



Republic of Kenya

THE NATIONAL TREASURY AND PLANNING

Quarterly Economic and Budgetary Review

**Fourth Quarter, Financial Year 2021/2022
Period Ending 30th June, 2022**

August 2022 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 REPORT

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 2021/22 FY

1. Economic growth

The economy remained strong and resilience in the first quarter of 2022 expanding by a remarkable 6.8 percent compared to a growth of 2.7 percent in the first quarter in 2021. All sectors of the economy registered positive growth rates except agriculture which contracted by 0.7 percent following unfavorable weather conditions in most parts of the country, which affected crop production.

2. Stable prices

The year-on-year inflation rate increased to 7.9 percent in June 2022 (above the 7.5 percent upper bound) from 6.3 percent in June 2021 mainly due to higher food and fuel prices. This increase was moderated by Government measures to stabilize fuel prices, lower electricity tariffs and subsidies on fertilizer prices.

3. Interest Rates

Short-term interest rates remained fairly low and stable. The Central Bank Rate was raised from 7.0 percent to 7.5 percent on 30th May 2022. The tightening of the monetary policy stance was to anchor inflation expectations due to increased global commodity prices and supply chain disruptions. The interbank rate increased to 5.1 percent in June 2022 compared 4.6 percent in June 2021 while the 91-day Treasury Bills rate was at 8.0 percent compared to 7.0 percent over the same period.

4. Money and Credit

Broad money supply, M3, improved to a growth of 7.3 percent in the year to June 2022 compared to a growth of 6.4 percent in the year to June 2021. The pickup was mainly due to an increase in domestic credit particularly net lending to the private sector.

5. Current Account

The current account deficit was at USD 6,037.2 million (5.3 percent of GDP) in June 2022 compared to USD 5,368.5 million (4.8 percent of GDP) in June 2021. The current account balance was supported by an improvement in the net receipts on the services account and the net secondary income balance.

6. Foreign Exchange Reserves

The official foreign exchange reserves held by the Central Bank remained strong at USD 8,494.9 million (4.9 months of import cover) in June 2022 compared to USD 9,957.4 million (6.1 months of import cover) in June 2021. This fulfils the requirement to maintain reserves at minimum of 4.0 months of imports cover to provide adequate buffer against short term shocks in the foreign exchange market.

7. Capital Markets

The NSE 20 Share Index declined to 1,613 points in June 2022 compared to 1,928 points in June 2021 while Market capitalization also declined to KSh 1,939 billion from KSh 2,702 billion over the same period

8. Revenue Collection

The National Government's cumulative revenue collection including A-I-A for the period between July 2021-June 2022 amounted to KSh. 2,199.8 billion (17.4 percent of GDP) against a target of KSh. 2,192.0 billion. The revenue collection was above target mainly attributed to above target performance in ordinary revenue. However, ministerial appropriation in aid (A.I.A) recorded a shortfall in collection in the period under review.

9. Expenditure and Net Lending

The total expenditure and net lending inclusive of transfers to County Governments for the period ending 30th June, 2022 amounted to KSh. 3,023.2 billion, against a target of KSh. 3,286.1 billion. The resultant under expenditure of KSh. 262.9 billion is mainly attributed to lower absorption recorded in both recurrent and development expenditures by the National Government and lower than targeted transfers to County Governments.

10. Guaranteed Debt

The government did not service any guaranteed debt during the period under review since cumulative principal and interest payments of guaranteed loans to parastatals with liquidity problems were fully paid in the FY 2020/21.

11. Fiscal Balance

The fiscal balance excluding grants (on a commitment basis) amounted to a deficit of KSh. 823.4 billion (6.5 percent of GDP), as at the end of June, 2022 as compared to a program target of 1,094.1 (8.7 percent of GDP).

12. External Financing

The Net Foreign financing amounted to KSh. 142.5 billion (1.1 percent of the GDP) during the period ending 30th June, 2022.

13. Net Domestic Borrowing

Net domestic financing amounted to a net borrowing of KSh. 605.3 billion (4.8 percent of GDP) in the period ending 30th June, 2022.

14. Domestic Debt Stock

The stock of gross domestic debt increased by KSh. 591.2 billion from KSh. 3,697.1 billion in June 2021 to KSh. 4,288.3 billion in June, 2022

15. External Debt Stock

The total external debt stock, including the International Sovereign Bond, stood at KSh. 4,290.7 billion by the end of June, 2022. The debt stock comprised of multilateral debt (44.8 percent), commercial debt (27.5 percent), bilateral debt (27.3 percent) and suppliers' credit (0.3 percent).

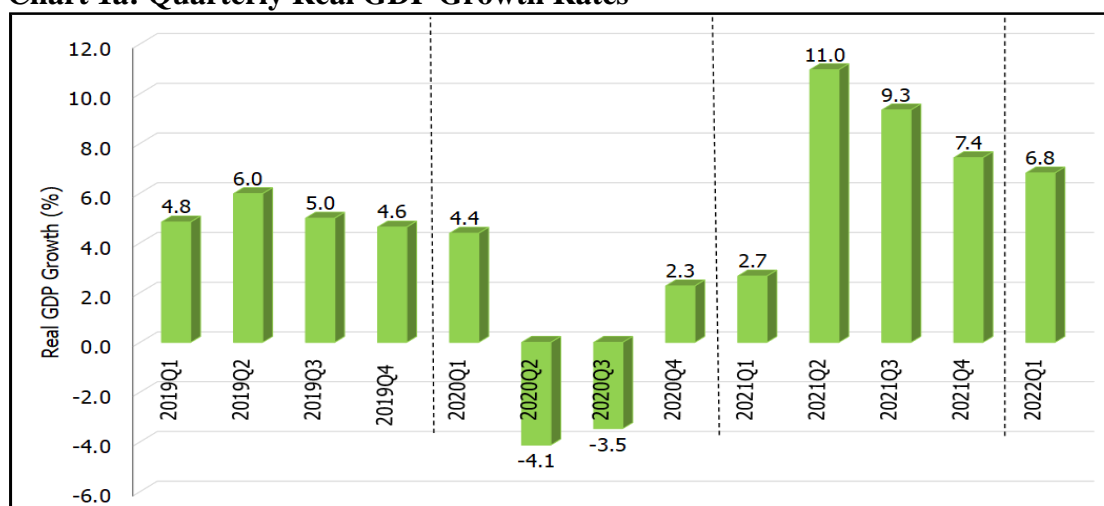
1.0 RECENT ECONOMIC DEVELOPMENTS

1.1 Economic Growth

1. The Kenyan economy demonstrated remarkable resilience to the COVID-19 shock and expanded by 7.5 percent in 2021, a much stronger level from a contraction of 0.3 percent in 2020. This economic recovery was mainly supported by the recovery in the service and industry sectors despite the subdued performance in the agricultural sector.

2. In the first quarter of 2022, the economy expanded further by a remarkable 6.8 percent compared with a growth of 2.7 percent in a similar quarter in 2021 (**Chart 1a**). The strong performance was supported by continued recovery in manufacturing, transport and storage, accommodation and food services, wholesale and retail trade, Professional, administration and support services and financial and insurance.

Chart 1a: Quarterly Real GDP Growth Rates



Source of Data: Kenya National Bureau of Statistics

3. Activities in agriculture, forestry and fishing sector remained subdued in the first quarter of 2022 mainly attributed to depressed rainfall during the fourth quarter of 2021 as well as delayed onset of rains during the first quarter of 2022, thereby leading to reduced agricultural production. The sector is estimated to have contracted by 0.7 percent in the first quarter of 2022 compared to 0.4 percent growth in the first quarter of 2021 (**Table 1**). The poor performance of the sector was mainly due to the significant decline in horticultural exports and tea production. The sector's performance was however cushioned from a steeper slump by the increase in production of cane, milk, and coffee. The sector's contribution to GDP growth was -0.1 percentage points in the first quarter of 2022 compared to 0.1 percentage points contribution in the same quarter in 2021 (**Chart 1b**).

4. The performance of the industry sector improved to a growth of 4.4 percent in first quarter of 2022 compared to a growth of 3.9 percent in the same quarter in 2021. This was mainly on account of improved performance of the manufacturing activities despite a slowdown in the electricity and water supply and construction sub-sectors. The industry sector accounted for 0.7 percentage points of growth in the first quarter of 2022 compared to 0.6 percentage point contribution to GDP in the first quarter of 2021.

RECENT ECONOMIC DEVELOPMENTS

5. Activities in the manufacturing sub-sector were more vibrant in the first quarter of 2022 compared to the same quarter in 2021. The sub-sector grew by 3.7 percent in the first quarter of 2022 compared to a 2.1 percent growth in 2021. The improved performance was supported by both the food and non-food components. The food component that registered substantial growth was processing of coffee while the non-food component growth was supported by substantial growth in cement production.

6. Electricity and Water Supply sector slowed down to a growth of 1.9 percent in the first quarter of 2022 compared to a growth of 3.6 percent in the corresponding quarter of 2021. The sector's growth was slowed by a decline in hydroelectricity generated, owing to insufficient rains during the first quarter of 2022. Similarly, electricity generated from geothermal also declined during the period. Although electricity generated from thermal recorded a significant increase, it had detrimental effect on the gross value addition due to high cost of inputs in the generation process.

7. The construction sub-sector performance slightly declined to grow by 6.4 percent in the first quarter of 2022 compared to a 6.8 percent growth during the same period in 2021. The growth was mainly supported by the increase in cement and various construction materials such as bitumen and iron and steel consumption.

Table 1: Sectoral GDP Growth rate (percent)

Sectors	2020					2021					2022
	Q1	Q2	Q3	Q4	Q1-Q4	Q1	Q2	Q3	Q4	Q1-Q4	Q1
Primary Industry	4.6	7.8	(3.9)	9.6	4.7	0.9	0.02	1.4	0.7	0.7	0.5
Agriculture, Forestry and Fishing	4.5	8.0	(4.3)	9.8	4.6	0.4	(0.5)	0.6	(1.2)	(0.2)	(0.7)
Mining and Quarrying	6.5	3.9	5.6	6.0	5.5	10.7	10.9	16.4	34.5	18.0	22.1
Secondary Sector (Industry)	3.8	(1.6)	2.5	7.8	3.2	3.9	9.1	8.3	5.0	6.5	4.4
Manufacturing	1.4	(5.4)	(2.2)	4.3	(0.4)	2.1	11.3	10.2	4.9	6.9	3.7
Electricity and Water supply	1.5	(4.5)	0.8	4.6	0.6	3.6	7.2	6.4	2.8	5.0	1.9
Construction	8.9	6.0	10.2	15.2	10.1	6.8	6.8	6.7	6.0	6.6	6.4
Tertiary sector (Services)	3.9	(6.6)	(4.2)	(0.04)	(1.8)	3.2	14.9	11.4	9.1	9.6	9.1
Wholesale and Retail trade	5.5	(3.8)	(5.1)	1.4	(0.5)	7.5	9.2	6.4	8.4	7.9	8.7
Accommodation and Restaurant	(14.1)	(57.2)	(62.0)	(57.7)	(47.7)	(33.0)	90.1	127.5	118.6	52.5	56.2
Transport and Storage	2.1	(16.8)	(10.2)	(6.2)	(7.8)	(7.9)	18.6	14.2	6.5	7.2	8.1
Information and Communication	7.8	4.9	4.9	7.5	6.3	10.1	17.1	4.1	5.3	8.8	6.1
Financial and Insurance	6.2	3.2	3.3	10.6	5.9	11.8	17.3	11.8	9.9	12.5	14.4
Public Administration	4.7	4.5	8.3	10.2	7.0	6.8	7.6	4.8	3.3	5.6	6.4
Others	3.5	(8.1)	(5.4)	(2.1)	(3.2)	3.5	14.8	12.6	9.8	10.3	7.4
of which Professional, Admin & Support Services	2.7	(25.5)	(18.4)	(12.5)	(13.7)	(13.0)	18.3	13.4	8.1	5.7	14.9
Real Estate	4.1	3.6	3.8	4.8	4.1	6.7	7.4	7.1	5.7	6.7	6.1
Education	4.8	(21.1)	(16.1)	(4.8)	(9.3)	11.5	31.6	28.3	18.0	21.4	6.2
Health	7.1	9.0	4.4	2.9	5.7	5.8	6.2	4.1	7.8	6.0	5.0
Taxes less subsidies	5.5	(20.5)	(8.5)	(7.4)	(8.1)	1.8	18.5	12.5	15.7	11.9	12.3
Real GDP	4.4	(4.1)	(3.5)	2.3	(0.3)	2.7	11.0	9.3	7.4	7.5	6.8
of which Non-Agriculture	4.2	(5.6)	(2.7)	1.9	(0.6)	3.4	14.0	11.0	8.5	9.1	8.3

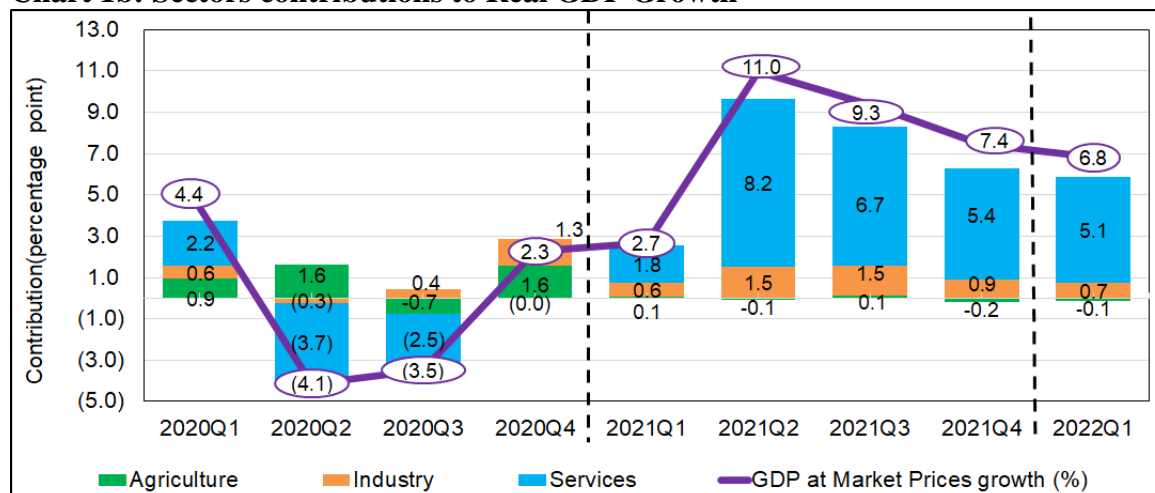
Source of Data: Kenya National Bureau of Statistics

8. The recovery of activities in the services sector continued in the first quarter of 2022. The sector grew by 9.1 percent in the first quarter of 2022 compared to a growth of 3.2 percent in the same quarter in 2021. The strong growth was largely characterized by significant recovery in transportation and Storage (8.1 percent), accommodation and food services (56.2 percent) and Professional, Administrative and Support Services (14.9 percent). The sector was

RECENT ECONOMIC DEVELOPMENTS

also supported by strong growths financial and insurance services (14.4 percent), and wholesale and retail trade (8.7 percent). The services sector contributed 5.1 percentage point to real GDP growth in the first quarter of 2022 compared to the 1.8 percentage point contribution in the same quarter in 2021.

Chart 1b: Sectors contributions to Real GDP Growth

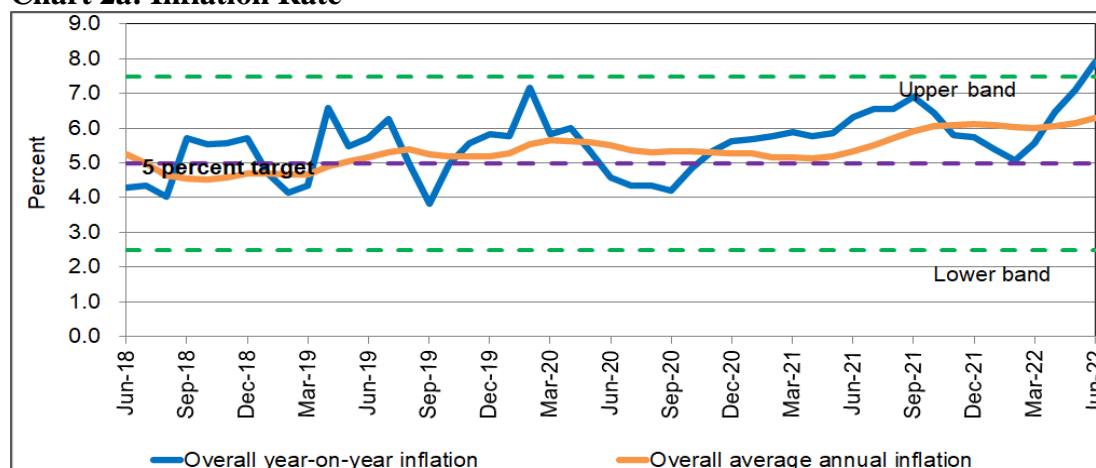


Source of Data: Kenya National Bureau of Statistics

1.2 Inflation

9. The year-on-year inflation rate increased to 7.9 percent in June 2022 (slightly above the 7.5 percent upper bound) from 6.3 percent in June 2021 mainly due to higher food and fuel prices. This increase was moderated by Government measures to stabilize fuel prices, lower electricity tariffs and subsidies on fertilizer prices. Additionally, the recent waiver of import duties and levies on white maize, the subsidy on retail prices of sifted maize flour, and the reduction in VAT on LPG will further moderate domestic prices. Overall annual average inflation remained within Government target range at 6.3 percent in June 2022 compared to the 5.3 percent recorded in June 2021 (**Chart 2a**).

Chart 2a: Inflation Rate



Source of Data: Kenya National Bureau of Statistics

10. Food inflation remain the main driver of overall year-on-year inflation in June 2022, contributing 5.2 percentage points, an increase, compared to a contribution of 3.3 percentage points in June 2021 (**Chart 2b**). The increase was mainly attributed to dry weather conditions

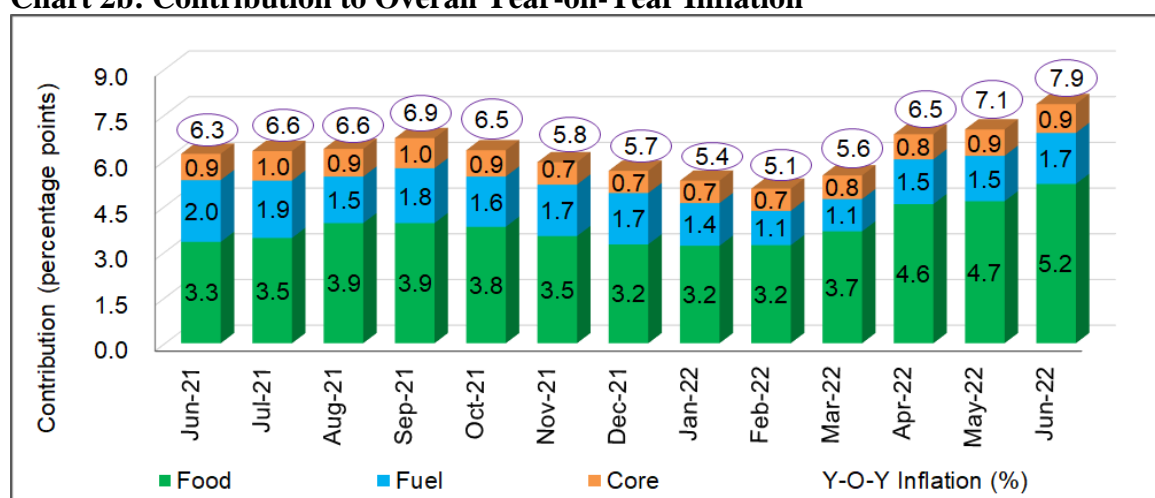
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and supply constraints that resulted in a rise in prices of key food items particularly cooking oil (salad), wheat flour (white), Irish potatoes, carrots, onions, and fresh packeted cow milk.

11. Fuel inflation eased to contribute 1.7 percentage points to year-on-year overall inflation in June 2022 from a contribution of 2.0 percentage points in June 2021. This was mainly due to the effect of Government measures to stabilize fuel prices and lower electricity tariffs. However, there was notable increase in the prices of kerosene/paraffin, petrol and diesel in June 2022 compared to June 2021.

12. The contribution of core inflation to year-on-year overall inflation has been low and stable, consistent with the muted demand pressures in the economy on account of prudent monetary policies. The contribution of core inflation to overall inflation remained stable at 0.9 percentage points in June 2021 and June 2022.

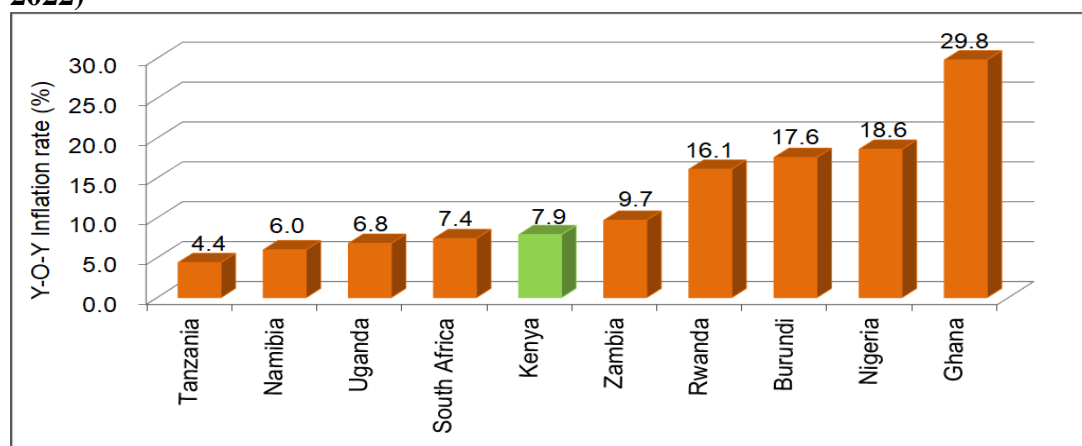
Chart 2b: Contribution to Overall Year-on-Year Inflation



Source of Data: Kenya National Bureau of Statistics

13. Kenya's year-on-year overall inflation rate compares favorably with the rest of Sub-Saharan Africa countries. In June 2022, Kenya recorded a lower inflation rate than Zambia, Rwanda, Burundi, Nigeria and Ghana (**Chart 2c**).

Chart 2c: Year on Year Inflation Rates of selected Sub-Saharan African Countries (June, 2022)



Source of Data: National Central Banks

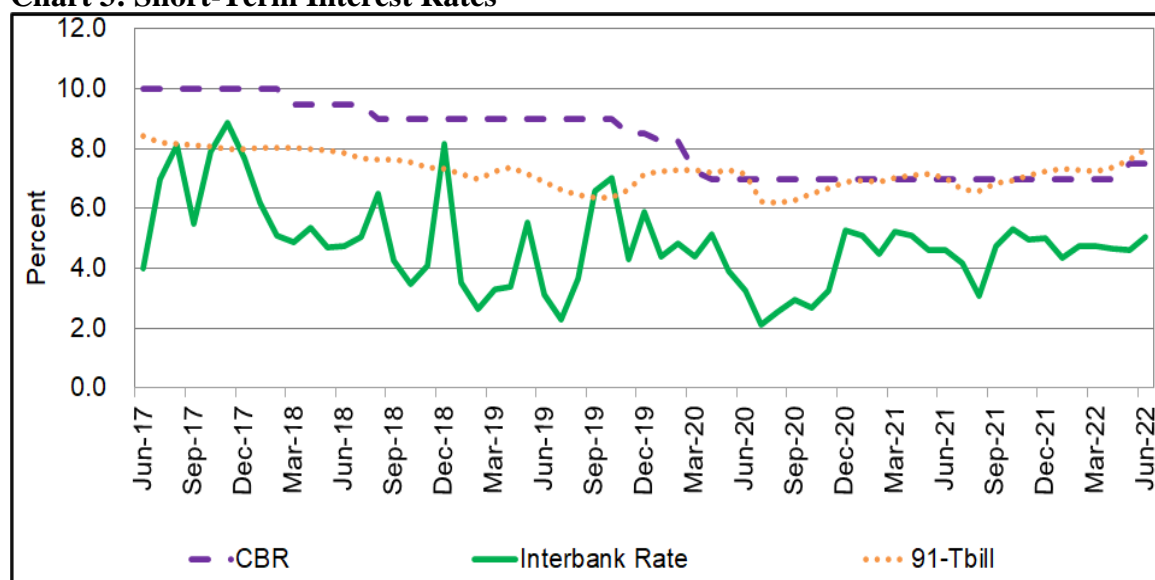
RECENT ECONOMIC DEVELOPMENTS

1.3 Interest Rates

14. Short-term interest rates remained fairly low and stable supported by ample liquidity in the money market. The Central Bank Rate was raised from 7.0 percent to 7.5 percent on 30th May 2022. The tightening of the monetary policy stance was to anchor inflation expectations due to the elevated risks to the inflation outlook as a result of increased global commodity prices and supply chain disruptions. The interbank rate increased to 5.1 percent in June 2022 compared 4.6 percent in June 2021 (**Chart 3**).

15. Interest rates on the Treasury bills remained relatively low (below 10 percent) in June 2022. The 91-day Treasury Bills rate was at 8.0 percent in June 2022 compared to 7.0 percent in June 2021. Over the same period, the 182-day Treasury Bills rate increased to 9.2 percent from 7.6 percent while the 364-day also increased to 10.0 percent from 8.4 percent.

Chart 3: Short-Term Interest Rates



Source of Data: Central Bank of Kenya

16. Commercial banks' lending rates remained relatively stable in June 2022 supported by the prevailing monetary policy stance during the period. The average lending rate was at 12.3 percent in June 2022 from 12.0 percent in June 2021 while the average deposit rate increased to 6.6 percent from 6.4 percent over the same period. Consequently, the average interest rate spread remained stable at 5.7 percent in June 2022 same as in June 2021.

1.4 Money and Credit

17. Broad money supply, M3, improved to a growth of 7.3 percent in the year to June 2022 compared to a growth of 6.4 percent in the year to June 2021 (**Table 2**). The pickup was mainly due to an increase in domestic credit particularly net lending to the private sector despite the decline in the Net Foreign Assets (NFA). Net Foreign Assets (NFA) of the banking system in the year to June 2022 contracted by 42.2 percent, compared to a contraction of 11.5 percent in the year to June 2021. The decline in NFA was partly due to the Central Bank payments of Government external obligations, and increased banks' borrowings from foreign sources and reduction in foreign deposit assets to support lending to customers.

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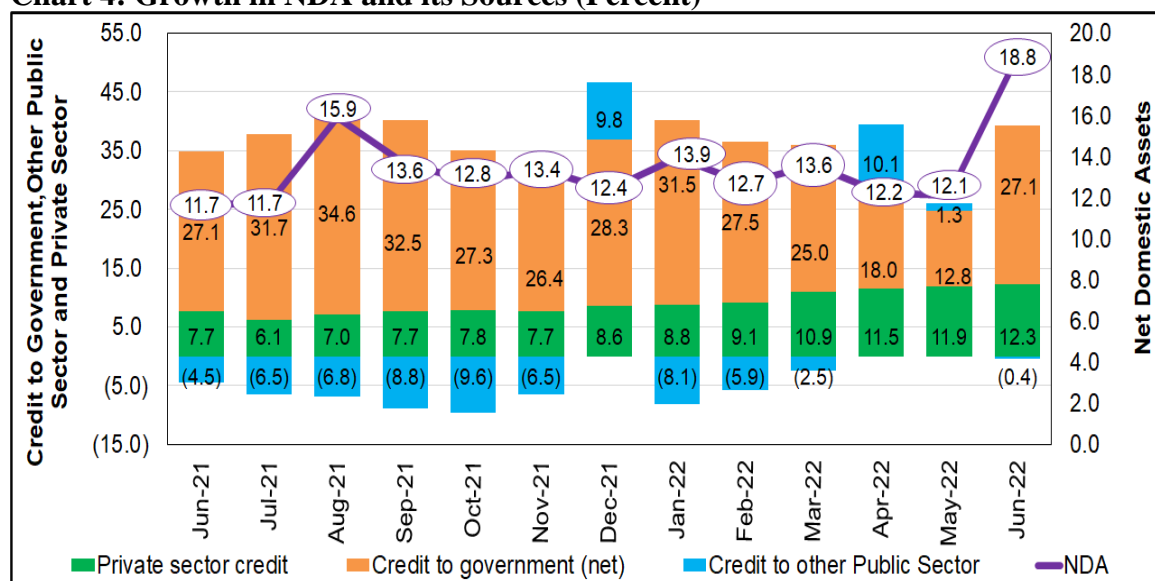
Table 2: Money and Credit Developments (12 Months to June 2022 Ksh. Billion)

				Change		Percent Change	
	2020 June	2021 June	2022 June	2020-2021 June	2021-2022 June	2020-2021 June	2021-2022 June
COMPONENTS OF M3							
1. Money supply, M1 (1.1+1.2+1.3)	1,692.9	1,779.2	1,903.2	86.3	124.0	5.1	7.0
1.1 currency outside banks (M0)	210.9	225.9	251.6	15.0	25.7	7.1	11.4
1.2 Demand deposits	1,349.9	1,409.9	1,509.3	60.0	99.5	4.4	7.1
1.3 Other deposits at CBK	132.2	143.5	142.3	11.3	(1.2)	8.5	(0.8)
2. Money supply, M2 (1+2.1)	3,227.6	3,377.5	3,547.9	149.9	170.4	4.6	5.0
2.1 Time and savings deposits	1,534.7	1,598.2	1,644.7	63.5	46.4	4.1	2.9
Money supply, M3 (2+3.1)	3,890.0	4,137.8	4,439.4	247.8	301.5	6.4	7.3
3.1 Foreign currency deposits	662.4	760.3	891.5	98.0	131.2	14.8	17.3
SOURCES OF M3							
1. Net foreign assets (1.1+1.2)	886.0	783.8	453.2	(102.2)	(330.6)	(11.5)	(42.2)
1.1 Central Bank	918.1	835.8	637.9	(82.3)	(197.9)	(9.0)	(23.7)
1.2 Banking Institutions	(32.1)	(52.0)	(184.7)	(19.9)	(132.6)	(61.9)	(254.9)
2. Net domestic assets (2.1+2.2)	3,004.0	3,354.0	3,986.1	350.0	632.1	11.7	18.8
2.1 Domestic credit (2.1.1+2.1.2+2.1.3)	3,930.3	4,445.8	5,196.7	515.5	750.9	13.1	16.9
2.1.1 Government (net)	1,148.7	1,460.2	1,855.7	311.6	395.5	27.1	27.1
2.1.2 Other public sector	88.4	84.4	84.1	(4.0)	(0.3)	(4.5)	(0.4)
2.1.3 Private sector	2,693.2	2,901.1	3,256.9	207.9	355.7	7.7	12.3
2.2 Other assets net	(926.2)	(1,091.8)	(1,210.6)	(165.5)	(118.8)	(17.9)	(10.9)

Source of Data: Central Bank of Kenya

18. Net Domestic Assets (NDA) registered a growth of 18.8 percent in the year to June 2022, an improvement compared to a growth of 11.7 percent over a similar period in 2021 (Table 2, Chart 4). The growth in NDA was supported by net lending to Government, and resilient growth in credit to the private sector as business activities improved. The reduction in other public sector lending was mainly on account of repayments by county governments and parastatals.

Chart 4: Growth in NDA and its Sources (Percent)



Source of Data: Central Bank of Kenya

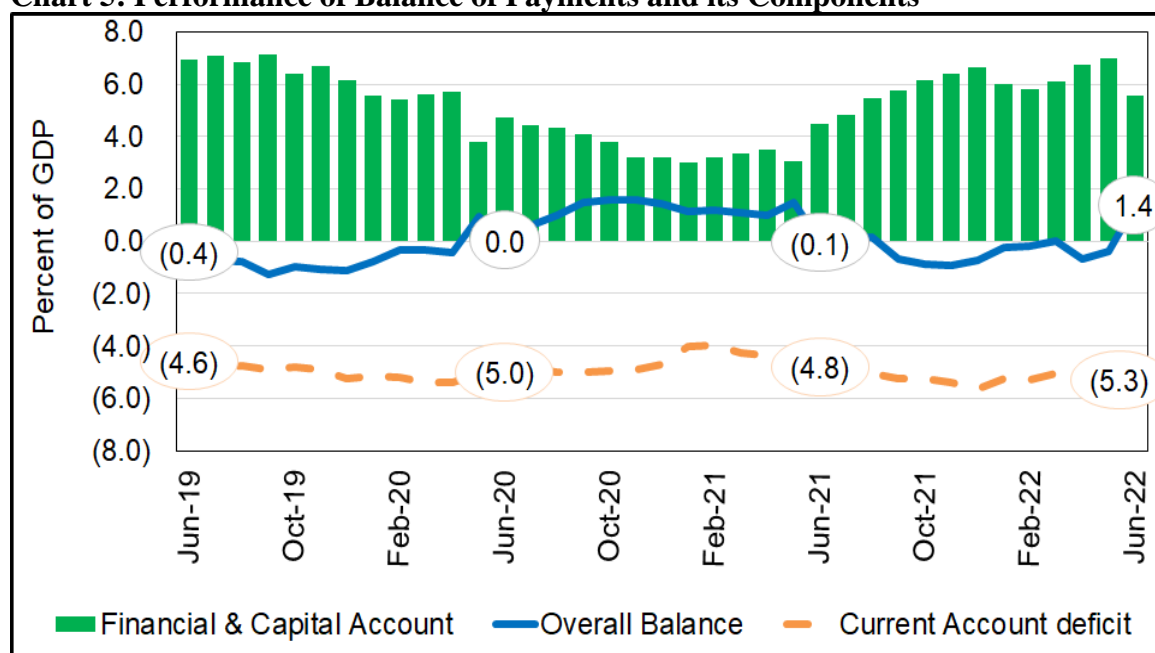
RECENT ECONOMIC DEVELOPMENTS

19. Private sector credit improved to a growth of 12.3 percent in the 12 months to June 2022 compared to a growth of 7.7 percent in the year to June 2021. This was supported by increased credit demand following improved economic activities. Strong credit growth was observed in the following sectors: mining, transport and communication, manufacturing, business services, agriculture, trade and building and construction. All economic sectors registered positive credit growth rates. The Credit Guarantee Scheme for the vulnerable Micro, Small and Medium Enterprises (MSMEs), continues to de-risk lending by commercial banks hence remains critical to increasing credit flow to the private sector.

1.5 Balance of Payments

20. The overall balance of payments position improved to a surplus of USD 1,599.0 million (1.4 percent of GDP) in June 2022 from a deficit of USD 57.5 million (0.1 percent of GDP) in June 2021 (Chart 5). This was mainly due to an improvement in the financial account despite a decline in the merchandise account reflecting increased imports of petroleum products owing to high international crude oil prices.

Chart 5: Performance of Balance of Payments and its Components



Source of Data: Central Bank of Kenya

21. The current account deficit was at USD 6,037.2 million (5.3 percent of GDP) in June 2022 compared to USD 5,368.5 million (4.8 percent of GDP) in June 2021. The current account balance was supported by an improvement in the net receipts on the services account and the net secondary income balance despite a deterioration in the net primary income balance and merchandise account.

22. The balance in the merchandise account declined by USD 2,758.6 million to a deficit of USD 12,357.0 million in June 2022 mainly due to increased payments on imports in spite of an improvement in the export earnings (Table 3). In the year to June 2022, exports grew by 11.3 percent primarily driven by improved receipts from tea and manufactured goods despite a decline in receipts from horticulture. Tea exports increased owing to improved tea prices reflecting increased demand from our traditional markets. On the other hand, imports of goods

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increased by 21.7 percent in the year to June 2022 mainly due to increases in imports of oil and other intermediate goods.

Table 3: Balance of Payments (USD Million)

							Year to June 2022		Percent of GDP	
	Jun-20	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	change	Percent Change	Jun-21	Jun-22
Overall Balance	47.2	(57.5)	(745.6)	(787.7)	34.2	1,599.0	1,656.5	2,880.1	(0.1)	1.4
A) Current Account	(5,055.1)	(5,368.5)	(5,739.5)	(6,026.9)	(5,911.9)	(6,037.2)	(668.7)	(12.5)	(4.8)	(5.3)
<i>Merchandise Account (a-b)</i>	(9,516.5)	(9,598.4)	(10,409.3)	(11,439.3)	(11,718.3)	(12,357.0)	(2,758.6)	(28.7)	(8.6)	(10.8)
a) Goods: exports	5,921.6	6,400.4	6,501.7	6,729.6	6,818.1	7,120.6	720.2	11.3	5.7	6.2
b) Goods: imports	15,438.1	15,998.8	16,910.9	18,168.9	18,536.3	19,477.6	3,478.8	21.7	14.3	17.0
<i>Net Services (c-d)</i>	988.9	239.7	319.1	739.8	1,249.6	1,632.9	1,393.2	581.2	0.2	1.4
c) Services: credit	4,619.4	3,839.7	4,159.3	4,859.4	5,706.0	6,426.2	2,586.5	67.4	3.4	5.6
d) Services: debit	3,630.5	3,600.0	3,840.2	4,119.6	4,456.4	4,793.2	1,193.3	33.1	3.2	4.2
<i>Net Primary Income (e-f)</i>	(1,550.6)	(1,405.9)	(1,390.9)	(1,487.9)	(1,796.2)	(1,722.6)	(316.7)	(22.5)	(1.3)	(1.5)
e) Primary income: credit	187.4	135.7	126.4	128.8	119.2	102.1	(33.6)	(24.8)	0.1	0.1
f) Primary income: debit	1,738.0	1,541.6	1,517.3	1,616.7	1,915.4	1,824.7	283.1	18.4	1.4	1.6
<i>Net Secondary Income</i>	5,023.1	5,396.1	5,741.5	6,160.5	6,352.8	6,409.4	1,013.4	18.8	4.8	5.6
g) Secondary income: credit	5,062.4	5,505.3	5,873.3	6,270.8	6,468.1	6,510.3	1,005.0	18.3	4.9	5.7
h) Secondary income: debit	39.3	109.2	131.9	110.3	115.3	100.8	(8.3)	(7.6)	0.1	0.1
B) Capital Account	146.1	205.6	204.8	195.1	194.1	176.4	(29.2)	(14.2)	0.2	0.2
C) Financial Account	(4,641.6)	(4,816.8)	(6,105.0)	(6,927.1)	(6,948.7)	(6,161.8)	(1,344.9)	(27.9)	(4.3)	(5.4)

Source of Data: Central Bank of Kenya

23. Net receipts on the services account improved by USD 1,393.2 million to USD 1,632.9 million in June 2022 compared to a similar period in 2021. This was mainly on account of an increase in receipts from transport and tourism as economies re-opened following the relaxation of COVID-19 containment measures. Net Secondary income remained resilient and increased by USD 1,013.4 million during the review period owing to an increase in remittances. The balance on the primary account widened by USD 316.7 million to a deficit of USD 1,722.6 million in June 2022, from a deficit of USD 1,405.9 million in the same period last year, reflecting higher outflows of direct and other investments.

24. The capital account balance declined by USD 29.2 million to register a surplus of USD 176.4 million in June 2022 compared to a surplus of USD 205.6 million in the same period in 2021. Net financial inflows improved to USD 6,161.8 million in June 2022 compared to USD 4,816.8 million in June 2021. The net financial 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

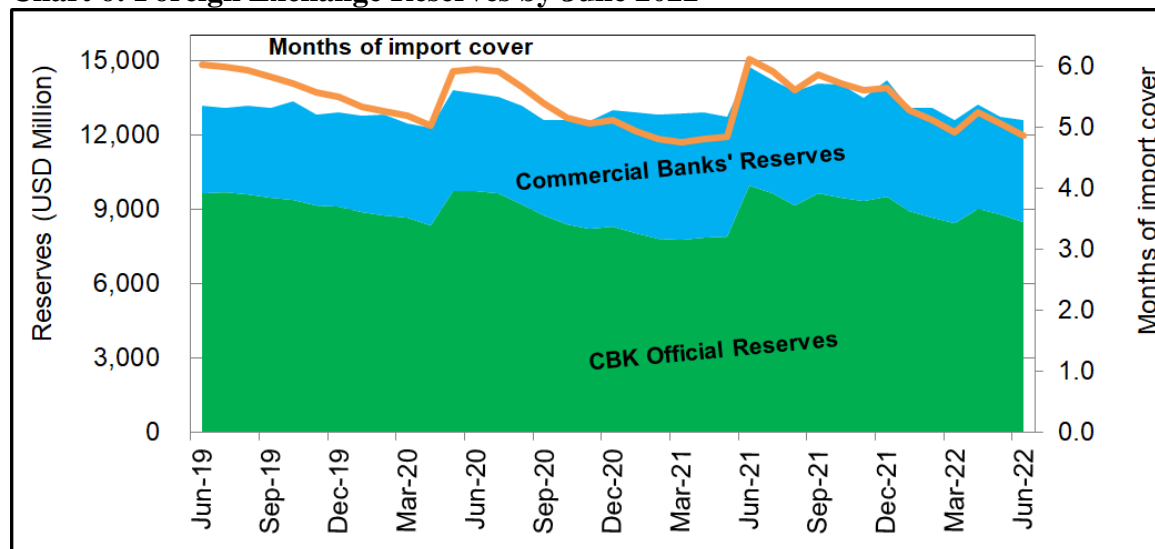
25. The banking system's foreign exchange holdings remained strong at USD 12,580.6 million in June 2022 from USD 14,741.4 million in June 2021. The official foreign exchange reserves held by the Central Bank stood at USD 8,494.9 million (4.9 months of import cover) in June 2022 compared to USD 9,957.4 million (6.1 months of import cover) in June 2021 (**Chart 6**).

26. The official reserves fulfil the requirement to maintain it at minimum of 4.0 months of imports cover to provide adequate buffer against short term shocks in the foreign exchange

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market. Commercial banks holdings decreased to USD 4,085.6 million in June 2022 from USD 4,784 million in June 2021.

Chart 6: Foreign Exchange Reserves by June 2022

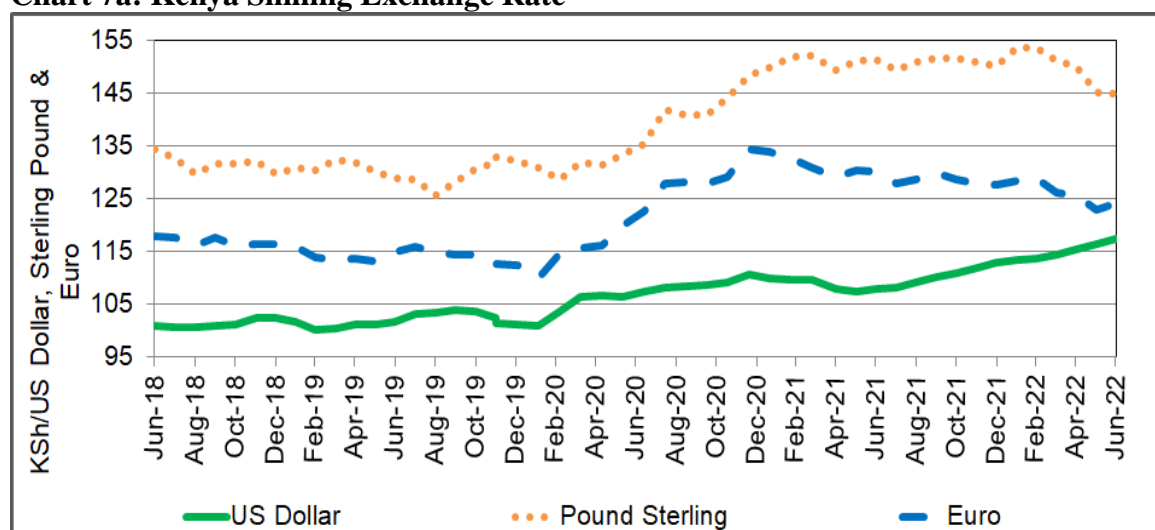


Source of Data: Central Bank of Kenya

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. The Kenya Shilling to the US Dollar exchanged at Ksh. 117.3 in June 2022 compared to Ksh. 107.8 in June 2021. Over the same period, the Euro exchanged at Ksh. 124.1 compared to Ksh. 130.1 while the Sterling Pound exchanged at Ksh. 144.8 compared to Ksh. 151.5 (**Chart 7a**).

Chart 7a: Kenya Shilling Exchange Rate

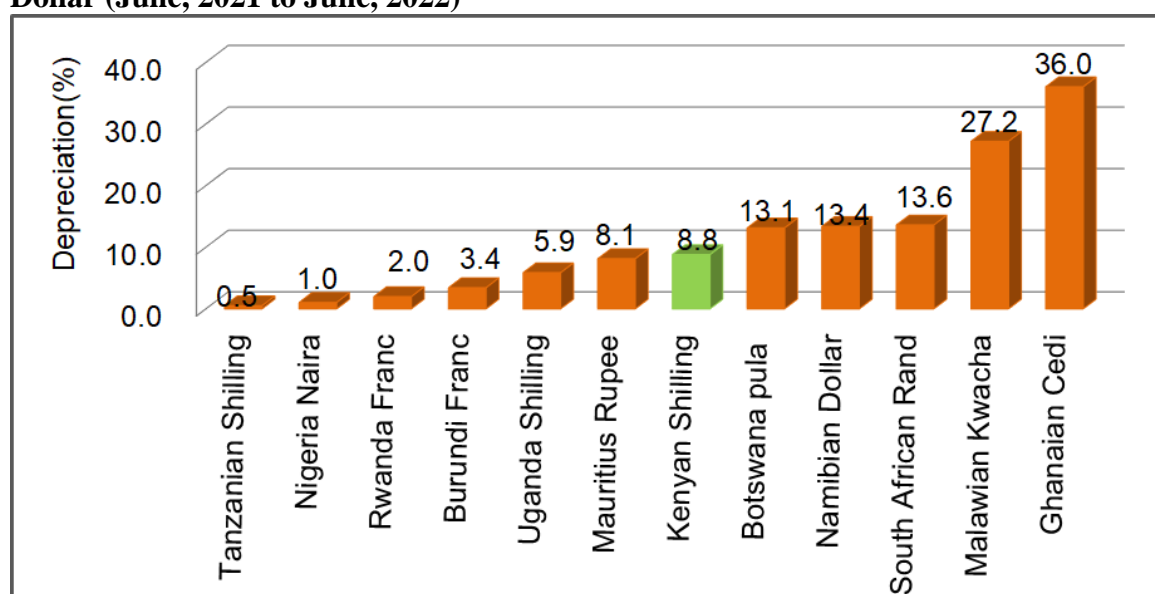


Source of Data: Central Bank of Kenya

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28. In comparison to most Sub-Saharan Africa currencies, the Kenya Shilling has remained relatively stable weakening by 8.8 percent against the US Dollar (**Chart 7b**). The depreciation rate of the Kenya Shilling was lower than that of Botswana pula, Namibian Dollar, South African Rand, Malawi Kwacha and Ghanaian Cedi. The stability in the Kenya Shilling was supported by increased remittances, adequate foreign exchange reserves and improved exports.

Chart 7b: Performance of Selected Sub-Saharan Countries Currencies against the US Dollar (June, 2021 to June, 2022)



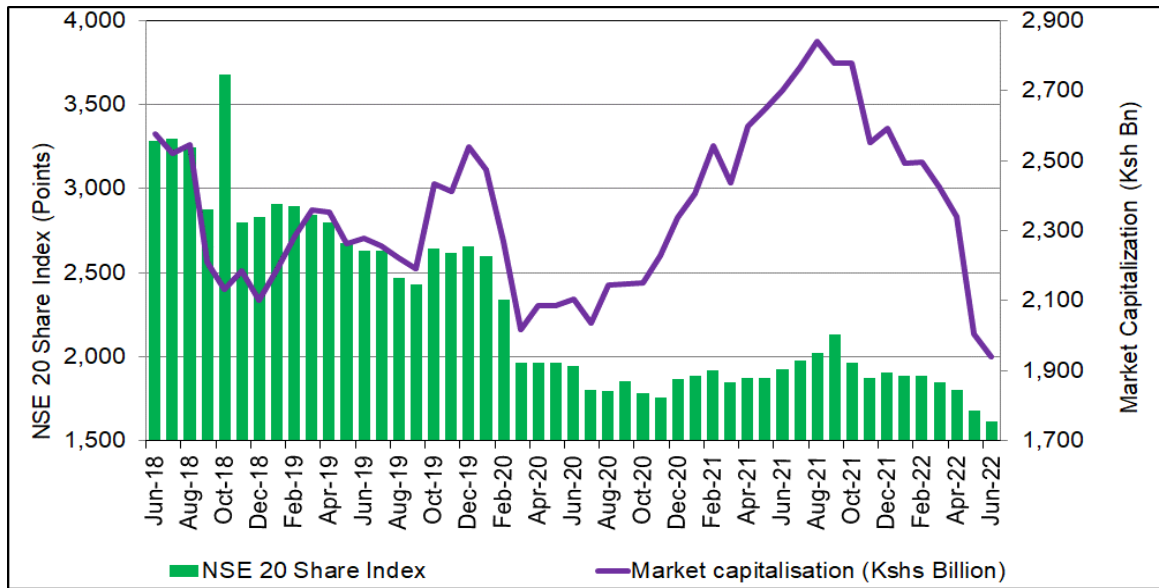
Source of Data: National Central Banks

1.8 Capital Markets

29. Activity in the capital markets slowed down in June 2022 due to the outflow of investors as the U.S. central bank raised interest rates. The NSE 20 Share Index declined to 1,613 points in June 2022 compared to 1,928 points in June 2021 while Market capitalization also declined to KSh 1,939 billion from KSh 2,702 billion over the same period (**Chart 8**).

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Chart 8: Performance at the NSE by end June, 2022.



Source of Data: Nairobi Securities Exchange

FISCAL DEVELOPMENTS

2.0 FISCAL DEVELOPMENTS

2.1 Revenue

30. By the end of June 2022, total revenue collected including A-I-A amounted to KSh. 2,199.8 billion against a target of KSh. 2,192.0 billion (**Table 4**). The revenue collection was above revised target by Ksh 7.9 billion mainly due to above target performance of ordinary revenue. The total revenue inclusive of the ministerial A-I-A grew by 23.3 percent, an improvement from a contraction of 0.7 percent recorded in June 2021. The growth is largely attributed to the improved operating business environment and targeted economic stimulus interventions by the Government. Ordinary revenue collection was KSh. 1,917.9 billion against a target of KSh. 1,851.5 billion, KSh. 66.4 billion above the target (**Chart 9**).

31. The ministerial A-I-A collected was below target by KSh. 58.5 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. 36.4 billion against a target of KSh. 31.6 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, 2022 (KSh. Millions)

	2020/2021 Actual	2021/2022		Deviation KSh.	% Growth
		Actual*	Target		
Total Revenue (a+b)	1,783,747	2,199,808	2,191,953	7,855	23.3
(a) Ordinary Revenue	1,562,015	1,917,911	1,851,510	66,401	22.8
Import Duty	108,375	118,280	115,869	2,411	9.1
Excise Duty	216,325	252,094	255,890	(3,796)	16.5
PAYE	363,343	462,357	455,129	7,228	27.3
Other Income Tax	330,709	414,350	381,562	32,788	25.3
VAT Local	197,072	244,926	249,021	(4,095)	24.3
VAT Imports	213,687	278,171	265,086	13,085	30.2
Investment Revenue	43,762	43,660	37,709	5,951	(0.2)
Traffic Revenue	4,600	4,425	5,106	(681)	(3.8)
Taxes on Intl. Trade & Trans.(IDF Fee)	39,743	50,337	42,615	7,723	26.7
Others ¹	44,398	49,309	43,522	5,786	11.1
(b) Appropriation In Aid ²	221,732	281,897	340,443	(58,546)	27.1
o/w Railway Development Levy	28,504	36,361	31,639	4,722	27.6
(c) External Grants	31,334	31,031	62,918	(31,887)	(1.0)
Total Revenue and External Grants	1,815,080	2,230,839	2,254,871	(24,032)	22.9
Total Revenue and External Grants as a percentage of GDP	15.91	17.64	17.83	-	-

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

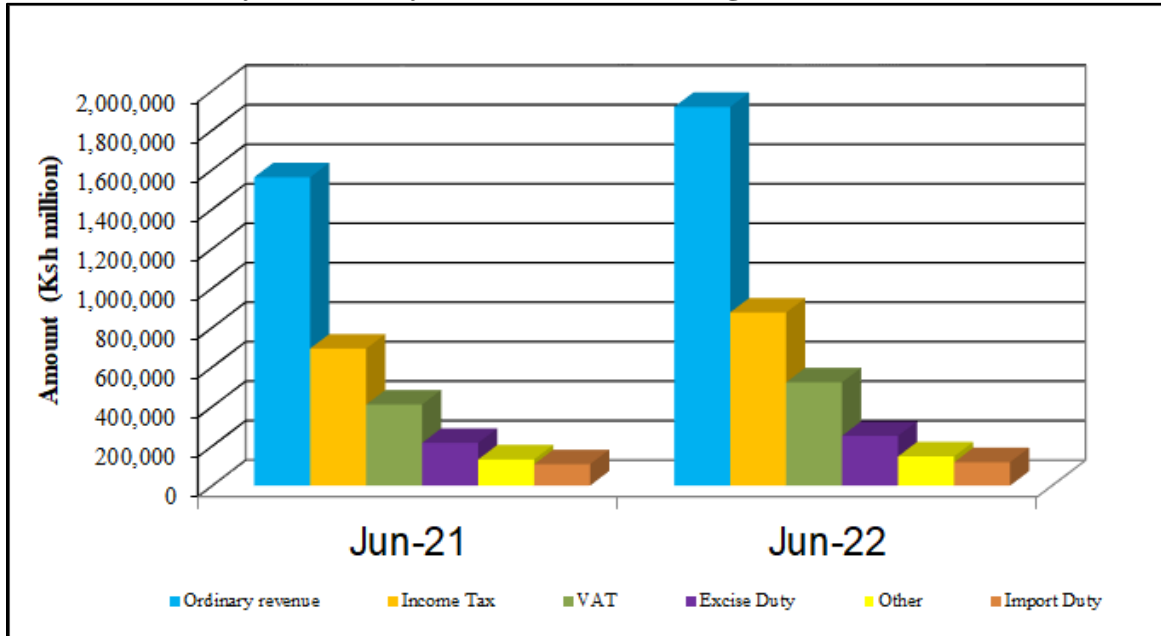
*Provisional

Source of Data: National Treasury

FISCAL DEVELOPMENTS

32. As a proportion of GDP, the total revenue and grants in the period under review was 17.6 percent compared to 15.9 percent in the corresponding period in the FY 2020/21. Total grants amounted to KSh. 31.0 billion against a target of KSh. 62.9 billion, which was an under performance by KSh.31.9 billion.

Chart 9: Ordinary Revenue by Source, Period Ending 30th June, 2022



Source of Data: National Treasury

2.2 Expenditure

33. The total expenditure and net lending for the period under review amounted to KSh. 3,023.2 billion, against a target of KSh.3,286.1 billion. The resultant under expenditure of KSh. 262.9 billion is attributed to lower absorption recorded in both recurrent and development expenditures by the National Government and below target transfers to County Governments as well as civil servants pension. In addition, due to adverse market conditions the government did not mobilise the programmed commercial financing and therefore the national government spending was constrained by about Ksh. 55.9 billion. Recurrent expenditure for National Government amounted to KSh. 2,086.2 billion (excluding KSh. 48.8 billion for Parliament and Judiciary), against a target of KSh. 2,174.7 billion leading to a below target expenditure of KSh. 88.6 billion. The below target expenditure in recurrent category is mainly attributed to below target expenditure on Operation and Maintenance (O&M) and domestic interest payments (**Table 5 and Chart 10**).

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Table 5: Expenditure and Net Lending, Period Ending 30th June, 2022 (KSh. Millions)

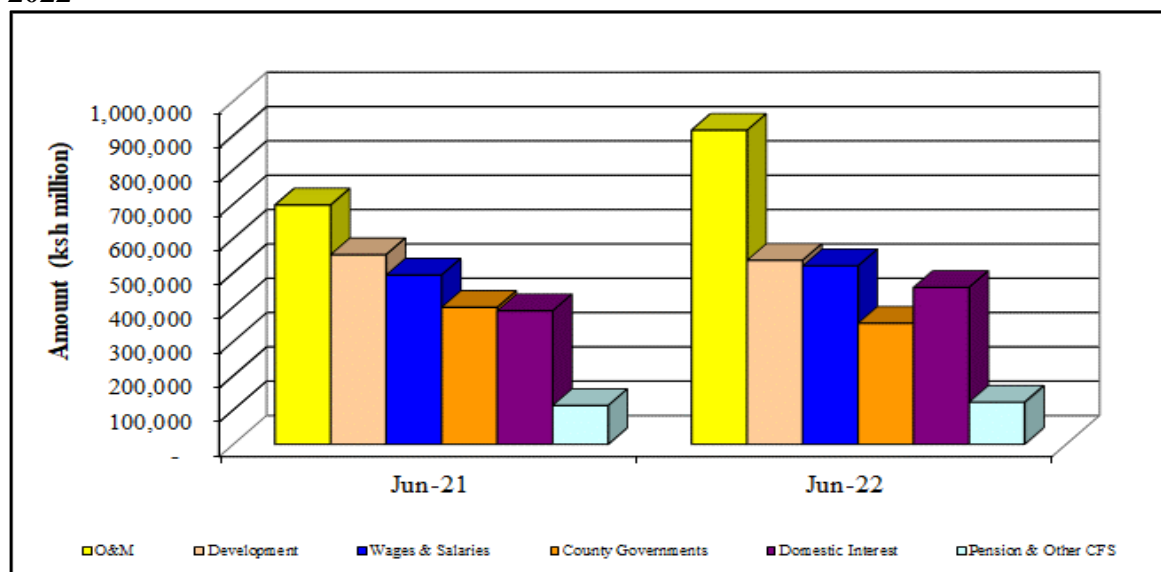
	2020/2021 Actual	2021/2022		Deviation	% Growth
		Actual*	Targets		
1. RECURRENT	1,754,708	2,086,174	2,174,732	(88,557)	18.9
Domestic Interest	388,830	456,849	479,223	(22,374)	17.5
Foreign Interest	106,312	120,812	126,059	(5,248)	13.6
Pensions & Other CFS	112,872	122,432	125,346	(2,915)	8.5
Wages and Salaries	493,029	520,033	525,122	(5,089)	5.5
Operation and Maintenance	653,665	866,050	918,981	(52,931)	32.5
O/W: Appropriation-in-Aid	135,212	197,524	232,709	(35,185)	46.1
2. DEVELOPMENT	552,283	535,782	657,515	(121,733)	(3.0)
Development Projects (Net)	339,226.05	346,355.21	394,200.34	(47,845)	2.1
Payment of Guaranteed Loans	-	-	-	-	-
Appropriation-in-Aid	213,057	189,427	256,490	(67,062)	(11.1)
3. County Governments	398,993	352,414	401,237	(48,823)	(11.7)
4. Parliamentary Service	29,191	32,652	36,006	(3,355)	11.9
5. Judicial Service	14,289	16,160	16,587	(427)	13.1
6. Equalization Fund	-	-	6,825	(6,825)	-
7. CF	-	-	-	-	-
TOTAL EXPENDITURE	2,749,464	3,023,183	3,286,077	(262,894)	10.0

*Provisional

Source of Data: National Treasury

34. Foreign interest payments amounted to KSh. 120.8 billion, higher than the KSh. 106.3 billion paid over the same period in the FY2020/21. The domestic interest payments totalled to KSh. 456.8 billion, which was higher than the KSh. 388.8 billion paid in the corresponding period in the previous financial year. 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, 2021 and 2022



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. 1,941.7 billion against a target of KSh. 2,152.6 billion. Recurrent expenditure was KSh. 1,408.5 billion against a target of KSh. 1,463.8 billion, while development expenditure amounted to KSh. 533.2 billion against a target of KSh. 688.8 billion. The percentage of total expenditures to the target was 90.2 percent while the percentage of total expenditures to the target for recurrent and development were 96.2 percent and 77.4 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, 2022, recurrent expenditures by the State Department for Early Learning and Basic Education, State Department for University Education; Teachers Service Commission; State Department for Vocational and Technical Training and the Ministry of Health (Social Sector) accounted for 39.0 percent of total recurrent expenditure. In addition, the State Department for Interior and the Ministry of Defence each accounted for 9.0 percent and 9.1 percent of total recurrent expenditure respectively.

37. Analysis of development outlay indicates that the State Department for infrastructure accounted for the largest share of the total development expenditure (24.1 percent), followed by the National Treasury (12.5 percent) and the Ministry of water, Sanitation and irrigation (11.0 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, 2022 (KSh. Millions)

Budget Head	MINISTRY/DEPARTMENT/COMMISSIONS	Jun-22			Jun-22			Jun-22			% of Total Exp. To Target
		Recurrent			Development			Total			
		Actual*	Target	Variance	Actual*	Target	Variance	Actual*	Target	Variance	
1011	Executive Office of the President	29,233	30,710	(1,477)	10,648	11,669	(1,021)	39,881	42,378	(2,498)	94.1
1021	State Department for Interior and Citizen Services	127,019	134,359	(7,340)	5,514	8,504	(2,990)	132,533	142,863	(10,330)	92.8
1023	State Department for Correctional Services	23,744	28,521	(4,777)	519	630	(111)	24,263	29,151	(4,888)	83.2
1032	State Department for Devolution	3,142	3,564	(422)	1,116	1,239	(122)	4,258	4,802	(545)	88.7
1035	State Department for Development of the ASAL	1,045	1,074	(29)	6,155	9,880	(3,726)	7,200	10,955	(3,755)	65.7
1041	Ministry of Defence	128,597	130,609	(2,011)	6,080	6,150	(70)	134,677	136,758	(2,081)	98.5
1052	Ministry of Foreign Affairs	15,341	18,695	(3,354)	295	1,296	(1,001)	15,636	19,991	(4,355)	78.2
1064	State Department for Vocational and Technical Training	19,302	19,045	257	2,146	4,008	(1,863)	21,447	23,053	(1,606)	93.0
1065	State Department for University Education	95,713	101,365	(5,652)	3,744	4,353	(609)	99,456	105,717	(6,261)	94.1
1066	State Department for Early Learning & Basic Education	94,155	93,259	895	6,867	14,100	(7,233)	101,021	107,359	(6,338)	94.1
1068	State Department for Post Training and Skills Development	225	232	(7)	-	-	-	225	232	(7)	96.9
1069	State Department for Implementation of Curriculum Reforms	88	88	0	-	-	-	88	88	0	100.0
1071	The National Treasury	56,599	59,099	(2,501)	66,594	111,008	(44,414)	123,193	170,107	(46,915)	72.4
1072	State Department for Planning	3,834	3,982	(148)	47,510	47,652	(142)	51,344	51,634	(290)	99.4
1081	Ministry of Health	68,714	66,661	2,054	48,183	63,809	(15,625)	116,898	130,469	(13,572)	89.6
1091	State Department for Infrastructure	73,883	74,055	(172)	128,649	156,534	(27,884)	202,532	230,589	(28,057)	87.8
1092	State Department for Transport	5,597	10,369	(4,772)	420	985	(565)	6,017	11,353	(5,337)	53.0
1093	State Department for Shipping and Maritime	2,090	2,099	(10)	10	580	(570)	2,100	2,680	(580)	78.4
1094	State Department for Housing & Urban Development	1,403	1,392	11	13,451	14,125	(674)	14,854	15,517	(663)	95.7
1095	State Department for Public Works	2,998	3,093	(94)	840	1,028	(188)	3,839	4,120	(282)	93.2
1108	Ministry of Environment and Forestry	9,904	10,525	(621)	3,084	4,082	(998)	12,988	14,607	(1,618)	88.9
1109	Ministry of Water & Sanitation and Irrigation	4,899	6,292	(1,393)	58,227	71,577	(13,351)	63,126	77,869	(14,743)	81.1
1112	Ministry of Lands and Physical Planning	3,015	3,170	(155)	2,250	2,291	(41)	5,266	5,461	(195)	96.4
1122	State Department for Information Communication Technology	1,938	1,796	142	16,670	18,374	(1,704)	18,608	20,170	(1,562)	92.3
1123	State Department for Broadcasting & Telecommunications	6,037	7,647	(1,610)	352	397	(45)	6,388	8,044	(1,655)	79.4
1132	State Department for Sports	1,766	1,307	458	13,153	15,168	(2,015)	14,918	16,475	(1,557)	90.6
1134	State Department for Culture and Heritage	2,886	3,089	(203)	65	66	(1)	2,951	3,155	(203)	93.6
1152	Ministry of Energy	13,634	16,403	(2,769)	35,940	49,201	(13,261)	49,574	65,604	(16,030)	75.6
1162	State Department for Livestock	2,591	3,615	(1,024)	1,988	2,861	(873)	4,579	6,476	(1,897)	70.7
1166	State Department for Fisheries, Aquaculture & the Blue Economy	2,219	2,239	(20)	3,512	5,993	(2,481)	5,731	8,232	(2,501)	69.6
1169	State Department for Crop Development & Agriculture	9,219	13,361	(4,142)	25,206	31,715	(6,509)	34,425	45,076	(10,651)	76.4
1173	State Department for Cooperatives	461	1,495	(1,034)	372	433	(61)	833	1,928	(1,095)	43.2
1174	State Department for Trade and Enterprise Development	2,285	2,550	(265)	2,387	2,387	(0)	4,671	4,957	(286)	94.6
1175	State Department for Industrialization	3,184	3,305	(121)	1,875	2,988	(1,113)	5,059	6,293	(1,234)	80.4
1184	State Department for Labour	1,692	2,744	(1,052)	499	867	(368)	2,191	3,611	(1,420)	60.7
1185	State Department for Social Protection, Pensions & Social Security	33,116	33,904	(788)	2,406	3,306	(901)	35,522	37,211	(1,689)	95.5
1194	Ministry of Petroleum and Mining	82,788	81,951	837	2,292	2,464	(172)	85,080	84,415	665	100.8
1202	State Department for Tourism	7,598	7,740	(142)	474	475	(1)	8,072	8,215	(142)	98.3
1203	State Department for Wildlife	6,810	8,824	(2,013)	769	820	(51)	7,579	9,643	(2,064)	78.6
1212	State Department for Gender	1,164	1,140	25	2,358	2,481	(124)	3,522	3,621	(99)	97.3
1213	State Department for Public Service	18,708	19,491	(783)	482	668	(186)	19,190	20,159	(969)	95.2
1214	State Department for Youth Affairs	1,379	1,419	(40)	3,221	3,977	(756)	4,599	5,395	(796)	85.2
1221	State Department for East African Community	602	609	(7)	-	-	-	602	609	(7)	98.8
1222	State Department for Regional and Northern Corridor Development	2,930	2,930	(0)	2,240	2,549	(308)	5,170	5,505	(335)	93.9
1252	State Law Office and Department of Justice	4,722	5,112	(389)	137	138	(1)	4,860	5,250	(390)	92.6
1261	The Judiciary	15,584	15,968	(383)	1,997	2,592	(595)	17,581	18,561	(980)	94.7
1271	Ethics and Anti-Corruption Commission	3,489	3,519	(30)	59	67	(9)	3,548	3,586	(38)	98.9
1281	National Intelligence Service	47,201	47,201	-	-	-	-	47,201	47,201	-	100.0
1291	Office of the Director of Public Prosecutions	3,129	3,326	(197)	117	150	(33)	3,246	3,476	(230)	93.4
1311	Office of the Registrar of Political Parties	3,228	3,315	(87)	-	-	-	3,228	3,315	(87)	97.4
1321	Witness Protection Agency	490	490	(0)	-	-	-	490	490	(0)	100.0
2011	Kenya National Commission on Human Rights	399	400	(1)	-	-	-	399	400	(1)	99.8
2021	National Land Commission	1,693	1,687	6	39	39	(0)	1,732	1,726	6	100.4
2031	Independent Electoral and Boundaries Commission	20,132	23,041	(2,909)	117	125	(8)	20,249	23,166	(2,917)	87.4
2041	Parliamentary Service Commission	6,557	6,962	(404)	-	-	-	6,557	6,962	(404)	94.2
2042	National Assembly	21,033	23,372	(2,339)	-	-	-	21,033	23,372	(2,339)	90.0
2043	Parliamentary Joint Services	5,061	5,673	(611)	1,810	2,404	(594)	6,872	8,077	(1,205)	85.1
2051	Judicial Service Commission	577	619	(42)	-	-	-	577	619	(42)	93.2
2061	The Commission on Revenue Allocation	435	446	(11)	-	-	-	435	446	(11)	97.5
2071	Public Service Commission	2,356	2,372	(16)	7	19	(13)	2,363	2,391	(29)	98.8
2081	Salaries and Remuneration Commission	592	621	(29)	-	-	-	592	621	(29)	95.3
2091	Teachers Service Commission	289,407	290,319	(912)	358	515	(157)	289,766	290,834	(1,069)	99.6
2101	National Police Service Commission	826	864	(38)	-	-	-	826	864	(38)	95.6
2111	Auditor General	5,514	6,077	(563)	2	6	(4)	5,516	6,083	(567)	90.7
2121	Office of the Controller of Budget	621	650	(29)	-	-	-	621	650	(29)	95.5
2131	The Commission on Administrative Justice	605	625	(20)	-	-	-	605	625	(20)	96.8
2141	National Gender and Equality Commission	434	440	(6)	-	10	(10)	434	450	(16)	96.5
2151	Independent Policing Oversight Authority	888	929	(41)	-	-	-	888	929	(41)	95.5
	Total	1,408,518	1,463,867	(55,349)	533,204	688,752	(155,548)	1,941,722	2,152,619	(210,897)	90.2

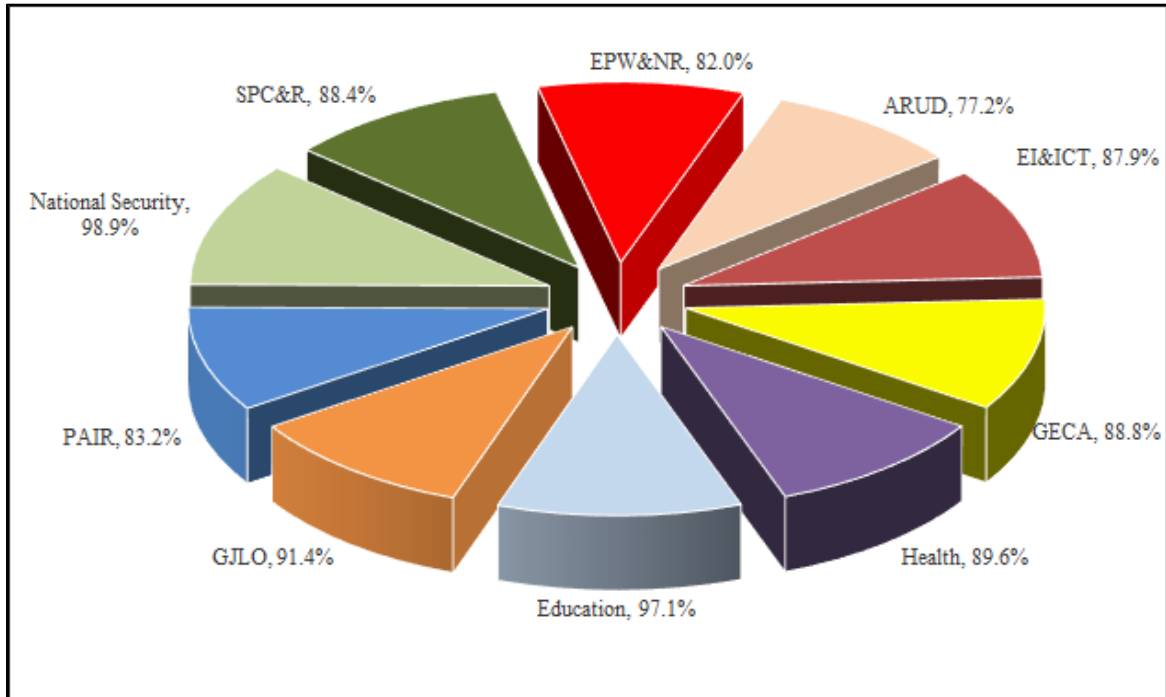
*Provisional

Source of Data: National Treasury

FISCAL DEVELOPMENTS

38. During the period under review, the National Security Sector recorded the highest absorption of 98.9 percent of its budget, followed by Education at 97.1 percent. Agriculture, Rural and Urban Development (ARUD) recorded the lowest absorption of 77.2 percent (Chart 11).

Chart 11: Sectoral Budget Absorption as at 30th June, 2022



Source of Data: National Treasury

2.2.2 Pending Bills

39. The total outstanding national government pending bills as at 30th June, 2022 amounted to KSh. 504.7 billion. These comprise of KSh. 448.6 billion (88.9 percent) and KSh. 56.1 billion (12.1 percent) 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 (65.5 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. All MDAs are therefore, expected to continue with prioritization of payment of the pending bills by settling them as a first charge in the FY 2022/23 budget in line with the Treasury Circular No. 7/2019.

2.2.3 Guaranteed Debt Service

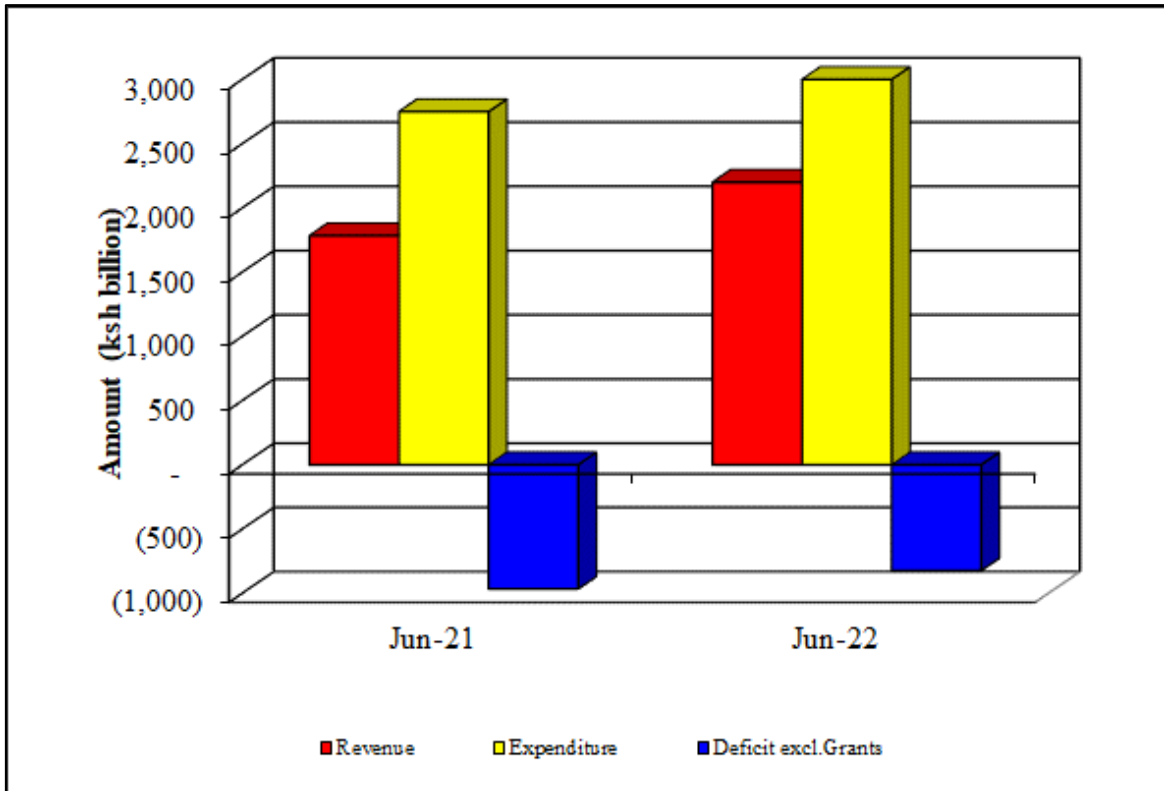
41. The government did not service any guaranteed debt during the period under review since cumulative principal and interest payments of guaranteed loans to parastatals with liquidity problems were fully paid in the FY 2020/21.

FISCAL DEVELOPMENTS

2.3 Fiscal Outturn

42. Between 1st July, 2021 and 30th June, 2022, the fiscal balance (on commitment basis and excluding grants) amounted to KSh. 823.4 billion (6.5 percent of GDP) against a targeted deficit of KSh. 1,094.1 billion (8.7 percent of GDP) (**Chart 12 and Table 8**). The fiscal balance (on a commitment basis and including grants) stood at 6.3 percent of GDP against a target deficit of 8.2 percent of GDP.

Chart 12: Fiscal Balance as at 30th June, 2022



Source of Data: National Treasury

43. Over the same period in FY2020/21, the fiscal deficit including grants (on commitment basis) stood at KSh. 934.4 billion (8.2 percent of GDP). The fiscal outturn in the last six FYs, the original budget, and Supplementary I and II for the FY 2021/22 are shown in **Annex I**. Further, GFSM 2014 Compliant Budgetary Central Government fiscal data for the FY 2021/22 are shown in annexes V and VI.

FISCAL DEVELOPMENTS

Table 8: Budget Outturn, Cumulative Ending 30th June, 2022 (KSh. Millions)

	2020/2021	2021/2022		Deviation	% growth	2021/2022 as a % of GDP		2020/2021 Actual as a % of GDP
	Actual	Actual*	Targets			Actual	Targets	
A. TOTAL REVENUE AND GRANTS	1,815,067	2,230,839	2,254,871	(24,032)	22.9	17.6	17.8	15.9
1. Revenue	1,783,747	2,199,808	2,191,953	7,855	23.3	17.4	17.3	15.6
Ordinary Revenue	1,562,015	1,917,911	1,851,510	66,401	22.8	15.2	14.6	13.7
Import Duty	108,375	118,280	115,869	2,411	9.1	0.9	0.9	1.0
Excise Duty	216,325	252,094	255,890	(3,796)	16.5	2.0	2.0	1.9
Income tax	694,053	876,707	836,691	40,017	26.3	6.9	6.6	6.1
VAT	410,758	523,098	514,107	8,990	27.3	4.1	4.1	3.6
Investment Revenue	43,762	43,660	37,709	5,951	(0.2)	0.3	0.3	0.4
Others	88,742	104,071	91,243	12,828	17.3	0.8	0.7	0.8
Appropriation-in-Aid	221,732	281,897	340,443	(58,546)	27.1	2.2	2.7	1.9
2. Grants	31,320	31,031	62,918	(31,887)	(0.9)	0.2	0.5	0.3
AMISOM Receipts	8,943	3,603	3,000	603	-	0.0	0.0	0.1
Nairobi County to NMS	0	9,090	20,350					
Revenue	9,378	5,903	15,496	(9,593)	(37.1)	0.0	0.1	0.1
Appropriation-in-Aid	12,999	12,435	24,072	(11,637)	(4.3)	0.1	0.2	0.1
B. EXPENDITURE AND NET LENDING	2,749,464	3,023,183	3,286,077	(262,894)	10.0	23.9	26.0	24.1
1. Recurrent	1,798,188	2,134,986	2,227,325	(92,339)	18.7	16.9	17.6	15.8
Domestic Interest	388,830	456,849	479,223	(22,374)	17.5	3.6	3.8	3.4
Foreign Interest	106,312	120,812	126,059	(5,248)	13.6	1.0	1.0	0.9
Pension & Other CFS	112,872	122,432	125,346	(2,915)	8.5	1.0	1.0	1.0
Wages and Salaries	493,029	520,033	525,122	(5,089)	5.5	4.1	4.2	4.3
O & M/Others	697,145	914,862	971,574	(56,713)	31.2	7.2	7.7	6.1
2. Development and Net Lending	552,283	535,782	657,515	(121,733)	(3.0)	4.2	5.2	4.8
O/W Domestically financed	385,253	378,238	411,290	(33,051)	(1.8)	3.0	3.3	3.4
Foreign financed	167,030	157,544	239,400	(81,856)	(5.7)	1.2	1.9	1.5
3. Equalization Fund	0	-	6,825	(6,825)	-	0.0	0.1	0.0
4. County Governments	398,993	352,414	401,237	(48,823)	(11.7)	2.8	3.2	3.5
5. CF	-	-	-	-	-	0.0	-	0.0
C. DEFICIT EXCL. GRANT (Commitment basis)	(965,717)	(823,375)	(1,094,124)	270,749	(14.7)	(6.5)	(8.7)	(8.5)
D. DEFICIT INCL. GRANTS (Commitment basis)	(934,397)	(792,344)	(1,031,206)	238,862	(15.2)	(6.3)	(8.2)	(8.2)
E. ADJUSTMENT TO CASH BASIS	5,098	11,868	-	11,868		0.1	-	0.0
F. DEFICIT INCL. GRANTS (Cash basis)	(929,299)	(780,476)	(1,031,206)	250,730	(16.0)	(6.2)	(8.2)	(8.1)
Discrepancy	20,936	(32,651)	-					
G. FINANCING	950,235	747,825	1,031,206	(283,381)	(21.3)	5.9	8.2	8.3
1. Net Foreign financing	323,310	142,524	343,085	(200,561)	(55.9)	1.1	2.7	2.8
Disbursements	451,587	327,059	545,151	(218,092)	(27.6)	2.6	4.3	4.0
Programme Loans	168,644	175,840	205,376	(29,536)	-	1.4	1.6	1.5
Project Cash Loans	52,351	58,601	81,074	(22,473)	11.9	0.5	0.6	0.5
Project Loans AIA	104,787	92,619	134,382	(41,764)	(11.6)	0.7	1.1	0.9
Project Loans SGR_PHASE_1&2A_AIA	11,514	0	0	-	-	-	-	0.1
Commercial Financing	114,292	0	124,318	(124,318)	-	-	1.0	1.0
Debt repayment - Principal	(128,278)	(184,536)	(202,066)	17,530	43.9	(1.5)	(1.6)	(1.1)
2. Net Domestic Financing	626,926	605,301	688,121	(82,820)	(3.4)	4.8	5.4	5.5
Government Securities	556,289	589,545	678,078	(88,533)	6.0	4.7	5.4	4.9
Government Overdraft & Others	13,649	2,673	-	2,673	-	0.0	-	0.1
Movement in Government Deposits	(77,551)	138,485	139,089	(604)	-	1.1	1.1	(0.7)
Domestic Loan Repayments (Net Receipts)	6,259	5,097	1,453	3,644	(18.6)	0.0	0.0	0.1
Domestic Loan Repayment	(1,110)	(1,110)	(1,110)	-	-	0.0	(0.0)	(0.0)
Other Accounts Payable	129,389	(129,389)	(129,389)					
MEMO ITEM								
GDP ESTIMATE	11,407,117.15	12,646,197.08	12,646,197.08	-	10.86	100.00	100	100.00

*Provisional

NB. The above expenditures excludes KSh. 55.9 billion domestic arrears in the FY 2021/22 FY.

Source of Data: National Treasury

FISCAL DEVELOPMENTS

2.4 Financing

2.4.1 External Financing

44. During the period under review, net external financing amounted to KSh. 142.5 billion (**Table 9**). Total disbursements (inflows) including Appropriations-in-Aid amounted to KSh. 327.1 billion for the period ending 30th June, 2022 against a target of KSh. 545.2 billion. The total disbursement included KSh. 92.6 billion Project Loans A.I.A, KSh. 175.8 billion program loans and KSh. 58.6 billion Project Loans-Cash. The External repayments (outflows) of principal debt amounted to KSh. 184.5 billion. The amount comprised of principal repayments due to bilateral sources, commercial institutions and multilateral sources amounting to, KSh. 74.7 billion, KSh. 77.6 billion and KSh. 32.2 billion respectively.

Table 9: External Financing, Period Ending June, 2022 (KSh. Millions)

	Quarter 1	Quarter 2	Quarter 3	Quarter 4	Cumulative June 2022	
	2021/22	2021/22	2021/22	2021/22	Actual*	Target
DISBURSEMENTS:	19,111	73,801	32,461	201,687	327,059	545,151
Project Cash loans	5,237	5,734	11,817	35,814	58,601	81,074
Project loans A-I-A	13,874	27,328	19,137	32,280	92,619	134,382
Project Loans SGR_PHASE_1_AIA	-	-	-	-	-	-
Project Loans SGR_PHASE_2A_AIA	-	-	-	-	-	-
Commercial Financing	-	-	-	-	-	124,318
Semi concessional Loans	-	-	-	-	-	-
Programme Loans	-	40,739	1,507	133,593.00	175,840	205,376
EXTERNAL REPAYMENTS:	47,266	32,781	64,678	39,811	184,536	202,066
Bilateral(incl. Italy Debt SWAP)	21,055	5,659	37,890	10,119.56	74,724	90,762
Multilateral (excl. IMF)	8,257	7,669	8,301	8,021.88	32,249	53,940
Commercial	17,954	19,452	18,487	21,669.90	77,563	57,364
NET FOREIGN FINANCING	(28,155)	41,020	(32,217)	161,875	142,524	343,085

*Provisional

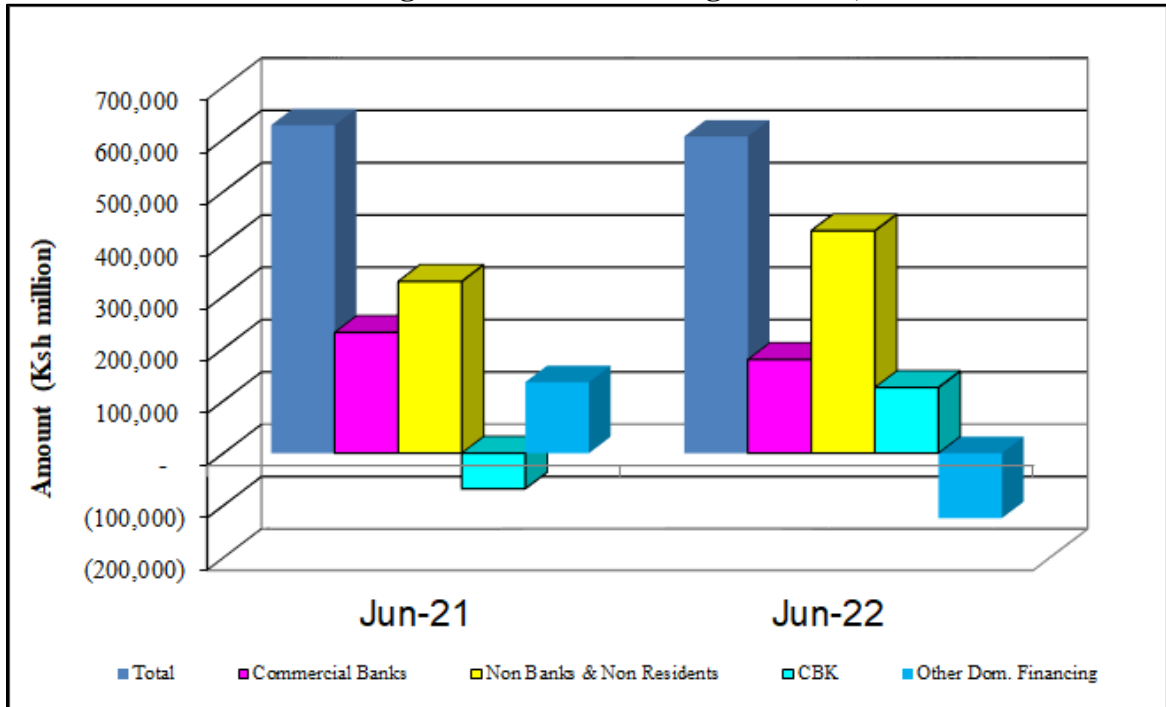
Source of Data: National Treasury

2.4.2 Domestic Financing

45. By the end of June 2022, net domestic borrowing amounted to KSh. 605.3 billion (**Table 10**) against a target borrowing of KSh. 688.1 billion (**Table 8**). The borrowing comprised of KSh. 425.8 billion from Non-Banking Financial Institutions, KSh.179.0 billion from commercial banks, Ksh. 125.5 billion from the Central Bank and KSh. 671 million (net repayment) to Non-Residents while the Government drawdown from deposits at the CBK amounted to KSh. 124.3 billion. Comparatively, for the same period in FY 2020/21, the domestic borrowing amounted to KSh. 626.9 billion, comprising of KSh. 230.9 billion from Commercial Banks, Ksh. 327.0 billion from Non-Banking Financial Institutions, KSh. 67.9 billion (net repayment) to the Central Bank of Kenya, and KSh. 1.2 billion from Non-Residents while the Government deposit to CBK amounted to KSh. 135.6 billion from other domestic sources (**Table 10 and Chart 13**).

FISCAL DEVELOPMENTS

Chart 13: Domestic Financing for the Period Ending 30th June, 2022



Source of Data: Central Bank of Kenya

46. The stock of Treasury Bills held by commercial banks and Non-Residents recorded a net decrease of KSh. 49.1 billion and KSh. 2.0 billion respectively while those held by Non-Banks increased by KSh. 31.9 billion. The stock of Fixed Rate Bonds held by Commercial Banks and Non-Banks, and recorded a net increase of KSh. 22.6 billion and KSh. 20.0 billion respectively while those held by Non-Residents decreased by KSh. 2.0 billion (**Table 10**).

FISCAL DEVELOPMENTS

Table 10: Domestic Financing, Period Ending 30th June, 2022 (KSh. Millions)

DEBT INSTRUMENT	June 2021*	September 2021*	December 2021*	March 2022*	June 2022*
1.CENTRAL BANK	(67,907)	30,003	83,759	102,257	125,474
Overdraft	12,130	(4,169)	33	9,116	(777)
Treasury bills rediscounts	418	7,559	1,751	(462)	(466)
Fixed rate Bonds	(280)	(0)	(75)	(74)	(73)
Items on Transit	(1)	(26)	(37)	(25)	(7)
Frozen Account	(1,110)	-	(555)	(555)	(1,110)
Less Govt Deposits	(79,063)	26,640	82,642	94,257	127,908
2.COM. BANKS	230,926	105,164	136,951	176,031	178,988
Advances	1,035	45	(3)	5,183	3,458
Treasury bills	(102,520)	(1,930)	(50,843)	(119,342)	(151,615)
Fixed rate Bonds	177,513	56,341	137,984	188,692	200,122
Special Bonds					(5,000)
Zero Coupon bonds					
Infrastructure Bonds	153,386	51,790	46,233	96,597	121,446
Less Govt Deposits	(4,188)	(1,082)	3,580	4,902	10,578
Advances by Treasury	5,701	-	-	-	-
3. NON BANKS	327,018	130,822	204,744	320,450	425,802
Treasury bills	(2,032)	(3,786)	1,465	22,129	29,824
TRCs	(69)	-	-	-	-
Fixed rate Bonds	249,657	93,193	170,290	220,398	269,639
Infrastructure Bonds	80,357	41,415	32,990	77,923	126,339
M-Akiba Bond and others	(896)	-	-	-	-
4. NON RESIDENTS	1,241	3,004	681	(14)	(671)
Treasury bills	(2,609)	618	(2,008)	(3,172)	(3,835)
Fixed rate Bonds	2,626	452	846	1,004	654
Infrastructure Bond	1,225	1,934	1,843	2,153	2,511
5. NET CREDIT	491,278	268,992	426,136	598,723	729,594
6. OTHER DOMESTIC FINANCING					
Domestic Loan Repayments (Net RDL Deposits)	135,648	(128,962)	(126,850)	(110)	(124,293)
7. NET DOMESTIC FINANCING	626,926	140,030	299,285	598,613	605,301

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, 2022 increased by KSh. 882.5 billion to KSh. 8,579.1 billion compared to KSh. 7,696.6 billion as at end of June 2021. The gross public debt comprised of 50 percent external debt and 50 percent domestic debt. The increase in the public debt is attributed to external loan disbursements; exchange rate fluctuation; and the uptake of domestic debt during the period. The net public debt was KSh. 8,160.9 billion by end of the period under review (**Table 11**).

Table 11: Kenya’s Public and Publicly Guaranteed Debt, June 2020 to June 2022 (KSh. Millions)

DEBT SOURCE	Jun-20	Sept-20	Dec-20*	Mar- 21*	Jun- 21*	Sep-21*	Dec-21*	Mar- 22*	Jun- 22*
EXTERNAL									
BILATERAL	1,074,257	1,102,890	1,156,991	1,142,718	1,140,529	1,149,211	1,171,701	1,171,595	1,173,230
MULTILATERAL	1,321,629	1,421,840	1,498,837	1,495,606	1,659,411	1,699,358	1,782,085	1,817,375	1,924,023
COMMERCIAL BANKS	1,102,294	1,120,803	1,119,388	1,113,417	1,187,439	1,196,248	1,208,283	1,208,247	1,181,325
SUPPLIERS CREDIT	17,630	17,958	18,069	18,126	12,162	13,669	12,303	12,344	12,154
SUB – TOTAL EXTERNAL	3,515,810	3,663,491	3,793,285	3,769,867	3,999,542	4,058,486	4,174,372	4,209,560	4,290,732
DOMESTIC:									
CENTRAL BANK	76,419	85,463	81,237	78,104	87,575	90,938	88,692	95,575	85,141
COMMERCIAL BANKS	1,653,194	1,808,043	1,769,185	1,776,713	1,814,199	1,917,628	1,943,018	1,978,489	2,003,387
TOTAL BANKS	1,729,613	1,893,507	1,850,422	1,854,817	1,901,774	2,008,565	2,031,710	2,074,064	2,088,529
NON BANKS & NON RESIDENTS	1,448,809	1,563,600	1,638,119	1,715,023	1,795,319	1,929,212	2,000,658	2,118,289	2,199,804
SUB-TOTAL DOMESTIC	3,178,421	3,457,107	3,488,541	3,569,841	3,697,093	3,937,777	4,032,368	4,192,352	4,288,333
GRAND TOTAL GROSS	6,694,231	7,120,598	7,281,826	7,339,708	7,696,635	7,996,263	8,206,740	8,401,912	8,579,065
LESS ON-LENDING	(5,701)	(5,701)	(5,701)	(5,701)	-	-	-	-	-
LESS GOVERNMENT DEPOSITS	(497,609)	(614,353)	(440,630)	(416,765)	(556,430)	(544,187)	(461,273)	(449,073)	(418,157)
GRAND TOTAL NET	6,190,921	6,500,544	6,835,495	6,917,242	7,140,205	7,452,076	7,745,467	7,952,840	8,160,907

*Provisional

Source of Data: National Treasury

3.2 Domestic Debt

48. The stock of gross domestic debt increased by KSh. 591.2 billion from KSh. 3,697.1 billion in June 2021 to KSh. 4,288.3 billion in June, 2022. The net domestic debt was KSh. 3,870.2 billion by end of the period under review (**Table 12**).

FISCAL DEVELOPMENTS

Table 12: Stock of Domestic Debt by end of June, 2022 (KSh. Millions)

DEBT SOURCE	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21*	Sep-21*	Dec-21*	Mar-22*	Jun-22*
1.CENTRAL BANK	76,419	85,463	81,237	78,104	87,575	90,938	88,692	95,575	85,141
Overdraft	47,150	56,206	47,598	49,283	59,279	55,110	59,313	68,395	58,502
Frozen Govt Accounts	21,119	21,119	21,119	20,564	20,009	20,009	19,454	19,454	18,899
Treasury bills / bonds rediscounts	120	130	4,565	539	537	8,096	2,288	76	71
Items on Transit	40	17	11	9	39	13	2	14	32
Fixed rate bonds	7,990	7,991	7,945	7,710	7,710	7,710	7,636	7,637	7,637
2.COMLBANKS	1,653,194	1,808,043	1,769,185	1,776,713	1,814,199	1,917,628	1,943,018	1,978,489	2,003,387
Advances	2,007	2,717	2,699	3,551	2,455	2,352	2,209	7,429	13,054
Treasury Bills	567,096	580,609	531,648	458,025	452,353	446,726	395,241	323,479	287,613
Fixed Rate T. Bonds	714,224	799,624	818,384	881,349	892,067	949,437	1,032,012	1,083,661	1,094,545
Special Bonds	5,000	5,000	5,000	5,000	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	357,218	412,445	403,805	421,141	454,675	506,465	500,908	551,272	600,527
3. NON BANKS	1,415,655	1,529,485	1,604,276	1,683,332	1,764,233	1,895,111	1,968,944	2,087,325	2,167,924
Treasury Bills	313,250	307,307	313,782	298,809	308,072	303,598	309,282	331,780	340,675
Fixed Rate T. Bonds	831,008	927,277	995,461	1,049,257	1,080,520	1,174,719	1,252,633	1,303,740	1,353,067
Tax Reserve Certificate	69	69	69	69	-	-	-	-	-
Infrastructure Bonds	249,856	274,252	274,384	314,616	355,061	396,214	386,450	431,225	453,601
Savings and Development Bond	20,580	20,580	20,580	20,580	20,580	20,580	20,580	20,580	20,580
M- Akiba Bond	891	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)
4. NON RESIDENTS	33,154	34,115	33,844	31,692	31,086	34,101	31,714	30,963	31,881
Treasury Bills	7,231	6,688	5,720	4,525	4,412	5,034	2,339	1,116	395
Fixed Rate T. Bonds	15,675	16,552	17,381	18,319	18,288	18,747	19,146	19,308	18,958
Savings and Development Bond	9	9	9	9	9	9	9	9	9
Infrastructure Bonds	10,239	10,866	10,734	8,839	8,377	10,311	10,220	10,530	12,519
5. TOTAL GROSS DEBT	3,178,421	3,457,107	3,488,541	3,569,841	3,697,093	3,937,777	4,032,368	4,192,352	4,288,333
6. LESS ON-LENDING	5,701	5,701	5,701	5,701	-	-	-	-	-
7. Less Govt Deposits	497,609	614,353	440,630	416,765	556,430	544,187	461,273	449,073	418,157
8. TOTAL NET DEBT	2,675,111	2,837,053	3,042,210	3,147,375	3,140,663	3,393,590	3,571,095	3,743,279	3,870,175

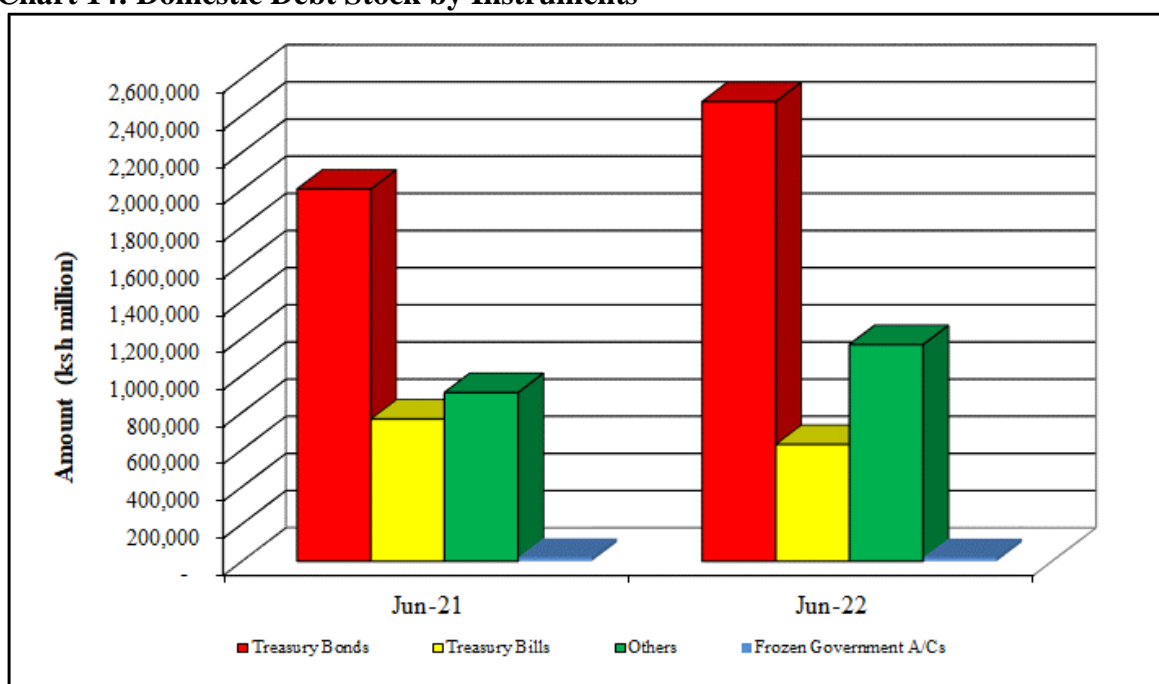
NOTE: Treasury Bills reflected here are at face value as opposed to Table 10, given at cost

*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. 136.6 billion from KSh. 765.4 billion in June 2021 to KSh. 628.8 billion in June 2022. The total stock of Treasury Bonds, which include Floating, Fixed Rate, Special and Zero Coupon Bonds, increased by KSh. 470.6 billion from KSh. 2,003.6 billion in June 2021 to KSh. 2,474.2 billion in June 2022 (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 declined by US\$. 670.41 million from US\$. 37,084.3 million by end of June 2021 to US\$. 36,413.89 million by the end of June, 2022 (**Table 13**). This comprised debt owed to multilateral (44.8%), bilateral (27.3%), commercial banks (27.5%), and Suppliers Credit (0.3%).

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Table 13: Kenya's External Public and Publicly Guaranteed Debt June, 2021 – June, 2022 (US\$ Millions)

CREDITOR	Jun-21*	Sep-21*	Dec-21*	Mar-22*	Jun-22*
<u>BILATERAL</u>					
AUSTRIA	13.33	12.98	12.28	11.94	11.04
BELGIUM	117.61	114.51	114.42	116.88	109.81
CANADA	0.00	0.00	0.00	0.00	0.00
DENMARK	4.39	4.30	4.18	4.12	3.88
FINLAND	11.31	9.71	9.42	7.93	7.50
FRANCE	851.83	836.00	812.00	800.51	764.63
GERMANY	338.31	328.90	336.11	351.21	332.55
ITALY	371.85	364.79	353.78	347.71	328.79
JAPAN	1,474.72	1,463.17	1,416.58	1,382.43	1,245.99
NETHERLANDS	-	-	-	-	-
UK	-	-	-	-	-
USA	13.14	12.44	12.26	10.78	10.69
CHINA	7,056.92	6,917.51	6,951.45	6,835.26	6,830.10
OTHERS	321.73	337.12	333.61	323.09	311.80
TOTAL BILATERAL	10,575.15	10,401.43	10,356.09	10,191.86	9,956.78
<u>MULTILATERAL</u>					
ADB/ADF	2,988.35	3,024.74	3,187.81	3,317.25	3,269.84
BADEA	39.53	38.63	38.72	39.20	41.10
EEC/EIB	215.38	203.88	197.09	188.94	176.12
IBRD	294.98	293.90	297.56	296.74	569.35
IDA/IFAD	10,146.65	10,137.36	10,150.48	10,099.33	10,474.77
IMF**	1,652.44	1,635.00	1,834.49	1,824.62	1,751.87
OTHERS	48.97	47.26	44.83	43.87	45.43
TOTAL MULTILATERAL	15,386.29	15,380.77	15,750.98	15,809.95	16,328.48
COMMERCIAL¹	11,010.10	10,827.15	10,679.43	10,510.99	10,025.49
O/W International Sovereign Bond	7,106.58	7,100.00	7,106.28	7,100.00	7,100.00
EXPORT CREDIT	112.77	123.71	108.74	107.58	103.14
GRAND TOTAL	37,084.30	36,733.07	36,895.24	36,620.38	36,413.89

*Provisional

** include IMF item

1/ incl. International Sovereign Bond

Note: The exchange rate as at end June 2022 was KSh. 117.8 per dollar.

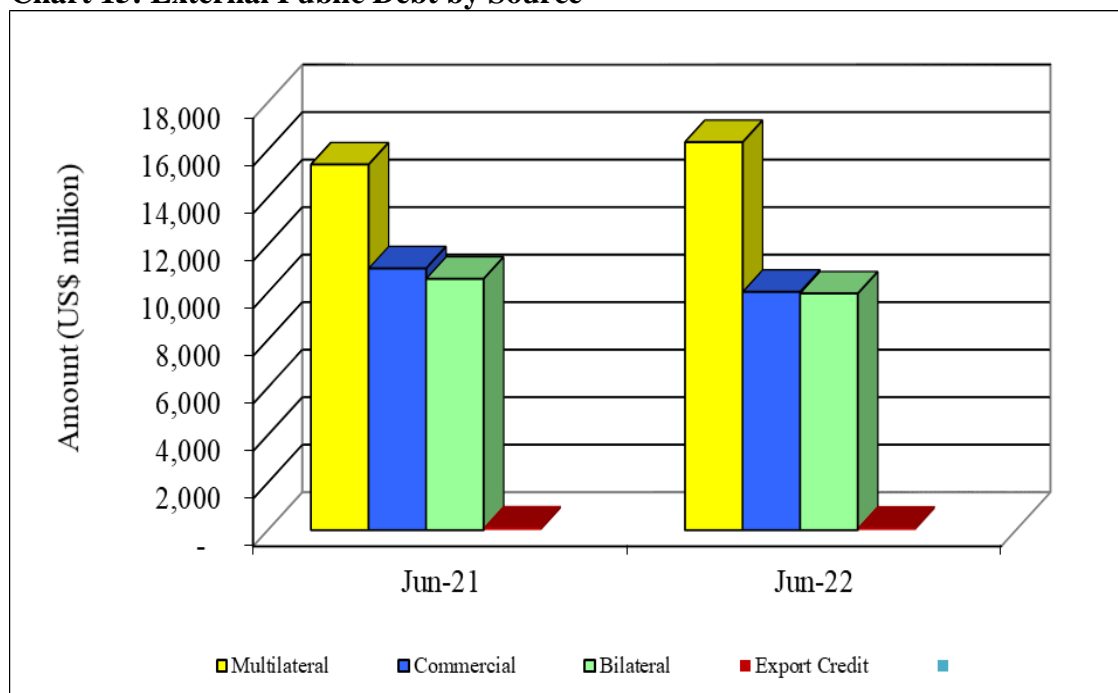
Source of Data: National Treasury

51. Compared to the same period in FY 2020/21, external public debt stock from multilateral institutions recorded an increase in the period ending June, 2022. External debt

FISCAL DEVELOPMENTS

stock from bilateral sources, Commercial Banks and suppliers' credit 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 2022, the total cumulative debt service payments to external creditors amounted to KSh. 305.3 billion. This comprised of KSh. 184.5 billion (60.4 percent) principal and KSh. 120.8 billion (39.6 percent) interest (**Table 14**).

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Table 14: External Debt Service, July 2021 – June 2022 (KSh. Million)

CATEGORY	Jun-22		
	PRINCIPAL*	INTEREST*	TOTAL*
BILATERAL			
ABU DHABI	155.22	29.11	184.33
AUSTRIA	91.51	24.52	116.03
BELGIUM	1,981.12	184.67	2,165.79
CHINA	50,926.42	22,553.85	73,480.27
DENMARK	51.61	-	51.61
FRANCE	4,312.42	1,467.80	5,780.22
GERMANY	2,109.96	396.23	2,506.19
INDIA	662.61	90.02	752.63
ISRAEL	671.96	82.85	754.81
ITALY	9,001.23	1,954.32	10,955.55
JAPAN	2,377.97	228.60	2,606.57
KOREA	117.42	19.96	137.38
KUWAIT	186.12	35.07	221.19
NETHERLANDS	79.92	7.88	87.80
POLAND	18.81	17.35	36.16
SAUDI ARABIA	106.57	27.35	133.92
SPAIN	1,543.29	169.90	1,713.19
USA	329.48	57.55	387.03
TOTAL BILATERAL	74,723.63	27,347.03	102,070.66
MULTILATERAL			
ADB/ADF	5,361.40	3,173.93	8,535.33
BADEA	225.50	48.10	273.60
EIB/EEC	1,764.32	516.68	2,281.00
IDA	23,221.75	14,170.72	37,392.47
OPEC	760.34	55.94	816.28
NDF	377.20	21.79	398.99
IFAD	538.57	185.76	724.33
IBRD	-	582.72	582.72
TOTAL MULTILATERAL	32,249.10	18,755.66	51,004.75
COMMERCIAL	77,562.86	74,709.07	152,271.93
GRAND TOTAL	184,535.59	120,811.76	305,347.34

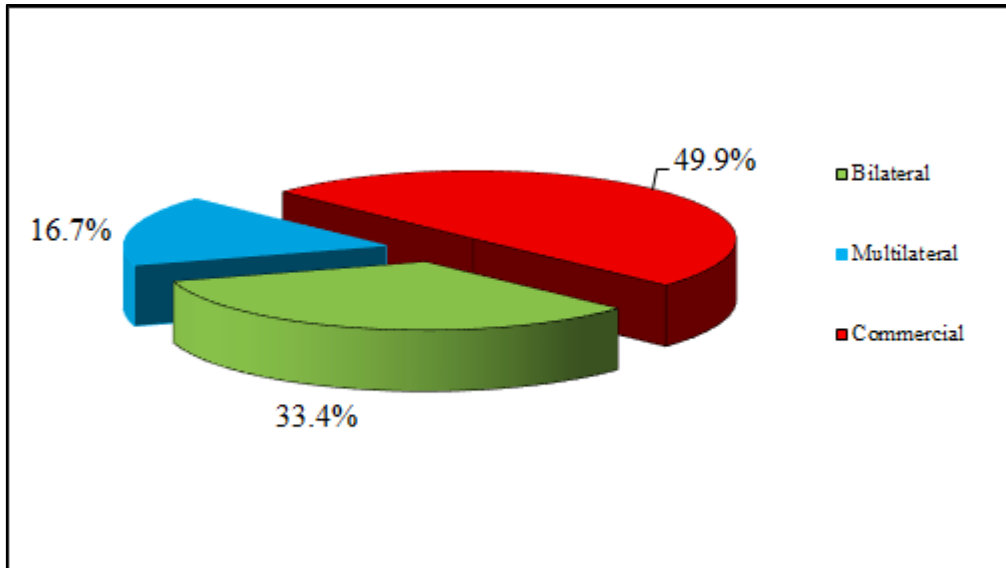
* Provisional

Source of Data: National Treasury

FISCAL DEVELOPMENTS

53. By the end of June 2022, the total cumulative debt service payments to external creditors comprised of 49.9 percent, 33.4 percent and 16.7 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, 2022



Source of Data: National Treasury

4.0. ANNEXES

4.1. Annex I: Fiscal Results, 2015/16 – 2021/2022 (KSh. Millions)

REVENUE/EXPENDITURE/FINANCING	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22			
							Actual	Prel. Actual	Revised Estimates II	Revised Estimates I
A.TOTAL REVENUE	1,254,790	1,440,389	1,525,556	1,704,363	1,795,665	1,783,747	2,199,808	2,191,953	2,124,514	2,038,664
1.Ordinary Revenue	1,152,544	1,306,568	1,365,063	1,499,757	1,573,418	1,562,015	1,917,911	1,851,510	1,808,252	1,775,624
Income Tax	560,762	625,050	640,546	685,330	706,936	694,053	876,707	836,691	823,888	834,472
VAT	289,213	339,034	357,129	414,143	383,713	410,758	523,098	514,107	477,051	472,907
Import Duty	79,638	89,943	93,685	106,875	98,022	108,375	118,280	115,869	118,779	118,954
Excise Duty	140,212	165,474	167,753	194,310	195,270	216,325	252,094	255,890	259,581	241,050
Other Revenue	82,719	87,067	105,950	99,099	189,477	132,504	147,731	128,952	128,952	108,241
2.Appropriation –in –Aid	102,247	133,820	160,493	204,606	222,246	221,732	281,897	340,443	316,262	263,040
B.EXPENDITURE & NET LENDING	1,804,520	2,111,896	2,146,843	2,433,707	2,565,444	2,749,464	3,023,183	3,286,077	3,215,203	3,030,326
1.Recurrent	1,036,636	1,165,037	1,349,896	1,531,083	1,645,222	1,796,588	2,134,986	2,227,325	2,162,312	1,991,947
Wages and Salaries	307,421	336,636	388,938	417,526	449,927	493,029	520,033	525,122	526,647	526,112
Interest Payments	215,328	271,233	323,890	375,723	437,202	495,142	577,660	605,282	605,282	560,262
Domestic Interest	172,857	212,865	239,470	272,351	315,362	388,830	456,849	479,223	479,223	421,897
Foreign Interest Due	42,471	58,368	84,420	103,372	121,840	106,312	120,812	126,059	126,059	138,365
Pensions, etc	53,401	63,958	65,099	70,804	89,605	112,872	122,432	125,346	137,346	137,225
O & M/ Others	429,046	457,150	534,347	625,791	626,394	652,065	866,049.64	918,981.01	844,446	719,756
Of which Appropriation-in-Aid	71,915	58,536	109,861	147,765	106,958	133,612	197,524	232,709	219,429	167,075
2.Development & Net Lending	486,662	641,843	469,673	541,884	594,944	553,883	535,782	535,715	643,010	623,498
Development Projects	343,338	392,217	255,213	289,029	389,571	339,226	346,355	394,200	549,051	344,035
Appropriation-in-Aid	134,757	241,183	211,931	243,408	204,712	214,657	189,427	256,490	87,133	272,637
3. Drought Development Expenditures/CF	5,000	-	-	-	-	-	-	-	-	-
4. Transfer to County Governments	276,223	305,016	327,274	360,740	325,278	398,993	352,414	401,237	409,881	409,881
5. Parliamentary Service	19,777	24,215	25,678	28,525	27,990	29,191	32,652	36,006	33,485	33,485
6. Judicial Service	11,662	11,846	11,944	12,713	14,103	14,289	16,160	16,587	15,106	15,106
7. Equalization Fund	6,400	6,000	-	6,962	-	-	-	6,825	6,825	6,825
8. Contingency Fund	-	-	-	-	-	-	-	-	-	5,000
D.DEFICIT EXCL. GRANTS (Commitment Basis)	(549,730)	(671,507)	(621,287)	(729,344)	(769,779)	(965,717)	(823,375)	(1,094,124)	(1,090,688)	(991,662)
E.GRANTS	29,597	26,962	27,600	19,702	19,820	31,320	31,031	62,918	66,350	62,000
F.DEFICIT INCL.GRANTS (Commitment Basis)	(520,133)	(644,546)	(593,687)	(709,642)	(749,959)	(934,397)	(792,344)	(1,031,206)	(1,024,338)	(929,659)
G. ADJUSTMENT TO CASH BASIS	45,563	(14,169)	(34,678)	-	11,801	5,098	11,868	-	-	-
H.DEFICIT INCL.GRANTS (Cash Basis)	(474,570)	(658,715)	(628,365)	(709,642)	(738,158)	(929,299)	(780,476)	(1,031,206)	(1,024,338)	(929,659)
Discrepancy	(0)	38,502	2,716	11,416	52,647	20,936	(32,651)	-	-	-
IFINANCING	474,570	697,217	631,081	721,058	790,804	950,235	747,825	1,031,206	1,024,338	929,659
Net Foreign Financing	269,924	385,745	354,977	414,518	340,431	323,310	142,524	343,085	359,976	271,182
Net Domestic Financing	204,646	311,472	276,104	306,540	450,373	626,926	605,301	688,121	664,362	658,477
In Percentage of GDP										
A.TOTAL REVENUE	17.4	17.8	17.1	17.5	16.9	16.0	17.4	17.3	16.8	16.5
1.Ordinary Revenue	16.0	16.2	15.3	15.4	14.8	14.0	15.2	14.6	14.3	14.3
Income Tax	7.8	7.7	7.2	7.0	6.7	6.2	6.9	6.6	6.5	6.7
VAT	4.0	4.2	4.0	4.2	3.6	3.7	4.1	4.1	3.8	3.8
Import Duty	1.1	1.1	1.1	1.1	0.9	1.0	0.9	0.9	0.9	1.0
Excise Duty	1.9	2.0	1.9	2.0	1.8	1.9	2.0	2.0	2.1	1.9
Other Revenue	1.1	1.1	1.2	1.0	1.8	1.2	1.2	1.0	1.0	0.9
2.Appropriation –in –Aid	1.4	1.7	1.8	2.1	2.1	2.0	2.2	2.7	2.5	2.1
B. EXPENDITURE & NET LENDING	25.0	26.1	24.1	25.0	24.2	24.6	23.9	26.0	25.4	24.5
1.Recurrent	14.3	14.4	15.1	15.7	15.5	16.1	16.9	17.6	17.1	16.1
Wages and Salaries	4.3	4.2	4.4	4.3	4.2	4.4	4.1	4.2	4.2	4.2
Interest Payments	3.0	3.4	3.6	3.9	4.1	4.4	4.6	4.8	4.8	4.5
Domestic Interest	2.4	2.6	2.7	2.8	3.0	3.5	3.6	3.8	3.8	3.4
Foreign Interest Due	0.6	0.7	0.9	1.1	1.1	1.0	1.0	1.0	1.0	1.1
Pensions, etc	0.7	0.8	0.7	0.7	0.8	1.0	1.0	1.0	1.1	1.1
O & M/ Others	5.9	5.7	6.0	6.4	5.9	5.8	6.8	7.3	6.7	5.8
of which Appropriation-in-Aid	1.0	0.7	1.2	1.5	1.0	1.2	1.6	1.8	1.7	1.3
2.Development & Net Lending	6.7	7.9	5.3	5.6	5.6	5.0	4.2	5.2	5.1	5.0
Development Projects	4.8	4.9	2.9	3.0	3.7	3.0	2.7	3.1	4.3	2.8
Appropriation-in-Aid	1.9	3.0	2.4	2.5	1.9	1.9	1.5	2.0	0.7	2.2
Payment of guaranteed loans	0.0	0.0	0.0	0.0	0.0	-	-	-	-	-
3. Drought Expenditures	0.1	-	-	-	-	-	-	-	-	-
4. Transfer to County Governments	3.8	3.8	3.7	3.7	3.1	3.6	2.8	3.2	3.2	3.3
5. Parliamentary Service	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3
6. Judicial Service	0.2	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
7. Equalization Fund	0.1	0.1	-	0.1	-	-	-	0.1	0.1	0.1
D.DEFICIT EXCL. GRANTS (Commitment Basis)	(7.6)	(8.3)	(7.0)	(7.5)	(7.2)	(8.6)	(6.5)	(8.7)	(8.6)	(8.0)
E.GRANTS	0.4	0.3	0.3	0.2	0.2	0.3	0.2	0.5	0.5	0.5
F.DEFICIT INCL.GRANTS (Commitment Basis)	(7.2)	(8.0)	(6.7)	(7.3)	(7.1)	(8.4)	(6.3)	(8.2)	(8.1)	(7.5)
G. ADJUSTMENT TO CASH BASIS	0.6	(0.2)	(0.4)	-	0.1	0.0	0.1	-	-	-
H.DEFICIT INCL.GRANTS (Cash Basis)	(6.6)	(8.2)	(7.0)	(7.3)	(7.0)	(8.3)	(6.2)	(8.2)	(8.1)	(7.5)
IFINANCING	6.6	8.6	7.1	7.4	7.4	8.5	5.9	8.2	8.1	7.5
Foreign Financing	3.7	4.8	4.0	4.3	3.2	2.9	1.1	2.7	2.8	2.2
Net Domestic Financing	2.8	3.9	3.1	3.1	4.2	5.6	4.8	5.4	5.3	5.3
Memorandum Item:										
Nominal GDP at Market price (Ksh. million)	7,225,483.7	8,081,061.0	8,922,319.6	9,745,599.5	10,620,841.4	11,168,511.0	12,646,197.1	12,646,197.1	12,646,197.1	12,393,063.2

Source: National Treasury

ANNEXES

4.2. GFSM 2014 COMPLIANT TABLES FOR BUDGETARY CENTRAL GOVERNMENT

4.2.1 Annex II: Revenue (KSh. Millions)

GFSM Code	Description	Annual Budget Estimates FY2021/22	Prel. Actual FY2021/22 Q1	Prel. Actual FY2021/22 Q2	Prel. Actual FY2021/22 Q3	Prel. Actual FY2021/22 Q4
	<i>Accounting method:</i>	<i>Cash</i>	<i>Cash</i>	<i>Cash</i>	<i>Cash</i>	<i>Cash</i>
1	Revenue	2,100,666	512,957	1,044,148	1,540,961	2,230,839
11	Taxes	1,830,010	454,731	945,270	1,400,263	1,992,390
111	Taxes on income, profits, and capital gains	834,472	195,472	406,317	580,628	876,707
1111	Payable by individuals	435,927	105,695	219,651	333,558	462,357
1112	Payable by corporations and other enterprises	398,545	89,776	186,665	247,070	414,350
114	Taxes on goods and services	810,009	212,234	439,733	669,385	905,142
1141	General taxes on goods and services	481,076	124,718	258,144	394,836	539,802
11411	Value-added taxes	472,907	120,378	249,387	382,307	523,098
11414	Taxes on financial and capital transactions ¹	8,169	4,339	8,757	12,529	16,704
1142	Excises ²	328,933	87,516	181,589	274,549	365,340
115	Taxes on international trade and transactions	185,530	47,025	99,221	150,250	210,542
1151	Customs and other import duties ³	185,530	47,025	99,221	150,250	210,542
12	Social contributions	473	121	241	325	589
122	Other social contributions	473	121	241	325	589
1221	Employee contributions	473	121	241	325	589
13	Grants	62,002	6,655	11,985	20,028	31,031
131	From foreign governments	40,253	3,886	6,122	13,474	18,339
1311	Current	-	-	-	-	-
1312	Capital	40,253	3,886	6,122	13,474	18,339
132	From international organizations	2,500	1,846	1,846	2,536	3,603
1321	Current	2,500	1,846	1,846	2,536	3,603
1322	Capital	-	-	-	-	-
133	From other general government units	19,250	924	4,017	4,017	9,090
1331	Current	19,250	924	4,017	4,017	9,090
1332	Capital	-	-	-	-	-
14	Other revenue	208,180	51,450	86,653	120,346	206,829
141	Property income	37,282	19,418	22,157	24,138	49,451
1411	Interest	1,981	82	1,171	1,307	1,868
1412	Dividends	29,996	18,747	19,665	20,308	43,660
1415	Rent	5,305	590	1,321	2,523	3,922
142	Sales of goods and services	167,081	31,512	62,838	94,504	153,295
1422	Administrative fees	167,081	31,512	62,838	94,504	153,295
143	Fines, penalties, and forfeits	2,205	475	1,385	1,247	2,886
144	Miscellaneous and unidentified revenue	1,612	46	272	457	1,197

1. Includes Capital Gains Tax and Stamp duty

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

3. Includes Import duty, RDL ,IDF

Source: National Treasury

4.2.2. Annex III: Expense (KSh. Millions)

GFSM Code	Description	Annual Budget	Prel. Actual	Prel. Actual	Prel. Actual	Prel. Actual
		Estimates FY2021/22	FY2021/22 Q1	FY2021/22 Q2	FY2021/22 Q3	FY2021/22 Q4
	<i>Accounting method:</i>	<i>Cash</i>	<i>Cash</i>	<i>Cash</i>	<i>Cash</i>	<i>Cash</i>
2	Expense	2,906,118	621,530	1,338,653	2,025,591	2,926,124
21	Compensation of employees	552,378	140,045	265,117	407,144	550,024
211	Wages and salaries	527,133	126,583	247,099	386,389	520,473
212	Social contributions	25,245	13,462	18,018	20,756	29,551
2121	Actual social contributions	25,245	13,462	18,018	20,756	29,551
22	Use of goods and services	256,771	97,266	240,939	308,182	498,245
	O/W Defence and NIS	157,123	38,618	88,252	130,345	175,798
	Free Secondary Education (FSE)	62,422	14,836	32,141	45,486	66,625
	Free Primary Education (FPE)	12,001	2,620	6,484	8,108	12,001
24	Interest	560,262	131,160	274,578	424,771	577,660
241	To nonresidents	138,365	30,019	57,296	92,542	120,812
242	To residents other than general government	421,897	101,142	217,282	332,230	456,849
25	Subsidies	2,875	5,620	12,329	34,162	80,674
251	To public corporations	-	-	-	-	-
252	To private enterprises	2,875	5,620	12,329	34,162	80,674
26	Grants	1,388,526	220,437	486,200	759,243	1,099,231
262	To international organizations	5,165	1,241	1,481	1,914	4,725
2621	Current	5,165	1,241	1,481	1,914	4,725
2622	Capital	-	-	-	-	-
263	To other general government units	1,383,361	219,196	484,718	757,330	1,094,505
2631	Current	800,071	102,939	254,493	402,140	570,647
	O/W Transfer to County Governments (ES)	259,000	42,735	101,488	151,424	238,280
	Transfer to Other levels of Government (Includes transfers to SOEs)	541,071	60,204	153,005	250,716	332,367
2632	Capital	583,289	116,257	230,225	355,190	523,858
	O/W Transfer to County Governments (ES)	111,000	18,315	43,495	64,896	102,120
	Transfer to Other levels of Government (Includes transfers to SOEs)	472,289	97,942	186,730	290,294	421,738
27	Social benefits	133,481	27,001	59,491	92,088	120,291
273	Employer social benefits	133,481	27,001	59,491	92,088	120,291
28	Other expense	11,825	-	-	-	-
282	Miscellaneous other expense	11,825	-	-	-	-

Source: National Treasury

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

GFSM Code	Description	Annual Budget	Pre. Actual	Pre. Actual	Pre. Actual	Pre. Actual
		Estimates FY2021/22	FY2021/22 Q1	FY2021/22 Q2	FY2021/22 Q3	FY2021/22 Q4
	<i>Accounting method:</i>	<i>Cash</i>	<i>Cash</i>	<i>Cash</i>	<i>Cash</i>	<i>Cash</i>
3	Change in Net Worth: Transactions	(805,452)	(115,157)	(313,050)	(446,335)	(662,634)
31	Net acquisition of nonfinancial assets	124,207	10,132	26,226	43,522	97,059
311	Fixed assets	124,207	10,132	26,226	43,522	97,059
3111	Buildings and structures	118,915	9,415	24,104	40,561	89,191
3113	Other fixed assets	5,293	717	2,122	2,960	7,868
312	Inventories	-	-	-	-	-
32	Net acquisition of financial assets	3,141	(25,985)	(88,206)	(101,769)	(142,472)
3212	Currency and deposits (Domestic)	3,141	(25,985)	(88,206)	(101,769)	(142,472)
33	Net incurrence of liabilities	932,800	99,305	251,069	388,087	617,221
331	Domestic	661,618	127,459	238,204	407,438	474,697
3313	Securities other than shares	661,618	247,585	340,476	485,847	589,545
3314	Loans	-	(4,151)	(7)	14,273	2,673
3318	Other Accounts Payable	-	(115,975)	(102,265)	(92,681)	(117,521)
332	Foreign	271,182	(28,155)	12,866	(19,351)	142,524
3321	Special Drawing Rights (SDRs)	-	-	-	-	40,820
3323	Securities other than shares	475,318	-	-	-	-
3324	Loans	(204,136)	(28,155)	12,866	(19,351)	101,704

Source: National Treasury

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

GFSM Code	Description	Annual Budget Estimates FY2021/22	Prel. Actual FY2021/22 Q1	Prel. Actual FY2021/22 Q2	Prel. Actual FY2021/22 Q3	Prel. Actual FY2021/22 Q4
	<i>Accounting method:</i>	<i>Cash</i>	<i>Cash</i>	<i>Cash</i>	<i>Cash</i>	<i>Cash</i>
	Cash Flows from Operating Activities:					
1	Cash receipts from operating activities	2,100,666	512,957	1,044,148	1,540,961	2,230,839
11	Taxes	1,830,010	454,731	945,270	1,400,263	1,992,390
12	Social contributions	473	121	241	325	589
13	Grants	62,002	6,655	11,985	20,028	31,031
14	Other receipts	208,180	51,450	86,653	120,346	206,829
2	Cash payments for operating activities	2,906,118	621,530	1,338,653	2,025,591	2,926,124
21	Compensation of employees	552,378	140,045	265,117	407,144	550,024
22	Purchases of goods and services	256,771	97,266	240,939	308,182	498,245
24	Interest	560,262	131,160	274,578	424,771	577,660
25	Subsidies	2,875	5,620	12,329	34,162	80,674
26	Grants	1,388,526	220,437	486,200	759,243	1,099,231
27	Social benefits	133,481	27,001	59,491	92,088	120,291
28	Other payments	11,825	-	-	-	-
	Net cash inflow from operating activities	(805,452)	(108,573)	(294,505)	(484,630)	(695,286)
	Cash Flows from Investments in Nonfinancial Assets (NFAs):					
31A	Purchases of nonfinancial assets	124,207	10,132	26,226	43,522	97,059
311A	Fixed assets	124,207	10,132	26,226	43,522	97,059
312A	Strategic stocks	-	-	-	-	-
31	Net cash outflow: investments in NFAs (31=31.1-31.2)	124,207	10,132	26,226	43,522	97,059
	Cash surplus / deficit	(929,659)	(118,705)	(320,731)	(528,151)	(792,344)
	Cash Flows from Financing Activities:					
32x	Net acquisition of financial assets other than cash	3,141	(25,985)	(88,206)	(101,769)	(142,472)
321x	Domestic	3,141	(25,985)	(88,206)	(101,769)	(142,472)
322x	Foreign	-	-	-	-	-
33	Net incurrence of liabilities	932,800	99,305	251,069	388,087	617,221
331	Domestic	661,618	127,459	238,204	407,438	474,697
332	Foreign	271,182	(28,155)	12,866	(19,351)	142,524
NFB	Net cash inflow from financing activities	929,659	125,290	339,276	489,856	759,693
	Net change in the stock of cash	(0)	6,585	18,545	(38,295)	(32,651)
	<i>Statistical Discrepancy</i> ⁴	-	-	-	-	-

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	Annual Budget Estimates FY2021/22	Prel. Actual FY2021/22 Q1	Prel. Actual FY2021/22 Q2	Prel. Actual FY2021/22 Q3	Prel. Actual FY2021/22 Q4
	<i>Accounting method:</i>	<i>Cash</i>	<i>Cash</i>	<i>Cash</i>	<i>Cash</i>	<i>Cash</i>
	Transactions Affecting Net Worth:					
1	Revenue	2,100,666	512,957	1,044,148	1,540,961	2,230,839
11	Taxes	1,830,010	454,731	945,270	1,400,263	1,992,390
12	Social contributions	473	121	241	325	589
13	Grants	62,002	6,655	11,985	20,028	31,031
14	Other revenue	208,180	51,450	86,653	120,346	206,829
2	Expense	2,906,118	621,530	1,338,653	2,025,591	2,926,124
21	Compensation of employees	552,378	140,045	265,117	407,144	550,024
22	Use of goods and services	256,771	97,266	240,939	308,182	498,245
24	Interest	560,262	131,160	274,578	424,771	577,660
25	Subsidies	2,875	5,620	12,329	34,162	80,674
26	Grants	1,388,526	220,437	486,200	759,243	1,099,231
27	Social benefits	133,481	27,001	59,491	92,088	120,291
28	Other expense	11,825	-	-	-	-
GOB	Gross operating balance	(805,452)	(108,573)	(294,505)	(484,630)	(695,286)
NOB	Net operating balance	(805,452)	(108,573)	(294,505)	(484,630)	(695,286)
	Transactions on Nonfinancial Assets:					
31	Net Acquisition of Nonfinancial Assets	124,207	10,132	26,226	43,522	97,059
311	Fixed assets	124,207	10,132	26,226	43,522	97,059
312	Change in inventories	-	-	-	-	-
NLB	Net lending / borrowing	(929,659)	(118,705)	(320,731)	(528,151)	(792,344)
	Transactions on Financial Assets and Liabilities (Financing):					
32	Net acquisition of financial assets	3,141	(25,985)	(88,206)	(101,769)	(142,472)
321	Domestic	3,141	(25,985)	(88,206)	(101,769)	(142,472)
322	Foreign	-	-	-	-	-
33	Net incurrence of liabilities	932,800	99,305	251,069	388,087	617,221
331	Domestic	661,618	127,459	238,204	407,438	474,697
332	Foreign	271,182	(28,155)	12,866	(19,351)	142,524
	Statistical Discrepancy⁵	-	6,585	18,545	(38,295)	(32,651)

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

Source: National Treasury