FY 24/25 Budget Performance

Exchequer releases May 2025

Modest growth of tax revenues, more domestic borrowing, recurrent spending up while development spending lags

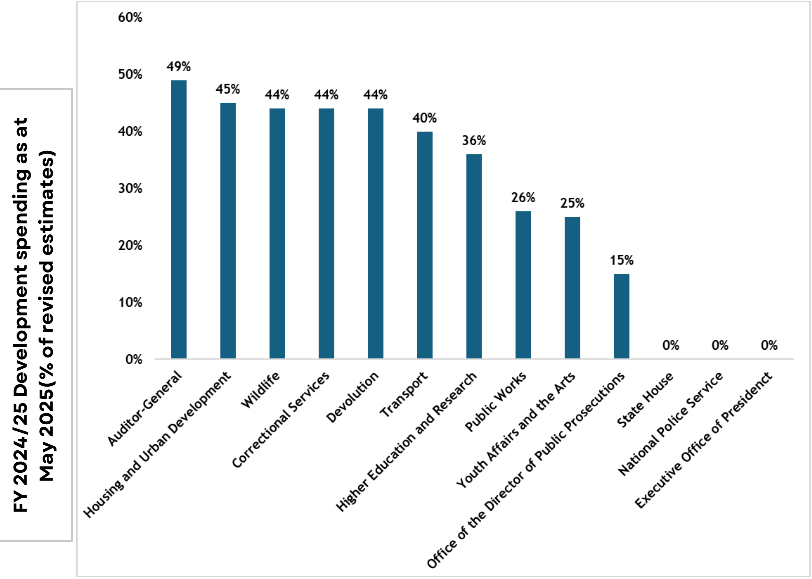
KEY HIGHLIGHTS

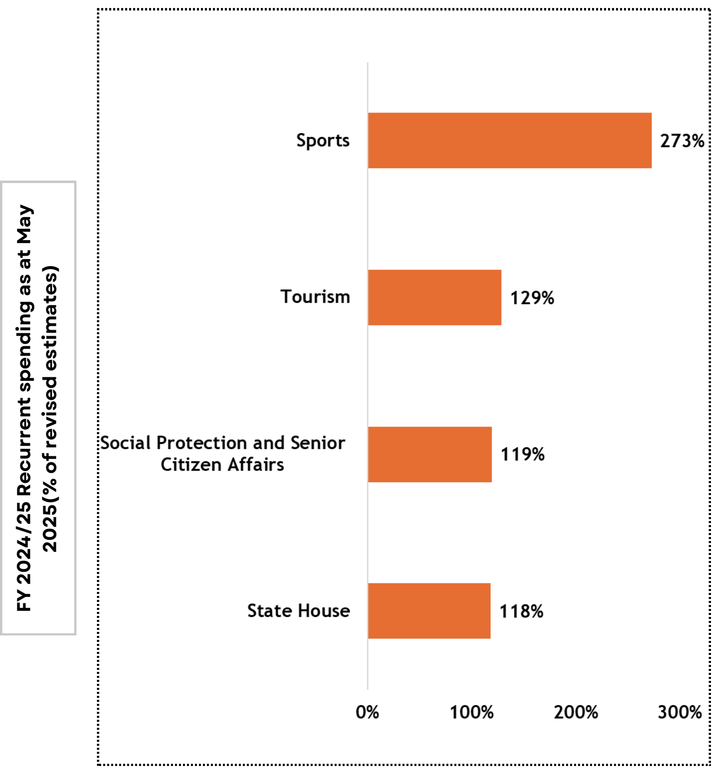
1.

- **Out of 50 Ministries, Departments, and Agencies (MDAs) with development budget allocations, 10 have received less than 50 percent of their allocated funds with just one month remaining in the financial year, and 3 MDAs have not received any development funding at all.**
- **The State Department for Shipping and Maritime Affairs, which had not received any of its allocated development funds by April, received 100 percent of the funds in May.**

2.

- **By May 2025, recurrent disbursements to the State Departments for Sports, Tourism, Social Protection and Senior Citizen Affairs, and State House had exceeded their revised annual targets by 173%, 29%, 19%, and 18%, respectively**

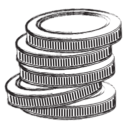




Programmes affected include:

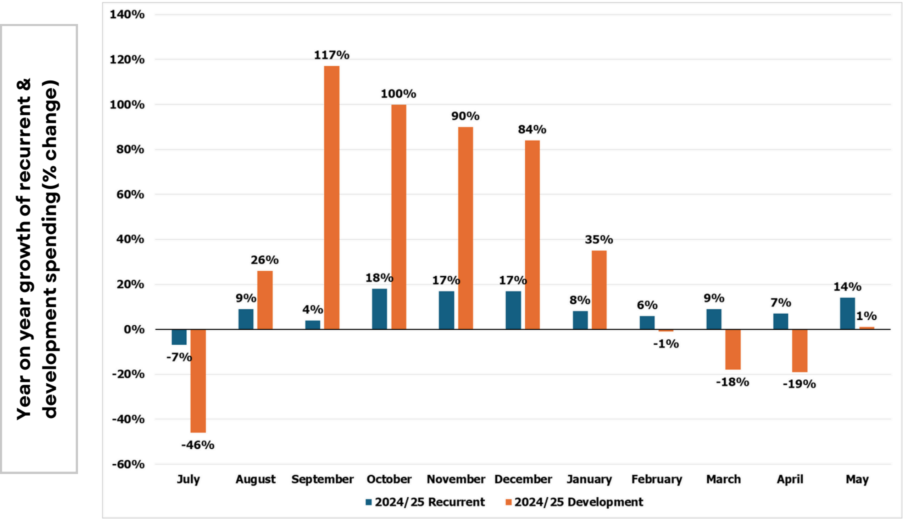
1. Audit Services
2. Delivery of Affordable and Social Housing Units
3. Regulation and Development of the Construction Industry
4. Youth Development Services
5. University Education, among others

3. Recurrent spending grew compared to last year while development spending lagged behind



- **By May, Ministries, Departments, and Agencies'(MDAs) recurrent spending grew by 14 percent compared to the same period last year, reaching Ksh 1,263 billion, which was 89 percent of the revised target of Ksh 1,413 billion.**
- **On the other hand, development spending lagged behind at 75 percent of the revised estimates, increasing by 1 percent compared to the same period last year.**

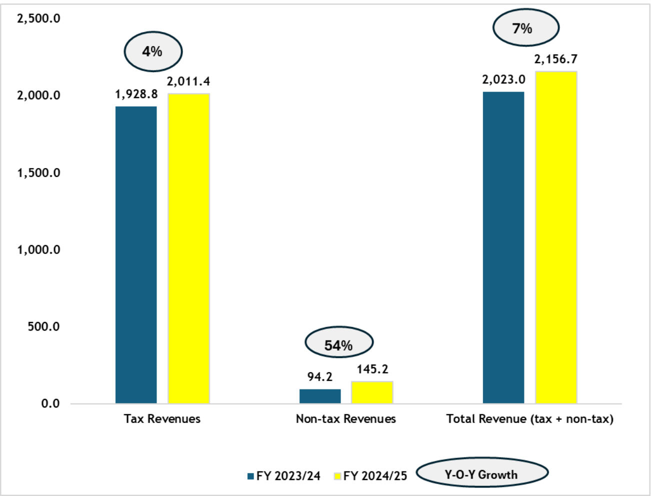
Recurrent spending peaked from October to December before dipping again. Development spending was erratic–low initially, then spiking in September, before declining sharply from February.



THE GOOD

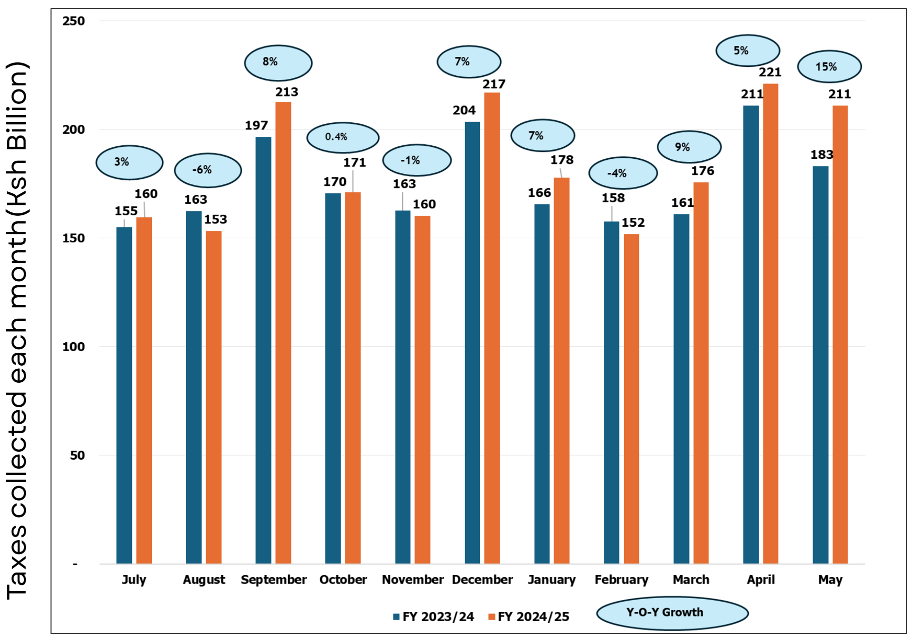
By May, one month to the end of the FY 2024/25, Kenya recorded a modest 4 percent growth in tax revenues. This modest growth came despite the government reintroducing some of the tax measures through the Tax Laws (Amendment) Act, 2024 following the rejection of the Finance Bill, 2024.

- Revenues (tax + non-tax) in the first eleven months of FY 2024/25 grew by 7 percent compared to last year in the same period.

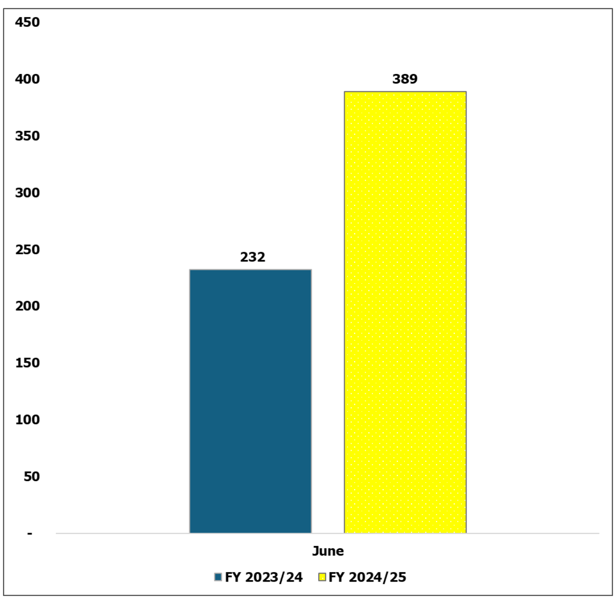


1. Tax revenues grew with notable peaks in September, December, and April. Monthly tax collections in May 2025 recorded a strong 15 percent growth compared to May last year, up from the 5 percent growth recorded in April.

Tax revenues typically rise in September, December, April and June due to quarterly tax payments and increased business filings.



Can the Treasury meet its revenue targets this year?



Ksh 389 billion is amount that the government should collect to meet the FY 2024/25 target, compared to an actual collection of Ksh 232 billion in June last year.

- **To meet the revised revenue target of Ksh 2.4 trillion, the government must collect Ksh 389 billion in June, putting pressure on tax collection.**

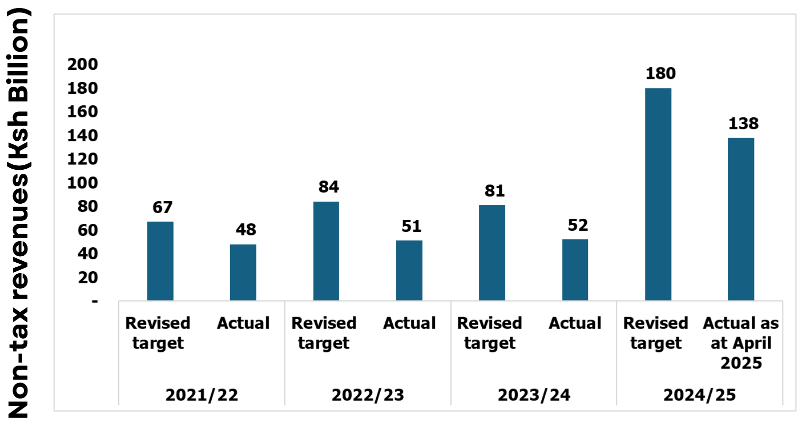
- **However, meeting this target is unlikely as monthly tax collections have averaged Ksh 183 billion so far, even though June is likely to see higher revenues due corporate income tax payments. Last year, GOK collected 232 billion in June.**

2. Non-tax revenues have grown significantly by 54 percent in the current financial year compared to last year in the same period

Non-tax revenues

- **Non-tax revenues have been performing well as a result of the government implementing the use of a single paybill, which has enhanced efficient collection of public service fees.**

- **However, to meet the annual target, GOK must collect Ksh 35 billion in June. Collections averaged Ksh 15 billion in the first eleven months.**



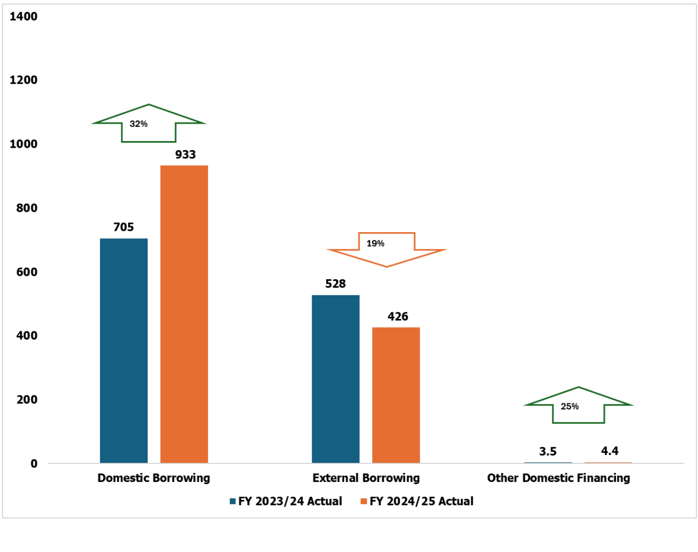
THE BAD

1. While increased domestic borrowing in FY 2024/25 has reduced currency risk, it is often more expensive, with higher interest rates than external concessional finance

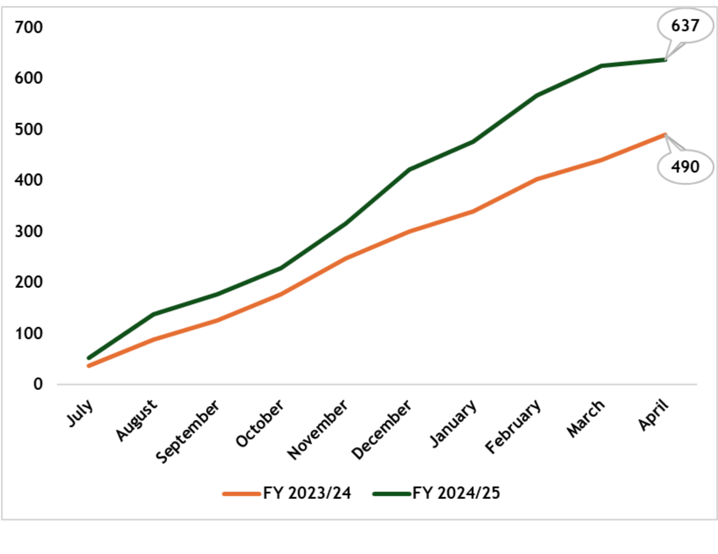
- **By May, domestic borrowing and other domestic financing had increased by 32 percent and 25 percent respectively, compared to the previous year, while external borrowing reduced by 19 percent.**

- **Interest payments on domestic debt have increased compared to last year, pointing to a heavier and growing repayment burden.**

Actual Performance Y-O-Y as at May(Ksh Billion)

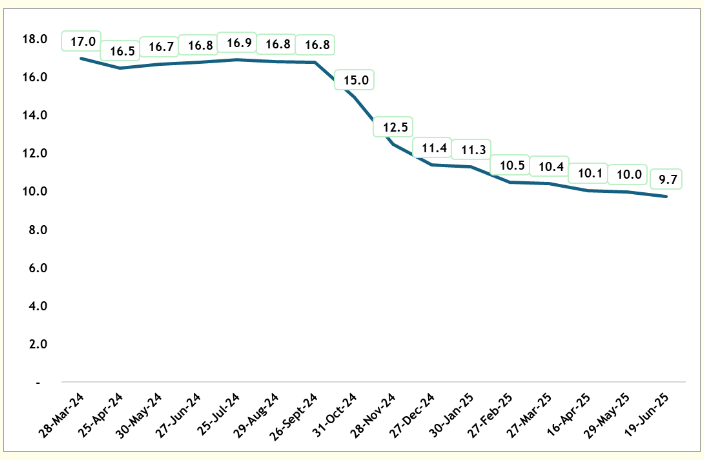


Interest payments on domestic debt(Ksh Billion)



- **Nonetheless, the cost of domestic borrowing has gradually dropped. By end of May 2025, the 364-Day treasury bills had an average interest rate of 10 percent compared to 17 percent recorded in the same period last year. This follows the monetary policy committee's decision to lower the Central Bank Rate, citing stable core inflation, low energy prices, and exchange rate stability, which reduced the government's risk premium.**

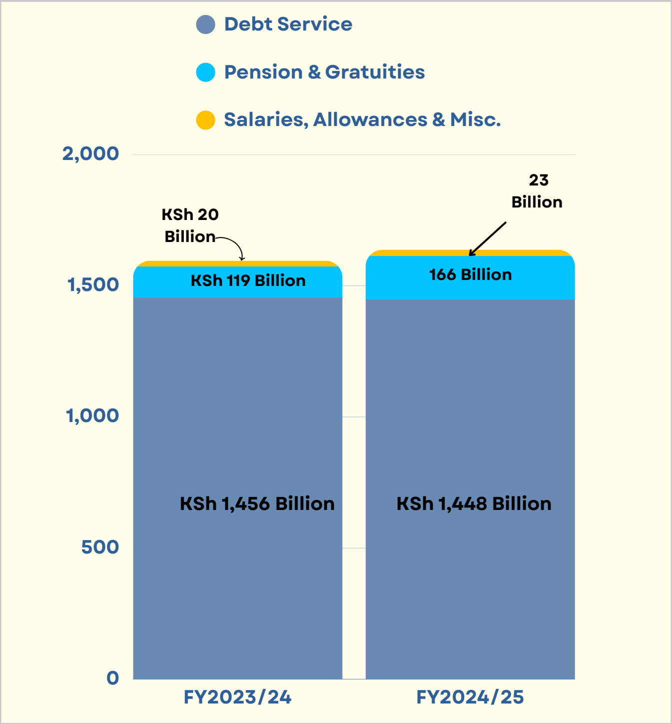
Average interest rates for 364-Day Treasury bills(%)



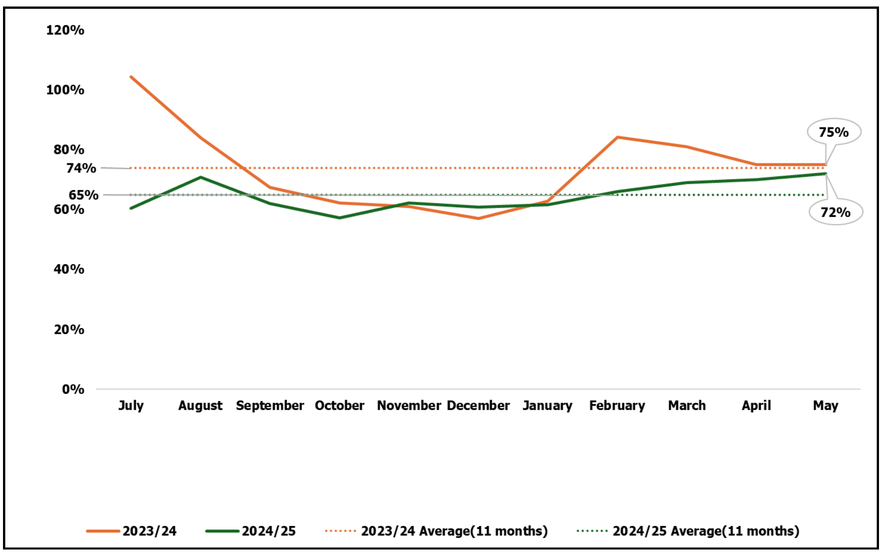
2. By May 2025, Consolidated Fund expenditure for FY 2024/25 shows a slight 3 percent increase compared to the same period last year

- **By May 2025, debt service was far below target at Ksh 1,448 billion which was 71 percent of the revised target of Ksh 2,042 billion. The government has attributed the lower debt service to the appreciation of the Kenyan Shilling during the year, which helped reduce debt service costs.**

- **Whereas a 40 percent increase in Pensions & Gratuities comes as a relief for pensioners, there was a notable increase in exchequer issues of 14 percent for Salaries & Allowances to constitutional officeholders and Miscellaneous expenditure.**



- **Although debt service has dropped slightly, it continues to draw away a significant share of financing from other government spending. During the period under review, debt service reduced slightly from 75 percent of tax revenue in May 2024 to 72 percent in May 2025. Only 28 percent of tax revenue was left for the rest of the government spending, both recurrent and development. The implication is that the government is funding a significant proportion of recurrent expenditure from borrowing.**



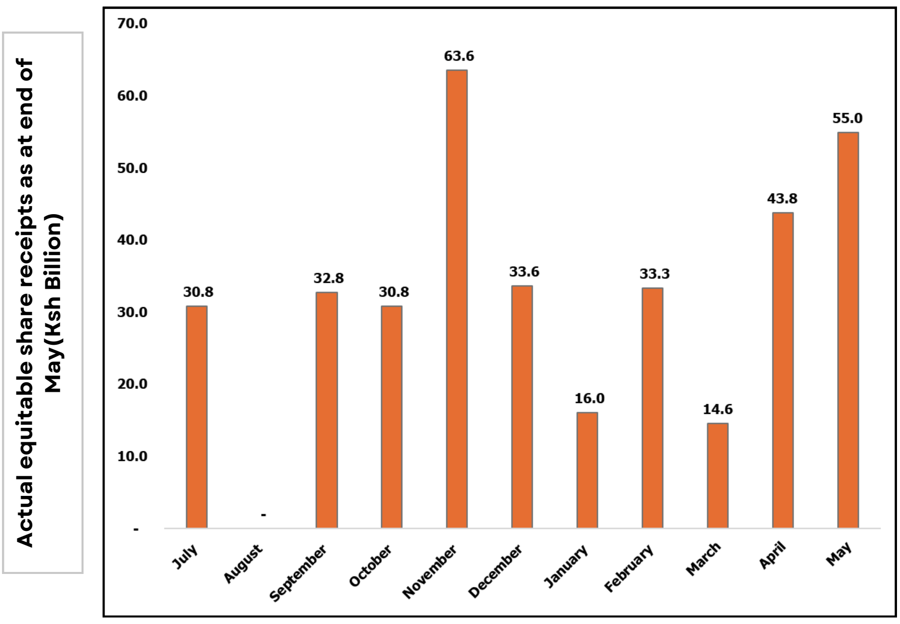
3. While counties may receive their full allocations by the end of June 2025, they might not have enough time to utilize the funds effectively.

- **By May, FY 2024/25 disbursements to counties were at 84 percent of the revised budget(calculation excludes balance of Ksh 30.8 billion carried forward from the previous year). This is an improvement from the same period last year, when the government had disbursed 75 percent of the annual target.**

- **To meet FY 2024/25 annual target of Ksh 418 billion(including the 30.8 billion carried forward from the previous year), the National Treasury would need to disburse Ksh 64 billion in June. Last year, the NT disbursed Ksh 67 billion in June.**

- **County disbursements have been erratic, some months saw double the usual funding, while others had significantly less or none at all.**

Counties had received Ksh 323 billion by May 2025 (excluding balance of Ksh 30.8 billion from last year disbursed in July)



Source: Kenya Gazette(Vol. CXXVII-No. 132)