GOVERNOR

BANKI KUU YA KENYA

CENTRAL BANK OF KENYA

Haile Selassie Avenue
P. O. Box 60000-00200 Nairobi, Kenya
Telephone: +254 20 2861003

PRESS RELEASE

MONETARY POLICY COMMITTEE MEETING

The Monetary Policy Committee (MPC) decided to lower the Central Bank Rate (CBR) by 25 basis points to 9.00 percent from 9.25 percent, during its meeting held on December 9, 2025.

During its deliberations, the Committee noted that:

- Global growth has remained resilient and is projected at 3.2 percent in 2025, supported by improved financial conditions, and strong consumer and business spending, particularly in the United States. Nevertheless, global growth is projected to slow down to 3.1 percent in 2026, mainly due to higher tariff rates on trade. Weak global demand, elevated trade policy uncertainty, and heightened geopolitical tensions in the Middle East and the Russia-Ukraine conflict, remain key risks to growth.
- Inflation in some major economies has eased modestly in recent months, but is still above target mainly reflecting the stickiness in core inflation. Global inflation is projected to decline in 2025 and 2026, mainly driven by lower energy prices, and reduced global demand. Central banks in the major economies have continued to ease monetary policy, but at a cautious and uneven pace depending on their inflation and growth outlooks. International oil prices have moderated owing to increased production and subdued global demand, but have remained volatile due to elevated global uncertainties. Food inflation has declined, mainly driven by lower inflation rates for cereals, sugar and edible oils prices.
- Kenya's overall inflation declined to 4.5 percent in November 2025 from 4.6 percent in October, and remained below the mid-point of the target range of 5±2.5 percent. Core inflation declined to 2.3 percent in November from 2.7 percent in October, mainly on account of lower prices of processed food items, particularly maize flour and sugar. Non-core inflation increased to 10.1 percent in November from 9.9 percent in October, mainly driven by higher prices of vegetables, particularly tomatoes, onions and cabbages. Overall inflation is expected to remain below the midpoint of the target range in the near term, supported by lower prices of processed food items, stable energy prices, and continued exchange rate stability.
- The performance of the Kenyan economy remained resilient in the first half of 2025, with real GDP growth averaging 4.9 percent, supported by a rebound in activity in the industrial sector, stable growth of the agriculture sector, and resilience of the service sectors. Leading indicators of economic activity point to improved performance in the third quarter of 2025. The growth of the economy is projected to pick up to 5.2 percent in 2025 and 5.5 percent in 2026, supported by continued resilience of key service sectors and agriculture, and the continued recovery of the industry sector. This outlook is subject to risks, including adverse weather conditions, elevated trade policy uncertainties, and geopolitical tensions.
- Respondents to the November 2025 Agriculture Sector Survey expect improved food supply following recent harvests particularly of maize, stable pump prices and exchange rate stability to support a stable inflation rate in the near term. Nevertheless, a majority of respondents expect

seasonal factors associated with the festivities in December, and higher prices of some food items, particularly vegetables, to exert moderate upward pressure on overall inflation.

- The CEOs Survey and Market Perceptions Survey conducted in November 2025 revealed sustained optimism about business activity and economic growth prospects for the next 12 months. The optimism was attributed to resilient agricultural production supported by favorable weather conditions, the stable macroeconomic environment with low inflation and stable exchange rate, declining interest rates, and improved private sector credit growth. Some respondents expressed concerns about subdued consumer demand, the high cost of doing business, and increased global uncertainties attributed to higher tariffs and geopolitical tensions.
- The current account deficit stood at 2.2 percent of GDP in the 12 months to October 2025 compared to 1.5 percent of GDP in a similar period in 2024, mainly reflecting higher imports of intermediate and capital goods. Goods exports increased by 6.7 percent, driven by horticulture, coffee, manufactured goods, and apparel. Goods imports rose by 9.6 percent, reflecting increases in intermediate and capital goods imports. Services receipts increased by 4.8 percent, mainly supported by increased receipts from travel services, while diaspora remittances increased by 5.8 percent. The current account deficit is projected to remain stable at 2.3 percent of GDP in 2025 and 2026, and is expected to be more than fully financed by financial account inflows. This will result in an overall balance of payments surplus of USD 1,938 million in 2025, and USD 681 million in 2026. Currently, the CBK foreign exchange reserves stand at USD 12,092 million (5.25 months of import cover), and continue to provide adequate cover and a buffer against short-term domestic and external shocks.
- The banking sector remains stable and resilient, with strong liquidity and capital adequacy ratios. The ratio of gross non-performing loans (NPLs) to gross loans was 16.5 percent in November 2025, down from 16.7 percent in October and 17.6 percent in August. Decreases in NPLs were noted in the mining and quarrying, energy and water, personal/household, and transport and communication sectors. Banks have continued to make adequate provisions for the NPLs.
- The MPC noted that the revised banking sector Risk-Based Credit Pricing Model (RBCPM), which will be fully operational by March 2026, will improve the transmission of monetary policy decisions to commercial banks' lending interest rates, and enhance transparency in the pricing of loans by banks.
- Growth in commercial banks' lending to the private sector continued to improve and stood at 6.3 percent in November 2025 compared to 5.9 percent in October and -2.9 percent in January. Growth in credit to key sectors of the economy, particularly manufacturing, building and construction, trade and consumer durables, remained strong in November. This mainly reflects improved demand for credit in line with the declining lending interest rates. Average commercial banks' lending rates declined to 14.9 percent in November 2025 from 15.0 percent in October, and 17.2 percent in November 2024.
- The Committee noted the Government's planned fiscal consolidation strategy to reduce debt vulnerabilities over the medium term.

Having considered these developments, the Committee concluded that there was scope for a further easing of the monetary policy stance by reducing the CBR by 25 basis points. This will augment the previous policy actions aimed at stimulating lending by banks to the private sector and supporting economic activity, while ensuring inflationary expectations remain firmly anchored, and the exchange rate remains stable.

The MPC will closely monitor the impact of this policy decision as well as developments in the global and domestic economy and stands ready to take further action as necessary in line with its mandate. The Committee will meet again in February 2026.

Dr. Kamau Thugge, CBS
CHAIRMAN, MONETARY POLICY COMMITTEE

December 9, 2025