



Republic of Kenya

THE NATIONAL TREASURY AND ECONOMIC PLANNING

Quarterly Economic and Budgetary Review

Third Quarter, Financial Year 2022/2023
Period Ending 31st March, 2023

May 2023 Edition

Quarterly Economic and Budgetary Review

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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 THIRD QUARTERLY ECONOMIC AND BUDGETARY REVIEW REPORT IN THE 2022/23 FINANCIAL YEAR

1. Economic growth

In 2022, the economy slowed down to a growth of 4.8 percent compared to a revised growth of 7.6 percent in 2021. All economic activities registered positive growth rates except Agriculture, Forestry and Fishing, which contracted by 1.6 percent due to suppressed agricultural production, owing to adverse weather conditions during the year.

2. Inflation rate

Year-on-year overall inflation rate inflation has been above the 7.5 percent upper bound target since June 2022. Inflation rate increased to 9.2 percent in March 2023 from 5.6 percent in March 2022 driven by higher food prices attributed to supply chain disruptions, adverse weather conditions and higher fuel prices largely reflecting the scaling down of the fuel subsidy and increases in electricity prices due to higher tariffs.

3. Interest Rates

Short-term interest rates have remained relatively stable despite tight liquidity conditions. The interbank rate increased to 7.0 percent in March 2023 compared to 4.7 percent in March 2022 while the 91-day Treasury Bills rate was at 9.8 percent compared to 7.3 percent over the same period.

4. Money and Credit

Broad money supply, M3, grew by 10.6 percent in the year to March 2023 compared to a growth of 4.7 percent in the year to March 2022. The growth in March 2023 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 5,640.9 million (5.3 percent of GDP) in March 2023 compared to USD 5,537.7 million (4.8 percent of GDP) in March 2022. The current account balance was supported by an improvement in exports and net secondary income balance.

6. Foreign Exchange Reserves

The official foreign exchange reserves held by the Central Bank stood at USD 6,961.8 million in March 2023 compared to USD 8,432.2 million in March 2022. This represented 3.9 months of import cover as compared to the 5.0 months of import cover, respectively and therefore provides adequate buffer against short term shocks in the foreign exchange market.

7. Capital Markets

Activity in the capital markets slowed down in March 2023 compared to March 2022. The NSE 20 Share Index declined to 1,611 points in March 2023 compared to 1,847 points in March 2022 while Market capitalization also declined to KSh 1,740 billion from KSh 2,426 billion over the same period.

8. Revenue Collection

The National Government's cumulative revenue collection including A-I-A for the period between July 2022 – March, 2023 amounted to KSh. 1,686.0 billion (11.6

percent of GDP) against a target of KSh. 1,773.4 billion. The revenue was below the set target by KSh. 87.4 billion on account of underperformance of ordinary revenue.

9. Expenditure and Net Lending

The total expenditure and net lending inclusive of transfers to County Governments for the period ending 31st March, 2023 amounted to KSh. 2,209.2 billion, against a target of KSh. 2,339.9 billion. The resultant below target expenditure of KSh. 130.7 billion is mainly attributed to below target absorption recorded in development expenditures including Ministerial AIA and transfers to County Governments.

10. Guaranteed Debt

The government serviced guaranteed debt of KSh. 10.1 billion on behalf of Kenya Airways (KQ).

11. Fiscal Balance

The fiscal balance excluding grants (on a commitment basis) amounted to a deficit of KSh. 523.2 billion (3.6 percent of GDP), as at the end March, 2023.

12. External Financing

The Net Foreign Financing amounted to KSh. 80.1 billion (0.6 percent of the GDP) during the period under review.

13. Net Domestic Borrowing

Net domestic financing amounted to a net borrowing of KSh 287.8 billion (2.0 percent of GDP) in the period ending 31st March, 2023.

14. Domestic Debt Stock

The stock of gross domestic debt increased by KSh. 347.2 billion from KSh. 4,192.4 billion in March, 2022 to KSh. 4,539.6 billion in March, 2023

15. External Debt Stock

The total external debt stock, including the International Sovereign Bond, stood at KSh. 4,851.1 billion by the end of March, 2023. The debt stock comprised of multilateral debt (46.3 percent), commercial debt (26.8 percent), bilateral debt (26.6 percent) and suppliers' credit (0.3 percent).

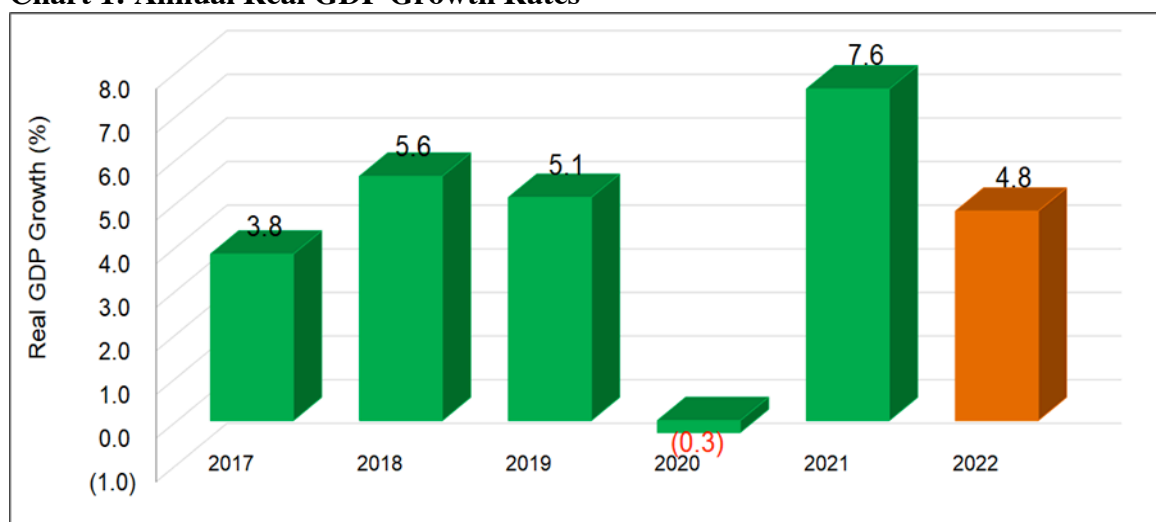
1.0 RECENT ECONOMIC DEVELOPMENTS

1.1 Economic Growth

1. In 2022, the economy sustained the growth momentum that started in 2021, after the recovery from the effects of the COVID-19 pandemic that had significantly slowed down economic activity. Real Gross Domestic Product (GDP) expanded by 4.8 percent in 2022 compared to a revised growth of 7.6 percent in 2021 (**Chart 1**). The slowdown in growth was due to the lingering effects of COVID-19 pandemic; the disruption of supply chain by the Russia-Ukraine conflict that affected global commodity prices; and the impact of climate change that led to drought affecting agricultural productivity. The growth in 2022 was spread across all sectors of the economy but was more pronounced in service-oriented activities.

2. During the year, all economic sectors registered positive growth rates except Agriculture, Forestry and Fishing which contracted by 1.6 percent due to suppressed agricultural production, owing to adverse weather conditions during the year. However, most of the sub-sectors of the economy, except information and communication and financial and insurance activities, posted decelerated growth compared to the significantly high growths attained in 2021 that signified recovery from the economic downturn in 2020.

Chart 1: Annual Real GDP Growth Rates



Source of Data: Kenya National Bureau of Statistics

3. Activities in the agriculture, forestry and fishing sub-sector contracted by 1.6 percent in 2022 compared to a contraction of 0.4 percent in 2021 (**Table 1**). The sub-sector's poor performance was mainly in crop and livestock production, which was severely affected by the widespread drought experienced in 2022. Low production of key food crops such as maize, potatoes, and vegetables was evident from the significantly high prices observed in 2022. The decline in the sub-sector was also reflected in the decline in tea production, vegetable and cut flower exports and the volume of marketed milk. The sub-sector's performance was cushioned from a steeper contraction by improved production in fruits, coffee, and Sugar Cane. The sub-sector's contribution to GDP growth was -0.3 percentage points in 2022 compared to -0.07 percentage points contribution in 2021.

Table 1: Sectoral GDP Growth rate (percent)

Sectors	2021					2022				
	Q1	Q2	Q3	Q4	Annual (Q1-Q4)	Q1	Q2	Q3	Q4	Annual (Q1-Q4)
Primary Industry	(0.1)	(1.30)	0.25	3.9	0.5	(0.4)	(1.5)	(1.5)	(0.8)	(1.0)
Agriculture, Forestry and Fishing	(0.6)	(1.8)	(0.6)	2.1	(0.4)	(1.7)	(2.4)	(1.3)	(0.9)	(1.6)
Mining and Quarrying	10.4	10.6	16.0	35.5	18.0	23.8	16.6	(4.5)	1.6	9.3
Secondary Sector (Industry)	3.7	9.1	8.7	6.1	6.8	4.4	4.2	3.0	2.5	3.5
Manufacturing	2.0	11.1	10.5	6.2	7.3	3.8	3.6	1.8	1.8	2.7
Electricity and Water supply	3.9	7.7	7.1	3.8	5.6	3.2	5.6	6.0	4.9	4.9
Construction	6.2	6.9	6.7	7.0	6.7	6.0	4.5	3.5	2.4	4.1
Tertiary sector (Services)	3.1	14.3	11.6	9.9	9.6	8.5	7.6	5.7	5.1	6.7
Wholesale and Retail trade	8.8	10.3	6.6	6.7	8.0	4.9	4.1	3.6	2.7	3.8
Accommodation and Restaurant	(28.3)	69.7	145.1	120.8	52.6	40.1	44.0	16.9	14.9	26.2
Transport and Storage	(7.9)	18.5	14.6	7.0	7.4	7.5	7.0	4.8	3.2	5.6
Information and Communication	5.1	11.8	1.4	6.9	6.1	9.0	11.2	11.8	8.0	9.9
Financial and Insurance	10.1	13.2	10.6	11.8	11.5	17.0	16.1	9.6	9.4	12.8
Public Administration	7.2	8.2	5.3	3.6	6.0	6.2	3.8	3.4	4.7	4.5
Others	3.6	15.5	13.6	10.9	10.8	6.7	5.5	4.7	4.1	5.2
of which Professional, Admin & Support Services	(12.3)	20.0	15.3	9.6	7.1	13.4	10.9	8.9	5.2	9.4
Real Estate	6.0	6.8	7.1	6.8	6.7	6.0	5.0	4.0	2.9	4.5
Education	12.0	34.4	30.9	18.4	22.8	4.7	4.4	3.8	6.0	4.8
Health	7.9	9.5	7.1	10.8	8.9	5.7	4.4	3.7	4.3	4.5
Taxes less subsidies	2.4	19.2	12.5	14.6	11.9	9.5	6.1	7.1	5.4	7.0
Real GDP	2.4	10.3	9.4	8.6	7.6	6.3	5.2	4.3	3.8	4.8
of which Non-Agriculture	3.2	13.5	11.3	9.5	9.3	8.1	7.2	5.1	4.6	6.2

Source of Data: Kenya National Bureau of Statistics

4. The performance of the industry sector slowed down to a growth of 3.5 percent in 2022 compared to a growth of 6.8 percent in 2021. This was mainly on account of a slowdown in activities in the manufacturing, electricity and water supply and construction sub-sectors. The industry sector accounted for 0.6 percentage points of growth in 2022 compared to 1.2 percentage points contribution in 2021.

5. Manufacturing sub-sector expanded by 2.7 percent in 2022 compared to 7.3 percent growth recorded in 2021. The decelerated growth was partly attributed to low agricultural production, especially food crops that are the main inputs to agro-processing. Electricity and Water Supply sub-sector expanded by 4.9 percent in 2022 compared to 5.6 percent growth registered in 2021. The growth in the sub-sector was supported by increased generation of electricity from renewable sources such as geothermal and wind that more than offset the potential detriment associated with the increase in generation of electricity from thermal sources and the decline in generation from hydroelectric sources.

6. Activities of the construction sub-sector expanded by 4.1 percent in 2022 compared to a 6.7 percent growth in 2021. This growth was largely underpinned by civil works such as construction and maintenance of roads during the review period. The slowdown in growth of the sector's performance in 2022 was evident in the decline in the volume of imported construction materials, cement clinkers, iron and steel, non-ferrous metals, and structural metals.

7. The activities in the services sector remained strong in 2022 after a strong recovery in 2021 from the effects of COVID-19 pandemic. The sector growth slowed down to 6.7 percent in 2022 compared to a growth of 9.6 percent in 2021. This performance was largely characterized by improved growths in information and communication, financial and

RECENT ECONOMIC DEVELOPMENTS

insurance and professional, administrative and support services sub-sectors. There were also substantial growths in accommodation and food services and transport and storage sub-sectors. The service sector accounted for 3.7 percentage points of growth in 2022, a decline compared to 5.4 percentage points contribution in 2021.

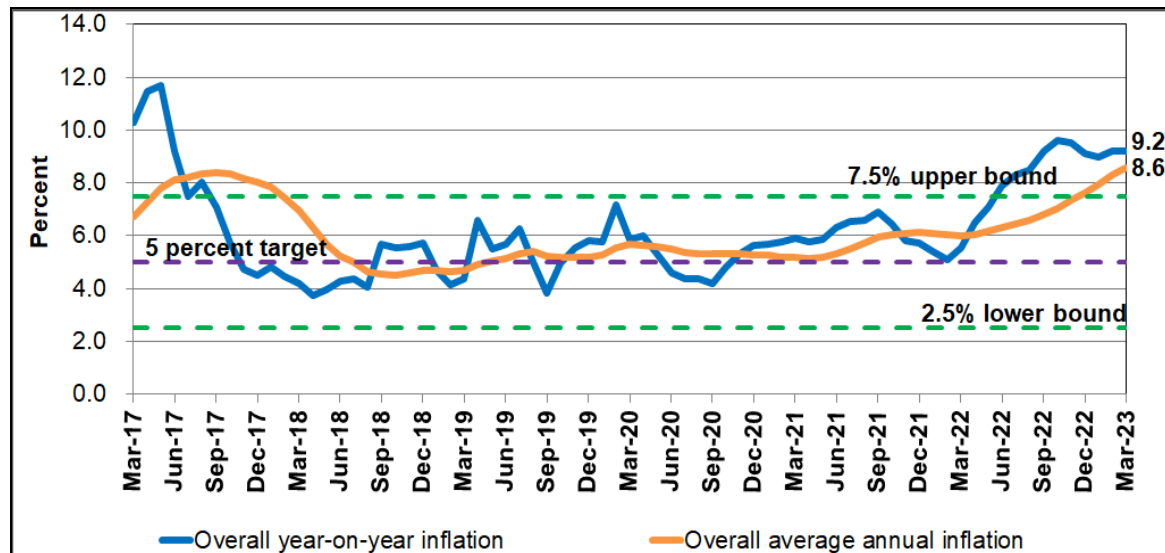
8. Information and communication sub-sector recorded a growth of 9.9 percent in 2022 compared to a growth of 6.1 percent in 2021 mainly supported by increase in mobile money transfers. Financial and insurance sub-sector remained vibrant to grow by 12.8 percent in 2022 compared to a growth of 11.5 percent in 2021 supported by improved activities in the financial service despite a slowdown in growth in insurance services.

9. Accommodation and Food Service sub-sector activities remained strong, growing by 26.2 percent in 2022 compared to a growth of 52.6 percent in 2021. The growth was reflected in the increased number of international visitor arrivals through Jomo Kenyatta International Airport (JKIA) and Moi International Airport (MIA), and the number of conferences held within the year. Transportation and Storage sub-sector grew by 5.6 percent in 2022 compared to a growth of 7.4 percent in 2021 supported by increased activities in the railway and air transport. However, the slowdown in the sub-sector's growth was mainly on account of a decline in total cargo throughput at the port of Mombasa.

1.2 Inflation

10. Year-on-year overall inflation rate has been above the 7.5 percent upper bound of the policy target range since June 2022. Inflation rate increased to 9.2 percent in March 2023 from 5.6 percent in March 2022 driven by higher food prices attributed to supply chain disruptions and adverse weather conditions and higher fuel prices largely reflecting the scaling down of the fuel subsidy and increases in electricity prices due to higher tariffs. Overall annual average inflation increased to 8.6 percent in March 2023 compared to 6.0 percent recorded in March 2022 due to relatively higher international food and fuel prices (**Chart 2a**).

Chart 2a: Inflation Rate



Source of Data: Kenya National Bureau of Statistics

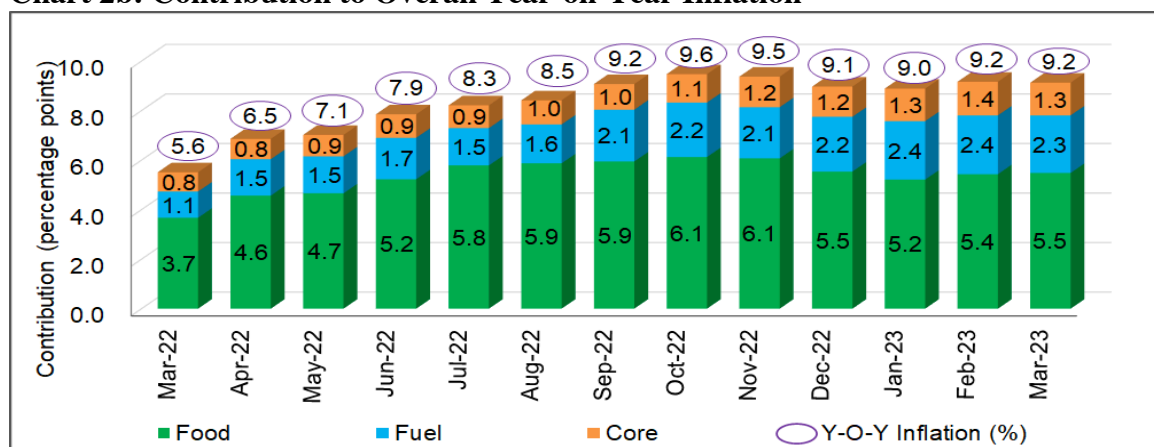
11. Food inflation remained the main driver of overall year-on-year inflation in March 2023, contributing 5.5 percentage points, an increase, compared to a contribution of 3.7 percentage points in March 2022 (**Chart 2b**). The increase was mainly attributed to

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unfavorable weather conditions and supply constraints of key food items particularly maize grain (loose), beans, cabbages, fortified maize flour, carrots, potatoes, fresh unpacked cow milk, sugar and kale.

12. Fuel inflation also increased to contribute 2.3 percentage points to year-on-year overall inflation in March 2023 from a contribution of 1.1 percentage points in March 2022. This was mainly driven by increases in electricity prices due to higher tariffs and increased prices of kerosene/paraffin, diesel and petrol on account of relatively higher international oil prices. The contribution of core (non-food non-fuel) inflation to year-on-year overall inflation has been low and stable, consistent with the muted demand pressures in the economy, supported by prudent monetary policy.

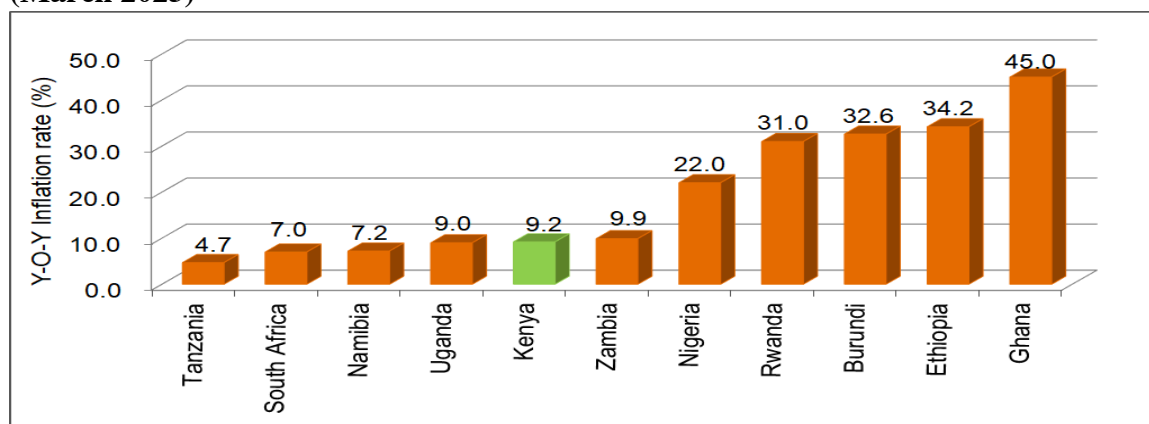
Chart 2b: Contribution to Overall Year-on-Year Inflation



Source of Data: Kenya National Bureau of Statistics

13. Inflation rate remains high in most Sub-Saharan African economies driven by unfavorable weather conditions and spillovers from the Russia- Ukraine conflict coupled with COVID-19 related supply chain disruptions, which increased transportation costs. Kenya's inflation rate at 9.2 percent in March 2023 is much lower than that of majority countries in the Sub-Saharan African region that have double digits' inflation (**Chart 2c**).

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



Source of Data: National Central Banks

1.3 Interest Rates

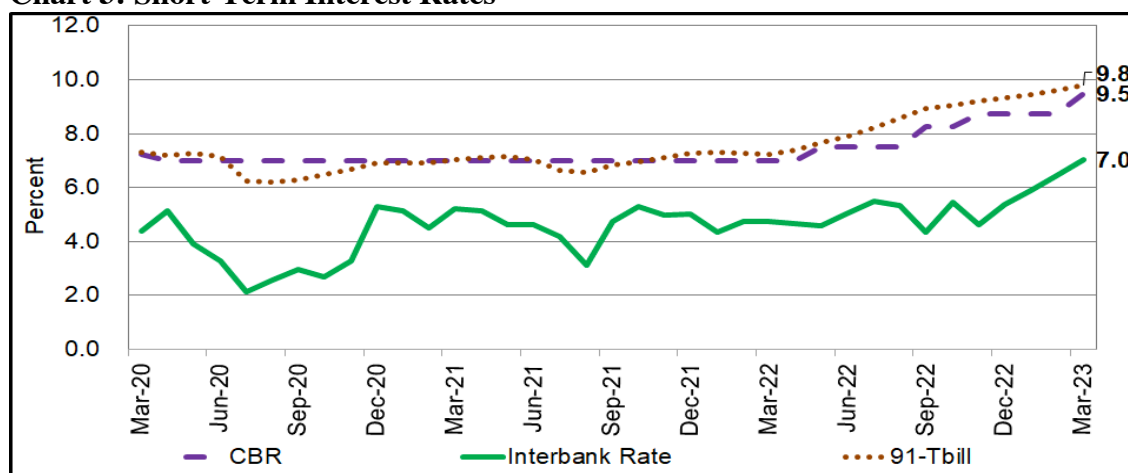
14. Monetary policy stance remains tight to anchor inflation expectations due to the sustained inflationary pressures, the elevated global risks, such as global economic slowdown

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and financial market volatility, and their potential impact on the domestic economy. In this regard, the Central Bank Rate was raised from 8.75 percent to 9.50 percent in March 2023 (**Chart 3**).

15. Short-term interest rates have remained relatively stable despite tight liquidity conditions. The interbank rate increased to 7.0 percent in March 2023 compared to 4.7 percent in March 2022 while the 91-day Treasury Bills rate was at 9.8 percent compared to 7.3 percent over the same period.

Chart 3: Short-Term Interest Rates



Source of Data: Central Bank of Kenya

16. Commercial banks' lending rates remained relatively stable in February 2023 supported by the prevailing monetary policy stance during the period. The average lending rate was at 13.1 percent in February 2023 from 12.2 percent in February 2022 while the average deposit rate increased to 7.5 percent from 6.6 percent over the same period. Consequently, the average interest rate spread declined to 5.5 percent in February 2023 from 5.6 percent in February 2022.

1.4 Money and Credit

17. Broad money supply, M3, grew by 10.6 percent in the year to March 2023 compared to a growth of 4.7 percent in the year to March 2022 (**Table 2**). This growth was mainly due to an increase in domestic credit, particularly net lending to the private sector. This growth was however curtailed by the continued subdued Net Foreign Assets (NFA). Net Foreign Assets (NFA) of the banking system in the year to March 2023 contracted by 27.9 percent, compared to a contraction of 38.0 percent in the year to March 2022. The subdued NFA partly reflected a reduction in official reserves at the Central Bank due to scheduled debt service, and the increase in commercial bank borrowing from foreign sources.

18. Net Domestic Assets (NDA) registered a growth of 14.9 percent in the year to March 2023, an improvement compared to a growth of 13.6 percent over a similar period in 2022. The growth in NDA was mainly supported by resilient growth in credit to the private sector as business activities improved. Further, the lending to other public sectors increased slightly by 5.7 percent during the period, mainly due to advances to County Governments and Parastatals. Growth of domestic credit extended by the banking system to the Government declined to a growth of 17.1 percent in the year to March 2023 compared to a growth of 25.0 percent in the year to March 2022.

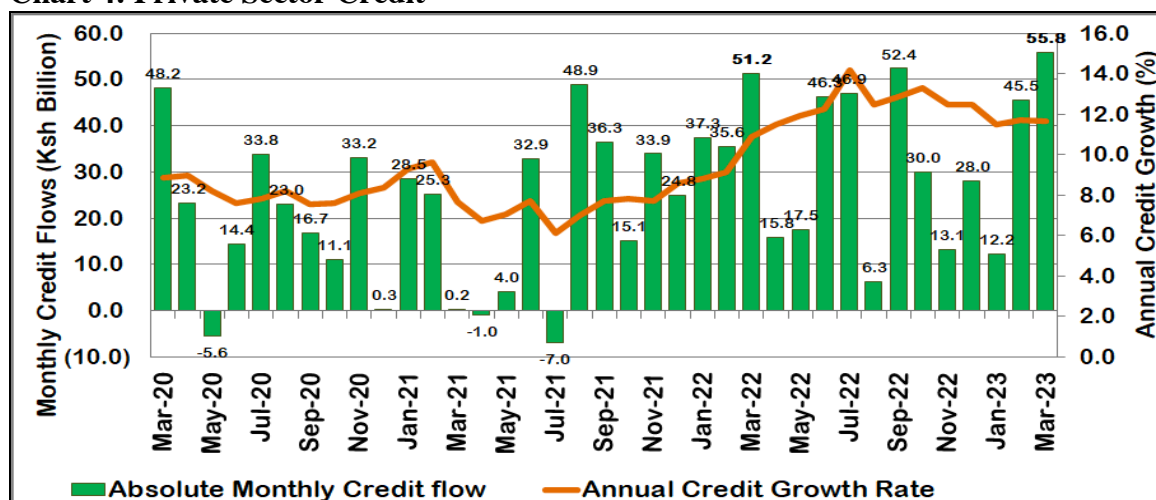
Table 2: Money and Credit Developments (12 Months to March 2023 KSh Billion)

				Change		Percent Change	
	2021 March	2022 March	2023 March	2021-2022 March	2022-2023 March	2021-2022 March	2022-2023 March
COMPONENTS OF M3							
1. Money supply, M1 (1.1+1.2+1.3)	1,716.7	1,796.3	1,885.8	79.6	89.5	4.6	5.0
1.1 currency outside banks (M0)	225.8	248.1	252.8	22.3	4.7	9.9	1.9
1.2 Demand deposits	1,405.5	1,477.2	1,553.0	71.7	75.9	5.1	5.1
1.3 Other deposits at CBK	85.4	71.1	80.0	(14.3)	8.9	(16.8)	12.6
2. Money supply, M2 (1+2.1)	3,250.3	3,410.2	3,610.5	159.9	200.4	4.9	5.9
2.1 Time and savings deposits	1,533.5	1,613.8	1,724.7	80.3	110.9	5.2	6.9
Money supply, M3 (2+3.1)	4,030.0	4,221.2	4,668.7	191.3	447.5	4.7	10.6
3.1 Foreign currency deposits	779.7	811.1	1,058.2	31.4	247.1	4.0	30.5
SOURCES OF M3							
1. Net foreign assets (1.1+1.2)	691.0	428.1	308.7	(262.9)	(119.4)	(38.0)	(27.9)
1.1 Central Bank	690.7	600.8	433.6	(89.9)	(167.2)	(13.0)	(27.8)
1.2 Banking Institutions	0.3	(172.7)	(124.9)	(173.0)	47.8	(54,748.8)	27.7
2. Net domestic assets (2.1+2.2)	3,339.0	3,793.1	4,360.0	454.2	566.9	13.6	14.9
2.1 Domestic credit (2.1.1+2.1.2+2.1.3)	4,361.2	5,022.6	5,697.9	661.4	675.3	15.2	13.4
2.1.1 Government (net)	1,406.6	1,758.3	2,058.9	351.7	300.6	25.0	17.1
2.1.2 Other public sector	89.3	87.1	92.1	(2.2)	5.0	(2.5)	5.7
2.1.3 Private sector	2,865.3	3,177.3	3,547.0	312.0	369.7	10.9	11.6
2.2 Other assets net	(1,022.2)	(1,229.5)	(1,337.9)	(207.2)	(108.4)	(20.3)	(8.8)

Source of Data: Central Bank of Kenya

18. Private sector credit improved to a growth of 11.6 percent in the 12 months to March 2023 compared to a growth of 10.9 percent in the year to March 2022 (**Chart 4**). The improvement was due to the fact that all economic sectors registered positive growth rates reflecting increased credit demand following improved economic activities. Strong credit growth was observed in various sub-sectors that include mining, finance and insurance, transport and communication, manufacturing, agriculture, trade, and consumer durables. Monthly (month on month) credit flows to the private sector also improved from KSh 51.2 billion in March 2022 to KSh 55.8 billion in March 2023.

Chart 4: Private Sector Credit

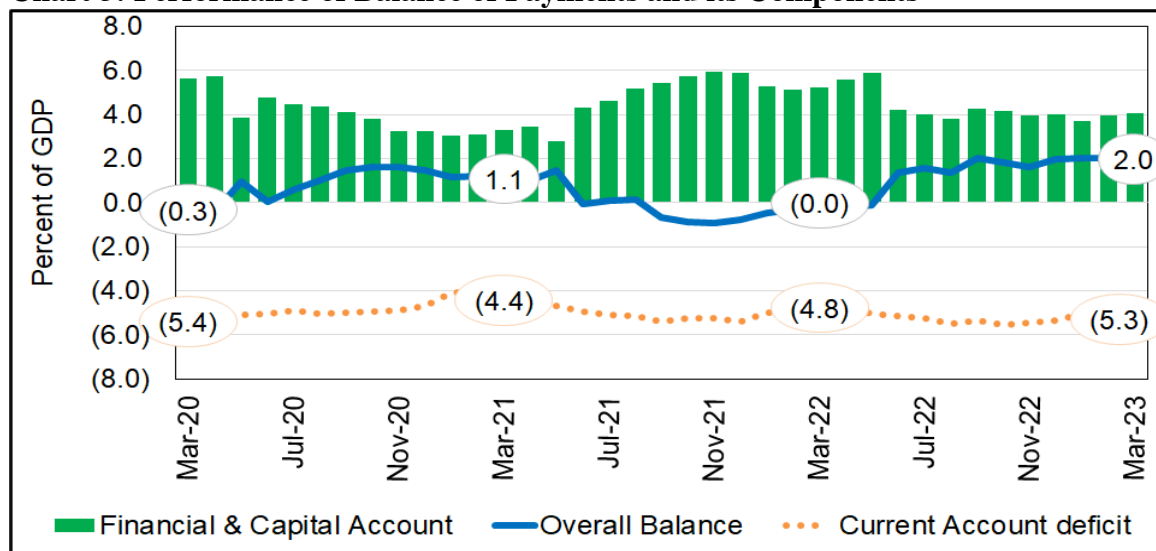


Source of Data: Central Bank of Kenya

1.5 Balance of Payments

19. The overall balance of payments position improved to a surplus of USD 2,094.6 million (2.0 percent of GDP) in March 2023 from a deficit of USD 14.6 million (0.01 percent of GDP) in March 2022 (**Chart 5**). This was mainly supported by the capital account despite a decline in the financial account reflecting concerns about financial sector stability in the advanced economies.

Chart 5: Performance of Balance of Payments and its Components



Source of Data: Central Bank of Kenya

20. The current account deficit was at USD 5,640.9 million (5.3 percent of GDP) in March 2023 compared to USD 5,537.7 million (4.8 percent of GDP) in March 2022. The current account balance was supported by an improvement in the net merchandise account and the net secondary income balance despite a deterioration in the net primary income balance and net receipts on the services account.

21. The balance in the merchandise account improved by USD 141.3 million to a deficit of USD 11,230.4 million in March 2023 mainly due to an improvement in the export earnings in spite of increased payments on imports (**Table 3**). In the year to March 2023, exports grew by 8.4 percent primarily driven by improved receipts from tea and manufactured goods despite a decline in receipts from horticulture. The increase in receipts from tea exports reflects improved prices attributed to demand from traditional markets. On the other hand, imports grew by 2.4 percent in the 12 months to March 2023 compared to 23.0 percent in a similar period in 2022, with lower imports of infrastructure related equipment due to completed projects.

22. Net receipts on the services account declined by 39.2 percent to USD 825.7 million in March 2023 compared to a similar period in 2022. This was mainly on account of increased expenditure on services despite an increase in receipts from transportation and tourism as international travel continues to improve. Net Secondary income remained resilient and increased by USD 320.8 million during the review period owing to an increase in remittances which amounted to USD 4,020 million in the 12 months to March 2023 and were 2.8 percent higher compared to a similar period in 2022. However, the balance on the primary account widened by USD 32.0 million to a deficit of USD 1,882.9 million in March 2023, compared to the same period last year, reflecting higher interest related payments on other investments.

Table 3: Balance of Payments (USD Million)

				Year to March 2023		Percent of GDP	
	Mar-21	Mar-22	Mar-23	Change	Percent Change	Mar-22	Mar-23
Overall Balance	1,191.3	(14.6)	2,094.6	2,109.2	14,474.1	(0.01)	2.0
A) Current Account	(4,854.8)	(5,537.7)	(5,640.9)	(103.2)	(1.9)	(4.8)	(5.3)
<i>Merchandise Account (a-b)</i>	(8,768.9)	(11,371.7)	(11,230.4)	141.3	1.2	(9.8)	(10.5)
a) Goods: exports	6,050.9	6,863.1	7,436.8	573.6	8.4	5.9	7.0
b) Goods: imports	14,819.8	18,234.8	18,667.2	432.4	2.4	15.7	17.5
<i>Net Services (c-d)</i>	289.1	1,358.9	825.7	(533.3)	(39.2)	1.2	0.8
c) Services: credit	3,614.3	5,636.1	6,296.3	660.1	11.7	4.8	5.9
d) Services: debit	3,325.1	4,277.2	5,470.6	1,193.4	27.9	3.7	5.1
<i>Net Primary Income (e-f)</i>	(1,501.2)	(1,850.9)	(1,882.9)	(32.0)	(1.7)	(1.6)	(1.8)
e) Primary income: credit	101.2	56.2	46.1	(10.1)	(17.9)	0.0	0.0
f) Primary income: debit	1,602.4	1,907.0	1,928.9	21.9	1.1	1.6	1.8
<i>Net Secondary Income</i>	5,126.2	6,326.0	6,646.7	320.8	5.1	5.4	6.2
g) Secondary income: credit	5,213.5	6,460.9	6,744.3	283.4	4.4	5.6	6.3
h) Secondary income: debit	87.3	134.9	97.6	(37.4)	(27.7)	0.1	0.1
B) Capital Account	179.4	188.3	187.0	(1.3)	(0.7)	0.2	0.2
C) Financial Account	(3,443.4)	(5,854.9)	(4,137.9)	1,716.9	29.3	(5.0)	(3.9)

Source of Data: Central Bank of Kenya

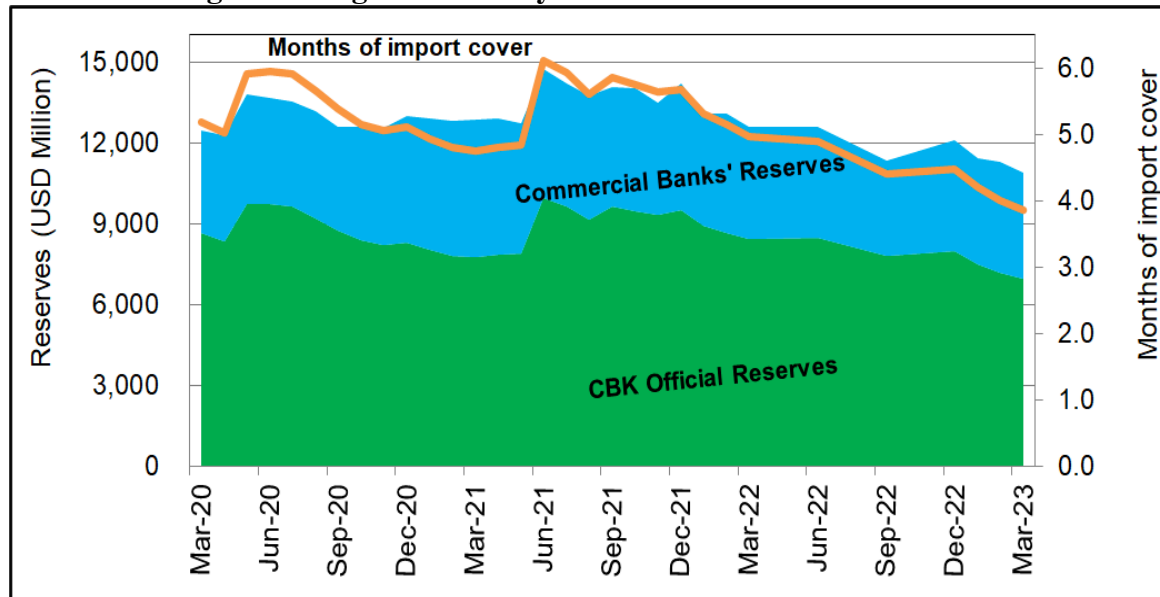
23. The capital account balance remained generally stable to register a surplus of USD 187.0 million in March 2023 compared to a surplus of USD 188.3 million in the same period in 2022. Net financial inflows slowed down but remained vibrant at USD 4,137.9 million in March 2023 compared to USD 5,854.9 million in March 2022. 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

24. The banking system's foreign exchange holdings remained strong at USD 10,901.1 million in March 2023 from USD 12,590.0 million in March 2022. The official foreign exchange reserves held by the Central Bank stood at USD 6,961.8 million compared to USD 8,432.2 million over the same period (**Chart 6**). Commercial banks holdings decreased to USD 3,939.4 million in March 2023 from USD 4,157.8 million in March 2022.

25. The official reserves held by the Central Bank in March 2023 represented 3.9 months of import cover as compared to the 5.0 months of import cover in March 2022. It, therefore, fulfilled the requirement to maintain it at a minimum of 4.0 months of imports cover to provide adequate buffer against short-term shocks in the foreign exchange market.

Chart 6: Foreign Exchange Reserves by March 2023

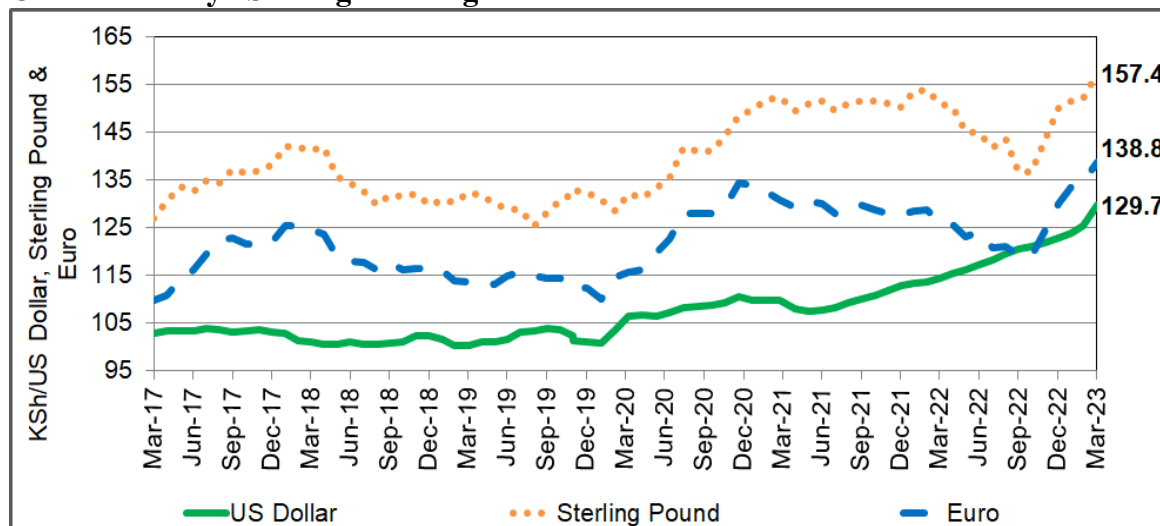


Source of Data: Central Bank of Kenya

1.7 Exchange Rates

26. The foreign exchange market has largely remained stable despite the tight global financial conditions attributed to strengthening of the US Dollar and uncertainties regarding the ongoing Russian-Ukraine conflict. Due to the strong dollar, the exchange rate to the Kenya shilling like with all world currencies has weakened to exchange at KSh 129.7 in March 2023 compared to KSh 114.3 in March 2022. Against the Euro, the Kenya shilling weakened to exchange at KSh 138.8 in March 2023 compared to KSh 126.2 in March 2022 while against the Sterling Pound the Kenyan shilling also weakened to exchange at KSh 157.4 compared to KSh 151.0, over the same period (Chart 7a).

Chart 7a: Kenya Shilling Exchange Rate



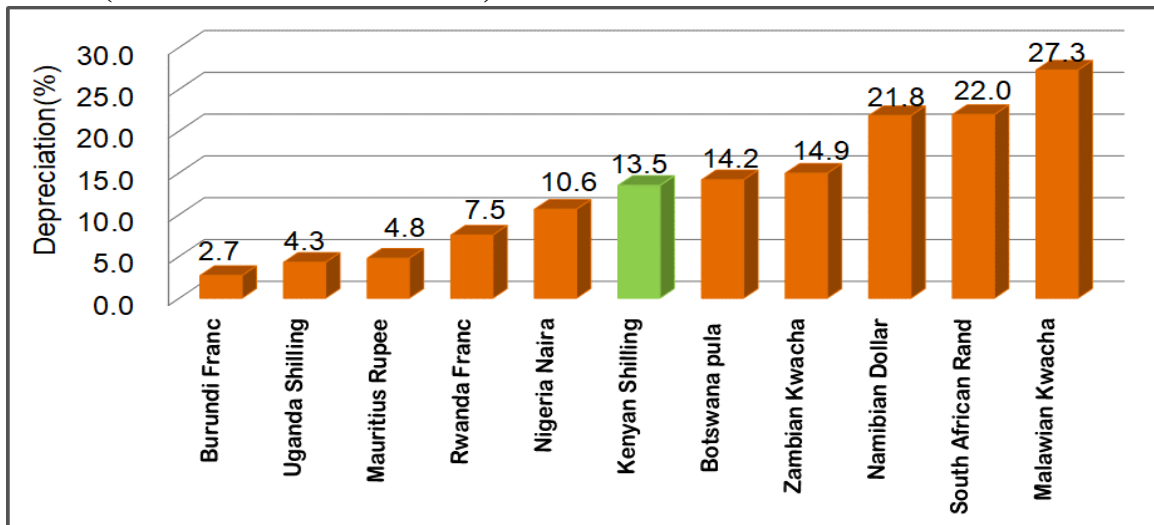
Source of Data: Central Bank of Kenya

27. In comparison to Sub-Saharan Africa currencies, the volatility of the Kenya Shilling exchange rate has remained relatively low, depreciating at a rate of 13.5 percent against the US Dollar in the 12 months to March 2023 (Chart 7b). The depreciation rate of the Kenya Shilling was lower than that of Botswana pula, Zambian Kwacha, Namibian Dollar, South

RECENT ECONOMIC DEVELOPMENTS

African Rand and Malawian Kwacha. The stability in the Kenya Shilling was supported by increased remittances, adequate foreign exchange reserves and improved exports receipts.

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

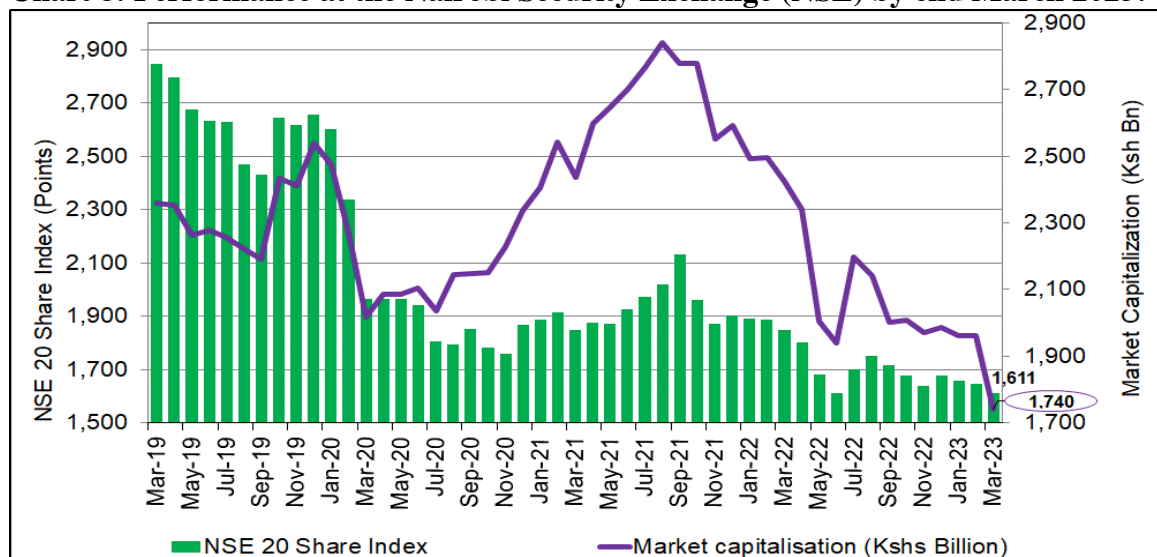


Source of Data: National Central Banks

1.8 Capital Markets

28. Activity in the capital markets slowed down in March 2023 compared to March 2022 due to the outflow of investors as advanced economies tightened their monetary policy amid recession fears. The NSE 20 Share Index declined to 1,611 points in March 2023 compared to 1,847 points in March 2022 while Market capitalization also declined to KSh 1,740 billion from KSh 2,426 billion over the same period (Chart 8).

Chart 8: Performance at the Nairobi Security Exchange (NSE) by end March 2023.



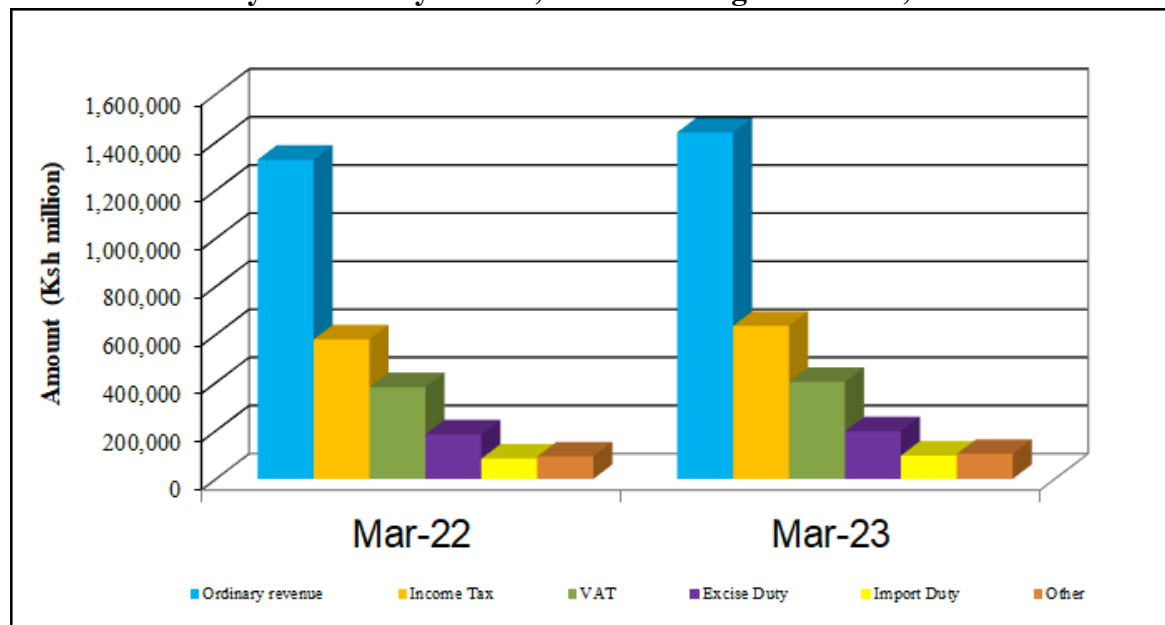
Source of Data: Nairobi Securities Exchange

2.0 FISCAL DEVELOPMENTS

2.1 Revenue

29. By the end of March, 2023, total revenue collected including A-I-A amounted to KSh. 1,686 billion against a target of KSh. 1,773.4 billion. The revenue collection was below the set target by KSh. 87.4 billion on account of ordinary revenue. The total revenue inclusive of the ministerial A-I-A recorded a growth of 10.9 percent compared to a growth of 22.1 percent recorded in March 2022. Ordinary revenue collection was KSh. 1,441.2 billion against a target of KSh. 1,553.3 billion, KSh. 112.1 billion below the target. All ordinary revenue categories recorded below target performance during the period under review except import declaration fees which over performed by KSh. 1.1 billion while traffic and other revenue were on target ((Table 4) and Chart 9).

Chart 9: Ordinary Revenue by Source, Period Ending 31st March, 2023



Source of Data: National Treasury

30. The ministerial A-I-A collected amounted to KSh. 244.8 billion against a target of KSh. 220.1 billion, KSh. 24.7 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. 29.6 billion against a target of KSh. 26.8 billion. The revenue data in Government Finance Statistics Manual 2014 (GFSM 2014) format is shown in annex II.

FISCAL DEVELOPMENTS

Table 4: Government Revenue and External Grants, Period Ending 31st March, 2023 (KSh. Millions)

	2021/2022 Actual	2022/2023		Deviation KSh.	% Growth
		Actual*	Target		
Total Revenue (a+b)	1,520,934	1,686,043	1,773,399	(87,356)	10.9
(a) Ordinary Revenue	1,327,527	1,441,234	1,553,290	(112,056)	8.6
Import Duty	84,954	97,119	106,960	(9,840)	14.3
Excise Duty	185,818	198,646	214,082	(15,436)	6.9
PAYE	333,558	352,573	375,977	(23,404)	5.7
Other Income Tax	247,070	284,365	319,885	(35,520)	15.1
VAT Local	182,963	201,210	221,558	(20,348)	10.0
VAT Imports	199,344	202,862	207,809	(4,947)	1.8
Investment Revenue	20,308	21,416	25,223	(3,807)	5.5
Traffic Revenue	3,276	3,371	3,298	73	2.9
Taxes on Intl. Trade & Trans.(IDF Fee)	35,387	41,140	40,060	1,080	16.3
Others ¹	34,850	38,531	38,438	93	10.6
(b) Appropriation In Aid ²	193,406	244,809	220,109	24,700	26.6
o/w Railway Development Levy	25,919	29,637	26,849	2,788	14.3
(c) External Grants	20,028	18,191	11,453	6,738	(9.2)
Total Revenue and External Grants	1,540,961	1,704,234	1,784,852	(80,618)	10.6
Total Revenue and External Grants as a percentage of GDP	12.08	11.74	12.29	-	-

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

31. As a proportion of GDP, the total revenue and grants in the period under review was 11.7 percent compared to 12.1 percent in the corresponding period in the FY 2021/22. Total grants amounted to KSh. 18.2 billion against a target of KSh. 11.5 billion, which is an above target performance of KSh. 6.7 billion.

2.2 Expenditure

32. The total expenditure and net lending for the period under review amounted to KSh. 2,209.2 billion, against a target of KSh. 2,340 billion. The resultant below target expenditure of KSh. 130.9 billion is attributed to below target expenditure recorded in development expenditures (including A-I-A) by the National Government and County Governments transfers while recurrent expenditures were above target during period. Recurrent expenditure for National Government amounted to KSh. 1,633.8 billion (excluding KSh. 41.6 billion for Parliament and Judiciary), against a target of KSh. 1,581.9 billion which was KSh. 51.9 billion above the set target. The over expenditure in recurrent category was mainly due to higher than targeted operations and maintenance expenditures, and wages and salaries (**Table 5 and Chart 10**).

FISCAL DEVELOPMENTS

Table 5: Expenditure and Net Lending, Period Ending 31st March, 2023 (KSh. Millions)

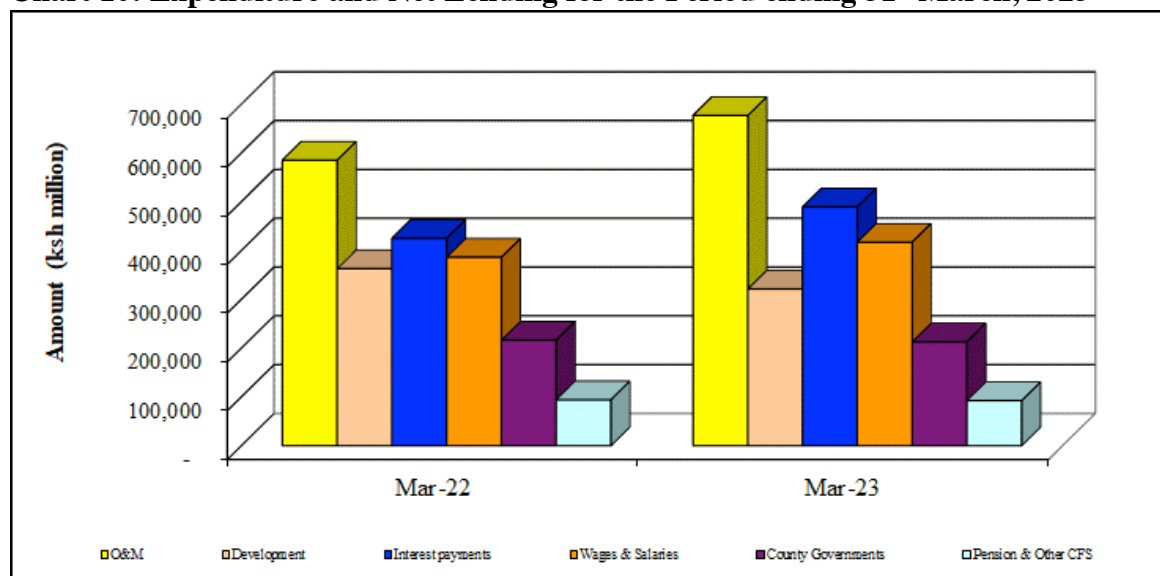
	2021/2022 Actual	2022/2023		Deviation	% Growth
		Actual*	Targets		
1. RECURRENT	1,467,916	1,633,785	1,581,859	51,926	11.3
Domestic Interest	332,230	373,597	373,778	(182)	12.5
Foreign Interest	92,542	115,718	105,192	10,526	25.0
Pensions & Other CFS	94,013	92,341	109,037	(16,696)	(1.8)
Contribution to Civil Servants' Pension	18,487	22,850	23,921	(1,071)	23.6
Wages and Salaries	386,234	416,861	404,664	12,197	7.9
Operation and Maintenance	544,411	612,417	565,265	47,152	12.5
O/W: Appropriation-in-Aid	127,026	189,193	144,316	44,877	48.9
2. DEVELOPMENT	362,747	321,059	427,343	(106,284)	(11.5)
Development Projects (Net)	304,423	255,365	339,115	(83,750)	(16.1)
Payment of Guaranteed Loans	-	10,077	9,301	776	-
Appropriation-in-Aid	58,324	55,617	68,508	(12,891)	(4.6)
3. County Governments	216,320	212,750	279,448	(66,698)	(1.7)
4. Parliamentary Service	15,671	30,203	36,162	(5,959)	92.7
5. Judicial Service	6,459	11,444	15,100	(3,655)	77.2
6. Equalization Fund	-	-	10,420	(10,420)	-
7. CF	-	-	-	-	-
TOTAL EXPENDITURE	2,069,113	2,209,241	2,339,911	(130,670)	6.8

*Provisional

Source of Data: National Treasury

33. Foreign interest payments amounted to KSh. 115.7 billion, higher than KSh. 92.5 billion paid over the same period in the FY2021/22. The domestic interest payments amounted to KSh. 373.6 billion, which was higher than the KSh. 332.2 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 31st March, 2023



Source of Data: National Treasury

2.2.1 National Government Expenditures by Public Agencies

34. The total ministerial and other public agencies expenditure including A.I.A was KSh. 1,362.6 billion against a target of KSh. 1,580.0 billion. Recurrent expenditure was KSh. 1,070.9 billion against a target of KSh. 1,124.4 billion, while development expenditure amounted to KSh. 291.7 billion against a target of KSh. 455.6 billion. The percentage of total expenditures to the target was 86.2 percent while the percentage of total expenditures to the target for recurrent and development were 95.2 percent and 64.0 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.

35. As at 31st March, 2023, recurrent expenditures by the State Department for Basic Education, State Department for Higher Education and Research; Teachers Service Commission; State Department for Vocational Education and Training, State Department for Post Training and Skills Development; State Department for Implementation of Curriculum Reforms, the Ministry of Health and State Department for Public Health and Professional Standards (Social Sector) accounted for 42.5 percent of total recurrent expenditure. In addition, Ministry of Defence and the State Department for Interior and Citizen Services accounted for 8.3 percent and 9.7 percent of total recurrent expenditure respectively.

36. Analysis of development outlay indicates that the National Treasury accounted for the largest share of the total development expenditure (19.1 percent) followed by the State Department for Roads (18.6 percent), and State Department for Water and Sanitation (11.4 percent). The expenditures by large Ministries/State Departments were below target because of under reporting of expenditure from the sub-national, parastatals and some donor funded projects. **Table 6** shows the recurrent and development expenditures by Ministries, State Departments and other government entities for the period under review.

FISCAL DEVELOPMENTS

Table 6: National Government Expenditures by Public Agencies, Period Ending 31st March, 2023 (KSh. Millions)

MINISTRY/DEPARTMENT/COMMISSIONS	Mar-23			Mar-23			Mar-23			% of Total Exp. To Target
	Actual*	Target	Variance	Actual*	Target	Variance	Actual*	Target	Variance	
Office of the President	17,835	18,205	(370)	3,083	5,513	(2,430)	20,918	23,718	(2,800)	88.2
Office of the Deputy President	-	733	(733)	-	-	-	-	733	(733)	-
Office of the Prime Cabinet Secretary	-	605	(605)	-	-	-	-	605	(605)	-
State Department for Interior and Citizen Services	103,615	65,701	37,914	3,801	3,181	620	107,416	68,882	38,534	155.9
State Department for Correctional Services	18,224	23,926	(5,702)	181	574	(393)	18,405	24,500	(6,095)	75.1
State Department for Immigration and Citizen Services	-	1,948	(1,948)	-	-	-	-	1,948	(1,948)	-
National Police Service	-	29,512	(29,512)	-	-	-	-	29,512	(29,512)	-
State Department for Internal Security & National	-	8,087	(8,087)	-	-	-	-	8,087	(8,087)	-
State Department for Devolution	831	1,110	(279)	72	128	(57)	903	1,238	(335)	72.9
State Department for Development of the ASAL	2,608	4,777	(2,169)	4,891	7,175	(2,284)	7,499	11,952	(4,453)	62.7
Ministry of Defence	88,699	101,036	(12,336)	-	2,601	(2,601)	88,699	103,657	(14,957)	85.6
Ministry of Foreign Affairs	9,019	10,569	(1,550)	1,087	822	265	10,106	11,391	(1,285)	88.7
State Department for Foreign Affairs	-	3,748	(3,748)	-	-	-	-	3,748	(3,748)	-
State Department for Diaspora Affairs	-	530	(530)	-	-	-	-	530	(530)	-
State Department for Technical Vocational Education and	13,885	14,244	(359)	1,436	2,722	(1,287)	15,321	16,966	(1,645)	90.3
State Department for Higher Education and Research	80,495	77,723	2,772	1,879	3,132	(1,254)	82,374	80,855	1,518	101.9
State Department for Basic Education	82,720	80,013	2,706	8,058	17,647	(9,589)	90,778	97,660	(6,882)	93.0
State Department for Post Training and Skills Development	128	121	7	-	-	-	128	121	7	105.7
State Department for Implementation of Curriculum Reforms	146	175	(29)	-	-	-	146	175	(29)	83.2
The National Treasury	40,461	46,463	(6,003)	55,574	86,700	(31,126)	96,035	133,163	(37,128)	72.1
State Department for Economic Planning	2,723	2,951	(227)	18,169	33,530	(15,361)	20,892	36,481	(15,588)	57.3
Ministry of Health	58,505	50,048	8,457	23,787	37,100	(13,313)	82,292	87,149	(4,856)	94.4
State Department for Public Health and Professional Standards	-	2,209	(2,209)	-	-	-	-	2,209	(2,209)	-
State Department for Roads	56,561	51,932	4,629	54,350	78,452	(24,102)	110,911	130,384	(19,473)	85.1
State Department for Transport	5,684	8,031	(2,347)	130	60	70	5,814	8,091	(2,277)	71.9
State Department for Shipping and Maritime Affairs	2,301	1,616	685	1	517	(516)	2,302	2,133	169	107.9
State Department for Housing & Urban Development	881	887	(6)	5,644	8,415	(2,771)	6,525	9,302	(2,778)	70.1
State Department for Public Works	3,133	2,236	897	305	594	(289)	3,438	2,830	608	121.5
State Department for Irrigation	-	144	(144)	-	-	-	-	144	(144)	-
Ministry of Environment and Forestry	8,560	6,821	1,739	1,415	2,758	(1,343)	9,976	9,580	396	104.1
State Department for Water & Sanitation	5,086	4,526	560	33,193	38,772	(5,579)	38,279	43,298	(5,019)	88.4
State Department for Lands and Physical Planning	2,105	2,227	(122)	1,075	1,041	34	3,180	3,268	(88)	97.3
State Department for Information Communication Technology &	1,743	2,121	(378)	5,904	8,408	(2,504)	7,647	10,529	(2,882)	72.6
State Department for Broadcasting & Telecommunications	4,499	4,599	(101)	214	238	(24)	4,713	4,837	(124)	97.4
State Department for Sports	2,287	1,404	883	5,160	11,837	(6,678)	7,447	13,241	(5,795)	56.2
State Department for Culture and Heritage	1,963	2,218	(255)	19	21	(2)	1,981	2,239	(258)	88.5
State Department for Energy	5,225	8,746	(3,522)	18,572	31,537	(12,965)	23,797	40,284	(16,486)	59.1
State Department for Livestock Development	2,178	2,525	(348)	409	2,736	(2,328)	2,586	5,261	(2,675)	49.2
State Department for the Blue Economy and Fisheries	1,542	1,725	(183)	2,194	2,833	(639)	3,736	4,558	(822)	82.0
State Department for Crop Development	15,108	10,387	4,721	20,202	36,470	(16,268)	35,311	46,858	(11,547)	75.4
State Department for Cooperatives	3,241	1,417	1,823	10,718	15,092	(4,374)	13,959	16,509	(2,551)	84.6
State Department for Trade	1,511	1,818	(307)	770	927	(158)	2,280	2,745	(464)	83.1
State Department for Industry	2,671	1,875	796	711	1,081	(371)	3,381	2,956	426	114.4
State Department for Micro, Small and Medium Enterprises	-	488	(488)	-	-	-	-	488	(488)	-
State Department for Investment Promotion	-	679	(679)	-	-	-	-	679	(679)	-
State Department for Labour and Skills Development	2,281	2,203	78	160	317	(157)	2,440	2,520	(79)	96.8
State Department for Social Protection and Senior Citizens	23,253	26,398	(3,144)	1,496	2,476	(981)	24,749	28,874	(4,125)	85.7
State Department for Mining	-	178	(178)	-	-	-	-	178	(178)	-
Ministry of Petroleum and Mining	40,614	47,894	(7,280)	2,024	1,882	142	42,638	49,776	(7,138)	85.7
State Department for Tourism	4,545	7,296	(2,751)	-	26	(26)	4,545	7,321	(2,777)	62.1
State Department for Wildlife	6,540	6,076	465	64	182	(119)	6,604	6,258	346	105.5
State Department for Gender and Affirmative Action	944	913	30	1,321	2,117	(797)	2,264	3,031	(766)	74.7
State Department for Public Service	18,264	16,930	1,335	198	227	(29)	18,462	17,157	1,306	107.6
State Department for Youth Affairs	1,029	1,046	(16)	542	1,057	(515)	1,571	2,103	(532)	74.7
State Department for East African Community	458	490	(31)	-	-	-	458	490	(31)	93.6
State Department for Regional and Northern Corridor	2,655	2,512	143	591	704	(113)	3,246	3,215	31	101.0
The State Law Office	3,864	4,144	(280)	54	121	(67)	3,917	4,264	(347)	91.9
The Judiciary	10,980	14,424	(3,445)	-	1,425	(1,425)	10,980	15,849	(4,870)	69.3
Ethics and Anti-Corruption Commission	2,491	2,565	(75)	47	63	(16)	2,537	2,628	(91)	96.5
National Intelligence Service	24,531	27,846	(3,315)	-	-	-	24,531	27,846	(3,315)	88.1
Office of the Director of Public Prosecutions	2,578	2,866	(288)	7	34	(27)	2,586	2,900	(315)	89.2
Office of the Registrar of Political Parties	1,114	1,162	(48)	-	-	-	1,114	1,162	(48)	95.9
Witness Protection Agency	368	487	(119)	-	-	-	368	487	(119)	75.7
State Department for Forestry	-	1,794	(1,794)	-	-	-	-	1,794	(1,794)	-
Kenya National Commission on Human Rights	353	334	19	-	-	-	353	334	19	105.7
National Land Commission	989	1,132	(143)	-	-	-	989	1,132	(143)	87.4
Independent Electoral and Boundaries Commission	17,687	15,268	2,419	-	-	-	17,687	15,268	2,419	115.8
Parliamentary Service Commission	6,426	6,701	(275)	-	-	-	6,426	6,701	(275)	95.9
National Assembly	19,456	24,765	(5,309)	-	-	-	19,456	24,765	(5,309)	78.6
Parliamentary Joint Services	4,321	4,695	(375)	1,555	1,549	6	5,875	6,244	(369)	94.1
Judicial Service Commission	465	675	(211)	-	-	-	465	675	(211)	68.8
The Commission on Revenue Allocation	268	391	(123)	-	-	-	268	391	(123)	68.6
Public Service Commission	1,818	1,756	62	8	20	(12)	1,825	1,776	49	102.8
Salaries and Remuneration Commission	301	365	(63)	-	-	-	301	365	(63)	82.7
Teachers Service Commission	219,402	230,822	(11,420)	610	492	118	220,012	231,314	(11,302)	95.1
National Police Service Commission	660	752	(93)	-	-	-	660	752	(93)	87.7
Auditor General	4,333	4,764	(431)	3	292	(290)	4,336	5,056	(720)	85.8
Office of the Controller of Budget	412	454	(42)	-	-	-	412	454	(42)	90.7
The Commission on Administrative Justice	416	425	(10)	-	-	-	416	425	(10)	97.7
National Gender and Equality Commission	315	303	12	5	8	(3)	320	311	9	103.0
Independent Policing Oversight Authority	622	695	(73)	-	-	-	622	695	(73)	89.5
Total	1,070,925	1,124,380	(53,455)	291,686	455,607	(163,921)	1,362,611	1,579,987	(217,376)	86.2

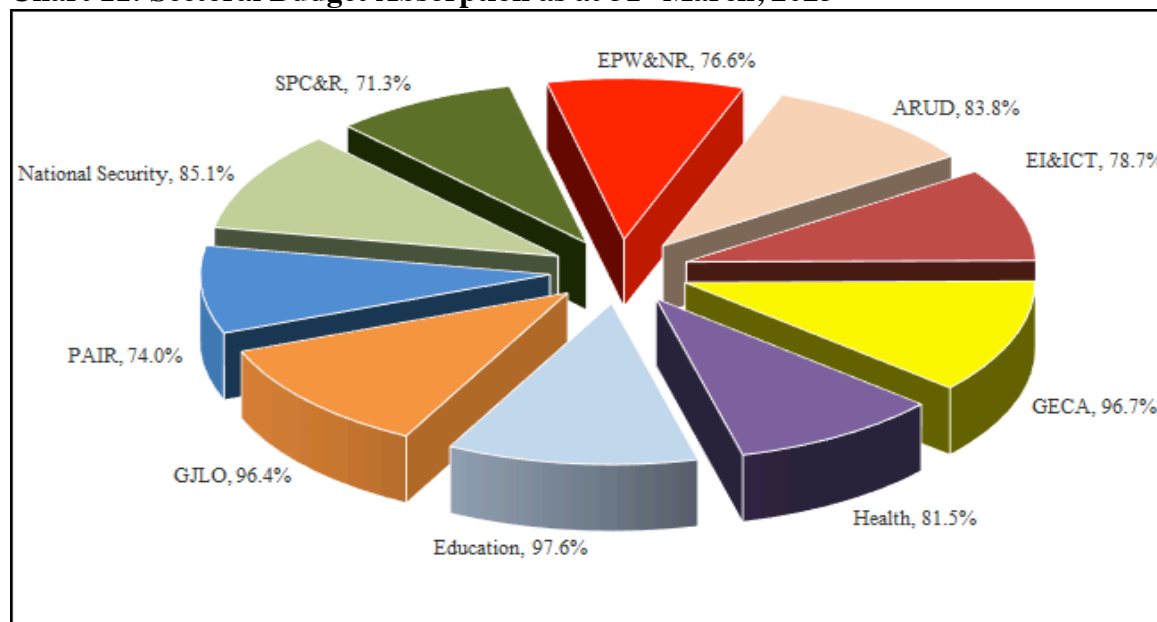
*Provisional

Source of Data: National Treasury

FISCAL DEVELOPMENTS

37. During the period under review, the Education sector recorded the highest absorption at 97.6 percent followed by General Economic and Commercial Affairs (GECA) at 96.7 percent and Governance, Justice, Law and Order (GJLO) at 96.4 percent. Social Protection, Culture and Recreation (SPC&R) recorded the lowest absorption of 71.3 percent (**Chart 11**).

Chart 11: Sectoral Budget Absorption as at 31st March, 2023



Source of Data: National Treasury

2.2.2 Pending Bills

38. The total outstanding national government pending bills as at 31st March, 2023 amounted to KSh. 537.2 billion. These comprise of KSh. 450.2 billion (85 percent) and KSh. 79.3 billion (15 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 belong to Contractor/Projects and Suppliers. Ministries/State Departments and other government Agencies pending bills constitute mainly of historical pending bills as at March 2023.

39. 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. 04/2022.

2.2.3 Guaranteed Debt Service

40. During the FY 2022/23, the Government guarantee to Kenya Airways (KQ) was called as a result of non-payment of the loan principal. Following the call, the Government has been paying the arrears. The arrears of KSh 10.1 billion has been paid as at 31st March 2023.

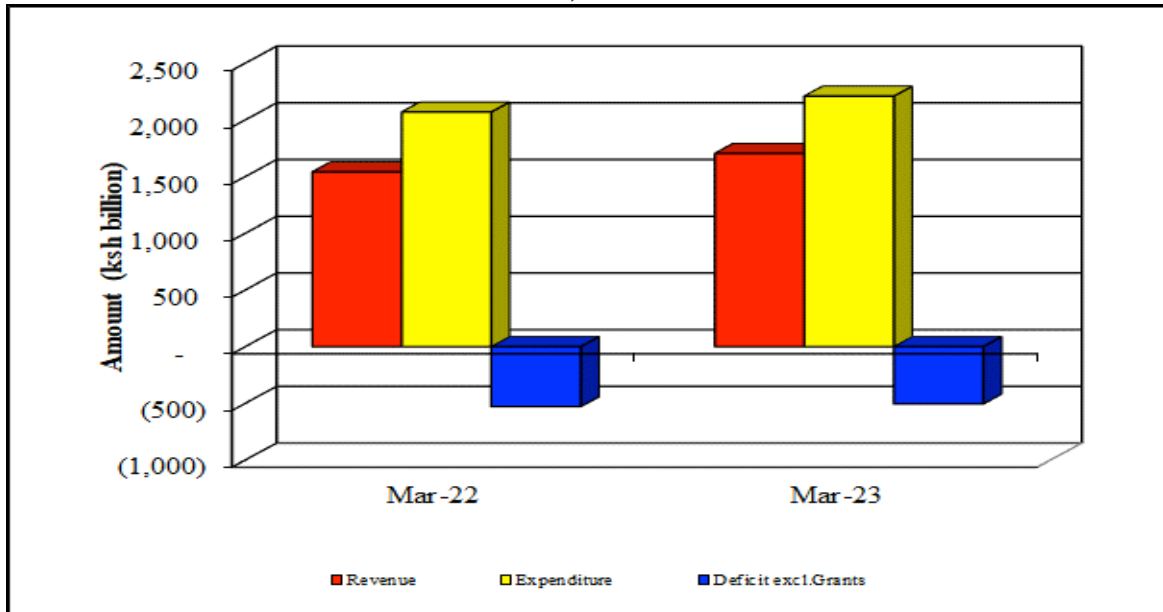
2.3 Fiscal Outturn

41. During the period July 2022 to March 2023, the fiscal balance (on commitment basis and excluding grants) amounted to KSh. 523.2 billion (3.6 percent of GDP) against a targeted deficit of KSh. 566.5 billion (3.9 percent of GDP) (**Chart 12 and Table 8**). The fiscal balance

FISCAL DEVELOPMENTS

(on a commitment basis and including grants) stood at 3.5 percent of GDP against a target deficit of 3.8 percent of GDP.

Chart 12: Fiscal Balance as at 31st March, 2023



Source of Data: National Treasury

42. Over the same period in FY2021/22, the fiscal deficit including grants (on commitment basis) stood at KSh. 528.2 billion (4.1 percent of GDP). The fiscal outturn in the last six FYs; the Printed Estimates for the FY 2022/23; and the revised Estimates for the FY 2022/23 are shown in **Annex I**. Further, GFSM 2014 Compliant Budgetary Central Government fiscal data for the FY 2022/23 are shown in annexes V and VI.

FISCAL DEVELOPMENTS

Table 8: Budget Outturn, Cumulative Ending 31st March, 2023 (KSh. Millions)

	2021/2022	2022/2023			% growth	2022/2023 as a % of GDP		2021/2022 Actual as a % of GDP
	Actual	Actual*	Targets	Deviation		Actual	Targets	
A. TOTAL REVENUE AND GRANTS	1,540,961	1,704,234	1,784,852	(80,618)	10.6	11.7	12.3	12.1
1. Revenue	1,520,934	1,686,043	1,773,399	(87,356)	10.9	11.6	12.2	11.9
Ordinary Revenue	1,327,527	1,441,234	1,553,290	(112,056)	8.6	9.9	10.7	10.4
Import Duty	84,954	97,119	106,960	(9,840)	14.3	0.7	0.7	0.7
Excise Duty	185,818	198,646	214,082	(15,436)	6.9	1.4	1.5	1.5
Income tax	580,628	636,938	695,862	(58,924)	9.7	4.4	4.8	4.6
VAT	382,307	404,072	429,367	(25,295)	5.7	2.8	3.0	3.0
Investment Revenue	20,308	21,416	25,223	(3,807)	5.5	0.1	0.2	0.2
Others	73,513	83,042	81,796	1,246	13.0	0.6	0.6	0.6
Appropriation-in-Aid	193,406	244,809	220,109	24,700	26.6	1.7	1.5	1.5
2. Grants	20,028	18,191	11,453	6,738	(9.2)	0.1	0.1	0.2
AMISOM Receipts	2,536	6,982	0	6,982	-	-	-	0.0
Nairobi County to NMS	4,017	0	0	-	-	-	-	-
Revenue	4,115	7,283	5,095	2,188	77.0	0.1	0.0	0.0
Appropriation-in-Aid	9,359	3,926	6,358	(2,432)	(58.1)	0.0	0.0	0.1
B. EXPENDITURE AND NET LENDING	2,069,113	2,209,241	2,339,911	(130,670)	6.8	15.2	16.1	16.2
1. Recurrent	1,490,046	1,675,431	1,633,120	42,312	12.4	11.5	11.2	11.7
Domestic Interest	332,230	373,597	373,778	(182)	12.5	2.6	2.6	2.6
Foreign Interest	92,542	115,718	105,192	10,526	25.0	0.8	0.7	0.7
Pension & Other CFS	94,013	92,341	109,037	(16,696)	(1.8)	0.6	0.8	0.7
Contribution to Civil Servants' Pension	18,487	22,850	23,921	(1,071)	-	-	-	-
Wages and Salaries	386,234	416,861	404,664	12,197	7.9	2.9	2.8	3.0
O & M/Others	566,541	654,064	616,526	37,537	15.4	4.5	4.2	4.4
2. Development and Net Lending	362,747	321,059	427,343	(106,284)	(11.5)	2.2	2.9	2.8
O/W Domestically financed	266,147	205,184	258,632	(53,447)	(22.9)	1.4	1.8	2.1
Foreign financed	96,600	105,798	148,991	(43,193)	9.5	0.7	1.0	0.8
3. Net Lending	0	10,077	9,301	776	-	-	-	-
4. Equalization Fund	0	-	10,420.0	(10,420)	-	0.0	0.1	0.0
5. County Governments	216,320	212,750	279,448	(66,698)	(1.7)	1.5	1.9	1.7
5. CF	-	-	-	-	-	0.0	-	0.0
C. DEFICIT EXCL. GRANT (Commitment basis)	(548,179)	(523,197)	(566,511)	43,314	(4.6)	(3.6)	(3.9)	(4.3)
D. DEFICIT INCL. GRANTS (Commitment basis)	(528,151)	(505,006)	(555,058)	50,052	(4.4)	(3.5)	(3.8)	(4.1)
E. ADJUSTMENT TO CASH BASIS	36,708	115,884	-	115,884	0.8	-	-	0.3
F. DEFICIT INCL. GRANTS (Cash basis)	(491,443)	(389,122)	(555,058)	165,936	(20.8)	(2.7)	(3.8)	(3.9)
<i>Discrepancy</i>	<i>(38,295)</i>	<i>(21,240)</i>	<i>-</i>	<i>(21,240)</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>
G. FINANCING	453,148	367,882	555,058	(187,176)	(18.8)	2.5	3.8	3.6
1. Net Foreign financing	(19,351)	80,111	144,167	(64,056)	(514.0)	0.6	1.0	(0.2)
Disbursements	125,373	266,950	321,980	(55,030)	112.9	1.8	2.2	1.0
Programme Loans	42,247	100,173	100,224	(51)	-	0.7	0.7	0.3
Project Cash Loans	22,787	42,619	56,218	(13,599)	87.0	0.3	0.4	0.2
Project Loans AIA	60,339	45,734	82,677	(36,943)	(24.2)	0.3	0.6	0.5
Use of IMF SDR Allocation	0	42,847	47,285	(4,437)	#DIV/0!	0.3	0.3	0.0
Commercial Financing	0	35,576	35,576	-	-	0	0.2	-
Debt repayment - Principal	(144,724)	(186,839)	(177,813)	(9,026)	29.1	(1.3)	(1.2)	(1.1)
2. Net Domestic Financing	472,499	287,771	410,891	(123,120)	(39.1)	2.0	2.8	3.7
Government Securities	485,846	238,360	407,717	(169,357)	(50.9)	1.6	2.8	3.8
Government Overdraft & Others	14,273	25,078	-	25,078	-	0.2	-	0.1
Movement in Government Deposits	99,159	22,033	-	22,033	-	0.2	-	0.8
Domestic Loan Repayments (Net Receipts)	3,165	2,854	3,729	(875)	(9.8)	0.0	0.0	0.0
Domestic Loan Repayment	(555)	(555)	(555)	-	-	0.0	(0.0)	(0.0)
Other Accounts Payable	(129,389)	-	-	-	-	0.0	-	0.0
MEMO ITEM								
GDP ESTIMATE	12,736,133	14,521,624	14,521,624	-	14.0	100.0	100.0	100.0

*Provisional

Source of Data: National Treasury

2.4 Financing

2.4.2 External Financing

43. During the period ending March, 2023, net foreign financing amounted to KSh. 80.1 billion (**Table 9**). Total disbursements (inflows) including Appropriations-in-Aid amounted to KSh. 267 billion against a target of KSh. 322 billion. The actual total disbursement comprised of KSh 100.2 billion program loans, KSh. 88.4 billion Project Loans, KSh 42.8 billion use of IMF-SDR allocation; and KSh 35.6 billion commercial financing. The External repayments (outflows) of principal debt amounted to KSh. 186.8 billion. The amount comprised of principal repayments due to bilateral sources, commercial institutions and multilateral sources amounting to KSh. 101.2 billion, KSh. 52.2 billion and KSh. 33.4 billion, respectively.

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

	Quarter 3 FY2021/22	Quarter 3 FY2022/23	
	Actual*	Actual*	Target
DISBURSEMENTS:	125,373	266,950	321,980
Project Cash loans	22,787	42,619	56,218
Project loans A-I-A	60,339	45,734	82,677
Commercial Financing	-	35,576	35,576
Use of IMF SDR Allocation	-	42,847	47,285
Programme Loans	42,247	100,173	100,224
EXTERNAL REPAYMENTS:	144,724	186,839	177,813
Bilateral(incl. Italy Debt SWAP)	64,604	101,206	95,519
Multilateral (excl. IMF)	24,227	33,453	29,343
Commercial	55,893	52,180	52,950
NET FOREIGN FINANCING	(19,351)	80,111	144,167

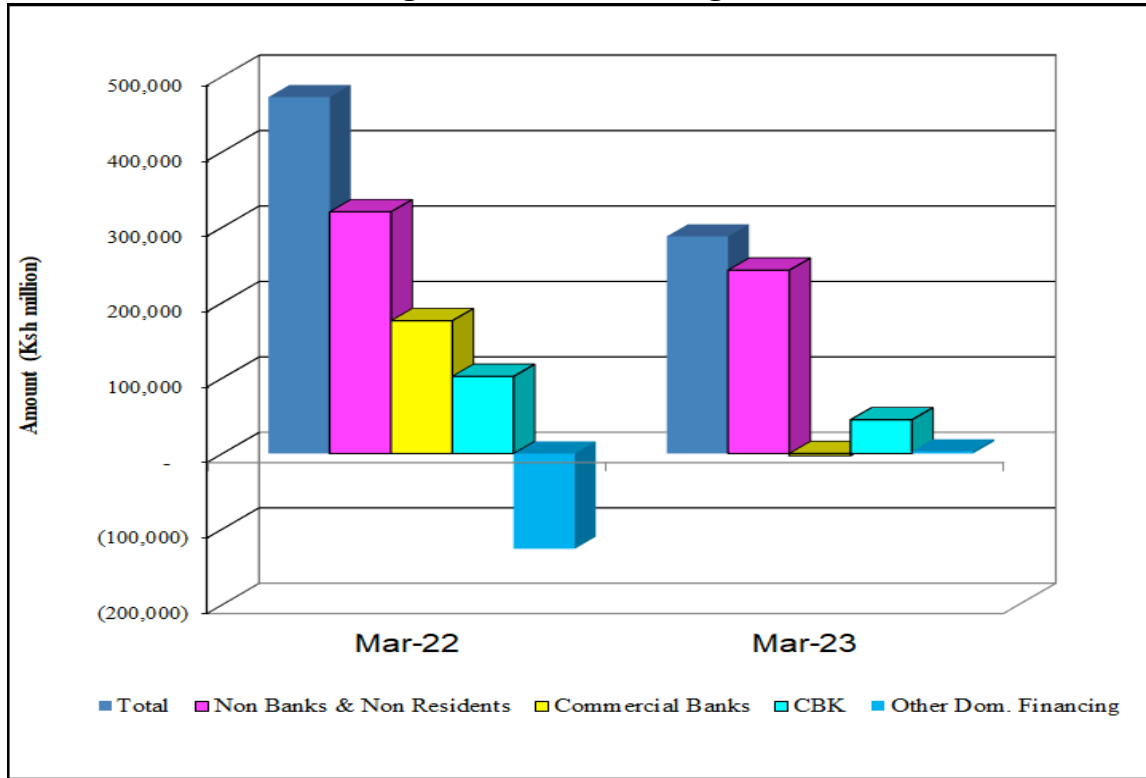
*Provisional

Source of Data: National Treasury

2.4.3 Domestic Financing

44. As at 31st March, 2023, net domestic borrowing amounted to KSh. 287.8 billion (**Table 10**) against a target of KSh. 410.9 billion (**Table 8**). The borrowing comprised of KSh. 242.4 billion from Non-Banking Financial Institutions, KSh. 44.7 billion from to the Central Bank, KSh 0.6 billion from Non-Residents, KSh. 2.8 billion from commercial banks (net repayments) and net domestic loan repayments of KSh. 2.9 billion. During the same period in FY 2021/22, the net domestic borrowing amounted to KSh. 598.6 billion, comprising of KSh. 320.5 billion from Non-Banking Financial Institutions, KSh. 176 billion from Commercial Banks, KSh. 102.3 billion from the Central Bank and KSh. 0.014 billion (net repayments) to Non-Residents (**Table 10 and Chart 13**).

Chart 13: Domestic Financing for the Period Ending 31st March, 2023



Source of Data: Central Bank of Kenya

45. The stock of Treasury Bills held by commercial banks, Non-Banks and the Central Bank recorded a net increase of KSh. 128 billion, 8.7 billion and KSh. 500 Million respectively. The stock of Fixed Rate Bonds held by commercial banks, Non-Banks and Non-Residents recorded a net decrease of KSh. 228.7 billion, KSh 126.3 billion and KSh. 0.8 billion respectively (**Table 10**).

Table 10: Domestic Financing, Period Ending 31st March, 2023 (KSh. Millions)

DEBT INSTRUMENT	March 2022	June 2022*	September 2022*	December 2022*	March 2023*
1. CENTRAL BANK	102,257	125,474	(1,609)	(58,068)	44,725
Overdraft	9,116	(777)	(31,255)	(4)	19,477
Treasury bills rediscounts	(462)	(466)	(4)	41	38
Fixed rate Bonds	(74)	(73)	7	(192)	(192)
Items on Transit	(25)	(7)	(8)	6	12
Frozen Account	(555)	(1,110)	-	(555)	(555)
Less Govt Deposits	94,257	127,908	29,651	(57,364)	25,946
2. COM. BANKS	176,031	178,988	25,939	8,734	(2,811)
Advances	5,183	3,458	276	928	1,083
Treasury bills	(119,342)	(151,615)	27,533	3,516	8,637
Fixed rate Bonds	188,692	200,122	(995)	(15,210)	(40,051)
Special Bonds	-	(5,000)	-	-	-
Zero Coupon bonds	-	-	-	-	-
Infrastructure Bonds	96,597	121,446	1,520	22,286	31,432
Less Govt Deposits	4,902	10,578	(2,394)	(2,786)	(3,913)
Advances by Treasury	-	-	-	-	-
3. NON BANKS	320,450	425,802	77,181	171,258	242,409
Treasury bills	22,129	29,824	14,717	38,236	30,824
TRCs	-	-	-	-	-
Fixed rate Bonds	220,398	269,639	57,778	73,586	94,073
Infrastructure Bonds	77,923	126,339	4,686	59,436	113,005
Savings and Development Bond	-	-	-	-	4,507
M-Akiba Bond and others	-	-	-	-	-
4. NON RESIDENTS	(14)	(671)	59	(119)	593
Treasury bills	(3,172)	(3,835)	(238)	(257)	(294)
Fixed rate Bonds	1,004	654	297	(134)	164
Infrastructure Bond	2,153	2,511	-	272	723
5. NET CREDIT	598,723	729,594	101,569	121,805	284,917
6. OTHER DOMESTIC FINANCING					
Domestic Loan Repayments (Net RDL Deposits)	(110)	(124,293)	-	2,341	2,854
7. NET DOMESTIC FINANCING	598,613	605,301	101,569	124,146	287,771

Notes:

*provisional

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

Source of Data: Central Bank of Kenya

2.0 PUBLIC DEBT

3.1 Overall Debt Position

46. The gross public debt as at 31st March, 2023 increased by KSh. 988.8 billion to KSh. 9,390.7 billion compared to KSh 8,401.9 billion as at end of March 2022. The gross public debt comprised of 51.7 percent external debt and 48.3 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. 9,006 billion by end of the period under review (Table 11).

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

FISCAL DEVELOPMENTS

DEBT SOURCE	Mar- 21	Jun- 21	Sep-21	Dec-21	Mar- 22	Jun- 22*	Sep-22*	Dec-22*	Mar- 23*
EXTERNAL									
BILATERAL	1,142,718	1,140,529	1,149,211	1,171,701	1,171,595	1,173,270	1,144,450	1,206,883	1,291,851
MULTILATERAL	1,495,606	1,659,411	1,699,358	1,782,085	1,817,375	1,923,444	1,957,899	2,213,756	2,244,087
COMMERCIAL BANKS	1,113,417	1,187,439	1,196,248	1,208,283	1,208,247	1,191,080	1,220,682	1,239,681	1,301,153
SUPPLIERS CREDIT	18,126	12,162	13,669	12,303	12,344	12,154	11,760	12,824	14,004
SUB – TOTAL EXTERNAL	3,769,867	3,999,542	4,058,486	4,174,372	4,209,560	4,299,948	4,334,791	4,673,144	4,851,095
DOMESTIC:									
CENTRAL BANK	78,104	87,575	90,938	88,692	95,575	85,141	53,881	84,591	103,921
COMMERCIAL BANKS	1,776,713	1,814,199	1,917,628	1,943,018	1,978,489	2,003,387	2,032,420	2,017,402	1,992,823
TOTAL BANKS	1,854,817	1,901,774	2,008,565	2,031,710	2,074,064	2,088,529	2,086,301	2,101,993	2,096,744
NON BANKS & NON RESIDENTS	1,715,023	1,795,319	1,929,212	2,000,658	2,118,289	2,199,804	2,279,978	2,370,846	2,442,848
SUB-TOTAL DOMESTIC	3,569,841	3,697,093	3,937,777	4,032,368	4,192,352	4,288,333	4,366,279	4,472,839	4,539,592
GRAND TOTAL GROSS	7,339,708	7,696,635	7,996,263	8,206,740	8,401,912	8,588,281	8,701,070	9,145,983	9,390,687
LESS ON-LENDING	(5,701)	-	-	-	-	-	-	-	-
LESS GOVERNMENT DEPOSITS	(416,765)	(556,430)	(544,187)	(461,273)	(449,073)	(418,157)	(404,154)	(470,558)	(384,705)
GRAND TOTAL NET	6,917,242	7,140,205	7,452,076	7,745,467	7,952,840	8,170,124	8,296,915	8,675,424	9,005,982

* Provisional

Source of Data: National Treasury

3.2 Domestic Debt

47. The stock of gross domestic debt increased by KSh. 347.2 billion from KSh. 4,192.4 billion in March, 2022 to KSh. 4,539.6 billion in March, 2023. The net domestic debt was KSh. 4,154.9 billion by end of the period under review (**Table 12**).

FISCAL DEVELOPMENTS

Table 12: Stock of Domestic Debt as at March, 2023 (KSh. Millions)

DEBT SOURCE	Mar-21	Jun-21*	Sep-21	Dec-21	Mar-22	Jun-22*	Sep-22*	Dec-22*	Mar-23*
1.CENTRAL BANK	78,104	87,575	90,938	88,692	95,575	85,141	53,881	84,591	103,921
Overdraft	49,283	59,279	55,110	59,313	68,395	58,502	27,247	58,498	77,979
Frozen Govt Accounts	20,564	20,009	20,009	19,454	19,454	18,899	18,899	18,344	18,344
Treasury bills / bonds rediscounts	539	537	8,096	2,288	76	71	67	67	109
Items on Transit	9	39	13	2	14	32	24	38	43
Fixed rate bonds	7,710	7,710	7,710	7,636	7,637	7,637	7,644	7,644	7,446
2.COM.BANKS	1,776,713	1,814,199	1,917,628	1,943,018	1,978,489	2,003,387	2,032,420	2,017,402	1,992,823
Advances	3,551	2,455	2,352	2,209	7,429	13,054	12,965	13,828	6,339
Treasury Bills	458,025	452,353	446,726	395,241	323,479	287,613	315,649	293,469	292,186
Fixed Rate T. Bonds	881,349	892,067	949,437	1,032,012	1,083,661	1,094,545	1,094,111	1,079,084	1,054,106
Special Bonds	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	421,141	454,675	506,465	500,908	551,272	600,527	602,047	623,374	632,545
3. NON BANKS	1,683,332	1,764,233	1,895,111	1,968,944	2,087,325	2,167,924	2,248,031	2,339,088	2,410,377
Treasury Bills	298,809	308,072	303,598	309,282	331,780	340,675	356,424	377,857	373,486
Fixed Rate T. Bonds	1,049,257	1,080,520	1,174,719	1,252,633	1,303,740	1,353,067	1,412,738	1,427,934	1,450,047
Tax Reserve Certificate	69	-	-	-	-	-	-	-	-
Infrastructure Bonds	314,616	355,061	396,214	386,450	431,225	453,601	458,288	512,717	566,264
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	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)
4. NON RESIDENTS	31,692	31,086	34,101	31,714	30,963	31,881	31,947	31,757	32,471
Treasury Bills	4,525	4,412	5,034	2,339	1,116	395	139	117	76
Fixed Rate T. Bonds	18,319	18,288	18,747	19,146	19,308	18,958	19,281	18,842	19,145
Savings and Development Bond	9	9	9	9	9	9	9	9	9
Infrastructure Bonds	8,839	8,377	10,311	10,220	10,530	12,519	12,519	12,790	13,241
5. TOTAL GROSS DEBT	3,569,841	3,697,093	3,937,777	4,032,368	4,192,352	4,288,333	4,366,279	4,472,839	4,539,592
6. LESS ON-LENDING	5,701	-	-	-	-	-	-	-	-
7. Less Govt Deposits	416,765	556,430	544,187	461,273	449,073	418,284	404,154	470,558	384,705
8. TOTAL NET DEBT	3,147,375	3,140,663	3,393,590	3,571,095	3,743,279	3,870,049	3,962,124	4,002,280	4,154,888

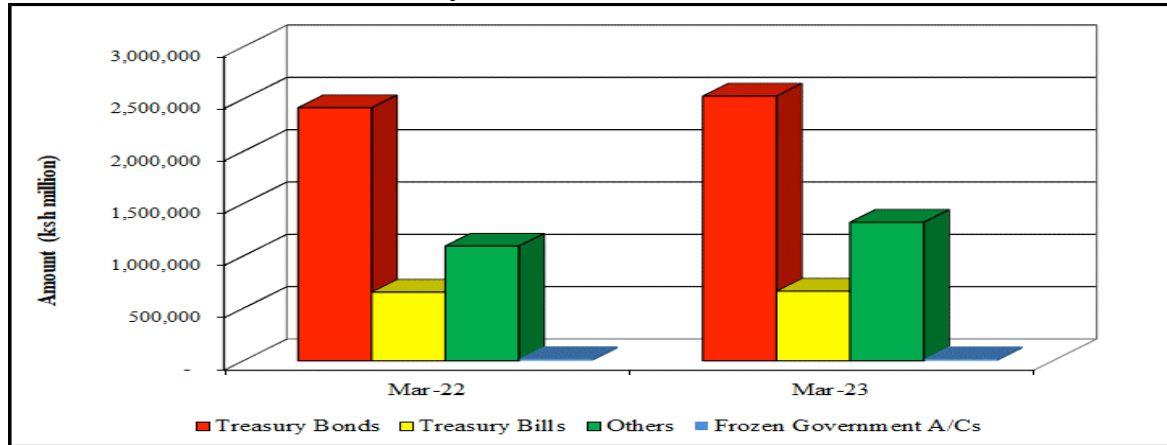
* Provisional

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

Source of Data: Central Bank of Kenya

48. The stock of Treasury Bills held by Central Bank, Commercial Banks, Non-Banking Financial Institution and Non-Residents increased by KSh. 9.4 billion from KSh. 656.5 billion in March, 2022 to KSh. 665.9 billion in March, 2023. The total stock of Treasury Bonds, which include Floating, Fixed Rate, Special and Zero-Coupon Bonds, increased by KSh. 227.6 billion from KSh. 2,419.3 billion in March, 2022 to KSh. 2,530.7 billion in March, 2023 (Chart 14).

Chart 14: Domestic Debt Stock by Instruments as at End March, 2023



Source of Data: Central Bank of Kenya

3.3 External Public Debt

49. In dollar terms, external public debt stock increased by US\$. 38.02 million from US\$. 36,620.4 million as at March, 2022 to US\$. 36,658.4 million by the end of March, 2023 (Table 13). This comprised debt owed to multilateral lenders (46.3%), commercial banks (26.8 %), bilateral sources (26.6%) 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 March, 2021– March, 2023 (US\$ Millions)

CREDITOR	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22*	Sep-22*	Dec-22*	Mar-23*
<u>BILATERAL</u>									
AUSTRIA	13.57	13.33	12.98	12.28	11.97	11.04	13.06	13.82	14.07
BELGIUM	121.70	117.61	114.51	114.42	116.98	109.81	111.75	117.93	182.72
DENMARK	4.33	4.39	4.30	4.18	4.12	3.88	3.20	3.49	3.13
FINLAND	11.16	11.31	9.71	9.42	7.93	7.50	7.03	6.32	6.48
FRANCE	800.13	851.83	836.00	812.00	800.51	764.63	707.56	764.04	805.50
GERMANY	323.67	338.31	328.90	336.11	351.21	332.55	326.50	346.23	328.54
ITALY	366.88	371.85	364.79	353.78	347.71	328.79	309.28	333.82	344.47
JAPAN	1,447.97	1,474.72	1,463.17	1,416.58	1,382.43	1,245.99	1,217.67	1,304.89	1,453.84
USA	11.77	13.14	12.44	12.26	10.89	10.69	9.97	9.61	8.73
CHINA	7,013.42	7,056.92	6,917.51	6,951.45	6,835.26	6,830.10	6,594.56	6,569.52	6,307.40
OTHERS	320.06	321.73	337.12	333.61	323.09	311.80	295.43	312.68	307.29
TOTAL BILATERAL	10,434.65	10,575.15	10,401.43	10,356.09	10,192.10	9,956.78	9,596.01	9,782.35	9,762.17
<u>MULTILATERAL</u>									
ADB/ADF	2,886.38	2,988.35	3,024.74	3,187.81	3,317.25	3,269.84	3,302.50	3,490.90	3,591.12
BADEA	37.51	39.53	38.63	38.72	39.20	41.10	45.99	45.20	47.70
EEC/EIB	185.05	215.38	203.88	197.09	188.94	176.12	158.66	170.90	182.11
IBRD	294.15	294.98	293.90	297.56	296.74	569.35	571.26	579.24	581.75
IDA/IFAD	9,220.59	10,146.65	10,137.36	10,150.48	10,099.33	10,474.77	10,252.69	10,692.09	10,828.01
IMF**	985.04	1,652.44	1,635.00	1,834.49	1,824.62	1,751.87	1,965.77	2,915.30	1,673.40
OTHERS	48.32	48.97	47.26	44.83	43.87	45.43	48.35	49.89	53.86
TOTAL MULTILATERAL	13,657.03	15,386.29	15,380.77	15,750.98	15,809.95	16,328.48	16,345.22	17,943.52	16,957.95
COMMERCIAL¹	10,167.10	11,010.10	10,827.15	10,679.43	10,510.95	10,025.49	10,260.41	10,048.20	9,832.46
O/W International Sovereign Bond	-	7,106.58	7,100.00	7,106.28	7,100.00	7,100.00	7,100.00	7,100.00	7,100.00
EXPORT CREDIT	165.51	112.77	123.71	108.74	107.38	103.14	98.96	103.94	105.82
GRAND TOTAL	34,424.30	37,084.30	36,733.07	36,895.24	36,620.38	36,413.89	36,300.60	37,878.01	36,658.41
In percentage of total									
BILATERAL	30.31	28.52	28.32	28.07	27.83	27.34	26.4	25.8	26.6
MULTILATERAL	39.67	41.49	41.87	42.69	43.17	44.84	45.0	47.4	46.3
COMMERCIAL BANKS ¹	29.53	29.69	29.48	28.95	28.70	27.53	28.3	26.5	26.8
EXPORT CREDIT	0.48	0.30	0.34	0.29	0.29	0.28	0.3	0.3	0.3
TOTAL	100.00	100.00	100.00	100.00	100.00	100.00	100.0	100.0	100.0

*Provisional

** include IMF item

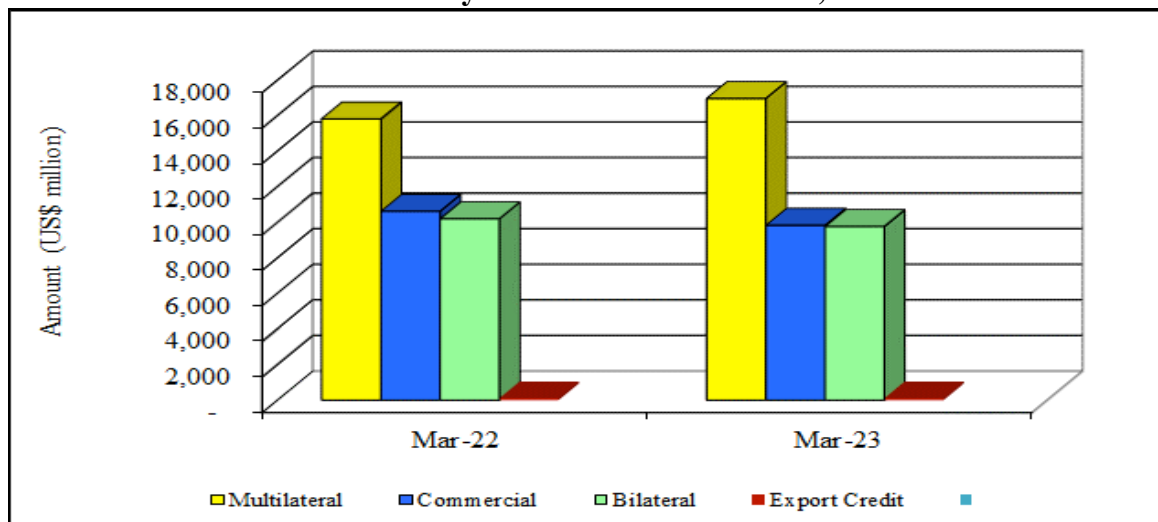
1/ incl. International Sovereign Bond

Note: The exchange rate as at end March, 2023 was KSh. 132.3 per dollar.

Source of Data: National Treasury

50. Compared to the same period in FY 2021/22, external public debt stock from multilateral institutions recorded an increase of US\$ 1,148 million in the period ending March, 2023 while external debt stock from commercial banks, bilateral sources and suppliers' credit decreased by US\$. 678.5 million, US\$ 429.9 million and US\$ 1.6 million respectively as at March, 2023 (**Chart 15**).

Chart 15: External Public Debt by Source as at End March, 2023



Source of Data: National Treasury

3.3.1 External Debt Service

51. By the end of March 2023, the total cumulative debt service payments to external creditors amounted to KSh. 312.6 billion. This comprised of KSh. 196.9 billion (63 percent) principal and KSh. 115.7 billion (37 percent) interest (**Table 14**).

FISCAL DEVELOPMENTS

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

CATEGORY	Mar-23		
	PRINCIPAL*	INTEREST*	TOTAL*
BILATERAL			
ABU DHABI	82.83	14.93	97.77
AUSTRIA	58.62	20.52	79.15
BELGIUM	1,602.17	127.26	1,729.42
CHINA	76,846.43	30,576.99	107,423.42
DENMARK	59.84	-	59.84
FINLAND	183.50	37.26	220.77
FRANCE	7,796.24	1,414.81	9,211.05
GERMANY	2,673.76	416.02	3,089.78
POLAND	19.72	9.50	29.22
INDIA	906.58	150.73	1,057.31
ISRAEL	751.55	145.56	897.11
ITALY	5,025.06	893.11	5,918.17
JAPAN	2,923.40	510.84	3,434.23
KOREA	121.58	19.96	141.54
KUWAIT	139.08	17.89	156.97
NETHERLANDS	82.02	14.92	96.94
SAUDI ARABIA	63.04	16.03	79.07
SPAIN	1,663.38	144.51	1,807.89
USA	10,284.35	26.14	10,310.49
TOTAL BILATERAL	111,283.14	34,556.99	145,840.1
MULTILATERAL			
ADB/ADF	4,921.51	3,747.00	8,668.51
BADEA	157.71	44.46	202.16
EIB/EEC	1,702.03	468.43	2,170.46
IDA	23,707.43	12,751.66	36,459.09
OPEC	509.37	46.22	555.58
NDF	189.77	14.42	204.19
IFAD	667.52	172.23	839.75
IMF	1,597.60	1,063.22	2,660.82
IBRD	-	966.55	966.55
TOTAL MULTILATERAL	33,452.94	19,274.18	52,727.13
COMMERCIAL	52,179.64	61,887.02	114,066.66
GRAND TOTAL	196,915.73	115,718.19	312,633.92

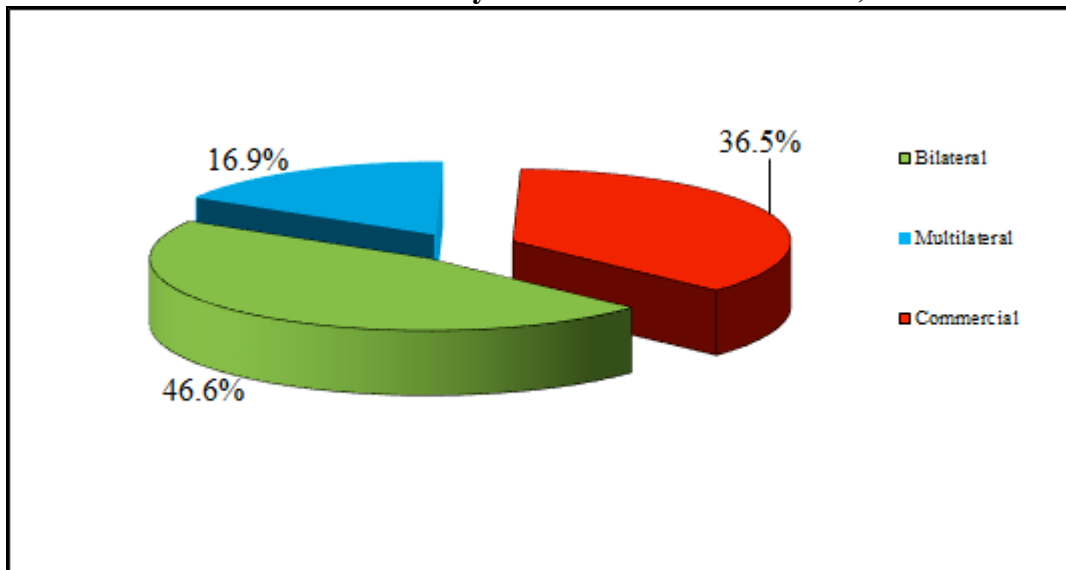
* Provisional

Source of Data: National Treasury

FISCAL DEVELOPMENTS

52. By the end of March 2023, the total cumulative debt service payments to external creditors comprised of 46.6 percent, 36.5 percent and 16.9 percent of the total payments to bilateral, commercial and multilateral creditors respectively (**Chart 16**).

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



Source of Data: National Treasury

4.0. ANNEXES

4.1. Annex I: Fiscal Results, 2016/17 – 2022/2023 (KSh. Millions)

REVENUE/EXPENDITURE/FINANCING	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2022/23
	Actual					Prel. Actual	Printed Estimates	Revised Estimates
A.TOTAL REVENUE	1,440,389	1,525,556	1,704,363	1,795,665	1,783,747	2,199,808	2,462,365	2,528,825
1.Ordinary Revenue	1,306,568	1,365,063	1,499,757	1,573,418	1,562,015	1,917,911	2,141,584	2,191,987
Income Tax	625,050	640,546	685,330	706,936	694,053	876,707	997,340	1,004,340
VAT	339,034	357,129	414,143	383,713	410,758	523,098	584,666	587,666
Import Duty	89,943	93,685	106,875	98,022	108,375	118,280	144,876	145,876
Excise Duty	165,474	167,753	194,310	195,270	216,325	252,094	297,173	297,173
Other Revenue	87,067	105,950	99,099	189,477	132,504	147,731	117,529	156,931
2.Appropriation –in –Aid	133,820	160,493	204,606	222,246	221,732	281,897	320,780	336,838
B.EXPENDITURE & NET LENDING	2,111,896	2,146,843	2,433,707	2,565,444	2,749,464	3,027,836	3,358,601	3,384,261
1.Recurrent	1,165,037	1,349,896	1,531,083	1,645,222	1,796,588	2,135,305	2,270,982	2,351,819
Wages and Salaries	336,636	388,938	417,526	449,927	493,029	520,033	537,155	539,552
Interest Payments	271,233	323,890	375,723	437,202	495,142	577,978	690,648	675,821
Domestic Interest	212,865	239,470	272,351	315,362	388,830	456,849	553,407	537,380
Foreign Interest Due	58,368	84,420	103,372	121,840	106,312	121,130	137,241	138,441
Pensions, etc	63,958	65,099	70,804	89,605	112,872	122,432	150,553	145,383
O & M/ Others	457,150	534,347	625,791	626,394	652,065	866,050	841,365	939,801
Of which Appropriation-in-Aid	58,536	109,861	147,765	106,958	133,612	197,524	225,505	44,877
2.Development & Net Lending	641,843	469,673	541,884	594,944	553,883	540,117	676,583	594,097
Development Projects	392,217	255,213	289,029	389,571	339,226	346,355	376,288	341,174
Appropriation-in-Aid	241,183	211,931	243,408	204,712	214,657	193,762	290,963	224,352
3. Drought Development Expenditures/CF	-	-	-	-	-	-	-	-
4. Transfer to County Governments	305,016	327,274	360,740	325,278	398,993	352,414	407,036	436,345
5. Parliamentary Service	24,215	25,678	28,525	27,990	29,191	32,652	36,162	36,162
6. Judicial Service	11,846	11,944	12,713	14,103	14,289	16,160	15,100	15,100
7. Net Lending	6,000	-	6,962	-	-	-	2,265	14,678
8. Equalization Fund	6,000	-	6,962	-	-	-	7,068	13,893
9. Contingency Fund	-	-	-	-	-	-	4,000	2,000
D.DEFICIT EXCL. GRANTS (Commitment)	(671,507)	(621,287)	(729,344)	(769,779)	(965,717)	(828,028)	(896,237)	(855,436)
E.GRANTS	26,962	27,600	19,702	19,820	31,320	31,031	33,317	31,425
F.DEFICIT INCL.GRANTS (Commitment Basis)	(644,546)	(593,687)	(709,642)	(749,959)	(934,397)	(796,997)	(862,920)	(824,011)
G. ADJUSTMENT TO CASH BASIS	(14,169)	(34,678)	-	11,801	5,098	11,868	-	-
H.DEFICIT INCL.GRANTS (Cash Basis)	(658,715)	(628,365)	(709,642)	(738,158)	(929,299)	(785,129)	(862,920)	(824,011)
Discrepancy	38,502	2,716	11,416	52,647	20,936	(37,304)	0	-
I.FINANCING	697,217	631,081	721,058	790,804	950,235	747,825	862,920	824,011
Net Foreign Financing	385,745	354,977	414,518	340,431	323,310	142,524	280,730	395,757
Net Domestic Financing	311,472	276,104	306,540	450,373	626,926	605,301	582,190	428,254
In Percentage of GDP								
A.TOTAL REVENUE	17.8	17.1	17.5	16.9	15.7	17.3	17.6	17.4
1.Ordinary Revenue	16.2	15.3	15.4	14.8	13.7	15.1	15.3	15.1
Income Tax	7.7	7.2	7.0	6.7	6.1	6.9	7.1	6.9
VAT	4.2	4.0	4.2	3.6	3.6	4.1	4.2	4.0
Import Duty	1.1	1.1	1.1	0.9	1.0	0.9	1.0	1.0
Excise Duty	2.0	1.9	2.0	1.8	1.9	2.0	2.1	2.0
Other Revenue	1.1	1.2	1.0	1.8	1.2	1.2	0.8	1.1
2.Appropriation –in –Aid	1.7	1.8	2.1	2.1	2.0	2.2	2.3	2.3
B. EXPENDITURE & NET LENDING	26.1	24.1	25.0	24.2	24.2	23.8	24.0	23.3
1.Recurrent	14.4	15.1	15.7	15.5	15.8	16.8	16.2	16.2
Wages and Salaries	4.2	4.4	4.3	4.2	4.3	4.1	3.8	3.7
Interest Payments	3.4	3.6	3.9	4.1	4.4	4.5	4.9	4.7
Domestic Interest	2.6	2.7	2.8	3.0	3.4	3.6	4.0	3.7
Foreign Interest Due	0.7	0.9	1.1	1.1	0.9	1.0	1.0	1.0
Pensions, etc	0.8	0.7	0.7	0.8	1.0	1.0	1.1	1.0
O & M/ Others	5.7	6.0	6.4	5.9	5.7	6.8	6.0	6.5
of which Appropriation-in-Aid	0.7	1.2	1.5	1.0	1.2	1.6	1.6	0.3
2.Development & Net Lending	7.9	5.3	5.6	5.6	4.9	4.2	4.8	4.1
Development Projects	4.9	2.9	3.0	3.7	3.0	2.7	2.7	2.3
Appropriation-in-Aid	3.0	2.4	2.5	1.9	1.9	1.5	2.1	1.5
Payment of guaranteed loans	0.0	0.0	0.0	0.0	-	-	-	-
3. Drought Expenditures	-	-	-	-	-	-	-	-
4. Transfer to County Governments	3.8	3.7	3.7	3.1	3.5	2.8	2.9	3.0
5. Parliamentary Service	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.2
6. Judicial Service	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
D.DEFICIT EXCL. GRANTS (Commitment)	(8.3)	(7.0)	(7.5)	(7.2)	(8.5)	(6.5)	(6.4)	(5.9)
E.GRANTS	0.3	0.3	0.2	0.2	0.3	0.2	0.2	0.2
F.DEFICIT INCL.GRANTS (Commitment Basis)	(8.0)	(6.7)	(7.3)	(7.1)	(8.2)	(6.3)	(6.2)	(5.7)
G. ADJUSTMENT TO CASH BASIS	(0.2)	(0.4)	-	0.1	0.0	0.1	-	-
H.DEFICIT INCL.GRANTS (Cash Basis)	(8.2)	(7.0)	(7.3)	(7.0)	(8.2)	(6.2)	(6.2)	(5.7)
I.FINANCING	8.6	7.1	7.4	7.4	8.4	5.9	6.2	5.7
Foreign Financing	4.8	4.0	4.3	3.2	2.8	1.1	2.0	2.7
Net Domestic Financing	3.9	3.1	3.1	4.2	5.5	4.8	4.2	2.9
Memorandum Item:								
Nominal GDP at Market price (Ksh. million)	8,081,061.0	8,922,319.6	9,745,599.5	10,620,841.4	11,370,322.9	12,736,133.0	14,002,451.8	14,521,623.6

Source: National Treasury

4.2. GFSM 2014 COMPLIANT TABLES FOR BUDGETARY CENTRAL GOVERNMENT

4.2.1 Annex II: Revenue (KSh. Millions)

GFSM Code	Description	Budget	Pre. Actual	Pre. Actual	Pre. Actual
		Estimates FY2022/23	FY2022/23 Q1	FY2022/23 Q2	FY2022/23 Q3
	<i>Accounting method:</i>	<i>Cash</i>	<i>Cash</i>	<i>Cash</i>	<i>Cash</i>
1	Revenue	2,495,682	570,223	1,151,326	1,704,234
11	Taxes	2,234,078	507,337	1,031,864	1,508,439
111	Taxes on income, profits, and capital gains	997,340	218,604	451,757	636,938
1111	Payable by individuals	512,704	110,469	230,875	352,573
1112	Payable by corporations and other enterprises	484,637	108,135	220,882	284,365
114	Taxes on goods and services	1,016,425	228,770	462,381	698,947
1141	General taxes on goods and services	593,657	135,474	275,160	418,327
11411	Value-added taxes	584,666	131,768	264,181	404,072
11414	Taxes on financial and capital transactions ¹	8,992	3,705	10,979	14,255
1142	Excises ²	422,767	93,296	187,221	280,620
115	Taxes on international trade and transactions	220,313	59,962	117,725	172,555
1151	Customs and other import duties ³	220,313	59,962	117,725	172,555
12	Social contributions	521	63	154	247
122	Other social contributions	521	63	154	247
1221	Employee contributions	521	63	154	247
13	Grants	33,317	623	4,292	18,191
131	From foreign governments	33,317	623	4,292	11,209
1311	Current	-	-	-	-
1312	Capital	33,317	623	4,292	11,209
132	From international organizations	-	-	-	6,982
1321	Current	-	-	-	6,982
1322	Capital	-	-	-	-
14	Other revenue	227,766	62,201	115,016	177,356
141	Property income	39,421	15,156	16,082	24,074
1411	Interest	2,080	-	40	160
1412	Dividends	31,496	14,517	14,627	21,416
1415	Rent	5,845	639	1,416	2,497
142	Sales of goods and services	184,143	46,170	95,948	149,558
1422	Administrative fees	184,143	46,170	95,948	149,558
143	Fines, penalties, and forfeits	2,427	414	1,232	1,829
144	Miscellaneous and unidentified revenue	1,774	461	1,753	1,896

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

ANNEXES

4.2.2. Annex III: Expense (KSh. Millions)

GFSM Code	Description	Annual Budget Estimates FY2022/23	Prel. Actual FY2022/23 Q1	Prel. Actual FY2022/23 Q2	Prel. Actual FY2022/23 Q3
	<i>Accounting method:</i>	<i>Cash</i>	<i>Cash</i>	<i>Cash</i>	<i>Cash</i>
2	Expense	3,225,274	748,882	1,425,173	2,155,992
21	Compensation of employees	568,628	134,969	286,563	442,618
211	Wages and salaries	538,149	130,199	264,275	417,216
212	Social contributions	30,479	4,770	22,288	25,401
2121	Actual social contributions	30,479	4,770	22,288	25,401
22	Use of goods and services	272,189	123,552	187,550	312,077
	O/W Defence and NIS	174,343	34,916	74,854	113,231
	Free Secondary Education (FSE)	102,796	30,304	33,474	46,196
	Free Primary Education (FPE)	21,624	4,095	6,406	7,227
24	Interest	690,648	150,838	318,584	489,315
241	To nonresidents	137,241	36,025	67,022	115,718
242	To residents other than general government	553,407	114,813	251,561	373,597
25	Subsidies	22,233	43,913	60,127	43,410
251	To public corporations	-	-	-	-
252	To private enterprises	22,233	43,913	60,127	43,410
26	Grants	1,414,757	261,102	480,760	717,224
262	To international organizations	5,206	1,383	1,415	3,853
2621	Current	5,206	1,383	1,415	3,853
2622	Capital	-	-	-	-
263	To other general government units	1,409,550	259,719	479,345	713,371
2631	Current	836,743	143,661	307,434	430,581
	O/W Transfer to County Governments (ES)	259,000	49,236	98,762	148,925
	Transfer to Other levels of Government (Includes transfers to SOEs)	577,743	94,425	208,673	281,656
2632	Capital	572,807	116,058	171,911	282,790
	O/W Transfer to County Governments (ES)	111,000	21,101	42,326	63,825
	Transfer to Other levels of Government (Includes transfers to SOEs)	461,807	94,956	129,585	218,965
27	Social benefits	245,751	34,508	91,589	151,349
272	Social Assistance Benefits			30,687	56,814
273	Employer social benefits	245,751	34,508	60,902	94,535
28	Other expense	11,068	-	-	-
282	Miscellaneous other expense	11,068	-	-	-

Source: National Treasury

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

GFSM Code	Description	Annual Budget	Prel. Actual	Prel. Actual	Prel. Actual
		Estimates FY2022/23	FY2022/23 Q1	FY2022/23 Q2	FY2022/23 Q3
	<i>Accounting method:</i>	<i>Cash</i>	<i>Cash</i>	<i>Cash</i>	<i>Cash</i>
3	Change in Net Worth: Transactions	(729,593)	(168,010)	(260,173)	(430,518)
31	Net acquisition of nonfinancial assets	131,063	7,815	40,823	43,171
311	Fixed assets	131,010	7,301	40,309	42,639
3111	Buildings and structures	124,954	6,659	38,052	38,052
3113	Other fixed assets	6,056	643	2,258	4,587
312	Inventories	-	514	514	532
314	Nonproduced assets	53	-	-	-
32	Net acquisition of financial assets	(3,140)	(27,258)	58,364	(24,333)
3212	Currency and deposits (Domestic)	(3,140)	(27,258)	58,364	(24,333)
33	Net incurrence of liabilities	857,515	148,567	359,359	449,357
331	Domestic	579,050	140,592	287,331	422,170
3313	Securities other than shares	579,050	105,299	181,579	238,360
3314	Loans	-	20,323	21,253	67,926
3318	Other Accounts Payable	-	14,971	84,499	115,884
332	Foreign	278,465	7,975	72,028	27,187
3321	Special Drawing Rights (SDRs)	-	-	-	-
3323	Securities other than shares	105,600	-	-	-
3324	Loans	172,865	7,975	72,028	27,187

Source: National Treasury

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

GFSM Code	Description	Annual Budget Estimates FY2022/23	Prel. Actual FY2022/23 Q1	Prel. Actual FY2022/23 Q2	Prel. Actual FY2022/23 Q3
	<i>Accounting method:</i>	<i>Cash</i>	<i>Cash</i>	<i>Cash</i>	<i>Cash</i>
	Cash Flows from Operating Activities:				
1	Cash receipts from operating activities	2,495,682	570,223	1,151,326	1,704,234
11	Taxes	2,234,078	507,337	1,031,864	1,508,439
12	Social contributions	521	63	154	247
13	Grants	33,317	623	4,292	18,191
14	Other receipts	227,766	62,201	115,016	177,356
2	Cash payments for operating activities	3,225,274	748,544	1,425,173	2,155,992
21	Compensation of employees	568,628	134,969	286,563	442,618
22	Purchases of goods and services	272,189	123,552	187,550	312,077
24	Interest	690,648	150,838	318,584	489,315
25	Subsidies	22,233	43,576	60,127	43,410
26	Grants	1,414,757	261,102	480,760	717,224
27	Social benefits	245,751	34,508	91,589	151,349
28	Other payments	11,068			
	Net cash inflow from operating activities	(729,593)	(178,321)	(273,847)	(451,758)
	Cash Flows from Investments in Nonfinancial Assets (NFAs):				
31A	Purchases of nonfinancial assets	131,063	7,815	40,823	43,171
311A	Fixed assets	131,010	7,301	40,309	42,639
312A	Strategic stocks	-	514	514	532
314A	Nonproduced assets	53	-	-	
31	Net cash outflow: investments in NFAs (31=31.1-31.2)	131,063	7,815	40,823	43,171
	Cash surplus / deficit	(860,655)	(186,136)	(314,670)	(494,929)
	Cash Flows from Financing Activities:				
32x	Net acquisition of financial assets other than cash	(3,140)	(27,258)	58,364	(24,333)
321x	Domestic	(3,140)	(27,258)	58,364	(24,333)
322x	Foreign	-	-	-	
33	Net incurrence of liabilities	857,515	117,580	359,359	449,357
331	Domestic	579,050	89,282	287,331	422,170
332	Foreign	278,465	28,298	72,028	27,187
NFB	Net cash inflow from financing activities	860,655	144,838	300,996	473,689
	Net change in the stock of cash	0	(41,298)	(13,674)	(21,240)
	<i>Statistical Discrepancy⁴</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>

⁴Vertical 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	Budget	Prel. Actual	Prel. Actual	Prel. Actual
		Estimates FY2022/23	FY2022/23 Q1	FY2022/23 Q2	FY2022/23 Q3
	<i>Accounting method:</i>	<i>Cash</i>	<i>Cash</i>	<i>Cash</i>	<i>Cash</i>
	Transactions Affecting Net Worth:				
1	Revenue	2,495,682	570,223	1,151,326	1,704,234
11	Taxes	2,234,078	507,337	1,031,864	1,508,439
12	Social contributions	521	63	154	247
13	Grants	33,317	623	4,292	18,191
14	Other revenue	227,766	62,201	115,016	177,356
2	Expense	3,225,274	748,882	1,425,173	2,155,992
21	Compensation of employees	568,628	134,969	286,563	442,618
22	Use of goods and services	272,189	123,552	187,550	312,077
24	Interest	690,648	150,838	318,584	489,315
25	Subsidies	22,233	43,913	60,127	43,410
26	Grants	1,414,757	261,102	480,760	717,224
27	Social benefits	245,751	34,508	91,589	151,349
28	Other expense	11,068	-	-	-
GOB	Gross operating balance	(729,593)	(178,658)	(273,847)	(451,758)
NOB	Net operating balance	(729,593)	(178,658)	(273,847)	(451,758)
	Transactions on Nonfinancial Assets:				
31	Net Acquisition of Nonfinancial Assets	131,063	7,815	40,823	43,171
311	Fixed assets	131,010	7,301	40,309	42,639
312	Change in inventories	-	514	514	532
314	Nonproduced assets	53	-	-	-
NLB	Net lending / borrowing	(860,655)	(186,473)	(314,670)	(494,929)
	Transactions on Financial Assets and Liabilities (Financing):	860,655	144,838	300,996	473,689
32	Net acquisition of financial assets	(3,140)	(27,258)	58,364	(24,333)
321	Domestic	(3,140)	(27,258)	58,364	(24,333)
322	Foreign	-	-	-	-
33	Net incurrence of liabilities	857,515	117,580	359,359	449,357
331	Domestic	579,050	89,282	287,331	422,170
332	Foreign	278,465	28,298	72,028	27,187
	Statistical Discrepancy⁵	-	(41,635)	(13,674)	(21,240)

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

Source: National Treasury