



Central Bank of Kenya

MONETARY POLICY COMMITTEE MEETING BACKGROUND INFORMATION

Wednesday, December 6, 2023

Dr. Kamau Thugge, CBS
Governor

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1.

Monetary Policy Decision

During its Meeting on December 5, 2023, the Monetary Policy Committee (MPC) raised the Central Bank Rate (CBR) from 10.50 percent to 12.50 percent.

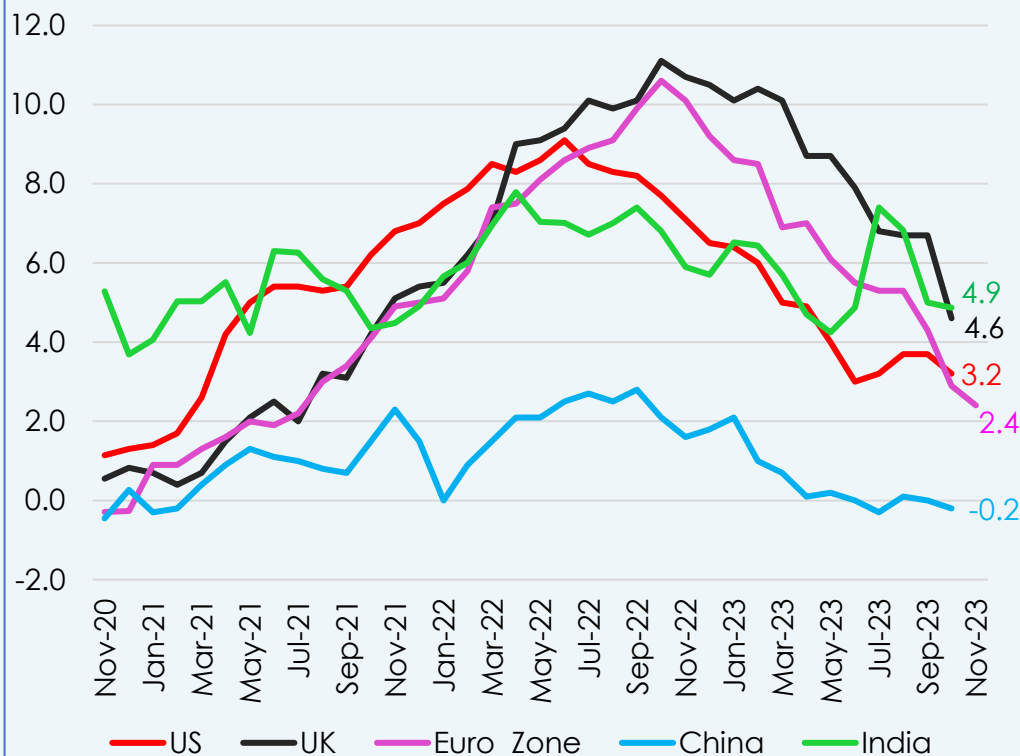
The MPC noted that:

- Exchange rate depreciation continues to exert upward pressure on domestic prices, thereby increasing the cost of living and reducing purchasing power. Of the overall inflation of 6.8 percent in November 2023, the exchange rate depreciation contributed about 3.0 percentage points.
 - Public sector external debt service has risen, thereby offsetting some of the gains made towards the Government's strong fiscal consolidation. In addition, the continued weakening of the exchange rate is contributing to a significant increase in the Kenya shilling value of foreign currency denominated debt.
 - The MPC therefore concluded that there is need to adjust the monetary policy stance to address the pressures on the exchange rate and mitigate second round effects including from global prices. This will ensure that inflationary expectations remain anchored, while setting inflation on a firm downward path towards the 5.0 percent mid-point of the target range.
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- The MPC will closely monitor the impact of the policy measures as well as developments in the global and domestic economy and stands ready to further tighten monetary policy as necessary to ensure price and exchange rate stability are achieved, in line with its mandate.
 - The Committee will meet again in February 2024.

Global inflation:

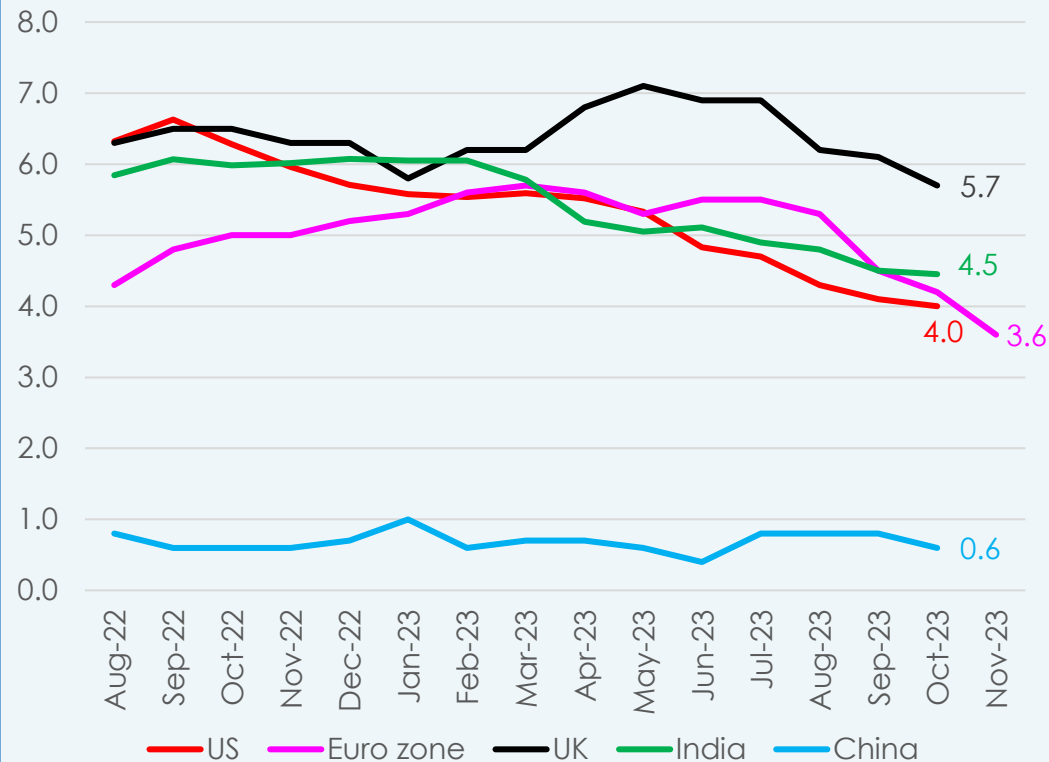
Headline inflation rates in advanced economies have continued to ease, but remain above their respective inflationary targets

Headline inflation rates (y/y, percent)



- Inflation rates in the US, UK and Eurozone declined in October 2023, mainly reflecting effects of monetary policy tightening and lower energy prices.
- In India inflation declined in October 2023, driven by lower food prices with improved supply of vegetables, rice and onions.
- China slid back into deflation in October 2023, largely due to weaker domestic demand.

Core inflation rates (y/y, percent)



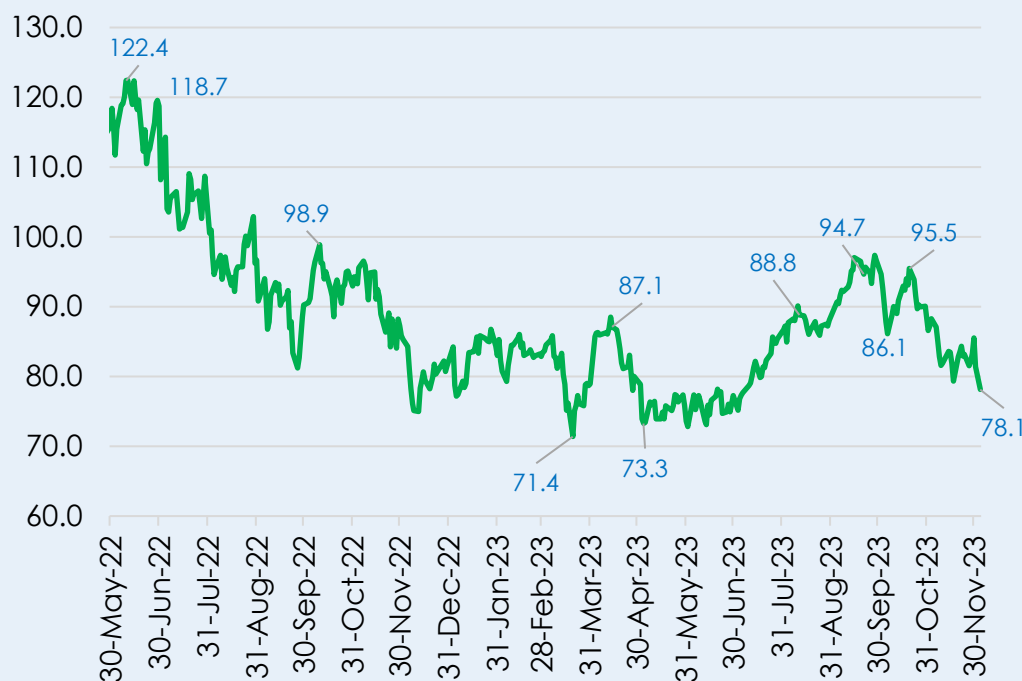
- However, core inflation rates in the major economies have remained sticky, reflecting tight labour markets, and strong price increases in the services sector.

Source: Websites of Statistics Offices/Central Banks of respective countries

Global commodity prices:

Commodity prices in the global markets remain below the peak levels witnessed in 2022, but oil prices remain volatile reflecting increased global uncertainties

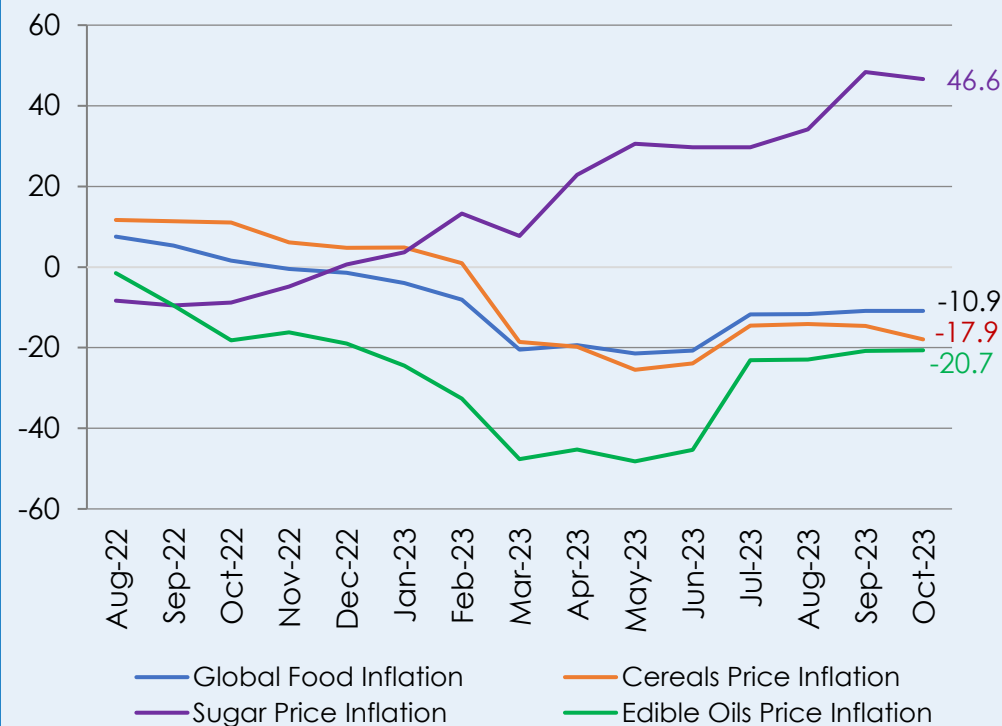
Murban oil price (USD, per barrel)



- The price of oil remains below the peak levels witnessed in 2022 due to weak global demand particularly by China.
- Oil prices trended upwards between July and September 2023 following supply cuts by the OPEC+ to shore up prices.
- The price of oil has been volatile since October 2023 reflecting increased uncertainties regarding potential supply disruptions from escalation of the Israel-Hamas conflict, and announcement of voluntary further output cuts by the OPEC+ to shore up oil prices.

Source: Oilprice.com

Global food inflation (y/y, percent)



- Global food prices in October 2023 remained below the peak levels witnessed in 2022, except for a few items such as sugar and rice. This reflects ample wheat and maize harvests in the U.S., and lower palm oil prices attributed to higher output in South Asia and reduced global demand.
- Global sugar prices remained elevated in October 2023 despite moderating slightly, reflecting improved supplies from Brazil.

Source: UN FAO Food Index

Global economic outlook:

Global growth is expected to decelerate from 3.0 percent in 2023 to 2.9 percent in 2024

Global and selected countries' real GDP growth (y/y, percent)

	2021 Act.	2022 Act.	2023 Proj.		2024 Proj.	
			Oct. 2023 WEO	Difference from Jul. 2023 WEO	Oct. 2023 WEO	Difference from Jul. 2023 WEO
World	6.3	3.5	3.0	0.0	2.9	-0.1
Advanced Economies	5.4	2.6	1.5	0.0	1.4	0.0
United States	5.9	2.1	2.1	0.3	1.5	0.5
United Kingdom	7.6	4.1	0.5	0.1	0.6	-0.4
Japan	2.2	1.0	2.0	0.6	1.0	0.0
Euro area	5.3	3.3	0.7	-0.2	1.2	-0.3
Emerging Market and Developing Economies	6.8	4.1	4.0	0.0	4.0	-0.1
China	8.4	3.0	5.0	-0.2	4.2	-0.3
India	9.1	7.2	6.3	0.2	6.3	0.0
Russia	5.6	-2.1	2.2	0.7	1.1	-0.2
Sub-Saharan Africa	4.7	4.0	3.3	-0.2	4.0	-0.1
South Africa	4.7	1.9	0.9	0.6	1.8	0.1
Nigeria	3.6	3.3	2.9	-0.3	3.1	0.1
Kenya	7.6	4.8	5.0	0.0	5.3	0.0

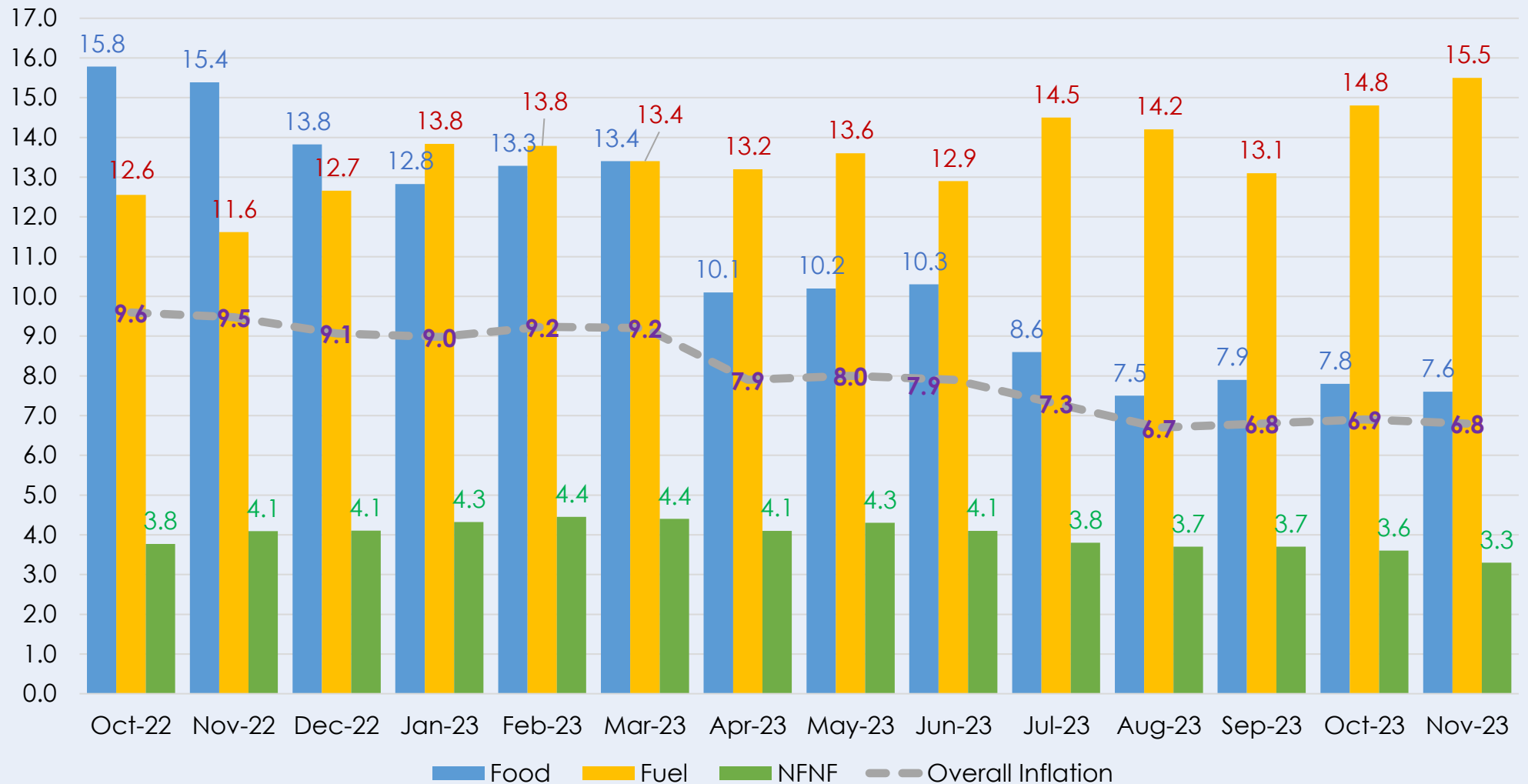
- Global growth is expected to decelerate from 3.0 percent in 2023 to 2.9 percent in 2024, reflecting the impact of high interest rates in advanced economies, weakening demand particularly in China and the Eurozone, heightened geopolitical tensions particularly the ongoing Israel-Palestinian conflict as well as the Russia-Ukraine war, which continue to weigh down on economic activity.
- Growth projections in 2023 were upward for: U.S. due to strong business investment and resilient consumption; Japan due to pent-up demand and rebound in auto exports; Russia due to significant fiscal stimulus; and South Africa on account of expected lower intensity of power blackouts.
- The IMF projections show that Kenya's real GDP growth is expected to remain strong in 2023, mainly supported by the rebound in agriculture.

Source: IMF World Economic Outlook (WEO)

Domestic inflation:

Overall inflation has remained sticky in the upper bound of the Government's target range since July 2023

Inflation by broad category (y/y, percent)



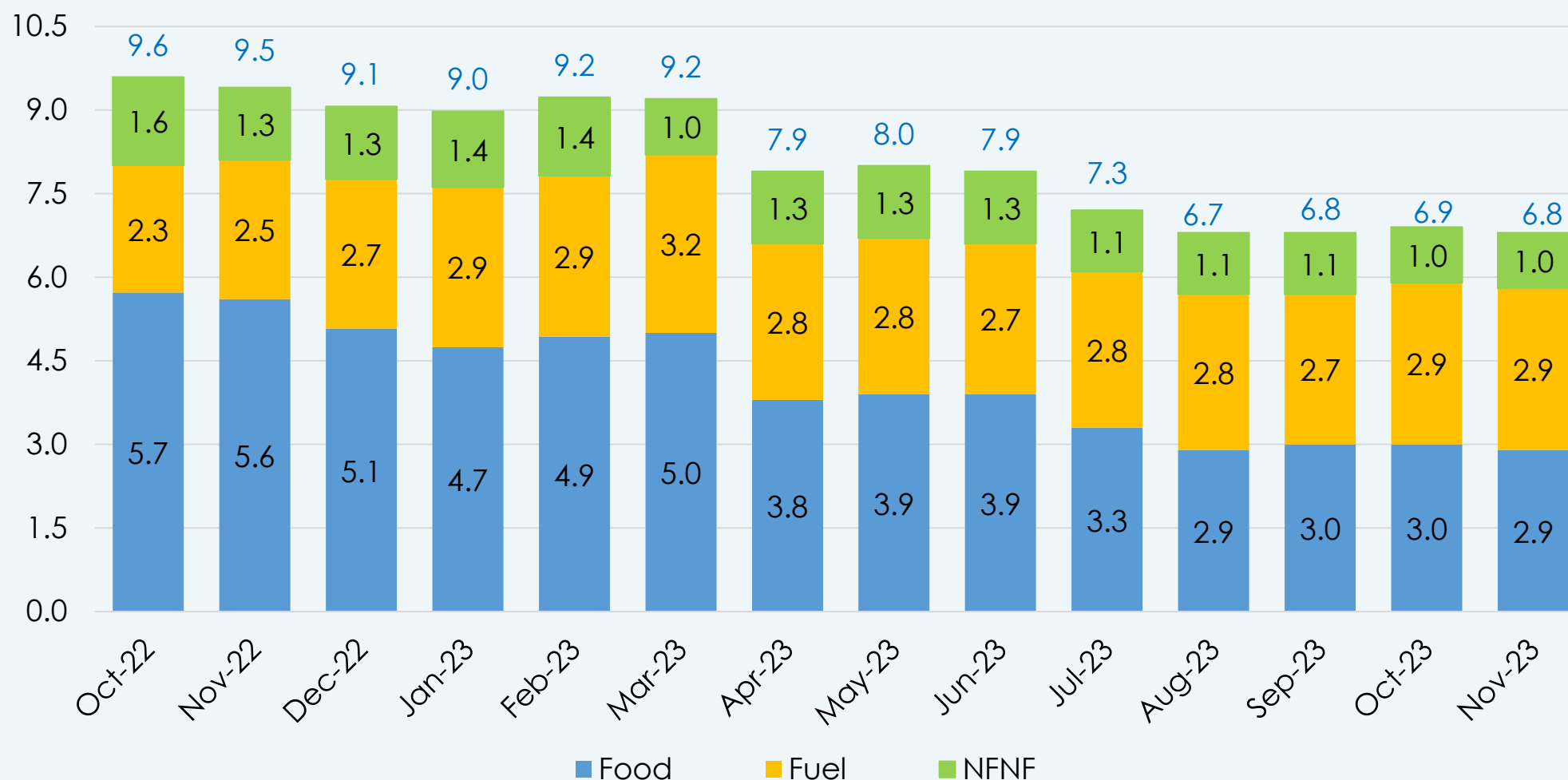
Source: Kenya National Bureau of Statistics and Central Bank of Kenya

6.

Domestic inflation:

The contribution of food inflation to overall inflation declined in November 2023, following improved supply from improved weather conditions

Contributions to Overall Inflation (percentage points)

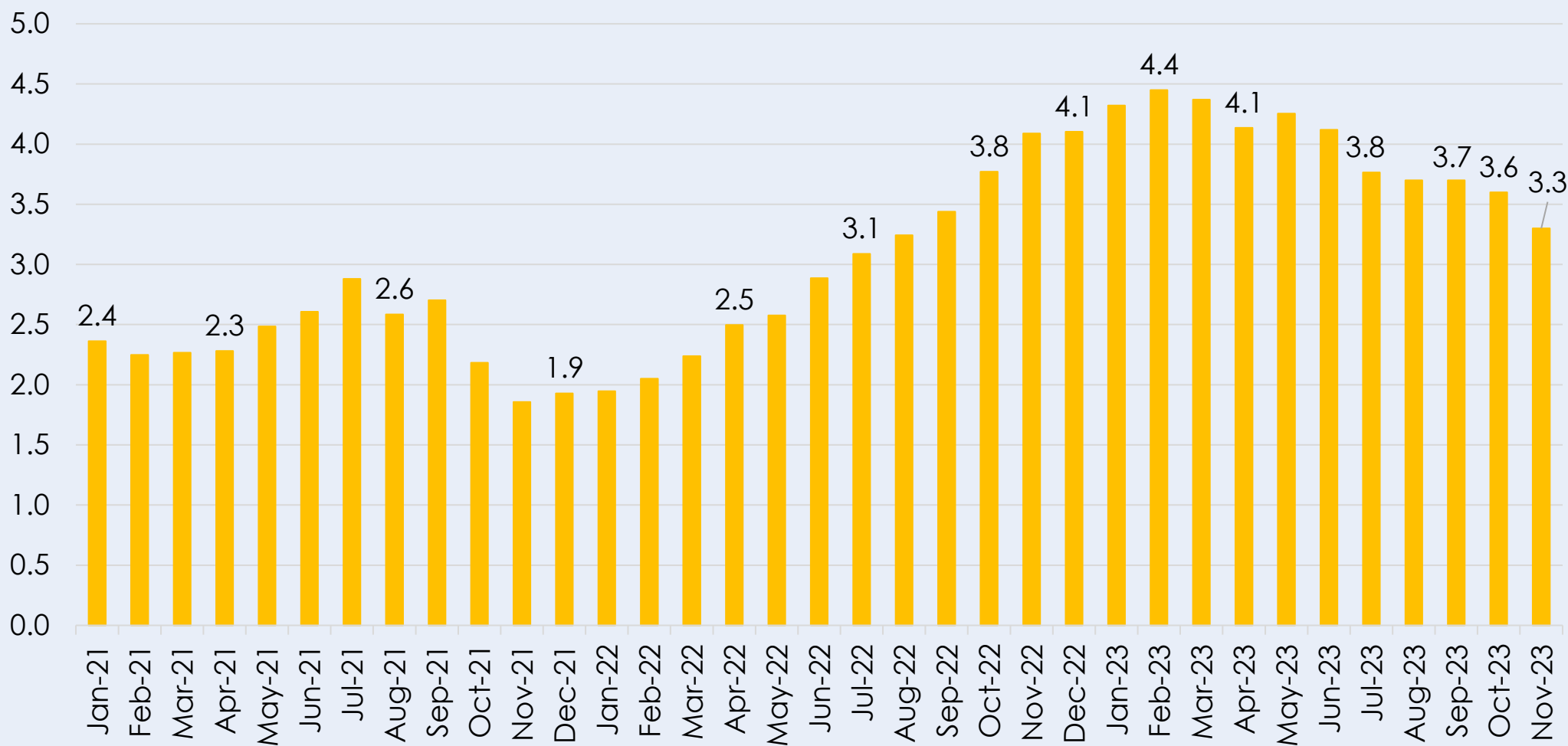


Source: KNBS and CBK

7.

Domestic inflation:

Non-food non-fuel inflation declined modestly in November 2023

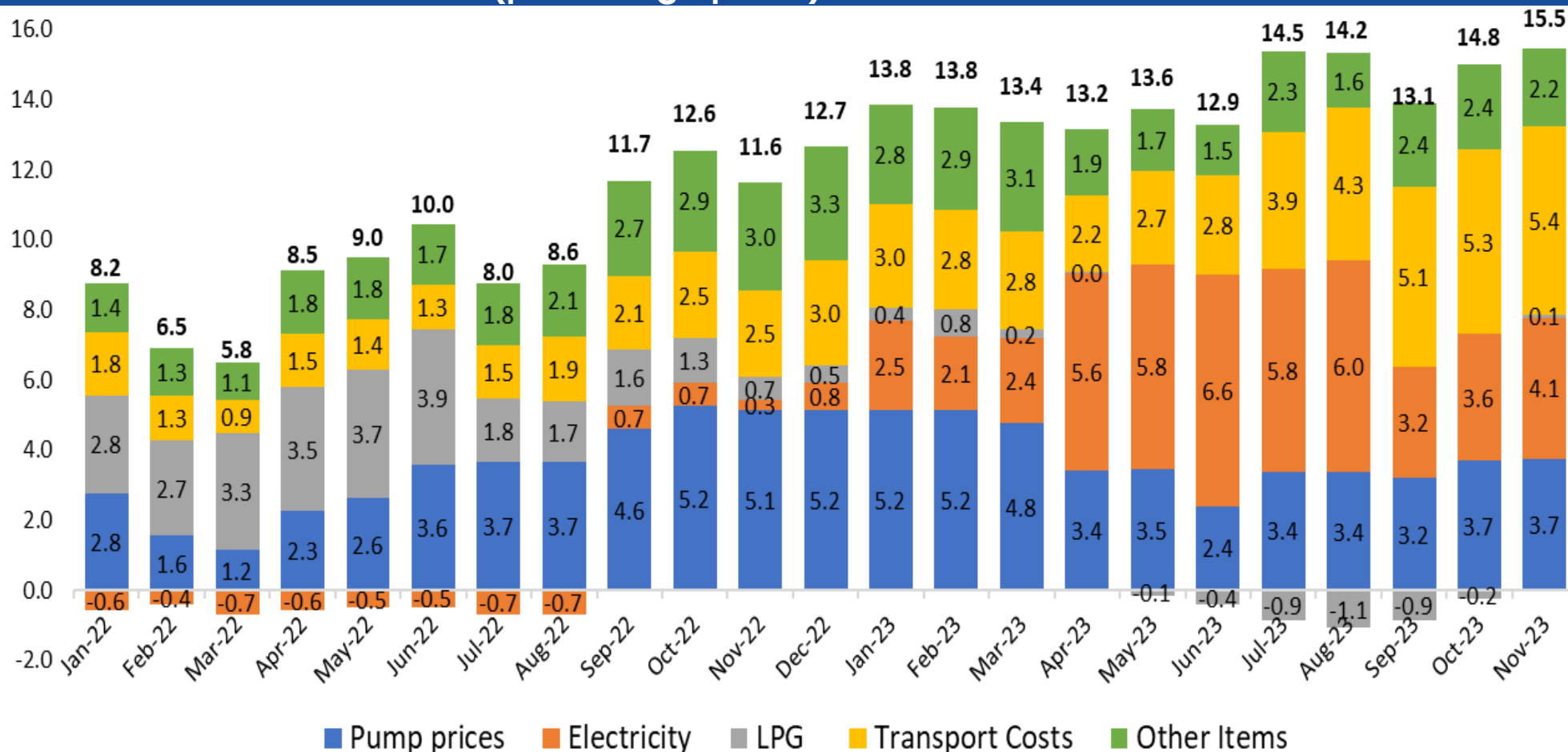
Non-food non-fuel inflation (y/y, percent)

Source: KNBS and CBK

Main drivers of fuel inflation:

Fuel inflation increased in November 2023, reflecting the impact of higher international oil prices and depreciation in the Shilling exchange rate

Contributions to fuel inflation (percentage points)



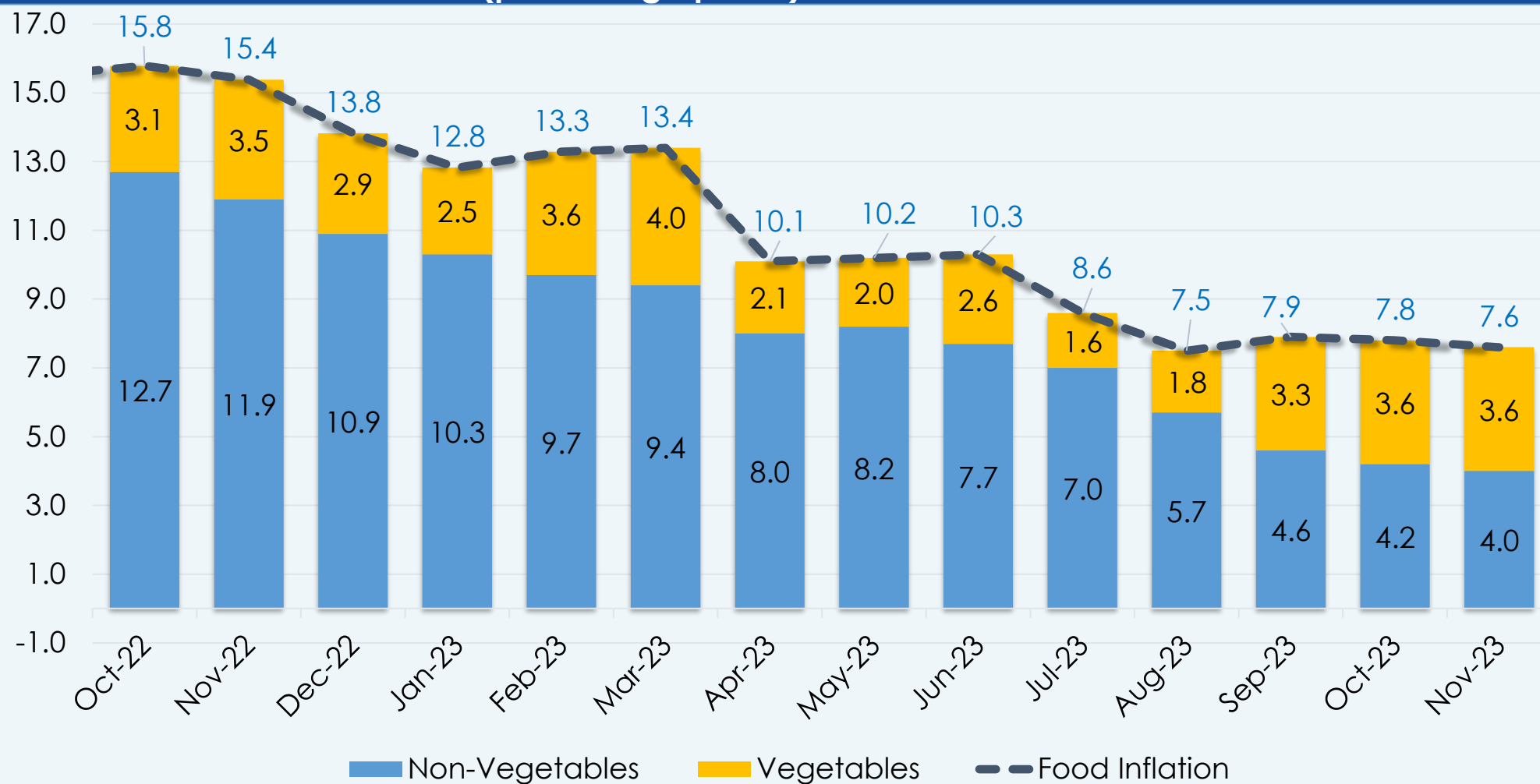
Source: KNBS

9.

Main drivers of food inflation:

Food inflation declined in November 2023, mainly due to lower prices of key non-vegetable food items

Contributions to food inflation (percentage points)

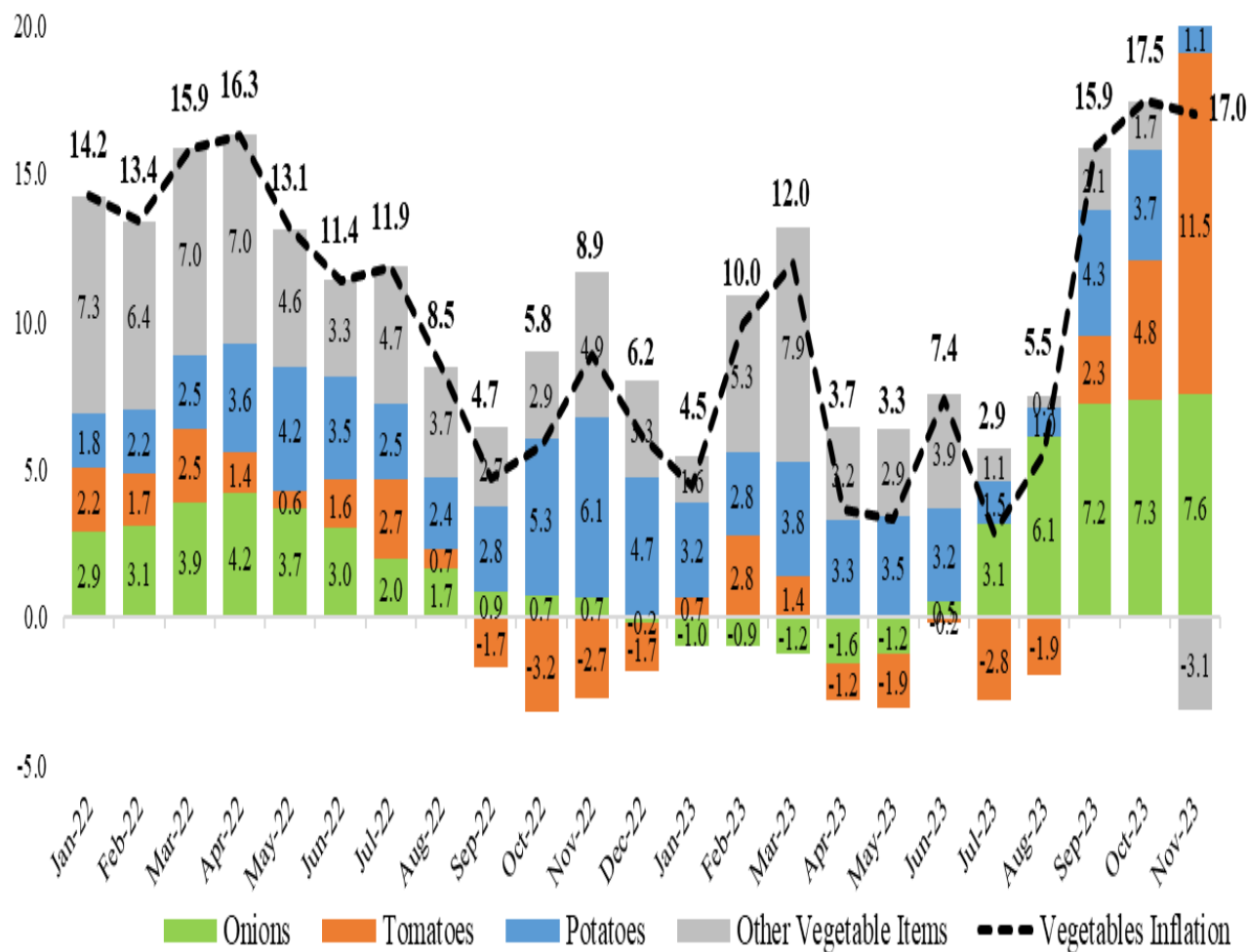


Source: KNBS and CBK

Main drivers of vegetables inflation

Prices of a few vegetables particularly onions and tomatoes, remained elevated in November due to reduced supply

Contributions to vegetables inflation (percentage points)



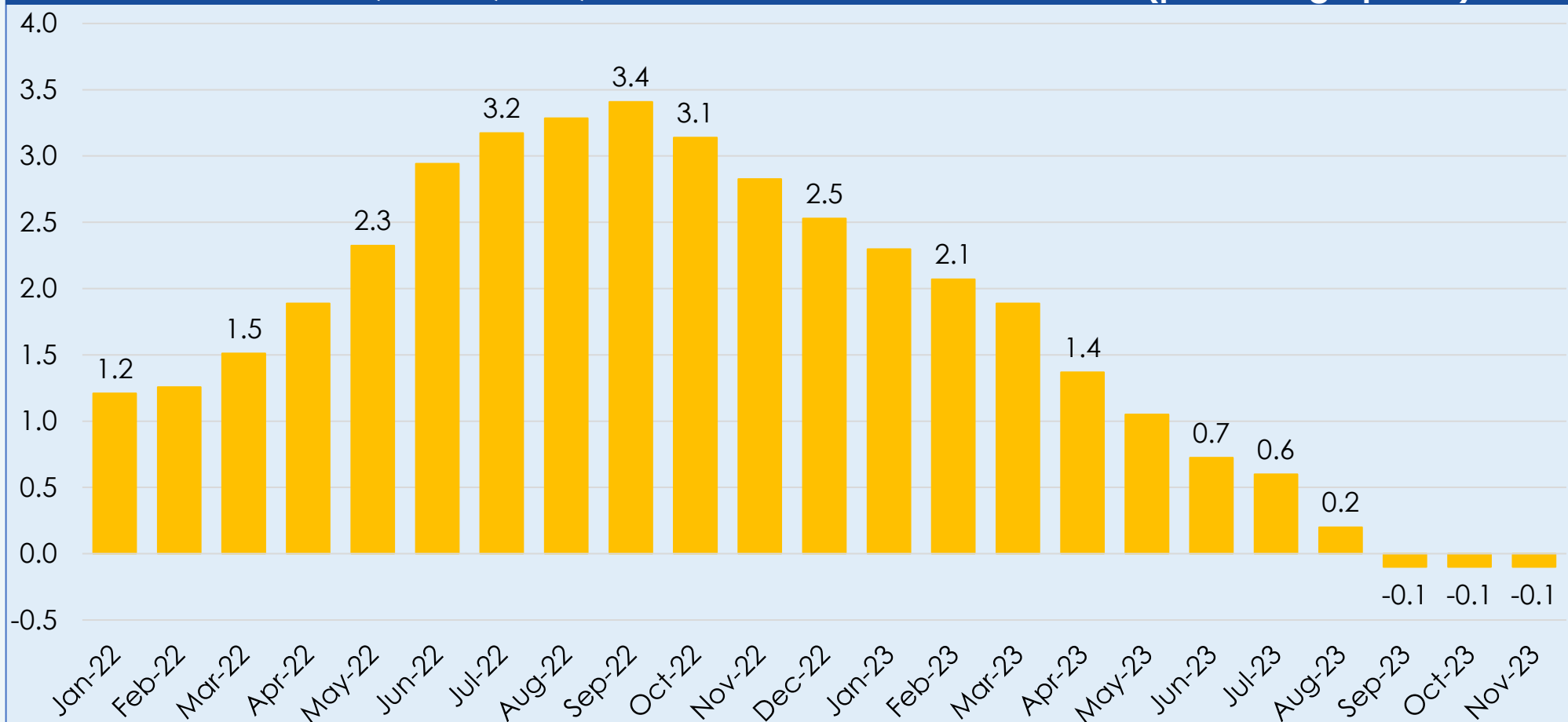
Source: KNBS and CBK

- Onion prices rose by 53.8 percent year on year in November 2023, on account of higher import prices from Tanzania compared to locally produced onions, since they are drier and have a longer shelf life.
- Prices of tomatoes rose by 40.4 percent year on year in November compared to 16.7 percent in October, reflecting reduced supply attributed to the rainy and cold weather conditions in most parts of the country.
- The November 2023 Agriculture Sector Survey showed that prices of onions and tomatoes were expected to remain elevated in the coming months due to spoilage from the high rainfall, transport and the import costs.

Main drivers of non-vegetables inflation:

Declines in prices of key non-vegetable food items continued to moderate inflation, mainly reflecting improved supply with the ongoing domestic harvests and government measures to zero-rate key food imports

Contribution of wheat, maize, milk, and edible oils to overall Inflation (percentage points)

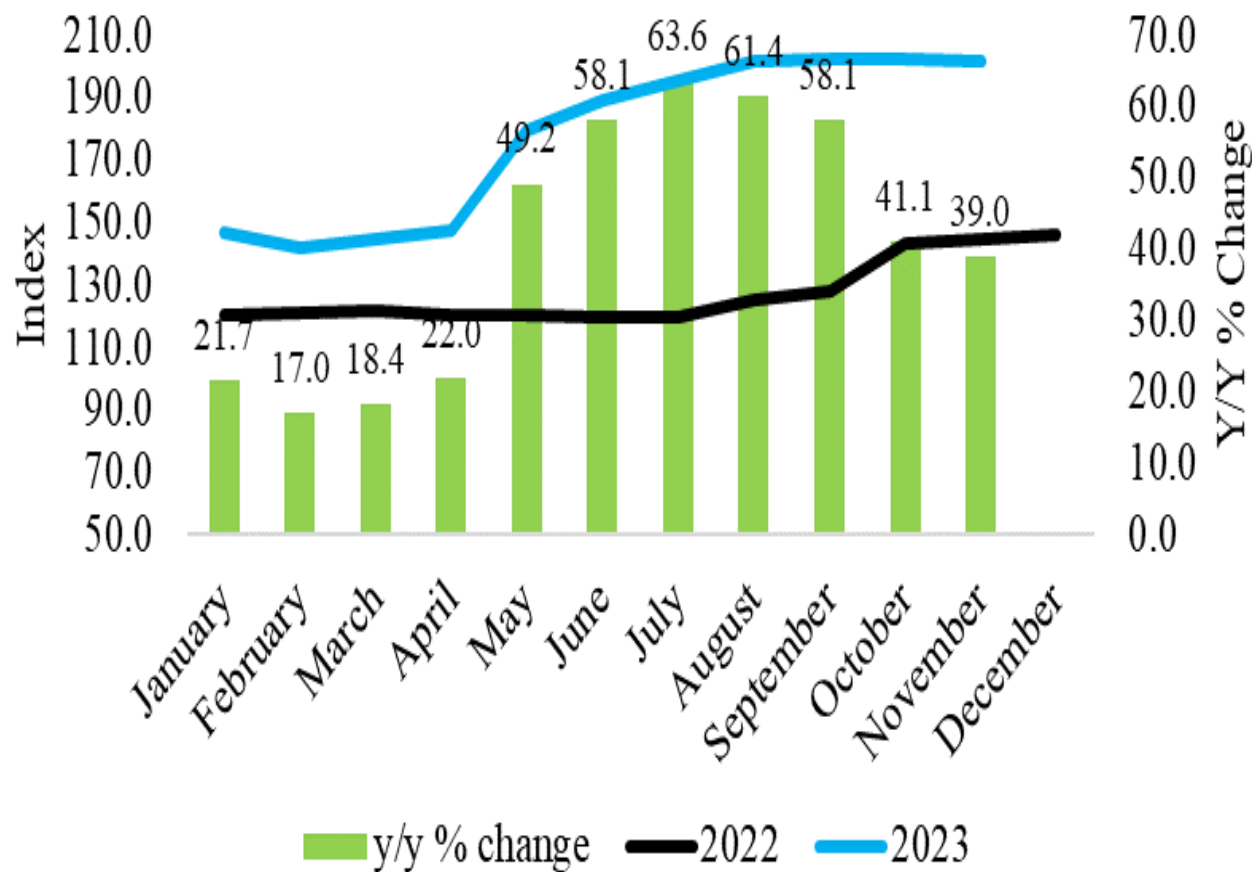


Source: KNBS and CBK

Main drivers of non-vegetables Inflation:

Sugar prices remained elevated in November 2023, reflecting reduced domestic and global supply and continue to exert upward pressure on food inflation

Sugar inflation (percent)



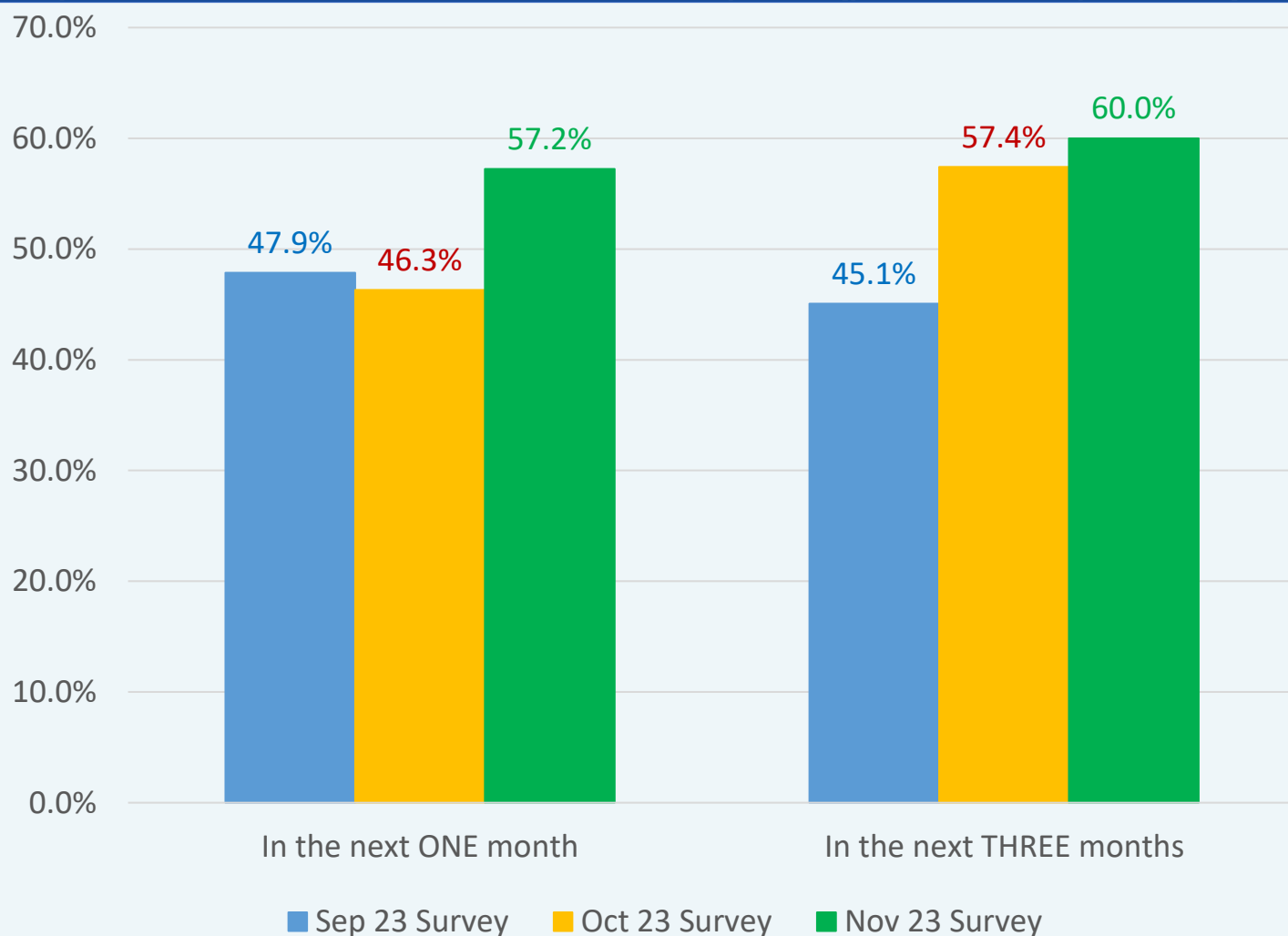
- Sugar prices rose by 39.0 percent (year on year) in November 2023, and contributed 0.6 percentage points to overall inflation.
- Domestically, implementation of Government measures to improve the supply of sugar through imports will moderate prices.
- Domestic sugar factories started to re-open in October 2023 after shutdown for maintenance and are expected to fully re-open in December 2023.
- Globally, sugar prices are stabilizing with improved supply from harvests in Brazil, and sluggish global demand particularly from China, the world's second largest importer of sugar.

Source: KNBS for data

November 2023 Agriculture Sector Survey:

Respondents expect prices of some consumer goods to increase in the coming months

Expectations about increases in consumer prices (percent of respondents)



- Respondents expect prices of some consumer goods to rise in the coming months due to higher transport and energy costs attributed to the increase in fuel prices, and a rise in import costs due to depreciation of the exchange rate.
- However, the Survey revealed that prices of key food items were expected to decline on account of improved supply due to the ongoing rains.

Domestic economy:

The economy is expected to continue to strengthen in 2023 and remain strong in 2024, supported by the resilient services sector, rebound in agriculture, and Government measures in priority sectors

Real GDP growth (y/y, percent)

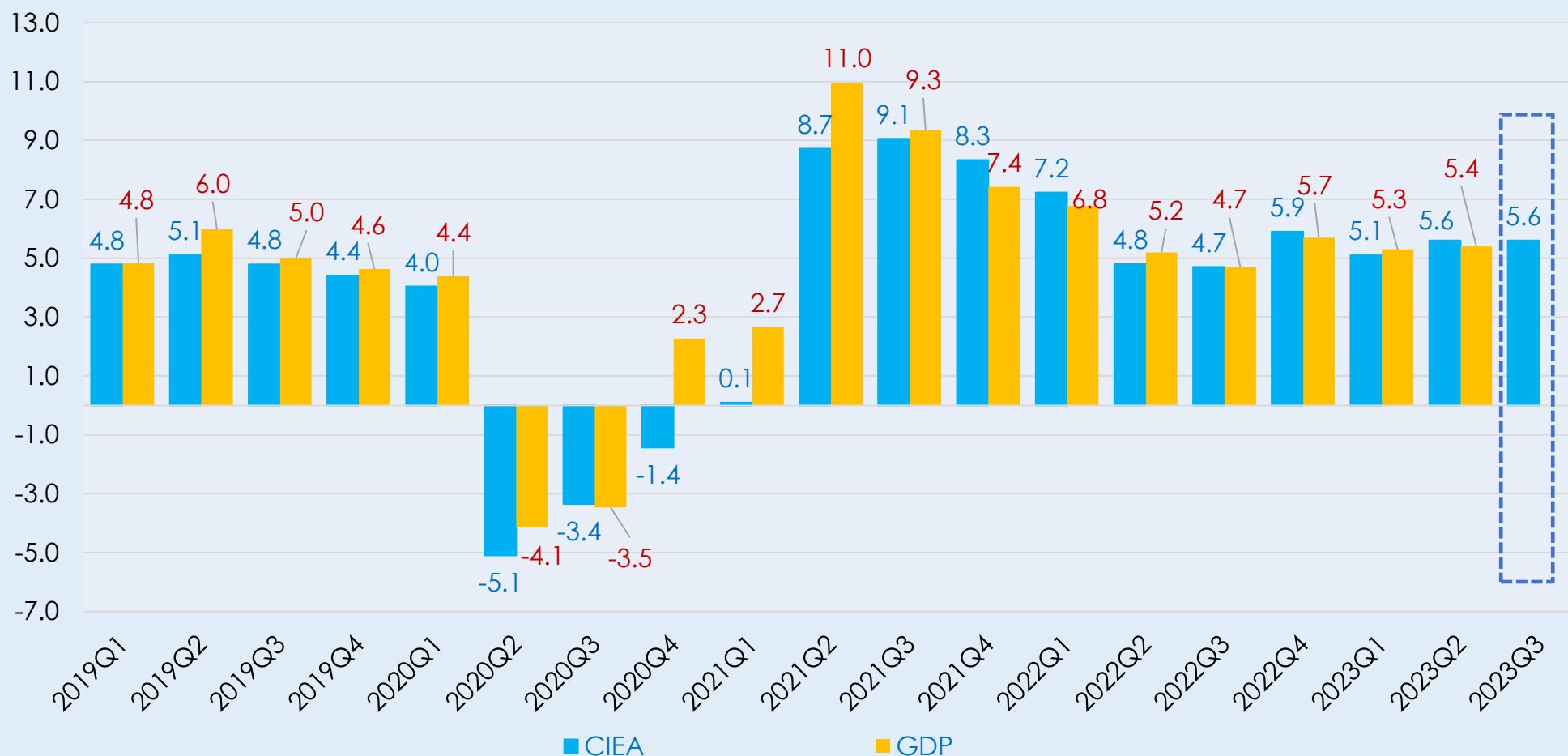
					2023					
	2019	2020	2021	2022	Q1	Q2	Q3 Est.	Q4 Proj.	Annual Proj.	2024
1. Agriculture	2.7	4.6	-0.4	-1.6	6.0	7.7	6.3	5.8	5.9	5.7
2. Non-Agriculture (o/w)	5.7	-1.4	9.5	6.3	5.3	4.9	5.4	5.6	5.3	6.0
2.1 Industry	4.0	3.3	7.5	3.9	2.5	2.0	2.6	2.6	2.4	4.7
Mining & Quarrying	4.3	5.5	18.0	9.3	3.3	5.3	6.8	5.1	5.0	11.0
Manufacturing	2.6	-0.3	7.3	2.7	2.0	1.5	2.4	1.9	1.9	2.9
Electricity & water supply	1.7	0.6	5.6	4.9	2.5	0.8	1.1	2.3	1.7	6.8
Construction	7.2	10.1	6.7	4.1	3.1	2.6	2.9	3.4	3.0	5.3
2.2 Services	6.5	-1.8	9.8	7.0	6.3	5.9	6.5	6.7	6.4	6.4
Wholesale & Retail Trade	5.3	-0.4	8.0	3.8	5.7	4.2	5.3	5.5	5.2	6.6
Accommodation & food services	14.3	-47.7	52.6	26.2	21.5	12.2	15.2	10.8	14.5	13.2
Transport & Storage	6.3	-8.0	7.4	5.6	6.2	3.0	4.9	5.4	4.8	5.8
Information & Communication	7.0	6.0	6.1	9.9	9.0	6.4	7.2	7.9	7.6	8.2
Financial & Insurance	8.1	5.9	11.5	12.8	5.8	13.5	11.3	11.5	10.6	6.4
Public administration	8.4	7.0	6.0	4.5	6.6	3.8	4.1	4.3	4.7	5.5
Professional, Admin & Support Services	6.8	-13.7	7.1	9.4	7.3	5.5	5.4	5.9	6.0	6.1
Real estate	6.7	4.1	6.7	4.5	5.2	5.8	5.9	5.7	5.6	5.3
Education	5.7	-9.2	22.8	4.8	3.6	4.5	4.6	4.1	4.2	5.1
Health	5.5	5.6	8.9	4.5	5.4	5.0	5.3	5.2	5.2	5.5
Other services	4.3	-14.6	12.5	5.7	3.2	1.6	3.3	3.5	2.9	5.8
FISIM	9.5	-1.8	5.3	1.5	0.6	6.1	1.5	1.9	2.5	1.3
2.3 Taxes on products	3.9	-8.0	11.9	7.0	5.3	3.8	4.2	4.8	4.5	6.2
Real GDP Growth	5.1	-0.3	7.6	4.8	5.5	5.4	5.6	5.7	5.5	5.9

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

Domestic economy:

Leading indicators of economic activity show continued strong performance in the third quarter of 2023

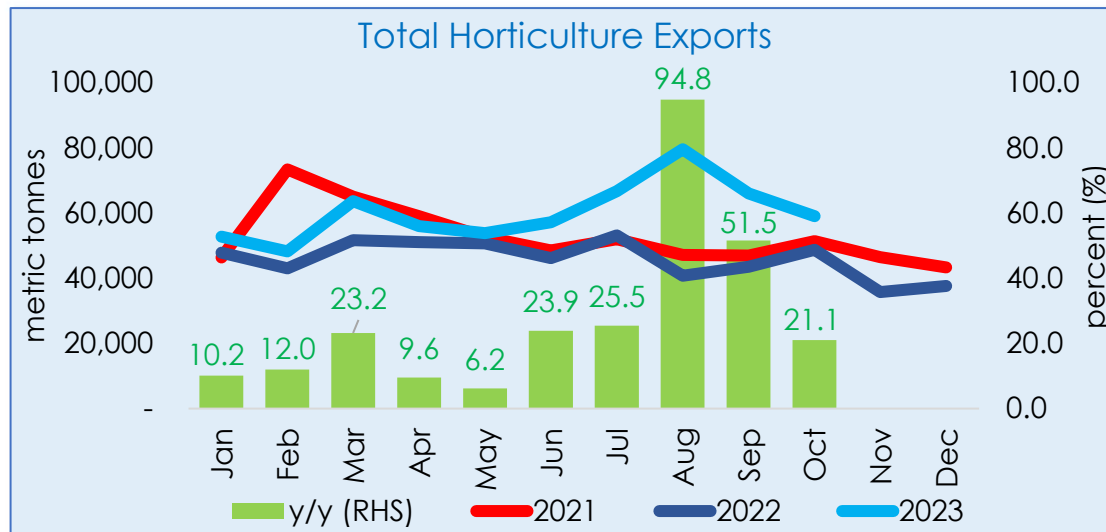
Composite Index of Economic Activity (CIEA) and real GDP (y/y, percent)



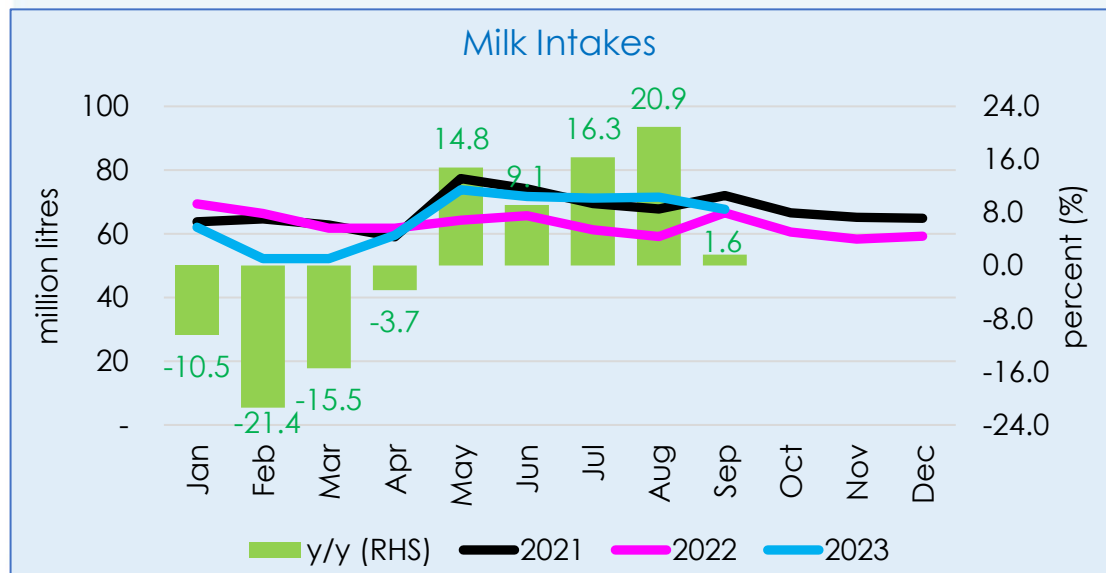
Source: Kenya National Bureau of Statistics and Central Bank of Kenya

Agricultural production:

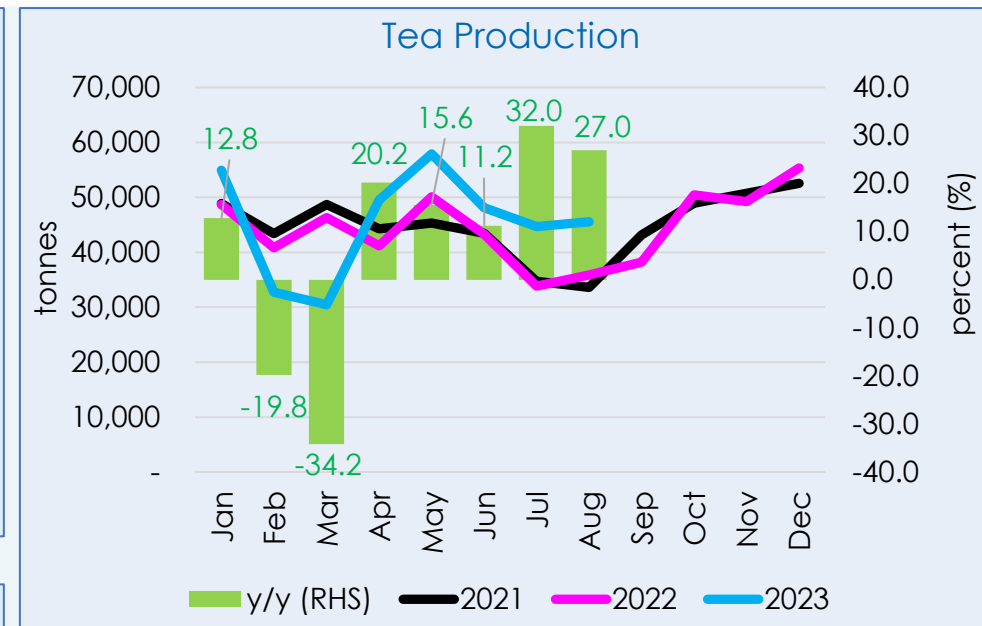
Agriculture sector has rebounded in 2023, with increased horticulture exports, tea production, and milk intakes, reflecting the improved weather conditions



Source: Kenya Revenue Authority



Source: Kenya Dairy Board



Source: Tea Board of Kenya

Agricultural production:

Production of key food crops in 2023 is expected to be strong for most food items due to improved weather conditions across the country

Actual and projected food crops production (million bags)					
	2020	2021	2022	2023 Projections	
				Bags in millions	Growth* (y/y, %)
Maize	42.2	36.7	34.3	44.6	29.9
Wheat	4.5	2.7	3.0	4.9	62.6
Rice	2.0	2.1	2.1	1.5	-27.6
Beans	8.6	7.4	5.7	11.7	56.3
Irish Potatoes	21.1	23.3	20.0	25.3	26.3
Sorghum	3.5	1.5	1.3	3.3	150.7
Millet	1.7	0.7	0.7	1.1	61.8

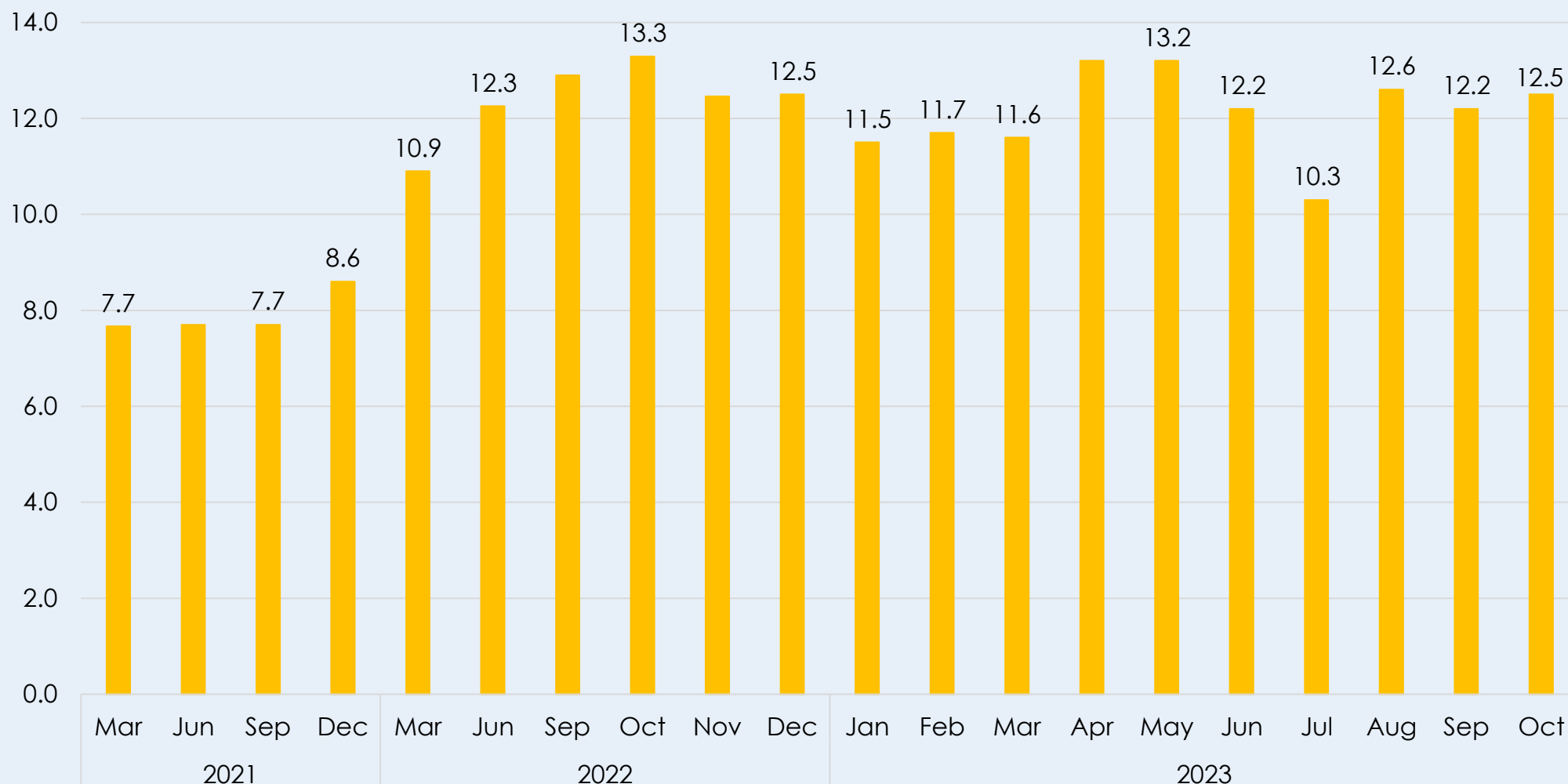
* Growth in production of key crops is based on the updated August 2023 projections from the Ministry of Agriculture

Source: Kenya National Bureau of Statistics, and Ministry of Agriculture projections as of August 2023

Private sector credit:

Growth in credit to the private sector remained stable in October 2023, partly reflecting borrowing for working capital requirements

12 Months growth in credit to private sector (percent)



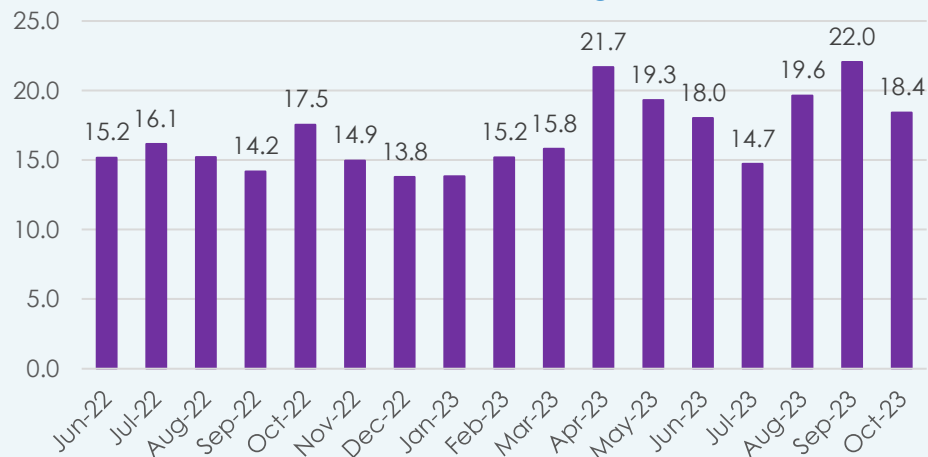
Source: CBK

Private sector credit:

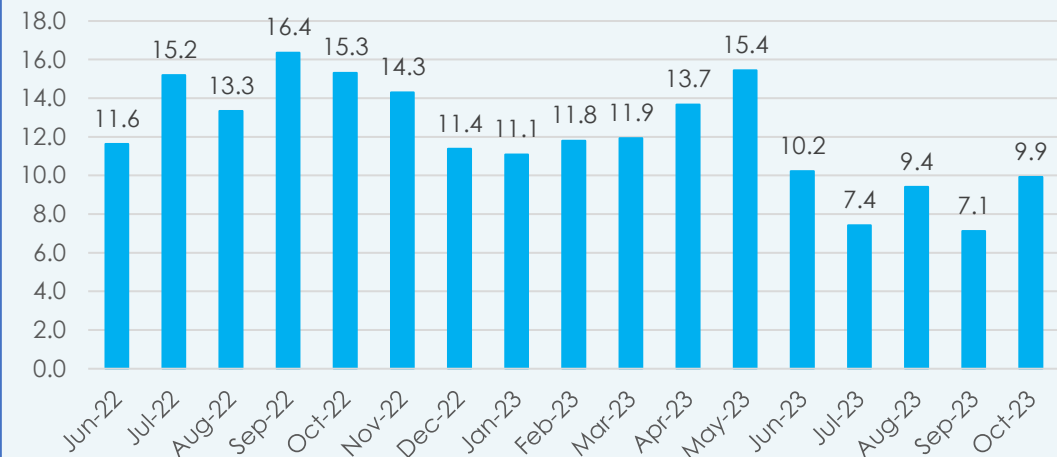
Strong growth in credit to key sectors of the economy

12 Months growth in credit to private sector (percent)

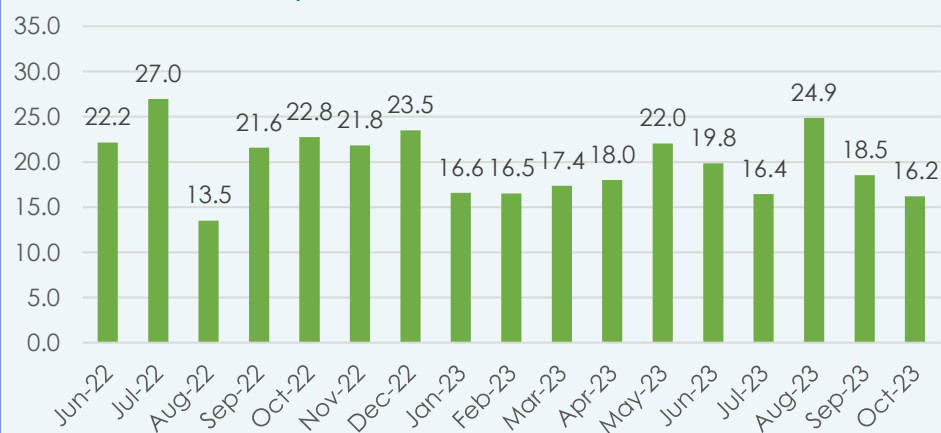
Manufacturing



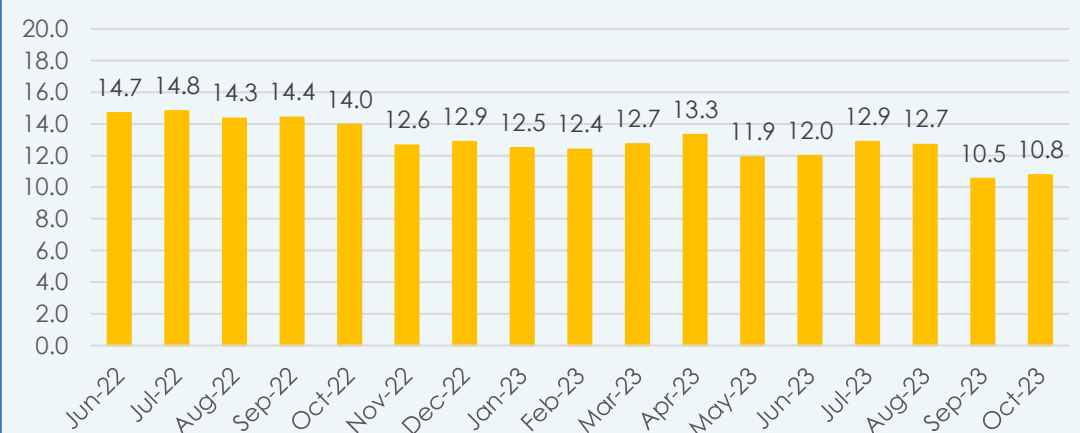
Trade



Transport and Communication



Consumer durables



Source: CBK

Balance of payments:

Balance of payments expected to record a surplus in 2023

Balance of payments, in millions of U.S. dollars, unless otherwise indicated

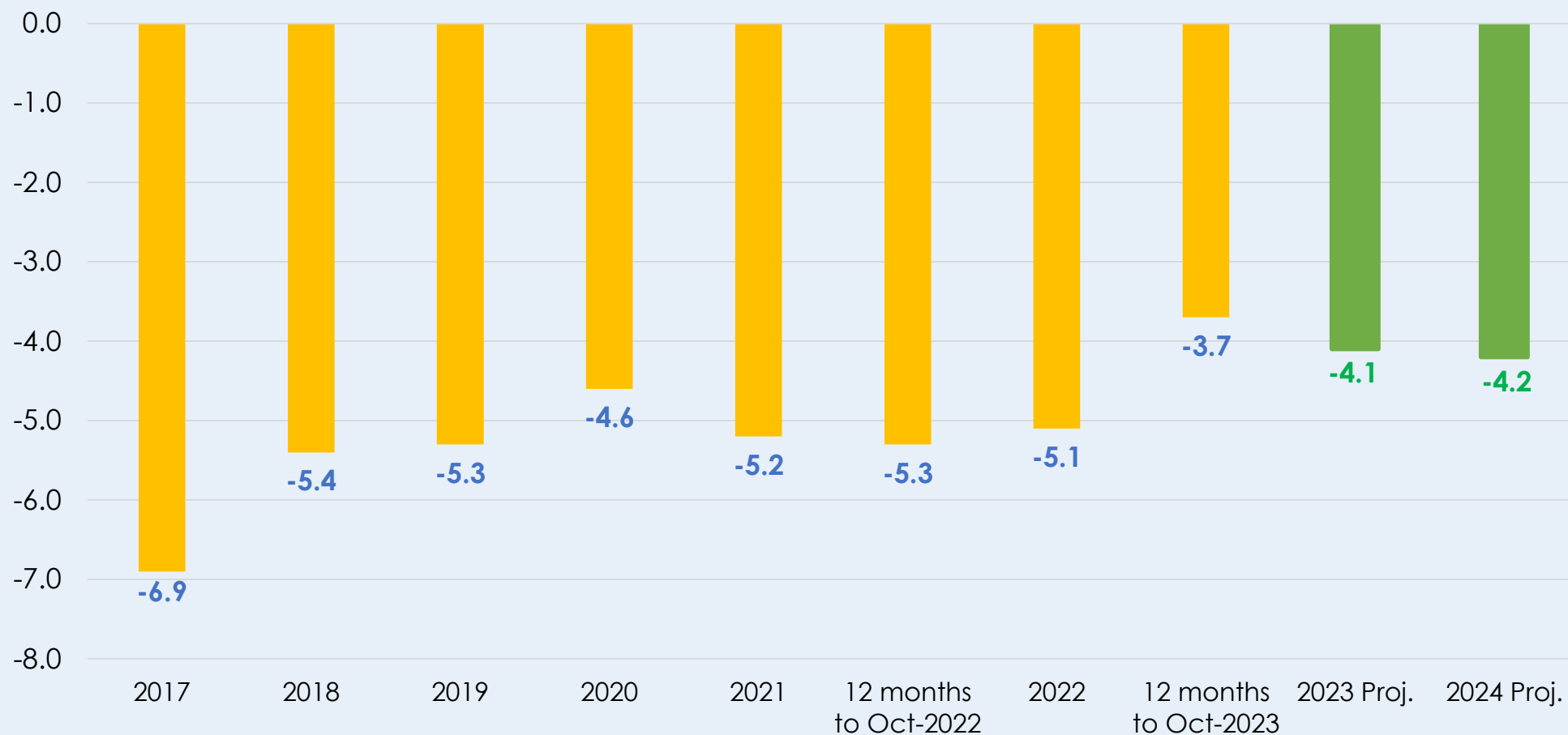
	2018	2019	2020	2021	12 months to Oct 2022	2022	12 months to Oct 2023	2023	2024
Current account	-4,989	-5,252	-4,792	-5,748	-6,025	-5,774	-4,010	-4,258	-4,710
Trade balance	-10,201	-10,679	-8,337	-11,052	-12,032	-11,715	-9,357	-9,769	-10,594
Goods: exports, f.o.b.	6,088	5,872	6,062	6,787	7,442	7,421	7,291	7,389	8,766
Tea	1,370	1,113	1,226	1,192	1,352	1,384	1,368	1,408	1,543
Horticulture	1,055	1,011	950	1,129	977	944	935	944	1,165
Manufactured Goods	377	402	380	512	608	622	692	765	858
Other	3,286	3,345	3,507	3,954	4,506	4,472	4,296	4,272	5,200
Goods: imports, f.o.b.	16,289	16,551	14,399	17,839	19,474	19,136	16,648	17,158	19,360
Oil products	3,386	3,314	2,219	3,474	5,535	5,548	4,366	4,571	4,891
Other	12,902	13,237	12,181	14,365	13,940	13,588	12,281	12,587	14,469
Machinery & Transport equipment	4,540	4,872	3,974	4,653	4,235	3,760	3,193	3,167	3,618
Services balance	1,597	1,748	333	1,027	1,375	1,165	443	630	572
Services, Credit	5,478	5,602	3,659	5,018	6,422	6,436	5,607	5,571	5,875
Transportation	1,959	2,181	1,084	1,642	2,317	2,303	1,897	1,801	1,728
Travel	1,073	1,007	545	843	1,064	1,107	1,095	1,217	1,339
Services, Debit	3,881	3,854	3,326	3,991	5,047	5,271	5,163	4,941	5,302
Transportation	1,396	1,449	1,118	1,565	2,100	2,137	1,882	1,772	1,962
Goods and services balance	-8,604	-8,932	-8,004	-10,025	-10,657	-10,550	-8,913	-9,140	-10,021
Primary income, balance	-1,391	-1,606	-1,738	-1,839	-1,749	-1,740	-2,090	-2,090	-2,149
Credit	214	217	54	62	42	40	125	44	50
Debit	1,604	1,823	1,791	1,900	1,791	1,780	2,215	2,135	2,198
Secondary income, balance	5,006	5,285	4,950	6,116	6,380	6,516	6,993	6,972	7,459
Credit	5,054	5,340	5,026	6,256	6,452	6,563	7,151	7,021	7,511
Remittances	2,697	2,796	3,094	3,718	4,017	4,028	4,165	4,189	4,398
Debit	48	55	76	140	72	47	157	50	52
Capital account	263	208	131	196	138	142	140	149	156
Financial Account	-6,152	-4,820	-2,682	-5,851	-4,437	-4,362	-3,933	-4,671	-4,571
Foreign Direct Investment	-771	-433	-569	-44	-338	-339	-357	-403	-473
Direct Investment, assets	-3	37	-143	420	50	53	-6	28	45
Direct Investment, liabilities	768	470	427	464	388	392	351	431	517
Portfolio Investment	-637	-468	1,321	208	806	712	540	943	1,041
Portfolio Investment, assets	1,165	857	1,045	1,069	523	481	361	866	953
Portfolio Investment, liabilities	1,802	1,325	-276	861	-283	-230	-179	-76	-88
Equity and investment fund shares	-252	9	-276	-96	-246	-208	-167	-76	-88
Debt securities	2,054	1,316	0	957	-37	-23	-12	0	0
Other Investment	-4,744	-3,919	-3,434	-6,015	-4,906	-4,735	-4,117	-5,210	-5,139
Other investment, assets	952	564	998	139	-876	-557	2,966	1,142	1,138
Other investment, liabilities	5,696	4,484	4,432	6,154	4,030	4,178	7,083	6,352	6,277
Net errors and omissions	-470	1,331	1,311	548	-542	-877	-1,057	0	0
Overall balance ("-"), indicates a surplus)	-956	-1,107	668	-848	2,001	2,147	993	-561	-16
Reserves and related items	956	1,107	-668	848	-2,001	-2,147	-993	561	16
Reserve assets (gross)	811	953	-822	1,190	-1,610	-1,528	-190	1,115	1,071
Use of Fund credit and loans to the fund (net)	-145	-154	610	847	415	619	803	553	1,054

Source: CBK, KRA

Current account balance:

The current account deficit is projected at 4.1 percent of GDP in 2023 and 4.2 percent of GDP in 2024, due to expected lower energy and non-energy imports, and resilient remittances

Current account balance (percent of GDP)

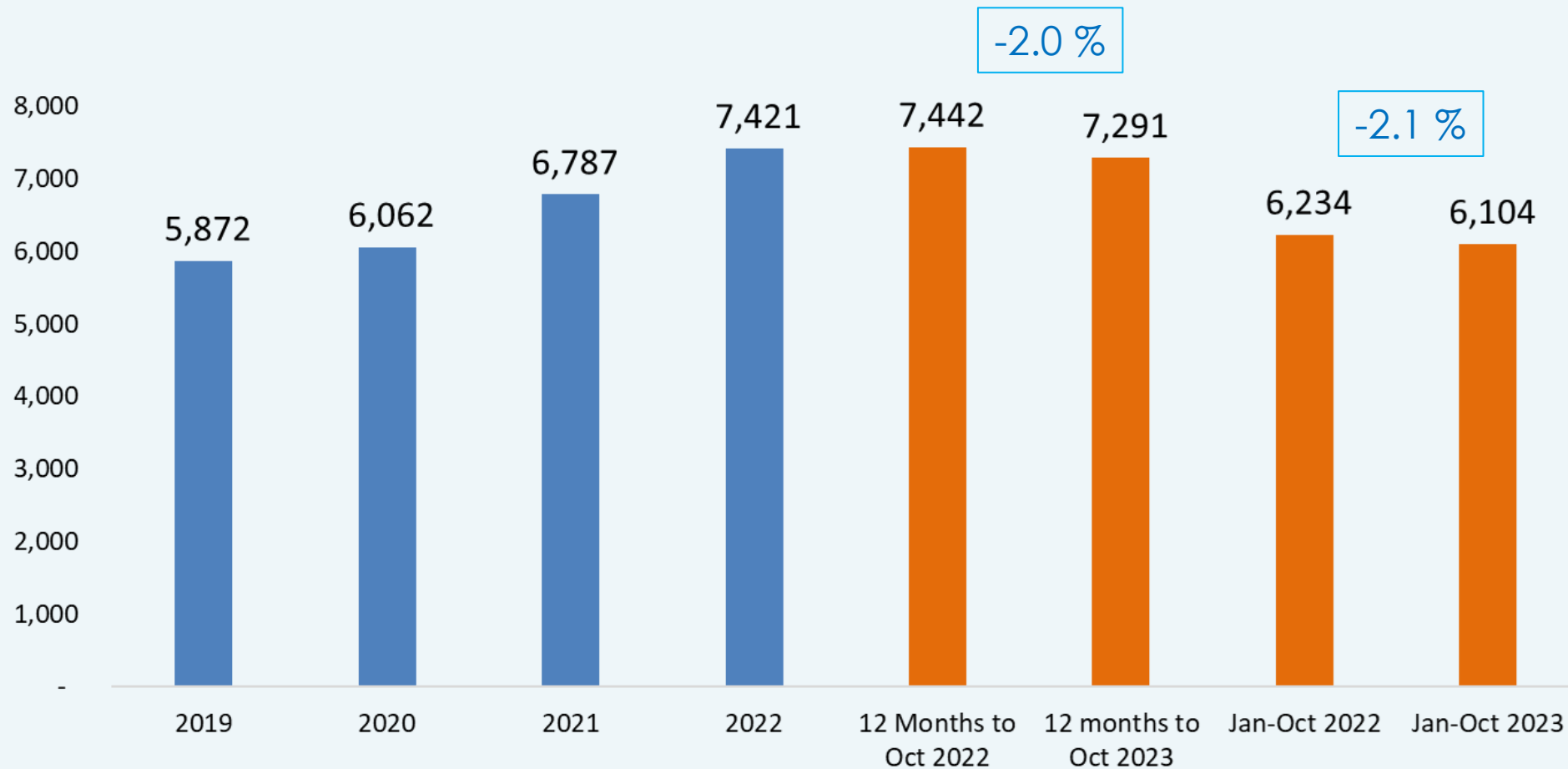


Source: CBK

Balance of payments:

Growth in goods exports declined by 2.0 percent in the 12 months to October 2023 compared to a similar period in 2022.

Total goods exports (USD Million)



Source: CBK, KRA

Balance of payments:

Exports of major commodities declined in the 12 months to October 2023, except for manufactured goods and chemicals which increased

Goods exports by products (USD Million)

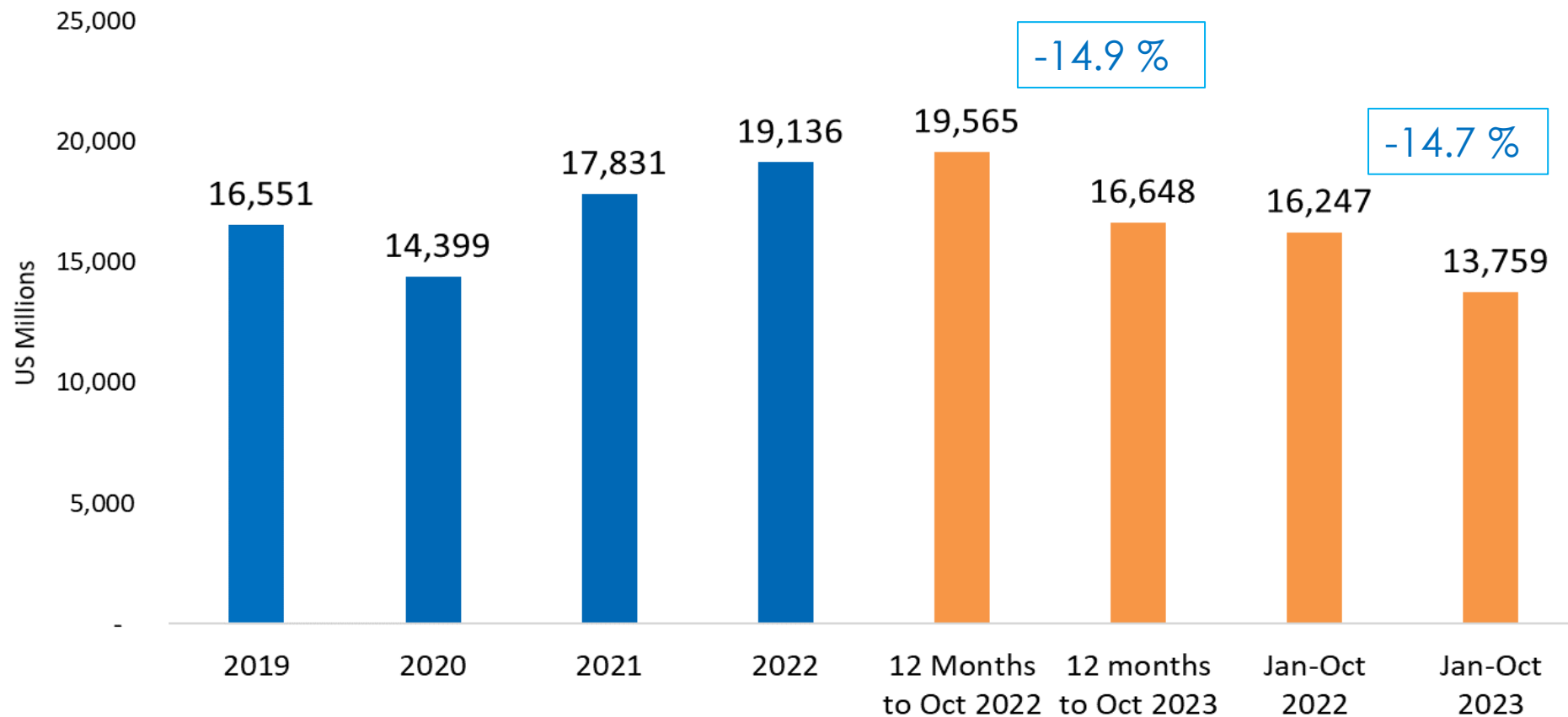
SITC CODES		2019	2020	2021	2022	12 Months to Oct 2021	12 Months to Oct 2022	12 months to Oct 2023	Jan-Oct 2022	Jan-Oct 2023	% change 12 months	% change Jan - Oct
0	Food and Live Animals	2,217	2,425	2,551	2,773	2,510	2,752	2,819	2,320	2,366	2.4	2.0
05	ow Vegetable & Fruits	546	622	688	584	699	600	590	503	509	(1.7)	1.2
071	Coffee & Substitutes	205	216	249	331	244	332	279	298	246	(16.1)	(17.4)
0741	Tea	1,113	1,226	1,192	1,384	1,161	1,352	1,368	1,131	1,116	1.2	(1.4)
1	Beverages & Tobacco	160	181	159	164	167	160	150	133	119	(6.2)	(10.3)
2	Crude Materials	1,015	1,015	1,286	1,256	1,264	1,250	1,216	1,049	1,008	(2.7)	(3.9)
29	Crude animal and veg	688	670	853	758	846	774	806	641	689	4.1	7.5
292711	Cut flowers	490	464	551	462	553	478	469	394	401	(1.8)	1.8
3	Mineral Fuels	56	54	54	88	50	86	96	75	82	11.0	10.4
4	Animal & Vegetable oils	63	95	137	226	123	223	164	195	133	(26.3)	(31.8)
5	Chemicals and related products	447	465	522	606	524	587	616	505	515	5.1	2.1
54	Medical and Pharmac	101	102	102	103	109	100	121	88	106	21.1	20.3
55	Perfume materials	131	147	171	182	165	184	193	153	163	4.6	6.6
6	Manufactured goods	402	380	512	622	495	607	692	518	588	13.9	13.6
661	Lime, Cement etc	17	28	108	106	100	110	160	89	142	45.0	60.3
67	Iron and Steel	154	139	174	233	165	223	241	192	200	8.0	4.4
7	Machinery & Transport equipment	146	113	137	120	134	116	121	95	96	3.8	1.0
8	Miscellaneous Manufactured articles	572	566	675	689	671	694	605	587	502	(12.9)	(14.4)
84	Clothing accessories	341	308	389	400	380	404	329	337	266	(18.6)	(21.1)
	Total	5,872	6,062	6,787	7,421	6,571	7,442	7,291	6,234	6,104	(2.0)	(2.1)

Source: CBK, KRA

Balance of payments:

Imports of goods declined by 14.9 percent in the 12 months to October 2023 compared to an increase of 14.7 percent in a similar period in 2022

Total goods imports (USD Million)



Source: CBK, KRA

Balance of payments:

The decline in imports in the 12 months to October 2023 was across all categories except food

Goods imports by products (USD Million)

SITC		2019	2020	2021	2022	12 months to Oct 2022	12 months to Oct 2023	Jan-Oct 2022	Jan-Oct 2023	% change 12 months	% change Yr to Oct
0	FOOD AND LIVE ANIMALS	1,770	1,582	1,873	2,094	2,003	2,468	1,699	2,073	23.2	22.0
04	<i>of which cereals</i>	884	827	1,067	1,227	1,159	1,432	1,011	1,217	23.6	20.3
1	BEVERAGES AND TOBACCO	144	102	135	132	131	124	103	96	(5.0)	(6.9)
2	CRUDE MATERIALS	422	381	448	469	458	486	381	398	6.2	4.6
3	MINERAL FUELS, LUBRICANTS(and Rel. mat.)	3,309	2,185	3,474	5,548	5,513	4,366	4,778	3,597	(20.8)	(24.7)
33	<i>of which Petroleum Products</i>	3,094	1,983	3,135	5,159	5,113	3,980	4,434	3,256	(22.2)	(26.6)
4	ANIMAL & VEGETABLE OILS, FATS & WAXES	588	885	1,100	1,215	1,252	1,019	1,027	831	(18.7)	(19.1)
42	<i>of which Vegetable fat & oils</i>	573	863	1,047	1,138	1,169	946	956	764	(19.1)	(20.1)
4222	<i>Palm oil</i>	0	831	989	1,085	1,112	865	911	691	(22.2)	(24.1)
5	CHEMICALS AND RELATED PRODUCTS	2,485	2,580	3,103	3,277	3,386	2,922	2,806	2,451	(13.7)	(12.7)
54	<i>Medicinal & Pharm.</i>	645	713	806	791	829	669	679	557	(19.4)	(18.0)
57	<i>Plastics in Pri. Form</i>	531	525	738	706	746	580	603	477	(22.2)	(20.9)
59	<i>Chemical Mtrls & Prdts.</i>	321	394	368	432	430	403	365	336	(6.1)	(7.8)
6	MANUFACTURED GOODS	2,964	2,781	3,646	3,469	3,568	2,689	2,978	2,198	(24.6)	(26.2)
64	<i>Paper, Paperboard & Articles</i>	380	313	401	472	491	370	407	305	(24.7)	(25.0)
65	<i>Textile Yarn, Fabrics & Articles</i>	492	462	608	652	672	527	560	435	(21.5)	(22.4)
67	<i>Iron and Steel</i>	1,019	984	1,420	1,282	1,299	903	1,109	730	(30.4)	(34.2)
7	MACHINERY AND TRANSPORT EQUIPMENT	4,872	3,973	4,371	3,760	3,946	3,193	3,168	2,601	(19.1)	(17.9)
72	<i>Mach. for Part. Inds.</i>	720	538	676	576	587	470	486	380	(20.0)	(21.8)
74	<i>Gen. Ind. Mach.</i>	564	585	671	545	553	486	456	396	(12.2)	(13.0)
77	<i>Elec. Mach.</i>	780	674	817	732	814	577	638	482	(29.1)	(24.4)
78	<i>Road vehicles</i>	1,193	1,056	1,302	997	1,054	852	825	680	(19.2)	(17.6)
79	<i>Other Transport Equipment</i>	573	248	228	207	210	155	168	117	(26.3)	(30.7)
8	MISCELLANEOUS MANUFACTURED ARTIC.	1,091	945	1,110	1,124	1,143	955	947	778	(16.4)	(17.8)
	Total	16,551	14,399	17,831	19,136	19,565	16,648	16,247	13,759	(14.9)	(15.3)

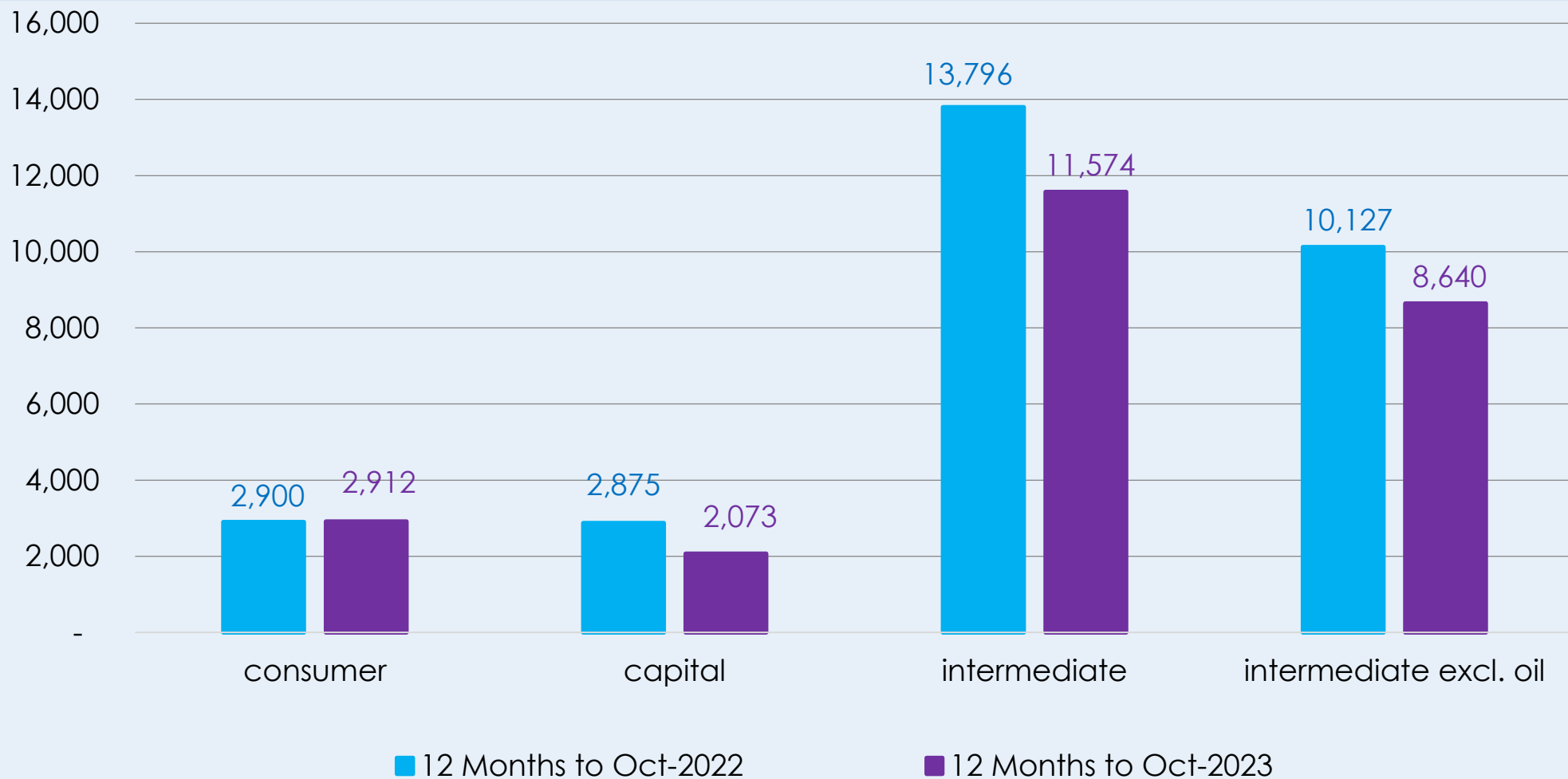
Source: CBK, KRA

26.

Balance of payments:

The decline in imports was broad based

Imports by broad economic category (USD Million)

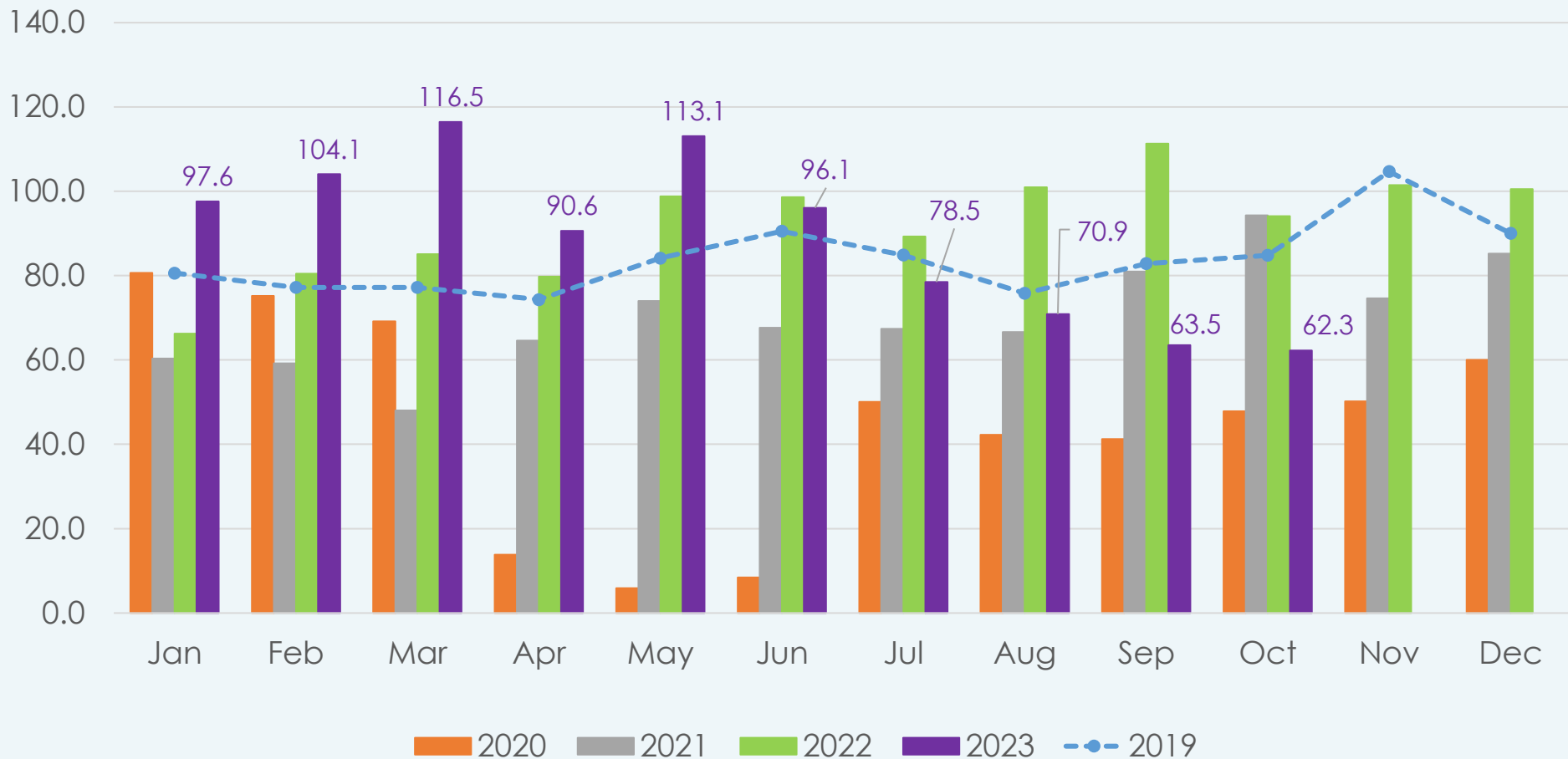


Source: CBK, KRA

Services exports:

Travel receipts have been resilient in 2023, reflecting recovery in international travel

Monthly travel receipts (USD Million)

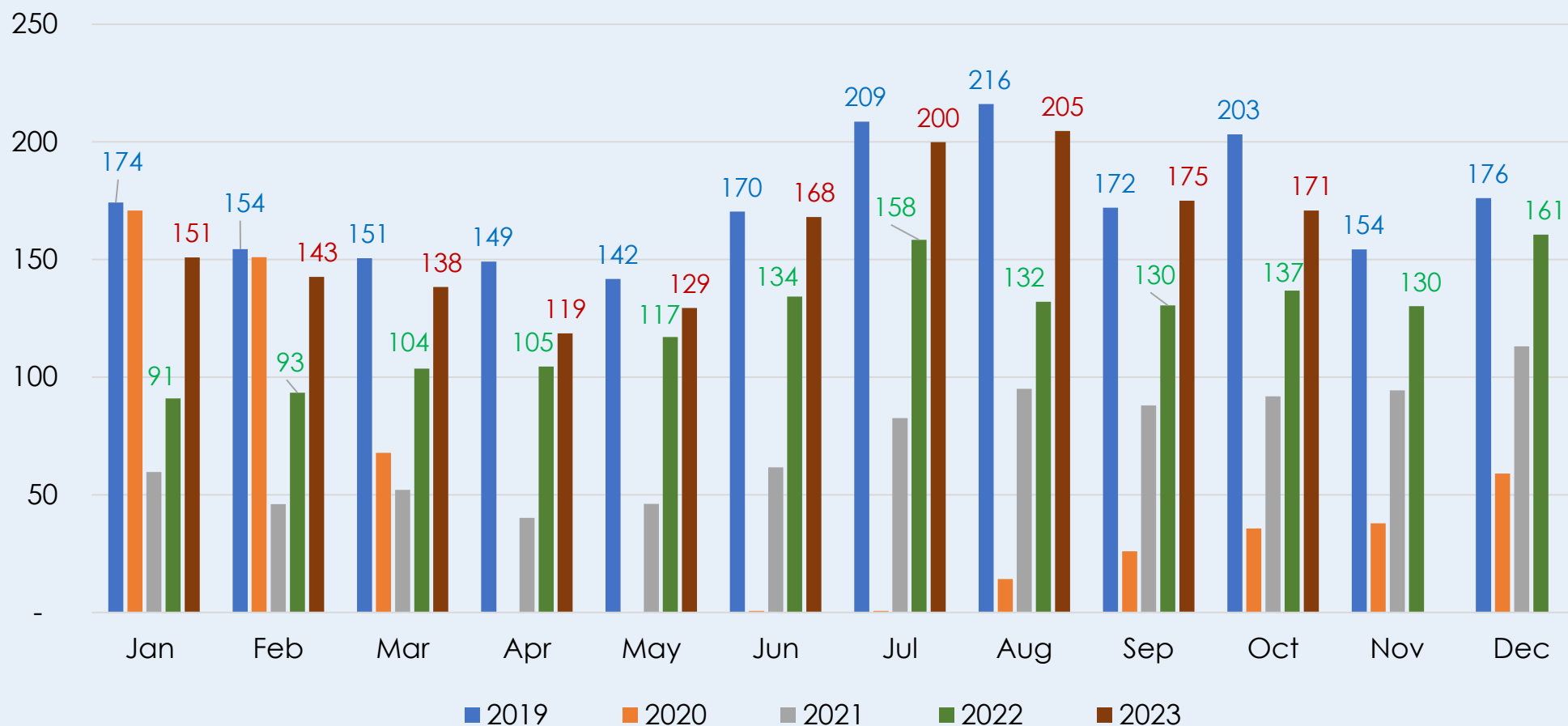


Source: CBK, KRA

Services exports:

Tourist arrivals increased by 34.1 percent in the 12 months to October 2023 compared with October 2022, supported by recovery in international travel

Number of tourist arrivals (in thousands)

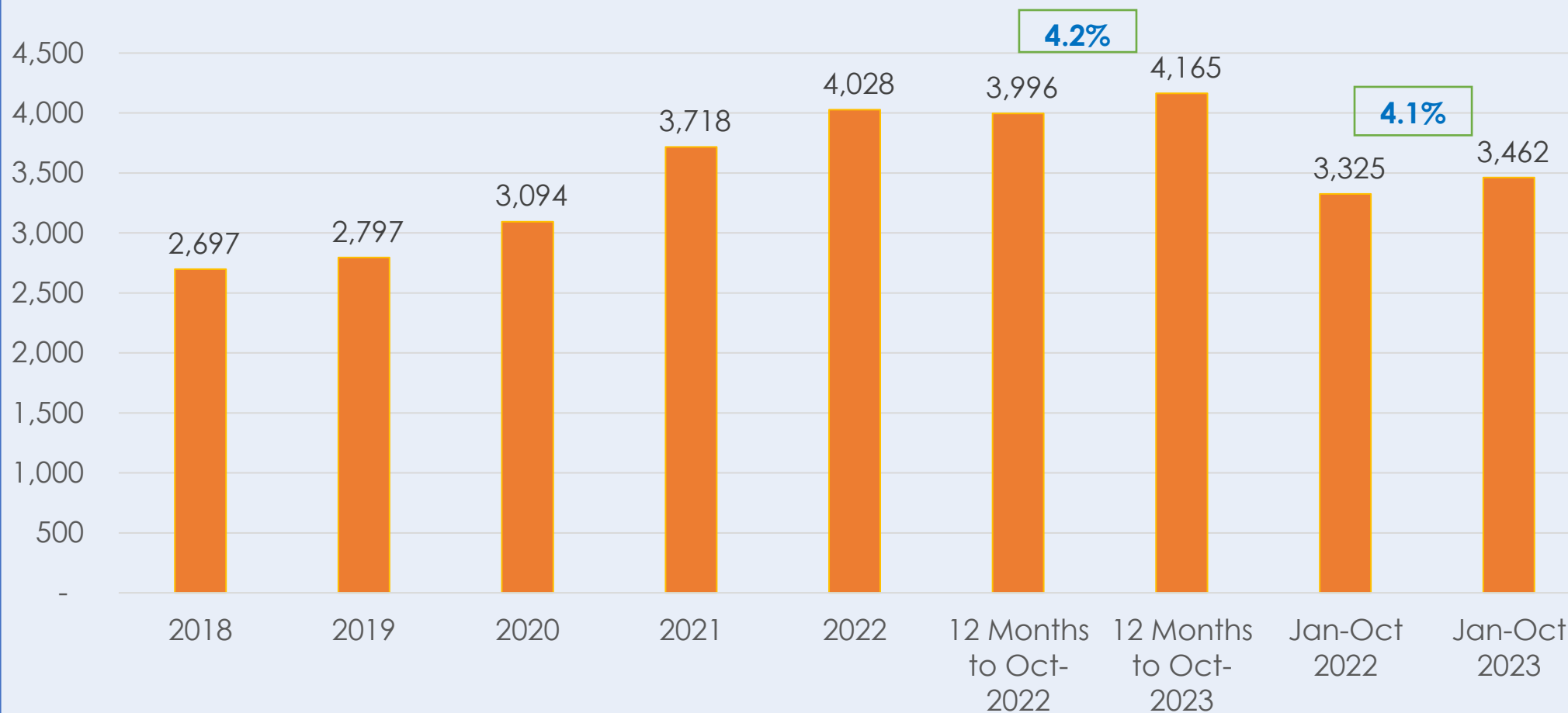


Source: Kenya Tourism Board

Diaspora remittances:

Remittances inflows have remained strong, growing by 4.2 percent in the 12 months to October 2023 compared to a similar period in 2022

Diaspora remittances inflows (USD, Million)



Source: CBK

Financial account:

Financial account inflows expected to support foreign exchange reserves in 2023 and 2024

Financial account inflows (US\$ millions)

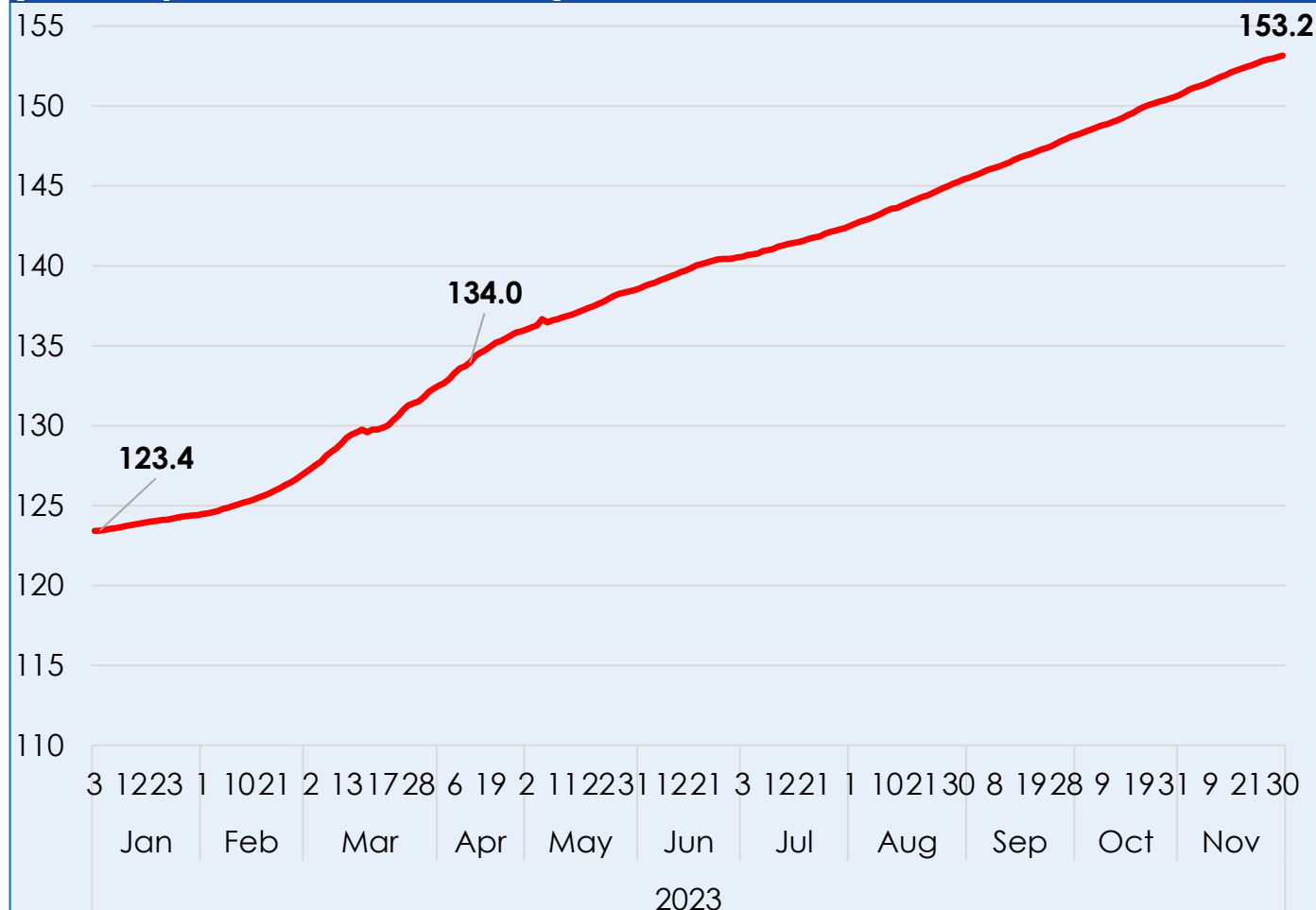
	2018	2019	2020	2021	12 months to Oct 2022	2022	12 months to Oct 2023	2023	2024
Financial Account	(6,152)	(4,820)	(2,682)	(5,851)	(4,437)	(4,362)	(3,933)	(4,671)	(4,571)
Foreign Direct Investment	(771)	(433)	(569)	(44)	(338)	(339)	(357)	(403)	(473)
Direct Investment, assets	(3)	37	(143)	420	50	53	(6)	28	45
Direct Investment, liabilities	768	470	427	464	388	392	351	431	517
Portfolio Investment	(637)	(468)	1,321	208	806	712	540	943	1,041
Portfolio Investment, assets	1,165	857	1,045	1,069	523	481	361	866	953
Portfolio Investment, liabilities	1,802	1,325	(276)	861	(283)	(230)	(179)	(76)	(88)
Equity and investment fund shares	(252)	9	(276)	(96)	(246)	(208)	(167)	(76)	(88)
Debt securities	2,054	1,316	0	957	(37)	(23)	(12)	-	-
Other Investment	(4,744)	(3,919)	(3,434)	(6,015)	(4,906)	(4,735)	(4,117)	(5,210)	(5,139)
Other investment, assets	952	564	998	139	(876)	(557)	2,966	1,142	1,138
Other investment, liabilities	5,696	4,484	4,432	6,154	4,030	4,178	7,083	6,352	6,277
Net errors and omissions	(470)	1,331	1,311	548	(542)	(877)	(1,057)	-	-
Overall balance ("-" indicates a surplus)	(956)	(1,107)	668	(848)	2,001	2,147	993	(561)	(16)
Reserves and related items	956	1,107	(668)	848	(2,001)	(2,147)	(993)	561	16
Reserve assets (gross)	811	953	(822)	1,190	(1,610)	(1,528)	(190)	1,115	1,071
Use of Fund credit and loans to the fund (net)	(145)	(154)	610	847	415	619	803	553	1,054

Source: CBK

Exchange rate developments:

The exchange rate depreciation continues to exert upward pressure on domestic prices and public sector external debt service

Daily Exchange rate of the Kenya Shilling against the US Dollar (January to November 2023)



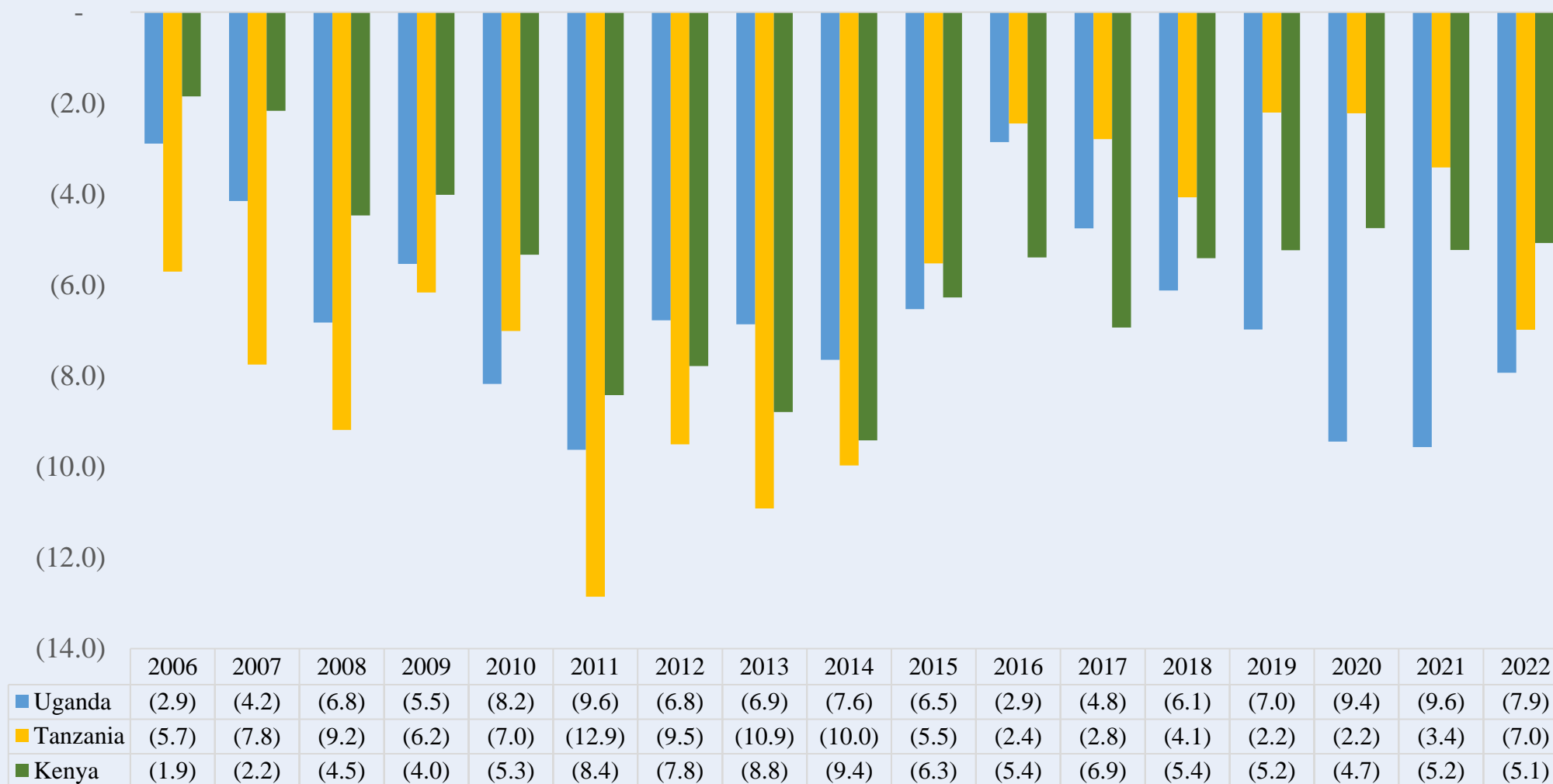
Source: CBK

- Exchange rate movements affect inflation through the tradable items of CPI basket which accounts for 42.8 percent of the CPI basket. In November 2023, exchange rate depreciation contributed 3.0 percentage points to overall inflation.
- The continued weakening of the exchange rate is contributing to a significant increase in the Kenya shilling value of foreign currency denominated debt.

32.

Uganda has a comparably wider current account deficit as percent of GDP

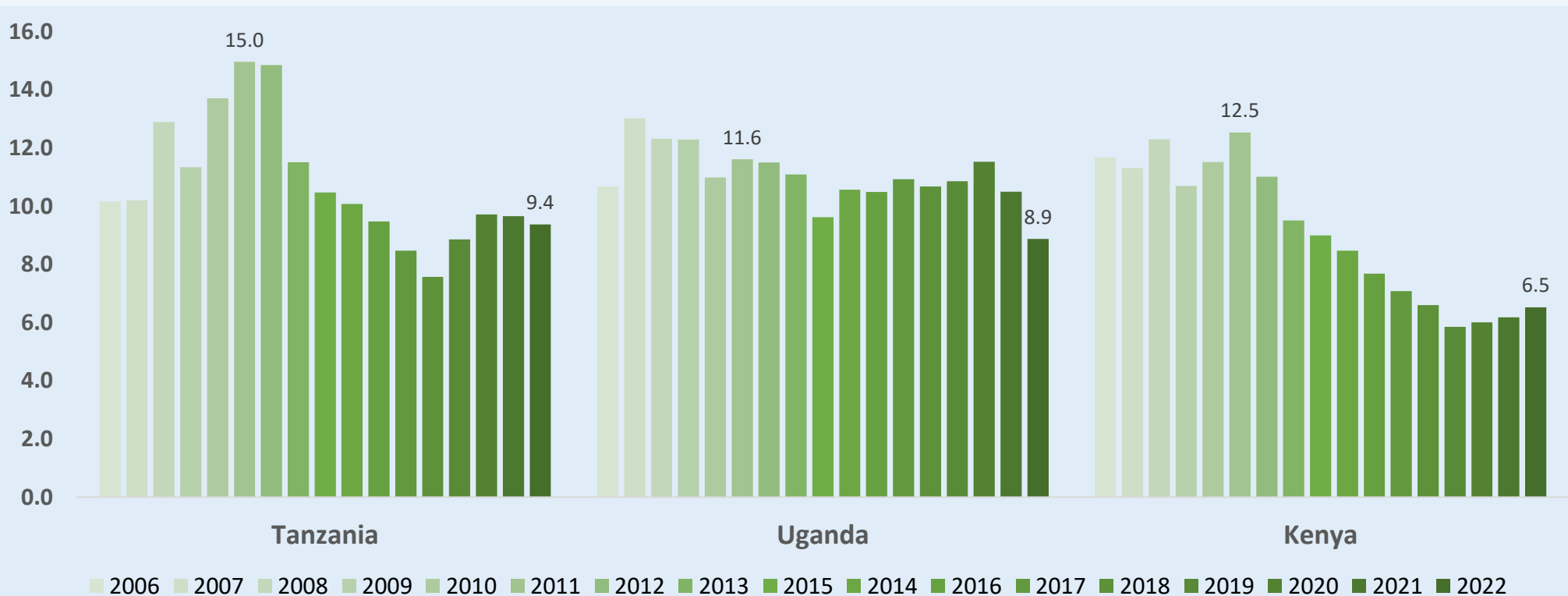
Current Account Deficit (in Percent of GDP)



33.

Exports of goods as a ratio of GDP comparably lower in Kenya

Exports of goods in Percent of GDP



	2006	2007	2008	2009	2010	2011	2012	2013	2015	2014	2016	2017	2018	2019	2020	2021	2022
Tanzania	10.2	10.2	12.9	11.3	13.7	15.0	14.9	11.5	10.5	10.1	9.5	8.5	7.6	8.9	9.7	9.7	9.4
Uganda	10.7	13.0	12.3	12.3	11.0	11.6	11.5	11.1	9.6	10.6	10.5	10.9	10.7	10.9	11.5	10.5	8.9
Kenya	11.7	11.3	12.3	10.7	11.5	12.5	11.0	9.5	9.0	8.5	7.7	7.1	6.6	5.9	6.0	6.2	6.5

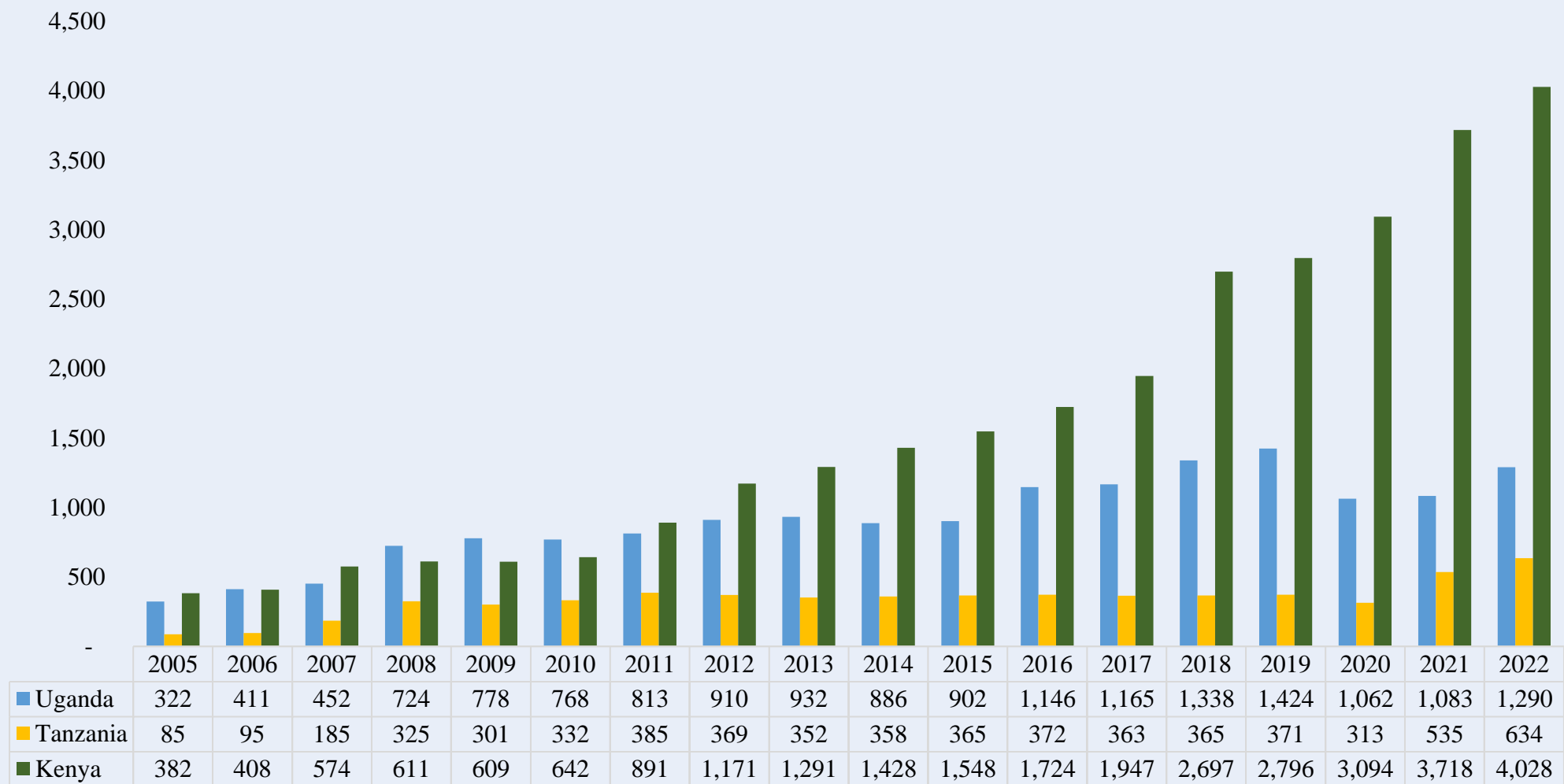
34.

Travel receipts as a percent of GDP comparably higher in Tanzania since 2016

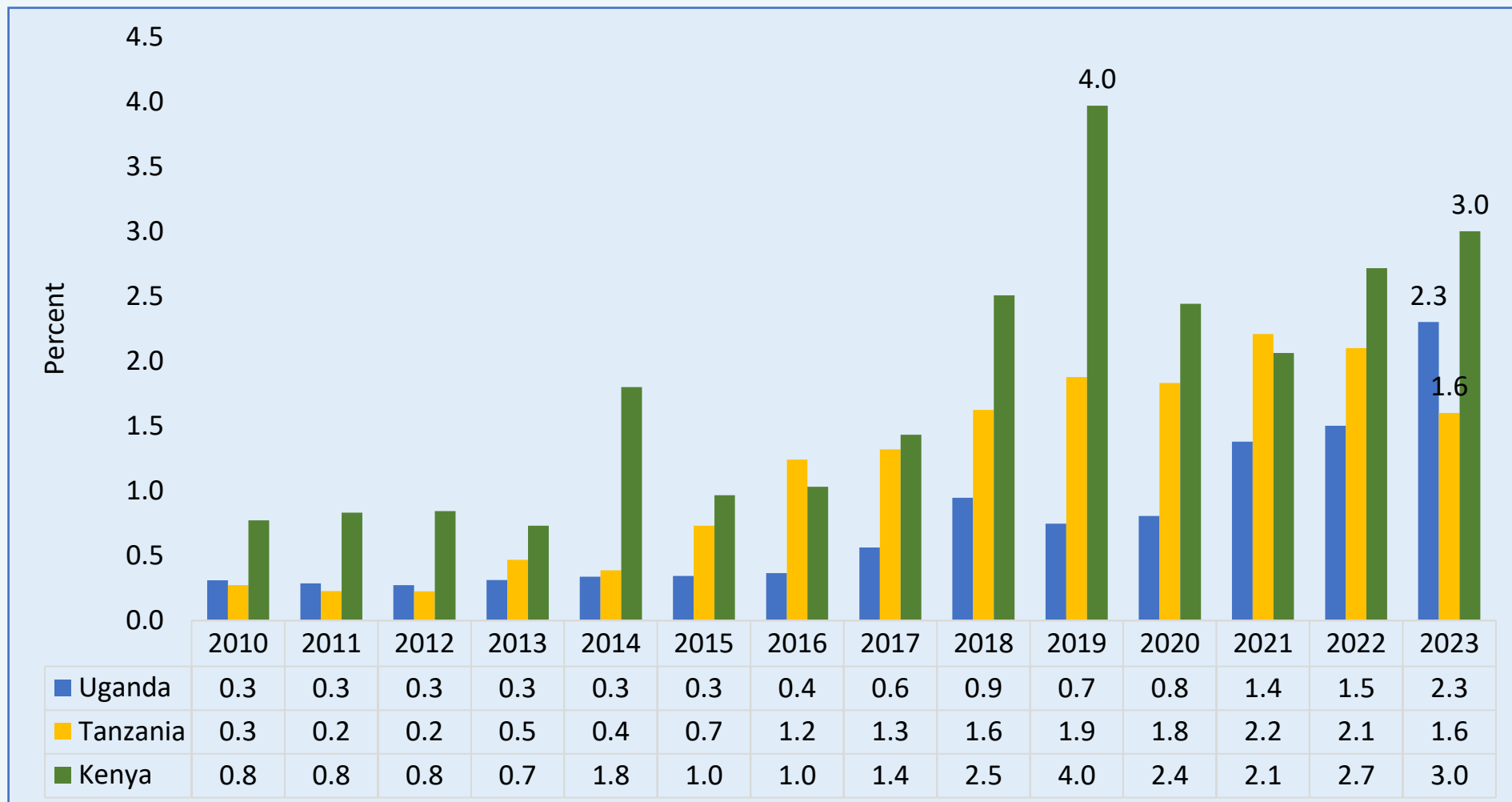
Travel Receipts in Percent of GDP



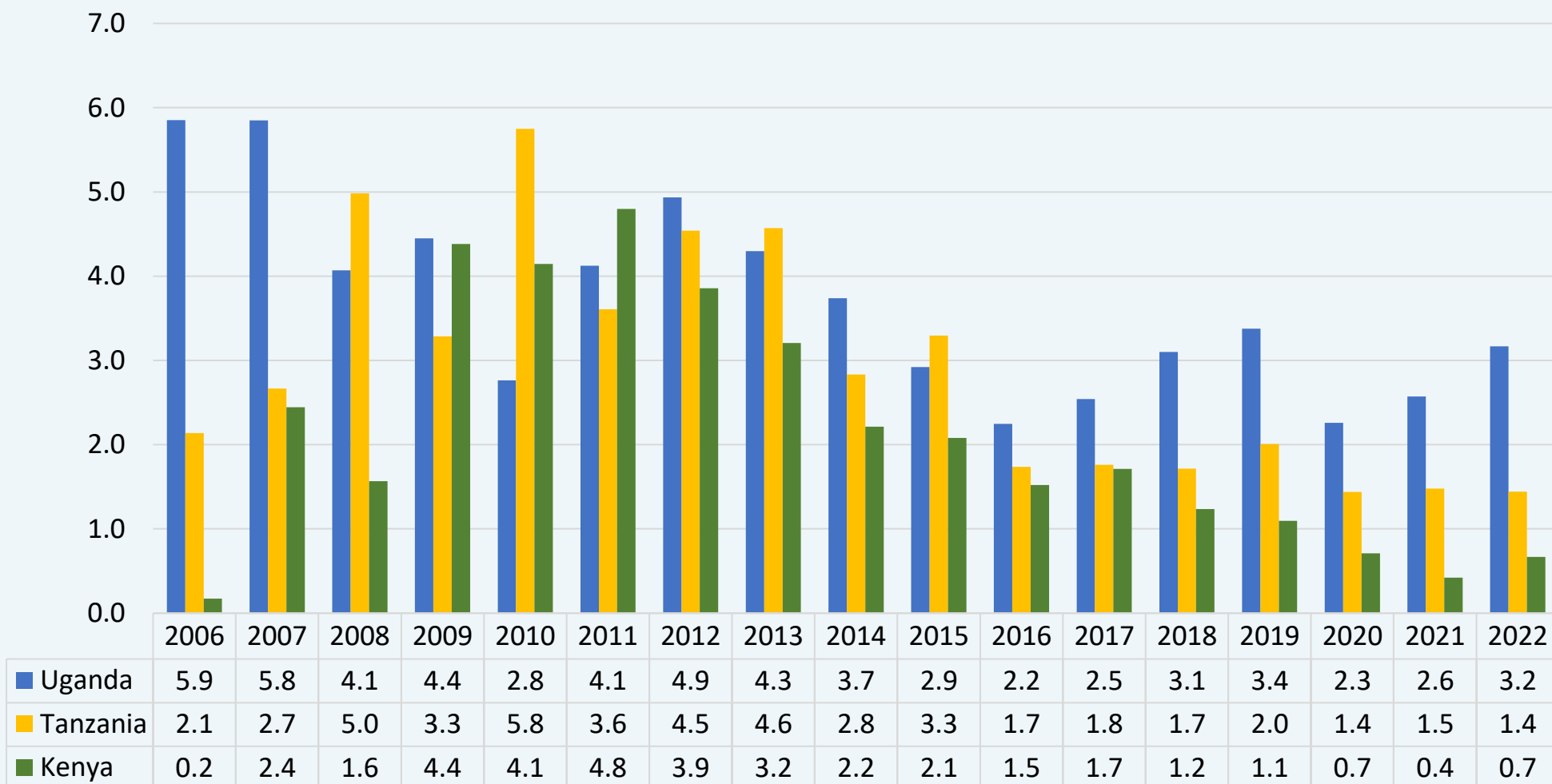
Remittance inflows in US\$ millions



External Debt Service (Percent of GDP)

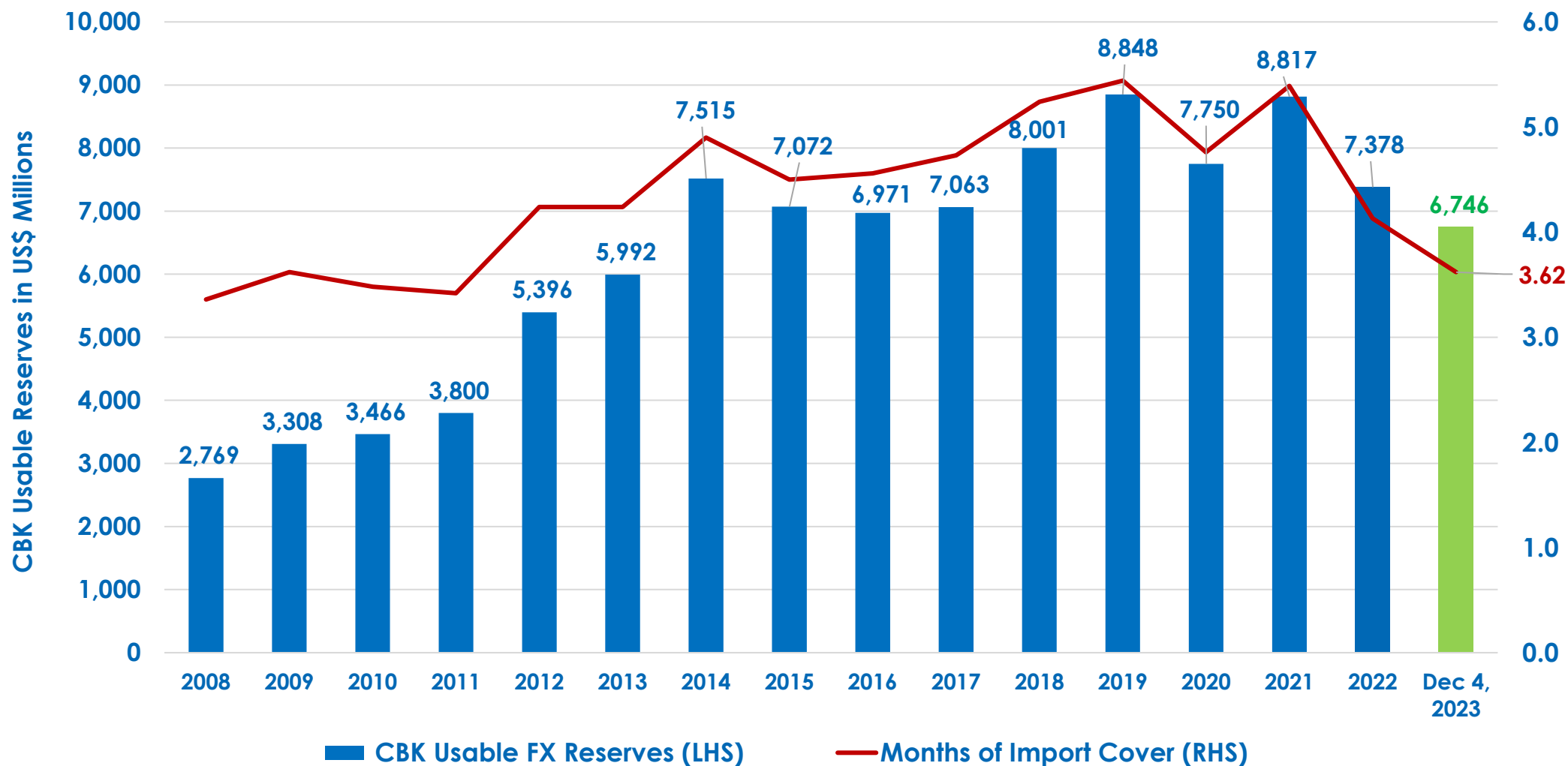


FDI inflows in Percent of GDP



CBK usable foreign exchange reserves: Foreign exchange reserves remain adequate

CBK usable foreign exchange reserves (end period)



Source: CBK as of December 4, 2023

Revised fiscal framework for FY2023/24:

The revised fiscal framework (Supplementary Budget 1) indicates a lower domestic borrowing target compared to the printed Budget estimates

Revised fiscal framework for FY2023/24

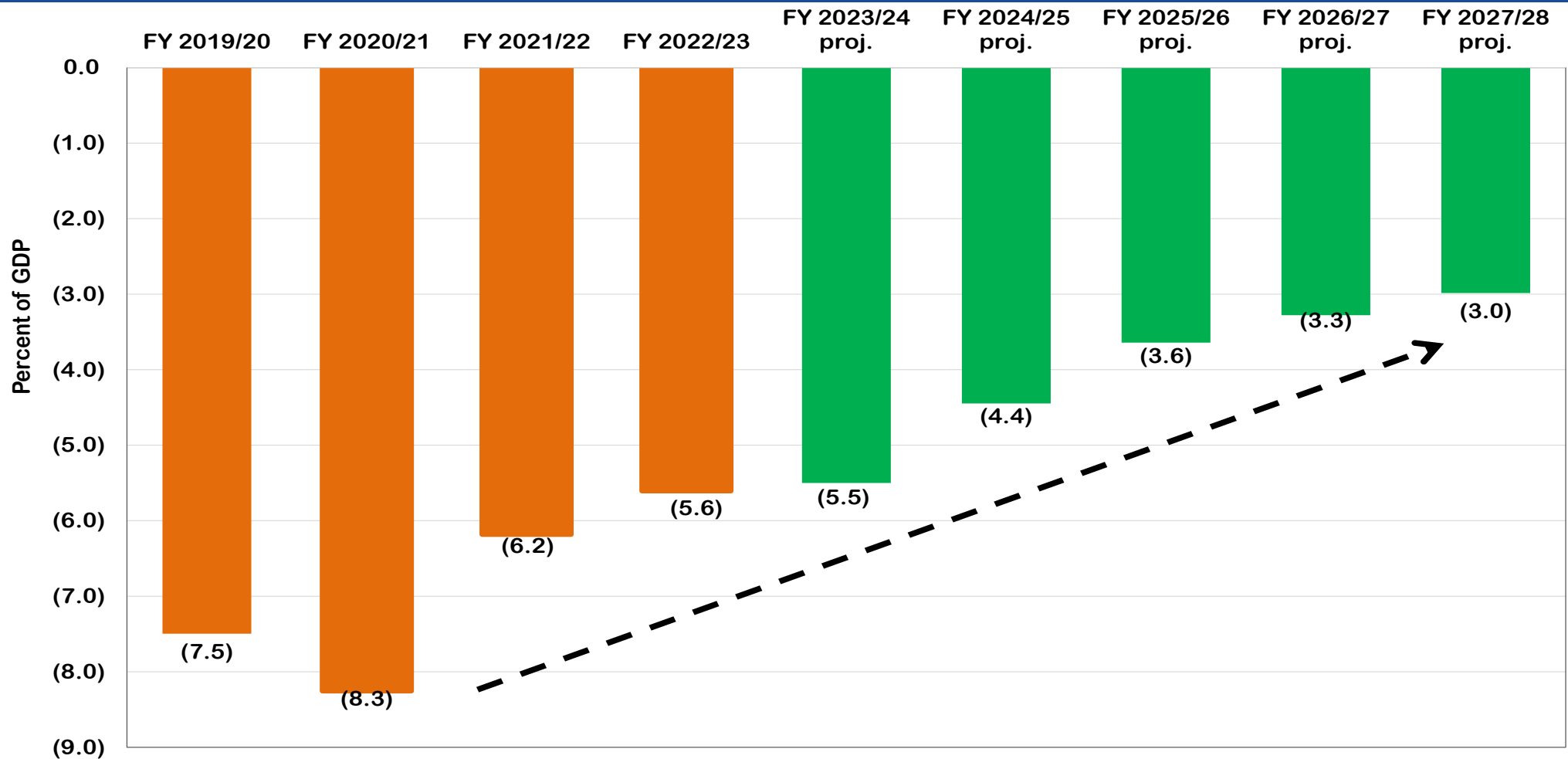
	<u>BUDGET ESTIMATES</u>	<u>BUDGET ESTIMATE S (Adj. Fin. & Int)</u>	<u>BROP'23</u>	<u>SUPPL 1</u>	<u>Approved Supp I</u>	<u>Deviation</u>
TOTAL REVENUE	2,985.6	2,985.6	3,008.1	3,022.8	3,047.6	(24.8)
Ordinary revenue	2,571.2	2,571.2	2,577.0	2,576.8	2,576.8	-
Ministerial Appropriation in Aid	414.4	414.4	431.2	446.0	470.8	(24.8)
TOTAL EXPENDITURE AND NET LENDING	3,746.6	3,808.8	3,914.1	3,931.4	3,981.5	(50.1)
Recurrent Expenditure	2,536.3	2,596.8	2,687.8	2,761.3	2,793.9	(32.6)
Domestic Interest	628.3	628.3	646.4	646.4	646.4	(0.0)
Foreign Interest due	146.9	207.4	272.5	272.5	272.5	0.0
Development	777.8	779.4	793.8	745.1	762.6	(17.5)
County Transfer	429.7	429.7	429.7	423.9	423.9	-
BALANCE EXCLUSIVE OF GRANTS	(761.1)	(823.2)	(906.0)	(908.6)	(934.0)	25.3
GRANTS	42.2	42.2	42.2	47.4	47.4	-
Programme Grants/AMISOM Receipts	-	-	-	-	-	-
Projects Grants(Revenue)	14.3	14.3	14.3	19.7	19.7	-
Projects Grants(AIA)	27.9	27.9	27.9	27.6	27.6	-
BALANCE INCLUSIVE OF GRANTS	(718.9)	(781.0)	(863.8)	(861.3)	(886.6)	25.3
Adjustments to cash basis	-	-	-	-	-	-
BALANCE INCLUSIVE OF GRANTS (CASH BASIS)	(718.9)	(781.0)	(863.8)	(861.3)	(886.6)	25.3
Discrepancy	-	-	-	-	-	-
TOTAL FINANCING	718.9	781.0	863.8	861.3	886.6	(25.3)
NET FOREIGN FINANCING	131.5	464.2	448.7	412.1	412.1	-
Disbursements	607.1	1,005.0	1,016.6	978.7	978.7	-
Commercial Financing	270.0	467.0	467.0	175.1	175.1	-
Other Commercial Financing	270.0	467.0	467.0	175.1	175.1	-
Project Loans AIA	149.1	149.1	149.1	148.7	148.7	-
Project Loans Revenue	122.5	122.5	122.5	114.8	114.8	-
Programme Loans	65.4	266.4	278.0	540.2	540.2	-
O/W P for R Programme Loans	3.5	3.5	15.1	73.0	73.0	-
IMF - RCF/ECF/EFF	61.9	138.8	138.8	233.7	233.7	-
Development Policy Operations - WB	-	109.5	109.5	218.9	218.9	-
Development Policy Operations - ADB	-	14.6	14.6	14.6	14.6	-
Debt repayment - Principal	(475.6)	(540.9)	(567.9)	(566.7)	(566.7)	-
NET DOMESTIC FINANCING	587.4	316.9	415.1	449.2	474.5	(25.3)
Nominal GDP (Fiscal Year)	16,290.3	16,290.3	16,131.5	16,131.5	16,131.5	-
PRIMARY BALANCE INCLUSIVE OF GRANTS (CASH BASIS)	56.3	54.7	55.1	57.6	32.2	25.3
Gross Debt (stock) - Ksh Million	10,967.6	11,029.7	11,112.5	11,110.0	11,048.7	61.3

Source: The National Treasury

Fiscal performance and outlook:

The envisaged fiscal consolidation over the medium-term is expected to reduce growth of public debt and boost debt sustainability position

Actual and expected fiscal deficit (percent of GDP)



Source: The National Treasury

Thank You!

