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# Quarterly Economic and Budgetary Review

**First Half, Financial Year 2019/2020**  
**Period ending 31<sup>st</sup> December, 2019**

**February 2020 Edition**

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## ACKNOWLEDGEMENT

*This review report is compiled by the National Treasury. Information contained herein may be reproduced without restriction provided due acknowledgement is made of the source. Comments, suggestions as well as requests for clarification of information contained in this report are welcome and should be addressed to the Principal Secretary, The National Treasury, P.O Box 30007–00100, GPO, Nairobi. or email to: [ps@treasury.go.ke](mailto:ps@treasury.go.ke)*

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## LIST OF ABBREVIATIONS AND ACRONYMS

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

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

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## 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.

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## HIGHLIGHTS OF THE 2019/20 FIRST HALF, QUARTERLY ECONOMIC AND BUDGETARY REVIEW REPORT

### 1. Economic growth

The economy remains resilient and recorded a fairly stable growth of 5.1 percent in the third quarter of 2019 compared to a growth of 6.4 percent in the corresponding quarter of 2018. This growth was mostly supported by strong performance in the services sub-sector such as information and communication, transportation and storage, and accommodation and restaurant.

### 2. Stable prices

The macroeconomic environment remained stable with low and stable inflation rates within the Government target range of 5.0 (+/-2.5) percent, and a competitive exchange rate to support exports. Year-on-year overall inflation remained stable at 5.8 percent in December 2019 slightly higher than the 5.7 percent in December 2018, due to higher food inflation.

### 3. Balance of Payments

The overall balance of payments position improved to a deficit of US\$ 1,049.9 million (1.1 percent of GDP) in the year to November 2019 from a deficit of US\$ 1,068.7 million (1.2 percent of GDP) in the year to November 2018. The improvement in the overall balance was due to an improvement in the current accounts balance which narrowed to 4.1 percent of GDP in the year to November 2019 compared to 5.2 percent of GDP over the same period in 2018.

### 4. Foreign Exchange Reserves

The banking system's foreign exchange holding remained strong at US\$ 12,873.5 million in November 2019 from US\$ 11,531.1 million in November 2018. The official foreign exchange reserves held by the Central Bank improved to 5.6 months of import cover in November 2019 compared to 5.4 months of import cover in November 2018. Commercial banks holdings stood at US\$ 3,698.9 million in November 2019 up from US\$ 3,250.4 million in November 2018.

### 5. Money and Credit

Growth in broad money supply, M3, slowed down to 5.6 percent in the year to December 2019 compared to a growth of 10.1 percent in the year to December 2018. This was due to the decline in both net foreign assets (NFA) and net domestic assets (NDA). The decline in growth of NDAs was largely attributed to the decrease in growth of net domestic credit to the government.

### 6. Capital Markets

Activity in the capital markets slowed down in December 2019 compared to December 2018, with equity share prices declining as shown by the NSE 20 Share Index. The NSE 20 Share Index was at 2,654.4 points by end of December, 2019 compared to 2,834.8 points by end December, 2018. However, the market capitalization improved from KSh. 2,102 billion to KSh. 2,540 billion over the same period.

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## 7. Revenue Collection

The National Government cumulative revenue collection including A-I-A for the period between July-December 2019 amounted to KSh. 930.4 billion (equivalent to 9 percent of GDP) against a target of KSh. 1,059.3 billion (equivalent to 10.2 percent of GDP). It was below target by KSh. 128.9 billion mainly due to shortfalls in all major tax heads and A-I-A.

## 8. Expenditure and Net Lending

The total expenditure and net lending inclusive of transfers to county governments for the period ending 31<sup>st</sup> December, 2019 amounted to KSh. 1,218.1 billion. This was KSh. 91.4 billion below the target of KSh. 1,309.5 billion which was largely attributed to low absorption of wages and salaries and development projects funds by the National Government.

## 9. Guaranteed Loans

Between July - December 2019, the National Government paid a total of KSh. 329.7 million on account of guaranteed loans against a projected debt service of KSh. 316.2 million.

## 10. Fiscal Balance

The fiscal balance, on a commitment basis (excluding grants), amounted to a deficit of KSh. 287.7 billion (equivalent to 2.8 percent of GDP), as at the end of December 2019.

## 11. External Financing

The Net Foreign Financing amounted to a net borrowing of KSh. 80.7 billion (equivalent to 0.8 percent of the GDP) during the period ending 31<sup>st</sup> December 2019.

## 12. Net Domestic Financing

Net domestic financing amounted to a net borrowing of KSh. 170.9 billion (equivalent to 1.6 percent of GDP) in the period ending 31<sup>st</sup> December 2019.

## 13. Domestic Debt Stock

Total gross domestic debt stock increased by 15.4 percent from KSh. 2,548.8 billion as at end of December 2018 to KSh. 2,942.1 billion by the end of December 2019.

## 14. External Debt Stock

The total external debt stock, including the International Sovereign Bond, stood at US\$ 30,658.5 millions (equivalent to KSh. 3,106.8 billion) by the end of December 2019. The debt stock comprised of multilateral debt (33.4 percent), commercial debt (33.1 percent including International Sovereign Bond), bilateral debt (33 percent), and suppliers' credit debt (0.5 percent).



## RECENT ECONOMIC DEVELOPMENTS

### 1.0 RECENT ECONOMIC DEVELOPMENTS

#### 1.1 Economic Growth

1. The economy remained strong amid unfavourable weather conditions experienced during the year 2019. The economy recorded a fairly stable growth of 5.1 percent in the third quarter of 2019 compared to a growth of 6.4 percent in the corresponding quarter of 2018. Growth was mainly supported by strong performance in the services' sub-sectors such as information and communication, transportation and storage, and accommodation and restaurant (Table 1).

**Table 1: Sectoral GDP performance (%)**

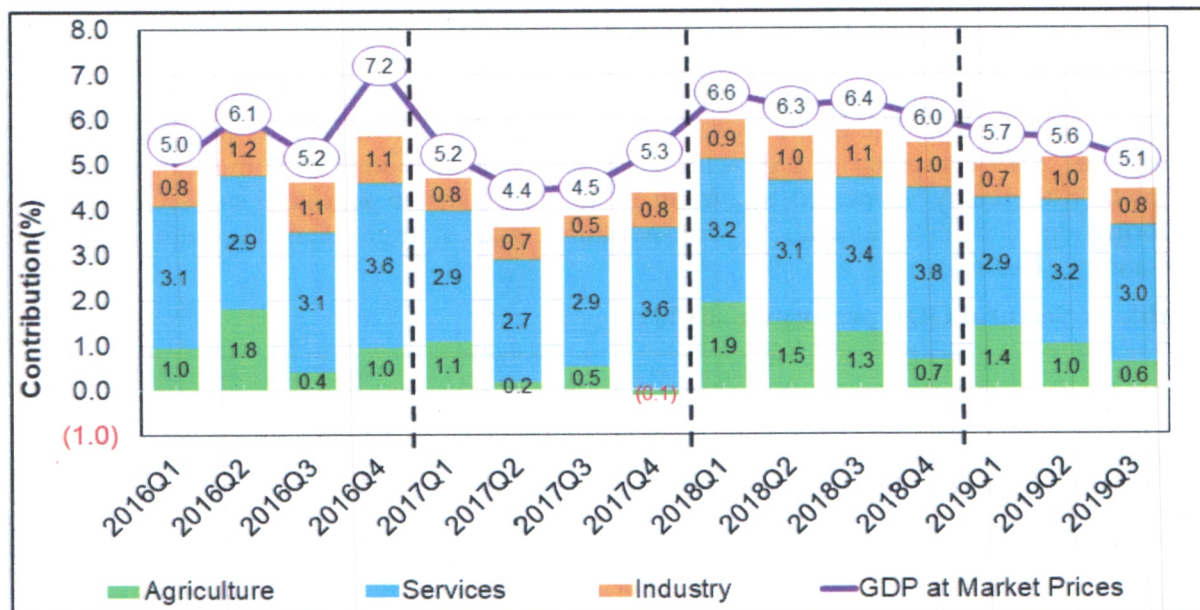
Sectors	Sector Growth									Sector Contribution to Real GDP Growth								
	2017			2018			2019			2017			2018			2019		
	Q1	Q2	Q3	Q1	Q2	Q3	Q1	Q2	Q3	Q1	Q2	Q3	Q1	Q2	Q3	Q1	Q2	Q3
<b>Primary Industry</b>	4.2	0.8	2.8	7.3	6.3	6.7	5.2	4.3	3.3	1.1	0.2	0.6	2.0	1.5	1.3	1.4	1.0	0.6
Agriculture, Forestry and Fishing	4.1	0.7	2.7	7.5	6.5	6.9	5.3	4.2	3.2	1.1	0.2	0.5	1.9	1.5	1.3	1.4	1.0	0.6
Mining and Quarrying	5.8	4.3	4.5	2.4	2.9	3.3	2.2	5.7	4.3	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.0
<b>Secondary Sector (Industry)</b>	4.3	3.8	2.5	5.0	5.5	5.8	4.3	5.3	4.5	0.8	0.7	0.5	0.9	1.0	1.1	0.7	1.0	0.8
Manufacturing	1.6	0.1	0.1	3.8	4.7	4.6	3.2	4.2	3.1	0.2	0.0	0.0	0.4	0.5	0.5	0.3	0.4	0.3
Electricity and Water supply	8.2	8.3	5.8	6.5	8.4	7.8	6.1	5.6	4.9	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.1
Construction	7.9	9.1	5.5	6.6	5.4	7.0	5.6	7.2	6.6	0.4	0.5	0.3	0.3	0.3	0.4	0.3	0.4	0.4
<b>Tertiary sector (Services)</b>	6.1	5.7	5.5	6.6	6.4	6.5	6.0	6.5	5.7	2.9	2.7	2.9	3.2	3.1	3.4	2.9	3.2	3.0
Wholesale and Retail trade	3.4	5.0	6.6	5.9	6.2	6.5	5.5	6.0	4.7	0.2	0.4	0.6	0.4	0.4	0.6	0.4	0.4	0.4
Accommodation and Restaurant	24.2	12.3	12.0	13.1	15.4	15.7	10.1	10.6	9.0	0.3	0.1	0.1	0.2	0.1	0.2	0.1	0.1	0.1
Transport and Storage	7.3	6.5	5.1	8.5	8.4	9.0	6.7	7.2	7.1	0.4	0.4	0.4	0.5	0.6	0.7	0.4	0.5	0.5
Information and Communication	13.6	11.4	10.7	12.5	11.1	9.8	10.4	11.3	8.4	0.5	0.3	0.4	0.5	0.4	0.4	0.4	0.4	0.3
Financial and Insurance	3.8	3.3	2.3	5.2	4.5	5.3	5.5	7.2	5.6	0.2	0.2	0.2	0.3	0.3	0.3	0.3	0.4	0.4
Public Administration	3.8	4.8	6.5	6.2	5.9	6.1	6.5	6.0	5.8	0.1	0.2	0.2	0.2	0.3	0.2	0.2	0.3	0.2
Others	5.4	5.5	4.9	5.3	5.3	5.0	4.8	5.4	5.0	1.1	1.1	1.0	1.0	1.1	1.1	0.9	1.1	0.0
of which Real Estate	6.4	6.3	6.1	5.3	4.6	3.8	4.2	5.4	4.9	0.5	0.5	0.5	0.4	0.4	0.3	0.3	0.4	0.4
Taxes less subsidies	4.0	6.0	4.6	5.7	5.5	5.6	5.8	4.6	4.2	0.4	0.7	0.6	0.6	0.6	0.7	0.6	0.5	0.5
<b>GDP at market price</b>	5.2	4.4	4.5	6.6	6.3	6.4	5.7	5.6	5.1	5.2	4.4	4.5	6.6	6.3	6.4	5.7	5.6	5.1
of which Non-Agriculture	5.9	5.6	4.9	6.4	6.3	6.5	5.8	6.2	5.7	3.7	3.6	3.4	4.1	4.1	4.5	3.7	4.1	4.0

Source of Data: Kenya National Bureau of Statistics

2. Agricultural sector recorded a decreased growth of 3.2 percent in the third quarter of 2019 compared to a growth of 6.9 percent in a similar quarter of 2018, as a result of delayed long rains. Consequently, the sector's contribution to GDP growth declined to 0.6 percent in the third quarter of 2019 compared to 1.3 percent in the same period in 2018 (Table 1). The sector's growth was hampered by contraction in volumes of fruits, vegetables, tea and sugarcane production occasioned by lower than expected rainfall.

3. A resilient non-agricultural sector continues to support economic growth. The sector (service and industry) remained vibrant growing by 5.7 percent in the third quarter of 2019 down from a growth of 6.5 percent in a similar quarter in 2018. The sector contributed 4.0 percent to real GDP growth in the third quarter of 2019 compared to a contribution of 4.5 percent in the same quarter of 2018 (Chart 1).

Chart 1: Sectors Contribution to Real GDP Growth.



Source of Data: Kenya National Bureau of Statistics

4. Services sector remained the main source of growth and expanded by 5.7 percent in the third quarter of 2019 compared to a growth of 6.5 percent in the same quarter of 2018. The services sector was supported by transport and storage contributing 0.5 percent to real GDP growth, financial and insurance, real estate and wholesale and retail trade each with a contribution of 0.4 percent to real GDP. Growth of activities in accommodation and restaurant (9.0 percent) and information and communication (8.4 percent) also remained vibrant. The Services sector contributed 3.0 percent to real GDP growth in the third quarter of 2019 compared to the 3.4 percentage contribution in the same quarter of 2018 (Chart 1).

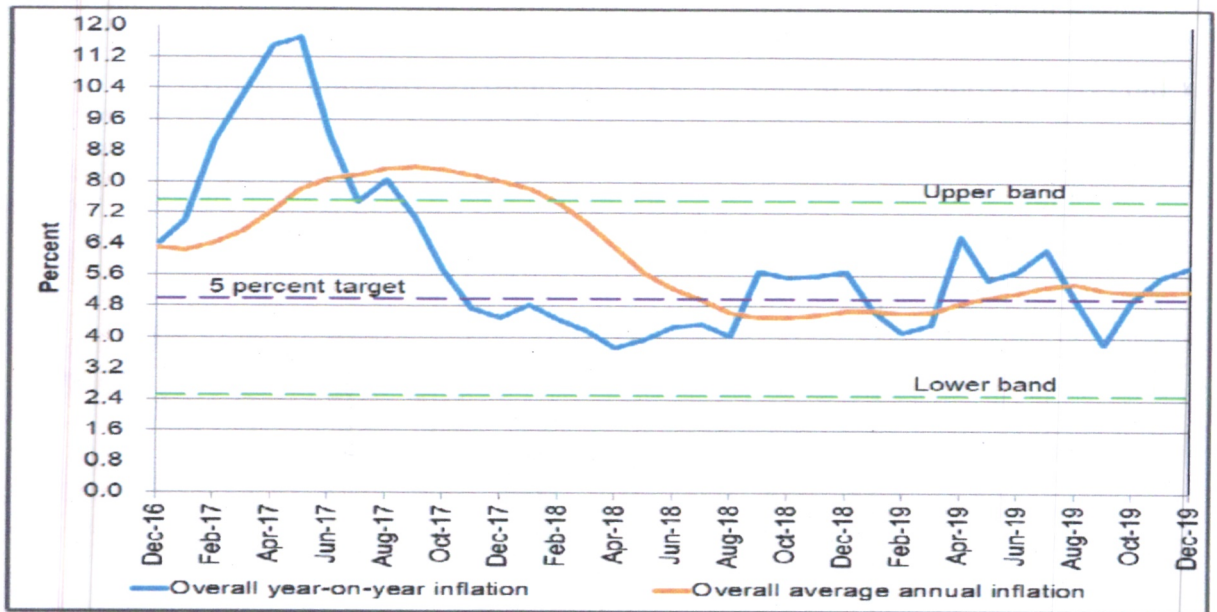
5. The performance of industry slowed down to 4.5 percent in the third quarter of 2019 compared to 5.8 percent in the same quarter in 2018 following subdued activities in the manufacturing, electricity and water supply and construction sub-sectors occasioned by delayed rainfall that affected agro-processing activities and electricity generation (Table 1). The sector accounted for 0.8 percentage points of growth in the third quarter of 2019, largely driven by construction and manufacturing sub-sectors with a contribution of 0.4 and 0.3 percentage points respectively (Chart 1).

1.2 Inflation

6. Year-on-year overall inflation remained low, stable and within the Government target range of 5+/-2.5 percent at 5.8 percent in December 2019 up from 5.7 percent in December 2018 due to higher food inflation. Similarly, overall annual average inflation remained within the Government target range at 5.2 percent in December 2019 compared to the 4.7 percent to the same month in 2018 (Chart 2a).

## RECENT ECONOMIC DEVELOPMENTS

**Chart 2a: Year on Year Inflation Rate**

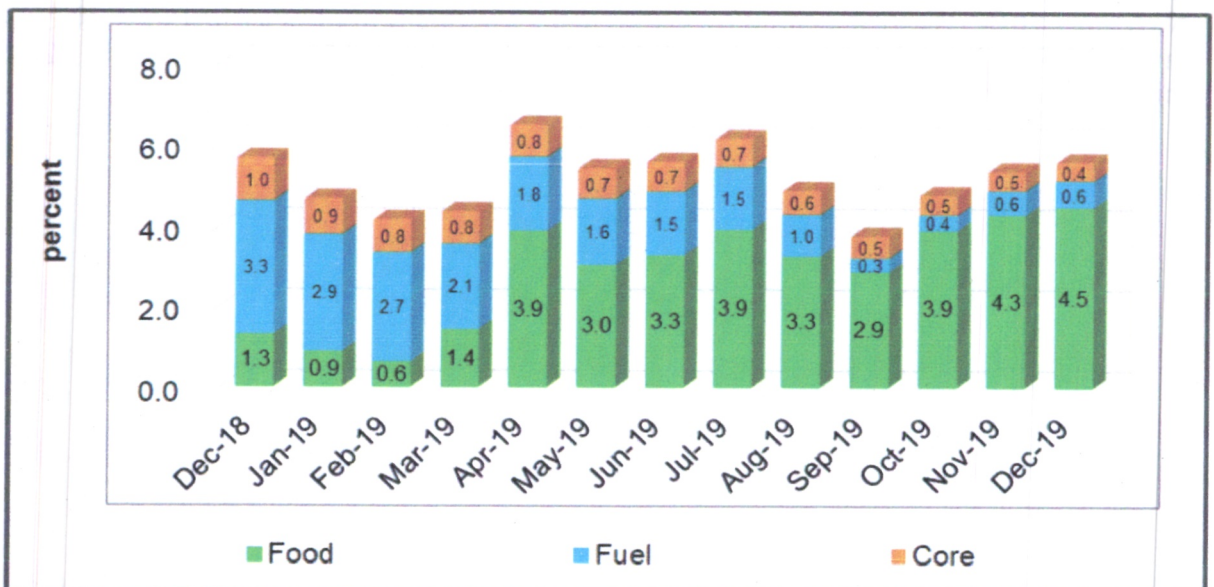


Source of Data: Kenya National Bureau of Statistics

7. The delay in the onset of rains resulted in lower agricultural activities and raised food inflation from 2.6 percent in December 2018 to 9.3 percent in December 2019 on account of rising prices of key food items such as spinach, kale, tomatoes, onions and sugarcane.

8. Core inflation (Non-Food-Non-Fuel) remained below 5.0 percent, with a low and stable contribution to overall inflation, reflecting muted demand pressures in the economy on account of prudent monetary policies. The contribution of fuel to overall inflation declined from 3.3 percent in December 2018 to 0.6 percent in December 2019 on account of declining energy prices. The major driver of overall inflation from April 2019 has therefore, been food inflation (Chart 2b)

**Chart 2b: Contribution to Overall Inflation**

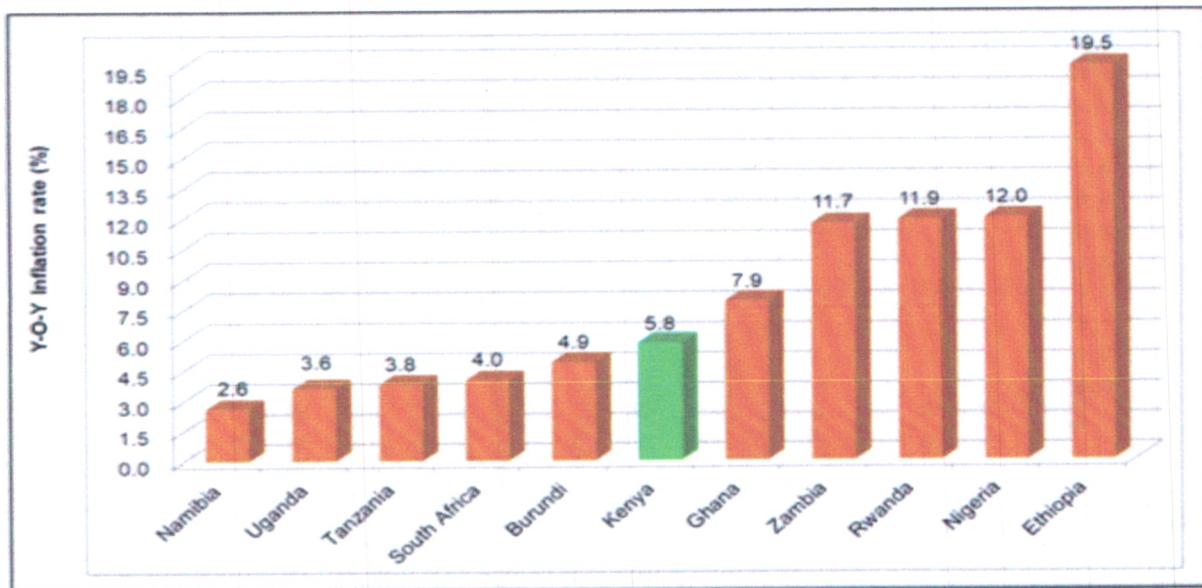


Source of Data: Kenya National Bureau of Statistics

## RECENT ECONOMIC DEVELOPMENTS

9. Kenya's rate of inflation compares favorably with the rest of Sub-Saharan Africa countries. In December 2019, Kenya recorded a lower inflation than Ghana, Zambia, Rwanda, Nigeria and Ethiopia (**Chart 2c**).

**Chart 2c: Inflation Rates in selected African Countries (December 2019)**



Source of Data: National Central Banks

### 1.3 Balance of Payments

10. The overall balance of payments position improved to a deficit of US\$ 1,049.9 million (1.1 percent of GDP) in the year to November 2019 from a deficit of US\$ 1,068.7 million (1.2 percent of GDP) in the year to November 2018 (**Table 2 and Chart 3**). The improvement in the overall balance was due to an improvement in the current account.

11. The capital account declined by US\$ 47.2 million to US\$ 214.7 million in the year to November 2019, reflecting a decline in project grants. Similarly, the financial account deteriorated to US\$ 6,639.9 million in November 2019 compared to US\$ 6,026.4 million in November 2018. The financial inflows were mainly in the form of other investments, direct investments and portfolio investments which stood at US\$ 4,153.9 million, US\$ 1,209.1 million and US\$ 1,286.3 million, respectively in November 2019.

## RECENT ECONOMIC DEVELOPMENTS

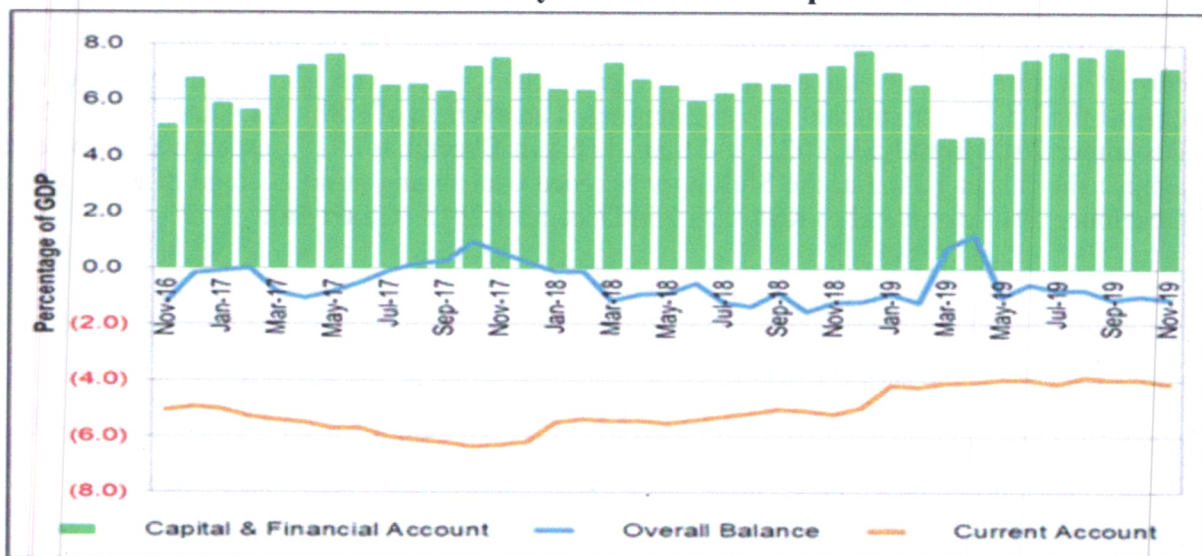
**Table 2: Balance of Payments (US\$ Million)**

						Year to November 2019		Nov-18	Nov-19
	Nov-18	Mar-19	Jun-19	Sep-19	Nov-19	absolute change	Percent Change	Percent of GDP	
<b>Overall Balance</b>	<b>(1,068.7)</b>	<b>721.0</b>	<b>(544.7)</b>	<b>(1,061.7)</b>	<b>(1,049.9)</b>	<b>18.8</b>	<b>(1.8)</b>	<b>(1.2)</b>	<b>(1.1)</b>
<b>Current Account</b>	<b>(4,512.6)</b>	<b>(3,984.3)</b>	<b>(3,827.8)</b>	<b>(3,750.8)</b>	<b>(3,931.3)</b>	<b>581.2</b>	<b>(12.9)</b>	<b>(5.2)</b>	<b>(4.1)</b>
Merchandise Account (a-b)	(10,349.2)	(10,172.3)	(10,110.5)	(9,896.2)	(9,987.9)	361.3	(3.5)	(11.9)	(10.4)
a) Goods: exports	6,152.7	6,075.7	5,949.3	5,866.0	5,911.8	240.9	(3.9)	7.1	6.2
b) Goods: imports	16,501.9	16,248.1	16,059.8	15,762.2	15,899.7	602.3	(3.6)	19.0	16.6
Net Services (c-d)	1,620.0	1,897.8	1,892.4	1,823.9	1,767.6	147.6	9.1	1.9	1.8
c) Services: credit	5,377.1	5,677.2	5,704.3	5,598.9	5,520.2	143.1	2.7	6.2	5.8
d) Services: debit	3,757.1	3,779.4	3,812.0	3,775.0	3,752.6	4.5	(0.1)	4.3	3.9
Net Primary Income (e-f)	(792.4)	(890.8)	(855.5)	(943.5)	(997.1)	204.7	25.8	(0.9)	(1.0)
e) Primary income: credit	708.2	744.1	745.6	749.6	750.7	42.5	6.0	0.8	0.8
f) Primary income: debit	1,500.6	1,634.9	1,601.2	1,693.1	1,747.8	247.2	16.5	1.7	1.8
Net Secondary Income	5,009.1	5,181.0	5,245.8	5,265.1	5,286.1	277.0	5.5	5.8	5.5
g) Secondary income: credit	5,058.9	5,228.5	5,288.6	5,304.7	5,325.1	266.2	5.3	5.8	5.6
h) Secondary income: debit	49.8	47.4	42.8	39.7	39.0	10.8	(21.6)	0.1	0.0
Capital Account	261.9	222.2	214.9	211.2	214.7	47.2	(18.0)	0.3	0.2
Financial Account	(6,026.4)	(4,361.2)	(6,979.0)	(7,252.5)	(6,639.9)	613.5	10.2	(6.9)	(6.9)

Source of Data: Central Bank of Kenya

12. The current account balance narrowed by 12.9 percent to a deficit of US\$ 3,931.3 million (4.1 percent of GDP) in the year to November 2019 compared to a deficit of US\$ 4,512.6 million (5.2 percent of GDP) in the year to November 2018. This was due to narrowing of the merchandise account deficit as well as increase in net services and secondary incomes. The balance in the merchandise account narrowed by US\$ 361.3 million to US\$ 9,987.9 million in the year to November 2019 on account of increase in exports particularly coffee and cut flowers and lower imports of SGR-related equipment. Net services recorded an improvement of 9.1 percent over the same period mainly on account of higher receipts from tourism subsector. The current account deficit is estimated to have narrowed to 4.5 percent of GDP by end of 2020 (Table 2).

**Chart 3: Performance of Balance of Payments and its Components**



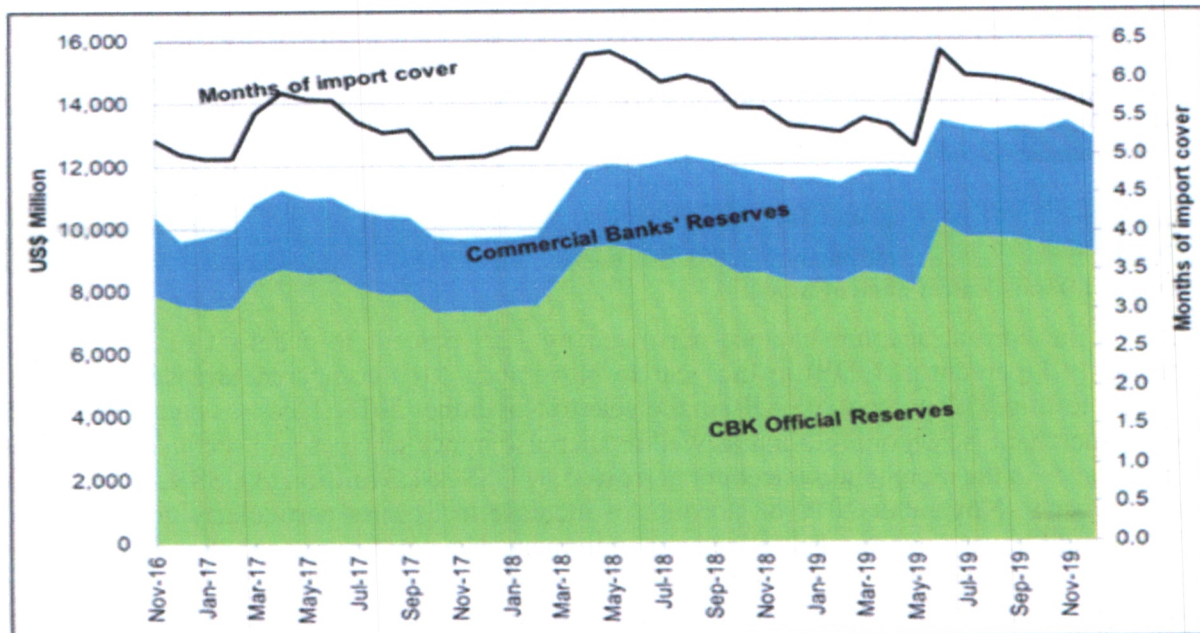
Source of Data: Central Bank of Kenya

## RECENT ECONOMIC DEVELOPMENTS

### 1.4 Foreign Exchange Reserves

13. The banking system's foreign exchange holding remained strong at US\$ 12,873.5 million in November 2019 from US\$ 11,531.1 million in November 2018. The official foreign exchange reserves held by the Central Bank improved to US\$ 9,174.5 million (5.6 months of import cover) in November 2019 compared with US\$ 8,280.7 million (5.4 months of import cover) in November 2018. This fulfils the statutory requirement to maintain reserves at a minimum of 4.0 months of imports cover, and the EAC's convergence criteria of 4.5 months of imports cover and thus provide an adequate buffer against short term shocks in the foreign exchange market. Commercial banks holdings stood at US\$ 3,698.9 million in November 2019 up from US\$ 3,250.4 million in November 2018 (**Chart 4**).

**Chart 4: Official Foreign Reserves**



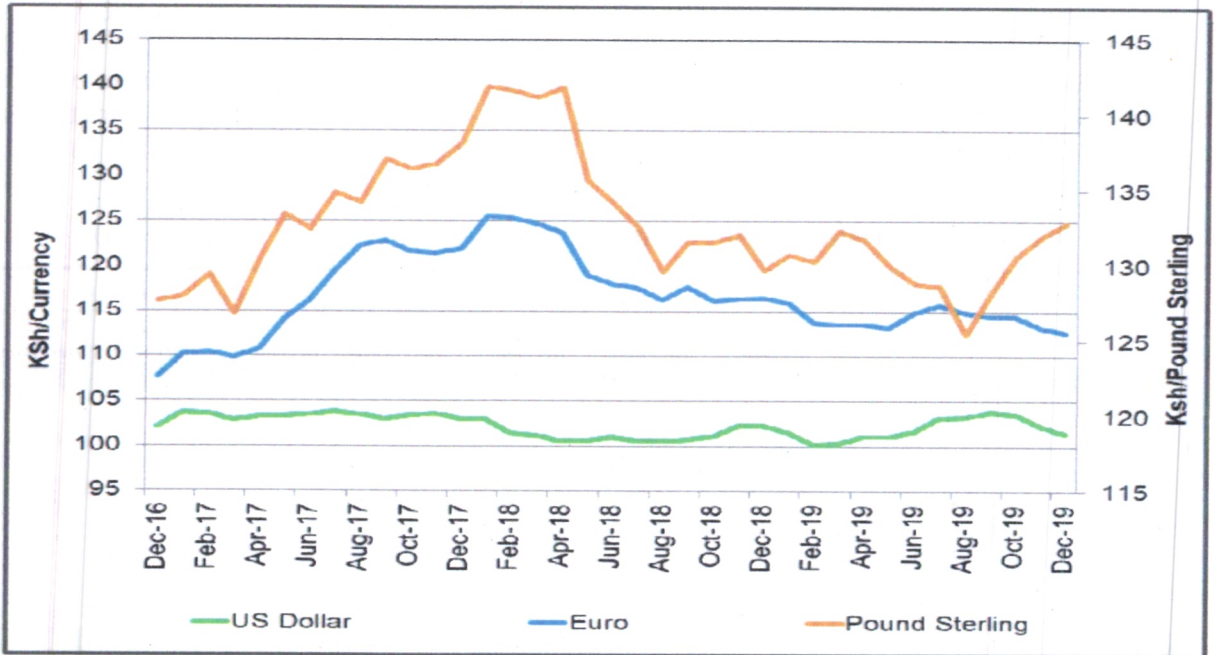
Source of Data: Central Bank of Kenya

### 1.5 Exchange Rates

14. The Kenya Shilling remained competitive supported by continued narrowing of the current account deficit and adequate foreign exchange reserves. The Shilling appreciated against the US Dollar and the Euro exchanging at an average of KSh. 101.4 and KSh. 112.7 in December 2019 from KSh. 102.3 and KSh. 116.4 in December 2018, respectively. However, against the Sterling Pound, the Shilling weakened exchanging at an average of KSh. 133 in December 2019 compared to KSh. 129.7 in December 2018 (**Chart 5a**).

## RECENT ECONOMIC DEVELOPMENTS

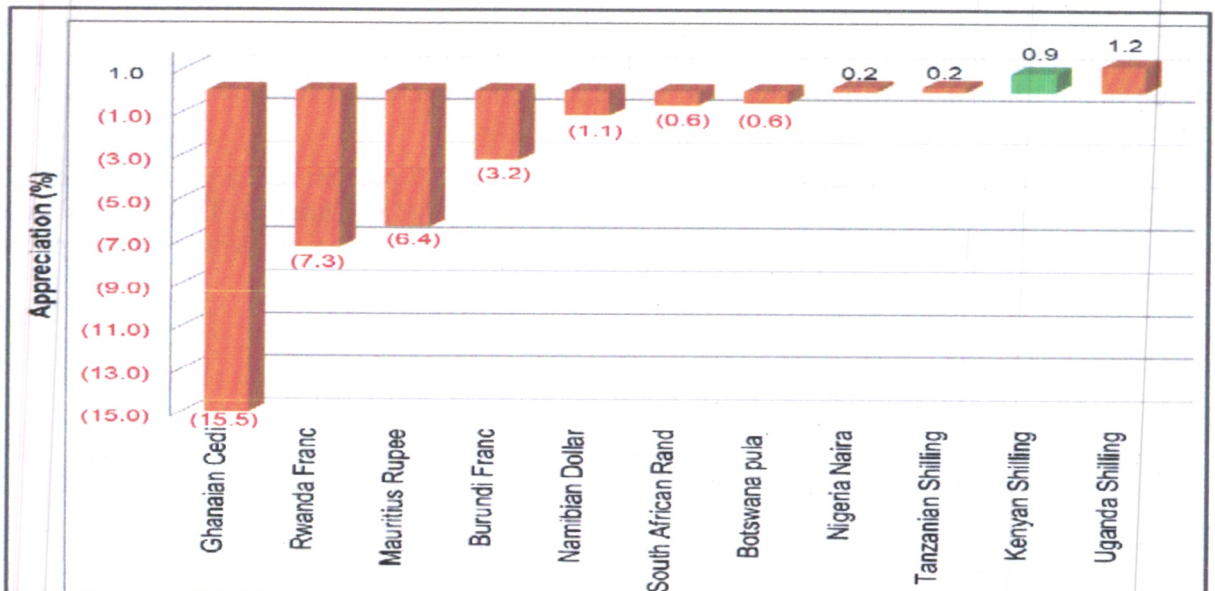
**Chart 5a: Kenya Shilling Exchange Rate**



Source of Data: Central Bank of Kenya

15. The Kenya Shilling has remained relatively stable, compared to most sub-Saharan Africa currencies (**Chart 5b**). In the year to December 2019, the Shilling strengthened by 0.9 percent against US Dollar, when most currencies such as Ghanaian Cedi, Rwanda Franc, Mauritius Rupee among others were depreciating. The low volatility is attributed to resilient performance in exports particularly coffee and cut flowers, strong diaspora remittances, improved receipts from services such as tourism and lower imports of food and SGR-related equipment.

**Chart 5b: Performance of Selected Currencies Against the US Dollar (December 2018 to December 2019)**



Source of Data: National Central Banks

## RECENT ECONOMIC DEVELOPMENTS

### 1.6 Money and Credit

16. Growth in broad money supply, M3, slowed down to 5.6 percent in the year to December 2019 compared to a growth of 10.1 percent in the year to December 2018 (**Table 3**). This was due to the decline in the growth of both net foreign assets (NFA) and net domestic assets (NDA). Despite the slowdown, growth in M3 was supported by an improvement in the growth of demand deposits despite a decline in the time and savings deposits, foreign currency deposits, and currency outside banks.

**Table 3: Money and Credit Developments (12 Months to December KSh. billion)**

	2017 December	2018 December	2019 December	Absolute Change		Percent Change	
				2017-2018 December	2018-2019 December	2017-2018 December	2018-2019 December
<b>COMPONENTS OF M3</b>							
1. Money supply, M1 (1.1+1.2+1.3)	1,385.9	1,477.5	1,525.2	91.6	47.7	6.6	3.2
1.1 currency outside banks	225.4	230.3	198.6	4.9	31.7	2.2	(13.8)
1.2 Demand deposits	1,119.1	1,175.5	1,238.4	56.4	62.9	5.0	5.4
1.3 Other deposits at CBK	41.4	71.7	88.2	30.3	16.5	73.2	23.1
2. Money supply, M2 (1+2.1)	2,551.8	2,756.0	2,904.4	204.2	148.4	8.0	5.4
2.1 Time and savings deposits	1,165.9	1,278.4	1,379.1	112.6	100.7	9.7	7.9
Money supply, M3 (2+3.1)	3,030.6	3,337.8	3,524.0	307.2	186.2	10.1	5.6
3.1 Foreign currency deposits	478.8	581.9	619.7	103.0	37.8	21.5	6.5
<b>SOURCES OF M3</b>							
1. Net foreign assets (1.1+1.2)	516.3	714.1	804.5	197.8	90.4	38.3	12.7
1.1 Central Bank	627.1	739.5	833.3	112.4	93.8	17.9	12.7
1.2 Banking Institutions	(110.8)	(25.4)	(28.8)	85.4	3.5	(77.1)	13.6
2. Net domestic assets (2.1+2.2)	2,514.3	2,623.7	2,719.6	109.4	95.8	4.4	3.7
2.1 Domestic credit (2.1.1+2.1.2+2.1.3)	3,232.6	3,381.1	3,628.1	148.5	247.0	4.6	7.3
2.1.1 Government (net)	755.7	858.2	941.2	102.5	83.1	13.6	9.7
2.1.2 Other public sector	112.4	100.9	92.3	11.4	8.7	(10.2)	(8.6)
2.1.3 Private sector	2,364.5	2,422.0	2,594.6	57.5	172.6	2.4	7.1
2.2 Other assets net	(718.2)	(757.3)	(908.5)	39.1	151.2	5.4	20.0

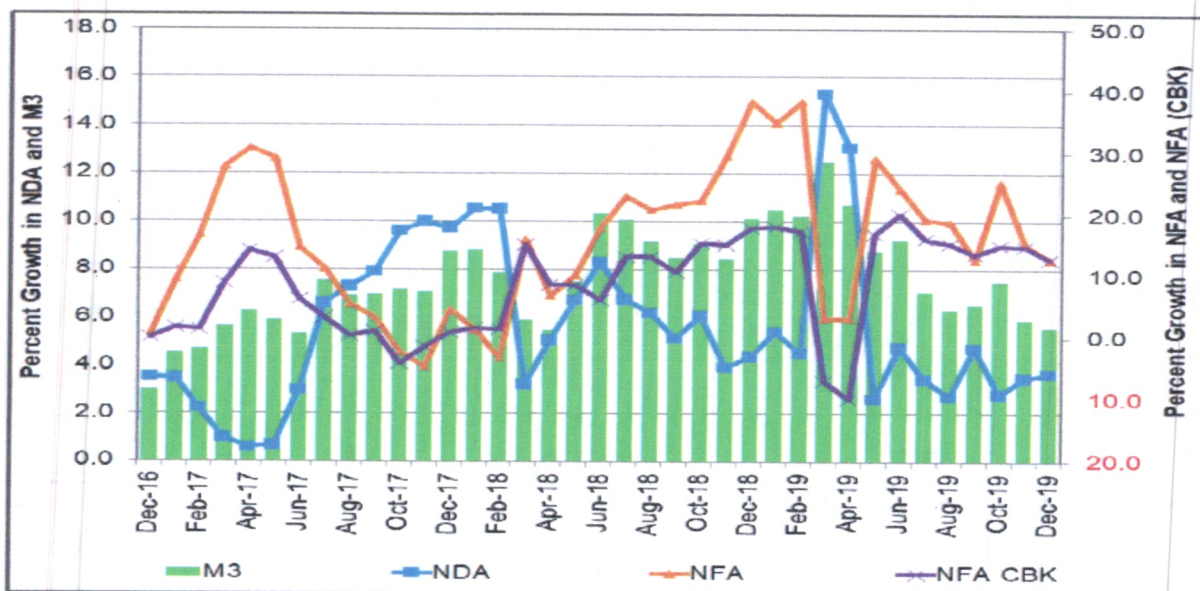
Source of Data: Central Bank of Kenya

17. NFA of the banking system in the year to December 2019 grew by 12.7 percent, compared to a growth of 38.3 percent in the year to December 2018. The decline in NFA of the Central Bank partly reflected declined foreign currency deposits by the Central Bank. On the other hand, increase in NFA of commercial banks, partly reflected increase in growth of their deposit holdings with non-resident banks alongside decreased foreign currency deposits accumulation.

18. Meanwhile, NDA declined to register a growth of 3.7 percent in the year to December 2019 from a growth of 4.4 percent over a similar period in 2018 (**Chart 6**). This is largely due to a decline in net credit flows to the government. However, net credit flows to other public sector and the private sector increased during the review period.



Chart 6: Growth in Money Supply and Its Sources



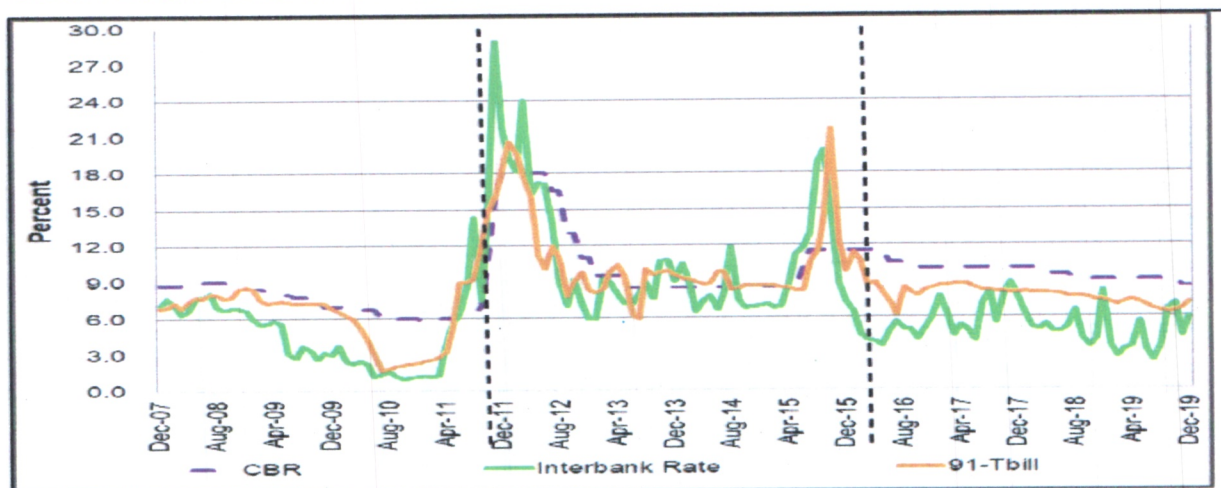
Source of Data: Central Bank of Kenya

19. Annual credit to the private sector grew by 7.1 percent in the year to December 2019, compared to a growth of 2.4 percent in the year to December 2018. In particular, credit to consumer durables, manufacturing, trade and transport & communication sectors registered strong growths of 26.0 percent, 9.2 percent, 8.9 percent and 8.1 percent, respectively. This offset the substantial loan repayments recorded in the mining and construction sectors in the year to December 2019. Private sector credit growth is expected to strengthen in 2020 due to the repeal of interest rate cap.

### 1.7 Interest Rates

20. Short-term interest rates remained fairly low and stable. The Central Bank Rate was reduced to 8.5 percent on 25<sup>th</sup> November 2019 from 9.0 percent in August 2018 to support economic activity. The interbank rate declined to 5.9 percent in December 2019 from 8.2 percent in December 2018 due to enhanced liquidity in the money market. The 91-day Treasury Bills rate declined to 7.2 percent in December 2019 compared to 7.3 percent in December 2018 (Chart 7).

Chart 7: Short-Term Interest Rate



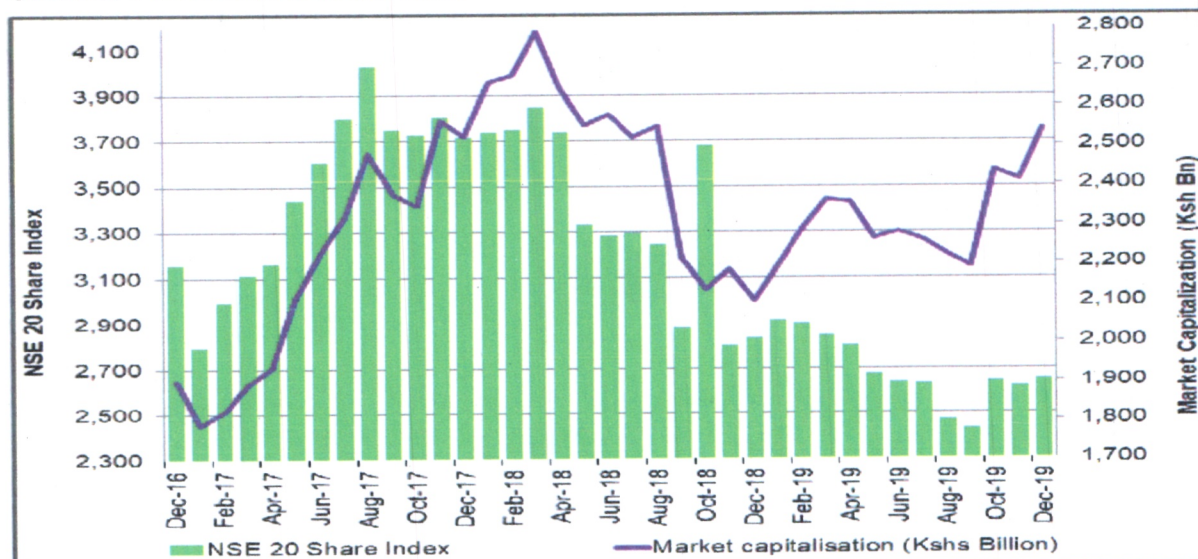
Source of Data: Central Bank of Kenya

21. The interest rates for the other government securities have been declining indicating that the implementation of government domestic borrowing program supported market stability. Over the same period therefore, the 182-day Treasury Bills rate declined to 8.2 percent from 8.4 percent while 364-day increased to 9.8 percent from 9.7 percent. The lending rate is expected to be determined by the market forces following the repeal of the lending interest rate capping through the Finance Act 2019.

1.8 Nairobi Security Exchange

22. Activity in the capital markets slowed down in December 2019 compared to December 2018, with equity share prices declining as shown by the NSE 20 Share Index. The NSE 20 Share Index was 2,654.4 points by end of December, 2019 compared to 2,834.8 points by end December, 2018. However, the market capitalization improved from KSh. 2,102 billion to KSh. 2,540 billion over the same period (Chart 8).

Chart 8: Performance at the NSE



Source of Data: Nairobi Securities Exchange

## FISCAL DEVELOPMENTS

### 2.0 FISCAL DEVELOPMENTS

#### 2.1 Revenue

23. By the end of December 2019, total revenue collected including A-I-A amounted to KSh. 930.4 billion against a target of KSh. 1,059.3 billion (Table 4). The revenue was below target by KSh. 128.9 billion mainly due to underperformance of all major tax heads and A-I-A. Ordinary revenue collection was KSh. 857.9 billion against a target of KSh. 946.2 billion, KSh. 88.4 billion below the target (Chart 9). The A-I-A collected was below target by KSh. 40.5 billion during the period under review. The underperformance of A-I-A was mainly due to non-inclusion of A.I.A from some SAGAs in the Ministerial expenditure returns for the period under review. The Railway Development Levy collection amounted to KSh. 11.6 billion against a target of KSh. 14 billion. Compared to the last FY, total revenue collection grew by 17.1 percent. The revenue data in Government Finance Statistics Manual 2014 (GFSM 2014) format is shown in annex II.

**Table 4: Government Revenue and External Grants, Period Ending 31<sup>st</sup> December, 2019 (KSh. Millions)**

	2018/2019 Actual	2019/2020		Deviation Ksh	Deviation in percentage
		Actual	Target		
<b>Total Revenue (a+b)</b>	<b>794,653</b>	<b>930,374</b>	<b>1,059,304</b>	<b>(128,929)</b>	<b>(12.17)</b>
<b>(a) Ordinary Revenue</b>	<b>722,283</b>	<b>857,862</b>	<b>946,244</b>	<b>(88,382)</b>	<b>(9.34)</b>
Input Duty	51,701	51,551	63,360	(11,809)	(18.64)
Excise Duty	91,723	103,377	127,893	(24,516)	(19.17)
PAYE	180,367	205,266	218,024	(12,759)	(5.85)
Other Income Tax	145,176	162,163	175,329	(13,166)	(7.51)
VAT Local	109,418	119,887	121,221	(1,334)	(1.10)
VAT Imports	84,433	91,657	103,371	(11,714)	(11.33)
Investment Revenue	24,404	86,665	95,710	(9,045)	-
Traffic Revenue	1,880	1,957	2,187	(230)	(10.50)
Taxes on Intl. Trade & Trans.(IDF Fee)	11,507	13,730	15,596	(1,866)	(11.97)
Others <sup>1</sup>	21,674	21,609	23,553	(1,943)	(8.25)
<b>(b) Appropriation In Aid<sup>2</sup></b>	<b>72,370</b>	<b>72,512</b>	<b>113,060</b>	<b>(40,548)</b>	<b>(35.86)</b>
o/w Railway Development Levy	10,548	11,634	13,979	(2,345)	(16.77)
<b>(c) External Grants</b>	<b>8,829</b>	<b>10,147</b>	<b>16,512</b>	<b>(6,365)</b>	<b>(38.55)</b>
<b>Total Revenue and External Grants</b>	<b>803,482</b>	<b>940,522</b>	<b>1,075,816</b>	<b>(135,294)</b>	<b>(12.58)</b>
<b>Total Revenue and External Grants as a percentage of GDP</b>	<b>8.59</b>	<b>9.06</b>	<b>10.36</b>		-

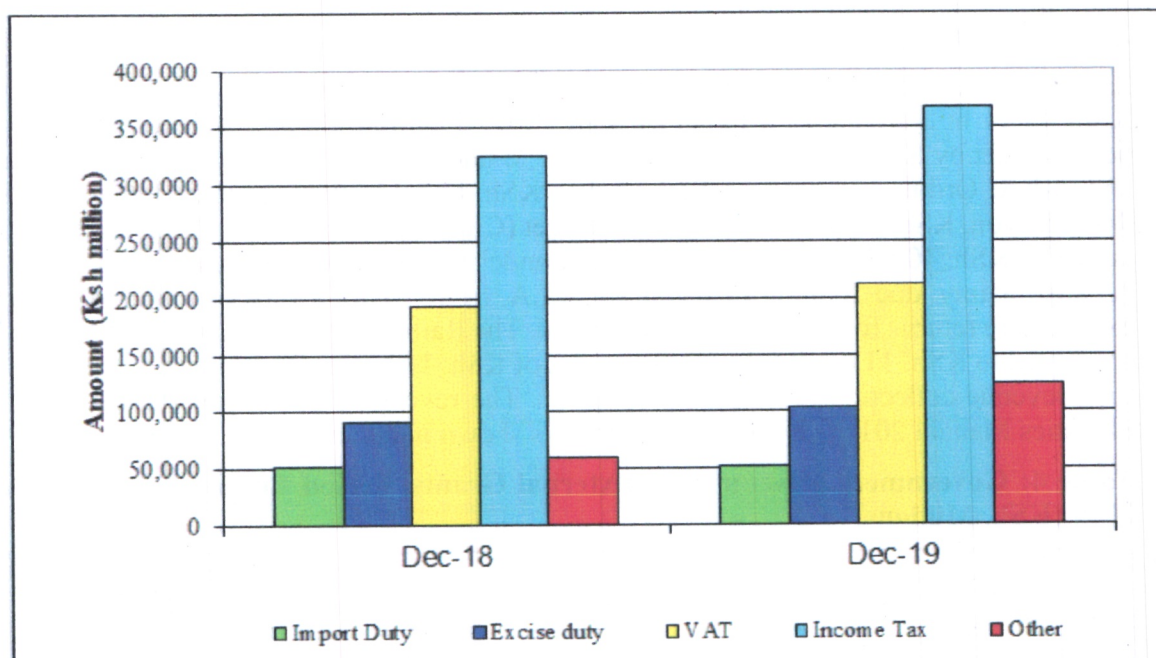
<sup>1/</sup> includes rent on land/buildings, fines and forfeitures, other taxes, loan interest receipts reimbursements and other fund contributions, fees, and miscellaneous revenue.

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

Source: National Treasury

24. As a proportion of GDP, the total revenue and grants in the period under review was 9.1 percent compared to 8.6 percent in the corresponding period in the FY 2018/19. External grants amounted to KSh. 10.1 billion against a target of KSh. 16.5 billion, which is an under performance of KSh. 6.4 billion.

**Chart 9: Ordinary Revenue by Source, Period Ending 31<sup>st</sup> December, 2019**



Source: National Treasury

## 2.2 Expenditure

25. The total expenditure and net lending for the period under review amounted to KSh. 1,218.1 billion, against a target of KSh. 1,309.5 billion. The shortfall of KSh. 91.4 billion is attributed mainly to lower absorption recorded in development expenditures by the National Government. Recurrent expenditure for National Government amounted to KSh. 806.1 billion (excluding KSh. 21.6 billion for Parliament and Judiciary), against a target of KSh. 772.2 billion leading to an over expenditure of KSh. 33.9 billion. The over expenditure in recurrent category was mainly due to above target expenditure on operation and maintenance (Table 5 and Chart 10).

## FISCAL DEVELOPMENTS

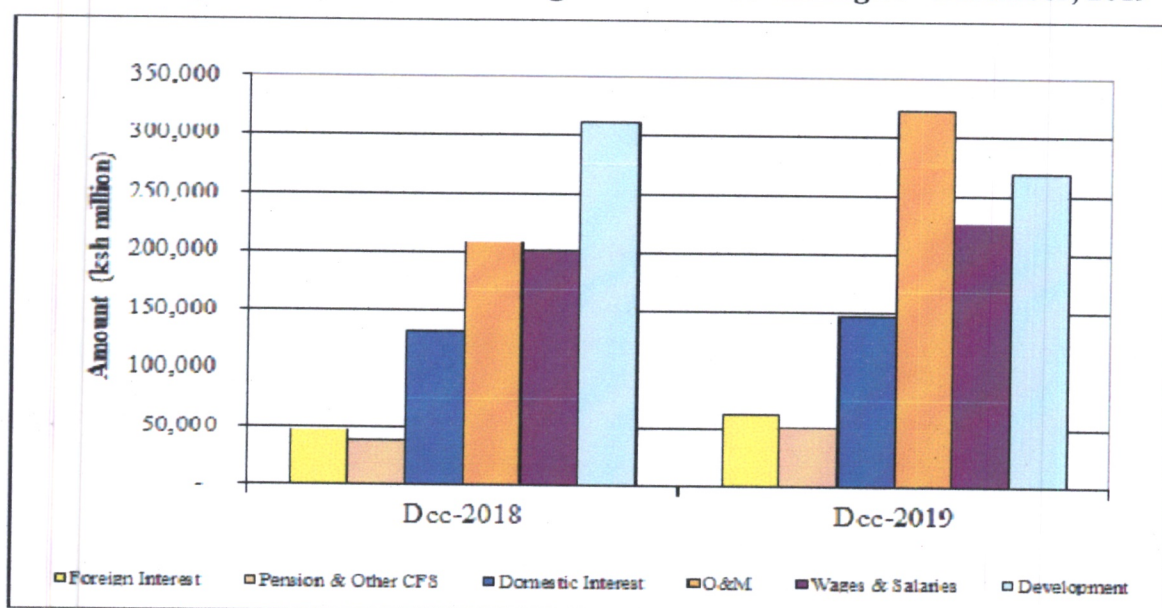
**Table 5: Expenditure and Net Lending, Period Ending 31<sup>st</sup> December, 2019 (KSh. Millions)**

	2018/2019 Actual	2019/2020		Deviation	% Growth
		Actual	Targets		
<b>1. RECURRENT</b>	<b>625,485</b>	<b>806,098</b>	<b>772,190</b>	<b>33,908</b>	<b>28.9</b>
Domestic Interest	131,525	147,164	147,189	(25)	11.9
Foreign Interest	46,099	61,512	64,900	(3,389)	33.4
Pensions & Other CFS	38,172	50,197	53,850	(3,653)	31.5
Wages and Salaries	201,616	225,709	230,040	(4,331)	12.0
Operation and Maintenance	208,073	321,516	276,210	45,306	54.5
O/W: Appropriation-in-Aid	40,419	46,051	73,655	(27,605)	13.9
<b>2. DEVELOPMENT</b>	<b>311,882</b>	<b>268,145</b>	<b>348,772</b>	<b>(80,627)</b>	<b>(14.0)</b>
Development Projects (Net)	140,710	130,619	175,784	(45,165)	(7.2)
Payment of Guaranteed Loans	963	330	1,081	(751)	(65.7)
Appropriation-in-Aid	167,263	137,196	169,559	(32,363)	(18.0)
3. County Governments	119,674	122,209	162,500	(40,291)	2.1
4. Parliamentary Service	13,250	15,600	18,527	(2,927)	17.7
5. Judicial Service	5,170	6,048	7,516	(1,467)	
6. Equalization Fund	2,946	-	2,348	(2,348)	(100.0)
7. CF	-	-	-	-	-
<b>TOTAL EXPENDITURE</b>	<b>1,075,461</b>	<b>1,218,101</b>	<b>1,309,504</b>	<b>(91,404)</b>	<b>13.3</b>

Source: National Treasury

26. Foreign interest payments amounted to KSh. 61.5 billion, an increase compared to KSh. 46.1 billion over the same period in the FY2018/19. The domestic interest payments totalled to KSh. 147.2 billion, which was higher than the KSh. 131.5 billion paid in the corresponding period in the previous financial year. The expenditure data in GFSM 2014 format is shown in annexes III and IV.

**Chart 10: Expenditure and Net Lending for the Period Ending 31<sup>st</sup> December, 2019**



Source: National Treasury

### 2.2.1 National Government Expenditures by Public Agencies

27. The total ministerial and other public agencies expenditure including A.I.A was KSh. 841.2 billion against a target of KSh. 1,003.5 billion. Recurrent expenditure was KSh. 573.8 billion against a target of KSh. 612.1 billion, while development expenditure amounted to KSh. 267.4 billion against a target of KSh. 391.3 billion. The percentage of total expenditures to the target was 83.8 percent while the percentage of total expenditures to the target for recurrent and development were 93.7 percent and 68.3 percent respectively, as at the end of the period under review. The discrepancy between actual and target expenditures was partly due to the non-capture of the parastatals and other government entities expenditures hence under reporting by Ministries/government agencies. These ministerial expenditures are therefore, provisional.

28. As at the period ending 31<sup>st</sup> December, 2019, recurrent expenditures by the State department for Early Learning and Basic Education, State department for University Education; Teachers Service Commission; State department for Vocational and Technical Training and the Ministry of Health (Social Sector) accounted for 47.6 percent of total recurrent expenditure. In addition, the State Department for Interior and the Ministry of Defence accounted for 10 percent and 9.4 percent of total recurrent expenditure respectively.

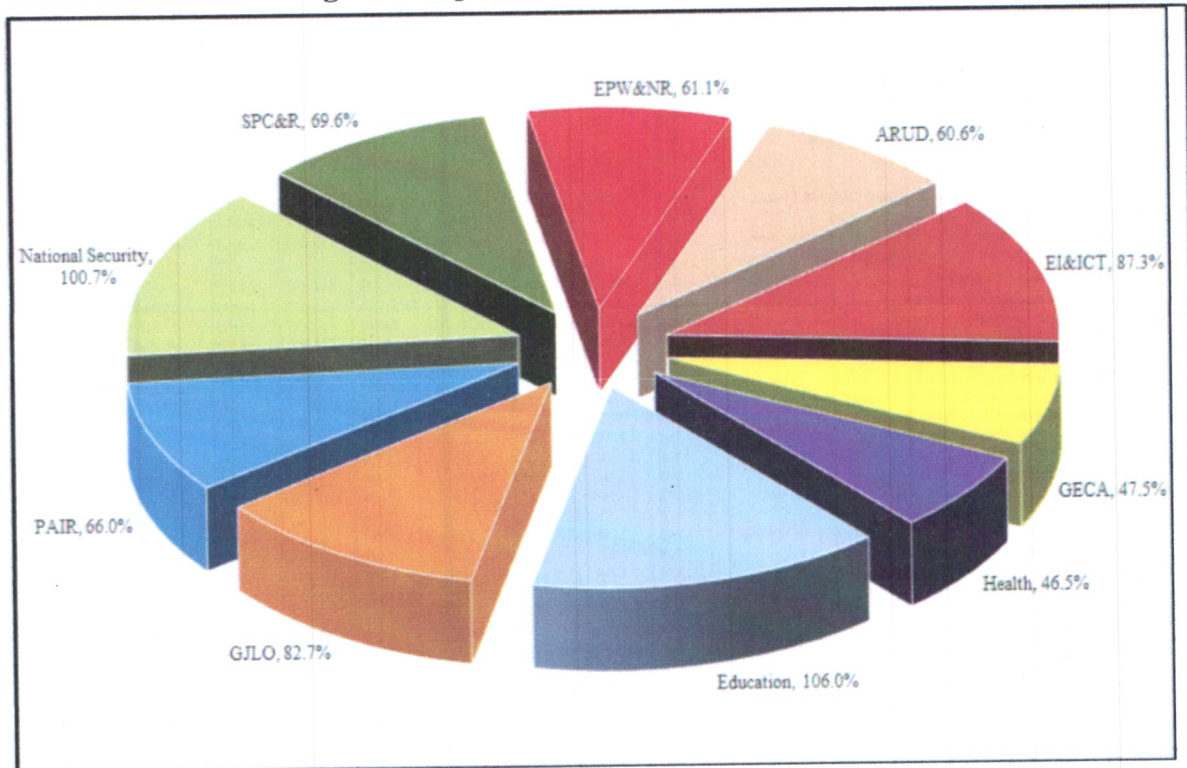
29. Analysis of development outlay indicates that the State Department for Transport accounted for the largest share of the total development expenditure (23.7 percent), followed by the State Department for Infrastructure (19.3 percent), State Department for Energy (11.9 percent), Ministry of water and Sanitation (7 percent), and the State Department for Housing and Urban Development (4.2 percent). Except State Department of Transport, the other large Ministries/State Departments were below target because of non-inclusion of expenditure from the sub National and some donor funded projects. **Table 6** shows the recurrent and development expenditures by State Departments, Ministries and Commissions for the period under review.



## FISCAL DEVELOPMENTS

30. During the period under review, the Education Sector recorded the highest absorption of 106 percent of its budget, followed by National Security Sector with 100.7 percent. The Health sector recorded the lowest absorption of 46.5 percent (**Chart 11**).

**Chart 11: Sectoral Budget Absorption as at 31<sup>st</sup> December, 2019**



Data Source: National Treasury

### 2.2.2 Pending Bills

31. The total outstanding pending bills as at 31<sup>st</sup> December 2019 amounted to KSh. 89.9 billion. This comprised of KSh. 43.9 billion and KSh. 46 billion historical and FY2018/19 pending bills respectively. The pending bills have declined compared to first quarter of FY2019/20 due to payments in line with Government Policy on pending bills. The Government has maintained clearance of pending bills as a priority. All MDAs, therefore, are expected to continue to settle pending bills as a first charge in the current financial year in line with the Treasury Circular No. 7/2019.

### 2.2.3 Guaranteed Loans to Parastatals

32. Cumulative principal and interest payments of guaranteed loans to parastatals with liquidity problems amounted to KSh. 329.7 million against a payment target of KSh. 316.2 million (**Table 7**) in the period ending 31<sup>st</sup> December, 2019. This is equal to the payments made in the first quarter because there were no guaranteed loans falling due during the second quarter.



## FISCAL DEVELOPMENTS

**Table 7: Schedule and Actual Payments on Guaranteed Debt for the Period Ending 31<sup>st</sup> December, 2019 (KSh. Millions)**

Borrower	Quarter I		Quarter II		Cumm. December 2019*	
	Projected	Actual	Projected	Actual	Projected	Actual
EAPC	175.23	182.70	-	-	175.23	182.70
TARDA	140.99	147.01	-	-	140.99	147.01
<b>TOTAL (QTR)</b>	<b>316.22</b>	<b>329.71</b>	<b>-</b>	<b>-</b>	<b>316.22</b>	<b>329.71</b>

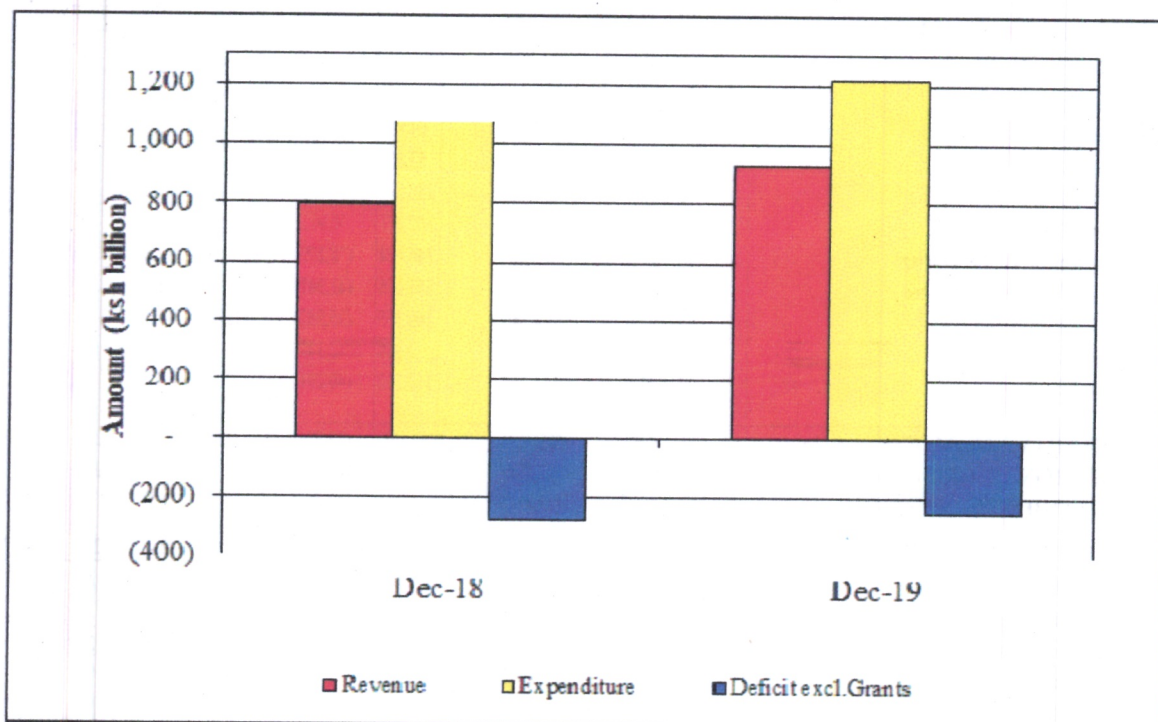
\* Provisional

Source: National Treasury

### 2.3 Fiscal Outturn

33. Between 1<sup>st</sup> July, 2019 and 31<sup>st</sup> December, 2019, the fiscal balance (on commitment basis and excluding grants) amounted to KSh. 287.7 billion (equivalent to 2.8 percent of GDP) against a targeted deficit of KSh. 250.2 billion (equivalent to 2.4 percent of GDP) (**Chart 12 and Table 8**). The fiscal balance (including grants and on a commitment basis) stood at 2.7 percent of GDP against a targeted deficit of 2.3 percent of GDP.

**Chart 12: Fiscal Balance as at 31<sup>st</sup> December 2019**



Source: National Treasury

34. Over the same period in FY2018/19, the fiscal deficit including grants (on commitment basis) stood at KSh. 272 billion (equivalent to 2.9 percent of GDP). The fiscal outturn in the last six financial years, and the printed budget, the revised budget as per the 2019 BROP and the first supplementary budget for the FY 2019/20 are shown in **Annex I**. Further, GFSM 2014 Compliant Budgetary Central Government fiscal data for the first half of FY2019/20 are shown in annexes V and VI.

## FISCAL DEVELOPMENTS

**Table 8: Budget Outturn, Cumulative Ending 31<sup>st</sup> December, 2019 (KSh. Millions)**

	2018/2019 Actual	2019/2020		Deviation	% growth	2019/2020 as a % of GDP		2018/2019 Actual as a % of GDP
		Actual*	Targets			Actual	Targets	
<b>A. TOTAL REVENUE AND GRANTS</b>	803,482	940,522	1,075,816	(135,294)	17.1	9.1	10.4	8.6
<b>I. Revenue</b>	794,653	930,374	1,059,304	(128,929)	17.1	9.0	10.2	8.5
Ordinary Revenue	722,283	857,862	946,244	(88,382)	18.8	8.3	9.1	7.7
Import Duty	51,701	51,551	63,360	(11,809)	(0.3)	0.5	0.6	0.6
Excise Duty	91,723	103,377	127,893	(24,516)	12.7	1.0	1.2	1.0
Income tax	325,543	367,429	393,353	(25,924)	12.9	3.5	3.8	3.5
VAT	193,851	211,544	224,592	(13,048)	9.1	2.0	2.2	2.1
Investment Revenue	24,404	86,665	95,710	(9,045)	255.1	0.8	0.9	0.3
Others	35,062	37,296	41,336	(4,039)	6.4	0.4	0.4	0.4
Appropriation-in-Aid	72,370	72,512	113,060	(40,548)	0.2	0.7	1.1	0.8
<b>2. Grants</b>	8,829	10,147	16,512	(6,365)	14.9	0.1	0.2	0.1
AMISOM Receipts	10	1,941	1,191	750	19,306.8	0.0	0.0	0.0
Revenue	4,545	6,460	3,447	3,012	42.1	0.1	0.0	0.0
Appropriation-in-Aid	4,273	1,747	11,874	(10,127)	(59.1)	0.0	0.1	0.0
<b>B. EXPENDITURE AND NET LENDING</b>	1,075,461	1,218,101	1,309,504	(91,404)	13.3	11.7	12.6	11.5
<b>I. Recurrent</b>	643,905	827,747	798,232	29,515	28.6	8.0	7.7	6.9
Domestic Interest	131,525	147,164	147,189	(25)	11.9	1.4	1.4	1.4
Foreign Interest	46,099	61,512	64,900	(3,389)	33.4	0.6	0.6	0.5
Pension & Other CFS	38,172	50,197	53,850	(3,653)	31.3	0.5	0.5	0.4
Wages and Salaries	201,616	225,709	230,040	(4,331)	12.0	2.2	2.2	2.2
O & M/Other	226,493	343,165	302,253	40,912	51.5	3.3	2.9	2.4
<b>2. Development and Net Lending</b>	308,936	268,145	346,424	(78,279)	(13.2)	2.6	3.3	3.3
O/W Domestically financed	146,720	143,067	185,008	(41,941)	(2.5)	1.4	1.8	1.6
Foreign financed	161,252	124,748	160,335	(35,587)	(22.6)	1.2	1.5	1.7
<b>3. Equalization Fund</b>	2,946	-	2,348	(2,348)	-	-	0.0	0.0
<b>4. County Governments</b>	119,674	122,209	162,500	(40,291)	2.1	1.2	1.6	1.3
<b>5. CF</b>	-	-	-	-	-	-	-	0.0
<b>C. DEFICIT EXCL. GRANT (Commitment basis)</b>	(280,808)	(287,727)	(250,201)	(37,526)	2.5	(2.8)	(2.4)	(3.0)
<b>D. DEFICIT INCL. GRANTS (Commitment basis)</b>	(271,979)	(277,579)	(233,689)	(43,890)	2.1	(2.7)	(2.3)	(2.9)
<b>E. ADJUSTMENT TO CASH BASIS</b>	(4,260)	(24,421)	-	(24,421)	473.3	(0.2)	-	(0.0)
<b>F. DEFICIT INCL. GRANTS (Cash basis)</b>	(276,239)	(253,159)	(233,689)	(19,470)	(8.4)	(2.4)	(2.3)	(3.0)
<b>G. FINANCING</b>	276,239	253,159	233,689	19,470	(8.4)	2.4	2.3	3.0
<b>I. Net Foreign financing</b>	144,446	80,673	159,336	(78,663)	(44.2)	0.8	1.5	1.5
Disbursements	168,303	124,540	218,552	(94,012)	(26.0)	1.2	2.1	1.8
Programme Loans	2,284	4,667	1,000	3,667	104.3	0.0	0.0	0.0
Project Cash Loans	24,620	9,795	44,748	(34,953)	(60.2)	0.1	0.4	0.3
Project Loans AIA	90,818	61,872	77,758	(15,886)	(31.9)	0.6	0.7	1.0
Project Loans SGR PHASE 1&2A AIA	44,759	42,636	38,190	4,446	-	0.4	0.4	0.5
Commercial Financing	5,822	5,571	56,856	(51,286)	(4.3)	0.1	0.5	0.1
O/W syndicated loan	-	-	50,000	(50,000)	-	-	0.5	0.0
Debt repayment - Principal	(23,857)	(43,868)	(59,217)	15,349	33.9	(0.4)	(0.6)	(0.3)
<b>2. Other Domestic Financing</b>	963	1,590	1,447	144	65.1	0.0	0.0	0.0
<b>3. Net Domestic Financing</b>	130,830	170,896	72,906	97,989	30.6	1.6	0.7	1.4
<b>MEMO ITEM</b>								
<b>GDP ESTIMATE</b>	9,348,273.00	10,383,092.64	10,383,092.64					

\*Provisional

Source: National Treasury

## FISCAL DEVELOPMENTS

### 2.4 Financing

#### 2.4.1 External Financing

35. During the period under review, net external financing amounted to a net borrowing of KSh. 80.7 billion (**Table 9**). Total disbursements (inflows) including Appropriations-in-Aid amounted to KSh. 124.5 billion for the period ending 31<sup>st</sup> December, 2019 against a target of KSh. 218.6 billion. The actual total disbursement included KSh. 61.9 billion Project Loans A.I.A., KSh. 42.7 billion for the SGR, KSh. 9.8 billion Project Loans-Cash, KSh. 5.6 billion commercial loans and KSh. 4.7 billion Programme Loans. External repayments (outflows) of principal debt amounted to KSh. 43.9 billion. The amount comprised of principal repayments due to commercial institutions, bilateral, and multilateral amounting to KSh. 20.9 billion, KSh. 13.8 billion and KSh. 9.2 billion, respectively.

**Table 9: External Financing, Period Ending 31<sup>st</sup> December, 2019 (KSh. Millions)**

	Quarter II 2018/19	Quarter I 2019/20	Quarter II 2019/20	Cumulative December 2019	
	Actual	Actual*	Actual*	Actual*	Target
<b>DISBURSEMENTS:</b>	<b>138,341.00</b>	<b>32,205.62</b>	<b>92,334.79</b>	<b>124,540</b>	<b>218,552</b>
Project Cash loans	21,475	3,269.47	6,525.57	9,795	44,748.42
Project loans A-I-A	34,122	26,926.98	34,945.23	61,872	77,757.91
Project Loans SGR_PHASE_1_AIA	35,201	-	10,066.30	10,066	-
Project Loans SGR_PHASE_2A_AIA	44,759	-	32,569.46	32,569	38,190.00
Commercial Financing	2,334	-	5,570.51	5,571	56,856.13
Programme Loans	450	2,009.18	2,657.72	4,667	1,000.00
<b>EXTERNAL REPAYMENTS:</b>	<b>10,727.73</b>	<b>19,057.47</b>	<b>24,810.31</b>	<b>43,867.77</b>	<b>59,216.71</b>
Bilateral (incl. Italy Debt SWAP)	5,452.13	8,159.23	5,612.40	13,771.63	26,670.47
Multilateral (excl. IMF)	4,868.76	5,555.22	3,634.01	9,189.23	10,852.77
Commercial	406.84	5,343.01	15,563.91	20,906.92	21,693.47
<b>NET FOREIGN FINANCING</b>	<b>127,613.27</b>	<b>13,148.16</b>	<b>67,524.48</b>	<b>80,672.64</b>	<b>159,335.76</b>

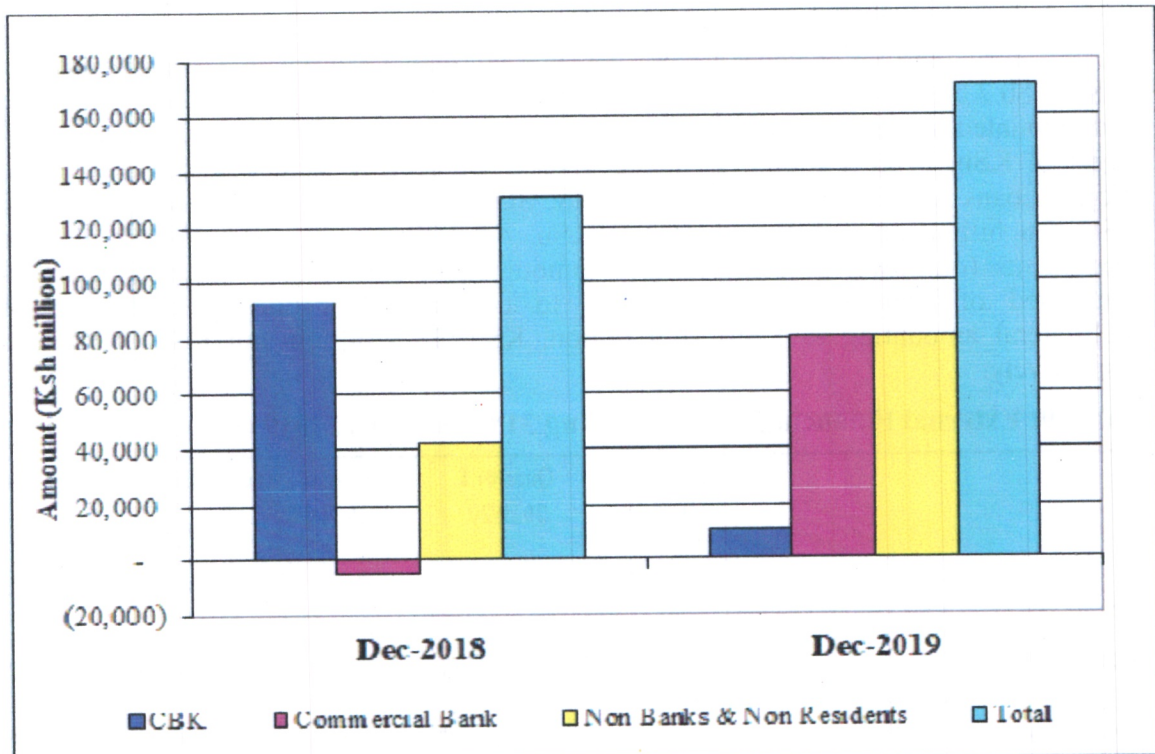
\*Provisional

Source: National Treasury

#### 2.4.2 Domestic Financing

36. By the end of December 2019, net domestic financing amounted to KSh. 170.9 billion (**Table 10**) against a target of KSh. 72.9 billion (**Table 8**). The financing comprised of KSh. 80.2 billion, KSh. 78.1 billion, KSh. 10 billion and KSh. 2.6 billion borrowing from commercial banks, Non-Banking Financial Institutions, the Central Bank, and Non-residents respectively. Comparatively, for the same period in 2018, the domestic financing amounted to KSh. 130.8 billion, comprising of KSh. 93.7 billion, KSh. 41.2 billion and KSh. 1 billion borrowing from Central Bank of Kenya, Non-Banking Financial Institutions and Non Residents respectively and a net repayment of KSh. 5 billion to the Commercial Banks (**Table 10 and Chart 13**).

Chart 13: Domestic Financing for the Period Ending 31<sup>st</sup> December, 2019



Data Source: Central Bank of Kenya

37. The stock of Treasury Bills held by Non-residents increased by KSh. 0.8 billion. While the stock of Treasury Bills held by Non-Banks and Commercial Banks recorded a net decrease of KSh. 45.8 billion and KSh. 26.1 respectively. The stock of Fixed Rate Bonds held by non-Banks, Commercial Banks and Non-residents recorded a net increase of KSh. 108.7 billion, KSh. 65.7 billion, and KSh. 1.5 billion respectively (Table 10).

## FISCAL DEVELOPMENTS

**Table 10: Domestic Financing, Period Ending 31<sup>st</sup> December, 2019 (KSh. Millions)**

Debt Instrument	December 2018	March 2019	June 2019*	September 2019*	December 2019*
<b>1.CENTRAL BANK</b>	<b>93,676</b>	<b>99,728</b>	<b>13,601</b>	<b>8,255</b>	<b>9,967</b>
Overdraft	7,975	(20,508)	478	10,904	6,397
Items on Transit	(6)	(9)	11	(16)	(31)
Frozen Account	-	-	(1,110)	-	-
Less Govt Deposits	85,707	120,245	14,221	(2,633)	3,602
<b>2.COM. BANKS</b>	<b>(5,024)</b>	<b>104,122</b>	<b>126,948</b>	<b>13,200</b>	<b>80,201</b>
Advances	629	(4,081)	(4,074)	29	(1,045)
Treasury bills	39,741	80,406	89,000	(19,592)	(26,084)
Fixed rate Bonds	(36,693)	27,525	38,894	36,010	65,743
Infrastructure Bonds	14,481	19,480	19,480	(8,097)	40,664
Less Govt Deposits	(23,182)	(19,208)	(16,354)	4,849	922
<b>3. NON BANKS</b>	<b>41,215</b>	<b>111,570</b>	<b>160,266</b>	<b>57,802</b>	<b>78,096</b>
Treasury bills	(22,619)	(14,166)	(16,345)	(2,926)	(45,760)
Fixed rate Bonds	55,638	106,104	156,797	64,515	108,673
Infrastructure Bonds	8,196	19,435	19,435	(4,051)	14,919
M-Akiba Bond	-	197	380	264	264
<b>4. NON RESIDENTS</b>	<b>963</b>	<b>194</b>	<b>2,843</b>	<b>1,511</b>	<b>2,632</b>
Treasury bills	102	(1,249)	(25)	443	792
Fixed rate Bonds	872	1,404	2,830	1,068	1,465
Infrastructure Bond	(11)	39	39	-	376
<b>5. NET CREDIT</b>	<b>130,830</b>	<b>315,612</b>	<b>303,658</b>	<b>80,768</b>	<b>170,896</b>

Note: Treasury Bills as reflected here are given at cost value as opposed to Table 12 given at face value.

\*provisional

Source: Central Bank of Kenya

### 3.0 PUBLIC DEBT

#### 3.1 Overall Debt Position

38. The gross public debt as at 31<sup>st</sup> December, 2019 increased by KSh. 776.4 billion to KSh. 6,048.9 billion compared to KSh. 5,272.5 billion as at end of December 2018. The gross public debt comprised of 51.4 percent external debt and 48.6 percent domestic debt. The increase in the public debt is attributed to external loan disbursements and the uptake of domestic debt during the period. The net public debt was KSh. 5,518.5 billion by end of the period under review (Table 11).

**Table 11: Kenya's Public and Publicly Guaranteed Debt, December 2017 to December 2019 (KSh. Millions)**

DEBT SOURCE	Dec-17	Mar-18	Jun-18	Sep-18	Dec-18	Mar-19	Jun-19*	Sep-19*	Dec-19*
<b>EXTERNAL</b>									
BILATERAL	782,588	800,912	816,119	812,545	894,046	916,572	996,059	1,024,092	1,037,538
MULTILATERAL	841,847	836,766	820,966	877,730	874,680	846,587	914,394	1,001,817	1,023,821
COMMERCIAL BANKS	712,274	858,062	906,389	898,349	938,151	941,763	1,095,753	1,068,664	1,028,691
SUPPLIERS CREDIT	17,086	16,691	16,725	16,709	16,857	16,676	16,932	17,194	16,773
<b>SUB-TOTAL</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>3,111,767</b>	<b>3,106,823</b>
<b>DOMESTIC:</b>									
CENTRAL BANK	96,797	93,583	110,782	90,210	118,196	89,709	109,607	120,494	115,972
COMMERCIAL BANKS	1,124,950	1,226,866	1,266,457	1,315,333	1,289,558	1,397,771	1,414,431	1,415,011	1,491,438
<b>TOTAL BANKS</b>	<b>1,221,747</b>	<b>1,320,449</b>	<b>1,377,238</b>	<b>1,405,543</b>	<b>1,407,755</b>	<b>1,487,480</b>	<b>1,524,038</b>	<b>1,535,505</b>	<b>1,607,410</b>
NON BANKS & NON RESIDENTS	998,618	1,051,202	1,101,596	1,135,161	1,141,015	1,211,052	1,261,899	1,321,134	1,334,694
<b>SUB-TOTAL</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>2,785,937</b>	<b>2,856,639</b>	<b>2,942,104</b>
<b>GRAND TOTAL GROSS</b>	<b>4,574,160</b>	<b>4,884,082</b>	<b>5,039,034</b>	<b>5,146,037</b>	<b>5,272,504</b>	<b>5,420,130</b>	<b>5,809,075</b>	<b>5,968,406</b>	<b>6,048,927</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	(350,924)	(573,884)	(545,075)	(501,404)	(432,049)	(398,223)	(501,728)	(516,182)	(524,752)
<b>GRAND TOTAL NET</b>	<b>4,217,535</b>	<b>4,304,497</b>	<b>4,488,257</b>	<b>4,638,932</b>	<b>4,834,754</b>	<b>5,016,206</b>	<b>5,301,646</b>	<b>5,446,522</b>	<b>5,518,474</b>

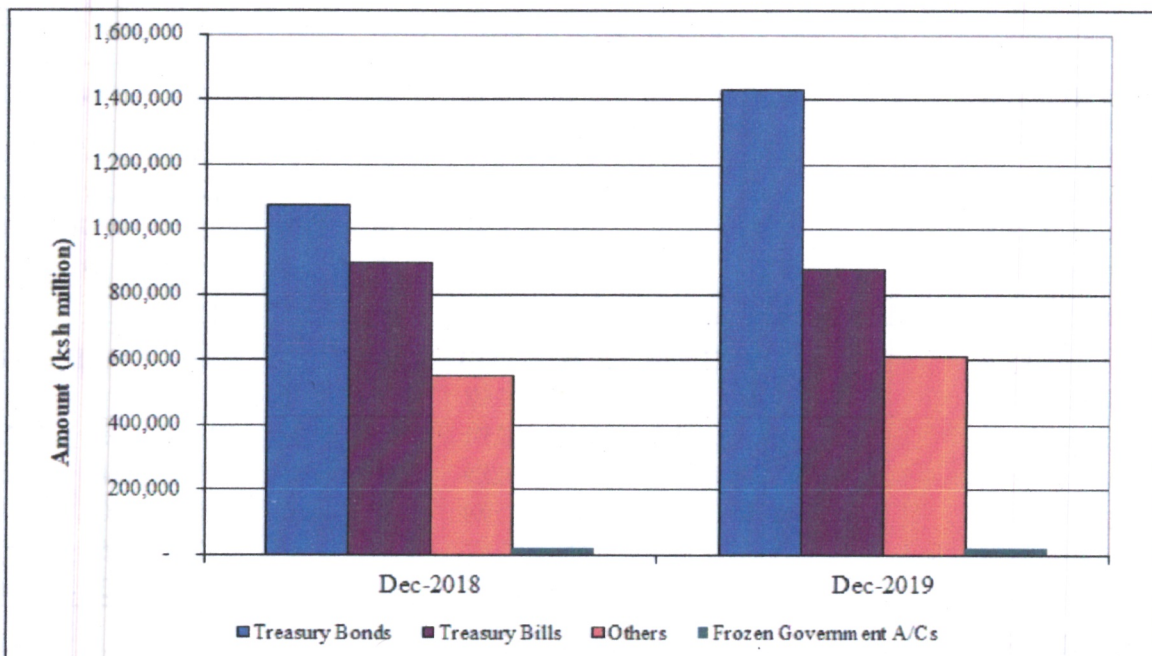
\*Provisional

Source: National Treasury

### 3.2 Domestic Debt

39. The stock of Treasury Bills held by Central Bank, Commercial Banks, Non-Banking Financial Institution and Non Residents decreased by KSh. 20.5 billion from KSh. 899.4 billion in December 2018 to KSh. 878.9 billion in December 2019. The total stock of Treasury Bonds, which include Floating, Fixed Rate, Special and Zero Coupon Bonds, increased by KSh. 353.6 billion from KSh. 1,076 billion in December 2018 to KSh. 1,429.7 billion in December 2019 (**Chart 14**).

**Chart 14: Domestic Debt Stock by Instruments**



Source: Data from CBK

40. The stock of gross domestic debt increased by KSh. 393.3 billion from KSh. 2,548.8 billion in December 2018 to KSh. 2,942.1 billion in December 2019 (Table 12).

## FISCAL DEVELOPMENTS

**Table 12: Stock of Domestic Debt by end of December 2019 (KSh. Millions)**

DEBT SOURCE	Dec-17	Mar-18	Jun-18	Sep-18	Dec-18	Mar-19	Jun-19*	Sep-19*	Dec-19*
<b>1. CENTRAL BANK</b>	96,797	93,583	110,782	90,210	118,196	89,709	109,607	120,494	115,972
Overdraft	42,316	39,655	56,849	36,291	64,824	36,896	57,328	68,232	63,724
Frozen Govt Accounts	24,449	23,894	23,894	23,894	23,339	22,784	22,229	22,229	22,229
Treasury bills / bonds rediscounts	20,588	20,588	20,588	20,588	20,588	20,588	20,588	20,588	20,588
Items on Transit	19	21	25	11	19	16	36	20	5
Fixed rate bonds	9,426	9,426	9,426	9,426	9,426	9,426	9,426	9,426	9,426
<b>2. COMBANKS</b>	1,124,950	1,226,866	1,266,457	1,315,333	1,289,558	1,397,771	1,414,431	1,415,011	1,491,438
Advances	7,524	7,476	7,504	7,588	8,183	3,458	3,422	3,404	2,447
Treasury Bills	343,340	415,596	482,018	537,531	527,212	570,588	577,483	556,228	549,732
Fixed Rate T. Bonds	550,284	565,098	538,240	531,519	501,047	565,157	575,808	606,480	641,650
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	6,798	7,648	7,648
Infrastructure Bonds	211,154	226,047	226,047	226,047	240,468	245,920	245,920	236,251	284,960
<b>3. NON BANKS</b>	973,201	1,025,704	1,076,288	1,109,751	1,114,819	1,185,670	1,233,915	1,291,521	1,304,121
Treasury Bills	312,661	328,801	368,537	378,858	344,111	352,367	348,771	344,235	300,354
Fixed Rate T. Bonds	472,532	484,153	495,001	518,143	549,941	600,375	651,175	714,248	759,642
Tax Reserve Certificate	69	69	69	69	69	69	69	69	69
Infrastructure Bonds	166,962	191,703	191,703	191,703	199,720	211,685	211,685	211,344	222,434
Savings and Development Bond	20,580	20,580	20,580	20,580	20,580	20,580	21,433	20,580	20,580
M- Akiba Bond	398	398	398	398	398	395	782	1,046	1,041
<b>4. NON RESIDENTS</b>	25,417	25,498	25,308	25,410	26,197	25,382	27,984	29,613	30,572
Treasury Bills	8,134	7,714	7,479	7,104	7,510	6,113	7,408	7,858	8,261
Fixed Rate T. Bonds	9,401	9,716	9,762	10,239	10,631	11,162	12,470	13,533	13,932
Savings and Development Bond	9	9	9	9	9	9	7	9	9
Infrastructure Bonds	7,873	8,058	8,058	8,058	8,047	8,098	8,098	8,212	8,371
<b>5. TOTAL GROSS DEBT</b>	2,220,365	2,371,651	2,478,835	2,540,704	2,548,770	2,698,532	2,785,936	2,856,639	2,942,104
<b>6. LESS ON-LENDING</b>	5,701	5,701	5,701	5,701	5,701	5,701	5,701	5,701	5,701
<b>7. Less Govt Deposits</b>	350,924	575,884	545,075	501,404	432,049	398,223	501,728	516,182	524,752
<b>8. TOTAL NET DEBT</b>	1,863,740	1,792,066	1,928,059	2,033,599	2,111,020	2,294,608	2,278,507	2,334,755	2,411,651

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

\*Provisional

Source: Central Bank of Kenya

### 3.3 External Public Debt

41. In dollar terms, external public debt stock increased by US\$3,914.86 million from US\$26,743.62 million in December 2018 to US\$30,658.48 million by the end of December, 2019 (Table 13). The increase is attributed to a rise in external disbursements made during the period. The debt stock comprised of 33.4 percent, 33.1 percent, 33 percent, and 0.5 percent owed to multilateral, commercial, bilateral and suppliers creditors respectively.



## FISCAL DEVELOPMENTS

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

CREDITOR	Dec-17	Mar-18	Jun-18	Sep-18	Dec-18	Mar-19	Jun-19*	Sep-19*	Dec-19*
<b><u>BILATERAL</u></b>									
AUSTRIA	4.38	4.54	5.72	6.64	0.83	9.34	17.63	17.65	18.62
BELGIUM	100.06	107.19	101.01	103.58	78.56	75.20	113.31	108.49	109.80
CANADA	4.07	4.07	4.05	2.83	1.52	1.52	1.08	1.08	0.58
DENMARK	12.01	12.41	11.63	10	9.37	8.39	8.55	7.45	6.41
FINLAND	16.15	16.73	16.25	16.69	19.02	16.00	17.56	15.58	15.95
FRANCE	622.52	642.57	611.44	599.02	612.22	668.45	709.38	679.88	728.89
GERMANY	324.67	336.29	268.93	274.11	341.96	360.65	364.39	338.66	332.14
ITALY	1.20	1.24	1.24	1.25	152.35	345.75	354.78	344.1	351.90
JAPAN	824.81	1,022.38	503.66	483.85	1,023.98	1,272.62	1,321.91	1,372.56	1,353.47
NETHERLANDS	11.03	10.99	10.67	9.07	4.33	3.31	3.35	2.19	1.79
UK	4.70	4.74	4.59	4.56	2.43	0.84	0.58	0.56	0.32
USA	29.25	29.29	29.17	26.45	25.06	20.75	20.42	18.12	17.45
CHINA	5,202.37	5,295.84	5,532.61	5,496.62	6,201.61	6,006.17	6,462.07	6,410.61	6,840.23
OTHERS	423.66	453.57	432.44	457.02	305.16	308.51	341.8	326.53	325.62
<b>TOTAL BILATERAL</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>9,643.46</b>	<b>10,103.18</b>
<b><u>MULTILATERAL</u></b>									
ADB/ADF	1,983.67	2,045.52	2,026.48	2,043.51	2,151.35	2,233.19	2,244.79	2,301.03	2,393.60
BADEA	29.63	29.51	29.81	34.63	32.17	34.53	36.08	36.21	36.28
EEC/EIB	197.56	201.48	192.53	194.86	184.16	173.89	168.53	160.53	162.18
IDA/IFAD	5,181.44	5,237.31	5,024.05	5,612.97	5,481.55	5,403.95	5,953.08	6,900.25	7,234.42
IMF**	711.84	732.26	708.45	699.4	676.41	501.48	481.02	407.37	360.66
OTHERS	50.79	51.28	50.07	63.86	62.61	55.80	55.01	52.49	51.40
<b>TOTAL</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>9,857.88</b>	<b>10,238.54</b>
<b>COMMERCIAL<sup>1</sup></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>10,286.93</b>	<b>10,151.24</b>
<b>EXPORT CREDIT</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>165.51</b>
<b>GRAND TOTAL</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>29,953.79</b>	<b>30,658.48</b>
In percentage of total									
BILATERAL	33.31	31.88	31.45	30.63	32.82	33.68	32.95	32.19	32.95
MULTILATERAL	35.83	33.31	33.53	35.37	32.11	31.11	30.25	32.91	33.40
COMMERCIAL	30.13	34.15	34.32	33.32	34.44	34.60	36.25	34.34	33.11
EXPORT CREDIT	0.73	0.66	0.69	0.68	0.62	0.61	0.56	0.55	0.54
TOTAL	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00

\*Provisional

\*\* include IMF item

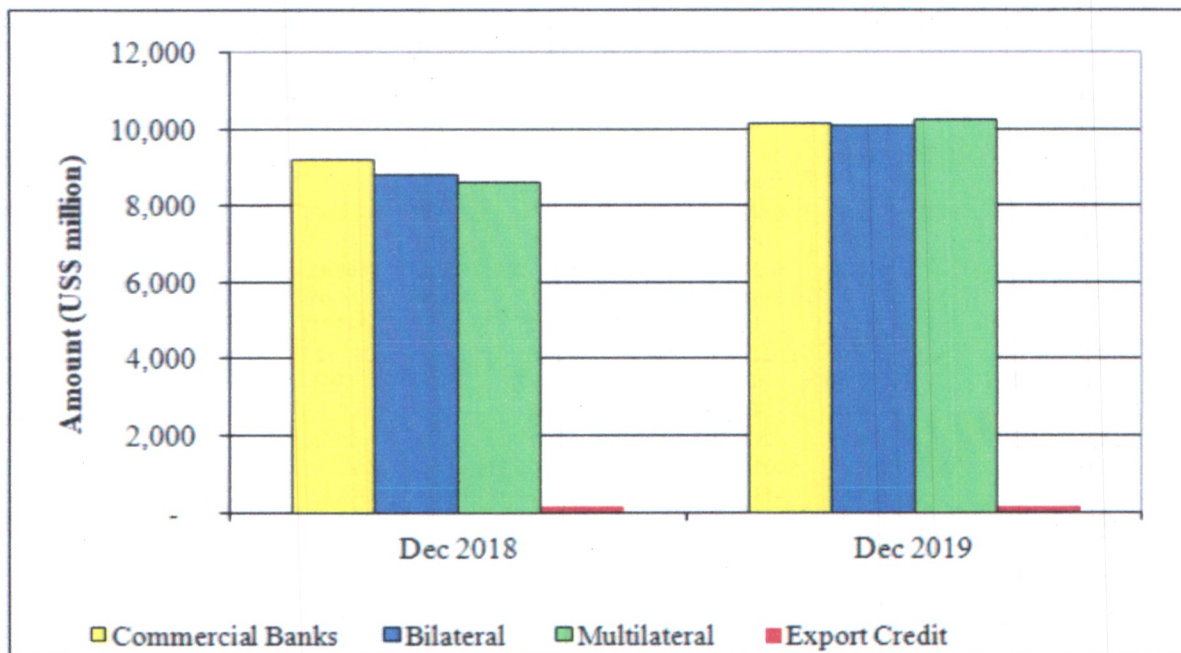
1/ incl. International Sovereign Bond

Note: The exchange rate as at end December 2019 was KSh. 101.34 per dollar.

Source: National Treasury

42. Compared to the same period in FY2018/19, external public debt stock from Commercial Banks, bilateral sources and multilateral institutions recorded an increase in December, 2019/20. External debt stock from suppliers' credit remained constant in December, 2018 and December, 2019 (**Chart 15**).

Chart 15: External Public Debt by Source



Source: National Treasury

### 3.3.1 External Debt Service

43. By the end of December 2019, the total cumulative debt service payments to external creditors amounted to KSh. 105.4 billion. This comprised of KSh. 43.9 billion (41.6 percent) principal and KSh. 61.5 billion (58.4 percent) interest (**Table 14**).

## FISCAL DEVELOPMENTS

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

<b>CATEGORY</b>	<b>PRINCIPAL*</b>	<b>INTEREST*</b>	<b>TOTAL*</b>
<b>BILATERAL</b>			
AUSTRIA	-	10.82	10.82
FRANCE	1,618.30	677.95	2,296.26
ITALY	259.32	1,059.13	1,318.46
JAPAN	2,326.28	246.42	2,572.70
SAUDI FUND	68.93	19.79	88.72
SPAIN	1,530.80	80.15	1,610.95
USA	297.78	33.72	331.50
CANADA	52.59	1.57	54.16
BELGIUM	1,130.70	126.51	1,257.20
GERMANY	1,108.17	224.54	1,332.70
CHINA	3,746.04	14,133.76	17,879.80
KUWAIT	50.78	19.14	69.92
NETHERLANDS	253.34	19.42	272.76
DENMARK	208.78	-	208.78
KOREA	56.56	14.41	70.97
UK	32.12	0.48	32.60
INDIA	616.76	68.29	685.05
OTHERS/NEW LOANS	414.37	124.73	539.10
<b>TOTAL BILATERAL</b>	<b>13,771.63</b>	<b>16,860.82</b>	<b>30,632.44</b>
<b>MULTILATERAL</b>			
ADB/ADF	870.66	1,306.41	2,177.07
BADEA	168.13	32.19	200.32
EIB/EEC	958.26	234.34	1,192.60
IDA	6,700.12	3,420.98	10,121.09
OPEC	246.34	29.01	275.35
NDF	30.14	10.29	40.43
IFAD	215.58	81.06	296.64
**IMF	-	-	-
<b>TOTAL MULTILATERAL</b>	<b>9,189.23</b>	<b>5,114.28</b>	<b>14,303.50</b>
<b>COMMERCIAL</b>	<b>20,906.92</b>	<b>39,536.45</b>	<b>60,443.37</b>
<b>GRAND TOTAL</b>	<b>43,867.77</b>	<b>61,511.54</b>	<b>105,379.31</b>

\* Provisional

\*\* IMF debt serviced by CBK

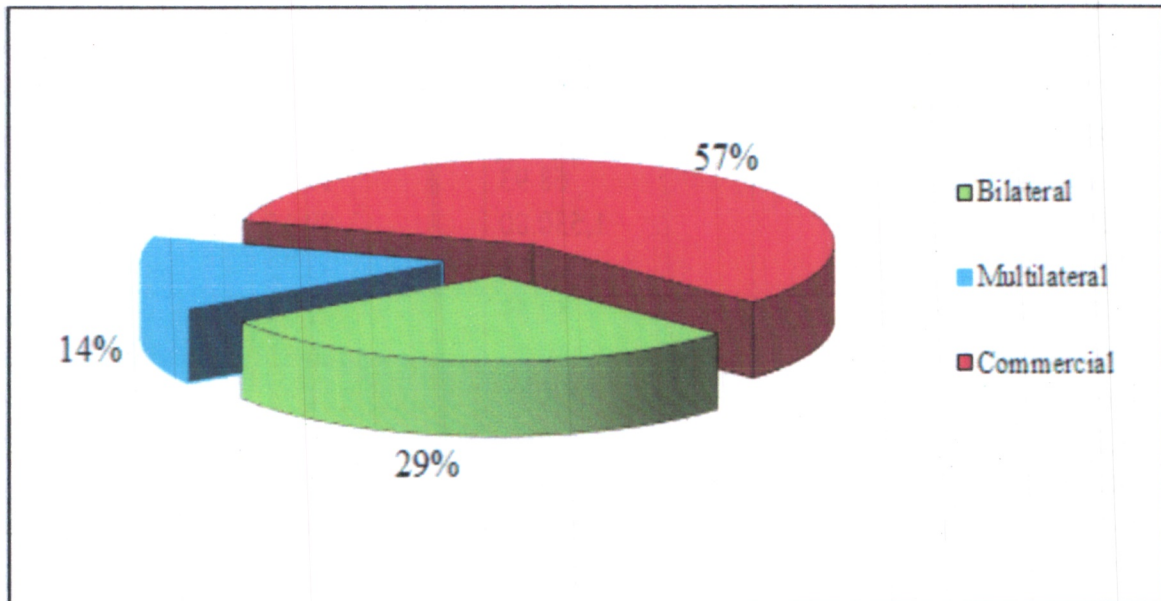
Source: National Treasury

## FISCAL DEVELOPMENTS

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44. By the end of December 2019, the total cumulative debt service payments to external creditors comprised of 57 percent, 29 percent and 14 percent of the total payments to commercial, bilateral and multilateral creditors respectively (**Chart 16**).

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



Source: National Treasury



## GFSM 2014 COMPLIANT TABLES FOR BUDGETARY CENTRAL GOVERNMENT

## Annex II: Revenue (KSh. Millions)

GFSM Code	Description	Annual Budget Estimates FY2019/20	Cummulative PreL. Actual FY2019/20 Q1	Cumulative PreL. Actual FY2019/20 Q2
	<i>Accounting method:</i>	<i>Cash</i>	<i>Cash</i>	<i>Cash</i>
<b>1</b>	<b>Revenue</b>	<b>2,154,686</b>	<b>423,961</b>	<b>940,522</b>
11	Taxes	1,914,170	394,014	802,129
<b>111</b>	<b>Taxes on income, profits, and capital gains</b>	<b>884,369</b>	<b>180,721</b>	<b>367,429</b>
1111	Payable by individuals	468,497	98,199	205,266
1112	Payable by corporations and other enterprises	415,872	82,522	162,163
<b>114</b>	<b>Taxes on goods and services</b>	<b>836,645</b>	<b>176,277</b>	<b>357,785</b>
1141	General taxes on goods and services	512,528	109,527	220,562
11411	Value-added taxes	495,980	105,779	211,544
11414	Taxes on financial and capital transactions <sup>1</sup>	16,548	3,748	9,018
1142	Excises <sup>2</sup>	324,116	66,750	137,223
<b>115</b>	<b>Taxes on international trade and transactions</b>	<b>193,156</b>	<b>37,017</b>	<b>76,915</b>
1151	Customs and other import duties <sup>3</sup>	193,156	37,017	76,915
<b>12</b>	<b>Social contributions</b>	<b>1,128</b>	<b>48</b>	<b>240</b>
<b>122</b>	<b>Other social contributions</b>	<b>1,128</b>	<b>48</b>	<b>240</b>
1221	Employee contributions	1,128	48	240
<b>13</b>	<b>Grants</b>	<b>38,785</b>	<b>2,802</b>	<b>10,147</b>
131	From foreign governments	33,785	2,802	8,207
1311	Current	-	-	-
1312	Capital	33,785	2,802	8,207
132	From international organizations	5,000	-	1,941
1321	Current	5,000	-	1,941
1322	Capital	-	-	-
<b>14</b>	<b>Other revenue</b>	<b>200,604</b>	<b>27,097</b>	<b>128,005</b>
<b>141</b>	<b>Property income</b>	<b>39,030</b>	<b>8,046</b>	<b>90,257</b>
1411	Interest	2,133	852	1,576
1412	Dividends	34,528	6,087	86,665
1415	Rent	2,369	1,107	2,016
<b>142</b>	<b>Sales of goods and services</b>	<b>154,084</b>	<b>18,542</b>	<b>36,580</b>
1422	Administrative fees	154,084	18,542	36,580
<b>143</b>	<b>Fines, penalties, and forfeits</b>	<b>2,991</b>	<b>415</b>	<b>1,054</b>
<b>144</b>	<b>Miscellaneous and unidentified revenue</b>	<b>4,500</b>	<b>95</b>	<b>114</b>

1/Includes Capital Gains Tax and Stamp duty

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

3/ Includes Import duty, RDL, IDF

Source: National Treasury

## Annex III: Expense (KSh. Millions)

Description	Annual Budget Estimates FY2019/20	Cummulative Pre. Actual FY2019/20 Q1	Cumulative Pre. Actual FY2019/20 Q2
<i>Accounting method:</i>	<i>Cash</i>	<i>Cash</i>	<i>Cash</i>
<b>Expense</b>	<b>2,587,696</b>	<b>524,798</b>	<b>1,113,258</b>
<b>Compensation of employees</b>	<b>493,642</b>	<b>110,435</b>	<b>231,402</b>
Wages and salaries	452,792	109,779	230,005
<b>Social contributions</b>	<b>40,851</b>	<b>655</b>	<b>1,397</b>
Actual social contributions	40,851	655	1,397
<b>Use of goods and services</b>	<b>393,496</b>	<b>100,516</b>	<b>210,259</b>
O/W Defence and NIS	142,191	26,554	71,977
Free Secondary Education (FSE)	59,702	24,752	57,389
Free Primary Education (FPE)	13,401	2,822	9,175
<b>Interest</b>	<b>441,481</b>	<b>110,413</b>	<b>208,675</b>
To nonresidents	150,941	34,163	61,512
To residents other than general government	290,540	76,250	147,164
<b>Subsidies</b>	<b>1,953</b>	<b>129</b>	<b>1,329</b>
To public corporations	1,953	129	1,329
To private enterprises	-	-	-
<b>Grants</b>	<b>1,083,271</b>	<b>177,484</b>	<b>410,699</b>
<b>To international organizations</b>	<b>5,341</b>	-	-
Current	5,341	-	-
Capital	-	-	-
<b>To other general government units</b>	<b>1,077,929</b>	<b>177,484</b>	<b>410,699</b>
Current	592,034	90,220	227,038
O/W Transfer to County Governments (ES)	217,000	38,550	78,429
Transfer to Other levels of Government (SOEs)	375,034	51,671	148,609
Capital	485,895	87,264	183,661
O/W Transfer to County Governments (ES)	93,000	16,521	33,612
Transfer to Other levels of Government (SOEs)	392,895	70,742	150,048
<b>Social benefits</b>	<b>163,088</b>	<b>25,821</b>	<b>49,293</b>
Employer social benefits	163,088	25,821	49,293
<b>Other expense</b>	<b>10,765</b>	-	<b>1,600</b>
Miscellaneous other expense	10,765	-	1,600

Source: National Treasury

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

GFSM Code	Description	Annual Budget Estimates FY2019/20	Cummulative PreL. Actual FY2019/20 Q1	Cumulative PreL. Actual FY2019/20 Q2
	<i>Accounting method:</i>	<i>Cash</i>	<i>Cash</i>	<i>Cash</i>
3	<b>Change in Net Worth: Transactions</b>	<b>(426,828)</b>	<b>(68,415)</b>	<b>(198,045)</b>
31	<b>Net acquisition of nonfinancial assets</b>	<b>200,923</b>	<b>19,498</b>	<b>104,511</b>
311	<b>Fixed assets</b>	<b>201,188</b>	<b>19,498</b>	<b>104,511</b>
3111	Buildings and structures	194,741	18,740	102,604
3113	Other fixed assets	6,446	758	1,907
32	<b>Net acquisition of financial assets</b>	<b>3,223</b>	<b>3,456</b>	<b>6,114</b>
3212	Currency and deposits (Domestic)	3,223	3,456	6,114
33	<b>Net incurrence of liabilities</b>	<b>630,974</b>	<b>91,369</b>	<b>308,669</b>
331	<b>Domestic</b>	<b>300,314</b>	<b>78,551</b>	<b>184,459</b>
3313	Securities other than shares	300,314	67,635	161,052
3314	Loans	-	10,916	5,321
	Other Accounts Payable			18,087
332	<b>Foreign</b>	<b>330,660</b>	<b>12,818</b>	<b>124,210</b>
3323	Securities other than shares	200,000	-	
3324	Loans	130,660	12,818	124,210

Source: National Treasury



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

GFSM Code	Description	Annual Budget Estimates FY2019/20	Cummulative Prel. Actual FY2019/20 Q1	Cummulative Prel. Actual FY2019/20 Q2
		<i>Cash</i>	<i>Cash</i>	<i>Cash</i>
	<i>Accounting method:</i>			
	<b>Cash Flows from Operating Activities:</b>			
<b>1</b>	<b>Cash receipts from operating activities</b>	<b>2,154,686</b>	<b>423,961</b>	<b>940,522</b>
		1,914,239	394,014	802,129
11	Taxes	1,128	48	240
12	Social contributions	38,785	2,802	10,147
13	Grants	200,535	27,097	128,005
14	Other receipts	<b>2,587,696</b>	<b>524,798</b>	<b>1,113,260</b>
<b>2</b>	<b>Cash payments for operating activities</b>	493,642	110,435	231,404
21	Compensation of employees	393,496	100,516	210,259
22	Purchases of goods and services	441,481	110,413	208,675
24	Interest	1,953	129	1,329
25	Subsidies	1,083,271	177,484	410,699
26	Grants	163,088	25,821	49,293
27	Social benefits	10,765	-	1,600
28	Other payments	<b>(433,009)</b>	<b>(100,837)</b>	<b>(172,738)</b>
	<b>Net cash inflow from operating activities</b>			
	<b>Cash Flowa from Investments in Nonfinancial Assets (NFAs):</b>			
<b>31A</b>	<b>Purchases of nonfinancial assets</b>	<b>200,923</b>	<b>19,498</b>	<b>104,511</b>
311A	Fixed assets	200,923	19,498	104,511
<b>31</b>	<b>Net cash outflow: investments in NFAs (31=31.1-31.2)</b>	<b>200,923</b>	<b>19,498</b>	<b>104,511</b>
		<b>(633,932)</b>	<b>(120,335)</b>	<b>(277,249)</b>
	<b>Cash surplus / deficit</b>			
	<b>Cash Flows from Financing Activities:</b>			
32x	Net acquisition of financial assets other than cash	3,223	3,456	6,114
321x	Domestic	3,223	3,456	6,114
322x	Foreign	-	-	-
<b>33</b>	<b>Net incurrence of liabilities</b>	<b>630,974</b>	<b>91,369</b>	<b>308,669</b>
331	Domestic	300,314	78,551	184,459
332	Foreign	330,660	12,818	124,210
	<b>Net cash inflow from financing activities</b>	<b>627,751</b>	<b>87,913</b>	<b>302,556</b>
<b>NFB</b>	<b>Net change in the stock of cash</b>	<b>(6,181)</b>	<b>(32,422)</b>	<b>25,307</b>
	<b>Statistical Discrepancy<sup>4</sup></b>	<b>-</b>	<b>-</b>	<b>-</b>

<sup>4</sup>/Vertical check: Difference between cash surplus/deficit and total net cash inflow from financial activities

Source: National Treasury

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

GFSM Code	Description	Annual Budget Estimates FY2019/20	Cummulative Prel. Actual FY2019/20 Q1	Cumulative Prel. Actual FY2019/20 Q2
	<i>Accounting method:</i>			
	<b>Transactions Affecting Net Worth:</b>	<i>Non Cash</i>	<i>Non Cash</i>	<i>Non Cash</i>
<b>1</b>	<b>Revenue</b>			
11	Taxes	2,154,686	423,961	940,522
12	Social contributions	1,914,239	394,014	802,129
13	Grants	1,128	48	240
14	Other revenue	38,785	2,802	10,147
		200,535	27,097	128,005
<b>2</b>	<b>Expense</b>	<b>2,587,696</b>	<b>524,798</b>	<b>1,113,260</b>
21	Compensation of employees	493,642	110,435	231,404
22	Use of goods and services	393,496	100,516	210,259
24	Interest	441,481	110,413	208,675
25	Subsidies	1,953	129	1,329
26	Grants	1,083,271	177,484	410,699
27	Social benefits	163,088	25,821	49,293
28	Other expense	10,765	-	1,600
<b>GOB</b>	<b>Gross operating balance</b>	<b>(433,009)</b>	<b>(100,837)</b>	<b>(172,738)</b>
<b>NOB</b>	<b>Net operating balance</b>	<b>(433,009)</b>	<b>(100,837)</b>	<b>(172,738)</b>
	<b>Transactions on Nonfinancial Assets:</b>			
<b>31</b>	<b>Net Acquisition of Nonfinancial Assets</b>	<b>200,923</b>	<b>19,498</b>	<b>104,511</b>
311	Fixed assets	200,923	19,498	104,511
<b>NLB</b>	<b>Net lending / borrowing</b>	<b>(633,932)</b>	<b>(120,335)</b>	<b>(277,249)</b>
	<b>Transactions on Financial Assets and Liabilities (Financing):</b>			
<b>32</b>	<b>Net acquisition of financial assets</b>	<b>3,223</b>	<b>3,456</b>	<b>6,114</b>
321	Domestic	3,223	3,456	6,114
322	Foreign	-	-	-
<b>33</b>	<b>Net incurrence of liabilities</b>	<b>630,974</b>	<b>91,369</b>	<b>308,669</b>
331	Domestic	300,314	78,551	184,459
332	Foreign	330,660	12,818	124,210
	<b>Vertical check: Difference between net lending/borrowing and financing</b>	<b>(6,181)</b>	<b>(32,422)</b>	<b>25,307</b>

Source: National Treasury