



REPUBLIC OF KENYA

THE NATIONAL TREASURY AND PLANNING

Quarterly Economic and Budgetary Review

First Quarter, Financial Year 2018/2019
Period ending 30th September, 2018

November 2018 Edition

THE NATIONAL ASSEMBLY
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ACKNOWLEDGEMENT

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LIST OF ABBREVIATIONS AND ACRONYMS

A-I-A	Appropriation in Aid
CBK	Central Bank of Kenya
FY	Fiscal Year
GDP	Gross Domestic Product
GFSM	Government Finance Statistics Manual
ICT	Information, Communication and Technology
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
QEBR	Quarterly Economic and Budgetary Review
RDL	Railway Development Levy
US\$	United States Dollar

LEGAL BASIS FOR THE QUARTERLY ECONOMIC AND 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 FIRST QUARTER QUARTERLY ECONOMIC AND BUDGETARY REVIEW

1. Economic Growth

The economy maintained strong growth momentum in the second quarter of 2018 growing by 6.3 percent up from 5.7 percent in the first quarter of 2018 and 4.9 percent in 2017. This growth was supported by the strong performance in the non-agricultural activities; improved performance of the agricultural sector mainly attributed to improved weather conditions and regain in business and consumer confidence following political stability in the country.

2. Stable Prices

The economy continues to register macroeconomic stability with low and stable interest rates and competitive exchange rate to support exports. The overall month on month inflation increased to 5.7 percent in September 2018 from 4.0 percent in August 2018 but remained within 5.0 percent target. The 5.7 percent inflation rate recorded in September 2018 was a decline compared to the 7.1 percent inflation rate registered in September 2017, and was mainly attributed to decline in the food prices.

3. Balance of Payments

The overall balance of payments position was at a deficit of US\$ 1,241.1 million (1.3 percent of GDP) in the year to August 2018 from a surplus of US\$ 135 million (0.2 percent of GDP) in the year to August 2017. This deficit was on account of a decline in the capital and financial account despite the improvement in the current account deficit. The current account balance improved to a deficit of US\$ 3,934.1 million (4.2 percent of GDP) in the year to August 2018 compared to a deficit of US\$ 5,009.3 million (6.3 percent of GDP) in the year to August 2017.

4. Foreign Exchange Reserves

The banking system's foreign exchange holding remained strong at US\$ 12,099 million in August 2018 from US\$ 10,378 million in August 2017. The official foreign exchange reserves held by the Central Bank of Kenya improved to US\$ 9,013 million (5.9 months of import cover) in August 2018 compared with US\$ 7,910 million (5.3 months of import cover) in August 2017.

5. Money and Credit

Broad money supply, M3, grew by 8.5 percent in the year to September 2018 compared to a growth of 7.7 percent in the year to September 2017. The primary source of the growth in M3 was the increase in the net foreign assets (NFA) of the banking sector despite a slowdown in the growth of net domestic assets (NDA) of the banking system. The decline in growth in NDA was largely reflected by the decrease in net domestic credit to government.

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 2,876 points by end-September 2018 from 3,751 points in September 2017. The depressed share prices resulted to lower market capitalization of KSh. 2,211 billion from KSh. 2,377 billion over the same period. The decline reflects trends in the global equities markets as investors shift to bond markets in expectation for a further hike in the USA interest rates.

7. Total Revenue Collection

The National Government cumulative revenue collection including A-I-A for the period July 2018 to September 2018 amounted to KSh. 369.6 billion (equivalent to 3.7 per cent of GDP) against a target of KSh. 446.4 billion (equivalent to 4.6 per cent of GDP). It is below target by KSh. 76.8 billion mainly due to shortfalls in other Income Tax, VAT Imports and Excise Duty among other tax heads.

8. Government Expenditure and Net Lending

The total cumulative expenditure and net lending inclusive of transfers to county governments for the period ending 30th September, 2018 amounted to KSh. 452.5 billion. This was KSh. 50.5 billion below the target of KSh. 503 billion which was largely attributed to low Domestic Interest payment, low absorption of wages and salaries, low absorption payments of pension and low absorption of development projects funds by the National Government.

9. Guaranteed Loans

Between July 2018 and September 2018, the National Government did not repay either principal or interest on account of guaranteed loans against the projected debt service of KSh. 327 million.

10. Overall Fiscal Balance

The overall fiscal balance, on a commitment basis (excluding grants), amounted to a deficit of KSh. 86.5 billion (equivalent to 0.9 per cent of GDP), as at the end of September 2018.

11. External Financing

The Net Foreign Financing amounted to a net borrowing of KSh. 16.8 billion (equivalent to 0.2 per cent of the GDP) during the quarter ending 30th September 2018.

12. Net Domestic Borrowing

Net domestic financing amounted to a net borrowing of KSh. 69.2 billion in the quarter ending 30th September 2018.

13. Domestic Debt Stock

Total gross domestic debt stock increased by 10.3 per cent from KSh. 2,176.6 billion as at end of September 2017 to KSh. 2,401.7 billion by the end of September 2018.

14. External Debt Stock

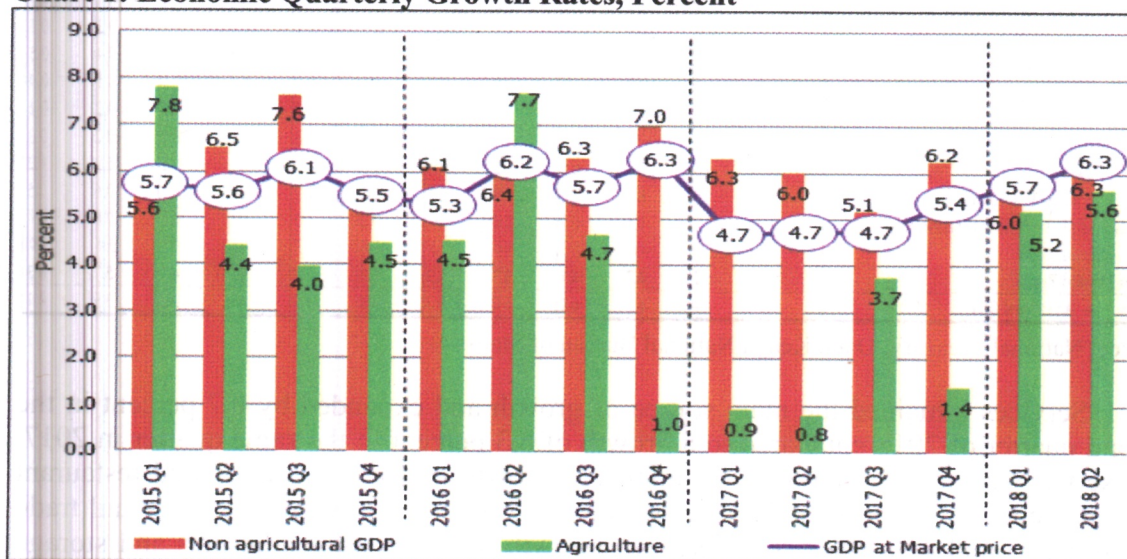
The total external debt stock, including the International Sovereign Bond, stood at KSh. 2,605.3 billion by the end September 2018. The debt stock comprised of multilateral debt (33.7 per cent), bilateral debt (31.2 per cent), suppliers credit debt (0.64 per cent), and commercial debt (34.5 per cent-including International Sovereign Bond).

1.0 RECENT ECONOMIC DEVELOPMENTS

1.1 Economic Growth

1. The Kenyan economy maintained strong growth momentum in the second quarter of 2018 growing by 6.3 percent up from 5.7 percent in the first quarter of 2018. This growth was mainly attributed to growth of activities in agriculture following the favourable weather conditions experienced in 2018 and the pickup in performance for most sectors occasioned by the stable macroeconomic environment, ongoing public and private sector investments and regain in business and consumer confidence following political stability in the country (Chart 1).

Chart 1: Economic Quarterly Growth Rates, Percent



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

2. Agricultural sector grew by 5.6 percent in the second quarter of 2018 compared to a growth of 0.8 percent in a similar quarter in 2017. The improved growth was as a result of favourable weather conditions that led to increased production of key food crops and livestock products especially in the dairy subsector. Similarly, production of tea, coffee and fruits improved during the period and mitigated the impact of the decline in the production of vegetables and cut-flowers thereby supporting the growth of exports. The contribution of agricultural sector to overall GDP growth was at 1.3 percentage points in the Second quarter of 2018, an improvement from the 0.2 percentage points in the same quarter in 2017.

3. The non-agricultural activities (service and industry) remained vibrant growing by 6.3 percent in the second quarter of 2018 up from a growth of 6.0 percent in a similar quarter in 2017. It registered the largest contribution to real GDP growth at 4.1 percentage points mainly supported by the service sector (Table 1).

Table 1: Sectoral Quarterly GDP performance (2016-2018)

Sectors	Real GDP growth by sector						Sectoral contribution to Real GDP Growth Rate					
	2016		2017		2018		2016		2017		2018	
	Q1	Q2	Q1	Q2	Q1	Q2	Q1	Q2	Q1	Q2	Q1	Q2
Primary sector	4.6	7.7	1.1	1.0	5.2	5.5	1.3	1.9	0.3	0.2	1.4	1.4
Agriculture, forestry and fishing	4.5	7.7	0.9	0.8	5.2	5.6	1.2	1.8	0.2	0.2	1.3	1.3
Mining and Quarrying	5.5	9.1	7.1	6.0	4.5	3.5	0.1	0.1	0.1	0.1	0.1	0.0
Secondary sector (Industry)	4.6	6.3	3.9	3.5	4.1	4.8	0.8	1.2	0.7	0.6	0.7	0.9
Manufacturing	1.2	4.6	1.3	-0.2	2.3	3.1	0.1	0.5	0.1	0.0	0.2	0.3
Electricity and Water supply	10.6	11.8	6.1	6.0	5.1	8.6	0.2	0.3	0.1	0.2	0.1	0.2
Construction	9.2	7.2	8.3	9.5	7.2	6.1	0.4	0.4	0.4	0.5	0.4	0.3
Tertiary Sector (Services)	6.8	6.3	6.7	6.3	6.4	6.7	3.2	3.0	3.2	3.0	3.1	3.3
Wholesale and Retail trade	2.8	1.5	4.3	5.6	6.2	7.7	0.2	0.1	0.3	0.4	0.4	0.6
Accommodation and Restaurants	8.2	14.1	24.5	12.6	13.5	15.7	0.1	0.1	0.3	0.1	0.2	0.1
Transport and Storage	8.8	6.9	9.5	8.0	7.1	7.8	0.5	0.5	0.6	0.5	0.4	0.5
Information and Communication	10.6	8.9	12.5	10.8	12.0	12.6	0.4	0.3	0.5	0.3	0.5	0.4
Financial & Insurance	8.1	7.9	4.7	3.5	2.6	2.3	0.5	0.5	0.3	0.2	0.2	0.1
Public administration	5.3	6.2	4.6	5.3	4.6	5.8	0.2	0.3	0.2	0.2	0.2	0.3
Others	6.9	6.7	5.6	6.0	6.2	6.1	1.3	1.3	1.1	1.2	1.2	1.2
of which: Real estate	9.6	8.9	6.1	6.0	6.8	6.6	0.7	0.7	0.5	0.5	0.6	0.5
Less: Financial services indirectly measured (FISM)	8.8	5.1	-1.5	-6.4	-0.6	2.1	-0.2	-0.1	0.0	0.2	0.0	0.0
Taxes less subsidies	2.5	2.2	4.6	6.1	5.4	7.8	0.3	0.2	0.5	0.7	0.6	0.9
GDP at Market Prices	5.3	6.2	4.7	4.7	5.7	6.3	5.3	6.2	4.7	4.7	5.7	6.3
of which Non- Agricultural GDP	6.1	6.4	6.3	6.0	6.0	6.3	3.8	4.1	4.0	3.9	3.9	4.1

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

4. Services remained the main source of growth and expanded by 6.7 percent in the second quarter of 2018 compared to a growth of 6.3 percent in the same quarter in 2017. The service sector was supported by improved growth in accommodation and restaurant (15.7 percent), information and communication (12.6 percent), wholesale and retail trade (7.7 percent) and real estate (6.6 percent). Growth of activities in transport and storage (7.8 percent) remained vibrant despite the slowdown relative to the same quarter in 2017, due to a rise in international oil prices that affected the price of light diesel.

5. The financial sector had a subdued performance in the second quarter of 2018 on account of significantly constrained growth in financial activities. Services contributed 3.3 percentage points to real GDP growth in the Second quarter of 2018 largely supported by wholesale and retail trade (0.6 percentage points), real estate (0.5 percentage points) and transport and storage (0.5 percentage points).

6. The Industry sector grew by 4.8 percent in the second quarter of 2018 compared to a growth of 3.5 percent in the same quarter in 2017 following increased activities in the manufacturing, electricity and water supply. The industry accounted for 0.9 percentage points to growth in the second quarter of 2018, largely driven by the manufacturing and construction activities and contribution from the two activities averaged 0.3 percentage points.

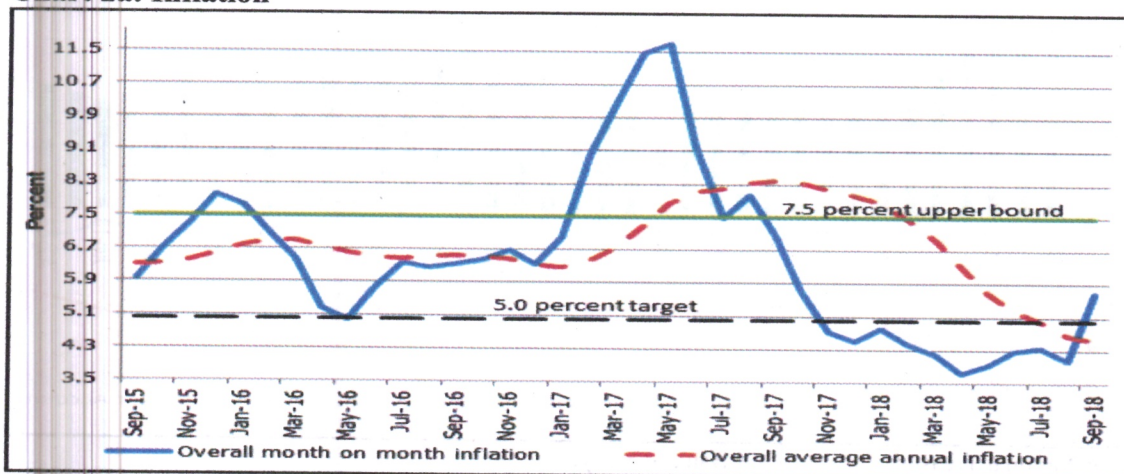
7. Manufacturing sector recovered and grew by 3.1 percent in the second quarter of 2018 from a contraction of 0.2 percent in the same quarter in 2017. The improvement in the sector could be attributed to agro-processing activities that benefitted substantially from increased agricultural production.

8. Activity in the Electricity and Water supply remained vibrant during the second quarter of 2018, and it grew by 8.6 percent compared to 6.0 percent in the same quarter in 2017. The growth was largely driven by reduced use of input intensive sources of energy such as hydro generated electricity supported by sufficient rainfall and geothermal power generation coupled with a slowdown in growth of thermal generation.

1.2 Inflation

9. Month-on-month overall inflation increased to 5.7 percent in September 2018 from 4.0 percent in August 2018 but remained within the 5.0(+/- 2.5) percent target. The 5.7 percent inflation was lower than the 7.1 percent inflation rate in September 2017. This decline emanated from lower prices of key food items such as carrots, loose maize grain, loose maize flour, tomatoes, cabbages, and beans. However, energy prices continued to exert upward pressure on overall inflation due to higher fuel and electricity prices (Chart 2a).

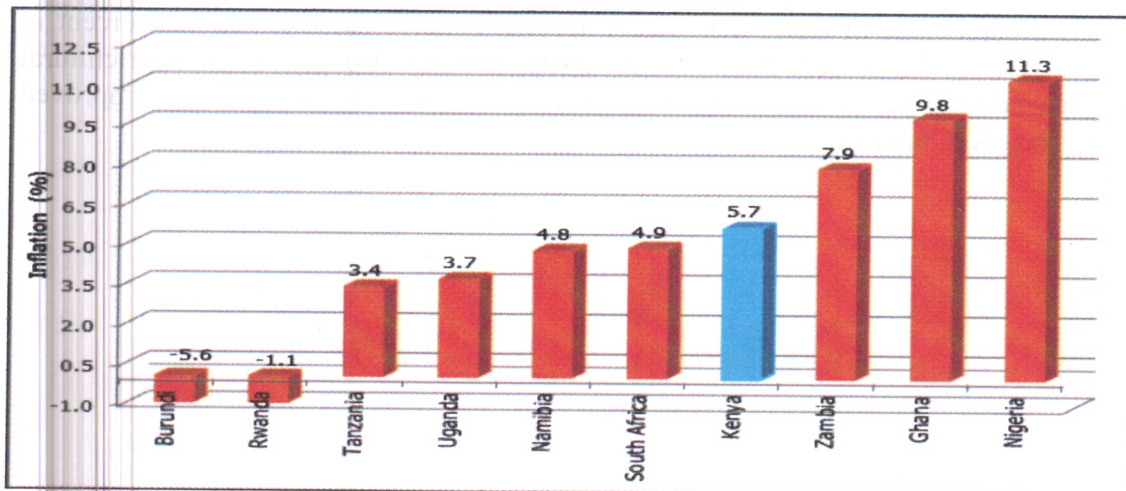
Chart 2a: Inflation



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

10. 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 11.3 percent and 9.8 percent, respectively in September 2018 (Chart 2b).

Chart 2b: Inflation Rates in selected African Countries (September 2018)



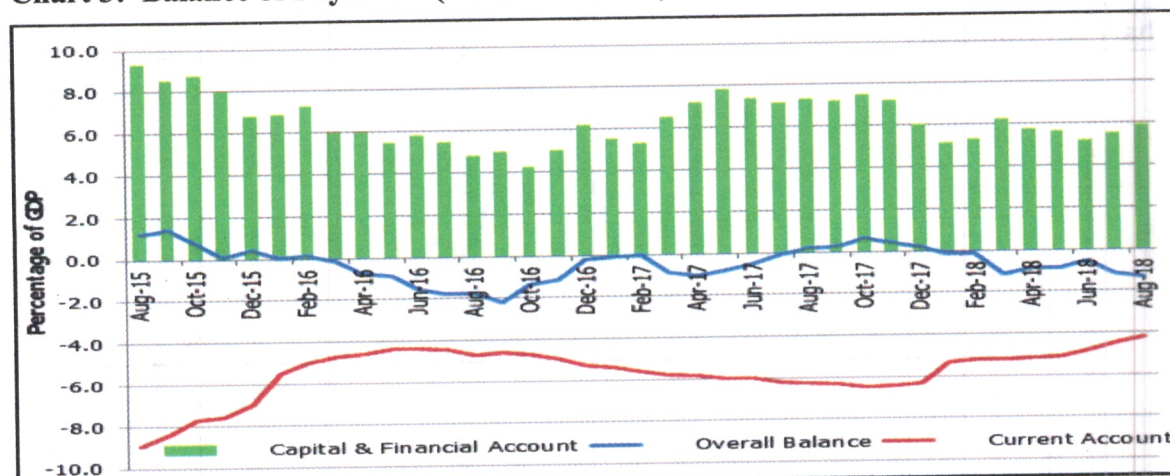
Source: National Treasury; Data: National Central Banks

RECENT ECONOMIC DEVELOPMENTS

1.3 Balance of Payments

11. The overall balance of payments position was at a deficit of US\$ 1,241.1 million (1.3 percent of GDP) in the year to August 2018 from a surplus of US\$ 135 million (0.2 percent of GDP) in the year to August 2017 (**Chart 3**). This deficit was on account of a decline in the capital and financial account despite the improvement in the current account deficit.

Chart 3: Balance of Payments (Percent of GDP)



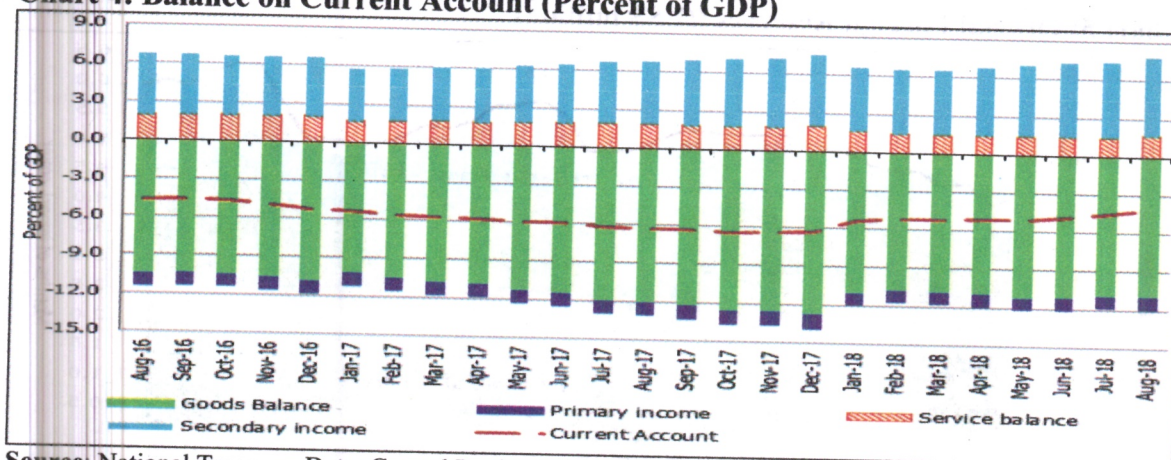
Source: National Treasury Data: Central Bank of Kenya

12. The current account balance improved to a deficit of US\$ 3,934.1 million in the year to August 2018 compared to a deficit of US\$ 5,009.3 million in the year to August 2017. This reflects an improvement in the secondary income account balance particularly increased workers' remittances despite the widening of the trade account balance and the increased payments to foreign investors (due to high interest payments).

13. As a percentage of GDP, the current account balance narrowed to 4.2 percent in August 2018 from 6.3 percent in August 2017 supported by strong growth of agricultural exports particularly tea and horticulture, resilient diaspora remittances, and improved tourism receipts (**Chart 4**).

RECENT ECONOMIC DEVELOPMENTS

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



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

14. The deficit in the merchandise account widened by US\$ 701.2 million to US\$ 10,340.1 million in the year to August 2018 reflecting an increase in payments for import of oil on account of the rebound in international oil prices despite an increase in merchandise exports. Net services recorded an improvement of 5.9 percent in the year to August 2018 mainly on account of higher receipts from transport and travels.

15. The capital account recorded an improvement of US\$ 123.5 million to US\$ 276.5 million in the year to August 2018, reflecting an increase in project grants. Flows in the Financial Account decreased to US\$ 5,229.0 million in August 2018 compared with US\$ 5,626.1 million in August 2017. The financial inflows were mainly in the form of other investments, portfolio investments and Direct Investments which stood at US\$ 3,783.2 million, US\$ 820.1 million and US\$ 625.7 million, respectively in August 2018. Other investment inflows mainly include foreign financing for Government infrastructure projects.

1.4 Foreign Exchange Reserves

16. The banking system's foreign exchange holding remained strong at US\$ 12,099 million in August 2018 up from US\$ 10,378 million in August 2017 (**Table 2 and Chart 5**). The official foreign exchange reserves held by the Central Bank improved to US\$ 9,013 million (5.9 months of import cover) in August 2018 compared with US\$ 7,910 million (5.3 months of import cover) in August 2017 while commercial banks holdings was at US\$ 3,086 million in 2018 from US\$ 2,468 million in 2017.

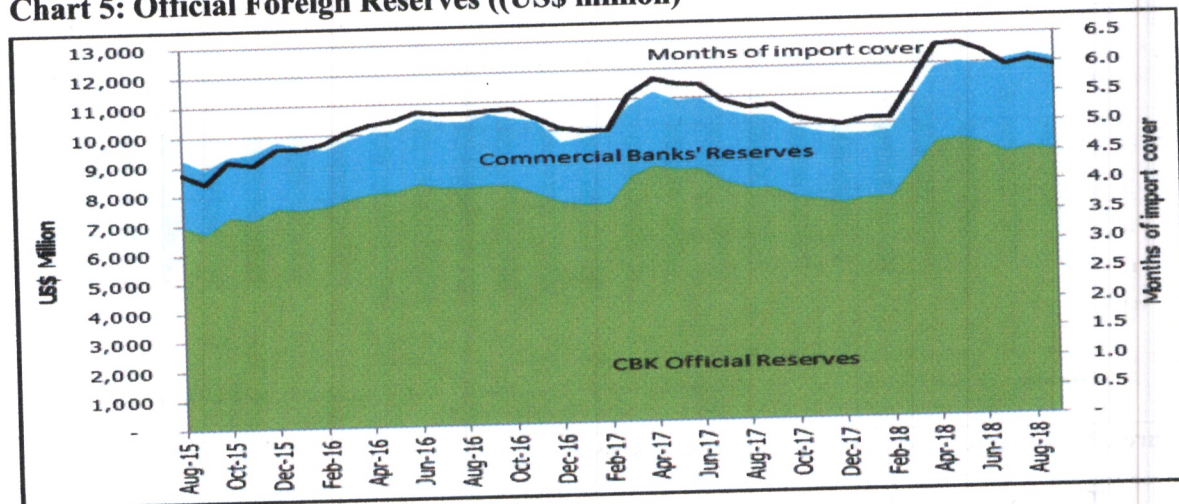
Table 2: Foreign Exchange Reserves (US\$ million)

	Aug-17	Sep-17	Dec-17	Mar-18	Apr-18	May-18	Jun-18	Jul-18	Aug-18
Gross Foreign Exchange Reserves	10,378	10,332	9,652	11,859	12,027	11,926	12,102	12,264	12,099
Official	7,910	7,899	7,338	9,362	9,460	9,291	8,954	9,103	9,013
Commercial Banks	2,468	2,433	2,314	2,497	2,566	2,636	3,148	3,161	3,086
Import cover (36 mths imports)	5.32	5.36	4.99	6.31	6.35	6.19	5.95	6.03	5.94

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

RECENT ECONOMIC DEVELOPMENTS

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

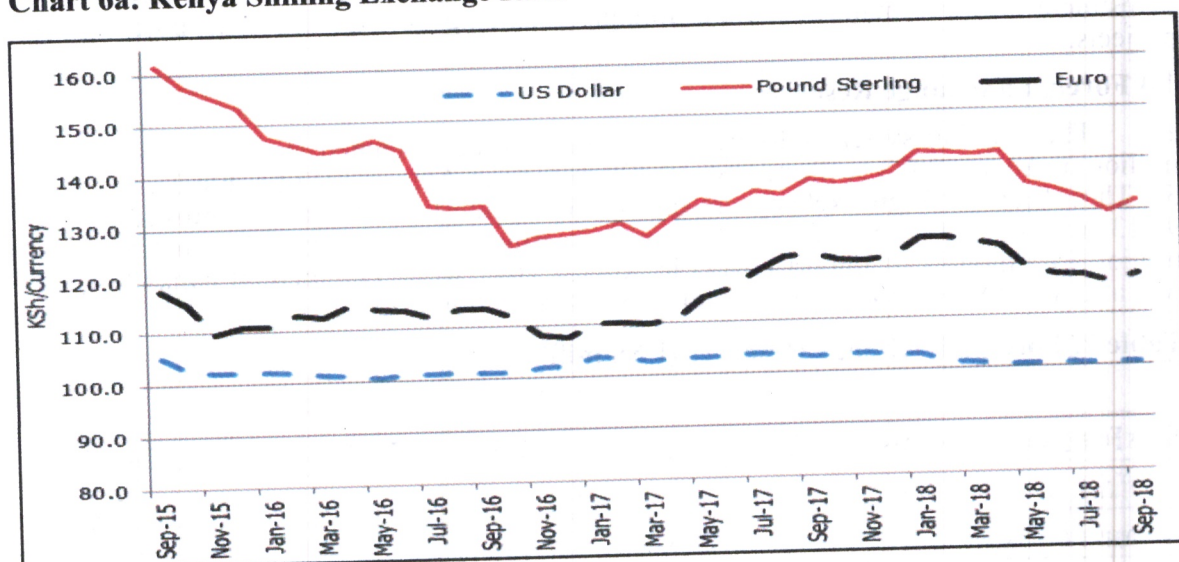


Source: National Treasury; Data: Central Bank of Kenya.

1.5 Exchange Rates

17. The Kenya Shilling remained broadly stable and competitive against major international currencies. Against the dollar, the exchange rate was relatively less volatile exchanging at KSh. 100.8 in September 2018 from KSh. 103.1 in September 2017. Against the Euro and the Sterling pound, the Shilling also strengthened to KSh. 117.6 and KSh. 131.7 in September 2018 from KSh. 122.9 and KSh. 137.1 in September 2017, respectively (Chart 6a).

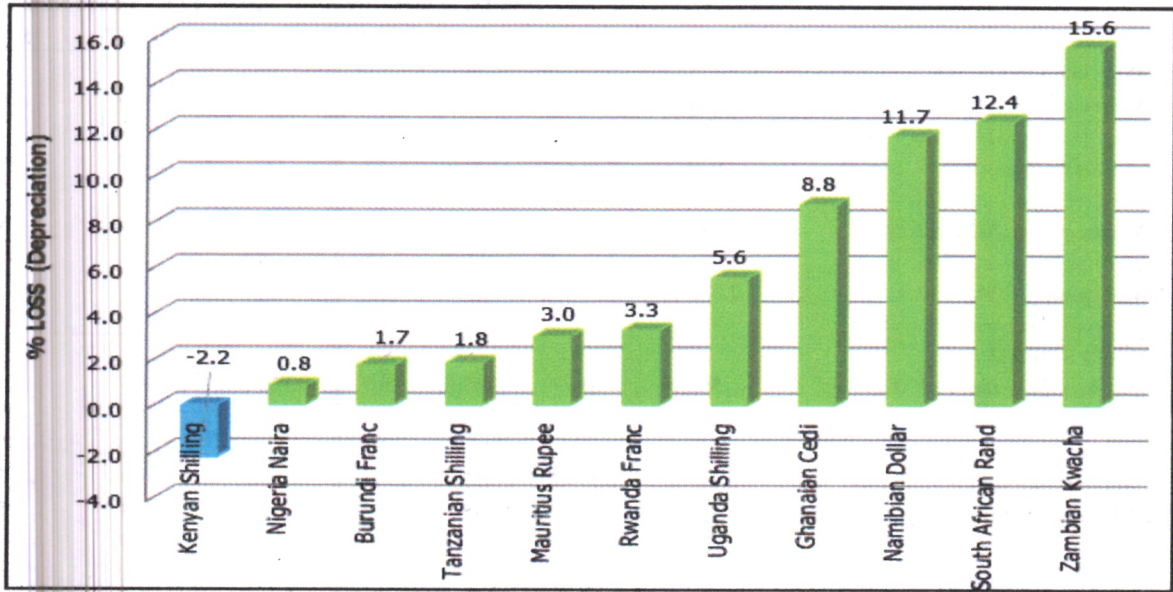
Chart 6a: Kenya Shilling Exchange Rate



Source: National Treasury, Data: Central Bank of Kenya

18. Further, the Kenya Shilling has continued to display relatively less volatility, compared to most Sub-Saharan currencies (Chart 6b). This stability reflected strong inflows from tea and horticulture exports, resilient diaspora remittances, and improved receipts from services particularly tourism.

Chart 6b: Performance of Selected Currencies against the US Dollar (September 2017 to September 2018)



Source: National Treasury, Data: National Central Banks

1.6 Money and Credit

19. Broad money supply, M3, improved to grow by 8.5 percent in the year to September 2018 compared to a growth of 7.7 percent in the year to September 2017 (Table 3). The pickup in growth reflects an improvement in time and savings deposits and the foreign currency deposits despite a decline in the rate of increase in demand deposits and currency outside banks. Other deposits at the Central Bank increased in the year to September 2018 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

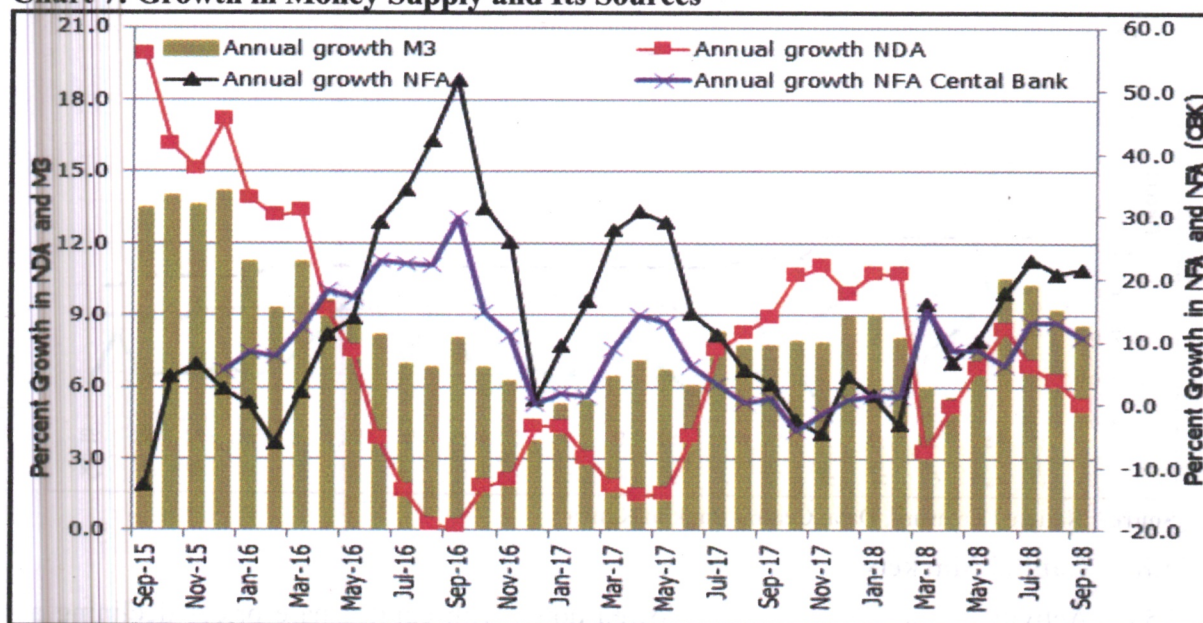
	2016 SEPT	2017 SEPT	2018 SEPT	Absolute Change		percent change	
				2016-2017 SEPT	2017-2018 SEPT	12 months to Sep-17	12 months to Sep-18
COMPONENTS OF M3							
1. Money supply, M1 (1.1+1.2+1.3)	1,238.6	1,382.7	1,390.3	144.1	7.6	11.6	0.6
1.1 currency outside banks	186.6	208.9	214.0	22.2	5.2	11.9	2.5
1.2 Demand deposits	979.7	1,113.7	1,113.9	134.0	0.2	13.7	0.0
1.3 Other deposits at CBK	72.3	60.1	62.3	-12.2	2.2	-16.9	3.7
2. Money supply, M2 (1+2.1)	2,340.2	2,515.1	2,671.3	174.9	156.2	7.5	6.2
2.1 Time and savings deposits	1,101.6	1,132.4	1,281.0	30.8	148.6	2.8	13.1
3. Money supply, M3 (2+3.1)	2,772.7	2,986.4	3,241.4	213.7	255.0	7.7	8.5
3.1 Foreign currency deposits	432.5	471.3	570.1	38.8	98.8	9.0	21.0
SOURCES OF M3							
1. Net foreign assets (1.1+1.2)	591.9	611.6	743.6	19.7	132.0	3.3	21.6
1.1 Central Bank	687.2	694.6	768.3	7.5	73.7	1.1	10.6
1.2 Banking Institutions	-95.3	-83.0	-24.7	12.3	58.3	-12.9	-70.3
2. Net domestic assets (2.1+2.2)	2,180.8	2,374.7	2,497.7	194.0	123.0	8.9	5.2
2.1 Domestic credit (2.1.1+2.1.2+2.1.3)	2,858.7	3,069.7	3,248.2	211.0	178.6	7.4	5.8
2.1.1 Government (net)	525.2	674.3	770.2	149.1	95.9	28.4	14.2
2.1.2 Other public sector	90.2	113.7	108.3	23.5	-5.4	26.1	-4.7
2.1.3 Private sector	2,243.3	2,281.6	2,369.7	38.4	88.1	1.7	3.9
2.2 Other assets net	-677.9	-694.9	-750.5	-17.0	-55.6	2.5	8.0

Source: National Treasury, Data: Central Bank of Kenya

20. The primary source of the growth in M3 in the year to September 2018 was the increase in the net foreign assets (NFA) of the banking sector despite a slowdown in the growth of net domestic assets (NDA) of the banking system. The decline in growth of NDA was largely reflected in the decrease in net domestic credit to government.

21. Net Foreign Assets (NFA) of the banking system in the year to September 2018 grew by 21.6 percent, an improvement compared to a growth of 3.3 percent in the year to September 2017 (**Chart 7**). The improvement is attributed to an increase in commercial Banks's NFA largely on account of increased deposit holdings in non-resident banks and lending to non-residents. The net foreign assets of the Central Bank also increased during the period due to a pick-up in foreign exchange reserves.

Chart 7: Growth in Money Supply and Its Sources



Source: National Treasury, Data: Central Bank of Kenya

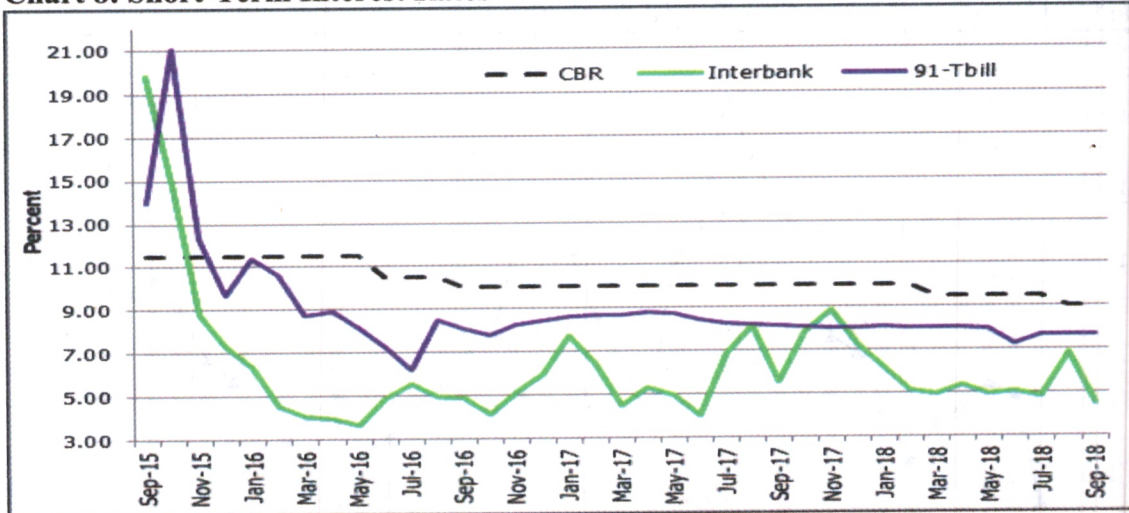
22. The Net Domestic Assets (NDA) slowed down to a growth of 5.2 percent in the year to September 2018 from a growth of 8.9 percent over a similar period in 2017. This reflects a decrease in growth of net credit to government resulting from increased government deposit holdings at the Central Bank of Kenya following the Eurobond issuance as well as quarterly tax collections.

23. Annual growth of credit to the private sector grew by 3.9 percent in the year to September 2018, an improvement from the 1.7 percent growth in September 2017. In particular, lending to manufacturing, building and construction, consumer durables and financial and insurance sectors grew by 12.1 percent, 11.3 percent, 7.9 percent and 6.6 percent, respectively. This offset the substantial loan repayments recorded in the mining, transport and communication and agriculture sectors in the year to September 2018. Growth in private sector credit is expected to pick up gradually with the continued recovery of the economy.

1.7 Interest Rates

24. Short term interest rates remained fairly low and stable. The Central Bank Rate was reduced to 9.0 percent on 30th July 2018 from 9.5 percent in March 2018 in order to support economic activity. The interbank rate remained low at 4.5 percent in September 2018 from 5.5 percent in September 2017 due to ample liquidity in the money market (Chart 8). The 91-day Treasury bill rate declined to 7.6 percent in September 2018 compared to 8.1 percent in September 2017 while over the same period, the 182 day and the 364 day Treasury bills averaged 8.7 percent and 9.7 percent from 10.3 percent and 10.9 percent, respectively.

Chart 8: Short-Term Interest Rates

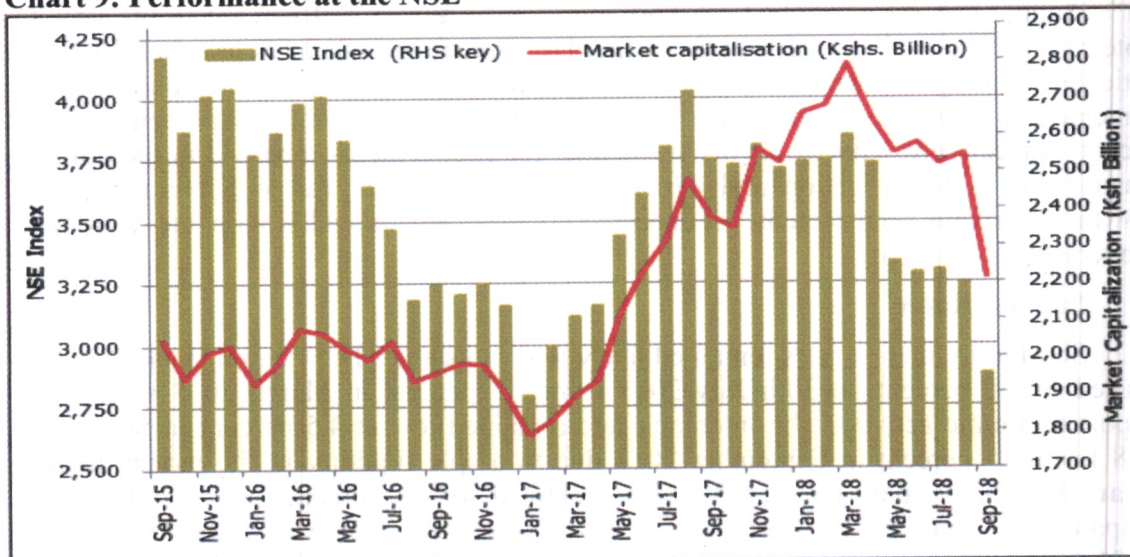


Source: National Treasury, Data: Central Bank of Kenya

1.8 Capital Markets

25. 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 2,876 points by end-September 2018 down from 3,751 points in September 2017. The depressed share prices resulted in lower market capitalization of KSh. 2,211 billion from KSh. 2,377 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: National Treasury, Data: Central Bank of Kenya

2.0 FISCAL DEVELOPMENTS

2.1 Revenue

26. By the end of September 2018, total cumulative revenue (including A-I-A and grants) collected amounted to KSh. 369.6 billion against a target of KSh. 446.4 billion (**Table 4 and Chart 10**). The revenue was below target by KSh. 76.8 billion. Compared to the last FY, revenue collection increased by 6.5 per cent. Ordinary revenue collection was KSh. 332.2 billion against a target of KSh. 400.9 billion, which was KSh. 68.7 billion below the target. Cumulative A-I-A collection was below target by KSh. 3.7 billion during the quarter under review. The underperformance of A-I-A is due to under reporting in the Ministerial expenditure returns for the period under review. The Railway Development Levy collection amounted to KSh. 5.4 billion against a target of KSh. 6.4 billion. The revenue analysis using Government Finance Statistics Manual 2014 (GFSM 2014) approach is as shown in annex II.

Table 4: Government Revenue and External Grants, Period Ending 30th September, 2018 (KSh. Millions)

	2017/2018 Actual	2018/19		Deviation KShs.	Deviation in percentage
		Actual	Target		
Total Revenue (a+b)	345,557	365,995	438,316	(72,321)	(16.50)
(a) Ordinary Revenue	320,932	332,221	400,886	(68,665)	(17.13)
Import Duty	20,974	25,760	27,001	(1,241)	(4.60)
Excise Duty	40,328	42,795	51,692	(8,897)	(17.21)
PAYE	72,446	89,804	96,955	(7,151)	(7.38)
Other Income Tax	84,799	69,308	94,178	(24,870)	(26.41)
VAT Local	48,897	52,049	60,061	(8,012)	(13.34)
VAT Imports	37,485	40,591	50,877	(10,286)	(20.22)
Investment Revenue	50	-	1,001	(1,001)	(100.00)
Traffic Revenue	544	864	818	46	5.62
Taxes on Intl. Trade & Trans.(IDF Fee)	5,973	5,848	8,013	(2,165)	(27.02)
Others ¹	9,436	5,202	10,290	(5,088)	(49.45)
(b) Appropriation In Aid ²	24,625	33,774	37,430	(3,656)	(9.77)
o/w Railway Development Levy	5,232	5,446	6,403	(957)	(14.95)
(c) External Grants	1,597	3,578	8,061	(4,483)	(55.61)
Total Revenue and External Grants	347,154	369,573	446,377	(76,804)	(17.21)
Total Revenue and External Grants as a percentage of GDP	3.94	3.70	4.47	-	-

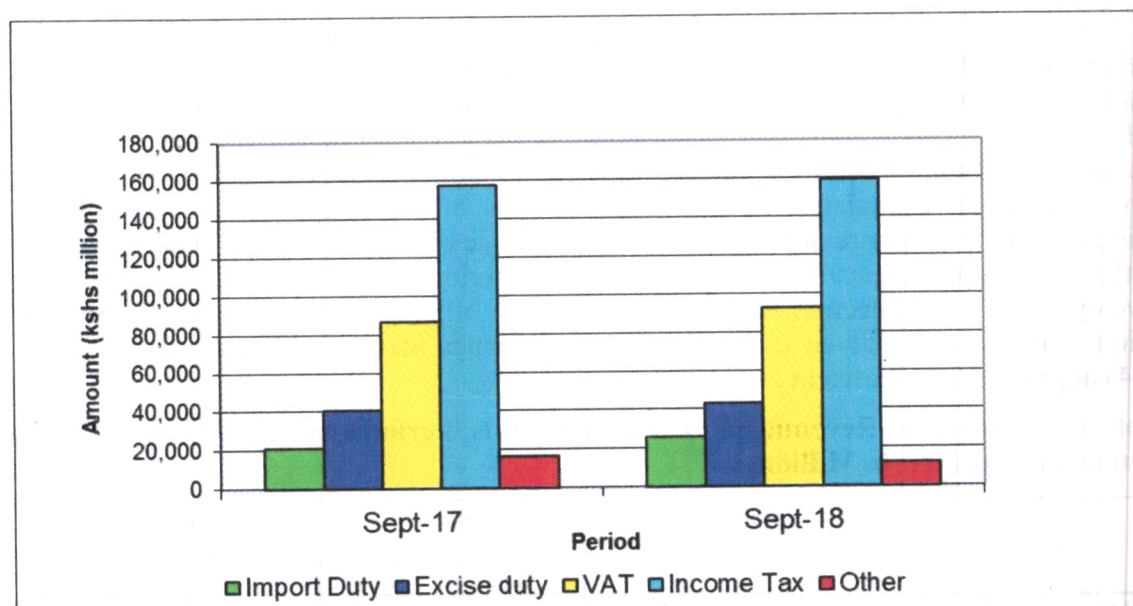
1/ includes rent of buildings, fines and forfeitures, other taxes, reimbursements and other fund contributions, and miscellaneous revenue.

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

Source: National Treasury

27. As a proportion of GDP, the total cumulative revenue and grants in the period under review was 3.7 per cent compared to 3.9 per cent in the corresponding period in the FY 2017/18. External grants amounted to KSh. 3.6 billion against a target of KSh. 8.1 billion, representing an under performance of KSh. 4.5 billion.

Chart 10: Ordinary Revenue by Sources, Period Ending 30th September, 2018



Source: National Treasury

2.2 Expenditure

28. The total expenditure and net lending for the period under review amounted to KSh. 452.5 billion, against a target of KSh. 502.9 billion. The shortfall of KSh. 50.5 billion can be attributed mainly to lower absorption recorded in recurrent by the National Government. In addition, development expenditures by the National Government also recorded a marginal under expenditure of KSh. 4.2 billion (Table 5 and Chart 11). Recurrent expenditure for National Government amounted to KSh. 343.3 billion (excluding KSh. 2.0 billion for Parliament and Judiciary), against a target of KSh. 356.8 billion. This under performance was mainly recorded in domestic interest payment, wages and salaries and pension expenditures which accounted for KSh. 19.1 billion, KSh. 16.1 billion and KSh. 9.9 billion of the shortfalls respectively.

29. Foreign interest payments amounted to KSh. 23.0 billion, compared to KSh. 17.3 billion in the same period in the 2017/18 FY. The domestic interest payments totalled KSh. 61.1 billion, which was higher than KSh. 49.9 billion paid in the corresponding period in the previous financial year. Additional expenditure analysis using Government Finance Statistics Manual 2014 (GFSM 2014) approach is as shown in annexes V and VI.

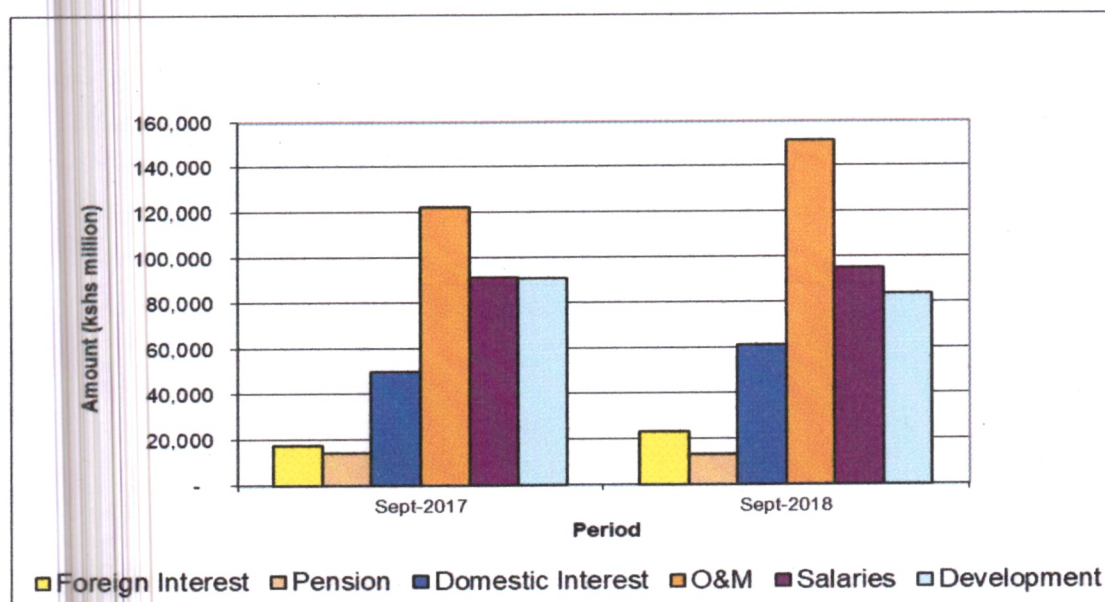
FISCAL DEVELOPMENTS

Table 5: Expenditure and Net Lending, Period Ending 30th September, 2018 (KSh. Millions)

	2017/2018 Actual	2018/19		Deviation	% Growth
		Actual	Targets		
1. RECURRENT	294,701	343,336	356,780	(13,444)	16.5
Domestic Interest	49,871	61,119	80,255	(19,136)	22.6
Foreign Interest	17,283	22,979	17,813	5,166	33.0
Pensions	13,954	13,122	23,032	(9,910)	(6.0)
Wages and Salaries	91,503	94,978	111,039	(16,061)	3.8
Operation and Maintenance	122,089	151,138	124,641	26,497	23.8
O/W : Appropriation-in-Aid	19,089	33,774	24,013	9,761	76.9
2. DEVELOPMENT	90,675	83,555	87,803	(4,248)	(7.9)
Development Projects (Net)	69,955	75,661	75,138	523	8.2
Payment of Guaranteed Loans	-	-	327	(327)	-
Appropriation-in-Aid	20,720	6,026	12,338	(6,312)	(70.9)
3. County Governments	20,434	23,532	53,925	(30,393)	15.2
4. Parliamentary Service	3,025	1,996	3,079	(1,083)	(34.0)
5. Judicial Service	2,188	41	91	(50)	(98.1)
6. Equalization Fund	-	1,868	-	1,868	-
7. CF	1,250	-	1,250	(1,250)	(100.0)
TOTAL EXPENDITURE	412,273	452,460	502,928	(50,468)	9.7

Source: National Treasury

Chart 11: Expenditure and Net Lending



Source: National Treasury

FISCAL DEVELOPMENTS

30. The total cumulative ministerial and other public agencies expenditure including A.I.A was KSh. 262.4 billion against a target of KSh. 437.6 billion. Recurrent expenditure was KSh. 194.3 billion against a target of KSh. 268.2 billion, while development expenditure amounted to KSh. 68.1 billion against a target of KSh. 169.3 billion. The percentage of total expenditures to the target is 60 per cent while the percentage of total expenditures to the target for recurrent and development are 72.4 per cent and 40.1 per cent respectively. The discrepancy between actual and target expenditures is partly due to the non-capture of the parastatals and other government entities expenditures hence under reporting by Ministries/government agencies. These ministerial expenditures are therefore, provisional.

31. As at the end of the period ending 30th September, 2018, expenditures by the Ministry of Education, Science and Technology; Teachers Service Commission and Ministry of Health (Social Sector) accounted for 42.3 per cent of total recurrent expenditure. In addition, the State Department for Interior and Ministry of Defense accounted for 6.9 per cent and 17.7 per cent of total recurrent expenditure respectively.

32. Analysis of development outlay indicates that the State Department for Infrastructure (22.2 per cent) accounted for the largest share of the total development expenditures, followed by the State Department for Devolution (13.2), State Department for Transport (13.1 per cent), State Department for Information, Communication and Technology (9.5 per cent), State Department for Energy (9.3 per cent), and the Ministry of Health (6.7 per cent). The development expenditures by these large Ministries' were generally below the target. **Table 6** below depicts the details of various Ministerial/State Departments and Commissions/Government Agencies expenditures for the quarter under review.

FISCAL DEVELOPMENTS

Table 6: Ministerial Expenditures, Period Ending 30th September, 2018 (KSh. Millions)

VOTE	MINISTRY/DEPARTMENT/COMMISSION	Recurrent			Development			Total			% total expenditure to total target
		Actual*	Target	Variance	Actual*	Target	Variance	Actual*	Target	Variance	
1011	The Presidency	1,412.15	2,009.00	(596.84)	47.39	277.21	(229.82)	1,459.55	2,286.21	(826.66)	63.8
1021	State Department for Interior	13,327.84	27,259.82	(13,931.98)	871.31	4,327.18	(3,455.86)	14,199.15	31,587.00	(17,387.84)	45.0
1023	State Department for Correctional Services	3,863.03	6,512.26	(2,649.23)	-	453.15	(453.15)	3,863.03	6,965.41	(3,102.38)	55.5
1024	State Department for Immigration and Citizen Services	260.71	471.24	(210.53)	39.34	172.58	(133.23)	300.05	643.82	(343.76)	46.6
1032	State Department for Devolution	237.94	728.37	(490.43)	8,966.63	9,489.89	(523.27)	9,204.57	10,218.26	(1,013.69)	90.1
1035	State Department for Development of the ASAL	205.11	258.63	(53.52)	724.00	1,339.50	(615.50)	929.11	1,598.13	(669.02)	58.1
1041	Ministry of Defence	34,313.01	24,019.85	10,293.16	-	3,743.59	(3,743.59)	34,313.01	27,763.44	6,549.58	123.6
1052	Ministry of Foreign Affairs	1,158.56	3,792.54	(2,633.98)	20.11	484.44	(464.32)	1,178.67	4,276.98	(3,098.31)	27.6
1064	State Department for Vocational and Technical Training	1,031.19	1,918.04	(886.85)	1,971.26	2,084.50	(113.24)	3,002.45	4,002.54	(1,000.09)	75.0
1065	State Department for University Education	11,492.00	21,787.70	(10,295.70)	610.03	3,334.50	(2,724.47)	12,102.03	25,122.20	(13,020.17)	48.2
1066	State Department for Early Learning & Basic Education	24,506.77	22,169.61	2,337.16	358.30	2,604.71	(2,246.41)	24,865.08	24,774.32	90.75	100.4
1068	State Department for Post Training and Skills Development	1.04	11.36	(10.32)	-	-	-	1.04	11.36	(10.32)	9.2
1071	The National Treasury	6,846.67	17,188.85	(10,342.18)	1,781.02	9,644.37	(7,863.34)	8,627.70	26,833.22	(18,205.52)	32.2
1072	State Department for Planning	2,457.18	2,595.44	(138.26)	394.71	650.61	(255.90)	2,851.89	3,246.05	(394.15)	87.9
1081	Ministry of Health	5,853.51	12,275.21	(6,421.69)	4,560.94	10,226.61	(5,665.67)	10,414.45	22,501.82	(12,087.37)	46.3
1091	State Department for Infrastructure	10,123.82	14,591.00	(4,467.18)	15,108.99	30,421.35	(15,312.35)	25,232.81	45,012.35	(19,779.54)	56.1
1092	State Department for Transport	216.10	2,576.05	(2,359.95)	8,909.26	22,606.15	(13,696.89)	9,125.36	25,182.20	(16,056.84)	36.2
1093	State Department for Shipping and Maritime	54.73	417.16	(362.43)	-	-	-	54.73	417.16	(362.43)	13.1
1096	State Department for Housing, Urban Development and Public Works	644.74	785.51	(140.76)	1,458.31	7,275.34	(5,817.03)	2,103.06	8,060.85	(5,957.79)	26.1
1107	Ministry of Water and Sanitation	888.95	1,035.78	(146.83)	2,729.04	12,192.85	(9,463.81)	3,617.99	13,228.63	(9,610.64)	27.3
1108	Ministry of Environment and Forestry	1,568.14	2,524.21	(956.08)	68.05	1,500.75	(1,432.70)	1,636.18	4,024.96	(2,388.78)	40.7
1112	Ministry of Lands and Physical Planning	541.98	672.62	(130.64)	31.56	836.30	(804.75)	573.54	1,508.92	(935.38)	38.0
1122	State Department for Information Communications and Technology &	242.79	434.67	(191.88)	6,501.55	6,739.65	(238.10)	6,744.34	7,174.32	(429.98)	94.0
1123	State Department for Broadcasting & Telecommunications	399.23	778.93	(379.70)	-	172.00	(172.00)	399.23	950.93	(551.70)	42.0
1132	State Department for Sports	340.54	375.51	(34.97)	-	168.75	(168.75)	340.54	544.26	(203.72)	62.6
1134	State Department for Heritage	642.70	764.37	(121.67)	367.50	220.40	147.10	1,010.20	984.77	25.43	102.6
1152	State Department for Energy	376.55	547.00	(170.45)	6,300.04	16,096.71	(9,796.66)	6,676.60	16,643.71	(9,967.11)	40.1
1162	State Department for Livestock	273.64	494.20	(220.56)	409.03	1,070.44	(661.40)	682.67	1,564.63	(881.96)	43.6
1165	State Department for Crop Development	795.67	838.24	(42.57)	425.32	5,053.86	(4,628.54)	1,220.99	5,892.10	(4,671.11)	20.7
1166	State Department for Fisheries, Aquaculture & the Blue Economy	65.62	151.79	(86.17)	2.85	546.00	(543.15)	68.47	697.79	(629.32)	9.8
1167	State Department for Irrigation	64.23	205.81	(141.58)	1,110.00	1,664.75	(554.75)	1,174.23	1,870.56	(696.33)	62.8
1168	State Department for Agricultural Research	1,262.45	1,271.47	(9.02)	237.95	118.97	118.97	1,500.40	1,390.44	109.96	107.9
1173	State Department for Cooperatives	72.31	132.65	(60.34)	-	210.00	(210.00)	72.31	342.65	(270.34)	21.1
1174	State Department for Trade	268.17	399.23	(131.05)	-	78.00	(78.00)	268.17	477.23	(209.05)	56.2
1175	State Department for Industrialization	488.24	683.39	(195.15)	3.79	1,074.50	(1,070.71)	492.04	1,757.89	(1,265.86)	28.0
1184	State Department for Labour	318.17	634.29	(316.12)	199.01	387.35	(188.34)	517.18	1,021.64	(504.46)	50.6
1185	State Department for Social Protection	4,165.73	4,702.93	(537.19)	1,651.14	3,122.77	(1,471.63)	5,816.88	7,825.70	(2,008.82)	74.3
1192	State Department for Mining	102.08	242.80	(140.72)	-	81.25	(81.25)	102.08	324.05	(221.97)	31.5
1193	State Department for Petroleum	39.78	67.88	(28.09)	61.89	1,189.63	(1,127.74)	101.67	1,257.50	(1,155.83)	8.1
1204	Ministry of Tourism and Wildlife	988.81	2,407.55	(1,418.75)	-	911.38	(911.38)	988.81	3,318.93	(2,330.12)	29.8
1211	State Department for Public Service and Youth	1,089.48	3,360.63	(2,271.15)	473.19	1,017.08	(543.89)	1,562.67	4,377.72	(2,815.05)	35.7
1212	State Department for Gender	331.66	389.27	(57.61)	853.25	853.25	-	1,184.91	1,242.52	(57.61)	95.4
1221	State Department for East African Community	55.58	138.27	(82.69)	-	16.25	(16.25)	55.58	154.52	(98.94)	36.0
1222	State Department for Regional and Northern Corridor Development	410.54	498.88	(88.34)	270.50	3,320.74	(3,050.24)	681.04	3,819.62	(3,138.57)	17.8
1252	1252 State Law Office and Department of Justice	824.17	1,059.51	(235.34)	5.90	178.50	(172.60)	830.07	1,238.01	(407.95)	67.0
1261	The Judiciary	2,608.53	3,226.88	(618.34)	514.33	387.25	127.08	3,122.86	3,614.13	(491.27)	86.4
1271	Ethics and Anti-Corruption Commission	657.88	700.39	(42.50)	-	31.25	(31.25)	657.88	731.64	(73.75)	89.9
1281	National Intelligence Service	7,144.43	7,802.75	(658.32)	-	-	-	7,144.43	7,802.75	(658.32)	91.6
1291	Office of the Director of Public Prosecutions	338.35	703.07	(364.72)	-	25.00	(25.00)	338.35	728.07	(389.72)	46.5
1311	Office of the Registrar of Political Parties	169.39	205.56	(36.17)	-	-	-	169.39	205.56	(36.17)	82.4
1321	Witness Protection Agency	135.70	120.77	14.93	-	-	-	135.70	120.77	14.93	112.4
2011	Kenya National Commission on Human Rights	86.26	98.86	(12.60)	-	-	-	86.26	98.86	(12.60)	87.3
2021	National Land Commission	226.88	315.11	(88.23)	-	-	-	226.88	315.11	(88.23)	72.0
2031	Independent Electoral and Boundaries Commission	514.50	1,047.66	(533.15)	-	-	-	514.50	1,047.66	(533.15)	49.1
2041	Parliamentary Service Commission	1,952.88	3,068.50	(1,115.62)	43.05	10.75	32.30	1,995.93	3,079.25	(1,083.32)	64.8
2042	National Assembly	3,968.38	5,463.75	(1,495.37)	-	675.00	(675.00)	3,968.38	6,138.75	(2,170.37)	64.6
2051	Judicial Service Commission	41.34	91.00	(49.66)	-	-	-	41.34	91.00	(49.66)	45.4
2061	The Commission on Revenue Allocation	71.01	108.64	(37.63)	-	-	-	71.01	108.64	(37.63)	65.4
2071	Public Service Commission	266.58	290.06	(23.47)	-	14.82	(14.82)	266.58	304.88	(38.30)	87.4
2081	Salaries and Remuneration Commission	67.50	141.04	(73.54)	-	-	-	67.50	141.04	(73.54)	47.9
2091	Teachers Service Commission	39,809.90	56,637.69	(16,827.79)	-	34.00	(34.00)	39,809.90	56,671.69	(16,861.79)	70.2
2101	National Police Service Commission	162.44	157.64	4.80	-	-	-	162.44	157.64	4.80	103.0
2111	Auditor General	1,105.82	1,309.17	(203.35)	-	170.56	(170.56)	1,105.82	1,479.73	(373.91)	74.7
2121	Controller of Budget	89.25	154.62	(65.37)	-	-	-	89.25	154.62	(65.37)	57.7
2131	The Commission on Administrative Justice	90.10	124.85	(34.75)	-	-	-	90.10	124.85	(34.75)	72.2
2141	National Gender and Equality Commission	69.94	93.74	(23.80)	-	-	-	69.94	93.74	(23.80)	74.6
2151	Independent Policing Oversight Authority	144.32	204.25	(59.93)	-	-	-	144.32	204.25	(59.93)	70.7
Total		194,344.77	268,245.51	(73,900.74)	68,080.55	169,306.41	(101,225.86)	262,425.32	437,551.92	(175,126.60)	60.0

*Provisional

Source: National Treasury

FISCAL DEVELOPMENTS

2.2.1 Pending Bills

33. The pending bills for the FY 2017/18 amount to KSh. 29.3 billion. The government has prioritized clearance of all the Pending Bills. In this respect, MDAs have been directed to settle pending bills as a first charge in the FY 2018/19 budget.

2.2.2 Guaranteed Loans to Parastatals

34. Cumulative principal and interest payments of guaranteed loans to parastatals with liquidity problems was zero against a payment target of KSh. 326.6 Million (Table 7) for the period ending 30th September, 2018. The guaranteed loans for EAPC and TARDA became due within the period under review, however, the payments were effected in the month of October, 2018.

Table 7: Schedule and Actual Payments on Guaranteed Debt for the Period Ending 30th September, 2018 (KSh. Millions)

Borrower	Quarter I (2018/19)				Cumm. September 2018*	
	Projected		Actual		Projected	Actual
	Principal	Interest	Principal	Interest		
EAPC	172.33	8.62	-	-	180.95	-
TARDA	138.63	7.00	-	-	145.63	-
KBC	-	-	0	0	-	-
TOTAL (QTR)	310.96	15.62	-	-	326.58	-

* Provisional

Source: National Treasury

2.3 Fiscal Outturn

35. Between July 1, 2018 and September 30th, 2018, cumulative fiscal balance (on a commitment basis and excluding grants) amounted to KSh. 86.5 billion (which is equivalent to 0.9 per cent of GDP) against a targeted deficit of KSh. 64.6 billion (which is equivalent to 0.7 per cent of GDP) (Table 8 and Chart 12). Including grants, the fiscal balance (on a commitment basis) stood at 0.8 per cent of GDP against a targeted deficit of 0.6 per cent of GDP. Over the same period in 2017/18, the fiscal deficit including grants (on commitment basis) stood at KSh. 65.1 billion (equivalent to 0.7 per cent of GDP). The Fiscal Outturn in the last six financial years and the revised and printed budgets for 2018/19 FY is provided in Annex I. Further, fiscal outturn analysis using Government Finance Statistics Manual 2014 (GFSM 2014) approach is shown in annexes III and IV.

FISCAL DEVELOPMENTS

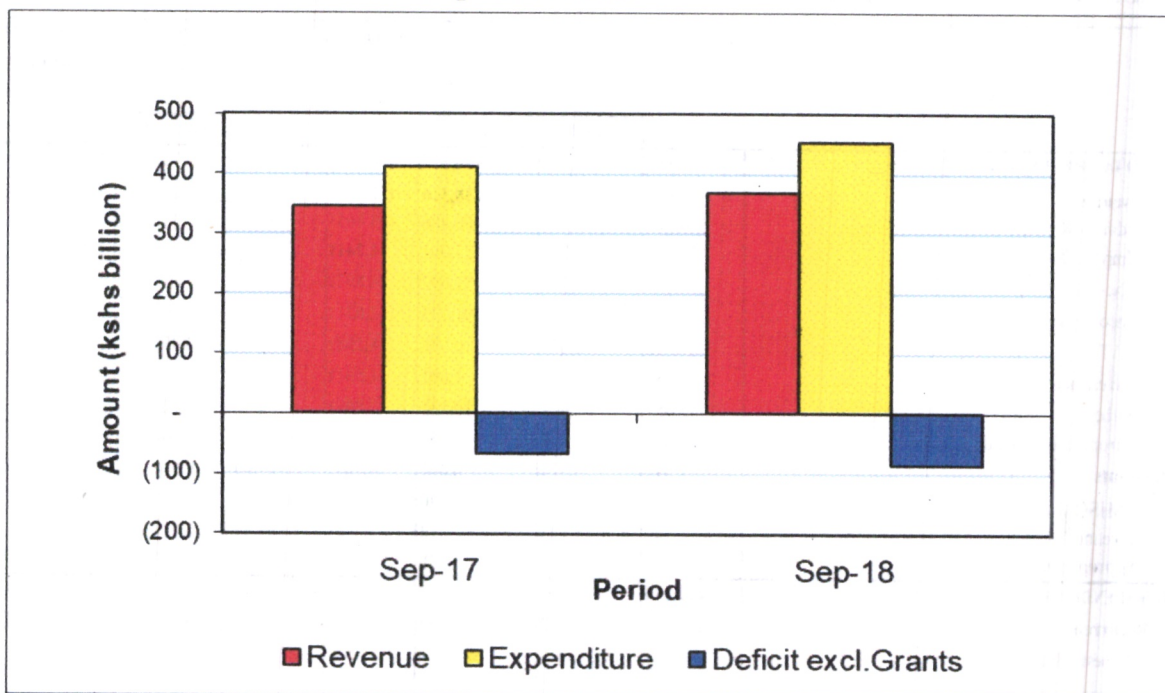
Table 8: Budget Outturn, Cumulative Ending 30th September, 2018 (KSh. Millions)

	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	347,154	369,573	446,377	(76,804)	6.46	3.70	4.47	3.94
1. Revenue	345,557	365,995	438,316	(72,321)	(3.86)	3.66	4.39	3.92
Ordinary Revenue	320,932	332,221	400,886	(68,665)	3.52	3.33	4.01	3.64
Import Duty	20,974	25,760	27,001	(1,241)	22.82	0.26	0.27	0.24
Excise Duty	40,328	42,795	51,692	(8,897)	6.12	0.43	0.52	0.46
Income tax	157,245	159,112	191,133	(32,021)	1.19	1.59	1.91	1.79
VAT	86,382	92,640	110,938	(18,298)	7.25	0.93	1.11	0.98
Investment Revenue	50	0	1,001	(1,001)	(100.00)	0.00	0.01	0.00
Others	15,953	11,913	19,121	(7,208)	(25.32)	0.12	0.19	0.18
Appropriation-in-Aid	24,625	33,774	37,430	(3,656)	37.15	0.34	0.37	0.28
2. Grants	1,597	3,578	8,061	(4,483)	124.00	0.04	0.08	0.02
AMISOM Receipts	100	0	140	(140)	(100.00)	0.00	0.00	0.00
Revenue	747	1,228	2,373	(1,145)	64.34	0.01	0.02	0.01
Appropriation-in-Aid	750	2,351	5,548	(3,197)	213.55	0.02	0.06	0.01
B. EXPENDITURE and NET LENDING	412,274	452,460	502,928	(48,600)	9.75	4.53	5.03	4.68
1. Recurrent	299,914	345,373	359,950	(14,577)	15.16	3.46	3.60	3.41
Domestic Interest	49,871	61,119	80,255	(19,136)	22.55	0.61	0.80	0.57
Foreign Interest	17,283	22,979	17,813	5,166	32.96	0.23	0.18	0.20
Pension	13,954	13,122	23,032	(9,910)	(5.97)	0.13	0.23	0.16
Wages and Salaries	91,503	94,978	111,039	(16,061)	3.80	0.95	1.11	1.04
O & M/Others	127,303	153,175	127,811	25,364	20.32	1.53	1.28	1.45
2. Development and Net Lending	90,675	83,555	87,803	(4,248)	(7.85)	0.84	0.88	1.03
O/W: Domestically Financed	72,315	51,849	47,590	4,259	(28.30)	0.52	0.48	0.82
Foreign financed	18,360	31,706	40,212	(8,507)	72.69	0.32	0.40	0.21
3. Equalization Fund	0	1,868	0	1,868	-	0.02	0.00	0.00
4. County Governments	20,434	23,532	53,925	(30,393)	15.16	0.24	0.54	0.23
5. CF	1,251	0	1,250	(1,250)	(100.00)	0.00	0.01	0.01
C. DEFICIT EXCLGRANT (Commitment basis)	(66,717)	(86,465)	(64,612)	(21,853)	29.60	(0.87)	(0.65)	(0.76)
D. DEFICIT INCLGRANTS (Commitment basis)	(65,120)	(82,887)	(56,551)	(26,336)	27.28	(0.83)	(0.57)	(0.74)
E. ADJUSTMENT TO CASH BASIS	7,958	(3,155)	-	(3,155)	(139.65)	(0.03)	0.00	0.09
F. DEFICIT INCLGRANTS (Cash basis)	(57,162)	(86,042)	(56,551)	(29,491)	50.52	(0.86)	(0.57)	(0.65)
G. FINANCING	57,162	86,042	56,551	29,491	50.52	0.86	0.57	0.65
1. Foreign financing	7,456	16,832	14,886	1,946	125.76	0.17	0.15	0.08
Disbursements	16,529	29,962	34,097	(4,135)	81.27	0.30	0.34	0.19
Programme Loans	0	1834	0	1,834	-	0.02	0.23	0.00
Project Cash Loans	2,094	3,145	8,942	(5,797)	50.17	0.03	0.09	0.02
Project Loans AIA	14,191	21,495	23,204	(1,709)	51.47	0.22	0.23	0.16
Project Loans SGR_PHASE_1&2A_AIA	244	0	0	-	(100.00)	0.00	0.00	0.00
Commercial Financing	0	3,488	1,951	1,537	100.00	0.03	0.02	0.00
Export Credit	0	3,488	1,951	1,537	100.00	0.03	0.02	0.00
Debt repayment - Principal	(9,073)	(13,130)	(19,211)	6,081	44.71	(0.13)	(0.19)	(0.10)
2. Other Domestic Financing	530	0	981	(981)	(100.00)	0.00	0.01	0.01
4. NET DOMESTIC FINANCING	49,176	69,210	40,684	28,526	40.74	0.69	0.41	0.56
MEMO ITEM								
GDP ESTIMATE	8,804,905	9,990,033	9,990,033					

*Provisional

Source: National Treasury

Chart 12: Fiscal Balance as at September 2018



Source: National Treasury

2.4 Financing

2.4.1 External Financing

36. Cumulative Net External Financing for the period between July 1st 2018 and September 30th 2018 amounted to a net borrowing of KSh. 16.8 billion (**Table 9**). Total disbursements (inflows) including Appropriations-in-Aid amounted to KSh. 30 billion for the period ending 30th September, 2018 against a target of KSh. 34.1 billion. The actual disbursement amount included KSh. 3.1 billion Project Loans-Cash, KSh. 21.5 billion Project Loans A.I.A., KSh. 3.5 billion commercial financing and KSh. 1.8 billion Programme Loans. External repayments (outflows) of principal debt amounted to KSh. 13.1 billion. The amount comprises of principal repayments due to both bilateral, multilateral organizations and commercial amounting of KSh. 5.2 billion, KSh. 3.0 billion and KSh. 5.0 billion, respectively. In addition, government financing analysis using Government Finance Statistics Manual 2014 (GFSM 2014) approach is shown in annex VI.

Table 9: External Financing, Period Ending 30th September, 2018 (KSh. Millions)

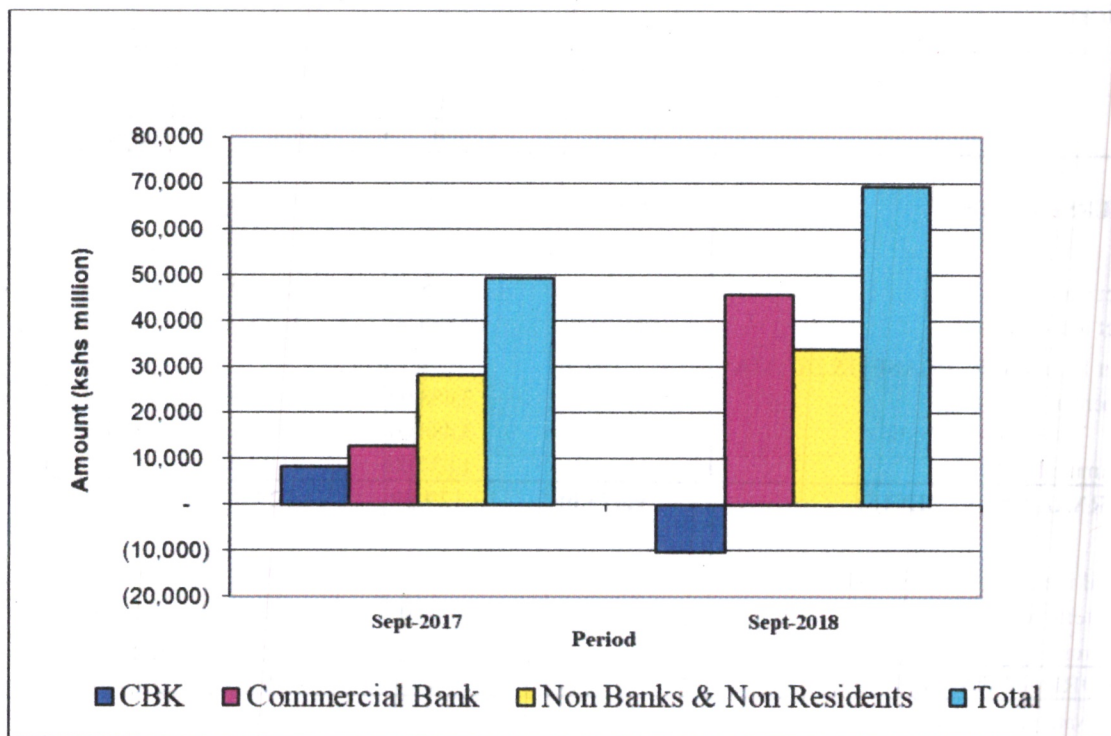
	Quarter I 2017/18	Quarter I 2018/19	Cumulative September 2018*	
	Actual	Actual	Actual	Target
DISBURSEMENTS:	16,528.89	29,962.00	29,962.00	34,097.00
Project Cash loans	2,094.24	3,145.00	3,145.00	8,942.00
Project loans A-I-A	14,190.96	21,495.00	21,495.00	23,204.00
Project Loans SGR_PHASE_1&2A_AIA	243.70	-	-	-
Commercial Financing	-	3,488.00	3,488.00	1,951.00
O/W Export Credit	-	3,488.00	3,488.00	1,951.00
Programme Loans	-	1,834.00	1,834.00	-
EXTERNAL REPAYMENTS:	9,073.06	13,129.69	13,129.69	19,211.28
Bilateral (incl. Italy Debt SWAP)	5,345.20	5,193.51	5,193.51	9,261.72
Multilateral (excl. IMF)	3,727.86	2,955.00	2,955.00	5,180.51
Commercial	-	4,981.18	4,981.18	4,769.05
NET FOREIGN FINANCING	7,455.83	16,832.31	16,832.31	14,886.00

Source: National Treasury

2.4.2 Domestic Financing

37. By the end of September 2018, net domestic borrowing amounted to KSh. 69.2 billion (**Table 10**) against a target borrowing of KSh. 40.7 billion (**Table 8**). The borrowing comprised of KSh. 45.7 billion from commercial banks, KSh. 33.7 billion from Non-Banking Financial Institutions and KSh. 0.2 billion from Non-residents, and a repayment of KSh. 10.4 billion to the Central Bank (**Table 10**). Comparatively, for the same period in 2017, the net domestic borrowing, comprised of net borrowing of, KSh. 8.3 billion from the Central Bank, and a borrowing of KSh. 1.9 billion from Non-Residents, KSh. 12.6 billion from commercial banks and KSh. 26.3 billion from non-banking financial institutions (**Chart 13**). In addition, government financing analysis using Government Finance Statistics Manual 2014 (GFSM 2014) approach is shown in annex IV.

Chart 13: Domestic Financing



Source: Central Bank of Kenya

38. The stock of Treasury Bills held by Non- Banks recorded a net increase of KSh. 33.7 billion while those held by Commercial Banks recorded a net increase of KSh. 49.7 billion. The stock of Treasury Bills held by Non-residents declined by KSh. 0.3 billion. The stock of Fixed Rate Bonds held by Commercial Banks declined by KSh. 6.2 billion, by Non-residents increased by KSh. 0.5 billion and those by non-Banks recorded a net increase of KSh. 2 billion.

FISCAL DEVELOPMENTS

Table 10: Domestic Financing, Period Ending 30th September, 2018 (KSh. Millions)

	SEPTEMBER	DECEMBER	MARCH	JUNE	SEPTEMBER	DECEMBER	MARCH	JUNE	SEPTEMBER
	2016	2016	2017	2017	2017	2017	2018	2018	2018
1. CENTRAL BANK	(24,582)	37,830	35,840	(22,370)	8,300	108,925	(80,176)	(26,345)	(10,374)
Overdraft	(40,884)	(14,271)	(13,934)	(44,204)	24,717	42,316	39,655	56,849	(20,559)
Treasury bills rediscounts	-	-	-	-	-	-	-	-	-
Fixed rate Bonds	-	-	-	-	-	-	-	-	-
Items on Transit	(27)	(57)	(52)	(37)	(21)	(24)	(22)	(18)	(14)
Frozen Account	-	-	(555)	(555)	-	-	(555)	(555)	-
Less Govt Deposits	16,329	52,158	50,380	22,426	(16,396)	66,633	(119,254)	(82,622)	10,199
2. COM. BANKS	37,357	18,858	12,527	169,536	12,618	(4,036)	77,458	124,266	45,734
Advances	243	275	352	5,508	471	(4,293)	(4,207)	(4,185)	126
Treasury bills	17,528	(10,647)	(28,561)	53,818	(23,450)	(70,291)	(4,410)	56,682	49,714
Fixed rate Bonds	29,011	24,219	22,162	99,764	36,097	45,497	59,787	32,449	(6,172)
Special Bonds	-	-	-	(5,000)	-	-	-	-	-
Zero Coupon bonds	-	-	-	-	-	-	-	-	-
Infrastructure Bonds	(6,933)	6,147	10,291	10,291	(8,967)	15,789	31,891	31,891	-
Savings and Development Bond	-	-	-	-	-	-	-	-	-
Less Govt Deposits	(2,493)	(1,136)	8,282	5,155	8,466	9,262	(5,603)	7,429	2,066
3. NON BANKS	37,529	106,819	132,395	160,676	26,317	74,393	125,115	172,817	33,675
Treasury bills	10,704	44,574	60,341	98,820	1,723	9,249	23,479	60,761	9872
Fixed rate Bonds	33,055	44,471	49,071	38,722	33,189	45,085	55,962	66,382	23803
Zero Coupon bonds	-	-	-	-	-	-	-	-	0
Infrastructure Bonds	(6,230)	17,774	22,983	22,983	(8,843)	19,810	45,426	45,426	0
Savings and Development Bond	-	-	-	-	-	-	-	-	0
M-Akiba Bond	-	-	-	150	248	248	248	248	0
4. NON RESIDENTS	(873)	1,088	1,372	1,917	1,940	3,205	3,158	2,972	175
Treasury bills	(1,695)	(363)	(142)	(356)	1,317	1,867	1,439	1,216	(305)
Fixed rate Bonds	822	1,115	1,179	1,938	1,019	1,464	1,764	1,802	480
Infrastructure Bond	(0)	336	335	335	(396)	(126)	(45)	(45)	-
Savings and Development Bond	-	-	-	-	-	-	-	-	-
Zero Coupon bonds	-	-	-	-	-	-	-	-	-
5. NET CREDIT	49,431	164,595	182,134	309,760	49,176	182,487	125,554	273,710	69,210

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

Source: Data from Central Bank of Kenya

3.0 PUBLIC DEBT

3.1 Overall Debt Position

39. The gross public debt as at 30th September, 2018 was KSh. 5007.1 billion as compared to KSh. 4,486.8 billion as at end of September 2017. The gross public debt comprised of 52 per cent external debt and 47 per cent domestic debt by end September, 2018. The increase in the public debt is attributed external loan disbursements and the uptake of domestic debt during the period. The net public debt was KSh. 4,717 billion by end of the period under review (Table 11).

Table 11: Kenya's Public and Publicly Guaranteed Debt, September 2016 to September 2018 (KSh. Millions)

	Sep-16	Dec-16	Mar-17	Jun-17	Sept. 17	Dec-17	Mar-18	Jun-18	Sept. 18*
EXTERNAL									
BILATERAL	545,652	641,763	689,119	724,823	742,064	782,588	800,912	816,119	812,545
MULTILATERAL	839,936	781,256	806,922	841,899	842,814	841,847	836,766	820,966	877,731
COMMERCIAL BANKS	452,495	458,122	594,140	712,100	708,231	712,274	858,062	906,389	898,349
SUPPLIERS CREDIT	16,628	15,302	11,210	15,914	17,089	17,086	16,691	16,725	16,710
SUB - TOTAL	1,854,711	1,896,443	2,101,391	2,294,736	2,310,198	2,353,795	2,512,431	2,560,199	2,605,335
DOMESTIC:									
CENTRAL BANK	58,945	85,528	85,316	55,061	79,201	96,797	93,583	110,782	90,210
COMMERCIAL BANKS	969,790	947,030	975,803	1,141,889	1,148,296	1,124,950	1,226,866	1,266,457	1,200,182
TOTAL BANKS	1,028,735	1,032,559	1,061,119	1,196,950	1,227,497	1,221,747	1,320,449	1,377,239	1,290,392
NON BANKS & NON RESIDENTS	825,820	898,415	883,834	915,316	949,098	998,618	1,051,202	1,101,596	1,111,348
SUB-TOTAL	1,854,555	1,930,973	1,944,953	2,112,265	2,176,595	2,220,365	2,371,651	2,478,835	2,401,740
GRAND TOTAL GROSS	3,709,266	3,827,417	4,046,344	4,407,001	4,486,793	4,574,160	4,884,082	5,039,034	5,007,075
LESS ON-LENDING	(5,701)	(5,701)	(5,701)	(5,701)	(5,701)	(5,701)	(5,701)	(5,701)	(5,701)
LESS GOVERNMENT DEPOSITS	(426,911)	(373,016)	(364,909)	(428,774)	(432,113)	(350,924)	(573,884)	(503,337)	(283,959)
GRAND TOTAL NET	3,276,654	3,448,699	3,675,734	3,972,526	4,048,978	4,217,535	4,304,497	4,529,996	4,717,415

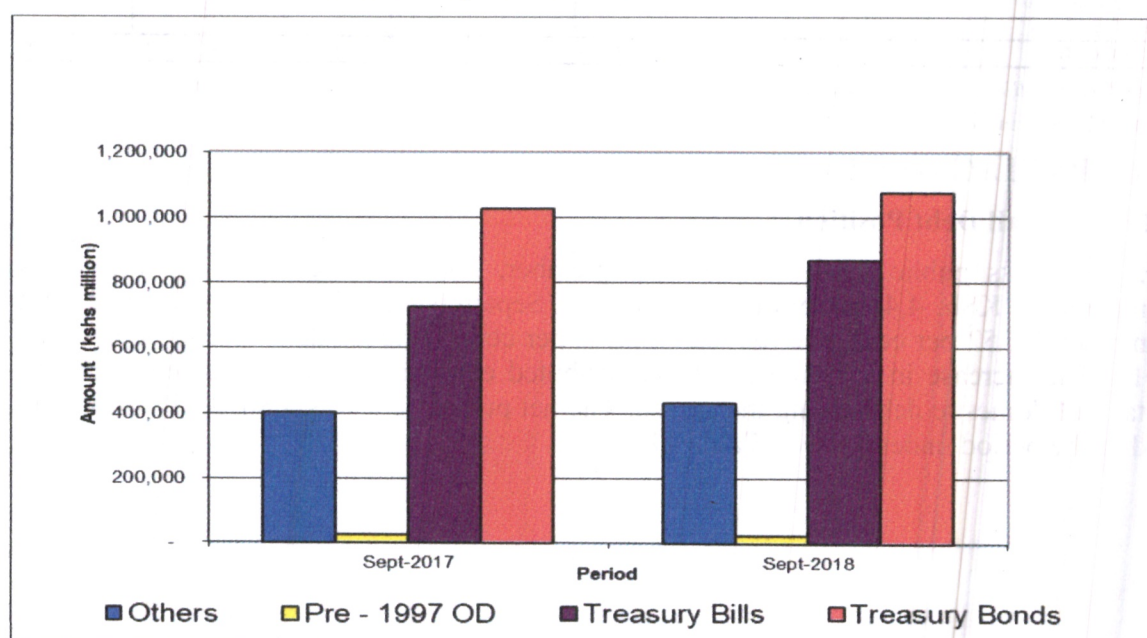
*Provisional

Source: National Treasury

3.2 Domestic Debt

40. The stock of gross domestic debt was KSh. 2,401.7 billion in September 2018 from KSh. 2,176.6 billion in September 2017. The stock of Treasury Bills held by the Central Bank, Commercial Banks, Non-Banking Financial Institution and Non-Residents increased by KSh. 142.7 billion from KSh. 724.8 billion in September 2017 to KSh. 867.5 billion in September 2018 (Table 12). The total stock of Treasury Bonds, which include Fixed Rate and Special was KSh. 2401.7 billion in September, 2018 from KSh. 2176.6 billion in September, 2017 to (Chart 14).

Chart 14: Domestic Debt Stock by Instruments



Source: Data from CBK

FISCAL DEVELOPMENTS

Table 12: Stock of Domestic Debt by end September 2018 (KSh. Millions)

	Sep-16	Dec-16	Mar-17	Jun-17	Sep-17	Dec-17	Mar-18	Jun-18	Sep-18
1. CENTRAL BANK	58,945	85,528	85,316	55,061	79,201	96,797	93,583	110,782	90,210
Overdraft									
Frozen Govt Accounts	3,319	29,933	30,270	0	24,717	42,316	39,655	56,849	36,290.50
Treasury bills / bonds rediscouts	25,559	25,559	25,004	25,004	24,449	24,449	23,894	23,894	23,894
Items on Transit	20,588	20,588	20,588	20,588	20,588	20,588	20,588	20,588	20,588
Fixed rate bonds	52	23	28	43	22	19	21	25	11.1
	9,426	9,426	9,426	9,426	9,426	9,426	9,426	9,426	9,426
2. COM. BANKS	969,790	947,030	975,803	1,141,889	1,148,296	1,124,950	1,226,866	1,266,457	1,200,182
Advances									
Treasury Bills	5,530	5,857	5,657	11,020	15,977	7,524	7,476	7,504	5,469
Fixed Rate T. Bonds	382,112	349,544	328,624	415,923	391,905	343,340	415,596	482,018	490,400
Special Bonds	433,059	428,536	426,565	504,989	541,061	550,284	565,098	538,240	519,161
Savings and Development Bond	10,000	10,000	10,000	5,000	5,000	5,000	5,000	5,000	5,000
Infrastructure Bonds	7,648	7,648	7,648	7,648	7,648	7,648	7,648	7,648	6,798
	131,441	145,444	197,309	197,309	186,704	211,154	226,047	226,047	173,354
3. NON BANKS	809,375	879,998	862,291	893,215	924,962	973,201	1,025,704	1,076,288	1,089,584
Treasury Bills									
Fixed Rate T. Bonds	210,788	243,989	260,232	301,522	304,742	312,661	328,801	368,537	349,843
Tax Reserve Certificate	456,711	468,465	473,083	462,566	460,708	472,532	484,153	495,001	534,455
Infrastructure Bonds	69	69	69	69	69	69	69	69	69
Savings and Development Bond	121,227	146,894	108,327	108,327	138,464	166,962	191,703	191,703	186,730
M- Akiba Bond	20,580	20,580	20,580	20,582	20,580	20,580	20,580	20,580	18,089
	-	-	-	150	398	398	398	398	398
4. NON RESIDENTS	12,020	13,632	21,543	22,100	24,136	25,417	25,498	25,308	21,764
Treasury Bills									
Fixed Rate T. Bonds	4,760	6,069	6,322	6,122	7,567	8,134	7,714	7,479	6,675
Savings and Development Bond	6,806	7,110	7,174	7,934	8,955	9,401	9,716	9,762	10,093
Infrastructure Bonds	9	9	9	7	9	9	9	9	7
	445	445	8,037	8,037	7,605	7,873	8,058	8,058	4,989
5. TOTAL DEBT	1,850,129	1,926,189	1,944,953	2,112,265	2,176,595	2,220,365	2,371,651	2,478,835	2,401,740
6. LESS ON-LENDING									
7. Less Govt Deposits	5,701	5,701	5,701	5,701	5,701	5,701	5,701	5,701	5,701
8. NET DEBT	1,417,518	1,547,472	1,574,343	1,677,790	1,738,780	1,863,740	1,792,066	1,928,059	2,112,080
Total debt incl IMF									
NET DEBT INCL IMF									

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

41. In dollar terms, external public debt stock closed at US\$. 24,454.9 million by the end of September 2018 from US\$. 22,371.18 million in September 2017 million (**Table 13 and Chart 15**). The debt stock comprised 30.6 per cent, 35.4 per cent, 33.3 per cent and 0.7 per cent of debt owed to bilateral, multilateral institutions, commercial banks and suppliers' credit, respectively.

FISCAL DEVELOPMENTS

Table 13: Kenya's External Public and Publicly Guaranteed Debt September 2016-September 2018 (US \$ Millions)

	Sep-16	Dec-16	Mar-17	Jun-17	Sept. 2017	Dec-17	Mar-18	Jun-18	Sep-18
CREDITOR									
BILATERAL	10.29	8.33	5.34	5.67	5.11	4.38	4.54	5.72	6.64
AUSTRIA						100.06	107.19	101.01	103.58
BELGIUM	77.10	70.45	86.56	94.82	101.84	4.07	4.07	4.05	2.83
CANADA	8.01	7.26	7.26	6.26	5.19	12.01	12.41	11.63	10
DENMARK	15.36	13.64	12.69	13.49	12.66	16.15	16.73	16.25	16.69
FINLAND	14.13	11.34	16.24	16.55	16.05				
FRANCE	597.62	547.79	574.20	614.59	687.89	622.52	642.57	611.44	599.02
GERMANY	355.91	284.91	294.30	311.98	314.25	324.67	336.29	268.93	274.11
ITALY	6.22	1.17	5.94	6.31	6.42	1.20	1.24	1.24	1.25
JAPAN	985.45	841.59	850.60	883.47	879.29	824.81	1,022.38	503.66	483.85
NETHERLANDS	21.91	16.58	18.40	17.74	15.78	11.03	10.99	10.67	9.07
UK	9.45	7.46	7.63	6.27	6.46	4.70	4.74	4.59	4.56
USA	37.23	36.34	34.16	33.72	30.98	29.25	29.29	29.17	26.45
CHINA	3,258.07	4,089.09	4,426.05	4,614.78	4,733.94	5,202.37	5,295.84	5,532.61	5,496.62
OTHERS	335.16	326.03	351.11	363.18	362.06	423.66	453.57	432.44	457.02
TOTAL BILATERAL	5,731.90	6,261.97	6,690.48	6,988.82	7,177.91	7,580.89	7,941.83	7,533.41	7,491.69
MULTILATERAL									
ADB/ADF	1,768.98	1,760.18	1,788.41	1,880.33	1,993.19	1,983.67	2,045.52	2,026.48	2,043.51
BADEA	31.36	33.86	28.17	28.43	28.16	29.63	29.51	29.81	34.63
EEC/EIB	201.69	187.37	190.62	197.49	197.09	197.56	201.48	192.53	194.86
IBRD	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0
IDA/IFAD	4,998.98	4,846.50	5,026.45	5,210.20	5,132.15	5,181.44	5,237.31	5,024.05	5,612.97
IMF**	837.40	741.11	748.01	748.59	760.79	711.84	732.26	708.45	699.4
OTHERS	58.83	54.05	52.53	52.65	51.99	50.79	51.28	50.07	63.86
TOTAL MULTILATERAL	7,897.24	7,623.06	7,834.20	8,117.68	8,163.36	8,154.92	8,297.36	8,031.39	8,649.23
COMMERCIAL/	4,373.30	4,470.11	5,740.26	6,116.15	6,864.39	6,856.07	8,508.54	8,219.71	8,148.46
EXPORT CREDIT	152.66	149.30	150.55	153.45	165.51	165.51	165.51	165.51	165.51
GRAND TOTAL	18,155.10	18,504.45	20,415.48	21,376.10	22,371.18	22,757.39	24,913.24	23,950.02	24,454.89
In percentage of total									
BILATERAL	31.57	33.84	32.77	32.69	32.09	33.31	31.88	31.45	30.63
MULTILATERAL	43.50	41.20	38.37	37.98	36.49	35.83	33.31	33.53	35.37
COMMERCIAL BANKS 1/	24.09	24.16	28.12	28.61	30.68	30.13	34.15	34.32	33.32
EXPORT CREDIT	0.84	0.81	0.74	0.72	0.74	0.73	0.66	0.69	0.68
TOTAL	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00

*Provisional

** include IMF item

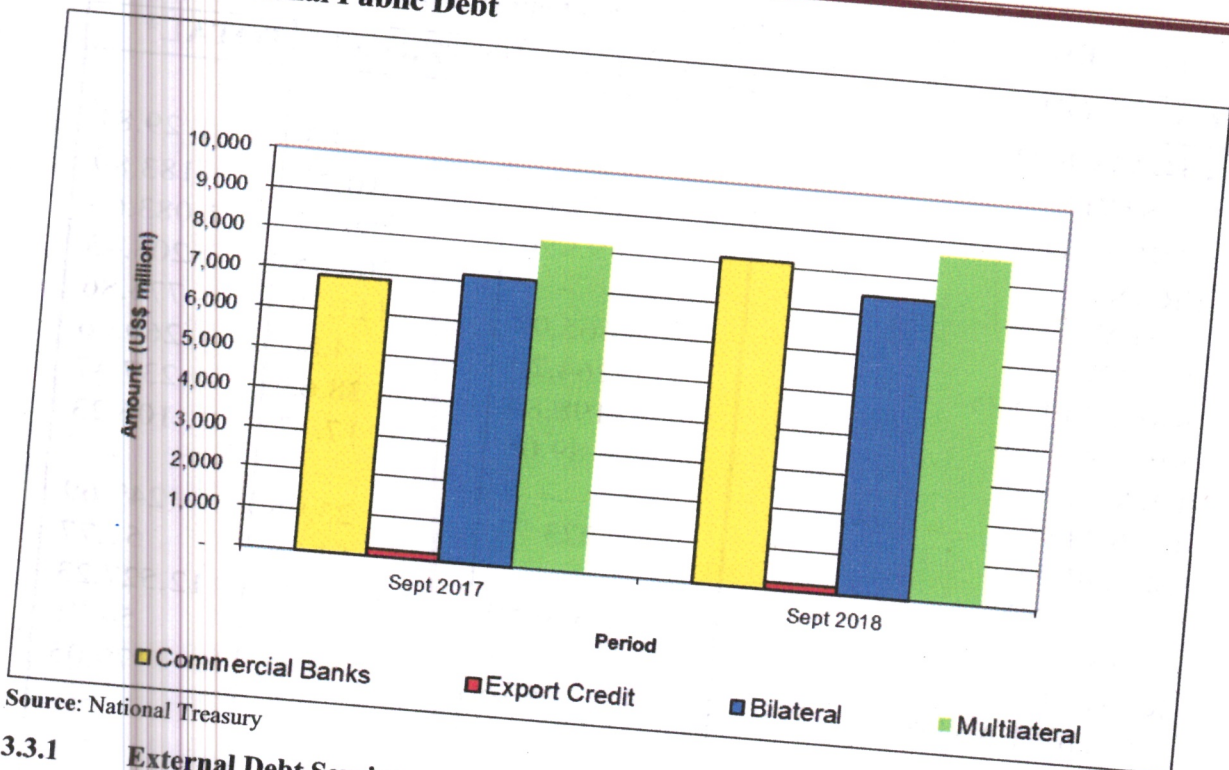
1/ incl. International Sovereign Bond

Note: The exchange rate as at end September 2018 was KSh. 100.9556 per dollar.

Source: National Treasury

FISCAL DEVELOPMENTS

Chart 15: External Public Debt

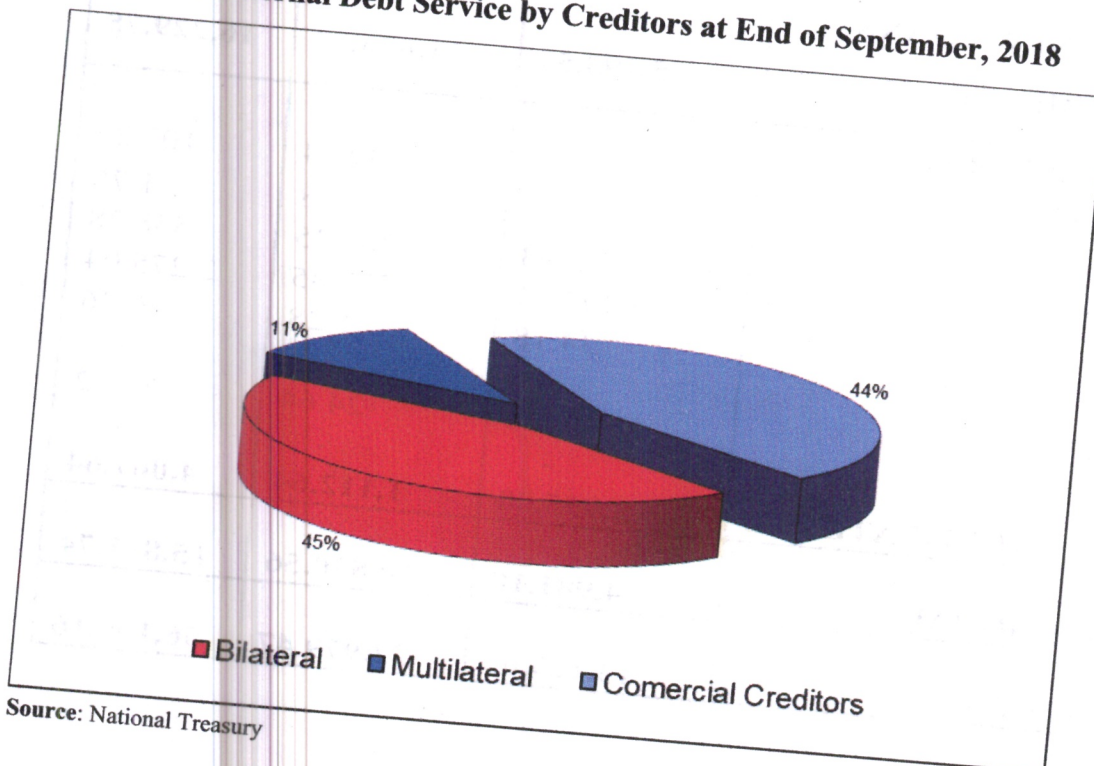


Source: National Treasury

3.3.1 External Debt Service

42. At the end of September 2018, the total cumulative debt service payments to external creditors amounted to KSh. 36.1 billion. This comprised of KSh. 13.1 billion (11 per cent) in principal repayments and KSh. 23 billion (44 per cent) interest payments (Table 14 and Chart 16).

Chart 16: External Debt Service by Creditors at End of September, 2018



Source: National Treasury

FISCAL DEVELOPMENTS

Table 14: External Debt Service, July 2018 – September 2018 (KSh. Millions)

CATEGORY	PRINCIPAL*	INTEREST*	TOTAL*
BILATERAL			
AUSTRIA	22.04	7.83	29.87
FINLAND	173.12	10.77	183.89
FRANCE	793.96	289.64	1,083.60
ITALY	-	208.45	208.45
JAPAN	665.08	111.78	776.86
SAUDI FUND	264.20	4.86	269.06
SPAIN	198.84	38.63	237.47
USA	89.06	17.17	106.23
CANADA	-	-	-
BELGIUM	223.74	23.95	247.69
GERMANY	-	51.77	51.77
CHINA	2,336.80	10,190.43	12,527.23
KUWAIT	50.71	4.00	54.71
NETHERLANDS	75.76	3.29	79.05
SWEDEN	-	-	-
SWITZERLAND	-	-	-
DENMARK	-	5.34	5.34
KOREA	-	-	-
UK	300.20	68.35	368.55
INDIA	-	0.01	0.01
OTHERS/NEW LOANS	-	-	-
TOTAL BILATERAL	5,193.51	11,036.27	16,229.78
MULTILATERAL			
ADB/ADF	7.52	99.74	107.26
BADEA	-	1.78	1.78
EIB/EEC	355.93	202.35	558.28
IDA	2,497.19	777.85	3,275.04
OPEC	34.18	6.28	40.46
NDF	-	-	-
IFAD	60.18	24.64	84.82
**IMF	-	-	-
TOTAL MULTILATERAL	2,955.00	1,112.64	4,067.64
COMMERCIAL	4,981.18	10,830.56	15,811.74
GRAND TOTAL	13,129.69	22,979.47	36,109.16

* Provisional

** IMF debt serviced by CBK

Source: National Treasury

4.0. ANNEXES

Annex I: Fiscal Results, 2012/13 – 2018/2019 (KSh. Millions)

	2013/14	2014/15	2015/16**	2015/16	2016/17	2017/18*	2018/19**	2018/19***
A. TOTAL REVENUE								
1. Revenue	974,418	1,106,378	1,358,049	1,219,054	1,400,578	1,467,229	1,852,572	1,949,181
Income Tax	918,990	1,031,248	1,254,867	1,152,875	1,305,794	1,369,824	1,672,629	1,769,229
VAT	449,590	508,581	623,215	560,665	625,050	642,290	769,449	836,570
Import Duty	232,630	259,685	310,264	289,213	339,034	356,729	426,122	464,215
Excise Duty	67,555	74,048	82,197	79,188	89,943	99,215	111,239	119,352
Other Revenue	102,029	115,872	142,143	139,540	165,474	167,881	135,518	130,131
2. Appropriation-in-Aid	67,185	73,062	97,047	84,269	86,293	109,233	230,301	218,960
B. EXPENDITURE & NET LENDING	55,428	75,130	103,181	66,179	94,784	97,405	179,944	179,952
1. Recurrent	1,300,589	1,639,199	2,000,648	1,768,453	2,084,373	2,133,947	2,509,083	2,557,246
Wages and Salaries	752,502	860,569	976,276	1,014,050	1,280,086	1,323,183	1,540,978	1,550,042
Interest Payments	281,197	297,978	333,527	307,421	336,636	392,823	425,072	444,157
Domestic Interest	134,821	171,876	185,325	215,329	271,233	321,075	399,981	444,157
Foreign Interest Due	119,193	139,615	154,815	172,857	212,865	239,470	285,607	285,607
Pensions, etc	15,628	32,261	30,510	42,471	58,368	81,605	114,374	114,374
Civil Service Reform	30,155	37,508	43,429	53,401	62,933	66,046	90,573	90,573
Operations & maintenance/ Others	306,330	353,206	413,996	437,899	609,284	546,646	625,352	705,904
Of which Appropriation-in-Aid	28,205	50,566	28,850	45,108	50,019	78,651	123,970	123,960
2. Development & Net Lending	319,274	509,713	718,472	453,925	483,519	485,673	595,663	625,722
Development Projects	225,850	278,676	378,081	300,686	362,004	481,360	588,480	614,739
Appropriation-in-Aid	91,239	228,511	332,208	145,071	239,263	36,318	47,705	47,723
Payment of guaranteed loans	2,185	2,125	2,183	2,167	2,443	2,159	2,483	2,483
3. Drought Expenditures	193,390	229,336	264,219	264,039	284,708	327,245	367,441	376,481
4. Transfer to County	22,473	22,743	24,057	19,777	24,215	24,387	14,974	34,129
5. Parliamentary Service	12,951	11,887	12,624	11,662	11,846	11,846	14,457	13,272
6. Judicial Service		400	6,000	6,000	6,000	6,000	4,700	8,500
7. Equalization Fund		28,117	(642,600)	29,598	26,312	(666,718)	(656,511)	(608,065)
D. DEFICIT EXCL. GRANTS	(326,172)	(532,821)	(642,600)	(549,398)	(683,795)	(666,718)	(608,024)	(559,578)
E. GRANTS	26,957	28,117	(642,600)	29,598	26,312	(666,718)	(656,511)	(608,065)
F. DEFICIT INCL. GRANTS	(299,214)	(504,703)	(73,406)	(519,801)	(657,483)	(637,716)	(608,024)	(559,578)
G. ADJUSTMENT TO CASH	(8,505)	33,129	(569,194)	45,231	(15,194)	(637,716)	(608,024)	(559,578)
H. DEFICIT INCL. GRANTS	(307,720)	(471,574)	(569,194)	(519,801)	(657,483)	(637,716)	(608,024)	(559,578)
Foreign Financing	307,720	(471,574)	(569,194)	(519,801)	(657,483)	(637,716)	(608,024)	(559,578)
Other Domestic Financing	104,726	217,479	569,194	474,570	(15,194)	(637,716)	(608,024)	(559,578)
NET DOMESTIC FINANCING	1,267	2,992	340,526	269,924	697,255	602,835	608,023	559,578
Of which Sovereign Bond	201,727	251,102	7,178	2,389	385,745	337,209	286,986	286,986
Deposits		140,509	221,490	202,257	1,751	2,101	3,925	3,925
Others	201,727	110,593		202,257	309,760	263,525	317,112	268,666
In Percentage of GDP								
A. TOTAL REVENUE	19.20	18.98	20.68	18.73	18.16	16.66	18.54	20
1. Revenue	18.11	17.69	19.11	17.71	16.93	15.56	16.74	18
Income Tax	8.86	8.73	9.49	8.61	8.11	7.29	7.70	9
VAT	4.58	4.46	4.72	4.44	4.40	4.05	4.27	5
Import Duty	1.33	1.27	1.25	1.22	1.17	1.13	1.36	1
Excise Duty	2.01	1.99	2.16	2.14	2.15	1.91	2.31	2
Other Revenue	1.32	1.25	1.48	1.29	1.12	1.24	1.11	1
2. Appropriation-in-Aid	1.09	1.29	1.57	1.02	1.23	1.11	1.80	2
B. EXPENDITURE & NET LENDING	25.63	28.13	30.47	27.17	27.03	24.24	25.12	26
1. Recurrent	14.83	14.77	14.87	15.58	16.60	15.03	15.43	16
Wages and Salaries	5.54	5.11	5.08	4.72	4.37	4.46	4.25	5
Interest Payments	2.66	2.95	2.82	3.31	3.52	3.65	4.00	4
Domestic Interest	2.35	2.40	2.36	2.66	2.76	2.72	2.86	3
Foreign Interest Due	0.31	0.55	0.46	0.65	0.76	0.93	0.93	1
Pensions	0.59	0.64	0.66	0.82	0.82	0.75	1.14	1
Civil Service Reform								
Operations & maintenance/ Others	6.04	6.06	6.30	6.73	7.90	6.21	6.26	7
Of which Appropriation-in-Aid	0.56	0.87	0.44	0.69	0.65	0.89	1.24	1
2. Development & Net Lending	6.29	8.75	10.94	6.97	6.27	5.52	5.96	7
Development Projects	4.45	4.78	5.76	4.62	4.69	5.47	5.89	6
Appropriation-in-Aid	1.80	3.92	5.06	2.23	4.69	0.41	0.48	6
Payment of guaranteed loans	0.04	0.04	0.03	0.03	0.03	0.02	0.02	0
3. Drought Expenditures	3.81	3.93	4.02	4.06	3.69	3.72	3.68	4
4. Transitional Transfer to	0.44	0.39	0.37	0.30	0.31	0.28	0.15	0
5. Parliamentary Service	0.26	0.20	0.09	0.18	0.15	0.13	0.14	0
6. Judicial Service		0.01	0.09	0.09	0.08	0.08	0.05	0
7. Equalization Fund		0.01	(9.79)	(8.44)	(8.87)	(7.57)	(6.57)	(6)
D. DEFICIT EXCL. GRANTS	(6.43)	(9.14)	(9.79)	(8.44)	(8.87)	(7.57)	(6.09)	(6)
E. GRANTS	0.53	0.48	1.12	0.45	0.34	0.33	0.49	0
F. DEFICIT INCL. GRANTS	(5.90)	(8.66)	(8.67)	(7.99)	(8.53)	(7.24)	(6.09)	(6)
G. ADJUSTMENT TO CASH	(0.17)	0.57	(8.67)	(7.29)	(8.72)	(7.24)	(6.09)	(6)
H. DEFICIT INCL. GRANTS	(6.06)	(8.09)	(8.67)	(7.29)	(8.72)	(7.24)	(6.09)	(6)
Foreign Financing	6.06	(8.09)	(8.67)	(7.29)	(8.72)	(7.24)	(6.09)	(6)
Other Domestic Financing	2.06	3.73	8.67	7.29	9.04	9.04	6.09	6
NET DOMESTIC FINANCING	0.02	0.05	5.19	4.15	5.00	6.85	6.09	6
Of which Sovereign Bond	3.98	4.31	0.11	0.04	0.02	3.83	2.87	3
Deposits		2.41	3.37	3.11	4.02	0.02	0.04	0
Others	3.98	1.90		3.11	4.02	2.99	3.17	3
Memorandum Item:								
Nominal GDP at Market price (KSh.)	5,073,776.75	5,828,115.16	6,566,445.30	6,508,084.41	7,710,947.27	8,804,904.60	9,990,033.00	9,726,649

Note: * Preliminary Actual
 ** Supplementary I
 *** Original Budget
 Source: National Treasury

GFSM 2014 COMPLIANT TABLE FOR BUDGETARY CENTRAL GOVERNMENT

Annex II: Revenue (KSh. Millions)

GFSM 2014	Description	Preliminary Actual		Printed Budget	Pre. Actual
		2017/18	Quarterly 2017/18 Q4	2018/19	2018/19 Q1
		<i>Cash</i>	<i>Cash</i>	<i>Cash</i>	<i>Cash</i>
1	REVENUE	1,763,324	1,514,827	1,997,678	369,573
11	Taxes	1,588,767	1,395,083	1,788,591	355,715
111	Taxes on income, profits, and capital gains	765,602	640,593	836,570	159,112
1111	Payable by individuals	400,573	350,631	447,635	89,804
1112	Payable by corporations and other enterprises	365,029	289,962	388,935	69,308
113	Taxes on property	3,523	16,640	7,579	882
1134	Taxes on financial and capital transactions	113	-	129	283
1136	Other recurrent taxes on property	649,374	587,251	756,921	156,369
114	Taxes on goods and services	383,522	356,856	464,215	92,640
1141	General taxes on goods and services	383,522	356,856	464,215	92,640
11411	Value-added taxes	197,370	167,777	218,960	42,795
1142	Excises	68,482	62,618	73,747	20,934
1144	Taxes on specific services	156,608	138,476	175,038	37,054
115	Taxes on international trade and transactions	156,608	138,476	175,038	37,054
1151	Customs and other import duties	13,546	12,123	12,482	2,298
116	Other taxes	168	24	894	40
12	Social contributions	168	24	894	40
122	Other social contributions	168	24	894	40
1221	Employee contributions	58,821	27,600	48,487	3,578
13	Grants	21,827	22,873	39,987	3,578
131	From foreign governments	-	-	39,987	3,578
1311	Current	21,827	22,873	8,500	-
1312	Capital	36,993	4,728	8,500	-
132	From international organizations	6,100	4,728	-	-
1321	Current	30,893	-	-	-
1322	Capital	115,568	92,120	159,706	10,240
14	Other revenue	23,525	27,522	49,539	148
141	Property income	2,032	1,576	2,278	-
1411	Interest	18,162	24,123	44,318	-
1412	Dividends	3,332	1,823	2,944	148
1415	Rent	83,512	55,961	99,948	9,633
142	Sales of goods and services	83,512	55,961	99,948	9,633
1422	Administrative fees	2,908	2,372	3,566	459
143	Fines, penalties, and forfeits	5,624	6,265	6,652	-
145	Miscellaneous and unidentified revenue	5,624	6,265	6,652	-

Source: National Treasury

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

GFMSM 2014	Description	Preliminary Actual		Printed Budget	Pre. Actual
		2017/18	Quarterly 2017/18 Q4	2018/19	Quarterly 2018/19 Q1
	CASH FLOWS FROM OPERATING ACTIVITIES:				
1	Cash receipts from operating activities	<i>Cash</i>	<i>Cash</i>	<i>Cash</i>	<i>Cash</i>
11	Taxes	1,763,324	1,514,827	1,997,678	369,573
12	Social contributions	1,588,767	1,395,083	1,788,591	355,715
13	Grants	168	24	894	40
14	Other receipts	58,821	27,600	48,487	3,578
2	Cash payments for operating activities	115,568	92,120	159,706	10,240
21	Compensation of employees	2,072,382	1,972,934	2,330,532	443,156
22	Purchases of goods and services	417,475	397,803	440,479	95,646
24	Interest	196,968	174,931	182,277	52,317
25	Subsidies	280,720	323,890	399,981	84,098
26	Grants	31,019	54,070	59,805	19,066
27	Social benefits	1,065,017	957,936	1,155,294	179,218
28	Other payments	75,307	64,303	87,697	12,811
	Net cash inflow from operating activities	5,876	5,000	(332,854)	(73,583)
	CASH FLOWS FROM INVESTMENTS IN NONFINANCIAL ASSETS (NFAs):	(309,058)	(458,107)	(332,854)	(73,583)
31A	Purchases of nonfinancial assets	217,290	190,351	223,485	8,889
311A	Fixed assets	214,445	180,354	221,706	8,889
312A	Strategic stocks	1,294	9,994	1,419	-
313A	Valuables	-	-	-	-
314A	Nonproduced assets	-	-	-	-
31B	Sales of nonfinancial assets	-	-	-	-
311B	Fixed assets	1,551	3	360	-
312B	Strategic stocks	-	-	-	-
313B	Valuables	-	-	-	-
314B	Nonproduced assets	-	-	-	-
31	Net cash outflow: investments in NFAs (31=31.1-31.2)	-	-	-	-
	Cash surplus / deficit	217,290	190,351	223,485	8,889
	CASH FLOWS FROM FINANCING ACTIVITIES:	(526,349)	(648,458)	(556,340)	(82,473)
32x	Net acquisition of financial assets other than cash	-	-	-	-
321x	Domestic	-	-	-	-
322x	Foreign	-	-	-	-
33	Net incurrence of liabilities	-	-	-	-
331	Domestic	-	-	-	-
332	Foreign	-	-	-	-
NFB	Net cash inflow from financing activities	529,345	705,599	553,169	73,778
	Net change in the stock of cash	274,679	356,331	267,556	56,946
	Vertical check: Difference between cash surplus/deficit and total net cash inflow from financial	254,666	349,267	285,613	16,832
		529,345	705,599	553,169	73,778
		2,996	57,141	(3,170)	(8,695)
		-	-	-	-

Source: National Treasury

ANNEXES

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

GFSM 2014	Description	Preliminary Actual		Printed Budget	Pre. Actual
		2017/18	Quarterly 2017/18 Q4	2018/19	Quarterly 2018/19 Q1
		<i>Non Cash</i>	<i>Non Cash</i>	<i>Non Cash</i>	<i>Non Cash</i>
	TRANSACTIONS AFFECTING NET WORTH:				
	1 Revenue				
11	Taxes	1,763,324	1,514,827	1,997,678	369,573
12	Social contributions	1,588,767	1,395,083	1,788,591	355,715
13	Grants	168	24	894	40
14	Other revenue	58,821	27,600	48,487	3,578
		115,568	92,120	159,706	10,240
		2,072,382	1,972,934	2,330,532	443,156
		417,475	397,803	440,479	95,646
		196,968	174,931	182,277	52,317
	2 Expense				
21	Compensation of employees	-	-	399,981	84,098
22	Use of goods and services	280,720	323,890	59,805	19,066
23	Consumption of fixed capital	31,019	54,070	1,155,294	179,218
24	Interest	1,065,017	957,936	87,697	12,811
25	Subsidies	75,307	64,303	5,000	-
26	Grants	5,876	-	(332,854)	(73,583)
27	Social benefits	(309,058)	(458,107)	(332,854)	(73,583)
28	Other expense	(309,058)	(458,107)	-	-
	<i>Gross operating balance</i>	217,290	190,351	223,485	8,889
GOB	<i>Net operating balance</i>	214,445	180,354	221,706	8,889
NOB	TRANSACTIONS IN NONFINANCIAL ASSETS:				
	31 Net Acquisition of Nonfinancial Assets				
311	Fixed assets	-	-	360	-
312	Change in inventories	1,551	3	(556,340)	(82,473)
313	Valuables	(526,349)	(648,458)	-	-
314	Nonproduced assets	-	-	-	-
	<i>Net lending / borrowing</i>	3,809	85,015	3,925	(12,264)
NLB	TRANSACTIONS IN FINANCIAL ASSETS AND LIABILITIES (FINANCING):				
	32 Net acquisition of financial assets				
321	Domestic	529,345	705,599	553,169	73,778
322	Foreign	274,679	356,331	267,556	56,946
	33 Net incurrence of liabilities				
331	Domestic	254,666	349,267	285,613	16,832
332	Foreign	(813)	(27,874)	(7,096)	3,570
	<i>Vertical check: Difference between net lending/borrowing and financing</i>				

Source: National Treasury

Annex V: Expense (KSh. Millions)

GFSM 2014	Description	Preliminary Actual		Printed Budget	Pre. Actual
		2017/18	Quarterly 2017/18 Q4	2018/19	Quarterly 2018/19 Q1
	<i>Accounting method:</i>				
2	EXPENSE				
		<i>Cash</i>	<i>Cash</i>	<i>Cash</i>	<i>Cash</i>
21	Compensation of employees	2,072,382	1,972,934	2,330,532	443,156
211	Wages and salaries	417,475	397,803	440,479	95,646
212	Social contributions	403,379	382,756	427,768	93,409
2121	Actual social contributions	14,097	15,047	12,711	2,237
22	Use of goods and services	14,097	15,047	12,711	2,237
24	Interest	196,968	174,931	182,277	52,317
241	To nonresidents	280,720	323,890	399,981	84,098
242	To residents other than general government	70,572	84,420	114,374	22,979
25	Subsidies	210,148	239,470	285,607	61,119
251	To public corporations	31,019	54,070	59,805	19,066
252	To private enterprises	30,585	54,070	59,775	19,066
26	Grants	434	0	30	-
262	To international organizations	1,065,017	957,936	1,155,294	179,218
2621	Current	7,638	3,504	5,573	1,153
2622	Capital	7,638	3,504	5,573	1,153
263	To other general government units	-	-	-	-
2631	Current	1,057,379	954,432	1,149,721	178,065
2632	Capital	498,271	605,860	666,857	110,081
27	Social benefits	559,108	348,573	482,864	67,984
273	Employer social benefits	75,307	64,303	87,697	12,811
28	Other expense	75,307	64,303	87,697	12,811
282	Miscellaneous other expense	5,876	-	5,000	-
2821	Current	5,876	-	5,000	-
2822	Capital	5,000	-	5,000	-
		876	0	0	0

Source: National Treasury

ANNEXES

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

GFSM 2014	Description	Preliminary Actual		Printed Budget	Pre. Actual
		2017/18	Quarterly 2017/18 Q4	2018/19	Quarterly 2018/19 Q1
		<i>Cash</i>	<i>Cash</i>	<i>Cash</i>	<i>Cash</i>
		(308,246)	(430,232)	(325,759)	(77,153)
3	CHANGE IN NET WORTH: TRANSACTIONS	217,290	190,351	223,485	8,889
31	Net acquisition of nonfinancial assets	214,445	180,354	221,706	8,889
311	Fixed assets	174,476	176,114	-	-
3111	Buildings and structures	36,873	-	221,706	8,889
3112	Machinery and equipment	3,096	4,240	1,419	-
3113	Other fixed assets	1,294	9,994	360	-
312	Inventories	1,551	3	3,925	(12,264)
314	Nonproduced assets	3,809	85,015	3,925	(12,264)
32	Net acquisition of financial assets	3,809	85,015	553,169	73,778
3212	Currency and deposits (Domestic)	529,345	705,599	268,666	56,946
33	Net incurrence of liabilities	274,679	356,331	268,666	77,392
331	Domestic	275,789	304,240	-	(20,446)
3313	Securities other than shares	(1,110)	52,092	284,503	16,832
3314	Loans	254,666	349,267	298,926	-
332	Foreign	200,000	298,084	(14,423)	16,832
3323	Securities other than shares	54,666	51,183	-	-
3324	Loans	-	-	-	-

Source: National Treasury

