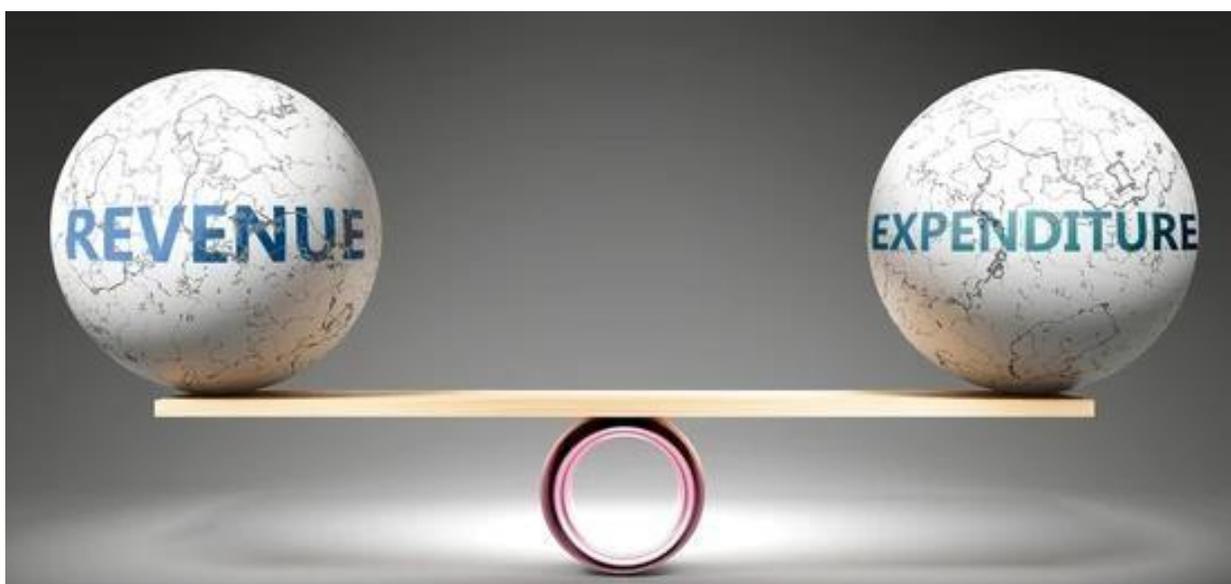


## Actual Revenues and Exchequer Issues for the First Seven Months of FY25/26



*Fiscal Pressures and Future Paths*

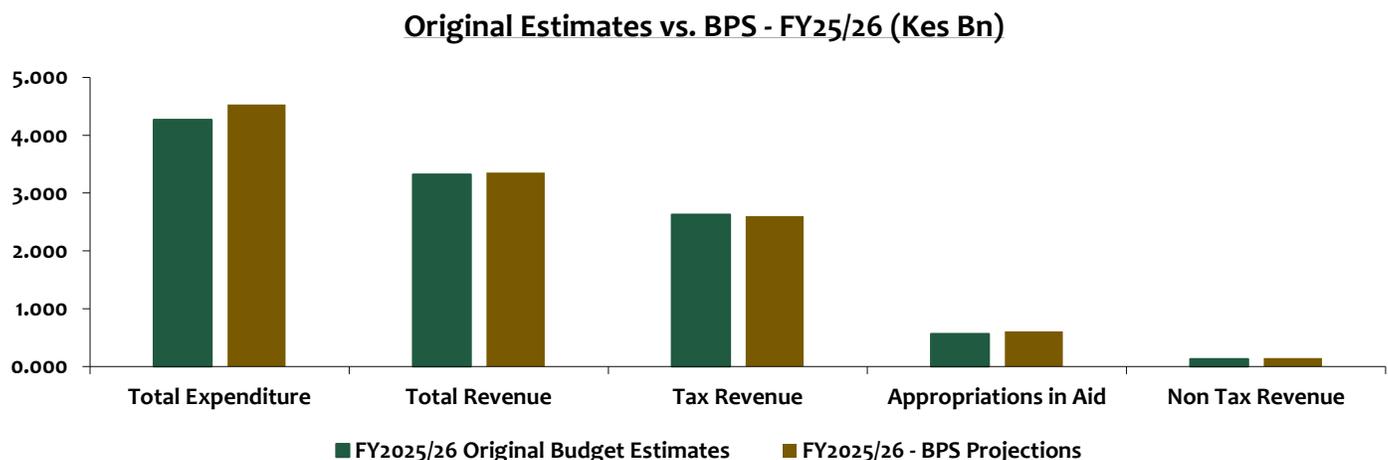
17<sup>th</sup> February 2026

### Preface

The seven-month cumulative Exchequer statement coincided with the release of the 2026 Budget Policy Statement (BPS), the Medium-Term Debt Management Strategy (MTDS), as well as another key document touching on development expenditure — the Infrastructure Fund Bill 2026. The two budgetary documents are currently out for public participation, and below we outline our key highlights:

#### The FY2025/26 Budget

- i. The total expenditure for FY25/26 is expected to go up by 6.2% to Kes 4.53Tn as per the Budget Policy Statement, from Kes 4.27Tn as per the original budget estimates
- ii. Total revenues are expected to rise at a marginal rate of 0.9% to Kes 3.35Tn, from Kes 3.32Tn in the original estimates. This is largely supported by appropriations in aid which are anticipated to grow by 7.2% while tax revenues are projected to drop by 1.0%. See the chart below:

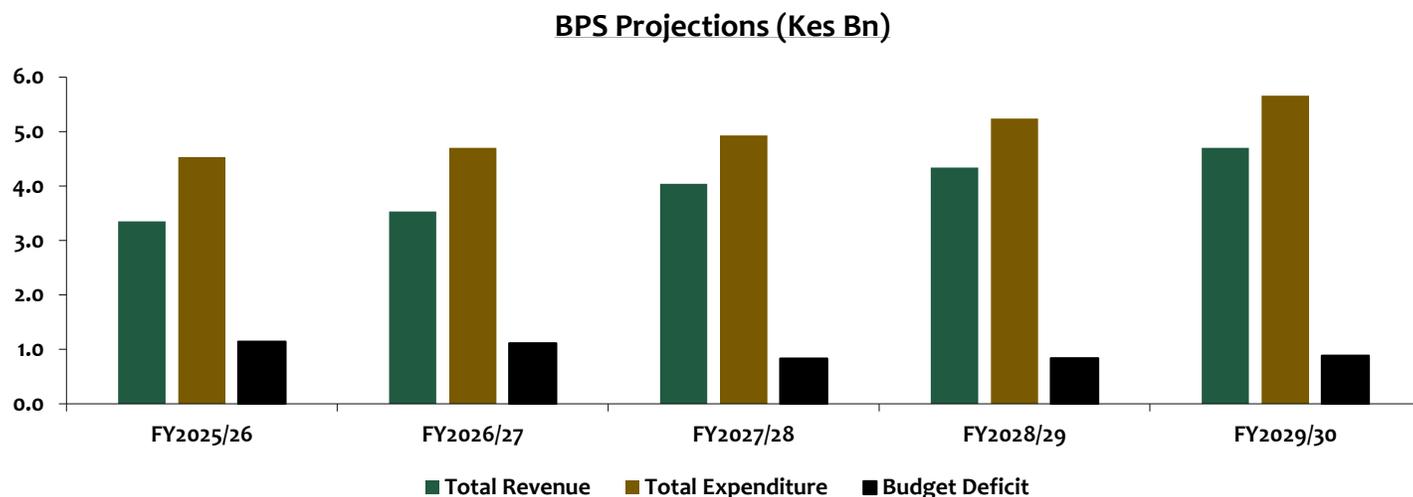


Data: National Treasury | Chart: KSL

#### Fiscal Framework

- i. Expenditure is expected to grow at an average rate of 5.1% in the next five fiscal years from Kes 4.53Tn in FY25/26 to Kes 5.66Tn by FY2029/30.
- ii. On the other hand, revenues are expected to grow at a faster rate with average coming in at 8.9% to Kes 4.70Tn, from Kes 3.35Tn in FY2025/26.

iii. Consequently, the budget deficit is expected to decline to Kes 885.8Bn in FY2029/30, from Kes 1,140.7Bn in FY2025/26. See the chart below:



Data: National Treasury | Chart: KSL

Regarding pending bills, the government has prioritized the roads sector, with Kes 155.3Bn recommended for settlement in FY 2025/26, while a further Kes 80.3Bn has been earmarked for clearance through securitization. On the privatization and restructuring of state-owned enterprises — a conversation that has gathered significant momentum — the proposed reforms signal a shift toward fiscal consolidation, improved efficiency, and reduced reliance on the Exchequer.

### State Owned Enterprises' Reforms

Merger of 42 State Corporations into 20 entities to improve operational efficiency and eliminate redundancy

Dissolution of 25 State Corporations and their functions transferred back to their parent ministries or other State Corporations;

Restructuring six State Corporations to align their mandates for improved performance;

Declassification of four public funds currently categorized as State Corporations and transferring their functions back to the relevant ministries;

Declassification of 13 professional bodies currently categorized as State Corporations to private entities with no exchequer budget.

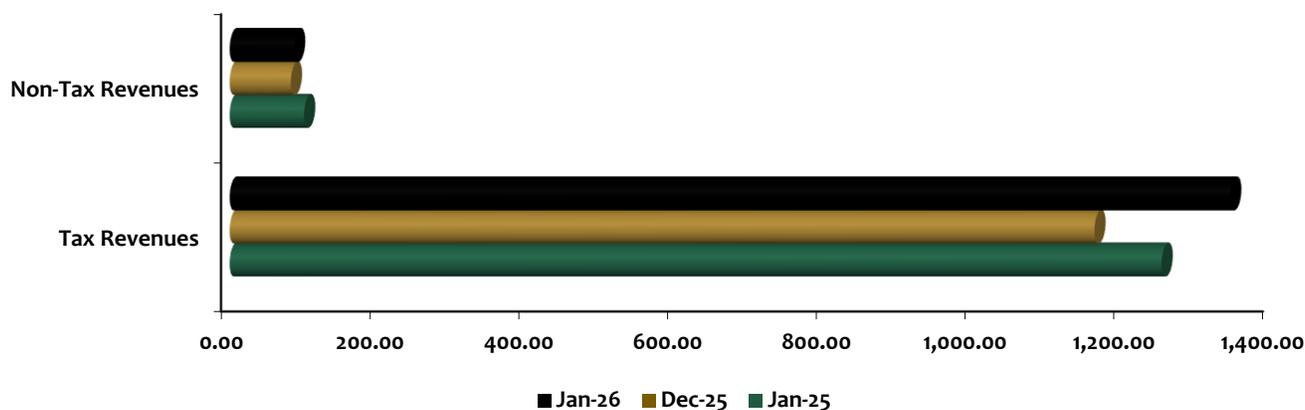
Data: National Treasury | Chart: KSL

The extent to which these reforms are transparently executed and insulated from political interference will, however, determine their ultimate success and fiscal impact.

### Exchequer Revenues:

In the first seven months of FY25/26, cumulative exchequer revenues came in at Kes. 1,430.77Bn, a 5.9%/y growth from Kes. 1,351.68Bn and representing 51.9% of the full-year goal. Tax revenues grew by 7.4% to Kes. 1,344.36Bn in January 2026, from Kes. 1,251.88Bn. Non tax revenues dropped by 13.4%, to Kes 86.41Bn. See the visual below:

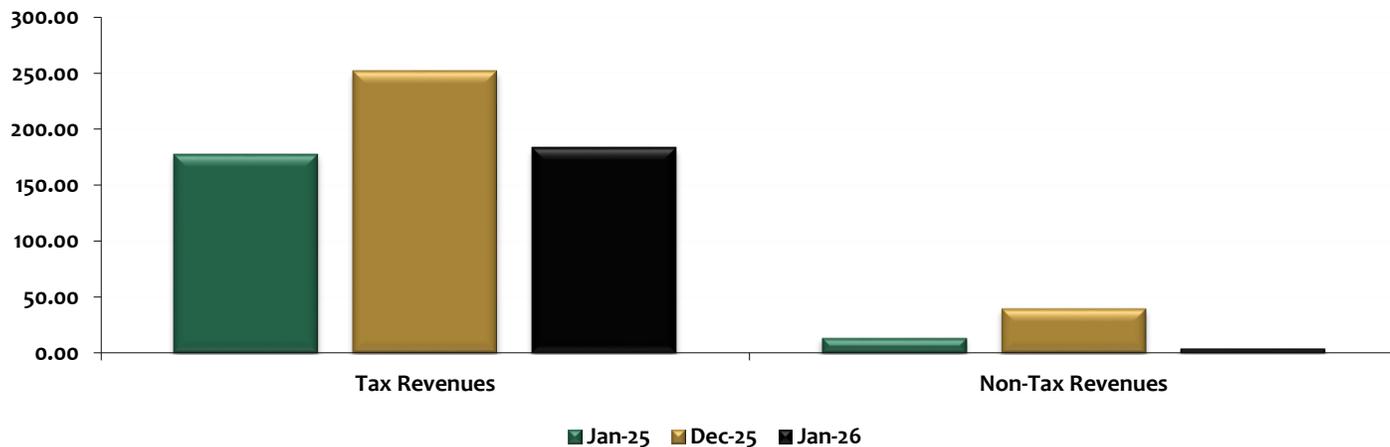
**Cumulative Exchequer Revenues (Kes. Bn)**



Data: National Treasury | Chart: KSL

In January alone, however, the government collected Kes. 187.37Bn, 2.2% lower than the Kes. 191.50Bn recorded in January 2025. See the chart below:

**Exchequer Revenue Collections (M/M, Y/Y Comparison)**

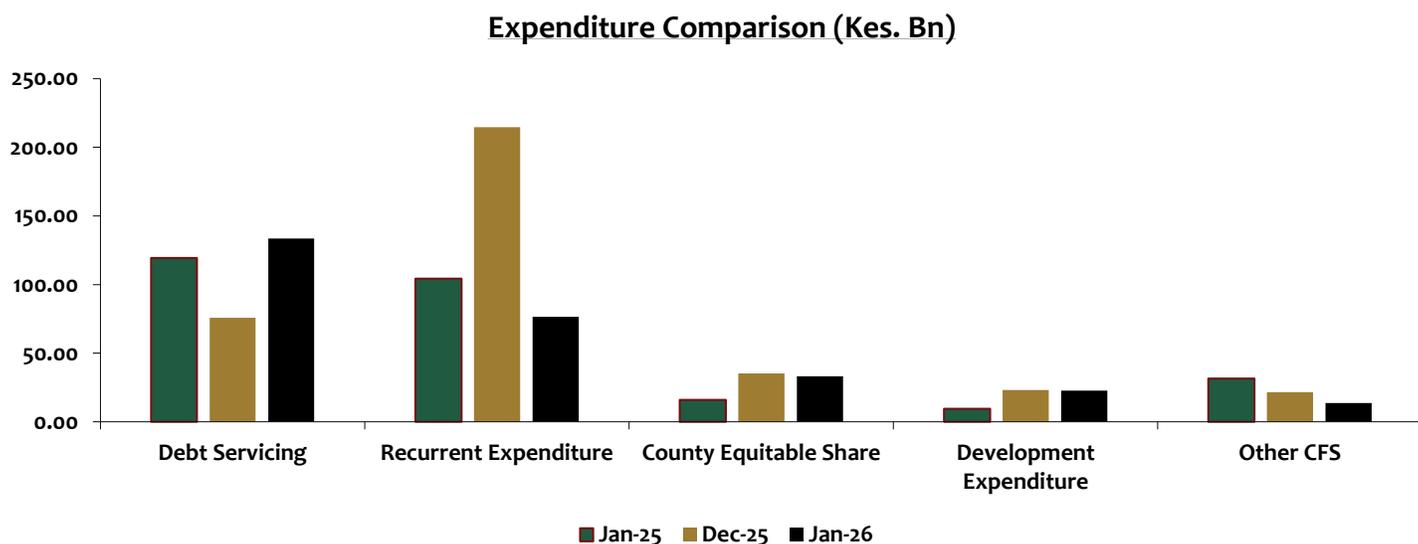


Data: National Treasury | Chart: KSL

### Expenditure:

Over the same period, the government spent Kes 2,423.23Bn, a 21.5%/y increase from the cumulative spent in January 2026. Debt servicing was the largest driver of the growth. In the month of January 2026, total outlays came in at Kes. 279.58Bn, a 0.4% y/y decrease from Kes. 280.74Bn recorded in January 2025. The decline was largely on the back of lower disbursements in recurrent expenditure in the month under review.

See the chart below:



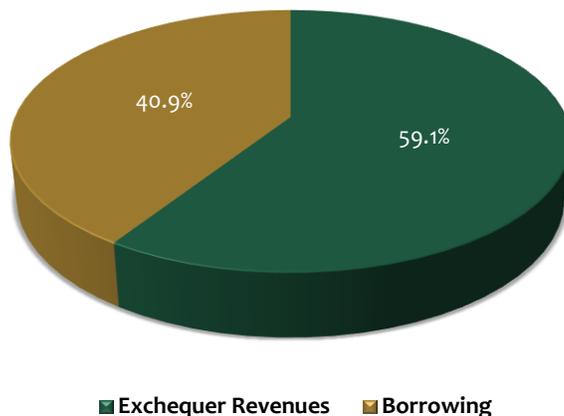
Data: National Treasury | Chart: KSL

### Financing:

Over the seven months under review, the government recorded gross borrowing of Kes 988.98Bn—a 54.8% increase from Kes 638.71Bn in the same period of FY24/25. In January alone, borrowing amounted to Kes 70.01Bn.

Notably, 40.9% of the budget during this period has been financed through debt. This is largely driven by mounting debt-servicing pressures, which continue to consume a significant portion of collected revenues, leaving limited resources for other budget lines. See the visual representation below:

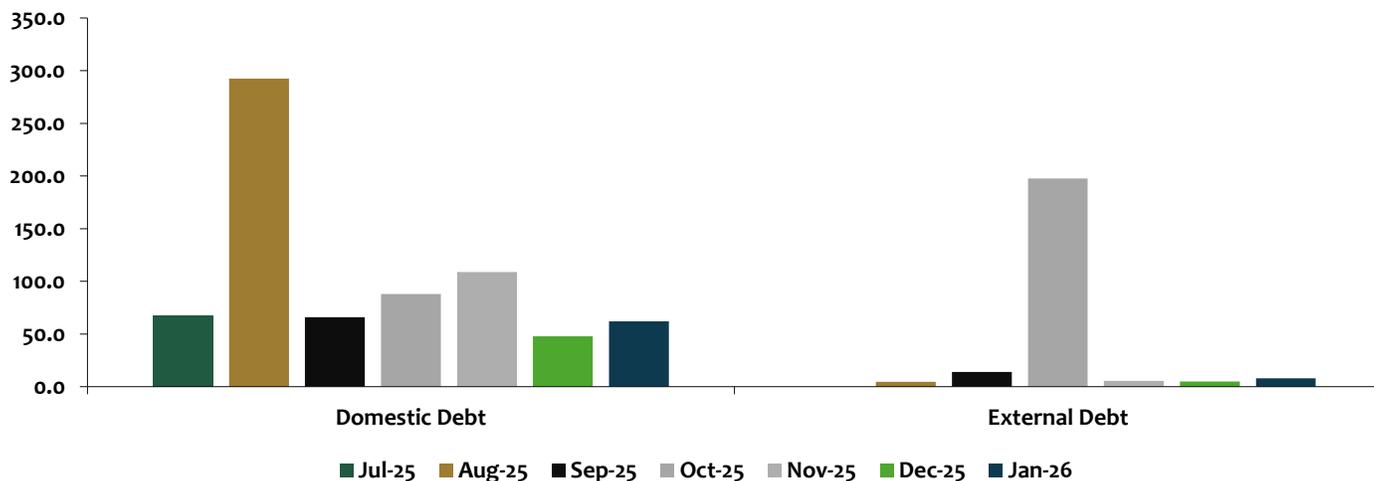
### Debt-Revenue Mix (First 5 months of FY25/26)



Data: National Treasury | Chart: KSL

That said, we note that the bulk of debt financing has been sourced domestically, with external funding receiving a boost in October following the Eurobond issuance. See the chart below:

### Debt Financing (Kes. Bn)



Data: National Treasury | Chart: KSL

As interest rates continue to decline, we expect debt servicing costs to ease in the near term. However, with the government reopening medium- to long-term bonds, the relief may be limited, given that such instruments typically carry higher yields. Consequently, debt servicing will continue to absorb a significant portion of the country’s revenues.

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