



**Central Bank of Kenya**

# **MONETARY POLICY COMMITTEE MEETING BACKGROUND INFORMATION**

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Wednesday, February 7, 2024

Dr. Kamau Thugge, CBS  
Governor

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# 1.

## Monetary Policy Decision

**During its Meeting on February 6, 2024, the Monetary Policy Committee (MPC) raised the Central Bank Rate (CBR) from 12.50 percent to 13.00 percent.**

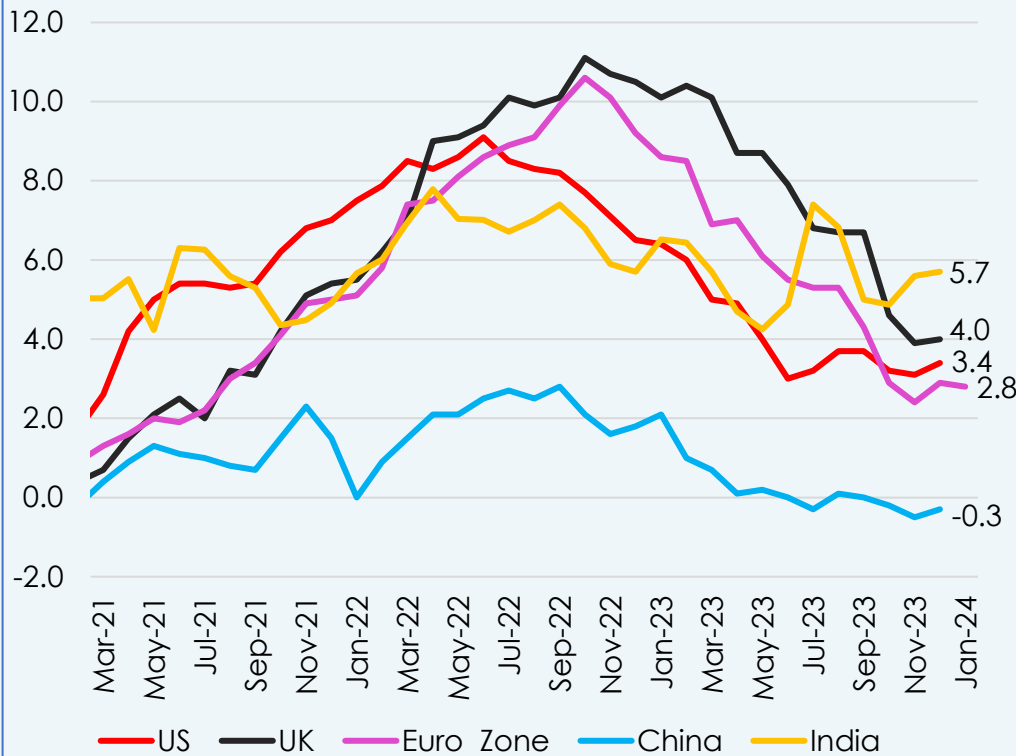
- The MPC noted:
  - Overall inflation has remained sticky in the upper bound of the target range.
  - All key components of inflation – fuel, food, and NFNF – had increased in January 2024.
  - The continued, albeit reduced, pressures on the exchange rate and therefore concluded that further action was needed to stabilise prices.
  - The proposed action will ensure that inflationary expectations remain anchored, while setting inflation on a firm downward path towards the 5.0 percent mid-point of the target range, as well as addressing residual pressures on the exchange rate.
- The MPC will closely monitor the impact of the policy measures 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 2024.

# 2.

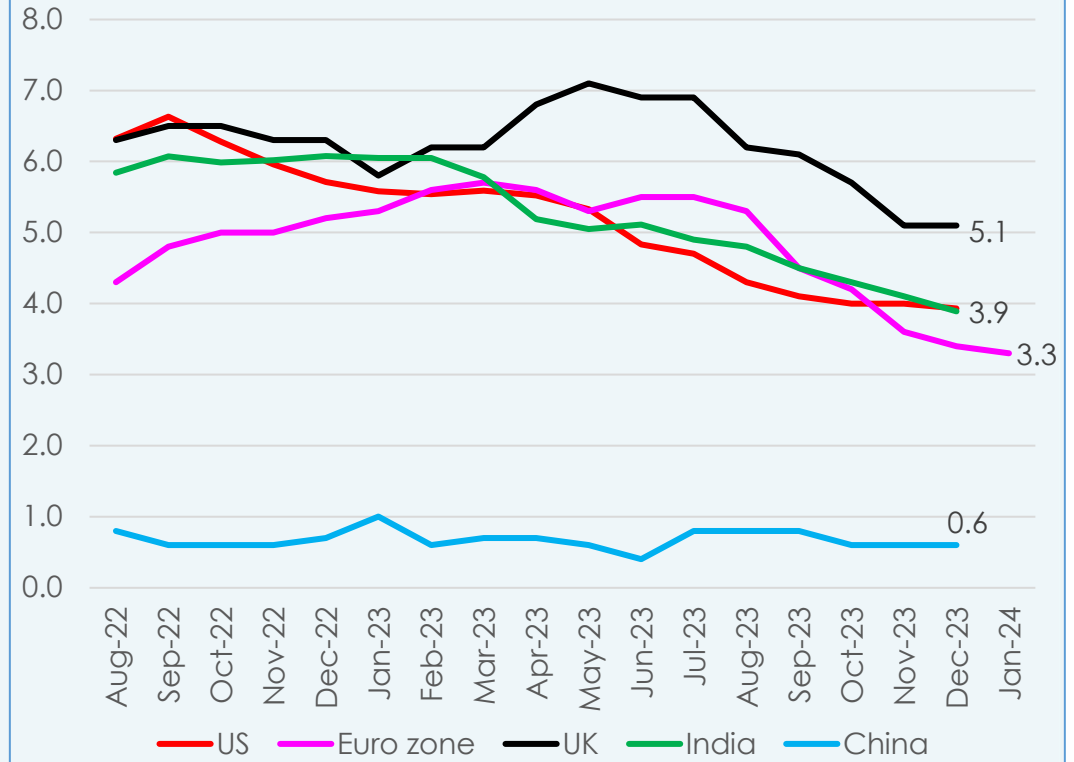
## Global inflation:

Headline inflation has continued to decline across most economies due to tight monetary policy, and lower commodity prices, particularly of oil and food.

### Headline inflation rates (y/y, percent)



### Core inflation rates (y/y, percent)



- Headline inflation rates in the US, UK and Eurozone have eased, reflecting gradual easing in core inflationary pressures due to the tight monetary policy, and moderating energy and food price inflation.
- In India inflation increased in December 2023, driven by higher food prices particularly vegetables like onions following poor harvests.
- China remained in deflation in December 2023, due to weaker domestic demand exacerbated by falling food prices.

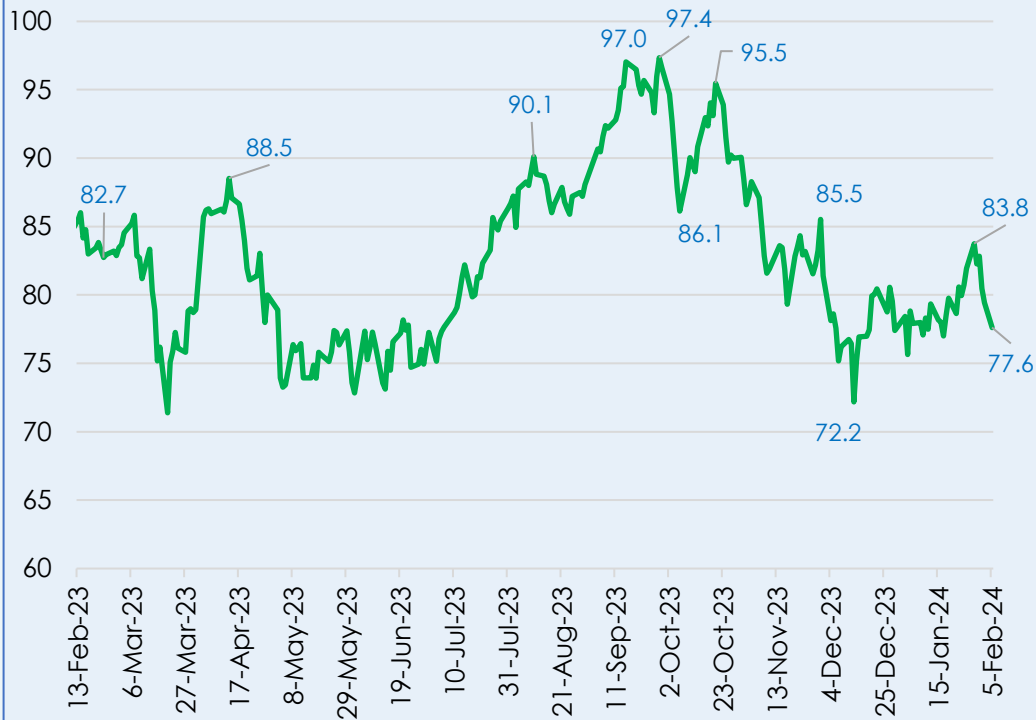
Source: Websites of Statistics Offices/Central Banks of respective countries

# 3.

## Global commodity prices:

Commodity prices in the global markets have continued to decline, but oil prices remain volatile due to heightened geopolitical risks arising from the Middle East conflict

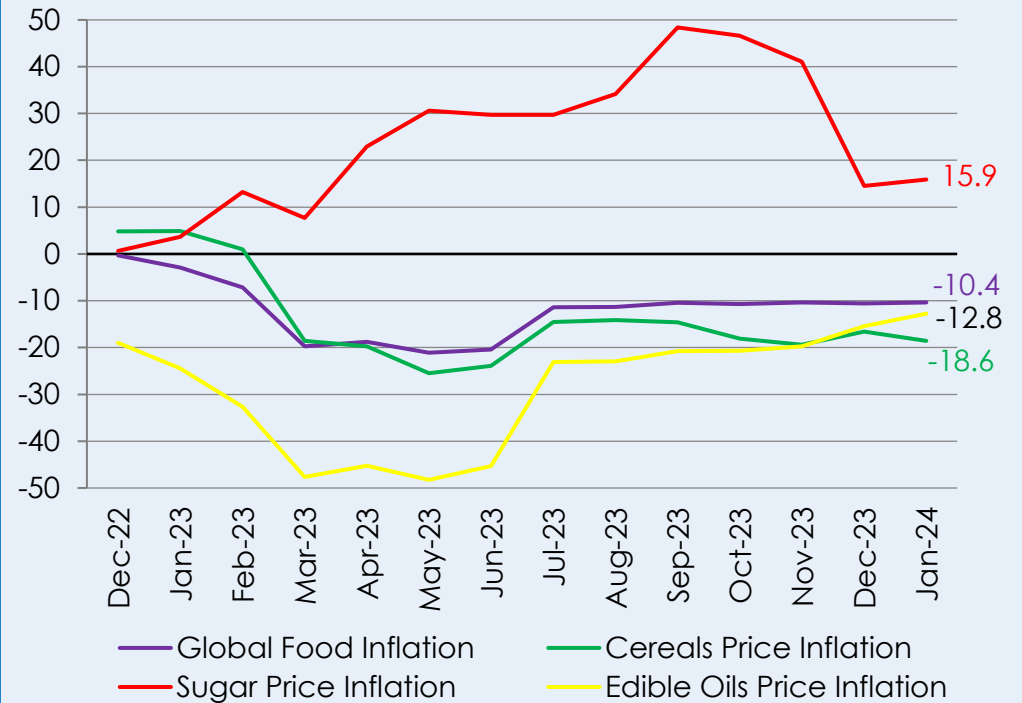
### Murban oil price (USD, per barrel)



- The price of oil averaged USD79.1 per barrel in January 2024 which is below the USD83.1 per barrel average in 2023, reflecting increased production by the non-OPEC+ countries particularly the U.S. and Brazil, which has offset supply cuts by the OPEC+ economies aimed at shoring up prices.
- The price of oil remains volatile, reflecting increased uncertainties and supply disruptions from escalation of the Israel-Palestinian conflict and attacks on commercial ships by Houthi rebels in the Red Sea.

Source: Oilprice.com

### Global food inflation (y/y, percent)



- Global food prices fell further in January 2024, largely reflecting lower wheat and maize prices partly reflecting improved supplies from harvests in the U.S. and Argentina.
- Palm oil prices rose slightly in January 2024 due to season lower production in major producing countries and unfavourable weather conditions in Malaysia. However, prices remained below the 2023 levels
- Global sugar prices have moderated from the peak levels witnessed in 2023, largely reflecting improved supplies from Brazil.

Source: UN FAO Food Index

## 4.

## Global economic outlook:

Global growth is estimated at 3.1 percent in 2023 and is projected at 3.1 percent and 3.2 percent in 2024 and 2025

### Global and selected countries' real GDP growth (y/y, percent)

	2021 Act.	2022 Act.	2023 Est.	2024 Proj.		2025 Proj.	
				Jan. 2024 WEO	Difference from Oct. 2023 WEO	Jan. 2024 WEO	Difference from Oct. 2023 WEO
<b>World</b>	<b>6.3</b>	<b>3.5</b>	<b>3.1</b>	<b>3.1</b>	<b>0.2</b>	<b>3.2</b>	<b>0.0</b>
<b>Advanced Economies</b>	<b>5.4</b>	<b>2.6</b>	<b>1.6</b>	<b>1.5</b>	<b>0.1</b>	<b>1.8</b>	<b>0.0</b>
United States	5.9	1.9	2.5	2.1	0.6	1.7	-0.1
United Kingdom	7.6	4.3	0.5	0.6	0.0	1.6	-0.4
Japan	2.2	1.0	1.9	0.9	-0.1	0.8	0.2
Euro area	5.3	3.4	0.5	0.9	-0.3	1.7	-0.1
Germany	2.6	1.8	-0.3	0.5	-0.4	1.6	-0.4
France	6.4	2.5	0.8	1.0	-0.3	1.7	-0.1
Italy	7.0	3.7	0.7	0.7	0.0	1.1	0.1
<b>Emerging Market and Developing Economies</b>	<b>6.8</b>	<b>4.1</b>	<b>4.1</b>	<b>4.1</b>	<b>0.1</b>	<b>4.2</b>	<b>0.1</b>
China	8.4	3.0	5.2	4.6	0.4	4.1	0.0
India	9.1	7.2	6.7	6.5	0.2	6.5	0.2
Russia	5.6	-1.2	3.0	2.6	1.5	1.1	0.1
<b>Sub-Saharan Africa</b>	<b>4.7</b>	<b>4.0</b>	<b>3.3</b>	<b>3.8</b>	<b>-0.2</b>	<b>4.1</b>	<b>0.0</b>
South Africa	4.7	1.9	0.6	1.0	-0.8	1.3	-0.3
Nigeria	3.6	3.3	2.8	3.0	-0.1	3.1	0.0
Kenya	7.6	4.8	5.1	5.0	-0.3	5.3	0.0

- The growth outlook for 2024 has been revised upwards, reflecting stronger-than-expected U.S. growth, continued strengthening of the Chinese economy,
- Growth projections in 2024 were upward for: U.S. due to stronger than expected outcome in 2023; in China due to increased Government spending and stronger than expected growth in 2023; in India due to resilience in domestic demand; and in Russia due to high military spending and private consumption. However, growth projections for the Eurozone were revised downwards due to a lower-than-expected outcome in 2023.
- The IMF projections show that Kenya's real GDP growth is expected to remain strong in 2024 and above the global and SSA averages, mainly supported by resilient services and improved performance in agriculture.

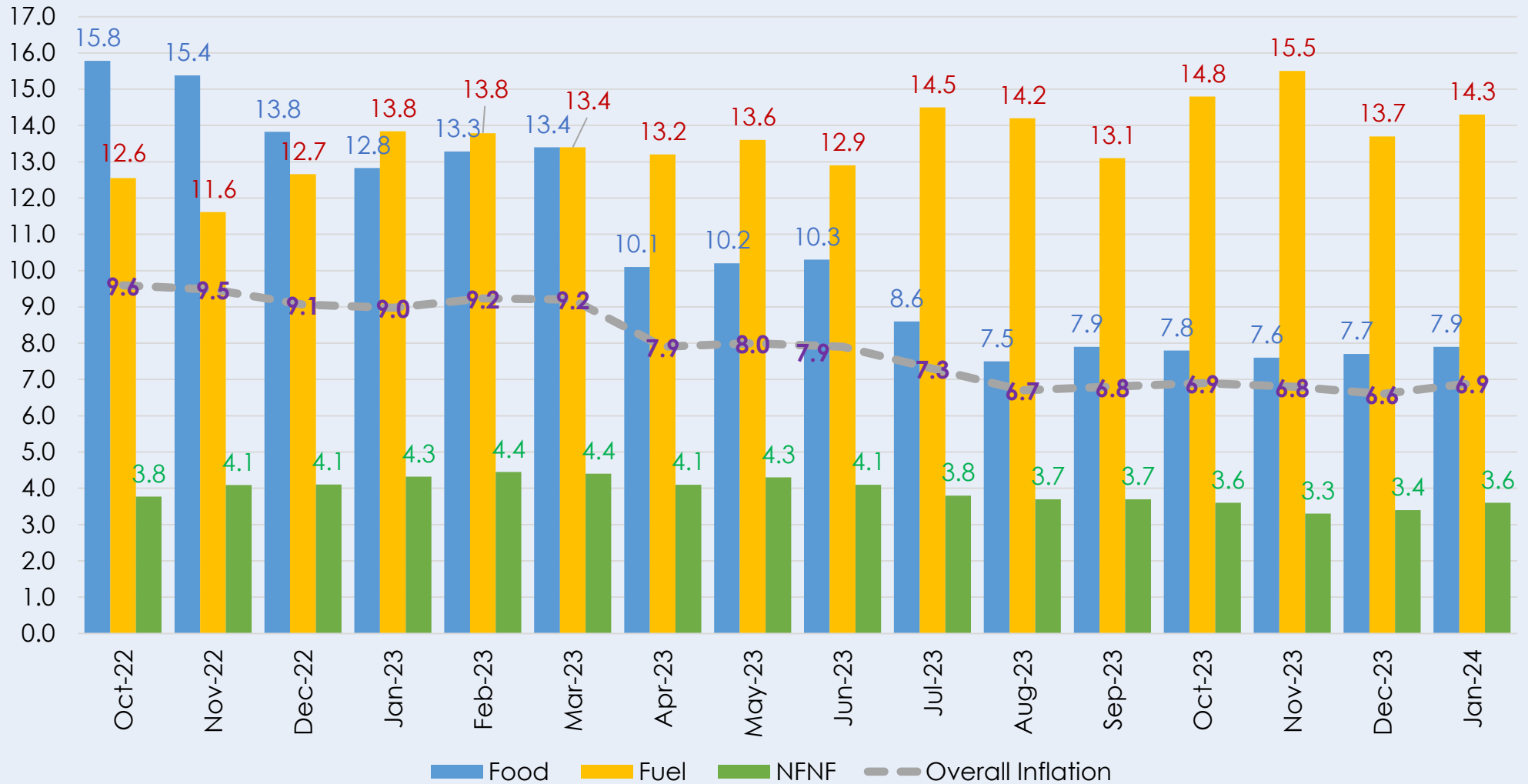
Source: IMF World Economic Outlook (WEO)

# 5.

## Domestic inflation:

Overall inflation increased in January 2024, and remained sticky in the upper bound of the Government's target range. All the key components of inflation increased in January.

### Inflation by broad category (y/y, percent)



Source: Kenya National Bureau of Statistics and Central Bank of Kenya

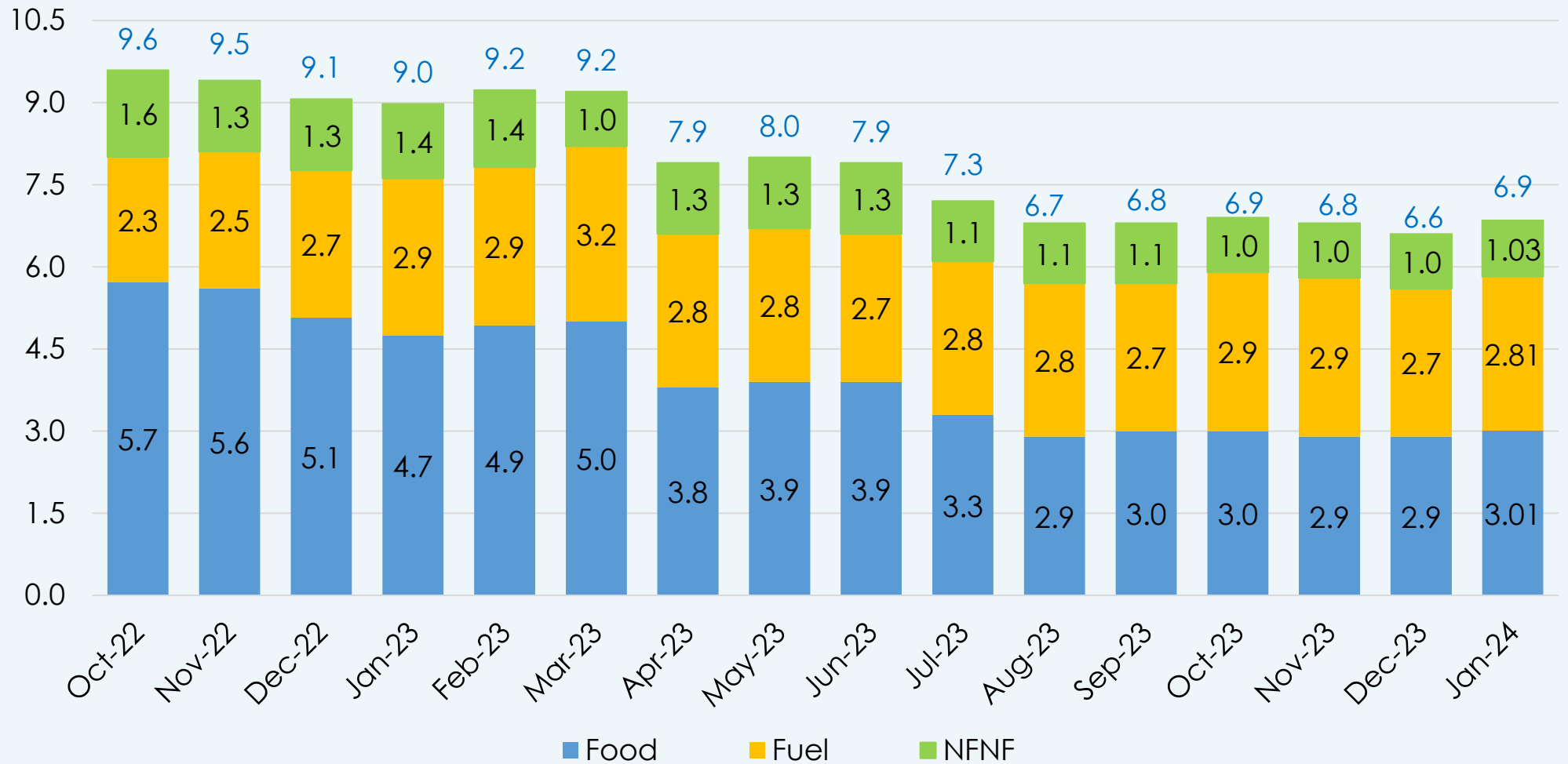


6.

## Domestic inflation:

The contribution of the three components of inflation (food, fuel and NFNF) increased in January 2024

### Contributions to Overall Inflation (percentage points)

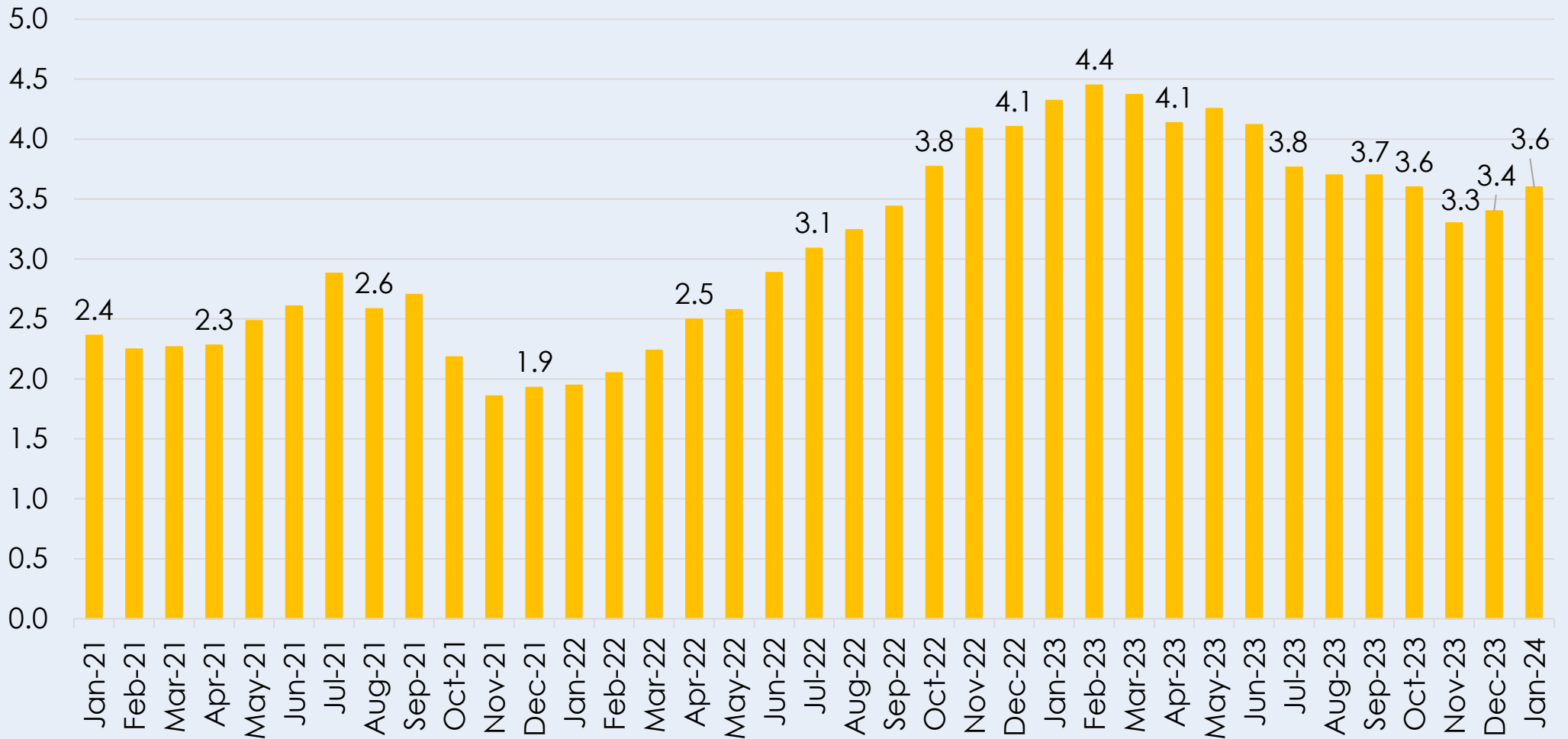


Source: KNBS and CBK

## 7.

**Domestic inflation:**

Non-food non-fuel inflation increased in January 2024, partly reflecting seasonal increases in education sector-related costs

**Non-food non-fuel inflation (y/y, percent)**

Source: KNBS and CBK

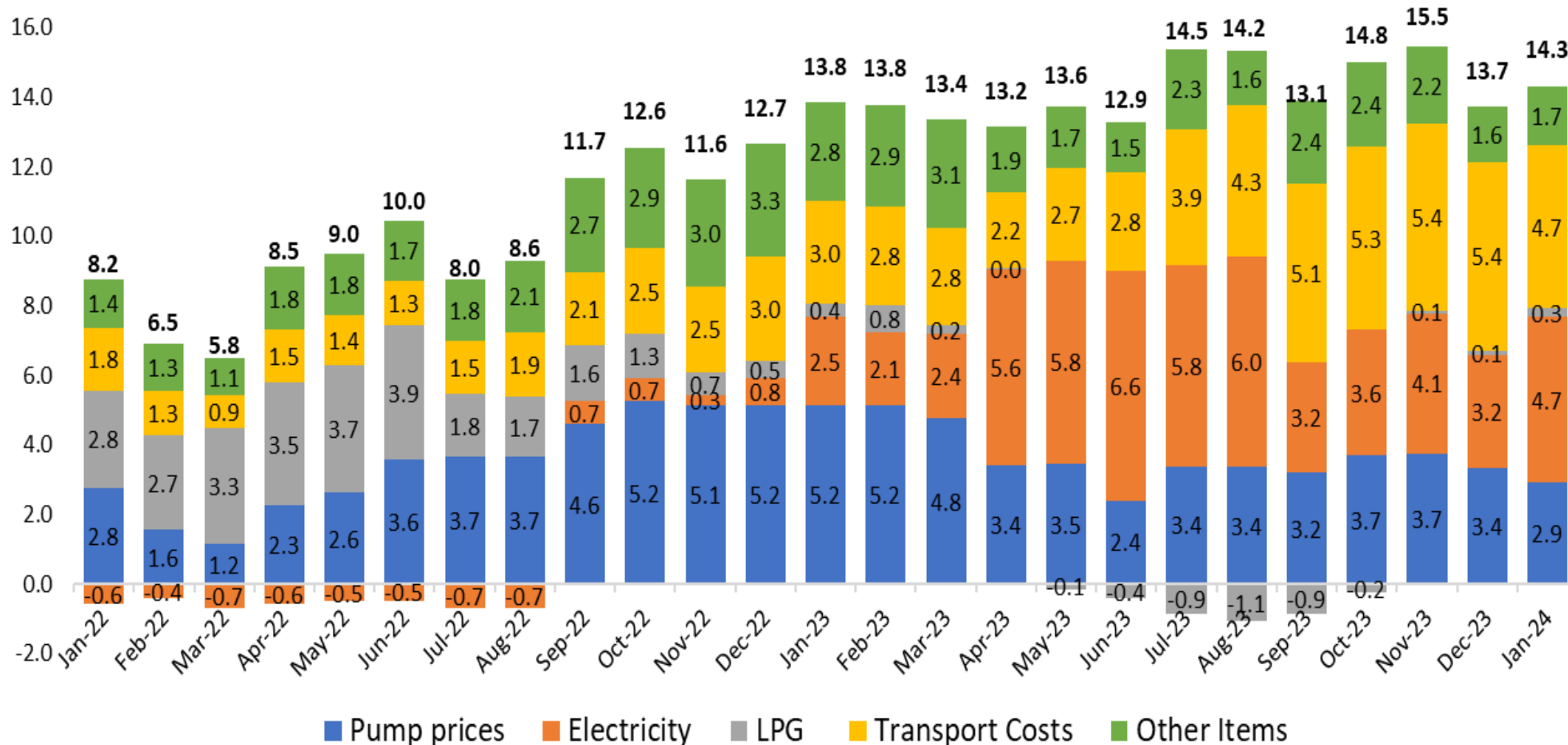


# 8.

## Main drivers of fuel inflation:

Fuel inflation increased in January 2024, largely due to higher electricity tariffs

### Contributions to fuel inflation (percentage points)



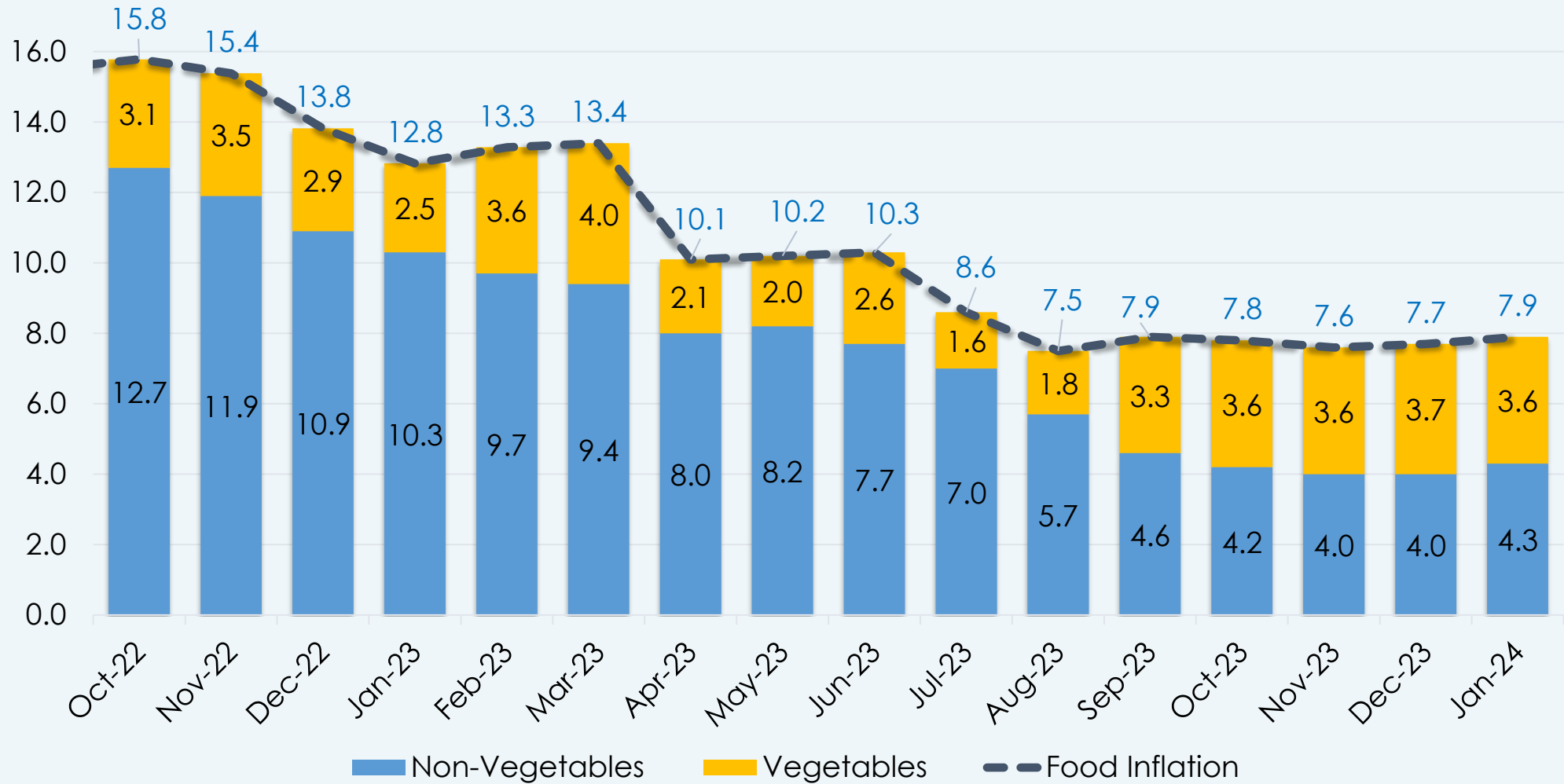
Source: KNBS

9.

## Main drivers of food inflation:

Food inflation has remained sticky largely reflecting higher prices of a few non-vegetable items, following reduced supply partly attributed to seasonal factors

### Contributions to food inflation (percentage points)

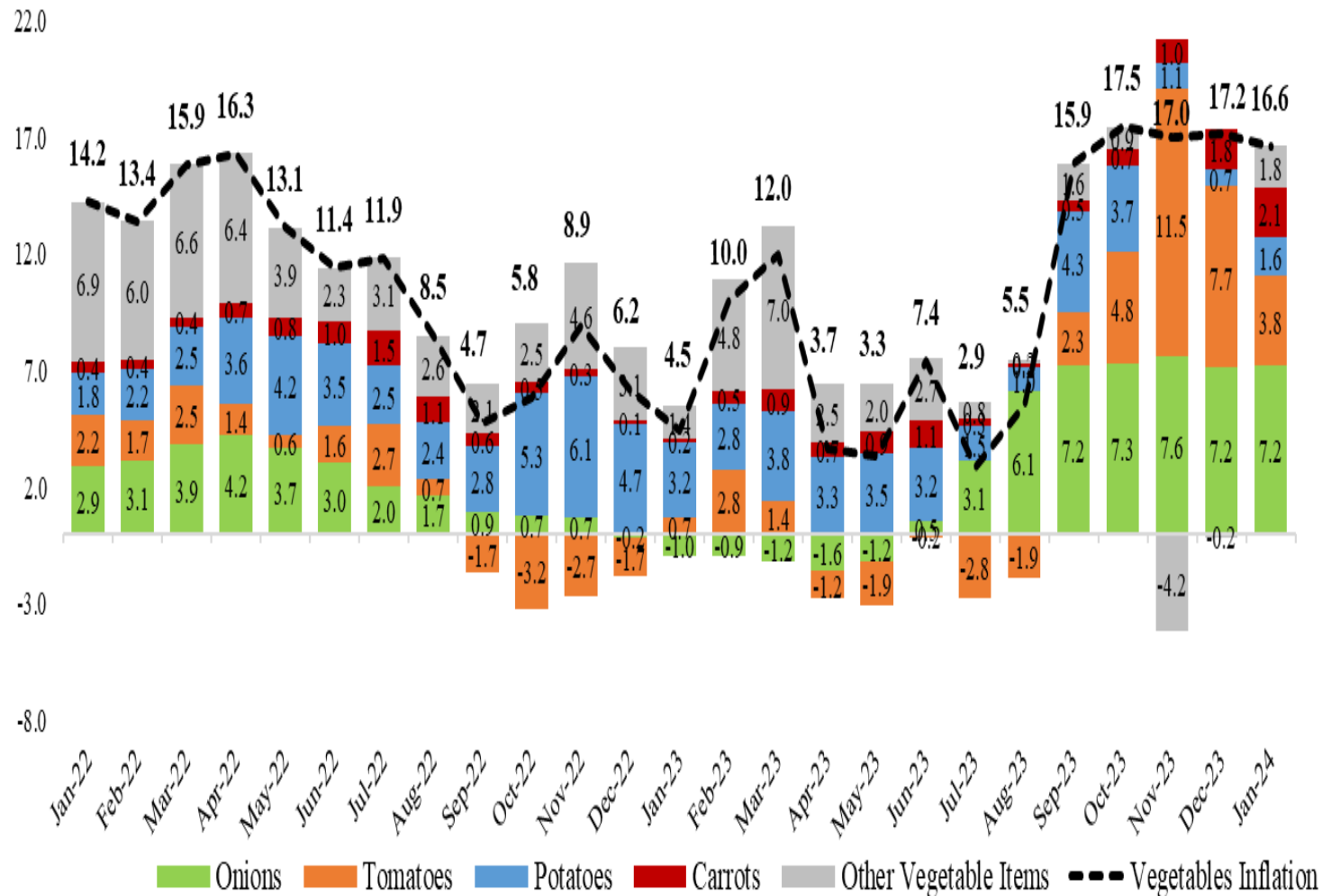


Source: KNBS and CBK

## Main drivers of vegetables inflation

Prices of a few vegetables particularly onions, carrots, and Irish potatoes remained elevated in January 2024 due to reduced supply

### Contributions to vegetables inflation (percentage points)



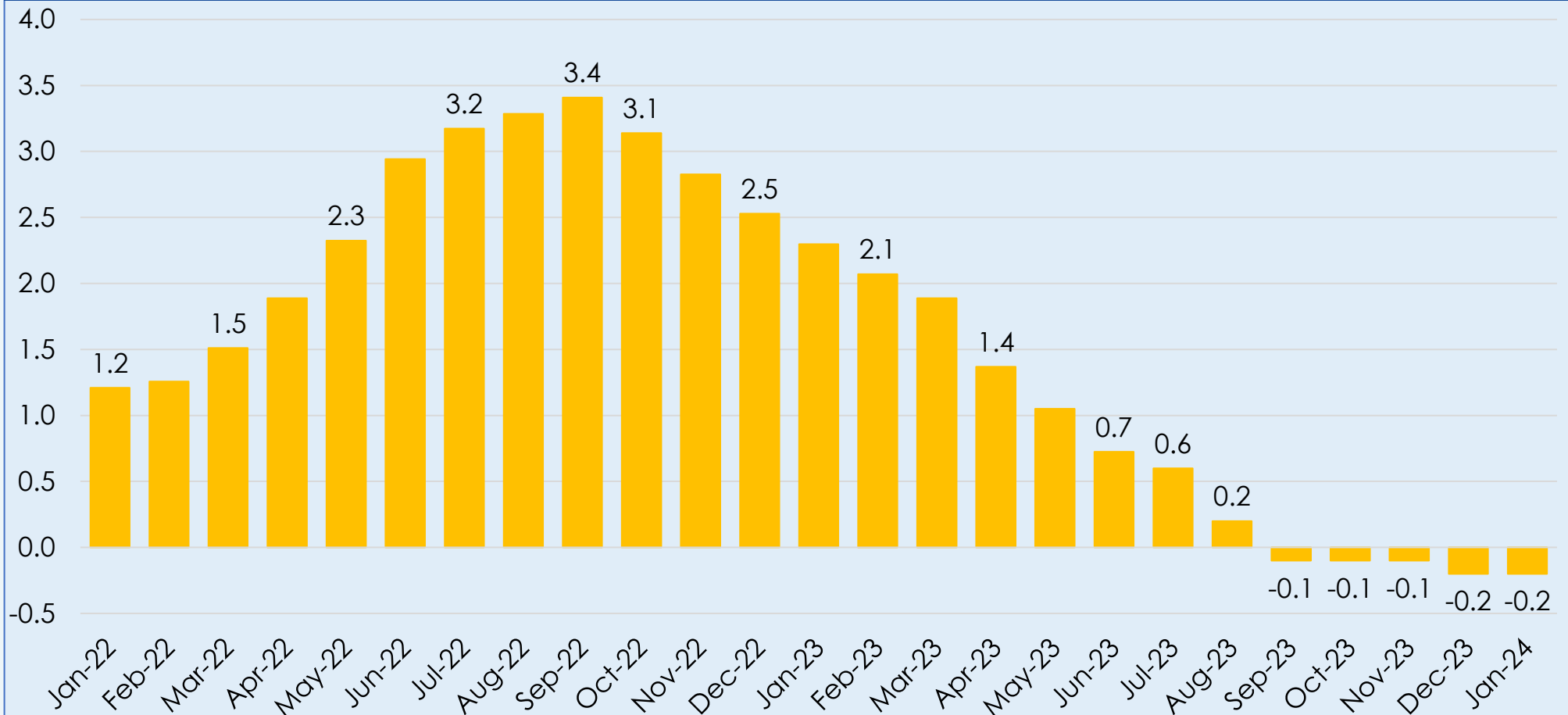
Source: KNBS and CBK

- Onion prices rose by 51.4 percent year on year in January 2024, on account of higher import prices from Tanzania compared to locally produced onions.
- The January 2024 Agriculture Sector Survey shows some moderation in onion prices relative to December 2023, with respondents expecting further moderation as harvests kick in from Feb/Mar 2024.
- Prices of carrots rose by 57.2 percent year on year in January 2024, reflecting reduced supply due to excessive rains which destroyed the crop.
- Prices of potatoes rose by 10.1 percent year on year in January 2024, reflecting reduced supply.

## Main drivers of non-vegetables inflation:

Food inflation was moderated by declines in prices of key non-vegetable food items, reflecting improved supply from recent harvests and Government measures to zero-rate key food imports

### Contribution of wheat, maize, milk, and edible oils to overall Inflation (percentage points)

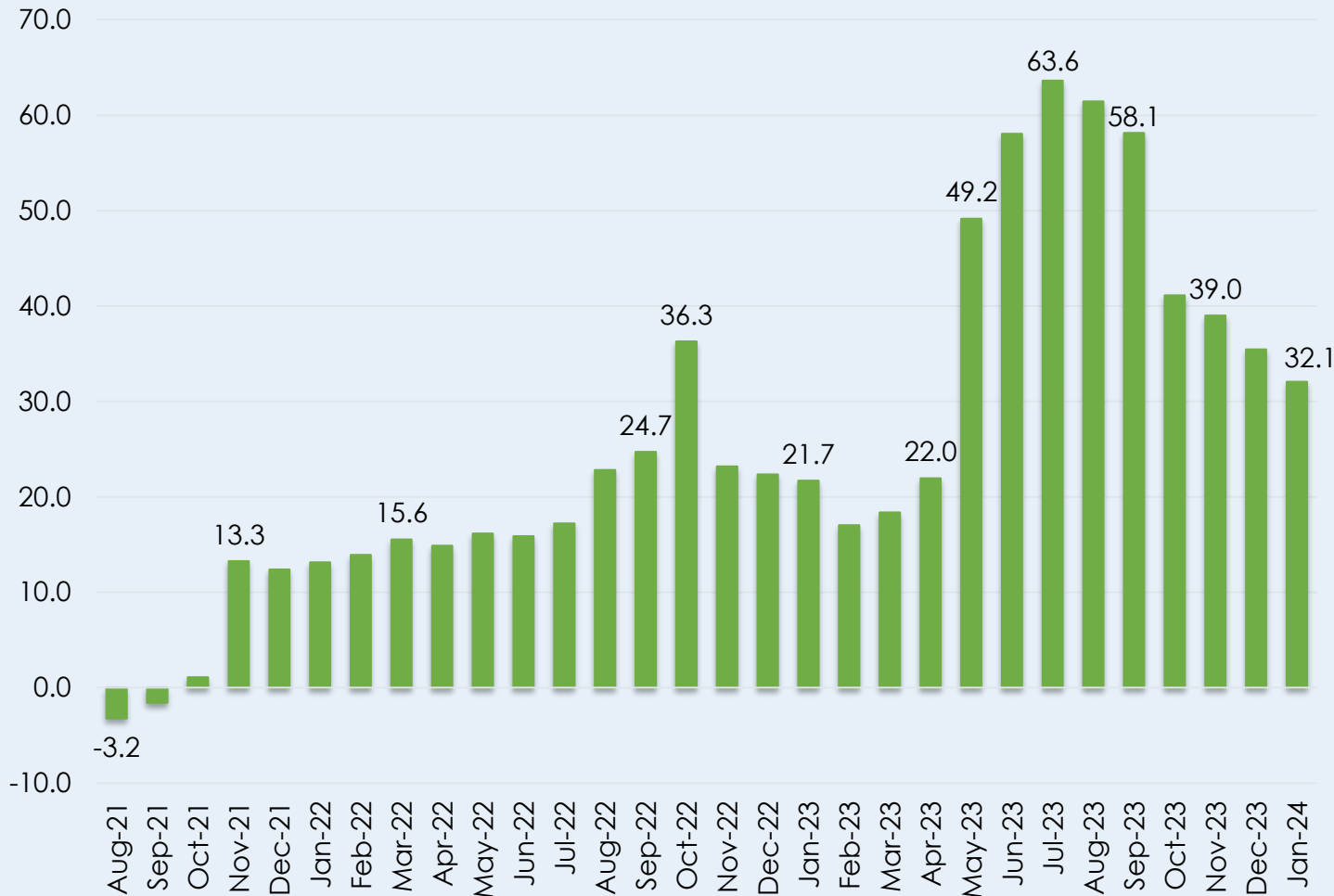


Source: KNBS and CBK

## Main drivers of non-vegetables Inflation:

Sugar prices have moderated due to improving domestic and global supply

### Sugar price inflation (y/y, percent)



- Domestic sugar prices have moderated from the peak levels witnessed in mid-2023 due to improved supply, following the re-opening of sugar factories from October 2023 after shutdown for maintenance.
- Additionally, implementation of Government measures to improve the supply of sugar through imports continues to moderate prices.
- Globally, sugar prices have moderated with improved supply following harvests in Brazil.

Source: KNBS

## Domestic economy:

The economy is expected to remain strong in 2024, supported by the resilient services sector, improved performance in agriculture, implementation of measures to boost economic activity in priority sectors by the Government, and the improved global growth outlook which is expected to benefit exports.

### Real GDP growth (y/y, percent)

					2023					2024 Proj.
	2019	2020	2021	2022	Q1	Q2	Q3	Q4 Est.	Annual Est.	
<b>1. Agriculture</b>	<b>2.7</b>	<b>4.6</b>	<b>-0.4</b>	<b>-1.6</b>	<b>6.1</b>	<b>8.2</b>	<b>6.7</b>	<b>5.8</b>	<b>6.6</b>	<b>4.9</b>
<b>2. Non-Agriculture (o/w)</b>	<b>5.7</b>	<b>-1.4</b>	<b>9.5</b>	<b>6.3</b>	<b>5.3</b>	<b>4.8</b>	<b>5.7</b>	<b>5.7</b>	<b>5.4</b>	<b>5.9</b>
<b>2.1 Industry</b>	<b>4.0</b>	<b>3.3</b>	<b>7.5</b>	<b>3.9</b>	<b>2.5</b>	<b>2.0</b>	<b>2.8</b>	<b>2.4</b>	<b>2.4</b>	<b>4.0</b>
Mining & Quarrying	4.3	5.5	18.0	9.3	3.3	5.2	1.1	1.8	<b>3.0</b>	<b>4.0</b>
Manufacturing	2.6	-0.3	7.3	2.7	2.0	1.4	2.6	1.6	<b>1.9</b>	<b>2.9</b>
Electricity & water supply	1.7	0.6	5.6	4.9	2.5	0.8	1.9	2.1	<b>1.8</b>	<b>5.8</b>
Construction	7.2	10.1	6.7	4.1	3.1	2.6	3.8	3.9	<b>3.3</b>	<b>4.9</b>
<b>2.2 Services</b>	<b>6.5</b>	<b>-1.8</b>	<b>9.8</b>	<b>7.0</b>	<b>6.2</b>	<b>5.9</b>	<b>7.1</b>	<b>6.9</b>	<b>6.6</b>	<b>6.5</b>
Wholesale & Retail Trade	5.3	-0.4	8.0	3.8	5.7	4.2	4.8	4.9	<b>4.9</b>	<b>6.2</b>
Accommodation & food services	14.3	-47.7	52.6	26.2	21.5	12.2	26.0	14.8	<b>18.4</b>	<b>14.2</b>
Transport & Storage	6.3	-8.0	7.4	5.6	6.2	3.0	2.8	3.2	<b>3.7</b>	<b>5.8</b>
Information & Communication	7.0	6.0	6.1	9.9	9.0	6.4	7.3	7.9	<b>7.6</b>	<b>8.4</b>
Financial & Insurance	8.1	5.9	11.5	12.8	5.8	13.5	14.7	13.8	<b>12.0</b>	<b>7.8</b>
Public administration	8.4	7.0	6.0	4.5	6.6	3.8	4.2	4.3	<b>4.7</b>	<b>5.6</b>
Professional, Admin & Support Services	6.8	-13.7	7.1	9.4	7.3	5.5	9.5	7.9	<b>7.6</b>	<b>6.1</b>
Real estate	6.7	4.1	6.7	4.5	5.2	5.8	6.2	5.9	<b>5.8</b>	<b>5.3</b>
Education	5.7	-9.2	22.8	4.8	3.0	4.0	4.7	4.1	<b>4.2</b>	<b>5.1</b>
Health	5.5	5.6	8.9	4.5	5.4	5.0	5.1	5.2	<b>5.2</b>	<b>5.5</b>
Other services	4.3	-14.6	12.5	5.7	3.2	1.6	7.4	6.5	<b>4.7</b>	<b>5.8</b>
FISIM	9.5	-1.8	5.3	1.5	0.6	6.1	3.8	2.9	<b>3.3</b>	<b>2.3</b>
<b>2.3 Taxes on products</b>	<b>3.9</b>	<b>-8.0</b>	<b>11.9</b>	<b>7.0</b>	<b>5.3</b>	<b>4.0</b>	<b>2.8</b>	<b>4.8</b>	<b>4.2</b>	<b>5.6</b>
<b>Real GDP Growth</b>	<b>5.1</b>	<b>-0.3</b>	<b>7.6</b>	<b>4.8</b>	<b>5.5</b>	<b>5.5</b>	<b>5.9</b>	<b>5.8</b>	<b>5.6</b>	<b>5.7</b>

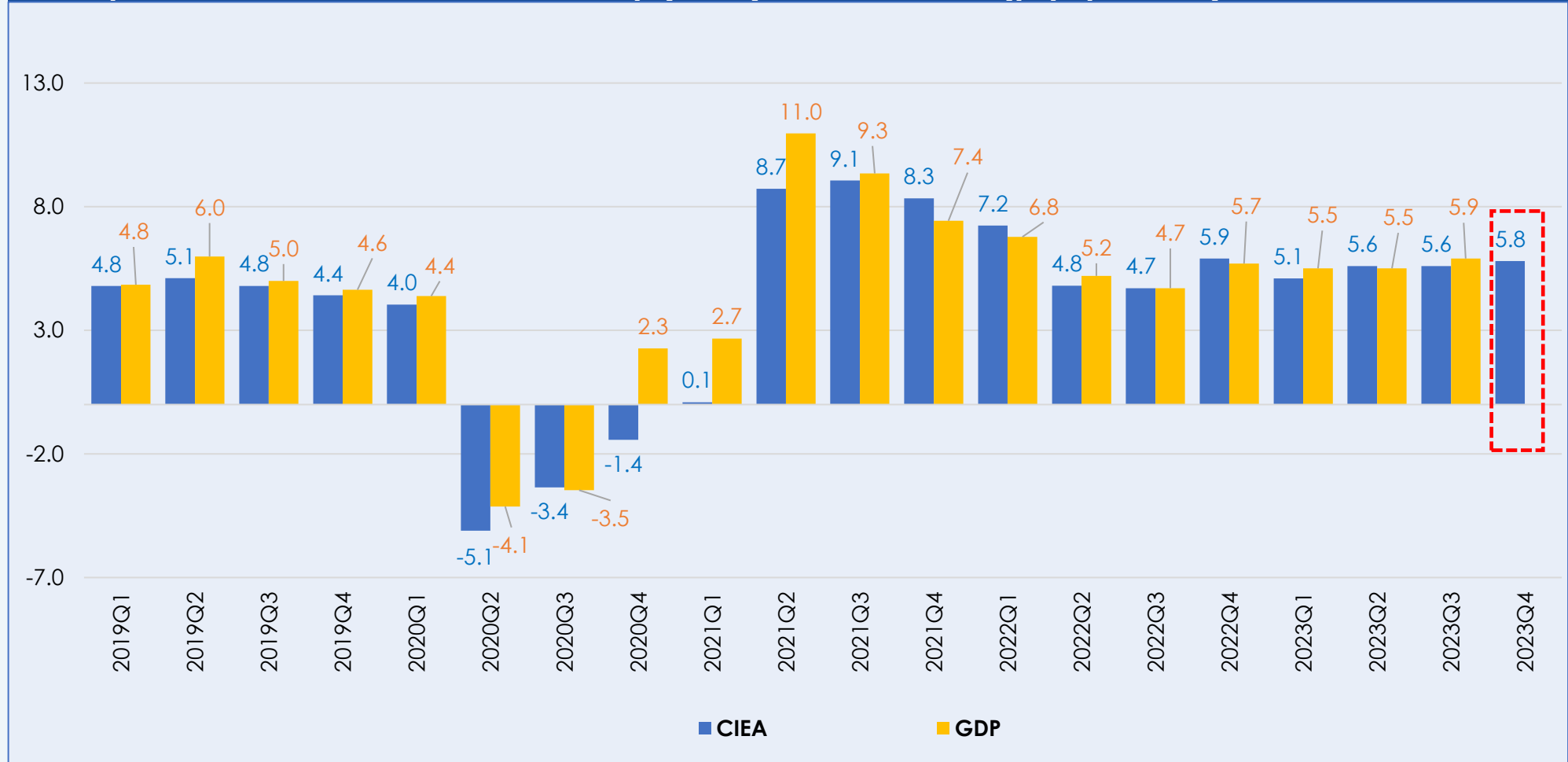
Source: Kenya National Bureau of Statistics and Central Bank of Kenya



## Domestic economy:

Leading indicators of economic activity point to continued strong performance in the fourth quarter of 2023

### Composite Index of Economic Activity (CIEA) and real GDP (y/y, percent)



Source: Kenya National Bureau of Statistics and Central Bank of Kenya

## Agricultural production:

Production of key food crops in 2023 is expected to be strong for most food items due to improved weather conditions across the country

Actual and projected food crops production (million bags)					
	2020	2021	2022	2023 Projections*	
				Bags in millions	Growth (y/y, %)
Maize	42.2	36.7	34.3	44.6	29.9
Wheat	4.5	2.7	3.0	4.9	62.6
Rice	2.0	2.1	2.1	1.7	-19.6
Beans	8.6	7.4	5.7	10.3	81.3
Irish Potatoes	21.1	23.3	20.0	28.1	40.3
Sorghum	3.5	1.5	1.3	3.3	150.7
Millet	1.7	0.7	0.7	1.1	61.8

\* Projections based on the updated November 2023 projections from the Ministry of Agriculture

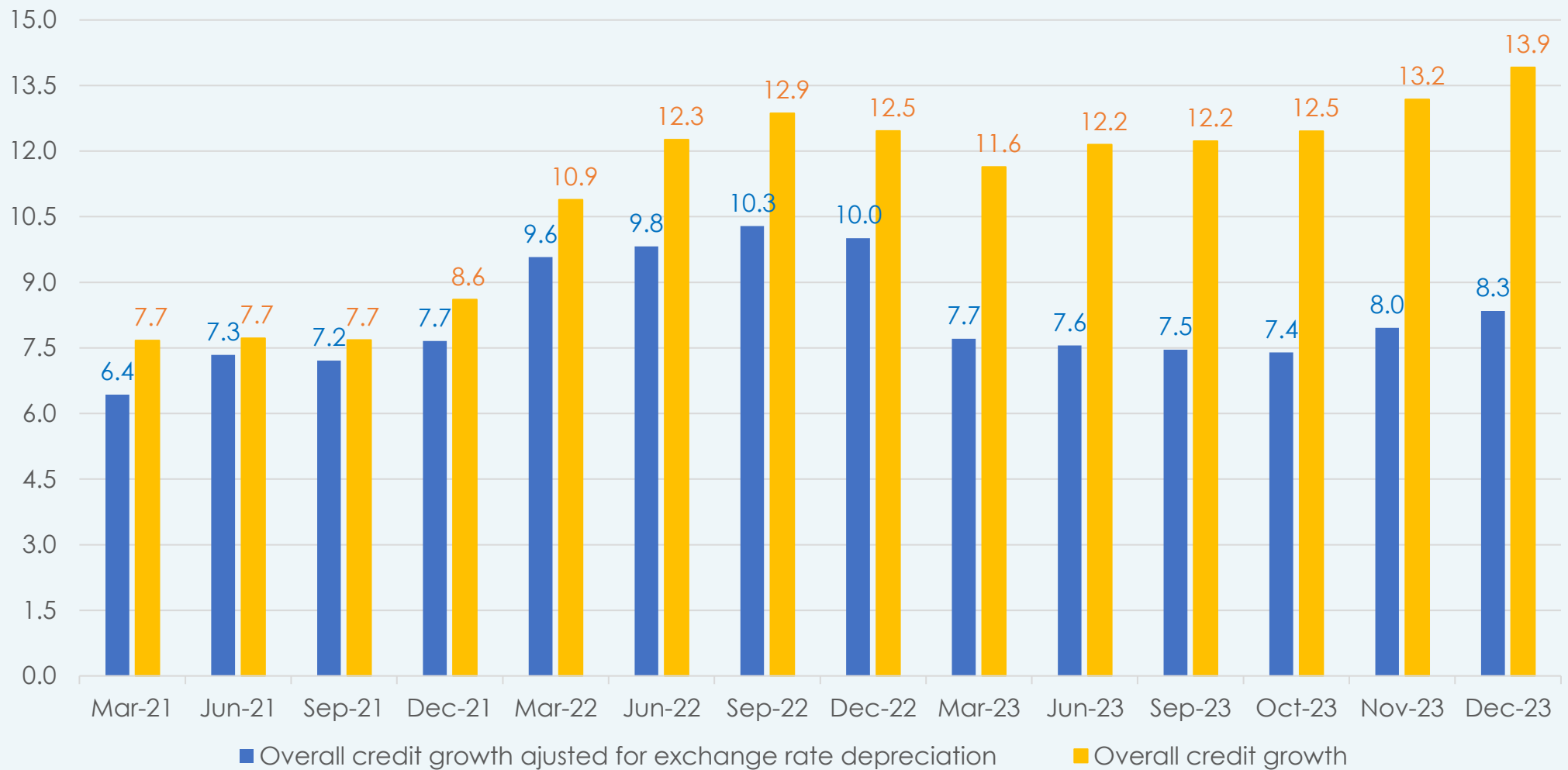
**Source:** Kenya National Bureau of Statistics, and Ministry of Agriculture projections as of November 2023

16.

## Private sector credit:

Growth in credit to the private sector adjusted for exchange rate depreciation has generally slowed down reflecting the impact of monetary policy tightening

### 12 Months growth in credit to private sector (percent)



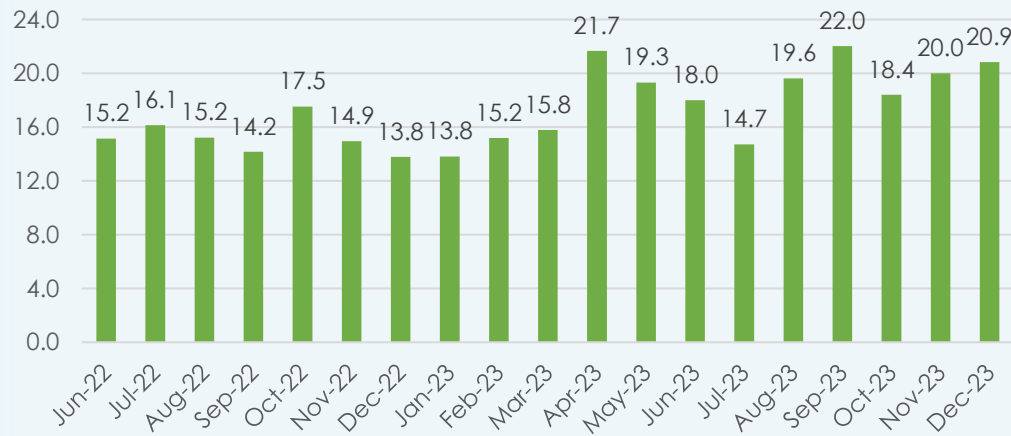
Source: CBK

## Private sector credit:

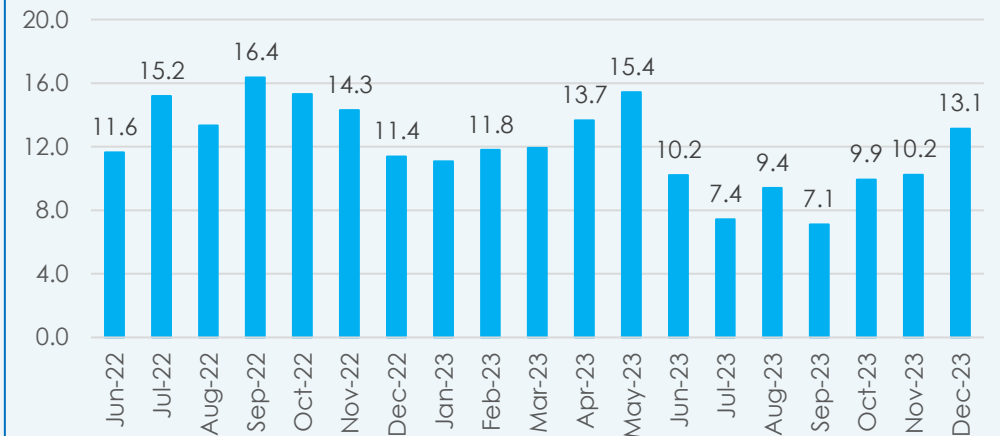
Strong growth in credit to key sectors of the economy

### 12 Months growth in credit to private sector (percent)

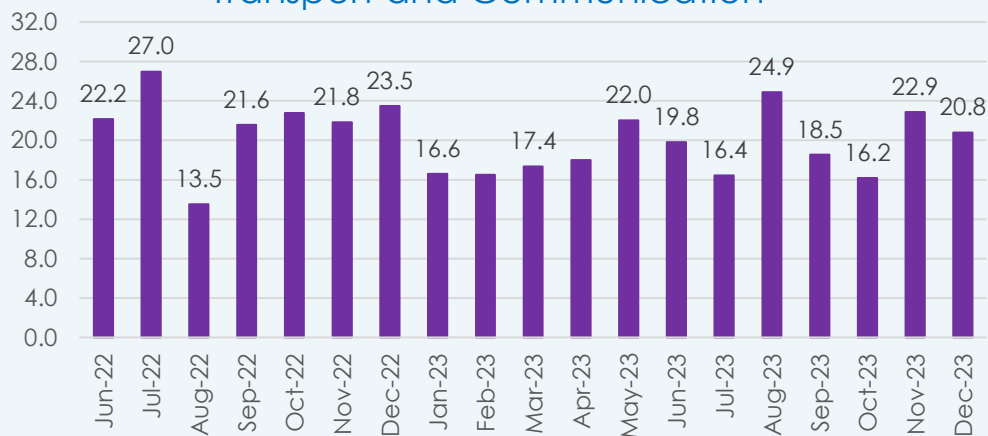
#### Manufacturing



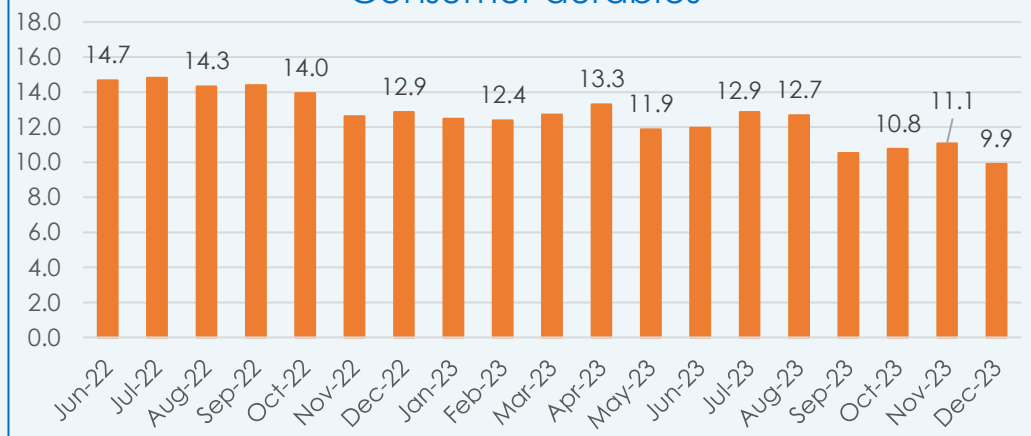
#### Trade



#### Transport and Communication



#### Consumer durables



Source: CBK

## Balance of payments:

Balance of payments is expected to record a narrower deficit in 2024 compared to 2023

### Balance of payments, in millions of U.S. dollars, unless otherwise indicated

	2019	2020	2021	2022	2023 Est.	2024 Proj.
<b>Current account</b>	<b>-5,252</b>	<b>-4,792</b>	<b>-5,748</b>	<b>-5,774</b>	<b>-4,259</b>	<b>-4,869</b>
<b>Trade balance</b>	<b>-10,679</b>	<b>-8,337</b>	<b>-11,052</b>	<b>-11,715</b>	<b>-9,848</b>	<b>-10,588</b>
<b>Goods: exports, f.o.b.</b>	<b>5,872</b>	<b>6,062</b>	<b>6,787</b>	<b>7,421</b>	<b>7,258</b>	<b>8,047</b>
Tea	1,113	1,226	1,192	1,384	1,345	1,543
Horticulture	1,011	950	1,129	944	929	1,165
Manufactured Goods	402	380	512	622	686	858
Other	3,345	3,507	3,954	4,472	4,298	4,480
<b>Goods: imports, f.o.b.</b>	<b>16,551</b>	<b>14,399</b>	<b>17,839</b>	<b>19,136</b>	<b>17,106</b>	<b>18,634</b>
Oil products	3,314	2,219	3,474	5,548	4,802	4,840
Other	13,237	12,181	14,365	13,588	12,304	13,795
Machinery & Transport equipment	4,872	3,974	4,653	3,760	3,252	3,618
<b>Services balance</b>	<b>1,748</b>	<b>333</b>	<b>1,027</b>	<b>1,165</b>	<b>632</b>	<b>866</b>
<b>Services, Credit</b>	<b>5,602</b>	<b>3,659</b>	<b>5,018</b>	<b>6,436</b>	<b>5,411</b>	<b>5,717</b>
Transportation	2,181	1,084	1,642	2,303	1,933	2,479
Travel	1,007	545	843	1,107	1,023	1,125
<b>Services, Debit</b>	<b>3,854</b>	<b>3,326</b>	<b>3,991</b>	<b>5,271</b>	<b>4,778</b>	<b>4,851</b>
Transportation	1,449	1,118	1,565	2,137	1,763	1,910
<b>Goods and services balance</b>	<b>-8,932</b>	<b>-8,004</b>	<b>-10,025</b>	<b>-10,550</b>	<b>-9,216</b>	<b>-9,721</b>
<b>Primary income, balance</b>	<b>-1,606</b>	<b>-1,738</b>	<b>-1,839</b>	<b>-1,740</b>	<b>-2,027</b>	<b>-2,559</b>
Credit	217	54	62	40	110	124
Debit	1,823	1,791	1,900	1,780	2,137	2,682
<b>Secondary income, balance</b>	<b>5,285</b>	<b>4,950</b>	<b>6,116</b>	<b>6,516</b>	<b>6,983</b>	<b>7,411</b>
Credit	5,340	5,026	6,256	6,563	7,110	7,545
Remittances	2,796	3,094	3,718	4,028	4,190	4,398
Debit	55	76	140	47	127	134
<b>Capital account</b>	<b>208</b>	<b>131</b>	<b>196</b>	<b>142</b>	<b>127</b>	<b>134</b>
<b>Financial Account</b>	<b>-4,820</b>	<b>-2,682</b>	<b>-5,851</b>	<b>-4,362</b>	<b>-3,536</b>	<b>-4,624</b>
<b>Foreign Direct Investment</b>	<b>-433</b>	<b>-569</b>	<b>-44</b>	<b>-339</b>	<b>-457</b>	<b>-465</b>
Direct Investment, assets	37	-143	420	53	-49	45
Direct Investment, liabilities	470	427	464	392	408	510
<b>Portfolio Investment</b>	<b>-468</b>	<b>1,321</b>	<b>208</b>	<b>712</b>	<b>655</b>	<b>781</b>
Portfolio Investment, assets	857	1,045	1,069	481	502	693
Portfolio Investment, liabilities	1,325	-276	861	-230	-153	-88
Equity and investment fund shares	9	-276	-96	-208	-154	-88
Debt securities	1,316	0	957	-23	1	0
<b>Other Investment</b>	<b>-3,919</b>	<b>-3,434</b>	<b>-6,015</b>	<b>-4,735</b>	<b>-3,734</b>	<b>-4,940</b>
Other investment, assets	564	998	139	-557	2,875	2,877
Other investment, liabilities	4,484	4,432	6,154	4,178	6,609	7,817
Net errors and omissions	1,331	1,311	548	-877	-332	0
<b>Overall balance ("-", indicates a surplus)</b>	<b>-1,107</b>	<b>668</b>	<b>-848</b>	<b>2,147</b>	<b>982</b>	<b>111</b>
<b>Reserves and related items</b>	<b>1,107</b>	<b>-668</b>	<b>848</b>	<b>-2,147</b>	<b>-982</b>	<b>-111</b>
Reserve assets (gross)	953	-822	1,190	-1,528	-604	2,057
Use of Fund credit and loans to the fund (net)	-154	610	847	619	378	2,168

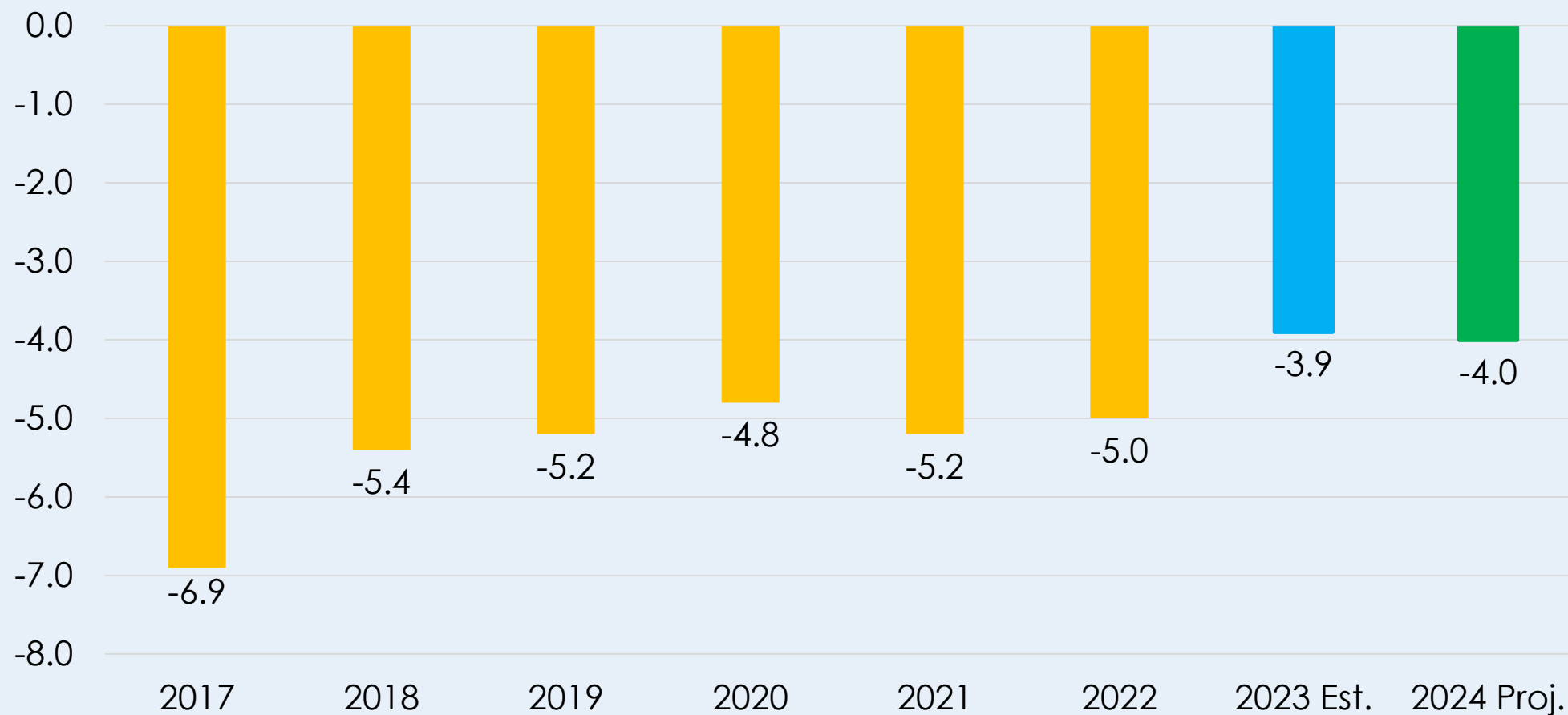
Source: CBK, KRA

19.

## Current account balance:

The current account deficit is estimated at 3.9 percent of GDP in 2023, down from 5.0 percent in 2022, and is projected at 4.0 percent of GDP in 2024, reflecting the expected recovery in imports, resilient remittances, and expected rebound in agricultural exports.

### Current account balance (percent of GDP)



Source: CBK

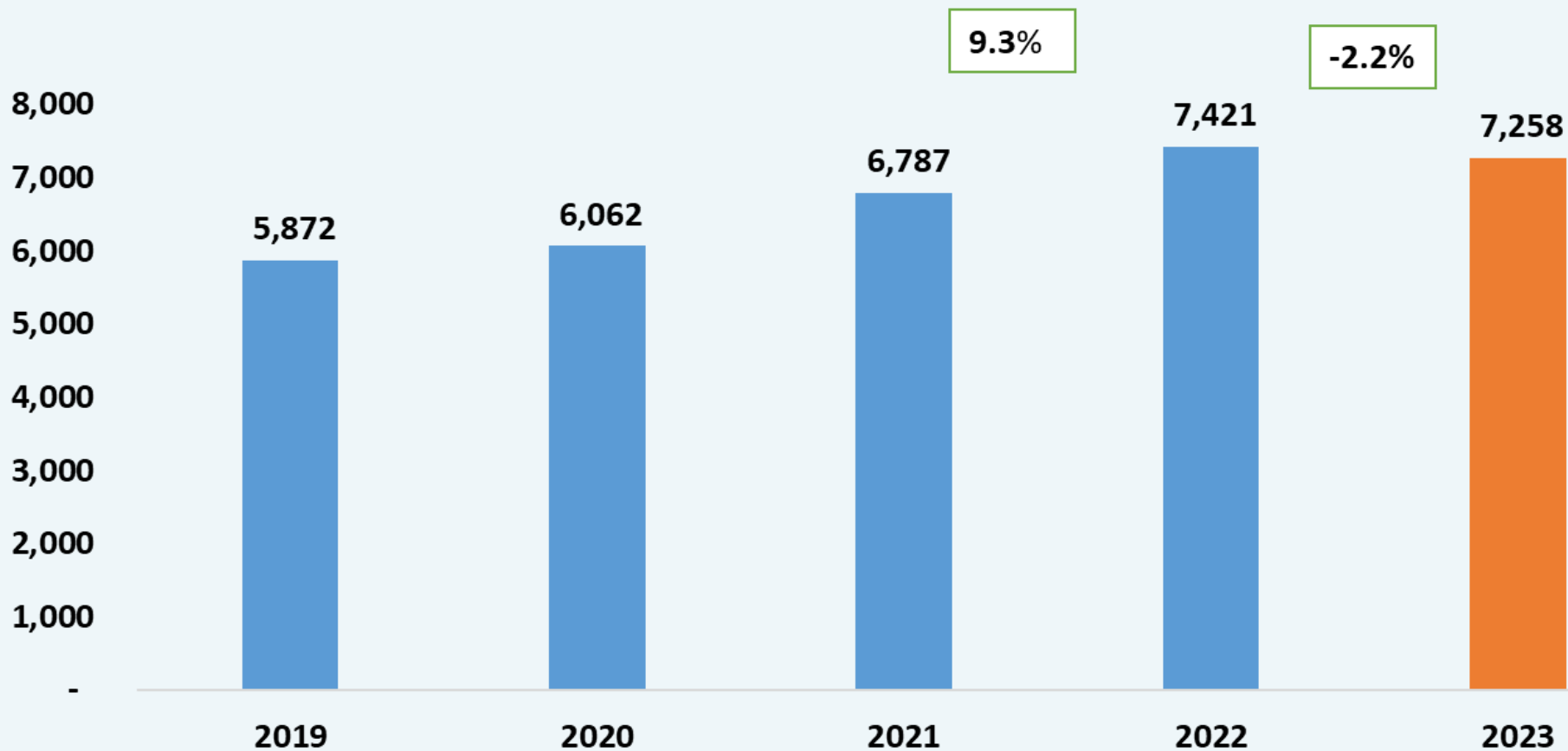


20.

## Balance of payments:

Goods exports declined by 2.2 percent in 2023 compared to an increase of 9.3 percent in 2022.

### Total goods exports (USD Million)



Source: CBK, KRA

## Balance of payments:

The decline in exports in 2023 was across several categories, except food, chemicals, and manufactured goods exports

### Goods exports by products (USD Million)

SITC CODES		2019	2020	2021	2022	2023	% change 2022-2021	% change 2023-2022
0	<b>Food and Live Animals</b>	2,217	2,425	2,551	2,773	2,796	8.7	0.8
05	<i>    Daw Vegetable &amp; Fruits</i>	546	622	688	584	590	(15.2)	1.0
071	<i>        Coffee &amp; Substitutes</i>	205	216	249	331	269	32.9	(18.7)
0741	<i>        Tea</i>	1,113	1,226	1,192	1,384	1,354	16.1	(2.2)
1	<b>Beverages &amp; Tobacco</b>	160	181	159	164	146	2.9	(10.6)
2	<b>Crude Materials</b>	1,015	1,015	1,286	1,256	1,204	(2.3)	(4.2)
29	<i>    Crude animal and veg</i>	688	670	853	758	815	(11.1)	7.5
292711	<i>    Cut flowers</i>	490	464	551	462	473	(16.1)	2.3
3	<b>Mineral Fuels</b>	56	54	54	88	97	62.3	10.9
4	<b>Animal &amp; Vegetable oils</b>	63	95	137	226	168	65.3	(25.6)
5	<b>Chemicals and related products</b>	447	465	522	606	623	16.2	2.8
54	<i>    Medical and Pharmac</i>	101	102	102	103	126	1.7	21.8
55	<i>    Perfume materials</i>	131	147	171	182	194	6.9	6.1
6	<b>Manufactured goods</b>	402	380	512	622	692	21.5	11.3
661	<i>    Lime, Cement etc</i>	17	28	108	106	158	(2.0)	49.1
67	<i>    Iron and Steel</i>	154	139	174	233	241	33.6	3.5
7	<b>Machinery &amp; Transport equipment</b>	146	113	137	120	118	(12.4)	(1.9)
8	<b>Miscellaneous Manufactured articles</b>	572	566	675	689	597	2.2	(13.4)
84	<i>    Clothing accessories</i>	341	308	389	400	319	2.9	(20.2)
	<b>Total</b>	5,872	6,062	6,787	7,421	7,258	9.3	(2.2)

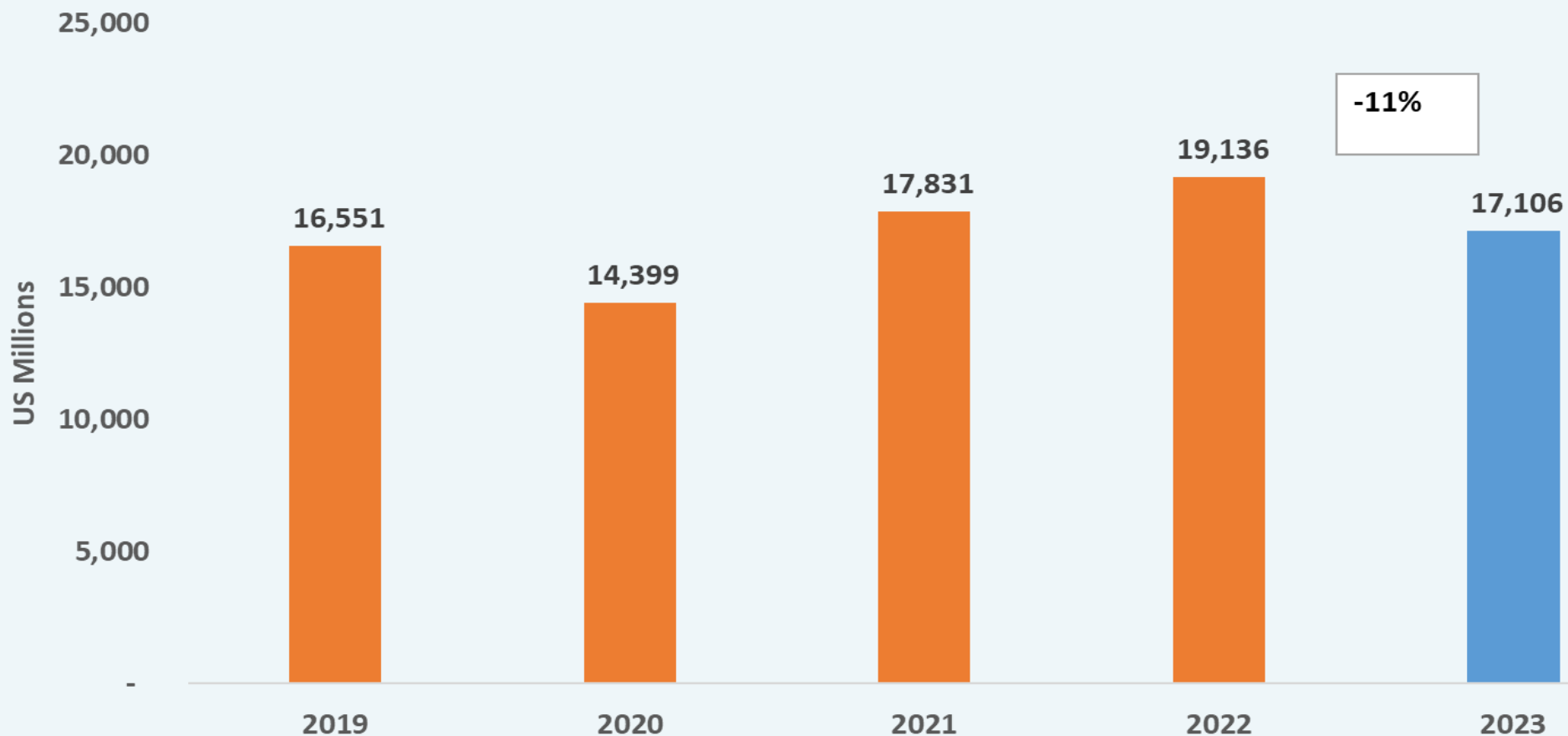
Source: CBK, KRA

22.

## Balance of payments:

Imports of goods declined by 10.6 percent in 2023 compared to a growth of 7.3 percent in 2022

### Total goods imports (USD Million)



Source: CBK, KRA

## Balance of payments:

The decline in imports in 2023 reflected lower imports across all categories, except food and crude materials

### Goods imports by products (USD Million)

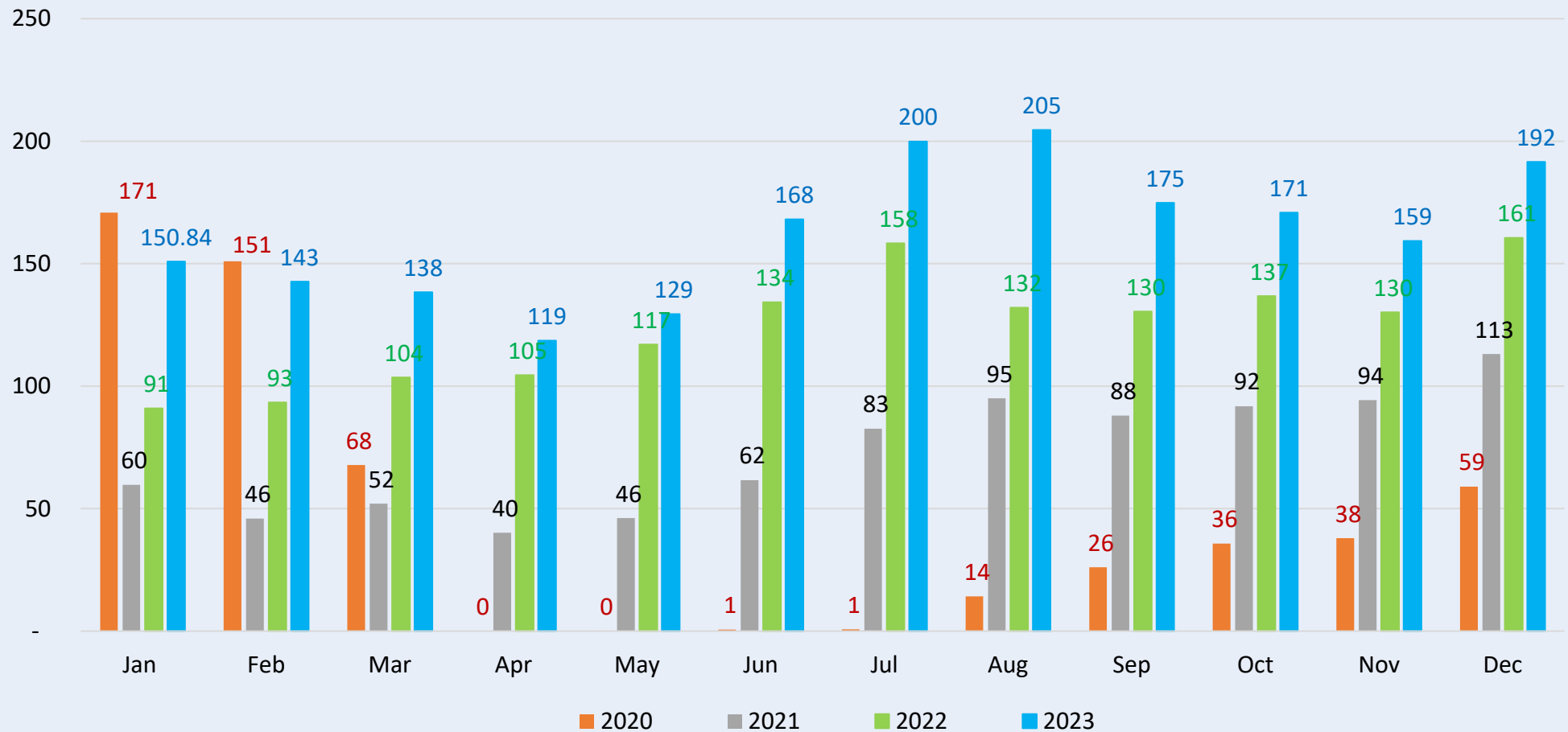
SITC		2019	2020	2021	2022	2,023	% change 2022-2021	% change 2022-2023
0	<b>FOOD AND LIVE ANIMALS</b>	1,770	1,582	1,873	2,094	2,370	11.8	13.2
04	<i>of which cereals</i>	884	827	1,067	1,227	1,319	14.9	7.5
1	<b>BEVERAGES AND TOBACCO</b>	144	102	135	132	118	(2.2)	(10.1)
2	<b>CRUDE MATERIALS</b>	422	381	448	469	487	4.7	3.8
3	<b>MINERAL FUELS, LUBRICANTS (and Rel. mat.)</b>	3,309	2,185	3,474	5,548	4,802	59.7	(13.4)
33	<i>of which Petroleum Products</i>	3,094	1,983	3,135	5,159	4,402	64.5	(14.7)
4	<b>ANIMAL &amp; VEGETABLE OILS, FATS &amp; WAXES</b>	588	885	1,100	1,215	997	10.5	(18.0)
42	<i>of which Vegetable fat \$oils</i>	573	863	1,047	1,138	920	8.6	(19.1)
4222	<i>Palm oil</i>	0	831	989	1,085	845	9.8	(22.1)
5	<b>CHEMICALS AND RELATED PRODUCTS</b>	2,485	2,580	3,103	3,277	2,896	5.6	(11.6)
54	<i>Medicinal &amp; Pharm.</i>	645	713	806	791	649	(1.8)	(17.9)
57	<i>Plastics in Pri. Form</i>	531	525	738	706	586	(4.3)	(17.1)
59	<i>Chemical Mtrls &amp; Prdts.</i>	321	394	368	432	392	17.4	(9.3)
6	<b>MANUFACTURED GOODS</b>	2,964	2,781	3,646	3,469	2,654	(4.8)	(23.5)
64	<i>Paper, Paperboard &amp; Articles</i>	380	313	401	472	376	17.8	(20.3)
65	<i>Textile Yarn, Fabrics &amp; Articles</i>	492	462	608	652	540	7.4	(17.3)
67	<i>Iron and Steel</i>	1,019	984	1,420	1,282	870	(9.7)	(32.2)
7	<b>MACHINERY AND TRANSPORT EQUIPMENT</b>	4,872	3,973	4,371	3,760	3,252	(14.0)	(13.5)
72	<i>Mach. for Part. Inds.</i>	720	538	676	576	460	(14.8)	(20.1)
74	<i>Gen. Ind. Mach.</i>	564	585	671	545	519	(18.8)	(4.7)
77	<i>Elec. Mach.</i>	780	674	817	732	585	(10.3)	(20.1)
78	<i>Road vehicles</i>	1,193	1,056	1,302	997	835	(23.4)	(16.3)
79	<i>Other Transport Equipment</i>	573	248	228	207	193	(9.3)	(6.8)
8	<b>MISCELLANEOUS MANUFACTURED ARTIC.</b>	1,091	945	1,110	1,124	1,027	1.2	(8.6)
	<b>Total</b>	<b>16,551</b>	<b>14,399</b>	<b>17,831</b>	<b>19,136</b>	<b>17,106</b>	<b>7.3</b>	<b>(10.6)</b>

Source: CBK, KRA

## Services exports:

Tourist arrivals improved by 30.7 percent in 2023 compared to 2022, and were 19.3 percent higher in December 2023 compared to December 2022

### Number of tourist arrivals (in thousands)



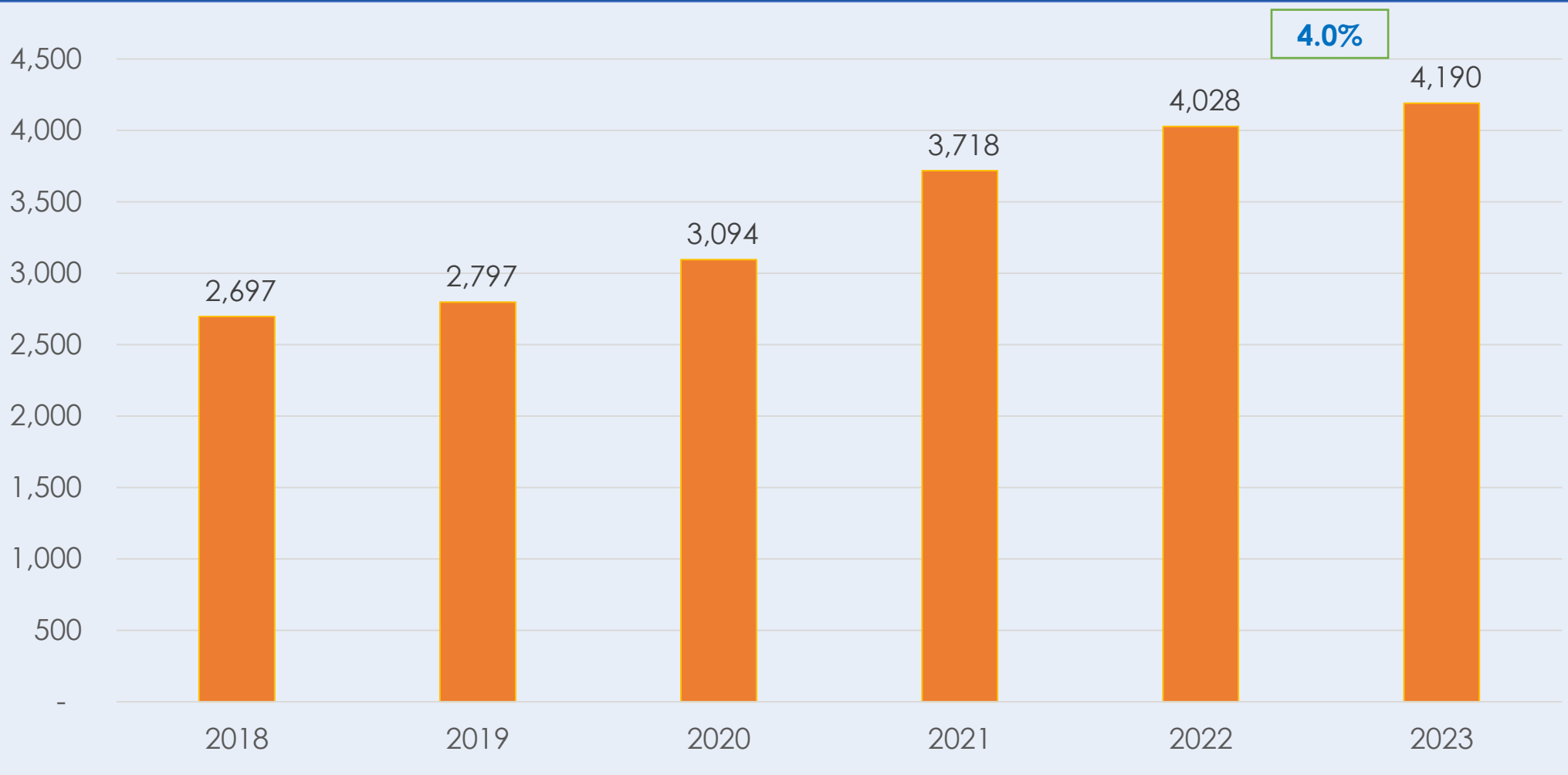
Source: Kenya Tourism Board

25.

## Diaspora remittances:

Remittances increased by 4.0 percent to USD 4,190 million in 2023 from USD 4,028 million in 2022.

### Diaspora remittances inflows (USD, Million)



Source: CBK



**Financial account:**

Financial account inflows expected to support foreign exchange reserves in 2024

**Financial account inflows (US\$ millions)**

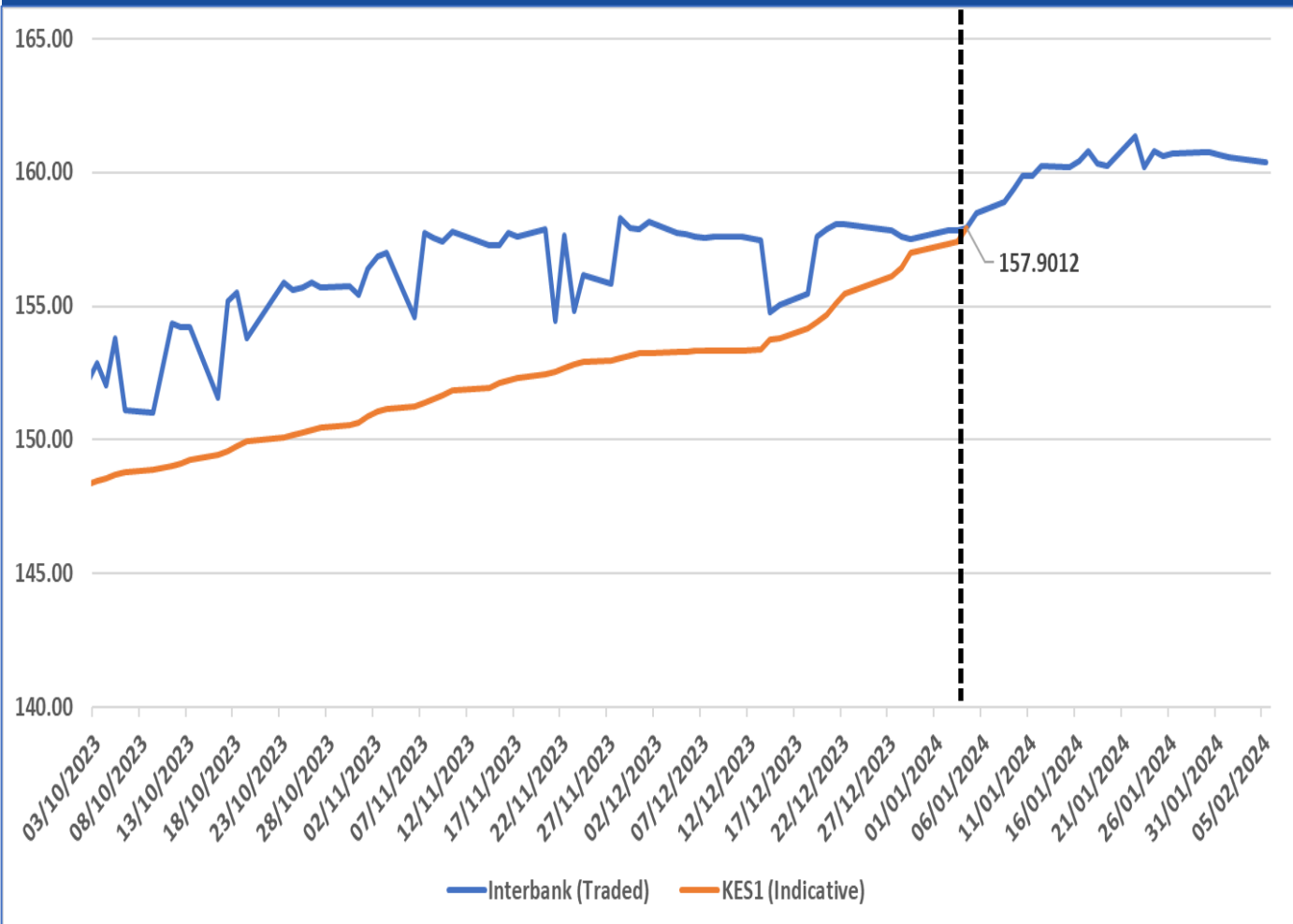
	2019	2020	2021	2022	2023 est	2024
<b>Financial Account</b>	<b>(4,820)</b>	<b>(2,682)</b>	<b>(5,851)</b>	<b>(4,362)</b>	<b>(3,536)</b>	<b>(4,624)</b>
<b>Foreign Direct Investment</b>	<b>(433)</b>	<b>(569)</b>	<b>(44)</b>	<b>(339)</b>	<b>(457)</b>	<b>(465)</b>
Direct Investment, assets	37	(143)	420	53	(49)	45
Direct Investment, liabilities	470	427	464	392	408	510
<b>Portfolio Investment</b>	<b>(468)</b>	<b>1,321</b>	<b>208</b>	<b>712</b>	<b>655</b>	<b>781</b>
Portfolio Investment, assets	857	1,045	1,069	481	502	693
Portfolio Investment, liabilities	1,325	(276)	861	(230)	(153)	(88)
Equity and investment fund shares	9	(276)	(96)	(208)	(154)	(88)
Debt securities	1,316	0	957	(23)	1	-
<b>Other Investment</b>	<b>(3,919)</b>	<b>(3,434)</b>	<b>(6,015)</b>	<b>(4,735)</b>	<b>(3,734)</b>	<b>(4,940)</b>
Other investment, assets	564	998	139	(557)	2,875	2,877
Other investment, liabilities	4,484	4,432	6,154	4,178	6,609	7,817
Net errors and omissions	1,331	1,311	548	(877)	(332)	-
<b>Overall balance ('-' indicates a surplus)</b>	<b>(1,107)</b>	<b>668</b>	<b>(848)</b>	<b>2,147</b>	<b>982</b>	<b>111</b>
<b>Reserves and related items</b>	<b>1,107</b>	<b>(668)</b>	<b>848</b>	<b>(2,147)</b>	<b>(982)</b>	<b>(111)</b>
Reserve assets (gross)	953	(822)	1,190	(1,528)	(604)	2,057
Use of Fund credit and loans to the fund (net)	(154)	610	847	619	378	2,168

Source: CBK

## Exchange rate developments:

The published exchange rate is now based on executed transactions in the interbank market

### Foreign exchange interbank market (Ksh/USD)



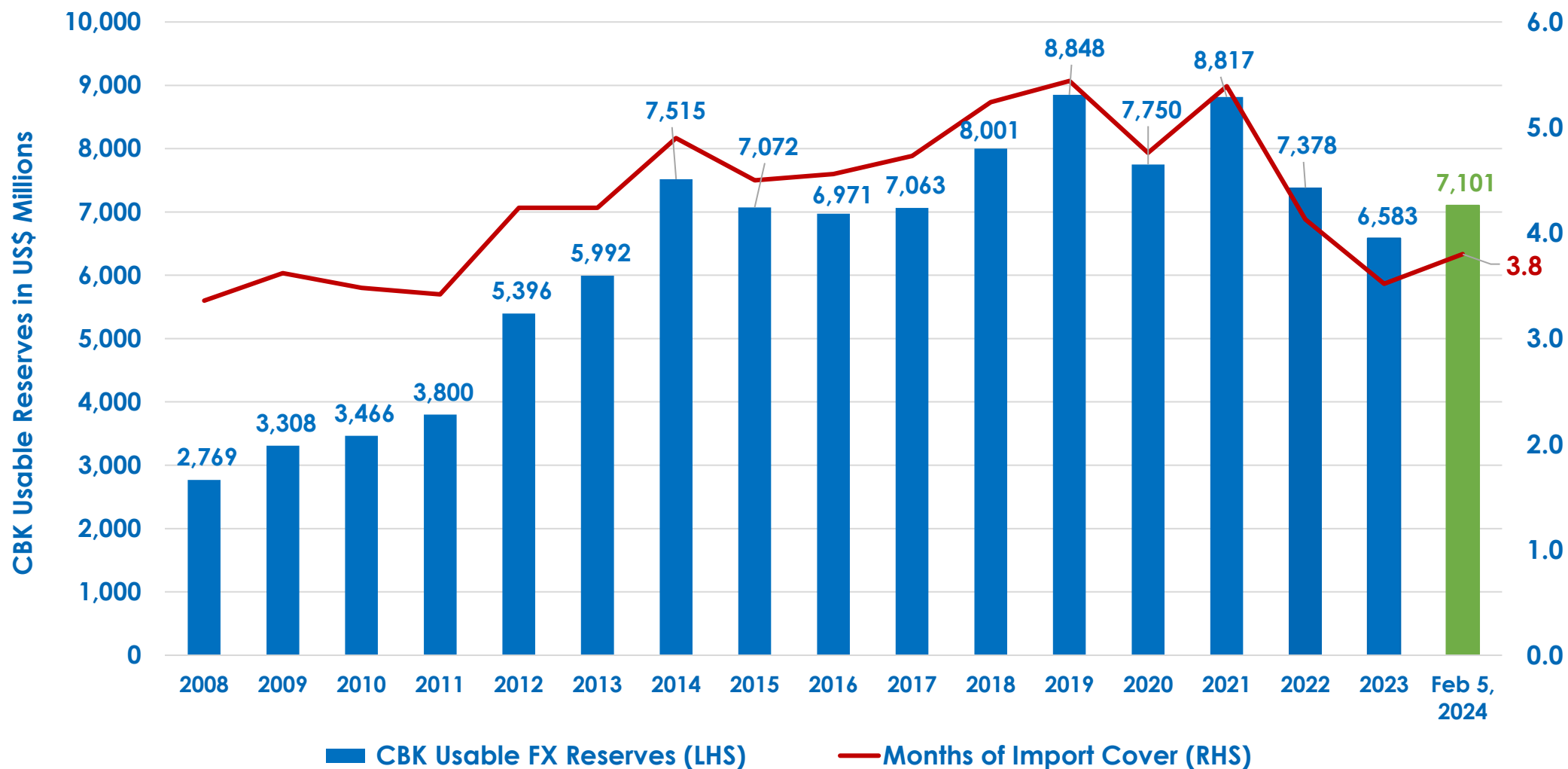
Source: CBK as of February 5, 2024

- Recent changes in the Interbank Foreign Exchange Market to streamline and improve operations in the FX interbank market are as follows:

- Introduction of electronic matching systems (EMS) in the interbank market
- Requirement of maximum spread of 20 cents on indicative quotes in the interbank market removed.
- Adoption of CBK published exchange rate (based on weighted average rate of all interbank transactions executed on previous day). Previously, published rate was based on indicative rate provided by selected major players in the interbank market.

## CBK usable foreign exchange reserves: Foreign exchange reserves remain adequate

### CBK usable foreign exchange reserves (end period)

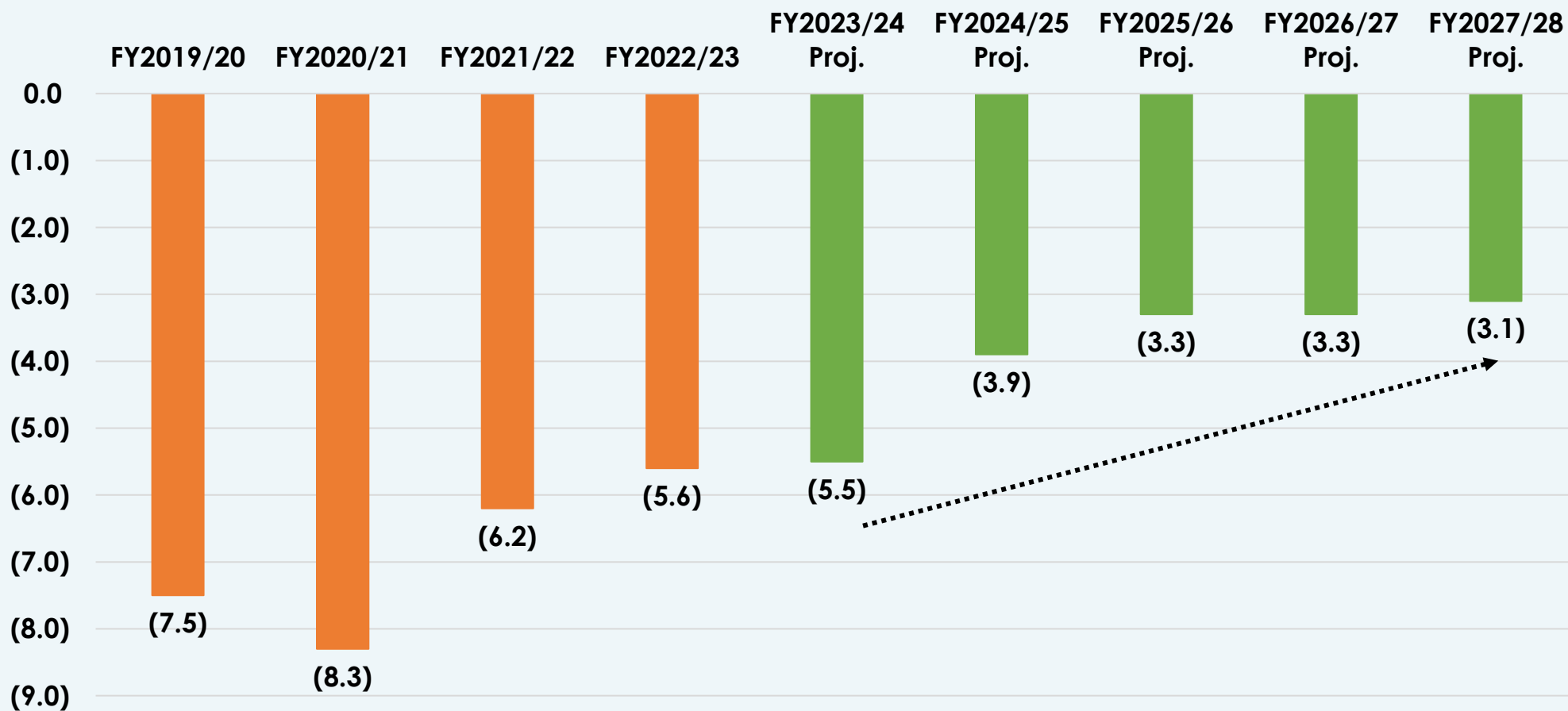


Source: CBK as of February 5, 2024

## Fiscal performance and outlook:

The envisaged fiscal consolidation over the medium-term is expected to reduce growth of public debt and boost debt sustainability position

### Actual and expected fiscal deficit (percent of GDP)



Source: The National Treasury

*Thank You!*

