

Quarterly Economic and Budgetary Review

**Fourth Quarter, Financial Year 2018/2019
Period Ending 30th June, 2019**

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ACKNOWLEDGEMENT

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LIST OF ABBREVIATIONS AND ACRONYMS

| | |
|--------|--|
| A-I-A | Appropriation-in-Aid |
| AMISOM | African Union Mission in Somalia |
| BADEA | Arab Bank for Economic Development of Africa |
| CBK | Central Bank of Kenya |
| CBR | Central Bank rate |
| CF | Contingency Fund |
| EEC | European Economic Community |
| EIB | European Investment Bank |
| DANIDA | Danish International Development Agency |
| FY | Financial Year |
| GDP | Gross Domestic Product |
| GFSM | Government Finance Statistics Manual |
| ICT | Information, Communication and Technology |
| IDF | Import Declaration Fee |
| IMF | International Monetary Fund |
| KNBS | Kenya National Bureau of Statistics |
| KSh. | Kenya Shillings |
| MDAs | Ministries, Departments and Agencies |
| Mn | Million |
| NDA | Net Domestic Assets |
| NFA | Net Foreign Assets |
| NSE | Nairobi Securities Exchange |
| O & M | Operation and Maintenance |
| OPEC | Oil Producing and Exporting Countries |
| PAYE | Pay as You Earn |
| QEBR | Quarterly Economic and Budgetary Review |
| RDL | Railway Development Levy |
| SGR | Standard Gauge Railway |
| UK | United Kingdom |
| US\$ | United States Dollar |
| VAT | Value Added Tax |

LEGAL BASIS FOR THE QUARTERLY ECONOMIC BUDGETARY REVIEW

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 2018/19 FOURTH QUARTER QEBR

1. Economic growth

The Kenyan Economy recovered in 2018 and grew by 6.3 percent up from a growth of 4.9 percent in 2017. This growth momentum continued in the first quarter of 2019 with a growth of 5.6 percent compared to a 6.5 percent growth in the corresponding quarter of 2018. The 5.6 per cent growth was mostly supported by expansion in the services sector. However, this growth was slower than that of the first quarter of 2018 mainly on account of a delay in the onset of long rains that affected agricultural production.

2. Stable prices

The macroeconomic environment remained stable with low and stable interest rates and a competitive exchange rate to support exports. Month-on-month overall inflation remained stable at 5.7 percent in June 2019, a slight increase from 5.5 percent in May 2019, which is within the 5.0 (+/-2.5) percent target. The increased inflation in June 2019 was mainly on account of elevated prices of a few food products.

3. Balance of Payments

The overall balance of payments position was at a deficit of US\$ 997.3 million (1.0 percent of GDP) in the year to May 2019 from a deficit of US\$ 798.0 million (0.9 percent of GDP) in the year to May 2018. The overall balance was supported by an improvement in the current and financial account despite the decline in the capital account. The current account balance narrowed by 21.6 percent to a deficit of US\$ 3,809.5 million (3.8 percent of GDP) in the year to May 2019 compared to a deficit of US\$ 4,861.5 million (5.5 percent of GDP) in the year to May 2018.

4. Foreign Exchange Reserves

The banking system's foreign exchange holding remained strong at US\$ 13,369 million in May 2019 from US\$ 11,924 million in May 2018. The official foreign exchange reserves held by the Central Bank improved to US\$ 10,122 million (6.4 months of import cover) in May 2019 compared to US\$ 9,291 million (6.2 months of import cover) in May 2018. Commercial banks holdings stood at US\$ 3,246 million in 2019 from US\$ 2,633 million in 2018.

5. Money and Credit

Broad money supply, M3, improved to a growth of 8.7 percent in the year to May 2019 compared to a growth of 7.5 percent in the year to May 2018. The primary source of the growth in M3 in the year to May 2019 was the increase in the net foreign assets (NFA) of the banking sector. This growth in M3 was partly offset by the slowdown in net domestic assets (NDA) of the banking system, largely reflecting a decline in net credit to other public sectors.

6. Capital Markets

Activity in the capital market slowed down with equity share prices declining as shown by the NSE 20 Share Index. The NSE 20 Share Index was at 2,651 points by end- June, 2019 compared to 3,286 points by end June, 2018. The depressed share prices resulted in lower market capitalization of KSh. 2,259 billion from KSh. 2,576 billion over the same period.

7. Total Revenue Collection

The National Government cumulative revenue collection including A-I-A for the period July 2018 to June 2019 amounted to KSh. 1,671.1 billion (equivalent to 17.6 per cent of GDP) against a target of KSh. 1,794.3 billion (equivalent to 18.9 per cent of GDP). This represented an underperformance of KSh. 123.2 billion mainly due to shortfalls in Income Tax and A-I-A collection.

8. Government Expenditure and Net Lending

The total cumulative expenditure and net lending inclusive of transfers to County Governments for the period ending 30th June, 2019 amounted to KSh. 2,405.9 billion. This was KSh. 135.9 billion below the target of KSh. 2, 541.9 billion which was largely attributed to low absorption levels in Operations and Maintenance and pension for the National Government.

9. Guaranteed Loans

Between July 2018 and June 2019, the National Government paid a total of KSh 1,375.1 million on account of guaranteed loans against the projected debt service of KSh 1,287.9 million.

10. Overall Fiscal Balance

The overall fiscal balance, on a commitment basis (excluding grants), amounted to a deficit of KSh 734.9 billion (equivalent to 7.7 per cent of GDP), as at end-June 2019.

11. External Financing

The Net Foreign Financing amounted to a net borrowing of KSh. 414.5 billion (equivalent to 4.4 per cent of the GDP) in the period ending 30th June 2019.

12. Net Domestic Borrowing

Net domestic financing amounted to a net borrowing of KSh. 303.7 billion (equivalent to 3.2 per cent of the GDP) in the period ending 30th June 2019.

13. Domestic Debt

Total gross domestic debt stock increased by 12.4 per cent from KSh 2,478.8 billion as at end of June 2018 to KSh 2,785.9 billion by the end-June 2019.

14. External Debt

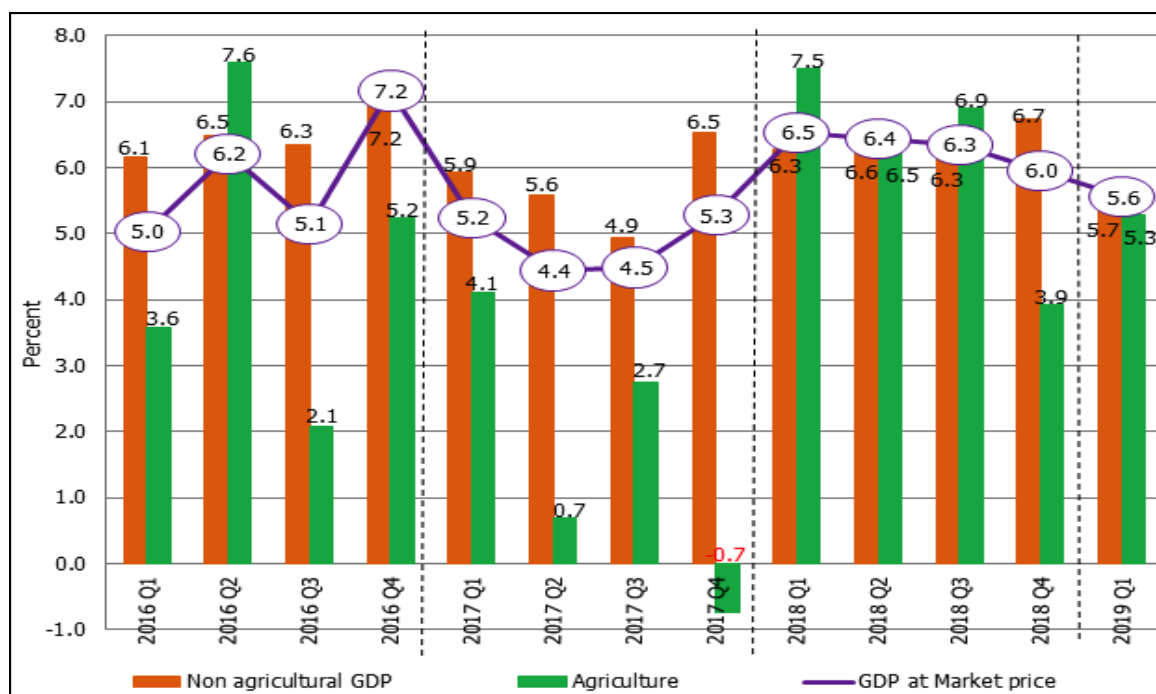
The total external debt stock, including the International Sovereign Bond, stood at KSh 3, 023.1 billion for the period ending June 2019. The debt stock comprised of multilateral debt (30.3 per cent), bilateral debt (33 per cent), suppliers credit debt (0.6 per cent), and commercial banks' debt (36.3 per cent- including International Sovereign Bond).

1.0 RECENT ECONOMIC DEVELOPMENTS

1.1 Economic Growth

1. In 2018, the economy recovered and grew by 6.3 percent up from a growth of 4.9 percent in 2017. This growth momentum continued in the first quarter of 2019 with a growth of 5.6 percent compared to a 6.5 percent growth in the corresponding quarter of 2018 (**Chart 1**). The 5.6 per cent growth was mostly supported by growths in the service sector industries such as wholesale and retail trade, transportation, accommodation and food services and financial and insurance activities. However, this growth was slower than that of the first quarter of 2018 mainly as a result of the delay in the onset of long rains that affected agricultural production.

Chart 1: Quarterly Economic Growth Rates, percent



Source: National Treasury; Data: Kenya National Bureau of Statistics

2. Agriculture sector grew by 5.3 percent in the first quarter of 2019, this was a slowdown compared to a 7.5 percent growth in the same quarter of 2018. The slowed performance was mainly on account of delayed rains that curtailed agricultural production. Nevertheless, the sector's performance was supported by increased production of tea and horticultural products. The contribution of Agricultural sector to overall GDP growth was at 1.4 percentage points in the first quarter of 2019 compared to the 2.0 percentage points in the same quarter in 2018.

3. The Non-agricultural sector (service and industry) remained robust in the first quarter of 2019 growing by 5.7 percent mainly supported by the service sector. This growth was however, slower than the 6.3 percent growth in the same quarter in 2018 mainly due to a slowdown in the industry sector. The sector contributed 3.6 percentage points to real GDP growth from the 4.0 percent contribution in the same quarter in 2018. (**Table 1**).

Table 1: Quarter one Sectoral GDP performance (2016-2019)

| Sectors | Real GDP growth by sector | | | | Sectoral contribution to Real GDP Growth Rate | | | |
|--|---------------------------|------------|------------|------------|---|------------|------------|------------|
| | 2016 | 2017 | 2018 | 2019 | 2016 | 2017 | 2018 | 2019 |
| Primary sector | 3.7 | 4.2 | 7.3 | 5.2 | 1.0 | 1.1 | 2.0 | 1.4 |
| Of which Agriculture, forestry and fishing | 3.6 | 4.1 | 7.5 | 5.3 | 1.0 | 1.1 | 2.0 | 1.4 |
| Mining and Quarrying | 5.8 | 5.8 | 2.4 | 2.2 | 0.1 | 0.1 | 0.0 | 0.0 |
| Secondary sector (Industry) | 4.7 | 4.3 | 5.0 | 4.3 | 0.8 | 0.8 | 0.9 | 0.7 |
| Of which Manufacturing | 1.4 | 1.6 | 3.8 | 3.2 | 0.2 | 0.2 | 0.4 | 0.3 |
| Electricity and Water supply | 10.3 | 8.2 | 6.5 | 6.1 | 0.2 | 0.2 | 0.2 | 0.2 |
| Construction | 9.2 | 7.9 | 6.6 | 5.6 | 0.4 | 0.4 | 0.3 | 0.3 |
| Tertiary Sector (Services) | 6.8 | 6.2 | 6.5 | 5.8 | 3.1 | 2.9 | 3.1 | 2.8 |
| Of which Wholesale and Retail trade | 2.9 | 3.4 | 5.9 | 5.3 | 0.2 | 0.2 | 0.4 | 0.4 |
| Accommodation and Restaurants | 8.3 | 24.2 | 13.1 | 10.1 | 0.1 | 0.3 | 0.2 | 0.1 |
| Transport and Storage | 8.2 | 7.3 | 8.5 | 6.7 | 0.5 | 0.4 | 0.5 | 0.4 |
| Information and Communication | 10.5 | 13.4 | 12.5 | 10.5 | 0.4 | 0.5 | 0.5 | 0.4 |
| Financial & Insurance | 7.8 | 3.8 | 5.2 | 5.0 | 0.5 | 0.2 | 0.3 | 0.3 |
| Public administration | 6.0 | 3.8 | 6.2 | 6.5 | 0.2 | 0.1 | 0.2 | 0.2 |
| Others | 6.8 | 5.5 | 4.9 | 4.6 | 1.3 | 1.1 | 1.0 | 0.9 |
| of which: Real estate | 9.6 | 6.4 | 5.3 | 4.2 | 0.7 | 0.5 | 0.4 | 0.3 |
| Less: Financial services indirectly measured | 7.0 | -1.2 | 0.2 | -3.5 | -0.2 | 0.0 | 0.0 | 0.1 |
| <i>Taxes less subsidies</i> | 2.2 | 4.0 | 5.7 | 5.3 | 0.2 | 0.4 | 0.6 | 0.5 |
| GDP Growth | 5.0 | 5.2 | 6.5 | 5.6 | 5.0 | 5.2 | 6.5 | 5.6 |
| <i>of which Non- Agricultural GDP</i> | <i>6.1</i> | <i>5.9</i> | <i>6.3</i> | <i>5.7</i> | <i>3.8</i> | <i>3.8</i> | <i>4.0</i> | <i>3.6</i> |

Source: National Treasury; Data: Kenya National Bureau of Statistics

4. Services remained the main source of growth and expanded by 5.8 percent in the first quarter of 2019 compared to a growth of 6.5 percent in the first quarter 2018. The service sector was supported by strong growth in the main drivers of the sector mainly accommodation and restaurants, transport and storage, and information and communication. Growth in information and communication (10.5 percent), accommodation and food service (10.1 percent), transport and storage (6.7 percent), wholesale and retail trade (5.3 percent), financial and insurance (5.0 percent) and real estate (4.2 percent) remained strong despite the slowdown relative to the same period in 2018.

5. Services contributed 2.8 percentage points to real GDP growth in the first quarter of 2019 largely supported by transport and storage (0.4 percentage points), wholesale and retail (0.4 percentage points) and information and communication (0.4 percentage points).

6. The performance of Industry slowed down to a growth of 4.3 percent in the first quarter of 2019 compared to a growth of 5.0 percent in the first quarter of 2018 following decreased activities in the manufacturing and electricity and water supply sectors. The sectors slowed down mainly on account of delayed rains that somewhat affected agro processing and generation of electricity. The construction sector grew by 5.6 percent in the first quarter of 2019 compared to a growth of 6.6 percent in the corresponding quarter of 2018. The growth was supported by the continued public infrastructural developments. Credit advanced to the construction sector declined in the first quarter of 2019, reflecting the general slowdown in construction activities.

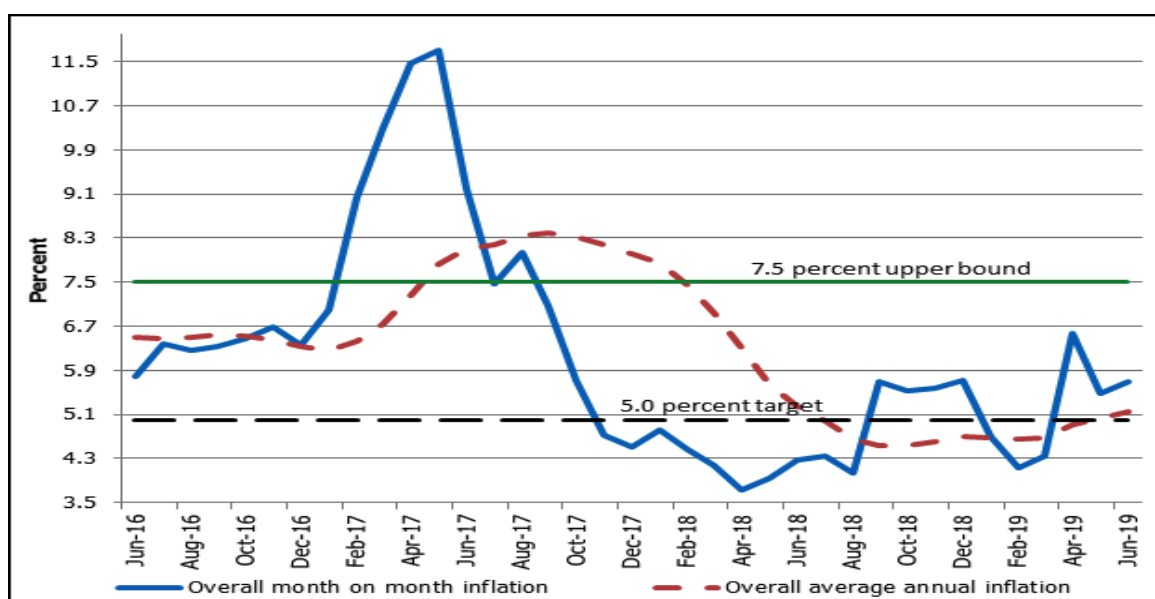
7. The industry sector contributed 0.7 percentage points to growth in the first quarter of 2019, largely driven by the construction and manufacturing sectors with each contributing 0.3 percentage points to real GDP growth.

RECENT ECONOMIC DEVELOPMENTS

1.2 Inflation

8. Overall month-on-month inflation remained stable at 5.7 percent in June 2019, a slight increase from 5.5 percent in May 2019, which is within the 5.0 (+/-2.5) percent target. The increased inflation in June was mainly on account of elevated prices of a few food crops and daily products such as green grams, beans, oranges, capsicum, cabbages and milk. Overall annual inflation remained stable at 5.2 percent in June 2019 and June 2018 on account of relatively lower fuel inflation in line with trends in energy prices (**Chart 2a**).

Chart 2a: Inflation

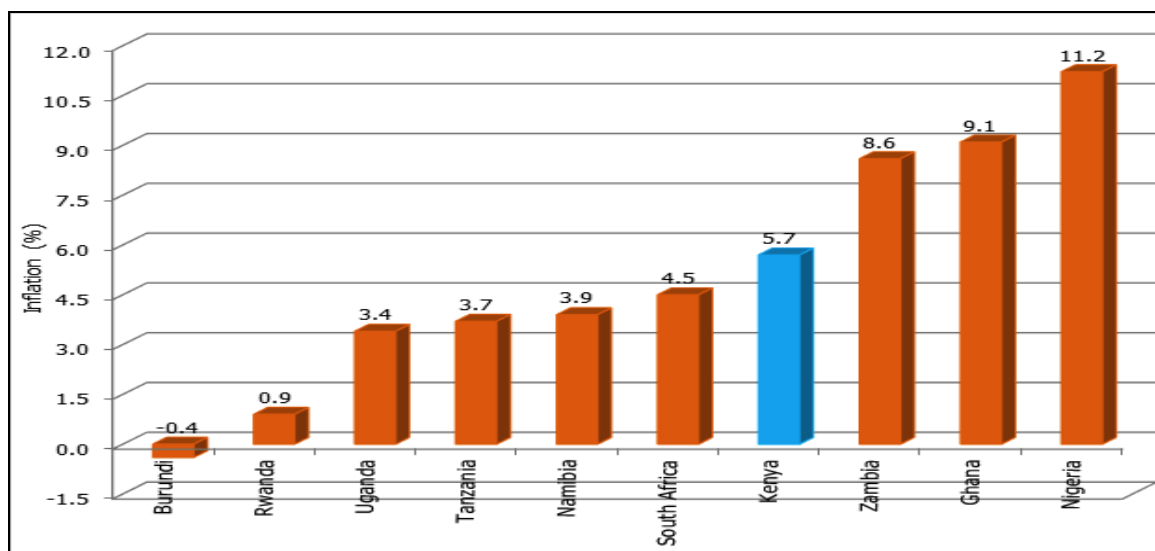


Source: National Treasury; Data: Kenya National Bureau of Statistics

9. Kenya's rate of inflation compares favorably with the rest of sub-Saharan African countries and especially its peers such as Nigeria and Ghana whose inflation rates were 11.2 percent and 9.1 percent, respectively in June 2019 (**Chart 2b**).

RECENT ECONOMIC DEVELOPMENTS

Chart 2b: Inflation Rates in selected African Countries (June 2019)

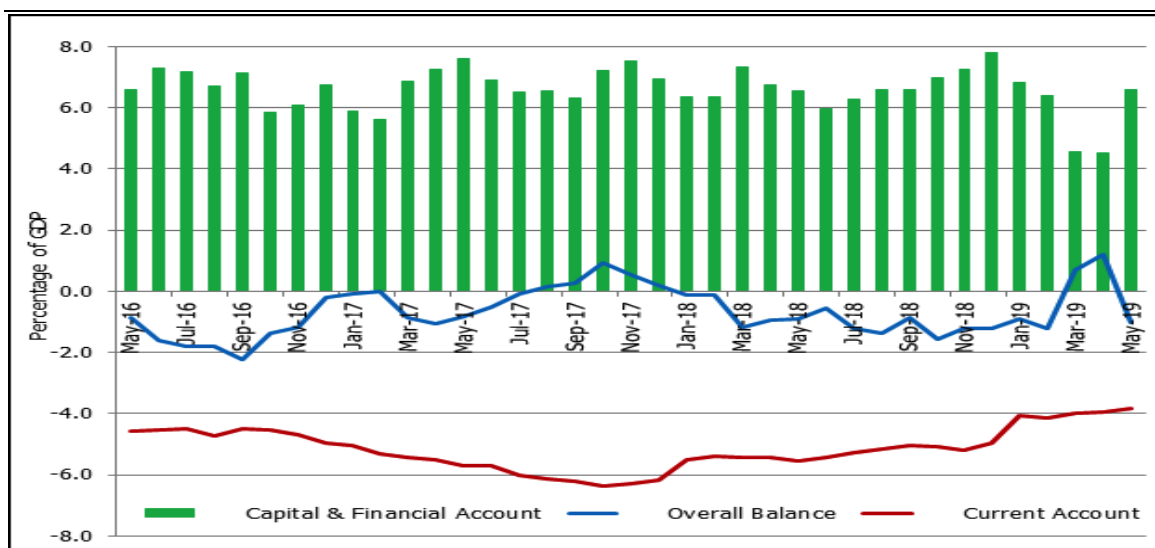


Source: National Treasury; Data: National Central Banks

1.3 Balance of Payments

10. The overall balance of payments position was at a deficit of US\$ 997.3 million (1.0 percent of GDP) in the year to May 2019 from a deficit of US\$ 798.0 million (0.9 percent of GDP) in the year to May 2018 (**Chart 3**). The overall balance was supported by an improvement in the current and financial account despite the decline in the capital account.

Chart 3: Balance of Payments (Percent of GDP)



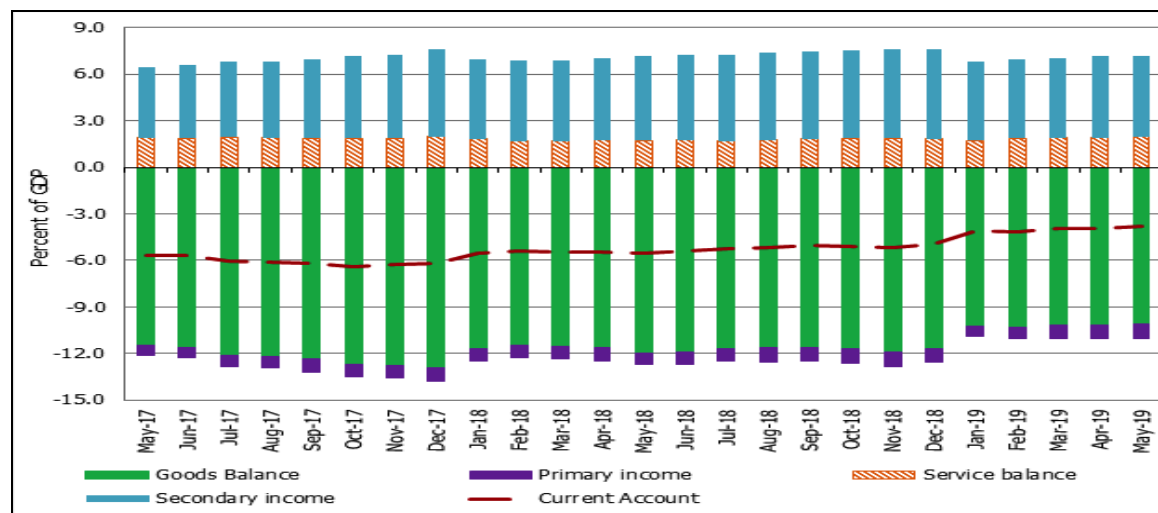
Source: National Treasury Data: Central Bank of Kenya

11. The current account balance narrowed by 21.6 percent to a deficit of US\$ 3,809.5 million (3.8 percent of GDP) in the year to May 2019 compared to a deficit of US\$ 4,861.5 million (5.5 percent of GDP) in the year to May 2018. This improvement reflects strong growth in diaspora remittances and tourism receipts, higher tea and horticultural

RECENT ECONOMIC DEVELOPMENTS

exports and slower growth in imports due to lower food and SGR-related equipment imports. The current account deficit is expected to narrow to 4.8 percent in 2019 (**Chart 4**).

Chart 4: Balance of Current Account (Percent of GDP)



Source: National Treasury; Data: Central Bank of Kenya.

12. The deficit in the merchandise account narrowed by US\$ 384.8 million to US\$ 10,098.5 million in the year to May 2019 reflecting a decline in payments for import of food and machinery. Net services recorded an improvement of 30.6 percent in the year to May 2019 mainly on account of higher receipts from transport and travels.

13. The capital account declined by US\$ 60.1 million to US\$ 181.7 million in the year to May 2019, reflecting a decrease in project grants. Flows in the Financial Account increased to US\$ 6,416.2 million in May 2019 compared with US\$ 5,496.9 million in May 2018. The financial inflows were mainly in the form of other investments, direct investments, portfolio investments and financial derivatives which stood at US\$ 4,006.0 million, US\$ 1,561.0 million, US\$ 841.5 million and US\$ 7.7 million, respectively in May 2019. Other investment inflows mainly include foreign financing for Government infrastructure projects.

1.4 Foreign Exchange Reserves

14. The banking system's foreign exchange holding remained strong at US\$ 13,369 million in May 2019 from US\$ 11,924 million in May 2018 (**Table 2 and Chart 5**). The official foreign exchange reserves held by the Central Bank improved to US\$ 10,122 million (6.4 months of import cover) in May 2019 compared with US\$ 9,291 million (6.2 months of import cover) in May 2018. Commercial banks holdings was at US\$ 3,246 million in 2019 from US\$ 2,633 million in 2018.

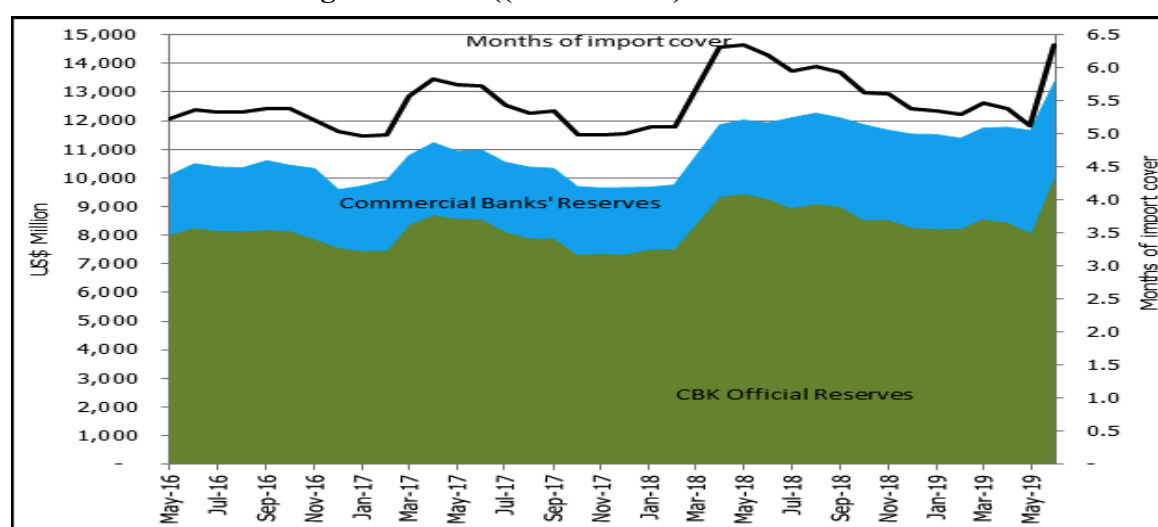
RECENT ECONOMIC DEVELOPMENTS

Table 2: Foreign Exchange Reserves (US\$ million)

| | May-18 | Jun-18 | Sep-18 | Oct-18 | Nov-18 | Dec-18 | Jan-19 | Feb-19 | Mar-19 | Apr-19 | May-19 |
|---------------------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| Gross Foreign Exchange Reserves | 11,924 | 12,100 | 11,861 | 11,668 | 11,531 | 11,516 | 11,387 | 11,738 | 11,772 | 11,654 | 13,369 |
| Official | 9,291 | 8,954 | 8,545 | 8,554 | 8,281 | 8,230 | 8,242 | 8,574 | 8,468 | 8,090 | 10,122 |
| Commercial Banks | 2,633 | 3,145 | 3,316 | 3,114 | 3,250 | 3,286 | 3,146 | 3,164 | 3,304 | 3,563 | 3,246 |
| Import cover (36 mths imports) | 6.19 | 5.95 | 5.63 | 5.60 | 5.39 | 5.34 | 5.30 | 5.47 | 5.39 | 5.12 | 6.35 |

Source: National Treasury; Data: Central Bank of Kenya.

Chart 5: Official Foreign Reserves ((US\$ million)



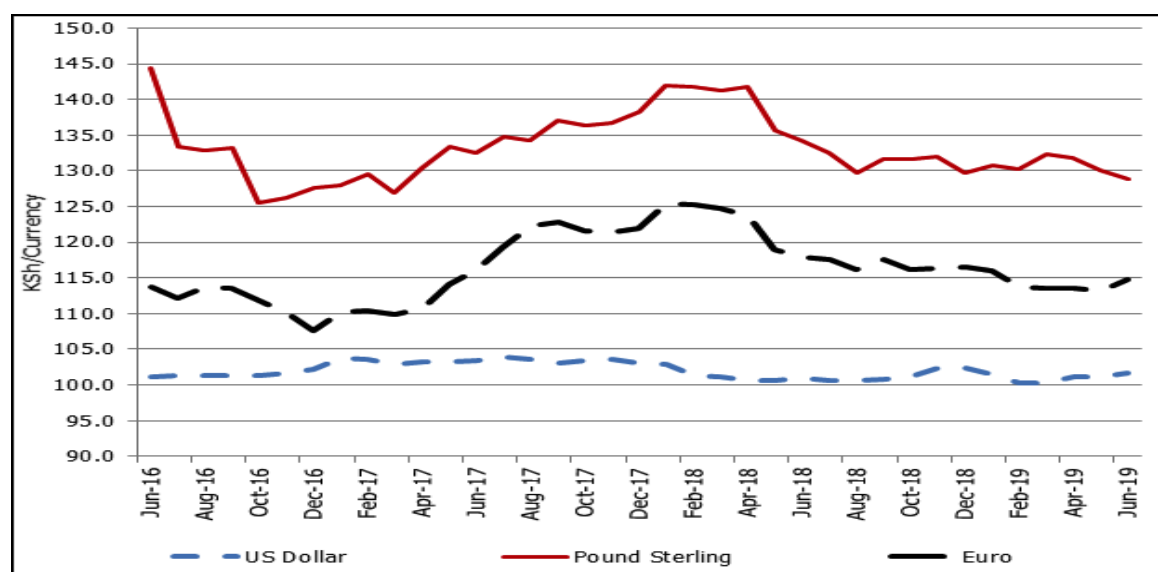
Source: National Treasury; Data: Central Bank of Kenya.

1.5 Exchange Rates

15. The Kenya Shilling exchange rate remained broadly stable and competitive against major international currencies. Against the dollar, the exchange rate has been relatively less volatile exchanging at KSh. 101.7 in June 2019 from KSh. 101.0 in June 2018. Against the Euro and the Sterling pound, the Shilling also strengthened to KSh. 114.7 and KSh. 128.8 in June 2019 from KSh. 118.0 and KSh. 134.2 in June 2018, respectively (**Chart 6a**).

RECENT ECONOMIC DEVELOPMENTS

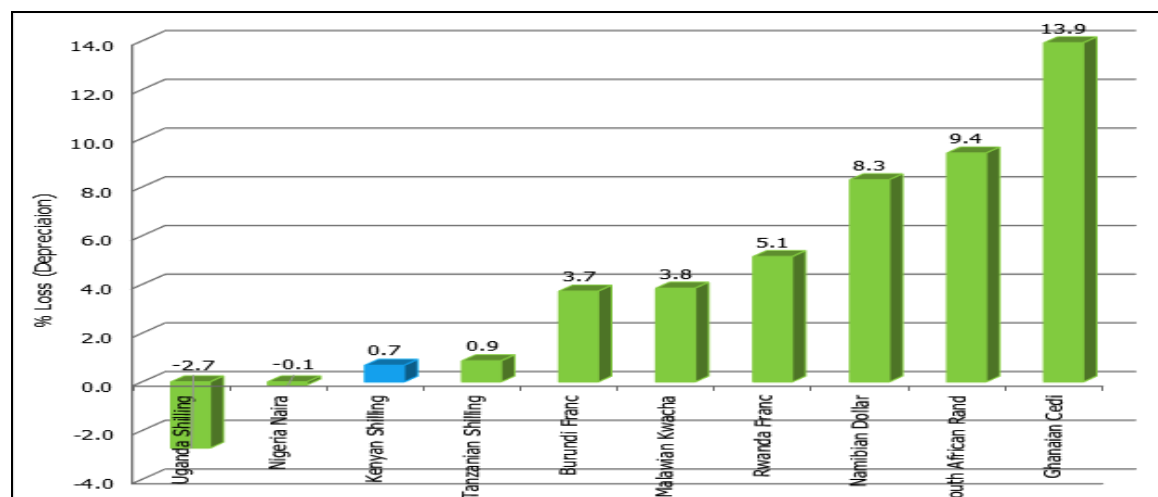
Chart 6a: Kenya Shilling Exchange Rate



Source: National Treasury, Data: Central Bank of Kenya

16. The Kenya Shilling exchange rate has continued to display relatively less volatility compared to most Sub-Saharan Africa Currencies (**Chart 6b**). This stability reflected strong inflows from tea and horticulture exports, resilient diaspora remittances, and improved receipts from service sector particularly tourism.

Chart 6b: Performance of selected Currencies against the US Dollar (June 2018 to June 2019)



Source: National Treasury, Data: National Central Banks

1.6 Money and Credit

17. Broad money supply, M3, improved to register a growth of 8.7 percent in the year to May 2019 compared to a growth of 7.5 percent in the year to May 2018 (Table 3). The pickup in growth reflects an improvement in the growth of time and savings deposit and the rate of demand deposits despite a decline in the foreign currency deposits. Other deposits at the Central Bank increased in the year to May 2019 largely reflecting increased County-Governments deposits on account of transfers from the National Government.

RECENT ECONOMIC DEVELOPMENTS

Table 3: Money and Credit Developments, KSh. billion

| | 2017 | 2018 | 2019 | Absolute Change | | percent change | |
|--|----------------|----------------|----------------|-----------------|---------------|----------------|--------------|
| | 2017 | 2018 | 2019 | 2017-2018 | 2018-2019 | 12 months to | 12 months to |
| | MAY | MAY | MAY | MAY | MAY | May-18 | May-19 |
| COMPONENTS OF M3 | | | | | | | |
| 1. Money supply, M1 (1.1+1.2+1.3) | 1,347.8 | 1,400.4 | 1,495.7 | 52.5 | 95.4 | 3.9 | 6.8 |
| 1.1 currency outside banks | 202.0 | 211.7 | 222.0 | 9.7 | 10.2 | 4.8 | 4.8 |
| 1.2 Demand deposits | 1,080.9 | 1,133.7 | 1,190.4 | 52.9 | 56.6 | 4.9 | 5.0 |
| 1.3 Other deposits at CBK | 64.9 | 54.9 | 83.4 | -10.0 | 28.5 | -15.4 | 51.9 |
| 2. Money supply, M2 (1+2.1) | 2,475.0 | 2,621.0 | 2,838.3 | 146.1 | 217.2 | 5.9 | 8.3 |
| 2.1 Time and savings deposits | 1,127.1 | 1,220.7 | 1,342.5 | 93.5 | 121.9 | 8.3 | 10.0 |
| 3. Money supply, M3 (2+3.1) | 2,922.7 | 3,142.1 | 3,416.2 | 219.3 | 274.2 | 7.5 | 8.7 |
| 3.1 Foreign currency deposits | 447.8 | 521.0 | 577.9 | 73.3 | 56.9 | 16.4 | 10.9 |
| SOURCES OF M3 | | | | | | | |
| 1. Net foreign assets (1.1+1.2) | 655.4 | 722.8 | 934.4 | 67.4 | 211.5 | 10.3 | 29.3 |
| 1.1 Central Bank | 751.0 | 815.6 | 953.3 | 64.5 | 137.7 | 8.6 | 16.9 |
| 1.2 Banking Institutions | -95.6 | -92.7 | -18.9 | 2.9 | 73.8 | -3.0 | -79.6 |
| 2. Net domestic assets (2.1+2.2) | 2,267.3 | 2,419.2 | 2,481.8 | 151.9 | 62.6 | 6.7 | 2.6 |
| 2.1 Domestic credit (2.1.1+2.1.2+2.1.3) | 2,977.2 | 3,154.0 | 3,353.1 | 176.8 | 199.1 | 5.9 | 6.3 |
| 2.1.1 Government (net) | 590.2 | 669.5 | 775.3 | 79.3 | 105.7 | 13.4 | 15.8 |
| 2.1.2 Other public sector | 104.5 | 113.2 | 101.6 | 8.7 | -11.5 | 8.3 | -10.2 |
| 2.1.3 Private sector | 2,282.5 | 2,371.3 | 2,476.2 | 88.8 | 104.8 | 3.9 | 4.4 |
| 2.2 Other assets net | -709.9 | -734.8 | -871.2 | -24.8 | -136.5 | 3.5 | 18.6 |

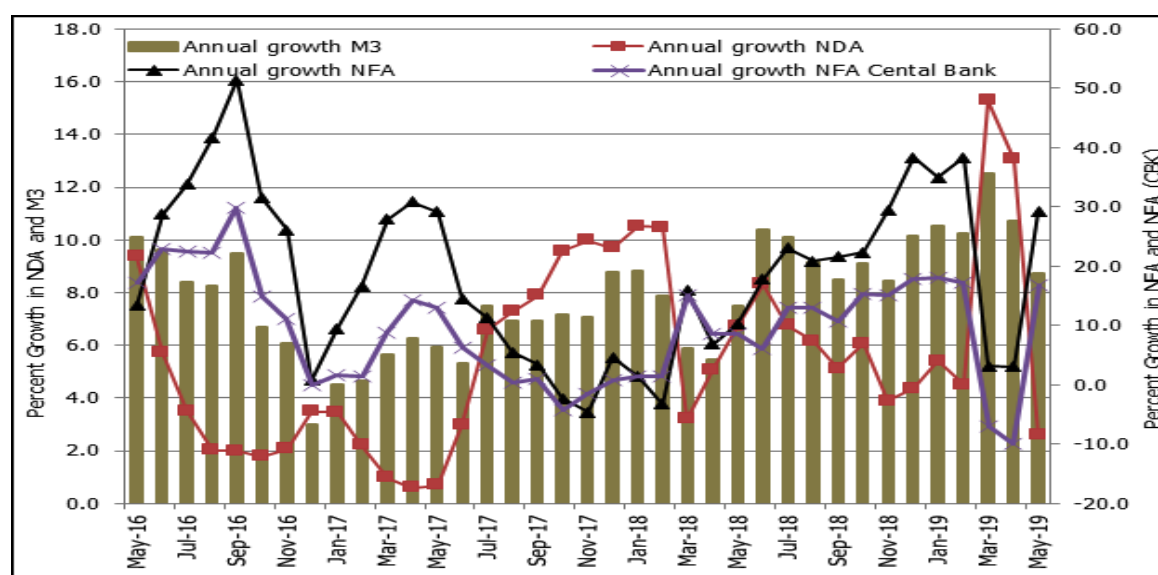
Source: National Treasury, Data: Central Bank of Kenya

18. The primary source of the growth in M3 in the year to May 2019 was the increase in the net foreign assets (NFA) of the banking sector. This growth in M3 was partly offset by the slowdown in net domestic assets (NDA) of the banking system, largely reflecting a decline in net credit to other public sectors.

19. Net Foreign Assets (NFA) of the banking system in the year to May 2019 grew by 29.3 percent, an improvement compared to a growth of 10.3 percent in the year to May 2018 (**Chart 7**). The increase in NFA of the Central Bank reflected receipts of proceeds from the Euro bond. On the other hand, reduction in NFA of commercial banks, partly reflected deceleration in growth of their deposit holdings with non-resident banks alongside increased borrowings from non-residents.

20. Net Domestic Assets (NDA) declined to register a growth of 2.6 percent in the year to May 2019 from a growth of 6.7 percent over a similar period in 2018. This largely reflects a decline in net credit flows to other public sectors. However, net credit flows to the government and the private sector increased during the review period.

Chart 7: Growth in Money Supply and Its Sources



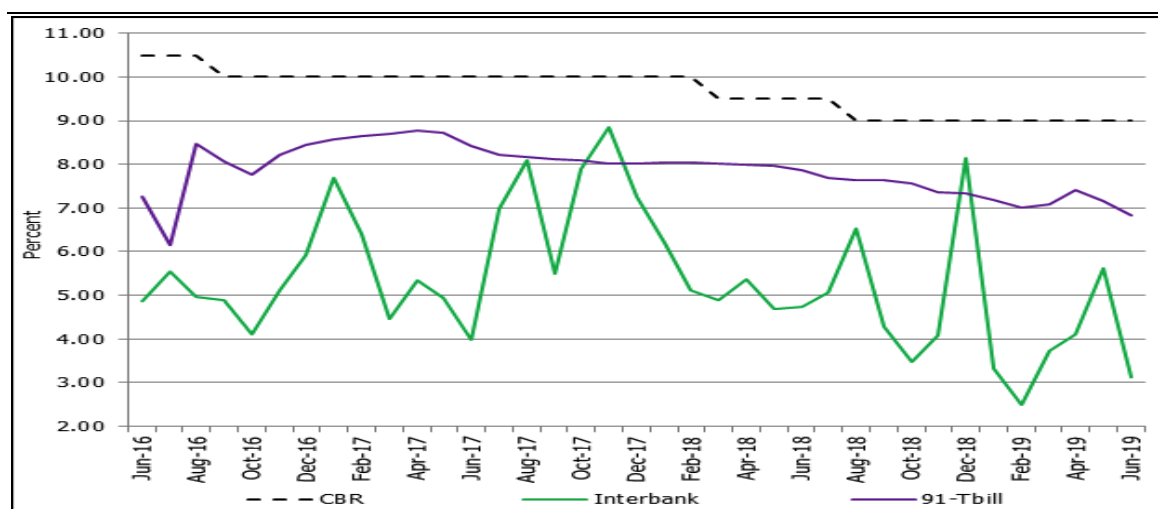
Source: National Treasury, Data: Central Bank of Kenya

21. Annual growth of credit to the private sector grew by 4.4 percent in the year to May 2019, compared to a growth of 3.9 percent in the year to May 2018. In particular, lending to consumer durables, private households, trade, finance and insurance and manufacturing sectors grew by 18.0 percent, 7.8 percent, 7.6 percent, 6.7 percent and 6.5 percent, respectively. Growth in private sector credit is expected to pick up gradually with the continued recovery of the economy.

1.7 Interest Rates

22. Short term interest rates have remained fairly low and stable. The CBR continues to be retained at 9.0 percent as inflation expectations remain well anchored within the target range and the economy is operating close to potential. The interbank rate remained low at 3.1 percent in June 2019 from 4.8 percent in June 2018 due to ample liquidity in the money market (**Chart 8**).

Chart 8: Short-Term Interest Rates



Source: National Treasury, Data: Central Bank of Kenya

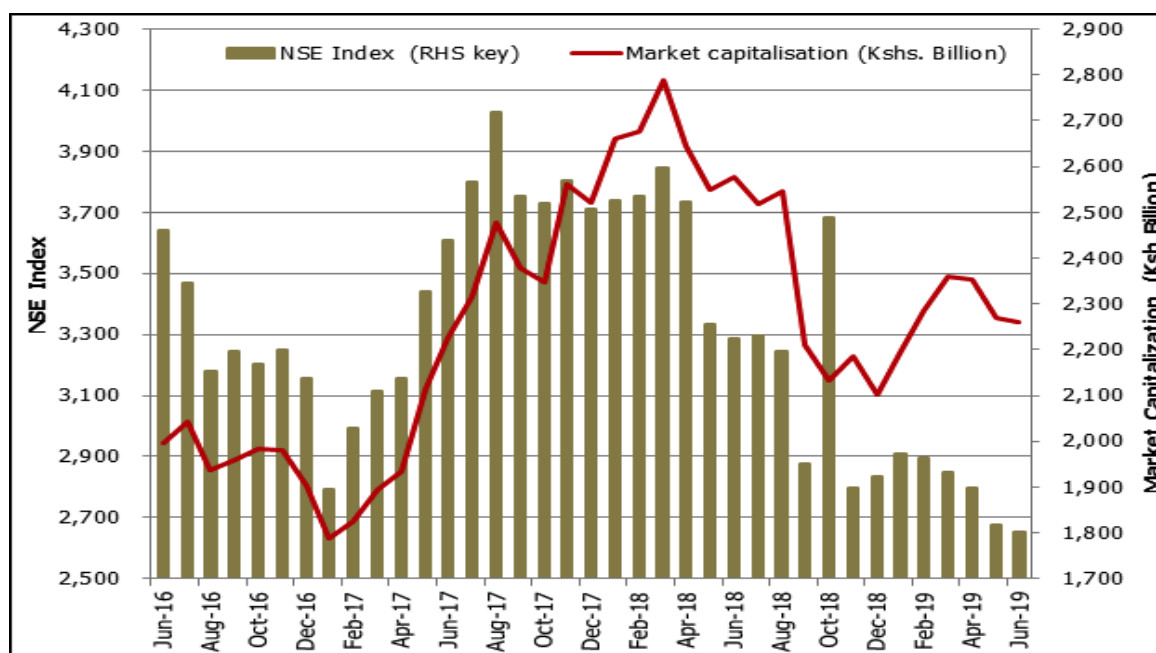
RECENT ECONOMIC DEVELOPMENTS

23. The interest rates for Government securities have been declining indicating that the implementation of Government domestic borrowing program supported market stability. The 91-day Treasury bill rate declined to 6.9 percent in June 2019 compared to 7.9 percent in June 2018 while over the same period, the 182 day and the 364-day Treasury bills declined to 7.6 percent and 9.2 percent from 10.0 percent and 10.9 percent, respectively.

1.8 Capital Markets

24. Activity in the capital market slowed down with equity share prices declining as shown by the NSE 20 Share Index. The NSE 20 Share Index was at 2,651 points by end-June, 2019 compared to 3,286 points by end June, 2018. The depressed share prices resulted in lower market capitalization of KSh. 2,259 billion from KSh. 2,576 billion over the same period (**Chart 9**). The decline reflects trends in the global equities markets as investors shift to bond markets in expectation for a further hike in the U.S. interest rates on strong jobs and economic data.

Chart 9: Performance at the NSE



Source: Central Bank of Kenya

2.0 FISCAL DEVELOPMENTS

2.1 Revenue

25. By the end of June 2019, total cumulative revenue including A-I-A collected amounted to KSh. 1,671.1 billion against a target of KSh. 1,794.3 billion (**Table 4 and Chart 10**). This performance was below target by KSh. 123.2 billion. Ordinary Revenue collection was KSh. 1,496.9 billion against a target of KSh. 1,588.1 billion, which was KSh. 91.2 billion below the target. The Railway Development Levy collection amounted to KSh 21.3 billion against a target of KSh. 24.7 billion. Cumulative ministerial A-I-A recorded an under performance of KSh. 32 billion in the period under review. The A-I-A underperformance is attributed mainly to under reporting by the Ministries' in their expenditure returns for the period under review. However, compared to the last FY, the Revenue collection increased by 9.8 per cent. The revenue data in GFSM 2014 format is shown in Annex II.

Table 4: Government Revenue and External Grants, Period Ending 30th June, 2019 (KSh. Million)

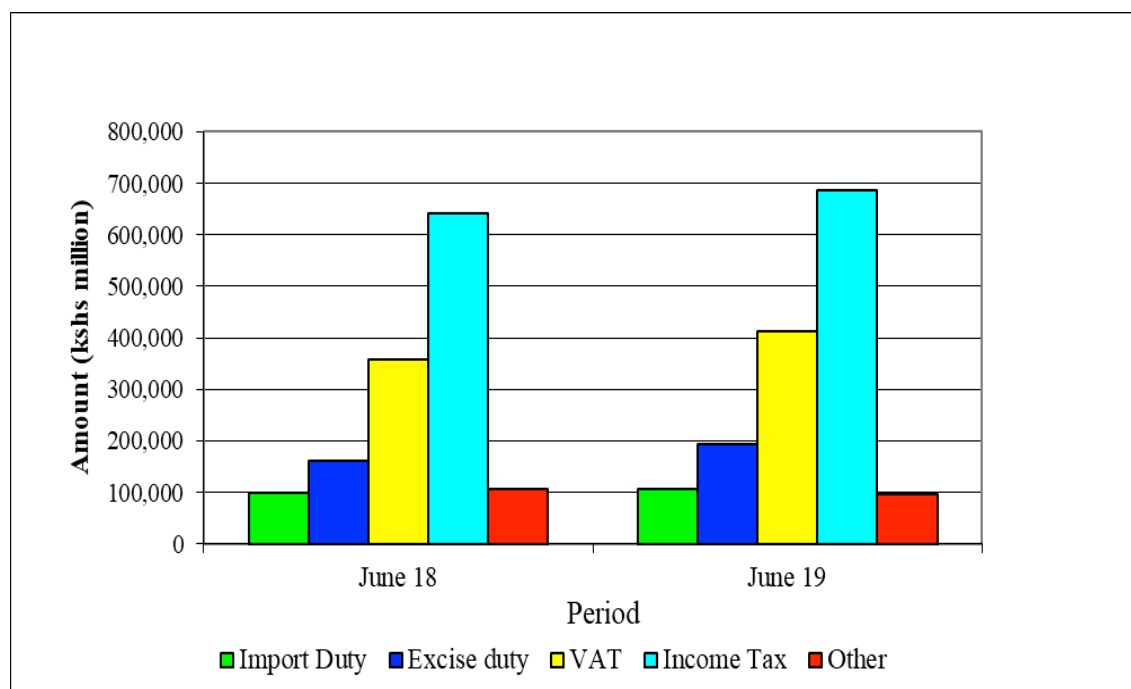
| Revenue Head | 2017/2018 Actual | 2018/19 | | Deviation KSh | Deviation in percent |
|---|---------------------|------------------|------------------|------------------|-------------------------|
| | | Actual | Target | | |
| Total Revenue (a+b) | 1,522,419 | 1,671,071 | 1,794,300 | (123,229) | (6.87) |
| (a) Ordinary Revenue | 1,365,063 | 1,496,930 | 1,588,132 | (91,201) | (5.74) |
| Import Duty | 99,215 | 107,702 | 108,504 | (802) | (0.74) |
| Excise Duty | 162,484 | 194,289 | 198,362 | (4,073) | (2.05) |
| PAYE | 350,631 | 393,362 | 403,344 | (9,983) | (2.47) |
| Other Income Tax | 289,962 | 292,028 | 338,886 | (46,859) | (13.83) |
| VAT Local | 206,257 | 230,600 | 241,124 | (10,524) | (4.36) |
| VAT Imports | 150,599 | 182,586 | 184,374 | (1,788) | (0.97) |
| Investment Revenue | 24,123 | 24,575 | 36,716 | (12,141) | (33.07) |
| Traffic Revenue | 3,077 | 4,062 | 3,688 | 374 | 10.14 |
| Taxes on Intl. Trade & Trans.(IDF Fee) | 23,782 | 24,182 | 26,509 | (2,327) | (8.78) |
| Others ¹ | 54,934 | 43,545 | 46,624 | (3,079) | (6.60) |
| (b) Appropriation In Aid ² | 157,356 | 174,140 | 206,168 | (32,028) | (15.53) |
| o/w Railway Development Levy | 20,773 | 21,303 | 24,719 | (3,416) | (13.82) |
| (c) External Grants | 26,484 | 19,702 | 34,740 | (15,038) | (43.29) |
| Total Revenue and External Grants | 1,548,903 | 1,690,773 | 1,829,041 | (138,268) | (7.56) |
| Total Revenue and External Grants as a percentage of GDP | 18.17 | 17.78 | 19.23 | | |

1/ includes rent of buildings, fines and forfeitures, other taxes, reimbursements and other fund contributions, and miscellaneous revenue.

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

Source: National Treasury

26. As a proportion of GDP, the total cumulative revenue and grants in the period under review amounted to 17.9 per cent compared to 18.2 per cent in the corresponding period in the FY 2017/18. External grants amounted to KSh. 19.7 billion against a target of KSh. 34.7 billion, representing an under performance of KSh. 15 billion.

Chart 10: Total Ordinary Revenue

Source: National Treasury

2.2 Expenditure

27. The total expenditure and net lending in the period under review amounted to KSh. 2,405.9 billion, against a target of KSh. 2,541.9 billion (**Table 5**). The shortfall of KSh. 135.9 billion was attributed to lower absorption recorded in both the recurrent and development expenditures of the National Government. Recurrent expenditure for National Government amounted to KSh. 1,455 billion (excl. KSh. 41.2 billion by Parliament and Judiciary), against a target of KSh 1,528.5 billion (excl. KSh. 45.6 billion by Parliament and Judiciary), which is an underperformance mainly recorded in O & M, pension and Wages and Salaries of KSh. 56.5 billion, KSh. 13.8 billion and 10.4 billion underperformance respectively. The expenditure data using GFSM 2014 format is shown in **Annexes III** and **IV**.

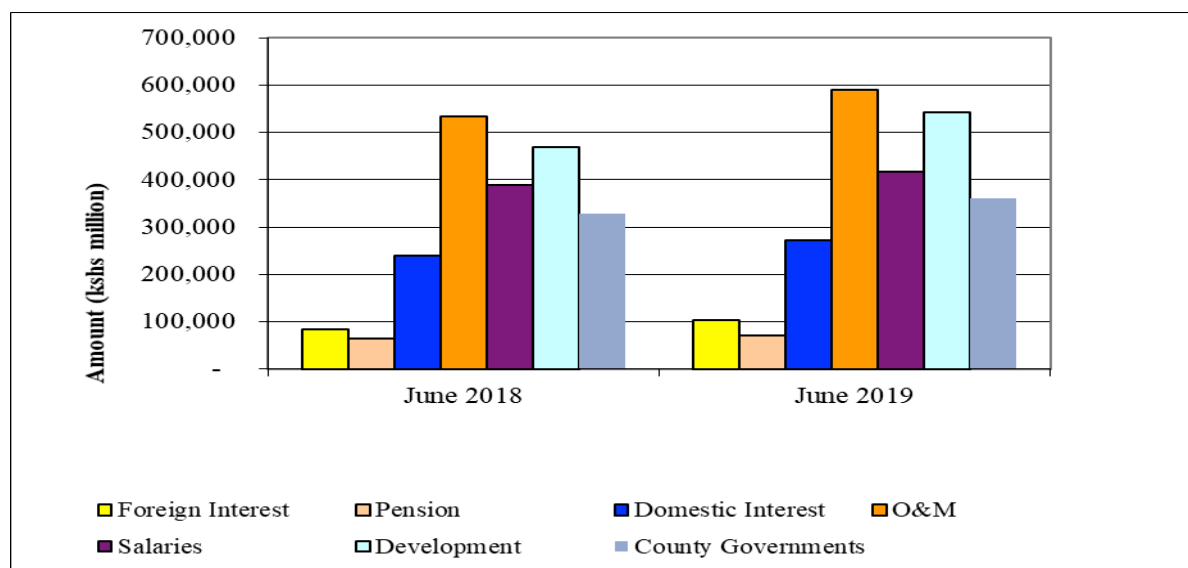
FISCAL DEVELOPMENTS

Table 5: Expenditure and Net Lending, Period Ending 30th June, 2019 (KSh. Million)

| Expenditure Head | 2017/2018 Actual | 2018/19 | | Deviation | % Growth |
|-----------------------------|---------------------|------------------|------------------|------------------|-------------|
| | | Actual | Targets | | |
| 1. RECURRENT | 1,312,082 | 1,454,984 | 1,528,546 | (73,562) | 10.9 |
| Domestic Interest | 239,470 | 272,351 | 264,831 | 7,520 | 13.7 |
| Foreign Interest | 84,420 | 103,372 | 103,718 | (346) | 22.5 |
| Pensions | 65,099 | 70,804 | 84,605 | (13,801) | 8.8 |
| Wages and Salaries | 388,938 | 417,526 | 427,953 | (10,427) | 7.4 |
| Operation and Maintenance | 534,155 | 590,931 | 647,439 | (56,508) | 10.6 |
| O/W : Appropriation-in-Aid | 109,669 | 112,906 | 143,761 | (30,855) | 3.0 |
| 2. DEVELOPMENT | 469,673 | 542,007 | 598,094 | (56,087) | 15.4 |
| Development Projects (Net) | 216,366 | 300,137 | 290,593 | 9,544 | 38.7 |
| Payment of Guaranteed Loans | 2,529 | 2,485 | 2,483 | 2 | (1.7) |
| Appropriation-in-Aid | 250,778 | 239,386 | 305,018 | (65,633) | (4.5) |
| 3. County Governments | 327,274 | 360,740 | 364,958 | (4,218) | 10.2 |
| 4. Parliamentary Service | 25,678 | 28,525 | 32,088 | (3,563) | 11.1 |
| 5. Judicial Service | 11,944 | 12,713 | 13,495 | (782) | 6.4 |
| 6. Equalization Fund | - | 6,962 | 4,700 | 2,262 | - |
| 7. CF | - | - | - | - | - |
| TOTAL EXPENDITURE | 2,146,651 | 2,405,933 | 2,541,881 | (135,948) | 12.1 |

Source: National Treasury

28. Foreign interest payments amounted to KSh. 103.3 billion, compared to KSh. 84.4 billion in the same period in the 2017/18 FY. The domestic interest payments totalled KSh. 272.4 billion, which was higher than KSh. 239.5 billion paid in the corresponding period in the previous financial year but was lower than the target of KSh. 264.8 billion (Chart 11).

Chart 11: Expenditure and Net Lending

Source: National Treasury

29. The total cumulative ministerial and other public agencies expenditure including A.I.A was KSh. 1,605.4 billion against a target of KSh. 1,794.4 billion. Recurrent expenditure was KSh. 1,037.8 billion against a target of KSh. 1,144 billion, while development expenditure was KSh. 567.6 billion against a target of KSh. 650.5 billion. The percentage of total expenditures to the target was 89.5 per cent while the percentage of total expenditures to the target for recurrent and development were 90.7 per cent and 87.3 per cent respectively, as at the end of the period under review. The discrepancy between actual and target expenditures is partly due to the non-capture of the sub National expenditures leading to under reporting by Ministries. These ministerial expenditures are therefore, provisional.

30. As at the end of the period ending 30th June, 2019, expenditures by the State department for Early Learning and Basic Education, State department for University Education; Teachers Service Commission; State department for Vocational and Technical Training and the Ministry of Health (Social Sector) accounted for 44.6 per cent of total recurrent expenditure. In addition, the State Department for Interior and Ministry of Defence accounted for 10.4 per cent and 9.8 per cent of total recurrent expenditure respectively.

31. Analysis of development outlay indicates that the State Department for Transport (with 21.4 per cent) accounted for the largest share of the total development expenditures, followed by the State Department for Infrastructure (with 18.8 per cent), State Department for Energy (with 8.7 per cent), the State Department for Devolution (with 6 per cent) and Ministry of water and Sanitation (with 5.1 per cent). The development expenditures by the large Ministries were below the target because of non-inclusion of expenditures from the sub National and some donor funded projects. **Table 6** shows the recurrent and development expenditures by State Departments, Ministries and Commissions for the period under review.

FISCAL DEVELOPMENTS

Table 6: Ministerial Expenditures, Period Ending 30th June, 2019 (KSh. Million)

| Budget Head | MINISTRY/DEPARTMENT/COMMISSIONS | Jun-19 | | Variance | Jun-19 | | Variance | Jun-19 | | Variance | Variance | % of total expenditure to target |
|-------------|--|---------------------|-----------|---------------------|-------------|---------------------|----------|-----------|-----------|-------------|-----------|----------------------------------|
| | | Reccurent | | | Development | | | Total | | | | |
| | | Actual ^a | Target | Actual ^a | Target | Actual ^a | Target | | | | | |
| 1011 | The Presidency | 9,011 | 9,531 | (520) | 651 | 1,137 | (486) | 9,662 | 10,668 | (1,006) | (1,006) | 90.6 |
| 1021 | State Department for Interior | 107,877 | 123,736 | (15,859) | 12,847 | 16,920 | (4,072) | 120,725 | 140,656 | (124,797) | (19,931) | 85.8 |
| 1023 | State Department for Correctional Services | 22,233 | 26,004 | (3,771) | 449 | 640 | (190) | 22,682 | 26,644 | (22,873) | (3,962) | 85.1 |
| 1024 | State Department for Immigration and Citizen Services | 2,099 | 2,221 | (121) | 1,482 | 1,493 | (11) | 3,582 | 3,714 | (3,593) | (133) | 96.4 |
| 1032 | State Department for Devolution | 3,954 | 4,219 | (265) | 34,134 | 40,701 | (6,567) | 38,087 | 44,920 | (44,654) | (6,832) | 84.8 |
| 1035 | State Department for Development of the ASAL | 1,228 | 1,231 | (3) | 3,296 | 5,187 | (1,891) | 4,524 | 6,418 | (6,415) | (1,894) | 70.5 |
| 1041 | Ministry of Defence | 101,524 | 101,549 | (24) | 11,107 | 17,241 | (6,134) | 112,631 | 118,790 | (118,765) | (6,159) | 94.8 |
| 1052 | Ministry of Foreign Affairs | 11,610 | 16,122 | (4,511) | 335 | 2,238 | (1,903) | 11,945 | 18,360 | (13,848) | (6,414) | 65.1 |
| 1064 | State Department for Vocational And Technical Training | 7,733 | 8,960 | (1,227) | 9,239 | 11,612 | (2,373) | 16,971 | 20,571 | (19,344) | (3,600) | 82.5 |
| 1065 | State Department for University Education | 87,416 | 100,471 | (13,055) | 10,186 | 11,392 | (1,206) | 97,602 | 111,864 | (98,808) | (14,261) | 87.3 |
| 1066 | State Department for Early Learning & Basic Education | 83,452 | 88,395 | (4,943) | 9,445 | 10,443 | (998) | 92,897 | 98,838 | (93,895) | (5,941) | 94.0 |
| 1068 | State Department for Post Training and Skills Development | 59 | 75 | (17) | - | - | - | 59 | 75 | (59) | (17) | 77.8 |
| 1071 | The National Treasury | 41,006 | 44,132 | (3,126) | 14,337 | 20,734 | (6,397) | 55,343 | 64,865 | (61,740) | (9,522) | 85.3 |
| 1072 | 1072 State Department for Planning | 8,969 | 10,131 | (1,162) | 1,764 | 1,821 | (57) | 10,733 | 11,952 | (10,790) | (1,219) | 89.8 |
| 1081 | Ministry of Health | 50,520 | 53,199 | (2,679) | 22,780 | 31,943 | (9,164) | 73,300 | 85,142 | (82,464) | (11,843) | 86.1 |
| 1091 | State Department for Infrastructure | 50,224 | 58,585 | (8,361) | 106,528 | 112,941 | (6,413) | 156,753 | 171,526 | (163,166) | (14,774) | 91.4 |
| 1092 | State Department for Transport | 1,116 | 11,048 | (9,932) | 121,335 | 120,885 | 450 | 122,452 | 131,934 | (122,002) | (9,482) | 92.8 |
| 1093 | State Department for Marine time Affairs | 243 | 1,914 | (1,670) | - | - | - | 243 | 1,914 | (243) | (1,670) | 12.7 |
| 1094 | State Department for Housing & Urban Development | 707 | 781 | (73) | 23,659 | 32,890 | (9,232) | 24,366 | 33,671 | (33,598) | (9,305) | 72.4 |
| 1095 | State Department for Public Works | 1,547 | 1,619 | (72) | 1,123 | 1,369 | (246) | 2,670 | 2,988 | (2,916) | (318) | 89.4 |
| 1096 | State Department for Housing, Urban Development and Public Works | 703 | 837 | (134) | 10,112 | 2,043 | 8,069 | 10,815 | 2,879 | (2,746) | 7,935 | 375.6 |
| 1107 | Ministry of Water and Sanitation | 3,426 | 5,310 | (1,885) | 28,874 | 35,806 | (6,932) | 32,300 | 41,116 | (39,231) | (8,817) | 78.6 |
| 1108 | Ministry of Environment and Forestry | 9,042 | 10,199 | (1,156) | 3,211 | 4,370 | (1,160) | 12,253 | 14,569 | (13,413) | (2,316) | 84.1 |
| 1112 | Ministry of Lands and Physical Planning | 2,245 | 2,710 | (465) | 2,259 | 2,763 | (505) | 4,503 | 5,473 | (5,008) | (970) | 82.3 |
| 1122 | State Department for Information Communication and Technology & Innovation | 1,590 | 1,794 | (203) | 21,098 | 23,317 | (2,219) | 22,688 | 25,110 | (24,907) | (2,422) | 90.4 |
| 1123 | State Department for Broadcasting & Telecommunications | 4,794 | 5,440 | (646) | 686 | 688 | (2) | 5,480 | 6,128 | (5,482) | (648) | 89.4 |
| 1132 | State Department for Sports Development | 3,489 | 10,605 | (7,116) | 675 | 695 | (20) | 4,164 | 11,300 | (4,184) | (7,136) | 36.9 |
| 1134 | 1134 State Department for Culture and Heritage | 3,312 | 3,479 | (166) | 810 | 882 | (72) | 4,122 | 4,360 | (4,194) | (238) | 94.5 |
| 1152 | State Department of Energy | 2,165 | 2,878 | (713) | 49,593 | 58,984 | (9,391) | 51,758 | 61,862 | (61,149) | (10,104) | 83.7 |
| 1162 | State Department for Livestock | 1,967 | 2,185 | (217) | 4,065 | 4,742 | (677) | 6,032 | 6,926 | (6,709) | (895) | 87.1 |
| 1165 | State Department for Crop Development | 12,022 | 12,258 | (236) | 13,861 | 19,940 | (6,079) | 25,883 | 32,199 | (31,962) | (6,316) | 80.4 |
| 1166 | State Department for Fisheries, Aquaculture & the Blue Economy | 536 | 691 | (156) | 469 | 1,509 | (1,040) | 1,004 | 2,200 | (2,045) | (1,196) | 45.6 |
| 1167 | State Department for Irrigation | 1,252 | 1,659 | (407) | 6,197 | 6,835 | (639) | 7,449 | 8,495 | (8,087) | (1,046) | 87.7 |
| 1168 | State Department for Agricultural Research | 5,877 | 5,882 | (5) | 705 | 869 | (164) | 6,582 | 6,752 | (6,746) | (169) | 97.5 |
| 1173 | State Department for Cooperatives | 359 | 594 | (235) | 339 | 378 | (39) | 698 | 972 | (737) | (274) | 71.8 |
| 1174 | State Department for Trade | 1,465 | 1,644 | (179) | 258 | 272 | (14) | 1,722 | 1,916 | (1,737) | (194) | 89.9 |
| 1175 | State Department for Industrialization | 2,468 | 3,317 | (850) | 3,003 | 3,303 | (300) | 5,470 | 6,620 | (5,771) | (1,150) | 82.6 |
| 1184 | State Department for Labour | 1,957 | 2,427 | (470) | 1,243 | 1,541 | (299) | 3,200 | 3,968 | (3,499) | (769) | 80.6 |
| 1185 | State Department for Social Protection | 18,072 | 18,796 | (724) | 12,633 | 12,888 | (255) | 30,705 | 31,684 | (30,960) | (980) | 96.9 |
| 1192 | State Department for Mining | 825 | 1,017 | (193) | 326 | 308 | 18 | 1,150 | 1,325 | (1,133) | (175) | 86.8 |
| 1193 | State Department for Petroleum | 250 | 282 | (32) | 2,763 | 3,208 | (446) | 3,012 | 3,491 | (3,458) | (478) | 86.3 |
| 1202 | State Department for Tourism | 3,014 | 3,398 | (384) | 766 | 1,270 | (504) | 3,780 | 4,668 | (4,284) | (888) | 81.0 |
| 1203 | State Department for Wildlife | 2,219 | 6,340 | (4,121) | 873 | 1,053 | (180) | 3,093 | 7,394 | (3,273) | (4,301) | 41.8 |
| 1204 | Ministry of Tourism and Wildlife | 1,038 | 1,041 | (3) | 377 | 177 | 200 | 1,415 | 1,218 | (1,215) | 197 | 116.2 |
| 1211 | State Department of Public Service and Youth Affairs | 1,417 | 1,562 | (146) | 1,217 | 1,391 | (174) | 2,634 | 2,954 | (2,808) | (320) | 89.2 |
| 1212 | State Department for Gender | 1,400 | 1,435 | (35) | 2,813 | 2,813 | - | 4,213 | 4,248 | (4,213) | (35) | 99.2 |
| 1213 | State Department for Public Service | 6,106 | 6,330 | (224) | 1,074 | 1,162 | (87) | 7,180 | 7,492 | (7,267) | (312) | 95.8 |
| 1214 | State Department for Youth | 6,115 | 12,253 | (6,138) | 2,186 | 2,783 | (598) | 8,300 | 15,036 | (8,898) | (6,736) | 55.2 |
| 1221 | State Department for East African Community | 891 | 896 | (5) | - | 16 | (16) | 891 | 912 | (907) | (22) | 97.6 |
| 1222 | State Department for Regional and Northern Corridor Development | 1,847 | 2,295 | (448) | 6,476 | 7,542 | (1,066) | 8,322 | 9,837 | (9,389) | (1,515) | 84.6 |
| 1252 | State Law Office and Department of Justice | 3,882 | 4,673 | (791) | 99 | 76 | 23 | 3,981 | 4,749 | (3,958) | (768) | 83.8 |
| 1261 | The Judiciary | 12,382 | 13,086 | (704) | 2,242 | 3,009 | (767) | 14,624 | 16,095 | (15,391) | (1,471) | 90.9 |
| 1271 | Ethics and Anti-Corruption Commission | 3,150 | 3,167 | (17) | - | 41 | (41) | 3,150 | 3,208 | (3,190) | (58) | 98.2 |
| 1281 | National Intelligence Service | 33,753 | 34,521 | (768) | - | - | - | 33,753 | 34,521 | (33,753) | (768) | 97.8 |
| 1291 | Directorate of Public Prosecutions | 2,406 | 2,942 | (536) | - | 25 | (25) | 2,406 | 2,967 | (2,431) | (561) | 81.1 |
| 1311 | Registrar of Political Parties | 1,044 | 1,072 | (28) | - | - | - | 1,044 | 1,072 | (1,044) | (28) | 97.4 |
| 1321 | Witness Protection Agency | 23 | 433 | (410) | - | - | - | 23 | 433 | (23) | (410) | 5.3 |
| 2011 | Kenya National Commission on Human Rights | 396 | 398 | (2) | - | - | - | 396 | 398 | (396) | (2) | 99.6 |
| 2021 | National Land Commission | 1,237 | 1,239 | (2) | - | - | - | 1,237 | 1,239 | (1,237) | (2) | 99.9 |
| 2031 | Independent Electoral and Boundaries Commission | 4,644 | 4,894 | (250) | - | - | - | 4,644 | 4,894 | (4,644) | (250) | 94.9 |
| 2041 | Parliamentary Service Commission | 9,810 | 11,587 | (1,777) | 1,172 | 1,650 | (478) | 10,983 | 13,237 | (11,460) | (2,255) | 83.0 |
| 2042 | National Assembly | 18,546 | 20,501 | (1,955) | - | - | - | 18,546 | 20,501 | (18,546) | (1,955) | 90.5 |
| 2051 | Judicial Service Commission | 377 | 409 | (32) | - | - | - | 377 | 409 | (377) | (32) | 92.2 |
| 2061 | Commission on Revenue Allocation | 400 | 413 | (13) | - | - | - | 400 | 413 | (400) | (13) | 96.8 |
| 2071 | Public Service Commission | 1,188 | 1,193 | (5) | 47 | 61 | (13) | 1,235 | 1,254 | (1,249) | (19) | 98.5 |
| 2081 | Salaries and Remuneration Commission | 551 | 483 | 68 | - | - | - | 551 | 483 | (551) | 68 | 114.0 |
| 2091 | Teachers Service Commission | 241,466 | 241,112 | 354 | 7 | 40 | (33) | 241,473 | 241,152 | (241,506) | 321 | 100.1 |
| 2101 | National Police Service Commission | 643 | 700 | (57) | - | - | - | 643 | 700 | (643) | (57) | 91.8 |
| 2111 | Auditor General | 5,473 | 5,420 | 53 | 381 | 462 | (81) | 5,854 | 5,882 | (5,935) | (28) | 99.5 |
| 2121 | Controller of Budget | 549 | 594 | (45) | - | - | - | 549 | 594 | (549) | (45) | 92.5 |
| 2131 | The Commission on Administrative Justice | 468 | 492 | (24) | - | - | - | 468 | 492 | (468) | (24) | 95.2 |
| 2141 | National Gender and Equality Commission | 352 | 361 | (8) | 0 | 1 | (1) | 353 | 362 | (354) | (9) | 97.5 |
| 2151 | Independent Policing Oversight Authority | 658 | 863 | (205) | - | - | - | 658 | 863 | (658) | (205) | 76.2 |
| | Total | 1,037,785 | 1,144,029 | (106,244) | 567,606 | 650,503 | (82,897) | 1,605,391 | 1,794,532 | (1,688,288) | (189,141) | 89.5 |

*Provisional

Source: National Treasury

FISCAL DEVELOPMENTS

2.2.1 Pending Bills

32. The total pending bills incurred during the 2018/19 FY amounted to KSh. 64.7 billion. The pending bills comprised of KSh. 1.1 billion recurrent pending bills and KSh 63.6 billion development pending bills. The Government policy on pending bills is that the bills are priority for clearance during the incoming FY. Hence the directive to all the MDAs to ensure settlement of pending bills as a first charge in the 2019/20 FY budget enforcement continues.

2.2.2 Guaranteed Loans to Parastatals

33. Cumulative principal and interest payments of guaranteed loans to parastatals with liquidity problems amounted to KSh. 1,361.2 million against a payment target of KSh. 1,362.4 million (**Table 7**) in the period ending 30th June, 2019.

Table 7: Schedule and Actual Payments on Guaranteed Debt for the Period Ending 30th June, 2019 (KSh Million)

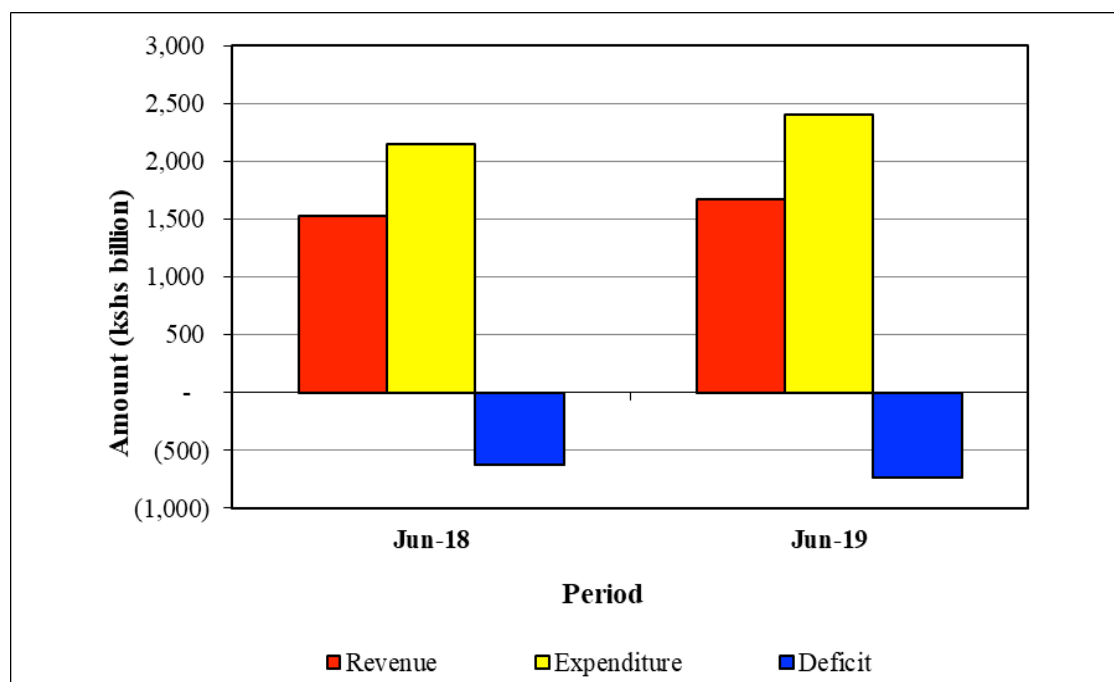
| Borrower | Quarter I | | Quarter II | | Quarter III | | Quarter IV | | Cumm. June 2019* | |
|--------------|---------------|----------|---------------|---------------|---------------|---------------|---------------|---------------|------------------|-----------------|
| | Projected | Actual | Projected | Actual | Projected | Actual | Projected | Actual | Projected | Actual |
| EAPC | 179.50 | - | - | 175.87 | 177.52 | 176.48 | - | 0.21 | 357.02 | 352.56 |
| TARDA | 144.45 | - | - | 139.63 | 142.73 | 141.97 | - | 0.17 | 287.18 | 281.77 |
| KBC | - | - | 361.30 | 359.47 | - | - | 356.93 | 367.37 | 718.23 | 726.84 |
| TOTAL | 323.95 | - | 361.30 | 674.97 | 314.10 | 318.45 | 356.93 | 367.75 | 1,362.43 | 1,361.17 |

* Provisional

Source: National Treasury

2.3 Fiscal Outturn

34. Between July 1, 2018 and June 30, 2019, cumulative fiscal balance (on a commitment basis and excluding grants) amounted to KSh. 734.9 billion (which is equivalent to 7.7 per cent of GDP) against a targeted deficit of KSh. 747.6 billion (which is equivalent to 7.9 per cent of GDP) (**Chart 12 and Table 8**).

Chart 12: Fiscal Balance as at June 2019

Source: National Treasury

35. Including grants, the fiscal balance (on a commitment basis) deficit stood at 7.5 per cent of GDP against the targeted deficit of 7.5 per cent of GDP. Over the same period in 2017/18, the fiscal deficit stood at KSh. 597.7 billion (equivalent to 7.0 per cent of GDP) (**Table 8**). The Fiscal Outturn in the last five financial years, the budget for 2018/19 FY and the revised budgets in the 2018/19 FY are shown in **Annex I** and the 2018/19 central government financial data in the GFSM 2014 format is shown in **Annexes V** and **VI**.

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Table 8: Budget Outturn, Cumulative Ending 30th June, 2019 (KSh. Million)

| BOT Item | 2017/2018 Actual | 2018/2019 | | Deviation | % growth | 2018/2019 as a % of GDP | | 2017/2018 Actual as a % of GDP |
|---|---------------------|---------------------|---------------------|------------------|----------------|----------------------------|---------------|--------------------------------------|
| | | Actual* | Targets | | | Actual | Targets | |
| A. TOTAL REVENUE AND GRANTS | 1,548,903 | 1,690,773 | 1,829,041 | (138,268) | 9.16 | 17.78 | 19.23 | 18.17 |
| 1. Revenue | 1,522,419 | 1,671,071 | 1,794,300 | (123,229) | 9.76 | 17.57 | 18.87 | 17.86 |
| Ordinary Revenue | 1,365,063 | 1,496,930 | 1,588,132 | (91,202) | 9.66 | 15.74 | 16.70 | 16.01 |
| Import Duty | 99,215 | 107,702 | 108,504 | (802) | 8.55 | 1.13 | 1.14 | 1.16 |
| Excise Duty | 162,484 | 194,289 | 198,362 | (4,073) | 19.57 | 2.04 | 2.09 | 1.91 |
| Income tax | 640,593 | 685,389 | 742,230 | (56,841) | 6.99 | 7.21 | 7.80 | 7.51 |
| VAT | 356,856 | 413,186 | 425,498 | (12,312) | 15.79 | 4.34 | 4.47 | 4.19 |
| Investment Revenue | 24,123 | 24,575 | 36,716 | (12,141) | 1.87 | 0.26 | 0.39 | 0.28 |
| Others | 81,793 | 71,789 | 76,821 | (5,032) | (12.23) | 0.75 | 0.81 | 0.96 |
| Appropriation-in-Aid | 157,356 | 174,140 | 206,168 | (32,028) | 10.67 | 1.83 | 2.17 | 1.85 |
| 2. Grants | 26,484 | 19,702 | 34,741 | (15,039) | (25.61) | 0.21 | 0.37 | 0.31 |
| Programme Grants/AMISOM Receipts | 4,728 | 4,315 | 6,500 | 1,937 | 78.46 | 0.09 | 0.07 | 0.06 |
| Projects Grants(Revenue) | 9,374 | 8,437 | 13,449 | (6,500) | (25.87) | 0.09 | 0.14 | 0.11 |
| Projects Grants(AIA) | 12,383 | 6,949 | 14,792 | (7,843) | (43.88) | 0.07 | 0.16 | 0.15 |
| Italian Debt Swap | 0 | 0 | 0 | - | - | 0.00 | - | 0.00 |
| External Grants to County Governments | 0 | 0 | 0 | - | - | 0.00 | - | 0.00 |
| B. EXPENDITURE and NET LENDING | 2,146,651 | 2,405,932 | 2,541,882 | (146,727) | 12.08 | 25.30 | 26.73 | 25.18 |
| 1. Recurrent | 1,349,704 | 1,496,223 | 1,574,129 | (88,683) | 10.86 | 15.73 | 16.55 | 15.83 |
| Domestic Interest | 239,470 | 272,351 | 264,831 | 7,520 | 13.73 | 2.86 | 2.78 | 2.81 |
| Foreign Interest | 84,420 | 103,372 | 103,718 | (346) | 22.45 | 1.09 | 1.09 | 0.99 |
| Pension | 65,099 | 70,804 | 84,605 | (13,801) | 8.76 | 0.74 | 0.89 | 0.76 |
| Wages and Salaries | 388,938 | 417,526 | 427,953 | (10,427) | 7.35 | 4.39 | 4.50 | 4.56 |
| O & M/Others | 571,777 | 632,170 | 693,022 | (71,630) | 8.68 | 6.53 | 7.29 | 6.71 |
| 2. Development and Net Lending | 469,673 | 542,007 | 598,094 | (56,087) | 15.40 | 5.70 | 6.29 | 5.51 |
| 3. Equalization Fund | 0 | 6,962 | 4,700 | 2,262 | - | 0.07 | 0.05 | 0.00 |
| 4. County Governments | 327,274 | 360,740 | 364,958 | (4,218) | 10.23 | 3.79 | 3.84 | 3.84 |
| 5. CF | 0 | 0 | 0 | (0) | - | 0.00 | 0.00 | 0.00 |
| C. DEFICIT EXCL. GRANT (Commitment basis) | (624,232) | (734,862) | (747,582) | 23,498 | 17.72 | (7.73) | (7.86) | (7.32) |
| D. DEFICIT INCL. GRANTS (Commitment basis) | (597,748) | (715,160) | (712,841) | 8,459 | 19.64 | (7.52) | (7.50) | (7.01) |
| E. ADJUSTMENT TO CASH BASIS | (34,678) | (5,894) | 62,327 | - | - | - | 0.66 | - |
| F. DEFICIT INCL. GRANTS (Cash basis) | (632,426) | (721,054) | (650,514) | 8,459 | 14.01 | (7.58) | (6.84) | (7.42) |
| G. FINANCING | 631,309 | 721,053 | 650,515 | 70,538 | 14.22 | 7.58 | 6.84 | 7.41 |
| 1. Foreign financing | 354,977 | 414,518 | 391,154 | 23,364 | 16.77 | 4.36 | 4.11 | 4.16 |
| Disbursements | 493,330 | 680,759 | 650,556 | 30,203 | 37.99 | 7.16 | 6.84 | 5.79 |
| Programme Loans | 8,524 | 84,784 | 82,143 | 2,641 | 894.65 | 0.89 | 0.86 | 0.10 |
| Project Cash Loans | 24,214 | 41,681 | 52,366 | (10,685) | 72.14 | 0.44 | 0.55 | 0.28 |
| Project Loans AIA | 92,778 | 100,622 | 112,084 | (11,463) | 8.45 | 1.06 | 1.18 | 1.09 |
| Project Loans SGR_AIA | 63,818 | 35,201 | 35,201 | - | (44.84) | 0.37 | 0.37 | - |
| Project Loans SGR_PHASE_2A_AIA | 0 | 44,759 | 44,759 | - | - | 0.47 | 0.47 | 0.75 |
| Commercial Financing | 303,996 | 373,712 | 324,003 | 49,709 | 22.93 | 3.93 | 3.41 | 3.57 |
| of which Export Credit- Commercial Financing | 5,912 | 11,107 | 13,241 | (2,134) | 87.89 | 0.12 | 0.14 | 0.07 |
| Sovereign Bond/Syndicated | 201,981 | 212,329 | 160,486 | 51,843 | 5.12 | 2.23 | 1.69 | 2.37 |
| TDB Refinancing | 75,947 | 25,325 | 25,325 | - | -66.65 | 0.27 | 0.27 | 0.89 |
| Kenya Airways Refinancing | 20,156 | 124,951 | 124,951 | - | - | 1.31 | 1.31 | 0.24 |
| Debt repayment - Principal | (138,353) | (266,241) | (259,402) | (6,839) | 92.44 | (2.80) | (2.73) | (1.62) |
| 2. Other Domestic Financing | 2,623 | 2,878 | 3,925 | (1,047) | 9.74 | 0.03 | 0.04 | 0.03 |
| Public Works Deposits | 230 | 0 | 0 | - | - | 0.00 | - | 0.00 |
| Domestic Loan Repayments (Receipts) | 2,393 | 2,878 | 3,925 | (1,047) | - | 0.03 | 0.04 | 0.03 |
| Domestic Loan Repayments CBK | 0 | 0 | 0 | - | - | 0.00 | - | 0.00 |
| 4. NET DOMESTIC FINANCING | 273,710 | 303,658 | 255,436 | 48,222 | 10.94 | 3.19 | 2.69 | 3.21 |
| MEMO ITEM | | | | | | | | |
| GDP ESTIMATE | 8,524,678.00 | 9,510,446.00 | 9,510,446.00 | | | | | |

*Provisional

Source: National Treasury

2.4 Financing

2.4.1 External Financing

36. Cumulative external financing for the period between July 1st 2018 and June 30th 2019 amounted to a net borrowing of KSh. 414.58 billion (**Table 9**). Total disbursements (inflows) including Appropriations-in-Aid amounted to KSh. 680.7 billion in the period ending 30th June, 2019 against a target of KSh. 650.6 billion. The actual disbursement amount included KSh. 41.7 billion Project Cash Loans, KSh. 100.6 billion Project Loans A.I.A., KSh. 80 billion Project Loans A.I.A. for SGR, KSh. 373.7 billion commercial financing and KSh. 84.8 billion Programme Loans. External repayments (outflows) of principal debt amounted to KSh. 266.2 billion. The amount comprises of principal

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repayments due to both bilateral, multilateral organizations and commercial amounting to KSh. 31.1 billion, KSh. 17.9 billion and KSh. 217.2 billion, respectively.

Table 9: External Financing, Period Ending 30th June, 2019 (KSh. Million)

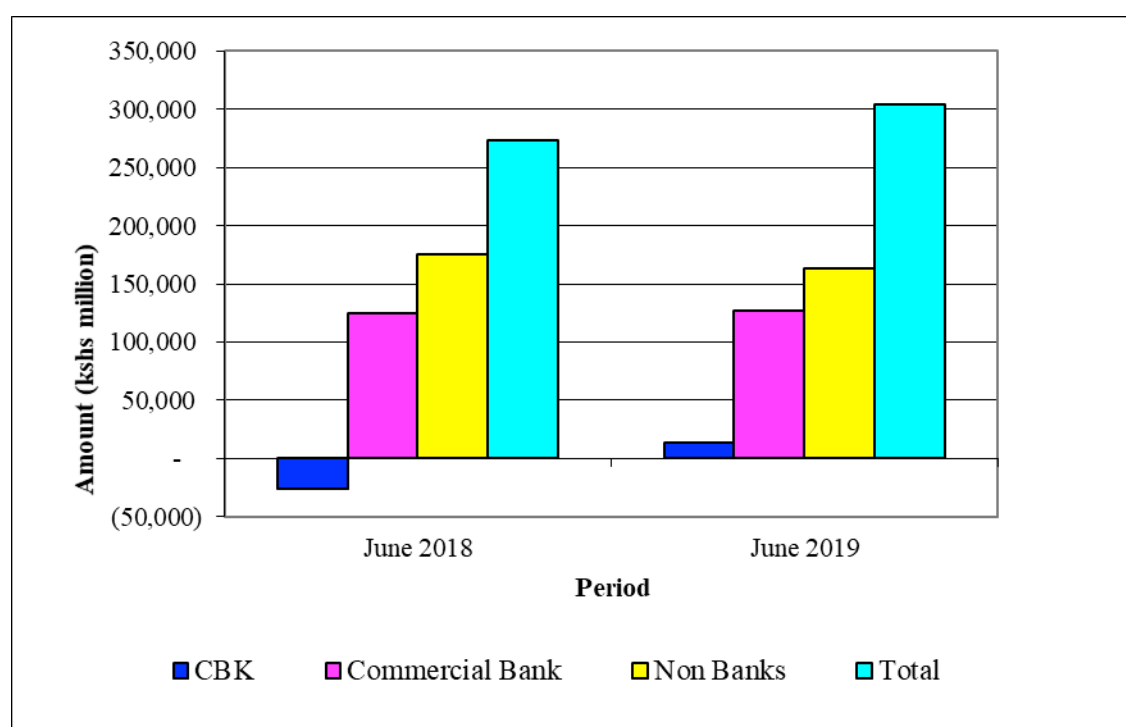
| DISBURSEMENT/REPAYMENT | Quarter IV 2017/18 | Quarter I 2018/19 | Quarter II 2018/19 | Quarter III 2018/19 | Quarter IV 2018/19 | Cumulative June 2019* | |
|--|-----------------------|----------------------|-----------------------|------------------------|-----------------------|-----------------------|-------------------|
| | | Actual | Actual | Actual | | Actual | Target |
| DISBURSEMENTS: | 122,075.58 | 29,962.00 | 138,341.00 | 159,522.00 | 521,237.00 | 680,759 | 650,556.00 |
| Project Cash loans | 10,282.11 | 3,145.00 | 21,475.00 | 5,998.00 | 35,683 | 41,681 | 52,366.00 |
| Project loans A-I-A | 19,933.43 | 21,495 | 34,122 | 25,111 | 75,511 | 100,622 | 112,084 |
| Project Loans SGR_AIA | 46,632.20 | - | 35,201 | - | 35,201 | 35,201 | 35,201 |
| Project Loans SGR_PHASE_2A_AIA | 6,500.00 | - | 44,759 | - | 44,759 | 44,759 | 44,759 |
| Commercial Financing | 33,839.91 | 3,488 | 2,334 | 128,413 | 245,299 | 373,712 | 324,003 |
| of which Export Credit- Commercial Financing | 5,912.00 | | - | | 11,107 | 11,107 | 13,241 |
| Sovereign Bond/Syndicated | - | 3,488 | | | 212,329 | 212,329 | 160,486 |
| TDB Refinancing | 27,927.91 | | | | 25,325 | 25,325 | 25,325 |
| Kenya Airways Refinancing | - | - | - | | 124,951 | 124,951 | 124,951 |
| Programme Loans | 4,887.94 | 1,834 | 450 | - | 84,784 | 84,784 | 82,143 |
| EXTERNAL REPAYMENTS: | 65,507.98 | 13,129.69 | 10,727.73 | 125,058.13 | 141,182.81 | 266,240.94 | 259,402.90 |
| Bilateral(incl. Italy Debt SWAP) | 7,296.74 | 5,193.51 | 5,452.13 | 9,804.11 | 21,294.60 | 31,098.71 | 34,399.69 |
| Multilateral(excl. IMF) | 5,430.15 | 2,955.00 | 4,868.76 | 5,898.28 | 12,042.65 | 17,940.93 | 14,256.21 |
| Commercial | 52,781.09 | 4,981.18 | 406.84 | 109,355.74 | 107,845.56 | 217,201.30 | 210,747.00 |
| NET FOREIGN FINANCING | 56,567.61 | 16,832.31 | 127,613.27 | 34,463.87 | 380,054.19 | 414,518.06 | 391,153.10 |

Source: National Treasury

2.4.2 Domestic Financing

37. By the end of June 2019, net domestic borrowing amounted to KSh 303.7 billion (**Table 10**) against a target borrowing of KSh 255.4 billion (**Table 8**). The borrowing comprised of KSh 13.6 billion from Central Bank, 126.9 billion from Commercial Banks, KSh 160.3 billion from Non-Banking Financial Institutions and KSh 2.8 billion from Non Residents (**Table 10**). Comparatively, in the same period in 2018, the net domestic borrowing, comprised of net repayments of, KSh 26.3 billion to the Central Bank, and a borrowing of KSh 3 billion from Non-Residents, KSh 124.3 billion from commercial banks and KSh 172.8 billion from non-banking financial institutions (**Chart 13**)

Chart 13: Domestic Financing



Source: Central Bank of Kenya

38. The stock of Treasury Bills held by Non- Banks recorded a net decrease of KSh. 77.1 billion while those held by Commercial Banks recorded a net decrease of KSh. 32.3 billion. The stock of Treasury Bills held by Non-residents decreased by KSh. 1.2 billion. The stock of Fixed Rate Bonds held by Commercial Banks increased by KSh. 6.4 billion, by Non-Residents also increased by KSh 1 billion and those by non-Banks recorded a net increase of KSh. 90.4 billion (**Table 10**).

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Table 10: Domestic Financing, Period Ending 30th June, 2019 (KSh. Millions)

| Debt Instrument | June | September | December | March | June |
|-------------------------|-----------------|-----------------|----------------|----------------|----------------|
| | 2018 | 2018 | 2018 | 2019 | 2019 |
| 1.CENTRAL BANK | (26,345) | (10,374) | 93,676 | 99,728 | 13,601 |
| Overdraft | 56,850 | (20,559) | 7,975 | (20,508) | 478 |
| Items on Transit | (18) | (14) | (6) | (9) | 11 |
| Frozen Account | (555) | - | - | - | (1,110) |
| Less Govt Deposits | (82,622) | 10,199 | 85,707 | 120,245 | 14,221 |
| 2.COM. BANKS | 124,266 | 45,734 | (5,024) | 104,122 | 126,948 |
| Advances | (4,185) | 126 | 629 | (4,081) | (4,074) |
| Treasury bills | 56,682 | 49,714 | 39,741 | 80,406 | 89,000 |
| Fixed rate Bonds | 32,449 | (6,172) | (36,693) | 27,525 | 38,894 |
| Special Bonds | - | - | - | - | - |
| Infrastructure Bonds | 31,891 | - | 14,481 | 19,480 | 19,480 |
| Less Govt Deposits | 7,429 | 2,066 | (23,182) | (19,208) | (16,354) |
| 3. NON BANKS | 172,817 | 33,675 | 41,215 | 111,570 | 160,266 |
| Treasury bills | 60,761 | 9,872 | (22,619) | (14,166) | (16,345) |
| Fixed rate Bonds | 66,382 | 23,803 | 55,638 | 106,104 | 156,797 |
| Infrastructure Bonds | 45,426 | - | 8,196 | 19,435 | 19,435 |
| M-Akiba Bond | 248 | - | - | 197 | 380 |
| 4. NON RESIDENTS | 2,972 | 175 | 963 | 194 | 2,843 |
| Treasury bills | 1,216 | (305) | 102 | (1,249) | (25) |
| Fixed rate Bonds | 1,802 | 480 | 872 | 1,404 | 2,830 |
| Infrastructure Bond | (45) | - | (11) | 39 | 39 |
| 5. NET CREDIT | 273,710 | 69,210 | 130,830 | 315,612 | 303,658 |

Note: Treasury bills as reflected here are given at cost value as opposed to Table 13 given at Face value.

Source: Data form Central Bank of Kenya

3.0 PUBLIC DEBT

3.1 Overall Debt Position

39. The stock of the gross public debt increased by KSh. 770.1 billion from KSh. 5,039 billion as at end of June 2018 to KSh 5,809.1 billion by 30th June 2019. The gross public debt comprised of 52 per cent external debt and 48 per cent domestic debt by end June, 2019. The overall increase in the public debt is attributed to increase in external loan disbursements and also increase in the uptake of domestic debt during the period. The net public debt increased by KSh. 813.4 billion from KSh. 4,488.2 billion as at end of June 2018 to KSh. 5,301.6 billion by end of the period under review (**Table 11**).

Table 11: Kenya's Public and Publicly Guaranteed Debt, June 2017 to June 2019 (KSh. millions)

| DEBT SOURCE | Jun-17 | Sep-17 | Dec-17 | Mar-18 | Jun-18* | Sep-18 | Dec-18 | Mar-19 | Jun-19* |
|---------------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| EXTERNAL | | | | | | | | | |
| BILATERAL | 724,823 | 742,063 | 782,588 | 800,912 | 816,119 | 812,545.00 | 894,046.00 | 916,572 | 996,059 |
| MULTILATERAL | 841,899 | 842,814 | 841,847 | 836,766 | 820,966 | 877,730.00 | 874,680.00 | 846,587 | 914,394 |
| COMMERCIAL BANKS | 712,100 | 708,231 | 712,274 | 858,062 | 906,389 | 898,349.00 | 938,151.00 | 941,763 | 1,095,753 |
| SUPPLIERS CREDIT | 15,914 | 17,089 | 17,086 | 16,691 | 16,725 | 16,709.00 | 16,857.00 | 16,676 | 16,932 |
| SUB - TOTAL | 2,294,736 | 2,310,197 | 2,353,795 | 2,512,431 | 2,560,199 | 2,605,333 | 2,723,734 | 2,721,598 | 3,023,138 |
| DOMESTIC: | | | | | | | | | |
| CENTRAL BANK | 55,061 | 79,201 | 96,797 | 93,583 | 110,782 | 90,209 | 118,196 | 90,264 | 109,607 |
| COMMERCIAL BANKS | 1,141,889 | 1,144,536 | 1,124,950 | 1,226,866 | 1,266,404 | 1,315,464 | 1,289,564 | 1,402,668 | 1,414,431 |
| TOTAL BANKS | 1,196,950 | 1,223,738 | 1,221,747 | 1,320,449 | 1,377,185 | 1,405,673 | 1,407,760 | 1,492,932 | 1,524,038 |
| NON BANKS & NON RESIDENTS | 915,316 | 949,098 | 998,618 | 1,051,202 | 1,101,596 | 1,135,161.00 | 1,141,015.00 | 1,211,052 | 1,261,899 |
| SUB-TOTAL | 2,112,265 | 2,172,835 | 2,220,365 | 2,371,651 | 2,478,782 | 2,540,834 | 2,548,775 | 2,703,984 | 2,785,936 |
| GRAND TOTAL GROSS | 4,407,001 | 4,483,032 | 4,574,160 | 4,884,082 | 5,038,981 | 5,146,167 | 5,272,509 | 5,425,582 | 5,809,074 |
| LESS ON-LENDING | (5,701) | (5,701) | (5,701) | (5,701) | (5,701) | (5,701) | (5,701) | (5,701) | (5,701) |
| LESS GOVERNMENT DEPOSITS | (428,774) | (432,113) | (350,924) | (573,884) | (545,075) | (501,404) | (432,049) | (398,223) | (501,728) |
| GRAND TOTAL NET | 3,972,526 | 4,045,218 | 4,217,535 | 4,304,497 | 4,488,204 | 4,639,062 | 4,834,759 | 5,021,658 | 5,301,645 |

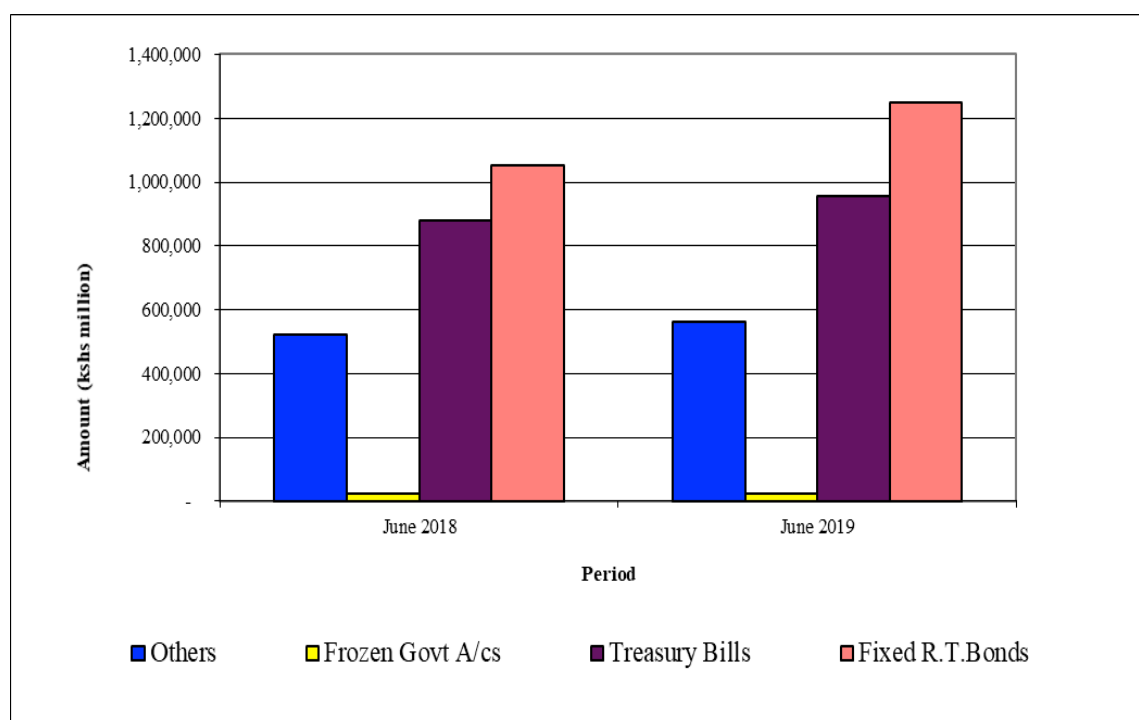
*Provisional

Source: National Treasury

3.2 Domestic Debt

40. The stock of Treasury Bills held by Central Bank, Commercial Banks, Non-Banking Financial Institution and Non Residents increased by KSh. 75.6 billion from KSh. 878.6 billion in June 2018 to KSh. 954.3 billion in June 2019. The total stock of Treasury Bonds, which include Floating, Fixed Rate, Special and Zero coupon Bonds, increased by KSh. 196.5 billion from KSh. 1,057.4 billion in June 2018 to KSh. 1,253.9 billion in June 2019 (**Chart 14**).

Chart 14: Domestic Debt Stock by Instruments



Source: Data from CBK

41. The stock of gross domestic debt increased by KSh. 307.1 billion from KSh. 2,478.8 billion in June 2018 to KSh. 2,785.9 billion in June 2019 (**Table 12**).

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Table 12: Stock of Domestic Debt, by end June 2019 (KSh. million)

| DEBT SOURCE | Jun-17 | Sep-17 | Dec-17 | Mar-18 | Jun-18 | Sep-18 | Dec-18 | Mar-19 | Jun-19 |
|------------------------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| 1.CENTRAL BANK | 55,061 | 79,201 | 96,797 | 93,583 | 110,782 | 90,210 | 118,196 | 89,709 | 109,607 |
| Overdraft | 0 | 24,717 | 42,316 | 39,655 | 56,849 | 36,291 | 64,824 | 36,896 | 57,328 |
| Frozen Govt Accounts | 25,004 | 24,449 | 24,449 | 23,894 | 23,894 | 23,894 | 23,339 | 22,784 | 22,229 |
| Treasury bills / bonds rediscounts | 20,588 | 20,588 | 20,588 | 20,588 | 20,588 | 20,588 | 20,588 | 20,588 | 20,588 |
| Items on Transit | 43 | 22 | 19 | 21 | 25 | 11 | 19 | 16 | 36 |
| Fixed rate bonds | 9,426 | 9,426 | 9,426 | 9,426 | 9,426 | 9,426 | 9,426 | 9,426 | 9,426 |
| 2.COM.BANKS | 1,141,889 | 1,144,536 | 1,124,950 | 1,226,866 | 1,266,457 | 1,315,333 | 1,289,558 | 1,397,771 | 1,414,431 |
| Advances | 11,020 | 12,218 | 7,524 | 7,476 | 7,504 | 7,588 | 8,183 | 3,458 | 3,422 |
| Stocks | - | - | - | - | - | - | - | - | - |
| Treasury Bills | 415,923 | 391,905 | 343,340 | 415,596 | 482,018 | 537,531 | 527,212 | 570,588 | 577,483 |
| Fixed Rate T. Bonds | 504,989 | 541,061 | 550,284 | 565,098 | 538,240 | 531,519 | 501,047 | 565,157 | 575,808 |
| Special Bonds | 5,000 | 5,000 | 5,000 | 5,000 | 5,000 | 5,000 | 5,000 | 5,000 | 5,000 |
| Savings and Development Bond | 7,648 | 7,648 | 7,648 | 7,648 | 7,648 | 7,648 | 7,648 | 7,648 | 6,798 |
| Infrastructure Bonds | 197,309 | 186,704 | 211,154 | 226,047 | 226,047 | 226,047 | 240,468 | 245,920 | 245,920 |
| 3. NON BANKS | 893,215 | 924,962 | 973,201 | 1,025,704 | 1,076,288 | 1,109,751 | 1,114,819 | 1,185,670 | 1,233,915 |
| Treasury Bills | 301,522 | 304,742 | 312,661 | 328,801 | 368,537 | 378,858 | 344,111 | 352,367 | 348,771 |
| Fixed Rate T. Bonds | 462,566 | 460,708 | 472,532 | 484,153 | 495,001 | 518,143 | 549,941 | 600,375 | 651,175 |
| Tax Reserve Certificate | 69 | 69 | 69 | 69 | 69 | 69 | 69 | 69 | 69 |
| Infrastructure Bonds | 108,327 | 138,464 | 166,962 | 191,703 | 191,703 | 191,703 | 199,720 | 211,685 | 211,685 |
| Savings and Development Bond | 20,582 | 20,580 | 20,580 | 20,580 | 20,580 | 20,580 | 20,580 | 20,580 | 21,433 |
| M- Akiba Bond | 150 | 398 | 398 | 398 | 398 | 398 | 398 | 595 | 782 |
| 4. NON RESIDENTS | 22,100 | 24,136 | 25,417 | 25,498 | 25,308 | 25,410 | 26,197 | 25,382 | 27,984 |
| Treasury Bills | 6,122 | 7,567 | 8,134 | 7,714 | 7,479 | 7,104 | 7,510 | 6,113 | 7,408 |
| Fixed Rate T. Bonds | 7,934 | 8,955 | 9,401 | 9,716 | 9,762 | 10,239 | 10,631 | 11,162 | 12,470 |
| Savings and Development Bond | 7 | 9 | 9 | 9 | 9 | 9 | 9 | 9 | 7 |
| Infrastructure Bonds | 8,037 | 7,605 | 7,873 | 8,058 | 8,058 | 8,058 | 8,047 | 8,098 | 8,098 |
| 5. TOTAL DEBT | 2,112,265 | 2,172,835 | 2,220,365 | 2,371,651 | 2,478,835 | 2,540,704 | 2,548,770 | 2,698,532 | 2,785,936 |
| 6. LESS ON-LENDING | 5,701 | 5,701 | 5,701 | 5,701 | 5,701 | 5,701 | 5,701 | 5,701 | 5,701 |
| 7. Less Govt Deposits | 428,774 | 432,113 | 350,924 | 573,884 | 545,075 | 501,404 | 432,049 | 398,223 | 501,728 |
| 8. NET DEBT | 1,677,790 | 1,735,021 | 1,863,740 | 1,792,066 | 1,928,059 | 2,033,599 | 2,111,020 | 2,294,608 | 2,278,507 |

NOTE: Treasury Bills reflected here are at face value as opposed to Table 11, given at cost

Source: Central Bank of Kenya

3.3 External Public Debt

42. In dollar terms, external public debt stock increased by US \$ 5,602.2 million from US\$ 23,950 million in June 2018 to US\$ 29,552.2 million by the end of June 2019 (**Table 13**). The debt stock comprised 33 per cent, 30.2 per cent, 36.2 per cent and 0.6 per cent of debt owed to bilateral, multilateral institutions, commercial banks and suppliers' credit, respectively. During the fourth quarter, external public debt increased by US\$ 2,538.8 million to US\$ 29,552.2 million in June 2019 from US\$ 27,013.4 million as at end of March 2019. The increase is attributed to increase in external disbursements made during the period.

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Table 13: Kenya's External Public and Publicly Guaranteed Debt June 2017- June 2019 (US \$ Million)

| CREDITOR | Jun-17 | Sep-17 | Dec-17 | Mar-18 | Jun-18 | Sep-18 | Dec-18 | Mar-19 | Jun- 2019* |
|------------------------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| <u>BILATERAL</u> | | | | | | | | | |
| AUSTRIA | 5.67 | 5.11 | 4.38 | 4.54 | 5.72 | 6.64 | 0.83 | 9.34 | 17.63 |
| BELGIUM | 94.82 | 101.84 | 100.06 | 107.19 | 101.01 | 103.58 | 78.56 | 75.20 | 113.31 |
| CANADA | 6.26 | 5.19 | 4.07 | 4.07 | 4.05 | 2.83 | 1.52 | 1.52 | 1.08 |
| DENMARK | 13.49 | 12.66 | 12.01 | 12.41 | 11.63 | 10.00 | 9.37 | 8.39 | 8.55 |
| FINLAND | 16.55 | 16.05 | 16.15 | 16.73 | 16.25 | 16.69 | 19.02 | 16.00 | 17.56 |
| FRANCE | 614.59 | 687.89 | 622.52 | 642.57 | 611.44 | 599.02 | 612.22 | 668.45 | 709.38 |
| GERMANY | 311.98 | 314.25 | 324.67 | 336.29 | 268.93 | 274.11 | 341.96 | 360.65 | 364.39 |
| ITALY | 6.31 | 6.42 | 1.20 | 1.24 | 1.24 | 1.25 | 152.35 | 345.75 | 354.78 |
| JAPAN | 883.47 | 879.29 | 824.81 | 1,022.38 | 503.66 | 483.85 | 1,023.98 | 1,272.62 | 1,321.91 |
| NETHERLANDS | 17.74 | 15.78 | 11.03 | 10.99 | 10.67 | 9.07 | 4.33 | 3.31 | 3.35 |
| UK | 6.27 | 6.46 | 4.70 | 4.74 | 4.59 | 4.56 | 2.43 | 0.84 | 0.58 |
| USA | 33.72 | 30.98 | 29.25 | 29.29 | 29.17 | 26.45 | 25.06 | 20.75 | 20.42 |
| CHINA | 4,614.78 | 4,733.94 | 5,202.37 | 5,295.84 | 5,532.61 | 5,496.62 | 6,201.61 | 6,006.17 | 6,462.07 |
| OTHERS | 363.18 | 362.06 | 423.66 | 453.57 | 432.44 | 457.02 | 305.16 | 308.51 | 341.8 |
| TOTAL BILATERAL | 6,988.82 | 7,177.91 | 7,580.89 | 7,941.83 | 7,533.41 | 7,491.69 | 8,778.40 | 9,097.49 | 9,736.81 |
| <u>MULTILATERAL</u> | | | | | | | | | |
| ADB/ADF | 1,880.33 | 1,993.19 | 1,983.67 | 2,045.52 | 2,026.48 | 2,043.51 | 2,151.35 | 2,233.19 | 2,244.79 |
| BADEA | 28.43 | 28.16 | 29.63 | 29.51 | 29.81 | 34.63 | 32.17 | 34.53 | 36.08 |
| EEC/EIB | 197.49 | 197.09 | 197.56 | 201.48 | 192.53 | 194.86 | 184.16 | 173.89 | 168.53 |
| IDA/IFAD | 5,210.20 | 5,132.15 | 5,181.44 | 5,237.31 | 5,024.05 | 5,612.97 | 5,481.55 | 5,403.95 | 5,953.08 |
| IMF** | 748.59 | 760.79 | 711.84 | 732.26 | 708.45 | 699.40 | 676.41 | 501.48 | 481.02 |
| OTHERS | 52.65 | 51.99 | 50.79 | 51.28 | 50.07 | 63.86 | 62.61 | 55.80 | 55.01 |
| TOTAL MULTILATERAL | 8,117.68 | 8,163.36 | 8,154.92 | 8,297.36 | 8,031.39 | 8,649.23 | 8,588.25 | 8,402.85 | 8,938.51 |
| COMMERCIAL BANKS 1/ | 6,116.15 | 6,864.39 | 6,856.07 | 8,508.54 | 8,219.71 | 8,148.46 | 9,211.46 | 9,347.52 | 10,711.36 |
| EXPORT CREDIT | 153.45 | 165.51 | 165.51 | 165.51 | 165.51 | 165.51 | 165.51 | 165.51 | 165.51 |
| GRAND TOTAL | 21,376.10 | 22,371.18 | 22,757.39 | 24,913.24 | 23,950.02 | 24,454.89 | 26,743.62 | 27,013.37 | 29,552.19 |
| In percentage of total debt | | | | | | | | | |
| BILATERAL | 32.69 | 32.09 | 33.31 | 31.88 | 31.45 | 30.63 | 32.82 | 33.68 | 32.95 |
| MULTILATERAL | 37.98 | 36.49 | 35.83 | 33.31 | 33.53 | 35.37 | 32.11 | 31.11 | 30.25 |
| COMMERCIAL BANKS 1/ | 28.61 | 30.68 | 30.13 | 34.15 | 34.32 | 33.32 | 34.44 | 34.60 | 36.25 |
| EXPORT CREDIT | 0.72 | 0.74 | 0.73 | 0.66 | 0.69 | 0.68 | 0.62 | 0.61 | 0.56 |
| TOTAL | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 |

*Provisional

** include IMF item

1/ incl. International Sovereign Bond

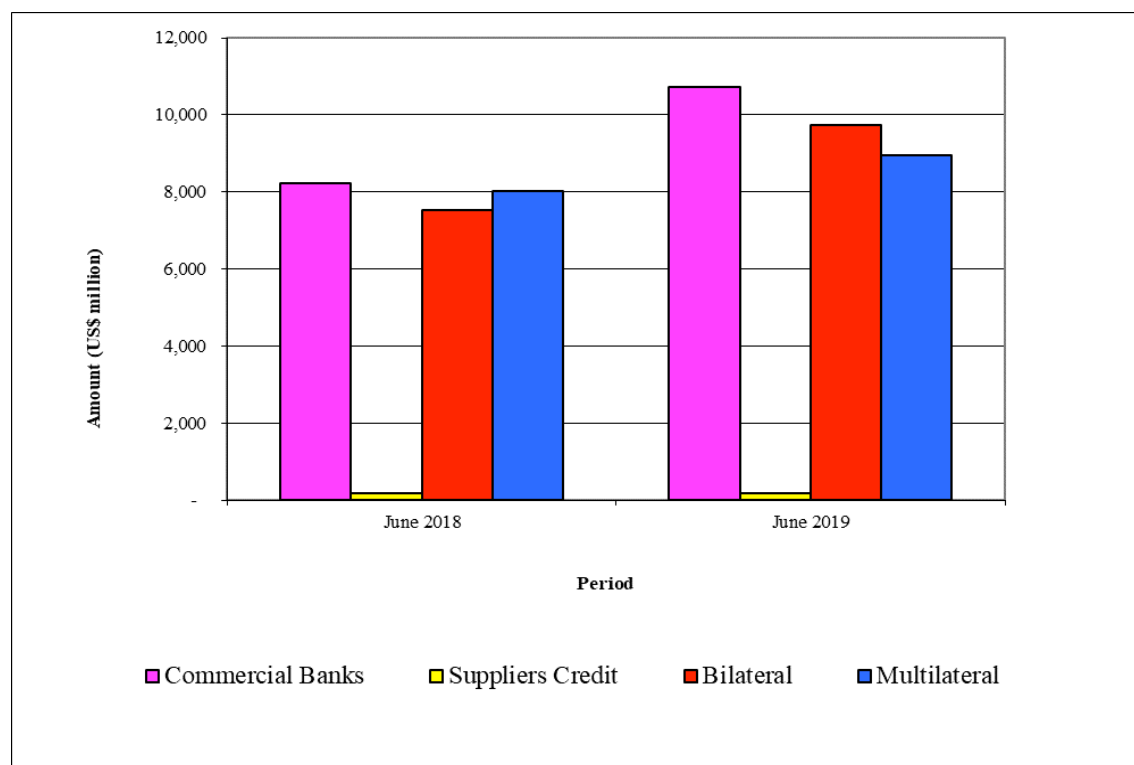
Note: The exchange rate as at end June 2019 was KSh. 102.3 per dollar.

Source: National Treasury

FISCAL DEVELOPMENTS

43. As compared to the same period in 2017/18 FY, external public debt stock from Commercial Banks, Bilateral Sources and Multilateral institutions in June 2018/19 recorded an increase. External public debt stock from suppliers' remained constant in June 2019 when compared to June 2018 (**Chart 15**).

Chart 15: External Public Debt



Source: National Treasury

3.3.1 External Debt Service

44. By the end of June 2019, the total cumulative debt service payments to external creditors amounted to KSh. 369.8 billion. This comprised of KSh. 266.2 billion (72 per cent) principal and KSh. 103.6 billion (28 per cent) interest (**Table 14**).

Table 14: External Debt Service, July 2018 – June 2019 (KSh. Million)

| CATEGORY | PRINCIPAL* | INTEREST* | TOTAL* |
|---------------------------|-------------------|-------------------|-------------------|
| BILATERAL | | | |
| AUSTRIA | 107.68 | 21.99 | 129.67 |
| FINLAND | 354.80 | 21.32 | 376.12 |
| FRANCE | 5,756.99 | 1,190.83 | 6,947.82 |
| ITALY | 81.44 | 823.30 | 904.74 |
| JAPAN | 6,290.02 | 661.52 | 6,951.54 |
| SAUDI FUND | 630.33 | 30.54 | 660.87 |
| SPAIN | 2,019.67 | 281.54 | 2,301.21 |
| USA | 681.54 | 88.34 | 769.88 |
| CANADA | 181.86 | 14.40 | 196.26 |
| BELGIUM | 1,602.67 | 109.56 | 1,712.23 |
| GERMANY | 1,207.86 | 437.36 | 1,645.22 |
| CHINA | 9,531.31 | 29,210.44 | 38,741.75 |
| KUWAIT | 201.93 | 29.66 | 231.59 |
| NETHERLANDS | 447.44 | 10.50 | 457.94 |
| SWEDEN | 33.01 | 6.85 | 39.86 |
| SWITZERLAND | 38.59 | 0.10 | 38.69 |
| DENMARK | 251.93 | - | 251.93 |
| KOREA | 115.27 | 165.22 | 280.49 |
| UK | 221.04 | 1.87 | 222.91 |
| INDIA | 601.80 | 160.00 | 761.80 |
| OTHERS/NEW LOANS | 741.53 | 278.04 | 1,019.57 |
| TOTAL BILATERAL | 31,098.71 | 33,543.38 | 64,642.09 |
| MULTILATERAL | | | |
| ADB/ADF | 1,632.70 | 1,713.73 | 3,346.43 |
| BADEA | 214.39 | 51.42 | 265.81 |
| | | | - |
| EIB/EEC | 1,491.40 | 986.76 | 2,478.17 |
| IDA | 13,699.15 | 3,743.60 | 17,442.75 |
| OPEC | 526.14 | 59.48 | 585.62 |
| NDF | - | - | - |
| IFAD | 377.15 | 892.75 | 1,269.90 |
| **IMF | - | - | - |
| TOTAL MULTILATERAL | 17,940.93 | 7,447.74 | 25,388.68 |
| | | | |
| COMMERCIAL | 217,201.30 | 62,581.18 | 279,782.48 |
| | | | |
| GRAND TOTAL | 266,240.95 | 103,572.30 | 369,813.25 |

* Provisional

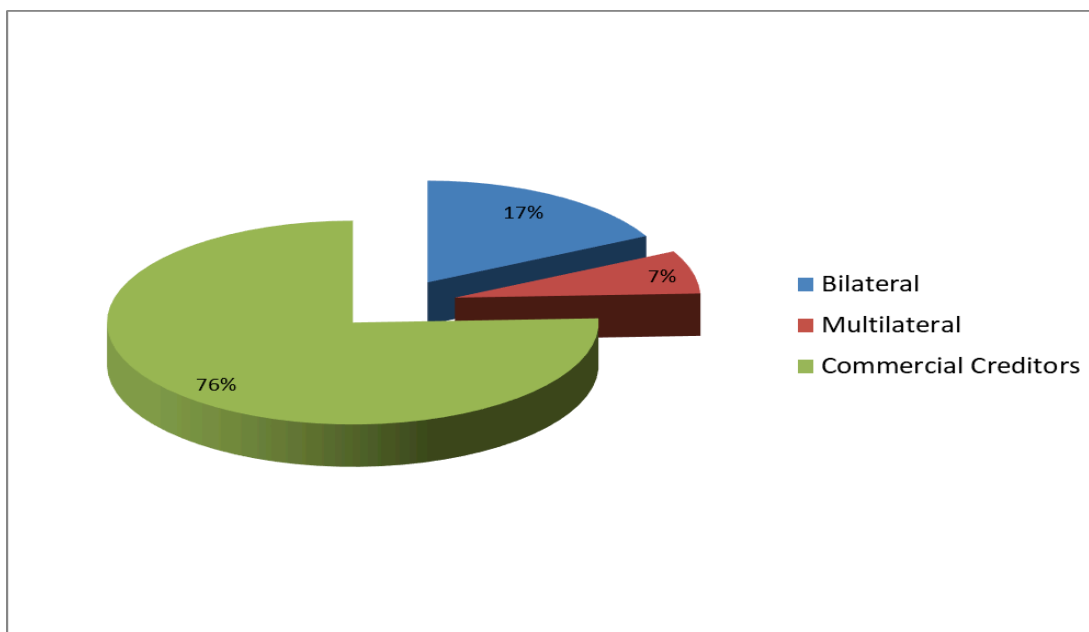
** IMF debt serviced by CBK

Source: National Treasury

FISCAL DEVELOPMENTS

45. By the end of June 2019, the total cumulative debt service payments to external creditors comprised of 76 per cent, 17 per cent and 7 per cent of the total payments to commercial institutions, bilateral sources and multilateral institutions respectively (**Chart 16**).

Chart 16: External Debt Service by Creditors at end of June, 2019



Source: National Treasury

4.0 ANNEXES

Annex I: Fiscal Results, 2013/14 – 2018/2019 (KSh. Millions)

| REVENUE/EXPENDITURE/FINANCING | 2013/14 | 2014/15 | 2015/16 | 2016/17 | 2017/18* | 2018/19* | 2018/19** | 2018/19*** |
|--------------------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| A.TOTAL REVENUE | 974,418 | 1,107,772 | 1,254,790 | 1,439,507 | 1,522,419 | 1,671,071 | 1,794,300 | 1,949,181 |
| 1.Ordinary Revenue | 918,990 | 1,031,819 | 1,152,544 | 1,306,505 | 1,365,063 | 1,496,930 | 1,588,132 | 1,769,229 |
| Income Tax | 449,590 | 508,581 | 560,762 | 625,050 | 640,546 | 685,389 | 742,230 | 836,570 |
| VAT | 232,630 | 259,685 | 289,213 | 339,034 | 357,129 | 413,186 | 425,498 | 464,215 |
| Import Duty | 67,555 | 74,048 | 79,638 | 89,943 | 93,685 | 107,702 | 108,504 | 119,352 |
| Excise Duty | 102,029 | 115,872 | 140,212 | 165,474 | 167,753 | 194,289 | 200,570 | 218,960 |
| Other Revenue | 67,185 | 73,633 | 82,719 | 87,003 | 105,950 | 96,364 | 111,330 | 130,131 |
| 2. Appropriation –in –Aid | 55,428 | 75,953 | 102,247 | 133,002 | 157,356 | 174,140 | 206,168 | 179,952 |
| B.EXPENDITURE & NET | 1,300,589 | 1,639,881 | 1,804,520 | 2,146,274 | 2,146,651 | 2,405,932 | 2,541,882 | 2,557,246 |
| 1.Recurrent | 752,502 | 895,199 | 1,036,636 | 1,201,335 | 1,349,704 | 1,496,223 | 1,574,129 | 1,550,042 |
| Wages and Salaries | 281,197 | 297,978 | 307,421 | 336,636 | 388,938 | 417,526 | 427,953 | 444,157 |
| Interest Payments | 134,821 | 171,876 | 215,328 | 271,233 | 323,890 | 375,723 | 368,549 | 399,981 |
| Domestic Interest | 119,193 | 139,615 | 172,857 | 212,865 | 239,470 | 272,351 | 264,831 | 285,607 |
| Foreign Interest Due | 15,628 | 32,261 | 42,471 | 58,368 | 84,420 | 103,372 | 103,718 | 114,374 |
| Pensions, etc | 30,155 | 37,508 | 53,401 | 63,958 | 65,099 | 70,804 | 84,605 | 90,573 |
| Civil Service Reform | - | - | - | - | - | - | - | 10,322 |
| O & M/ Others | 306,330 | 387,837 | 460,485 | 529,509 | 571,777 | 632,170 | 693,022 | 605,009 |
| Of which Appropriation-in- | 28,205 | 50,566 | 71,915 | 94,834 | 109,669 | 112,906 | 143,761 | 123,960 |
| 2.Development & Net | 319,274 | 510,536 | 486,662 | 639,923 | 469,673 | 548,969 | 602,794 | 625,722 |
| Development Projects | 225,850 | 294,735 | 343,338 | 501,849 | 273,508 | 300,136 | 350,143 | 386,468 |
| Appropriation-in-Aid | 91,239 | 213,276 | 134,757 | 129,631 | 193,636 | 239,386 | 245,467 | 228,271 |
| Payment of guaranteed | 2,185 | 2,125 | 2167 | 2,443 | 2,529 | 2,485 | 2,483 | 2,483 |
| 3. Drought Development | - | 4,951 | 5,000 | - | - | - | - | 5,000 |
| 4. Transfer to County | 193,390 | 229,195 | 276,223 | 305,016 | 327,274 | 360,740 | 364,958 | 376,481 |
| 5. Parliamentary Service | 22,743 | 22,743 | 19,777 | 24,215 | 25,678 | 28,525 | 32,088 | 32,390 |
| 6. Judicial Service | 12,951 | 11,887 | 11,662 | 11,846 | 11,944 | 12,713 | 13,495 | 14,457 |
| 7. Equalization Fund | - | 400 | 6,400 | 6,000 | - | 6,962 | 4,700 | 8,500 |
| D.DEFICIT EXCL. GRANTS | (326,172) | (532,109) | (549,730) | (706,768) | (624,232) | (734,862) | (747,582) | (608,065) |
| E.GRANTS | 26,957 | 28,117 | 29,597 | 24,104 | 26,484 | 19,702 | 34,740 | 48,487 |
| F.DEFICIT INCL.GRANTS | (299,214) | (503,992) | (520,133) | (682,663) | (597,748) | (715,160) | (712,842) | (559,578) |
| G. ADJUSTMENT TO CASH | (8,505) | 32,513 | 45,563 | (15,012) | (34,678) | (5,894) | 62,327 | - |
| H.DEFICIT INCL.GRANTS | (307,720) | (471,479) | (474,570) | (697,675) | (632,426) | (721,054) | (650,515) | (559,578) |
| I.FINANCING | 307,720 | 471,479 | 474,570 | 697,676 | 631,309 | 721,054 | 650,515 | 559,577 |
| Foreign Financing | 104,726 | 217,479 | 269,924 | 386,202 | 354,977 | 414,518 | 382,357 | 286,986 |
| Other Domestic Financing | 1,267 | 2,897 | 2,389 | 2,269 | 2,623 | 2,878 | 3,925 | 3,925 |
| Net Domestic Financing | 201,727 | 251,102 | 202,257 | 309,205 | 273,710 | 303,658 | 264,232 | 268,666 |
| Of which Sovereign Bond | - | - | - | - | - | - | - | - |
| Others | 201,727 | 251,102 | 202,257 | 309,205 | 273,710 | 303,658 | 264,232 | 268,666 |
| In Percentage of GDP | | | | | | | | |
| A.TOTAL REVENUE | 19.20 | 19.00 | 18.70 | 18.80 | 17.86 | 17.57 | 18.87 | 20.04 |
| 1.Ordinary Revenue | 18.11 | 17.69 | 17.18 | 17.06 | 16.01 | 15.74 | 16.70 | 18.19 |
| Income Tax | 8.86 | 8.72 | 8.36 | 8.16 | 7.51 | 7.21 | 7.80 | 8.60 |
| VAT | 4.58 | 4.45 | 4.31 | 4.43 | 4.19 | 4.34 | 4.47 | 4.77 |
| Import Duty | 1.33 | 1.27 | 1.19 | 1.17 | 1.10 | 1.13 | 1.14 | 1.23 |
| Excise Duty | 2.01 | 1.99 | 2.09 | 2.16 | 1.97 | 2.04 | 2.11 | 2.25 |
| Other Revenue | 1.32 | 1.26 | 1.23 | 1.14 | 1.24 | 1.01 | 1.17 | 1.34 |
| 2. Appropriation –in –Aid | 1.09 | 1.30 | 1.52 | 1.74 | 1.85 | 1.83 | 2.17 | 1.85 |
| B.EXPENDITURE & NET | 25.63 | 28.12 | 26.89 | 28.03 | 25.18 | 25.30 | 26.73 | 26.29 |
| 1.Recurrent | 14.83 | 15.35 | 15.45 | 15.69 | 15.83 | 15.73 | 16.55 | 15.94 |
| Wages and Salaries | 5.54 | 5.11 | 4.58 | 4.40 | 4.56 | 4.39 | 4.50 | 4.57 |
| Interest Payments | 2.66 | 2.95 | 3.21 | 3.54 | 3.80 | 3.95 | 3.88 | 4.11 |
| Domestic Interest | 2.35 | 2.39 | 2.58 | 2.78 | 2.81 | 2.86 | 2.78 | 2.94 |
| Foreign Interest Due | 0.31 | 0.55 | 0.63 | 0.76 | 0.99 | 1.09 | 1.09 | 1.18 |
| Pensions | 0.59 | 0.64 | 0.80 | 0.84 | 0.76 | 0.74 | 0.89 | 0.93 |
| Civil Service Reform | - | - | - | - | - | - | - | 0.11 |
| O & M/ Others | 6.04 | 6.65 | 6.86 | 6.91 | 6.71 | 6.65 | 7.29 | 6.22 |
| of which Appropriation-in- | 0.56 | 0.87 | 1.07 | 1.24 | 1.29 | 1.19 | 1.51 | 1.27 |
| 2.Development & Net | 6.29 | 8.75 | 7.25 | 8.36 | 5.51 | 5.77 | 6.34 | 6.43 |
| Development Projects | 4.45 | 5.05 | 5.12 | 6.55 | 3.21 | 3.16 | 3.68 | 3.97 |
| Appropriation-in-Aid | 1.80 | 3.66 | 2.01 | 1.69 | 2.27 | 2.52 | 2.58 | 2.35 |
| Payment of guaranteed | 0.04 | 0.04 | 0.03 | 0.03 | 0.03 | 0.03 | 0.03 | 0.03 |
| 3. Drought Expenditures | - | 0.08 | 0.07 | - | - | - | - | 0.05 |
| 4. Transitional Transfer to | 3.81 | 3.93 | 4.12 | 3.98 | 3.84 | 3.79 | 3.84 | 3.87 |
| 5. Parliamentary Service | 0.44 | 0.39 | 0.29 | 0.32 | 0.30 | 0.30 | 0.34 | 0.33 |
| 6. Judicial Service | 0.26 | 0.20 | 0.17 | 0.15 | 0.14 | 0.13 | 0.14 | 0.15 |
| 7. Equalization Fund | - | 0.01 | 0.10 | 0.08 | - | 0.07 | 0.05 | 0.09 |
| D.DEFICIT EXCL. GRANTS | (6.43) | (9.12) | (8.19) | (9.23) | (7.32) | (7.73) | (7.86) | (6.25) |
| E.GRANTS | 0.53 | 0.48 | 0.44 | 0.31 | 0.31 | 0.21 | 0.37 | 0.50 |
| F.DEFICIT INCL.GRANTS | (5.90) | (8.64) | (7.75) | (8.91) | (7.01) | (7.52) | (7.50) | (5.75) |
| G. ADJUSTMENT TO CASH | (0.17) | 0.56 | 0.68 | (0.20) | (0.41) | (0.06) | 0.66 | - |
| H.DEFICIT INCL.GRANTS | (6.06) | (8.08) | (7.07) | (9.11) | (7.42) | (7.58) | (6.84) | (5.75) |
| I.FINANCING | 6.06 | 8.08 | 7.07 | 9.11 | 7.41 | 7.58 | 6.84 | 5.75 |
| Foreign Financing | 2.06 | 3.73 | 4.02 | 5.04 | 4.16 | 4.36 | 4.02 | 2.95 |
| Other Domestic Financing | 0.02 | 0.05 | 0.04 | 0.03 | 0.03 | 0.03 | 0.04 | 0.04 |
| NET DOMESTIC FINANCING | 3.98 | 4.31 | 3.01 | 4.04 | 3.21 | 3.19 | 2.78 | 2.76 |
| Of which Sovereign Bond | - | - | - | - | - | - | - | - |
| Others | 3.98 | 4.31 | 3.01 | 4.04 | 3.21 | 3.19 | 2.78 | 2.76 |
| Memorandum Item: | | | | | | | | |
| Nominal GDP at Market price | 5,073,776.75 | 5,831,528.00 | 6,709,671.00 | 7,658,138.00 | 8,524,678.00 | 9,510,446.00 | 9,510,446.00 | 9,726,649.41 |

Note: * Preliminary Actual

** Supplementary II

***Original Budget

Source: National Treasury

BUDGET CENTRAL GOVERNMENT

Annex II: Revenue (KSh. Millions)

| GFSM Code | Revenue | Budget FY2018/19 | Pre. Actual FY2018/19 |
|------------|--|------------------|-----------------------|
| | Accounting method: | Cash | Cash |
| 1 | Revenue | 1,997,678 | 1,690,772 |
| 11 | Taxes | 1,788,591 | 1,523,909 |
| 111 | Taxes on income, profits, and capital gains | 836,570 | 685,389 |
| 1111 | Payable by individuals | 447,635 | 393,362 |
| 1112 | Payable by corporations and other enterprises | 388,935 | 292,028 |
| 113 | Taxes on property | 129 | - |
| 1134 | Taxes on financial and capital transactions | | |
| 1136 | Other recurrent taxes on property | 129 | - |
| 114 | Taxes on goods and services | 776,854 | 685,333 |
| 1141 | General taxes on goods and services | 464,215 | 416,137 |
| 11411 | Value-added taxes | 464,215 | 413,186 |
| 1142 | Excises | 292,707 | 258,981 |
| 1144 | Other taxes | 19,932 | 10,214 |
| 115 | Taxes on international trade and transactions | 175,038 | 153,187 |
| 1151 | Customs and other import duties | 175,038 | 153,187 |
| 116 | Other taxes | | |
| 12 | Social contributions | 894 | 281 |
| 122 | Other social contributions | 894 | 281 |
| 1221 | Employee contributions | 894 | 281 |
| 13 | Grants | 48,487 | 19,702 |
| 131 | From foreign governments | 39,987 | 15,387 |
| 1311 | Current | - | - |
| 1312 | Capital | 39,987 | 15,387 |
| 132 | From international organizations | 8,500 | 4,315 |
| 1321 | Current | 8,500 | 4,315 |
| 1322 | Capital | - | - |
| 14 | Other revenue | 159,706 | 146,881 |
| 141 | Property income | 49,539 | 29,653 |
| 1411 | Interest | 2,278 | 1,122 |
| 1412 | Dividends | 44,318 | 24,575 |
| 1415 | Rent | 2,944 | 3,956 |
| 142 | Sales of goods and services | 99,948 | 111,752 |
| 1422 | Administrative fees | 99,948 | 111,752 |
| 143 | Fines, penalties, and forfeits | 3,566 | 2,994 |
| 145 | Miscellaneous and unidentified revenue | 6,652 | 2,481 |

Source: National Treasury

Annex III: Expense (KSh. Millions)

| GFSM Code | Expense | Budget FY2018/19 | Pre-Actual FY2018/19Q4 |
|------------|--|------------------|------------------------|
| | Accounting method: | Cash | Cash |
| 2 | Expense | 2,319,173 | 2,179,146 |
| 21 | Compensation of employees | 440,479 | 423,132 |
| 211 | Wages and salaries | 411,731 | 404,487 |
| 212 | Social contributions | 28,748 | 18,645 |
| 2121 | Actual social contributions | 28,748 | 18,645 |
| 22 | Use of goods and services | 182,277 | 164,796 |
| 24 | Interest | 399,981 | 375,723 |
| 241 | To nonresidents | 114,374 | 103,372 |
| 242 | To residents other than general government | 285,607 | 272,351 |
| 25 | Subsidies | 30 | - |
| 251 | To public corporations | - | - |
| 252 | To private enterprises | 30 | - |
| 26 | Grants | 1,155,734 | 1,121,249 |
| 262 | To international organizations | 5,573 | 3,521 |
| 2621 | Current | 5,573 | 3,521 |
| 2622 | Capital | - | - |
| 263 | To other general government units | 1,150,161 | 1,117,728 |
| 2631 | Current | 711,228 | 716,087 |
| 2632 | Capital | 438,933 | 401,641 |
| 27 | Social benefits | 140,672 | 86,784 |
| 273 | Employer social benefits | 140,672 | 86,784 |
| 28 | Other expense | 10,000 | 7,462 |
| 282 | Miscellaneous other expense | 5,000 | 7,462 |
| 2821 | Current | 5,000 | |
| 2822 | Capital | 0 | 7462.058 |

Source: National Treasury

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

| GFSM Code | Assets and Liabilities | Budget FY2018/19 | Pre.Actual FY2018/19Q4 |
|------------|---|------------------|------------------------|
| | <i>Accounting method:</i> | <i>Cash</i> | <i>Cash</i> |
| 3 | Change in Net Worth: Transactions | (327,900) | (489,621) |
| 31 | Net acquisition of nonfinancial assets | 221,344 | 224,301 |
| 311 | Fixed assets | 221,706 | 216,731 |
| 3111 | Buildings and structures | - | - |
| 3112 | Machinery and equipment | - | - |
| 3113 | Other fixed assets | 219,565 | 216,730.6 |
| 312 | Inventories | 1,419 | 7,570 |
| 314 | Nonproduced assets | 360 | |
| 32 | Net acquisition of financial assets | 3,925 | 5,011 |
| 3212 | Currency and deposits (Domestic) | 3,925 | 5,011 |
| 33 | Net incurrence of liabilities | 553,169 | 714,185 |
| 331 | Domestic | 267,556 | 305,791 |
| 3313 | Securities other than shares | 268,666 | 309,375 |
| 3314 | Loans | (1,110) | (3,584) |
| 332 | Foreign | 285,613 | 413,142 |
| 3323 | Securities other than shares | 209,648 | 134,607 |
| 3324 | Loans | 75,965 | 278,535 |

Source: National Treasury

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

| GFSM Code | Sources and Uses of Cash | Budget FY2018/19 | Pre.Actual FY2018/19 Q4 |
|------------|--|------------------|-------------------------|
| | Accounting method: | Cash | Cash |
| | Cash Flows from Operating Activities: | | |
| 1 | Cash receipts from operating activities | 1,997,678 | 1,690,772 |
| 11 | Taxes | 1,788,591 | 1,523,909 |
| 12 | Social contributions | 894 | 281 |
| 13 | Grants | 48,487 | 19,702 |
| 14 | Other receipts | 159,706 | 146,881 |
| 2 | Cash payments for operating activities | 2,324,173 | 2,179,146 |
| 21 | Compensation of employees | 440,479 | 423,132 |
| 22 | Purchases of goods and services | 182,277 | 164,796 |
| 24 | Interest | 399,981 | 375,723 |
| 25 | Subsidies | 30 | - |
| 26 | Grants | 1,155,734 | 1,121,249 |
| 27 | Social benefits | 140,672 | 86,784 |
| 28 | Other payments | 5,000 | 7,462 |
| | Net cash inflow from operating activities | (326,495) | (488,374) |
| | Cash Flows from Investments in Non-Financial Assets (NFAs): | | |
| 31A | Purchases of nonfinancial assets | 221,344 | 224,301 |
| 311A | Fixed assets | 219,565 | 216,731 |
| 312A | Strategic stocks | 1,419 | 7,570 |
| 313A | Valuables | | |
| 314A | Nonproduced assets | 360 | - |
| 31B | Sales of nonfinancial assets | - | - |
| 311B | Fixed assets | - | - |
| 312B | Strategic stocks | - | - |
| 313B | Valuables | - | - |
| 314B | Nonproduced assets | - | - |
| 31 | Net cash outflow: investments in NFAs (31=31.1-31.4) | 221,344 | 224,301 |
| | Cash surplus / deficit | (547,840) | (712,675) |
| | CASH FLOWS FROM FINANCING ACTIVITIES: | | |
| 32x | Net acquisition of financial assets other than cash | - | - |
| 321x | Domestic | - | - |
| 322x | Foreign | - | - |
| 33 | Net incurrence of liabilities | 553,169 | 718,933 |
| 331 | Domestic | 267,556 | 305,791 |
| 332 | Foreign | 285,613 | 413,142 |
| NFB | Net cash inflow from financing activities | 553,169 | 718,933 |
| | Net change in the stock of cash | 5,330 | 6,258 |
| | Vertical check: Difference between cash surplus/deficit and total net cash inflow from financial activities | - | - |

Source: National Treasury

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

| GFSM Code | Government Operations | Budget FY 2018/19 | Pre. Actual FY2018/19 Q4 |
|------------------|---|--------------------------|---------------------------------|
| | Accounting method: | Non Cash | Non Cash |
| | Transactions Affecting Net Worth: | | |
| 1 | Revenue | 1,997,678 | 1,690,772 |
| 11 | Taxes | 1,788,591 | 1,523,909 |
| 12 | Social contributions | 894 | 281 |
| 13 | Grants | 48,487 | 19,702 |
| 14 | Other revenue | 159,706 | 146,881 |
| 2 | Expense | 2,324,173 | 2,179,146 |
| 21 | Compensation of employees | 440,479 | 423,132 |
| 22 | Use of goods and services | 182,277 | 164,796 |
| 23 | Consumption of fixed capital | - | ... |
| 24 | Interest | 399,981 | 375,723 |
| 25 | Subsidies | 30 | - |
| 26 | Grants | 1,155,734 | 1,121,249 |
| 27 | Social benefits | 140,672 | 86,784 |
| 28 | Other expense | 5,000 | 7,462 |
| GOB | Gross operating balance | (326,495) | (488,374) |
| NOB | Net operating balance | (326,495) | (488,374) |
| | Transactions in Non-Financial Assets: | | |
| 31 | Net Acquisition of Nonfinancial Assets | 221,344 | 224,301 |
| 311 | Fixed assets | 219,565 | 216,731 |
| 312 | Change in inventories | 1,419 | 7,570 |
| 313 | Valuables | - | - |
| 314 | Nonproduced assets | 360 | - |
| NLB | Net lending / borrowing | (547,840) | (712,675) |
| | Transactions in Financial Assets and Liabilities (Financing): | | |
| 32 | Net acquisition of financial assets | 3,925 | 5,011 |
| 321 | Domestic | 3,925 | 5,011 |
| 322 | Foreign | - | - |
| 33 | Net incurrence of liabilities | 553,169 | 718,933 |
| 331 | Domestic | 267,556 | 305,791 |
| 332 | Foreign | 285,613 | 413,142 |
| | Vertical check: Difference between net lending/borrowing and financing | 1,404 | 1,248 |

Source: National Treasury