



Central Bank of Kenya

Quarterly Economic Review

January-March 2024



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Director, Research Department,
Central Bank of Kenya,
P.O. Box 60000 – 00200
Nairobi, Kenya
Email: Researchstat@centralbank.go.ke

THE PRINCIPAL OBJECTIVES OF THE CENTRAL BANK OF KENYA

The role of the Central Bank of Kenya (CBK) is anchored in Section 231 of Kenya's Constitution and in the CBK Act. The CBK is responsible for formulating monetary policy to achieve and maintain price stability, and issuing currency.

The Bank also promotes financial stability through regulation, supervision and licensing of financial institutions under its mandate. It also provides oversight of the payment, clearing and settlement systems, and fosters liquidity, solvency and proper functioning of the financial system. The CBK formulates and implements the foreign exchange policy, and manages foreign exchange reserves. It is also the banker for, adviser to, and fiscal agent of the Government.

The CBK's monetary policy is designed to support the Government's objectives with respect to growth. The CBK formulates and conducts monetary policy with the aim of keeping overall inflation within the target prescribed by the National Treasury at the beginning of the financial year. Currently, this target is a range between 2.5 percent and 7.5 percent.

The achievement and maintenance of a low and stable inflation rate, coupled with adequate liquidity in the market, facilitates higher levels of domestic savings and private investment. This leads to improved economic growth, higher real incomes and increased employment opportunities.

HIGHLIGHTS

Overall inflation declined to 6.3 percent in the first quarter of 2024 from 6.8 percent in the previous quarter, largely driven by easing food and fuel prices. Food inflation declined, due to bumper harvest of key food products following favourable weather conditions, and general easing of international food prices. Fuel inflation eased during the quarter, attributed to lower pump prices following the downward adjustments by the Energy and Petroleum Regulatory Authority (EPRA). Meanwhile, Non-food Non-fuel inflation increased modestly, largely reflecting increased cost of education services.

The economy remained resilient in the first quarter of 2024 and grew by 5.0 percent compared to 5.5 percent in a similar quarter of 2023, supported by strong growth of agriculture and services. The agriculture sector growth was largely driven by increased production following favourable weather conditions. Growth of service sectors was supported by robust performance of finance and insurance, wholesale and retail trade, real estate, information and communication, and accommodation and food services. However, growth in the industrial sector slowed down further during the quarter.

Growth in broad money supply (M3) contracted by 5.3 percent in the first quarter of 2024 compared to an increase of 3.8 percent in the previous quarter, mainly reflecting reduced deposits partly due to valuation effects on foreign currency deposits following exchange rate appreciation.

The global economy continued its rebound in the first quarter of 2024, albeit at a slower pace. Economic activities varied across regions, with expectations of improvement driven by increased global demand, particularly in the United States and several Emerging Markets and Developing Economies (EMDEs). According to the IMF World Economic Outlook (WEO) April report, annual global growth is projected to remain subdued at 3.2 percent for both 2024 and 2025. This represents a 0.2 percentage point upgrade for 2024 compared to the October 2023 projections, reflecting the impact of increased geopolitical events, especially in the Middle East, and tight monetary conditions.

The current account balance narrowed to USD 857 million in the first quarter of 2024, from USD 877 million in a similar period in 2023. This improvement was driven by a robust performance in exports, particularly in the agricultural sector with increases in tea and horticulture exports, along with resilient remittance inflows. Additionally, a decline in imports contributed to the narrowing of the deficit. Secondary income inflows also remained strong, increasing by USD 49 million to USD 1,851 million in the first quarter of 2024, compared to USD 1,802 million in the same quarter of 2023.

The banking sector remained stable and resilient in the first quarter of 2024. Total assets decreased by 2.7 percent to KSh 7,513.1 billion in March 2024, from KSh 7,724.9 billion in December 2023. The deposit base also decreased by 4.9 percent to KSh 5,525.3 billion in the first quarter of 2024, from KSh 5,812.1 billion in the fourth quarter of 2023. The sector was well capitalized with capital adequacy ratio of 18.6 percent, which was above the minimum capital requirement of 14.5 percent. The sector remained profitable in the first quarter of 2024, with quarterly profit before tax that increased to KSh 73.5 billion, from KSh 48.5 billion reported in the fourth quarter of 2023. Credit risk remained elevated with Gross Non-Performing Loans (NPLs) to Gross Loans Ratio standing at 15.7 percent at the end of the first quarter of 2024, an increase from 14.8 percent recorded at the end of fourth quarter of 2023.

The Government's budgetary operations at the end of the third quarter of FY 2023/24 resulted in a deficit (including grants) of 3.3 percent of GDP. Both revenue collection and expenditure remained below their respective targets.

Kenya's public and publicly guaranteed debt declined by 6.6 percent during the third quarter of FY 2023/24 on account of external debt which declined by 15.2 percent reflecting the appreciation of the shilling exchange rate. During the quarter under review, domestic debt increased by 3.9 percent.

At the Nairobi Securities Exchange, the NASI and NSE 20 share price index, increased by 22.8 percent and 16.7 percent respectively in the first quarter of 2024 compared to the fourth quarter of 2023. Market capitalisation, equity turnover and total shares traded also increased by 22.8 percent, 61.6 percent and 35.1 percent, respectively.

Chapter 1 Inflation

Overview

Overall inflation declined further in the first quarter of 2024, largely driven by easing food and fuel prices. It declined to 6.3 percent from 6.8 percent in the fourth quarter of 2023. Food inflation declined to 6.8 percent from 7.7 percent in the previous quarter, supported by increased domestic food production following favourable weather conditions and the general easing of international

food prices. Fuel inflation declined to 13.3 percent from 14.6 percent in the previous quarter, reflecting the downward adjustment of pump prices by the Energy and Petroleum Regulatory Authority (EPRA) during the quarter and easing electricity prices. On the other hand, Non-food Non-fuel (NFFN) inflation increased modestly to 3.6 percent from 3.4 percent in the previous quarter, largely reflecting increased cost of education services during the quarter (**Table 1.1 and Chart 1.1**).

Table 1.1: Recent trends in inflation (percent)

	2023				2024			
	Q1	Q2	Q3	Q4	Q1	Jan	Feb	Mar
Overall inflation	9.1	7.9	6.9	6.8	6.3	6.9	6.3	5.7
Food Inflation	13.2	10.2	8.0	7.7	6.8	7.9	6.9	5.8
Fuel Inflation	13.7	13.2	13.9	14.6	13.3	14.3	13.4	12.3
Non-Food-Non-Fuel (NFFN) Inflation	4.4	4.2	3.7	3.4	3.6	3.6	3.6	3.6
Annual Average Inflation*	8.3	8.8	8.5	7.9	7.2	7.5	7.3	7.0
Three Months Annualised Inflation	5.8	8.7	4.8	8.0	3.8	4.3	3.9	3.3

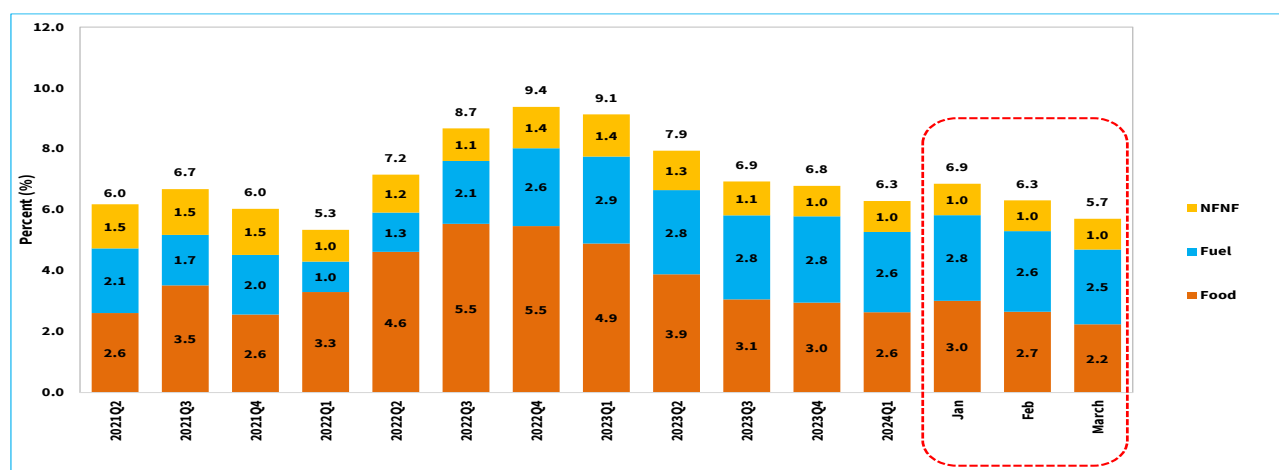
*Average annual inflation refers to the average inflation for 12 consecutive months. For instance, average annual inflation for June 2023 is computed as the percentage change in the average CPI for the period July 2022 to June 2023, relative to the average CPI for the period July 2021-June 2022.

Source: Kenya National Bureau of Statistics and Central Bank of Kenya.

During the quarter under review, the contribution of food and fuel inflation to overall inflation declined to 2.6 percentage points from 3.0 and 2.8 percentage points, respectively in the previous

quarter. Meanwhile, the contribution of NFFN inflation remained stable at 1.0 percentage points to overall inflation (**Chart 1.1**).

Chart 1.1: Contribution of broad categories to overall inflation (percentage points)



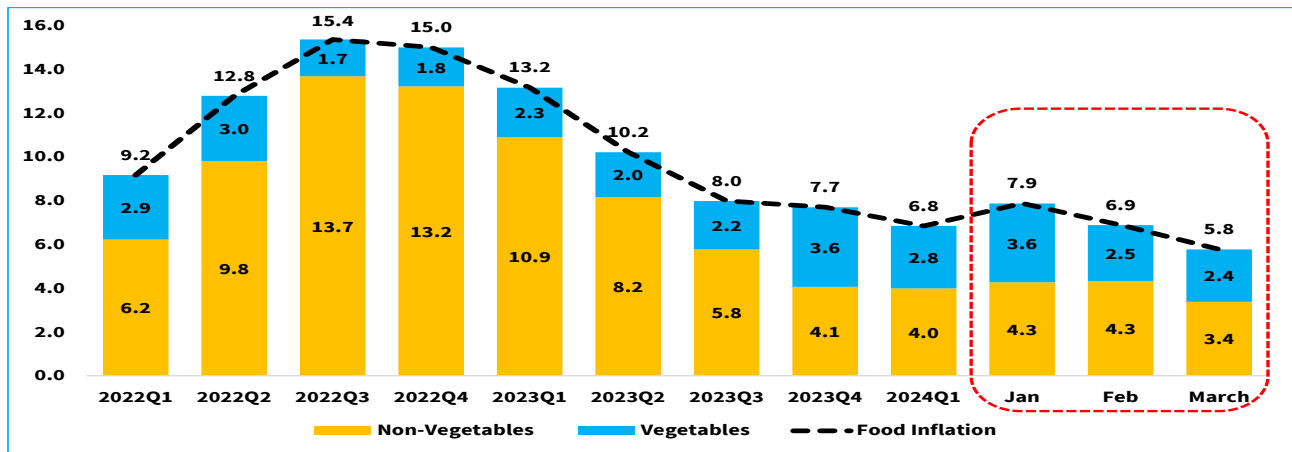
Source: Kenya National Bureau of Statistics and Central Bank of Kenya.

Food Inflation

Food inflation declined further in the first quarter of 2024, supported by ongoing harvests of key food products, favourable weather conditions, and easing international food prices. It declined to 6.8 percent from 7.7 percent in the previous quarter,

reflecting continued easing of prices of key food items such as fresh vegetables, edible oils, milk, maize and wheat products. Additionally, sugar prices eased during the quarter under review, as domestic sugar production picked up following reopening of sugar companies (**Chart 1.2**).

Chart 1.2: Food inflation by category (percent)



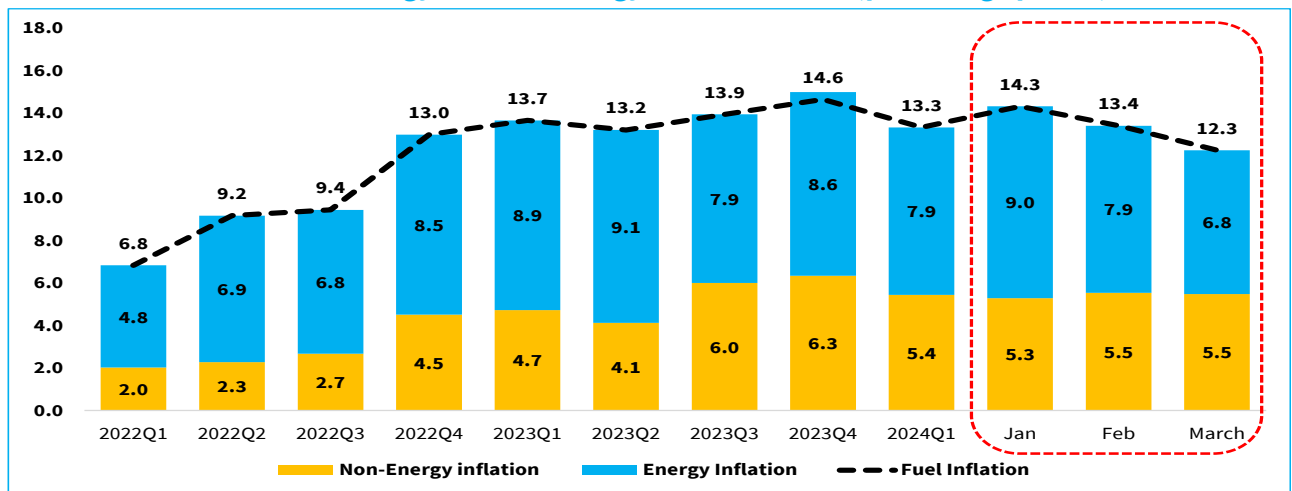
Source: Kenya National Bureau of Statistics and Central Bank of Kenya.

Fuel Inflation

Fuel inflation declined to 13.3 percent from 14.6 percent in the previous quarter, mainly driven by easing energy prices. Pump prices declined modestly following downward adjustment by EPRA during the quarter. However, prices of electricity and Liquefied Petroleum Gas (LPG) remained elevated

during the quarter. The non-energy component of fuel inflation declined in the quarter due to lower transport costs compared to the same period in the previous year (**Chart 1.3**).

Chart 1.3: Contribution of energy and non-energy to fuel inflation (percentage points)



Source: Kenya National Bureau of Statistics and Central Bank of Kenya

Non-Food Non-Fuel Inflation (NFNF)

Non-food Non-fuel (NFNF) inflation increased modestly to 3.6 percent from 3.4 percent in the previous quarter. The increase largely reflected higher costs of education services compared to the previous quarter. Moreover, other categories

recorded increased inflation, including clothing and footwear; furnishings, household equipment and routine household maintenance; information and communication; and restaurants and accommodation services (**Table 1.2**).

Table 1.2: Non-food-non-fuel inflation by CPI category (percent)

		Alcoholic Beverages, Tobacco & Narcotics	Clothing & Footwear	Housing & Water	Furnishings, Household Equipment and Routine Household Maintenance	Health	Information & Communication	Recreation, Sports & Culture	Education Services	Restaurants & Accommodation Services	Insurance and Financial Services	Personal Care, Social Protection and Miscellaneous Goods & Services	NFNF
2022	Q1	3.4	2.0	2.1	5.6	1.0	2.5	0.9	0.9	1.0	0.5	2.7	2.1
	Q2	3.7	2.2	2.4	8.1	1.0	2.4	2.4	1.0	2.5	0.4	3.1	2.7
	Q3	4.5	2.4	2.9	10.3	1.4	0.9	3.2	1.0	4.4	0.5	4.8	3.3
	Q4	7.0	2.8	3.2	10.4	1.7	1.1	4.1	1.2	6.0	1.0	6.7	4.0
2023	Q1	8.4	3.1	3.1	8.6	2.2	1.1	6.0	2.4	6.6	1.3	7.6	4.4
	Q2	9.7	2.9	2.9	6.0	2.3	1.3	5.3	2.3	5.9	1.3	7.9	4.2
	Q3	10.2	3.0	2.3	4.0	2.4	1.1	5.6	2.1	4.8	1.3	7.4	3.7
	Q4	8.5	3.1	2.7	3.6	2.6	1.0	5.1	2.0	4.1	1.0	6.5	3.4
2024	Q1	8.5	3.6	2.7	4.1	2.5	1.3	5.0	2.5	4.4	1.0	6.1	3.6
	Jan	8.3	3.5	2.7	4.0	2.4	1.3	5.4	2.8	4.3	1.0	6.1	3.6
	Feb	8.7	3.5	2.6	4.0	2.6	1.3	5.0	2.4	4.3	1.0	6.1	3.6
	Mar	8.5	3.7	2.7	4.3	2.6	1.3	4.8	2.3	4.5	0.9	6.1	3.6

Source: Kenya National Bureau of Statistics and Central Bank of Kenya.

Chapter 2

Economic Performance

Overview

The economy remained resilient in the first quarter of 2024, supported by strong growth of agriculture and services. It grew by 5.0 percent compared to 5.5 percent in a similar quarter of 2023. The agriculture sector growth remained strong, supported by favourable weather conditions which supported growing of crops. Growth of service sectors was supported by robust performance of finance and insurance, wholesale and retail trade, real estate, information and communication, and accommodation and food services. However, the industrial sector recorded dismal growth performance during the quarter, owing to deceleration of activity across the various sub-sectors (**Table 2.1**).

Agriculture

Agriculture sector performance remained strong in the first quarter of 2024, attributable to favourable weather conditions and government interventions including fertilizer subsidy. It grew by 6.1 percent compared to 6.4 percent in a similar quarter of 2023. The good performance was driven by increased production of tea (42.9 percent), milk deliveries (30.1 percent), sugarcane (6.1 percent), and export of horticultural crops (30.6 percent). However, coffee exports declined by 13.8 percent. The sector contributed 1.1 percentage points to real GDP growth in the first quarter of 2024 (**Chart 2.1**).

Non-Agriculture

Broadly, growth of the non-agriculture sector decelerated in the first quarter of 2024, owing to subdued industrial activity. It grew by 4.7 percent in the first quarter of 2024 compared to 5.2 percent in a similar quarter of 2023 and contributed 3.8 percentage points to real GDP growth (**Tables 2.1 and 2.3**).

- a) The services sector maintained the strong growth momentum in the first quarter of 2024. It grew by 6.2 percent compared to 6.8 percent in a similar quarter of 2023 and contributed 3.5 percentage points to real GDP growth.
- Financial and Insurance sector expanded by 7.0

percent compared to 5.9 percent in a similar quarter of 2023. The strong growth was driven by enhanced financial intermediation, as reflected in increased deposits (20.9 percent), and credit to private sector (10.7 percent). However, the cost of credit increased following raising of the Central Bank Rate (CBR).

- Accommodation and Food Services sector grew by 28.0 percent compared to 47.1 percent in a similar quarter of 2023. The sector was boosted by increased tourist arrivals through the two major airports, Jomo Kenyatta International Airport (JKIA) in Nairobi and Moi International Airport in Mombasa, which increased by 10.4 percent.
- Transport and Storage sector growth decelerated to 3.8 percent from 6.6 percent in a similar quarter of 2023. Passenger traffic through the Standard Gauge Railway (SGR) declined by 11.0 percent following a 50 percent increase in fares that was implemented in January 2024. Cargo transported through SGR also declined by 17.4 percent, while road transport continued to be hampered by high fuel prices. However, growth of the sector was boosted by increased passenger air traffic (14.7 percent), cargo throughput at the port of Mombasa (7.3 percent), and volume of petroleum products transported through the Kenya pipeline (8.7 percent).
- b) Industrial sector activity remained subdued. Growth of the sector decelerated further to 0.1 percent from 1.5 percent in a similar quarter of 2023, consequently its contribution to real GDP growth was negligible (**Tables 2.1, Table 2.3 and Chart 2.1**).
- Growth of the manufacturing sector decelerated to 1.0 percent from 1.7 percent in a similar quarter of 2023, reflecting high production costs. The non-food subsector was hampered by a decline in cement production (-9.8 percent). However, the food subsector recorded increased activity, reflected in higher processing of tea and production of dairy products.
- Construction sector growth was dismal at 0.1 percent compared to 3.0 percent in a similar quarter of 2023. The notable slowdown was reflected in declines of key inputs, including

cement consumption (-12.7 percent), and import of bitumen (-32.4 percent). Additionally, the value of building plans approved by the Nairobi City County declined by 31.2 percent.

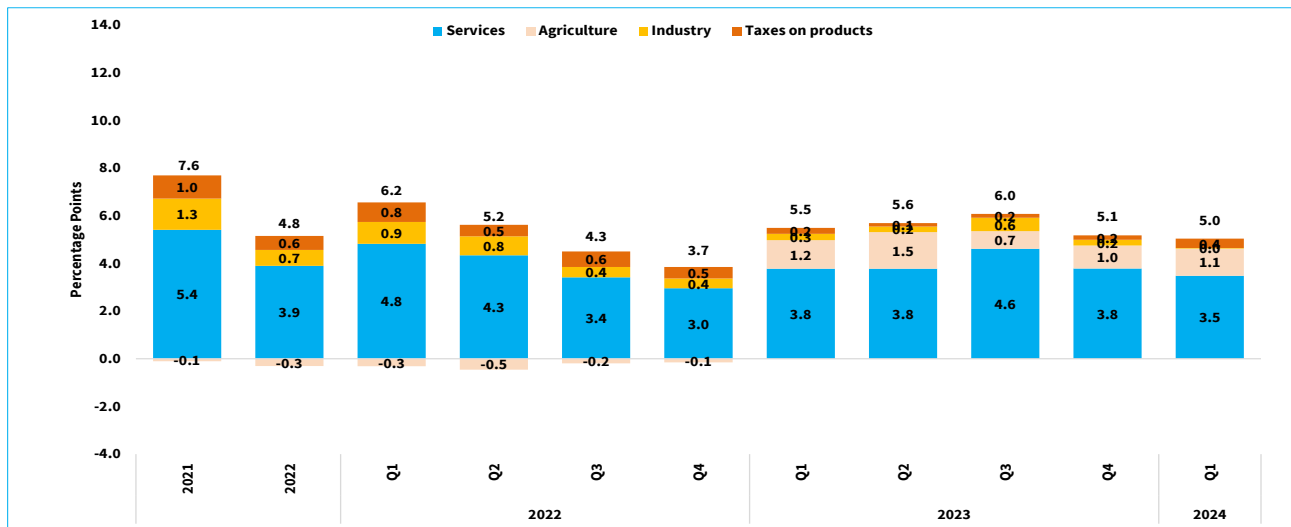
- Electricity and Water Supply sector growth decelerated to 2.4 percent from 3.8 percent in a similar quarter of 2023. Total electricity

generation increased by 1.1 percent, reflecting a significant increase in generation of hydroelectricity by 90.4 percent following increased rainfall during the quarter. The increase in hydroelectricity generation offset the declines recorded in generation of geothermal electricity (-7.3 percent), wind electricity (-10.1 percent), and solar electricity (-9.1 percent).

Table 2.1: Gross domestic product (GDP) growth by activity (percent)

	Annual		2023				2024
	2022	2023	Q1	Q2	Q3	Q4	Q1
1. Agriculture	-1.5	6.5	6.4	7.8	5.1	6.2	6.1
2. Non-Agriculture (o/w)	6.3	5.4	5.2	5.1	6.2	4.9	4.7
2.1 Industry	3.9	1.9	1.5	1.4	3.1	1.4	0.1
Mining & Quarrying	9.3	-6.5	-11.0	-8.3	0.8	-6.9	-14.8
Manufacturing	2.6	2.0	1.7	1.5	2.8	2.0	1.4
Electricity & water supply	5.5	2.8	3.8	2.8	3.3	1.3	2.4
Construction	4.1	3.0	3.0	2.7	4.0	2.2	0.1
2.2 Services	7.0	7.0	6.8	6.8	7.8	6.5	6.2
Wholesale & Retail Trade	3.5	2.7	2.9	2.1	3.1	2.8	4.9
Accommodation & restaurant	26.8	33.6	47.1	42.7	34.5	18.1	28.0
Transport & Storage	5.8	6.2	6.6	4.6	5.1	8.5	3.8
Information & Communication	9.0	9.3	9.5	7.6	8.8	11.0	7.8
Financial & Insurance	12.0	10.1	5.9	13.2	15.5	6.3	7.0
Public administration	5.1	4.6	7.6	3.2	4.6	3.4	5.8
Professional, Administration & Support Services	9.5	9.5	8.6	6.6	9.7	12.8	9.9
Real estate	4.5	7.3	7.3	8.1	7.7	6.2	6.6
Education	5.2	3.1	2.0	3.1	3.5	3.9	4.0
Health	3.4	4.9	5.1	4.7	5.0	4.8	5.5
Other services	6.5	4.1	4.6	2.4	6.4	2.9	2.5
FISIM	0.2	2.7	0.6	4.9	2.9	2.5	5.8
2.3 Taxes on products	6.7	2.2	3.0	1.8	1.9	2.0	4.7
Real GDP Growth	4.9	5.6	5.5	5.6	6.0	5.1	5.0

Source: Kenya National Bureau of Statistics

Chart 2.1: Sectoral contributions to real GDP growth (percentage points)

Source: Kenya National Bureau of Statistics and CBK Staff computations

Table 2.2: Sectoral shares (percentage of Real GDP)

	Annual		2023				2024
	2022	2023	Q1	Q2	Q3	Q4	Q1
1. Agriculture	17.0	17.1	18.8	19.7	14.4	15.6	19.0
2. Non-Agriculture (o/w)	83.0	82.9	81.2	80.3	85.6	84.4	81.0
2.1 Industry	17.9	17.3	17.2	16.8	18.0	17.2	16.4
Mining & Quarrying	1.2	1.0	1.0	1.0	1.1	0.9	0.8
Manufacturing	8.4	8.2	8.1	8.0	8.3	8.3	7.8
Electricity & water supply	2.5	2.4	2.4	2.3	2.6	2.4	2.3
Construction	5.8	5.7	5.7	5.5	6.1	5.6	5.4
2.2 Services	56.4	57.2	55.7	55.8	59.1	58.3	56.3
Wholesale & Retail Trade	8.3	8.0	8.5	7.4	7.9	8.3	8.5
Accommodation & restaurant	1.0	1.3	1.2	1.2	1.3	1.5	1.5
Transport & Storage	9.6	9.6	9.1	9.5	10.3	9.7	9.0
Information & Communication	3.2	3.3	3.2	3.1	3.4	3.5	3.3
Financial & Insurance	9.1	9.5	8.7	9.5	9.9	10.0	8.9
Public administration	6.0	6.0	5.7	6.0	6.1	6.0	5.8
Professional, Administration & Support Services	2.7	2.8	2.6	2.7	2.9	3.0	2.8
Real estate	10.1	10.3	10.1	10.2	10.6	10.1	10.2
Education	4.9	4.8	5.0	4.4	4.9	5.0	4.9
Health	2.2	2.2	2.1	2.3	2.2	2.4	2.1
Other services	2.1	2.1	2.0	2.1	2.4	2.0	2.0
FISIM	-2.9	-2.9	-2.6	-2.7	-2.9	-3.2	-2.7
2.3 Taxes on products	8.6	8.4	8.4	7.7	8.5	8.9	8.4
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: Kenya National Bureau of Statistics

Table 2.3: Sectoral contributions to real GDP growth rate (percentage points)

	Annual		2023				2024
	2022	2023	Q1	Q2	Q3	Q4	Q1
1. Agriculture	-0.2	1.1	1.2	1.5	0.7	1.0	1.1
2. Non-Agriculture (o/w)	5.2	4.4	4.3	4.1	5.3	4.2	3.8
2.1 Industry	0.7	0.3	0.3	0.2	0.6	0.2	0.0
Mining & Quarrying	0.1	-0.1	-0.1	-0.1	0.0	-0.1	-0.1
Manufacturing	0.2	0.2	0.1	0.1	0.2	0.2	0.1
Electricity & water supply	0.1	0.1	0.1	0.1	0.1	0.0	0.1
Construction	0.2	0.2	0.2	0.1	0.2	0.1	0.0
2.2 Services	3.9	4.0	3.8	3.8	4.6	3.8	3.5
Wholesale & Retail Trade	0.3	0.2	0.2	0.2	0.2	0.2	0.4
Accommodation & restaurant	0.3	0.4	0.6	0.5	0.4	0.3	0.4
Transport & Storage	0.6	0.6	0.6	0.4	0.5	0.8	0.3
Information & Communication	0.3	0.3	0.3	0.2	0.3	0.4	0.3
Financial & Insurance	1.1	1.0	0.5	1.3	1.5	0.6	0.6
Public administration	0.3	0.3	0.4	0.2	0.3	0.2	0.3
Professional, Administration & Support Services	0.3	0.3	0.2	0.2	0.3	0.4	0.3
Real estate	0.5	0.7	0.7	0.8	0.8	0.6	0.7
Education	0.3	0.2	0.1	0.1	0.2	0.2	0.2
Health	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Other services	0.1	0.1	0.1	0.0	0.2	0.1	0.1
FISIM	0.0	-0.1	0.0	-0.1	-0.1	-0.1	-0.2
2.3 Taxes on products	0.6	0.2	0.2	0.1	0.2	0.2	0.4
Real GDP Growth	4.9	5.6	5.5	5.6	6.0	5.1	5.0

Source: Kenya National Bureau of Statistics and CBK Staff computations

Chapter 3

Developments in Money, Credit and Interest Rates

Overview

Growth in broad money supply (M3) contracted in the first quarter of 2024 compared to an increase in the previous quarter, mainly reflecting reduced deposits partly due to valuation effects on foreign currency deposits following exchange rate appreciation.

Monetary aggregates and its components

Broad money supply (M3) contracted by 5.3 percent in the first quarter of 2024 compared to an increase of 3.8 percent in the previous quarter, mainly reflecting reduced deposits. The reduction in deposits is largely reflected in foreign currency deposits, mainly attributable to valuation effects on foreign currency deposits following exchange rate appreciation. In addition, time and savings deposits, and demand deposits of the corporate sector moderated, partly due to increased investments in

government securities by individuals and non-bank corporates. The other deposits held at the Central Bank also declined, partly on account of reduced county government deposits (**Tables 3.1 & 3.2**).

On the counterpart side, the primary source of contraction in broad money supply (M3) in the first quarter of 2024 was decreased net domestic assets and net foreign assets of the banking system. The moderation in net domestic assets of the banking system reflected decrease in domestic credit, mainly the private sector credit, and the increase in other items net partly reflecting increased banks' capital and reserves. The reduction in the net foreign assets of the banking system, mainly reflected in the central bank net foreign assets, due to the valuation effects of exchange rate appreciation and scheduled debt service. Meanwhile, net foreign assets of commercial banks increased but the increase was at slower pace compared to the previous quarter (**Table 3.1**).

Table 3.1: Monetary aggregates (KSh Billion)

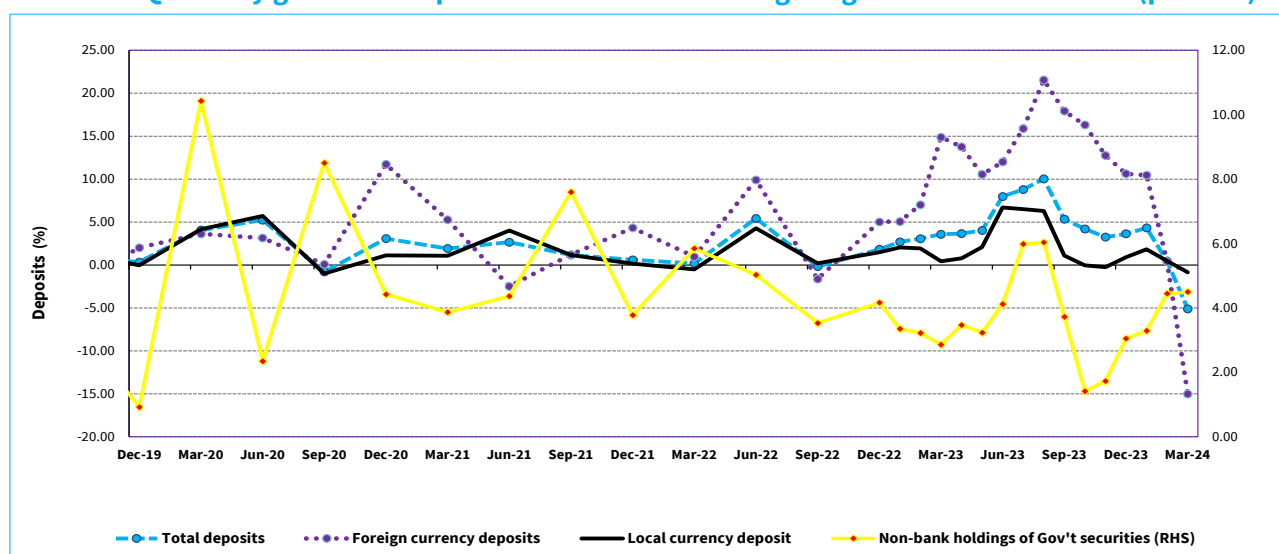
	End Month Level (KSh Billion)					Quarterly Growth Rates (%)					Absolute Quarterly Changes (KSh Billion)				
	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24
Components of M3															
1. Money supply, M1 (1.1+1.2+1.3)	1,885.8	2,098.2	2,017.3	2,044.1	1,992.8	-4.1	11.3	-3.9	1.3	-2.5	-81.3	212.4	-81.0	26.8	-51.2
1.1 Currency outside banks	252.8	257.9	267.5	282.1	273.9	-2.3	2.0	3.7	5.5	-2.9	-6.0	5.1	9.6	14.6	-8.2
1.2 Demand deposits	1,553.7	1,680.9	1,645.5	1,664.2	1,635.4	-4.2	8.2	-2.1	1.1	-1.7	-67.9	127.2	-35.4	18.7	-28.8
1.3 Other deposits at CBK 1/	79.5	159.6	104.6	98.0	83.9	-8.4	100.8	-34.5	-6.3	-14.4	-7.3	80.1	-55.0	-6.5	-14.1
2. Money supply, M2 (1+2.1)	3,610.5	3,852.2	3,898.2	3,952.3	3,890.4	-0.1	6.7	1.2	1.4	-1.6	-2.9	241.6	46.1	54.1	-62.0
2.1 Time and saving deposits	1,724.7	1,754.0	1,881.0	1,908.3	1,897.5	4.8	1.7	7.2	1.5	-0.6	78.3	29.3	127.0	27.3	-10.7
3. Money supply, M3 (2+3.1)	4,668.7	5,037.4	5,295.9	5,498.6	5,204.4	3.0	7.9	5.1	3.8	-5.3	134.2	368.7	258.5	202.7	-294.1
3.1 Foreign Currency Deposits	1,058.2	1,185.2	1,397.6	1,546.3	1,314.1	14.9	12.0	17.9	10.6	-15.0	137.2	127.0	212.4	148.6	-232.2
Sources of M3															
1. Net foreign assets 2/	308.7	591.5	708.5	793.6	749.5	9.1	91.6	19.8	12.0	-5.6	25.7	282.8	117.0	85.1	-44.1
Central Bank	433.6	616.9	516.2	486.9	387.4	-19.2	42.3	-16.3	-5.7	-20.4	-103.3	183.3	-100.6	-29.3	-99.4
Banking Institutions	-124.9	-25.4	192.3	306.7	362.0	50.8	79.7	857.1	59.5	18.0	129.0	99.5	217.7	114.4	55.3
2. Net domestic assets (2.1+2.2)	4,360.0	4,445.9	4,587.4	4,705.0	4,455.0	2.6	2.0	3.2	2.6	-5.3	108.5	85.9	141.4	117.6	-250.0
2.1 Domestic credit	5,697.9	5,820.2	6,077.7	6,252.0	6,157.3	4.8	2.1	4.4	2.9	-1.5	262.7	122.3	257.4	174.4	-94.8
2.1.1 Government (net)	2,058.9	2,083.9	2,203.4	2,239.5	2,235.4	7.2	1.2	5.7	1.6	-0.2	139.1	25.1	119.4	36.2	-4.2
2.1.2 Private sector	3,547.0	3,652.6	3,773.6	3,911.2	3,829.0	3.3	3.0	3.3	3.6	-2.1	113.5	105.6	121.1	137.5	-82.2
2.1.3 Other public sector	92.1	83.7	100.6	101.3	93.0	12.4	-9.1	20.2	0.7	-8.3	10.1	-8.4	16.9	0.7	-8.4
2.2 Other assets net	-1,337.9	-1,374.3	-1,490.3	-1,547.0	-1,702.3	-13.0	-2.7	-8.4	3.8	10.0	-154.1	-36.4	-116.0	-56.8	-155.3
Memorandum items															
4. Overall liquidity, L (3+4.1)	7,094.1	7,562.6	7,915.1	8,197.8	8,025.0	2.9	6.6	4.7	3.6	-2.1	201.2	468.5	352.5	282.7	-172.8
4.1 Non-bank holdings of government securities	2,425.3	2,525.2	2,619.2	2,699.2	2,820.6	2.8	4.1	3.7	3.1	4.5	67.0	99.9	94.0	80.0	121.4

Absolute and percentage changes may not necessarily add up due to rounding off

1/ Includes county deposits and special projects deposit

2/ Net Foreign Assets at current exchange rate to the US dollar.

Source: Central Bank of Kenya

Chart 3.1: Quarterly growth in deposit and non-bank holdings of government securities (percent)

Source: Central Bank of Kenya

Table 3.2: Deposit holdings of corporates and household sectors

	End Month Level (KSh Billion)					Quarterly Growth Rates (%)					Absolute Quarterly Changes (KSh Billion)				
	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24
1. Household Sector 1/	2007	2057	2102	2092	2049	7.0	2.5	2.2	-0.5	-2.0	130.7	49.9	45.8	-10.6	-42.7
1.1 Demand Deposits	730	734	710	630	656	9.1	0.5	-3.2	-11.2	4.0	61.0	3.9	-23.7	-79.4	25.1
1.2 Time and Saving Deposits	928	950	974	983	993	4.5	2.4	2.6	0.9	1.0	40.3	22.2	24.8	8.9	9.5
1.3 Foreign Currency Deposits	350	373	418	478	401	9.2	6.8	12.0	14.3	-16.2	29.4	23.8	44.8	59.9	-77.3
2. Corporate Sector	2267	2499	2748	2947	2719	0.6	10.3	10.1	7.4	-7.7	14.2	232.7	251.9	204.1	-228.3
2.1 Demand deposits	798	924	911	1010	956	-13.9	15.8	-1.4	11.2	-5.4	-129.0	126.5	-13.1	101.7	-54.2
2.2 Time and Saving Deposits	764	767	863	876	855	5.0	0.4	13.1	1.7	-2.4	36.7	2.8	99.9	14.6	-21.0
2.3 Foreign Currency Deposits	705	808	973	1061	908	17.8	14.7	20.4	9.0	-14.4	106.6	103.4	165.0	87.8	-153.0

1/ Household Sector includes individuals, unincorporated businesses serving households and non-profit institutions

Source: Central Bank of Kenya

Developments in Domestic Credit

Domestic credit extended by the banking system contracted by 1.5 percent in the first quarter of 2024 compared with an increase of 2.9 percent in the previous quarter, reflecting in reduced credit to private sector and net lending to Government. Reduction in net lending to government was partly due to increased government deposits at the Central bank, and exchange rate valuation effects on IMF funds on-lent to the government due to appreciation of exchange rate. Meanwhile, credit to other public sector moderated partly due to net repayments by parastatals (**Tables 3.3**).

Credit to the private sector contracted by 2.1 percent in the first quarter of 2024 compared to an increase of 3.6 percent in the previous quarter,

partly reflecting exchange rate valuation effects on foreign currency denominated loans. Foreign currency loans account for about 26 percent of total credit to the private sector, and are largely concentrated in manufacturing, trade, transport and communication. These sectors recorded significant declines in credit during the quarter under review (**Chart 3.2**).

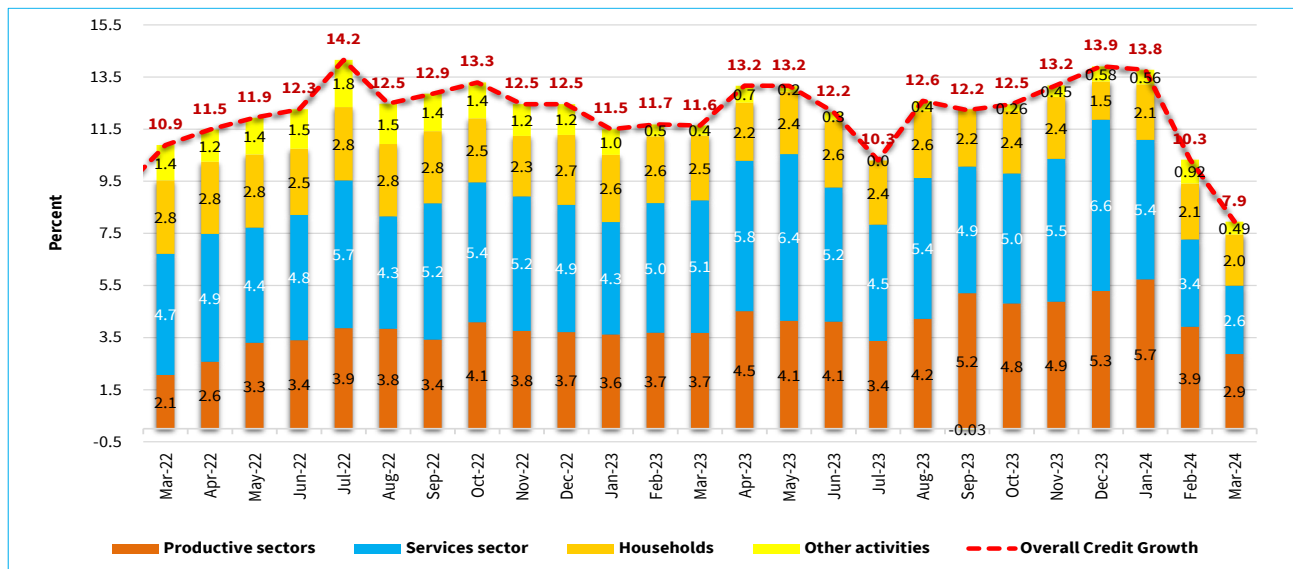
The 12-month growth in commercial bank lending to the private sector stood at 7.9 percent in March 2024 compared to 13.9 percent in December 2024, partly reflecting exchange rate valuation effects on foreign currency denominated loans following the appreciation of the Shilling. Growth in local currency denominated loans stood at 16.1 percent in March, with foreign currency denominated loans contracting by 14.2 percent.

Table 3.3: Banking sector net domestic credit

	End Month Level (KSh Billion)					Quarterly Growth Rates (%)					Absolute Quarterly Changes (KSh Billion)				
	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24
1. Credit to Government	2,058.9	2,083.9	2,203.4	2,239.5	2,235.4	7.2	1.2	5.7	1.6	-0.2	139.1	25.1	119.4	36.2	-4.2
Central Bank	361.5	323.4	459.3	487.5	431.2	74.7	-10.5	42.0	6.1	-11.6	154.6	-38.1	135.9	28.2	-56.3
Commercial Banks & NBFIs	1,697.4	1,760.5	1,744.1	1,752.0	1,804.2	-0.9	3.7	-0.9	0.5	3.0	-15.5	63.2	-16.5	7.9	52.2
2. Credit to other public sector	92.1	83.7	100.6	101.3	93.0	12.4	-9.1	20.2	0.7	-8.3	10.1	-8.4	16.9	0.7	-8.4
Local government	6.7	6.7	5.0	5.1	5.3	7.8	1.0	-26.4	2.8	3.5	0.5	0.1	-1.8	0.1	0.2
Parastatals	85.4	77.0	95.7	96.3	87.7	12.7	-9.9	24.3	0.6	-8.9	9.6	-8.4	18.7	0.6	-8.6
3. Credit to private sector	3,547.0	3,652.6	3,773.6	3,911.2	3,829.0	3.3	3.0	3.3	3.6	-2.1	113.5	105.6	121.1	137.5	-82.2
Agriculture	117.0	121.9	127.1	141.8	137.4	1.9	4.2	4.3	11.5	-3.0	2.1	4.9	5.2	14.6	-4.3
Manufacturing	546.3	583.6	620.0	636.7	597.9	3.7	6.8	6.2	2.7	-6.1	19.5	37.3	36.4	16.7	-38.8
Trade	607.6	613.7	634.6	663.4	645.6	3.6	1.0	3.4	4.5	-2.7	21.3	6.0	20.9	28.8	-17.8
Building and construction	137.3	139.2	145.5	143.3	137.3	4.0	1.4	4.5	-1.5	-4.1	5.3	2.0	6.3	-2.2	-5.9
Transport & communications	318.6	328.4	343.2	361.4	340.8	6.5	3.1	4.5	5.3	-5.7	19.5	9.8	14.7	18.2	-20.7
Finance & insurance	145.6	147.6	156.1	189.1	164.5	23.4	1.3	5.8	21.2	-13.0	27.6	1.9	8.5	33.1	-24.6
Real estate	419.3	429.2	444.9	452.5	440.9	-0.8	2.4	3.7	1.7	-2.6	-3.2	10.0	15.7	7.6	-11.6
Mining and quarrying	23.3	20.3	25.1	26.0	31.3	3.0	-13.1	23.8	3.9	20.3	0.7	-3.1	4.8	1.0	5.3
Private households	521.5	526.3	537.2	524.1	566.1	2.0	0.9	2.1	-2.4	8.0	10.2	4.8	10.9	-13.1	42.0
Consumer durables	391.0	401.5	406.7	415.5	416.1	3.4	2.7	1.3	2.2	0.1	12.9	10.5	5.2	8.8	0.6
Business services	204.5	209.8	212.0	214.8	218.5	2.6	2.6	1.0	1.3	1.7	5.1	5.3	2.2	2.8	3.7
Other activities	115.1	131.2	121.4	142.7	132.6	-6.1	14.0	-7.4	17.5	-7.1	-7.5	16.1	-9.7	21.2	-10.1
4. TOTAL (1+2+3)	5,697.9	5,820.2	6,077.7	6,252.0	6,157.3	4.8	2.1	4.4	2.9	-1.5	262.7	122.3	257.4	174.4	-94.8

Source: Central Bank of Kenya

Chart 3.2: Contribution to overall credit growth by activity group (percentage points)



Source: Central Bank of Kenya

Reserve Money

Reserve money contracted by 2.9 percent in the first quarter of 2024 compared to an increase of 1.4 in the fourth quarter of 2023, largely reflecting reduced net foreign assets which more than offset increase in net domestic assets. The reduction in net foreign assets, partly reflect the valuation impact

of the exchange rate appreciation, and scheduled debt service. The contraction in reserve money was also reflected in decreased currency outside banks and bank reserves on account of reduced demand for liquidity after the end of year festivities (**Table 3.4**).

Table 3.4: Reserve money and its sources

	End Month Level (KSh Billion)					Quarterly Growth Rates (%)					Absolute Quarterly Changes (KSh Billion)				
	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24
Sources of Reserve Money															
1. Net Foreign Assets	433.6	616.9	516.2	486.9	387.4	-19.2	42.3	-16.3	-5.7	-20.4	-103.3	183.3	-100.6	-29.3	-99.4
2. Net Domestic Assets	75.1	-128.6	71.0	108.6	190.6	430.0	-271.3	155.2	52.9	75.6	97.8	-203.7	199.6	37.6	82.1
2.1 Government Borrowing (net)	361.5	323.4	459.3	487.5	431.2	74.7	-10.5	42.0	6.1	-11.6	154.6	-38.1	135.9	28.2	-56.3
2.2 Commercial banks (net)	131.4	96.7	163.9	242.7	228.5	3.7	-26.3	69.4	48.1	-5.9	4.7	-34.6	67.2	78.8	-14.2
2.3 Other Domestic Assets (net)	-421.6	-552.5	-555.9	-625.4	-472.8	-17.1	-31.0	-0.6	12.5	-24.4	-61.6	-130.9	-3.4	-69.5	152.6
Components of Reserve Money															
3. Reserve Money	508.6	488.3	587.2	595.5	578.1	-1.1	-4.0	20.3	1.4	-2.9	-5.5	-20.4	99.0	8.2	-17.4
3.1 Currency outside banks	252.8	257.9	267.5	282.1	273.9	-2.3	2.0	3.7	5.5	-2.9	-6.0	5.1	9.6	14.6	-8.2
3.2 Bank reserves	255.9	230.4	319.8	313.4	304.2	0.2	-10.0	38.8	-2.0	-2.9	0.5	-25.5	89.4	-6.4	-9.2

Source: Central Bank of Kenya

Interest Rates

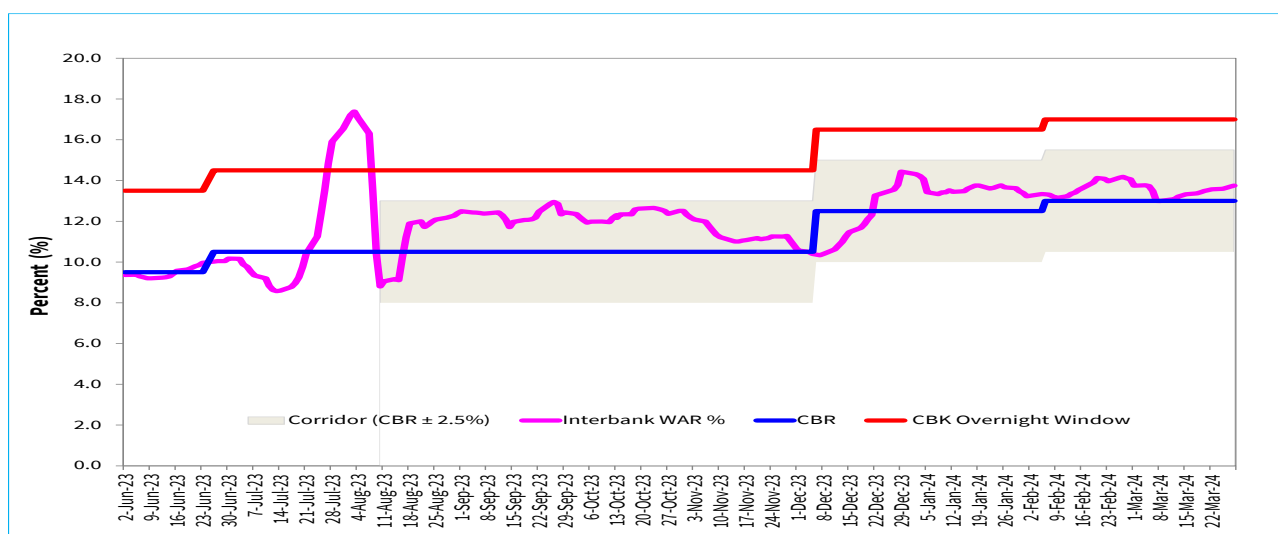
a. Central Bank Rate

The Monetary Policy Committee (MPC) meeting held in February 2024 raised the Central Bank Rate (CBR) from 12.5 percent to 13.0 percent to further anchor inflation expectations. The MPC noted that overall inflation has remained sticky in the upper bound of the target range. In addition, the MPC noted the continued, albeit reduced, pressures on the exchange rate and therefore concluded that further action was needed to stabilize prices. The policy action would ensure that inflationary expectations remain anchored, while setting inflation on a firm downward path towards the 5.0 percent mid-point of the target range, as well as addressing residual pressures on the exchange rate.

b. Short Term Rates

Short-term interest rates increased during the first quarter of 2024, partly reflecting the tight monetary policy stance and liquidity conditions in the money market. The weighted average interbank rate increased from 11.65 percent in December 2023 to 13.42 percent in March 2024 and it was within the interest rate corridor band of ± 2.5 percent around the CBR, partly supported by open market operations. The average 91-day Treasury bill rate increased to 16.68 percent in March 2024 from 15.70 percent in December 2023, while the average 182-day Treasury bill rate increased to 16.86 percent from 15.80 percent.

Chart 3.3: Interest Rate Corridor (%)



Source: Central Bank of Kenya

c. Lending and Deposit Rates

Commercial banks’ average lending and deposit rates increased in the first quarter of 2024 in line with the tight monetary policy stance. The weighted average lending rate increased to 16.28 percent in

March 2024 from 14.64 percent in December 2023 while the weighted average deposit rate increased to 10.52 percent from 10.10 percent in December 2023.

Table 3.5: Interest rates (percent)

	2023											2024	
	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
91-day Treasury bill rate	9.76	10.04	10.47	11.49	12.12	13.25	14.38	14.96	15.32	15.70	16.14	16.51	16.68
182-day Treasury bill rate	10.25	10.42	10.83	11.54	12.23	13.19	14.42	15.03	15.39	15.80	16.18	16.65	16.86
Interbank rate	7.05	8.55	9.36	9.48	10.34	12.57	12.36	12.70	11.32	11.65	13.65	13.59	13.42
Repo rate	0.00	0.00	0.00	0.00	9.07	9.26	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Reverse Repo rate	10.37	10.57	9.73	9.90	12.09	14.67	13.76	12.54	11.63	14.03	13.76	14.69	14.71
Central Bank Rate (CBR)	9.50	9.50	9.50	10.50	10.50	10.50	10.50	10.50	10.50	12.50	12.50	13.00	13.00
Average lending rate (1)	13.09	13.10	13.21	13.31	13.50	13.83	13.98	14.16	14.43	14.64	15.20	15.88	16.28
Overdraft rate	12.69	12.71	12.64	12.83	12.84	13.24	13.62	14.09	14.29	14.65	15.11	15.55	15.97
1-5years	13.47	13.44	13.62	13.79	14.01	14.29	14.48	14.63	14.97	15.16	15.87	16.36	16.82
Over 5years	12.91	12.95	13.05	13.06	13.31	13.64	13.67	13.76	14.00	14.14	14.62	15.58	15.90
Average deposit rate (2)	7.54	7.69	7.61	7.80	8.10	8.39	8.64	9.11	9.48	10.10	10.18	10.32	10.52
0-3months	8.13	8.34	8.06	8.32	8.75	9.28	9.76	10.49	11.08	11.42	11.65	11.89	12.09
Over 3 months deposit	8.19	8.21	8.41	8.54	8.75	8.88	8.96	9.27	9.50	10.19	10.57	10.81	11.27
Savings deposits	3.55	3.59	3.92	3.92	3.97	4.05	4.00	3.98	4.01	4.24	3.69	3.33	3.90
Spread (1-2)	5.55	5.41	5.59	5.51	5.40	5.44	5.33	5.05	4.95	4.54	5.02	5.56	5.76

Source: Central Bank of Kenya

Chapter 4

Global Economy

The global economy continued its rebound in the first quarter of 2024, albeit at a slower pace. Economic activities varied across regions, with expectations of improvement driven by increased global demand, particularly in the United States and several Emerging Markets and Developing Economies (EMDEs). According to the IMF World Economic Outlook (WEO) April report, annual global growth is projected to remain subdued at 3.2 percent for both 2024 and 2025. This represents a 0.2 percentage point upgrade for 2024 compared to the October 2023 projections, reflecting the impact of increased geopolitical events, especially in the Middle East, and tight monetary conditions.

Growth in the advanced economies is expected to be 1.9 percent in 2024 and 1.7 percent in 2025. This outlook reflects stronger growth momentum in the US but weaker-than-expected growth in the Euro Area due to reduced consumer confidence. In 2024, growth in most economies within this group is forecast to improve, with the Euro Area at 1.4 percent, the UK at 1.5 percent, and Japan at 1.7 percent. US growth is projected to stabilize at 2.1 percent.

In the emerging market and developing economies (EMDEs), growth is projected to modestly decline from an estimated 4.3 percent in 2023 to 4.2 percent in 2024 and 2025, reflecting a slowdown in economic activities in China amid rising prospects in India. In Sub-Saharan Africa (SSA), economic activity is projected to improve from 3.4 percent in 2023 to 3.8 percent in 2024 and 4.0 percent in 2025. The projected increases are attributed to favorable weather conditions and increased investments in the service sectors of non-resource-intensive economies. Specifically, Nigeria, South Africa, and Kenya are expected to grow by 3.3 percent, 0.9 percent, and 5.0 percent in 2024, respectively. In 2025, their growth rates are forecasted to be 3.0 percent for Nigeria, 1.2 percent for South Africa, and 5.3 percent for Kenya.

Global financial conditions eased during the first quarter of 2024, even though interest rates are expected to remain higher for longer as market participants scale back their easing expectations. Concerns about global inflation have moderated, although some persistence remains in several advanced economies. Headline inflation is anticipated to gradually decline from 6.8 percent in 2023 to 5.9 percent in 2024 and further to 4.5 percent in 2025.

Global commodity market pressures are expected to continue easing as nonfuel and fuel commodity prices converge towards their long-run historical standards. Oil prices are projected to decrease by about 2.5 percent, averaging \$78.61 per barrel in 2024, while nonfuel commodity prices are expected to decline by 0.8 percent in 2024. Global demand is anticipated to increase, driven by higher consumer spending, particularly in the service sector, with rising demand for travel, tourism, and recreational activities. World trade growth is forecasted to be 3.0 percent in 2024, reflecting the normalization of supply chain networks.

Preliminary GDP figures for the first quarter of 2024 reveal a mixed economic performance across key regions. The United States recorded a growth rate of 1.3 percent, signaling a steady but moderate expansion. In comparison, the Euro Area saw a more subdued growth of 0.3 percent, with Germany and the UK both experiencing slight growth at 0.2 percent and 0.6 percent, respectively. China, however, exhibited a robust growth of 5.3 percent, indicating a continued acceleration in its economic activity.

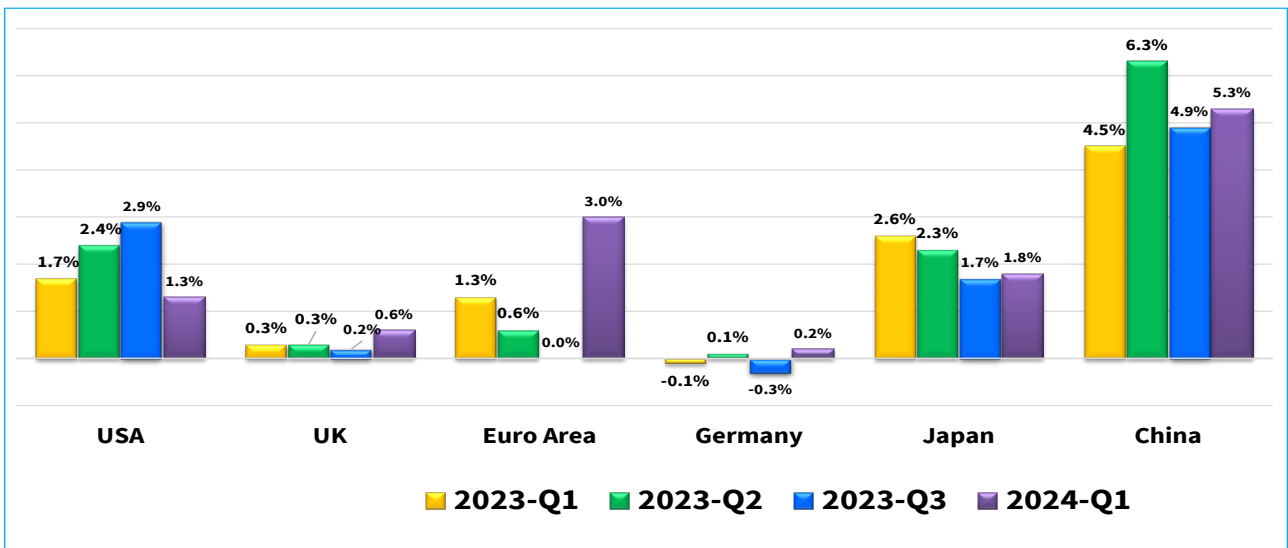
Risks to the global outlook remain largely balanced in the near term, with effects of geopolitical events remaining largely muted and vulnerabilities in the financial markets being relatively volatile. Elevated commodity prices are largely underpinned by regional conflicts and unfavorable weather conditions.

Table 4.1: Growth performance and outlook for the global economy (percent)

	Annual Year over Year				Quarterly Q4 Over Q4		
	Estimate		Projections		Estimate	Projections	
	2023	2023	2024	2025	2023	2024	2025
World Output	3.5	3.1	3.1	3.2	3.1	3.1	3.1
Advanced Economies	2.6	1.6	1.5	1.8	1.6	1.6	1.7
United States	1.9	2.5	2.1	1.7	2.9	1.5	1.9
Euro Area	3.4	0.5	0.9	1.7	0.2	1.5	1.6
Germany	1.8	-0.3	0.5	1.6	-0.1	1.1	1.9
France	2.5	0.8	1.0	1.7	0.6	1.4	1.8
Italy	3.7	0.7	0.7	1.1	0.2	1.3	1.0
Spain	5.8	2.4	1.5	2.1	1.5	1.8	2.1
Japan	1.0	1.9	0.9	0.8	1.4	1.6	0.5
United Kingdom	4.3	0.5	0.6	1.6	0.9	0.6	1.8
Emerging Market and Developing Economies	4.1	4.1	4.1	4.2	4.3	4.3	4.1
Emerging and Developing Asia	4.5	5.4	5.2	4.8	5.2	5.5	4.7
China	3.0	5.2	4.6	4.1	5.4	4.4	4.0
India	7.2	6.7	6.5	6.5	5.0	7.8	6.7
Emerging and Developing Europe	1.2	2.7	2.8	2.5	4.1	2.0	2.9
Russia	-1.2	3.0	2.6	1.1	4.4	1.4	1.0
Latin America and the Caribbean	4.2	2.5	1.9	2.5	2.2	1.7	2.6
Brazil	3.0	3.1	1.7	1.9	2.3	2.6	1.4
Mexico	3.9	3.4	2.7	1.5	3.4	1.9	1.4
Middle East and Central Asia	5.5	2.0	2.9	4.2	...	...	...
Saudi Arabia	8.7	-1.1	2.7	5.5	-4.5	2.8	5.4
Sub-Saharan Africa	4.0	3.3	3.8	4.1	...	...	...
Nigeria	3.3	2.8	3.0	3.1	2.7	3.3	2.9
South Africa	1.9	0.6	1.0	1.3	1.0	1.2	1.3
Kenya		5.4	5.3	5.4	...	...	...
World Trade Volume (goods and services)	5.2	0.4	3.3	3.6	...	...	...
Advanced Economies	6.1	0.3	2.6	3.2	...	...	...
Emerging Market and Developing Economies	3.7	0.6	4.5	4.4	...	...	...
Commodity Prices							
Oil	39.2	-16.0	-2.3	-4.8	-2.8	-6.1	-4.9
Nonfuel	7.9	-6.1	-0.9	-0.4	-2.0	1.5	0.2
World Consumer Prices	8.7	6.8	5.8	4.4	6.0	5.3	3.8
Advanced Economies	7.3	4.6	2.6	2.0	3.1	2.3	2.0
Emerging Market and Developing Economies	9.8	8.4	8.1	6.0	8.4	7.7	5.2

Source: IMF, World Economic Outlook, October 2023 updates

Chart 4.1: Global growth, first quarter-2023 (percent)



Source: National Bureau of Statistics offices, The Organisation for Economic Co-operation and Development (OECD)

Chapter 5

Balance of Payments and Exchange Rates

Overview

In the first quarter of 2024, the current account balance narrowed to USD 857 million from USD 877 million in a similar period in 2023. This improvement was driven by a robust performance in exports, particularly in the agricultural sector with increases in tea and horticulture exports, along with resilient

remittance inflows. Additionally, a decline in imports contributed to the narrowing of the deficit. Secondary income inflows also remained strong, increasing by USD 49 million to USD 1,851 million in the first quarter of 2024, compared to USD 1,802 million in the same quarter of 2023 (**Table 5.1**).

Table 5.1: Balance of payments (USD Million)

ITEM	2023				2024*				Q1 2024-Q1 2023	
	Jan-Mar	Apr-Jun	July-Sep	Oct-Dec	Q1				Change	%
	Q1	Q2	Q3	Q4	Jan	Feb	Mar	Q1		
1. Overall Balance	1,008	-1,094	911	184	223	126	-137	213	-795	-79
2. Current account	-877	-1,162	-970	-1,285	-440	-254	-163	-857	20	-2
Exports (fob)	1,844	1,815	1,862	1,707	581	702	721	2,004	160	9
Imports (fob)	4,291	4,402	4,133	4,413	1,438	1,406	1,433	4,277	-13	0
Services: credit	1,598	1,507	1,238	1,113	400	463	456	1,318	-279	-17
Services: debit	1,277	1,306	1,113	1,127	388	385	363	1,137	-140	-11
Balance on goods and services	-2,126	-2,386	-2,147	-2,720	-846	-627	-619	-2,091	35	-2
Primary income: credit	43	47	57	57	24	15	21	60	17	40
Primary income: debit	536	555	628	388	271	213	176	660	124	23
Balance on goods, services and primary income	-2,619	-2,893	-2,717	-3,050	-1,093	-824	-775	-2,692	-73	3
Secondary income : credit	1,802	1,737	1,758	1,782	658	575	618	1,851	49	3
o.w Remittances	1,020	1,024	1,081	1,076	356	356	359	1,070	50	5
Secondary income: debit	60	6	11	17	5	5	6	16	-44	-73
3. Capital Account	55	36	24	13	13	25	18	57	2	4
4. Financial Account	656	-2,400	25	-911	-417	137	-553	-832	-1,488	-227

* Provisional

Fob-free on board

Source: Central Bank of Kenya and KNBS

Current Account Balance

The trade balance markedly improved, narrowing by 7.7 percent to a deficit of USD 2,273 million in the first quarter of 2024 from a deficit of USD 2,447 million in the first quarter of 2023 (**Table 5.1**). This improvement was driven by an increase in merchandise exports which rose to USD 2,004 million in the first quarter of 2024 from USD 1,844 million in a similar period in 2023, largely attributed to higher earnings from tea and horticulture exports. Simultaneously, the value of merchandise imports decreased by 0.3 percent to USD 4,277million in the first quarter of 2024, from USD 4,291 million

in a similar quarter in 2023, largely on account of decreased imports of chemicals and manufactured goods. The decline in imports of chemical products was mostly attributed to a decline in imports of manufactured fertilizer while the decline in imports of manufactured goods was attributed to a decline in iron and steel mostly to the region. Net receipts on service account declined by USD 139 million to USD 182 million in the first quarter of 2024 from USD 321 million in the first quarter of 2023, primarily due to a decrease in receipts from transport and travel (**Table 5.2**).

Table 5.2: Balance on current account (USD Million)

ITEM	2023*							Q1 2024-Q1 2023		
	Jan-Mar	Apr-Jun	July-Sep	Oct-Dec	Jan	Feb	Mar	Jan-Mar		
	Q1	Q2	Q3	Q4				Q1	Change	%
CURRENT ACCOUNT	-877	-1,162	-970	-1,285	-440	-254	-163	-857	20	-2
Goods	-2,447	-2,587	-2,271	-2,706	-857	-705	-712	-2,273	174	-7
Exports (fob)	1,844	1,815	1,862	1,707	581	702	721	2,004	160	9
o.w Coffee	31	103	15	29	15	15	26	56	25	83
Tea	91	319	114	337	114	135	139	388	297	328
Horticulture	84	246	68	205	68	102	108	279	195	233
Oil products	8	25	6	41	6	9	10	24	17	214
Manufactured Goods	54	177	41	146	41	55	60	157	103	189
Raw Materials	24	90	35	80	35	26	28	89	65	270
Chemicals and Related Products (n.e.s)	42	146	42	149	42	54	53	149	107	255
Miscellaneous Man. Articles	47	158	48	149	48	51	56	155	108	229
Re-exports	27	168	75	167	75	116	98	290	262	957
Other	118	371	129	392	129	145	134	409	290	245
Imports (fob)	4,291	4,402	4,133	4,413	1,438	1,406	1,433	4,277	-13	0
o.w Oil	1,150	1,207	1,110	1,302	359	412	376	1,147	-3	0
Chemicals	840	742	630	685	244	239	248	731	-109	-13
Manufactured Goods	680	741	593	639	203	208	227	638	-42	-6
Machinery & Transport Equipment	745	753	859	894	297	309	266	872	127	17
Machinery	498	515	599	612	169	190	181	541	43	9
Transport equipment	248	238	260	282	128	119	85	331	84	34
Other	1,146	1,160	1,209	1,058	345	237	347	929	-217	-19
o.w Food	605	656	616	482	155	129	211	495	-110	-18
Services	321	201	125	-14	11	78	92	182	-139	-43
Transport Services (net)	117	130	71	-11	28	24	45	97	-20	-17
Credit	591	570	467	396	162	156	178	495	-96	-16
Debit	474	440	397	407	134	132	132	398	-76	-16
Travel Services (net)	274	258	186	161	50	62	62	173	-101	-37
Credit	318	300	213	188	65	77	75	216	-102	-32
Debit	44	41	27	28	15	15	13	43	-1	-3
Other Services (net)	-70	-187	-133	-164	-66	-8	-15	-89	-19	26
Primary Income	-493	-507	-571	-331	-247	-198	-156	-600	-107	22
Credit	43	47	57	57	24	15	21	60	17	40
Debit	536	555	628	388	271	213	176	660	124	23
Secondary Income	1,742	1,732	1,747	1,765	653	570	612	1,835	93	5
Credit	1,802	1,737	1,758	1,782	658	575	618	1,851	49	3
Debit	60	6	11	17	5	5	6	16	-44	-73

*Provisional;

Fob - free on board

Source: Central Bank of Kenya and KNBS

The primary account balance widened by USD 107 million to a deficit of USD 600 million in the first quarter of 2024 from a deficit of USD 493 million in the same period last year, reflecting lower interest-related payments on other investments. The secondary income balance rose by USD 93 million to 1,835 in the first quarter of 2024 compared with USD 1,742 in the first quarter of 2023. Remittances increased to USD 1,209 million in the first quarter of 2024 from USD 1,020 million in the same period in the previous year (**Table 5.1 and 5.2**).

Direction of Trade

Imports from China increased by 17 percent, accounting for 17 percent of total imports to Kenya, making it the largest single source of imports in the first quarter of 2024. Imports from the UAE and India also rose significantly, by USD 371 million and USD 351 million, respectively, accounting for 15 percent and 12 percent of total imports. At the same time, those from Africa declined by USD 23 million to USD 445 million in the first quarter of 2024, reflecting reduced imports from Egypt (**Table 5.3**).

Table 5.3: Kenya's direction of trade: Imports

IMPORTS (USD M)	2023								2024*			
	2023				2024*				Share of Imports (%)			
	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar				Q1 2024	Q1 2023		
Country	Q1	Q2	Q3	Q4	Jan	Feb	March	Q1	Q1 2024	Q1 2023		
Africa	468	470	496	824	178	127	141	445	11	10		
Of which												
South Africa	129	165	131	223	76	34	34	144	3	3		
Egypt	91	89	83	146	19	20	22	61	2	1		
Others	248	215	282	455	84	73	85	241	6	6		
EAC	138	167	182	282	52	53	64	169	3	4		
COMESA	217	219	226	396	67	58	60	185	5	4		
Rest of the World	3,822	3,933	3,636	6,387	1,260	1,280	1,292	3,832	89	90		
Of which												
India	517	553	386	739	179	166	132	478	12	11		
United Arab Emirates	658	737	854	1,343	135	158	157	449	15	11		
Japan	162	179	176	297	59	64	60	184	4	4		
USA	146	253	225	350	105	89	80	273	3	6		
United Kingdom	69	67	61	140	16	24	22	61	2	1		
Singapore	45	17	9	52	5	3	3	10	1	0		
Germany	76	89	61	100	18	27	22	67	2	2		
Saudi Arabia	338	288	244	390	20	12	17	49	8	1		
Indonesia	107	61	84	115	11	6	30	48	2	1		
Netherlands	66	46	37	139	12	64	61	137	2	3		
France	63	49	80	135	12	12	19	42	1	1		
Bahrain	42	43	41	61	8	14	13	35	1	1		
Italy	1,533	1,551	1,377	2,526	681	642	676	2,000	36	47		
Others	4,291	4,402	4,133	7,211	1,438	1,406	1,433	4,277	100	100		
Total	4,309	4,243	4,325	4,137	1,491	1,583	1,327	7,212	100	100		
EU	381	385	363	678	125	172	197	494	9	12		
China	719	834	831	1,424	280	299	262	841	17	20		

*Provisional

Source: Kenya Revenue Authority

The value of goods exported to Africa in the first quarter of 2024 was USD 1,811 million, accounting for 42 percent of total exports, driven largely by EAC and COMESA region exports. The share of exports to

the EU was 15 percent, while the proportions to the Netherlands, the United Kingdom, the United States, and Pakistan were 8 percent, 6 percent, 6 percent, and 8 percent, respectively (**Table 5.4**).

Table 5.4: Kenya's direction of trade: Exports

EXPORTS (USD M)									Share of Exports (%)	
	2023				2024*					
	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar					
Country	Q1	Q2	Q3	Q4	Jan	Feb	Mar	Q1	Q1 2023	Q1 2024
Africa	780	752	810	1,322	213	276	270	1,811	42	42
Of which										
Uganda	244	226	237	368	61	85	76	513	13	12
Tanzania	111	112	133	232	33	39	39	305	6	7
Egypt	57	50	59	105	18	26	26	149	3	3
Sudan	19	5	13	22	1	1	2	24	1	1
South Sudan	58	54	56	98	16	22	25	135	3	3
Somalia	40	47	37	61	8	12	13	81	2	2
DRC	44	41	53	82	17	21	20	120	2	3
Rwanda	74	77	81	129	21	23	25	173	4	4
Others	135	139	141	224	39	46	45	309	7	7
EAC	545	531	582	939	151	195	202	1,285	30	30
COMESA	529	499	535	853	146	188	179	1,187	29	28
Rest of the World	1,063	1,063	1,051	1,695	368	426	451	2,489	58	58
Of which										
United Kingdom	107	97	91	157	37	47	43	241	6	6
Netherlands	144	155	128	204	53	67	68	324	8	8
USA	120	124	116	180	49	45	55	274	7	6
Pakistan	111	140	164	252	42	46	55	340	6	8
United Arab Emirates	85	88	116	176	51	50	46	277	5	6
Germany	35	34	28	40	10	13	14	63	2	1
India	18	16	22	39	6	8	9	52	1	1
Afghanistan	13	8	11	13	1	1	1	15	1	0
Others	431	400	375	633	118	151	159	902	23	21
Total	1,844	1,815	1,862	3,017	581	702	721	4,299	100	100
EU	280	308	273	415	95	116	118	625	15	15
China	63	57	34	54	15	12	13	82	3	2

*Provisional

Source: Kenya Revenue Authority

Capital and Financial Account

Net capital account inflows were USD 57 million in the first quarter of 2023. Net financial account inflows were higher at USD 832 million in the first quarter of

2024, compared to net outflows of USD 656 million in the first quarter of 2023 (**Table 5.5**). This largely reflects an increase in other investment inflows.

Table 5.5: Balance on capital and financial account (USD Million)

	2023				2024*				Q1 2024-Q1 2023	
	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar				Absolute	%
	Q1	Q2	Q3	Q4	Jan	Feb	Mar	Q1	Change	Change
Capital account credit	55	36	24	13	13	25	18	57	2	4
Capital account credit	55	36	24	13	13	25	18	57	2	4
Capital account: debit	0	0	0	0	0	0	0	0	0	0
Financial Account	656	-2,400	25	-911	-417	137	-553	-834	-1,488	-227
Direct investment: assets	139	128	121	115	21	22	24	67	-72	-52
Direct investment: liabilities	202	186	177	168	59	62	68	189	-13	-6
Portfolio investment: assets	325	-1	96	93	26	28	62	115	-210	-64
Portfolio investment: liabilities	-107	-18	-17	-19	26	22	22	69	176	-165
Financial derivatives: net	9	13	31	31	-4	2	18	16	7	72
Other investment: assets	317	667	1,183	711	321	1,078	-776	622	305	96
Other investment: liabilities	39	3,039	1,247	1,712	696	908	-210	1,394	1,355	3,497

* Provisional

Source: Central Bank of Kenya

Foreign Exchange Reserves

The banking system's total foreign exchange holdings increased to USD 15,328 million at the end of the first quarter of 2024 from USD 14,156 million in a similar period in 2023. The official reserves held

by the Central Bank constituted the bulk of the gross reserves and rose to USD 7,813 million, equivalent to 4.0 months of import cover, while Commercial Bank reserves stood at USD 7,515 million at the end of first quarter of 2023 (**Table 5.6**).

Table 5.6: Foreign exchange reserves and residents' foreign currency deposits (end of period, USD Million)

	2023				2024*			
	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar			
	Q1	Q2	Q3	Q4	Jan	Feb	Mar	Q1
1. Gross Reserves	10,901	13,166	13,852	14,156	14,934	15,967	15,328	15,328
of which:				-				-
Official	6,962	8,037	7,535	7,342	7,808	7,670	7,813	7,813
import cover*	3.9	4.3	4.0	3.9	4.1	4.0	4.1	4
Commercial Banks	3,939	5,129	6,316	6,814	7,126	8,297	7,515	7,515
2. Residents' foreign currency deposits	7,760	8,673	9,778	10,173	10,222	10,758	10,344	10,344

*Based on 36-month average of imports of goods and non-factor services

Source: Central Bank of Kenya

Exchange Rates

The Kenya Shilling exchange rate remained relatively stable against major international currencies amid high demand for the US dollar in the international markets in the period under review compared with a similar period in 2023. The Kenya Shilling

weakened by 18.40 percent against the US Dollar to exchange at an average of 149.63 in the first quarter of 2024 compared with 126.37 in a similar quarter in 2023. However, appreciated against EAC regional currencies excluding the Burundi Franc (**Table 5.7 and Chart 5.1**).

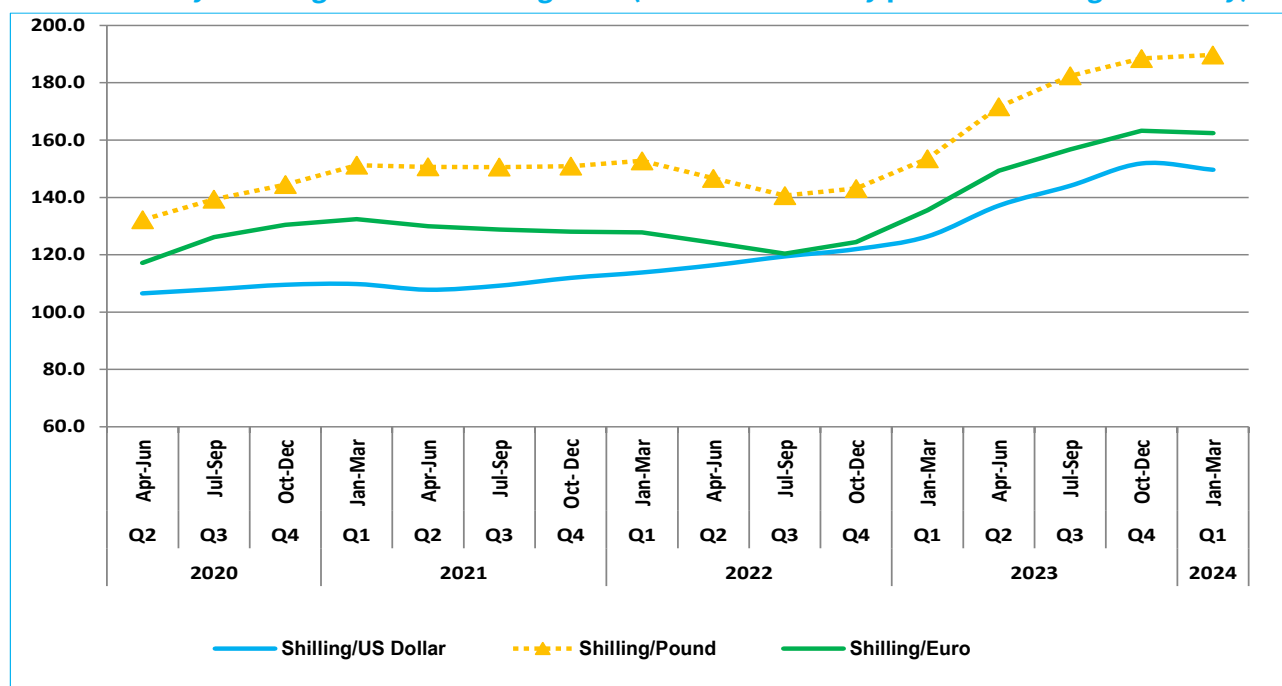
Table 5.7: Kenya Shilling exchange rate

	2023				2024				Q1 2024- Q4 2023 (% change)
	Oct	Nov	Dec	Oct-Dec	Jan	Feb	Mar	Jan-Mar	
US Dollar	149.40	152.03	154.09	151.84	159.69	151.84	137.35	149.63	18.40
Pound Sterling	181.86	188.57	194.98	188.47	202.88	191.67	174.58	189.71	23.58
Euro	157.70	164.21	167.97	163.29	174.31	163.78	149.31	162.47	19.83
100 Japanese Yen	99.86	101.48	106.77	102.70	109.40	101.50	91.77	100.89	5.59
South Africa Rand	7.83	8.20	8.26	8.10	8.50	7.99	7.27	7.92	11.17
Uganda Shilling*	25.13	24.89	24.54	24.85	23.84	25.58	28.40	25.94	-11.57
Tanzania Shilling*	16.76	16.46	16.28	16.50	15.79	16.80	18.60	17.06	-7.81
Rwanda Franc*	8.17	8.11	8.12	8.13	7.94	8.42	9.35	8.57	-0.20
Burundi Franc*	19.00	18.57	18.47	18.68	17.85	18.86	20.84	19.18	16.71

* Units of currency per Kenya Shilling

Source: Central Bank of Kenya

Chart 5.1: Kenya Shilling nominal exchange rate (domestic currency per unit of foreign currency)



Source: Central Bank of Kenya

Chapter 6 Banking Sector

Overview

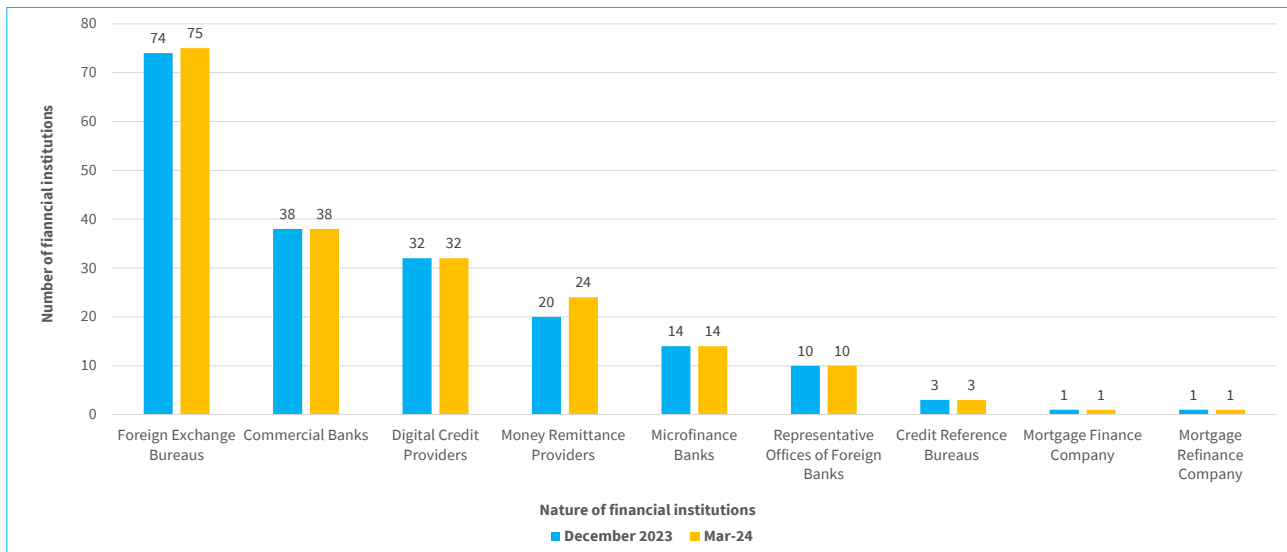
The banking sector remained stable and resilient in the first quarter of 2024. Total assets decreased by 2.7 percent to Ksh.7,513.1 billion in March 2024, from Ksh.7,724.9 billion in December 2023. The deposit base also decreased by 4.9 percent to Ksh.5,525.3 billion in the first quarter of 2024, from Ksh.5,812.1 billion in the fourth quarter of 2023. The sector was well capitalized with capital adequacy ratio of 18.6 percent, which was above the minimum capital requirement of 14.5 percent. The sector remained profitable in the first quarter of 2024, with quarterly profit before tax that increased to Ksh.73.5 billion, from Ksh.48.5 billion reported in the fourth quarter of 2023. Credit risk remained elevated with Gross Non-Performing Loans (NPLs) to Gross Loans

Ratio standing at 15.7 percent at the end of the first quarter of 2024, an increase from 14.8 percent recorded at the end of fourth quarter of 2023.

Structure of the Banking Sector

The Kenyan banking sector comprised 38 Commercial Banks, 1 Mortgage Finance Company, 1 Mortgage Refinance Company, 14 Microfinance Banks, 10 Representative Offices of Foreign Banks, 75 Foreign Exchange Bureaus, 24 Money Remittance Providers, 3 Credit Reference Bureaus, and 51 Digital Credit Providers as of March 2024. **Chart 6.1** shows the structure of the Kenyan banking sector as at the end of the last two quarters.

Chart 6.1: Structure of the banking sector



Source: Central Bank of Kenya

Structure of the Balance Sheet

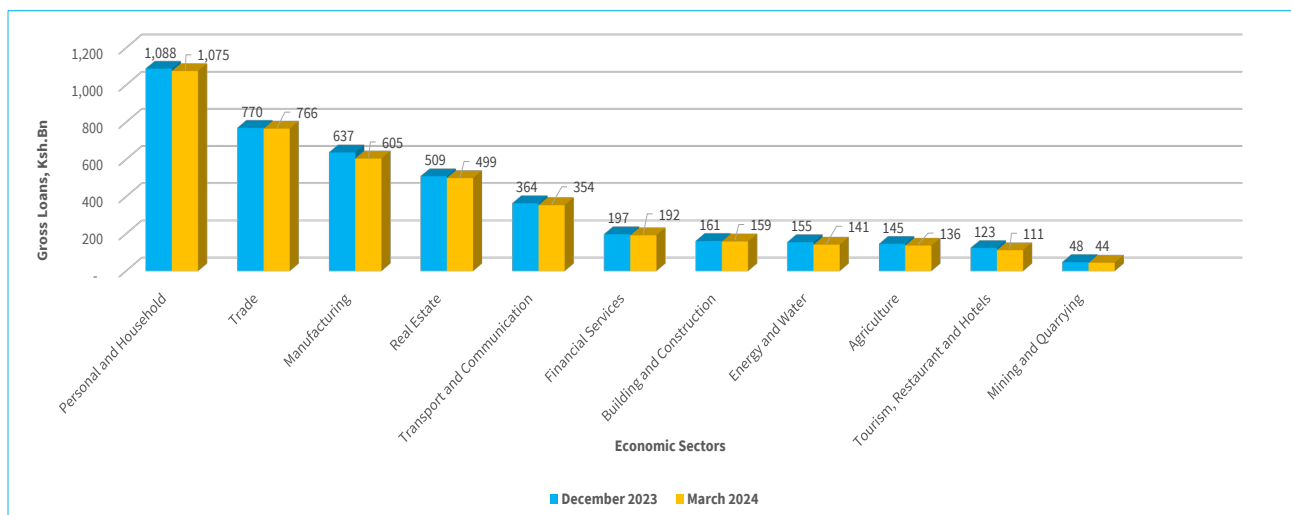
i) Decline in Banking sector assets

Total assets decreased by 2.7 percent to Ksh.7,513.1 billion in March 2024, from Ksh.7,724.9 billion in December 2023. The decrease in total assets was mainly recorded in foreign loans and advances by Ksh.225.0 billion (18.5 percent), government securities by Ksh.ksh.61.1 billion (3.0 percent) and placements by Ksh.21.4 billion (2.6 percent). Net loans and advances remained the main component of total assets, accounting for 49.4 percent in the first quarter of 2024, a decrease from 49.7 percent recorded in the fourth quarter of 2023.

ii) Loans and Advances

The banking sector loan book decreased by 2.8 percent, to Ksh.4,083.6 billion in the first quarter of 2024, from Ksh.4,199.5 billion in the fourth quarter of 2023. The decrease in gross loans and advances was largely witnessed in the Manufacturing, Energy and Water, Personal and Household, Tourism, Restaurant and Hotels sectors. The decrease in gross loans was mainly due to loan repayments. The sectoral distribution of gross loans for the fourth quarter of 2023 and the first quarter of 2024, is highlighted in **Chart 6.2**.

Chart 6.2: Kenyan banking sector gross loans

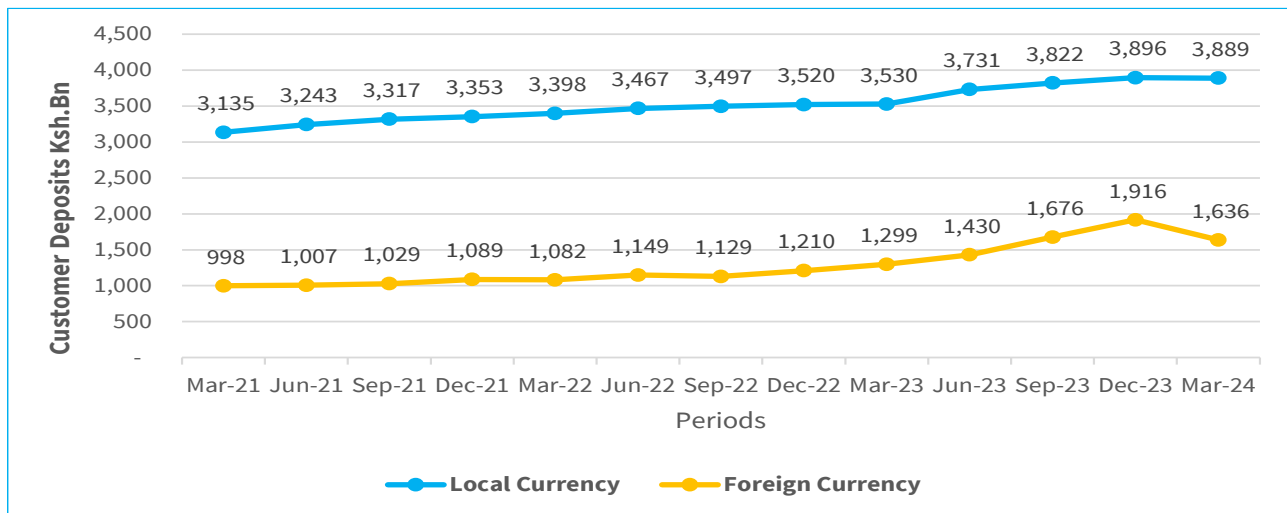


Source: Central Bank of Kenya

iii) Deposit Liabilities

Customer deposits remains the main source of funding to the banks accounting for 73.6 percent of the banking sector total liabilities and shareholders' funds as at the end of the first quarter of 2024. The customer deposit base decreased by Ksh.286.7 billion to Ksh.5,525.3 billion in the first quarter of 2024, from Ksh.5,812.1 billion in the fourth quarter of 2023. Local currency deposits decreased by Ksh.6.8

billion (0.2 percent) to Ksh.3,889.1 billion in the first quarter of 2024, from Ksh.3,895.9 billion in the fourth quarter of 2023. Foreign currency deposits decreased by Ksh.279.9 billion (14.6 percent) to Ksh.1,636.3 billion in the first quarter of 2024, from Ksh.1,916.2 billion in the fourth quarter of 2023. **Chart 6.3** shows the trend of deposit liabilities.

Chart 6.3: Customer deposits

Source: Central Bank of Kenya

Capital Adequacy

Kenya's banking sector is well capitalized and meets the minimum capital requirements. Core capital increased by 5.0 percent to Ksh.918.2 billion in the first quarter of 2024, from Ksh.874.8 billion in the fourth quarter of 2023. Total capital increased by 0.9 percent to Ksh.1,067.1 billion in the first quarter of 2024, from Ksh.1,057.7 billion in the fourth quarter of 2023.

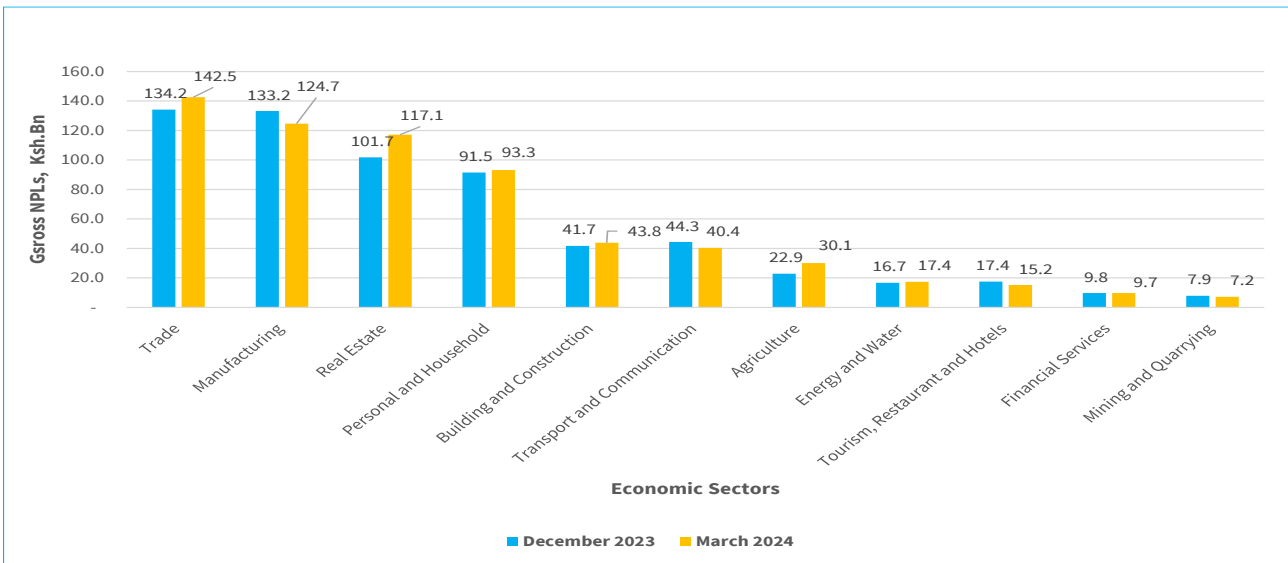
Core capital and total capital to total risk-weighted assets ratios increased slightly to 16.0 percent and 18.6 percent in the first quarter of 2024 from 15.1 percent and 18.3 percent in the fourth quarter of 2023, respectively. The increases in core and total capital ratios was mainly due to increase in the core (5.0 percent) and total capital (0.9 percent) and a decrease in total risk weighted assets (1.0 percent).

The minimum core capital to total deposits ratio is set at 8 percent. Commercial banks maintained an adequate buffer, with the ratio standing at 16.6 percent in the first of 2024.

Asset Quality

The Gross Non-Performing Loans (NPLs) increased by 3.2 percent from Ksh.621.3 billion at the fourth quarter of 2023, to Ksh.641.3 billion at the end of the first quarter of 2024. The gross NPLs to gross loans ratio increased to 15.7 percent in the first quarter of 2024, from 14.8 percent in the fourth quarter of 2023. This was due to a decrease in gross loans (2.8 percent) and increase of gross NPLs (3.2 percent). **Chart 6.4** highlights the sectoral distribution of gross NPLs.

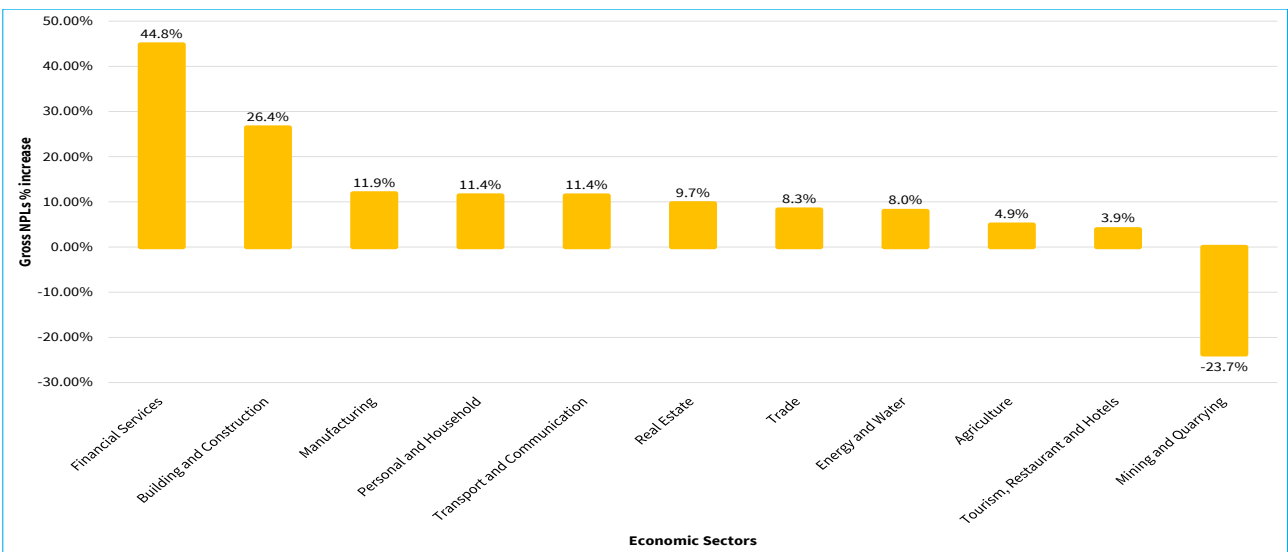
Chart 6.4: Kenyan banking sector gross non-performing loans



Source: Central Bank of Kenya

The increase in gross NPLs was spread across six economic sectors as highlighted in **Chart 6.5**.

Chart 6.5: Movement in Gross NPLs- Fourth Quarter of and First Quarter 2024



Source: Central Bank of Kenya

Agriculture, Real Estate, Trade, Building and Construction, Energy and Water and Personal and Household sectors registered increases in NPLs by Ksh.35.4 billion as a result of a challenging operating environment. Tourism, Restaurant and Hotels, Mining and Quarrying, Transport and Communication, Manufacturing, and Financial Services sectors registered decreased NPLs, mainly due to write offs and repayments.

loan increased from 6.3 percent in fourth quarter of 2023, to 6.5 percent in the first quarter of 2024. The coverage ratio, measured as a percentage of specific provisions to total NPLs, increased slightly from 39.1 percent in the fourth quarter of 2023, to 40.2 percent in the first quarter of 2024, due to a higher increase in specific provisions (5.0 percent) as compared to the increase in total NPLs (2.0 percent). A summary of asset quality for the banking sector over the period is shown in **Table 6.1**.

The banking sector’s asset quality, as measured by the proportion of net non-performing loans to gross

Table 6.1: Summary of asset quality

		Dec-23	Mar-24
1.	Gross Loans and Advances (Ksh.Bn)	4,199.50	4,083.6
2.	Interest in Suspense (Ksh.Bn)	88.3	97.7
3.	Loans and Advances (net of interest suspended) (Ksh.Bn)	4,111.20	3,985.9
4.	Gross Non-Performing loans (Ksh.Bn)	621.3	641.3
5.	Specific Provisions (Ksh.Bn)	208.2	218.6
6.	General Provisions (Ksh.Bn)	61	59.5
7.	Total Provisions (5+6) (Ksh.Bn)	269.2	278.1
8.	Net Advances (3-7) (Ksh.Bn)	3,842.0	3,707.7
9.	Total Non-Performing Loans and Advances (4-2) (Ksh.Bn)	533.0	543.6
10.	Net Non-Performing Loans and Advances (9-5) (Ksh.Bn)	263.8	265.4
11.	Total NPLs as % of Total Advances (9/3) (%)	13.0%	13.6%
12.	Net NPLs as % of Gross Advances (10/1) (%)	6.3%	6.5%
13.	Specific Provisions as % of Total NPLs (5/9) (%)	39.1%	40.2%
14.	Gross NPLs to Gross Loans Ratio (4/1) (%)	14.8%	15.7%

Source: Central Bank of Kenya

Profitability

The banking sector recorded an increase in quarterly pre-tax profits of Ksh.25.0 billion to Ksh.73.5 billion in the first quarter of 2024, from Ksh.48.5 billion in the fourth quarter of 2023. The increase in profitability was mainly attributable to an increase in quarterly income (Ksh.9.1 billion) and a decrease in quarterly expenses (Ksh.15.9 billion). The higher increase in income was mainly attributed to increased interest on loans advances (Ksh.6.1 billion)

Interest income on loans and advances, interest on government securities and other incomes were the major sources of income in both quarters. They accounted for 50.3 percent, 24.4 percent and 12.6 percent in the first quarter of 2024 as compared to 48.3 percent, 26.3 percent and 14.2 percent in the fourth quarter of 2023.

On the other hand, interest on deposits, other expenses and salaries and wages, were the key components of expenses, accounting for 41.1 percent, 19.9 percent and 18.5 percent of total expenses respectively in the fourth quarter of 2023, compared to 33.3 percent, 22.0 percent and 19.8 percent in the fourth quarter of 2023.

Return on Assets (ROA) increased slightly to 3.1 in the first quarter of 2024, from 2.3 percent recorded in the fourth quarter of 2023. Return on Equity (ROE) increased to 27.8 percent in the first quarter

of 2024, from 22.9 percent in the fourth quarter of 2023. The increase in ROE and ROA was due to increased profitability between the two quarters.

Liquidity

The banking sector's overall liquidity ratio increased to 53.6 percent in the first quarter of 2024, from 50.8 percent in the fourth quarter of 2023. The increase was driven by a higher increase in total liquid assets (2.6 percent) and a 2.4 percent decrease in total short-term liabilities between the two quarters. The banking sector liquidity ratio remained above the minimum statutory level of 20 percent.

Outlook of the Sector

- The banking sector is projected to remain stable in the second quarter of 2024.
- Operational risk is expected to remain elevated due to increasing cyber security risks.
- Credit risk is expected to be elevated in the short to medium term. The gross NPLs to Gross Loans ratio increased from 14.8 percent in the fourth quarter of 2023, to 15.7 percent in the first quarter of 2024.
- Interest rate risk is expected to be elevated on the back of rising interest rates.
- Liquidity risk is stable. The liquidity ratio increased to 53.6 percent in the first quarter of 2024, from 51.0 percent in the fourth quarter of 2023. These were above the statutory minimum of 20 percent

Kenya Shilling Flows in KEPSS

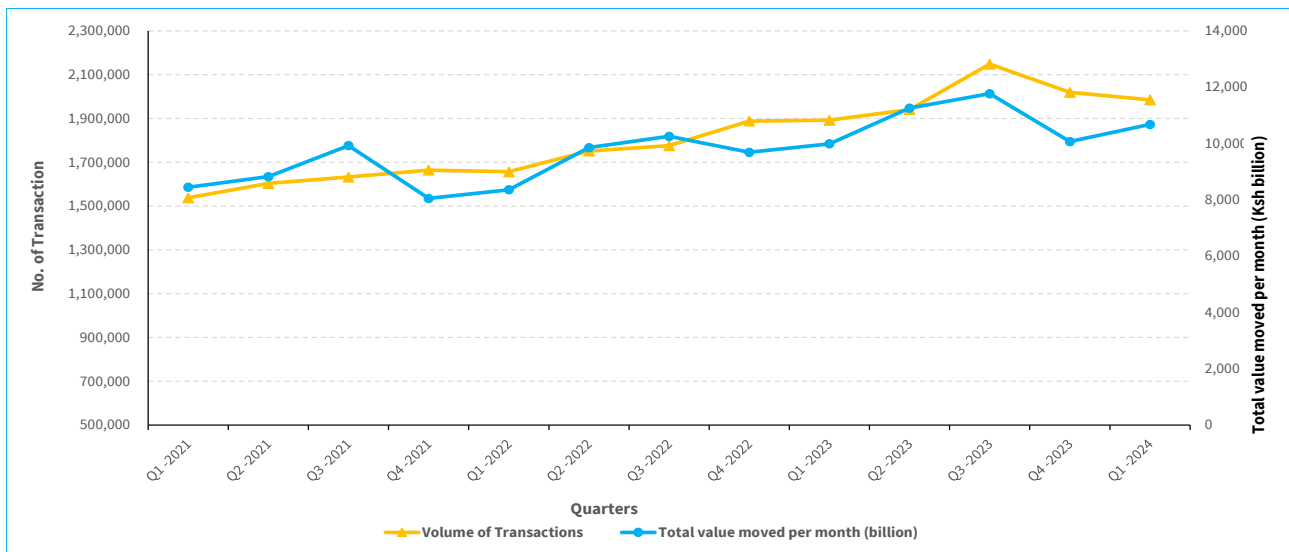
Kenya Electronic Payments and Settlement System (KEPSS) used for large value Real Time Gross Settlement (RTGS) payments moved a volume of 1.98 million transaction messages worth KSh 10.7 trillion in the first quarter of 2024, compared to the previous quarter which recorded 2.01 million transactions worth KSh 10.1 trillion. The volumes decreased by 1.69 percent and increased by 6.03

percent. **Chart 6.7** below highlights recent trends in KEPSS transactions.

System Availability

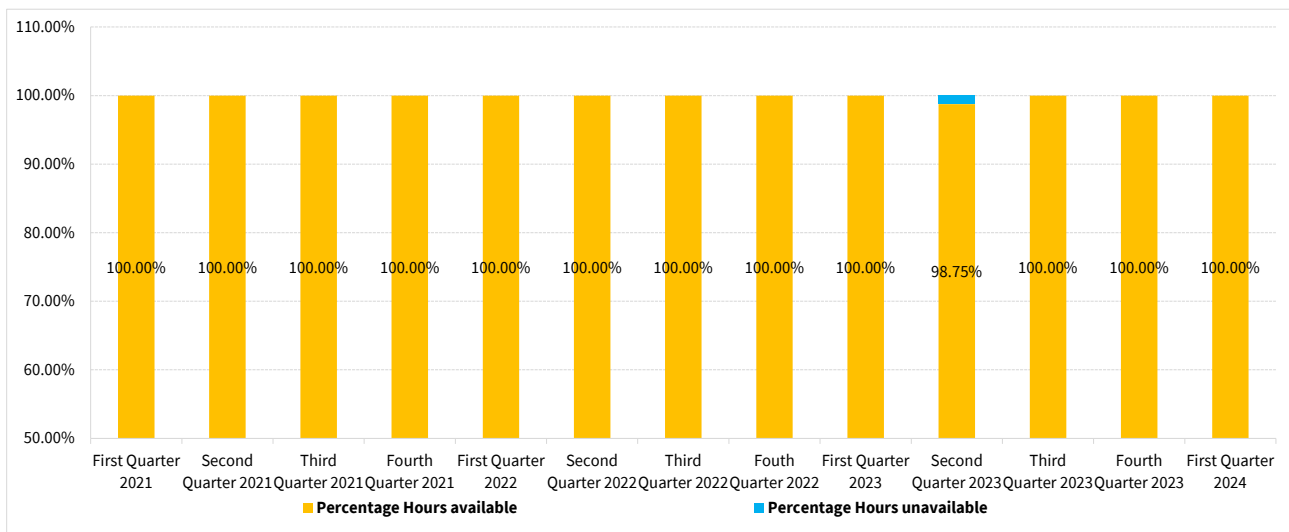
The KEPSS system is available to the commercial banks and other participants for 8 hours per day from 8.30 AM to 4.30 PM. The system availability maintained an average 100 percent during the first quarter of 2024 (**Chart 6.7**).

Chart 6.6: Trends in monthly flows through KEPSS



Source: Central Bank of Kenya

Chart 6.7: KEPSS availability



Source: Central Bank of Kenya

Chapter 7

Government Budgetary Performance

Overview

The Government's budgetary operations at the end of the third quarter of FY 2023/24 resulted in a

deficit of 3.3 of GDP against a target of 4.0 percent of GDP. Revenue collection and expenditure were below target by 12.8 percent and 14.1 percent, respectively.

Table 7.1: Statement of Government Operations (KSh Billion)

	FY2022/23	FY2023/24			Over (+) / Below (-) Target	% Variance	% change Q on Q	% cumulative share to GDP	Target to GDP (%)
	March	Q3	Cumulative to March-2024	Suppl. I Target					
1. TOTAL REVENUE & GRANTS	180.0	550.8	1,869.6	2,144.3	(274.7)	(12.8)	8.6	11.6	13.3
Ordinary Revenue	167.3	504.8	1,585.7	1,840.7	(255.1)		10.6		
Tax Revenue	160.9	484.0	1,534.4	1,780.3	(245.9)		9.9		
Non Tax Revenue	6.3	20.7	51.3	60.4	(9.2)		30.6		
Appropriations-in-Aid	10.3	37.6	270.0	285.7	(15.7)		2.0		
External Grants	2.5	8.5	13.9	17.9	(4.0)		(39.2)		
2. TOTAL EXPENSES & NET LENDING	246.4	690.6	2,395.4	2,787.7	(392.3)	(14.1)	23.6	14.8	17.3
Recurrent Expenses	165.6	499.8	1,796.3	1,975.5	(179.3)		25.9		
Development Expenses	48.0	94.2	360.1	500.8	(140.8)		4.5		
County Transfers	32.8	96.6	239.1	310.8	(71.7)		34.8		
Others	-	-	-	0.6	(0.6)				
3. DEFICIT (INCL. GRANTS) (1-2)	(66.3)	(139.8)	(525.8)	(643.4)	117.6	(18.3)	169.9	(3.3)	(4.0)
As percent of GDP	(0.4)	(0.9)	(3.3)	(4.0)	0.7				
4. ADJUSTMENT TO CASH BASIS	-			-	-				
5. DEFICIT INCL. GRANTS ON A CASH BASIS	(66.3)	(139.8)	(525.8)	(643.4)	117.6	(18.3)	2.6	(3.3)	(4.0)
As percent of GDP	(0.4)	(0.9)	(3.3)	(4.0)	0.7				
6. DISCREPANCY: Expenditure (+) / Revenue (-)	(12.7)	(1.8)	(25.8)	-					
7. FINANCING	53.7	319.7	500.1	643.4	(143.3)	(22.3)	115.1	3.1	4.0
Domestic (Net)	30.8	177.1	387.0	561.9	(174.8)				
Capital Receipts (domestic loan receipts)	-	-	-	-	-				
External (Net)	22.9	142.6	113.0	81.6	31.5				
Others		-	-	-	-				

Source: The National Treasury

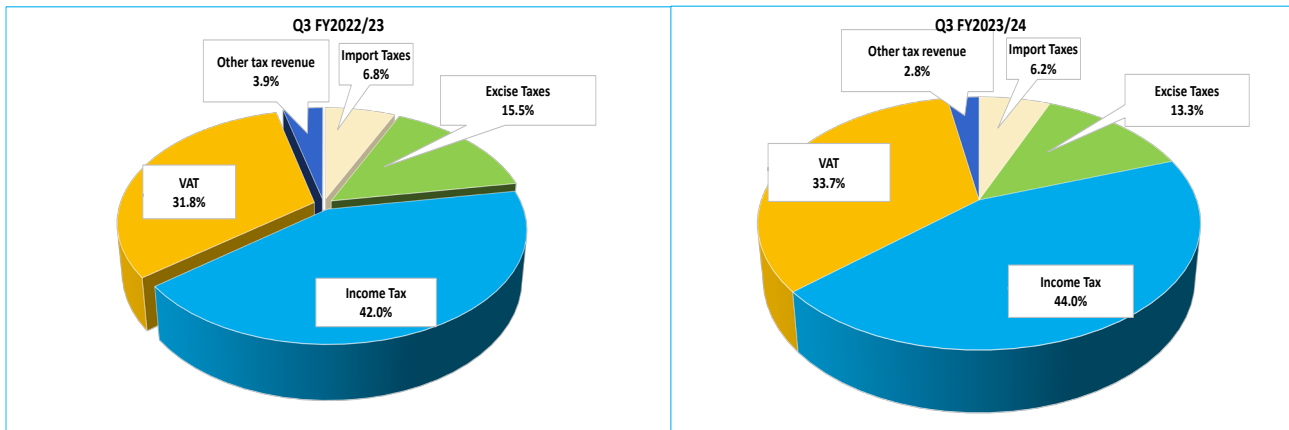
Revenue

Government receipts, comprising revenue and grants increased by 8.6 percent to KSh 550.8 billion in the third quarter of FY 2023/24, compared to KSh 507.0 billion in the third quarter of FY 2022/23. The increase was reflected in ordinary revenue and Appropriation in Aid (A-in-A) which grew by 10.5 percent and 2.0 percent, respectively. The increase in ordinary revenue was reflected in the income tax and VAT while the excise duty, import taxes and other taxes declined. During the period under review, external grants declined to Ksh 8.5 billion from Ksh 13.9 billion and were below target (**Table 7.1**).

There was a minor shift in the composition of tax revenues in the third quarter of FY 2023/24 compared with a similar period in the previous financial year (**Chart 7.1**). The share of Value Added Tax (VAT) and income tax increased by 1.9 percentage points each, while the share of excise taxes, import taxes and other taxes declined by 2.2 percentage points, 0.6 percentage points, and 1.1 percentage points, respectively.

Cumulatively to March 2024, Government total revenue and grants stood at KSh 1,869.6 billion (11.6 percent of GDP) against a target of KSh 2,144.3 billion (13.3 percent of GDP). Tax revenue and non-tax revenues were below their respective targets.

Chart 7.1: Composition of Tax Revenue



Source: September 2023 BOT, National Treasury

Expenditure and Net Lending

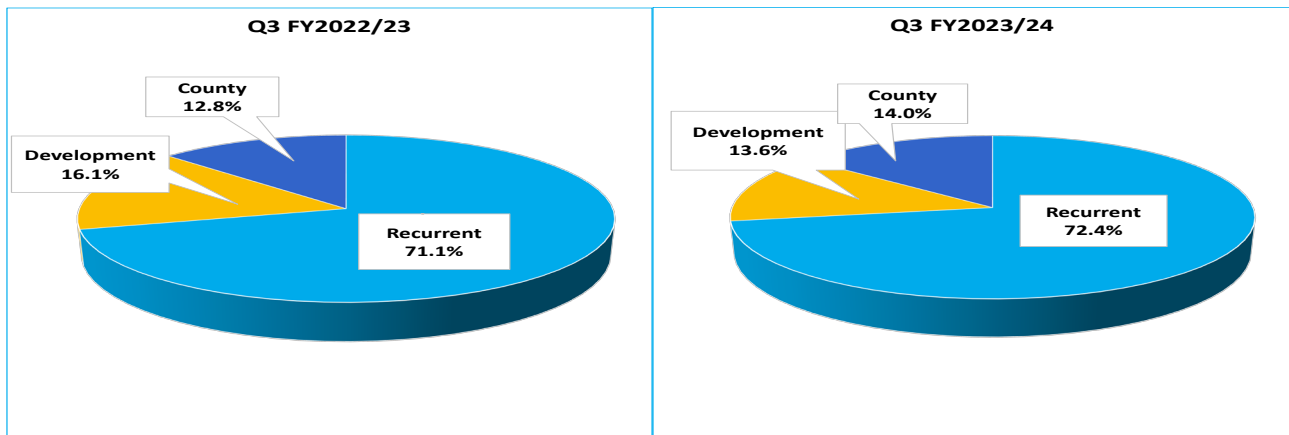
Government expenditure and net lending increased by 23.6 percent to KSh 690.6 billion in the third quarter of the FY 2023/24 compared to KSh 558.8 billion in a similar period of the FY 2022/23. This reflected increases in national government recurrent and development expenditures and county transfers by 25.9 percent, 4.5 percent, and 34.8 percent, respectively (**Table 7.1**).

In terms of composition, recurrent expenditure held the largest share in total government expenditure accounting for 72.4 percent in the third quarter of the FY 2023/24, which was 1.3 percentage points higher than the level recorded in a similar quarter during

the previous fiscal year. Over the same period, the share of county allocations increased by 1.2 percentage points while the share of development expenditure decreased by 2.5 percentage points (**Chart 7.2**).

Cumulatively to March 2024, expenditure and net lending amounted to KSh 2,395.4 billion (14.8 percent of GDP), against a target of KSh 2,787.7 billion (17.3 percent of GDP). The shortfall of KSh 392.3 billion was mainly attributed to lower absorption recorded in recurrent and development expenditures by the National Government and below target transfers to County Governments.

Chart 7.2: Composition of Government Expenditure



Source: September 2023 BOT, National Treasury

Financing

The budget deficit including grants amounted to KSh 525.8 billion or 3.3 percent of GDP at the end of the third quarter of FY 2023/24 compared to a target of KSh 643.4 billion (4.0 percent of GDP). The budget deficit was financed through net domestic financing of Ksh 387.0 billion and net foreign financing of KSh 113.0 billion. Domestic borrowing comprised

KSh 105.0 billion from commercial banks, KSh 293.0 billion from non-banks, KSh 2.4 billion from non-residents and KSh 18.0 billion drawdown on government deposits at the Central Bank as well as through other domestic financing (**Table 7.2**).

Table 7.2 Domestic financing (KSh Billion)

	FY 2023/24					
	Q2			Q3		
	Oct-23	Nov-23	Dec-23	Jan-24	Feb-24	Mar-24
1. From CBK	22.4	48.4	85.5	52.0	37.8	18.0
2. From commercial banks	(0.2)	20.8	4.7	17.9	96.2	105.0
4. From Non-banks	100.0	142.9	172.4	186.5	260.7	293.0
5. From Non-Residents	1.6	1.6	1.6	1.6	2.6	2.4
6. Total Net Domestic Credit	123.9	213.8	264.2	258.1	397.2	418.3
7. Other Domestic financing /1	(56.2)	(57.7)	(52.3)	(55.0)	(40.9)	(31.3)
8. Net Domestic Financing	67.8	156.2	211.9	203.1	356.3	387.0

/1 Include accounts payables and domestic loan repayment receipts

Source: The National Treasury (NB: Treasury Bills are reflected at cost)

Outlook for FY 2023/24

In the Supplementary II Budget Estimates for the FY 2023/24, total revenue including grants is projected at KSh 2,928.9 billion (18.2 percent of GDP). Government expenditure is projected at KSh 3,837.5 billion (23.8 percent of GDP), of which KSh 2,762.6 billion is for recurrent expenses, KSh 649.8

billion for development expenses, and KSh 423.9 billion for transfers to county governments.

The overall budget deficit including grants is, therefore, projected at KSh 908.6 billion (5.6 percent of GDP) in FY 2023/24, to be financed through net external borrowing of KSh 501.6 billion and net domestic borrowing of KSh 407.0 billion (**Table 7.3**).

Table 7.3: Budget Estimates for the Fiscal Year 2023/2024

	Ksh (Bn)	% of GDP
1. TOTAL REVENUE (Including Grants)	2,928.9	18.2
Ordinary Revenue	2,452.1	15.2
Appropriations-in-Aid	434.0	2.7
External Grants	42.8	0.3
2. TOTAL EXPENSES & NET LENDING	3,837.5	23.8
Recurrent Expenses	2,762.6	17.1
Development Expenses	649.8	4.0
County Transfer	423.9	2.6
Contingency Fund	1.2	0.0
3. DEFICIT INCL. GRANTS (1-2)	-908.6	(5.6)
Adjustment to Cash Basis	0.0	0.0
4. FINANCING	908.6	5.6
Domestic (Net)	407.0	2.5
External (Net)	501.6	3.1

Source: National Treasury, Supplementary Budget, November 2023

Chapter 8

Developments in Public Debt

Overall Public Debt

Kenya's public and publicly guaranteed debt declined by 6.6 percent during the third quarter of FY 2023/24 on account of external debt which declined by 15.2 percent. During the quarter under

review, domestic debt increased by 3.9 percent. The ratio of public debt to GDP was estimated at 66.7 percent by the end of third quarter of FY 2023/24 compared to 73.6 percent in the previous quarter (**Table 8.1**).¹

Table 8.1 Kenya's public and publicly guaranteed debt

	FY2022/23		FY2023/24					
	Q3	Q4	Q1	Q2	Jan-24	Feb-24	Q3	Q on Q Change
EXTERNAL								
Bilateral	1,291.9	1,339.5	1,341.8	1,422.2	1,399.7	1,247.6	1,135.5	-286.7
Multilateral	2,244.1	2,654.9	2,827.1	3,061.1	3,118.6	2,898.9	2,654.3	-406.8
Commercial Banks	1,301.2	1,437.3	1,483.6	1,588.7	1,653.9	1,491.5	1,359.1	-229.6
Supplier Credits	14.0	14.8	15.3	17.6	17.8	15.9	14.6	-3.0
Sub-Total	4,851.1	5,446.6	5,667.8	6,089.6	6,190.0	5,653.9	5,163.4	-926.2
(As a % of GDP)	34.8	37.9	38.9	40.3	40.5	36.7	33.1	-7.2
(As a % of total debt)	51.7	53.0	53.6	54.7	55.1	52.1	49.7	-5.1
DOMESTIC								
Banks	2,096.7	2,293.2	2,280.2	2,323.2	2,318.6	2,390.7	2,392.6	69.4
Central Bank	103.9	198.1	198.5	222.1	215.5	212.2	202.4	-19.7
Commercial Banks	1,992.8	2,095.1	2,081.7	2,101.1	2,103.2	2,178.4	2,190.1	89.0
Non-banks	2,410.4	2,507.2	2,600.8	2,682.4	2,698.3	2,775.1	2,808.6	126.2
Pension Funds	1,517.8	1,581.0	1,550.1	1,511.3	1,511.8	1,532.4	1,542.6	31.3
Insurance Companies	338.4	345.6	354.7	365.3	371.0	373.6	374.7	9.5
Other Non-bank Sources	554.2	580.6	696.1	805.8	815.4	869.0	891.3	85.4
Non-residents	32.5	32.0	33.6	33.5	33.5	34.5	34.1	0.6
Sub-Total	4,539.6	4,832.3	4,914.6	5,039.1	5,050.4	5,200.2	5,235.2	196.1
(As a % of GDP)	32.6	33.6	33.7	33.3	33.1	33.7	33.6	0.2
(As a % of total debt)	48.3	47.0	46.4	45.3	44.9	47.9	50.3	5.1
GRAND TOTAL	9,390.7	10,278.9	10,582.4	11,128.7	11,240.4	10,854.1	10,398.6	-730.1
(As a % of GDP)	67.3	71.5	72.6	73.6	73.6	70.4	66.7	-6.9

Source: The National Treasury and CBK

Domestic Debt

The 3.9 percent increase in domestic debt was largely on account of increased uptake of Treasury bonds. The share of domestic debt to total debt increased by 5.1 percentage points to 50.3 percent by the end of the third quarter of FY 2023/24 from

45.3 percent in the previous quarter. The proportion of debt securities to total domestic debt stood at 96.2 percent by the end of the third quarter of FY 2023/24 compared to 95.6 percent in the previous quarter (**Table 8.2**).

¹ The quarterly analysis is based on the Fiscal year quarters; Q1: July- September, Q2: October- December, Q3: January-March Q4: April- June

Table 8.2: Government gross domestic debt (KSh Billion)

	Ksh (Billions)					Change: Q on Q		Proportions %				
	FY2023/24					%	Q4	FY2022/23	FY2023/24			
	Q2	Jan-24	Feb-24	Q3	Ksh(Bn)			Q1	Q2	Jan-24	Feb-24	Q3
Total Stock of Domestic Debt (A+B)	5,039.1	5,050.4	5,200.2	5,235.2	196.1	3.9	100.0	100.0	100.0	100.0	100.0	100.0
A. Government Securities	4,818.7	4,837.9	4,991.2	5,035.5	216.8	4.5	95.8	95.8	95.6	95.8	96.0	96.2
1. Treasury Bills (excluding Repo Bills)	546.9	565.6	549.1	557.0	10.1	1.8	12.7	11.4	10.9	11.2	10.6	10.6
Banking institutions	205.0	217.0	177.8	177.1	-27.9	-13.6	5.4	4.4	4.1	4.3	3.4	3.4
The Central Bank	0.2	0.2	0.2	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Commercial Banks	204.7	216.8	177.5	176.8	-27.9	-13.6	5.4	4.4	4.1	4.3	3.4	3.4
Pension Funds	34.7	39.8	52.3	48.5	13.8	39.8	3.4	1.8	0.7	0.8	1.0	0.9
Insurance Companies	6.2	6.2	6.9	7.3	1.1	18.0	0.1	0.2	0.1	0.1	0.1	0.1
Others	301.1	302.7	312.1	324.2	23.1	7.7	3.7	4.9	6.0	6.0	6.0	6.2
2. Treasury Bonds	4,271.8	4,272.3	4,442.1	4,478.5	206.7	4.8	83.1	84.4	84.8	84.6	85.4	85.5
Banking institutions	1,898.0	1,889.2	2,004.0	2,016.0	118.0	6.2	37.8	37.8	37.7	37.4	38.5	38.5
The Central Bank	8.1	8.1	8.1	8.1	0.0	0.0	0.2	0.2	0.2	0.2	0.2	0.2
Commercial Banks	1,889.9	1,881.2	1,995.9	2,007.9	118.0	6.2	37.6	37.6	37.5	37.2	38.4	38.4
Insurance Companies	359.1	364.9	366.7	367.5	8.4	2.3	7.0	7.1	7.1	7.2	7.1	7.0
Pension Funds	1,511.3	1,511.8	1,532.4	1,542.6	31.3	2.1	29.3	29.7	30.0	29.9	29.5	29.5
Others	503.4	506.3	538.9	552.5	49.1	9.7	9.0	9.9	10.0	10.0	10.4	10.6
3. Long Term Stocks	0.0	0.0	0.0	0.0	0.0		0.0	0.0	0.0	0.0	0.0	0.0
Banking institutions	0.0	0.0	0.0	0.0	0.0		0.0	0.0	0.0	0.0	0.0	0.0
Others	0.0	0.0	0.0	0.0	0.0		0.0	0.0	0.0	0.0	0.0	0.0
4. Frozen account	17.8	17.2	17.2	17.2	-0.6	-3.1	0.4	0.4	0.4	0.3	0.3	0.3
Of which: Repo T/Bills	17.2	16.6	16.6	16.6	-0.6	-3.2	0.4	0.3	0.3	0.3	0.3	0.3
B. Others:	202.6	195.3	191.8	182.4	-20.2	-10.0	3.8	3.8	4.0	3.9	3.7	3.5
Of which CBK overdraft to Government	94.1	83.4	94.3	92.2	-1.9	-2.1	1.6	1.5	1.9	1.7	1.8	1.8

Source: Central Bank of Kenya

Treasury Bills

Treasury bill holdings, excluding those held by CBK for open market operations (Repos) recorded a 1.8 percent increase during the third quarter of FY 2023/24. However, the proportion of Treasury bills in total domestic debt decreased by about 0.3 percentage points from 10.9 percent the previous quarter. Commercial banks were the leading holders of Treasury bills at 31.7 percent (**Table 8.2**).

Treasury Bonds

Treasury bonds holdings increased by 4.8 percent during the third quarter of FY 2023/24, which was higher than the 2.9 percent increase in the previous quarter (**Table 8.2**). The largest component of this buildup was attributable to proceeds from the 8.5- year infrastructure and the 3-year fixed rate Treasury bonds issued during the quarter (**Table 8.3**). The leading holders of Treasury bonds by the end of the period under review were commercial banks, pension funds and Insurance companies. Commercial bank holdings accounted for 44.8 percent of the outstanding Treasury Bonds.

Table 8.3: Outstanding domestic debt by tenor (KSh Billion)

		KSh (Billions)						Change Q on Q		Proportions			
		FY2022/23	FY2023/24					KShs(Bn)	%	2022/23	2023/24		
		Q4	Q1	Q2	Jan-24	Feb-24	Q3			Q4	Q1	Q2	Q3
Treasury bills	91-Day	249.2	291.0	292.5	306.4	275.1	252.6	1.5	0.5	5.2	5.9	5.8	4.8
	182-Day	154.4	75.2	97.5	109.6	122.6	138.1	40.6	41.7	3.2	1.5	1.9	2.6
	364-Day	211.1	192.1	156.9	149.7	151.3	166.4	9.4	6.0	4.4	3.9	3.1	3.2
Treasury Bonds	1-Year	0.0	0.0	0.0	0.0	0.0	0.0	0.0		0.0	0.0	0.0	0.0
	2-Year	0.0	43.6	50.6	50.6	50.6	50.6	0.0	0.0	0.0	0.9	1.0	1.0
	3-Year	137.1	137.1	137.1	167.8	167.8	202.1	65.0	47.4	2.8	2.8	2.7	3.9
	4-Year	0.0	0.0	0.0	0.0	0.0	0.0	0.0		0.0	0.0	0.0	0.0
	5-Year	320.0	368.6	370.1	375.8	310.4	329.0	-41.2	-11.1	6.6	7.5	7.3	6.3
	6-Year	69.7	69.7	69.7	69.7	69.7	69.7	0.0	0.0	1.4	1.4	1.4	1.3
	7-Year	234.5	234.5	347.2	347.2	347.2	347.2	0.0	0.0	4.9	4.8	6.9	6.6
	8-Year	0.0	0.0	0.0	0.0	0.0	0.0	0.0		0.0	0.0	0.0	0.0
	9-Year			0.0	0.0	240.3	240.3	240.3		0.0	0.0	0.0	4.6
	10-Year	107.4	107.4	107.4	107.4	107.4	107.4	0.0	0.0	2.2	2.2	2.1	2.1
	11-Year	585.1	640.5	641.3	605.4	605.4	610.3	-31.0	-4.8	12.1	13.0	12.7	11.7
	12-Year	80.2	80.2	80.3	80.3	80.3	80.3	0.0	0.0	1.7	1.6	1.6	1.5
	14-Year	89.3	77.6	77.6	77.6	72.4	51.1	-26.5	-34.1	1.8	1.6	1.5	1.0
	15-Year	94.3	94.3	94.3	94.3	94.3	94.3	0.0	0.0	2.0	1.9	1.9	1.8
	16-Year	866.2	866.2	866.2	866.2	866.2	866.2	0.0	0.0	17.9	17.6	17.2	16.5
	17-Year		152.0	152.0	152.0	152.0	152.0	0.0	0.0	3.1	3.1	3.0	2.9
	18-Year	68.2	68.2	68.2	68.2	68.2	68.2	0.0	0.0	1.4	1.4	1.4	1.3
	19-Year	161.6	161.6	161.6	161.6	161.6	161.6	0.0	0.0	3.3	3.3	3.2	3.1
	20-Year	98.4	98.4	98.4	98.4	98.4	98.4	0.0	0.0	2.0	2.0	2.0	1.9
	21-Year	572.3	572.3	572.3	572.3	572.3	572.3	0.0	0.0	11.8	11.6	11.4	10.9
	25-Year	106.7	106.7	106.7	106.7	106.7	106.7	0.0	0.0	2.2	2.2	2.1	2.0
30-Year	242.6	242.6	242.6	242.6	242.6	242.6	0.0	0.0	5.0	4.9	4.8	4.6	
Repo T bills	28.1	28.1	28.1	28.1	28.1	28.1	0.0	0.0	0.6	0.6	0.6	0.5	
Overdraft	17.2	17.2	17.2	16.6	16.6	16.6	-0.6	-3.2	0.4	0.3	0.3	0.3	
Other Domestic debt	76.5	75.7	94.1	83.4	94.3	92.2	-1.9	-2.1	1.6	1.5	1.9	1.8	
Total Debt		110.1	113.7	109.1	112.4	98.1	90.8	-18.2	-16.7	2.3	2.3	2.2	1.7
		4,832.3	4,914.6	5,039.1	5,050.4	5,200.2	5,235.2	196.1	3.9	100.0	100.0	100.0	100.0

Source: Central Bank of Kenya

Domestic Debt by Tenor and the Maturity Structure

The government floated both short and long dated securities during the period under review. The current debt securities portfolio is dominated by medium- and long-term debt securities at the ratio of 89:11 Treasury bonds to Treasury bills. The benchmark 2-year, 5-year, 10-year, 15-year, 20-year and 25-year Treasury Bonds accounted for 60 percent of the total outstanding Treasury Bonds. The refinancing risk on total domestic debt remained low as the Treasury bills component in the domestic debt profile stood at 10.6 percent by the end of March 2024.

External Debt

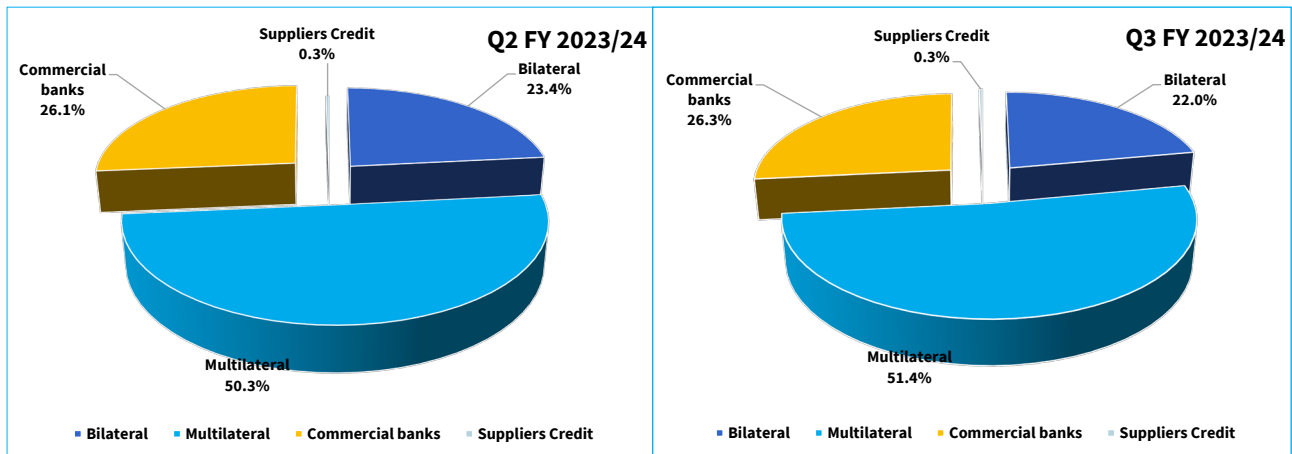
Public and publicly guaranteed external debt declined by 15.2 percent during the third quarter

of FY 2023/24. This decrease was majorly driven by strengthening of the Kenya Shilling against major international currencies during the period under review.

Composition of External Debt by Creditor

The composition of external debt in the third quarter of FY 2023/24 was dominated by debt from official multilateral lenders (who provide concessional loans), particularly the International Development Association (IDA) and Africa Development Bank/Fund (ADB/ADF). During the period under review, the proportion of multilateral debt in total external debt increased by 1.1 percentage points (**Chart 8.1**).

Chart 8.1: Composition of external debt by lender

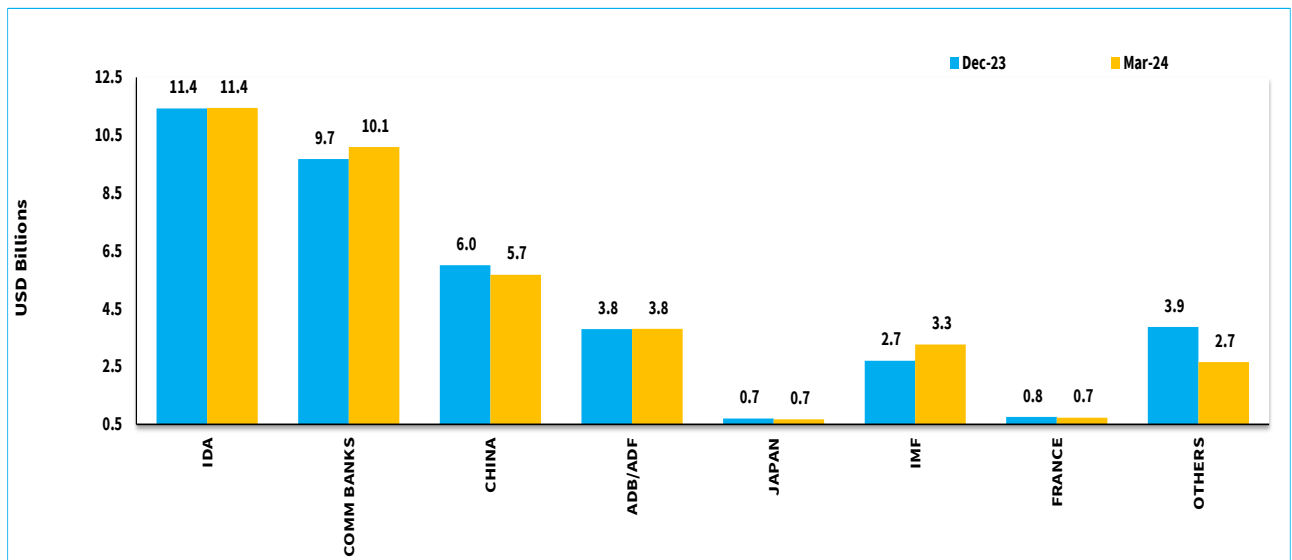


Source: The National Treasury

Debt owed to International Development Association (IDA), Kenya’s largest multilateral lender, stood at USD 11.4 billion (29.9 percent of external debt). Debt owed to China, Kenya’s largest

bilateral lender, amounted to USD 5.7 billion, or 14.8 percent of the total external debt by the third quarter of FY 2023/24 (**Chart 8.2**).

Chart 8.2: External debt by creditor

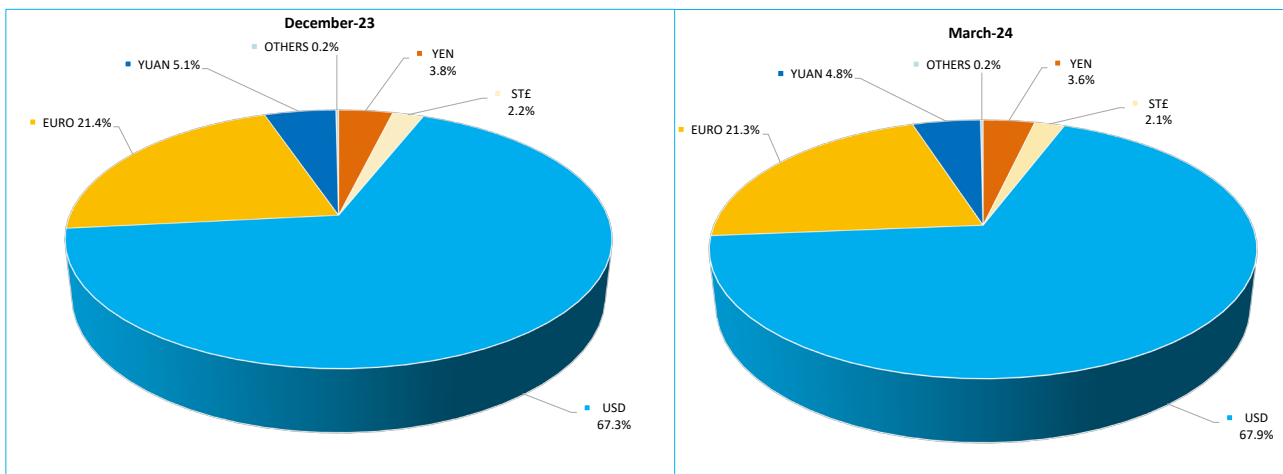


Source: The National Treasury

Currency Composition of External Debt

Kenya’s public and publicly guaranteed external debt is denominated in various currencies to mitigate against currency risk. The dominant currencies include the US dollar and the Euro which

accounted for 89.2 percent of the total currency composition at the end of the third quarter of FY 2023/24. The proportion held in US dollars increased by 0.6 percentage points (**Chart 8.3**).

Chart 8.3: Debt composition by currency

Source: The National Treasury

Public Debt Service

The ratio of domestic interest payments to revenues was 24.7 percent during the third quarter of FY 2023/24. The largest component of domestic interest payments was interest on Treasury Bonds which was consistent with the proportion of debt

held in Treasury bonds. External debt service for the third quarter of FY 2022/23 amounted to KSh 131.3 billion. External debt service to revenue and exports ratios deteriorated during the quarter under review mainly due to an increase in the debt service relative to the previous quarter² (**Table 8.4**).

Table 8.4: External debt sustainability indicators

Composite Indicators Threshold	Q2 FY 2022/23	Q3 FY 2022/23	Q4 FY 2022/23	Q1 FY 2023/24	Q2 FY 2023/24	Q3 FY 2023/24
Debt service to Revenues (18%)	13.6	23.0	13.2	28.3	15.9	26.0
Debt service to Exports (15%)	19.4	28.0	19.8	33.3	21.2	26.5

Source: Central Bank of Kenya and The National Treasury

Debt Sustainability Analysis

A Debt Sustainability Analysis conducted by the IMF in December 2023 shows that Kenya's debt remains sustainable in the medium to long term supported by sustained policy actions and expected strong export growth. However, the overall and external ratings for risk of debt distress remained high.

The assessment also shows Kenya's debt burden indicators were expected to improve supported by a stronger fiscal effort. The DSA suggests that Kenya is susceptible to export, exchange rate, and primary balance shocks. In view of this, efforts aimed at boosting exports and revenues would strengthen external debt sustainability.

² Debt service ratios to flow resource bases such as revenues and exports are liquidity indicators of the level of indebtedness.

Chapter 9

Capital Markets

At the Nairobi Securities Exchange, the NASI and NSE 20 share price index, increased by 22.8 percent and 16.7 percent respectively in the first quarter of 2024 compared to the fourth quarter of 2023.

Market capitalisation, equity turnover and total shares traded also increased by 22.8 percent, 61.6 percent and 35.1 percent, respectively (**Table 9.1 and Chart 9.1**).

Table 9.1: Selected stock market indicators

INDICATOR	2022		2023				2024	Change 2024Q1- 2023Q4 (%)
	Q3	Q4	Q1	Q2	Q3	Q4	Q1	
NSE 20 Share Index (1966=100)	1,717.68	1,676.10	1,622.05	1,574.92	1,508.80	1,501.20	1,752.43	16.74
NASI (2008=100)	128.41	127.47	112.76	107.00	95.22	92.11	113.09	22.78
Number of Shares Traded (Millions)	823.34	634.17	1,086.50	764.87	1,081.70	812.10	1,097.33	35.12
Equities Turnover (Ksh Millions)	22,735.92	17,457.41	44,815.56	14,395.17	17,219.00	11,801.05	19,065.97	61.56
Market Capitalization (Ksh Billions)	2,000.82	1,986.08	1,756.00	1,666.29	1,488.00	1,439.00	1,766.95	22.79
Foreign Purchase (Ksh Millions)	6,615.70	7,115.27	8,757.28	5,777.00	6,324.00	5,755.75	10,179.37	76.86
Foreign Sales (Ksh Millions)	13,580.69	11,985.61	22,687.19	7,258.54	9,864.00	8,092.00	12,407.40	53.33
Ave. Foreign Investor Participation to Equity Turnover (%)	44.42	54.71	41.24	44.95	47.01	58.67	59.23	0.56*
Bond Turnover (Ksh Millions)	196,961.00	158,270.00	162,514.88	147,405.62	196,301.00	137,777.84	458,198.67	197.16
7-Year Eurobond Yield (%) - 2027	15.612	10.913	13.380	11.251	14.299	10.037	8.443	-1.59*
10-Year Eurobond Yield (%) - 2024	14.737	10.479	12.316	11.035	13.270	9.820	8.708	-1.11*
10-Year Eurobond Yield (%) - 2028							9.238	
12-Year Eurobond Yield (%) - 3032	14.667	10.765	11.745	11.050	12.700	9.890	9.265	-0.63*
13-Year Eurobond Yield (%) - 2034	13.168	9.856	11.250	10.291	12.300	9.560	9.316	-0.24*
30-Year Eurobond Yield (%) - 2048	13.995	10.860	11.615	11.058	12.450	10.210	9.316	-0.89*

* Percentage points

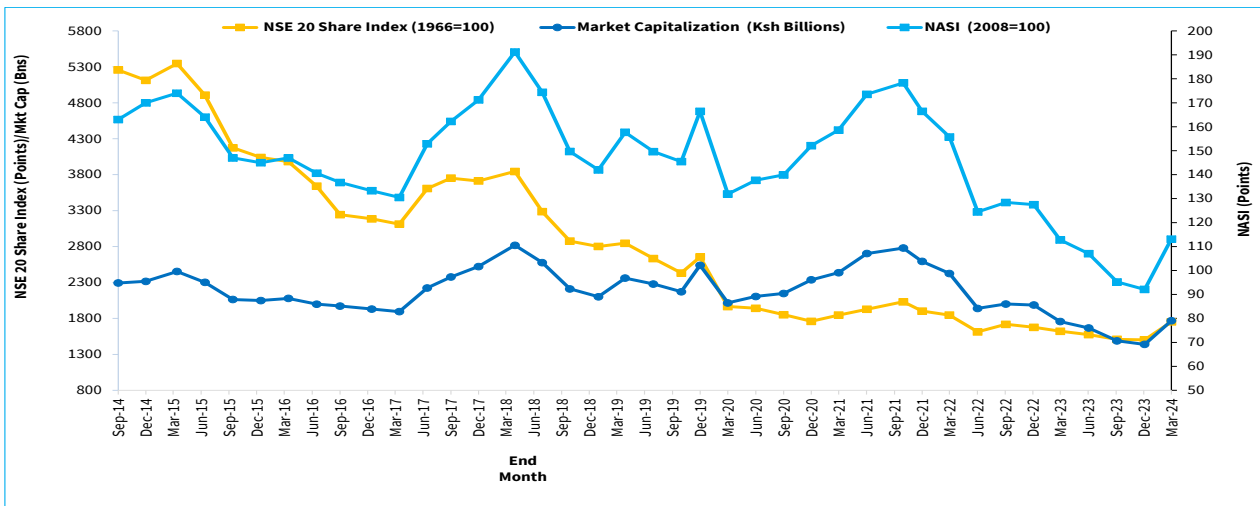
Source: Nairobi Security Exchange

Foreign Investors' Participation

The value of equities purchased by foreign investors increased by 76.9 percent at the end of the first quarter of 2024 compared to fourth quarter of 2023. The value of equities sold by foreign investors

increased by 53.3 percent in the first quarter of 2024, compared to fourth quarter of 2024. Overall, the average foreign investor participation at the NSE increased by 56.1 percentage points in the period under review (**Table 9.1 and Chart 9.2**).

Chart 9.1: NSE 20 share price index, NASI and market capitalization



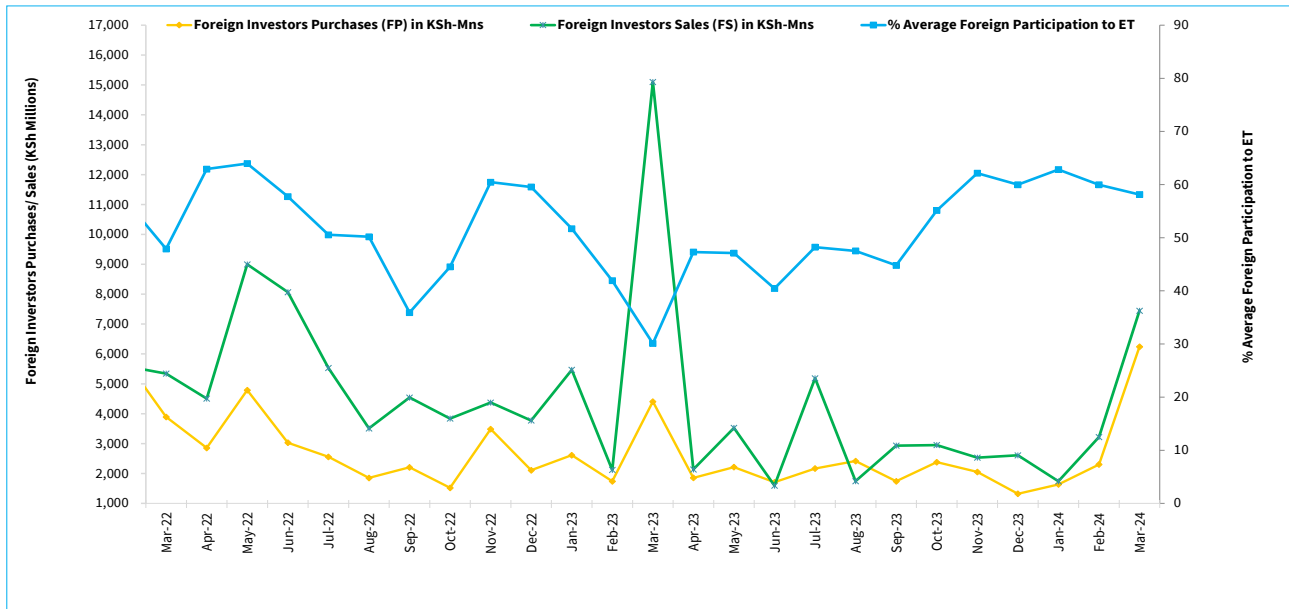
Source: Nairobi Security Exchange

Bonds Market

The bond turnover in the domestic secondary market increased by 197.2 percent in the first quarter of 2024 compared to the fourth quarter of 2023. In the international market, yields on all

outstanding Kenya’s Eurobonds declined by an average of 300.2 basis points during the period under review (**Table 9.1**). On February 2024, 6-Year Eurobond Yield (%) due in 2031.

Chart 9.2: Foreign investors participation at the NSE



Source: Nairobi Security Exchange

Chapter 10

Statement of Financial Position of the Central Bank of Kenya (Kenya Shilling Million)

1.0 ASSETS	2023				2024				Absolute QuATterly Changes (KSh Million)					Quarterly Growth Rates (%)				
	Mar	June	Sept	Dec	Mar	Q1,2024	Q4,2023	Q3,2023	Q2,2023	Q1,2023	Q1,2024	Q4,2023	Q3,2023	Q2,2023	Q1,2023			
1.1 Reserves and Gold Holdings	847,431	1,063,081	1,045,504	1,068,257	964,679	(103,578)	22,753	(17,577)	215,650	(69,520)	(9.7)	2.2	(1.7)	25.4	(7.6)			
1.2 Funds Held with IMF	74,310	73,275	73,154	76,528	58,226	(18,302)	3,374	(121)	(1,035)	3,959	(23.9)	4.6	(0.2)	(1.4)	5.6			
1.3 Investment in Equity (Swift Shares)	12	12	13	14	11	(3)	1	1	-	1	(18.2)	11.9	8.1	-	8.9			
1.4 Items in the Course of Collection	43	42				-	-	(42)	(1)	3			(100.0)	(3.4)	7.9			
1.5 Advances to Commercial Banks	116,958	82,469	167,761	229,230	207,561	(21,669)	61,469	85,292	(34,489)	5,294	(9.5)	36.6	103.4	(29.5)	4.7			
1.6 Loans and Other Advances	314,286	330,559	386,099	416,153	423,467	7,314	30,054	55,540	16,273	23,195	1.8	7.8	16.8	5.2	8.0			
1.7 Other Assets	7,365	6,884	6,371	5,125	4,041	(1,084)	(1,246)	(513)	(481)	815	(21.1)	(19.6)	(7.5)	(6.5)	12.4			
1.8 Retirement Benefit Asset	7,081	4,994	4,994	4,995	4,994	(1)	1	(0)	(2,087)	-	(0.0)	0.0	(0.0)	(29.5)	-			
1.9 Property and Equipment	30,920	29,789	29,471	29,422	29,082	(340)	(49)	(318)	(1,131)	(168)	(1.2)	(0.2)	(1.1)	(3.7)	(0.5)			
1.10 Intangible Assets	1,375	1,998	2,075	2,401	2,421	20	326	77	623	687	0.8	15.7	3.9	45.3	100.0			
1.11 Due Debt from Government of Kenya	187,307	189,967	190,238	216,250	194,161	(22,089)	26,012	271	2,660	46,053	(10.2)	13.7	0.1	1.4	32.6			
TOTAL ASSETS	1,587,088	1,783,070	1,905,681	2,048,375	1,888,642	(159,733)	142,694	122,611	195,982	10,318	(7.8)	7.5	6.9	12.3	0.7			
2.0 LIABILITIES																		
2.1 Currency in Circulation	308,384	315,967	321,984	351,275	337,668	(13,607)	29,291	6,017	7,583	(17,482)	(3.9)	9.1	1.9	2.5	(5.4)			
2.2 Deposits	454,390	572,975	554,775	555,005	563,692	8,687	230	(18,200)	118,585	(74,245)	1.6	0.0	(3.2)	26.1	(14.0)			
2.3 International Monetary Fund	456,212	477,899	554,703	596,286	587,952	(8,334)	41,583	76,804	21,687	33,649	(1.4)	7.5	16.1	4.8	8.0			
2.4 Other Liabilities	5,408	6,152	6,284	3,922	3,637	(285)	(2,362)	132	744	155	(7.3)	(37.6)	2.1	13.8	3.0			
TOTAL LIABILITIES	1,224,394	1,372,993	1,437,745	1,506,488	1,492,949	(13,539)	68,743	64,752	148,599	(57,923)	(0.9)	4.8	4.7	12.1	(4.5)			
3.0 EQUITY AND RESERVES	362,694	410,077	467,935	541,887	395,694	(146,193)	73,952	57,857	47,383	68,240	(27.0)	15.8	14.1	13.1	23.2			
Share Capital	38,000	38,000	50,000	50,000	50,000	-	-	12,000	-	-	-	-	32	-	-			
General reserve fund	326,299	366,730	417,588	491,540	345,347	(146,193)	73,952	50,858	40,431	68,240	(30)	18	14	12	26			
Asset Revaluation	21,680	21,680	21,680	21,680	21,680	-	-	-	-	-	-	-	-	-	-			
Fair Value Reserves - OCI	(23,286)	(21,333)	(21,333)	(21,333)	(21,333)	-	-	(0)	1,953	-	-	-	0	(8)	-			
Consolidated Fund		5,000				-	-	(5,000)	5,000	-								
4 TOTAL LIABILITIES AND EQUITY	1,587,088	1,783,070	1,905,681	2,048,375	1,888,643	(159,732)	142,694	122,611	195,982	10,317	(7.8)	7.5	6.9	12.3	0.7			

Source: Central Bank of Kenya

Notes on the Financial Position of the CBK

Assets

The Central Bank of Kenya balance sheet declined by 7.8 percent in the first quarter of 2024 compared to an increase of 7.5 percent in the previous quarter, largely reflecting reduced reserve and gold holdings mainly due to valuation effects following appreciation of the exchange rate. Reserve and gold holdings comprise of foreign reserves held in external current accounts, deposits and special/projects accounts, domestic foreign currency clearing accounts, gold, special drawing rights and Reserves Advisory and Management Program (RAMP) securities invested with the World Bank. Advances to commercial banks, largely for liquidity management also declined, partly reflecting improved liquidity conditions. Funds held with IMF moderated during the quarter under review, partly reflecting the impact of the appreciation of

the exchange rate while debt due from government decreased, partly reflecting reduced utilization of overdraft facility at the central bank by government.

Liabilities

On the liability side, the decline in the Central Bank's balance sheet was largely reflected in equity and reserves which declined on account of revaluation losses due to the impact of exchange rate appreciation. Currency in circulation also moderated during the quarter, reflecting reduced demand for cash following the end of year festivities. The IMF liabilities relates to disbursements to the government under the Extended Credit Facility (ECF) and Extended Fund Facility (EFF) to the Government, which are channeled through the Central Bank, and its decline mainly reflected valuation effects of the exchange rate appreciation.



Central Bank of Kenya

Haile Selassie Avenue P.O. Box 60000 - 00200 Nairobi | Tel: (+254) 20 - 286 0000 / 286 1000 / 286 3000