the services account.

RECENT ECONOMIC DEVELOPMENTS

22. The balance in the merchandise account improved by USD 1,316.3 million to a deficit of USD 10,678.0 million in June 2023 mainly due to an improvement in the export earnings and a decline in the import bill (**Table 3**). In the year to June 2023, exports grew by 2.1 percent primarily driven by improved receipts from tea and manufactured goods. The increase in receipts from tea exports reflects improved prices attributed to demand from traditional markets. On the other hand, imports declined by 6.1 percent in the 12 months to June 2023, reflecting lower imports of infrastructure related equipment due to completed projects. Oil prices have also continued to moderate since the fourth quarter of 2022.

23. Net receipts on the services account declined by USD 434.7 million to USD 1,049.7 million in June 2023 compared to a similar period in 2022. This was mainly on account of a decline in receipts from transport despite an increase in receipts from tourism as international travel continues to improve. Net Secondary income remained resilient and increased by USD 398.7 million during the review period owing to an increase in remittances which amounted to USD 4,017 million in the 12 months to June 2023, and were 0.1 percent higher compared to a similar period in 2022. However, the balance on the primary account widened by USD 75.7 million to a deficit of USD 1,789.4 million in the year to June 2023, compared to the same period last year, reflecting higher interest related payments on other investments.

Table 3: Balance of Payments (USD Million)

| | | | | Year to June 2023 | | Percent of GDP | |
|----------------------------------|------------------|-------------------|-------------------|-------------------|----------------|----------------|---------------|
| | Jun-21 | Jun-22 | Jun-23 | Change | Percent Change | Jun-22 | Jun-23 |
| Overall Balance | (59.8) | 1,555.5 | 1,113.5 | (442.0) | 28.4 | 1.4 | 1.1 |
| A) Current Account | (5,610.0) | (5,833.9) | (4,629.4) | 1,204.5 | 20.6 | (5.1) | (4.6) |
| <i>Merchandise Account (a-b)</i> | <i>(9,519.0)</i> | <i>(11,994.2)</i> | <i>(10,678.0)</i> | <i>1,316.3</i> | <i>11.0</i> | <i>(10.6)</i> | <i>(10.6)</i> |
| a) Goods: exports | 6,411.9 | 7,153.6 | 7,305.9 | 152.4 | 2.1 | 6.3 | 7.3 |
| b) Goods: imports | 15,930.9 | 19,147.8 | 17,983.9 | (1,163.9) | (6.1) | 16.9 | 17.9 |
| <i>Net Services (c-d)</i> | <i>352.1</i> | <i>1,484.4</i> | <i>1,049.7</i> | <i>(434.7)</i> | <i>(29.3)</i> | <i>1.3</i> | <i>1.0</i> |
| c) Services: credit | 3,916.4 | 6,135.6 | 6,181.3 | 45.7 | 0.7 | 5.4 | 6.2 |
| d) Services: debit | 3,564.3 | 4,651.2 | 5,131.6 | 480.4 | 10.3 | 4.1 | 5.1 |
| <i>Net Primary Income (e-f)</i> | <i>(1,833.7)</i> | <i>(1,713.7)</i> | <i>(1,789.4)</i> | <i>(75.7)</i> | <i>(4.4)</i> | <i>(1.5)</i> | <i>(1.8)</i> |
| e) Primary income: credit | 54.6 | 58.3 | 65.2 | 6.9 | 11.8 | 0.1 | 0.1 |
| f) Primary income: debit | 1,888.3 | 1,772.0 | 1,854.6 | 82.6 | 4.7 | 1.6 | 1.8 |
| <i>Net Secondary Income</i> | <i>5,390.6</i> | <i>6,389.7</i> | <i>6,788.3</i> | <i>398.7</i> | <i>6.2</i> | <i>5.6</i> | <i>6.8</i> |
| g) Secondary income: credit | 5,499.8 | 6,512.4 | 6,894.5 | 382.0 | 5.9 | 5.7 | 6.9 |
| h) Secondary income: debit | 109.2 | 122.8 | 106.2 | (16.6) | (13.5) | 0.1 | 0.1 |
| B) Capital Account | 205.6 | 161.6 | 189.7 | 28.1 | 17.4 | 0.1 | 0.2 |
| C) Financial Account | (4,069.5) | (4,746.6) | (4,061.5) | 685.1 | 14.4 | (4.2) | (4.0) |

Source of Data: Central Bank of Kenya

24. The capital account balance improved by USD 28.1 million to register a surplus of USD 189.7 million in June 2023 compared to a surplus of USD 161.6 million in the same period in 2022. Net financial inflows slowed down but remained vibrant at USD 4,061.5 million in June 2023 compared to USD 4,746.6 million in June 2022. The net financial

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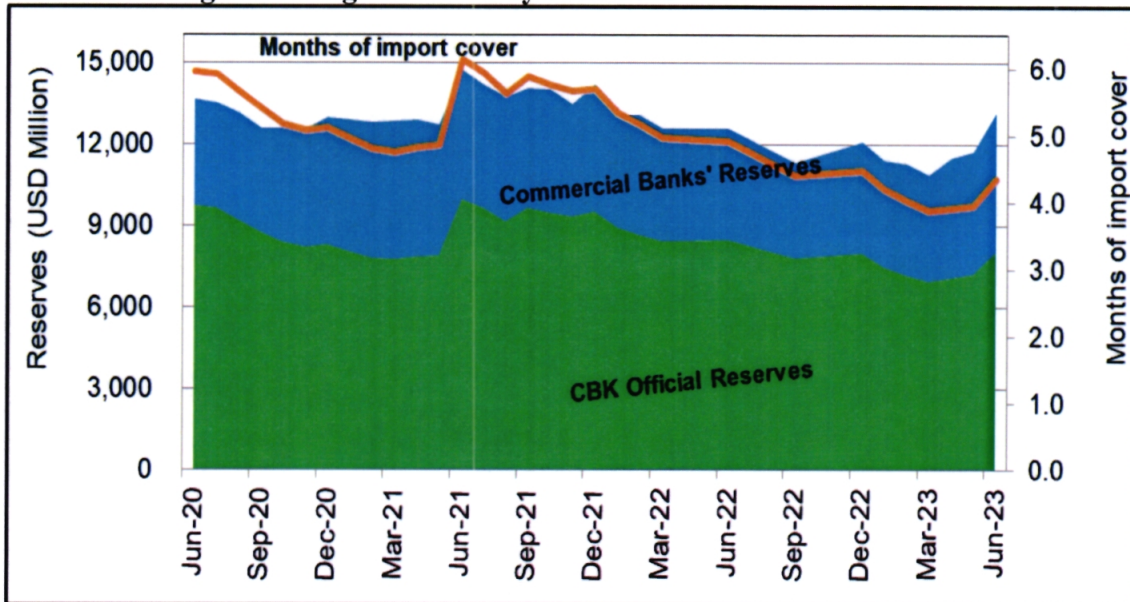
inflows were mainly in the form of other investments, financial derivatives and direct investments. Portfolio investments registered a net outflow during the period.

1.6 Foreign Exchange Reserves

25. The banking system’s foreign exchange holdings remained strong at USD 13,165.6 million in June 2023 an improvement from USD 12,580.6 million in June 2022. The official foreign exchange reserves held by the Central Bank stood at USD 8,036.7 million compared to USD 8,494.9 million over the same period (Chart 6). Commercial banks holdings improved to USD 5,128.8 million in June 2023 from USD 4,085.6 million in June 2022.

26. The official reserves held by the Central Bank in June 2023 represented 4.4 months of import cover as compared to the 4.9 months of import cover in June 2022. It, however, fulfilled the requirement to maintain it at a minimum of 4.0 months of imports cover to provide adequate buffer against short-term shocks in the foreign exchange market.

Chart 6: Foreign Exchange Reserves by June 2023

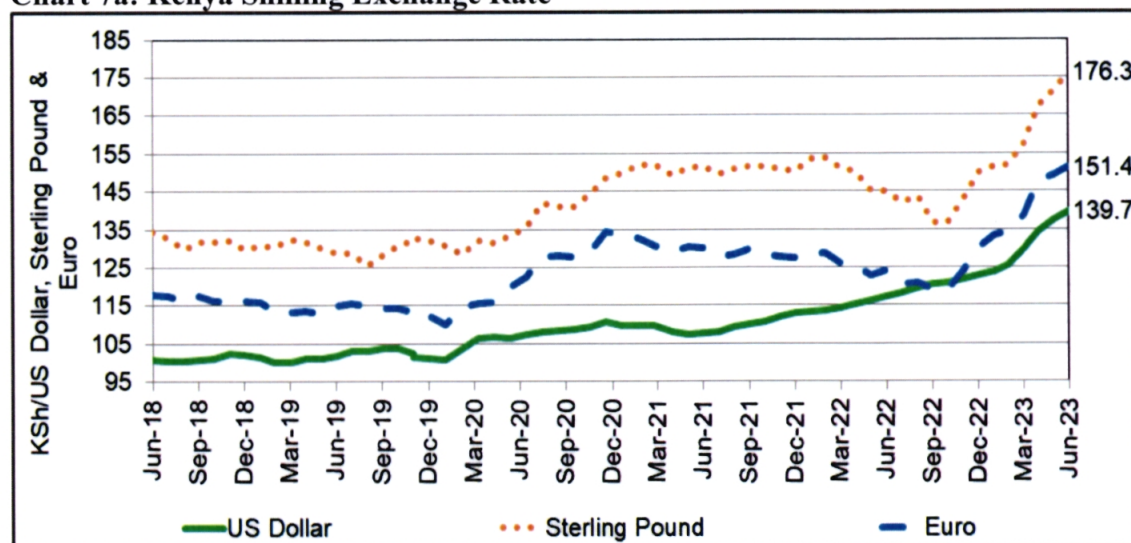


Source of Data: Central Bank of Kenya

1.7 Exchange Rates

27. The foreign exchange market has largely remained stable despite the tight global financial conditions attributed to strengthening of the US Dollar and uncertainties regarding the ongoing Russian-Ukraine conflict. Due to the strong dollar, the exchange rate to the Kenya shilling like with all world currencies has weakened to exchange at KSh 139.7 in June 2023 compared to KSh 117.3 in June 2022. Against the Euro, the Kenya shilling weakened to exchange at KSh 151.4 in June 2023 compared to KSh 124.1 in June 2022 while against the Sterling Pound the Kenyan shilling also weakened to exchange at KSh 176.3 compared to KSh 144.8, over the same period (Chart 7a).

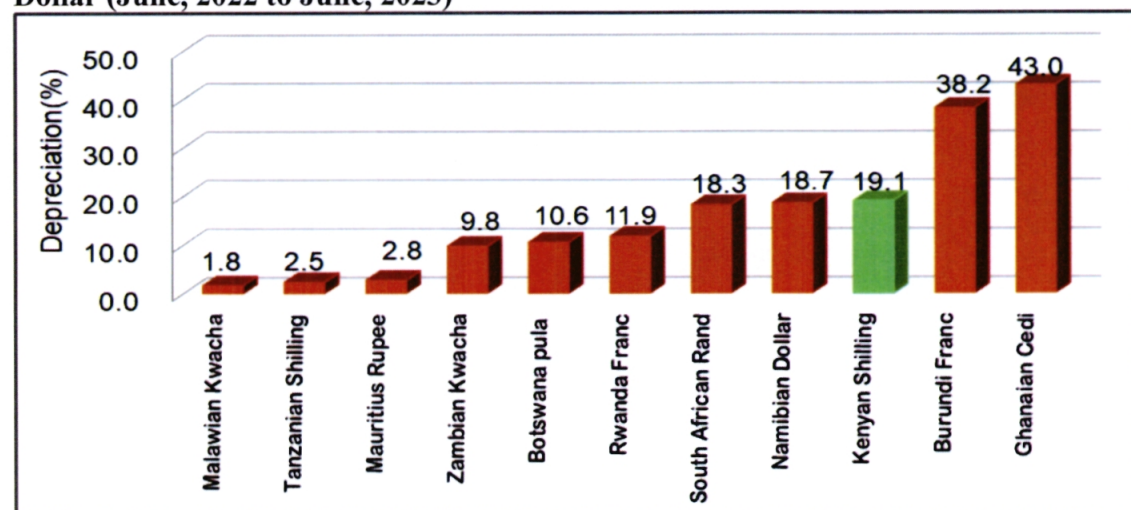
Chart 7a: Kenya Shilling Exchange Rate



Source of Data: Central Bank of Kenya

28. In comparison to Sub-Saharan Africa currencies, the volatility of the Kenya Shilling exchange rate has remained relatively low. The Kenya Shilling depreciated against the US Dollar at a rate of 19.1 percent in the 12 months to June 2023 compared to 8.8 percent in the 12 months to June 2022 (Chart 7b). The depreciation rate of the Kenya Shilling was lower than that of Burundi Franc and Ghanaian Cedi. The stability in the Kenya Shilling was supported by increased remittances, adequate foreign exchange reserves and improved exports receipts.

Chart 7b: Performance of Selected Sub-Saharan Countries Currencies against the US Dollar (June, 2022 to June, 2023)



Source of Data: National Central Banks

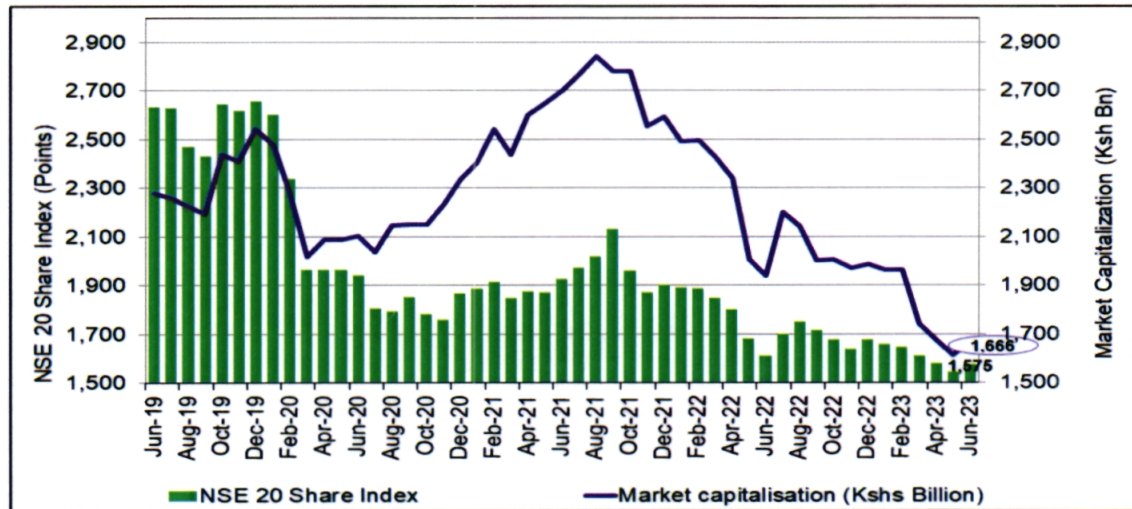
1.8 Capital Markets

29. Activity in the capital markets slowed down in June 2023 compared to June 2022 due to the outflow of investors as advanced economies tightened their monetary policy amid recession fears. The NSE 20 Share Index declined to 1,575 points in June 2023 compared to

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1,613 points in June 2022 while Market capitalization also declined to KSh 1,666 billion from KSh 1,939 billion over the same period (Chart 8).

Chart 8: Performance at the NSE by end June, 2023.



Source of Data: Nairobi Securities Exchange

2.0 FISCAL DEVELOPMENTS

2.1 Revenue

30. Total revenue collection by the end of June 2023, amounted to KSh. 2,360.5 billion against a target of KSh. 2,478.6 billion (**Table 4**). The revenue was below target by Ksh 118.1 billion on account of shortfalls recorded in both ordinary revenue and ministerial A-I-A. Total revenue inclusive of the ministerial A-I-A grew by 7.3 percent, a decline from a growth of 22.9 percent recorded in June 2022. Ordinary revenue collection was KSh. 2,041.1 billion against a target of KSh 2,145.4 billion, KSh. 104.3 billion below the target (**Chart 9**).

31. The ministerial A-I-A collected was below target by KSh. 13.8 billion during the period under review. The underperformance of A-I-A was mainly due to underreporting of SAGAs' A.I.A through the Ministerial expenditure returns for the period under review. The Railway Development Levy collection amounted to KSh. 39.9 billion against a target of KSh. 36.8 billion. The revenue data in Government Finance Statistics Manual 2014 (GFSM 2014) format is shown in annex II.

Table 4: Government Revenue and External Grants, Period Ending 30th June, 2023 (KSh. Millions)

| | 2021/2022 Actual | 2022/2023 | | Deviation KSh. | % Growth |
|---|---------------------|------------------|------------------|-------------------|---------------|
| | | Actual* | Target | | |
| Total Revenue (a+b) | 2,199,808 | 2,360,510 | 2,478,622 | (118,112) | 7.3 |
| (a) Ordinary Revenue | 1,917,911 | 2,041,119 | 2,145,399 | (104,280) | 6.4 |
| Import Duty | 118,280 | 130,123 | 142,676 | (12,553) | 10.0 |
| Excise Duty | 252,094 | 264,509 | 293,973 | (29,465) | 4.9 |
| PAYE | 462,357 | 494,904 | 511,104 | (16,199) | 7.0 |
| Other Income Tax | 414,350 | 446,671 | 471,037 | (24,365) | 7.8 |
| VAT Local | 244,926 | 272,729 | 297,198 | (24,469) | 11.4 |
| VAT Imports | 278,171 | 277,710 | 283,418 | (5,707) | (0.2) |
| Investment Revenue | 43,660 | 41,301 | 35,496 | 5,806 | (5.4) |
| Traffic Revenue | 4,425 | 4,366 | 4,278 | 88 | (1.3) |
| Taxes on Intl. Trade & Trans.(IDF Fee) | 50,337 | 55,966 | 54,796 | 1,170 | 11.2 |
| Others ¹ | 49,309 | 52,839 | 51,425 | 1,414 | 7.2 |
| (b) Appropriation In Aid ² | 281,897 | 319,391 | 333,222 | (13,832) | 13.3 |
| o/w Railway Development Levy | 36,361 | 39,899 | 36,830 | 3,069 | 9.7 |
| (c) External Grants | 31,031 | 23,083 | 41,356 | (18,272) | (25.6) |
| Total Revenue and External Grants | 2,230,839 | 2,383,593 | 2,519,977 | (136,384) | 6.8 |
| Total Revenue and External Grants as a percentage of GDP | 17.64 | 16.41 | 17.35 | - | - |

1/ includes rent on land/buildings, fines and forfeitures, other taxes, loan interest receipts reimbursements and other fund contributions, fees, and miscellaneous revenue.

2/ includes receipts from Road Maintenance Levy Fund and A-I-A from Universities

*Provisional

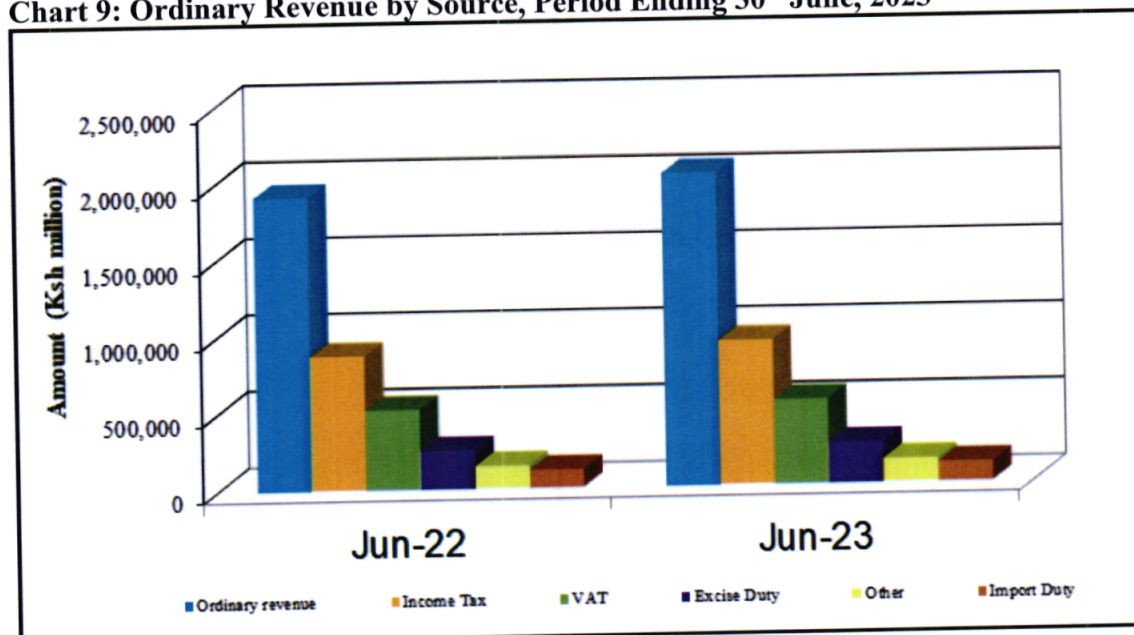
Source of Data: National Treasury

32. As a proportion of GDP, the total revenue and grants in the period under review was 16.4 percent compared to 17.6 percent in the corresponding period in the FY 2021/22. Total

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grants amounted to KSh. 23.1 billion against a target of KSh. 41.4 billion, which was an under performance by KSh. 18.3 billion.

Chart 9: Ordinary Revenue by Source, Period Ending 30th June, 2023



Source of Data: National Treasury

2.2 Expenditure

33. The total expenditure and net lending for the period under review amounted to KSh. 3,218.2 billion, against a target of KSh.3,366.6 billion. The resultant under expenditure of KSh. 148.4 billion is attributed to lower absorption recorded in both recurrent and development expenditures by the National Government while equitable share transfers to the County Governments was on target. Recurrent expenditure for National Government amounted to KSh. 2,247.8 billion (excluding KSh. 60.9 billion for Parliament and Judiciary), against a target of KSh. 2,300.5 billion leading to a below target expenditure of KSh. 52.7 billion. The below target expenditure in recurrent category is mainly attributed to below target expenditure on Operation and Maintenance (O&M) and pension payments (**Table 5 and Chart 10**).

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Table 5: Expenditure and Net Lending, Period Ending 30th June, 2023 (KSh. Millions)

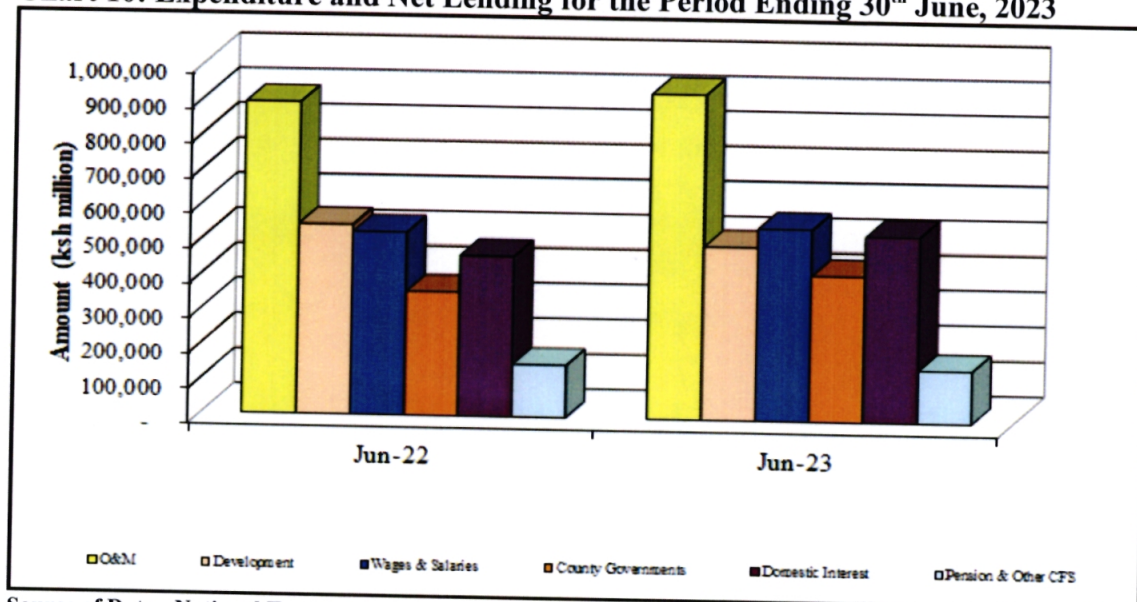
| | 2021/2022 Actual | 2022/2023 | | Deviation | % Growth |
|---|---------------------|------------------|------------------|------------------|--------------|
| | | Actual* | Targets | | |
| 1. RECURRENT | 2,086,174 | 2,247,807 | 2,300,518 | (52,711) | 7.7 |
| Domestic Interest | 456,849 | 530,284 | 527,928 | 2,357 | 16.1 |
| Foreign Interest | 120,812 | 154,223 | 154,937 | (714) | 27.7 |
| Pensions & Other CFS | 122,432 | 120,425 | 144,676 | (24,250) | (1.6) |
| Contribution to Civil Servants' Pension | 26,377 | 29,573 | 31,895 | (2,323) | 12.1 |
| Wages and Salaries | 520,033 | 547,157 | 539,552 | 7,604 | 5.2 |
| Operation and Maintenance | 839,673 | 866,145 | 901,530 | (35,385) | 3.2 |
| O/W: Appropriation-in-Aid | 197,524 | 240,165 | 239,423 | 742 | 21.6 |
| 2. DEVELOPMENT | 540,117 | 493,663 | 560,545 | (66,882) | (8.6) |
| Development Projects (Net) | 455,744 | 402,110 | 446,836 | (44,726) | (11.8) |
| Payment of Guaranteed Loans | - | 12,327 | 16,104 | (3,777) | - |
| Appropriation-in-Aid | 84,373 | 79,226 | 83,712 | (4,486) | (6.1) |
| 3. County Governments | 352,414 | 415,774 | 436,345 | (20,571) | 18.0 |
| 4. Parliamentary Service | 32,652 | 41,187 | 47,034 | (5,846) | 26.1 |
| 5. Judicial Service | 16,160 | 19,755 | 20,119 | (364) | 22.2 |
| 6. Equalization Fund | - | - | 13,893 | (13,893) | - |
| 7. CF | - | - | 2,000 | (2,000) | - |
| TOTAL EXPENDITURE | 3,027,518 | 3,218,187 | 3,366,561 | (148,375) | 6.3 |

Provisional

Source of Data: National Treasury

34. Interest payments amounted to KSh. 684.5 billion, higher than the KSh. 577.7 billion paid over the same period in the FY2021/22. The domestic interest payments totalled to KSh. 530.3 billion, while foreign interest payment amounted to KSh. 154.2 billion in FY 2022/23. The expenditure data in GFSM 2014 format is shown in annexes III and IV.

Chart 10: Expenditure and Net Lending for the Period Ending 30th June, 2023



Source of Data: National Treasury

2.2.1 National Government Expenditures by Public Agencies

35. The total ministerial and other public agencies expenditure including A.I.A was KSh. 1,955.6 billion against a target of KSh. 2,091.4 billion. Recurrent expenditure was KSh. 1,474.2 billion against a target of KSh. 1,508.2 billion, while development expenditure amounted to KSh. 481.3 billion against a target of KSh. 583.2 billion. The percentage of total expenditures to the target was 93.6 percent while the percentage of total expenditures to the target for recurrent and development were 97.7 percent and 82.5 percent respectively, as at the end of the period under review. The discrepancy between actual and target expenditures was partly due to the non-capture of the parastatals and some other government entities expenditures. These ministerial expenditures are therefore, provisional.

36. As at the period ending 30th June, 2023, recurrent expenditures by the State Department for Basic Education, State Department for Higher Education and Research; Teachers Service Commission; State Department for Vocational and Technical Training; State Department for Public Health and Professional Standards; State Department for Post Training and Skills Development; State Department for implementation of Curriculum Reforms; and the Ministry of Health (Social Sector) accounted for 41.4 percent of total recurrent expenditure. In addition, the security sector accounted for 11.1 percent of total recurrent expenditure.

37. Analysis of development outlay indicates that the State Department for Roads accounted for the largest share of the total development expenditure (18.9 percent), followed by the National Treasury (15.2 percent) and the State Department for Economic Planning (9.4 percent). The expenditures by large Ministries/State Departments were below target because of under reporting of expenditure from the sub-national, parastatals and some donor funded projects. **Table 6** shows the recurrent and development expenditures by Ministries, State Departments and other government entities for the period under review.

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Table 6: National Government Expenditures by Public Agencies, Period Ending 30th June, 2023 (KSh. Millions)

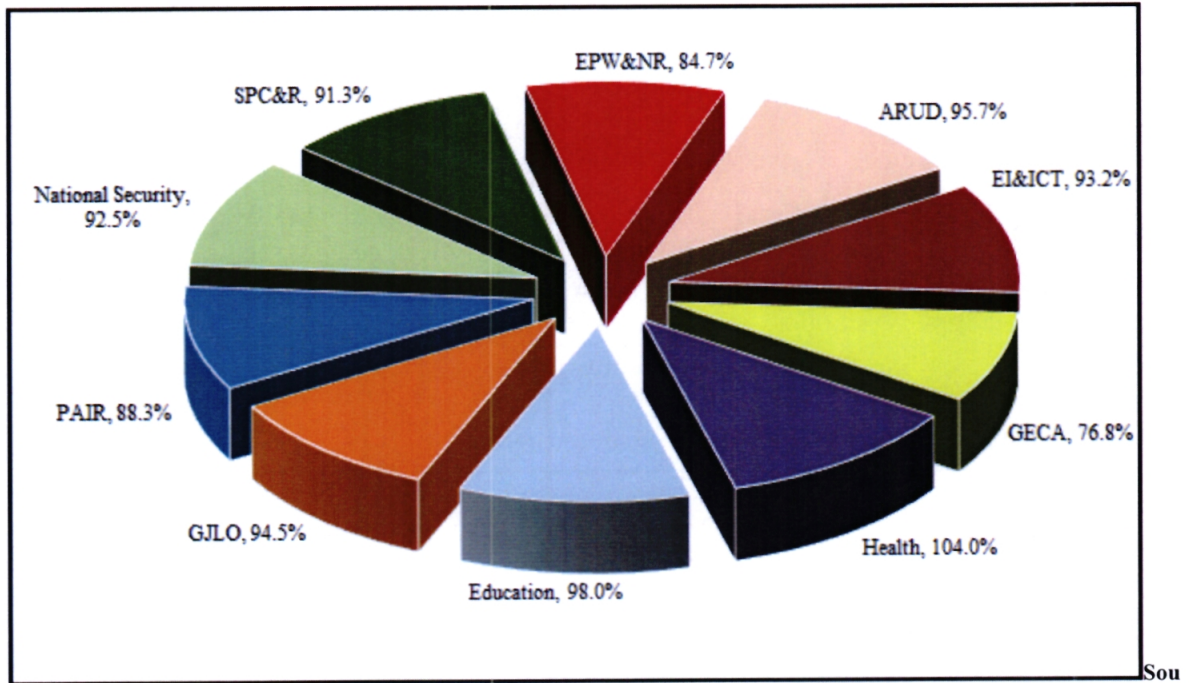
| MINISTRY/DEPARTMENT/COMMISSIONS | Jun-23 | | | | | | | | | % of Total Exp. To Target |
|---|------------------|------------------|-----------------|----------------|----------------|------------------|------------------|------------------|------------------|---------------------------|
| | Recurrent | | | Development | | | Total | | | |
| | Actual* | Target | Variance | Actual* | Target | Variance | Actual* | Target | Variance | |
| Office of the President | 23,802 | 27,229 | (3,426) | 3,686 | 7,815 | (4,129) | 27,489 | 35,044 | (7,556) | 78.4 |
| Office of the Deputy President | 865 | 1,017 | (154) | - | - | - | 865 | 1,017 | (154) | 84.8 |
| Office of the Prime Cabinet Secretary | 678 | 853 | (176) | - | - | - | 678 | 853 | (176) | 79.4 |
| State Department for Interior and Citizen Services | 102,695 | 106,467 | (3,773) | 3,840 | 3,897 | (57) | 106,535 | 110,365 | (3,830) | 96.5 |
| State Department for Correctional Services | 26,308 | 31,566 | (5,258) | 492 | 505 | (14) | 26,800 | 32,072 | (5,272) | 83.6 |
| State Department for Immigration and Citizen Services | 1,827 | 1,907 | (81) | 125 | 107 | 18 | 1,952 | 2,014 | (62) | 96.9 |
| National Police Service | 24,594 | 25,180 | (586) | - | - | - | 24,594 | 25,180 | (586) | 97.7 |
| State Department for Internal Security & National Administration | 7,862 | 8,846 | (984) | - | - | - | 7,862 | 8,846 | (984) | 88.9 |
| State Department for Devolution | 1,535 | 1,580 | (45) | 100 | 227 | (128) | 1,635 | 1,808 | (173) | 90.4 |
| State Department for Development of the ASAL | 6,224 | 6,377 | (153) | 11,279 | 14,428 | (3,149) | 17,503 | 20,805 | (3,302) | 84.1 |
| Ministry of Defence | 127,430 | 135,615 | (8,186) | - | 3,365 | (3,365) | 127,430 | 138,981 | (11,551) | 91.7 |
| Ministry of Foreign Affairs | 12,096 | 14,476 | (2,380) | 1,087 | 1,096 | (9) | 13,184 | 15,572 | (2,388) | 84.7 |
| State Department for Foreign Affairs | 1,904 | 5,196 | (3,293) | - | - | - | 1,904 | 5,196 | (3,293) | 36.6 |
| State Department for Diaspora Affairs | 472 | 658 | (186) | - | - | - | 472 | 658 | (186) | 71.7 |
| State Department for Technical Vocational Education and Training | 20,093 | 20,318 | (225) | 2,167 | 4,098 | (1,931) | 22,260 | 24,416 | (2,156) | 91.2 |
| State Department for Higher Education and Research | 101,616 | 103,800 | (2,184) | 3,545 | 4,621 | (1,075) | 105,161 | 108,420 | (3,259) | 97.0 |
| State Department for Basic Education | 111,384 | 110,600 | 784 | 18,171 | 24,222 | (6,051) | 129,555 | 134,822 | (5,267) | 96.1 |
| State Department for Post Training and Skills Development | 129 | 129 | (0) | - | - | - | 129 | 129 | (0) | 100.0 |
| State Department for Implementation of Curriculum Reforms | 189 | 205 | (16) | - | - | - | 189 | 205 | (16) | 92.4 |
| The National Treasury | 59,420 | 61,605 | (2,184) | 73,044 | 85,958 | (12,914) | 132,465 | 147,563 | (15,099) | 89.8 |
| State Department for Economic Planning | 3,760 | 3,810 | (51) | 45,285 | 47,572 | (2,287) | 49,045 | 51,382 | (2,338) | 95.5 |
| Ministry of Health | 76,772 | 69,199 | 7,573 | 41,019 | 41,987 | (967) | 117,791 | 111,185 | 6,606 | 105.9 |
| State Department for Public Health and Professional Standards | 840 | 2,875 | (2,035) | 2,388 | 2,337 | 50 | 3,228 | 5,213 | (1,985) | 61.9 |
| State Department for Roads | 74,914 | 69,017 | 5,896 | 90,838 | 101,778 | (10,940) | 165,752 | 170,795 | (5,043) | 97.0 |
| State Department for Transport | 10,478 | 9,831 | 647 | 2,642 | 2,662 | (20) | 13,120 | 12,492 | 628 | 105.0 |
| State Department for Shipping and Maritime Affairs | 3,141 | 2,181 | 960 | 1 | 690 | (689) | 3,142 | 2,871 | 271 | 109.4 |
| State Department for Housing & Urban Development | 1,216 | 1,243 | (27) | 9,351 | 10,526 | (1,175) | 10,567 | 11,769 | (1,202) | 89.8 |
| State Department for Public Works | 3,129 | 3,072 | 56 | 485 | 436 | 49 | 3,614 | 3,500 | 106 | 103.0 |
| State Department for Irrigation | 106 | 193 | (87) | 2,080 | 2,389 | (299) | 2,196 | 2,582 | (386) | 85.1 |
| Ministry of Environment and Forestry | 9,996 | 9,338 | 658 | 3,777 | 4,367 | (590) | 13,773 | 13,705 | 68 | 100.5 |
| State Department for Water & Sanitation | 6,943 | 6,348 | 595 | 45,120 | 59,395 | (14,275) | 52,063 | 65,744 | (13,680) | 79.2 |
| State Department for Lands and Physical Planning | 2,859 | 3,022 | (163) | 1,349 | 1,272 | 77 | 4,208 | 4,293 | (86) | 98.0 |
| State Department for Information Communication Technology & Digital Economy | 2,246 | 2,815 | (569) | 9,053 | 11,670 | (2,618) | 11,299 | 14,485 | (3,187) | 78.0 |
| State Department for Broadcasting & Telecommunications | 4,502 | 6,278 | (1,776) | 267 | 266 | 1 | 4,769 | 6,544 | (1,776) | 72.9 |
| State Department for Sports | 1,894 | 1,898 | (4) | 10,111 | 12,021 | (1,910) | 12,005 | 13,919 | (1,914) | 86.3 |
| State Department for Culture and Heritage | 2,607 | 2,971 | (363) | 63 | 328 | (265) | 2,670 | 3,298 | (628) | 81.0 |
| State Department for Energy | 11,411 | 11,686 | (276) | 31,855 | 43,118 | (12,083) | 42,446 | 54,805 | (12,359) | 77.4 |
| State Department for Livestock Development | 2,870 | 4,407 | (1,537) | 2,610 | 4,370 | (1,760) | 5,480 | 8,777 | (3,297) | 62.4 |
| State Department for the Blue Economy and Fisheries | 2,285 | 2,314 | (29) | 3,526 | 4,915 | (1,389) | 5,809 | 7,229 | (1,421) | 80.3 |
| State Department for Crop Development | 21,801 | 14,189 | 7,612 | 29,336 | 35,230 | (5,894) | 51,137 | 49,419 | 1,718 | 103.5 |
| State Department for Cooperatives | 3,497 | 2,138 | 1,359 | 12,803 | 20,823 | (8,020) | 16,300 | 22,960 | (6,661) | 71.0 |
| State Department for Trade | 2,035 | 2,953 | (918) | 795 | 1,265 | (471) | 2,829 | 4,218 | (1,389) | 67.1 |
| State Department for Industry | 3,241 | 2,672 | 569 | 1,005 | 1,279 | (274) | 4,246 | 3,951 | 295 | 107.5 |
| State Department for Micro, Small and Medium Enterprises Development | 344 | 588 | (243) | 46 | 46 | - | 390 | 634 | (243) | 61.6 |
| State Department for Investment Promotion | 448 | 976 | (528) | 1,238 | 1,238 | - | 1,686 | 2,214 | (528) | 76.1 |
| State Department for Labour and Skills Development | 2,866 | 2,934 | (68) | 278 | 423 | (144) | 3,144 | 3,357 | (212) | 93.7 |
| State Department for Social Protection and Senior Citizens Affairs | 33,369 | 35,197 | (1,828) | 2,177 | 3,049 | (872) | 35,546 | 38,246 | (2,700) | 92.9 |
| State Department for Mining | 205 | 238 | (33) | 122 | 131 | (9) | 327 | 369 | (42) | 88.6 |
| Ministry of Petroleum and Mining | 63,347 | 63,991 | (644) | 2,357 | 2,501 | (144) | 65,704 | 66,492 | (788) | 98.8 |
| State Department for Tourism | 6,686 | 10,055 | (3,369) | 13 | 59 | (46) | 6,699 | 10,114 | (3,415) | 66.2 |
| State Department for Wildlife | 9,324 | 9,364 | (40) | 172 | 369 | (196) | 9,496 | 9,732 | (236) | 97.6 |
| State Department for Gender and Affirmative Action | 995 | 1,193 | (198) | 2,418 | 2,753 | (335) | 3,412 | 3,946 | (533) | 86.5 |
| State Department for Public Service | 20,665 | 22,640 | (1,975) | 301 | 303 | (2) | 20,966 | 22,943 | (1,977) | 91.4 |
| State Department for Youth Affairs | 1,360 | 1,374 | (15) | 942 | 1,163 | (222) | 2,301 | 2,538 | (237) | 90.7 |
| State Department for East African Community | 780 | 776 | 4 | - | - | - | 780 | 776 | 4 | 100.5 |
| State Department for Regional and Northern Corridor Development | 3,426 | 3,336 | 90 | 3,638 | 3,838 | (200) | 7,064 | 7,174 | (110) | 98.5 |
| The State Law Office | 5,289 | 5,718 | (429) | 88 | 97 | (9) | 5,377 | 5,815 | (438) | 92.1 |
| The Judiciary | 18,925 | 19,232 | (307) | 1,310 | 1,900 | (590) | 20,235 | 21,132 | (897) | 95.8 |
| Ethics and Anti-Corruption Commission | 3,357 | 3,521 | (164) | 47 | 47 | - | 3,403 | 3,567 | (164) | 95.4 |
| National Intelligence Service | 35,985 | 37,628 | (1,643) | - | - | - | 35,985 | 37,628 | (1,643) | 95.6 |
| Office of the Director of Public Prosecutions | 3,449 | 3,670 | (221) | 21 | 12 | 9 | 3,470 | 3,682 | (212) | 94.2 |
| Office of the Registrar of Political Parties | 1,453 | 1,530 | (77) | - | - | - | 1,453 | 1,530 | (77) | 95.0 |
| Witness Protection Agency | 532 | 632 | (100) | - | - | - | 532 | 632 | (100) | 84.2 |
| State Department for Forestry | 2,151 | 2,392 | (240) | 602 | 617 | (16) | 2,753 | 3,009 | (256) | 91.5 |
| Kericho National Commission on Human Rights | 450 | 451 | (1) | - | - | - | 450 | 451 | (1) | 99.7 |
| National Land Commission | 1,478 | 1,482 | (5) | - | - | - | 1,478 | 1,482 | (5) | 99.7 |
| Independent Electoral and Boundaries Commission | 20,333 | 20,639 | (306) | - | - | - | 20,333 | 20,639 | (306) | 98.5 |
| Parliamentary Service Commission | 7,849 | 8,950 | (1,101) | - | - | - | 7,849 | 8,950 | (1,101) | 87.7 |
| National Assembly | 27,282 | 31,849 | (4,567) | - | - | - | 27,282 | 31,849 | (4,567) | 85.7 |
| Parliamentary Joint Services | 6,056 | 6,235 | (179) | 2,250 | 2,465 | (215) | 8,306 | 8,700 | (394) | 95.5 |
| Judicial Service Commission | 830 | 887 | (57) | - | - | - | 830 | 887 | (57) | 93.6 |
| The Commission on Revenue Allocation | 537 | 541 | (4) | - | - | - | 537 | 541 | (4) | 99.3 |
| Public Service Commission | 2,427 | 2,452 | (26) | 26 | 26 | (0) | 2,453 | 2,479 | (26) | 99.0 |
| Salaries and Remuneration Commission | 499 | 505 | (6) | - | - | - | 499 | 505 | (6) | 98.8 |
| Teachers Service Commission | 298,553 | 299,119 | (567) | 820 | 1,076 | (256) | 299,372 | 300,195 | (823) | 99.7 |
| National Police Service Commission | 958 | 1,007 | (49) | - | - | - | 958 | 1,007 | (49) | 95.2 |
| Auditor General | 5,893 | 6,504 | (611) | 2 | 29 | (26) | 5,895 | 6,533 | (637) | 90.2 |
| Office of the Controller of Budget | 601 | 620 | (19) | - | - | - | 601 | 620 | (19) | 96.9 |
| The Commission on Administrative Justice | 572 | 578 | (6) | - | - | - | 572 | 578 | (6) | 99.0 |
| National Gender and Equality Commission | 397 | 398 | (1) | 6 | 10 | (4) | 403 | 408 | (5) | 98.8 |
| Independent Policing Oversight Authority | 913 | 927 | (14) | - | - | - | 913 | 927 | (14) | 98.5 |
| Total | 1,474,244 | 1,508,238 | (33,991) | 481,336 | 583,186 | (101,850) | 1,955,580 | 2,091,422 | (135,841) | 93.5 |

*Provisional

Source of Data: National Treasury

38. During the period under review, the Health Sector recorded the highest absorption of 104.0 percent of its budget, followed by Education at 98.0 percent. General Economic and Commercial Affairs Sector recorded the lowest absorption of 76.8 percent (Chart 11).

Chart 11: Sectoral Budget Absorption as at 30th June, 2023



Source of Data: National Treasury

2.2.2 Pending Bills

39. The National Treasury has not received from MDAs all the data on pending bills as at end June 2023. We will update the pending bills data as soon as the data is received. The total outstanding national government pending bills as at 30th March, 2023 amounted to KSh. 522.9 billion. These comprise of KSh. 443.6 billion (84.8 percent) and KSh. 79.3 billion (15.2 percent)¹ for the State Corporations (SCs) and Ministries/State Departments/other government entities respectively. The SCs pending bills include payment to contractors/projects, suppliers, unremitted statutory and other deductions, pension arrears for Local Authorities Pension Trust, and others. The highest percentage of the SCs pending bills (64.4 percent) belong to Contractor/Projects and Suppliers. Ministries/State Departments and other government entities pending bills constitutes mainly of historical pending bills for the last two years.

40. The National Government policy on clearance of pending bills continues to be in force. The National Treasury is currently developing a comprehensive strategy to clear outstanding stock of verified pending bills of the National Government over the medium term. In this strategy, deficiencies and lapses that led to accumulation of pending bills will be addressed. In the FY 2023/24 all MDAs are expected to clear all the expenditure carryovers

¹ This is the position as at the end of March, 2023. The soft copy of the QEBR as at end of June, 2023 will be revised once the end June 2023 pending bills data for Ministries/State Departments and other Government Agencies will be available.

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from FY 2022/23 as a first charge before payment of commitments of the current financial year.

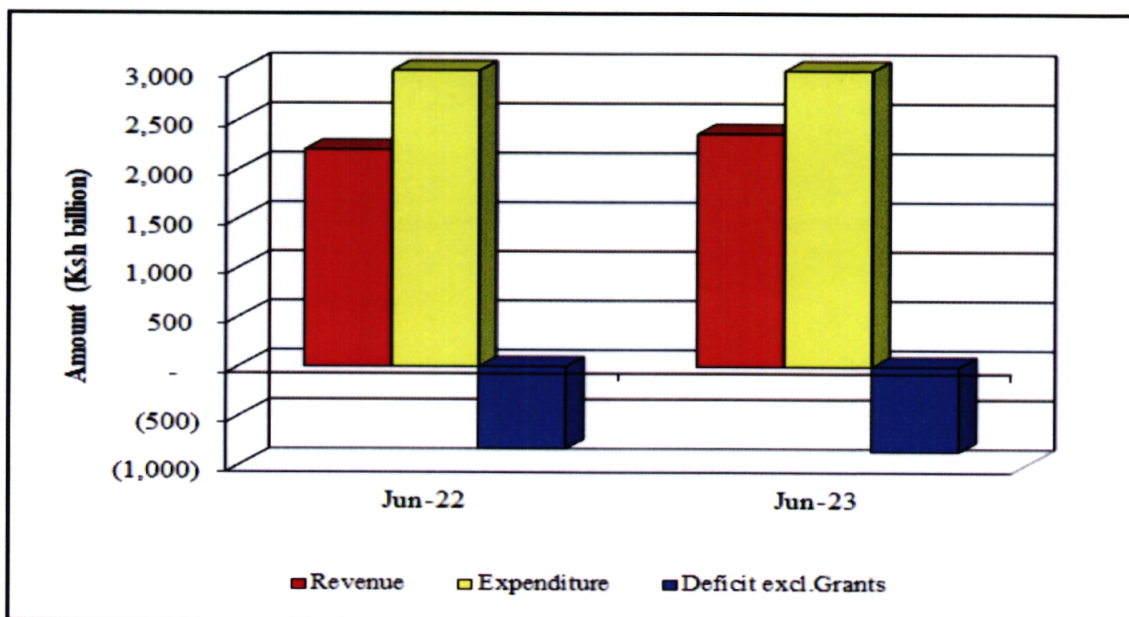
2.2.3 Guaranteed Debt Service

41. The national government paid KSh 12.3 billion guaranteed debt on behalf of Kenya Airways during FY 2022/23. The payments is composed of Ksh.10.6 billion as principal payment and KSh. 1.7 billion as interest.

2.3 Fiscal Outturn

42. In the FY 2022/23, the fiscal balance (on commitment basis and excluding grants) amounted to KSh. 857.7 billion (5.9 percent of GDP) against a targeted deficit of KSh. 887.9 billion (6.1 percent of GDP) (**Chart 12 and Table 8**). The fiscal balance (on a commitment basis and including grants) stood at 5.7 percent of GDP against a target deficit of 5.8 percent of GDP.

Chart 12: Fiscal Balance as at 30th June, 2023



Source of Data: National Treasury

So

43. Over the same period in FY2021/22, the fiscal deficit including grants (on commitment basis) stood at KSh. 796.7 billion (6.3 percent of GDP). The fiscal outturn in the last six FYs and the original budget for the FY 2022/23 are shown in **Annex I**. Further, GFSM 2014 Compliant Budgetary Central Government fiscal data for the FY 2020/21 are shown in annexes V and VI.

Table 8: Budget Outturn, Cumulative Ending 30th June, 2023 (KSh. Millions)

| | 2021/2022 | 2022/2023 | | | % growth | 2022/2023 as a % of GDP | | 2021/2022 Actual as a % of GDP |
|---|-------------------|-------------------|-------------------|------------------|---------------|-------------------------|--------------|--------------------------------|
| | Actual | Actual* | Targets | Deviation | | Actual | Targets | |
| A. TOTAL REVENUE AND GRANTS | 2,230,839 | 2,383,593 | 2,520,338 | (136,745) | 6.8 | 16.4 | 17.4 | 17.6 |
| 1. Revenue | 2,199,808 | 2,360,510 | 2,478,622 | (118,112) | 7.3 | 16.3 | 17.1 | 17.4 |
| Ordinary Revenue | 1,917,911 | 2,041,119 | 2,145,399 | (104,280) | 6.4 | 14.1 | 14.8 | 15.2 |
| Import Duty | 118,280 | 130,123 | 142,676 | (12,553) | 10.0 | 0.9 | 1.0 | 0.9 |
| Excise Duty | 252,094 | 264,509 | 293,973 | (29,465) | 4.9 | 1.8 | 2.0 | 2.0 |
| Income tax | 876,707 | 941,576 | 982,140 | (40,565) | 7.4 | 6.5 | 6.8 | 6.9 |
| VAT | 523,098 | 550,440 | 580,616 | (30,176) | 5.2 | 3.8 | 4.0 | 4.1 |
| Investment Revenue | 43,660 | 41,301 | 35,496 | 5,806 | (5.4) | 0.3 | 0.2 | 0.3 |
| Others | 104,071 | 113,171 | 110,498 | 2,673 | 8.7 | 0.8 | 0.8 | 0.8 |
| Appropriation-in-Aid | 281,897 | 319,391 | 333,222 | (13,832) | 13.3 | 2.2 | 2.3 | 2.2 |
| 2. Grants | 31,031 | 23,083 | 41,717 | (18,633) | (25.6) | 0.2 | 0.3 | 0.2 |
| AMISOM Receipts | 3,603 | 6,982 | 6,982 | - | - | - | 0.0 | 0.0 |
| Nairobi County to NMS | 9,090 | 0 | 0 | - | - | - | - | - |
| Revenue | 5,903 | 7,524 | 16,703 | (9,179) | 27.5 | 0.1 | 0.1 | 0.0 |
| Appropriation-in-Aid | 12,435 | 8,577 | 18,031 | (9,455) | (31.0) | 0.1 | 0.1 | 0.1 |
| B. EXPENDITURE AND NET LENDING | 3,027,518 | 3,218,187 | 3,366,561 | (148,375) | 6.3 | 22.2 | 23.2 | 23.9 |
| 1. Recurrent | 2,134,986 | 2,308,750 | 2,367,671 | (58,921) | 8.1 | 15.9 | 16.3 | 16.9 |
| Domestic Interest | 456,849 | 530,284 | 527,928 | 2,357 | 16.1 | 3.7 | 3.6 | 3.6 |
| Foreign Interest | 120,812 | 154,223 | 154,937 | (714) | 27.7 | 1.1 | 1.1 | 1.0 |
| Pension & Other CFS | 122,432 | 120,425 | 144,676 | (24,250) | (1.6) | 0.8 | 1.0 | 1.0 |
| Contribution to Civil Servants' Pension | 26,377 | 29,573 | 31,895 | (2,323) | - | - | - | - |
| Wages and Salaries | 520,033 | 547,157 | 539,552 | 7,604 | 5.2 | 3.8 | 3.7 | 4.1 |
| O & M/Others | 888,485 | 927,087 | 968,683 | (41,596) | 4.3 | 6.4 | 6.7 | 7.0 |
| 2. Development and Net Lending | 540,117 | 493,663 | 560,545 | (66,882) | (8.6) | 3.4 | 3.9 | 4.3 |
| O/W Domestically financed | 378,238 | 343,764 | 336,659 | 7,105 | (9.1) | 2.4 | 2.3 | 3.0 |
| Foreign financed | 161,879 | 137,572 | 193,889 | (56,317) | (15.0) | 0.9 | 1.3 | 1.3 |
| 3. Net Lending | 0 | 12,327 | 16,104 | (3,777) | - | - | - | - |
| 4. Equalization Fund | 0 | - | 13,893.3 | (13,893) | - | 0.0 | 0.1 | 0.0 |
| 5. County Governments | 352,414 | 415,774 | 436,345 | (20,571) | 18.0 | 2.9 | 3.0 | 2.8 |
| 5. CF | - | - | 2,000 | (2,000) | - | 0.0 | 0.0 | 0.0 |
| C. DEFICIT EXCL. GRANT (Commitment basis) | (827,710) | (857,677) | (887,940) | 30,263 | 3.6 | (5.9) | (6.1) | (6.5) |
| D. DEFICIT INCL. GRANTS (Commitment basis) | (796,679) | (834,594) | (846,223) | 11,629 | 4.8 | (5.7) | (5.8) | (6.3) |
| E. ADJUSTMENT TO CASH BASIS | 11,868 | 37,031 | - | 37,031 | - | 0.3 | - | 0.1 |
| F. DEFICIT INCL. GRANTS (Cash basis) | (784,811) | (797,563) | (846,223) | 48,661 | 1.6 | (5.5) | (5.8) | (6.2) |
| <i>Discrepancy</i> | <i>(36,986)</i> | <i>(27,256)</i> | <i>-</i> | <i>(27,256)</i> | <i>-</i> | <i>-</i> | <i>-</i> | <i>-</i> |
| G. FINANCING | 747,825 | 770,307 | 846,223 | (75,916) | 3.0 | 5.3 | 5.8 | 5.9 |
| 1. Net Foreign financing | 142,524 | 310,759 | 362,665 | (51,906) | 118.0 | 2.1 | 2.5 | 1.1 |
| Disbursements | 327,059 | 548,171 | 597,178 | (49,007) | 67.6 | 3.8 | 4.1 | 2.6 |
| Programme Loans | 135,019 | 266,885 | 256,825 | 10,061 | - | 1.8 | 1.8 | 1.1 |
| Project Cash Loans | 58,601 | 61,975 | 83,091 | (21,116) | 5.8 | 0.4 | 0.6 | 0.5 |
| Project Loans AIA | 92,619 | 74,245 | 105,158 | (30,913) | (19.8) | 0.5 | 0.7 | 0.7 |
| Use of IMF SDR Allocation | 40,820 | 42,847 | 47,285 | (4,437) | 5.0 | 0.3 | 0.3 | 0.3 |
| Commercial Financing | 0 | 102,218 | 104,819 | (2,601) | - | 1 | 0.7 | - |
| Debt repayment - Principal | (184,536) | (237,412) | (234,513) | (2,899) | 28.7 | (1.6) | (1.6) | (1.5) |
| 2. Net Domestic Financing | 605,301 | 459,548 | 483,558 | (24,010) | (24.1) | 3.2 | 3.3 | 4.8 |
| Government Securities | 589,545 | 437,527 | 480,418 | (42,892) | (25.8) | 3.0 | 3.3 | 4.7 |
| Government Overdraft & Others | 2,673 | 18,819 | - | 18,819 | - | 0.1 | - | 0.0 |
| Movement in Government Deposits | 138,485 | 1,459 | - | 1,459 | - | 0.0 | - | 1.1 |
| Domestic Loan Repayments (Net Receipts) | 5,097 | 2,854 | 4,250 | (1,396) | (44.0) | 0.0 | 0.0 | 0.0 |
| Domestic Loan Repayment | (1,110) | (1,110) | (1,110) | - | - | 0.0 | (0.0) | (0.0) |
| Other Accounts Payable | (129,389) | - | - | - | - | 0.0 | - | 0.0 |
| MEMO ITEM | | | | | | | | |
| GDP ESTIMATE | 12,646,197 | 14,521,624 | 14,521,624 | - | 14.8 | 100.0 | 100.0 | 100.0 |

*Provisional

Source of Data: National Treasury

2.4 Financing

2.4.1 External Financing

44. During the period under review, net external financing amounted to KSh. 310.8 billion (**Table 9**). Total disbursements (inflows) including Appropriations-in-Aid amounted to KSh. 548.2 billion for the period ending 30th June, 2023 against a target of KSh. 599.3 billion. The total disbursement included KSh. 74.2 billion Project Loans A.I.A, KSh. 266.9 billion program loans and KSh. 62.0 billion Project Loans-Cash. The external repayments (outflows) of principal debt amounted to KSh. 237.4 billion. The amount comprised of principal repayments due to bilateral sources, commercial institutions and multilateral sources amounting to, KSh. 115.8 billion, KSh. 75.7 billion and KSh. 45.8 billion respectively.

Table 9: External Financing, Period Ending June, 2023 (KSh. Millions)

| | FY2021/22 | FY2022/23 | |
|----------------------------------|----------------|----------------|----------------|
| | Actual* | Actual* | Target |
| DISBURSEMENTS: | 327,059 | 548,171 | 597,178 |
| Project Cash loans | 58,601 | 61,975 | 83,091 |
| Project loans A-I-A | 92,619 | 74,245 | 105,158 |
| Commercial Financing | - | 102,218 | 104,819 |
| Use of IMF SDR Allocation | 40,820 | 42,847 | 47,285 |
| Programme Loans | 175,840 | 266,885 | 256,825 |
| EXTERNAL REPAYMENTS: | 184,536 | 237,412 | 234,513 |
| Bilateral(incl. Italy Debt SWAP) | 74,724 | 115,831 | 114,417 |
| Multilateral (excl. IMF) | 32,249 | 45,843 | 45,283 |
| Commercial | 77,563 | 75,738 | 74,814 |
| NET FOREIGN FINANCING | 142,524 | 310,759 | 362,665 |

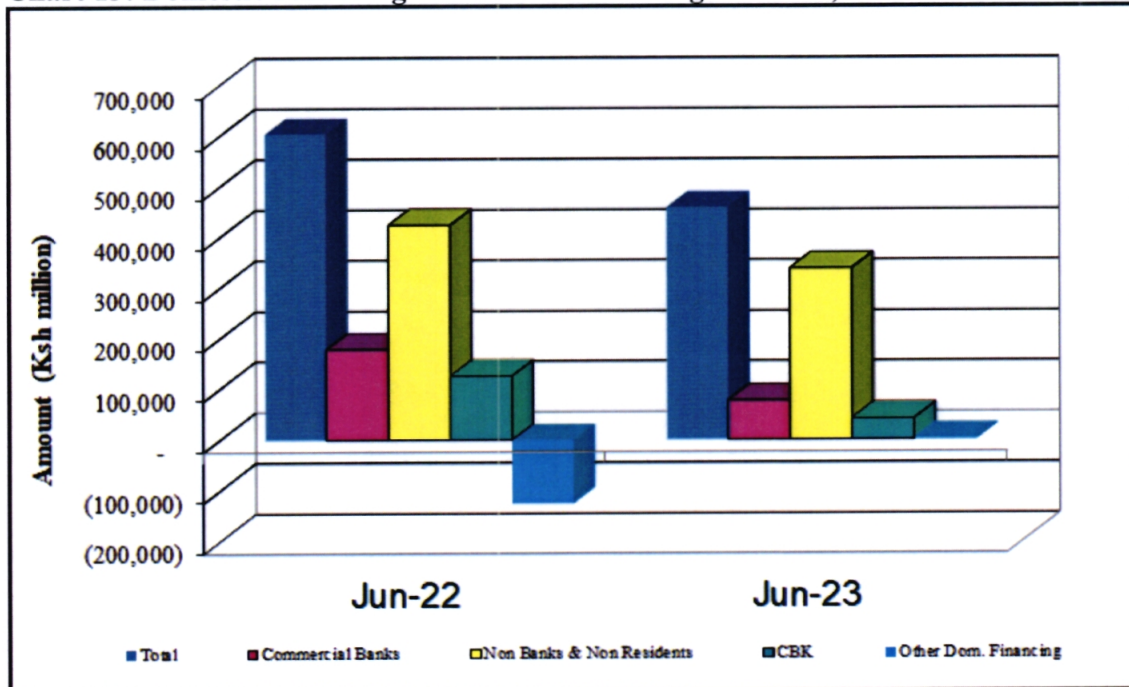
*Provisional

Source of Data: National Treasury

2.4.2 Domestic Financing

45. By the end of June 2023, net domestic borrowing amounted to KSh. 459.5 billion (**Table 10**) against a target borrowing of KSh. 478.1 billion (**Table 8**). The borrowing comprised of KSh. 338.2 billion from Non-Banking Financial Institutions, KSh.77.0 billion from commercial banks, KSh. 41.3 billion from the Central Bank and KSh. 127 million from Non-Residents. Comparatively, for the same period in FY 2021/22, the domestic borrowing amounted to KSh. 605.3 billion, comprising of KSh. 179.0 billion from Commercial Banks, KSh. 425.8 billion from Non-Banking Financial Institutions, KSh. 125.5 billion from the Central Bank of Kenya, and KSh. 0.1 billion (net repayments) to the Non-Residents while the Government deposit to CBK amounted to KSh. 124.3 billion from other domestic sources (**Table 10 and Chart 13**).

Chart 13: Domestic Financing for the Period Ending 30th June, 2023



Source of Data: Central Bank of Kenya

46. The stock of Fixed Rate Bonds held by Commercial Banks and Non-Banks recorded a net decrease of KSh. 249.6 billion and KSh. 121.9 billion respectively while those held by Non-Residents decreased by KSh. 1.1 billion. The stock of Treasury Bills held by commercial banks and Non-Residents recorded a net increase of KSh. 133.5 billion and KSh. 3.5 billion respectively while those held by Non-Banks decreased by KSh. 18.1 billion. (Table 10).

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Table 10: Domestic Financing, Period Ending 30th June, 2023 (KSh. Millions)

| DEBT INSTRUMENT | June 2022* | September 2022* | December 2022* | March 2023* | June 2023* |
|---|----------------|-----------------|-----------------|----------------|----------------|
| 1.CENTRAL BANK | 125,474 | (1,609) | (58,068) | 44,725 | 41,348 |
| Overdraft | (777) | (31,255) | (4) | 19,477 | 17,955 |
| Treasury bills rediscounts | (466) | (4) | 41 | 38 | 159 |
| Fixed rate Bonds | (73) | 7 | (192) | (192) | 437 |
| Items on Transit | (7) | (8) | 6 | 12 | 10 |
| Frozen Account | (1,110) | - | (555) | (555) | (1,110) |
| Less Govt Deposits | 127,908 | 29,651 | (57,364) | 25,946 | 23,898 |
| 2.COM. BANKS | 178,988 | 25,939 | 8,660 | (2,811) | 76,975 |
| Advances | 3,458 | 276 | 854 | 1,083 | 854 |
| Treasury bills | (151,615) | 27,533 | 3,516 | 8,637 | (18,081) |
| Fixed rate Bonds | 200,122 | (995) | (15,210) | (40,051) | (49,468) |
| Special Bonds | (5,000) | - | - | - | - |
| Zero Coupon bonds | - | - | - | - | - |
| Infrastructure Bonds | 121,446 | 1,520 | 22,286 | 31,432 | 166,109 |
| Less Govt Deposits | 10,578 | (2,394) | (2,786) | (3,913) | (22,439) |
| Advances by Treasury | - | - | - | - | - |
| 3. NON BANKS | 425,802 | 77,181 | 171,258 | 242,409 | 338,243 |
| Treasury bills | 29,824 | 14,717 | 38,236 | 30,824 | 11,711 |
| TRCs | - | - | - | - | - |
| Fixed rate Bonds | 269,639 | 57,778 | 73,586 | 94,073 | 147,740 |
| Infrastructure Bonds | 126,339 | 4,686 | 59,436 | 113,005 | 178,792 |
| Savings and Development Bond | - | - | - | 4,507 | - |
| M-Akiba Bond and others | - | - | - | - | - |
| 4. NON RESIDENTS | (671) | 59 | (119) | 593 | 127 |
| Treasury bills | (3,835) | (238) | (257) | (294) | (356) |
| Fixed rate Bonds | 654 | 297 | (134) | 164 | (446) |
| Infrastructure Bond | 2,511 | - | 272 | 723 | 929 |
| 5. NET CREDIT | 729,594 | 101,569 | 121,731 | 284,917 | 456,694 |
| 6. OTHER DOMESTIC FINANCING | | | | | |
| Domestic Loan Repayments (Net RDL Deposits) | (124,293) | - | 2,341 | 2,854 | 2,854 |
| 7. NET DOMESTIC FINANCING | 605,301 | 101,569 | 124,072 | 287,771 | 459,548 |

Note: Treasury Bills as reflected here are given at cost value as opposed to Table 12 given at face value.

*provisional

Source of Data: Central Bank of Kenya

3.0 PUBLIC DEBT

3.1 Overall Debt Position

47. The gross public debt as at 30th June, 2023 increased by KSh. 1,560.5 billion to KSh. 10,189.5 billion compared to KSh 8,629.0 billion as at end of June 2022. The gross public debt comprised of 52.6 percent external debt and 47.4 percent domestic debt. The increase in the public debt is attributed to external loan disbursements; exchange rate fluctuation; and the uptake of domestic and external debt during the period. The net public debt was KSh. 9,704.9 billion by end of the period under review (Table 11).

Table 11: Kenya’s Public and Publicly Guaranteed Debt, June 2021 to June 2023 (KSh. Millions)

| DEBT SOURCE | Jun- 21 | Sep-21 | Dec-21 | Mar- 22 | Jun- 22* | Sep-22* | Dec-22* | Mar- 23* | Jun- 23* |
|---------------------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|-------------------|
| EXTERNAL | | | | | | | | | |
| BILATERAL | 1,140,529 | 1,149,211 | 1,171,701 | 1,171,595 | 1,173,270 | 1,144,450 | 1,206,883 | 1,291,851 | 1,333,104 |
| MULTILATERAL | 1,659,411 | 1,699,358 | 1,782,085 | 1,817,375 | 1,923,444 | 1,957,899 | 2,213,756 | 2,244,087 | 2,652,294 |
| COMMERCIAL BANKS | 1,187,439 | 1,196,248 | 1,208,283 | 1,208,247 | 1,191,080 | 1,220,682 | 1,239,681 | 1,301,153 | 1,357,173 |
| SUPPLIERS CREDIT | 12,162 | 13,669 | 12,303 | 12,344 | 12,154 | 11,760 | 12,824 | 14,004 | 14,848 |
| SUB – TOTAL EXTERNAL | 3,999,542 | 4,058,486 | 4,174,372 | 4,209,560 | 4,299,948 | 4,334,791 | 4,673,144 | 4,851,095 | 5,357,419 |
| DOMESTIC: | | | | | | | | | |
| CENTRAL BANK | 87,575 | 90,938 | 88,692 | 95,575 | 85,141 | 53,881 | 84,437 | 104,108 | 102,592 |
| COMMERCIAL BANKS | 1,814,199 | 1,917,628 | 1,943,018 | 1,978,489 | 2,003,387 | 2,032,420 | 2,017,402 | 1,992,177 | 2,095,069 |
| TOTAL BANKS | 1,901,774 | 2,008,565 | 2,031,710 | 2,074,064 | 2,088,529 | 2,086,301 | 2,101,839 | 2,096,284 | 2,197,661 |
| NON BANKS & NON RESIDENTS | 1,795,319 | 1,929,212 | 2,000,658 | 2,118,289 | 2,199,804 | 2,279,978 | 2,370,999 | 2,443,846 | 2,538,935 |
| IMF FUNDS ON-LENT TO GOVERNMENT | | | | | 40,766 | 60,348 | 62,789 | 90,965 | 95,516 |
| SUB-TOTAL DOMESTIC | 3,697,093 | 3,937,777 | 4,032,368 | 4,192,352 | 4,329,099 | 4,426,627 | 4,535,628 | 4,631,095 | 4,832,113 |
| GRAND TOTAL GROSS | 7,696,635 | 7,996,263 | 8,206,740 | 8,401,912 | 8,629,047 | 8,761,418 | 9,208,772 | 9,482,190 | 10,189,532 |
| LESS ON-LENDING | - | - | - | - | - | - | - | - | - |
| LESS GOVERNMENT DEPOSITS | (556,430) | (544,187) | (461,273) | (449,073) | (418,157) | (404,154) | (470,558) | (386,099) | (484,584) |
| GRAND TOTAL NET | 7,140,205 | 7,452,076 | 7,745,467 | 7,952,840 | 8,210,890 | 8,357,263 | 8,738,213 | 9,096,091 | 9,704,947 |

*Provisional

Source of Data: National Treasury

3.2 Domestic Debt

48. The stock of gross domestic debt increased by KSh. 503.0 billion from KSh. 4,329.1 billion in June 2022 to KSh. 4,832.1 billion in June, 2023. The net domestic debt was KSh. 4,347.5 billion by end of the period under review (Table 12).

Table 12: Stock of Domestic Debt by end of June, 2023 (KSh. Millions)

| DEBT SOURCE | Jun-21* | Sep-21 | Dec-21 | Mar-22 | Jun-22* | Sep-22* | Dec-22* | Mar-23* | Jun-23* |
|---|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| 1.CENTRAL BANK | 87,575 | 90,938 | 88,692 | 95,575 | 85,141 | 53,881 | 84,437 | 104,108 | 102,592 |
| Overdraft | 59,279 | 55,110 | 59,313 | 68,395 | 58,502 | 27,247 | 58,498 | 78,180 | 76,457 |
| Frozen Govt Accounts | 20,009 | 20,009 | 19,454 | 19,454 | 18,899 | 18,899 | 18,344 | 18,344 | 17,789 |
| Treasury bills / bonds rediscounts | 537 | 8,096 | 2,288 | 76 | 71 | 67 | 112 | 109 | 230 |
| Items on Transit | 39 | 13 | 2 | 14 | 32 | 24 | 38 | 30 | 42 |
| Fixed rate bonds | 7,710 | 7,710 | 7,636 | 7,637 | 7,637 | 7,644 | 7,446 | 7,446 | 8,074 |
| 2.COM.BANKS | 1,814,199 | 1,917,628 | 1,943,018 | 1,978,489 | 2,003,387 | 2,032,420 | 2,017,402 | 1,992,177 | 2,095,069 |
| Advances | 2,455 | 2,352 | 2,209 | 7,429 | 13,054 | 12,965 | 13,828 | 6,339 | 13,692 |
| Treasury Bills | 452,353 | 446,726 | 395,241 | 323,479 | 287,613 | 315,649 | 293,469 | 291,539 | 262,852 |
| Fixed Rate T. Bonds | 892,067 | 949,437 | 1,032,012 | 1,083,661 | 1,094,545 | 1,094,111 | 1,079,084 | 1,054,106 | 1,043,778 |
| Special Bonds | 5,000 | 5,000 | 5,000 | 5,000 | - | - | - | - | - |
| Savings and Development Bond | 7,648 | 7,648 | 7,648 | 7,648 | 7,648 | 7,648 | 7,648 | 7,648 | 7,648 |
| Infrastructure Bonds | 454,675 | 506,465 | 500,908 | 551,272 | 600,527 | 602,047 | 623,374 | 632,545 | 767,099 |
| 3. NON BANKS | 1,764,233 | 1,895,111 | 1,968,944 | 2,087,325 | 2,167,924 | 2,248,031 | 2,339,242 | 2,411,375 | 2,506,970 |
| Treasury Bills | 308,072 | 303,598 | 309,282 | 331,780 | 340,675 | 356,424 | 377,812 | 374,484 | 351,636 |
| Fixed Rate T. Bonds | 1,080,520 | 1,174,719 | 1,252,633 | 1,303,740 | 1,353,067 | 1,412,738 | 1,428,132 | 1,450,047 | 1,503,056 |
| Tax Reserve Certificate | - | - | - | - | - | - | - | - | - |
| Infrastructure Bonds | 355,061 | 396,214 | 386,450 | 431,225 | 453,601 | 458,288 | 512,717 | 566,264 | 631,698 |
| Savings and Development Bond | 20,580 | 20,580 | 20,580 | 20,580 | 20,580 | 20,580 | 20,580 | 20,580 | 20,580 |
| 4. NON RESIDENTS | 31,086 | 34,101 | 31,714 | 30,963 | 31,881 | 31,947 | 31,757 | 32,471 | 31,965 |
| Treasury Bills | 4,412 | 5,034 | 2,339 | 1,116 | 395 | 139 | 117 | 76 | 8 |
| Fixed Rate T. Bonds | 18,288 | 18,747 | 19,146 | 19,308 | 18,958 | 19,281 | 18,842 | 19,145 | 18,499 |
| Savings and Development Bond | 9 | 9 | 9 | 9 | 9 | 9 | 9 | 9 | 9 |
| Infrastructure Bonds | 8,377 | 10,311 | 10,220 | 10,530 | 12,519 | 12,519 | 12,790 | 13,241 | 13,449 |
| 5. IMF FUNDS ON-LENT TO GOVERNMENT | | | | | 40,766 | 60,348 | 62,789 | 90,965 | 95,516 |
| 5. TOTAL GROSS DEBT | 3,697,093 | 3,937,777 | 4,032,368 | 4,192,352 | 4,329,099 | 4,426,627 | 4,535,628 | 4,631,095 | 4,832,113 |
| 6. LESS ON-LENDING | - | - | - | - | - | - | - | - | - |
| 7. Less Govt Deposits | 556,430 | 544,187 | 461,273 | 449,073 | 418,284 | 404,154 | 470,558 | 386,099 | 484,584 |
| 8. TOTAL NET DEBT | 3,140,663 | 3,393,590 | 3,571,095 | 3,743,279 | 3,910,815 | 4,022,472 | 4,065,069 | 4,244,996 | 4,347,528 |

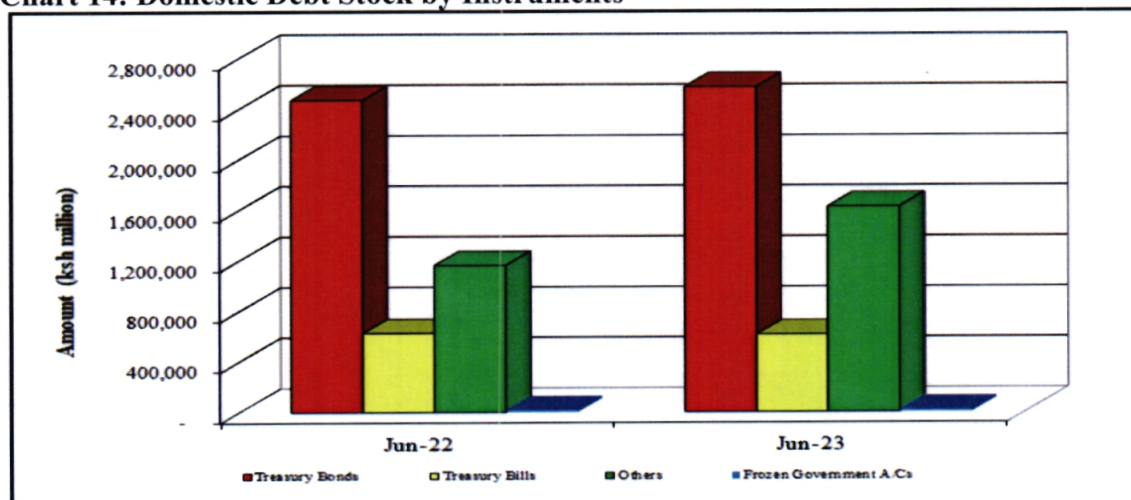
NOTE: Treasury Bills reflected here are at face value as opposed to Table 10, given at cost

*Provisional

Source of Data: Central Bank of Kenya

49. The stock of Treasury Bills held by Central Bank, Commercial Banks, Non-Banking Financial Institution and Non-Residents declined by KSh. 14.0 billion from KSh. 628.8 billion in June 2022 to KSh. 614.7 billion in June 2023. The total stock of Treasury Bonds, which include Floating, Fixed Rate, Special and Zero Coupon Bonds, increased by KSh. 99.2 billion from KSh. 2,474.2 billion in June 2022 to KSh. 2,573.4 billion in June 2023 (Chart 14).

Chart 14: Domestic Debt Stock by Instruments



Source of Data: Central Bank of Kenya

3.3 External Public Debt

50. In dollar terms, external public debt stock increased by US\$. 1710.8 million from US\$. 36,413.9 million by end of June 2022 to US\$. 38,124.7 million by the end of June, 2023 (Table 13). This comprised debt owed to multilateral (49.5%), bilateral (24.9%), commercial banks (25.3%), and Suppliers Credit (0.3%).

Table 13: Kenya's External Public and Publicly Guaranteed Debt June, 2021 – June, 2023 (US\$ Millions)

| CREDITOR | Jun-21 | Sep-21 | Dec-21 | Mar-22 | Jun-22* | Sep-22* | Dec-22* | Mar-23* | Jun-23* |
|----------------------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| BILATERAL | | | | | | | | | |
| AUSTRIA | 13.33 | 12.98 | 12.28 | 11.97 | 11.04 | 13.06 | 13.82 | 14.07 | 13.75 |
| BELGIUM | 117.61 | 114.51 | 114.42 | 116.98 | 109.81 | 111.75 | 117.93 | 182.72 | 182.15 |
| DENMARK | 4.39 | 4.30 | 4.18 | 4.12 | 3.88 | 3.20 | 3.49 | 3.13 | 3.07 |
| FINLAND | 11.31 | 9.71 | 9.42 | 7.93 | 7.50 | 7.03 | 6.32 | 6.48 | 5.17 |
| FRANCE | 851.83 | 836.00 | 812.00 | 800.51 | 764.63 | 707.56 | 764.04 | 805.50 | 762.97 |
| GERMANY | 338.31 | 328.90 | 336.11 | 351.21 | 332.55 | 326.50 | 346.23 | 328.54 | 336.33 |
| ITALY | 371.85 | 364.79 | 353.78 | 347.71 | 328.79 | 309.28 | 333.82 | 344.47 | 343.70 |
| JAPAN | 1,474.72 | 1,463.17 | 1,416.58 | 1,382.43 | 1,245.99 | 1,217.67 | 1,304.89 | 1,453.84 | 1,268.65 |
| USA | 13.14 | 12.44 | 12.26 | 10.89 | 10.69 | 9.97 | 9.61 | 8.73 | 8.53 |
| CHINA | 7,056.92 | 6,917.51 | 6,951.45 | 6,835.26 | 6,830.10 | 6,594.56 | 6,569.52 | 6,307.40 | 6,260.41 |
| OTHERS | 321.73 | 337.12 | 333.61 | 323.09 | 311.80 | 295.43 | 312.68 | 307.29 | 301.97 |
| TOTAL BILATERAL | 10,575.15 | 10,401.43 | 10,356.09 | 10,192.10 | 9,956.78 | 9,596.01 | 9,782.35 | 9,762.17 | 9,486.71 |
| MULTILATERAL | | | | | | | | | |
| ADB/ADF | 2,988.35 | 3,024.74 | 3,187.81 | 3,317.25 | 3,269.84 | 3,302.50 | 3,490.90 | 3,591.12 | 3,685.50 |
| BADEA | 39.53 | 38.63 | 38.72 | 39.20 | 41.10 | 45.99 | 45.20 | 47.70 | 52.19 |
| EEC/EIB | 215.38 | 203.88 | 197.09 | 188.94 | 176.12 | 158.66 | 170.90 | 182.11 | 198.94 |
| IBRD | 294.98 | 293.90 | 297.56 | 296.74 | 569.35 | 571.26 | 579.24 | 581.75 | 1,082.86 |
| IDA/IFAD | 10,146.65 | 10,137.36 | 10,150.48 | 10,099.33 | 10,474.77 | 10,252.69 | 10,692.09 | 10,828.01 | 11,426.71 |
| IMF** | 1,652.44 | 1,635.00 | 1,834.49 | 1,824.62 | 1,751.87 | 1,965.77 | 2,915.30 | 1,673.40 | 2,375.91 |
| OTHERS | 48.97 | 47.26 | 44.83 | 43.87 | 45.43 | 48.35 | 49.89 | 53.86 | 52.27 |
| TOTAL MULTILATERAL | 15,386.29 | 15,380.77 | 15,750.98 | 15,809.95 | 16,328.48 | 16,345.22 | 17,943.52 | 16,957.95 | 18,874.38 |
| COMMERCIAL¹ | 11,010.10 | 10,827.15 | 10,679.43 | 10,510.95 | 10,025.49 | 10,260.41 | 10,048.20 | 9,832.46 | 9,657.98 |
| O/W International Sovereign Bond | 7,106.58 | 7,100.00 | 7,106.28 | 7,100.00 | 7,100.00 | 7,100.00 | 7,100.00 | 7,100.00 | 7,100.00 |
| EXPORT CREDIT | 112.77 | 123.71 | 108.74 | 107.38 | 103.14 | 98.96 | 103.94 | 105.82 | 105.66 |
| GRAND TOTAL | 37,084.30 | 36,733.07 | 36,895.24 | 36,620.38 | 36,413.89 | 36,300.60 | 37,878.01 | 36,658.41 | 38,124.73 |
| In percentage of total | | | | | | | | | |
| BILATERAL | 28.52 | 28.32 | 28.07 | 27.83 | 27.34 | 26.4 | 25.8 | 26.6 | 24.9 |
| MULTILATERAL | 41.49 | 41.87 | 42.69 | 43.17 | 44.84 | 45.0 | 47.4 | 46.3 | 49.5 |
| COMMERCIAL BANKS ¹ | 29.69 | 29.48 | 28.95 | 28.70 | 27.53 | 28.3 | 26.5 | 26.8 | 25.3 |
| EXPORT CREDIT | 0.30 | 0.34 | 0.29 | 0.29 | 0.28 | 0.3 | 0.3 | 0.3 | 0.3 |
| TOTAL | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.0 | 100.0 | 100.0 | 100.0 |

*Provisional

** include IMF item

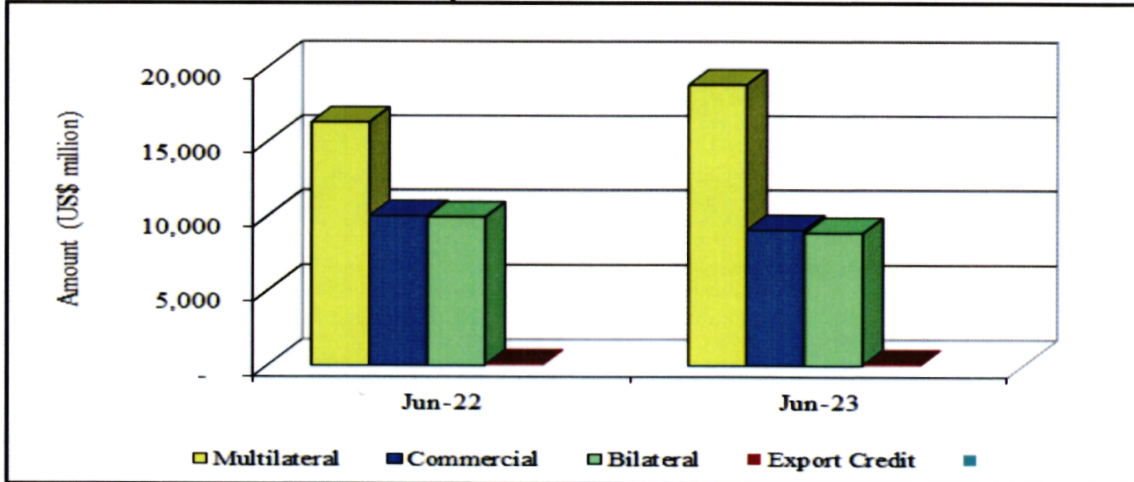
1/ incl. International Sovereign Bond

Note: The exchange rate as at end June 2023 was KSh. 140.5 per dollar.

Source of Data: National Treasury

51. Compared to the same period in FY 2021/22, external public debt stock from multilateral institutions and Supplier’s Credit recorded an increase in the period ending June, 2023. External debt stock from bilateral sources and Commercial Banks and declined in the period under review (**Chart 15**).

Chart 15: External Public Debt by Source



Source of Data: National Treasury

3.3.1 External Debt Service

52. By the end of June 2023, the total cumulative debt service payments to external creditors amounted to KSh. 391.6 billion. This comprised of KSh. 237.4 billion (60.6 percent) principal and KSh. 154.2 billion (39.4 percent) interest (**Table 14**).

Table 14: External Debt Service, July 2022 – June 2023 (KSh. Million)

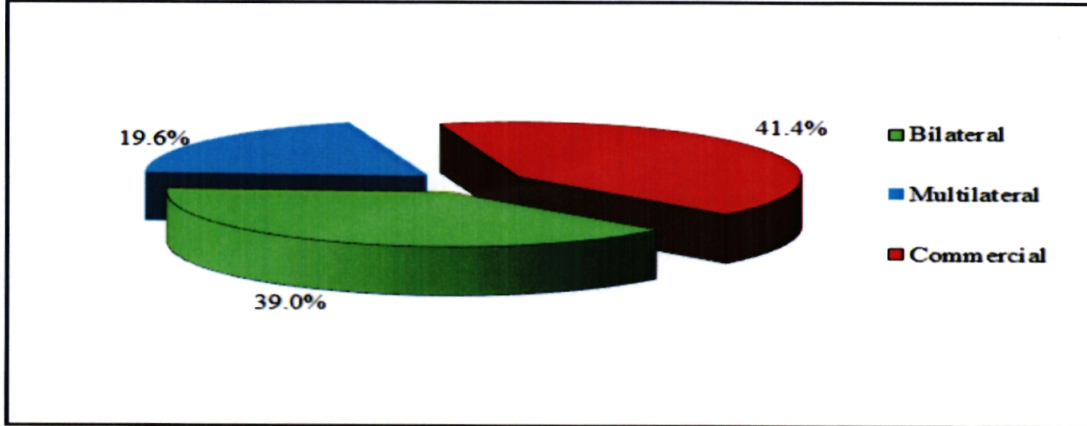
| CATEGORY | Jun-23 | | |
|---------------------------|-------------------|-------------------|-------------------|
| | PRINCIPAL* | INTEREST* | TOTAL* |
| BILATERAL | | | |
| ABU DHABI | 169.01 | 35.27 | 204.28 |
| AUSTRIA | 100.38 | 24.59 | 124.97 |
| BELGIUM | 2,120.03 | 185.66 | 2,305.69 |
| CHINA | 76,846.43 | 30,576.99 | 107,423.42 |
| DENMARK | 59.84 | - | 59.84 |
| FINLAND | 183.50 | 37.26 | 220.76 |
| FRANCE | 10,209.56 | 1,872.56 | 12,082.12 |
| GERMANY | 4,100.57 | 657.86 | 4,758.43 |
| POLAND | 51.80 | 19.93 | 71.73 |
| INDIA | 906.58 | 155.95 | 1,062.53 |
| ISRAEL | 751.55 | 145.56 | 897.11 |
| ITALY | 10,929.98 | 1,882.16 | 12,812.14 |
| JAPAN | 5,697.46 | 792.74 | 6,490.20 |
| KOREA | 208.54 | 32.75 | 241.29 |
| KUWAIT | 187.92 | 36.65 | 224.57 |
| NETHERLANDS | 82.02 | 14.92 | 96.94 |
| SAUDI ARABIA | 111.36 | 33.65 | 145.01 |
| SPAIN | 2,837.11 | 181.13 | 3,018.24 |
| USA | 277.41 | 33.88 | 311.29 |
| TOTAL BILATERAL | 115,831.05 | 36,719.51 | 152,550.6 |
| MULTILATERAL | | | |
| ADB/ADF | 7,235.91 | 5,427.35 | 12,663.26 |
| BADEA | 205.35 | 64.19 | 269.54 |
| EIB/EEC | 1,763.77 | 503.26 | 2,267.03 |
| IDA | 33,393.23 | 18,545.75 | 51,938.98 |
| OPEC | 764.80 | 70.34 | 835.14 |
| NDF | 189.77 | 14.42 | 204.19 |
| IFAD | 692.48 | 211.00 | 903.48 |
| IMF | 1,597.60 | 3,833.90 | 5,431.50 |
| IBRD | - | 2,275.12 | 2,275.12 |
| TOTAL MULTILATERAL | 45,842.91 | 30,945.33 | 76,788.24 |
| COMMERCIAL | 75,738.47 | 86,558.51 | 162,296.98 |
| GRAND TOTAL | 237,412.43 | 154,223.35 | 391,635.78 |

* Provisional

Source of Data: National Treasury

53. By the end of June 2023, the total cumulative debt service payments to external creditors comprised of 41.4 percent, 39.0 percent and 19.6 percent of the total payments to commercial, bilateral and multilateral creditors respectively (Chart 16).

Chart 16: External Debt Service by Creditors at end of June, 2023



Source of Data: National Treasury

4.0. ANNEXES

4.1. Annex I: Fiscal Results, 2015/16 – 2022/2023 (KSh. Millions)

| REVENUE/EXPENDITURE/FINANCING | 2017/18 | 2018/19 | 2019/20 | 2020/21 | 2021/22 | 2022/23 | 2022/23 |
|---|------------------|------------------|------------------|------------------|------------------|----------------------|------------------|
| | Actual | | | | | Revised II Estimates | Prel. Actual |
| A.TOTAL REVENUE | 1,525,556 | 1,704,363 | 1,795,665 | 1,783,747 | 2,199,808 | 2,478,622 | 2,360,510 |
| I.Ordinary Revenue | 1,365,063 | 1,499,757 | 1,573,418 | 1,562,015 | 1,917,911 | 2,145,399 | 2,041,119 |
| Income Tax | 640,546 | 685,330 | 706,936 | 694,053 | 876,707 | 982,140 | 941,576 |
| VAT | 357,129 | 414,143 | 383,713 | 410,758 | 523,098 | 580,616 | 550,440 |
| Import Duty | 93,685 | 106,875 | 98,022 | 108,375 | 118,280 | 142,676 | 130,123 |
| Excise Duty | 167,753 | 194,310 | 195,270 | 216,325 | 252,094 | 293,973 | 264,509 |
| Other Revenue | 105,950 | 99,099 | 189,477 | 132,504 | 147,731 | 145,994 | 154,472 |
| 2.Appropriation –in –Aid | 160,493 | 204,606 | 222,246 | 221,732 | 281,897 | 333,222 | 319,391 |
| B.EXPENDITURE & NET LENDING | 2,146,843 | 2,433,707 | 2,565,444 | 2,749,464 | 3,027,836 | 3,366,561 | 3,218,187 |
| 1.Recurrent | 1,349,896 | 1,531,083 | 1,645,222 | 1,796,588 | 2,135,305 | 2,367,671 | 2,308,750 |
| Wages and Salaries | 388,938 | 417,526 | 449,927 | 493,029 | 520,033 | 539,552 | 547,157 |
| Interest Payments | 323,890 | 375,723 | 437,202 | 495,142 | 577,978 | 682,865 | 684,508 |
| Domestic Interest | 239,470 | 272,351 | 315,362 | 388,830 | 456,849 | 527,928 | 530,284 |
| Foreign Interest Due | 84,420 | 103,372 | 121,840 | 106,312 | 121,130 | 154,937 | 154,223 |
| Pensions, etc | 65,099 | 70,804 | 89,605 | 112,872 | 122,432 | 144,676 | 120,425 |
| O & M/ Others | 534,347 | 625,791 | 626,394 | 652,065 | 866,050 | 938,455 | 900,656 |
| Of which Appropriation-in-Aid | 109,861 | 147,765 | 106,958 | 133,612 | 197,524 | 239,423 | 240,165 |
| 2.Development & Net Lending | 469,673 | 541,884 | 594,944 | 553,883 | 540,117 | 560,545 | 493,663 |
| Development Projects | 255,213 | 289,029 | 389,571 | 339,226 | 346,355 | 323,647 | 319,289 |
| Appropriation-in-Aid | 211,931 | 243,408 | 204,712 | 214,657 | 193,762 | 206,901 | 162,048 |
| 4. Transfer to County Governments | 327,274 | 360,740 | 325,278 | 398,993 | 352,414 | 436,345 | 415,774 |
| 5. Parliamentary Service | 25,678 | 28,525 | 27,990 | 29,191 | 32,652 | 47,034 | 41,187 |
| 6. Judicial Service | 11,944 | 12,713 | 14,103 | 14,289 | 16,160 | 15,090 | 14,817 |
| 7. Net Lending | - | 6,962 | - | - | - | 16,104 | 12,327 |
| 8. Equalization Fund | - | 6,962 | - | - | - | 13,893 | - |
| 9. Contingency Fund | - | - | - | - | - | 2,000 | - |
| D.DEFICIT EXCL. GRANTS (Commitment) | (621,287) | (729,344) | (769,779) | (965,717) | (828,028) | (887,940) | (857,677) |
| E.GRANTS | 27,600 | 19,702 | 19,820 | 31,320 | 31,031 | 41,717 | 23,083 |
| F.DEFICIT INCL.GRANTS (Commitment Basis) | (593,687) | (709,642) | (749,959) | (934,397) | (796,997) | (846,223) | (834,594) |
| G. ADJUSTMENT TO CASH BASIS | (34,678) | - | 11,801 | 5,098 | 11,868 | - | 37,031 |
| H.DEFICIT INCL.GRANTS (Cash Basis) | (628,365) | (709,642) | (738,158) | (929,299) | (785,129) | (846,223) | (797,563) |
| Discrepancy | 2,716 | 11,416 | 52,647 | 20,936 | (37,304) | - | (27,256) |
| LFINANCING | 631,081 | 721,058 | 790,804 | 950,235 | 747,825 | 846,223 | 770,307 |
| Net Foreign Financing | 354,977 | 414,518 | 340,431 | 323,310 | 142,524 | 362,665 | 310,759 |
| Net Domestic Financing | 276,104 | 306,540 | 450,373 | 626,926 | 605,301 | 483,558 | 459,548 |
| In Percentage of GDP | | | | | | | |
| A.TOTAL REVENUE | 17.1 | 17.5 | 16.9 | 15.7 | 17.3 | 17.1 | 16.3 |
| I.Ordinary Revenue | 15.3 | 15.4 | 14.8 | 13.7 | 15.1 | 14.8 | 14.1 |
| Income Tax | 7.2 | 7.0 | 6.7 | 6.1 | 6.9 | 6.8 | 6.5 |
| VAT | 4.0 | 4.2 | 3.6 | 3.6 | 4.1 | 4.0 | 3.8 |
| Import Duty | 1.1 | 1.1 | 0.9 | 1.0 | 0.9 | 1.0 | 0.9 |
| Excise Duty | 1.9 | 2.0 | 1.8 | 1.9 | 2.0 | 2.0 | 1.8 |
| Other Revenue | 1.2 | 1.0 | 1.8 | 1.2 | 1.2 | 1.0 | 1.1 |
| 2.Appropriation –in –Aid | 1.8 | 2.1 | 2.1 | 2.0 | 2.2 | 2.3 | 2.2 |
| B. EXPENDITURE & NET LENDING | 24.1 | 25.0 | 24.2 | 24.2 | 23.8 | 23.2 | 22.2 |
| 1.Recurrent | 15.1 | 15.7 | 15.5 | 15.8 | 16.8 | 16.3 | 15.9 |
| Wages and Salaries | 4.4 | 4.3 | 4.2 | 4.3 | 4.1 | 3.7 | 3.8 |
| Interest Payments | 3.6 | 3.9 | 4.1 | 4.4 | 4.5 | 4.7 | 4.7 |
| Domestic Interest | 2.7 | 2.8 | 3.0 | 3.4 | 3.6 | 3.6 | 3.7 |
| Foreign Interest Due | 0.9 | 1.1 | 1.1 | 0.9 | 1.0 | 1.1 | 1.1 |
| Pensions, etc | 0.7 | 0.7 | 0.8 | 1.0 | 1.0 | 1.0 | 0.8 |
| O & M/ Others | 6.0 | 6.4 | 5.9 | 5.7 | 6.8 | 6.5 | 6.2 |
| of which Appropriation-in-Aid | 1.2 | 1.5 | 1.0 | 1.2 | 1.6 | 1.6 | 1.7 |
| 2.Development & Net Lending | 5.3 | 5.6 | 5.6 | 4.9 | 4.2 | 3.9 | 3.4 |
| Development Projects | 2.9 | 3.0 | 3.7 | 3.0 | 2.7 | 2.2 | 2.2 |
| Appropriation-in-Aid | 2.4 | 2.5 | 1.9 | 1.9 | 1.5 | 1.4 | 1.1 |
| Payment of guaranteed loans | 0.0 | 0.0 | 0.0 | - | - | - | - |
| 3. Drought Expenditures | - | - | - | - | - | - | - |
| 4. Transfer to County Governments | 3.7 | 3.7 | 3.1 | 3.5 | 2.8 | 3.0 | 2.9 |
| 5. Parliamentary Service | 0.3 | 0.3 | 0.3 | 0.3 | 0.3 | 0.3 | 0.3 |
| 6. Judicial Service | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 |
| 7. Equalization Fund | - | 0.1 | - | - | - | 0.1 | - |
| D.DEFICIT EXCL. GRANTS (Commitment) | (7.0) | (7.5) | (7.2) | (8.5) | (6.5) | (6.1) | (5.9) |
| E.GRANTS | 0.3 | 0.2 | 0.2 | 0.3 | 0.2 | 0.3 | 0.2 |
| F.DEFICIT INCL.GRANTS (Commitment Basis) | (6.7) | (7.3) | (7.1) | (8.2) | (6.3) | (5.8) | (5.7) |
| G. ADJUSTMENT TO CASH BASIS | (0.4) | - | 0.1 | 0.0 | 0.1 | - | 0.3 |
| H.DEFICIT INCL.GRANTS (Cash Basis) | (7.0) | (7.3) | (7.0) | (8.2) | (6.2) | (5.8) | (5.5) |
| LFINANCING | 7.1 | 7.4 | 7.4 | 8.4 | 5.9 | 5.8 | 5.3 |
| Foreign Financing | 4.0 | 4.3 | 3.2 | 2.8 | 1.1 | 2.5 | 2.1 |
| Net Domestic Financing | 3.1 | 3.1 | 4.2 | 5.5 | 4.8 | 3.3 | 3.2 |
| Memorandum Item: | | | | | | | |
| Nominal GDP at Market price (Ksh. million) | 8,922,319.6 | 9,745,599.5 | 10,620,841.4 | 11,370,322.9 | 12,736,133.0 | 14,521,623.6 | 14,521,623.6 |

Source: National Treasury

4.2. GFSM 2014 COMPLIANT TABLES FOR BUDGETARY CENTRAL GOVERNMENT

4.2.1 Annex II: Revenue (KSh. Millions)

| GFSM Code | Description | PreL. Actual FY2022/23 Q1 | PreL. Actual FY2022/23 Q2 | PreL. Actual FY2022/23 Q3 | PreL. Actual FY2022/23 Q4 |
|------------|--|------------------------------|------------------------------|------------------------------|------------------------------|
| | <i>Accounting method:</i> | <i>Cash</i> | <i>Cash</i> | <i>Cash</i> | <i>Cash</i> |
| 1 | Revenue | 570,223 | 1,151,326 | 1,704,234 | 2,383,593 |
| 11 | Taxes | 507,337 | 1,031,864 | 1,508,439 | 2,116,608 |
| 111 | Taxes on income, profits, and capital gains | 218,604 | 451,757 | 636,938 | 941,576 |
| 1111 | Payable by individuals | 110,469 | 230,875 | 352,573 | 494,904 |
| 1112 | Payable by corporations and other enterprises | 108,135 | 220,882 | 284,365 | 446,671 |
| 114 | Taxes on goods and services | 228,770 | 462,381 | 698,947 | 942,823 |
| 1141 | General taxes on goods and services | 135,474 | 275,160 | 418,327 | 568,256 |
| 11411 | Value-added taxes | 131,768 | 264,181 | 404,072 | 550,440 |
| 11414 | Taxes on financial and capital transactions ¹ | 3,705 | 10,979 | 14,255 | 17,816 |
| 1142 | Excises ² | 93,296 | 187,221 | 280,620 | 374,567 |
| 115 | Taxes on international trade and transactions | 59,962 | 117,725 | 172,555 | 232,209 |
| 1151 | Customs and other import duties ³ | 59,962 | 117,725 | 172,555 | 232,209 |
| 12 | Social contributions | 63 | 154 | 247 | 341 |
| 122 | Other social contributions | 63 | 154 | 247 | 341 |
| 1221 | Employee contributions | 63 | 154 | 247 | 341 |
| 13 | Grants | 623 | 4,292 | 18,191 | 23,083 |
| 131 | From foreign governments | 623 | 4,292 | 11,209 | 16,101 |
| 1311 | Current | - | - | - | - |
| 1312 | Capital | 623 | 4,292 | 11,209 | 16,101 |
| 132 | From international organizations | - | - | 6,982 | 6,982 |
| 1321 | Current | - | - | 6,982 | 6,982 |
| 1322 | Capital | - | - | - | - |
| 14 | Other revenue | 62,201 | 115,016 | 177,356 | 243,561 |
| 141 | Property income | 15,156 | 16,082 | 24,074 | 45,133 |
| 1411 | Interest | - | 40 | 160 | 416 |
| 1412 | Dividends | 14,517 | 14,627 | 21,416 | 41,301 |
| 1415 | Rent | 639 | 1,416 | 2,497 | 3,416 |
| 142 | Sales of goods and services | 46,170 | 95,948 | 149,558 | 192,873 |
| 1422 | Administrative fees | 46,170 | 95,948 | 149,558 | 192,873 |
| 143 | Fines, penalties, and forfeits | 414 | 1,232 | 1,829 | 2,625 |
| 144 | Miscellaneous and unidentified revenue | 461 | 1,753 | 1,896 | 2,929 |

1. Includes Capital Gains Tax and Stamp duty

2. Includes Ordinary excise, RML, PDL and Electricity levy

3. Includes Import duty, RDL and IDF

Source: National Treasury

4.2.2. Annex III: Expense (KSh. Millions)

| GFSM Code | Description | Prel. Actual FY2022/23 Q1 | Prel. Actual FY2022/23 Q2 | Prel. Actual FY2022/23 Q3 | Prel. Actual FY2022/23 Q4 |
|------------|--|------------------------------|------------------------------|------------------------------|------------------------------|
| | <i>Accounting method:</i> | <i>Cash</i> | <i>Cash</i> | <i>Cash</i> | <i>Cash</i> |
| 2 | Expense | 748,882 | 1,425,173 | 2,155,992 | 3,147,132 |
| 21 | Compensation of employees | 134,969 | 286,563 | 442,618 | 580,054 |
| 211 | Wages and salaries | 130,199 | 264,275 | 417,216 | 547,157 |
| 212 | Social contributions | 4,770 | 22,288 | 25,401 | 32,898 |
| 2121 | Actual social contributions | 4,770 | 22,288 | 25,401 | 32,898 |
| 22 | Use of goods and services | 123,552 | 187,550 | 312,077 | 395,556 |
| | O/W Defence and NIS | 34,916 | 74,854 | 113,231 | 163,414 |
| | Judiciary | | | | 18,925 |
| | Free Secondary Education (FSE) | 30,304 | 33,474 | 46,196 | 65,557 |
| | Free Primary Education (FPE) | 4,095 | 6,406 | 7,227 | 12,980 |
| 24 | Interest | 150,838 | 318,584 | 489,315 | 684,508 |
| 241 | To nonresidents | 36,025 | 67,022 | 115,718 | 154,223 |
| 242 | To residents other than general government | 114,813 | 251,561 | 373,597 | 530,284 |
| 25 | Subsidies | 43,913 | 60,127 | 43,410 | 61,532 |
| 251 | To public corporations | - | - | - | - |
| 252 | To private enterprises | 43,913 | 60,127 | 43,410 | 61,532 |
| 26 | Grants | 261,102 | 480,760 | 717,224 | 1,245,249 |
| 262 | To international organizations | 1,383 | 1,415 | 3,853 | 3,853 |
| 2621 | Current | 1,383 | 1,415 | 3,853 | 3,853 |
| 2622 | Capital | - | - | - | - |
| 263 | To other general government units | 259,719 | 479,345 | 713,371 | 1,241,396 |
| 2631 | Current | 143,661 | 307,434 | 430,581 | 748,089 |
| | O/W Transfer to County Governments (ES) | 49,236 | 98,762 | 148,925 | 279,720 |
| | Transfer to Other levels of Government (Includes transfers to SOEs) | 94,425 | 208,673 | 281,656 | 468,369 |
| 2632 | Capital | 116,058 | 171,911 | 282,790 | 493,307 |
| | O/W Transfer to County Governments (ES) | 21,101 | 42,326 | 63,825 | 119,880 |
| | Transfer to Other levels of Government (Includes transfers to SOEs) | 94,956 | 129,585 | 218,965 | 373,427 |
| 27 | Social benefits | 34,508 | 91,589 | 151,349 | 180,233 |
| 272 | Social Assistance Benefits | | 30,687 | 56,814 | 56,814 |
| 273 | Employer social benefits | 34,508 | 60,902 | 94,535 | 123,419 |
| 28 | Other expense | - | - | - | - |
| 282 | Miscellaneous other expense | - | - | - | - |

Source: National Treasury

4.2.3. Annex IV: Transaction in Assets and Liabilities (KSh. Millions)

| GFSM Code | Description | Prel. Actual FY2022/23 Q1 | Prel. Actual FY2022/23 Q2 | Prel. Actual FY2022/23 Q3 | Prel. Actual FY2022/23 Q4 |
|------------|---|---------------------------|---------------------------|---------------------------|---------------------------|
| | <i>Accounting method:</i> | <i>Cash</i> | <i>Cash</i> | <i>Cash</i> | <i>Cash</i> |
| 3 | Change in Net Worth: Transactions | (168,010) | (260,173) | (430,518) | (736,283) |
| 31 | Net acquisition of nonfinancial assets | 7,815 | 40,823 | 43,171 | 58,728 |
| 311 | Fixed assets | 7,301 | 40,309 | 42,639 | 58,196 |
| 3111 | Buildings and structures | 6,659 | 38,052 | 38,052 | 49,400 |
| 3113 | Other fixed assets | 643 | 2,258 | 4,587 | 8,796 |
| 312 | Inventories | 514 | 514 | 532 | 532 |
| 314 | Nonproduced assets | - | - | - | - |
| 32 | Net acquisition of financial assets | (27,258) | 58,364 | (24,333) | (3,203) |
| 3212 | Currency and deposits (Domestic) | (27,258) | 58,364 | (24,333) | (3,203) |
| 33 | Net incurrence of liabilities | 148,567 | 359,359 | 449,357 | 791,808 |
| 331 | Domestic | 140,592 | 287,331 | 422,170 | 536,224 |
| 3313 | Securities other than shares | 105,299 | 181,579 | 238,360 | 437,527 |
| 3314 | Loans | 20,323 | 21,253 | 67,926 | 61,666 |
| 3318 | Other Accounts Payable | 14,971 | 84,499 | 115,884 | 37,031 |
| 332 | Foreign | 7,975 | 72,028 | 27,187 | 255,584 |
| 3321 | Special Drawing Rights (SDRs) | - | - | - | - |
| 3323 | Securities other than shares | - | - | - | - |
| 3324 | Loans | 7,975 | 72,028 | 27,187 | 255,584 |

Source: National Treasury

4.2.4. Annex V: Statement of Sources and Uses of Cash (KSh. Millions)

| GFSM Code | Description | Prel. Actual FY2022/23 Q1 | Prel. Actual FY2022/23 Q2 | Prel. Actual FY2022/23 Q3 | Prel. Actual FY2022/23 Q4 |
|-----------|---|---------------------------|---------------------------|---------------------------|---------------------------|
| | <i>Accounting method:</i> | <i>Cash</i> | <i>Cash</i> | <i>Cash</i> | <i>Cash</i> |
| | Cash Flows from Operating Activities: | | | | |
| 1 | Cash receipts from operating activities | 570,223 | 1,151,326 | 1,704,234 | 2,383,593 |
| 11 | Taxes | 507,337 | 1,031,864 | 1,508,439 | 2,116,608 |
| 12 | Social contributions | 63 | 154 | 247 | 341 |
| 13 | Grants | 623 | 4,292 | 18,191 | 23,083 |
| 14 | Other receipts | 62,201 | 115,016 | 177,356 | 243,561 |
| 2 | Cash payments for operating activities | 748,544 | 1,425,173 | 2,155,992 | 3,147,132 |
| 21 | Compensation of employees | 134,969 | 286,563 | 442,618 | 580,054 |
| 22 | Purchases of goods and services | 123,552 | 187,550 | 312,077 | 395,556 |
| 24 | Interest | 150,838 | 318,584 | 489,315 | 684,508 |
| 25 | Subsidies | 43,576 | 60,127 | 43,410 | 61,532 |
| 26 | Grants | 261,102 | 480,760 | 717,224 | 1,245,249 |
| 27 | Social benefits | 34,508 | 91,589 | 151,349 | 180,233 |
| 28 | Other payments | | | - | - |
| | Net cash inflow from operating activities | (178,321) | (273,847) | (451,758) | (763,539) |
| | Cash Flows from Investments in Nonfinancial Assets (NFAs): | | | | |
| 31A | Purchases of nonfinancial assets | 7,815 | 40,823 | 43,171 | 58,728 |
| 311A | Fixed assets | 7,301 | 40,309 | 42,639 | 58,196 |
| 312A | Strategic stocks | 514 | 514 | 532 | 532 |
| 314A | Nonproduced assets | - | - | - | - |
| 3 | Net cash outflow: investments in NFAs | 7,815 | 40,823 | 43,171 | 58,728 |
| | Cash surplus / deficit | (186,136) | (314,670) | (494,929) | (822,267) |
| | Cash Flows from Financing Activities: | | | | |
| 32x | Net acquisition of financial assets other than | (27,258) | 58,364 | (24,333) | (3,203) |
| 321x | Domestic | (27,258) | 58,364 | (24,333) | (3,203) |
| 322x | Foreign | - | - | - | - |
| 33 | Net incurrence of liabilities | 117,580 | 359,359 | 449,357 | 791,808 |
| 331 | Domestic | 89,282 | 287,331 | 422,170 | 536,224 |
| 332 | Foreign | 28,298 | 72,028 | 27,187 | 255,584 |
| NFB | Net cash inflow from financing activities | 144,838 | 300,996 | 473,689 | 795,011 |
| | Net change in the stock of cash | (41,298) | (13,674) | (21,240) | (27,256) |
| | Statistical Discrepancy⁴ | - | - | - | - |

⁴/Vertical check: Difference between cash surplus/deficit and total net cash inflow from financial activities
Source: National Treasury

4.2.5 Annex VI: Statement of Government Operations (KSh. Millions)

| GFSM Code | Description | Prel. Actual FY2022/23 Q1 | Prel. Actual FY2022/23 Q2 | Prel. Actual FY2022/23 Q3 | Prel. Actual FY2022/23 Q4 |
|------------|--|---------------------------|---------------------------|---------------------------|---------------------------|
| | <i>Accounting method:</i> | <i>Cash</i> | <i>Cash</i> | <i>Cash</i> | <i>Cash</i> |
| | Transactions Affecting Net Worth: | | | | |
| 1 | Revenue | 570,223 | 1,151,326 | 1,704,234 | 2,383,593 |
| 11 | Taxes | 507,337 | 1,031,864 | 1,508,439 | 2,116,608 |
| 12 | Social contributions | 63 | 154 | 247 | 341 |
| 13 | Grants | 623 | 4,292 | 18,191 | 23,083 |
| 14 | Other revenue | 62,201 | 115,016 | 177,356 | 243,561 |
| 2 | Expense | 748,882 | 1,425,173 | 2,155,992 | 3,147,132 |
| 21 | Compensation of employees | 134,969 | 286,563 | 442,618 | 580,054 |
| 22 | Use of goods and services | 123,552 | 187,550 | 312,077 | 395,556 |
| 24 | Interest | 150,838 | 318,584 | 489,315 | 684,508 |
| 25 | Subsidies | 43,913 | 60,127 | 43,410 | 61,532 |
| 26 | Grants | 261,102 | 480,760 | 717,224 | 1,245,249 |
| 27 | Social benefits | 34,508 | 91,589 | 151,349 | 180,233 |
| 28 | Other expense | - | - | - | - |
| GOB | Gross operating balance | (178,658) | (273,847) | (451,758) | (763,539) |
| NOB | Net operating balance | (178,658) | (273,847) | (451,758) | (763,539) |
| | Transactions on Nonfinancial Assets: | | | | |
| 31 | Net Acquisition of Nonfinancial Assets | 7,815 | 40,823 | 43,171 | 58,728 |
| 311 | Fixed assets | 7,301 | 40,309 | 42,639 | 58,196 |
| 312 | Change in inventories | 514 | 514 | 532 | 532 |
| 314 | Nonproduced assets | - | - | - | - |
| NLB | Net lending / borrowing | (186,473) | (314,670) | (494,929) | (822,267) |
| | Transactions on Financial Assets and Liabilities (Financing): | | | | |
| 32 | Net acquisition of financial assets | 144,838 | 300,996 | 473,689 | 795,011 |
| 321 | Domestic | (27,258) | 58,364 | (24,333) | (3,203) |
| 322 | Foreign | (27,258) | 58,364 | (24,333) | (3,203) |
| | | - | - | - | - |
| 33 | Net incurrence of liabilities | 117,580 | 359,359 | 449,357 | 791,808 |
| 331 | Domestic | 89,282 | 287,331 | 422,170 | 536,224 |
| 332 | Foreign | 28,298 | 72,028 | 27,187 | 255,584 |
| | Statistical Discrepancy⁵ | (41,635) | (13,674) | (21,240) | (27,256) |

⁵/Vertical check: Difference between net lending/borrowing and financing
Source: National Treasury