



Central Bank of Kenya



MARKET PERCEPTIONS SURVEY

September 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 the 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 target 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 September 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 (July – September 2026), as well as their expectations for the next three months (October – December 2026), the next one year (September 2026 – August 2027), the next two years (September 2026 – August 2028), and the next five years (September 2026 – August 2031).

The Survey also assessed expectations for credit demand over the next two months from banks and over the next 12 months from non-bank private sector firms, as well as expectations of private sector credit growth in 2026 and overall economic growth in 2026 and the medium term. Respondents were further asked to provide their outlook for lending rates over the next one year and inflation over the next three months, one year, and the medium term.

The Survey further examined optimism regarding economic prospects over the next 12 months, average hotel forward bookings for September to December 2026, expectations of economic activity in October, November and December 2026 and employment expectations for 2026 relative to 2025. The Survey also assessed the significance of various factors underlying respondents' expectations.

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 38 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 September 2026 Survey recorded an overall response rate of 65 percent, with responses received from 38 commercial banks, 14 microfinance banks, and 207 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 September 2026 Market Perceptions Survey were as follows:

1. Respondents expect inflation to remain slightly elevated over the next three months, mainly reflecting food supply constraints, higher fuel and transport costs, and global shocks. However, exchange rate stability, prudent monetary policy, and improved harvests are expected to contain inflation around the medium-term target.
2. Respondents expect lending rates to remain broadly stable over the next 12 months, supported by a stable Central Bank Rate (CBR), although inflationary pressures and external uncertainties could influence their trajectory.
3. Respondents expect credit growth to further strengthen, supported by increased financing to MSMEs and the agriculture sector, alongside continued growth in digital lending. However, the pace of credit expansion could be moderated by inflation and global uncertainties.
4. Respondents expect economic activity to remain moderate but resilient in 2026Q4, supported by private sector credit growth and festive-season demand. However, rising inflation, global uncertainties, and risks associated with El Niño conditions could constrain economic activity.
5. Bank respondents expect higher employment in 2026 compared to 2025, reflecting expected business expansion and increased recruitment of permanent and contract staff.

6. Respondents expect economic growth in 2026 and over the next 12 months to be supported by macroeconomic stability, resilient services sector activity, stronger private sector credit and digital lending. Expansion in MSMEs and key sectors, including infrastructure, trade and tourism sectors is also expected to support growth. However, global shocks, oil price volatility, inflationary pressures, and climate-related risks, including El Niño conditions, could temper the outlook.

5. INFLATION EXPECTATIONS

In the Survey, respondents were asked to provide their expectations for overall inflation over the next three months (September to November 2026), the next 12 months (September 2026 – August 2027), the next two years (September 2026 – August 2028), and the next five years (September 2026 – August 2031). Respondents expect inflation to remain slightly elevated over the next three months, mainly reflecting food supply constraints, higher fuel and transport costs, and global shocks (**Chart 1**).

5.1. Short term Inflation expectations

Respondents expect inflationary pressures to remain elevated over the next three months, mainly due to higher food, fuel and energy prices. Rising energy costs are expected to increase transport, electricity, production and distribution costs, while global commodity price developments and geopolitical tensions could sustain imported inflation.

Chart 1: Short term inflation expectations (percent)



Food price pressures are expected to persist due to supply constraints, lower output from the long rains seasonal factors and distribution challenges. However, improved agricultural production following the short rains and increased storage capacity are expected to enhance food availability and moderate prices.

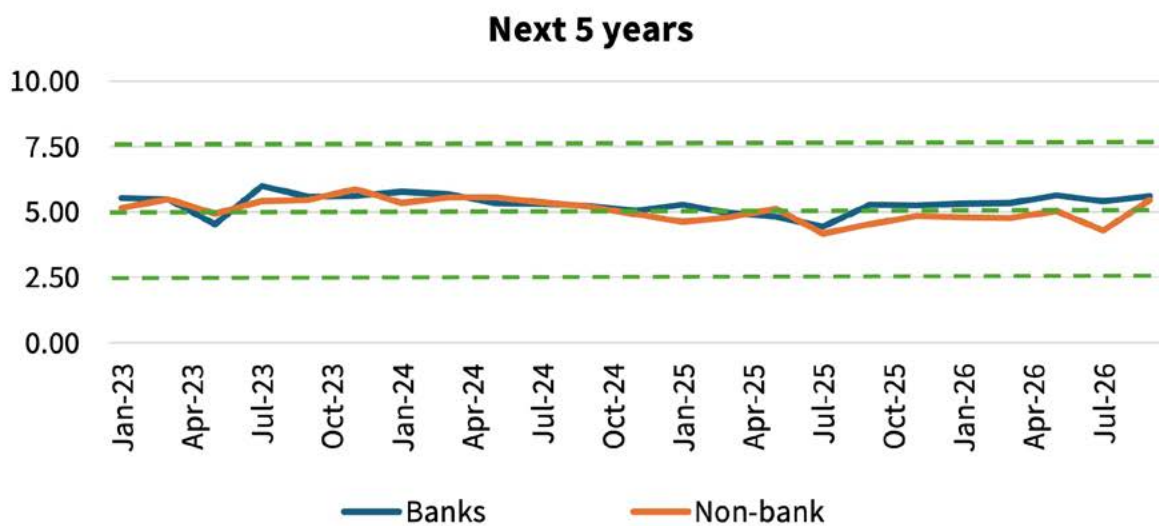
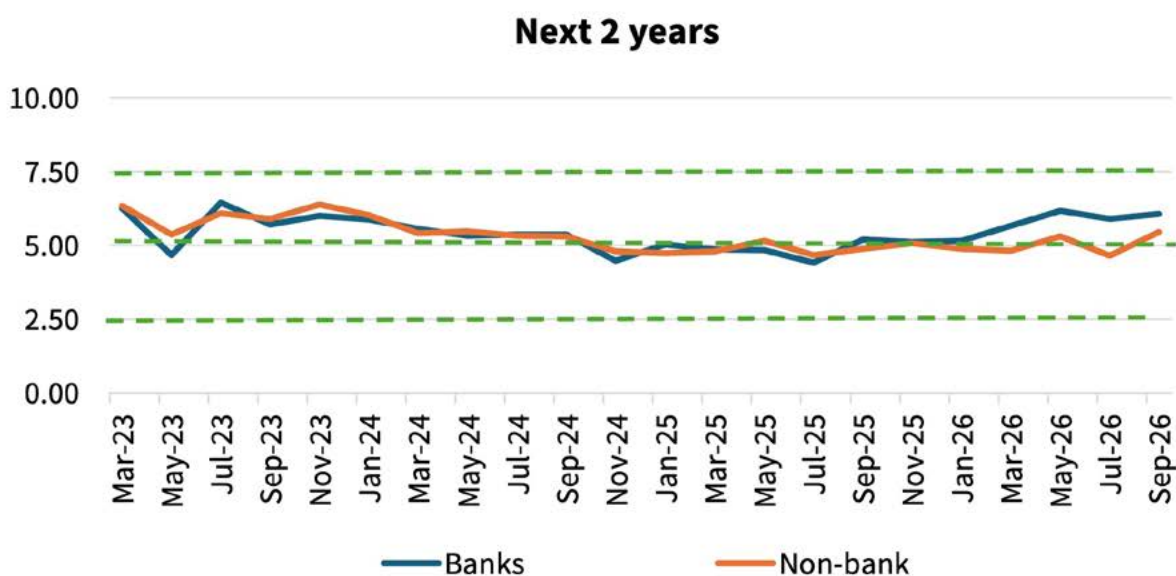
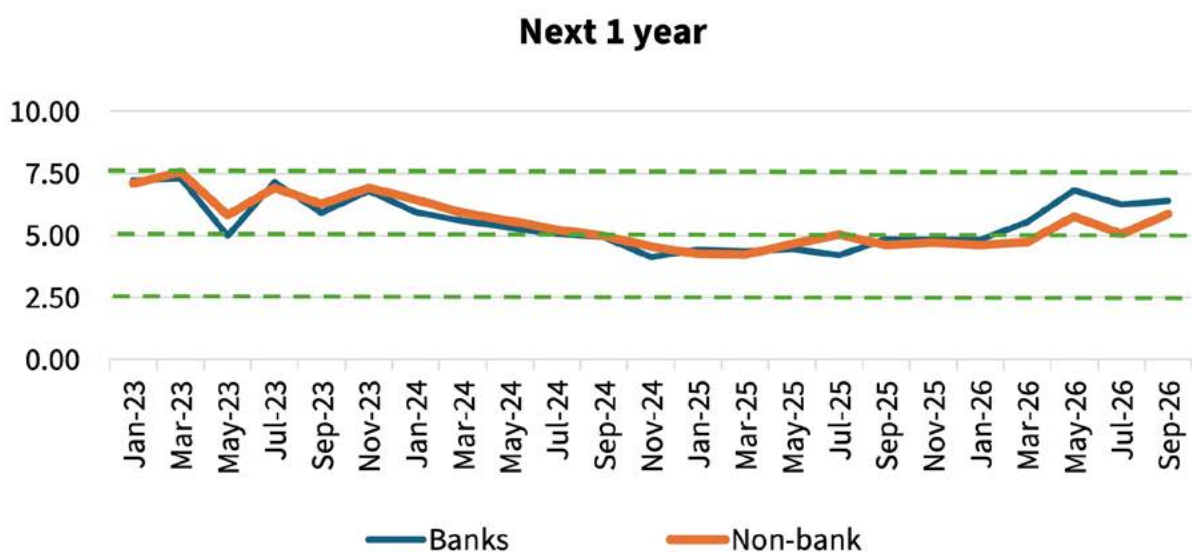
Inflationary pressures are also expected to be moderated by exchange rate stability and stabilization of global oil prices and the monetary policy stance, which is expected to continue anchoring inflation expectations. Government measures to contain inflation could further support price stability.

5.2. Medium term inflation expectations

Respondents expect inflation to remain anchored around the midpoint of the target range over the medium term, supported by stable macroeconomic conditions and favourable supply-side developments. Exchange rate stability and adequate foreign exchange reserves are expected to contain imported inflation, while improved agricultural output, supported by favourable rainfall, farm input subsidies and improved food supply chains, is expected to moderate food price pressures.

Stable domestic energy prices are expected to cushion households and businesses from higher input costs, while continued policy credibility and appropriate interventions are expected to reinforce the anchoring of inflation expectations over the medium term. Nonetheless, global commodity price developments, weather-related shocks and geopolitical uncertainties remain key risks to the outlook **(Chart 2)**.

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



6. ECONOMIC ACTIVITY

The September 2026 Market Perceptions Survey assessed respondents' views on economic activity in July - September 2026 and their expectations for the final quarter of 2026. Overall, respondents expect moderate activity in October and November,

with stronger momentum anticipated in December, supported by credit expansion, infrastructure spending, and increased festive-season demand (**Charts 3 & 4**).

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

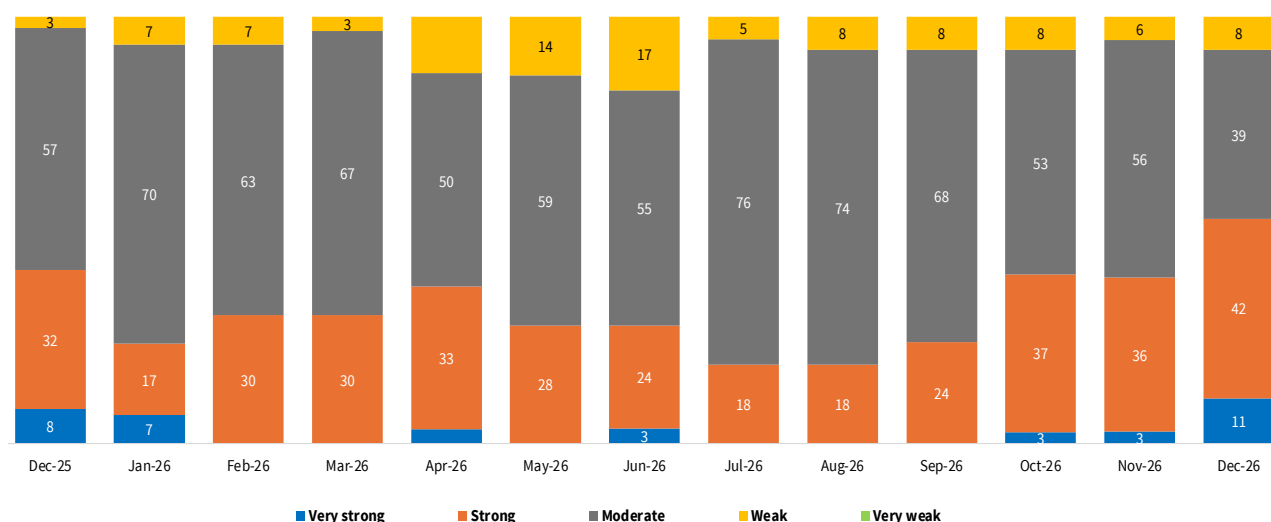
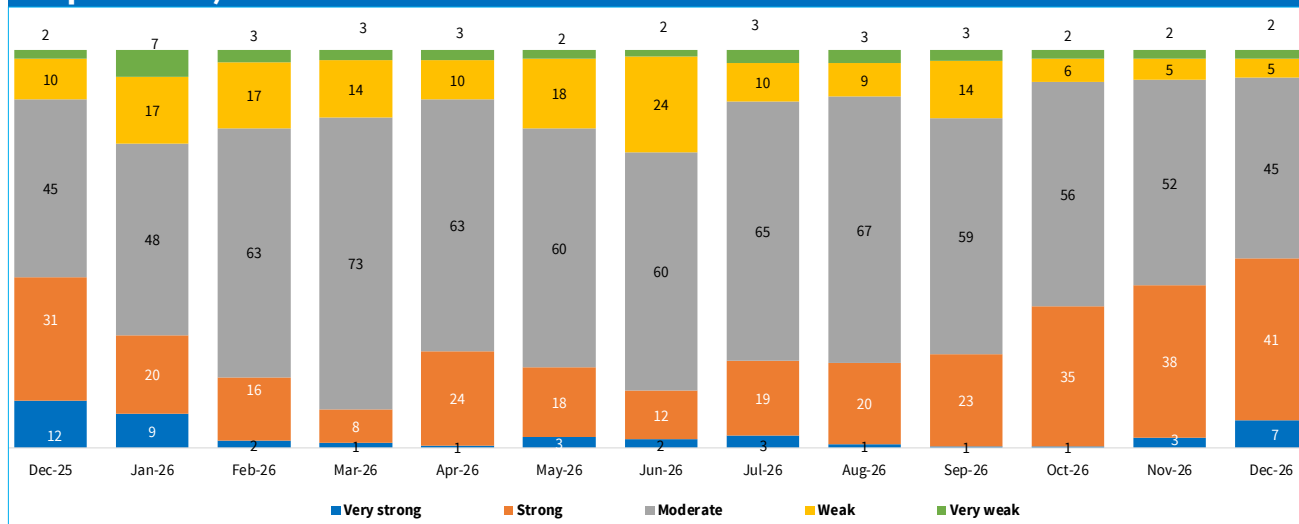


Chart 4: Expectations on economic activity by non-bank private sector (percent of respondents)



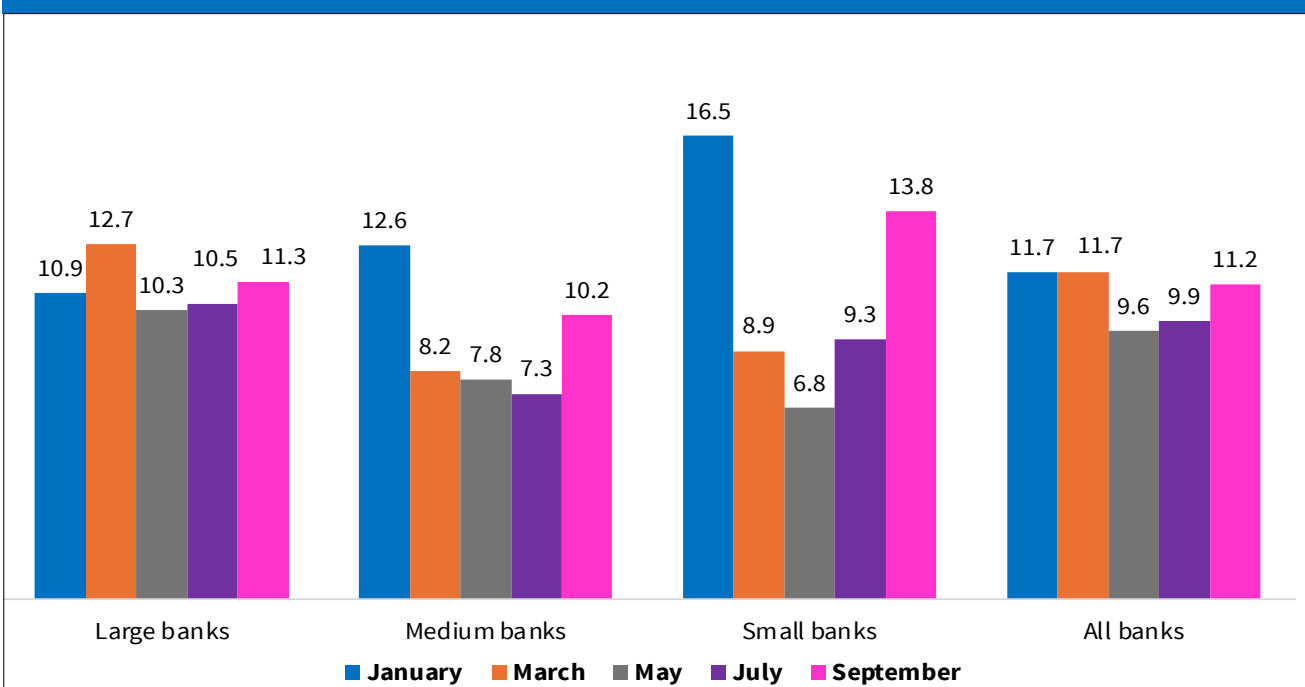
7. PRIVATE SECTOR CREDIT GROWTH EXPECTATIONS

7.1. Expectations on private sector credit growth in 2026 relative to 2025

The September survey assessed commercial banks' expectations for private sector credit growth by end December 2026, relative to end December 2025. Banks projected overall credit growth of 11.2 percent, up from 9.9 percent in the July survey. Small banks expected the highest growth at 13.8 percent, followed by large banks at 11.3 percent and medium banks at 10.2 percent. Respondents expected growth to be driven by financing commitments and partnerships targeting micro, small and medium enterprises (MSMEs), stronger domestic demand, and increased lending to agriculture, food value chains,

trade, construction, energy and manufacturing. The expansion of retail and digital lending channels was also expected to improve access to credit. Low and stable lending rates, adequate liquidity, accommodative monetary policy and a stable exchange rate were cited as supportive conditions for borrowing, trade and business confidence. However, respondents identified inflation and interest rate pressures, cautious borrowing by corporates and households despite lower lending rates, and a seasonal slowdown in production in the fourth quarter of 2026 as potential constraints to credit growth (Chart 5).

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

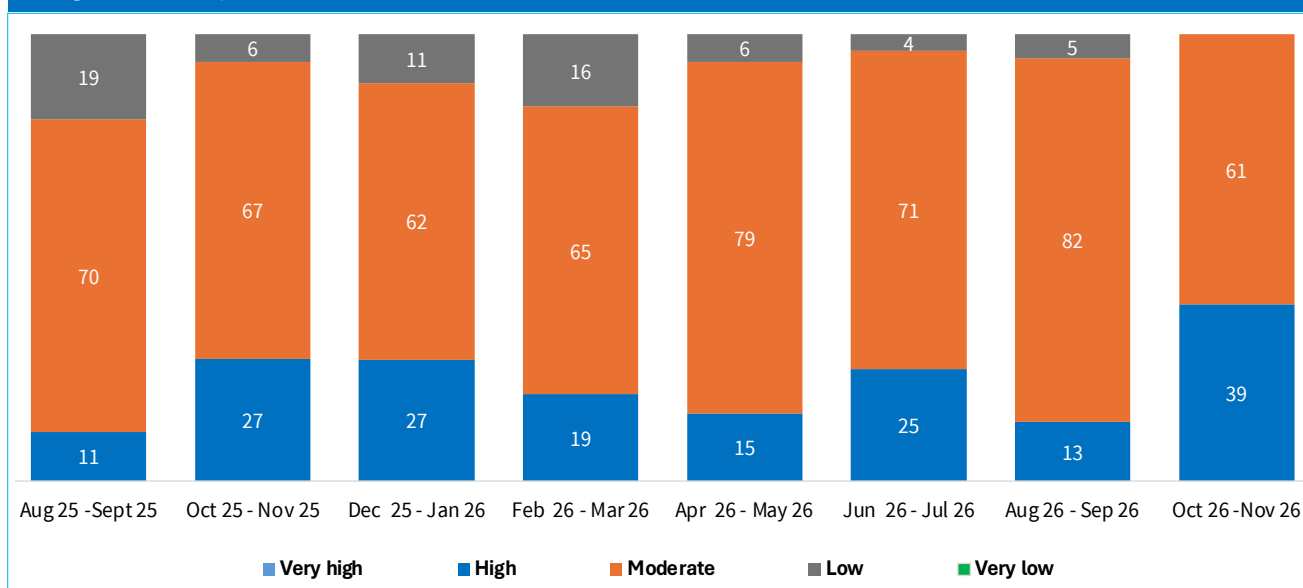


7.2. Expectations on demand for credit by banks

The Survey assessed banks' views on credit demand over the two months preceding the MPC meeting (August – September 2026) and expectations for October – November 2026. Respondents anticipate moderate to strong credit demand, supported by

seasonal working capital and inventory financing, agricultural financing, SME activity, infrastructure projects and trade. Stable lending rates, stable CBR and contained inflation, alongside expanding digital lending and banks' focus on MSMEs and key sectors, are expected to support credit uptake (Chart 6).

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



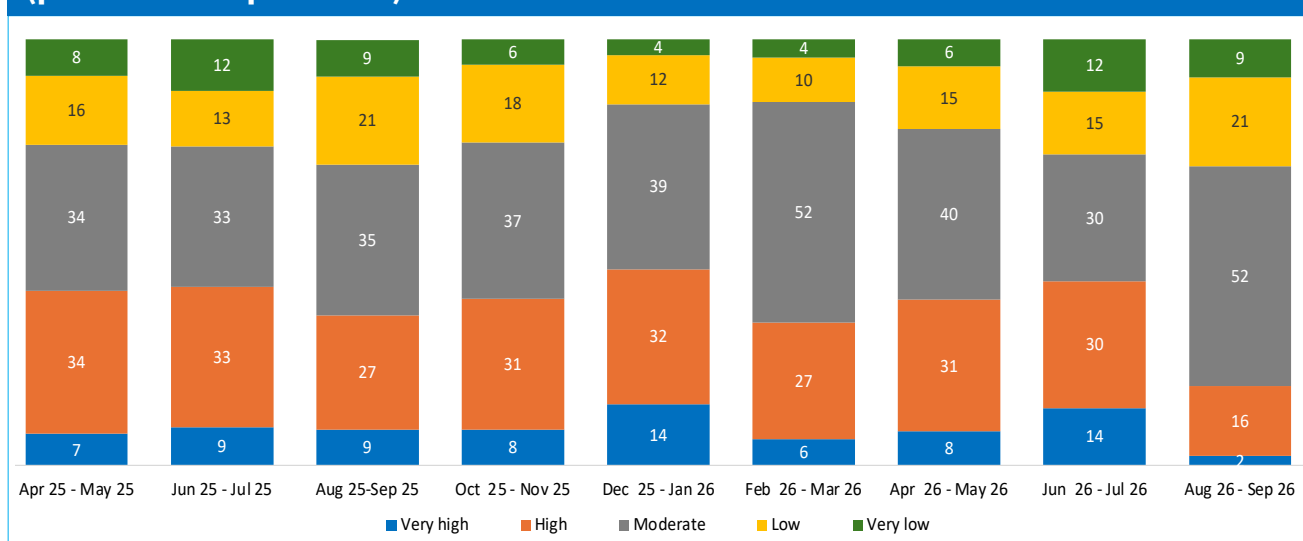
However, higher fuel and operating costs, and reduced consumer purchasing power could constrain borrowing.

Respondents further noted that selective lending based on portfolio quality and borrowers' repayment capacity may further limit access to credit, particularly for smaller firms, prompting some businesses to rely on retained earnings and internal cash flows.

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

The Survey sought non-bank private sector firms' expectations of credit demand over the next twelve months. The results indicated that demand for credit is expected to remain moderate to high, mainly driven by business expansion, investment, working capital requirements, and seasonal financing needs (**Chart 7**).

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



However, high borrowing costs, stringent lending conditions, including collateral requirements and lengthy loan approval processes, limited capacity

to service existing loans, subdued demand and geopolitical uncertainty could constrain new borrowing.

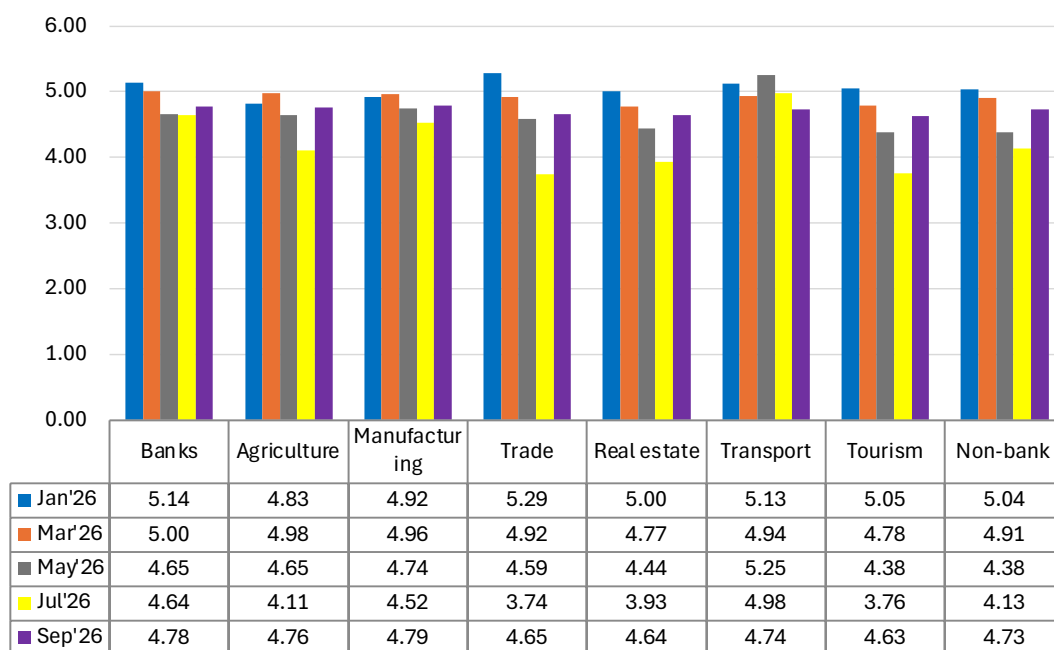
8. EXPECTATIONS ON ECONOMIC GROWTH

8.1. Expectations on economic growth in 2026

The Survey assessed respondents' expectations for economic growth in 2026 relative to 2025, and over the medium-term (2027–2031).

Survey findings show that respondents expect moderate economic growth in 2026, supported by resilient services, agricultural and industrial sectors, alongside accommodative monetary conditions **(Chart 8)**.

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



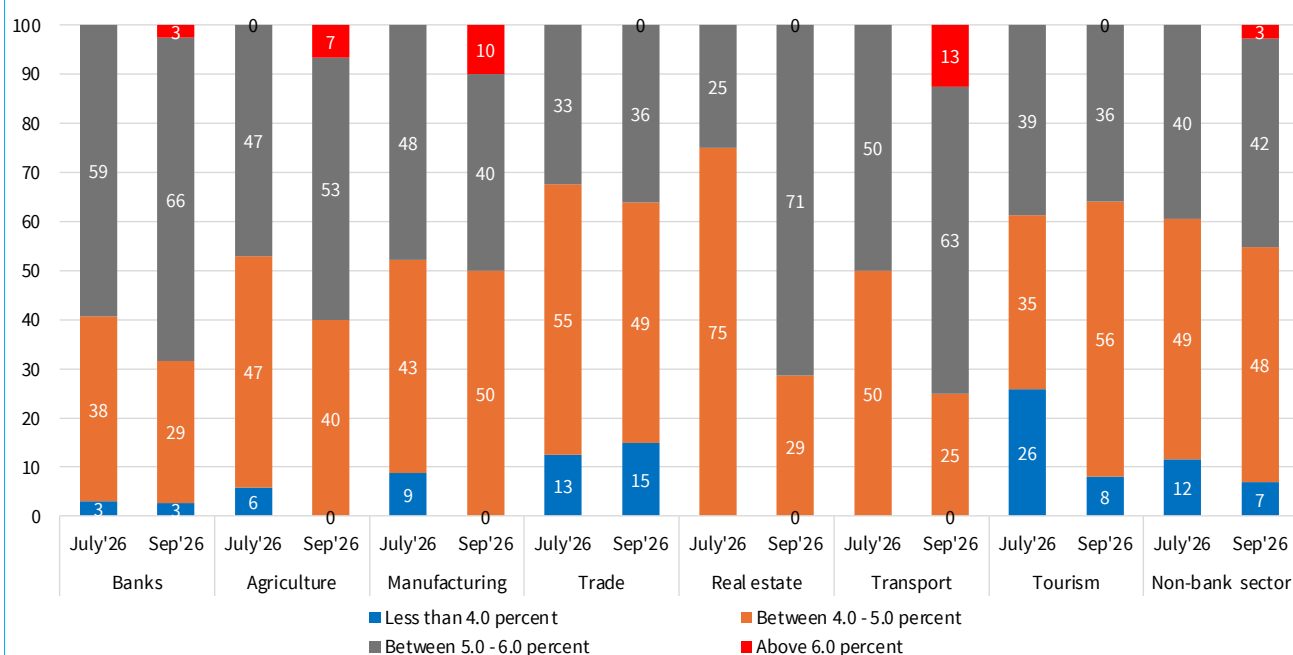
The Survey also assessed expectations for credit demand over the next two months from banks and over the next 12 months from non-bank private sector firms, as well as expectations of private sector credit growth in 2026 and overall economic growth in 2026 and the medium term. Respondents were further asked to provide their outlook for lending rates over the next one year and inflation over the next three months, one year, and the medium term.

The Survey further examined optimism regarding economic prospects over the next 12 months, average hotel forward bookings for September to December 2026, expectations of economic activity in October, November and December 2026 and employment expectations for 2026 relative to 2025. The Survey also assessed the significance of various factors underlying respondents' expectations.

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

Over the medium term (2027 –2031), respondents expect economic growth to be moderate, averaging about 4.5 percent in 2027 due to potential El Niño-related weather shocks and geopolitical uncertainties, before recovering to above 5.0 percent in 2028 – 2029. The recovery is expected to be driven by infrastructure investment in housing, transport, energy and digital systems; resilient services and agriculture supported by irrigation and investment across agricultural value chains; private sector credit growth and lower borrowing costs; and digital transformation, including advances in artificial intelligence and automation **(Chart 9)**.

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



Regional trade integration, including opportunities under AGOA and continental trade frameworks, is also expected to support exports and strengthen economic growth.

The outlook remains subject to significant domestic and external risks, including geopolitical tensions,

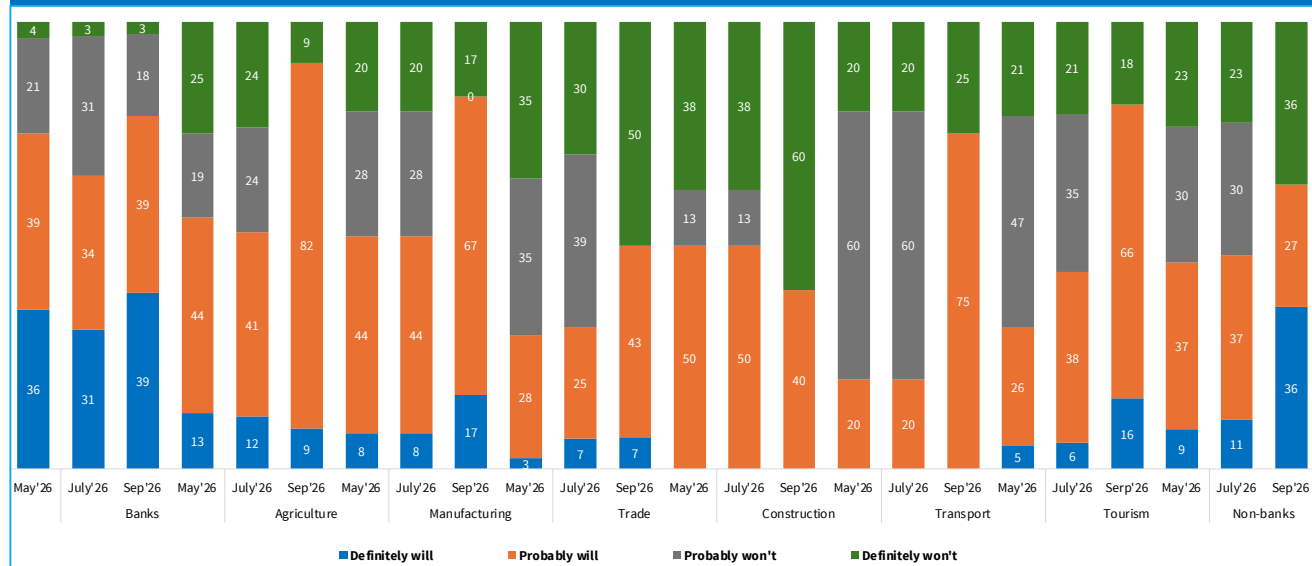
commodity price volatility, protectionist trade policies, climate-related shocks and elevated public debt and current accounts deficits. Structural challenges – unemployment, reduced household incomes, and high cost of living – could further constrain domestic demand and private sector activity.

9. EMPLOYMENT EXPECTATIONS

The Survey assessed respondents' employment expectations for 2026 relative to 2025. Findings indicate that employment is expected to remain

broadly stable, with banks anticipating stronger hiring compared to non-bank private sector firms (**Chart 10**).

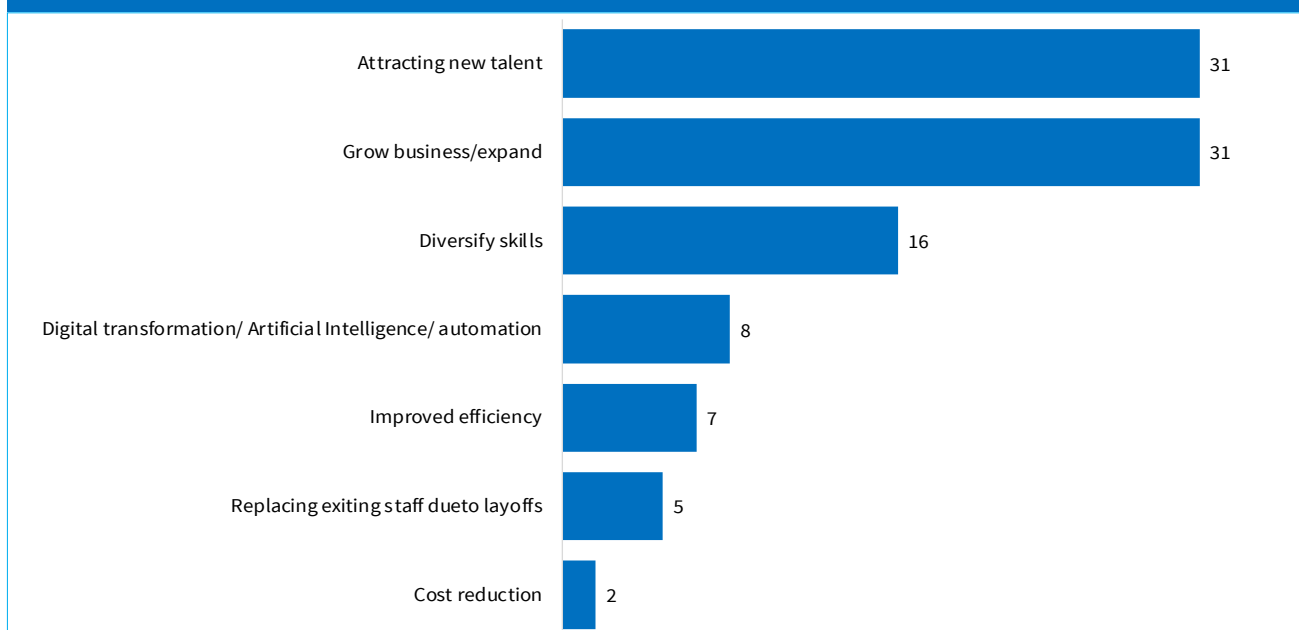
Chart 10: Hiring outlook for 2026 relative to 2025 (percent of respondents)



Respondents indicated that employment plans were driven by business expansion, attraction of

new talent, skills diversification, cost reduction, and efficiency improvements **(Chart 11)**.

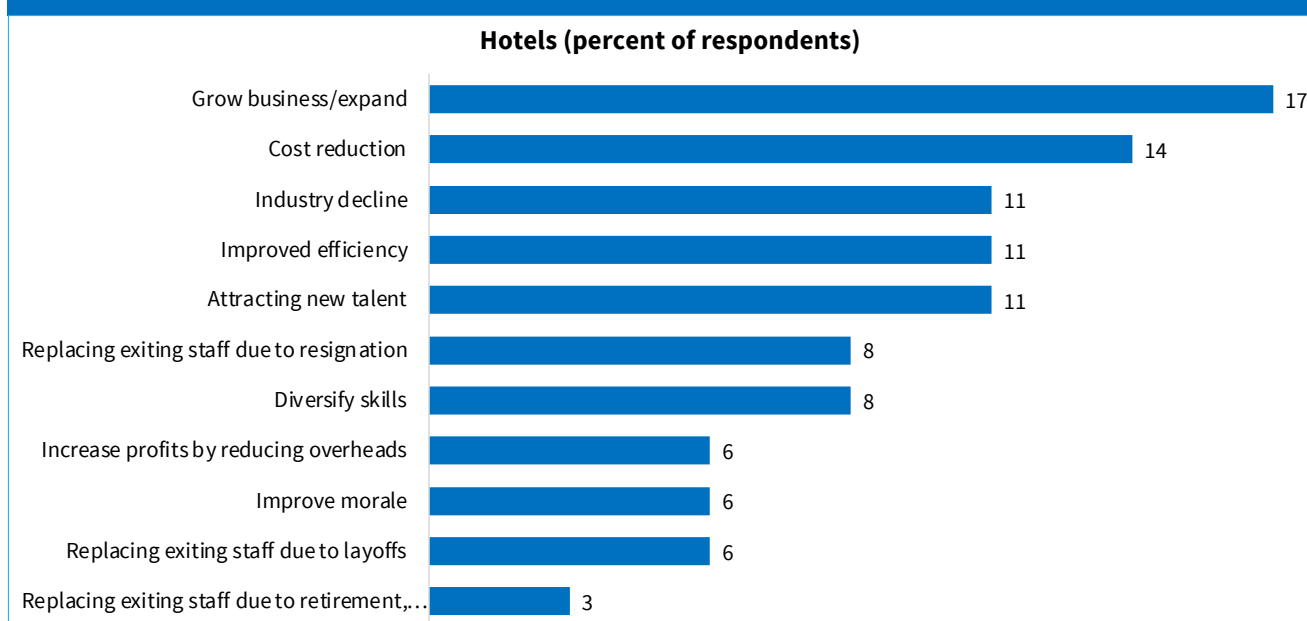
Chart 11: Factors affecting employment expectations by banks in 2026 (percent of respondents)



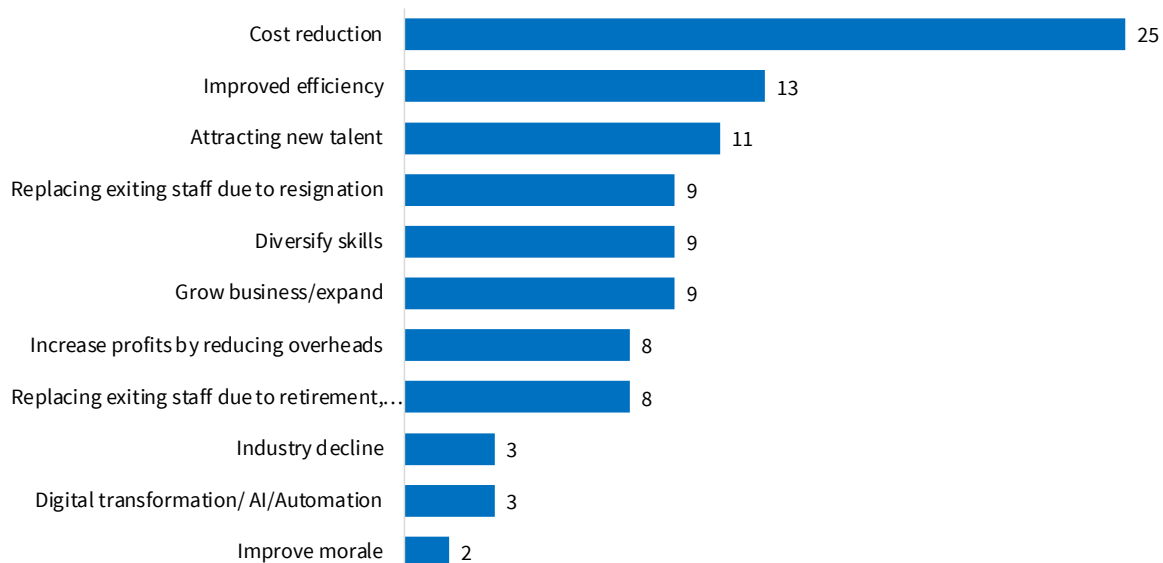
Respondents reported that employment plans were shaped by cost reduction strategies, business expansion and efforts to improve efficiency. Trade and transport firms primarily cited cost reduction, while agriculture and hospitality firms emphasized expansion. Real estate firms pointed to industry

decline and cost-cutting measures, alongside digital transformation and automation. In addition, staff replacement, recruitment of new talent and diversification of skills were highlighted as key factors influencing employment decisions across several sectors **(Chart 12)**.

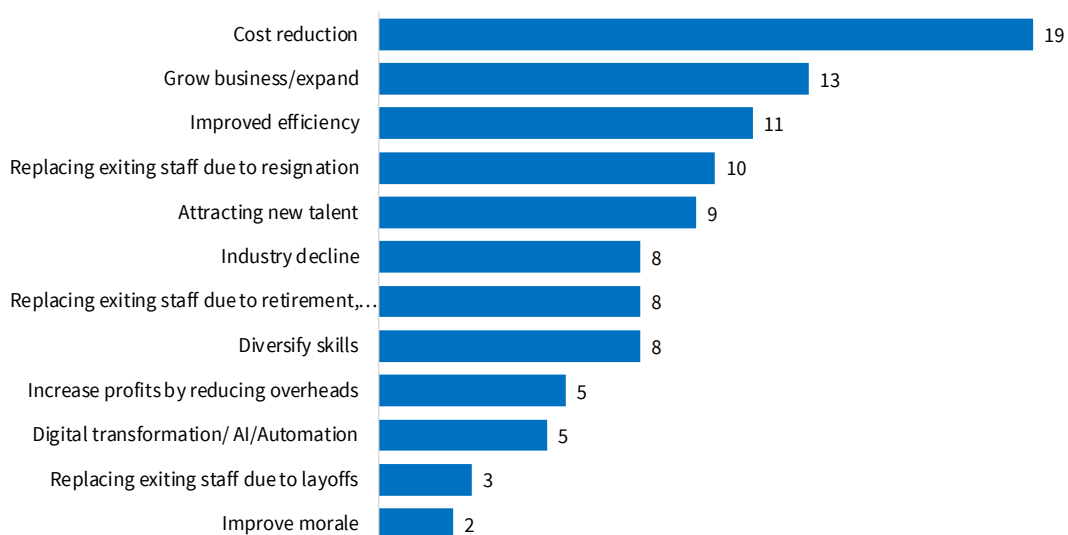
Chart 12: Factors affecting employment expectations by non-bank private sector in 2026 (percent of respondents)



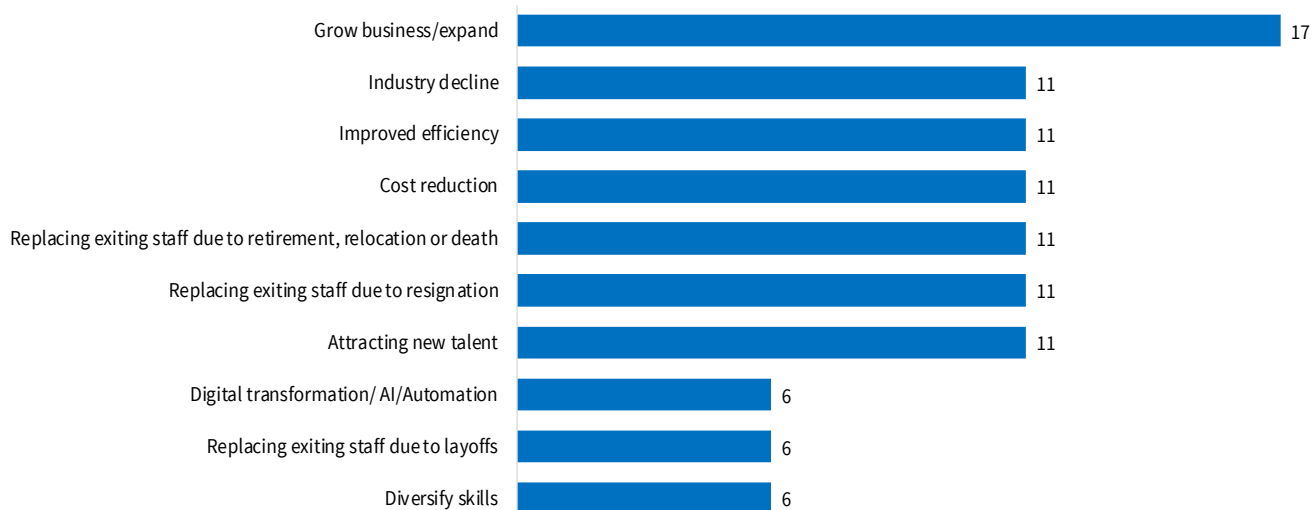
Trade (percent of respondents)

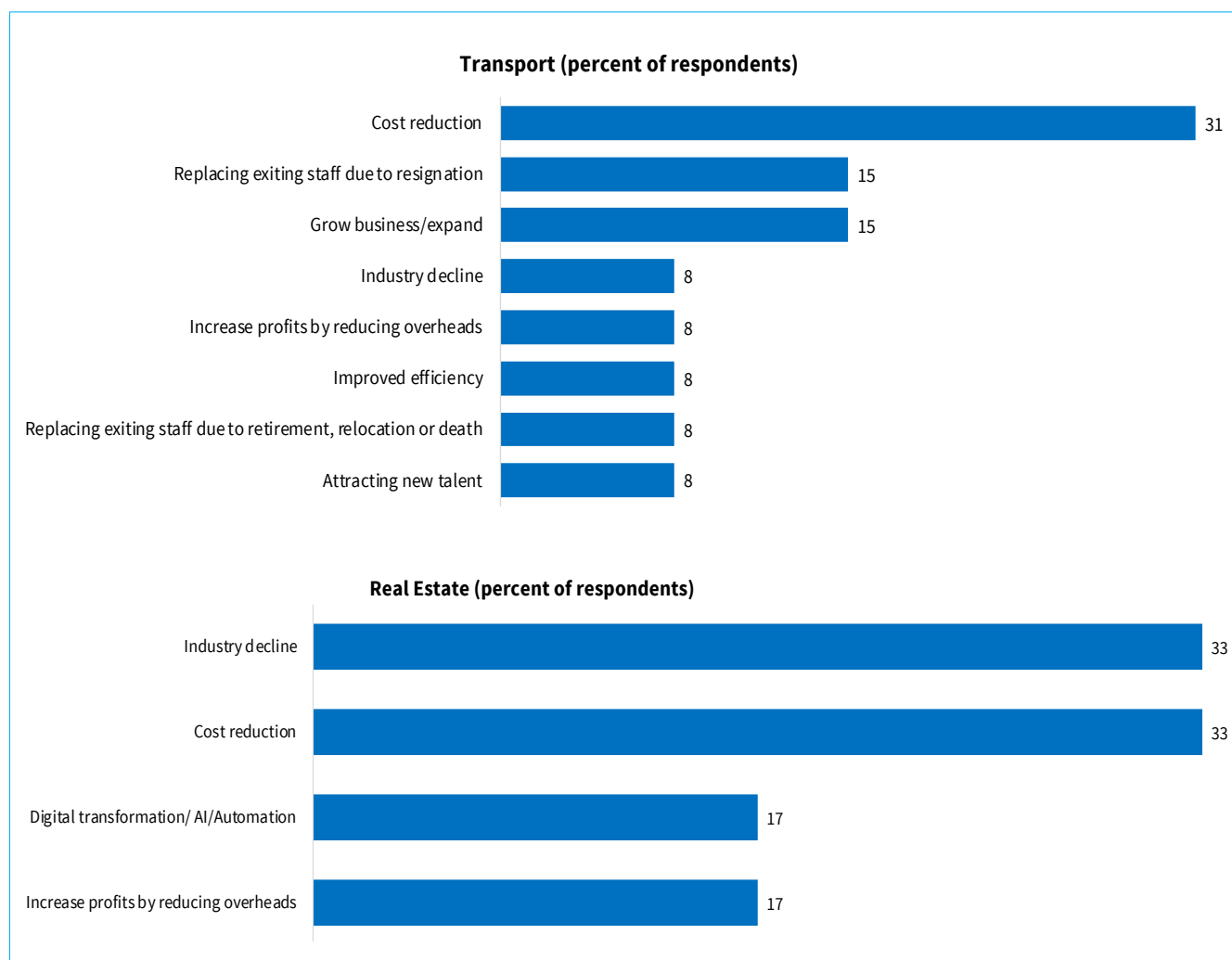


Non-bank Private Firms (percent of respondents)



Agriculture (percent of respondents)





10. OPTIMISM ON THE ECONOMIC PROSPECTS

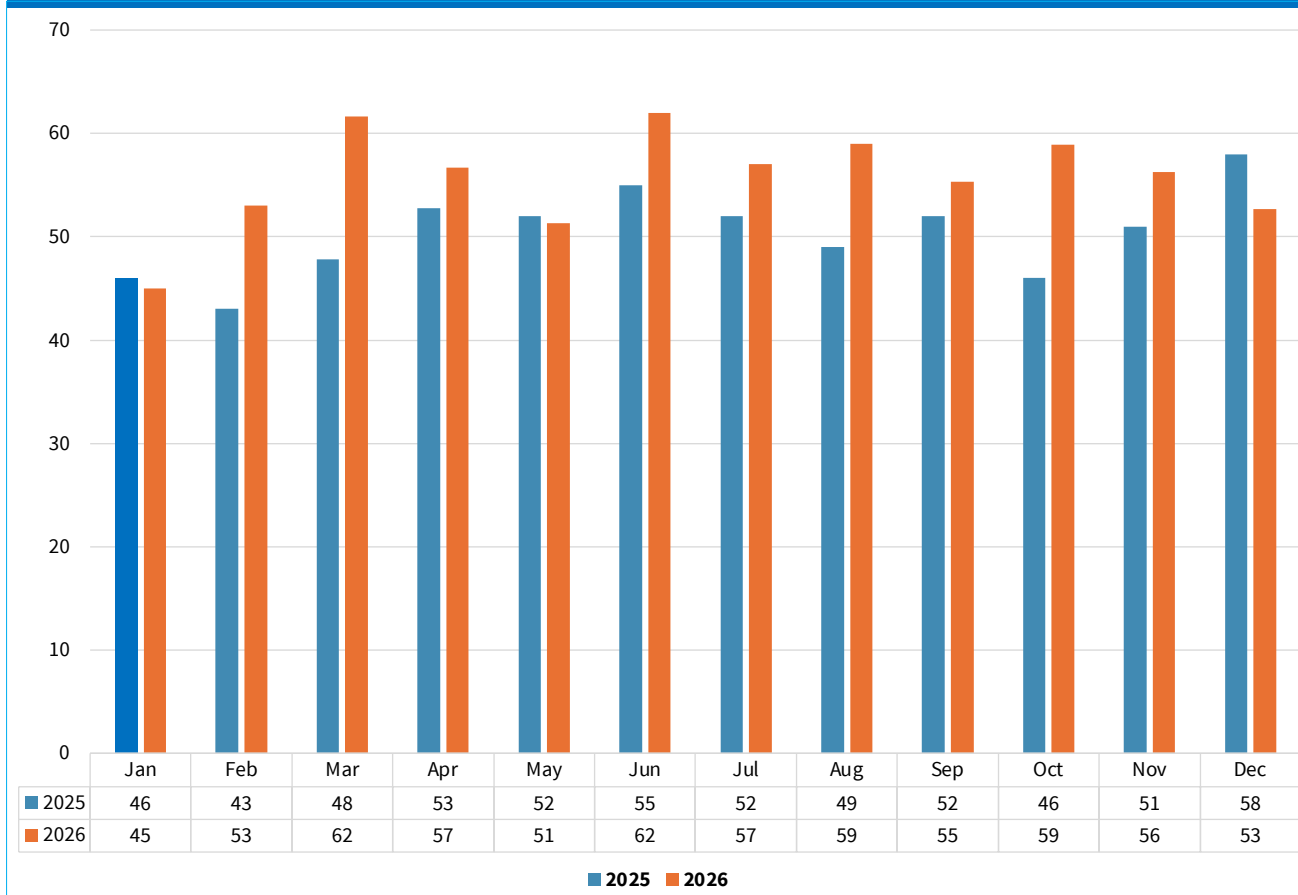
The Survey evaluated hotel forward bookings for October – December 2026 and respondents' optimism regarding Kenya's economic growth prospects over the next twelve months.

10.1. Hotel forward bookings

Forward hotel bookings point to resilient demand in the fourth quarter of 2026, supported by safaris, conferences, government and corporate events, and

local festivals. Partnerships with travel agents and tour operators, together with targeted marketing initiatives, are also expected to reinforce bookings. Demand is projected to strengthen further in December, driven by the festive season, school holidays, domestic travel, and international tourist arrivals – particularly in Nairobi and other major urban centres (**Chart 13**).

Chart 13: Average hotel forward bookings (September – December 2026)



10.2. Optimism on economic prospects in the next 12 months

The Survey sought banks and non-bank firms' views on Kenya's economic prospects over the next 12 months. Respondents indicated sustained optimism about Kenya's economic outlook, supported by

private sector credit expansion, infrastructure investment, and positive benefits from short rains **(Charts 14 & 15)**.

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

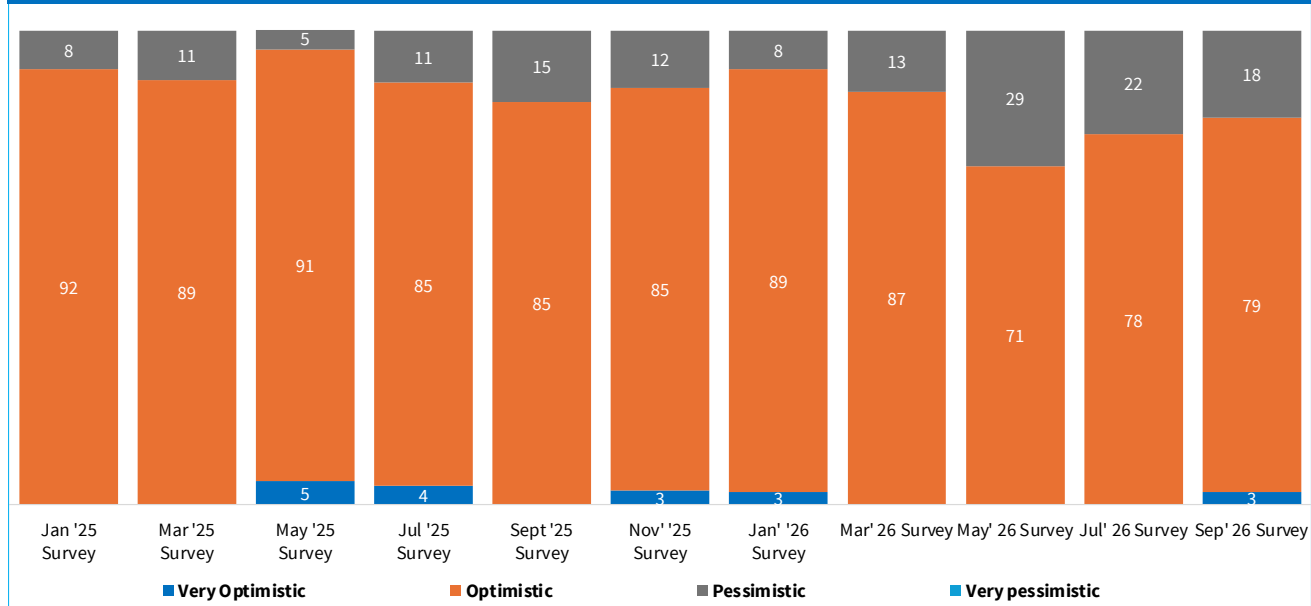
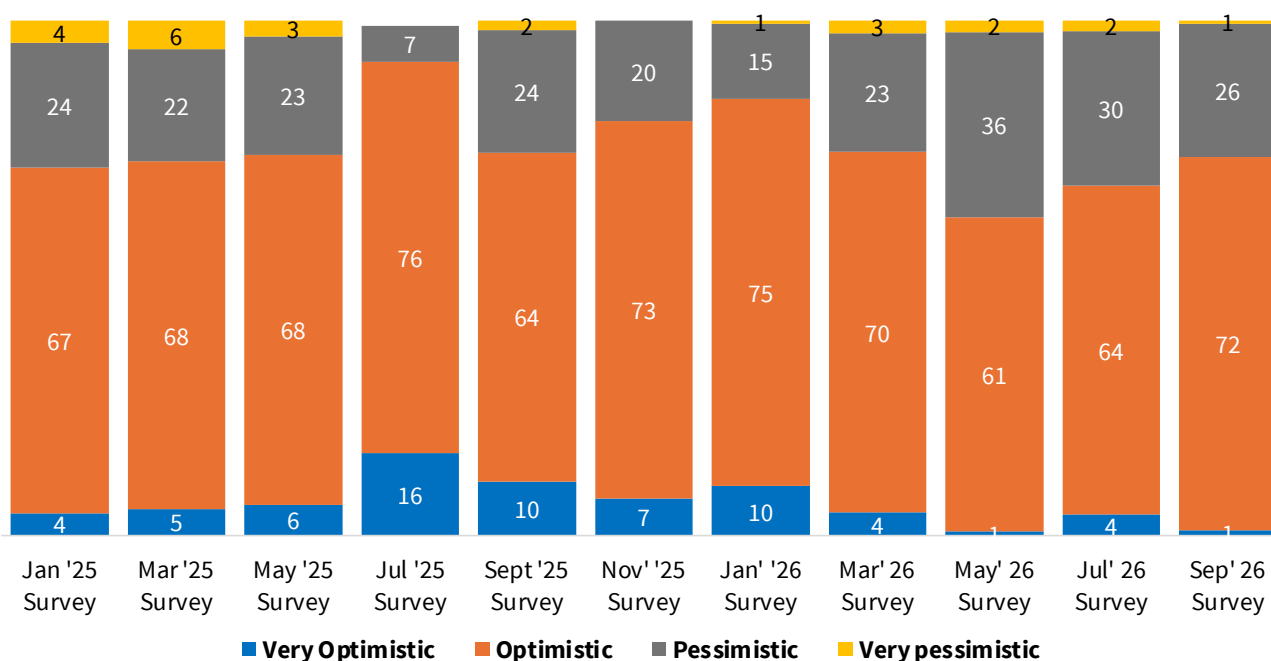


Chart 15: Optimism in growth prospects by non-bank private sector (percent of respondents)



Respondents attributed their optimism to improved credit conditions, with lower lending rates and adequate liquidity expected to support household consumption, investment, and working-capital financing. Favorable short rains are also expected to boost agricultural production, rural incomes, and hydropower generation.

Infrastructure and affordable housing projects – including Public-Private Partnerships (PPPs) projects, together with digital innovation and investment in emerging activities, such as data centres and refinery projects, are expected to stimulate construction, create employment opportunities and economic activity.

Adequate foreign exchange reserves, exchange rate stability, and sustained inflows from remittances, tourism, and exports are also expected to reinforce economic resilience and bolster investor confidence.

Nonetheless, global conflicts, elevated energy prices, and higher global borrowing costs could increase production and transport costs. Excessive rainfall associated with the risk of a very strong El-Nino could disrupt agriculture and supply chains, while high public debt, fiscal consolidation and pending bills could constrain economic activity.

11. HOW THE BUSINESS ENVIRONMENT COULD BE ENHANCED

The September 2026 Survey sought respondents' recommendations for improving the business environment. Key suggestions included timely VAT refunds and the establishment of a stable medium-term tax framework to support business planning and investment.

Respondents also emphasized the need to expand access to affordable credit, particularly for SMEs, through lower lending rates, longer-tenure financing, and enhanced transmission of monetary policy to lending rates. They further recommended reducing the cost of doing business by ensuring lower and more predictable energy, fuel and water costs, improving infrastructure and logistics, and ensuring timely settlement of government pending bills.

Respondents also recommended maintaining macroeconomic stability, prudent government spending and borrowing, and predictable policies to support business confidence and investment. Sector-specific measures were also proposed, including support for tourism through improved marketing, security and infrastructure, moderation of park fees and licensing costs, and promotion of domestic tourism. For agriculture and manufacturing, respondents recommended affordable inputs, improved market access, value addition and targeted incentives.

Finally, respondents underscored the importance of strengthening governance and the overall business environment through enhanced security, reduced corruption, efficient public services, digital transformation, and greater use of Public-Private Partnerships (PPPs) to support investment and sustainable economic growth.



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