




THE NATIONAL TREASURY AND PLANNING

# Quarterly Economic and Budgetary Review

First Half, Financial Year 2018/2019  
Period ending 31 st December, 2018

February 2019 Edition

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# Quarterly Economic and Budgetary Review

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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
ICT	Information, Communication and Technology
IMF	International Monetary Fund
KNBS	Kenya National Bureau of Statistics
KSh	Kenya Shillings
Mn	Million
NDA	Net Domestic Assets
NFA	Net Foreign Assets
NG-CDF	National Government Constituencies Development Fund
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.

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## HIGHLIGHTS OF THE 2018/2019 FIRST HALF QUARTERLY ECONOMIC AND BUDGETARY REVIEW

### 1. Economic growth

The economy maintained strong growth momentum in the third quarter of 2018 growing by 6.0 percent compared to a growth of 4.7 percent in the same quarter of 2017. This growth was mainly supported by improved weather conditions which led to increased agricultural production and agro processing activity in the manufacturing sector. In addition, this growth was supported by pickup in activities of accommodation and food services, electricity and water supply and construction activities.

### 2. Stable prices

The macroeconomic environment remained stable, with low and stable interest rates and competitive exchange rate to support exports. Month-on-month overall inflation remained stable at 5.7 percent in December 2018 from 5.6 percent in November 2018, which is within the 5.0 (+/- 2.5) percent target. This is owing to a decline in food and energy prices. This 5.7 percent inflation in December 2018 was an increase compared to the 4.5 percent inflation in December 2017 on account of increase in international oil prices.

### 3. Balance of Payments

The overall balance of payments position was at a deficit of US\$ 1,361.2 million in the year to October 2018 from a surplus of US\$ 723 million in the year to October 2017. This deficit was due to a decline in the financial account despite an improvement in the capital and current accounts. The current account deficit narrowed to US\$ 4,709.6 million (5.1 percent of GDP) in the year to October 2018 compared to US\$ 5,141.9 million (6.5 percent of GDP) in the year to October 2017.

### 4. Foreign Exchange Reserves

The banking system's foreign exchange holding remained strong at US\$ 11,668 million in October 2018 from US\$ 9,698 million in October 2017. The official foreign exchange reserves held by the Central Bank improved to US\$ 8,554 million (5.6 months of import cover) in October 2018 compared with US\$ 7,341 million (5.0 months of import cover) in October 2017.

### 5. Money and Credit

Broad money supply, M3, improved to a growth of 10.1 percent in the year to December 2018 compared to a growth of 8.8 percent in the year to December 2017. The primary source of the growth in M3 in the year to December 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 in NDA was largely reflected in the decrease in net domestic credit to Government.

### 6. Capital Markets

Activity in the capital market slowed down with NSE 20 Share Index declining to 2,834 points by end-December 2018 from 3,712 points in December 2017. The depressed share prices resulted in lower market capitalization of KSh. 2,102 billion in December 2018 from KSh. 2,522 billion in December 2017. 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.

## **7. Total Revenue Collection**

The National Government cumulative revenue collection including A-I-A for the period July 2018 to December 2018 amounted to KSh. 794.7 billion (equivalent to 8 per cent of GDP) against a target of KSh. 855.7 billion (8.6 per cent of GDP). This represented an underperformance of KSh. 61.0 billion mainly due to shortfalls in Other Income Taxes, Excise Duty and A-I-A.

## **8. Expenditure and Net Lending**

The total cumulative expenditure and net lending inclusive of transfers to County Governments for the period ending 30th December, 2018 amounted to KSh. 1,075.5 billion. This was KSh. 55.2 billion below the target of KSh. 1,130.7 billion and was largely attributed to low domestic and foreign interest payments, low absorption levels in pension and wages and salaries for the National Government. Expenditure by County Government was also below target.

## **9. Guaranteed Loans**

Between July 2018 and December 2018, the National Government paid a total of KSh. 675 million on account of guaranteed loans against the projected guaranteed debt service of KSh. 687.9 million.

## **10. Overall Fiscal Balance**

The cumulative overall fiscal balance, on a commitment basis (excluding grants), amounted to a deficit of KSh. 280.8 billion (equivalent to 2.8 per cent of GDP), as at end-December 2018.

## **11. External Financing**

Between July 2018 and December 2018, external financing amounted to a net borrowing of KSh. 144.4 billion (equivalent of 1.45 per cent of GDP in the period ending 31st December, 2018).

## **12. Net Domestic Borrowing**

Net domestic financing amounted to a net borrowing of KSh. 130.8 billion (equivalent to 1.3 per cent of GDP) in the period ending 31st December, 2018.

## **13. External Debt**

The total external debt stock, including the International Sovereign Bond, stood at KSh. 2,723.7 billion for the period ending December 2018. The debt stock comprised of Multilateral debt (32.1 per cent), Bilateral debt (32.8 per cent), Suppliers Credit debt (0.62 per cent), and Commercial debt (34.4 per cent- including International Sovereign Bond).

## **14. Domestic Debt**

Total gross domestic debt stock increased by KSh. 328.5 billion (14.8 per cent) from KSh. 2,220.3 billion as at end-December 2017 to KSh. 2548.8 billion by the end-December 2018.



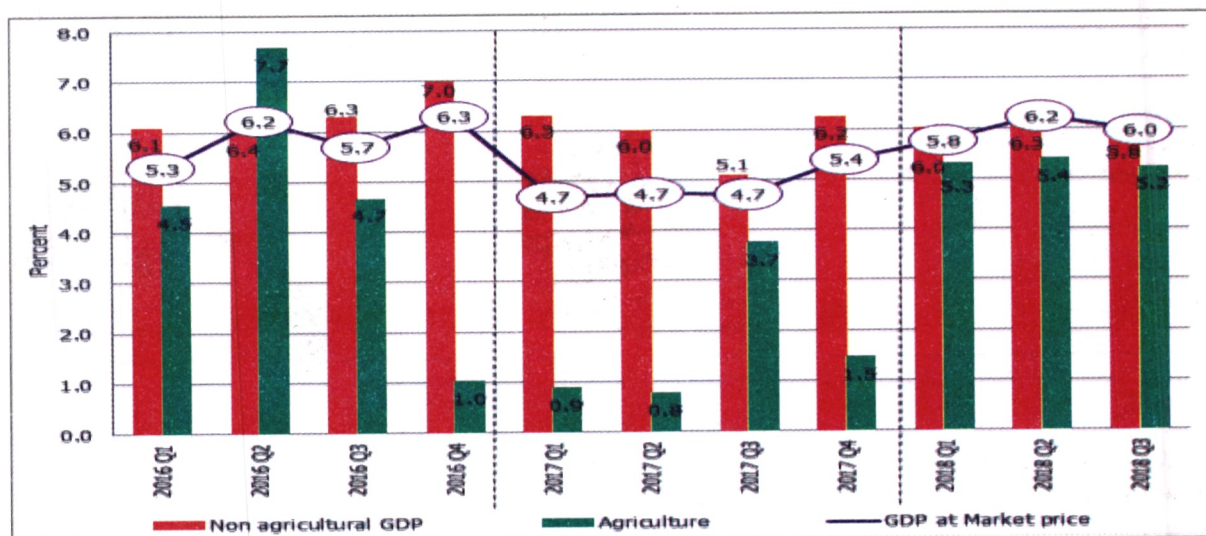
## ECONOMIC DEVELOPMENTS

### 1.0 RECENT ECONOMIC DEVELOPMENTS

#### 1.1 Economic Growth

1. The Kenyan economy maintained a strong growth momentum in the third quarter of 2018, growing by 6.0 percent compared to a growth of 4.7 percent in a similar quarter in 2017. This growth was mainly supported by improved weather conditions which led to increased agricultural production and agro processing activity in the manufacturing sector. In addition, this growth was supported by a pickup in activities of accommodation and food services, electricity and water supply and construction activities (**Chart 1**).

**Chart 1: Economic Quarterly Growth Rates, percent**



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

2. Agriculture sector recovered and recorded growth of 5.2 percent in the third quarter of 2018 compared to a growth of 3.7 percent in a similar quarter of 2017. The recovery in growth was supported by improved weather conditions and is reflected in the expansion of output of key food and cash crops such as tea, coffee and fruits which mitigated the impact of the decline in the production of vegetables and cut-flowers thereby anchoring the growth in the exports subsector. The contribution of Agricultural sector to overall GDP growth was at 1.0 percentage points in the third quarter of 2018, an improvement from the 0.7 percentage points in the same quarter in 2017.

3. The Non-agricultural sector (service and industry) remained vibrant and grew by 5.8 percent in the third quarter of 2018 up from a growth of 5.1 percent in a similar quarter in 2017. It has the largest percentage points to real GDP growth at 4.0 percentage points mainly supported by the service sector (**Table 1**).

4. Services remained the main source of growth and expanded by 5.9 percent in the third quarter of 2018 compared to a growth of 5.6 percent in the same quarter in 2017. The service sector was supported by improved growth in accommodation and restaurant (16.0 percent), wholesale and retail trade (6.8 percent), transport and storage (5.4 percent) and financial and insurance (2.6 percent). Growth of activities in information and communication (9.1 percent) and real estate (5.8 percent) remained vibrant despite the slowdown relative to the same quarter in 2017.

5. Services contributed 3.1 percentage points to real GDP growth in the third quarter of 2018 largely supported by Wholesale and Retail trade (0.6 percentage points), Real Estate (0.5 percentage points) and Transport and Storage (0.4 percentage points).

## ECONOMIC DEVELOPMENTS

**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	Q3	Q1	Q2	Q3	Q1	Q2	Q3	Q1	Q2	Q3	Q1	Q2	Q3	Q1	Q2	Q3
<b>Primary sector</b>	4.6	7.7	4.8	1.1	1.0	3.9	5.3	5.3	5.4	1.3	1.9	1.0	0.3	0.2	0.8	1.4	1.3	1.1
Agriculture, forestry and fishing	4.5	7.7	4.7	0.9	0.8	3.7	5.3	5.4	5.2	1.2	1.8	0.9	0.2	0.2	0.7	1.4	1.3	1.0
Mining and Quarrying	5.5	9.1	8.4	7.1	6.0	6.4	4.5	3.5	8.5	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.0	0.1
<b>Secondary sector (Industry)</b>	4.6	6.3	5.8	3.9	3.5	2.3	4.1	4.8	5.1	0.8	1.2	1.1	0.7	0.6	0.4	0.7	0.9	0.9
Manufacturing	1.2	4.6	3.5	1.3	-0.2	-0.1	2.3	3.1	3.2	0.1	0.5	0.4	0.1	0.0	0.0	0.2	0.3	0.3
Electricity and Water supply	10.6	11.8	6.7	6.1	6.0	4.5	5.1	8.6	8.5	0.2	0.3	0.2	0.1	0.2	0.1	0.1	0.2	0.2
Construction	9.2	7.2	9.8	8.3	9.5	5.6	7.2	6.1	6.8	0.4	0.4	0.5	0.4	0.5	0.3	0.4	0.3	0.4
<b>Tertiary Sector (Services)</b>	6.8	6.3	6.1	6.7	6.3	5.6	6.4	6.7	5.9	3.2	3.0	3.2	3.2	3.0	2.9	3.1	3.3	3.1
Wholesale and Retail trade	2.8	1.5	3.8	4.3	5.6	6.7	6.2	7.7	6.8	0.2	0.1	0.3	0.3	0.4	0.6	0.4	0.6	0.6
Accommodation and Restaurants	8.2	14.1	13.5	24.5	12.6	12.4	13.5	15.7	16.0	0.1	0.1	0.1	0.3	0.1	0.1	0.2	0.1	0.2
Transport and Storage	8.8	6.9	5.5	9.5	8.0	5.3	7.1	7.8	5.4	0.5	0.5	0.4	0.6	0.5	0.4	0.4	0.5	0.4
Information and Communication	10.6	8.9	8.8	12.5	10.8	10.7	12.0	12.6	9.1	0.4	0.3	0.3	0.5	0.3	0.4	0.5	0.4	0.3
Financial & Insurance	8.1	7.9	6.8	4.7	3.5	1.7	2.6	2.3	2.6	0.5	0.5	0.4	0.3	0.2	0.1	0.2	0.1	0.2
Public administration	5.3	6.2	4.6	4.6	5.3	5.0	4.6	5.8	6.6	0.2	0.3	0.2	0.2	0.2	0.2	0.2	0.3	0.2
Others	6.9	6.7	6.6	5.6	6.0	5.5	6.2	6.1	5.5	1.3	1.3	1.4	1.1	1.2	1.2	1.2	1.2	1.2
of which: Real estate	9.6	8.9	8.4	6.1	6.0	6.1	6.8	6.6	5.8	0.7	0.7	0.7	0.5	0.5	0.5	0.6	0.5	0.5
Less: Financial services indirectly measured (FISM)	8.9	5.2	0.5	-1.8	-6.8	-3.8	-0.1	1.9	3.5	-0.2	-0.1	0.0	0.0	0.2	0.1	0.0	0.0	-0.1
Tax on less subsidies	2.5	2.2	3.9	4.6	6.1	4.0	5.4	7.8	7.9	0.3	0.2	0.5	0.5	0.7	0.3	0.6	0.9	1.0
<b>GDP at Market Prices</b>	5.3	6.2	5.7	4.7	4.7	4.7	5.8	6.2	6.0	5.3	6.2	5.7	4.7	4.7	4.7	5.8	6.2	6.0
of which Non-Agricultural GDP	6.1	6.4	6.3	6.3	6.0	5.1	6.0	6.3	5.8	3.8	4.1	4.3	4.0	3.9	3.5	3.8	4.1	4.0

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

6. The performance of Industry improved to a growth of 5.1 percent in the third quarter of 2018 compared to a growth of 2.3 percent in the same quarter in 2017 following increased activities in the manufacturing, construction and electricity and water supply sectors. The recovery of the manufacturing sector was attributable to agro-processing activities that benefitted substantially from increased agricultural production.

7. Growth in the Electricity and Water supply remained vibrant driven by increased use of less 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.

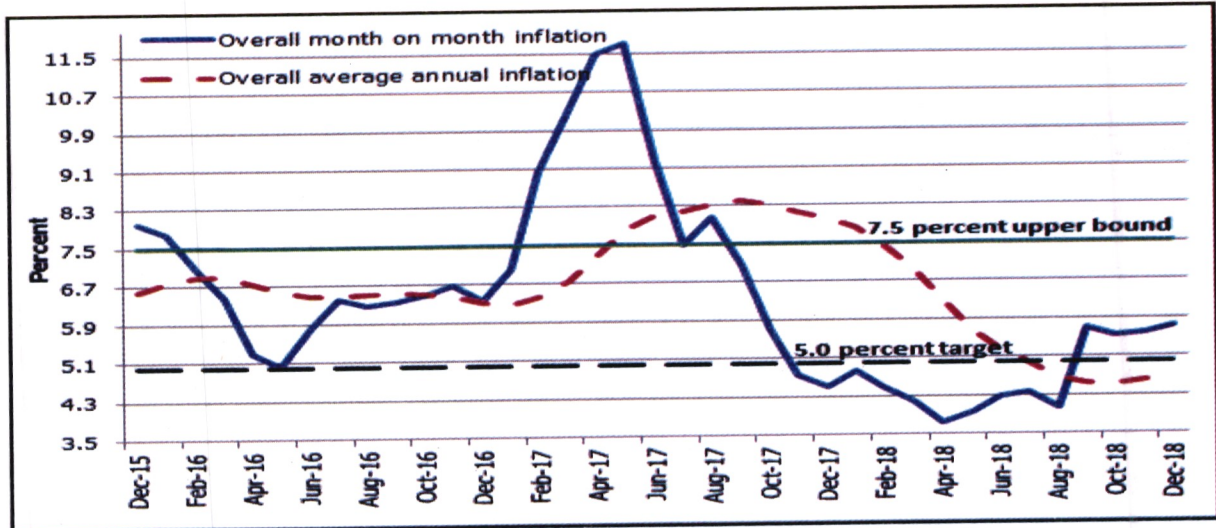
8. The industry sector accounted for 0.9 percentage points to growth in the third quarter of 2018, largely driven by the construction and manufacturing sectors which contributed 0.4 percentage points and 0.3 percentage points, respectively.

### 1.2 Inflation

9. Month-on-month overall inflation remained stable at 5.7 percent in December 2018 from 5.6 percent in November 2018, which is within the 5.0(+/-2.5) percent target. This is owing to a decline in food prices particularly maize, onions and tomatoes following improved weather conditions and a decline in energy prices following lower costs in prices of electricity and diesel. However, overall Inflation increased from 4.5 percent in December 2017 to 5.7 percent in December 2018 on account of an increase in international oil prices (Chart 2a).

## ECONOMIC DEVELOPMENTS

Chart 2a: Inflation



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

10. Kenya's rate of inflation compares favourably with the rest of Sub-Saharan African countries and especially its peers such as Nigeria and Ghana whose inflation rates were 11.4 percent and 9.4 percent, respectively in December 2018 (Chart 2b).

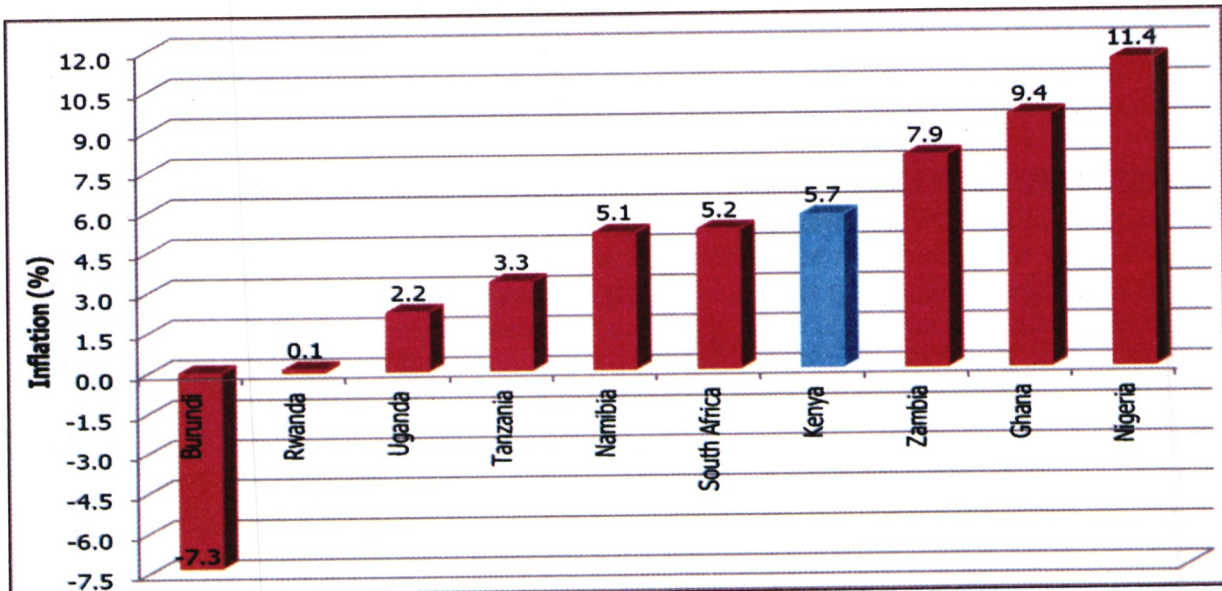


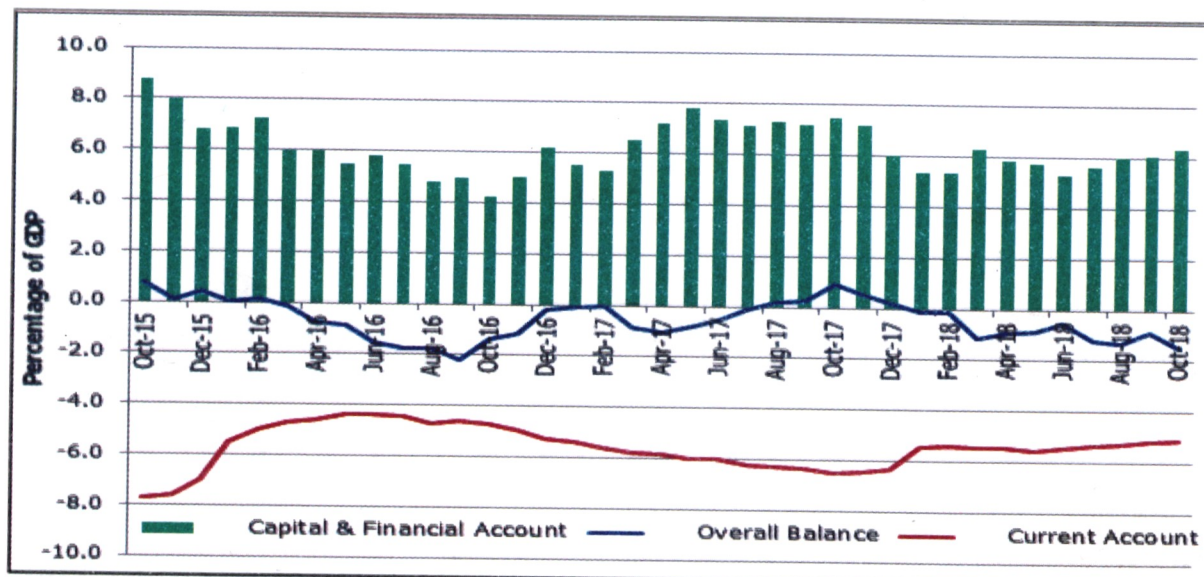
Chart 2b: Inflation Rates in selected African Countries (December 2018)

Statistics Source: National Treasury; Data: National Central Banks

### 1.3 Balance of Payments

11. The overall balance of payments position was at a deficit of US\$ 1,361.2 million (1.5 percent of GDP) in the year to October 2018 from a surplus of US\$ 723 million (0.9 percent of GDP) in the year to October 2017 (Chart 3). This deficit was due to a decline in the financial account despite an improvement in the capital and current accounts.

Chart 3: Balance of Payments (Percent of GDP)



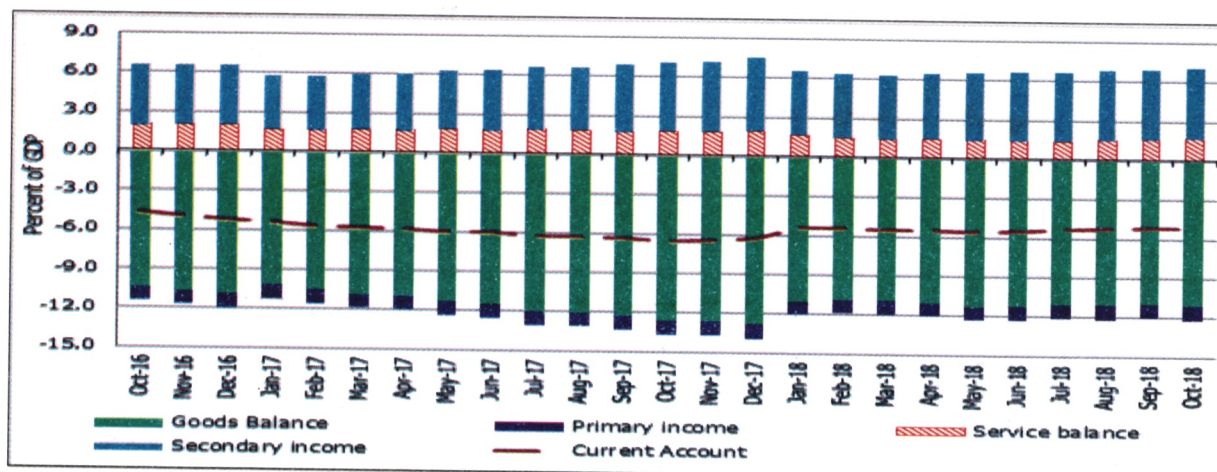
Statistics Source: National Treasury Data: Central Bank of Kenya

12. The current account balance narrowed by 8.4 percent to a deficit of US\$ 4,709.6 million in the year to October 2018 compared to a deficit of US\$ 5,141.9 million in the year to October 2017. This was driven by an increase in exports of goods and services and an improvement in the secondary income account balance particularly increased workers' remittances despite the increased payments to foreign investors (due to high interest payments).

13. As a percentage of GDP, the current account balance narrowed to 5.1 percent in October 2018 from 6.5 percent in October 2017 supported by strong growth of agricultural exports particularly tea and horticulture, increased diaspora remittances, strong receipts from tourism, and lower imports of food and SGR-related equipment relative to 2017. It is expected to narrow further to 5.2 percent of GDP in 2018 from 6.3 percent in 2017 (Chart 4).

14. The deficit in the merchandise account widened by US\$ 223.9 million to US\$ 10,204 million in the year to October 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 9.9 percent in the year to October 2018 mainly on account of higher receipts from transport and travels.

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



## ECONOMIC DEVELOPMENTS

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

15. The capital account recorded an improvement of US\$ 131.2 million to US\$ 293.1 million in the year to October 2018, reflecting an increase in project grants. Flows in the Financial Account decreased to US\$ 5,544.1 million in October 2018 compared with US\$ 5,750.0 million in October 2017. The financial inflows were mainly in the form of other investments, direct investments and portfolio Investments which stood at US\$ 3,936.5 million, US\$ 892.8 million and US\$ 694.8 million, respectively in October 2018. Other investment inflows mainly include foreign financing for Government infrastructure projects.

### 1.4 Foreign Exchange Reserves

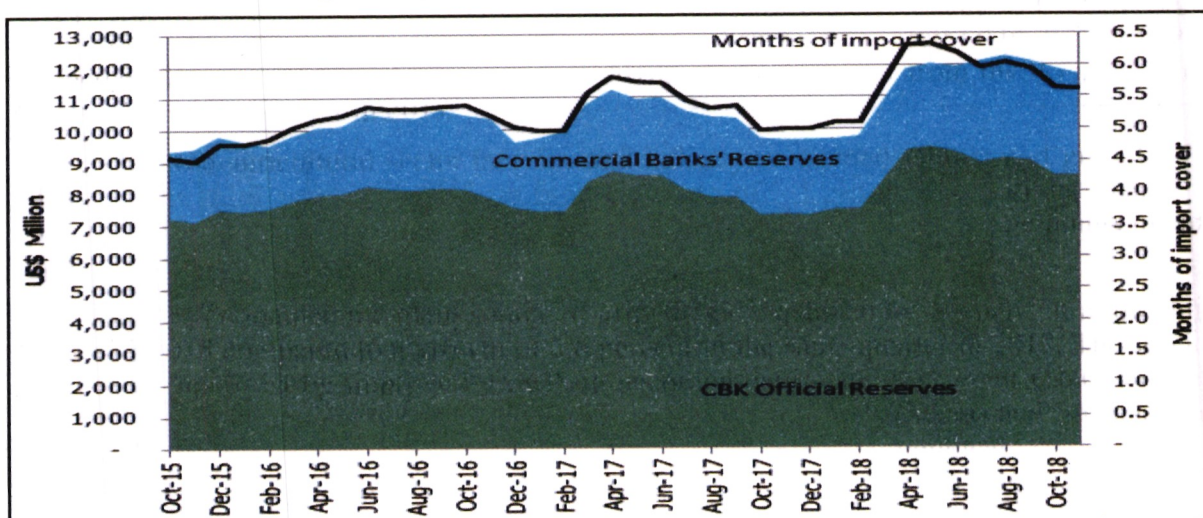
16. The banking system's foreign exchange holding remained strong at US\$ 11,668 million in October 2018 from US\$ 9,698 million in October 2017 (**Table 2 and Chart 5**). The official foreign exchange reserves held by the Central Bank improved to US\$ 8,554 million (5.6 months of import cover) in October 2018 compared with US\$ 7,341 million (5.0 months of import cover) in October 2017. Commercial banks holdings was at US\$ 3,114 million in 2018 from US\$ 2,357 million in 2017.

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

	Oct-17	Dec-17	Mar-18	Jun-18	Jul-18	Aug-18	Sep-18	Oct-18
<b>Gross Foreign Exchange Reserves</b>	<b>9,698</b>	<b>9,659</b>	<b>11,856</b>	<b>12,100</b>	<b>12,262</b>	<b>12,097</b>	<b>11,861</b>	<b>11,668</b>
Official	7,341	7,346	9,362	8,954	9,103	9,013	8,545	8,554
Commercial Banks	2,357	2,314	2,494	3,145	3,159	3,084	3,316	3,114
Import cover (36 mths imports)	4.99	5.00	6.31	5.95	6.03	5.93	5.63	5.60

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

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



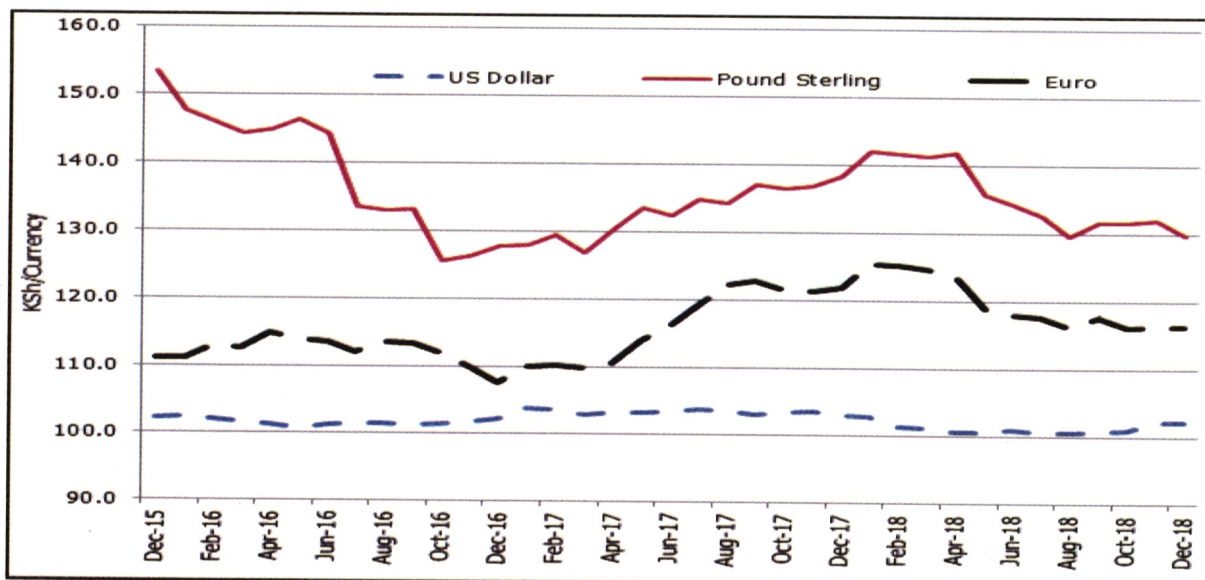
**Statistics Source:** National Treasury; **Data:** Central Bank of Kenya.

## ECONOMIC DEVELOPMENTS

### 1.4 Exchange Rates

17. The Kenya Shilling exchange rate remained broadly stable and competitive against major international currencies. Against the dollar, the exchange rate has been relatively less volatile exchanging at KSh. 102.3 in December 2018 from KSh. 103.1 in December 2017. Against the Euro and the Sterling pound, the Shilling also strengthened to KSh. 116.4 and KSh. 129.7 in December 2018 from KSh. 122.0 and KSh. 138.2 in December 2017, respectively (**Chart 6a**).

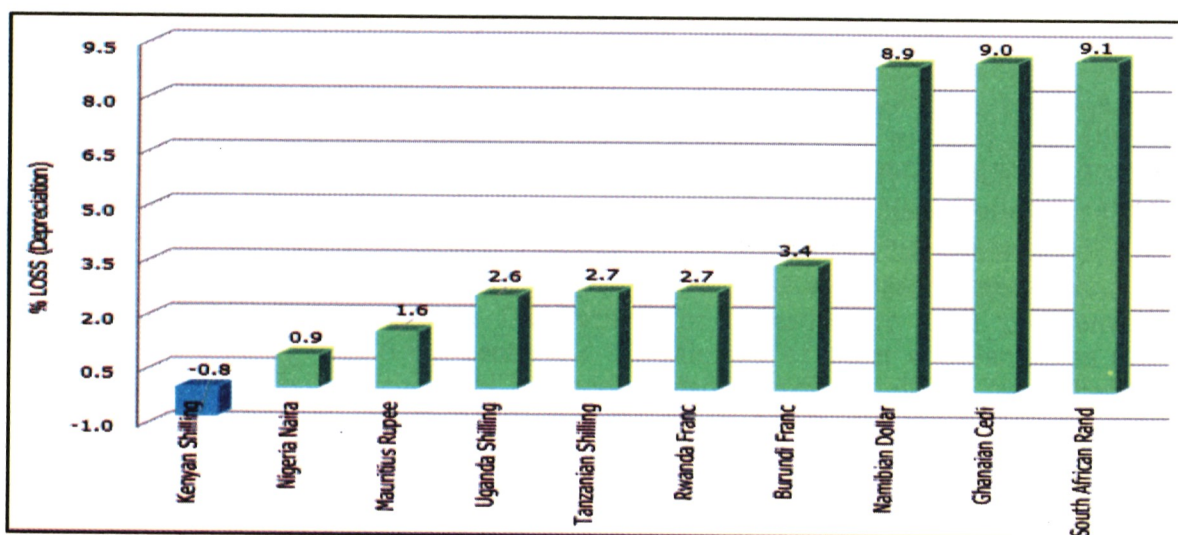
**Chart 6a: Kenya Shilling Exchange Rate**



Statistics Source: National Treasury, Data: Central Bank of Kenya.

18. The Kenya Shilling exchange rate 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 (December 2017 to December 2018)**



Statistics Source: National Treasury, Data: National Central Banks.

## ECONOMIC DEVELOPMENTS

### 1.6 Money and Credit

19. Broad money supply, M3, improved to a growth of 10.1 percent in the year to December 2018 compared to a growth of 8.8 percent in the year to December 2017 (**Table 2**). The pickup in growth reflects an improvement in the growth of time and savings deposit 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 December 2018 largely reflecting increased County Governments deposits on account of transfers from the National Government.

**Table 3: Money and Credit Developments, Ksh billion**

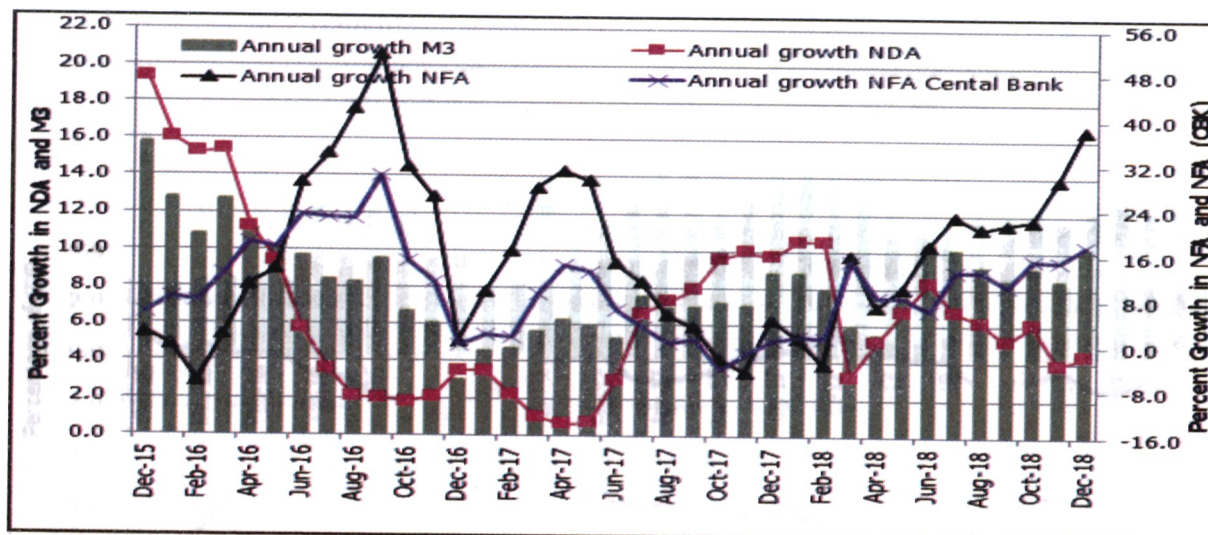
	2016 DEC	2017 DEC	2018 DEC	Absolute Change		percent change	
				2016-2017 DEC	2017-2018 DEC	12 months to Dec-17	12 months to Dec-18
<b>COMPONENTS OF M3</b>							
<b>1. Money supply, M1 (1.1+1.2+1.3)</b>	<b>1,299.8</b>	<b>1,387.1</b>	<b>1,477.9</b>	<b>87.2</b>	<b>90.9</b>	<b>6.7</b>	<b>6.6</b>
1.1 currency outside banks	209.8	225.4	230.3	15.6	4.9	7.4	2.2
1.2 Demand deposits	1,034.9	1,120.2	1,176.8	85.3	56.6	8.2	5.0
1.3 Other deposits at CBK	55.1	41.4	70.8	-13.7	29.4	-24.9	71.0
<b>2. Money supply, M2 (1+2.1)</b>	<b>2,375.1</b>	<b>2,551.8</b>	<b>2,756.0</b>	<b>176.7</b>	<b>204.2</b>	<b>7.4</b>	<b>8.0</b>
2.1 Time and savings deposits	1,075.3	1,164.7	1,278.0	89.5	113.3	8.3	9.7
<b>3. Money supply, M3 (2+3.1)</b>	<b>2,785.9</b>	<b>3,030.6</b>	<b>3,337.8</b>	<b>244.7</b>	<b>307.2</b>	<b>8.8</b>	<b>10.1</b>
3.1 Foreign currency deposits	410.8	478.8	581.9	68.0	103.0	16.5	21.5
<b>SOURCES OF M3</b>							
<b>1. Net foreign assets (1.1+1.2)</b>	<b>493.6</b>	<b>516.3</b>	<b>714.1</b>	<b>22.7</b>	<b>197.8</b>	<b>4.6</b>	<b>38.3</b>
1.1 Central Bank	621.6	627.1	739.5	5.5	112.4	0.9	17.9
1.2 Banking Institutions	-128.0	-110.8	-25.4	17.2	85.4	-13.4	-77.1
<b>2. Net domestic assets (2.1+2.2)</b>	<b>2,292.3</b>	<b>2,514.3</b>	<b>2,623.7</b>	<b>222.0</b>	<b>109.4</b>	<b>9.7</b>	<b>4.4</b>
<b>2.1 Domestic credit (2.1.1+2.1.2+2.1.3)</b>	<b>3,003.6</b>	<b>3,232.6</b>	<b>3,381.1</b>	<b>228.9</b>	<b>148.5</b>	<b>7.6</b>	<b>4.6</b>
2.1.1 Government (net)	592.8	755.7	858.2	162.9	102.5	27.5	13.6
2.1.2 Other public sector	104.7	112.4	100.9	7.7	-11.4	7.3	-10.2
2.1.3 Private sector	2,306.2	2,364.5	2,422.0	58.3	57.5	2.5	2.4
<b>2.2 Other assets net</b>	<b>-711.3</b>	<b>-718.2</b>	<b>-757.3</b>	<b>-6.9</b>	<b>-39.1</b>	<b>1.0</b>	<b>5.4</b>

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

20. The primary source of the growth in M3 in the year to December 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 in 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 December 2018 grew by 38.3 percent, an improvement compared to a growth of 4.6 percent in the year to December 2017 (**Chart 7**). The improvement is attributed to an increase in Commercial Banks' 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



Statistics Source: National Treasury, Data: Central Bank of Kenya.

22. The Net Domestic Assets (NDA) slowed down to a growth of 4.4 percent in the year to December 2018 from a growth of 9.7 percent over a similar period in 2017. This largely reflects reduced net credit flows to government on account of increased government deposits due to quarterly tax collections.

23. Annual growth of credit to the private sector grew by 2.4 percent in the year to December 2018, compared to a growth of 2.5 percent in the year to December 2017. In particular, lending to finance and insurance, consumer durables, business services, private households and manufacturing sectors grew by 17.5 percent, 11.0 percent, 8.3 percent, 6.8 percent and 6.0 percent, respectively. This offset the substantial loan repayments recorded in the mining, transport and communication and agriculture sectors in the year to December 2018. Growth in private sector credit is expected to pick up gradually with the continued recovery of the economy.

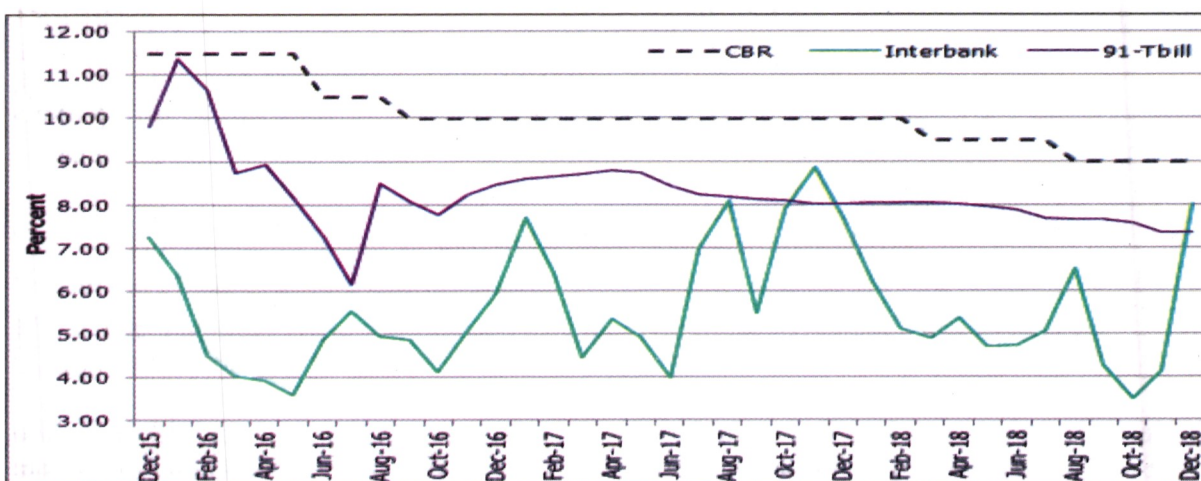
### 1.7 Interest Rates

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 as there was room for easing monetary policy stance to support economic activity. The CBR was maintained at 9.0 per cent to end December, 2018 as there were no inflationary pressures. The interbank rate remained low at 8.1 percent in December 2018 from 7.7 percent in December 2017 due to ample liquidity in the money market (**Chart 8**). The interest rates for Government securities have been declining indicating that the implementation of Government domestic borrowing program supported market stability. The 91-day Treasury bill rate declined to 7.3 percent in December 2018 compared to 8.0 percent in December 2017 while over the same period, the 182 day and the 364-day Treasury bills declined to 8.4 percent and 9.7 percent from 10.5 percent and 11.1 percent, respectively.



## ECONOMIC DEVELOPMENTS

Chart 8: Short-Term Interest Rates

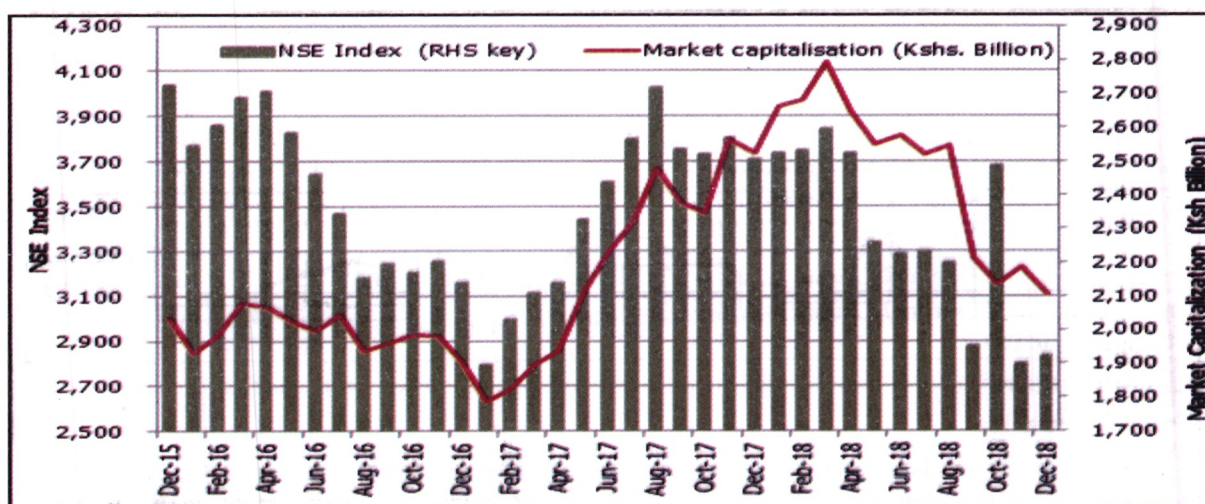


Statistics Source: National Treasury, Data: Central Bank of Kenya.

### 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 2,834 points by end-December 2018 from 3,712 points in December 2017. The depressed share prices resulted in lower market capitalization of KSh. 2,102 billion in December 2018 from KSh. 2,522 billion in December 2017 (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



Statistics Source: National Treasury, Data: Central Bank of Kenya.

## FISCAL DEVELOPMENTS

### 2.0 FISCAL DEVELOPMENTS

#### 2.1 Revenue

26. By the end of December 2018, total cumulative revenue including A-I-A collected amounted to KSh. 794.7 billion against a target of KSh. 855.7 (Table 4 and Chart 10). This performance was below the target by KSh. 61 billion. Ordinary revenue collection was KSh. 722.3 billion against a target of KSh. 775 billion which constituted an under performance of KSh. 52.7 billion. The Railway Development Levy collection amounted to KSh. 10.5 billion against a target of KSh. 12.5 billion. Cumulative A-I-A recorded an under performance of KSh. 8.3 billion for the period under review, reflecting partly under reporting by the Ministries in their expenditure return for the period under review. However, compared to the last FY the ordinary Revenue collection increased by 10 per cent. The revenue data is also presented in Government Finance Statistics Manual 2014 (GFSM 2014) format shown in Annex II.

**Table 4: Revenue and Grants, Period Ending 31st December, 2018 (KSh. Million)**

	2017/2018	2018/19		Deviation KSh.	Deviation in percentage
	Actual	Actual	Target		
<b>Total Revenue (a+b)</b>	<b>709,400</b>	<b>794,653</b>	<b>855,690</b>	<b>(61,037)</b>	<b>(7.13)</b>
<b>(a) Ordinary Revenue</b>	<b>656,898</b>	<b>722,283</b>	<b>774,985</b>	<b>(52,702)</b>	<b>(6.80)</b>
Import Duty	47,530	51,701	58,459	<b>(6,758)</b>	(11.56)
Excise Duty	75,182	91,723	109,316	<b>(17,593)</b>	(16.09)
PAYE	158,174	180,367	188,952	<b>(8,585)</b>	(4.54)
Other Income Tax	161,499	145,176	176,286	<b>(31,110)</b>	(17.65)
VAT Local	95,912	109,418	112,466	<b>(3,048)</b>	(2.71)
VAT Imports	71,386	84,433	94,000	<b>(9,567)</b>	(10.18)
Investment Revenue	15,152	24,404	-	<b>24,404</b>	-
Traffic Revenue	1,332	1,880	1,583	<b>297</b>	18.76
Taxes on Intl. Trade & Trans.(IDF Fee)	11,280	11,507	14,637	<b>(3,130)</b>	(21.38)
Others <sup>1</sup>	19,451	21,674	19,286	<b>2,388</b>	12.38
<b>(b) Appropriation In Aid <sup>2</sup></b>	<b>52,502</b>	<b>72,370</b>	<b>80,705</b>	<b>(8,335)</b>	<b>(10.33)</b>
o/w Railway Development Levy	10,469	10,548	12,510	<b>(1,962)</b>	(15.68)
<b>(c) External Grants</b>	<b>7,828</b>	<b>8,829</b>	<b>20,520</b>	<b>(11,691)</b>	<b>(56.97)</b>
<b>Total Revenue and External Grants</b>	<b>717,228</b>	<b>803,482</b>	<b>876,210</b>	<b>(72,728)</b>	<b>(8.30)</b>
<b>Total Revenue and External Grants as a percentage of GDP</b>	<b>8.29</b>	<b>8.04</b>	<b>8.77</b>		-

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

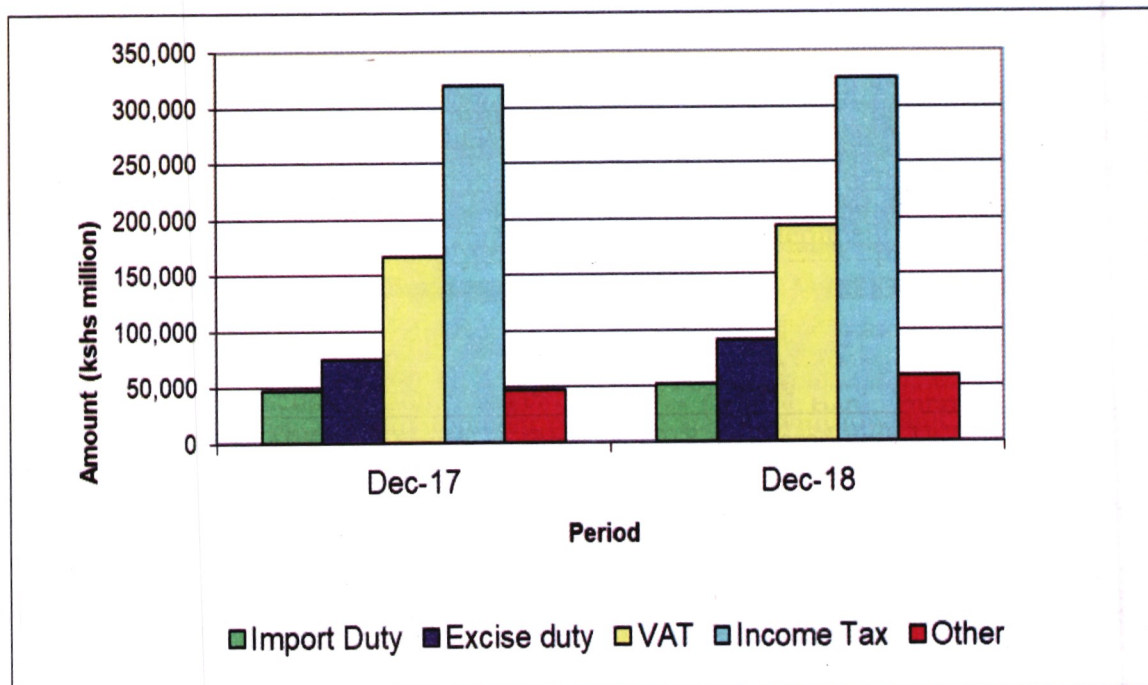
2/ includes receipts from Road Maintenance Levy Fund and A-I-A from Universities

Source: National Treasury.

27. As a proportion of GDP, the total cumulative revenue and grants in the period under review amounted to 8.04 per cent compared to 8.29 per cent in the corresponding period of the FY 2017/18. External grants amounted to KSh. 8.8 billion against a target of KSh. 20.5 billion, representing an under performance of KSh. 11.7 billion.

## FISCAL DEVELOPMENTS

Chart 10: Total Ordinary Revenue



Source: National Treasury.

### 2.2 Expenditure

28. The total expenditure and net lending for the period under review amounted to KSh. 1,075.5 billion, against a target of KSh. 1,130.7 billion. The shortfall of KSh. 55.2 billion was attributed to under absorption in both recurrent and development expenditures by the National Government (**Table 5 and Chart 11**). Recurrent expenditure for National Government amounted to KSh. 625.5 billion (excl. KSh. 18.4 billion for Parliament and Judiciary), against a target of KSh. 745.7 billion which is an under performance. The underperformance was mainly recorded in domestic and foreign interest payments, wages and salaries, pension, Operation and Maintenance and A-I-A.

**Table 5: Expenditure and Net Lending, Period Ending 31<sup>st</sup> December, 2018 (KSh. Million)**

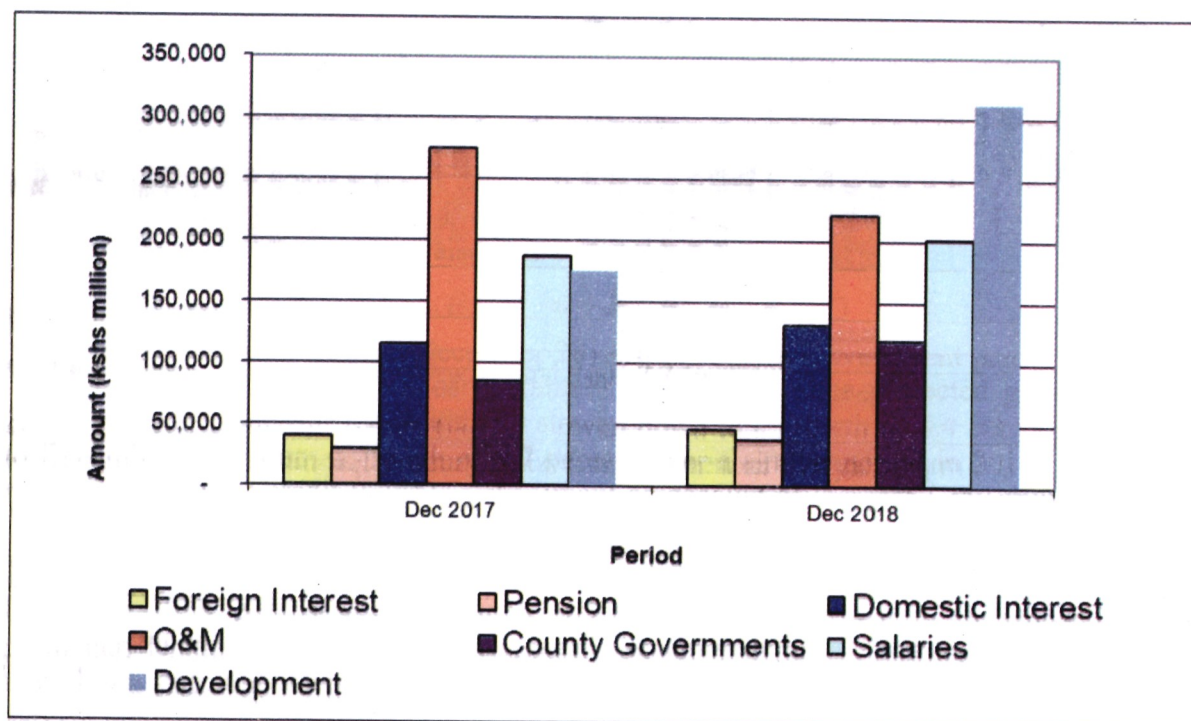
	2017/2018 Actual	2018/19		Deviation	% Growth
		Actual	Targets		
<b>1. RECURRENT</b>	<b>629,666</b>	<b>625,485</b>	<b>745,771</b>	<b>(120,286)</b>	<b>(0.7)</b>
Domestic Interest	114,630	131,525	185,141	(53,616)	14.7
Foreign Interest	40,215	46,099	58,187	(12,088)	14.6
Pensions	29,860	38,172	45,575	(7,403)	27.8
Wages and Salaries	187,383	201,616	212,042	(10,426)	7.6
Operation and Maintenance	257,579	208,073	244,826	(36,753)	(19.2)
O/W : Appropriation-in-Aid	39,724	40,419	50,725	(10,306)	1.8
<b>2. DEVELOPMENT</b>	<b>175,262</b>	<b>311,882</b>	<b>234,296</b>	<b>77,586</b>	<b>78.0</b>
Development Projects (Net)	123,295	140,710	122,426	18,284	14.1
Payment of Guaranteed Loans	1,703	963	1,246	(283)	(43.5)
Appropriation-in-Aid	48,821	167,263	108,274	58,989	242.6
3. County Governments	84,671	119,674	125,289	(5,615)	41.3
4. Parliamentary Service	11,747	13,250	16,195	(2,945)	12.8
5. Judicial Service	5,619	5,170	6,636	(1,466)	-
6. Equalization Fund	1,443	2,946	2,350	596	104.2
7. CF	-	-	2,500	(2,500)	-
<b>TOTAL EXPENDITURE</b>	<b>906,965</b>	<b>1,075,461</b>	<b>1,130,687</b>	<b>(55,226)</b>	<b>18.6</b>

Source: National Treasury.

## FISCAL DEVELOPMENTS

29. Foreign interest payments amounted to KSh. 46.1 billion, compared to KSh. 40.2 billion in the same period of the FY 2017/18. The domestic interest payments totalled KSh. 131.5 billion, which was higher than KSh. 114.6 billion paid in the corresponding period of the previous financial year. The presentation of the expenditure data in Government Finance Statistics Manual 2014 (GFSM 2014) format is shown in Annexes V and VI.

**Chart 11: Expenditure and Net Lending**



Source: National Treasury.

30. The total cumulative ministerial and other public agencies expenditure was KSh. 659.5 billion against a target of KSh. 856.3 billion (**Table 6**). Recurrent expenditure was KSh. 407.3 billion against a target of KSh. 532 billion, while development expenditure was KSh. 252.2 billion against a target of KSh. 324.3 billion. This reflects an absorption of 76.6 per cent and 77.8 per cent of recurrent and development expenditures respectively, as at the end of the period under review. Out of the total expenditure, recurrent and Development constituted 61.8 per cent and 38.2 per cent respectively.

31. As at the end of 31st December, 2018, expenditures by the Ministry of Education, Science and Technology; Teachers Service Commission and Ministry of Health (Social Sector) accounted for 40.9 per cent of total recurrent expenditure. While the Ministry of Defense and State Department for Interior accounted for 14.9 per cent and 8.5 per cent respectively.

32. Analysis of development outlay indicates that the State Department for Transport (KSh. 69.7 billions), accounted for the largest share of the total development expenditures (27.6 per cent) followed by State Department for Infrastructure (15.1 per cent), State Department for Energy (12.6 per cent), and the Ministry of water and Sanitation (6.2 per cent). The development expenditures in large Ministries were below the target because of non-inclusion of expenditures from some donor funded projects.

# FISCAL DEVELOPMENTS

## Table 6: Ministerial Expenditures, Period Ending 31<sup>st</sup> December, 2018 (KSh. Million)

VOTE	MINISTRY/DEPARTMENT/COMMISSION	Recurrent			Development			Total			% total expenditure to total target
		Actual*	Target	Variance	Actual*	Target	Variance	Actual*	Target	Variance	
1011	The Presidency	3,747.12	3,856.49	(109.38)	297.31	554.42	(257.10)	4,044.43	4,410.91	(366.48)	91.7
1021	State Department for Interior	34,512.08	54,331.18	(19,819.10)	6,702.18	8,654.35	(1,952.17)	41,214.26	62,985.53	(21,771.27)	65.4
1023	State Department for Correctional Services	7,792.61	12,896.87	(5,104.26)	96.69	906.30	(809.61)	7,889.30	13,803.17	(5,913.87)	57.2
1024	State Department for Immigration and Citizen Services	700.93	896.64	(195.71)	661.51	345.15	316.36	1,362.44	1,241.79	120.65	109.7
1032	State Department for Devolution	457.76	1,408.70	(950.95)	15,344.80	17,743.57	(2,398.76)	15,802.56	19,152.27	(3,349.71)	82.5
1035	State Department for Development of the ASAL	474.36	493.55	(19.20)	2,548.44	2,679.00	(130.56)	3,022.80	3,172.55	(149.75)	95.3
1041	Ministry of Defence	60,812.21	48,018.21	12,794.00	-	7,487.17	(7,487.17)	60,812.21	55,505.38	5,306.82	109.6
1052	Ministry of Foreign Affairs	2,839.25	7,495.31	(4,656.07)	139.41	968.87	(829.46)	2,978.66	8,464.18	(5,485.52)	35.2
1064	State Department for Vocational and Technical Training	2,587.87	3,171.85	(583.98)	4,768.98	4,169.00	599.98	7,356.85	7,340.85	16.00	100.2
1065	State Department for University Education	20,164.40	43,154.88	(22,990.47)	4,956.43	6,554.50	(1,598.07)	25,120.83	49,709.38	(24,588.55)	50.5
1066	State Department for Early Learning & Basic Education	30,960.60	44,095.57	(13,134.97)	1,655.15	4,909.42	(3,254.26)	32,615.75	49,004.98	(16,389.23)	66.6
1068	State Department for Post Training and Skills Development	20.34	22.73	(2.39)	-	-	-	20.34	22.73	(2.39)	89.5
1071	The National Treasury	16,843.27	34,094.84	(17,251.57)	4,812.33	16,284.24	(11,471.90)	21,655.61	50,379.08	(28,723.47)	43.0
1072	State Department for Planning	4,885.78	5,047.70	(161.92)	881.43	1,301.21	(419.79)	5,767.21	6,348.91	(581.70)	90.8
1081	Ministry of Health	14,729.87	24,539.39	(9,809.52)	9,413.17	20,453.22	(11,040.06)	24,143.04	44,992.61	(20,849.58)	53.7
1091	State Department for Infrastructure	19,948.18	29,165.01	(9,216.83)	38,144.94	56,492.69	(18,347.75)	58,093.12	85,657.70	(27,564.58)	67.8
1092	State Department for Transport	505.58	5,138.72	(4,633.14)	69,657.81	45,212.30	24,445.51	70,163.39	50,351.02	19,812.37	139.3
1093	State Department for Shipping and Maritime	112.43	825.29	(712.86)	-	-	-	112.43	825.29	(712.86)	13.6
1094	State Department for Housing, Urban Development	69.28	370.70	(301.42)	2,698.33	12,598	(9,899.67)	2,767.61	1,758.67	1,008.94	154.3
1095	State Department for Public Works	471.99	807.02	(335.03)	250.30	951.65	(701.35)	722.28	1,758.67	(1,036.38)	41.1
1096	State Department for Housing, Urban Development and Public Works	703.86	353.31	350.55	2,063.21	1,001.52	1,061.69	4,126.78	2,064.83	2,061.95	199.2
1107	Ministry of Water and Sanitation	1,793.75	2,034.68	(240.93)	15,620.11	24,385.70	(8,765.59)	17,413.86	26,420.38	(9,006.51)	65.9
1108	Ministry of Environment and Forestry	4,039.99	4,980.55	(940.56)	1,776.02	3,001.50	(1,225.48)	5,816.01	7,982.05	(2,166.05)	72.9
1112	Ministry of Lands and Physical Planning	1,125.88	1,336.09	(210.21)	1,179.35	1,672.61	(493.26)	2,305.23	3,008.70	(703.47)	76.6
1122	State Department for Information Communications and Technology & Innovation	583.96	835.07	(251.11)	11,402.56	10,529.31	873.25	11,986.52	11,364.38	622.15	105.5
1123	State Department for Broadcasting & Telecommunications	1,008.17	1,531.81	(523.64)	248.00	344.00	(96.00)	1,256.17	1,875.81	(619.64)	67.0
1132	State Department for Sports	836.31	736.21	100.10	459.80	337.50	122.30	1,296.11	1,073.71	222.40	120.7
1134	State Department for Heritage	1,468.22	1,528.73	(60.51)	418.22	440.80	(22.58)	1,886.44	1,969.53	(83.09)	95.8
1152	State Department for Energy	1,003.78	1,077.68	(73.90)	31,764.57	30,893.41	871.15	32,768.35	31,971.09	797.25	102.5
1162	State Department for Livestock	844.63	974.52	(129.89)	1,235.08	2,140.87	(905.79)	2,079.71	3,115.39	(1,035.68)	66.8
1165	State Department for Crop Development	3,701.80	1,644.62	2,057.17	3,993.38	10,042.71	(6,049.33)	7,695.18	11,687.34	(3,992.16)	65.8
1166	State Department for Fisheries, Aquaculture & the Blue Economy	196.71	282.58	(85.87)	126.87	1,092.00	(965.13)	323.58	1,374.58	(1,051.00)	23.5
1167	State Department for Irrigation	238.87	405.31	(166.44)	2,526.55	3,329.50	(802.95)	2,765.42	3,734.81	(969.39)	74.0
1168	State Department for Agricultural Research	2,532.59	2,490.12	42.47	237.95	237.95	-	2,770.54	2,728.07	42.47	101.6
1173	State Department for Cooperatives	149.81	252.83	(103.02)	150.32	170.00	(19.68)	300.13	422.83	(122.70)	71.0
1174	State Department for Trade	565.35	754.41	(189.06)	29.39	156.00	(126.61)	594.74	910.41	(315.67)	65.3
1175	State Department for Industrialization	981.87	1,338.31	(356.44)	1,503.68	2,149.00	(645.32)	2,485.55	3,487.31	(1,001.76)	71.3
1184	State Department for Labour	844.42	1,268.58	(424.16)	349.35	774.70	(425.35)	1,193.77	2,043.28	(849.51)	58.4
1185	State Department for Social Protection	5,349.54	9,282.31	(3,932.77)	2,329.87	6,245.55	(3,915.68)	7,679.41	15,527.86	(7,848.45)	49.5
1192	State Department for Mining	368.36	442.71	(74.35)	135.18	162.50	(27.32)	503.54	605.21	(101.67)	83.2
1193	State Department for Petroleum	100.21	128.22	(28.00)	506.70	1,629.25	(1,122.55)	606.91	1,757.47	(1,150.55)	34.5
1202	State Department for Tourism	382.07	1,379.87	(997.80)	19.29	1,025.00	(1,005.71)	401.86	1,379.87	(978.01)	29.2
1203	State Department for Wildlife	588.90	2,782.24	(2,193.34)	433.00	559.13	(126.13)	1,021.90	2,782.24	(1,760.34)	36.7
1204	Ministry of Tourism and Wildlife	1,024.70	495.19	529.51	377.25	188.63	188.63	1,401.95	683.82	718.13	205.0
1211	State Department for Public Service and Youth	1,301.14	659.99	641.14	1,658.89	900.41	758.48	2,960.03	1,560.40	1,399.62	189.7
1212	State Department for Gender	877.95	753.84	124.11	1,706.50	1,406.50	300.00	2,584.45	2,160.34	424.11	119.6
1213	State Department for Public Service	4,088.23	2,686.84	1,401.39	401.28	498.73	-	4,489.51	3,185.57	1,303.94	139.4
1214	State Department for Youth	368.20	3,313.28	(2,945.08)	190.19	635.03	(444.84)	558.39	3,948.31	(3,380.11)	14.4
1221	State Department for East African Community	245.50	276.54	(31.04)	-	-	-	245.50	276.54	(31.04)	88.8
1222	State Department for Regional and Northern Corridor Development	925.29	997.76	(72.47)	5,143.28	6,641.47	(1,498.19)	6,068.57	7,639.23	(1,570.66)	79.4
1252	1252 State Law Office and Department of Justice	1,653.70	2,038.16	(384.46)	41.22	307.00	(265.78)	1,694.92	2,345.16	(650.24)	72.3
1261	The Judiciary	5,051.47	6,453.75	(1,402.28)	427.55	1,524.50	(1,096.95)	5,479.02	7,978.25	(2,499.23)	68.7
1271	Ethics and Anti-Corruption Commission	1,399.38	1,400.77	(1.39)	-	62.50	(62.50)	1,399.38	1,463.27	(63.89)	95.6
1281	National Intelligence Service	15,869.23	15,605.50	263.73	-	-	-	15,869.23	15,605.50	263.73	101.7
1291	Office of the Director of Public Prosecutions	985.39	1,406.14	(420.75)	-	50.00	(50.00)	985.39	1,456.14	(470.75)	67.7
1311	Office of the Registrar of Political Parties	334.11	398.50	(64.38)	-	-	-	334.11	398.50	(64.38)	83.8
1321	Witness Protection Agency	230.24	236.70	(6.47)	-	-	-	230.24	236.70	(6.47)	97.3
2011	Kenya National Commission on Human Rights	192.99	192.39	0.60	-	-	-	192.99	192.39	0.60	100.3
2021	National Land Commission	558.89	605.05	(46.15)	-	-	-	558.89	605.05	(46.15)	92.4
2031	Independent Electoral and Boundaries Commission	1,875.82	2,095.31	(219.49)	-	21.50	(21.50)	1,875.82	2,116.81	(240.99)	88.6
2041	Parliamentary Service Commission	4,630.08	5,813.57	(1,183.48)	626.50	1,050	605.00	5,256.58	5,835.07	(578.48)	90.1
2042	National Assembly	8,619.61	10,381.42	(1,761.81)	-	-	-	8,619.61	10,381.42	(1,761.81)	83.0
2051	Judicial Service Commission	118.36	182.00	(63.64)	-	-	-	118.36	182.00	(63.64)	65.0
2061	The Commission on Revenue Allocation	176.88	210.46	(33.58)	-	-	-	176.88	210.46	(33.58)	84.0
2071	Public Service Commission	556.72	563.04	(6.32)	6.54	29.65	(23.11)	563.26	592.69	(29.43)	95.0
2081	Salaries and Remuneration Commission	154.30	274.95	(120.65)	-	-	-	154.30	274.95	(120.65)	56.1
2091	Teachers Service Commission	100,661.22	113,241.51	(12,580.29)	8.13	68.00	(59.87)	100,669.35	113,309.51	(12,640.16)	88.8
2101	National Police Service Commission	295.12	314.22	(19.10)	-	-	-	295.12	314.22	(19.10)	93.9
2111	Auditor General	2,294.26	2,563.34	(269.08)	46.73	341.12	(294.39)	2,340.99	2,904.45	(563.46)	80.6
2121	Controller of Budget	204.41	301.47	(97.05)	-	-	-	204.41	301.47	(97.05)	67.8
2131	The Commission on Administrative Justice	171.53	246.02	(74.49)	-	-	-	171.53	246.02	(74.49)	69.7
2141	National Gender and Equality Commission	178.15	181.96	(3.80)	-	-	-	178.15	181.96	(3.80)	97.9
2151	Independent Policing Oversight Authority	213.49	398.30	(184.81)	-	-	-	213.49	398.30	(184.81)	53.6
	<b>Total</b>	<b>407,301.32</b>	<b>531,959.40</b>	<b>(124,658.08)</b>	<b>252,171.74</b>	<b>324,310.10</b>	<b>(72,138.36)</b>	<b>659,473.06</b>	<b>856,269.50</b>	<b>(196,796.44)</b>	<b>77.0</b>

\*Provisional

Source: National Treasury.

## FISCAL DEVELOPMENTS

33. The discrepancy between actual and targeted expenditures partly reflect the non-capture of the Sub-National expenditures due to under reporting by Ministries. In some MDAs, total Ministerial expenditures exceeds the target because some of them have access to their entire annual budget; the expenditures include actual expenditures and commitments; and in other cases the MDAs have prior approval of spending their votes under article 223 of the Kenya Constitution, 2010. The ministerial expenditures are provisional.

### 2.2.1 Pending Bills

34. The total pending bills in the last FY, 2017/18, amounted to Ksh. 29.3 billions. The Government has prioritized clearance of all the pending bills. MDAs have been directed to settle pending Bills as a first charge in the Financial Year 2018/19. The actual size of the pending bills will be explicitly known at the end of the Financial Year because of the on-going clearance as directed.

### 2.2.2 Guaranteed Loans to Parastatals Payments

35. Cumulative principal and interest payments of guaranteed loans to parastatals with liquidity problems amounted to Ksh 675 million against a payment target of Ksh 687.9 million (Table 7) for period ending 31<sup>st</sup> December, 2018. The projected guaranteed loans repayment in the second quarter was lower than actual payments because the loan for EAPC and TARDA became due in quarter one but the payments were effected in the second quarter.

**Table 7: Schedule and actual payments on Guaranteed Debt for the period ending 31st December, 2018 (KSh. million)**

BORROWER	Quarter I		Quarter II		Cumm. to December 2018*	
	Projected	Actual	Projected	Actual	Projected	Actual
EAPC	179.5	0	0	175.87	179.5	175.87
TARDA	144.45	0	0	139.63	144.45	139.63
KBC	0	0	361.3	359.47	361.3	359.47
<b>TOTAL</b>	<b>326.58</b>	<b>0</b>	<b>361.3</b>	<b>674.97</b>	<b>687.88</b>	<b>674.97</b>

\* Provisional

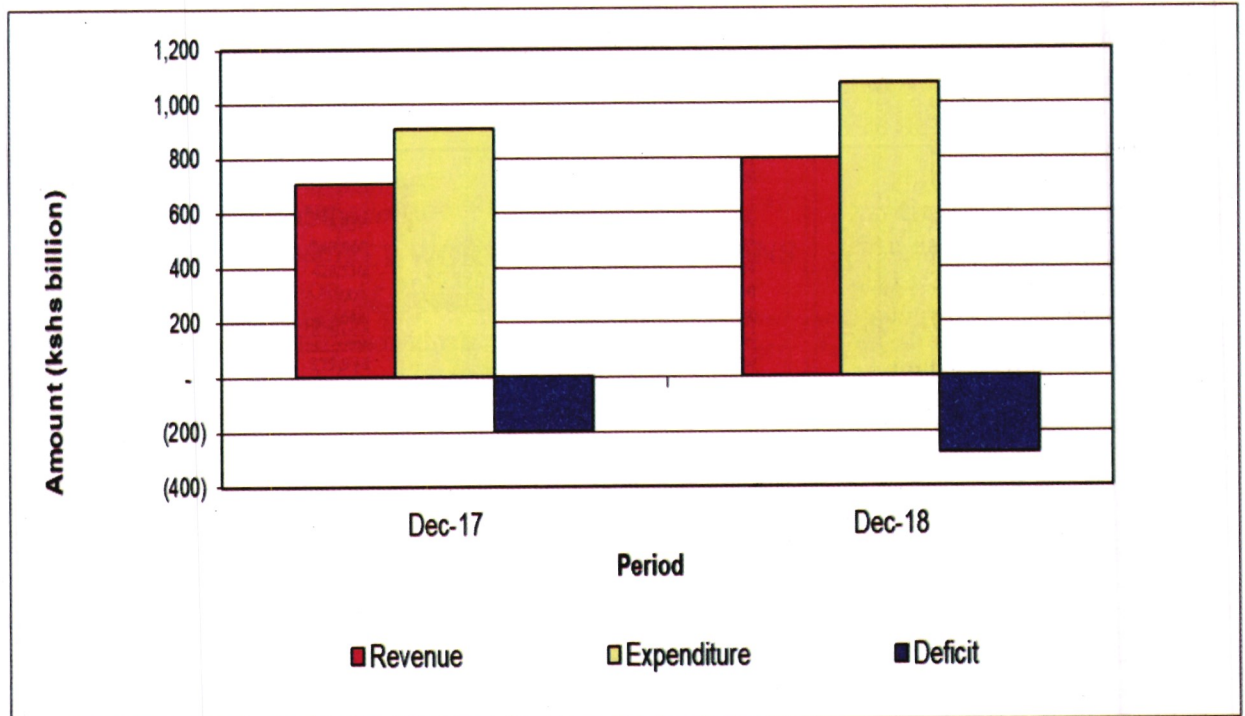
Source: National Treasury.

### 2.3 Fiscal Outturn

36. Between July 1, 2018 and December 31, 2018, cumulative overall fiscal balance (on a commitment basis and excluding grants), amounted to KSh. 280.8 billion (equivalent to 2.81 per cent of GDP) against a targeted deficit of KSh. 275 billion (equivalent to 2.75 per cent of GDP) (Chart 12 and Table 8).

## FISCAL DEVELOPMENTS

Chart 12: Fiscal Balance as at December 2018



Source: National Treasury.

37. Over the same period in 2017, the fiscal deficit stood at KSh. 197.6 billion (equivalent to 2.28 per cent of GDP). Including grants, the fiscal balance (on a commitment basis) deficit stood at 2.72 per cent of GDP against a targeted deficit of 2.55 per cent of GDP as at end December, 2018. The Fiscal Outturns for the past years is presented in Annex I and in Government Finance Statistics 2014 (GFSM 2014) format in Annexes III and IV.

## FISCAL DEVELOPMENTS

**Table 8: Budget Outturn, Cumulative Ending 31st December, 2018 (KSh. Million)**

	2017/2018 Actual	2018/2019		Deviation	% growth	2018/2019 as a % of GDP		2017/2018 Actual as a % of GDP
		Actual*	Targets			Actual	Targets	
<b>A. TOTAL REVENUE AND GRANTS</b>	<b>717,228</b>	<b>803,482</b>	<b>876,210</b>	<b>(72,728)</b>	<b>12.03</b>	<b>8.04</b>	<b>8.77</b>	<b>8.29</b>
<b>1. Revenue</b>	<b>709,400</b>	<b>794,653</b>	<b>855,690</b>	<b>(61,036)</b>	<b>12.02</b>	<b>7.95</b>	<b>8.57</b>	<b>8.20</b>
Ordinary Revenue	656,898	722,283	774,985	(52,702)	9.95	7.23	7.76	7.59
Import Duty	47,530	51,701	58,459	(6,758)	8.78	0.52	0.59	0.55
Excise Duty	75,182	91,723	109,316	(17,593)	22.00	0.92	1.09	0.87
Income tax	319,672	325,543	365,238	(39,695)	1.84	3.26	3.66	3.69
VAT	167,299	193,851	206,466	(12,615)	15.87	1.94	2.07	1.93
Investment Revenue	15,152	24,404	0	24,404	61.07	0.24	-	0.18
Others	32,063	35,062	35,506	(444)	9.35	0.35	0.36	0.37
Appropriation-in-Aid	52,502	72,370	80,705	(8,335)	37.84	0.72	0.81	0.61
<b>2. Grants</b>	<b>7,828</b>	<b>8,829</b>	<b>20,520</b>	<b>(11,691)</b>	<b>12.79</b>	<b>0.09</b>	<b>0.21</b>	<b>0.09</b>
AMISOM Receipts	2,730	10	2,909	(2,899)	(99.63)	0.00	0.03	0.03
Revenue	2,382	4,545	5,641	(1,096)	90.84	0.05	0.06	0.03
Appropriation-in-Aid	2,002	4,273	11,970	(7,697)	113.42	0.04	0.12	0.02
Italian Debt Swap	0	0	0	-	-	0.00	-	0.00
County Health Facilities - DANIDA	714	0	0	-	-	0.00	-	0.01
<b>B. EXPENDITURE and NET LENDING</b>	<b>906,965</b>	<b>1,075,461</b>	<b>1,130,686</b>	<b>(55,225)</b>	<b>18.58</b>	<b>10.77</b>	<b>11.32</b>	<b>10.48</b>
<b>1. Recurrent</b>	<b>647,032</b>	<b>643,905</b>	<b>768,601</b>	<b>(124,696)</b>	<b>(0.48)</b>	<b>6.45</b>	<b>7.69</b>	<b>7.48</b>
Domestic Interest	114,630	131,525	185,141	(53,616)	14.74	1.32	1.85	1.32
Foreign Interest	40,215	46,099	58,187	(12,088)	14.63	0.46	0.58	0.46
Pension	29,860	38,172	45,575	(7,403)	27.84	0.38	0.46	0.35
Wages and Salaries	187,383	201,616	212,042	(10,426)	7.60	2.02	2.12	2.17
O & M/Others	274,945	226,493	267,657	(41,164)	(17.62)	2.27	2.68	3.18
<b>2. Development and Net Lending</b>	<b>173,819</b>	<b>308,936</b>	<b>231,946</b>	<b>76,990</b>	<b>77.73</b>	<b>3.09</b>	<b>2.32</b>	<b>2.01</b>
O/W Domestically financed	<b>115,535</b>	<b>146,720</b>	<b>129,867</b>	<b>16,853</b>	<b>26.99</b>	<b>1.47</b>	<b>1.30</b>	<b>1.33</b>
Foreign financed	<b>43,802</b>	<b>161,252</b>	<b>100,833</b>	<b>60,419</b>	<b>268.14</b>	<b>1.61</b>	<b>1.01</b>	<b>0.51</b>
3. Equalization Fund	1,443	2,946	2,350	596	-	0.03	0.02	0.02
4. County Governments	84,671	119,674	125,289	(5,615)	41.34	1.20	1.25	0.98
<b>5. CF</b>	<b>0</b>	<b>0</b>	<b>2,500</b>	<b>(2,500)</b>	<b>-</b>	<b>0.00</b>	<b>0.03</b>	<b>0.00</b>
<b>C. DEFICIT EXCL. GRANT (Commitment basis)</b>	<b>(197,565)</b>	<b>(280,808)</b>	<b>(274,997)</b>	<b>(5,811)</b>	<b>42.13</b>	<b>(2.81)</b>	<b>(2.75)</b>	<b>(2.28)</b>
<b>D. DEFICIT INCL. GRANTS (Commitment basis)</b>	<b>(189,737)</b>	<b>(271,979)</b>	<b>(254,476)</b>	<b>(17,502)</b>	<b>43.35</b>	<b>(2.72)</b>	<b>(2.55)</b>	<b>(2.19)</b>
<b>E. ADJUSTMENT TO CASH BASIS</b>	<b>(19,484)</b>	<b>(4,260)</b>	<b>-</b>	<b>(4,260)</b>	<b>(78.14)</b>	<b>(0.04)</b>	<b>-</b>	<b>(0.23)</b>
<b>F. DEFICIT INCL. GRANTS (Cash basis)</b>	<b>(209,220)</b>	<b>(276,239)</b>	<b>(254,476)</b>	<b>(21,762)</b>	<b>32.03</b>	<b>(2.77)</b>	<b>(2.55)</b>	<b>(2.42)</b>
<b>G. FINANCING</b>	<b>209,221</b>	<b>276,239</b>	<b>254,475</b>	<b>21,764</b>	<b>32.03</b>	<b>2.77</b>	<b>2.55</b>	<b>2.42</b>
<b>1. Foreign financing</b>	<b>24,086</b>	<b>144,446</b>	<b>34,788</b>	<b>109,658</b>	<b>499.71</b>	<b>1.45</b>	<b>0.35</b>	<b>0.28</b>
<b>Disbursements</b>	<b>52,502</b>	<b>168,303</b>	<b>96,188</b>	<b>72,115</b>	<b>220.56</b>	<b>1.68</b>	<b>0.96</b>	<b>0.61</b>
Programme Loans	2,324	2,284	833	1,451	(1.72)	0.02	0.01	0.03
Project Cash Loans	5,378	24,620	21,344	3,276	357.75	0.25	0.21	0.06
Project Loans AIA	34,040	90,818	52,454	38,364	166.80	0.91	0.53	0.39
Project Loans SGR	0	44,759	16,679	28,080	0	0.45	0.17	0.00
Commercial Financing	10,760	5,822	4,878	944	(45.89)	0.06	0.05	0.12
O/W syndicated loan	0	0	0	-	0	0.00	-	0.00
Debt repayment - Principal	(28,416)	(23,857)	(61,400)	37,543	(16.05)	(0.24)	(0.61)	(0.33)
2. Other Domestic Financing	1,579	963	1,963	(1,000)	(39.01)	0.01	0.02	0.02
<b>4. NET DOMESTIC FINANCING</b>	<b>183,556</b>	<b>130,830</b>	<b>217,724</b>	<b>(86,894)</b>	<b>(28.72)</b>	<b>1.31</b>	<b>2.18</b>	<b>2.12</b>
<b>MEMO ITEM</b>								
<b>GDP ESTIMATE</b>	<b>8,654,618.00</b>	<b>9,990,033.00</b>	<b>9,990,033.00</b>					

\*Provisional

Source: National Treasury.



## FISCAL DEVELOPMENTS

### 2.4 Financing

#### 2.4.1 External Financing

38. Cumulative external financing for the period between July 1st 2018 and December 31st 2018 amounted to a net borrowing of KSh. 144.4 billion (**Table 9**). Total disbursements (inflows) including Appropriations-in-Aid amounted to KSh. 168.3 billion for the period ending 31st December, 2018 against a target of KSh. 96.2 billion. The actual disbursement amount included KSh. 24.6 billion Project cash loans, KSh. 135.6 billion Project Loans A.I.A. and KSh. 2.3 billion Programme loans. External repayments (outflows) of the principal debt amounted to KSh. 23.9 billion. The amount comprises of principal repayments due to Bilateral and Multilateral organizations and Commercial amounting to KSh. 10.6 billion, KSh. 7.8 billion and KSh. 5.4 billion respectively. The Government external financing data is also presented in Government Finance Statistics 2014 (GFSM 2014) format in Annex VI.

**Table 9: External Financing, Period Ending 31st December, 2018 (KSh. Million)**

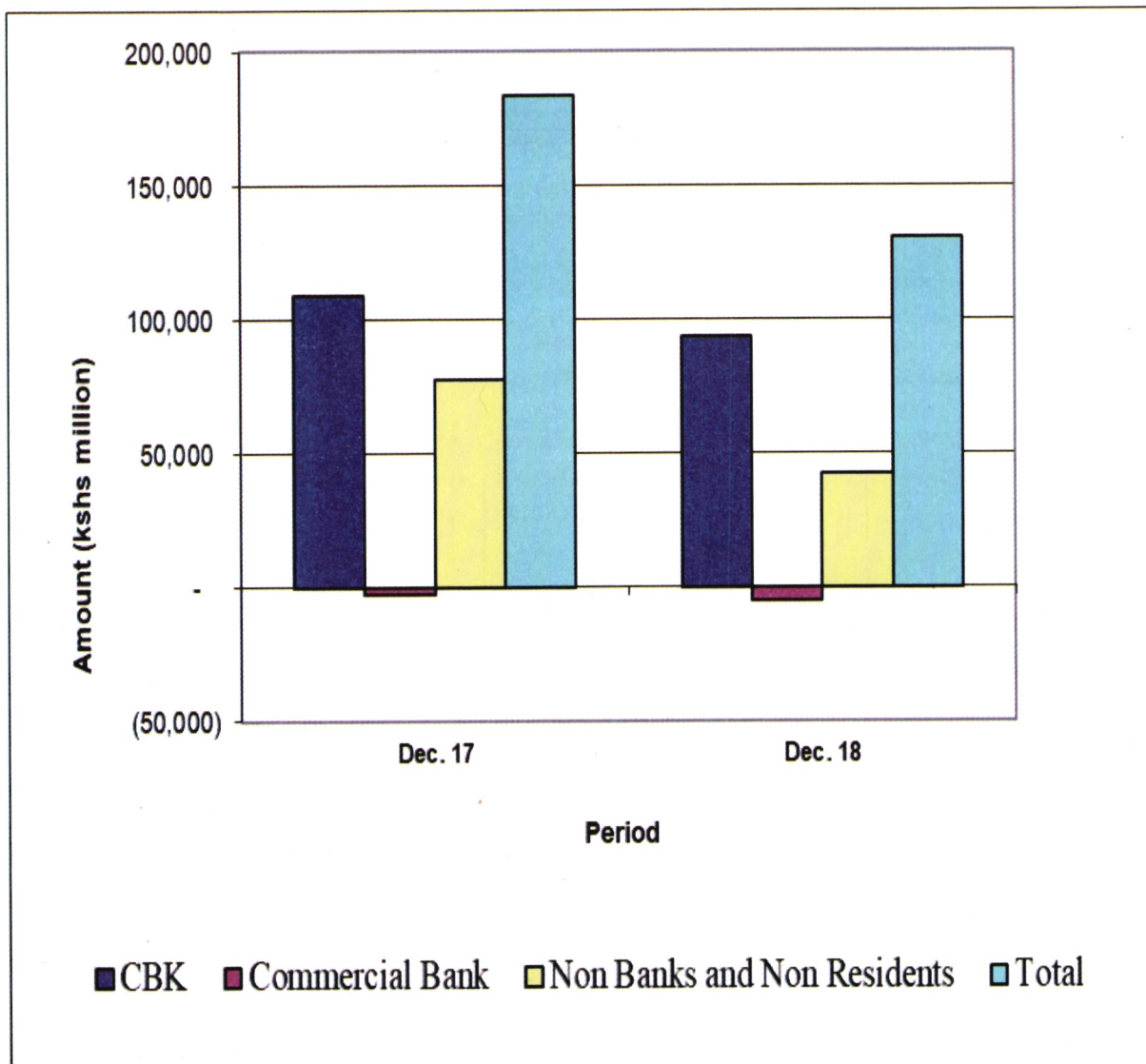
	Quarter II 2017/18 cumulative	Quarter I 2018/19	Quarter II 2018/19	Cumulative December 2018*	
	Actual	Actual	Actual	Actual	Target
<b>DISBURSEMENTS:</b>	<b>36,217.25</b>	<b>29,962.00</b>	<b>138,341.00</b>	<b>168,303</b>	<b>96,188</b>
Project Cash loans	3,284.21	3,145.00	21,475	24,620	21,344.00
Project loans A-I-A	19,849.17	21,495.00	34,122	55,617	52,454.00
Project Loans SGR_PHASE_1_AIA	-	-	35,201	35,201	0
Project Loans SGR_PHASE_2A_AIA	-	-	44,759	44,759	16,679.00
Commercial Financing	10,759.91	3,488.00	2,334	5,822	4,878.00
Programme Loans	2,323.96	1,834.00	450	2,284	833.00
<b>EXTERNAL REPAYMENTS:</b>	<b>19,343.44</b>	<b>13,129.69</b>	<b>10,727.73</b>	<b>23,857.42</b>	<b>61,399.76</b>
Bilateral(incl. Italy Debt SWAP)	4,202.56	5,193.51	5,452.13	10,645.64	20,999.42
Multilateral (excl. IMF)	3,821.36	2,955.00	4,868.76	7,823.76	8,888.85
Commercial	11,319.51	4,981.18	406.84	5,388.02	31,511.49
<b>NET FOREIGN FINANCING</b>	<b>16,873.82</b>	<b>16,832.31</b>	<b>127,613.27</b>	<b>144,445.58</b>	<b>34,788.24</b>

Source: National Treasury.

#### 2.4.2 Domestic Financing

39. By the end of December 2018, net domestic borrowing amounted to KSh. 130.8 billion against a target borrowing of KSh. 217.7 billion (**Table 8**). The borrowing comprised of KSh. 93.7 billion from the Central Bank of Kenya, KSh. 41.2 billion from Non-Banking Financial Institutions, KSh. 1 billion from Non Residents, and a net repayment of KSh. 5 billion to the Commercial Banks, (**Table 10**). Comparatively, for the same period in 2017, the net domestic borrowing amounted to KSh. 183.6 billion, comprising of KSh. 108.9 from Central Banks, KSh. 3.2 billion from Non Residents, KSh. 74.4 billion from Non-Banks and a net repayment of KSh. 2.9 billion to Commercial Banks (**Chart 13**).

Chart 13: Domestic Financing



Source: Central Bank of Kenya.

40. The stock of Treasury Bills held by Non- Banks and Non-Residents recorded net decline of KSh. 31.9 billion and KSh. 1.8 billion respectively, while the stock of Treasury Bills held by Commercial Banks increased by KSh. 110 billion. The stock of Fixed Rate Bonds held by Commercial Banks and Non-Residents recorded a net decline of KSh. 82.2 and KSh. 0.6 billion respectively but the stock of Fixed Rate Bonds held by non-Banks recorded a net increase of KSh. 10.6 billion.

## FISCAL DEVELOPMENTS

**Table 10: Domestic Financing, Period Ending 31st December, 2018 (KSh. Million)**

*Note: Treasury bills as reflected here are given at cost value as opposed to Table 11 given at Face value.*

	DEC.	MAR.	JUN.	SEPT.	DEC.	MAR.	JUN.	SEPT.	DEC.
	2016	2017	2017	2017	2017	2018	2018	2018	2018
<b>1.CENTRAL BANK</b>	<b>37,830</b>	<b>35,840</b>	<b>(22,370)</b>	<b>8,300</b>	<b>108,925</b>	<b>(80,176)</b>	<b>(26,345)</b>	<b>(10,374)</b>	<b>93,676</b>
Overdraft	(14,271)	(13,934)	(44,204)	24,717	42,316	39,655	56,849	(20,559)	7,975
Items on Transit	(57)	(52)	(37)	(21)	(24)	(22)	(18)	(14)	(6)
Frozen Account	-	(555)	(555)	-	-	(555)	(555)	-	-
Less Govt Deposits	52,158	50,380	22,426	(16,396)	66,633	(119,254)	(82,622)	10,199	85,707
<b>2.COM. BANKS</b>	<b>18,858</b>	<b>12,527</b>	<b>169,536</b>	<b>12,618</b>	<b>(2,947)</b>	<b>77,458</b>	<b>124,266</b>	<b>45,734</b>	<b>(5,024)</b>
Advances	275	352	5,508	471	(4,293)	(4,207)	(4,185)	126	629.00
Treasury bills	(10,647)	(28,561)	53,818	(23,450)	(70,291)	(4,410)	56,682	49,714	39,741.00
Fixed rate Bonds	24,219	22,162	99,764	36,097	45,497	59,787	32,449	(6,172)	(36,693.00)
Special Bonds	-	-	(5,000)	-	-	-	-	-	-
Infrastructure Bonds	6,147	10,291	10,291	(8,967)	15,789	31,891	31,891	-	14,481.00
Less Govt Deposits	(1,136)	8,282	5,155	8,466	10,351	(5,603)	7,429	2,066	(23,182.00)
<b>3. NON BANKS</b>	<b>106,819</b>	<b>132,395</b>	<b>160,676</b>	<b>26,317</b>	<b>74,355</b>	<b>125,115</b>	<b>172,817</b>	<b>33,675</b>	<b>41,215</b>
Treasury bills	44,574	60,341	98,820	1,723	9,249	23,479	60,761	9,872	(22,619.00)
Fixed rate Bonds	44,471	49,071	38,722	33,189	45,085	55,962	66,382	23,803	55,638.00
Infrastructure Bonds	17,774	22,983	22,983	(8,843)	19,773	45,426	45,426	-	8,196.00
M-Akiba Bond	-	-	150	248	248	248	248	-	-
<b>4. NON RESIDENTS</b>	<b>1,088</b>	<b>1,372</b>	<b>1,917</b>	<b>1,940</b>	<b>3,222</b>	<b>3,158</b>	<b>2,972</b>	<b>175</b>	<b>963</b>
Treasury bills	(363)	(142)	(356)	1,317	1,867	1,439	1,216	(305)	102.00
Fixed rate Bonds	1,115	1,179	1,938	1,019	1,464	1,764	1,802	480	872.00
Infrastructure Bond	336	335	335	(396)	(109)	(45)	(45)	-	(11.00)
<b>5. NET CREDIT</b>	<b>164,595</b>	<b>182,134</b>	<b>309,760</b>	<b>49,176</b>	<b>183,556</b>	<b>125,554</b>	<b>273,710</b>	<b>69,210</b>	<b>130,830</b>

Source: Central Bank of Kenya.

## FISCAL DEVELOPMENTS

### 3.0 PUBLIC DEBT

#### 3.1 Overall Debt Position

41. The gross public debt increased by KSh. 698.4 billion, from KSh. 4,574.1 billion as at end of December 2017 to KSh. 5,272.5 billion by 31st December, 2018, comprising of 51.6 per cent of external debt and 48.3 per cent of domestic debt. The overall increase is attributed to increased disbursements from external loans and increased uptake of domestic debt during the period. Net public debt increased by KSh. 617.2 billion, from KSh. 4,217.5 billion as at end of December 2017 to KSh. 4,834.8 billion by end of the period under review (**Table 11**).

**Table 11: Kenya's Public and Publicly Guaranteed Debt, December 2016 to December 2018 (KSh. million)**

	Dec-16	Mar-17	Jun-17	Sept. 17	Dec. 17	Mar-18	Jun-18	Sept. 18	Dec. 18*
<b>EXTERNAL</b>									
BILATERAL	641,763	689,119	724,823	742,064	782,588	800,912	816,119	812,545	894,046
MULTILATERAL	781,256	806,922	841,899	842,814	841,847	836,766	820,966	877,730	874,680
COMMERCIAL BANKS	458,122	594,140	712,100	708,231	712,274	858,062	906,389	898,349	938,151
SUPPLIERS CREDIT	15,302	11,210	15,914	17,089	17,086	16,691	16,725	16,709	16,857
<b>SUB - TOTAL</b>	<b>1,896,443</b>	<b>2,101,391</b>	<b>2,294,736</b>	<b>2,310,198</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>DOMESTIC:</b>									
CENTRAL BANK	85,528	85,316	55,061	79,201	96,797	93,583	110,782	90,210	118,196
COMMERCIAL BANKS	947,030	975,803	1,141,889	1,148,296	1,124,950	1,226,866	1,266,457	1,315,333	1,289,558
<b>TOTAL BANKS</b>	<b>1,032,559</b>	<b>1,061,119</b>	<b>1,196,950</b>	<b>1,227,497</b>	<b>1,221,747</b>	<b>1,320,449</b>	<b>1,377,239</b>	<b>1,405,543</b>	<b>1,407,754</b>
NON BANKS & NON RESIDENTS	898,415	883,834	915,316	949,098	998,598	1,051,202	1,101,596	1,135,161	1,141,015
<b>SUB-TOTAL</b>	<b>1,930,973</b>	<b>1,944,953</b>	<b>2,112,265</b>	<b>2,176,595</b>	<b>2,220,345</b>	<b>2,371,651</b>	<b>2,478,835</b>	<b>2,540,704</b>	<b>2,548,769</b>
<b>GRAND TOTAL GROSS</b>	<b>3,827,417</b>	<b>4,046,344</b>	<b>4,407,001</b>	<b>4,486,793</b>	<b>4,574,140</b>	<b>4,884,082</b>	<b>5,039,034</b>	<b>5,146,037</b>	<b>5,272,503</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	(373,016)	(364,909)	(428,774)	(432,113)	(350,924)	(573,884)	(503,337)	(501,404)	(432,049)
<b>GRAND TOTAL NET</b>	<b>3,448,699</b>	<b>3,675,734</b>	<b>3,972,526</b>	<b>4,048,978</b>	<b>4,217,515</b>	<b>4,304,497</b>	<b>4,529,996</b>	<b>4,638,932</b>	<b>4,834,753</b>

\*Provisional

Source: National Treasury.

#### 3.2 Domestic Debt

42. The stock of gross domestic debt increased by KSh. 328.4 billion from KSh. 2,220.3 billion in December 2017 to KSh. 2,548.8 billion in December 2018. The stock of Treasury Bills held by Central Bank, Commercial Banks, Non-Banking Financial Institutions and Non Residents increased by KSh. 214.7 billion from KSh. 684.7 billion in December 2017 to KSh. 899.4 billion in December 2018, (**Table 12 & Chart 14**). The total stock of Treasury Bonds, Fixed Rate and Special increased by KSh. 29.4 billion from KSh. 1046.6 billion in December 2017 to KSh. 1076.0 billion in December 2018.

## FISCAL DEVELOPMENTS

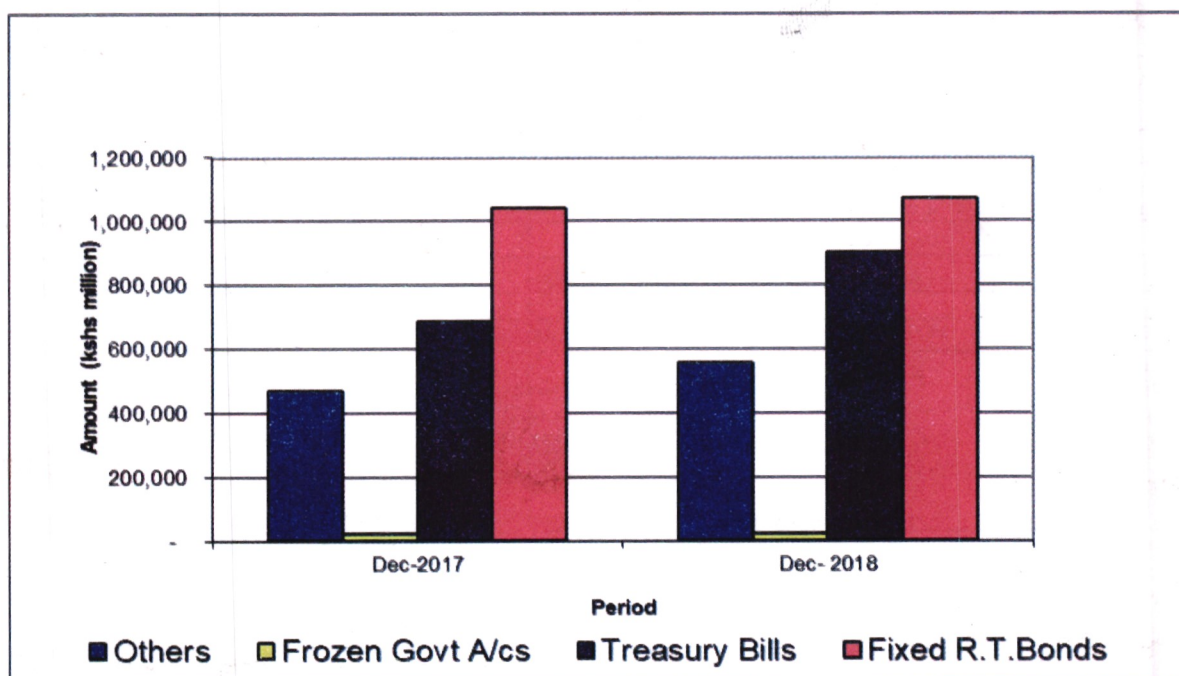
Table 12: Stock of Domestic Debt, by end December 2018 (KSh. million)

	Dec-16	Mar-17	Jun-17	Sep-17	Dec-17	Mar-18	Jun-18	Sep-18	Dec-18
<b>1.CENTRAL BANK</b>	<b>85,528</b>	<b>85,316</b>	<b>55,061</b>	<b>79,201</b>	<b>96,797</b>	<b>93,583</b>	<b>110,782</b>	<b>90,210</b>	<b>118,196</b>
Overdraft	29,933	30,270	0	24,717	42,316	39,655	56,849	36,291	64,824
Frozen Govt Accounts	25,559	25,004	25,004	24,449	24,449	23,894	23,894	23,894	23,339
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	23	28	43	22	19	21	25	11	19
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>	<b>947,030</b>	<b>975,803</b>	<b>1,141,889</b>	<b>1,148,296</b>	<b>1,124,950</b>	<b>1,226,866</b>	<b>1,266,457</b>	<b>1,315,333</b>	<b>1,289,558</b>
Advances	5,857	5,657	11,020	15,977	7,524	7,476	7,504	7,588	8,183
Treasury Bills	349,544	328,624	415,923	391,905	343,340	415,596	482,018	537,531	527,212
Fixed Rate T. Bonds	428,536	426,565	504,989	541,061	550,284	565,098	538,240	531,519	501,047
Special Bonds	10,000	10,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000
Savings and Development Bond	7,648	7,648	7,648	7,648	7,648	7,648	7,648	7,648	7,648
Infrastructure Bonds	145,444	197,309	197,309	186,704	211,154	226,047	226,047	226,047	240,468
<b>3. NON BANKS</b>	<b>879,998</b>	<b>862,291</b>	<b>893,215</b>	<b>924,962</b>	<b>973,164</b>	<b>1,025,704</b>	<b>1,076,288</b>	<b>1,109,751</b>	<b>1,114,819</b>
Treasury Bills	243,989	260,232	301,522	304,742	312,661	328,801	368,537	378,858	344,111
Fixed Rate T. Bonds	468,465	473,083	462,566	460,708	472,532	484,153	495,001	518,143	549,941
Tax Reserve Certificate	69	69	69	69	69	69	69	69	69
Infrastructure Bonds	146,894	108,327	108,327	138,464	166,925	191,703	191,703	191,703	199,720
Savings and Development Bond	20,580	20,580	20,582	20,580	20,580	20,580	20,580	20,580	20,580
M- Akiba Bond	-	-	150	398	398	398	398	398	398
<b>4. NON RESIDENTS</b>	<b>13,632</b>	<b>21,543</b>	<b>22,100</b>	<b>24,136</b>	<b>25,434</b>	<b>25,498</b>	<b>25,308</b>	<b>25,410</b>	<b>26,197</b>
Treasury Bills	6,069	6,322	6,122	7,567	8,134	7,714	7,479	7,104	7,510
Fixed Rate T. Bonds	7,110	7,174	7,934	8,955	9,401	9,716	9,762	10,239	10,631
Savings and Development Bond	9	9	7	9	9	9	9	9	9
Infrastructure Bonds	445	8,037	8,037	7,605	7,890	8,058	8,058	8,058	8,047
<b>5. TOTAL DEBT</b>	<b>1,926,189</b>	<b>1,944,953</b>	<b>2,112,265</b>	<b>2,176,595</b>	<b>2,220,345</b>	<b>2,371,651</b>	<b>2,478,835</b>	<b>2,540,704</b>	<b>2,548,770</b>
6. LESS ON-LENDING	5,701	5,701	5,701	5,701	5,701	5,701	5,701	5,701	5,701
7. Less Govt Deposits	373,016	364,909	428,774	432,113	349,836	573,884	503,337	501,404	432,049
<b>8. NET DEBT</b>	<b>1,547,472</b>	<b>1,574,343</b>	<b>1,677,790</b>	<b>1,738,780</b>	<b>1,864,809</b>	<b>1,792,066</b>	<b>1,969,797</b>	<b>2,033,599</b>	<b>2,111,020</b>

NOTE: Treasury Bills reflected here are at face value as opposed to Table 9, given at cost

Source: Central Bank of Kenya.

Chart 14: Domestic Debt Stock by Instruments



Source: Data from CBK.

## FISCAL DEVELOPMENTS

### 3.3 External Public Debt

43. In dollar terms, external public debt stock increased by US \$ 398.6 million from US\$ 22,757.4 million in December 2017 to US\$ 26,743.62 million by end of December 2018 (Table 13 and Chart 15). The increase is attributed to disbursements made during the period. The debt stock comprised 32.82 per cent, 32.11 per cent, 34.44 per cent and 0.62 per cent of debt owed to bilateral, multilateral institutions, Commercial Banks and suppliers' Credit, respectively.

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

CREDITOR	Dec-16	Mar-17	Jun-17	Sept. 2017	Dec. 2017	Mar-18	Jun-18	Sept. 2018	Dec. 2018*
<b>BILATERAL</b>									
AUSTRIA	8.33	5.34	5.67	5.11	4.38	4.54	5.72	6.64	0.83
BELGIUM	70.45	86.56	94.82	101.84	100.06	107.19	101.01	103.58	78.56
CANADA	7.26	7.26	6.26	5.19	4.07	4.07	4.05	2.83	1.52
DENMARK	13.64	12.69	13.49	12.66	12.01	12.41	11.63	10.00	9.37
FINLAND	11.34	16.24	16.55	16.05	16.15	16.73	16.25	16.69	19.02
FRANCE	547.79	574.20	614.59	687.89	622.52	642.57	611.44	599.02	612.22
GERMANY	284.91	294.30	311.98	314.25	324.67	336.29	268.93	274.11	341.96
ITALY	1.17	5.94	6.31	6.42	1.20	1.24	1.24	1.25	152.35
JAPAN	841.59	850.60	883.47	879.29	824.81	1,022.38	503.66	483.85	1,023.98
NETHERLANDS	16.58	18.40	17.74	15.78	11.03	10.99	10.67	9.07	4.33
UK	7.46	7.63	6.27	6.46	4.70	4.74	4.59	4.56	2.43
USA	36.34	34.16	33.72	30.98	29.25	29.29	29.17	26.45	25.06
CHINA	4,089.09	4,426.05	4,614.78	4,733.94	5,202.37	5,295.84	5,532.61	5,496.62	6,201.61
OTHERS	326.03	351.11	363.18	362.06	423.66	453.57	432.44	457.02	305.16
<b>TOTAL BILATERAL</b>	<b>6,261.97</b>	<b>6,690.48</b>	<b>6,988.82</b>	<b>7,177.91</b>	<b>7,580.89</b>	<b>7,941.83</b>	<b>7,533.41</b>	<b>7,491.69</b>	<b>8,778.40</b>
<b>MULTILATERAL</b>									
ADB/ADF	1,760.18	1,788.41	1,880.33	1,993.19	1,983.67	2,045.52	2,026.48	2,043.51	2,151.35
BADEA	33.86	28.17	28.43	28.16	29.63	29.51	29.81	34.63	32.17
EEC/EIB	187.37	190.62	197.49	197.09	197.56	201.48	192.53	194.86	184.16
IBRD	-	-	-	-	-	-	-	-	-
IDA/IFAD	4,846.50	5,026.45	5,210.20	5,132.15	5,181.44	5,237.31	5,024.05	5,612.97	5,481.55
IMF**	741.11	748.01	748.59	760.79	711.84	732.26	708.45	699.40	676.41
OTHERS	54.05	52.53	52.65	51.99	50.79	51.28	50.07	63.86	62.61
<b>TOTAL MULTILATERAL</b>	<b>7,623.06</b>	<b>7,834.20</b>	<b>8,117.68</b>	<b>8,163.36</b>	<b>8,154.92</b>	<b>8,297.36</b>	<b>8,031.39</b>	<b>8,649.23</b>	<b>8,588.25</b>
<b>COMMERCIAL BANKS 1/</b>	<b>4,470.11</b>	<b>5,740.26</b>	<b>6,116.15</b>	<b>6,864.39</b>	<b>6,856.07</b>	<b>8,508.54</b>	<b>8,219.71</b>	<b>8,148.46</b>	<b>9,211.46</b>
<b>EXPORT CREDIT</b>	<b>149.30</b>	<b>150.55</b>	<b>153.45</b>	<b>165.51</b>	<b>165.51</b>	<b>165.51</b>	<b>165.51</b>	<b>165.51</b>	<b>165.51</b>
<b>GRAND TOTAL</b>	<b>18,504.45</b>	<b>20,415.48</b>	<b>21,376.10</b>	<b>22,371.18</b>	<b>22,757.39</b>	<b>24,913.24</b>	<b>23,950.02</b>	<b>24,454.89</b>	<b>26,743.62</b>
<b>In percentage of total</b>									
BILATERAL	33.84	32.77	32.69	32.09	33.31	31.88	31.45	30.63	32.82
MULTILATERAL	41.20	38.37	37.98	36.49	35.83	33.31	33.53	35.37	32.11
COMMERCIAL BANKS 1/	24.16	28.12	28.61	30.68	30.13	34.15	34.32	33.32	34.44
EXPORT CREDIT	0.81	0.74	0.72	0.74	0.73	0.66	0.69	0.68	0.62
TOTAL	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00

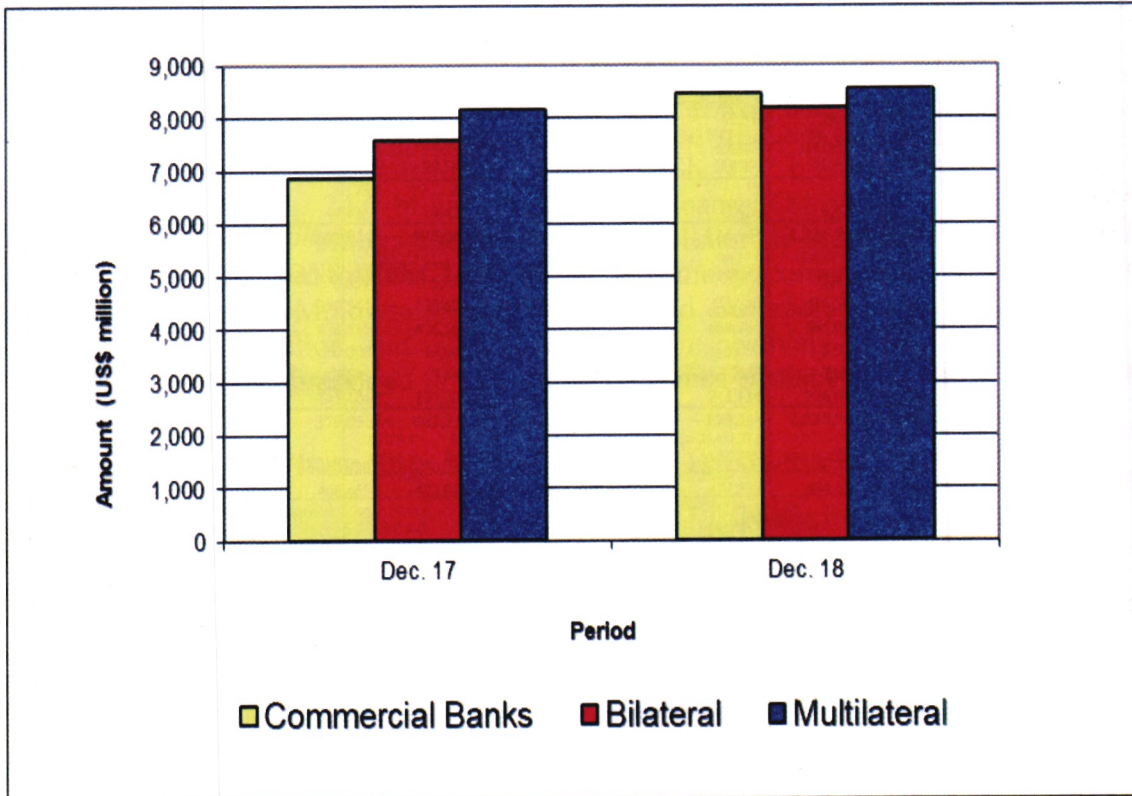
\*Provisional

\*\* include IMF item

Source: National Treasury.

## FISCAL DEVELOPMENTS

Chart 15: External Public Debt



Source: National Treasury.

### 3.3.1 External Debt Service

44. At the end of December 2018, the total cumulative debt service payments to external creditors amounted to KSh. 69.9 billion. This comprised of KSh. 23.9 billion (34.1 per cent) principal and KSh. 46.1 billion (65.9 per cent) interest (*Table 14*).

## FISCAL DEVELOPMENTS

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

CATEGORY	PRINCIPAL*	INTEREST*	TOTAL*
<b>BILATERAL</b>			
AUSTRIA	22.04	12.26	34.30
FINLAND	185.32	10.77	196.09
FRANCE	2,333.45	595.64	2,929.09
ITALY	77.83	310.10	387.93
JAPAN	2,539.65	291.42	2,831.07
SAUDI FUND	290.24	18.47	308.71
SPAIN	526.85	127.57	654.42
USA	207.27	19.53	226.80
CANADA	136.19	11.66	147.85
BELGIUM	549.15	47.62	596.77
GERMANY	-	103.10	103.10
CHINA	2,626.18	12,799.85	15,426.03
KUWAIT	101.08	12.21	113.29
NETHERLANDS	320.22	4.46	324.68
SWEDEN	-	6.77	6.77
SWITZERLAND	-	-	-
DENMARK	42.48	-	42.48
KOREA	57.79	150.09	207.88
UK	26.14	-	26.14
INDIA	300.20	68.35	368.55
OTHERS/NEW LOANS	303.56	138.98	442.54
<b>TOTAL BILATERAL</b>	<b>10,645.64</b>	<b>14,728.85</b>	<b>25,374.49</b>
<b>MULTILATERAL</b>			
ADB/ADF	801.87	571.08	1,372.95
BADEA	48.39	21.45	69.84
EIB/EEC	575.01	741.97	1,316.98
IDA	6,010.04	1,406.30	7,416.34
OPEC	257.43	19.58	277.01
NDF	-	-	-
IFAD	131.02	814.58	945.60
**IMF	-	-	-
<b>TOTAL MULTILATERAL</b>	<b>7,823.76</b>	<b>3,574.96</b>	<b>11,398.72</b>
<b>COMMERCIAL</b>	<b>5,388.02</b>	<b>27,786.73</b>	<b>33,174.75</b>
<b>GRAND TOTAL</b>	<b>23,857.42</b>	<b>46,090.54</b>	<b>69,947.96</b>

\* Provisional

\*\* IMF debt is serviced by the CBK

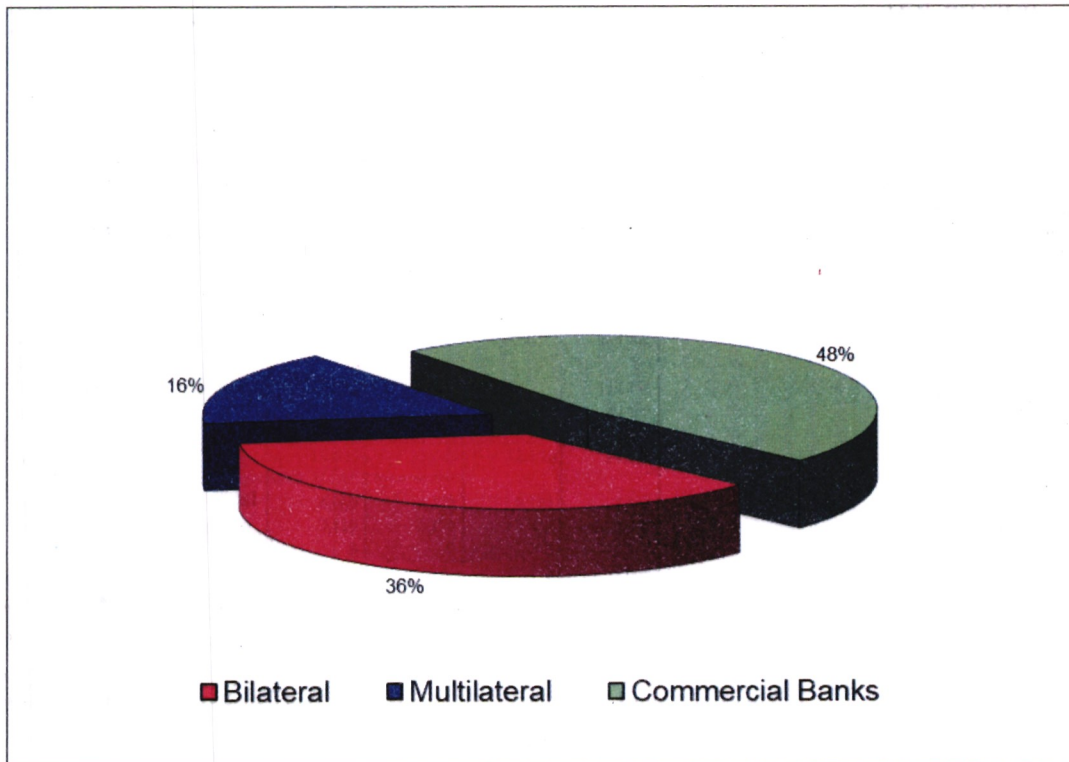
Source: National Treasury.



## FISCAL DEVELOPMENTS

45. At the end of December 2018, the total cumulative debt service payments to external creditors comprised of 48 per cent, 36 per cent and 16 per cent Commercial, Multilateral institutions and Bilateral respectively (*Chart 16*).

**Chart 16: External Debt Service by Creditors as at End of December, 2018**



Source: National Treasury.

## ANNEX I: FISCAL RESULTS, 2013/14 – 2018/19 (KSH MILLIONS)

	2013/14*	2014/15*	2015/16*	2016/17*	2017/18*	2018/19**	2019/20***
<b>A. TOTAL REVENUE</b>	<b>974,418</b>	<b>1,107,772</b>	<b>1,232,643</b>	<b>1,422,531</b>	<b>1,522,455</b>	<b>1,852,573</b>	<b>1,949,180</b>
<b>1. Revenue</b>	<b>918,990</b>	<b>1,031,819</b>	<b>1,152,972</b>	<b>1,306,568</b>	<b>1,365,063</b>	<b>1,672,629</b>	<b>1,769,228</b>
Income Tax	449,590	508,581	560,762	625,050	640,593	769,449	836,570
VAT	232,630	259,685	289,213	339,034	356,856	426,122	464,215
Import Duty	67,555	74,048	79,188	89,943	93,921	135,518	149,352
Excise Duty	102,029	115,872	139,540	165,474	167,777	230,301	218,960
Other Revenue	67,185	73,633	84,269	87,067	105,916	111,239	130,131
2. Appropriation-in-Aid	55,428	75,953	79,671	115,963	157,392	179,944	179,952
<b>B. EXPENDITURE &amp; NET LENDING</b>	<b>1,320,311</b>	<b>1,635,071</b>	<b>1,776,946</b>	<b>2,109,976</b>	<b>2,146,687</b>	<b>2,504,082</b>	<b>2,552,245</b>
<b>1. Recurrent</b>	<b>752,502</b>	<b>860,568</b>	<b>983,341</b>	<b>1,128,977</b>	<b>1,312,274</b>	<b>1,511,547</b>	<b>1,502,641</b>
Wages and Salaries	281,197	297,978	307,421	336,636	388,938	425,072	444,157
Interest Payments	134,821	171,076	215,328	271,233	323,890	399,981	399,981
Domestic Interest	119,193	139,615	172,857	212,865	239,470	285,607	285,607
Foreign Interest Due	15,628	32,261	42,471	58,368	84,420	114,374	114,374
Pensions, etc	30,155	37,508	53,401	63,958	65,099	90,573	90,573
Civil Service Reform	-	-	-	-	-	-	-
Operations & maintenance/Others	306,330	353,206	407,191	457,150	534,347	595,921	567,930
Of which Appropriation-in-Aid	28,205	50,566	55,301	58,536	157,392	123,970	123,960
<b>2. Development &amp; Net Lending</b>	<b>338,995</b>	<b>510,536</b>	<b>480,701</b>	<b>639,923</b>	<b>469,517</b>	<b>595,663</b>	<b>625,722</b>
Development Projects	309,587	483,024	457,464	605,538	430,105	588,480	614,739
Appropriation-in-Aid	27,223	25,387	21,070	31,942	36,883	47,705	47,723
Payment of guaranteed loans	2,185	2,125	2,167	2,443	2,529	2,483	2,483
3. Drought Development Expenditures/C.C.F	-	-	-	-	-	-	-
4. Transfer to County Governments	193,390	229,336	276,223	305,016	327,274	367,441	376,481
5. Parliamentary Service	22,473	22,743	24,057	24,215	25,678	14,974	34,129
6. Judicial Service	12,951	11,887	12,624	11,846	11,944	14,457	13,272
7. Equalization Fund	-	400	6,400	6,000	-	4,700	8,500
D. DEFICIT EXCL. GRANTS (Commitment Basis)	(345,893)	(527,300)	(544,303)	(687,445)	(624,232)	(651,509)	(603,065)
E. GRANTS	26,957	28,117	29,597	26,962	27,600	48,487	48,487
F. DEFICIT INCL. GRANTS (Commitment basis)	(318,936)	(499,182)	(514,706)	(660,483)	(596,632)	(603,022)	(554,578)
G. ADJUSTMENT TO CASH BASIS	11,216	16,940	22,387	(14,169)	(34,678)	0	0
H. DEFICIT INCL. GRANTS (cash basis)	(307,720)	(482,242)	(492,319)	(674,652)	(631,310)	(603,022)	(554,578)
<b>I. FINANCING</b>	<b>307,720</b>	<b>471,478</b>	<b>474,570</b>	<b>697,255</b>	<b>631,310</b>	<b>608,023</b>	<b>559,577</b>
Foreign Financing	104,726	217,479	269,924	385,745	354,977	286,986	286,986
Other Domestic Financing	1267	2,897	2,389	1,751	2,623	3,925	3,925
NET DOMESTIC FINANCING	201,727	251,102	202,257	309,760	273,710	317,112	268,666
Of which Sovereign Bond Deposits	-	140,509	-	-	-	-	-
Others	-	110,593	-	-	273,710	317,112	268,666
In Percentage of GDP	5.051646	5.831528	6.709671	7.658188	8.796500	9.990033	9.990033
<b>A. TOTAL REVENUE</b>	<b>19.20</b>	<b>19.01</b>	<b>18.77</b>	<b>18.45</b>	<b>17.31</b>	<b>18.54</b>	<b>19.51</b>
<b>1. Revenue</b>	<b>18.11</b>	<b>17.70</b>	<b>17.56</b>	<b>16.94</b>	<b>15.52</b>	<b>16.74</b>	<b>17.71</b>
Income Tax	8.86	8.73	8.54	8.11	7.28	7.70	8.37
VAT	4.58	4.46	4.40	4.40	4.06	4.27	4.65
Import Duty	1.33	1.27	1.21	1.17	1.07	1.36	1.19
Excise Duty	2.01	1.99	2.13	2.15	1.91	2.31	2.19
Other Revenue	1.32	1.26	1.28	1.13	1.20	1.11	1.30
2. Appropriation-in-Aid	1.09	1.30	1.21	1.50	1.79	1.80	1.80
<b>B. EXPENDITURE &amp; NET LENDING</b>	<b>26.02</b>	<b>28.05</b>	<b>27.06</b>	<b>27.36</b>	<b>24.40</b>	<b>25.07</b>	<b>25.55</b>
<b>1. Recurrent</b>	<b>14.83</b>	<b>14.77</b>	<b>14.98</b>	<b>14.64</b>	<b>14.92</b>	<b>15.13</b>	<b>15.04</b>
Wages and Salaries	5.54	5.11	4.68	4.37	4.42	4.25	4.45
Interest Payments	2.66	2.95	3.28	3.52	3.68	4.00	4.00
Domestic Interest	2.35	2.40	2.63	2.76	2.72	2.86	2.86
Foreign Interest Due	0.31	0.55	0.65	0.76	0.96	1.14	1.14
Pensions	0.59	0.64	0.81	0.83	0.74	0.91	0.91
Civil Service Reform	-	-	-	-	-	-	-
O & M/Others	-	-	-	-	6.39	5.97	5.68
of which Appropriation-in-Aid	0.56	0.87	0.84	0.76	1.79	1.24	1.24
<b>2. Development &amp; Net Lending</b>	<b>6.68</b>	<b>8.76</b>	<b>7.32</b>	<b>8.30</b>	<b>5.34</b>	<b>5.96</b>	<b>6.26</b>
Development Projects	6.10	8.29	6.97	7.85	4.89	5.89	6.15
Appropriation-in-Aid	0.54	0.44	0.32	0.41	0.42	0.48	0.48
Payment of guaranteed loans	0.04	0.04	0.03	0.03	0.03	0.02	0.02
3. Drought Expenditures	-	-	-	-	-	-	-
4. Transitional Transfer to County Governments	3.81	3.93	4.21	3.96	3.72	3.68	3.77
5. Parliamentary Service	0.44	0.39	0.37	0.31	0.29	0.15	0.34
6. Judicial Service	0.26	0.20	0.19	0.15	0.14	0.14	0.13
7. Equalization Fund	-	0.01	0.10	0.08	-	0.05	0.09
D. DEFICIT EXCL. GRANTS (Commitment Basis)	(6.82)	(9.05)	(8.29)	(8.92)	(7.10)	(6.52)	(6.04)
E. GRANTS	0.53	0.48	0.45	0.35	0.31	0.49	0.49
F. DEFICIT INCL. GRANTS (Commitment basis)	(6.29)	(8.57)	(7.84)	(8.57)	(6.78)	(6.04)	(5.55)
G. ADJUSTMENT TO CASH BASIS	0.22	0.29	0.34	(0.18)	(0.39)	-	-
H. DEFICIT INCL. GRANTS (cash basis)	(6.06)	(8.27)	(7.50)	(8.75)	(7.18)	(6.04)	(5.55)
<b>I. FINANCING</b>	<b>6.06</b>	<b>8.09</b>	<b>7.23</b>	<b>9.04</b>	<b>7.18</b>	<b>6.09</b>	<b>5.60</b>
Foreign Financing	2.06	3.73	4.11	5.00	4.04	2.87	2.87
Other Domestic Financing	0.02	0.05	0.04	0.02	0.03	0.04	0.04
NET DOMESTIC FINANCING	3.98	4.31	3.08	4.02	3.11	3.17	2.69
Of which Sovereign Bond Deposits	-	2.41	-	-	-	-	-
Others	-	1.90	-	-	3.11	3.17	2.69
Memorandum Item:							
Nominal GDP at Market price (Kshs. million)	5,073,776.75	5,828,115.16	6,566,445.30	7,710,947.27	8,796,500.00	9,990,033.00	9,990,033.00

Note: \* indicate Preliminary results

\*\* Supplementary I

\*\*\* Budget

Source: National Treasury.

## Annex II: Revenue

BUDGETARY CENTRAL GOVERNMENT		Printed Budget	Prel. Actual
GFSM 2014 Code	Description	Annual FY2018/19	Quarterly FY2018/19 Q2
	<i>Accounting method:</i>	<i>Cash</i>	<i>Cash</i>
<b>1</b>	<b>REVENUE</b>	<b>1,997,678</b>	<b>803,481</b>
11	Taxes	1,788,591	730,835
<b>111</b>	<b>Taxes on income, profits, and capital gains</b>	<b>836,570</b>	<b>325,543</b>
1111	Payable by individuals	447,635	180,367
1112	Payable by corporations and other enterprises	388,935	145,176
<b>113</b>	<b>Taxes on property</b>	<b>7,579</b>	<b>1,648</b>
1134	Taxes on financial and capital transactions	7,450	1,235
1136	Other recurrent taxes on property	129	413
<b>114</b>	<b>Taxes on goods and services</b>	<b>756,921</b>	<b>324,805</b>
1141	General taxes on goods and services	464,215	193,851
11411	Value-added taxes	464,215	193,851
1142	Excises	218,960	92,117
1144	Taxes on specific services	73,747	38,837
<b>115</b>	<b>Taxes on international trade and transactions</b>	<b>175,038</b>	<b>73,755</b>
1151	Customs and other import duties	175,038	73,755
<b>116</b>	<b>Other taxes</b>	<b>12,482</b>	<b>5,084</b>
<b>12</b>	<b>Social contributions</b>	<b>894</b>	<b>120</b>
<b>122</b>	<b>Other social contributions</b>	<b>894</b>	<b>120</b>
1221	Employee contributions	894	40
<b>13</b>	<b>Grants</b>	<b>48,487</b>	<b>8,829</b>
131	From foreign governments	39,987	8,818
1311	Current	-	-
1312	Capital	39,987	8,818
132	From international organizations	8,500	10
1321	Current	8,500	10
1322	Capital	-	-
<b>14</b>	<b>Other revenue</b>	<b>159,706</b>	<b>63,698</b>
<b>141</b>	<b>Property income</b>	<b>49,539</b>	<b>25,253</b>
1411	Interest	2,278	380
1412	Dividends	44,318	24,404
1415	Rent	2,944	469
<b>142</b>	<b>Sales of goods and services</b>	<b>99,948</b>	<b>37,176</b>
1422	Administrative fees	99,948	37,176
<b>143</b>	<b>Fines, penalties, and forfeits</b>	<b>3,566</b>	<b>1,270</b>
<b>145</b>	<b>Miscellaneous and unidentified revenue</b>	<b>6,652</b>	<b>-</b>

Source: National Treasury.

## Annex III: Statement of Sources and Uses of Cash

BUDGETARY CENTRAL GOVERNMENT		Printed Budget	Prel. Actual
GFSM 2014 Code	Description	Annual FY2018/19	Quarterly FY2018/19 Q2
	<i>Accounting method:</i>	<i>Cash</i>	<i>Cash</i>
	<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
<b>1</b>	<b>Cash receipts from operating activities</b>	<b>1,997,678</b>	<b>803,481</b>
11	Taxes	1,788,591	730,835
12	Social contributions	894	120
13	Grants	48,487	8,829
14	Other receipts	159,706	63,698
<b>2</b>	<b>Cash payments for operating activities</b>	<b>2,330,532</b>	<b>966,970</b>
21	Compensation of employees	440,479	203,051
22	Purchases of goods and services	182,277	99,886
24	Interest	399,981	177,624
25	Subsidies	59,805	19,123
26	Grants	1,155,294	429,892
27	Social benefits	87,697	37,393
28	Other payments	5,000	-
	<b>Net cash inflow from operating activities</b>	<b>(332,854)</b>	<b>(163,488)</b>
	<b>CASH FLOWS FROM INVESTMENTS IN NONFINANCIAL ASSETS (NFAs):</b>		
<b>31A</b>	<b>Purchases of nonfinancial assets</b>	<b>223,485</b>	<b>107,074</b>
311A	Fixed assets	221,706	103,524
312A	Strategic stocks	1,419	3,550
313A	Valuables	-	-
314A	Nonproduced assets	360	-
<b>31B</b>	<b>Sales of nonfinancial assets</b>	<b>-</b>	<b>-</b>
311B	Fixed assets	-	-
312B	Strategic stocks	-	-
313B	Valuables	-	-
314B	Nonproduced assets	-	-
<b>31</b>	<b>Net cash outflow: investments in NFAs (31=31.1-31.2)</b>	<b>223,485</b>	<b>107,074</b>
	<b>Cash surplus / deficit</b>	<b>(556,340)</b>	<b>(270,562)</b>
	<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
32x	Net acquisition of financial assets other than cash	-	-
321x	Domestic	-	-
322x	Foreign	-	-
<b>33</b>	<b>Net incurrence of liabilities</b>	<b>553,169</b>	<b>212,076</b>
331	Domestic	267,556	68,306
332	Foreign	285,613	143,771
<b>NFB</b>	<b>Net cash inflow from financing activities</b>	<b>553,169</b>	<b>212,076</b>
	<b>Net change in the stock of cash</b>	<b>(3,170)</b>	<b>(58,486)</b>
<b>Vertical check: Difference between cash surplus/deficit and total net cash inflow from financial activities</b>		<b>-</b>	<b>-</b>

Source: National Treasury.

## Annex IV: Statement of Government Operations

BUDGETARY CENTRAL GOVERNMENT		Printed Budget	Prel. Actual
GFSM 2014 Code	Description	Annual FY 2018/19	Quarterly FY2018/19 Q2
	<i>Accounting method:</i>	<i>Non Cash</i>	<i>Non Cash</i>
	<b>TRANSACTIONS AFFECTING NET WORTH:</b>		
<b>1</b>	<b>Revenue</b>	<b>1,997,678</b>	<b>803,481</b>
11	Taxes	1,788,591	730,835
12	Social contributions	894	120
13	Grants	48,487	8,829
14	Other revenue	159,706	63,698
<b>2</b>	<b>Expense</b>	<b>2,330,532</b>	<b>966,970</b>
21	Compensation of employees	440,479	203,051
22	Use of goods and services	182,277	99,886
23	Consumption of fixed capital	-	-
24	Interest	399,981	177,624
25	Subsidies	59,805	19,123
26	Grants	1,155,294	429,892
27	Social benefits	87,697	37,393
28	Other expense	5,000	-
<b>GOB</b>	<b>Gross operating balance</b>	<b>(332,854)</b>	<b>(163,488)</b>
<b>NOB</b>	<b>Net operating balance</b>	<b>(332,854)</b>	<b>(163,488)</b>
	<b>TRANSACTIONS IN NONFINANCIAL ASSETS:</b>		
<b>31</b>	<b>Net Acquisition of Nonfinancial Assets</b>	<b>223,485</b>	<b>107,074</b>
311	Fixed assets	221,706	103,524
312	Change in inventories	1,419	3,550
313	Valuables	-	-
314	Nonproduced assets	360	-
<b>NLB</b>	<b>Net lending / borrowing</b>	<b>(556,340)</b>	<b>(270,562)</b>
	<b>TRANSACTIONS IN FINANCIAL ASSETS AND LIABILITIES (FINANCING):</b>		
<b>32</b>	<b>Net acquisition of financial assets</b>	<b>3,925</b>	<b>(61,562)</b>
321	Domestic	3,925	(61,562)
322	Foreign	-	-
<b>33</b>	<b>Net incurrence of liabilities</b>	<b>553,169</b>	<b>212,076</b>
331	Domestic	267,556	68,306
332	Foreign	285,613	143,771
	<b>Vertical check: Difference between net lending/borrowing and financing</b>	<b>(7,096)</b>	<b>3,076</b>

Source: National Treasury.

## Annex V: Expense

BUDGETARY CENTRAL GOVERNMENT		Printed Budget	Prel. Actual
GFSM 2014 Code	Description	Annual FY2018/19	Quarterly FY2018/19 Q2
	<i>Accounting method:</i>	<i>Cash</i>	<i>Cash</i>
<b>2</b>	<b>EXPENSE</b>	<b>2,330,532</b>	<b>966,970</b>
<b>21</b>	<b>Compensation of employees</b>	<b>440,479</b>	<b>203,051</b>
211	Wages and salaries	427,768	194,817
<b>212</b>	<b>Social contributions</b>	<b>12,711</b>	<b>8,234</b>
2121	Actual social contributions	12,711	8,234
<b>22</b>	<b>Use of goods and services</b>	<b>182,277</b>	<b>99,886</b>
<b>24</b>	<b>Interest</b>	<b>399,981</b>	<b>177,624</b>
241	To nonresidents	114,374	46,099
242	To residents other than general government	285,607	131,525
<b>25</b>	<b>Subsidies</b>	<b>59,805</b>	<b>19,123</b>
251	To public corporations	59,775	19,123
252	To private enterprises	30	-
<b>26</b>	<b>Grants</b>	<b>1,155,294</b>	<b>429,892</b>
<b>262</b>	<b>To international organizations</b>	<b>5,573</b>	<b>3,268</b>
2621	Current	5,573	3,268
2622	Capital	-	-
<b>263</b>	<b>To other general government units</b>	<b>1,149,721</b>	<b>426,624</b>
2631	Current	666,857	239,358
2632	Capital	482,864	187,266
<b>27</b>	<b>Social benefits</b>	<b>87,697</b>	<b>37,393</b>
273	Employer social benefits	87,697	37,393
<b>28</b>	<b>Other expense</b>	<b>5,000</b>	<b>-</b>
282	Miscellaneous other expense	5,000	-
2821	Current	5,000	-
2822	Capital	0	0

Source: National Treasury.

## Annex VI: Transactions in Assets and Liabilities

BUDGETARY CENTRAL GOVERNMENT		Printed Budget	Prel. Actual
GFSM 2014 Code	Description	Annual FY2018/19	Quarterly FY2018/19 Q2
	<i>Accounting method:</i>	<i>Cash</i>	<i>Cash</i>
<b>3</b>	<b>CHANGE IN NET WORTH: TRANSACTIONS</b>	<b>(325,759)</b>	<b>(166,009)</b>
<b>31</b>	<b>Net acquisition of nonfinancial assets</b>	<b>223,485</b>	<b>107,074</b>
<b>311</b>	<b>Fixed assets</b>	<b>221,706</b>	<b>103,524</b>
3111	Buildings and structures	-	-
3112	Machinery and equipment	-	-
3113	Other fixed assets	221,706	103,524
<b>312</b>	<b>Inventories</b>	<b>1,419</b>	<b>3,550</b>
<b>314</b>	<b>Nonproduced assets</b>	<b>360</b>	<b>-</b>
<b>32</b>	<b>Net acquisition of financial assets</b>	<b>3,925</b>	<b>(61,562)</b>
3212	Currency and deposits (Domestic)	3,925	(61,562)
<b>33</b>	<b>Net incurrence of liabilities</b>	<b>553,169</b>	<b>211,521</b>
<b>331</b>	<b>Domestic</b>	<b>268,666</b>	<b>67,751</b>
3313	Securities other than shares	268,666	59,708
3314	Loans	-	8,043
<b>332</b>	<b>Foreign</b>	<b>284,503</b>	<b>143,771</b>
3323	Securities other than shares	298,926	5,822
3324	Loans	(14,423)	137,948

Source: National Treasury.





