



Central Bank of Kenya



MARKET PERCEPTIONS SURVEY

January 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 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, focussing 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 January 2026 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 (November 2025, December 2025 and January 2026), expectations for the next three months (February, March and April 2026), the next one year (January – December 2026), the next two years (January – December 2027), and the next five years (January – December 2030).

The Survey also inquired about respondents' views on the levels of expected demand for credit over the next two months and expected private sector credit growth in 2026. In addition, the Survey assessed market expectations regarding economic growth in 2025 and 2026, as well as over the medium term. Moreover, respondents were asked to give their expectations about lending rates over the next one year, demand for credit in the next two months, and inflation over the next three months, one year and over the medium term.

Other areas covered by the Survey included levels of optimism regarding the economic prospects over the next 12 months, monthly hotel activity including bed occupancies, restaurant services, and conferencing services for September – December 2025, monthly hotel forward booking levels for January - April 2026, and employment expectations for 2026 relative to 2025. 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 357 private sector firms comprising 37 commercial banks, 14 microfinance banks (MFBs) and 306 non-bank private firms, including 96 hotels, through questionnaires administered online, and via email and hard copies. The overall response rate to the January 2026 Survey was 64 percent of the sampled institutions. The respondents comprised 36 commercial banks, 13 micro-finance banks, and 178 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 January 2026 Market Perceptions Survey included:

1. Respondents expect overall inflation to remain below the midpoint of the target range over the next three months and in the medium term, supported by exchange rate stability and moderate global oil prices.
2. Respondents expect increased economic activity in February to April 2026, driven by rising private sector activity and recovery across key sectors on account of a stable macroeconomic environment.
3. Respondents expect economic growth to remain resilient in 2026, supported by increased private sector activity, stable macroeconomic conditions and government investments on infrastructure.
4. Respondents across all economic sectors expect higher hiring levels in 2026 relative to 2025 on account of planned business growth, diversification and expansions.
5. Bank respondents expect further increase in private sector credit growth in 2026 largely on account of declining lending rates and improved transmission under Kenya Shilling Overnight Interbank Average (KESONIA) framework.
6. The survey revealed sustained optimism by respondents about Kenya's economic prospects in the next 12 months, supported by macroeconomic stability and rising private sector activity.

5. INFLATION EXPECTATIONS

In the Survey, respondents were requested to give their expectations of overall inflation rates for the next three months (January – March 2026), the next 12 months (January – December 2026), the next 2 years (January – December 2027), and the next 5 years (January – December 2030). Respondents expected inflation to remain stable below the midpoint of the target in the next three months, supported by moderating global oil prices and a stable Shilling **(Chart 1)**.

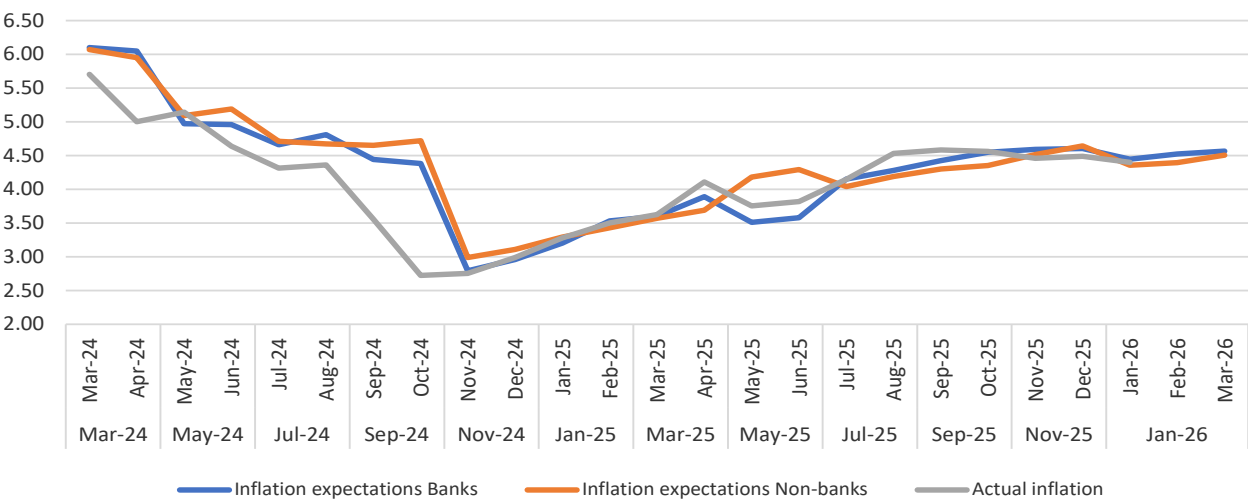
5.1. Short term Inflation expectations

Respondents expect inflation to remain low and stable, supported by continued exchange rate stability, sustained macroeconomic stability, and lower global oil prices, which are broadly expected to remain subdued due to oversupply, rising inventories and moderate demand growth across major markets.

Furthermore, respondents expect favorable weather and the onset of the long rains from March – May 2026, along with subsidized fertilizers and improved transport and storage infrastructure to boost agricultural productivity, moderate food prices on account of improved food supply, and reduce post-harvest losses, and consequently, support low and stable inflation.

Nevertheless, respondents expect some upward pressure on food prices as market supply tightens due to seasonality factors in January to March 2026.

Chart 1: Short term Inflation expectations (percent)

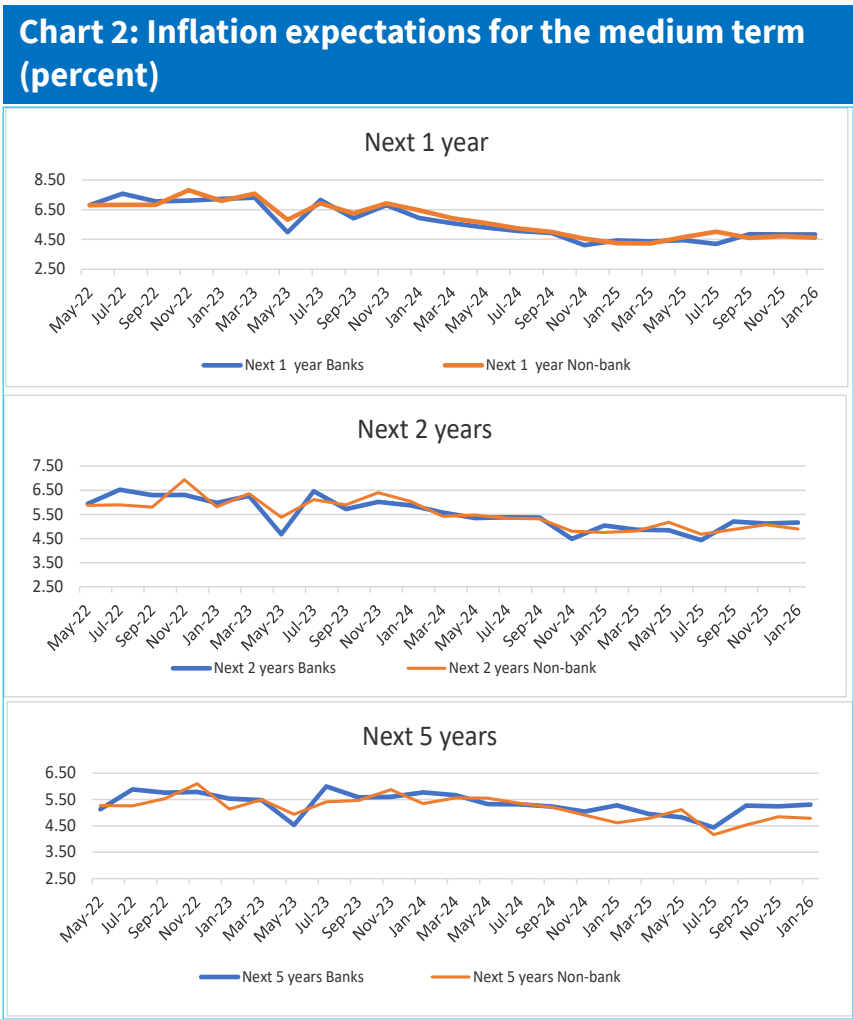


5.2. Medium term
Inflation expectations

Over the medium term, respondents expect inflation to remain anchored close to the midpoint of the target range, largely due to expected low food prices to be achieved through structural reforms to improve food sufficiency (Chart 2).

Respondents expect low and stable inflation over the medium term to be supported by prudent monetary policy and a stable price environment driven by prudent monetary policy.

In addition, respondents expect medium term inflation expectations to remain anchored around the mid-point of the target range.



However, risks to this outlook include exposure to external shocks, such as higher fuel and other volatile commodity prices, which could increase production and transport costs, as well as climate related shocks, which could push up food prices.

6. ECONOMIC ACTIVITY

The January 2026 Market Perceptions Survey sought bank and non-bank private sector firms' assessment of economic activity in November 2025, December 2025 and January 2026, and their expectations for February, March and April 2026. The results showed expectations of improved economic activity in the next three months (**Charts 3 & 4**).

The Survey findings showed that respondents expect moderate-to-strong activity over the next three months, largely supported by easier access to credit and rise in private sector credit growth driven by lower interest rates.

Respondents also expect economic activity to be supported by a stable macroeconomic environment, which is anticipated to facilitate business planning and boost consumption across the sectors.

Moreover, respondents expect increased activity related to land preparation, planting and other agricultural activities with the upcoming long rains.

However, respondents expressed concerns that reduced disposable incomes, delays in payment of pending bills were adversely affecting the corporate and individual capacity to trade, and inadequate rainfall in the last quarter of 2025 had negatively impacted the January – February harvest period.

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

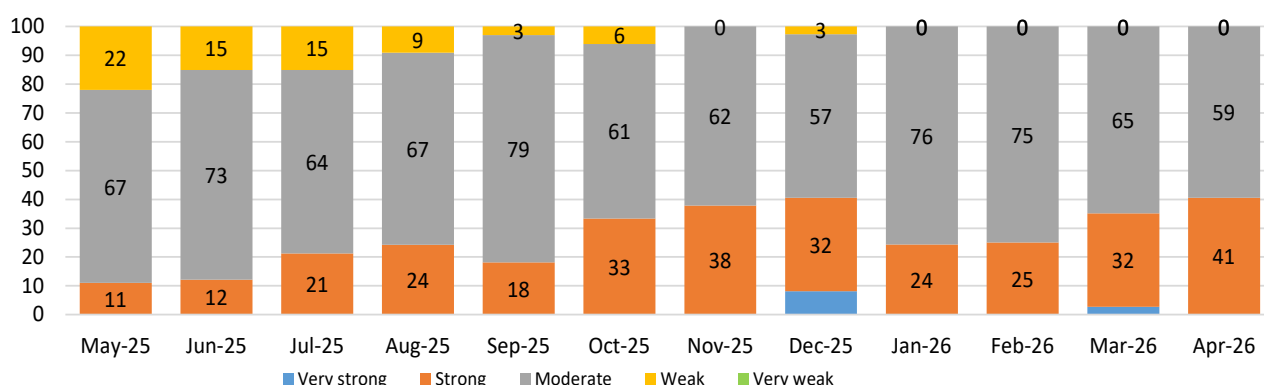
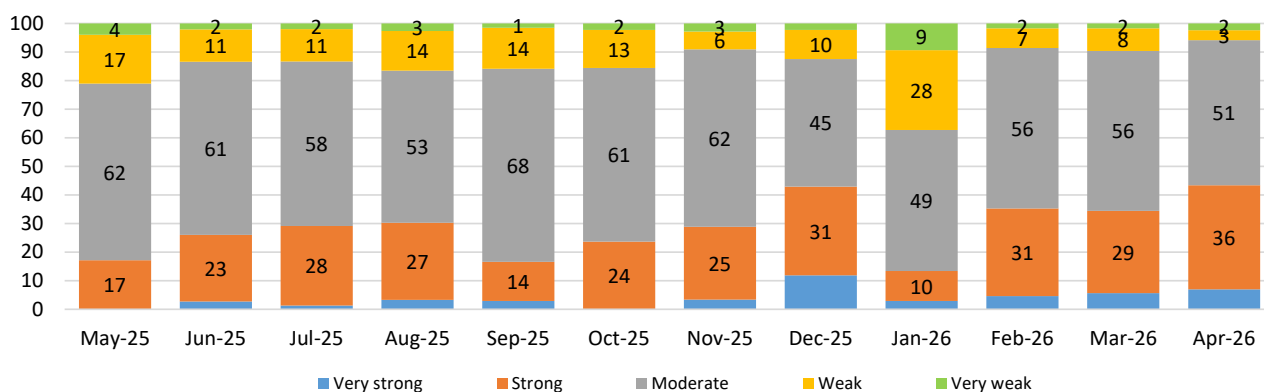


Chart 4: Expected economic activity by non-bank private sector (percent of respondents)



7. PRIVATE SECTOR CREDIT GROWTH EXPECTATIONS

The Survey sought to find out from commercial banks by what percentage they expected to grow credit to private sector by end December 2026 compared with end December 2025.

7.1. Expected private sector credit growth for 2026

Respondents indicated expectations of higher private sector credit growth in 2026 relative to 2025, largely due to expected lowering of lending rates **(Chart 5)**.

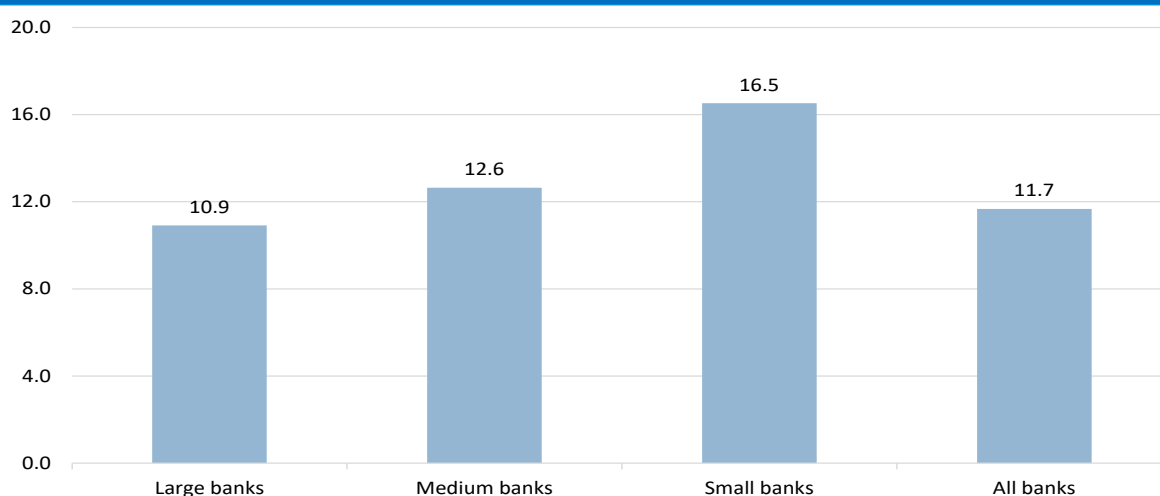
Bank respondents expect private sector credit to grow at an even higher rate by the end of December 2026, stimulated by increased lending because of

lower lending rates following CBK monetary easing, and improved transmission via KESONIA framework.

In addition, bank respondents anticipate further private sector credit growth, supported by the expected gradual recovery in economic activity and improved business confidence, which are likely to boost demand for working capital and asset financing.

Nevertheless, bank respondents expect pending bills to constrain demand for credit over the next two months.

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



7.2. Expected demand for credit by banks

The Survey asked bank respondents for an assessment of credit demand from their perspective, during the 2 months before the MPC meeting (i.e., December 2025 and January 2026), and to provide expectations for February and March 2026. Respondents expect moderate to high demand for credit in February and March 2026 **(Chart 6)**.

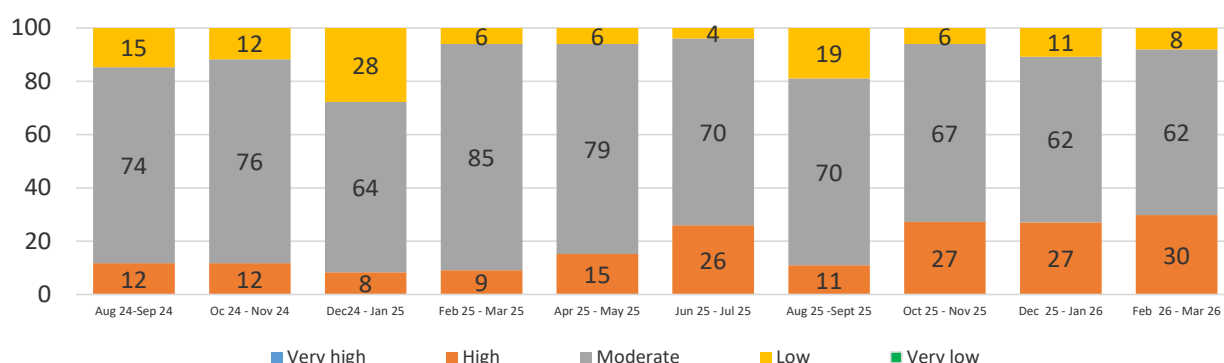
Bank respondents expect demand for credit to be largely driven by reduction in lending rates, which are anticipated to make borrowing more attractive

and affordable for households and businesses by lowering the cost of servicing new and existing variable rate loans.

In addition, respondents expect demand for credit to be supported by the resumption of operations and increase in demand for working capital and business restocking after the holidays.

Nevertheless, bank respondents expect pending bills to constrain demand for credit over the next two months.

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



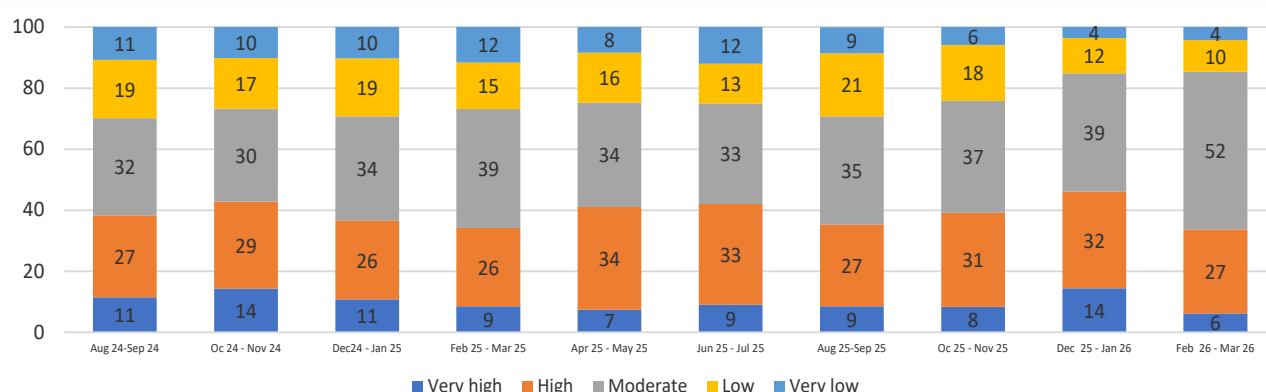
7.4. Expected demand for credit by non-bank private sector firms

The Survey asked non-bank private sector firms to indicate the extent of their demand for credit over the next twelve months. The Survey results showed that demand for funding was moderate to very high, largely aimed at financing working capital (Chart 7).

Non-bank respondents attributed their demand for credit to the need to finance working capital and growth projects, cover operational costs arising from cash flow challenges, and address low product and services demand amid slow growth rates.

Nevertheless, non-bank private sector respondents cited cautious borrower behavior, driven by relatively high interest rates as the main risk to credit demand over the next twelve months.

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



8. EXPECTED ECONOMIC GROWTH

The Survey requested participants to indicate their rates for the country in 2025, 2026, and over the medium term (2027 – 2029).

8.1. Expected economic growth in 2025

Respondents expect improved economic growth in 2025 compared with 2024, largely supported by agricultural performance, and a stable macroeconomic environment (Table 1).

Growth in 2025 is also expected to be supported by recovery in the construction sector, and a resilient services sector including retail, logistics, hospitality, ICT, transport and financial services, which are expected to benefit from the favorable credit stimulating policies.

In addition, respondents expect that a stable macroeconomic environment, together with the positive effects of monetary policy easing on liquidity, credit uptake, and investment, as well as improved performance of the agriculture sector following rains witnessed at the end of Q1 and Q2 will support economic growth in 2025.

Nevertheless, respondents cited several risks to economic growth expectations, including the slow pace of decline in lending rates, which continues to constrain investments, as well as fiscal consolidation and a slowdown in revenue collection.

Table 1: Expectations on economic growth for 2025 (percent)

	2025 Economic Growth expectations					
Survey month	Jan'25	Mar'25	May'25	Sep'25	Nov'25	Jan'26
Banks	5.2	5.1	5.1	4.7	4.8	4.9
Agriculture	5.2	5.0	5.0	5.0	5.5	4.7
Manufacturing	5.0	4.8	5.0	5.0	5.3	4.8
Trade	5.3	5.1	4.9	4.9	5.5	5.0
Real estate	4.9	4.7	4.8	4.8	4.9	4.6
Transport	5.4	4.9	5.3	5.3	5.0	5.0
Tourism	5.5	5.2	4.9	4.9	5.1	5.0
Non-bank	5.1	4.9	4.9	4.9	5.3	4.8
Average	5.2	5.0	5.0	4.9	5.2	4.9

8.2. Expected economic growth in 2026

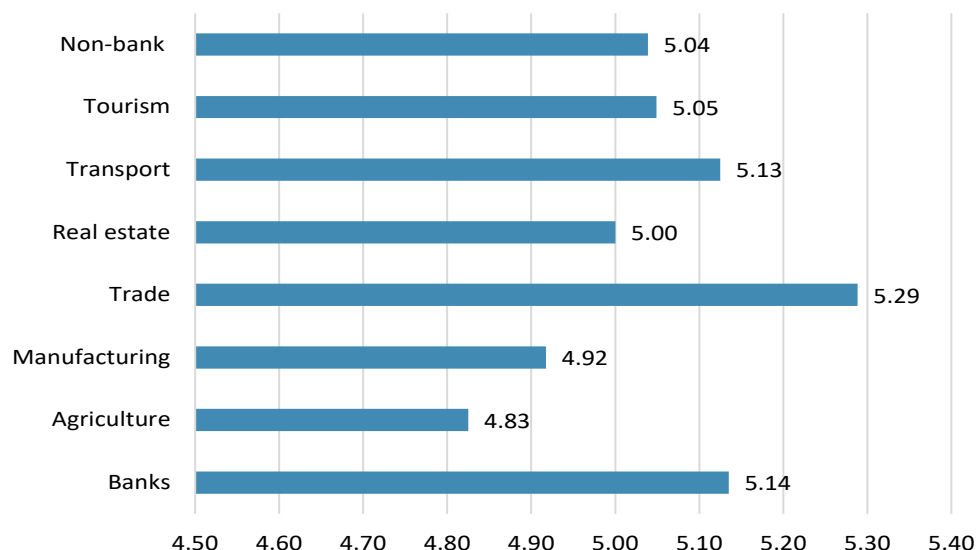
Respondents expected economic growth in 2026 to remain resilient compared to 2025, largely supported by increased private sector activity, investment and consumption across the sectors, following rising private sector credit in line with monetary easing **(Chart 8)**.

Respondents also expect stable macroeconomic conditions and the positive impact of monetary policy easing on improved liquidity, credit uptake, investment, consumption and real income growth to impact economic growth positively.

Moreover, expected expenditure on infrastructure projects by the government including affordable housing, roads and airport, are expected to raise productive capacity to further drive economic growth.

However, respondents remained concerned about the impact of fiscal consolidation measures, which would lead to lower government spending and a slowdown in revenue collection, as well as uncertainties in the global environment arising from prolonged Ukraine-Russia crisis and effects on oil prices by the volatile middle east conflict.

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



8.3. Medium term (2026 – 2028 economic growth expectations)

Respondents expressed optimism about expected economic growth over the medium term (2027 – 2029) (**Chart 9**).

Respondents expect medium term economic growth to be largely supported by improved agricultural performance, driven by government investments in agricultural production including fertilizer subsidies, and expectations of favorable weather.

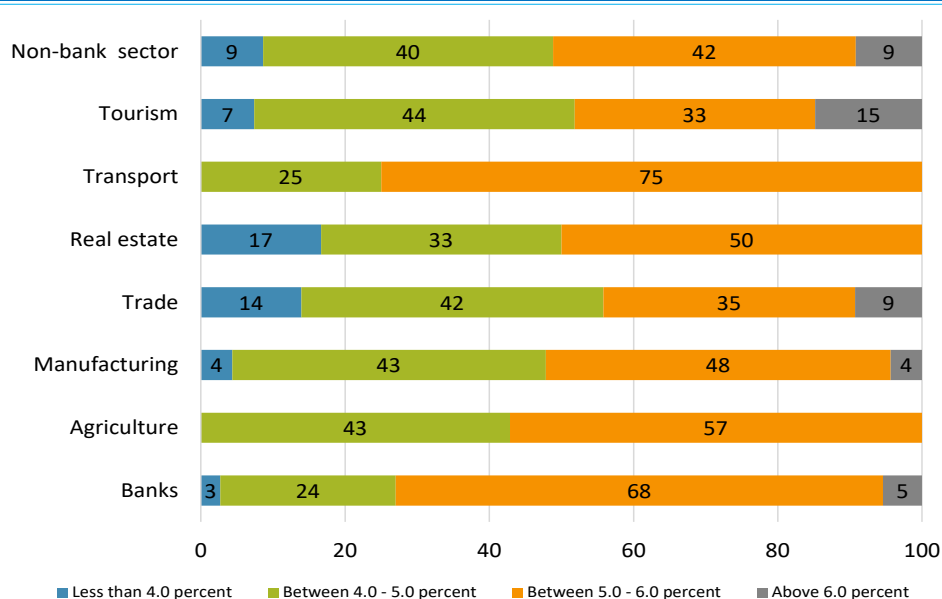
In addition, respondents expect medium term economic growth to be anchored on completion of infrastructure projects and continued investments in energy, transport corridors, and ICT infrastructure

to enhance efficiency and competitiveness. Respondents also expect the stable macroeconomic environment and increased demand arising from the expansionary monetary policy to increase in private sector credit growth and impact private sector activity and economic growth.

Risks to this outlook include potential global oil price volatility and local fuel tax adjustments, which could offset the relief from lower global prices and push up fuel prices, transport and production costs, and result in higher fuel inflation.

In addition, respondents noted that unfavorable weather outcomes could pose risks to the outlook by disrupting agricultural production and food supply, potentially leading to higher food inflation.

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



9. EMPLOYMENT EXPECTATIONS

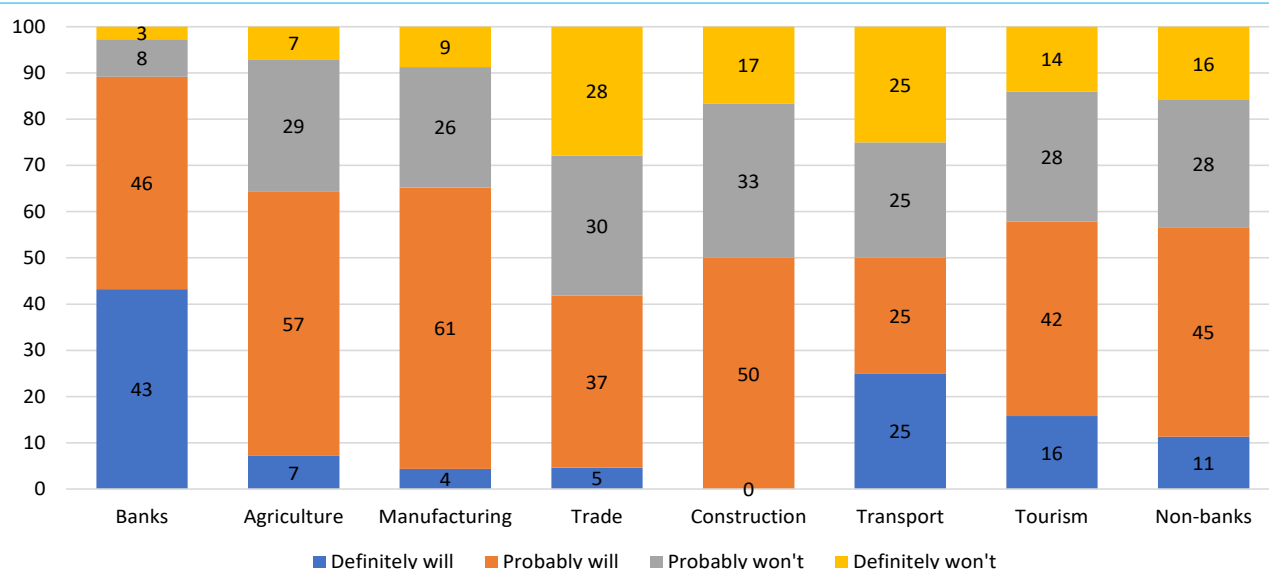
Respondents were asked whether they expected to increase their number of employees in 2026 relative to 2025. Survey findings revealed that both bank and non-bank firms anticipate higher hiring in 2026 relative to 2025 (**Chart 10**).

New hires are expected to support planned business growth and expansion, as well as up-skill and re-

skill the existing workforce to manage increased workloads, in addition to meeting ongoing strategic replacements needs.

Nevertheless, respondents highlighted risks to employment expectations, including the need to manage costs by improving productivity with the existing workforce, low business activity and profitability.

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

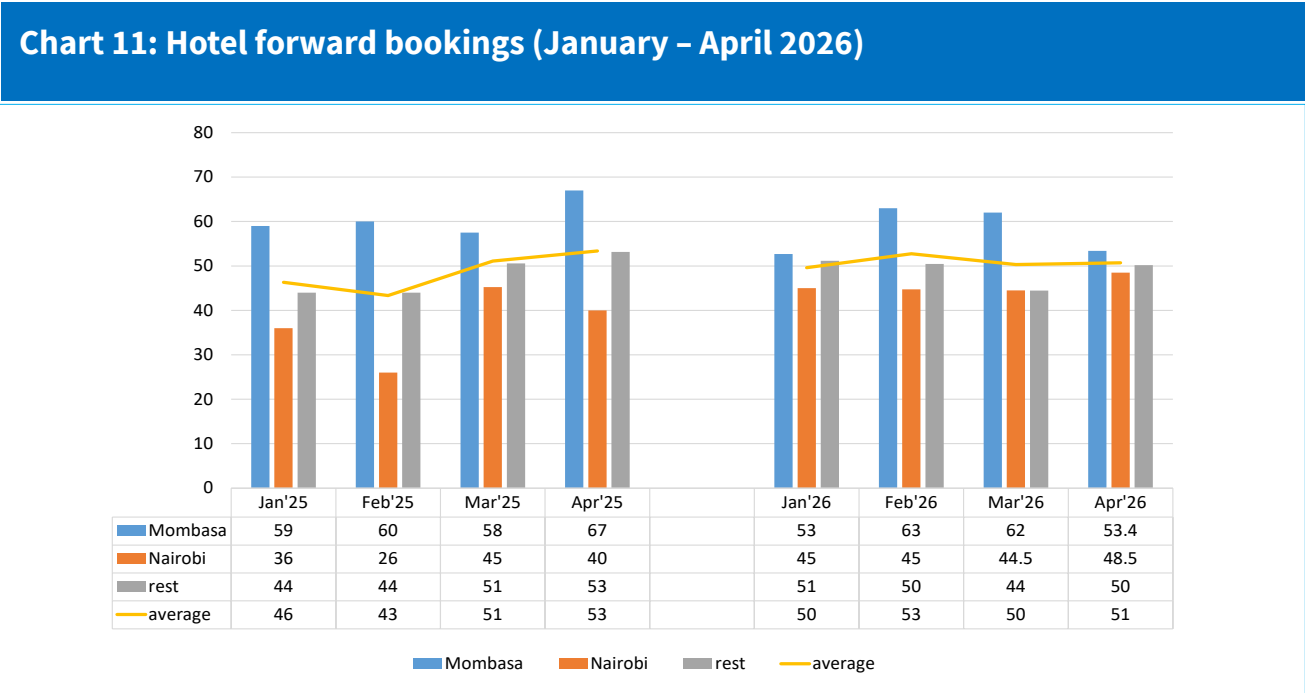


10. OPTIMISM ON THE ECONOMIC PROSPECTS

The Survey asked all respondents to indicate their level of optimism or pessimism regarding Kenya’s economic growth prospects over the next twelve months. To further assess the country’s economic outlook, hotel respondents were also asked to give data on forward bookings received for the period January to April 2026.

10.1 Hotel forward bookings

The survey revealed improved average forward hotel bookings for January to April 2026 compared with the same period in the previous year (**Chart 11**).



Hotel respondents attributed the increase in the January Survey to a shift from leisure tourism to business tourism (travel for work-related purposes such as meetings, conferences, exhibitions, and corporate incentives), along with growing market demand.

However, respondents noted some risks to the forward bookings, including shorter booking conversion timelines for both leisure and business travel (often under 14 days, with some events booked in under 10 days via online booking platforms), competition from alternative accommodation (e.g., Airbnbs), global uncertainties in source markets e.g shifts in US policies and low purchasing power among residents.

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 12 & 13**).

The optimism was largely attributed to sustained macro-economic factors including low inflation which is expected to remain within the target range in the near term, and exchange rate stability, which is expected to enhance predictability for businesses and households.

In addition, improvements in private sector activity, driven by an accommodative policy environment and easing lending conditions, are expected to

continue supporting credit growth, productivity, investment, and consumption.

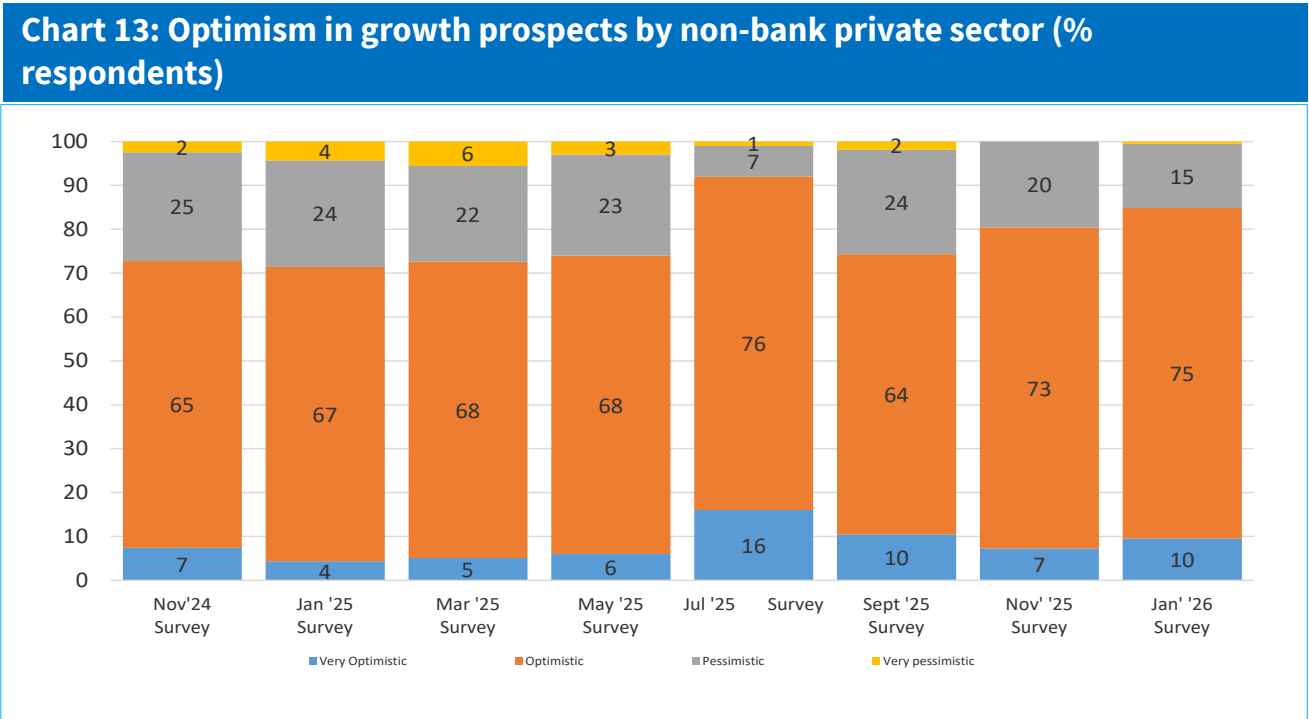
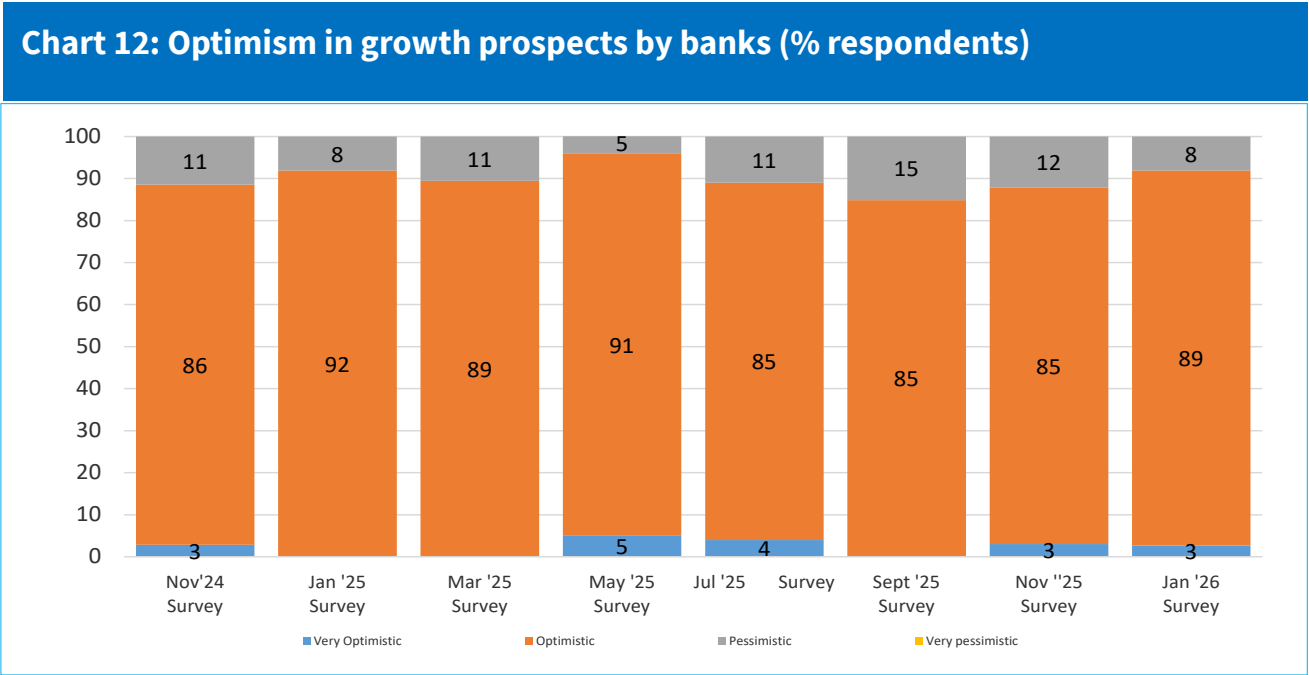
Moreover, respondents expect good agricultural sector performance supported by favorable weather and sustained investments in productivity and food security.

Nevertheless, respondents highlighted some risks to this optimism, including reduced spending driven

by revenue shortfalls and fiscal consolidation.

In addition, respondents also noted that expenditure rationalization have constrained disposable incomes and private sector investment, resulting in lower government development spending.

Furthermore, lagged policy transmission and delays in the full pass-through of monetary easing to real economic activity could slow the pace of recovery.

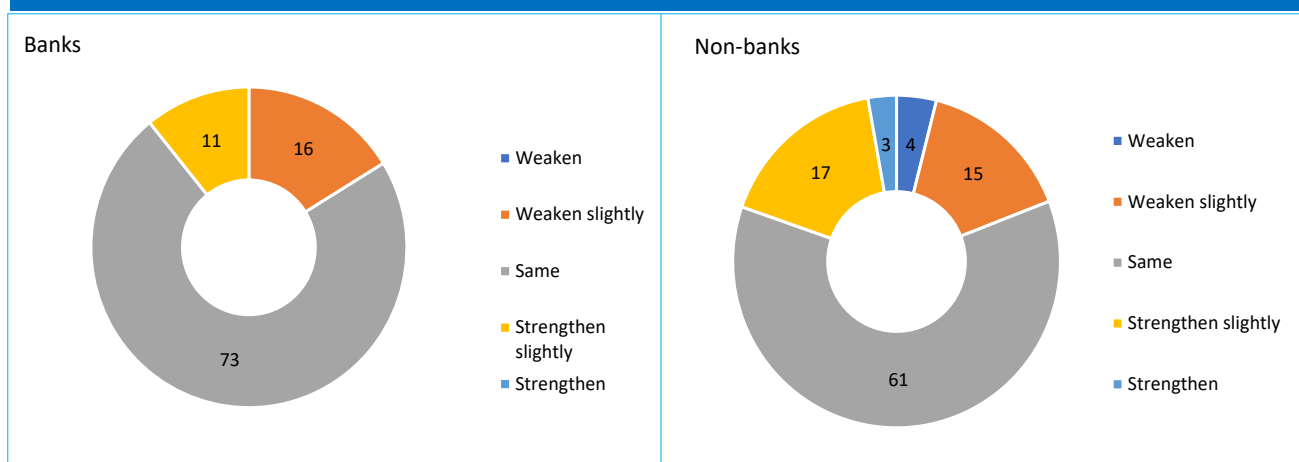


11. EXCHANGE RATE EXPECTATIONS

The Survey sought from bank and nonbank private sector firms for their expectations regarding the direction of the Kenya Shilling against the US Dollar in January and February 2026. Respondents

expected the exchange rate to remain largely stable at the current levels in the next 2 months (**Chart 14**).

Chart 14: Exchange rate expectations (% respondents)



Respondents expect the Kenya Shilling to be supported by adequate foreign exchange reserves, which provide a buffer against any emerging shocks, as well as improved foreign exchange inflows from stable export earnings, tourism receipts and diaspora remittances.

Nevertheless, import demand and slower growth of diaspora remittances and seasonal increases in USD demand particularly for dividends could exert some pressure.

12. HOW THE BUSINESS ENVIRONMENT COULD BE ENHANCED

The Survey asked respondents to indicate ways in which the business environment could be enhanced.

Respondents emphasized the importance of a predictable tax policy to incentivize the private sector and support long-term business planning and policy forecasting.

In addition, respondents noted that faster government settlement of pending bills would unlock liquidity within the private sector and improve credit quality across the banking system.

Bank respondents indicated that enhanced efficiency and digitalization of judicial and land administration systems could reduce turnaround times, lower transaction costs, and strengthen collateral enforcement. This would allow for faster arbitration in commercial disputes and reduce the lengthy litigation processes, which are not conducive for robust growth.

Respondents requested the government to prioritize increased development spending to boost economic productivity.



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