



REPUBLIC OF KENYA

THE NATIONAL TREASURY



*Paper Laid*  
*By the Leader*  
*of the majority*  
*Party on*  
*Tuesday 25/8/15*  
*[Signature]*

# Quarterly Economic and Budgetary Review

Fourth Quarter, Financial Year 2014/2015

Period ending 30<sup>th</sup> June, 2015

August 2015 Edition



# **Quarterly Economic and Budgetary Review**

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## **LIST OF ABBREVIATIONS AND ACRONYMS**

A-I-A	Appropriation in Aid
CBK	Central Bank of Kenya
FISM	Financial Services Indirectly Measured
FY	Fiscal Year
GDP	Gross Domestic Product
IMF	International Monetary Fund
KNBS	Kenya National Bureau of Statistics
KShs	Kenya Shillings
Mn	Million
NDA	Net Domestic Assets
NFA	Net Foreign Assets
NSE	Nairobi Securities Exchange
RDL	Railway Development Levy

**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 QUARTERLY ECONOMIC AND BUDGETARY REVIEW: FOURTH QUARTER, 2014/2015

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### 1. Recent Economic Developments

The economy grew by 5.3 per cent in 2014 from 5.7 per cent in 2013. The growth in 2014 was supported by improved activities in mining and quarrying (14.2 per cent), information and communication (13.4 per cent), construction (13.1 per cent), financial and insurance activities (8.3 per cent), Real estate (5.6 per cent) and transport and storage (5.0 per cent).

### 2. Total Revenue Collection

The National Government cumulative revenue collection including A-I-A for the period July 2014 to June 2015 amounted to KShs. 1,081.2 billion (equivalent to 18.9 per cent of GDP) against a target of KShs. 1,170.5 billion or 20.5 per cent of GDP. This represented an underperformance of KShs. 89.3 billion mainly due to shortfalls in A-I-A collection, Income Tax, VAT, excise duty and Import duty.

### 3. Government Expenditure and Net Lending

The total cumulative expenditure and net lending inclusive of transfers to county governments for the period ending 30<sup>th</sup> June 2015 amounted to KShs. 1,616.0 billion. This was KShs. 205.8 billion below the target of KShs. 1,821.8 billion and was largely attributed to low absorption levels in operations and maintenance for both the National and County Governments. Expenditure on foreign financed development programmes/projects was far below target.

### 4. Guaranteed Loans

Between July 2014 and June 2015, the National Government paid a total of KShs. 1,014.9 million on account of guaranteed loans against the projected debt service of KShs. 1,013.1 million. The small variance is attributed to exchange rate movements.

### 5. Overall Fiscal Balance

The cumulative overall fiscal balance, on a commitment basis (excluding grants), amounted to a deficit of KShs. 534.8 billion (equivalent to 9.4 per cent of GDP), as at end-June 2015, compared with a deficit of KShs. 287.9 billion (equivalent to 5.7 per cent of GDP) in the twelve period ending 30<sup>th</sup> June 2014.

### 6. External Financing

Between July 2014 and June 2015, external financing amounted to a net borrowing of KShs. 217.8 billion, compared to a net borrowing of KShs. 106.1 billion in the same period of 2014.

### 7. Net Domestic Borrowing

Net domestic financing amounted to a net borrowing of KShs. 251.1 billion (equivalent to 4.4 per cent of GDP) in the period ending 30<sup>th</sup> June, 2015, compared to net borrowing of KShs. 201.7 billion (equivalent to 4.0 per cent of GDP) in a similar period ending 30<sup>th</sup> June 2014.

**8. Domestic Debt**

Total gross domestic debt stock increased by 10.6 per cent from KShs. 1,284.3 billion as at end-June 2014 to KShs.1,420.4 billion by the end-June 2015.

**9. External Debt**

The total external debt stock, including the International Sovereign Bond, stood at KShs. 1,423.3 billion at the period ending June 2015. The debt stock comprised of multilateral debt (48.1 per cent), bilateral debt (31.3 per cent), Export Credit debt (1.2 per cent), and Commercial banks' debt (19.5 per cent- incl. International Sovereign Bond)

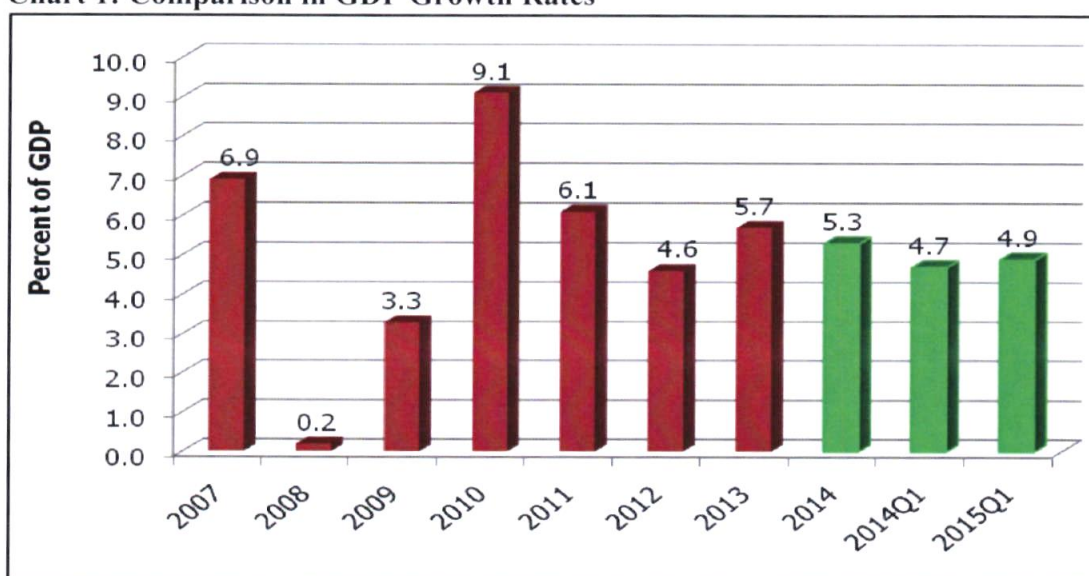
## RECENT ECONOMIC DEVELOPMENTS

### 1.0 RECENT ECONOMIC DEVELOPMENTS

#### 1.1 Economic Growth

1. The economy grew by 5.3 per cent in 2014 from 5.7 per cent in 2013 (**Chart 1**). The growth in 2014 was supported by improved activities in mining and quarrying (14.2 per cent), information and communication (13.4 per cent), construction (13.1 per cent), financial and insurance activities (8.3 per cent), Real estate (5.6 per cent) and transport and storage (5.0 per cent). Manufacturing (3.4 per cent), agriculture, forestry and fishing (3.5 per cent), electricity supply (5.7 per cent) and wholesale and retail trade (6.9 per cent) had a slowed growth as compared to their growths in 2013. The accommodation and food services (hotels and restaurants) sector contracted further in 2014 while all the other sectors recorded positive growths but of varying magnitudes.

**Chart 1: Comparison in GDP Growth Rates**



Source: KNBS.

2. In the first quarter of 2015, the economy registered an improved growth of 4.9 per cent compared to a growth of 4.7 per cent in the corresponding quarter in 2014. Growth in the first quarter of 2015 is attributed to expansion in activities of construction (11.3 per cent), financial and insurance (9.1 per cent), Electricity and water supply (8.4 per cent), transport and storage (6.0 per cent) and agriculture and forestry, and fishing (4.4 per cent) (**Table 1**). All the other sectors of the economy recorded positive growths of varying magnitudes except the hotels and restaurants whose growth contracted during the period.

3. The construction sector improved to a growth of 11.3 per cent in the first quarter of 2015 against a growth of 7.6 per cent in a similar period in 2014. This growth was supported by the on-going mega infrastructure projects and is mirrored in the increased cement consumption.

4. The Financial and insurance sector had an improved growth of 9.1 per cent in the first quarter of 2015 compared to 8.3 per cent growth in the same period in 2014. This growth was mainly driven by increased uptake of loans and advances, increased earnings from fees and commissions and government securities due to the improved accessibility to the financial services.

**Table 1: Sectoral GDP Growth (constant 2009 prices)**

Gross Domestic Product by Activity	2011	2012	2013	2014	2014	2015
					Q1	Q1
Agriculture, forestry and fishing	2.4	2.9	5.2	3.5	2.2	4.4
Mining and quarrying	19.0	19.0	-8.9	14.2	10.5	4.6
Manufacturing	7.2	-0.6	5.6	3.4	6.4	3.5
Electricity and water supply	9.4	9.5	6.6	5.7	3.9	8.4
Construction	4.0	11.3	5.8	13.1	7.6	11.3
Wholesale and retail trade; repairs	8.3	7.0	8.5	6.9	9.7	6.7
Accommodation and restaurants	4.1	3.1	-4.6	-17.2	-14.1	-7.5
Transport and storage	7.1	2.7	1.2	5.0	3.8	6.0
Information and communication	22.1	2.4	12.3	13.4	12.7	9.4
Financial and insurance activities	4.6	6.0	8.1	8.3	8.3	9.1
Public administration	2.4	4.0	3.1	5.8	-4.2	8.4
Professional, admin and support services	2.0	4.0	3.6	2.7	3.2	4.2
Real estate	5.1	4.0	4.1	5.6	6.3	2.0
Education	7.5	11.1	6.3	7.4	6.6	3.3
Human health and social work activities	-2.6	-2.8	7.7	7.2	5.1	7.4
Other service activities	1.5	2.3	4.6	4.2	5.5	3.0
FISIM	9.1	10.1	5.2	11.2	8.3	14.0
<b>All economic activities</b>	<b>5.3</b>	<b>4.1</b>	<b>5.3</b>	<b>5.4</b>	<b>4.6</b>	<b>5.0</b>
Taxes on products	12.6	7.7	8.7	5.2	5.9	4.5
<b>GDP at market prices</b>	<b>6.1</b>	<b>4.6</b>	<b>5.7</b>	<b>5.3</b>	<b>4.7</b>	<b>4.9</b>

Source: KNBS

5. The electricity and water supply sector had an improved growth of 8.4 per cent in the first quarter of 2015 compared to a growth of 3.9 per cent in the first quarter of 2014. The improved growth was as a result of increase in geothermal power generation supported by the commissioning of new plants in 2014, notably Olkaria I and IV with capacity of 280 megawatts despite contraction in hydro and thermal generation.

6. The transport and storage sector recorded an improved growth of 6.0 per cent in the first quarter of 2015 compared to 3.8 per cent growth in the same period in 2014. The sector's increase in growth was attributed to increased demand for transportation of cargo as trade activities expanded as well as a fall in oil prices leading to a general increase in commuter services.

7. Agriculture, forestry and fishing sector recorded an improved growth of 4.4 per cent in the first quarter of 2015 compared to a growth of 2.2 per cent in the first quarter of 2014. The sector's increase in growth was boosted by increased export of tea and cut flowers despite a decline in production of tea as a result of inadequate rains and frost that was reported in some tea zones and improved international prices of tea driven by increased demand and low global production of the crop. Coffee and vegetable sales declined during the review period.

8. The Manufacturing sector recorded an overall growth of 3.5 per cent in the first quarter of 2015 compared to a 6.4 per cent growth over a similar period in 2014. The slowed growth was

## RECENT ECONOMIC DEVELOPMENTS

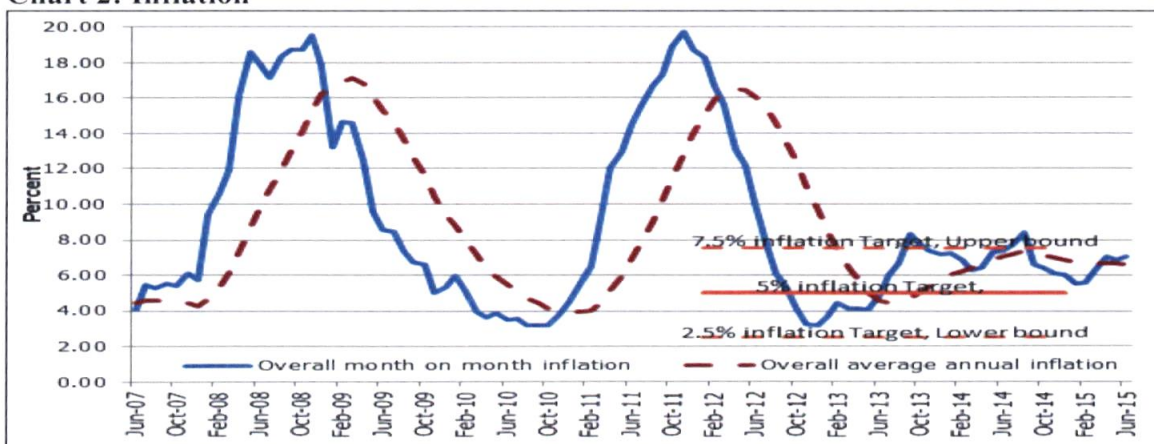
attributed to a decline in manufacture of tobacco, processing of canned fruits, maize meal and sugar. On the positive side, this growth was mainly supported by assembly of motor vehicles, production of beer, manufacture of galvanized sheet, production of soft drinks and cement.

9. The Hotels and Restaurants sector recorded a fifth consecutive quarter contraction of 7.5 per cent in the first quarter of 2015 compared to a contraction of 14.1 per cent in the first quarter of 2014. This is an indication of some improvement in the sector. The contraction is attributable to both internal and external shocks mainly, insecurity concerns and negative travel advisories by some key tourist source countries.

### 1.2 Inflation

10. Overall month on month inflation rose to 7.0 per cent in June 2015 from 6.9 per cent in May 2015. The rise in the overall inflation in June 2015 is attributed to higher food and Non-food Non-fuel inflation. Food inflation rose from 12.4 per cent in May 2015 to 12.6 per cent in June 2015 reflecting a rise in 12-month inflation in the 'food and non-alcoholic beverages' category of goods and services (**Chart 2**). On average, the annual inflation rate was 6.6 per cent in June 2015 compared to 7.1 per cent in June 2014, and was therefore, within the current allowable margin of 2.5 per cent on either side of the target of 5.0 per cent.

**Chart 2: Inflation**



Source: KNBS

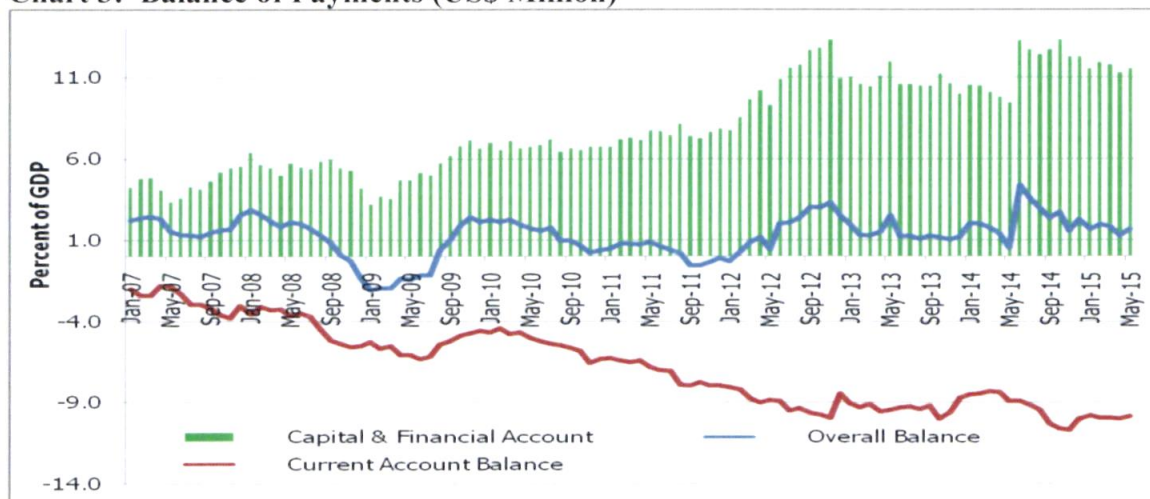
11. The non-food-non- fuel (NFNF) inflation has risen over the last four months from 3.2 per cent in March 2015 to 3.5 per cent in April 2015, 4.2 per cent in May 2015 and 4.6 per cent in June 2015. Fuel inflation, however, eased from 0.3 per cent in May 2015 to 0.24 per cent in June 2015.

### 1.3 Balance of Payments

12. The overall balance of payments surplus increased to US\$ 1,013 million in the year to May 2015 from a surplus of US\$ 305 million in the year to May 2014 (**Chart 3**). The improved surplus reflected an improvement in the capital and financial account surplus that more than offset the widening of the deficit in the current account.

## RECENT ECONOMIC DEVELOPMENTS

**Chart 3: Balance of Payments (US\$ Million)**



Source: CBK

13. The current account deficit worsened by 22.7 per cent to US\$ 5,992 million in the year to May 2015 from a deficit of US\$ 4,882 million in the year to May 2014. As a share to GDP, current account deficit amounted to 9.8 per cent from 8.9 per cent over the same period. The deterioration reflects an 8.0 per cent worsening of the merchandise account and a decline of 3.0 per cent in the surplus of the services account (Table 2).

**Table 2: Balance of Payments (US \$ Million)**

ITEM	Year to MAY 2013	Year to MAY 2014	Year to MAY 2015	Year to May 2015	
				Absolute Change	Percentage Change
<b>A. CURRENT ACCOUNT (1+2)</b>	<b>-4,760</b>	<b>-4,882</b>	<b>-5,992</b>	<b>-1,110</b>	<b>22.7%</b>
<b>1. MERCHANDISE ACCOUNT</b>	<b>-10,867</b>	<b>-11,427</b>	<b>-12,341</b>	<b>-913</b>	<b>8.0%</b>
<b>1.1 Exports (fob)</b>	<b>6,150</b>	<b>6,018</b>	<b>5,789</b>	<b>-230</b>	<b>-3.8%</b>
Coffee	222	203	234	30	15.0%
Tea	1,283	1,113	1,062	-51	-4.6%
Horticulture	729	771	764	-8	-1.0%
Oil products	71	47	76	28	60.2%
Manufactured Goods	691	677	528	-149	-22.0%
Raw Materials	386	431	435	4	0.9%
Chemicals and Related Products (n.e.s)	511	461	426	-35	-7.6%
Miscellaneous Man. Articles	573	619	600	-19	-3.0%
Re-exports	487	777	753	-24	-3.1%
Other	1,197	918	911	-7	-0.7%
<b>1.2 Imports (cif)</b>	<b>17,018</b>	<b>17,445</b>	<b>18,129</b>	<b>683.8</b>	<b>3.9%</b>
Public	119	128	269	141.1	110.6%
Private	16,899	17,318	17,861	542.7	3.1%
Oil	4,046	3,852	3,308	-544.4	-14.1%
Chemicals	2,116	2,317	2,464	147.2	6.4%
Manufactured Goods	2,418	2,651	2,728	77.6	2.9%
Machinery & Transport Equipment	4,954	4,884	6,128	1,243.3	25.5%
Other	3,364	3,613	3,232	-381.0	-10.5%
<b>2. SERVICES</b>	<b>6,107</b>	<b>6,545</b>	<b>6,349</b>	<b>-196.3</b>	<b>-3.0%</b>
<b>B. CAPITAL &amp; FINANCIAL ACCOUNT</b>	<b>6,032</b>	<b>5,187</b>	<b>7,005</b>	<b>1,818.0</b>	<b>35.0%</b>
B.1 Capital Account	172	66	97	31.0	47.1%
B.2 Financial Account	5,859	5,122	6,909	1,787.0	34.9%
<b>OVERALL BALANCE (A+B)</b>	<b>1,272</b>	<b>305</b>	<b>1,013</b>	<b>708.3</b>	<b>232.2%</b>
<b>Gross Reserves</b>	<b>7,887</b>	<b>8,230</b>	<b>9,799</b>	<b>1,568.5</b>	<b>19.1%</b>
Official	6,128	6,498	7,469		
Commercial Banks	1,758	1,732	2,330		
Imports cover (calendar year)	4.03	4.15	4.51		
Imports cover (36 mths imports)	4.40	4.32	4.73		

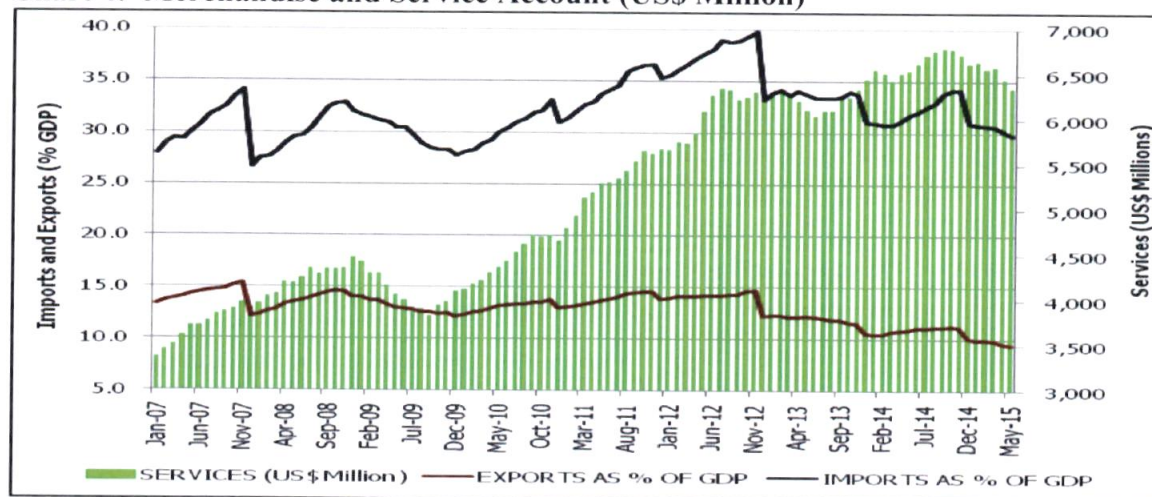
Source: CBK

## RECENT ECONOMIC DEVELOPMENTS

14. The deficit in the merchandise account worsened by US\$ 913 million to US\$ 12,341 million in the year to May 2015 reflecting a larger growth (3.9 per cent) in the value of merchandise imports relative to the value of merchandise exports, which declined by 3.8 per cent (Chart 4).

15. The value of merchandise imports increased in May 2015 reflecting increase in imports of chemicals, manufactured goods and machinery and transport equipment. The 25.5 per cent increase in the value of Imports of machinery and transport equipment was largely in industrial transport equipment component. On the other hand, merchandise exports decline reflected decreased earnings from tea, horticulture, manufactured goods, miscellaneous manufactured articles, re-exports and chemicals and other related products that more than offset increased earnings from coffee, oil products and raw materials.

**Chart 4: Merchandise and Service Account (US\$ Million)**



Source: CBK

16. The services account recorded a declining surplus of US\$ 196.3 million or 3.0 per cent to US\$ 6,349 million in the year to May 2015. The decline reflects a deficit in receipts from non-factor services, which was driven by low receipts in transportation, travel and other government services despite increased receipts from other private services (insurance and communication services; royalties and license fees). The income account also deteriorated in the year to May 2015. However, current transfers account recorded an improvement with the surplus reflected in both net private transfers and net public transfers.

17. The capital and financial account surplus improved to US\$ 7,005 million in the year to May 2015 from US\$ 5,187 million in the year to May 2014. The improvement reflects 34.9 per cent rise in the financial account surplus on the back of increased inflows of official medium to long-term financial flows and a 47.1 per cent increase in the capital account surplus.

18. Commercial bank flows declined by 21.5 per cent in the year to May 2015 on account of an increase in foreign assets of Commercial Banks comprising of loans advanced to non-residents and shares and other equity. Short term flows (including net errors and omissions) also decreased by US\$ 2,564 million during the period under review.

## RECENT ECONOMIC DEVELOPMENTS

### 1.4 Foreign Exchange Reserves

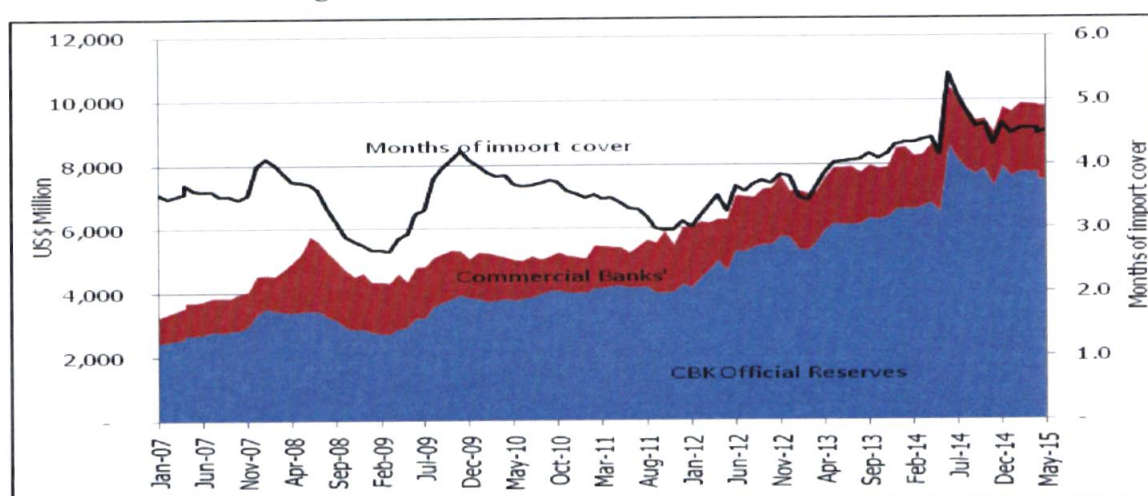
19. Gross foreign exchange holdings of the banking system increased by 19.1 per cent from US\$ 8,230 million in May 2014 to US\$ 9,799 million in May 2015 (Table 3 and chart 5). Gross official reserves held by the Central Bank increased to US\$ 7,469 million (4.7 months of import cover) in May 2015, an improvement from US\$ 6,498 million (4.3 months of import cover) in May 2014 due to purchases from interbank money market and receipt of proceeds from the sovereign bond issuance. The commercial banks' reserves also increased from US\$ 1,732 million to 2,330 million over the same period.

**Table 3: Foreign Exchange Reserves (US\$ million)**

	May-14	Jun-14	Jul-14	Aug-14	Sep-14	Oct-14	Nov-14	Dec-14	Jan-15	Feb-15	Mar-15	Apr-15	May-15
Gross Foreign Exchange Reserves	8,230	10,399	10,029	9,731	9,336	9,400	8,964	9,738	9,620	9,873	9,834	9,806	9,799
Official	6,498	8,555	8,128	7,814	7,676	7,839	7,274	7,895	7,593	7,737	7,723	7,509	7,469
Commercial Banks	1,732	1,844	1,902	1,917	1,659	1,561	1,691	1,843	2,027	2,137	2,111	2,296	2,330
Import cover (36 mths imports)	4.34	5.70	5.37	5.15	5.01	5.06	4.70	5.01	4.80	4.88	4.90	4.75	4.73

Source: CBK

**Chart 5: Official Foreign Reserves ((US\$ million)**



Source: CBK.

### 1.5 Exchange Rates

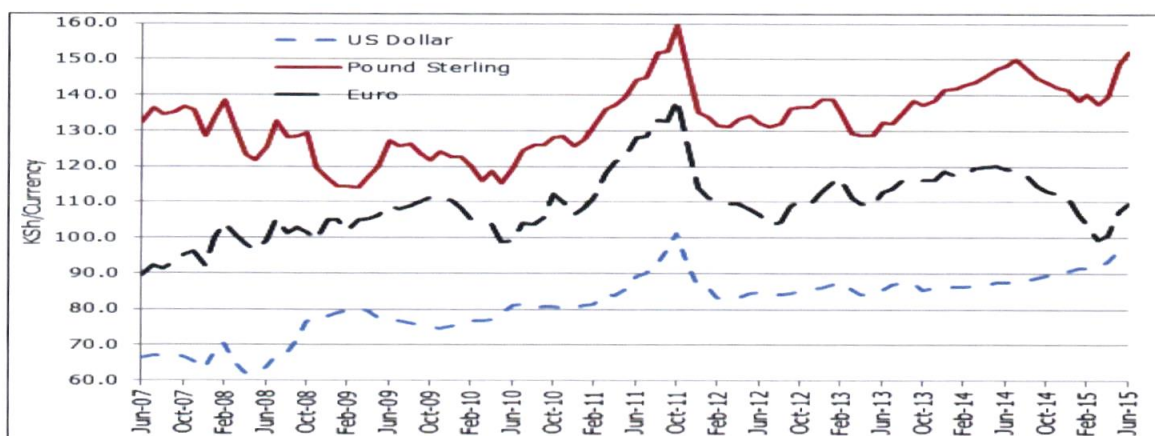
20. The Kenya Shilling exchange rate weakened against major international currencies. The currency depreciated against the US dollar to Ksh 97.7 in June 2015 from Ksh 96.4 in May 2015 mainly due to the global strengthening of the US Dollar on the international market, and high dollar demand by importers in the domestic market (**Chart 5**).

21. Against the sterling pound, the shilling depreciated to Ksh 152.2 in June 2015 from Ksh 149.1 in May 2015 and against the Euro, the exchange rate also depreciated to Ksh 109.7 in June 2015 from Ksh 107.5 in May 2015. However, the Kenya shilling has continued to display relatively less volatility compared with the major regional currencies due to diaspora

## RECENT ECONOMIC DEVELOPMENTS

remittances, increased foreign investor participation in the NSE and enhanced confidence following successful issuance of the sovereign bond.

**Chart 5: Kenya Shilling Exchange Rate with major currencies**



Source: CBK

### 1.6 Money and Credit

22. Broad money supply, M3, grew by 18.6 per cent in the year to June 2015 compared to a growth of 18.2 per cent in the year to June 2014 (**Table 4**). The growth in M3 in the year to June 2015 was due to an improved growth in the net domestic assets (NDA) of the banking system that more than offset the contraction in growth of the net foreign assets (NFA) of the banking system.

**Table 4: Money Supply, M3 and its Sources (Annual basis), KSh billion**

	2013 JUNE	2014 JUNE	2015 JUNE	Absolute Change		percent change	
				2013-2014 JUNE	2014-2015 JUNE	12 months to Jun-14	12 months to Jun-15
<b>Money supply, M3 (1+2)</b>	<b>1,820.9</b>	<b>2,152.1</b>	<b>2,553.0</b>	<b>331.3</b>	<b>400.9</b>	<b>18.2</b>	<b>18.6</b>
<b>1. Net foreign assets (1.1+1.2)</b>	<b>361.2</b>	<b>529.4</b>	<b>435.5</b>	<b>168.2</b>	<b>-93.9</b>	<b>46.6</b>	<b>-17.7</b>
1.1 Central Bank	402.1	615.4	565.2	213.3	-50.3	53.0	-8.2
1.2 Banking Institutions	-40.9	-86.0	-129.6	-45.1	-43.6	110.2	50.7
<b>2. Net domestic assets (2.1+2.2)</b>	<b>1,459.7</b>	<b>1,622.7</b>	<b>2,117.5</b>	<b>163.1</b>	<b>494.8</b>	<b>11.2</b>	<b>30.5</b>
<b>2.1 Domestic credit (2.1.1+2.1.2+2.1.3)</b>	<b>1,783.0</b>	<b>2,042.9</b>	<b>2,639.0</b>	<b>259.9</b>	<b>596.1</b>	<b>14.6</b>	<b>29.2</b>
2.1.1 Government (net)	379.5	283.1	522.1	-96.4	239.0	-25.4	84.4
2.1.2 Other public sector	36.2	40.0	44.7	3.8	4.7	10.5	11.7
2.1.3 Private sector	1,367.2	1,719.8	2,072.2	352.6	352.4	25.8	20.5
<b>2.2 Other assets net</b>	<b>-323.3</b>	<b>-420.2</b>	<b>-521.5</b>	<b>-96.9</b>	<b>-101.3</b>	<b>30.0</b>	<b>24.1</b>

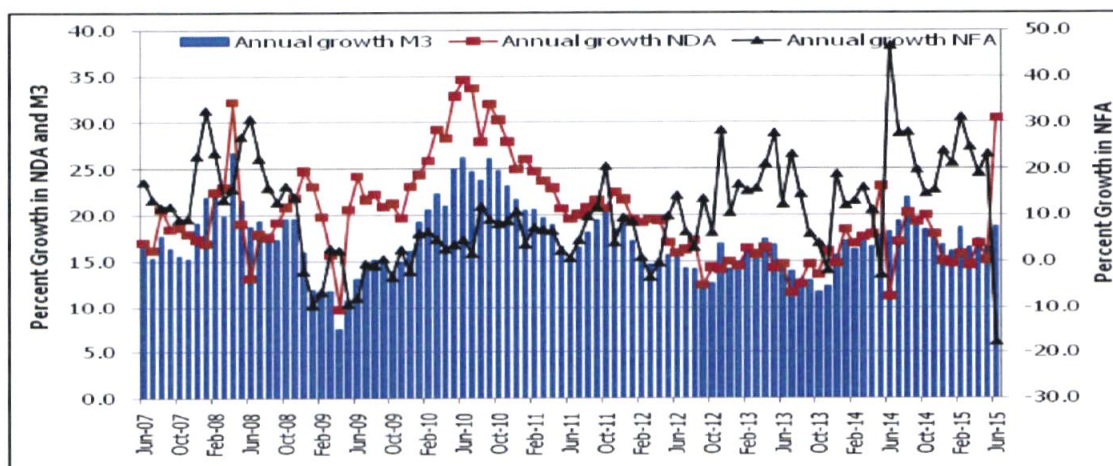
Source: CBK

23. Growth of the NDA of the banking system was at 30.5 per cent in the year to June 2015 (**Chart 6**), an improvement from the growth of 11.2 per cent over a similar period in 2014 due to a pickup in the growth of domestic credit.

## RECENT ECONOMIC DEVELOPMENTS

24. Meanwhile, NFA of the banking system contracted by 17.7 per cent in the year to June 2015 from a growth of 46.6 per cent over a similar period in 2014 mainly due to the decline in the official foreign assets of the Central Bank by Ksh 503 billion and the decline in the foreign assets of the banking institutions by Ksh 43.6 billion.

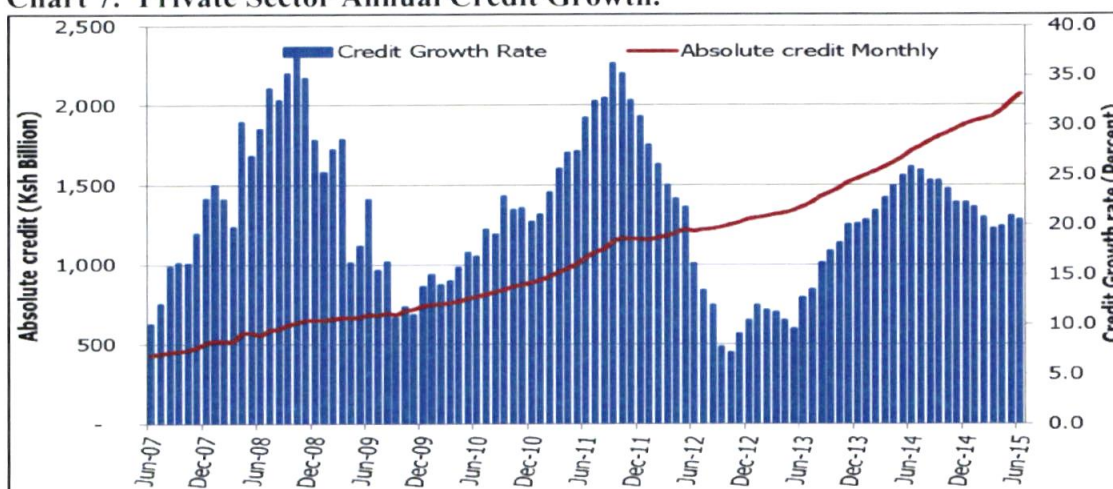
**Chart 6: Growth in M3 and Its Sources**



Source: CBK

25. Net credit to Government grew by 84.4 per cent in the year to June 2015 compared to a contraction of 25.4 per cent in a corresponding period in 2014. Bank credit to the private sector amounted to Ksh 2,072.2 billion in June 2015 from 1,719.8 billion in June 2014, representing a growth of 20.5 per cent (or Ksh 352.4 billion) in June 2015 from 25.8 per cent growth in the same period in 2014 (**Chart 7**). Productive sectors of the economy continued to receive the private sector Bank credit in the year to June 2015 and the sectors with improved growths are as follows; agriculture, building and construction and finance and insurance.

**Chart 7: Private Sector Annual Credit Growth.**



Source: CBK.

## RECENT ECONOMIC DEVELOPMENTS

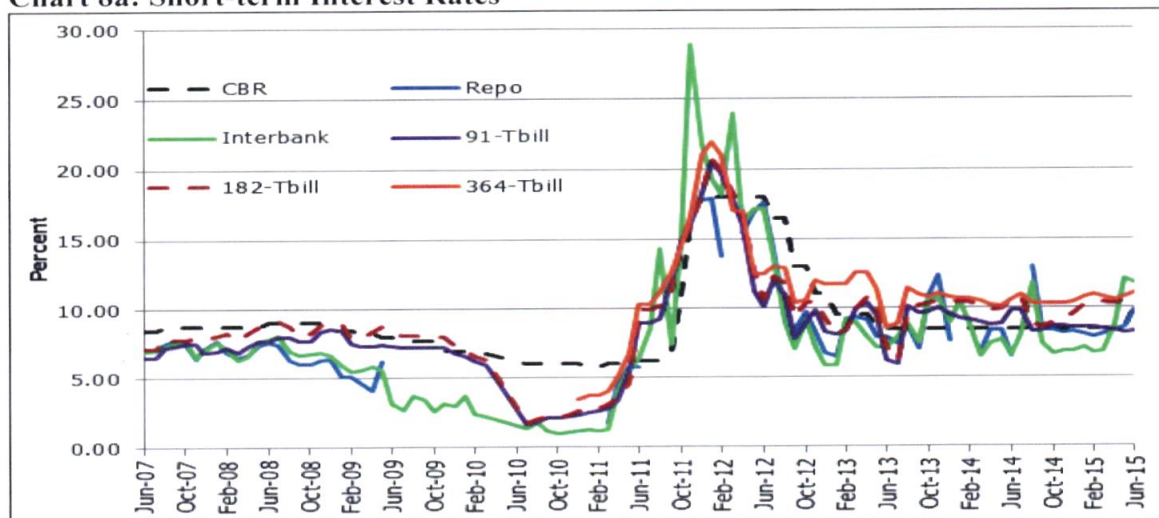
### 1.7 Interest Rates

26. To anchor inflation expectations in the presence of continued high food prices, shilling depreciation in the recent months and the partial reversal of oil prices, the MPC in an extraordinary meeting of June 9, 2015, the MPC raised the Central Bank Rate (CBR) by 150 basis points. Further, in its meeting of July 7, the MPC further raised the CBR further by 150 basis points to 11.5 per cent, and also introduced a 3-day repo to further expand the menu of instruments for liquidity management

27. The average interbank rate increased to 11.9 per cent in June 2015 from 11.1 per cent in May 2015 on account tight liquidity in the money market due to the payment of taxes, interventions by the Central Bank to mitigate volatility of the exchange rate and the temporary build-up of Government deposits at the CBK (**Chart 8a**).

28. The 91-day Treasury bill rate, which largely reflects the government's borrowing profile increased to 8.3 per cent in June 2015 from 8.2 per cent in May 2015. The 182 day Treasury bill increased to 10.6 per cent in June 2015 from 10.4 per cent in May 2015 while the 364 day Treasury bill rate increased to 11.0 per cent from 10.8 per cent over the same period.

**Chart 8a: Short-term Interest Rates**

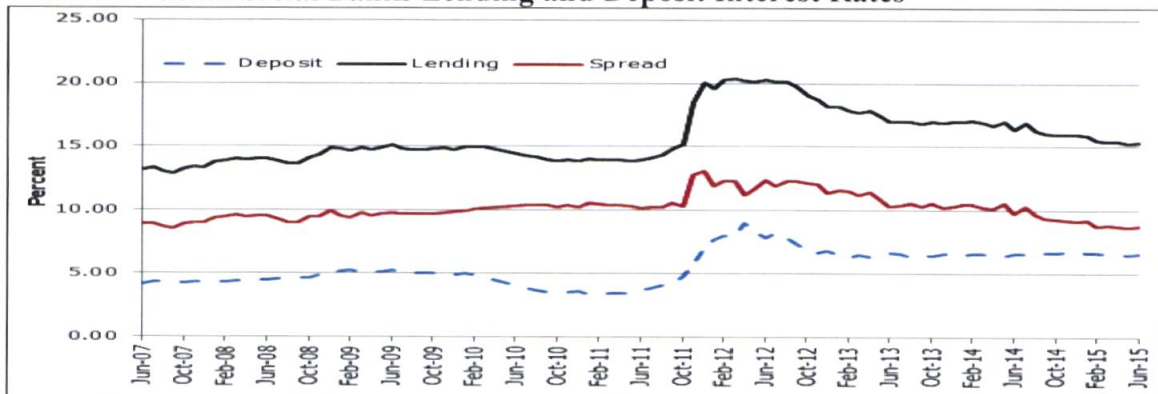


Source: CBK

29. The KBRR initially set at 9.13 per cent in July 2014 was reviewed down to 8.54 per cent in January 2015. This led to reduction in the average lending rates to 15.5 per cent in June 2015 from 16.4 per cent in June 2014 while the deposit rate increased to 6.6 per cent from 6.5 per cent over the same period (**Chart 8b**). Interest rate spread narrowed to 8.8 per cent in June 2015 from 9.9 per cent in June 2014, a reflection of the decline in the lending rate. The MPC in July 2015 reviewed the KBRR upwards to 9.87 per cent following the upward revision of CBR.

## RECENT ECONOMIC DEVELOPMENTS

**Chart 8b: Commercial Banks Lending and Deposit Interest Rates**



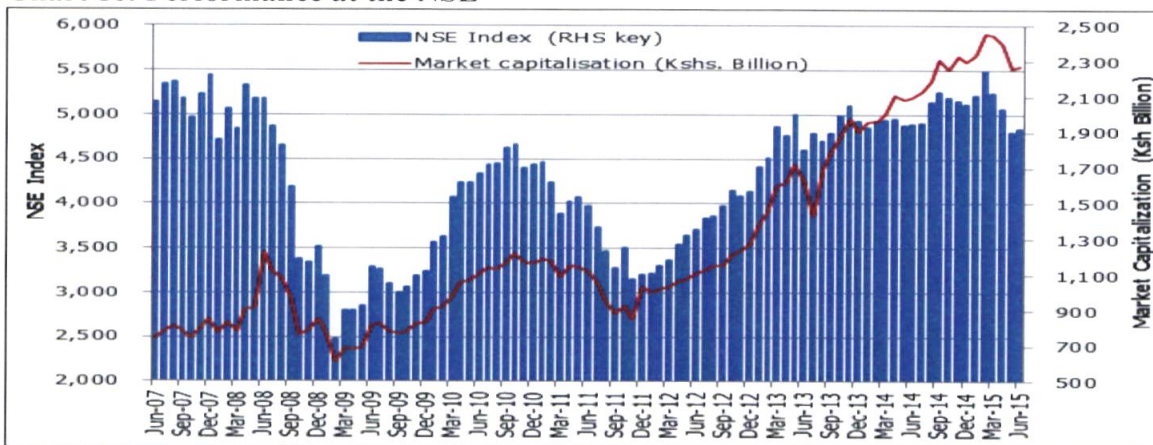
Source: CBK.

### 1.8 Capital Markets

30. Activity at the stock market was vibrant in the year to June 2015. The NSE 20 share index improved to 4,906 points in June 2015 from 4,885 points in June 2014, representing an improvement of 0.4 per cent (**Chart 8c**). Market capitalization improved to Ksh 2,274 billion in June 2015 from Ksh 2,096 billion in June 2014 representing an increase of 8.5 per cent.

31. Foreign equity market turnover for the month of June 2015 stood at Ksh 24.3 billion from Ksh 21.3 billion in May representing an increase of 13.7 per cent. June 2015 bond turnover stood at Ksh 16.7 billion, 21.6 per cent lower than Ksh 21.3 billion recorded in May 2015.

**Chart 8c: Performance at the NSE**



Source: NSE

## 2.0 FISCAL DEVELOPMENTS

### 2.1 Revenue

32. By the end of June 2015, total cumulative revenue including A-I-A collected amounted to Ksh 1,081.2 billion against a target of Ksh 1,170.5 (Table 5 and Chart 9). This performance was below the target by KShs. 89.3 billion. Ordinary revenue collection was below the target by KShs 41.2 billion. The amount collected was KShs. 1,029.3 billion against a target of KShs. 1,070.5 billion. The Railway Development Levy collection amounted to KShs. 18.4 billion against a target of KShs. 22.9 billion. Cumulative ministerial A-I-A recorded an under performance of KShs. 48.1 billion for the period under review. The A-I-A under performance reflects the persistent problem of under reporting especially of the universities collection which is not adequately captured in the ministry's expenditure return for the period under review.

**Table 5: Government Revenue and External Grants, Period Ending 30<sup>th</sup> June, 2015 (KShs. Million)**

	2013/2014 Actual	2014/15		Deviation KShs.	Deviation in percentage
		Actual	Target		
<b>Total Revenue (a+b)</b>	<b>974,418</b>	<b>1,081,194</b>	<b>1,170,529</b>	<b>(89,335)</b>	<b>(7.63)</b>
<b>(a) Ordinary Revenue</b>	<b>918,990</b>	<b>1,029,280</b>	<b>1,070,515</b>	<b>(41,235)</b>	<b>(3.85)</b>
Import Duty	67,555	74,048	76,748	<b>(2,700)</b>	(3.52)
Excise Duty	102,029	115,872	119,559	<b>(3,687)</b>	(3.08)
PAYE	249,873	279,796	284,361	<b>(4,566)</b>	(1.61)
Other Income Tax	199,717	228,785	248,038	<b>(19,253)</b>	(7.76)
VAT Local	107,737	127,905	126,766	<b>1,138</b>	0.90
VAT Imports	124,893	131,781	143,286	<b>(11,505)</b>	(8.03)
Investment Revenue	10,181	13,460	16,403	<b>(2,942)</b>	(17.94)
Traffic Revenue	3,323	2,825	3,010	<b>(186)</b>	(6.17)
Taxes on Intl. Trade & Trans.(IDF Fee)	26,678	26,994	27,640	<b>(646)</b>	(2.34)
Others <sup>1</sup>	27,004	27,815	24,704	<b>3,111</b>	12.59
<b>(b) Appropriation In Aid <sup>2</sup></b>	<b>55,428</b>	<b>51,914</b>	<b>100,014</b>	<b>(48,100)</b>	<b>(48.09)</b>
o/w Railway Development Levy	19,721	18,424	22,922	<b>(4,497)</b>	(19.62)
<b>(c) External Grants</b>	<b>26,957</b>	<b>28,117</b>	<b>66,395</b>	<b>(38,278)</b>	<b>(57.65)</b>
<b>Total Revenue and External Grants</b>	<b>1,001,375</b>	<b>1,109,311</b>	<b>1,236,924</b>	<b>(127,612)</b>	<b>(10.32)</b>
<b>Total Revenue and External Grants as a percentage of GDP</b>	<b>19.85</b>	<b>19.40</b>	<b>21.63</b>		

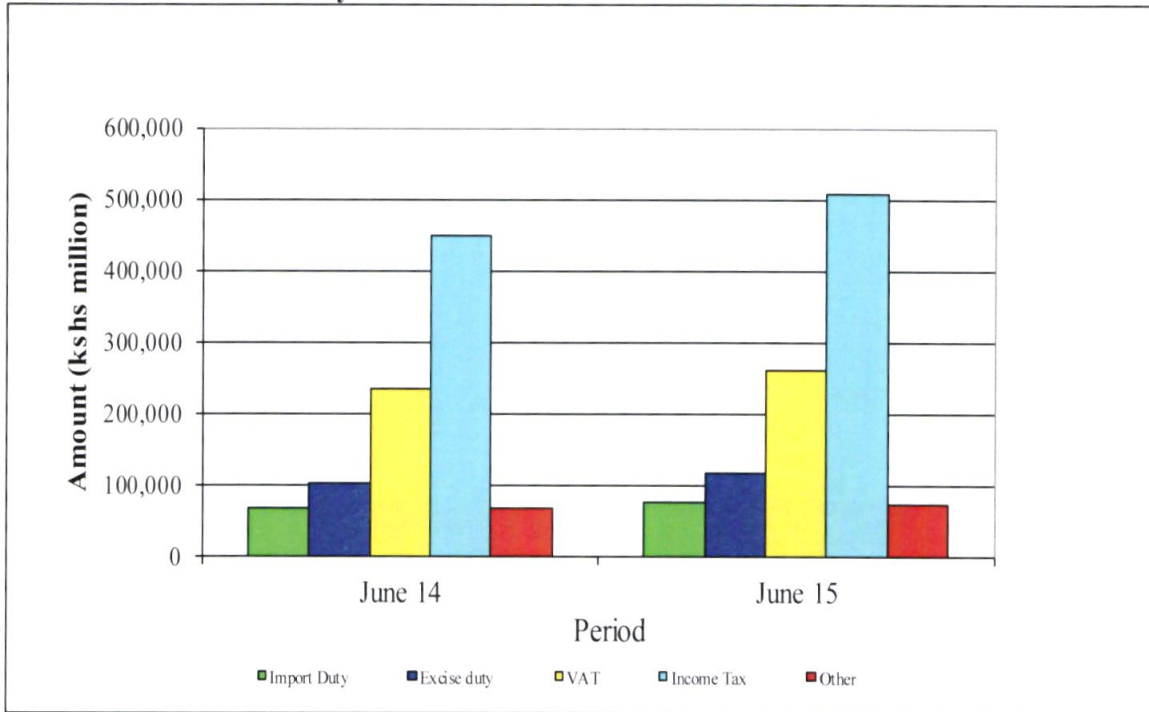
1/ includes rent of buildings, fines and forfeitures, other taxes, reimbursements and other fund contributions, and miscellaneous revenue.

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

Source: National Treasury

33. As a proportion of GDP, the total cumulative revenue and grants in the period under review amounted to 19.4 per cent compared to 19.9 per cent in the corresponding period of the FY 2013/14. External grants amounted to KShs. 28.1 billion against a target of KShs. 66.4 billion, representing an under performance of KShs. 38.3 billion.

**Chart 9: Total Ordinary Revenue**



Source: National Treasury

## 2.2 Expenditure

34. The total expenditure and net lending for the period under review amounted to KShs. 1,616.0 billion, against a target of KShs. 1,821.8 billion. The shortfall of KShs. 205.8 billion was attributed to lower absorption recorded in both recurrent and development expenditures by the National Government. (Table 6 and Chart 10). Recurrent expenditure for National Government amounted to KShs. 873.6 billion (incl. KShs. 34.6 billion for Parliament and Judiciary), against a target of KShs. 940.5 billion, with underperformance recorded in wages and salaries, pensions, and Operation and Maintenance which accounted for KShs. 4.9 billion, for KShs. 1.9 billion and KShs. 66.9 billion, respectively.

35. Foreign interest payments amounted to KShs. 32.3 billion (incl. the International Sovereign Bond), compared to KShs. 12.8 billion in the same period of the 2013/14 FY. The domestic interest payment totalled KShs. 139.7 billion, which was higher than KShs. 119.2 billion paid in the corresponding period of the previous financial year.

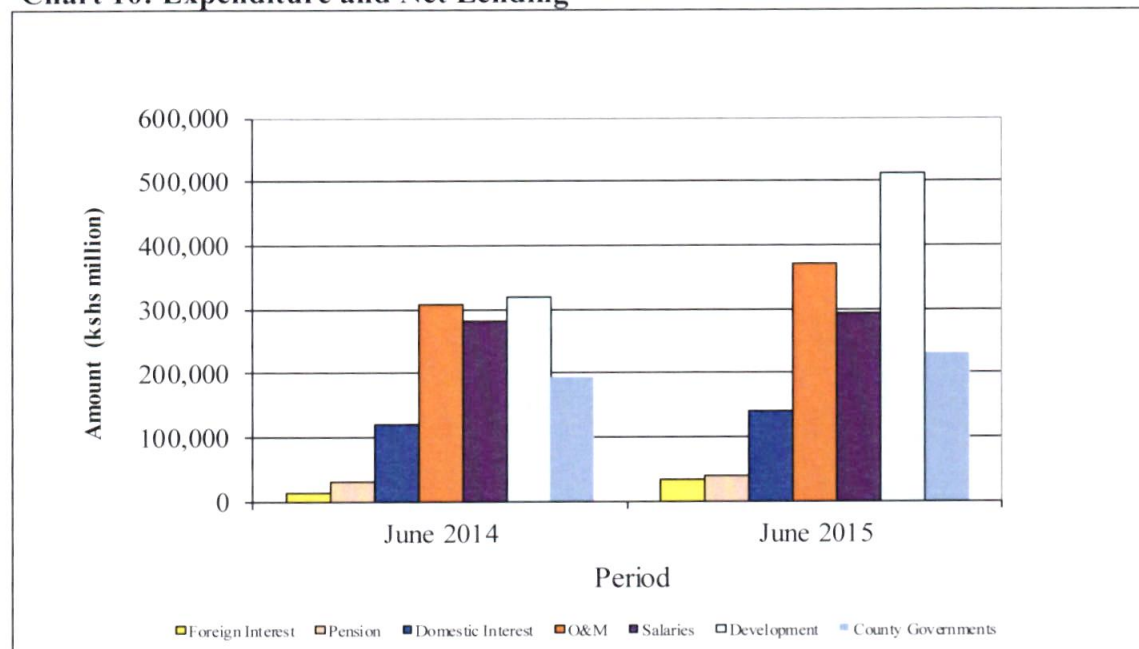
## FISCAL DEVELOPMENTS

**Table 6: Expenditure and Net Lending, Period Ending 30<sup>th</sup> June 2015 (KShs. Million)**

	2013/2014 Actual	2014/15		Deviation	% Growth
		Actual	Targets		
<b>1. RECURRENT</b>	<b>749,635</b>	<b>839,028</b>	<b>907,406</b>	<b>(68,377)</b>	<b>11.9</b>
Domestic Interest	119,193	139,728	136,221	3,507	17.2
Foreign Interest	12,761	32,261	28,966	3,295	152.8
Pensions	30,155	37,508	39,444	(1,936)	24.4
Wages and Salaries	281,197	293,115	297,978	(4,863)	4.2
Operation and Maintenance	306,330	336,417	404,796	(68,380)	9.8
O/W : Appropriation-in-Aid	28,205	28,850	61,705	(32,854)	2.3
<b>2. DEVELOPMENT</b>	<b>319,312</b>	<b>508,101</b>	<b>636,436</b>	<b>(128,334)</b>	<b>59.1</b>
Development Projects (Net)	225,850	272,890	334,772	(61,882)	20.8
Payment of Guaranteed Loans	2,223	2,014	2,123	(109)	(9.4)
Appropriation-in-Aid	91,239	232,797	296,130	(63,332)	155.1
3. County Governments	193,390	229,336	229,264	73	18.6
4. Parliamentary Service	22,473	22,880	26,470	(3,590)	-
5. Judicial Service	12,951	11,689	13,825	(2,136)	-
6. Equalization Fund	-	400	3,411	(3,011)	-
7. CCF	-	4,951	5,000	(49)	-
<b>TOTAL EXPENDITURE</b>	<b>1,297,760</b>	<b>1,615,985</b>	<b>1,821,810</b>	<b>(205,826)</b>	<b>24.5</b>

Source: National Treasury

**Chart 10: Expenditure and Net Lending**



Source: National Treasury

## FISCAL DEVELOPMENTS

36. The total cumulative ministerial and other public agencies expenditure was KShs. 1,072.2 billion against a target of KShs. 1,409.4 billion. Recurrent expenditure was KShs. 664.3 billion against a target of KShs. 712.8 billion, while development expenditure was KShs. 408.0 billion against a target of KShs. 696.6 billion. The per centage of total expenditures to the target was 76.1 per cent (93.2 per cent recurrent and 58.6 per cent development) as at the end of the period under review. As indicated earlier, the discrepancy between actual and target expenditures partly reflect the non-capture of the district expenditures and hence under reporting by ministries. These ministerial expenditures are therefore, provisional.

37. As at the end of period ending 30<sup>th</sup> June 2015, expenditures by the Ministry of Education, Science and Technology; Teachers Service Commission and Ministry of Health (Social Sector) accounted for 42.7 per cent of total recurrent expenditure. While the State Department for Interior, and Ministry of Defence accounted for 11.1 per cent and 11.4 per cent respectively.

38. Analysis of development outlay indicates that the Departments of Infrastructure (21.0 per cent) accounted for the largest share of the total development expenditures, followed by the State Department for Planning (13.9 per cent), Ministry of Energy and Petroleum (12.4 per cent) and Departments of Transport (8.9 per cent). The development expenditures in large ministries were below the target because of non-inclusion of expenditures from the districts and some donor funded projects. **Table 7** gives details of various Ministerial/Departmental and Commissions expenditures for the period under review.

## FISCAL DEVELOPMENTS

**Table 7: Ministerial Expenditures, Period Ending 30<sup>th</sup> June, 2015 (KShs. Million)**

	MINISTRY/DEPARTMENT/COMMISSIONS	Jun-15		Variance	Jun-15		Variance	Jun-15		Variance	% total expenditure to total target
		Recurrent			Development			Total			
		Actual*	Target		Actual*	Target		Actual*	Target		
1011	THE PRESIDENCY	6,629	7,217	(587)	1,189	1,237	(47)	7,819	8,453	(635)	92.5
1021	STATE DEPARTMENT FOR INTERIOR	73,164	93,163	(19,999)	3,815	8,702	(4,886)	76,979	101,864	(24,885)	75.6
1022	STATE DEPARTMENT FOR COORDINATION OF NATIONAL GOVERNMENT	16,025	17,113	(1,088)	555	597	(42)	16,580	17,710	(1,130)	93.6
1031	STATE DEPARTMENT FOR PLANNING	16,310	17,343	(1,032)	56,688	59,303	(2,615)	72,998	76,645	(3,647)	95.2
1032	STATE DEPARTMENT FOR DEVOLUTION	4,294	4,330	(36)	5,563	10,161	(4,598)	9,857	14,491	(4,634)	68.0
1041	MINISTRY OF DEFENCE	78,695	78,781	(86)	-	-	-	78,695	78,781	(86)	99.9
1051	MINISTRY OF FOREIGN AFFAIRS	9,003	13,415	(4,411)	741	1,626	(884)	9,745	15,041	(5,296)	64.8
1061	STATE DEPARTMENT FOR EDUCATION	48,907	50,304	(1,397)	5,766	9,739	(3,973)	54,673	60,043	(5,370)	91.1
1062	STATE DEPARTMENT FOR HIGHER EDUCATION, SCIENCE AND TECHNOLOGY	39,147	42,624	(3,477)	11,691	14,383	(2,692)	50,838	57,007	(6,168)	89.2
1071	THE NATIONAL TREASURY	29,087	29,815	(728)	26,981	41,489	(14,508)	56,068	71,304	(15,236)	78.6
1081	MINISTRY OF HEALTH	25,614	26,466	(852)	15,248	24,848	(9,600)	40,862	51,314	(10,452)	79.6
1091	STATE DEPARTMENT FOR INFRASTRUCTURE	24,157	25,732	(1,576)	85,865	111,719	(25,854)	110,022	137,451	(27,430)	80.0
1092	STATE DEPARTMENT FOR TRANSPORT	3,342	5,871	(2,529)	36,381	181,870	(145,489)	39,723	187,741	(148,017)	21.2
1101	STATE DEPARTMENT FOR ENVIRONMENT AND NATURAL RESOURCES	10,518	8,804	1,713	6,063	8,227	(2,164)	16,581	17,032	(451)	97.4
1102	STATE DEPARTMENT FOR WATER AND REGIONAL AUTHORITIES	2,173	4,191	(2,018)	26,159	33,505	(7,346)	28,332	37,696	(9,364)	75.2
1111	MINISTRY OF LAND, HOUSING AND URBAN DEVELOPMENT	4,357	4,353	4	19,352	25,307	(5,955)	23,709	29,660	(5,951)	79.9
1121	MINISTRY OF INFORMATION, COMMUNICATIONS AND TECHNOLOGY	2,151	2,530	(379)	5,313	7,688	(2,375)	7,464	10,218	(2,754)	73.0
1131	MINISTRY OF SPORTS, CULTURE AND ARTS	2,787	2,891	(104)	1,329	1,567	(238)	4,116	4,458	(342)	92.3
1141	MINISTRY OF LABOUR, SOCIAL SECURITY AND SERVICES	6,892	8,799	(1,907)	10,334	11,843	(1,509)	17,226	20,641	(3,415)	83.5
1151	MINISTRY OF ENERGY AND PETROLEUM	2,003	2,019	(16)	50,747	88,757	(38,010)	52,751	90,776	(38,026)	58.1
1161	STATE DEPARTMENT FOR AGRICULTURE	7,508	9,938	(2,430)	20,347	29,119	(8,772)	27,855	39,058	(11,202)	71.3
1162	STATE DEPARTMENT FOR LIVESTOCK	1,549	1,819	(271)	2,690	3,782	(1,092)	4,239	5,602	(1,363)	75.7
1163	STATE DEPARTMENT FOR FISHERIES	1,071	1,114	(43)	2,056	2,105	(49)	3,127	3,219	(91)	97.2
1171	MINISTRY OF INDUSTRIALIZATION AND ENTERPRISE DEVELOPMENT	3,032	3,285	(253)	5,259	5,738	(478)	8,291	9,023	(731)	91.9
1181	STATE DEPARTMENT FOR COMMERCE & TOURISM	2,947	2,988	(41)	2,813	2,888	(75)	5,760	5,876	(117)	98.0
1182	STATE DEPARTMENT FOR EAST AFRICAN AFFAIRS	1,580	1,619	(39)	55	65	(10)	1,635	1,684	(49)	97.1
1191	MINISTRY OF MINING	761	766	(5)	1,212	1,193	19	1,972	1,958	14	100.7
1251	OFFICE OF THE ATTORNEY GENERAL AND DEPARTMENT OF JUSTICE	2,992	3,627	(636)	186	505	(319)	3,178	4,133	(954)	76.9
1261	THE JUDICIARY	10,322	10,732	(410)	1,367	3,093	(1,726)	11,689	13,825	(2,136)	84.5
1271	ETHICS AND ANTI-CORRUPTION COMMISSION	1,736	1,746	(10)	-	208	(208)	1,736	1,954	(218)	88.8
1281	NATIONAL INTELLIGENCE SERVICE	19,137	19,142	(4)	-	-	-	19,137	19,142	(4)	100.0
1291	DIRECTORATE OF PUBLIC PROSECUTIONS	1,363	1,727	(364)	12	67	(55)	1,375	1,794	(419)	76.6
1301	COMMISSION FOR THE IMPLEMENTATION OF THE CONSTITUTION	38	306	(268)	-	-	-	38	306	(268)	12.6
1311	REGISTRAR OF POLITICAL PARTIES	468	476	(8)	-	-	-	468	476	(8)	98.3
1321	WITNESS PROTECTION AGENCY	10	295	(285)	-	-	-	10	295	(285)	3.3
2011	KENYA NATIONAL COMMISSION ON HUMAN RIGHTS	337	357	(19)	-	-	-	337	357	(19)	94.5
2021	NATIONAL LAND COMMISSION	1,169	1,094	75	509	442	67	1,678	1,536	142	109.2
2031	INDEPENDENT ELECTORAL AND BOUNDARIES COMMISSION	5,179	6,795	(1,615)	74	178	(104)	5,254	6,973	(1,719)	75.3
2041	PARLIAMENTARY SERVICE COMMISSION	21,387	22,391	(1,004)	1,491	4,075	(2,584)	22,878	26,466	(3,588)	86.4
2051	JUDICIAL SERVICE COMMISSION	300	338	(38)	-	-	-	300	338	(38)	88.8
2061	COMMISSION ON REVENUE ALLOCATION	234	277	(43)	-	-	-	234	277	(43)	84.4
2071	PUBLIC SERVICE COMMISSION	989	1,008	(19)	163	168	(5)	1,152	1,176	(24)	98.0
2081	SALARIES AND REMUNERATION COMMISSION	664	840	(176)	-	-	-	664	840	(176)	79.0
2091	TEACHERS SERVICE COMMISSION	169,758	169,636	122	-	-	-	169,758	169,636	122	100.1
2101	NATIONAL POLICE SERVICE COMMISSION	452	470	(19)	-	-	-	452	470	(19)	96.1
2111	AUDITOR GENERAL	2,818	2,911	(93)	-	405	(405)	2,818	3,316	(498)	85.0
2121	CONTROLLER OF BUDGET	371	396	(25)	-	-	-	371	396	(25)	93.7
2131	THE COMMISSION ON ADMINISTRATIVE JUSTICE	356	395	(39)	-	-	-	356	395	(39)	90.2
2141	NATIONAL GENDER AND EQUALITY COMMISSION	283	290	(7)	-	-	-	283	290	(7)	97.4
2151	INDEPENDENT POLICING OVERSIGHT AUTHORITY	234	291	(56)	-	-	-	234	291	(56)	80.6
	<b>Total</b>	<b>664,300</b>	<b>712,827</b>	<b>(48,527)</b>	<b>408,017</b>	<b>696,598</b>	<b>(288,581)</b>	<b>1,072,317</b>	<b>1,409,425</b>	<b>(337,109)</b>	<b>76.1</b>

\*Provisional

Source: National Treasury

## FISCAL DEVELOPMENTS

### 2.2.1 Guaranteed Loans to Parastatals

39. Cumulative principal and interest payments of guaranteed loans to parastatals with liquidity problems amounted to KShs 1,014.9 million against a target of KShs 1,013.1 million (**Table 8**) for period ending 30<sup>th</sup> June 2015. The payments for principal and interest payments were Ksh 909.55 million and Ksh 105.31 million, respectively. The variance between the payments and target is attributed to exchange rate movements during the period under review.

**Table 8: Schedule and actual payments on Guaranteed Debt for the period ending 30<sup>th</sup> June 2015 (Kshs. Mn)**

Borrower	Quarter I		Quarter II		Quarter III		Quarter IV		Cumm. June 2015*	
	Projected	Actual	Projected	Actual	Projected	Actual	Projected	Actual	Projected	Actual
NCC	35.30	38.75	-	-	35.10	39.97	-	-	70.40	78.72
TARDA	135.27	142.42	-	-	133.52	130.18	-	-	268.79	272.60
KBC	-	-	336.94	324.66	-	0.00	336.94	338.87	673.88	663.53
TOTAL (QTR)	170.57	181.17	336.94	324.66	168.62	170.15	336.94	338.87	1,013.07	1,014.85

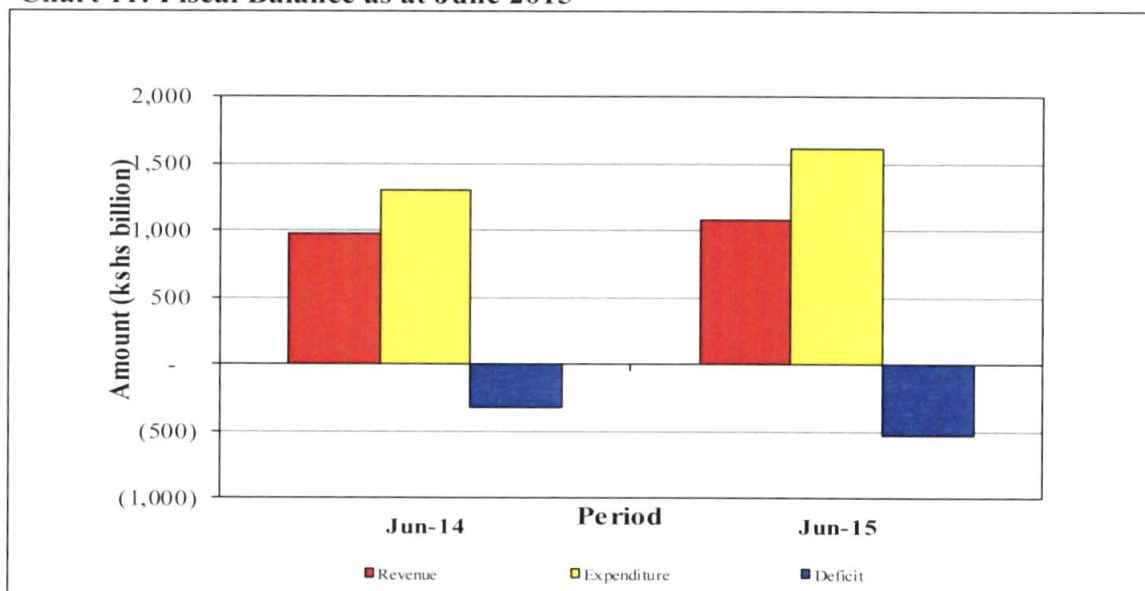
Provisional

Source: National Treasury

### 2.3 Fiscal Outturn

40. Between July 1, 2014 and June 30, 2015, cumulative overall fiscal balance (on a commitment basis and excluding grants), amounted to KShs. 534.8 billion (equivalent to 9.4 per cent of GDP against a targeted deficit of KShs. 651.3 billion (equivalent to 11.4 per cent of GDP) (**Chart 11 and Table 9**). Over the same period in 2013, the fiscal deficit stood at KShs. 287.9 billion (equivalent to 5.7 per cent of GDP). Including grants, the fiscal balance (on a commitment basis) deficit stood at 8.3 per cent of GDP against a targeted deficit of 10.2 per cent of GDP. The Fiscal Outturns for the past years is provided as **Annex I**.

**Chart 11: Fiscal Balance as at June 2015**



Source: National Treasury

## FISCAL DEVELOPMENTS

**Table 9: Budget Outturn, Cumulative Ending 30<sup>th</sup> June 2015 (KShs. Million)**

	2013/2014	2014/2015		Deviation	%growth	2013/2014 as a % of GDP		2013/2014 Actual as a % of GDP
	Actual	Actual*	Targets			Actual	Targets	
<b>A. TOTAL REVENUE AND GRANTS</b>	<b>1,001,375</b>	<b>1,109,311</b>	<b>1,236,924</b>	<b>(127,612)</b>	<b>10.78</b>	<b>19.40</b>	<b>21.63</b>	<b>19.85</b>
<b>1. Revenue</b>	<b>974,418</b>	<b>1,081,194</b>	<b>1,170,529</b>	<b>(89,335)</b>	<b>10.96</b>	<b>18.90</b>	<b>20.47</b>	<b>19.32</b>
Ordinary Revenue(Incl RDL)	918,990	1,029,280	1,070,515	(41,235)	12.00	18.00	18.72	18.22
Import Duty	67,555	74,048	76,748	(2,700)	9.61	1.29	1.34	1.34
Excise Duty	102,029	115,872	119,559	(3,687)	13.57	2.03	2.09	2.02
Income tax	449,590	508,581	532,399	(23,819)	13.12	8.89	9.31	8.91
VAT	232,630	259,685	270,052	(10,367)	11.63	4.54	4.72	4.61
Investment Revenue	10,181	13,460	16,403	(2,942)	-	0.24	0.29	0.20
Others	57,004	57,634	55,355	2,279	1.10	1.01	0.97	1.13
Appropriation-in-Aid	55,428	51,914	100,014	(48,100)	(6.34)	0.91	1.75	1.10
<b>2. Grants</b>	<b>26,957</b>	<b>28,117</b>	<b>66,395</b>	<b>(38,278)</b>	<b>4.30</b>	<b>0.49</b>	<b>1.16</b>	<b>0.53</b>
AMISOM Receipts	4,695	3,843	6,100	(2,257)	-	0.00	0.11	0.09
Revenue	6,431	6,916	14,229	(7,313)	7.53	0.12	0.25	0.13
Appropriation-in-Aid	15,317	16,098	44,805	(28,707)	5.10	0.28	0.78	0.30
Italian Debt Swap	514	527	527	0	-	0.00	-	0.00
County Health Facilities - DANIDA	0	734	734	0	-	0.00	-	0.00
<b>B. EXPENDITURE and NET LENDING</b>	<b>1,262,336</b>	<b>1,615,985</b>	<b>1,821,810</b>	<b>(205,826)</b>	<b>28.02</b>	<b>28.26</b>	<b>31.85</b>	<b>25.03</b>
<b>1. Recurrent</b>	<b>749,635</b>	<b>873,597</b>	<b>940,533</b>	<b>(66,936)</b>	<b>16.54</b>	<b>15.28</b>	<b>16.45</b>	<b>14.86</b>
Domestic Interest	119,193	139,728	136,221	3,507	17.23	2.44	2.38	2.36
Foreign Interest	12,761	32,261	28,966	3,295	152.81	0.56	0.51	0.25
Pension	30,155	37,508	39,444	(1,936)	24.38	0.66	0.69	0.60
Wages and Salaries	281,197	293,115	297,978	(4,863)	4.24	5.13	5.21	5.57
O & M/Others	306,330	370,985	437,923	(66,939)	21.11	6.49	7.66	6.07
<b>2. Development and Net Lending</b>	<b>319,312</b>	<b>508,101</b>	<b>647,014</b>	<b>(138,913)</b>	<b>59.12</b>	<b>8.88</b>	<b>11.31</b>	<b>6.33</b>
3. Equalization Fund	0	400	3,411	(3,011)	-	0.00	0.06	0.00
4. County Governments	193,390	229,336	229,264	73	18.59	4.01	4.01	3.83
<b>5. CF</b>	<b>0</b>	<b>4,951</b>	<b>5,000</b>	<b>(49)</b>	<b>-</b>	<b>0.09</b>	<b>0.09</b>	<b>0.00</b>
<b>C. DEFICIT EXCLGRANT (Commitment basis)</b>	<b>(287,919)</b>	<b>(534,791)</b>	<b>(651,281)</b>	<b>116,491</b>	<b>85.74</b>	<b>(9.35)</b>	<b>(11.39)</b>	<b>(5.71)</b>
<b>D. DEFICIT INCLGRANTS (Commitment basis)</b>	<b>(260,962)</b>	<b>(506,673)</b>	<b>(584,886)</b>	<b>78,213</b>	<b>94.16</b>	<b>(8.86)</b>	<b>(10.23)</b>	<b>(5.17)</b>
<b>E. ADJUSTMENT TO CASH BASIS</b>	<b>-12,739</b>	<b>34,788</b>	<b>-</b>	<b>34,788</b>	<b>(373.07)</b>	<b>0.61</b>	<b>-</b>	<b>(0.25)</b>
<b>F. DEFICIT INCLGRANTS (Cash basis)</b>	<b>(273,701)</b>	<b>(471,885)</b>	<b>(584,886)</b>	<b>113,001</b>	<b>72.41</b>	<b>(8.25)</b>	<b>(10.23)</b>	<b>(5.43)</b>
<b>G. FINANCING</b>	<b>309,125</b>	<b>471,885</b>	<b>584,886</b>	<b>(113,001)</b>	<b>52.65</b>	<b>8.25</b>	<b>10.23</b>	<b>6.13</b>
<b>1. Foreign financing</b>	<b>106,130</b>	<b>217,791</b>	<b>261,165</b>	<b>(43,374)</b>	<b>105.21</b>	<b>3.81</b>	<b>4.57</b>	<b>2.10</b>
<b>Disbursements</b>	<b>184,950</b>	<b>296,886</b>	<b>343,102</b>	<b>(46,216)</b>	<b>60.52</b>	<b>5.19</b>	<b>6.00</b>	<b>3.67</b>
Programme Loans	0	3,454	5,375	(1,921)	-	0.00	0.09	0.00
Project Cash Loans	28,432	30,310	49,439	(19,129)	6.60	0.53	0.86	0.56
Project Loans AIA	68,420	64,393	130,315	(65,922)	(5.89)	1.13	2.28	1.36
Project Loans SGR - AIA	0	123,456	82,700	40,756	-	0.00	1.45	0.00
Commercial Financing	88,097	75,272	75,272	-	-	0.00	1.32	1.75
Repayment (current)	(78,819)	(79,095)	(81,937)	2,842	0.35	(1.38)	(1.43)	(1.56)
2.Domestic Loan Repayments(Receipts)	1,267	2,992	2,113	879	-	0.05	0.04	0.03
3. Kenya Airways Reimbursements	0	0	5,300	(5,300)	-	0.00	0.09	0.00
4. Mumias Rights Issue	0	0	2,000	(2,000)	-	0.00	0.03	0.00
5. Euro Bond Balance	0	0	141,406	(141,406)	-	0.00	2.47	0.00
6. Domestic financing	201,727	251,102	172,901	78,201	24.48	4.39	3.02	4.00
<b>MEMO ITEM</b>								
<b>GDP ESTIMATE</b>	<b>5,044,236.10</b>	<b>5,719,100.00</b>	<b>5,719,100.00</b>					

\*Provisional

Source: National Treasury

## 2.4 Financing

### 2.4.1 External Financing

41. Cumulative external financing for the period between July 1<sup>st</sup> 2014 and June 30<sup>th</sup> 2015 amounted to a net borrowing of KShs. 217.8 billion compared to a net borrowing of KShs. 106.1 billion in the same period of FY 2013/14 (**Table 10**). Total disbursements (inflows) including Appropriations-in-Aid amounted to KShs. 296.9 billion for the period ending 30<sup>th</sup> June 2015 against a target of KShs. 343.1 billion. This amount included KShs. 30.3 billion Project cash loans, KShs. 187.8 billion project loans (A.I.A. incl. SGR), KShs. 75.3 billion Commercial financing and KShs. 3.5 billion programme loans. External repayments (outflows) of principal debt amounted to KShs. 79.1 billion against a target of KShs. 81.9 billion. The amount comprises of principal repayments due to both bilateral and multilateral organizations amounting to Kshs 12.9 billion and Kshs 12.4, respectively, and Commercial loans of Kshs 53.8 billion.

**Table 10: External Financing, Period Ending 30<sup>th</sup> June, 2015 (KShs. Million)**

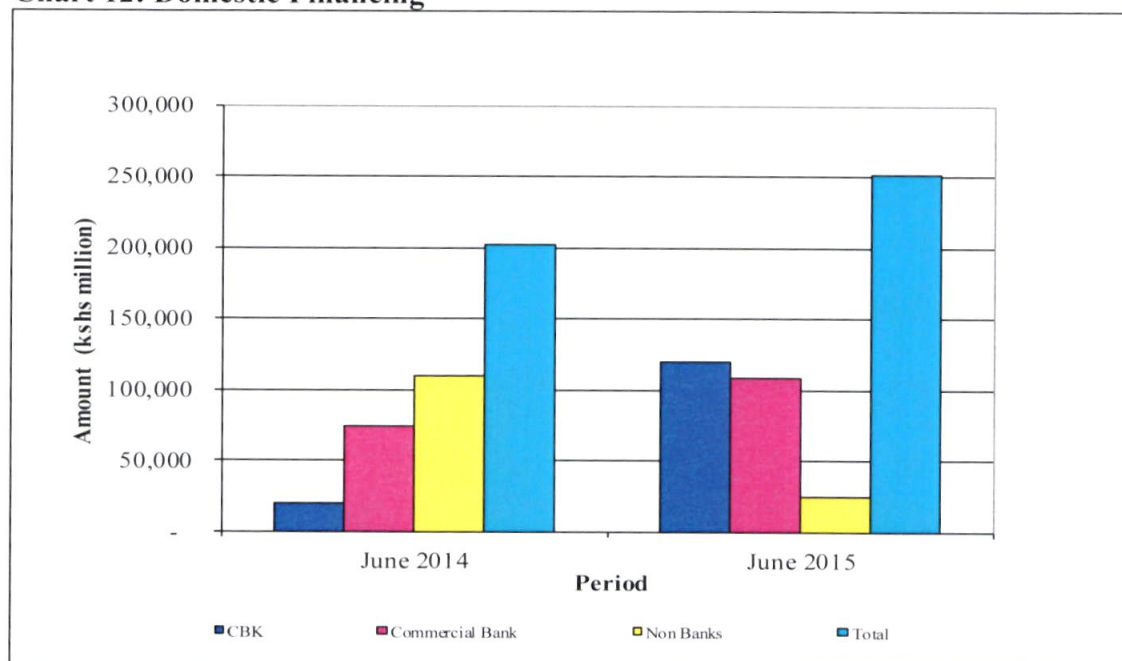
	Quarter IV 2013/14	Quarter I 2014/15	Quarter II 2014/15	Quarter III 2014/15	Quarter IV 2014/15	Cumulative June 2015	
	Actual	Actual	Actual	Actual		Actual	Target
<b>DISBURSEMENTS:</b>	<b>184,949.81</b>	<b>87,209.57</b>	<b>27,310.80</b>	<b>138,100.97</b>	<b>44,264.27</b>	<b>296,885.61</b>	<b>343,101.85</b>
Project Cash loans	28,432.30	5,129.49	8,523.51	485.00	16,172.03	30,310.03	49,439.16
Project loans A-I-A	68,420.29	6,807.71	18,787.29	10,705.61	28,092.24	64,392.85	130,315.09
Project Loans SGR_AIA			-	123,456.24	-	123,456.24	82,700.23
Commercial Financing	88,097.22	75,272.37	-	-	-	75,272.37	75,272.37
Programme Loans	-	-	-	3,454.13	-	3,454.13	5,375.00
<b>EXTERNAL REPAYMENTS:</b>	<b>78,817.18</b>	<b>59,841.25</b>	<b>6,509.93</b>	<b>6,601.61</b>	<b>6,141.83</b>	<b>79,094.62</b>	<b>81,936.72</b>
Bilateral(incl. Italy Debt SWAP)	13,112.14	3,130.76	3,052.65	2,942.48	3,761.10	12,886.99	13,913.05
Multilateral (excl. IMF)	11,846.81	3,685.49	3,065.16	3,659.13	2,030.21	12,439.99	12,790.82
Commercial	53,858.23	53,025.00	392.12	-	350.52	53,767.64	55,232.85
<b>NET FOREIGN FINANCING</b>	<b>106,132.63</b>	<b>27,368.32</b>	<b>20,800.87</b>	<b>131,499.36</b>	<b>38,122.44</b>	<b>217,790.99</b>	<b>261,165.13</b>

Source: National Treasury

## 2.4.2 Domestic Financing

42. By the end of June 2015, net domestic borrowing amounted to KShs. 251.1 billion against a target borrowing of ksh 172.9 billion (**Table 9**). The borrowing comprised of KShs. 108.0 billion from Commercial Banks, KShs. 27.5 billion from Non-Banking Financial Institutions, KShs. 119.0 billion from Central Bank and a repayments of KShs. 3.5 billion to Non-Residents (**Table 11**). Comparatively, for the same period in 2013, the net domestic borrowing was KShs. 201.7 billion, comprising of net borrowings of KShs. 102.5 billion from the non-banking financial institutions, KShs. 6.4 billion from Non-Residents, KShs. 73.4 billion from commercial banks and KShs. 19.4 billion from Central Bank, (**chart 12**).

**Chart 12: Domestic Financing**



Source: Central Bank of Kenya

## FISCAL DEVELOPMENTS

43. The stock of Treasury Bills held by Central Bank and Commercial Banks recorded net increase of KShs. 26.0 million and KShs. 34.6 billion, respectively while the stock of Treasury Bills held by Non-Banks and Non-residents recorded net decrease of KShs. 15.6 billion, and KShs. 4.4 billion, respectively. The stock of Fixed Rate Bonds held by Commercial Banks, Non-Residents and non-Banks recorded net increase of KShs. 22.7 billion, KShs. 462.0 million and KShs. 9.8 billion respectively.

**Table 11: Domestic Financing, Period Ending 30<sup>th</sup> June 2015 (KShs. Millions)**

	JUNE	SEPTEMBER	DECEMBER	MARCH	JUNE
	2014	2014	2014	2015	2015
<b>1. CENTRAL BANK</b>	<b>19,385</b>	<b>(45,117)</b>	<b>(90,863)</b>	<b>(59,685)</b>	<b>119,036</b>
Overdraft	30,239	(2,864)	(6,308)	160	(744)
Treasury bills rediscounts	5	1,347	51	82	26
Fixed rate Bonds	(288)	1	(9)	3	(1)
Items on Transit	(84)	(49)	(44)	(8)	12
Frozen Account	(555)	-	(548)	(548)	(1,658)
Less Govt Deposits	(9,933)	(43,552)	(84,004)	(59,375)	121,401
<b>2. COM. BANKS</b>	<b>73,441</b>	<b>(10,754)</b>	<b>21,691</b>	<b>91,796</b>	<b>108,001</b>
Advances	864	(634)	(627)	(1,073)	(1,173)
Treasury bills	(1,935)	(15,372)	10,760	52,386	34,563
Fixed rate Bonds	76,206	733	(3,361)	6,947	22,682
Special Bonds	-	-	-	-	-
Zero Coupon bonds	-	-	-	-	-
Infrastructure Bonds	16,759	-	20,776	29,847	47,939
Savings and Development Bond	-	443	443	443	443
Less Govt Deposits	(18,453)	4,075	(6,300)	3,246	3,547
<b>3. NON BANKS</b>	<b>102,497</b>	<b>(2,208)</b>	<b>(769)</b>	<b>16,896</b>	<b>27,546</b>
Treasury bills	30,391	(6,326)	(20,139)	(13,465)	(15,581)
Fixed rate Bonds	54,367	(719)	267	2,571	9,803
Zero Coupon bonds	-	-	-	-	-
Infrastructure Bonds	17,739	-	14,266	22,952	28,486
Savings and Development Bond	-	4,838	4,838	4,838	4,838
<b>4. NON RESIDENTS</b>	<b>6,404</b>	<b>(3,038)</b>	<b>(1,114)</b>	<b>(2,051)</b>	<b>(3,481)</b>
Treasury bills	4,978	(2,994)	(1,081)	(2,454)	(4,403)
Fixed rate Bonds	(17)	(44)	(46)	439	462
Infrastructure Bond	1,443	-	13	(36)	460
Savings and Development Bond	-	-	-	-	-
Zero Coupon bonds	-	-	-	-	-
<b>5. NET CREDIT</b>	<b>201,727</b>	<b>(61,117)</b>	<b>(71,055)</b>	<b>46,956</b>	<b>251,102</b>

Note: Treasury bills as reflected here are given at cost value as opposed to Table 13 given at Face value.

Source: Central Bank of Kenya

### 3.0 PUBLIC DEBT

#### 3.1 Overall Debt Position

44. The gross public debt increased by KShs. 420.9 billion from KShs. 2,422.8 billion as at end of June 2014 to KShs. 2,843.7 billion (equivalent to 49.7 per cent of GDP) by 30<sup>th</sup> June 2015, comprising of 50.05 per cent of external debt and 49.95 per cent of domestic debt. The overall increase is attributed to increased domestic debt and disbursements from external loans. Net public debt increased by KShs. 384.1 billion from June 2014 to June 2015 (Table 12).

## FISCAL DEVELOPMENTS

**Table 12: Kenya's Public and Publicly Guaranteed Debt, March 2013- June 2015 (KShs. millions)**

	Mar-13	Jun-13	Sep-13	Dec-13	Mar-14	Jun-14	Sep-14	Dec-14	Mar-15	June-15*
<b>EXTERNAL</b>										
BILATERAL	255,282	257,637	228,180	245,138	243,498	289,914	278,547	389,083	384,607	445,057
MULTILATERAL	490,619	511,791	540,215	558,725	577,914	597,340	608,022	612,353	618,456	684,631
COMMERCIAL BANKS	57,905	58,928	59,603	59,144	59,205	234,799	185,163	255,188	259,746	276,937
SUPPLIERS CREDIT	14,957	15,207	15,606	15,763	15,750	16,451	16,096	15,959	15,298	16,628
<b>SUB - TOTAL</b>	<b>818,763</b>	<b>843,563</b>	<b>843,603</b>	<b>878,770</b>	<b>896,366</b>	<b>1,138,504</b>	<b>1,087,828</b>	<b>1,272,583</b>	<b>1,278,108</b>	<b>1,423,253</b>
<b>DOMESTIC:</b>										
CENTRAL BANK	55,320	36,383	66,321	64,620	77,161	65,700	63,580	58,286	64,835	63,335
COMMERCIAL BANKS	475,427	527,080	554,587	563,009	585,825	617,221	601,426	649,940	715,011	730,419
<b>TOTAL BANKS</b>	<b>530,747</b>	<b>563,462</b>	<b>620,909</b>	<b>627,629</b>	<b>662,986</b>	<b>682,921</b>	<b>665,006</b>	<b>708,227</b>	<b>779,846</b>	<b>793,755</b>
NON BANKS	451,164	487,094	547,207	561,554	568,197	601,406	595,868	599,723	617,280	626,689
<b>SUB-TOTAL</b>	<b>981,911</b>	<b>1,050,556</b>	<b>1,168,115</b>	<b>1,189,183</b>	<b>1,231,183</b>	<b>1,284,327</b>	<b>1,260,875</b>	<b>1,307,950</b>	<b>1,397,126</b>	<b>1,420,444</b>
<b>GRAND TOTAL GROSS</b>	<b>1,800,674</b>	<b>1,894,119</b>	<b>2,011,719</b>	<b>2,067,953</b>	<b>2,127,549</b>	<b>2,422,831</b>	<b>2,348,702</b>	<b>2,580,533</b>	<b>2,675,234</b>	<b>2,843,698</b>
LESS ON-LENDING	(5,701)	(5,701)	(5,701)	(5,701)	(5,701)	(5,701)	(5,701)	(5,701)	(5,701)	(5,701)
LESS GOVERNMENT DEPOSITS	(119,044)	(155,734)	(231,857)	(238,898)	(132,056)	(199,815)	(239,554)	(298,879)	(275,083)	(236,565)
<b>GRAND TOTAL NET</b>	<b>1,675,929</b>	<b>1,732,684</b>	<b>1,774,161</b>	<b>1,823,354</b>	<b>1,989,792</b>	<b>2,217,315</b>	<b>2,103,447</b>	<b>2,275,953</b>	<b>2,394,449</b>	<b>2,601,432</b>

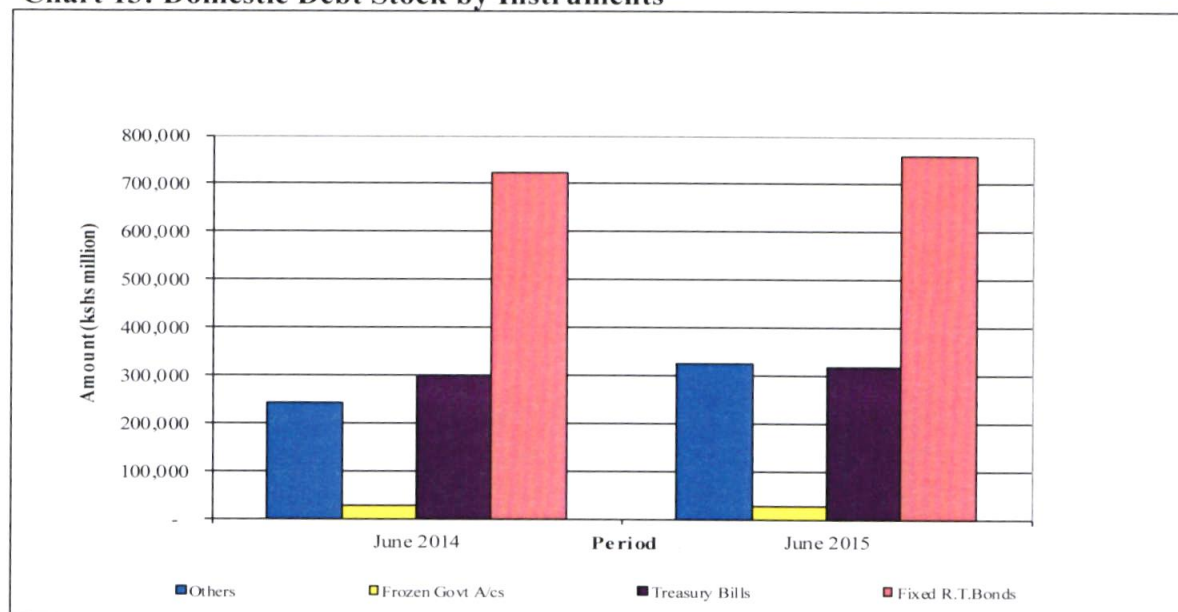
\*Provisional

Source: National Treasury

### 3.2 Domestic Debt

45. The stock of domestic debt increased by KShs. 136.1 billion from KShs. 1,284.3 billion in June 2014 to KShs. 1,420.4 billion in June 2015. The stock of Treasury Bills held by Central Bank, Commercial Banks, Non-Banking Financial Institution and Non Residents increased by KShs. 19.5 billion from KShs. 299.4 billion in June 2014 to KShs. 318.9 billion in June 2015, (Table 13). The total stock of Treasury Bonds, Floating, Fixed Rate, Special and Zero coupon Bonds, increased by KShs. 36.7 billion from KShs. 723.3 billion in June 2014 to KShs. 760.0 billion in June 2015 (Chart 13).

**Chart 13: Domestic Debt Stock by Instruments**



Source: Data from CBK

## FISCAL DEVELOPMENTS

**Table 13: Stock of Domestic Debt, Fourth Quarter 2014/2015 (KShs. million)**

	Jun-13	Sep-13	Dec-13	Jun-14	Sep-14	Dec-14	Mar-15	Jun-15
<b>1.CENTRAL BANK</b>	<b>36,383</b>	<b>66,321</b>	<b>64,620</b>	<b>65,700</b>	<b>63,578</b>	<b>58,286</b>	<b>64,835</b>	<b>63,335</b>
Overdraft	6,999	34,187	34,187	37,238	34,374	30,929	37,398	36,494
Frozen Govt Accounts	28,889	28,889	28,889	28,334	27,779	27,231	27,231	26,676
Treasury bills / bonds rediscounts	8	3,036	1,462	13	1,358	64	95	39
Items on Transit	154	79	48	70	21	25	62	82
Fixed rate bonds	333	131	35	46	46	36	48	45
<b>2.COMBANKS</b>	<b>527,080</b>	<b>554,587</b>	<b>563,009</b>	<b>617,221</b>	<b>601,426</b>	<b>649,940</b>	<b>715,011</b>	<b>730,419</b>
Advances	2,578	2,427	2,439	4,449	2,739	3,291	2,594	2,488
Stocks	-	-	-	-	-	-	-	-
Treasury Bills	183,454	199,290	191,083	176,437	161,528	191,132	236,776	217,703
Floating Rate T. Bonds	-	-	-	-	-	-	-	-
Fixed Rate T. Bonds	262,689	263,319	273,150	339,999	340,323	337,638	348,473	364,511
Special Bonds	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000
Zero Coupon Bonds	-	-	-	-	-	-	-	-
Savings and Development Bond	7,148	7,148	7,148	7,148	7,648	7,648	7,648	7,648
Infrastructure Bonds	61,210	72,403	79,188	79,188	79,188	100,231	109,519	128,069
<b>3. NON BANKS</b>	<b>477,525</b>	<b>537,480</b>	<b>551,277</b>	<b>586,481</b>	<b>584,058</b>	<b>585,917</b>	<b>604,389</b>	<b>616,025</b>
Stocks	-	-	-	-	-	-	-	-
Treasury Bills	78,155	99,088	107,918	111,513	104,780	89,838	96,446	94,478
Floating Rate T. Bonds	-	-	-	-	-	-	-	-
Fixed Rate T. Bonds	315,028	343,894	338,633	370,245	369,046	371,410	374,585	382,006
Tax Reserve Certificate	69	69	69	69	69	69	69	69
Zero Coupon Bonds	-	-	-	-	-	-	-	-
Infrastructure Bonds	69,201	79,357	89,585	89,583	89,583	104,020	112,709	118,892
Savings and Development Bond	15,072	15,072	15,072	15,072	20,580	20,580	20,580	20,580
<b>4. NON RESIDENTS</b>	<b>9,569</b>	<b>9,727</b>	<b>10,277</b>	<b>14,925</b>	<b>11,812</b>	<b>13,806</b>	<b>12,891</b>	<b>10,664</b>
Treasury Bills	6,076	6,212	6,798	11,443	8,374	10,370	8,959	6,709
Floating Rate T. Bonds	-	-	-	-	-	-	-	-
Fixed Rate T. Bonds	3,043	3,065	3,028	3,029	2,985	2,983	3,478	3,502
Zero Coupon Bonds	-	-	-	-	-	-	-	-
Savings and Development Bond	9	9	9	9	9	9	9	9
Infrastructure Bonds	441	441	443	445	445	445	445	445
<b>5. TOTAL DEBT</b>	<b>1,050,556</b>	<b>1,168,115</b>	<b>1,189,183</b>	<b>1,284,327</b>	<b>1,260,875</b>	<b>1,307,950</b>	<b>1,397,126</b>	<b>1,420,444</b>
6. LESS ON-LENDING	5,701	5,701	5,701	5,701	5,701	5,701	5,701	5,701
7. Less Govt Deposits	155,734	231,857	238,898	199,815	239,554	298,879	275,083	236,565
<b>8. NET DEBT</b>	<b>889,121</b>	<b>930,558</b>	<b>944,584</b>	<b>1,078,811</b>	<b>1,015,619</b>	<b>1,003,370</b>	<b>1,116,341</b>	<b>1,178,178</b>

NOTE: Treasury Bills reflected here are at face value as opposed to Table 11, given at cost

Source: Central Bank of Kenya

### 3.3 External Public Debt

In dollar terms, external public debt stock increased by US \$ 1,436.5 million from US\$ 12,992.4 million in June 2014 to US\$ 14,428.8 million by end of June 2015 (**Table 14 and Chart 14**). The debt stock comprised 31.3 per cent, 48.1 per cent, 19.5 per cent and 1.2 per cent of debt owed to bilateral, multilateral institutions, Commercial Banks and suppliers' credit, respectively. The increase is attributed to more disbursements especially from China and African Development Bank during the period under review.

(Exchange rate end June 2015 Ksh/US\$= 98.64)

## FISCAL DEVELOPMENTS

**Table 14: Kenya's External Public and Publicly Guaranteed Debt June 2011- June 2015 (US \$ Million)**

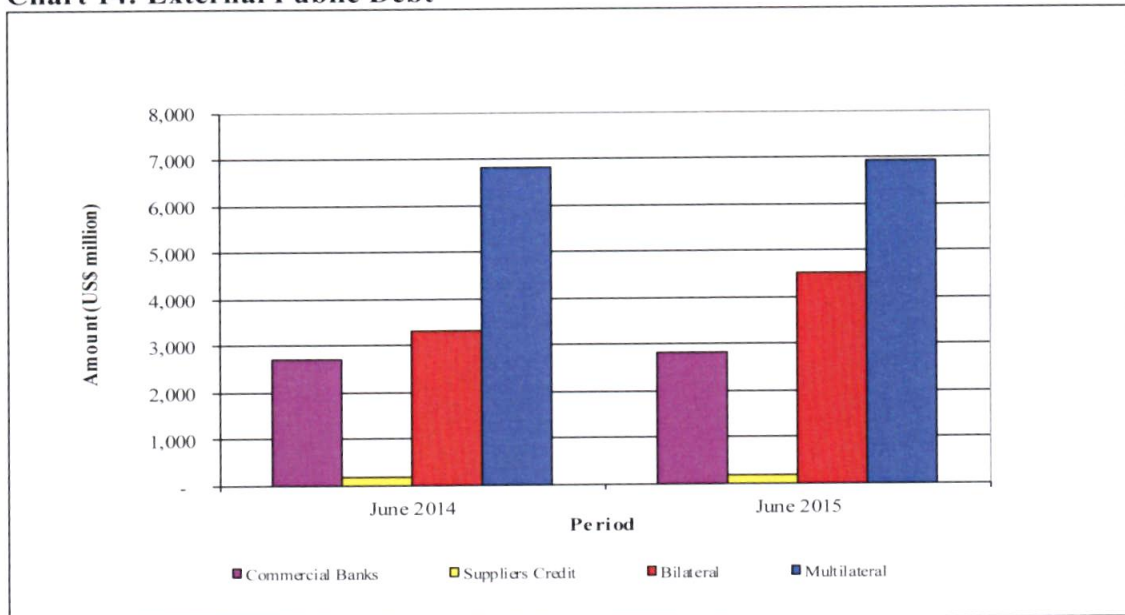
CREDITOR	Jun-11	Jun-12	Jun-13	Sept. 2013	Dec. 2013	Mar-14	Jun-14	Sep-14	Dec. 2014	Mar. 2015	June 2015*
<b><u>BILATERAL</u></b>											
AUSTRIA	22.45	15.64	11.90	12.29	10.12	10.08	8.18	7.00	6.10	5.43	7.53
BELGIUM	100.57	87.44	88.40	89.10	87.89	92.58	92.40	81.06	72.16	64.79	62.26
CANADA	14.2	17.70	16.10	16.17	15.39	15.39	15.39	14.57	13.70	13.70	12.88
DENMARK	35.4	24.65	23.10	23.86	23.46	23.38	22.73	20.79	19.09	16.88	14.57
FINLAND	1.47	1.24	1.10	1.14	1.07	1.07	1.07	0.95	0.84	0.80	0.72
FRANCE	448.98	435.80	551.10	626.96	683.57	689.44	702.75	665.84	664.36	589.69	598.47
GERMANY	296.78	295.36	291.10	301.74	305.06	303.81	303.58	278.75	263.23	224.78	228.70
ITALY	48.83	34.75	24.80	19.64	19.87	19.79	19.59	12.66	12.11	10.83	11.17
JAPAN	1,244.58	1,275.10	1,009.10	1,020.08	956.77	958.02	964.48	875.26	794.31	803.01	801.06
NETHERLANDS	33.52	34.73	30.20	34.13	32.48	31.45	30.83	26.36	24.10	20.22	19.87
UK	25.91	22.99	20.10	21.30	20.35	20.52	21.01	18.58	16.29	15.47	14.87
USA	65.66	60.90	56.00	55.55	53.39	52.22	51.83	49.73	48.51	46.89	45.23
CHINA	361.1	466.81	733.92	753.27	940.63	918.54	922.76	922.30	2,221.16	2,214.53	2,555.16
OTHERS	160.08	150.29	138.38	140.78	150.28	145.07	152.08	146.09	138.65	138.33	139.46
PARASTATALS(Bilateral)											
<b>TOTAL BILATERAL</b>	<b>2,859.53</b>	<b>2,923.42</b>	<b>2,995.30</b>	<b>3,116.02</b>	<b>3,300.33</b>	<b>3,281.36</b>	<b>3,308.69</b>	<b>3,119.93</b>	<b>4,294.61</b>	<b>4,165.34</b>	<b>4,511.95</b>
<b><u>MULTILATERAL</u></b>											
ADB/ADF	585.83	811.08	938.60	1,084.69	1,115.65	1,188.59	1,165.37	1,249.11	1,253.70	1,438.45	1,523.02
BADEA			-	-	-	-	-	-	-	-	-
EEC/EIB	139.06	129.80	183.30	186.41	187.73	183.82	235.74	235.53	232.65	204.40	209.09
IBRD	0		-	-	-	-	-	-	-	-	-
IDA/IFAD	3,552.80										
		3,532.90	3,867.40	3,927.23	4,098.20	4,291.81	4,316.49	4,341.29	4,342.33	4,176.27	4,243.70
IMF**	529.49	909.60	857.80	867.34	966.04	961.84	950.42	883.96	833.30	786.53	873.38
OTHERS	98.93	112.76	103.40	106.31	105.87	104.55	148.35	100.44	97.05	92.32	91.55
<b>TOTAL MULTILATERAL</b>	<b>4,906.11</b>	<b>5,496.15</b>	<b>5,950.50</b>	<b>6,171.97</b>	<b>6,473.49</b>	<b>6,730.62</b>	<b>6,816.38</b>	<b>6,810.33</b>	<b>6,759.02</b>	<b>6,697.96</b>	<b>6,940.74</b>
<b>COMMERCIAL BANKS 1/</b>	<b>-</b>	<b>600.00</b>	<b>685.10</b>	<b>687.89</b>	<b>685.26</b>	<b>684.91</b>	<b>2,679.53</b>	<b>2,073.97</b>	<b>2,816.72</b>	<b>2,813.09</b>	<b>2,807.57</b>
EXPORT CREDIT	278.65	175.84	176.80	180.11	182.64	182.20	187.75	180.29	176.15	165.68	168.58
<b>GRAND TOTAL</b>	<b>8,044.29</b>	<b>9,195.41</b>	<b>9,807.70</b>	<b>10,155.99</b>	<b>10,641.72</b>	<b>10,879.09</b>	<b>12,992.35</b>	<b>12,184.52</b>	<b>14,046.50</b>	<b>13,842.07</b>	<b>14,428.84</b>
BILATERAL	35.55	31.79	30.54	30.68	31.01	30.16	25.47	25.61	30.57	30.09	31.27
MULTILATERAL	60.99	59.77	60.67	60.77	60.83	61.87	52.46	55.89	48.12	48.39	48.10
COMMERCIAL BANKS 1/	-	6.52	6.99	6.77	6.44	6.30	20.62	17.02	20.05	20.32	19.46
EXPORT CREDIT	3.46	1.91	1.80	1.77	1.72	1.67	1.45	1.48	1.25	1.20	1.17
<b>TOTAL</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>

\*Provisional

\*\* include IMF item

Source: National Treasury

**Chart 14: External Public Debt**

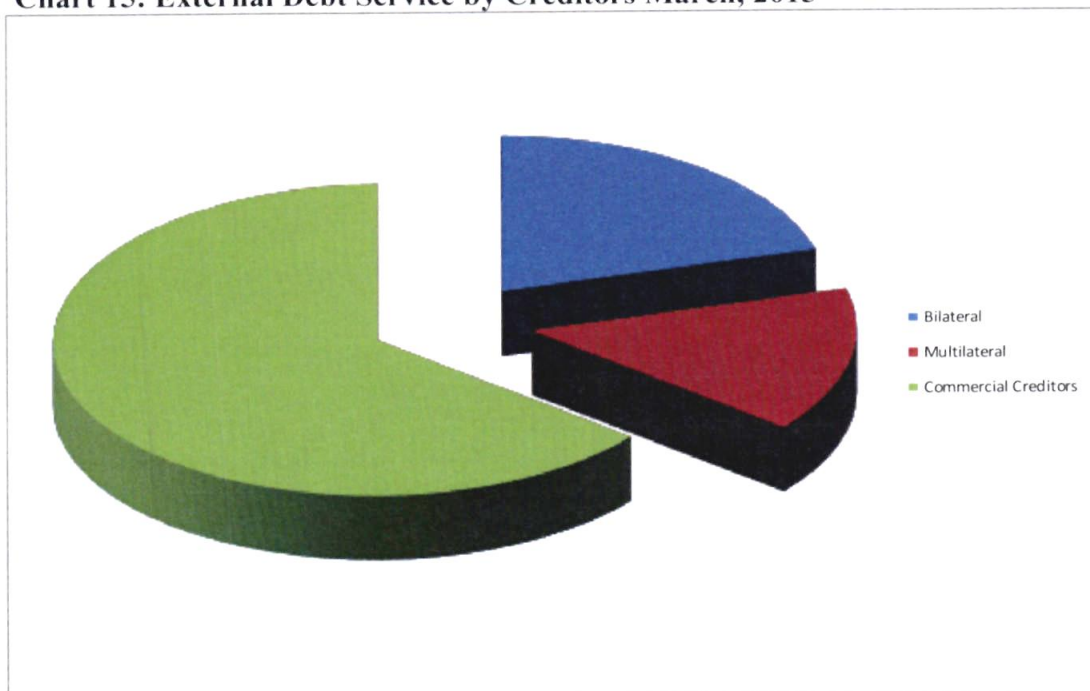


Source: National Treasury

### 3.3.1 External Debt Service

46. At the end of June 2015, the total cumulative debt service payments to external creditors amounted to KShs 111.4 billion. This comprised of KShs 79.1 billion (71.0 per cent) principal and KShs 32.3 billion (29.0 per cent) interest (Table 15 and chart 15).

**Chart 15: External Debt Service by Creditors March, 2015**



Source: National Treasury

## FISCAL DEVELOPMENTS

**Table 15: External Debt Service, July 2014– June 2015 (KShs. Million)**

<b>CATEGORY</b>	<b>PRINCIPAL*</b>	<b>INTEREST*</b>	<b>TOTAL*</b>
<b>BILATERAL</b>			
AUSTRIA	115.33	15.12	130.45
FINLAND	16.36	3.7	20.06
FRANCE	2,972.99	1,214.36	4187.35
ITALY	533.93	0.63	534.56
JAPAN	3,679.32	862.31	4541.63
SAUDI FUND	289.98	31.51	321.49
SPAIN	431.92	151.64	583.56
USA	394.94	130.06	525
CANADA	153.75	10.22	163.97
BELGIUM	1,304.09	102.94	1407.03
GERMANY	727.16	238.28	965.44
CHINA	1,102.01	7,401.76	8503.77
KUWAIT	213.35	22.66	236.01
NETHERLANDS	436.66	81.48	518.14
SWEDEN	61.99	2.19	64.18
SWITZERLAND	52.69	1.43	54.12
DENMARK	145.73	0	145.73
KOREA	0	31.38	31.38
UK	254.8	19.88	274.68
INDIA	0	16.48	16.48
<b>TOTAL BILATERAL</b>	<b>12,887.00</b>	<b>10,338.03</b>	<b>23,225.03</b>
<b>MULTILATERAL</b>			
ADB/ADF	721.15	1,301.63	2,022.78
BADEA	96.45	29.28	125.73
EEC	352.02	33.22	385.24
EIB	721.1	482.88	1,203.98
IDA	9,942.26	2,316.98	12,259.24
OPEC	394.77	67.42	462.19
NDF	9.96	20.5	30.46
IFAD	202.29	63.09	265.38
**IMF	0	0	0.00
<b>TOTAL MULTILATERAL</b>	<b>12,440.00</b>	<b>4,315.00</b>	<b>16,755.00</b>
<b>COMMERCIAL</b>	<b>53,767.64</b>	<b>17,607.91</b>	<b>71,375.55</b>
<b>GRAND TOTAL</b>	<b>79,094.64</b>	<b>32,260.94</b>	<b>111,355.58</b>

\* Provisional

\*\* IMF debt serviced by CBK

Source: National Treasury

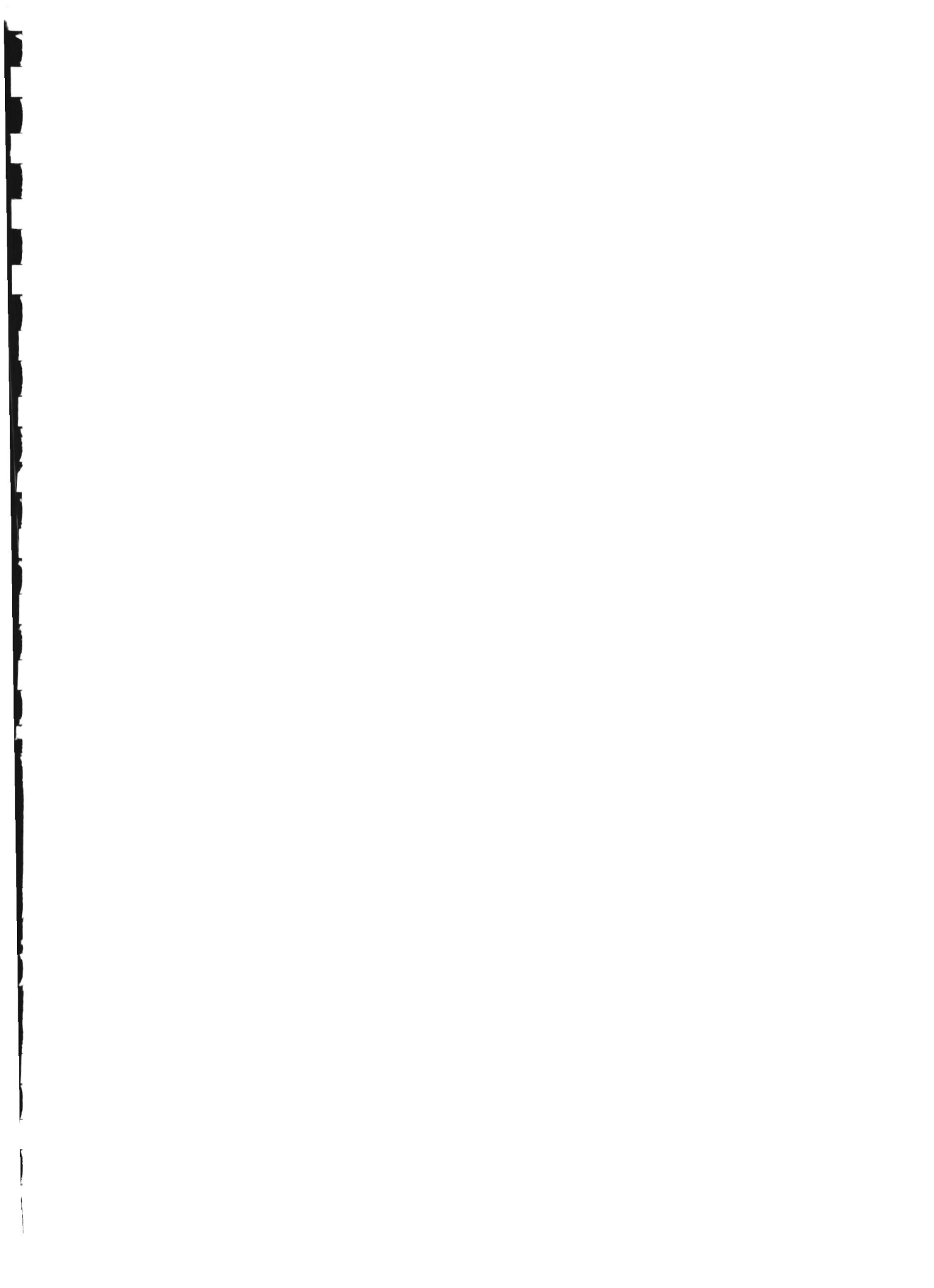
## FISCAL RESULTS, 2003/04 – 2014/2015 (KShs. Millions)

	2003/2004	2004/2005	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14*	2014/15**
<b>A TOTAL REVENUE</b>	254,681.00	289,802	311,252	373,030	432,220	487,893	586,377	667,539	749,941	848,955	974,438	1,081,194
1 Revenue	226,478.00	265,775	283,427	340,010	396,489	455,780	538,836	609,223	683,579	777,800	918,990	1,029,200
Income Tax	77,430.00	94,095	108,897	124,855	156,832	184,447	236,760	258,651	312,463	373,086	449,590	508,581
VAT	61,725.00	75,989	76,263	96,270	111,939	126,854	146,792	171,881	176,386	184,936	232,630	259,685
Import Duty	22,324.00	23,532	20,511	27,510	32,944	36,381	41,372	46,072	51,712	57,650	67,555	74,048
Excise Duty	40,085.00	44,151	50,309	56,406	61,850	69,872	74,644	80,567	78,884	85,660	102,229	115,872
Other Revenue	24,934.00	27,948	27,447	34,970	32,916	38,426	59,268	52,053	64,133	76,488	67,805	71,094
2 Appropriation – in – Aid	28,203.00	24,087	27,824	33,020	35,733	32,113	47,541	58,316	66,362	71,155	55,428	51,914
<b>B EXPENDITURE &amp; NET LENDING</b>	282,307.00	303,373	382,888	49,570	534,842	595,779	725,201	811,849	945,313	1,111,859	1,297,760	1,615,985
1 Recurrent	244,476.00	255,746	306,515	306,847	403,368	435,542	510,516	592,427	650,414	796,098	749,635	873,597
Wages and Salaries	95,850.00	105,612	112,277	127,258	145,996	155,220	172,609	188,549	218,833	274,407	281,877	293,115
Interest Payments	29,700.00	30,470	41,247	42,537	47,877	52,058	63,523	76,999	81,913	112,135	131,954	171,989
Domestic Interest	23,281.00	23,375	31,445	36,860	42,381	45,949	57,382	69,209	71,873	110,384	119,893	139,728
Foreign Interest Due	6,419.00	7,095	9,802	5,677	5,696	6,109	6,341	6,989	10,039	11,051	12,761	32,261
Pensions, etc	13,612.00	12,568	19,759	20,449	24,089	27,391	28,977	25,724	26,082	26,996	30,155	37,508
Civil Service Reform	273.00		1,300	1,392	800	121	50	5	6	10		
Operations & maintenance/Others	105,041.00	107,096	131,932	115,211	114,606	200,952	245,357	291,951	323,580	373,450	306,330	370,985
Of which Appropriation-in-Aid	23,443.00	20,999	23,891	28,701	32,343	40,611	42,807	54,036	61,578	68,551	28,205	28,850
2 Development & Net Lending	37,711.00	45,627	67,692	80,354	131,473	160,177	234,685	294,899	305,978	339,312	379,312	478,021
Development Projects	25,943.00	28,824	48,037	62,123	86,121	111,962	165,461	174,663	190,116	186,231	225,850	238,260
Appropriation-in-Aid	12,341.00	15,929	18,607	18,750	42,932	45,842	46,956	46,809	102,144	117,346	91,239	232,797
Payment of guaranteed loans	1,368.00	860	4,000		2,328	2,373	2,268	1,150	2,609	2,400	2,223	2,014
3 Drought Development Expenditures /C/C F		2,000	1,048	1,481								4,951
4 Transfer to County Governments										9,783	19,390	229,336
5 Parliamentary Service											22,473	22,743
6 Judicial Service											12,951	11,887
7 Equalization Fund												400
<b>D DEFERRED EXCL GRANTS (Commitment Basis)</b>	(27,506.00)	(13,571)	(7,156.7)	(46,540)	(102,622)	(107,826)	(138,824)	(144,310)	(195,372)	(262,904)	(323,342)	(534,791)
<b>E GRANTS</b>	16,224.00	14,905	20,070	15,494	25,449	18,065	31,900	18,769	15,161	20,506	26,957	28,117
<b>F DEFERRED INCL GRANTS (Commitment basis)</b>	(11,282.00)	1,334	(51,497)	(30,697)	(77,173)	(89,764)	(107,634)	(125,543)	(180,211)	(242,398)	(296,385)	(506,673)
<b>G ADJUSTMENT TO CASH BASIS</b>	11,282.00	5,964	15,030	84,738	(27,259)	(66,740)	6,768	6,768	(13,308)	(12,739)	34,760	34,760
<b>H DEFERRED INCL GRANTS (cash basis)</b>		7,298	(36,467)	(36,269)	7,566	(10,020)	(14,374)	(18,773)	(100,211)	(255,566)	(309,125)	(491,913)
<b>I FINANCING</b>		(7,298)	36,467	36,269	(7,566)	10,020	14,374	18,773	176,450	255,566	309,125	471,885
Foreign Financing	(8,809.00)		12,106	(2,392)	6,326	41,343	22,895	28,390	11,059	85,790	106,110	217,791
Domestic Financing	8,809.00	(6,673)	35,251	38,661	(13,891)	75,876	15,479	90,383	63,400	169,776	202,994	254,094
Of which Domestic Borrowing	8,809.00	(6,673)	7,000	4,000		69,427	17,037	90,383	63,400	169,776	201,727	251,102
Others							34,442				1,267	2,992
<b>In Percentage of GDP</b>												
<b>A TOTAL REVENUE</b>	21.11	21.55	20.49	21.63	22.02	21.80	23.86	19.36	18.78	18.88	19.32	19.90
1 Revenue	18.78	19.76	18.66	19.72	20.20	20.37	21.92	17.67	17.12	17.30	18.22	18.00
Income Tax	6.42	7.00	7.17	7.24	7.99	8.24	8.82	7.82	7.82	8.30	8.91	8.89
VAT	5.12	5.65	5.02	5.58	5.70	5.67	5.97	4.99	4.42	4.11	4.61	4.54
Import Duty	1.85	1.75	1.35	1.60	1.68	1.62	1.68	1.34	1.29	1.28	1.34	1.29
Excise Duty	3.32	3.28	3.33	3.27	3.15	3.12	3.04	2.34	1.98	1.91	2.02	2.03
Other Revenue	2.07	2.08	1.81	2.03	1.68	1.72	2.41	1.51	1.61	1.70	1.33	1.24
2 Appropriation – in – Aid	2.34	1.79	1.83	1.92	1.82	1.43	1.69	1.66	1.58	1.58	1.10	0.91
<b>B EXPENDITURE &amp; NET LENDING</b>	23.39	22.56	25.20	24.33	27.25	26.62	29.50	23.55	23.67	24.73	25.73	28.26
1 Recurrent	20.27	19.01	20.11	17.80	20.55	19.46	20.77	17.11	16.29	17.71	14.86	15.28
Wages and Salaries	7.95	7.85	7.39	7.38	7.44	6.94	7.02	5.76	5.48	6.10	5.57	5.13
Interest Payments	2.46	2.27	2.72	2.47	2.44	2.33	2.58	2.23	2.05	2.70	2.62	3.01
Domestic Interest	1.93	1.74	2.07	2.14	2.15	2.05	2.13	2.01	1.80	2.45	2.36	2.44
Foreign Interest Due	0.53	0.53	0.65	0.33	0.29	0.27	0.25	0.20	0.25	0.25	0.25	0.56
Pensions	1.11	0.93	1.30	1.19	1.23	1.21	1.11	0.75	0.65	0.60	0.60	0.66
Civil Service Reform	0.02		0.09	0.08	0.04	0.01	0.00	0.00	0.00	0.00		
O & M /Others	8.71	7.96	8.68	6.68	9.40	8.98	9.98	8.47	8.11	6.07	6.07	6.49
of which Appropriation-in-Aid	1.94	1.56	1.57	1.66	1.65	1.18	1.74	1.57	1.54	1.52	0.56	0.50
2 Development & Net Lending	3.13	3.39	4.46	4.66	6.70	7.16	8.73	6.36	7.38	6.81	6.33	8.36
Development Projects	2.15	2.34	3.16	3.60	4.39	5.00	6.73	4.97	4.76	4.34	4.48	4.17
Appropriation-in-Aid	1.02	1.18	1.22	0.97	2.19	2.05	1.91	1.36	2.56	2.61	1.81	4.07
Payment of guaranteed loans	0.11	0.06	0.26	0.12	0.12	0.11	0.09	0.03	0.07	0.05	0.04	0.04
3 Drought Expenditures		0.15	0.07	0.09								0.09
4 Transferral Transfer to County Governments										0.22	3.83	4.01
5 Parliamentary Service											0.45	0.40
6 Judicial Service											0.26	0.21
7 Equalization Fund												0.01
<b>D DEFERRED EXCL GRANTS (Commitment Basis)</b>	(2.28)	(1.01)	(4.70)	(2.70)	(5.23)	(4.82)	(5.65)	(4.19)	(4.89)	(5.85)	(6.40)	(9.35)
<b>E GRANTS</b>	1.35	1.11	1.32	0.90	1.30	0.81	1.27	0.54	0.38	0.46	0.53	0.49
<b>F DEFERRED INCL GRANTS (Commitment basis)</b>	(0.94)	0.10	(3.39)	(1.78)	(3.93)	(4.01)	(4.38)	(3.64)	(4.51)	(5.39)	(5.88)	(8.86)
<b>G ADJUSTMENT TO CASH BASIS</b>	0.94	0.44	0.99	(0.32)	4.32	(1.22)	(2.72)	0.20		(0.29)	(0.25)	0.26
<b>H DEFERRED INCL GRANTS (cash basis)</b>		0.54	(2.40)	(2.10)	0.39	(5.23)	(7.09)	(3.45)	(4.51)	(5.68)	(6.13)	(8.60)
<b>I FINANCING</b>		(0.54)	2.40	2.10	(0.39)	5.23	7.09	3.45	4.42	5.68	6.13	8.25
Foreign Financing	(0.73)	(0.05)	0.08	(0.14)	0.32	1.84	0.93	0.82	2.83	1.91	2.30	3.81
Domestic Financing	0.73	(0.50)	2.32	2.24	(0.71)	3.39	6.16	2.62	1.59	3.78	4.00	4.44
Of which Domestic Borrowing	0.73	(0.50)	0.46	0.23		3.13	4.76	2.62	1.59	3.78	4.00	4.39
Others							1.40				0.03	0.05
<b>Memorandum Item</b>												
Nominal GDP at Market price (Kshs. million)	1,206,194.50	1,345,026.00	1,519,079.00	1,724,197.00	1,962,879.00	2,238,000.00	2,458,000.00	3,447,609.95	3,993,534.55	4,495,975.60	5,044,236.10	5,719,100.00

Note: \* indicate Preliminary results

\*\* Printed Budget

Source: National Treasury



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