

**Central Bank of Kenya**



# MARKET PERCEPTIONS SURVEY

March 2026



## CONTENTS

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1. BACKGROUND TO THE MARKET PERCEPTIONS SURVEYS.....	1
2. INTRODUCTION.....	1
3. SURVEY METHODOLOGY.....	1
4. HIGHLIGHTS OF THE SURVEY.....	2
5. INFLATION EXPECTATIONS.....	2
6. ECONOMIC ACTIVITY.....	4
7. PRIVATE SECTOR CREDIT GROWTH EXPECTATIONS .....	5
8. EXPECTED ECONOMIC GROWTH.....	7
9. OPTIMISM ON THE ECONOMIC PROSPECTS.....	8
10. EXPECTED CHANGES IN EMPLOYMENT.....	11
11. EXPECTATIONS ON THE IMPACT OF THE US-ISRAEL-IRAN CRISIS ON THE KENYAN ECONOMY.....	14
12. HOW THE BUSINESS ENVIRONMENT COULD BE ENHANCED.....	15

## 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 and growth in credit to private sector. 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 March 2026 MPC Market Perceptions Survey was carried out during the first three weeks of March 2026. It sought respondents' views on key economic indicators for the preceding three months (January–March 2026), as well as their expectations for the next three months (April–June 2026), the next one year (March 2026–February 2027), the next two years (March 2026–February 2028), and the next five years (March 2026–February 2031).

The Survey also collected information on the expected demand for credit over the next two months and anticipated private sector credit growth for 2026. In addition, it assessed market 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, credit demand over the next two months, and inflation over the next three months, one year, and the medium term.

Other areas covered 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 November 2025 to February 2026; monthly hotel forward bookings for March to June 2026; and employment expectations for 2026 relative to 2025. The significance of various factors underlying respondents' expectations was also analysed.

This report provides a summary of the findings of 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, through questionnaires administered online, via email, and in hard copy. The March 2026 Survey achieved an overall response rate of 64 percent, with responses received from 36 commercial banks, 13 microfinance banks, and 205 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 March 2026 Market Perceptions Survey included:

1. Respondents expect a gradual increase in inflation over the next three months, largely driven by escalating US-Israeli conflict with Iran, which is disrupting supply chains and exerting upward pressure on oil prices.
2. Respondents expect improved economic activity in April to June 2026, driven by increased agricultural activity during the long rains season and the lower cost of credit to the private sector, which is expected to support investment, consumption, and overall productivity.
3. Respondents have revised their economic growth expectations for 2026 downward, largely reflecting concerns over adverse effects of the ongoing conflict in the Middle East on both the global and domestic economy.
4. Respondents maintained positive hiring expectations for 2026 relative to 2025, with most new hires expected to support increased production, business expansion, and strategic staff replacements.
5. Bank respondents expect further recovery in private sector credit growth in 2026, largely driven by lower cost of credit, improved credit demand, and the implementation of the Revised Risk-Based Credit Pricing Model.
6. The Survey revealed sustained optimism among respondents regarding Kenya's economic prospects over the next 12 months, largely driven by stable macroeconomic conditions, increased private sector activity, and expectations of strong agricultural performance.

## 5. INFLATION EXPECTATIONS

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

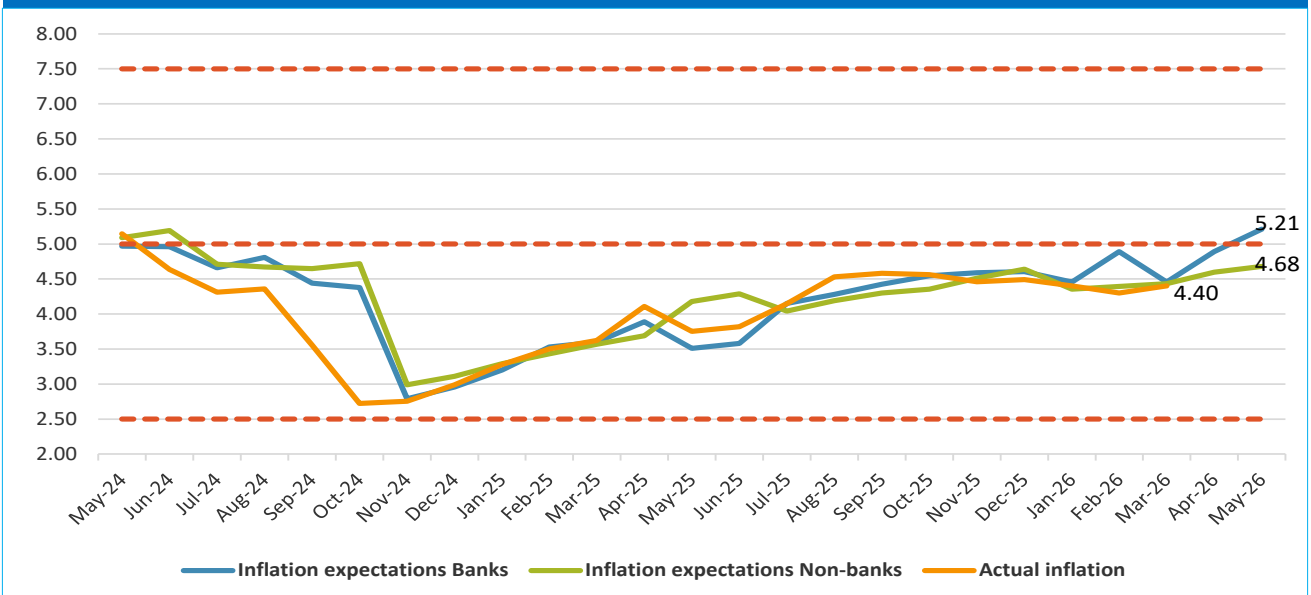
### 5.1. Short term Inflation expectations

Respondents anticipate some upward pressure on inflation over the next three months due to rising international oil prices linked to the conflicts in the Middle East. However, most respondents expect the prevailing low and stable food prices, supported by improved food supply and higher agricultural output from ongoing long rains, to sustain price stability.

Furthermore, respondents expect the stable exchange rate to keep inflation low by easing pressures from imported prices. They also anticipate continued foreign exchange market stability, supported by adequate foreign exchange reserves, effective monetary policy and CBK interventions in the event of excess volatility.

However, a majority of respondents pointed to the ongoing US-Israel conflict with Iran as the main risk to short term inflation expectations, noting that it could disrupt global supply chains and lead to shortages of key commodities as well as drive up costs of oil and gas, fertilizers, shipping, and insurance.

**Chart 1: Short term Inflation expectations (percent)**



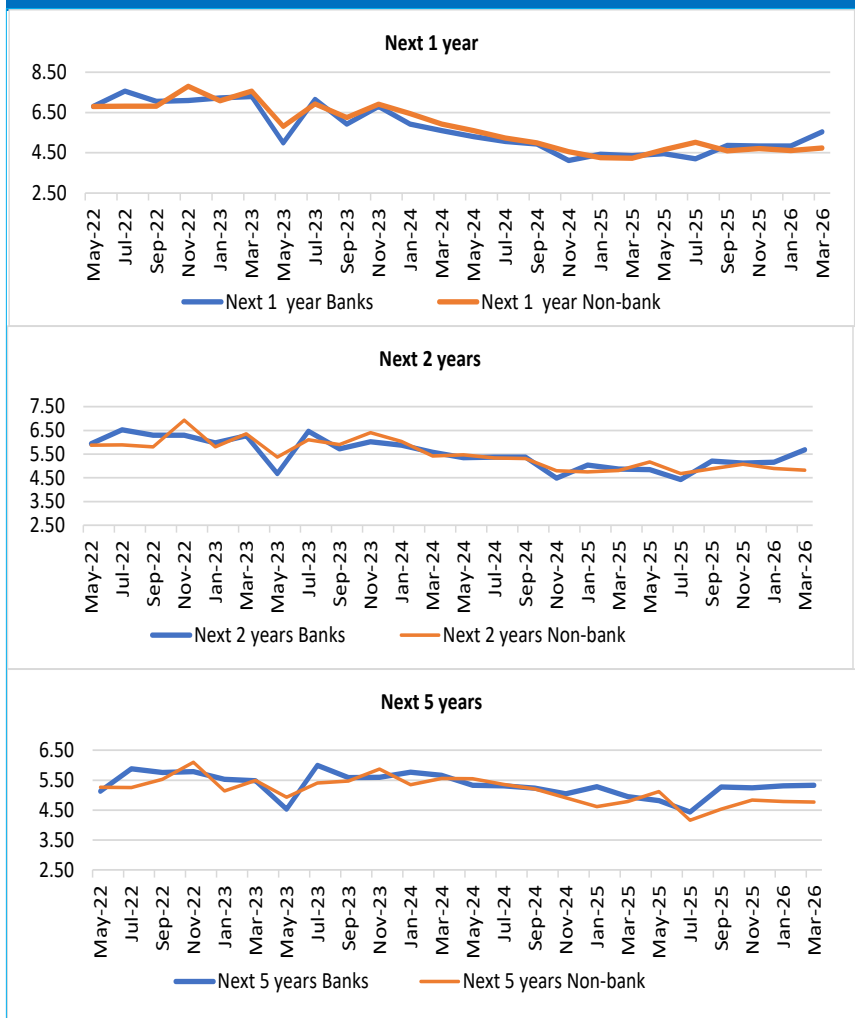
**5.2. Medium term Inflation expectations**

Over the medium term, 69 percent of the respondents expect inflation to remain stable around the midpoint of the target range, supported by prudent monetary policy focused on maintaining price stability (Chart 2).

Similarly, 54 percent of respondents expect improved agricultural productivity and a more stable food supply, supported by ongoing structural reforms in the agriculture sector to contribute in maintaining inflation low and stable over the medium-term.

However, 82 percent of respondents indicated that higher fuel prices, arising from geopolitical tensions, commodity price cycles, and supply shocks, pose a significant medium term inflation risk, particularly for a fuel import dependent country like Kenya.

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



## 6. ECONOMIC ACTIVITY

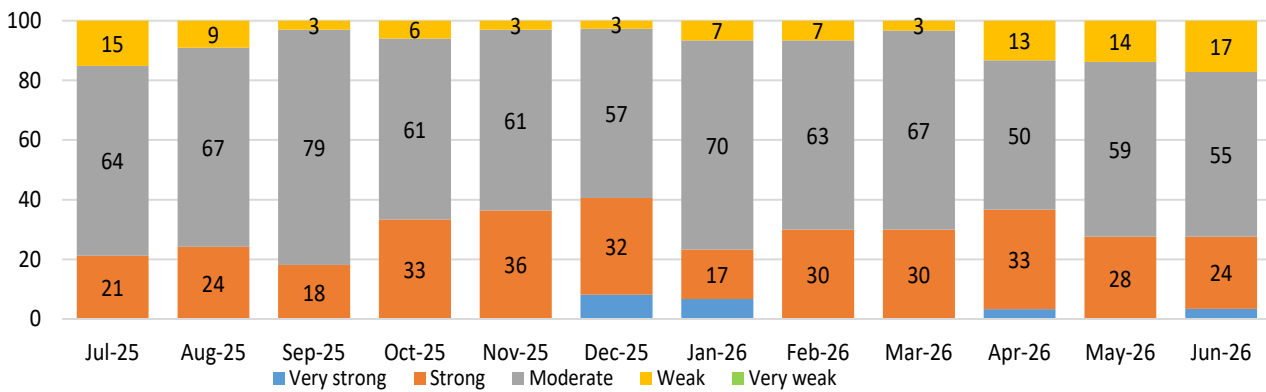
The March 2026 Market Perceptions Survey sought banks and non-bank private sector firms' assessment of economic activity in January, February, and March 2026, as well as their expectations for April, May, and June 2026. The results indicated expectations of improved economic activity over the next three months (**Charts 3 & 4**).

The Survey findings showed that 71 percent of the respondents expect moderate to strong economic activity over the next three months, largely driven by increased agricultural activity on account of the long rains and impact of government fertilizer subsidies.

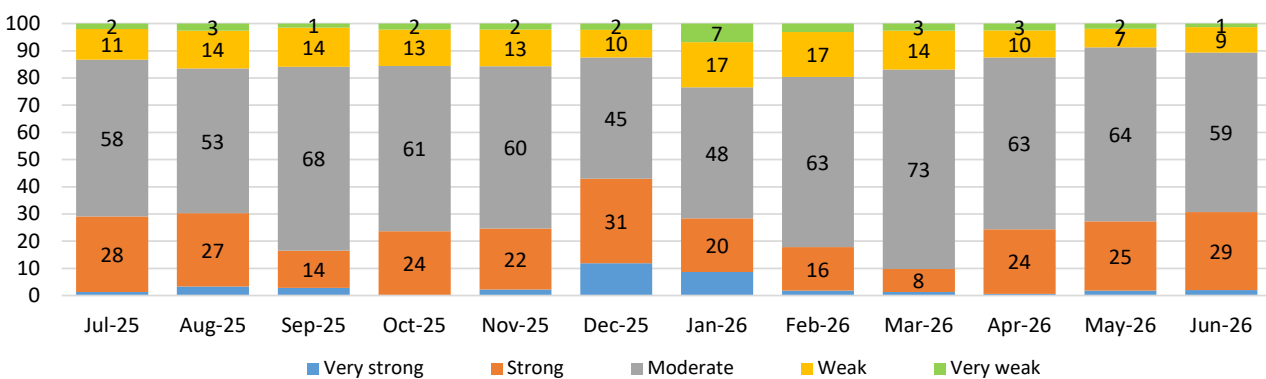
In addition, 57 percent of respondents expect the easing cost of credit to the private sector stemming from the continued pass through of monetary easing, to support investment activity, consumption, and increased productivity.

Despite this optimism regarding economic activity, 75 percent of respondents expressed concern that rising global fuel prices could increase local fuel costs, transport and production costs, thereby slowing the pace of economic activity.

**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 also asked commercial banks to indicate the percentage by which they expect credit to the private sector to grow by end December 2026 compared to end December 2025. Respondents anticipate stronger private sector credit growth in 2026 relative to 2025, largely driven by lower borrowing costs (**Chart 5**).

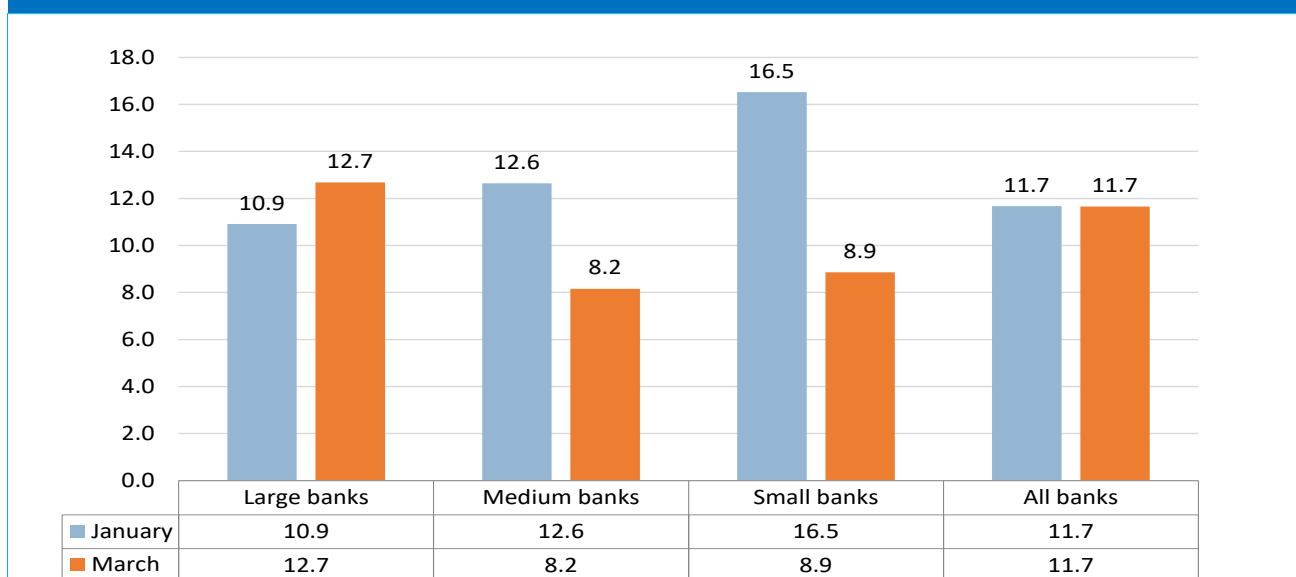
Respondents expect private sector credit growth to be supported by the reduced cost of credit following previous cumulative reductions in the CBR and the implementation of the Revised Risk-Based Credit Pricing Model, which is expected to make credit more affordable by lowering the cost of new loans and existing variable-rate facilities, thereby

increasing disposable income and boosting overall demand for credit.

This is further supported by expectations of stronger domestic demand, particularly from SMEs, small traders, and micro enterprises, which is likely to boost overall credit growth.

However, respondents highlighted some risks to private sector credit growth, including weakened purchasing power due to lower disposable incomes, driven by additional levies and high cost of living, which is likely to reduce demand for goods and services and, in turn limit credit uptake. They also pointed to cautious lending by banks, largely influenced by heightened risk considerations and market uncertainties as key constraints to private sector credit growth.

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



### 7.2. Expected demand for credit by banks

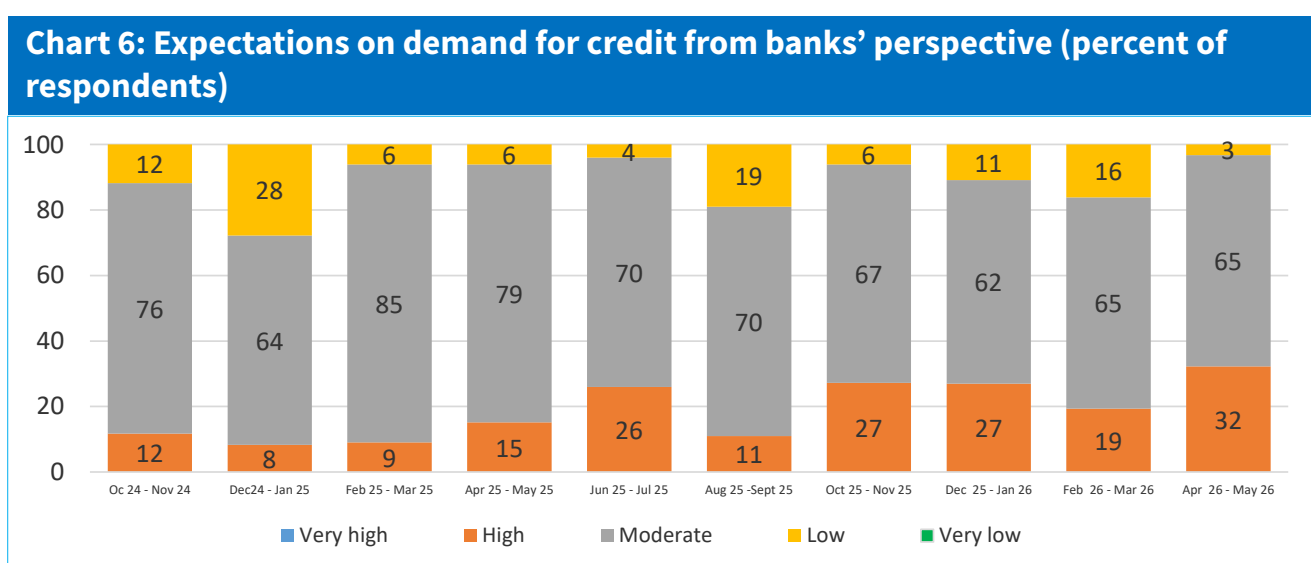
The Survey asked bank respondents to assess credit demand over the two months preceding the MPC meeting (February–March 2026) and to provide their expectations for April and May 2026. Respondents anticipate credit demand to range from moderate to high during April and May 2026 (**Chart 6**).

Respondents expect credit demand to be largely driven by lower lending rates, more affordable borrowing conditions, and improved access to credit supported by low inflation environment.

In addition, respondents foresee increased business activity, particularly from firms seeking to boost working capital and build up inventories ahead of the school holiday period, alongside continued SME restocking, business expansion, and overall economic activity.

Nevertheless, respondents expect ongoing geopolitical developments in the Middle East to delay large credit decisions, as rising oil and input

prices increase operational costs, prompting firms to borrow more cautiously, thereby keeping credit demand moderate.

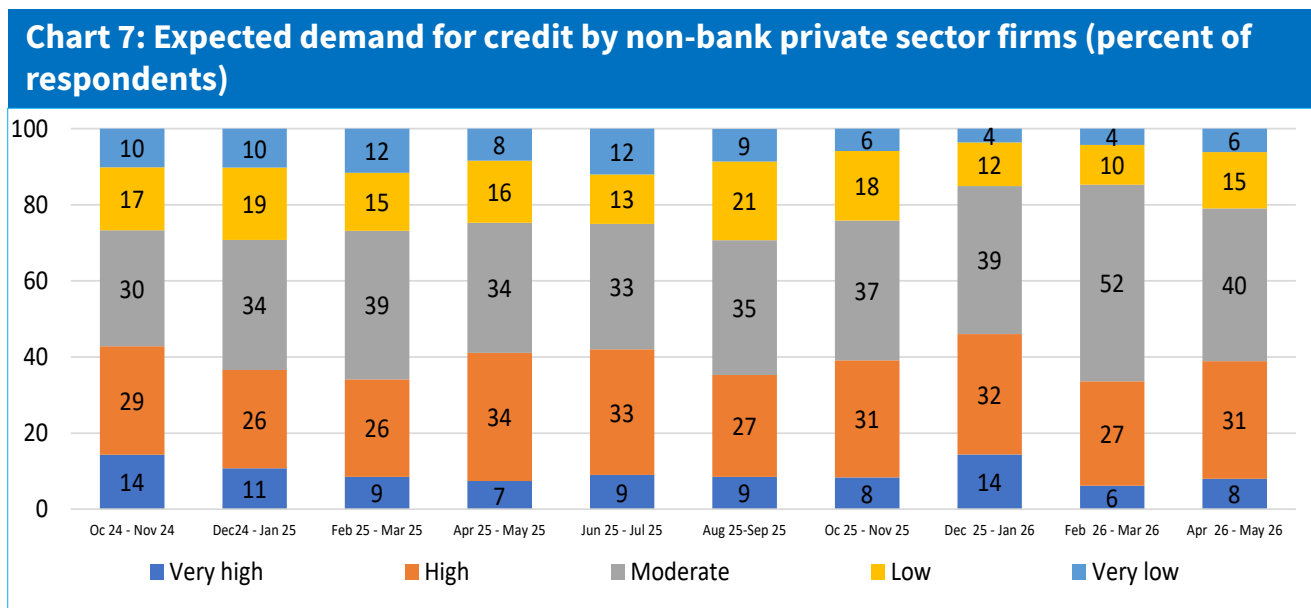


### 7.3. Expected demand for credit by non-bank private sector firms

The Survey requested non-bank private sector firms to indicate the level of their expected demand for credit over the next twelve months. Results showed that demand for funding ranged from moderate to very high, primarily to support working capital

needs (Chart 7). Non-bank respondents attributed this demand for credit to financing growth projects, covering operating costs and purchase of inputs.

Nonetheless, risks to these expectations include cautious borrower behavior due to relatively high interest rates and the need to reduce rising debt to preserve cashflows and avoid debt traps amidst slow business activity.



## 8. EXPECTED ECONOMIC GROWTH

The Survey requested participants to indicate their expected economic growth rates for 2026 relative to 2025, and over the medium-term (2027–2031).

### 8.1. Expected economic growth in 2026

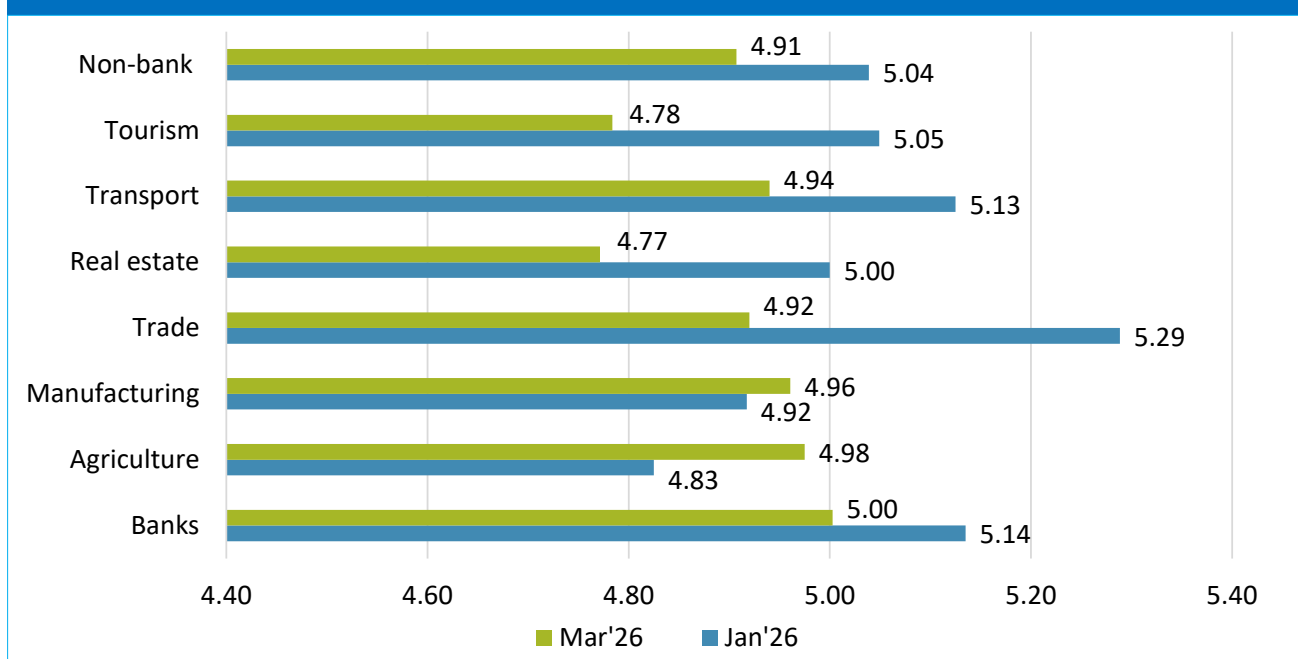
Respondents across most economic sectors revised their 2026 growth expectations downward, mainly due to increased uncertainty linked to the escalating conflict in the Middle East **(Chart 8)**. This revision reflects significant concerns about ongoing geopolitical tensions, particularly the US–Israeli conflict with Iran, which respondents expect to intensify uncertainty, disrupt supply chains, constrain global trade and slow industrial activity. These developments are also likely to put pressure on employment and incomes, adversely affect

exports and remittances, and weaken domestic demand.

Despite the downward revision in growth expectations, some respondents still anticipate that economic growth will remain resilient in 2026, supported mainly by increased private sector activity across key sectors, underpinned by stronger credit growth driven by lower lending rates.

In addition, improved agricultural output, supported by favorable weather conditions and continued investment in the sector, is expected to enhance food supply, boost rural incomes, and strengthen domestic demand, thereby supporting overall economic growth.

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



Moreover, the completion of public infrastructure projects, together with continued investment in infrastructure, energy, housing, and digital

connectivity is expected to boost economic activity and investment, further supporting economic growth.

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

Over the medium-term (2027–2031), economic growth is expected to average between 4.0 and 6.0 percent, largely supported by growth in the agriculture and infrastructure sectors and a stable macroeconomic environment **(Chart 9)**.

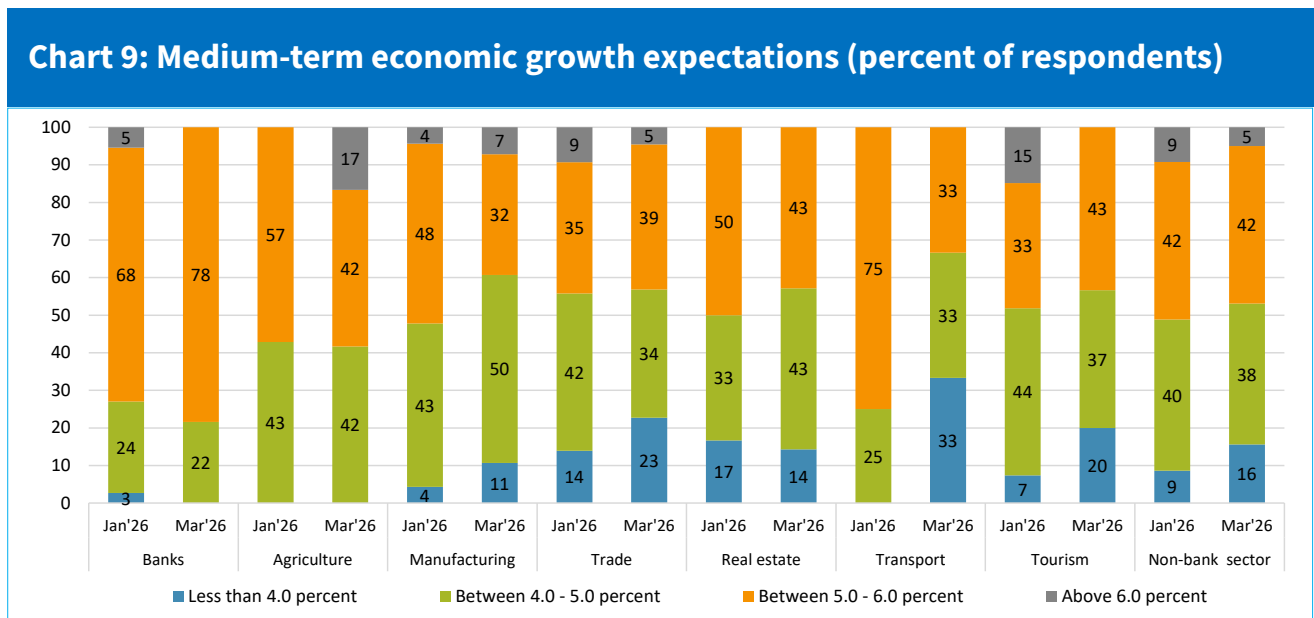
Respondents expect the agricultural sector to perform strongly, supported by favorable weather conditions, large scale irrigation projects, continued government support through fertilizer and farm input subsidies, and expansion across agricultural value chains.

At the same time, respondents expect economic growth to be supported by continued

macroeconomic stability, with inflation remaining within the target range aided by low food prices, reduced interest rates sustained by prudent monetary policy, and stable exchange rate.

In addition, continued investment in government infrastructure such as transport corridors, energy generation, logistics systems, and ICT is expected to improve efficiency and competitiveness, thereby supporting economic growth.

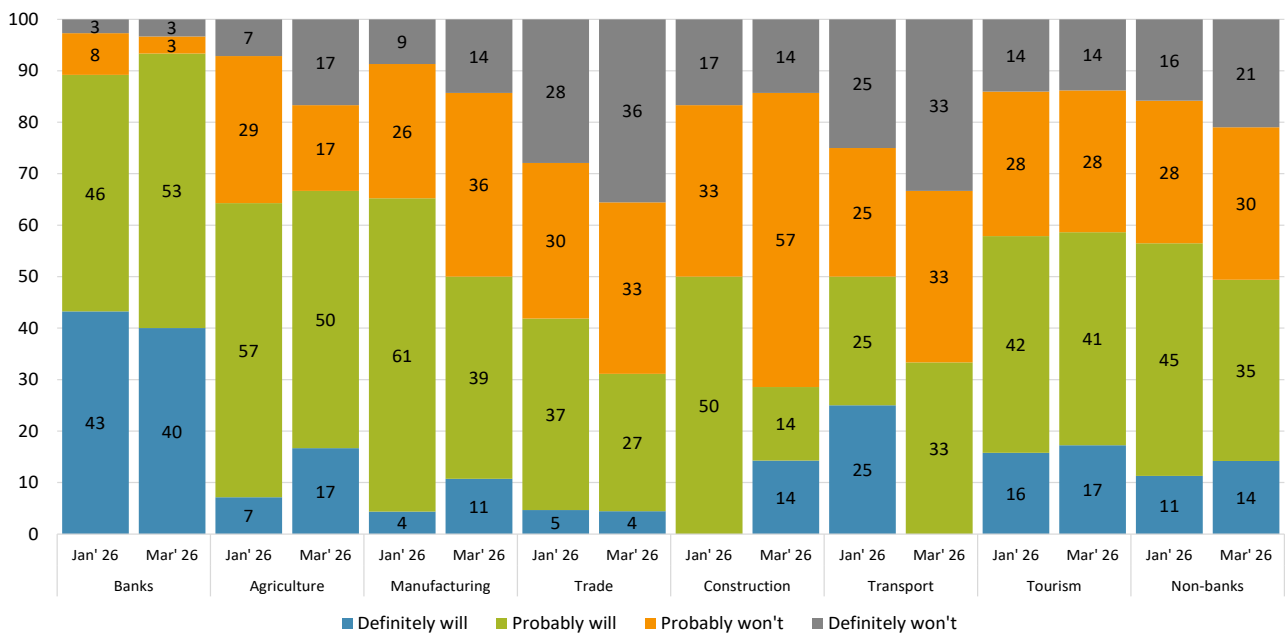
However, respondents also highlighted several risks to this outlook, including high debt service obligations that strain available resources, revenue shortfalls, and the impact of global uncertainties on the Kenyan economy.



## 9. EMPLOYMENT EXPECTATIONS

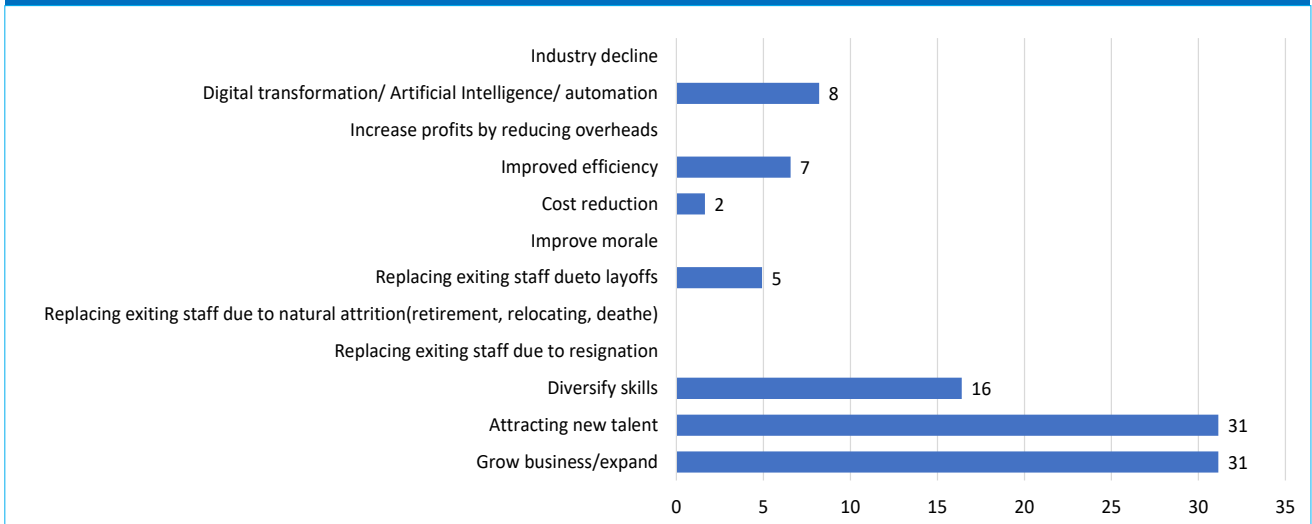
Respondents were asked to indicate whether their firms planned to expand hiring in 2026 relative to 2025. The Survey results indicate that firms expect to increase hiring in 2026 compared to 2025 **(Chart 10)**.

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



Survey findings indicate that bank respondents are the most optimistic about hiring in 2026, with planned recruitment primarily aimed at supporting business growth and attracting new talent (**Chart 11**).

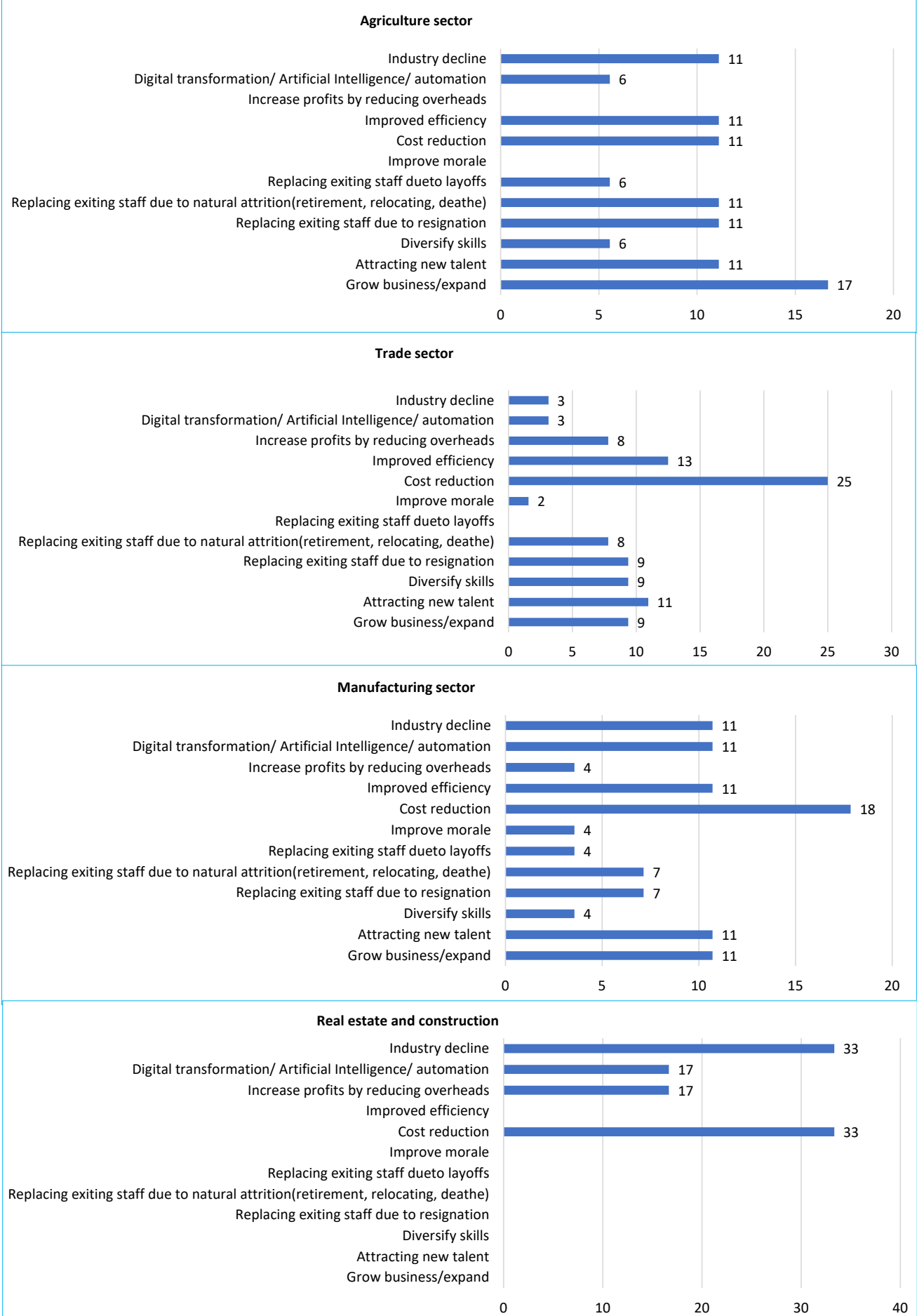
**Chart 11: Factors affecting employment expectations by banks in 2026 (percent of respondents)**



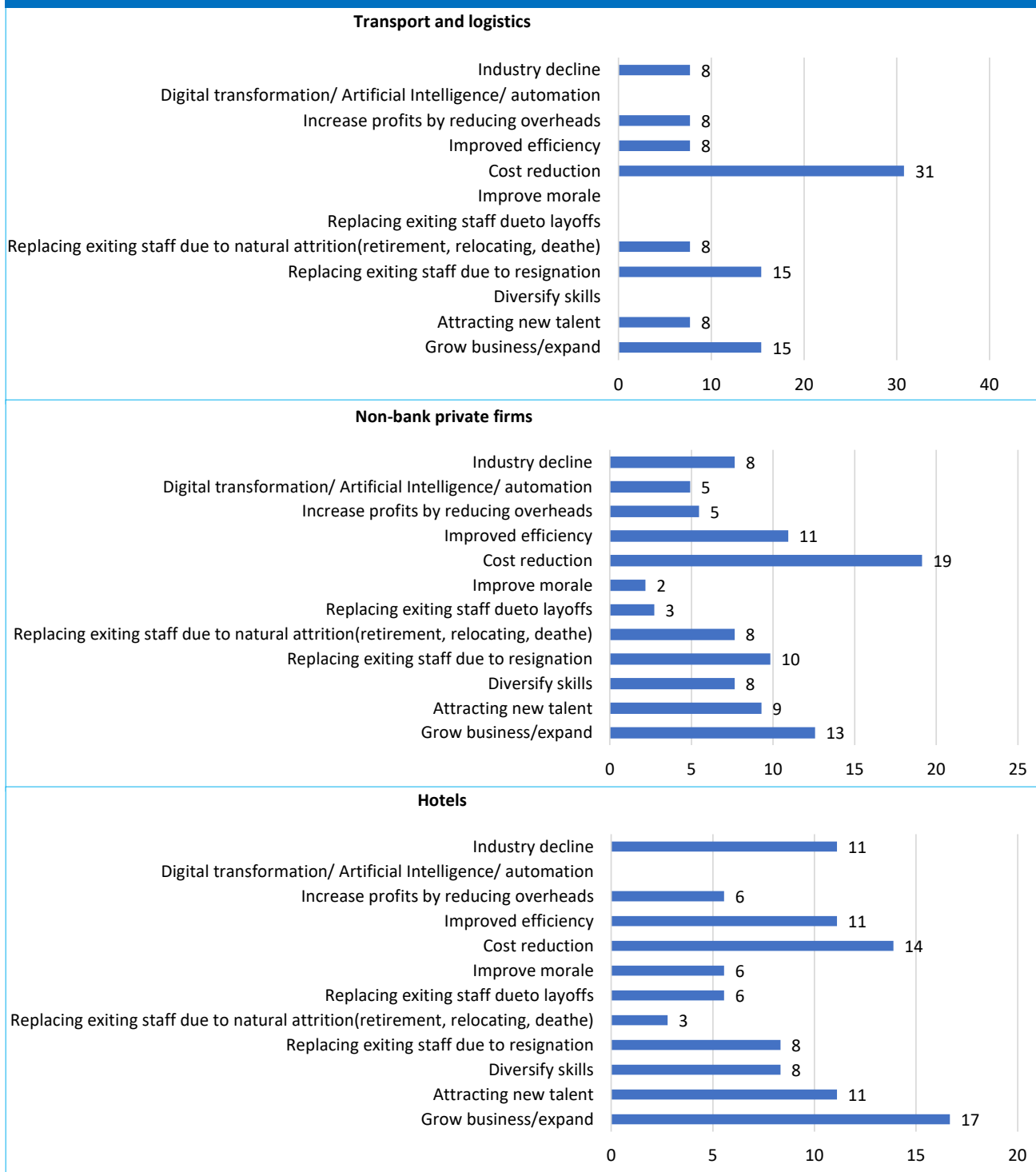
Non-bank private sector firms also expressed optimism about employment prospects across most sectors, with hiring largely intended to support business expansion, replace exiting staff, and attract new talent. However, some sectors were less optimistic about hiring in 2026, reflecting

the need to reduce costs, streamline operations, lower overheads, and invest in efficiency enhancing measures such as digital transformation and artificial intelligence (**Chart 12**).

**Chart 12: Factors affecting employment expectations by non-bank private sector in 2026 (percent respondents)**



**Chart 12: Factors affecting employment expectations by non-bank private sector in 2026 (percent respondents) cont'd**



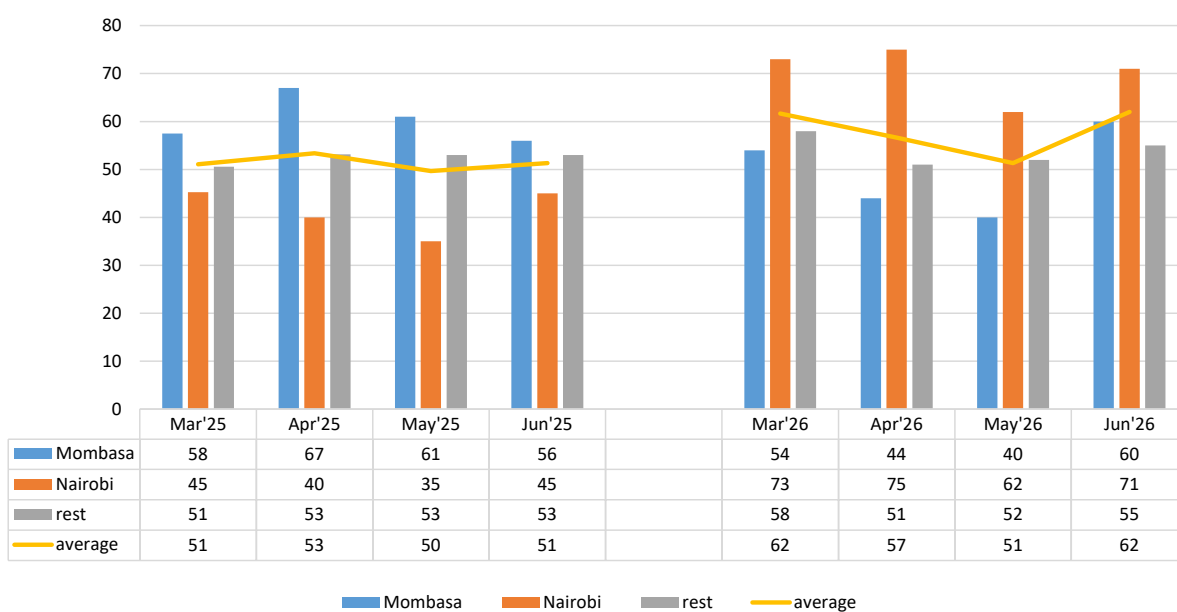
## 10. OPTIMISM ON THE ECONOMIC PROSPECTS

To assess the country's economic outlook, the Survey asked hotel respondents to report on the forward bookings they had received for the period March to June 2026. In addition, all respondents were asked to indicate their level of optimism or pessimism regarding Kenya's economic growth prospects over the next twelve months.

### 10.1 Hotel forward bookings

The Survey requested hotel respondents to provide monthly forward bookings data for the period March to June 2026. Results indicate an increase in average hotel forward bookings compared to the same period in the previous year (**Chart 13**).

**Chart 13: Hotel forward bookings (March – June 2026)**



Respondents attributed the increase in forward bookings to a pickup 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 and Conference and Exhibitions (MICE) events scheduled to continue through to August 2026.

### 10.2. Optimism on economic prospects in the next 12 months

The Survey requested 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 partly driven by continued macroeconomic stability, characterized by a stable exchange rate, low and stable inflation, and relatively low interest rates following earlier policy rate reductions. Respondents noted that lower lending rates and reduced borrowing costs have improved access to credit and supported private sector credit growth, thereby boosting investment

and consumption, strengthening business confidence, and reinforcing positive expectations for economic activity over the next twelve months.

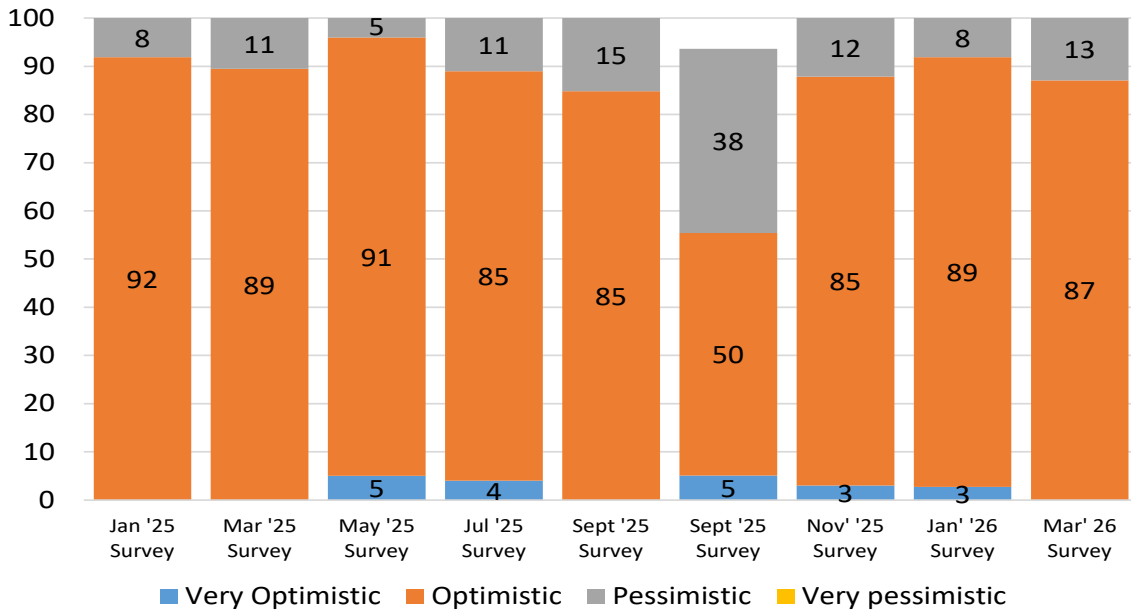
This optimism is also supported by expectations of strong performance in the agricultural sector, aided by favorable weather conditions and continued government support through fertilizer and farm input subsidies. These factors are expected to enhance agricultural productivity, improve food supply, stabilize food prices, and boost rural incomes, which in turn will support domestic demand, strengthen household consumption, and contribute positively to overall economic growth.

Additionally, this optimism is underpinned by strong momentum within the private sector following the recovery in private sector credit, reflected in increased business investment and a gradual improvement in activity. Respondents noted that improved access to credit, more favorable financing conditions, and resilient domestic demand have supported expansion plans across several sectors. These developments are expected to expand productive capacity, promote job creation, and sustain the ongoing recovery in business activity, thereby contributing positively to overall economic performance.

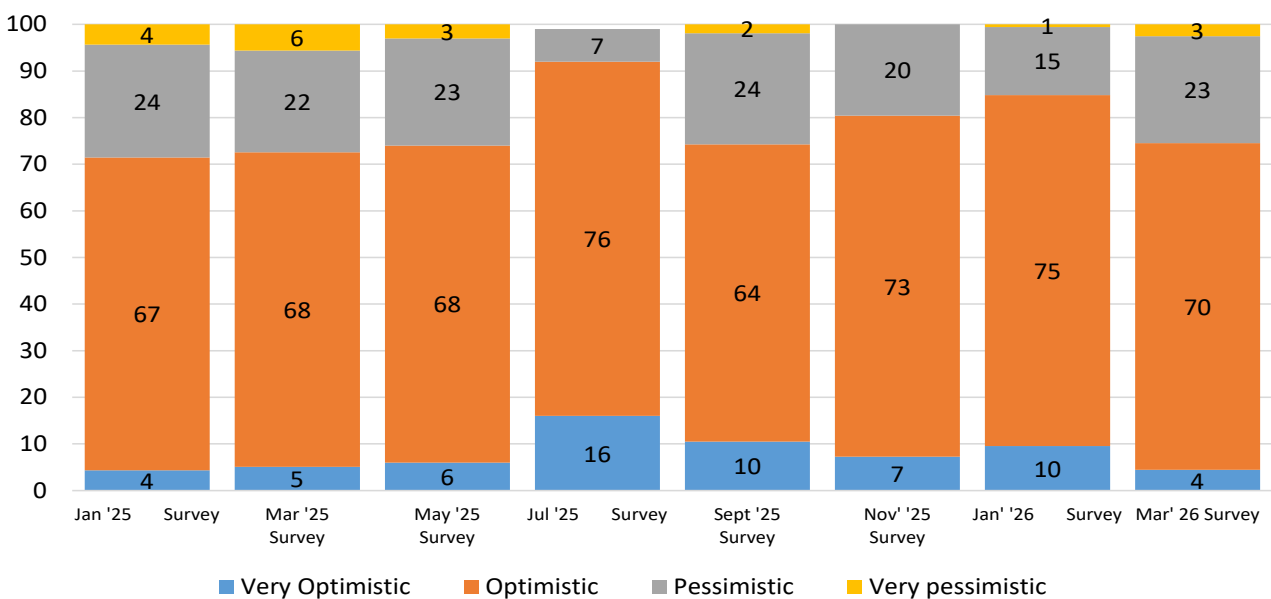
Nevertheless, respondents identified several risks to this outlook including heightened global economic uncertainty, slower global growth, trade disruptions, climate related shocks, and persistent geopolitical tensions, which could adversely affect supply chains, exports, capital flows, and overall economic activity.

On the domestic front, respondents highlighted fiscal consolidation pressures such as ongoing tax measures, elevated public debt, widening fiscal deficits, revenue shortfalls, and limited fiscal space. These factors were seen as likely to constrain both public and private investment, weaken household disposable incomes, reduce domestic demand, and pose downside risks to sustained economic growth.

**Chart 14: Optimism in growth prospects by banks (percent of respondents)**



**Chart 15: Optimism in growth prospects by non-bank private sector (percent of respondents)**



## 11. EXPECTATIONS ON THE IMPACT OF THE US-ISRAEL-IRAN CRISIS ON THE KENYAN ECONOMY

As part of the Survey, respondents were asked whether they expected the escalation of the conflict in the Middle East to affect their business operations, and to assess the likely extent of its effect on the Kenyan economy (**Chart 16**).

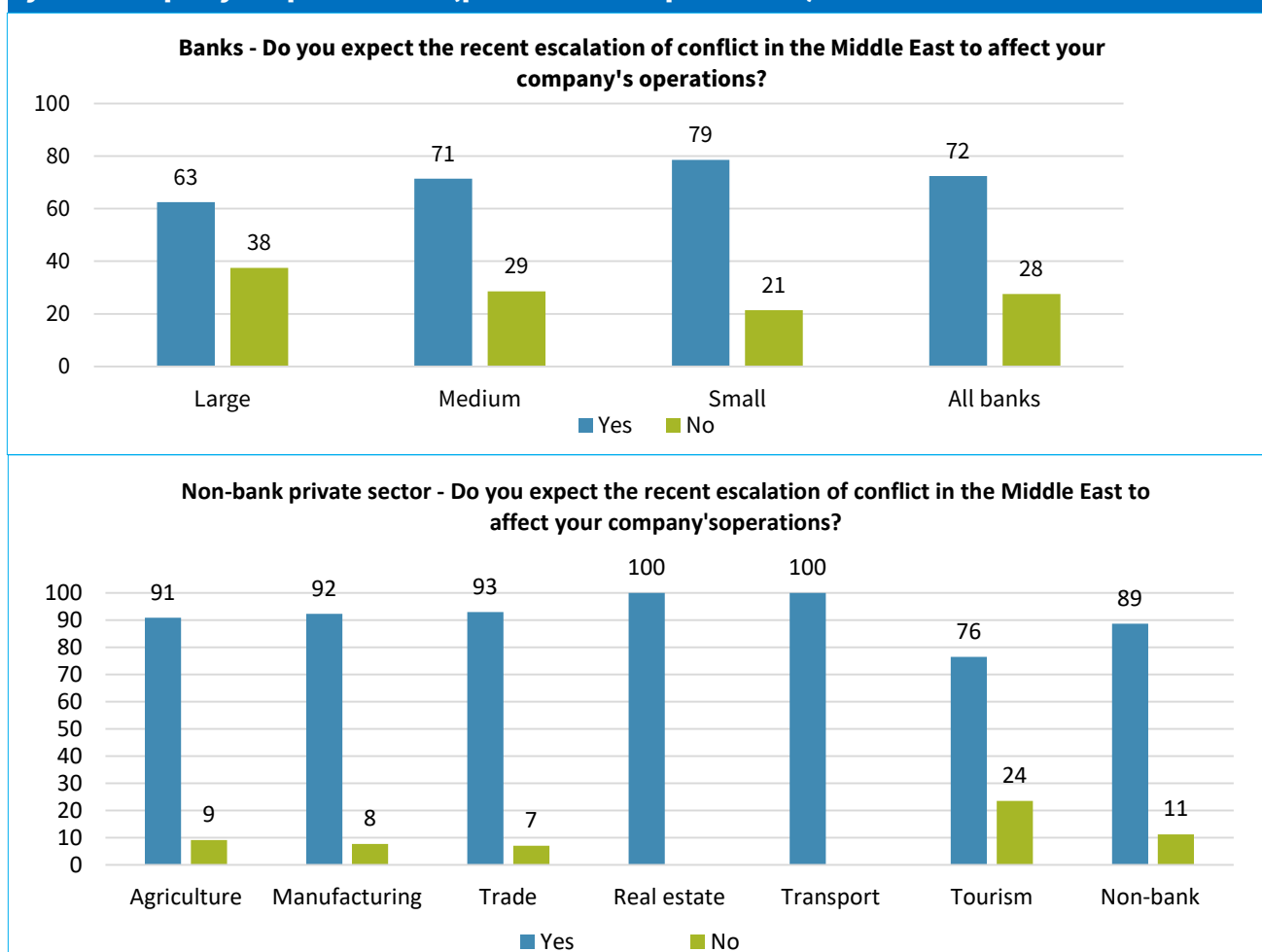
The questions aimed to capture both firm level operational effects—such as disruptions to supply chains, input costs, and financing conditions—and broader macroeconomic implications, including pressures on inflation, trade flows, and overall economic activity.

Respondents indicated that escalation of the conflict is likely to affect business operations mainly through indirect economic and financial channels, particularly as a result of disruptions to business operations and revenues.

The conflict is expected to adversely affect general business operations, particularly in import dependent sectors such as trade, real estate, and construction. These sectors are susceptible to supply chain disruptions and higher import costs, which may reduce activity levels and lead to revenue losses.

In addition, the escalation is expected to create short term pressures through elevated global oil prices, increasing the cost of fuel and energy inputs. Higher energy costs were cited as a key risk to production processes, logistics, and transportation, potentially slowing economic activity.

**Chart 16: Do you expect the recent escalation of conflict in the Middle East to affect your company's operations? (percent of respondents)**



Respondents also indicated that spillover effects from the conflict could affect global financial conditions, resulting in increased volatility. This may raise the cost of imported inputs and external financing, further constraining business operations.

Overall, higher fuel and energy prices are expected to raise production and transport costs across sectors, squeezing profit margins, weakening competitiveness, and limiting firms' capacity to expand or invest.

## 12. HOW THE BUSINESS ENVIRONMENT COULD BE ENHANCED

The Survey requested respondents to provide their recommendation for improving the business environment. The key suggestions from the March 2026 Survey are summarized below:

Regarding fiscal and tax policy, respondents recommended implementing moderate revenue raising measures that support private sector activity and consumption, alongside maintaining a predictable, transparent, and efficient tax and regulatory framework to support long term business planning. They also suggested temporary reduction in taxes on oil products to cushion the economy against global shocks such as Middle East conflicts, simplification of the tax system to reduce compliance costs, and lower employee taxes to boost purchasing power and stimulate domestic demand.

In the financial sector and MSME Support, respondents proposed reviewing Microfinance Banks' (MFBs) regulatory requirements, particularly on centralization and provisioning, to unlock MSME credit demand. They also emphasized the need to improve access to affordable funding for MSMEs through supportive policies and credit-enhancing initiatives, as well as strengthening financial sector liquidity to support lending to SMEs and productive sectors.

Regarding non-performing loans (NPLs) and public sector payments, respondents emphasized the need for effective mechanisms for managing NPLs in the banking sector, as well as accelerated settlement of pending government bills to contractors and suppliers in order to ease pressure on bank balance sheets and support liquidity circulation in the economy.

On credit and monetary policy, respondents recommended maintaining price stability and a predictable monetary policy environment to sustain low interest rates and improve credit planning for businesses and households.

With respect to public spending and growth strategy, respondents suggested prioritizing development expenditure with higher economic multiplier effects, supported by Public-Private Partnerships (PPPs) to improve program efficiency and outcomes. They also emphasized the need for clear, consistent, and transparent government communication to strengthen investor and consumer confidence while easing fiscal pressures to promote private investment and sustain economic growth.

Finally, respondents suggested that strengthening political and social stability through civic dialogue and youth empowerment initiatives would contribute to enhancing the business environment.



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