



Central Bank of Kenya

MONETARY POLICY COMMITTEE MEETING BACKGROUND INFORMATION

Wednesday, February 11, 2026

Dr. Kamau Thugge, CBS
Governor

1. Monetary Policy Decisions
2. Global Economic Developments and Outlook
3. Domestic Economic Developments and outlook
4. Summary and key takeaways

1. During its Meeting on February 10, 2026, 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.
- To further strengthen the effectiveness of the monetary policy implementation framework and enhance monetary policy transmission, the MPC approved:
 - the narrowing of the interest rate corridor around the Central Bank Rate (CBR) from the current ±75 basis points to ±50 basis points.
 - 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.

2. The MPC observed that:

- 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.
- 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.
- Average lending rates in the domestic market have continued to decline, while private sector credit growth has continued to improve, though at a slower pace than desirable.
- 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.

2.

Monetary Policy Decisions

- The narrowing of the interest rate corridor in the monetary policy implementation framework will further support the alignment of the Kenya Shilling Overnight Interbank Average (KESONIA) to the CBR.
- The interest rate on the CBK Discount Window is set at the upper bound of the corridor to ensure that the KESONIA remains within a predictable range.

3. **The MPC will closely monitor the impact of these policy decisions** as well as developments in the global and domestic economies and stands ready to take further action as necessary in line with its mandate.

4. **The Committee will meet again in April 2026.**



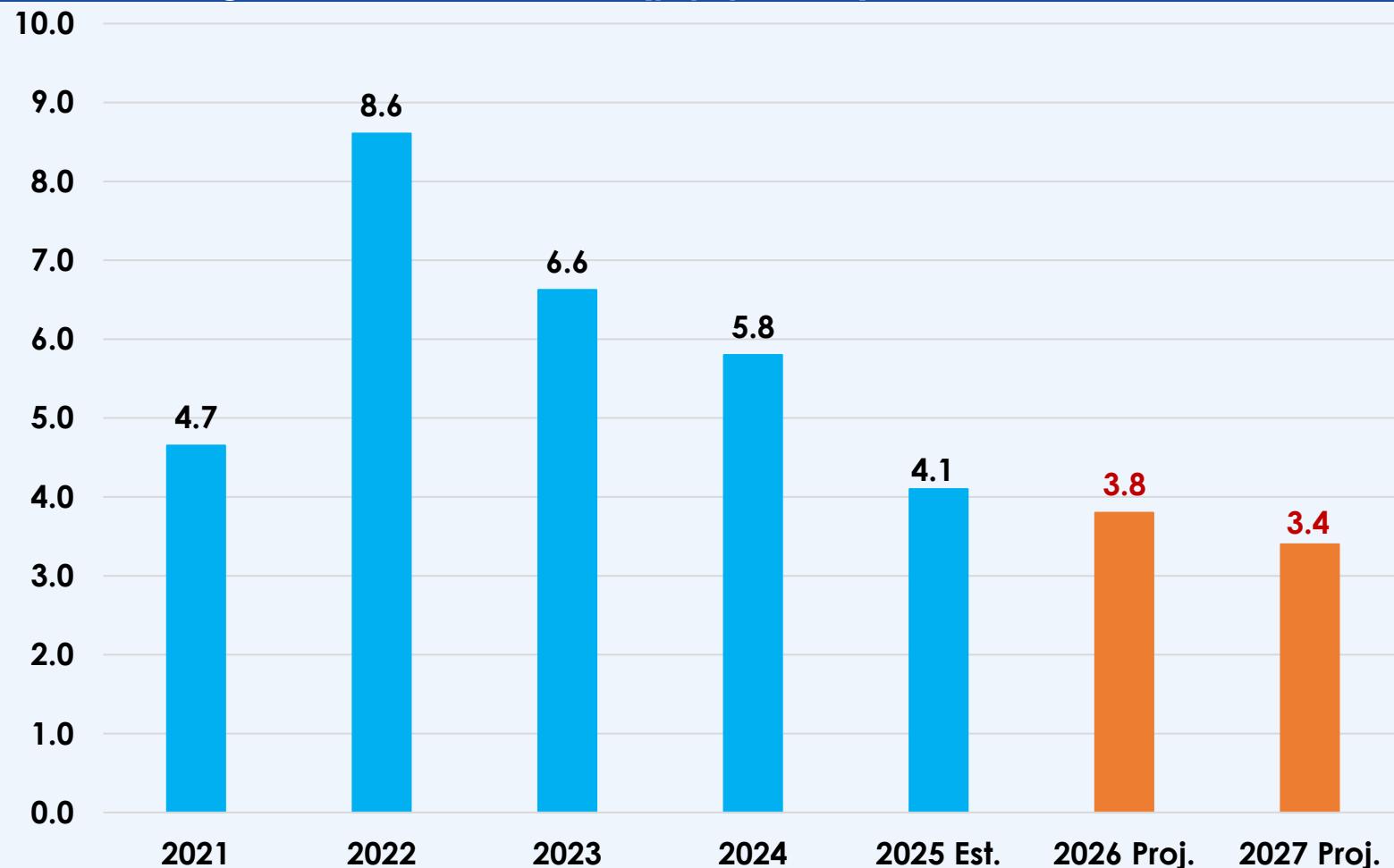
Global Economic Developments and Outlook

3.

Global economic developments and outlook:

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

Outlook for global headline inflation (y/y, percent)



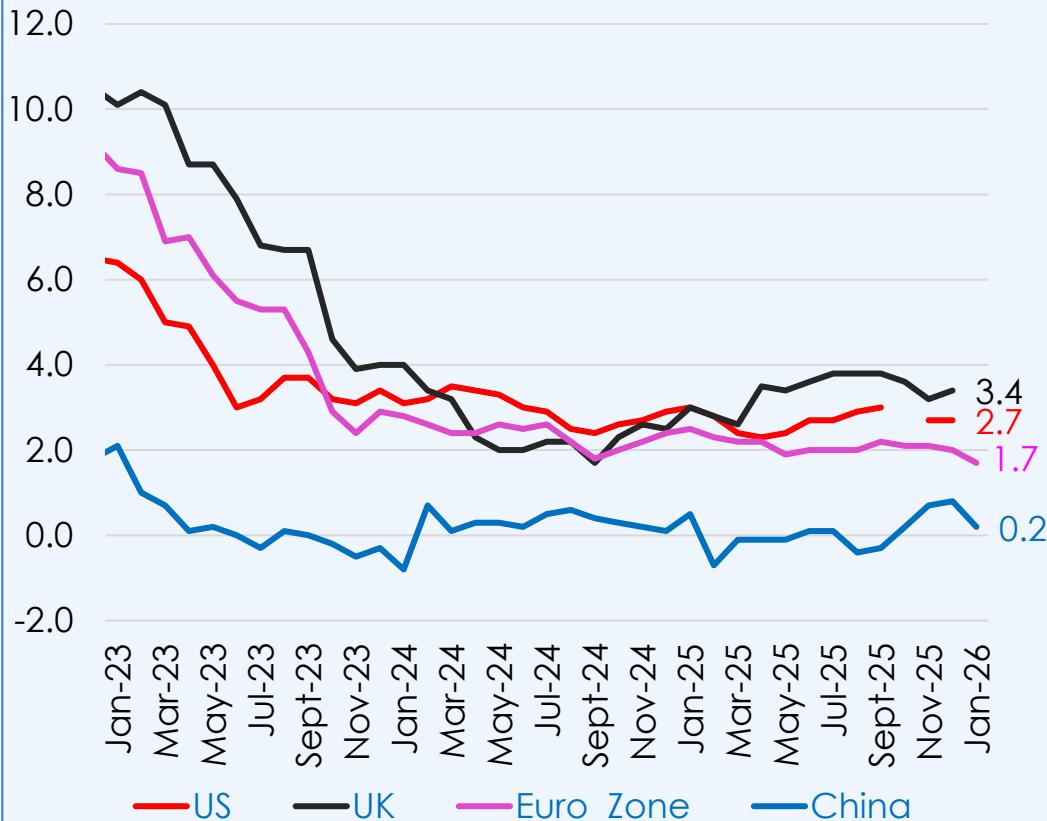
Source: IMF World Economic Outlook, January 2026

- Central banks in major economies are expected to continue to ease monetary policy, but at a cautious and uneven pace depending on their inflation and growth outlooks.

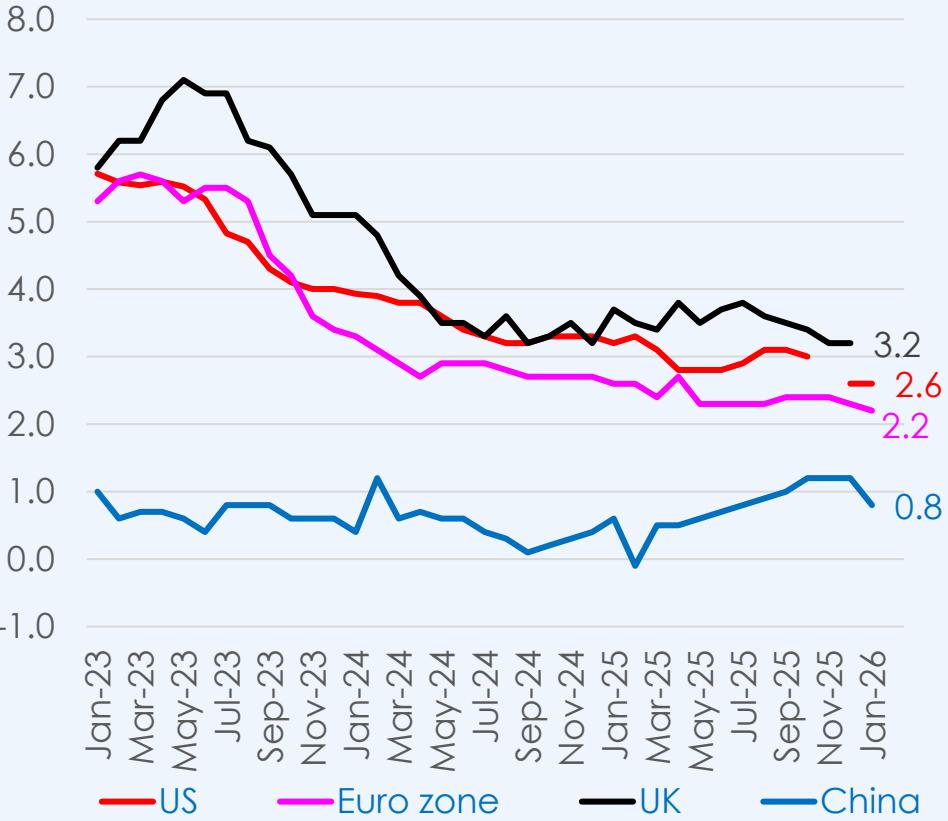
Inflation in major economies:

Inflation in the major economies has eased modestly in recent months, but is still above target for some countries, reflecting the stickiness in core inflation

Headline CPI inflation rates (y/y, percent)



Core CPI inflation rates (y/y, percent)



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

- Core inflation rates have remained sticky mainly on account of persistent services price inflation.
- US headline inflation remained stable in November and December 2025, supported by lower food and core inflation.
- UK headline inflation rose in December 2025, mainly driven by higher tobacco and transport prices. Core inflation remained stable.
- Eurozone inflation eased in January 2026, mainly due to lower energy prices, and decline in core inflation.
- China's inflation has remained low mainly due to weak domestic demand.

5.

Global commodity prices:

International oil prices have declined on account of increased production and subdued global demand, but have been volatile mainly due to elevated global uncertainties

Murban oil price (USD, per barrel)



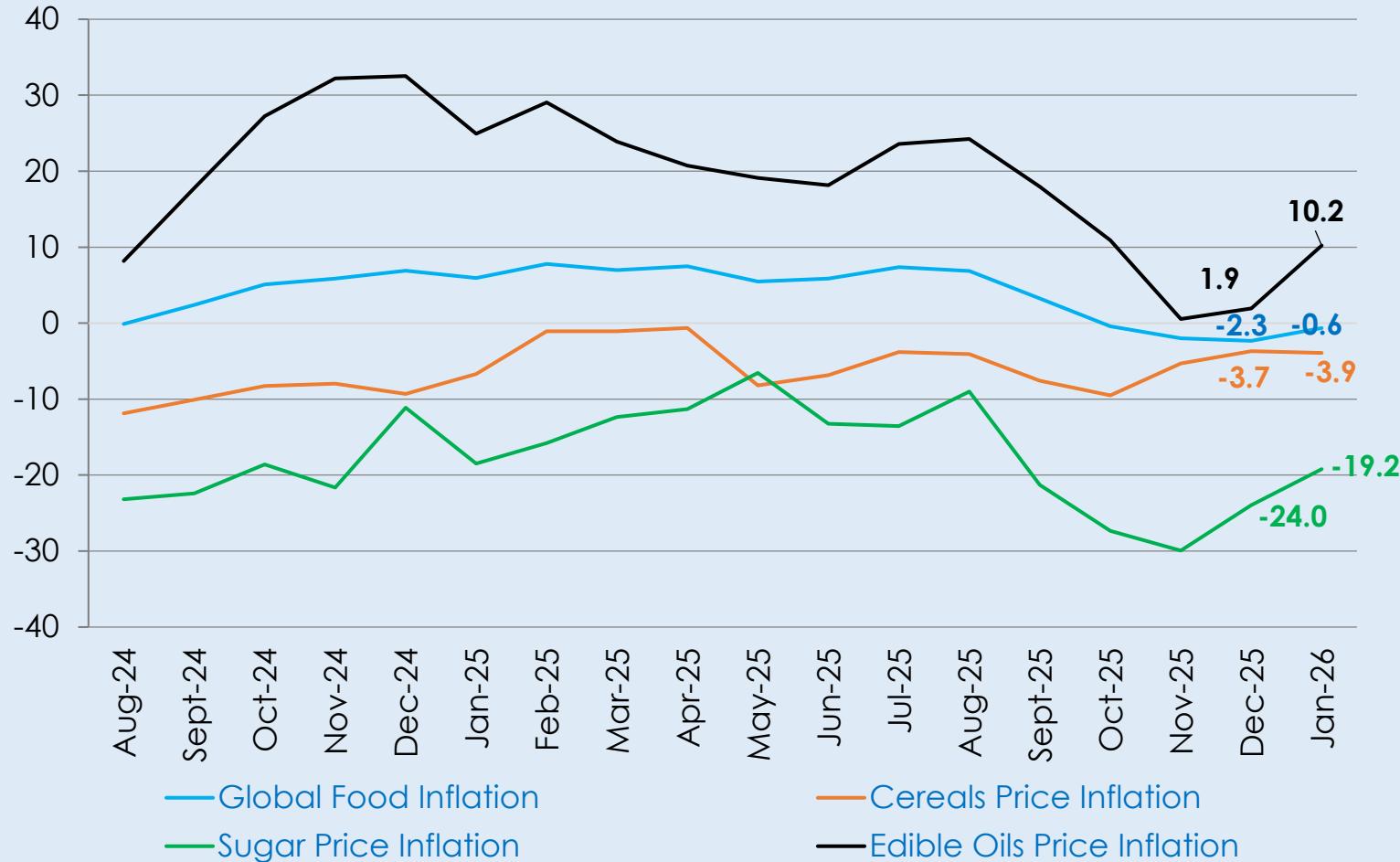
Source: Oilprice.com and Refinitiv

- The OPEC+ producers raised oil output by about 2.9 million barrels per day in 2025.
- Additionally, robust output by non-OPEC producers has contributed to higher oil supply.
- The main risks to oil prices relate to volatility due to supply disruptions arising from escalation of geopolitical tensions particularly the conflict in the Middle East and war in Ukraine.

Global commodity prices:

Food inflation declined in January 2026, partly driven by lower inflation rates for sugar and cereals prices

Global food inflation (y/y, percent)



- Sugar price inflation remained low, due to a significant production rebound in India, and favorable prospects in Thailand.
- Cereals price inflation remained low due to stable wheat prices, and expectations of good harvests in Argentina and Australia. Maize prices declined due to ample global supplies.
- Edible oils price inflation increased due to higher world prices of palm, soy and sunflower oils. Palm oil prices rose on account of seasonal production slowdowns in Southeast Asia and strong global import demand.

Source: UN FAO Food Index

Global economic growth outlook:

Global growth remained resilient in 2025, reflecting lower-than-expected effective tariff rates on U.S. imports, improved financial conditions, strong consumer spending, and a surge in investment in Artificial Intelligence-led technology. Global growth for 2026 has been revised upwards, mainly due to improved growth prospects in the U.S., Euro area, and China

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

	2019 Act.	2020 Act.	2021 Act.	2022 Act.	2023 Act.	2024 Act.	2025 Est.	2026 Proj.		2027 Proj.	
								Jan. 2026 WEO	Difference from Oct. 2025 WEO	Jan. 2026 WEO	Difference from Oct. 2025 WEO
World	3.0	-2.7	6.6	3.8	3.5	3.3	3.3	3.3	0.2	3.2	0.0
Advanced Economies	1.9	-3.9	6.0	3.0	1.7	1.8	1.7	1.8	0.2	1.7	0.0
United States	2.6	-2.1	6.2	2.5	2.9	2.8	2.1	2.4	0.3	2.0	-0.1
United Kingdom	1.6	-10.3	8.6	4.8	0.4	1.1	1.4	1.3	0.0	1.5	0.0
Japan	-0.4	-4.2	2.7	1.0	1.2	-0.2	1.1	0.7	0.1	0.6	0.0
Euro area	1.6	-6.0	6.4	3.6	0.4	0.9	1.4	1.3	0.1	1.4	0.0
Germany	1.0	-4.1	3.9	1.8	-0.9	-0.5	0.2	1.1	0.2	1.5	0.0
France	2.1	-7.6	6.8	2.8	1.6	1.1	0.8	1.0	0.1	1.2	0.0
Italy	0.4	-8.9	8.9	4.8	0.7	0.7	0.5	0.7	-0.1	0.7	0.1
Emerging Market and Developing Economies	3.8	-1.8	7.0	4.3	4.7	4.3	4.4	4.2	0.2	4.1	-0.1
China	6.1	2.3	8.6	3.1	5.4	5.0	5.0	4.5	0.3	4.0	-0.2
India	3.9	-5.8	9.7	7.6	9.2	6.5	7.3	6.4	0.2	6.4	0.0
Russia	2.2	-2.7	5.9	-1.4	4.1	4.3	0.6	0.8	-0.2	1.0	-0.1
Saudi Arabia	1.7	-3.8	6.5	12.0	0.5	2.6	4.3	4.5	0.5	3.6	0.4
Sub-Saharan Africa (SSA)	3.1	-3.1	3.8	4.4	3.7	4.1	4.4	4.6	0.2	4.6	0.1
South Africa	0.3	-6.2	4.9	2.1	0.8	0.5	1.3	1.4	0.2	1.5	0.0
Nigeria	2.2	-6.4	1.1	4.3	3.3	4.1	4.2	4.4	0.2	4.1	0.1
Kenya	5.1	-0.3	7.6	4.9	5.7	4.7	4.8	4.9	0.0	5.0	0.0

- The upward revisions to growth in USA, China, Euro area, India and Saudi Arabia could support demand for Kenya's exports, diaspora remittances inflows, and tourist arrivals.
- However, 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.
- Kenya's growth is expected to remain above the global, Emerging Market and Developing Economies, and SSA averages, mainly reflecting the resilience and diversified nature of the economy.

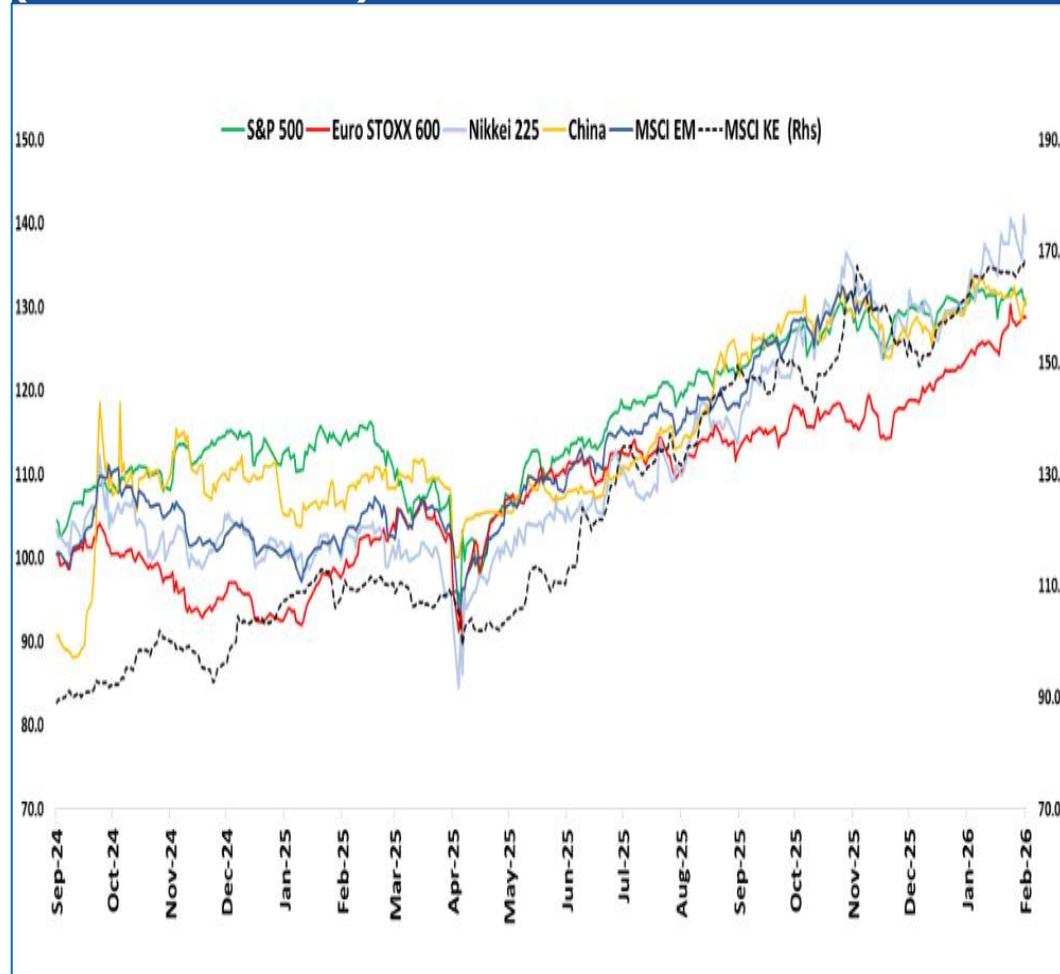
Source: IMF World Economic Outlook, January 2026

8.

Global financial conditions:

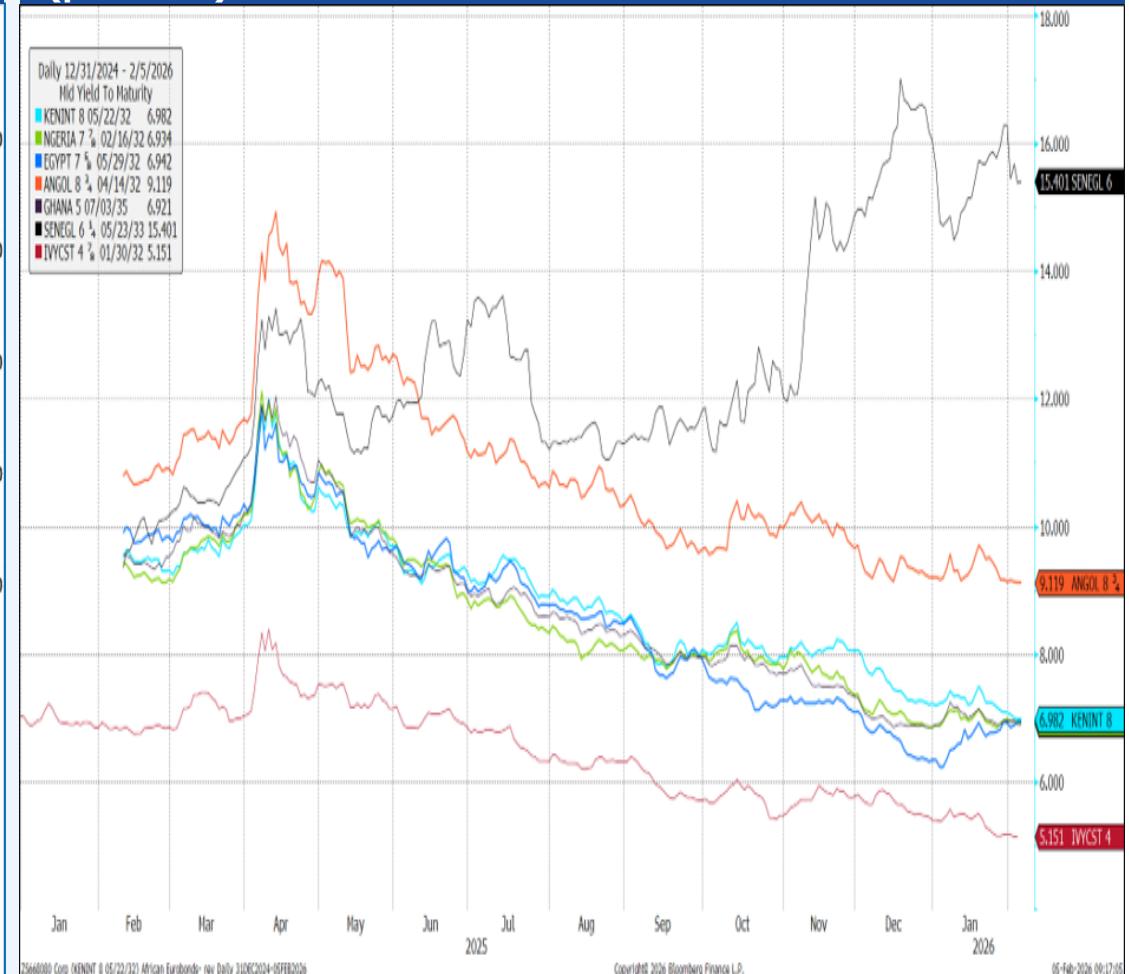
Global financial conditions have improved, as reflected in the recovery of major equity markets, and decline in Eurobond yields in most Emerging and Developing market economies

Performance of selected Stock Indices (March, 2024=100)



Sources: Bloomberg Finance L.P.; FactSet; MSCI; NABE; Refinitiv Eikon Datastream IBES; MSCI Daily Fixed-Income Insights as of February 5, 2026

Select African Countries' Eurobond yields (percent)



Source: Bloomberg as February 5, 2026

1. **Global inflation is projected to decline in 2026 and 2027**, mainly driven by lower energy prices and reduced global demand.
2. **Central banks in major economies have continued to ease monetary policy**, but at a cautious and uneven pace depending on their inflation and growth outlooks.
3. **Global growth is expected to remain resilient in 2026 and 2027**, supported by improved growth prospects in the United States, Euro area, and China.
4. **Global financial conditions have improved**, as reflected in the recovery of major equity markets, and decline in Eurobond yields for EMDEs.
5. **Risks to the global growth outlook remain elevated**, due to elevated trade policy uncertainty, weak global demand, heightened geopolitical tensions in the Middle East, and the Russia-Ukraine conflict.
6. **Kenya's growth is expected to remain above the global, Emerging Market and Developing Economies, and SSA averages**, mainly reflecting the resilience and diversified nature of the economy.



Domestic Economic Developments and Outlook

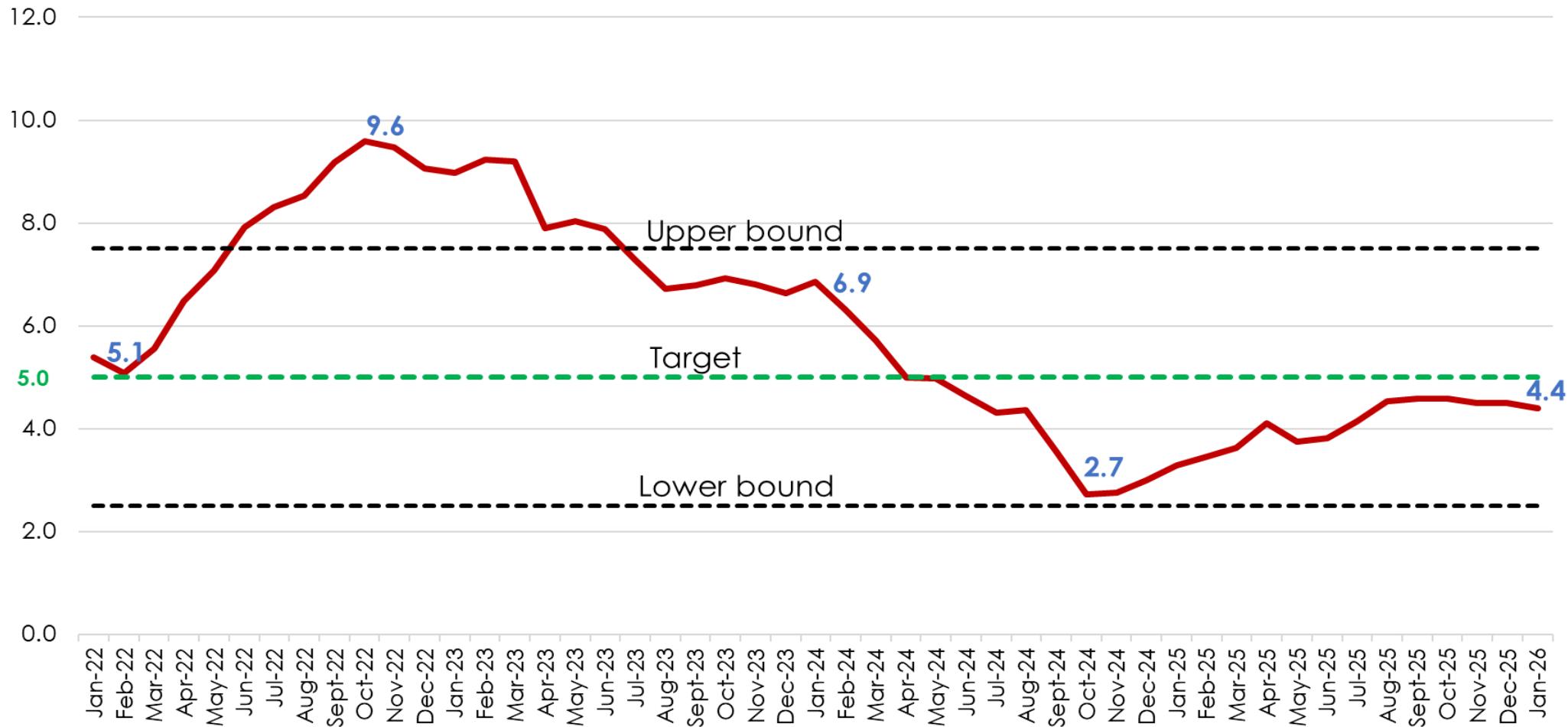
Inflation developments and outlook

10a.

Domestic Inflation developments:

Overall inflation returned to the target range in July 2023 on account of monetary policy measures, and has remained within the target range

Headline Inflation (y/y, percent)



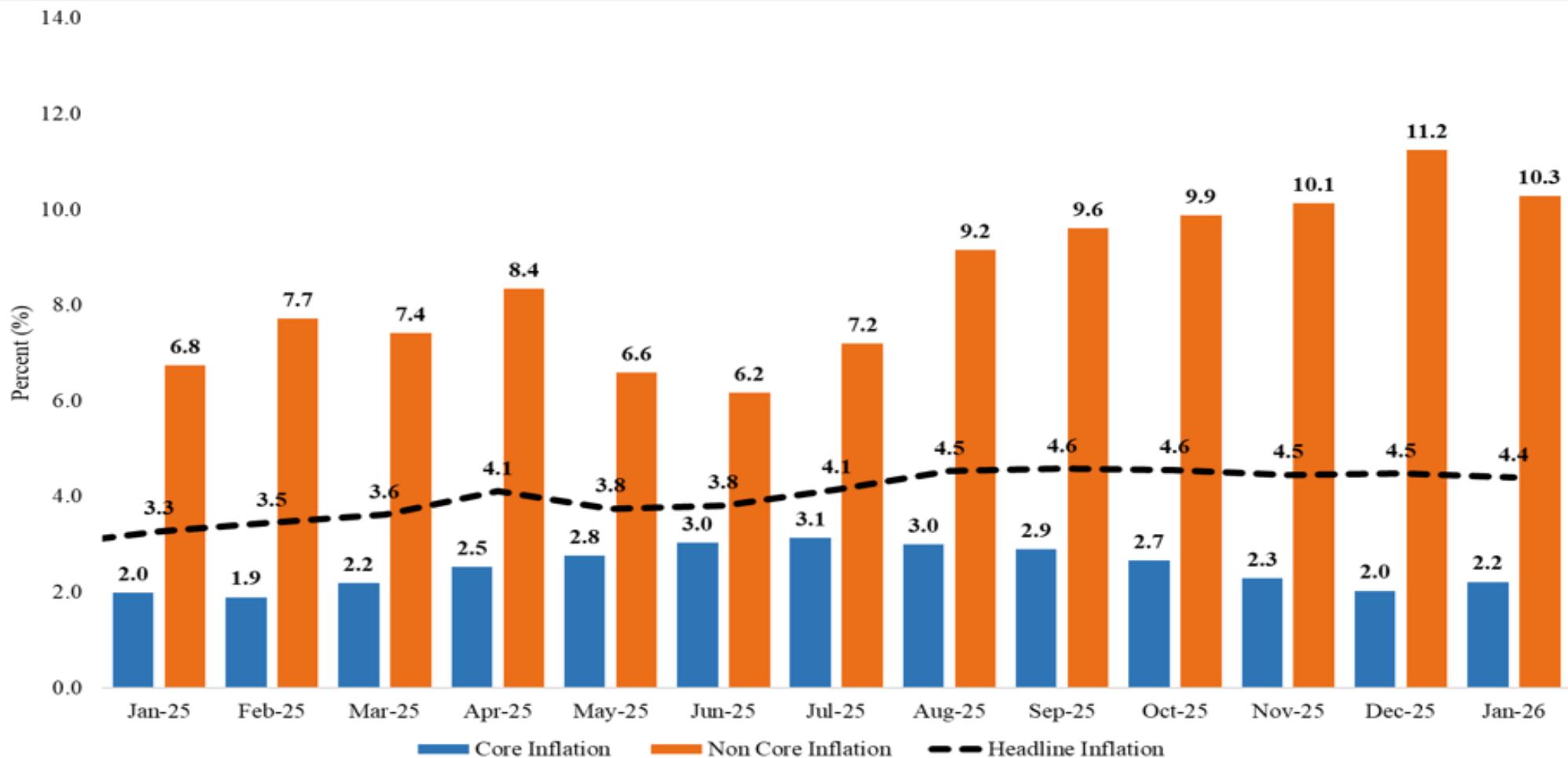
Source: Kenya National Bureau of Statistics

10b.

Domestic inflation developments:

Overall inflation declined in January 2026, driven by lower non-core inflation, and remained below the mid-point of the target range of 5±2.5 percent

Inflation by broad category (y/y, percent)

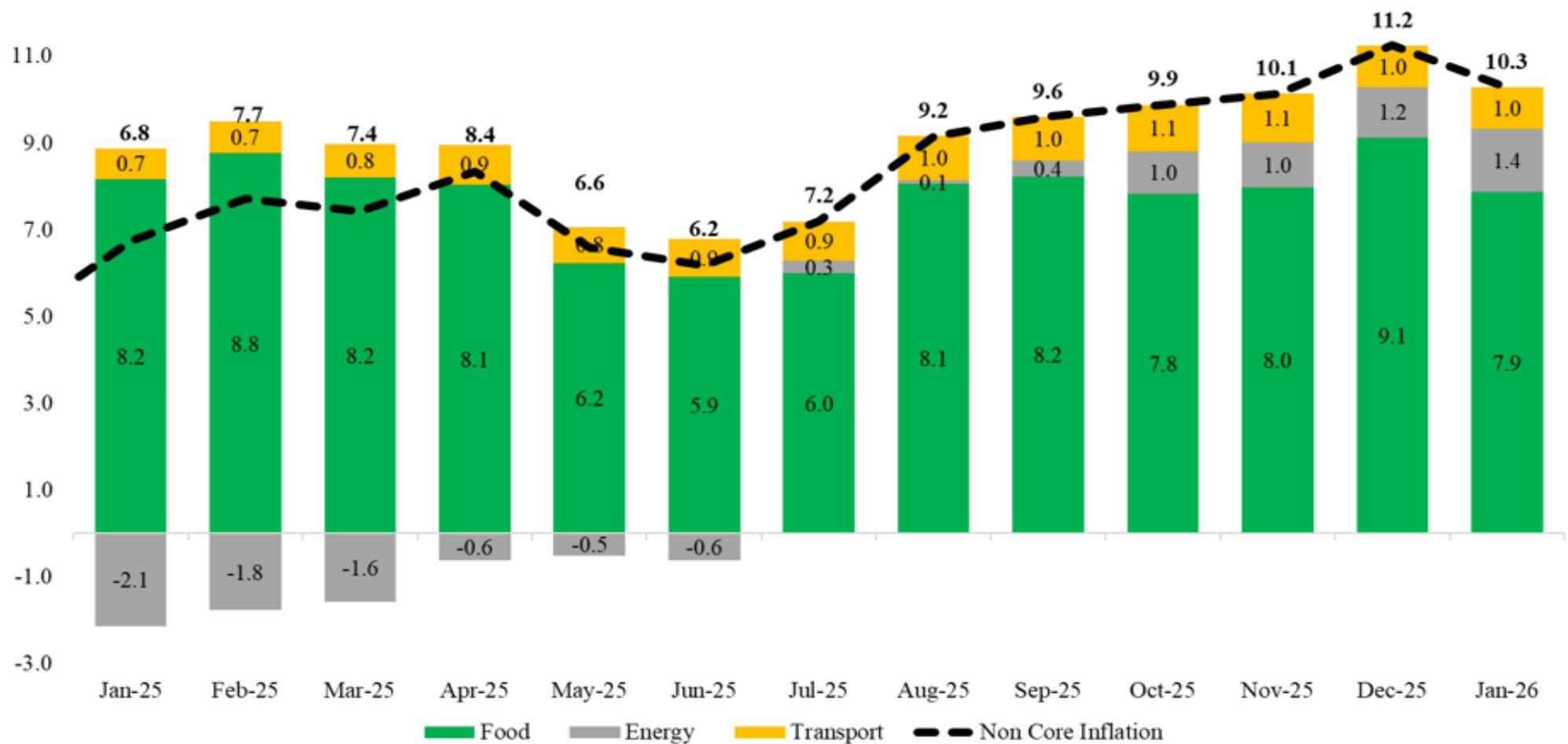


Source: Kenya National Bureau of Statistics

Main drivers of non-core inflation:

Non-core inflation decreased in January 2026, mainly driven by lower prices of some vegetables, particularly tomatoes and onions

Contributions to non-core inflation (percentage points)

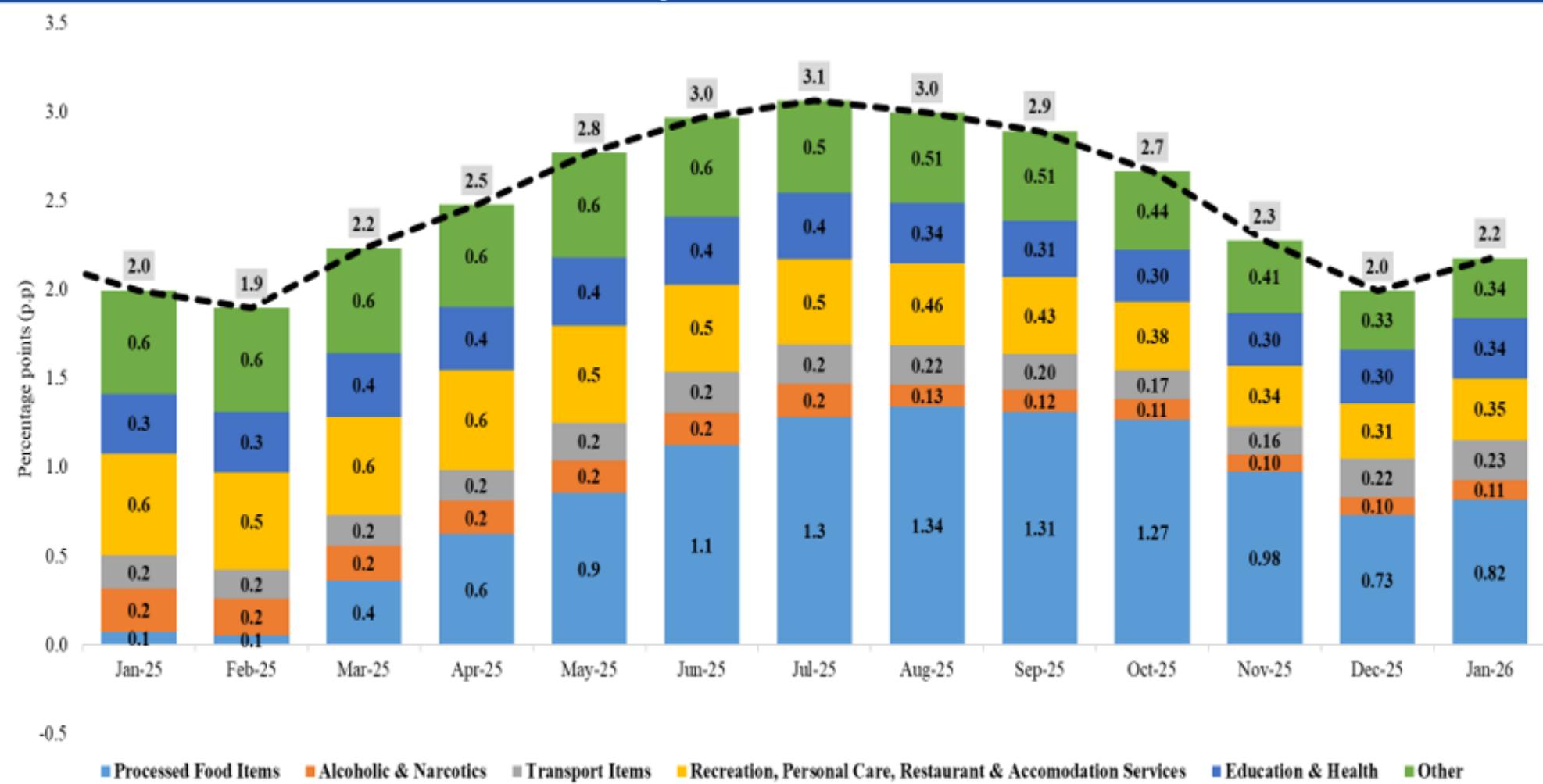


Source: KNBS and CBK

Main drivers of core inflation:

Core inflation stood at 2.2 percent in January 2026 compared to 2.0 percent in December 2025, mainly driven by higher prices of some processed food items, particularly maize flour

Contributions to core inflation (percentage points)

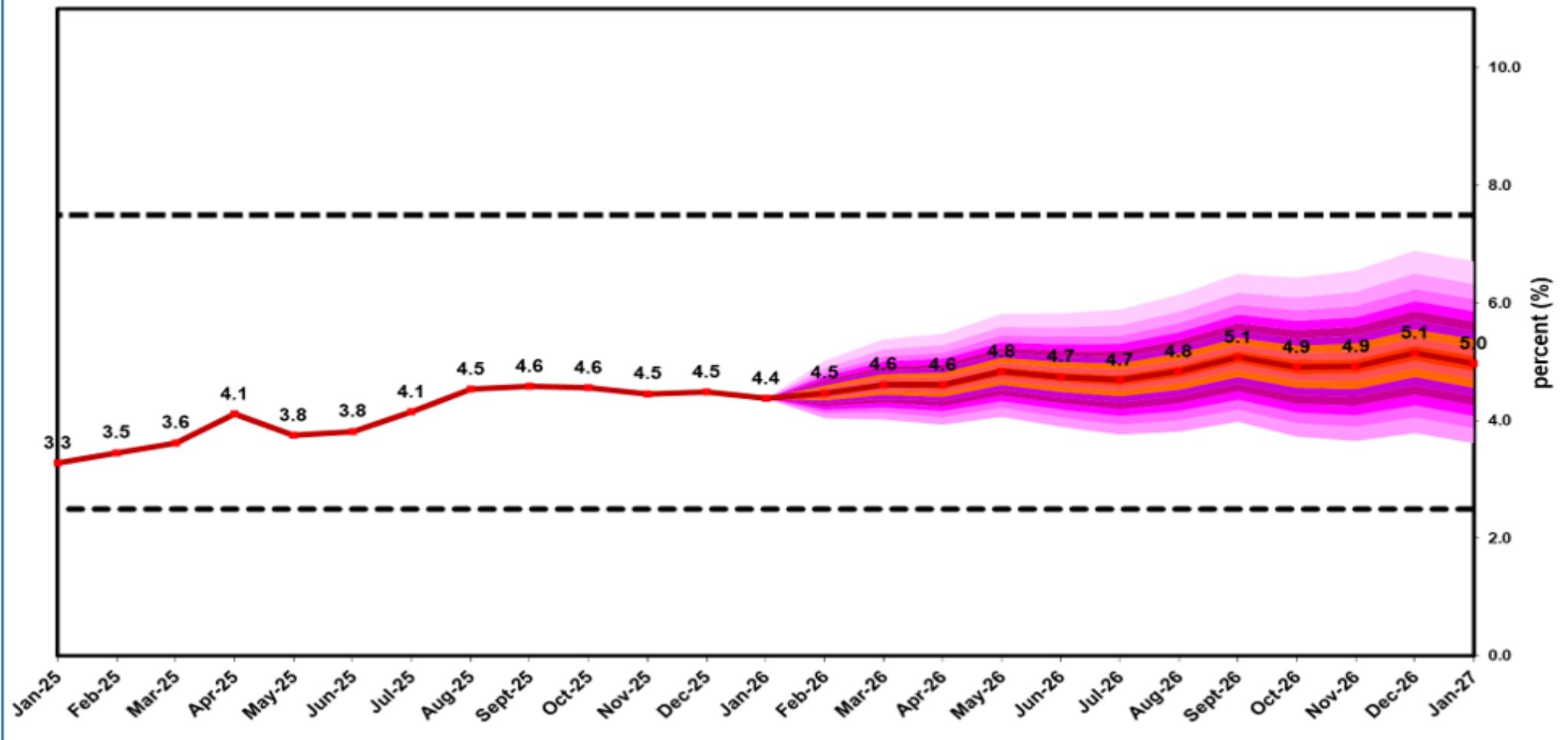


Source: KNBS and CBK

Inflation Projections:

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

Actual and Forecasts of overall inflation: February 2026 to January 2027 (y/y, percent)



Source: KNBS, and CBK for projections

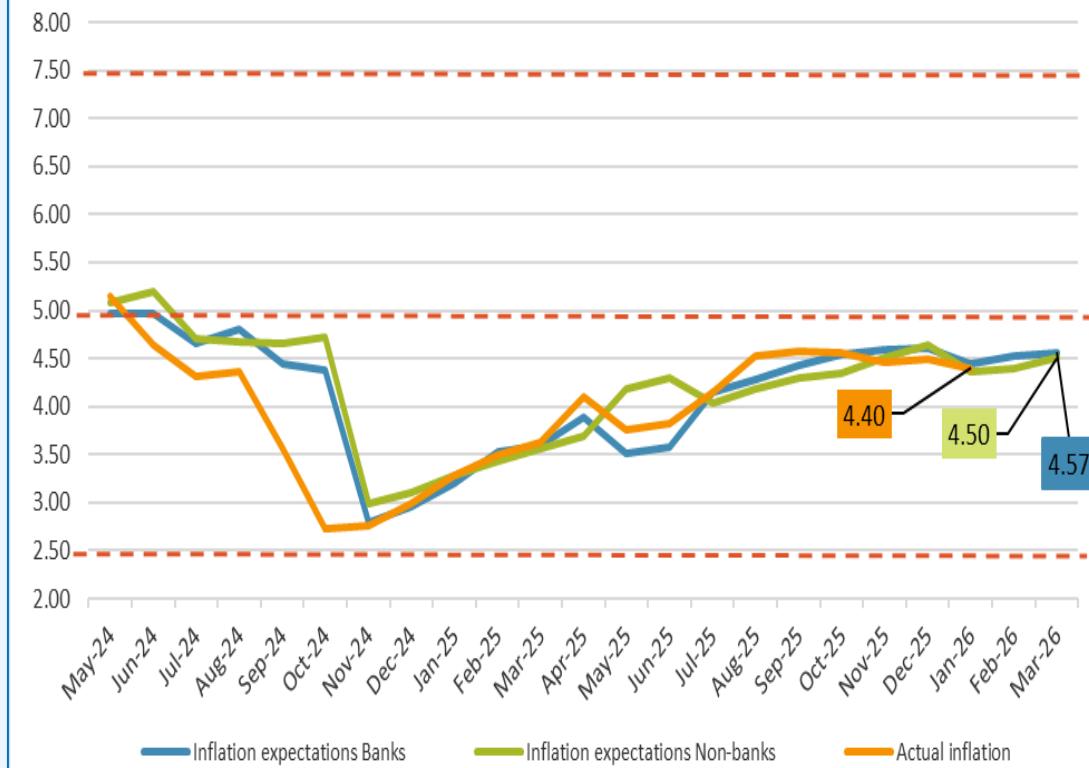
Inflation expectations:

The January 2026 MPC Market Perceptions Survey and Agriculture Sector Survey show that inflation expectations remain firmly anchored within the 5 ± 2.5 percent target range in the near term

Agriculture Sector Survey: Inflation expectations in the next three months (percent of sampled respondents)



Market Perceptions Survey: Inflation expectations by banks and non-bank firms (y/y, percent)



- Respondents to the January 2026 Agriculture Sector Survey expect stable pump prices, exchange rate stability, and favourable weather conditions with the expected long rains, to support a stable inflation rate in the near term.
- However, a majority of respondents expect seasonal factors associated with dry weather conditions before the onset of the long rains, to exert moderate upward pressure on prices of some food items, particularly vegetables, and on overall inflation.

- The January 2026 MPC Market Perceptions Survey shows that inflation expectations in the near term remain anchored within the target range, mainly due to exchange rate stability, lower global oil prices, and expected onset of long rains which will moderate food prices.

1. **Overall inflation eased to 4.4 percent in January 2026 and remained below the midpoint (5.0 percent) of the 5±2.5 percent target range.**
2. **Overall inflation is expected to remain below the mid-point of the target range** in the near term, supported by:
 - Stable prices of processed food items.
 - Stable energy prices on account of lower international oil prices.
 - Exchange rate stability which is expected to continue moderating the impact of imported inflation.
3. **The January 2026 MPC Market Perceptions Survey and Agriculture Sector Survey** show that inflation expectations remain anchored within the target range in the near term.
4. **The main risks to the inflation outlook relate to** adverse weather conditions, higher tariffs on trade, and geopolitical tensions particularly the war in Ukraine and Middle East conflict with implications on volatility in oil prices.



GDP growth developments and outlook

Domestic economic growth:

The growth of the economy is estimated at 5.0 percent in 2025, and is projected to pick up in 2026 and 2027, supported by the resilience of the services sector, continued recovery of industrial sector, and stable growth of agriculture

Real GDP growth (y/y, percent)

	Weight (2009– 2024)	2021 Act.	2022 Act.	2023 Act.	2024 Act.	2025					2026	2027
						Q1 Act.	Q2 Act.	Q3 Act.	Q4 Est.	Annual Est.	Annual Proj.	Annual Proj.
1. Agriculture	19.8	-0.4	-1.5	6.6	4.6	6.0	4.4	3.2	4.1	4.5	4.5	4.6
2. Non-Agriculture (o/w)	80.2	9.5	6.3	5.5	4.7	4.6	5.1	5.2	5.6	5.1	5.7	5.8
2.1 Industry	17.8	7.5	3.9	2.0	0.8	3.0	4.0	4.8	5.0	4.2	4.7	4.9
Mining & Quarrying	1.1	18.0	9.3	-6.5	-9.2	10.8	15.3	16.6	14.2	14.3	5.7	5.9
Manufacturing	9.1	7.3	2.6	2.2	2.8	2.1	1.0	2.5	3.2	2.2	3.3	3.5
Electricity & water supply	2.6	5.6	5.5	3.2	1.9	3.6	5.7	3.6	4.3	4.3	4.2	4.3
Construction	5.1	6.7	4.1	3.0	-0.7	3.0	5.7	6.7	6.5	5.5	6.7	6.9
2.2 Services	53.8	9.8	7.0	7.0	6.0	5.0	5.7	5.5	5.9	5.5	6.2	6.2
Wholesale & Retail Trade	8.2	8.0	3.5	3.3	3.8	5.4	4.1	4.8	5.2	4.9	5.4	5.5
Accommodation & food services	1.1	52.6	26.8	33.6	25.7	4.1	7.8	17.7	12.7	10.4	12.9	14.2
Transport & Storage	9.8	7.4	5.8	5.5	4.4	3.7	5.4	5.2	5.4	4.9	5.7	5.7
Information & Communication	2.7	6.1	9.0	10.3	7.0	5.8	6.0	4.5	5.5	5.4	7.3	6.8
Financial & Insurance	7.8	11.5	12.0	10.1	7.6	5.2	6.7	5.4	6.2	5.9	6.4	6.5
Public administration	5.7	6.0	5.1	5.0	8.2	6.5	6.0	5.1	5.4	5.7	4.8	5.2
Professional, Admin & Support Services	3.0	7.1	9.5	9.9	6.2	4.6	8.5	6.1	7.3	6.6	7.0	6.6
Real estate	9.5	6.7	4.5	7.3	5.3	5.3	5.5	5.7	5.6	5.5	6.4	6.3
Education	4.7	22.8	5.2	2.9	3.9	2.9	3.2	3.4	4.3	3.5	5.4	5.1
Health	2.1	8.9	3.4	4.5	6.3	4.8	6.8	4.1	5.8	5.4	5.1	5.3
Other services	2.4	12.5	6.5	4.3	4.7	3.0	1.8	6.2	4.0	3.8	4.0	4.2
FISIM	-3.0	5.3	0.2	2.7	9.0	2.4	1.8	3.6	2.7	2.7	3.3	3.4
2.3 Taxes on products	8.6	11.9	6.7	3.2	4.4	5.7	3.3	3.7	4.7	4.4	4.6	4.5
Real GDP Growth	100.0	7.6	4.9	5.7	4.7	4.9	5.0	4.9	5.3	5.0	5.5	5.6

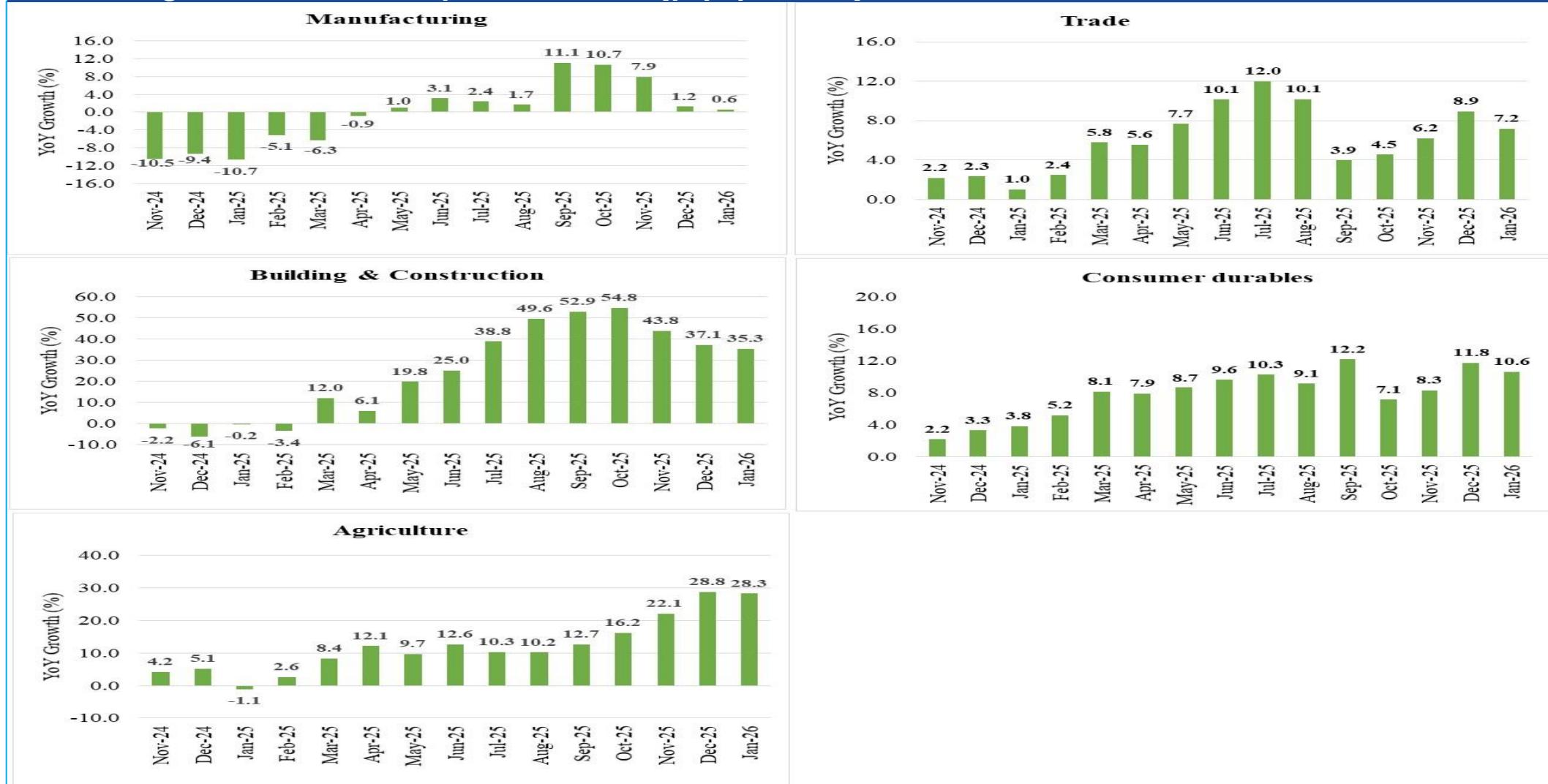
Source: Kenya National Bureau of Statistics and Central Bank of Kenya

- Agriculture sector growth is expected to remain stable, supported by expected favorable weather conditions, subsidized fertilizer, and irrigation expansion.
- The industrial sector continues to recover, driven by construction, and affordable housing programme, with the settlement of pending bills.
- Key service sectors are expected to remain resilient, supported by continued digitization of the economy, expansion of e-commerce, and easing cost of credit.
- Improved uptake of credit across key sectors is expected to support growth particularly in building and construction, manufacturing, consumer durables, and trade.
- The recent extension of AGOA will support growth in apparel exports to the United States.

Sectoral credit to private sector:

Growth in credit to key sectors of the economy, particularly building and construction, trade, agriculture, and consumer durables, remained strong in January 2026. The manufacturing sector recorded significant net loan repayments in December 2025 and January 2026

Sectoral growth in credit to private sector (y/y, percent)

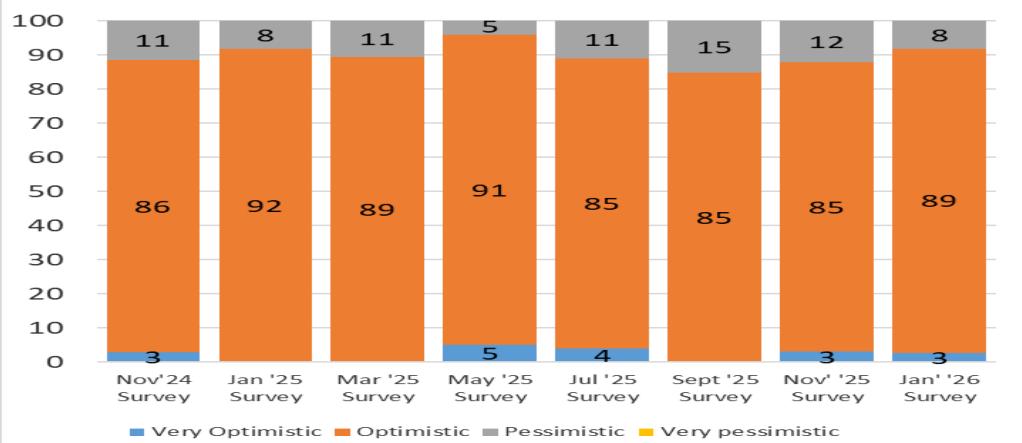


Source: Central Bank of Kenya

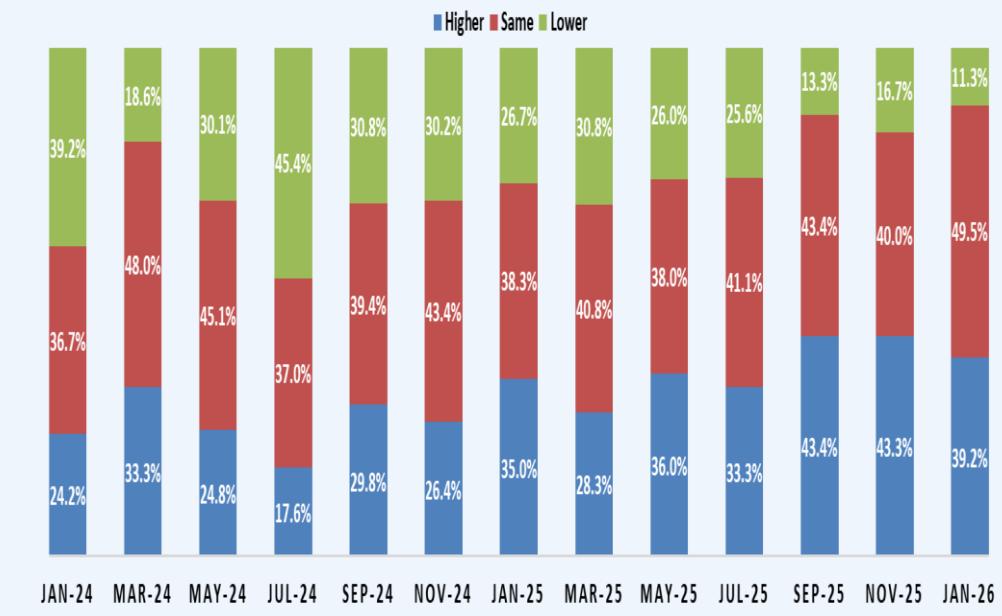
January 2026 MPC Surveys:

The CEOs and Market Perceptions Surveys revealed sustained optimism about domestic business activity and economic growth prospects for the next 12 months relative to the estimated growth in 2025

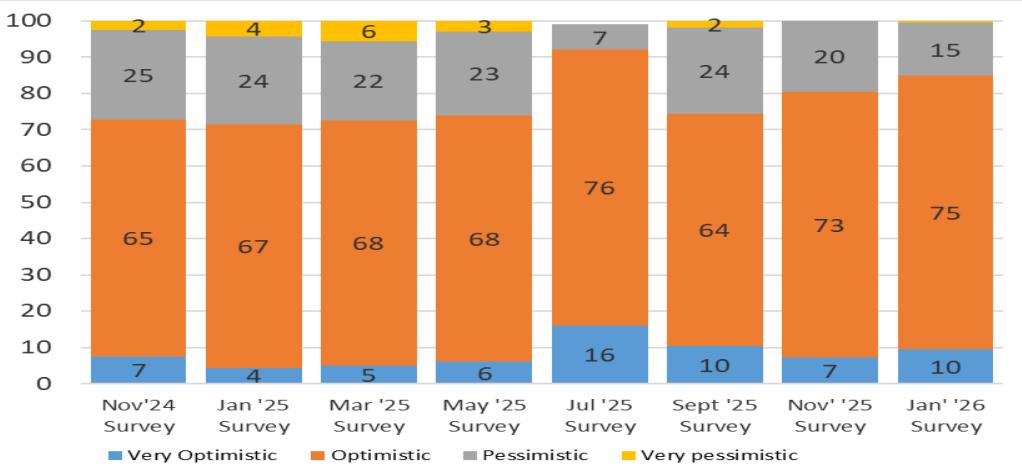
Market Perceptions Survey: Optimism in growth prospects for the next 12 months by Banks (% of respondents)



CEOs Survey: Growth Prospects for the Kenyan Economy (percent of respondents)



Market Perceptions Survey: Optimism in growth prospects for the next 12 months by Non-Bank Private Firms (% of respondents)



- 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.

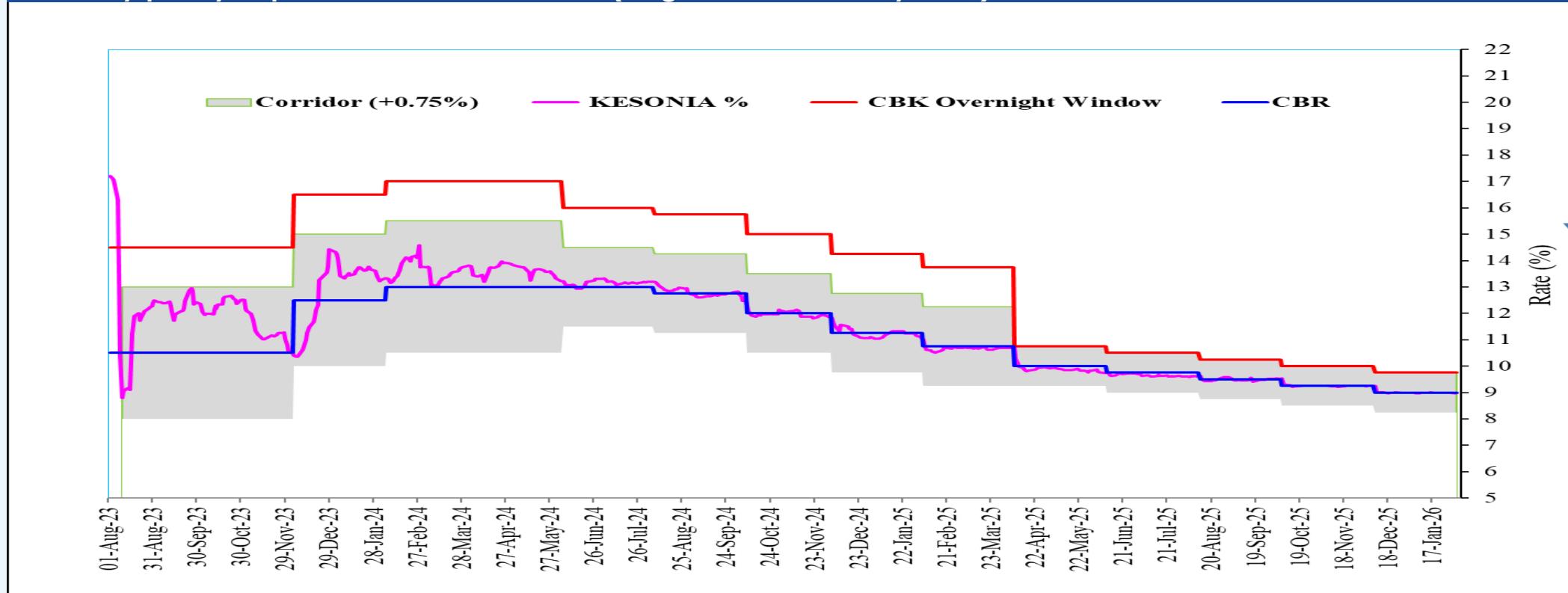
1. **The economy remained resilient in the third quarter of 2025**, with real GDP growing by 4.9 percent, supported by a recovery of the industrial sector and resilience of services sector. Leading indicators of economic activity point to improved performance in the fourth quarter.
2. **The growth of the economy in 2025 is estimated at 5.0 percent** compared to the previous projection of 5.2 percent, mainly reflecting a slowdown in agriculture sector performance in the third quarter.
3. **Real GDP growth is 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.
4. **The MPC Surveys conducted in January 2026 revealed sustained optimism** about business activity and economic growth prospects for the next 12 months.
5. **This outlook is subject to risks**, including adverse weather conditions, elevated trade policy uncertainties, and geopolitical tensions.

Monetary developments

Monetary policy implementation framework:

The narrowing of the interest rate corridor around the CBR will further strengthen the effectiveness of the monetary policy implementation framework and enhance monetary policy transmission. This will further support the alignment of the KESONIA to the CBR

Monetary policy implementation framework (August 2023–January 2026)



Note: The overnight interbank rate has been officially named Kenya Shilling Overnight Interbank Average (KESONIA) from September 1, 2025

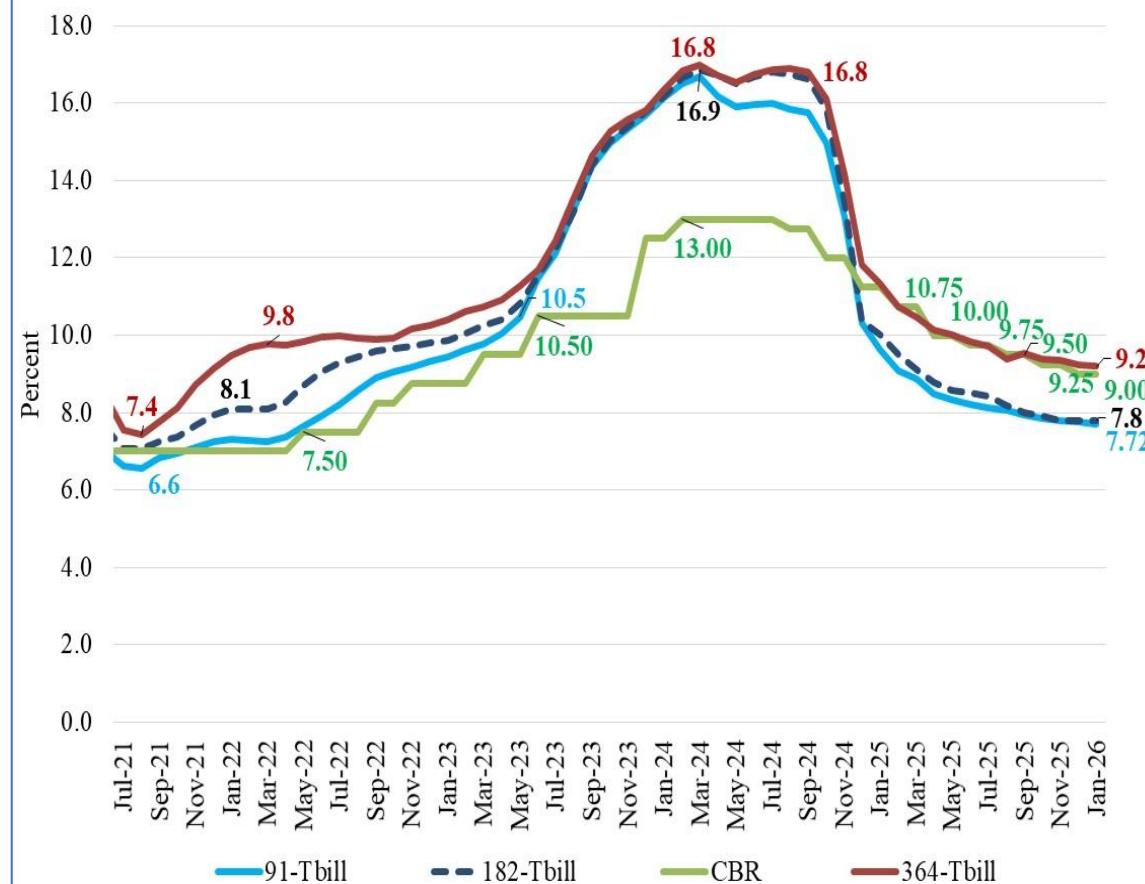
Source: CBK

- Following the adoption of the inflation targeting monetary policy framework in August 2023, CBK introduced an interest rate corridor around the CBR to enhance implementation of the framework and monetary policy transmission by ensuring the interbank rate (KESONIA) as an operating target closely tracks the CBR.
- The interest rate corridor was initially set at ± 250 basis points around the CBR but has since been reduced progressively to 75 basis points, and to the current 50 basis points.

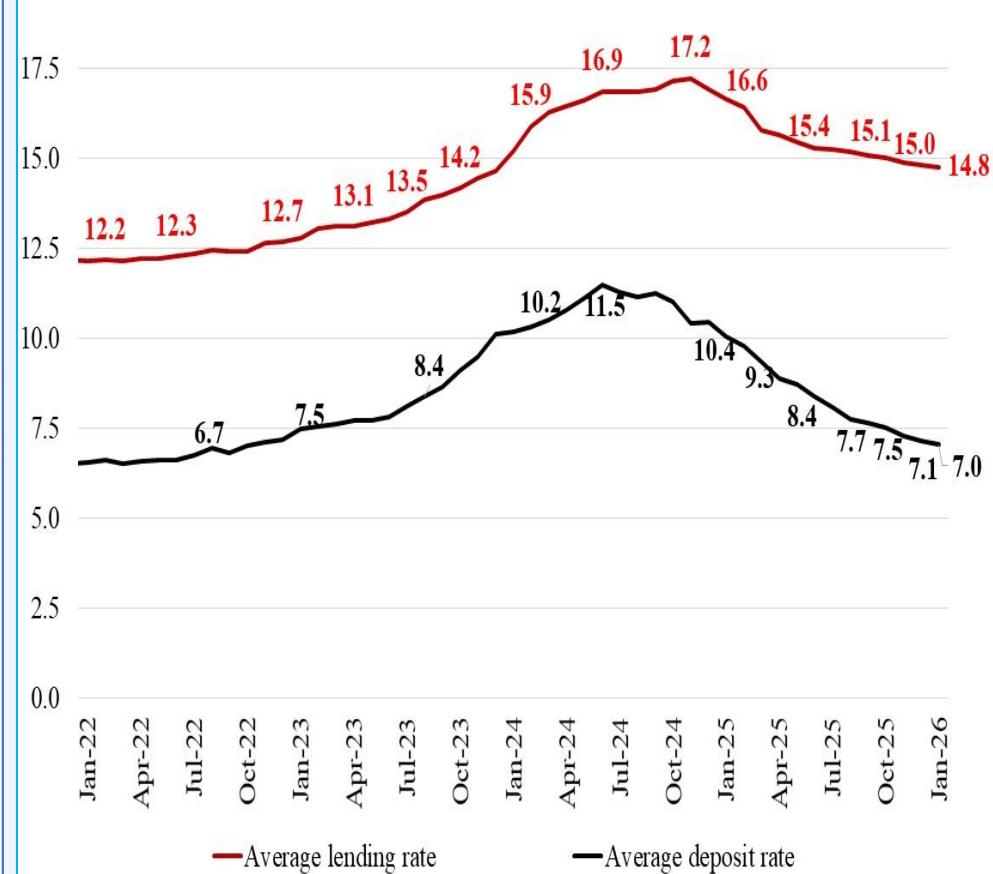
Monetary developments:

Short term interest rates and commercial banks lending rates have continued to decline inline with the reductions in the Central Bank Rate

Average Treasury bill rates and Central Bank Rate (percent)



Average commercial banks interest rates (percent)



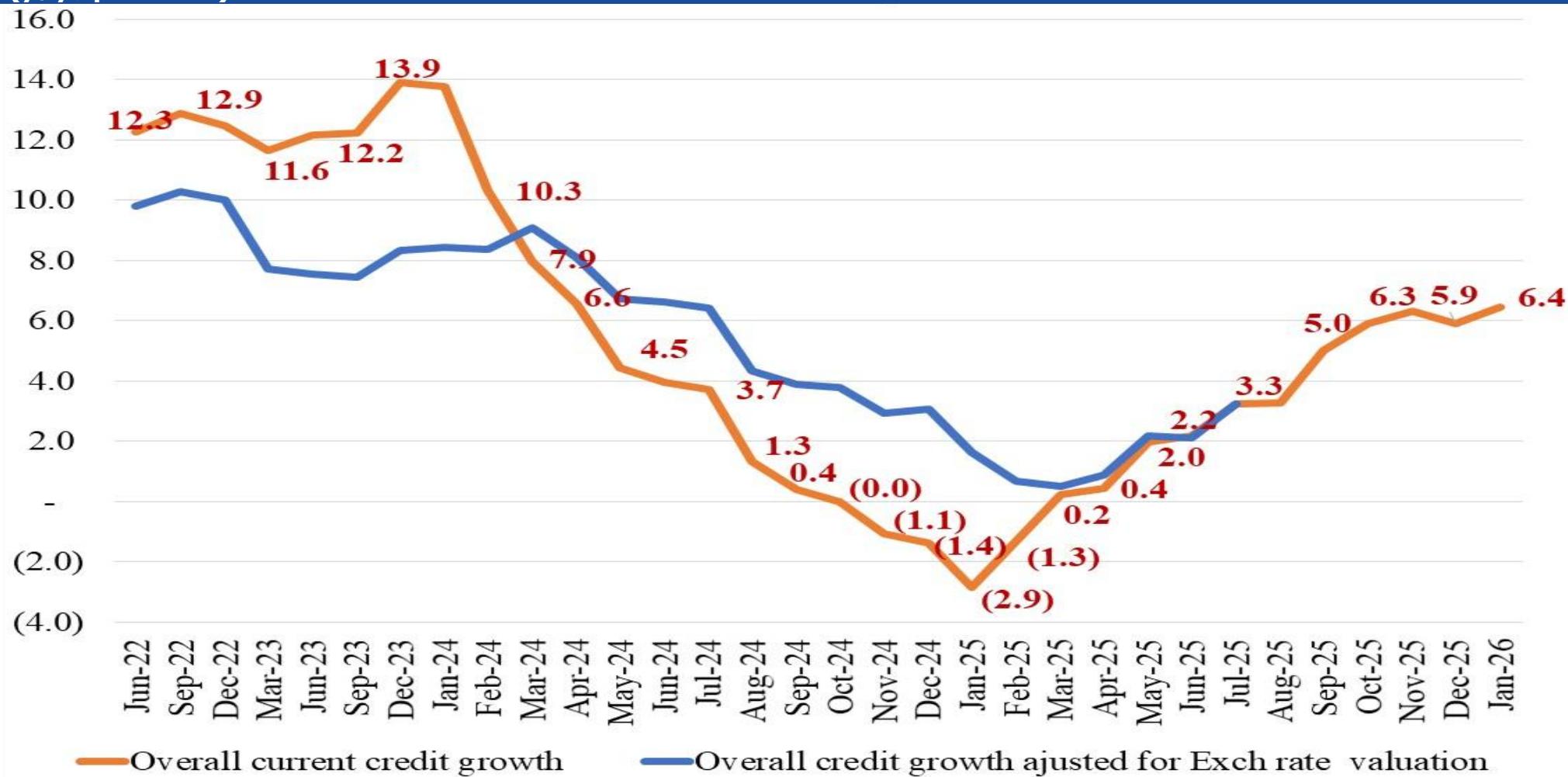
Source: CBK

- The introduction of the Risk Based Credit Pricing framework aims to close the spread between the average commercial banks lending rates and deposit rates by enhancing transparency in loan pricing.

Monetary developments:

Growth in commercial banks lending to the private sector has continued to improve, reflecting improved demand for credit in line with lower lending interest rates and resilient economic activity

12 Month growth in credit to the private sector (y/y, percent)



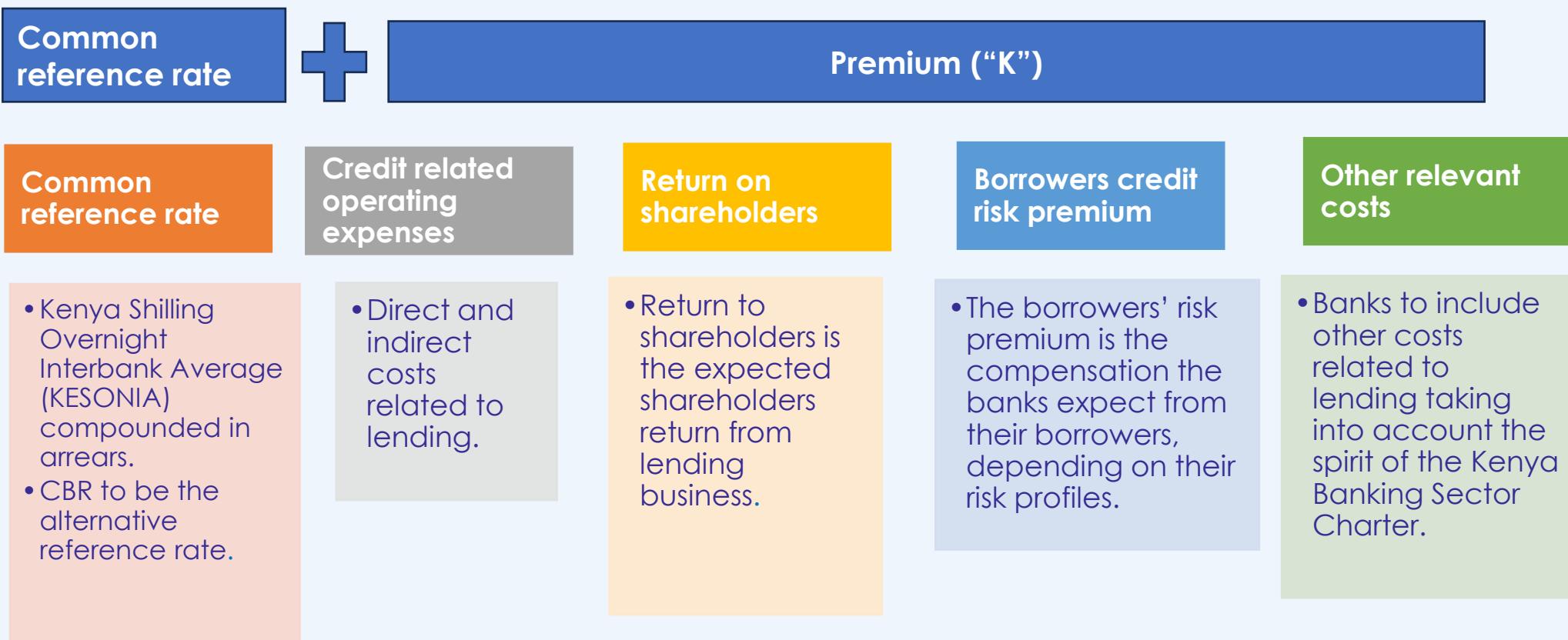
Source: CBK

23.

Risk-Based Credit Pricing Model:

Effective September 1, 2025, the revised Risk-Based Credit Pricing Model is expected to improve the transmission of monetary policy decisions and enhance transparency in loan pricing

Components of the revised RBCP Model to be fully operational by March 2026



The Total Cost of Credit = KESONIA + Premium "K" + Fees/Charges

Note: The new model will apply to all variable rate loans except for foreign currency denominated loans and fixed rate loans.

1. **KESONIA, the operational target for monetary policy, has continued to closely track the Central Bank Rate (CBR).**
2. Short-term interest rates have declined further in line with the recent reductions in the CBR.
3. Reflecting the decline in lending rates, **growth in credit to the private sector increased from -2.9 percent in January 2025 to 5.9 percent in December, and 6.4 percent in January 2026.**
4. **Commercial banks' average lending interest rates have continued to decline,** with the decline in short-term rates expected to transmit further into lower lending rates and improved lending to private sector.



Balance of payments developments and outlook

Balance of payments:

The current account deficit is projected to remain stable in 2026 and 2027, and is expected to be more than fully financed by financial account inflows

Balance of payments, in millions of U.S. dollars

	2022	2023	2024	2025 Est.	2026 Proj.	2027 Proj.
A. Current account	-4,824	-2,728	-1,551	-3,299	-3,353	-3,521
Trade balance	-11,559	-9,556	-9,734	-10,995	-11,417	-12,361
Goods exports, f.o.b	10,650	11,031	12,508	13,266	14,401	15,689
Goods imports, f.o.b	22,209	20,588	22,242	24,261	25,817	28,050
Services balance	1,981	1,703	2,416	2,101	2,476	3,379
Services Credit	7,604	7,149	8,078	8,168	8,672	9,968
Services Debit	5,623	5,446	5,662	6,067	6,196	6,589
Goods and Services Balance	-9,579	-7,853	-7,318	-8,894	-8,941	-8,983
Primary income, Balance	-1,761	-1,861	-1,845	-1,799	-2,102	-2,613
Secondary income	6,516	6,986	7,613	7,394	7,691	8,075
B. Financial and capital account	-2,683	-1,720	-3,009	-5,842	-3,924	-3,539
C. Overall balance ("-", indicates a surplus)	2,141	1,008	-1,459	-2,303	-571	-18
D. Reserves and related items	-2,141	-1,008	1,459	2,303	571	18
Reserve assets (gross)+ve entry reflect an increase in reserve assets	-1,521	-628	2,749	2,303	571	18
Use of Fund credit and loans to the fund (net)	619	380	1,290	0	0	0
Exceptional financing	0	0	0	0	0	0

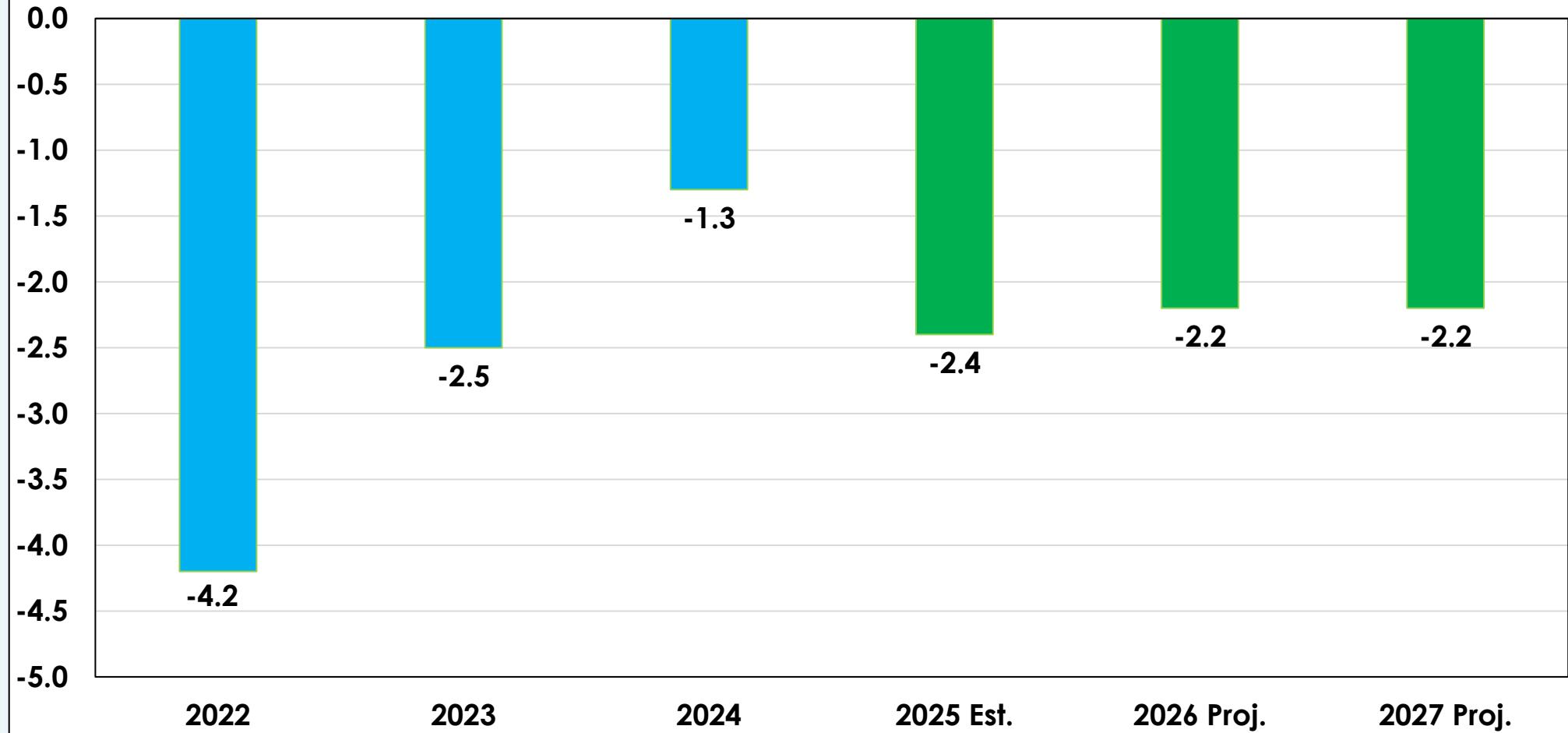
Source: KNBS and CBK

26.

Current account balance:

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. The deficit is projected to remain stable in 2026 and 2027

Current account balance (percent of GDP)



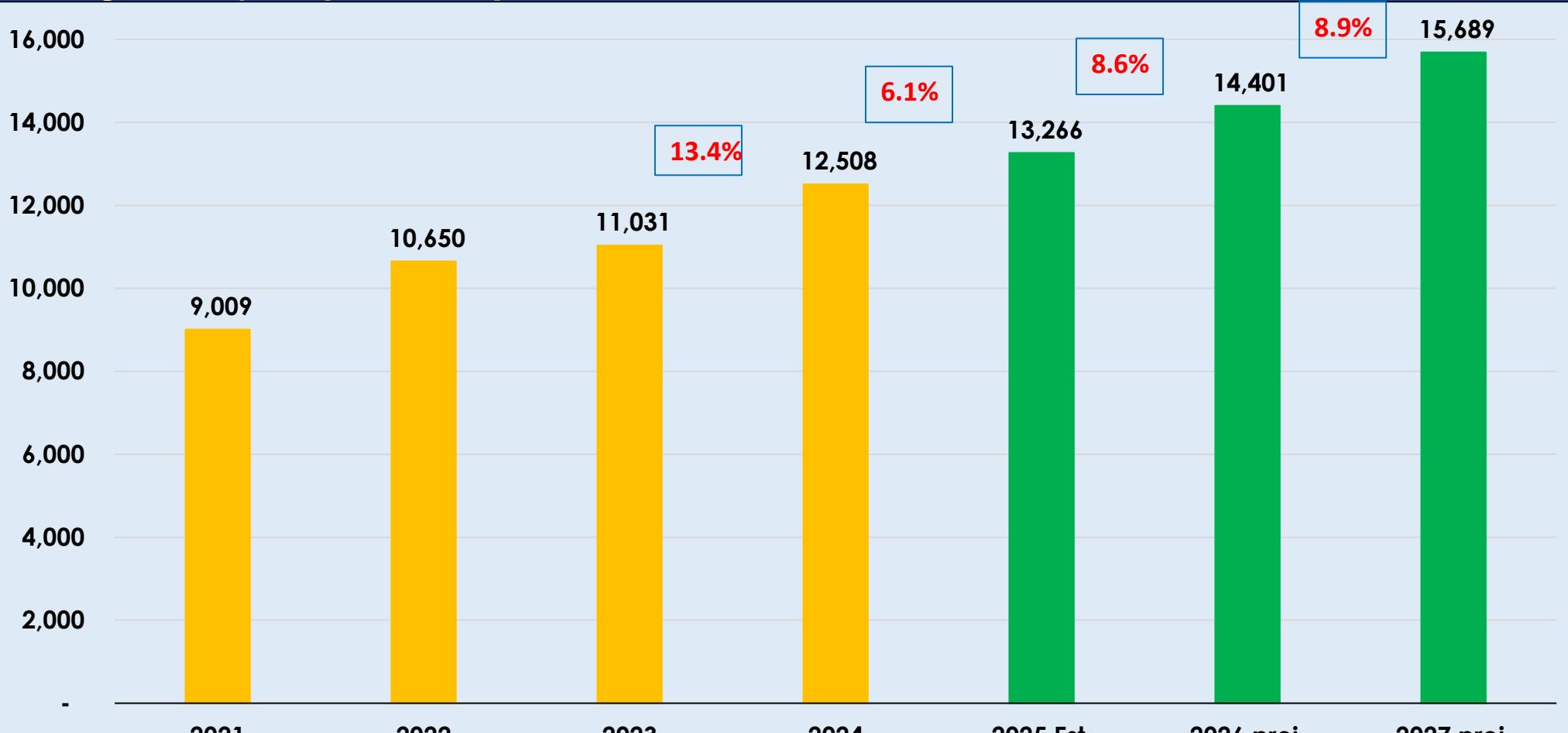
Source: KRA and CBK

27.

Balance of Payments:

Goods exports increased by 6.1 percent in the 2025 compared to 2024, supported by higher domestic exports of horticulture, coffee, tea, manufactured goods, and apparel

Total goods exports (USD Million)

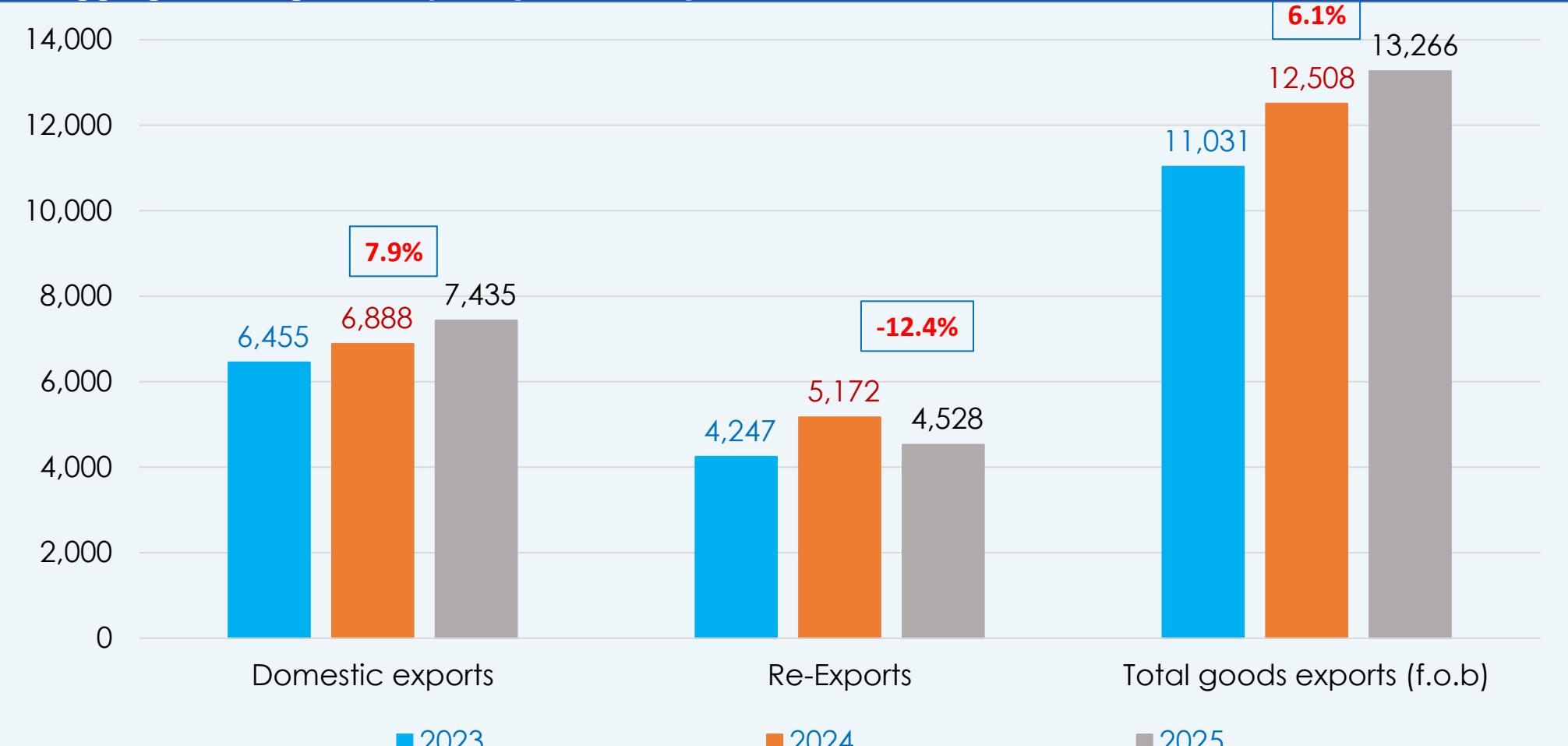


Source: KRA and CBK

Balance of payments:

Domestic exports increased by 7.9 percent in 2025, while re-exports were lower by 12.4 percent in the period partly due to lower imports of jet fuel partly attributed to lower international oil prices

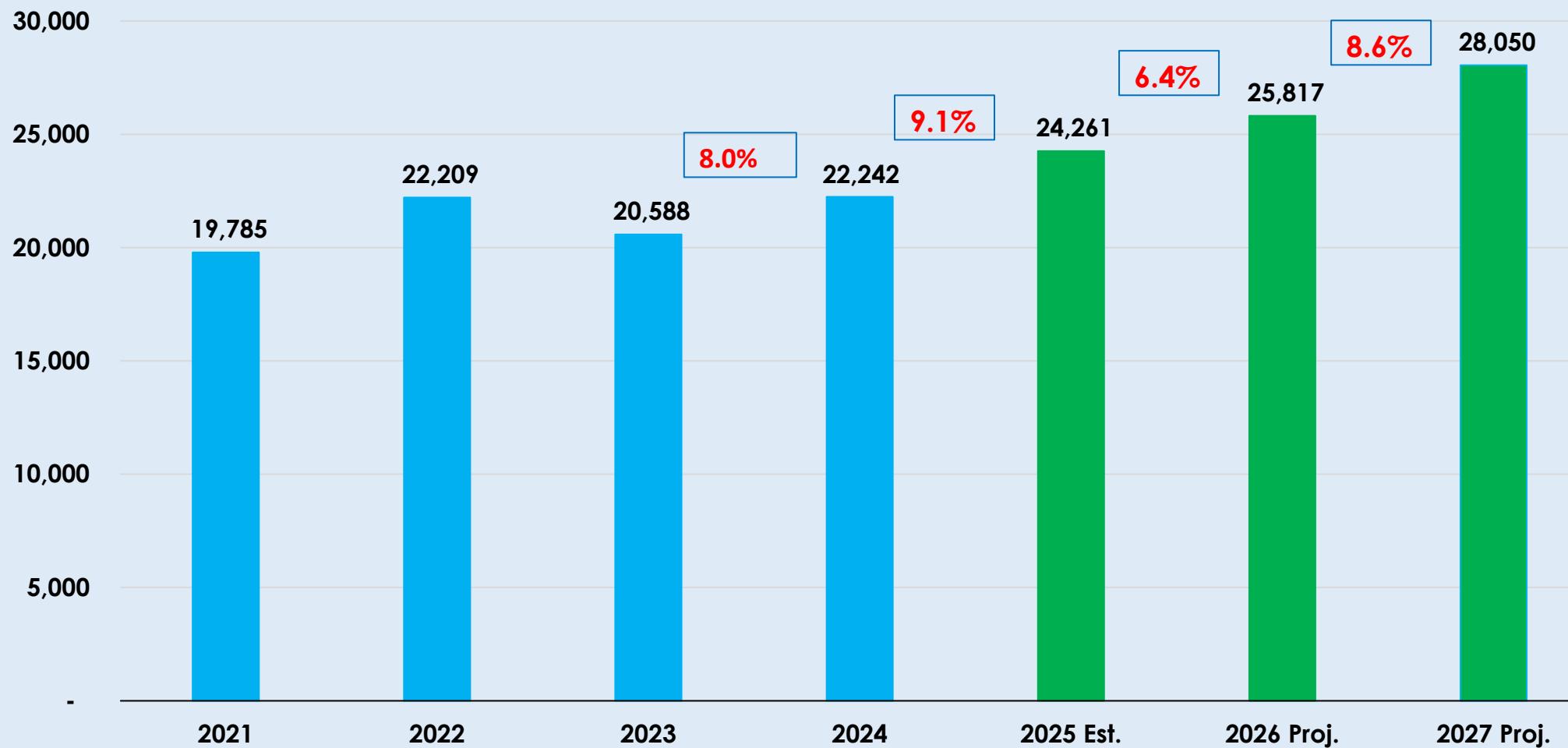
Disaggregation of goods exports (USD Million)



Balance of Payments:

Goods imports increased by 9.1 percent in 2025 compared to 2024, mainly reflecting increases in intermediate and capital goods imports for domestic production

Total goods imports (USD Million)



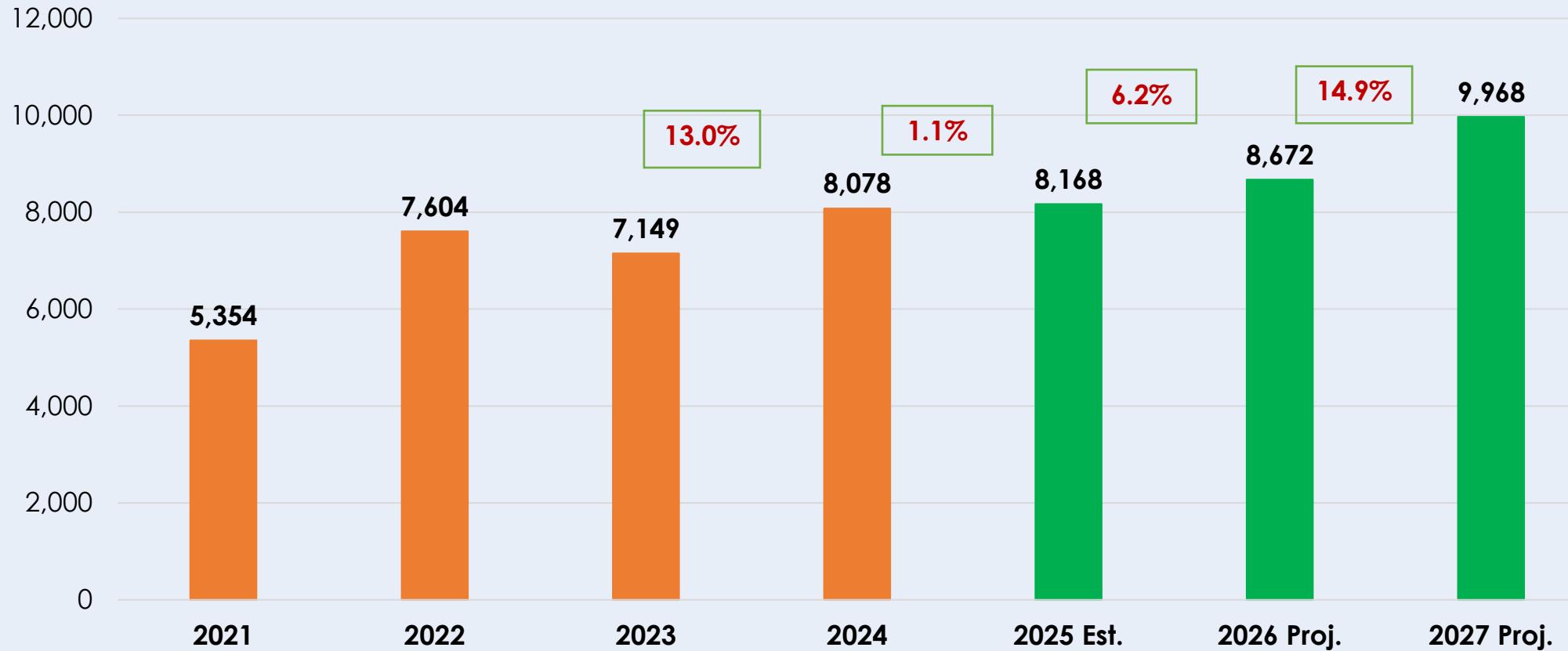
Source: CBK, KRA

30.

Balance of payments:

Services receipts increased by 1.1 percent in 2025, mainly supported by an increase in travel receipts of 8.1 percent

Total services export receipts (USD Million)



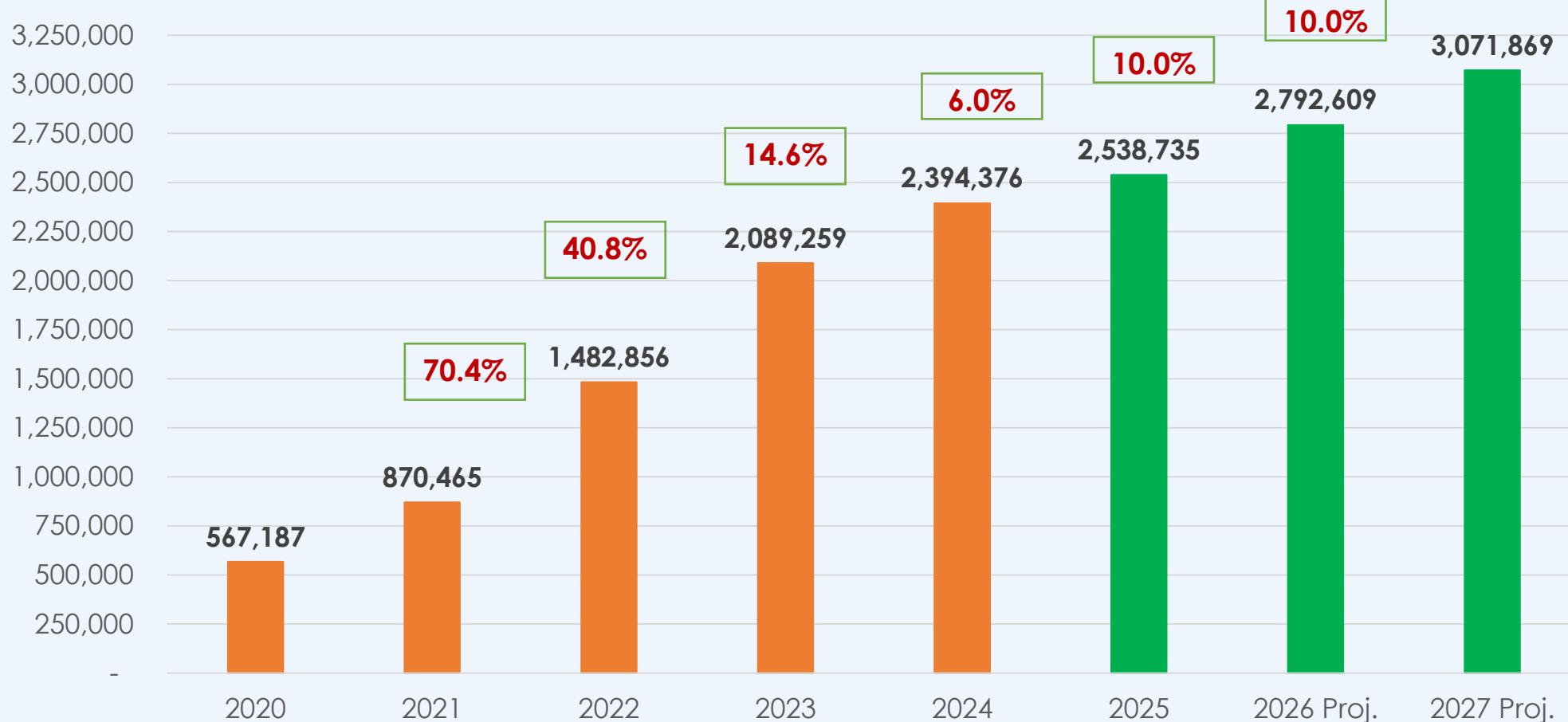
Source: CBK, KRA

31.

Services exports:

Tourist arrivals remained resilient in 2025, growing by 6.0 percent, mainly on account of recovery of international travel and Government measures to diversify source markets

Number and growth of tourist arrivals)



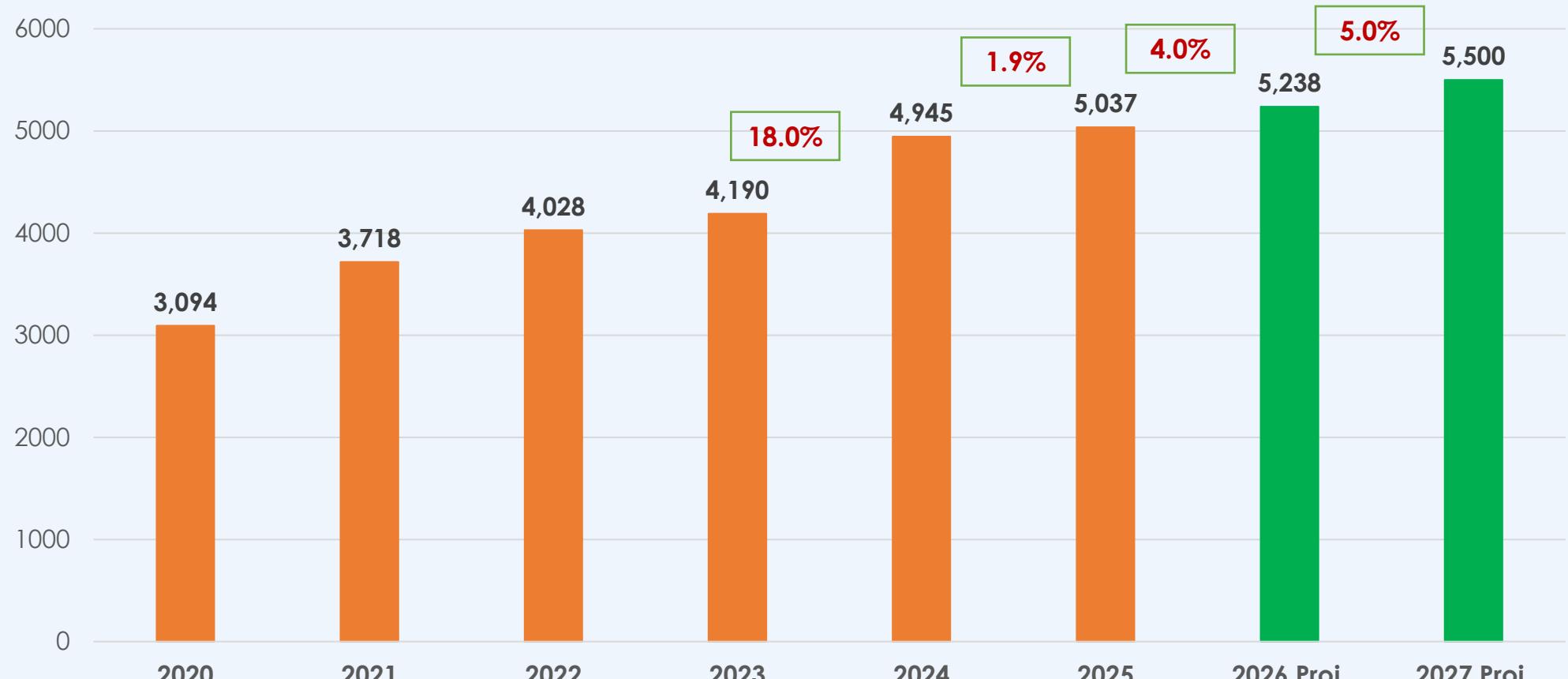
Source: KNBS/Tourism Research Institute/Kenya Tourism Board/CBK for projections

32.

Diaspora remittances:

Remittances inflows remained resilient in 2025 despite increased global uncertainties, supported by diversified source countries and impact of government policies to export skilled labor

Diaspora remittances inflows (USD, Million)



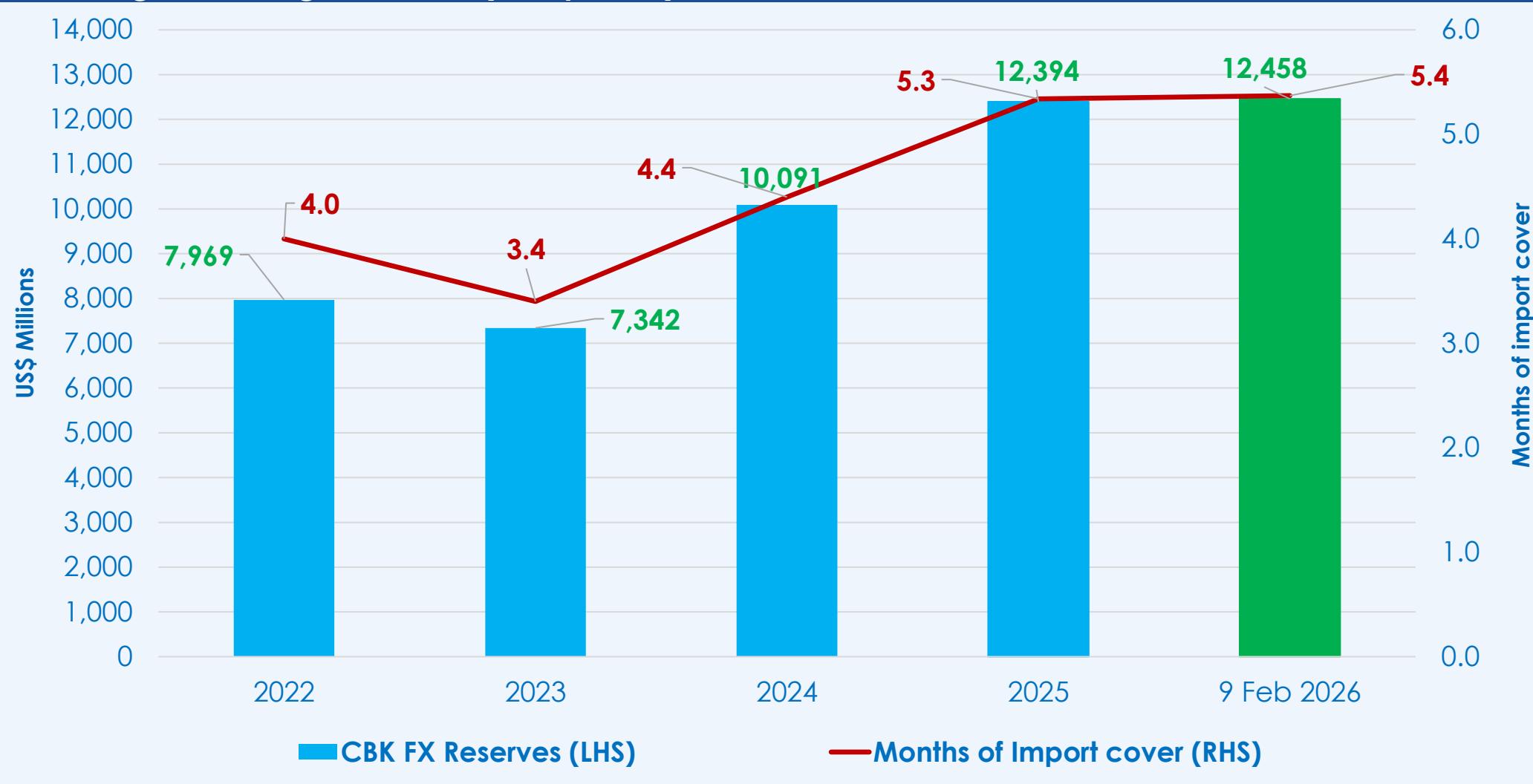
Source: CBK

33.

CBK foreign exchange reserves:

Foreign exchange reserves have increased and continue to provide adequate cover and a buffer against short-term shocks

CBK foreign exchange reserves (end period)

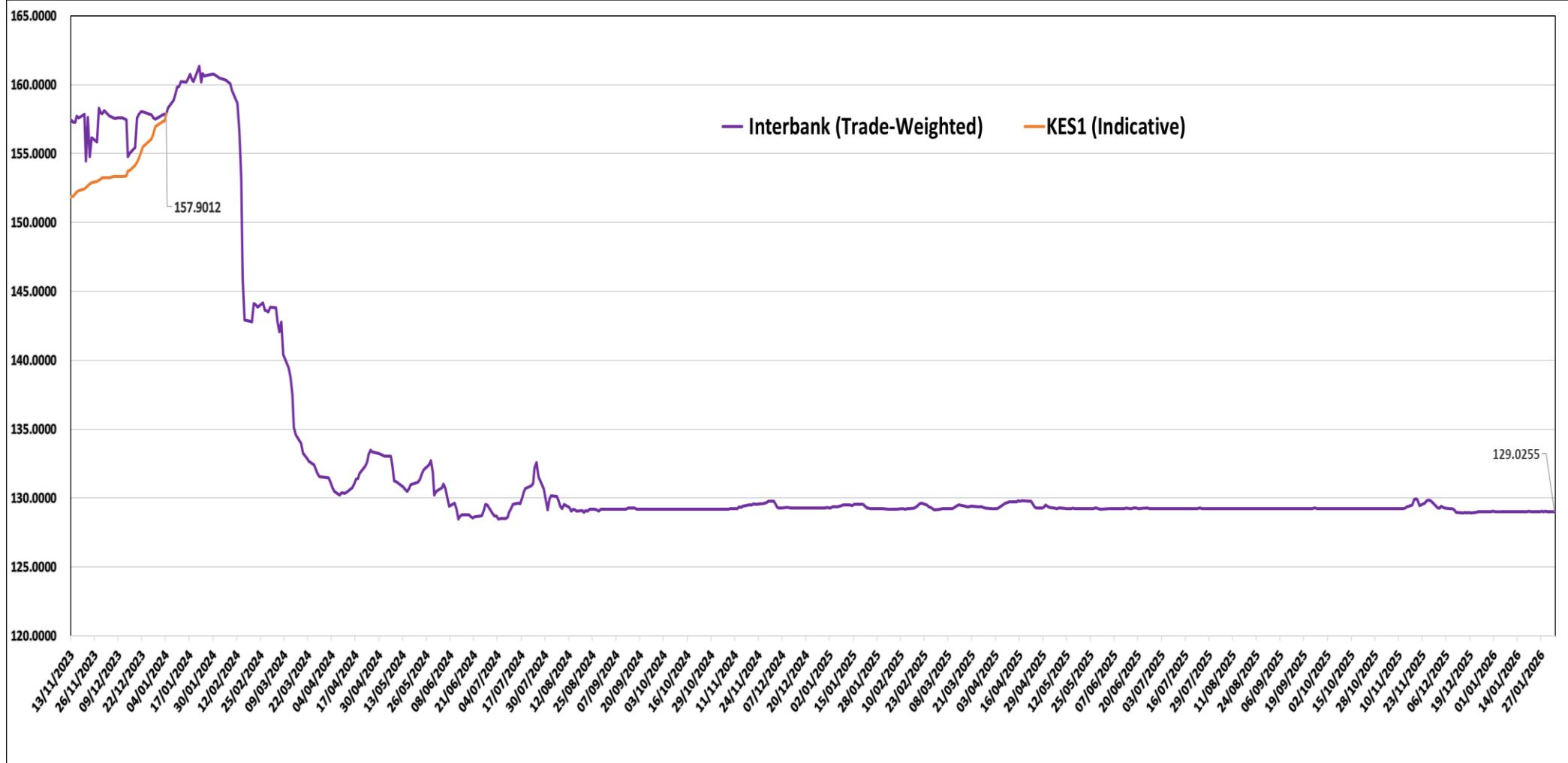


Source: CBK as of February 9, 2026

Exchange rate developments:

The Kenya Shilling has remained stable, supported by diversified foreign exchange inflows, increased confidence in the economy and the build up in foreign exchange reserves. The recent upgrade of Kenya's credit rating by Moody's Ratings have boosted confidence

Daily exchange rate of the Kenya Shilling against the US Dollar



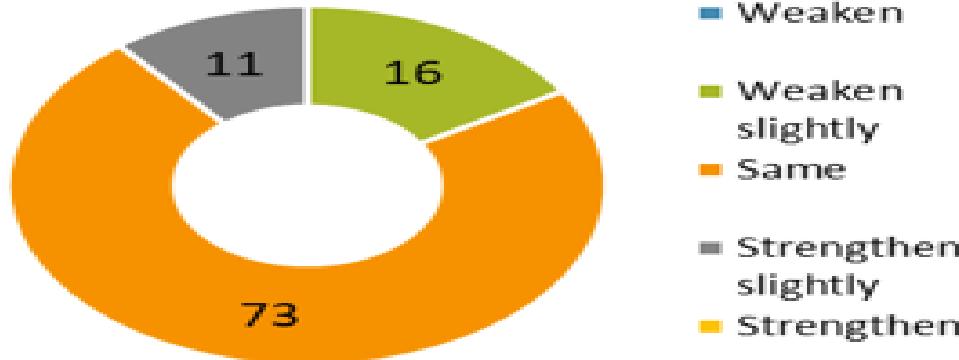
Source: Central Bank of Kenya as of February 03, 2025

Market sentiment on the exchange rate:

The January 2026 MPC Market Perceptions Survey shows that the exchange rate of the Kenya Shilling against the U.S. Dollar is expected to remain stable

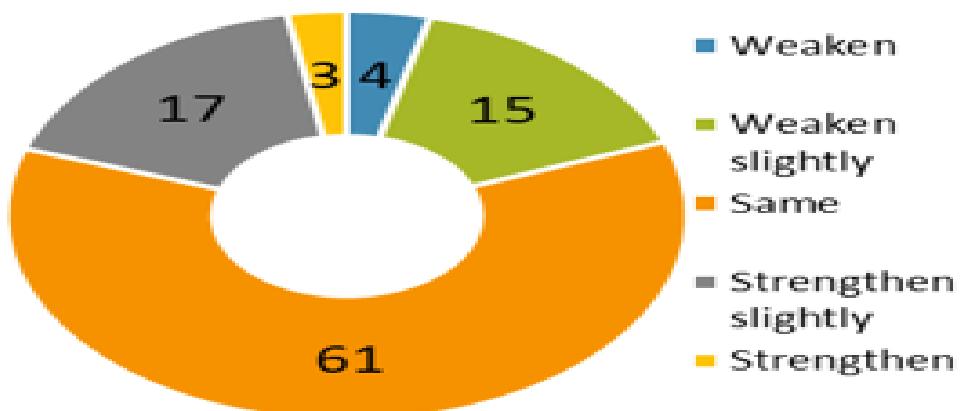
Expected change in the exchange rate of the Kenya Shilling against the U.S. Dollar in next 2 months (percent of respondents)

Banks-



- Most respondents (84 percent of banks and 81 percent of non-bank respondents) expect the exchange rate of the Kenya Shilling against the U.S. Dollar to remain stable or strengthen in the next 2 months, supported by sufficient foreign exchange reserves which are expected to provide a buffer against shocks, and improved foreign exchange inflows from exports, tourism receipts, and diaspora remittances.
- Some respondents expect moderate pressure on the exchange rate arising from increased import demand.

Non-banks



1. **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.
 - o The current account deficit was more than fully financed by financial account inflows in 2025, resulting in an overall balance of payments surplus of USD 2,303 million.
2. **The current account deficit is projected to remain stable at 2.2 percent of GDP in 2026 and 2027**, reflecting continued growth in goods imports, increased exports growth, and moderate growth in diaspora remittances inflows.
 - o The current account deficit is expected to be more than fully financed by financial account inflows in 2026 and 2027, resulting in an overall balance of payments surplus of USD 571 million in 2026 and USD 18 million in 2027.
 - o Gross foreign exchange reserves are projected at USD 12,965 million at the end of 2026 from USD 12,394 million in 2025.
3. **Downside risks to balance of payments outlook**: escalation of geopolitical tensions may create commodity price disruptions; persistent and elevated trade policy uncertainty will impact export-intensive industries; and volatility in the international oil markets.



Banking sector developments

37.

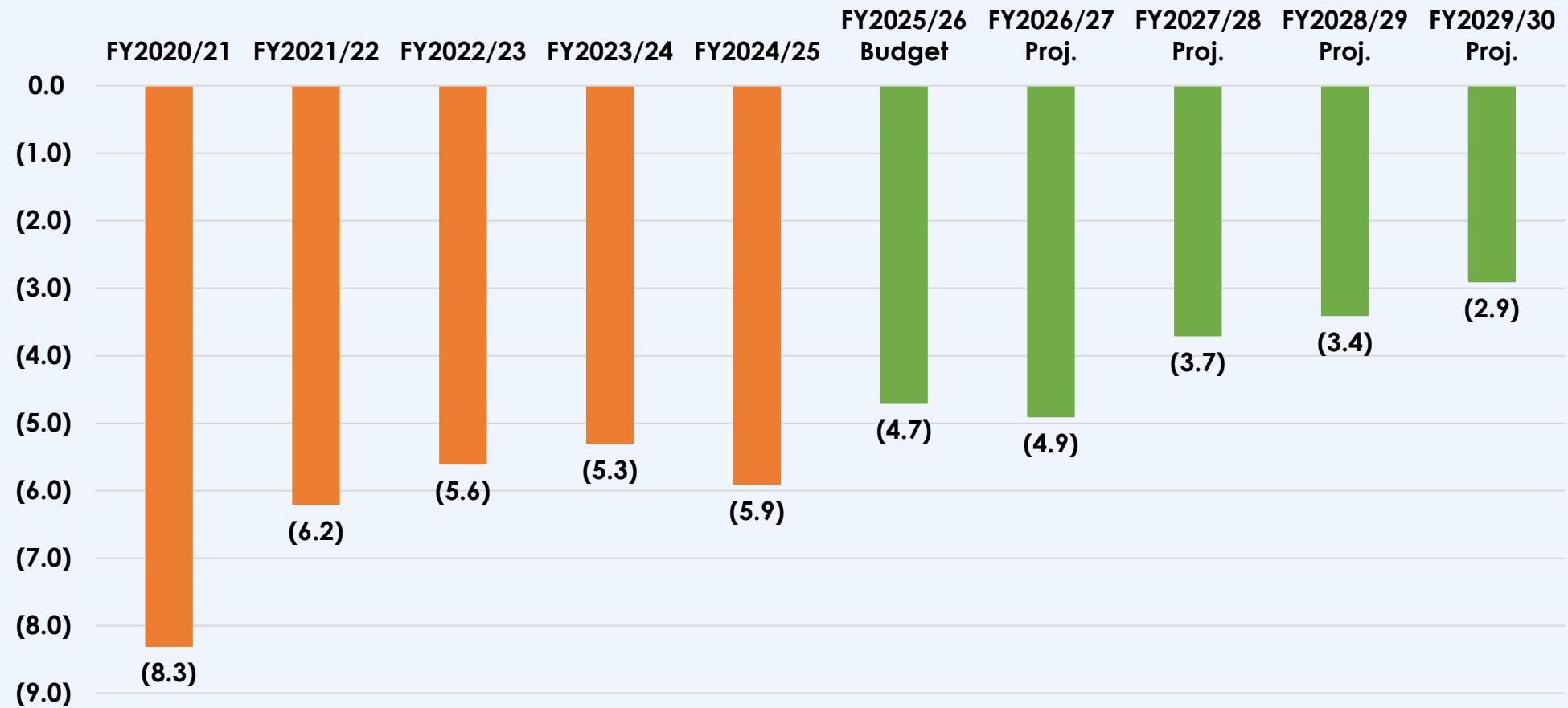
Banking sector developments: The banking sector remains stable and resilient

1. **Capital adequacy and liquidity ratios for the banking sector have remained above the minimum statutory limits of 14.5 percent and 20.0 percent, respectively:**
 - Total capital adequacy ratio stood at 20.0 percent in December 2025, up from 19.9 percent in October 2025.
 - The average banking sector liquidity ratio was 59.3 percent in December 2025, up from 59.0 percent in October 2025.
2. **The ratio of gross non-performing loans to gross loans decreased to 15.5 percent in January 2026 compared to 16.7 percent in October and 17.6 percent in August 2025. Banks have continued to make adequate provisions for the NPLs, and the sector remains profitable providing sufficient buffers.**
3. 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.



Fiscal developments and outlook

Actual and expected fiscal deficit (percent of GDP)



Source: The National Treasury

Summary and key takeaways

1. On the global front:

- Inflation is projected to decline in 2026 and 2027, mainly driven by lower energy prices and reduced demand.
- Global growth is expected to remain resilient in 2026 and 2027.

2. On the domestic front:

- Overall inflation remains firmly anchored within the target range.
- The Kenya Shilling has remained stable.
- Economic growth has remained resilient anchored on macroeconomic stability.
- Interest rates have continued to decline, which should continue to support growth in credit to the private sector and improved economic growth prospects.
- The monetary policy implementation framework has enhanced policy transmission, and aligned the KESONIA closer to the Central Bank Rate (CBR).
- The banking sector remains stable and resilient.
- Confidence in the economy remains strong particularly with the upgrade of Kenya's credit rating by Moody's Ratings.

3. In view of the stability in prices and the exchange rate, the CBK has continued to support the Government's economic growth objective, as reflected in the further lowering of the CBR.

Thank You!