Central Bank of Kenya

MONETARY POLICY COMMITTEE MEETING BACKGROUND INFORMATION

Thursday, February 6, 2025

Dr. Kamau Thugge, CBS
Governor

1. Monetary Policy Decisions

1. **During its Meeting on February 5, 2025, the Monetary Policy Committee (MPC) decided to:**
   - Lower the Central Bank Rate (CBR) by 50 basis points to 10.75 percent from 11.25 percent.
   - Reduce the Cash Reserve Ratio (CRR) by 100 basis points to 3.25 percent from 4.25 percent, to complement the lowering of the CBR, and support lowering of lending rates.

2. **The MPC noted that:**
   - Overall inflation was expected to remain below the midpoint of the 5±2.5 percent target range in the near term, supported by a low and stable core inflation, low energy prices inflation, and exchange rate stability.
   - Central banks in the major economies have continued to lower their interest rates, but at different paces.
   - Economic growth decelerated in 2024, and therefore there was scope for a further easing of the monetary policy stance to support economic activity, while ensuring exchange rate stability.
   - The reduction in the CRR will release additional liquidity to banks. This is expected to lower the cost of funds and lending rates, and support growth of credit to the private sector.

C2: CBK - Official

2. Monetary Policy Decisions…

3. **The Committee observed that the CBR has been lowered substantially since the MPC Meeting of August 2024, yet lending rates have only declined marginally**.

   - With these measures, banks are expected to take the necessary steps to lower their lending rates further, to stimulate growth in credit to the private sector, and support economic activity.

   - To ensure that banks are implementing the Risk-Based Credit Pricing Model (RBCPM), CBK has embarked on on-site inspection of banks to ascertain that they are reducing their interest rates in line with the RBCPM.

   - Under the amendments to the Banking Act recently enacted by Parliament, any bank that has not passed on the benefits of reduced cost of funds to reduce lending rates, will be penalised in accordance with the law.

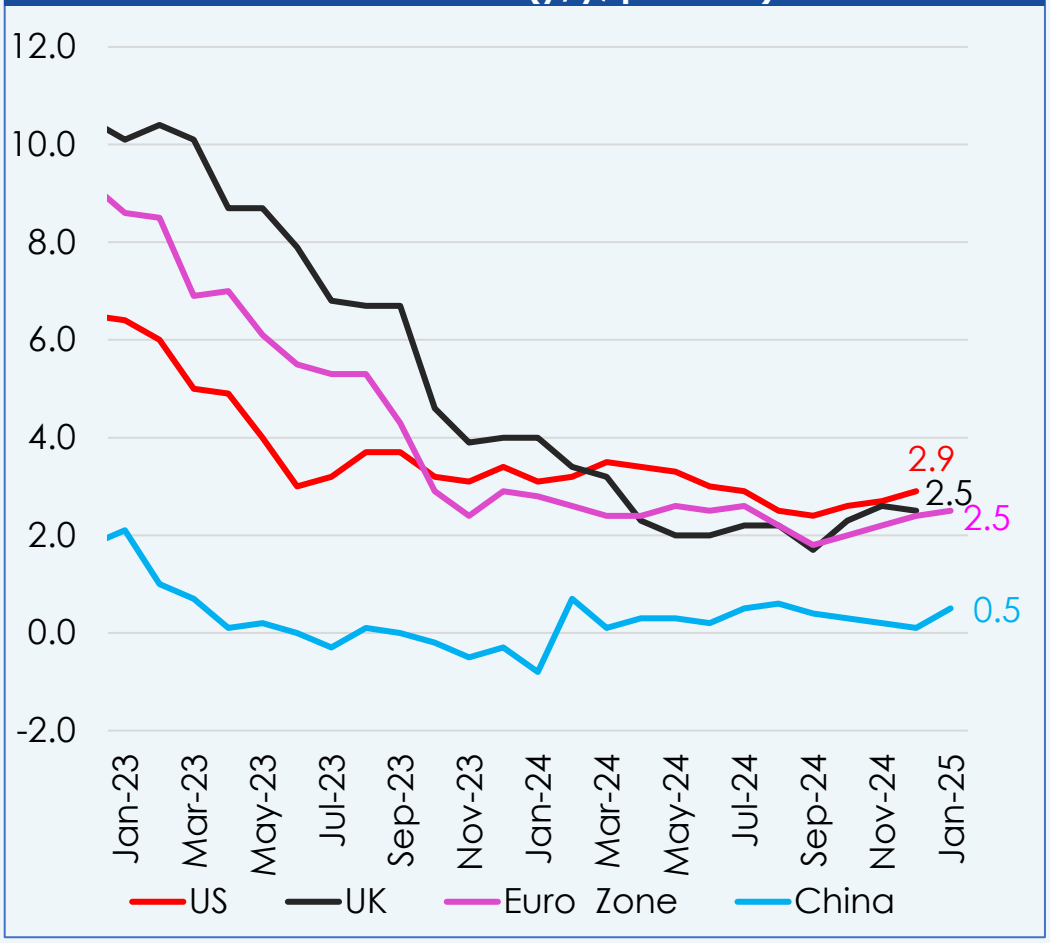
4. The MPC will closely monitor the impact of the policy measures as well as developments in the global and domestic economy and stands ready to take further action as necessary in line with its mandate.

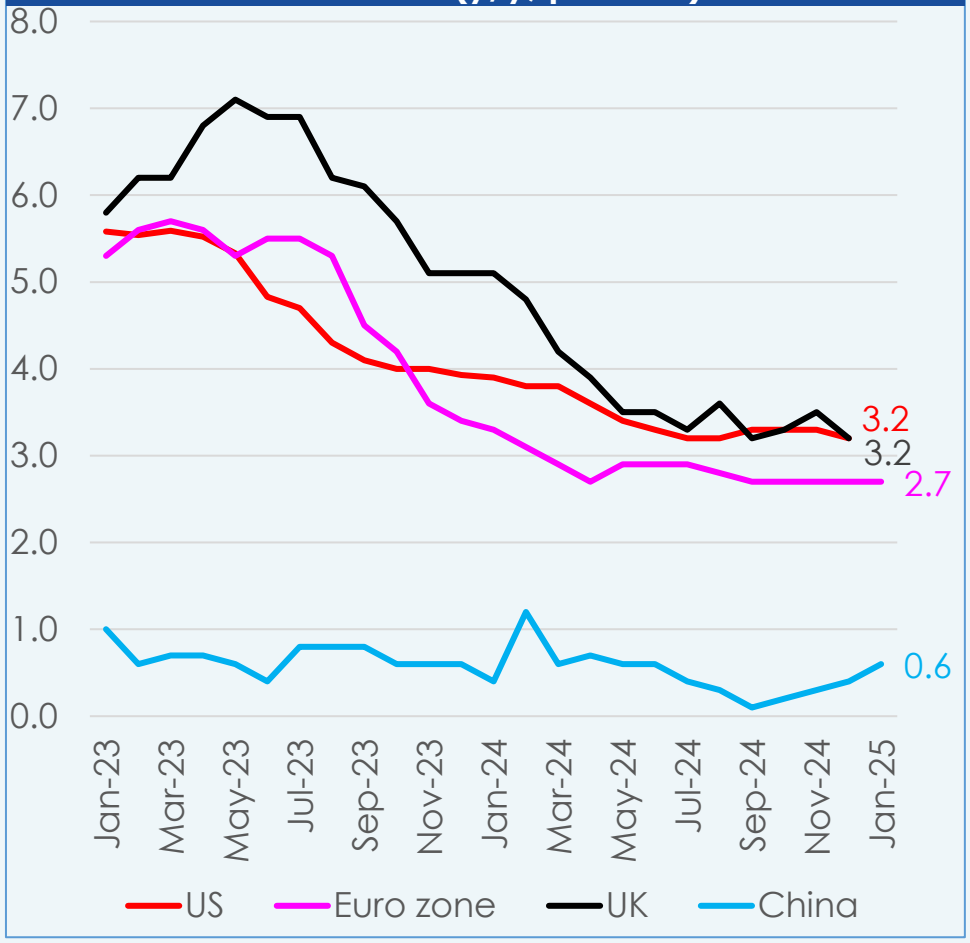
5. The Committee will meet again in April 2025.

C2: CBK - Official

3. Global inflation:

Global headline inflation has moderated, but core inflation has remained sticky





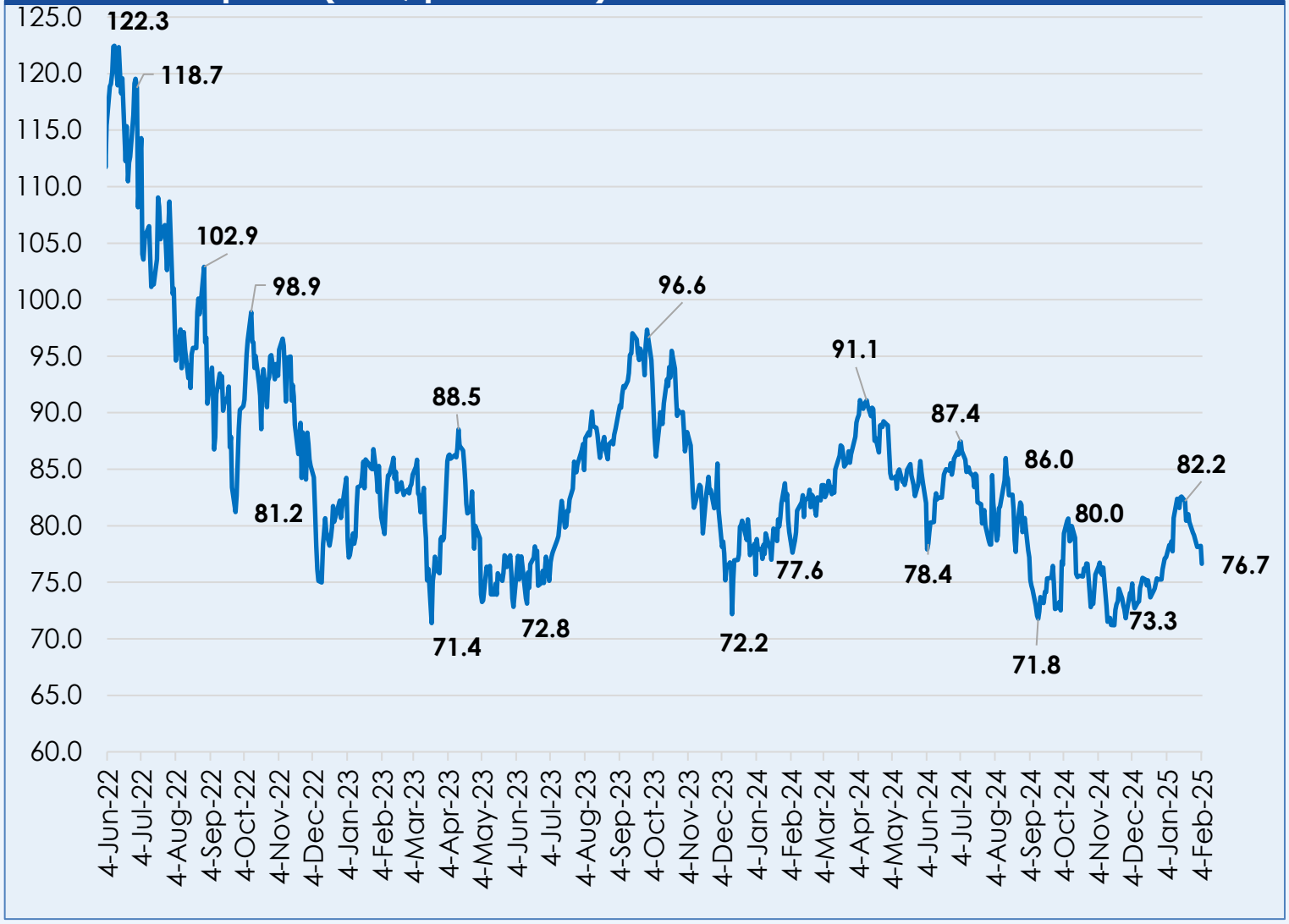
- **Inflation rates in the major economies have declined, but core inflation rates have remained sticky reflecting persistent services price inflation.**

Source: Websites of Statistics Offices/Central Banks of respective countries/IMF World Economic Outlook for projections

4. Global commodity prices:

International oil prices have moderated, but the risk of potential volatility remains elevated due to rising tariffs on imports, and persistent geopolitical tensions

Murban oil price (USD, per barrel)



Source: Oilprice.com, and Reuters

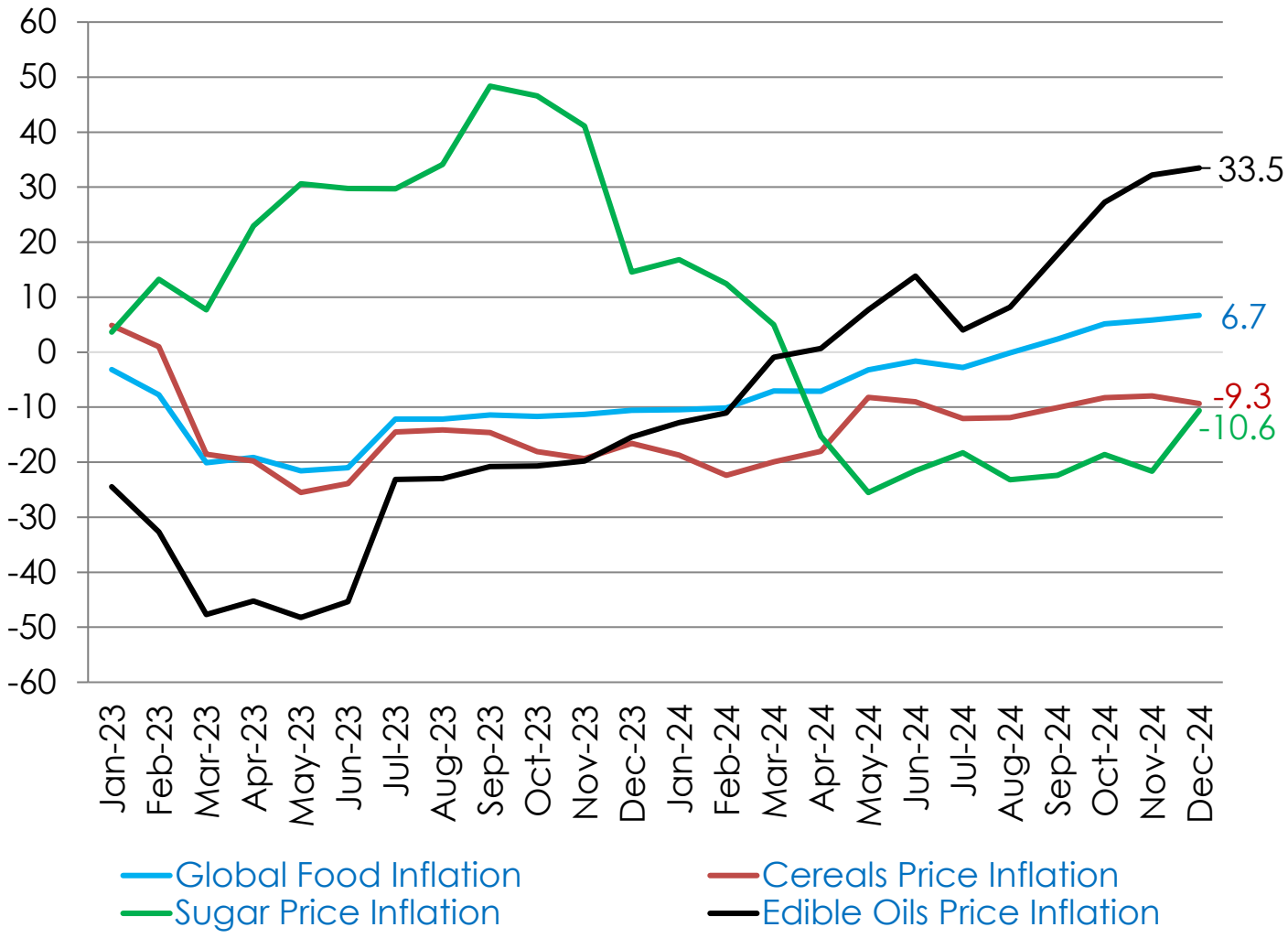
- **Oil prices are expected to decline in 2025, due to increased supply from non-OPEC+ oil producers, and weak demand, particularly in China.**
- **The OPEC+ Ministers meeting held on February 3, 2025, resolved to stick to its planned gradual raising of oil output from April 2025, which will improve supply.**
- **The main risks relate to rising tariffs on imports, and supply disruptions from the ongoing conflict in the Middle East.**

C2: CBK - Official

5. Global commodity prices:

Global food inflation increased in December 2024, driven by higher edible oils prices inflation

Global food inflation (y/y, percent)



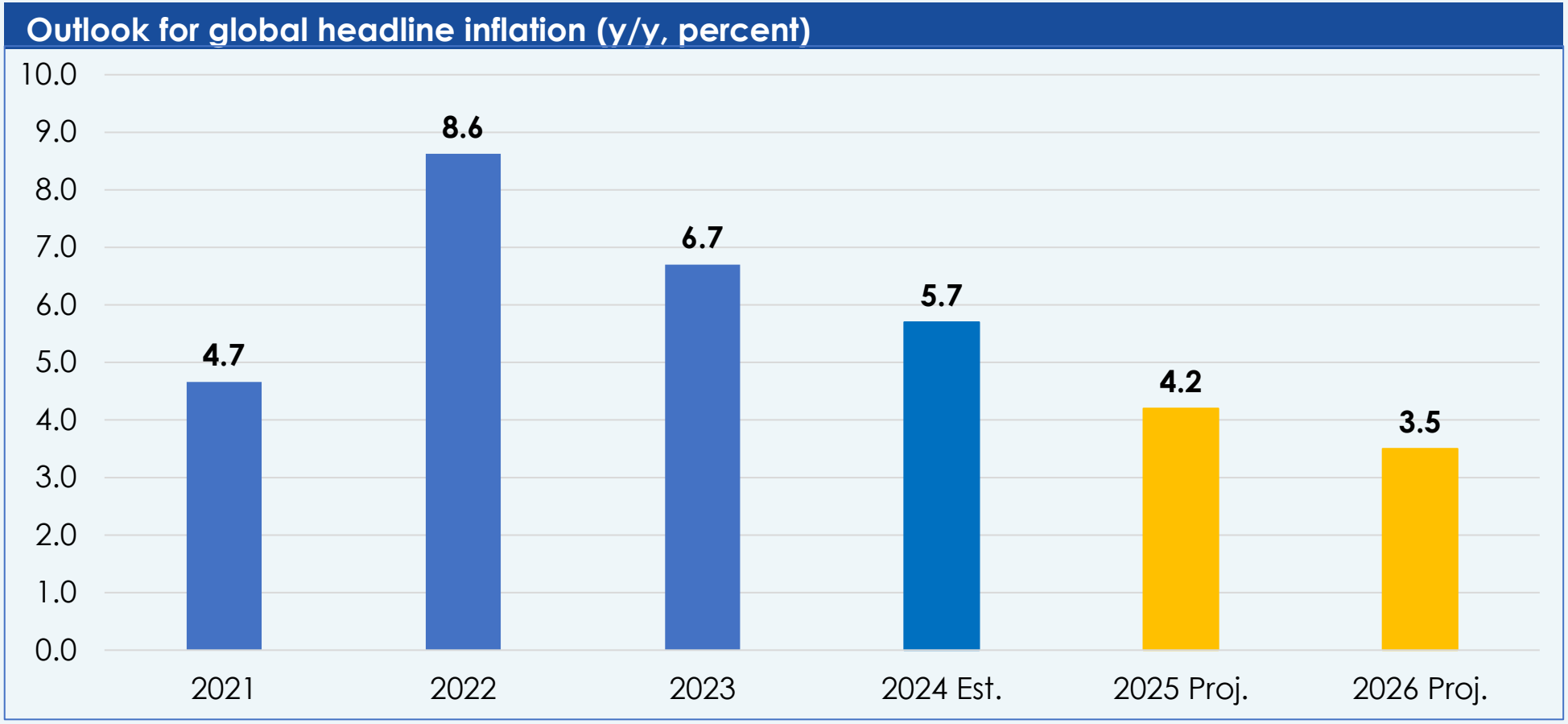
Source: UN FAO Food Index

- **Edible oils price inflation remained elevated in December 2024, driven by higher prices of palm, soy, sunflower and rapeseed oils, attributed to lower production in key producing countries in Southeast Asia. There is also increased global demand for biofuels.**
- **Sugar price inflation declined on account of strong production in Brazil, and weakening of the Brazilian real against the US dollar.**
- **Cereals price inflation remained low partly due to lower prices of rice due to reduced demand, and lower prices of sorghum.**

C2: CBK - Official

6. Global inflation outlook:

Global inflation is expected to decline in 2025, with expected lower energy prices, and decline in core inflation.



- **The expected decline in global inflation provides headroom for further reductions in interest rates in the major economies, but at different paces depending on inflation and growth outlooks.**

Source: IMF World Economic Outlook for projections

7.

Global economic outlook:

Global growth is projected to improve in 2025, supported by strong growth in the United States and India, and improved prospects for growth in the United Kingdom and Japan

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

	2019 Act.	2020 Act.	2021 Act.	2022 Act.	2023 Act.	2024 Est.	2025 Proj.		2026 Proj.	
							Jan. 2025 WEO	Difference from Oct. 2024 WEO	Jan. 2025 WEO	Difference from Oct. 2024 WEO
World	**2.8**	**-2.7**	**6.5**	**3.5**	**3.3**	**3.2**	**3.3**	**0.1**	**3.3**	**0.0**
Advanced Economies	**1.8**	**-3.9**	**5.7**	**2.6**	**1.7**	**1.7**	**1.9**	**0.1**	**1.8**	**0.0**
United States	2.5	-2.2	5.8	1.9	2.9	2.8	2.7	0.5	2.1	0.1
United Kingdom	1.6	-10.4	8.7	4.3	0.3	0.9	1.6	0.1	1.5	0.0
Japan	-0.4	-4.1	2.6	1.0	1.5	-0.2	1.1	0.0	0.8	0.0
Euro area	1.6	-6.1	5.9	3.4	0.4	0.8	1.0	-0.2	1.4	-0.1
Germany	1.1	-3.8	3.2	1.8	-0.3	-0.2	0.3	-0.5	1.1	-0.3
France	1.8	-7.5	6.3	2.6	1.1	1.1	0.8	-0.3	1.1	-0.2
Italy	0.5	-9.0	8.3	4.0	0.7	0.6	0.7	-0.1	0.9	0.2
Emerging Market and Developing Economies	**3.6**	**-1.8**	**7.0**	**4.1**	**4.4**	**4.2**	**4.2**	**0.0**	**4.3**	**0.1**
China	6.0	2.2	8.5	3.0	5.2	4.8	4.6	0.1	4.5	0.4
India	3.9	-1.8	9.7	7.0	8.2	6.5	6.5	0.0	6.5	0.0
Russia	2.2	-2.7	6.0	-1.2	3.6	3.8	1.4	0.1	1.2	0.0
Saudi Arabia	1.1	-3.6	5.1	7.5	-0.8	1.4	3.3	-1.3	4.1	-0.3
Sub-Saharan Africa (SSA)	**3.2**	**-1.6**	**4.7**	**4.0**	**3.6**	**3.8**	**4.2**	**0.0**	**4.2**	**-0.2**
South Africa	0.3	-6.0	4.7	1.9	0.7	0.8	1.5	0.0	1.6	0.1
Nigeria	2.2	-1.8	3.6	3.3	2.9	3.1	3.2	0.0	3.0	0.0
Kenya	5.7	-0.3	7.6	4.9	5.6	5.0	5.0	0.0	5.0	0.0

- **The stronger growth outlooks in the USA, Saudi Arabia, and UK in 2025, provides scope for higher diaspora remittances inflows and tourist arrivals to Kenya.**
- **The projected pick up in growth for the Euro area and Sub-Saharan Africa in 2025, is expected to benefit Kenya's exports to Europe and Africa.**

Source: IMF World Economic Outlook (WEO)

8. Summary of global developments and outlook

1. **Global headline inflation has moderated,** but the pace of decline has slowed down in major economies due to stickiness in core inflation.

2. **Central banks in major economies have continued to lower their interest rates,** but at different paces depending on their inflation and growth outlooks. This should improve global financial conditions, and market access for emerging markets.

3. **Global growth is projected to improve to 3.3 percent in 2025 from an estimate of 3.2 percent in 2024,** supported by strong growth in the United States and India, and improved prospects for growth in the United Kingdom.

4. **Risks to global growth outlook** relate to elevated uncertainty on trade policy amid rising tariffs on imports, and further escalation of geopolitical tensions particularly the conflict in the Middle East and the Russia-Ukraine war.

5. **Kenya's real GDP growth is expected to remain above the global, SSA and emerging market and developing economies averages in 2025 and 2026.**

Macroeconomic developments:
Domestic inflation:
Launch of measures of core and non-core inflation for Kenya

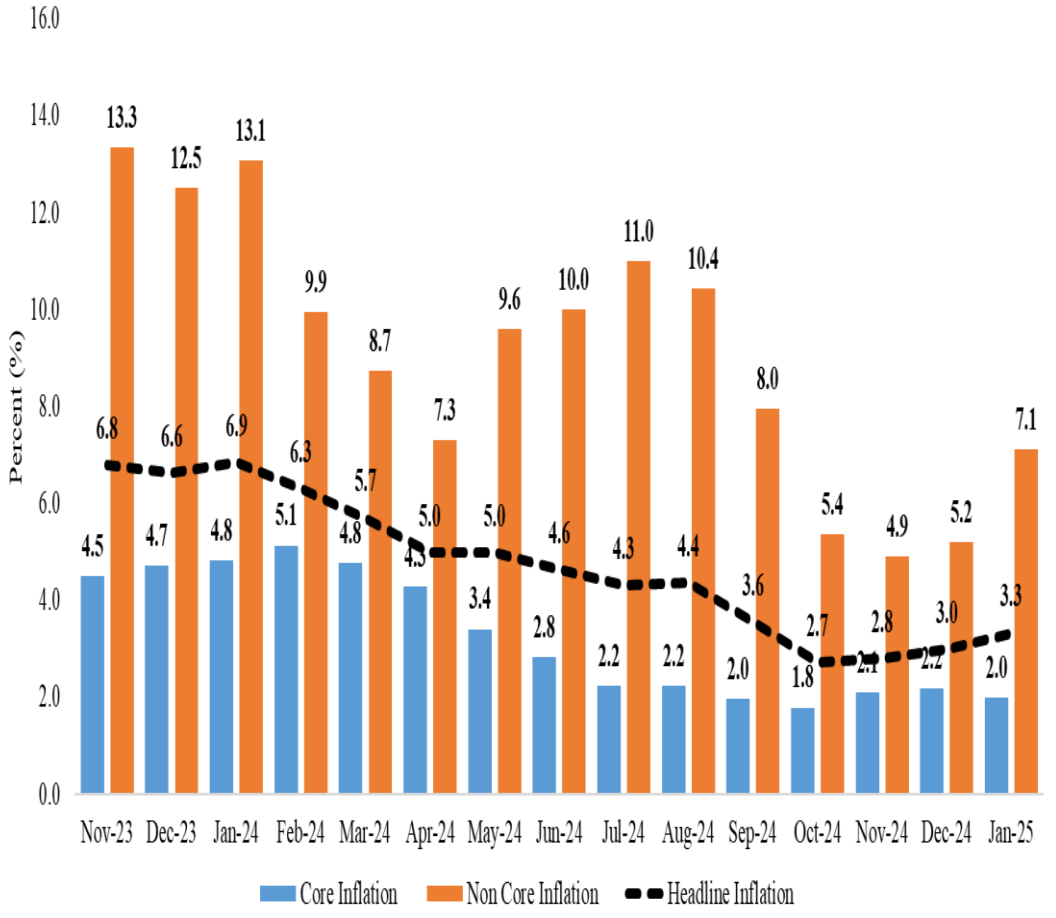
The core and non-core measures of inflation for Kenya, jointly developed by the Kenya National Bureau of Statistics (KNBS) and the Central Bank of Kenya (CBK), were launched in January 2025.

- Core inflation excludes products whose prices are highly volatile or transient, and therefore provides a more comprehensive measure of the underlying trend of inflation.
- In addition to overall inflation, CBK will keep track of the core and non-core measures of inflation, in line with global best practice in inflation-targeting central banks.
- The introduction of core and non-core inflation measures also aligns with the EAC guidelines on computation of harmonised CPI in the region.
- **The total core CPI basket constitutes 275 items with a total weight of 81.1 percent in the overall CPI** and is therefore a more representative basket and closely tracks overall inflation.

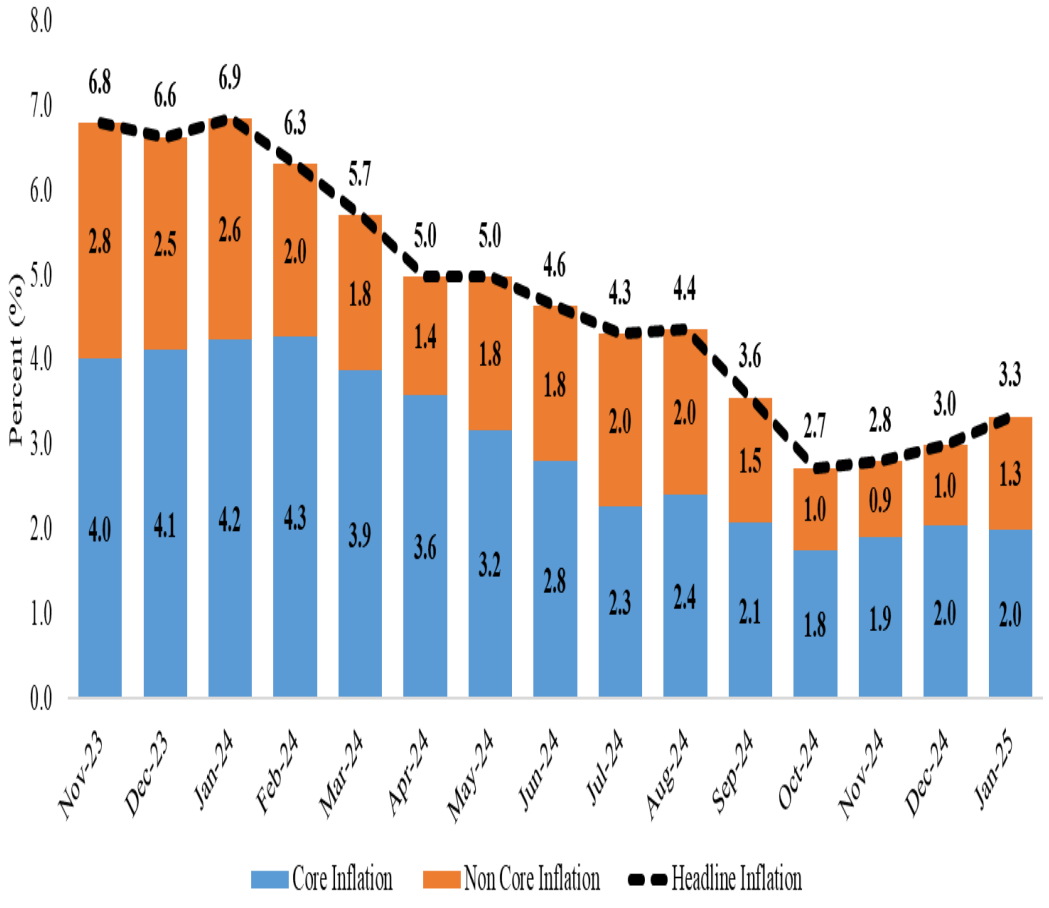
10. Domestic inflation:

Overall inflation remained below the mid-point of the target range of 5±2.5 percent in January 2025, supported by a lower core inflation

Inflation by broad category (y/y, percent)



Contributions to Overall Inflation (percentage points)



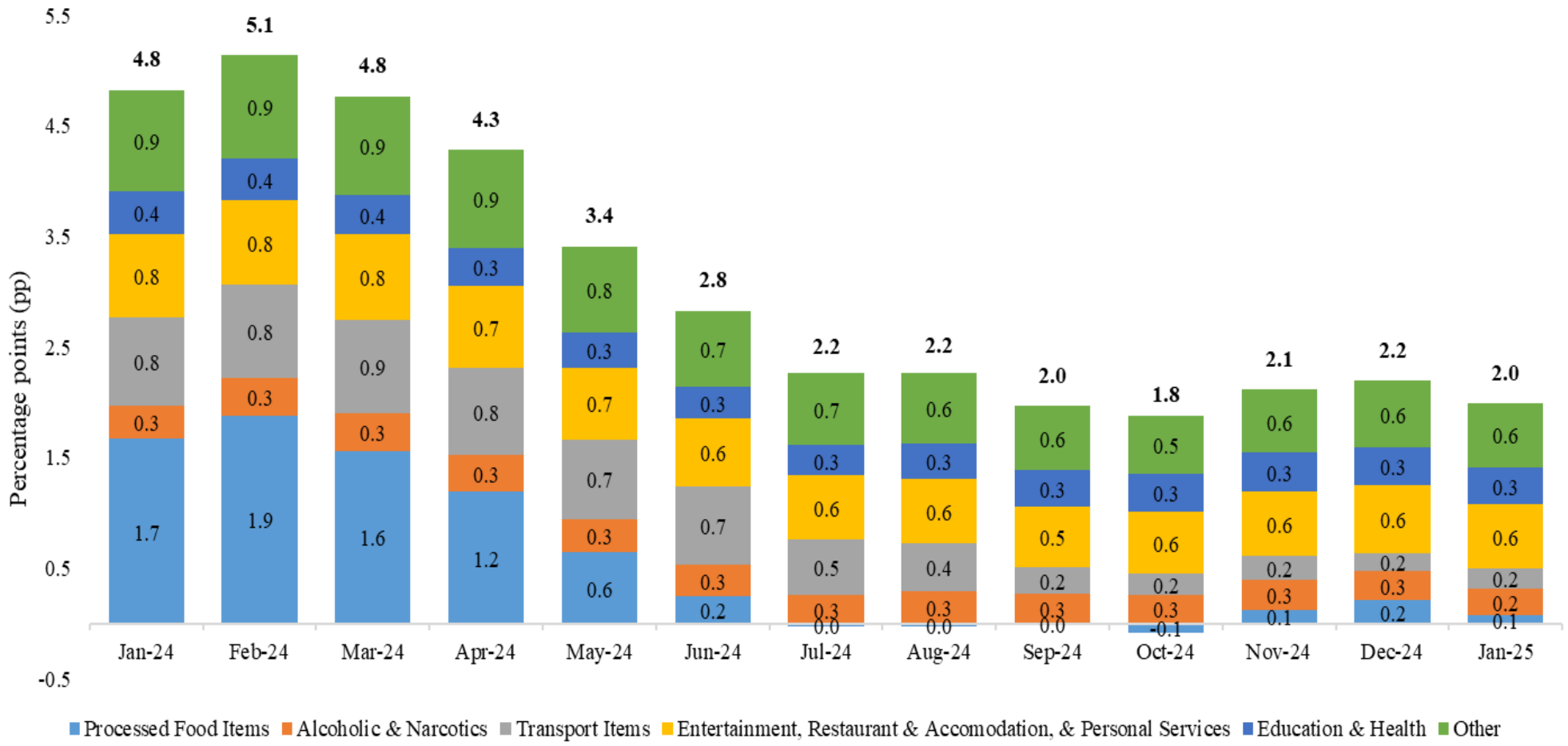
Source: *Kenya National Bureau of Statistics*

C2: CBK - Official

Main drivers of core inflation:

The decline in core inflation was mainly on account of lower prices of processed food items, and alcoholic beverages

Contributions to core inflation (percentage points)



Source: KNBS and CBK

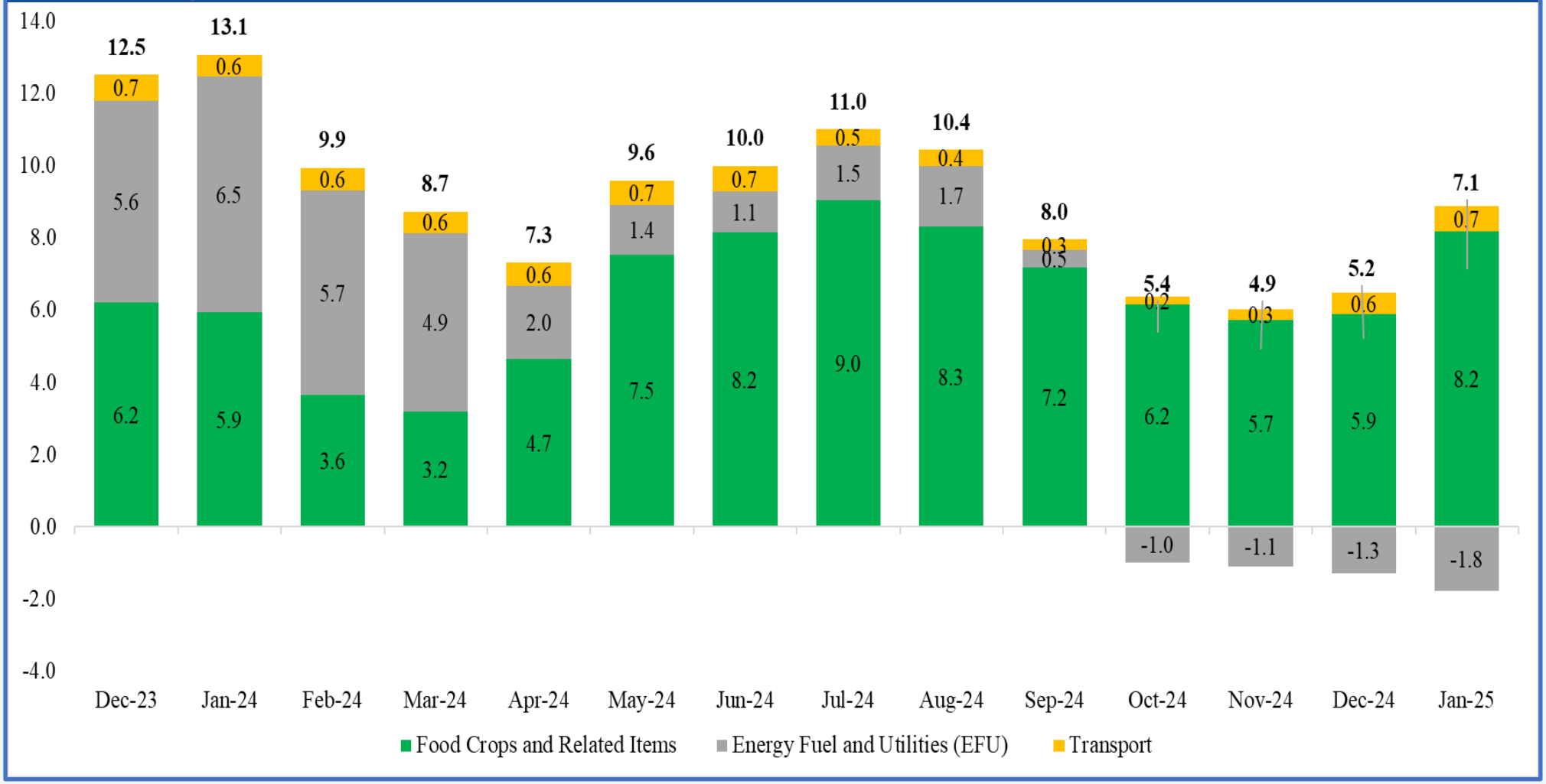
C2: CBK - Official

12.

Main drivers of non-core inflation:

Food crops and related items was the main driver of the higher non-core inflation in January 2025, mainly driven by higher vegetables prices reflecting seasonal factors

Contributions to non-core inflation (percentage points)



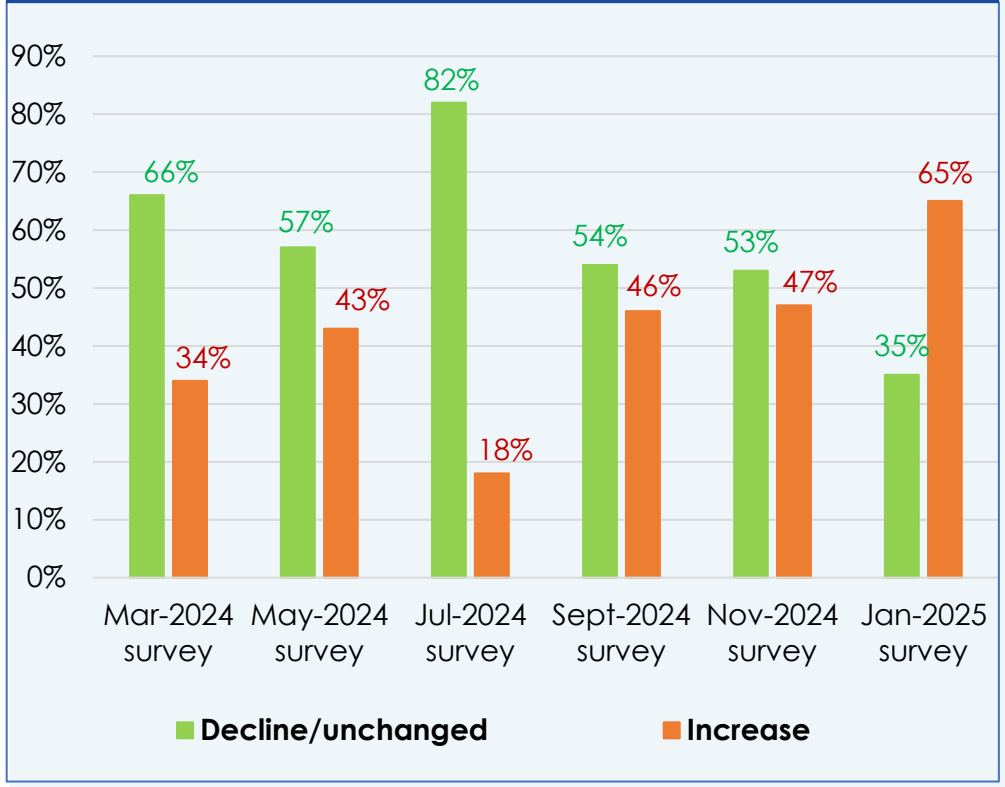
Source: KNBS and CBK

C2: CBK - Official

13. Inflation expectations and projections:

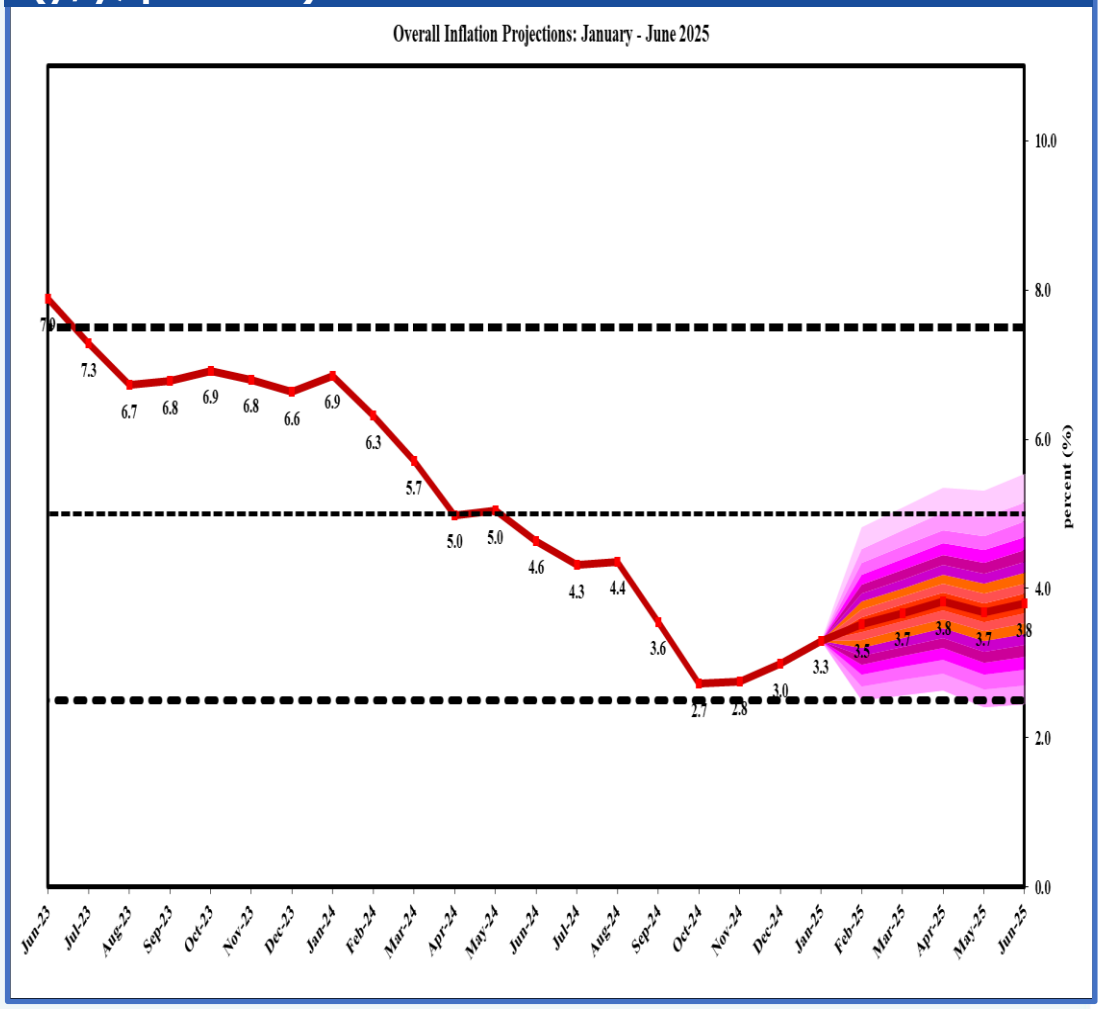
The January 2025 Agriculture Sector Survey, and CBK projections show that inflation is expected to remain below the mid point of the target range in the near term

Inflation expectations in the next three months (percent of sampled respondents)



- **Most respondents to the January 2025 Agriculture Survey expect some moderate upward pressure on overall inflation in the next three months on account of higher vegetables and cereals prices attributed to seasonal factors.**
- **Nevertheless, respondents expected the stability in pump prices and exchange rate to moderate inflation.**

Forecasts of overall inflation: January to June 2025 (y/y, percent)



Source: KNBS, and CBK for projections

14. Summary on developments and outlook for inflation

- Overall inflation remained below the midpoint of the 5±2.5 percent target range January 2025:
  - The inflation rate increased in January 2025, mainly on account of a rise in non-core inflation due to seasonal factors.
  - Core inflation remained low and stable indicative of muted demand pressures.
  - Exchange rate stability has reduced imported inflation.

- Overall inflation is expected to remain below the midpoint of the 5±2.5 percent target range in the near term, supported by:
  - a low and stable core inflation.
  - expected easing of energy prices, and
  - stable exchange rate,

- The main risks to the inflation outlook relate to uncertainty in the evolution of international oil prices, and uncertainty of global geopolitical environment.

15.

Domestic economic growth:

The economy is projected to pick up in 2025, supported by resilience of key service sectors and agriculture, expected recovery in growth of credit to the private sector, and improved exports

Real GDP growth (y/y, percent)

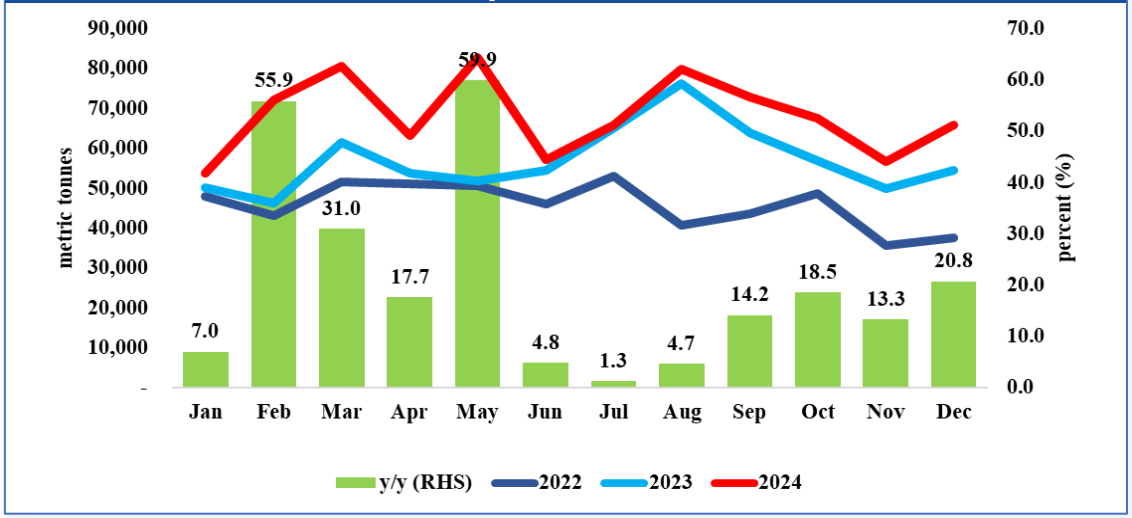
	Weight (2016Q1-2024Q3)	2021 Act.	2022 Act.	2023 Act.	2024					2025	
					Q1 Act.	Q2 Act.	Q3 Act.	Q4 Est.	Annual Est.	Q1 Proj.	Annual Proj.
1. Agriculture	18.5	-0.4	-1.5	6.5	6.1	4.8	4.2	4.6	5.0	4.6	4.9
2. Non-Agriculture (o/w)	81.5	9.5	6.3	5.4	4.7	4.5	4.0	4.8	4.5	5.1	5.5
2.1 Industry	17.7	7.5	3.9	1.9	0.1	0.6	-0.2	1.2	0.4	2.8	3.4
Mining & Quarrying	1.0	18.0	9.3	-6.5	-14.8	-2.7	-11.1	-7.6	-9.1	1.5	0.6
Manufacturing	8.7	7.3	2.6	2.0	1.2	3.3	2.3	2.5	2.3	2.9	3.0
Electricity & water supply	2.5	5.6	5.5	2.8	2.4	1.0	0.9	2.0	1.6	2.2	2.5
Construction	5.5	6.7	4.1	3.0	0.1	-2.9	-2.0	0.4	-1.1	3.1	4.7
2.2 Services	55.2	9.8	7.0	7.0	6.2	5.5	5.3	6.1	5.8	6.0	6.3
Wholesale & Retail Trade	8.3	8.0	3.5	2.7	4.9	4.4	4.8	5.2	4.9	5.5	5.5
Accommodation & food services	1.0	52.6	26.8	33.6	28.0	26.6	13.7	17.2	21.1	14.0	16.4
Transport & Storage	9.9	7.4	5.8	6.2	3.9	3.6	5.2	5.7	4.6	5.1	5.5
Information & Communication	3.0	6.1	9.0	9.3	7.8	7.2	6.1	8.0	7.3	7.1	7.5
Financial & Insurance	8.4	11.5	12.0	10.1	7.0	5.1	4.7	5.9	5.6	6.3	6.4
Public administration	5.8	6.0	5.1	4.6	5.8	5.1	5.4	5.3	5.4	5.0	4.9
Professional, Admin & Support Services	2.8	7.1	9.5	9.5	9.9	6.8	7.8	7.5	8.0	7.1	7.3
Real estate	9.9	6.7	4.5	7.3	6.6	6.0	5.5	6.0	6.0	6.3	6.4
Education	4.7	22.8	5.2	3.1	4.0	3.1	3.8	4.0	3.7	4.8	5.3
Health	2.2	8.9	3.4	4.9	5.5	5.5	4.4	4.6	5.0	5.3	4.8
Other services	2.2	12.5	6.5	4.1	2.3	2.0	2.8	2.5	2.4	3.5	3.7
FISIM	-3.1	5.3	0.2	2.7	5.8	0.9	5.1	3.0	3.7	3.3	2.4
2.3 Taxes on products	8.6	11.9	6.7	2.2	4.5	5.8	3.4	4.0	4.4	3.5	4.0
Real GDP Growth	100.0	7.6	4.9	5.6	5.0	4.6	4.0	4.8	4.6	5.0	5.4

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

16. Agriculture and construction sectors performance:

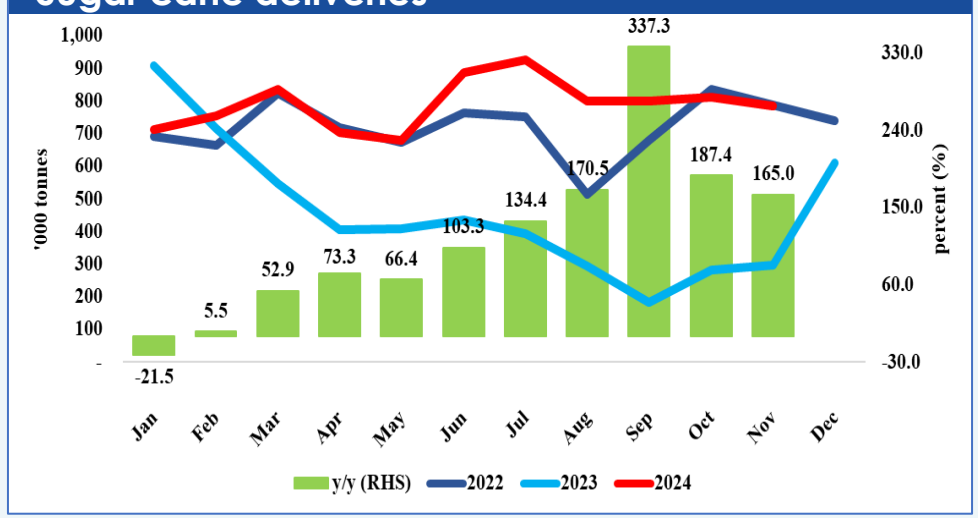
The volume of horticulture exports improved in 2024Q4, while sugar cane and milk production were resilient partly reflecting favorable weather conditions. Cement consumption improved

Volume of horticulture exports



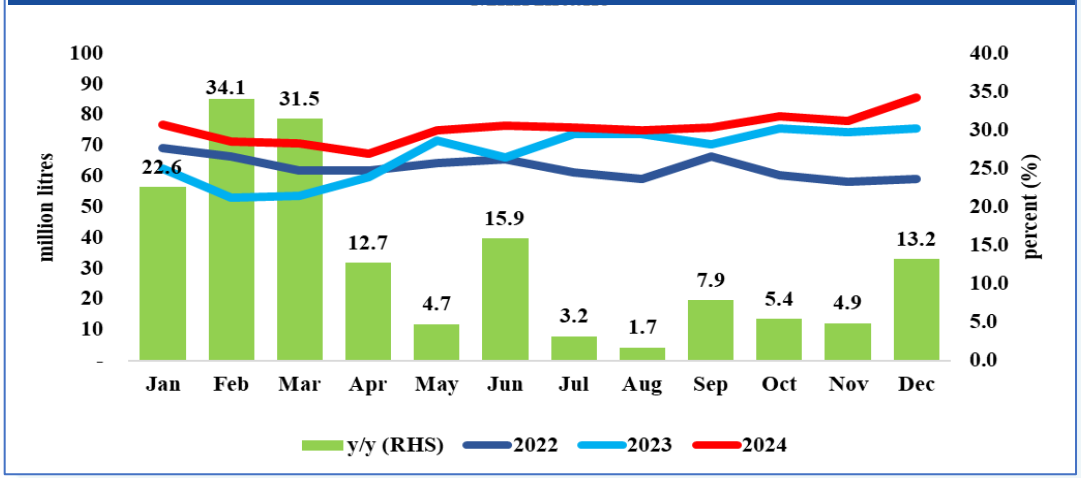
Source: *KRA*

Sugar cane deliveries



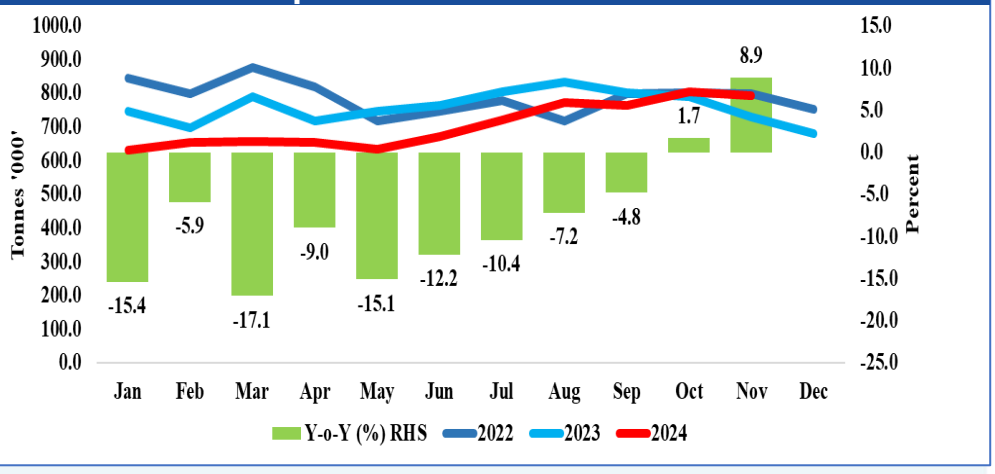
Source: *Kenya National Bureau of Statistics*

Milk deliveries



Source: *Kenya National Bureau of Statistics*

Cement consumption

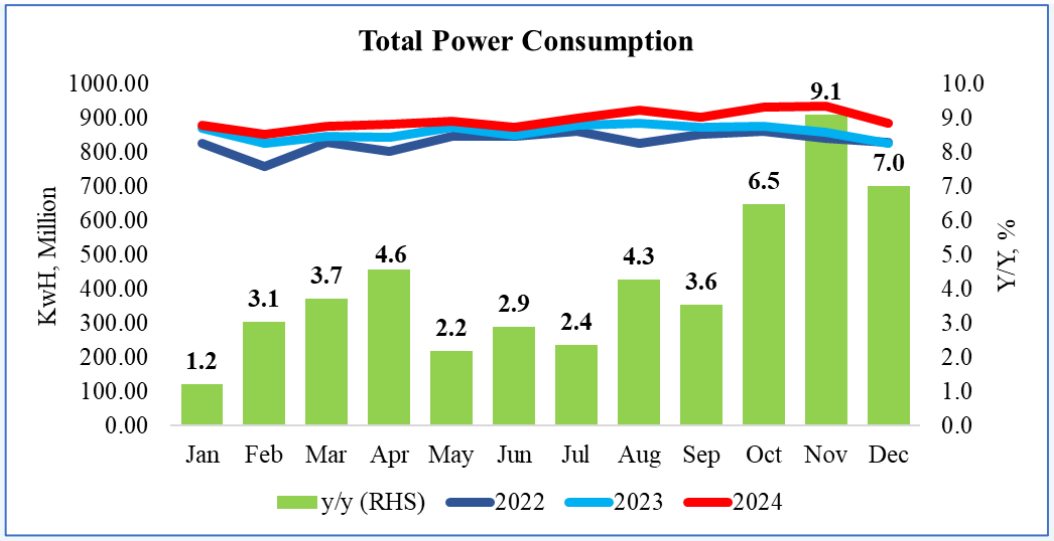


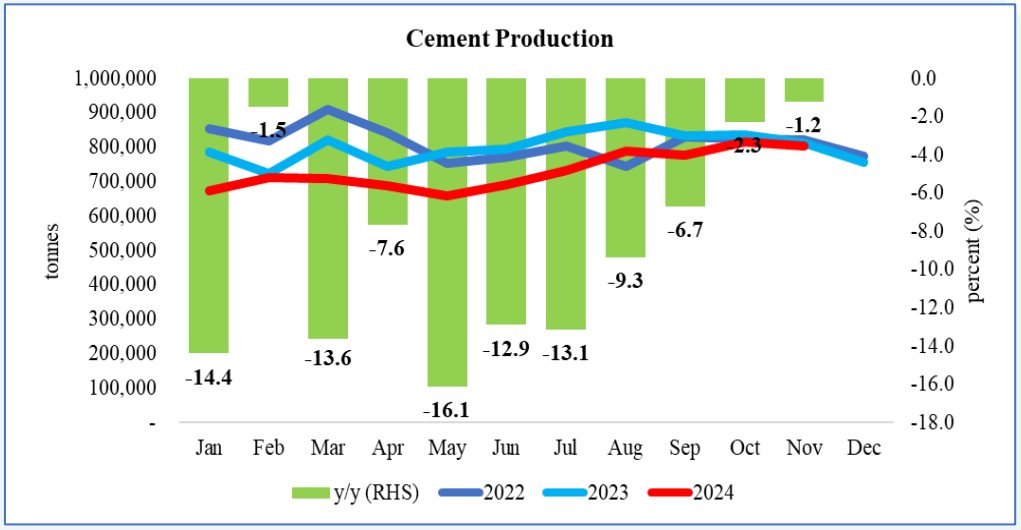
Source: *Kenya National Bureau of Statistics*

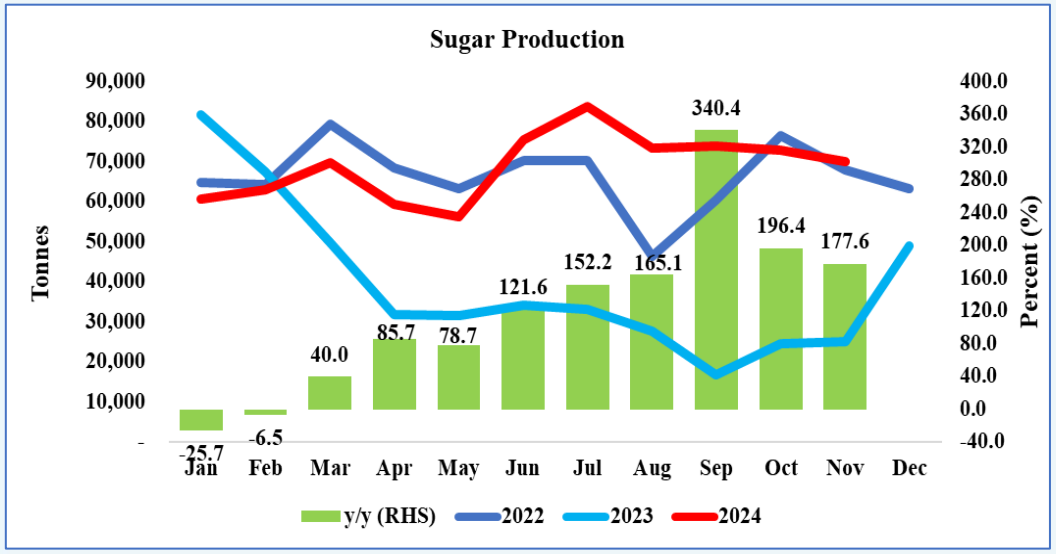
17.

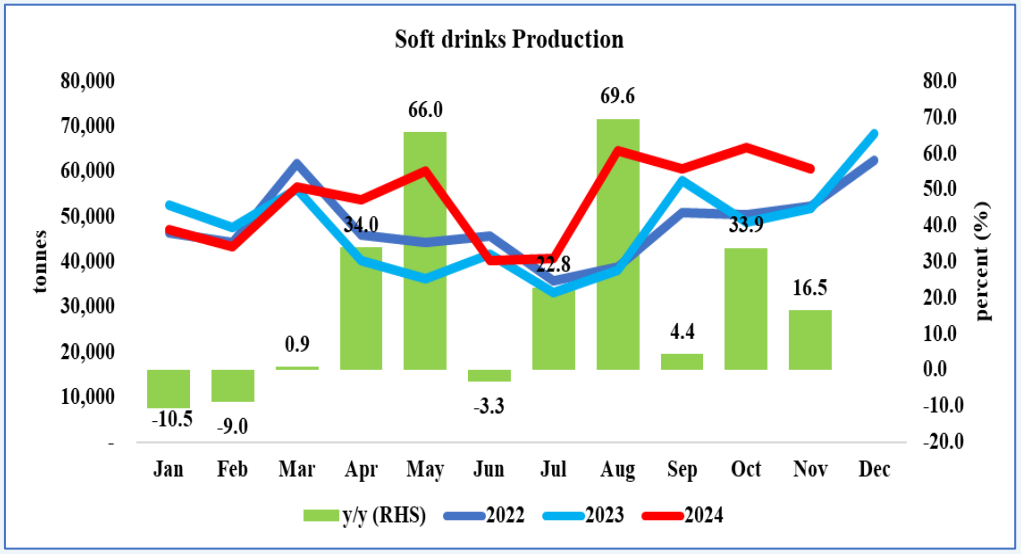
Manufacturing sector performance:

Increased power consumption particularly by large consumers in 2024Q4, and growth in agro-processing activities, indicate improved manufacturing activity. Cement production improved.





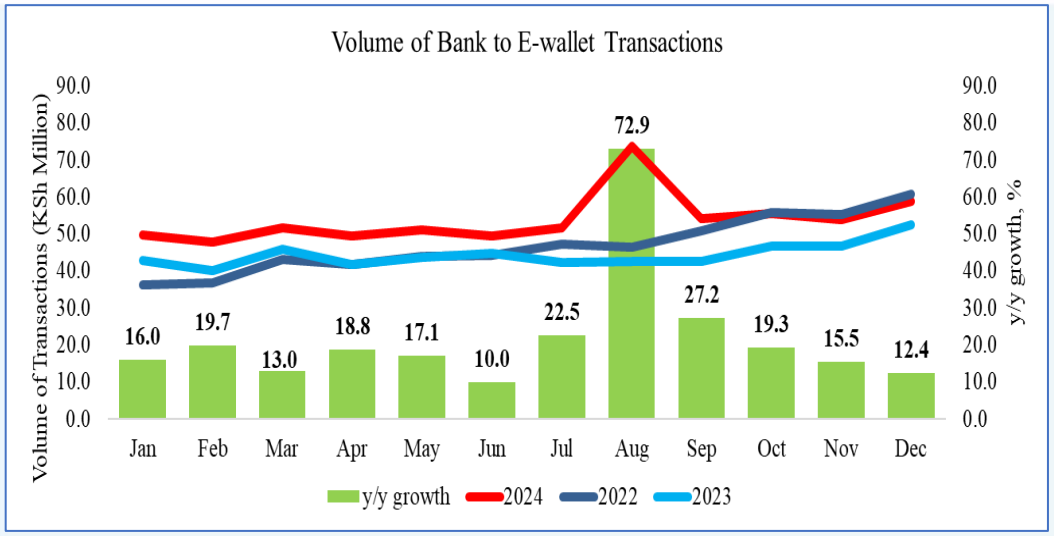




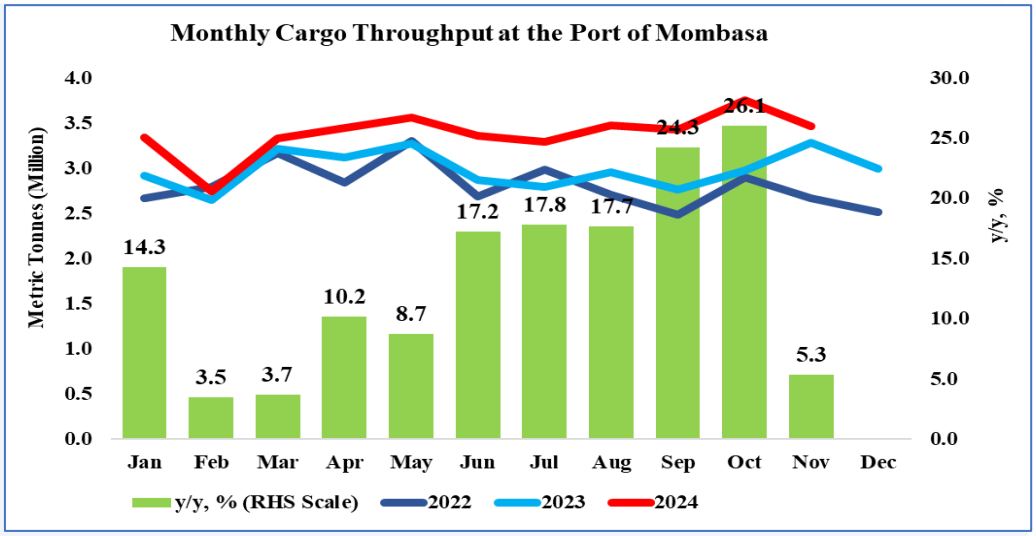
Source: KNBS

18. Services sector performance:

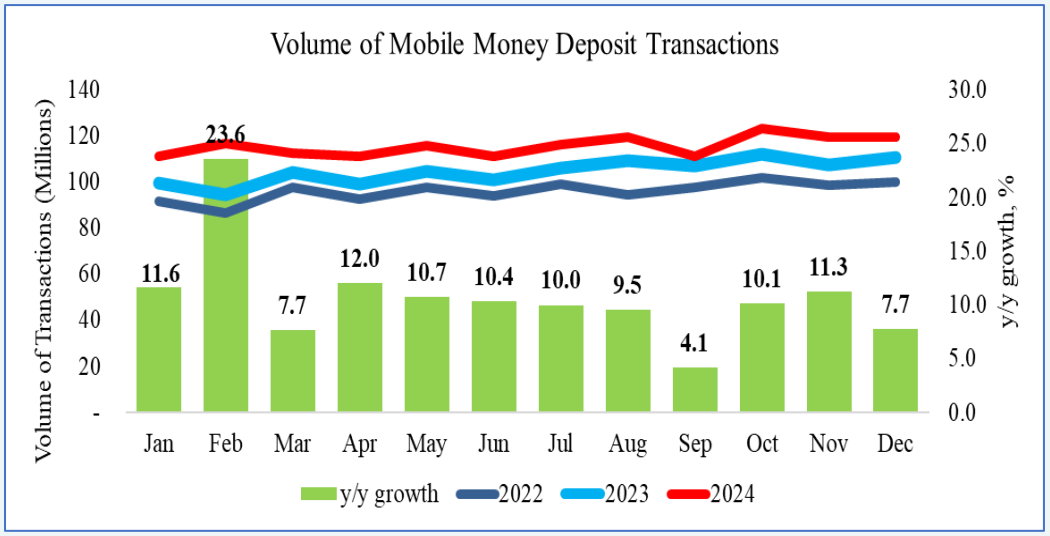
Select indicators for 2024Q4 of performance of the information and communication, transport and storage, and accommodation and food services sectors, indicate resilient performance



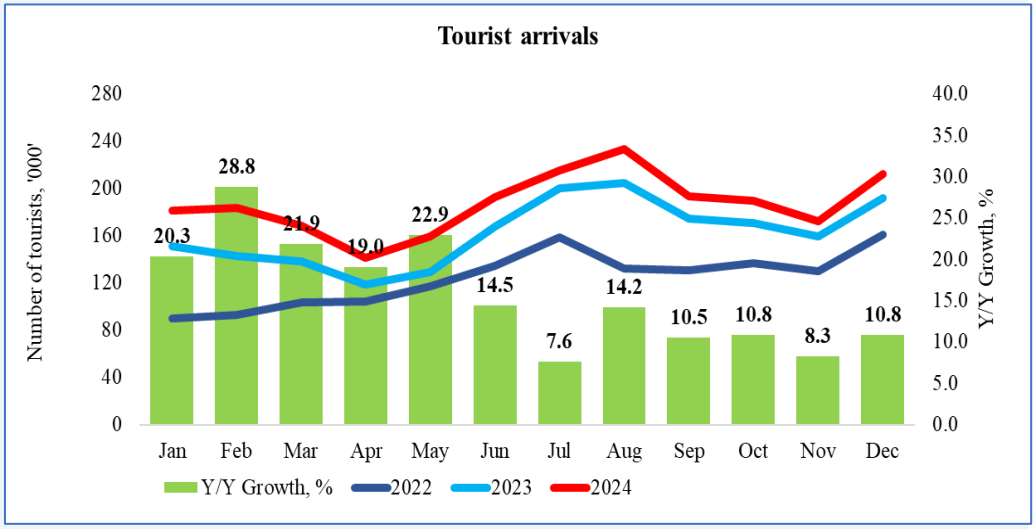
Source: CBK



Source: KNBS



Source: CBK

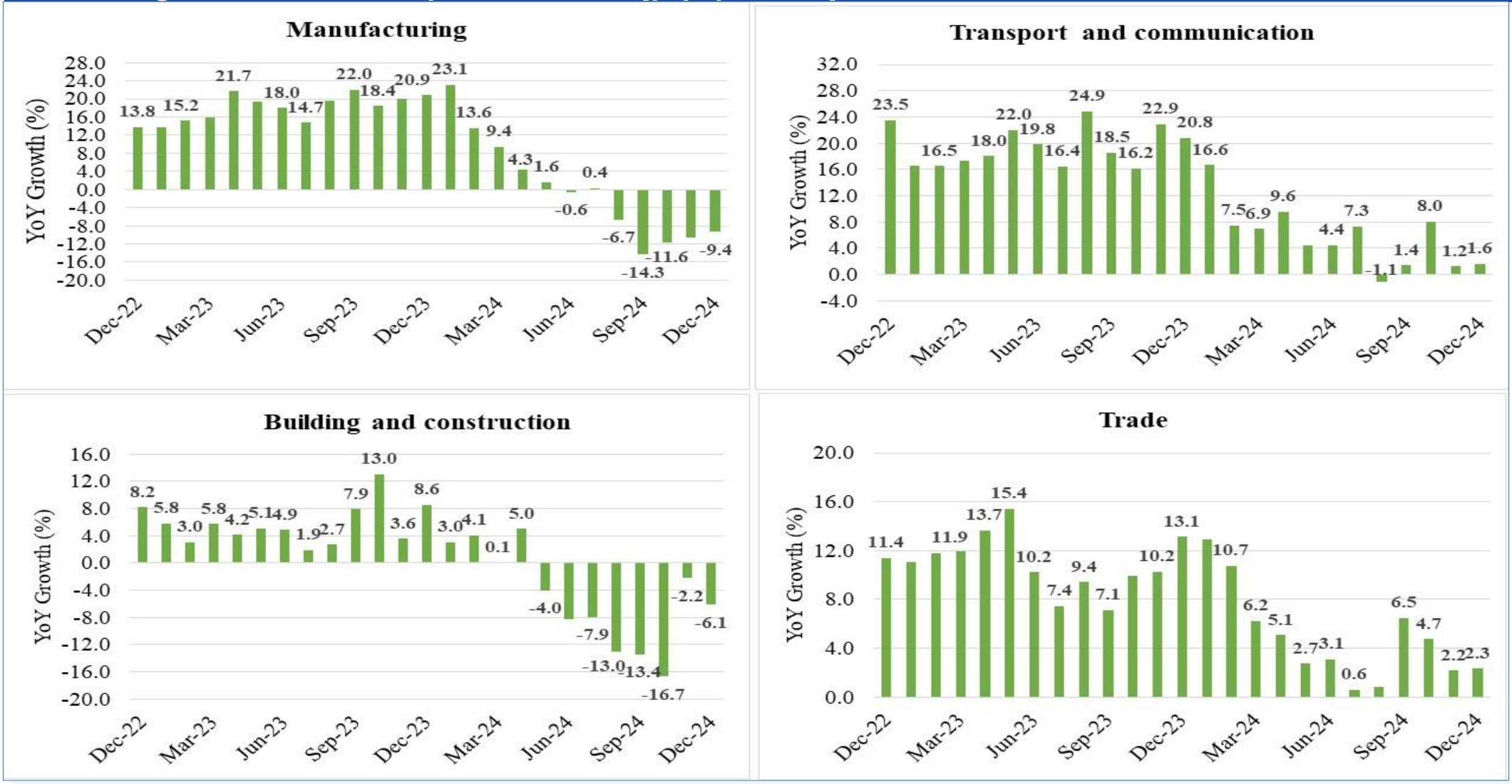


Source: Kenya Tourism Board

Sectoral credit to private sector:

Growth in credit to key sectors of the economy decelerated in 2024, but is expected to recover in 2025 and to support economic growth

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



Source: *KNBS and Central Bank of Kenya*

20. Summary on domestic economic growth

1. The performance of the economy slowed in 2024Q3, with real GDP growth decelerating to 4.0 percent in 2024Q3 compared to 6.0 percent in 2023Q3, mainly reflecting a slowdown across most sectors.

2. Real GDP growth for 2024 is estimated at 4.6 percent down from the projection of 5.1 percent underpinned by deceleration in:
   - Growth in most sectors of the economy in the first three quarters of 2024.
   - Private sector credit growth to key sectors of the economy.
   - Contraction in construction sector.

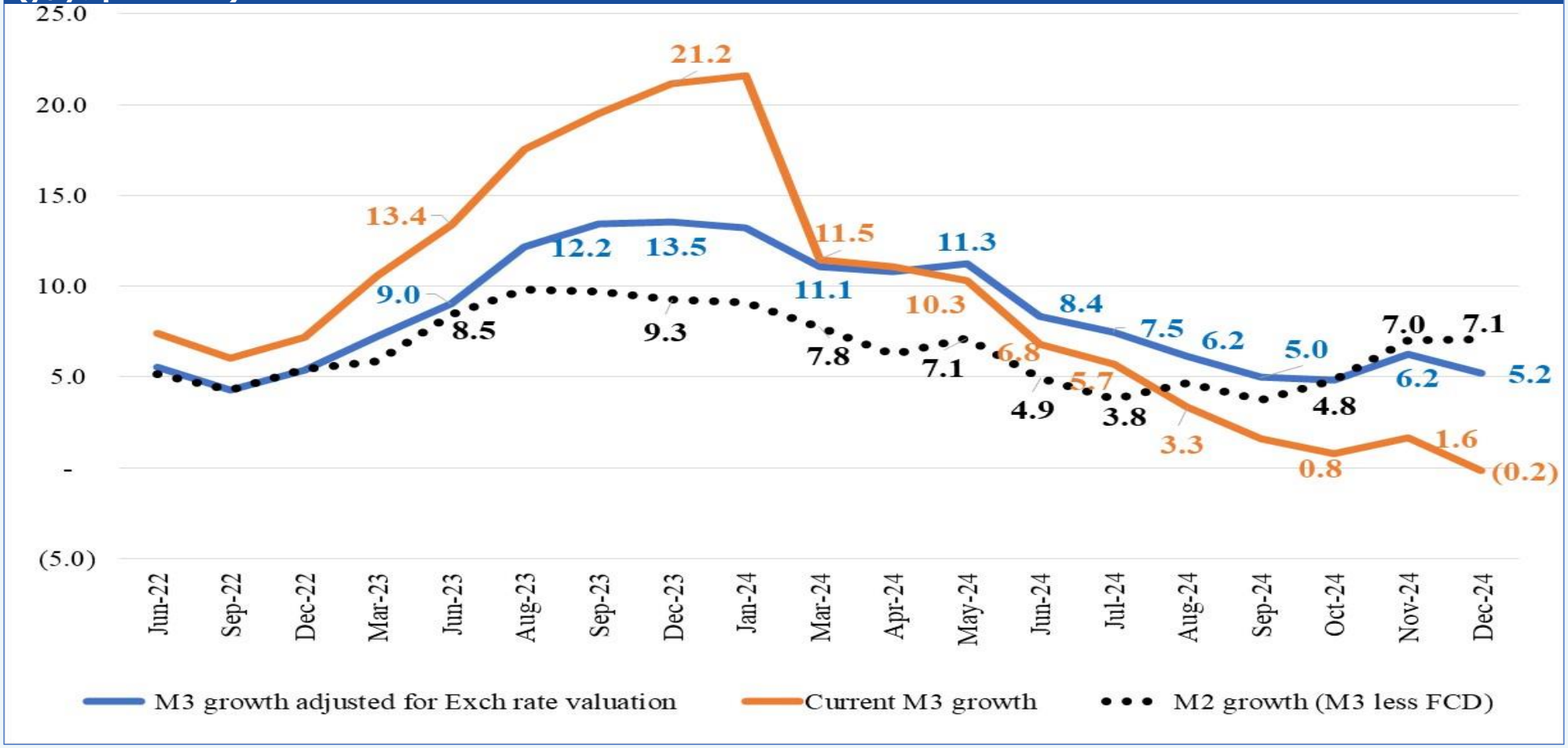
3. Growth is projected to recover in 2025, with real GDP growth projected at 5.4 percent, reflecting:
   - Robust growth of services driven by resilience of select sectors.
   - Stable growth of the agriculture sector.
   - Expected recovery in growth of credit to the private sector.
   - Improved exports growth supported by implementation of trade initiatives such as the Kenya–EU Economic Partnership Agreement.

4. The outlook is subject to uncertainties in the external and domestic environment, including rising tariffs on trade, and persistent geopolitical conflicts which could have potential impact on supply chains.

Monetary developments:

Growth in broad money supply M3, moderated on account of exchange rate valuation effects attributed to appreciation of the Shilling. Growth in M2 is picking up.

Growth in broad money supply, M3 (y/y, percent)



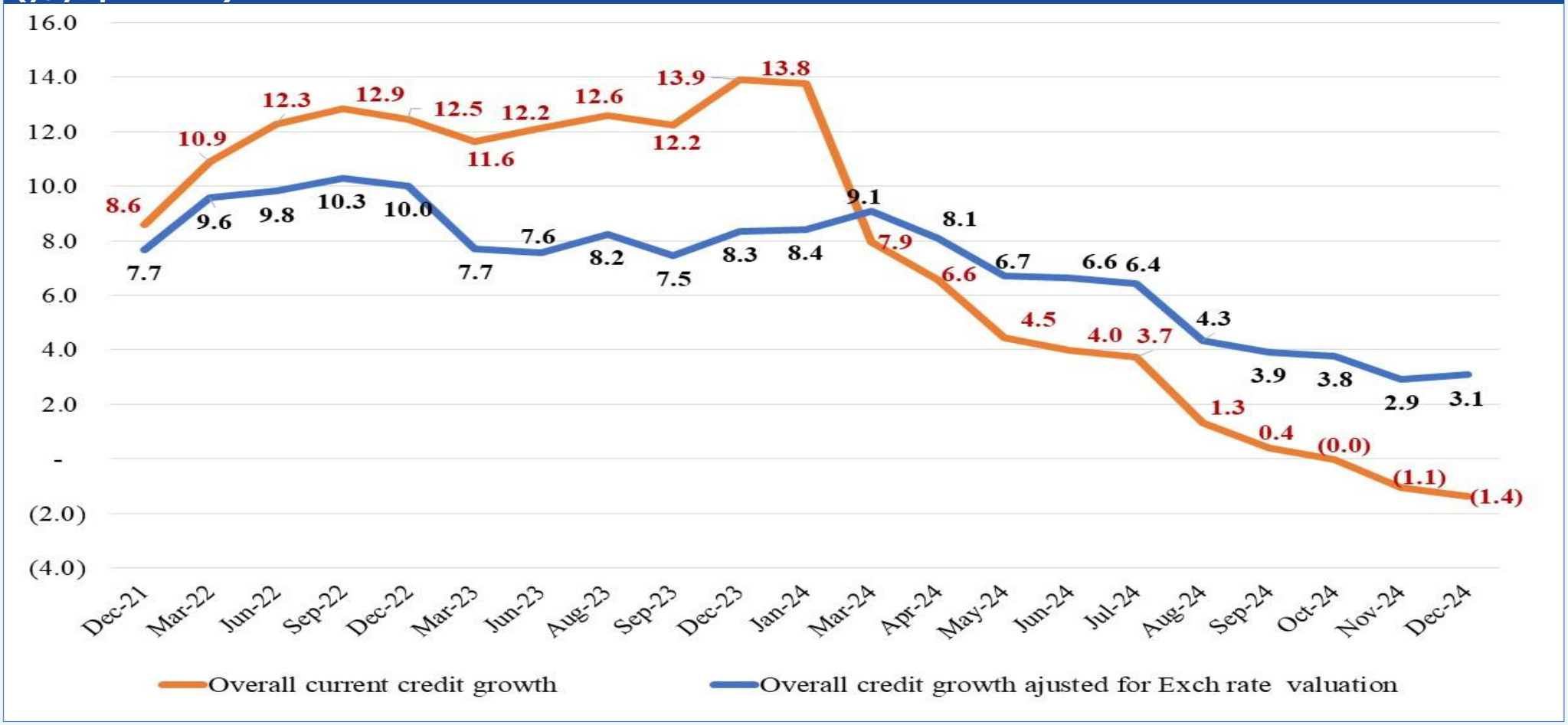
Source: CBK

C2: CBK - Official

Monetary developments:

Growth in credit to the private sector adjusted for exchange rate valuation effects on foreign currency denominated loans picked up slightly

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



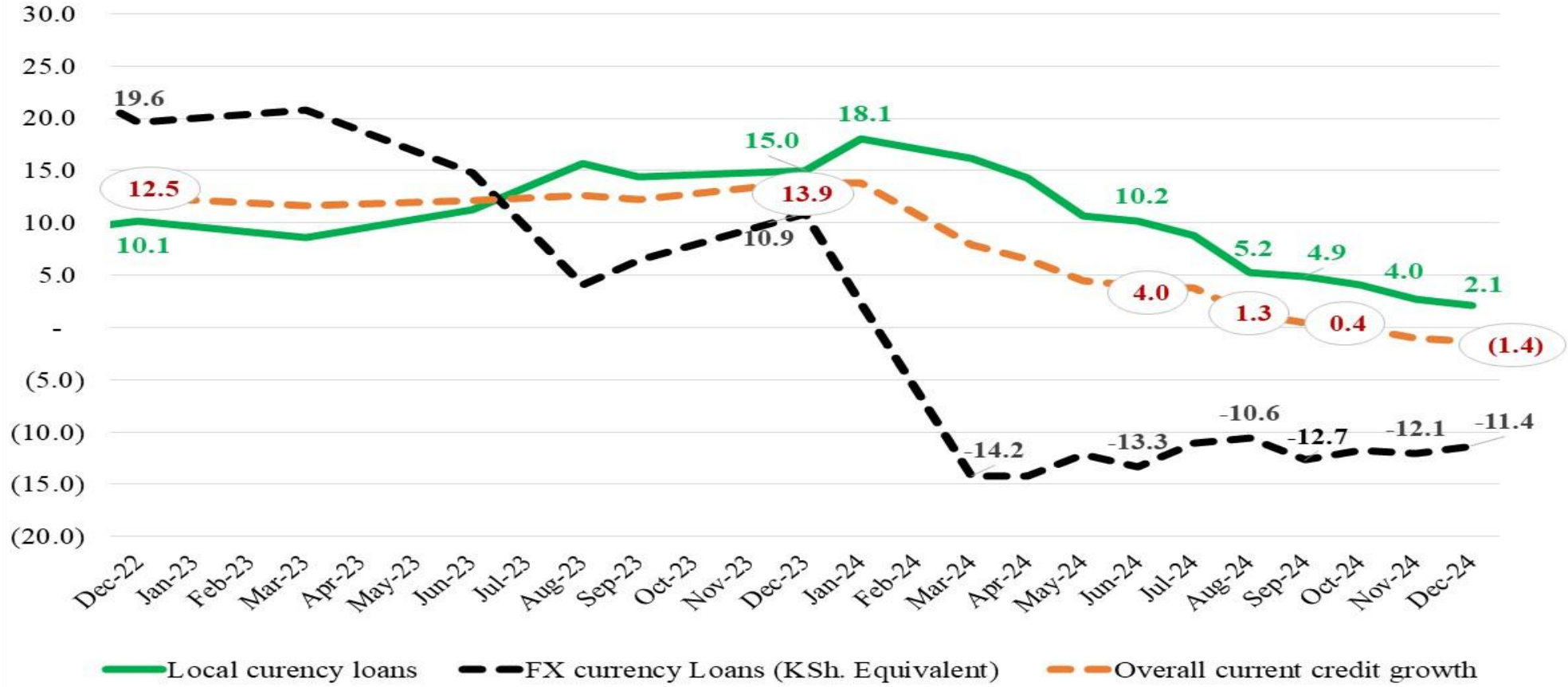
Source: CBK

C2: CBK - Official

Monetary developments:

Growth in local currency loans to private sector declined in December 2024, partly reflecting reduced credit demand and net repayments of loans

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

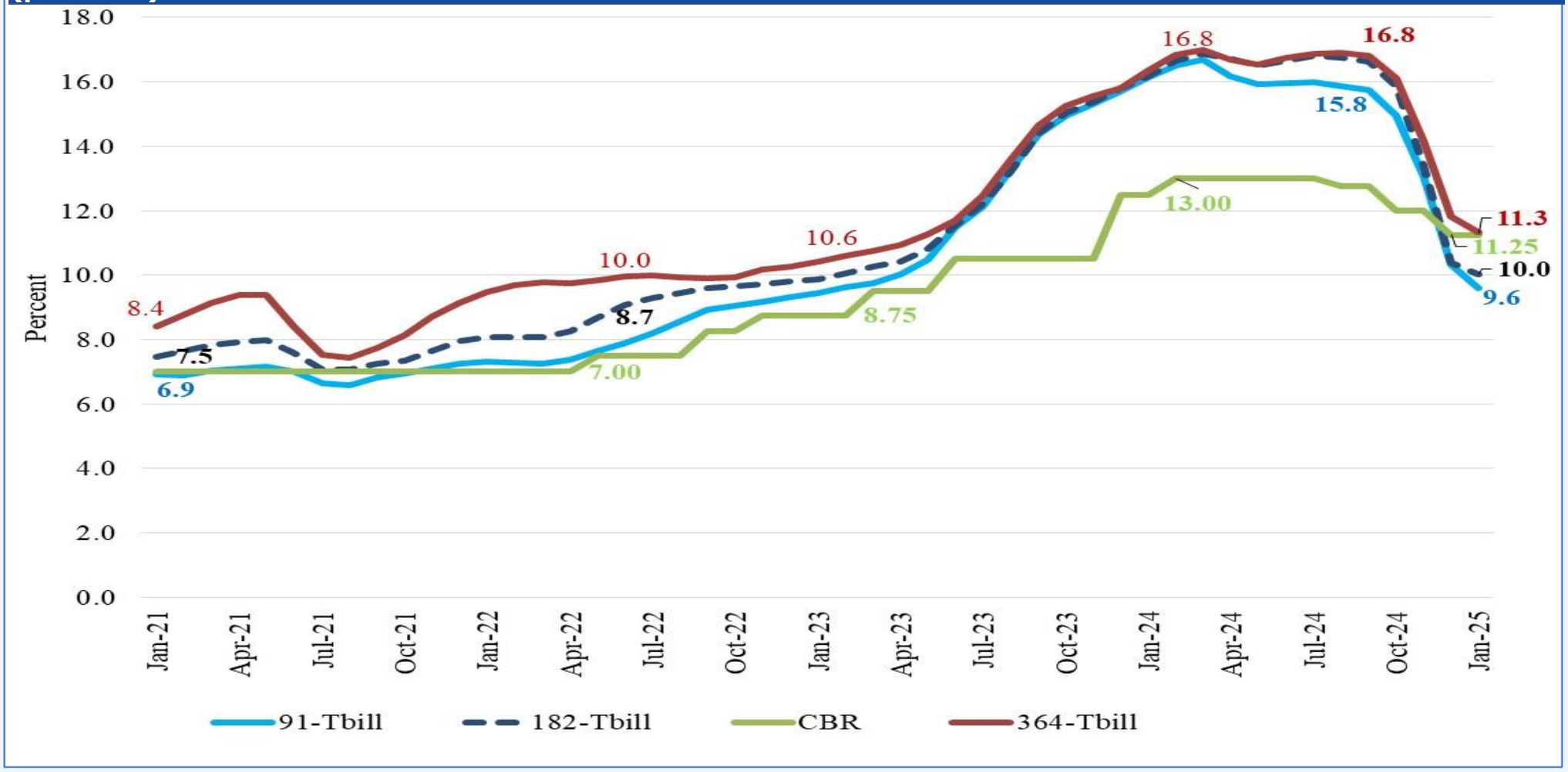


Source: CBK

C2: CBK - Official

Monetary developments:
Short term interest rates have declined further in line with the lowering of the Central Bank Rate

Average Treasury bill rates and Central Bank Rate (percent)



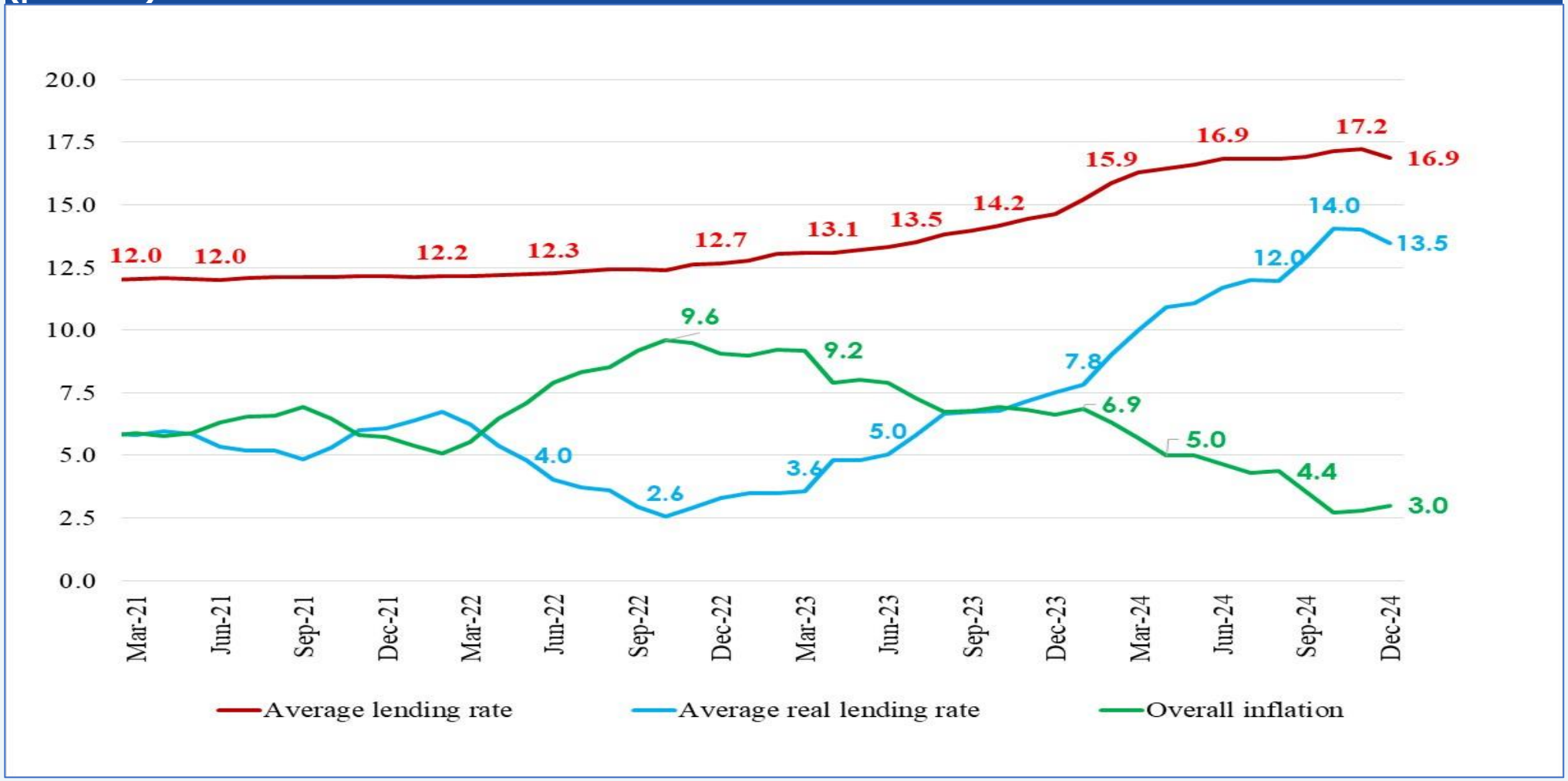
Source: CBK

C2: CBK - Official

Monetary developments:

Commercial banks real lending rates continued to increase through November 2024, but declined marginally in December 2024

Average commercial banks interest rates, and overall inflation (percent)



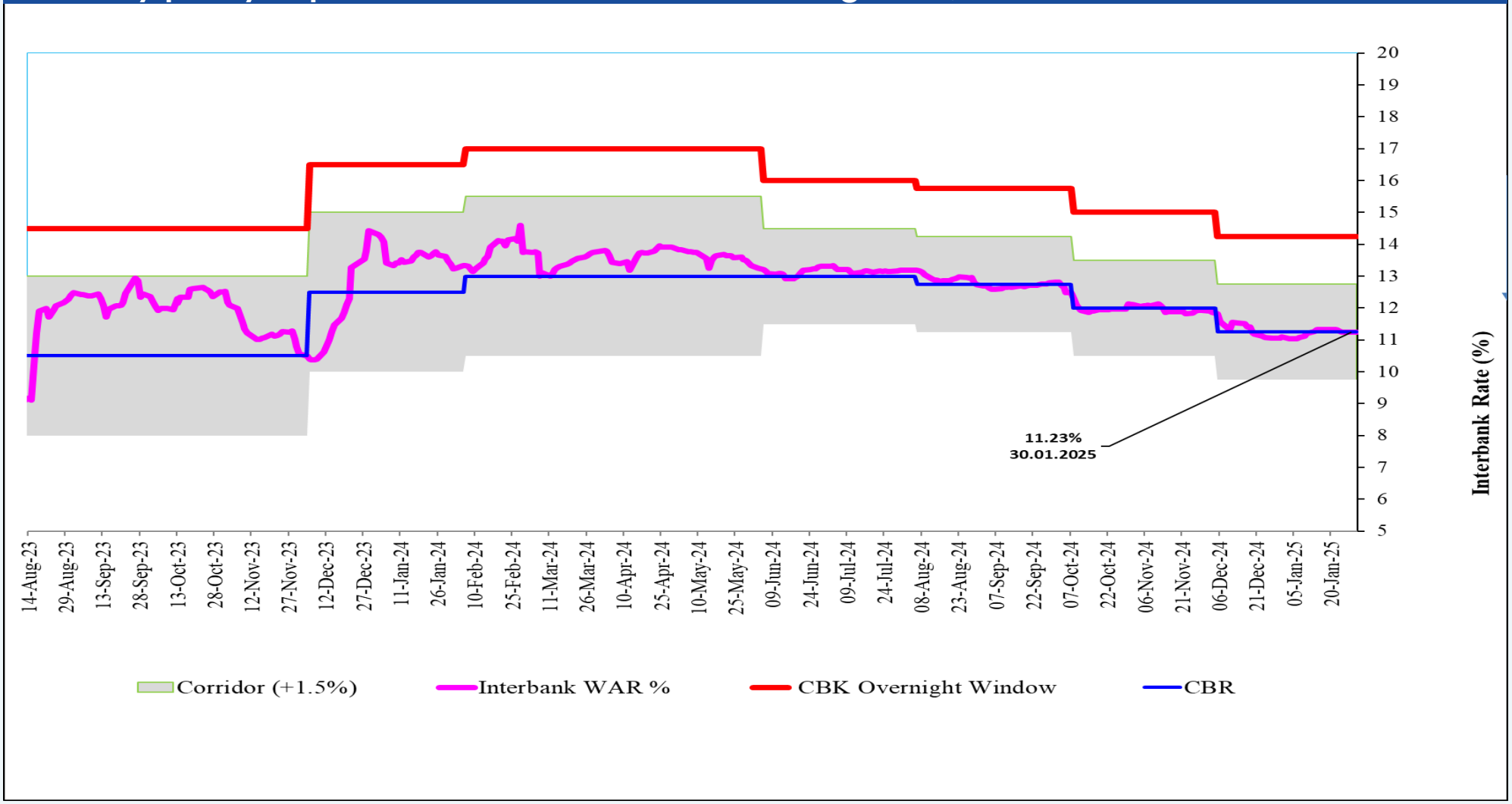
Source: CBK

C2: CBK - Official

Monetary policy implementation framework:

The monetary policy framework has aligned the interbank rate to the CBR, reduced interbank rate spreads, and improved monetary policy transmission to the short-term interest rates

Monetary policy implementation framework since August 10, 2023



Source: CBK

Summary of monetary developments

1. Growth in money supply M3, moderated in December 2024, mainly reflecting contraction in credit to private sector, and exchange rate valuation effects.

2. Growth of credit to private sector across most sectors has slowed down, reflecting;
   - Impact of exchange rate appreciation on foreign currency loans.
   - Higher commercial banks lending rates.

3. Short-term interest rates, particularly the interbank rate and Treasury bill rates, have declined in line with the reductions in the CBR.

4. Commercial banks' average lending interest rates declined marginally in December 2024.

5. The lowering of the CBR and reduction in CRR are expected to lower lending rates and support lending to the private sector in 2025.

C2: CBK - Official

28.

Balance of payments:

The overall balance of payments was a surplus in 2024, mainly reflecting improved surplus in the financial account

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

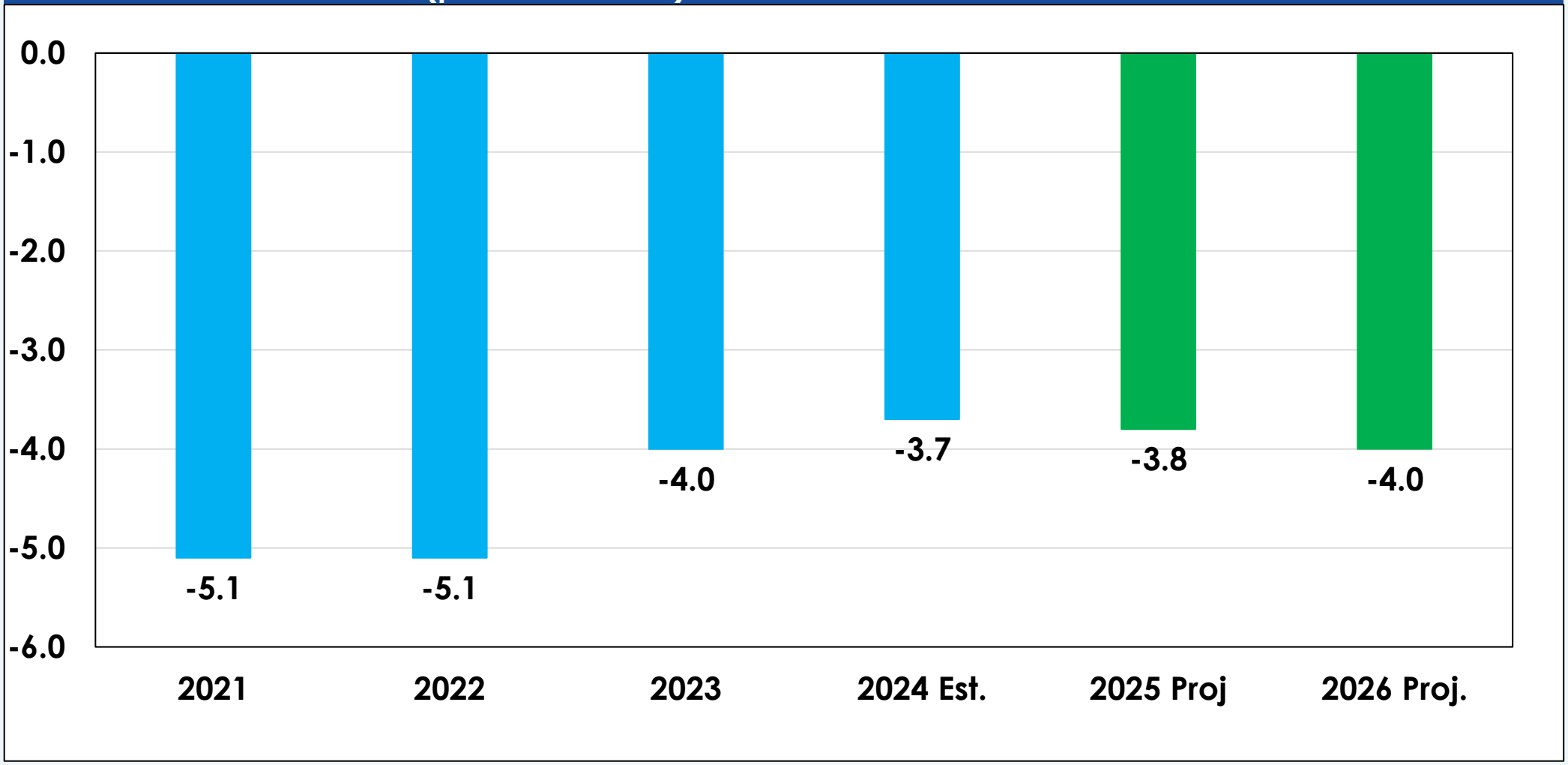
	2020	2021	2022	2023	2024 Est.	2025 Proj.	2026 Proj.
Current account	**-3,730**	**-5,601**	**-5,901**	**-4,294**	**-4,543**	**-5,587**	**-6,363**
Trade balance	**-8,337**	**-11,139**	**-11,934**	**-10,011**	**-10,604**	**-12,067**	**-13,371**
Goods exports, f.o.b	**6,062**	**6,787**	**7,421**	**7,228**	**8,344**	**9,373**	**10,331**
Tea	1,226	1,192	1,384	1,347	1,397	1,627	1,708
Horticulture	950	1,129	944	929	1,076	1,245	1,326
Goods imports, f.o.b	**14,399**	**17,926**	**19,355**	**17,239**	**18,948**	**21,440**	**23,702**
Oil Products	2,219	3,474	5,548	4,769	4,645	4,917	5,307
Machinery and Transport	3,974	4,653	3,760	3,252	4,349	4,886	5,375
Services balance	**334**	**955**	**1,277**	**632**	**640**	**805**	**1,185**
Services Credit	**3,660**	**5,011**	**6,528**	**5,455**	**5,583**	**5,844**	**6,609**
Services Debit	**3,326**	**4,056**	**5,251**	**4,823**	**4,943**	**5,039**	**5,424**
Goods and Services Balance	**-8,003**	**-10,184**	**-10,657**	**-9,378**	**-9,964**	**-11,262**	**-12,186**
Primary income, Balance	**-677**	**-1,533**	**-1,761**	**-1,901**	**-2,154**	**-2,385**	**-2,639**
Secondary income	**4,950**	**6,116**	**6,516**	**6,986**	**7,575**	**8,060**	**8,462**
Remittances	3,094	3,718	4,028	4,190	4,945	5,268	5,636
Capital account	**131**	**196**	**141**	**128**	**176**	**141**	**148**
Financial Account	**-1,876**	**-5,560**	**-4,159**	**-1,923**	**-6,147**	**-6,037**	**-7,281**
Net Errors and Omissions	294	697	-539	1,235	-315	0	0
Overall balance ("-", indicates a surplus)	**1,429**	**-852**	**2,141**	**1,008**	**-1,466**	**-591**	**-1,066**
Reserves and related items	**-1,429**	**852**	**-2,141**	**-1,008**	**1,466**	**591**	**1,066**
Reserve assets (gross)+ve entry reflect an increase in reserve assets	-819	1,194	-1,521	-628	2,749	1,451	1,066
Use of Fund credit and loans to the fund (net)	610	847	619	380	1,283	860	0

Source: CBK

Current account balance:

The current account deficit was estimated at 3.7 percent of GDP in 2024, and is projected to remain relatively stable at 3.8 percent of GDP in 2025

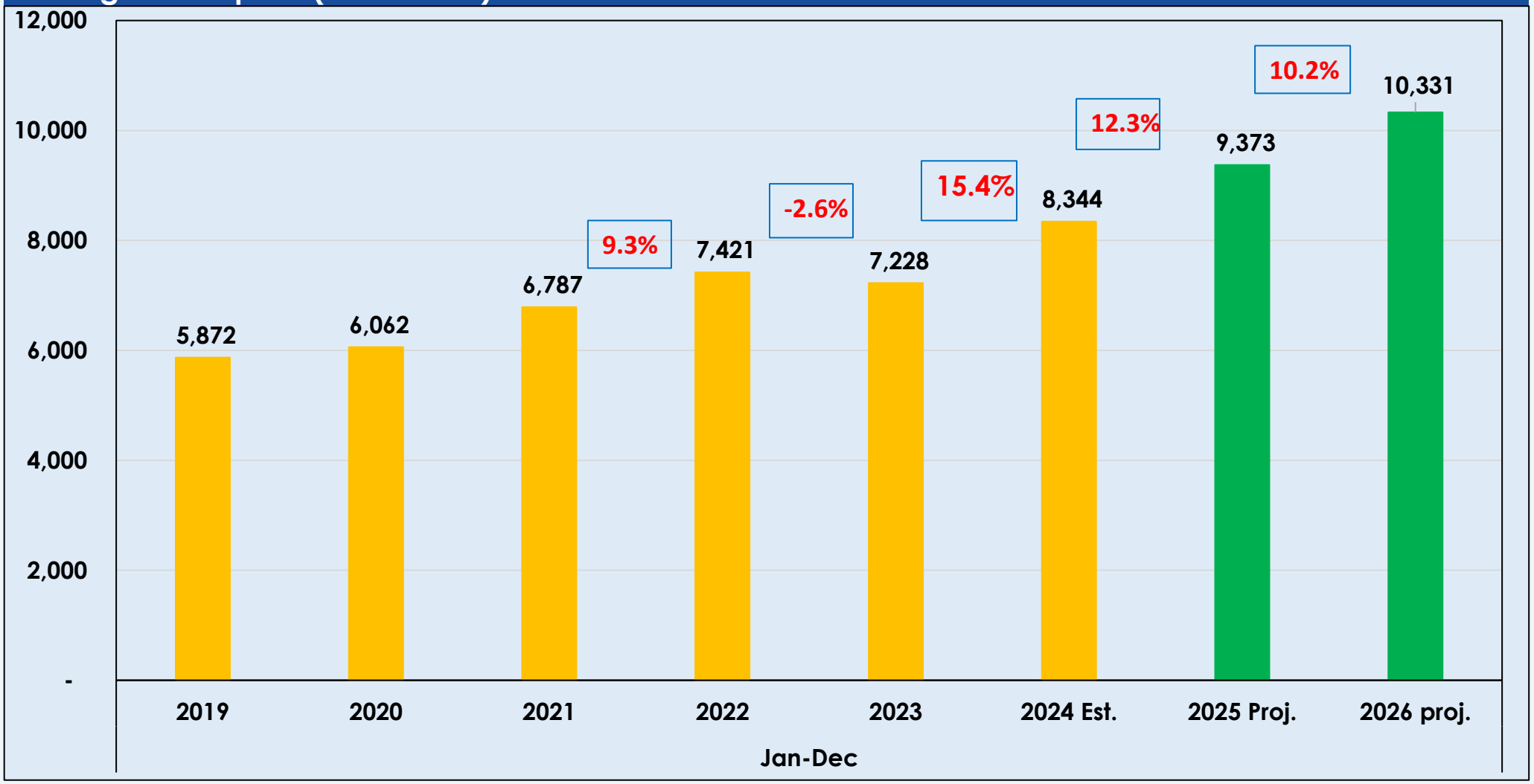
Current account balance (percent of GDP)



Source: CBK

Balance of payments:

Goods exports increased by 15.4 percent in 2024, driven by higher domestic exports particularly of agricultural commodities, and re-exports



Balance of payments:
The increase in exports in 2024 was broad based, except in manufactured goods

Goods exports by products (USD Million)

		Jan-Dec (USD MILLIONS)				Jan-Dec (Percent share of Total)				Percent change	
SITC CODE	COMMODITY DESCRIPTION	2021	2022	2023	2024	2021	2022	2023	2024	2023/22	2024/23
0	FOOD AND LIVE ANIMALS	2551	2773	2799	2983	37.8	37.6	39.0	36.1	0.9	6.6
05	Vegetables and Fruits	688	584	590	698	10.2	7.9	8.2	8.5	1.1	18.3
054	Fresh vegetables	296	205	212	278	4.4	2.8	3.0	3.4	3.7	31.1
057	Fruits & Nuts - fresh or dried	282	277	246	292	4.2	3.8	3.4	3.5	-11.5	19.0
071	Coffee & Substitutes	249	331	266	303	3.7	4.5	3.7	3.7	-19.4	13.9
0741	Tea	1192	1384	1347	1397	17.7	18.8	18.8	16.9	-2.7	3.8
1	BEVERAGES AND TOBACCO	159	164	144	139	2.4	2.2	2.0	1.7	-12.1	-3.2
2	CRUDE MATERIALS, INEDIBLE	1286	1256	1194	1262	19.1	17.0	16.6	15.3	-4.9	5.6
292711	Cut flowers	551	462	471	505	8.2	6.3	6.6	6.1	2.0	7.2
3	MINERAL FUELS	54	88	115	109	0.8	1.2	1.6	1.3	31.1	-5.5
4	ANIMAL AND VEGETABLE OILS	137	226	162	227	2.0	3.1	2.3	2.8	-28.6	40.5
5	CHEMICALS	522	606	608	630	7.7	8.2	8.5	7.6	0.4	3.5
52	Inorganic chemicals	81	129	99	88	1.2	1.7	1.4	1.1	-23.0	-11.6
54	Medical and Pharmaceutical products	102	103	126	149	1.5	1.4	1.8	1.8	22.1	18.1
55	Perfume materials	171	182	192	195	2.5	2.5	2.7	2.4	5.1	1.9
6	MANUFACTURED GOODS	512	622	680	639	7.6	8.4	9.5	7.7	9.3	-6.0
64	Paper & Paperboard	46	62	64	50	0.7	0.8	0.9	0.6	2.3	-21.8
65	Textiles and fabrics (n.e.s)	36	37	37	46	0.5	0.5	0.5	0.6	-0.1	23.4
66	Non - Metallic Minerals	143	154	212	203	2.1	2.1	3.0	2.5	37.8	-4.5
67	Iron and Steel	174	233	231	198	2.6	3.2	3.2	2.4	-0.5	-14.3
7	MACHINERY AND TRANSPORT EQUIPMENT	137	120	115	132	2.0	1.6	1.6	1.6	-4.1	14.8
8	MISCELLENEOUS MAN. ARTICLES	675	689	606	757	10.0	9.3	8.4	9.2	-12.2	25.1
84	Clothing accessories	389	400	325	425	5.8	5.4	4.5	5.1	-18.8	30.9
9	COMMODITIES & TRANSACTIONS(n.e.s)	15	33	33	24	0.2	0.4	0.5	0.3	0.5	-25.8
	DOMESTIC EXPORTS	6,048	6,576	6,455	6,901	89.6	89.1	89.9	83.6	-1.8	6.9
	RE-EXPORTS	700	795	722	1341	10.4	10.8	10.1	16.2	-9.2	85.8
	TOTAL EXPORTS -CUSTOMS	6748	7377	7177	8258	100.0	99.9	100.0	99.8	-2.7	15.1
	Adjustments for BOP	39	45	51	86					14.1	69.5
	TOTAL EXPORTS -BOP	6,787	7,421	7,228	8,344					-2.6	15.4

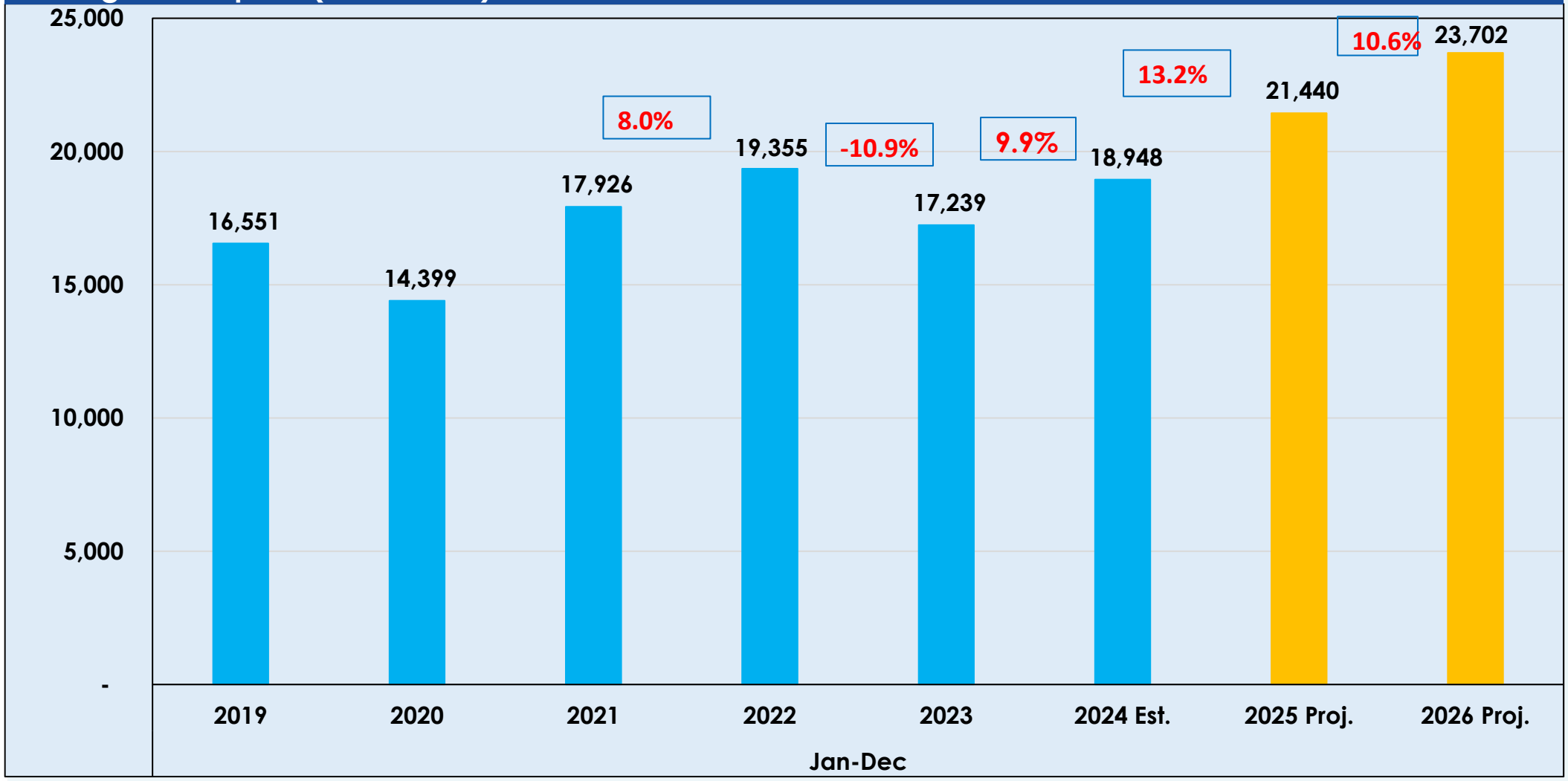
Source: CBK, KRA

C2: CBK - Official

Balance of payments:

Goods imports increased by 9.9 percent in 2024, mainly driven by an increase in intermediate and capital goods imports. Imports of food and fuels declined.

Total goods imports (USD Million)



Source: CBK, KRA

Balance of payments:

The increase in imports in 2024 was mainly in intermediate and capital goods, while imports of food and fuel declined

Goods imports by products (USD Million)

		Jan-Dec (USD M)				Jan-Dec (Percent Share of total)				Percent Change	
SITC CODE	COMMODITY DESCRIPTION	2021	2022	2023	2024	2021	2022	2023	2024	2023/22	2024'23
0	FOOD AND LIVE ANIMALS	1,873	2,094	2,370	2,065	9.7	9.9	12.8	10.3	13.2	-12.9
04	Cereals	1,067	1,227	1,319	1,260	5.5	5.8	7.1	6.3	7.5	-4.5
041	Wheat	567	659	674	640	2.9	3.1	3.6	3.2	2.2	-5.0
042	Rice	283	290	400	506	1.5	1.4	2.2	2.5	37.8	26.6
044	Maize	124	207	163	74	0.6	1.0	0.9	0.4	-21.3	-54.4
06	Sugar	262	236	406	262	1.4	1.1	2.2	1.3	71.5	-35.5
2	CRUDE MATERIALS	448	469	487	608	2.3	2.2	2.6	3.0	3.8	25.0
3	MINERAL FUELS	3,474	5,548	4,769	4,645	18.0	26.3	25.7	23.1	-14.0	-2.6
334112	Motor spirit (premium)	1,109	1,584	1,392	1,391	5.8	7.5	7.5	6.9	-12.1	0.0
334211	Jet fuel (kerosene type)	357	773	709	696	1.9	3.7	3.8	3.5	-8.3	-1.8
334301	Diesel oil	1,280	2,272	1,931	1,687	6.6	10.8	10.4	8.4	-15.0	-12.6
4	ANIMAL & VEGETABLE OILS	1,100	1,215	997	1,033	5.7	5.8	5.4	5.1	-18.0	3.7
5	CHEMICALS	3,103	3,277	2,896	3,183	16.1	15.5	15.6	15.8	-11.6	9.9
51	Organic and Inorganic	322	418	352	361	1.7	2.0	1.9	1.8	-15.8	2.4
54	Medicinal & Pharm.	806	791	649	742	4.2	3.8	3.5	3.7	-17.9	14.3
55	Essential Oils	240	231	226	259	1.2	1.1	1.2	1.3	-1.9	14.5
56	Manufactured Fert.	353	414	469	378	1.8	2.0	2.5	1.9	13.1	-19.4
57	Plastics in Pri. Form	738	706	586	669	3.8	3.3	3.2	3.3	-17.1	14.3
59	Chemical Mtrls & Prdts.	368	432	392	494	1.9	2.0	2.1	2.5	-9.3	26.0
6	MANUFACTURED GOODS	3,646	3,469	2,654	2,783	18.9	16.4	14.3	13.8	-23.5	4.9
62	Rubber Manufactures	215	174	156	183	1.1	0.8	0.8	0.9	-10.6	17.5
64	Paper and Paperboards	401	472	376	412	2.1	2.2	2.0	2.0	-20.3	9.5
65	Textile and Fabric	608	652	540	651	3.2	3.1	2.9	3.2	-17.3	20.7
66	Non-Metal Manufactures	270	262	192	208	1.4	1.2	1.0	1.0	-26.5	8.0
67	Iron and Steel	1,420	1,282	870	758	7.4	6.1	4.7	3.8	-32.2	-12.8
69	Metal Manufactures	478	375	296	314	2.5	1.8	1.6	1.6	-20.9	6.1
7	MACHINERY AND TRANSPORT EQUIP	4,371	3,760	3,252	4,349	22.7	17.8	17.5	21.6	-13.5	33.7
	Machinery	2,842	2,556	2,225	2,806	14.8	12.1	12.0	13.9	-12.9	26.1
	Transport Equipment	1,530	1,204	1,028	1,543	7.9	5.7	5.5	7.7	-14.7	50.1
8	MISCELLENEOUS MANUFACTURED ARTIC.	1,110	1,124	1,027	1,330	5.8	5.3	5.5	6.6	-8.6	29.5
9	COMMODITIES & TRANSACTIONS	38	140	280	424	0.2	0.7	1.5	2.1	99.9	51.4
	GOODS IMPORTS (CIF)	19,263	21,091	18,580	20,117	100.0	100.0	100.0	100.0	-11.9	8.3
	Adjustments for BOP	1,337	1,736	1,342	1,170					-22.7	-12.8
	GOODS IMPORTS (FOB)	17,926	19,355	17,239	18,948					-10.9	9.9

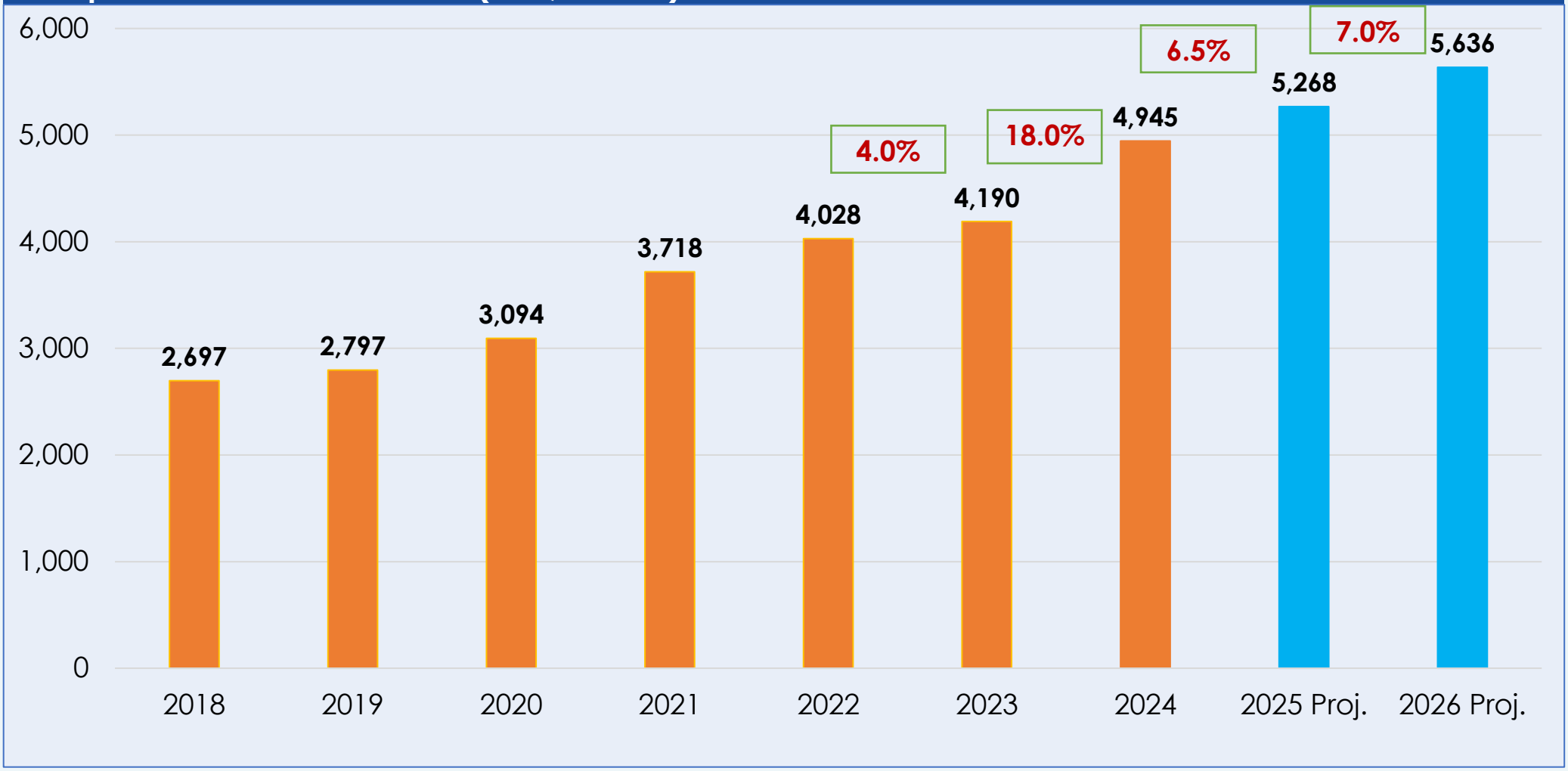
Source: CBK, KRA

C2: CBK - Official

Diaspora remittances:

Remittances remained strong in 2024, growing by 18.0 percent mainly supported by resilient labor markets in the United States and government policies to export skilled labor

Diaspora remittances inflows (USD, Million)

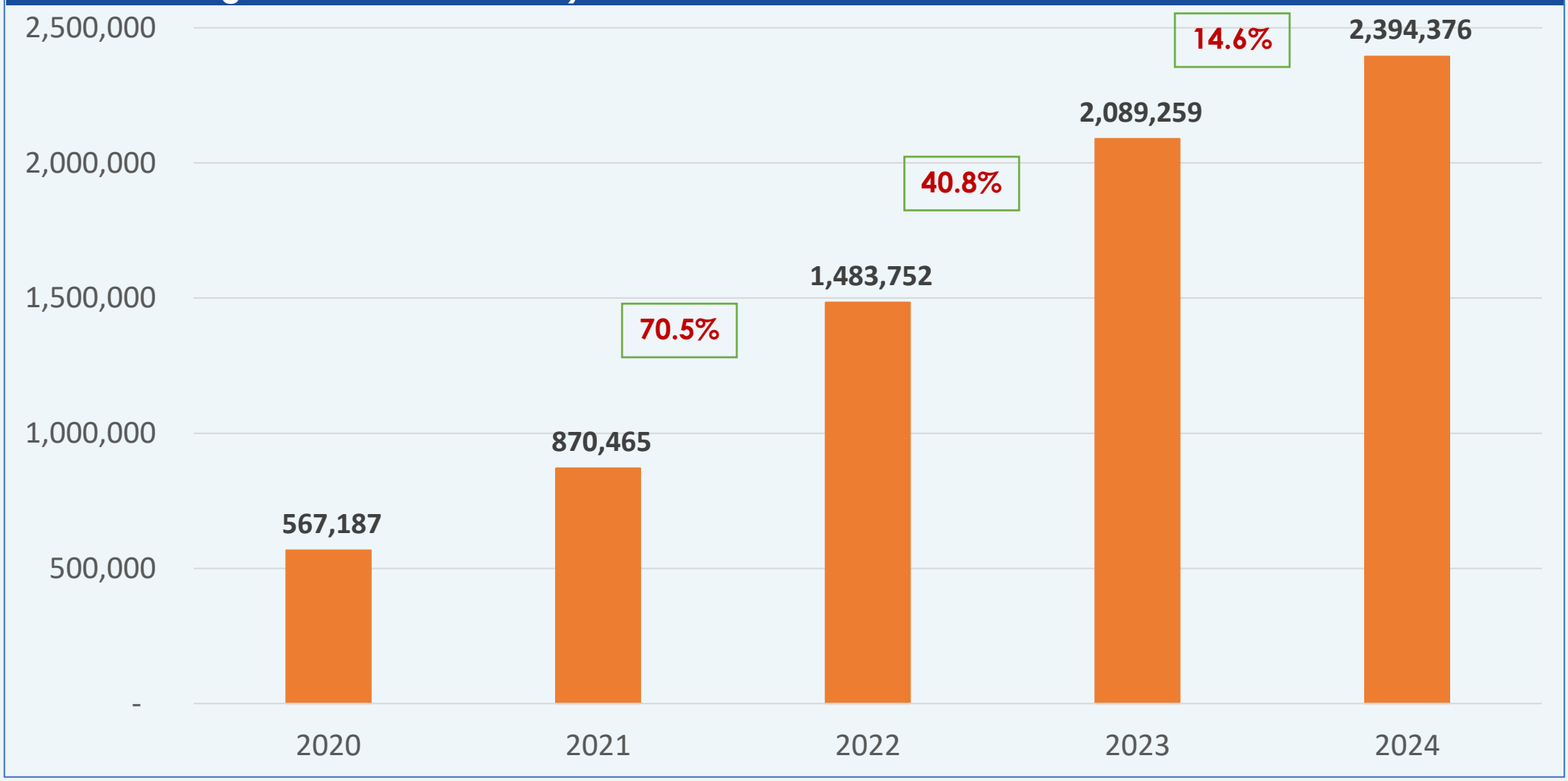


Source: CBK

Services exports:

Tourist arrivals remained strong in 2024, growing by 14.6 percent on account of recovery in international travel

Number and growth of tourist arrivals)



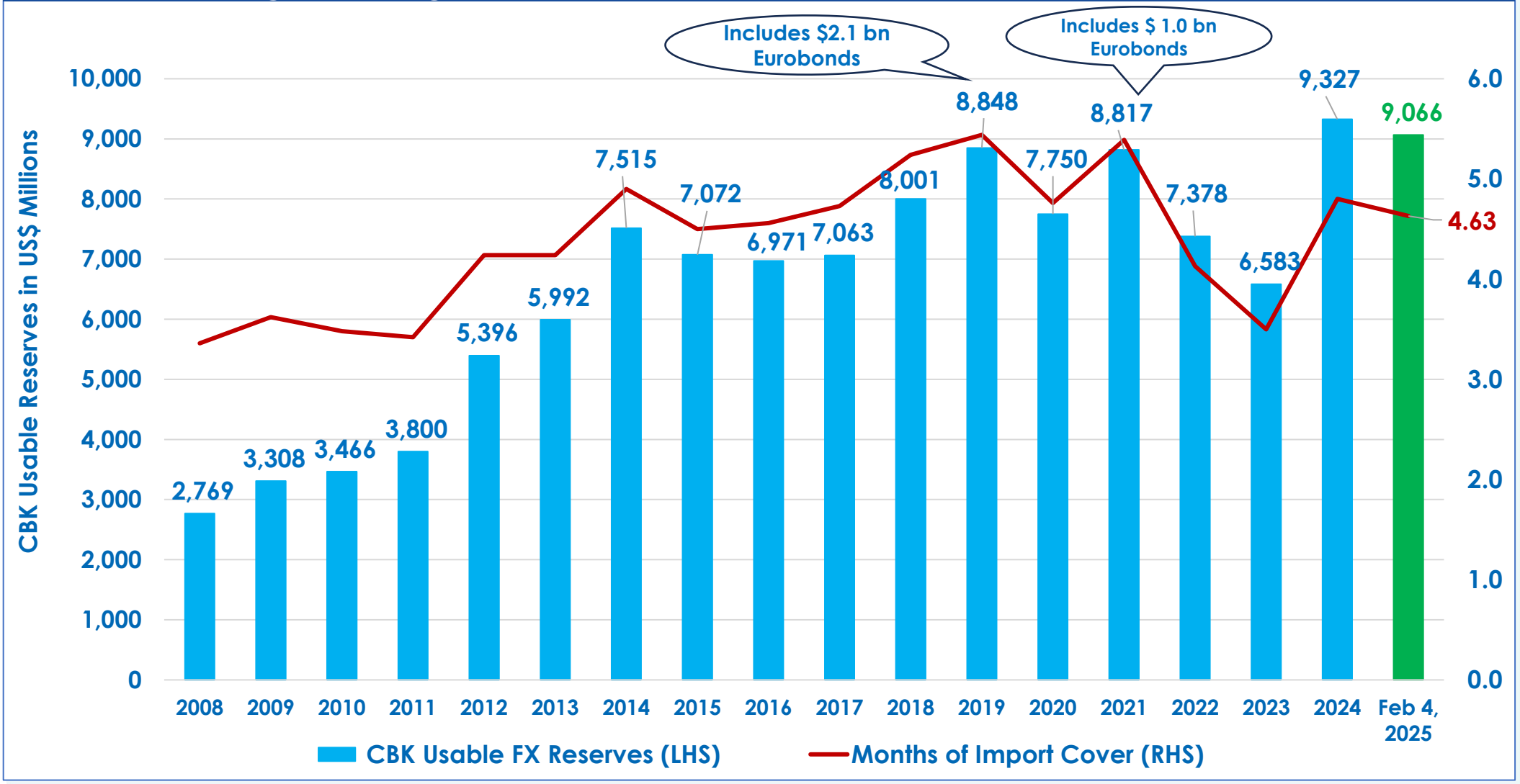
Source: Tourism Research Institute and Kenya Tourism Board

36.

CBK usable foreign exchange reserves:

Foreign exchange reserves are at highest levels and continue to provide adequate cover and a buffer against short-term shocks

CBK usable foreign exchange reserves (end period)



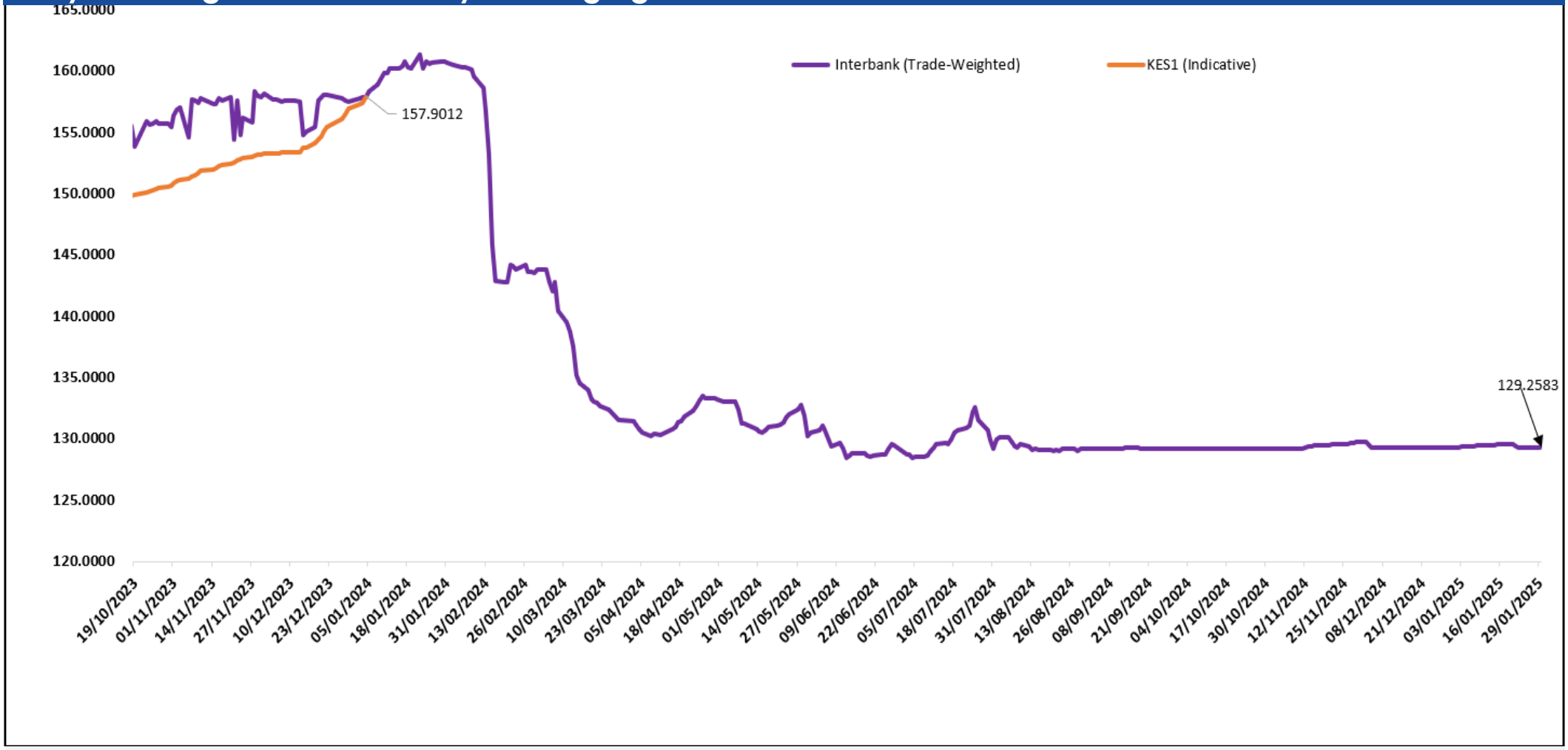
Source: CBK as of February 4, 2025

37.

Exchange rate developments:

The Kenya Shilling has remained stable, supported by foreign exchange inflows from offshore banks, remittances and tea, and improved confidence in the economy

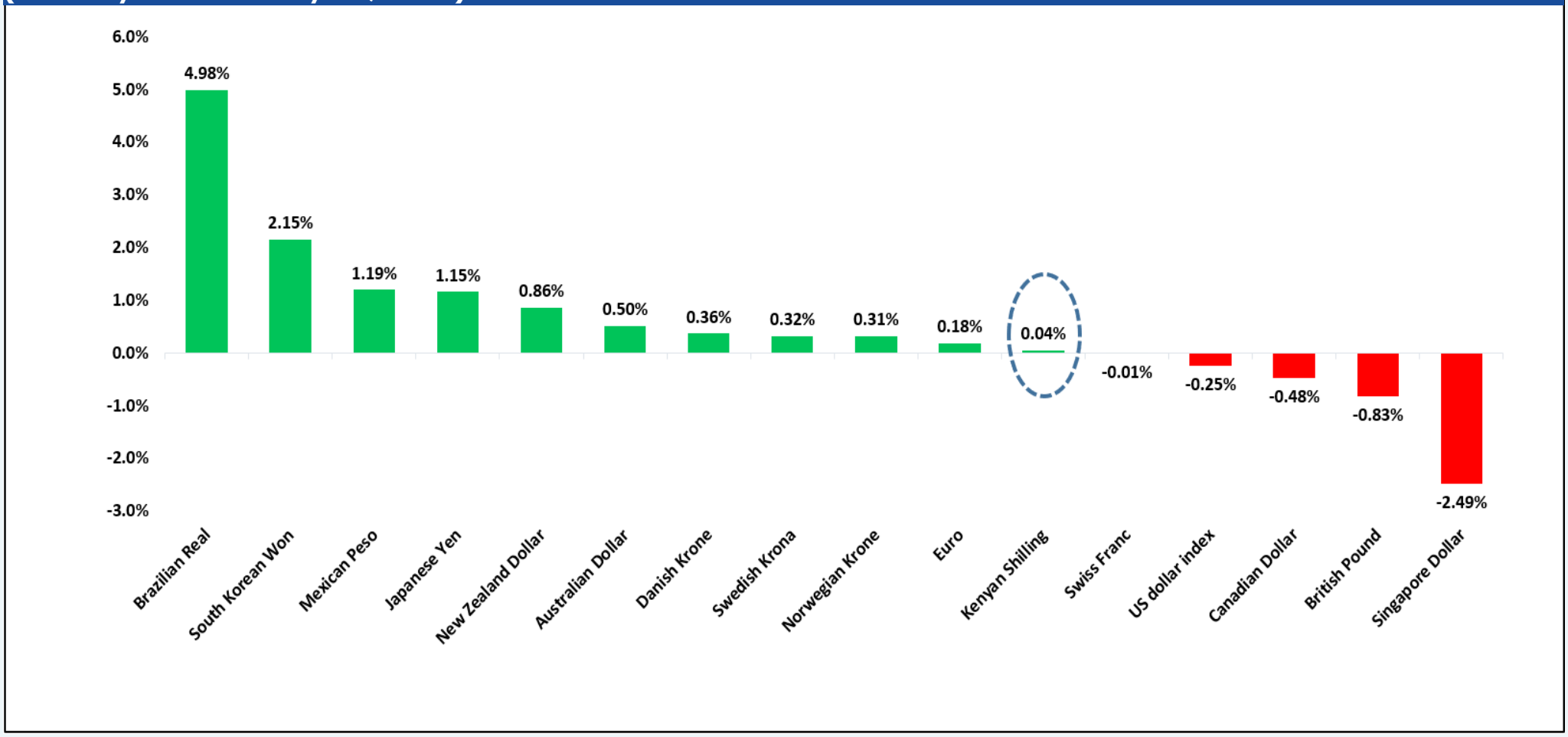
Daily exchange rate of the Kenya Shilling against the US Dollar



Source: CBK as of January 29, 2025

Exchange rate developments:
The Kenya Shilling has remained stable against the US Dollar

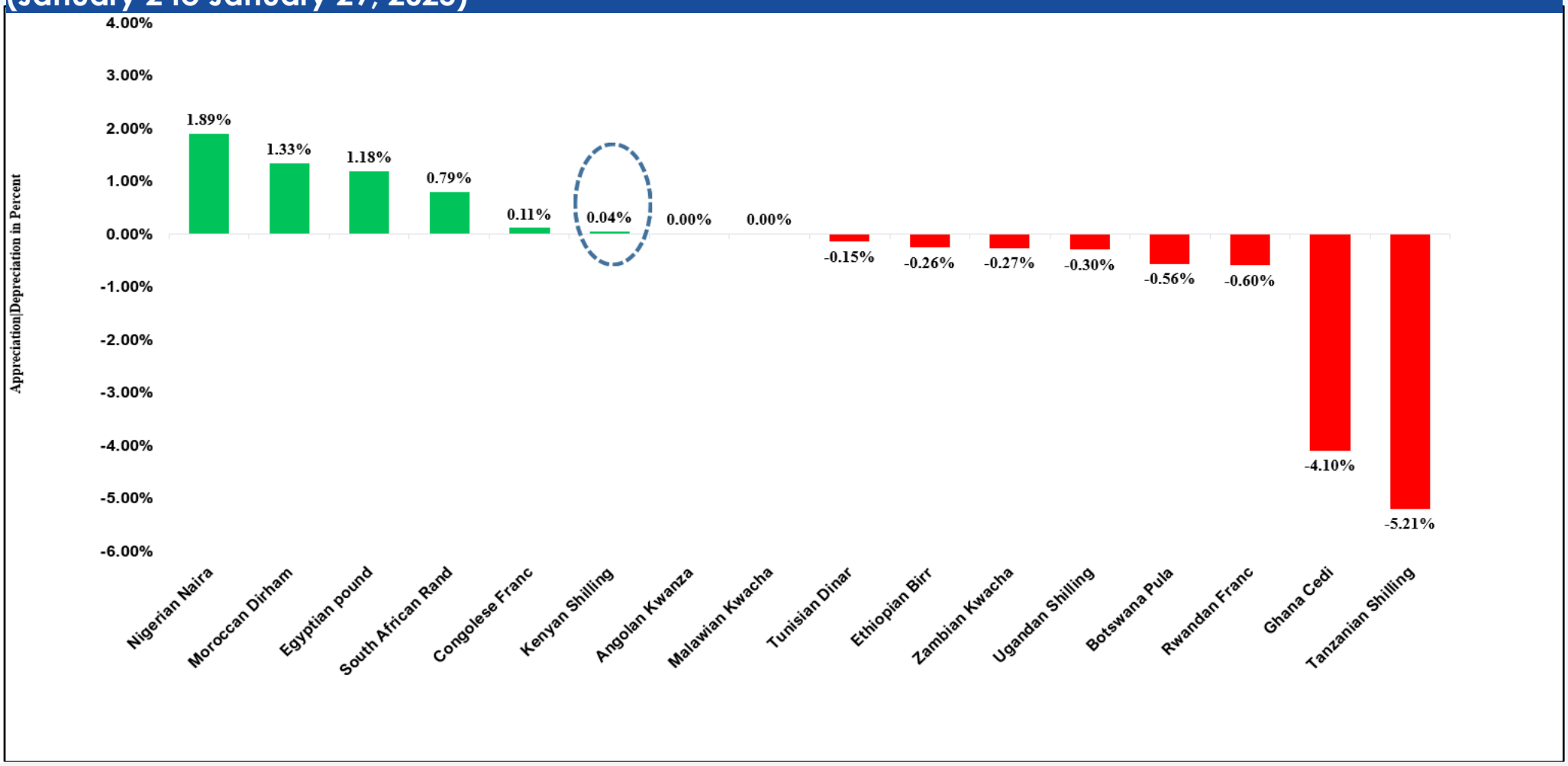
Change in the exchange rates of selected major global currencies against the US Dollar (January 2 to January 29, 2025)



Source: Refinitiv, as at January 29, 2025

Exchange rate developments:
The Kenya Shilling has remained stable against the US Dollar

Change in the exchange rates of selected major African currencies against the USD (January 2 to January 29, 2025)



Source: Refinitiv, as at January 29, 2025

Summary of balance of payments developments and outlook

- **The current account deficit is estimated at USD 4,543 million (3.7 percent of GDP) in 2024 compared to USD 4,294 million (4.0 percent of GDP) in 2023:**
  - Reflects Improved goods exports, strong diaspora remittance inflows, and lower oil imports.
  - The current account deficit was more than fully financed by capital and financial inflows, resulting in an overall balance of payments surplus of USD 1,466 million in 2024.
  - The surplus together with IMF disbursements, resulted in a buildup of gross reserves by USD 2,749 million.

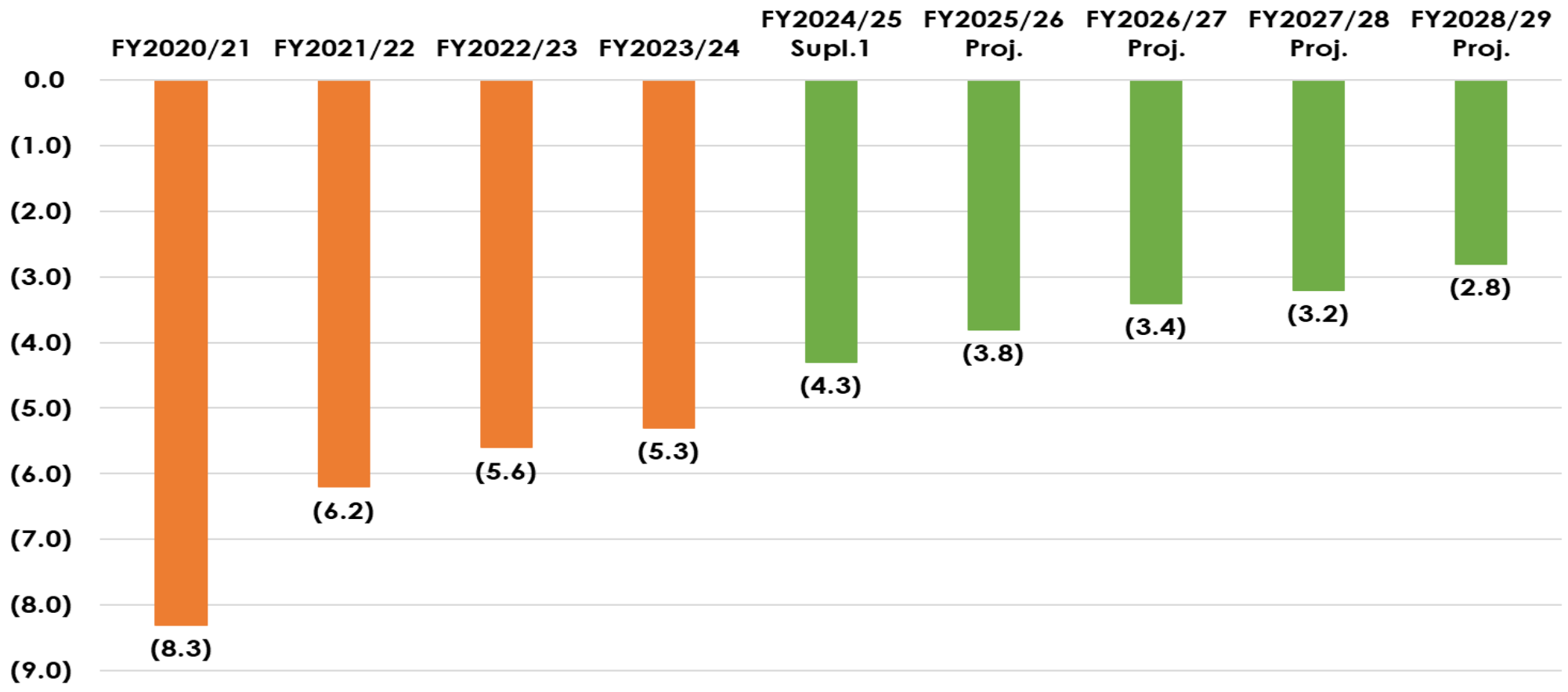
- **The current account deficit is projected at USD 5,587 million (3.8 percent of GDP)** in 2025, driven by imports of goods supported by a stable exchange rate, continued growth in exports, resilient remittances, and stable global oil prices.
  - The account deficit is expected to be more than fully financed by capital and financial inflows, resulting in an overall balance of payments surplus of USD 591 million in 2025.
  - The surplus, together with expected IMF disbursements is projected to result in a buildup of gross reserves by USD 1,451 million.

- **The main external sector risks relate to** trade tensions arising from rising US tariffs, escalation of geopolitical tensions, and uncertainty and volatility in the international oil markets.

Fiscal performance and outlook:

The fiscal consolidation over the medium-term should reduce debt vulnerabilities while moving the debt/GDP ratio towards a stronger sustainable position

Actual and expected fiscal deficit (percent of GDP)



Source: The National Treasury

C2: CBK - Official

Banking sector developments:
The banking sector remains stable and resilient

1. Total Capital adequacy ratio stood at 19.4 percent in December 2024, an increase from 19.1 percent in October 2024, while the liquidity ratio increased to 55.8 percent in December 2024 from 54.3 percent in October 2024.

   - The capital adequacy and liquidity ratios were above the minimum statutory limits of 14.5 percent and 20.0 percent, respectively.

2. The gross NPLs to gross loans ratio decreased marginally to 16.4 percent in December 2024 from 16.5 percent in October 2024 and 16.7 percent in September.

   - Banks have continued to make adequate provisions for the NPLs, and the sector remains profitable providing sufficient buffers.

3. Cumulative banking sector pre-tax profits increased by Ksh.36.0 billion (15.9 percent) to Ksh.262.3 billion in December 2024, compared to Ksh.226.3 billion in December 2023.

Summary and Key Takeaways

1. **Global inflation is expected to moderate in 2025, while global growth is expected to improve,** but uncertainties to the outlook are elevated.

2. **The monetary policy measures implemented by CBK have anchored macroeconomic stability**:
   - Overall inflation remains anchored within the target range.
   - The Kenya Shilling has remained stable, reflecting the narrowing in the current account deficit, and improved investor confidence.
   - This stability is also anchored on key reforms undertaken by CBK to strengthen the monetary policy framework, and to reinvigorate the interbank FX market.

3. **With the prevailing macroeconomic stability**, the performance of the Kenyan economy is expected to pick up in 2025, with real GDP growth expected to remain above the global and SSA averages.

4. **CBK is building on the prevailing macroeconomic stability to support the Government's economic growth objective**, as reflected in the further lowering of the CBR, and reduction of the CRR by the MPC to support lowering of lending rates and stimulate growth in credit to the private sector.

Thank You!