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PRESS RELEASE

MONETARY POLICY COMMITTEE MEETING

The Monetary Policy Committee (MPC) decided to lower the Central Bank Rate (CBR) by 25 basis points to 8.75 percent from 9.00 percent, during its meeting held on February 10, 2026.

During its deliberations, the Committee noted that:

- Global growth has remained resilient and is estimated at 3.3 percent in 2025, reflecting lower-than-expected tariff rates on imports into the United States, improved financial conditions, strong consumer spending, and a surge in investment in Artificial Intelligence-led technology, particularly in the United States. The outlook for global growth for 2026 has been revised upwards, and is expected to remain steady at 3.3 percent, mainly due to improved growth prospects in the United States, Euro area, and China. Nevertheless, weak global demand, elevated trade policy uncertainty, and heightened geopolitical tensions particularly in the Middle East, and the Russia-Ukraine conflict, remain key risks to growth.
- Global inflation declined in 2025, and is projected to decline further in 2026 and 2027, mainly driven by lower energy prices and reduced global demand. Inflation in the major economies has eased modestly in recent months, but is still above target in some countries, reflecting the stickiness in core inflation. 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 been volatile due to elevated global uncertainties. Food inflation has declined, partly driven by lower inflation rates for cereals and sugar prices.
- Kenya's overall inflation declined to 4.4 percent in January 2026 from 4.5 percent in December 2025, and remained below the mid-point of the target range of 5±2.5 percent. Non-core inflation decreased to 10.3 percent in January from 11.2 percent in December, mainly driven by lower prices of some vegetables, particularly tomatoes and onions. Core inflation stood at 2.2 percent in January compared to 2.0 percent in December, driven by higher prices of some processed food items, particularly maize flour. Overall inflation is expected to remain below the midpoint of the target range in the near term, supported by stable prices of processed food items and energy, and stability in the exchange rate.
- The performance of the Kenyan economy remained resilient in the third quarter of 2025, with real GDP growing by 4.9 percent, supported by a rebound of the industrial sector, and resilience of services sector. Leading indicators of economic activity point to

improved performance in the fourth quarter. The growth of the economy is estimated at 5.0 percent in 2025 compared to the previous projection of 5.2 percent, mainly reflecting a slowdown in agriculture sector performance in the third quarter. The economy is expected to remain resilient, with real GDP growth projected to pick up to 5.5 percent in 2026 and 5.6 percent in 2027, supported by the resilience of the services sector, continued recovery of industrial sector, and stable growth of agriculture. This outlook is subject to risks, including adverse weather conditions, elevated trade policy uncertainties, and geopolitical tensions.

- Respondents to the January 2026 Agriculture Sector Survey expect stable pump prices, exchange rate stability, and favorable weather conditions with the expected onset of the long rains, to support a stable inflation rate in the near term. However, a majority of respondents expect seasonal factors associated with the dry weather conditions before the onset of the long rains to exert moderate upward pressure on prices of some food items, particularly vegetables, and overall inflation.
- The CEOs Survey and Market Perceptions Survey conducted in January 2026 revealed sustained optimism about business activity and economic growth prospects for the next 12 months. The optimism was attributed to the stable macroeconomic environment with low inflation and stable exchange rate, lower interest rates, expected favorable weather conditions, increased infrastructure spending and digital innovations, and improved private sector credit growth. Some respondents expressed concerns about low consumer demand, high cost of doing business, and increased global uncertainties attributed to heightened geopolitical tensions and higher tariffs.
- The current account deficit is estimated at 2.4 percent of GDP in 2025 compared to 1.3 percent of GDP in 2024, due to lower service receipts and secondary income transfers as a share of GDP. Goods exports increased by 6.1 percent, driven by horticulture, coffee, tea, manufactured goods, and apparel. Goods imports rose by 9.1 percent, reflecting increases in intermediate and capital goods imports. Services receipts increased by 1.1 percent, mainly supported by higher receipts from travel services, while diaspora remittances increased by 1.9 percent. The current account deficit is projected to remain stable at 2.2 percent of GDP in 2026 and 2027, and is expected to be more than fully financed by financial account inflows. Currently, the CBK foreign exchange reserves stand at USD 12,458 million (5.37 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 stood at 15.5 percent in January 2026, down from 16.7 percent in October 2025 and 17.6 percent in August 2025. Decreases in NPLs were noted in the real estate, manufacturing, trade, building and construction, and personal and household sectors. Banks have continued to make adequate provisions for the NPLs.
- Growth in commercial banks' lending to the private sector continued to improve and stood at 6.4 percent in January 2026 compared to 5.9 percent in December 2025 and -2.9 percent in January 2025. Growth in credit to key sectors of the economy, particularly building and construction, trade, and consumer durables, remained strong in January 2026, reflecting improved demand for credit in line with the declining lending interest rates. Average commercial banks' lending rates stood at 14.8 percent in January 2026, down from 15.0 percent in October 2025 and 17.2 percent in November 2024.

- 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.
- The Committee noted the ongoing implementation of the FY2025/26 Government Budget, and the planned fiscal consolidation strategy to reduce debt vulnerabilities over the medium term.
- To further strengthen the effectiveness of the monetary policy implementation framework and enhance monetary policy transmission, the MPC approved a narrowing of the interest rate corridor around the Central Bank Rate (CBR) from the current ±75 basis points to ±50 basis points. This will further support the alignment of the Kenya Shilling Overnight Interbank Average (KESONIA) to the CBR. In line with this review, the Committee also approved the adjustment of the applicable interest rate on the Discount Window from the current 75 basis points above CBR to 50 basis points, which is the upper bound of the interest rate corridor.

Having considered these developments, the Committee therefore 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 these policy decisions 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 April 2026.

Dr. Kamau Thugge, CBS
CHAIRMAN, MONETARY POLICY COMMITTEE

February 10, 2026