Central Bank of Kenya

MARKET PERCEPTIONS SURVEY

May 2026

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1. BACKGROUND TO THE MARKET PERCEPTIONS SURVEYS

The Central Bank of Kenya (CBK) undertakes a Market Perceptions Survey, prior to every Monetary Policy Committee (MPC) meeting to obtain perceptions of banks and non-bank private sector firms on selected economic indicators including inflation, economic growth, demand for credit, growth in credit to private sector and exchange rate. The Survey also enables respondents to express their level of optimism regarding the country's economic prospects and business environment, as well as to provide perspectives on current and expected economic conditions, with a focus on economic activity and employment. It further gathers suggestions from private sector firms on measures that could enhance the business environment.

The Surveys include commercial banks, microfinance banks, and a sample of non bank private sector firms. The non bank private sector sample is drawn from major towns across the country—Nairobi, Mombasa, Kisumu, Eldoret, Nakuru, Nyeri, Meru, and Kisii—and represents sectors that collectively account for about 78 percent of GDP. These sectors include agriculture, mining and quarrying, manufacturing, trade, hotels and restaurants, information and communications technology (ICT), transport, real estate, health, building and construction, and finance and insurance.

The MPC Secretariat conducts annual sensitization engagements across all the regions to enhance respondents' understanding of the survey questions, improve the quality of their responses, and boost overall response rates.

2. INTRODUCTION

The May 2026 MPC Market Perceptions Survey was carried out during the first three weeks of the month. It sought respondents' views on key economic indicators for the preceding three months (March–May 2026), as well as their expectations for the next three months (June–August 2026), the next one year (May 2026–April 2027), the next two years (May 2026–April 2028), and the next five years (May 2026–April 2031).

The Survey also collected respondents' expectations regarding credit demand over the next two months and private sector credit growth in 2026. In addition, it assessed expectations for economic growth in 2026 and over the medium term. Respondents were further asked to provide their outlook on lending rates over the next year and inflation over the next three months, one year, and the medium term.

Other areas covered by the Survey included respondents' levels of optimism regarding economic prospects over the next 12 months; monthly hotel activity—such as bed occupancy, restaurant services, and conferencing services—for the period January 2026 to April 2026, monthly hotel forward bookings for May to August 2026, and employment expectations for 2026 relative to 2025. The significance of various factors underlying respondents' expectations was also analyzed.

This report presents a summary of the key findings from the Survey.

3. SURVEY METHODOLOGY

The survey targeted chief executives and other senior officers from 400 private sector firms, comprising 37 commercial banks, 14 microfinance banks (MFBs), and 349 non-bank private firms, including 96 hotels. Data was collected through online questionnaires, email, and hard copy submissions.

The May 2026 Survey recorded an overall response rate of 62 percent, with responses received from 36 commercial banks, 13 microfinance banks, and 200 non-bank private sector firms.

The expectations from commercial and microfinance banks were aggregated and analyzed using weights based on each institution's market size relative to the total banking or microfinance sector. Expectations from non-bank private sector firms were subjected to weights based on their respective sectoral contributions to GDP, using the latest available data.

4. HIGHLIGHTS OF THE SURVEY

The key findings from the May 2026 Market Perceptions Survey were as follows:

1. Respondents expect inflation to remain above 5 percent, but within the target band over the next three months, mainly reflecting higher fuel and energy prices, rising freight and logistics costs associated with geopolitical tensions in the Middle East, and weather-related supply disruptions.
2. Respondents expect moderate economic activity during June- August 2026, supported by strong agricultural performance, recovery in tourism, trade and ICT sectors, lower borrowing costs, and sustained public and private investment.
3. Respondents remained optimistic about Kenya's economic prospects over the next 12 months, supported by macroeconomic stability, lower lending rates, strong agricultural performance, and continued growth in key sectors including tourism, trade, ICT, transport, and financial services. The optimism was moderated by the elevated global uncertainities.
4. Bank respondents expect higher growth of private sector credit in 2026 compared to 2025. However, credit growth is expected to be constrained by elevated fuel prices, reduced household purchasing power, cautious borrowing, stringent bank lending standards, and uncertainty arising from geopolitical tensions in the Middle East.
5. Respondents expect employment growth to moderate as digital transformation and automation reshape workforce requirements across both bank and non-bank sectors.

5. INFLATION EXPECTATIONS

In the Survey, respondents were asked to provide their expectations for overall inflation over the next three months (May–July 2026), the next 12 months (May 2026–April 2027), the next two years (May 2026–April 2028), and the next five years (May 2026–April 2031). Respondents revised their inflation expectations upward but indicated that they still expect inflation to remain within the target band **(Chart 1).**

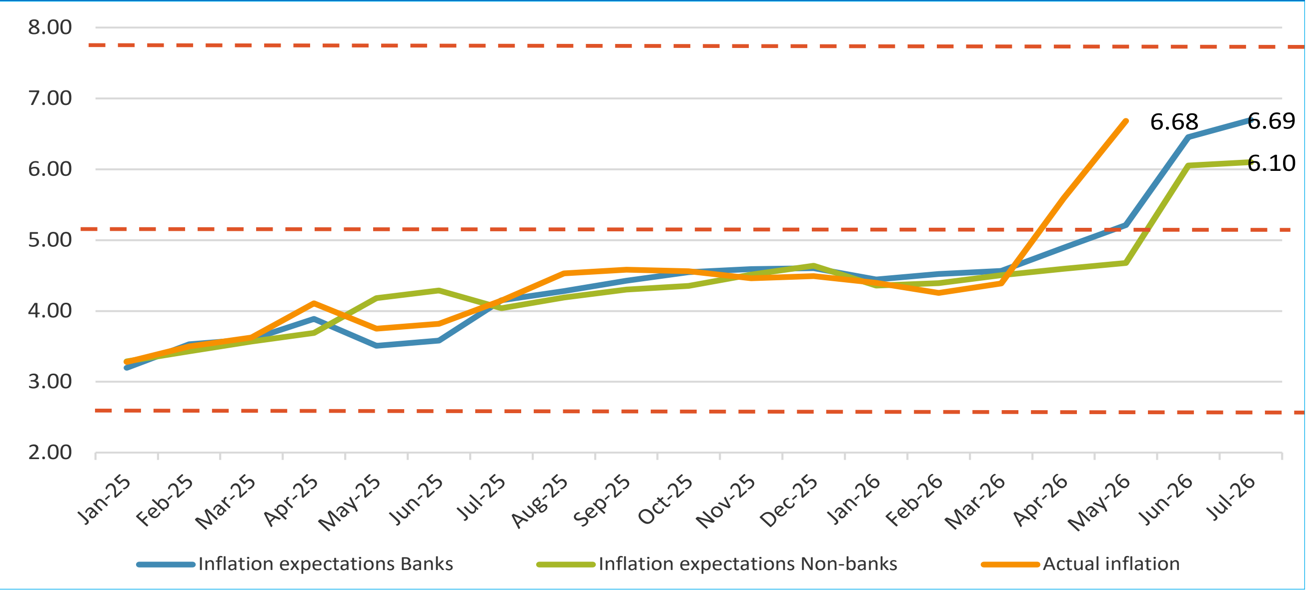
5.1. Short term Inflation expectations

Respondents generally expect inflationary pressures to persist over the next three months. About 90 percent of respondents identified higher fuel and energy prices as the main drivers of inflation. Rising fuel costs have increased transport, electricity, production and distribution expenses, exerting upward pressure on domestic prices. Furthermore, geopolitical tensions in the Middle East have contributed to higher freight and logistics costs, further feeding into domestic prices.

In addition, 12 percent of respondents indicated that weather-related supply disruptions had reinforced upward pressure on inflation. The heavy rainfall and flooding experienced in May and June resulted in localized crop losses and damage to road infrastructure, creating distribution bottlenecks across key supply corridors.

In July 2026, respondents expect inflation to remain slightly above 5 percent, reflecting the lagged effects of elevated global energy prices. However, these pressures are expected to be moderated by improved agricultural harvests, supported by favorable weather conditions and the onset of harvesting season, which is expected to ease food inflation. Respondents also expressed optimism that a de-escalation of geopolitical tensions in the Middle East could reduce global oil prices and ease imported inflationary pressures. In addition, they expect the Central Bank's monetary policy stance to support exchange rate stability and anchor inflation expectations.

Chart 1: Short term inflation expectations (Percent)



5.2. Medium term Inflation expectations

Over the medium term, respondents expect inflation to remain well anchored around the midpoint of the target range, supported by the continued implementation of prudent monetary policy. Respondents emphasized the importance of credible and proactive monetary policy in anchoring inflation expectations. The monetary policy stance is expected to sustain a stable macroeconomic environment, contain imported inflationary pressures, and support exchange rate stability **(Chart 2).**

In addition, 23 percent of respondents expect favorable weather conditions, alongside ongoing structural reforms in the agricultural sector, to support improved agricultural productivity and a more stable food supply, thereby helping to moderate food prices over the medium term.

However, 71 percent of respondents cited higher fuel prices as a key medium-term inflation risk, driven by geopolitical tensions, global commodity price cycles, and supply disruptions. These risks are particularly important for Kenya, given its dependence on imported fuel.

Chart 2: Inflation expectations for the medium term (percent)

6. ECONOMIC ACTIVITY

The May 2026 Market Perceptions Survey sought respondents' assessments of economic activity in March, April, and May 2026, as well as their expectations for June, July, and August 2026. Overall, respondents expect moderate economic activity over the next three months **(Charts 3 & 4).**

The findings indicate that 43 percent of respondents expect moderate economic activity over the next three months, largely supported by strong agricultural performance driven by above normal rainfall and government fertilizer subsidies. In addition, 36 percent of respondents cited recovery in major sectors such as trade, tourism and ICT, as a key driver of expected economic activity.

In addition, 29 percent of respondents expect lower borrowing costs to continue supporting private sector lending, investment, and household consumption over the coming months. Another favourable factor is the ongoing implementation of public and private investment projects, which is expected to support demand across the economy, as cited by 21 percent of respondents.

On the downside, 71 percent of respondents cited high inflation and reduced consumer spending as key factors dampening demand for goods and services.

Furthermore, 64.5 percent pointed to elevated fuel and energy prices as increasing production costs, while 50 percent cited risks associated with geopolitical tensions. Respondents noted that the conflict in the Middle East had weighed on economic activity through higher fuel and energy prices, supply chain disruptions, and weaker investor sentiment.

Chart 3: Expected economic activity by banks (percent of respondents)

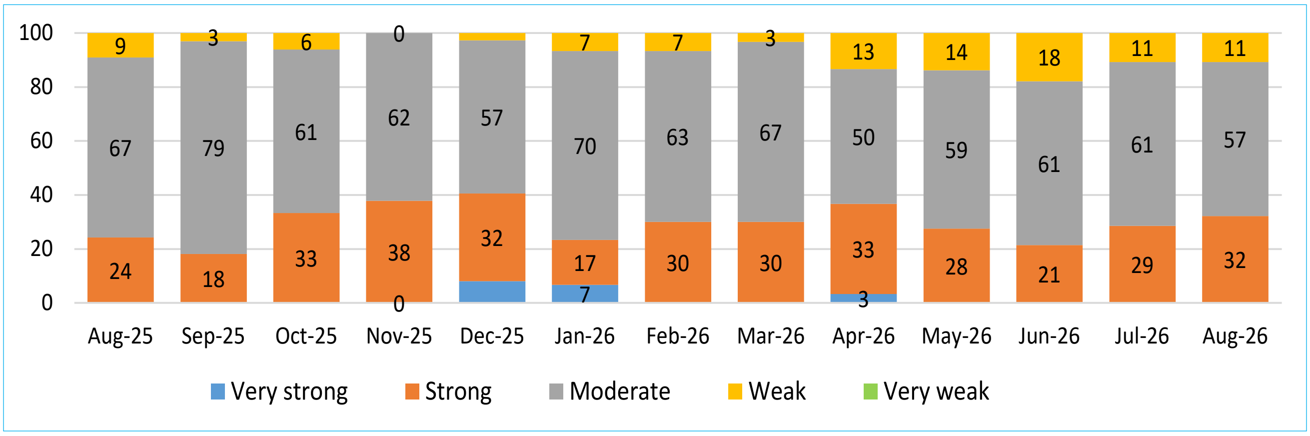
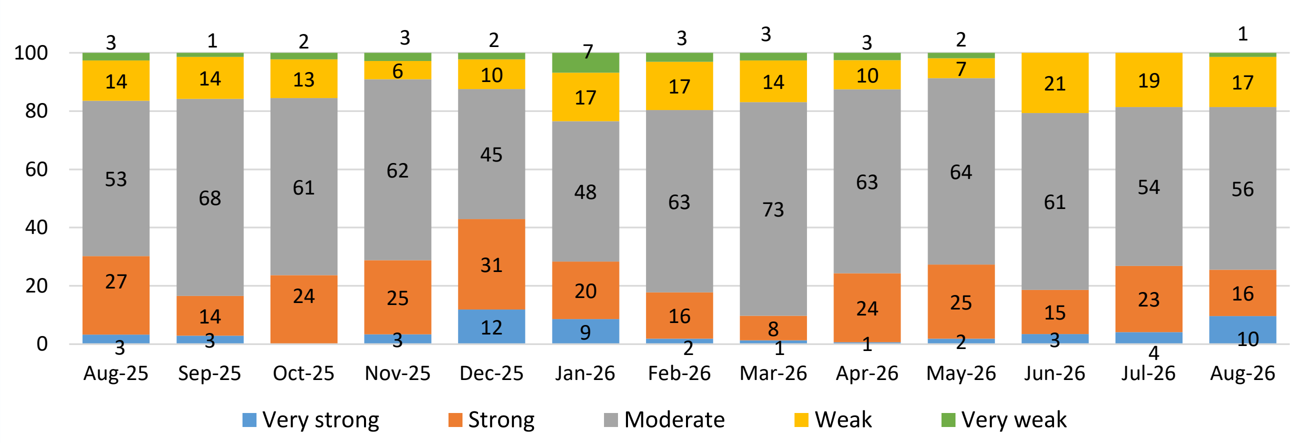


Chart 4: Expected economic activity by non-bank private sector (percent of respondents)



7. PRIVATE SECTOR CREDIT GROWTH EXPECTATIONS

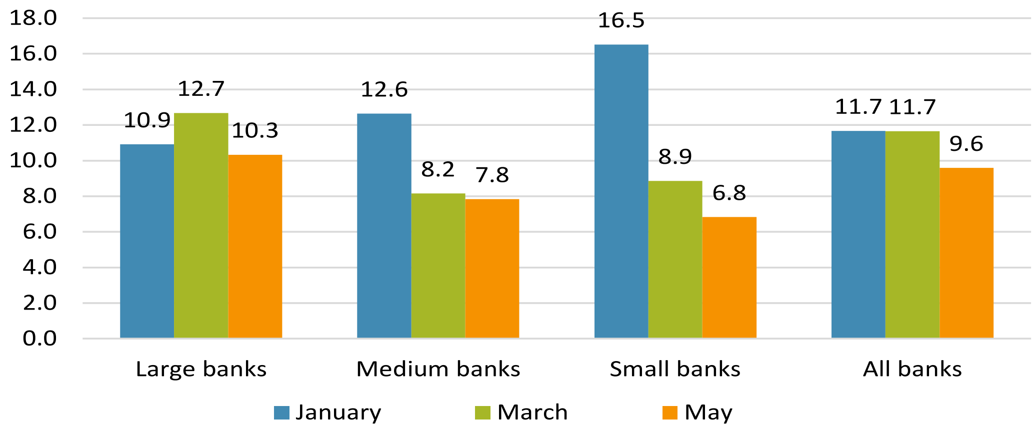
7.1. Expected private sector credit growth in 2026 relative to 2025

The survey sought to assess the percentage by which commercial banks expect to increase credit to the private sector by end December 2026 compared with end December 2025. Bank respondents anticipate higher private sector credit growth in 2026 relative to 2025, supported by lower interest rates and improved economic conditions in key sectors **(Chart 5).**

The survey findings indicate that about 52 percent of respondents cited lower lending rates resulting from monetary policy easing as the primary driver of credit growth. This has reduced the cost of capital for borrowers and stimulated demand. Credit expansion is also being supported by sectoral recovery and improved business confidence, particularly in MSMEs, manufacturing, construction, trade, and agriculture. This is further reinforced by banks' targeted MSMEs and SMEs financing strategies for business expansion initiatives (cited by 37 percent of banks), as well as the growing adoption of digital lending channels, which has enhanced access to credit.

However, commercial banks continue to maintain a cautious lending approach due to persistent uncertainties, including geopolitical tensions, weak aggregate demand, driven by reduced disposable incomes and high production and energy costs. Furthermore, lingering asset quality concerns and risk-averse lending behavior continue to constrain credit expansion, particularly to higher-risk segments of the economy.

Chart 5: Expectations on private sector credit growth in 2026 (percent)



7.2. Expected demand for credit by banks

The Survey asked bank respondents to assess credit demand over the two months preceding the MPC meeting (June–July 2026) and to provide expectations for June and July 2026. Respondents anticipate moderate to high expansion of credit during June and July 2026 period **(Chart 6).**

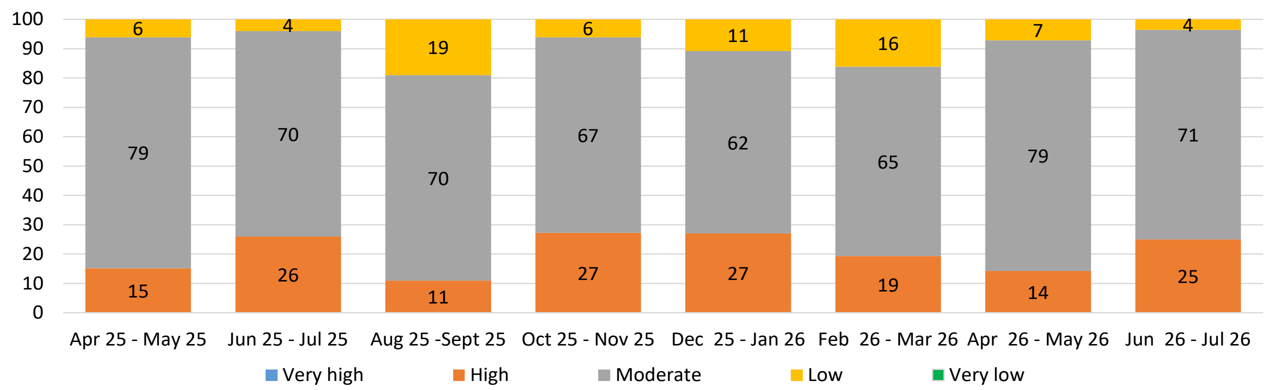
Banks highlighted that continued decline in lending rates, driven by monetary policy easing and the adoption of KESONIA, has improved borrowing affordability and encouraged credit uptake. This is further supported by increased competition among banks, and the expansion of digital lending products.

On the demand side, businesses are increasingly seeking credit to finance working capital and expansion needs. Rising production, logistics, and input costs, largely driven by high fuel prices and global disruptions have increased financing requirements for operational sustainability. In addition, sectoral recovery, particularly in agriculture, trade, and services is stimulating demand.

However, respondents indicated that credit demand may be tempered by elevated fuel inflation, reduced household purchasing power, cautious borrowing behavior, tight bank underwriting standards, and uncertainty arising from geopolitical tensions in the Middle East.

Rising oil prices and associated increases in production and input costs are expected to delay major borrowing and investment decisions, prompting firms and households to adopt a more cautious approach to credit uptake and thereby constrain the pace of credit growth.

Chart 6: Expectations on demand for credit from banks' perspective (percent of respondents)



7.3. Expected demand for credit by non-bank private sector firms

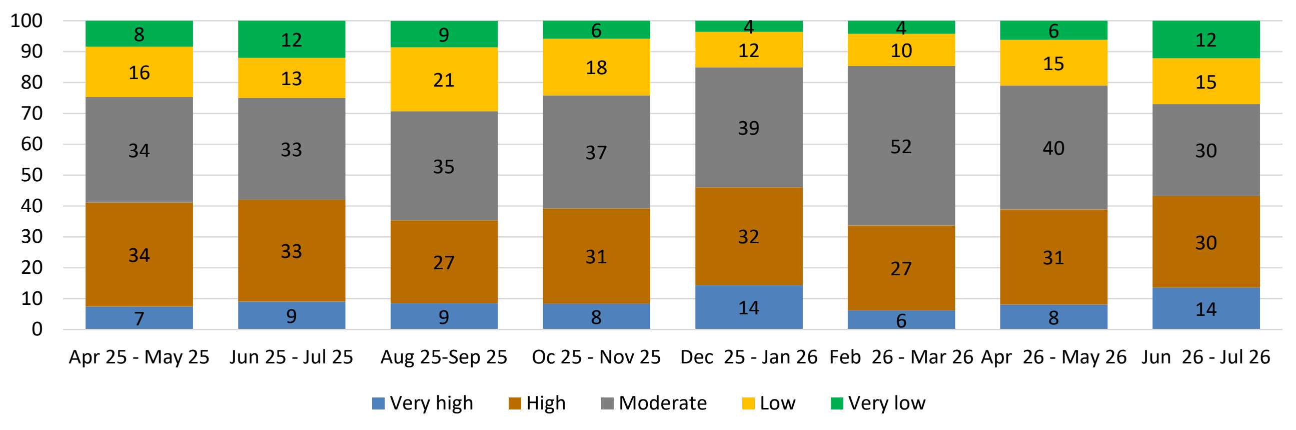
The Survey requested non-bank private sector firms to indicate the extent of their expected demand for credit over the next twelve months. The Survey results showed that private sector demand for credit is expected to range from moderate to high, largely driven by expanding working capital requirements and rising operational costs **(Chart 7).**

Respondents cited the need for additional financing to meet increasing expenditure on operations, inventory procurement, supply chain expenses, and cash flow management.

Furthermore, some firms indicated plans to seek credit to support business expansion, undertake capital investments, implement new projects, and establish additional branches.

Nevertheless, respondents noted that credit demand could be constrained by relatively high lending rates, stringent credit conditions, and weakened repayment capacity due to elevated operating costs and subdued sales performance. In addition, low disposable incomes and uncertainty stemming from geopolitical developments continue to weigh on the appetite for credit. As a result, some businesses prefer to rely on retained earnings, internal resources, or supplier credit rather than bank financing.

Chart 7: Expected demand for credit by non-bank private sector firms (percent of respondents)



8. EXPECTED ECONOMIC GROWTH

8.1. Expected economic growth in 2026

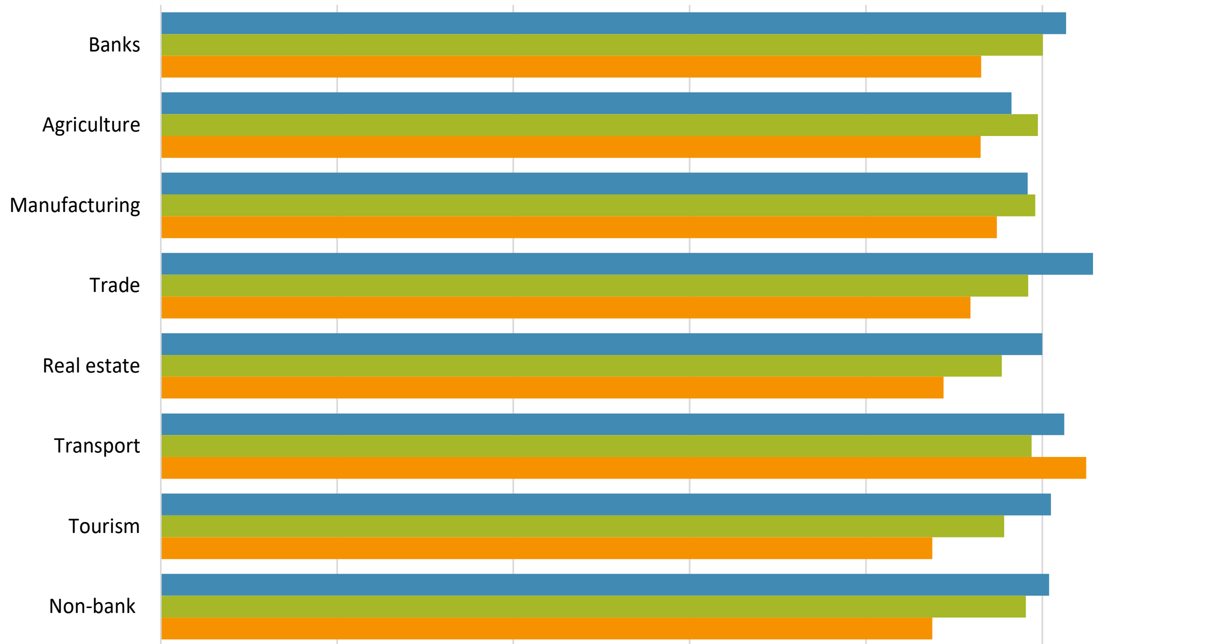
The Survey asked participants to indicate their expected economic growth rate for 2026 relative to 2025, as well as their outlook for medium term growth (2027–2031). Respondents expect economic growth to increase moderately in 2026 compared to 2025 **(Chart 8).**

Respondents indicated that economic growth will be mainly supported by recovery in key sectors including agriculture, trade, tourism, construction, and services, In addition, stronger private sector credit expansion and continued government spending on infrastructure and housing is expected to reinforce growth momentum. Relatively stable macroeconomic conditions, characterized by lower lending rates, inflation remaining within the target range, and exchange rate stability, are also expected to support economic activity.

However, respondents identified significant downside risks to the growth outlook, primarily stemming from global and geopolitical uncertainties. The Middle East conflict has heightened volatility in global crude oil prices and disrupted international trade and supply chains, thereby affecting exports, tourism, remittance inflows and production costs.

Respondents also cited additional risks, including elevated debt levels, outstanding government payment obligations, tighter global financial conditions, weak consumer and investor confidence, and the potential crowding out of private sector activity due to increased government borrowing.

Chart 8: Expectations on economic growth for 2026 (percent)



	Non-bank	Tourism	Transport	Real estate	Trade	Manufacturing	Agriculture	Banks
Jan'26	5.04	5.05	5.13	5.00	5.29	4.92	4.83	5.14
Mar'26	4.91	4.78	4.94	4.77	4.92	4.96	4.98	5.00
May'26	4.38	4.38	5.25	4.44	4.59	4.74	4.65	4.65

8.2. Medium term (2027 – 2031) economic growth expectations

Over the medium term (2027–2031), economic growth is expected to remain resilient, averaging between 4.0 and 5.0 percent, supported by growth in agriculture, services and infrastructure sectors within a stable macroeconomic environment **(Chart 9).**

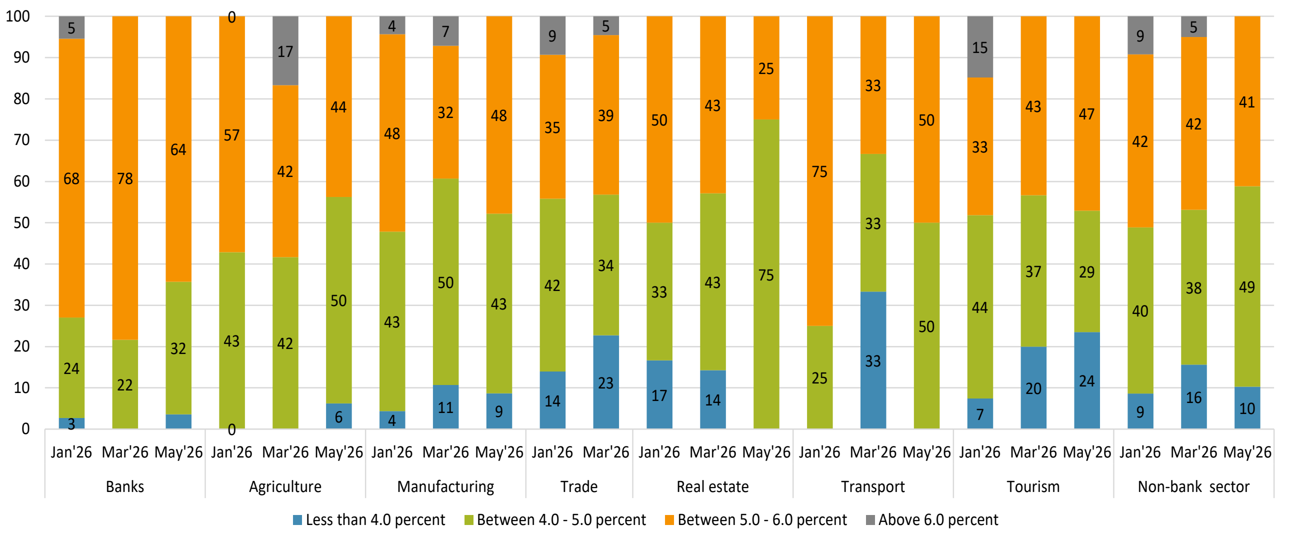
Respondents expect the agricultural sector to perform strongly over the medium term, supported by favorable weather conditions, large scale irrigation projects, continued government support through fertilizer and farm input subsidies, and expansion across agricultural value chains.

Respondents expect medium-term growth to be supported by structural reforms, diversification, and digital transformation. In this regard, key drivers include investment in renewable energy and geothermal expansion, alongside wider adoption of digital finance, automation, artificial intelligence, and fintech solutions to enhance efficiency and lower production costs. Additional support is expected from deeper regional trade integration through the EAC and AfCFTA, foreign direct investment inflows, export diversification, and a young and growing population, all of which are likely to sustain growth and strengthen resilience.

Macroeconomic stability is also anticipated to underpin growth, with inflation remaining within the target range supported by low food prices, prudent monetary policy, and a relatively stable exchange rate.

However, the outlook remains subject to several domestic and global risks, particularly the heightened geopolitical tensions.

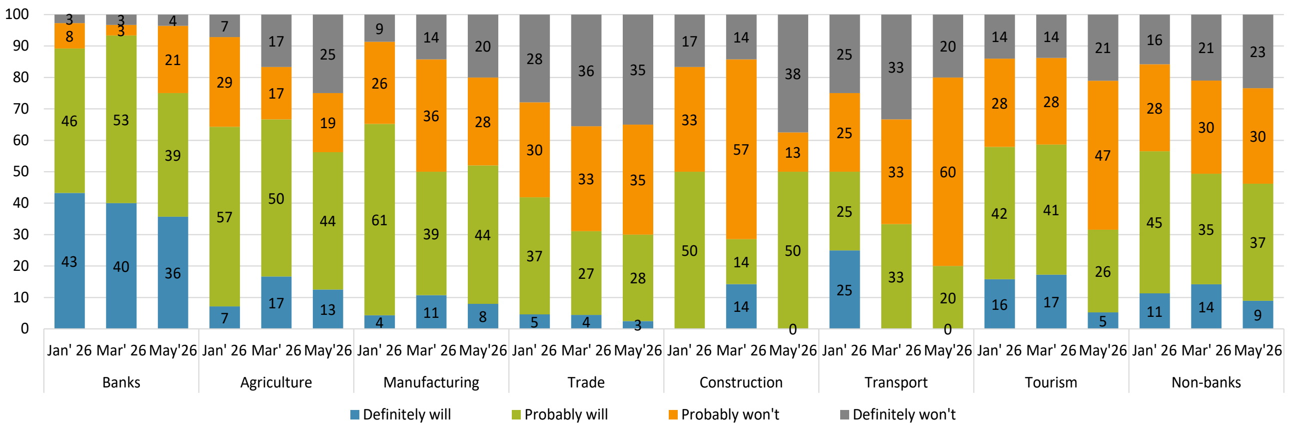
Chart 9: Medium-term economic growth expectations (percent of respondents)



9. EMPLOYMENT EXPECTATIONS

Respondents were asked to indicate whether their firms expected to increase new hires in 2026 relative to 2025. The May survey results indicate that firms have lowered their expectations on hiring compared to the survey conducted in March **(Chart 10).**

Chart 10: Hiring outlook for 2026 relative to 2025 (percent of respondents)



Survey findings further indicated that firms are increasingly relying on digitization and resource optimization, which is reducing the need for large-scale hiring. In addition, respondents highlight a continued shift from contract to permanent employment, with institutions absorbing or converting contract staff to strengthen retention and ensure workforce stability.

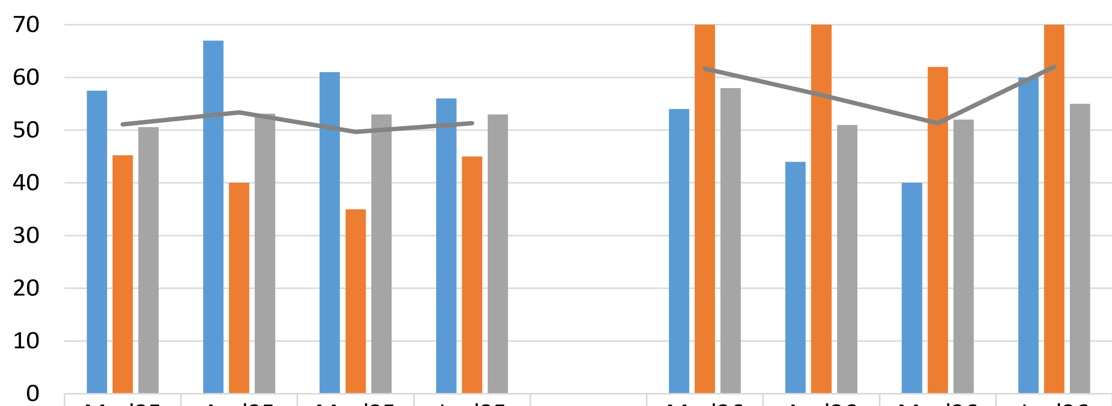
10. OPTIMISM ON THE ECONOMIC PROSPECTS

To assess the country's economic outlook, hotel respondents were asked to report forward bookings received to date for the period May to August 2026, alongside all respondents' views on Kenya's economic growth prospects over the next twelve months.

10.1 Hotel forward bookings

The Survey indicated improved average forward hotel bookings for May to August 2026 compared to the same period in the previous year, suggesting a stronger tourism outlook **(Chart 11).**

Chart 11: Hotel forward bookings (June – August 2026)



	Mar'25	Apr'25	May'25	Jun'25		Mar'26	Apr'26	May'26	Jun'26
Mombasa	58	67	61	56		54	44	40	60
Nairobi	45	40	35	45		73	75	62	71
rest	51	53	53	53		58	51	52	55
average	51	53	50	51		62	57	51	62

Respondents attributed the increase in forward bookings to a pick-up in business tourism, including work related travel for meetings, conferences, exhibitions, and corporate incentive events. This trend has been particularly pronounced in Nairobi, which has experienced a surge in international meetings and conferences. The Survey also identified several high level meetings, incentives, conferences, and exhibitions (MICE) events scheduled to continue through to August 2026.

10.2. Optimism on economic prospects in the next 12 months

The Survey asked banks and non-bank private sector firms to indicate their level of optimism or pessimism regarding the country's economic prospects over the next 12 months. Overall, respondents expressed sustained optimism about Kenya's economic outlook during this period **(Charts 14 & 15).**

This optimism is anchored in favourable macroeconomic and business environment, strong sectoral performance, and improved policy buffers. Other key supporting factors include a more accommodative monetary stance and lower lending rates, which have boosted private sector credit. The growth outlook is also reinforced by resilient agricultural, supported by favorable weather, fertilizer subsidies, and irrigation initiatives, as well as expansion in tourism, ICT, trade, transport, and financial services. Additional support is expected from stronger foreign exchange reserves, relative exchange rate stability, rising foreign direct investment, and major infrastructure projects such as SGR extension and dualling of the Rironi–Mau Summit Road.

However, respondents highlighted key downside risks mainly from external side and fiscal pressures. These include geopolitical tensions in the Middle East, which have increased global oil prices and raised domestic fuel and production costs.

Other risks include increased debt service costs that may limit fiscal space, reduce export earnings, softer remittance inflows, and higher imports. In addition, climate-related shocks including erratic weather patterns may negatively affect agricultural output and contribute to higher food prices.

Chart 12: Optimism in growth prospects by banks (% respondents)

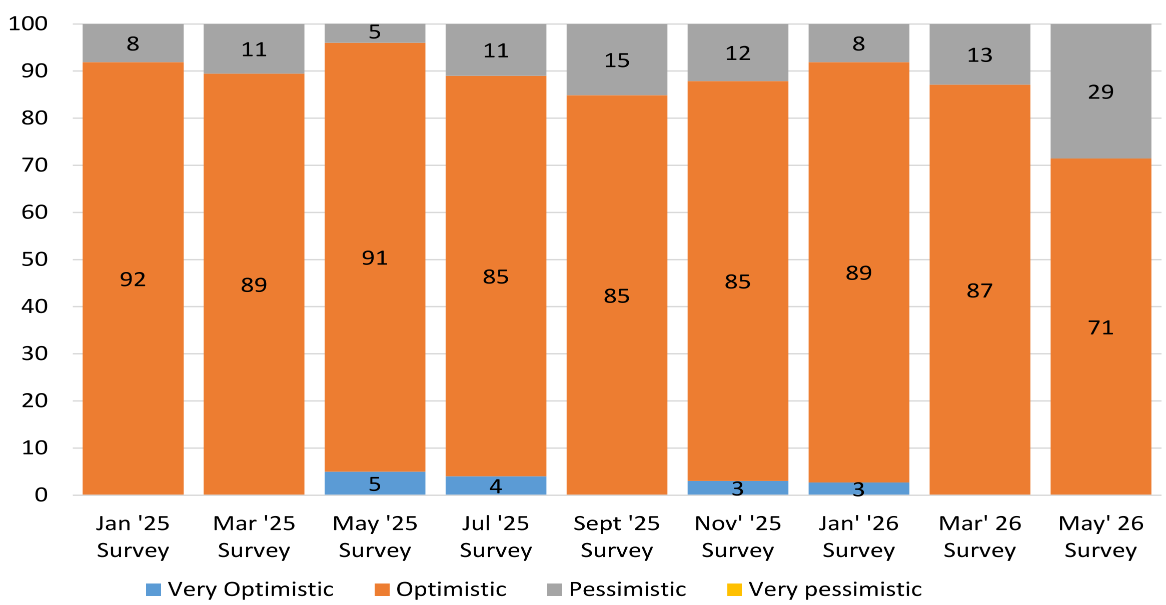
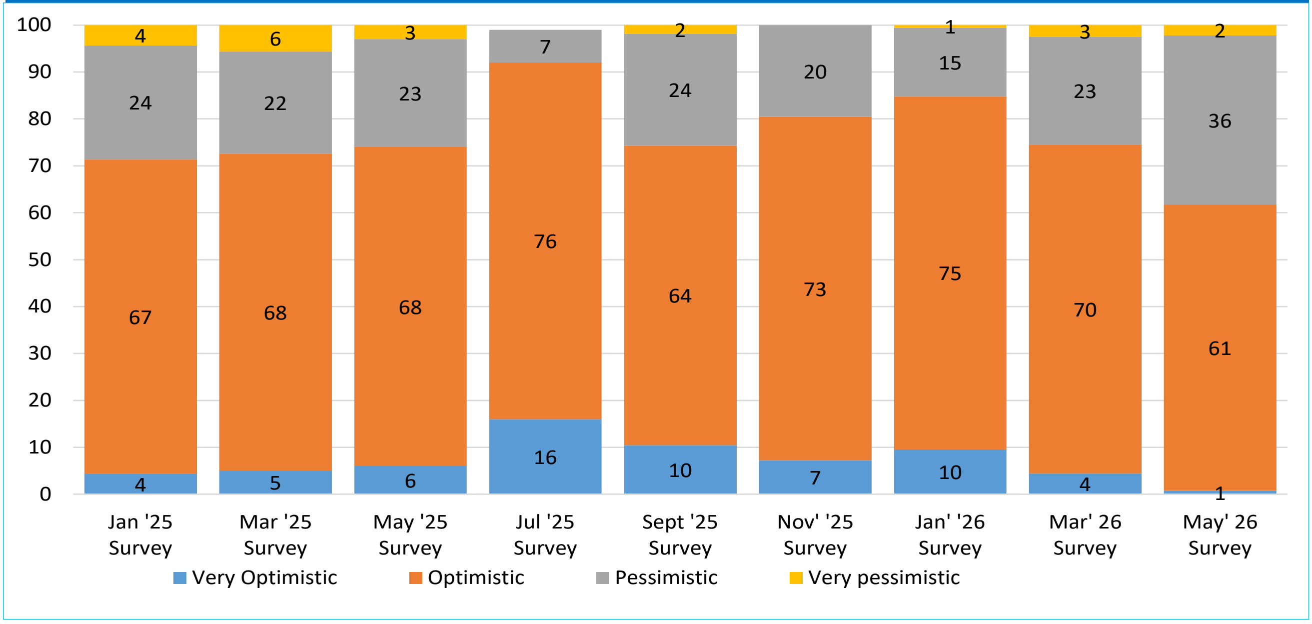


Chart 13: Optimism in growth prospects by non-bank private sector (% respondents)



11. HOW THE BUSINESS ENVIRONMENT COULD BE ENHANCED

The Survey requested respondents to share their views on measures that could enhance the business environment. Respondents from banks and non-banks entities identified several key issues affecting the business environment and proposed corresponding recommendations highlighted below.

The respondents were concerned about the cost of doing business, attributed to the high fuel prices. They proposed continued stabilization of fuel prices.

To improve access to affordable finance, particularly for SMEs, the respondents recommended, continued lowering of lending rates, expanding credit guarantee schemes, and improving access to affordable wholesale funding, ensuring prompt settlement of government pending bills, strengthening loan restructuring frameworks, and adoption of risk-based lending approaches to better manage credit risk, and reducing government reliance on domestic borrowing to avoid crowding out the private sector.

On regulatory and legal issues, they suggested improving court efficiency, streamlining regulatory processes, and enhancing policy predictability. For infrastructure, they recommended increased investment in transport, energy, and ICT systems, supported by stronger public-private partnerships.

Finally, the respondents recommended accelerating digital transformation, strengthening collaborations with fintech firms, and investments in cybersecurity infrastructure to support innovation and operational efficiency.

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