Central Bank of Kenya

MARKET PERCEPTIONS SURVEY

July 2026

CONTENTS

1. BACKGROUND TO THE MARKET PERCEPTIONS SURVEYS

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

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

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

2. INTRODUCTION

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

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

Other areas covered by the Survey included respondents' levels of optimism regarding economic prospects over the next 12 months; monthly hotel activity—including bed occupancy, restaurant and conferencing services—from March to June 2026, monthly hotel forward bookings for July to October 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 37 commercial banks, 14 microfinance banks (MFBs), and 349 non-bank private firms, including 96 hotels. Data was collected through online questionnaires, email, and hard copy submissions.

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

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

4. HIGHLIGHTS OF THE SURVEY

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

1. Respondents expect inflation to edge up slightly over the next three months, while remaining within the target band. This increase is attributed to elevated fuel and energy prices associated with geopolitical tensions in the Middle East, as well as higher food prices arising from weather related supply disruptions.
2. Respondents anticipate moderate economic activity between August and October 2026, supported by recovery in tourism and construction, lower borrowing costs, and sustained investment.
3. Respondents expect economic growth to improve modestly in 2026 compared to 2025, supported by stronger private sector credit, lower lending rates, rising consumer demand, and relatively stable macroeconomic conditions. Continued government measures to cushion fuel prices are also expected to support businesses and households.
4. Bank respondents anticipate moderate growth in private sector credit in 2026 compared to 2025, driven primarily by lower lending rates following monetary policy easing, strategic loan book expansion, digital financial innovation, and customer level risk based pricing. Credit growth is also expected to benefit from recovery in manufacturing, construction, and hospitality, as well as targeted MSME financing.
5. Respondents anticipate employment levels to remain broadly stable in 2026 compared to 2025, as firms increasingly adopt digitization, automation, and resource optimization thereby reducing the need for large scale hiring. Recruitment is expected to primarily target staff replacement, conversion of selected contract roles to permanent positions, and acquisition of specialized expertise, particularly in business development and digital technologies.
6. Respondents remain broadly optimistic about Kenya's economic prospects over the next 12 months, with macroeconomic stability, improving private sector credit, and prudent monetary policy expected to underpin business and investor confidence. However, elevated fuel prices, fiscal pressures, high public debt, and climate related risks 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 (July–September 2026), the next 12 months (July 2026–June 2027), the next two years (July 2026–June 2028), and the next five years (July 2026–June 2031). Respondents revised their inflation expectations upward but indicated that they still expect inflation to remain within the target band **(Chart 1).**

5.1. Short term Inflation expectations

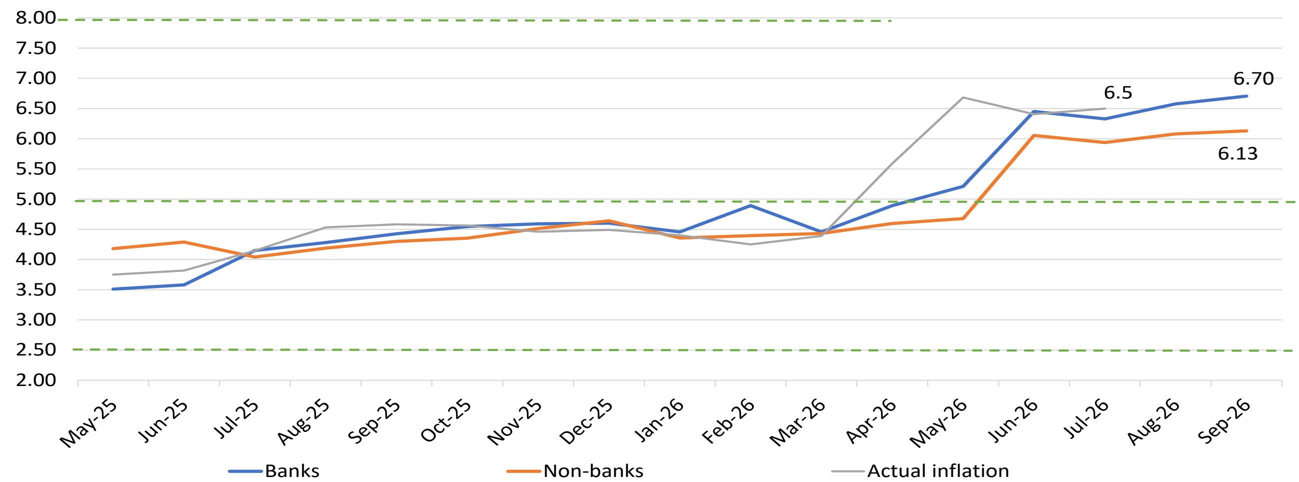
Respondents generally expect inflationary pressures to remain broadly stable over the next three months, with about 90 percent identifying higher fuel and energy prices as the primary drivers. Rising fuel costs were cited as increasing transport, electricity, production, and distribution costs, thereby exerting upward pressure on domestic prices. Respondents also indicated that continued geopolitical tensions in the Middle East could increase freight and logistics costs, raise the cost of transporting goods and services, and contribute to higher domestic inflation.

In addition, respondents highlighted food price pressures, driven by seasonal factors, poor harvests and distribution challenges as reasons for the expected increase in inflation.

In addition, rising production and business operating costs, and the elevated cost of living were identified as significant factors likely to sustain inflationary pressures over the next three months.

Nevertheless, respondents expect inflationary pressures to ease, supported by the stabilization of global fuel prices, the extension of the fuel subsidy, and expectations of declining global energy costs alongside reduced imported inflation from a possible de-escalation of geopolitical tensions in the Middle East. They also expect the Central Bank's monetary policy stance to continue supporting exchange rate stability and anchoring inflation expectations.

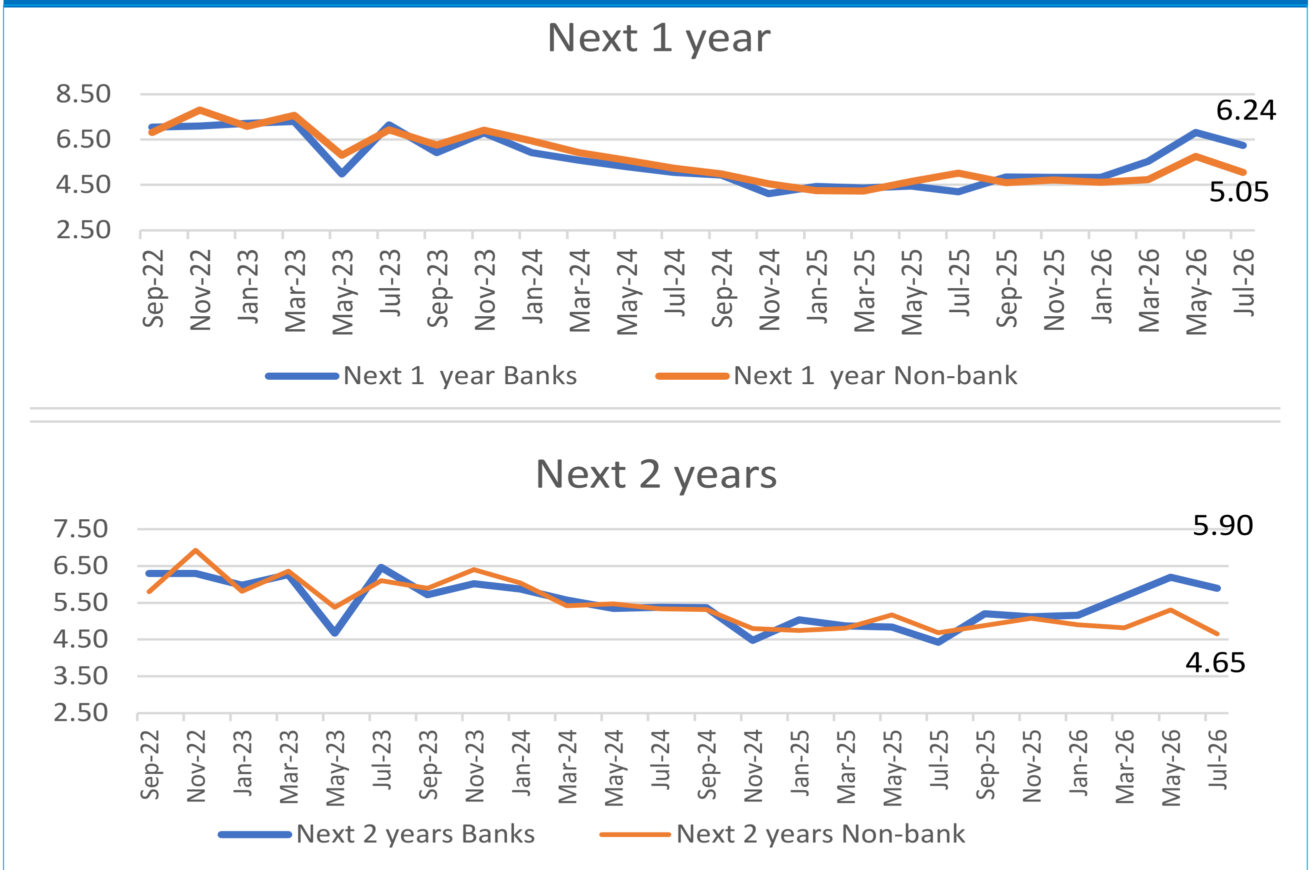
Chart 1: Short term inflation expectations (percent)



5.2. Medium term Inflation expectations

Respondents expect inflationary pressures to moderate over the medium term, supported by favourable supply-side developments and continued macroeconomic stability. Improved weather conditions and adequate food supply are expected to ease food price pressures, while prudent monetary policy and continued fuel stabilisation measures are expected to support overall price stability. In addition, a possible easing of geopolitical tensions, including a ceasefire in the Middle East, is expected to contribute to lower global oil prices, thereby reducing fuel, transport and production costs. Collectively, these factors are expected to moderate inflationary pressures and support a stable inflation outlook over the medium term **(Chart 2).**

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



6. ECONOMIC ACTIVITY

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

The findings indicate that 62 percent of respondents expect moderate economic activity over the next three months, largely supported by strong agricultural performance driven by above normal rainfall and government fertilizer subsidies. In addition, 36 percent of respondents cited recovery in key sectors, including trade, tourism and ICT, as a major driver of expected economic activity.

Additionally, 29 percent of respondents expect lower borrowing costs to continue supporting private sector lending, investment, and household consumption over the next three months. Further, 21 percent of respondents cited the ongoing implementation of public and private investment projects as a factor expected to support demand and boost economic activity.

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

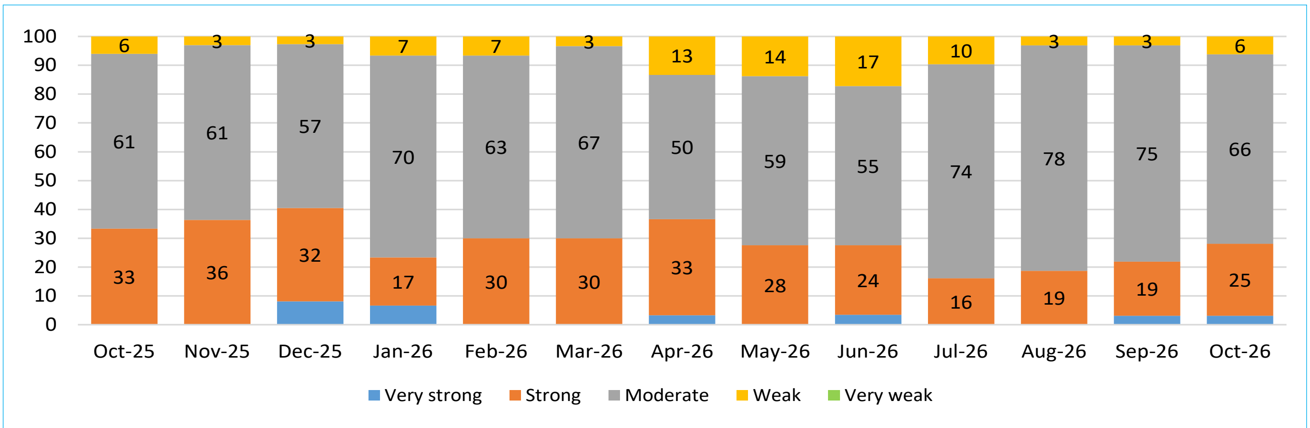
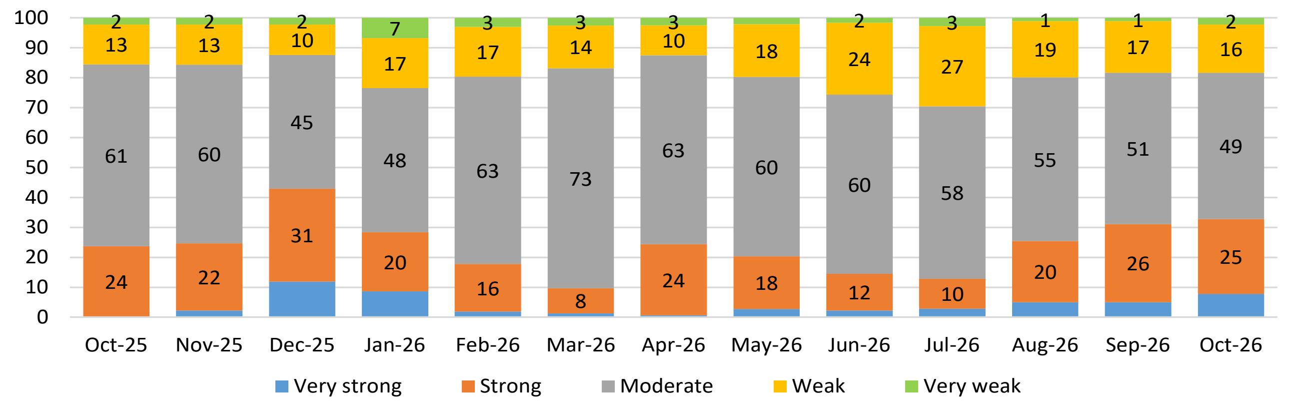


Chart 4: Expected economic activity by non-bank private sector (percent of respondents)



On the downside, 71 percent of respondents identified high inflation and reduced consumer spending as key factors likely to dampen demand for goods and services, and constrain overall economic activity. In addition, 64.5 percent of respondents pointed to the impact of elevated fuel and energy prices on production costs, while 50 percent cited risks associated with geopolitical tensions as risks to economic activity in the next three months. Respondents further noted that the conflict in the Middle East had weighed on economic activity through higher fuel and energy prices, supply chain disruptions, and weaker investor sentiment.

7. PRIVATE SECTOR CREDIT GROWTH EXPECTATIONS

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

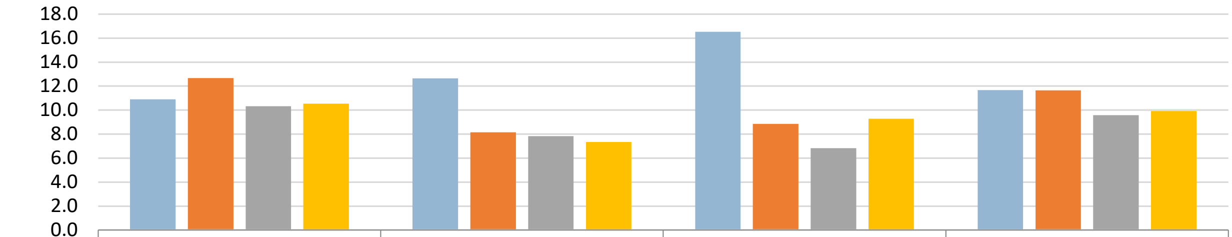
The survey sought to assess the percentage by which commercial banks expect to increase credit to the private sector by end December 2026, compared with end December 2025.

Bank respondents expect private sector credit growth in 2026 to be supported by strategic loan book expansions, digital financial innovation and customer level risk-based pricing, alongside lower interest rates and improved economic conditions in key sectors **(Chart 5).**

The survey findings indicate that about 52 percent of respondents cited lower lending rates from residual effects of monetary policy easing, as the primary driver of credit growth. The lower cost of borrowing is expected to stimulate demand for credit and support private sector activity.

On the demand side, respondents indicated that credit expansion was being supported by sectoral recovery and improved business confidence, particularly in the manufacturing, construction, and hospitality sectors. In addition, 37 percent of bank respondents indicated that banks' targeted MSME financing strategies for business expansion initiatives and the growing adoption of digital lending channels, have continued to support credit growth and access to credit.

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



	Large banks	Medium banks	Small banks	All banks
January	10.9	12.6	16.5	11.7
March	12.7	8.2	8.9	11.7
May	10.3	7.8	6.8	9.6
July	10.5	7.3	9.3	9.9

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 (May - June 2026) and to provide their expectations for July and August 2026. Respondents anticipate moderate to high growth in credit demand in July and August 2026 **(Chart 6).**

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

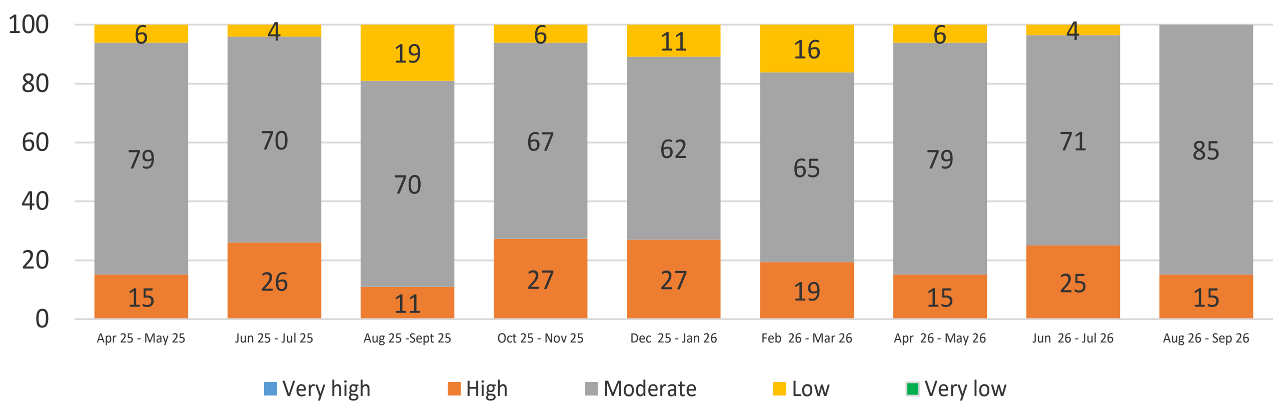
Respondents also reported increased demand for credit from businesses seeking financing for working capital and expansion, amid rising production, logistics and input costs, largely driven by elevated fuel prices and global disruptions.

In addition, sectoral recovery, particularly in agriculture, trade, and services, is contributing to stronger credit demand.

However, respondents noted that credit demand could be constrained by elevated fuel inflation, reduced household purchasing power, cautious borrowing behaviour, tighter bank underwriting standards, and uncertainty arising from geopolitical tensions in the Middle East.

Respondents further highlighted the risk that rising oil prices and the resulting increase in production and input costs could delay major borrowing and investment decisions. This could prompt firms and households to adopt a more cautious approach to credit uptake, thereby moderating the pace of credit growth.

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



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

The Survey requested non-bank private sector firms to indicate the extent of their expected demand for credit over the next twelve months. The results indicate that private sector demand for credit is expected to remain broadly stable, mainly driven by financing needs for working capital, business expansion, and capital investment **(Chart 7).**

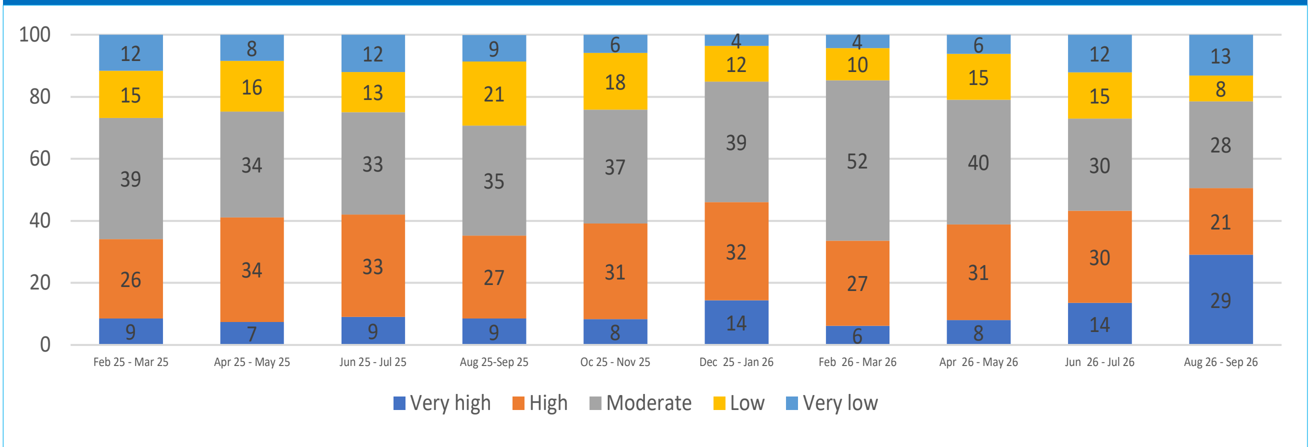
Respondents indicated that demand for credit would primarily be driven by working capital requirements, including day-to-day operations, inventory replenishment, cash flow management, and operational sustainability.

Firms expect to seek financing to support business expansion through branch expansion, entry into new markets, facility upgrades, acquisition of equipment, and investment in digital technologies.

Nevertheless, respondents noted that credit demand could be moderated by relatively high lending rates, stringent lending conditions, and weak business activity. Subdued consumer spending, high production costs, and uncertainty arising from geopolitical tensions were also cited as factors likely to constrain borrowing.

Consequently, some firms indicated a preference for financing operations through retained earnings, existing cash flows and other internal resources rather than external borrowing.

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



8. EXPECTED ECONOMIC GROWTH

8.1. Expected economic growth in 2026

The Survey asked participants to indicate their expected economic growth rate for 2026 relative to 2025, as well as their outlook for medium term growth (2027–2031).

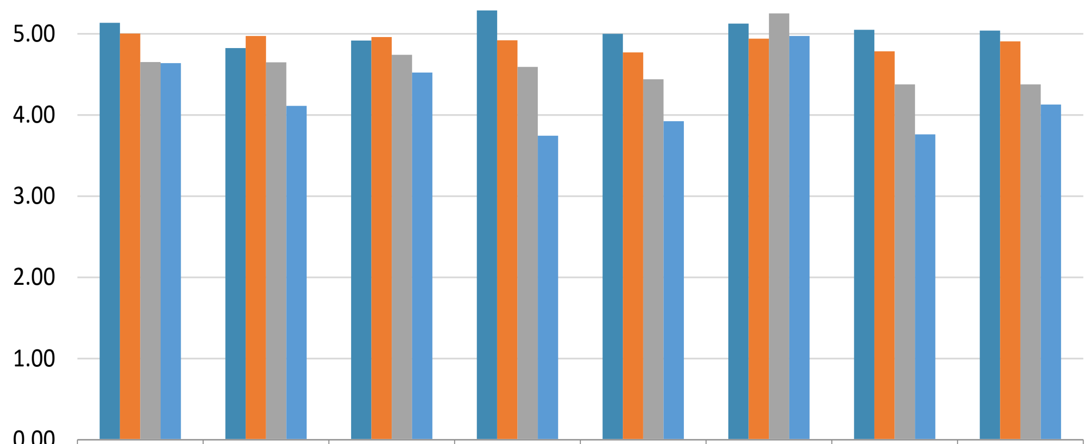
Survey findings indicate that respondents expect economic growth to improve modestly in 2026 compared to 2025 **(Chart 8).**

Respondents attributed the expected improvement in 2026 economic growth to recovery in key sectors, particularly tourism, construction and services, alongside stronger consumer demand. Improved private sector credit growth, supported by lower lending rates and stable macroeconomic conditions, as well as contained inflation within the target range, and exchange rate stability, were also expected to support economic activity. Furthermore, respondents expect continued government measures to subsidize fuel prices to partially cushion production costs and support businesses and households.

However, respondents identified significant downside risks to the growth outlook, including geopolitical tensions in the Middle East, disruptions along international transport routes, and global energy price volatility, which could raise fuel, production and transport costs, and disrupt trade and supply chains. Elevated input costs and adverse weather conditions were also expected to weigh on agricultural production, food prices, trade and tourism.

In particular, respondents noted that the inadequate March–May rainfall in several parts of the country could constrain agricultural output in key food-producing regions. Other risks cited included weaker consumer demand, high debt-servicing costs and delays in government payments, which could constrain economic activity in 2026.

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



	Banks	Agriculture	Manufacturing	Trade	Real estate	Transport	Tourism	Non-bank
Jan'26	5.14	4.83	4.92	5.29	5.00	5.13	5.05	5.04
Mar'26	5.00	4.98	4.96	4.92	4.77	4.94	4.78	4.91
May'26	4.65	4.65	4.74	4.59	4.44	5.25	4.38	4.38
Jul'26	4.64	4.11	4.52	3.74	3.93	4.98	3.76	4.13

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

Over the medium term (2027–2031), respondents expect economic growth to remain resilient, averaging between 5.0 and 5.9 percent, supported by recovery in the agricultural and services sectors, increased private sector activity, and continued macroeconomic stability **(Chart 9).**

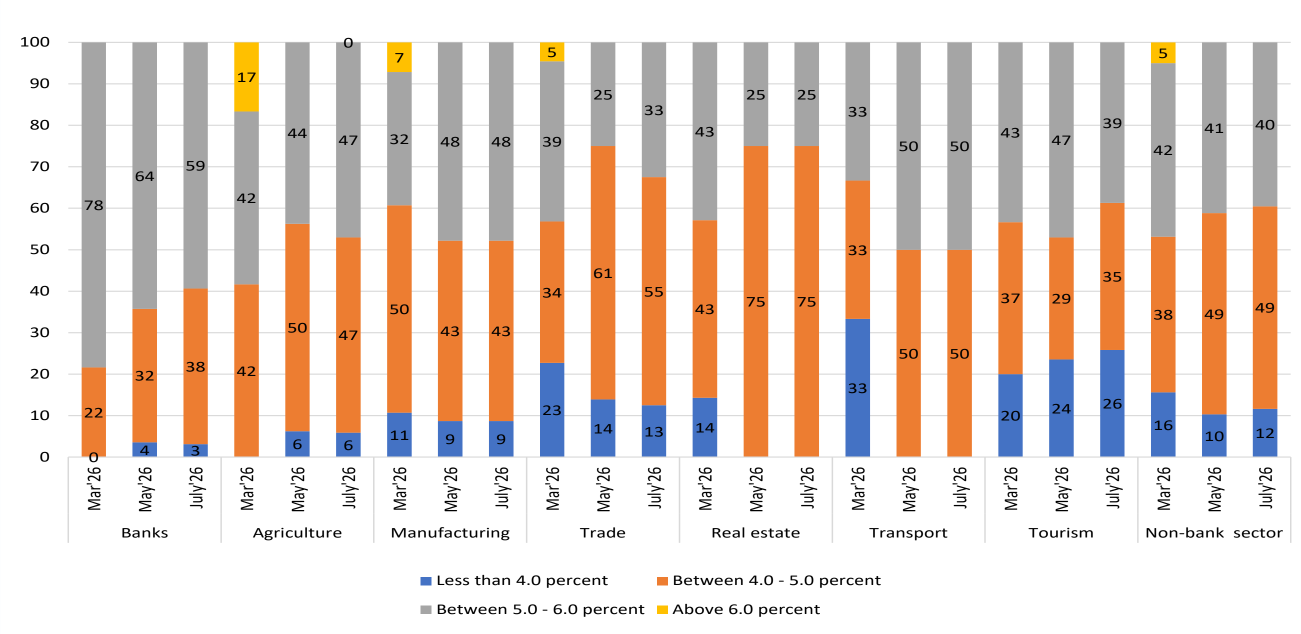
Respondents expect the agricultural sector to remain a key driver of medium-term growth, supported by government interventions, and investments across agricultural value chains. Growth is also expected to benefit from continued expansion in services, manufacturing, trade, construction and tourism sectors, alongside infrastructure development.

In addition, respondents highlighted the potential for significant productivity gains from digital transformation, Artificial Intelligence (AI), automation, fintech, and broader technology adoption, alongside investments in renewable energy aimed at enhancing energy reliability and reducing production costs, as factors expected to drive medium term economic growth.

Furthermore, respondents expect macroeconomic stability, characterised by lower inflation, exchange rate stability, improved foreign exchange reserves, and prudent monetary policy to support sustainable growth in the medium term. Respondents also anticipate that a gradual easing of geopolitical tensions could moderate global energy prices, improve trade conditions, and strengthen business confidence.

However, the medium-term outlook remains subject to significant domestic and external risks, including higher energy prices, geopolitical tensions, supply-chain disruptions, protectionist trade policies, and climate-related shocks, particularly adverse weather conditions affecting agricultural production and critical infrastructure.

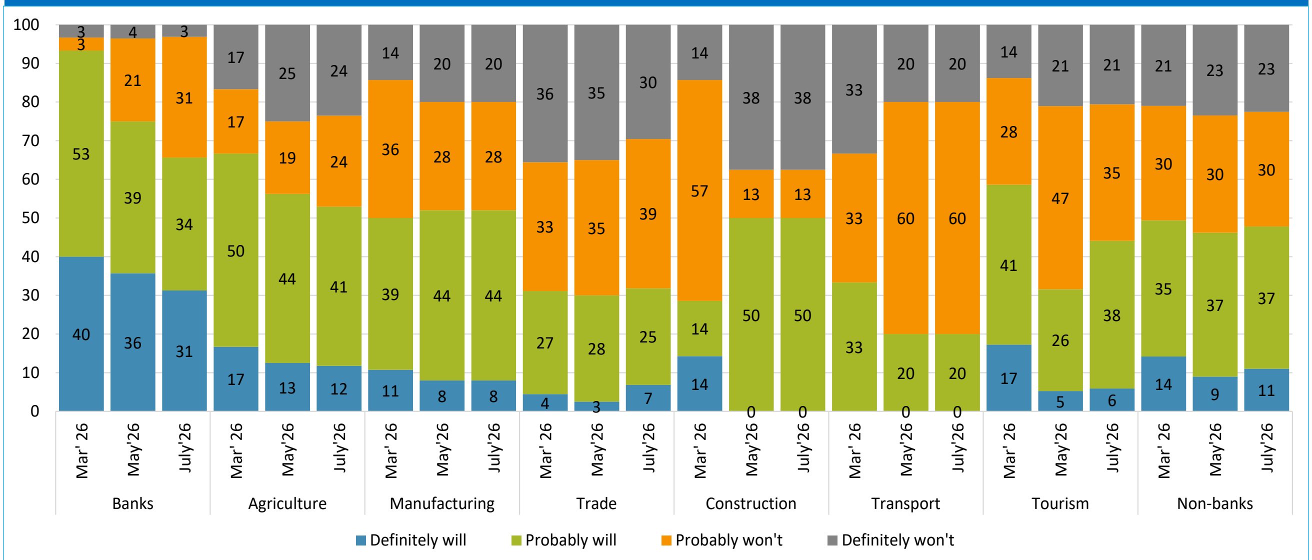
Chart 9: Medium-term economic growth expectations (percent of respondents)



9. EMPLOYMENT EXPECTATIONS

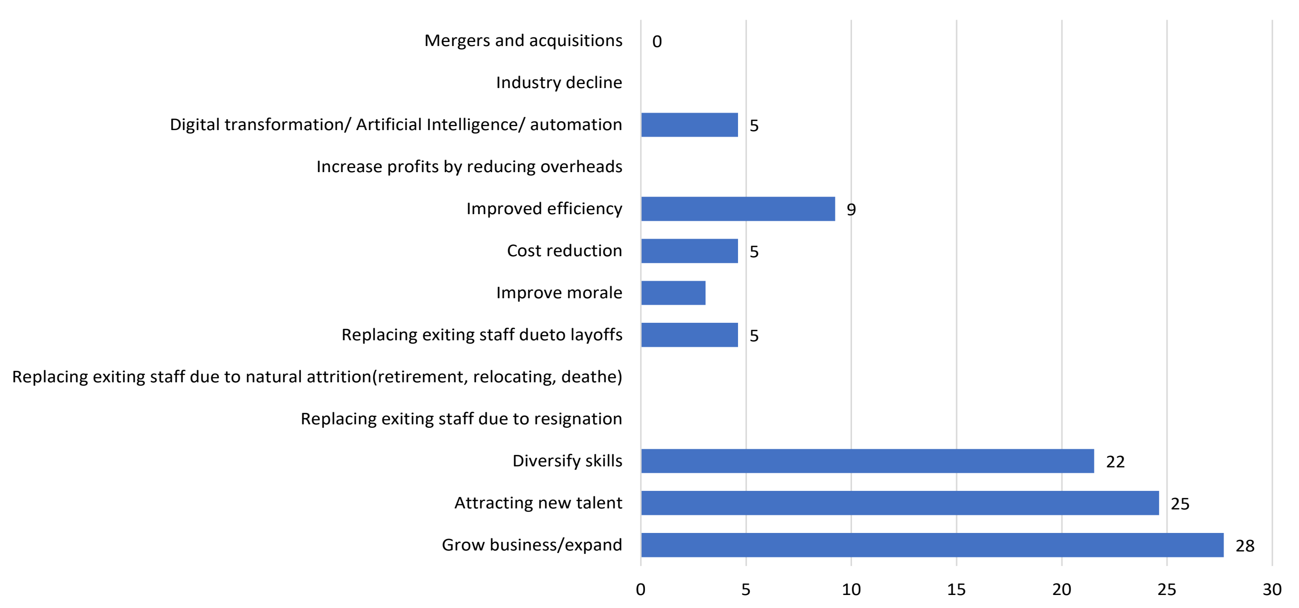
The Survey asked respondents whether their firms expected to increase new hires in 2026 relative to 2025. The survey indicates that hiring is expected to remain broadly stable in 2026 compared to 2025, with moderate optimism among banks and selected non-bank sectors **(Chart 10).**

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



Respondents indicated largely unchanged hiring expectations for 2026 relative to 2025, with banks expressing moderate optimism for new recruitments primarily to support business growth, attract new talent and diversify skills **(Chart 11).**

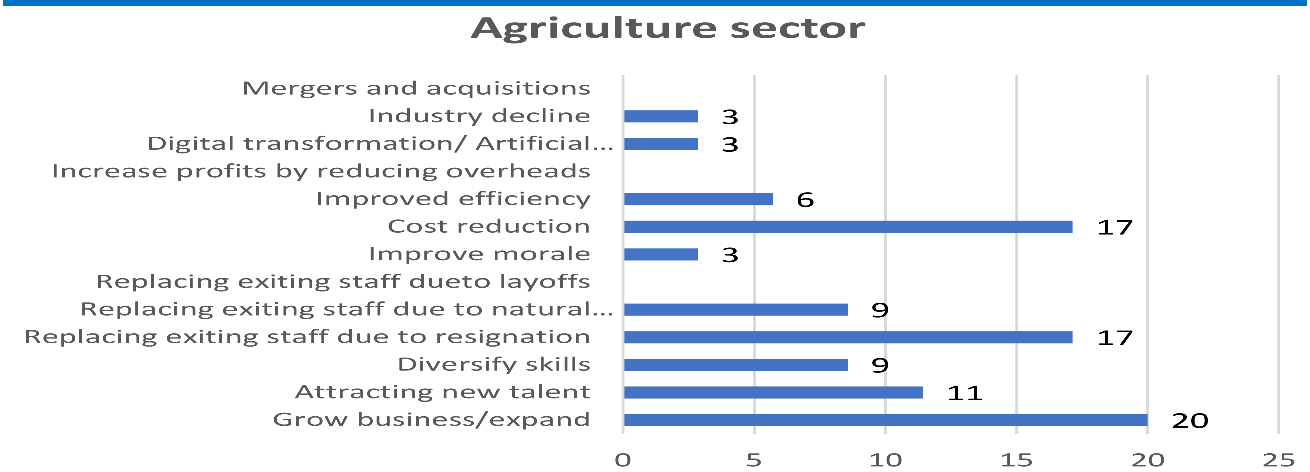
Chart 11: Factors affecting employment expectations by banks in 2026 (percent of respondents)

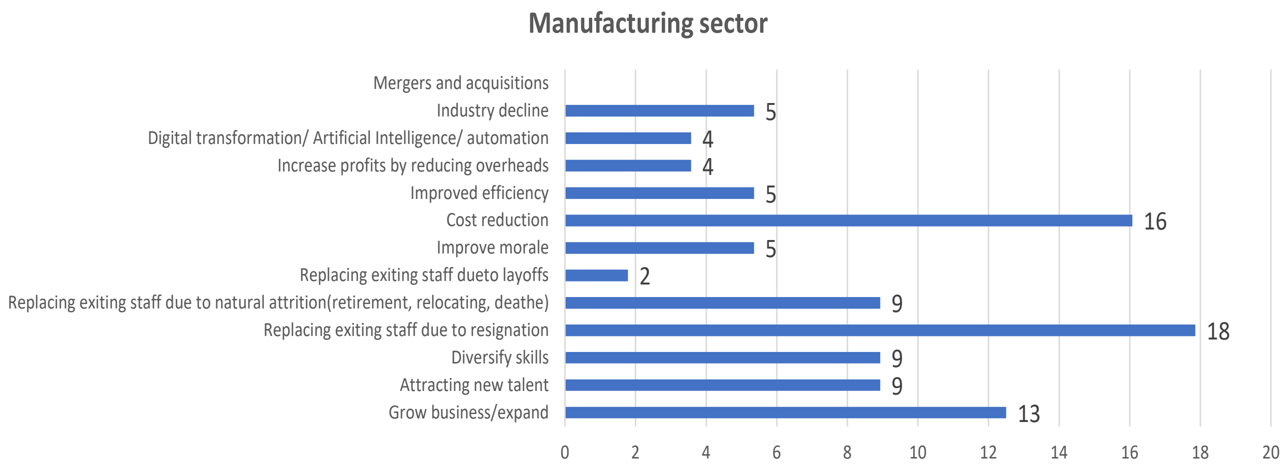


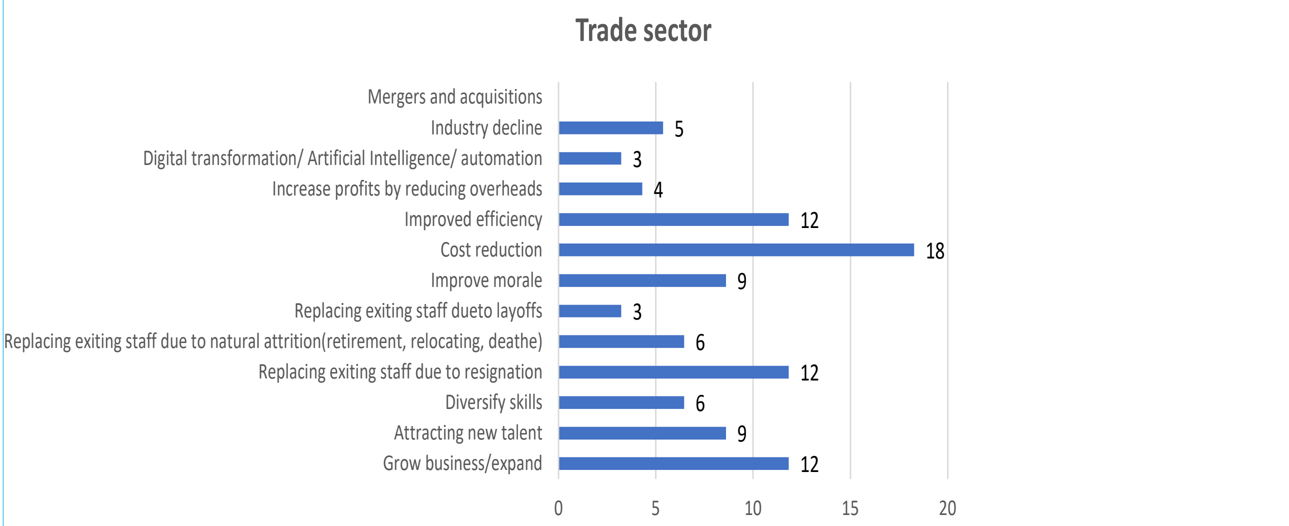
Agriculture, manufacturing and construction anticipate little improvement in hiring, while hospitality expects hiring to improve more strongly.

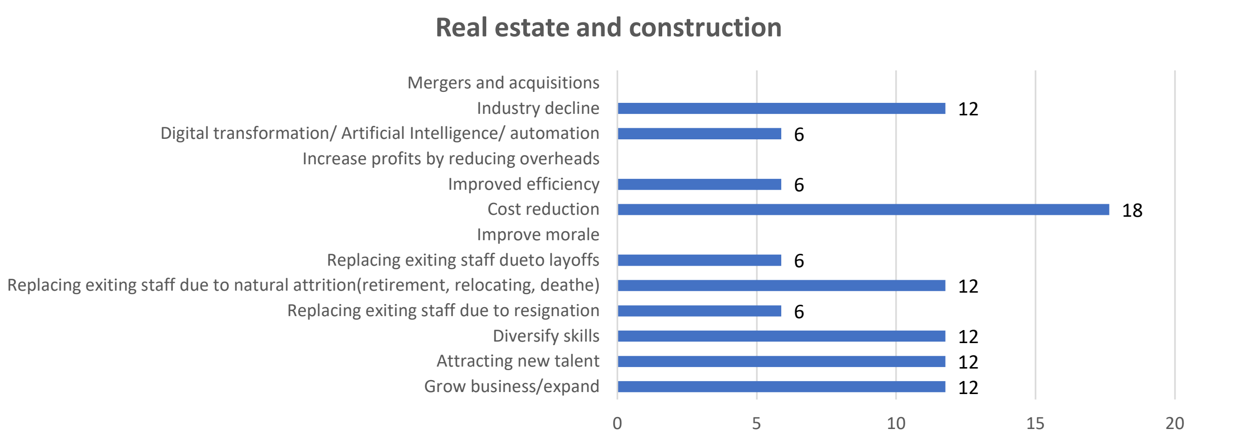
Hiring will mainly support business expansion, staff replacement and talent acquisition, although some firms remain cautious due to cost-cutting, efficiency improvements and increased adoption of digital technologies and AI **(Chart 12).**

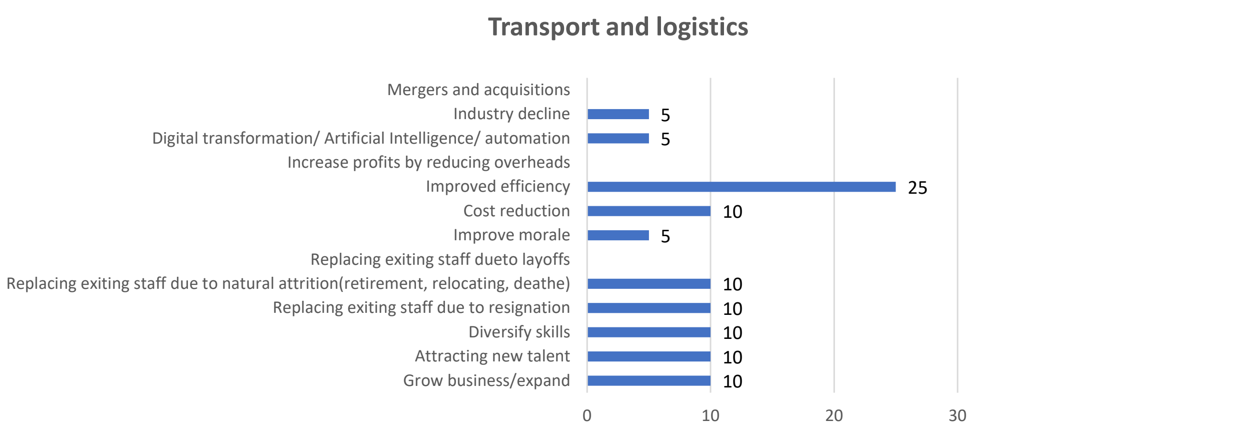
Chart 12: Factors affecting employment expectations by non-bank private sector in 2026 (percent respondents)




Manufacturing sector
Mergers and acquisitions
Industry decline 5
Digital transformation/ Artificial Intelligence/ automation 4
Increase profits by reducing overheads 4
Improved efficiency 5
Cost reduction 16
Improve morale 5
Replacing exiting staff dueto layoffs 2
Replacing exiting staff due to natural attrition(retirement, relocating, deathe) 9
Replacing exiting staff due to resignation 18
Diversify skills 9
Attracting new talent 9
Grow business/expand 13
0 2 4 6 8 10 12 14 16 18 20


Trade sector
Mergers and acquisitions
Industry decline 5
Digital transformation/ Artificial Intelligence/ automation 3
Increase profits by reducing overheads 4
Improved efficiency 12
Cost reduction 18
Improve morale 9
Replacing exiting staff dueto layoffs 3
Replacing exiting staff due to natural attrition(retirement, relocating, deathe) 6
Replacing exiting staff due to resignation 12
Diversify skills 6
Attracting new talent 9
Grow business/expand 12
0 5 10 15 20


Real estate and construction
Mergers and acquisitions
Industry decline 12
Digital transformation/ Artificial Intelligence/ automation 6
Increase profits by reducing overheads
Improved efficiency 6
Cost reduction 18
Improve morale
Replacing exiting staff dueto layoffs 6
Replacing exiting staff due to natural attrition(retirement, relocating, deathe) 12
Replacing exiting staff due to resignation 6
Diversify skills 12
Attracting new talent 12
Grow business/expand 12
0 5 10 15 20


Transport and logistics
Mergers and acquisitions 5
Industry decline 5
Digital transformation/ Artificial Intelligence/ automation
Increase profits by reducing overheads 25
Improved efficiency 10
Cost reduction 5
Improve morale
Replacing exiting staff dueto layoffs 10
Replacing exiting staff due to natural attrition(retirement, relocating, deathe) 10
Replacing exiting staff due to resignation 10
Diversify skills 10
Attracting new talent 10
Grow business/expand
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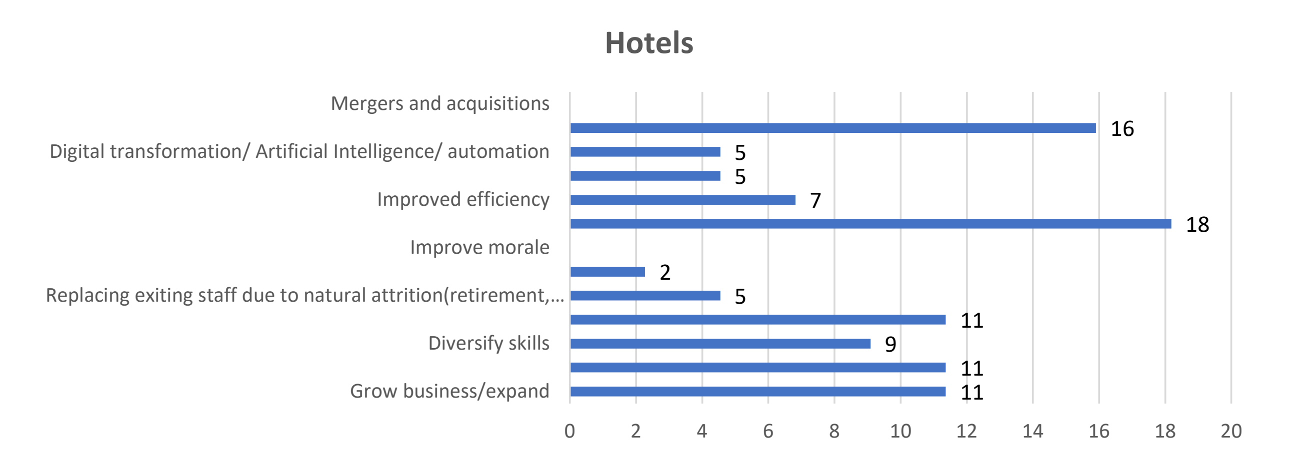
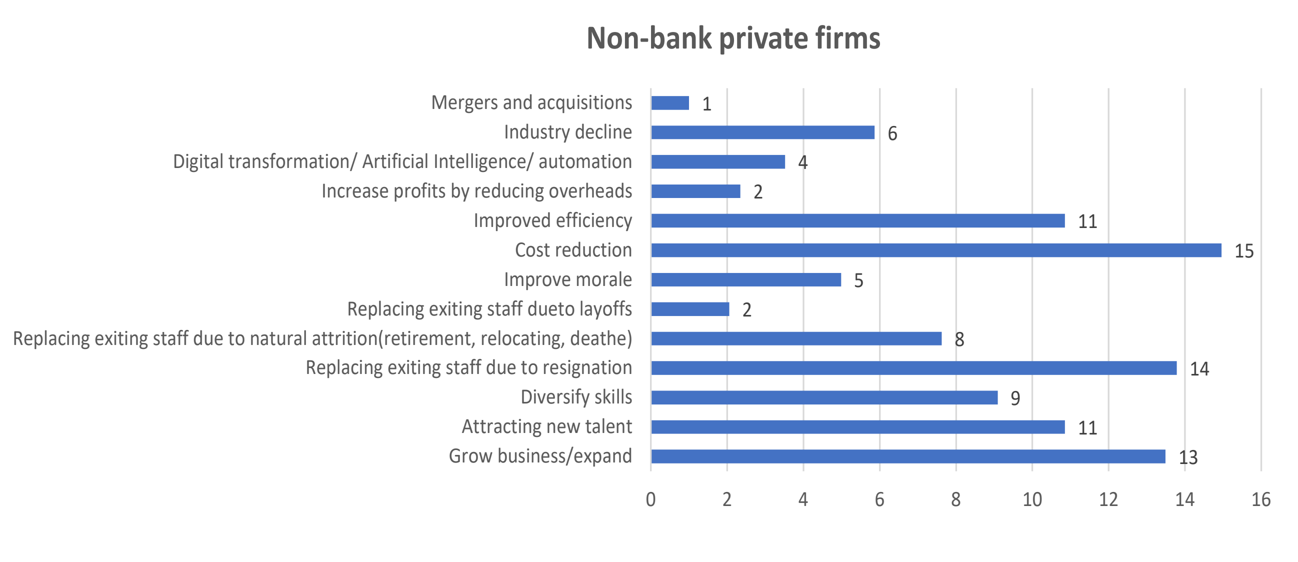




10. OPTIMISM ON THE ECONOMIC PROSPECTS

To assess the country's economic outlook, the Survey asked hotel respondents to report forward bookings received to date for the period July to October 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 findings indicated improved average forward hotel bookings for the period July to October 2026 compared with a similar period in the previous year, reflecting increase in seasonal demand and prevailing tourism trends **(Chart 13).**

Chart 13: Average hotel forward bookings (July – October 2026)

Respondents expect a further pick up in business tourism, including work related travel for meetings, conferences, local events and festivals, and corporate incentive events. This trend has been particularly pronounced in Nairobi, which has experienced a surge in international meetings and conferences.

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).**

Respondents attributed part of their optimism to a stable macroeconomic environment, reflected in a stable exchange rate, lower interest rates, improved foreign exchange reserves, and supportive policy measures—all of which are expected to bolster investment and demand.

Respondents also cited resilience in the services sector, particularly tourism and hospitality, rising consumer spending, recovering manufacturing activity, and improving private sector credit growth, as factors expected to support economic resilience.

However, respondents identified several risks to the outlook, including Middle East conflicts and global energy volatility, which could raise fuel, transport and production costs and disrupt trade. Other concerns included high debt servicing costs, increased government domestic borrowing and potential crowding out of private investment, and elevated inflation and fuel prices leading to high cost of living.

Moreover, respondents highlighted high operating costs, unemployment, and continued vulnerability of tourism and hospitality sectors to external shocks as risks that could weaken household purchasing power, business competitiveness, and overall economic optimism.

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

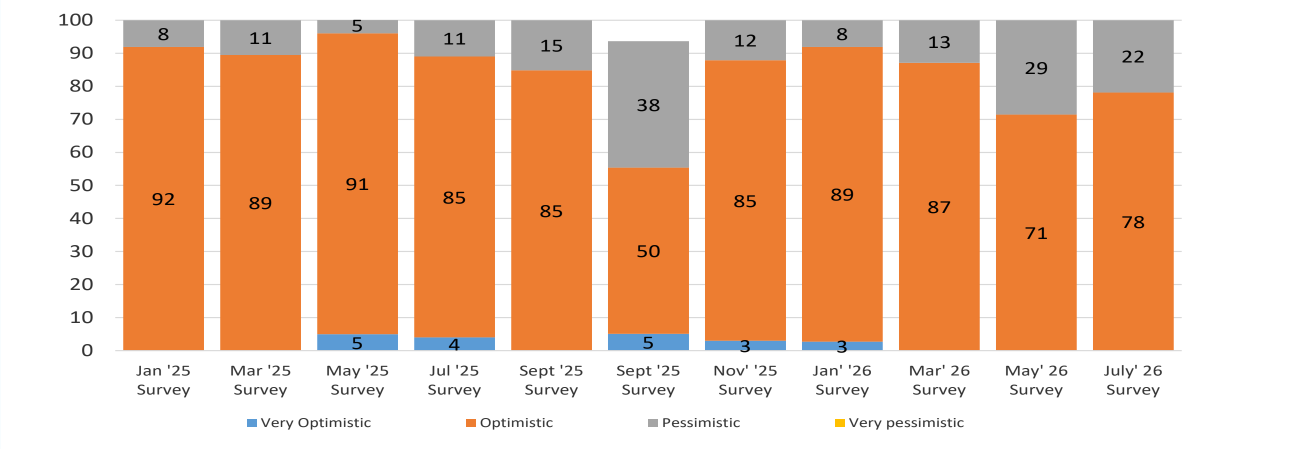
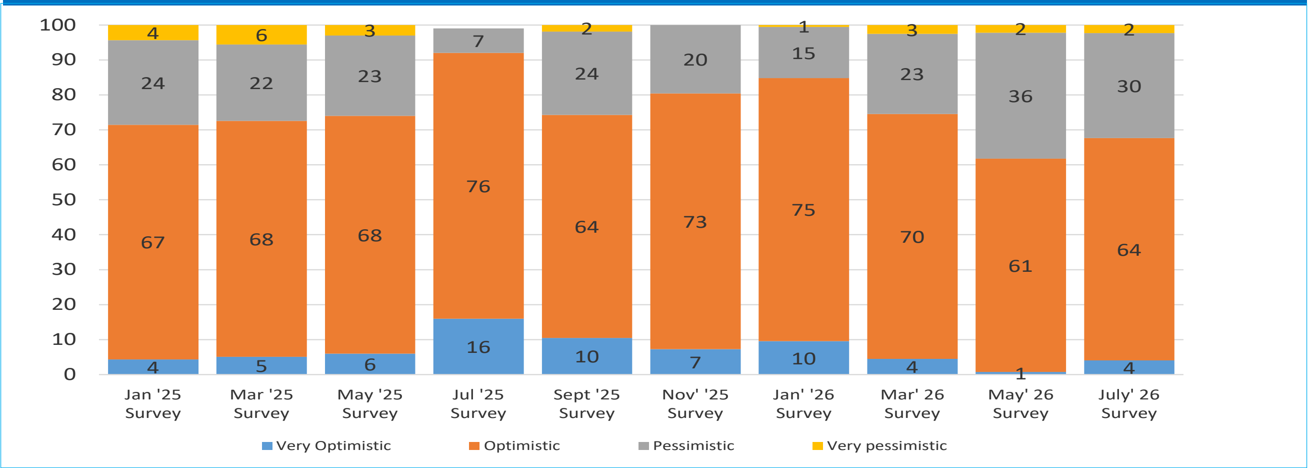


Chart 15: Optimism in growth prospects by non-bank private sector (percent of respondents)



11. HOW THE BUSINESS ENVIRONMENT COULD BE ENHANCED

The Survey requested respondents to share their views on measures that could enhance the business environment. The key suggestions from the July Survey are presented below. Respondents proposed measures to strengthen the business environment, including predictable and simplified regulatory frameworks, moderate revenue-raising measures, and continued temporary fiscal support to cushion businesses from external shocks.

Respondents also recommended improving access to affordable credit for MSMEs, reviewing of the Microfinance Banks' (MFBs) regulatory requirements, particularly those relating to centralization and provisioning, to unlock MSME credit demand, enhancing financial sector liquidity, and; strengthening mechanisms for managing non-performing loans(NPLs).

Respondents recommended avoidance of excessive government domestic borrowing to create space for private sector credit growth, a predictable monetary policy environment, and timely settlement of government pending bills. The respondents also advocated for a shift of government spending toward development expenditure with higher economic multiplier effects, greater use of Public–Private Partnerships (PPPs), reduced fiscal pressures, and clear government communication to strengthen investor and consumer confidence.

In addition, respondents emphasised the need for efficient resolution of commercial disputes, including through civic dialogue and youth empowerment.

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