# MACROECONOMIC DEVELOPMENTS AND OUTLOOK FOR THE FY 2023/24 AND MEDIUM TERM BUDGET

## Presentation at the launch of the Sector Working Groups

**THE NATIONAL TREASURY AND ECONOMIC PLANNING**

10th November 2022

# PRESENTATION OUTLINE

1. Introduction
2. Global Developments
3. Domestic Economic Developments
4. Implementation of FY 2022/23 Budget
5. Policy Priorities for the FY 2023/24 and the Medium Term Budget
6. FY 2023/24 and the Medium Term Budget
7. Potential Risks to the Macroeconomic Outlook

## *1a. Introduction*

- The Kenyan economy grew by **7.5% in 2021** from a contraction of **0.3% in 2020**. The strong economic performance was mainly supported by the continued recovery in the service and industry sectors despite a slowdown in agricultural production.

- The economy has demonstrated remarkable resilience in 2022 and grew by 6.0 percent in first half of 2022 (6.8% in Q1 and 5.2% in Q2 of 2022). Taking into account the adverse impact of the drought conditions, inflationary pressures as well other external pressures the economy is projected to grow by **5.5% in 2022**. The economy is projected to recover further in 2023 to 6.1 percent and maintain that momentum over the medium-term**.**

- **Budget execution** for the FY 2022/23 progressed smoothly to the end September 2022, albeit with shortfall in revenue collection of Ksh 6.2 billion. Revenues increased by **9.0% compared with a growth of 4.0% in A similar period in 2021**.

## 1b. Introduction

- The fiscal policy continues to **pursue growth friendly fiscal consolidation** to preserve debt sustainability. This will be achieved through **enhancing revenue collection** and **curtailing non-core expenditures** while prioritizing high impact social and investment expenditure.

- The Government has restrained emerging expenditure pressures but also safeguarded against contracting economic activity and will be proposing a rationalization of the budget to reduce the fiscal deficit to **5.8% of GDP** in the FY 2022/23 budget from 6.2% of GDP in the approved budget**. The deficit** is further projected to **decline to 4.3 % of GDP in the FY 2023/24 budget** whose process is being launched today.

- The road to economic recovery has been subjected to **new downside risks.** These risks include, volatile international commodity prices, tighter external financing conditions, higher inflation, global slowdown in growth, and continued drought.

- The Government continues to respond to these adverse impacts through fiscal measures among them, subsidies on fertilizer to enhance agricultural productivity and food production. The Government (National and County Governments) are rolling out interventions to support citizens and communities affected by the ongoing drought.

# 2a. Global Economic Outlook

**Global economic outlook has become more uncertain - reflecting the impact of the ongoing Russia-Ukraine conflict, elevated global inflation, effects of COVID-19 containment measures in China, and persistent supply chain disruptions. Global growth is expected to slowdown to 3.2% in 2022 and revised to slow down to 2.7% in 2023 from the earlier forecast of 2.9%.**

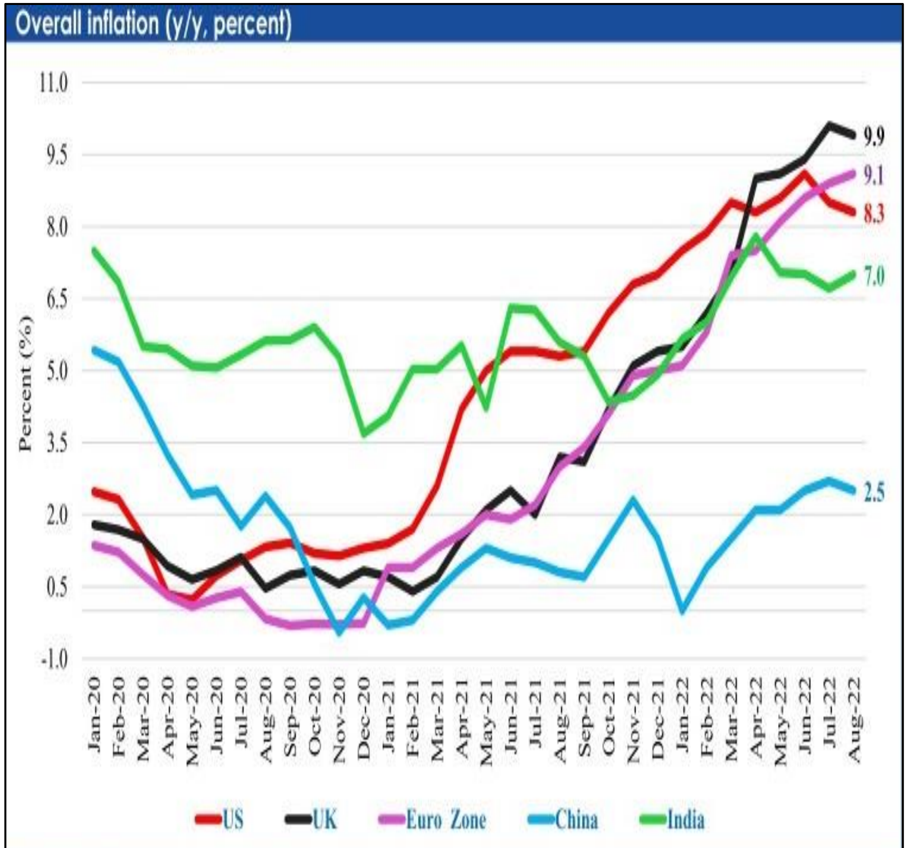
| | Growth (%) | | | | | |
|---|---|---|---|---|---|---|
| **Economy** | **2020** | **2021** | **2022*** | | **2023*** | |
| | **Actual** | | **July WEO** | **Oct. WEO** | **July WEO** | **Oct. WEO** |
| World | (3.1) | 6.0 | 3.2 | 3.2 | 2.9 | 2.7 |
| Advanced Economies | (4.5) | 5.2 | 2.5 | 2.4 | 1.4 | 1.1 |
| Of which: USA | (3.4) | 5.7 | 2.3 | 1.6 | 1.0 | 1.0 |
| Euro Area | (6.1) | 5.2 | 2.6 | 3.1 | 1.2 | 0.5 |
| Emerging and Developing Economies | (2.0) | 6.6 | 3.6 | 3.7 | 3.9 | 3.7 |
| Of which: China | 2.2 | 8.1 | 3.3 | 3.2 | 4.6 | 4.4 |
| India | (6.6) | 8.7 | 7.4 | 6.8 | 6.1 | 6.1 |
| Sub-Saharan Africa | (1.6) | 4.7 | 3.8 | 3.6 | 4.0 | 3.7 |
| Of which: South Africa | (6.3) | 4.9 | 2.3 | 2.1 | 1.4 | 1.1 |
| Nigeria | (1.8) | 3.6 | 3.4 | 3.2 | 3.2 | 3.0 |
| EAC-5 | 0.9 | 6.6 | 4.7 | 4.7 | 5.4 | 5.4 |
| Of which: Kenya*** | (0.3) | 7.5 | 6.0 | 5.5 | 6.1 | 6.1 |

** Estimate     *** budget estimate*

*EAC-5: Burundi, Kenya, Rwanda, Tanzania and Uganda*

# 2b. Global Economic Outlook

## Inflation remains elevated in major economies




Source: Websites of respective countries

The **Euro Area** inflation rate increased to **10.7% in October, 2022** from 9.9% in September, 2022.

The inflation rate in **the US** slowed for the third month running to **8.2% in September of 2022**, the lowest in seven months.

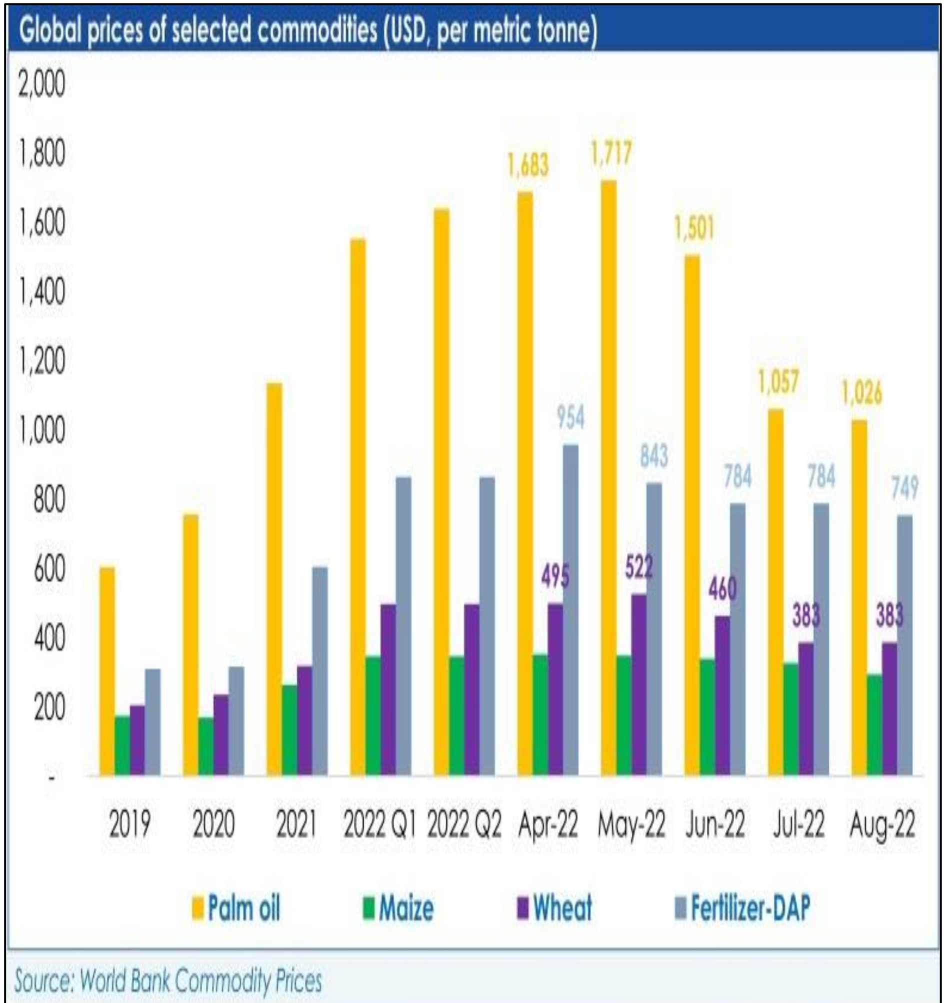
## International Crude oil prices: The price of oil has moderated but remains volatile


Source: Oilprice.com

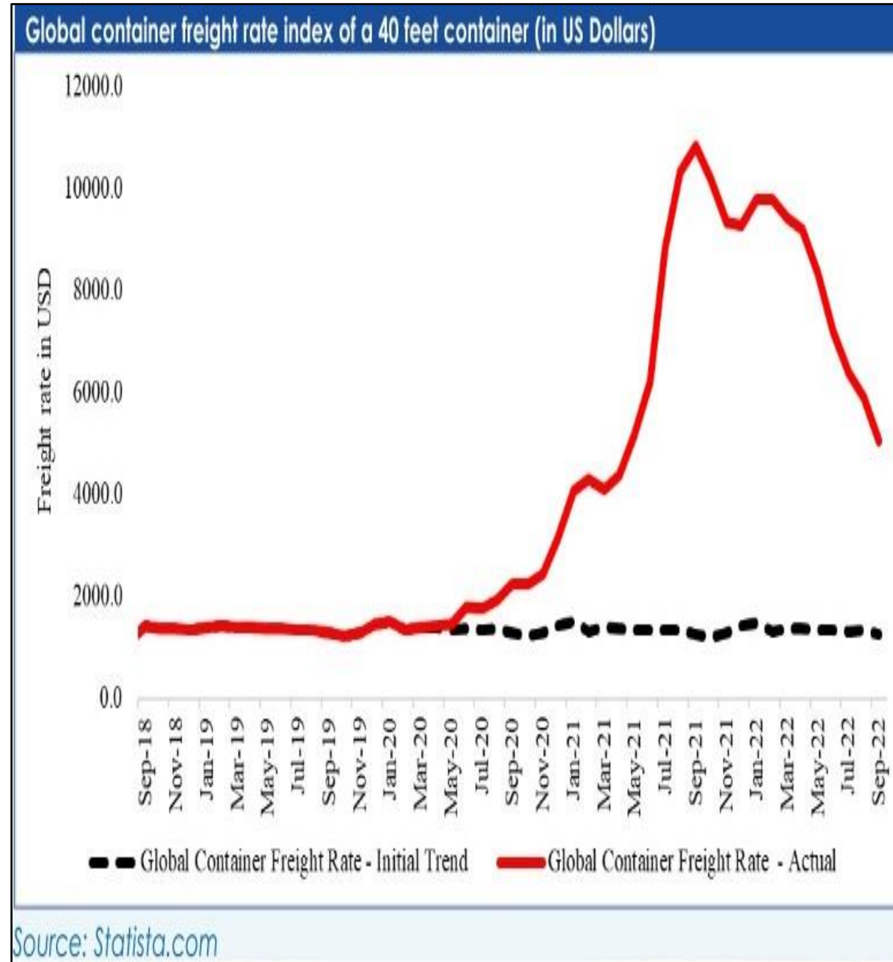
Murban oil price declined to USD 93.26 per barrel on November 3 from USD 94.99 per barrel on October 27.

## 2c. Global Economic Outlook

**Global Commodity prices: Prices of palm oil, fertilizer-DAP, and wheat have moderated**

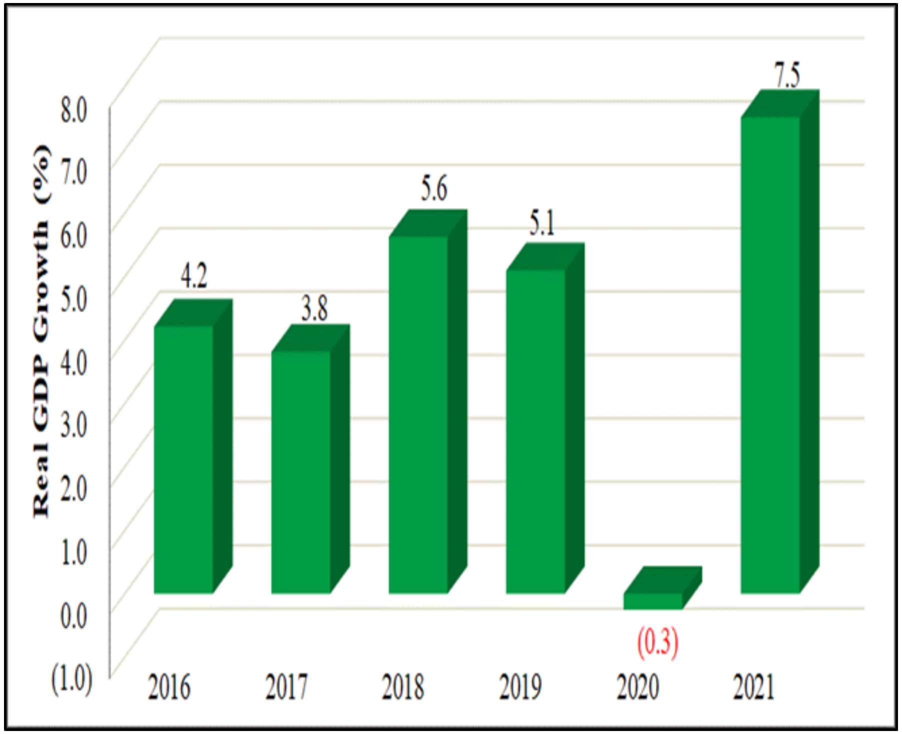



**Supply chain challenges: Global freight transportation costs are declining (USD 4,014 in Sept to USD 3,135) toward USD 1,446 in April 2020**

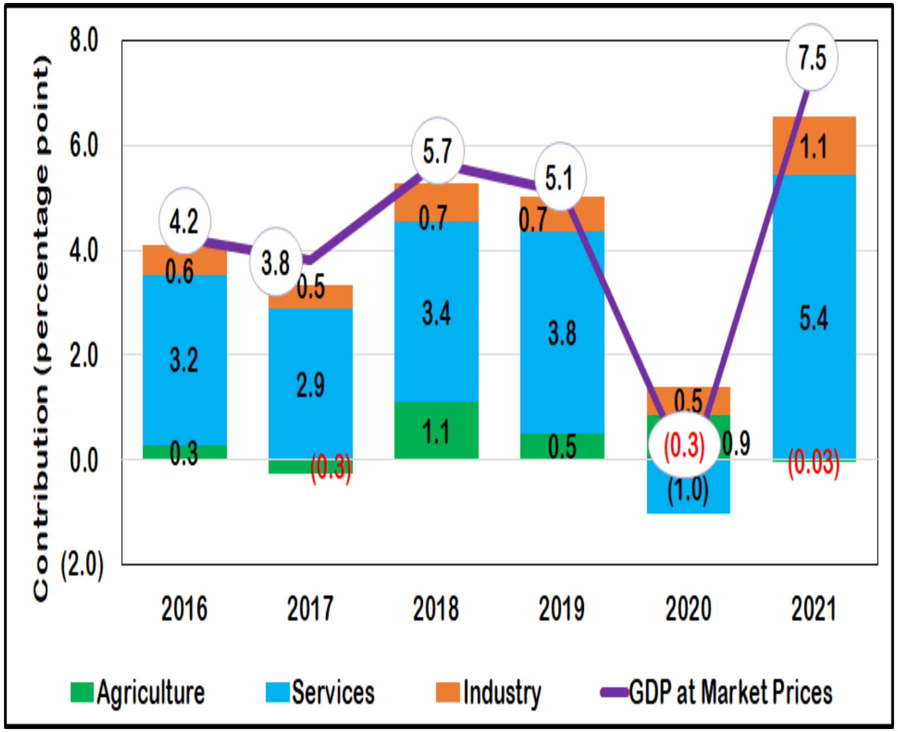


# 3a. Recent Economic Developments: Real GDP Growth

**Kenya's economy has demonstrated strong resilience and recovery due to the proactive measures by Government and the diversified nature of the economy. The economy grew by 7.5 percent in 2021 from a contraction of 0.3 percent in 2020.**



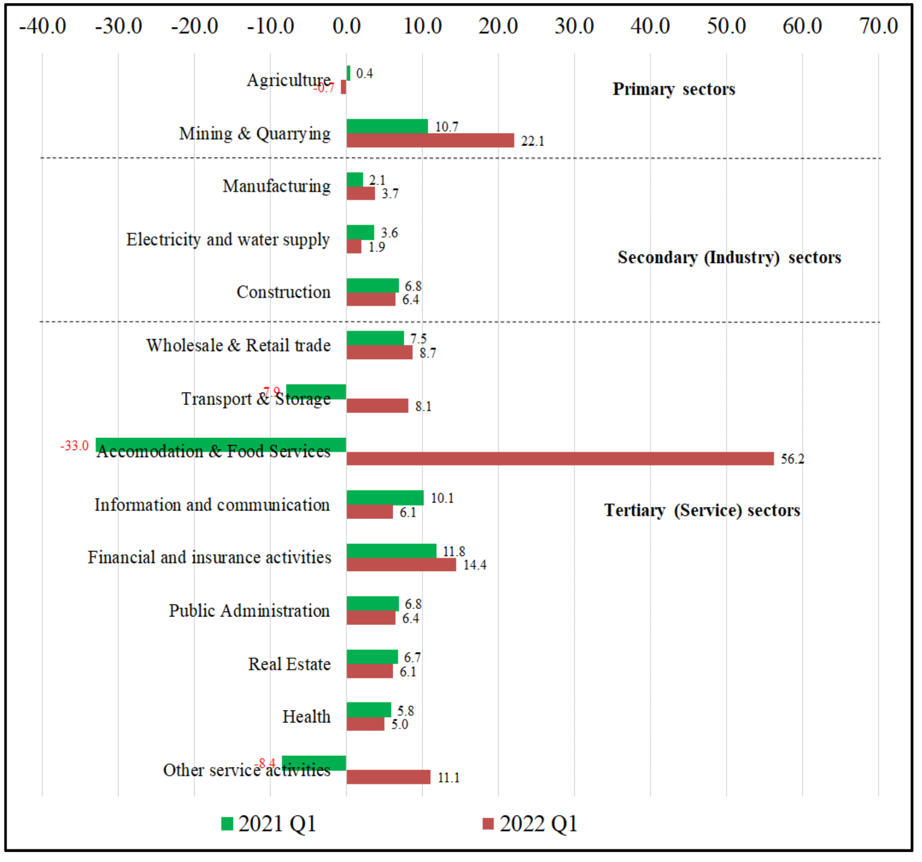

**All Economic sectors registered a positive growth rate in 2021 except agriculture which contracted by 0.2% following unfavorable weather conditions in most parts of the country, which affected crop production.**

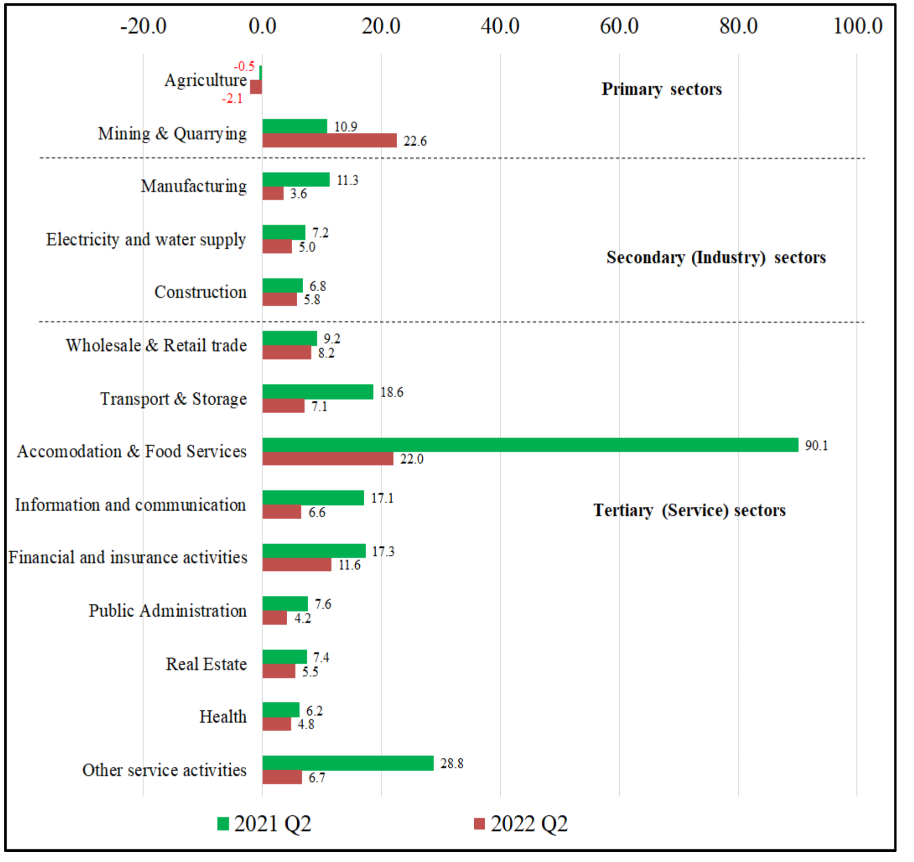



**The 7.5% growth in 2021 was mainly supported by the recovery in the service and industry sector. The service sector contributed 5.4 percentage points to GDP while the Industry sector contributed 1.1 percentage points to GDP growth.**

# 3b. Recent Economic Developments: Real GDP Growth

**Economic recovery continued in the first half of 2022: Q1 by 6.8% and 5.5% in Q2. The performance was driven by strong growth in services sectors as agriculture contracted in the two sectors following the dry weather conditions that affected production**

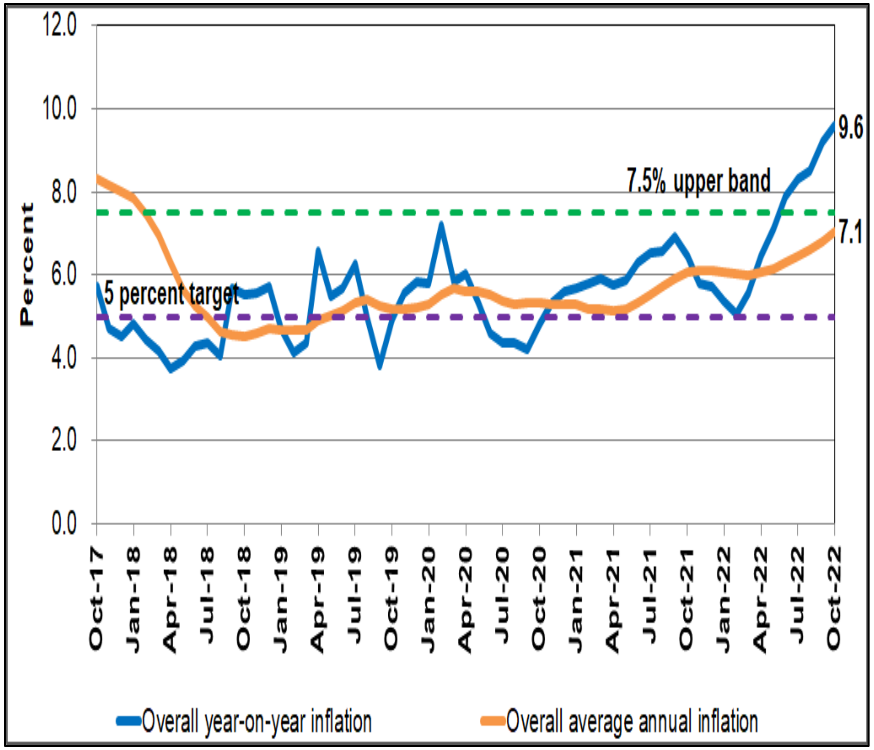



**Taking into account the adverse impact of the on going drought conditions, inflationary pressures as well other external pressures the economy is projected to grow by 5.5% in 2022 and will recover to 6.1% in 2023**

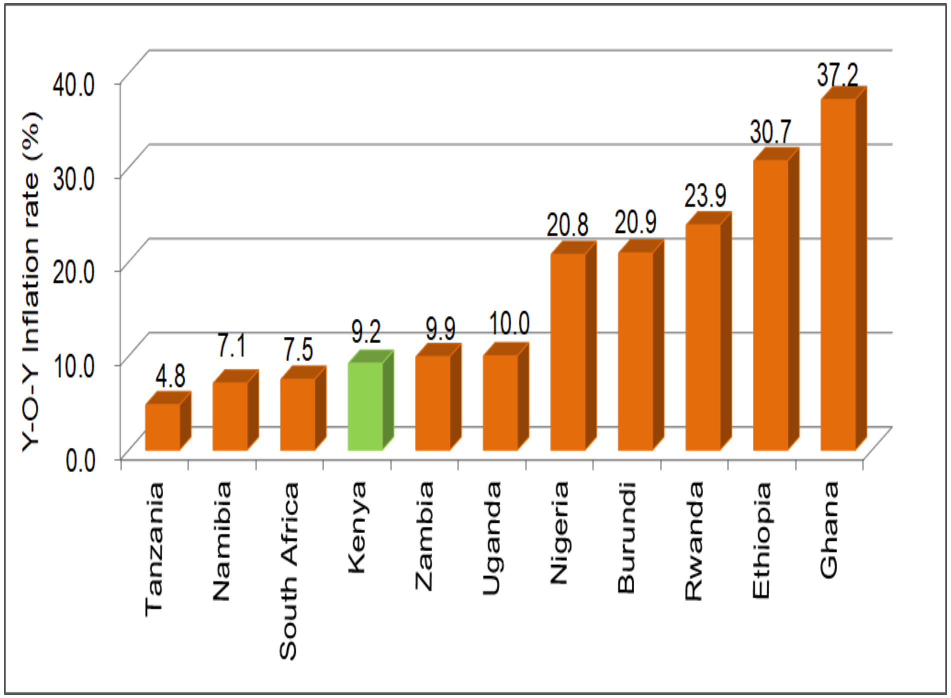
# *3c. Inflation rate above the 7.5% upper target for the fifth consecutive month in October 2022*

**The year-on-year inflation rate increased to 9.6% in October 2022 from 6.5% in October 2021 mainly due to higher international food and fuel prices.**




- Inflation is expected to remain elevated in the near term, due in part to the scaling down of the Government price support measures, resulting in increases in fuel and electricity prices; the impact of tax measures in the FY 2022/23 Budget; and global inflationary pressures.

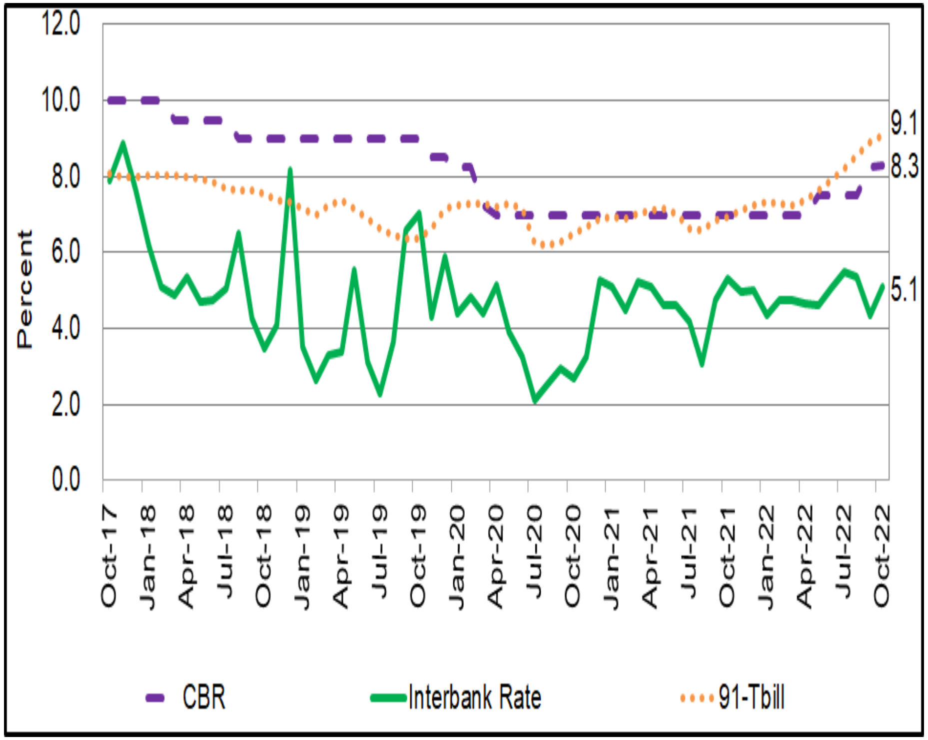
**While inflation has been rising and remains high in most economies, Kenya's inflation rate at 9.2% is much lower that that of some countries in the Sub-Saharan African region that have double digits inflation.**




- Core inflation has been low and stable, consistent with the muted demand pressures in the economy on account of prudent monetary policies.

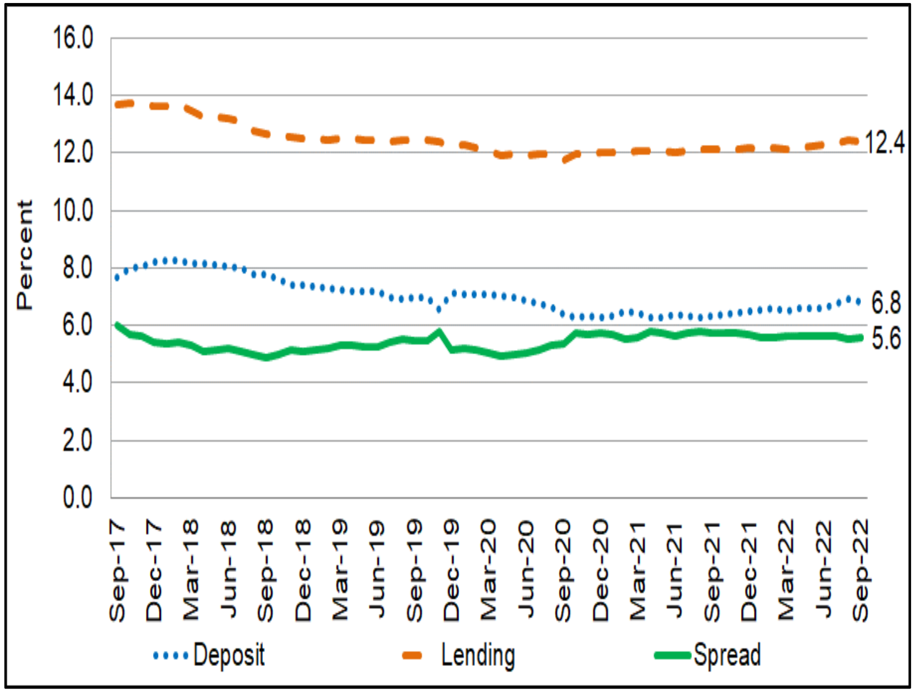
# 3d. Interest rates have been fairly low and stable (below 10%) due to prudent monetary and fiscal stance.

**Monetary policy stance remain tight to anchor inflation expectations due to the elevated risk of high inflation outlook as a result of increased global commodity prices and supply chain disruptions. The CBR was raised to 8.25% from 7.5% in September, 2022.**




- ❑ The interbank rate remained stable at 5.1%in October 2022 while the 91-day Treasury Bills rate was at 9.1% over the same period;

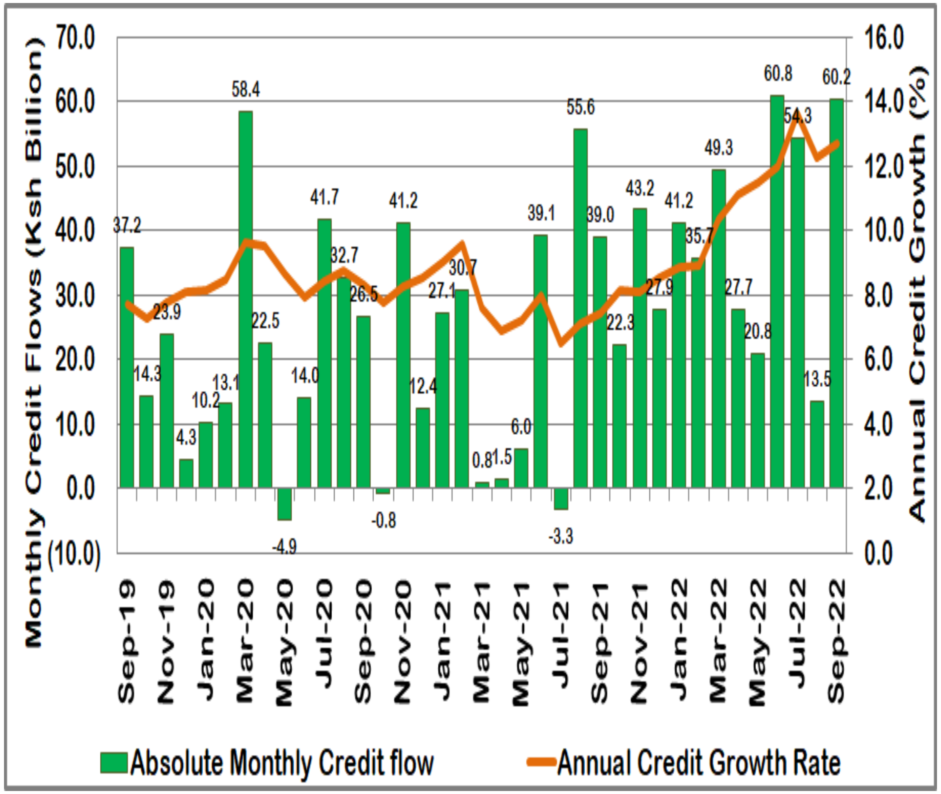
**Lending rates by the banking sector the private sector have remained relatively stable in September 2022 (12.4%)**




- ❑ The average lending rate was at 12.4% in September 2022 from 12.1% in September 2021 while the average deposit rate increased to 6.8% from 6.3% over the same period.
- ❑ Consequently, the average interest rate spread declined to 5.6% in September 2022 from 5.8% in September 2021.

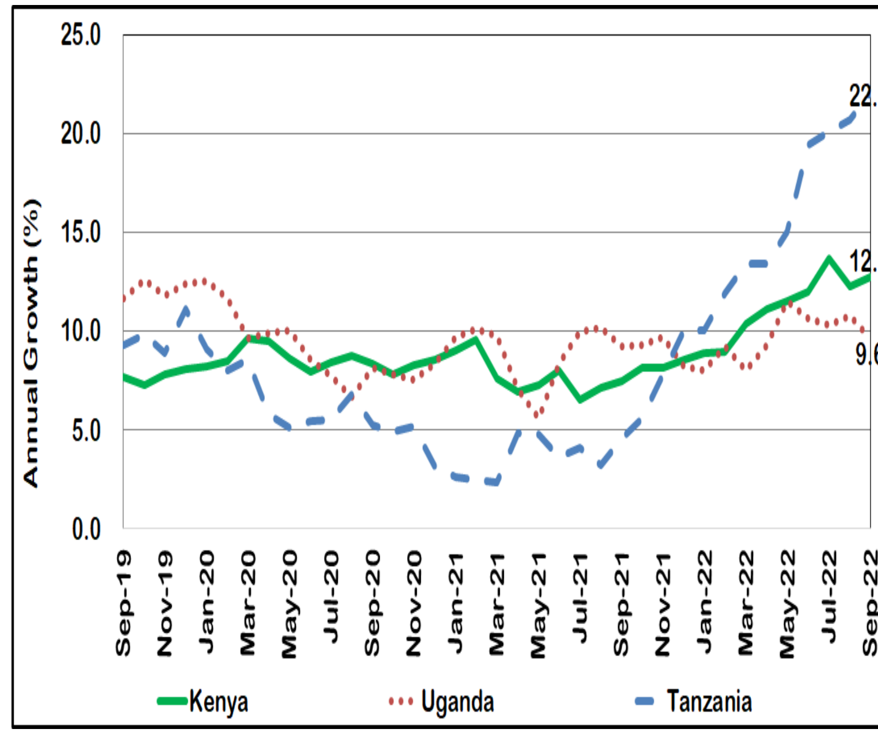
# 3e. Recent Economic Developments: Credit to the Private sector

**Lending by banking sector to the private sector has remained strong with the credit expanding by 12.7% in the 12 months to September 2022 compared to a growth of 7.4% over the same period in 2021.**




- ❑ Monthly credit flows (month on month) has improved since September 2021 peaking at Ksh 60.2 billion in September 2022

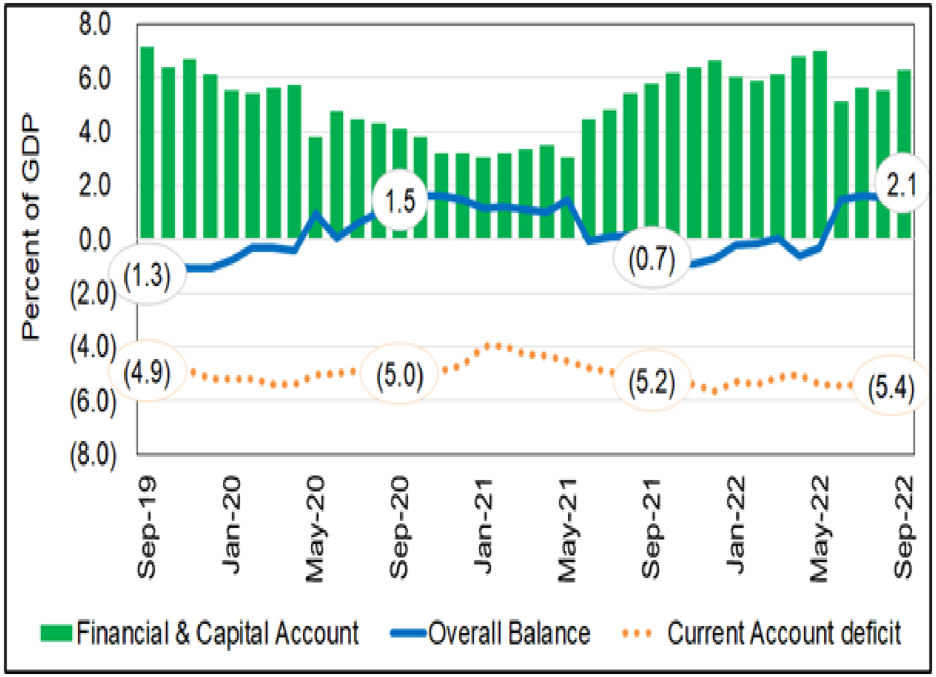
**Similar trend of credit growth is also observed in the EAC region. In Tanzania lending rate was was 22.0% compared to 4.5% in September 2021. Similar to Kenya's of 12.7% from 7.4% in similar period respectively.**




- ❑ **In Uganda,** lending to the private sector remained generally stable **at 9.6% in September 2022** compared to a growth of 9.2% in September 2021.

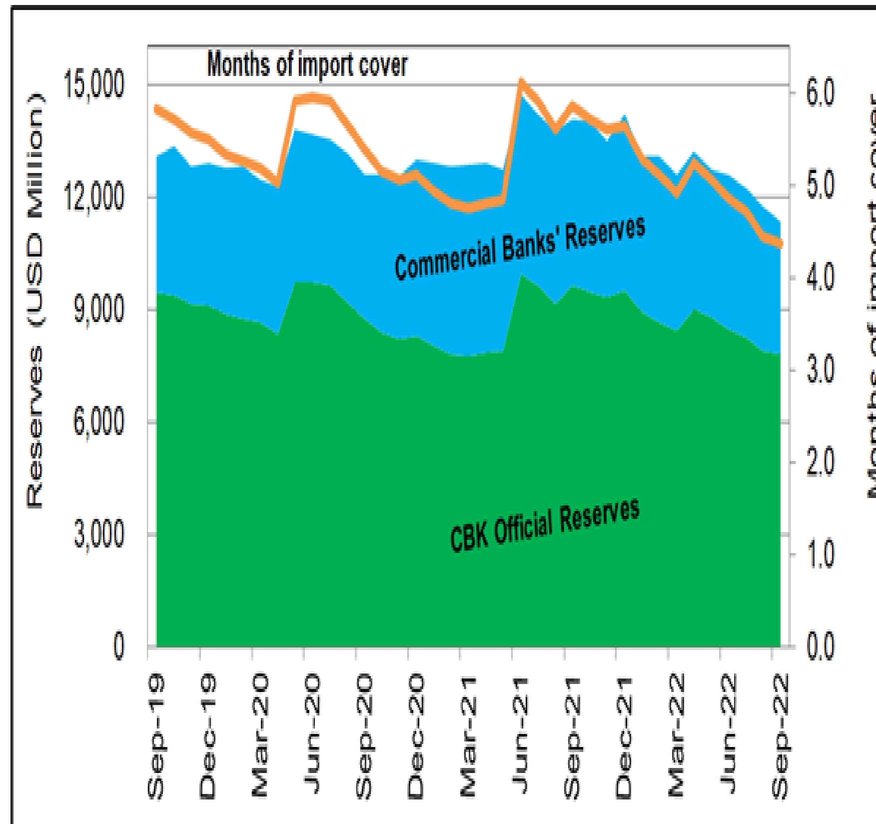
# 3f.Recent Economic Developments: External Sector

**The external sector has remained stable despite the tight global financial conditions attributed to strengthening US Dollar and uncertainties regarding the ongoing Russian-Ukraine conflict.**



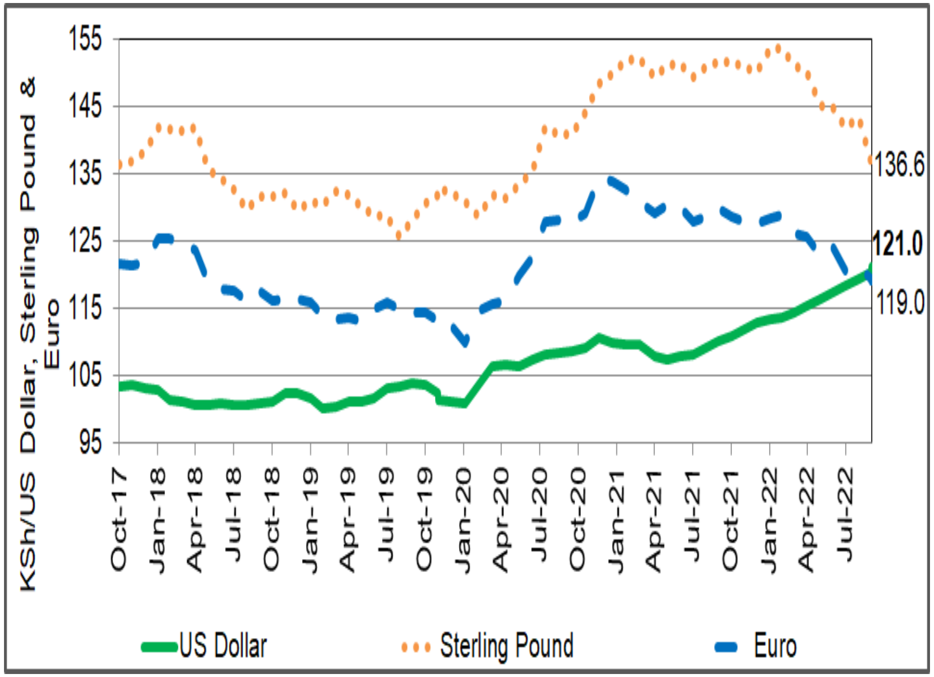

- The current account deficit was generally stable at USD 6,020.6 million (5.4% of GDP) in September 2022 compared to USD 5,739.5 million (5.2% of GDP) in September 2021 reflecting increased imports of oil and other intermediate goods.
- The current account balance is mainly supported by increased remittances.

**The official foreign exchange reserves held by the Central Bank stood at USD 7,787.5 million (4.4 months of import cover) in September 2022 compared to USD 9,632.2 million (5.9 months of import cover) in September 2021and continues to provide adequate buffer against short term shocks in the foreign exchange market**



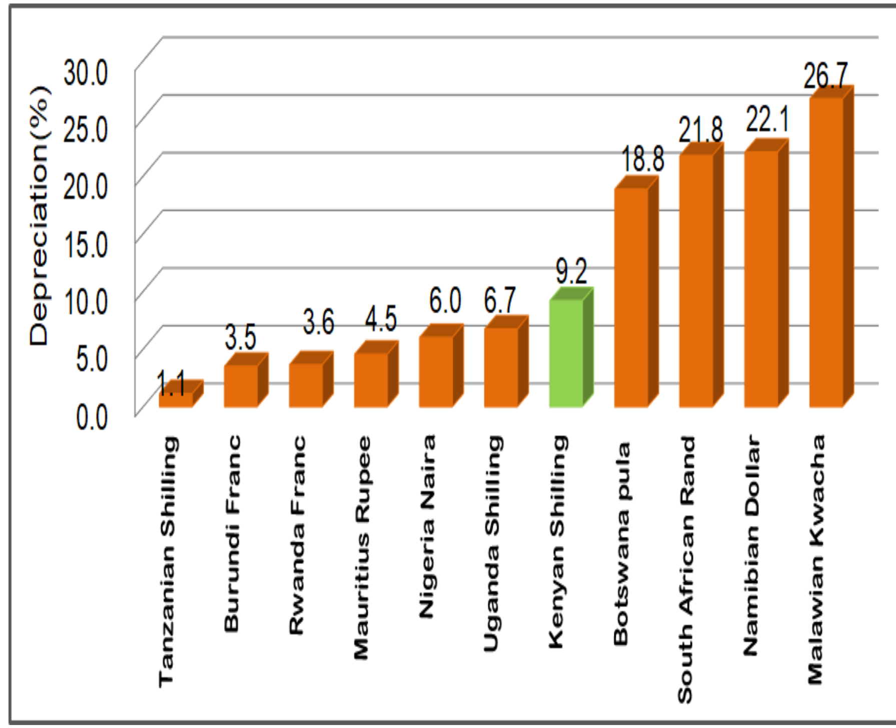
# 3g.Recent Economic Developments: Exchange rate

**Due to the strong dollar, the exchange rate to the Kenya shilling like all world currencies has weakened but strengthened against other major international currencies.**




- The **US Dollar** exchanged at **KSh 120.4 in September 2022** compared to KSh 110.2 in September 2021.
- **The Euro** exchanged at **KSh 119.3 in September 2022** compared to Ksh 129.8 in September 2021 while the **Sterling Pound** exchanged **at KSh 136.7** compared to KSh 151.5 over the same period

**In comparison to Sub-Saharan Africa currencies, the volatility of the Kenya Shilling exchange rate has remained relatively low at 9.2% against the US Dollar in October 2022.**




- The stability in the Kenya Shilling was supported by increased remittances, adequate foreign exchange reserves and improved exports.

# 4a. Implementation of the FY 2022/23 Budget: Total Revenues

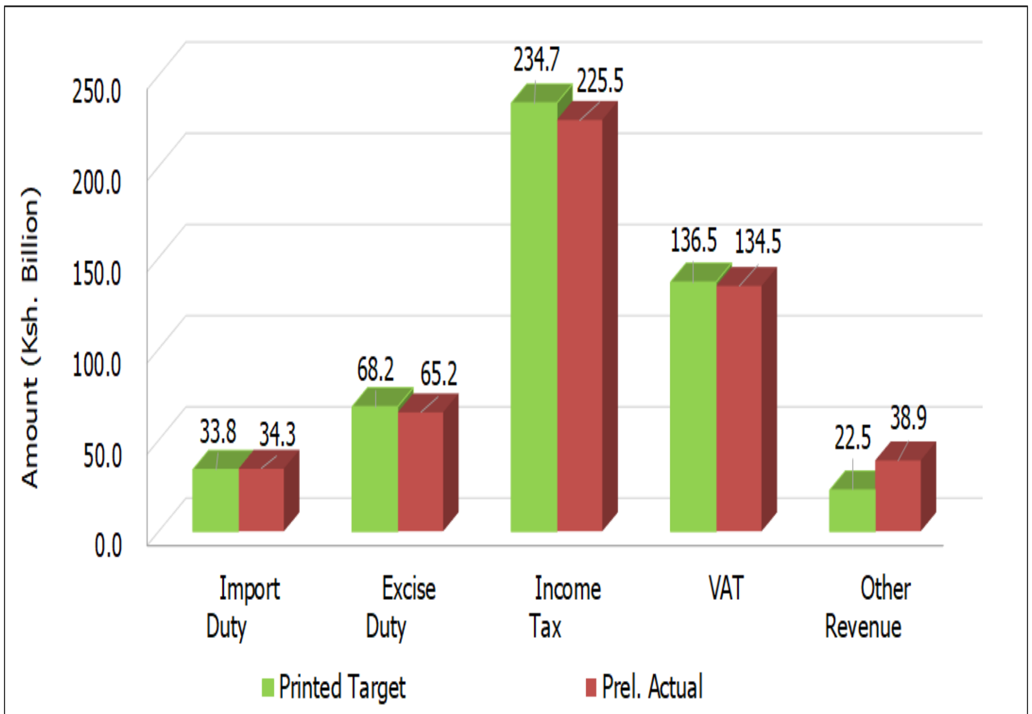
**Budget execution for the FY 2022/23 progressed smoothly to the end September 2022, albeit with shortfall in revenue collection of Ksh 6.2 billion. Revenues increased by 9.0% compared with a growth of 4.0% in A similar period in 2021**

| Revenue (Ksh billions) | Sep-21 | | Sep-22 | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Prel. Issues | % of GDP | Printed Target | Prel. Issues | Deviation | % of GDP | Performance Rate | Growth |
| **TOTAL REVENUE** | **506.3** | **4.0%** | **557.9** | **551.6** | **(6.2)** | **3.9%** | **98.9%** | **9.0%** |
| **Ordinary revenue** | **441.8** | **3.5%** | **495.8** | **498.3** | **2.6** | **3.5%** | **100.5%** | **12.8%** |
| Import Duty | 27.1 | 0.2% | 33.8 | 34.3 | 0.5 | 0.2% | 101.6% | 26.8% |
| Excise Taxes | 58.4 | 0.5% | 68.2 | 65.2 | (3.1) | 0.5% | 95.5% | 11.6% |
| **Income Tax** | **195.5** | **1.5%** | **234.7** | **225.5** | **(9.2)** | **1.6%** | **96.1%** | **15.4%** |
| o/w PAYE | 105.7 | 0.8% | 118.6 | 112.6 | (5.9) | 0.8% | 95.0% | 6.6% |
| o/w Other Income Tax | 89.8 | 0.7% | 116.1 | 112.8 | (3.3) | 0.8% | 97.2% | 25.7% |
| **Value Added Tax (VAT)** | **120.4** | **0.9%** | **136.5** | **134.5** | **(2.1)** | **1.0%** | **98.5%** | **11.7%** |
| o/wVAT (Domestic) | 59.6 | 0.5% | 71.2 | 63.0 | (8.1) | 0.4% | 88.6% | 5.9% |
| o/wVAT (Imports) | 60.8 | 0.5% | 65.4 | 71.4 | 6.1 | 0.5% | 109.3% | 17.4% |
| **Other Revenue** | **40.4** | **0.3%** | **22.5** | **38.9** | **16.4** | **0.3%** | **172.7%** | **-3.9%** |
| **Ministerial AIA** | **64.5** | **0.5%** | **62.1** | **53.3** | **(8.8)** | **0.4%** | **85.8%** | **-17.4%** |
| Recurrent | 44.7 | 0.4% | 43.2 | 35.9 | (7.3) | 0.3% | 83.2% | -19.6% |
| Development | 19.8 | 0.2% | 18.9 | 17.4 | (1.5) | 0.1% | 92.0% | -12.4% |
| **GDP** | **12,752.2** | **100%** | **14,038** | **14,038** | **-** | **100.0%** | **100.0%** | **10.1%** |

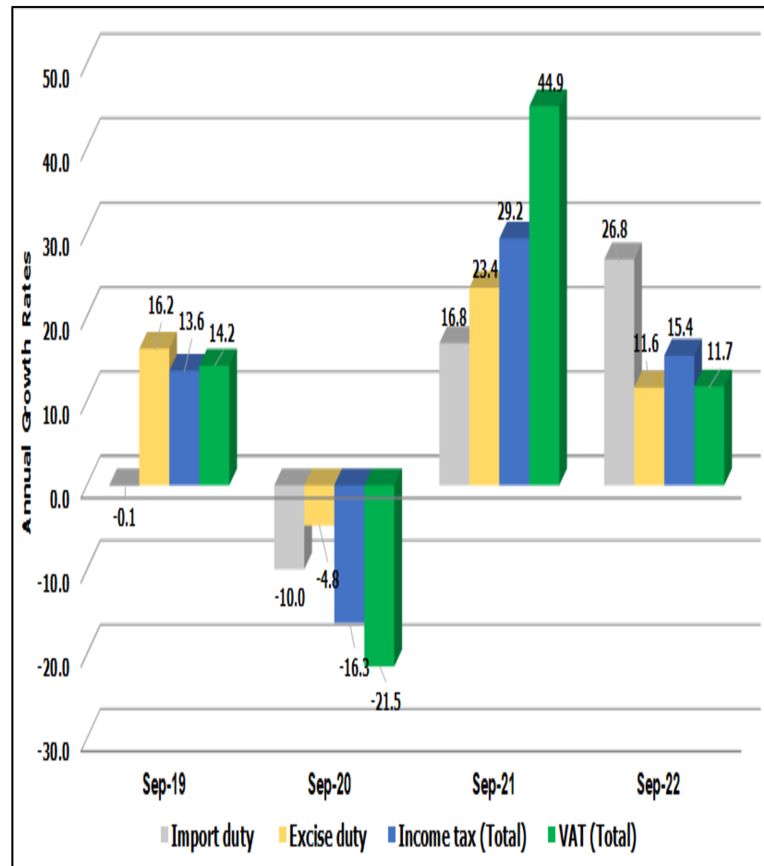
- Total revenues by end September 2022 amounted to **Ksh 551.6 billion (3.9% of GDP)** against a target of **Ksh 557.9 billion** recording a shortfall of **Ksh 6.2 billion.**
- The below target performance was on account of shortfall registered in ministerial A-i-A of **Ksh 8.8 billion** while ordinary revenue registered a **surplus collection of Ksh 2.6 billion**

# 4b. Implementation of the FY 2022/23 Budget: Ordinary Revenues

**Ordinary revenue for the period to September 2022 was Ksh 498.3 billion against a target of Ksh 495.8 billion translating into a surplus of Ksh 2.6 billion. This performance was on account of surplus collection of other revenue and imports duty while income tax, excise duty and VAT recorded below target performance.**




**Ordinary revenues recorded a growth of 12.8% in September 2022 compared to a growth of 29.0% in September 2021. All tax revenue categories recorded positive growths, an indication of continued recovery in revenue collection.**



# 4c. Implementation of the FY 2022/23 Budget: Expenditures

**Total expenditure to September 2022 amounted to Ksh 675.1 billion against a target of Ksh 694.0 billion and translating to a shortfall in expenditure of Ksh 18.9 billion.**

| | Sep-21 | Sep-22 | | | | Printed Estimates |
|---|---|---|---|---|---|---|
| | Actual | Target | Actual | Deviation | % Growth | Jun-22 |
| **TOTAL EXPENDITURE AND NET LENDING** | **631.7** | **694.0** | **675.1** | **(18.9)** | **6.9%** | **3,358.6** |
| **1. Recurrent Expenditure** | **453.7** | **516.3** | **506.4** | **(9.9)** | **11.6%** | **2,271.0** |
| Domestic Interest | 101.1 | 134.5 | 114.8 | (19.7) | 13.5% | 553.4 |
| Foreign Interest due | 30.0 | 35.6 | 36.0 | 0.4 | 20.0% | 137.2 |
| Pensions & Other CFS | 27.7 | 37.6 | 24.1 | (13.6) | -13.0% | 150.6 |
| Contribution to Civil Ser Pension | 12.7 | 6.5 | 4.0 | (2.5) | 0.0% | 25.9 |
| Wages & Salaries | 126.5 | 134.3 | 134.3 | 0.0 | 6.1% | 537.2 |
| Operations & Maintenance | 155.6 | 167.7 | 193.2 | 25.4 | 24.2% | 866.7 |
| o/w Ministerial Recurrent AIA | 41.9 | 42.3 | 35.9 | (6.3) | -14.3% | 225.5 |
| **2. Development** | **117.0** | **79.1** | **98.4** | **19.3** | **-15.8%** | **676.6** |
| Domestically Financed (Gross) | 94.0 | 51.5 | 50.7 | (0.8) | -46.0% | 372.6 |
| Foreign Financed | 23.0 | 24.7 | 47.7 | 23.0 | 0.0% | 294.7 |
| Net Lending | - | 1.1 | - | (1.1) | 0.0% | 2.3 |
| Equalization Fund | - | 1.8 | - | (1.8) | 0.0% | 7.1 |
| **3. County Transfer** | **61.1** | **98.6** | **70.3** | **(28.3)** | **15.2%** | **407.0** |
| o/w Equitable Share | 61.1 | 92.5 | 70.3 | (22.2) | | 370.0 |
| Conditional Allocation | - | 6.1 | - | | | |
| **4. Contingency Fund** | - | - | - | 0.0 | 0.0% | 4.0 |

- The shortfall was largely on account of below target disbursement towards **recurrent expenditure** by **Ksh 9.9 billion** and **county governments** by **Ksh 28.3 billion**.
- **Development expenditure** was **above target by Ksh 19.3 billion** to amount to Ksh 98.4 billion by end September 2022

## 4d: Preliminary Fiscal deficit incl. grants by end September 2022 was Ksh 122.8 billion (0.9% of GDP) against a target of Ksh 134.1 billion (1.0% of GDP)

- The Grants for the period were **Ksh 0.7 billion** against a target of Ksh 2.1 billion registering a shortfall of **Ksh 1.3 billion**.
- The deficit was funded as follows:
  - **Net Domestic Financing** of **Ksh 106.2 billion** or 0.8% of GDP.
  - **Net Foreign Financing** of **Ksh 32.2 billion** or 0.2% of GDP, which constituted:
    - disbursements (inflows) of **Ksh 99.2 billion** and external repayments (outflows) of principal debt of **Ksh 67.0 billion**.

## 5a. *Policy Priorities for the FY 2023/24 and the Medium Term Budget:* Government's efforts to stimulate economic activity

- The Government will continue to pursue policies designed to lower the cost of living, eradicate hunger and promote accessibility to affordable credit to Kenyans. The key focus will be to:
  - Support **agricultural productivity** through lowering the cost of inputs. In this respect, the Government has provided fertilizer to farmers at subsidized prices.
  - Support the vast majority of Kenyans at the bottom of the pyramid with financial products that are accessible and affordable. This will be achieved through the **Hustler Fund** which is an intervention to correct market failures where **Micro, Small and Medium Enterprises (MSMEs)** operate from.
  - Rollout interventions targeted at increasing the supply of **affordable housing** through low-cost mortgages.
  - Ensure an affordable **Universal Health Coverage (UHC**) to protect the well being of Kenyans; and
  - Establish a **Digital superhighway** that will ameliorate challenges related to information asymmetry in markets access and risk management.

## 5b. *Policy Priorities for the FY 2023/24 and the Medium Term Budget* : Economic Stimulus Program.

- The Government continues with the implementation of various Economic Stimulus Programs (ESPs) to manage COVID-19 pandemic, support businesses and general employment in order to minimize the adverse socio-economic impact of COVID-19 pandemic. This third phase targets key productive and service sectors in thirteen strategic interventions that cover: agriculture, health, education, drought response, policy, infrastructure, financial inclusion, energy, and environmental conservation.

## 5c. *Policy Priorities for the FY 2023/24 and the Medium Term Budget: Economic Recovery Programme:*

- The Government is implementing a 38-month Economic Recovery Program, supported by the IMF. The Program aims to among others: strengthen Kenya's COVID-19 response and maintain support for those most impacted by shocks to the economy; reduce debt vulnerabilities through a revenue-driven fiscal consolidation and stabilize the growth in public debt; advance the structural reform, governance agenda and address weaknesses in State-Owned Enterprises (SOEs); and strengthen the monetary policy and support financial stability.

- Under the Programme, Kenya has successfully completed three reviews. The first review was completed in June 2021, the second review in December 2021 and the third review in July 2022.

- Kenya's total disbursements for budget support so far is **US$ 1,208.2 million or approximately Ksh 147.3 billion**. At the end of the 3½ years' duration of the program, Kenya will have received a total of **US$2.34 billion.**

- Upon approval of this review by the Executive Board of the IMF, Kenya will have access to **SDR 336.54 million (equivalent to US$ 433 million) in December 2022.** This access includes an augmentation of SDR 162.84 million to the initial program that was agreed during this fourth review to cover among others, spending pressures due to the ongoing drought**.**

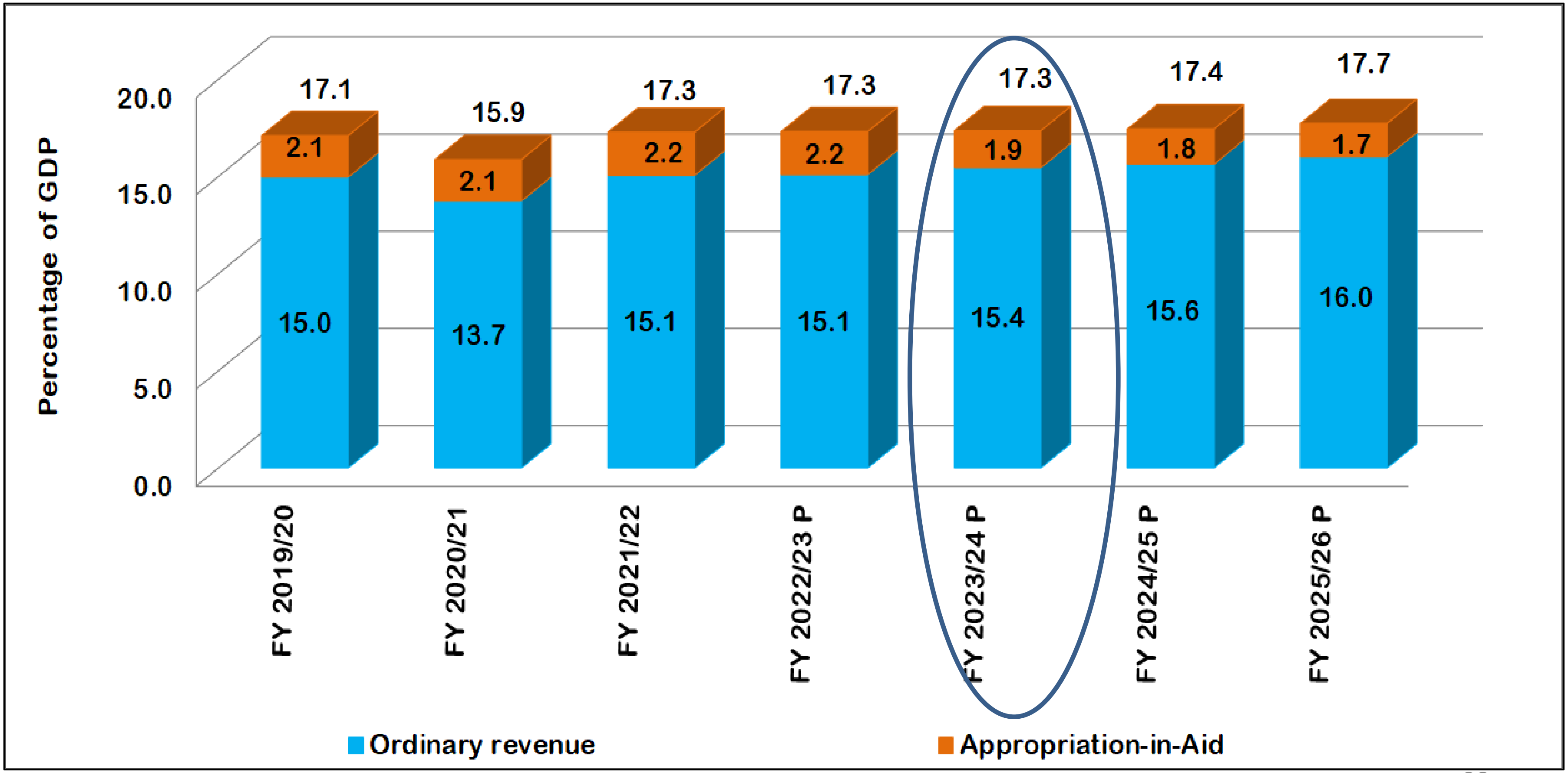
# 6a. *FY 2023/24 and the Medium Term Budget:* Assumptions in the Macroeconomic Framework

| | Calender Years | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 |
|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | Projections | | |
| 1 | **Nominal Gross Domestic Product (GDP) Deflator** | **4.2%** | **4.9%** | **5.0%** | **7.4%** | **6.4%** | **5.2%** | **4.9%** | **5.6%** |
| 2 | Consumer Price Index (CPI (average) (%) | 5.2% | 5.3% | 6.1% | 7.5% | 6.5% | 5.0% | 5.0% | 5.0% |
| | Consumer Price Index (CPI) (end of period) (%) | 5.8% | 5.6% | 5.7% | 7.0% | 5.8% | 5.0% | 5.0% | 5.0% |
| 3 | **Real Gross Domestic Product (GDP) growth (%)** | **5.1%** | **-0.3%** | **7.5%** | **5.5%** | **6.1%** | **6.2%** | **6.1%** | **6.2%** |
| 4 | **Nominal Gross Domestic Product, Ksh Billion** | **10,237.7** | **10,716.0** | **12,098.2** | **13,518.2** | **15,255.9** | **17,040.4** | **19,064.6** | **21,463.3** |
| 5 | **Nominal Gross Domestic Product, Growth (%)** | **9.6%** | **4.7%** | **12.9%** | **13.3%** | **12.9%** | **11.7%** | **11.3%** | **12.1%** |
| | **Fiscal Years** | **2019/20** | **2020/21** | **2021/22** | **2022/23** | **2023/24** | **2024/25** | **2025/26** | **2026/27** |
| 1 | **Nominal Gross Domestic Product (GDP) Deflator** | **4.6%** | **5.0%** | **6.2%** | **6.9%** | **5.8%** | **4.8%** | **5.9%** | **6.0%** |
| 2 | Consumer Price Index (CPI (average) (%) | 5.2% | 5.7% | 6.8% | 7.0% | 5.8% | 5.0% | 5.0% | 5.0% |
| | Consumer Price Index (CPI) (end of period) (%) | 5.0% | 5.0% | 5.0% | 5.0% | 5.0% | 5.0% | 0.0% | 0.0% |
| 3 | **Real Gross Domestic Product (GDP) growth (%)** | **2.4%** | **3.6%** | **6.5%** | **5.8%** | **6.1%** | **6.2%** | **6.1%** | **6.2%** |
| 4 | **Nominal Gross Domestic Product, Ksh Billion** | **10,513.1** | **11,370.3** | **12,736.1** | **14,521.6** | **16,290.3** | **18,180.2** | **20,436.9** | **22,872.3** |
| 5 | **Nominal Gross Domestic Product, Growth (%)** | **2.4%** | **3.6%** | **6.5%** | **5.8%** | **6.1%** | **6.2%** | **6.1%** | **6.2%** |

# 6b. FY 2023/24 and the Medium Term Budget: Revenues

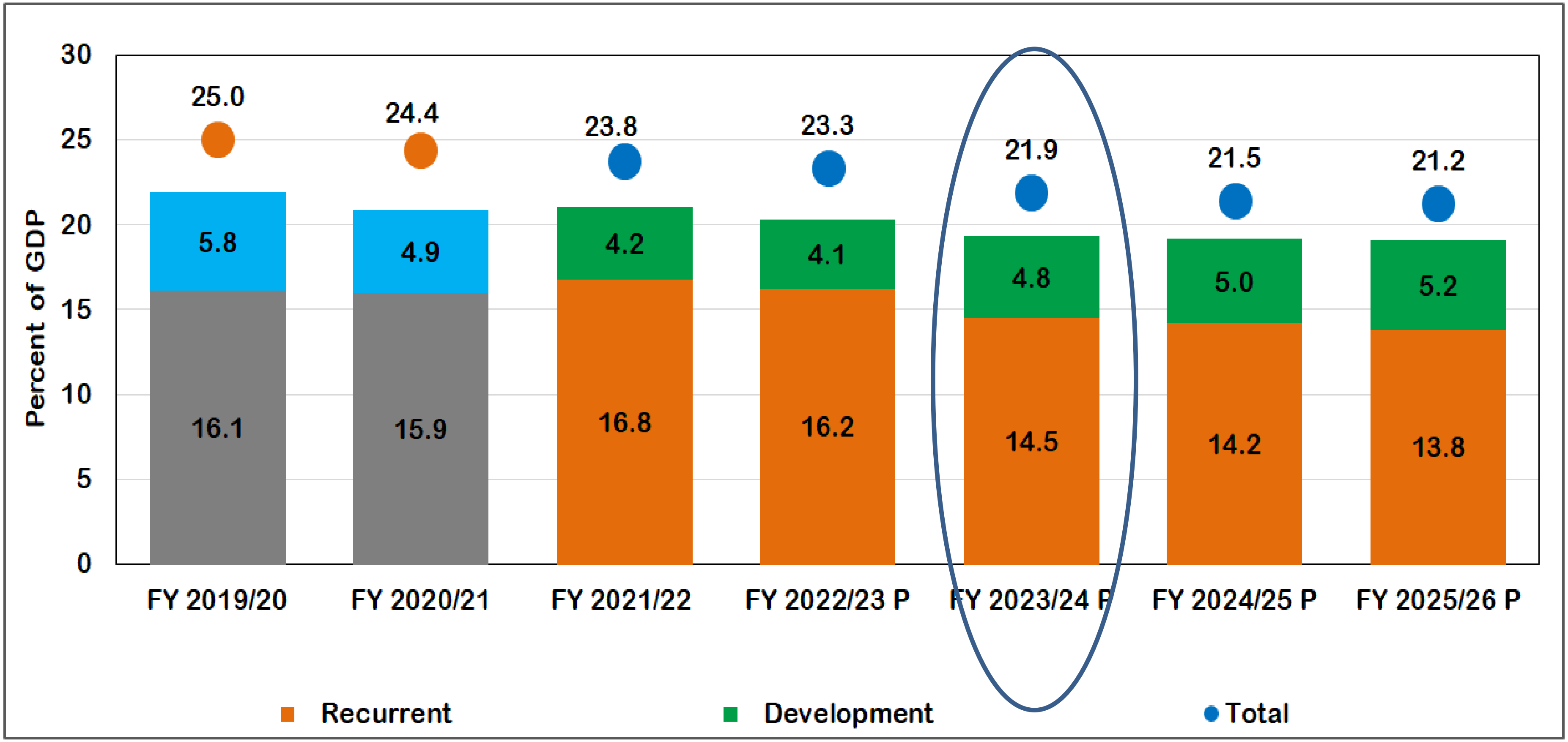
- Reforms in **tax policy** and **revenue administration** will continue to be scaled up. As such, the Government will continue to minimize tax expenditures and increase predictability in the tax system that will boost revenue performance.

- We are also developing the **National Tax Policy** and the **Medium-Term Revenue Strategy (MTRS)** which will strengthen revenue mobilization.

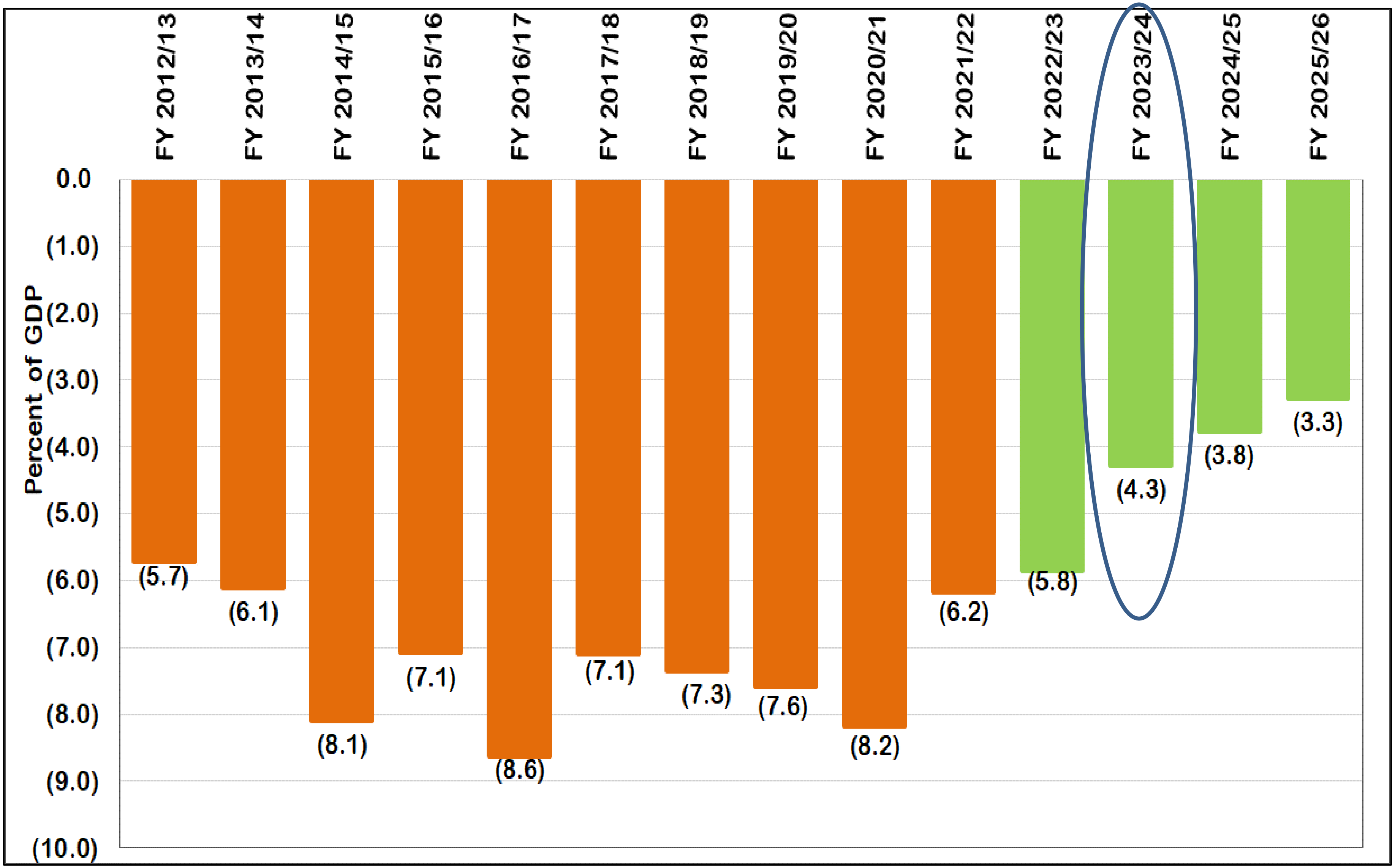


## 6c. FY 2023/24 and the Medium Term Budget: Expenditures

- The Government will continue to **restrict growth in recurrent spending** through cutting down on non-priority expenditures.
- In this regard, eexpenditures as a share of GDP are projected to decline from 23.3% in the FY 2022/23 to **21.9%** in the FY 2023/24 and further to **21.2%** in the FY 2025/26.



# 6d: Budget is designed to lower fiscal deficit as percent of GDP from 5.8% in FY 2022/23 to 4.3% in the FY 2023/24 and further to 3.3% of GDP in FY 2025/26



# 7. Potential Risks

## ❑ Down Side Risks Elevated and Need for Policy Response

- Policy makers continue to face difficult policy trade-offs to secure economic recovery and navigate existing macroeconomic challenges amidst diminishing fiscal space.
- **On the domestic side**, the risks emanate from unfavorable weather conditions that could affect agricultural production, the rising inflationary pressures and market failures that restrict access to credit.
- **On the external front**, uncertainties in the global economic outlook have also increased which could impact on the domestic economy. These risks include: the possible worsening of the Russia - Ukraine conflict which could heighten the risk of oil and commodity price volatility and elevated inflationary pressures; the continued COVID-19 restrictions in China could further disrupt the global supply chains; and global monetary policy tightening, especially in the United States, could increase volatility in the financial markets.
- The Government continues to respond to the adverse impact of these emerging issues through fiscal measures, among them fertilizer subsidies to lower the cost of production, targeted intervention to persons and communities affected by the ongoing drought and establishment of the Hustler Fund to support growth of MSMEs and individual traders that will correct the market failures of the vast majority of Kenya's at the bottom of the pyramid.

**THANK YOU**