

Quarterly Economic and Budgetary Review

**First Half, Financial Year 2025/2026
Period Ending 31st December, 2025**

February 2026 Edition

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ACKNOWLEDGEMENT

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LIST OF ABBREVIATIONS AND ACRONYMS

ADB	African Development Bank
ADF	Asian Development Fund
A-I-A	Appropriation-in-Aid
AMISOM	African Union Mission in Somalia
ARUD	Agriculture, Rural and Urban Development
BADEA	Arab Bank for Economic Development of Africa
CHAN	African Nations Championship
CBK	Central Bank of Kenya
CBR	Central Bank Rate
CF	Contingency Fund
COVID-19	Coronavirus Disease
CFS	Consolidated Fund Services
CGS	Credit Guarantee Scheme
EBUs	Extra Budgetary Units
EEC	European Economic Community
EIB	European Investment Bank
EI&ICT	Energy, Infrastructure and Information Communication Technology
EPW&NR	Environment Protection, Water and Natural Resources
ES	Equitable Share
DANIDA	Danish International Development Agency
FPE	Free Primary Education
FSE	Free Secondary Education
FY	Financial Year
GDP	Gross Domestic Product
GECA	General Economic and Commercial Affairs
GFSM	Government Finance Statistics Manual
GJLO	Governance, Justice, Law and Order
GOP	Gross Operating Balance
IBRD	International Bank for Reconstruction and Development
ICT	Information, Communication and Technology
IDA	International Development Association
IDF	Import Declaration Fee
IFAD	International Fund for Agricultural Development

IMF	International Monetary Fund
JKIA	Jomo Kenyatta International Airport
KESONI	Kenya Shillings Overnight Interbank Average
KNBS	Kenya National Bureau of Statistics
KSh.	Kenya Shillings
MPC	Monetary Policy Committee
MDAs	Ministries, Departments and Agencies
MIA	Moi International Airport
Mn	Million
NDA	Net Domestic Assets
NDF	Nordic Development Fund/Net Domestic Financing
NFA	Net Foreign Assets/Non-Financial Assets
NFB	Net Financing Balance
NIS	National Intelligence Service
NLB	Net Lending/ Borrowing
NOB	Net Operating Balance
NSE	Nairobi Securities Exchange
O & M	Operation and Maintenance
OPEC	Oil Producing and Exporting Countries
PAIR	Public Administration and International Affairs
PAYE	Pay as You Earn
PDL	Petroleum Development Levy
QEBR	Quarterly Economic and Budgetary Review
RDL	Railway Development Levy
RML	Road Maintenance Levy
SAGAS	Semi-Autonomous Government Agencies
SC	State Corporations
SDR	Special Drawing Rights
SGR	Standard Gauge Railway
SMS	Short Messages Service
SOEs	State Owned Enterprises
SPC&R	Social Protection, Culture and Recreation
UK	United Kingdom
US\$	United States Dollar
VAT	Value Added Tax
O/W	Of Which

LEGAL BASIS FOR THE QUARTERLY ECONOMIC AND BUDGETARY REVIEW REPORT

The Quarterly Economic and Budgetary Review Report is Published in accordance with Section 83 of the Public Finance Management Act, 2012. It states as follows:

83. (1) An accounting officer for a National Government entity shall prepare a report for each quarter of the financial year in respect of the entity.

(2) In preparing a quarterly report for a National Government entity, the accounting officer shall ensure that the report—

(a) Contains information on the financial and non-financial performance of the entity; and

(b) Is in a form that complies with the standards prescribed and published by the Accounting Standards Board from time to time.

(3) Not later than fifteen days after the end of each quarter, the accounting officer shall submit the quarterly report to the Cabinet Secretary responsible for the entity and the National Treasury.

(4) The Cabinet Secretary responsible for an entity shall forward a copy of the report to the Cabinet Secretary and Controller of Budget.

(5) **Not later than forty five days after the end of each quarter**, the National Treasury shall—

(a) consolidate the quarterly reports and submit them to the National Assembly and a copy of the reports to the Controller of Budget, Auditor-General and the Commission on Revenue Allocation; and

(b) Publish and publicize the reports.

(6) In the case of an entity that is a state corporation, the accounting officer for the corporation shall submit the quarterly report to the Cabinet Secretary responsible for the corporation who shall, upon approving it, forward a copy to the Cabinet Secretary.

HIGHLIGHTS OF THE FIRST HALF ECONOMIC AND BUDGETARY REVIEW REPORT IN THE 2025/26 FINANCIAL YEAR

1. Economic growth

The economy continued to demonstrate resilience in 2025, posting improved performance with growth of 4.9 percent, 5.0 percent and 4.9 percent in the first, second and third quarters respectively. This growth was primarily underpinned by strong performance in the agriculture sector, a recovery of the industry sector, and the resilience of services sector. All economic sectors recorded positive growth rates in the first three quarters of 2025, with varied magnitudes across Sub-Sectors.

2. Inflation rate

Overall year-on-year inflation stood at 4.5 percent in December 2025, up from 3.0 percent in December 2024, and remained below the mid-point of the target range of 5 ± 2.5 percent. Inflationary pressures remained contained, supported by adequate food supplies following favourable weather conditions and targeted Government interventions, as well as lower fuel inflation arising from exchange-rate stability and lower international oil prices.

3. Interest Rates

Interest rates declined, in line with the easing of monetary policy. KESONIA (overnight interbank rate), to 9.1 percent in December 2025 from 11.5 percent in December 2024. The 91-day Treasury bill rate declined to 7.8 percent from 10.3 percent over the same period. The average lending rate decreased to 14.8 percent in December 2025 from 16.9 percent in December 2024 while the average deposit rate also decreased to 7.1 percent from 10.5 percent over the same period.

4. Money and Credit

Broad money supply, M3, grew by 9.8 percent in the year to December 2025, compared to a contraction of 0.2 percent in the year to December 2024. The improved growth of M3 was driven by higher growth in both Net Foreign Assets (NFA) and Net Domestic Assets (NDA), particularly credit to both the Government and the private sector.

5. Current Account

The current account deficit stood at US\$ 3,298.9 million (2.4 percent of GDP) in December 2025, compared to US\$ 1,550.6 million (1.2 percent of GDP) in December 2024. The current account balance was supported by resilient goods exports, an improvement in services receipt and net primary income, and increased remittances.

6. Foreign Exchange Reserves

The official foreign exchange reserves held by the Central Bank stood at US\$ 12,098.6 million in December 2025, up from US\$ 10,066.6 million in December 2024. This level of reserves represented 5.2 months of import cover, compared to 4.4 months over the same period in 2024, and continues to provide an adequate buffer against short-term external and foreign exchange market shocks.

7. Capital Markets

Investor confidence has strengthened thereby improving activities in the Nairobi Securities Exchange (NSE). The NSE 20 Share Index improved to 3,139 points in December 2025, up from 2,011 points in December 2024. Similarly, market capitalization expanded to KSh. 2,945 billion from KSh. 1,940 billion over the same period.

8. Revenue Collection

The National Government revenue collection including ministerial Appropriation in Aid (A-I-A) and Grants for the period between July-December 2025 amounted to KSh..

1,528.7 billion (11 percent of GDP) against a target of KSh. 1,654.6 billion. The revenue collection was below the target by KSh.. 125.9 billion mainly due to shortfall in taxes revenue.

9. Expenditure and Net Lending

The total expenditure and net lending inclusive of transfers to County Governments for the period ending 31st December, 2025 amounted to KSh.. 2,049.3 billion, 8.2 percent growth compared to a similar period in FY 2024/25. Transfers to County Governments were below target by KSh.. 50.4 billion.

10. Guaranteed Debt

During the period under review, the National Government did not service any guaranteed debt on behalf of Government Parastatals.

11. Fiscal Balance

The fiscal balance excluding grants (on a commitment basis) amounted to a deficit of KSh.. 526.4 billion (2.7 percent of GDP), as at the end December 2025.

12. External Financing

The Net Foreign Financing amounted to KSh.. 7.8 billion (0.04 percent of the GDP) during the period under review.

13. Net Domestic Borrowing

Net domestic financing amounted to a net borrowing of KSh. 501.3 billion (2.6 percent of GDP) in the period ending 31st December, 2025.

14. Domestic Debt Stock

The stock of gross domestic debt increased by KSh.. 971.0 billion from KSh. 5,868.3 billion in December 2024 to KSh.. 6,839.3 billion in December, 2025.

15. External Debt Stock

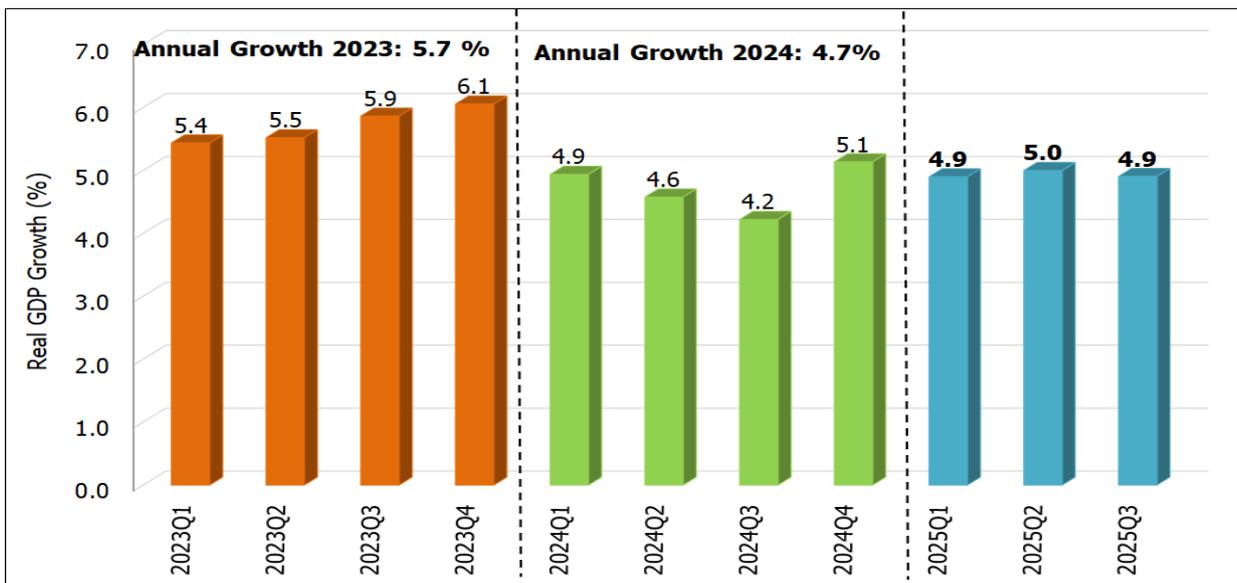
The external debt stock, including the International Sovereign Bond increased to US\$ 42, 337.50 million as at end December 2025 from US\$ 39,112.85 million in December 2024. The debt stock comprised debt owed to multilateral of 55.55 percent, commercial banks of 24.75 percent, bilateral of 19.44 percent, and Suppliers Credit of 0.27 percent.

1.0 RECENT ECONOMIC DEVELOPMENTS

1.1 Economic Growth

1. The economy recorded robust growth of 4.9 percent in the third quarter of 2025, up from 4.2 percent in the corresponding quarter of 2024 (**Chart 1**). This performance reflects the continued resilience of the economy, underpinned by a strong services sector, sustained agricultural, forest and fishing sub-sector production, and a recovery in mining and quarrying sub-sector and the construction sub-sector activities. While all sectors posted positive growth, the pace of expansion varied across sub-sectors.

Chart 1: Real GDP Growth Rates



Source of Data: Kenya National Bureau of Statistics

2. In the third quarter of 2025, the primary sector grew by 4.0 percent compared to a growth of 2.9 percent in the corresponding quarter of 2024 (**Table 1**). This was as a result of the robust growth in the agriculture, forestry and fishing sub-sector and a recovery in the mining and quarrying sub-sector.

3. The agriculture, forestry and fishing sub-sector expanded by 3.2 percent in the third quarter of 2025, compared to 4.0 percent growth in the corresponding quarter of 2024. This performance was driven by favorable weather conditions experienced in most parts of the country, supporting both crop and livestock production. This was reflected in a significant increase in milk production and exports of cut flowers. However, the sub-sector’s performance was partly constrained by a decline in exports of coffee, vegetables and fruits, as well as lower production of tea and sugarcane.

4. The mining and quarrying sub-sector recorded a strong rebound of 16.6 percent in the third quarter of 2025, compared to a contraction of 12.2 percent in the corresponding quarter of 2024. This turnaround reflects increased production activities and renewed private sector investment, following a period of subdued performance in the previous year. The improved outturn was further supported by the gradual recovery in construction-related demand for quarry products.

Table 1: Sectoral Real GDP Growth Rate (Percent)

Sectors/Sub-sectors	Quarterly Growth Rates					
	2024 Q1	2024 Q2	2024 Q3	2025 Q1	2025 Q2	2025 Q3
1. Primary sector	4.5	4.0	2.9	6.2	4.9	4.0
1.1. Agriculture, Forestry and Fishing	5.6	4.5	4.0	6.0	4.4	3.2
1.2. Mining and Quarrying	(16.1)	(5.5)	(12.2)	10.8	15.3	16.6
2. Secondary Sector (Industry)	1.5	0.5	0.3	2.6	3.3	4.1
2.1. Manufacturing	1.9	3.2	2.3	2.1	1.0	2.5
2.2. Electricity and Water supply	2.8	1.2	0.9	3.6	5.7	3.6
2.3. Construction	0.4	(3.7)	(2.6)	3.0	5.7	6.7
3. Tertiary sector (Services)	6.8	6.2	5.7	4.8	5.5	5.4
3.1. Wholesale and Retail trade	3.6	2.5	2.6	5.4	4.1	4.8
3.2. Accommodation and Restaurant	38.1	35.0	22.9	4.1	7.8	17.7
3.3. Transport and Storage	4.1	3.4	4.6	3.7	5.4	5.2
3.4. Information and Communication	9.2	6.7	6.9	5.8	6.0	4.5
3.5. Financial and Insurance	9.6	8.0	7.3	5.2	6.7	5.4
3.6. Public Administration	7.5	9.0	7.3	6.5	6.0	5.1
3.7. Others	5.8	5.6	4.9	4.4	5.2	5.2
of which: Professional, Admin & Support Services	9.4	6.7	4.5	4.6	8.5	6.1
Real Estate	6.9	5.9	4.8	5.3	5.5	5.7
Education	2.4	3.2	4.8	2.9	3.2	3.4
Health	5.4	8.1	6.2	4.8	6.8	4.1
Taxes less subsidies	2.9	3.8	6.3	5.7	3.3	3.7
Real GDP	4.9	4.6	4.2	4.9	5.0	4.9

Source of Data: Kenya National Bureau of Statistics

5. In the third quarter of 2025, the industry sector recorded a growth of 4.1 percent, an improvement from a growth of 0.3 percent in corresponding quarter of 2024. This growth was driven by improved performance in electricity and water supply and construction sub-sectors. The construction sub-sector expanded by 6.7 percent in the third quarter of 2025, compared to a contraction of 2.6 percent in the third quarter of 2024. This performance was reflected in higher cement consumption and increased imports of key construction inputs such as iron, steel and bitumen.

6. The electricity and water supply sub-sector grew by 3.6 percent in the third quarter of 2025, compared to a growth of 0.9 percent in the corresponding quarter of 2024. The growth was driven by higher electricity generation with wind, solar and geothermal contributing significantly. The sub-sector’s growth was curtailed by decline in hydro and thermal electricity generation.

7. The manufacturing sub-sector grew by 2.5 percent in the third quarter of 2025, compared to 2.3 percent in the third quarter of 2024. This growth was primarily driven by non-food manufacturing activities, while food manufacturing activities recorded a decline. Within non-food manufacturing, growth was supported by increased production of cement and galvanized sheets, as well as the assembly of motor vehicles. However, overall performance was constrained by lower activities in food manufacturing, particularly in the production of sugar and soft drinks.

8. The services sector recorded a growth of 5.4 percent in the third quarter of 2025, a slowdown from the 5.7 percent growth posted in the corresponding quarter of 2024. The transportation and storage sub-sector expanded by 5.2 percent in the third quarter of 2025 compared to a growth of 4.6 percent in the corresponding quarter of 2024. The growth was largely supported by increased activities in water transport, road transport, and air transport.

RECENT ECONOMIC DEVELOPMENTS

9. In the third quarter of 2025, Accommodation and Food Service sub-sector grew by 17.7 percent compared to a growth of 22.9 percent in the third quarter of 2024. The growth was majorly supported by increased visitor arrivals as Kenya co-hosted the African Nations Championship (CHAN). International visitor arrivals via the two major airports, the Jomo Kenyatta International Airport (JKIA) and the Moi International Airport (MIA) increased during the period.

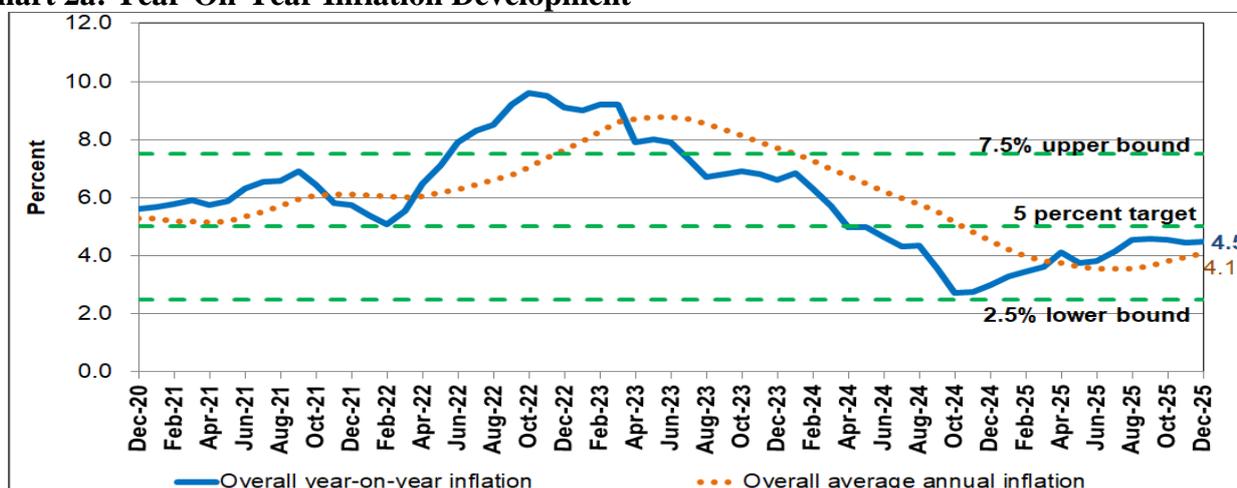
10. The information and communication sub-sector grew by 4.5 percent in the third quarter of 2025, down from 6.9 percent in the corresponding quarter of 2024. Although this represents a slowdown, growth remained resilient, supported by increased domestic voice traffic, higher SMS usage, and continued expansion in mobile money transactions. However, overall performance was partly constrained by a decline in utilized international bandwidth.

11. The financial and insurance sub-sector recorded growth of 5.4 percent in the third quarter of 2025, compared to 7.3 percent in the corresponding quarter of 2024. The slower growth was due to the impact of the easing of the interest rates, which moderated earnings from financial intermediation, alongside relatively modest credit growth to the private sector.

1.2 Inflation

12. Overall year-on-year inflation has declined and remained below the mid-point of the policy target range of 5.0 ± 2.5 percent since June 2024. The stable inflation has been supported by: abundant supply of food attributed to favorable weather conditions coupled with government interventions; lower fuel inflation attributed to the stability of the exchange rate; lower international oil prices; and the decline in non-core inflation due to the impact of previous monetary policy tightening. Inflation stood at 4.5 percent in December 2025 compared to 3.0 percent in December 2024 (Chart 2a). The increase reflects the easing of monetary policy.

Chart 2a: Year-On-Year Inflation Development



Source of Data: Kenya National Bureau of Statistics

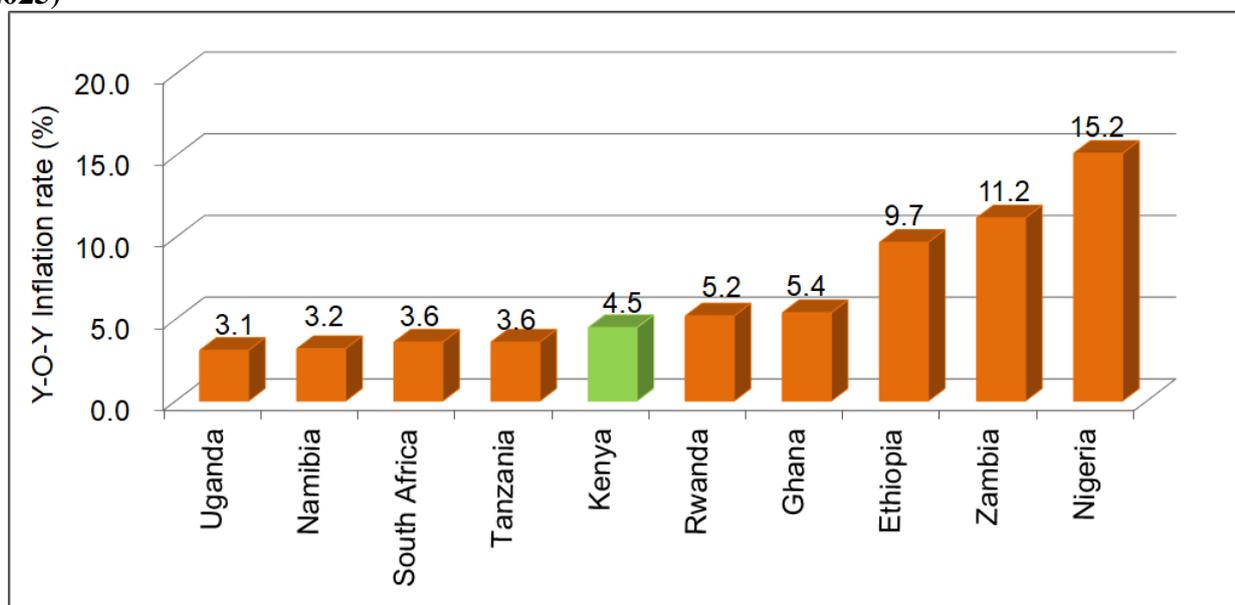
13. Core inflation declined to 2.0 percent in December 2025 from 2.2 percent in December 2024, mainly on account of lower prices of processed food items. Non-core inflation rose to 11.2 percent in December 2025 from 4.9 percent in December 2024, driven primarily by sharper increases in transport costs, as well as higher prices of vegetables, particularly tomatoes, carrots, onions, and cabbages, alongside pressures from utilities and energy.

14. Inflation outcomes across Sub-Saharan Africa as of December 2025 remain mixed, with wide variation across countries. Several economies, including Uganda, Namibia, South Africa, and

RECENT ECONOMIC DEVELOPMENTS

Tanzania, maintained relatively low and stable inflation. Other countries, such as Rwanda and Ghana, experienced somewhat elevated price pressures, whereas Ethiopia, Zambia, and Nigeria faced significantly higher inflation, reflecting more pronounced cost-of-living pressures. Overall, the region continues to exhibit a divergent inflationary environment, attributed to differences in economic conditions and policy effectiveness across countries (**Chart 2b**).

Chart 2b: Year on Year Inflation Rates of Selected Sub-Saharan Africa Countries (December 2025)



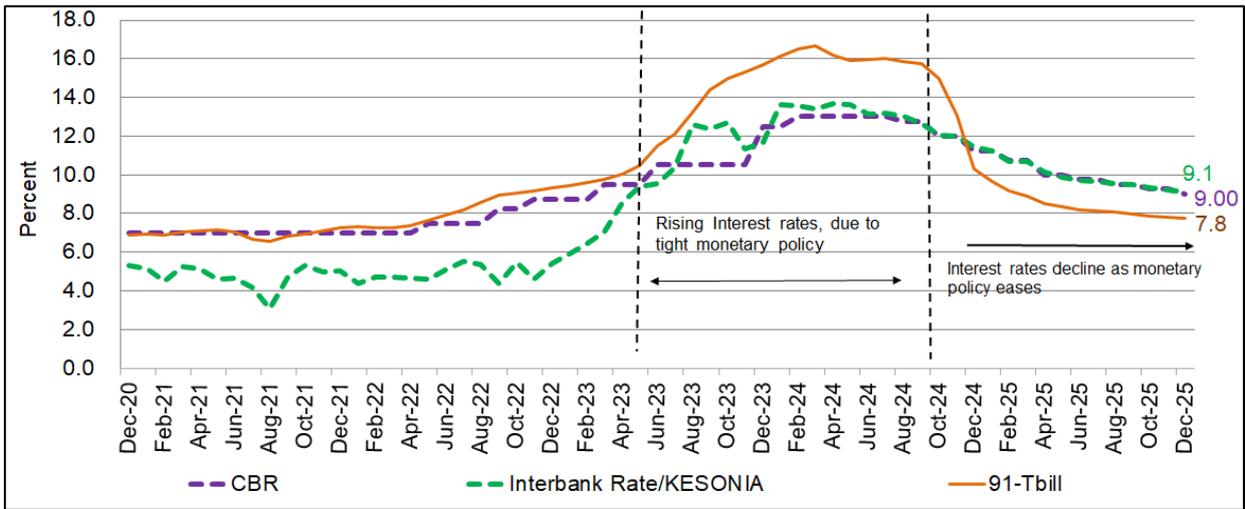
Source of Data: National Central Banks

1.3 Interest Rates

15. The Central Bank of Kenya, through the Monetary Policy Committee (MPC), has gradually eased monetary policy by lowering the Central Bank Rate (CBR) from 13.0 percent in August 2024 to 9.0 percent in December 2025 (**Chart 3a**). This measure is intended to augment previous policy actions aimed at stimulating bank lending to the private sector and supporting economic activities. It also seeks to ensure that inflationary expectations remain firmly anchored, while the exchange rate remains stable.

16. Short-term interest rates declined in line with the easing of monetary policy. KESONIA (the overnight interbank rate) declined to 9.1 percent in December 2025 from 11.5 percent in December 2024; while the 91-day Treasury bill rate declined to 7.8 percent from 10.3 percent over the same period. Similarly, the 182-day Treasury bill rate declined to 7.8 percent in December 2025 from 10.4 percent in December 2024, while the 364-day Treasury bill rate declined to 9.3 percent from 11.8 percent over the same period. The decline in interest rates on the Government's short-term borrowing instruments has led to lower domestic borrowing rates, thereby contributing to a reduction in Government debt-servicing costs.

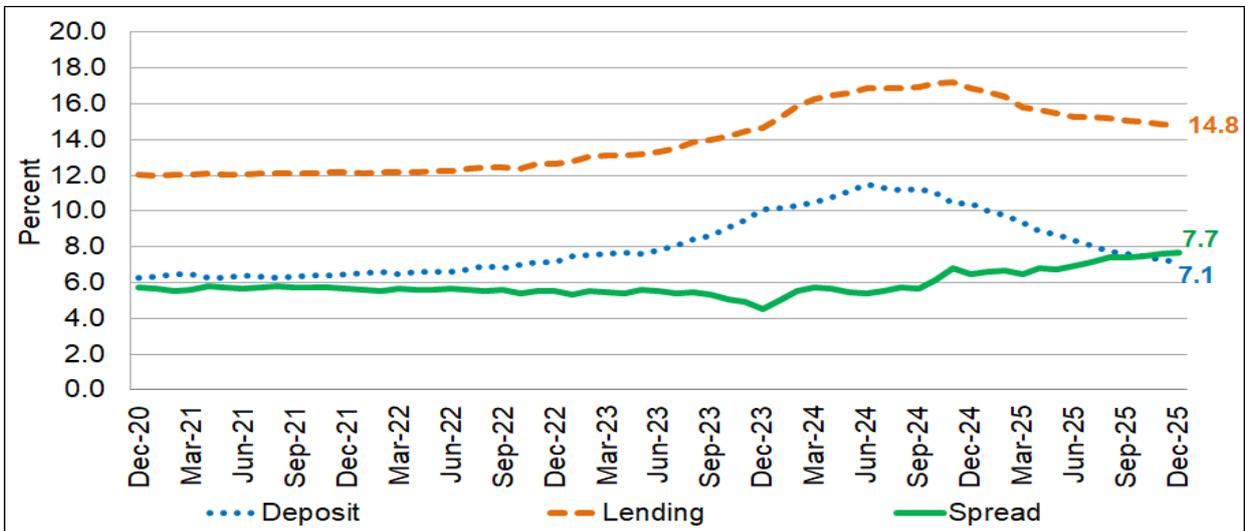
Chart 3a: Short-Term Interest Rates



Source of Data: Central Bank of Kenya

17. Commercial banks’ average lending and deposit rates decreased in the year to November 2025 in tandem with the easing of the monetary policy. The average lending rate decreased to 14.8 percent in December 2025 from 16.9 percent in December 2024 while the average deposit rate also decreased to 7.1 percent from 10.5 percent over the same period. However, the average interest rate spread increased to 7.7 percent in December 2025 from 6.4 percent in December 2024 (Chart 3b). The increase in the spread is attributed to the fact that the deposit rate declined at higher rate than the lending rate.

Chart 3b: Commercial Bank Rates



Source of Data: Central Bank of Kenya

1.4 Money and Credit

18. Broad money supply, M3, grew by 9.8 percent in the year to December 2025, compared to a contraction of 0.2 percent in the year to December 2024 (Table 2). The improved growth of M3 was driven by higher growth in both Net Foreign Assets (NFA) and Net Domestic Assets (NDA), particularly credit to both the Government and the private sector. The NFA of the banking system grew by 40.7 percent in the year to December 2025, compared to a growth of 6.1 percent in the year to December 2024. The increase in NFA was mainly attributable to a rise in the Central Bank’s foreign assets.

RECENT ECONOMIC DEVELOPMENTS

19. Net Domestic Assets (NDA) improved to a growth of 4.3 percent in the year to December 2025, compared to a contraction of 1.2 percent over a similar period in 2024. The domestic credit extended by the banking system to the Government grew by 15.4 percent in the year to December 2025 compared to a contraction of 11.4 percent over a similar period in 2024 while lending to other public sectors contracted by 18.8 percent compared to a contraction of 33.8 percent over the same period. The increased net lending to government mainly reflected increase uptake of government securities by commercial banks. In contrast, lending to other public sector declined, mainly reflecting repayments by parastatals.

Table 2: Money and Credit Developments (12 Months to December 2025 KSh.. Billion)

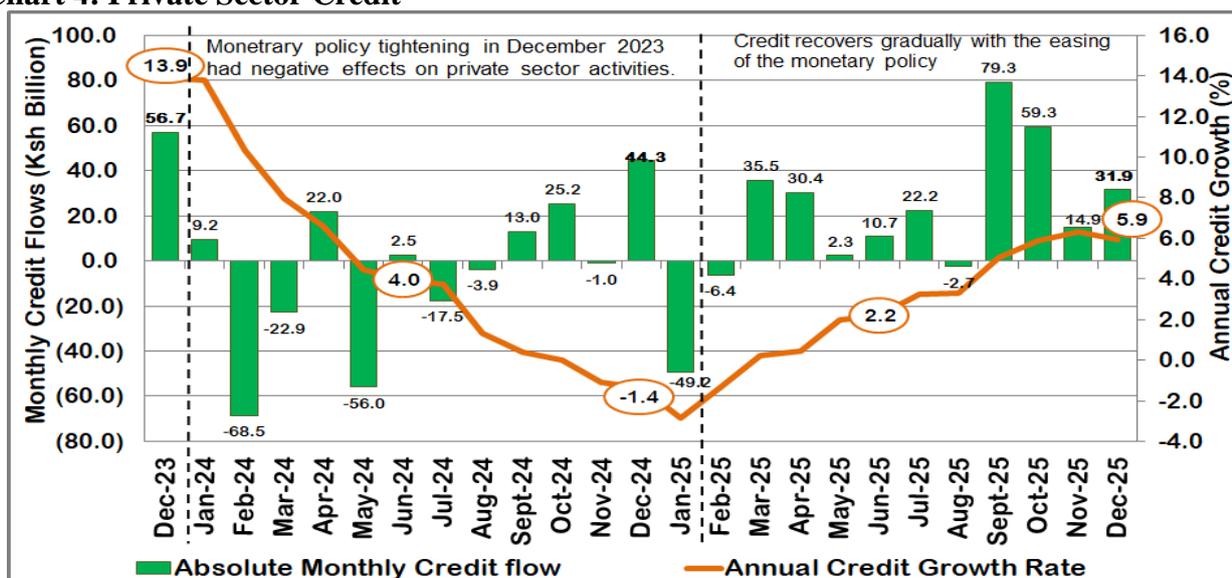
				Absolute Change		Percent Change	
	2023 December	2024 December	2025 December	2023-2024 December	2024-2025 December	2023-2024 December	2024-2025 December
COMPONENTS OF M3							
1. Money supply, M1 (1.1+1.2+1.3)	2,044.1	2,121.4	2,406.0	77.3	284.6	3.8	13.4
1.1 currency outside banks (M0)	282.1	292.8	323.2	10.7	30.4	3.8	10.4
1.2 Demand deposits	1,663.9	1,714.5	1,970.0	50.6	255.5	3.0	14.9
1.3 Other deposits at CBK	98.0	114.1	112.8	16.1	(1.3)	16.4	(1.1)
2. Money supply, M2 (1+2.1)	3,952.3	4,231.3	4,682.7	279.0	451.3	7.1	10.7
2.1 Time and savings deposits	1,908.3	2,109.9	2,276.7	201.7	166.7	10.6	7.9
Money supply, M3 (2+3.1)	5,498.6	5,488.7	6,029.3	(9.8)	540.6	(0.2)	9.8
3.1 Foreign currency deposits	1,546.3	1,257.4	1,346.7	(288.8)	89.3	(18.7)	7.1
SOURCES OF M3							
1. Net foreign assets (1.1+1.2)	793.6	841.7	1,183.9	48.1	342.2	6.1	40.7
1.1 Central Bank	486.9	610.1	892.5	123.3	282.4	25.3	46.3
1.2 Banking Institutions	306.7	231.5	291.4	(75.2)	59.8	(24.5)	25.8
2. Net domestic assets (2.1+2.2)	4,705.0	4,647.1	4,845.4	(57.9)	198.4	(1.2)	4.3
2.1 Domestic credit (2.1.1+2.1.2+2.1.3)	6,252.0	5,909.0	6,429.8	(343.1)	520.9	(5.5)	8.8
2.1.1 Government (net)	2,239.5	1,984.2	2,289.6	(255.3)	305.4	(11.4)	15.4
2.1.2 Other public sector	101.3	67.1	54.5	(34.2)	(12.6)	(33.8)	(18.8)
2.1.3 Private sector	3,911.2	3,857.7	4,085.8	(53.5)	228.1	(1.4)	5.9
2.2 Other assets net	(1,547.0)	(1,261.9)	(1,584.4)	285.1	(322.5)	18.4	(25.6)

Source of Data: Central Bank of Kenya

20. Growth in private sector credit from the banking system recorded a growth of 5.9 percent in the year to December 2025 compared to a contraction of 1.4 percent in the year to December 2024 (**Chart 4**). The Growth in credit to key sectors and sub-sectors of the economy, particularly Agriculture, manufacturing, building and construction, Finance and insurance, and consumer durables, remained strong in December 2025. This mainly reflects improved demand for credit in line with the declining interest rates.

21. The Monthly (month on month) credit flows to the private sector improved to KSh. 31.9 billion in December 2025 due to the easing of the monetary policy stance to lower the cost of funds for banks Sustained demand particularly for working capital due to resilient economic activities and the implementation of the Credit Guarantee Scheme (CGS) for the vulnerable MSMEs will continue to support private sector credit uptake.

Chart 4: Private Sector Credit



Source of Data: Central Bank of Kenya

1.5 Balance of Payments

22. The current account deficit stood at US\$ 3,298.9 million (2.4 percent of GDP) in December 2025, compared to US\$ 1,550.6 million (1.2 percent of GDP) in December 2024 (Table 3 and Chart 5). The current account balance was supported by resilient goods exports, an improvement in services receipt growth of the net primary income, and increased remittances. The current account deficit in the 12 months to December 2025 was more than fully financed by financial account inflows.

Table 3: Balance of Payments (US\$ Million)

				Year to December 2025		Actuals as a Percent of GDP	
	Dec-23	Dec-24	Dec-25	Absolute Change	Percent Change	Dec-24	Dec-25
Overall Balance	1,008.1	(1,458.7)	(1,868.3)	(409.6)	(28.1)	(1.2)	(1.3)
A) Current Account	(2,728.4)	(1,550.6)	(3,298.9)	(1,748.3)	(112.8)	(1.2)	(2.4)
<i>Merchandise Account (a-b)</i>	(9,556.4)	(9,734.2)	(10,995.3)	(1,261.1)	(13.0)	(7.8)	(7.9)
a) Goods: exports	11,031.3	12,507.9	13,266.1	758.1	6.1	10.0	9.5
b) Goods: imports	20,587.8	22,242.1	24,261.3	2,019.2	9.1	17.7	17.3
<i>Net Services (c-d)</i>	1,703.4	2,416.1	2,100.9	(315.2)	(13.0)	1.9	1.5
c) Services: credit	7,149.2	8,077.6	8,168.3	90.6	1.1	6.4	5.8
d) Services: debit	5,445.8	5,661.5	6,067.4	405.9	7.2	4.5	4.3
<i>Net Primary Income (e-f)</i>	(1,861.1)	(1,845.5)	(1,798.7)	46.8	2.5	(1.5)	(1.3)
e) Primary income: credit	182.3	291.7	401.1	109.4	37.5	0.2	0.3
f) Primary income: debit	2,043.5	2,137.2	2,199.8	62.6	2.9	1.7	1.6
<i>Net Secondary Income</i>	6,985.8	7,613.0	7,394.1	(218.8)	(2.9)	6.1	5.3
g) Secondary income: credit	7,079.0	7,662.1	7,459.7	(202.4)	(2.6)	6.1	5.3
of which Remittances	4,189.9	4,945.2	5,036.8	91.5	1.9	3.9	3.6
h) Secondary income: debit	93.3	49.1	65.5	16.4	33.5	0.0	0.0
B) Capital Account	127.6	232.2	180.7	(51.5)	(22.2)	0.2	0.1
C) Financial Account	(1,847.0)	(3,213.6)	(5,266.7)	(2,053.1)	(63.9)	(2.6)	(3.8)

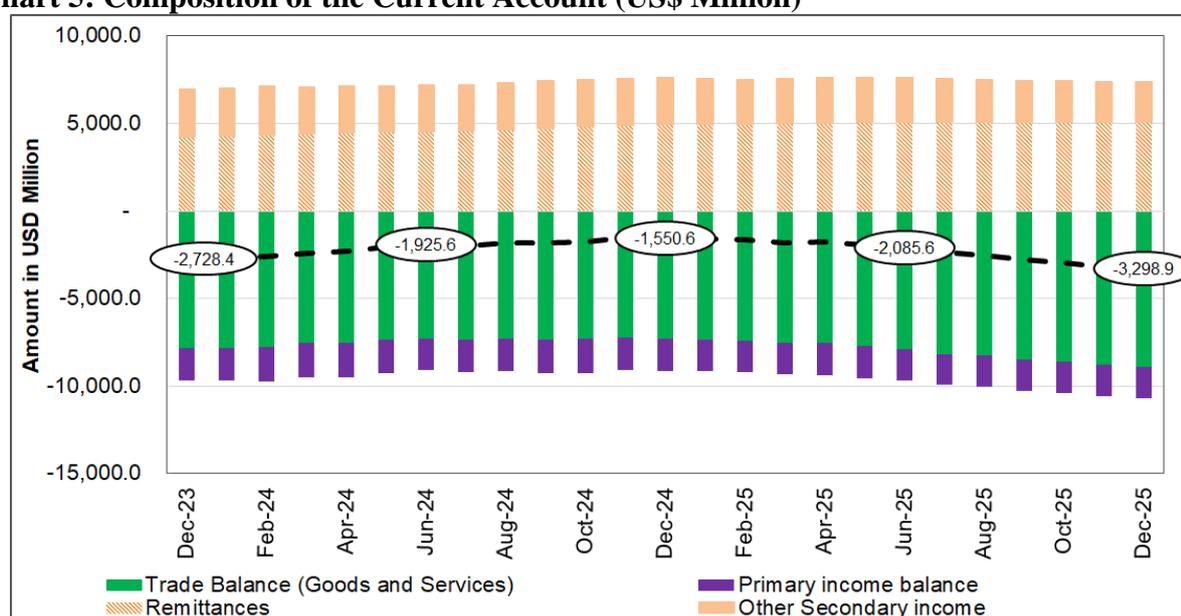
Source of Data: Central Bank of Kenya

RECENT ECONOMIC DEVELOPMENTS

23. The balance in the merchandise account deteriorated by US\$ 1,261.1 million to a deficit of US\$. 10,995.3 million in December 2025 mainly due to an increase in import bill that more than offset the increase in exports. Goods exports increased by 6.1 percent, due to higher domestic exports particularly horticulture, coffee, manufactured goods, and apparel. Goods imports rose by 9.1 percent, reflecting increases in intermediate and capital goods imports.

24. Services receipts increased by 7.2 percent, mainly supported by increased receipts from travel services. The deficit on the primary account narrowed by US\$ 46.8 million to a deficit of US\$. 1,798.7 million in the year to December 2025, compared to the deficit of 1,845 in same period last year. Diaspora remittances increased by 1.9 percent to US\$ 5,036.8 million in the 12 months to December 2025 compared to US\$ 4,945.2 million in a similar period in 2024. Remittances increased forex inflows into the country, with some going to investment while others support household consumption of our people (**Chart 5**).

Chart 5: Composition of the Current Account (US\$ Million)



Source of Data: Central Bank of Kenya

25. The capital account balance decreased by US\$. 51.5 million to register a surplus of US\$ 180.7 million in December 2025 compared to a surplus of US\$ 232.2 million in the same period in 2024. Net financial inflows improved to US\$. 5,266.7 million in December 2025 compared to US\$. 3,213.6 million in December 2024 reflecting an increase in net financial liabilities, which more than offset the decline in net acquisition of financial assets. The net financial inflows were mainly in the form of Portfolio investments, direct investments, financial derivatives and other investments.

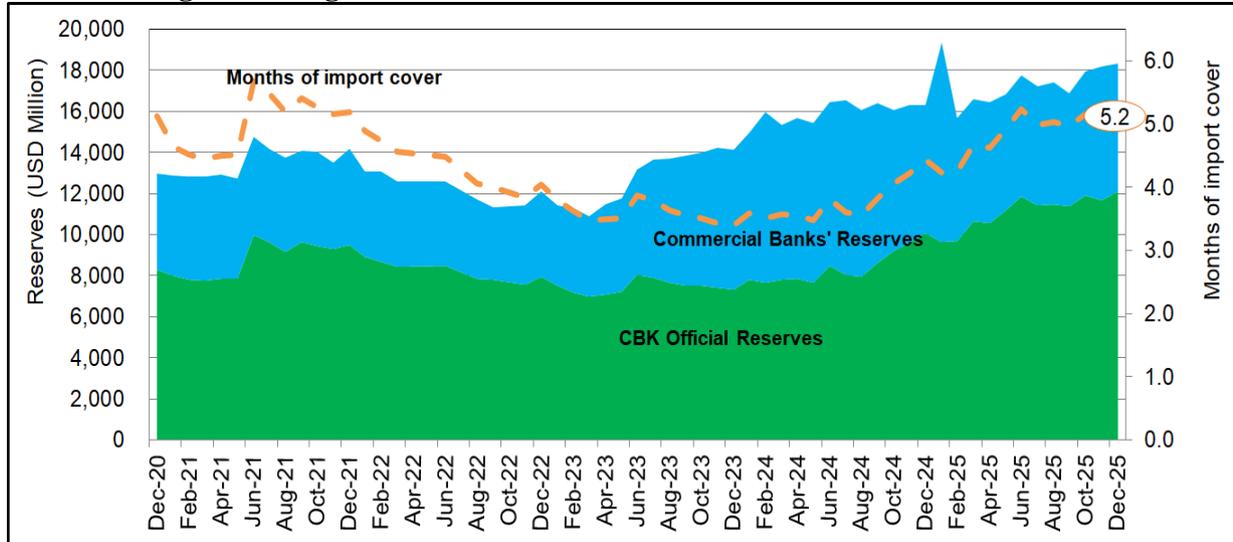
1.6 Foreign Exchange Reserves

26. The banking system's foreign exchange holdings remained strong at US\$. 18,312.1 million in December 2025 from US\$. 16,324.5 million in December 2024. The official foreign exchange reserves held by the Central Bank stood at US\$. 12,098.6 million compared to US\$ 10,066.6 million over the same period in 2024 (**Chart 6**). Commercial banks foreign exchange holdings decreased to US\$. 6,213.6 million in December 2025 from US\$. 6,257.9 million in December 2024.

RECENT ECONOMIC DEVELOPMENTS

27. The official reserves held by the Central Bank in December 2025 represented 5.2 months of import cover, compared to 4.4 months of import cover in December 2024. These reserves continue to provide adequate cover and a buffer against short-term shocks in the foreign exchange market. The level of reserves therefore exceeded the minimum requirement of four months of import cover.

Chart 6: Foreign Exchange Reserves to December 2025

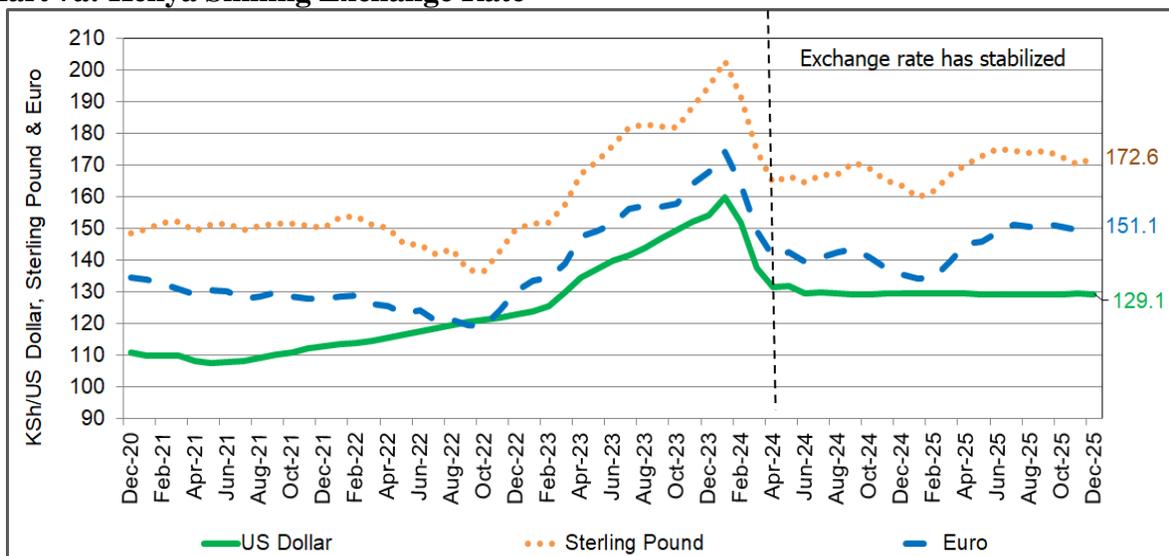


Source of Data: Central Bank of Kenya

1.7 Exchange Rates

28. The Kenya Shilling remained relatively stable against the US Dollar, exchanging at an average of KSh. 129.1 in December 2025 compared to KSh. 129.4 in December 2024. However, the Shilling depreciated against the Sterling Pound and the Euro by 5.5 percent and 11.5 percent, respectively. The Sterling Pound averaged KSh. 172.6 in December 2025, up from KSh. 163.6 in December 2024, while the Euro averaged KSh. 151.1 compared to KSh. 135.6 over the same period. Overall, the foreign exchange market remained well-supported by steady inflows from agricultural exports and diaspora remittances, which helped cushion the Shilling against high volatility (Chart 7a).

Chart 7a: Kenya Shilling Exchange Rate



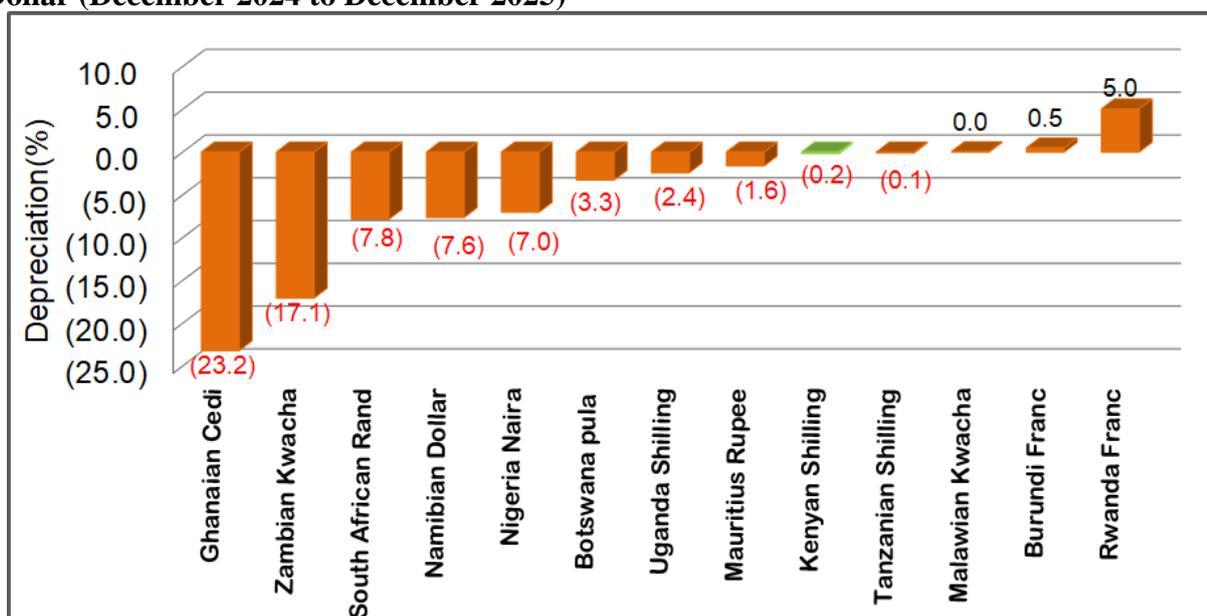
Source of Data: Central Bank of Kenya

RECENT ECONOMIC DEVELOPMENTS

29. Compared with other Sub-Saharan African currencies, the Kenya Shilling exhibited relatively low volatility against the US dollar over the year to December 2025. The Kenya Shilling recorded a modest appreciation of 0.2 percent in the twelve months to December 2025, compared with a much stronger appreciation of 16.0 percent in the twelve months to December 2024, underscoring a shift towards greater exchange-rate stability.

30. In contrast, several regional currencies registered stronger gains over the period, led by the Ghanaian cedi and the Zambian kwacha, followed by the South African rand, Namibian dollar and Nigerian naira, while the Malawian kwacha, Burundian franc and Rwandan franc depreciated against the US dollar, highlighting Kenya’s comparatively stable performance within the region (Chart 7b).

Chart 7b: Performance of Selected Sub-Saharan Africa Countries’ Currencies against the US Dollar (December 2024 to December 2025)

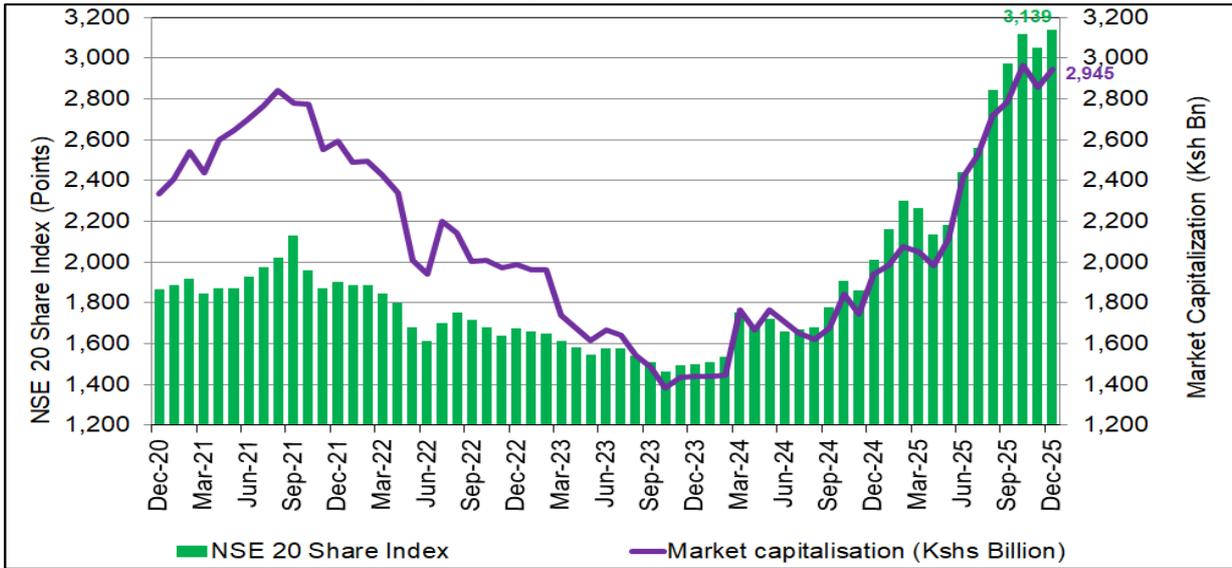


Source of Data: National Central Banks

1.8 Capital Markets

31. The stability of the Kenya Shilling against major international currencies, together with improved macroeconomic conditions, has boosted investor confidence. This has driven higher foreign direct investment inflows and increased participation in the Nairobi Securities Exchange (NSE). As a result, the NSE 20 Share Index improved by 56.1 percent to 3,139 points in December 2025, up from 2,011 points in December 2024. Similarly, market capitalization expanded by 51.8 percent to KSh.. 2,945 billion from KSh.. 1,940 billion over the same period (Chart 8). These levels represent the strongest performance of the NSE since the pre-COVID-19 period, reflecting renewed confidence in Kenya’s economic recovery and long-term prospects.

Chart 8: Performance at the NSE to end December 2025



Source of Data: Nairobi Securities

FISCAL DEVELOPMENTS

2.0 FISCAL DEVELOPMENTS

2.1 Revenue

32. By the end of December 2025, total revenue collected including A-I-A amounted to KSh. 1,525.1 billion against a target of KSh. 1,636.7 billion (**Table 4**). The revenue collection was below target by KSh. 111.6 billion. This performance is attributed to shortfall recorded in ordinary revenue of KSh. 110.6 billion and a shortfall in collection of the ministerial A-I-A was above target by KSh. 1.0 billion. Therefore, ordinary revenue collection was KSh. 1,241.3 billion against a target of KSh. 1,351.9 billion. Ordinary revenue categories recorded below target performance during the period under review except investment revenue, import duty and import declaration fees (IDF) which surpassed target by KSh. 16.6 billion, KSh. 1.0 billion, and KSh. 129.0 million respectively. The total revenue recorded a growth of 11.4 percent compared to a growth of 4.2 per cent recorded in December 2024 (**Chart 9**).

33. The ministerial A-I-A collected amounted to KSh. 283.8 billion against a target of KSh. 284.8 billion, KSh. 1.0 billion below the target. The performance of A-I-A translated into a growth of 34.5 percent compared to a 6.1 decline in a similar period in FY 2024/25. The Railway Development Levy collection amounted to KSh. 22.9 billion against a target of KSh. 19.2 billion. The revenue data in Government Finance Statistics Manual 2014 (GFSM 2014) format is shown in annex II.

Table 4: Government Revenue and External Grants, Period ending 31st December 2025 (KSh. Millions)

	2024/2025	2025/2026		Deviation KSh.	% Growth
	Actual*	Actual*	Target		
Total Revenue (a+b)	1,368,747	1,525,121	1,636,711	(111,591)	11.4
(a) Ordinary Revenue	1,157,762	1,241,288	1,351,853	(110,565)	7.2
Import Duty	71,535	84,731	83,717	1,014	18.4
Excise Duty	141,349	153,647	167,617	(13,970)	8.7
PAYE	275,994	303,001	310,746	(7,744)	9.8
Other Income Tax	254,840	239,353	316,147	(76,794)	(6.1)
VAT Local	149,905	171,649	186,747	(15,098)	14.5
VAT Imports	154,175	179,347	192,619	(13,272)	16.3
Investment Revenue	58,330	53,574	36,981	16,593	(8.2)
Traffic Revenue	1,808	1,842	1,998	(156)	1.9
Taxes on Intl. Trade & Trans.(IDF Fee)	22,596	23,986	23,858	129	6.2
Others ¹	27,230	30,157	31,425	(1,267)	10.8
(b) Appropriation In Aid ²	210,985	283,833	284,858	(1,026)	34.5
o/w Railway Development Levy	15,878	22,937	19,204	3,733	44.5
(c) External Grants	7,513	5,759	17,919	(12,160)	(23.3)
Total Revenue and External Grants	1,376,260	1,530,879	1,654,630	(123,751)	11.2
Total Revenue and External Grants as a percentage of GDP	7.6	7.9	8.6		-

1/ includes rent on land/buildings, fines and forfeitures, other taxes, loan interest receipts reimbursements and other fund contributions, fees, and miscellaneous revenue.

2/ includes receipts from Road Maintenance Levy Fund and A-I-A from Universities among others

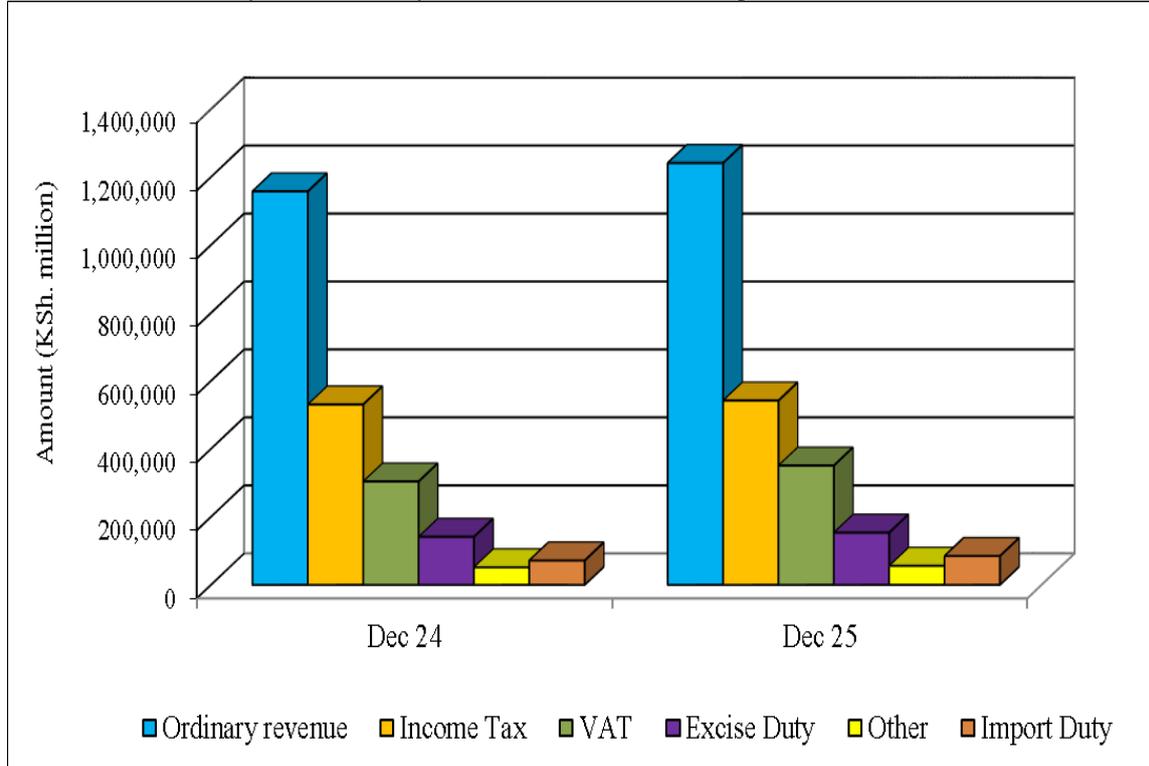
*Provisional

Source of Data: National Treasury

FISCAL DEVELOPMENTS

34. As a proportion of GDP, the total revenue including grants in the period under review was 7.9 percent compared to 7.6 percent recorded in the corresponding period in the FY 2024/25. Total grants amounted to KSh. 5.8 billion against a target of KSh. 17.9 billion, translating to a shortfall of KSh. 12.2 billion (Table 7).

Chart 9: Ordinary Revenue by Source, Period Ending 31st December 2025



Source of Data: National Treasury

2.2 Expenditure

35. The total expenditure and net lending for the period under review amounted to KSh. 2,019.8 billion, against a target of KSh. 2,097.0 billion, a 6.6 percent growth compared to the same period in 2024/25. Transfers to County Governments were below target by KSh. 50.4 billion. Recurrent expenditure for National Government amounted to KSh. 1,470.6 billion, against a target of KSh. 1,507.5 billion implying that expenditures were below target by KSh. 36.9 billion. The below target expenditure in recurrent category was mainly due to below target expenditures on Domestic Interest and pensions and othe CFS (Table 5 and Chart 10).

FISCAL DEVELOPMENTS

Table 5: Expenditure and Net Lending, Period Ending 31st December 2025 (KSh. Millions)

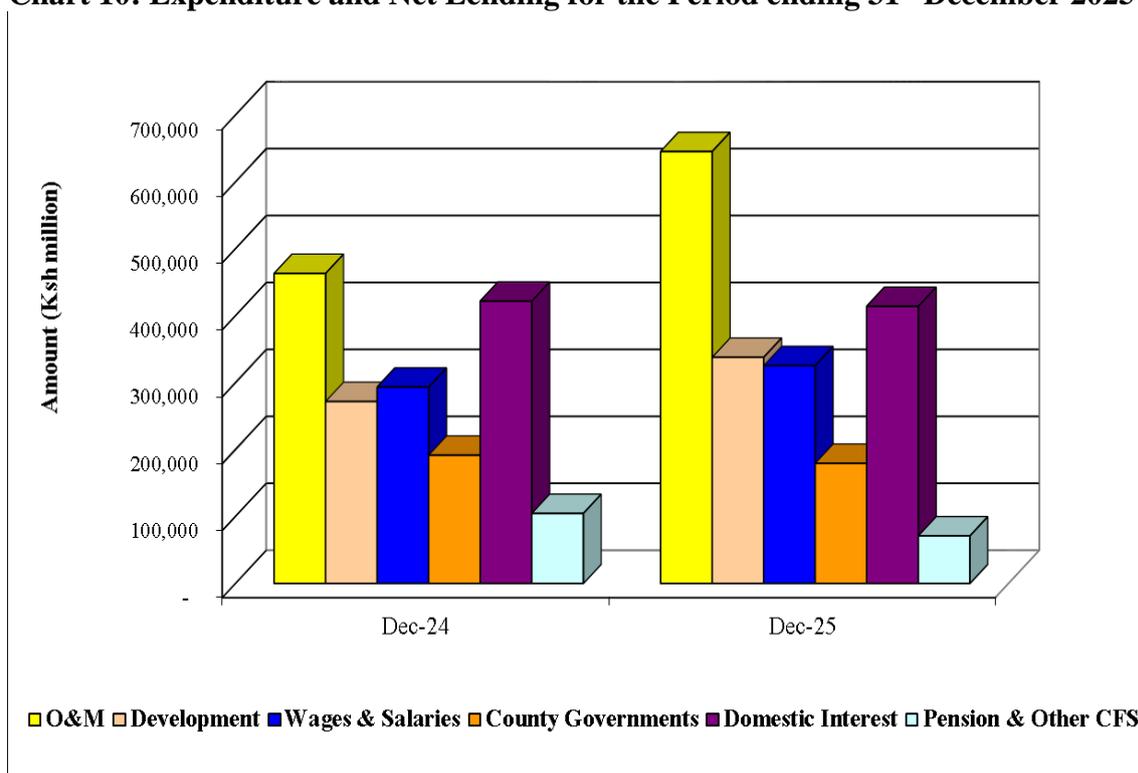
	2024/2025	2025/2026		Deviation	% Growth
	Actual*	Actual*	Targets		
1. RECURRENT	1,400,782	1,470,602	1,507,543	(36,941)	5.0
Domestic Interest	421,860	414,106	468,144	(54,038)	(1.8)
Foreign Interest	101,691	104,728	114,392	(9,664)	3.0
Pensions & Other CFS	104,618	71,053	96,535	(25,482)	(32.1)
Contribution to Civil Servants' Pension	16,100	13,008	17,221	(4,213)	(19.2)
Wages and Salaries	293,335	325,524	328,643	(3,119)	11.0
Operation and Maintenance	463,177	542,182	482,608	59,574	17.1
O/W: Appropriation-in-Aid	132,407	160,925	164,857	(3,932)	21.5
2. DEVELOPMENT	271,902	337,972	325,718	12,254	24.3
Development Projects (Net)	155,631	196,302	161,872	34,430	26.1
Payment of Guaranteed Loans	-	-	-	-	-
Appropriation-in-Aid	116,271	141,670	158,208	(16,538)	21.8
3. County Governments	191,615	179,519	229,937	(50,417)	(6.3)
4. Parliamentary Service	18,638	18,920	19,896	(976)	1.5
5. Judicial Service	11,801	12,828	13,890	(1,062)	8.7
6. Equalization Fund	-	-	5,638	(5,638)	-
7. CF	-	-	-	-	-
TOTAL EXPENDITURE	1,894,737	2,019,840	2,096,983	(77,143)	6.6

*Provisional

Source of Data: National Treasury

36. Foreign interest payments amounted to KSh. 104.7 billion, an increase from KSh. 101.7 billion paid over the same period in the FY2024/25. The domestic interest payments totalled to KSh. 414.1 billion, which was lower than the KSh. 421.9 billion paid in the corresponding period in the previous financial year. The expenditure data in GFSM 2014 format is shown in annexes III and IV.

Chart 10: Expenditure and Net Lending for the Period ending 31st December 2025



Source of Data: National Treasury

2.2.1 National Government Expenditures by Public Agencies

37. The total ministerial and other public agencies expenditure including A.I.A for the period ending 31st December 2025 was KSh. 1,011.5 billion against a target of KSh. 1,274.8 billion. Recurrent expenditure was KSh. 738.5 billion against a target of KSh. 902.6 billion, while development expenditure amounted to KSh. 272.9 billion against a target of KSh. 371.1 billion. The percentage of total expenditures to the target was 79.4 per cent while the percentage of total expenditures to the target for recurrent and development were 81.8 per cent and 73.5 per cent respectively, as at the end of the period under review.

38. As at 31st December, 2025, recurrent expenditures by the State Department for Basic Education, State Department for Higher Education and Research; Teachers Service Commission; State Department for Vocational and Technical Training and the State Department for Public Health and Professional Standards and the State Department for Medical Services (Social Sector) accounted for 49.7 per cent of total recurrent expenditure. In addition, the Ministry of Defence and the National Police Service accounted for 11.2 per cent and 7.4 per cent of total recurrent expenditure, respectively.

39. Analysis of development outlay indicates that the State Department for Housing and Urban Development accounted for the largest share of the total development expenditure (20.2 per cent), followed by the State Department for Roads (14.1 per cent), State Department for Economic Planning (10.8 per cent), and the National Treasury (6.6 per cent). **Table 6** shows the recurrent and development expenditures by Ministries, State Departments and other government entities for the period under review.

FISCAL DEVELOPMENTS

Table 6: National Government Expenditures by Public Agencies, Period Ending 31st December 2025 (KSh. Millions)

MINISTRY/DEPARTMENT/COMMISSIONS	Dec-25									% of Total Exp. to Target
	Recurrent			Development			Total			
	Actual*	Target	Variance	Actual*	Target	Variance	Actual*	Target	Variance	
1011 Executive Office of the President	2,686	4,535	418	487	1,034	(30)	3,173	2,785	388	113.9
1012 Office of the Deputy President	2,703	2,972	1,217	23	100	(27)	2,726	1,536	1,190	177.5
1013 Office of the Prime Cabinet Secretary	213	357	35	-	-	-	213	178	35	119.5
1014 State Department for Parliamentary Affairs	154	229	40	-	-	-	154	114	40	135.0
1016 State Department for Cabinet Affairs	86	229	(28)	-	-	-	86	114	(28)	75.4
1017 State House	7,149	7,684	3,307	579	895	131	7,728	4,289	3,439	180.2
1018 State Department for National Government Coordination	360	-	-	-	22	(11)	360	522	(163)	68.9
1023 State Department for Correctional Services	16,364	37,844	(2,558)	64	309	(91)	16,428	19,077	(2,649)	86.1
1024 State Department for Immigration and Citizen Services	5,318	11,704	(535)	6,973	10,640	1,653	12,291	11,172	1,119	110.0
1025 National Police Service	68,214	125,379	5,525	623	1,713	(234)	68,837	63,546	5,291	108.3
1026 State Department for Internal Security & National	19,917	31,865	3,985	3,624	3,966	1,641	23,541	17,915	5,626	131.4
1032 State Department for Devolution	668	1,331	3	252	15,915	(7,705)	921	8,623	(7,702)	10.7
1033 State Department for Special Programmes	3,274	-	3,030	83	166	-	3,357	327	3,030	1,027.2
1036 State Department for the ASALs and Regional	3,541	7,074	4	1,483	3,805	(420)	5,024	5,439	(415)	92.4
1041 Ministry of Defence	-	197,389	(98,694)	-	4,934	(2,467)	-	101,161	(101,161)	-
1053 State Department for Foreign Affairs	7,125	23,018	(4,384)	-	2,346	(1,173)	7,125	12,682	(5,557)	56.2
1054 State Department for Diaspora Affairs	321	718	(38)	-	-	-	321	359	(38)	89.4
1064 State Department for Vocational and Technical Training	13,014	35,408	(4,690)	1,501	7,836	(2,417)	14,515	21,622	(7,107)	67.1
1065 State Department for Higher Education and Research	66,709	140,953	(3,767)	1,518	2,782	127	68,228	71,867	(3,640)	94.9
1066 State Department for Basic Education	79,017	109,422	24,307	6,802	18,490	(2,444)	85,819	63,956	21,863	134.2
1067 State Department for Science, Innovation and Research	349	993	(147)	-	-	-	349	496	(147)	70.4
1071 The National Treasury	32,232	64,380	42	18,258	42,500	(2,992)	50,490	53,440	(2,950)	94.5
1072 State Department for Economic Planning	1,658	3,680	(182)	29,799	59,360	119	31,457	31,520	(63)	99.8
1073 State Department for Public Investments and Assets	1,028	3,172	(558)	325	736	(43)	1,353	1,954	(601)	69.2
1082 State Department for Medical Services	28,991	84,017	(13,018)	12,909	21,936	1,941	41,900	52,977	(11,077)	79.1
1083 State Department for Public Health and Professional Standards	12,312	26,591	(983)	1,466	5,561	(1,314)	13,778	16,076	(2,298)	85.7
1091 State Department for Roads	30,990	71,541	(4,780)	39,022	150,253	(36,105)	70,012	110,897	(40,885)	63.1
1092 State Department for Transport	995	7,122	(2,566)	8,614	40,334	(11,553)	9,609	23,728	(14,119)	40.5
1093 State Department for Shipping and Maritime Affairs	179	3,459	(1,551)	83	2,225	-	2,842	2,600	(2,580)	9.2
1094 State Department for Housing & Urban Development	876	7,099	(2,674)	55,923	116,729	(2,441)	56,799	61,914	(5,115)	91.7
1095 State Department for Public Works	1,017	3,692	(828)	27	753	(349)	2,222	2,222	(1,177)	47.0
1097 State Department for Aviation and Aerospace Development	65	14,156	(7,013)	166	359	(14)	231	7,258	(7,027)	3.2
1104 State Department for Irrigation	327	955	(151)	2,860	6,593	(437)	3,187	3,774	(587)	84.4
1109 State Department for Water & Sanitation	1,509	6,778	(1,880)	15,604	47,176	(7,984)	17,113	26,977	(9,864)	63.4
1112 State Department for Lands and Physical Planning	2,430	5,780	(460)	2,262	4,982	(230)	4,692	5,381	(689)	87.2
1122 State Department for Information Communication Technology & Digital Economy	1,480	3,554	(297)	3,230	12,635	(3,088)	4,710	8,094	(3,384)	58.2
1123 State Department for Broadcasting &	1,778	6,197	(1,320)	95	356	(84)	1,873	3,277	(1,404)	57.2
1132 State Department for Sports	660	1,627	(154)	9,896	15,835	1,979	10,556	8,731	1,825	120.9
1134 State Department for Culture and Heritage	1,290	2,773	(96)	5	813	(401)	1,295	1,793	(498)	72.2
1135 State Department for Youth Affairs and the Arts	1,263	2,229	149	219	2,672	(1,117)	1,482	2,451	(968)	60.5
1152 State Department for Energy	495	11,988	(5,499)	14,040	51,486	(11,703)	14,535	31,737	(17,202)	45.8
1162 State Department for Livestock Development	1,272	5,035	(1,246)	2,710	5,076	172	3,982	5,056	(1,074)	78.8
1166 State Department for the Blue Economy and Fisheries	1,448	2,998	(51)	219	2,672	(1,117)	1,667	2,835	(1,169)	58.8
1169 State Department for Crop Development	5,503	17,793	(3,393)	15,908	32,152	(168)	21,411	24,972	(3,561)	85.7
1173 State Department for Cooperatives	2,191	5,878	(748)	2,731	1,471	1,996	4,922	3,674	1,248	134.0
1174 State Department for Trade	1,083	3,984	(909)	151	370	(34)	1,234	2,177	(943)	56.7
1175 State Department for Industry	1,230	3,580	(560)	541	5,822	(2,370)	1,771	4,701	(2,930)	37.7
1176 State Department for Micro, Small and Medium Enterprises Development	1,040	2,032	24	841	3,062	(689)	1,881	2,547	(665)	73.9
1177 State Department for Investment Promotion	344	1,451	(382)	949	2,061	(81)	1,293	1,756	(463)	73.6
1184 State Department for Labour and Skills Development	784	4,295	(1,363)	420	769	36	1,204	2,532	(1,328)	47.6
1185 State Department for Social Protection and Senior Citizens Affairs	22,259	29,133	7,692	-	-	(65)	22,339	14,660	7,679	152.4
1186 State Department for Children Services	6,254	12,074	217	28	244	(119)	6,283	6,159	124	102.0
1192 State Department for Mining	526	1,363	(156)	3	267	(131)	528	815	(287)	64.8
1193 State Department for Petroleum	1,018	25,378	(11,671)	1,632	5,311	(1,024)	2,650	15,345	(12,695)	17.3
1202 State Department for Tourism	431	11,525	(5,332)	55	5,010	(2,450)	485	8,268	(7,782)	5.9
1203 State Department for Wildlife	1,577	11,956	(4,401)	489	2,404	(713)	2,066	7,180	(5,114)	28.8
1212 State Department for Gender and Affirmative Action	904	2,015	(103)	2,035	4,329	(130)	2,939	3,172	(233)	92.7
1213 State Department for Public Service	9,550	19,752	(327)	638	1,856	(290)	10,187	10,804	(617)	94.3
1221 State Department for East African Community	369	1,035	(148)	-	-	-	369	517	(148)	71.3
1252 State Law Office	2,046	5,087	(498)	138	300	(12)	2,184	2,693	(509)	81.1
1253 State Department for Justice Human Rights and Constitutional Affairs	399	1,020	(111)	-	-	-	399	510	(111)	78.3
1261 The Judiciary	12,280	25,237	(339)	180	1,700	(670)	12,460	13,469	(1,009)	92.5
1271 Ethics and Anti-Corruption Commission	2,034	4,320	(126)	90	180	(0)	2,124	2,250	(126)	94.4
1281 National Intelligence Service	36,424	51,447	10,700	-	-	-	36,424	25,724	10,700	141.6
1291 Office of the Director of Public Prosecutions	2,749	4,396	551	2	86	(41)	2,751	2,241	510	122.8
1311 Office of the Registrar of Political Parties	1,446	2,487	203	-	-	-	1,446	1,243	203	116.3
1321 Witness Protection Agency	298	841	(122)	-	-	-	298	421	(122)	70.9
1331 State Department for Environment & Climate Change	1,177	3,895	(770)	527	1,935	(440)	1,704	2,915	(1,211)	58.5
1332 State Department for Forestry	2,001	8,932	(2,465)	1,896	3,612	90	3,897	6,272	(2,375)	62.1
2011 Kenya National Commission on Human Rights	252	530	(13)	-	-	-	252	265	(13)	94.9
2021 National Land Commission	1,688	2,803	286	340	556	62	2,028	1,680	348	120.7
2031 Independent Electoral and Boundaries Commission	2,963	9,302	(1,688)	-	-	-	2,963	4,651	(1,688)	63.7
2041 Parliamentary Service Commission	1,457	2,840	37	-	-	-	1,457	1,420	37	102.6
2042 National Assembly	12,787	28,569	(1,497)	-	-	-	12,787	14,284	(1,497)	89.5
2043 Parliamentary Joint Services	3,187	6,818	(222)	1,489	1,565	706	4,676	4,192	484	111.5
2044 Senate	4,055	8,199	(44)	-	-	-	4,055	4,100	(44)	98.9
2051 Judicial Service Commission	368	842	(53)	-	-	-	368	421	(53)	87.4
2061 Commission on Revenue Allocation	137	370	(48)	-	-	-	137	185	(48)	73.9
2071 Public Service Commission	1,311	3,562	(470)	-	-	-	1,311	1,781	(470)	73.6
2081 Salaries and Remuneration Commission	281	752	(94)	-	-	-	281	376	(94)	74.9
2091 Teachers Service Commission	166,745	386,510	(26,510)	17	671	(318)	166,762	193,591	(26,828)	86.1
2101 National Police Service Commission	722	1,391	26	-	-	-	722	695	26	103.8
2111 Auditor General	3,417	8,359	(762)	4	330	(161)	3,421	4,345	(924)	78.7
2121 Controller of Budget	292	834	(125)	-	-	-	292	417	(125)	70.0
2131 Commission on Administrative Justice	296	674	(41)	-	-	-	296	337	(41)	87.9
2141 National Gender and Equality Commission	309	556	31	-	-	-	309	278	31	111.2
2151 Independent Policing Oversight Authority	599	1,316	(59)	-	-	-	599	658	(59)	91.0
Total	738,529	902,551	(164,022)	272,928	371,124	(98,274)	1,011,456	1,273,675	(262,219)	79.4

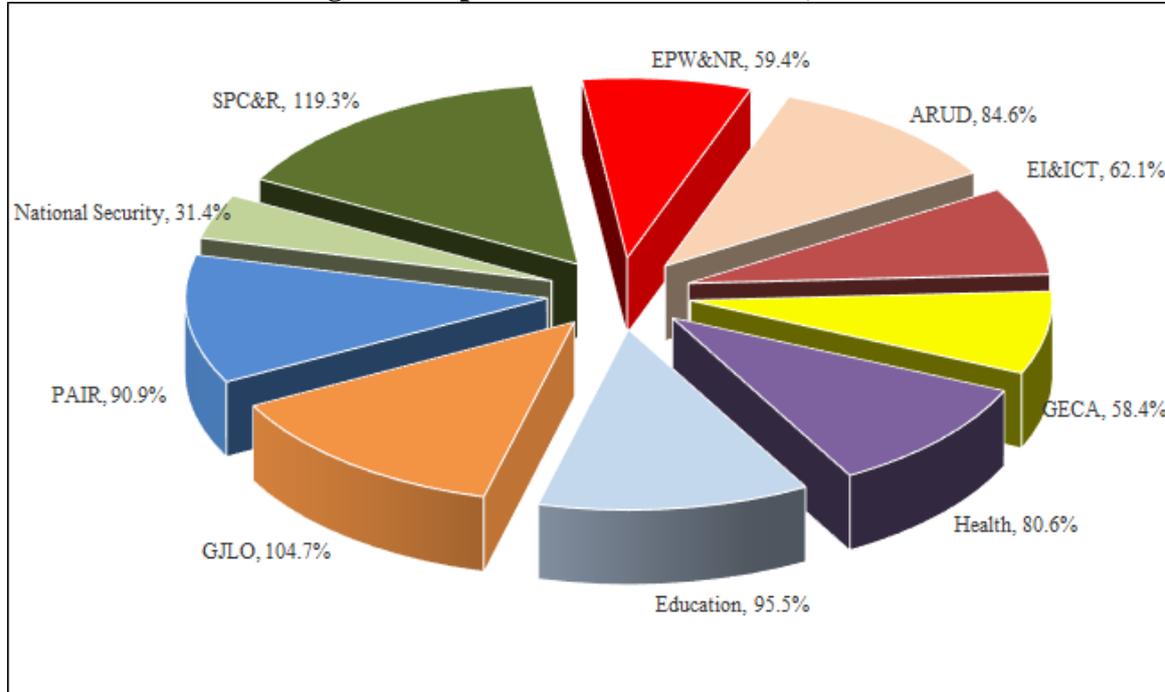
*Provisional

Source of Data: National Treasury

FISCAL DEVELOPMENTS

40. During the period under review, Social Protection, Culture and Recreation Sector recorded the highest absorption at 119.3 percent followed by Governance, Justice, Law and Order Sector at 104.7 percent, and Education sector at 95.5 percent. The National Security sector recorded the lowest absorption of 31.4 percent (**Chart 11**).

Chart 11: Sectoral Budget Absorption as at 31st December, 2025



Source of Data: National Treasury

2.2.2 Pending Bills

41. The total outstanding National Government pending bills as at 31st December 2025 amounted to KSh. 468.5 billion. These comprise of KSh. 368.9 billion (78.7 percent) and KSh. 99.6 billion (21.3 percent) for the State Corporations (SCs) and Ministries/State Departments/other government entities respectively. Out of the total pending bills, 59.0 percent are recurrent pending bills while 41.0 percent are development pending bills.

42. The SCs pending bills include payments due to contractors/projects, suppliers, unremitted statutory and other deductions, pension arrears for Local Authorities Pension Trust, and others. The highest percentage of the SCs pending bills are recurrent pending bills taking 56.2 per cent of the total SCs pending bills with Contractors/Projects i.e. development, taking 43.8 per cent of the SCs pending bills. For Ministries/State Departments and other government Agencies 69.1 per cent of the pending bills are recurrent while 30.9 per cent of the pending bills are development bills.

43. The National Government policy on clearance of pending bills continues to be in force. All MDAs are therefore, expected to continue with prioritization of payment of the pending bills by settling them as a first charge in the current financial year budget in line with the Treasury guidelines for implementation of the financial year 2025/26 and the medium-term budget, Treasury Circular No. 13/2023.

FISCAL DEVELOPMENTS

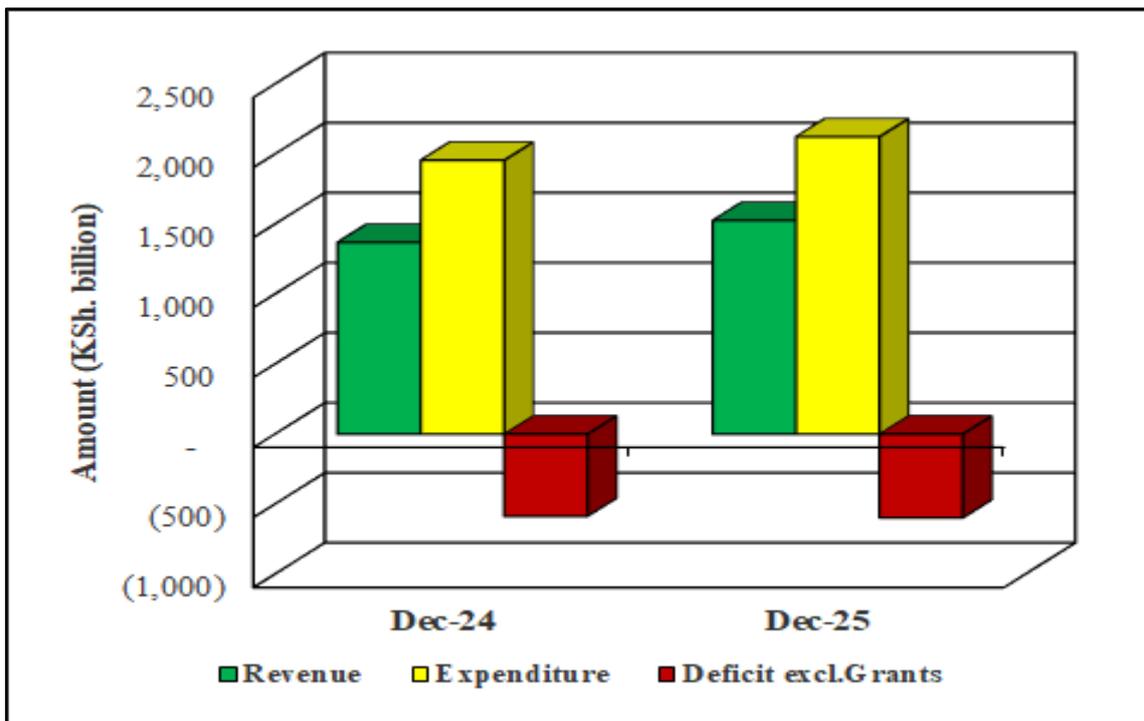
2.2.3 Guaranteed Debt Service

44. During the period under review, the National Government did not service any guaranteed debt on behalf of Government parastatals.

2.3 Fiscal Outturn

45. During the period July 2025 to December 2025, the fiscal balance (on commitment basis and excluding grants) amounted to KSh. 494.7 billion (2.6 percent of GDP) against a targeted deficit of KSh. 460.3 billion (2.4 percent of GDP) (**Chart 12 and Table 7**). The fiscal balance (on a commitment basis and including grants) was 2.5 percent of GDP against a target deficit of 2.3 percent of GDP.

Chart 12: Fiscal Balance as at 31st December 2025



Source of Data: National Treasury

46. Over the same period in FY2024/25, the fiscal deficit including grants (on commitment basis) stood at KSh. 512.5 billion (2.8 percent of GDP). The fiscal outturn in the last six FYs and the Printed Estimates for the FY 2025/26 are shown in **Annex I**. Further, GFSM 2014 Compliant Budgetary Central Government fiscal data for the FY 2025/26 are shown in annexes V and VI while the change in net worth is as shown in Annex IV.

FISCAL DEVELOPMENTS

Table 7: Budget Outturn, Cumulative Ending 31st December 2025 (KSh. Millions)

	2024/2025	2025/2026			% growth	2025/2026 as a % of GDP		2024/2025 Actual as a % of GDP
	Actual*	Actual*	Targets	Deviation		Actual	Targets	
A. TOTAL REVENUE AND GRANTS	1,376,260	1,530,879	1,654,630	(123,751)	11.2	7.9	8.6	7.6
1. Revenue	1,368,747	1,525,121	1,636,711	(111,591)	11.4	7.9	8.5	7.6
Ordinary Revenue	1,157,762	1,241,288	1,351,853	(110,565)	7.2	6.4	7.0	6.4
Import Duty	71,535	84,731	83,717	1,014	18.4	0.4	0.4	0.4
Excise Duty	141,349	153,647	167,617	(13,970)	8.7	0.8	0.9	0.8
Income tax	530,834	542,355	626,893	(84,538)	2.2	2.8	3.3	2.9
VAT	304,080	350,996	379,365	(28,370)	15.4	1.8	2.0	1.7
Investment Revenue	58,330	53,574	36,981	16,593	(8.2)	0.3	0.2	0.3
Others	51,633	55,985	57,280	(1,295)	8.4	0.3	0.3	0.3
Appropriation-in-Aid	210,985	283,833	284,858	(1,026)	34.5	1.5	1.5	1.2
2. Grants	7,513	5,759	17,919	(12,160)	(23.3)	0.0	0.1	0.0
Revenue	515	4,269	9,255	(4,987)	729.2	0.0	0.0	0.0
Appropriation-in-Aid	6,998	1,490	8,663	(7,173)	(78.7)	0.0	0.0	0.0
B. EXPENDITURE AND NET LENDING	1,888,751	2,019,840	2,096,983	(77,143)	6.9	10.5	10.9	10.5
1. Recurrent	1,431,220	1,502,350	1,541,328	(38,979)	5.0	7.8	8.0	7.9
Domestic Interest	421,860	414,106	468,144	(54,038)	(1.8)	2.1	2.4	2.3
Foreign Interest	101,691	104,728	114,392	(9,664)	3.0	0.5	0.6	0.6
Pension & Other CFS	104,618	71,053	96,535	(25,482)	(32.1)	0.4	0.5	0.6
Contribution to Civil Servants' Pension	16,100	13,008	17,221	(4,213)	(19.2)	0.1	0.1	0.1
Wages and Salaries	293,335	325,524	328,643	(3,119)	11.0	1.7	1.7	1.6
O & M/Others	493,615	573,930	516,394	57,536	16.3	3.0	2.7	2.7
2. Development and Net Lending	265,916	337,972	325,718	12,254	27.1	1.8	1.7	1.5
O/W Domestically financed	201,400	252,345	222,079	30,266	25.3	1.3	1.2	1.1
Foreign financed	70,502	85,627	98,001	(12,374)	21.5	0.4	0.5	0.4
3. Net Lending	-	-	-	-	-	0.0	-	0.0
4. Equalization Fund	-	-	5,638	(5,638)	-	0.0	0.0	0.0
5. County Governments	191,615	179,519	229,937	(50,417)	(6.3)	0.9	1.2	1.1
5. CF	-	-	-	-	-	0.0	-	0.0
C. DEFICIT EXCL. GRANT (Commitment)	(520,004)	(494,720)	(460,272)	(34,448)	(4.9)	(2.6)	(2.4)	(2.9)
D. DEFICIT INCL. GRANTS (Commitment)	(512,492)	(488,961)	(442,353)	(46,608)	(4.6)	(2.5)	(2.3)	(2.8)
E. ADJUSTMENT TO CASH BASIS	85,361	-	-	-	-	0.0	-	0.5
F. DEFICIT INCL. GRANTS (Cash basis)	(427,131)	(488,961)	(442,353)	(46,608)	14.5	(2.5)	(2.3)	(2.4)
<i>Discrepancy</i>	<i>-41,845</i>	<i>20,079</i>	<i>20,079</i>	<i>20,079</i>	<i>(148.0)</i>	<i>-</i>	<i>-</i>	<i>(0.2)</i>
G. FINANCING	391,272	509,040	442,353	66,687	30.1	2.6	2.3	2.2
1. Net Foreign financing	-8,130	7,777	-43,248	51,024	(195.7)	0.0	(0.2)	(0.0)
Disbursements	121,471	279,468	116,111	163,357	130.1	1.5	0.6	0.7
Programme Loans	58,482	2,949	11,518	(8,569)	(95.0)	0.0	0.1	0.3
Project Cash Loans	32,293	40,178	60,657	(20,479)	24.4	0.2	0.3	0.2
Project Loans AIA	30,696	46,984	43,937	3,047	53.1	0.2	0.2	0.2
Use of IMF SDR Allocation	-	-	-	-	-	-	-	0.0
Commercial Financing	-	189,357	-	189,357	-	1	-	0.0
Debt repayment - Principal	-129,601	(271,692)	(159,359)	(112,333)	109.6	(1.4)	(0.8)	(0.7)
2. Net Domestic Financing	399,402	501,264	485,601	15,663	25.5	2.6	2.5	2.2
Government Securities	450,974	500,259	499,255	1,004	10.9	2.6	2.6	2.5
Government Overdraft & Others	-28,467	8,283	-	8,283	-	0.0	-	(0.2)
Movement in Government Deposits	-7,371	21,630	-	21,630	-	0.1	-	(0.0)
Domestic Loan Repayments (Net Receipts)	2,413	1,358	1,294	64	(43.7)	0.0	0.0	0.0
Domestic Loan Repayment	-555	(555)	(555)	-	-	0.0	(0.0)	(0.0)
Other Accounts Payable	-17,591	(29,711)	(163,393)	133,682	-	-0.2	(0.8)	(0.1)
Privatization Proceeds	-	-	149,000	-	-	-	-	0.0
MEMO ITEM	-	-	-	-	-	-	-	0.0
GDP ESTIMATE	18,054,333	19,272,810	19,272,810	-	7	100.0	100.0	100.0

*Provisional

Source of Data: National Treasury

FISCAL DEVELOPMENTS

2.4 Financing

2.4.1 External Financing

47. During the period ending December 2025, net foreign financing amounted to KSh. 7.8 billion (**Table 8**). Total disbursements (inflows) including Appropriations-in-Aid amounted to KSh. 279.5 billion against a target of KSh. 116.1 billion. The actual total disbursement comprised of KSh. 189.4 billion commercial financing, KSh. 46.9 projects loan A-i-A, KSh. 40.2 billion project loans and KSh. 2.9 billion program loans. The External repayments (outflows) of principal debt amounted to KSh. 271.7 billion. The amount comprised of principal repayments due to commercial sources amounting to KSh. 166.9 billion, bilateral sources amounting to KSh. 70.9 billion, and multilateral sources amounting to KSh. 33.9 billion respectively.

Table 8: External Financing, Period Ending December 2025 (KSh. Millions)

	FY2024/25		FY2025/26	
	Actual*	Actual*	Actual*	Target
DISBURSEMENTS:	121,471	279,468	279,468	116,111
Project Cash loans	32,293	40,178	40,178	60,657
Project loans A-I-A	30,696	46,984	46,984	43,937
Commercial Financing	-	189,357	189,357	0
Use of IMF SDR Allocation	-	0	0	0
Programme Loans	58,482	2,949	2,949	11,518
EXTERNAL REPAYMENTS:	129,601	271,692	271,692	159,359
Bilateral(incl. Italy Debt SWAP)	76,235	70,874	70,874	75,816
Multilateral (excl. IMF)	26,586	33,930	33,930	40,966
Commercial	26,780	166,888	166,888	42,576
NET FOREIGN FINANCING	(8,130)	7,777	7,777	(43,248)

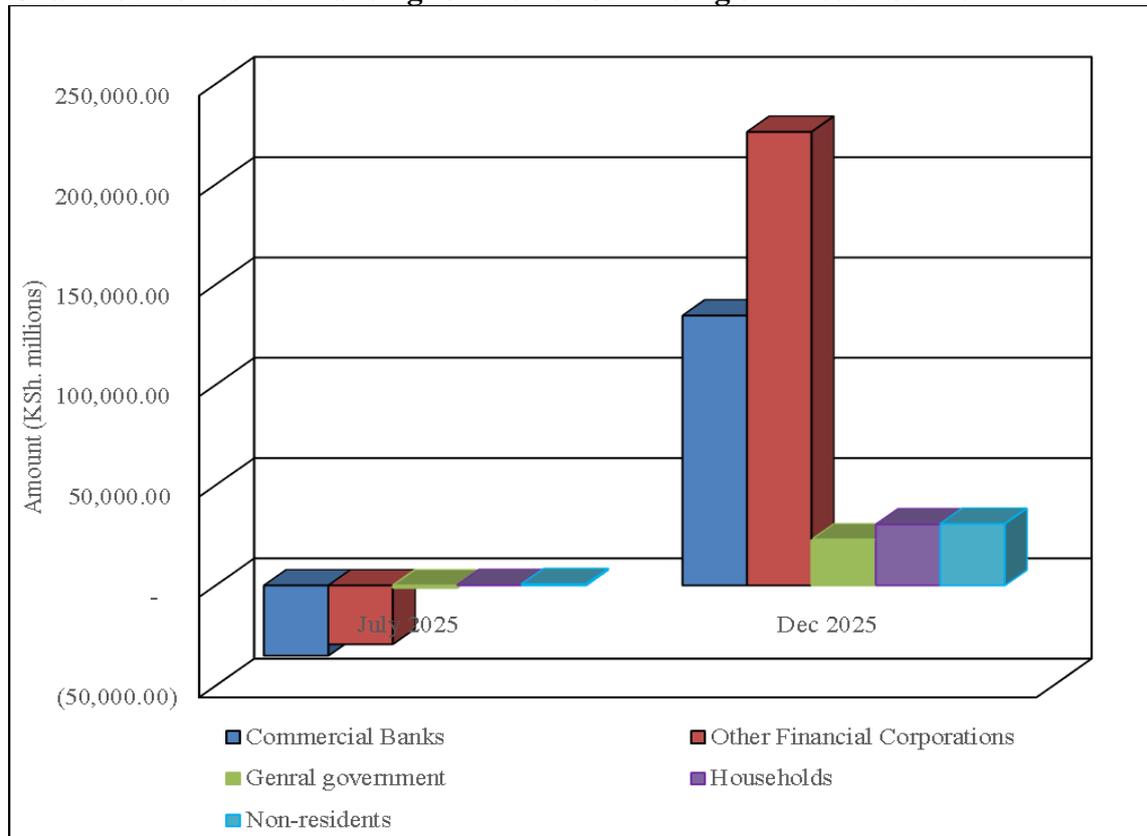
*Provisional

Source of Data: National Treasury

2.4.2 Domestic Financing

48. As at 31st December 2025, net domestic borrowing amounted to KSh. 501.3 billion (**Table 9**) against a target of KSh. 485.6 billion (**Table 7**). The borrowing comprised of KSh. 422.2 billion from Financial Corporations, KSh. 30.4 billion from households, KSh. 30.7 billion from Non-Residents, KSh. 8.9 billion net repayment to Non-financial corporations, KSh. 22.9 billion from general government and KSh. 2.9 billion from Non-profit institutions. (**Table 9 and Chart 13**).

Chart 13: Domestic Financing for the Period Ending 31st December 2025



Source of Data: Central Bank of Kenya

49. Net domestic financing during the first half of the financial year recorded an increase from a net repayment of KSh. 110.0 billion in July 2025 to a net domestic financing of KSh. 501.3 billion in December 2025. Consequently, the government securities holding by all holders recorded an increase during the period under review (**Table 9**).

FISCAL DEVELOPMENTS

Table 9: Domestic Financing, Period Ending 31st December 2025 (KSh. Millions)

SECURITIES HOLDER	JUL 2025	SEP 2025	DEC 2025
A. Government Securities	(82,465)	333,091	500,259
Households	210	26,041	30,434
Nonfinancial Corporations	4,663	11,197	(8,974)
Public Nonfinancial Corporations Sector	4,615	(4,370)	(28,606)
Other Nonfinancial Corporations	47	15,566	19,632
Private Companies	138	15,474	17,591
Unincorporated Private Businesses	(91)	92	2,041
Financial Corporations	(86,540)	262,544	422,172
Public Financial Corporations Sector	(1,485)	12,055	16,632
Other Depository Corporations	(55,741)	139,859	179,410
Commercial Banks	(35,013)	102,832	134,570
FOSA SACCOs	(270)	1,167	2,774
Money Market Funds	(20,793)	37,034	42,838
Other Depository Corporations Under Liquidation	108	(259)	90
Microfinance Banks	227	(914)	(862)
Other Financial Corporations	(29,314)	110,630	226,130
Insurance	(16,199)	47,717	97,375
Pension	(11,230)	49,475	82,952
Financial_auxiliaries	(1,040)	2,552	3,327
Non-Money Market Funds	(663)	1,543	3,464
BOSA SACCOs	(30)	241	253
Microfinance Institutions	(33)	112	370
Other Cooperative Societies	2	22	59
Other Financial Corporations Under Liquidation	430	(6)	59
Captive financial institutions and money lenders	(1)	2	425
Other financial intermediaries	(3,682)	11,501	37,263
Investment Banks	3,131	(2,527)	583
Non-Profit Institutions	(255)	1,574	2,981
Non-Residents	649	22,179	30,734
Non Resident Individuals	25	535	714
Other International Organisations	624	21,645	30,020
General Government	(1,191)	9,556	22,913
Budgetary Units	(83)	(744)	(1,915)
Extra-Budgetary Units	(905)	1,954	9,131
Social Security Funds	(203)	8,346	15,697
B. Others:	23,347	(14,912)	8,283
Overdraft	20,928	(12,606)	10,603
Uncleared Items awaiting transfer to PMG	19	(19)	(19)
IMF funds on-lent to Government	2,087	(1,629)	(2,179)
Bank Advances	313	(657)	(122)
C. Central Government Deposits	50,920	(52,882)	(46,418)
D. Domestic Financing	(110,037)	371,062	554,961
Other Domestic Financing			46,827
Domestic Loan Repayments (Net Receipt)	-	31,354	6,870
E. Net Domestic Financing	(110,037)	339,708	501,264

Notes:

*provisional

Treasury Bills as reflected here are given at cost value as opposed to Table 12 given at face value.

Source of Data: Central Bank of Kenya

FISCAL DEVELOPMENTS

3.0 PUBLIC DEBT

3.2 Overall Debt Position

50. The total public and publicly guaranteed debt stock as at end of 31st December 2025, was KSh. 12,301.2 billion, up from KSh. 10,925.3 billion in December 2024, an increase of 11.19 percent. The increase is majorly attributed to domestic borrowing to finance the fiscal deficit during the period. The public and publicly guaranteed debt stock comprised KSh. 5,462.0 billion (44.4 per cent of total debt) in external debt and KSh. 6,839.3 billion (55.6 per cent of total debt) in domestic debt. The net public debt was KSh. 12,052.6 billion during the period under review (**Table 10**).

Table 10: Kenya's Public and Publicly Guaranteed Debt, December 2023 to December 2025 (KSh. Millions)

DEBT SOURCE	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25
EXTERNAL									
BILATERAL	1,422,180	1,175,582	1,163,715	1,133,389	1,101,069	1,073,783	1,106,363	1,065,025	1,061,872
MULTILATERAL	3,061,108	2,654,283	2,786,948	2,847,166	2,777,571	2,876,953	3,045,391	3,057,763	3,034,030
COMMERCIAL BANKS	1,588,656	1,318,975	1,207,503	1,193,820	1,165,072	1,273,900	1,322,292	1,256,228	1,351,573
SUPPLIERS CREDIT	17,641	14,583	13,537	13,990	13,294	13,661	14,419	14,513	14,490
SUB - TOTAL EXTERNAL	6,089,585	5,163,423	5,171,704	5,188,365	5,057,006	5,238,297	5,488,465	5,393,528	5,461,966
DOMESTIC									
CENTRAL BANK	224,468	202,428	170,109	107,612	142,043	189,642	172,082	163,066	185,834
O/W IMF FUNDS ON-LENT TO GOVERNMENT	104,245	84,702	83,541	82,626	79,582	78,705	80,559	78,933	78,380
COMMERCIAL BANKS	2,109,720	2,190,148	2,278,836	2,386,381	2,509,146	2,601,298	2,179,356	2,296,926	2,322,878
TOTAL BANKS	2,334,188	2,392,576	2,448,944	2,493,994	2,651,190	2,790,940	2,351,438	2,459,992	2,508,712
NON BANKS & NON RESIDENTS	2,715,920	2,842,612	2,961,340	3,107,717	3,217,083	3,335,626	3,974,016	4,200,426	4,330,553
SUB-TOTAL DOMESTIC	5,050,109	5,235,188	5,410,284	5,601,710	5,868,273	6,126,566	6,325,454	6,660,418	6,839,265
GRAND TOTAL GROSS	11,139,694	10,398,612	10,581,988	10,790,075	10,925,279	11,364,863	11,813,919	12,053,947	12,301,231
LESS ON-LENDING	-	-	-	-	-	-	-	-	-
LESS GOVERNMENT DEPOSITS	(464,321)	(525,843)	(526,226)	(504,180)	(493,980)	(533,706)	(337,315)	(261,242)	(248,634)
GRAND TOTAL NET	10,675,372	9,872,769	10,055,762	10,285,895	10,431,299	10,831,157	11,476,604	11,792,705	12,052,597

Note:

* Provisional

Source of Data: National Treasury

3.3 Domestic Debt

51. The stock of gross domestic debt increased by KSh.. 971.0 billion from KSh.. 5,868.3 billion in December 2024 to KSh.. 6,839.3 billion in December 2025. The net domestic debt was KSh.. 6,606.1 billion by the end of the period under review (**Table 11**).

FISCAL DEVELOPMENTS

Table 11: Stock of Domestic Debt for the period July 2025 to December 2025 (KSh. Millions)

SECURITIES HOLDER	Jun-25	Sep-25	Dec-25
Financial Corporations	4,819,750	5,097,636	5,246,440
Central Bank	178,569	163,066	201,791
Commercial Banks	2,179,356	2,296,926	2,315,509
Pensions	894,493	943,325	978,423
Insurance	799,140	847,845	891,997
General Government	467,486	476,870	488,845
Households	397,774	425,199	428,225
Non-Residents	279,734	302,816	311,294
Nonfinancial corporations	128,345	139,707	121,630
Non-Profit Institutions	53,796	55,124	56,550
Total Securities	6,146,885	6,497,352	6,652,984
Overdraft	67,629	55,023	94,188
UnCleared items	21	2	2
Bank advances	14,792	13,543	13,651
Pre-1997 Frozen Debt	15,569	15,569	15,569
IMF funds on-lent to Government**	80,559	78,930	78,381
Gross Domestic Debt	6,325,454	6,660,418	6,854,775
Less On-lending	-	-	
Less Government Deposits	304,255	251,373	(248,634)
TOTAL NET DOMESTIC DEBT	6,021,199	6,409,045	6,606,141

NOTE:

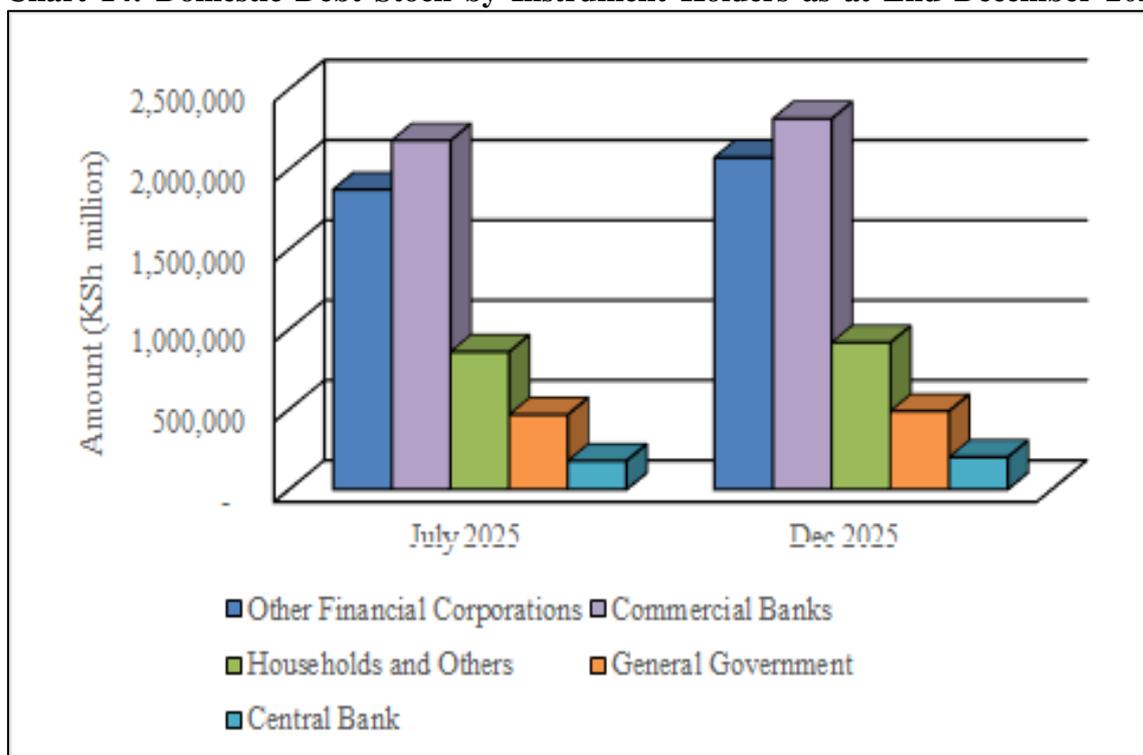
* Provisional

Treasury Bills reflected here are at face value as opposed to Table 9, given at cost

Source of Data: Central Bank of Kenya

52. The stock of government securities was mainly held by Commercial banks and other Financial Corporations. Commercial Banks holding of government securities increased by KSh.. 136.2 billion from KSh.. 2,179.3 billion in July 2025 to KSh.. 2,315.5 billion in December 2025. The stock held by other financial corporations (Central Bank, Pensions and Insurance) increased by KSh.. 200.0 billion from KSh.. 1,872.2 billion in July 2025 to KSh.. 2,072.2 billion in December 2025. The stock of securities held by households and others; and the Central Bank increased by KSh.. 58.1 billion and KSh.. 23.2 billion respectively (**Chart 14**).

Chart 14: Domestic Debt Stock by Instrument Holders as at End December 2025



Source of Data: Central Bank of Kenya

3.4 External Public Debt

53. In US dollar terms, external public and publicly guaranteed debt stock increased to US\$ 42, 337.50 million as at end December 2025 from US\$ 39,112.85 million in December 2024. This comprised debt owed to multilateral of 55.55 percent, commercial banks of 24.75 percent, bilateral of 19.44 percent, and Suppliers Credit of 0.27 percent.

FISCAL DEVELOPMENTS

Table 12: Kenya's External Public and Publicly Guaranteed Debt Stock from December 2023 – December 2025 (US\$ Millions)

CREDITOR	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25
<u>BILATERAL</u>									
AUSTRIA	13.63	13.19	12.77	13.20	11.77	12.13	12.61	12.50	11.92
BELGIUM	179.21	178.92	177.87	187.72	171.85	175.11	196.87	193.18	197.92
DENMARK	2.58	1.99	1.97	1.51	1.40	0.93	1.01	0.43	0.43
FINLAND	3.96	2.57	2.55	1.33	1.23	-	-	-	-
FRANCE	753.72	723.60	746.50	759.36	697.88	704.88	784.39	800.25	786.76
GERMANY	349.60	350.44	345.08	362.54	393.56	401.07	439.64	433.76	445.26
ITALY	212.13	195.64	254.10	229.60	211.75	327.41	345.92	345.90	340.95
JAPAN	1,269.92	1,187.69	1,158.65	1,283.89	1,137.10	1,175.59	1,250.72	1,187.17	1,112.88
USA	7.43	310.65	310.41	248.68	248.47	186.72	185.47	124.03	123.82
CHINA	6,006.71	5,674.35	5,696.97	5,394.35	5,356.85	5,039.21	5,053.67	4,800.05	4,873.10
OTHERS	290.73	280.34	277.46	290.47	284.24	280.43	290.61	343.37	337.88
TOTAL BILATERAL	9,089.63	8,919.39	8,984.34	8,772.65	8,516.10	8,303.47	8,560.91	8,240.65	8,230.92
<u>MULTILATERAL</u>									
ADB/ADF	3,792.02	3,800.87	3,925.83	4,001.98	3,918.64	4,001.09	4,257.66	4,396.29	4,367.00
BADEA	53.69	53.38	54.01	53.33	53.01	52.33	52.03	51.35	50.80
EEC/EIB	204.58	192.68	190.43	195.96	181.93	195.52	230.71	222.26	221.33
IBRD	1,085.13	1,089.11	1,938.74	1,944.34	1,940.45	1,948.47	2,024.99	2,020.16	2,020.32
IDA/IFAD	11,685.80	11,696.69	12,108.42	12,535.17	12,092.83	12,432.93	13,181.46	13,165.20	13,165.31
IMF	2,694.19	3,257.39	3,251.72	3,259.95	3,252.51	3,574.48	3,704.88	3,692.85	3,582.86
OTHERS	49.15	48.52	47.21	46.89	43.45	42.56	113.15	111.39	110.16
TOTAL MULTILATERAL	19,564.57	20,138.64	21,516.35	22,037.62	21,482.81	22,247.38	23,564.88	23,659.49	23,517.78
COMMERCIAL¹	10,153.63	10,007.36	9,322.41	9,240.40	9,011.12	9,851.02	10,231.74	9,720.09	10,476.49
O/W International Sovereign Bond	7,100.00	7,156.97	6,600.00	6,600.00	6,600.00	7,518.86	7,913.54	7,913.54	8,785.10
EXPORT CREDIT	112.75	110.65	104.51	108.29	102.82	105.64	111.57	112.29	112.32
GRAND TOTAL	38,920.59	39,176.04	39,927.61	40,158.96	39,112.85	40,507.51	42,469.10	41,732.53	42,337.50
In percentage of total									
BILATERAL	23.35	22.77	22.50	21.84	21.77	20.50	20.16	19.75	19.44
MULTILATERAL	50.27	51.41	53.89	54.88	54.93	54.92	55.49	56.69	55.55
EXPORT CREDIT	0.29	0.28	0.26	0.27	0.26	0.26	0.26	0.27	0.27
TOTAL	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00

*Provisional

** include IMF item

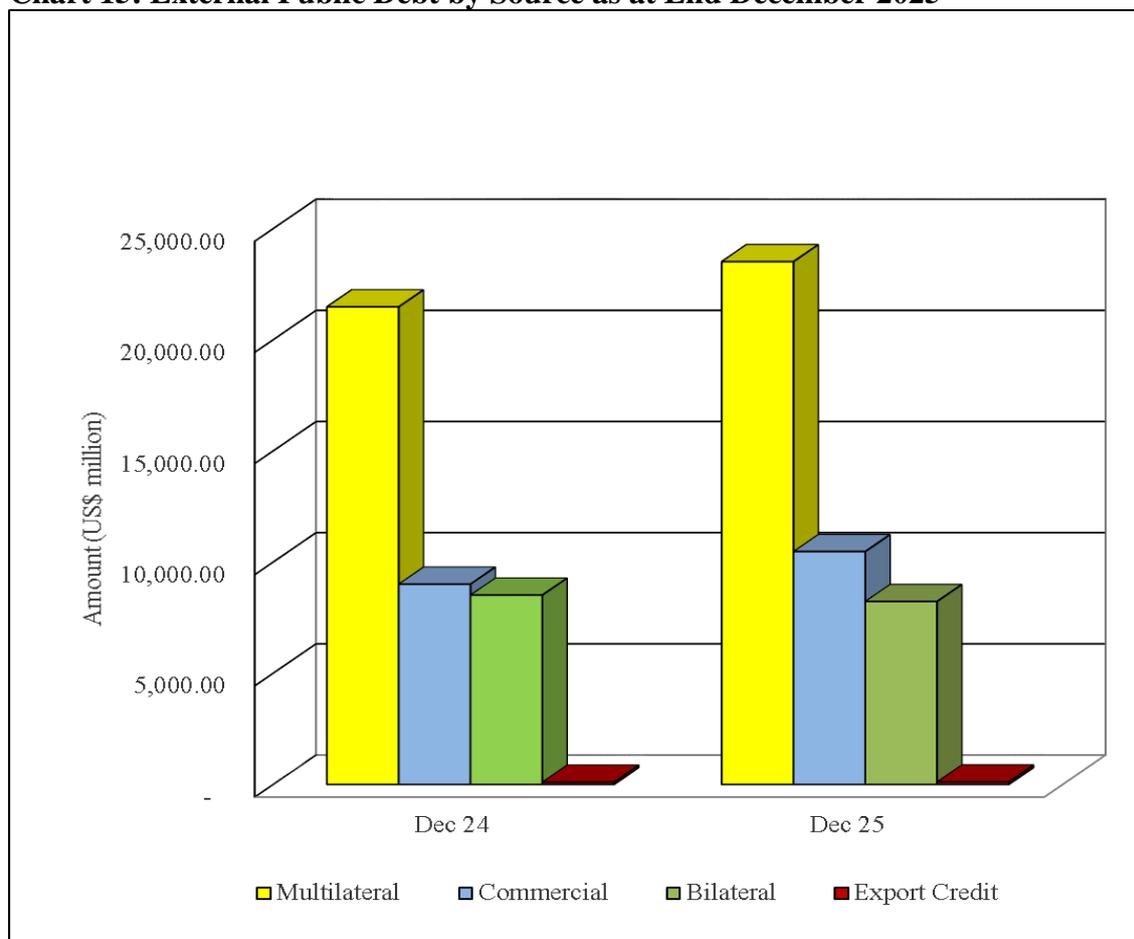
1/ incl. International Sovereign Bond

Note: The exchange rate as at end December 2025 was KSh. 129.0 per dollar.

Source of Data: National Treasury

54. Compared to the same period in FY 2024/25, external public debt stock from multilateral institutions recorded an increase of US\$. 2,035.0 million. Public debt stock from commercial banks and suppliers' credit recorded an increase by US\$ 1,465.4 million and US\$ 9.5 million respectively. Public debt stock from bilateral sources recorded a decline by US\$. 285.2 million in the period ending December 2025 (**Chart 15**).

Chart 15: External Public Debt by Source as at End December 2025



Source of Data: National Treasury

3.4.1 External Debt Service

55. As at end December 2025, the total cumulative debt service payments to external creditors amounted to KSh. 376.4 billion. This comprised KSh. 271.7 billion (72.2 percent) principal and KSh. 104.7 billion (27.8 percent) interest (**Table 13**).

FISCAL DEVELOPMENTS

Table 13: External Debt Service, July 2025 – December 2025 (KSh. Million)

CATEGORY	PRINCIPAL*	INTEREST*	TOTAL*
BILATERAL			
ABU DHABI	89.93	12.35	102.28
AUSTRIA	114.38	12.15	126.53
BELGIUM	1,068.01	75.66	1,143.67
CHINA	44,249.60	18,573.97	62,823.56
DENMARK	12.55	-	12.55
FINLAND	-	1.59	1.59
FRANCE	5,950.55	1,054.54	7,005.09
GERMANY	2,233.78	394.76	2,628.54
POLAND	52.92	9.22	62.14
INDIA	48.04	4.78	52.82
ISRAEL	384.81	27.17	411.98
ITALY	6,175.02	1,696.52	7,871.54
JAPAN	1,465.56	262.81	1,728.38
KOREA	75.98	10.33	86.30
KUWAIT	109.93	18.63	128.57
SAUDI ARABIA	128.41	15.88	144.29
SPAIN	666.08	57.43	723.52
USA	8,048.24	635.87	8,684.11
TOTAL BILATERAL	70,873.79	22,863.67	93,737.46
MULTILATERAL			
IBRD	617.33	7,235.16	7,852.49
IDA	24,239.12	11,816.96	36,056.08
IFAD	527.10	145.85	672.95
IMF	-	-	-
ADB/ADF	6,778.91	6,743.18	13,522.09
EIB/EEC	1,233.49	372.77	1,606.25
OPEC	316.27	155.11	471.38
BADEA	137.70	25.39	163.09
NDF	79.90	11.69	91.59
TOTAL MULTILATERAL	33,929.84	26,506.09	60,435.93
COMMERCIAL	166,888.01	55,358.17	222,246.18
TOTAL	271,691.64	104,727.93	376,419.58
GUARANTEED DEBT	-	-	-
TOTAL INC. GUARANTEE	271,691.64	104,727.93	376,419.58

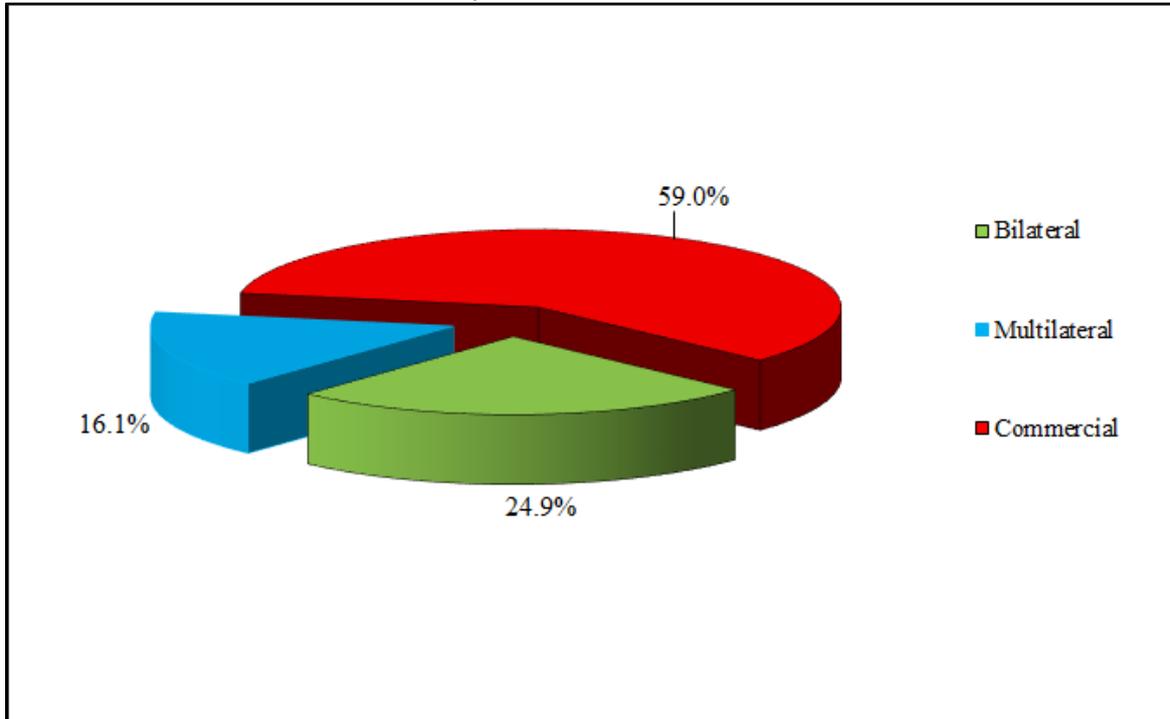
* Provisional

Source of Data: National Treasury

FISCAL DEVELOPMENTS

56. Debt service payments to multilateral, commercial, and bilateral creditors comprised of 16.1 percent, 24.9 percent and 59.0 percent of the total payments respectively (**Chart 16**).

Chart 16: External Debt Service by Creditors at end of December 2025



Source of Data: National Treasury

4.0. ANNEXES

4.1. Annex I: Fiscal Results, 2020/21 – 2025/2026 (KSh. Millions)

REVENUE/EXPENDITURE/FINANCING	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26
	Actual		Prel. Actual	Prel. Actual	Prel. Actual	Printed Estimates
A.TOTAL REVENUE	1,803,536	2,199,808	2,360,510	2,702,662	2,923,551	3,321,651
1.Ordinary Revenue	1,562,015	1,917,911	2,041,119	2,288,921	2,420,174	2,754,709
Income Tax	694,053	876,707	941,576	1,043,097	1,093,032	1,284,772
VAT	410,758	523,098	550,440	645,489	660,729	771,704
Import Duty	108,375	118,280	130,123	133,929	157,107	162,851
Excise Duty	216,325	252,094	264,509	276,722	292,468	335,531
Other Revenue	132,504	147,731	154,472	189,685	216,838	199,850
2.Appropriation –in –Aid	241,521	281,897	319,391	413,740	503,377	566,942
B.EXPENDITURE & NET LENDING	2,769,254	3,027,836	3,221,001	3,605,209	3,975,938	4,269,869
1.Recurrent	1,813,271	2,135,305	2,311,564	2,678,437	2,948,431	3,134,090
Wages and Salaries	493,029	520,033	547,157	575,269	624,689	657,285
Interest Payments	495,142	577,978	687,322	840,732	995,120	1,097,690
Domestic Interest	388,830	456,849	533,098	622,544	784,117	851,421
Foreign Interest Due	106,312	121,130	154,223	218,188	211,002	246,268
Pensions, etc	112,872	122,432	120,425	178,112	211,088	239,635
O & M/ Others	668,748	866,050	895,717	797,427	1,441,468	1,462,509
Of which Appropriation-in-Aid	150,295	197,524	240,165	286,896	300,755	334,256
2.Development & Net Lending	556,990	540,117	493,663	546,385	582,937	648,976
Development Projects	335,022	346,355	319,289	402,105	392,864	437,700
Appropriation-in-Aid	221,968	193,762	162,048	126,844	170,387	200,686
4. Transfer to County Governments	398,993	352,414	415,774	380,388	444,570	484,803
5. Parliamentary Service	29,191	32,652	41,187	37,257	19,896	39,792
6. Judicial Service	14,289	16,160	19,755	21,027	13,890	27,780
7. Net Lending	-	-	12,327	17,436	19,685	-
8. Equalization Fund	-	-	-	-	-	10,590
9. Contingency Fund	-	-	-	-	-	2,000
D.DEFICIT EXCL. GRANTS (Commitment Basis)	(965,717)	(828,028)	(860,491)	(902,548)	(1,052,387)	(948,218)
E.GRANTS	31,334	31,031	23,083	22,037	33,320	47,231
F.DEFICIT INCL.GRANTS (Commitment Basis)	(934,384)	(796,997)	(837,408)	(880,511)	(1,019,067)	(900,987)
G. ADJUSTMENT TO CASH BASIS	5,098	11,868	37,031	45,374	-	-
H.DEFICIT INCL.GRANTS (Cash Basis)	(929,286)	(785,129)	(800,377)	(835,136)	(1,019,067)	(900,987)
Discrepancy	20,950	(37,304)	(30,070)	(16,815)	15,146	-
I.FINANCING	950,235	747,825	770,307	818,321	1,034,213	900,987
Net Foreign Financing	323,310	142,524	310,759	222,749	179,738	287,440
Net Domestic Financing	626,926	605,301	459,548	595,572	854,474	613,547
In Percentage of GDP						
A.TOTAL REVENUE	15.9	17.3	16.5	16.8	15.0	15.9
1.Ordinary Revenue	13.7	15.1	14.3	14.2	12.7	13.7
Income Tax	6.1	6.9	6.6	6.5	5.8	6.1
VAT	3.6	4.1	3.9	4.0	3.6	3.8
Import Duty	1.0	0.9	0.9	0.8	0.7	0.8
Excise Duty	1.9	2.0	1.9	1.7	1.5	1.7
Other Revenue	1.2	1.2	1.1	1.2	1.1	1.3
2.Appropriation –in –Aid	2.1	2.2	2.2	2.6	2.3	2.2
B. EXPENDITURE & NET LENDING	24.4	23.8	22.6	22.4	20.0	20.1
1.Recurrent	15.9	16.8	16.2	16.6	14.8	14.7
Wages and Salaries	4.3	4.1	3.8	3.6	3.2	3.1
Interest Payments	4.4	4.5	4.8	5.2	4.7	5.2
Domestic Interest	3.4	3.6	3.7	3.9	3.4	3.9
Foreign Interest Due	0.9	1.0	1.1	1.4	1.2	1.3
Pensions, etc	1.0	1.0	0.8	1.1	1.0	1.2
O & M/ Others	5.9	6.8	6.3	5.0	4.4	3.7
of which Appropriation-in-Aid	1.3	1.6	1.7	1.8	1.6	1.5
2.Development & Net Lending	4.9	4.2	3.5	3.4	3.0	3.1
Development Projects	2.9	2.7	2.2	2.5	2.2	2.3
Appropriation-in-Aid	2.0	1.5	1.1	0.8	0.7	0.8
Payment of guaranteed loans	-	-	-	-	-	-
3. Drought Expenditures	-	-	-	-	-	-
4. Transfer to County Governments	3.5	2.8	2.9	2.4	2.1	2.4
5. Parliamentary Service	0.3	0.3	0.3	0.2	0.2	-
6. Judicial Service	0.1	0.1	0.1	0.1	0.1	-
7. Equalization Fund	-	-	-	0.1	0.1	-
D.DEFICIT EXCL. GRANTS (Commitment Basis)	(8.5)	(6.5)	(6.0)	-	(5.8)	(4.9)
E.GRANTS	0.3	0.2	0.2	-	0.2	0.2
F.DEFICIT INCL.GRANTS (Commitment Basis)	(8.2)	(6.3)	(5.9)	(5.6)	(5.0)	(4.3)
G.ADJUSTMENT TO CASH BASIS	0.0	0.1	0.3	0.1	0.1	0.3
H.DEFICIT INCL.GRANTS (Cash Basis)	(8.2)	(6.2)	(5.6)	(5.5)	(4.9)	(4.0)
I.FINANCING	8.4	5.9	5.4	0.3	4.5	4.0
Foreign Financing	2.8	1.1	2.2	(5.2)	1.2	1.8
Net Domestic Financing	5.5	4.8	3.2	5.1	3.3	2.1
Memorandum Item:						
Nominal GDP at Market price (Ksh. million)	11,370,322.9	12,736,133.0	14,274,419.5	16,106,042	18,054,009	19,272,810

Source of Data: National Treasury

4.2. GFSM 2014 COMPLIANT TABLES FOR BUDGETARY CENTRAL GOVERNMENT

4.2.1 Annex II: Revenue (KSh. Millions)

Description	Annual Budget Estimates FY2025/26	Prel. Actual FY2025/26 Q1	Prel. Actual FY2025/26 Q2
<i>Accounting method:</i>	<i>Cash</i>	<i>Cash</i>	<i>Cash</i>
Revenue	3,368,882	712,556	1,530,855
Taxes	2,918,497	626,995	1,306,340
Taxes on income, profits, and capital gains	1,379,772	271,149	581,225
Payable by individuals	747,374	155,156	341,872
Payable by corporations and other enterprises	632,398	115,993	239,353
Taxes on goods and services	1,276,242	291,034	588,618
General taxes on goods and services	791,617	177,977	365,194
Value-added taxes	771,704	173,371	350,996
Taxes on financial and capital transactions ¹	19,913	4,605	14,199
Excises ²	484,625	113,057	223,424
Taxes on international trade and transactions	262,483	64,812	136,496
Customs and other import duties ³	261,018	64,376	135,733
Taxes on exports	1,464	436	763
Social contributions	337	278	1,011
Other social contributions	337	278	1,011
Employee contributions	337	278	1,011
Grants	47,231	2,950	5,759
From foreign governments	47,231	2,950	5,759
Capital	47,231	2,950	5,759
Other revenue	402,817	82,333	217,746
Property income	94,731	11,699	55,965
Interest	2,409	483	1,358
Dividends	89,639	10,484	53,574
Rent	2,683	732	1,033
Sales of goods and services	302,346	69,769	157,217
Administrative fees	302,346	69,769	157,217
Fines, penalties, and forfeits	3,333	437	1,140
Miscellaneous and unidentified revenue	2,407	428	3,424

1. Includes Capital Gains Tax and Stamp duty

2. Includes Ordinary excise, RML, PDL, Electricity levy

3. Includes Import duty, RDL, IDF

Source: National Treasury

ANNEXES

4.2.2. Annex III: Expense (KSh. Millions)

GFSM Code	Description	Annual Budget Estimates FY2025/26	Prel. Actual FY 2025/26 Q1	Prel. Actual FY 2025/26 Q2
	<i>Accounting method:</i>	<i>Cash</i>	<i>Cash</i>	<i>Cash</i>
2	Expense	4,107,128	952,496	1,944,330
21	Compensation of employees	696,464	162,746	340,112
211	Wages and salaries	662,001	152,138	328,643
212	Social contributions	34,463	10,608	11,470
2121	Actual social contributions	34,463	10,608	11,470
22	Use of goods and services	325,949	98,397	184,364
	O/W Free Secondary Education (FSE)	10,977	10,417	36,500
	Free Primary Education (FPE)	6,184	1,748	5,451
24	Interest	1,097,690	273,000	518,834
241	To nonresidents	246,268	71,990	104,728
242	To residents other than general government	851,421	201,010	414,106
26	Grants	1,776,331	389,291	836,814
262	To international organizations	34,869	-	-
2621	Current	34,869	-	-
2622	Capital	-	-	-
263	To other general government units	1,741,462	389,291	836,814
2631	Current	1,161,694	276,337	547,213
	O/W Transfer to County Governments (ES)	418,259	66,131	179,519
	Transfer to Other levels of Government (Includes transfers to	743,435	210,206	367,694
2632	Capital	579,768	112,954	289,601
	O/W Transfer to County Governments (ES)	133,455	-	7,294
	Transfer to Other levels of Government (Includes transfers to	446,314	112,954	282,307
27	Social benefits	210,694	29,063	64,205
272	Social Assistance Benefits	-	-	-
273	Employer social benefits	210,694	29,063	64,205

Source: National Treasury

ANNEXES

4.2.3. Annex IV: Transaction in Assets and Liabilities (KSh. Millions)

GFSM Code	Description	Annual Budget Estimates FY 2025/26	Prel. Actual FY 2025/26 Q1	Prel. Actual FY 2025/26 Q2
	<i>Accounting method:</i>	<i>Cash</i>	<i>Cash</i>	<i>Cash</i>
3	Change in Net Worth: Transactions	(343,762)	(170,212)	(196,514)
31	Net acquisition of nonfinancial assets	165,457	40,509	75,247
311	Fixed assets	165,457	40,509	75,247
3111	Buildings and structures	159,553	40,351	73,755
3112	Machinery and equipment			
3113	Other fixed assets	5,904	158	1,492
312	Inventories			
314	Nonproduced assets			
32	Net acquisition of financial assets	10,795	29,875	27,945
3212	Currency and deposits (Domestic)	10,795	29,875	27,945
33	Net incurrence of liabilities	520,014	240,596	299,705
331	Domestic	453,751	338,676	481,286
3313	Securities other than shares	634,751	333,091	499,704
3314	Loans	-	14,422	-
3318	Other Accounts Payable	(181,000)	(8,836)	(18,418)
332	Foreign	66,262	(98,080)	(181,580)
3321	Special Drawing Rights (SDRs)			
3323	Securities other than shares			
3324	Loans	66,262	(98,080)	(181,580)

Source: National Treasury

ANNEXES

4.2.4. Annex V: Statement of Sources and Uses of Cash (KSh. Millions)

GFSM Code	Description	Annual Budget Estimates FY2025/26	Prel. Actual FY 2025/26 Q1	Prel. Actual FY 2025/26 Q2
	<i>Accounting method:</i>	<i>Cash</i>	<i>Cash</i>	<i>Cash</i>
	Cash Flows from Operating Activities:			
1	Cash receipts from operating activities	3,368,882	712,556	1,530,855
11	Taxes	2,918,497	626,995	1,306,340
12	Social contributions	337	278	1,011
13	Grants	47,231	2,950	5,759
14	Other receipts	402,817	82,333	217,746
2	Cash payments for operating activities	4,069,318	952,496	1,858,363
21	Compensation of employees	696,464	162,746	340,112
22	Purchases of goods and services	325,949	98,397	98,397
24	Interest	1,097,690	273,000	518,834
25	Subsidies	-	-	-
26	Grants	1,776,331	389,291	836,814
27	Social benefits	172,884	29,063	64,205
28	Other payments	-	-	-
	Net cash inflow from operating activities	(700,436)	(239,940)	(327,507)
	Cash Flows from Investments in Nonfinancial Assets (NFAs):			
31A	Purchases of nonfinancial assets	165,457	40,509	75,247
311A	Fixed assets	165,457	40,509	75,247
	Net cash outflow: investments in NFAs (31=31A)	165,457	40,509	75,247
	Cash surplus / deficit	(865,893)	(280,449)	(402,754)
	Cash Flows from Financing Activities:			
32x	Net acquisition of financial assets other than cash	11,905	1,781	6,870
321x	Domestic	11,905	1,781	6,870
322x	Foreign			
33	Net incurrence of liabilities	520,014	240,596	299,705
331	Domestic	453,751	338,676	481,286
332	Foreign	66,262	(98,080)	(181,580)
NFB	Net cash inflow from financing activities	531,919	242,378	306,575
	Net change in the stock of cash	(333,974)	(38,072)	(96,179)
	Statistical Discrepancy⁴			

⁴/Vertical check: Difference between cash surplus/deficit and total net cash inflow from financing activities

Source: National Treasury

ANNEXES

4.2.5 Annex VI: Statement of Government Operations (KSh. Millions)

GFSM Code	Description	Annual Budget Estimates FY2025/26	Prel. Actual FY 2025/26 Q1	Prel. Actual FY 2025/26 Q2
	<i>Accounting method:</i>	<i>Cash</i>	<i>Cash</i>	<i>Cash</i>
	Transactions Affecting Net Worth:			
1	Revenue	3,368,882	712,556	1,530,855
11	Taxes	2,918,497	626,995	1,306,340
12	Social contributions	337	278	1,011
13	Grants	47,231	2,950	5,759
14	Other revenue	402,817	82,333	217,746
2	Expense	4,107,128	952,496	1,944,330
21	Compensation of employees	696,464	162,746	340,112
22	Use of goods and services	325,949	98,397	184,364
24	Interest	1,097,690	273,000	518,834
26	Grants	1,776,331	389,291	836,814
27	Social benefits	210,694	29,063	64,205
28	Other expense			
GOB	Gross operating balance	(738,246)	(239,940)	(413,474)
NOB	Net operating balance	(738,246)	(239,940)	(413,474)
	Transactions on Nonfinancial Assets:			
31	Net Acquisition of Nonfinancial Assets	165,457	40,509	75,247
311	Fixed assets	165,457	40,509	75,247
NLB	Net lending / borrowing	(903,703)	(280,449)	(488,721)
	Transactions on Financial Assets and Liabilities (Financing):	530,809	270,472	327,650
32	Net acquisition of financial assets	10,795	29,875	27,945
321	Domestic	10,795	29,875	27,945
322	Foreign			
33	Net incurrence of liabilities	520,014	240,596	299,705
331	Domestic	453,751	338,676	481,286
332	Foreign	66,262	(98,080)	(181,580)
	Statistical Discrepancy⁵	(372,894)	(9,978)	(161,071)

⁵Vertical check: Difference between net lending/borrowing and financing

Source: National Treasury