



Republic of Kenya

THE NATIONAL TREASURY AND PLANNING

Quarterly Economic and Budgetary Review

**First Quarter, Financial Year 2021/2022
Period Ending 30th September, 2021**

November 2021 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 FIRST QUARTERLY ECONOMIC AND BUDGETARY REVIEW REPORT IN THE 2021/22 FINANCIAL YEAR

1. Economic growth

The rebased national accounts data indicates that the Kenyan economy contracted by 0.3 percent in 2020 compared to a growth of 5.0 percent in 2019. This performance reflects the adverse effects of the COVID-19 pandemic, which disrupted activities mainly in the services sectors. The economy has demonstrated signs of recovery in 2021 with real GDP growth rates of 0.7 percent in the first quarter and 10.1 percent in second quarter, mainly supported by robust performance of education, ICT, transport and storage, health, financial and insurance and manufacturing sectors.

2. Stable prices

Year-on-year overall inflation rate remained low, stable and within the Government target range of 5+/-2.5 percent. In September, 2021, it increased to 6.9 percent from 4.2 percent in, 020 driven by higher fuel and food prices.

3. Interest Rates

Short-term interest rates remained fairly low and stable. The Central Bank Rate was retained at 7.0 percent to signal lower lending rates. The average lending rate increased slightly to 12.1 percent in September, 2021 compared to 11.8 percent in September, 2020 while the average deposit rates remained fairly stable at 6.3 percent from 6.4 percent over the same period.

4. Money and Credit

Broad money supply, M3, moderated to a growth of 8.7 percent in the year to September, 2021 compared to a growth of 10.7 percent in the year to September, 2020. This reflected a relatively lower Net Foreign Assets (NFA) and reduced growth in the net lending to Government component of the Net Domestic Assets (NDA).

5. Current Account

The current account deficit was at USD 5,989.3 million (5.5 percent of GDP) in September, 2021 compared to USD 4,938.2 million (5.0 percent of GDP) in September, 2020. The current account balance was supported by an improvement in the net primary income balance and the net secondary income balance.

6. Foreign Exchange Reserves

The official foreign exchange reserves held by the Central Bank increased to USD 9,632.2 million (5.8 months of import cover) in September, 2021 compared to US\$ 8,765.1 million (5.4 months of import cover) in September, 2020. This fulfils the requirement to maintain the 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 stood at 2,131 points by end of September, 2021, an improvement compared to 1,852 points by end September 2020. Market capitalization also increased to KSh. 2,779 billion from KSh. 2,148 billion over the same period indicating increased trading activities.

8. Revenue Collection

The National Government's cumulative revenue collection including A-I-A for the period between July – September, 2021 amounted to KSh. 506.3 billion (4.0 percent of GDP) against a target of KSh. 480.3 billion. The revenue was above the set target by KSh. 26.0 billion on account of over performance on all tax revenues except income tax and import duty.

9. Expenditure and Net Lending

The total expenditure and net lending inclusive of transfers to County Governments for the period ending 30th September, 2021 amounted to KSh. 631.7 billion, against a target of KSh. 665.8 billion. The resultant under expenditure of KSh. 34.1 billion is mainly attributed to lower absorption recorded in development expenditures (Ministerial AIA) by the National Government and lower than targeted transfers to County Governments.

10. Guaranteed Debt

The government did not service any guaranteed debt on behalf of Parastatals during the period under review. As at the end of September, 2021, all guaranteed debts were performing.

11. Fiscal Balance

The fiscal balance excluding grants (on a commitment basis) amounted to a deficit of KSh. 125.4 billion (1.0 percent of GDP), as at the end September, 2021.

12. External Financing

The Net Foreign Financing was a net repayment of KSh. 28.2 billion (0.2 percent of the GDP) during the period under review.

13. Net Domestic Borrowing

Net domestic financing amounted to a net borrowing of Ksh140.0 billion (1.1 percent of GDP) in the period ending 30th September, 2021.

14. Domestic Debt Stock

The stock of gross domestic debt increased by KSh. 480.7 billion from KSh. 3,457.1 billion in September, 2020 to KSh. 3,937.8 billion in September, 2021.

15. External Debt Stock

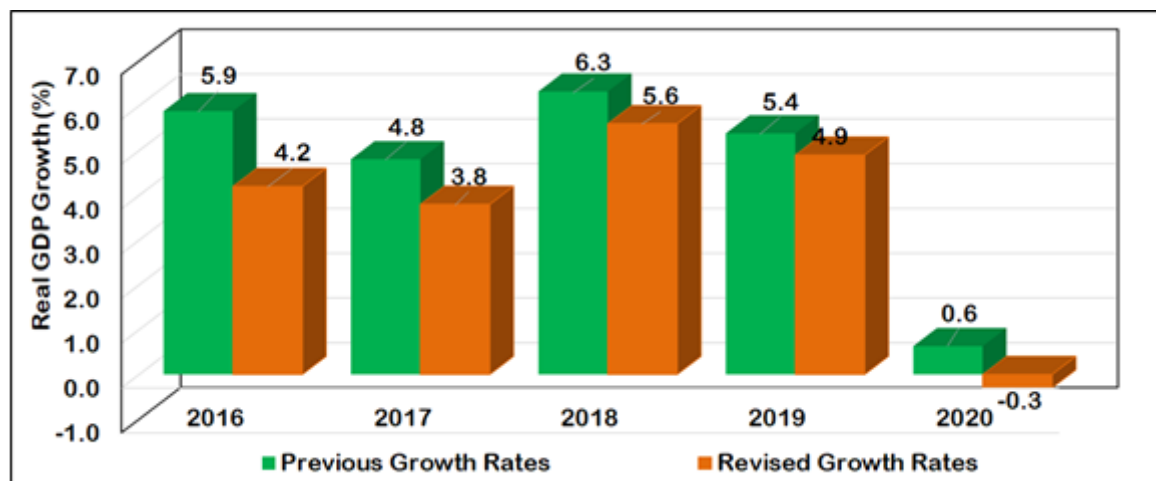
The total external debt stock, including the International Sovereign Bond, stood at KSh. 4,058.5 billion by the end of September, 2021. The debt stock comprised of multilateral debt (41.9 percent), commercial debt (29.5 percent), bilateral debt (28.3 percent) and suppliers' credit (0.3 percent).

1.0 RECENT ECONOMIC DEVELOPMENTS

1.1 Economic Growth

1. The National Accounts was revised and rebased in 2020 whereby the base year was changed from 2009 to a more current base year of 2016. The revised growth rates are relatively lower than the previous ones, largely on account of basing, change of benchmark data, data sources as well as revision of time series indicators (**Chart 1**).

Chart 1: Annual Real GDP Growth rates (Percent)



Source of Data: Kenya National Bureau of Statistics

2. The revised and rebased National Accounts show that the Real Gross Domestic Product (GDP) is estimated to have contracted by 0.3 percent in 2020 from a growth of 5.0 percent in 2019. The contraction was due to the adverse impact of COVID-19 pandemic and the resultant swift containment measures. Kenya also was faced with two other shocks in 2020: the invasion of swarms of desert locusts that damaged crops; and floods following receipt of above normal rainfall in May 2020. The contraction was spread across all sectors of the economy but was more dismal in accommodation and restaurant, education, and transport and storage. The economy was somewhat supported by accelerated growths in agricultural production, construction activities, and health services.

Sectoral Economic Performance in 2021

3. Activities in agriculture, forestry and fishing sector recorded a slowdown in the first and second quarters of 2021. The sector is estimated to have contracted by 0.9 per cent in the second quarter of 2021 compared to a growth of 4.9 per cent in the corresponding quarter of 2020 (**Table 1**). This was mainly on account of less than expected rainfall during the period with a significant decline in tea production in the corresponding quarter of 2021. The sector's performance was cushioned from a steeper slump by a notable improvement in the production of milk, horticultural products and sugarcane. The volume of vegetables, cut flowers and fruit exports increased by 58.1 per cent, 55.2 per cent and 23.5 per cent, respectively over the same period.

4. The performance of the industry sector improved to a growth of 5.8 percent in in the second quarter of 2021 compared to a contraction of 0.5 percent in the second quarter of 2020. This was mainly on account of improved performance of the manufacturing and electricity and water supply sectors.

RECENT ECONOMIC DEVELOPMENTS

Table 1: Sectoral GDP performance

Sectors	2019					2020					2021		
	Q1	Q2	Q3	Q4	Q1-Q4	Q1	Q2	Q3	Q4	Q1-Q4	Q1	Q2	Avg Q1&Q2
Primary Industry	4.5	3.4	0.9	1.6	2.7	4.4	4.9	4.3	6.0	4.9	0.7	(0.1)	0.3
Agriculture, Forestry and Fishing	4.8	3.2	0.7	1.3	2.6	4.3	4.9	4.2	5.8	4.8	(0.1)	(0.9)	(0.5)
Mining and Quarrying	(1.2)	7.0	5.5	6.4	4.3	6.4	4.4	7.0	9.2	6.7	16.4	17.7	17.1
Secondary Sector (Industry)	3.2	4.2	3.5	2.6	3.4	4.7	(0.5)	3.3	7.7	3.8	3.7	7.9	5.8
Manufacturing	2.5	4.1	2.6	0.9	2.5	2.2	(4.7)	(1.7)	3.8	(0.1)	1.5	9.6	5.5
Electricity and Water supply	3.0	1.5	1.5	0.9	1.7	1.5	(4.7)	0.2	3.5	0.1	2.0	5.2	3.6
Construction	4.6	5.5	6.1	6.2	5.6	10.4	8.2	12.5	16.2	11.8	7.8	6.5	7.2
Tertiary sector (Services)	6.7	7.6	6.6	5.9	6.7	3.8	(6.7)	(4.6)	(1.0)	(2.2)	2.1	15.7	8.9
Wholesale and Retail trade	4.6	6.4	5.3	4.8	5.3	4.9	(4.2)	(5.0)	2.6	(0.4)	7.4	9.5	8.4
Accommodation and Restaurant	15.6	11.7	11.9	17.6	14.3	(8.1)	(56.8)	(63.4)	(62.2)	(47.7)	(48.8)	9.1	(19.8)
Transport and Storage	6.8	8.8	4.6	5.2	6.3	2.2	(16.8)	(10.1)	(6.1)	(7.8)	(8.7)	16.9	4.1
Information and Communication	9.5	7.5	7.1	6.1	7.5	5.6	2.6	3.2	7.6	4.8	16.1	25.2	20.7
Financial and Insurance	6.1	8.0	9.3	4.4	6.9	7.5	4.4	3.0	7.4	5.6	9.4	9.9	9.7
Public Administration	9.0	10.8	10.2	9.7	9.9	4.0	2.7	6.3	8.4	5.3	9.1	13.0	11.0
Others	6.1	6.3	6.0	5.6	6.2	3.4	(7.9)	(5.6)	(3.2)	(3.5)	1.5	19.4	10.4
of which Real Estate	7.0	7.0	6.7	6.2	6.7	5.4	4.6	3.7	2.7	4.1	4.5	4.9	4.7
Education	3.8	3.4	5.6	6.2	4.7	1.8	(22.4)	(17.4)	(5.3)	(10.8)	10.0	67.6	38.8
Health	5.7	6.1	6.8	6.4	6.2	7.4	9.8	5.2	4.7	6.7	9.1	10.0	9.6
Taxes less subsidies	(1.5)	5.3	4.3	6.7	3.7	5.1	(20.8)	(8.5)	(6.4)	(7.9)	(14.5)	0.5	(7.0)
Real GDP	4.8	5.9	4.8	4.4	5.0	4.4	(4.7)	(2.1)	1.2	(0.3)	0.7	10.1	5.4
of which Non-Agriculture	5.6	6.8	5.9	4.8	5.8	4.3	(5.5)	(2.8)	1.2	(0.7)	2.8	14.7	8.7

Source of Data: Kenya National Bureau of Statistics

5. Electricity and Water Supply sector grew by 5.2 per cent in the second quarter of 2021 compared to a 4.7 per cent contraction in the second quarter of 2020. The increase in electricity generation was notable from all sources except geothermal. Electricity generated from both thermal and wind expanded by about 69.0 per cent in the second quarter of 2021 compared to a contraction of 64.9 per cent and 29.3 per cent, respectively, in the same quarter of 2020. Electricity generated from hydro increased by 4.6 per cent in the second quarter of 2021.

6. The manufacturing sector grew by 9.6 per cent in the second quarter of 2021 compared to a contraction of 4.7 per cent in the same period of 2020 supported by an improvement in both the Manufacture of food (6.7 percent) and non-food products (12.2 percent). The improved production of non-food products was evident in assembly of motor vehicle (10.0 per cent), manufacture of galvanized iron sheets (34.5 percent) and manufacture of paper and paper products (13.5 percent).

7. The Construction sector relatively declined to a growth of 6.5 per cent in the second quarter of 2021 compared to 8.2 per cent growth in the second quarter of 2020. However, the cement consumption increased by 29.3 per cent in the second quarter of 2021, pointing to sustenance of performance in economic activities in the sector.

8. The activities in the services sector improved significantly due to the 2020 base effect. This sector was the most hit by the COVID-19 pandemic in 2020. One of the measures put in place to combat the pandemic was cessation of movement and in some regions. This culminated into a significant decline in most of the service sub-sectors during the second quarter of 2020. The sector grew by 15.7 percent in the second quarter of 2021 compared to a contraction of 6.7 percent in the second quarter of 2020.

RECENT ECONOMIC DEVELOPMENTS

9. Accommodation and Food Service sector grew by 9.1 per cent in the second quarter of 2021 compared to 56.8 per cent contraction in the second quarter of 2020. Number of visitor arrivals and hotel operations improved tremendously in the review period after relaxation of most of the restrictions related to COVID-19 pandemic.

10. Transportation and Storage sector grew by 16.9 per cent in the second quarter of 2021 compared to a contraction of 16.8 per cent in the first quarter of 2020. The accelerated growth was as a result of lifting of restrictions on domestic and international movement which was in place in the second quarter of 2020. Freight movement through Standard Gauge Railway (SGR) increased, number of visitor arrivals and passenger transport through SGR increased in the second quarter of 2021 compared to the second quarter of 2020.

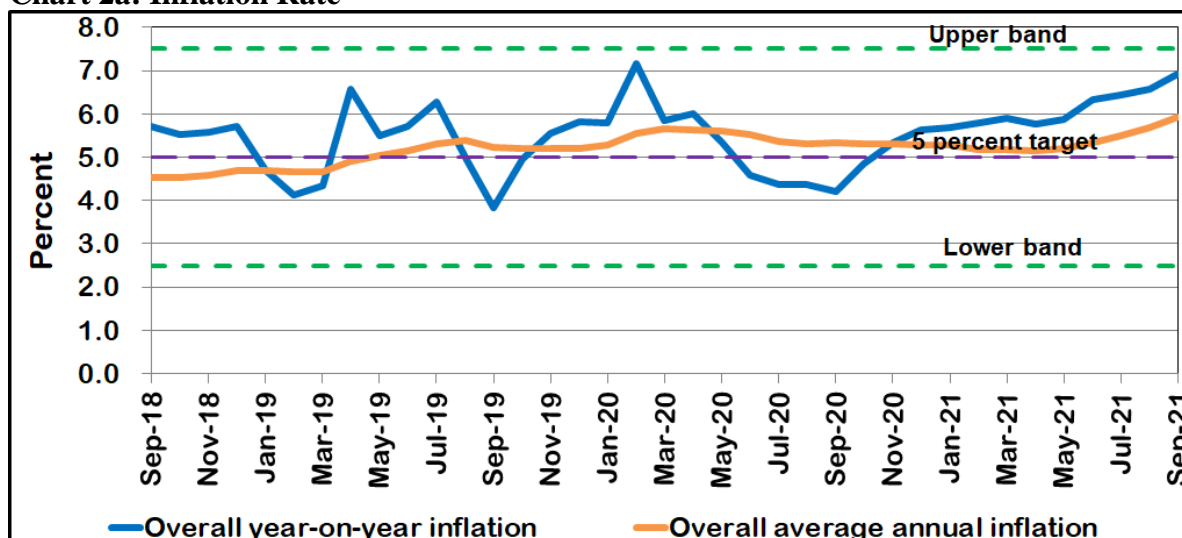
Leading Economic Indicators for 2021

11. Leading indicators for the economy point to a strong GDP recovery in 2021, mainly supported by robust performance of construction, manufacturing, education, real estate and transport and storage sectors. The enhanced COVID-19 containment measures implemented in the second and third quarters of 2021 are expected to have had a moderate impact on output, as businesses in most sectors continued to operate. These measures affected five counties (Nairobi, Kiambu, Machakos, Kajiado and Nakuru) between 26th March to 1st May, and the 13 western lake basin region, between 18th June and 30th July. The economy is expected to rebound in 2021, supported by the continued reopening of the services sectors, recovery in manufacturing, and stronger global demand.

1.2 Inflation

12. Year-on-year overall inflation rate has remained low, stable and within the policy target range of 5+/-2.5 percent since end 2017. The year-on-year inflation rate increased to 6.9 percent in September, 2021 from 4.2 percent in September, 2020 driven by higher fuel and food prices. Similarly, overall annual average inflation also remained within Government target range at 5.9 percent in September, 2021 compared to the 5.3 percent recorded in September, 2020 (**Chart 2a**).

Chart 2a: Inflation Rate



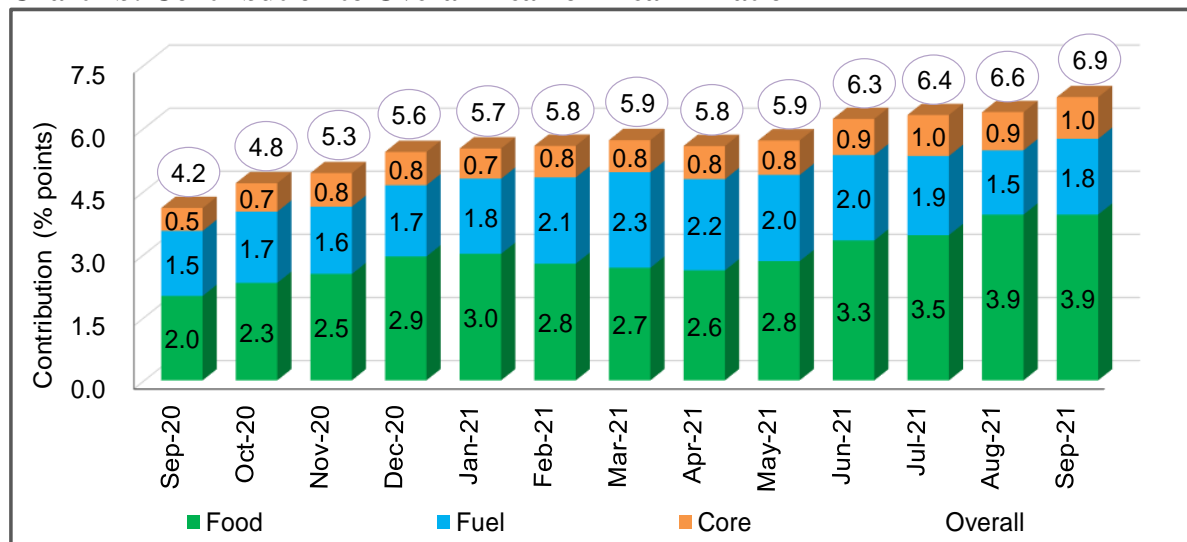
Source of Data: Kenya National Bureau of Statistics

RECENT ECONOMIC DEVELOPMENTS

13. Food inflation remain the main driver of overall inflation in September, 2021, contributing 3.9 percentage points, an increase, compared to a contribution of 2.0 percentage points in September, 2020 (**Chart 2b**). The increase was mainly attributed to dry weather conditions and supply constraints that resulted in a rise in prices of key food items particularly cabbages, spinach, kale, tomatoes, carrots, beef , onions and oranges. Fuel inflation contributed 1.8 percentage points to year-on-year overall inflation in September, 2021 compared to 1.5 percentage points in September, 2020 following a pickup in international oil prices. The higher fuel inflation is mainly attributed to the increase in prices of petrol, diesel, kerosene/paraffin, electricity and gas/LPG.

14. 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 increased to 1.0 percentage points in September, 2021 from 0.5 percentage points in September, 2020, reflecting a pick-up in economic activities and the effects of the implementation of the new tax measures.

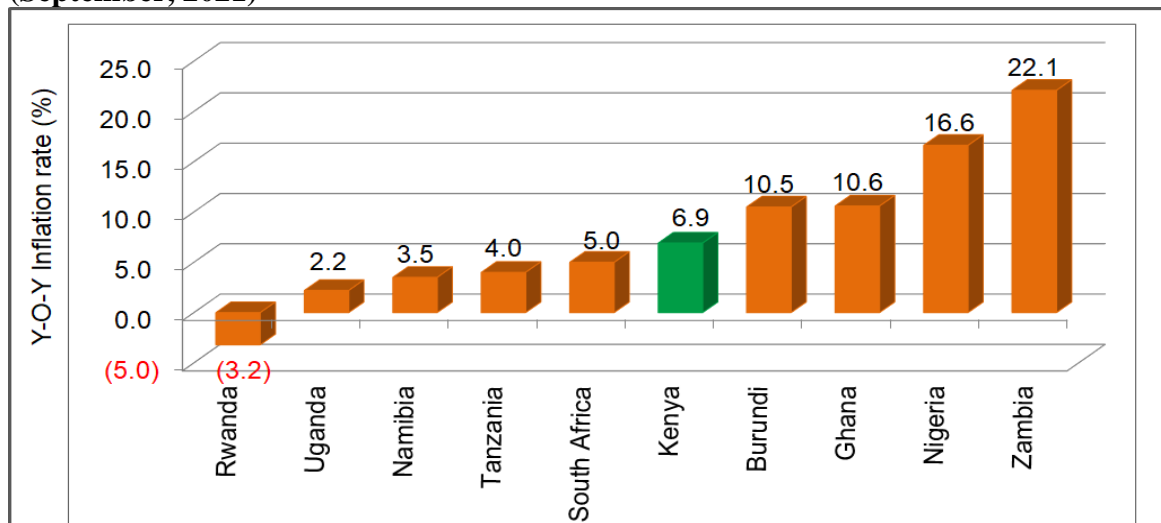
Chart 2b: Contribution to Overall Year-on-Year Inflation



Source of Data: Kenya National Bureau of Statistics

15. Kenya's year-on year overall inflation rate compares favorably with the rest of Sub-Saharan Africa countries. In September, 2021, Kenya recorded a lower inflation rate than Burundi, Ghana, Nigeria and Zambia (**Chart 2c**).

Chart 2c: Year on Year Inflation Rates of selected Sub-Saharan African Countries (September, 2021)



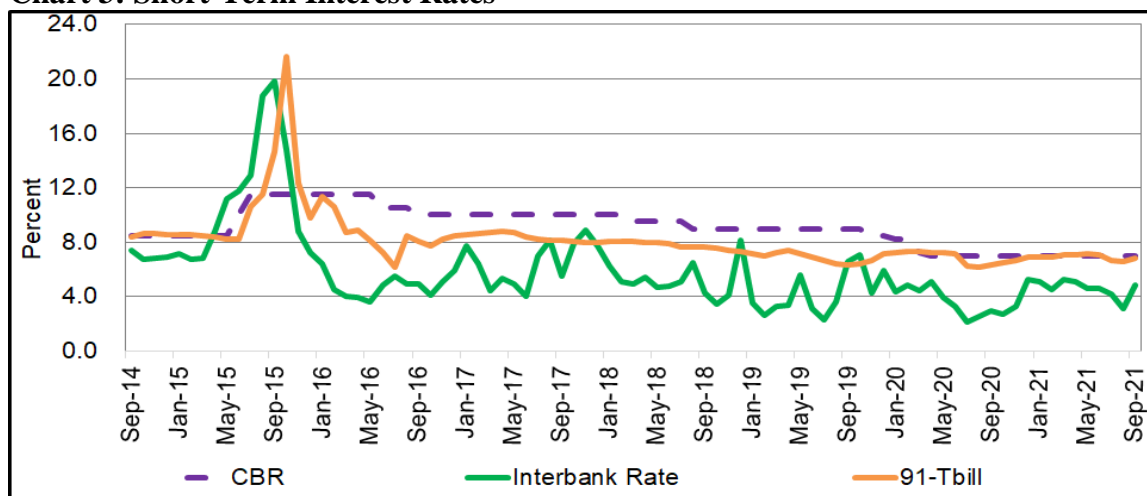
Source of Data: National Central Banks

1.3 Interest Rates

16. Short-term interest rates remained fairly low and stable. The Central Bank Rate (CBR) was retained at 7.0 percent on 28th September, 2021 to signal lower lending rates in order to support credit access by borrowers especially the Small and Medium Enterprises (SME) distressed by COVID-19 pandemic. The money market was relatively liquid in September, 2021 supported by government payments. As such, the interbank rate remained low but increased slightly to 4.9 percent in September, 2021 from 3.0 percent in September, 2020 (**Chart 3**).

17. Interest rates on the Treasury bills remained relatively stable in September, 2021. The 91-day Treasury Bills rate was at 6.8 percent in September, 2021 compared to 6.3 percent in September, 2020. Over the same period, the 182-day Treasury Bills rate increased to 7.3 percent from 6.7 percent while the 364-day also increased to 7.8 percent from 7.6 percent.

Chart 3: Short-Term Interest Rates



Source of Data: Central Bank of Kenya

RECENT ECONOMIC DEVELOPMENTS

18. The improved liquidity in the money market has resulted in stable commercial bank rates. The average lending rate increased slightly to 12.1 percent in September, 2021 compared to 11.8 percent in September, 2020 while the average deposit rates remained fairly stable at 6.3 percent from 6.4 percent over the same period. This led to an increase in the average interest rate spread by 0.5 percentage points over the review period.

1.4 Money and Credit

19. Broad money supply, M3, moderated to a growth of 8.7 percent in the year to September, 2021 compared to a growth of 10.7 percent in the year to September, 2020 (**Table 2**). This was due to a relatively lower Net Foreign Assets (NFA) and a decline in growth of the net lending to Government component of the Net Domestic Assets (NDA).

20. Net Domestic Assets (NDA) registered a growth of 13.6 percent in the year to September, 2021, a decline compared to a growth of 17.3 percent over a similar period in 2020 (**Table 2, Chart 4**). This moderation mainly reflected a slowdown in net lending to government resulting from a reduced utilization of Government deposits at the Central Bank of Kenya. Growth in the net credit flows to the private sector and other public sectors improved during the review period.

Table 2: Money and Credit Developments (12 Months to September 2021 KSh. Billion)

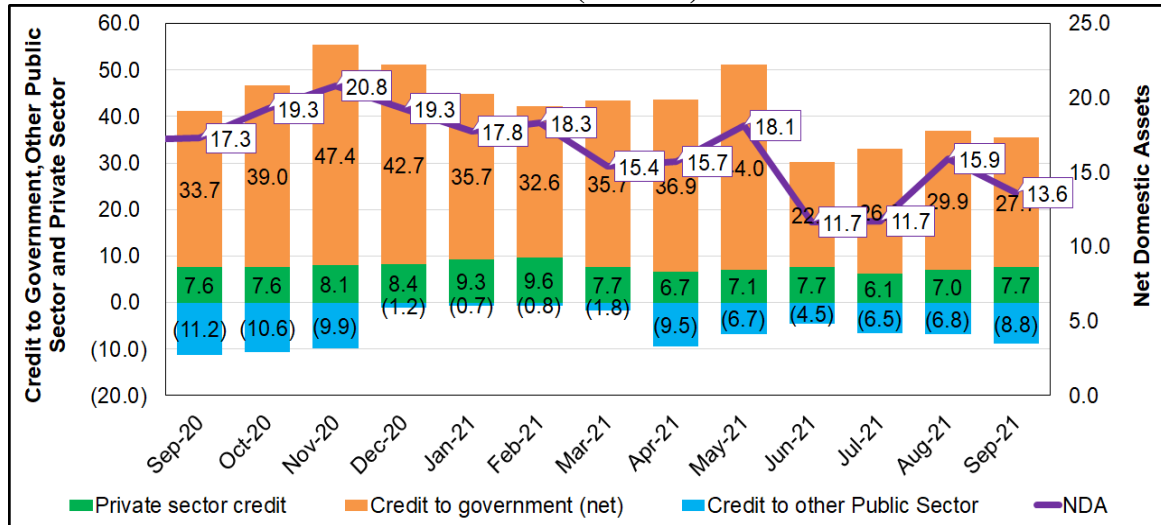
				Change		Percent Change	
	2019 September	2020 September	2021 September	2019-2020 September	2020-2021 September	2019-2020 September	2020-2021 September
COMPONENTS OF M3							
1. Money supply, M1 (1.1+1.2+1.3)	1,459.7	1,665.8	1,770.8	206.0	105.0	14.1	6.3
1.1 currency outside banks (M0)	157.7	217.6	234.4	59.9	16.8	38.0	7.7
1.2 Demand deposits	1,190.6	1,371.0	1,421.3	180.4	50.3	15.2	3.7
1.3 Other deposits at CBK	111.4	77.2	115.1	(34.3)	38.0	(30.8)	49.2
2. Money supply, M2 (1+2.1)	2,866.0	3,180.5	3,408.1	314.5	227.6	11.0	7.2
2.1 Time and savings deposits	1,406.3	1,514.7	1,637.3	108.5	122.6	7.7	8.1
Money supply, M3 (2+3.1)	3,473.4	3,843.5	4,177.7	370.1	334.2	10.7	8.7
3.1 Foreign currency deposits	607.4	663.0	769.5	55.6	106.5	9.1	16.1
SOURCES OF M3							
1. Net foreign assets (1.1+1.2)	835.4	749.7	661.9	(85.8)	(87.8)	(10.3)	(11.7)
1.1 Central Bank	871.5	804.9	760.8	(66.6)	(44.1)	(7.6)	(5.5)
1.2 Banking Institutions	(36.1)	(55.2)	(98.9)	(19.2)	(43.7)	(53.2)	(79.1)
2. Net domestic assets (2.1+2.2)	2,637.9	3,093.8	3,515.8	455.9	422.0	17.3	13.6
2.1 Domestic credit (2.1.1+2.1.2+2.1.3)	3,566.6	4,051.4	4,588.0	484.9	536.6	13.6	13.2
2.1.1 Government (net)	894.3	1,196.0	1,527.9	301.7	331.9	33.7	27.7
2.1.2 Other public sector	99.8	88.7	80.8	(11.2)	(7.8)	(11.2)	(8.8)
2.1.3 Private sector	2,572.4	2,766.7	2,979.3	194.3	212.5	7.6	7.7
2.2 Other assets net	(928.6)	(957.6)	(1,072.2)	(29.0)	(114.6)	(3.1)	(12.0)

Source of Data: Central Bank of Kenya

21. Private sector credit improved to a growth of 7.7 percent in the 12 months to September, 2021 compared to a growth of 7.6 percent in the year to September 2020. All economic sectors, except mining and quarrying, registered positive credit growth rates reflecting improved demand as economic activities picked up in the first three quarters of 2021. Strong credit growth was mainly observed in consumer durables; finance and insurance; transport and communication; manufacturing and business services. The Credit Guarantee Scheme for the vulnerable Micro, Small and Medium Enterprises (MSMEs) that was launched in October, 2020, continues to de-risk lending by commercial banks and is critical to increasing credit flow to the private sector.

RECENT ECONOMIC DEVELOPMENTS

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



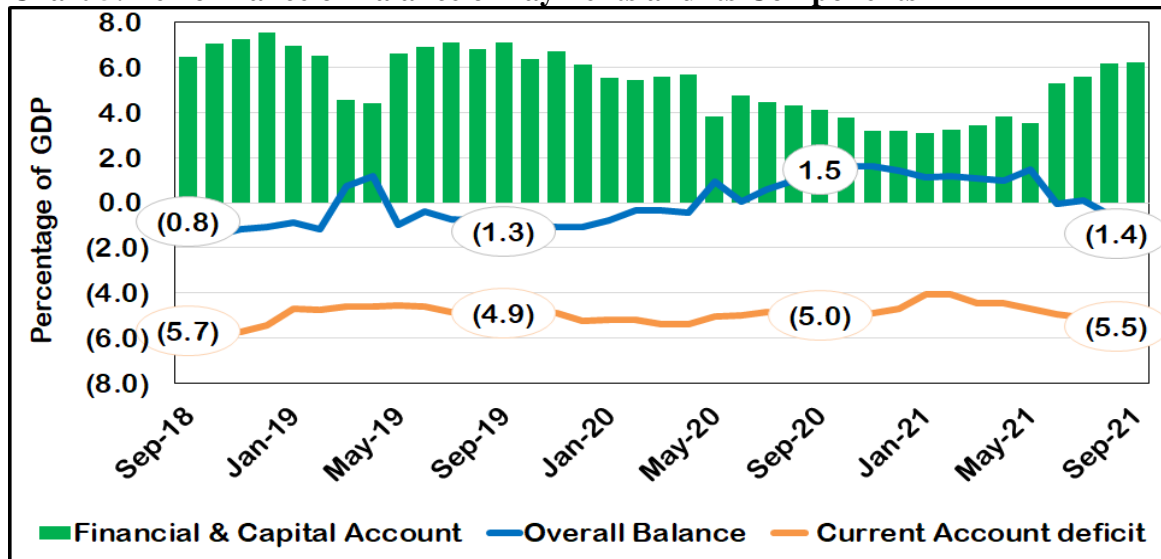
Source of Data: Central Bank of Kenya

22. Net Foreign Assets (NFA) of the banking system in the year to September, 2021 contracted by 11.7 percent, compared to a contraction of 10.3 percent in the year to September, 2020. The decline in NFA of the Central Bank was largely due to scheduled debt service and other central bank operations. The NFA of commercial banks also declined during the review period as a result of a decrease in deposits abroad.

1.5 Balance of Payments

23. The overall balance of payments position declined to a deficit of USD 1,499.8 million (1.4 percent of GDP) in September, 2021 from a surplus of USD 1,457.5 million (1.5 percent of GDP) in September, 2020 (**Chart 5**). This was mainly due to a decline in receipts from services despite an improvement in the capital and financial accounts.

Chart 5: Performance of Balance of Payments and its Components



Source of Data: Central Bank of Kenya

24. The current account remained fairly stable in the year to September, 2021. The current account deficit was at USD 5,989.3 million (5.5 percent of GDP) in September

RECENT ECONOMIC DEVELOPMENTS

2021 compared to USD 4,938.2 million (5.0 percent of GDP) in September, 2020. The current account balance was supported by an improvement in the net primary income balance and the net secondary income balance.

25. The balance in the merchandise account reduced by USD 1,449.0 million to a deficit of USD 10,459.5 million in September, 2021 mainly due to increased payments on imports despite an improvement in the export earnings (**Table 3**). In September 2021, exports grew by 8.2 percent primarily driven by increased receipts from exports of horticulture and manufactured goods. On the other hand, imports of goods increased by 12.9 percent in September, 2021 mainly reflecting increases in imports of oil and other intermediate goods.

26. Net receipts on the services account declined by USD 538.9 million to USD 87.3 million in September, 2021 compared to USD 626.3 million in a similar period in 2020 mainly on account of lower receipts from transport and travel services. The balance on the primary account improved by USD 130.7 million to a deficit of USD 1,411.6 million in September, 2021, due to lower reinvestment related outflows. Net Secondary income remained resilient and increased by USD 806.0 million during the review period supported by remittances.

27. The capital account balance improved by USD 283.1 million and registered a surplus of USD 438.2 million in September, 2021 (**Table 3**). Net financial inflows also improved to USD 6,359.4 million in September, 2021 compared to USD 3,907.7 million in September, 2020. The net financial inflows were mainly in the form of other investments, portfolio investments and financial derivatives. Direct investments recorded net financial outflows during the same period.

Table 3: Balance of Payments (USD Million)

								Year to September 2021		Percent of GDP	
	Sep-19	Dec-19	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Change	Percent Change	Sep-20	Sep-21
Overall Balance	(1,250.9)	(1,105.6)	1,457.5	1,426.8	1,188.1	(66.4)	(1,499.8)	(2,957.3)	(202.9)	1.5	(1.4)
A) Current Account	(4,823.1)	(5,280.1)	(4,938.2)	(4,618.8)	(4,912.7)	(5,503.1)	(5,989.3)	(1,051.2)	(21.3)	(5.0)	(5.5)
<i>Merchandise Account (a-b)</i>	(10,287.6)	(10,679.5)	(9,010.5)	(8,430.2)	(8,797.0)	(9,597.5)	(10,459.5)	(1,449.0)	(16.1)	(9.1)	(9.6)
a) Goods: exports	5,849.6	5,871.9	6,010.6	6,062.0	6,038.2	6,402.5	6,503.0	492.4	8.2	6.1	6.0
b) Goods: imports	16,137.2	16,551.4	15,021.1	14,492.2	14,835.2	15,999.9	16,962.4	1,941.4	12.9	15.2	15.5
<i>Net Services (c-d)</i>	1,855.0	1,748.0	626.3	355.1	180.6	161.1	87.3	(538.9)	(86.1)	0.6	0.1
c) Services: credit	5,660.3	5,602.0	4,114.7	3,731.8	3,567.9	3,844.1	4,154.2	39.5	1.0	4.2	3.8
d) Services: debit	3,805.3	3,854.1	3,488.4	3,376.7	3,387.3	3,683.1	4,066.8	578.4	16.6	3.5	3.7
<i>Net Primary Income (e-f)</i>	(1,637.3)	(1,633.7)	(1,542.4)	(1,494.0)	(1,397.3)	(1,502.3)	(1,411.6)	130.7	8.5	(1.6)	(1.3)
e) Primary income: credit	216.6	218.3	170.9	143.7	128.3	150.7	174.7	3.8	2.2	0.2	0.2
f) Primary income: debit	1,854.0	1,852.0	1,713.3	1,637.7	1,525.7	1,653.0	1,586.3	(126.9)	(7.4)	1.7	1.5
<i>Net Secondary Income</i>	5,246.8	5,285.0	4,988.4	4,950.3	5,101.1	5,435.7	5,794.4	806.0	16.2	5.0	5.3
g) Secondary income: credit	5,299.4	5,339.7	5,039.2	5,026.0	5,193.9	5,534.0	5,892.6	853.4	16.9	5.1	5.4
h) Secondary income: debit	52.6	54.7	50.8	75.7	92.7	98.3	98.2	47.3	93.1	0.1	0.1
B) Capital Account	206.8	207.7	155.1	131.2	191.1	422.3	438.2	283.1	182.5	0.2	0.4
C) Financial Account	(6,836.7)	(6,001.4)	(3,907.7)	(3,022.6)	(3,611.2)	(5,488.0)	(6,359.4)	(2,451.7)	(62.7)	(3.9)	(5.8)

Source of Data: Central Bank of Kenya

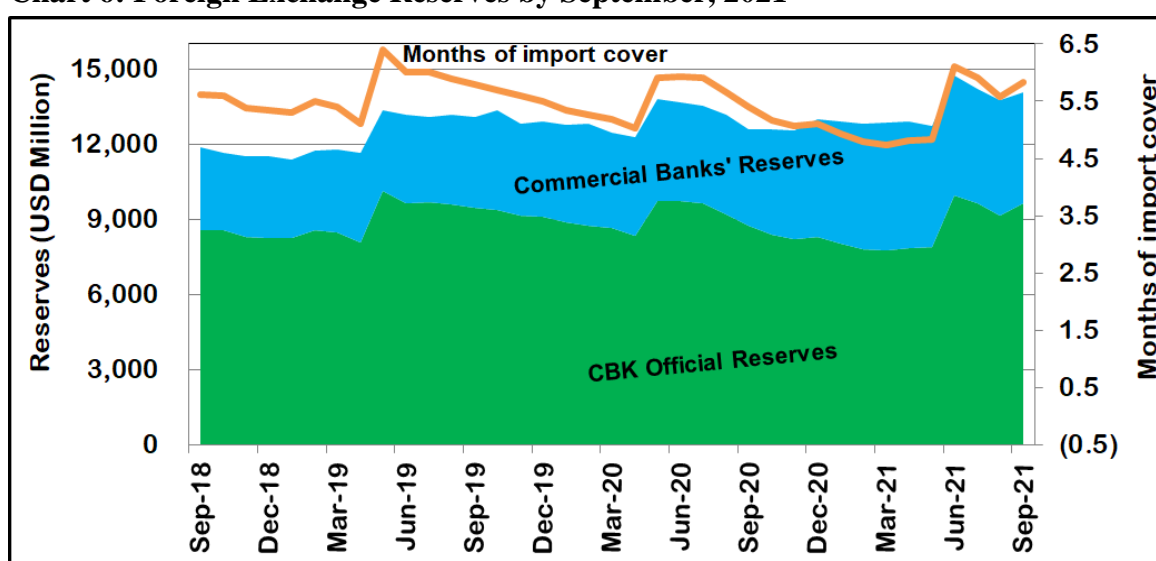
RECENT ECONOMIC DEVELOPMENTS

1.6 Foreign Exchange Reserves

28. The banking system's foreign exchange holdings remained strong at USD 14,089.1 million in September 2021 from USD 12,585.0 million in September 2020. The official foreign exchange reserves held by the Central Bank increased to USD 9,632.2 million (5.8 months of import cover) in September, 2021 compared to US\$ 8,765.1 million (5.4 months of import cover) in September, 2020 (**Chart 6**).

29. The official reserves 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. Commercial banks holdings increased to USD 4,457.0 million in September 2021 from USD 3,819.9 million in September 2020.

Chart 6: Foreign Exchange Reserves by September, 2021



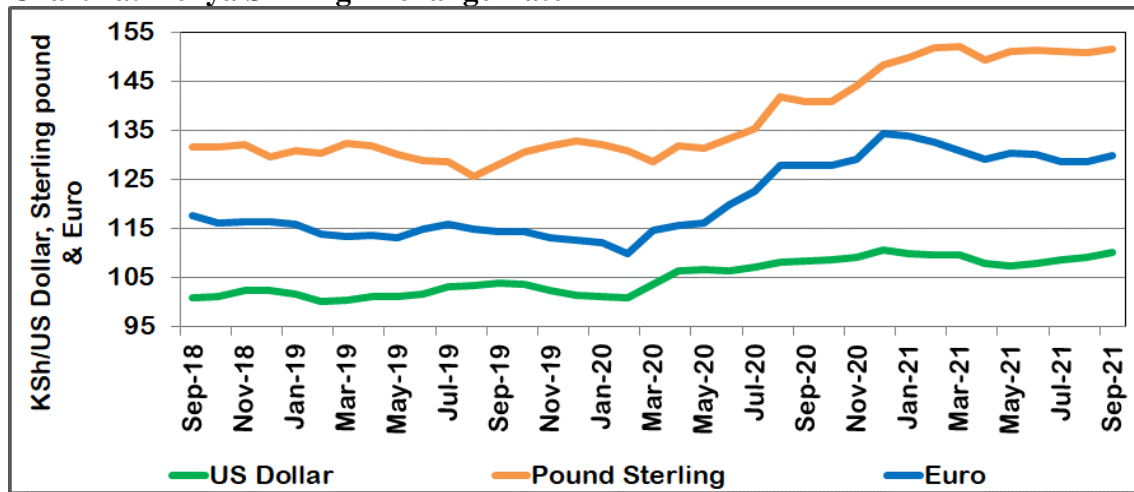
Source of Data: Central Bank of Kenya

1.7 Exchange Rates

30. The foreign exchange market has largely remained stable but slightly affected by tight global financial conditions attributed to uncertainty with regard to the COVID-19 pandemic. In this regard, the Kenya Shilling to the US Dollar exchanged at Ksh 110.1 in September, 2021 compared to Ksh 108.4 in September 2020. Over the same period, the Euro exchanged at Ksh 129.8 compared to Ksh 127.9 while the Sterling Pound exchanged at Ksh 151.5 from Ksh 140.8 (**Chart 7a**).

RECENT ECONOMIC DEVELOPMENTS

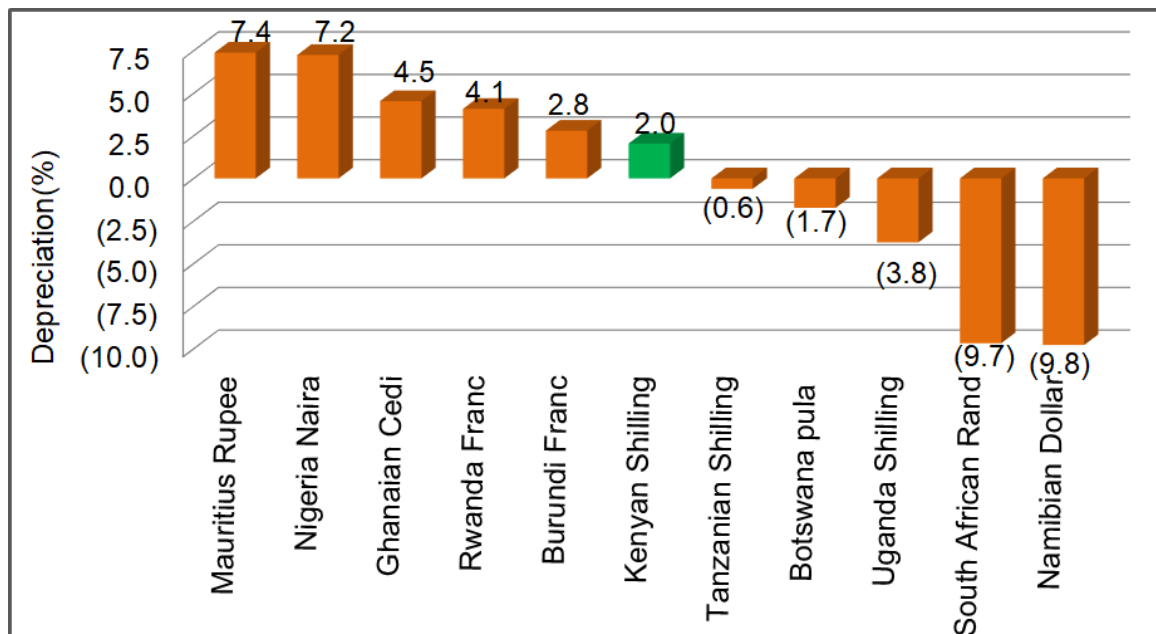
Chart 7a: Kenya Shilling Exchange Rate



Source of Data: Central Bank of Kenya

31. In comparison to most Sub-Saharan Africa currencies, the Kenya Shilling has remained relatively stable weakening by 1.6 percent against the US Dollar (**Chart 7b**). This depreciation of the Kenya Shilling was lower than that of Rwanda Franc, Nigerian Naira, Mauritius Rupee, Burundi Franc and Ghanaian Cedi. The stability in the Kenya Shilling was supported by increased remittances, adequate foreign exchange reserves and favorable horticultural exports.

Chart 7b: Performance of Selected Sub-Saharan Countries Currencies against the US Dollar (September, 2020 to September, 2021)



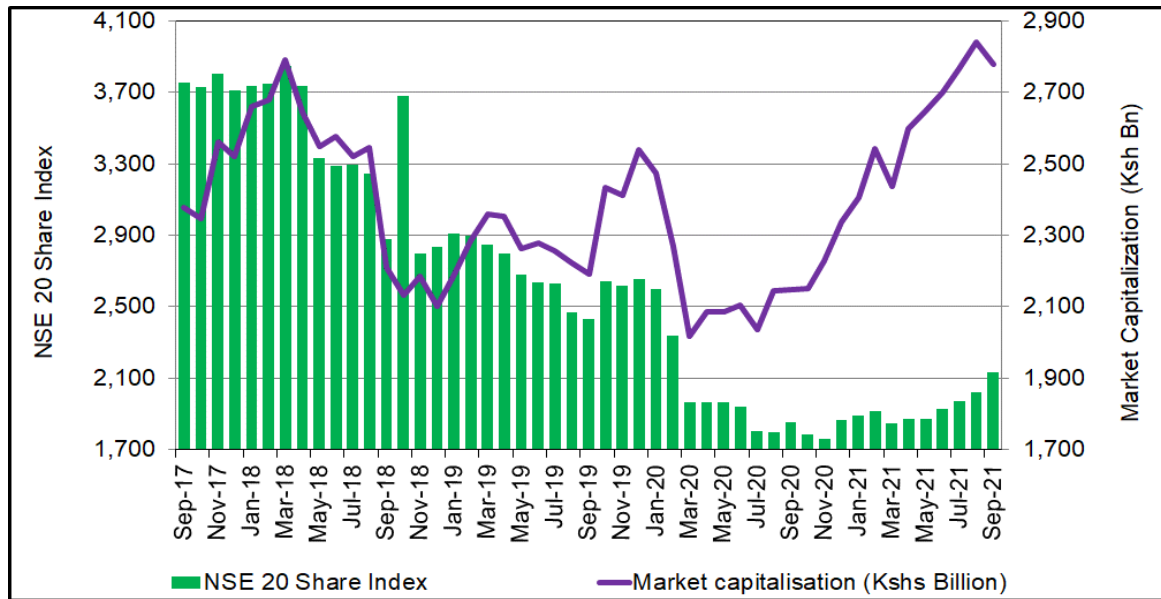
Source of Data: National Central Banks

RECENT ECONOMIC DEVELOPMENTS

1.8 Capital Markets

32. Activity in the capital markets improved in September, 2021 compared to September, 2020, with equity share prices increasing as shown by the NSE 20 Share Index. The NSE 20 Share Index stood at 2,131 points by end of September, 2021, an increase compared to 1,852 points by end September, 2020. Market capitalization also increased to KSh. 2,779 billion from KSh. 2,148 billion over the same period indicating increased trading activities (**Chart 8**).

Chart 8: Performance at the NSE by end September, 2021.



Source of Data: Nairobi Securities Exchange

2.0 FISCAL DEVELOPMENTS

2.1 Revenue

33. By the end of September, 2021, total revenue collected including A-I-A amounted to KSh. 506.3 billion against a target of KSh. 480.3 billion (**Table 4**). The revenue collection was above the set target by KSh. 26.0 billion. All revenue categories recorded over performance during the period under review except other income tax which underperformed by KSh. 9.1 billion. The total revenue inclusive of the ministerial A-I-A recorded a growth of 33.7 percent compared to a contraction of 10.1 percent recorded in September 2020. This performance is largely attributed to the gradual reopening of the economy and the relaxation of the Covid-19 containment measures which have adversely affected economic activities since March 2020. Ordinary revenue collection was KSh. 441.8 billion against a target of KSh. 425.1 billion, KSh. 16.7 billion above the target (**Chart 9**).

34. The ministerial A-I-A collected amounted to KSh. 64.5 billion against a target of KSh. 55.2 billion, KSh. 9.3 billion above the target. The good performance of A-I-A was mainly due to timely reporting of SAGAs' A.I.A through the expenditure returns for the period under review. The Railway Development Levy collection amounted to KSh. 8.0 billion against a target of KSh. 7.7 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 September, 2021 (KSh. Millions)

	2020/2021 Actual	2021/2022		Deviation KSh.	% Growth
		Actual*	Target		
Total Revenue (a+b)	378,678	506,302	480,313	25,989	33.7
(a) Ordinary Revenue	342,581	441,790	425,090	16,701	29.0
Import Duty	23,167	27,068	27,237	(170)	16.8
Excise Duty	47,354	58,428	56,443	1,985	23.4
PAYE	71,556	105,695	99,685	6,010	47.7
Other Income Tax	79,692	89,776	98,839	(9,062)	12.7
VAT Local	41,151	59,553	59,026	527	44.7
VAT Imports	41,911	60,826	53,577	7,249	45.1
Investment Revenue	21,321	18,747	12,305	6,442	(12.1)
Traffic Revenue	1,052	1,110	903	207	5.5
Taxes on Intl. Trade & Trans.(IDF Fee)	8,408	10,681	7,953	2,728	27.0
Others ¹	6,968	9,907	9,122	786	42.2
(b) Appropriation In Aid ²	36,097	64,511	55,223	9,288	78.7
o/w Railway Development Levy	6,279	8,042	7,691	351	28.1
(c) External Grants	3,915	6,655	11,205	(4,549)	70.0
Total Revenue and External Grants	382,593	512,957	491,517	21,440	34.1
Total Revenue and External Grants as a percentage of GDP	3.38	4.10	3.93	-	-

^{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

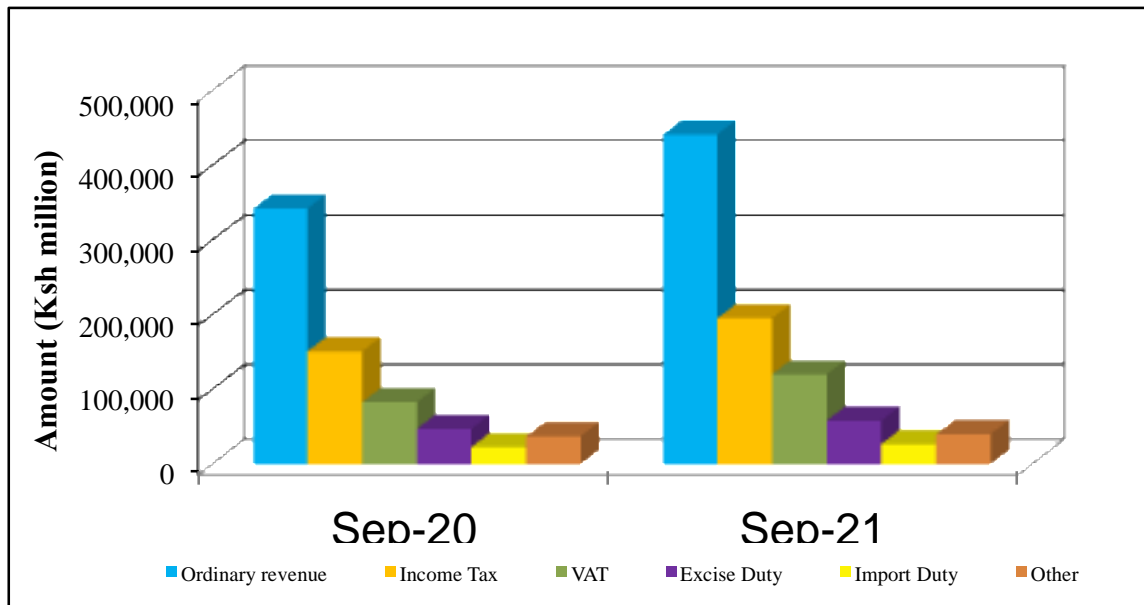
*Provisional

Source of Data: National Treasury

FISCAL DEVELOPMENTS

35. As a proportion of GDP, the total revenue and grants in the period under review was 4.1 percent compared to 3.4 percent in the corresponding period in the FY 2020/21. Total grants amounted to KSh. 6.7 billion against a target of KSh. 11.2 billion, which is an under performance of KSh.4.5 billion.

Chart 9: Ordinary Revenue by Source, Period Ending 30th September, 2021



Source of Data: National Treasury

2.2 Expenditure

36. The total expenditure and net lending for the period under review amounted to KSh. 631.7 billion, against a target of KSh. 665.8 billion. The resultant under expenditure of KSh. 34.1 billion is attributed to lower absorption recorded in development expenditures (A-I-A) by the National Government and below target transfers to County Governments. Recurrent expenditure for National Government amounted to KSh. 444.6 billion (excluding KSh. 9.1 billion for Parliament and Judiciary), against a target of KSh. 436.8 billion which was KSh. 7.8 billion above the set target. The over expenditure in recurrent category was mainly due to higher than targeted domestic interest payments and higher expenditures in operations and maintenance (**Table 5 and Chart 10**).

FISCAL DEVELOPMENTS

Table 5: Expenditure and Net Lending, Period Ending 30th September, 2021 (KSh. Millions)

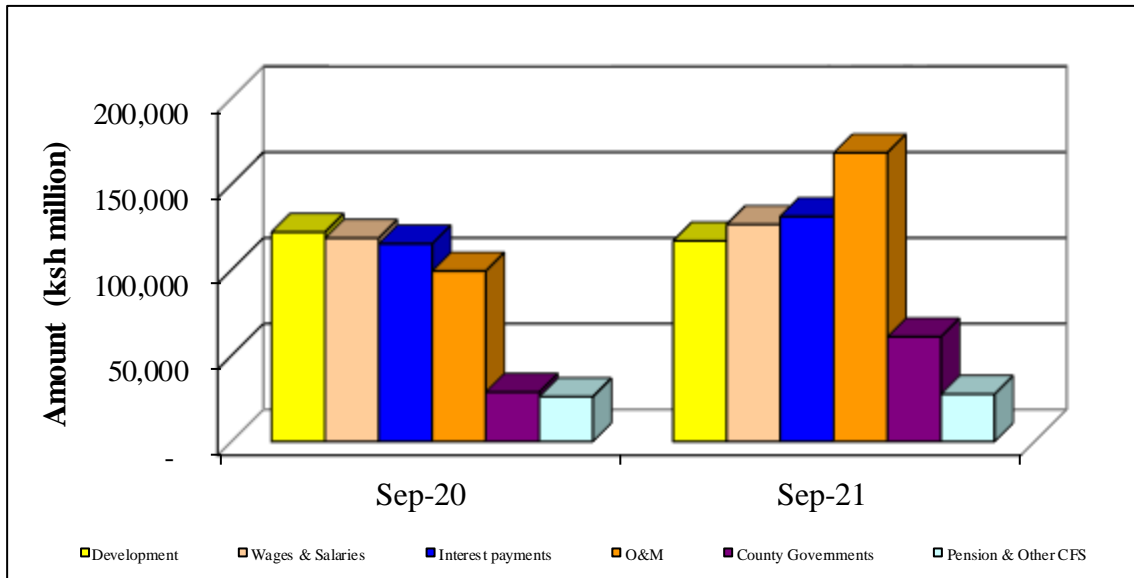
	2020/2021 Actual	2021/2022		Deviation	% Growth
		Actual*	Targets		
1. RECURRENT	357,132	444,603	436,795	7,808	24.5
Domestic Interest	81,169	101,142	93,660	7,481	24.6
Foreign Interest	34,134	30,019	30,335	(316)	(12.1)
Pensions & Other CFS	26,189	27,663	29,581	(1,918)	5.6
Wages and Salaries	118,570	126,544	131,528	(4,984)	6.7
Operation and Maintenance	97,071	159,236	151,690	7,546	64.0
O/W: Appropriation-in-Aid	17,772	41,922	32,376	9,547	135.9
2. DEVELOPMENT	122,057	116,952	124,747	(7,795)	(4.2)
Development Projects (Net)	88,932	80,010	68,694	11,317	(10.0)
Payment of Guaranteed Loans	-	-	-	-	-
Appropriation-in-Aid	33,126	36,942	55,343	(18,402)	11.5
3. County Governments	28,839	61,050	93,046	(31,996)	111.7
4. Parliamentary Service	1,555	6,139	7,301	(1,163)	294.8
5. Judicial Service	804	2,918	3,896	(978)	263.0
6. Equalization Fund	-	-	710	(710)	-
7. CF	-	-	-	-	-
TOTAL EXPENDITURE	510,387	631,662	665,785	(34,123)	23.8

*Provisional

Source of Data: National Treasury

37. Foreign interest payments amounted to KSh. 30.0 billion, lower than KSh. 34.1 billion paid over the same period in the FY2020/21. The domestic interest payments totalled to KSh. 101.1 billion, which was higher than the KSh. 81.2 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 September, 2021



Source of Data: National Treasury

2.2.1 National Government Expenditures by Public Agencies

38. The total ministerial and other public agencies expenditure including A.I.A was KSh. 377.4 billion against a target of KSh. 489.8 billion. Recurrent expenditure was KSh. 282.1 billion against a target of KSh. 321.4 billion, while development expenditure amounted to KSh. 95.3 billion against a target of KSh. 168.5 billion. The percentage of total expenditures to the target was 77.1 percent while the percentage of total expenditures to the target for recurrent and development were 87.8 percent and 56.6 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.

39. As at 30th September, 2021, 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 41.1 percent of total recurrent expenditure. In addition, the State Department for Interior and Citizen Services and the Ministry of Defence accounted for 10.6 percent and 9.8 percent of total recurrent expenditure respectively.

40. Analysis of development outlay indicates that the State Department for infrastructure accounted for the largest share of the total development expenditure (32.0 percent), followed by the State Department for Planning (11.1 percent), Ministry of water, Sanitation and irrigation (10.2 percent) and the National Treasury (7.8 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.

FISCAL DEVELOPMENTS

Table 6: National Government Expenditures by Public Agencies, Period Ending 30th September, 2021 (KSh. Millions)

Budget Head	MINISTRY/DEPARTMENT/COMMISSIONS	Sep-21			Sep-21			Sep-21			% of Total Exp To Target
		Actual*	Target	Variance	Actual*	Target	Variance	Actual*	Target	Variance	
1011	Executive Office of the President	4,625	6,317	(1,692)	79	2,332	(2,253)	4,704	8,649	(3,944)	54.4
1021	State Department for Interior and Citizen Services	29,784	32,869	(3,085)	2,208	1,821	387	31,992	34,690	(2,697)	92.2
1023	State Department for Correctional Services	5,040	7,187	(2,147)	-	227	(227)	5,040	7,415	(2,374)	68.0
1032	State Department for Devolution	252	738	(486)	370	435	(65)	622	1,173	(551)	53.0
1035	State Department for Development of the ASAL	235	265	(31)	2,359	2,270	89	2,593	2,535	58	102.3
1041	Ministry of Defence	27,717	29,433	(1,716)	-	1,270	(1,270)	27,717	30,703	(2,986)	90.3
1052	Ministry of Foreign Affairs	1,236	4,256	(3,020)	34	449	(415)	1,269	4,705	(3,436)	27.0
1064	State Department for Vocational and Technical Training	1,390	4,662	(3,272)	552	1,162	(610)	1,942	5,824	(3,882)	33.3
1065	State Department for University Education	25,905	22,764	3,141	1,451	1,089	362	27,356	23,853	3,502	114.7
1066	State Department for Early Learning & Basic Education	23,367	22,891	476	1,150	3,356	(2,207)	24,517	26,247	(1,730)	93.4
1068	State Department for Post Training and Skills Development	36	67	(31)	-	-	-	36	67	(31)	53.0
1071	The National Treasury	10,013	14,352	(4,340)	7,448	25,538	(18,090)	17,460	39,890	(22,430)	43.8
1072	State Department for Planning	850	900	(50)	10,543	10,601	(58)	11,393	11,501	(108)	99.1
1081	Ministry of Health	15,406	16,218	(811)	5,448	14,146	(8,698)	20,854	30,363	(9,509)	68.7
1091	State Department for Infrastructure	25,588	14,292	11,296	30,492	34,508	(4,016)	56,081	48,801	7,280	114.9
1092	State Department for Transport	55	2,357	(2,302)	7	337	(330)	62	2,694	(2,632)	2.3
1093	State Department for Shipping and Maritime	493	5,093	(4,600)	-	188	(188)	493	697	(204)	70.8
1094	State Department for Housing & Urban Development	209	308	(100)	5,590	3,514	2,077	5,799	3,822	1,977	151.7
1095	State Department for Public Works	806	778	28	306	282	24	1,113	1,060	53	105.0
1108	Ministry of Environment and Forestry	2,260	2,620	(360)	945	1,061	(116)	3,205	3,682	(476)	87.1
1109	Ministry of Water & Sanitation and Irrigation	1,032	1,599	(567)	9,723	18,115	(8,392)	10,754	19,714	(8,959)	54.6
1112	Ministry of Lands and Physical Planning	637	761	(125)	221	608	(386)	858	1,369	(511)	62.7
1122	State Department for Information Communication Technology	376	396	(20)	2,305	5,301	(2,996)	2,681	5,697	(3,017)	47.1
1123	State Department for Broadcasting & Telecommunications	1,156	1,664	(508)	127	124	3	1,283	1,788	(505)	71.8
1132	State Department for Sports	378	335	43	72	3,787	(3,715)	450	4,122	(3,671)	10.9
1134	State Department for Culture and Heritage	689	733	(44)	10	14	(4)	699	747	(48)	93.6
1152	Ministry of Energy	1,896	1,659	237	4,661	16,812	(12,151)	6,557	18,471	(11,914)	35.5
1162	State Department for Livestock	684	857	(173)	606	1,413	(807)	1,290	2,270	(980)	56.8
1166	State Department for Fisheries, Aquaculture & the Blue Economy	532	567	(34)	686	2,684	(1,999)	1,218	3,251	(2,033)	37.5
1169	State Department for Crop Development & Agriculture	2,114	3,359	(1,246)	2,368	7,874	(5,506)	4,482	11,233	(6,751)	39.9
1173	State Department for Cooperatives	94	307	(213)	73	131	(58)	167	438	(271)	38.1
1174	State Department for Trade and Enterprise Development	434	572	(137)	150	435	(285)	584	1,006	(422)	58.1
1175	State Department for Industrialization	564	778	(214)	875	818	57	1,440	1,596	(156)	90.2
1184	State Department for Labour	356	696	(339)	53	640	(587)	409	1,336	(926)	30.7
1185	State Department for Social Protection, Pensions & Security	1,102	7,621	(6,519)	382	771	(389)	1,484	8,392	(6,908)	17.7
1194	Ministry of Petroleum and Mining	6,982	1,991	4,991	95	732	(637)	7,077	2,723	4,354	259.9
1202	State Department for Tourism	963	1,302	(339)	89	119	(30)	1,051	1,421	(369)	74.0
1203	State Department for Wildlife	946	1,903	(956)	127	158	(31)	1,074	2,061	(987)	52.1
1212	State Department for Gender	264	259	5	1,156	658	498	1,420	917	503	154.8
1213	State Department for Public Service	5,412	4,581	831	185	142	43	5,597	4,723	874	118.5
1214	State Department for Youth Affairs	287	360	(73)	1,068	803	266	1,355	1,163	193	116.6
1221	State Department for East African Community	135	152	(18)	487	274	213	621	426	195	145.7
1222	State Department for Regional and Northern Corridor Development	572	696	(124)	-	-	-	572	696	(124)	82.1
1252	State Law Office and Department of Justice	1,004	1,245	(240)	33	45	(13)	1,037	1,290	(253)	80.4
1261	The Judiciary	2,808	3,751	(942)	492	583	(92)	3,300	4,334	(1,034)	76.1
1271	Ethics and Anti-Corruption Commission	815	815	(0)	-	17	(17)	815	832	(17)	98.0
1281	National Intelligence Service	10,901	10,613	288	-	38	(38)	10,901	10,650	251	102.4
1291	Office of the Director of Public Prosecutions	549	831	(283)	-	-	-	549	831	(283)	66.0
1311	Office of the Registrar of Political Parties	836	490	346	-	10	(10)	836	500	336	167.1
1321	Witness Protection Agency	77	122	(45)	-	-	-	77	122	(45)	63.0
2011	Kenya National Commission on Human Rights	99	102	(3)	-	-	-	99	102	(3)	97.0
2021	National Land Commission	355	361	(6)	-	-	-	355	361	(6)	98.3
2031	Independent Electoral and Boundaries Commission	766	3,557	(2,791)	-	-	-	766	3,557	(2,791)	21.5
2041	Parliamentary Service Commission	1,522	1,653	(131)	-	31	(31)	1,522	1,684	(162)	90.4
2042	National Assembly	5,010	5,876	(866)	-	-	-	5,010	5,876	(866)	85.3
2043	Parliamentary Joint Services	1,129	1,426	(297)	-	-	-	1,129	1,426	(297)	79.2
2051	Judicial Service Commission	110	145	(35)	256	516	(260)	366	662	(296)	55.3
2061	The Commission on Revenue Allocation	115	121	(7)	-	-	-	115	121	(7)	94.4
2071	Public Service Commission	474	593	(119)	-	-	-	474	593	(119)	79.9
2081	Salaries and Remuneration Commission	87	155	(68)	-	5	(5)	87	160	(73)	54.2
2091	Teachers Service Commission	50,813	70,265	(19,452)	-	-	-	50,813	70,265	(19,452)	72.3
2101	National Police Service Commission	132	199	(66)	5	161	(156)	138	360	(222)	38.3
2111	Auditor General	1,046	1,427	(381)	-	-	-	1,046	1,427	(381)	73.3
2121	Office of the Controller of Budget	100	172	(72)	-	50	(50)	100	222	(122)	45.0
2131	The Commission on Administrative Justice	141	154	(12)	-	-	-	141	154	(12)	92.0
2141	National Gender and Equality Commission	121	109	12	-	-	-	121	109	12	110.9
2151	Independent Policing Oversight Authority	232	237	(5)	-	-	-	232	237	(5)	97.7
	Total	282,114	321,352	(39,238)	95,286	168,453	(73,167)	377,400	489,806	(112,406)	77.1

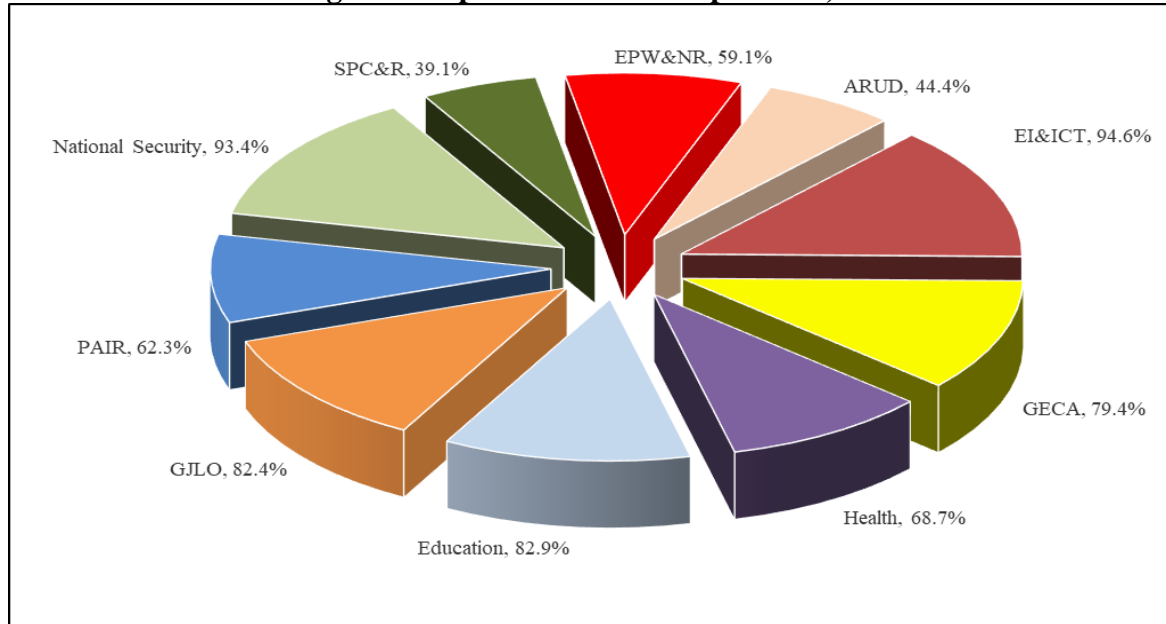
*Provisional

Source of Data: National Treasury

FISCAL DEVELOPMENTS

41. During the period under review, Energy, Infrastructure and ICT (EI&ICT) sector recorded the highest absorption at 94.6 percent followed by National Security at 93.4 percent and Education at 82.9 percent. Social protection, Culture and recreation Sector (SPC&R) recorded the lowest absorption of 39.1 percent (Chart 11).

Chart 11: Sectoral Budget Absorption as at 30th September, 2021



Source of Data: National Treasury

2.2.2 Pending Bills

42. The total outstanding national government pending bills as at 30th September, 2021 amounted to KSh. 423.2 billion. These comprise of KSh. 371.5 billion (87.8 percent) and KSh. 51.6 billion (12.2 percent) for the State Corporations (SC) and Ministries/State Departments/other government entities respectively. The SC 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 (55.0 percent) belong to Contractor/Projects and Suppliers. Ministries/State Departments and other government Agencies pending bills constitutes mainly of historical pending bills as at September 2021. Submissions of pending bills from MDAs for the first quarter in the FY 2021/22 is still ongoing. These numbers are therefore provisional.

43. 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 current Financial year budget in line with the Treasury Circular No. 7/2019.

2.2.3 Guaranteed Debt Service

44. The government did not service any guaranteed debt during the period under review since cumulative principal and interest payments of guaranteed loans to parastatals

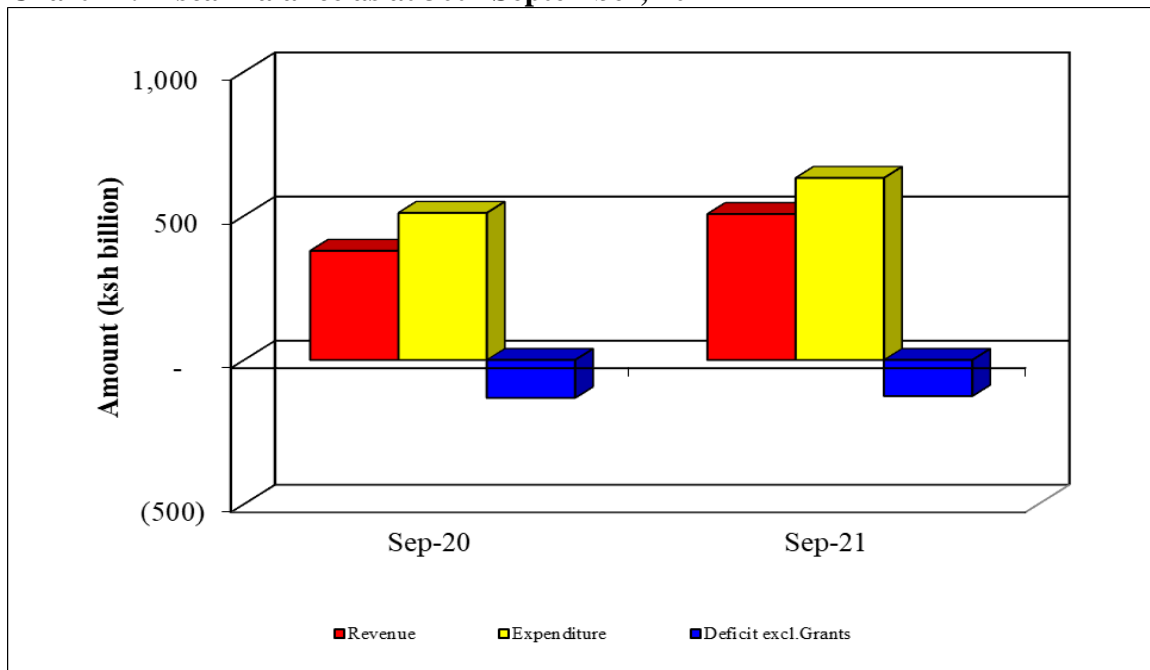
FISCAL DEVELOPMENTS

with liquidity problems were fully paid. As at end September 2021, all guaranteed debts were performing.

2.3 Fiscal Outturn

45. During the period July to September 2021, the fiscal balance (on commitment basis and excluding grants) amounted to KSh. 125.4 billion (1.0 percent of GDP) against a targeted deficit of KSh. 185.5 billion (1.5 percent of GDP) (**Chart 12 and Table 8**). The fiscal balance (on a commitment basis and including grants) stood at 0.9 percent of GDP against a target deficit of 1.4 percent of GDP.

Chart 12: Fiscal Balance as at 30th September, 2021



Source of Data: National Treasury

46. Over the same period in FY2020/21, the fiscal deficit including grants (on commitment basis) stood at KSh. 127.8 billion (1.1 percent of GDP). The fiscal outturn in the last six FYs and the Printed Estimates 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.

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Table 8: Budget Outturn, Cumulative Ending 30th September, 2021 (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	Target	
A. TOTAL REVENUE AND GRANTS	382,593	512,957	491,517	21,440	34.1	4.1	3.9	3.4
1. Revenue	378,678	506,302	480,313	25,989	33.7	4.0	3.8	3.3
Ordinary Revenue	342,581	441,790	425,090	16,701	29.0	3.5	3.4	3.0
Import Duty	23,167	27,068	27,237	(170)	16.8	0.2	0.2	0.2
Excise Duty	47,354	58,428	56,443	1,985	23.4	0.5	0.5	0.4
Income tax	151,248	195,472	198,524	(3,052)	29.2	1.6	1.6	1.3
VAT	83,062	120,378	112,603	7,775	44.9	1.0	0.9	0.7
Investment Revenue	21,321	18,747	12,305	6,442	(12.1)	0.1	0.1	0.2
Others	16,428	21,698	17,978	3,720	32.1	0.2	0.1	0.1
Appropriation-in-Aid	36,097	64,511	55,223	9,288	78.7	0.5	0.4	0.3
2. Grants	3,915	6,655	11,205	(4,549)	70.0	0.1	0.1	0.0
AMISOM Receipts	0	1,846	0	1,846	-	0.0	-	0.0
Nairobi County to NMS	0	924	4,739					
Revenue	1,297	634	1,472	(838)	(51.2)	0.0	0.0	0.0
Appropriation-in-Aid	2,618	3,252	4,994	(1,741)	24.2	0.0	0.0	0.0
B. EXPENDITURE AND NET LENDING	510,387	631,662	665,785	(34,123)	23.8	5.0	5.3	4.5
1. Recurrent	359,491	453,660	447,992	5,668	26.2	3.6	3.6	3.2
Domestic Interest	81,169	101,142	93,660	7,481	24.6	0.8	0.7	0.7
Foreign Interest	34,134	30,019	30,335	(316)	(12.1)	0.2	0.2	0.3
Pension & Other CFS	26,189	27,663	29,581	(1,918)	5.6	0.2	0.2	0.2
Wages and Salaries	118,570	126,544	131,528	(4,984)	6.7	1.0	1.1	1.0
O & M/Others	99,430	168,293	162,888	5,405	69.3	1.3	1.3	0.9
2. Development and Net Lending	122,057	116,952	124,747	(7,795)	(4.2)	0.9	1.0	1.1
O/W Domestically financed	93,365	93,955	77,515	16,440	0.6	0.8	0.6	0.8
Foreign financed	28,692	22,997	46,522	(23,525)	(19.8)	0.2	0.4	0.3
3. Equalization Fund	0	-	710	(710)	-	0.0	0.0	0.0
4. County Governments	28,839	61,050	93,046	(31,996)	111.7	0.5	0.7	0.3
5. CF	-	-	-	-	-	0.0	-	0.0
C. DEFICIT EXCL. GRANT (Commitment basis)	(131,709)	(125,360)	(185,472)	60,112	(4.8)	(1.0)	(1.5)	(1.2)
D. DEFICIT INCL. GRANTS (Commitment basis)	(127,794)	(118,705)	(174,267)	55,563	(7.1)	(0.9)	(1.4)	(1.1)
E. ADJUSTMENT TO CASH BASIS		13,415	-	13,415		0.1	-	0.0
F. DEFICIT INCL. GRANTS (Cash basis)	(127,794)	(105,290)	(174,267)	68,977	(17.6)	(0.8)	(1.4)	(1.1)
<i>Discrepancy</i>	<i>1,973</i>	<i>6,585</i>	<i>-</i>					
G. FINANCING	129,767	111,875	174,267	(62,392)	(13.8)	0.9	1.4	1.1
1. Net Foreign financing	(22,637)	(28,155)	(8,275)	(19,880)	24.4	(0.2)	(0.1)	(0.2)
Disbursements	24,777	19,111	40,406	(21,295)	(22.9)	0.2	0.3	0.2
Programme Loans	0	0	350	(350)	-	-	0.0	0.0
Project Cash Loans	8,684	5,237	9,451	(4,214)	(39.7)	0.0	0.1	0.1
Project Loans AIA	16,093	13,874	30,605	(16,731)	(13.8)	0.1	0.2	0.1
Project Loans SGR_PHASE_1&2A_AIA	0	0	0	-	-	-	-	-
Commercial Financing	0	0	0	-	-	-	-	-
Debt repayment - Principal	(47,414)	(47,266)	(48,681)	1,416	(0.3)	(0.4)	(0.4)	(0.4)
2. Net Domestic Financing	152,404	140,030	182,543	(42,513)	(8.1)	1.1	1.5	1.3
Government Securities	276,738	247,585	183,265	64,320	(10.5)	2.0	1.5	2.4
Government Overdraft & Others	10,028	(4,151)	-	(4,151)	-	0.0	-	0.1
Movement in Government Deposits	(133,850)	25,558	(874)	26,433	-	0.2	(0.0)	(1.2)
Domestic Loan Repayments (Net Receipts)	43	427	152	275	891.0	0.0	0.0	0.0
Domestic Loan Repayment	(555)	-	-	-	-	0.0	-	(0.0)
Other Accounts Payable		(129,389)	-					
MEMO ITEM								
GDP ESTIMATE	11,304,149.09	12,514,512.43	12,514,512.43	-	10.71	100.00	100	100.00

*Provisional

Source of Data: National Treasury

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2.4 Financing

2.4.1 External Financing

47. During the period ending September, 2021, there was a net repayment of KSh. 28.2 billion (**Table 9**). Total disbursements (inflows) including Appropriations-in-Aid amounted to KSh. 19.1 billion against a target of KSh. 40.4 billion. The actual total disbursement comprised of Ksh 13.9 billion Project Loans A.I.A and KSh. 5.2 billion Project Loans-Cash. The External repayments (outflows) of principal debt amounted to KSh. 47.3 billion. The amount comprised of principal repayments due to bilateral sources, commercial institutions and multilateral sources amounting to KSh. 21.1 billion, KSh. 18.0 billion and KSh. 8.3 billion respectively.

Table 9: External Financing, Period Ending September, 2021 (KSh. Millions)

	Quarter 1 2020/21	Quarter 1 2021/22	Cumulative September 2021	
	Actual	Actual*	Actual*	Target
DISBURSEMENTS:	24,777	19,111	19,111	40,406
Project Cash loans	8,684	5,237	5,237	9,451
Project loans A-I-A	16,093	13,874	13,874	30,605
Project Loans SGR_PHASE_1_AIA	-	-	-	-
Project Loans SGR_PHASE_2A_AIA	-	-	-	-
Commercial Financing	-	-	-	-
Semi concessional Loans	-	-	-	-
Programme Loans	-	-	-	350
EXTERNAL REPAYMENTS:	47,414	47,266	47,266	48,681
Bilateral(incl. Italy Debt SWAP)	21,398	21,055	21,055	23,522
Multilateral (excl. IMF)	7,393	8,257	8,257	6,929
Commercial	18,623	17,954	17,954	18,230
NET FOREIGN FINANCING	(22,637)	(28,155)	(28,155)	(8,275)

*Provisional

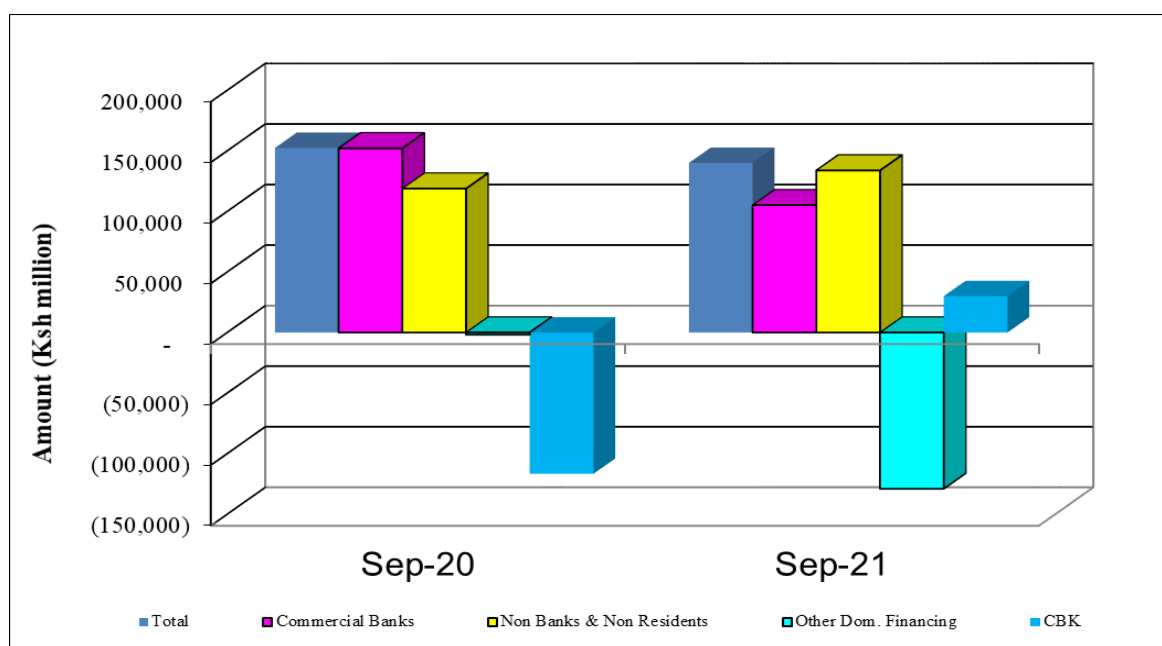
Source of Data: National Treasury

2.4.2 Domestic Financing

48. As at 30th September, 2021, net domestic borrowing amounted to KSh. 140.0 billion (**Table 10**) against a target of KSh. 182.5 billion (**Table 8**). The borrowing comprised of KSh. 130.8 billion from Non-Banking Financial Institutions, KSh. 105.2 billion from commercial banks, KSh. 30.0 billion from the Central bank, KSh. 3.0 billion from Non-Residents. The amount also comprised of KSh. 129.0 billion on domestic loan repayments and other accounts payable (other domestic financing). During the same period in FY 2020/21, the domestic borrowing amounted to KSh. 152.4 billion, comprising of KSh. 152.1 billion from Commercial Banks, KSh. 117.8 billion from Non-Banking Financial Institutions, KSh. 1.0 billion from Non-Residents and a net repayment of KSh. 116.7 to the Central Bank of Kenya. (**Table 10 and Chart 13**).

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Chart 13: Domestic Financing for the Period Ending 30th September, 2021



Source of Data: Central Bank of Kenya

49. The stock of Treasury Bills held by commercial banks and Non-Banks recorded a net decrease of KSh. 19.7 billion and KSh. 0.6 billion respectively while those held by the Central Bank and Non-residents increased by KSh. 7.5 billion and KSh. 1.1 billion respectively. The stock of Fixed Rate Bonds held by commercial banks, Non-Banks and Non-Residents recorded a net decrease of KSh. 30.4 billion, KSh. 4.7 billion, and KSh. 0.5 billion respectively (**Table 10**).

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Table 10: Domestic Financing, Period Ending 30th September, 2021 (KSh. Millions)

DEBT INSTRUMENT	September 2020*	December 2020*	March 2021*	June 2021*	September 2021*
1.CENTRAL BANK	(116,684)	25,972	38,808	(67,907)	30,003
Overdraft	9,057	448	2,133	12,130	(4,169)
Treasury bills rediscounts	10	4,445	420	418	7,559
Fixed rate Bonds	1	(45)	(280)	(280)	(0)
Items on Transit	(23)	(30)	(32)	(1)	(26)
Frozen Account	-	-	(555)	(1,110)	-
Less Govt Deposits	(125,729)	21,154	37,123	(79,063)	26,640
2.COM. BANKS	152,077	126,895	171,031	230,926	105,164
Advances	440	74	1,193	1,035	45
Treasury bills	17,743	(29,842)	(97,160)	(102,520)	(1,930)
Fixed rate Bonds	86,704	104,910	167,129	177,513	56,341
Infrastructure Bonds	54,024	54,024	104,759	153,386	51,790
Less Govt Deposits	(6,834)	(2,270)	(4,889)	(4,188)	(1,082)
Advances by Treasury	-	-	-	5,701	-
3. NON BANKS	117,764	193,468	255,604	327,018	130,822
Treasury bills	(3,195)	4,221	(10,181)	(2,032)	(3,786)
TRCs	-	-	-	(69)	-
Fixed rate Bonds	97,937	166,092	218,953	249,657	93,193
Infrastructure Bonds	23,918	24,051	47,727	80,357	41,415
M-Akiba Bond and others	(896)	(896)	(896)	(896)	-
4. NON RESIDENTS	1,047	868	859	1,241	3,004
Treasury bills	(478)	(1,369)	(2,490)	(2,609)	618
Fixed rate Bonds	904	1,750	2,659	2,626	452
Infrastructure Bond	620	487	690	1,225	1,934
5. NET CREDIT	154,203	347,204	466,303	491,278	268,992
6. OTHER DOMESTIC FINANCING					
Domestic Loan Repayments (Net RDL Deposits)	(512)	(464)	229	135,648	(128,962)
7. NET DOMESTIC FINANCING	152,404	346,740	466,532	626,926	140,030

Notes:

*provisional

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

The Stock of domestic debt historical data was revised and therefore may have minor discrepancies with the same data in the past QEBRs

Source of Data: Central Bank of Kenya

3.0 PUBLIC DEBT

3.1 Overall Debt Position

50. The gross public debt as at 30th September, 2021 increased by KSh. 875.7 billion to KSh. 7,996.3 billion compared to KSh. 7,120.6 billion as at end of September 2020. The gross public debt comprised of 50.8 percent external debt and 49.2 percent domestic debt. The increase in the public debt is attributed to external loan disbursements; exchange rate fluctuations; and uptake of domestic debt during the period. The net public debt was KSh. 7,452.1 billion by end of the period under review (Table 11).

Table 11: Kenya's Public and Publicly Guaranteed Debt, September, 2019 to September, 2021 (KSh. Millions)

DEBT SOURCE	Sep-19	Dec-19	Mar-20	Jun-20	Sept-20	Dec-20*	Mar-21*	Jun-21*	Sep-21*
EXTERNAL									
BILATERAL	1,024,092	1,037,538	1,060,610	1,074,257	1,102,890	1,156,991	1,142,718	1,140,529	1,149,211
MULTILATERAL	1,001,817	1,023,821	1,075,901	1,321,629	1,421,840	1,498,837	1,495,606	1,639,411	1,699,358
COMMERCIAL BANKS	1,068,664	1,028,691	1,058,796	1,102,294	1,120,803	1,119,388	1,113,417	1,187,439	1,196,248
SUPPLIERS CREDIT	17,195	16,773	17,328	17,630	17,958	18,069	18,126	12,162	13,669
SUB - TOTAL EXTERNAL	3,111,768	3,106,823	3,212,635	3,515,810	3,663,491	3,793,285	3,769,867	3,999,542	4,058,486
DOMESTIC:									
CENTRAL BANK	100,654	94,200	84,565	76,419	85,463	81,237	78,104	87,575	90,938
COMMERCIAL BANKS	1,418,595	1,491,907	1,571,064	1,653,194	1,808,043	1,769,185	1,776,713	1,814,199	1,917,628
TOTAL BANKS	1,519,248	1,586,108	1,655,629	1,729,613	1,893,507	1,850,422	1,854,817	1,901,774	2,008,566
NON BANKS & NON RESIDENTS	1,335,378	1,358,344	1,416,909	1,448,809	1,563,600	1,638,119	1,715,023	1,795,319	1,929,212
SUB-TOTAL DOMESTIC	2,854,626	2,944,451	3,072,537	3,178,421	3,457,107	3,488,541	3,569,841	3,697,093	3,937,777
GRAND TOTAL GROSS	5,966,394	6,051,274	6,285,172	6,694,231	7,120,598	7,281,826	7,339,708	7,696,635	7,996,263
LESS ON-LENDING	(5,701)	(5,701)	(5,701)	(5,701)	(5,701)	(5,701)	(5,701)	-	-
LESS GOVERNMENT DEPOSITS	(516,182)	(524,752)	(457,623)	(497,609)	(614,353)	(440,630)	(416,765)	(556,430)	(544,187)
GRAND TOTAL NET	5,444,511	5,520,822	5,821,848	6,190,921	6,500,544	6,835,495	6,917,242	7,140,205	7,452,076

Note:

The Stock of domestic debt historical data was revised and therefore may have minor discrepancies with the same data in the pasts QEBRs

* Provisional

Source of Data: National Treasury

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3.2 Domestic Debt

51. The stock of gross domestic debt increased by KSh. 480.7 billion from KSh. 3,457.1 billion in September, 2020 to KSh. 3,937.8 billion in September, 2021. The net domestic debt was KSh. 3,393.6 billion by end of the period under review (**Table 12**).

Table 12: Stock of Domestic Debt as at September, 2021 (KSh. Millions)

DEBT SOURCE	Sep-19 ³	Dec-19 ³	Mar-20 ³	Jun-20 ³	Sep-20 ³	Dec-20 ³	Mar-21 ³	Jun-21*	Sep-21*
1.CENTRAL BANK	100,654	94,200	84,565	76,419	85,463	81,237	78,104	87,575	90,938
Overdraft	68,232	63,724	54,182	47,150	56,206	47,598	49,283	59,279	55,110
Frozen Govt Accounts	22,229	22,229	22,229	21,119	21,119	21,119	20,564	20,009	20,009
Treasury bills / bonds rediscounts	2,085	153	56	120	130	4,565	539	537	8,096
Items on Transit	20	5	9	40	17	11	9	39	13
Fixed rate bonds	8,089	8,089	8,090	7,990	7,991	7,945	7,710	7,710	7,710
2.COM.BANKS	1,418,595	1,491,907	1,571,064	1,653,194	1,808,043	1,769,185	1,776,713	1,814,199	1,917,628
Advances	3,404	2,447	2,790	2,007	2,717	2,699	3,551	2,455	2,352
Treasury Bills	556,228	549,732	576,426	567,096	580,609	531,648	458,025	452,353	446,726
Fixed Rate T. Bonds	611,920	641,650	693,770	714,224	799,624	818,384	881,349	892,067	949,437
Special Bonds	5,000	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	234,395	285,430	285,430	357,218	412,445	403,805	421,141	454,675	506,465
3. NON BANKS	1,305,995	1,327,771	1,385,334	1,415,655	1,529,485	1,604,276	1,683,332	1,764,233	1,895,111
Treasury Bills	362,738	320,789	315,773	313,250	307,307	313,782	298,809	308,072	303,598
Fixed Rate T. Bonds	716,857	760,980	823,558	831,008	927,277	995,461	1,049,257	1,080,520	1,174,719
Tax Reserve Certificate	69	69	69	69	69	69	69	-	-
Infrastructure Bonds	204,709	224,313	224,313	249,856	274,252	274,384	314,616	355,061	396,214
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	1,041	1,041	1,041	891	(0)	(0)	(0)	(0)	(0)
4. NON RESIDENTS	29,383	30,572	31,574	33,154	34,115	33,844	31,692	31,086	34,101
Treasury Bills	7,858	8,261	8,368	7,231	6,688	5,720	4,525	4,412	5,034
Fixed Rate T. Bonds	13,536	13,932	14,827	15,675	16,552	17,381	18,319	18,288	18,747
Savings and Development Bond	9	9	9	9	9	9	9	9	9
Infrastructure Bonds	7,980	8,371	8,371	10,239	10,866	10,734	8,839	8,377	10,311
5. TOTAL GROSS DEBT	2,854,626	2,944,451	3,072,537	3,178,421	3,457,107	3,488,541	3,569,841	3,697,093	3,937,777
6. LESS ON-LENDING	5,701	5,701	5,701	5,701	5,701	5,701	5,701	-	-
7. Less Govt Deposits	516,182	524,752	457,623	497,609	614,353	440,630	416,765	556,430	544,187
8. TOTAL NET DEBT	2,332,743	2,413,999	2,609,213	2,675,111	2,837,053	3,042,210	3,147,375	3,140,663	3,393,590

NOTE:

* Provisional

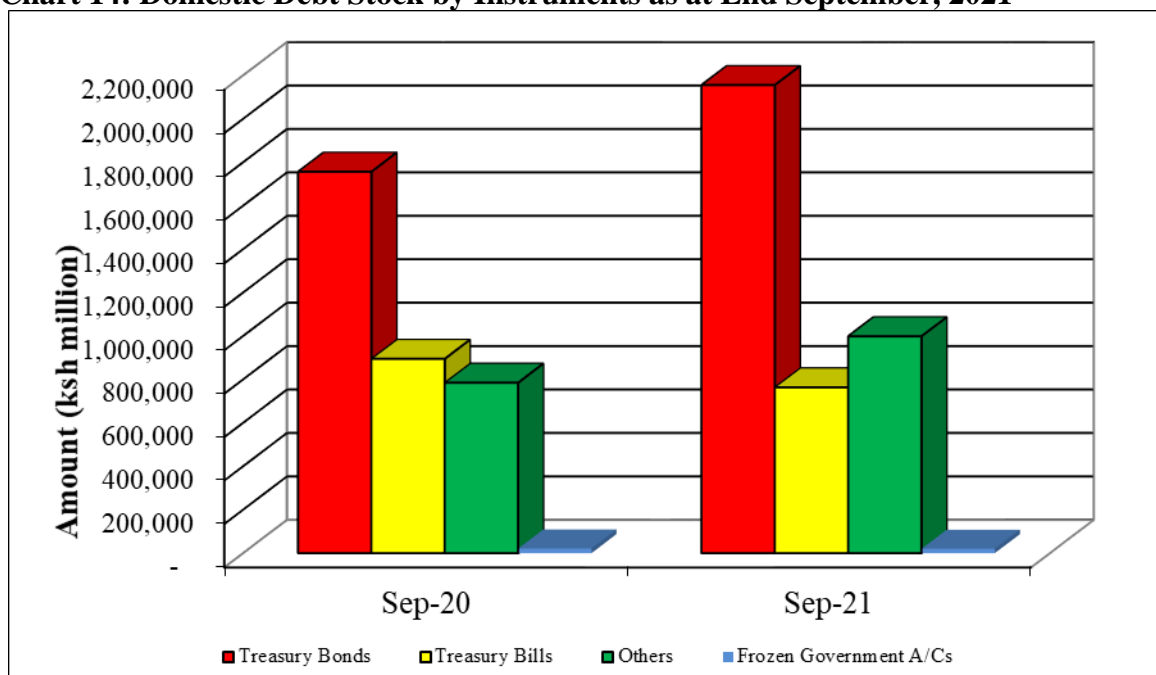
³ The Stock of domestic debt historical data was revised and therefore may have minor discrepancies with the same data in the pasts QEBRs

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

Source of Data: Central Bank of Kenya

52. The stock of Treasury Bills held by Central Bank, Commercial Banks, Non-Banking Financial Institution and Non-Residents declined by KSh. 131.3 billion from KSh. 894.7 billion in September, 2020 to KSh. 763.5 billion in September, 2021. The total stock of Treasury Bonds, which include Floating, Fixed Rate, Special and Zero-Coupon Bonds, increased by KSh. 399.2 billion from KSh. 1,756.4 billion in September, 2020 to KSh. 2,155.6 billion in September, 2021 (**Chart 14**).

Chart 14: Domestic Debt Stock by Instruments as at End September, 2021



Source of Data: Central Bank of Kenya

3.3 External Public Debt

53. In dollar terms, external public debt stock increased by US\$. 2,967.3 million from US\$. 33,765.8 million as at September, 2020 to US\$. 36,733.1 million by the end of September, 2021 (**Table 13**). This comprised debt owed to multilateral lenders (41.9%), commercial banks (29.5 %), bilateral sources (28.3%) and Suppliers Credit (0.3%). The increase is attributed to increase in external loans disbursements and exchange rate fluctuations during the period.

FISCAL DEVELOPMENTS

Table 13: Kenya's External Public and Publicly Guaranteed Debt September, 2019 – September, 2021 (US\$ Millions)

CREDITOR	Sep-19	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20*	Mar-21*	Jun-21*	Sep-21*
<u>BILATERAL</u>									
AUSTRIA	17.65	18.62	12.84	13.14	13.52	14.18	13.57	13.33	12.98
BELGIUM	108.49	109.80	113.08	112.42	113.07	123.31	121.70	117.61	114.51
CANADA	1.08	0.58	0.58	0.00	0.00	0.00	0.00	0.00	0.00
DENMARK	7.45	6.41	5.87	5.67	5.41	5.03	4.33	4.39	4.30
FINLAND	15.58	15.95	13.09	13.40	12.51	13.11	11.16	11.31	9.71
FRANCE	679.88	728.89	698.14	748.38	762.54	835.65	800.13	851.83	836.00
GERMANY	338.66	332.14	371.11	333.07	345.47	342.54	323.67	338.31	328.90
ITALY	344.1	351.90	342.57	349.64	365.49	383.17	366.88	371.85	364.79
JAPAN	1,372.56	1,353.47	1,385.84	1,423.97	1,489.84	1,525.90	1,447.97	1,474.72	1,463.17
NETHERLANDS	2.19	1.79	1.00	0.51	0.53	-	-	-	-
UK	0.56	0.32	0.30	-	-	-	-	-	-
USA	18.12	17.45	15.16	14.83	12.32	11.98	11.77	13.14	12.44
CHINA	6,410.61	6,840.23	6,746.26	6,753.13	6,731.17	7,016.85	7,013.42	7,056.92	6,917.51
OTHERS	326.53	325.62	570.92	316.66	313.28	326.17	320.06	321.73	337.12
TOTAL BILATERAL	9,643.46	10,103.18	10,276.76	10,084.80	10,165.16	10,597.89	10,434.65	10,575.15	10,401.43
<u>MULTILATERAL</u>									
ADB/ADF	2,301.03	2,393.60	2,404.62	2,475.99	2,726.74	2,910.65	2,886.38	2,988.35	3,024.74
BADEA	36.21	36.28	36.06	36.66	36.34	38.36	37.51	39.53	38.63
EEC/EIB	160.53	162.18	152.65	157.67	186.99	195.65	185.05	215.38	203.88
IBRD	-	-	-	250.00	250.00	296.11	294.15	294.98	293.90
IDA/IFAD	6,900.25	7,234.42	7,146.77	8,399.27	8,808.04	9,219.83	9,220.59	10,146.65	10,137.36
IMF**	407.37	360.66	341.14	1,038.33	1,047.10	1,016.70	985.04	1,652.44	1,635.00
OTHERS	52.49	51.40	49.46	49.13	49.66	51.86	48.32	48.97	47.26
TOTAL MULTILATERAL	9,857.88	10,238.54	10,130.70	12,407.05	13,104.87	13,729.16	13,657.03	15,386.29	15,380.77
COMMERCIAL¹	10,286.93	10,151.24	10,113.38	10,348.00	10,330.26	10,253.45	10,167.10	11,010.10	10,827.15
O/W International Sovereign Bond	-	-	-	-	-	-	-	7,106.58	7,100.00
EXPORT CREDIT	165.51	165.51	165.51	165.51	165.51	165.51	165.51	112.77	123.71
GRAND TOTAL	29,953.79	30,658.48	30,686.36	33,005.37	33,765.80	34,746.02	34,424.30	37,084.30	36,733.07
In percentage of total									
BILATERAL	32.19	32.95	33.49	30.56	30.10	30.50	30.31	28.52	28.32
MULTILATERAL	32.91	33.40	33.01	37.59	38.81	39.51	39.67	41.49	41.87
COMMERCIAL BANKS ¹	34.34	33.11	32.96	31.35	30.59	29.51	29.53	29.69	29.48
EXPORT CREDIT	0.55	0.54	0.54	0.50	0.49	0.48	0.48	0.30	0.34
TOTAL	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00

*Provisional

** include IMF item

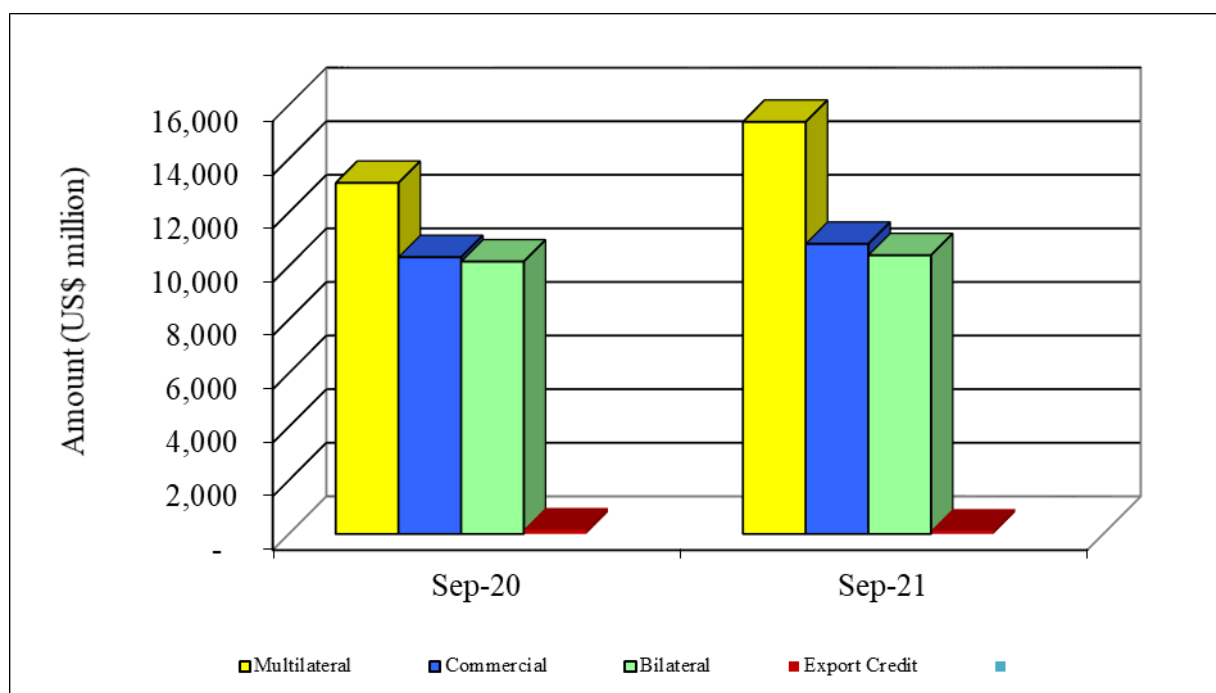
1/ incl. International Sovereign Bond

Note: The exchange rate as at end September, 2021 was KSh. 110.5 per dollar.

Source of Data: National Treasury

54. Compared to the same period in FY 2020/21, external public debt stock from commercial banks, multilateral institutions and bilateral sources recorded an increase in the period ending September, 2021. External debt stock from suppliers' credit decreased by KSh. 41.8 million as at September, 2021 (**Chart 15**).

Chart 15: External Public Debt by Source as at End September, 2021



Source of Data: National Treasury

3.3.1 External Debt Service

55. By the end of September 2021, the total cumulative debt service payments to external creditors amounted to KSh. 77.3 billion. This comprised of KSh. 47.2 billion (61.2 percent) principal and KSh. 30.0 billion (38.8 percent) interest (**Table 14**).

FISCAL DEVELOPMENTS

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

CATEGORY	Sep-21		
	PRINCIPAL*	INTEREST*	TOTAL*
BILATERAL			
ABU DHABI	-	-	-
AUSTRIA	11.47	8.85	20.32
BELGIUM	529.71	42.41	572.12
CANADA	-	-	-
CHINA	18,697.21	11,167.74	29,864.96
DENMARK	-	-	-
FINLAND	-	-	-
FRANCE	-	6.61	6.61
GERMANY	845.03	95.71	940.74
INDIA	324.02	42.02	366.04
ISRAEL	329.26	44.07	373.33
ITALY	-	2.62	2.62
JAPAN	-	0.72	0.72
KOREA	27.85	5.11	32.96
KUWAIT	55.34	0.84	56.18
NETHERLANDS	-	-	-
POLAND	-	-	-
SAUDI ARABIA	-	-	-
SPAIN	198.93	41.99	240.92
UK	-	-	-
USA	36.14	4.92	41.05
TOTAL BILATERAL	21,054.96	11,463.60	32,518.56
MULTILATERAL			
ADB/ADF	521.12	770.78	1,291.90
BADEA	50.72	10.72	61.44
EIB/EEC	824.77	229.81	1,054.58
IDA	6,183.80	2,572.25	8,756.05
OPEC	272.92	18.89	291.81
NDF	190.11	11.18	201.28
IFAD	213.32	67.47	280.79
IBRD	-	53.64	53.64
TOTAL MULTILATERAL	8,256.76	3,734.75	11,991.50
COMMERCIAL	17,953.90	14,820.25	32,774.16
GRAND TOTAL	47,265.63	30,018.59	77,284.22

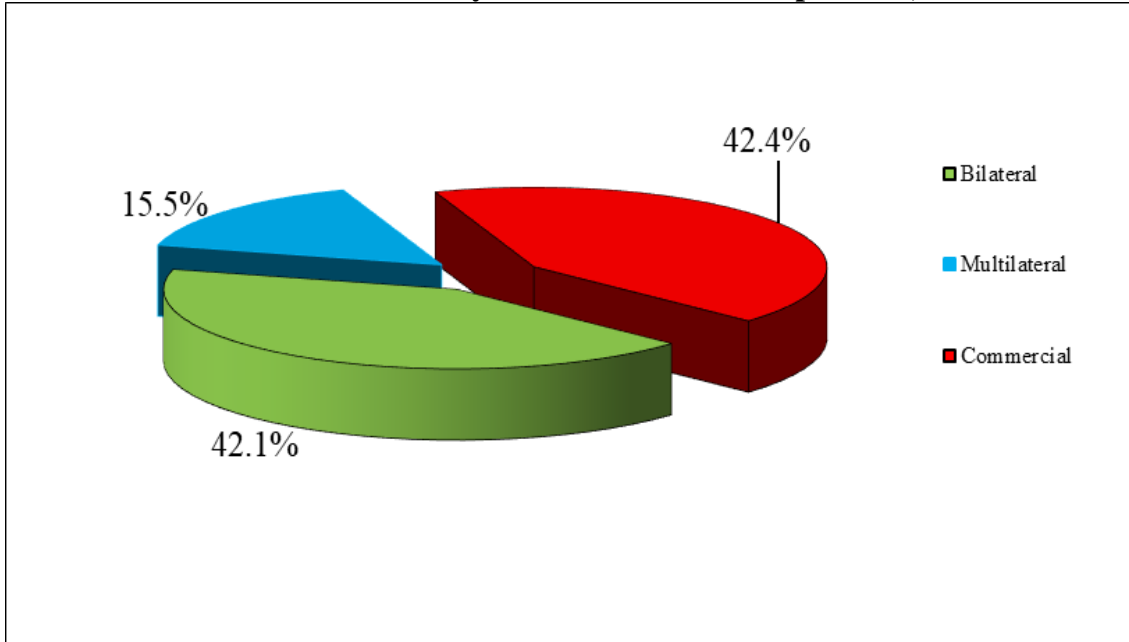
* Provisional

Source of Data: National Treasury

FISCAL DEVELOPMENTS

56. By the end of September 2021, the total cumulative debt service payments to external creditors comprised of 42.4 percent, 42.1 percent and 15.5 percent of the total payments to commercial, bilateral, and multilateral creditors respectively (**Chart 16**).

Chart 16: External Debt Service by Creditors at end of September, 2021



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	Printed Estimates
A.TOTAL REVENUE	1,254,790	1,440,389	1,525,556	1,704,363	1,736,982	1,783,747	2,038,664
1.Ordinary Revenue	1,152,544	1,306,568	1,365,063	1,499,757	1,573,418	1,562,015	1,775,624
Income Tax	560,762	625,050	640,546	685,330	706,936	694,053	834,472
VAT	289,213	339,034	357,129	414,143	383,713	410,758	472,907
Import Duty	79,638	89,943	93,685	106,875	98,022	108,375	118,954
Excise Duty	140,212	165,474	167,753	194,310	195,270	216,325	241,050
Other Revenue	82,719	87,067	105,950	99,099	189,477	132,504	108,241
2.Appropriation –in –Aid	102,247	133,820	160,493	204,606	163,564	221,732	263,040
B.EXPENDITURE & NET LENDING	1,804,520	2,111,896	2,146,843	2,433,707	2,565,444	2,749,464	3,030,326
1.Recurrent	1,036,636	1,165,037	1,349,896	1,531,083	1,645,222	1,796,588	1,991,947
Wages and Salaries	307,421	336,636	388,938	417,526	449,927	493,029	526,112
Interest Payments	215,328	271,233	323,890	375,723	437,202	495,142	560,262
Domestic Interest	172,857	212,865	239,470	272,351	315,362	388,830	421,897
Foreign Interest Due	42,471	58,368	84,420	103,372	121,840	106,312	138,365
Pensions, etc	53,401	63,958	65,099	70,804	89,605	112,872	137,225
O & M/ Others	429,046	457,150	534,347	625,791	626,394	652,065	719,756
Of which Appropriation-in-Aid	71,915	58,536	109,861	147,765	106,958	133,612	167,075
2.Development & Net Lending	486,662	641,843	469,673	541,884	594,944	553,883	623,498
Development Projects	343,338	392,217	255,213	289,029	389,571	339,226	344,035
Appropriation-in-Aid	134,757	241,183	211,931	243,408	204,712	214,657	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	409,881
5. Parliamentary Service	19,777	24,215	25,678	28,525	27,990	29,191	33,485
6. Judicial Service	11,662	11,846	11,944	12,713	14,103	14,289	15,106
7. Equalization Fund	6,400	6,000	-	6,962	-	-	6,825
8. Contingency Fund	-	-	-	-	-	-	5,000
D.DEFICIT EXCL. GRANTS (Commitment)	(549,730)	(671,507)	(621,287)	(729,344)	(828,461)	(965,717)	(991,662)
E.GRANTS	29,597	26,962	27,600	19,702	19,820	31,320	62,002
F.DEFICIT INCL.GRANTS (Commitment Basis)	(520,133)	(644,546)	(593,687)	(709,642)	(808,642)	(934,397)	(929,659)
G. ADJUSTMENT TO CASH BASIS	45,563	(14,169)	(34,678)	-	11,801	5,098	-
H.DEFICIT INCL.GRANTS (Cash Basis)	(474,570)	(658,715)	(628,365)	(709,642)	(796,841)	(929,299)	(929,659)
Discrepancy	(0)	38,502	2,716	11,416	(6,036)	20,936	-
I.FINANCING	474,570	697,217	631,081	721,058	790,804	950,235	929,659
Net Foreign Financing	269,924	385,745	354,977	414,518	340,431	323,310	271,182
Net Domestic Financing	204,646	311,472	276,104	306,540	450,373	626,926	658,477
In Percentage of GDP							
A.TOTAL REVENUE	17.4	17.8	17.1	17.5	16.4	15.8	16.5
1.Ordinary Revenue	16.0	16.2	15.3	15.4	14.8	13.8	14.3
Income Tax	7.8	7.7	7.2	7.0	6.7	6.1	6.7
VAT	4.0	4.2	4.0	4.2	3.6	3.6	3.8
Import Duty	1.1	1.1	1.1	1.1	0.9	1.0	1.0
Excise Duty	1.9	2.0	1.9	2.0	1.8	1.9	1.9
Other Revenue	1.1	1.1	1.2	1.0	1.8	1.2	0.9
2.Appropriation –in –Aid	1.4	1.7	1.8	2.1	1.5	2.0	2.1
B. EXPENDITURE & NET LENDING	25.0	26.1	24.1	25.0	24.2	24.3	24.5
1.Recurrent	14.3	14.4	15.1	15.7	15.5	15.9	16.1
Wages and Salaries	4.3	4.2	4.4	4.3	4.2	4.4	4.2
Interest Payments	3.0	3.4	3.6	3.9	4.1	4.4	4.5
Domestic Interest	2.4	2.6	2.7	2.8	3.0	3.4	3.4
Foreign Interest Due	0.6	0.7	0.9	1.1	1.1	0.9	1.1
Pensions, etc	0.7	0.8	0.7	0.7	0.8	1.0	1.1
O & M/ Others	5.9	5.7	6.0	6.4	5.9	5.8	5.8
of which Appropriation-in-Aid	1.0	0.7	1.2	1.5	1.0	1.2	1.3
2.Development & Net Lending	6.7	7.9	5.3	5.6	5.6	4.9	5.0
Development Projects	4.8	4.9	2.9	3.0	3.7	3.0	2.8
Appropriation-in-Aid	1.9	3.0	2.4	2.5	1.9	1.9	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	3.5	3.3
5. Parliamentary Service	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
7. Equalization Fund	0.1	0.1	-	0.1	-	-	0.1
D.DEFICIT EXCL. GRANTS (Commitment)	(7.6)	(8.3)	(7.0)	(7.5)	(7.8)	(8.5)	(8.0)
E.GRANTS	0.4	0.3	0.3	0.2	0.2	0.3	0.5
F.DEFICIT INCL.GRANTS (Commitment Basis)	(7.2)	(8.0)	(6.7)	(7.3)	(7.6)	(8.3)	(7.5)
G. ADJUSTMENT TO CASH BASIS	0.6	(0.2)	(0.4)	-	0.1	0.0	-
H.DEFICIT INCL.GRANTS (Cash Basis)	(6.6)	(8.2)	(7.0)	(7.3)	(7.5)	(8.2)	(7.5)
I.FINANCING	6.6	8.6	7.1	7.4	7.4	8.4	7.5
Foreign Financing	3.7	4.8	4.0	4.3	3.2	2.9	2.2
Net Domestic Financing	2.8	3.9	3.1	3.1	4.2	5.5	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	11,304,149.1	12,393,063.2

Source: National Treasury

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
	<i>Accounting method:</i>	<i>Cash</i>	<i>Cash</i>
1	Revenue	2,100,666	512,957
11	Taxes	1,825,958	453,495
111	Taxes on income, profits, and capital gains	834,472	195,472
1111	Payable by individuals	435,927	105,695
1112	Payable by corporations and other enterprises	398,545	89,776
114	Taxes on goods and services	810,009	212,234
1141	General taxes on goods and services	481,076	124,718
11411	Value-added taxes	472,907	120,378
11414	Taxes on financial and capital transactions ¹	8,169	4,339
1142	Excises ²	328,933	87,516
115	Taxes on international trade and transactions	181,477	45,790
1151	Customs and other import duties ³	181,477	45,790
12	Social contributions	473	121
122	Other social contributions	473	121
1221	Employee contributions	473	121
13	Grants	62,002	6,655
131	From foreign governments	40,253	3,886
1311	Current	-	-
1312	Capital	40,253	3,886
132	From international organizations	2,500	1,846
1321	Current	2,500	1,846
1322	Capital	-	-
133	From other general government units	19,250	924
1331	Current	19,250	924
1332	Capital	-	-
14	Other revenue	212,233	52,686
141	Property income	37,282	19,418
1411	Interest	1,981	82
1412	Dividends	29,996	18,747
1415	Rent	5,305	590
142	Sales of goods and services	171,134	32,747
1422	Administrative fees	171,134	32,747
143	Fines, penalties, and forfeits	2,205	475
144	Miscellaneous and unidentified revenue	1,612	46

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 Estimates FY2021/22	Prel. Actual FY2021/22 Q1
	<i>Accounting method:</i>	<i>Cash</i>	<i>Cash</i>
2	Expense	2,906,118	621,530
21	Compensation of employees	552,378	140,045
211	Wages and salaries	527,133	126,583
212	Social contributions	25,245	13,462
2121	Actual social contributions	25,245	13,462
22	Use of goods and services	256,771	97,266
	O/W Defence and NIS	157,123	38,618
	Free Secondary Education (FSE)	62,422	14,836
	Free Primary Education (FPE)	12,001	2,620
24	Interest	560,262	131,160
241	To nonresidents	138,365	30,019
242	To residents other than general government	421,897	101,142
25	Subsidies	2,875	5,620
251	To public corporations	-	-
252	To private enterprises	2,875	5,620
26	Grants	1,388,526	220,437
262	To international organizations	5,165	1,241
2621	Current	5,165	1,241
2622	Capital	-	-
263	To other general government units	1,383,361	219,196
2631	Current	800,071	102,939
	O/W Transfer to County Governments (ES)	259,000	42,735
	Transfer to Other levels of Government (Includes transfers to SOEs)	541,071	60,204
2632	Capital	583,289	116,257
	O/W Transfer to County Governments (ES)	111,000	18,315
	Transfer to Other levels of Government (Includes transfers to SOEs)	472,289	97,942
27	Social benefits	133,481	27,001
273	Employer social benefits	133,481	27,001
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 Estimates FY2021/22	Prel. Actual FY2021/22 Q1
	<i>Accounting method:</i>	<i>Cash</i>	<i>Cash</i>
3	Change in Net Worth: Transactions	(805,452)	(115,157)
31	Net acquisition of nonfinancial assets	124,207	10,132
311	Fixed assets	124,207	10,132
3111	Buildings and structures	118,915	9,415
3113	Other fixed assets	5,293	717
312	Inventories	-	-
32	Net acquisition of financial assets	3,141	(25,985)
3212	Currency and deposits (Domestic)	3,141	(25,985)
33	Net incurrence of liabilities	932,800	99,305
331	Domestic	661,618	127,459
3313	Securities other than shares	661,618	247,585
3314	Loans	-	(4,151)
3318	Other Accounts Payable	-	(115,975)
332	Foreign	271,182	(28,155)
3323	Securities other than shares	475,318	-
3324	Loans	(204,136)	(28,155)

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
	<i>Accounting method:</i>	<i>Cash</i>	<i>Cash</i>
	Cash Flows from Operating Activities:		
1	Cash receipts from operating activities	2,100,666	512,957
11	Taxes	1,825,958	453,495
12	Social contributions	473	121
13	Grants	62,002	6,655
14	Other receipts	212,233	52,686
2	Cash payments for operating activities	2,906,118	621,530
21	Compensation of employees	552,378	140,045
22	Purchases of goods and services	256,771	97,266
24	Interest	560,262	131,160
25	Subsidies	2,875	5,620
26	Grants	1,388,526	220,437
27	Social benefits	133,481	27,001
28	Other payments	11,825	-
	Net cash inflow from operating activities	(805,452)	(108,573)
	Cash Flowa from Investments in Nonfinancial Assets (NFAs):		
31A	Purchases of nonfinancial assets	124,207	10,132
311A	Fixed assets	124,207	10,132
312A	Strategic stocks	-	-
31	Net cash outflow: investments in NFAs (31=31.1-31.2)	124,207	10,132
	Cash surplus / deficit	(929,659)	(118,705)
	Cash Flows from Financing Activities:		
32x	Net acquisition of financial assets other than cash	3,141	(25,985)
321x	Domestic	3,141	(25,985)
322x	Foreign	-	-
33	Net incurrence of liabilities	932,800	99,305
331	Domestic	661,618	127,459
332	Foreign	271,182	(28,155)
NFB	Net cash inflow from financing activities	929,659	125,290
	Net change in the stock of cash	(0)	6,585
	Statistical Discrepancy⁴	-	-

⁴/Vertical check: Difference between cash surplus/deficit and total net cash inflow from financing 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
	<i>Accounting method:</i>	<i>Cash</i>	<i>Cash</i>
	Transactions Affecting Net Worth:		
1	Revenue	2,100,666	512,957
11	Taxes	1,825,958	453,495
12	Social contributions	473	121
13	Grants	62,002	6,655
14	Other revenue	212,233	52,686
2	Expense	2,906,118	621,530
21	Compensation of employees	552,378	140,045
22	Use of goods and services	256,771	97,266
24	Interest	560,262	131,160
25	Subsidies	2,875	5,620
26	Grants	1,388,526	220,437
27	Social benefits	133,481	27,001
28	Other expense	11,825	-
GOB	Gross operating balance	(805,452)	(108,573)
NOB	Net operating balance	(805,452)	(108,573)
	Transactions on Nonfinancial Assets:		
31	Net Acquisition of Nonfinancial Assets	124,207	10,132
311	Fixed assets	124,207	10,132
312	Change in inventories	-	-
NLB	Net lending / borrowing	(929,659)	(118,705)
	Transactions on Financial Assets and Liabilities (Financing):		
32	Net acquisition of financial assets	3,141	(25,985)
321	Domestic	3,141	(25,985)
322	Foreign	-	-
33	Net incurrence of liabilities	932,800	99,305
331	Domestic	661,618	127,459
332	Foreign	271,182	(28,155)
	Statistical Discrepancy⁵	-	6,585

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

Source: National Treasury