



REPUBLIC OF KENYA

THE NATIONAL TREASURY AND ECONOMIC PLANNING

Quarterly Economic and Budgetary Review

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

August 2023 Edition

Quarterly Economic and Budgetary Review

**Fourth Quarter, Financial Year 2022/2023
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ACKNOWLEDGEMENT

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LIST OF ABBREVIATIONS AND ACRONYMS

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

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

LEGAL BASIS FOR THE QUARTERLY ECONOMIC AND BUDGETARY REVIEW REPORTS

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

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

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

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

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

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

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

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

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

(b) Publish and publicize the reports.

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

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

1. Economic growth

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

2. Inflation rate

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

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

3. Interest Rates

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

4. Money and Credit

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

5. Current Account

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

6. Foreign Exchange Reserves

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

7. Capital Markets

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

8. Revenue Collection

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

9. Expenditure and Net Lending

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

10. Guaranteed Debt

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

11. Fiscal Balance

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

12. External Financing

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

13. Net Domestic Borrowing

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

14. Domestic Debt Stock

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

15. External Debt Stock

The total external debt stock, including the International Sovereign Bond, stood at KSh. 5,416.6 billion by the end of June, 2023. The debt stock comprised of multilateral debt (49 percent), commercial debt (26.4 percent), bilateral debt (24.6 percent) and suppliers' credit (0.3 percent).



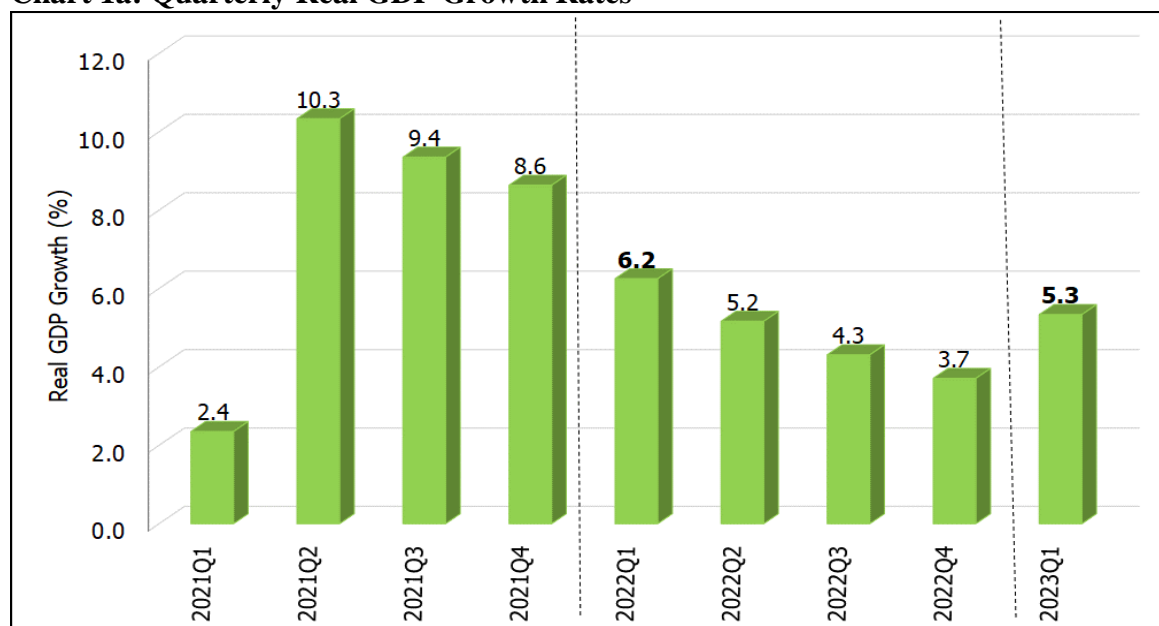
1.0 RECENT ECONOMIC DEVELOPMENTS

1.1 Economic Growth

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

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

Chart 1a: Quarterly Real GDP Growth Rates



Source of Data: Kenya National Bureau of Statistics

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

RECENT ECONOMIC DEVELOPMENTS

Table 1: Sectoral GDP Growth rate (percent)

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

Source of Data: Kenya National Bureau of Statistics

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

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

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

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

RECENT ECONOMIC DEVELOPMENTS

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

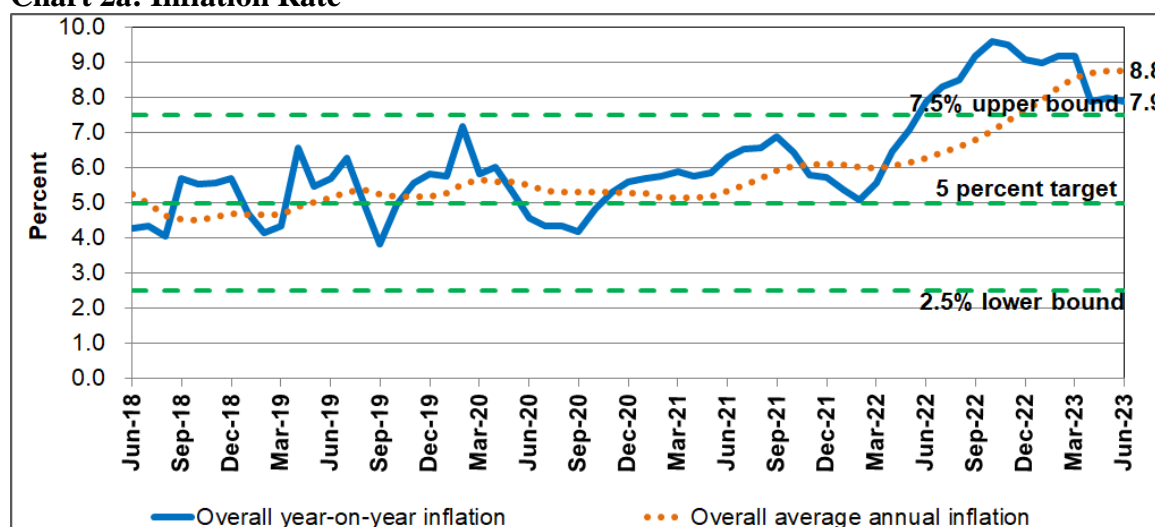
8. Accommodation and Food Service sub-sector is estimated to have expanded by 21.5 percent in the first quarter of 2023 compared to 40.1 percent growth recorded in the first quarter of 2022. Activities in the sub-sector have been growing steadily owing to dissipation of the effects of the COVID-19 pandemic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

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

1.2 Inflation

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

Chart 2a: Inflation Rate



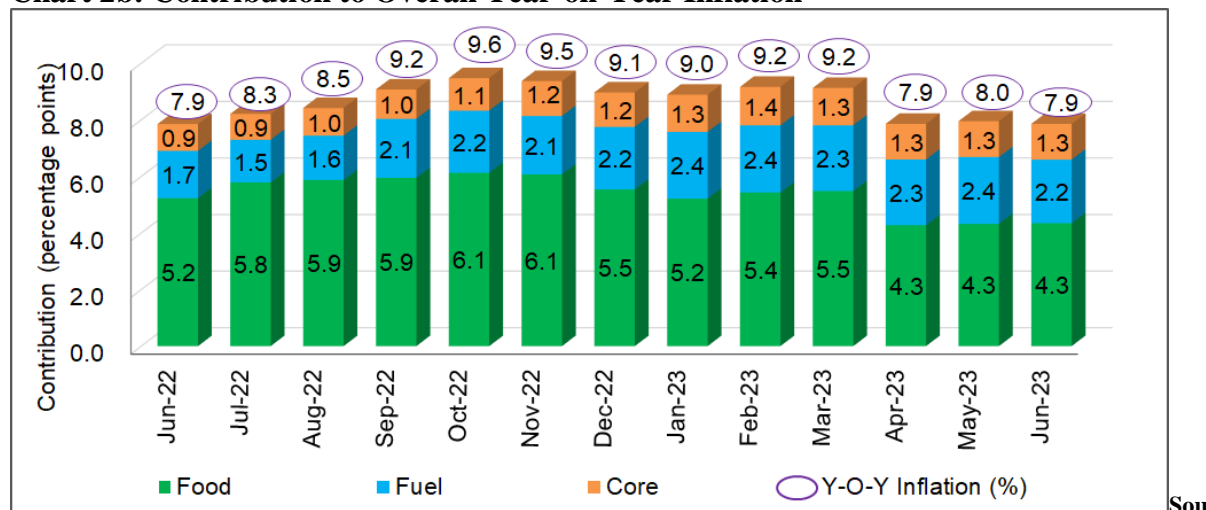
Source of Data: Kenya National Bureau of Statistics

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

RECENT ECONOMIC DEVELOPMENTS

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

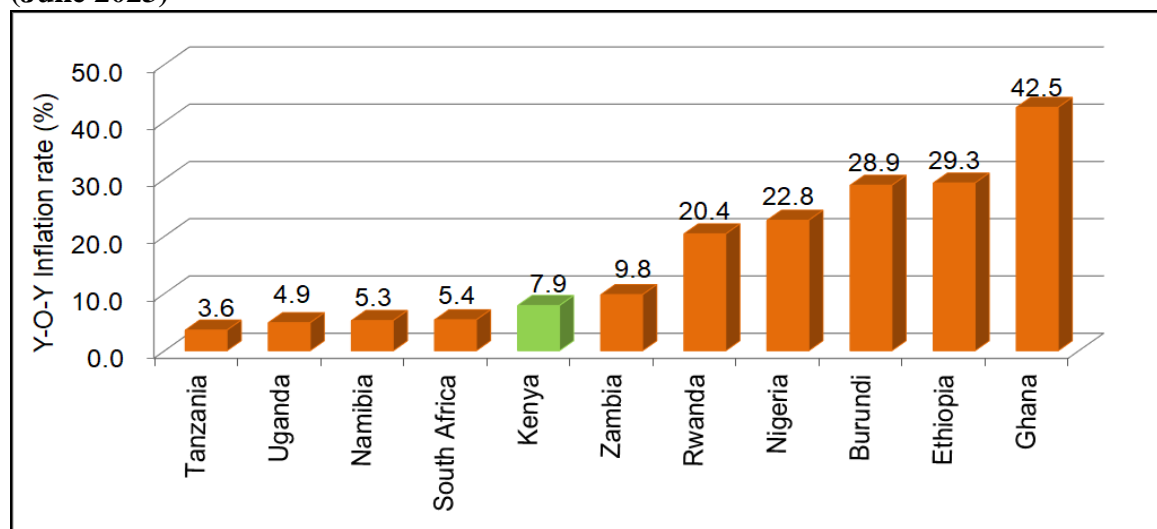
Chart 2b: Contribution to Overall Year-on-Year Inflation



Source of Data: Kenya National Bureau of Statistics

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

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



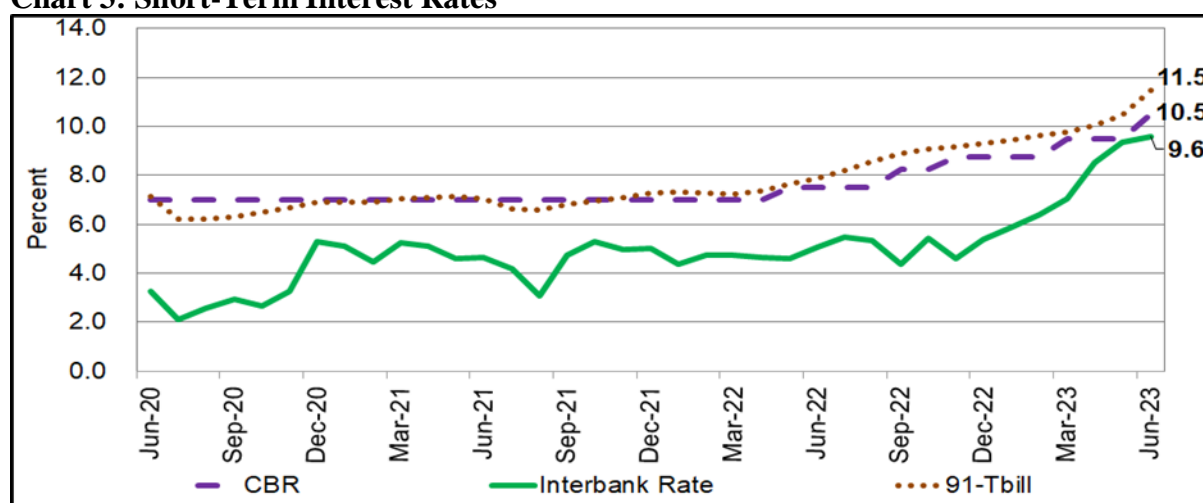
Source of Data: National Central Banks

1.3 Interest Rates

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

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

Chart 3: Short-Term Interest Rates



Source of Data: Central Bank of Kenya

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

1.4 Money and Credit

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

18. Net Domestic Assets (NDA) registered a growth of 11.5 percent in the year to June 2023, compared to a growth of 18.8 percent over a similar period in 2022. The slowdown in growth largely reflects reduced growth in net lending to government. Growth of domestic credit extended by the banking system to the Government declined to a growth of 13.0

RECENT ECONOMIC DEVELOPMENTS

percent in the year to June 2023 compared to a growth of 26.3 percent in the year to June 2022. Lending to other public sector reduced slightly, mainly due to a decline in advances to county governments and parastatals. The growth in NDA was mainly supported by resilient growth in credit to the private sector as business activities improved.

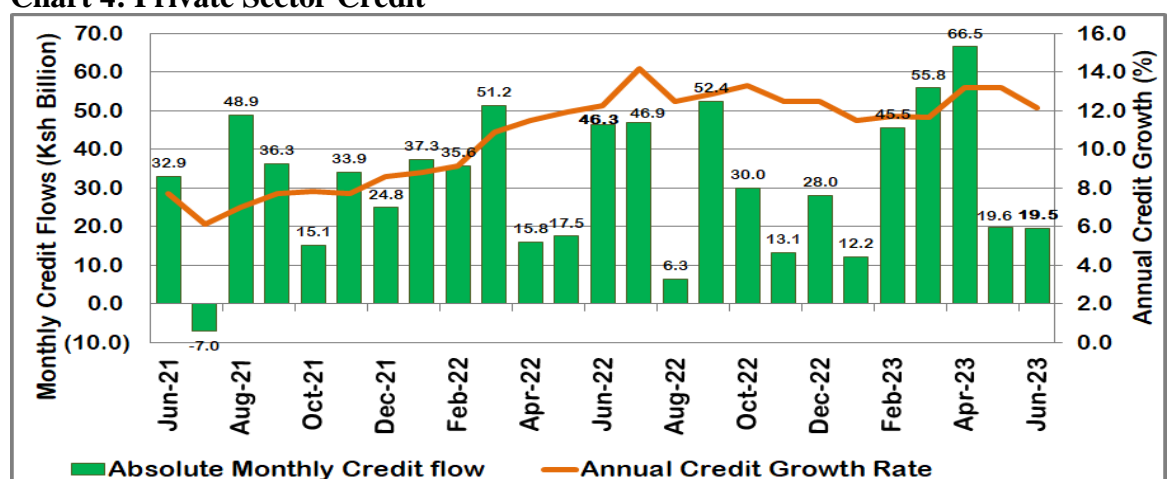
Table 2: Money and Credit Developments (12 Months to June 2023 KSh. Billion)

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

Source of Data: Central Bank of Kenya

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

Chart 4: Private Sector Credit

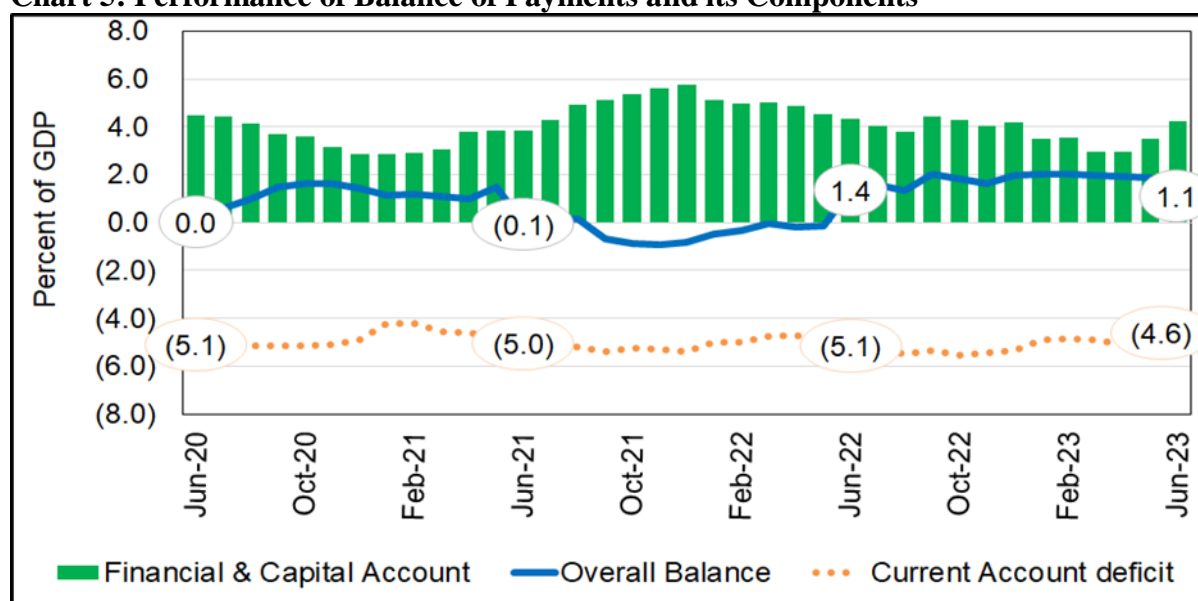


Source of Data: Central Bank of Kenya

1.5 Balance of Payments

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

Chart 5: Performance of Balance of Payments and its Components



Source of Data: Central Bank of Kenya

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

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

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

RECENT ECONOMIC DEVELOPMENTS

75.7 million to a deficit of USD 1,789.4 million in the year to June 2023, compared to the same period last year, reflecting higher interest related payments on other investments.

Table 3: Balance of Payments (USD Million)

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

Source of Data: Central Bank of Kenya

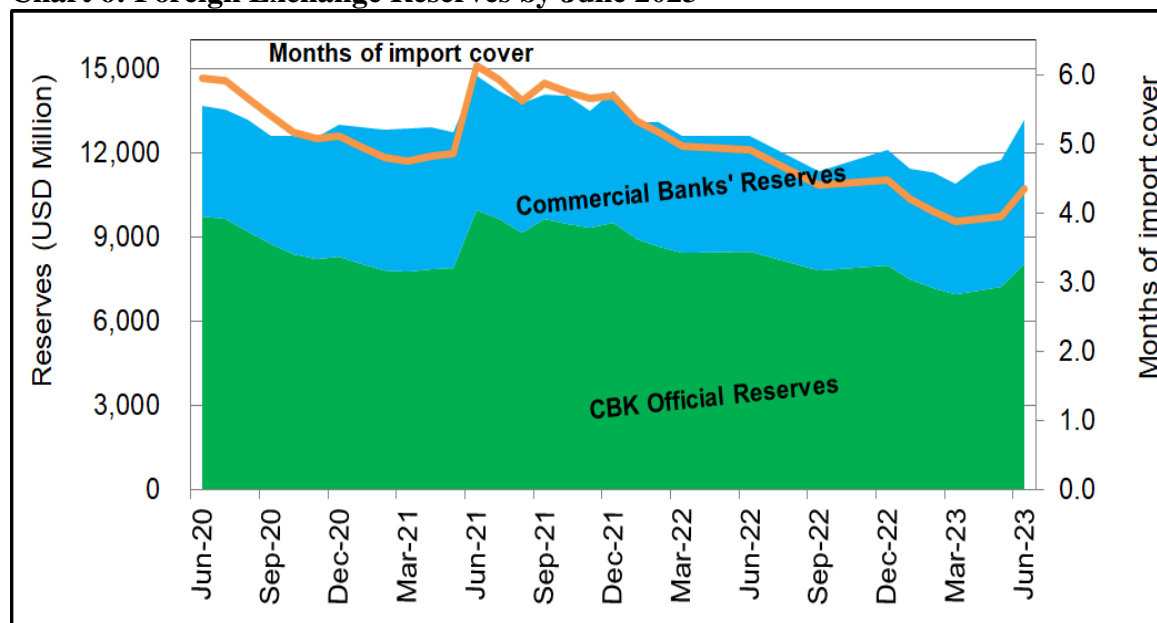
24. The capital account balance improved by USD 28.1 million to register a surplus of USD 189.7 million in June 2023 compared to a surplus of USD 161.6 million in the same period in 2022. Net financial inflows slowed down but remained vibrant at USD 4,061.5 million in June 2023 compared to USD 4,746.6 million in June 2022. The net financial inflows were mainly in the form of other investments, financial derivatives and direct investments. Portfolio investments registered a net outflow during the period.

1.6 Foreign Exchange Reserves

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

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

Chart 6: Foreign Exchange Reserves by June 2023

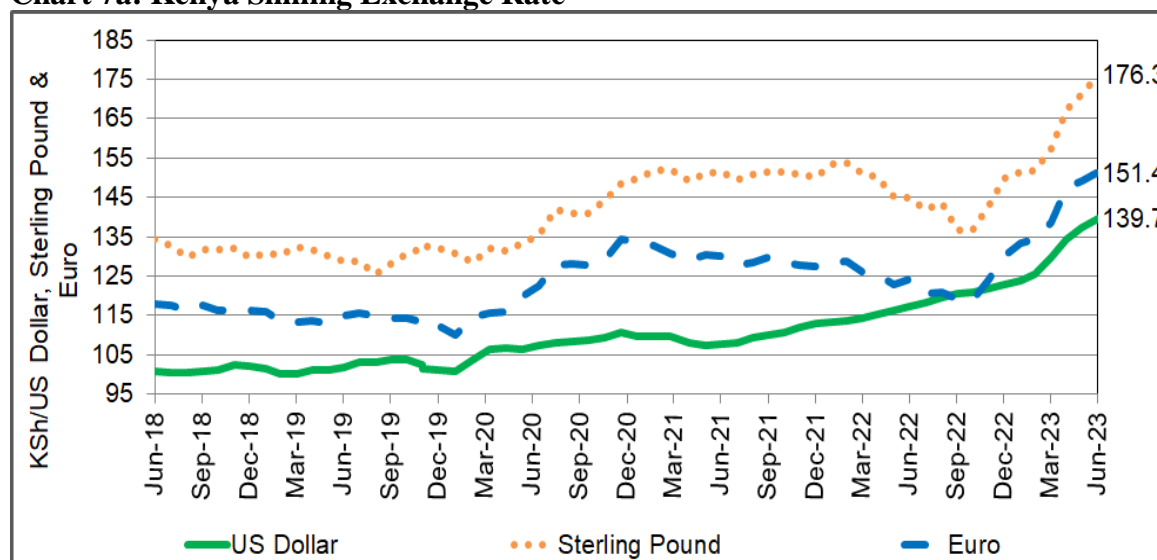


Source of Data: Central Bank of Kenya

1.7 Exchange Rates

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

Chart 7a: Kenya Shilling Exchange Rate

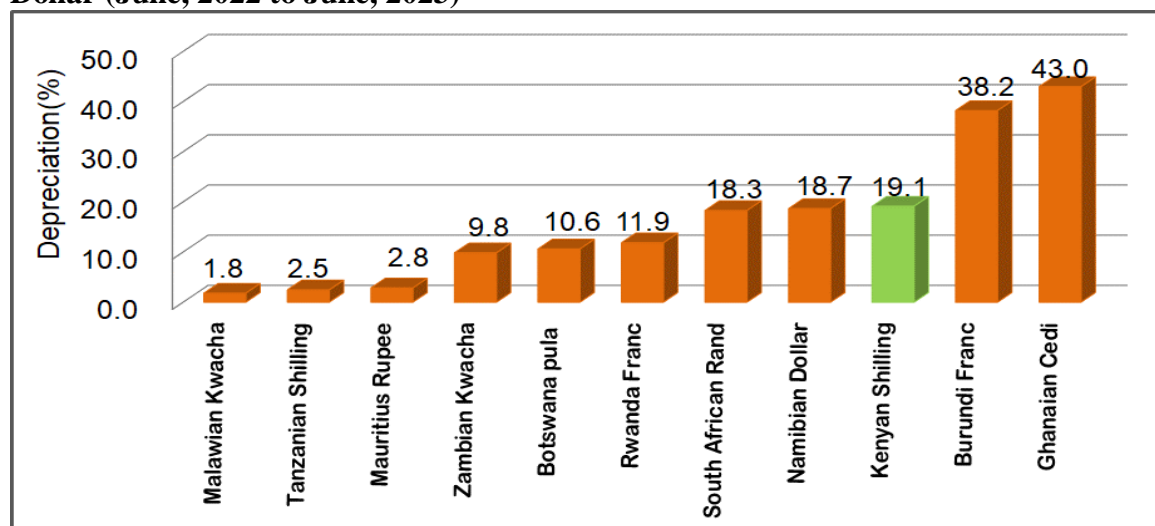


Source of Data: Central Bank of Kenya

RECENT ECONOMIC DEVELOPMENTS

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

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

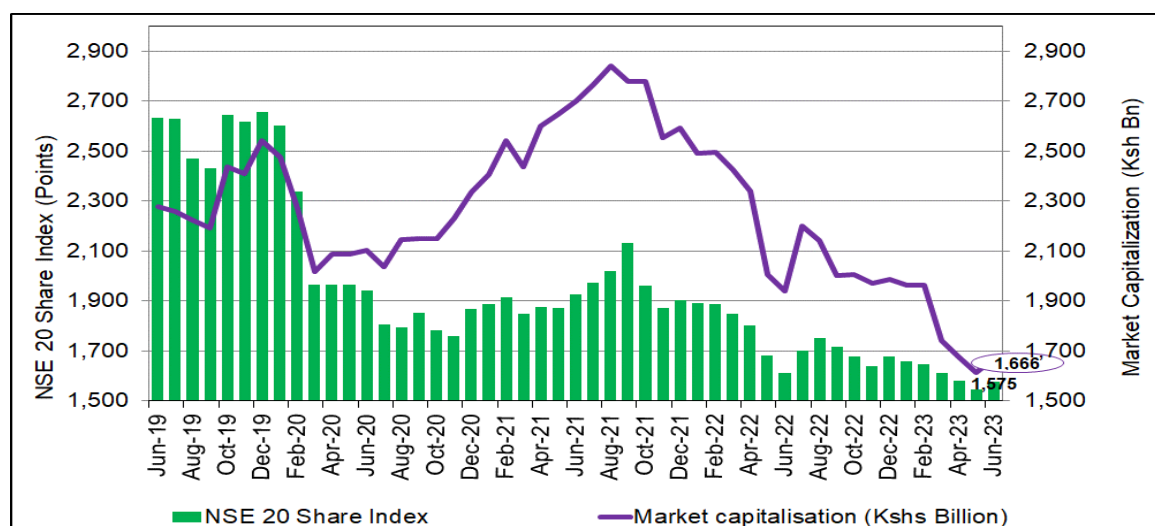


Source of Data: National Central Banks

1.8 Capital Markets

29. Activity in the capital markets slowed down in June 2023 compared to June 2022 due to the outflow of investors as advanced economies tightened their monetary policy amid recession fears. The NSE 20 Share Index declined to 1,575 points in June 2023 compared to 1,613 points in June 2022 while Market capitalization also declined to KSh 1,666 billion from KSh 1,939 billion over the same period (**Chart 8**).

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



Source of Data: Nairobi Securities Exchange

2.0 FISCAL DEVELOPMENTS

2.1 Revenue

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

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

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

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

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

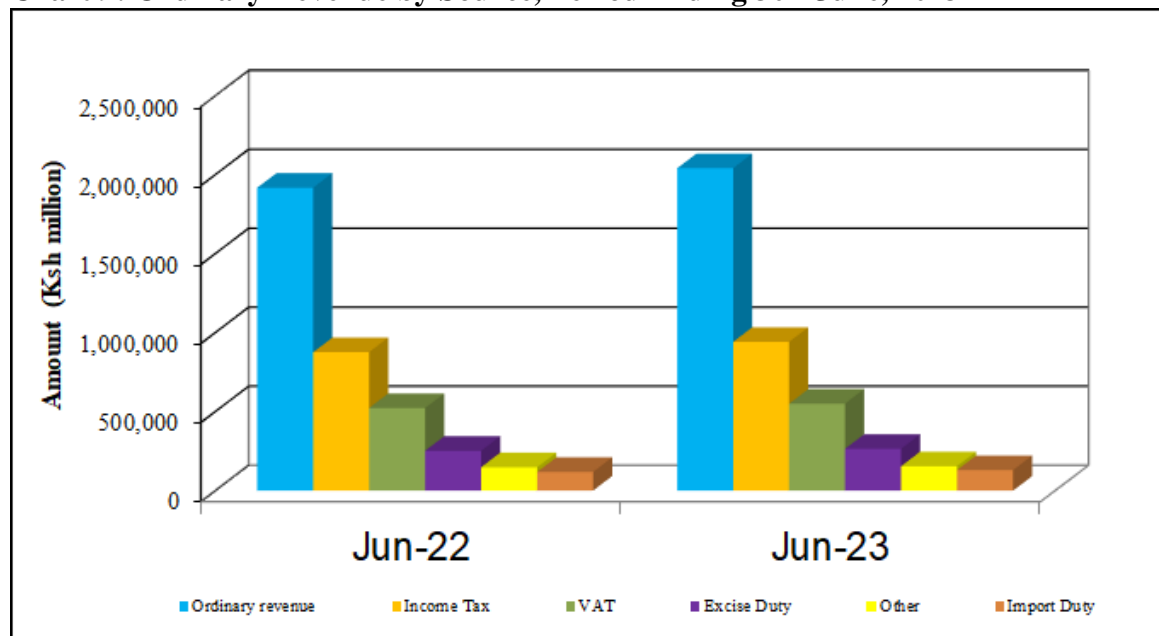
2/ includes receipts from Road Maintenance Levy Fund and A-I-A from Universities

*Provisional

Source of Data: National Treasury

32. As a proportion of GDP, the total revenue and grants in the period under review was 16.4 percent compared to 17.6 percent in the corresponding period in the FY 2021/22. Total grants amounted to KSh. 23.1 billion against a target of KSh. 41.4 billion, which was an under performance by KSh. 18.3 billion.

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



Source of Data: National Treasury

2.2 Expenditure

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

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

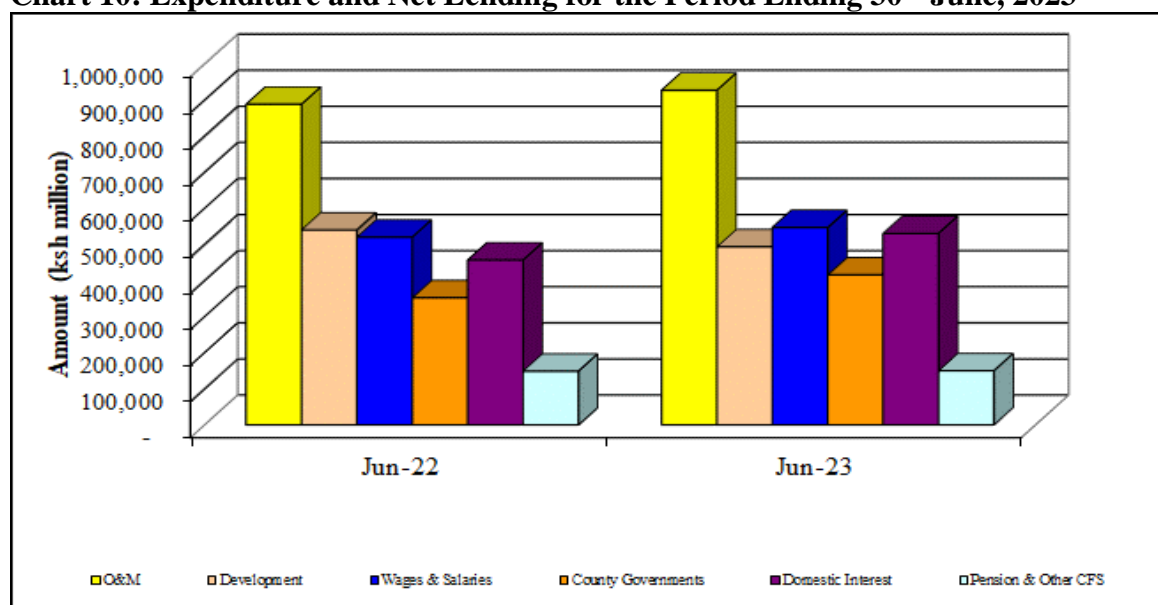
	2021/2022 Actual	2022/2023		Deviation	% Growth
		Actual*	Targets		
1. RECURRENT	2,086,174	2,247,807	2,300,518	(52,711)	7.7
Domestic Interest	456,849	530,284	527,928	2,357	16.1
Foreign Interest	120,812	154,223	154,937	(714)	27.7
Pensions & Other CFS	122,432	120,425	144,676	(24,250)	(1.6)
Contribution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

*Provisional

Source of Data: National Treasury

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

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



Source of Data: National Treasury

2.2.1 National Government Expenditures by Public Agencies

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

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

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

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

MINISTRY/DEPARTMENT/COMMISSIONS	Jun-23									% of Total Exp. To Target
	Recurrent			Development			Total			
	Actual*	Target	Variance	Actual*	Target	Variance	Actual*	Target	Variance	
Office of the President	23,802	27,239	(3,426)	3,686	7,815	(4,129)	27,489	35,044	(7,556)	78.4
Office of the Deputy President	863	1,017	(154)	-	-	-	863	1,017	(154)	84.8
Office of the Prime Cabinet Secretary	678	853	(176)	-	-	-	678	853	(176)	79.4
State Department for Interior and Citizen Services	102,695	106,467	(3,773)	3,840	3,897	(57)	106,535	110,365	(3,830)	96.5
State Department for Correctional Services	26,308	31,566	(5,258)	492	505	(14)	26,800	32,072	(5,272)	83.6
State Department for Immigration and Citizen Services	1,827	1,907	(81)	125	107	18	1,952	2,014	(62)	96.9
National Police Service	24,594	25,180	(586)	-	-	-	24,594	25,180	(586)	97.7
State Department for Internal Security & National Administration	7,862	8,846	(984)	-	-	-	7,862	8,846	(984)	88.9
State Department for Devolution	1,535	1,580	(45)	100	227	(128)	1,635	1,808	(173)	90.4
State Department for Development of the ASAL	6,224	6,377	(153)	11,279	14,428	(3,149)	17,503	20,805	(3,302)	84.1
Ministry of Defence	127,430	135,615	(8,186)	-	3,365	(3,365)	127,430	138,981	(11,551)	91.7
Ministry of Foreign Affairs	12,096	14,476	(2,380)	1,087	1,096	(9)	13,184	15,572	(2,388)	84.7
State Department for Foreign Affairs	1,904	5,196	(3,293)	-	-	-	1,904	5,196	(3,293)	36.6
State Department for Diaspora Affairs	472	658	(186)	-	-	-	472	658	(186)	71.7
State Department for Technical Vocational Education and Training	20,093	20,318	(225)	2,167	4,098	(1,931)	22,260	24,416	(2,156)	91.2
State Department for Higher Education and Research	101,616	103,830	(2,214)	3,545	4,621	(1,075)	105,161	108,450	(3,289)	97.0
State Department for Basic Education	111,384	110,600	784	18,171	24,222	(6,051)	129,555	134,822	(5,267)	96.1
State Department for Post Training and Skills Development	129	129	(0)	-	-	-	129	129	(0)	100.0
State Department for Implementation of Curriculum Reforms	189	205	(16)	-	-	-	189	205	(16)	92.4
The National Treasury	59,420	61,605	(2,184)	73,044	85,958	(12,914)	132,465	147,563	(15,099)	89.8
State Department for Economic Planning	3,760	3,810	(51)	45,285	47,572	(2,287)	49,045	51,382	(2,338)	95.5
Ministry of Health	76,772	69,199	7,573	41,019	41,987	(967)	117,791	111,185	6,606	105.9
State Department for Public Health and Professional Standards	840	2,875	(2,035)	2,388	2,337	50	3,238	5,213	(1,985)	61.9
State Department for Roads	74,914	69,017	5,896	90,838	101,778	(10,940)	165,752	170,795	(5,043)	97.0
State Department for Transport	10,478	9,831	647	2,642	2,662	(19)	13,120	12,492	628	105.0
State Department for Shipping and Maritime Affairs	3,141	2,181	960	1	690	(689)	3,142	2,871	271	109.4
State Department for Housing & Urban Development	1,216	1,243	(27)	9,351	10,526	(1,175)	10,567	11,769	(1,202)	89.8
State Department for Public Works	3,129	3,072	56	485	436	49	3,614	3,508	106	103.0
State Department for Immigration	106	193	(87)	2,090	2,389	(299)	2,196	2,582	(386)	85.1
Ministry of Environment and Forestry	9,996	9,338	658	3,777	4,367	(590)	13,773	13,705	68	100.5
State Department for Water & Sanitation	6,943	6,348	595	45,120	59,395	(14,275)	52,063	65,744	(13,680)	79.2
State Department for Lands and Physical Planning	2,859	3,022	(163)	1,349	1,272	77	4,208	4,293	(86)	98.0
State Department for Information Communication Technology & Digital Economy	2,246	2,815	(569)	9,053	11,670	(2,618)	11,299	14,485	(3,187)	78.0
State Department for Broadcasting & Telecommunications	4,502	6,278	(1,776)	267	266	0	4,769	6,544	(1,776)	72.9
State Department for Sports	1,894	1,898	(4)	10,111	12,021	(1,910)	12,005	13,919	(1,914)	86.3
State Department for Culture and Heritage	2,607	2,971	(363)	63	328	(265)	2,670	3,298	(628)	81.0
State Department for Energy	11,411	11,686	(276)	31,035	43,118	(12,083)	42,446	54,805	(12,359)	77.4
State Department for Livestock Development	2,870	4,407	(1,537)	2,610	4,370	(1,760)	5,480	8,777	(3,297)	62.4
State Department for the Blue Economy and Fisheries	2,283	2,314	(32)	3,526	4,915	(1,389)	5,809	7,229	(1,421)	80.3
State Department for Crop Development	21,801	14,189	7,612	29,336	35,230	(5,894)	51,137	49,419	1,718	103.5
State Department for Cooperatives	3,497	2,138	1,359	12,803	20,823	(8,020)	16,300	22,960	(6,661)	71.0
State Department for Trade	2,035	2,953	(918)	795	1,265	(471)	2,829	4,218	(1,389)	67.1
State Department for Industry	3,241	2,672	569	1,005	1,279	(274)	4,246	3,951	295	107.5
State Department for Micro, Small and Medium Enterprises Development	344	588	(243)	46	46	-	390	634	(243)	61.6
State Department for Investment Promotion	448	976	(528)	1,238	1,238	-	1,686	2,214	(528)	76.1
State Department for Labour and Skills Development	2,866	2,934	(68)	278	423	(144)	3,144	3,357	(212)	93.7
State Department for Social Protection and Senior Citizens Affairs	33,369	35,197	(1,828)	2,177	3,049	(872)	35,546	38,246	(2,700)	92.9
State Department for Mining	205	238	(33)	122	131	(9)	327	369	(42)	88.6
Ministry of Petroleum and Mining	63,347	63,991	(644)	2,357	2,501	(144)	65,704	66,492	(788)	98.8
State Department for Tourism	6,686	10,055	(3,369)	13	59	(46)	6,699	10,114	(3,415)	66.2
State Department for Wildlife	9,324	9,364	(40)	172	369	(196)	9,496	9,732	(236)	97.6
State Department for Gender and Affirmative Action	995	1,193	(198)	2,418	2,753	(335)	3,412	3,946	(533)	86.5
State Department for Public Service	20,665	22,640	(1,975)	301	303	(1)	20,966	22,943	(1,977)	91.4
State Department for Youth Affairs	1,360	1,374	(15)	942	1,163	(222)	2,301	2,538	(236)	90.7
State Department for East African Community	780	776	4	-	-	-	780	776	4	100.5
State Department for Regional and Northern Corridor Development	3,426	3,336	90	3,638	3,838	(200)	7,064	7,174	(110)	98.5
The State Law Office	5,289	5,718	(429)	68	97	(29)	5,357	5,815	(458)	92.1
The Judiciary	18,925	19,232	(307)	1,310	1,900	(590)	20,235	21,132	(897)	95.8
Ethics and Anti-Corruption Commission	3,357	3,521	(164)	47	47	-	3,403	3,567	(164)	95.4
National Intelligence Service	35,985	37,628	(1,643)	-	-	-	35,985	37,628	(1,643)	95.6
Office of the Director of Public Prosecutions	3,449	3,670	(221)	21	12	9	3,470	3,682	(212)	94.2
Office of the Registrar of Political Parties	1,453	1,530	(77)	-	-	-	1,453	1,530	(77)	95.0
Witness Protection Agency	532	632	(100)	-	-	-	532	632	(100)	84.2
State Department for Forestry	2,151	2,392	(240)	602	617	(16)	2,753	3,009	(256)	91.5
Kenya National Commission on Human Rights	450	451	(1)	-	-	-	450	451	(1)	99.7
National Land Commission	1,478	1,482	(5)	-	-	-	1,478	1,482	(5)	99.7
Independent Electoral and Boundaries Commission	20,333	20,639	(306)	-	-	-	20,333	20,639	(306)	98.5
Parliamentary Service Commission	7,849	8,950	(1,101)	-	-	-	7,849	8,950	(1,101)	87.7
National Assembly	27,282	31,849	(4,567)	-	-	-	27,282	31,849	(4,567)	85.7
Parliamentary Joint Services	6,056	6,235	(179)	2,250	2,465	(215)	8,306	8,700	(394)	95.5
Judicial Service Commission	830	887	(57)	-	-	-	830	887	(57)	93.6
The Commission on Revenue Allocation	537	541	(4)	-	-	-	537	541	(4)	99.3
Public Service Commission	2,427	2,452	(26)	26	26	(0)	2,453	2,479	(26)	99.0
Salaries and Remuneration Commission	499	505	(6)	-	-	-	499	505	(6)	98.8
Teachers Service Commission	298,553	299,119	(567)	820	1,076	(256)	299,372	300,195	(823)	99.7
National Police Service Commission	958	1,007	(49)	-	-	-	958	1,007	(49)	95.2
Auditor General	5,895	6,304	(611)	2	29	(26)	5,895	6,333	(637)	90.2
Office of the Controller of Budget	601	620	(19)	-	-	-	601	620	(19)	96.9
The Commission on Administrative Justice	572	578	(6)	-	-	-	572	578	(6)	99.0
National Gender and Equality Commission	397	398	(1)	6	10	(4)	403	408	(5)	98.8
Independent Policing Oversight Authority	913	927	(14)	-	-	-	913	927	(14)	98.5
Total	1,474,244	1,508,235	(33,991)	481,336	583,186	(101,850)	1,955,580	2,091,422	(135,841)	93.5

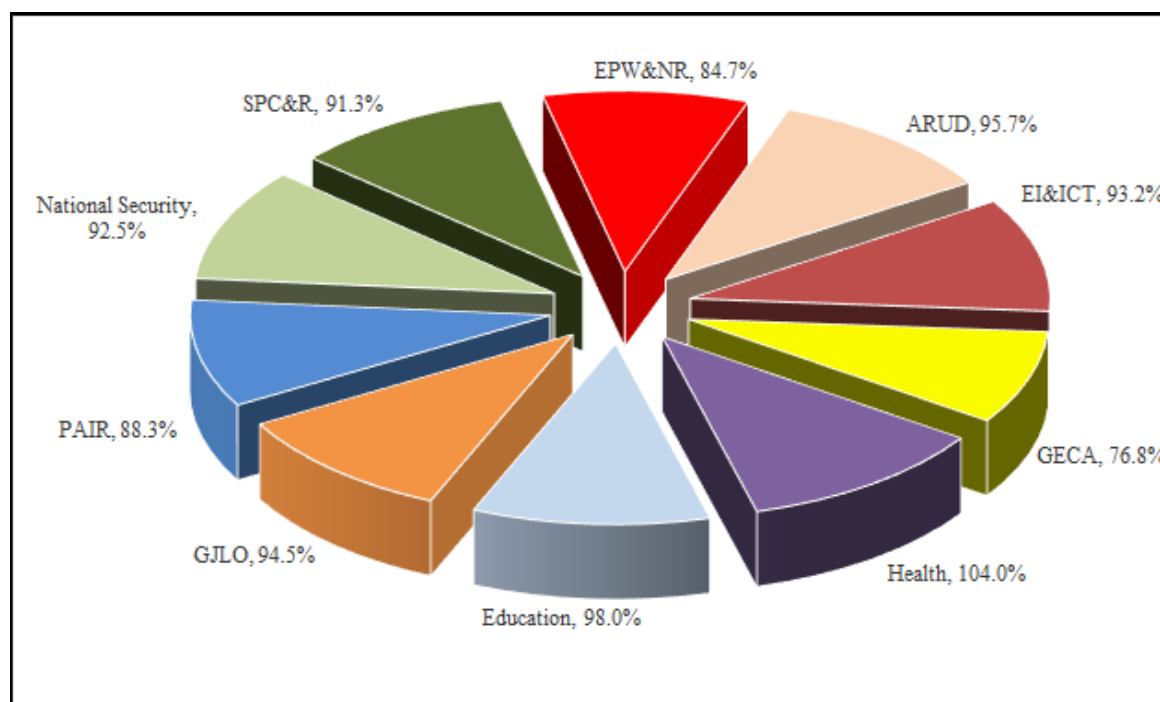
*Provisional

Source of Data: National Treasury

FISCAL DEVELOPMENTS

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

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



Source of Data: National Treasury

2.2.2 Pending Bills

39. The National Treasury has not received from MDAs all the data on pending bills as at end June 2023. The total outstanding national government pending bills as at 30th June, 2023 amounted to KSh. 567.5 billion. These comprise of KSh. 443.6 billion (78.2 percent) and KSh.123.9 billion (21.8 percent) for the State Corporations (SCs) and Ministries/State Departments/other government entities respectively. The SCs pending bills include payment to contractors/projects, suppliers, unremitted statutory and other deductions, pension arrears for Local Authorities Pension Trust, and others. The highest percentage of the SCs pending bills (64.4 percent) belong to Contractor/Projects and Suppliers. Ministries/State Departments and other government entities pending bills constitutes mainly of historical pending bills for the last two years.

40. The National Government policy on clearance of pending bills continues to be in force. The National Treasury is currently developing a comprehensive strategy to clear outstanding stock of verified pending bills of the National Government over the medium term. In this strategy, deficiencies and lapses that led to accumulation of pending bills will be addressed. In the FY 2023/24 all MDAs are expected to clear all the expenditure carryovers from FY 2022/23 as a first charge before payment of commitments of the current financial year.

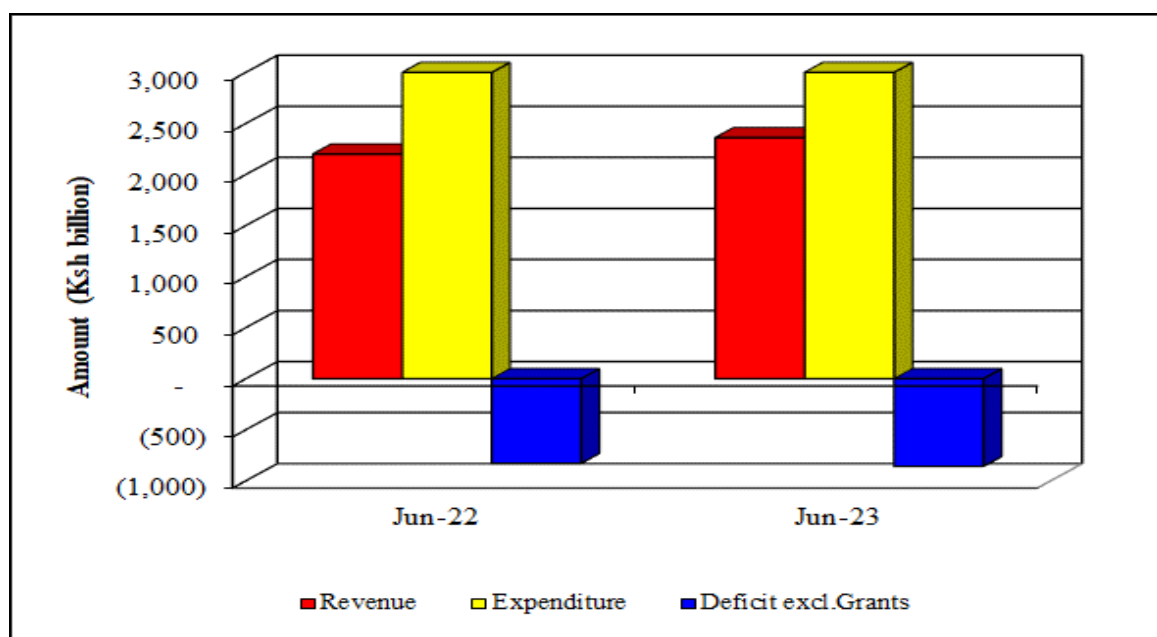
2.2.3 Guaranteed Debt Service

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

2.3 Fiscal Outturn

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

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



Source of Data: National Treasury

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

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

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

*Provisional

Source of Data: National Treasury

2.4 Financing

2.4.1 External Financing

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

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

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

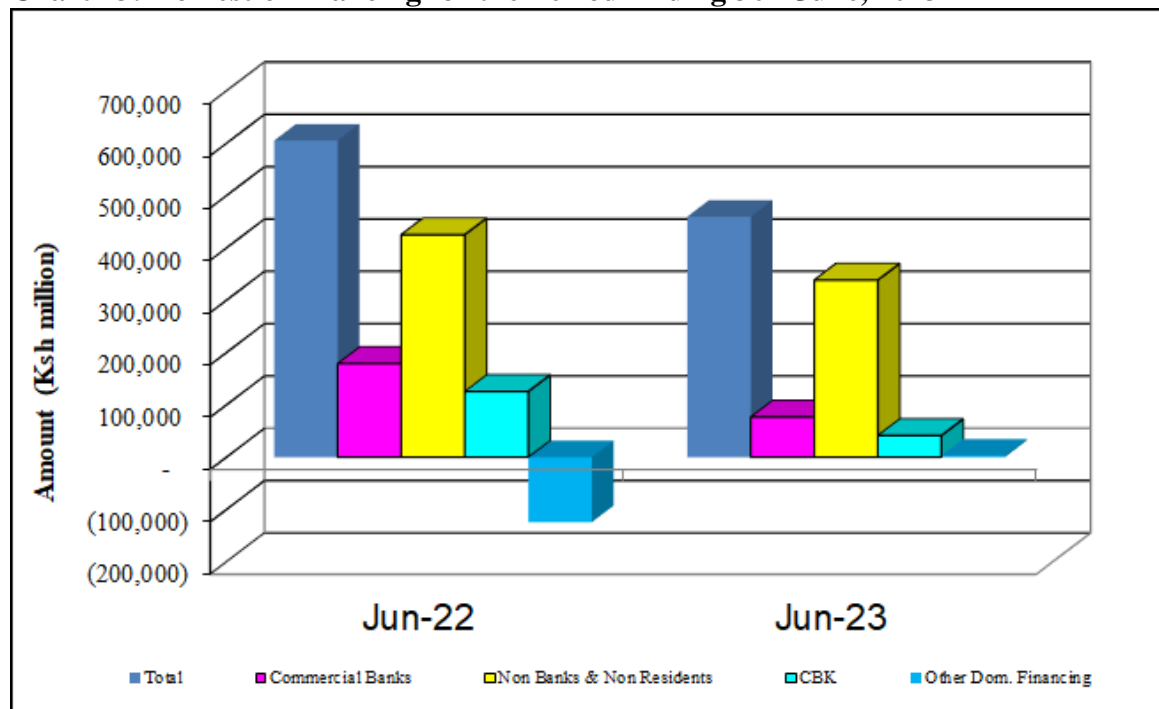
*Provisional

Source of Data: National Treasury

2.4.2 Domestic Financing

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

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



Source of Data: Central Bank of Kenya

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

FISCAL DEVELOPMENTS

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

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

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

*provisional

Source of Data: Central Bank of Kenya

3.0 PUBLIC DEBT

3.1 Overall Debt Position

47. The gross public debt as at 30th June, 2023 increased by KSh. 1,619.7 billion to KSh. 10,248.7 billion compared to KSh 8,629.0 billion as at end of June 2022. The gross public debt comprised of 52.9 percent external debt and 47.1 percent domestic debt. The increase in the public debt is attributed to external loan disbursements; exchange rate fluctuation; and the uptake of domestic and external debt during the period. The net public debt was KSh. 9,764.1 billion by end of the period under review (Table 11).

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

DEBT SOURCE	Jun- 21	Sep-21	Dec-21	Mar- 22	Jun- 22*	Sep-22*	Dec-22*	Mar- 23*	Jun- 23*
EXTERNAL									
BILATERAL	1,140,529	1,149,211	1,171,701	1,171,595	1,173,270	1,144,450	1,206,883	1,291,851	1,334,541
MULTILATERAL	1,659,411	1,699,358	1,782,085	1,817,375	1,923,444	1,957,899	2,213,756	2,244,087	2,653,951
COMMERCIAL BANKS	1,187,439	1,196,248	1,208,283	1,208,247	1,191,080	1,220,682	1,239,681	1,301,153	1,413,260
SUPPLIERS CREDIT	12,162	13,669	12,303	12,344	12,154	11,760	12,824	14,004	14,848
SUB – TOTAL EXTERNAL	3,999,542	4,058,486	4,174,372	4,209,560	4,299,948	4,334,791	4,673,144	4,851,095	5,416,600
DOMESTIC:									
CENTRAL BANK	87,575	90,938	88,692	95,575	85,141	53,881	84,437	104,108	102,592
COMMERCIAL BANKS	1,814,199	1,917,628	1,943,018	1,978,489	2,003,387	2,032,420	2,017,402	1,992,177	2,095,069
TOTAL BANKS	1,901,774	2,008,565	2,031,710	2,074,064	2,088,529	2,086,301	2,101,839	2,096,284	2,197,661
NON BANKS & NON RESIDENTS	1,795,319	1,929,212	2,000,658	2,118,289	2,199,804	2,279,978	2,370,999	2,443,846	2,538,935
IMF FUNDS ON-LENT TO GOVERNMENT					40,766	60,348	62,789	90,965	95,516
SUB-TOTAL DOMESTIC	3,697,093	3,937,777	4,032,368	4,192,352	4,329,099	4,426,627	4,535,628	4,631,095	4,832,113
GRAND TOTAL GROSS	7,696,635	7,996,263	8,206,740	8,401,912	8,629,047	8,761,418	9,208,772	9,482,190	10,248,712
LESS ON-LENDING	-	-	-	-	-	-	-	-	-
LESS GOVERNMENT DEPOSITS	(556,430)	(544,187)	(461,273)	(449,073)	(418,157)	(404,154)	(470,558)	(386,099)	(484,584)
GRAND TOTAL NET	7,140,205	7,452,076	7,745,467	7,952,840	8,210,890	8,357,263	8,738,213	9,096,091	9,764,128

*Provisional

Source of Data: National Treasury

3.2 Domestic Debt

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

FISCAL DEVELOPMENTS

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

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

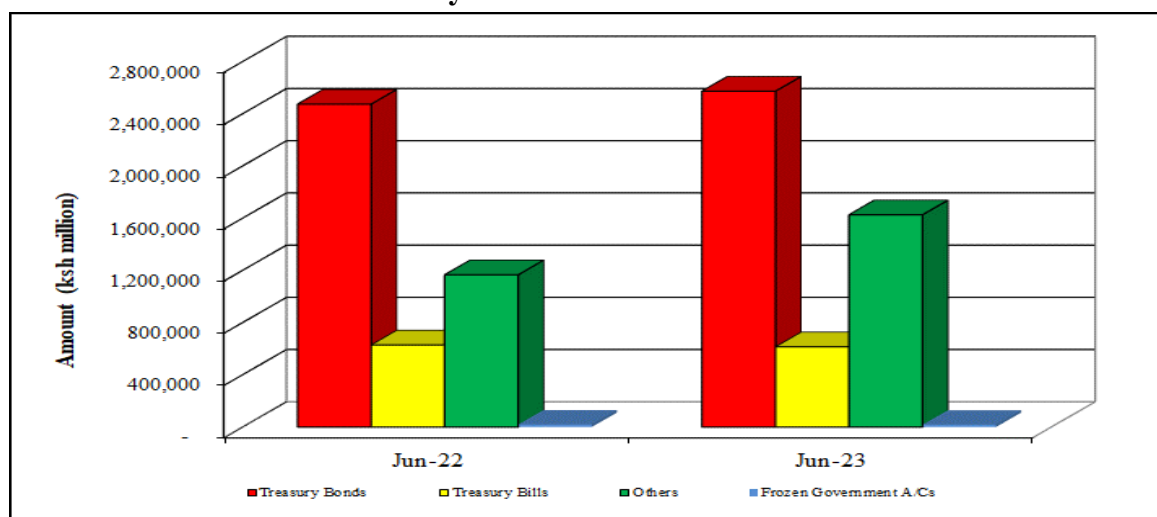
NOTE: Treasury Bills reflected here are at face value as opposed to Table 10, given at cost

*Provisional

Source of Data: Central Bank of Kenya

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

Chart 14: Domestic Debt Stock by Instruments



Source of Data: Central Bank of Kenya

3.3 External Public Debt

50. In dollar terms, external public debt stock increased by US\$. 1710.8 million from US\$. 36,413.9 million by end of June 2022 to US\$. 38,545.9 million by the end of June, 2023 (**Table 13**). This comprised debt owed to multilateral (49.0%), commercial banks (26.1%), bilateral (24.6%), and Suppliers Credit (0.3%).

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

CREDITOR	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22*	Sep-22*	Dec-22*	Mar-23*	Jun-23*
<u>BILATERAL</u>									
AUSTRIA	13.33	12.98	12.28	11.97	11.04	13.06	13.82	14.07	13.75
BELGIUM	117.61	114.51	114.42	116.98	109.81	111.75	117.93	182.72	182.15
DENMARK	4.39	4.30	4.18	4.12	3.88	3.20	3.49	3.13	3.07
FINLAND	11.31	9.71	9.42	7.93	7.50	7.03	6.32	6.48	5.17
FRANCE	851.83	836.00	812.00	800.51	764.63	707.56	764.04	805.50	763.21
GERMANY	338.31	328.90	336.11	351.21	332.55	326.50	346.23	328.54	336.34
ITALY	371.85	364.79	353.78	347.71	328.79	309.28	333.82	344.47	343.70
JAPAN	1,474.72	1,463.17	1,416.58	1,382.43	1,245.99	1,217.67	1,304.89	1,453.84	1,268.56
USA	13.14	12.44	12.26	10.89	10.69	9.97	9.61	8.73	8.53
CHINA	7,056.92	6,917.51	6,951.45	6,835.26	6,830.10	6,594.56	6,569.52	6,307.40	6,265.12
OTHERS	321.73	337.12	333.61	323.09	311.80	295.43	312.68	307.29	307.31
TOTAL BILATERAL	10,575.15	10,401.43	10,356.09	10,192.10	9,956.78	9,596.01	9,782.35	9,762.17	9,496.92
<u>MULTILATERAL</u>									
ADB/ADF	2,988.35	3,024.74	3,187.81	3,317.25	3,269.84	3,302.50	3,490.90	3,591.12	3,685.50
BADEA	39.53	38.63	38.72	39.20	41.10	45.99	45.20	47.70	52.19
EEC/EIB	215.38	203.88	197.09	188.94	176.12	158.66	170.90	182.11	198.94
IBRD	294.98	293.90	297.56	296.74	569.35	571.26	579.24	581.75	1,082.86
IDA/IFAD	10,146.65	10,137.36	10,150.48	10,099.33	10,474.77	10,252.69	10,692.09	10,828.01	11,426.44
IMF**	1,652.44	1,635.00	1,834.49	1,824.62	1,751.87	1,965.77	2,915.30	1,673.40	2,388.16
OTHERS	48.97	47.26	44.83	43.87	45.43	48.35	49.89	53.86	52.08
TOTAL MULTILATERAL	15,386.29	15,380.77	15,750.98	15,809.95	16,328.48	16,345.22	17,943.52	16,957.95	18,886.17
<u>COMMERCIAL¹</u>	11,010.10	10,827.15	10,679.43	10,510.95	10,025.49	10,260.41	10,048.20	9,832.46	10,057.10
O/W International Sovereign Bond	7,106.58	7,100.00	7,106.28	7,100.00	7,100.00	7,100.00	7,100.00	7,100.00	7,100.00
EXPORT CREDIT	112.77	123.71	108.74	107.38	103.14	98.96	103.94	105.82	105.66
GRAND TOTAL	37,084.30	36,733.07	36,895.24	36,620.38	36,413.89	36,300.60	37,878.01	36,658.41	38,545.87
In percentage of total									
BILATERAL	28.52	28.32	28.07	27.83	27.34	26.4	25.8	26.6	24.6
MULTILATERAL	41.49	41.87	42.69	43.17	44.84	45.0	47.4	46.3	49.0
COMMERCIAL BANKS ¹	29.69	29.48	28.95	28.70	27.53	28.3	26.5	26.8	26.1
EXPORT CREDIT	0.30	0.34	0.29	0.29	0.28	0.3	0.3	0.3	0.3
TOTAL	100.00	100.00	100.00	100.00	100.00	100.0	100.0	100.0	100.0

*Provisional

** include IMF item

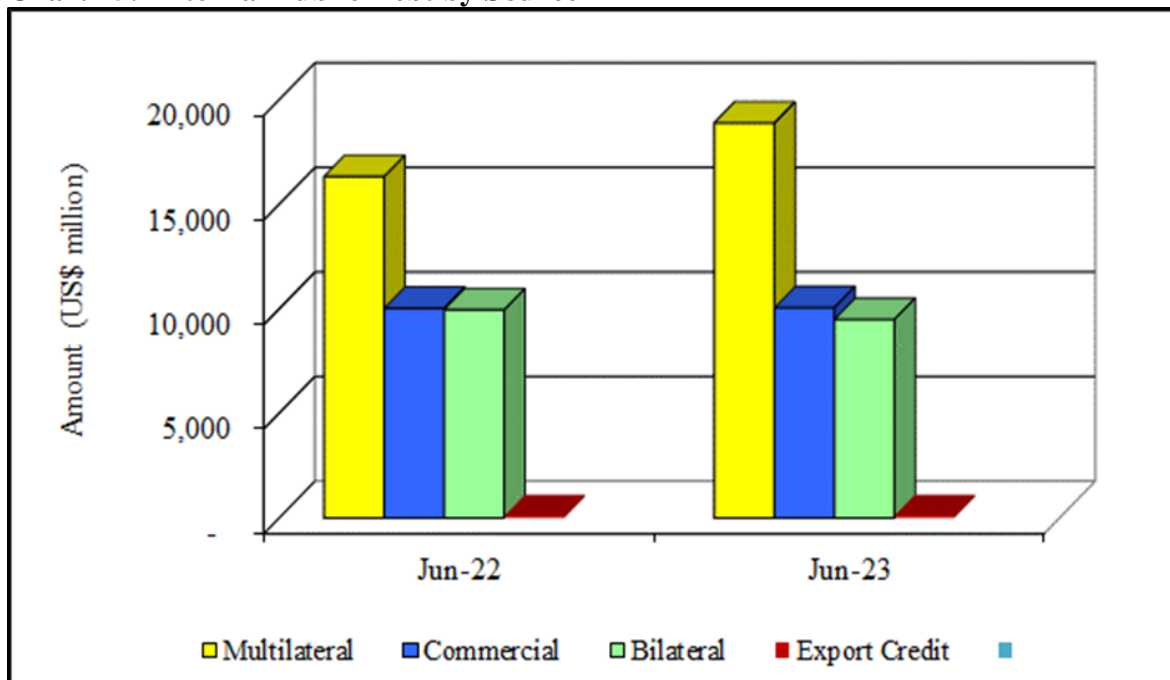
1/ incl. International Sovereign Bond

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

Source of Data: National Treasury

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

Chart 15: External Public Debt by Source



Source of Data: National Treasury

3.3.1 External Debt Service

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

FISCAL DEVELOPMENTS

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

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

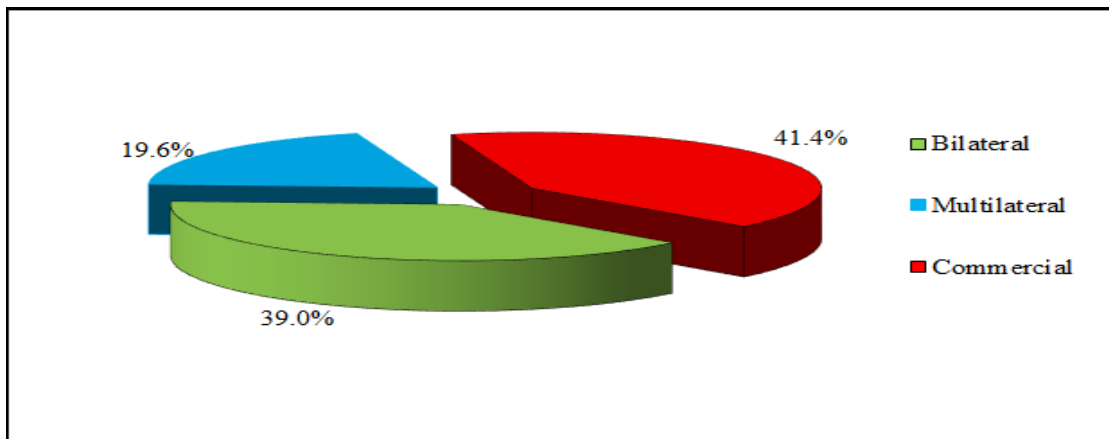
* Provisional

Source of Data: National Treasury

FISCAL DEVELOPMENTS

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

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



Source of Data: National Treasury

4.0. ANNEXES

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

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

Source: National Treasury

4.2. GFSM 2014 COMPLIANT TABLES FOR BUDGETARY CENTRAL GOVERNMENT

4.2.1 Annex II: Revenue (KSh. Millions)

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

1. Includes Capital Gains Tax and Stamp duty

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

3. Includes Import duty, RDL and IDF

Source: National Treasury

4.2.2. Annex III: Expense (KSh. Millions)

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

Source: National Treasury

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

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

Source: National Treasury

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

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

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

Source: National Treasury

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

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

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

Source: National Treasury