



Central Bank of Kenya

Market Perceptions Survey

May 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, 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 May 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 (February, March and April 2025), expectations for the next three months (June, July and August 2025), the next one year (May 2025 – June 2026), the next two years (May 2025 – June 2027), and the next five years (May 2025 – June 2030).

The Survey also explored expectations of demand for credit in the next two months and expected

private sector credit growth for 2025. It also gathered information on market expectations on inflation, economic growth, lending rates and levels of operations by companies.

In addition, the Survey also collected data on levels of optimism regarding the economic outlook over the next 12 months and expectations on employment trends. Respondents were also asked to highlight the key factors influencing their expectations.

This report provides a summary of the findings of the Survey.

3. SURVEY METHODOLOGY

The Survey targeted Chief Executives and other senior officers of 353 private sector firms comprising 37 commercial banks, 14 microfinance banks (MFBs) and 302 non-bank private firms, including 84 hotels, through questionnaires administered online, and via email and hard copies. The overall response rate to the May 2025 Survey was 61 percent of the sampled institutions. The respondents comprised 37 commercial banks, 13 micro-finance banks, and 166 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 May 2025 Market Perceptions Survey included:

1. Respondents expect overall inflation to remain below the midpoint of the target range in the near term mainly on account of stable food and fuel prices.
2. Respondents expect moderate to strong economic activity in the next three months underpinned by improved agricultural activity, stable macroeconomic environment and recovery in specific sectors following Government's commitment to settle pending bills.

3. Respondents expect improved economic growth in 2025 relative to 2024, driven by improved agricultural performance, resilient services sector, and a stable macroeconomic environment.
4. The survey showed mixed hiring expectations by banks and non-bank private firms for 2025.
5. Bank respondents expect recovery in private sector credit growth in 2025, largely due to declining lending interest rates.
6. The survey revealed sustained optimism by respondents about Kenya's economic prospects in the next 12 months.
7. Average forward hotel bookings are higher in June-August 2025 compared to a similar period in 2024.

5. INFLATION EXPECTATIONS

In the Survey, respondents were requested to give their expectations of overall inflation rates for the next three months (May, June, July 2025), the next 12 months (May 2025-April 2026), the next 2 years (May 2025 – April 2027), and the next 5 years (May 2025 – April 2030). Respondents expected inflation to remain stable and below the midpoint of the target range over the next three months (**Table 1**), supported by several factors including: continued long rains that are likely to boost agricultural production; a stable Kenyan shilling which is expected to mitigate imported inflation; moderate international crude oil prices resulting from increased supply by OPEC+ and stable electricity prices due to increased hydropower generation from filled dams.

Respondents cited several risks to the expected inflation in the next 2 months. These include temporary vegetable shortages as newly planted crops take time to mature, rising maize flour prices due to dwindling reserves ahead of the harvest

season in July, and higher sugar prices following the reintroduction of the Sugar Development Levy and volatility in international prices. In addition, respondents cited risks emanating from geopolitical tensions that could lead to volatility in global and domestic prices as well as any increases in taxes in the forthcoming FY2025/26 Finance Bill.

Table 1: Inflation expectations (percent)

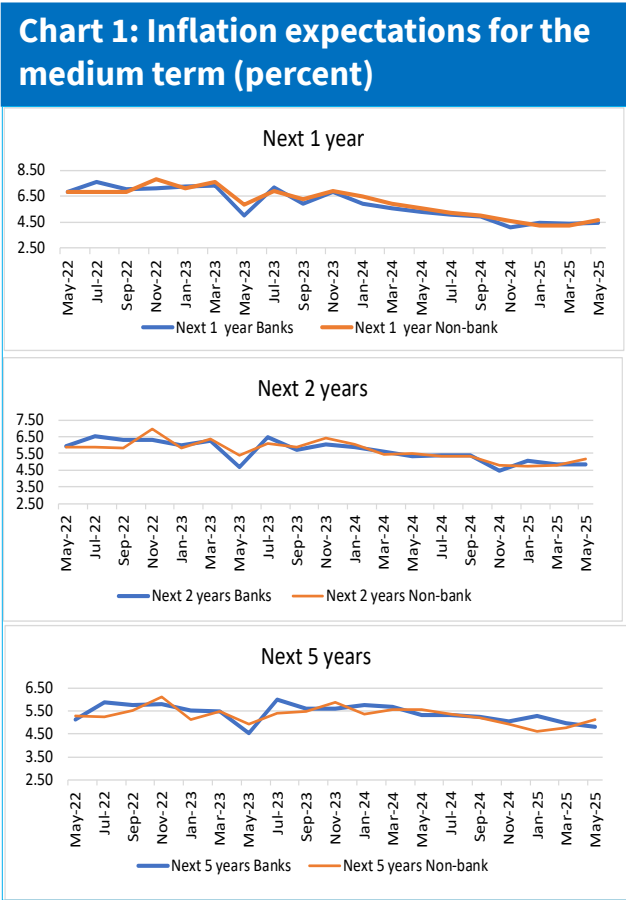
Survey month	Inflation expectations			Actual inflation
		Banks	Non-banks	
Jan-23	Jan-23	9.03	8.88	8.98
	Feb-23	8.87	8.79	9.23
Mar-23	Mar-23	9.23	8.87	9.19
	Apr-23	9.12	8.91	7.90
May-23	May-23	7.98	7.39	8.03
	Jun-23	7.81	7.40	7.88
Jul-23	Jul-23	8.01	7.83	7.28
	Aug-23	8.07	7.83	6.73
Sep-23	Sep-23	6.45	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	
	Jul-25	3.58	4.39	

Over the medium term, respondents expected inflation to remain anchored close to the midpoint of the target range on account of 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 ongoing government interventions and favorable weather conditions; stable fuel and energy costs aided by moderate global crude oil prices alongside earlier domestic policy

interventions such as government-to-government fuel import arrangements. A stable Kenyan shilling is anticipated to limit imported inflation particularly in fuel, food, and other tradable goods. In addition, the Central Bank’s credible inflation-targeting framework would keep inflation low and stable around the 5 percent target.

However, respondents identified several risks to medium-term inflation outlook, including any upward adjustments in excise duties or VAT under the proposed Finance bill FY2025/26, and global commodity price volatility due to geopolitical tensions.



6. ECONOMIC ACTIVITY

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

Respondents in the non-bank (84 percent) and Bank (92 percent) sectors expected moderate, strong to very strong economic activity in the next three months. Economic activity will be supported by accelerated public sector spending towards the end of the financial year; improved agricultural activity as the rains extends to June; recovery in construction sector following the clearance of pending bills and the resumption of stalled projects; improved activity in the tourism sector due to wild beast migration; and increased private sector lending.

However, several challenges may constrain economic activities including global trade tensions, high costs of doing business, and uncertainties related to the 2025/26 fiscal framework.

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

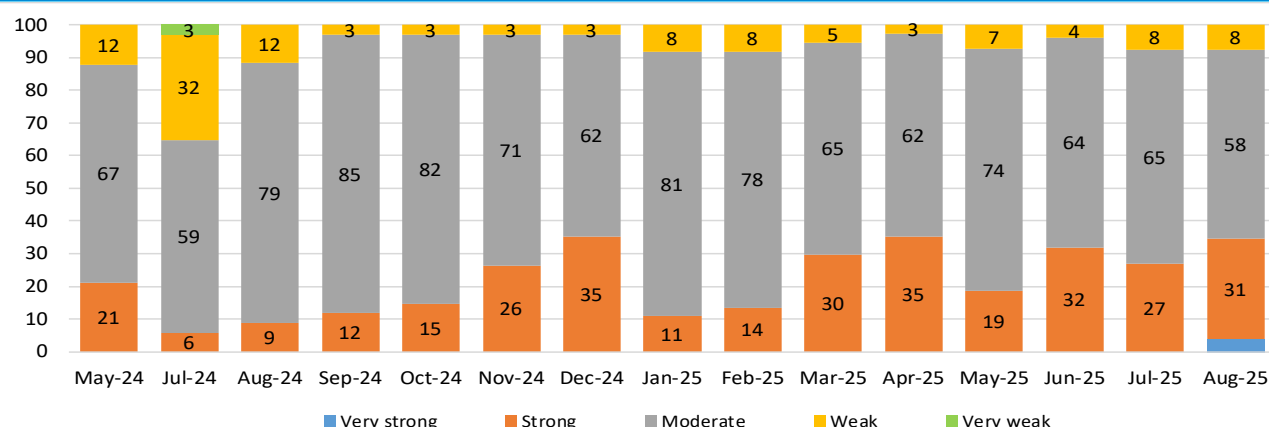
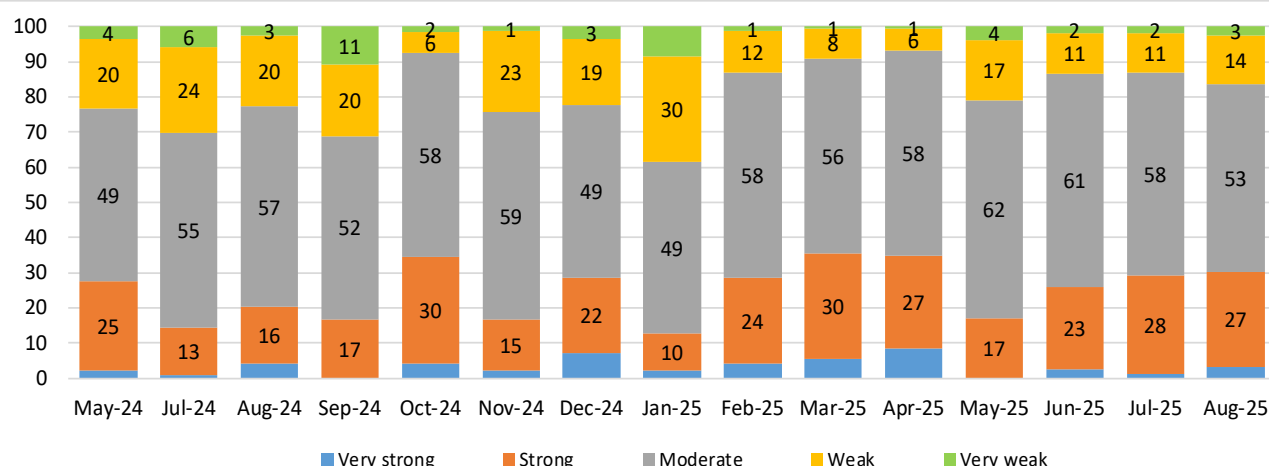


Chart 3: Expected economic activity by non-bank private sector (percent of respondents)



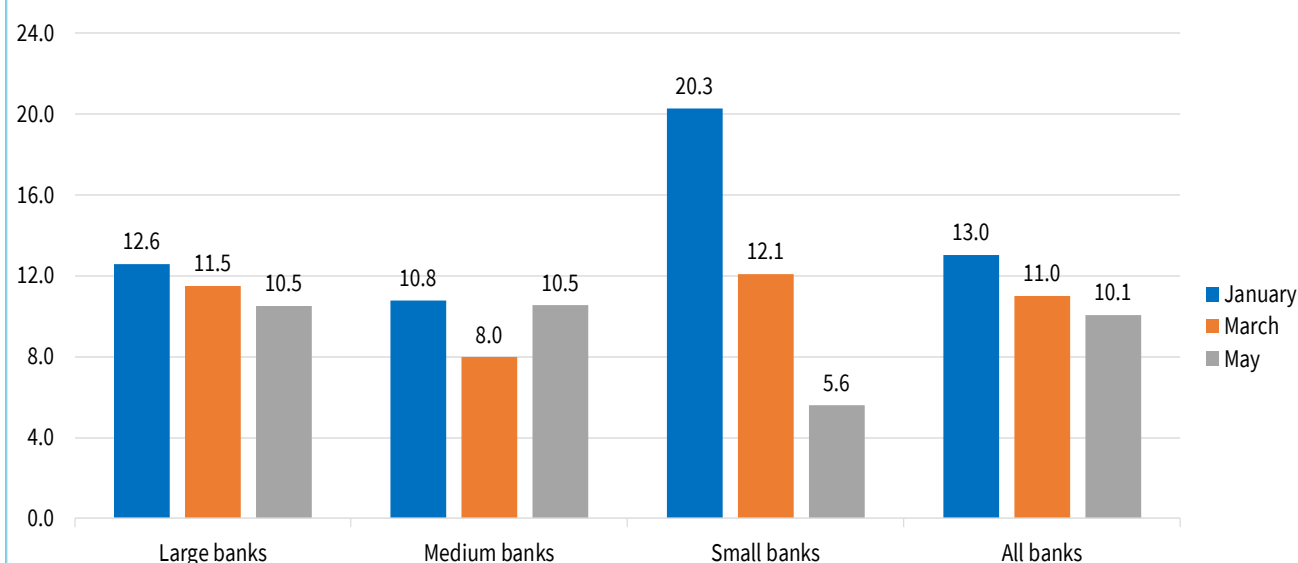
7. PRIVATE SECTOR CREDIT GROWTH EXPECTATIONS

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 May survey lowered their expectations on private sector credit growth in 2025 compared to the March and January surveys due to concerns on the elevated credit risk, low purchasing power of consumers, and government borrowing (**Chart 4**).

However, respondents indicated that private sector credit is expected to recover supported by stable macroeconomic environment, improved liquidity conditions in the banking sector, and recovery of key sectors of the economy. Many banks have committed to support MSMEs through risk-sharing guarantee schemes and collaborations with international institutions. Additionally, banks are scaling up digital lending platforms to simplify access to credit and enhance credit penetration, particularly among retail clients and micro-entrepreneurs. The anticipated reduction in lending rates is expected to stimulate loan demand across the retail, SME, and corporate segments. Moreover, as returns on government securities decline, banks are likely to redirect their focus towards private sector lending.

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



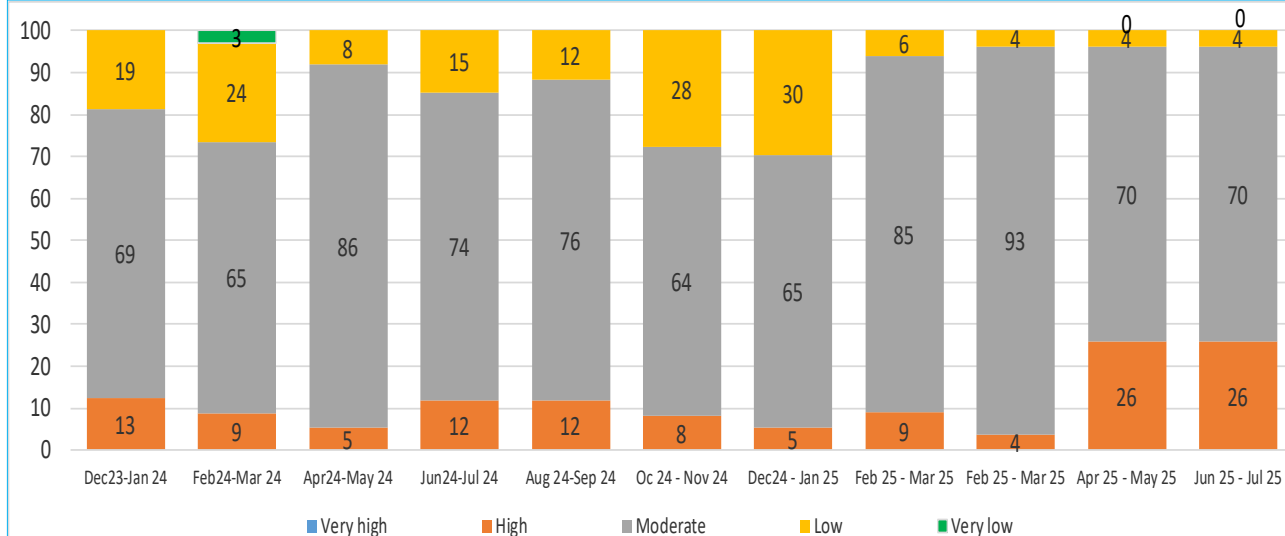
7.2. Expected demand for credit by banks

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

Credit demand is expected to be supported by declining interest rates and gradual economic recovery. Banks anticipate demand for credit to stem mainly from the agriculture, manufacturing, and construction sectors to meet working capital needs and expansion.

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

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



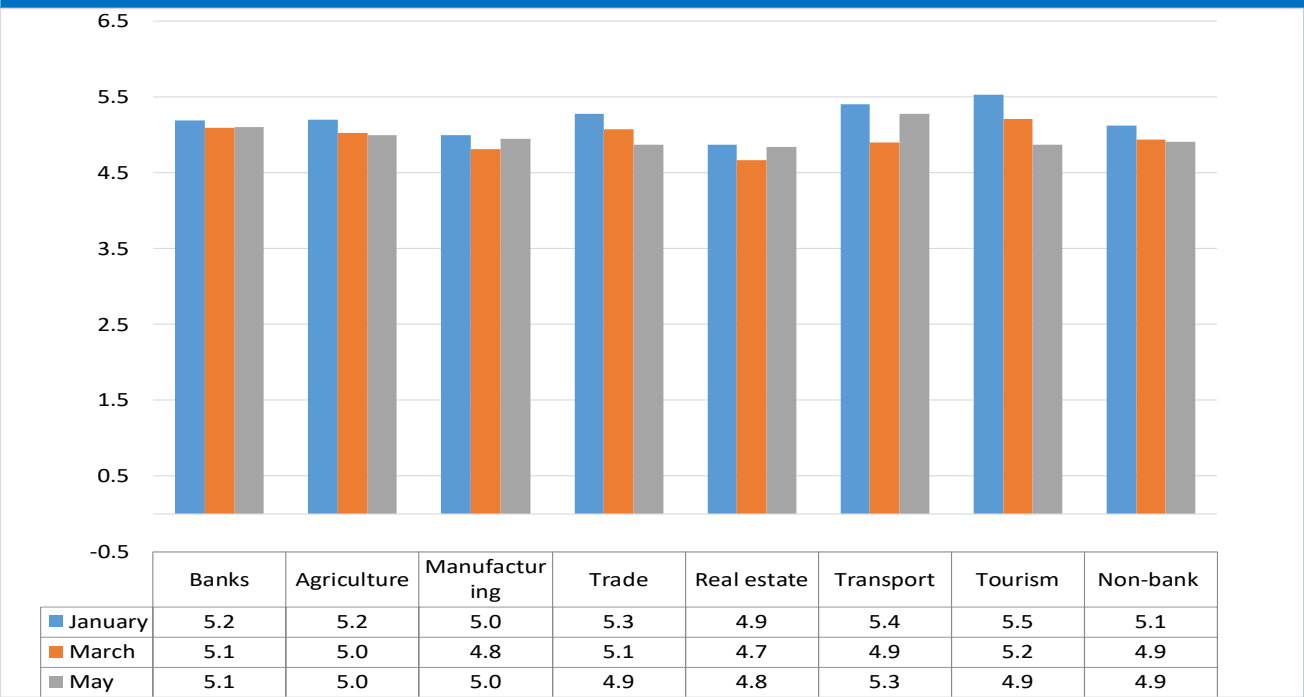
8. EXPECTED ECONOMIC ACTIVITY

The Survey requested participants to indicate their expected economic growth rates for the country in 2025. Bank respondents revised downwards their expectations of economic growth in 2025 compared with March and January Survey while the non-banks maintained the same stance **(Chart 6)**.

Respondents expected agriculture to continue supporting economic performance in 2025 on account of expected favourable weather and government support to the sector. Respondents expected recovery

and expansion of business activity in the finance, ICT, wholesale and retail trade, and transport sectors. Furthermore, the declining lending rates is expected to enhance access to credit, stimulating activity across consumer and business segments. The stable macroeconomic environment outlook is expected to sustain investor confidence and economic expansion. However, risks to economic growth expectations cited by respondents included, impact of global trade tensions on the local economy, fiscal consolidation, high taxation, and the increased cost of production.

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



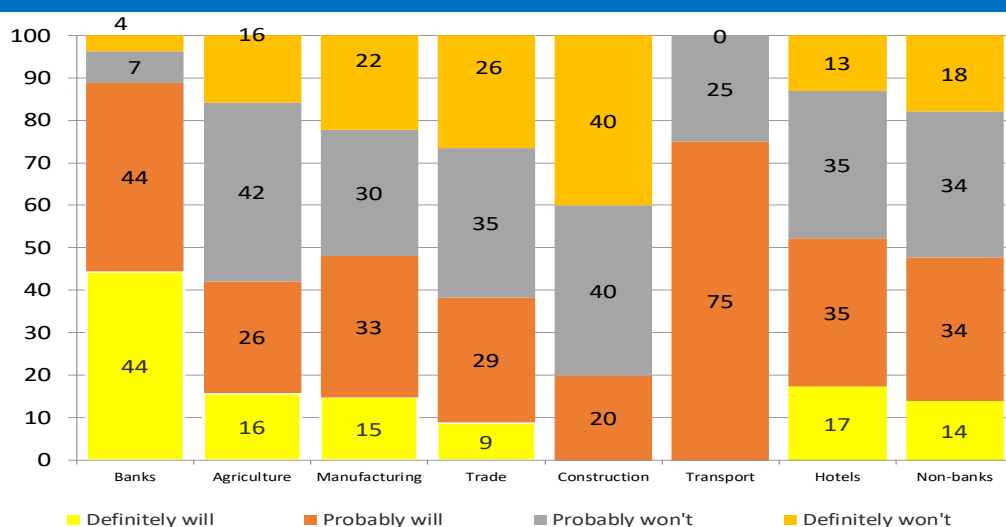
9. EMPLOYMENT EXPECTATIONS

Respondents were asked about whether they expected to increase the number of employees in 2025 relative to 2024. The results showed mixed expectations by banks and non-banks **(Chart 7)**.

Banks largely expect to hire more in 2025 supported by continued branch expansion, adoption of digital strategies, and replacing exiting staff.

Non-bank players had mixed expectations about hiring in 2025. 34 percent of the respondents indicated that they would not hire due to rising operational costs, increased taxes and levies, delayed government payments, and plans to leverage on ICT to reduce manual operations. On the other hand, 34 per cent of the respondents indicated that they would hire to support business expansion, replace exiting staff, and attract new talent.

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



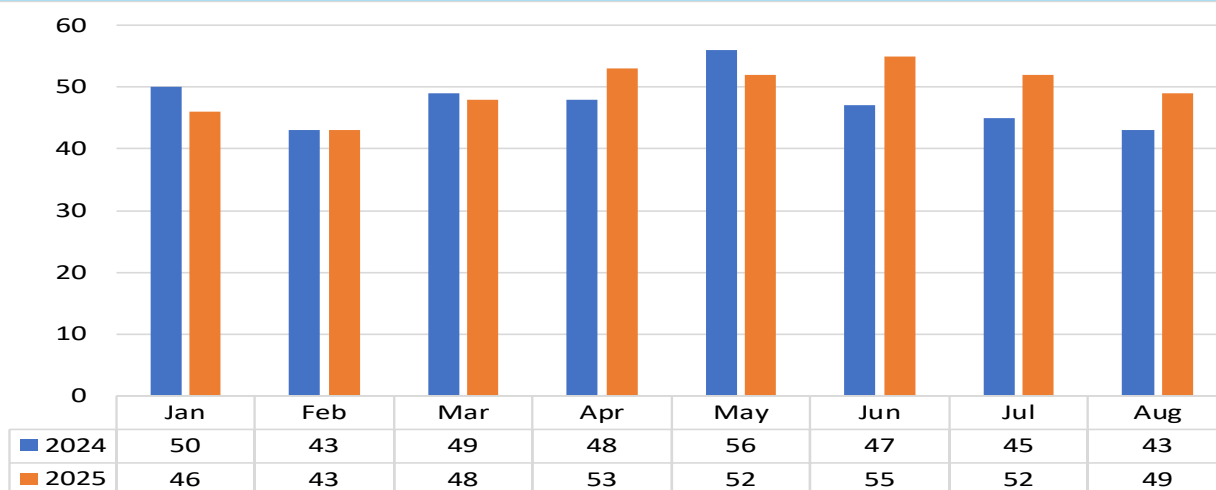
10. OPTIMISM ON THE ECONOMIC PROSPECTS

10.1 Hotel forward bookings

The Survey requested hotel respondents for forward bookings received for the period June to August

2025. The survey revealed that levels of average forward hotel bookings were higher compared to those during a similar period in 2024 **(Chart 8)**.

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



Respondents alluded that the forward bookings have been impacted by online systems that provide for short-term booking cycles, with clients booking events in under 10 days. Additionally, they highlighted competition from Airbnbs, weak consumer purchasing power and reliance on walk-in clients as factors affecting advance bookings **(Chart 8)**.

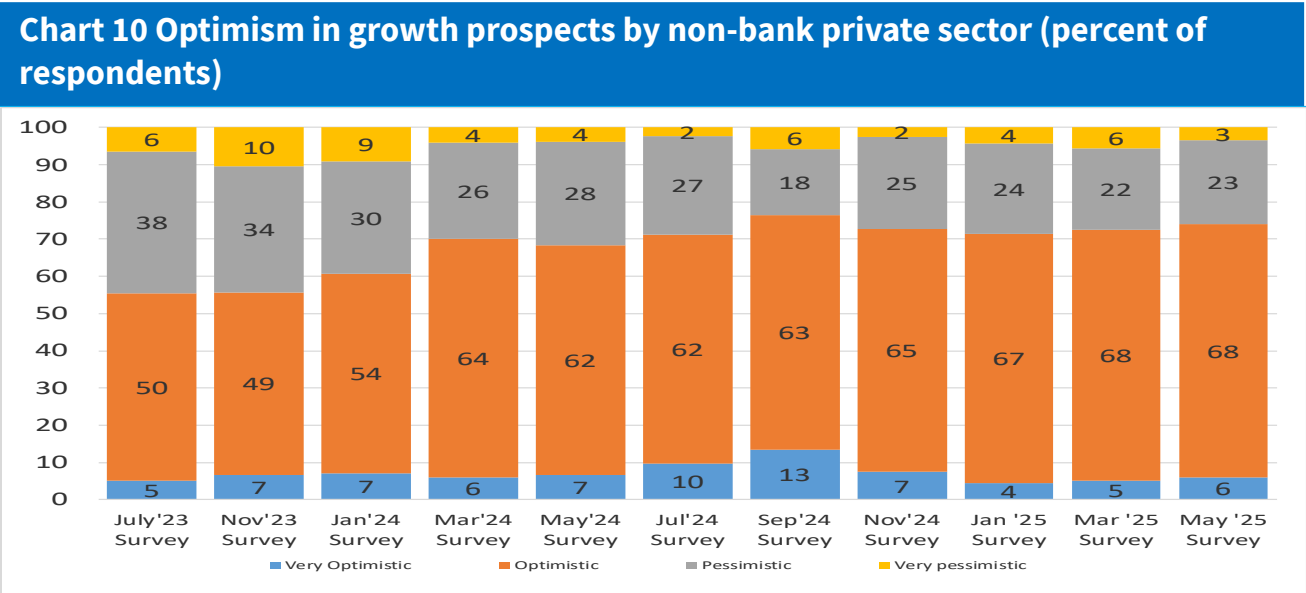
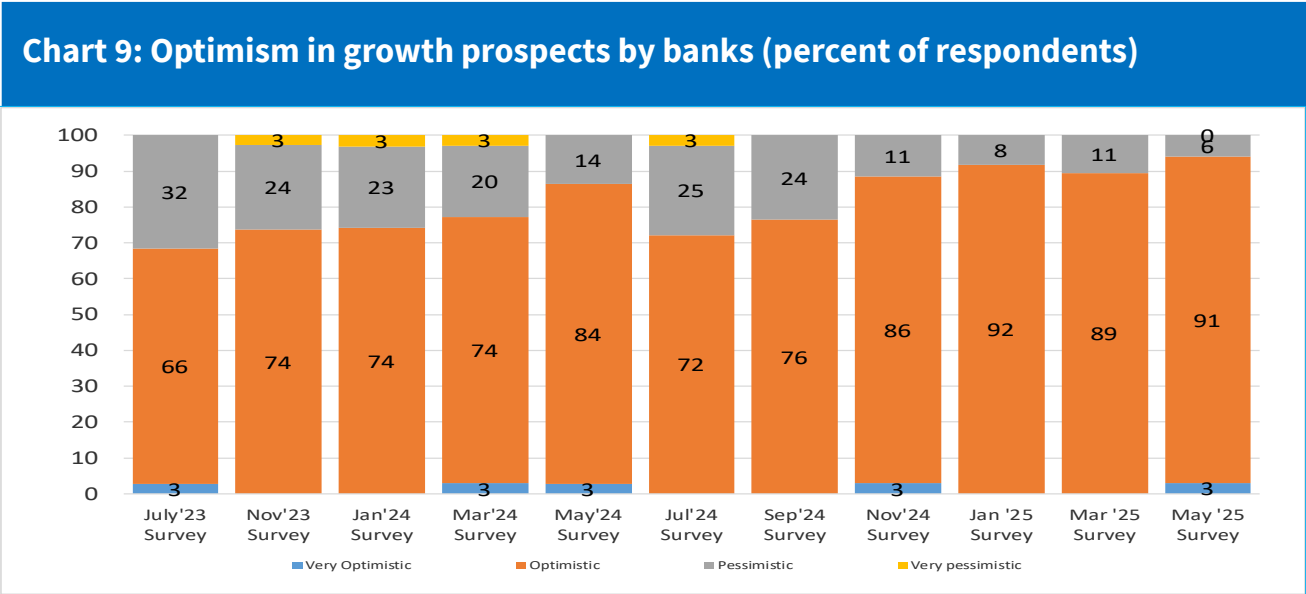
10.2. Optimism on economic prospects in the next 12 months

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 stable macro-economic factors including controlled inflation, steady exchange rates, and recent rate cuts by the Central Bank that are easing financial conditions. Favorable weather conditions are expected to boost agricultural productivity and enhance food security. The services sector, especially finance, ICT, and tourism, remains robust, contributing strongly to overall economic activity. A pause in erratic U.S.

trade policies, and growing trade opportunities through platforms such as AfCFTA are expected to boost Kenya's export potential.

However, the main risk to this optimism cited by respondents was taxation and increased statutory deductions which have lowered the purchasing power of consumers and reduced aggregate demand.

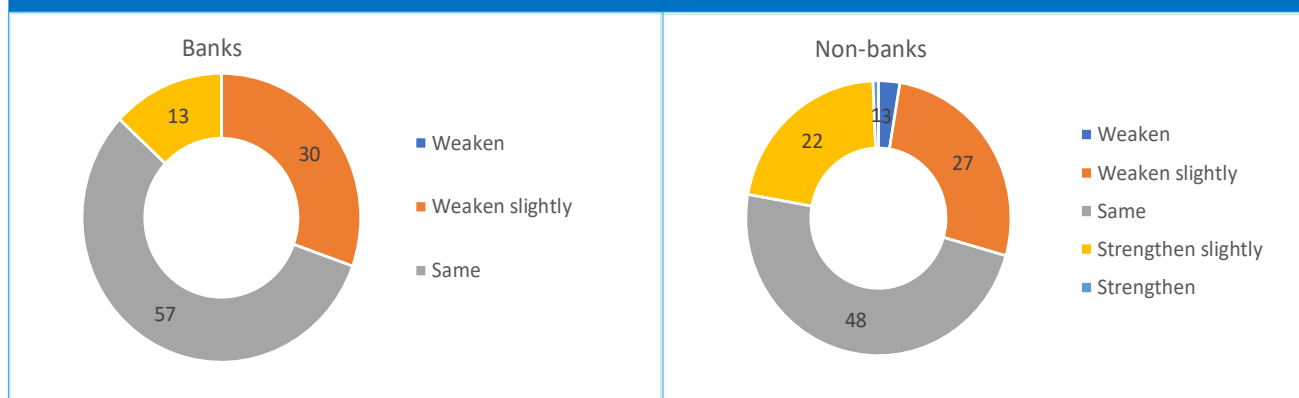


11. EXCHANGE RATE EXPECTATIONS

The Survey sought from bank and nonbank private sector firms their expectations regarding the direction of change in the exchange rate of the Shilling against the US Dollar in June and July 2025.

Respondents expected the exchange rate of the Ksh against the US to remain stable in the next 2 months **(Chart 11)**.

Chart 11: Exchange rate expectations (percent of respondents)



Respondents expected support for the shilling to be bolstered by adequate foreign exchange reserves, diaspora remittances, growing export earnings and tourism receipts. However, rising external debt

repayments, dividend repatriation, and potential shocks from geopolitical tensions, and AGOA non-renewal, pose downside risks.

12. HOW THE BUSINESS ENVIRONMENT COULD BE ENHANCED

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

Respondents emphasized the need to improve access to affordable credit, streamlining regulations, lowering borrowing costs, and settlement of pending government bills to unlock capital for private sector growth. Additionally, strengthening infrastructure, stabilizing the tax and policy environment, and providing targeted incentives to key sectors such as agriculture, manufacturing, and technology were

seen as critical steps toward improving the overall business climate.

Respondents further stressed the need for government support on digital innovation, fair competition, and ensuring accountability in procurement and public finance. They also highlighted that political stability, dependable governance, and strategic investments in human capital and value addition are vital for strengthening investor confidence and driving long-term, sustainable economic growth.



Central Bank of Kenya

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