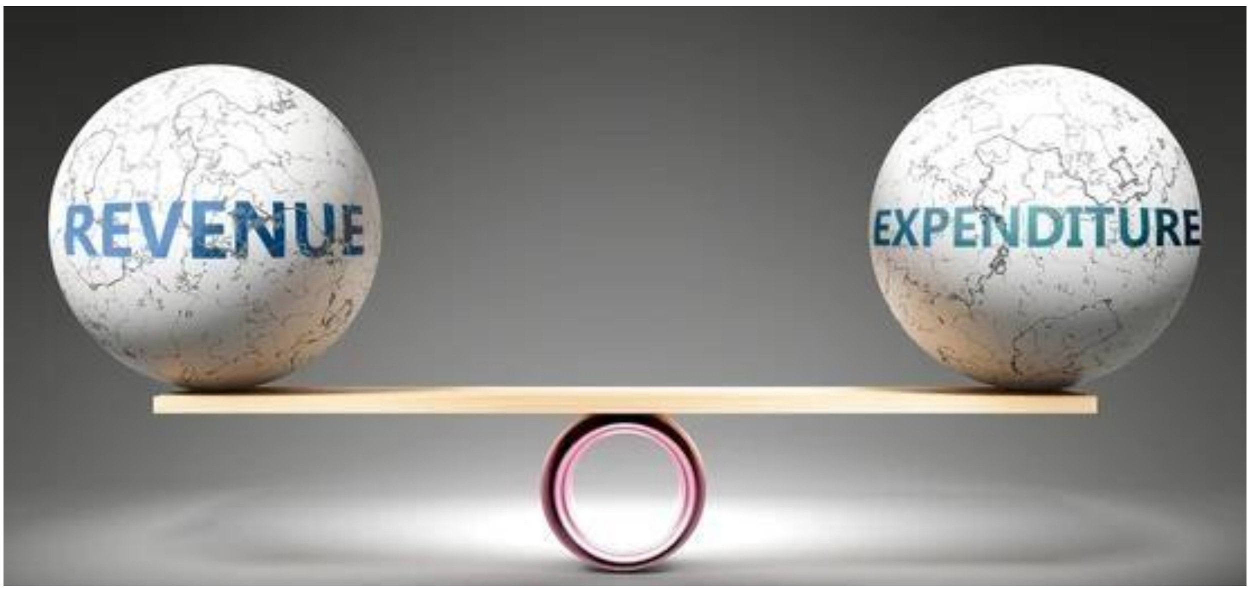
Actual Revenues and Exchequer Issues for the First Month of Fiscal Year 2026/2027



Fiscal Consolidation Mirage

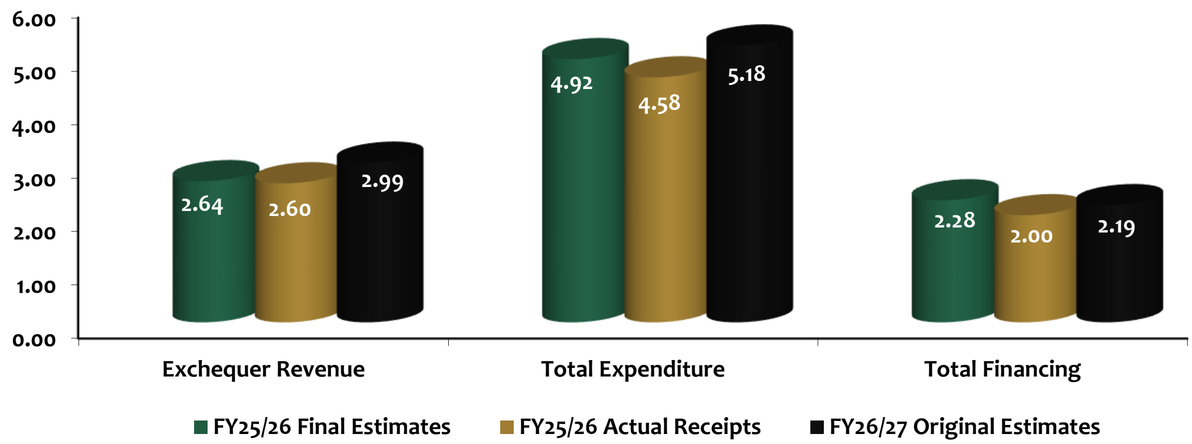
12th August 2026

Preface

The 2026/27 fiscal year has kicked off strongly, with notable gains in revenue collections. But first, let's recap how the new fiscal year compares with the previous one.

The government will require Kes. 5.18Tn to finance the FY2026/27 budget, which it expects to fund through Kes. 2.99Tn in revenue collections and Kes. 2.19Tn in borrowing. This represents increases of 14.8%, 13.0% and 9.4% in the revenue target, expenditure and borrowing, respectively, compared with the Kes. 2.60Tn in actual revenue collections, Kes. 4.58Tn in actual expenditure and Kes. 2.00Tn in actual borrowing recorded in FY2025/26. See the chart below:

Exchequer Highlights (Kes Tn)



Data: National Treasury | Chart: KSL

The entire budget comprises 49.5% in CFS Exchequer issues, 33.1% in recurrent expenditure, 9.1% in development expenditure and 8.3% in the county governments' equitable share. Compared with the actual spend in FY2025/26, debt servicing obligations record the highest increase at 26.8%, likely reflecting the fact that the previous year's target was not met.

On the revenue side, tax revenues are anticipated to increase by 16.7% from the actual revenues collected in FY2025/26, while non-tax revenues are projected to decline by 15.4%. Recall that the Finance Bill 2026 is expected to raise an additional Kes. 98.90Bn, leaving approximately Kes. 286.01Bn of the projected revenue growth, relative to actual collections, dependent on stronger economic activity and improved revenue collection.

For financing, external funding projections are 12.2% lower than the actual borrowing in FY2025/26, while domestic borrowing is anticipated to increase by 20.8%, reinforcing the continued reliance on domestic debt to finance the fiscal gap.

The detailed breakdown is shown below:

Budget and Revenue Targets					
Key Line Items	**FY25/26 Final Estimates**	**FY25/26 Actual Receipts**	**FY26/27 Original Estimates**	**Change from Final Estimates**	**Change from Actual Receipts**
Tax Revenue	2457.41	2450.53	2858.66	16.3%	16.7%
Non-Tax Revenue	183.21	150.30	127.09	-30.6%	-15.4%
Total Revenue	**2640.62**	**2600.83**	**2985.74**	**13.1%**	**14.8%**
Recurrent Expenditure	1684.32	1673.49	1713.56	1.7%	2.4%
CFS Exchequer Issues	2336.08	2036.22	2562.97	9.7%	25.9%
Development Expenditure	487.46	457.17	472.95	-3.0%	3.5%
County Equitable Share	415.00	415.00	428.00	3.1%	3.1%
Total Expenditure	**4922.86**	**4581.89**	**5177.48**	**5.2%**	**13.0%**
External Loans & Grants	830.97	697.52	612.33	-26.3%	-12.2%
Domestic Borrowings	1440.48	1297.63	1568.14	8.9%	20.8%
Other Domestic Financing	10.80	8.68	11.27	4.4%	29.8%
Total Financing	**2282.24**	**2003.83**	**2191.74**	**-4.0%**	**9.4%**
Debt Servicing	2096.05	1826.46	2315.88	10.5%	26.8%

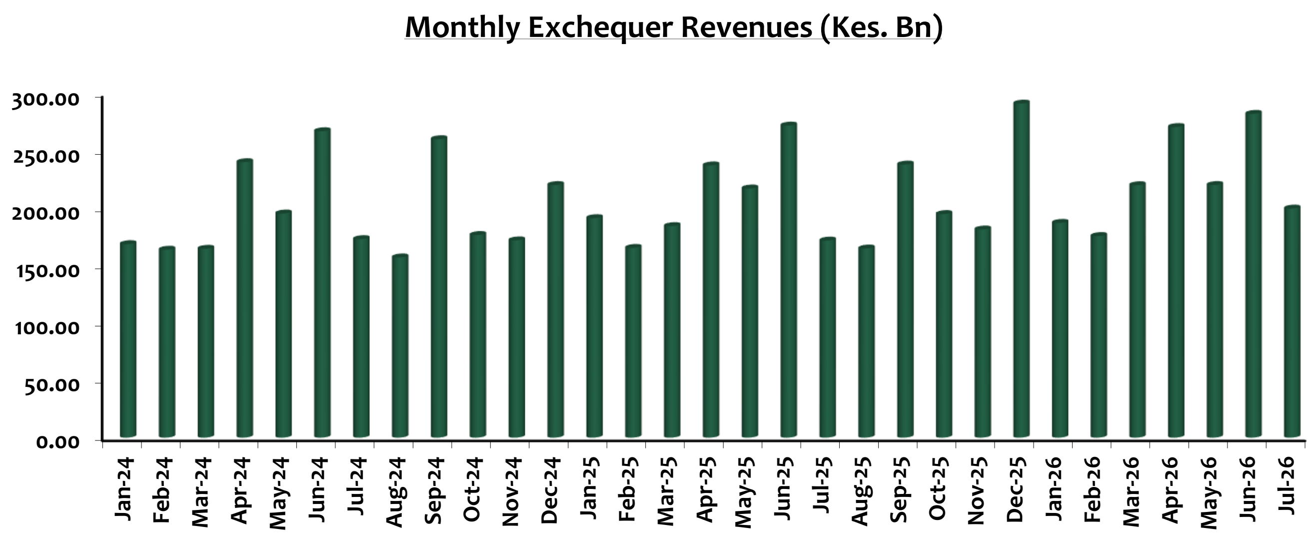
Data: National Treasury | Table: KSL

As the year progresses, we remain positive on the growth outlook but continue to be wary of the persistent risks that could weigh on the fiscal position. A prolonged or escalating Middle East conflict could push up debt servicing costs through higher global oil prices; while simultaneously creating a revenue shortfall as higher operating costs squeeze business margins and economic activity. In addition, the increase in borrowing needs continues to worry us given the use and absence of value for money—we struggle to see it.

Revenues and Net Exchequer
July 2026

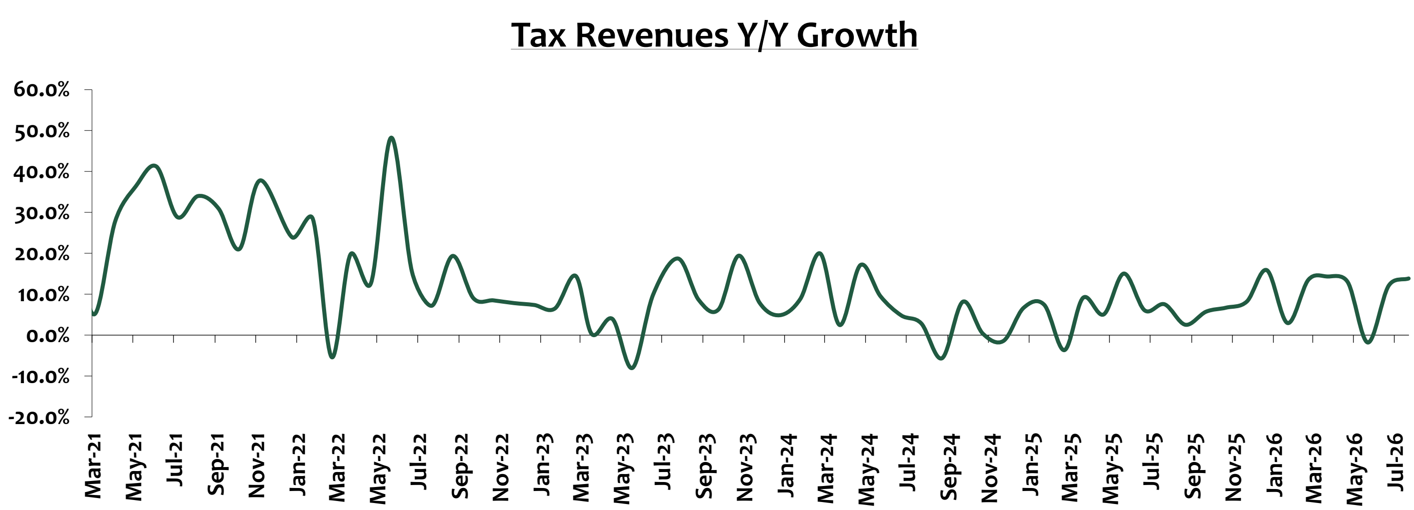
Exchequer Revenues – FY25/26:

In July 2026, exchequer revenues rose by 16.2% to Kes. 199.87Bn, from Kes. 171.95Bn recorded in the first month of FY25/26. Tax revenues grew by 13.9% to Kes 195.30Bn, from Kes 171.53Bn while non-tax revenues jumped to Kes 4.57Bn. the performance is a good start and signals a good year if the trend persists. See the chart below:



Data: National Treasury | Chart: KSL

Tax revenues have generally maintained a growing trend y/y during the year, with the last eight months, save for January and May 2026, recording double-digit gains. This reinforces signs of a slow but gradual recovery in economic activity, alongside improvements in revenue collection. See the trend below;

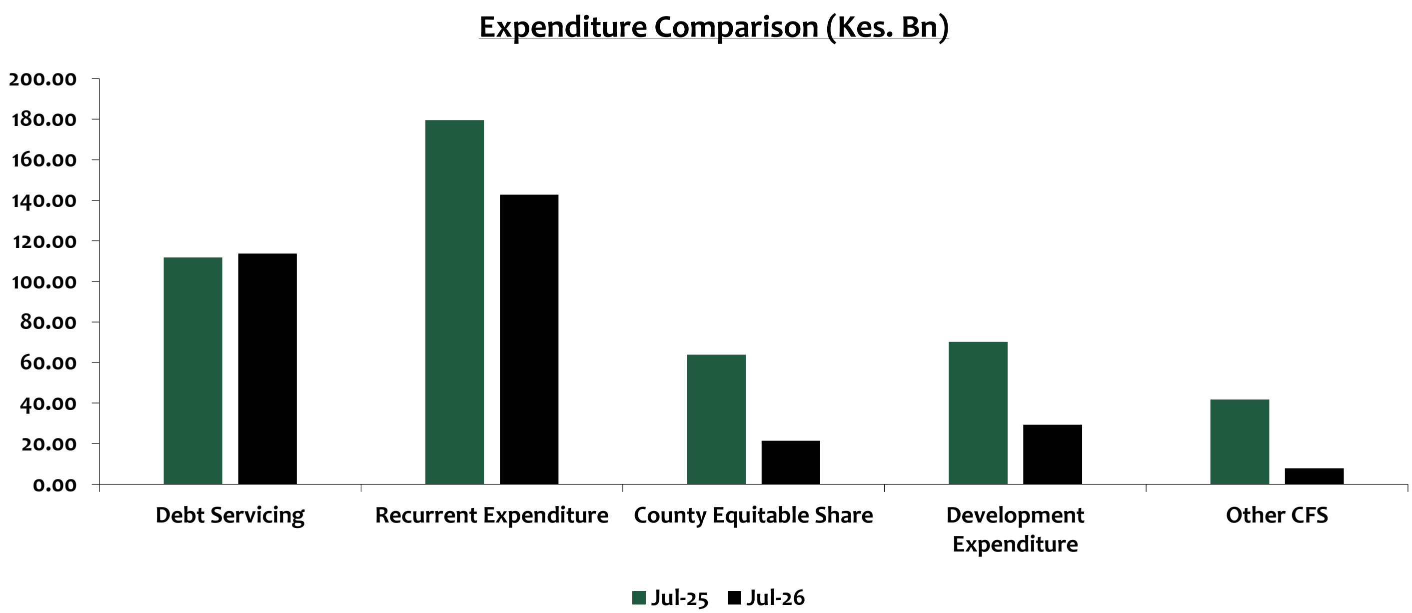


Data: National Treasury | Chart: KSL

Expenditure:

Expenditure for the first month of FY2026/27 came in at Kes. 315.12Bn, representing a 37.5% y/y increase from the Kes. 229.20Bn recorded in July FY2025/26. This translates to a 73.0% performance rate against the Kes. 431.46Bn prorated target. However, given that the financial year has just begun, the slower-than-target performance is not yet a cause for concern.

Recurrent expenditure came in at Kes. 142.81Bn, a 55.7% increase from Kes. 91.75Bn in July 2025, while CFS Exchequer issues declined by 9.0% to Kes. 121.58Bn from Kes. 133.65Bn over the review period. Meanwhile, the government deployed significantly more funds towards development expenditure, which stood at Kes. 29.33Bn in July 2026, up sharply from the Kes. 3.80Bn disbursed in the corresponding period last year. Similarly, disbursements to counties commenced in the first month of the fiscal year, unlike in the previous fiscal year when these began in the second month. See the comparison below;



Data: National Treasury | Chart: KSL

Financing:

The budget deficit for July was financed through domestic borrowing of Kes. 138.25Bn, more than double the Kes. 67.26Bn recorded in July 2025. Exchequer revenues financed only 63.4% of total expenditure during the month, highlighting the growing reliance on domestic borrowing to bridge the fiscal gap.

Research Analyst Certification:

The research analyst(s) primarily responsible for the preparation and content of all or any identified portion of this research report hereby certifies that all of the views expressed herein accurately reflect their personal views. Each research analyst(s) also certify that no part of their compensation was, is, or will be, directly or indirectly, related to the view(s) expressed by that research analyst in this research report.

Terms of Use- Disclaimer:

Kingdom Securities Ltd – A subsidiary of Co-operative Bank Limited. Co-operative Bank House- 5th floor, P.O Box 48231 - 00100 Nairobi, Kenya

Office: 0711049016 Email: info@kingdomsecurities.co.ke

Research Department		
Stellah Swakei	sswakei@co-opbank.co.ke	+254711049152
Chrisanthus Lunani	clunani@co-opbank.co.ke	+254711049973
Sales and Dealing Team		
Moffat Asena	amoffat@co-opbank.co.ke	+254 711049663
Gloria Ohito	gohito@co-opbank.co.ke	+254711049993
Client Service and Operation		

info@kingdomsecurities.co.ke