

Orient Asset Managers Limited

Statement of Actual Revenue and Net Exchequer Issues

February 2024



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STATEMENT OF ACTUAL REVENUES AND NET EXCHEQUER ISSUES AS AT 29TH FEBRUARY, 2024

The February revenue figures saw the government collect KES 2,445.65Bn from a target of KES 4,281.61Bn representing 57.1% of total revenue. Proportionally, the collection stood at 85.7% of 8-months fraction of 2,854.41Bn. February collection stood at KES 636.86Bn on heavy borrowing in both domestic and external markets. Total revenues excluding borrowings were KES 163.96Bn, 2.9% lower to KES 168.84Bn in January 2024.

Recurrent expenditure was KES 2,438.52Bn, which was 56.6% of the annual target of 4,305.21Bn and 85.0% of the 8-month spend target of KES 2,870.1Bn. Recurrent expenditure amounted to KES 808.56 billion, accounting for 59.4% of the annual target of KES 1,360.12Bn and 89.2% of the 8-month mark of KES 906.75Bn. Debt repayment amounted to KES 1,157.44Bn, or 62.0% of the annual plan. The amount accounted for 93.0% of KES 1,244.03Bn over an 8-month period.

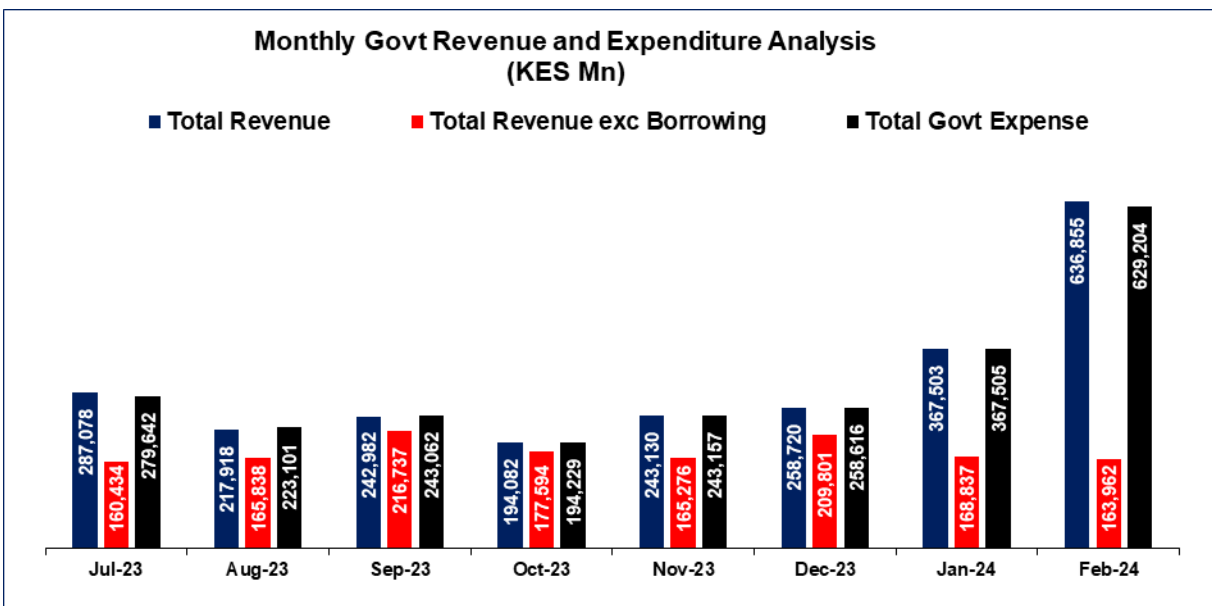


Figure 1: Exchequer Items – Revenues and Expenditure Issues

Source: OAML, Treasury GoK

Revenues

Tax revenue collection stood at KES 1,374.03Bn representing 55.1% of total target of KES 2,495.83Bn and 82.6% to the 8-months target of KES 1,663.88Bn.

There was a surge in borrowing levels with domestic borrowing increasing to KES 545.64Bn on a target of 851.90Bn and 96.1% on target of KES 567.93Bn. The month saw a net receipt of KES 240.39Bn in domestic borrowing.

The IMF and World Bank budgetary support saw external borrowing increase by a net of KES 232.50Bn to close at a net of KES 474.15Bn i.e. 55.7% of annual target and 83.7% of 8-month target of KES 566.51Bn.

We still expect aggressive borrowing in the remaining 4 months to supplement the weak tax revenues.

The government will benefit from the Housing Fund Levy after the president signed the Affordable Housing Bill on March 19th, 2024 with collection starting end of March.

Expenditures

Recurrent expenditure maintained its pace with monthly expenditure standing at KES 108.41Bn, 22.1% lower to KES 139.18Bn paid in January 2024. The biggest spenders were State House with a consumption of 87.1% of allocated annual budget and Internal Security having burned 70.8% of the allocation. There is still underspending in key areas with heavy budget allocation including basic education, Medical Services, Social Protection, National Intelligence and TSC (with recent mass promotions, there will be aggressive spending by the entity) which have spent 46.9%, 57.9%, 60.7% and 65.2% respectively.

Development budget utilization was at a low of 32.6% of annual target and 49.0% of 8-months projection despite a 65.0% m-m increase m-m spend of KES 53.87Bn.

County expenditure saw KES 31.73Bn released to the counties, a marginal decline compared to KES 31.86Bn released to the counties in January. The total release funds performed at 53.5% i.e. KES 206.06Bn of the KES 385.42Bn county equitable share allocation while it stood at 80.2% of 8-months proportion of KES 256.95Bn.

Exchequer Expense Issues	Original Estimates	Revised Estimates	Proportionate to Estimate	Total Cash Released	Cash Released to Revised Estimates	Cash Released to Proportional Estimates
Recurrent Expenses	1,302,803.73	1,360,121.96	906,747.97	808,562.84	59.4%	89.2%
Public Debt	1,751,074.45	1,866,038.32	1,244,025.55	1,157,439.25	62.0%	93.0%
FCS Exchequer Issues	1,963,696.93	2,078,849.92	1,385,899.95	1,266,967.11	60.9%	91.4%
Development Expense	480,815.62	480,815.62	320,543.75	156,922.39	32.6%	49.0%
Total Issues to National Government	3,747,316.28	3,919,787.50	2,613,191.67	2,232,452.34	57.0%	85.4%
County Government	385,424.62	385,424.62	256,949.74	206,062.78	53.5%	80.2%
Total Exchequer Issue	4,132,740.90	4,305,212.12	2,870,141.41	2,438,515.12	56.6%	85.0%

Table 1: Exchequer Items – Expenditure Issues – February 2024

Source: OAML, Treasury GoK

February Revenue Performance

On a monthly basis, revenues grew by KES 636.86Bn supported by borrowing in general. The government got a life injection from both domestic and external borrowing to support revenue after receipt of KES 240.39Bn in domestic borrowing and KES 232.50Bn in external borrowing. This supported debt repayment as debt to tax revenues ration surging to 84.2% in February compared to 62.8% in January 2024. Debt payment to total revenues were up to 47.3% from 42.3% during the same period as cushioned by the borrowings.

Revenues	Feb-23	Jan-24	Feb-24	%Δy-y	%Δm-m
Opening Balance	-	-	-		
Tax Revenue	131,401	165,574	157,609	19.9%	-4.8%
Non-Tax Revenue	8,308	3,263	6,353	-23.5%	94.7%
Domestic Borrowing	29,017	35,542	240,393	728.5%	576.4%
External Loans and Grants	7,776	163,124	232,501	2889.9%	42.5%
Other Domestic Financing	200	-	-	0.0%	0.0%
Total Revenue	176,702	367,503	636,855	260.4%	73.3%
Total Revenue exc Borrowing	139,909	168,837	163,962	17.2%	-2.9%

Table 2: Exchequer Items – Monthly Revenue Issues – February 2024

Source: OAML, Treasury GoK

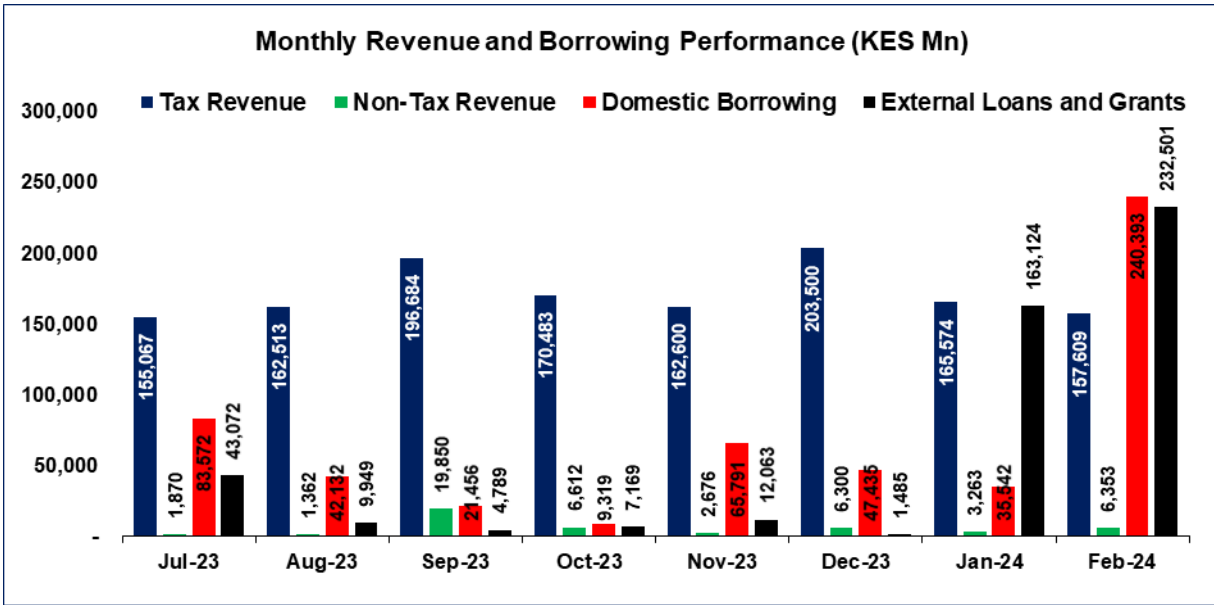


Figure 2: Exchequer Items – Monthly Revenues Issues

Source: OAML, Treasury GoK

Monthly Expenditure Performance

Monthly expenditures were KES 629.20Bn, 71.2% higher to KES 367.51Bn paid out in January 2024. The acceleration was due to a 140.4% payment in debts.

The month saw KES 393.16Bn repaid in debt, driven by the Eurobond 2024 buyback where the government accepted a buyback of USD 1.44Bn while there was a maturity of KES65.36Bn IN T-Bonds KES 163.11Bn in T-Bills.

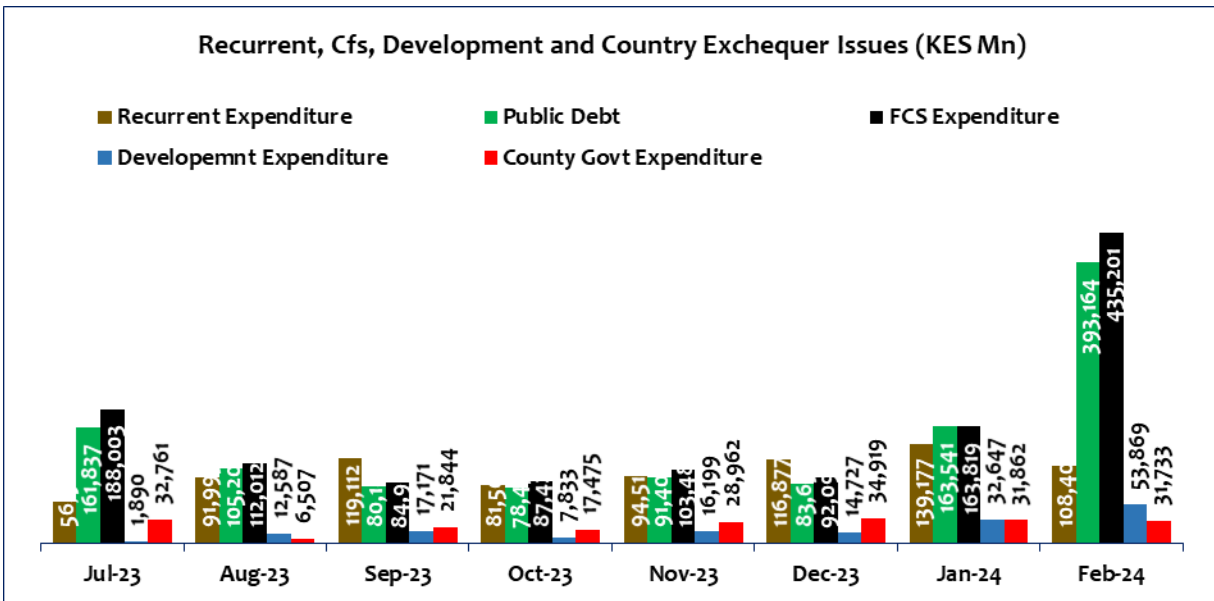


Figure 3: Exchequer Items – Monthly Expenditure Issues

Source: OAML, Treasury GoK

Recurrent, CFS, Development and County Exchequer Issues (KES Mn)	Feb-23	Jan-24	Feb-24	%Δ y-y	%Δ m-m
Recurrent Expenditure	72,864	139,177	108,401	48.8%	-22.1%
Public Debt	66,704	163,541	393,164	489.4%	140.4%
FCS Expenditure	71,818	163,819	435,201	506.0%	165.7%
Development Expenditure	17,131	32,647	53,869	214.5%	65.0%
National Govt Expenditure	161,814	335,643	597,471	269.2%	78.0%
County Govt Expenditure	21,908	31,862	31,733	44.8%	-0.4%
Total Govt Expense	183,721	367,505	629,204	242.5%	71.2%

Table 3: Exchequer Items – Monthly Expenditure Issues – February 2024

Source: OAML, Treasury GoK

Our View

Revenue has a shortfall of KES 458.99Bn per month. This is going to be a challenge to the government with the previous monthly average standing at KES 250.98Bn per month. Positivity comes from the traditional higher collection in H2 compared to H1 of the fiscal year.

Revenue growth is expected to be driven by aggressive tax collection over the next four months, with a monthly target of KES 280.45Bn. This will be championed by positive collection in March due to payment of corporate taxes, increase in PAYE as the majority of companies review their employees' salaries, bonus payment, withholding taxes on dividends and Sacco dividends, and boost from the Affordable Housing Fund.

Monthly domestic borrowing is set at a target of KES 76.56Bn while external borrowing is set at KES 93.90Bn per month. We opine the government should be able to achieve the external borrowing target but will face an uphill task from the domestic borrowing front having issued an infrastructure bond in February which saw a 344.2% acceptance levels. The high appetite for funds and need to manage the cost of financing, we expect the government to depend on reopening of recently issued short-term holdings and one more short-term primary issue in May or June.

Factoring all these, we expect a 7.5% - 10% shortfall in revenue collection against target while domestic borrowing demand will retain yields at elevated levels for the remaining fiscal year.

Revenue Exchequer Issues (KES Mn)	Monthly Target
Opening Balance	-
Tax Revenue	280,448.49
Non-Tax Revenue	8,161.95
Domestic Borrowing	76,564.47
External Loans and Grants	93,903.57
Other Domestic Financing	(88.40)
Total Revenue	458,990.09
Recurrent, CFS, Development and County Exchequer Issues (KES Mn)	Monthly Target
Recurrent Exchequer Issues	137,889.78
Public Debt	177,149.77
FCS Exchequer Issues	202,970.70
Development Exchequer Issues	80,973.31
Total Issues to National Government	421,833.79
Total Issues to County Government	44,840.46
Total Exchequer Issue	466,674.25

Table 4: Forecast Exchequer Items Target – Monthly Revenue Targets

Source: OAML

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