

Quarterly Economic and Budgetary Review

**First Half, Financial Year 2023/2024
Period Ending 31st December, 2023**

February, 2024 Edition

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ACKNOWLEDGEMENT

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LIST OF ABBREVIATIONS AND ACRONYMS

ADB	African Development Bank
ADF	Asian Development Fund
A-I-A	Appropriation-in-Aid
AMISOM	African Union Mission in Somalia
ARUD	Agriculture, Rural and Urban Development
BAEA	Arab Bank for Economic Development of Africa
CBK	Central Bank of Kenya
CBR	Central Bank Rate
CF	Contingency Fund
CFS	Consolidated Fund Services
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 SECOND QUARTERLY ECONOMIC AND BUDGETARY REVIEW REPORT IN THE 2023/24 FY

1. Economic Growth

The economy remained strong and resilient in the first three quarters of 2023 and grew by an average of 5.6 percent (5.5 percent in Q1 and Q2 and 5.9 percent Q3). The growth was primarily underpinned by a rebound in agriculture activities and a continued resilience of the service sector. In addition, all economic sectors recorded positive growth rates in the first three quarters of 2023, though the magnitudes varied across activities.

2. Inflation Rate

Year-on-year overall inflation has remained within the Government target range of 5 ± 2.5 percent in the first half of FY 2023/24. Inflation declined to 6.6 percent in December, 2023 from 9.1 percent in December, 2022 largely driven by the easing of food prices and the impact of monetary policy tightening.

3. Interest Rates

Short-term interest rates increased in December, 2023 in line with the tight monetary policy stance. The interbank rate increased to 11.7 percent in December, 2023 compared to 5.4 percent in December, 2022 while the 91-day Treasury Bills rate increased to 15.8 percent compared to 9.3 percent over the same period. Consequently, the liquidity conditions in the money market also increased thereby reflecting the cost of investable funds. The average lending rate increased to 14.6 percent in December, 2023 from 12.7 percent in December, 2022 while the average deposit rate increased to 10.1 percent from 7.2 percent over the same period.

4. Money and Credit

Broad money supply, M3, grew by 21.2 percent in the year to December, 2023 compared to a growth of 7.2 percent in the year to December, 2022. The primary source of the increase in M3 was an improvement in the Net Foreign Assets (NFA) of the banking system and an increase in domestic credit particularly resilient private sector credit and increased net lending to the Government and other Public sector.

5. Current Account

The current account deficit improved to USD 4,259.4 million (4.4 percent of GDP) in December, 2023 compared to USD 5,774.2 million (5.3 percent of GDP) in December, 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 7,340.8 million in December, 2023 compared to USD 7,969.5 million in December, 2022. This represented 3.9 months of import cover as compared to the 4.5 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 December, 2023 compared to December, 2022. The NSE 20 Share Index declined to 1,509 points in December, 2023 compared to 1,676 points in December, 2022 while Market capitalization declined to KSh. 1,432 billion from KSh. 1,986 billion over the same period.

8. Revenue Collection

The National Government revenue collection including ministerial Appropriation in Aid (A-I-A) and Grants for the period between July-December, 2023 amounted to KSh. 1,318.7 billion (8.2 percent of GDP) against a target of KSh. 1,461.4 billion. The revenue collection was below the target by KSh. 142.7 billion mainly due to shortfall in taxes.

9. Expenditure and Net Lending

The total expenditure and net lending inclusive of transfers to County Governments for the period ending 31st December, 2023 amounted to KSh. 1,704.8 billion, against a target of KSh. 1,825.2 billion. The resultant below target expenditure of KSh. 120.3 billion is mainly attributed to below target absorption recorded in development expenditures and transfers to County Governments.

10. Guaranteed Debt

The government serviced guaranteed debt of KSh. 6.9 billion on behalf of Kenya Airways (KQ).

11. Fiscal Balance

The fiscal balance excluding grants (on a commitment basis) amounted to a deficit of KSh. 391.5 billion (2.4 percent of GDP), as at the end December, 2023.

12. External Financing

The Net Foreign Repayment amounted to KSh. 29.6 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. 210.0 billion (1.3 percent of GDP) in the period ending 30th December, 2023.

14. Domestic Debt Stock

The stock of gross domestic debt increased by KSh. 514.5 billion from KSh. 4,535.6 billion in December, 2022 to KSh. 5,050.1 billion in December, 2023

15. External Debt Stock

The total external debt stock, including the International Sovereign Bond, stood at KSh. 6,089.6 billion by the end of December, 2023. The debt stock comprised of multilateral debt (50.3 percent), commercial debt (26.1 percent), bilateral debt (23.4 percent) and suppliers' credit (0.3 percent).

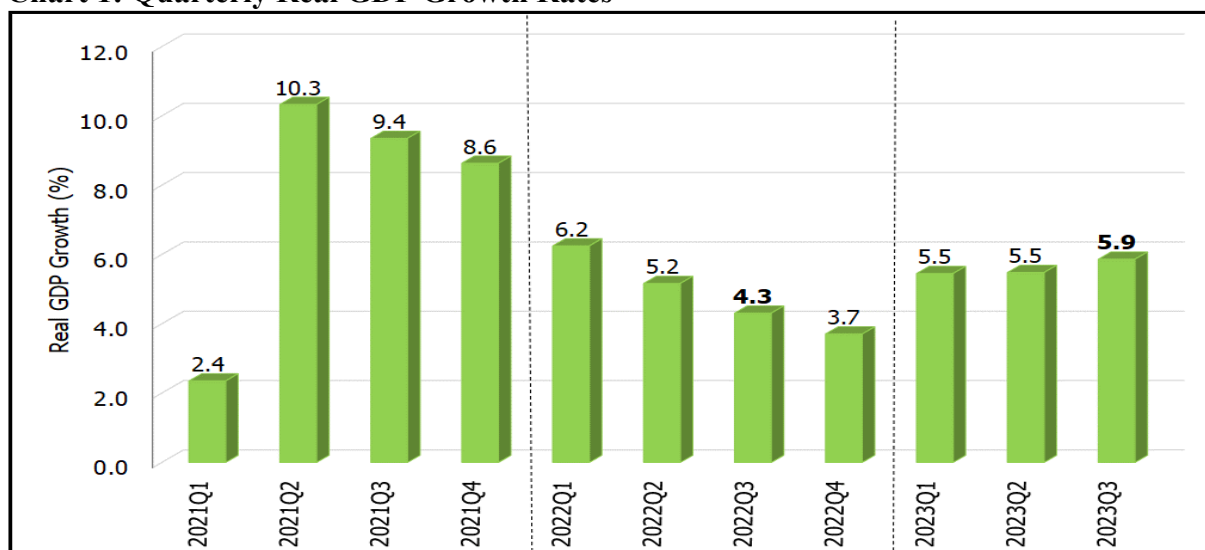
1.0 RECENT ECONOMIC DEVELOPMENTS

1.1 Economic Growth

1. The economy remained strong and resilient in the first three quarters of 2023 despite the challenging external environment and significant losses and damages due to frequent extreme weather events. The economic growth averaged 5.6 percent (5.5 percent in Q1 and Q2 and 5.9 percent Q3). The growth was primarily underpinned by a rebound in agriculture activities and a continued resilience of the service sector. In addition, all economic sectors recorded positive growth rates in the first three quarters of 2023, though the magnitudes varied across activities.

2. In the third quarter of 2023, the economy continued with the strong growth momentum, expanding by 5.9 percent compared to a growth of 4.3 percent in the third quarter of 2022 (**Chart 1**). The growth was primarily underpinned by continued strong performance in agriculture activities, following improved weather conditions and the impact of fertilizer and seed subsidies provided to farmers by the Government.

Chart 1: Quarterly Real GDP Growth Rates



Source of Data: Kenya National Bureau of Statistics

3. The primary sector improved to grow by 6.4 percent in the third quarter of 2023 compared to a contraction of 1.5 percent in the same quarter in 2022. This was as a result of the recovery in both the agriculture, forestry and fishing and mining and quarrying sub sectors. Activities in the agriculture, forestry and fishing sub-sector expanded by 6.7 percent in the third quarter of 2023 compared to a contraction of 1.3 percent in the third quarter of 2022 (**Table 1**). The significantly improvement in performance was attributable to favorable weather conditions and Government interventions that led to enhanced production, especially in food crops. The improvement in performance was mainly evident in the significant increase in the exports of fruits and vegetables and in the production of tea and milk. However, the production of sugarcane declined during the period. Mining and Quarrying sub-sector grew by 1.1 percent in the third quarter of 2023 compared to a contraction of 4.5 percent over the same period in 2022 due to increased activities in the sector.

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4. The industry sector grew by 2.9 percent in the third quarter of 2023 from a growth of 3.0 percent in a similar quarter of 2022. The growth in the sector was supported by increased activities in the manufacturing and construction sub-sectors despite a slowdown in the electricity and water supply sub-sector. Manufacturing sector grew by 2.6 percent in the third quarter of 2023 compared to a growth of 1.8 percent in the corresponding quarter of 2022 due to improved activities in both food and non-food manufacturing. In the manufacture of food products, growth was mainly supported by processing of dairy and tea products despite a decline in the processing of sugar. In the manufacture of non-food products growth was supported by production of cement.

5. Activities of the construction sub-sector expanded by 3.8 percent in the third quarter of 2023 compared to a 3.5 percent growth in the third quarter of 2022. Growth in the sub- sector was supported by an increase in volume of cement consumption and imported bitumen. However, the volume of iron and steel imported declined during the review period. Electricity and Water Supply sub-sector slowed down to a growth of 1.9 percent in the third quarter of 2023 compared to a growth of 6.0 percent in a similar quarter in 2022. The slowdown was due to a decline in electricity generation from all sources except for geothermal and hydropower.

Table 1: Sectoral Real GDP Growth rate (percent)

Sectors	Annual Growth Rates		Quarterly Growth Rates					
	2021	2022	2022 Q1	2022 Q2	2022 Q3	2023 Q1	2023 Q2	2023 Q3
1. Primary Industry	0.5	(1.0)	(0.4)	(1.5)	(1.5)	5.9	8.0	6.4
1.1. Agriculture, Forestry and Fishing	(0.4)	(1.6)	(1.7)	(2.4)	(1.3)	6.1	8.2	6.7
1.2. Mining and Quarrying	18.0	9.3	23.8	16.6	(4.5)	3.3	5.2	1.1
2. Secondary Sector (Industry)	6.8	3.5	4.4	4.2	3.0	2.4	1.7	2.9
2.1. Manufacturing	7.3	2.7	3.8	3.6	1.8	2.0	1.4	2.6
2.2. Electricity and Water supply	5.6	4.9	3.2	5.6	6.0	2.5	0.8	1.9
2.3. Construction	6.7	4.1	6.0	4.5	3.5	3.1	2.6	3.8
3. Tertiary sector (Services)	9.6	6.7	8.5	7.7	5.7	5.9	5.9	6.9
3.1. Wholesale and Retail trade	8.0	3.8	4.9	4.1	3.6	5.7	4.2	4.8
3.2. Accommodation and Restaurant	52.6	26.2	40.1	44.0	16.9	21.5	12.2	26.0
3.3. Transport and Storage	7.4	5.6	7.7	7.2	5.1	6.2	3.0	2.8
3.4. Information and Communication	6.1	9.9	9.0	11.2	11.8	9.0	6.4	7.3
3.5. Financial and Insurance	11.5	12.8	17.0	16.1	9.6	5.8	13.5	14.7
3.6. Public Administration	6.0	4.5	6.2	3.8	3.4	6.6	3.8	4.2
3.7. Others	10.8	5.2	6.7	5.5	4.7	4.8	4.9	6.3
of which: Professional, Admin & Support Services	7.1	9.4	13.1	10.9	9.0	7.3	5.5	9.5
Real Estate	6.7	4.5	6.0	5.0	4.0	5.2	5.8	6.2
Education	22.8	4.8	4.6	4.4	3.9	3.0	4.0	4.7
Health	8.9	4.5	5.7	4.4	3.7	5.4	5.0	5.1
Taxes less subsidies	11.9	7.0	9.5	6.1	7.3	5.3	4.0	2.8
Real GDP	7.6	4.8	6.2	5.2	4.3	5.5	5.5	5.9

Source of Data: Kenya National Bureau of Statistics

6. The activities in the services sector continued to sustain strong growth momentum in the third quarter of 2023 and grew by 6.9 percent compared to a growth of 5.7 percent in a similar period in 2022. This performance was largely characterized by significant growths in Accommodation and Restaurant Service; Financial and Insurance; and

RECENT ECONOMIC DEVELOPMENTS

Wholesale and Retail Trade Sub-Sectors. Other services that supported the growth included Real Estate, Health and Education.

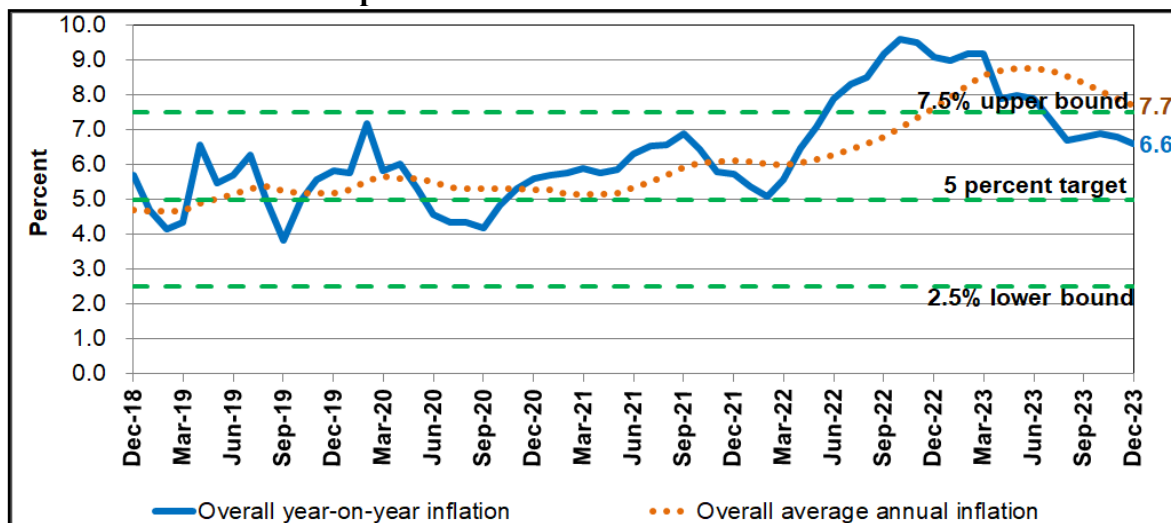
7. Accommodation and Food Service sub-sector is estimated to have expanded by 26.0 percent in the third quarter of 2023 compared to a growth of 16.9 percent in the third quarter of 2022. The growth was partly attributed to accelerated visitor arrivals witnessed during the Africa Climate Summit Conference held in September, 2023, coupled with the country’s stabilization from effects of uncertainties associated with elections in the third quarter of 2022. The arrivals through Jomo Kenyatta International Airport (JKIA) and Mombasa International Airport (MIA) hence increased during the period. The Financial and Insurance sub-sector grew by 14.7 percent in the third quarter of 2023 compared to 9.6 percent growth in the corresponding quarter of 2022. The Financial and Insurance sub-sector grew by 14.7 percent in the third quarter of 2023 compared to 9.6 percent growth in the corresponding quarter of 2022.

8. Activities in Transportation and Storage sub-sector slowed down to a growth of 2.8 percent in the third quarter of 2023 compared to a growth of 5.1 percent in a corresponding period in 2022. The growth in the sector was mostly supported by transport via railway, port activities and air transportation. However, consumption of light diesel which is a key input to land transportation declined during the period. Information and communication sector grew by 7.3 percent in the third quarter of 2023, compared to 11.8 percent growth in the corresponding quarter of 2022. Growth of the sector was supported by voice traffic, internet use and mobile money despite a decline in the use of domestic Short Messaging Services (SMSs).

1.2 Inflation

9. Inflation has remained within the Government target range of 5 ± 2.5 percent in the first half of FY 2023/24. Inflation declined to 6.6 percent in December, 2023 from 9.1 percent in December, 2022 largely driven by the easing of food prices and the impact of monetary policy tightening (**Chart 2a**).

Chart 2a: Inflation development



Source of Data: Kenya National Bureau of Statistics

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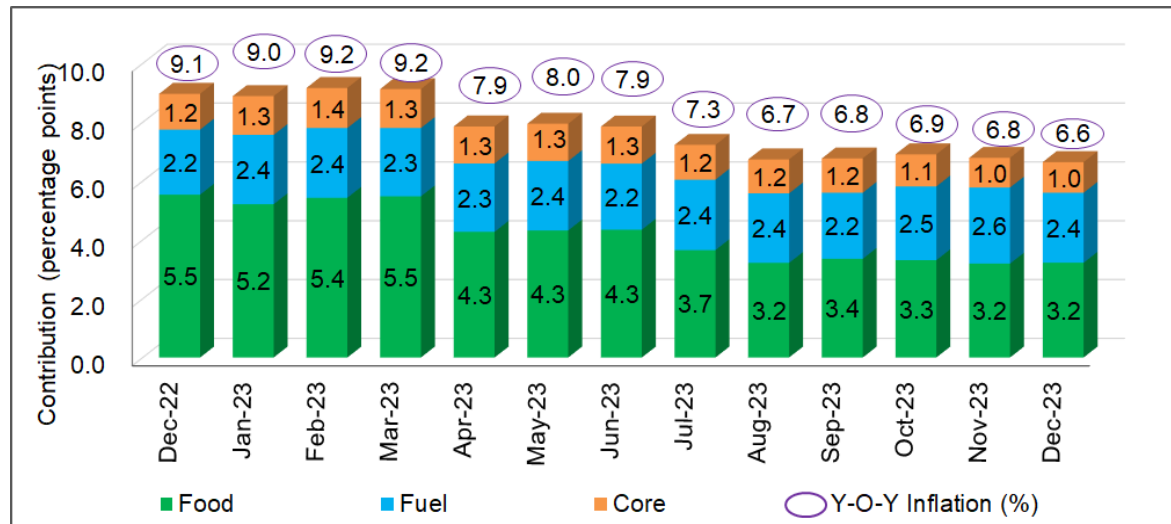
10. Food inflation remained the main driver of overall year-on-year inflation in December, 2023, contributing 3.2 percentage points, a decline, compared to a contribution of 5.5 percentage points in December, 2022 (**Chart 2b**). The decline was due to a general decline in

international food prices and improved weather conditions that enhanced food production thus moderating prices. In addition, Government measures to support sufficient supply of staple food items through zero rated imports and lowering the cost of production through the ongoing fertilizer and seeds subsidy program continues to exact downward pressure on inflation. Nonetheless, sugar prices remained elevated driven by domestic and global factors.

11. Fuel inflation increased to contribute 2.4 percentage points to year-on-year overall inflation in December, 2023 from a contribution of 2.2 percentage points in December, 2022. Fuel inflation has remained elevated reflecting the impact of higher international oil prices; depreciation in the shilling exchange rate; gradual withdraw of the fuel subsidize from September, 2022; and the upward adjustment of electricity tariff from April, 2023. In addition, the upward adjustment of VAT on petroleum product in July, 2023 from 8.0 percent to 16.0 percent to eliminate tax credits from the sector exacted upward pressures on the fuel prices. However, prices of cooking gas continued to decline and the moderated inflation reflects the impact of the zero-rating of VAT on liquefied petroleum gas (LPG).

12. 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

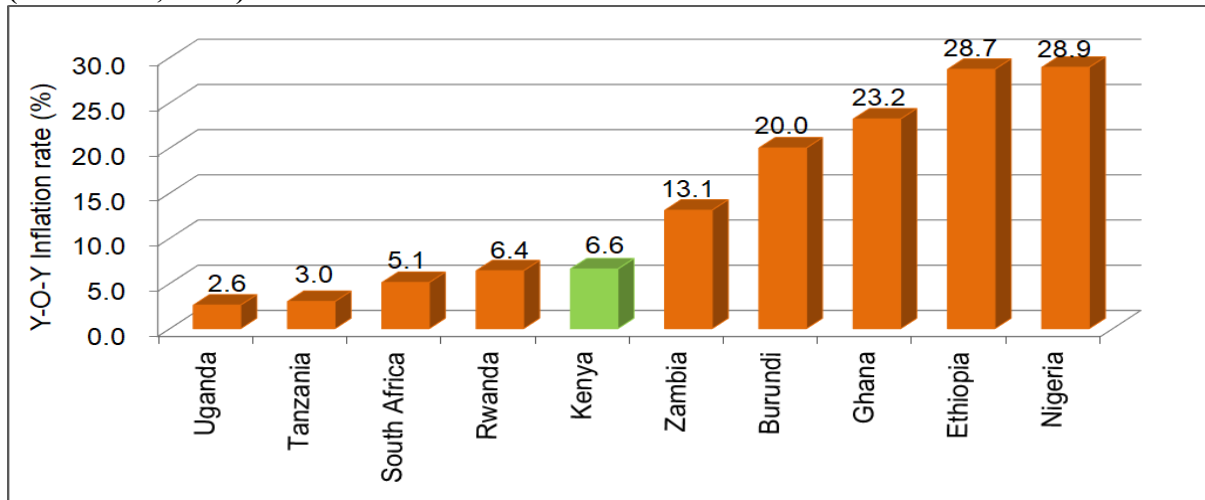


Source of Data: Kenya National Bureau of Statistics

13. Inflation rate remains high in most Sub-Saharan African economies fueled by rising energy prices; weaker currencies; and natural disasters. Kenya's inflation rate at 6.6 percent in December, 2023 is much lower than that of majority countries in the Sub-Saharan African region that had double digits' inflation (**Chart 2c**).

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



Source of Data: National Central Banks

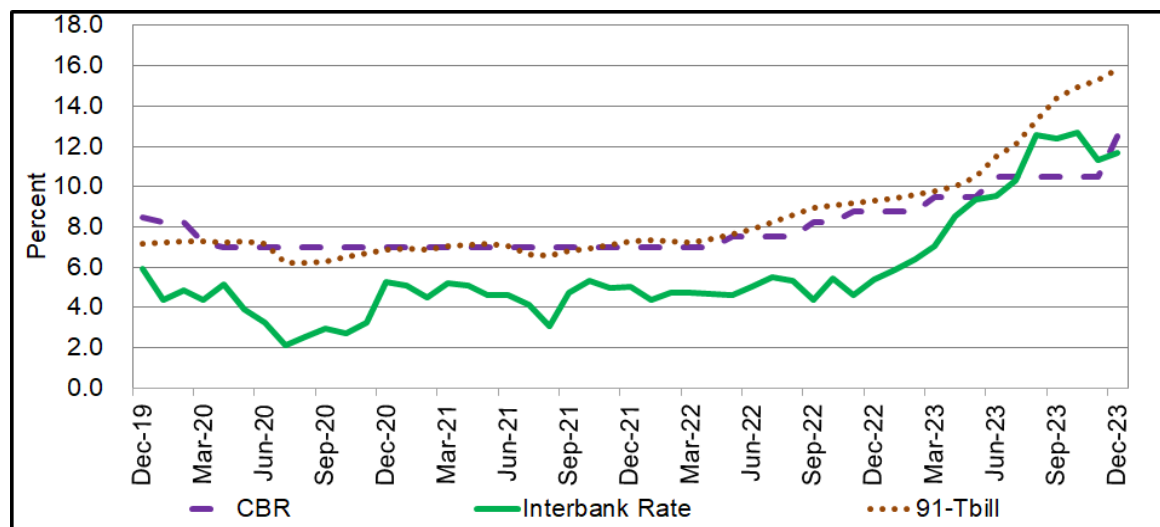
1.3 Interest Rates

14. The Monetary Policy Committee (MPC) raised the Central Bank Rate (CBR) from 10.50 percent in June, 2023 to 12.50 percent in December, 2023 (**Chart 3**). The tightening of the monetary policy was to address the pressures on the exchange rate and mitigate second round effects including from global prices. This ensured that inflationary expectations remain anchored, while setting inflation on a firm downward path towards the 5.0 percent mid-point of the target range.

15. Short-term interest rates increased in December, 2023 in line with the tight monetary policy stance and liquidity conditions in the money market thereby reflecting the cost of investable funds. The interbank rate increased to 11.7 percent in December, 2023 compared to 5.4 percent in December, 2022. The introduction of the interest rate corridor around the CBR (set at $CBR \pm 250$ basis points by the MPC in August, 2023) has aligned the interbank weighted average rate to the Central Bank Rate and thereby improving the transmission of the monetary policy. The 91-day Treasury Bills rate increased to 15.8 percent in December, 2023 compared to 9.3 percent in December, 2022 while the 182-day Treasury Bills rate also increased to 15.9 percent from 9.8 percent over the same period. This has increased the cost of borrowing by Government from the domestic market.

RECENT ECONOMIC DEVELOPMENTS

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 December, 2023 in tandem with the tightening of the monetary policy stance. The average lending rate increased to 14.6 percent in December, 2023 from 12.7 percent in December, 2022 while the average deposit rate increased to 10.1 percent from 7.2 percent over the same period. Consequently, the average interest rate spread declined to 4.5 percent in December, 2023 from 5.5 percent in December, 2022.

1.4 Money and Credit

17. Broad money supply, M3, grew by 21.2 percent in the year to December, 2023 compared to a growth of 7.2 percent in the year to December, 2022 (**Table 2**). The primary source of the increase in M3 was an improvement in the Net Foreign Assets (NFA) of the banking system. The NFA of the banking system in the year to December, 2023 expanded by 179.5 percent compared to a contraction of 51.9 percent in the year to December, 2022. The increase in Net Foreign Assets, mainly reflected an increase in commercial banks' Foreign Assets.

18. Net Domestic Assets (NDA) registered a growth of 10.6 percent in the year to December, 2023, compared to a growth of 16.7 percent over a similar period in 2022. The growth in NDA was mainly supported by an increase in domestic credit particularly resilient private sector credit and increased net lending to the Government and other Public sector. Growth of domestic credit extended by the banking system to the Government increased to a growth of 16.4 percent in the year to December, 2023 compared to a growth of 11.6 percent in the year to December, 2022. Lending to other public sectors grew by 23.7 percent in the year to December, 2023 compared to a contraction of 18.2 percent in December, 2022 mainly due to advances to parastatals.

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

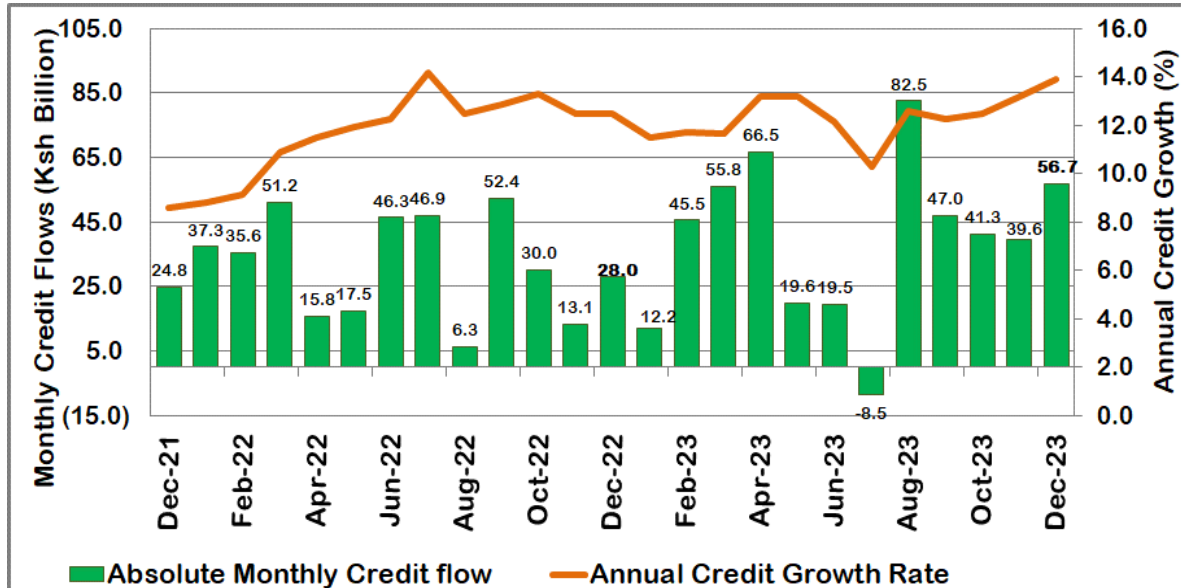
				Change		Percent Change	
	2021 December	2022 December	2023 December	2021-2022 December	2022-2023 December	2021-2022 December	2022-2023 December
<i>COMPONENTS OF M3</i>							
1. Money supply, M1 (1.1+1.2+1.3)	1,848.1	1,971.1	2,044.1	123.0	73.0	6.7	3.7
1.1 currency outside banks (M0)	253.5	260.8	282.1	7.3	21.3	2.9	8.2
1.2 Demand deposits	1,498.3	1,623.5	1,664.4	125.2	40.9	8.4	2.5
1.3 Other deposits at CBK	96.3	86.8	97.5	(9.5)	10.7	(9.9)	12.4
2. Money supply, M2 (1+2.1)	3,431.6	3,617.5	3,952.3	185.9	334.9	5.4	9.3
2.1 Time and savings deposits	1,583.5	1,646.4	1,908.3	62.88	261.9	3.971	15.9
Money supply, M3 (2+3.1)	4,235.2	4,538.5	5,498.6	303.3	960.1	7.2	21.2
3.1 Foreign currency deposits	803.7	921.1	1,546.3	117.4	625.2	14.6	67.9
<i>SOURCES OF M3</i>							
1. Net foreign assets (1.1+1.2)	590.1	283.9	793.6	(306.1)	509.6	(51.9)	179.5
1.1 Central Bank	700.6	537.8	486.9	(162.7)	(50.9)	(23.2)	(9.5)
1.2 Banking Institutions	(110.5)	(253.9)	306.7	(143.4)	560.6	(129.8)	220.8
2. Net domestic assets (2.1+2.2)	3,645.1	4,254.6	4,705.0	609.4	450.4	16.7	10.6
2.1 Domestic credit (2.1.1+2.1.2+2.1.3)	4,876.9	5,439.7	6,252.0	562.8	812.3	11.5	14.9
2.1.1 Government (net)	1,723.6	1,924.3	2,239.5	200.7	315.3	11.6	16.4
2.1.2 Other public sector	100.1	81.9	101.3	(18.2)	19.4	(18.2)	23.7
2.1.3 Private sector	3,053.2	3,433.5	3,911.2	380.4	477.6	12.5	13.9
2.2 Other assets net	(1,231.8)	(1,185.2)	(1,547.0)	46.6	(361.9)	3.8	(30.5)

Source of Data: Central Bank of Kenya

19. Growth in private sector credit from the banking system remained resilient partly reflecting improving business conditions and demand for working capital. Credit advanced to the private sector grew by 13.9 percent in the year to December, 2023 compared to a growth of 12.5 percent in the year to December, 2022 (**Chart 4**). Strong credit growth was observed in finance and insurance, agriculture, transport and communications and manufacturing. The Monthly (month on month) credit flows to the private sector improved to KSh. 56.7 billion in December, 2023 compared to KSh. 28.0 billion in December, 2022. Growth in private sector credit is expected to remain relatively stable, supported by, among other factors, resilient economic activity, and the implementation of the Credit Guarantee Scheme for the vulnerable MSMEs.

RECENT ECONOMIC DEVELOPMENTS

Chart 4: Private Sector Credit

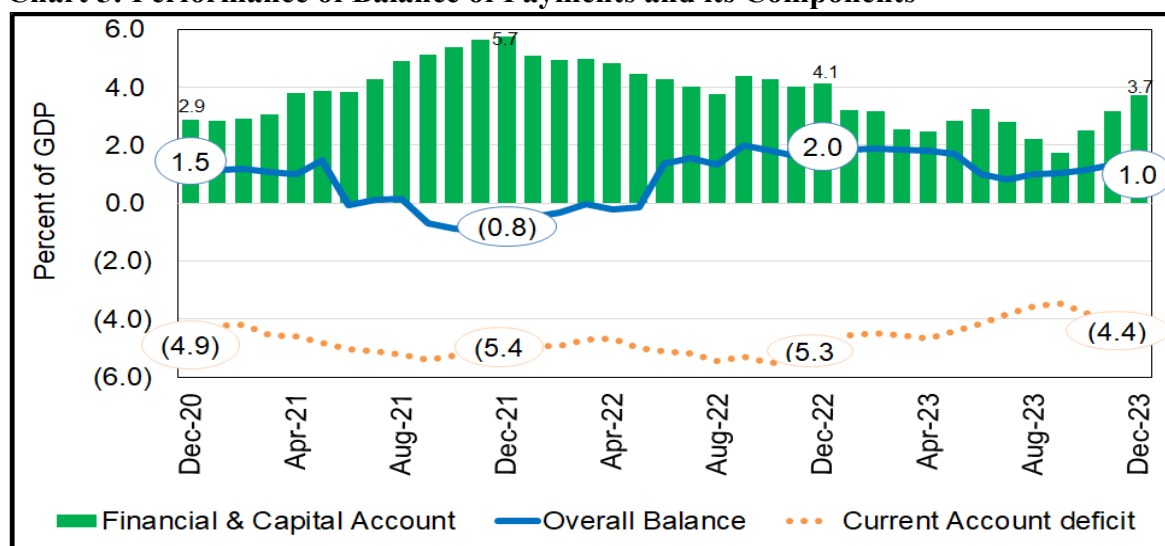


Source of Data: Central Bank of Kenya

1.5 Balance of Payments

20. The overall balance of payments position slowed down to a surplus of USD 981.7 million (1.0 percent of GDP) in December, 2023 from a surplus of USD 2,147.1 million (2.0 percent of GDP) in December, 2022. This was mainly due to a decline in the capital and financial account reflecting concerns about financial sector stability in the advanced economies in spite of an improvement in the current account deficit (**Chart 5 and Table 3**).

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 4,259.4 million (4.4 percent of GDP) in December, 2023 compared to USD 5,774.2 million (5.3 percent of GDP) in December, 2022. The current account balance was supported by an improvement in the net

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merchandise account and the net secondary income balance despite a deterioration in the net primary income balance and the net receipts on the services account.

22. The balance in the merchandise account improved by USD 1,866.8 million to a deficit of USD 9,848.1 million in December, 2023 mainly due to a decline in the import bill (**Table 3**). In the year to December, 2023, exports contracted by 2.2 percent mainly due to a decline in horticultural exports particularly cut flowers inspite an improvement in receipts from tea, chemicals and manufactured exports. The increase in receipts from tea exports reflects higher prices attributed to lower global supply due to drought amid resilient demand from traditional markets. The increase in manufactured exports receipts reflects strong regional demand. On the other hand, imports declined by 10.6 percent in the 12 months to December, 2023, mainly due to lower imports of infrastructure related equipment, manufactured goods, oil, and chemicals. Oil prices remain elevated on account of global oil supply cuts by major oil exporters particularly Saudi Arabia and Russia and increased geopolitical fragmentation.

23. Net receipts on the services account declined by USD 532.5 million to USD 632.4 million in December, 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 467.2 million during the review period owing to an increase in remittances which amounted to USD 4,189.9 million in the 12 months to December, 2023, and were 4.0 percent higher compared to a similar period in 2022. However, the balance on the primary account widened by USD 286.7 million to a deficit of USD 2,026.8 million in the year to December, 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 December 2023					Actuals as a Percent of GDP	
	Dec-21	Dec-22	Dec-23	Change	Percent Change	Dec-22	Dec-23
Overall Balance	(848.3)	2,147.1	981.7	(1,165.4)	(54.3)	2.0	1.0
A) Current Account	(5,747.7)	(5,774.2)	(4,259.4)	1,514.8	26.2	(5.3)	(4.4)
<i>Merchandise Account (a-b)</i>	(11,052.1)	(11,714.9)	(9,848.1)	1,866.8	15.9	(10.7)	(10.2)
a) Goods: exports	6,787.0	7,421.4	7,258.2	(163.2)	(2.2)	6.8	7.5
b) Goods: imports	17,839.1	19,136.2	17,106.2	(2,030.0)	(10.6)	17.5	17.6
<i>Net Services (c-d)</i>	1,027.4	1,164.8	632.4	(532.5)	(45.7)	1.1	0.7
c) Services: credit	5,018.3	6,435.5	5,410.6	(1,025.0)	(15.9)	5.9	5.6
d) Services: debit	3,990.9	5,270.7	4,778.2	(492.5)	(9.3)	4.8	4.9
<i>Net Primary Income (e-f)</i>	(1,838.6)	(1,740.1)	(2,026.8)	(286.7)	(16.5)	(1.6)	(2.1)
e) Primary income: credit	61.6	39.5	110.3	70.8	178.9	0.0	0.1
f) Primary income: debit	1,900.3	1,779.6	2,137.1	357.5	20.1	1.6	2.2
<i>Net Secondary Income</i>	6,115.6	6,515.9	6,983.1	467.2	7.2	6.0	7.2
g) Secondary income: credit	6,256.0	6,563.1	7,110.3	547.2	8.3	6.0	7.3
h) Secondary income: debit	140.4	47.3	127.3	80.0	169.2	0.0	0.1
B) Capital Account	196.1	141.7	127.5	(14.3)	(10.1)	0.1	0.1
C) Financial Account	(5,911.3)	(4,382.2)	(3,482.2)	900.0	20.5	(4.0)	(3.6)

Source of Data: Central Bank of Kenya

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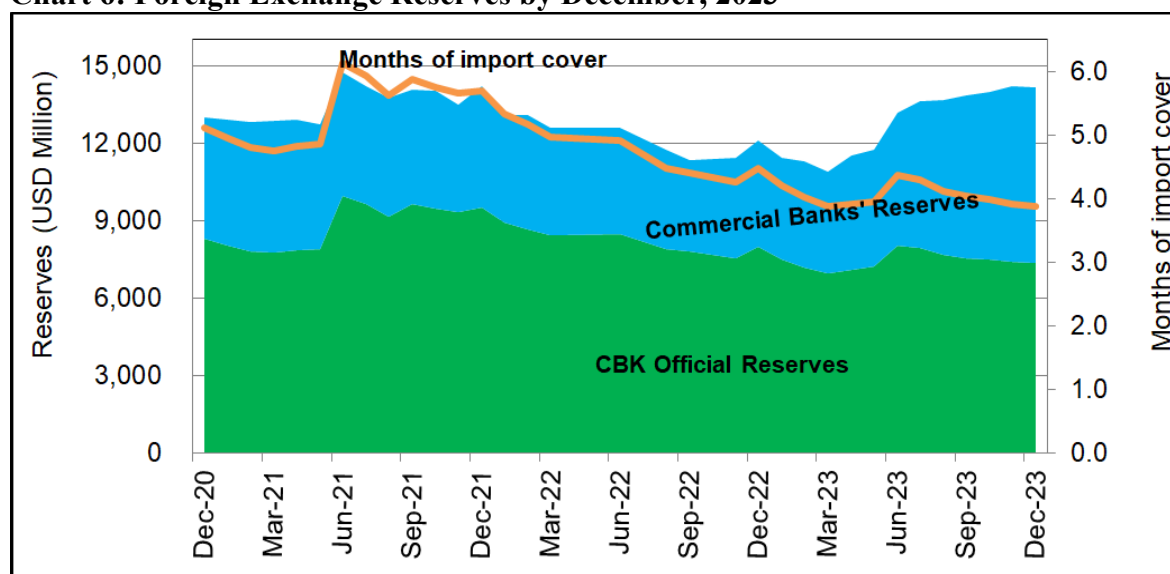
24. The capital account balance declined by USD 14.3 million to register a surplus of USD 127.5 million in December, 2023 compared to a surplus of USD 141.7 million in the same period in 2022. Net financial inflows slowed down but remained vibrant at USD 3,482.2 million in December, 2023 compared to USD 4,382.2 million in December, 2022. The net financial inflows were mainly in the form of other investments and direct investments. Portfolio investments and financial derivatives registered a net outflow during the period.

1.6 Foreign Exchange Reserves

25. The banking system's foreign exchange holdings remained strong at USD 14,154.8 million in December, 2023, an improvement from USD 12,084.7 million in December, 2022. The official foreign exchange reserves held by the Central Bank stood at USD 7,340.8 million compared to USD 7,969.5 million over the same period in 2022 (**Chart 6**). Commercial banks holdings improved to USD 6,814.0 million in December, 2023 from USD 4,115.2 million in December, 2022.

26. The official reserves held by the Central Bank in December, 2023 represented 3.9 months of import cover as compared to the 4.5 months of import cover in December, 2022. These reserves provide adequate buffer against short-term shocks in the foreign exchange market.

Chart 6: Foreign Exchange Reserves by December, 2023



Source of Data: Central Bank of Kenya

1.7 Exchange Rates

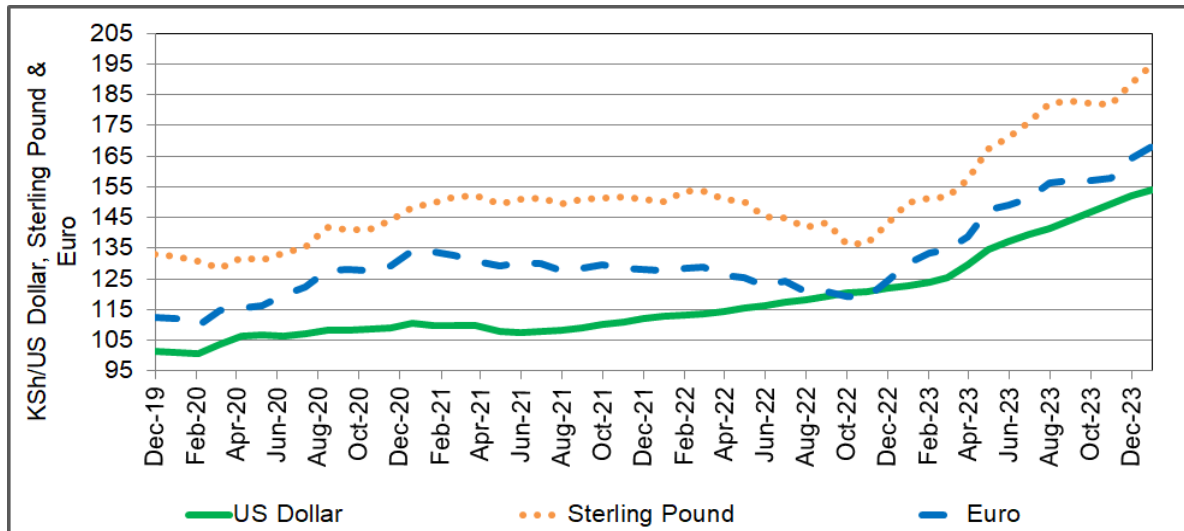
27. Kenya like several other countries is experiencing foreign exchange challenges due to the rise in US interest rates. In December, 2023, the Kenya Shilling weakened by 25.3 percent against the US Dollar, 30.2 percent against the Sterling Pound and 29.2 percent against the Euro, compared to a similar period in 2022.

28. The Kenya Shilling against the US Dollar exchanged at an average of KSh. 154.1 in December, 2023 compared to an average of KSh. 122.9 in December, 2022. Against the Euro, the Kenya shilling weakened to exchange at KSh. 168.0 in December, 2023 compared to KSh. 130.0 in December, 2022 while against the Sterling Pound the Kenyan

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Shilling also weakened to exchange at KSh. 195.0 compared to KSh. 149.8, over the same period in 2022 (**Chart 7**). The stability of the Kenyan Shilling was however supported by resilient remittances, adequate foreign exchange reserves and strong exports receipts.

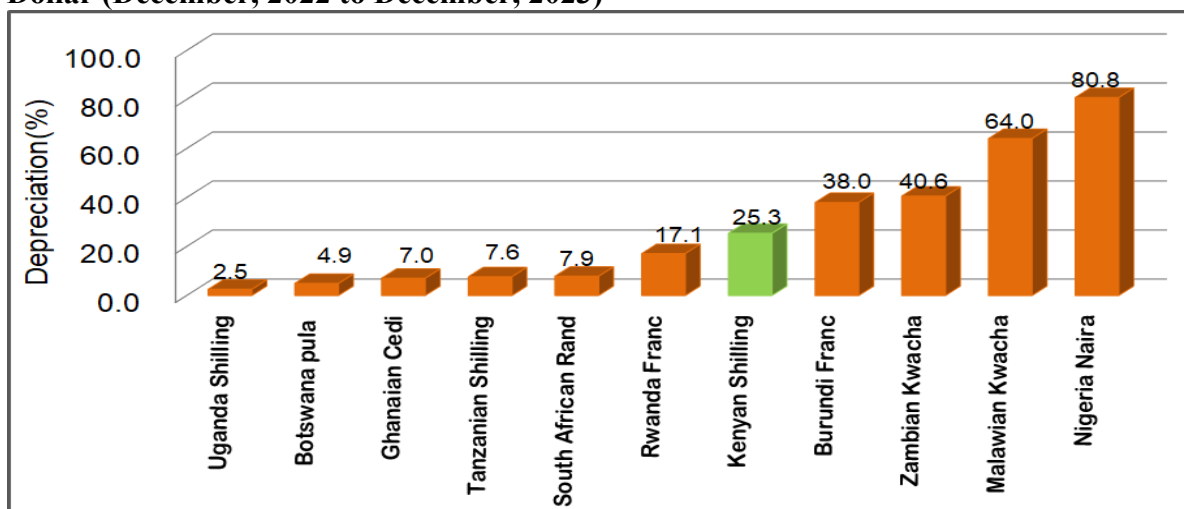
Chart 7: Kenya Shilling Exchange Rate



Source of Data: Central Bank of Kenya

29. 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 25.3 percent in the 12 months to December, 2023 compared to 8.9 percent in the 12 months to December, 2022 (**Chart 7b**). The depreciation rate of the Kenya Shilling was lower than that of Burundi Franc, Zambian Kwacha, Malawian Kwacha and Nigerian Naira.

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



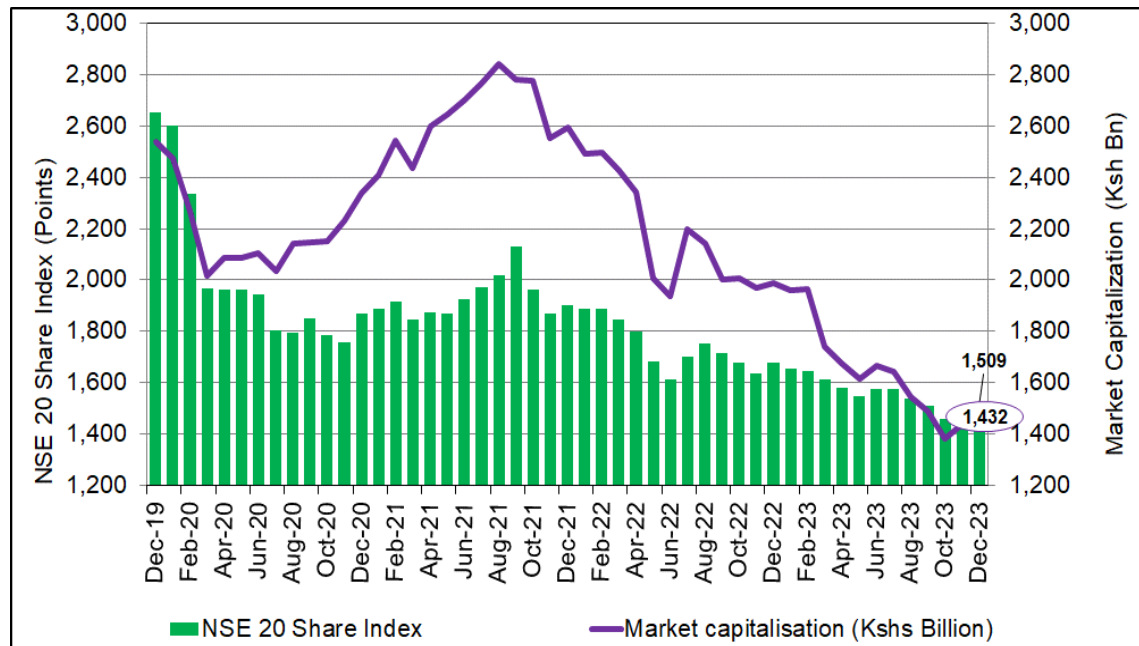
Source of Data: National Central Banks

1.8 Capital Markets

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30. Activity in the capital markets slowed down in December, 2023 compared to December, 2022 due to global monetary policy tightening leading to investors moving capital to relatively safer jurisdiction especially the United States. The NSE 20 Share Index declined to 1,509 points in December, 2023 compared to 1,676 points in December, 2022 while Market capitalization declined to KSh. 1,432 billion from KSh. 1,986 billion over the same period (**Chart 8**).

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



Source of Data: Nairobi Securities Exchange

FISCAL DEVELOPMENTS

2.0 FISCAL DEVELOPMENTS

2.1 Revenue

31. By the end of December, 2023, total revenue collected including A-I-A amounted to KSh. 1,313.3 billion against a target of KSh. 1,452.6 billion (**Table 4**). The revenue collection was below target by KSh. 139.3 billion. This performance is attributed to shortfall recorded in ordinary revenue of KSh. 186.2 billion while collection of the ministerial A-I-A was above target by KSh. 46.9 billion. Therefore, ordinary revenue collection was KSh. 1,088.7 billion against a target of KSh. 1,274.8 billion. All ordinary revenue categories recorded below target performance during the period under review except other revenue which surpassed its target by KSh. 3.9 billion. The total revenue recorded a growth of 14.5 percent compared to a growth of 11.1 percent recorded in December, 2022 (**Chart 9**).

32. The ministerial A-I-A collected amounted to KSh. 224.6 billion against a target of KSh. 177.7 billion, KSh. 46.9 billion above the target. The performance of A-I-A translated to a growth of 38.6 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. 16.5 billion against a target of KSh. 17.6 billion. The revenue data in Government Finance Statistics Manual, 2014 (GFSM, 2014) format is shown in annex II.

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

	2022/2023 Actual	2023/2024		Deviation KSh.	% Growth
		Actual*	Target		
Total Revenue (a+b)	1,147,034	1,313,290	1,452,553	(139,263)	14.5
(a) Ordinary Revenue	984,965	1,088,663	1,274,835	(186,172)	10.5
Import Duty	67,096	68,229	87,650	(19,421)	1.7
Excise Duty	130,340	139,797	170,582	(30,785)	7.3
PAYE	230,875	256,302	312,803	(56,501)	11.0
Other Income Tax	220,882	234,982	283,841	(48,859)	6.4
VAT Local	127,229	149,953	171,805	(21,851)	17.9
VAT Imports	136,952	167,988	169,108	(1,120)	22.7
Investment Revenue	14,627	17,713	26,970	(9,257)	21.1
Traffic Revenue	2,191	2,270	2,755	(485)	3.6
Taxes on Intl. Trade & Trans.(IDF Fee)	27,424	23,944	25,732	(1,788)	(12.7)
Others ¹	27,349	27,485	23,589	3,895	0.5
(b) Appropriation In Aid ²	162,068	224,626	177,718	46,908	38.6
o/w Railway Development Levy	20,071	16,521	17,647	(1,126)	(17.7)
(c) External Grants	4,292	5,455	8,896	(3,441)	27.1
Total Revenue and External Grants	1,151,326	1,318,745	1,461,449	(142,704)	14.5
Total Revenue and External Grants as a percentage of GDP	8.07	8.17	9.06	(0.88)	-

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 among others

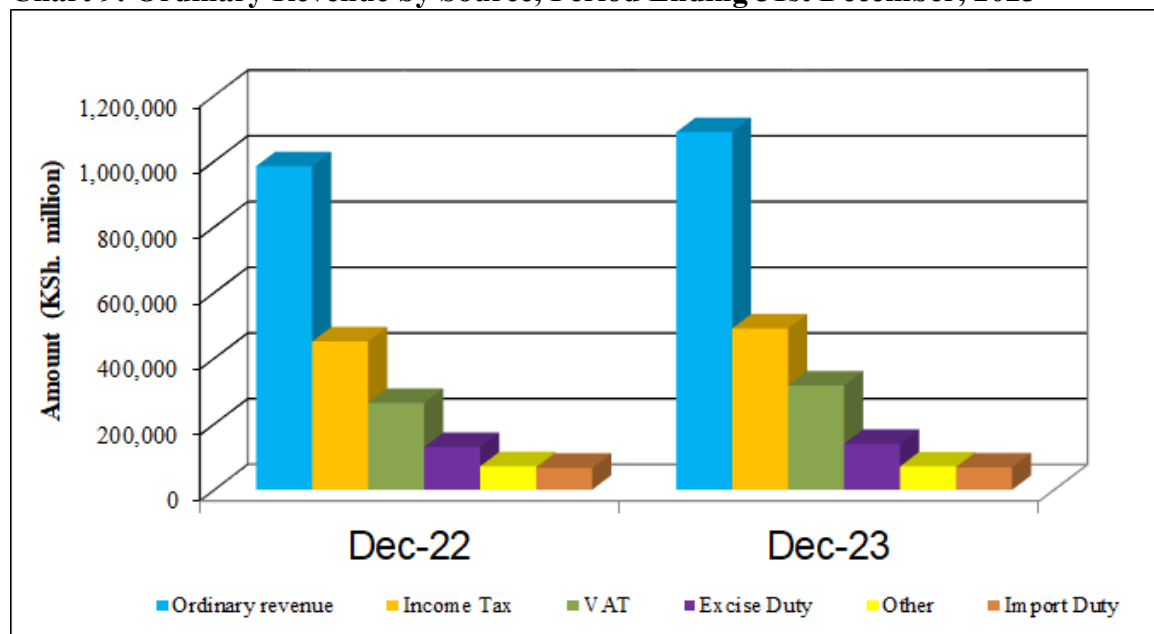
*Provisional

Source of Data: National Treasury

FISCAL DEVELOPMENTS

33. As a proportion of GDP, the total revenue and grants in the period under review was 8.2 percent compared to 8.1 percent recorded in the corresponding period in the FY 2022/23. Total grants amounted to KSh. 5.5 billion against a target of KSh. 8.9 billion, translating to a shortfall of KSh.3.4 billion.

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



Source of Data: National Treasury

2.2 Expenditure

34. The total expenditure and net lending for the period under review amounted to KSh. 1,704.8 billion, against a target of KSh. 1,825.2 billion. The resultant below target expenditure of KSh. 120.3 billion is attributed to under-absorption in development and recurrent expenditures by the National Government. Transfers to County Governments were below target by KSh. 62.0 billion. Recurrent expenditure for National Government amounted to KSh. 1,268.5 billion (excluding KSh.27.9 billion for Parliament and Judiciary), against a target of KSh. 1,275.0 billion which was KSh. 6.5 billion below the set target. The under expenditure in recurrent category was mainly due to lower than targeted expenditures on interest payment, compensation of employees and pension payments (Table 5 and Chart 10).

FISCAL DEVELOPMENTS

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

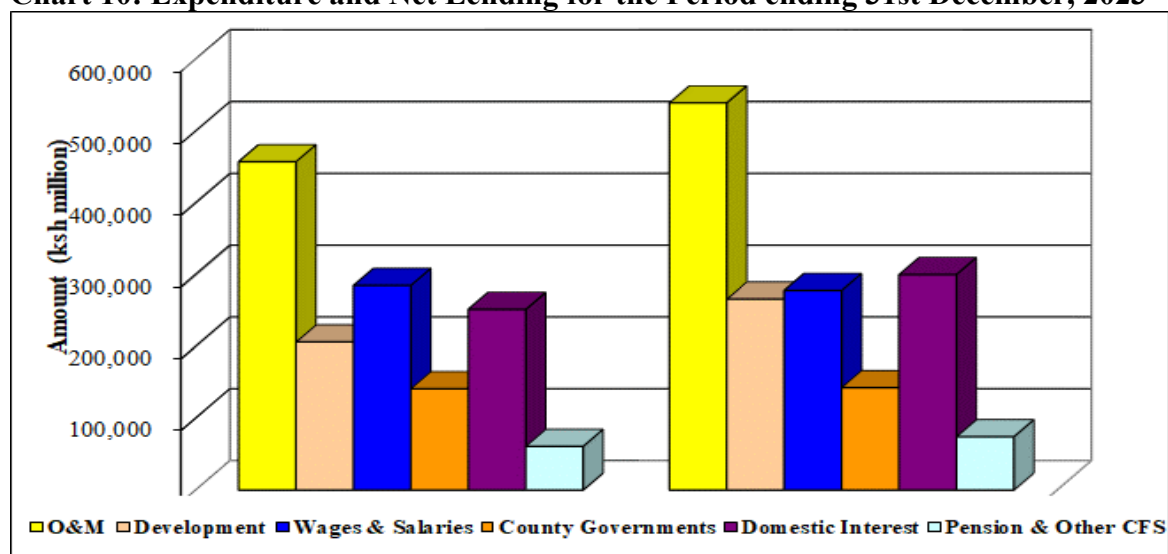
	2022/2023 Actual	2023/2024		Deviation	% Growth
		Actual*	Targets		
1. RECURRENT	1,096,253	1,268,517	1,274,993	(6,476)	15.7
Domestic Interest	251,561	300,118	320,917	(20,800)	19.3
Foreign Interest	67,022	105,025	135,374	(30,349)	56.7
Pensions & Other CFS	60,753	74,214	82,711	(8,497)	22.2
Contribution to Civil Servants' Pension	20,666	9,723	14,232	(4,509)	(53.0)
Wages and Salaries	264,227	268,232	294,757	(26,525)	1.5
Operation and Maintenance	432,024	511,205	427,001	84,204	18.3
O/W: Appropriation-in-Aid	122,356	145,945	110,165	35,780	19.3
2. DEVELOPMENT	206,296	265,916	314,856	(48,940)	28.9
Development Projects (Net)	163,765	148,422	175,198	(26,776)	(9.4)
Payment of Guaranteed Loans	2,819	6,851	8,593	(1,742)	143.0
Appropriation-in-Aid	39,712	110,643	125,685	(15,042)	178.6
3. County Governments	141,088	142,468	204,446	(61,978)	1.0
4. Parliamentary Service	16,963	17,420	19,589	(2,169)	2.7
5. Judicial Service	8,216	10,512	10,667	(155)	27.9
6. Equalization Fund	-	-	5,379	(5,379)	-
7. CF	-	-	600	(600)	-
TOTAL EXPENDITURE	1,468,815	1,704,833	1,825,151	(120,318)	16.1

*Provisional

Source of Data: National Treasury

35. Foreign interest payments amounted to KSh. 105.0 billion, an increase from KSh. 67.0 billion paid over the same period in the FY2022/23. The domestic interest payments totalled to KSh. 300.1 billion, which was higher than the KSh. 251.6 billion paid in the corresponding period in the previous financial year. The expenditure data in GFSM, 2014 format is shown in annexes III and IV.

Chart 10: Expenditure and Net Lending for the Period ending 31st December, 2023



Source of Data: National Treasury

FISCAL DEVELOPMENTS

2.2.1 National Government Expenditures by Public Agencies

36. The total ministerial and other public agencies expenditure including A.I.A for the period ending 31st December, 2023 was KSh. 1,052.4 billion against a target of KSh. 1,232.2 billion. Recurrent expenditure was KSh. 807.4 billion against a target of KSh. 840.6 billion, while development expenditure amounted to KSh. 245.0 billion against a target of KSh. 391.6 billion. The percentage of total expenditures to the target was 85.4 percent while the percentage of total expenditures to the target for recurrent and development were 96.0 percent and 62.6 percent respectively, as at the end of the period under review.

37. As at 31st December, 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 and the State Department for Public Health and Professional Standards and the State Department for Medical Services (Social Sector) accounted for 47.6 percent of total recurrent expenditure. In addition, the Ministry of Defence and the National Police Service accounted for 7.6 percent and 6.8 percent of total recurrent expenditure, respectively.

38. Analysis of development outlay indicates that the State Department for Housing and Urban Development accounted for the largest share of the total development expenditure (15.6 percent), followed by the State Department for Economic Planning (11.3 percent), State Department for Roads (9.6 percent) and the State Department for Transport (7.7 percent). **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 31st December, 2023 (KSh. Millions)

MINISTRY/DEPARTMENT/COMMISSIONS	Dec-23									% of Total Exp. To Target
	Recurrent			Development			Total			
	Actual*	Target	Variance	Actual*	Target	Variance	Actual*	Target	Variance	
1011 Executive Office of the President	1,592	1,668	(77)	155	349	(193)	1,747	2,017	(270)	86.6
1012 Office of the Deputy President	1,276	1,949	(672)	130	200	(70)	1,407	2,149	(742)	65.5
1013 Office of the Prime Cabinet Secretary	552	598	(46)	-	-	-	552	598	(46)	92.3
1014 State Department for Parliamentary Affairs	120	197	(77)	-	-	-	120	197	(77)	61.0
1015 State Department for Performance and Delivery Management	184	178	7	-	-	-	184	178	7	103.8
1016 State Department for Cabinet Affairs	172	309	(137)	-	-	-	172	309	(137)	55.6
1017 State House	4,677	4,264	412	689	655	35	5,366	4,919	447	109.1
1023 State Department for Correctional Services	14,113	17,425	(3,312)	243	348	(104)	14,356	17,773	(3,417)	80.8
1024 State Department for Immigration and Citizen Services	4,513	4,568	(55)	3,263	1,749	1,514	7,776	6,317	1,459	123.1
1025 National Police Service	54,863	53,162	1,701	391	827	(435)	55,255	53,989	1,266	102.3
1026 State Department for Internal Security & National	15,840	14,762	1,078	6,500	3,740	2,760	22,340	18,502	3,838	120.7
1032 State Department for Devolution	963	985	(22)	14	28	(14)	977	1,013	(36)	96.4
1036 State Department for the ASALs and Regional Development	8,201	7,461	741	1,221	4,569	(3,348)	9,422	12,030	(2,608)	78.3
1041 Ministry of Defence	61,025	75,091	(14,066)	-	1,627	(1,627)	61,025	76,718	(15,693)	79.5
1053 State Department for Foreign Affairs	4,309	9,690	(5,381)	24	586	(561)	4,334	10,276	(5,942)	42.2
1054 State Department for Diaspora Affairs	359	658	(299)	-	-	-	359	658	(299)	54.5
1064 State Department for Vocational and Technical Training	10,175	12,922	(2,747)	2,417	3,535	(1,118)	12,592	16,457	(3,865)	76.5
1065 State Department for Higher Education and Research	75,446	75,487	(41)	1,430	1,776	(346)	76,876	77,262	(387)	99.5
1066 State Department for Basic Education	88,281	68,220	20,061	6,074	11,066	(4,991)	94,355	79,286	15,070	119.0
1071 The National Treasury	35,729	30,625	5,104	5,412	25,006	(19,594)	41,140	55,631	(14,490)	74.0
1072 State Department for Economic Planning	1,777	2,004	(227)	27,718	29,923	(2,205)	29,495	31,927	(2,431)	92.4
1082 State Department for Medical Services	34,859	33,197	1,662	15,731	22,123	(6,392)	50,590	55,320	(4,730)	91.5
1083 State Department for Public Health and Professional	9,562	10,898	(1,337)	3,014	3,205	(191)	12,576	14,103	(1,527)	89.2
1091 State Department for Roads	35,016	41,423	(6,407)	23,540	74,922	(51,382)	58,556	116,345	(57,789)	50.3
1092 State Department for Transport	8,187	7,178	1,009	18,821	21,902	(3,081)	27,008	29,079	(2,071)	92.9
1093 State Department for Shipping and Maritime Affairs	418	1,257	(839)	139	375	(236)	556	1,632	(1,076)	34.1
1094 State Department for Housing & Urban Development	634	684	(50)	38,319	39,597	(1,278)	38,953	40,281	(1,328)	96.7
1095 State Department for Public Works	1,916	1,741	175	133	407	(274)	2,050	2,148	(98)	95.4
1104 State Department for Irrigation	624	771	(147)	6,428	11,322	(4,894)	7,052	12,093	(5,041)	58.3
1109 State Department for Water & Sanitation	2,467	3,297	(830)	13,569	29,160	(15,591)	16,036	32,457	(16,421)	49.4
1112 State Department for Lands and Physical Planning	1,839	1,945	(106)	2,490	2,700	(210)	4,329	4,645	(316)	93.2
1122 State Department for Information Communication Technology	7,149	1,952	5,197	8,127	8,246	(119)	15,276	10,197	5,078	149.8
1123 State Department for Broadcasting & Telecommunications	2,697	3,314	(617)	354	263	91	3,052	3,577	(525)	85.3
1132 State Department for Sports	780	767	14	5,819	8,040	(2,220)	6,599	8,806	(2,207)	74.9
1134 State Department for Culture and Heritage	1,501	1,332	169	-	76	(76)	1,501	1,408	93	106.6
1135 State Department for Youth Affairs and the Arts	1,425	1,481	(57)	420	462	(42)	1,845	1,944	(99)	94.9
1152 State Department for Energy	6,022	4,572	1,450	15,476	27,747	(12,271)	21,498	32,319	(10,821)	66.5
1162 State Department for Livestock Development	2,951	2,839	112	2,403	4,653	(2,250)	5,354	7,492	(2,138)	71.5
1166 State Department for the Blue Economy and Fisheries	1,384	1,411	(26)	3,228	4,493	(1,264)	4,613	5,903	(1,291)	78.1
1169 State Department for Crop Development	6,505	9,314	(2,809)	13,995	20,892	(6,897)	20,500	30,206	(9,706)	67.9
1173 State Department for Cooperatives	299	894	(595)	4,408	2,257	2,151	4,708	3,151	1,556	149.4
1174 State Department for Trade	664	1,630	(966)	25	25	-	689	1,655	(966)	41.6
1175 State Department for Industry	1,469	1,494	(25)	628	3,365	(2,738)	2,096	4,859	(2,763)	43.1
1176 State Department for Micro, Small and Medium Enterprises	651	936	(285)	635	3,325	(2,690)	1,286	4,261	(2,975)	30.2
1177 State Department for Investment Promotion	572	781	(209)	1,638	2,821	(1,183)	2,210	3,602	(1,392)	61.4
1184 State Department for Labour and Skills Development	954	2,084	(1,130)	149	168	(19)	1,104	2,252	(1,148)	49.0
1185 State Department for Social Protection and Senior Citizens	14,646	17,184	(2,537)	896	1,931	(1,035)	15,543	19,115	(3,572)	81.3
1192 State Department for Mining	569	1,047	(478)	283	843	(560)	852	1,890	(1,038)	45.1
1193 State Department for Petroleum	27,758	27,249	509	3,463	1,247	2,216	31,221	28,495	2,726	109.6
1202 State Department for Tourism	608	6,128	(5,519)	50	71	(21)	658	6,199	(5,540)	10.6
1203 State Department for Wildlife	3,321	5,111	(1,790)	221	692	(471)	3,541	5,802	(2,261)	61.0
1212 State Department for Gender and Affirmative Action	470	1,063	(593)	1,636	1,838	(202)	2,106	2,901	(795)	72.6
1213 State Department for Public Service	13,855	11,689	2,166	530	543	(13)	14,386	12,232	2,154	117.6
1221 State Department for East African Community	493	464	29	-	-	-	493	464	29	106.3
1252 State Law Office	2,737	3,197	(460)	-	96	(96)	2,737	3,293	(556)	83.1
1261 The Judiciary	10,177	10,219	(42)	-	725	(725)	10,177	10,944	(767)	93.0
1271 Ethics and Anti-Corruption Commission	1,692	1,847	(155)	33	34	(1)	1,725	1,881	(156)	91.7
1281 National Intelligence Service	15,592	22,926	(7,334)	-	-	-	15,592	22,926	(7,334)	68.0
1291 Office of the Director of Public Prosecutions	1,761	2,004	(242)	14	28	(13)	1,775	2,031	(256)	87.4
1311 Office of the Registrar of Political Parties	626	630	(4)	-	-	-	626	630	(4)	99.3
1321 Witness Protection Agency	29	407	(378)	-	-	-	29	407	(378)	7.2
1331 State Department for Environment & Climate Change	1,742	2,075	(333)	521	1,201	(680)	2,262	3,276	(1,014)	69.1
1332 State Department for Forestry	2,850	5,062	(2,212)	1,356	2,179	(823)	4,205	7,240	(3,035)	58.1
2011 Kenya National Commission on Human Rights	253	270	(16)	-	-	-	253	270	(16)	93.9
2021 National Land Commission	657	745	(88)	38	53	(15)	695	798	(103)	87.1
2031 Independent Electoral and Boundaries Commission	2,567	2,337	230	-	39	(39)	2,567	2,376	191	108.1
2041 Parliamentary Service Commission	434	459	(24)	-	-	-	434	459	(24)	94.7
2042 National Assembly	10,602	12,356	(1,754)	-	-	-	10,602	12,356	(1,754)	85.8
2043 Parliamentary Joint Services	3,096	3,173	(76)	573	783	(209)	3,669	3,955	(286)	92.8
2044 Senate	3,287	3,602	(314)	-	-	-	3,287	3,602	(314)	91.3
2051 Judicial Service Commission	335	448	(114)	-	-	-	335	448	(114)	74.7
2061 Commission on Revenue Allocation	147	258	(111)	-	-	-	147	258	(111)	56.9
2071 Public Service Commission	1,343	1,760	(417)	19	23	(3)	1,363	1,783	(420)	76.4
2081 Salaries and Remuneration Commission	201	275	(74)	-	-	-	201	275	(74)	72.9
2091 Teachers Service Commission	165,722	171,200	(5,478)	203	601	(398)	165,926	171,801	(5,875)	96.6
2101 National Police Service Commission	541	576	(35)	-	-	-	541	576	(35)	93.9
2111 Auditor General	3,233	3,989	(757)	-	158	(158)	3,233	4,147	(914)	78.0
2121 Controller of Budget	247	354	(107)	-	-	-	247	354	(107)	69.8
2131 Commission on Administrative Justice	353	373	(19)	-	-	-	353	373	(19)	94.8
2141 National Gender and Equality Commission	233	220	13	1	2	(1)	234	222	12	105.3
2151 Independent Policing Oversight Authority	475	510	(35)	-	-	-	475	510	(35)	93.1
Total	807,369	840,617	(33,248)	245,009	391,610	(146,601)	1,052,378	1,232,227	(179,849)	85.4

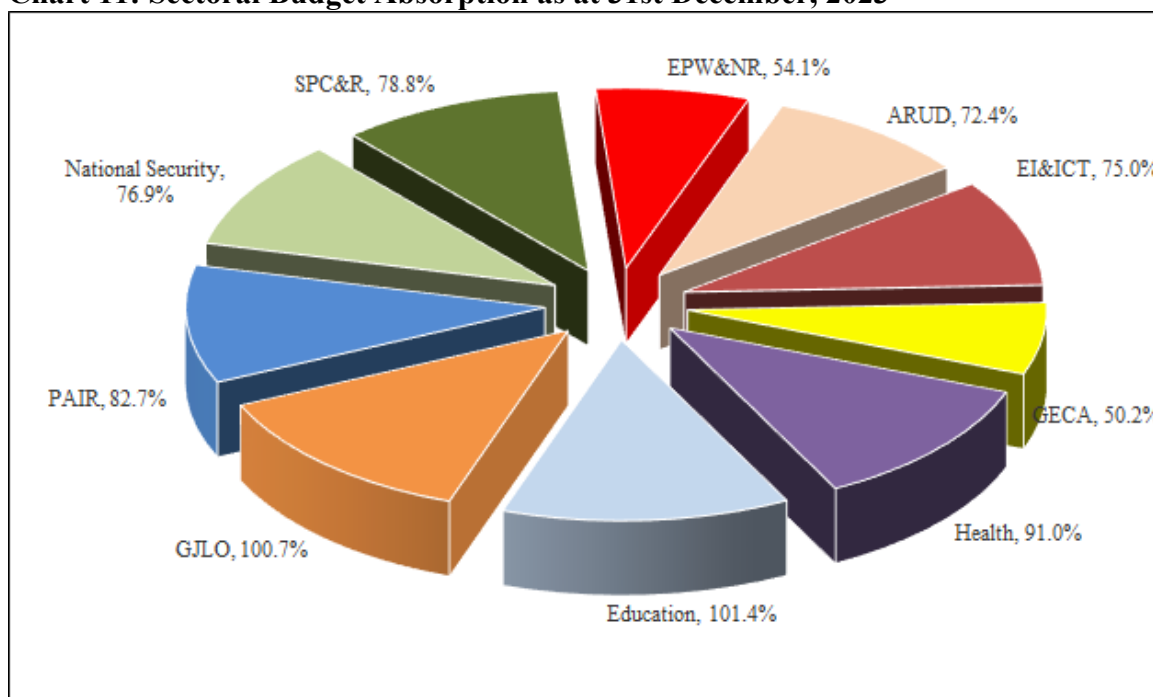
*Provisional

Source of Data: National Treasury

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39. During the period under review, Education sector recorded the highest absorption at 101.4 percent followed by Governance, Justice, Law and Order (GJLO) at 100.7 percent and Health at 91.0 percent. General Economic and Commercial Affairs (GECA) sector recorded the lowest absorption of 50.2 percent (**Chart 11**).

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



Source of Data: National Treasury

2.2.2 Pending Bills

40. The total outstanding National Government pending bills as at 31st December, 2023 amounted to KSh. 539.9 billion. These comprise of KSh. 448.4 billion (83.1 percent) and KSh. 91.5 billion (16.9 percent) for the State Corporations (SC) and Ministries/State Departments/other government entities respectively. The SC pending bills include payment to contractors/projects, suppliers, unremitted statutory and other deductions, pension arrears for Local Authorities Pension Trust, and others. The highest percentage of the SCs pending bills belong to Contractor/Projects and Suppliers. Ministries/State Departments and other government Agencies pending bills constitutes mainly of historical pending bills.

41. 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 guidelines for implementation of the financial year 2023/24 and the medium term budget, Treasury Circular No. 7/2023.

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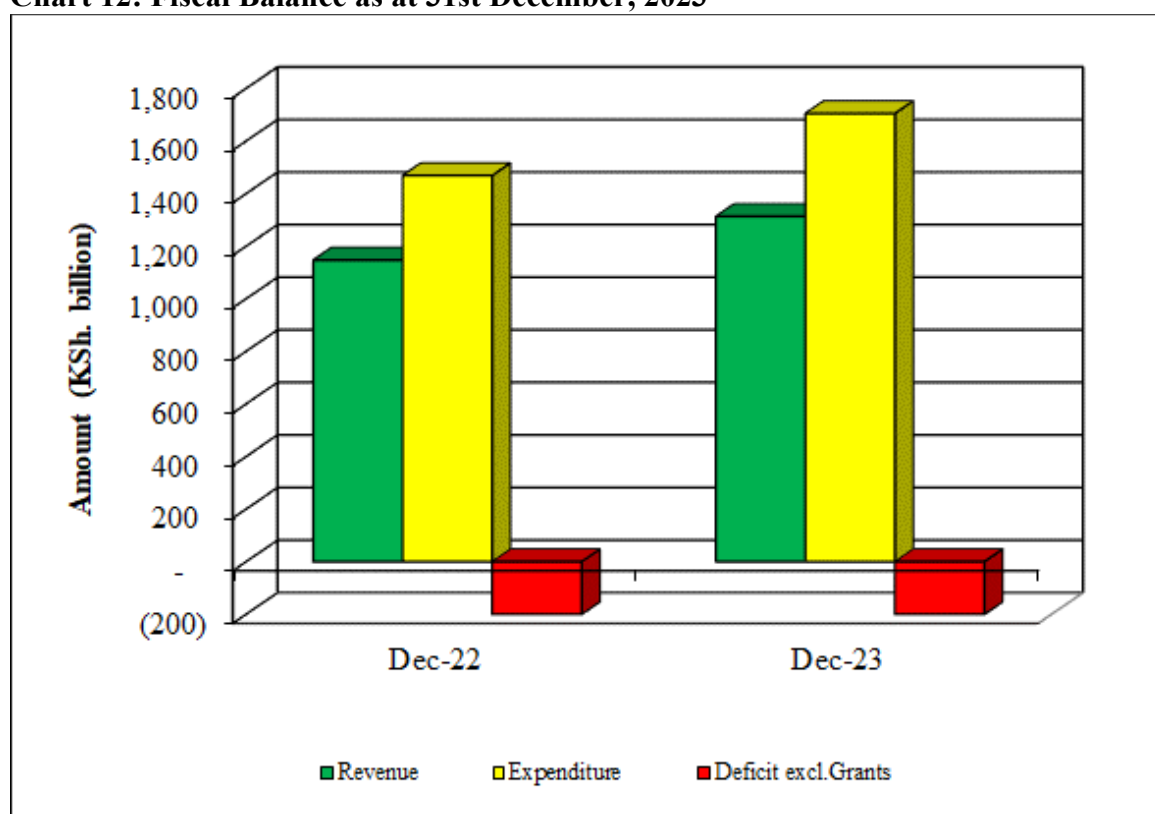
2.2.3 Guaranteed Debt Service

42. During the quarter ending December, 2023, the national government paid KSh. 6.9 billion guaranteed debt on behalf of Kenya Airways. The payments composed of KSh.5.5 billion as principal payment and KSh. 1.4 billion as interest

2.3 Fiscal Outturn

43. During the period July 2023 to December, 2023, the fiscal balance (on commitment basis and excluding grants) amounted to KSh. 391.5 billion (2.4 percent of GDP) against a targeted deficit of KSh. 372.6 billion (2.3 percent of GDP) (**Chart 12 and Table 7**). The fiscal balance (on a commitment basis and including grants) also stood at 2.4 percent of GDP against a target deficit of 2.3 percent of GDP.

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



Source of Data: National Treasury

44. Over the same period in FY2022/23, the fiscal deficit including grants (on commitment basis) stood at KSh. 317.5 billion (1.3 percent of GDP). The fiscal outturn in the last six FYs and the Printed Estimates for the FY 2023/24 are shown in **Annex I**. Further, GFSM, 2014 Compliant Budgetary Central Government fiscal data for the FY 2023/24 are shown in annexes V and VI while the change in net worth is as shown in Annex IV.

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Table 7: Budget Outturn, Cumulative Ending 31st December, 2023 (KSh. Millions)

	2022/2023	2023/2024			% growth	2023/2024 as a % of GDP		2022/2023 Actual as a % of GDP
	Actual	Actual*	Targets	Deviation		Actual	Targets	
A. TOTAL REVENUE AND GRANTS	1,151,326	1,318,745	1,461,449	(142,704)	11.0	8.2	9.1	4.0
1. Revenue	1,147,034	1,313,290	1,452,553	(139,263)	10.5	8.1	9.0	4.0
Ordinary Revenue	984,965	1,088,663	1,274,835	(186,172)	10.6	6.7	7.9	3.4
Import Duty	67,096	68,229	87,650	(19,421)	(3.4)	0.4	0.5	0.2
Excise Duty	130,340	139,797	170,582	(30,785)	8.9	0.9	1.1	0.4
Income tax	451,757	491,284	596,644	(105,360)	11.6	3.0	3.7	1.5
VAT	264,181	317,942	340,913	(22,971)	16.1	2.0	2.1	0.9
Investment Revenue	14,627	21,573	26,970	(5,398)	3.4	0.1	0.2	0.1
Others	56,964	49,840	52,076	(2,237)	(0.9)	0.3	0.3	0.2
Appropriation-in-Aid	162,068	224,626	177,718	46,908	10.2	1.4	1.1	0.6
2. Grants	4,292	5,455	8,896	(3,441)	448.3	0.0	0.1	0.0
AMISOM Receipts	0	0	0	-	-	-	-	-
Nairobi County to NMS	0	0	0	-	-	-	-	-
Revenue	1,256	3,368	2,042	1,326	530.1	0.0	0.0	0.0
Appropriation-in-Aid	3,036	2,087	6,854	(4,766)	227.7	0.0	0.0	0.0
								0.0
B. EXPENDITURE AND NET LENDING	1,468,815	1,704,833	1,825,151	(120,318)	5.9	10.6	11.3	5.3
1. Recurrent	1,121,431	1,296,449	1,305,249	(8,800)	7.9	8.0	8.1	4.0
Domestic Interest	251,561	300,118	320,917	(20,800)	8.8	1.9	2.0	0.8
Foreign Interest	67,022	105,025	135,374	(30,349)	75.1	0.7	0.8	0.3
Pension & Other CFS	60,753	74,214	82,711	(8,497)	53.6	0.5	0.5	0.2
Contribution to Civil Servants' Pension	20,666	9,723	14,232	(4,509)	-	0.1	0.1	0.0
Wages and Salaries	264,227	268,232	294,757	(26,525)	9.3	1.7	1.8	0.9
O & M/Others	457,202	539,137	457,257	81,880	(7.5)	3.3	2.8	1.8
2. Development and Net Lending	206,296	265,916	314,856	(48,940)	7.5	1.6	2.0	0.8
O/W Domestically financed	142,309	191,648	213,172	(21,524)	16.3	1.2	1.3	0.6
Foreign financed	61,168	67,417	87,711	(20,295)	(18.3)	0.4	0.5	0.2
3. Net Lending	2,819	6,851	8,593	(1,742)	-	0.0	0.1	0.0
4. Equalization Fund	-	-	5,379.4	(5,379)	-	0.0	0.0	0.0
5. County Governments	141,088	142,468	204,446	(61,978)	(13.1)	0.9	1.3	0.5
5. CF	-	-	600	(600)	-	0.0	0.0	0.0
C. DEFICIT EXCL. GRANT (Commitment basis)	(321,781)	(391,543)	(372,598)	(18,945)	(8.1)	(2.4)	(2.3)	(1.3)
D. DEFICIT INCL. GRANTS (Commitment basis)	(317,489)	(386,088)	(363,702)	(22,386)	(9.6)	(2.4)	(2.3)	(1.3)
								0.0
E. ADJUSTMENT TO CASH BASIS	84,499	181,689	-	181,689	-	1.1	-	0.1
								0.0
F. DEFICIT INCL. GRANTS (Cash basis)	(232,990)	(204,398)	(363,702)	159,304	(60.2)	(1.3)	(2.3)	(1.2)
<i>Discrepancy</i>	<i>(13,674)</i>	<i>(23,990)</i>	<i>-</i>	<i>(23,990)</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>(0.3)</i>
G. FINANCING	219,316	180,408	363,702	(183,294)	(50.7)	1.1	2.3	0.9
1. Net Foreign financing	95,170	(29,579)	7,521	(37,100)	(189.1)	(0.2)	0.0	0.2
Disbursements	206,712	105,033	134,153	(29,119)	(37.2)	0.7	0.8	0.7
Programme Loans	93,938	43,072	44,133	(1,061)	-	0.3	0.3	0.2
Project Cash Loans	26,801	32,086	38,740	(6,654)	(14.7)	0.2	0.2	0.1
Project Loans AIA	30,074	29,875	51,279	(21,404)	(45.8)	0.2	0.3	0.1
Use of IMF SDR Allocation	20,323	0	0	-	(100.0)	-	-	0.1
Commercial Financing	35,576	0	0	-	-	-	-	0.2
Debt repayment - Principal	(111,542)	(134,613)	(126,631)	(7,981)	33.4	(0.8)	(0.8)	(0.5)
2. Net Domestic Financing	124,146	209,987	356,180	(146,193)	(8.3)	1.3	2.2	0.7
Government Securities	181,579	191,542	353,510	(161,968)	(22.1)	1.2	2.2	0.7
Government Overdraft & Others	930	24,945	-	24,945	-	0.2	-	(0.2)
Movement in Government Deposits	(60,150)	47,754	-	47,754	-	0.3	-	0.2
Domestic Loan Repayments (Net Receipts)	2,341	855	3,226	(2,371)	-	0.0	0.0	0.0
Domestic Loan Repayment	(555)	-	(555)	555	-	0.0	(0.0)	0.0
Other Accounts Payable	-	(55,108)	-	-	-	-0.3	-	0.0
MEMO ITEM								0
GDP ESTIMATE	14,274,419	16,131,502	16,131,502	-	13.0	100.0	100.0	100.0

*Provisional

Source of Data: National Treasury

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2.4 Financing

2.4.1 External Financing

45. During the period ending December, 2023, net foreign repayment amounted to KSh. 29.6 billion (**Table 8**). Total disbursements (inflows) including Appropriations-in-Aid amounted to KSh.105.0 billion against a target of KSh. 134.2 billion. The actual total disbursement comprised of KSh. 43.1 billion program loans and KSh. 62.0 billion Project Loans. The External repayments (outflows) of principal debt amounted to KSh. 134.6 billion. The amount comprised of principal repayments due to bilateral sources, commercial institutions and multilateral sources amounting to KSh. 76.8 billion, KSh. 30.3 billion, and KSh. 27.5 billion, respectively.

Table 8: External Financing, Period Ending December, 2023 (KSh. Millions)

	FY2022/23	FY2023/24	
	Actual*	Actual*	Target
DISBURSEMENTS:	206,712	105,033	134,153
Project Cash loans	26,801	32,086	38,740
Project loans A-I-A	30,074	29,875	51,279
Commercial Financing	35,576	-	-
Use of IMF SDR Allocation	20,323	-	-
Programme Loans	93,938	43,072	44,133
EXTERNAL REPAYMENTS:	111,542	134,613	126,631
Bilateral(incl. Italy Debt SWAP)	54,133	76,799	71,131
Multilateral (excl. IMF)	20,546	27,525	25,188
Commercial	36,863	30,289	30,313
NET FOREIGN FINANCING	95,170	(29,579)	7,521

*Provisional

Source of Data: National Treasury

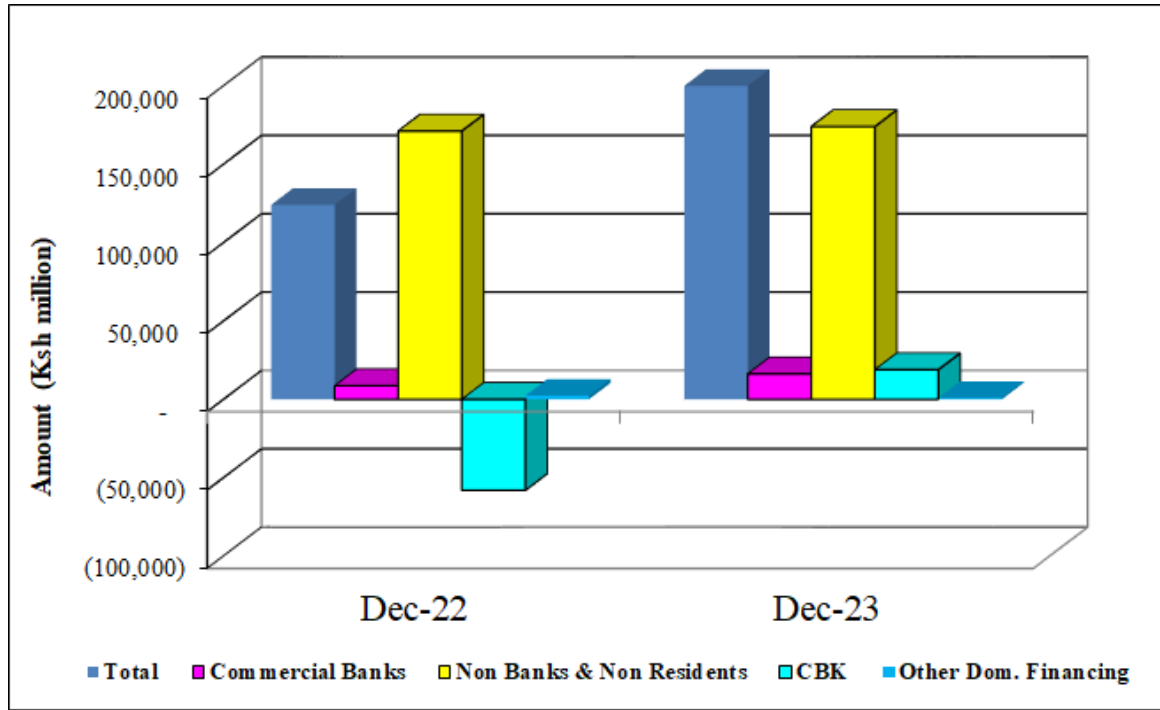
2.4.2 Domestic Financing

46. As at 31st December, 2023, net domestic borrowing amounted to KSh. 210.0 billion (**Table 9**) against a target of KSh. 356.2 billion. The borrowing comprised of KSh. 172.4 billion from Non-Banking Financial Institutions, KSh. 18.9 billion from the Central Bank, KSh. 16.2 billion from commercial banks, KSh. 1.6 billion from Non-Residents and net domestic loan repayments receipts of KSh. 0.9 billion. During the same period in FY 2022/23, the net domestic borrowing amounted to KSh. 124.1 billion, comprising of KSh. 171.2 billion from Non-Banking Financial Institutions, KSh. 8.7 billion from Commercial Banks, net domestic loan repayments receipts of KSh. 2.3 billion, and net

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repayment of KSh. 58.1 billion to the Central Bank of Kenya and KSh. 0.1 billion to Non-Residents (**Table 9 and Chart 13**).

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



Source of Data: Central Bank of Kenya

47. The stock of Treasury Bills held by commercial banks and Non-Banks recorded a net decrease of KSh. 60.0 billion and KSh. 49.9 billion respectively while those held by non-residents increased by KSh. 259 million. The stock of Fixed Rate Bonds held by commercial banks, Non-Banks, and Non-Residents recorded a net increase of KSh. 53.5 billion, KSh. 41.5 billion, and KSh. 1.8 billion respectively (**Table 9**).

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Table 9: Domestic Financing, Period Ending 31st December, 2023 (KSh. Millions)

DEBT INSTRUMENT	September 2022*	December 2022*	March 2023*	June 2023*	September 2023*	December 2023*
1. CENTRAL BANK	(1,609)	(58,068)	44,725	41,348	7,632	18,888
Overdraft	(31,255)	(4)	19,477	17,955	(753)	17,671
IMF funds onlet to Govt	-	-	-	-	934	8,523
Treasury bills rediscounts	(4)	41	38	159	-	-
Fixed rate Bonds	7	(192)	(192)	437	-	-
Items on Transit	(8)	6	12	10	(10)	(39)
Frozen Account	-	(555)	(555)	(1,110)	-	-
Less Govt Deposits	29,651	(57,364)	25,946	23,898	7,460	(7,267)
2. COM. BANKS	25,939	8,660	(2,811)	76,975	(9,142)	16,245
Advances	276	854	1,083	854	(178)	(1,210)
Treasury bills	27,533	3,516	8,637	(18,081)	(43,491)	(56,493)
Fixed rate Bonds	(995)	(15,210)	(40,051)	(49,468)	33,958	38,287
Infrastructure Bonds	1,520	22,286	31,432	166,109	(2,486)	35,748
Less Govt Deposits	(2,394)	(2,786)	(3,913)	(22,439)	3,054	(87)
3. NON BANKS	77,181	171,258	242,409	338,243	92,397	172,364
Treasury bills	14,717	38,236	30,824	11,711	(11,496)	(11,659)
Fixed rate Bonds	57,778	73,586	94,073	147,740	110,082	115,093
Infrastructure Bonds	4,686	59,436	113,005	178,792	(6,189)	68,930
Savings and Development Bond	-	-	4,507	-	-	-
4. NON RESIDENTS	59	(119)	593	127	1,638	1,635
Treasury bills	(238)	(257)	(294)	(356)	5	2
Fixed rate Bonds	297	(134)	164	(446)	1,633	1,633
Infrastructure Bond	-	272	723	929	-	-
5. NET CREDIT	101,569	121,731	284,917	456,694	92,525	209,132
6. OTHER DOMESTIC FINANCING						
Domestic Loan Repayments (Net RDL Deposits)	-	2,341	2,854	2,854	587	855
7. NET DOMESTIC FINANCING	101,569	124,072	287,771	459,548	93,111	209,987

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

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3.0 PUBLIC DEBT

3.1 Overall Debt Position

48. The gross public debt as at 31st December, 2023 increased by KSh. 1,930.9 billion to amount to KSh. 11,139.7 billion compared to KSh. 9,208.8 billion as at end of December, 2022. The gross public debt comprised of 54.7 percent external debt and 45.3 percent domestic debt. The increase in the public debt is attributed to external loan disbursements; exchange rate fluctuations; and uptake of domestic debt during the period. The net public debt was KSh. 10,675.4 billion by end of the period under review (**Table 10**).

Table 10: Kenya's Public and Publicly Guaranteed Debt, December, 2021 to December, 2023 (KSh. Millions)

DEBT SOURCE	Dec-21	Mar- 22	Jun- 22	Sep-22	Dec-22	Mar- 23	Jun- 23	Sep-23*	Dec-23*
EXTERNAL									
BILATERAL	1,171,701	1,171,595	1,173,270	1,144,450	1,206,883	1,291,851	1,339,503	1,341,779	1,422,180
MULTILATERAL	1,782,085	1,817,375	1,923,444	1,957,899	2,213,756	2,244,087	2,654,934	2,827,123	3,061,108
COMMERCIAL BANKS	1,208,283	1,208,247	1,191,080	1,220,682	1,239,681	1,301,153	1,437,276	1,483,613	1,588,656
SUPPLIERS CREDIT	12,303	12,344	12,154	11,760	12,824	14,004	14,848	15,284	17,641
SUB – TOTAL EXTERNAL	4,174,372	4,209,560	4,299,948	4,334,791	4,673,144	4,851,095	5,446,561	5,667,799	6,089,585
DOMESTIC:									
CENTRAL BANK	88,692	95,575	125,907	114,229	147,226	195,073	198,314	198,485	224,468
O/W IMF FUNDS ON-LENT TO GOVERNMENT	-	-	40,766	60,348	62,789	90,965	95,516	99,523	104,245
COMMERCIAL BANKS	1,943,018	1,978,489	2,003,387	2,032,420	2,017,402	1,992,177	2,095,069	2,081,576	2,109,720
TOTAL BANKS	2,031,710	2,074,064	2,129,295	2,146,649	2,164,628	2,187,249	2,293,383	2,280,061	2,334,188
NON BANKS & NON RESIDENTS	2,000,658	2,118,289	2,199,804	2,279,978	2,370,999	2,443,846	2,538,935	2,634,386	2,715,920
SUB-TOTAL DOMESTIC	4,032,368	4,192,352	4,329,099	4,426,627	4,535,628	4,631,095	4,832,318	4,914,447	5,050,109
GRAND TOTAL GROSS	8,206,740	8,401,912	8,629,047	8,761,418	9,208,772	9,482,190	10,278,879	10,582,245	11,139,694
LESS ON-LENDING	-	-	-	-	-	-	-	-	-
LESS GOVERNMENT DEPOSITS	(461,273)	(449,073)	(418,157)	(404,154)	(470,558)	(386,099)	(484,584)	(412,151)	(464,321)
GRAND TOTAL NET	7,745,467	7,952,840	8,210,890	8,357,263	8,738,213	9,096,091	9,794,294	10,170,095	10,675,372

Note:

* Provisional

Source of Data: National Treasury

3.2 Domestic Debt

49. The stock of gross domestic debt increased by KSh. 514.5 billion from KSh. 4,535.6 billion in December, 2022 to KSh. 5,050.1 billion in December, 2023. The net domestic debt was KSh. 4,585.8 billion by end of the period under review (**Table 11**).

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Table 11: Stock of Domestic Debt for the period September, 2021 to December, 2023 (KSh. Millions)

DEBT SOURCE	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23*	Dec-23*
1.CENTRAL BANK	90,938	88,692	95,575	125,907	114,229	147,226	195,073	198,314	198,485	224,468
Overdraft	55,110	59,313	68,395	58,502	27,247	58,498	78,180	76,457	75,704	94,128
IMF funds onlet to Govt			-	40,766	60,348	62,789	90,965	95,721	96,655	104,245
Frozen Govt Accounts	20,009	19,454	19,454	18,899	18,899	18,344	18,344	17,789	17,789	17,789
Treasury bills / bonds rediscounts	8,096	2,288	76	71	67	112	109	230	230	230
Items on Transit	13	2	14	32	24	38	30	42	32	3
Fixed rate bonds	7,710	7,636	7,637	7,637	7,644	7,446	7,446	8,074	8,074	8,074
2.COM.BANKS	1,917,628	1,943,018	1,978,489	2,003,387	2,032,420	2,017,402	1,992,177	2,095,069	2,081,735	2,109,720
Advances	2,352	2,209	7,429	13,054	12,965	13,828	6,339	13,692	16,406	15,226
Treasury Bills	446,726	395,241	323,479	287,613	315,649	293,469	291,539	262,852	217,841	204,724
Fixed Rate T. Bonds	949,437	1,032,012	1,083,661	1,094,545	1,094,111	1,079,084	1,054,106	1,043,778	1,078,058	1,082,354
Special Bonds	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	7,648
Infrastructure Bonds	506,465	500,908	551,272	600,527	602,047	623,374	632,545	767,099	761,782	799,769
3. NON BANKS	1,895,111	1,968,944	2,087,325	2,167,924	2,248,031	2,339,242	2,411,375	2,506,970	2,600,834	2,682,371
Treasury Bills	303,598	309,282	331,780	340,675	356,424	377,812	374,484	351,636	340,128	341,939
Fixed Rate T. Bonds	1,174,719	1,252,633	1,303,740	1,353,067	1,412,738	1,428,132	1,450,047	1,503,056	1,614,753	1,619,733
Tax Reserve Certificate	-	-	-	-	-	-	-	-	-	-
Infrastructure Bonds	396,214	386,450	431,225	453,601	458,288	512,717	566,264	631,698	625,373	700,119
Savings and Development Bond	20,580	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)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)
4. NON RESIDENTS	34,101	31,714	30,963	31,881	31,947	31,757	32,471	31,965	33,552	33,549
Treasury Bills	5,034	2,339	1,116	395	139	117	76	8	13	10
Fixed Rate T. Bonds	18,747	19,146	19,308	18,958	19,281	18,842	19,145	18,499	20,174	20,174
Savings and Development Bond	9	9	9	9	9	9	9	9	9	9
Infrastructure Bonds	10,311	10,220	10,530	12,519	12,519	12,790	13,241	13,449	13,356	13,356
5. TOTAL GROSS DEBT	3,937,777	4,032,368	4,192,352	4,329,099	4,426,627	4,535,628	4,631,095	4,832,318	4,914,606	5,050,109
6. LESS ON-LENDING	-	-	-	-	-	-	-	-	-	-
7. Less Govt Deposits	544,187	461,273	449,073	418,284	404,154	470,558	386,099	484,584	412,151	464,321
8. TOTAL NET DEBT	3,393,590	3,571,095	3,743,279	3,910,815	4,022,472	4,065,069	4,244,996	4,347,734	4,502,455	4,585,787

NOTE:

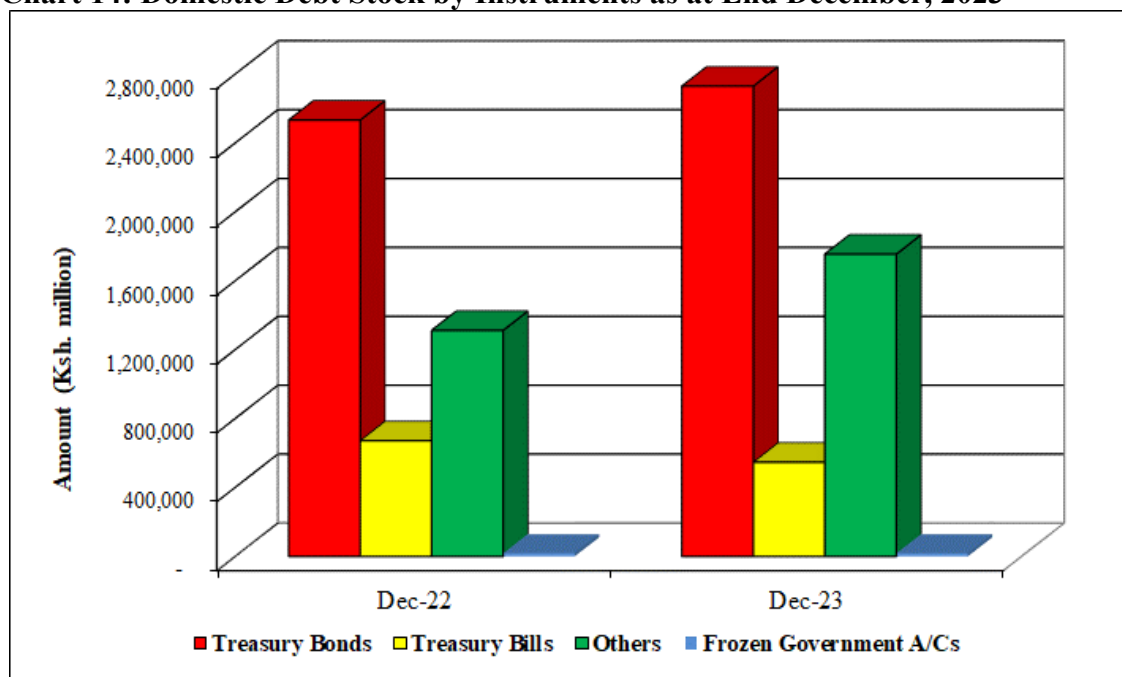
* Provisional

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

Source of Data: Central Bank of Kenya

50. The stock of Treasury Bills held by Central Bank, Commercial Banks, Non-Banking Financial Institutions and Non-Residents declined by KSh. 124.6 billion from KSh. 671.5 billion in December, 2022 to KSh. 546.9 billion in December, 2023. The total stock of Treasury Bonds, which include Floating, Fixed Rate, Special and Zero-Coupon Bonds, increased by KSh. 196.8 billion from KSh. 2,533.5 billion in December, 2022 to KSh. 2,730.3 billion in December, 2023 (**Chart 14**).

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



Source of Data: Central Bank of Kenya

3.3 External Public Debt

51. In dollar terms, external public debt stock increased by US\$. 1,042.6 million from US\$. 37,878.01 million in December, 2022 to US\$. 38,920.6 million by the end of December, 2023 (**Table 12**). This comprised debt owed to multilateral lenders (50.3%), commercial banks (26.1 %), bilateral sources (23.4%) 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 12: Kenya's External Public and Publicly Guaranteed Debt December, 2021 – December, 2023 (US\$ Millions)

CREDITOR	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23*	Dec-23*
<u>BILATERAL</u>									
AUSTRIA	12.28	11.97	11.04	13.06	13.82	14.07	13.75	13.21	13.63
BELGIUM	114.42	116.98	109.81	111.75	117.93	182.72	182.15	173.00	179.21
DENMARK	4.18	4.12	3.88	3.20	3.49	3.13	3.07	2.46	2.58
FINLAND	9.42	7.93	7.50	7.03	6.32	6.48	5.17	3.75	3.96
FRANCE	812.00	800.51	764.63	707.56	764.04	805.50	780.81	722.00	753.72
GERMANY	336.11	351.21	332.55	326.50	346.23	328.54	336.34	341.34	349.60
ITALY	353.78	347.71	328.79	309.28	333.82	344.47	343.70	332.56	212.13
JAPAN	1,416.58	1,382.43	1,245.99	1,217.67	1,304.89	1,453.84	1,271.01	1,229.02	1,269.92
USA	12.26	10.89	10.69	9.97	9.61	8.73	8.53	7.64	7.43
CHINA	6,951.45	6,835.26	6,830.10	6,594.56	6,569.52	6,307.40	6,280.39	5,943.60	6,006.71
OTHERS	333.61	323.09	311.80	295.43	312.68	307.29	307.30	291.37	290.73
TOTAL BILATERAL	10,356.09	10,192.10	9,956.78	9,596.01	9,782.35	9,762.17	9,532.23	9,059.95	9,089.63
<u>MULTILATERAL</u>									
ADB/ADF	3,187.81	3,317.25	3,269.84	3,302.50	3,490.90	3,591.12	3,685.50	3,695.82	3,792.02
BADEA	38.72	39.20	41.10	45.99	45.20	47.70	52.19	51.70	53.69
EEC/EIB	197.09	188.94	176.12	158.66	170.90	182.11	207.53	194.28	204.58
IBRD	297.56	296.74	569.35	571.26	579.24	581.75	1,082.86	1,079.71	1,085.13
IDA/IFAD	10,150.48	10,099.33	10,474.77	10,252.69	10,692.09	10,828.01	11,424.85	11,333.07	11,685.80
IMF**	1,834.49	1,824.62	1,751.87	1,965.77	2,915.30	1,673.40	2,388.16	2,684.95	2,694.19
OTHERS	44.83	43.87	45.43	48.35	49.89	53.86	52.08	49.77	49.15
TOTAL MULTILATERAL	15,750.98	15,809.95	16,328.48	16,345.22	17,943.52	16,957.95	18,893.17	19,089.28	19,564.57
COMMERCIAL¹	10,679.43	10,510.95	10,025.49	10,260.41	10,048.20	9,832.46	10,228.01	10,017.64	10,153.63
O/W International Sovereign Bond	7,106.28	7,100.00	7,100.00	7,100.00	7,100.00	7,100.00	7,100.00	7,100.00	7,100.00
EXPORT CREDIT	108.74	107.38	103.14	98.96	103.94	105.82	105.66	103.20	112.75
GRAND TOTAL	36,895.24	36,620.38	36,413.89	36,300.60	37,878.01	36,658.41	38,759.08	38,270.08	38,920.59
In percentage of total									
BILATERAL	28.07	27.83	27.34	26.4	25.8	26.6	24.6	23.7	23.4
MULTILATERAL	42.69	43.17	44.84	45.0	47.4	46.3	48.7	49.9	50.3
COMMERCIAL BANKS ¹	28.95	28.70	27.53	28.3	26.5	26.8	26.4	26.2	26.1
EXPORT CREDIT	0.29	0.29	0.28	0.3	0.3	0.3	0.3	0.3	0.3
TOTAL	100.00	100.00	100.00	100.0	100.0	100.0	100.0	100.0	100.0

*Provisional

** include IMF item

1/ incl. International Sovereign Bond

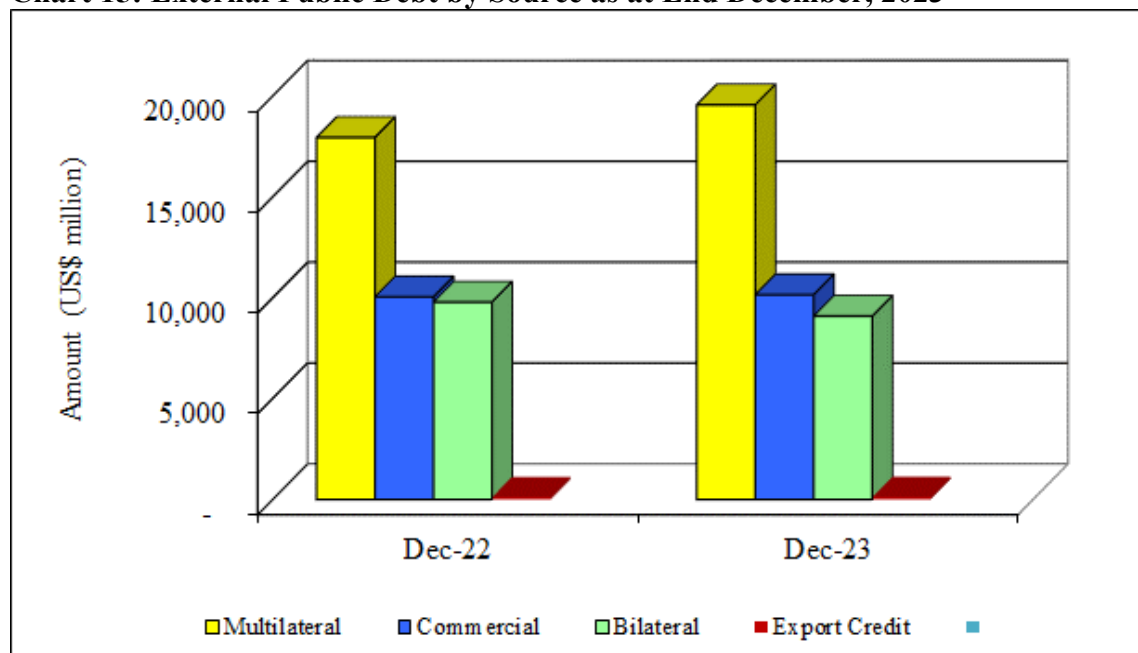
Note: The exchange rate as at end December, 2023 was KSh. 156.5 per dollar.

Source of Data: National Treasury

52. Compared to the same period in FY 2022/23, external public debt stock from multilateral institutions, commercial banks and from suppliers' credit recorded an increase of KSh. 1,621.1 billion, KSh. 105.4 billion and KSh. 8.8 billion respectively in the period ending December, 2023. Stock from bilateral sources recorded a decrease of KSh. 692.7 billion in the period under review (**Chart 15**).

FISCAL DEVELOPMENTS

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



Source of Data: National Treasury

3.3.1 External Debt Service

53. By the end of December, 2023, the total cumulative debt service payments to external creditors amounted to KSh. 239.6 billion. This comprised of KSh. 134.6 billion (56.2 percent) principal and KSh. 105.0 billion (43.8 percent) interest (**Table 13**).

FISCAL DEVELOPMENTS

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

CATEGORY	Dec-23		
	PRINCIPAL*	INTEREST*	TOTAL*
BILATERAL			
ABU DHABI	105.85	18.97	124.82
AUSTRIA	60.75	14.47	75.22
BELGIUM	1,205.60	137.31	1,342.91
CHINA	47,612.85	24,457.75	72,070.59
DENMARK	156.58	-	156.58
FINLAND	191.54	26.80	218.34
FRANCE	12,086.95	1,035.54	13,122.49
GERMANY	2,626.90	506.16	3,133.05
POLAND	46.87	11.61	58.47
INDIA	587.69	145.56	733.25
ISRAEL	439.92	100.75	540.67
ITALY	6,743.23	1,042.15	7,785.38
JAPAN	3,376.36	350.59	3,726.95
KOREA	126.01	17.65	143.67
KUWAIT	85.19	20.12	105.31
SAUDI ARABIA	158.63	20.54	179.17
SPAIN	1,022.67	92.45	1,115.12
USA	165.53	16.24	181.77
TOTAL BILATERAL	76,799.12	28,014.66	104,813.8
MULTILATERAL			
ADB/ADF	4,585.96	6,373.02	10,958.98
BADEA	122.44	40.83	163.27
EIB/EEC	1,041.16	372.74	1,413.91
IDA	20,625.99	11,466.65	32,092.63
OPEC	473.44	42.72	516.16
NDF	41.32	12.86	54.19
IFAD	474.33	148.17	622.50
IMF	-	-	-
IBRD	160.01	3,595.15	3,755.15
TOTAL MULTILATERAL	27,524.66	22,052.13	49,576.79
COMMERCIAL	30,288.72	54,957.96	85,246.68
GRAND TOTAL	134,612.50	105,024.76	239,637.26

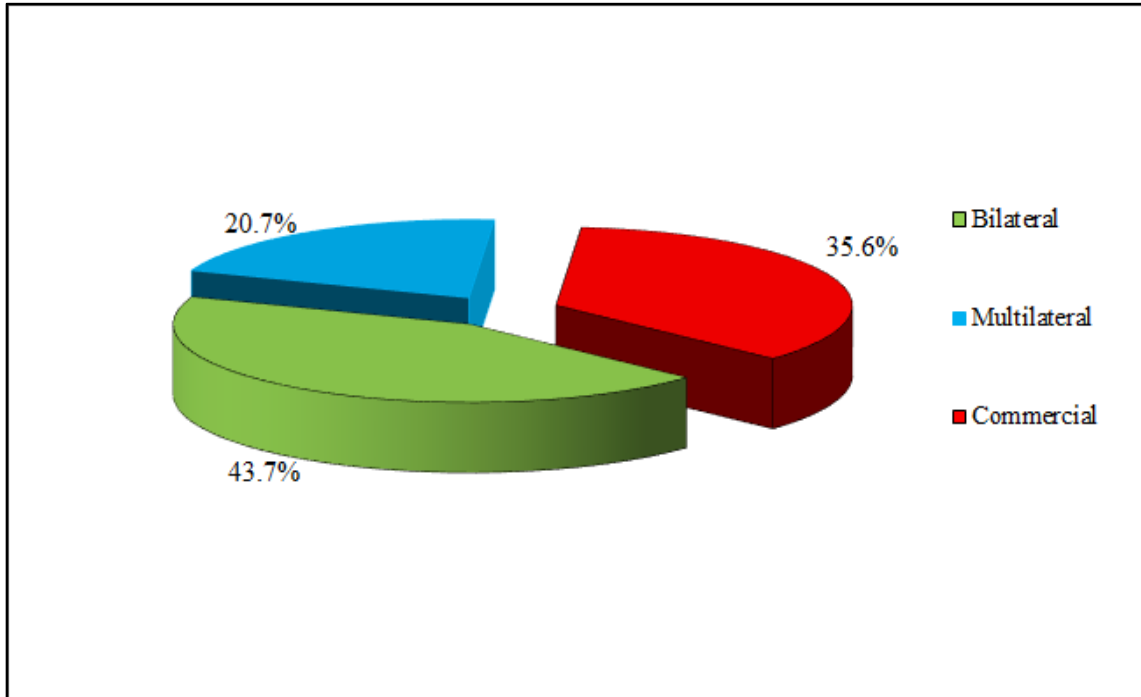
* Provisional

Source of Data: National Treasury

FISCAL DEVELOPMENTS

54. By the end of December, 2023, the total cumulative debt service payments to external creditors comprised of 43.7 percent, 35.6 percent and 20.7 percent of the total payments to bilateral, commercial and multilateral creditors respectively (**Chart 16**).

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



Source of Data: National Treasury

ANNEXES

4.0. ANNEXES

4.1. Annex I: Fiscal Results, 2017/18 – 2023/2024 (KSh. Millions)

REVENUE/EXPENDITURE/FINANCING	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	
	Actual					Prel. Actual	Printed Estimates	Revised Estimates I
A.TOTAL REVENUE	1,525,556	1,704,363	1,797,666	1,803,536	2,199,808	2,360,510	2,985,566	3,047,559
1.Ordinary Revenue	1,365,063	1,499,757	1,573,418	1,562,015	1,917,911	2,041,119	2,571,159	2,576,759
Income Tax	640,546	685,330	706,936	694,053	876,707	941,576	1,198,535	1,198,535
VAT	357,129	414,143	383,713	410,758	523,098	550,440	703,302	703,302
Import Duty	93,685	106,875	98,022	108,375	118,280	130,123	173,270	173,270
Excise Duty	167,753	194,310	195,270	216,325	252,094	264,509	352,730	352,730
Other Revenue	105,950	99,099	189,477	132,504	147,731	154,472	143,323	148,923
2.Appropriation –in –Aid	160,493	204,606	224,247	241,521	281,897	319,391	414,407	470,800
B.EXPENDITURE & NET LENDING	2,149,788	2,433,708	2,629,478	2,769,254	3,027,836	3,221,001	3,746,618	3,981,529
1.Recurrent	1,352,841	1,531,083	1,696,121	1,813,271	2,135,305	2,311,564	2,536,255	2,793,852
Wages and Salaries	388,938	417,526	449,927	493,029	520,033	547,157	584,647	589,493
Interest Payments	323,890	375,723	437,202	495,142	577,978	687,322	775,139	918,838
Domestic Interest	239,470	272,351	315,362	388,830	456,849	533,098	628,264	646,356
Foreign Interest Due	84,420	103,372	121,840	106,312	121,130	154,223	146,875	272,483
Pensions, etc	65,099	70,804	89,605	112,872	122,432	122,432	165,368	165,423
O & M/ Others	537,292	625,791	677,293	668,748	866,050	895,717	950,830	1,059,588
Of which Appropriation-in-Aid	112,806	147,765	157,858	150,295	197,524	240,165	264,588	321,113
2.Development & Net Lending	469,673	541,885	608,079	556,990	540,117	493,663	777,822	762,598
Development Projects	255,213	289,030	389,571	335,022	346,355	319,289	425,940	406,802
Appropriation-in-Aid	211,931	243,408	217,847	221,968	193,762	162,048	326,828	326,005
4. Transfer to County Governments	327,274	360,740	325,278	398,993	352,414	415,774	429,741	423,879
5. Parliamentary Service	25,678	28,525	27,990	29,191	32,652	41,187	38,937	39,177
6. Judicial Service	11,944	12,713	14,103	14,289	16,160	19,755	21,334	21,334
7. Net Lending	2,529	2,485	661	-	-	12,327	17,187	18,924
8. Equalization Fund	-	6,962	-	-	-	-	7,867	10,867
9. Contingency Fund	-	-	-	-	-	-	2,800	1,200
D.DEFICIT EXCL. GRANTS (Commitment)	(624,232)	(729,345)	(831,812)	(965,717)	(828,028)	(860,491)	(761,051)	(933,970)
E.GRANTS	27,600	12,753	23,949	31,334	31,031	23,083	42,172	47,357
F.DEFICIT INCL.GRANTS (Commitment Basis)	(596,632)	(716,592)	(807,863)	(934,384)	(796,997)	(837,408)	(718,880)	(886,614)
G. ADJUSTMENT TO CASH BASIS	(34,678)	-	11,801	5,098	11,868	37,031	-	-
H.DEFICIT INCL.GRANTS (Cash Basis)	(631,309)	(716,592)	(796,062)	(929,286)	(785,129)	(800,377)	(718,880)	(886,614)
Discrepancy	(229)	4,466	(5,258)	20,950	(37,304)	(30,070)	-	-
IFINANCING	631,081	721,058	790,804	950,235	747,825	770,307	718,880	886,614
Net Foreign Financing	354,977	414,518	340,431	323,310	142,524	310,759	131,467	412,064
Net Domestic Financing	276,104	306,540	450,373	626,926	605,301	459,548	587,413	474,549
In Percentage of GDP								
A.TOTAL REVENUE	17.1	17.5	16.9	15.9	17.3	16.5	18.3	18.9
1.Ordinary Revenue	15.3	15.4	14.8	13.7	15.1	14.3	15.8	16.0
Income Tax	7.2	7.0	6.7	6.1	6.9	6.6	7.4	7.4
VAT	4.0	4.2	3.6	3.6	4.1	3.9	4.3	4.4
Import Duty	1.1	1.1	0.9	1.0	0.9	0.9	1.1	1.1
Excise Duty	1.9	2.0	1.8	1.9	2.0	1.9	2.2	2.2
Other Revenue	1.2	1.0	1.8	1.2	1.2	1.1	0.9	0.9
2.Appropriation –in –Aid	1.8	2.1	2.1	2.1	2.2	2.2	2.5	2.9
B. EXPENDITURE & NET LENDING	24.1	25.0	24.8	24.4	23.8	22.6	23.0	24.7
1.Recurrent	15.2	15.7	16.0	15.9	16.8	16.2	15.6	17.3
Wages and Salaries	4.4	4.3	4.2	4.3	4.1	3.8	3.6	3.7
Interest Payments	3.6	3.9	4.1	4.4	4.5	4.8	4.8	5.7
Domestic Interest	2.7	2.8	3.0	3.4	3.6	3.7	3.9	4.0
Foreign Interest Due	0.9	1.1	1.1	0.9	1.0	1.1	0.9	1.7
Pensions, etc	0.7	0.7	0.8	1.0	1.0	0.8	1.0	1.0
O & M/ Others	6.0	6.4	6.4	5.9	6.8	6.3	5.8	6.6
of which Appropriation-in-Aid	1.3	1.5	1.5	1.3	1.6	1.7	1.6	2.0
2.Development & Net Lending	5.3	5.6	5.7	4.9	4.2	3.5	4.8	4.7
Development Projects	2.9	3.0	3.7	2.9	2.7	2.2	2.6	2.5
Appropriation-in-Aid	2.4	2.5	2.1	2.0	1.5	1.1	2.0	2.0
Payment of guaranteed loans	-	-	-	-	-	-	-	-
3. Drought Expenditures	-	-	-	-	-	-	-	-
4.Transfer to County Governments	3.7	3.7	3.1	3.5	2.8	2.9	2.6	2.6
5. Parliamentary Service	0.3	0.3	0.3	0.3	0.3	0.3	0.2	0.2
6. Judicial Service	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
7. Equalization Fund	-	0.1	-	-	-	-	0.0	0.1
D.DEFICIT EXCL. GRANTS (Commitment)	(7.0)	(7.5)	(7.8)	(8.5)	(6.5)	(6.0)	(4.7)	(5.8)
E.GRANTS	0.3	0.1	0.2	0.3	0.2	0.2	0.3	0.3
F.DEFICIT INCL.GRANTS (Commitment Basis)	(6.7)	(7.4)	(7.6)	(8.2)	(6.3)	(5.9)	(4.4)	(5.5)
G.ADJUSTMENT TO CASH BASIS	(0.4)	-	0.1	0.0	0.1	0.3	-	-
H.DEFICIT INCL.GRANTS (Cash Basis)	(7.1)	(7.4)	(7.5)	(8.2)	(6.2)	(5.6)	(4.4)	(5.5)
IFINANCING	7.1	7.4	7.4	8.4	5.9	5.4	4.4	5.5
Foreign Financing	4.0	4.3	3.2	2.8	1.1	2.2	0.8	2.6
Net Domestic Financing	3.1	3.1	4.2	5.5	4.8	3.2	3.6	2.9
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	14,274,419.5	16,290,270.1	16,131,502.1

Source: National Treasury

4.2. GFSM 2014 COMPLIANT TABLES FOR BUDGETARY CENTRAL GOVERNMENT

4.2.1 Annex II: Revenue (KSh. Millions)

GFSM Code	Description	Budget Estimates FY2023/24	Prel. Actual FY2023/24 Q1	Prel. Actual FY2023/24 Q2
	<i>Accounting method:</i>	<i>Cash</i>	<i>Cash</i>	<i>Cash</i>
1	Revenue	3,025,233	633,002	1,318,745
11	Taxes	2,658,745	548,115	1,121,547
111	Taxes on income, profits, and capital gains	1,198,535	243,954	491,284
1111	Payable by individuals	619,013	123,044	256,302
1112	Payable by corporations and other enterprises	579,523	120,910	234,982
114	Taxes on goods and services	1,190,019	251,505	518,824
1141	General taxes on goods and services	714,540	158,076	327,105
11411	Value-added taxes	703,302	153,027	317,942
11414	Taxes on financial and capital transactions ¹	11,238	5,050	9,164
1142	Excises ²	475,479	93,429	191,719
115	Taxes on international trade and transactions	270,191	52,656	111,439
1151	Customs and other import duties ³	270,191	52,656	111,439
12	Social contributions	582	151	173
122	Other social contributions	582	151	173
1221	Employee contributions	582	151	173
13	Grants	42,172	3,415	5,455
131	From foreign governments	42,172	3,415	5,455
1311	Current			
1312	Capital	42,172	3,415	5,455
132	From international organizations	-	-	-
1321	Current			
1322	Capital			
14	Other revenue	323,735	81,321	191,569
141	Property income	41,728	15,453	24,026
1411	Interest	2,184	-	1,017
1412	Dividends	33,071	15,017	21,573
1415	Rent	6,473	436	1,436
142	Sales of goods and services	277,523	64,389	165,226
1422	Administrative fees	277,523	64,389	165,226
143	Fines, penalties, and forfeits	2,710	774	1,270
144	Miscellaneous and unidentified revenue	1,774	705	1,048

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	Prel. Actual	Prel. Actual
		Estimates FY2023/24	FY2023/24 Q1	FY2023/24 Q2
	<i>Accounting method:</i>	<i>Cash</i>	<i>Cash</i>	<i>Cash</i>
2	Expense	3,618,157	793,702	1,667,786
21	Compensation of employees	617,855	147,698	279,591
211	Wages and salaries	584,647	142,295	268,232
212	Social contributions	33,207	5,403	11,358
2121	Actual social contributions	33,207	5,403	11,358
22	Use of goods and services	275,218	50,626	155,976
	O/W Free Secondary Education (FSE)	68,600	17,357	53,050
	Free Primary Education (FPE)	14,404	3,823	9,175
24	Interest	775,139	188,007	405,142
241	To nonresidents	146,875	63,093	105,025
242	To residents other than general government	628,264	124,913	300,118
25	Subsidies	24,879	-	-
251	To public corporations			
252	To private enterprises	24,879	-	-
26	Grants	1,666,179	365,737	754,298
262	To international organizations	4,522	1,403	3,860
2621	Current	4,522	1,403	3,860
2622	Capital			
263	To other general government units	1,661,657	364,334	750,438
2631	Current	943,811	232,789	487,650
	O/W Transfer to County Governments (ES)	269,797	42,778	99,727
	Transfer to Other levels of Government (Includes transfers to SOEs)	674,014	190,011	387,923
2632	Capital	717,846	131,545	262,787
	O/W Transfer to County Governments (ES)	115,627	18,333	42,740
	Transfer to Other levels of Government (Includes transfers to SOEs)	602,219	113,212	220,047
27	Social benefits	257,688	41,635	72,778
272	Social Assistance Benefits	96,279	-	-
273	Employer social benefits	161,409	41,635	72,778
28	Other expense	1,200	-	-
282	Miscellaneous other expense	1,200	-	-

Source: National Treasury

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

GFSM Code	Description	Annual Budget	Prel. Actual	Prel. Actual
		Estimates FY2023/24	FY2023/24 Q1	FY2023/24 Q2
	<i>Accounting method:</i>	<i>Cash</i>	<i>Cash</i>	<i>Cash</i>
3	Change in Net Worth: Transactions	(315,194)	(134,592)	(338,049)
31	Net acquisition of nonfinancial assets	107,899	8,129	30,196
311	Fixed assets	107,899	8,129	30,196
3111	Buildings and structures	100,718	5,491	25,938
3113	Other fixed assets	7,181	2,638	4,258
312	Inventories	-		
314	Nonproduced assets	-		
32	Net acquisition of financial assets	5,410	11,101	(6,499)
3212	Currency and deposits (Domestic)	5,410	11,101	(6,499)
33	Net incurrence of liabilities	428,503	153,821	361,746
331	Domestic	584,223	183,912	398,176
3313	Securities other than shares	584,223	82,017	191,542
3314	Loans	-	(6)	24,945
3318	Other Accounts Payable	-	101,901	181,689
332	Foreign	(155,719)	(30,090)	(36,430)
3321	Special Drawing Rights (SDRs)			
3323	Securities other than shares			
3324	Loans	(155,719)	(30,090)	(36,430)

Source: National Treasury

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

GFSM Code	Description	Annual Budget Estimates FY2023/24	Prel. Actual FY2023/24 Q1	Prel. Actual FY2023/24 Q2
	<i>Accounting method:</i>	<i>Cash</i>	<i>Cash</i>	<i>Cash</i>
	Cash Flows from Operating Activities:			
1	Cash receipts from operating activities	3,025,233	633,002	1,318,745
11	Taxes	2,658,745	548,115	1,121,547
12	Social contributions	582	151	173
13	Grants	42,172	3,415	5,455
14	Other receipts	323,735	81,321	191,569
2	Cash payments for operating activities	3,618,157	793,702	1,667,786
21	Compensation of employees	617,855	147,698	279,591
22	Purchases of goods and services	275,218	50,626	155,976
24	Interest	775,139	188,007	405,142
25	Subsidies	24,879	-	-
26	Grants	1,666,179	365,737	754,298
27	Social benefits	257,688	41,635	72,778
28	Other payments	1,200	-	-
	Net cash inflow from operating activities	(592,924)	(160,700)	(349,041)
	Cash Flows from Investments in Nonfinancial Assets (NFAs):			
31A	Purchases of nonfinancial assets	107,899	8,129	30,196
311A	Fixed assets	107,899	8,129	30,196
312A	Strategic stocks			
314A	Nonproduced assets			
31	Net cash outflow: investments in NFAs (31=31.1-31.2)	107,899	8,129	30,196
	Cash surplus / deficit	(700,823)	(168,829)	(379,237)
	Cash Flows from Financing Activities:			
32x	Net acquisition of financial assets other than cash	5,410	11,101	(6,499)
321x	Domestic	5,410	11,101	(6,499)
322x	Foreign			
33	Net incurrence of liabilities	698,503	153,821	361,746
331	Domestic	584,223	183,912	398,176
332	Foreign	114,281	(30,090)	(36,430)
NFB	Net cash inflow from financing activities	693,093	164,922	355,247
	Net change in the stock of cash	(7,730)	(3,907)	(23,990)
	Statistical Discrepancy⁴			

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

Source: National Treasury

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

GFSM Code	Description	Annual	Prel. Actual FY2023/24 Q1	Prel. Actual FY2023/24 Q2
		Budget Estimates FY2023/24		
	<i>Accounting method:</i>	<i>Cash</i>	<i>Cash</i>	<i>Cash</i>
	Transactions Affecting Net Worth:			
1	Revenue	3,025,233	633,002	1,318,745
11	Taxes	2,658,745	548,115	1,121,547
12	Social contributions	582	151	173
13	Grants	42,172	3,415	5,455
14	Other revenue	323,735	81,321	191,569
2	Expense	3,618,157	793,702	1,667,786
21	Compensation of employees	617,855	147,698	279,591
22	Use of goods and services	275,218	50,626	155,976
24	Interest	775,139	188,007	405,142
25	Subsidies	24,879	-	-
26	Grants	1,666,179	365,737	754,298
27	Social benefits	257,688	41,635	72,778
28	Other expense	1,200	-	-
GOB	Gross operating balance	(592,924)	(160,700)	(349,041)
NOB	Net operating balance	(592,924)	(160,700)	(349,041)
	Transactions on Nonfinancial Assets:			
31	Net Acquisition of Nonfinancial Assets	107,899	8,129	30,196
311	Fixed assets	107,899	8,129	30,196
312	Change in inventories	-	-	-
314	Nonproduced assets	-	-	-
NLB	Net lending / borrowing	(700,823)	(168,829)	(379,237)
	Transactions on Financial Assets and Liabilities (Financing):			
32	Net acquisition of financial assets	693,093	164,922	355,247
321	Domestic	5,410	11,101	(6,499)
322	Foreign			
33	Net incurrence of liabilities	698,503	153,821	361,746
331	Domestic	584,223	183,912	398,176
332	Foreign	114,281	(30,090)	(36,430)
	Statistical Discrepancy⁵	(7,730)	(3,907)	(23,990)

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

Source: National Treasury