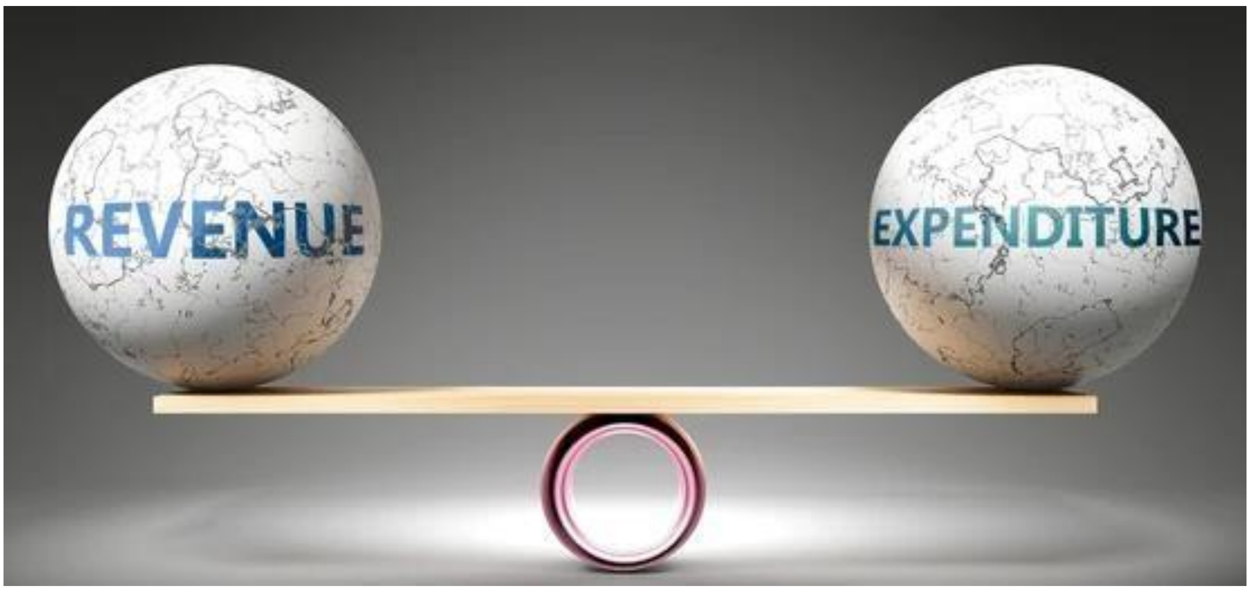
Actual Revenues and Exchequers Issues for the First Half of FY25/26



Fiscal Pressures and Future Paths

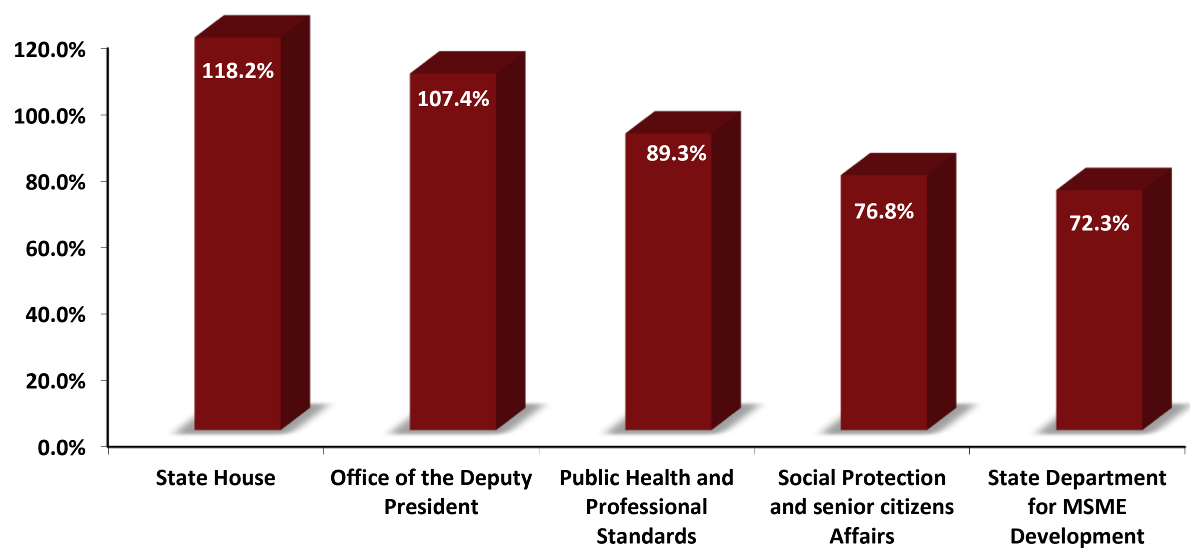
21st January 2026

Preface

December marked the midpoint of FY25/26, and we assess these figures as we await the first Supplementary Budget, expected in the coming month.

In the interim, public discourse has intensified around ministries, departments, offices, and agencies (MDAs) that have exhausted a substantial portion of their allocations well before the end of the fiscal year. Against this backdrop, we highlight below the absorption rates of MDAs that have utilised the largest share of their FY25/26 budget allocations.

Highest Absorption Rates First Half of FY25/26 - Recurrent Expenditure



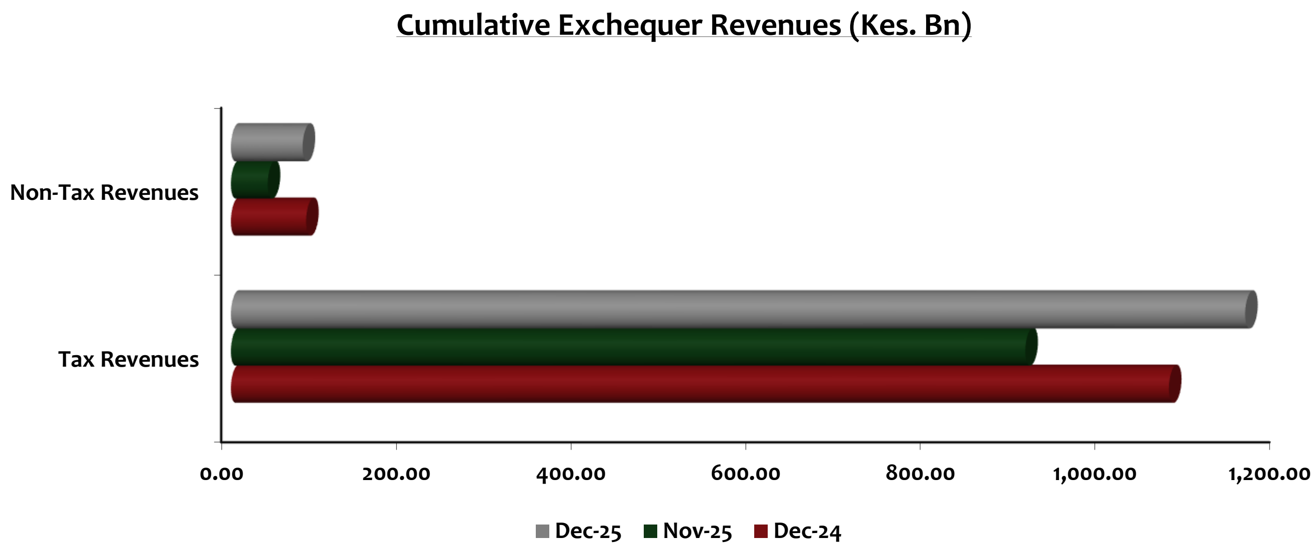
Source: Treasury | Chart: KSL

We note that the State Department for Special Programmes, which oversees national social assistance policies for vulnerable groups, recorded the highest absorption rate at approximately 585.4%. This implies that the department spent more than four times its approved allocation six months before the end of the fiscal year.

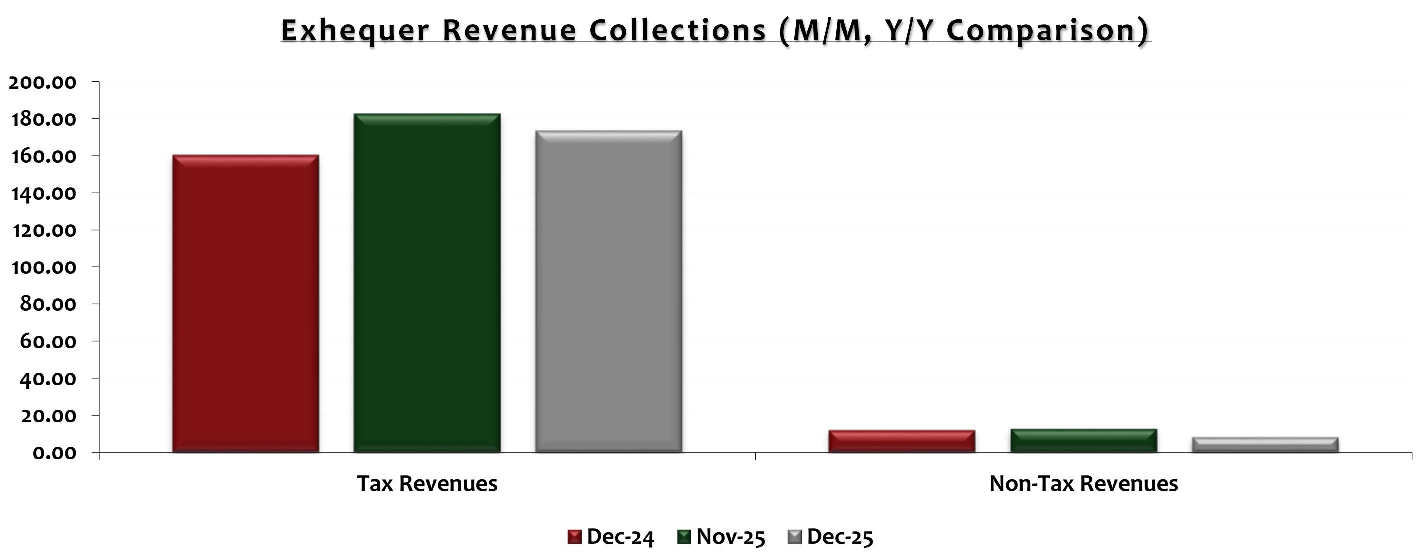
State House and the Office of the Deputy President follow closely, having fully exhausted and exceeded their respective budget allocations. The forthcoming Supplementary Budget will be particularly instructive.

Exchequer Revenues:

In the first half of FY25/26, cumulative exchequer revenues came in at Kes. 1,243.40Bn, a 7.2%y/y growth from Kes. 1,160.17Bn and representing 45.1% of the full-year goal. Tax revenues grew by 8.1% to Kes. 1,161.29Bn in December 2025, from Kes. 1,074.06Bn. Non tax revenues were slightly lower coming in at Kes 82.11Bn, from Kes 86.11Bn in December 2024. See the visual below:



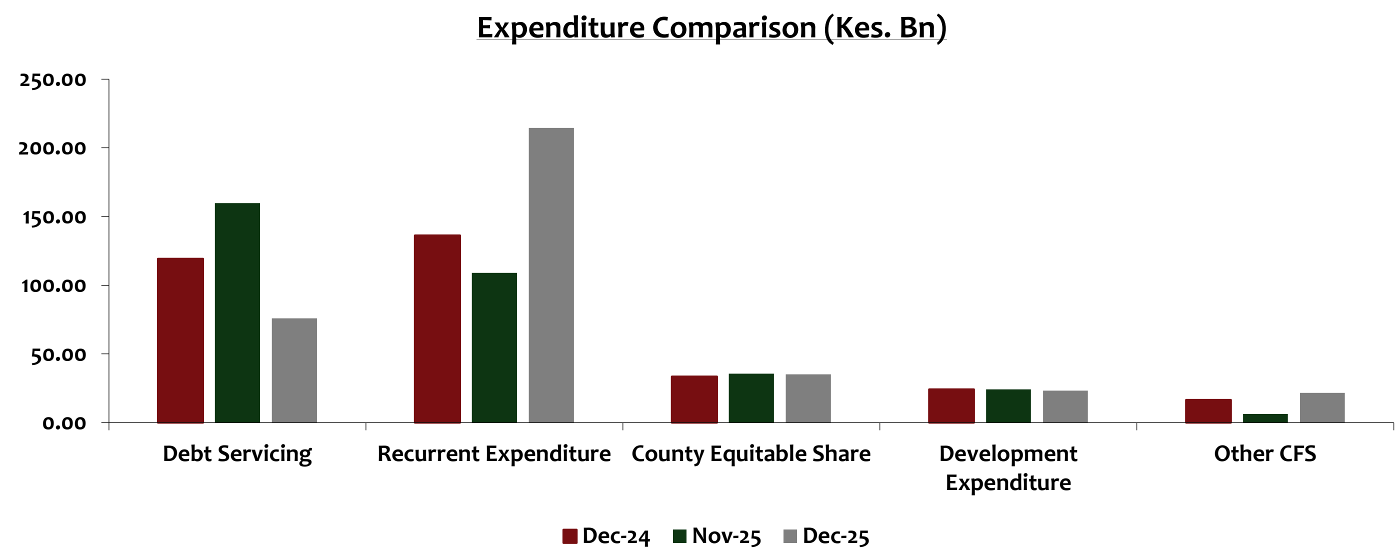
In December alone, however, the government collected Kes. 291.45Bn, 32.2% higher than the Kes. 220.39Bn recorded in December 2024 and the highest monthly collection ever – this coincided with the end of a quarter where corporates and business remit their quarterly installments. See the chart below:



Expenditure:

Over the same period, the government spent Kes 2,143.66Bn, a 25.1%y/y increase from the cumulative spent in December 2024. Debt servicing was the largest driver of the growth. In the month of December, total outlays came in at Kes. 370.53Bn, a 12.3% y/y increase from Kes. 329.87Bn recorded in December 2024. The rise was largely on the back of higher spending under recurrent expenditure even as outlays for development a and debt servicing reduced over the review period.

See the chart below:

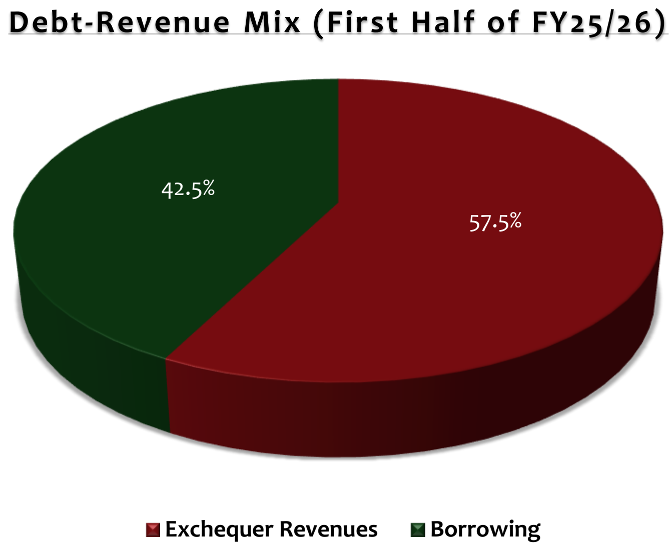


Data: National Treasury | Chart: KSL

Financing:

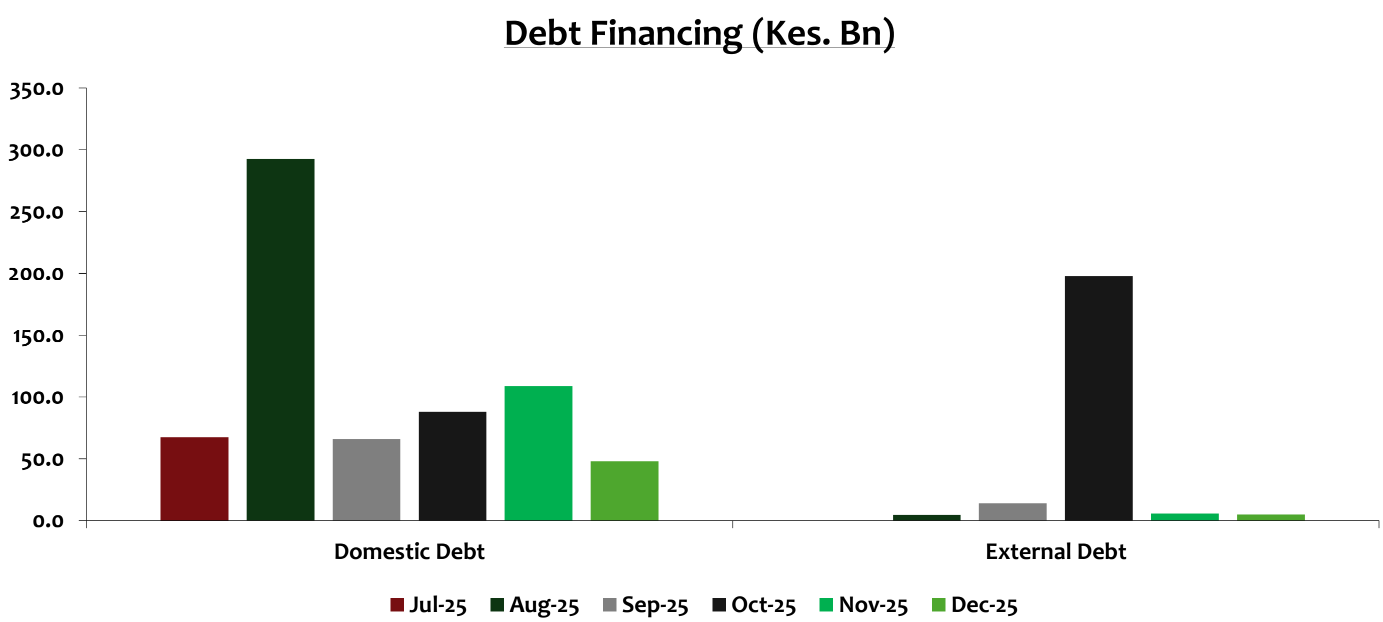
Over the six months under review, the government recorded gross borrowing of Kes 918.97Bn—a 61.2% increase from Kes 569.95Bn in the same period of FY24/25. In December alone, borrowing amounted to Kes 67.89Bn, largely from the domestic market.

Overall, 42.9% of the budget during this period has been financed through debt. Exchequer revenues continue to fall behind prorated targets, standing at 90.3% as of December, while financing stood at 110.2%. The chart below shows debt/revenue mix for the review period;



Data: National Treasury | Chart: KSL

That said, we highlight that the bulk of debt financing has been sourced domestically, with external funding remaining muted. See the chart below:



Data: National Treasury | Chart: KSL

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