Central Bank of Kenya

Market Perceptions Survey

July 2025

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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 allows respondents to indicate their levels of optimism in the country's economic prospects and business environment, and perspectives on the current and expected economic conditions, focusing on economic activity and employment. It also captures suggestions by private sector firms on ways to improve the business environment.

Commercial banks, micro-finance banks, and a sample of non-bank private sector firms are included in the Surveys. The sample of non-bank private firms, selected from major towns across the country namely Nairobi, Mombasa, Kisumu, Eldoret, Nakuru, Nyeri, Meru and Kisii, is representative of sectors that account for about 78 percent of GDP. The sectors covered by the Survey 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 sensitisation engagements with respondents on an annual basis in all the regions to facilitate a better understanding of the survey questions, to enhance the quality of responses, and to increase the response rate.

2. INTRODUCTION

The July 2025 MPC Market Perceptions Survey was conducted in the first three weeks of the month. The Survey aimed at getting perceptions by respondents on selected economic indicators for the previous three months (April, May and June), expectations for the next three months (August, September and October 2025), the next one year (August 2025 – July 2026), the next two years (August 2025 – July 2027), and the next five years (August 2025 – July 2030).

The Survey also inquired about the levels of demand for credit in the next two months and expected private sector credit growth for 2025. The Survey also collected information on market expectations on inflation, economic growth, lending rates and levels of operations by companies.

Other areas surveyed included the levels of optimism in the economic prospects over the next 12 months as well as expectations regarding employment levels. The significance of various factors behind the expectations provided by respondents 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 of 302 private sector firms comprising 38 commercial banks, 14 microfinance banks (MFBs) and 251 non-bank private firms through questionnaires administered online, and via email and hard copies. The overall response rate to the July 2025 Survey was 62 percent of the sampled institutions. The respondents comprised 38 commercial banks, 10 micro-finance banks, and 138 other non-bank private sector firms.

The expectations from commercial and microfinance banks were aggregated and analysed using weighted averages based on the market size of the bank/ microfinance bank relative to total banks/ microfinance banks, respectively, while those from the non-bank private firms were weighted using the respective sector weights based on the latest available sectoral contributions to GDP.

4. HIGHLIGHTS OF THE SURVEY

The Key findings from the July 2025 Market Perceptions Survey included:

1. Respondents expect overall inflation to remain below the midpoint of the target range in the next three months mainly on account of stable exchange rate, stable food and moderating energy prices.
2. Respondents expect moderate to strong economic activity in August, September and October 2025 on account of enhanced agriculture activity, stable macroeconomic

environment, and recovery of some sectors with the Government commitment to payment of pending bills.

3. Respondents expect improved economic growth in 2025 relative to 2024 mainly on account of better agricultural performance, a resilient services sector and a stable macroeconomic environment
4. Hiring expectations by banks and non-bank private firms for 2025 compared to 2024 remained unchanged.
5. Bank respondents expect recovery in private sector credit growth in 2025, supported by declining bank lending rates.
6. The survey showed sustained optimism by respondents about Kenya's economic prospects in the next 12 months.
7. Average forward hotel bookings are higher in August 2025 relative to a similar period in 2024 due to seasonality factors and increased use of online booking engines.

5. INFLATION EXPECTATIONS

In the Survey, respondents were requested to give their expectations of overall inflation rates for the next three months (July, August and September 2025), the next 12 months (July 2025- June 2026), the next 2 years (July 2025 – June 2027), and the next 5 years (July 2025 – June 2030). Respondents expected inflation to remain stable and below the midpoint of the target range over the next three months **(Table1)**, mainly on account of stable exchange rates which is expected to mitigate imported inflation; favorable long rains that are likely to boost agricultural production leading to lower and stable food prices; and stable energy prices due to moderating global crude oil prices resulting from increased supply.

However, the respondents reported some risks to the inflation outlook in the near term including: geopolitical tensions and the U.S trade wars that could lead to volatility in global and domestic prices, post-harvest supply tightness and logistical bottlenecks that may lead to slight price increases in cereals and vegetables.

Over the medium term, respondents expected inflation to remain anchored close to the midpoint of the target range supported by expected stability in food prices, lower fuel prices, and lower interest rates **(Chart 1).**

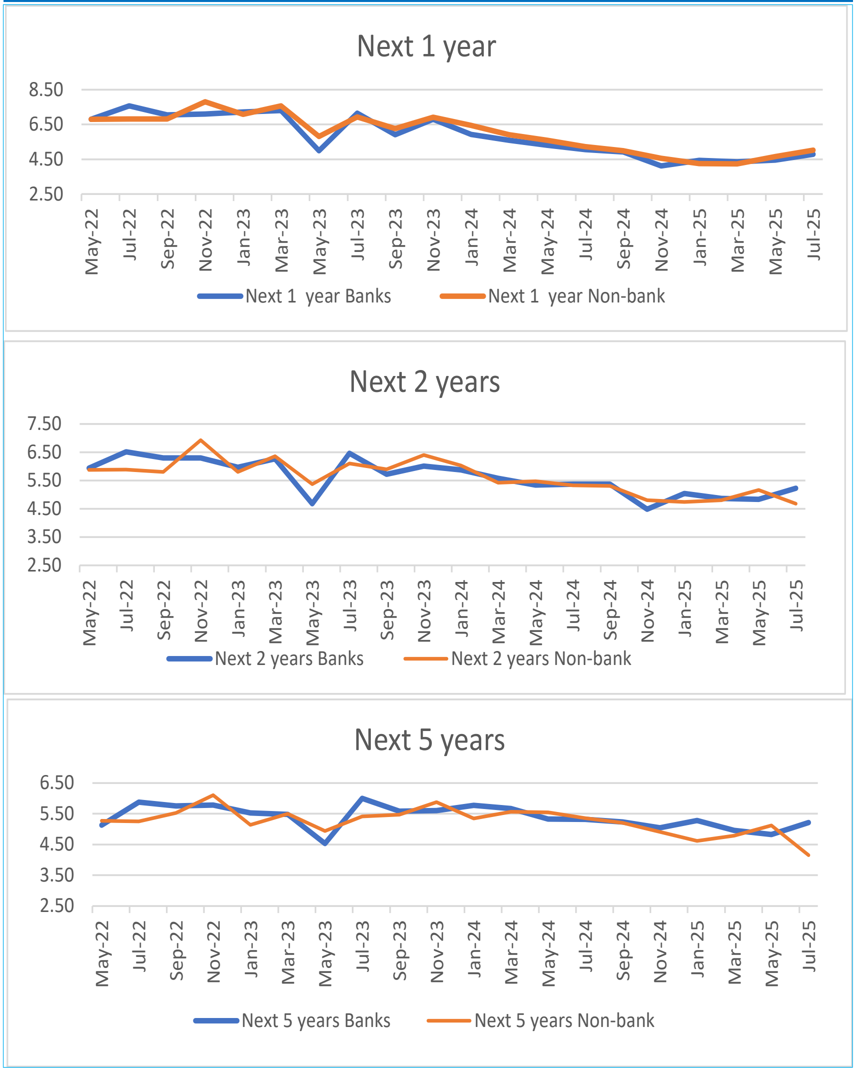
Respondents noted that the key drivers supporting this outlook included improved agricultural productivity, supported by favourable weather and continued government interventions; and stable fuel and energy costs aided by moderate global crude oil prices on the back of rising global oil supply. A stable Kenya Shilling which is anticipated to limit imported inflation especially in food, fuel, and other tradable goods.

However, respondents also identified several risks to the medium-term inflation outlook, including increase in the cost of production of goods and global fuel and global commodity price volatility due to the U.S trade wars and geopolitical tensions.

Table 1: Inflation expectations (percent)

Survey month	Inflation expectations			Actual inflation
		Banks	Non-banks	
Jan-23	Jan-23	9.03	8.88	8.98
	Feb-23	8.87	8.79	9.23
Mar-23	Mar-23	9.23	8.87	9.19
	Apr-23	9.12	8.91	7.90
May-23	May-23	7.98	7.39	8.03
	Jun-23	7.81	7.40	7.88
Jul-23	Jul-23	8.01	7.83	7.28
	Aug-23	8.07	7.83	6.73
Sep-23	Sep-23	6.45	6.54	6.78
	Oct-23	6.27	6.52	6.92
Nov-23	Nov-23	6.97	7.02	6.80
	Dec-23	7.16	7.12	6.60
Jan-24	Jan-24	6.67	6.83	6.85
	Feb-24	6.63	6.77	6.31
Mar-24	Mar-24	6.10	6.07	5.70
	Apr-24	6.05	5.95	5.00
May-24	May-24	4.97	5.09	5.14
	Jun-24	4.96	5.19	4.64
Jul-24	Jul-24	4.66	4.71	4.31
	Aug-24	4.81	4.67	4.36
Sep-24	Sep-24	4.44	4.65	3.56
	Oct-24	4.38	4.72	2.72
Nov-24	Nov-24	2.79	2.99	2.75
	Dec-24	2.96	3.11	2.99
Jan-25	Jan-25	3.20	3.29	3.28
	Feb-25	3.53	3.43	3.50
	Mar-25	3.60	3.57	3.60
Mar-25	Apr-25	3.89	3.69	4.10
	May-25	3.51	4.18	3.80
May-25	Jun-25	3.58	4.29	3.80
	Jul-25	4.07	3.99	4.10
Jul-25	Aug-25	4.20	4.09	
	Sep-25	4.29	4.15	

Chart 1: Inflation expectations for the medium term (percent)



6. ECONOMIC ACTIVITY

The July 2025 Market Perceptions Survey sought bank and non-bank private sector firms' assessment of economic activity in May, June and July 2025, and their expectations for August, September and October 2025. Respondents expected improved economic activity in the next three months **(Charts 2 & 3).**

Respondents in the non-bank (89 percent) and Bank (93 percent) sectors expected moderate, strong to very strong economic activity in August, September and October 2025. Economic activity will be supported by improved agricultural activity on account of favourable weather conditions and impact on sectors such as trade, wholesale and retail, manufacturing, transport and storage sectors; recovery in building and construction sector following the settlement of pending bills by the Government and the resumption of stalled projects; improved activity in the tourism sector due to seasonality factors and wildebeest migration; and increased private sector lending on account of declining bank lending rates.

However, a number of may constrain economic activities including global trade wars and geopolitical tensions, high costs doing business and production, and subdued consumer demand.

Chart 2: Expected economic activity by banks (percent of respondents)

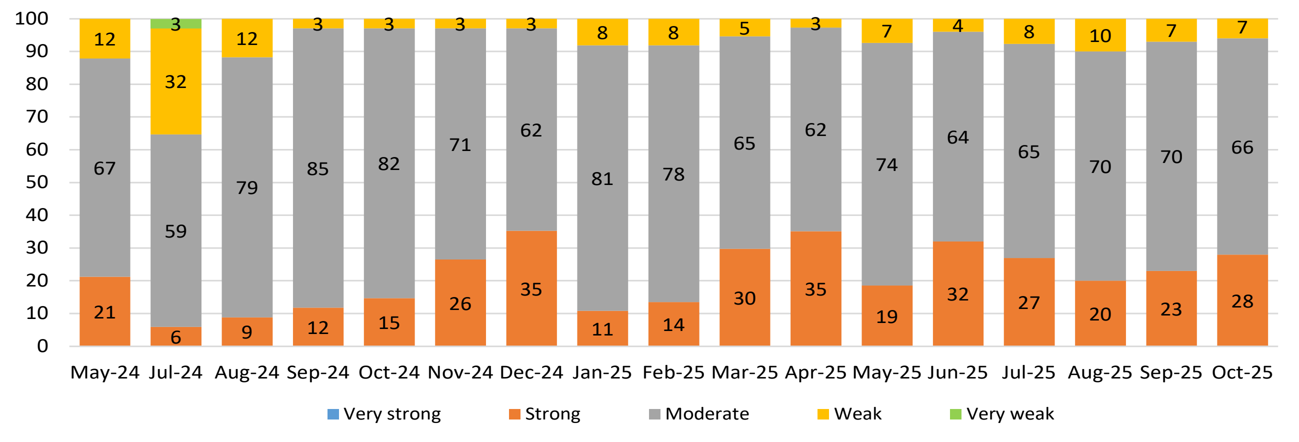
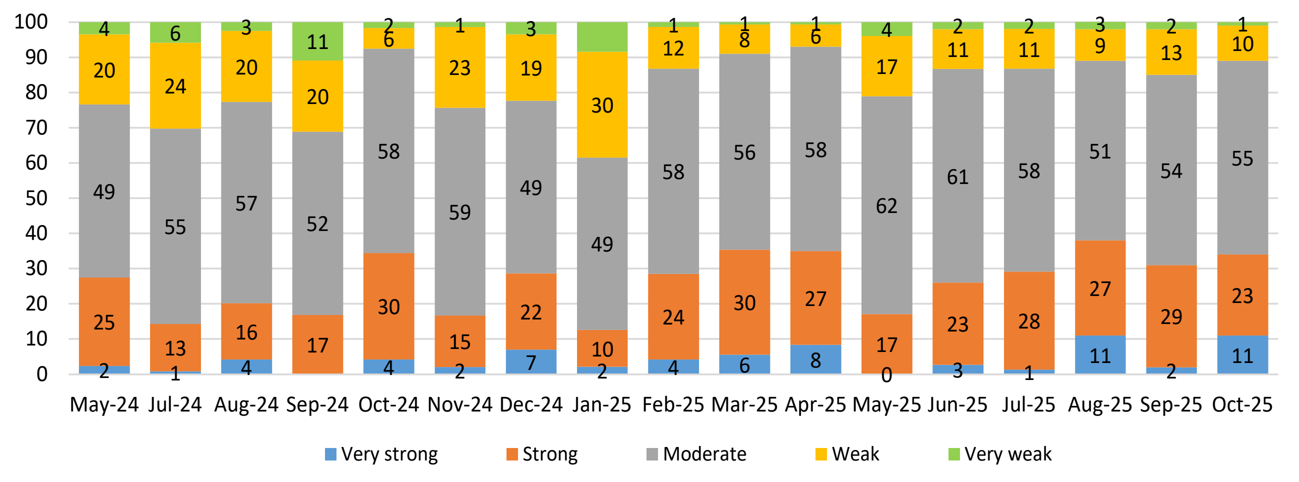


Chart 3: Expected economic activity by non-bank private sector (percent of respondents)



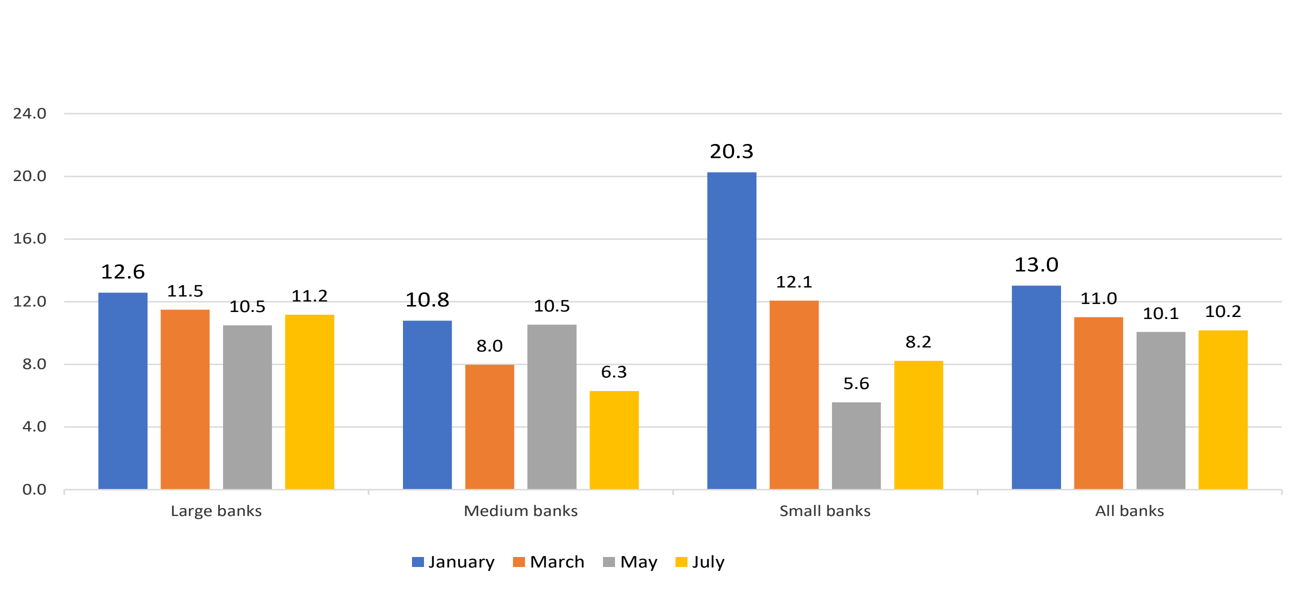
7. PRIVATE SECTOR CREDIT GROWTH EXPECTATIONS

7.1. Growth in private sector credit at end December 2025

The Survey sought to find out from commercial banks by what percentage they expected to grow credit to private sector by end December 2025 compared with end December 2024. Respondents in the July survey increased their expectations on private sector credit growth in 2025 compared to the May survey supported by stable macroeconomic environment, improved liquidity conditions in the banking sector, and recovery of key sectors of the economy; targeted credit facilities by the banks to support MSMEs through risk-sharing guarantee schemes and collaborations with international institutions; scaling up of digital lending platforms by banks to simplify access to credit and enhance credit penetration, particularly among retail clients and micro-entrepreneurs; anticipated continued lowering of bank lending rates which is expected to in turn stimulate loan demand across the retail, SME, and corporate segments; and declining returns on government securities that is likely to push banks to redirect their focus towards private sector lending **(Chart 4).**

However, the risks of elevated credit risk, reduced consumers' purchasing power, low business activities and high cost of doing business are likely to negatively affect credit growth.

Chart 4: Expectations on private sector credit growth 2025 (percent)



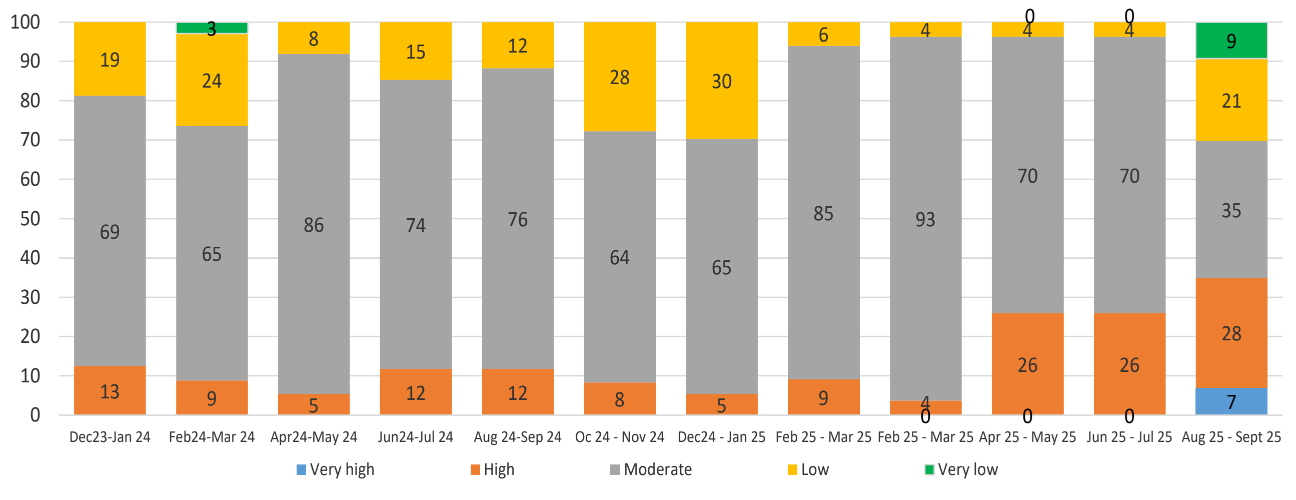
7.2. Expected demand for credit by banks

The Survey requested bank respondents for an assessment of credit demand from their perspective, during the 2 months before the MPC meeting (June and July 2025), and their expectations for August and September 2025. Respondents reported moderate to high demand for credit between June and July and expected increased demand for credit in August and September 2025 **(Chart 5).**

Demand for credit is expected to be supported by declining interest rates, continued economic recovery, improved liquidity in the banking sector following reduction of the yields of Government securities, and leverage on digital lending channels to increase access to credit. Banks anticipate demand for credit to largely emanate from the trade, transport and communication, personal and household, agriculture, manufacturing, and building and construction sectors to meet working capital needs, business expansion, acquisition of new equipment and meet cashflow challenges stemming from delayed settlement of invoices.

However, bank respondents expect credit demand to be tempered by low disposable incomes and high costs of doing business, and concerns over taxation and levies.

Chart 5: Expectations on Demand for credit from banks' perspective (percent of respondents)



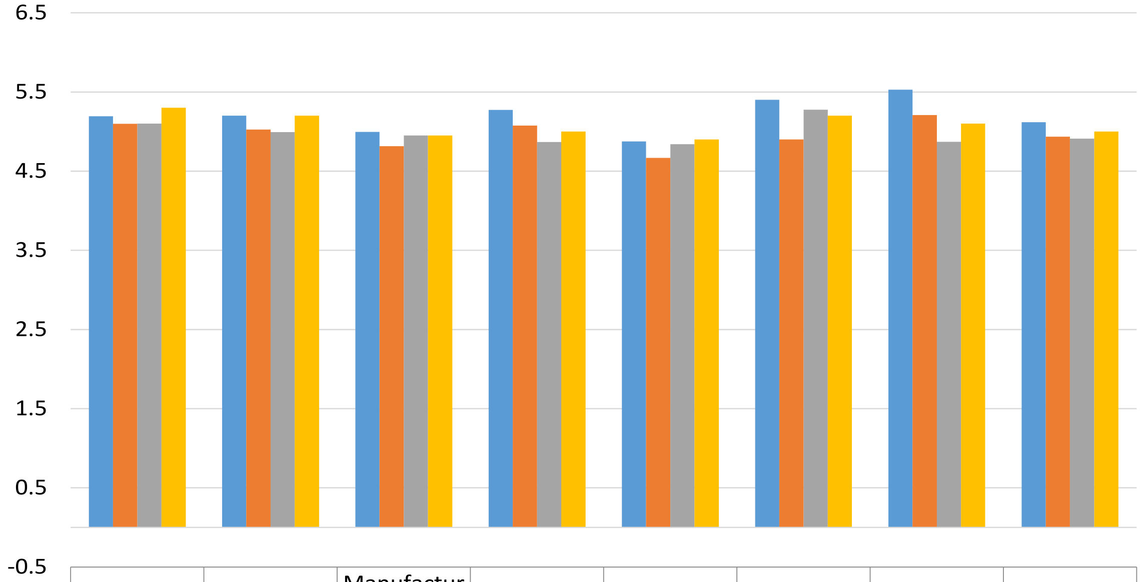
8. EXPECTED ECONOMIC ACTIVITY

The Survey requested participants to indicate their expected economic growth rates for the country in 2025. Most respondents in the banks and non-banks private sector revised upwards their expectations of economic growth in 2025 compared with May, March and January 2025 surveys **(Chart 6).**

Respondents expected agriculture to continue supporting economic performance in 2025 on account of favourable weather conditions and government support measures to the sector. Respondents expected recovery and expansion of business activity in the manufacturing, tourism, financial services, ICT, and professional services sectors. Additionally, the declining lending rates is expected to improve access to credit and stimulate activity across consumer and business segments. The stable macroeconomic environment outlook is expected to sustain investor confidence and economic expansion.

However, the respondents reported the impact of geopolitical tensions and global trade wars on the local economy, subdued consumer demand, fiscal consolidation, high taxation and levies, and the increased cost of doing business as the key risks to the economic growth expectations.

Chart 6: Expectations on economic growth for 2025 (percent)



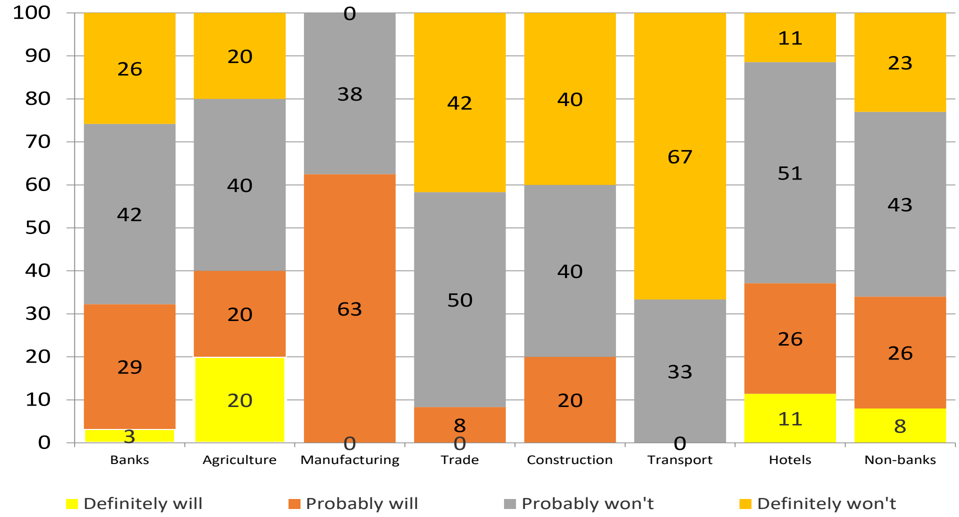
	Banks	Agriculture	Manufacturing	Trade	Real estate	Transport	Tourism	Non-bank
January	5.2	5.2	5.0	5.3	4.9	5.4	5.5	5.1
March	5.1	5.0	4.8	5.1	4.7	4.9	5.2	4.9
May	5.1	5.0	5.0	4.9	4.8	5.3	4.9	4.9
July	5.3	5.2	5.0	5.0	4.9	5.2	5.1	5.0

9. EMPLOYMENT EXPECTATIONS

Respondents were asked about whether they expected to increase the number of employees in 2025 relative to 2024. The results showed that hiring by banks and non-banks is expected to remain unchanged in 2025 relative to 2024. Non-bank players reported slow-down in hiring due to delayed payments from the Government, increased operational costs, taxes and levies and opportunities to leverage on ICT to reduce manual operations **(Chart 7).**

However, banks largely expect to hire more compared with non-banks in 2025 to replace exiting staff due to resignations and retirement, to support continued branch expansion and growth in business, and to attract new talent and diversify skills **(Chart 8).**

Chart 7: Employment expectations for 2025 compared with 2024 (percent of respondents)

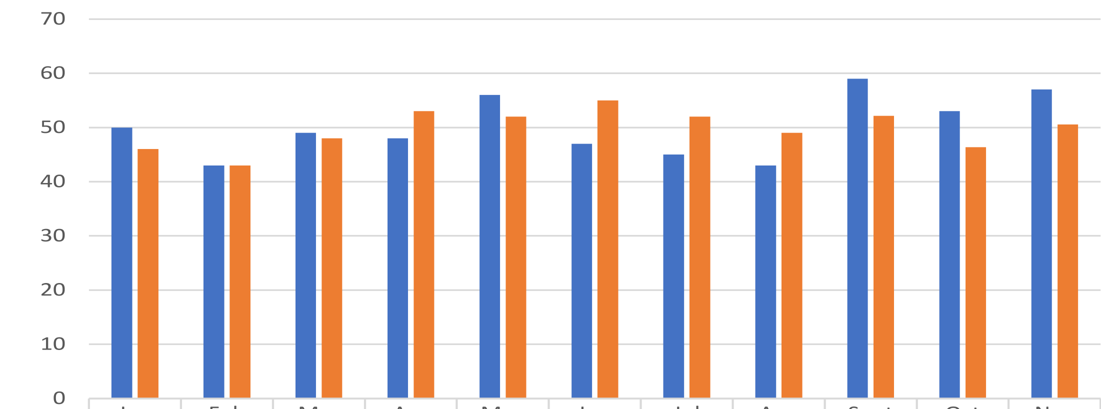


10. OPTIMISM ON THE ECONOMIC PROSPECTS

10.1 Hotel forward bookings

The Survey requested hotel respondents for forward bookings received for August to October 2025. The survey showed that levels of average forward hotel bookings were higher in August 2025, compared to a similar period in 2024 **(Chart 8).**

Chart 8: Average Hotel forward bookings, August – November 2025 (percent of respondents)



	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov
2024	50	43	49	48	56	47	45	43	59	53	57
2025	46	43	48	53	52	55	52	49	52	46	51

Respondents reported that the forward bookings have been affected by factors such as low consumer purchasing power, competition from Airbnbs, and reliance on walk-in clients. They also reported that online systems that provide for short-term booking cycles impacted on the advance bookings **(Chart 8).**

10.2. Optimism on economic prospects in the next 12 months

The Survey requested bank and nonbank private sector firms to indicate how optimistic or pessimistic they were regarding the country's economic prospects in the next 12 months. Overall, respondents expressed sustained optimism about Kenya's economic prospects for the next 12 months **(Charts 9 & 10).**

The optimism was largely attributed to favourable weather conditions that is expected to support improved agricultural production and enhance food security. Stable macroeconomic environment characterized by controlled inflation, stable exchange rates, and declining interest rates are expected to grow credit to private sector and ease financial conditions. The increased business prospects across services sector, particularly tourism and trade as well as the real estate sector remains robust, contributing strongly to overall economic activity.

However, the main risks to this optimism reported by respondents include decline in production of goods due to low demand, high cost of production and taxation and levies; high debt service; and, globally, trade wars and geopolitical tensions.

Chart 9: Optimism in growth prospects by banks (percent of respondents)

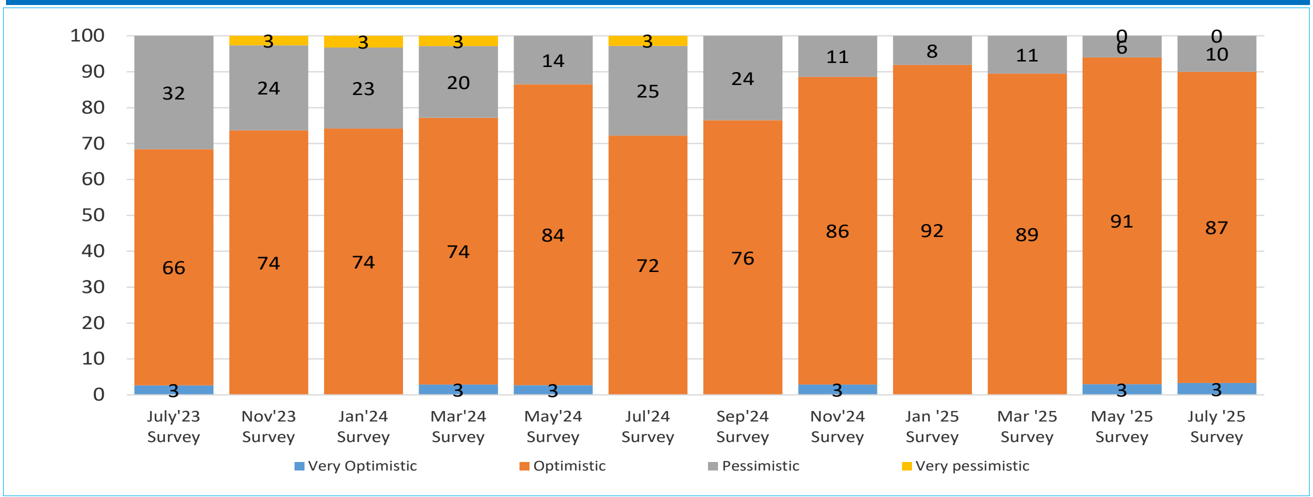
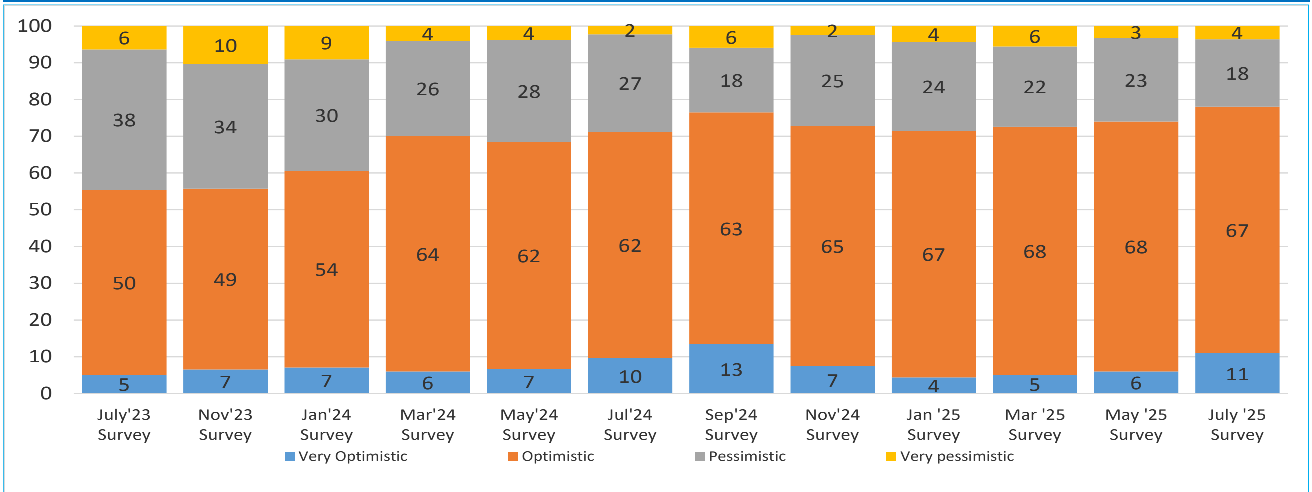


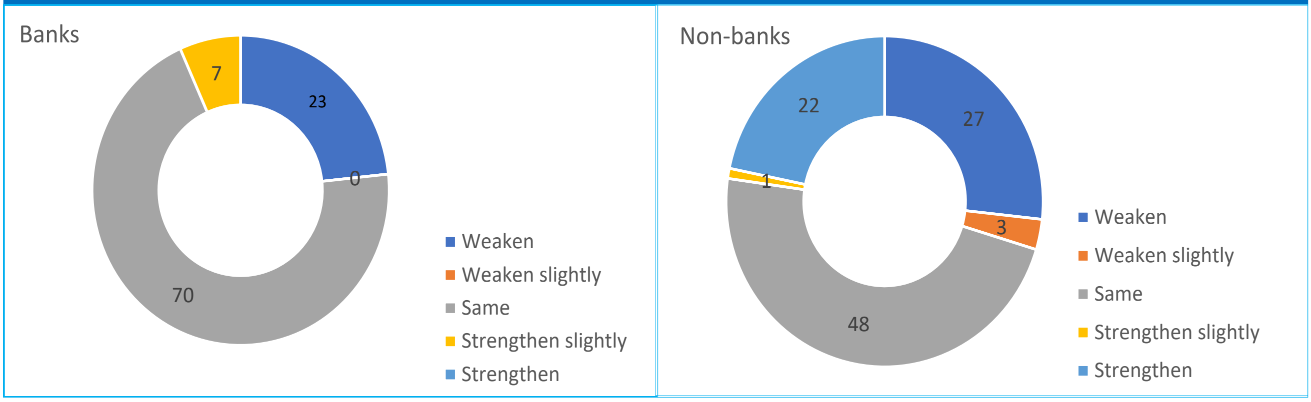
Chart 10 Optimism in growth prospects by non-bank private sector (percent of respondents)



11. EXCHANGE RATE EXPECTATIONS

The Survey sought from bank and non-bank private sector firms their expectations regarding the direction of change in the exchange rate of the Kenya Shilling against the US Dollar in August and September 2025. Respondents expected the exchange rate of the Ksh against the USD to remain stable in the next 2 months **(Chart 11).**

Chart 11: Exchange rate expectations (percent of respondents)



Respondents expected support for the stability of the Kenya Shilling to be strengthened by adequate foreign exchange reserves, rising diaspora remittances, growing export earnings and tourism receipts. However, downside risks to this stability include rising external debt repayments, dividend repatriation, and potential shocks from trade wars and geopolitical tensions.

12. HOW THE BUSINESS ENVIRONMENT COULD BE ENHANCED

The Survey asked respondents to indicate how the business environment could be enhanced.

Respondents highlighted the need for reducing inefficiencies and wasteful public spending to bolster investors and public confidence. They also pointed out the need for timely settlement of pending bills by both national and county governments, noting that this would improve liquidity by easing cashflows challenges, reduce non-performing loans (NPLs), and stimulating broader economic activity. The respondents called for predictable and stable fiscal policies, particularly regarding taxation, with suggestions to reduce personal and SME taxes, and eliminating punitive or overly complex tax regulations. To support business growth, respondents advocated for improved access to affordable financing, including lower interest rates, simplified collateral registration, and expansion of government-backed credit guarantee schemes for SMEs. They also called for lowering of electricity and fuel costs to reduce cost of doing business, especially for the non-bank private sector firms, especially in the manufacturing and agriculture sectors.

The respondents highlighted the importance of creation of public fora for engagement and effective communication between government and citizens and business to ensure that Government addresses challenges effectively. They highlighted the need for prudent debt management, and strengthened regional trade relationships to foster a conducive and competitive business environment.

Central Bank of Kenya

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