

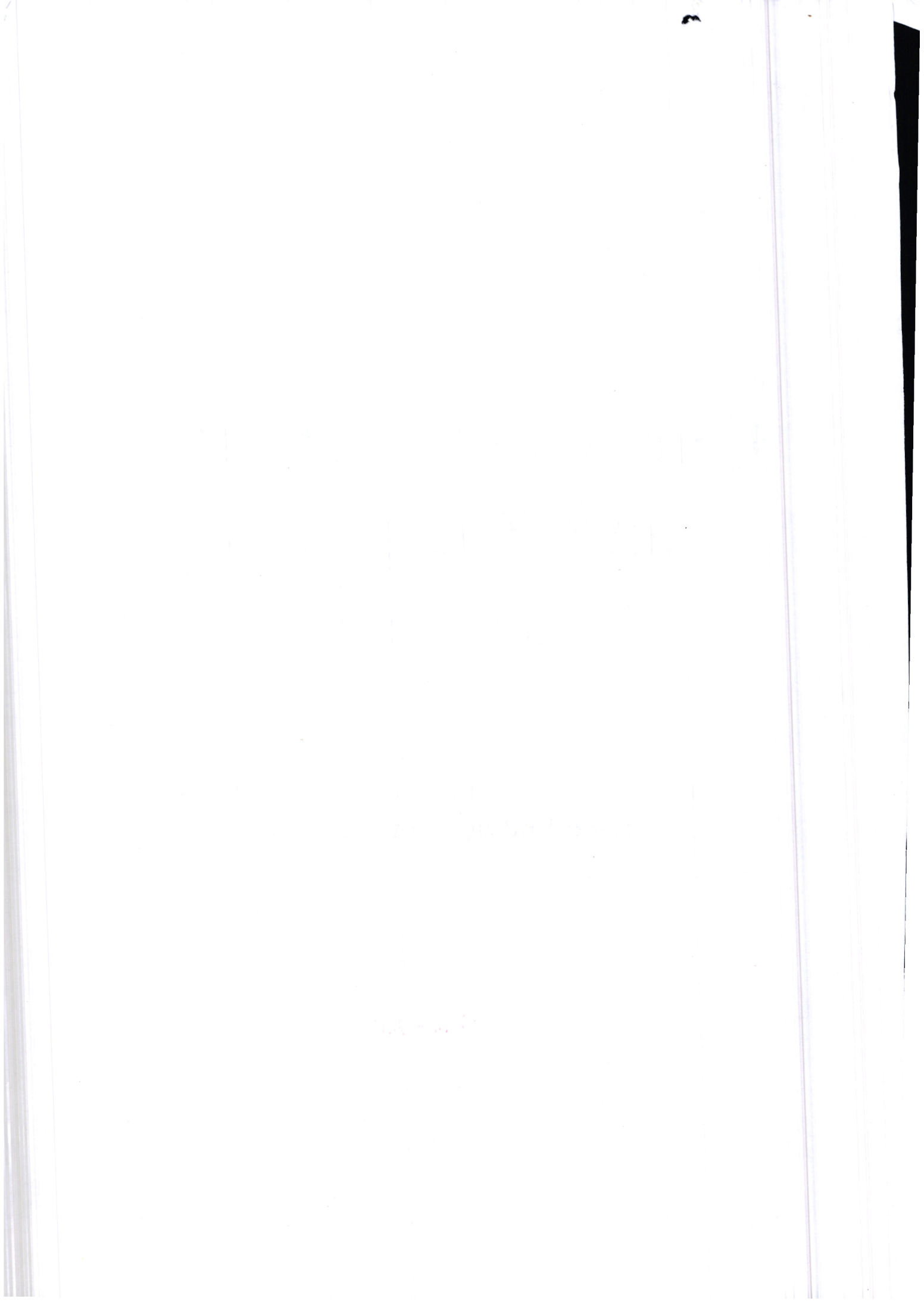


# Quarterly Economic and Budgetary Review

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

 THE NATIONAL ASSEMBLY PAPERS LAID	
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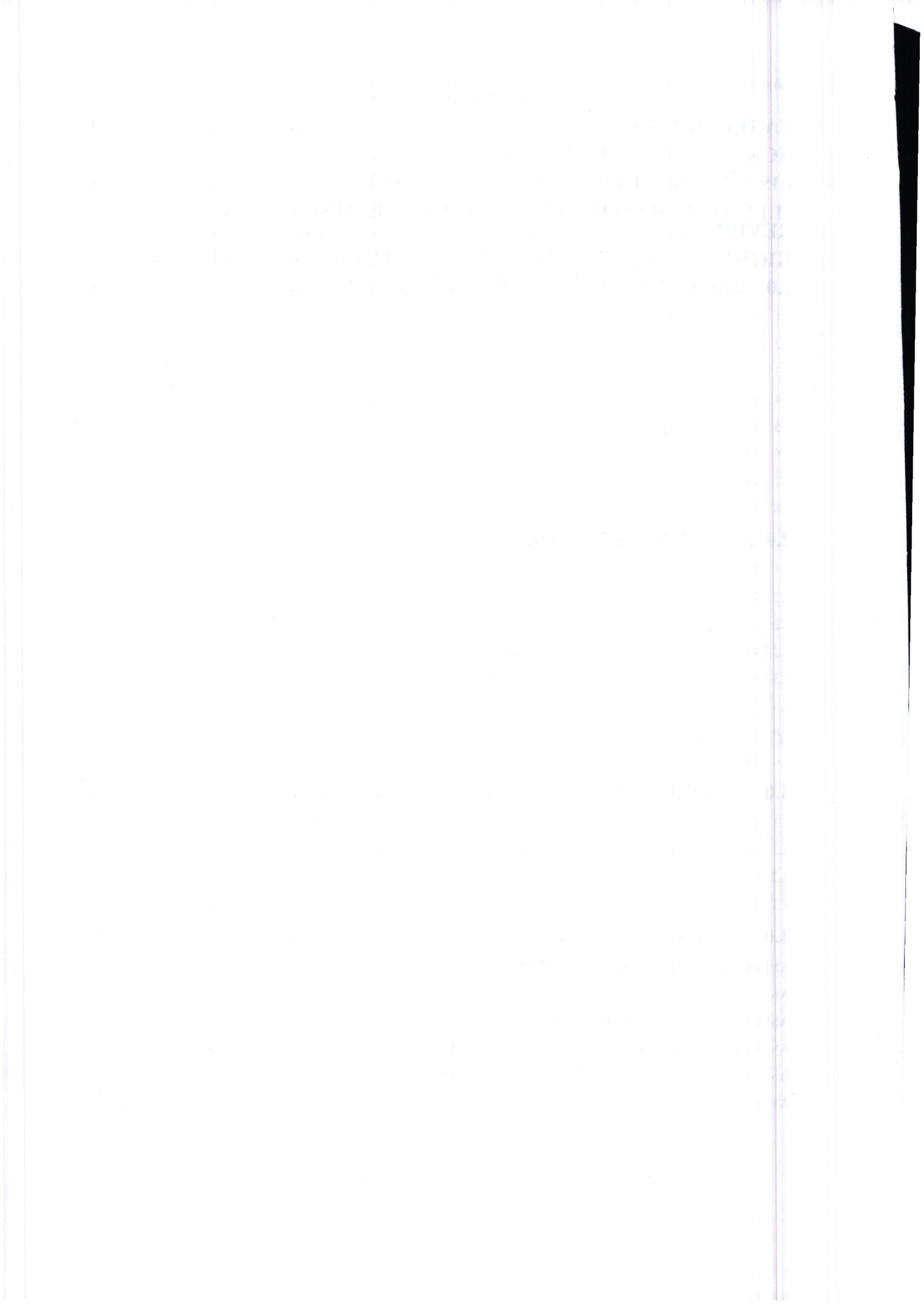




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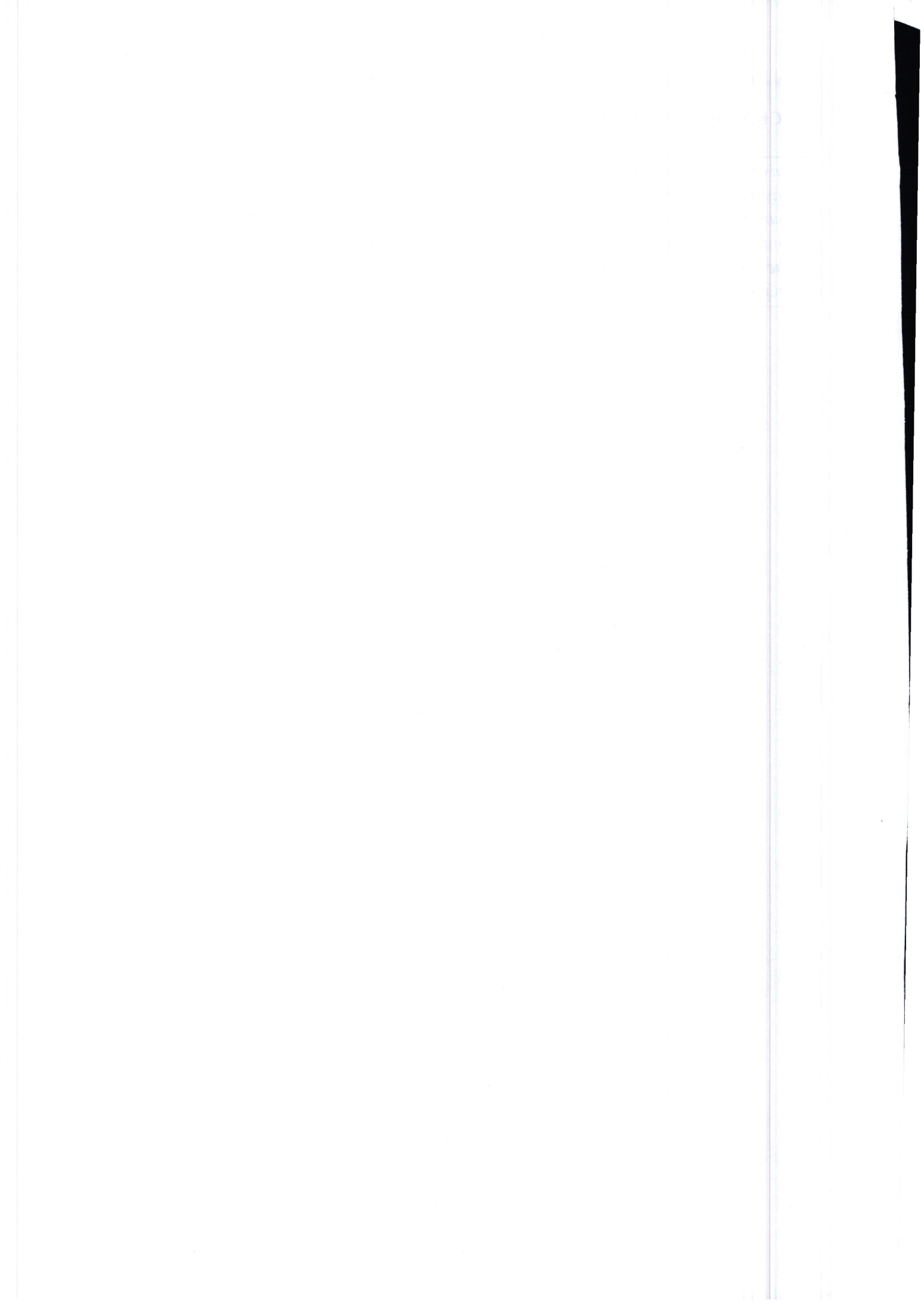
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## ACKNOWLEDGEMENT

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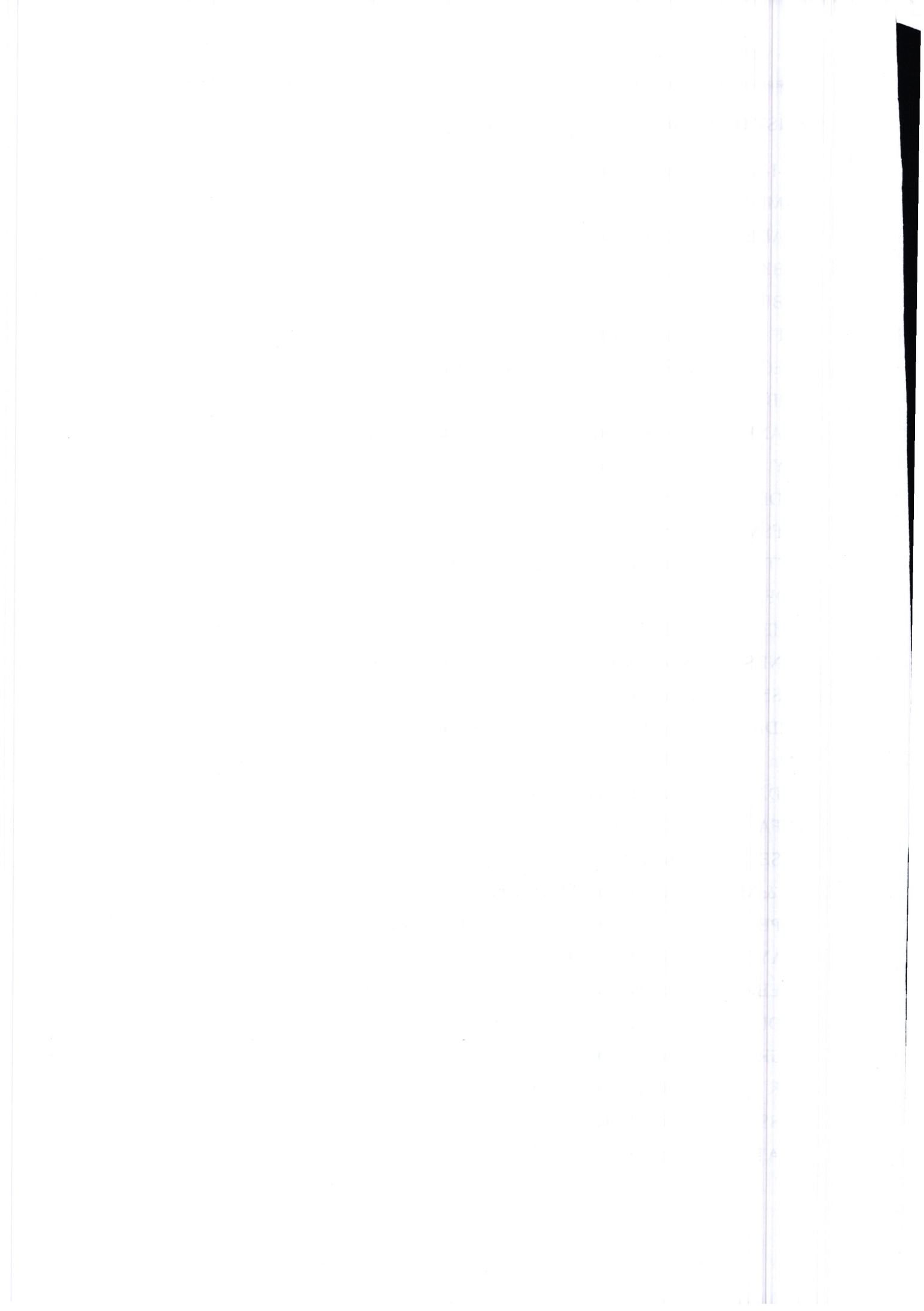




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## LIST OF ABBREVIATIONS AND ACRONYMS

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





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## 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.

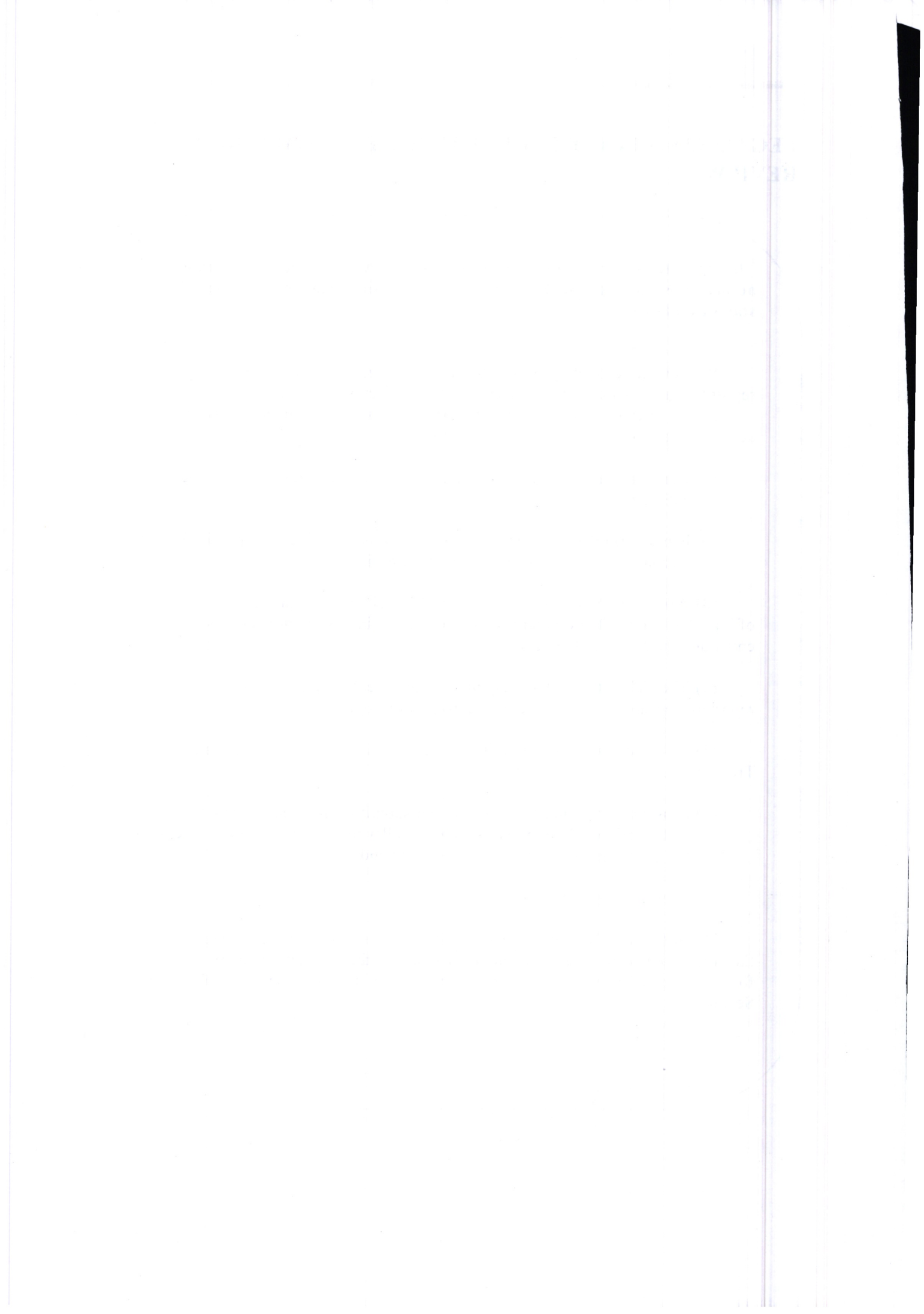
(4) The Cabinet Secretary responsible for an entity shall forward a copy of the report to the Cabinet Secretary and Controller of Budget.

(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.





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## 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.



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## **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).

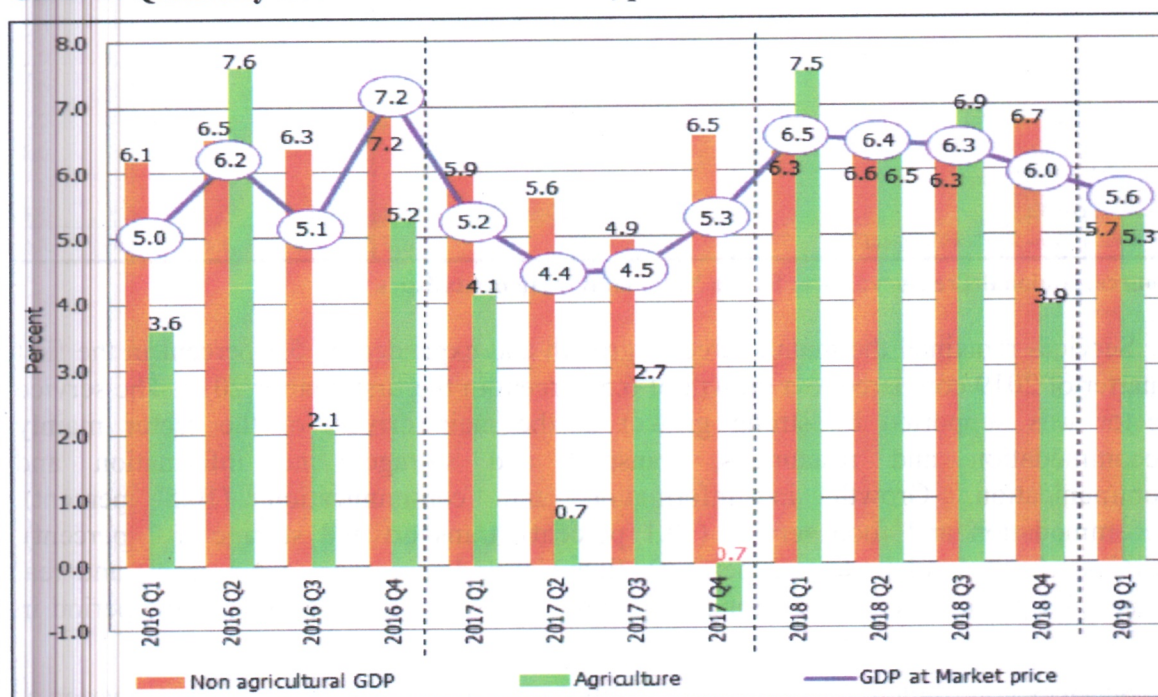


## 1.0 RECENT ECONOMIC DEVELOPMENTS

### 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
<b>Primary sector</b>	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
<b>Secondary sector (Industry)</b>	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
<b>Tertiary Sector (Services)</b>	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
Taxes less subsidies	2.2	4.0	5.7	5.3	0.2	0.4	0.6	0.5
<b>GDP Growth</b>	5.0	5.2	6.5	5.6	5.0	5.2	6.5	5.6
<i>of which Non- Agricultural GDP</i>	6.1	5.9	6.3	5.7	3.8	3.8	4.0	3.6

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.

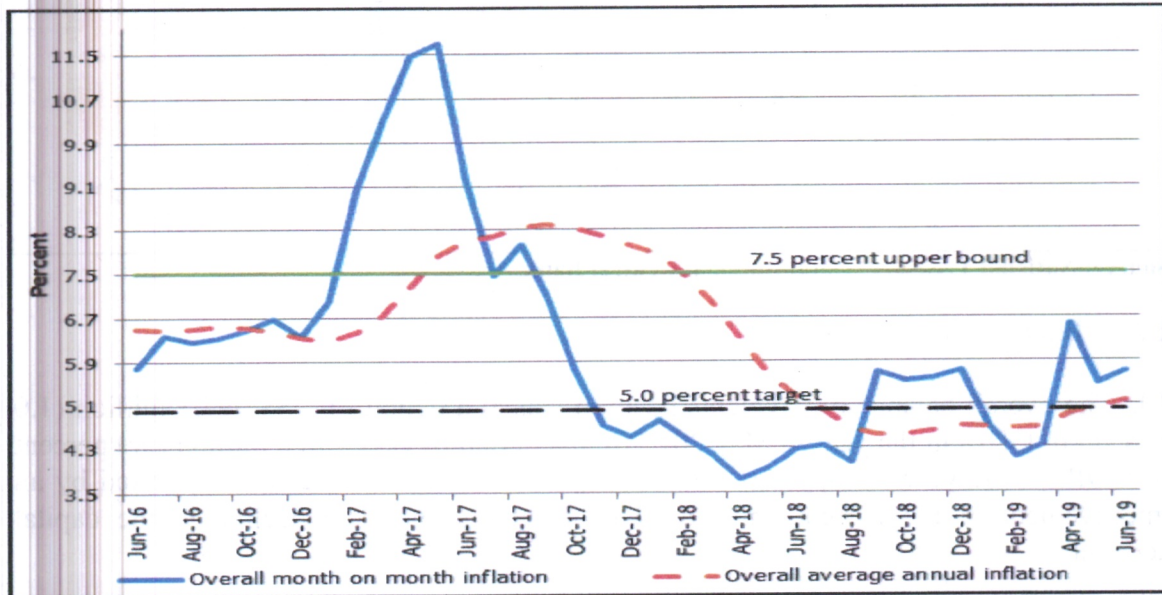
7. The industry sector contributed 0.7 percentage points to growth in the first quarter of 2019, largely driven by the construction and manufacturing sectors with each contributing 0.3 percentage points to real GDP growth.



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).

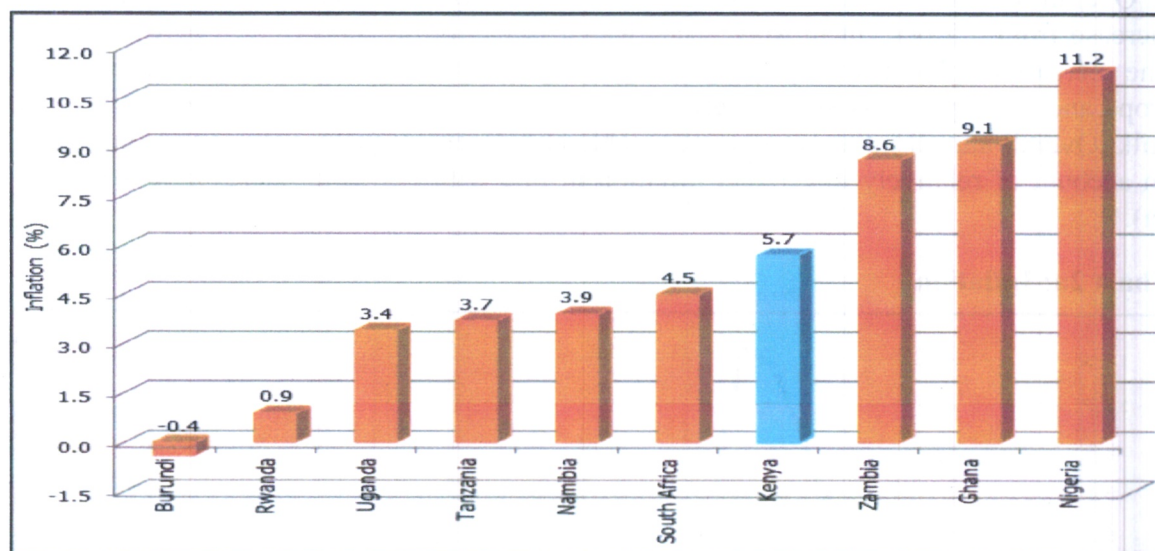
Chart 2a: Inflation



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).

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

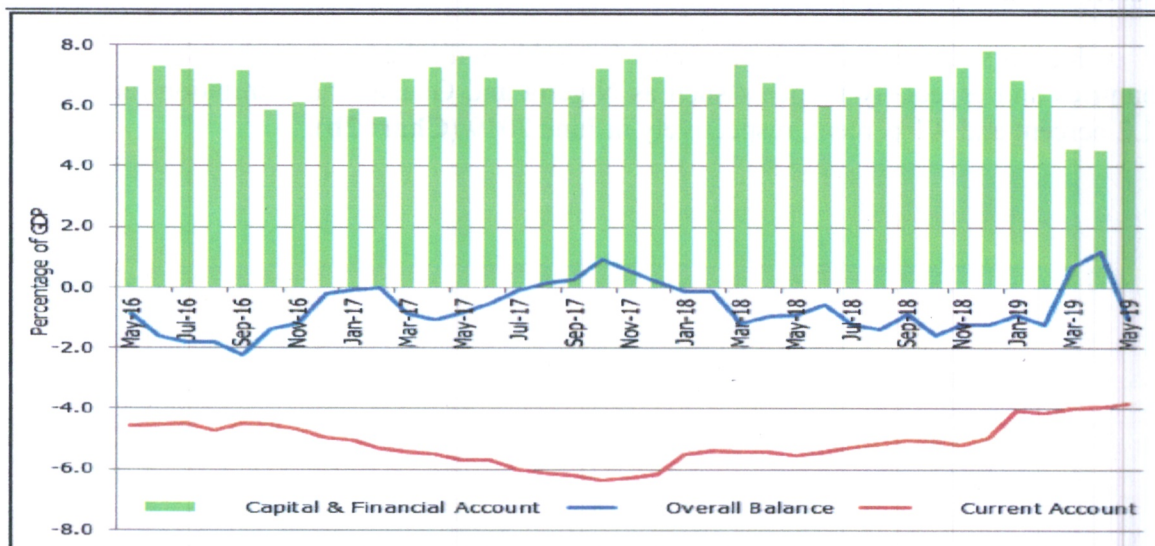


Source: National Treasury; Data: National Central Banks

### 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

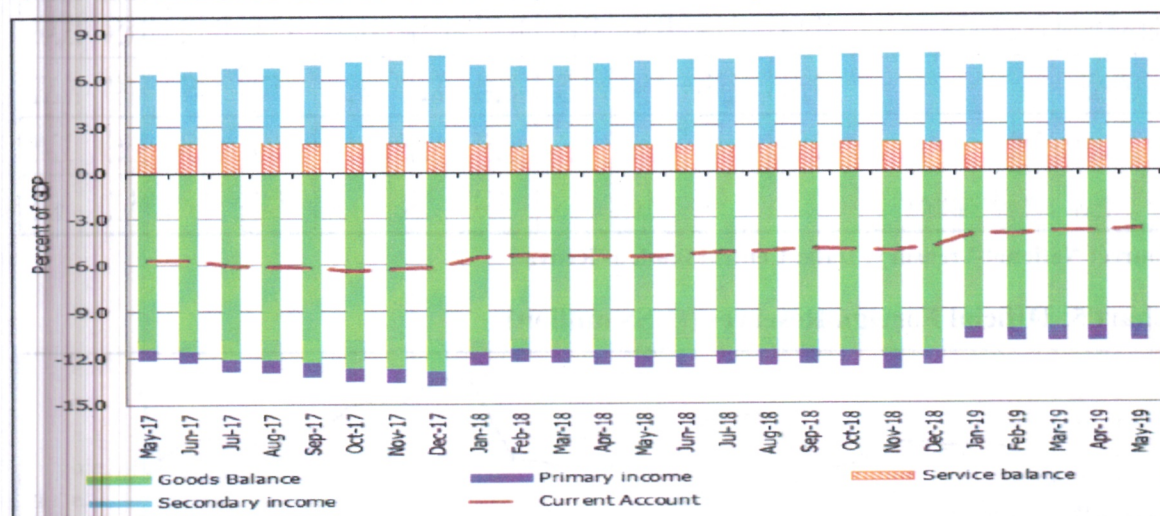
11. The current account balance narrowed by 21.6 percent to a deficit of US\$ 3,809.5 million (3.8 percent of GDP) in the year to May 2019 compared to a deficit of US\$ 4,861.5 million (5.5 percent of GDP) in the year to May 2018. This improvement reflects strong growth in diaspora remittances and tourism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

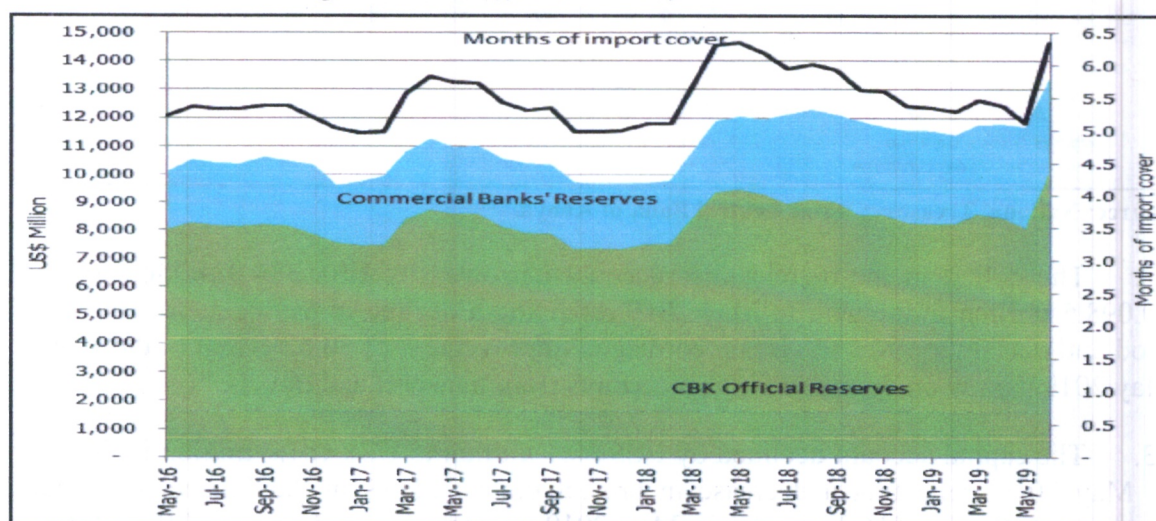
14. The banking system's foreign exchange holding remained strong at US\$ 13,369 million in May 2019 from US\$ 11,924 million in May 2018 (**Table 2 and Chart 5**). The official foreign exchange reserves held by the Central Bank improved to US\$ 10,122 million (6.4 months of import cover) in May 2019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

**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)**



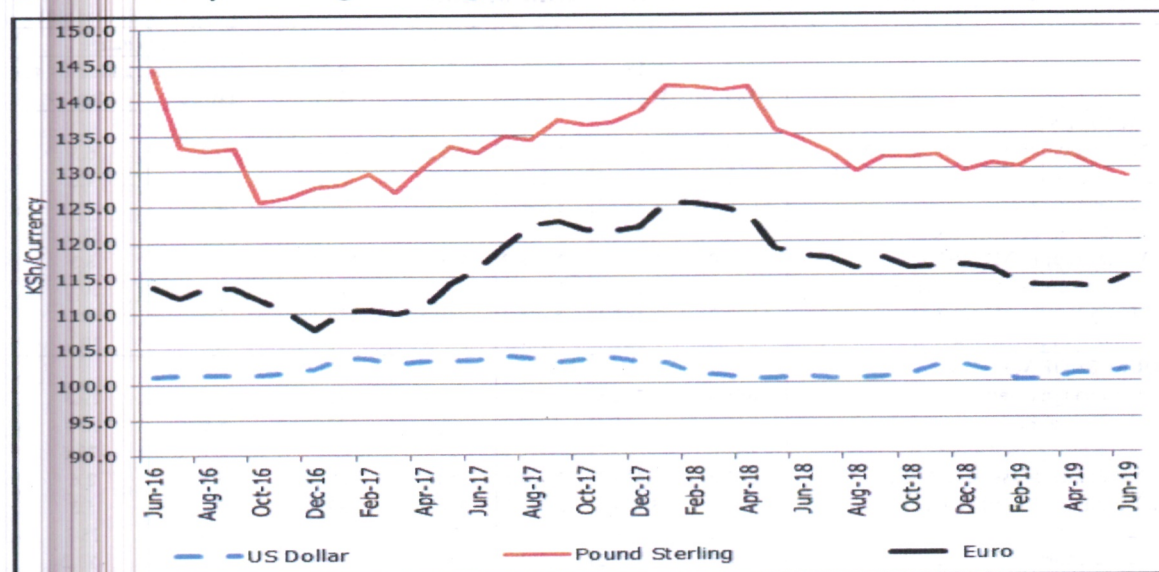
Source: National Treasury; Data: Central Bank of Kenya.

### 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).



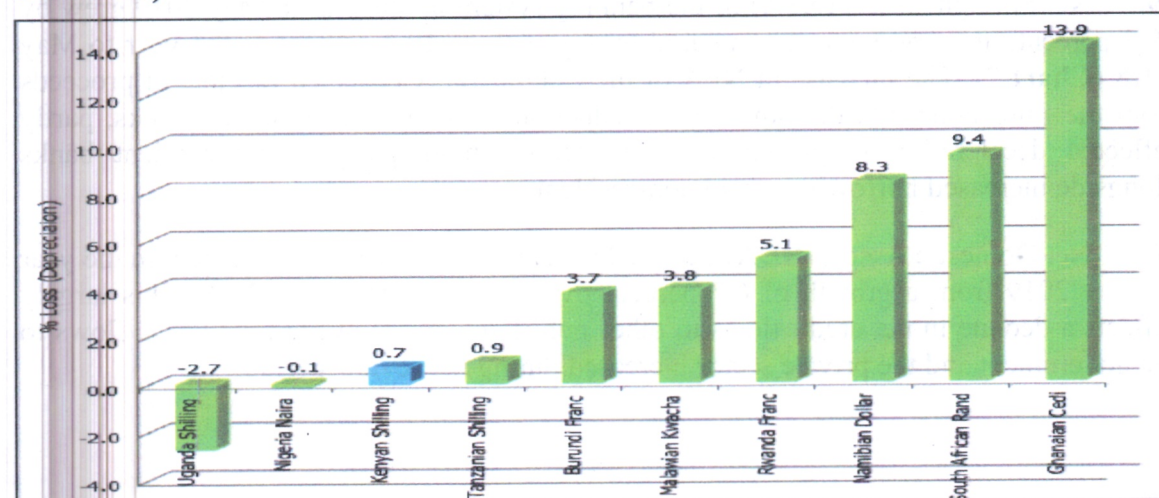
Chart 6a: Kenya Shilling Exchange Rate



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 MAY	2018 MAY	2019 MAY	Absolute Change		percent change	
				2017-2018 MAY	2018-2019 MAY	12 months to May-18	12 months to May-19
<b>COMPONENTS OF M3</b>							
<b>1. Money supply, M1 (1.1+1.2+1.3)</b>	<b>1,347.8</b>	<b>1,400.4</b>	<b>1,495.7</b>	<b>52.5</b>	<b>95.4</b>	<b>3.9</b>	<b>6.8</b>
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
<b>2. Money supply, M2 (1+2.1)</b>	<b>2,475.0</b>	<b>2,621.0</b>	<b>2,838.3</b>	<b>146.1</b>	<b>217.2</b>	<b>5.9</b>	<b>8.3</b>
2.1 Time and savings deposits	1,127.1	1,220.7	1,342.5	93.5	121.9	8.3	10.0
<b>3. Money supply, M3 (2+3.1)</b>	<b>2,922.7</b>	<b>3,142.1</b>	<b>3,416.2</b>	<b>219.3</b>	<b>274.2</b>	<b>7.5</b>	<b>8.7</b>
3.1 Foreign currency deposits	447.8	521.0	577.9	73.3	56.9	16.4	10.9
<b>SOURCES OF M3</b>							
<b>1. Net foreign assets (1.1+1.2)</b>	<b>655.4</b>	<b>722.8</b>	<b>934.4</b>	<b>67.4</b>	<b>211.5</b>	<b>10.3</b>	<b>29.3</b>
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
<b>2. Net domestic assets (2.1+2.2)</b>	<b>2,267.3</b>	<b>2,419.2</b>	<b>2,481.8</b>	<b>151.9</b>	<b>62.6</b>	<b>6.7</b>	<b>2.6</b>
<b>2.1 Domestic credit (2.1.1+2.1.2+2.1.3)</b>	<b>2,977.2</b>	<b>3,154.0</b>	<b>3,353.1</b>	<b>176.8</b>	<b>199.1</b>	<b>5.9</b>	<b>6.3</b>
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
<b>2.2 Other assets net</b>	<b>-709.9</b>	<b>-734.8</b>	<b>-871.2</b>	<b>-24.8</b>	<b>-136.5</b>	<b>3.5</b>	<b>18.6</b>

Source: National Treasury, Data: Central Bank of Kenya

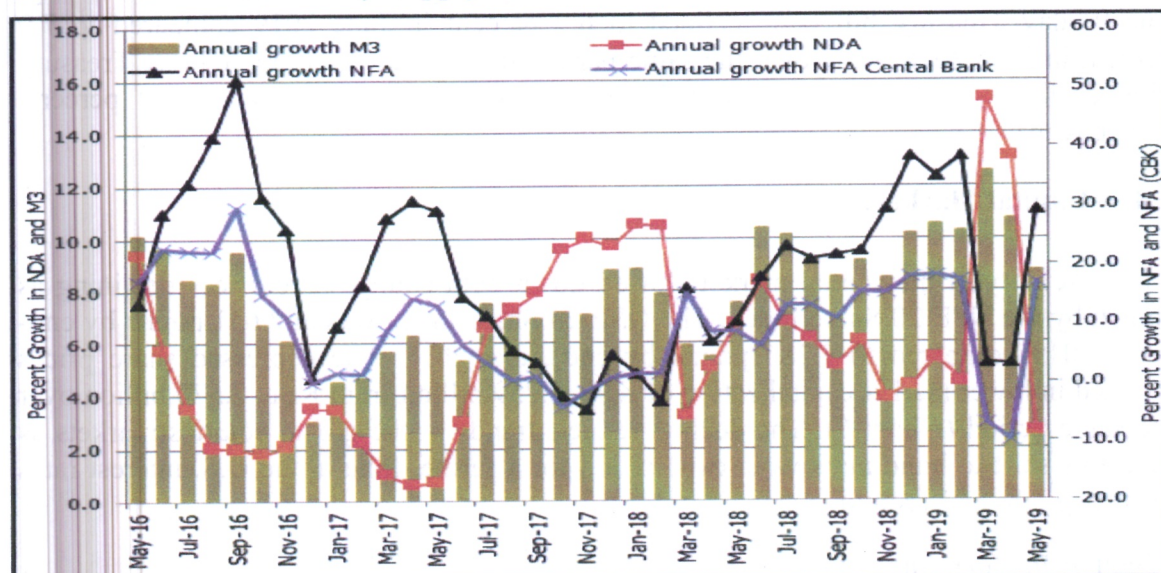
18. The primary source of the growth in M3 in the year to May 2019 was the increase in the net foreign assets (NFA) of the banking sector. This growth in M3 was partly offset by the slowdown in net domestic assets (NDA) of the banking system, largely reflecting a decline in net credit to other public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



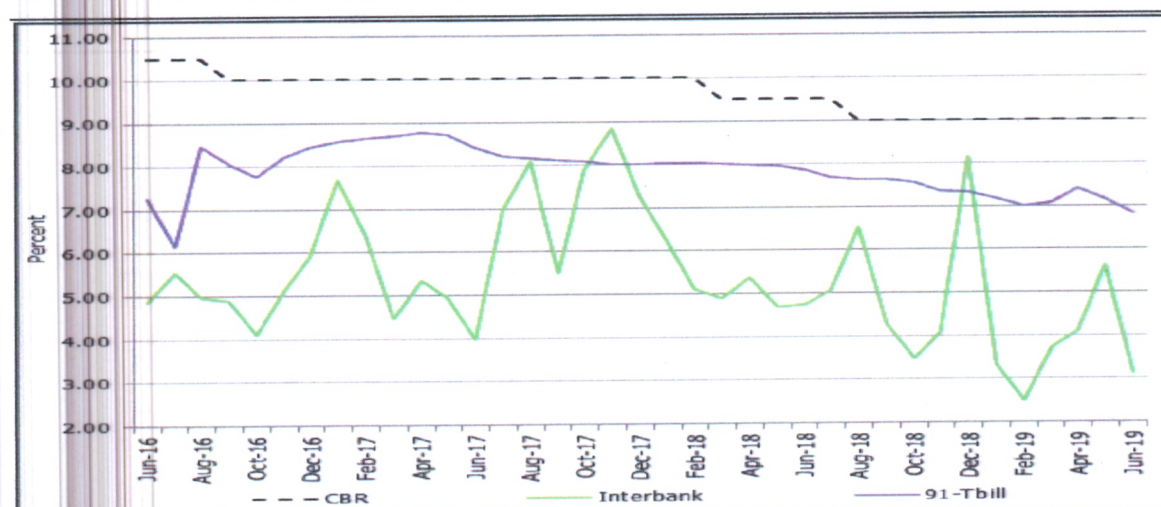
Source: National Treasury, Data: Central Bank of Kenya

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

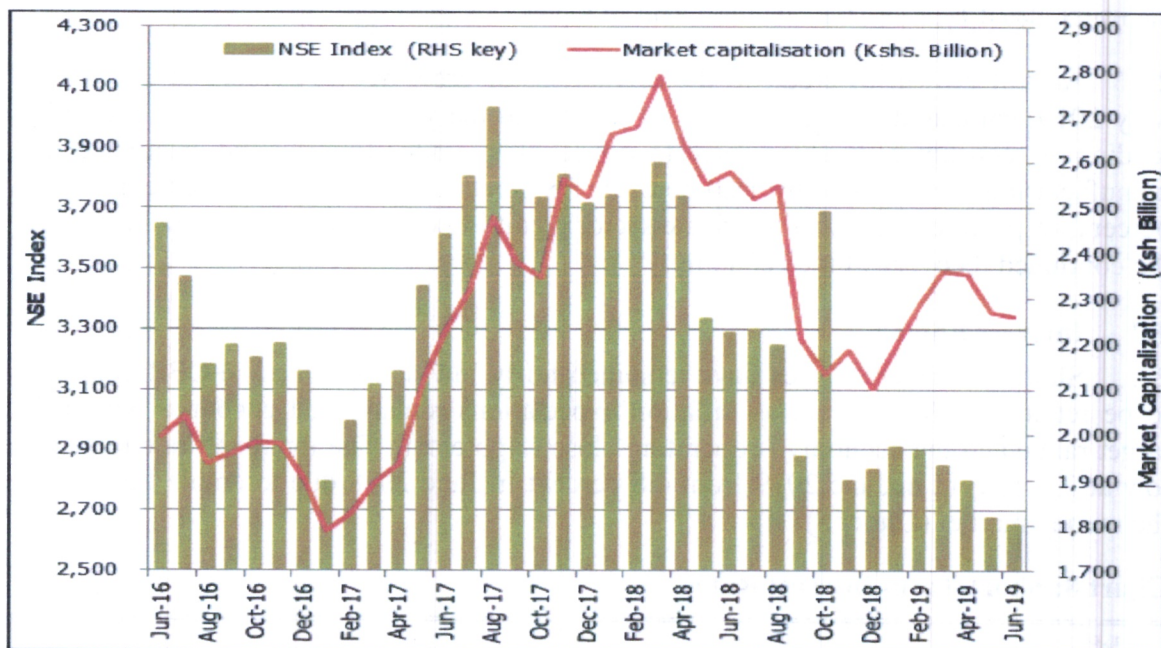
## RECENT ECONOMIC DEVELOPMENTS

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 30<sup>th</sup> June, 2019 (KSh. Million)**

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

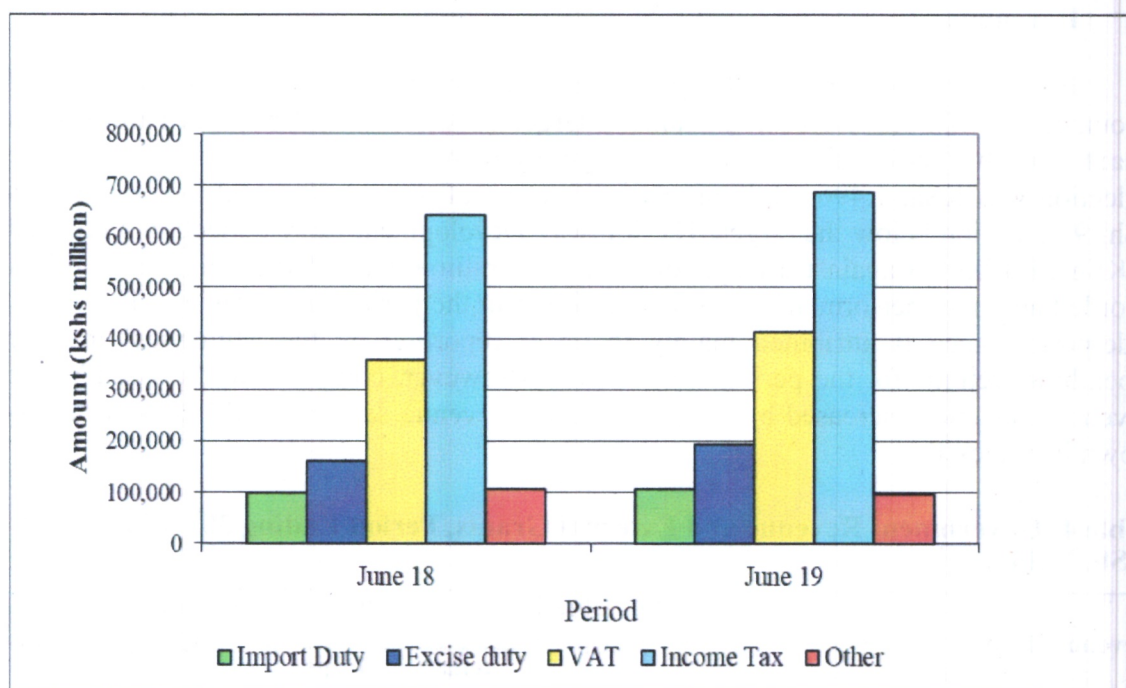
1/ includes rent of buildings, fines and forfeitures, other taxes, reimbursements and other fund contributions, and miscellaneous revenue.

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**.



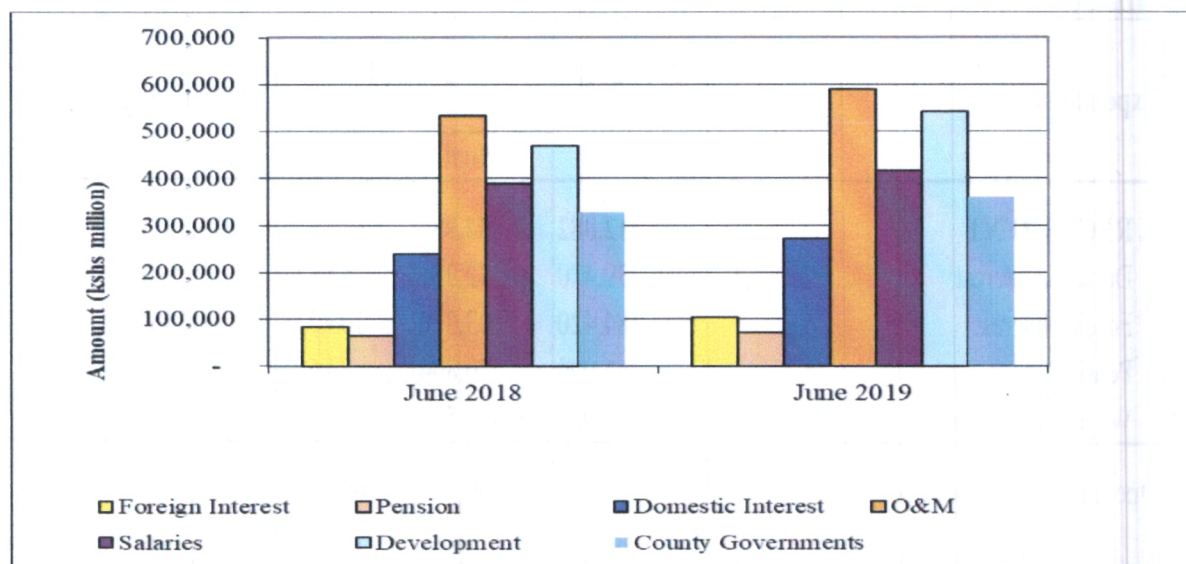
**Table 5: Expenditure and Net Lending, Period Ending 30th June, 2019 (KSh. Million)**

Expenditure Head	2017/2018 Actual	2018/19		Deviation	% Growth
		Actual	Targets		
<b>1. RECURRENT</b>	<b>1,312,082</b>	<b>1,454,984</b>	<b>1,528,546</b>	<b>(73,562)</b>	<b>10.9</b>
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
<b>2. DEVELOPMENT</b>	<b>469,673</b>	<b>542,007</b>	<b>598,094</b>	<b>(56,087)</b>	<b>15.4</b>
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	-	-	-	-	-
<b>TOTAL EXPENDITURE</b>	<b>2,146,651</b>	<b>2,405,933</b>	<b>2,541,881</b>	<b>(135,948)</b>	<b>12.1</b>

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 30<sup>th</sup> 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.



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
		Recurrent			Development			Total				
		Actual*	Target	Actual*	Target	Actual*	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 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 for 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

### 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 30<sup>th</sup> 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	-	-	<b>356.93</b>	367.37	718.23	726.84
<b>TOTAL</b>	<b>323.95</b>	<b>-</b>	<b>361.30</b>	<b>674.97</b>	<b>314.10</b>	<b>318.45</b>	<b>356.93</b>	<b>367.75</b>	<b>1,362.43</b>	<b>1,361.17</b>

\* Provisional

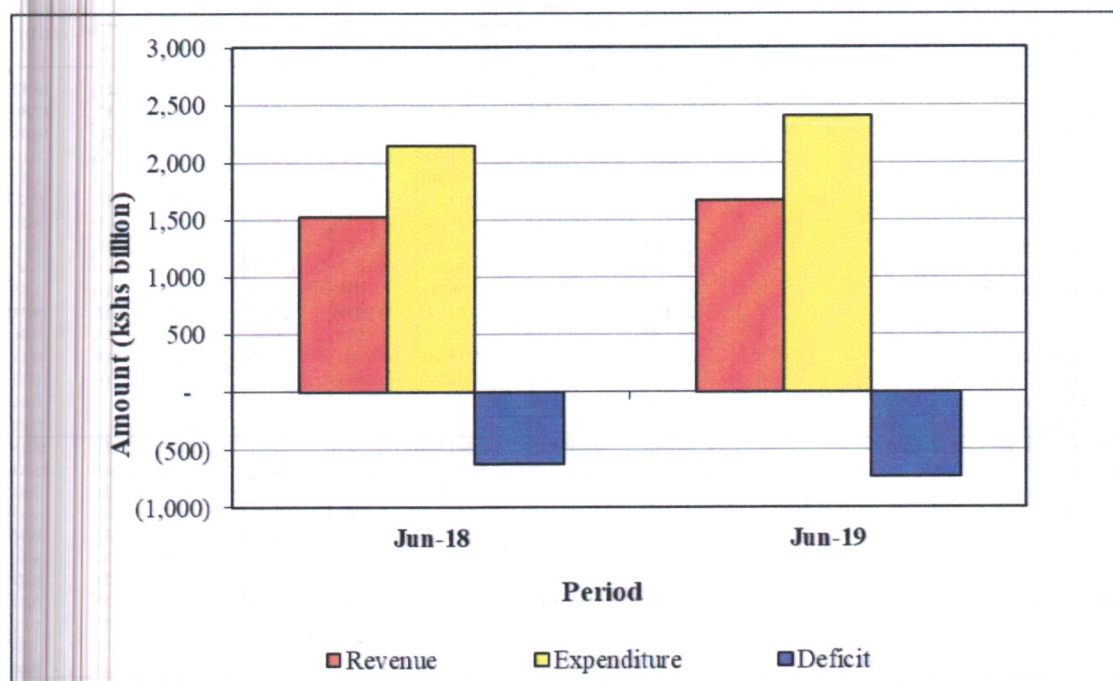
Source: National Treasury

### 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.

**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	
<b>A. TOTAL REVENUE AND GRANTS</b>	<b>1,548,903</b>	<b>1,690,773</b>	<b>1,829,041</b>	<b>(138,268)</b>	<b>9.16</b>	<b>17.78</b>	<b>19.23</b>	<b>18.17</b>
<b>1. Revenue</b>	<b>1,522,419</b>	<b>1,671,071</b>	<b>1,794,300</b>	<b>(123,229)</b>	<b>9.76</b>	<b>17.57</b>	<b>18.87</b>	<b>17.86</b>
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
<b>2. Grants</b>	<b>26,484</b>	<b>19,702</b>	<b>34,741</b>	<b>(15,039)</b>	<b>(25.61)</b>	<b>0.21</b>	<b>0.37</b>	<b>0.31</b>
Programme Grants/AMISOM Receipts	4,728	4,315	6,500	1,937	<b>78.46</b>	0.09	0.07	0.06
Projects Grants(Revenue)	9,374	8,437	13,449	(6,500)	<b>(25.87)</b>	0.09	0.14	0.11
Projects Grants(AIA)	12,383	6,949	14,792	(7,843)	<b>(43.88)</b>	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>B. EXPENDITURE and NET LENDING</b>	<b>2,146,651</b>	<b>2,405,932</b>	<b>2,541,882</b>	<b>(146,727)</b>	<b>12.08</b>	<b>25.30</b>	<b>26.73</b>	<b>25.18</b>
<b>1. Recurrent</b>	<b>1,349,704</b>	<b>1,496,223</b>	<b>1,574,129</b>	<b>(88,683)</b>	<b>10.86</b>	<b>15.73</b>	<b>16.55</b>	<b>15.83</b>
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
<b>2. Development and Net Lending</b>	<b>469,673</b>	<b>542,007</b>	<b>598,094</b>	<b>(56,087)</b>	<b>15.40</b>	<b>5.70</b>	<b>6.29</b>	<b>5.51</b>
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
<b>5. CF</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(0)</b>	<b>-</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
<b>C. DEFICIT EXCL.GRANT (Commitment basis)</b>	<b>(624,232)</b>	<b>(734,862)</b>	<b>(747,582)</b>	<b>23,498</b>	<b>17.72</b>	<b>(7.73)</b>	<b>(7.86)</b>	<b>(7.32)</b>
<b>D. DEFICIT INCL.GRANTS (Commitment basis)</b>	<b>(597,748)</b>	<b>(715,160)</b>	<b>(712,841)</b>	<b>8,459</b>	<b>19.64</b>	<b>(7.52)</b>	<b>(7.50)</b>	<b>(7.01)</b>
<b>E. ADJUSTMENT TO CASH BASIS</b>	<b>(34,678)</b>	<b>(5,894)</b>	<b>62,327</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>0.66</b>	<b>-</b>
<b>F. DEFICIT INCL.GRANTS (Cash basis)</b>	<b>(632,426)</b>	<b>(721,054)</b>	<b>(650,514)</b>	<b>8,459</b>	<b>14.01</b>	<b>(7.58)</b>	<b>(6.84)</b>	<b>(7.42)</b>
<b>G. FINANCING</b>	<b>631,309</b>	<b>721,053</b>	<b>650,515</b>	<b>70,538</b>	<b>14.22</b>	<b>7.58</b>	<b>6.84</b>	<b>7.41</b>
<b>1. Foreign financing</b>	<b>354,977</b>	<b>414,518</b>	<b>391,154</b>	<b>23,364</b>	<b>16.77</b>	<b>4.36</b>	<b>4.11</b>	<b>4.16</b>
<b>Disbursements</b>	<b>493,330</b>	<b>680,759</b>	<b>650,556</b>	<b>30,203</b>	<b>37.99</b>	<b>7.16</b>	<b>6.84</b>	<b>5.79</b>
Programme Loans	8,524	84,784	82,143	2,641	894.65	<b>0.89</b>	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)
<b>2. Other Domestic Financing</b>	<b>2,623</b>	<b>2,878</b>	<b>3,925</b>	<b>(1,047)</b>	<b>9.74</b>	<b>0.03</b>	<b>0.04</b>	<b>0.03</b>
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
<b>4. NET DOMESTIC FINANCING</b>	<b>273,710</b>	<b>303,658</b>	<b>255,436</b>	<b>48,222</b>	<b>10.94</b>	<b>3.19</b>	<b>2.69</b>	<b>3.21</b>
<b>MEMO ITEM</b>								
<b>GDP ESTIMATE</b>	<b>8,524,678.00</b>	<b>9,510,446.00</b>	<b>9,510,446.00</b>					

\*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



## FISCAL DEVELOPMENTS

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)**

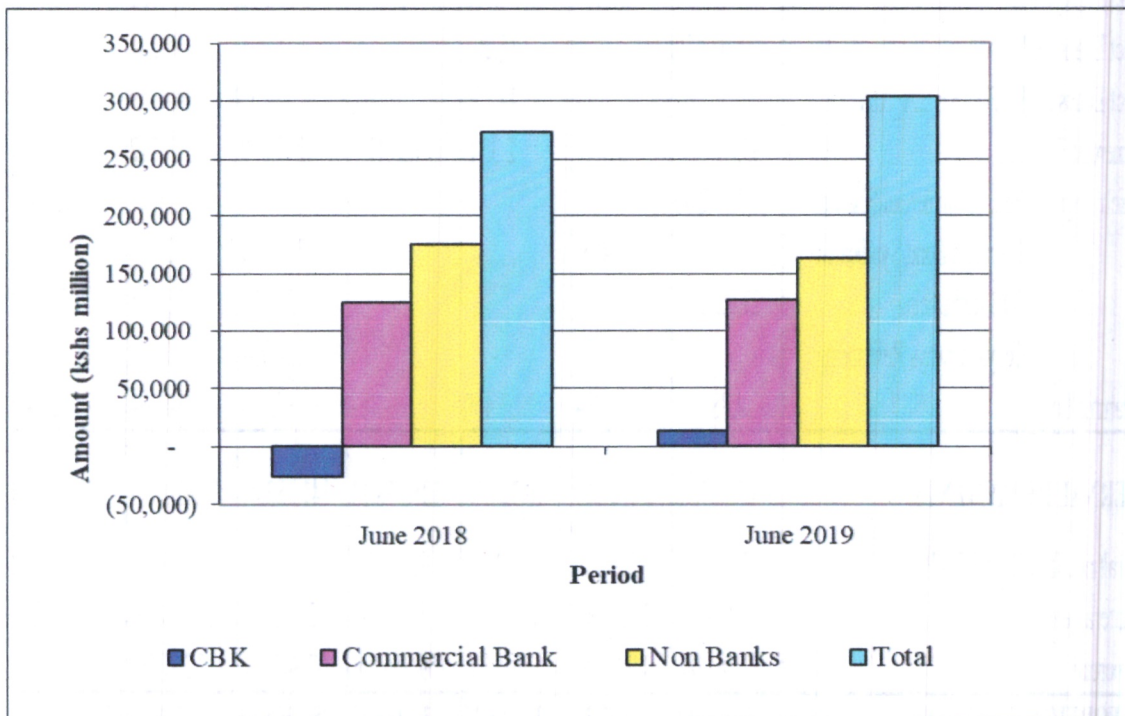
DISBURSEMENT/REPAYMENT	Quarter IV 2017/18	Quarter I 2018/19	Quarter II 2018/19	Quarter III 2018/19	Quarter IV 2018/19	Cumulative June 2019*	
		Actual	Actual	Actual		Actual	Target
<b>DISBURSEMENTS:</b>	<b>122,075.58</b>	<b>29,962.00</b>	<b>138,341.00</b>	<b>159,522.00</b>	<b>521,237.00</b>	<b>680,759</b>	<b>650,556.00</b>
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
<b>EXTERNAL REPAYMENTS:</b>	<b>65,507.98</b>	<b>13,129.69</b>	<b>10,727.73</b>	<b>125,058.13</b>	<b>141,182.81</b>	<b>266,240.94</b>	<b>259,402.90</b>
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
<b>NET FOREIGN FINANCING</b>	<b>56,567.61</b>	<b>16,832.31</b>	<b>127,613.27</b>	<b>34,463.87</b>	<b>380,054.19</b>	<b>414,518.06</b>	<b>391,153.10</b>

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).



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

Debt Instrument	June	September	December	March	June
	2018	2018	2018	2019	2019
<b>1. CENTRAL BANK</b>	<b>(26,345)</b>	<b>(10,374)</b>	<b>93,676</b>	<b>99,728</b>	<b>13,601</b>
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
<b>2. COM. BANKS</b>	<b>124,266</b>	<b>45,734</b>	<b>(5,024)</b>	<b>104,122</b>	<b>126,948</b>
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)
<b>3. NON BANKS</b>	<b>172,817</b>	<b>33,675</b>	<b>41,215</b>	<b>111,570</b>	<b>160,266</b>
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
<b>4. NON RESIDENTS</b>	<b>2,972</b>	<b>175</b>	<b>963</b>	<b>194</b>	<b>2,843</b>
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
<b>5. NET CREDIT</b>	<b>273,710</b>	<b>69,210</b>	<b>130,830</b>	<b>315,612</b>	<b>303,658</b>

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*
<b>EXTERNAL</b>									
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
<b>SUB - TOTAL</b>	<b>2,294,736</b>	<b>2,310,197</b>	<b>2,353,795</b>	<b>2,512,431</b>	<b>2,560,199</b>	<b>2,605,333</b>	<b>2,723,734</b>	<b>2,721,598</b>	<b>3,023,138</b>
<b>DOMESTIC:</b>									
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
<b>TOTAL BANKS</b>	<b>1,196,950</b>	<b>1,223,738</b>	<b>1,221,747</b>	<b>1,320,449</b>	<b>1,377,185</b>	<b>1,405,673</b>	<b>1,407,760</b>	<b>1,492,932</b>	<b>1,524,038</b>
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
<b>SUB-TOTAL</b>	<b>2,112,265</b>	<b>2,172,835</b>	<b>2,220,365</b>	<b>2,371,651</b>	<b>2,478,782</b>	<b>2,540,834</b>	<b>2,548,775</b>	<b>2,703,984</b>	<b>2,785,936</b>
<b>GRAND TOTAL GROSS</b>	<b>4,407,001</b>	<b>4,483,032</b>	<b>4,574,160</b>	<b>4,884,082</b>	<b>5,038,981</b>	<b>5,146,167</b>	<b>5,272,509</b>	<b>5,425,582</b>	<b>5,809,074</b>
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)
<b>GRAND TOTAL NET</b>	<b>3,972,526</b>	<b>4,045,218</b>	<b>4,217,535</b>	<b>4,304,497</b>	<b>4,488,204</b>	<b>4,639,062</b>	<b>4,834,759</b>	<b>5,021,658</b>	<b>5,301,645</b>

\*Provisional

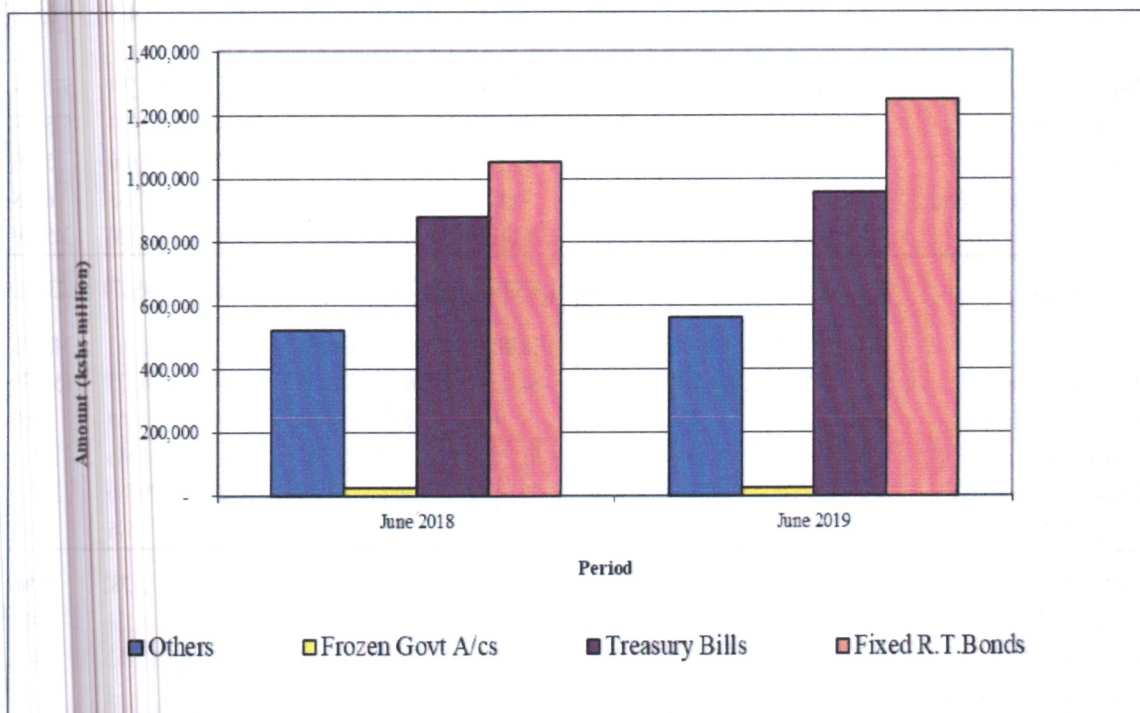
Source: National Treasury



### 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).

**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
<b>1.CENTRAL BANK</b>	<b>55,061</b>	<b>79,201</b>	<b>96,797</b>	<b>93,583</b>	<b>110,782</b>	<b>90,210</b>	<b>118,196</b>	<b>89,709</b>	<b>109,607</b>
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 rediscouts	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
<b>2.COM.BANKS</b>	<b>1,141,889</b>	<b>1,144,536</b>	<b>1,124,950</b>	<b>1,226,866</b>	<b>1,266,457</b>	<b>1,315,333</b>	<b>1,289,558</b>	<b>1,397,771</b>	<b>1,414,431</b>
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
<b>3. NON BANKS</b>	<b>893,215</b>	<b>924,962</b>	<b>973,201</b>	<b>1,025,704</b>	<b>1,076,288</b>	<b>1,109,751</b>	<b>1,114,819</b>	<b>1,185,670</b>	<b>1,233,915</b>
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
<b>4. NON RESIDENTS</b>	<b>22,100</b>	<b>24,136</b>	<b>25,417</b>	<b>25,498</b>	<b>25,308</b>	<b>25,410</b>	<b>26,197</b>	<b>25,382</b>	<b>27,984</b>
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
<b>5. TOTAL DEBT</b>	<b>2,112,265</b>	<b>2,172,835</b>	<b>2,220,365</b>	<b>2,371,651</b>	<b>2,478,835</b>	<b>2,540,704</b>	<b>2,548,770</b>	<b>2,698,532</b>	<b>2,785,936</b>
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
<b>8. NET DEBT</b>	<b>1,677,790</b>	<b>1,735,021</b>	<b>1,863,740</b>	<b>1,792,066</b>	<b>1,928,059</b>	<b>2,033,599</b>	<b>2,111,020</b>	<b>2,294,608</b>	<b>2,278,507</b>

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.



## FISCAL DEVELOPMENTS

**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*
<b>BILATERAL</b>									
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
<b>TOTAL BILATERAL</b>	<b>6,988.82</b>	<b>7,177.91</b>	<b>7,580.89</b>	<b>7,941.83</b>	<b>7,533.41</b>	<b>7,491.69</b>	<b>8,778.40</b>	<b>9,097.49</b>	<b>9,736.81</b>
<b>MULTILATERAL</b>									
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
<b>TOTAL MULTILATERAL</b>	<b>8,117.68</b>	<b>8,163.36</b>	<b>8,154.92</b>	<b>8,297.36</b>	<b>8,031.39</b>	<b>8,649.23</b>	<b>8,588.25</b>	<b>8,402.85</b>	<b>8,938.51</b>
<b>COMMERCIAL BANKS 1/</b>	<b>6,116.15</b>	<b>6,864.39</b>	<b>6,856.07</b>	<b>8,508.54</b>	<b>8,219.71</b>	<b>8,148.46</b>	<b>9,211.46</b>	<b>9,347.52</b>	<b>10,711.36</b>
<b>EXPORT CREDIT</b>	<b>153.45</b>	<b>165.51</b>	<b>165.51</b>	<b>165.51</b>	<b>165.51</b>	<b>165.51</b>	<b>165.51</b>	<b>165.51</b>	<b>165.51</b>
<b>GRAND TOTAL</b>	<b>21,376.10</b>	<b>22,371.18</b>	<b>22,757.39</b>	<b>24,913.24</b>	<b>23,950.02</b>	<b>24,454.89</b>	<b>26,743.62</b>	<b>27,013.37</b>	<b>29,552.19</b>
<b>In percentage of total debt</b>									
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

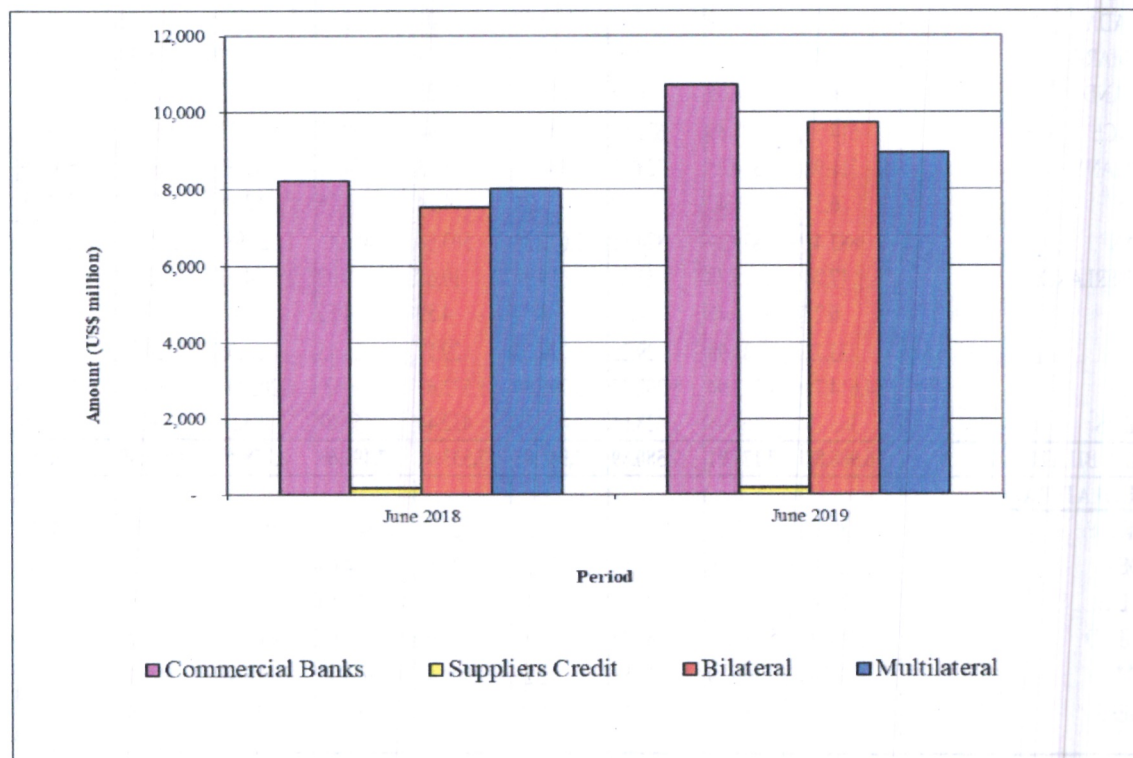
Note: The exchange rate as at end June 2019 was KSh. 102.3 per dollar.

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**).



## FISCAL DEVELOPMENTS

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

<b>CATEGORY</b>	<b>PRINCIPAL*</b>	<b>INTEREST*</b>	<b>TOTAL*</b>
<b>BILATERAL</b>			
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
<b>TOTAL BILATERAL</b>	<b>31,098.71</b>	<b>33,543.38</b>	<b>64,642.09</b>
<b>MULTILATERAL</b>			
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	-	-	-
<b>TOTAL MULTILATERAL</b>	<b>17,940.93</b>	<b>7,447.74</b>	<b>25,388.68</b>
<b>COMMERCIAL</b>	<b>217,201.30</b>	<b>62,581.18</b>	<b>279,782.48</b>
<b>GRAND TOTAL</b>	<b>266,240.95</b>	<b>103,572.30</b>	<b>369,813.25</b>

\* Provisional

\*\* IMF debt serviced by CBK

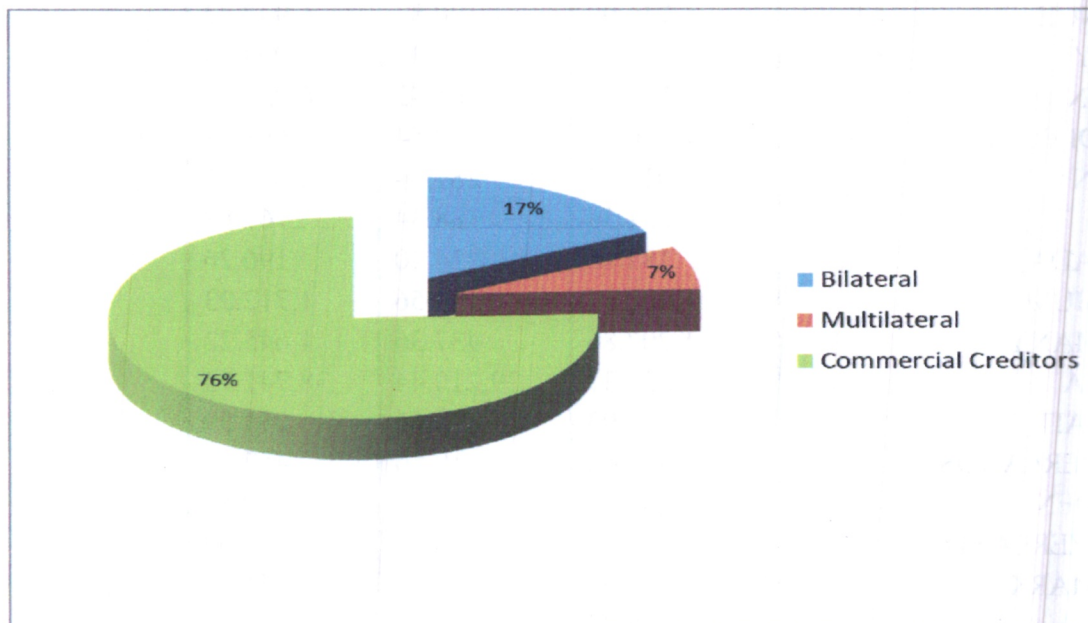
Source: National Treasury

## FISCAL DEVELOPMENTS

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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***
<b>A.TOTAL REVENUE</b>	<b>974,418</b>	<b>1,107,772</b>	<b>1,254,790</b>	<b>1,439,507</b>	<b>1,522,419</b>	<b>1,671,071</b>	<b>1,794,300</b>	<b>1,949,181</b>
<b>1.Ordinary Revenue</b>	<b>918,990</b>	<b>1,031,819</b>	<b>1,152,544</b>	<b>1,306,505</b>	<b>1,365,063</b>	<b>1,496,930</b>	<b>1,588,132</b>	<b>1,769,229</b>
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>B.EXPENDITURE &amp; NET FINANCING</b>	<b>1,300,589</b>	<b>1,639,881</b>	<b>1,804,520</b>	<b>2,146,274</b>	<b>2,146,651</b>	<b>2,405,932</b>	<b>2,541,882</b>	<b>2,557,246</b>
<b>1.Recurrent</b>	<b>752,502</b>	<b>895,199</b>	<b>1,036,636</b>	<b>1,201,335</b>	<b>1,349,704</b>	<b>1,496,223</b>	<b>1,574,129</b>	<b>1,550,042</b>
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-Aid	28,205	50,566	71,915	94,834	109,669	112,906	143,761	123,960
<b>2.Development &amp; Net Financing</b>	<b>319,274</b>	<b>510,536</b>	<b>486,662</b>	<b>639,923</b>	<b>469,673</b>	<b>548,969</b>	<b>602,794</b>	<b>625,722</b>
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	2,167	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	22,473	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
<b>D.DEFICIT EXCL. GRANTS</b>	<b>(326,172)</b>	<b>(532,109)</b>	<b>(549,730)</b>	<b>(706,768)</b>	<b>(624,232)</b>	<b>(734,862)</b>	<b>(747,582)</b>	<b>(608,065)</b>
E.GRANTS	26,957	28,117	29,597	24,104	26,484	19,702	34,740	48,487
<b>F.DEFICIT INCL.GRANTS</b>	<b>(299,214)</b>	<b>(503,992)</b>	<b>(520,133)</b>	<b>(682,663)</b>	<b>(597,748)</b>	<b>(715,160)</b>	<b>(712,842)</b>	<b>(559,578)</b>
G. ADJUSTMENT TO CASH	(8,505)	32,513	45,563	(15,012)	(34,678)	(5,894)	62,327	-
<b>H.DEFICIT INCL.GRANTS</b>	<b>(307,720)</b>	<b>(471,479)</b>	<b>(474,570)</b>	<b>(697,675)</b>	<b>(632,426)</b>	<b>(721,054)</b>	<b>(650,515)</b>	<b>(559,578)</b>
<b>I.FINANCING</b>	<b>307,720</b>	<b>471,479</b>	<b>474,570</b>	<b>697,676</b>	<b>631,309</b>	<b>721,054</b>	<b>650,515</b>	<b>559,577</b>
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
<b>In Percentage of GDP</b>								
<b>A.TOTAL REVENUE</b>	<b>19.20</b>	<b>19.00</b>	<b>18.70</b>	<b>18.80</b>	<b>17.86</b>	<b>17.57</b>	<b>18.87</b>	<b>20.04</b>
<b>1.Ordinary Revenue</b>	<b>18.11</b>	<b>17.69</b>	<b>17.18</b>	<b>17.06</b>	<b>16.01</b>	<b>15.74</b>	<b>16.70</b>	<b>18.19</b>
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>B.EXPENDITURE &amp; NET FINANCING</b>	<b>25.63</b>	<b>28.12</b>	<b>26.89</b>	<b>28.03</b>	<b>25.18</b>	<b>25.30</b>	<b>26.73</b>	<b>26.29</b>
<b>1.Recurrent</b>	<b>14.83</b>	<b>15.35</b>	<b>15.45</b>	<b>15.69</b>	<b>15.83</b>	<b>15.73</b>	<b>16.55</b>	<b>15.94</b>
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	2.29	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-Aid	0.56	0.87	1.07	1.24	1.29	1.19	1.51	1.27
<b>2.Development &amp; Net Financing</b>	<b>6.29</b>	<b>8.75</b>	<b>7.25</b>	<b>8.36</b>	<b>5.51</b>	<b>5.77</b>	<b>6.34</b>	<b>6.43</b>
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
<b>D.DEFICIT EXCL. GRANTS</b>	<b>(6.43)</b>	<b>(9.12)</b>	<b>(8.19)</b>	<b>(9.23)</b>	<b>(7.32)</b>	<b>(7.73)</b>	<b>(7.86)</b>	<b>(6.25)</b>
E.GRANTS	0.53	0.48	0.44	0.31	0.31	0.21	0.37	0.50
<b>F.DEFICIT INCL.GRANTS</b>	<b>(5.90)</b>	<b>(8.64)</b>	<b>(7.75)</b>	<b>(8.91)</b>	<b>(7.01)</b>	<b>(7.52)</b>	<b>(7.50)</b>	<b>(5.75)</b>
G.ADJUSTMENT TO CASH	(0.17)	0.56	0.68	(0.20)	(0.41)	(0.06)	0.66	-
<b>H.DEFICIT INCL.GRANTS</b>	<b>(6.06)</b>	<b>(8.08)</b>	<b>(7.07)</b>	<b>(9.11)</b>	<b>(7.42)</b>	<b>(7.58)</b>	<b>(6.84)</b>	<b>(5.75)</b>
<b>I.FINANCING</b>	<b>6.06</b>	<b>8.08</b>	<b>7.07</b>	<b>9.11</b>	<b>7.41</b>	<b>7.58</b>	<b>6.84</b>	<b>5.75</b>
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
	<b>Accounting method:</b>	<b>Cash</b>	<b>Cash</b>
<b>1</b>	<b>Revenue</b>	<b>1,997,678</b>	<b>1,690,772</b>
11	Taxes	1,788,591	1,523,909
<b>111</b>	<b>Taxes on income, profits, and capital gains</b>	<b>836,570</b>	<b>685,389</b>
1111	Payable by individuals	447,635	393,362
1112	Payable by corporations and other enterprises	388,935	292,028
<b>113</b>	<b>Taxes on property</b>	<b>129</b>	<b>-</b>
1134	Taxes on financial and capital transactions		
1136	Other recurrent taxes on property	129	-
<b>114</b>	<b>Taxes on goods and services</b>	<b>776,854</b>	<b>685,333</b>
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
<b>115</b>	<b>Taxes on international trade and transactions</b>	<b>175,038</b>	<b>153,187</b>
1151	Customs and other import duties	175,038	153,187
<b>116</b>	<b>Other taxes</b>		
<b>12</b>	<b>Social contributions</b>	<b>894</b>	<b>281</b>
<b>122</b>	<b>Other social contributions</b>	<b>894</b>	<b>281</b>
1221	Employee contributions	894	281
<b>13</b>	<b>Grants</b>	<b>48,487</b>	<b>19,702</b>
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	-	-
<b>14</b>	<b>Other revenue</b>	<b>159,706</b>	<b>146,881</b>
<b>141</b>	<b>Property income</b>	<b>49,539</b>	<b>29,653</b>
1411	Interest	2,278	1,122
1412	Dividends	44,318	24,575
1415	Rent	2,944	3,956
<b>142</b>	<b>Sales of goods and services</b>	<b>99,948</b>	<b>111,752</b>
1422	Administrative fees	99,948	111,752
<b>143</b>	<b>Fines, penalties, and forfeits</b>	<b>3,566</b>	<b>2,994</b>
<b>145</b>	<b>Miscellaneous and unidentified revenue</b>	<b>6,652</b>	<b>2,481</b>

Source: National Treasury



## Annex III: Expense (KSh. Millions)

GFSM Code	Expense	Budget FY2018/19	Pre-Actual FY2018/19Q4
	<b>Accounting method:</b>	<b>Cash</b>	<b>Cash</b>
2	<b>Expense</b>	<b>2,319,173</b>	<b>2,179,146</b>
21	<b>Compensation of employees</b>	<b>440,479</b>	<b>423,132</b>
211	Wages and salaries	411,731	404,487
212	<b>Social contributions</b>	<b>28,748</b>	<b>18,645</b>
2121	Actual social contributions	28,748	18,645
22	<b>Use of goods and services</b>	<b>182,277</b>	<b>164,796</b>
24	<b>Interest</b>	<b>399,981</b>	<b>375,723</b>
241	To nonresidents	114,374	103,372
242	To residents other than general government	285,607	272,351
25	<b>Subsidies</b>	<b>30</b>	<b>-</b>
251	To public corporations	-	-
252	To private enterprises	30	-
26	<b>Grants</b>	<b>1,155,734</b>	<b>1,121,249</b>
262	<b>To international organizations</b>	<b>5,573</b>	<b>3,521</b>
2621	Current	5,573	3,521
2622	Capital	-	-
263	<b>To other general government units</b>	<b>1,150,161</b>	<b>1,117,728</b>
2631	Current	711,228	716,087
2632	Capital	438,933	401,641
27	<b>Social benefits</b>	<b>140,672</b>	<b>86,784</b>
273	Employer social benefits	140,672	86,784
28	<b>Other expense</b>	<b>10,000</b>	<b>7,462</b>
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	<b>Change in Net Worth: Transactions</b>	<b>(327,900)</b>	<b>(489,621)</b>
31	<b>Net acquisition of nonfinancial assets</b>	<b>221,344</b>	<b>224,301</b>
311	<b>Fixed assets</b>	<b>221,706</b>	<b>216,731</b>
3111	Buildings and structures	-	-
3112	Machinery and equipment	-	-
3113	Other fixed assets	219,565	216,730.6
312	<b>Inventories</b>	<b>1,419</b>	<b>7,570</b>
314	<b>Nonproduced assets</b>	<b>360</b>	
32	<b>Net acquisition of financial assets</b>	<b>3,925</b>	<b>5,011</b>
3212	Currency and deposits (Domestic)	3,925	5,011
33	<b>Net incurrence of liabilities</b>	<b>553,169</b>	<b>714,185</b>
331	<b>Domestic</b>	<b>267,556</b>	<b>305,791</b>
3313	Securities other than shares	268,666	309,375
3314	Loans	(1,110)	(3,584)
332	<b>Foreign</b>	<b>285,613</b>	<b>413,142</b>
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
	<b>Accounting method:</b>	<b>Cash</b>	<b>Cash</b>
	<b>Cash Flows from Operating Activities:</b>		
<b>1</b>	<b>Cash receipts from operating activities</b>	<b>1,997,678</b>	<b>1,690,772</b>
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
<b>2</b>	<b>Cash payments for operating activities</b>	<b>2,324,173</b>	<b>2,179,146</b>
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
	<b>Net cash inflow from operating activities</b>	<b>(326,495)</b>	<b>(488,374)</b>
	<b>Cash Flows from Investments in Non-Financial Assets (NFAs):</b>		
<b>31A</b>	<b>Purchases of nonfinancial assets</b>	<b>221,344</b>	<b>224,301</b>
311A	Fixed assets	219,565	216,731
312A	Strategic stocks	1,419	7,570
313A	Valuables		
314A	Nonproduced assets	360	-
<b>31B</b>	<b>Sales of nonfinancial assets</b>	<b>-</b>	<b>-</b>
311B	Fixed assets	-	-
312B	Strategic stocks	-	-
313B	Valuables	-	-
314B	Nonproduced assets	-	-
<b>31</b>	<b>Net cash outflow: investments in NFAs (31=31.1-3)</b>	<b>221,344</b>	<b>224,301</b>
	<b>Cash surplus / deficit</b>	<b>(547,840)</b>	<b>(712,675)</b>
	<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
32x	Net acquisition of financial assets other than cash	-	-
321x	Domestic	-	-
322x	Foreign	-	-
<b>33</b>	<b>Net incurrence of liabilities</b>	<b>553,169</b>	<b>718,933</b>
331	Domestic	267,556	305,791
332	Foreign	285,613	413,142
<b>NFB</b>	<b>Net cash inflow from financing activities</b>	<b>553,169</b>	<b>718,933</b>
	<b>Net change in the stock of cash</b>	<b>5,330</b>	<b>6,258</b>
	<b>Vertical check: Difference between cash surplus/deficit and total net cash inflow from financial activities</b>	<b>-</b>	<b>-</b>

Source: National Treasury

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

GFSM Code	Government Operations	Budget FY 2018/19	Pre. Actual FY2018/19 Q4
	<b>Accounting method:</b>	<b>Non Cash</b>	<b>Non Cash</b>
	<b>Transactions Affecting Net Worth:</b>		
<b>1</b>	<b>Revenue</b>	<b>1,997,678</b>	<b>1,690,772</b>
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
<b>2</b>	<b>Expense</b>	<b>2,324,173</b>	<b>2,179,146</b>
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
<b>GOB</b>	<b>Gross operating balance</b>	<b>(326,495)</b>	<b>(488,374)</b>
<b>NOB</b>	<b>Net operating balance</b>	<b>(326,495)</b>	<b>(488,374)</b>
	<b>Transactions in Non-Financial Assets:</b>		
<b>31</b>	<b>Net Acquisition of Nonfinancial Assets</b>	<b>221,344</b>	<b>224,301</b>
311	Fixed assets	219,565	216,731
312	Change in inventories	1,419	7,570
313	Valuables	-	-
314	Nonproduced assets	360	-
<b>NLB</b>	<b>Net lending / borrowing</b>	<b>(547,840)</b>	<b>(712,675)</b>
	<b>Transactions in Financial Assets and Liabilities (Financing):</b>		
<b>32</b>	<b>Net acquisition of financial assets</b>	<b>3,925</b>	<b>5,011</b>
321	Domestic	3,925	5,011
322	Foreign	-	-
<b>33</b>	<b>Net incurrence of liabilities</b>	<b>553,169</b>	<b>718,933</b>
331	Domestic	267,556	305,791
332	Foreign	285,613	413,142
	<b>Vertical check: Difference between net lending/borrowing and financing</b>	<b>1,404</b>	<b>1,248</b>

Source: National Treasury



