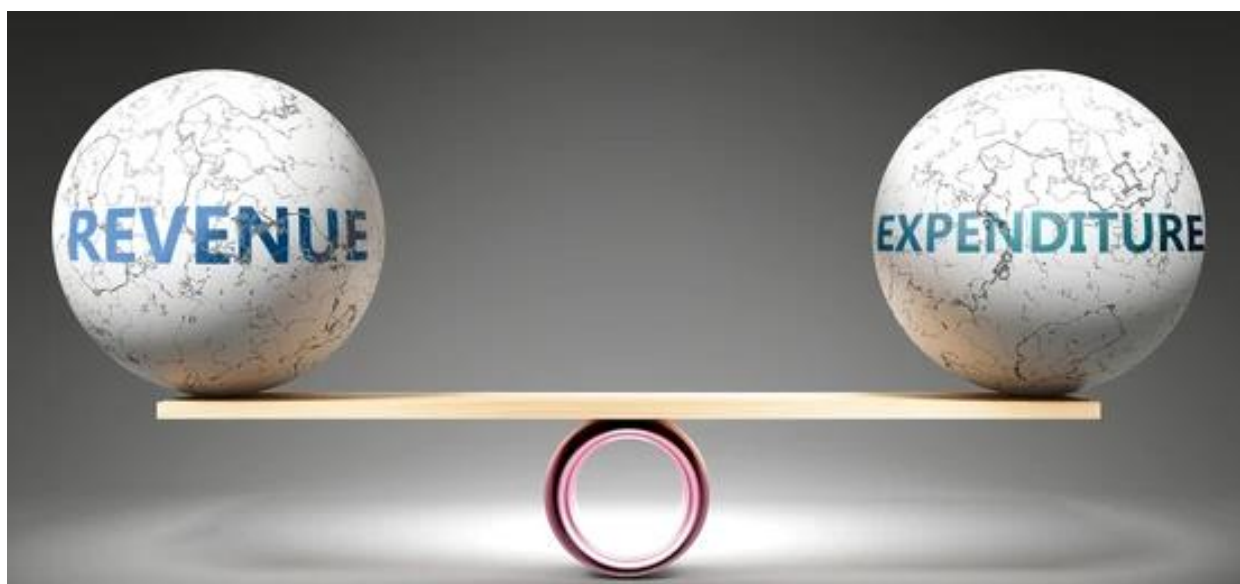


Kingdom Securities Limited

Actual Revenues and Exchequers Issues Fiscal Year 2022-2023



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Annual performance

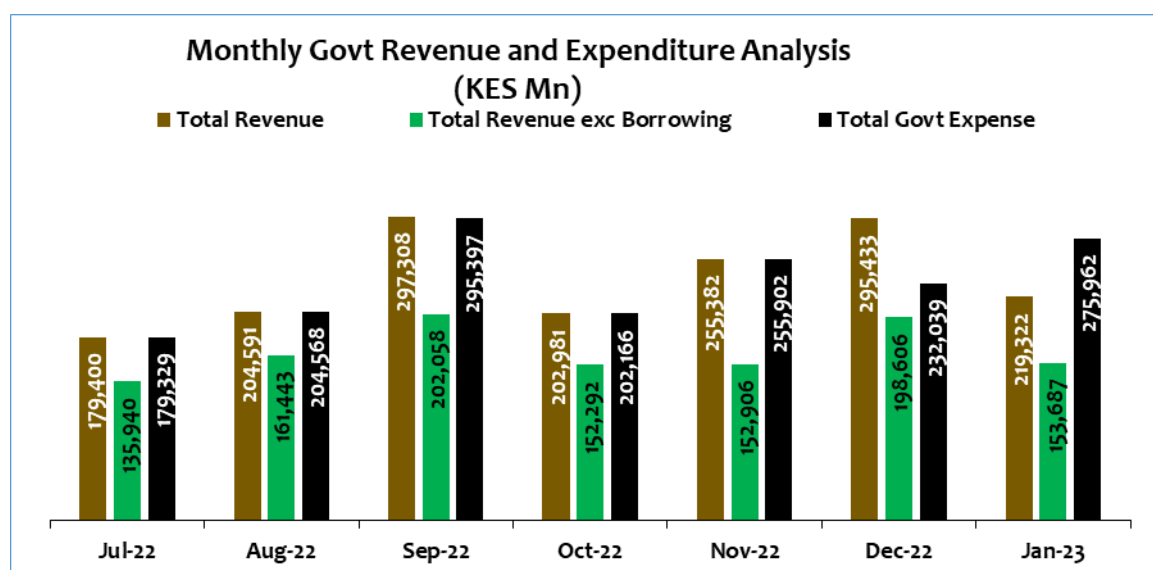
The exchequer items for the month of January showed a lag in revenue with KES 1,653.80Bn collected which was 46.7% to the annual budget and 80.0% to the 7-months target.

Revenue less borrowing stood at KES 1,156.32Bn, 53.7% achievement on annual target and 92.0% on the proportional target.

Expenditure stood at KES 1,645.36Bn, 46.4% against the annual target of KES 3,544.60Bn and 79.6% to the proportional target of KES 2,067.68Bn.

Revenue Exchequer Issues (KES Mn)	Original Estimates	Proportionate Estimate	Actual Receipts	Receipts to Original Estimates	Receipts to Proportional Estimates
Opening Balance		-	616.55		
Tax Revenue	2,071,923.83	1,208,622.24	1,104,781.10	53.3%	91.4%
Non-Tax Revenue	69,660.58	40,635.34	36,208.63	52.0%	89.1%
Domestic Borrowing	1,040,458.16	606,933.93	304,234.29	29.2%	50.1%
External Loans and Grants	349,331.52	203,776.72	193,249.90	55.3%	94.8%
Other Domestic Financing	13,228.00	7,716.33	15,325.83	115.9%	198.6%
Total Revenue	3,544,602.09	2,067,684.55	1,653,799.75	46.7%	80.0%
Excluding Borrowing	2,154,812.41	1,256,973.91	1,156,315.57	53.7%	92.0%

Expenditure Items (KES Mn)	Original Estimates	Proportionate Estimate	Total Cash Released	Cash Released to Original Estimates	Cash Released to Proportional Estimates
Recurrent Exchequer Issues	1,178,399.13	687,399.49	654,006.10	55.5%	95.1%
Public Debt	1,393,116.15	812,651.08	627,328.58	45.0%	77.2%
FCS Exchequer Issues	1,571,810.75	916,889.61	684,660.21	43.6%	74.7%
Development Exchequer Issues	424,392.21	247,562.12	145,455.30	34.3%	58.8%
Total Issues to National Government	3,174,602.09	1,851,851.22	1,484,121.61	46.7%	80.1%
Total Issues to County Government	370,000.00	215,833.33	161,242.37	43.6%	74.7%
Total Exchequer Issue	3,544,602.09	2,067,684.55	1,645,363.98	46.4%	79.6%



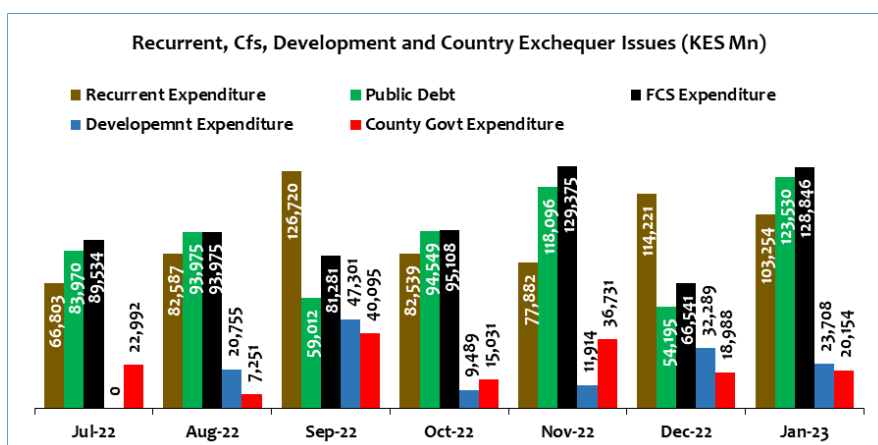
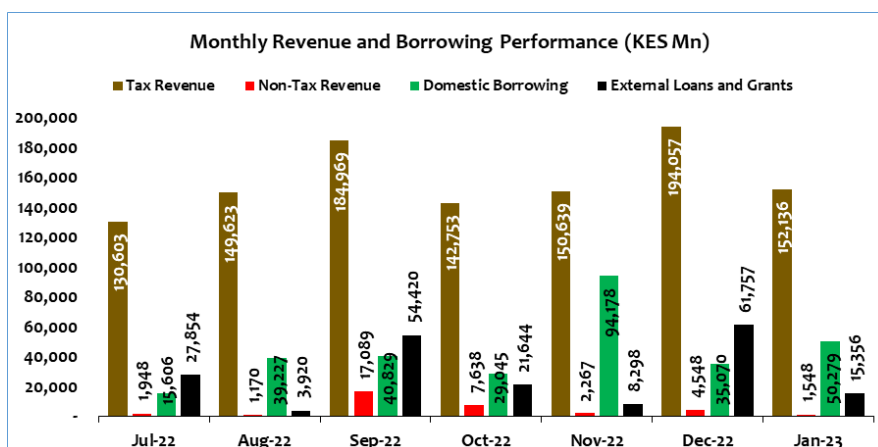
Monthly performance

January collections stand at KES 219.32Bn which was 25.8% lower than KES 295.43Bn in December 2022 and 0.8% more than KES 217.55Bn collected in January 2022.

Expenditure stood at KES 275.96Bn a 18.9% growth month on month with KES 323.40Bn in December and 15.1% higher to KES 238.78Bn in January 2022.

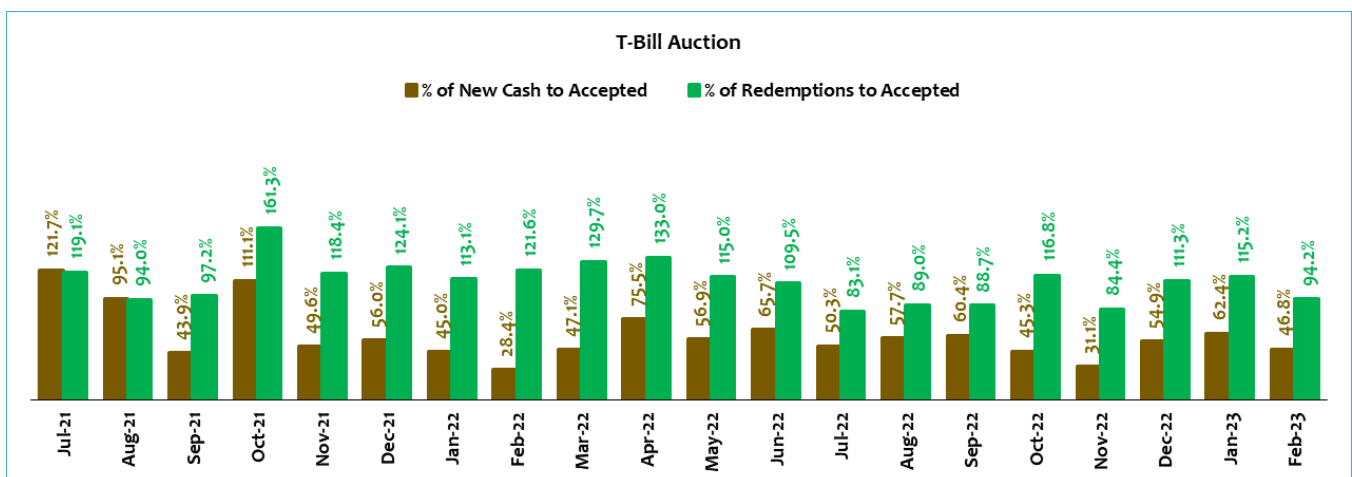
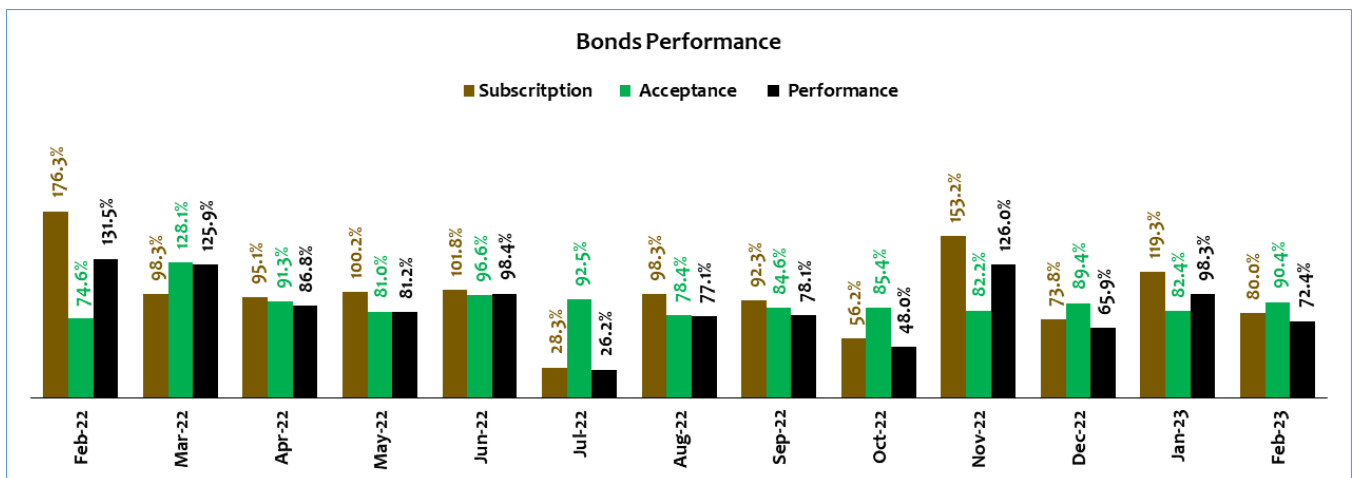
Revenues (KES MN)	Jan-22	Dec-22	Jan-23	%Δ y-y	%Δ m-m
Opening Balance	-	-	-		
Tax Revenue	142,828	194,057	152,136	6.5%	-21.6%
Non-Tax Revenue	6,110	4,548	1,548	-74.7%	-66.0%
Domestic Borrowing	64,473	35,070	50,279	-22.0%	43.4%
External Loans and Grants	3,002	61,757	15,356	411.5%	-75.1%
Other Domestic Financing	1,136	-	4	-99.7%	100.0%
Total Revenue	217,550	295,433	219,322	0.8%	-25.8%
Total Revenue exc Borrowing	150,075	198,606	153,687	2.4%	-22.6%

Recurrent, CFS, Development and Country Exchequer Issues (KES Mn)	Jan-22	Dec-22	Jan-23	%Δ y-y	%Δ m-m
Recurrent Expenditure	89,736	114,221	103,254	15.1%	-9.6%
Public Debt	94,574	54,195	123,530	30.6%	127.9%
FCS Expenditure	103,854	66,541	128,846	24.1%	93.6%
Development Expenditure	19,338	32,289	23,708	22.6%	-26.6%
National Govt Expenditure	212,928	213,051	255,808	20.1%	20.1%
County Govt Expenditure	26,852	18,988	20,154	-24.9%	6.1%
Total Govt Expense	239,780	232,039	275,962	15.1%	18.9%



Revenues

- Tax revenue was 91.4% of target, an indication of struggling economy. However, it is early to give a final performance on tax as January traditionally is a slow month for the tax man. We await the annual salary increase and bonus payment in March which will impact on PAYE which contributes 23.4% of ordinary revenues.
- The tax figures seem not to have included the annual inflation adjustment excise duty that kicked on 1st January 2023 and the revenues from reintroduction of mobile money introduction cost.
- Revenue performance was constrained by domestic borrowing with total borrowing standing at 29.2% of the annual target or 50.1% of the 7-months target. This was due to:
 - i. Tight liquidity that contains investors to the short-term papers. This can be seen on the heavy subscription by the 91-day papers.
 - ii. T-Bonds continue to undersubscribe necessitating taps which has continues to short the government target.
 - iii. Heavy roll-over culture especially on the short-term papers with limited new funds to grow the debt levels.
- External borrowing has been aggressive as the Treasury continues to ensure the Country fulfils its debt covenant on repayment and stabilizes the local currency. End of January, KES 193.25Bn had been borrowed or 55.3% of annual target and 94.8% of periodic target. This is unlike the previous which saw less than 30.0% of external borrowing by end of January. The Net Foreign Financing amounted to KES 95.2Bn in December 2022.
- The external borrowing is aggressive in September, October and December coinciding to Eurobond coupons payment and heavy Chinese loans.



Expenses

- Recurrent expenditure continues to perform on schedule at 55.5% of the annual budget expense while standing at 95.1% of proportional spend. Month on month, recurrent expenditure use declined by 9.6% but way ahead by 15.1% compared to January 2022

Key ministries have retained on time spending, Interior and Citizen Services at 54.4%, Defense 53.6%, TSC 53.6%, Early Learning and Basic Education at 71.2% seen as implementation of Competent Based Curriculum (CBC). These constitute 55.5% of the annual budget.

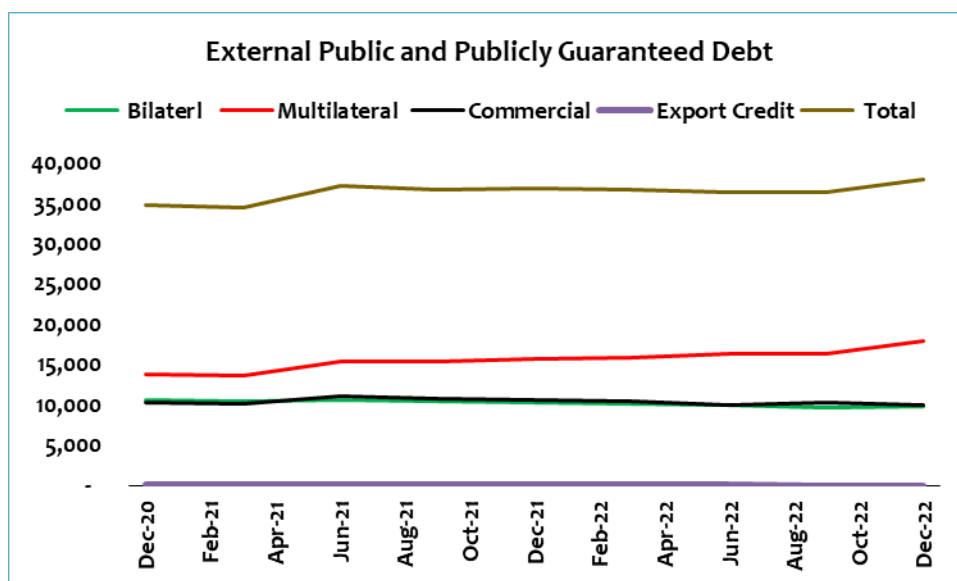
- Development expense has lagged the budget with 34.3% annual utilization and 58.8% comparative representation.
- Issues to County’s equitable share saw at 43.6% of budget disbursed or 74.7% of timeline targets. Majority of the counties received 41% while those in Arid and Semi-arid regions received 49.5% on their annual allocation.

Outlook

- There is need for accelerated domestic borrowing to meet the revenue target. This will lead to higher acceptance while forcing aggressive bidding with investors seeking higher returns pushing the yield curve higher.
- Tax collection will benefit in the second half of the fiscal year due to salary adjustments and excise duty flow.
- We still expect additional external borrowing. As of December 2022, the External Public and Publicly Guaranteed Debt stood at USD 37,872.86Mn a 9.0% increase compared to USD 34,746.02Mn in December 2020.

This saw a replacement of Bilateral loans by multilateral loans, with bilateral loans declining by 7.7% to a holding of 25.8% while multilateral loans increasing by 30.7% to constitute 47.4% during the period.

The decline in bilateral loans was due to a 6.4% and 14.5% drop in Chinese and Japanese loan holdings. IMF and International Bank for Reconstruction and Development (IBRD) holdings increased by 186.7% and 95.6% respectively benefitting the country on cheaper loans



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