



Republic of Kenya

THE NATIONAL TREASURY AND ECONOMIC PLANNING

Quarterly Economic and Budgetary Review

First Half, Financial Year 2022/2023
Period Ending 31st December, 2022

February 2023 Edition

Quarterly Economic and Budgetary Review

**First Half, Financial Year 2022/2023
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TABLE OF CONTENTS

ACKNOWLEDGEMENT	iii
LIST OF ABBREVIATIONS AND ACRONYMS	iv
HIGHLIGHTS OF THE SECOND QUARTERLY ECONOMIC AND BUDGETARY REVIEW REPORT IN THE 2022/23 FINANCIAL YEAR.....	vii
1.0 RECENT ECONOMIC DEVELOPMENTS.....	1
1.1 Economic Growth	1
1.2 Inflation	3
1.3 Interest Rates	3
1.4 Money and Credit.....	5
1.5 Balance of Payments	6
1.6 Foreign Exchange Reserves	8
1.7 Exchange Rates	8
1.8 Capital Markets	12
2.0 FISCAL DEVELOPMENTS	13
2.1 Revenue.....	13
2.2 Expenditure	14
2.2.1 National Government Expenditures by Public Agencies.....	16
2.2.2 Pending Bills	18
2.2.3 Guaranteed Debt Service.....	19
2.3 Fiscal Outturn.....	19
2.4 Financing.....	21
2.4.1 External Financing	21
2.4.2 Domestic Financing.....	21
3.0 PUBLIC DEBT	24
3.1 Overall Debt Position	24
3.2 Domestic Debt.....	24
3.3 External Public Debt	26
3.3.1 External Debt Service.....	27
4.0 ANNEXES.....	30
4.1. Annex I: Fiscal Results, 2016/17 – 2022/2023 (KSh. Millions).....	30
4.2. GFSM 2014 Compliant Tables For Budgetary Central Government	31
4.2.1 Annex II: Revenue (KSh. Millions)	31
4.2.2. Annex III: Expense (KSh. Millions)	32
4.2.3. Annex IV: Transaction in Assets and Liabilities (KSh. Millions)	33
4.2.4. Annex V: Statement of Sources and Uses of Cash (KSh. Millions).....	34
4.2.5 Annex VI: Statement of Government Operations (KSh. Millions).....	35

ACKNOWLEDGEMENT

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LIST OF ABBREVIATIONS AND ACRONYMS

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

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

LEGAL BASIS FOR THE QUARTERLY ECONOMIC AND BUDGETARY REVIEW REPORT

tThe 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 2022/23 FINANCIAL YEAR

1. Economic growth

The economy remained strong and resilient in the first three quarters of 2022, growing by 6.7 percent in the first quarter, 5.2 percent in the second quarter and 4.7 percent in the third quarter. This growth is mainly supported by service and industry sectors despite the continued subdued performance in the agricultural sector due to unfavorable weather conditions.

2. Inflation rate

Year-on-year overall inflation rate declined for the second consecutive month in December 2022. Inflation rate eased to 9.1 percent in December 2022 from 9.5 percent in November 2022 due to a decline in food prices as a result of favorable rains and declining international prices of edible oils. However, this inflation rate was higher than the 5.7 percent recorded in December 2021.

3. Interest Rates

Monetary policy stance remains tight to anchor inflation expectations due to the sustained inflationary pressures, the elevated global risks, and their potential impact on the domestic economy. In this regard, the Central Bank Rate was raised from 8.25 percent to 8.75 percent in November 2022. The interbank rate remained stable at 5.4 percent in December 2022 compared to 5.0 percent in December 2021 while the 91-day Treasury Bills rate increased to 9.4 percent in December 2022 compared to 7.3 percent in December 2021 due to tight liquidity conditions.

4. Money and Credit

Broad money supply, M3, grew by 7.2 percent in the year to December 2022 compared to a growth of 6.1 percent in the year to December 2021. The growth in December 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 5,771.0 million (5.2 percent of GDP) in November 2022 compared to USD 5,811.6 million (5.4 percent of GDP) in November 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 7,548.8 million in November 2022 compared to USD 9,306.3 million in November 2021. This represented 4.2 months of import cover as compared to the 5.6 months of import cover, respectively and therefore fulfills the requirement to maintain it at a minimum of 4.0 months of imports cover to provide adequate buffer against short term shocks in the foreign exchange market.

7. Capital Markets

Activity in the capital markets slowed down in December 2022 compared to December 2021. The NSE 20 Share Index declined to 1,676 points in December 2022 compared to 1,903 points in December 2021 while Market capitalization also declined to KSh. 1,986 billion from KSh. 2,593 billion over the same period.

8. Revenue Collection

The National Government's cumulative revenue collection including A-I-A for the period between July – December, 2022 amounted to KSh. 1,147.0 billion (8.2 percent of GDP) against a target of KSh. 1,158.2 billion. The revenue was below the set target by KSh. 11.2 billion on account of underperformance in ordinary revenue.

9. Expenditure and Net Lending

The total expenditure and net lending inclusive of transfers to County Governments for the period ending 31st December, 2022 amounted to KSh. 1,468.8 billion, against a target of KSh. 1,448.9 billion. The resultant above target expenditure of KSh. 19.9 billion is mainly attributed to above target absorption recorded in recurrent expenditures (Ministerial AIA) by the National Government while transfers to development programmes and County Governments were lower than their respective targets.

10. Guaranteed Debt

During the period ending 31st December, 2022, the government serviced guaranteed debt of KSh. 2.8 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. 321.8 billion (2.3 percent of GDP), as at the end December, 2022.

12. External Financing

The Net Foreign Financing amounted to KSh. 95.2 billion (0.7 percent of the GDP) during the period under review.

13. Net Domestic Borrowing

Net domestic financing amounted to a net borrowing of KSh. 124.1 billion (0.9 percent of GDP) in the period ending 31st December, 2022.

14. Domestic Debt Stock

The stock of gross domestic debt increased by KSh. 440.5 billion from KSh. 4,032.4 billion in December, 2021 to KSh. 4,472.8 billion in December, 2022.

15. External Debt Stock

The total external debt stock stood at KSh. 4,673.1 billion by the end of December, 2022. The debt stock comprised of multilateral debt (47.4 percent), commercial debt, including the International Sovereign Bond (26.5 percent), bilateral debt (25.8 percent) and suppliers' credit (0.3 percent).

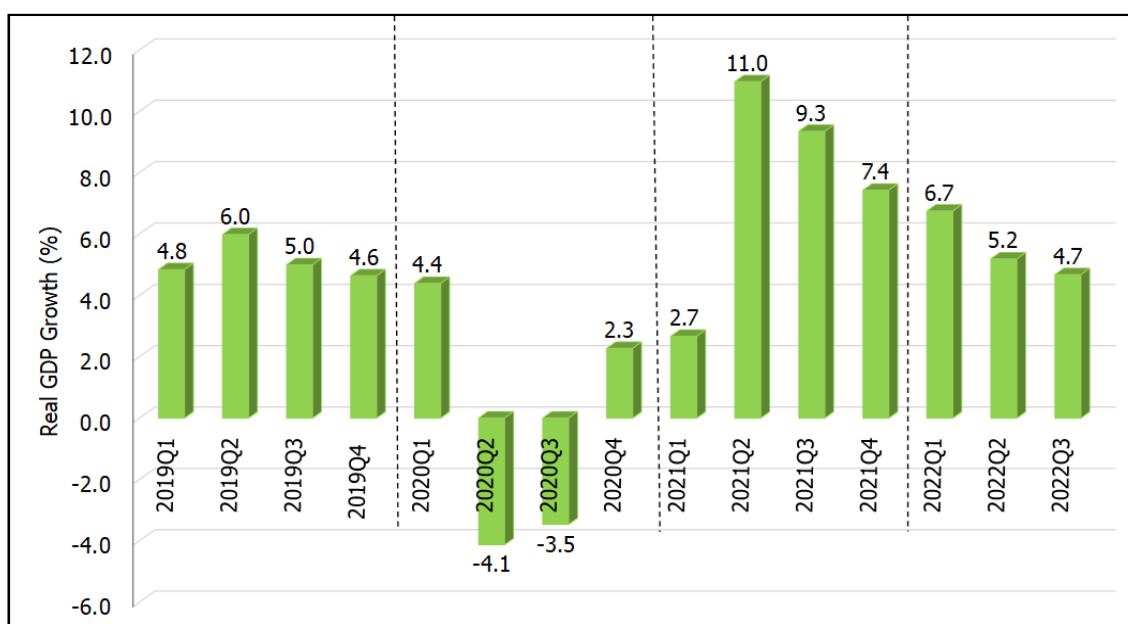
1.0 RECENT ECONOMIC DEVELOPMENTS

1.1 Economic Growth

1. The Kenyan economy continued to expand in 2022, albeit at a slower pace than the 7.5 percent recorded in 2021 due to the adverse effects of drought conditions, the Russian-Ukraine conflict, and the lingering effects of COVID-19 pandemic. In 2022, the economy grew by 6.7 percent in the first quarter and 5.2 percent in the second quarter compared to a growth of 2.7 percent and 11.0 percent in similar quarters in 2021 (**Chart 1a**). This growth was mainly supported by service and industry sectors despite the continued subdued performance in the agricultural sector due to unfavorable weather conditions.

2. In the third quarter of 2022, the economy grew by 4.7 percent compared to a growth of 9.3 percent in the corresponding quarter of 2021. The growth in the third quarter of 2022 was mainly supported by the service sectors particularly accommodation and food service activities, wholesale, and retail trade, Professional, administrative and support services, education, and financial and insurance activities. The growth was however slowed by declines in activities of the agriculture, forestry and fishing, and mining and quarrying sectors. Most sectors posted slower growths owing to the significantly high growth rates recorded in the third quarter of 2021 that signified recovery from the impact of the COVID-19 pandemic.

Chart 1a: Quarterly Real GDP Growth Rates



Source of Data: Kenya National Bureau of Statistics

3. Activities in the agriculture, forestry and fishing sub-sector contracted by 0.6 percent in the third quarter of 2022 compared to a growth of 0.6 percent in the corresponding quarter of 2021 (**Table 1**). The slowdown in performance of the sector was mainly attributed to unfavorable weather conditions that prevailed in first three quarters of 2022. The decline was reflected in the decline in vegetable exports and milk intake by processors. The sector’s performance was cushioned from a steeper contraction by improved production in fruits, coffee and Sugar Cane. The sector’s contribution to GDP growth was -0.1 percentage points

RECENT ECONOMIC DEVELOPMENTS

in the third quarter of 2022 compared to 0.1 percentage points contribution in the same quarter in 2021(**Chart 1b**).

Table 1: Sectoral GDP Growth rate (percent)

Sectors	2021				2022		
	Q1	Q2	Q3	Q4	Q1	Q2	Q3
Primary Industry	0.9	0.02	1.4	0.7	0.5	(0.3)	(0.7)
Agriculture, Forestry and Fishing	0.4	(0.5)	0.6	(1.2)	(0.7)	(1.4)	(0.6)
Mining and Quarrying	10.7	10.9	16.4	34.5	23.8	22.6	(2.2)
Secondary Sector (Industry)	3.9	9.1	8.3	5.0	4.4	4.5	3.4
Manufacturing	2.1	11.3	10.2	4.9	3.7	3.6	2.4
Electricity and Water supply	3.6	7.2	6.4	2.8	1.9	5.0	4.7
Construction	6.8	6.8	6.7	6.0	6.4	5.8	4.3
Tertiary sector (Services)	3.2	14.9	11.4	9.1	9.1	7.5	6.1
Wholesale and Retail trade	7.5	9.2	6.4	8.4	8.7	8.2	9.1
Accommodation and Restaurant	(33.0)	90.1	127.5	118.6	56.2	22.0	22.9
Transport and Storage	(7.9)	18.6	14.2	6.5	7.8	7.1	4.8
Information and Communication	10.1	17.1	4.1	5.3	6.1	6.6	4.6
Financial and Insurance	11.8	17.3	11.8	9.9	14.7	11.6	5.3
Public Administration	6.8	7.6	4.8	3.3	6.4	4.2	3.9
Others	3.5	14.8	12.6	9.8	7.4	6.4	6.1
of which Professional, Admin & Support Services	(13.0)	18.3	13.4	8.1	14.9	11.2	8.7
Real Estate	6.7	7.4	7.1	5.7	6.1	5.5	5.1
Education	11.5	31.6	28.3	18.0	6.2	6.7	7.1
Health	5.8	6.2	4.1	7.8	5.0	4.8	4.5
Taxes less subsidies	1.8	18.5	12.5	15.7	11.4	4.6	7.6
Real GDP	2.7	11.0	9.3	7.4	6.7	5.2	4.7
of which Non-Agriculture	3.4	14.0	11.0	8.5	8.3	7.2	5.4

Source of Data: Kenya National Bureau of Statistics

4. The performance of the industry sector slowed down to a growth of 3.4 percent in the third quarter of 2022 compared to a growth of 8.3 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 0.6 percentage points of growth in the third quarter of 2022 compared to 1.5 percentage points contribution in the same quarter in 2021.

5. Manufacturing sub-sector expanded by 2.4 percent in the third quarter of 2022 compared to 10.2 percent growth recorded in the same period of 2021. The growth was supported by increases in sugar production, processing of coffee and assembly of motor vehicles. The growth of the sector was however constrained by a decline in cement production. Electricity and Water Supply sub-sector expanded by 4.7 percent in the third quarter of 2022 compared to 6.4 percent growth registered in the third 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.

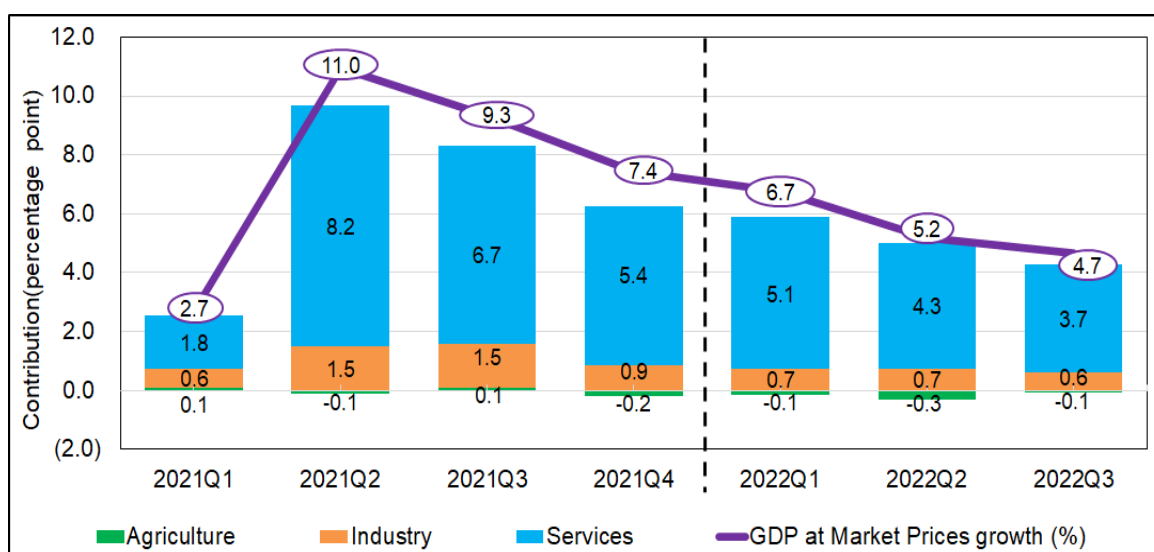
6. Activities in the construction sub-sector remained robust in the third quarter of 2022 partly supported by the ongoing public infrastructure projects, though the performance was

RECENT ECONOMIC DEVELOPMENTS

slower compared to the third quarter of 2021. The sub-sector expanded by 4.3 percent in the third quarter of 2022 compared to 6.7 percent growth in the corresponding quarter of 2021. The slowdown in growth was evident in the decreased cement consumption and imports of construction materials particularly bitumen, iron, and steel.

7. The activities in the services sector remained strong in the third quarter of 2022 after a strong recovery in 2021 from the effects of COVID-19 pandemic. The sector growth slowed down to 6.1 percent in the third quarter of 2022 compared to a growth of 11.4 percent in the third quarter of 2021. This performance was largely characterized by substantial growths in accommodation and food services, wholesale, and retail trade, professional, administrative and support services and education sub-sectors. The service sector accounted for 3.7 percentage points of growth in the third quarter of 2022, a decline compared to 6.7 percentage points contribution in the same quarter in 2021 (**Chart 1b**).

Chart 1b: Sectors contributions to Real GDP Growth



Source of Data: Kenya National Bureau of Statistics

8. Accommodation and Food Service sub-sector activities remained strong, though the sub-sector's performance remained below the pre-pandemic level. The sub-sector grew by 22.9 percent in the third quarter of 2022 compared to 127.5 percent growth in the corresponding quarter of 2021. Transportation and Storage sub-sector grew by 4.8 percent in the third quarter of 2022 compared to a growth of 14.2 percent in the corresponding quarter of 2021. The slowdown in activities in the transport 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 activities in the railway, road and water transport.

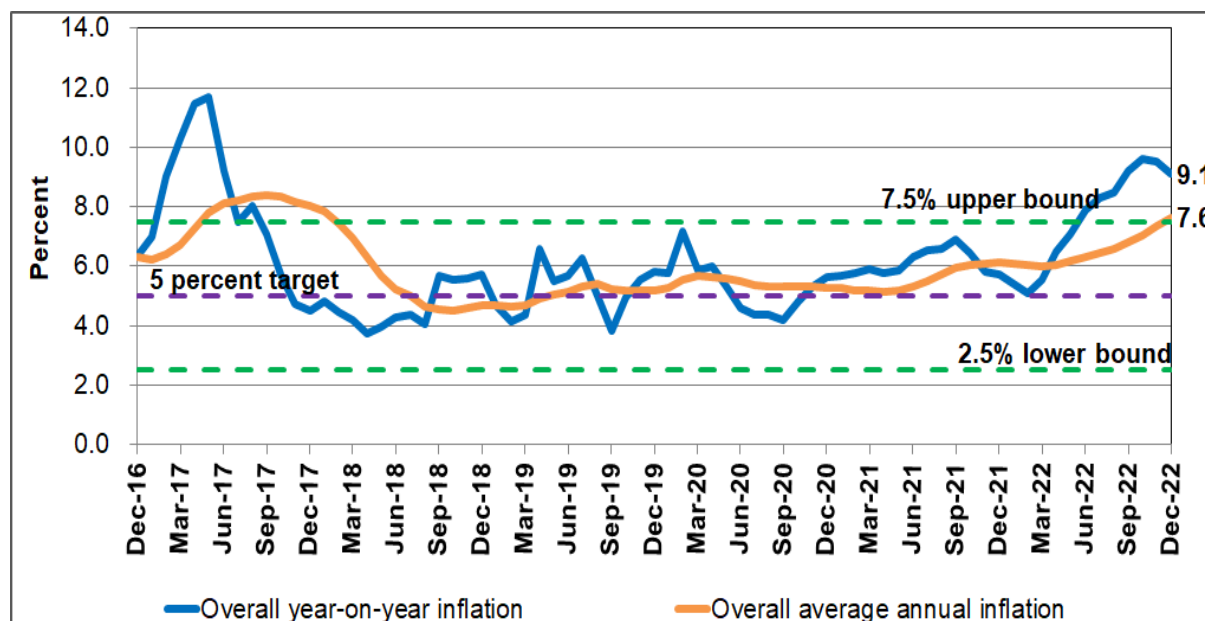
1.2 Inflation

9. The year-on-year inflation rate eased for the second consecutive month in December 2022 but was still above the 7.5 percent upper bound of the policy target range. Inflation rate eased to 9.1 percent in December 2022 from 9.5 percent in November 2022 due to a decline in food prices as a result of favorable rains and declining international prices of edible oils. However, this inflation rate was higher than the 5.7 percent recorded in December 2021. Overall annual average inflation increased to 7.6 percent in December 2022 compared to the

RECENT ECONOMIC DEVELOPMENTS

6.1 percent recorded in December 2021 due to relatively higher international food and fuel prices. (Chart 2a).

Chart 2a: Inflation Rate

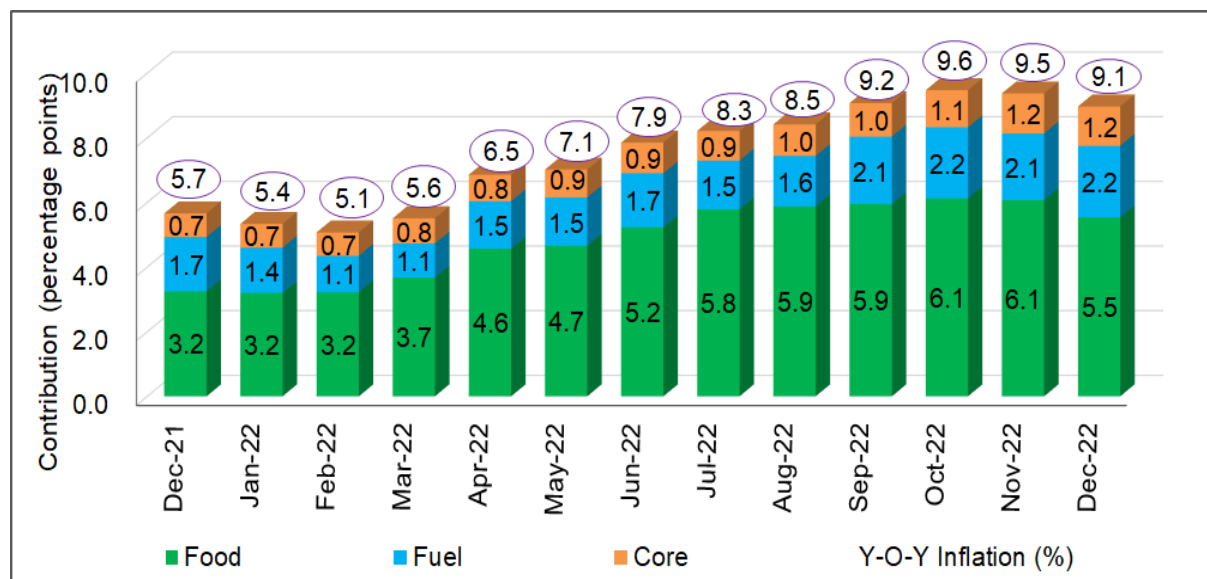


Source of Data: Kenya National Bureau of Statistics

10. Food inflation remained the main driver of overall year-on-year inflation in December 2022, contributing 5.5 percentage points, an increase, compared to a contribution of 3.2 percentage points in December 2021 (Chart 2b). The increase was mainly attributed to unfavorable weather conditions and supply constraints of key food items particularly maize grain (loose), fortified maize flour, cooking oil (salad), cabbages, beef with bones and mangoes.

11. Fuel inflation also increased to contribute 2.2 percentage points to year-on-year overall inflation in December 2022 from a contribution of 1.7 percentage points in December 2021. This was mainly driven by increases in electricity prices due to higher tariffs and increased prices of kerosene/paraffin, diesel and petrol on account of higher international oil prices. The contribution of core (non-food non-fuel) inflation to year-on-year overall inflation has been low and stable, consistent with the muted demand pressures in the economy, supported by prudent monetary policy.

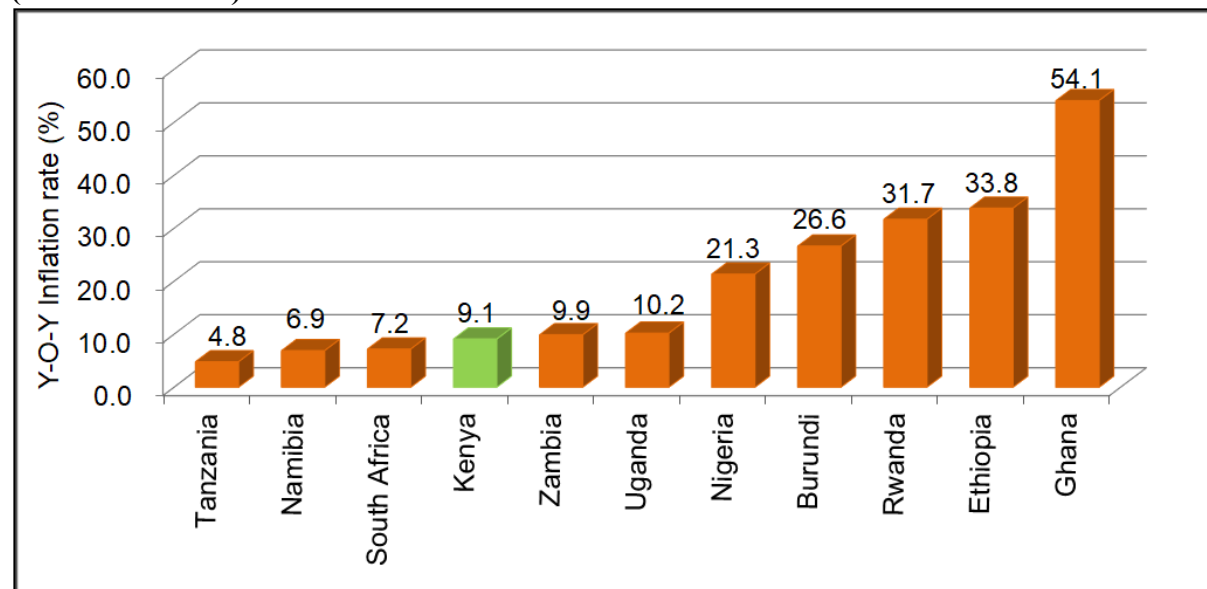
Chart 2b: Contribution to Overall Year-on-Year Inflation



Source of Data: Kenya National Bureau of Statistics

12. While inflation has been rising and remains high in most economies, Kenya’s inflation rate at 9.1 percent in December 2022 is much lower than that of some countries in the Sub-Saharan African region that have double digits’ inflation (**Chart 2c**).

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



Source of Data: National Central Banks

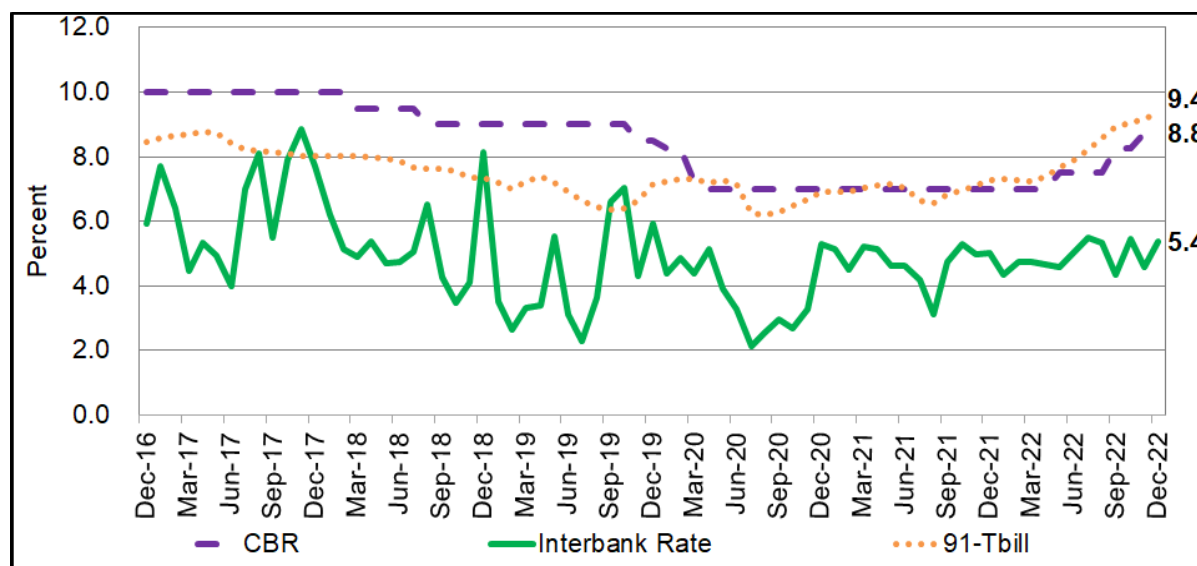
1.3 Interest Rates

13. Monetary policy stance remains tight to anchor inflation expectations due to the sustained inflationary pressures, the elevated global risks, and their potential impact on the domestic economy. In this regard, the Central Bank Rate was raised from 8.25 percent to 8.75 percent in November 2022 (**Chart 3**). The interbank rate remained stable at 5.4 percent in December 2022 compared to 5.0 percent in December 2021 while the 91-day Treasury Bills

RECENT ECONOMIC DEVELOPMENTS

rate increased to 9.4 percent in December 2022 compared to 7.3 percent in December 2021 due to tight liquidity conditions.

Chart 3: Short-Term Interest Rates



Source of Data: Central Bank of Kenya

14. Commercial banks' lending rates slightly increased in November 2022 supported by the prevailing monetary policy stance during the period. The average lending rate was at 12.6 percent in November 2022 from 12.1 percent in November 2021 while the average deposit rate increased to 7.1 percent from 6.4 percent over the same period. Consequently, the average interest rate spread declined to 5.5 percent in November 2022 from 5.7 percent in November 2021.

1.4 Money and Credit

15. Broad money supply, M3, grew by 7.2 percent in the year to December 2022 compared to a growth of 6.1 percent in the year to December 2021 (**Table 2**). The growth in December 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 December 2022 contracted by 51.9 percent, compared to a contraction of 21.0 percent in the year to December 2021. The decline in NFA partly reflected a reduction in reserves at the Central Bank due to scheduled debt service, and the increase in commercial bank's borrowing from foreign sources.

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

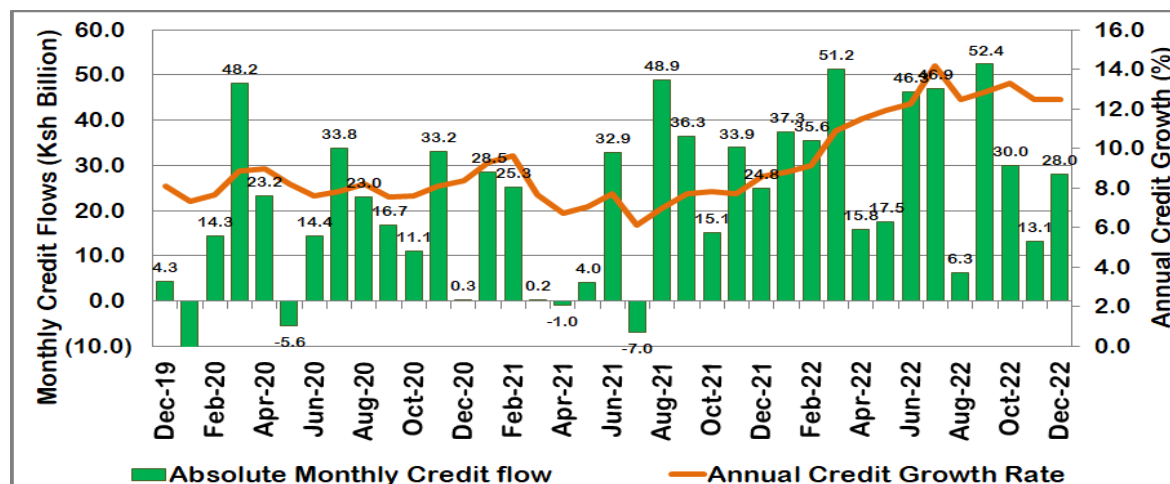
				Change		Percent Change	
	2020 December	2021 December	2022 December	2020-2021 December	2021-2022 December	2020-2021 December	2021-2022 December
COMPONENTS OF M3							
1. Money supply, M1 (1.1+1.2+1.3)	1,720.1	1,848.1	1,971.1	128.0	123.0	7.4	6.7
1.1 currency outside banks (M0)	233.7	253.5	260.8	19.8	7.3	8.5	2.9
1.2 Demand deposits	1,385.8	1,498.3	1,605.0	112.5	106.8	8.1	7.1
1.3 Other deposits at CBK	100.7	96.3	105.3	(4.3)	9.0	(4.3)	9.3
2. Money supply, M2 (1+2.1)	3,250.2	3,431.6	3,617.5	181.3	185.9	5.6	5.4
2.1 Time and savings deposits	1,530.1	1,583.5	1,646.4	53.4	62.9	3.5	4.0
Money supply, M3 (2+3.1)	3,990.9	4,235.2	4,538.5	244.3	303.3	6.1	7.2
3.1 Foreign currency deposits	740.7	803.7	921.1	63.0	117.4	8.5	14.6
SOURCES OF M3							
1. Net foreign assets (1.1+1.2)	746.9	590.1	283.9	(156.9)	(306.1)	(21.0)	(51.9)
1.1 Central Bank	738.5	700.6	537.8	(37.9)	(162.7)	(5.1)	(23.2)
1.2 Banking Institutions	8.5	(110.5)	(253.9)	(118.9)	(143.4)	(1,406.7)	(129.8)
2. Net domestic assets (2.1+2.2)	3,244.0	3,645.1	4,254.6	401.2	609.4	12.4	16.7
2.1 Domestic credit (2.1.1+2.1.2+2.1.3)	4,245.8	4,876.9	5,439.7	631.1	562.8	14.9	11.5
2.1.1 Government (net)	1,343.3	1,723.6	1,924.3	380.3	200.7	28.3	11.6
2.1.2 Other public sector	91.2	100.1	81.9	8.9	(18.2)	9.8	(18.2)
2.1.3 Private sector	2,811.3	3,053.2	3,433.5	241.9	380.4	8.6	12.5
2.2 Other assets net	(1,001.8)	(1,231.8)	(1,185.2)	(229.9)	46.6	(23.0)	3.8

Source of Data: Central Bank of Kenya

16. Net Domestic Assets (NDA) registered a growth of 16.7 percent in the year to December 2022, an improvement compared to a growth of 12.4 percent over a similar period in 2021. The growth in NDA was mainly supported by resilient growth in credit to the private sector as business activities improved. Growth of domestic credit extended by the banking system to the Government declined to 11.6 percent in the year to December 2022 compared to a growth of 28.3 percent in the year to December 2021. Lending to other public sector also declined during the period, mainly due to repayments by county governments and parastatals.

17. Private sector credit improved to a growth of 12.5 percent in the 12 months to December 2022 compared to a growth of 8.6 percent in the year to December 2021 (**Chart 4**). The improvement was due to the fact that all economic sectors registered positive growth rates reflecting increased credit demand following improved economic activities. Strong credit growth was observed in the following sectors: mining, transport and communication, agriculture, manufacturing, business services, trade, and consumer durables. Monthly (month on month) credit flows to the private sector also improved from KSh. 24.8 billion in December 2021 to KSh. 28.0 billion in December 2022.

Chart 4: Private Sector Credit

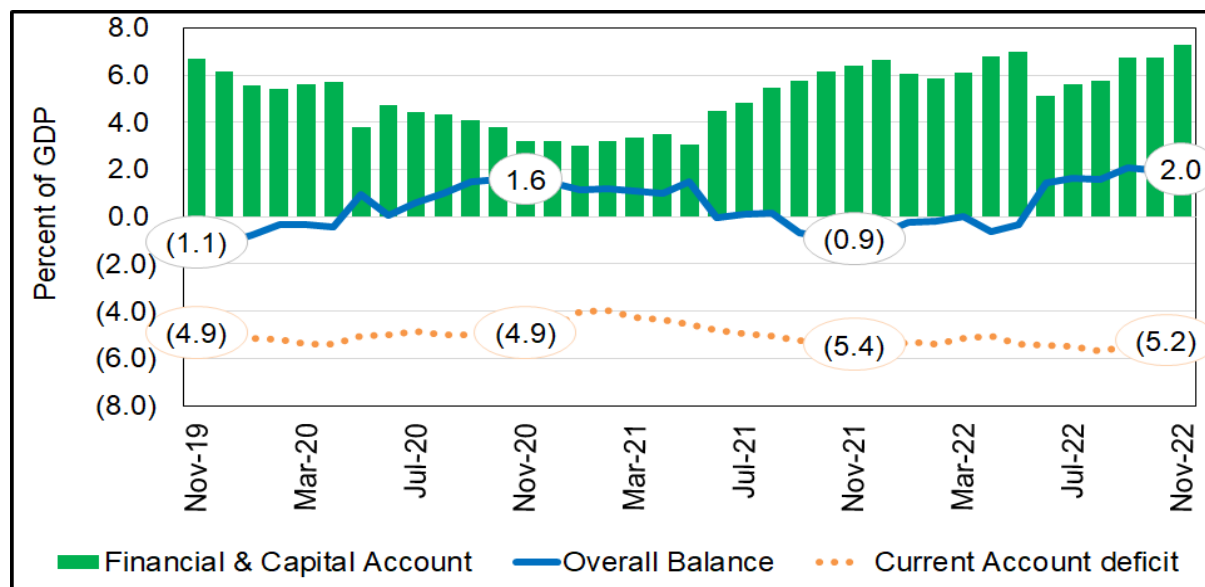


Source of Data: Central Bank of Kenya

1.5 Balance of Payments

18. The overall balance of payments position improved to a surplus of USD 2,245.4 million (2.0 percent of GDP) in November 2022 from a deficit of USD 976.8 million (0.9 percent of GDP) in November 2021 (Chart 5). This was mainly due to an improvement in the capital account despite a decline in the merchandise account reflecting increased imports of petroleum products owing to high international oil prices.

Chart 5: Performance of Balance of Payments and its Components



Source of Data: Central Bank of Kenya

19. The current account deficit was generally stable at USD 5,771.0 million (5.2 percent of GDP) in November 2022 compared to USD 5,811.6 million (5.4 percent of GDP) in November 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.

RECENT ECONOMIC DEVELOPMENTS

20. The balance in the merchandise account declined by USD 1,238.0 million to a deficit of USD 12,186.7 million in November 2022 mainly due to increased payments on imports in spite of an improvement in the export earnings (**Table 3**). In the year to November 2022, exports grew by 12.4 percent primarily driven by improved receipts from tea and manufactured goods despite a decline in receipts from horticulture. The increase in receipts from tea exports reflects improved prices attributed to demand from traditional markets. On the other hand, imports of goods increased by 11.7 percent in the year to November 2022 mainly due to increases in imports of oil and other intermediate goods.

Table 3: Balance of Payments (USD Million)

				Year to November 2022		Percent of GDP	
	Nov-20	Nov-21	Nov-22	Change	Percent Change	Nov-21	Nov-22
Overall Balance	1,565.4	(976.8)	2,245.4	3,222.2	329.9	(0.9)	2.0
A) Current Account	(4,780.7)	(5,811.6)	(5,771.0)	40.6	0.7	(5.4)	(5.2)
<i>Merchandise Account (a-b)</i>	(8,597.5)	(10,948.8)	(12,186.7)	(1,238.0)	(11.3)	(10.2)	(11.0)
a) Goods: exports	5,961.7	6,661.9	7,490.9	829.0	12.4	6.2	6.8
b) Goods: imports	14,559.2	17,610.7	19,677.6	2,066.9	11.7	16.4	17.8
<i>Net Services (c-d)</i>	364.1	574.4	1,678.7	1,104.3	192.3	0.5	1.5
c) Services: credit	3,784.0	4,594.7	6,776.7	2,182.0	47.5	4.3	6.1
d) Services: debit	3,419.9	4,020.3	5,098.0	1,077.7	26.8	3.7	4.6
<i>Net Primary Income (e-f)</i>	(1,508.0)	(1,449.8)	(1,692.8)	(243.0)	(16.8)	(1.3)	(1.5)
e) Primary income: credit	151.4	130.8	95.3	(35.5)	(27.1)	0.1	0.1
f) Primary income: debit	1,659.4	1,580.6	1,788.1	207.5	13.1	1.5	1.6
<i>Net Secondary Income</i>	4,960.7	6,012.6	6,429.8	417.3	6.9	5.6	5.8
g) Secondary income: credit	5,028.2	6,129.9	6,504.9	374.9	6.1	5.7	5.9
h) Secondary income: debit	67.5	117.4	75.1	(42.3)	(36.1)	0.1	0.1
B) Capital Account	123.3	196.1	1,386.3	1,190.2	607.0	0.2	1.3
C) Financial Account	(3,012.2)	(6,696.3)	(6,635.1)	61.2	0.9	(6.2)	(6.0)

Source of Data: Central Bank of Kenya

21. Net receipts on the services account improved by USD 1,104.3 million to USD 1,678.7 million in November 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 417.3 million during the review period owing to an increase in remittances. The balance on the primary account widened by USD 243.0 million to a deficit of USD 1,692.8 million in November 2022, from a deficit of USD 1,449.8 million in the same period last year, reflecting higher interest related payments on other investments.

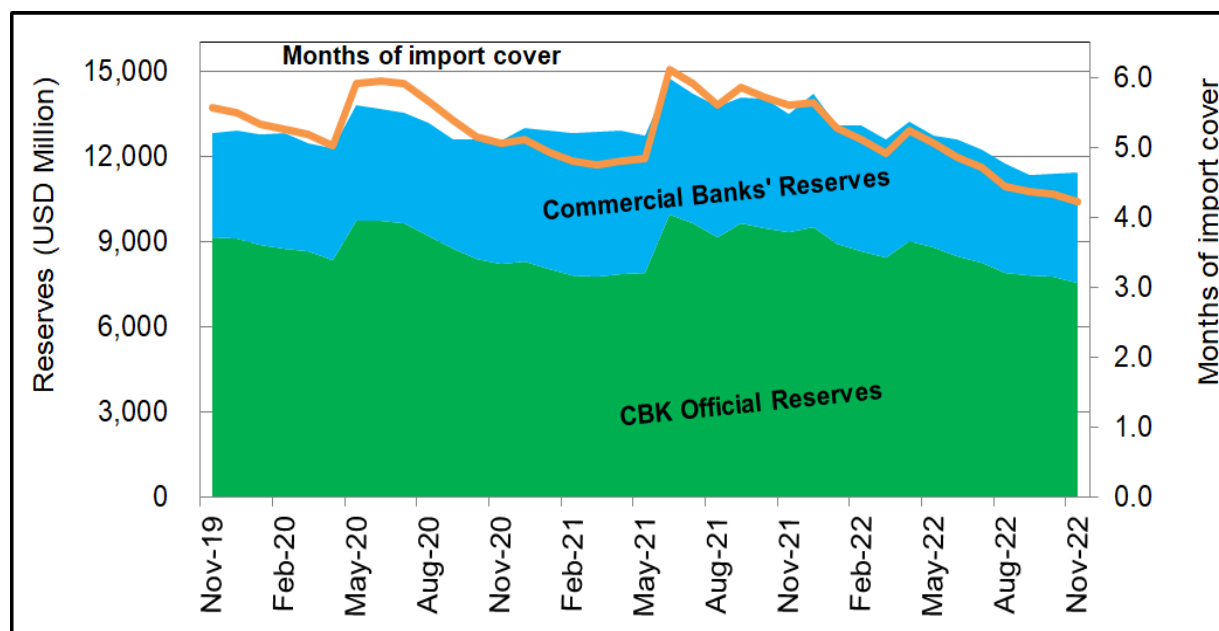
22. The capital account balance improved by USD 1,190.2 million to register a surplus of USD 1,386.3 million in November 2022 compared to a surplus of USD 196.1 million in the same period in 2021. Net financial inflows remained vibrant at USD 6,635.1 million in November 2022 compared to USD 6,696.3 million in November 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

23. The banking system’s foreign exchange holdings remained strong at USD 11,407.7 million in November 2022 from USD 13,503.0 million in November 2021. The official foreign exchange reserves held by the Central Bank stood at USD 7,548.8 million compared to USD 9,306.3 million over the same period (**Chart 6**). Commercial banks holdings decreased to USD 3,859.2 million in November 2022 from USD 4,196.8 million in November 2021.

24. The official reserves held by the Central Bank in November 2022 represented 4.2 months of import cover as compared to the 5.6 months of import cover in November 2021. It, therefore, fulfilled the requirement to maintain it at a minimum of 4.0 months of imports cover to provide adequate buffer against short term shocks in the foreign exchange market.

Chart 6: Foreign Exchange Reserves by November 2022

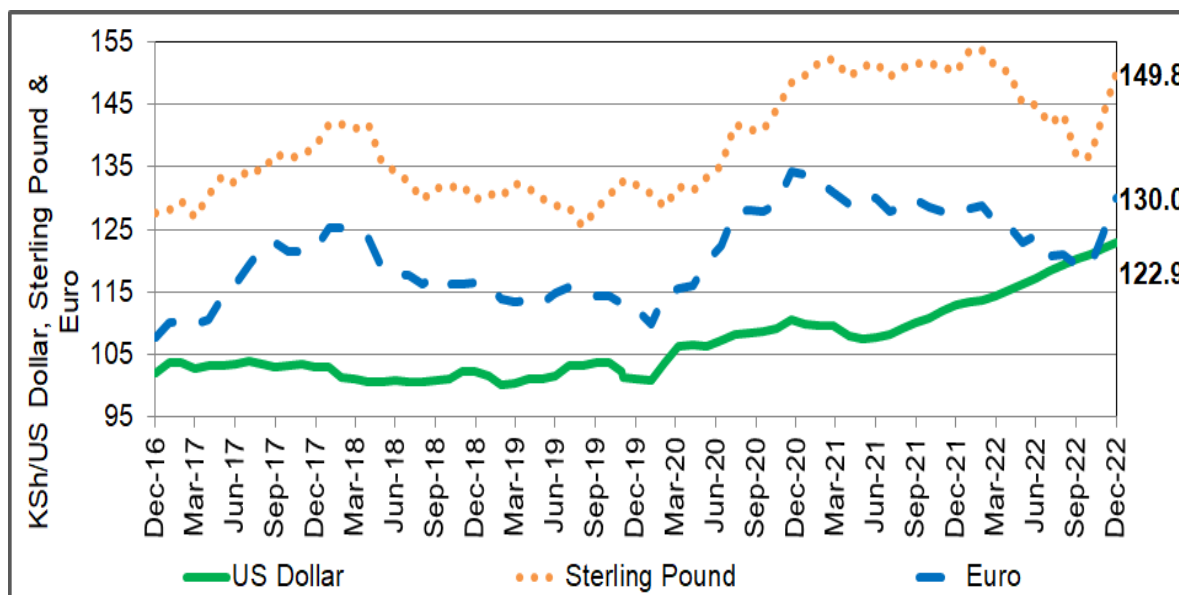


Source of Data: Central Bank of Kenya

1.7 Exchange Rates

25. The foreign exchange market has largely remained stable despite the tight global financial conditions attributed to strengthening of the US Dollar and uncertainties regarding the ongoing Russian-Ukraine conflict. Due to the strong dollar, the exchange rate to the Kenya shilling like with all world currencies has weakened to exchange at KSh. 122.9 in December 2022 compared to KSh. 112.9 in December 2021. Against the Euro, the Kenya shilling also weakened to KSh. 130.0 from KSh. 127.6 over the same period. The Kenyan Shilling strengthened against the Sterling Pound to exchange at KSh. 149.8 in December 2022 from KSh. 150.2 in December 2021(**Chart 7a**).

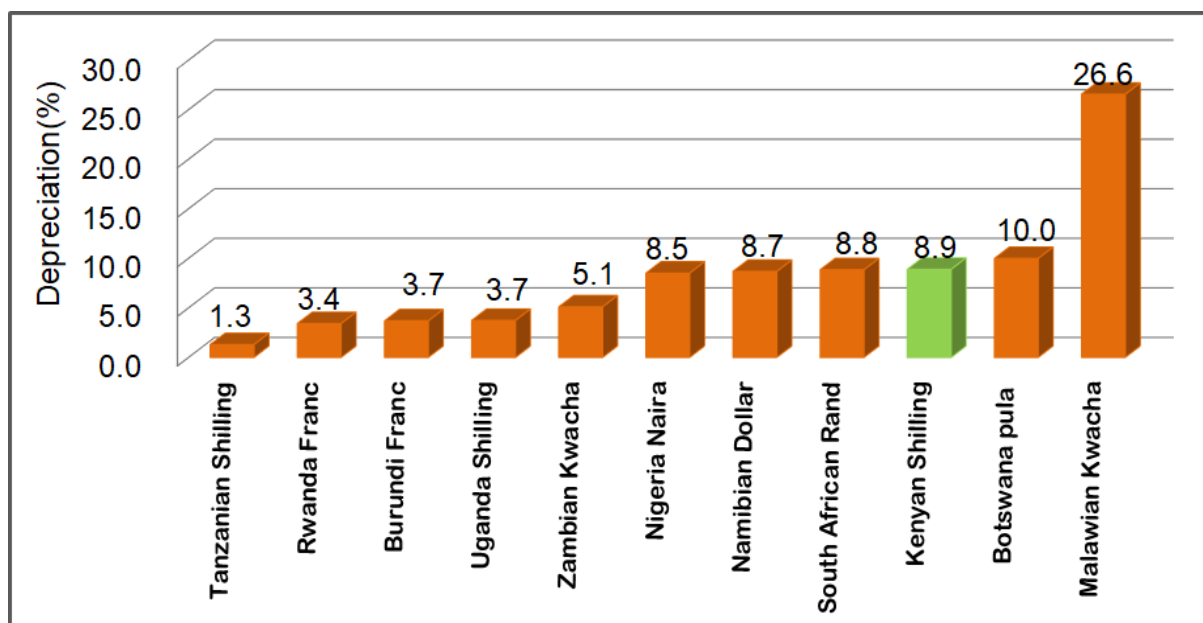
Chart 7a: Kenya Shilling Exchange Rate



Source of Data: Central Bank of Kenya

26. In comparison to Sub-Saharan Africa currencies, the volatility of the Kenya Shilling exchange rate has remained relatively low, depreciating at a rate of 8.9 percent against the US Dollar in December 2022 (Chart 7b). The depreciation rate of the Kenya Shilling was lower than that of Botswana pula and Malawi Kwacha. The stability in the Kenya Shilling was supported by increased remittances, adequate foreign exchange reserves and improved exports receipts.

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



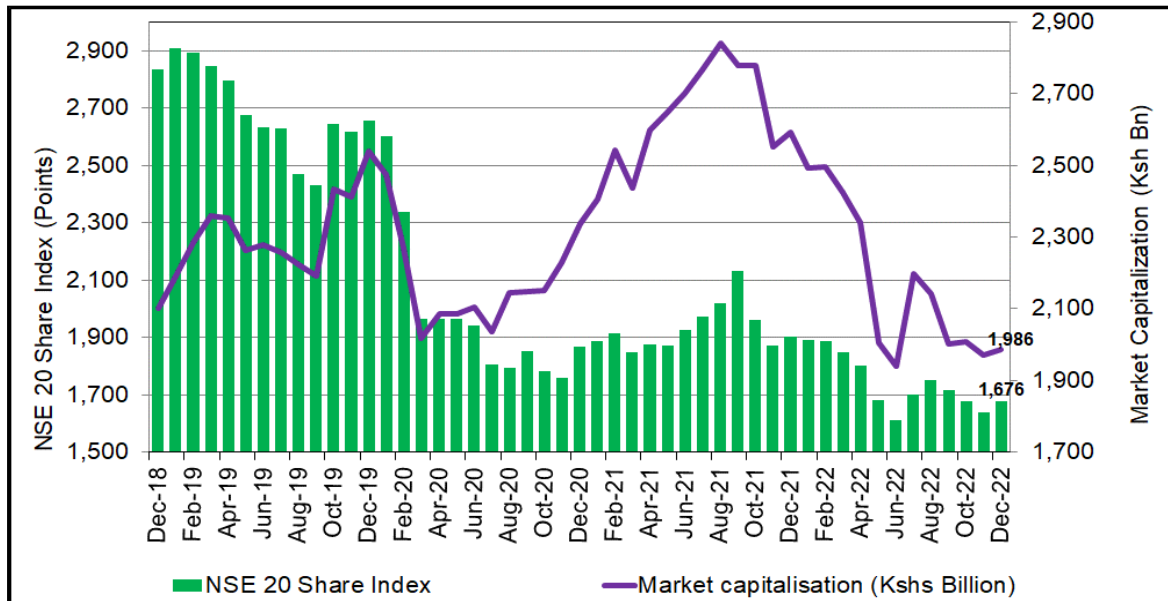
Source of Data: National Central Banks

RECENT ECONOMIC DEVELOPMENTS

1.8 Capital Markets

27. Activity in the capital markets slowed down in December 2022 compared to December 2021 due to the outflow of investors as advanced economies tightened their monetary policy amid recession fears. The NSE 20 Share Index declined to 1,676 points in December 2022 compared to 1,903 points in December 2021 while Market capitalization also declined to KSh. 1,986 billion from KSh. 2,593 billion over the same period (**Chart 8**).

Chart 8: Performance at the Nairobi Security Exchange (NSE) by end December 2022



Source of Data: Nairobi Securities Exchange

2.0 FISCAL DEVELOPMENTS

2.1 Revenue

28. By the end of December, 2022, total revenue collected including A-I-A amounted to KSh. 1,147 billion against a target of KSh. 1,158.2 billion (**Table 4**). The revenue collection was below the set target by KSh. 11.2 billion on account of shortfall in ordinary revenue. The total revenue inclusive of the ministerial A-I-A recorded a growth of 11.1 percent compared to a growth of 27.3 percent recorded in period ending December 2021. Ordinary revenue collection was KSh. 985 billion against a target of KSh. 1,028.1 billion, KSh. 43.2 billion below the target. All ordinary revenue categories recorded below target performance during the period under review except VAT on imports, import declaration fees and other revenue which overperformed by KSh. 4.1 billion, KSh. 10.4 billion and KSh. 5.3 billion respectively (**Chart 9**).

29. The ministerial A-I-A collected amounted to KSh. 162.1 billion against a target of KSh. 130.1 billion, KSh. 32 billion above the target. The good performance of A-I-A was mainly due to timely reporting of SAGAs' A.I.A through the expenditure returns for the period under review. The Railway Development Levy collection amounted to KSh. 20.1 billion against a target of KSh. 16.6 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, 2022 (KSh. Millions)

	2021/2022 Actual	2022/2023		Deviation KSh.	% Growth
		Actual*	Target		
Total Revenue (a+b)	1,032,163	1,147,034	1,158,219	(11,186)	11.1
(a) Ordinary Revenue	902,460	984,965	1,028,139	(43,173)	9.1
Import Duty	56,781	67,096	68,642	(1,546)	18.2
Excise Duty	123,676	130,340	139,030	(8,690)	5.4
PAYE	219,651	230,875	242,672	(11,797)	5.1
Other Income Tax	186,665	220,882	239,025	(18,142)	18.3
VAT Local	120,071	127,229	144,148	(16,919)	6.0
VAT Imports	129,315	136,952	132,861	4,091	5.9
Investment Revenue	19,665	14,627	20,551	(5,924)	(25.6)
Traffic Revenue	2,260	2,191	2,133	58	(3.0)
Taxes on Intl. Trade & Trans.(IDF Fee)	22,955	27,424	17,051	10,373	19.5
Others ¹	21,420	27,349	22,026	5,323	27.7
(b) Appropriation In Aid²	129,703	162,068	130,081	31,988	25.0
o/w Railway Development Levy	16,877	20,071	16,573	3,498	18.9
(c) External Grants	11,985	4,292	5,640	(1,348)	(64.2)
Total Revenue and External Grants	1,044,148	1,151,326	1,163,860	(12,534)	10.3
Total Revenue and External Grants as a percentage of GDP	8.27	8.22	8.31	-	-

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

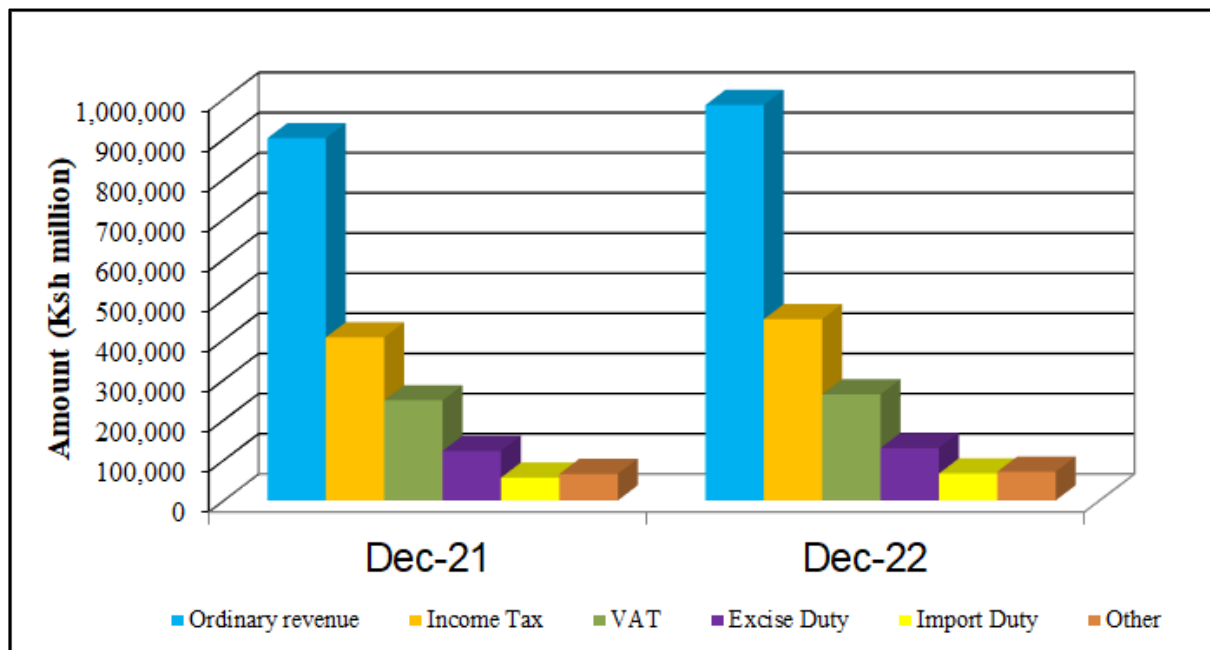
*Provisional

Source of Data: National Treasury

FISCAL DEVELOPMENTS

30. As a proportion of GDP, the total revenue and grants in the period under review was 8.2 percent compared to 8.3 percent in the corresponding period in the FY 2021/22. Total grants amounted to KSh. 4.3 billion against a target of KSh. 5.6 billion, which is an under performance of KSh. 1.3 billion.

Chart 9: Ordinary Revenue by Source, Period Ending 31st December, 2022



Source of Data: National Treasury

2.2 Expenditure

31. The total expenditure and net lending for the period under review amounted to KSh. 1,468.8 billion, against a target of KSh. 1,448.9 billion. The resultant above target expenditure of KSh. 19.9 billion is attributed to above target absorption recorded in recurrent expenditures (including A-I-A) by the National Government while development and County Governments transfers were below their respective targets. Recurrent expenditure for National Government amounted to KSh. 1,096.3 billion (excluding KSh. 25.2 billion for Parliament and Judiciary), against a target of KSh. 982.0 billion which was KSh. 114.3 billion above the set target. The over expenditure in recurrent category was mainly due to higher than targeted operations and maintenance expenditures (**Table 5 and Chart 10**).

FISCAL DEVELOPMENTS

Table 5: Expenditure and Net Lending, Period Ending 31st December, 2022 (KSh. Millions)

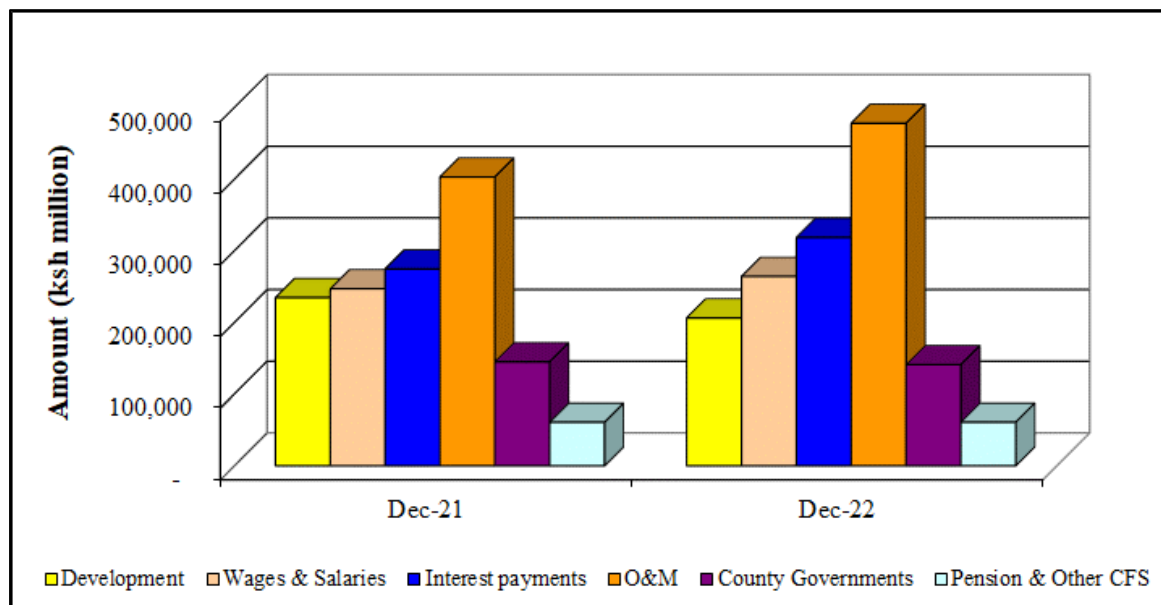
	2021/2022 Actual	2022/2023		Deviation	% Growth
		Actual*	Targets		
1. RECURRENT	963,077	1,096,253	982,014	114,239	13.8
Domestic Interest	217,282	251,561	253,857	(2,296)	15.8
Foreign Interest	57,296	67,022	68,859	(1,837)	17.0
Pensions & Other CFS	60,725	60,753	75,277	(14,524)	0.0
Contribution to Civil Servants' Pension	16,569	20,666	12,938	7,728	24.7
Wages and Salaries	246,981	264,227	268,578	(4,351)	7.0
Operation and Maintenance	364,224	432,024	302,505	129,519	18.6
O/W: Appropriation-in-Aid	86,489	122,356	84,281	38,076	41.5
2. DEVELOPMENT	234,689	206,296	234,692	(28,396)	(12.1)
Development Projects (Net)	196,999	163,765	188,763	(24,998)	(16.9)
Payment of Guaranteed Loans	-	2,819	1,132	1,687	-
Appropriation-in-Aid	37,690	39,712	41,263	(1,551)	5.4
3. County Governments	144,983	141,088	197,662	(56,574)	(2.7)
4. Parliamentary Service	15,671	16,963	24,078	(7,115)	8.2
5. Judicial Service	6,459	8,216	8,492	(276)	27.2
6. Equalization Fund	-	-	3,534	(3,534)	-
7. CF	-	-	2,000	(2,000)	-
TOTAL EXPENDITURE	1,364,879	1,468,815	1,448,938	19,877	7.6

*Provisional

Source of Data: National Treasury

32. Foreign interest payments amounted to KSh. 67 billion, higher than KSh. 57.3 billion paid over the same period in the FY2021/22. The domestic interest payments amounted to KSh. 251.6 billion, which was higher than the KSh. 217.3 billion paid in the corresponding period in the previous FY. 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, 2022



Source of Data: National Treasury

2.2.1 National Government Expenditures by Public Agencies

33. The total ministerial and other public agencies expenditure including A.I.A was KSh. 911.4 billion against a target of KSh. 1,065.7 billion. Recurrent expenditure was KSh. 721.4 billion against a target of KSh. 702 billion, while development expenditure amounted to KSh. 189.9 billion against a target of KSh. 363.7 billion. The percentage of total expenditures to the target was 85.5 percent while the percentage of total expenditures to the target for recurrent and development were 102.8 percent and 52.2 percent respectively, as at the end of the period under review. The discrepancy between actual and target expenditures was partly due to the non-capture of the parastatals and some other government entities expenditures. These ministerial expenditures are therefore, provisional.

34. As at 31st December, 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, State Department for Post Training and Skills Development; State Department for Implementation of Curriculum Reforms and the Ministry of Health (Social Sector) accounted for 41.0 percent of total recurrent expenditure. In addition, Ministry of Defence and the State Department for Interior and Citizen Services accounted for 8.2 percent and 9.1 percent of total recurrent expenditure respectively.

35. Analysis of development outlay indicates that the State Department for infrastructure accounted for the largest share of the total development expenditure (21.4 percent), followed by the National Treasury (20.1 percent), Ministry of water, Sanitation and irrigation (13.4 percent) and Ministry of Health (6 percent). The expenditures by large Ministries/State Departments were below target because of under reporting of expenditure from the sub-national, parastatals and some donor funded projects. **Table 6** shows the recurrent and development expenditures by Ministries, State Departments and other government entities for the period under review.

FISCAL DEVELOPMENTS

Table 6: National Government Expenditures by Public Agencies, Period Ending 31st December, 2022 (KSh. Millions)

MINISTRY/DEPARTMENT/COMMISSIONS	Dec-22			Dec-22			Dec-22			% of Total Exp. To Target
	Recurrent			Development			Total			
	Actual*	Target	Variance	Actual*	Target	Variance	Actual*	Target	Variance	
Executive Office of the President	13,586	8,542	5,044	2,583	2,992	(409)	16,168	11,533	4,635	140.2
State Department for Interior and Citizen Services	65,767	68,377	(2,609)	3,423	3,389	34	69,191	71,766	(2,575)	96.4
State Department for Correctional Services	11,571	15,527	(3,956)	17	583	(566)	11,587	16,109	(4,522)	71.9
State Department for Devolution	559	722	(163)	29	149	(119)	588	871	(283)	67.5
State Department for Development of the ASAL	452	530	(78)	3,386	4,680	(1,294)	3,838	5,210	(1,372)	73.7
Ministry of Defence	58,828	64,108	(5,279)	838	1,734	(897)	59,666	65,842	(6,176)	90.6
Ministry of Foreign Affairs	4,639	8,618	(3,980)	1,070	898	172	5,709	9,516	(3,808)	60.0
State Department for Vocational and Technical Training	10,235	9,550	684	975	2,915	(1,940)	11,210	12,465	(1,255)	89.9
State Department for University Education	56,016	51,429	4,587	1,946	3,490	(1,545)	57,961	54,919	3,042	105.5
State Department for Early Learning & Basic Education	47,611	47,651	(40)	5,346	7,690	(2,344)	52,957	55,341	(2,384)	95.7
State Department for Post Training and Skills Development	96	142	(46)	-	-	-	96	142	(46)	67.8
State Department for Implementation of Curriculum Reforms	146	170	(23)	-	-	-	146	170	(23)	86.2
The National Treasury	27,278	26,923	355	38,208	60,276	(22,068)	65,485	87,198	(21,713)	75.1
State Department for Planning	1,738	1,978	(240)	4,166	22,565	(18,400)	5,904	24,543	(18,639)	24.1
Ministry of Health	38,620	34,252	4,368	11,298	27,008	(15,710)	49,919	61,260	(11,341)	81.5
State Department for Infrastructure	37,275	34,739	2,536	40,608	75,908	(35,300)	77,883	110,647	(32,764)	70.4
State Department for Transport	3,526	4,811	(1,285)	23	675	(652)	3,549	5,486	(1,937)	64.7
State Department for Shipping and Maritime	1,676	1,091	585	1	589	(588)	1,676	1,680	(4)	99.8
State Department for Housing & Urban Development	499	671	(172)	3,403	9,510	(6,107)	3,902	10,181	(6,279)	38.3
State Department for Public Works	2,405	1,692	713	132	655	(523)	2,537	2,347	190	108.1
Ministry of Environment and Forestry	5,990	5,308	682	1,298	2,320	(1,021)	7,289	7,628	(339)	95.6
Ministry of Water & Sanitation and Irrigation	2,851	3,374	(523)	25,350	38,595	(13,244)	28,201	41,968	(13,768)	67.2
Ministry of Lands and Physical Planning	1,429	1,653	(225)	803	1,311	(508)	2,232	2,964	(733)	75.3
State Department for Information Communication Technology & Innovation	1,210	1,134	76	2,544	8,493	(5,949)	3,755	9,627	(5,872)	39.0
State Department for Broadcasting & Telecommunications	2,961	3,345	(384)	376	409	(32)	3,338	3,754	(416)	88.9
State Department for Sports	792	771	20	3,479	7,942	(4,463)	4,270	8,713	(4,443)	49.0
State Department for Culture and Heritage	1,357	1,577	(220)	-	39	(39)	1,357	1,616	(259)	84.0
Ministry of Energy	3,087	7,348	(4,261)	10,493	40,486	(29,993)	13,579	47,834	(34,255)	28.4
State Department for Livestock	1,225	1,795	(570)	290	1,809	(1,519)	1,515	3,604	(2,088)	42.0
State Department for Fisheries, Aquaculture & the Blue Economy	1,132	1,196	(64)	1,821	4,053	(2,232)	2,954	5,249	(2,295)	56.3
State Department for Crop Development & Agricultural Research	11,397	7,232	4,165	9,257	13,521	(4,264)	20,654	20,753	(99)	99.5
State Department for Cooperatives	2,432	920	1,512	8,425	6,311	2,113	10,857	7,231	3,626	150.1
State Department for Trade and Enterprise Development	1,045	1,257	(213)	66	743	(677)	1,111	2,001	(890)	55.5
State Department for Industrialization	1,792	1,812	(21)	541	1,751	(1,210)	2,332	3,563	(1,231)	65.5
State Department for Labour	1,384	1,456	(72)	43	286	(244)	1,426	1,742	(315)	81.9
State Department for Social Protection, Pensions & Senior Citizens Affairs	13,504	15,903	(2,399)	555	1,435	(880)	14,060	17,338	(3,278)	81.1
Ministry of Petroleum and Mining	45,963	10,675	35,288	4,266	1,651	2,615	50,229	12,326	37,904	407.5
State Department for Tourism	2,921	4,338	(1,417)	-	176	(176)	2,921	4,514	(1,593)	64.7
State Department for Wildlife	5,395	3,582	1,813	160	411	(251)	5,555	3,993	1,563	139.1
State Department for Gender	511	600	(89)	642	1,388	(746)	1,154	1,988	(835)	58.0
State Department for Public Service	14,036	11,571	2,465	98	352	(254)	14,134	11,922	2,211	118.5
State Department for Youth Affairs	700	762	(62)	399	966	(568)	1,099	1,729	(630)	63.6
State Department for East African Community	290	384	(94)	-	-	-	290	384	(94)	75.6
State Department for Regional and Northern Corridor Development	1,759	1,747	12	299	807	(508)	2,058	2,554	(496)	80.6
State Law Office and Department of Justice	2,289	2,590	(300)	28	112	(84)	2,318	2,701	(384)	85.8
The Judiciary	7,945	8,199	(253)	-	950	(950)	7,945	9,149	(1,203)	86.8
Ethics and Anti-Corruption Commission	1,710	1,710	(0)	13	79	(66)	1,723	1,789	(66)	96.3
National Intelligence Service	16,026	23,064	(7,038)	-	-	-	16,026	23,064	(7,038)	69.5
Office of the Director of Public Prosecutions	1,503	1,641	(138)	0	23	(22)	1,503	1,663	(160)	90.4
Office of the Registrar of Political Parties	966	1,063	(97)	-	-	-	966	1,063	(97)	90.8
Witness Protection Agency	313	325	(12)	-	-	-	313	325	(12)	96.4
Kenya National Commission on Human Rights	246	232	14	-	-	-	246	232	14	106.0
National Land Commission	598	734	(136)	-	45	(45)	598	779	(181)	76.7
Independent Electoral and Boundaries Commission	15,808	10,843	4,965	-	-	-	15,808	10,843	4,965	145.8
Parliamentary Service Commission	3,499	4,393	(893)	-	-	-	3,499	4,393	(893)	79.7
National Assembly	11,101	16,635	(5,534)	-	-	-	11,101	16,635	(5,534)	66.7
Parliamentary Joint Services	2,362	3,050	(688)	1,009	1,033	(24)	3,371	4,083	(711)	82.6
Judicial Service Commission	270	294	(23)	-	-	-	270	294	(23)	92.1
The Commission on Revenue Allocation	183	246	(63)	-	-	-	183	246	(63)	74.5
Public Service Commission	1,252	1,278	(26)	3	13	(11)	1,255	1,291	(36)	97.2
Salaries and Remuneration Commission	199	306	(107)	-	-	-	199	306	(107)	64.9
Teachers Service Commission	143,014	148,859	(5,845)	217	328	(111)	143,231	149,187	(5,956)	96.0
National Police Service Commission	407	515	(108)	-	-	-	407	515	(108)	79.0
Auditor General	2,903	3,254	(352)	-	195	(195)	2,903	3,449	(546)	84.2
Office of the Controller of Budget	219	351	(132)	-	-	-	219	351	(132)	62.5
The Commission on Administrative Justice	269	362	(93)	-	-	-	269	362	(93)	74.3
National Gender and Equality Commission	238	237	1	1	5	(4)	239	242	(3)	98.7
Independent Policing Oversight Authority	421	512	(91)	-	-	-	421	512	(91)	82.3
Total	721,429	701,952	19,477	189,925	363,741	(173,816)	911,354	1,065,693	(154,339)	85.5

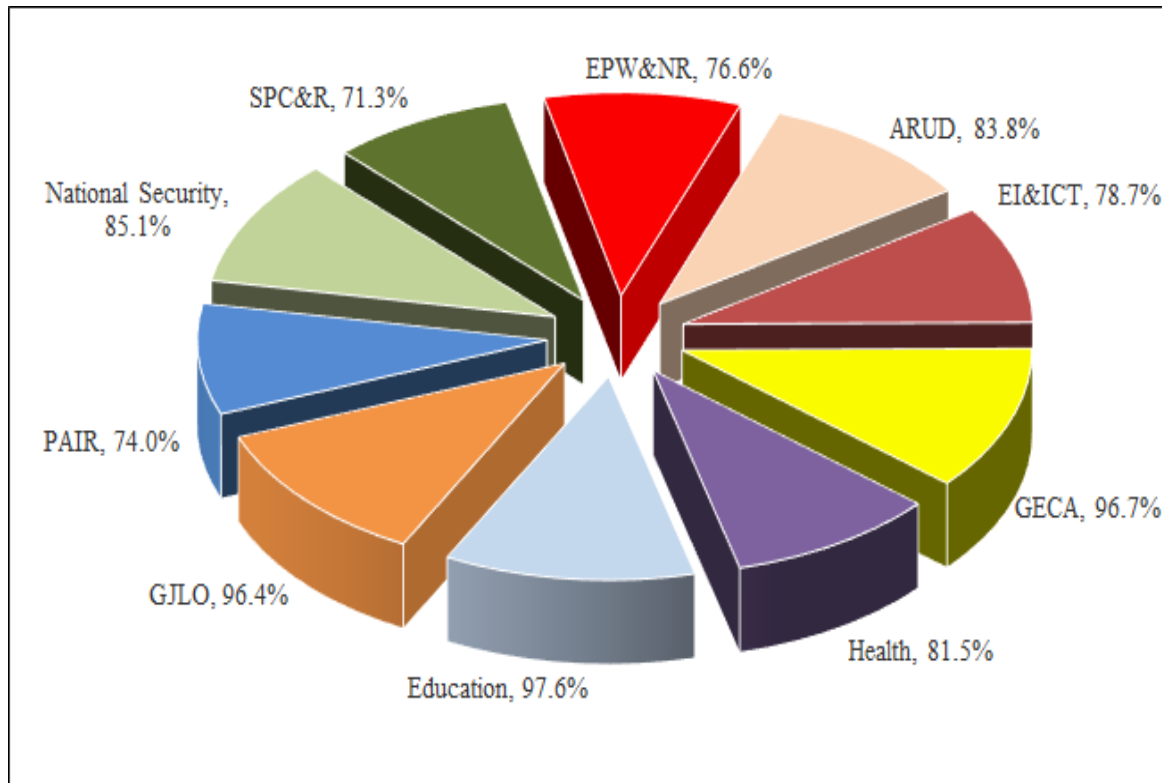
*Provisional

Source of Data: National Treasury

FISCAL DEVELOPMENTS

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

Chart 11: Sectoral Budget Absorption as at 31st December, 2022



Source of Data: National Treasury

2.2.1 Pending Bills

37. The total outstanding national government pending bills as at 31st December, 2022 amounted to KSh. 481 billion. These comprise of KSh. 400.7 billion (83.3 percent) and KSh. 80.3 billion (16.7 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 (70.6 percent) belong to Contractor/Projects and Suppliers. Ministries/State Departments and other government Agencies pending bills were mainly historical pending bills.

The National Government policy on clearance of pending bills continues to be in force. The policy requires MDAs to clear historical pending bills within the guidelines spelt out in the Gazette Notice 297 of January, 2005. Further, all MDAs should ensure that carryover payments emanating from the 2021/22 FY are treated as a first charge against the 2022/23 budgetary allocation before entering into new commitments in line with the Treasury Circular No. 04/2022.

FISCAL DEVELOPMENTS

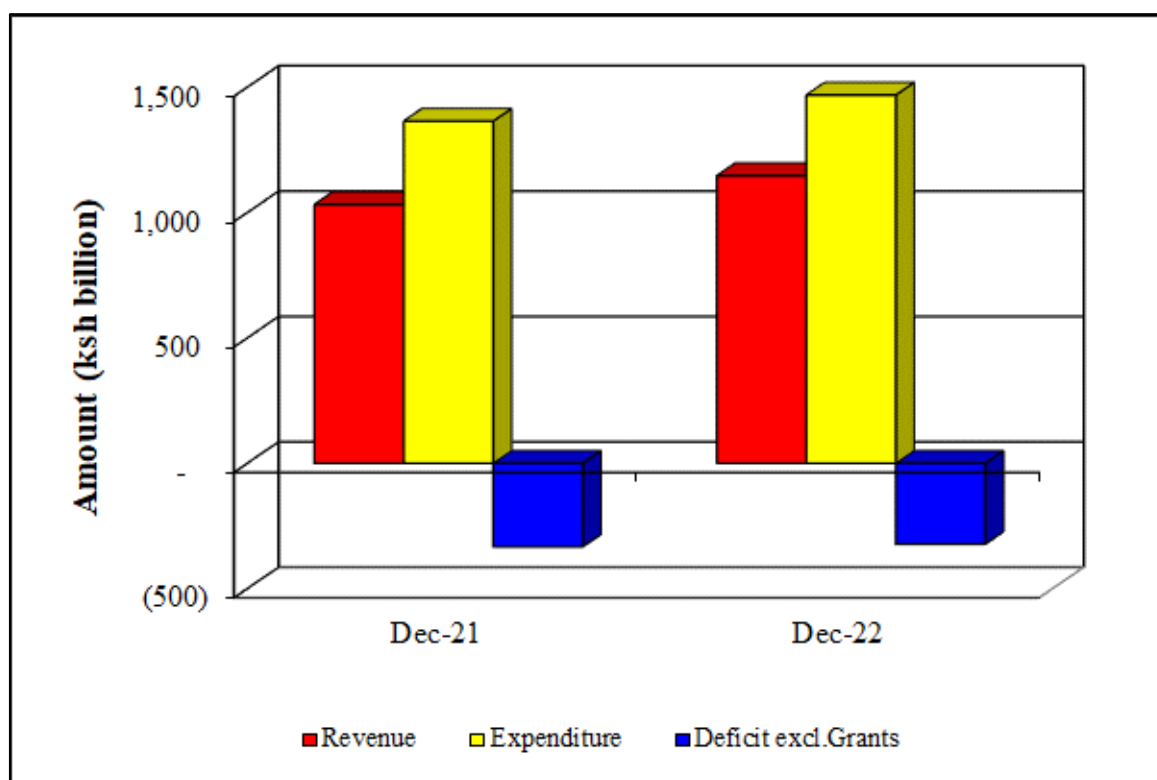
2.2.2 Guaranteed Debt Service

38. During the first half of FY 2022/23, the Government guarantee to Kenya Airways (KQ) was called as a result of non-payment of the loan principal. Following the call, the Government paid the arrears of KSh. 2.8 billion in the first half of the FY2022/23, period ending 31st December, 2022.

2.3 Fiscal Outturn

39. During the period July to December 2022, the fiscal balance (on commitment basis and excluding grants) amounted to KSh. 321.8 billion (2.3 percent of GDP) against a targeted deficit of KSh. 290.7 billion (2.1 percent of GDP) (**Chart 12 and Table 8**). The fiscal balance (on a commitment basis and including grants) stood at 2.3 percent of GDP against a target deficit of 2.0 percent of GDP.

Chart 12: Fiscal Balance as at 31st December, 2022



Source of Data: National Treasury

40. Over the same period in FY2021/22, the fiscal deficit including grants (on commitment basis) stood at KSh. 320.7 billion (2.5 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.

Table 8: Budget Outturn, Cumulative Ending 31st December, 2022 (KSh. Millions)

	2021/2022	2022/2023			% growth	2022/2023 as a % of GDP		2021/2022 Actual as a % of GDP
	Actual	Actual*	Targets	Deviation		Actual	Targets	
A. TOTAL REVENUE AND GRANTS	1,044,148	1,151,326	1,163,860	(12,534)	10.3	8.2	8.3	8.2
1. Revenue	1,032,163	1,147,034	1,158,219	(11,186)	11.1	8.2	8.3	8.1
Ordinary Revenue	902,460	984,965	1,028,139	(43,173)	9.1	7.0	7.3	7.1
Import Duty	56,781	67,096	68,642	(1,546)	18.2	0.5	0.5	0.4
Excise Duty	123,676	130,340	139,030	(8,690)	5.4	0.9	1.0	1.0
Income tax	406,317	451,757	481,696	(29,939)	11.2	3.2	3.4	3.2
VAT	249,387	264,181	277,009	(12,828)	5.9	1.9	2.0	2.0
Investment Revenue	19,665	14,627	20,551	(5,924)	(25.6)	0.1	0.1	0.2
Others	46,635	56,964	41,210	15,755	22.1	0.4	0.3	0.4
Appropriation-in-Aid	129,703	162,068	130,081	31,988	25.0	1.2	0.9	1.0
2. Grants	11,985	4,292	5,640	(1,348)	(64.2)	0.0	0.0	0.1
AMISOM Receipts	1,846	0	0	-	-	-	-	0.0
Nairobi County to NMS	4,017	0	0	-	-	-	-	-
Revenue	2,454	1,256	1,816	(560)	(48.8)	0.0	0.0	0.0
Appropriation-in-Aid	3,668	3,036	3,825	(788)	(17.2)	0.0	0.0	0.0
B. EXPENDITURE AND NET LENDING	1,364,879	1,468,815	1,448,938	19,877	7.6	10.5	10.3	10.7
1. Recurrent	985,207	1,121,431	1,014,584	106,848	13.8	8.0	7.2	7.7
Domestic Interest	217,282	251,561	253,857	(2,296)	15.8	1.8	1.8	1.7
Foreign Interest	57,296	67,022	68,859	(1,837)	17.0	0.5	0.5	0.4
Pension & Other CFS	60,725	60,753	75,277	(14,524)	0.0	0.4	0.5	0.5
Contribution to Civil Servants' Pension	16,569	20,666	12,938	7,728	-	-	-	-
Wages and Salaries	246,981	264,227	268,578	(4,351)	7.0	1.9	1.9	1.9
O & M/Others	386,355	457,202	335,074	122,128	18.3	3.3	2.4	3.0
2. Development and Net Lending	234,689	206,296	234,692	(28,396)	(12.1)	1.5	1.7	1.8
O/W Domestically financed	176,393	142,309	153,681	(11,372)	(19.3)	1.0	1.1	1.4
Foreign financed	58,295	61,168	76,345	(15,177)	4.9	0.4	0.5	0.5
3. Net Lending	0	2,819	1,132	1,687	-	-	-	-
4. Equalization Fund	0	-	3,534.2	(3,534)	-	0.0	0.0	0.0
5. County Governments	144,983	141,088	197,662	(56,574)	(2.7)	1.0	1.4	1.1
5. CF	-	-	2,000	(2,000)	-	0.0	0.0	0.0
C. DEFICIT EXCL. GRANT (Commitment basis)	(332,716)	(321,781)	(290,719)	(31,063)	(3.3)	(2.3)	(2.1)	(2.6)
D. DEFICIT INCL. GRANTS (Commitment basis)	(320,731)	(317,489)	(285,078)	(32,411)	(1.0)	(2.3)	(2.0)	(2.5)
E. ADJUSTMENT TO CASH BASIS	27,125	84,499	-	84,499	-	0.6	-	0.2
F. DEFICIT INCL. GRANTS (Cash basis)	(293,607)	(232,990)	(285,078)	52,088	(20.6)	(1.7)	(2.0)	(2.3)
<i>Discrepancy</i>	<i>18,545</i>	<i>(13,674)</i>	<i>-</i>	<i>(13,674)</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>
G. FINANCING	312,151	219,316	285,078	(65,762)	(29.7)	1.6	2.0	2.5
1. Net Foreign financing	12,866	95,170	52,113	43,057	639.7	0.7	0.4	0.1
Disbursements	92,912	206,712	172,276	34,436	122.5	1.5	1.2	0.7
Programme Loans	40,739	114,261	38,341	75,919	-	0.8	0.3	0.3
Project Cash Loans	10,971	26,801	29,906	(3,105)	144.3	0.2	0.2	0.1
Project Loans AIA	41,202	30,074	51,228	(21,154)	(27.0)	0.2	0.4	0.3
Project Loans SGR_PHASE_1&2A_AIA	0	0	0	-	-	-	-	-
Project Loans SGR_PHASE_2B_AIA	0	0	0	-	-	-	-	-
Commercial Financing	0	35,576	52,800	(17,224)	-	0	0.4	-
Debt repayment - Principal	(80,046)	(111,542)	(120,162)	8,620	39.3	(0.8)	(0.9)	(0.6)
2. Net Domestic Financing	299,285	124,146	232,965	(108,819)	(58.5)	0.9	1.7	2.3
Government Securities	340,476	181,579	230,629	(49,050)	(46.7)	1.3	1.6	2.7
Government Overdraft & Others	(7)	930	-	930	-	0.0	-	(0.0)
Movement in Government Deposits	86,222	(60,150)	-	(60,150)	-	-0.4	-	0.7
Domestic Loan Repayments (Net Receipts)	2,539	2,341	2,891	(550)	(7.8)	0.0	0.0	0.0
Domestic Loan Repayment	(555)	(555)	(555)	-	-	0.0	(0.0)	(0.0)
Other Accounts Payable	(129,389)	-	-	-	-	0.0	-	0.0
MEMO ITEM								
GDP ESTIMATE	12,736,133	14,002,452	14,002,452	-	9.9	100.0	100.0	100.0

*Provisional

Source of Data: National Treasury

FISCAL DEVELOPMENTS

2.4 Financing

2.4.1 External Financing

41. During the period ending December, 2022, net foreign financing amounted to KSh. 95.2 billion (**Table 9**). Total disbursements (inflows) including Appropriations-in-Aid amounted to KSh. 206.7 billion against a target of KSh. 172.3 billion. The actual total disbursement comprised of KSh. 93.9 billion program loans; KSh. 35.6 billion commercial financing; KSh. 30.1 billion Project Loans A.I.A; KSh. 26.8 billion Project Loans-Cash and; KSh. 20.3 billion use of IMF SDR allocation. The External repayments (outflows) of principal debt amounted to KSh. 111.5 billion. The amount comprised of principal repayments due to commercial institutions, bilateral and multilateral sources amounting to KSh. 36.9 billion, KSh. 54.1 billion and KSh. 20.5 billion respectively.

Table 9: External Financing, Period Ending 31st December, 2022 (KSh. Millions)

	Quarter 2 FY2021/22	Quarter 2 FY2022/23	
	Actual*	Actual*	Target
DISBURSEMENTS:	92,912	206,712	172,276
Project Cash loans	10,971	26,801	29,906
Project loans A-I-A	41,202	30,074	51,228
Commercial Financing	-	35,576	52,800
Use of IMF SDR Allocation	-	20,323	-
Programme Loans	40,739	93,938	38,341
EXTERNAL REPAYMENTS:	80,046	111,542	120,162
Bilateral(incl. Italy Debt SWAP)	26,714	54,133	61,508
Multilateral (excl. IMF)	15,926	20,546	22,548
Commercial	37,406	36,863	36,106
NET FOREIGN FINANCING	12,866	95,170	52,113

*Provisional

Source of Data: National Treasury

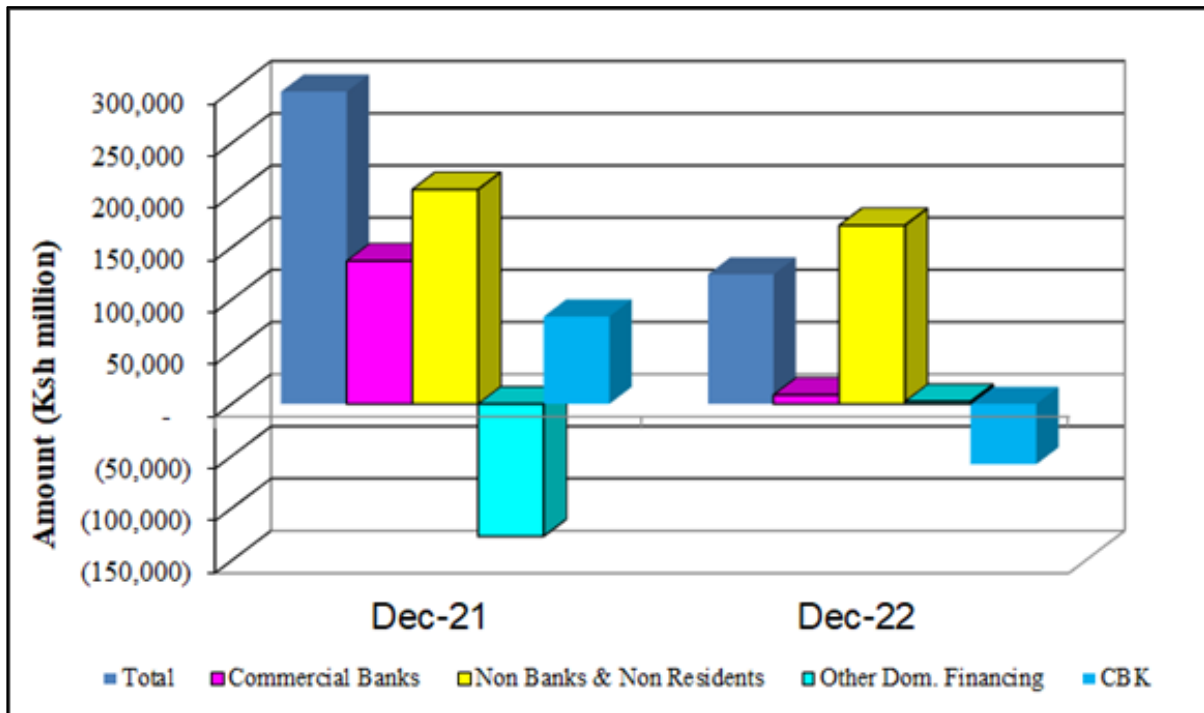
2.4.2 Domestic Financing

42. As at 31st December, 2022, net domestic borrowing amounted to KSh. 124.1 billion (**Table 10**) against a target of KSh. 233 billion (**Table 8**). The borrowing comprised of KSh. 171.1 billion from Non-Banking Financial Institutions, KSh. 8.7 billion from commercial banks, KSh. 2.3 billion net domestic loan repayments, KSh. 57.9 billion (net repayment) to the Central Bank and KSh. 0.1 billion (net repayments) to Non-Residents. During the same

FISCAL DEVELOPMENTS

period in FY 2021/22, the net domestic borrowing amounted to KSh. 299.3 billion, comprising of KSh. 204.7 billion from Non-Banking Financial Institutions, KSh. 136.9 billion from Commercial Banks, KSh. 83.8 billion from the Central Bank of Kenya and KSh. 0.7 billion from Non-Residents. (Table 10 and Chart 13).

Chart 13: Domestic Financing for the Period Ending 31st December, 2022



Source of Data: Central Bank of Kenya

43. The stock of Treasury Bills held by commercial banks, Non-Banks and Non-residents recorded a net increase of KSh. 54.4 billion, KSh. 36.8 billion and KSh. 1.8 billion respectively while those held at the Central Bank recorded a net decrease of KSh. 1.8 billion. The stock of Fixed Rate Bonds held by commercial banks, Non-Banks and Non-Residents recorded a net decrease of KSh. 153.2 billion, 96.9 billion and KSh. 0.9 billion respectively (Table 10).

Table 10: Domestic Financing, Period Ending 31st December, 2022 (KSh. Millions)

DEBT INSTRUMENT	December 2021	March 2022	June 2022*	September 2022*	December 2022*
1.CENTRAL BANK	83,759	102,257	125,474	(1,609)	(57,915)
Overdraft	33	9,116	(777)	(31,255)	(4)
Treasury bills rediscounts	1,751	(462)	(466)	(4)	(4)
Fixed rate Bonds	(75)	(74)	(73)	7	7
Items on Transit	(37)	(25)	(7)	(8)	6
Frozen Account	(555)	(555)	(1,110)	-	(555)
Less Govt Deposits	82,642	94,257	127,908	29,651	(57,364)
2.COM. BANKS	136,951	176,031	178,988	25,939	8,734
Advances	(3)	5,183	3,458	276	928
Treasury bills	(50,843)	(119,342)	(151,615)	27,533	3,516
Fixed rate Bonds	137,984	188,692	200,122	(995)	(15,210)
Special Bonds			(5,000)	-	-
Zero Coupon bonds				-	-
Infrastructure Bonds	46,233	96,597	121,446	1,520	22,286
Less Govt Deposits	3,580	4,902	10,578	(2,394)	(2,786)
Advances by Treasury	-	-	-	-	-
3. NON BANKS	204,744	320,450	425,802	77,181	171,104
Treasury bills	1,465	22,129	29,824	14,717	38,281
TRCs	-	-	-	-	-
Fixed rate Bonds	170,290	220,398	269,639	57,778	73,388
Infrastructure Bonds	32,990	77,923	126,339	4,686	59,436
M-Akiba Bond and others	-	-	-	-	-
4. NON RESIDENTS	681	(14)	(671)	59	(119)
Treasury bills	(2,008)	(3,172)	(3,835)	(238)	(257)
Fixed rate Bonds	846	1,004	654	297	(134)
Infrastructure Bond	1,843	2,153	2,511	-	272
5. NET CREDIT	426,136	598,723	729,594	101,569	121,805
6. OTHER DOMESTIC FINANCING					
Domestic Loan Repayments (Net RDL Deposits)	(126,850)	(110)	(124,293)	-	2,341
7. NET DOMESTIC FINANCING	299,285	598,613	605,301	101,569	124,146

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

3.0 PUBLIC DEBT

3.1 Overall Debt Position

44. The gross public debt as at 31st December, 2022 increased by KSh. 939.3 billion to KSh. 9,146.0 billion compared to KSh. 8,206.7 billion as at end of December 2021. The gross public debt comprised of 51.1 percent external debt and 48.9 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. 8,675.4 billion by end of the period under review (Table 11).

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

DEBT SOURCE	Dec-20	Mar- 21	Jun- 21	Sep-21	Dec-21	Mar- 22	Jun- 22*	Sep-22*	Dec-22*
EXTERNAL									
BILATERAL	1,156,991	1,142,718	1,140,529	1,149,211	1,171,701	1,171,595	1,173,270	1,144,450	1,206,883
MULTILATERAL	1,498,837	1,495,606	1,659,411	1,699,358	1,782,085	1,817,375	1,923,444	1,957,899	2,213,756
COMMERCIAL BANKS	1,119,388	1,113,417	1,187,439	1,196,248	1,208,283	1,208,247	1,191,080	1,220,682	1,239,681
SUPPLIERS CREDIT	18,069	18,126	12,162	13,669	12,303	12,344	12,154	11,760	12,824
SUB – TOTAL EXTERNAL	3,793,285	3,769,867	3,999,542	4,058,486	4,174,372	4,209,560	4,299,948	4,334,791	4,673,144
DOMESTIC:									
CENTRAL BANK	81,237	78,104	87,575	90,938	88,692	95,575	85,141	53,881	84,591
COMMERCIAL BANKS	1,769,185	1,776,713	1,814,199	1,917,628	1,943,018	1,978,489	2,003,387	2,032,420	2,017,402
TOTAL BANKS	1,850,422	1,854,817	1,901,774	2,008,565	2,031,710	2,074,064	2,088,529	2,086,301	2,101,993
NON BANKS & NON RESIDENTS	1,638,119	1,715,023	1,795,319	1,929,212	2,000,658	2,118,289	2,199,804	2,279,978	2,370,846
SUB-TOTAL DOMESTIC	3,488,541	3,569,841	3,697,093	3,937,777	4,032,368	4,192,352	4,288,333	4,366,279	4,472,839
GRAND TOTAL GROSS	7,281,826	7,339,708	7,696,635	7,996,263	8,206,740	8,401,912	8,588,281	8,701,070	9,145,983
LESS ON-LENDING	(5,701)	(5,701)	-	-	-	-	-	-	-
LESS GOVERNMENT DEPOSITS	(440,630)	(416,765)	(556,430)	(544,187)	(461,273)	(449,073)	(418,157)	(404,154)	(470,558)
GRAND TOTAL NET	6,835,495	6,917,242	7,140,205	7,452,076	7,745,467	7,952,840	8,170,124	8,296,915	8,675,424

* Provisional

Source of Data: National Treasury

3.2 Domestic Debt

45. The stock of gross domestic debt increased by KSh. 440.4 billion from KSh. 4,032.4 billion in December, 2021 to KSh. 4,472.8 billion in December, 2022. The net domestic debt was KSh. 4,002.3 billion by end of the period under review (Table 12).

Table 12: Stock of Domestic Debt as at 31st December, 2022 (KSh. Millions)

DEBT SOURCE	Dec-20	Mar-21	Jun-21*	Sep-21	Dec-21	Mar-22	Jun-22*	Sep-22*	Dec-22*
1.CENTRAL BANK	81,237	78,104	87,575	90,938	88,692	95,575	85,141	53,881	84,591
Overdraft	47,598	49,283	59,279	55,110	59,313	68,395	58,502	27,247	58,498
Frozen Govt Accounts	21,119	20,564	20,009	20,009	19,454	19,454	18,899	18,899	18,344
Treasury bills / bonds rediscunts	4,565	539	537	8,096	2,288	76	71	67	67
Items on Transit	11	9	39	13	2	14	32	24	38
Fixed rate bonds	7,945	7,710	7,710	7,710	7,636	7,637	7,637	7,644	7,644
2.COM.BANKS	1,769,185	1,776,713	1,814,199	1,917,628	1,943,018	1,978,489	2,003,387	2,032,420	2,017,402
Advances	2,699	3,551	2,455	2,352	2,209	7,429	13,054	12,965	13,828
Treasury Bills	531,648	458,025	452,353	446,726	395,241	323,479	287,613	315,649	293,469
Fixed Rate T. Bonds	818,384	881,349	892,067	949,437	1,032,012	1,083,661	1,094,545	1,094,111	1,079,084
Special Bonds	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	403,805	421,141	454,675	506,465	500,908	551,272	600,527	602,047	623,374
3. NON BANKS	1,604,276	1,683,332	1,764,233	1,895,111	1,968,944	2,087,325	2,167,924	2,248,031	2,339,088
Treasury Bills	313,782	298,809	308,072	303,598	309,282	331,780	340,675	356,424	377,857
Fixed Rate T. Bonds	995,461	1,049,257	1,080,520	1,174,719	1,252,633	1,303,740	1,353,067	1,412,738	1,427,934
Tax Reserve Certificate	69	69	-	-	-	-	-	-	-
Infrastructure Bonds	274,384	314,616	355,061	396,214	386,450	431,225	453,601	458,288	512,717
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	33,844	31,692	31,086	34,101	31,714	30,963	31,881	31,947	31,757
Treasury Bills	5,720	4,525	4,412	5,034	2,339	1,116	395	139	117
Fixed Rate T. Bonds	17,381	18,319	18,288	18,747	19,146	19,308	18,958	19,281	18,842
Savings and Development Bond	9	9	9	9	9	9	9	9	9
Infrastructure Bonds	10,734	8,839	8,377	10,311	10,220	10,530	12,519	12,519	12,790
5. TOTAL GROSS DEBT	3,488,541	3,569,841	3,697,093	3,937,777	4,032,368	4,192,352	4,288,333	4,366,279	4,472,839
6. LESS ON-LENDING	5,701	5,701	-	-	-	-	-	-	-
7. Less Govt Deposits	440,630	416,765	556,430	544,187	461,273	449,073	418,284	404,154	470,558
8. TOTAL NET DEBT	3,042,210	3,147,375	3,140,663	3,393,590	3,571,095	3,743,279	3,870,049	3,962,124	4,002,280

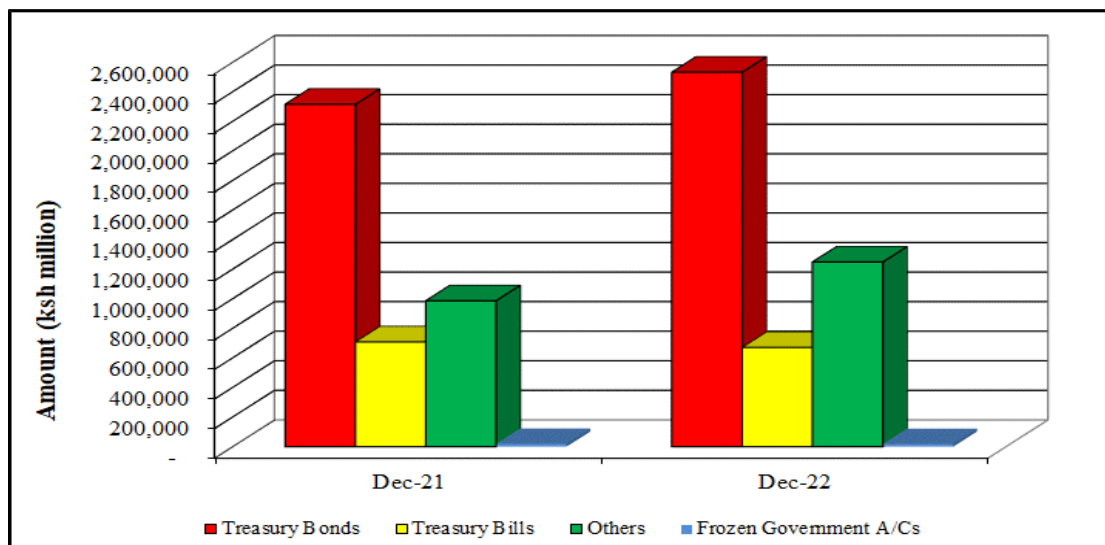
* Provisional

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

Source of Data: Central Bank of Kenya

46. The stock of Treasury Bills held by Central Bank, Commercial Banks, Non-Banking Financial Institution and Non-Residents declined by KSh. 37.6 billion from KSh. 709.2 billion in December, 2021 to KSh. 671.5 billion in December, 2022. The total stock of Treasury Bonds, which include Floating, Fixed Rate, Special and Zero-Coupon Bonds, increased by KSh. 217.1 billion from KSh. 2,316.4 billion in December, 2021 to KSh. 2,533.5 billion in December, 2022 (Chart 14).

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



Source of Data: Central Bank of Kenya

FISCAL DEVELOPMENTS

3.3 External Public Debt

47. In dollar terms, external public debt stock increased by US\$. 977.6 million from US\$. 36,895.2 million as at December, 2021 to US\$. 37,872.9 million by the end of December, 2022 (**Table 13**). This comprised debt owed to multilateral lenders (47.4 percent), commercial banks (26.5 percent), bilateral sources (25.8 percent) and Suppliers Credit (0.3 percent). The increase is attributed to increase in external loans disbursements and exchange rate fluctuations during the period.

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

CREDITOR	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22*	Sep-22*	Dec-22*
<u>BILATERAL</u>									
AUSTRIA	14.18	13.57	13.33	12.98	12.28	11.97	11.04	13.06	13.80
BELGIUM	123.31	121.70	117.61	114.51	114.42	116.98	109.81	111.75	117.90
DENMARK	5.03	4.33	4.39	4.30	4.18	4.12	3.88	3.20	3.50
FINLAND	13.11	11.16	11.31	9.71	9.42	7.93	7.50	7.03	6.30
FRANCE	835.65	800.13	851.83	836.00	812.00	800.51	764.63	707.56	764.00
GERMANY	342.54	323.67	338.31	328.90	336.11	351.21	332.55	326.50	346.20
ITALY	383.17	366.88	371.85	364.79	353.78	347.71	328.79	309.28	333.80
JAPAN	1,525.90	1,447.97	1,474.72	1,463.17	1,416.58	1,382.43	1,245.99	1,217.67	1,304.90
USA	11.98	11.77	13.14	12.44	12.26	10.89	10.69	9.97	9.60
CHINA	7,016.85	7,013.42	7,056.92	6,917.51	6,951.45	6,835.26	6,830.10	6,594.56	6,569.50
OTHERS	326.17	320.06	321.73	337.12	333.61	323.09	311.80	295.43	312.70
TOTAL BILATERAL	10,597.89	10,434.65	10,575.15	10,401.43	10,356.09	10,192.10	9,956.78	9,596.01	9,782.20
<u>MULTILATERAL</u>									
ADB/ADF	2,910.65	2,886.38	2,988.35	3,024.74	3,187.81	3,317.25	3,269.84	3,302.50	3,490.90
BADEA	38.36	37.51	39.53	38.63	38.72	39.20	41.10	45.99	45.20
EEC/EIB	195.65	185.05	215.38	203.88	197.09	188.94	176.12	158.66	170.90
IBRD	296.11	294.15	294.98	293.90	297.56	296.74	569.35	571.26	579.20
IDA/IFAD	9,219.83	9,220.59	10,146.65	10,137.36	10,150.48	10,099.33	10,474.77	10,252.69	10,692.10
IMF**	1,016.70	985.04	1,652.44	1,635.00	1,834.49	1,824.62	1,751.87	1,965.77	2,915.30
OTHERS	51.86	48.32	48.97	47.26	44.83	43.87	45.43	48.35	49.90
TOTAL MULTILATERAL	13,729.16	13,657.03	15,386.29	15,380.77	15,750.98	15,809.95	16,328.48	16,345.22	17,943.50
COMMERCIAL¹	10,253.45	10,167.10	11,010.10	10,827.15	10,679.43	10,510.95	10,025.49	10,260.41	10,048.20
O/W International Sovereign Bond	-	-	7,106.58	7,100.00	7,106.28	7,100.00	7,100.00	7,100.00	7,100.00
EXPORT CREDIT	165.51	165.51	112.77	123.71	108.74	107.38	103.14	98.96	98.96
GRAND TOTAL	34,746.02	34,424.30	37,084.30	36,733.07	36,895.24	36,620.38	36,413.89	36,300.60	37,872.86
In percentage of total									
BILATERAL	30.50	30.31	28.52	28.32	28.07	27.83	27.34	26.4	25.8
MULTILATERAL	39.51	39.67	41.49	41.87	42.69	43.17	44.84	45.0	47.4
COMMERCIAL BANKS ¹	29.51	29.53	29.69	29.48	28.95	28.70	27.53	28.3	26.5
EXPORT CREDIT	0.48	0.48	0.30	0.34	0.29	0.29	0.28	0.3	0.3
TOTAL	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.0	100.0

*Provisional

** include IMF item

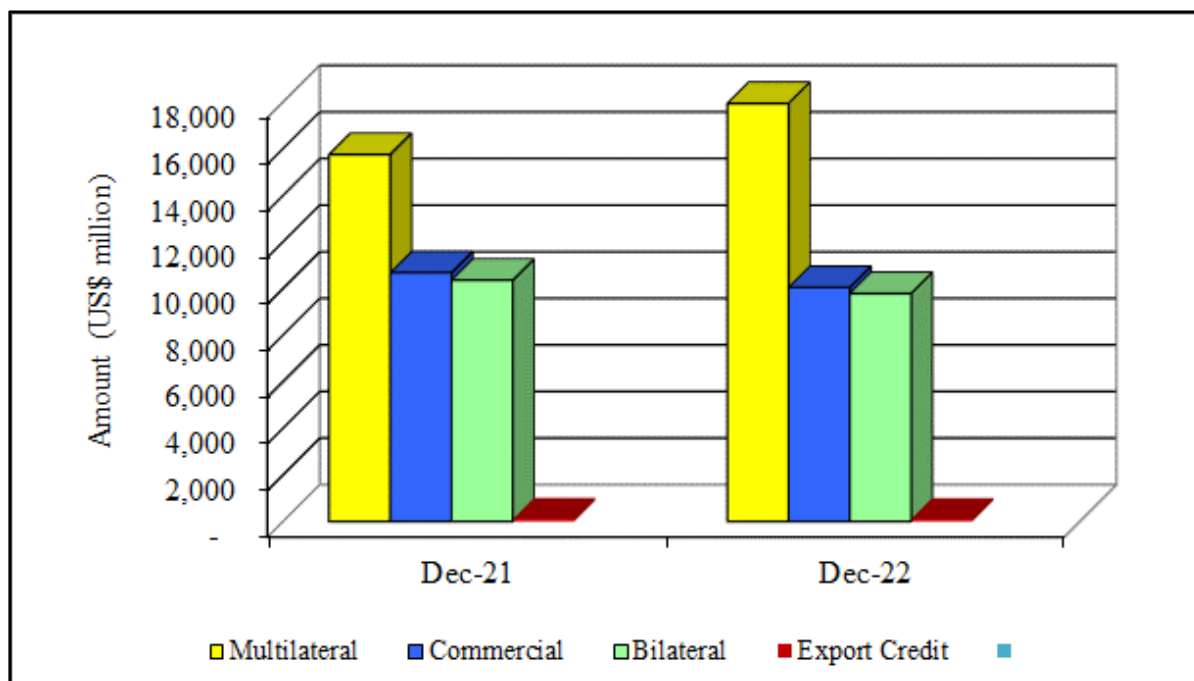
1/ incl. International Sovereign Bond

Note: The exchange rate as at end December, 2022 was KSh. 123. 4 per dollar.

Source of Data: National Treasury

48. Compared to the same period in FY 2021/22, external public debt stock from multilateral institutions recorded an increase of US\$ 2,192.5 million in the period ending December, 2022 while external debt stock from commercial banks, bilateral sources and suppliers' credit decreased by US\$. 631.2 million, US\$ 573.9 million and US\$ 9.8 million respectively as at December, 2022 (**Chart 15**).

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



Source of Data: National Treasury

3.3.1 External Debt Service

49. By the end of December 2022, the total cumulative debt service payments to external creditors amounted to KSh. 178.6 billion. This comprised of KSh. 111.5 billion (62.5 percent) principal and KSh. 67.0 billion (37.5 percent) interest (**Table 14**).

FISCAL DEVELOPMENTS

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

CATEGORY	Dec-22		
	PRINCIPAL*	INTEREST*	TOTAL*
BILATERAL			
ABU DHABI	82.80	14.90	97.70
AUSTRIA	46.60	11.40	58.00
BELGIUM	1,029.30	87.70	1,117.00
CANADA	-	-	-
CHINA	36,683.30	11,848.90	48,532.20
DENMARK	59.80	-	59.80
FINLAND	-	30.40	30.40
FRANCE	4,198.50	789.90	4,988.40
GERMANY	1,780.20	270.00	2,050.20
POLAND	19.70	9.50	29.20
INDIA	442.90	52.30	495.20
ISRAEL	359.60	55.60	415.20
ITALY	5,025.10	893.10	5,918.20
JAPAN	2,616.80	298.70	2,915.50
KOREA	92.40	15.00	107.40
KUWAIT	99.70	17.60	117.30
NETHERLANDS	82.00	6.80	88.80
SAUDI ARABIA	56.80	15.10	71.90
SPAIN	1,326.00	101.60	1,427.60
USA	131.80	17.20	149.00
TOTAL BILATERAL	54,133.30	14,535.70	68,669.0
MULTILATERAL			
ADB/ADF	3,319.80	1,931.10	5,250.90
BADEA	98.00	29.40	127.40
EIB/EEC	807.70	235.60	1,043.30
IDA	15,502.90	8,171.80	23,674.70
OPEC	291.60	29.20	320.80
NDF	175.80	10.00	185.80
IFAD	350.20	98.60	448.80
IMF	-	1,063.20	1,063.20
IBRD	-	824.60	824.60
TOTAL MULTILATERAL	20,546.00	12,393.50	32,939.50
COMMERCIAL	36,862.50	40,093.40	76,955.90
GRAND TOTAL	111,541.80	67,022.60	178,564.40

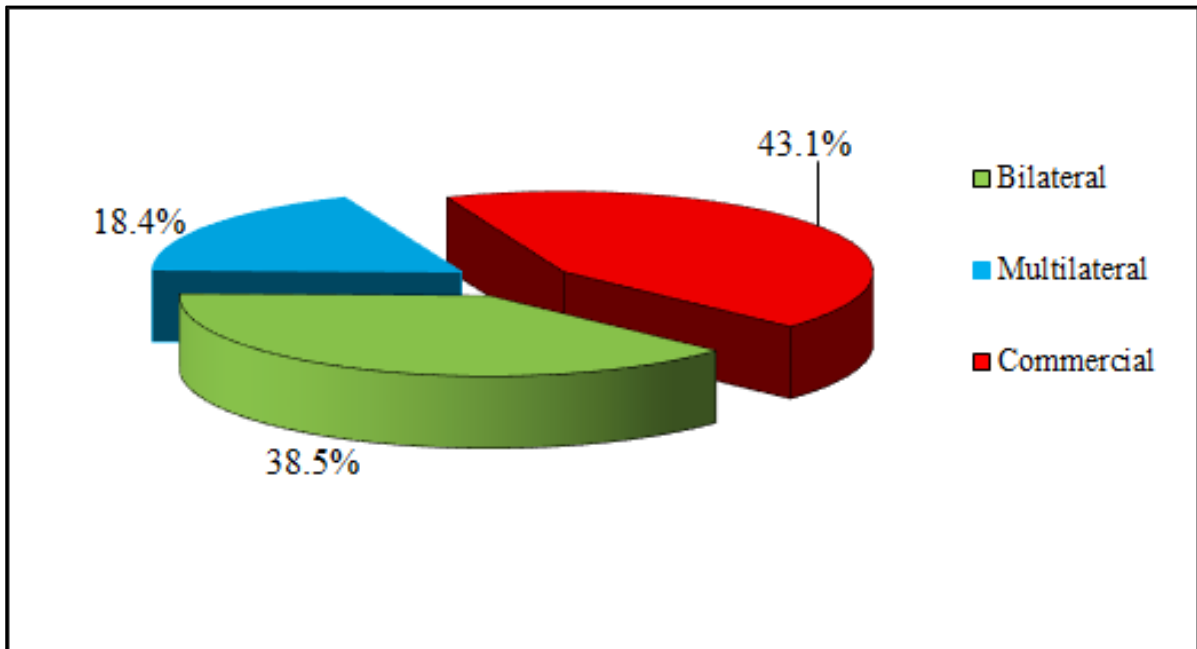
* Provisional

Source of Data: National Treasury

FISCAL DEVELOPMENTS

50. By the end of December 2022, the total cumulative debt service payments to external creditors comprised of 43.1 percent, 38.5 percent and 18.4 percent of the total payments to commercial, bilateral, and multilateral creditors respectively (**Chart 16**).

Chart 16: External Debt Service by Creditors at End of December, 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	762,347
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	96,310
6. Judicial Service	11,846	11,944	12,713	14,103	14,289	16,160	33,969
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	5.4
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	0.7
6. Judicial Service	0.1	0.1	0.1	0.1	0.1	0.1	0.2
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

4.2. GFSM 2014 COMPLIANT TABLES FOR BUDGETARY CENTRAL GOVERNMENT

4.2.1 Annex II: Revenue (KSh. Millions)

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

1. Includes Capital Gains Tax and Stamp duty

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

3. Includes Import duty, RDL, IDF

Source: National Treasury

4.2.2. Annex III: Expense (KSh. Millions)

GFSM Code	Description	Annual Budget	Prel. Actual	Prel. Actual
		Estimates FY2022/23	FY2022/23 Q1	FY2022/23 Q2
	<i>Accounting method:</i>	<i>Cash</i>	<i>Cash</i>	<i>Cash</i>
2	Expense	3,225,274	748,882	1,425,173
21	Compensation of employees	568,628	134,969	286,563
211	Wages and salaries	538,149	130,199	264,275
212	Social contributions	30,479	4,770	22,288
2121	Actual social contributions	30,479	4,770	22,288
22	Use of goods and services	272,189	123,552	187,550
	O/W Defence and NIS	174,343	34,916	74,854
	Free Secondary Education (FSE)	102,796	30,304	33,474
	Free Primary Education (FPE)	21,624	4,095	6,406
24	Interest	690,648	150,838	318,584
241	To nonresidents	137,241	36,025	67,022
242	To residents other than general government	553,407	114,813	251,561
25	Subsidies	22,233	43,913	60,127
251	To public corporations	-	-	-
252	To private enterprises	22,233	43,913	60,127
26	Grants	1,414,757	261,102	480,760
262	To international organizations	5,206	1,383	1,415
2621	Current	5,206	1,383	1,415
2622	Capital	-	-	-
263	To other general government units	1,409,550	259,719	479,345
2631	Current	836,743	143,661	307,434
	O/W Transfer to County Governments (ES)	259,000	49,236	98,762
	Transfer to Other levels of Government (Includes transfers to	577,743	94,425	208,673
2632	Capital	572,807	116,058	171,911
	O/W Transfer to County Governments (ES)	111,000	21,101	42,326
	Transfer to Other levels of Government (Includes transfers to	461,807	94,956	129,585
27	Social benefits	245,751	34,508	91,589
273	Employer social benefits	245,751	34,508	91,589
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	Prel. Actual FY2022/23 Q2
	<i>Accounting method:</i>	<i>Cash</i>	<i>Cash</i>	<i>Cash</i>
3	Change in Net Worth: Transactions	(729,593)	(137,023)	(260,173)
31	Net acquisition of nonfinancial assets	131,063	7,815	40,823
311	Fixed assets	131,010	7,301	40,309
3111	Buildings and structures	124,954	6,659	38,052
3113	Other fixed assets	6,056	643	2,258
312	Inventories	-	514	514
314	Nonproduced assets	53	-	-
32	Net acquisition of financial assets	(3,140)	(27,258)	58,364
3212	Currency and deposits (Domestic)	(3,140)	(27,258)	58,364
33	Net incurrence of liabilities	857,515	117,580	359,359
331	Domestic	579,050	89,282	267,008
3313	Securities other than shares	579,050	105,299	181,579
3314	Loans	-	(30,987)	930
3318	Other Accounts Payable	-	14,971	84,499
332	Foreign	278,465	28,298	92,351
3321	Special Drawing Rights (SDRs)	-	20,323	20,323
3323	Securities other than shares	105,600	-	-
3324	Loans	172,865	7,975	72,028

Source: National Treasury

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

GFSM Code	Description	Annual Budget Estimates FY2022/23	Prel. Actual FY2022/23 Q1	Prel. Actual FY2022/23 Q2
	<i>Accounting method:</i>	<i>Cash</i>	<i>Cash</i>	<i>Cash</i>
	Cash Flows from Operating Activities:			
1	Cash receipts from operating activities	2,495,682	570,223	1,151,326
11	Taxes	2,234,078	507,337	1,031,864
12	Social contributions	521	63	154
13	Grants	33,317	623	4,292
14	Other receipts	227,766	62,201	115,016
2	Cash payments for operating activities	3,225,274	748,544	1,425,173
21	Compensation of employees	568,628	134,969	286,563
22	Purchases of goods and services	272,189	123,552	187,550
24	Interest	690,648	150,838	318,584
25	Subsidies	22,233	43,576	60,127
26	Grants	1,414,757	261,102	480,760
27	Social benefits	245,751	34,508	91,589
28	Other payments	11,068		
	Net cash inflow from operating activities	(729,593)	(178,321)	(273,847)
	Cash Flows from Investments in Nonfinancial Assets (NFAs):			
31A	Purchases of nonfinancial assets	131,063	7,815	40,823
311A	Fixed assets	131,010	7,301	40,309
312A	Strategic stocks	-	514	514
314A	Nonproduced assets	53	-	-
31	Net cash outflow: investments in NFAs (31=31.1-31.2)	131,063	7,815	40,823
	Cash surplus / deficit	(860,655)	(186,136)	(314,670)
	Cash Flows from Financing Activities:			
32x	Net acquisition of financial assets other than cash	(3,140)	(27,258)	58,364
321x	Domestic	(3,140)	(27,258)	58,364
322x	Foreign	-	-	-
33	Net incurrence of liabilities	857,515	117,580	359,359
331	Domestic	579,050	89,282	267,008
332	Foreign	278,465	28,298	92,351
NFB	Net cash inflow from financing activities	860,655	144,838	300,996
	Net change in the stock of cash	0	(41,298)	(13,674)
	<i>Statistical Discrepancy</i> ⁴	-	-	

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	Budget Estimates FY2022/23	Prel. Actual FY2022/23 Q1	Prel. Actual FY2022/23 Q2
	<i>Accounting method:</i>	<i>Cash</i>	<i>Cash</i>	<i>Cash</i>
	Transactions Affecting Net Worth:			
1	Revenue	2,495,682	570,223	1,151,326
11	Taxes	2,234,078	507,337	1,031,864
12	Social contributions	521	63	154
13	Grants	33,317	623	4,292
14	Other revenue	227,766	62,201	115,016
2	Expense	3,225,274	748,882	1,425,173
21	Compensation of employees	568,628	134,969	286,563
22	Use of goods and services	272,189	123,552	187,550
24	Interest	690,648	150,838	318,584
25	Subsidies	22,233	43,913	60,127
26	Grants	1,414,757	261,102	480,760
27	Social benefits	245,751	34,508	91,589
28	Other expense	11,068	-	-
GOB	Gross operating balance	(729,593)	(178,658)	(273,847)
NOB	Net operating balance	(729,593)	(178,658)	(273,847)
	Transactions on Nonfinancial Assets:			
31	Net Acquisition of Nonfinancial Assets	131,063	7,815	40,823
311	Fixed assets	131,010	7,301	40,309
312	Change in inventories	-	514	514
314	Nonproduced assets	53	-	-
NLB	Net lending / borrowing	(860,655)	(186,473)	(314,670)
	Transactions on Financial Assets and Liabilities (Financing):			
32	Net acquisition of financial assets	(3,140)	(27,258)	58,364
321	Domestic	(3,140)	(27,258)	58,364
322	Foreign	-	-	-
33	Net incurrence of liabilities	857,515	117,580	359,359
331	Domestic	579,050	89,282	267,008
332	Foreign	278,465	28,298	92,351
	Statistical Discrepancy⁵	-	(41,635)	(13,674)

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

Source: National Treasury

