
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
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
UK	United Kingdom
US\$	United States Dollar
VAT	Value Added Tax
O/W	Of Which

LEGAL BASIS FOR THE QUARTERLY ECONOMIC AND BUDGETARY REVIEW REPORT

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

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

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

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

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

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

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

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

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

(b) Publish and publicize the reports.

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

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

1. Economic growth

The economy remained strong and resilient in the first half of 2022. It expanded by 6.8 percent in the first quarter and 5.2 percent in the second quarter mainly supported by the non-agriculture sectors. In the second quarter of 2022, growth was supported by strong activity in financial and insurance, transportation and storage, wholesale and retail trade, real estate, and construction sectors. However, performance of the agriculture sector remained subdued due to unfavorable weather conditions.

2. Inflation rate

The year-on-year inflation rate was above the 7.5 percent upper target for the fourth consecutive month since June, 2022. Inflation rate was at 9.2 percent in September, 2022, an increase from 6.9 percent in September, 2021. This was mainly due to higher food and fuel prices

3. Interest Rates

Short-term interest rates remained fairly low and stable. The Central Bank Rate was raised from 7.5 percent to 8.25 percent in September, 2022. The tightening of the monetary policy stance was to anchor inflation expectations due to the elevated risks to the inflation outlook as a result of increased global commodity prices and supply chain disruptions. The interbank rate remained stable at 4.4 percent in September, 2022 compared to 4.7 percent in September 2021 while the 91-day Treasury Bills rate was at 8.9 percent compared to 6.8 percent over the same period.

4. Money and Credit

Broad money supply, M3, grew by 6.1 percent in the year to September, 2022 compared to a growth of 8.8 percent in the year to September 2021. The growth in September, 2022 was mainly due to an increase in domestic credit particularly net lending to the private sector. This growth was however curtailed by a decline in the Net Foreign Assets (NFA).

5. Current Account

The current account deficit was generally stable at USD 6,020.6 million (5.4 percent of GDP) in September, 2022 compared to USD 5,739.5 million (5.2 percent of GDP) in September 2021. The current account balance was supported by an improvement in the net receipts on the services account and the net secondary income balance.

6. Foreign Exchange Reserves

The official foreign exchange reserves held by the Central Bank stood at USD 7,787.5 million (4.4 months of import cover) in September, 2022 compared to USD 9,632.2 million (5.9 months of import cover) in September 2021. This fulfils the requirement to maintain reserves at minimum of 4.0 months of imports cover to provide adequate buffer against short term shocks in the foreign exchange market.

7. Capital Markets

Activity in the capital markets declined in September, 2022 compared to September 2021. The NSE 20 Share Index was at 1,718 points by end of September, 2022 compared with 2,131 points by end September 2021 while market capitalization declined to KSh. 2,001 billion from KSh. 2,779 billion over the same period.

8. Revenue Collection

The National Government's cumulative revenue collection including A-I-A for the period between July – September, 2022 amounted to KSh. 569.6 billion (4.1 percent of GDP) against a target of KSh. 559.1 billion. The revenue was above the set target by KSh. 10.5 billion mainly on account of over performance registered in 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 September, 2022 amounted to KSh. 759.5 billion, against a target of KSh. 694.0 billion. The resultant over expenditure of KSh. 65.5 billion is mainly attributed to higher absorption recorded in both recurrent and development expenditures by the National Government.

10. Guaranteed Debt

During the first quarter the Government paid KSh. 2.8 billion guaranteed debt on behalf of Kenya Airways (KQ).

11. Fiscal Balance

The fiscal balance excluding grants (on a commitment basis) amounted to a deficit of KSh. 189.9 billion (1.4 percent of GDP), as at the end September, 2022.

12. External Financing

The Net Foreign Financing was KSh. 31.1 billion (0.2 percent of the GDP) during the period under review.

13. Net Domestic Borrowing

Net domestic financing amounted to a net borrowing of KSh. 101.6 billion (0.7 percent of GDP) in the period ending 30th September, 2022.

14. Domestic Debt Stock

The stock of gross domestic debt increased by KSh. 428.5 billion from KSh. 3,937.8 billion in September, 2021 to KSh. 4,366.3 billion in September, 2022.

15. External Debt Stock

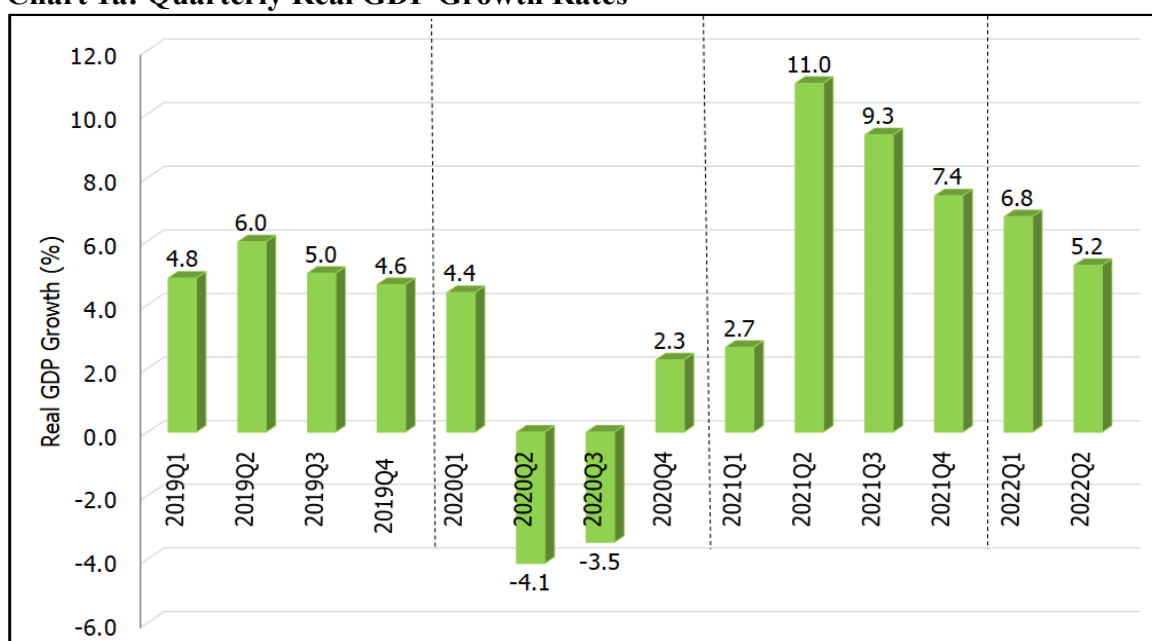
The total external debt stock, including the International Sovereign Bond, stood at KSh. 4,382.7 billion by the end of September, 2022. The debt stock comprised of multilateral debt (45.0 percent), commercial debt (28.3 percent), bilateral debt (26.4 percent) and suppliers' credit (0.3 percent).

1.0 RECENT ECONOMIC DEVELOPMENTS

1.1 Economic Growth

1. The Kenyan economy continued to demonstrate remarkable resilience in the first half of 2022 despite the global economic slowdown. The economy grew by 6.8 percent in the first quarter of 2022 compared to a growth of 2.7 percent in a similar quarter in 2021. The growth momentum slowed down in the second quarter of 2022 with the economy expanding by 5.2 percent compared to a growth of 11.0 percent in the corresponding quarter of 2021 (**Chart 1a**). The growth was supported by the non-agricultural sectors particularly strong activity in financial and insurance, transportation and storage, wholesale and retail trade, real estate, and construction sub-sectors. However, performance of the agriculture sector remained subdued due to unfavorable weather conditions.

Chart 1a: Quarterly Real GDP Growth Rates

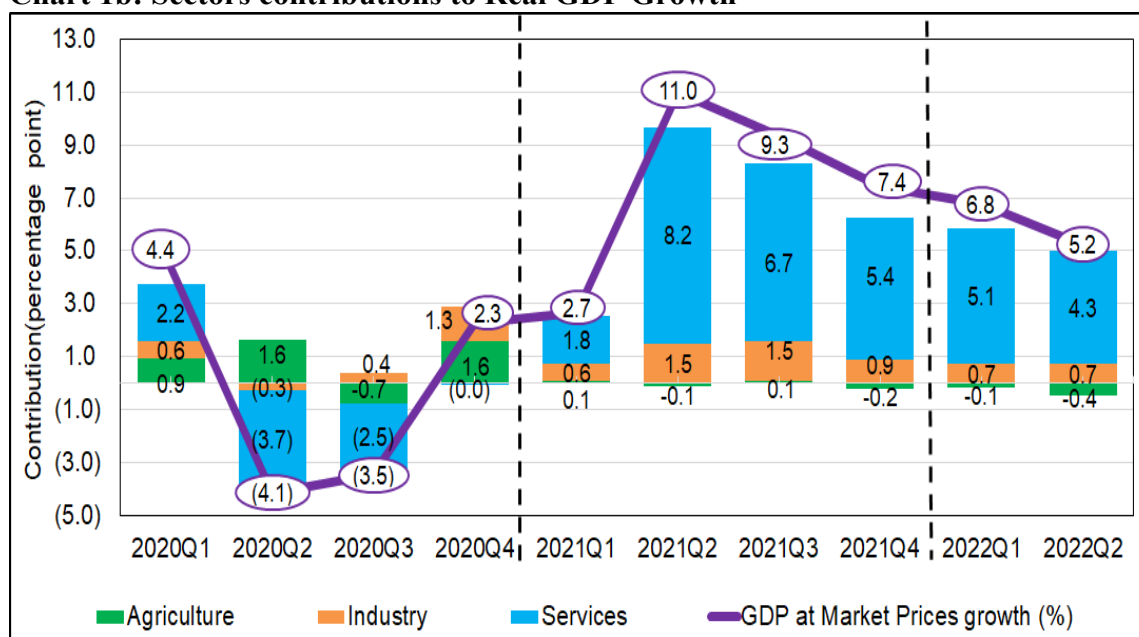


Source of Data: Kenya National Bureau of Statistics

2. Activities in the agriculture, forestry and fishing sector contracted for the third consecutive quarters mainly attributed to unfavorable weather conditions that resulted to reduced agricultural production. The sector is estimated to have contracted by 2.1 percent in the second quarter of 2022 compared to a contraction of 0.5 percent in the corresponding quarter of 2021 (**Table 1**). The performance of the sector was evident in the significant decline in exports of vegetable and cut flower, and production of tea, coffee and milk. The sector’s contribution to GDP growth was -0.4 percentage points in the second quarter of 2022 compared to -0.1 percentage points contribution in the same quarter in 2021(**Chart 1b**).

3. The performance of the industry sector slowed down to a growth of 4.5 percent in the second quarter of 2022 compared to a growth of 9.1 percent in the same period in 2021. This was mainly on account of normalization of activities in the manufacturing, electricity and water supply and construction sub-sector after the strong recovery in 2021. The industry sector accounted for 0.7 percentage points of growth in the second quarter of 2022 compared to 1.5 percentage points contribution in the same quarter in 2021.

Chart 1b: Sectors contributions to Real GDP Growth



Source of Data: Kenya National Bureau of Statistics

4. Manufacturing sub-sector expanded by 3.6 percent in the second quarter of 2022 compared to 11.3 percent growth recorded in the same period of 2021. In the manufacture of food products, growth was supported by processing and preserving of meat and fish and manufacture of bakery products. In the manufacture of non-food products, growth was buoyed by assembly of motor vehicles and production of cement. The growth of the sector was constrained by manufacture of dairy products and edible oils.

5. Electricity and Water Supply sub-sector expanded by 5.0 percent in the second quarter of 2022 compared to 7.2 percent growth registered in the second quarter of 2021. The growth in the sub-sector was supported by increased generation of electricity from renewable sources such as geothermal and wind that offset the potential detriment associated with an increase in generation of electricity from thermal sources and a decline in generation from hydroelectric sources. Generation of electricity from hydro declined by 21.8 percent mainly due to insufficient rainfall received.

6. Activities in the construction sub-sector remained robust in the second quarter of 2022 partly supported by the ongoing public infrastructure projects, though the performance was slower compared to the second quarter of 2021. The sub-sector expanded by 5.8 percent in the second quarter of 2022 compared to 6.8 percent growth in the corresponding quarter of 2021. The sub-sector's growth was evident in the increased cement consumption. The import of construction materials recorded mixed performance with quantity of imported bitumen increasing while the quantity of imported iron and steel declining in the second quarter of 2022.

RECENT ECONOMIC DEVELOPMENTS

Table 1: Sectoral GDP Growth rate (percent)

Sectors	2020					2021					2022	
	Q1	Q2	Q3	Q4	Q1-Q4	Q1	Q2	Q3	Q4	Q1-Q4	Q1	Q2
Primary Industry	4.6	7.8	(3.9)	9.6	4.7	0.9	0.02	1.4	0.7	0.7	0.5	(1.0)
Agriculture, Forestry and Fishing	4.5	8.0	(4.3)	9.8	4.6	0.4	(0.5)	0.6	(1.2)	(0.2)	(0.7)	(2.1)
Mining and Quarrying	6.5	3.9	5.6	6.0	5.5	10.7	10.9	16.4	34.5	18.0	23.8	22.6
Secondary Sector (Industry)	3.8	(1.6)	2.5	7.8	3.2	3.9	9.1	8.3	5.0	6.5	4.4	4.5
Manufacturing	1.4	(5.4)	(2.2)	4.3	(0.4)	2.1	11.3	10.2	4.9	6.9	3.7	3.6
Electricity and Water supply	1.5	(4.5)	0.8	4.6	0.6	3.6	7.2	6.4	2.8	5.0	1.9	5.0
Construction	8.9	6.0	10.2	15.2	10.1	6.8	6.8	6.7	6.0	6.6	6.4	5.8
Tertiary sector (Services)	3.9	(6.6)	(4.2)	(0.04)	(1.8)	3.2	14.9	11.4	9.1	9.6	9.1	7.5
Wholesale and Retail trade	5.5	(3.8)	(5.1)	1.4	(0.5)	7.5	9.2	6.4	8.4	7.9	8.7	8.2
Accommodation and Restaurant	(14.1)	(57.2)	(62.0)	(57.7)	(47.7)	(33.0)	90.1	127.5	118.6	52.5	56.2	22.0
Transport and Storage	2.1	(16.8)	(10.2)	(6.2)	(7.8)	(7.9)	18.6	14.2	6.5	7.2	7.8	7.1
Information and Communication	7.8	4.9	4.9	7.5	6.3	10.1	17.1	4.1	5.3	8.8	6.1	6.6
Financial and Insurance	6.2	3.2	3.3	10.6	5.9	11.8	17.3	11.8	9.9	12.5	14.7	11.6
Public Administration	4.7	4.5	8.3	10.2	7.0	6.8	7.6	4.8	3.3	5.6	6.4	4.2
Others	3.5	(8.1)	(5.4)	(2.1)	(3.2)	3.5	14.8	12.6	9.8	10.3	7.4	6.4
of which Professional, Admin & Support Services	2.7	(25.5)	(18.4)	(12.5)	(13.7)	(13.0)	18.3	13.4	8.1	5.7	14.9	11.2
Real Estate	4.1	3.6	3.8	4.8	4.1	6.7	7.4	7.1	5.7	6.7	6.1	5.5
Education	4.8	(21.1)	(16.1)	(4.8)	(9.3)	11.5	31.6	28.3	18.0	21.4	6.2	6.7
Health	7.1	9.0	4.4	2.9	5.7	5.8	6.2	4.1	7.8	6.0	5.0	4.8
Taxes less subsidies	5.5	(20.5)	(8.5)	(7.4)	(8.1)	1.8	18.5	12.5	15.7	11.9	11.7	7.3
Real GDP	4.4	(4.1)	(3.5)	2.3	(0.3)	2.7	11.0	9.3	7.4	7.5	6.8	5.2
of which Non-Agriculture	4.2	(5.6)	(2.7)	1.9	(0.6)	3.4	14.0	11.0	8.5	9.1	8.3	7.2

Source of Data: Kenya National Bureau of Statistics

7. The activities in the services sector normalized and remained strong in the second quarter of 2022 after a strong recovery in 2021 from the effects of COVID-19 pandemic. The sector growth slowed down to 7.5 percent in the second quarter of 2022 compared to a growth of 14.9 percent in the second quarter of 2021. This performance was largely characterized by substantial growths in accommodation and food services, financial and insurance sectors, wholesale and retail trade, and transport and storage. The service sector accounted for 4.3 percentage points of growth in the second quarter of 2022, a decline compared to 8.5 percentage points contribution in the same quarter in 2021.

8. Accommodation and Food Service activities remained on a recovery path, though the sub-sector's performance remained below the pre-pandemic level. The sub-sector grew by 22.0 percent in the second quarter of 2022 compared to 90.1 percent growth in the corresponding quarter of 2021. Transportation and Storage sub-sector grew by 7.1 percent in the second quarter of 2022 compared to a growth of 18.6 percent in the corresponding quarter of 2021. The slowdown in activities in the sub-sector was as a result of increased price of light diesel, which is a key input to land transportation activities. The sub-sector's performance was however supported by increased activity in the railway, air transport and port operations.

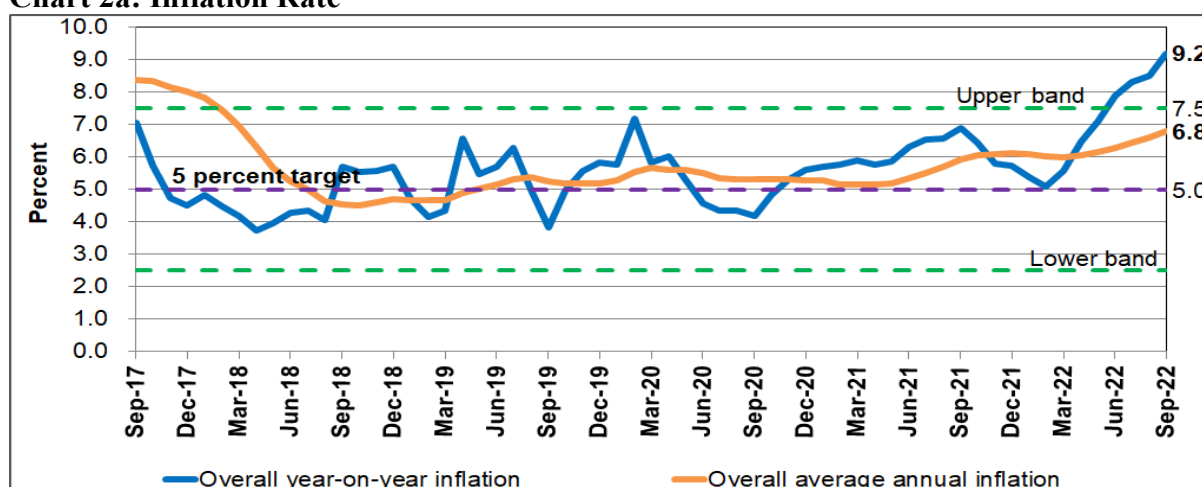
1.2 Inflation

9. The year-on-year inflation rate was above the 7.5 percent upper target for the fourth consecutive month since June, 2022. Inflation rate was at 9.2 percent in September, 2022 from 6.9 percent in September 2021. This was mainly due to higher food and fuel prices. Inflation is expected to remain elevated in the near term, due in part to the scaling down of the Government price support measures, resulting in increases in fuel and electricity prices; the impact of tax measures in the FY 2022/23 Budget; and global inflationary pressures.

RECENT ECONOMIC DEVELOPMENTS

Overall annual average inflation remained within Government target range at 6.8 percent in September, 2022 compared to the 5.9 percent recorded in September 2021 (**Chart 2a**).

Chart 2a: Inflation Rate



Source of Data: Kenya National Bureau of Statistics

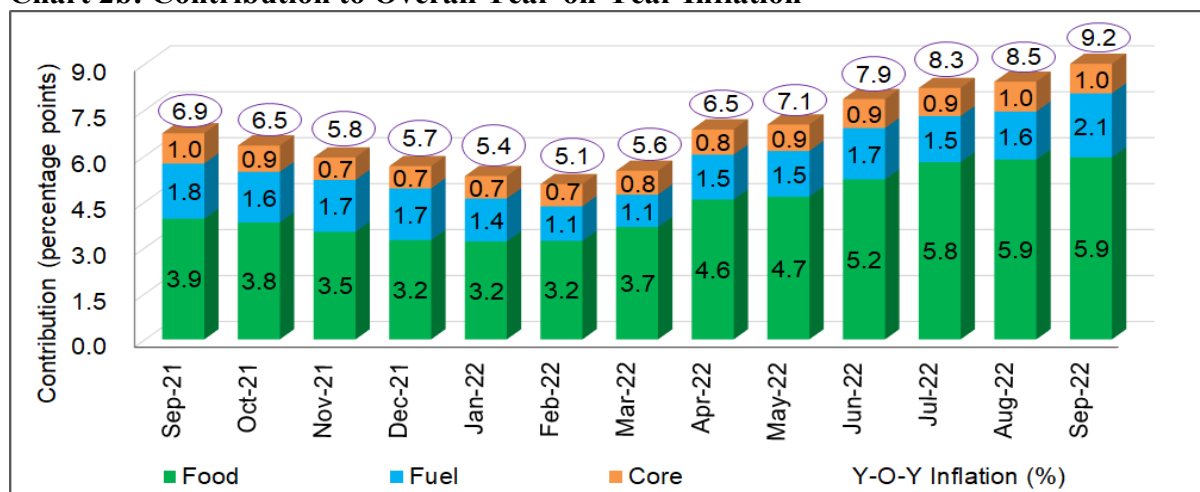
10. Food inflation remain the main driver of overall year-on-year inflation in September, 2022, contributing 5.9 percentage points, an increase, compared to a contribution of 3.9 percentage points in September 2021 (**Chart 2b**). The increase was mainly attributed to dry weather conditions and supply constraints that resulted in a rise in prices of key food items particularly maize flour (loose), sugar, aromatic unbroken rice, carrots and beans.

11. Fuel inflation also increased to contribute 2.1 percentage points to year-on-year overall inflation in September, 2022 from a contribution of 1.8 percentage points in September 2021. This was mainly driven by increased prices of fuel and gas (LPG) on account of higher international oil prices.

12. The contribution of core inflation to year-on-year overall inflation has been low and stable, consistent with the muted demand pressures in the economy on account of prudent monetary policies. The contribution of core inflation to overall inflation remained stable at 1.0 percentage points in September 2021 and September, 2022.

RECENT ECONOMIC DEVELOPMENTS

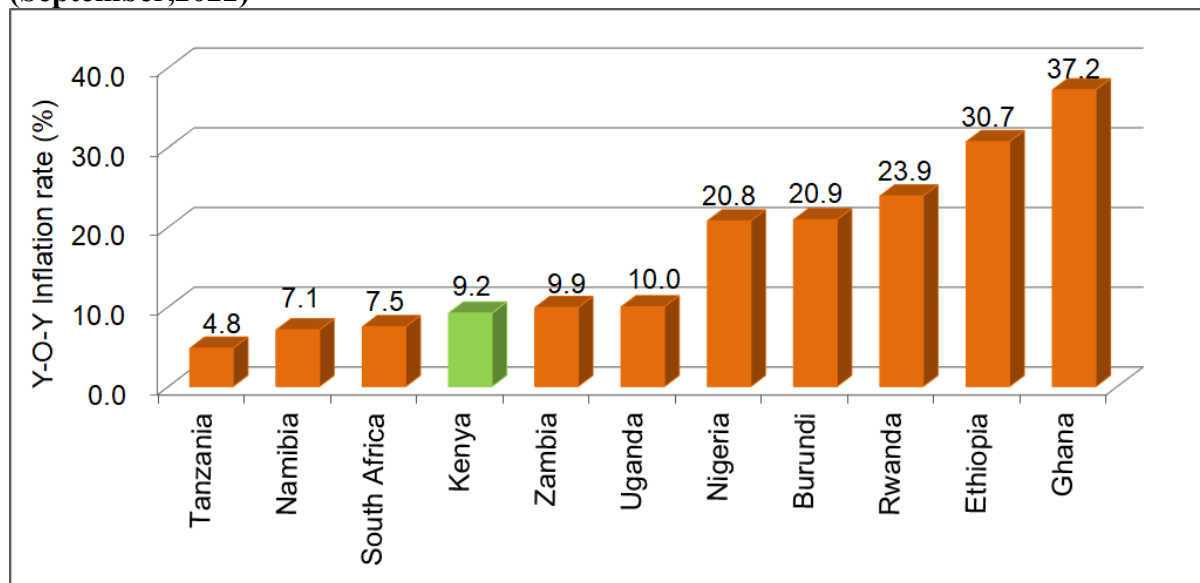
Chart 2b: Contribution to Overall Year-on-Year Inflation



Source of Data: Kenya National Bureau of Statistics

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

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

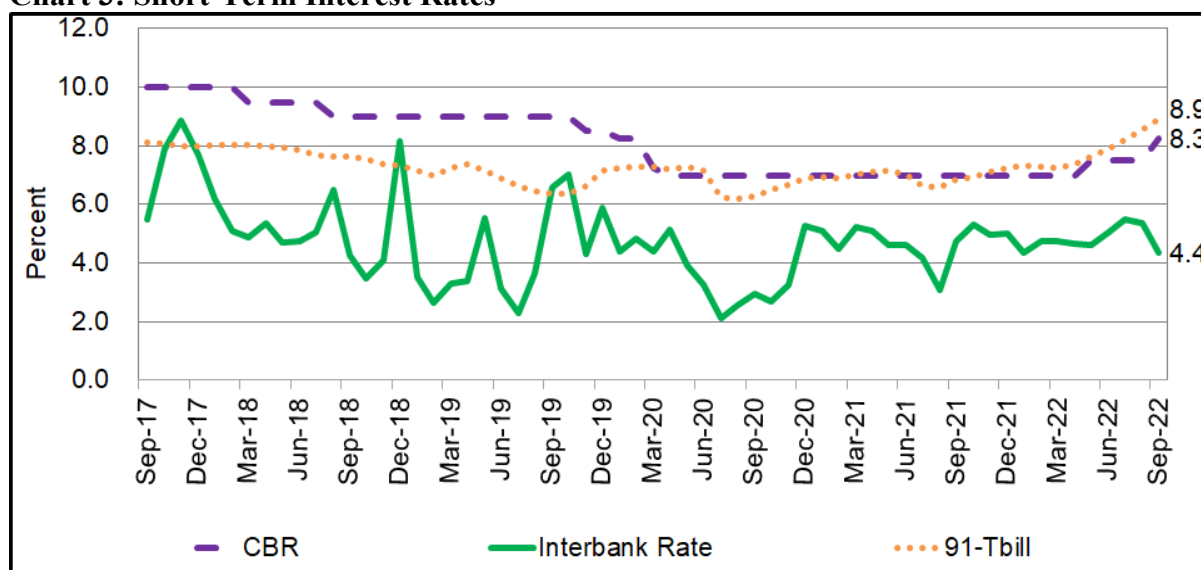


Source of Data: National Central Banks

1.3 Interest Rates

14. Short-term interest rates remained fairly low and stable supported by ample liquidity in the money market. The Central Bank Rate was raised from 7.5 percent to 8.25 percent in September, 2022. The tightening of the monetary policy stance was to anchor inflation expectations due to the elevated risk of high inflation outlook as a result of increased global commodity prices and supply chain disruptions. The interbank rate remained stable at 4.4 percent in September, 2022 compared to 4.7 percent in September 2021 (**Chart 3**).

Chart 3: Short-Term Interest Rates



Source of Data: Central Bank of Kenya

15. Interest rates on the Treasury bills remained relatively low (below 10 percent) in September,2022. The 91-day Treasury Bills rate was at 8.9 percent in September,2022 compared to 6.8 percent in September 2021. Over the same period, the 182-day Treasury Bills rate increased to 9.6 percent from 7.3 percent while the 364-day also increased to 9.9 percent from 7.8 percent.

16. Commercial banks’ lending rates remained relatively stable in September,2022 supported by the prevailing monetary policy stance during the period. The average lending rate was at 12.4 percent in September,2022 from 12.1 percent in September 2021 while the average deposit rate increased to 6.8 percent from 6.3 percent over the same period. Consequently, the average interest rate spread declined to 5.6 percent in September,2022 from 5.8 percent in September 2021.

1.4 Money and Credit

17. Broad money supply, M3, grew by 6.1 percent in the year to September,2022 compared to a growth of 8.8 percent in the year to September 2021 (**Table 2**). The growth in September,2022 was mainly due to an increase in domestic credit particularly net lending to the private sector. This growth was however curtailed by a decline in the Net Foreign Assets (NFA). Net Foreign Assets (NFA) of the banking system in the year to September,2022 contracted by 55.7 percent, compared to a contraction of 11.5 percent in the year to September 2021. The decline in NFA was partly due to the Central Bank payments of Government external obligations, and increased banks’ borrowings from foreign sources and reduction in foreign deposit assets to support lending to customers.

RECENT ECONOMIC DEVELOPMENTS

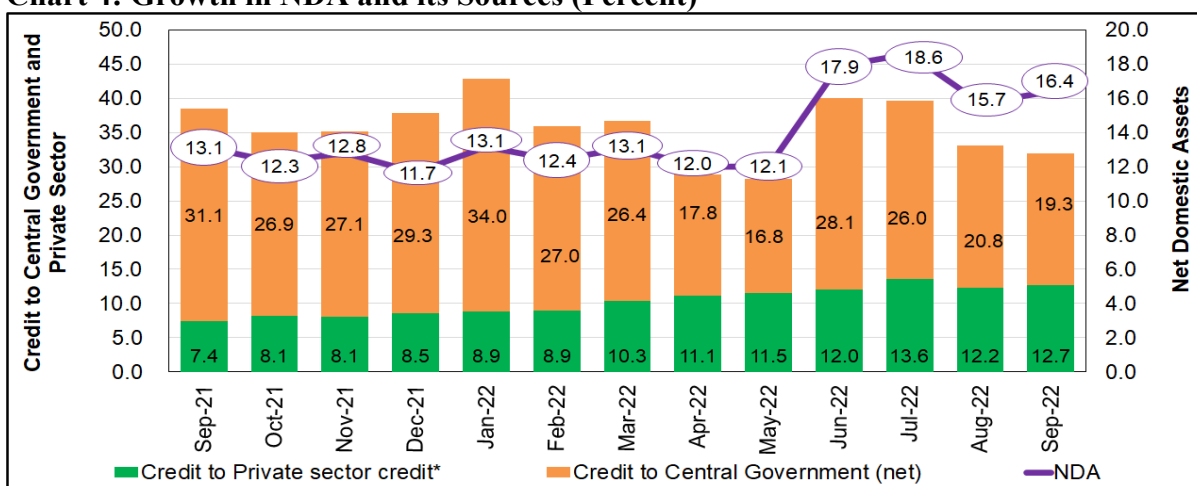
Table 2: Money and Credit Developments (12 Months to September,2022 KSh. Billion)

				Change		Percent Change	
	2020 September	2021 September	2022 September	2020-2021 September	2021-2022 September	2020-2021 September	2021-2022 September
COMPONENTS OF M3							
1. Money supply, M1 (1.1+1.2+1.3)	1,643.1	1,748.0	1,877.2	104.9	129.2	6.4	7.4
1.1 currency outside banks (M0)	268.1	282.8	305.6	14.7	22.7	5.5	8.0
1.2 Demand deposits	1,297.8	1,358.8	1,505.9	60.9	147.2	4.7	10.8
1.3 Other deposits at CBK	77.2	106.4	65.7	29.2	(40.7)	37.9	(38.3)
2. Money supply, M2 (1+2.1)	3,588.5	3,856.7	4,032.0	268.1	175.3	7.5	4.5
2.1 Time and savings deposits	1,945.4	2,108.7	2,154.8	163.2	46.1	8.4	2.2
Money supply, M3 (2+3.1)	4,252.5	4,627.5	4,910.3	375.0	282.9	8.8	6.1
3.1 Foreign currency deposits	664.0	770.8	878.4	106.8	107.5	16.1	14.0
SOURCES OF M3							
1. Net foreign assets (1.1+1.2)	746.3	660.2	292.5	(86.1)	(367.7)	(11.5)	(55.7)
1.1 Central Bank	806.2	761.9	569.7	(44.3)	(192.2)	(5.5)	(25.2)
1.2 Banking Institutions	(59.9)	(101.7)	(277.2)	(41.8)	(175.5)	(69.8)	(172.6)
2. Net domestic assets (2.1+2.2)	3,506.4	3,967.3	4,617.8	460.9	650.6	13.1	16.4
2.1 Domestic credit (2.1.1+2.1.2+2.1.3+2.1.4+2.1.5)	4,683.0	5,309.2	6,072.3	626.2	763.2	13.4	14.4
2.1.1 Central Government (net)	1,234.5	1,618.4	1,930.9	383.9	312.5	31.1	19.3
2.1.2 County Government (Net)	4.5	6.6	5.3	2.0	(1.3)	45.0	(20.4)
2.1.3 Public Non Financial Corp (Net)	63.4	54.4	51.3	(9.0)	(3.1)	(14.2)	(5.7)
2.1.4 Private sector	3,349.3	3,598.5	4,055.6	249.3	457.1	7.4	12.7
2.1.5 Credit to Other Financial Corporations(Net)	31.3	31.3	29.3	(0.01)	(2.0)	(0.05)	(6.4)
2.2 Other assets net	(1,176.6)	(1,341.9)	(1,454.5)	(165.3)	(112.6)	(14.0)	(8.4)

Source of Data: Central Bank of Kenya

18. Net Domestic Assets (NDA) registered a growth of 16.4 percent in the year to September,2022, an improvement compared to a growth of 13.1 percent over a similar period in 2021 (Table 2, Chart 4). The growth in NDA was mainly supported by resilient growth in credit to the private sector as business activities improved. Credit to both the Central and County Governments declined in the year to September,2022 due to a slowdown in Government activities during the transition period.

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



Source of Data: Central Bank of Kenya

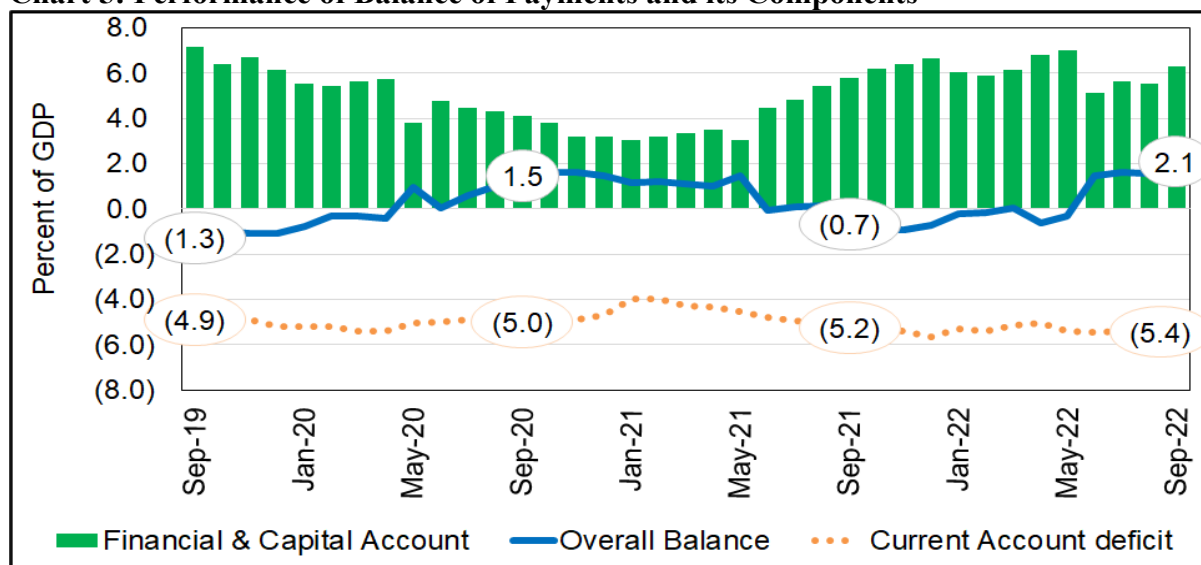
19. Private sector credit improved to a growth of 12.7 percent in the 12 months to September,2022 compared to a growth of 7.4 percent in the year to September 2021. This was supported by increased credit demand following improved economic activities. Strong credit growth was observed in the following sectors: mining, transport and communication, agriculture, trade, consumer durables, manufacturing, business services and building and construction. All economic sectors registered positive credit growth rates.

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1.5 Balance of Payments

20. The overall balance of payments position improved to a surplus of USD 2,318 million (2.1 percent of GDP) in September, 2022 from a deficit of USD 745.6 million (0.7 percent of GDP) in September 2021 (**Chart 5**). This was mainly due to an improvement in the financial account despite a decline in the merchandise account reflecting increased imports of petroleum products owing to high international crude oil prices.

Chart 5: Performance of Balance of Payments and its Components



Source of Data: Central Bank of Kenya

21. The current account deficit was generally stable at USD 6,020.6 million (5.4 percent of GDP) in September, 2022 compared to USD 5,739.5 million (5.2 percent of GDP) in September 2021. The current account balance was supported by an improvement in the net receipts on the services account and the net secondary income balance despite a deterioration in the net primary income balance and merchandise account.

22. The balance in the merchandise account declined by USD 2,139.2 million to a deficit of USD 12,548.5 million in September, 2022 mainly due to increased payments on imports in spite of an improvement in the export earnings (**Table 3**). In the year to September, 2022, exports grew by 14.0 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 of goods increased by 18.0 percent in the year to September, 2022 mainly due to increases in imports of oil and other intermediate goods.

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Table 3: Balance of Payments (USD Million)

							Year to September 2022		Percent of GDP	
	Sep-20	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	change	Percent Change	Sep-21	Sep-22
Overall Balance	1,457.5	(745.6)	(787.7)	35.8	1,641.8	2,318.0	3,063.6	(410.9)	(0.7)	2.1
A) Current Account	(4,938.2)	(5,739.5)	(6,026.9)	(6,003.5)	(6,203.8)	(6,020.6)	(281.1)	(4.9)	(5.2)	(5.4)
<i>Merchandise Account (a-b)</i>	<i>(9,010.5)</i>	<i>(10,409.3)</i>	<i>(11,439.3)</i>	<i>(11,718.3)</i>	<i>(12,365.5)</i>	<i>(12,548.5)</i>	<i>(2,139.2)</i>	<i>(20.6)</i>	<i>(9.5)</i>	<i>(11.3)</i>
a) Goods: exports	6,010.6	6,501.7	6,729.6	6,818.1	7,112.0	7,409.4	907.7	14.0	5.9	6.7
b) Goods: imports	15,021.1	16,910.9	18,168.9	18,536.3	19,477.6	19,957.9	3,047.0	18.0	15.4	18.0
<i>Net Services (c-d)</i>	<i>626.3</i>	<i>319.1</i>	<i>739.8</i>	<i>1,158.1</i>	<i>1,472.8</i>	<i>1,826.0</i>	<i>1,506.8</i>	<i>472.2</i>	<i>0.3</i>	<i>1.6</i>
c) Services: credit	4,114.7	4,159.3	4,859.4	5,614.5	6,266.0	6,859.8	2,700.4	64.9	3.8	6.2
d) Services: debit	3,488.4	3,840.2	4,119.6	4,456.4	4,793.2	5,033.8	1,193.6	31.1	3.5	4.5
<i>Net Primary Income (e-f)</i>	<i>(1,542.4)</i>	<i>(1,390.9)</i>	<i>(1,487.9)</i>	<i>(1,796.2)</i>	<i>(1,720.5)</i>	<i>(1,707.0)</i>	<i>(316.2)</i>	<i>(22.7)</i>	<i>(1.3)</i>	<i>(1.5)</i>
e) Primary income: credit	170.9	126.4	128.8	119.2	104.2	95.0	(31.5)	(24.9)	0.1	0.1
f) Primary income: debit	1,713.3	1,517.3	1,616.7	1,915.4	1,824.7	1,802.0	284.7	18.8	1.4	1.6
<i>Net Secondary Income</i>	<i>4,988.4</i>	<i>5,741.5</i>	<i>6,160.5</i>	<i>6,352.8</i>	<i>6,409.4</i>	<i>6,409.0</i>	<i>667.5</i>	<i>11.6</i>	<i>5.2</i>	<i>5.8</i>
g) Secondary income: credit	5,039.2	5,873.3	6,270.8	6,468.1	6,510.3	6,478.3	605.0	10.3	5.4	5.8
h) Secondary income: debit	50.8	131.9	110.3	115.3	100.8	69.3	(62.5)	(47.4)	0.1	0.1
B) Capital Account	155.1	204.8	195.1	194.1	194.7	165.7	(39.0)	(19.1)	0.2	0.1
C) Financial Account	(3,907.7)	(6,105.0)	(6,927.1)	(6,948.7)	(5,641.0)	(6,838.5)	(733.5)	(12.0)	(5.6)	(6.2)

Source of Data: Central Bank of Kenya

23. Net receipts on the services account improved by USD 1,506.8 million to USD 1,826.0 million in September, 2022 compared to a similar period in 2021. This was mainly on account of an increase in receipts from transportation and tourism as international travel continues to improve. Net Secondary income remained resilient and increased by USD 667.5 million during the review period owing to an increase in remittances. The balance on the primary account widened by USD 316.2 million to a deficit of USD 1,707.0 million in September, 2022, from a deficit of USD 1,390.9 million in the same period last year, reflecting higher interest related payments on other investments.

24. The capital account balance declined by USD 39.0 million to register a surplus of USD 165.7 million in September, 2022 compared to a surplus of USD 204.8 million in the same period in 2021. Net financial inflows improved to USD 6,838.5 million in September, 2022 compared to USD 6,105.0 million in September 2021. The net financial inflows were mainly in the form of other investments, financial derivatives and direct investments. Portfolio investments registered a net outflow during the period.

1.6 Foreign Exchange Reserves

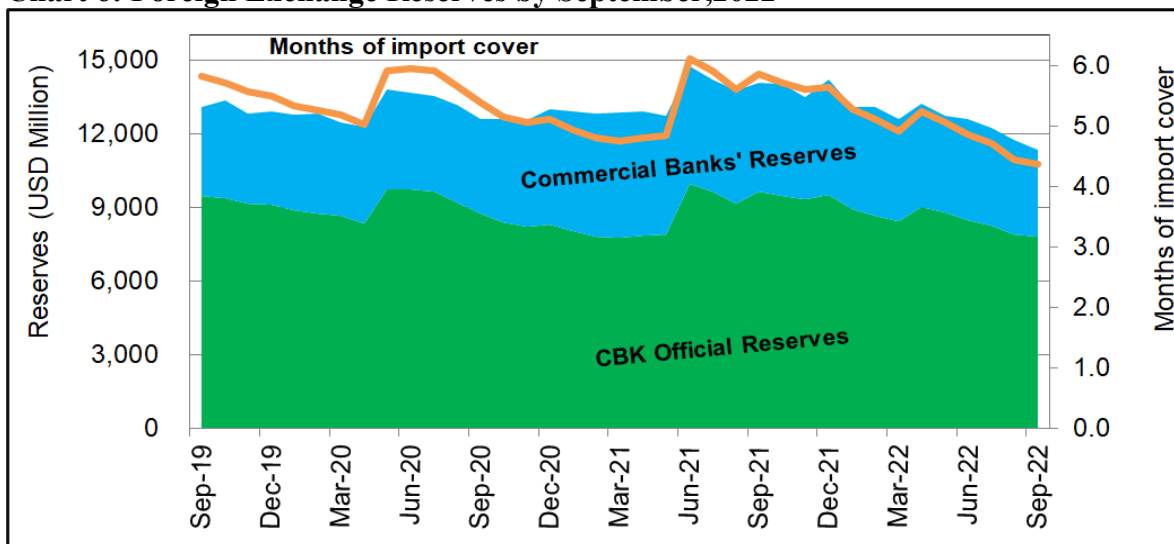
25. The banking system's foreign exchange holdings remained strong at USD 11,337.4 million in September, 2022 from USD 14,089.1 million in September 2021. The official foreign exchange reserves held by the Central Bank stood at USD 7,787.5 million compared to USD 9,632.2 million over the same period (**Chart 6**).

26. The official reserves held by the Central Bank in September, 2022 represented 4.4 months of import cover as compared to the 5.9 months of import cover in September 2021. It, therefore, fulfilled the requirement to maintain it at a minimum of 4.0 months of imports

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cover to provide adequate buffer against short term shocks in the foreign exchange market. Commercial banks holdings decreased to USD 3,549.9 million in September,2022 from USD 4,457.0 million in September 2021.

Chart 6: Foreign Exchange Reserves by September,2022



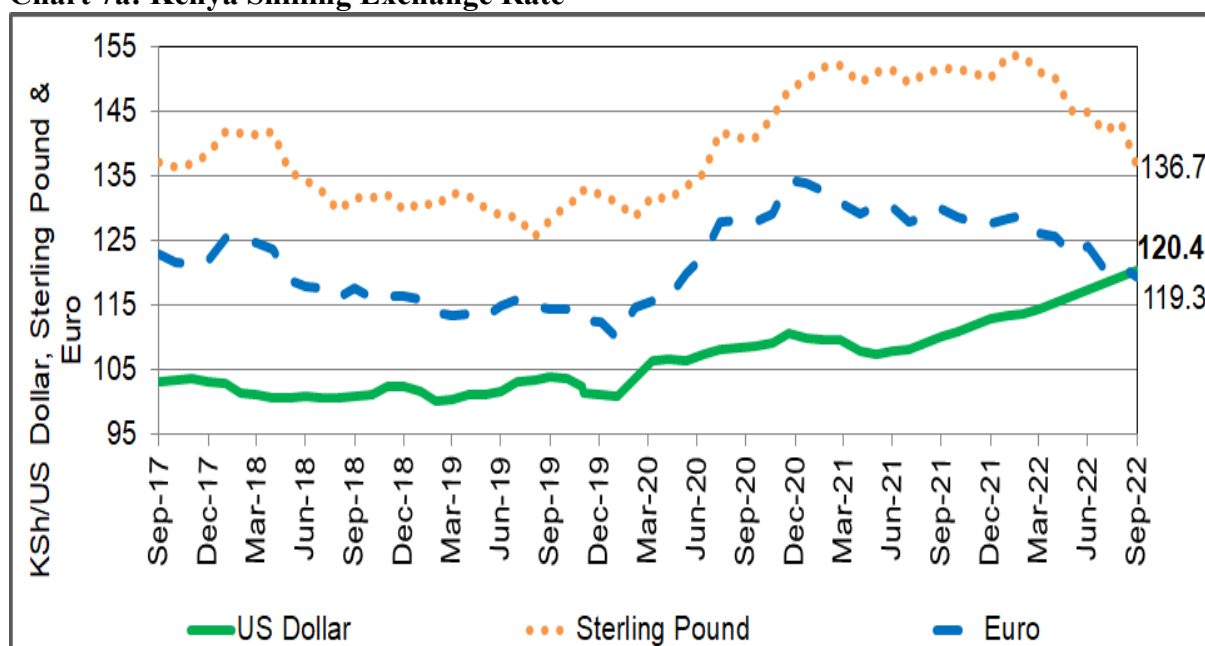
Source of Data: Central Bank of Kenya

1.7 Exchange Rates

27. The foreign exchange market has largely remained stable despite the tight global financial conditions attributed to strengthening of the US Dollar. The Kenya Shilling to the US Dollar exchanged at KSh. 120.4 in September,2022 compared to KSh. 110.2 in September 2021. Over the same period, the Kenyan Shilling strengthened against other major international currencies. The Euro exchanged at KSh. 119.3 in September,2022 compared to KSh. 129.8 in September 2021 while the Sterling Pound exchanged at KSh. 136.7 compared to KSh. 151.5 over the same period (**Chart 7a**).

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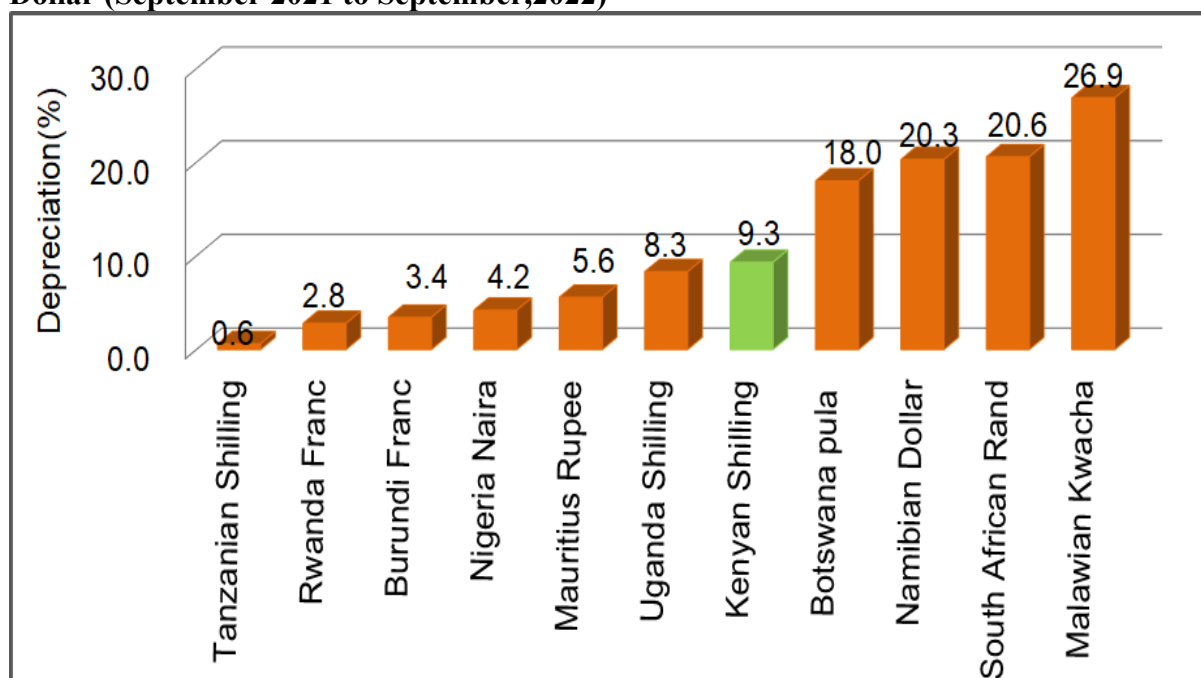
Chart 7a: Kenya Shilling Exchange Rate



Source of Data: Central Bank of Kenya

28. In comparison to Sub-Saharan Africa currencies, the Kenya Shilling has remained relatively stable despite weakening by 9.3 percent against the US Dollar (**Chart 7b**). The depreciation rate of the Kenyan Shilling was lower than that of Botswana pula, Namibian Dollar, South African Rand, Malawian Kwacha and Ghanaian Cedi. The stability in the Kenya Shilling was supported by increased remittances, adequate foreign exchange reserves and improved exports.

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



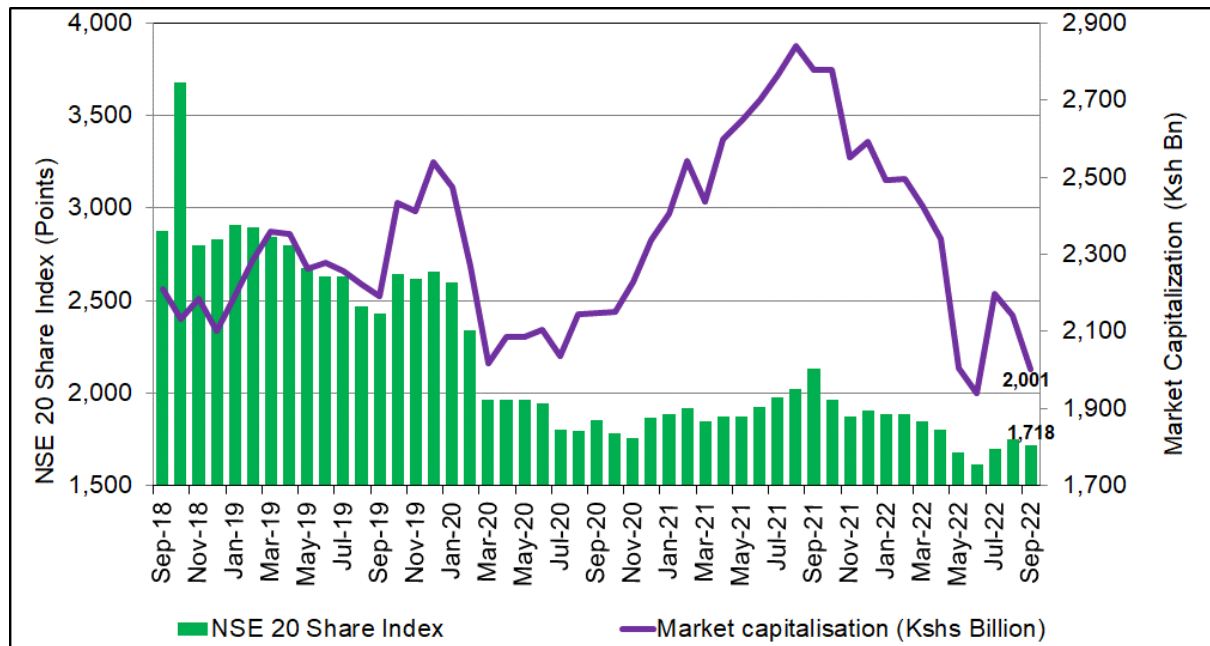
Source of Data: National Central Banks

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1.8 Capital Markets

29. Activity in the capital markets slowed down in September, 2022 compared to September 2021 due to the outflow of investors as the U.S. Federal Reserve Bank raised interest rates. The NSE 20 Share Index was at 1,718 points by end of September, 2022 compared with 2,131 points by end September 2021 while market capitalization declined to KSh. 2,001 billion from KSh. 2,779 billion over the same period (Chart 8).

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



Source of Data: Nairobi Securities Exchange

FISCAL DEVELOPMENTS

2.0 FISCAL DEVELOPMENTS

2.1 Revenue

30. By the end of September, 2022, total revenue collected including A-I-A amounted to KSh. 569.6 billion against a target of KSh. 559.1 billion (Table 4). The revenue collection was above the set target by KSh. 10.5 billion. This performance is attributed to surplus collection of the ministerial A-I-A by KSh. 20.8 billion while ordinary revenue performance recorded a shortfall of KSh. 10.4 billion against the target. All ordinary revenue categories recorded below target performance during the period under review except value added tax (VAT) on imports, investment income and the import declaration fees (IDF) which surpassed their respective targets by KSh. 3.8 billion, KSh. 10.2 billion and KSh. 5.7 billion. The total revenue recorded a growth of 12.5 percent compared to a growth of 33.7 percent recorded in September 2021. Ordinary revenue collected was KSh. 485.4 billion against a target of KSh. 495.8 billion, KSh. 10.4 billion below the target (Chart 9).

31. The ministerial A-I-A collected amounted to KSh. 84.2 billion against a target of KSh. 63.4 billion, KSh. 20.8 billion above the target. The improved performance of A-I-A translated to a growth of 30.5 percent and was mainly due to timely reporting of SAGAs' A.I.A through their expenditure returns for the period under review. The Railway Development Levy collection amounted to KSh. 10.6 billion against a target of KSh. 8.4 billion. The revenue data in Government Finance Statistics Manual, 2014 (GFSM, 2014) format is shown in annex II.

Table 4: Government Revenue and External Grants, Period Ending 30th September, 2022 (KSh. Millions)

	2021/2022 Actual	2022/2023		Deviation KSh.	% Growth
		Actual ¹	Target		
Total Revenue (a+b)	506,302	569,600	559,123	10,478	12.5
(a) Ordinary Revenue	441,790	485,403	495,767	(10,364)	9.9
Import Duty	27,068	33,561	33,768	(207)	24.0
Excise Duty	58,428	62,977	68,248	(5,271)	7.8
PAYE	105,695	110,469	118,573	(8,104)	4.5
Other Income Tax	89,776	108,135	116,126	(7,991)	20.4
VAT Local	59,553	62,616	71,171	(8,555)	5.1
VAT Imports	60,826	69,153	65,361	3,792	13.7
Investment Revenue	18,747	14,517	4,340	10,177	(22.6)
Traffic Revenue	1,110	1,007	967	40	(9.3)
Taxes on Intl. Trade & Trans.(IDF Fee)	10,681	14,108	8,446	5,663	32.1
Others ¹	9,907	8,860	8,766	94	(10.6)
(b) Appropriation In Aid ²	64,511	84,198	63,356	20,842	30.5
o/w Railway Development Levy	8,042	10,638	8,373	2,265	32.3
(c) External Grants	6,655	623	2,062	(1,439)	(90.6)
Total Revenue and External Grants	512,957	570,223	561,185	9,039	11.2
Total Revenue and External Grants as a percentage of GDP	4.10	4.06	4.00	-	-

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

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

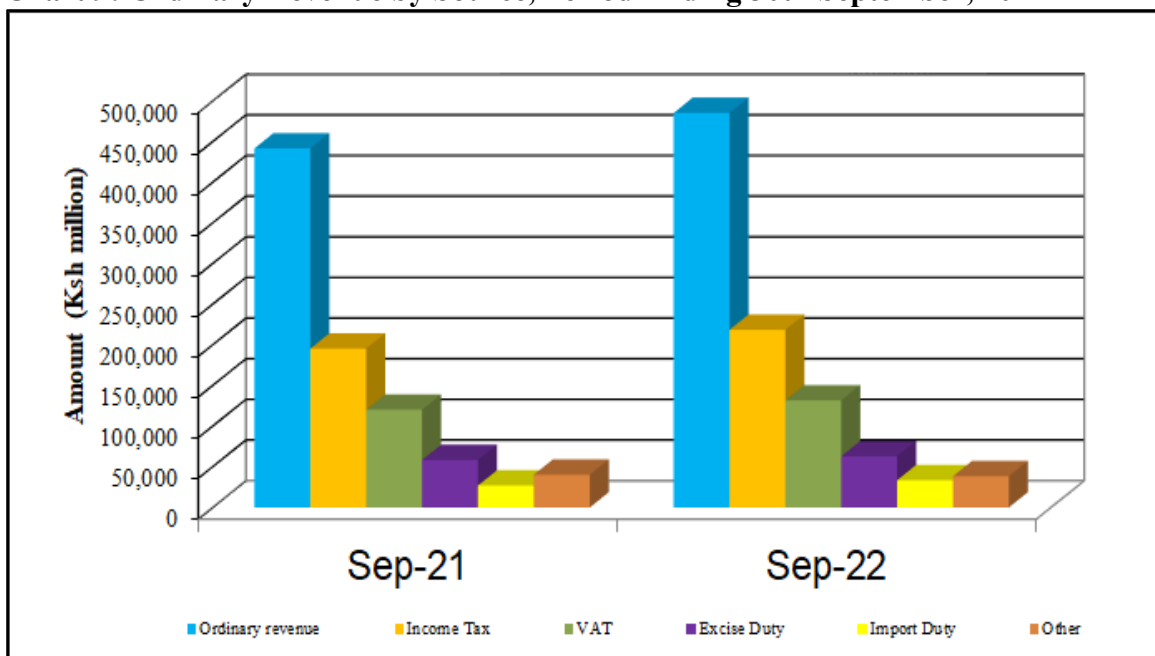
*Provisional

Source of Data: National Treasury

FISCAL DEVELOPMENTS

32. As a proportion of GDP, the total revenue and grants in the period under review was 4.1 percent and was similar to the corresponding period in the FY 2021/22. Total grants amounted to KSh. 0.6 billion against a target of KSh. 2.1 billion, which is an under performance of KSh.1.4 billion.

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



Source of Data: National Treasury

2.2 Expenditure

33. The total expenditure and net lending for the period under review amounted to KSh. 759.5 billion, against a target of KSh. 694.0 billion. The resultant above target expenditure of KSh. 65.5 billion is attributed to above absorption recorded in both recurrent and development expenditures (A-I-A) by the National Government while transfers to County Governments were below target. Recurrent expenditure for National Government amounted to KSh. 564.1 billion (excluding KSh.9.2 billion for Parliament and Judiciary), against a target of KSh. 500.0 billion which was KSh. 64.1 billion above the set target. The over expenditure in recurrent category was mainly due to higher than targeted expenditures in operations and maintenance (**Table 5 and Chart 10**).

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

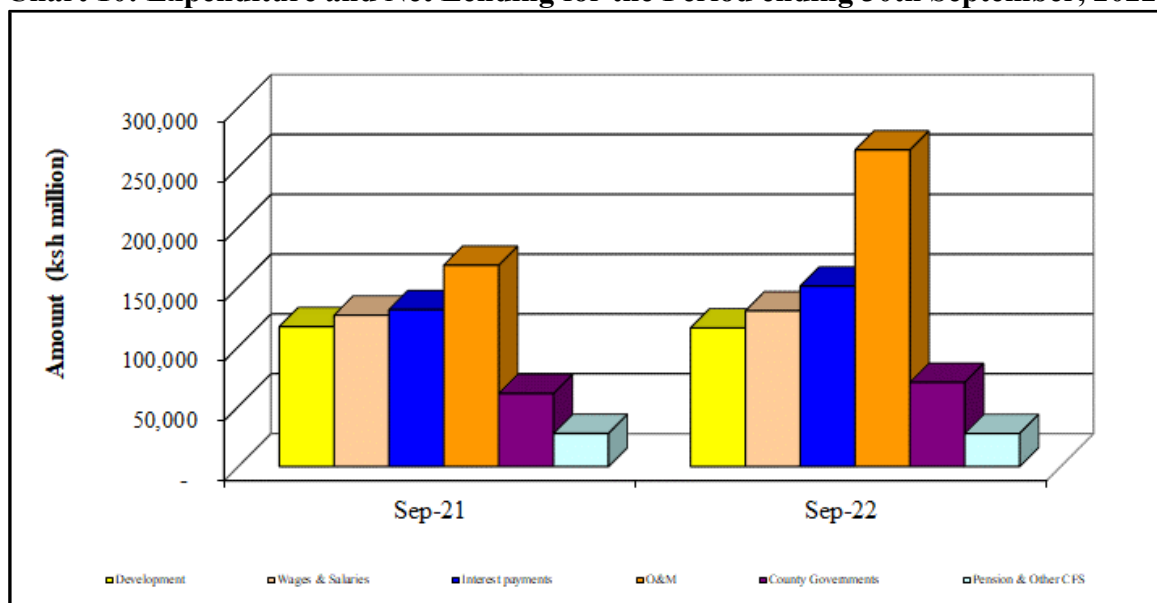
	2021/2022 Actual	2022/2023		Deviation	% Growth
		Actual*	Targets		
1. RECURRENT	444,603	564,074	499,978	64,096	26.9
Domestic Interest	101,142	114,813	134,517	(19,703)	13.5
Foreign Interest	30,019	36,025	35,634	391	20.0
Pensions & Other CFS	27,663	27,589	37,638	(10,049)	(0.3)
Contribution to Civil Servants' Pension	12,722	4,012	6,469	(2,457)	(68.5)
Wages and Salaries	126,544	130,184	134,289	(4,105)	2.9
Operation and Maintenance	146,514	251,450	151,431	100,019	71.6
O/W: Appropriation-in-Aid	41,922	63,913	42,292	21,621	52.5
2. DEVELOPMENT	116,952	115,886	79,109	36,776	(0.9)
Development Projects (Net)	97,136.72	92,782.15	58,470.00	34,312	(4.5)
Payment of Guaranteed Loans	-	2,819	-	2,819	-
Appropriation-in-Aid	19,815	20,284	18,872	1,412	2.4
3. County Governments	61,050	70,338	98,611	(28,273)	15.2
4. Parliamentary Service	6,139	5,130	12,039	(6,909)	(16.4)
5. Judicial Service	2,918	4,089	4,246	(157)	40.1
6. Equalization Fund	-	-	1,767	(1,767)	-
7. CF	-	-	-	-	-
TOTAL EXPENDITURE	631,662	759,516	693,983	65,533	20.2

*Provisional

Source of Data: National Treasury

34. Foreign interest payments amounted to KSh. 36.0 billion, an increase from KSh. 30 billion paid over the same period in the FY2021/22. The domestic interest payments totalled to KSh. 114.8 billion, which was higher than the KSh. 101.1 billion paid in the corresponding period in the previous financial year. The expenditure data in GFSM, 2014 format is shown in annexes III and IV.

Chart 10: Expenditure and Net Lending for the Period ending 30th September, 2022



Source of Data: National Treasury

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2.2.1 National Government Expenditures by Public Agencies

35. The total ministerial and other public agencies expenditure including A.I.A was KSh. 492.9 billion against a target of KSh. 529.8 billion. Recurrent expenditure was KSh. 390.8 billion against a target of KSh. 351 billion, while development expenditure amounted to KSh. 102.1 billion against a target of KSh. 178.8 billion. The percentage of total expenditures to the target was 93.0 percent while the percentage of total expenditures to the target for recurrent and development were 111.4 percent and 57.1 percent respectively, as at the end of the period under review.

36. As at 30th September, 2022, recurrent expenditures by the State Department for Early Learning and Basic Education, State Department for University Education; Teachers Service Commission; State Department for Vocational and Technical Training and the Ministry of Health (Social Sector) accounted for 41.6 percent of total recurrent expenditure. In addition, the State Department for Interior and Citizen Services and the Ministry of Defence accounted for 8.8 percent and 7.0 percent of total recurrent expenditure respectively.

37. Analysis of development outlay indicates that the State Department for infrastructure accounted for the largest share of the total development expenditure (25.5 percent), followed by the National Treasury (24.9 percent), Ministry of Water, Sanitation and irrigation (11.2 percent) and the State Department for Planning (10.9 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 September, 2022 (KSh. Millions)

MINISTRY/DEPARTMENT/COMMISSIONS	Sep-22			Sep-22			Sep-22			% of Total Exp. To Target
	Recurrent			Development			Total			
	Actual*	Target	Variance	Actual*	Target	Variance	Actual*	Target	Variance	
Executive Office of the President	8,896	4,271	4,625	1,886	1,496	391	10,783	5,767	5,016	187.0
State Department for Interior and Citizen Services	34,232	34,188	44	2,585	1,695	890	36,817	35,883	934	102.6
State Department for Correctional Services	5,391	7,763	(2,372)	-	291	(291)	5,391	8,055	(2,663)	66.9
State Department for Devolution	307	361	(54)	4	74	(70)	311	435	(124)	71.5
State Department for Development of the ASAL	216	265	(49)	1,500	2,340	(840)	1,716	2,605	(889)	65.9
Ministry of Defence	27,457	32,054	(4,597)	-	867	(867)	27,457	32,921	(5,464)	83.4
Ministry of Foreign Affairs	3,945	4,309	(364)	17	449	(432)	3,963	4,758	(795)	83.3
State Department for Vocational and Technical Training	4,763	4,775	(12)	434	1,457	(1,024)	5,197	6,233	(1,035)	83.4
State Department for University Education	26,437	25,714	723	1,044	1,745	(701)	27,481	27,459	22	100.1
State Department for Early Learning & Basic Education	39,831	23,826	16,005	2,936	3,845	(908)	42,767	27,670	15,097	154.6
State Department for Post Training and Skills Development	54	71	(17)	-	-	-	54	71	(17)	76.1
State Department for Implementation of Curriculum Reforms	83	85	(1)	-	-	-	83	85	(1)	98.2
The National Treasury	14,110	13,461	649	25,454	30,138	(4,684)	39,564	43,599	(4,036)	90.7
State Department for Planning	874	989	(115)	11,137	11,283	(146)	12,011	12,272	(261)	97.9
Ministry of Health	18,422	17,126	1,296	674	13,504	(12,830)	19,096	30,630	(11,534)	62.3
State Department for Infrastructure	20,041	17,370	2,671	26,001	37,954	(11,953)	46,041	55,323	(9,282)	83.2
State Department for Transport	1,846	2,406	(559)	5	338	(333)	1,851	2,743	(892)	67.5
State Department for Shipping and Maritime	1,052	546	506	-	295	(295)	1,052	840	212	125.2
State Department for Housing & Urban Development	245	335	(90)	2,136	4,755	(2,619)	2,381	5,090	(2,709)	46.8
State Department for Public Works	880	846	34	36	328	(292)	916	1,173	(257)	78.1
Ministry of Environment and Forestry	3,533	2,654	879	382	1,160	(778)	3,915	3,814	101	102.6
Ministry of Water & Sanitation and Irrigation	1,274	1,687	(413)	11,428	19,297	(7,869)	12,702	20,984	(8,282)	60.5
Ministry of Lands and Physical Planning	658	827	(169)	602	655	(54)	1,259	1,482	(223)	85.0
State Department for Information Communication Technology	532	567	(35)	1,623	4,246	(2,624)	2,154	4,814	(2,659)	44.8
State Department for Broadcasting & Telecommunications	1,075	1,673	(598)	194	204	(11)	1,268	1,877	(609)	67.6
State Department for Sports	390	386	5	3,177	3,971	(793)	3,568	4,356	(789)	81.9
State Department for Culture and Heritage	669	789	(119)	-	19	(19)	669	808	(139)	82.8
Ministry of Energy	1,590	3,674	(2,084)	2,974	20,243	(17,269)	4,565	23,917	(19,352)	19.1
State Department for Livestock	681	898	(217)	170	904	(734)	851	1,802	(951)	47.2
State Department for Fisheries, Aquaculture & the Blue Economy	556	598	(42)	631	2,026	(1,396)	1,187	2,624	(1,437)	45.2
State Department for Crop Development & Agricultural Extension	7,174	3,616	3,558	2,433	6,761	(4,328)	9,606	10,377	(770)	92.6
State Department for Cooperatives	395	460	(65)	9	106	(96)	404	566	(161)	71.5
State Department for Trade and Enterprise Development	437	629	(192)	52	372	(319)	489	1,000	(511)	48.9
State Department for Industrialization	929	906	22	499	875	(377)	1,427	1,782	(354)	80.1
State Department for Labour	905	728	178	17	143	(126)	922	871	51	105.9
State Department for Social Protection, Pensions & Social Security	1,271	7,951	(6,681)	293	718	(424)	1,564	8,669	(7,105)	18.0
Ministry of Petroleum and Mining	40,349	5,337	35,012	142	826	(683)	40,491	6,163	34,329	657.0
State Department for Tourism	566	2,169	(1,603)	-	88	(88)	566	2,257	(1,691)	25.1
State Department for Wildlife	2,383	1,791	592	30	205	(176)	2,412	1,996	416	120.8
State Department for Gender	257	300	(43)	598	694	(96)	855	994	(139)	86.1
State Department for Public Service	9,014	5,785	3,229	98	176	(78)	9,112	5,961	3,151	152.9
State Department for Youth Affairs	290	381	(91)	99	483	(385)	388	864	(476)	44.9
State Department for East African Community	113	192	(78)	-	-	-	113	192	(78)	59.1
State Department for Regional and Northern Corridor Development	844	873	(30)	299	404	(105)	1,143	1,277	(135)	89.5
State Law Office and Department of Justice	991	1,295	(304)	-	56	(56)	991	1,351	(360)	73.3
The Judiciary	3,991	4,099	(109)	-	475	(475)	3,991	4,574	(584)	87.2
Ethics and Anti-Corruption Commission	737	855	(118)	-	40	(40)	737	895	(157)	82.4
National Intelligence Service	7,460	11,532	(4,072)	-	-	-	7,460	11,532	(4,072)	64.7
Office of the Director of Public Prosecutions	650	820	(170)	0	11	(11)	651	832	(181)	78.2
Office of the Registrar of Political Parties	156	532	(376)	-	-	-	156	532	(376)	29.3
Witness Protection Agency	125	162	(37)	-	-	-	125	162	(37)	77.3
Kenya National Commission on Human Rights	143	116	27	-	-	-	143	116	27	123.0
National Land Commission	181	367	(186)	-	23	(23)	181	390	(208)	46.6
Independent Electoral and Boundaries Commission	10,975	5,422	5,553	-	-	-	10,975	5,422	5,553	202.4
Parliamentary Service Commission	1,061	2,196	(1,135)	-	-	-	1,061	2,196	(1,135)	48.3
National Assembly	3,012	8,318	(5,306)	-	-	-	3,012	8,318	(5,306)	36.2
Parliamentary Joint Services	1,056	1,525	(469)	309	516	(208)	1,365	2,041	(676)	66.9
Judicial Service Commission	98	147	(49)	-	-	-	98	147	(49)	66.8
The Commission on Revenue Allocation	112	123	(11)	-	-	-	112	123	(11)	91.0
Public Service Commission	458	639	(181)	-	7	(7)	458	646	(188)	70.9
Salaries and Remuneration Commission	116	153	(37)	-	-	-	116	153	(37)	75.8
Teachers Service Commission	72,452	74,430	(1,978)	184	164	20	72,636	74,594	(1,958)	97.4
National Police Service Commission	198	257	(60)	-	-	-	198	257	(60)	76.8
Auditor General	1,324	1,627	(303)	-	97	(97)	1,324	1,725	(400)	76.8
Office of the Controller of Budget	94	176	(81)	-	-	-	94	176	(81)	53.6
The Commission on Administrative Justice	131	181	(50)	-	-	-	131	181	(50)	72.5
National Gender and Equality Commission	142	118	24	-	3	(3)	142	121	21	117.7
Independent Policing Oversight Authority	221	256	(35)	-	-	-	221	256	(35)	86.2
Total	390,853	350,976	39,877	102,090	178,820	(76,730)	492,943	529,796	(36,853)	93.0

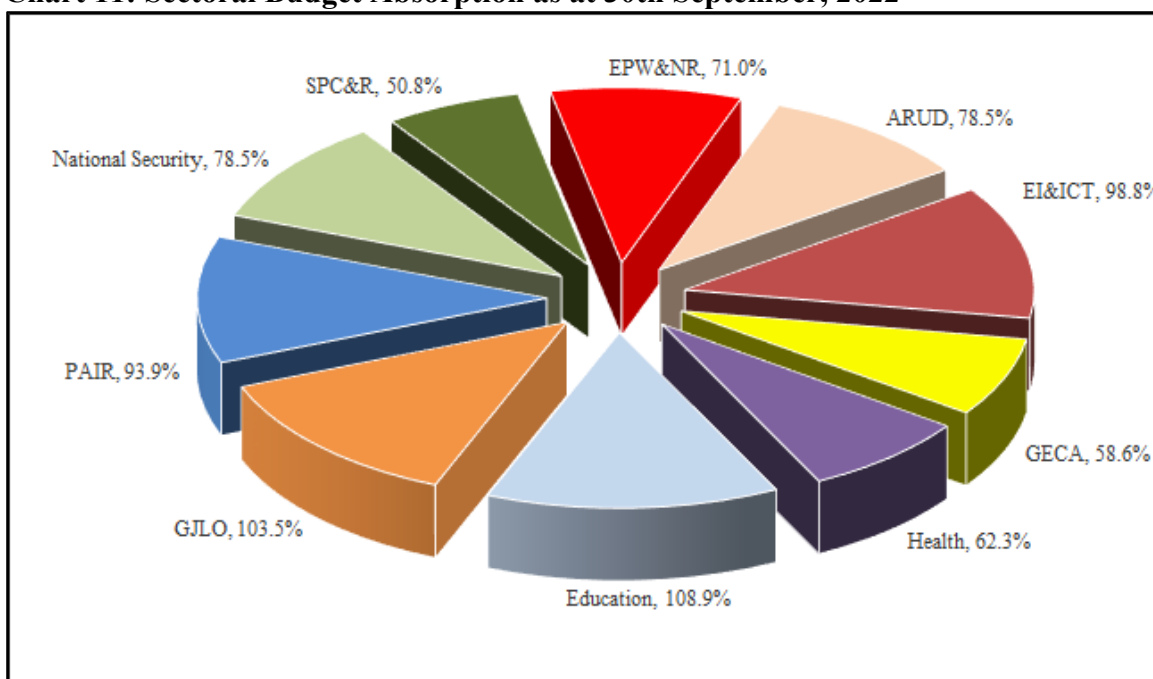
*Provisional

Source of Data: National Treasury

FISCAL DEVELOPMENTS

38. During the period under review, Education sector recorded the highest absorption at 108.9 percent followed by Governance, Justice, Law and Order (GJLO) at 103.5 percent and Energy, Infrastructure and ICT (EI&ICT) at 98.8 percent. Social protection, Culture and recreation Sector (SPC&R) recorded the lowest absorption of 50.8 percent (Chart 11).

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



Source of Data: National Treasury

2.2.2 Pending Bills

39. The total outstanding national government pending bills as at 30th September, 2022 amounted to KSh. 439.2 billion. These comprise of KSh. 356.9 billion (81.2 percent) and KSh. 82.3 billion (18.7 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 (67.6 percent) belong to Contractor/Projects and Suppliers. Ministries/State Departments and other government Agencies pending bills constitutes mainly of historical pending bills.

40. The National Government policy on clearance of pending bills continues to be in force. All MDAs are therefore, expected to continue with prioritization of payment of the pending bills by settling them as a first charge in the current financial year budget in line with the Treasury Circular No. 7/2019.

2.2.3 Guaranteed Debt Service

41. During the first quarter the National Treasury guarantee to Kenya Airways (KQ) was called as a result of loan repayment defaults. Following the default, KQ sought the Government intervention and the Cabinet gave approvals for the Government to pay the

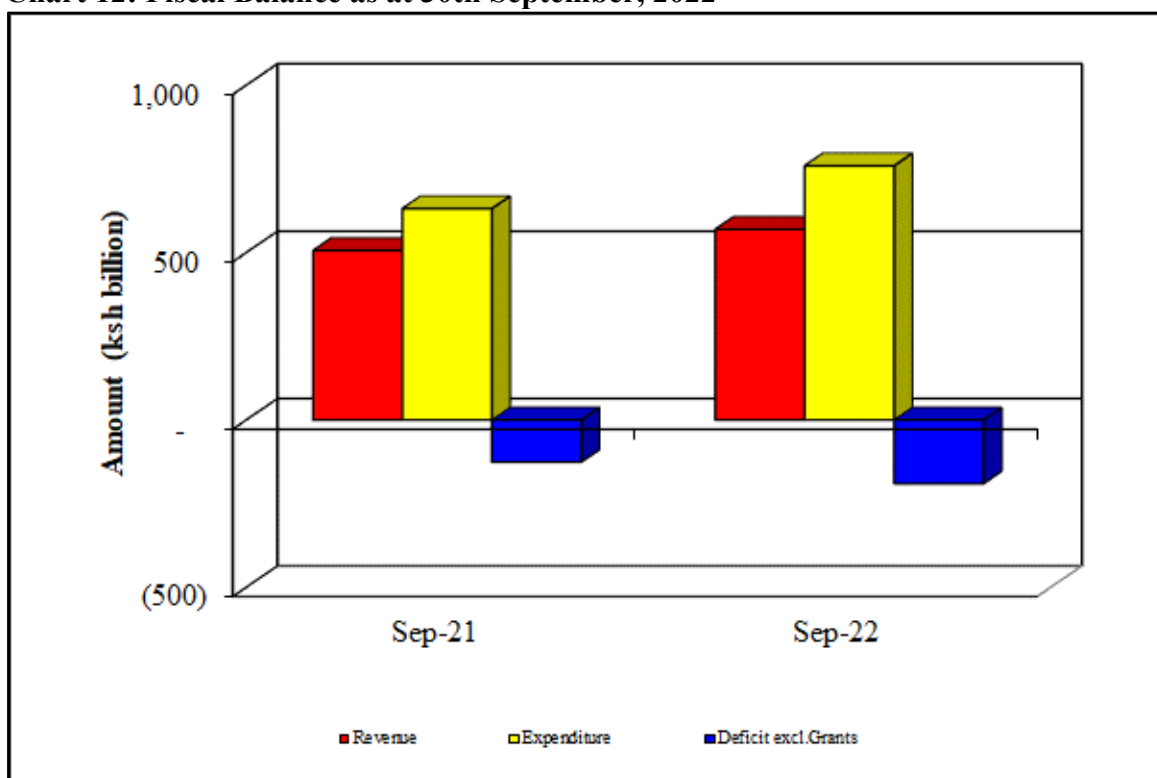
FISCAL DEVELOPMENTS

loan arrears on behalf of KQ and novate the loan balance to Government. The arrears of KSh. 2.8 billion was therefore paid in the first quarter of the FY2022/23.

2.3 Fiscal Outturn

42. During the period July to September, 2022, the fiscal balance (on commitment basis and excluding grants) amounted to KSh. 189.9 billion (1.4 percent of GDP) against a targeted deficit of KSh. 133.7 billion (1.0 percent of GDP) (**Chart 12 and Table 8**). The fiscal balance (on a commitment basis and including grants) stood at 1.3 percent of GDP against a target deficit of 0.9 percent of GDP.

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



Source of Data: National Treasury

43. Over the same period in FY2021/22, the fiscal deficit including grants (on commitment basis) stood at KSh. 118.7 billion (0.9 percent of GDP). The fiscal outturn in the last six FYs and the Printed 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.

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

	2021/2022	2022/2023		Deviation	% growth	2022/2023 as a % of GDP		2021/2022 Actual as a % of GDP
	Actual	Actual*	Targets			Actual	Targets	
A. TOTAL REVENUE AND GRANTS	512,957	570,223	561,185	9,039	11.2	4.1	4.0	4.1
1. Revenue	506,302	569,600	559,123	10,478	12.5	4.1	4.0	4.0
Ordinary Revenue	441,790	485,403	495,767	(10,364)	9.9	3.5	3.5	3.5
Import Duty	27,068	33,561	33,768	(207)	24.0	0.2	0.2	0.2
Excise Duty	58,428	62,977	68,248	(5,271)	7.8	0.4	0.5	0.5
Income tax	195,472	218,604	234,700	(16,095)	11.8	1.6	1.7	1.6
VAT	120,378	131,768	136,532	(4,763)	9.5	0.9	1.0	1.0
Investment Revenue	18,747	14,517	4,340	10,177	(22.6)	0.1	0.0	0.1
Others	21,698	23,975	18,179	5,796	10.5	0.2	0.1	0.2
Appropriation-in-Aid	64,511	84,198	63,356	20,842	30.5	0.6	0.5	0.5
2. Grants	6,655	623	2,062	(1,439)	(90.6)	0.0	0.0	0.1
AMISOM Receipts	1,846	0	0	-	-	0.0	-	0.0
Nairobi County to NMS	924	0	0	-	-	-	-	-
Revenue	634	454	469	(15)	(28.3)	0.0	0.0	0.0
Appropriation-in-Aid	3,252	169	1,593	(1,425)	(94.8)	0.0	0.0	0.0
B. EXPENDITURE AND NET LENDING	631,662	759,516	693,983	65,533	20.2	5.4	4.9	5.0
1. Recurrent	453,660	573,292	516,263	57,030	26.4	4.1	3.7	3.6
Domestic Interest	101,142	114,813	134,517	(19,703)	13.5	0.8	1.0	0.8
Foreign Interest	30,019	36,025	35,634	391	20.0	0.3	0.3	0.2
Pension & Other CFS	27,663	27,589	37,638	(10,049)	(0.3)	0.2	0.3	0.2
Contribution to Civil Servants' Pension	12,722	4,012	6,469	-	-	-	-	-
Wages and Salaries	126,544	130,184	134,289	(4,105)	2.9	0.9	1.0	1.0
O & M/Others	155,571	260,669	167,716	92,953	67.6	1.9	1.2	1.2
2. Development and Net Lending	116,952	115,886	79,109	36,776	(0.9)	0.8	0.6	0.9
O/W Domestically financed	93,955	86,136	51,485	34,652	(8.3)	0.6	0.4	0.8
Foreign financed	22,997	26,930	24,725	2,205	17.1	0.2	0.2	0.2
3. Net Lending	0	2,819	1,132	-	-	-	-	-
4. Equalization Fund	0	-	1,767.1	(1,767)	-	0.0	0.0	0.0
5. County Governments	61,050	70,338	98,611	(28,273)	15.2	0.5	0.7	0.5
5. CF	-	-	-	-	-	0.0	-	0.0
C. DEFICIT EXCL. GRANT (Commitment basis)	(125,360)	(189,915)	(134,860)	(55,055)	51.5	(1.4)	(1.0)	(1.0)
D. DEFICIT INCL. GRANTS (Commitment basis)	(118,705)	(189,292)	(132,798)	(56,494)	59.5	(1.3)	(0.9)	(0.9)
E. ADJUSTMENT TO CASH BASIS	13,415	14,971	-	14,971	-	0.1	-	0.1
F. DEFICIT INCL. GRANTS (Cash basis)	(105,290)	(174,322)	(132,798)	(41,524)	65.6	(1.2)	(0.9)	(0.8)
<i>Discrepancy</i>	<i>6,585</i>	<i>(41,635)</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>
G. FINANCING	111,875	132,686	132,798	(112)	18.6	0.9	0.9	0.9
1. Net Foreign financing	(28,155)	31,117	(42,737)	73,855	(210.5)	0.2	(0.3)	(0.2)
Disbursements	19,111	98,127	29,462	68,665	413.5	0.7	0.2	0.2
Programme Loans	0	48,177	2,243	45,934	-	0.3	0.0	0.0
Project Cash Loans	5,237	13,921	9,969	3,952	165.8	0.1	0.1	0.0
Project Loans AIA	13,874	12,386	17,250	(4,864)	(10.7)	0.1	0.1	0.1
Project Loans SGR_PHASE_1&2A_AIA	0	0	0	-	-	-	-	-
Project Loans SGR_PHASE_2B_AIA	0	0	0	-	-	-	-	-
Commercial Financing	0	23,642	0	23,642	-	0	-	-
Debt repayment - Principal	(47,266)	(67,009)	(72,199)	5,190	41.8	(0.5)	(0.5)	(0.4)
2. Net Domestic Financing	140,030	101,569	175,535	(73,966)	(27.5)	0.7	1.3	1.1
Government Securities	247,585	105,299	175,049	(69,751)	(57.5)	0.8	1.2	2.0
Government Overdraft & Others	(4,151)	(30,987)	-	(30,987)	-	-0.2	-	(0.0)
Movement in Government Deposits	25,558	27,258	-	27,258	-	0.2	-	0.2
Domestic Loan Repayments (Net Receipts)	427	-	486	(486)	(100.0)	0.0	0.0	0.0
Domestic Loan Repayment	-	-	-	-	-	0.0	-	0.0
Other Accounts Payable	(129,389)	-	-	-	-	-	-	-
MEMO ITEM								
GDP ESTIMATE	12,514,512.43	14,038,431.37	14,038,431.37	-	12.18	100.00	100	100.00

*Provisional

Source of Data: National Treasury

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2.4 Financing

2.4.1 External Financing

44. During the period ending September, 2022, the net foreign financing stood at KSh. 31.1 billion (**Table 9**). Total disbursements (inflows) including Appropriations-in-Aid amounted to KSh. 98.1 billion against a target of KSh. 29.5 billion. The actual total disbursement comprised of programme loans (inclusive of SDR) of KSh. 48.2 billion, commercial financing of KSh. 23.6 billion, Project Loans A.I.A of KSh. 12.4 billion and Project Loans-Cash KSh. 13.9 billion. The External repayments (outflows) of principal debt amounted to KSh. 67.0 billion. The amount comprised of principal repayments due to bilateral sources, commercial institutions and multilateral sources amounting to KSh. 42.5 billion, KSh. 14.2 billion and KSh. 10.4 billion respectively.

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

	Quarter 1 2021/22	Quarter 1 2022/23	
	Actual*	Actual*	Target
DISBURSEMENTS:	19,111	98,127	29,462
Project Cash loans	5,237	13,921	9,969
Project loans A-I-A	13,874	12,386	17,250
Project Loans SGR _PHASE_1_AIA	-	-	-
Project Loans SGR _PHASE_2A_AIA	-	-	-
Commercial Financing	-	23,642	-
Semi concessional Loans	-	-	-
Programme Loans	-	48,177	2,243
EXTERNAL REPAYMENTS:	47,266	67,009	72,199
Bilateral(incl. Italy Debt SWAP)	21,055	42,476	48,658
Multilateral (excl. IMF)	8,257	10,372	9,282
Commercial	17,954	14,162	14,259
NET FOREIGN FINANCING	(28,155)	31,117	(42,737)

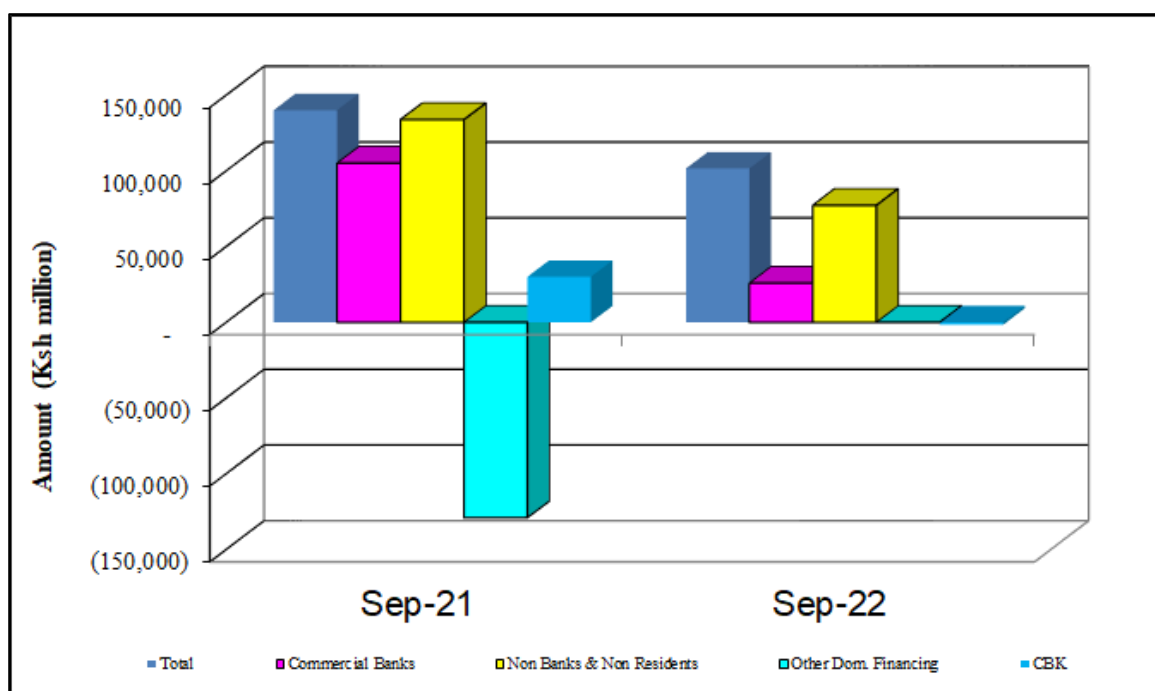
*Provisional

Source of Data: National Treasury

2.4.2 Domestic Financing

45. As at 30th September, 2022, net domestic borrowing amounted to KSh. 101.6 billion (**Table 10**) against a target of KSh. 175.5 billion (**Table 8**). The borrowing comprised of KSh. 77.2 billion from Non-Banking Financial Institutions, KSh. 25.9 billion from commercial banks, KSh. 1.6 billion (net repayment) from the Central bank, KSh. 59 million from Non-Residents. During the same period in FY 2021/22, the domestic borrowing amounted to KSh. 140.0 billion, comprising of KSh. 105.2 billion from Commercial Banks, KSh. 130.8 billion from Non-Banking Financial Institutions, KSh. 3.0 billion from Non-Residents and a net repayment of KSh. 67.9 to the Central Bank of Kenya. (**Table 10 and Chart 13**).

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



Source of Data: Central Bank of Kenya

46. The stock of Treasury Bills held by commercial banks and Non-Banks recorded a net increase of KSh. 29.5 billion and KSh. 18.5 billion respectively while those held by the Central Bank and Non-residents decreased by KSh. 7.6 billion and KSh. 0.6 billion respectively. The stock of Fixed Rate Bonds held by Commercial Banks, Non-Banks and Non-Residents recorded a net decrease of KSh. 57.3 billion, KSh. 35.4 billion, and KSh. 0.2 billion respectively (**Table 10**).

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

DEBT INSTRUMENT	September 2021*	December 2021*	March 2022*	June 2022*	September 2022*
1.CENTRAL BANK	30,003	83,759	102,257	125,474	(1,609)
Overdraft	(4,169)	33	9,116	(777)	(31,255)
Treasury bills rediscounts	7,559	1,751	(462)	(466)	(4)
Fixed rate Bonds	(0)	(75)	(74)	(73)	7
Items on Transit	(26)	(37)	(25)	(7)	(8)
Frozen Account	-	(555)	(555)	(1,110)	-
Less Govt Deposits	26,640	82,642	94,257	127,908	29,651
2.COM. BANKS	105,164	136,951	176,031	178,988	25,939
Advances	45	(3)	5,183	3,458	276
Treasury bills	(1,930)	(50,843)	(119,342)	(151,615)	27,533
Fixed rate Bonds	56,341	137,984	188,692	200,122	(995)
Special Bonds	-	-	-	(5,000)	-
Zero Coupon bonds	-	-	-	-	-
Infrastructure Bonds	51,790	46,233	96,597	121,446	1,520
Less Govt Deposits	(1,082)	3,580	4,902	10,578	(2,394)
Advances by Treasury	-	-	-	-	-
3. NON BANKS	130,822	204,744	320,450	425,802	77,181
Treasury bills	(3,786)	1,465	22,129	29,824	14,717
TRCs	-	-	-	-	-
Fixed rate Bonds	93,193	170,290	220,398	269,639	57,778
Infrastructure Bonds	41,415	32,990	77,923	126,339	4,686
M-Akiba Bond and others	-	-	-	-	-
4. NON RESIDENTS	3,004	681	(14)	(671)	59
Treasury bills	618	(2,008)	(3,172)	(3,835)	(238)
Fixed rate Bonds	452	846	1,004	654	297
Infrastructure Bond	1,934	1,843	2,153	2,511	-
5. NET CREDIT	268,992	426,136	598,723	729,594	101,569
6. OTHER DOMESTIC FINANCING					
Domestic Loan Repayments (Net RDL Deposits)	(128,962)	(126,850)	(110)	(124,293)	-
7. NET DOMESTIC FINANCING	140,030	299,285	598,613	605,301	101,569

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

FISCAL DEVELOPMENTS

2.0 PUBLIC DEBT

3.1 Overall Debt Position

47. The gross public debt as at 30th September, 2022 increased by KSh. 752.7 billion to amount to KSh. 8,748.9 billion compared to KSh. 7,996.3 billion as at end of September 2021. The gross public debt comprised of 50.1 percent external debt and 49.9 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. 8,344.8 billion by end of the period under review (Table 11).

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

DEBT SOURCE	Sept-20	Dec-20*	Mar- 21*	Jun- 21*	Sep-21*	Dec-21*	Mar- 22*	Jun- 22*	Sep-22*
EXTERNAL									
BILATERAL	1,102,890	1,156,991	1,142,718	1,140,529	1,149,211	1,171,701	1,171,595	1,173,270	1,158,549
MULTILATERAL	1,421,840	1,498,837	1,495,606	1,659,411	1,699,358	1,782,085	1,817,375	1,923,444	1,973,396
COMMERCIAL BANKS	1,120,803	1,119,388	1,113,417	1,187,439	1,196,248	1,208,283	1,208,247	1,191,080	1,238,764
SUPPLIERS CREDIT	17,958	18,069	18,126	12,162	13,669	12,303	12,344	12,154	11,947
SUB – TOTAL EXTERNAL	3,663,491	3,793,285	3,769,867	3,999,542	4,058,486	4,174,372	4,209,560	4,299,948	4,382,656
DOMESTIC:									
CENTRAL BANK	85,463	81,237	78,104	87,575	90,938	88,692	95,575	85,141	53,881
COMMERCIAL BANKS	1,808,043	1,769,185	1,776,713	1,814,199	1,917,628	1,943,018	1,978,489	2,003,387	2,032,420
TOTAL BANKS	1,893,507	1,850,422	1,854,817	1,901,774	2,008,565	2,031,710	2,074,064	2,088,529	2,086,301
NON BANKS & NON RESIDENTS	1,563,600	1,638,119	1,715,023	1,795,319	1,929,212	2,000,658	2,118,289	2,199,804	2,279,978
SUB-TOTAL DOMESTIC	3,457,107	3,488,541	3,569,841	3,697,093	3,937,777	4,032,368	4,192,352	4,288,333	4,366,279
GRAND TOTAL GROSS	7,120,598	7,281,826	7,339,708	7,696,635	7,996,263	8,206,740	8,401,912	8,588,281	8,748,935
LESS ON-LENDING	(5,701)	(5,701)	(5,701)	-	-	-	-	-	-
LESS GOVERNMENT DEPOSITS	(614,353)	(440,630)	(416,765)	(556,430)	(544,187)	(461,273)	(449,073)	(418,157)	(404,154)
GRAND TOTAL NET	6,500,544	6,835,495	6,917,242	7,140,205	7,452,076	7,745,467	7,952,840	8,170,124	8,344,780

Note:

* Provisional

Source of Data: National Treasury

FISCAL DEVELOPMENTS

3.2 Domestic Debt

48. The stock of gross domestic debt increased by KSh. 428.5 billion from KSh. 3,937.8 billion in September, 2021 to KSh. 4,366.3 billion in September, 2022. The net domestic debt was KSh. 3,962.1 billion by end of the period under review (**Table 12**).

Table 12: Stock of Domestic Debt as at September, 2022 (KSh. Millions)

DEBT SOURCE	Sep-20	Dec-20	Mar-21	Jun-21*	Sep-21*	Dec-21*	Mar-22*	Jun-22*	Sep-22*
1.CENTRAL BANK	85,463	81,237	78,104	87,575	90,938	88,692	95,575	85,141	53,881
Overdraft	56,206	47,598	49,283	59,279	55,110	59,313	68,395	58,502	27,247
Frozen Govt Accounts	21,119	21,119	20,564	20,009	20,009	19,454	19,454	18,899	18,899
Treasury bills / bonds rediscounts	130	4,565	539	537	8,096	2,288	76	71	67
Items on Transit	17	11	9	39	13	2	14	32	24
Fixed rate bonds	7,991	7,945	7,710	7,710	7,710	7,636	7,637	7,637	7,644
2.COM.BANKS	1,808,043	1,769,185	1,776,713	1,814,199	1,917,628	1,943,018	1,978,489	2,003,387	2,032,420
Advances	2,717	2,699	3,551	2,455	2,352	2,209	7,429	13,054	12,965
Treasury Bills	580,609	531,648	458,025	452,353	446,726	395,241	323,479	287,613	315,649
Fixed Rate T. Bonds	799,624	818,384	881,349	892,067	949,437	1,032,012	1,083,661	1,094,545	1,094,111
Special Bonds	5,000	5,000	5,000	5,000	5,000	5,000	5,000	-	-
Savings and Development Bond	7,648	7,648	7,648	7,648	7,648	7,648	7,648	7,648	7,648
Infrastructure Bonds	412,445	403,805	421,141	454,675	506,465	500,908	551,272	600,527	602,047
3. NON BANKS	1,529,485	1,604,276	1,683,332	1,764,233	1,895,111	1,968,944	2,087,325	2,167,924	2,248,031
Treasury Bills	307,307	313,782	298,809	308,072	303,598	309,282	331,780	340,675	356,424
Fixed Rate T. Bonds	927,277	995,461	1,049,257	1,080,520	1,174,719	1,252,633	1,303,740	1,353,067	1,412,738
Tax Reserve Certificate	69	69	69	-	-	-	-	-	-
Infrastructure Bonds	274,252	274,384	314,616	355,061	396,214	386,450	431,225	453,601	458,288
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	34,115	33,844	31,692	31,086	34,101	31,714	30,963	31,881	31,947
Treasury Bills	6,688	5,720	4,525	4,412	5,034	2,339	1,116	395	139
Fixed Rate T. Bonds	16,552	17,381	18,319	18,288	18,747	19,146	19,308	18,958	19,281
Savings and Development Bond	9	9	9	9	9	9	9	9	9
Infrastructure Bonds	10,866	10,734	8,839	8,377	10,311	10,220	10,530	12,519	12,519
5. TOTAL GROSS DEBT	3,457,107	3,488,541	3,569,841	3,697,093	3,937,777	4,032,368	4,192,352	4,288,333	4,366,279
6. LESS ON-LENDING	5,701	5,701	5,701	-	-	-	-	-	-
7. Less Govt Deposits	614,353	440,630	416,765	556,430	544,187	461,273	449,073	418,284	404,154
8. TOTAL NET DEBT	2,837,053	3,042,210	3,147,375	3,140,663	3,393,590	3,571,095	3,743,279	3,870,049	3,962,124

NOTE:

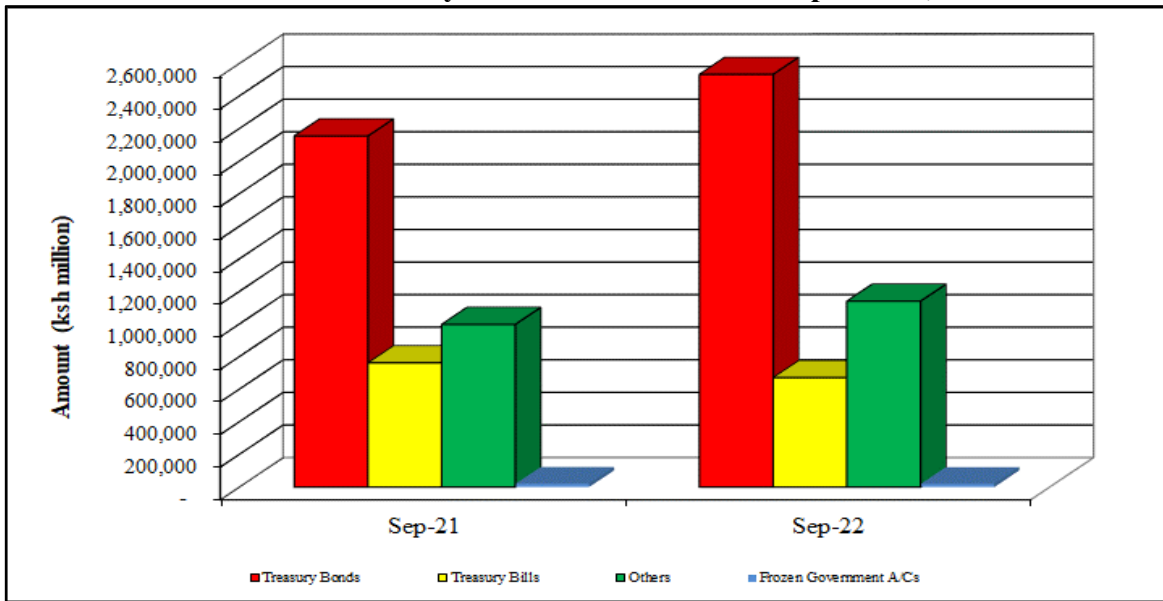
* Provisional

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

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. 91.2 billion from KSh. 763.5 billion in September, 2021 to KSh. 672.3 billion in September, 2022. The total stock of Treasury Bonds, which include Floating, Fixed Rate, Special and Zero-Coupon Bonds, increased by KSh. 378.2 billion from KSh. 2,155.6 billion in September, 2021 to KSh. 2,533.8 billion in September, 2021 (**Chart 14**).

Chart 14: Domestic Debt Stock by Instruments as at End September, 2022



Source of Data: Central Bank of Kenya

3.3 External Public Debt

50. In dollar terms, external public debt stock increased by US\$. 432.5 million from US\$. 36,733.1 million in September, 2021 to US\$. 36,300.6 million by the end of September, 2022 (**Table 13**). This comprised debt owed to multilateral lenders (45.0%), commercial banks (28.3 %), bilateral sources (26.4%) and Suppliers Credit (0.3%). The increase is attributed to increase in external loans disbursements and exchange rate fluctuations during the period.

FISCAL DEVELOPMENTS

Table 13: Kenya's External Public and Publicly Guaranteed Debt September, 2020 – September, 2022 (US\$ Millions)

CREDITOR	Sep-20	Dec-20*	Mar-21*	Jun-21*	Sep-21*	Dec-21*	Mar-22*	Jun-22*	Sep-22*
<u>BILATERAL</u>									
AUSTRIA	13.52	14.18	13.57	13.33	12.98	12.28	11.97	11.04	13.06
BELGIUM	113.07	123.31	121.70	117.61	114.51	114.42	116.98	109.81	111.75
DENMARK	5.41	5.03	4.33	4.39	4.30	4.18	4.12	3.88	3.20
FINLAND	12.51	13.11	11.16	11.31	9.71	9.42	7.93	7.50	7.03
FRANCE	762.54	835.65	800.13	851.83	836.00	812.00	800.51	764.63	707.56
GERMANY	345.47	342.54	323.67	338.31	328.90	336.11	351.21	332.55	326.50
ITALY	365.49	383.17	366.88	371.85	364.79	353.78	347.71	328.79	309.28
JAPAN	1,489.84	1,525.90	1,447.97	1,474.72	1,463.17	1,416.58	1,382.43	1,245.99	1,217.67
NETHERLANDS	0.53	-	-	-	-	-	-	-	-
USA	12.32	11.98	11.77	13.14	12.44	12.26	10.89	10.69	9.97
CHINA	6,731.17	7,016.85	7,013.42	7,056.92	6,917.51	6,951.45	6,835.26	6,830.10	6,594.56
OTHERS	313.28	326.17	320.06	321.73	337.12	333.61	323.09	311.80	295.43
TOTAL BILATERAL	10,165.16	10,597.89	10,434.65	10,575.15	10,401.43	10,356.09	10,192.10	9,956.78	9,596.01
<u>MULTILATERAL</u>									
ADB/ADF	2,726.74	2,910.65	2,886.38	2,988.35	3,024.74	3,187.81	3,317.25	3,269.84	3,302.50
BADEA	36.34	38.36	37.51	39.53	38.63	38.72	39.20	41.10	45.99
EEC/EIB	186.99	195.65	185.05	215.38	203.88	197.09	188.94	176.12	158.66
IBRD	250.00	296.11	294.15	294.98	293.90	297.56	296.74	569.35	571.26
IDA/IFAD	8,808.04	9,219.83	9,220.59	10,146.65	10,137.36	10,150.48	10,099.33	10,474.77	10,252.69
IMF**	1,047.10	1,016.70	985.04	1,652.44	1,635.00	1,834.49	1,824.62	1,751.87	1,965.77
OTHERS	49.66	51.86	48.32	48.97	47.26	44.83	43.87	45.43	48.35
TOTAL MULTILATERAL	13,104.87	13,729.16	13,657.03	15,386.29	15,380.77	15,750.98	15,809.95	16,328.48	16,345.22
COMMERCIAL¹	10,330.26	10,253.45	10,167.10	11,010.10	10,827.15	10,679.43	10,510.95	10,025.49	10,260.41
O/W International Sovereign Bond	-	-	-	7,106.58	7,100.00	7,106.28	7,100.00	7,100.00	7,100.00
EXPORT CREDIT	165.51	165.51	165.51	112.77	123.71	108.74	107.38	103.14	98.96
GRAND TOTAL	33,765.80	34,746.02	34,424.30	37,084.30	36,733.07	36,895.24	36,620.38	36,413.89	36,300.60
In percentage of total									
BILATERAL	30.10	30.50	30.31	28.52	28.32	28.07	27.83	27.34	26.43
MULTILATERAL	38.81	39.51	39.67	41.49	41.87	42.69	43.17	44.84	45.03
COMMERCIAL BANKS ¹	30.59	29.51	29.53	29.69	29.48	28.95	28.70	27.53	28.27
EXPORT CREDIT	0.49	0.48	0.48	0.30	0.34	0.29	0.29	0.28	0.27
TOTAL	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00

*Provisional

** include IMF item

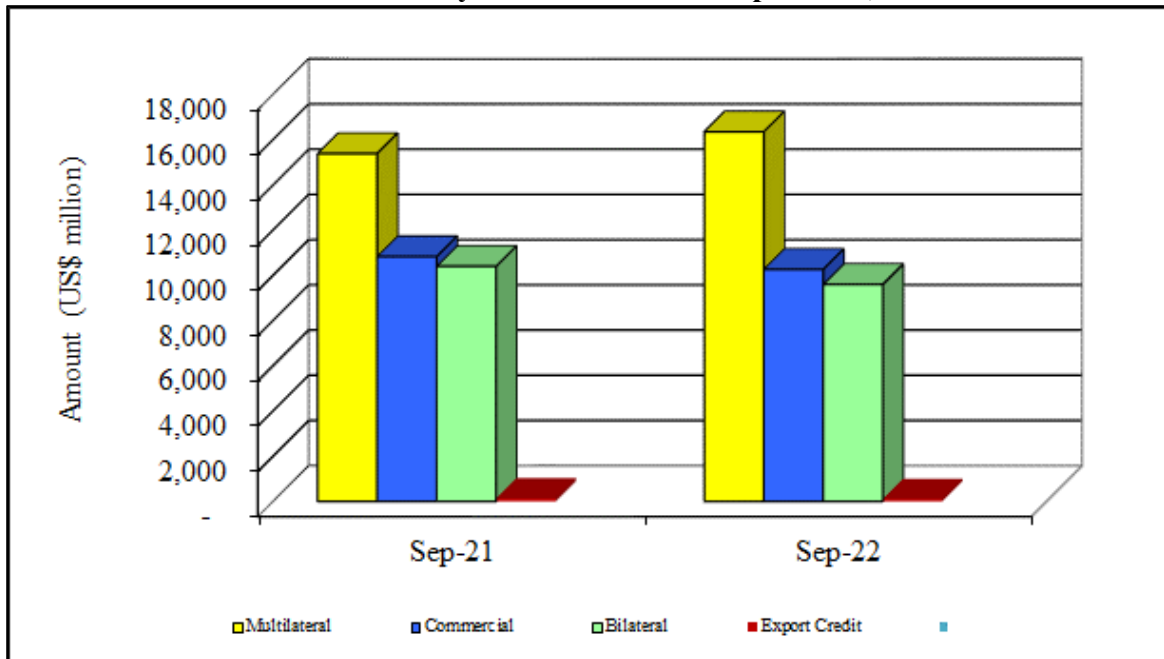
1/ incl. International Sovereign Bond

Note: The exchange rate as at end September, 2022 was KSh. 120.7 per dollar.

Source of Data: National Treasury

51. Compared to the same period in FY 2021/22, external public debt stock from commercial banks, bilateral sources and from suppliers' credit recorded decrease in the period ending September, 2022 while stock from multilateral institutions recorded an increase of KSh. 964.5 billion in the period ending September, 2022 (**Chart 15**).

Chart 15: External Public Debt by Source as at End September, 2022



Source of Data: National Treasury

3.3.1 External Debt Service

52. By the end of September, 2022, the total cumulative debt service payments to external creditors amounted to KSh. 103.0 billion. This comprised of KSh. 67.0 billion (65.0 percent) principal and KSh. 36.0 billion (35.0 percent) interest (**Table 14**).

FISCAL DEVELOPMENTS

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

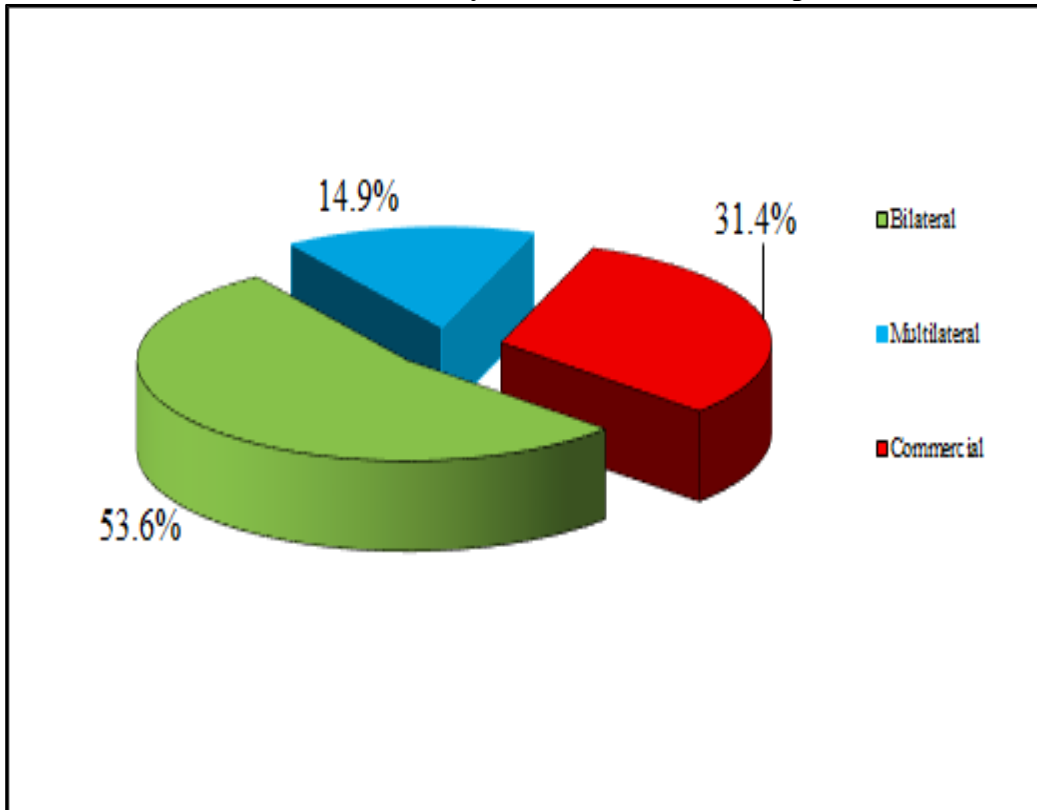
CATEGORY	Sep-22		
	PRINCIPAL*	INTEREST*	TOTAL*
BILATERAL			
AUSTRIA	10.97	7.82	18.79
BELGIUM	501.37	48.75	550.12
CHINA	36,683.29	11,848.88	48,532.17
FRANCE	2,881.91	416.67	3,298.58
GERMANY	786.36	87.11	873.47
INDIA	442.88	47.95	490.83
ISRAEL	359.62	55.58	415.20
ITALY	-	2.38	2.38
JAPAN	280.03	210.29	490.32
KOREA	27.40	4.76	32.16
KUWAIT	40.15	0.27	40.42
SAUDI ARABIA	5.90	0.90	6.80
SPAIN	385.42	48.55	433.97
USA	70.65	9.52	80.17
TOTAL BILATERAL	42,475.95	12,789.43	55,265.38
MULTILATERAL			
ADB/ADF	1,338.89	904.59	2,243.48
BADEA	56.00	13.57	69.57
EIB/EEC	756.34	207.67	964.01
IDA	7,612.22	3,508.71	11,120.93
OPEC	138.07	10.10	148.17
NDF	175.84	10.03	185.87
IFAD	294.21	67.33	361.54
IBRD	-	293.00	293.00
TOTAL MULTILATERAL	10,371.57	5,015.00	15,386.57
COMMERCIAL	14,161.89	18,220.27	32,382.16
GRAND TOTAL	67,009.41	36,024.70	103,034.11

* Provisional

Source of Data: National Treasury

53. By the end of September,2022, the total cumulative debt service payments to external creditors comprised of 31.4 percent, 53.6 percent and 14.9 percent of the total payments to commercial, bilateral, and multilateral creditors respectively (Chart 16).

Chart 16: External Debt Service by Creditors at end of September, 2022



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
			Actual			Prel. Actual	Printed 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
1.Ordinary Revenue	1,306,568	1,365,063	1,499,757	1,573,418	1,562,015	1,917,911	2,141,584
Income Tax	625,050	640,546	685,330	706,936	694,053	876,707	997,340
VAT	339,034	357,129	414,143	383,713	410,758	523,098	584,666
Import Duty	89,943	93,685	106,875	98,022	108,375	118,280	144,876
Excise Duty	165,474	167,753	194,310	195,270	216,325	252,094	297,173
Other Revenue	87,067	105,950	99,099	189,477	132,504	147,731	117,529
2.Appropriation –in –Aid	133,820	160,493	204,606	222,246	221,732	281,897	320,780
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
1.Recurrent	1,165,037	1,349,896	1,531,083	1,645,222	1,796,588	2,135,305	2,270,982
Wages and Salaries	336,636	388,938	417,526	449,927	493,029	520,033	537,155
Interest Payments	271,233	323,890	375,723	437,202	495,142	577,978	690,648
Domestic Interest	212,865	239,470	272,351	315,362	388,830	456,849	553,407
Foreign Interest Due	58,368	84,420	103,372	121,840	106,312	121,130	137,241
Pensions, etc	63,958	65,099	70,804	89,605	112,872	122,432	150,553
O & M/ Others	457,150	534,347	625,791	626,394	652,065	866,050	827,486
Of which Appropriation-in-Aid	58,536	109,861	147,765	106,958	133,612	197,524	225,505
2.Development & Net Lending	641,843	469,673	541,884	594,944	553,883	540,117	676,583
Development Projects	392,217	255,213	289,029	389,571	339,226	346,355	370,064
Appropriation-in-Aid	241,183	211,931	243,408	204,712	214,657	193,762	297,187
3. Drought Development Expenditures/CF	-	-	-	-	-	-	-
4. Transfer to County Governments	305,016	327,274	360,740	325,278	398,993	352,414	407,036
5. Parliamentary Service	24,215	25,678	28,525	27,990	29,191	32,652	48,155
6. Judicial Service	11,846	11,944	12,713	14,103	14,289	16,160	16,984
7. Net Lending	6,000	-	6,962	-	-	-	2,265
8. Equalization Fund	6,000	-	6,962	-	-	-	7,068
9. Contingency Fund	-	-	-	-	-	-	4,000
D.DEFICIT EXCL. GRANTS (Commitment Basis)	(671,507)	(621,287)	(729,344)	(769,779)	(965,717)	(828,028)	(896,237)
E.GRANTS	26,962	27,600	19,702	19,820	31,320	31,031	33,317
F.DEFICIT INCL.GRANTS (Commitment Basis)	(644,546)	(593,687)	(709,642)	(749,959)	(934,397)	(796,997)	(862,920)
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)
Discrepancy	38,502	2,716	11,416	52,647	20,936	(37,304)	-
I.FINANCING	697,217	631,081	721,058	790,804	950,235	747,825	862,920
Net Foreign Financing	385,745	354,977	414,518	340,431	323,310	142,524	280,730
Net Domestic Financing	311,472	276,104	306,540	450,373	626,926	605,301	582,190
In Percentage of GDP							
A.TOTAL REVENUE	17.8	17.1	17.5	16.9	15.7	17.3	17.6
1.Ordinary Revenue	16.2	15.3	15.4	14.8	13.7	15.0	15.3
Income Tax	7.7	7.2	7.0	6.7	6.1	6.9	7.1
VAT	4.2	4.0	4.2	3.6	3.6	4.1	4.2
Import Duty	1.1	1.1	1.1	0.9	1.0	0.9	1.0
Excise Duty	2.0	1.9	2.0	1.8	1.9	2.0	2.1
Other Revenue	1.1	1.2	1.0	1.8	1.2	1.2	0.8
2.Appropriation –in –Aid	1.7	1.8	2.1	2.1	2.0	2.2	2.3
B. EXPENDITURE & NET LENDING	26.1	24.1	25.0	24.2	24.2	23.7	24.0
1.Recurrent	14.4	15.1	15.7	15.5	15.8	16.7	16.2
Wages and Salaries	4.2	4.4	4.3	4.2	4.3	4.1	3.8
Interest Payments	3.4	3.6	3.9	4.1	4.4	4.5	4.9
Domestic Interest	2.6	2.7	2.8	3.0	3.4	3.6	4.0
Foreign Interest Due	0.7	0.9	1.1	1.1	0.9	0.9	1.0
Pensions, etc	0.8	0.7	0.7	0.8	1.0	1.0	1.1
O & M/ Others	5.7	6.0	6.4	5.9	5.7	6.8	5.9
of which Appropriation-in-Aid	0.7	1.2	1.5	1.0	1.2	1.5	1.6
2.Development & Net Lending	7.9	5.3	5.6	5.6	4.9	4.2	4.8
Development Projects	4.9	2.9	3.0	3.7	3.0	2.7	2.6
Appropriation-in-Aid	3.0	2.4	2.5	1.9	1.9	1.5	2.1
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
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	-	-	-	0.1
D.DEFICIT EXCL. GRANTS (Commitment Basis)	(8.3)	(7.0)	(7.5)	(7.2)	(8.5)	(6.5)	(6.4)
E.GRANTS	0.3	0.3	0.2	0.2	0.3	0.2	0.2
F.DEFICIT INCL.GRANTS (Commitment Basis)	(8.0)	(6.7)	(7.3)	(7.1)	(8.2)	(6.2)	(6.2)
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)
I.FINANCING	8.6	7.1	7.4	7.4	8.4	5.9	6.2
Foreign Financing	4.8	4.0	4.3	3.2	2.8	1.1	2.0
Net Domestic Financing	3.9	3.1	3.1	4.2	5.5	4.7	4.2
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	12,752,163.8	14,002,451.8

Source: National Treasury

ANNEXES

4.2. GFSM, 2014 COMPLIANT TABLES FOR BUDGETARY CENTRAL GOVERNMENT

4.2.1 Annex II: Revenue (KSh. Millions)

GFSM Code	Description	Annual Budget Estimates	Prel. Actual FY2022/23 Q1
	<i>Accounting method:</i>	<i>Cash</i>	<i>Cash</i>
1	Revenue	2,495,682	570,223
11	Taxes	2,234,078	507,337
111	Taxes on income, profits, and capital gains	997,340	218,604
1111	Payable by individuals	512,704	110,469
1112	Payable by corporations and other enterprises	484,637	108,135
114	Taxes on goods and services	1,016,425	228,770
1141	General taxes on goods and services	593,657	135,474
11411	Value-added taxes	584,666	131,768
11414	Taxes on financial and capital transactions ¹	8,992	3,705
1142	Excises ²	422,767	93,296
115	Taxes on international trade and transactions	220,313	59,962
1151	Customs and other import duties ³	220,313	59,962
12	Social contributions	521	63
122	Other social contributions	521	63
1221	Employee contributions	521	63
13	Grants	33,317	623
131	From foreign governments	33,317	623
1311	Current	-	-
1312	Capital	33,317	623
132	From international organizations	-	-
1321	Current	-	-
1322	Capital	-	-
14	Other revenue	227,766	62,201
141	Property income	39,421	15,156
1411	Interest	2,080	-
1412	Dividends	31,496	14,517
1415	Rent	5,845	639
142	Sales of goods and services	184,143	46,170
1422	Administrative fees	184,143	46,170
143	Fines, penalties, and forfeits	2,427	414
144	Miscellaneous and unidentified revenue	1,774	461

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
	<i>Accounting method:</i>	<i>Cash</i>	<i>Cash</i>
2	Expense	3,225,274	748,882
21	Compensation of employees	568,628	134,969
211	Wages and salaries	538,149	130,199
212	Social contributions	30,479	4,770
2121	Actual social contributions	30,479	4,770
22	Use of goods and services	272,189	123,552
	O/W Defence and NIS	174,343	34,916
	Free Secondary Education (FSE)	102,796	30,304
	Free Primary Education (FPE)	21,624	4,095
24	Interest	690,648	150,838
241	To nonresidents	137,241	36,025
242	To residents other than general government	553,407	114,813
25	Subsidies	22,233	43,913
251	To public corporations	-	-
252	To private enterprises	22,233	43,913
26	Grants	1,414,757	261,102
262	To international organizations	5,206	1,383
2621	Current	5,206	1,383
2622	Capital	-	-
263	To other general government units	1,409,550	259,719
2631	Current	836,743	143,661
	O/W Transfer to County Governments (ES)	259,000	49,236
	Transfer to Other levels of Government (Includes transfers to SOEs)	577,743	94,425
2632	Capital	572,807	116,058
	O/W Transfer to County Governments (ES)	111,000	21,101
	Transfer to Other levels of Government (Includes transfers to SOEs)	461,807	94,956
27	Social benefits	245,751	34,508
273	Employer social benefits	245,751	34,508
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 Estimates FY2022/23	Prel. Actual FY2022/23 Q1
	<i>Accounting method:</i>	<i>Cash</i>	<i>Cash</i>
3	Change in Net Worth: Transactions	(729,593)	(137,023)
31	Net acquisition of nonfinancial assets	131,063	7,815
311	Fixed assets	131,010	7,301
3111	Buildings and structures	124,954	6,659
3113	Other fixed assets	6,056	643
312	Inventories	-	514
314	Nonproduced assets	53	-
32	Net acquisition of financial assets	(3,140)	(27,258)
3212	Currency and deposits (Domestic)	(3,140)	(27,258)
33	Net incurrence of liabilities	857,515	117,580
331	Domestic	579,050	89,282
3313	Securities other than shares	579,050	105,299
3314	Loans	-	(30,987)
3318	Other Accounts Payable	-	14,971
332	Foreign	278,465	28,298
3321	Special Drawing Rights (SDRs)	-	20,323
3323	Securities other than shares	105,600	23,642
3324	Loans	172,865	(15,667)

Source: National Treasury

ANNEXES

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
	<i>Accounting method:</i>	<i>Cash</i>	<i>Cash</i>
	Cash Flows from Operating Activities:		
1	Cash receipts from operating activities	2,495,682	570,223
11	Taxes	2,234,078	507,337
12	Social contributions	521	63
13	Grants	33,317	623
14	Other receipts	227,766	62,201
2	Cash payments for operating activities	3,225,274	748,882
21	Compensation of employees	568,628	134,969
22	Purchases of goods and services	272,189	123,552
24	Interest	690,648	150,838
25	Subsidies	22,233	43,913
26	Grants	1,414,757	261,102
27	Social benefits	245,751	34,508
28	Other payments	11,068	-
	Net cash inflow from operating activities	(729,593)	(178,658)
	Cash Flows from Investments in Nonfinancial Assets (NFAs):		
31A	Purchases of nonfinancial assets	131,063	7,815
311A	Fixed assets	131,010	7,301
312A	Strategic stocks	-	514
314A	Nonproduced assets	53	-
31	Net cash outflow: investments in NFAs (31=31.1-31.2)	131,063	7,815
	Cash surplus / deficit	(860,655)	(186,473)
	Cash Flows from Financing Activities:		
32x	Net acquisition of financial assets other than cash	(3,140)	(27,258)
321x	Domestic	(3,140)	(27,258)
322x	Foreign	-	-
33	Net incurrence of liabilities	857,515	117,580
331	Domestic	579,050	89,282
332	Foreign	278,465	28,298
NFB	Net cash inflow from financing activities	860,655	144,838
	Net change in the stock of cash	0	(41,635)
	Statistical Discrepancy⁴	-	-

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

Source: National Treasury

ANNEXES

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

GFSM Code	Description	Budget Estimates FY2022/23	Prel. Actual FY2022/23 Q1
	<i>Accounting method:</i>	<i>Cash</i>	<i>Cash</i>
	Transactions Affecting Net Worth:		
1	Revenue	2,495,682	570,223
11	Taxes	2,234,078	507,337
12	Social contributions	521	63
13	Grants	33,317	623
14	Other revenue	227,766	62,201
2	Expense	3,225,274	748,882
21	Compensation of employees	568,628	134,969
22	Use of goods and services	272,189	123,552
24	Interest	690,648	150,838
25	Subsidies	22,233	43,913
26	Grants	1,414,757	261,102
27	Social benefits	245,751	34,508
28	Other expense	11,068	-
GOB	Gross operating balance	(729,593)	(178,658)
NOB	Net operating balance	(729,593)	(178,658)
	Transactions on Nonfinancial Assets:		
31	Net Acquisition of Nonfinancial Assets	131,063	7,815
311	Fixed assets	131,010	7,301
312	Change in inventories	-	514
314	Nonproduced assets	53	-
NLB	Net lending / borrowing	(860,655)	(186,473)
	Transactions on Financial Assets and Liabilities (Financing):	860,655	144,838
32	Net acquisition of financial assets	(3,140)	(27,258)
321	Domestic	(3,140)	(27,258)
322	Foreign	-	-
33	Net incurrence of liabilities	857,515	117,580
331	Domestic	579,050	89,282
332	Foreign	278,465	28,298
	Statistical Discrepancy⁵	-	(41,635)

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

Source: National Treasury