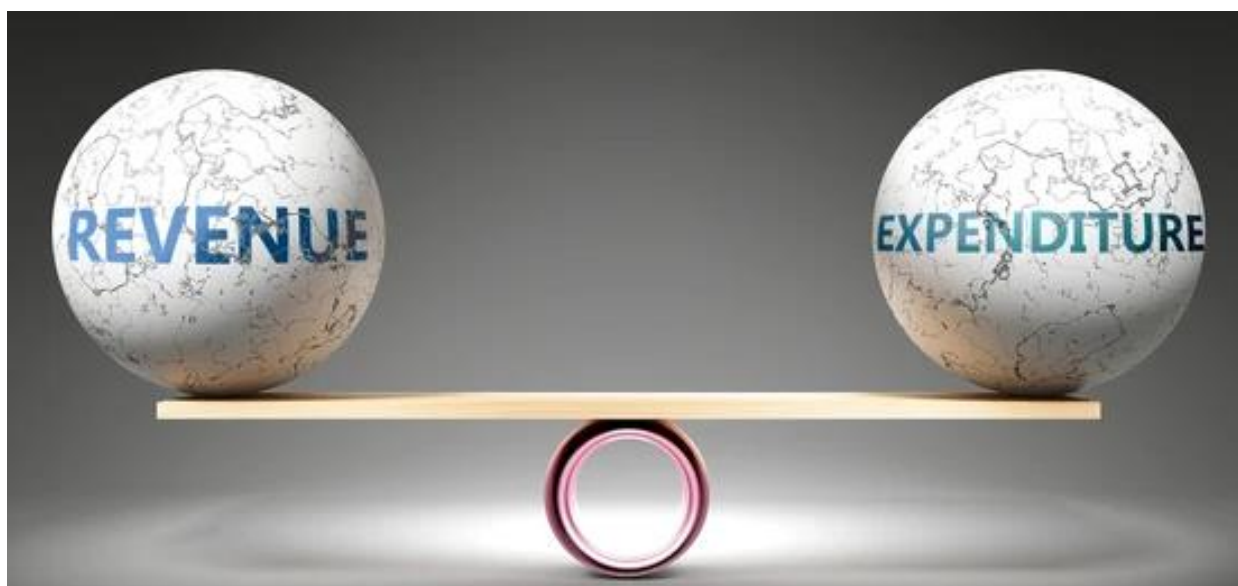


Kingdom Securities Limited

Actual Revenues and Exchequers Issues January 2022



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Proposed Budget Policy Statement 2022

January exchequer items were released excluding supplementary budget adjustments. According to the proposed Budget Policy Statement 2022-23 fiscal year, expenditure and net lending were pushed up by 4.1% to KES 3,154.3Bn from KES 3,030.3Bn while revenues were adjusted upwards by 1.2% to KES 2,063.10Bn from KES 2,038.70Bn of the approved 2021-22 budget. Development expenditure is proposed to go up by 7.1%.

The paper indicates a 1.4% increase in ordinary revenues supported by a 7.7% increase in excise duty revenues despite a 2.0% dip in income tax.

The expanded budget is expected to widen fiscal deficit from 7.9% to 8.6%. To cover the deficit, net external borrowing has been adjusted upwards by 52.1% to KES 412.50Bn from KES 271.20Bn through a proposed Eurobond. Net domestic borrowing was cut by 6.3% to KES 616.80Bn from KES 658.50Bn.

Budgetary Review			
Item	Budget Estimates	Revised Budget	%Δ
Total Revenues	2,038.70	2,063.10	1.2%
Ordinary Revenues	1,775.60	1,800.00	1.4%
Income Tax	834.50	817.90	-2.0%
Import Duty (Net)	119.00	118.80	-0.2%
Excise Duty	241.00	259.60	7.7%
Value Added Tax	472.90	477.10	0.9%
Total Exp and Net Lending	3,030.30	3,154.30	4.1%
Recurrent Expenditure	1,991.90	2,071.80	4.0%
Development Expenditure	623.50	667.70	7.1%
County Transfers	409.90	409.90	0.0%
Deficit Excluding Grants	(991.60)	(1,091.20)	10.0%
Net Foreign Financing	271.20	412.50	52.1%
Net Domestic Financing	658.50	616.80	-6.3%
Nominal GDP	12,628.10	12,628.10	0.0%
Deficit % to GDP	-7.9%	-8.6%	10.0%

Table 1: Budget Adjustment

Source: KSL, Treasury KE

We await the February Budget Review and Outlook Paper (BROP) to make full adjustments on the figures.

Actual Revenues and Net Exchequer Issues as at 31st January 2022

January exchequer items saw KES 1,660.79Bn achieved in revenues for a 52.0% performance on budget while lagging 7-months target at 89.2%. Period expense stood at KES 1,603.05Bn performing at 50.2% of budget and 86.1% prorated levels.

The month saw KES 217.55Bn in inflows, a 9.5% y-y decline and 15.4% m-m lower due to weak domestic borrowing. January 2021 benefited by issuing of a short-term bond paper accompanied by an infrastructure bond. Month's revenues excluding borrowing was up 32.3% y-y at KES 150.08Bn and 19.4% lower m-m.

January expenses stood at KES 239.78Bn, a 7.6% y-y dip while increasing 6.2% m-m. This left a deficit of KES 22.23Bn for the month.

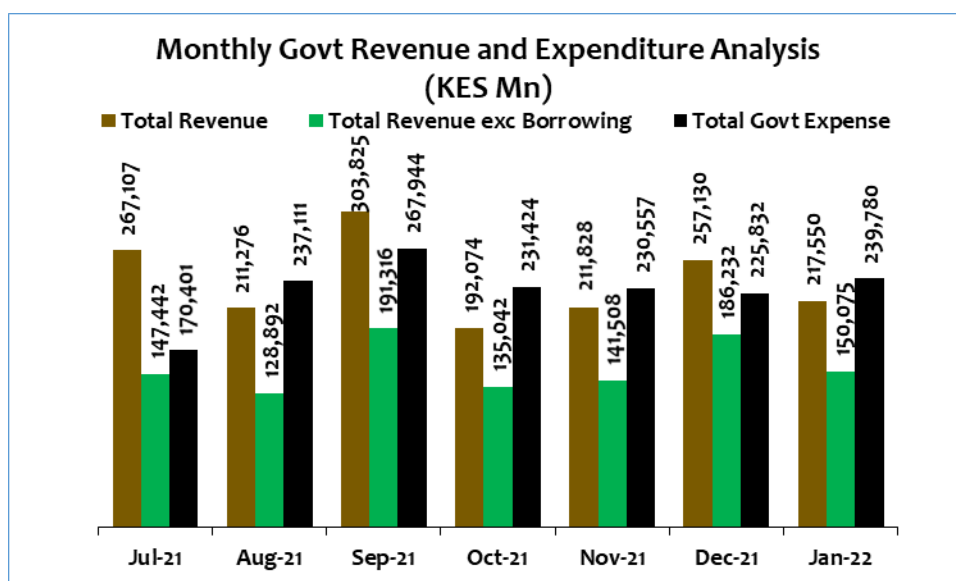


Figure 1: Monthly Revenues and Expenditures

Source: KSL, Treasury KE

We expect expenditures to start picking in the second half with the figures climaxing towards the month of May 2022.

Revenue Receipts as at January 31st, 2022

Overall revenues stood at KES 1,660.79Bn supported by tax revenue performance which performed at 59.3% of budget target and remained ahead of seven months comparative target at 101.6%. Non-tax revenues performed strongly coming 62.0% of budget and 106.3% of 7-months budget.

Lag in domestic borrowing saw a total of KES 532.94Bn borrowed presenting 52.8% budget and 90.6% slower to proportional budget. External borrowing stood at 12.5% of budget and 21.4% of period budget.

January KES 142.83Bn was collected through taxes, a 28.3% y-y increase but 21.0% m-m lower as the market came from the holiday season. Domestic borrowing was 45.6% lower y-y at KES 64.47Bn but improved by 68.0% m-m.

External debt slowed down in January after the Kenya accessed the Extended Credit Facility Arrangement (ECF) and Extended Fund Facility (EFF) SDR 185Mn or USD 258.1Mn by IMF meant for Budgetary Support on December 22nd, 2021.

Excluding debt, revenues stand at KES 1,080.51Bn on a 59.9% budget performance and 102.6% proportional performance.

We expect an acceleration of external borrowing after the budgetary amendment of demand by 52.1% up to KES 412.50Bn from KES 271.20Bn. Domestic borrowing will witness small tickers on demand as we slow down towards the end of the fiscal year.

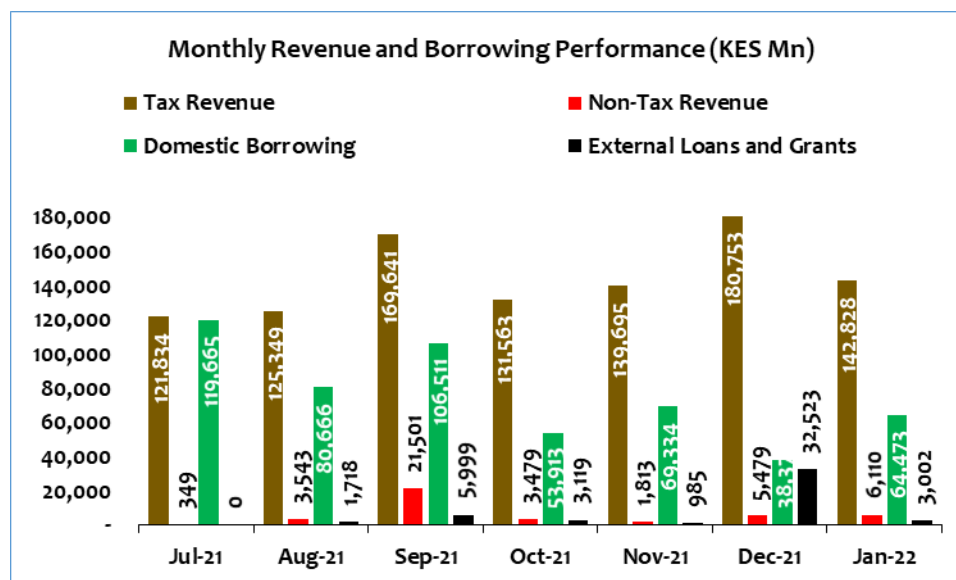


Figure 2: Monthly Revenue Performance

Source: KSL, Treasury KE

Revenue Exchequer Issues (KES Mn)	Original Estimates	Proportionate Estimate	Actual Receipts	Receipts to Original Estimates	Receipts to Proportional Estimates
Opening Balance	-	-	21,280.30		
Tax Revenue	1,707,432.57	996,002.33	1,011,663.32	59.3%	101.6%
Non-Tax Revenue	68,191.60	39,778.44	42,274.42	62.0%	106.3%
Domestic Borrowing	1,008,428.58	588,250.01	532,938.02	52.8%	90.6%
External Loans and Grants	379,659.52	221,468.05	47,344.97	12.5%	21.4%
Other Domestic Financing	29,292.58	17,087.34	5,288.63	18.1%	31.0%
Total Revenue	3,193,004.86	1,862,586.17	1,660,789.66	52.0%	89.2%
Total Revenue exc Borrowing	1,804,916.76	1,052,868.11	1,080,506.67	59.9%	102.6%

Table 2: Revenue Performance

Source: KSL, Treasury KE

Revenues - Monthly Performance (KES Mn)	Jan-21	Dec-21	Jan-22	%Δ y-y	%Δ m-m
Opening Balance		-	-		
Tax Revenue	111,301.86	180,752.91	142,827.89	28.3%	-21.0%
Non-Tax Revenue	2,153.32	5,479.02	6,110.32	183.8%	11.5%
Domestic Borrowing	118,511.98	38,375.67	64,473.07	-45.6%	68.0%
External Loans and Grants	8,503.30	32,522.58	3,002.19	-35.3%	-90.8%
Other Domestic Financing	-	-	1,136.35	100.0%	100.0%
Total Revenue	240,470.46	257,130.17	217,549.81	-9.5%	-15.4%
Total Revenue exc Borrowing	113,455.19	186,231.93	150,074.56	32.3%	-19.4%

Table 3: Monthly Revenue Performance

Source: KSL, Treasury KE

Expenses - Recurrent, CFS, Development and County as at January 31st, 2022

Recurrent expenditure was KES 617.78Bn representing 558% of budget and lagging 7-month budget at 95.7% with ministry of interior, ministry of defense and ministry of Early Learning and Basic Education being the main beneficiaries.

Repayment of public debt improved due to redemption of domestic debts a with KES 570.15Bn having been paid representing 48.8% on budge or 83.6% on the seven months.

Low disbursement of development expense saw 7-month performance slow to 71.9% 74.0% in December 2021. Year to date, a month released towards the expense line stood at 42.0%

January saw recurrent expense payment slow compared to the pervious period with KES 89.74Bn release for recurrent expenditure, a 9.8% y-y dip while it was 5.9% lower to December 2021.

A total of KES 94.57Bn was paid in public debt which was 15.8% y-y lower while increasing by 63.8% m-m compared to December, an indication of a delayed payment on an external loan.

Monthly payout for development more than doubled at KES 19.34Bn compared to January 2021 but slowed down by 4.1% on December release. County continue to operate on low central government with KES 26.85Bn released in the month of January, 20.9% lower than January 2021 and 26.5% compared to December 2021.

Net deficit stood at 22.23Bn from surplus of 31.30Bn as of December 2021

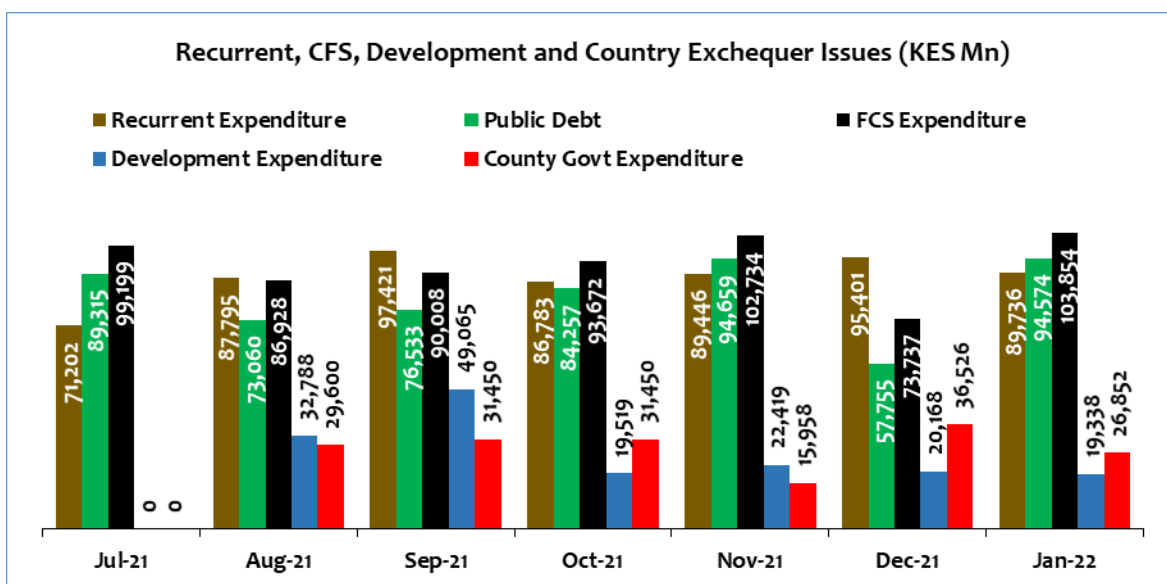


Figure 3: Monthly Expenditure Performance

Source: KSL, Treasury KE

Recurrent, CFS, Development and Country Exchequer Issues (KES Mn)	Original Estimates	Proportionate Estimate	Total Cash Released	Cash Released to Original Estimates	Cash Released to Proportional Estimates
Recurrent Exchequer Issues	1,106,555.31	645,490.60	617,783.96	55.8%	95.7%
Public Debt	1,169,165.03	682,012.93	570,152.24	48.8%	83.6%
FCS Exchequer Issues	1,327,220.07	774,211.71	650,133.12	49.0%	84.0%
Development Exchequer Issues	389,229.48	227,050.53	163,297.44	42.0%	71.9%
Total Issues to National Government	2,823,004.86	1,646,752.83	1,431,214.52	50.7%	86.9%
Total Issues to County Government	370,000.00	215,833.33	171,835.28	46.4%	79.6%
Total Exchequer Issue	3,193,004.86	1,862,586.17	1,603,049.81	50.2%	86.1%

Table 4: Expense Performance

Source: KSL, Treasury KE

Recurrent, CFS, Development and Country Exchequer Issues (KES Mn)	Jan-21	Dec-21	Jan-22	%Δ y-y	%Δ m-m
Recurrent Expenditure	99,495.49	95,400.72	89,736.16	-9.8%	-5.9%
Public Debt	112,285.46	57,754.77	94,573.63	-15.8%	63.8%
FCS Expenditure	117,819.03	73,737.26	103,854.20	-11.9%	40.8%
Development Expenditure	8,329.80	20,168.41	19,337.85	132.2%	-4.1%
National Govt Expenditure	225,644.32	189,306.40	212,928.21	-5.6%	12.5%
County Govt Expenditure	33,930.63	36,525.52	26,851.96	-20.9%	-26.5%
Total Govt Expense	259,574.95	225,831.91	239,780.17	-7.6%	6.2%
	(19,104.49)	31,298.26	(22,230.36)		

Table 5: Monthly Expense Performance

Source: KSL, Treasury KE

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