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PRESS RELEASE

MONETARY POLICY COMMITTEE MEETING

The Monetary Policy Committee (MPC) decided to maintain the Central Bank Rate (CBR) at 8.75 percent, during its meeting held on August 11, 2026.

During its deliberations, the Committee noted that:

- Global growth is projected to moderate to 3.0 percent in 2026 from 3.5 percent in 2025, due to higher energy prices as a result of the conflict in the Middle East. Other key risks to global growth relate to elevated trade policy uncertainty and the Russia-Ukraine conflict.
- Global inflation is expected to increase to 4.7 percent in 2026 from 4.1 percent in 2025 on account of higher energy prices and transport costs. Inflation rates in most major economies have increased in recent months, and remained above their respective targets, due to higher energy prices and stickiness of core inflation rates. Food inflation decreased modestly in July 2026, partly driven by a lower inflation rate for edible oils prices. Central banks in most major economies have remained cautious and kept their policy rates unchanged as they continue to assess the impact of the conflict in the Middle East on their inflation and growth outlooks.
- Kenya's overall inflation remained within the target range in July 2026, and was broadly stable at 6.5 percent compared to 6.4 percent in June. Core inflation remained relatively stable at 3.2 percent in July compared to 3.1 percent in June. Non-core inflation decreased modestly to 15.0 percent in July from 15.1 percent in June, driven by lower energy prices inflation, which were supported by Government interventions including subsidies and the temporary reduction of VAT on fuel. Nevertheless, the food inflation component remained elevated on account of higher vegetable prices, particularly Irish potatoes, tomatoes, kales, cabbages and onions. Overall inflation is expected to remain within the target range in the near term, assuming a de-escalation of the conflict in the Middle East. This will be supported by: appropriate monetary policy actions; government interventions; expected stability in food prices; and a stable exchange rate.
- The growth of the Kenyan economy accelerated to 5.3 percent in the first quarter of 2026 compared to 4.9 percent in the first quarter of 2025, reflecting broad-based growth across all sectors of the economy, with stronger growth in industry and services sectors. The growth of the economy is projected to pick up to 4.9 percent in 2026 and 5.3 percent in 2027, from 4.6 percent in 2025, supported by a robust industrial sector, resilient services, and the stable growth of agriculture. The growth projections reflect continued uncertainty and implications of the conflict in the Middle East on the performance of some key sectors of the economy, as well as the potential adverse impact of the El Niño weather phenomenon. This outlook is subject to risks, particularly a prolonged conflict, and elevated trade policy uncertainties.

- A majority of respondents to the July 2026 Agriculture Sector Survey expects inflation to remain within the target range in the near term, supported by stable food and fuel prices, and stability in the exchange rate. Nevertheless, some respondents expect moderate upward pressure on inflation due to concerns on high energy prices arising from elevated international oil prices due to the conflict in the Middle East.
- The CEOs Survey and Market Perceptions Survey conducted in July 2026 revealed sustained optimism about business activity and economic growth prospects for the next 12 months. The optimism was attributed to continued macroeconomic stability, Government support for agriculture sector and prospects for favourable weather conditions, increased infrastructure spending, increased digital innovations, stable exchange rate, and improved private sector credit growth. Nevertheless, respondents were concerned about the elevated global uncertainties attributed to the conflict in the Middle East, and high energy costs.
- The current account deficit is estimated at 3.0 percent of GDP in the 12 months to June 2026 compared to 1.9 percent of GDP in a similar period in 2025, due to a higher trade deficit and lower secondary income transfers as a share of GDP. Goods exports increased by 8.9 percent, mainly driven by horticulture, tea, and machinery and transport equipment. Goods imports increased by 13.1 percent, reflecting higher imports of food, mineral fuels, and intermediate and capital goods. Services receipts increased by 8.3 percent mainly driven by travel services receipts, while diaspora remittances decreased by 2.4 percent. The current account deficit is projected at 3.0 percent of GDP in 2026 compared to 2.1 percent of GDP in 2025, mainly reflecting increased imports of mineral fuels on account of higher international oil prices, lower remittances and export receipts. The current account deficit is expected to be more than fully financed by financial and capital account inflows, resulting in an overall balance of payments surplus of USD 2,485 million in 2026. The CBK foreign exchange reserves currently stand at USD 15,249 million (6.3 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 14.6 percent in July 2026, down from 15.4 percent in April 2026, and 17.6 percent in August 2025. Decreases in NPLs were noted in the manufacturing, building and construction, trade, agriculture, and real estate sectors. Banks have continued to make adequate provisions for the NPLs.
- Growth in commercial banks’ lending to the private sector remained strong at 10.2 percent in July 2026 and 10.6 percent in June 2026, compared to -2.9 percent in January 2025. Growth in credit to key sectors of the economy, particularly trade, building and construction, agriculture, and consumer durables remained strong, reflecting improved demand for credit in line with the decline in lending interest rates. Average commercial banks’ lending rates stood at 14.3 percent in July 2026, down from 14.4 percent in June 2026 and 17.2 percent in November 2024.
- The Committee noted the outcome of the implementation of the FY2025/26 Supplementary Budget II, the Budget for FY2026/27, and the planned fiscal consolidation strategy to reduce debt vulnerabilities over the medium term.

Having considered these developments, the Committee concluded that the current monetary policy stance, with the Central Bank Rate unchanged at 8.75 percent, remains appropriate to ensure that inflation expectations remain anchored within the target range, and the exchange rate remains stable.

The MPC noted that there is need to continue monitoring the evolution of global oil prices and any second-round effects on inflation, as well as other developments in the global and domestic economies, and stands ready to take further action as necessary in line with its mandate. The Committee will meet again in October 2026.

Dr. Kamau Thugge, CBS
CHAIRMAN, MONETARY POLICY COMMITTEE

August 11, 2026