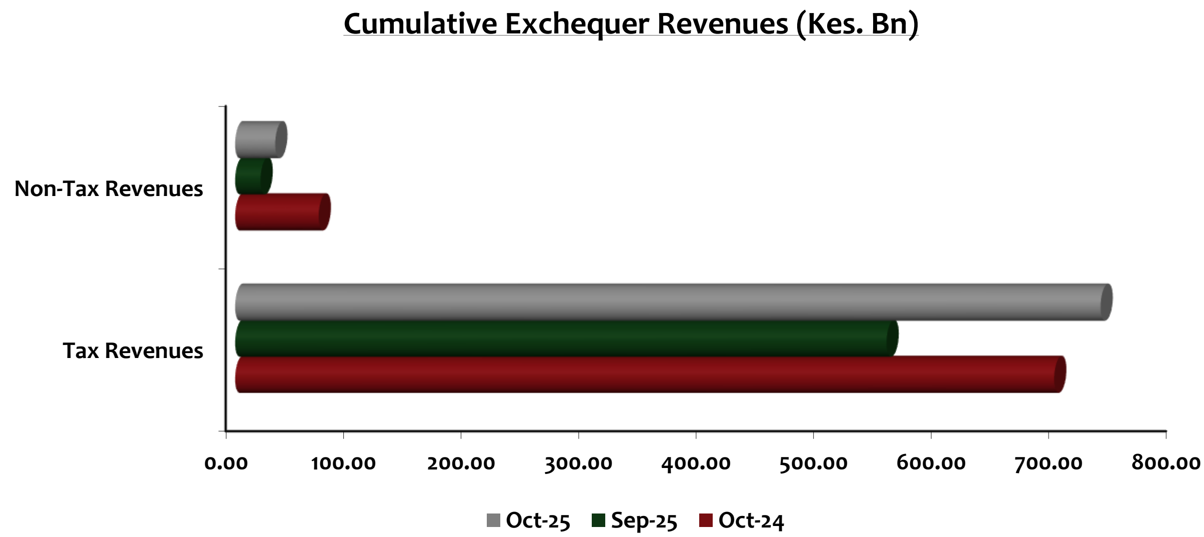
Kingdom Securities Limited

Actual Revenues and Exchequers Issues First 4 Months of FY25/26 – October 2025

November 18, 2025

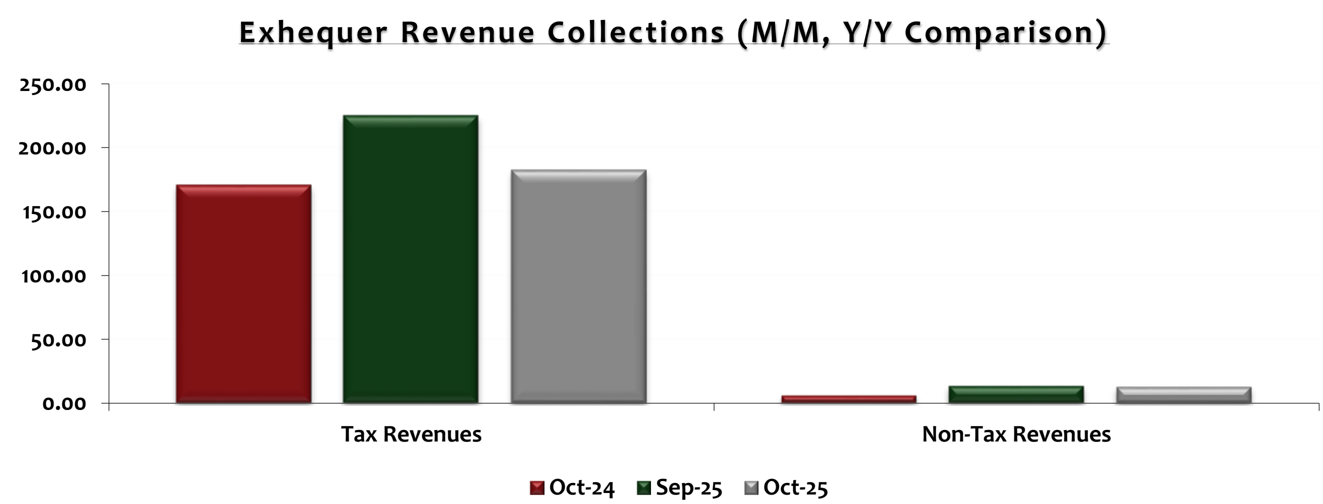
Exchequer Revenues:

Between July and October 2025, the government collected Kes. 770.33Bn in exchequer revenues, marking a marginal 0.3% growth from the Kes. 767.67Bn realized over the same period in 2024. Within this performance, tax revenues stood at Kes. 736.28Bn, representing a 5.7% increase compared to the Kes. 696.68Bn recorded in the period ending October 2024 in FY24/25. Cumulatively, ordinary revenues accounted for 28.0% of the annual target, reflecting a shortfall of 16.1% against prorated targets. The performance of the individual tax segments is illustrated below:



Data: National Treasury | Chart: KSL

In October alone, the government collected Kes. 195.09Bn, a 10.3% y/y increase from the Kes. 176.80Bn recorded in September 2024. The increase was driven largely by a 6.7% jump in tax revenues coupled with stronger non-tax revenues. See the chart below:

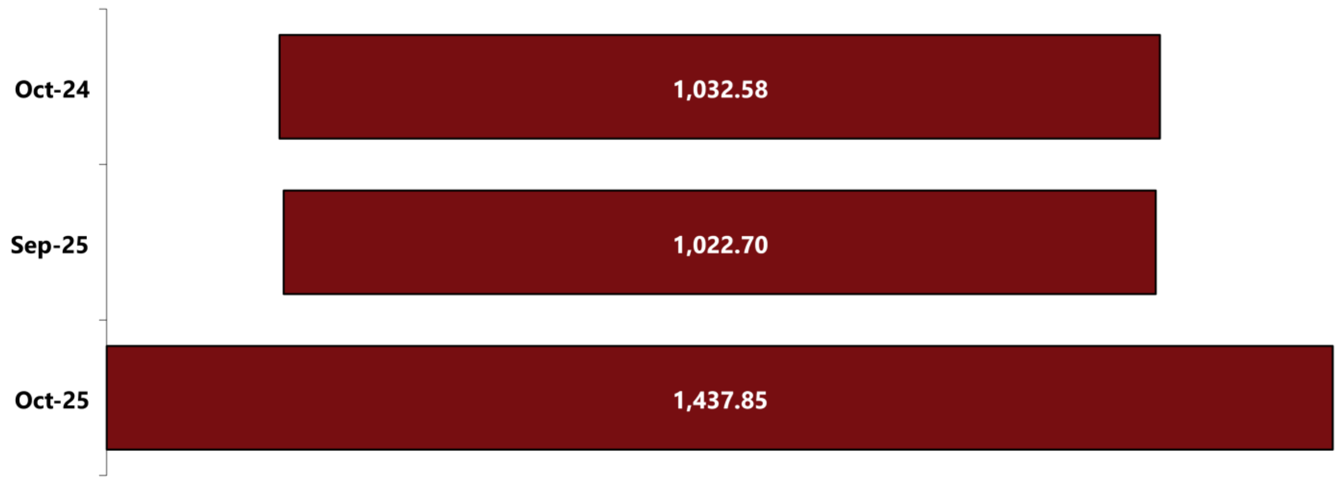


Data: National Treasury | Chart: KSL

Expenditure:

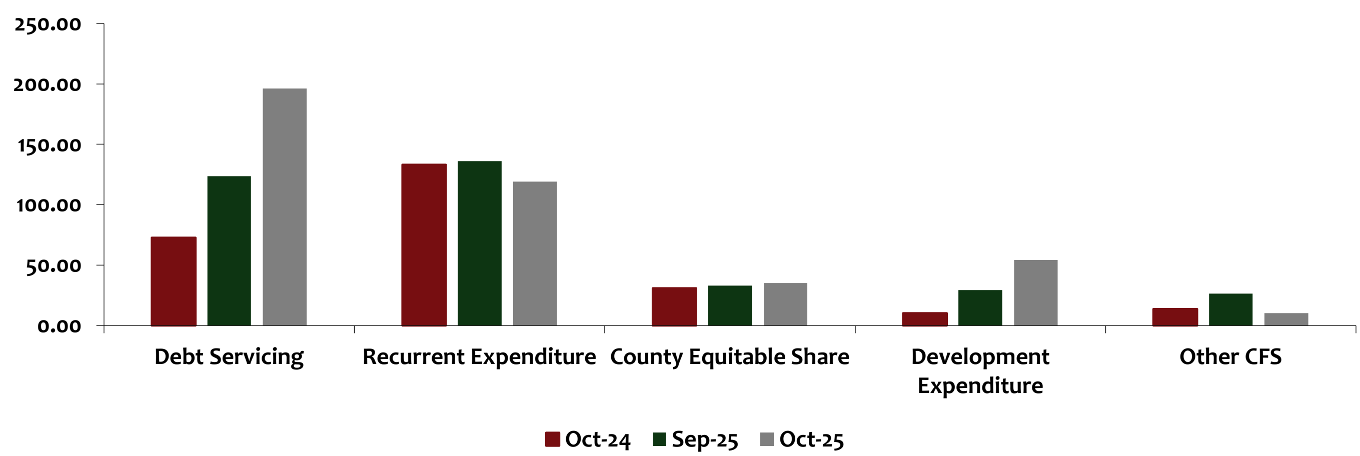
Over the same period, the government spent Kes. 1,437.85Bn, reflecting a sharp 39.2% y/y increase from the Kes. 1,032.50Bn recorded as of October 2024. The surge was largely driven by a 76.7% escalation in debt-servicing obligations, following the partial repurchase of the 2028 Eurobond executed at the start of October. This pressure was further compounded by a 17.5% rise in recurrent expenditure and a 23.5% increase in development spending, signaling broad-based expansion across key spending lines. See the chart below:

Cumulative Outlays (Kes. Bn)



For October alone, the total spent came in at Kes. 415.15Bn, 59.1% more than the Kes. 260.89Bn spent in October 2024. Recurrent expenditure dropped slightly while development expenditure rose more than five folds to Kes.54.22Bn in October 2025, from Kes. 10.43Bn in October 2024. See below a visual presentation:

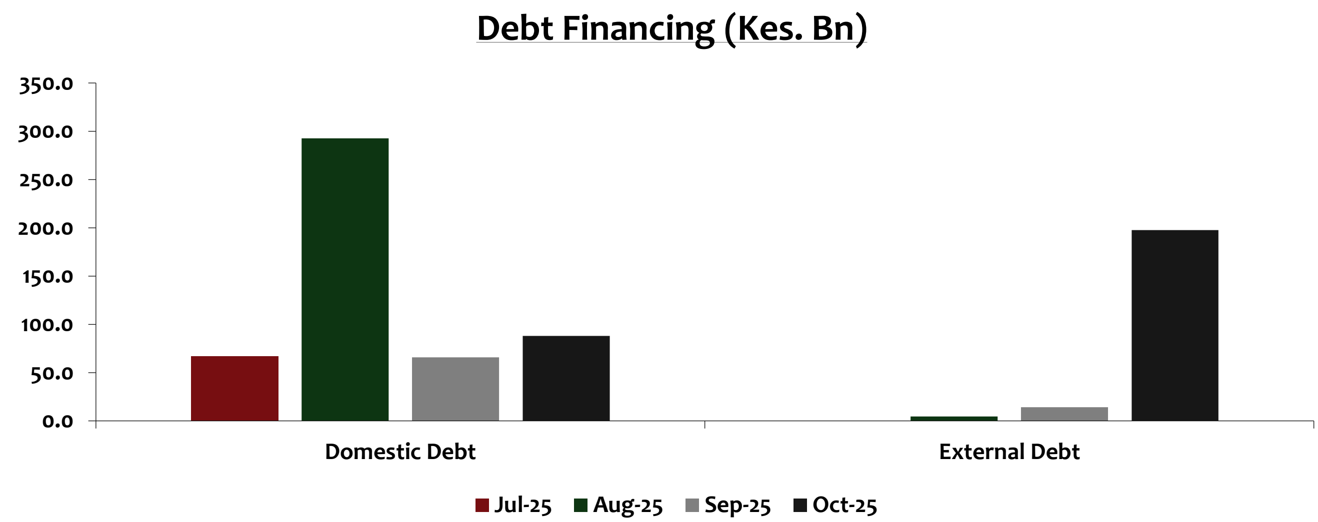
Expenditure Comparison (Kes. Bn)



Data: National Treasury | Chart: KSL

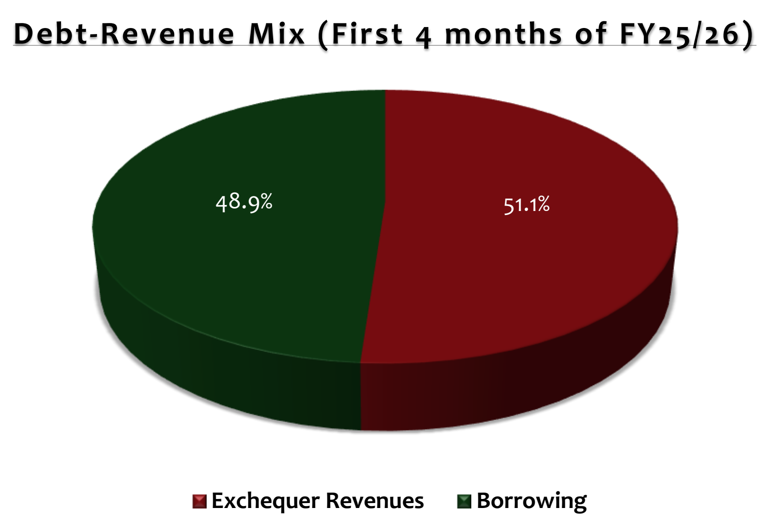
Borrowing:

In the first four months of FY25/26, the government borrowed a cumulative Kes. 736.35Bn—nearly three times the amount raised over the same period in FY24/25. This spike is primarily attributable to the October Eurobond issuance, alongside the strong uptake of the August infrastructure bond. The domestic market has remained robust throughout, and the government chose to front-load the Eurobond repurchase rather than defer it to the second half of the fiscal year. See the chart below:



Data: National Treasury | Chart: KSL

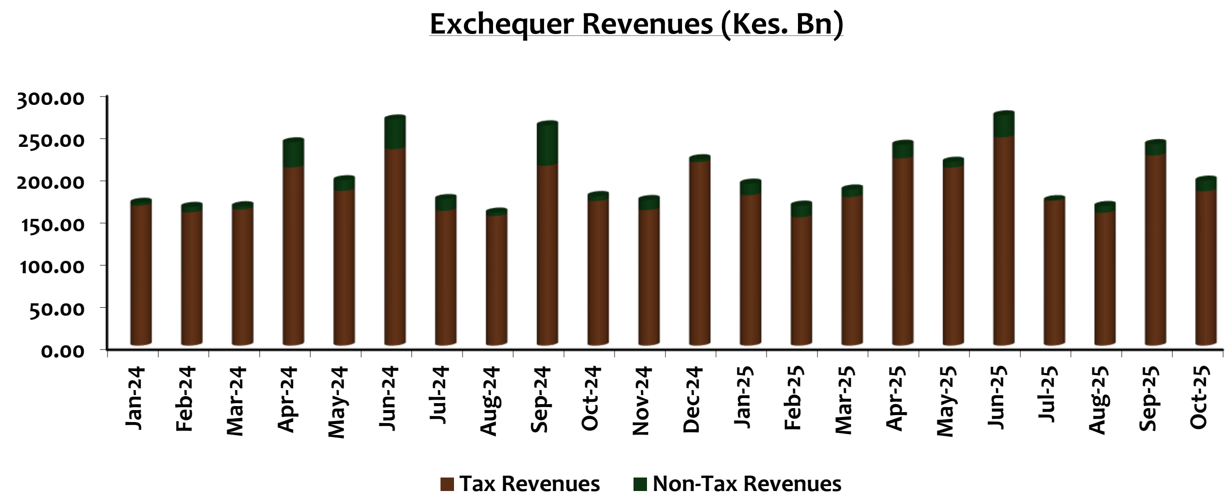
Cumulatively, debt has financed nearly half of the budget, reflecting heightened debt-servicing pressures that continue to crowd out fiscal space. With debt obligations treated as a first charge, the government has been compelled to borrow to sustain other operations across the fiscal framework. See below the visual presentation:



Data: National Treasury | Chart: KSL

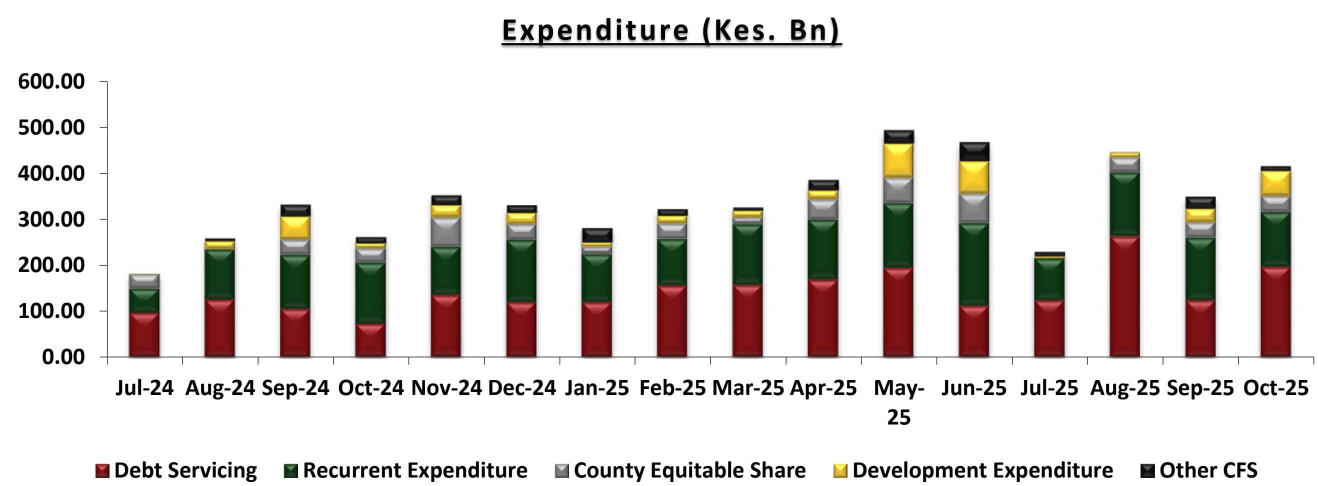
Trends in government receipts and outlays:

From the start of the fiscal year, tax revenues have expanded at an average rate of 5.6% y/y—significantly faster than the 1.4% y/y average growth registered over the same period in 2024. In absolute terms, the Kenya Revenue Authority (KRA) has collected an average of Kes. 184.07Bn per month in the first four months of FY25/26, compared to the monthly average of Kes. 174.17Bn recorded up to October 2024. While non-tax revenues have declined overall, it is important to note that September 2024 benefited from a one-off boost, creating an elevated comparison base for the current fiscal period. See the trends below:



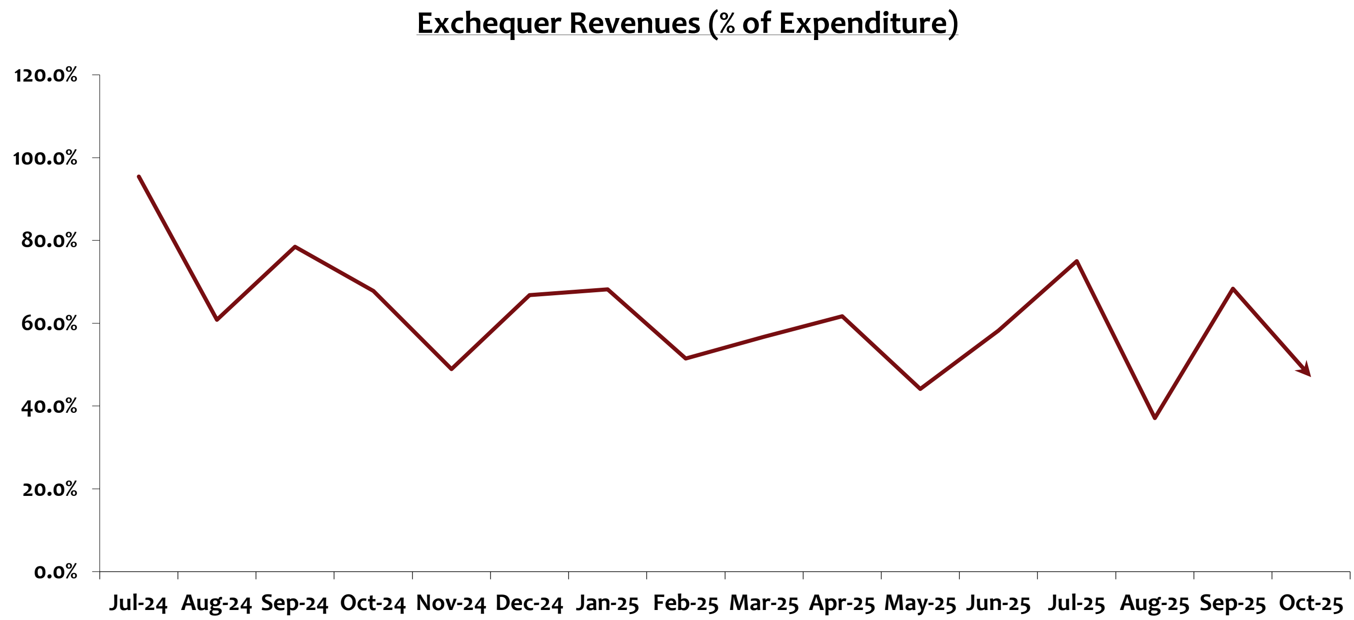
Data: National Treasury | Chart: KSL

On the expenditure side, debt servicing has consistently accounted for the largest chunk of the country's expenses. On average, 48.9% has been channeled towards debt obligations since July 2024. Development expenditure as anticipated gets the lowest percentage. See the chart below:



Data: National Treasury | Chart: KSL

Relative to expenditure, exchequer revenues have covered a monthly average of 56.9% of expenditures since the beginning of FY 2024/2025. See the chart below:



Data: National Treasury | Chart: KSL

Our Take:

We hold the view that Kenya's fiscal position remains precarious, operating on a razor-thin margin while consistently stretching beyond its true capacity. The deeper concern, however, is the question of value for money; much of the debt already taken cannot be recouped through productive returns, yet it must still be repaid. Compounding this challenge is the fact that, excluding debt service, the bulk of available resources continues to flow into recurrent expenditure rather than growth-enhancing investments. When almost half of government spending is financed through borrowing, the model becomes clearly unsustainable. This underscores the urgent need to strengthen revenue mobilization and maximize tax collections to restore fiscal stability.

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