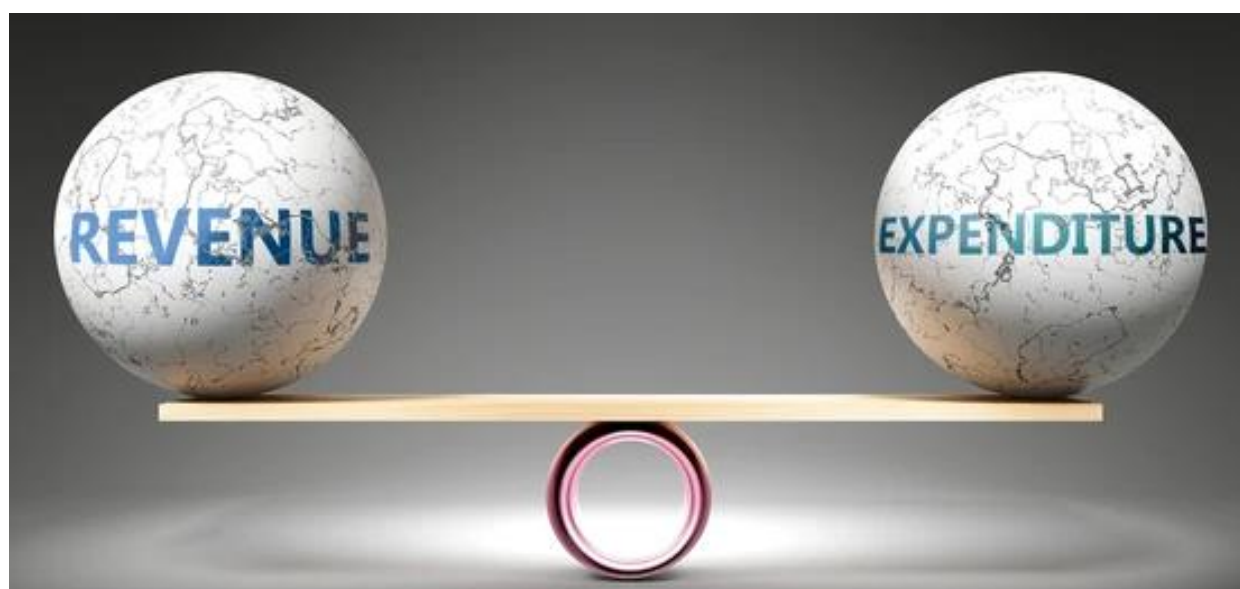


Kingdom Securities Limited

Actual Revenues and Exchequers Issues Fiscal Year 2022-2023

March 2023



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Budgetary Policy Statement 2023

The 2023 Budgetary Policy Statement, the first under the Kenya Kwanza government, revised the 2022/2023 budgets items upwards with expenditure pushed up by 1.1% while revenues were targeted to increase by 2.7%.

The government committed towards fiscal consolidation on revenue mobilization and expenditure rationalization. Development expenditure was cut by 10.6% notably the road transport program, power transmission and distribution, and water and sewerage infrastructure development. Recurrent expenditure was expanded by 3.5% despite a cut in National Intelligence services, power transmission and distribution and removal of subsidies in fuel.

Revenues continued to lag budget figure with March figures indicating a 66.1% performance on the budget and 88.1% of the 9-months appropriation levels. The revenue targets were pushed up with on the view of empowerment of KRA for enhanced revenue mobilization.

Treasury worked on reduction of deficit to KES 865Bn, a 3.4% drop from KES 896Bn in the original budget. This was enhanced by a 24.8% reduction in net domestic financing to KES 438Bn from KES 582Bn while increasing net foreign financing by 41.0% to KES 396Bn from 281Bn.

The Supplementary budget gave an indication that the government will be seeking commercial financing of around KES 100.0Bn before the end of the fiscal year to meet external principle payments of over KES 220.0Bn.

A 3.7% upward adjustment in nominal GDP left deficit at 6.0%, lower than 6.4% target during the budget.

Item	Budget Estimates	Revised Budget	%Δ	as Share of GDP
Total Revenues	2,462	2,529	2.7%	17.4%
Ordinary Revenues	2,142	2,192	2.4%	15.1%
Total Exp and Net Lending	3,359	3,394	1.1%	23.4%
Recurrent Exp	2,271	2,350	3.5%	16.2%
Development Exp	677	605	-10.6%	4.2%
County Transfers	407	436	7.1%	3.0%
Deficit Excluding Grants	(896)	(865)	-3.4%	6.0%
Net Foreign Financing	281	396	41.0%	2.7%
Net Domestic Financing	582	438	-24.8%	3.0%
Nominal GDP	14,003	14,522	3.7%	
Deficit % to GDP	-6.4%	-6.0%		

The budgetary adjustment, low revenues collection, and the skeptical nature of investors towards domestic lending will enlarge the budgetary deficit. This will force the government to.

- Offer better returns to attract local investors to hold government securities with the threat of default looming in all direction. This is a challenge to the government that is planning on lengthening the debt tenure, working on reduction cost of financing while facing a rising yields environment.
- Increase the external borrowing size albeit at expensive rates as reflected by the surge in Eurobond yields.

Exchequer Items: Revenues and Expenditure – March 2023

Exchequer items for the month of March saw overall revenues at 66.2% of revised estimates and 88.3% of the 9-months proportion. The revised estimates saw non-tax revenues increased by 20.1% and 49.0% increase in external loans and grants. Domestic borrowing was slashed by 14.8% with the government depending on issue taps to meet their targets while inventors are preferring short-term papers.

As at close of March Exchequer figures showed tax revenues were at 88.1% of the periodic target. KRA monthly briefing indicated that they had kept pace with collection as tax revenue averaged 95.1% on original target and 93.4% on supplementary target on a collection of KES 1.554Bn and a year on year 8% growth.

Domestic borrowing lagged performance at 44.7% or revised estimates despite a 14.9% reduction in the revised estimates. The line has performed dismally at 59.6% on the proportional target.

Revenue Exchequer Issues (KES Mn)	Original Estimates	Revised Estimates	Proportionate Estimate	Actual Receipts	Receipts to Original Estimates	Receipts to Proportional Estimates	Original vs Revised
Opening Balance			-	616.55			-
Tax Revenue	2,071,923.83	2,108,326.00	1,581,244.50	1,393,354.00	66.1%	88.1%	1.8%
Non-Tax Revenue	69,660.58	83,660.58	62,745.43	50,734.21	60.6%	80.9%	20.1%
Domestic Borrowing	1,040,458.16	886,521.57	664,891.17	396,319.39	44.7%	59.6%	-14.8%
External Loans and Grants	349,331.52	520,588.02	390,441.02	235,481.33	45.2%	60.3%	49.0%
Other Domestic Financing	13,228.00	13,228.00	9,921.00	15,525.56	117.4%	156.5%	0.0%
Total Revenue	3,544,602.09	3,612,324.17	2,709,243.13	2,091,414.50	57.9%	77.2%	1.9%
Excluding Borrowing	2,154,812.41	2,205,214.58	1,653,910.94	1,459,613.78	66.2%	88.3%	2.3%

Expenditures stood at 57.8% of the fiscal budget and at 77.1% of the period target. There was a slowdown in debt repayment as was cut by 2.3% while development budget was reduced by 7.2%.

County allocation was revised up by 8.0%. The Revised Estimates include June 2022 arrears amounting to KES 29.60Bn. County issue remains the lowest expenditure items with only 53.2% of funds disbursed or 71.0% of the period estimates.

	Original Estimates	Revised Estimates	Proportionate Estimate	Total Cash Released	Cash Released to Original Estimates	Cash Released to Proportional Estimates	Original vs Revised
Recurrent Exchequer Issues	1,178,399.13	1,265,969.79	949,477.34	814,712.55	64.4%	85.8%	7.4%
Public Debt	1,393,116.15	1,360,985.94	1,020,739.46	815,350.45	59.9%	79.9%	-2.3%
FCS Exchequer Issues	1,571,810.75	1,552,941.66	1,164,706.25	886,466.16	57.1%	76.1%	-1.2%
Development Exchequer Issues	424,392.21	393,812.72	295,359.54	174,788.57	44.4%	59.2%	-7.2%
Total Issues to National Government	3,174,602.09	3,212,724.17	2,409,543.13	1,875,967.28	58.4%	77.9%	1.2%
Total Issues to County Government	370,000.00	399,600.00	299,700.00	212,750.00	53.2%	71.0%	8.0%
Total Exchequer Issue	3,544,602.09	3,612,324.17	2,709,243.13	2,088,717.28	57.8%	77.1%	1.9%

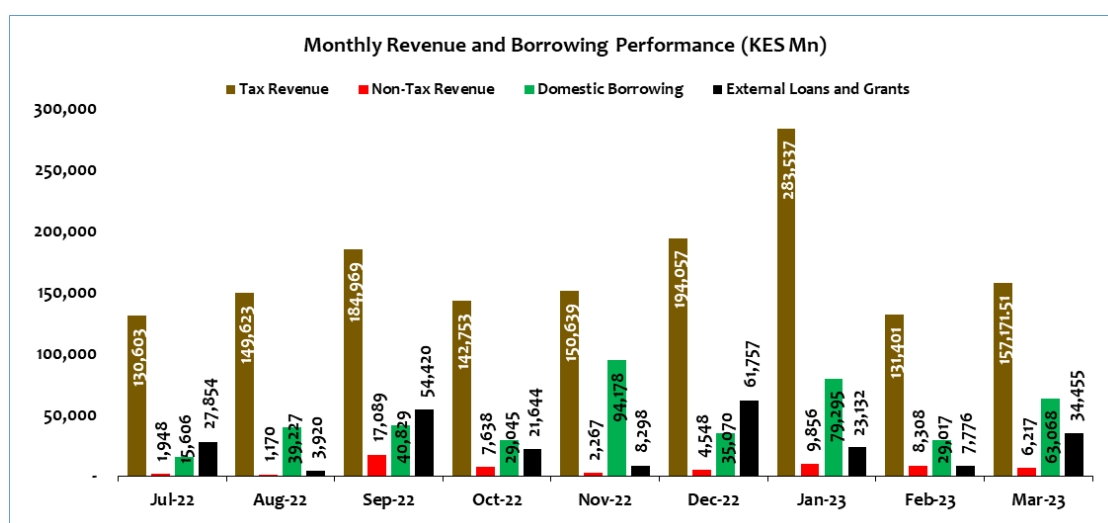
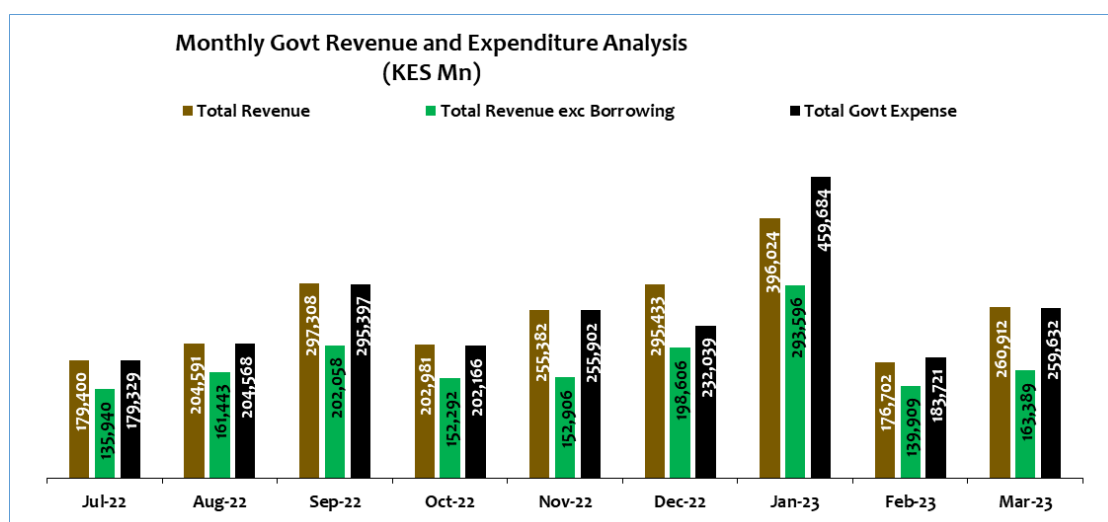
Monthly Performance – March 2023

Revenue Performance

The month of March 2023 saw a total revenue of KES 260.91Bn, a 47.7% m-m increase. This was supported by a 343.1% increased in external loans and grants with receipts from IMF and World Bank. Heavy receipts from treasury bills saw domestic borrowing up by 117.4% while tax revenues recovered by 19.6% on annual adjustment of taxes and income.

Monthly revenues excluding borrowing and grants stood at KES 163.39Bn, a 16.8% m-m improvement

Revenues	Feb-23	Mar-23	%Δ m-m
Opening Balance	-	-	
Tax Revenue	131,401	157,171.51	19.6%
Non-Tax Revenue	8,308	6,217.38	-25.2%
Domestic Borrowing	29,017	63,068.31	117.4%
External Loans and Grants	7,776	34,455.15	343.1%
Other Domestic Financing	200	-	-100.0%
Total Revenue	176,702	260,912.36	47.7%
Total Revenue exc Borrowing	139,909	163,388.90	16.8%



Expenditure Performance

Monthly expenditure increased by 41.3% m-m to KES 259.63Bn. Total National Government expenditure was up by 42.2% m-m to KES 230.03Bn from KES 161.81Bn incurred in February 2023.

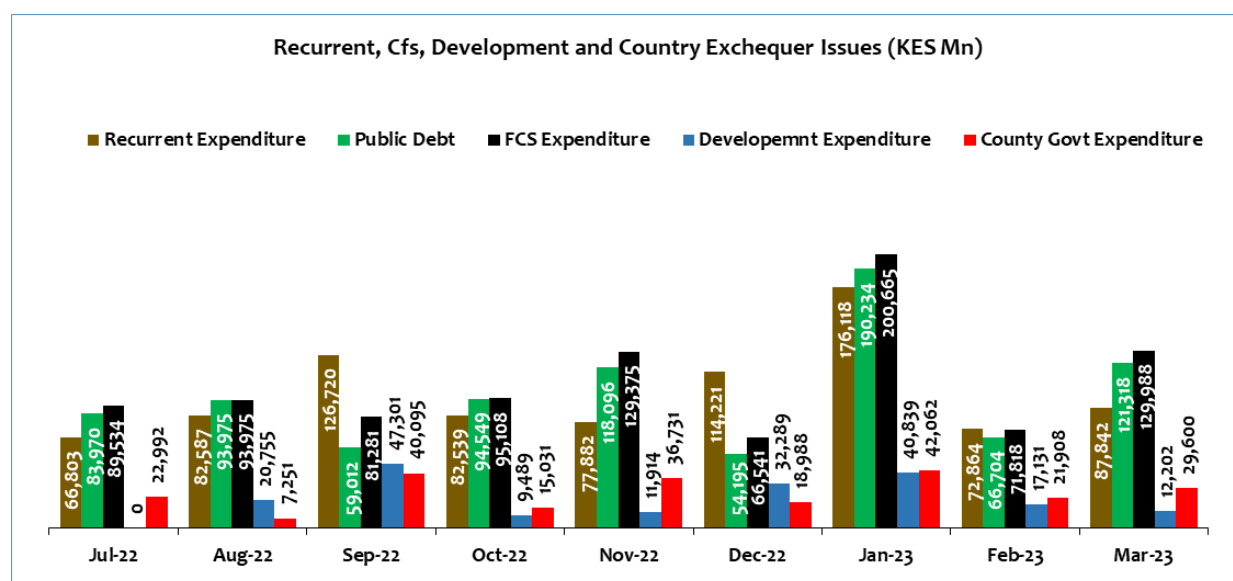
Recurrent expenditure increased by 20.6% with State Department for Interior and Citizen Services, State Department for Early Learning and Basic Education and Ministry of Defense seeing utilization increase by 15.0%, 15.2% and 12.6% after consuming 91.5%, 73.5% and 66.5% of their respective budgets.

Public debt repayment saw 121.32Bn disbursed during the month, a 81.9% m-m increase while development expenditure.

Monthly development expenditure was 28.8% m-m lower with KES 12.20Bn released compared to KES 17.13Bn in February and KES 40.84Bn in January 2023.

County disbursement was at KES 29.60Bn, which was an arrears of June 2022 disbursement. There remains a delay in County disbursement with the Council of Governors threatening to close shut down County activities giving the National Treasury 14 days ultimatum to release the KES 94.35Bn due for February KES 31.45Bn, March KES 29.60Bn, and April KES 33.3Bn.

Recurrent, CFS Development and Country Exchequer Issues (KES Mn)	Feb-23	Mar-23	%Δ m-m
Recurrent Expenditure	72,864	87,842.24	20.6%
Public Debt	66,704	121,318.21	81.9%
FCS Expenditure	71,818	129,987.56	81.0%
Development Expenditure	17,131	12,202.10	-28.8%
National Govt Expenditure	161,814	230,031.90	42.2%
County Govt Expenditure	21,908	29,600.00	35.1%
Total Govt Expense	183,721	259,631.90	41.3%
Monthly Surplus/(Deficit)	(7,019)	1,280.46	-118.2%



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