Central Bank of Kenya

Market Perceptions Survey

September 2025



CONTENTS

1. BACKGROUND TO THE MARKET PERCEPTIONS SURVEYS....1
2. INTRODUCTION....1
3. SURVEY METHODOLOGY....1
4. HIGHLIGHTS OF THE SURVEY....1
5. INFLATION EXPECTATIONS....2
6. ECONOMIC ACTIVITY....4
7. PRIVATE SECTOR CREDIT GROWTH EXPECTATIONS....5
8. EXPECTED ECONOMIC GROWTH....6
9. EMPLOYMENT EXPECTATIONS....7
10. OPTIMISM ON THE ECONOMIC PROSPECTS....8
11. EXCHANGE RATE EXPECTATIONS....10
12. RECOMMENDATIONS ON HOW THE BUSINESS ENVIRONMENT COULD BE ENHANCED....10

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 September 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 (July, August and September 2025), expectations for the next three months (October, November, and December 2025), the next one year (September 2025 – August 2026), the next two years (September 2025 – August 2027), and the next five years (September 2025 – August 2030).

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

The Survey furtheralso 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 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 September 2025 Survey was 68 percent of the sampled institutions. The respondents comprised 36 commercial banks, 13 micro-finance banks, and 190 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 September 2025 Market Perceptions Survey included:

1. Respondents expect overall inflation to remain below the midpoint of the target range in the next three months, supported by stable fuel prices and exchange rates.
2. Respondents expect increased economic activity in October, November and December 2025 on account of reduced cost of borrowing, macroeconomic stability and seasonal factors during the end-year festive period.

3. Respondents expect improved economic growth in 2025 relative to 2024, driven by better agriculture performance, a resilient services sector and stable macroeconomic environment.
4. The survey showed mixed hiring expectations by banks and non-bank private firms for 2025 compared with 2024.
5. Bank respondents expect a pick-up in private sector credit growth in 2025 largely due to declining lending rates.
6. The survey revealed sustained optimism by respondents about Kenya's economic prospects in the next 12 months.

5. INFLATION EXPECTATIONS

In the Survey, respondents were requested to give their expectations of overall inflation rates for the next three months (September, October, and November 2025), the next 12 months (September 2025 – August 2026), the next 2 years (September 2025 – August 2027), and the next 5 years (September 2025 – August 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 **(Table 1).**

Respondents expect the low and stable inflation to be supported by effective monetary policy including stable interest rates and exchange rate. In addition, food prices are expected to be low on account of favorable weather and support of the agricultural sector by Government.

Furthermore, respondents expect stability in global oil prices due to improved supply from OPEC+ and non-OPEC countries, and slower global demand. Nevertheless, respondents expected some upward pressure from supply constraints due to geopolitical tensions and climate change.

Table 1: Inflation expectations (percent)

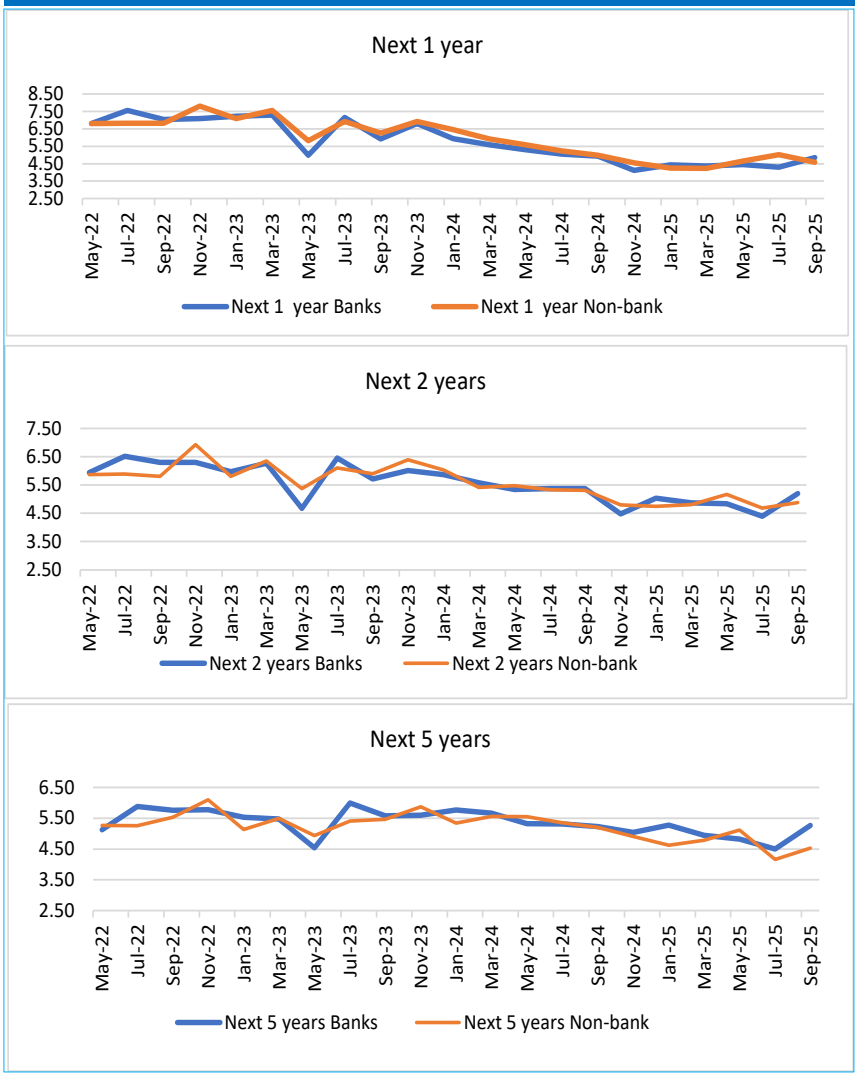
Survey month	Inflation expectations			Actual inflation
		Banks	Non-banks	
Jan-23	Jan-23	9.03	8.88	8.98
	Feb-23	8.87	8.79	9.23
Mar-23	Mar-23	9.23	8.87	9.19
	Apr-23	9.12	8.91	7.90
May-23	May-23	7.98	7.39	8.03
	Jun-23	7.81	7.40	7.88
Jul-23	Jul-23	8.01	7.83	7.28
	Aug-23	8.07	7.83	6.73
Sep-23	Sep-23	6.45	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	4.11
	May-25	3.51	4.18	3.75
May-25	Jun-25	3.58	4.29	3.82
	Jul-25	4.15	4.04	4.15
Jul-25	Aug-25	4.28	4.19	4.53
	Sep-25	4.43	4.30	4.58
Sep-25	Oct-25	4.55	4.35	
	Nov-25	4.62	4.46	

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 a stable exchange rate **(Chart 1).**

Specifically, the respondents noted that the key drivers supporting this outlook included improved agricultural productivity, supported by favorable weather and continued government interventions including provision of fertilizer and inputs subsidies, moderation of global oil prices with increased production globally, and developments in the country seeking to shift from reliance on fossil fuel to renewable energy.

However, the respondents identified some risks to the medium term inflation outlook, including the effects of geopolitical uncertainties on commodity prices, and the impact of climate change.

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



6. ECONOMIC ACTIVITY

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

The Survey findings showed that respondents expected moderate-to-strong and very strong activity in the next three months, largely supported by pick-up in demand in retail trade and tourism services related to the upcoming festive season.

In addition, respondents expected reduced lending rates and ample liquidity to stimulate private sector credit growth and lead to recovery of household and services sector spending and increased imports hence impact economic activity.

Similarly, respondents expect a stable macro-economic environment including low inflation and a stable exchange rate to support economic activity in the next three months.

Furthermore, respondents expected activities directly and indirectly related to agriculture to thrive supported by government-led initiatives and favorable weather.

However, respondents remained concerned about subdued demand as the government implements austerity measures, high cost of doing business, trade wars and geopolitical tensions.

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

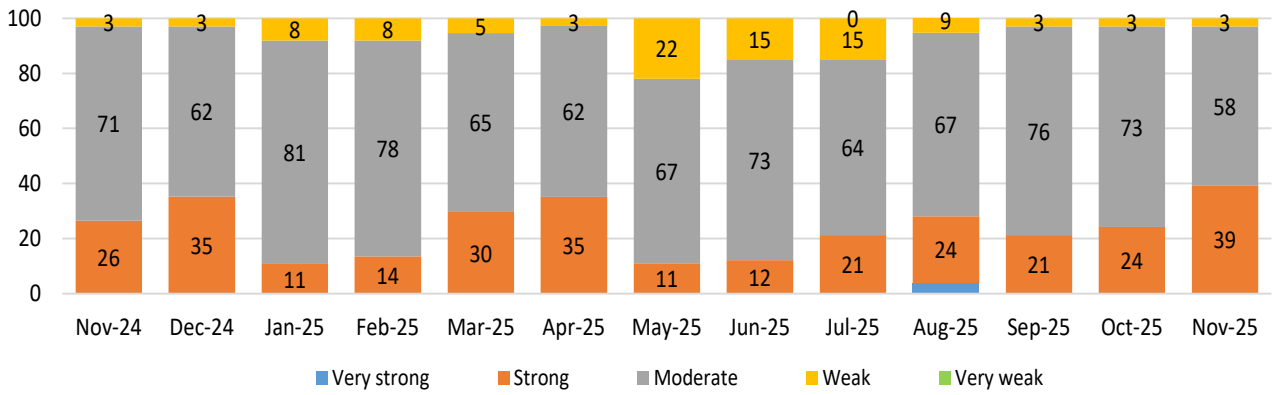
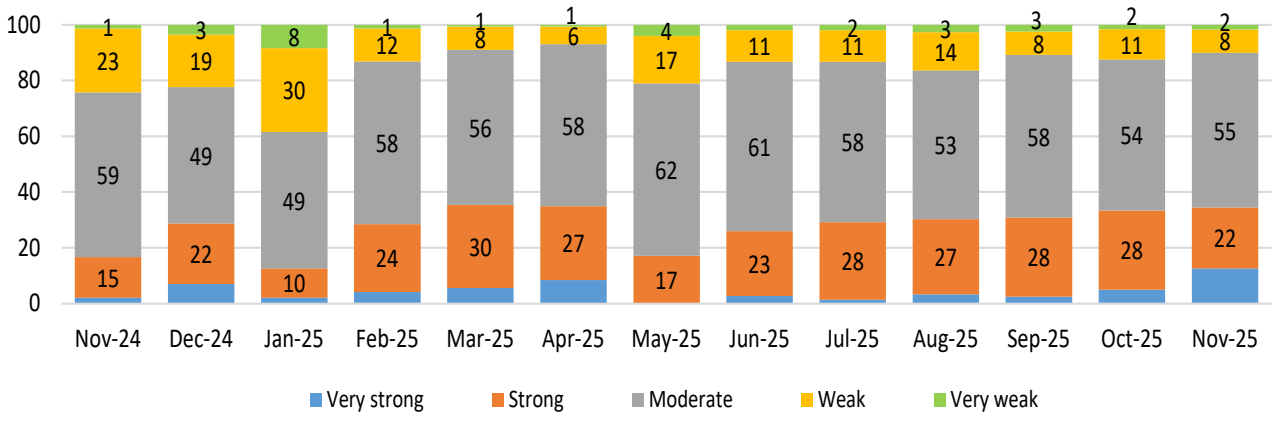


Chart 3: Expected economic activity by non-bank private sector (percent of respondents)



7. PRIVATE SECTOR CREDIT GROWTH EXPECTATIONS

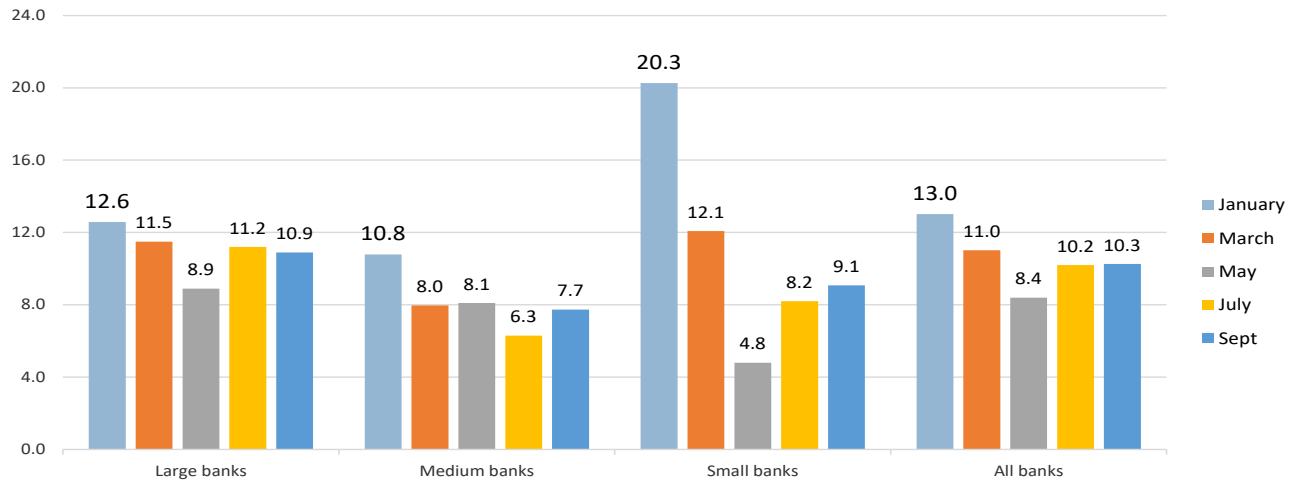
7.1. Growth in private sector credit at end December 2025

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 indicated expectations of higher private sector credit growth in 2025 compared to 2024, largely supported by the gradual decline in lending rates following the easing of monetary policy by the CBK and a stable macroeconomic environment characterized by a low and stable inflation **(Chart 4).**

Respondents also expected an increase in festive season related demand to support credit growth. In addition, the expected economic recovery in sectors such as construction and real estate is also expected to support increased sector specific credit growth.

Nevertheless, respondents expected the elevated credit risk with high NPLs, and high cost of doing business to affect private sector credit growth in 2025.

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



7.2. Expected demand for credit by banks

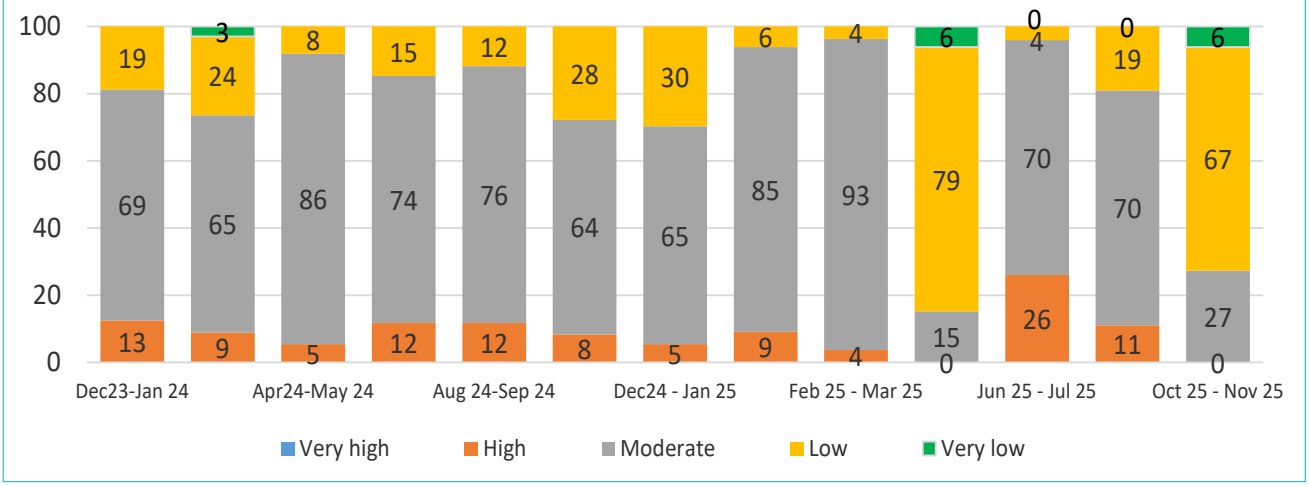
The Survey requested bank respondents for an assessment of credit demand from their perspective, during the 2 months before the MPC meeting (i.e., August and September 2025), and their expectations for October and November 2025. Respondents expected increased demand for credit by clients taking advantage of the declining lending rates, and due to the favorable macroeconomic environment **(Chart 5).**

Bank respondents expected demand for credit to be largely driven by lower interest rates leading to reduced borrowing costs for businesses to finance working capital and capex.

In addition, respondents expected demand for credit to be driven by expected economic recovery in trade, tourism, transport, and agriculture.

Nevertheless, bank respondents expect demand for credit to be tempered by reduced disposable incomes due to increased statutory levies affecting households and corporates demand for products dwindles due to low purchasing power. In addition, respondents expect cautious lending by banks due to the Risk Based Pricing Model effect on riskier borrowers.

Chart 5: Expectations on Demand for credit from banks' perspective relative to previous 2 months (percent of respondents)



8. EXPECTED ECONOMIC GROWTH

The Survey requested participants to indicate their expected economic growth rates for the country in 2025. Respondents expected improved economic growth in 2025 compared with 2024, largely supported by agricultural performance, a resilient services sector, and easing macroeconomic factors **(Chart 6).**

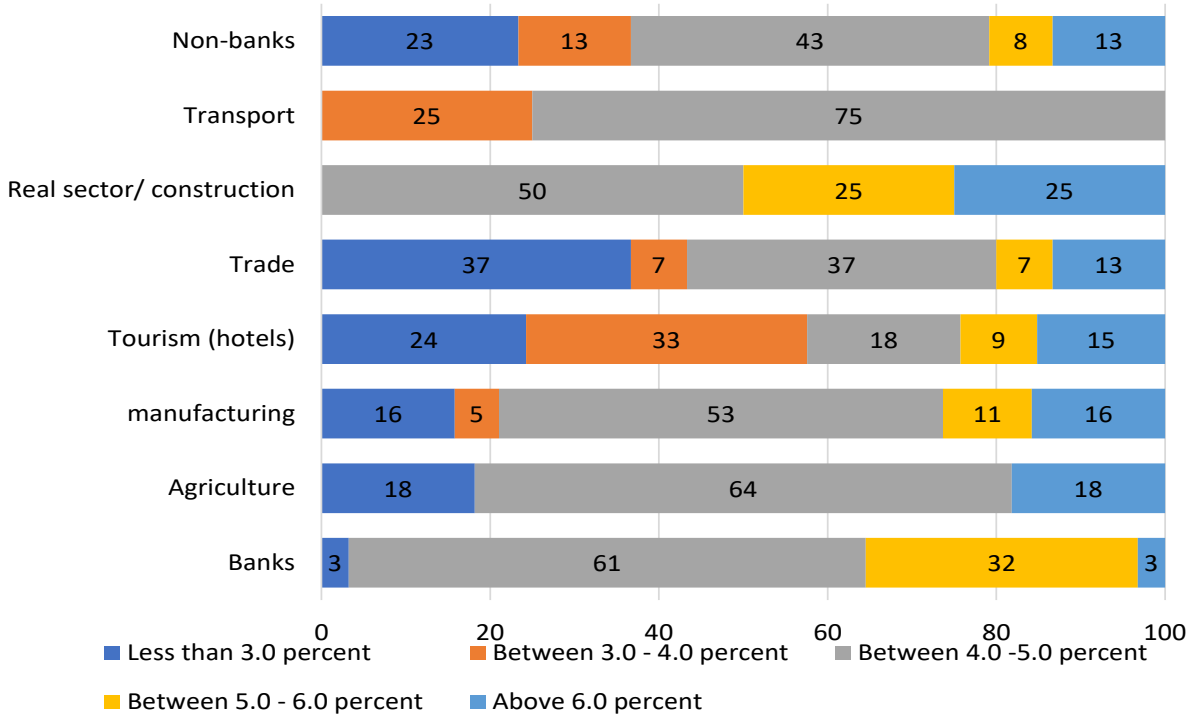
Respondents expect better agricultural performance to continue driving economic performance in 2025 largely on account of favourable weather and benefits from reforms by government in the sector.

In addition, respondents expect economic growth to be supported by improved services sector performance boosted by increased private sector activity stimulated by increased private sector credit growth due to lower lending rates and accessibility to finances. Private sector activity is also expected to benefit from the stable macroeconomic environment, especially the low inflation rates and stable exchange rates.

Similarly, respondents expect the Government infrastructure spending including the affordable housing agenda, digital transformation and innovation to support economic growth in 2025

Nevertheless, risks to economic growth expectations cited by respondents included the high cost of production inputs, high operational costs, and volatility in oil prices.

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-bank respondents **(Chart 7).**

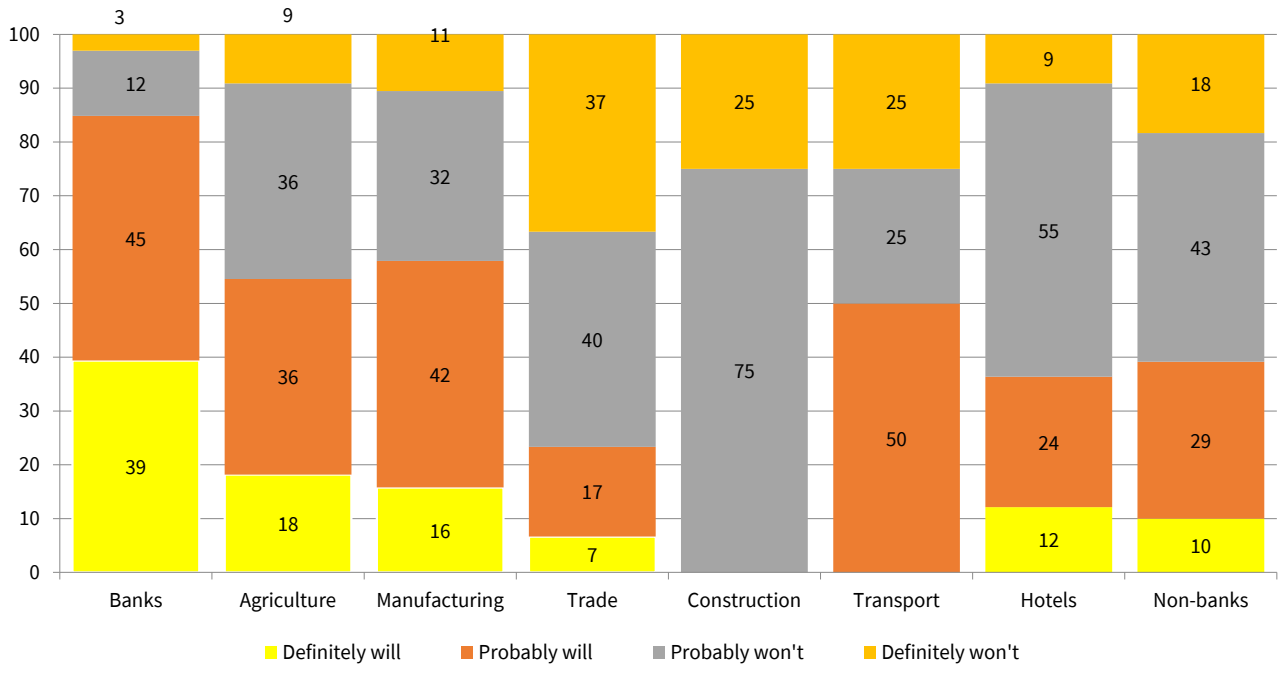
Respondents from the banking sector largely expect to hire more in 2025 supported by continued branch expansion and growth in businesses, launch of new products, need to attract new talent, and to replace exiting staff.

On the other hand, non-bank respondents expected to increase hires to improve efficiency and market growth, increase production capacity, to expand businesses, to take advantage of seasonal peaks, and to replace exiting staff.

Risks to employment expectations included reduced business volumes and declining profits, low consumer purchasing power, need to reduce costs, high operational costs, high taxes and levies and the need to leverage on ICT and technology to reduce manual operations.

Other sector-based risks included concerns about increased taxation, high energy costs, high cost of doing business and weak purchasing power, cited by the construction and hospitality sector respondents, and the need to reduce costs and lower overheads, cited by trade and transport sector respondents.

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

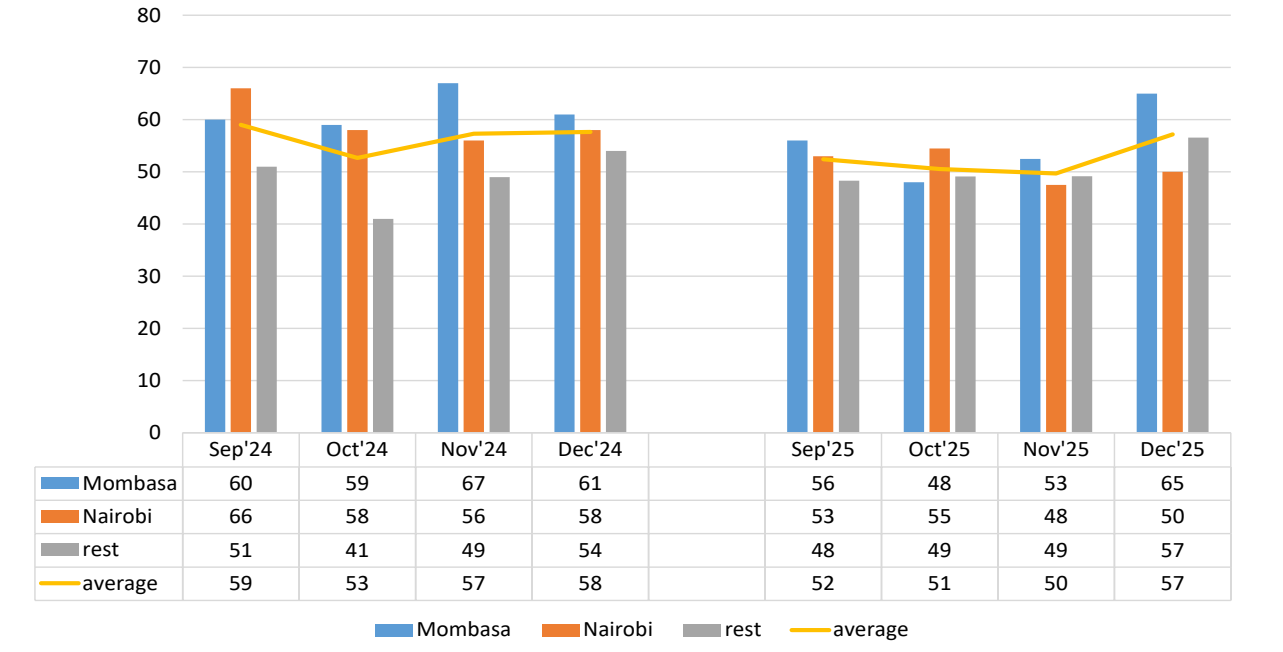


10. OPTIMISM ON THE ECONOMIC PROSPECTS

10.1 Hotel forward bookings

The Survey requested hotel respondents for forward bookings received so far for the period September to December 2025. The survey showed largely unchanged levels of average forward hotel bookings in 2025 compared to a similar period in 2024 **(Chart 8).**

Chart 8: Hotel forward bookings (September – December 2025)



	Sep'24	Oct'24	Nov'24	Dec'24		Sep'25	Oct'25	Nov'25	Dec'25
Mombasa	60	59	67	61		56	48	53	65
Nairobi	66	58	56	58		53	55	48	50
rest	51	41	49	54		48	49	49	57
average	59	53	57	58		52	51	50	57

Respondents expected an upward trend in forward bookings as the festive season approaches but indicated that most bookings were made very close to the arrival dates and that local bookings were affected by the reduced purchasing power among consumers.

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 expected resilience in agriculture and services sectors including tourism and ICT.

Respondents also expected the stable macro-economic factors including declining lending rates, low inflation and, stable exchange rates, to supportenable the business environment and support economic growth.

Nevertheless, risks to this optimism as cited by respondents included fiscal strain due to expected tax underperformance, reduced disposable income for consumers and businesses, and negative impact on business sentiment and planning due to the frequent changes in fees, levies, and compliance costs. Other risks included geopolitical tensions, slower global growth and climate change.

Other risks included geopolitical tensions, slower global growth and climate change.

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

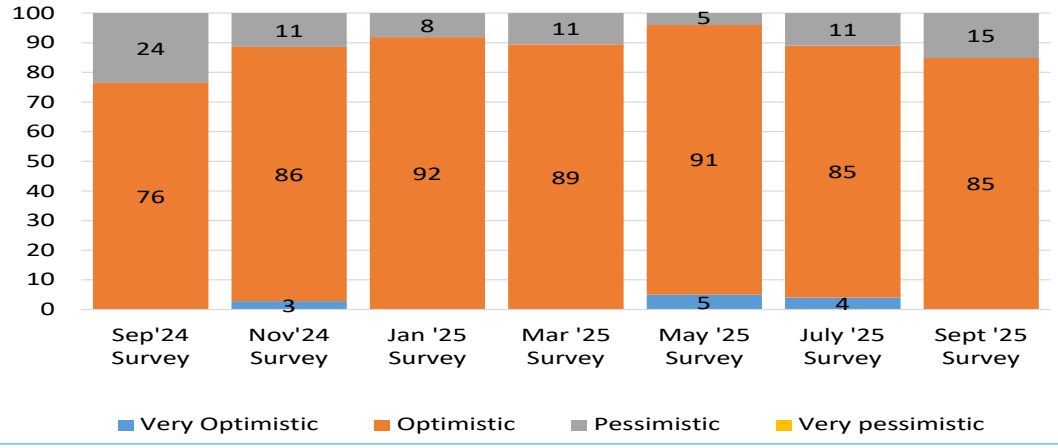
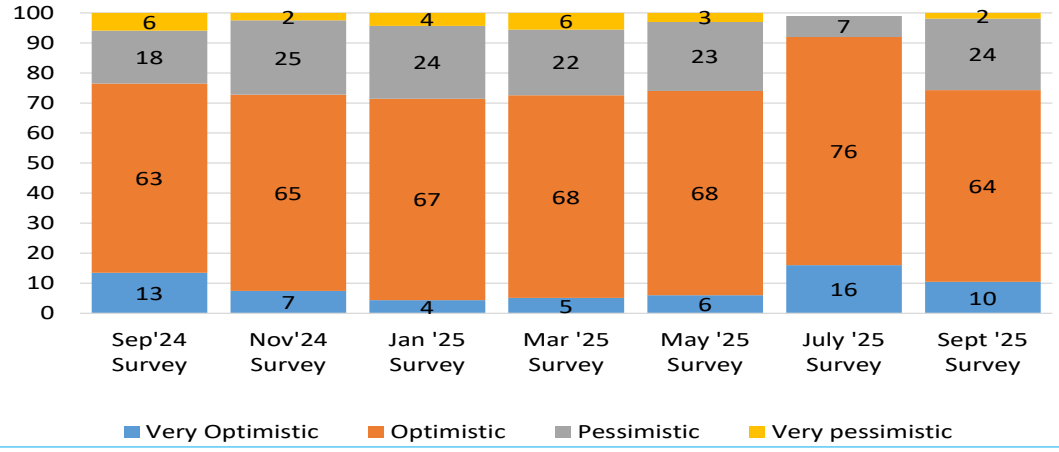


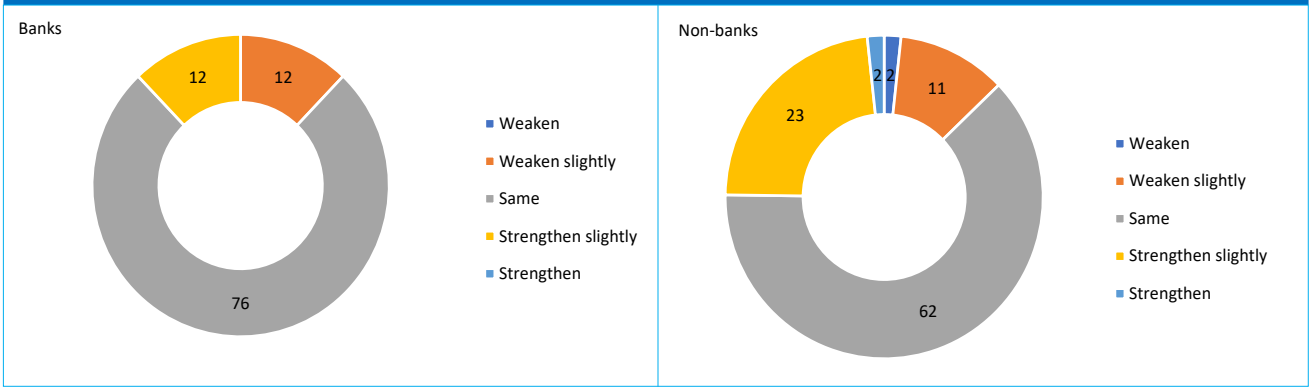
Chart 10 Optimism in growth prospects by non-bank private sector (percent of respondents)



11. EXCHANGE RATE EXPECTATIONS

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

Chart 11: Exchange rate expectations (percent of respondents)



Respondents expect support for the shilling to come from forex reserves in the country, which are expected to provide a cover and buffer against any short-term shocks in the foreign exchange market. In addition, respondents expect the robust foreign exchange inflows, diaspora remittances and exports to boost stability of the shilling in the next two months.

This is in addition to the impact of the muted dollar demand.

Nevertheless, some respondents expect some pressure on the Shilling from the seasonal dollar demand for imports, and potential reduction in capital inflows due to reduction in market rates.

12. HOW THE BUSINESS ENVIRONMENT COULD BE ENHANCED

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

Bank and non-bank respondents indicated that theBank and non-bank respondents indicated that the business environment could be improved through stable, predictable tax and regulatory policies, which would enhance investor confidence and ensure long-term business planning. In addition, respondents recommend a review of taxes to improve disposable income for personal households, attract investors into the local market and contribute to business expansion, by lowering the cost of doing business.

Bank respondents recommend judicial reforms and strengthening of legal framework for debt recovery and contract enforcement to enable quick conclusion of commercial disputes, faster contract enforcements, pragmatic restructuring and insolvency processes to resolve non-performing loan issues speedily and avoid lengthy litigation processes which slow-down growth.

Bank and non-bank respondents indicated that timely payment of pending bills and money owed to suppliers by the Government would improve the business environment by improving money circulating in the economy, easing liquidity strain, reducing non-performing loans, increasing spending on projects, avoiding downgrading of customer accounts due to none repayment of loans, and improving private sector liquidity.



Central Bank of Kenya

Haile Selassie Avenue P.O. Box 60000 - 00200 Nairobi |Tel: (+254) 20 - 286 0000 / 286 1000 / 286 3000