



Central Bank of Kenya

MONETARY POLICY COMMITTEE MEETING BACKGROUND INFORMATION

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Governor

Thursday, October 8, 2026

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Outline

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

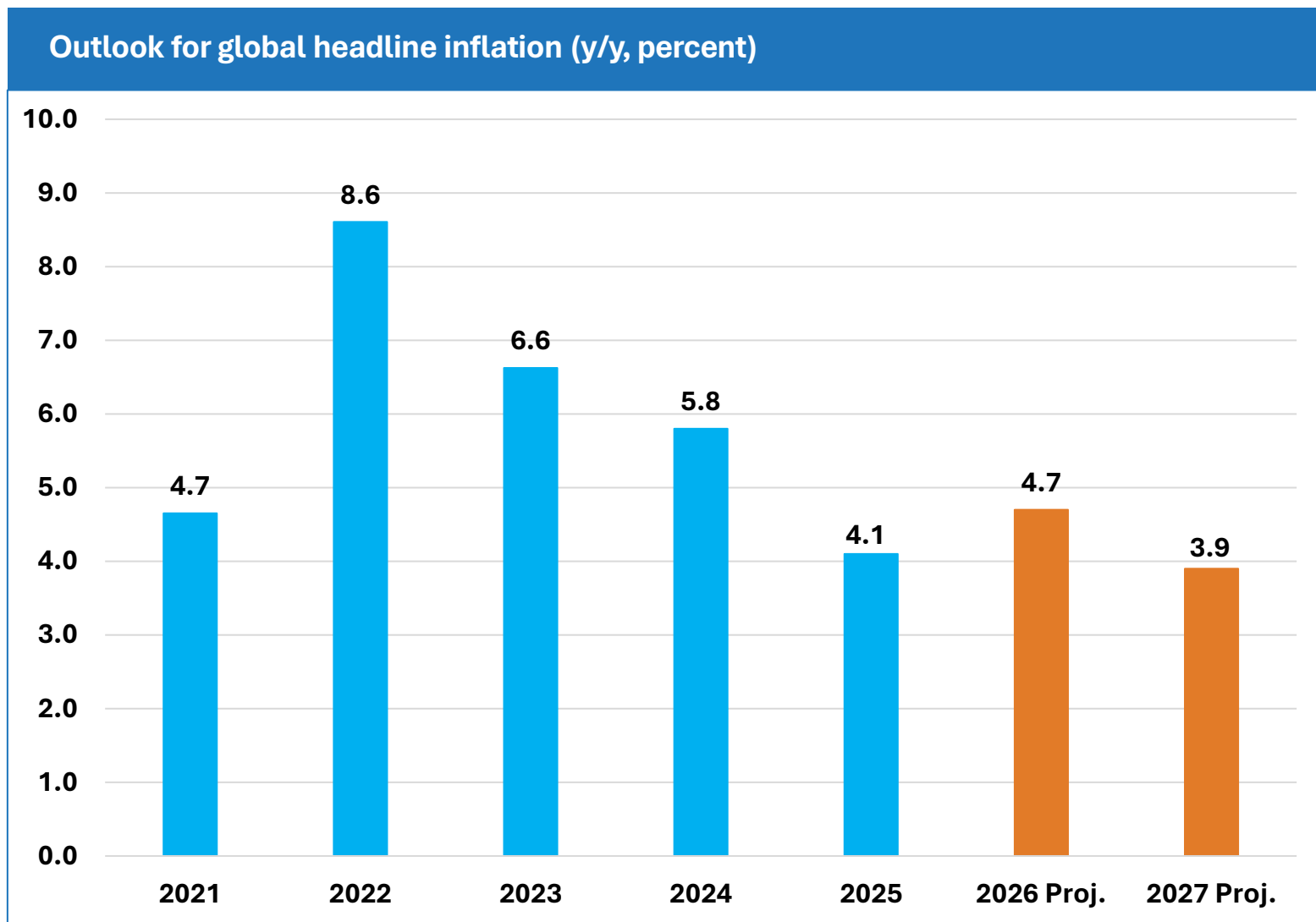
Monetary Policy Decisions

1. **During its Meeting on October 7, 2026, the Monetary Policy Committee (MPC) decided to maintain the Central Bank Rate (CBR) at 8.75 percent.**
2. **The MPC observed that:**
 - Global energy prices have remained elevated due to continued disruptions to oil supply arising from the conflict in the Middle East.
 - Kenya's overall inflation is expected to remain within the target range in the near term. This will be supported by: appropriate monetary policy actions; government interventions including subsidies and the temporary reduction of VAT on fuel; and a stable exchange rate.
 - Central banks in the major economies have remained cautious, with some making modest upward adjustments to their policy rates, while others have kept their policy rates unchanged as they continue to assess the impact of the conflict in the Middle East on their inflation and growth outlooks.
 - Average bank lending rates in the domestic market have declined, and as a result private sector credit growth has continued to improve.
 - Having considered these developments, the MPC concluded that the current monetary policy stance, with the CBR unchanged at 8.75 percent, remains appropriate to ensure that inflation expectations remain anchored within the target range, and the exchange rate remains stable.
3. **The MPC will continue monitoring the evolution of global oil prices and any second-round effects on inflation, as well as other developments in the global and domestic economies, and stands ready to take further action as necessary in line with its mandate.**
4. **The Committee will meet again in December 2026.**

Global Economic Developments and Outlook

Global inflation outlook:

Global inflation is expected to increase in 2026, mainly on account of higher energy and food prices.



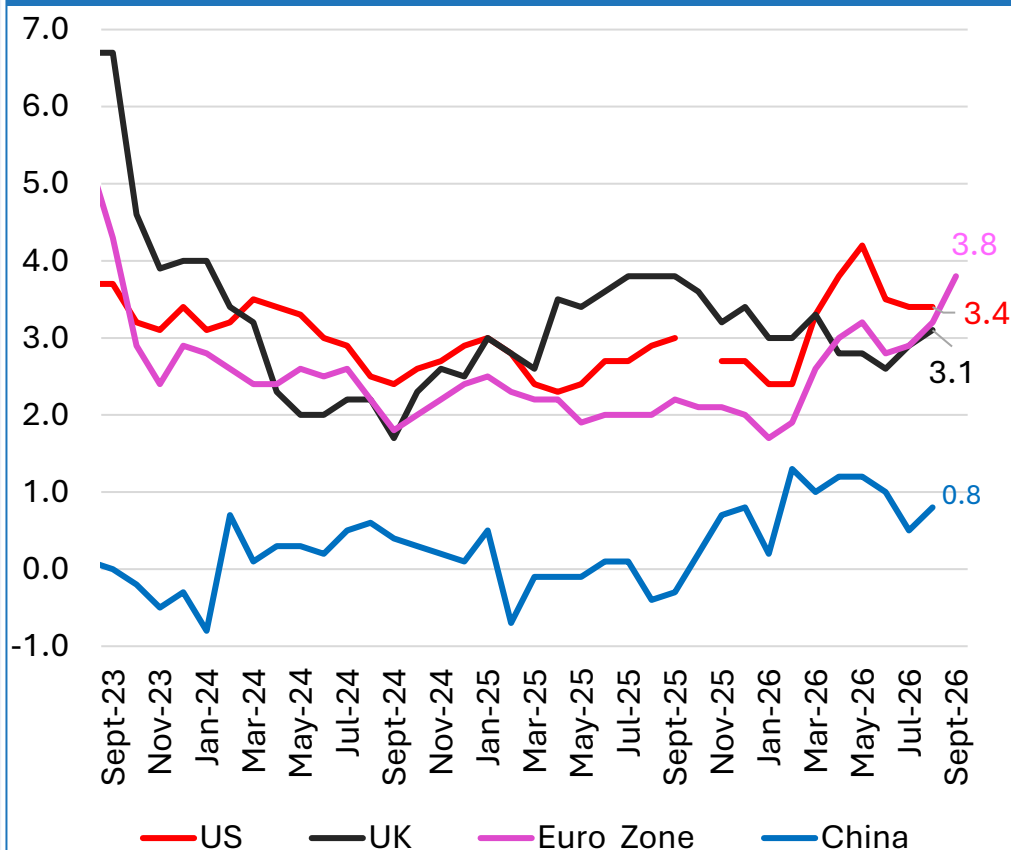
- Global inflation is projected at 4.7 percent in 2026, up from the previous projection of 4.4 percent, with energy prices expected to remain higher than they were before the conflict in the Middle East.
- Central banks in the major economies have remained cautious in their policy actions. The US Fed and ECB raised their policy rates by 25 basis points in their most recent meetings, while BOE and Bank of Canada have kept their policy rates unchanged.

Source: IMF World Economic Outlook, July 2026

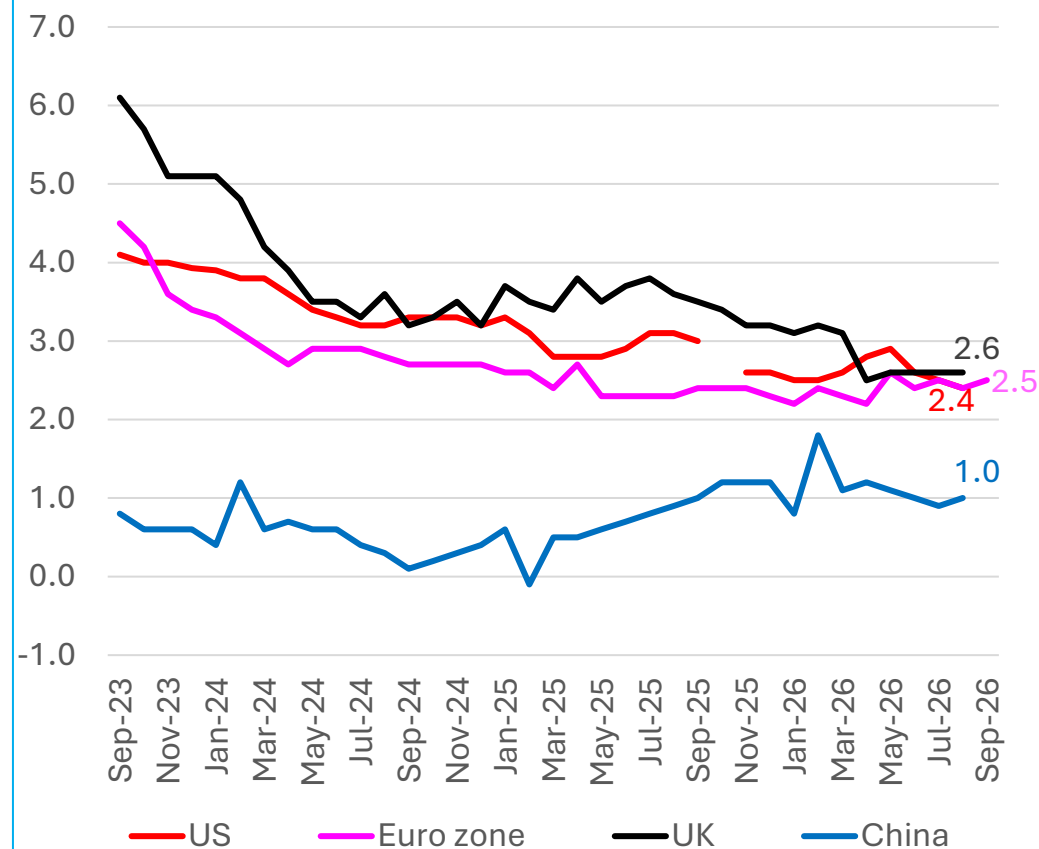
Inflation in major economies:

Inflation rates in most major economies have increased in recent months and remained above their respective targets, due to higher energy and food prices, and stickiness of core inflation rates.

Headline CPI inflation rates (y/y, percent)



Core CPI inflation rates (y/y, percent)



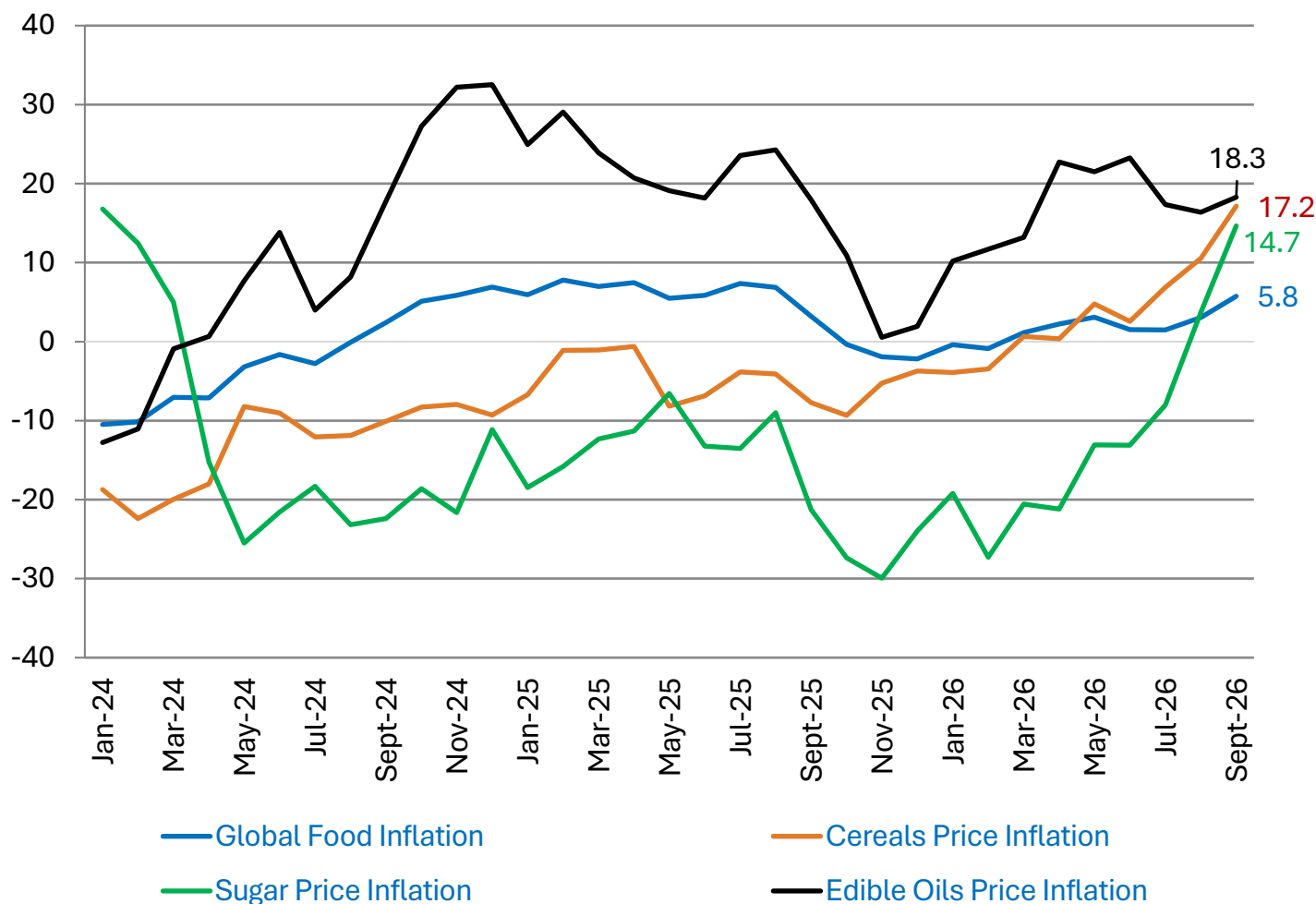
Source: Websites of Statistics Offices/Central Banks of respective countries

- **US headline inflation** remained steady in July and August 2026, with higher fuel prices remaining the main driver of inflation.
- **UK headline inflation** rose in August 2026 on account of higher energy prices, but core inflation remained steady.
- **Eurozone inflation** rose sharply in September 2026, driven by higher energy prices attributed to higher international oil prices.
- **China's inflation** rose slightly in August 2026 but remained low mainly due to weak domestic demand.

Global commodity prices:

Food inflation increased in September 2026, driven by higher prices of edible oils, cereals and sugar.

Global food inflation (y/y, percent)



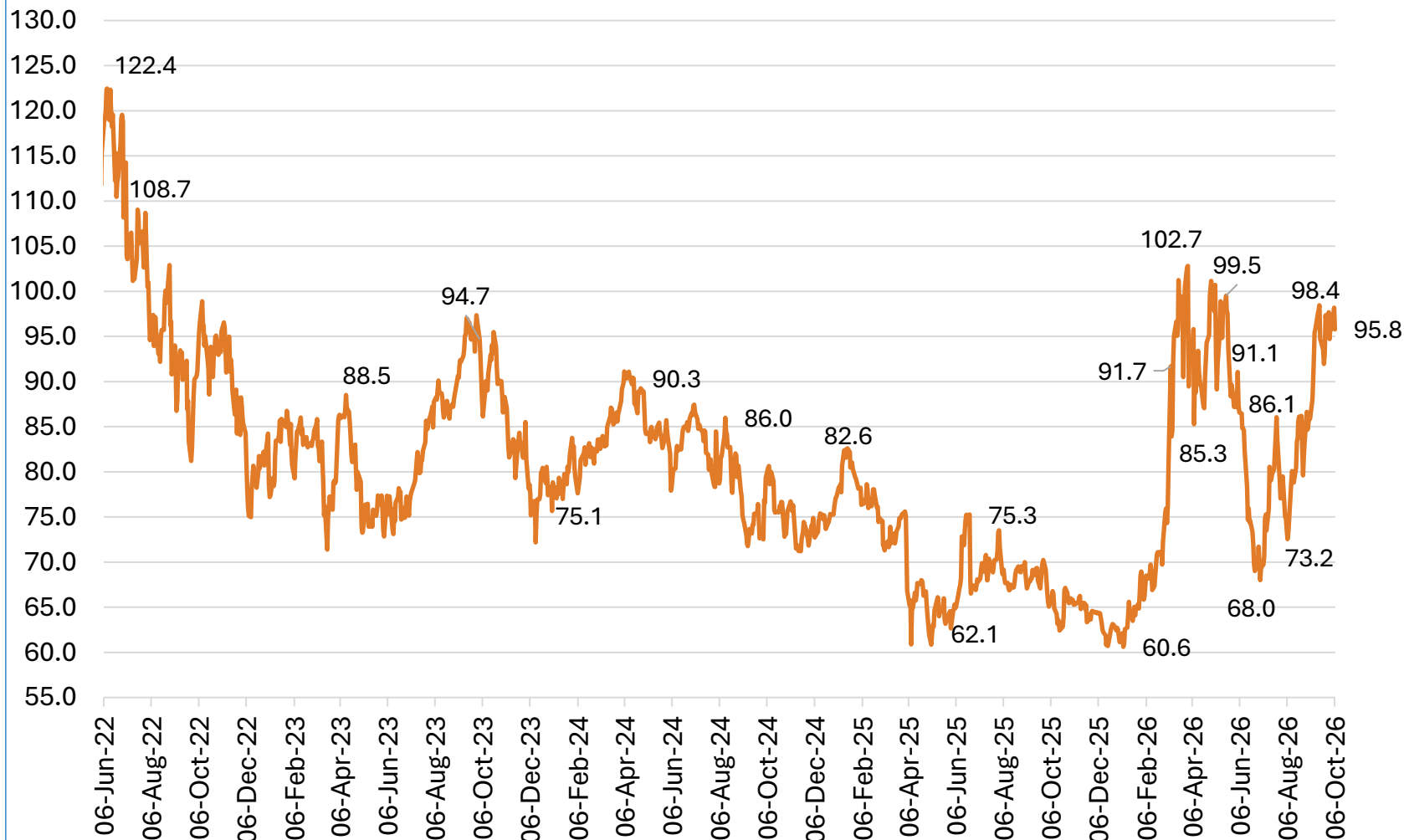
- Edible oils prices increased on account of higher palm oil prices. Palm oil prices rose for the fourth consecutive month, driven by strong global import demand and concerns over the impact of dry weather on production in Southeast Asia.
- Cereals prices rose due to higher wheat and maize prices. Wheat prices rose due to supply constraints in the Black Sea region, and dry weather conditions in North America. Maize prices rose due to reduced supply following lower-than-anticipated yields in the USA and less exports in Brazil.
- Sugar prices increased due to tighter supplies in the EU on account of adverse weather conditions, lower sugar production in Thailand, and concerns over production in India due to below-normal rainfall and strengthening El Niño conditions.

Source: UN FAO Food Index

Global commodity prices:

International oil prices have remained elevated and volatile due to continued supply disruptions arising from the conflict in the Middle East, and heightened global uncertainties.

Murban oil price (USD, per barrel)



Source: Refinitiv.com

- The outlook for international oil prices remains uncertain and is predicated on the length and severity of the conflict in the Middle East.

Global economic growth outlook:

Global growth is projected to moderate in 2026, mainly due to higher energy prices arising from the conflict in the Middle East and elevated trade policy uncertainties. Nevertheless, global growth continues to be supported by robust growth in the United States, driven mainly by strong artificial intelligence (AI)-related investments.

September 2026 OECD Interim Economic Outlook: Global and selected countries' GDP growth (y/y, percent)

	2025	2026		2027	
		Interim EO projections	Difference from June EO	Interim EO projections	Difference from June EO
World	3.4	2.9	0.1	3.0	-0.1
G20 ¹	3.3	3.1	0.1	3.0	0.0
Australia	2.0	1.9	0.0	1.7	-0.1
Canada	1.9	0.9	-0.3	1.3	-0.4
Euro area	1.3	1.0	0.2	1.0	-0.2
Germany	0.3	1.1	0.4	1.1	0.0
France	0.9	0.4	-0.3	0.7	-0.1
Italy	0.5	0.9	0.4	0.6	0.0
Spain ²	2.8	2.6	0.4	1.8	0.1
Japan	1.2	0.8	0.2	0.7	-0.1
Korea	1.1	3.7	1.1	2.6	0.7
Mexico	0.7	1.5	0.7	1.8	0.0
Türkiye	3.7	2.7	-0.4	3.6	-0.2
United Kingdom	1.3	1.1	0.2	1.0	-0.1
United States	2.1	2.2	0.2	2.1	0.3
Argentina	4.5	2.6	-0.2	3.0	-0.5
Brazil	2.3	2.0	0.4	1.9	-0.2
China	5.0	4.5	0.0	4.2	-0.1
India ³	7.8	7.1	0.8	6.5	0.1
Indonesia	5.1	5.2	0.5	5.1	0.1
Russia	1.0	0.5	0.0	0.6	-0.2
Saudi Arabia	4.6	-1.8	-5.0	4.1	-0.2
South Africa	1.1	1.2	0.0	1.3	-0.3

Note: Difference from June 2026 OECD Economic Outlook in percentage points, based on rounded figures. World and G20 aggregates use moving nominal GDP weights at purchasing power parities (PPPs). Revisions to PPP estimates affect the differences in the aggregates. Based on data available up to 16 September 2026.

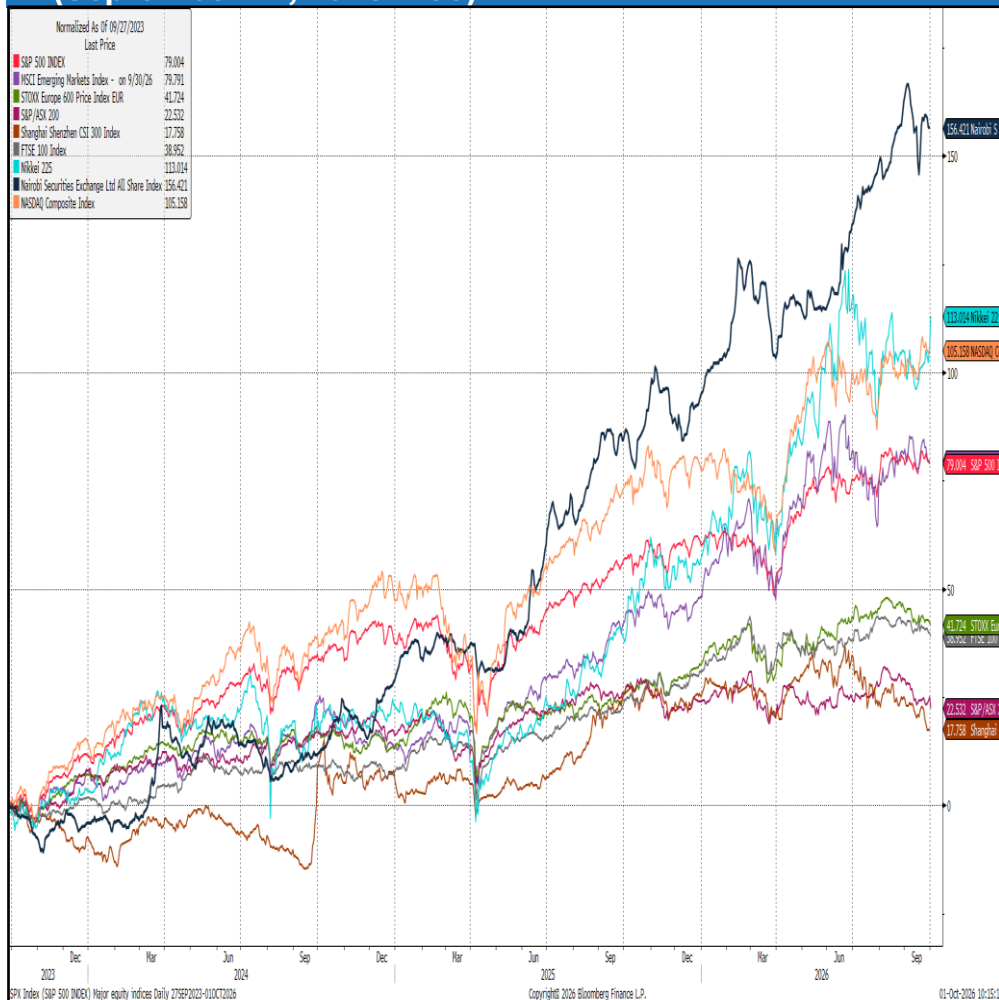
1. The European Union is a full member of the G20, but the G20 aggregate only includes countries that are also members in their own right.
2. Spain is a permanent invitee to the G20.
3. Fiscal years, starting in April.

Source: OECD Interim Economic Outlook 120 database; and OECD Economic Outlook 119 database.

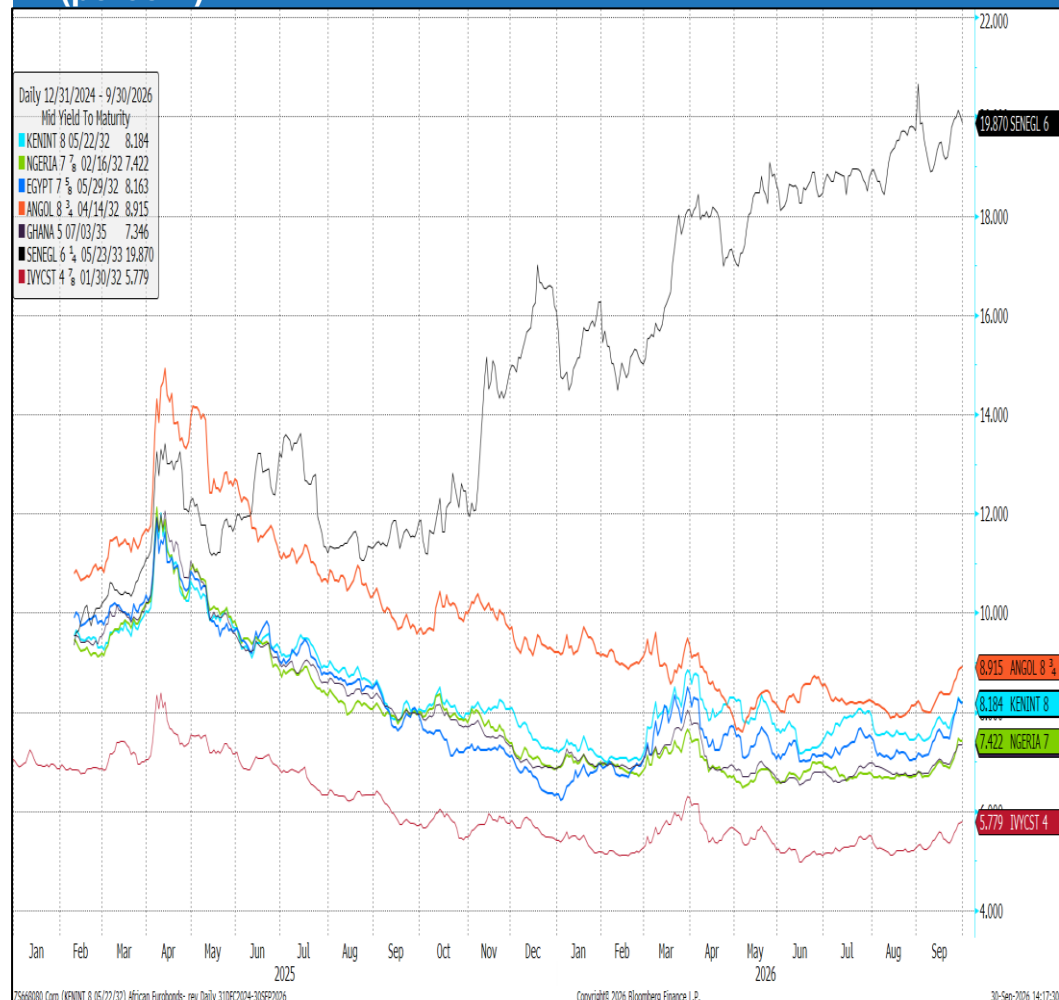
Global financial conditions:

Financial conditions have tightened, reflected in increased Eurobond yields for some EMDEs and decline in equity markets in September/October 2026, partly due to the rise in interest rates in some major economies.

Performance of selected Stock Indices (September 27, 2023=100)



Select African Countries' Eurobond yields (percent)



Sources: Bloomberg as of October 1, 2026

Summary on global developments and outlook

- **Global inflation is projected to increase in 2026**, mainly due to higher energy and food prices.
- **Central banks in the major economies have remained cautious**, with some making modest upward adjustments to their policy rates while others have kept their policy rates unchanged as they continue to assess the impact of the conflict in the Middle East on their inflation and growth outlooks.
- **Global growth is projected to moderate in 2026** on account of higher energy prices and elevated uncertainty.
- **Global financial conditions have tightened**, reflected in increased Eurobond yields for some EMDEs and decline in equity markets, partly due to the rise in interest rates in some major economies. Higher Eurobond yields have implications on issuance of bonds in the EMDEs due to higher interest costs.
- **Risks to the global growth outlook remain elevated** due to the ongoing conflict in the Middle East, elevated trade policy uncertainty, the Russia-Ukraine conflict, weak global demand, and potential weather-related shocks due to El-Nino.
- **Kenya's growth is expected to remain above the global, EMDEs and SSA growth averages**, mainly reflecting the resilience and diversified nature of the economy.

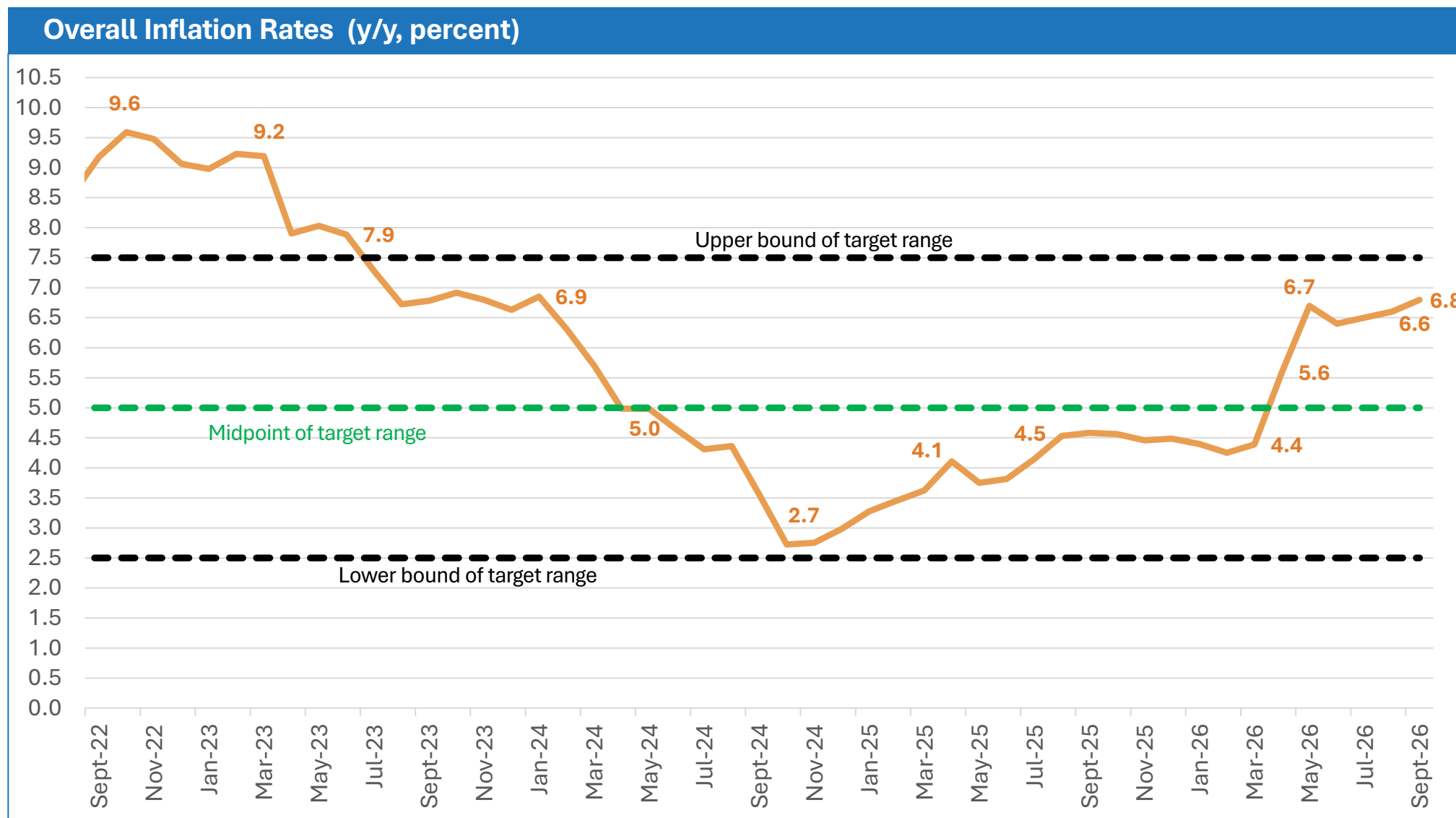
Domestic Economic Developments and Outlook

Inflation developments and outlook

9a.

Domestic Inflation developments:

Despite the elevated global energy prices, Kenya's overall inflation has remained within the target range, supported by appropriate monetary policy actions, stable exchange rate, and impact of Government interventions.



Note: Core inflation basket accounts for 81.1 percent of the overall CPI basket.

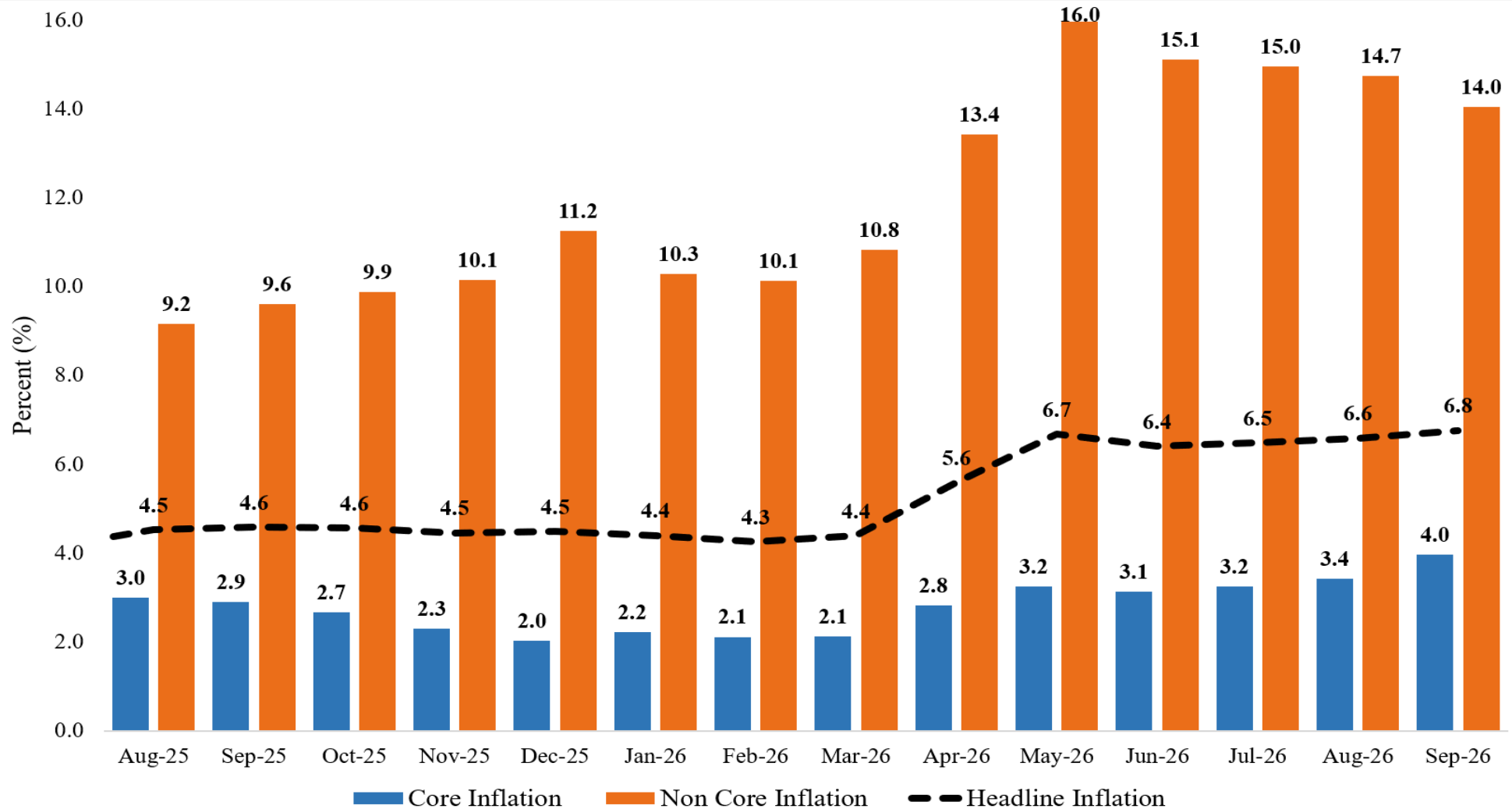
Source: Kenya National Bureau of Statistics and CBK

9b.

Domestic inflation developments:

Overall inflation remained within the target range in September 2026, but increased to 6.8 percent from 6.6 percent in August, driven by a higher core inflation rate.

Inflation by broad category (y/y, percent)

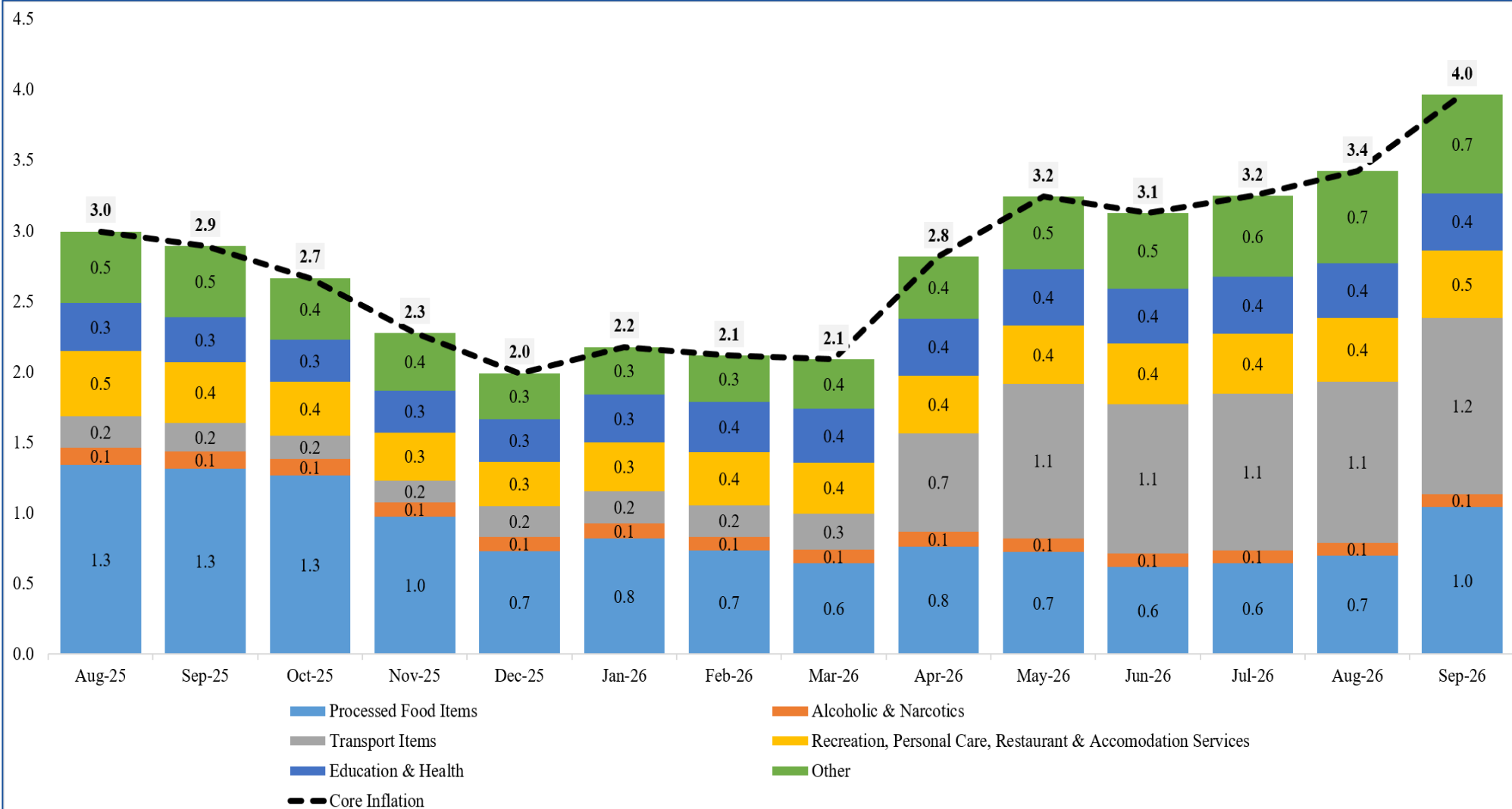


Source: Kenya National Bureau of Statistics

Main drivers of core inflation:

Core inflation increased in September 2026, mainly driven by higher prices of some processed foods items, particularly milk, wheat products, and edible oils.

Contributions to core inflation (percentage points)

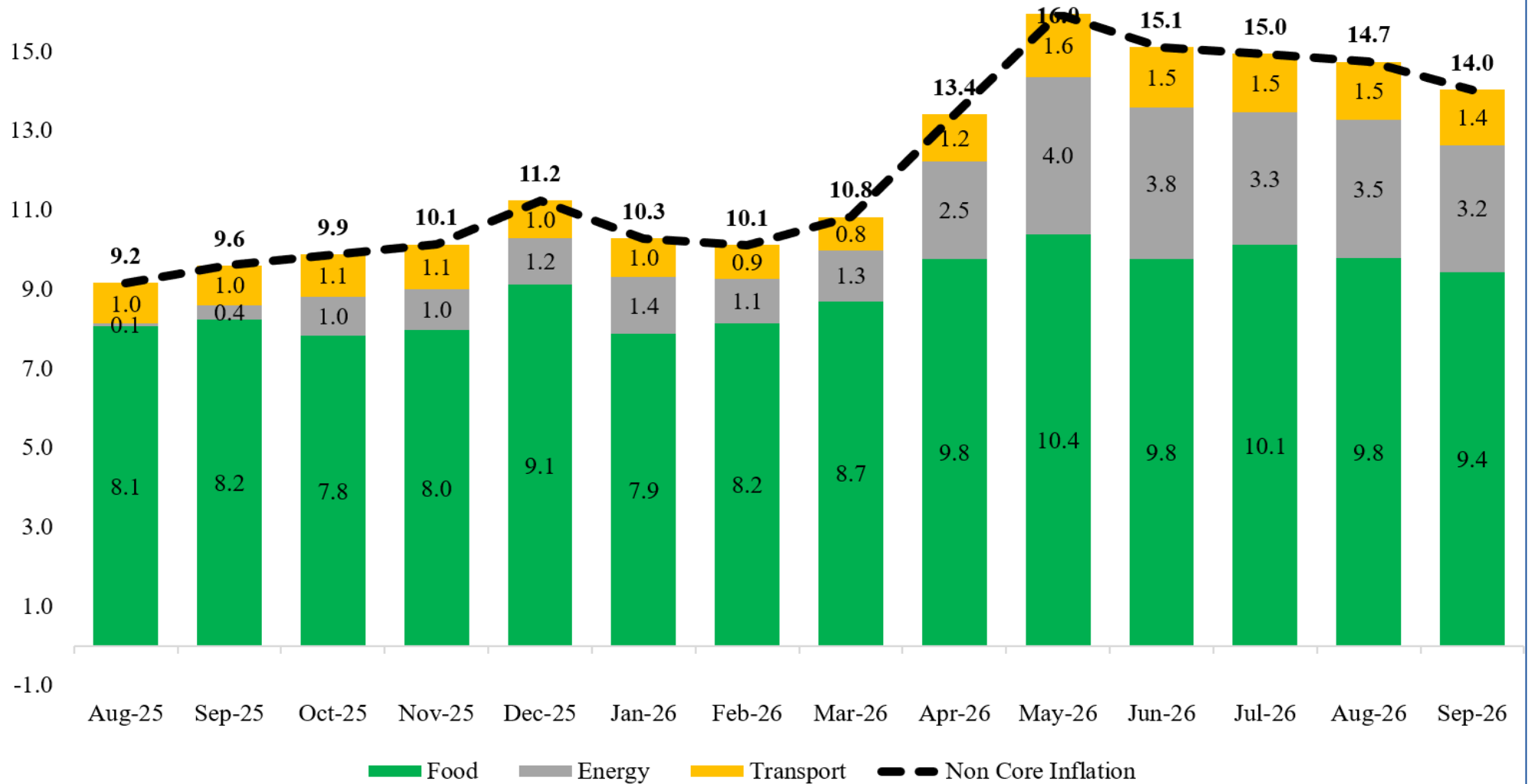


Source: KNBS and CBK computations

Main drivers of non-core inflation:

Non core inflation declined in September 2026, mainly reflecting a decline in vegetable prices inflation, and lower energy prices inflation. Government interventions, including subsidies and the temporary reduction of VAT on fuel, continue to mitigate inflationary pressures.

Contributions to non-core inflation (percentage points)

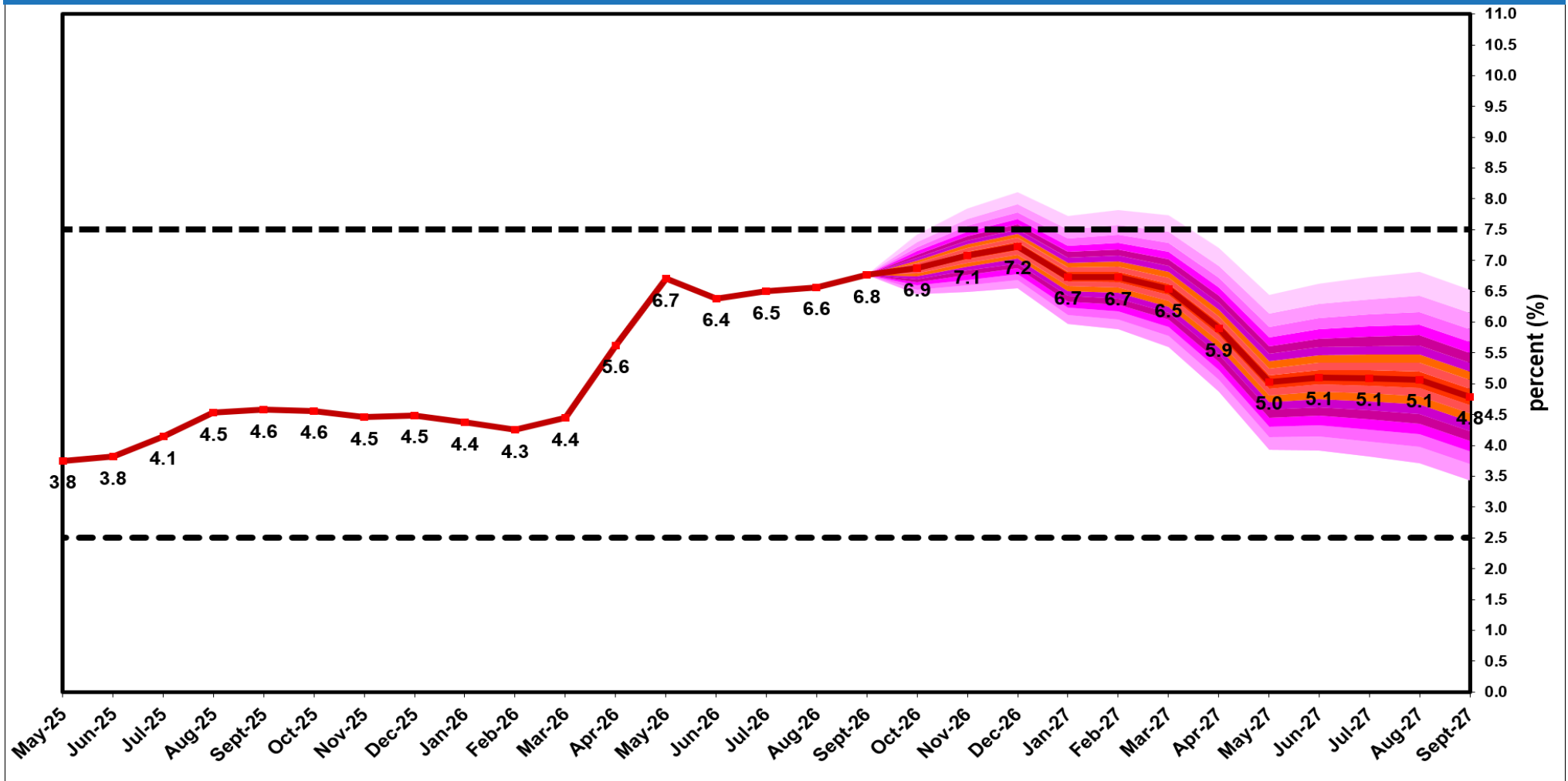


Source: KNBS and CBK

Inflation Projections:

Overall inflation is expected to remain within the target range in the near term, supported by appropriate monetary policy actions, government interventions, and a stable exchange rate.

Overall inflation projections: October 2026 to September 2027 (y/y, percent)

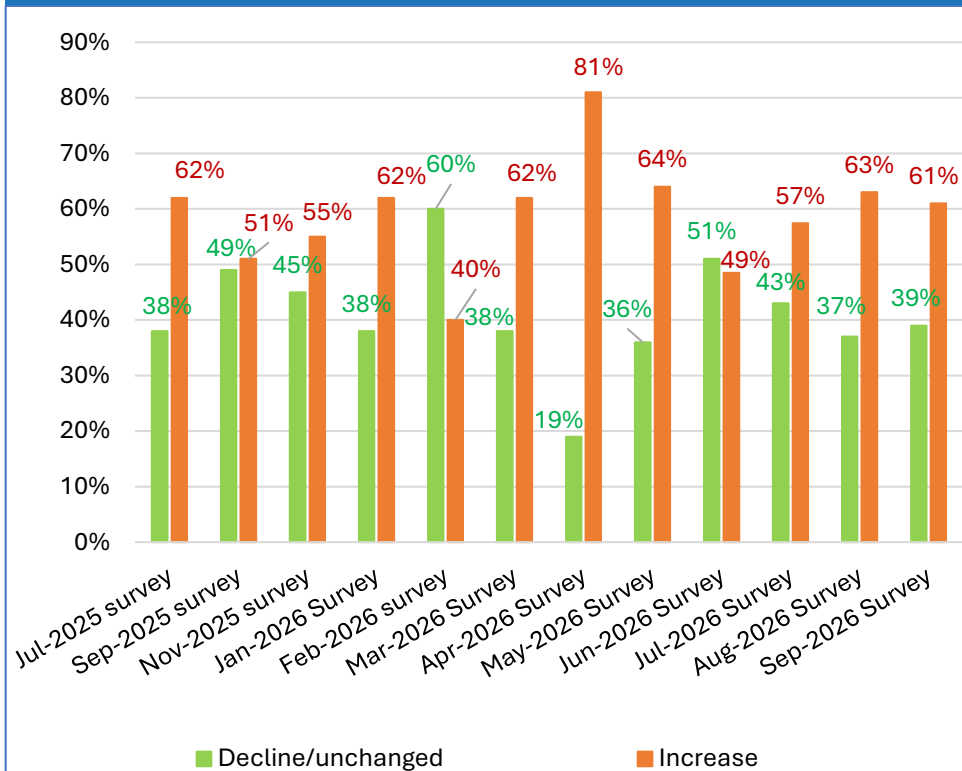


Source: KNBS, and CBK for projections

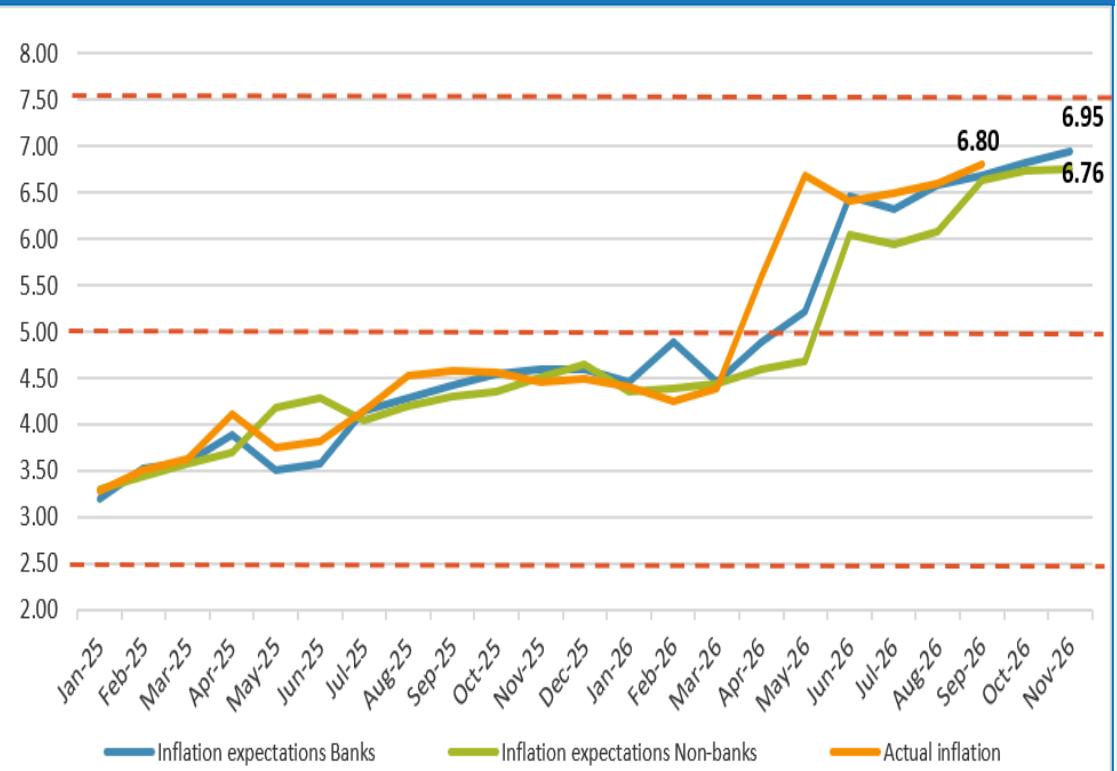
Inflation expectations:

The September 2026 MPC Market Perceptions Survey and Agriculture Sector Survey show that inflation expectations remain anchored within the 5±2.5 percent target range despite the impact of high energy prices.

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)



- The September 2026 Market Perceptions Survey and Agriculture Sector Survey show that most respondents expect some moderate upward pressure on inflation due to high fuel prices, arising from the conflict in the Middle East.
- However, respondents expect inflation to remain within the target range in the near term, due to exchange rate stability, and an expected decline in food prices due to the predicted above average rainfall between October and December 2026.

Summary on developments and outlook for inflation

1. **Overall inflation is expected to remain within the 5 ± 2.5 percent target range in the near term,** supported by:
 - Appropriate monetary policy actions.
 - Government interventions including subsidies and reduction of VAT on fuel.
 - Exchange rate stability is expected to continue moderating the impact of imported inflation.
2. **The September 2026 MPC Surveys** show that inflation expectations remained anchored within the target range, despite effects of high energy prices.
3. **The main risks to the inflation outlook relate to:** heightened geopolitical risks particularly the conflict in the Middle East which has resulted in volatility in global oil prices; continued Ukraine-Russia conflict; and potential supply chain disruptions with risks on food prices due to the envisaged El-Nino effect.

GDP growth developments and outlook

Domestic economic growth:

The projected growth of the economy in 2026 has been revised upwards to 5.0 percent from 4.9 percent, mainly reflecting stronger industry and services sectors. This growth is up from 4.6 percent in 2025.

Real GDP growth (y/y, percent)

	Weight (2009– 2025)	2021 Act.	2022 Act.	2023 Act.	2024 Act.	2025 Act.	2026 Annual Proj.	2027 Annual Proj.
1. Agriculture	19.8	-0.4	-1.5	6.6	4.4	3.1	3.0	4.3
2. Non-Agriculture (o/w)	80.2	9.5	6.3	5.5	4.7	4.9	5.4	5.6
2.1 Industry	17.8	7.5	3.9	2.0	1.1	4.7	5.2	4.8
Mining & Quarrying	1.1	18.0	9.3	-6.5	-7.8	14.9	9.7	9.6
Manufacturing	9.1	7.3	2.6	2.2	3.0	2.0	3.2	3.1
Electricity & water supply	2.6	5.6	5.5	3.2	2.7	5.2	5.4	5.1
Construction	5.1	6.7	4.1	3.0	-0.7	6.8	7.2	6.1
2.2 Services	53.8	9.8	7.0	7.0	6.0	5.3	5.6	5.9
Wholesale & Retail Trade	8.2	8.0	3.5	3.3	4.0	3.6	4.2	4.7
Accommodation & food services	1.1	52.6	26.8	33.6	25.9	15.6	14.8	12.9
Transport & Storage	9.8	7.4	5.8	5.5	4.3	3.7	3.8	4.4
Information & Communication	2.7	6.1	9.0	10.3	7.1	4.8	5.2	6.8
Financial & Insurance	7.8	11.5	12.0	10.1	7.5	6.5	6.4	6.5
Public administration	5.7	6.0	5.1	5.0	8.7	8.3	5.6	5.5
Professional, Admin & Support Services	3.0	7.1	9.5	9.9	6.4	5.0	5.2	6.4
Real estate	9.5	6.7	4.5	7.3	5.3	3.9	5.2	6.4
Education	4.7	22.8	5.2	2.9	4.8	2.8	5.0	5.1
Health	2.1	8.9	3.4	4.5	6.0	5.5	5.4	5.3
Other services	2.4	12.5	6.5	4.3	4.5	2.6	3.2	4.2
FISIM	-3.0	5.3	0.2	2.7	9.7	0.2	0.2	3.4
2.3 Taxes on products	8.6	11.9	6.7	3.2	3.3	3.1	4.5	4.5
Real GDP Growth	100.0	7.6	4.9	5.7	4.7	4.6	5.0	5.3

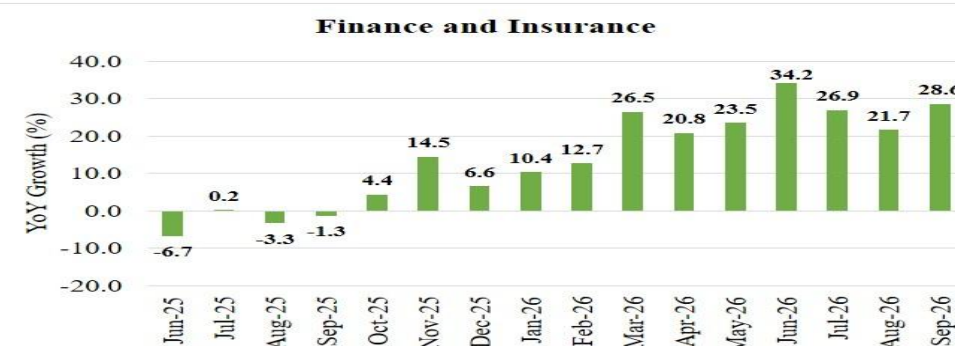
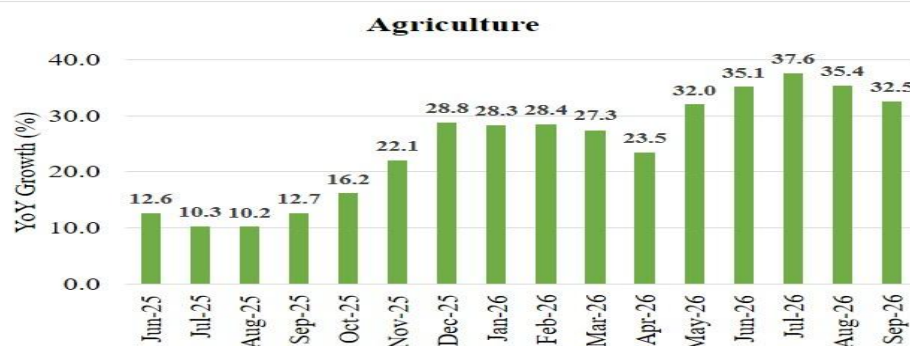
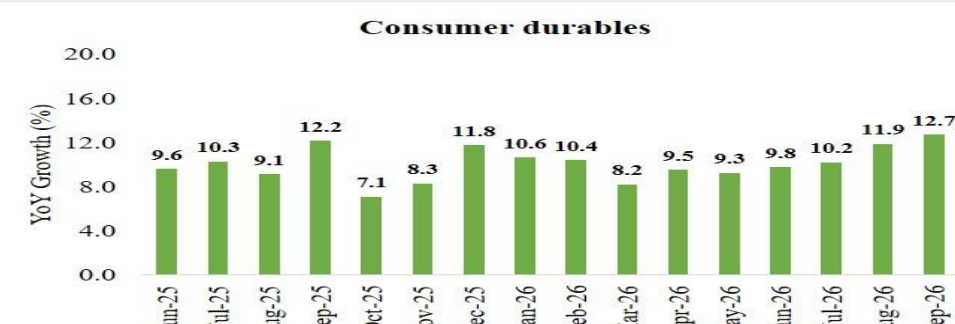
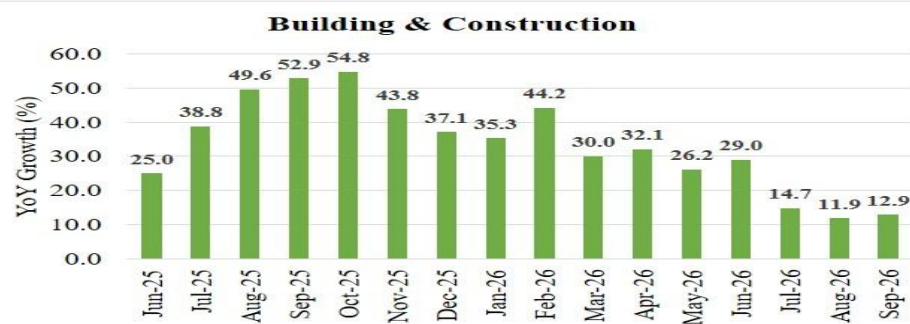
Source: Kenya National Bureau of Statistics and Central Bank of Kenya

- **Agricultural sector growth** is subject to developments in weather conditions.
- **Industrial sector growth** is expected to remain strong on account of a robust construction sector, driven by the affordable housing programme, ongoing infrastructure projects, continued settlement of pending bills, and implementation of Public Private Partnerships. The private sector has been driving a large component of construction activities, supported by lower commercial banks lending rates.
- **Services sector** growth is expected to remain resilient, boosted by increased digitization.
- **Improved uptake of credit across key sectors is expected** to support growth, particularly in trade, building and construction, agriculture, finance and insurance, and consumer durables sectors.
- **This outlook is subject to risks**, particularly prolonged geopolitical tensions and elevated trade policy uncertainties, as well as the potential severe impact of the El Niño weather phenomenon.

Sectoral credit to private sector:

Growth in credit to key sectors of the economy, particularly trade, building and construction, agriculture, consumer durables, and finance and insurance has remained strong, reflecting improved demand for credit.

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

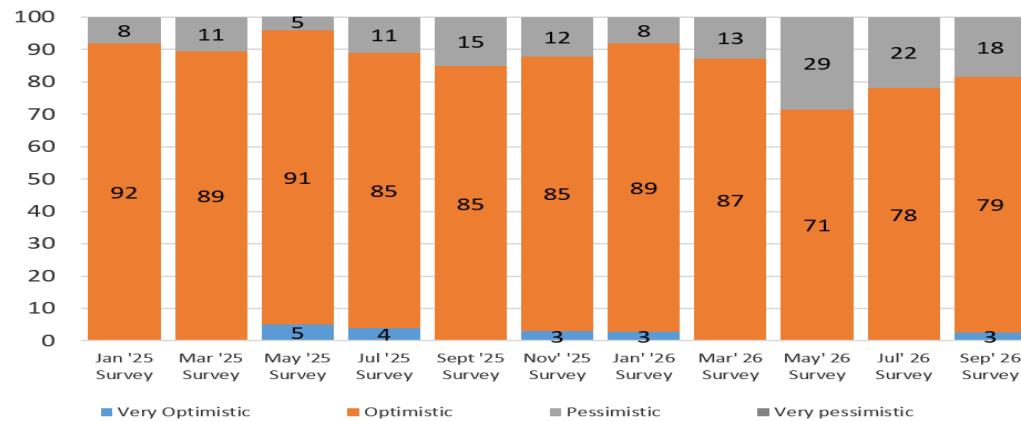


Source: Central Bank of Kenya

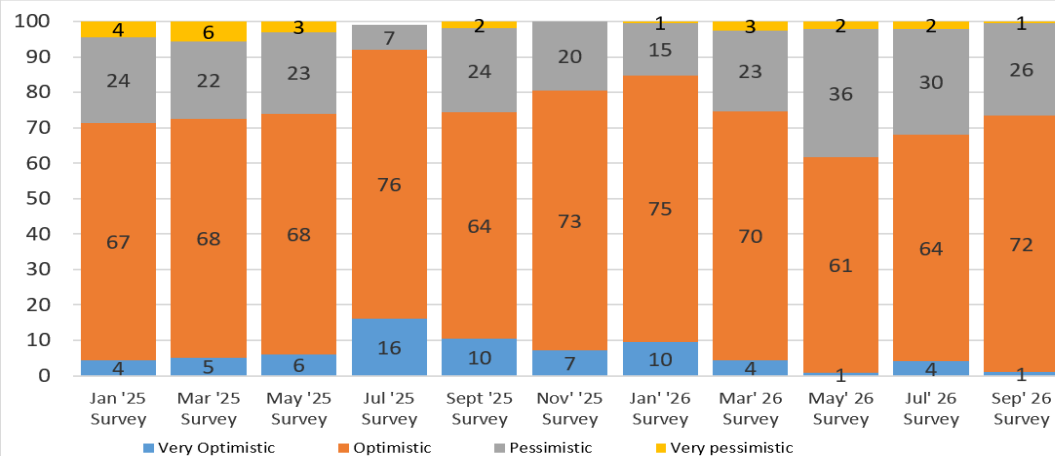
MPC Surveys:

The September 2026 CEOs and Market Perceptions Surveys showed sustained optimism about domestic business activity and economic growth prospects for the next 12 months relative to the growth in 2025.

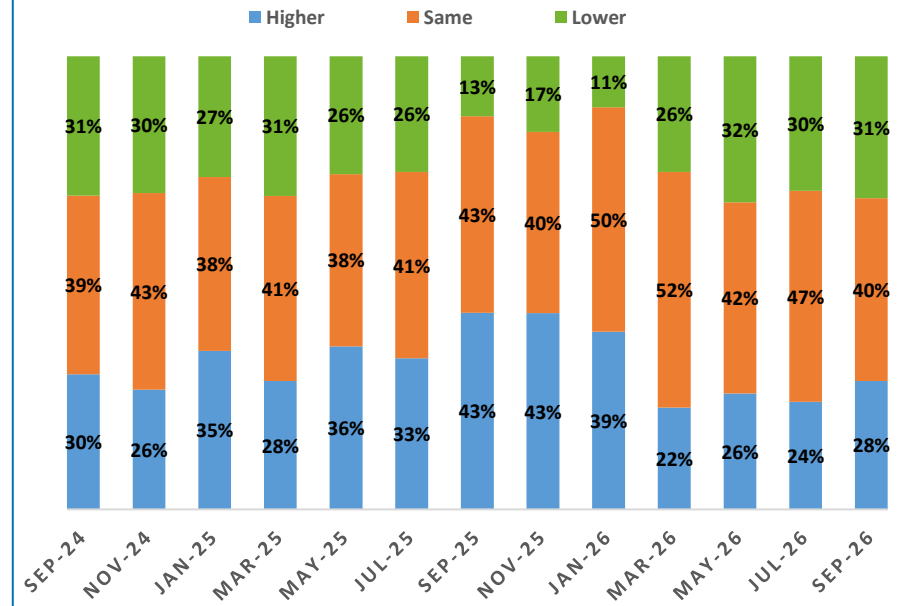
Market Perceptions Survey: Optimism in growth prospects for the next 12 months by Banks (% of respondents)



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



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



- The optimism was attributed to continued macroeconomic stability, increased Government infrastructure spending, increased digital innovations, and improved private sector credit growth on account of a decline in bank lending rates.
- Nevertheless, respondents were concerned about the high energy costs attributed to the conflict in the Middle East, and any disruptions from the expected El Niño rains.

18. Summary on domestic economic growth and outlook

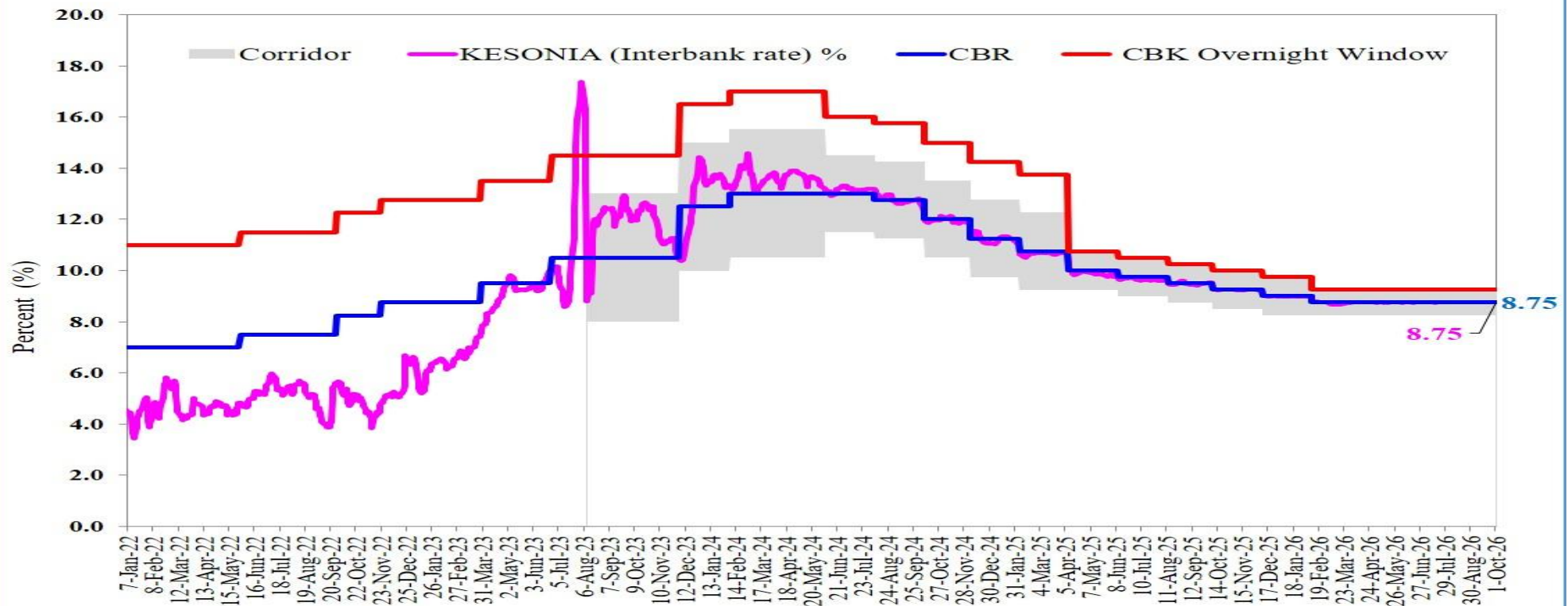
1. **The projected growth of the economy in 2026 has been revised upwards to 5.0 percent from 4.9 percent**, mainly reflecting stronger industry and services sectors. Growth in 2027 is projected at 5.3 percent.
2. **The MPC Surveys conducted in September 2026 revealed sustained optimism** about business activity and economic growth prospects for the next 12 months, but respondents are concerned about elevated global risks.
3. **This outlook is subject to risks**, particularly potential disruptions from the expected El Niño rains, a prolonged conflict in the Middle East, the Russia-Ukraine conflict, and elevated trade policy uncertainties.

Monetary developments

Monetary policy implementation framework:

The monetary policy implementation framework has continued to support stability of KESONIA, aligned the KESONIA closer to the CBR, and enhanced monetary policy transmission.

Monetary policy implementation framework (January 2022 – October 1, 2026)



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

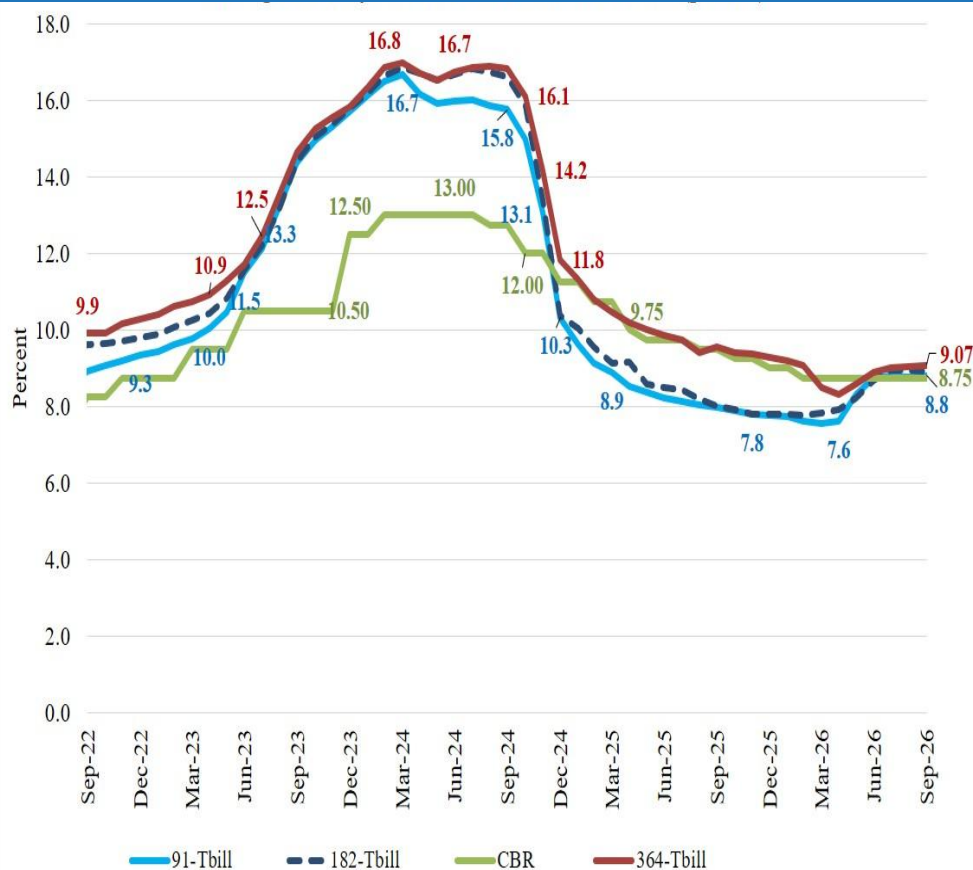
Source: CBK

- 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 the current ± 50 basis points.

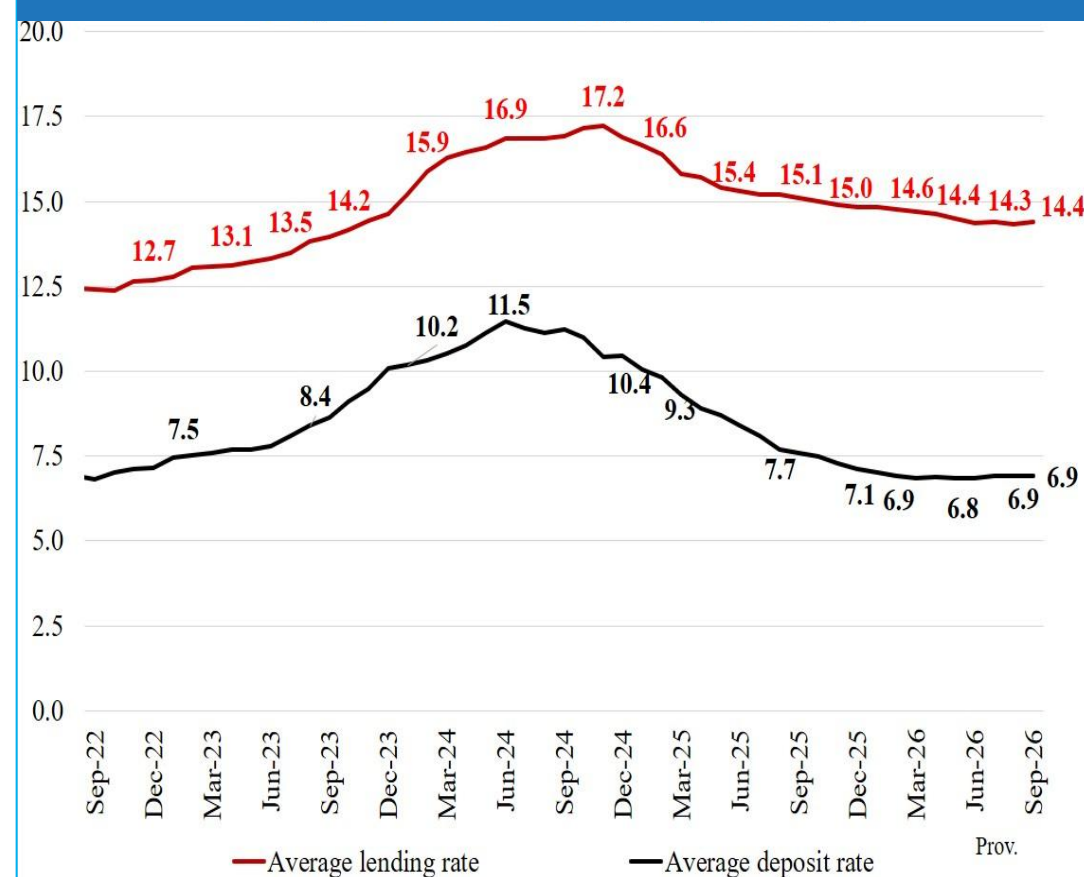
Monetary developments:

Short term interest rates were broadly stable and aligned to the Central Bank Rate in August and September 2026, while commercial banks lending rates were also stable.

Average Treasury bill rates and Central Bank Rate (percent)



Average commercial banks interest rates (percent)



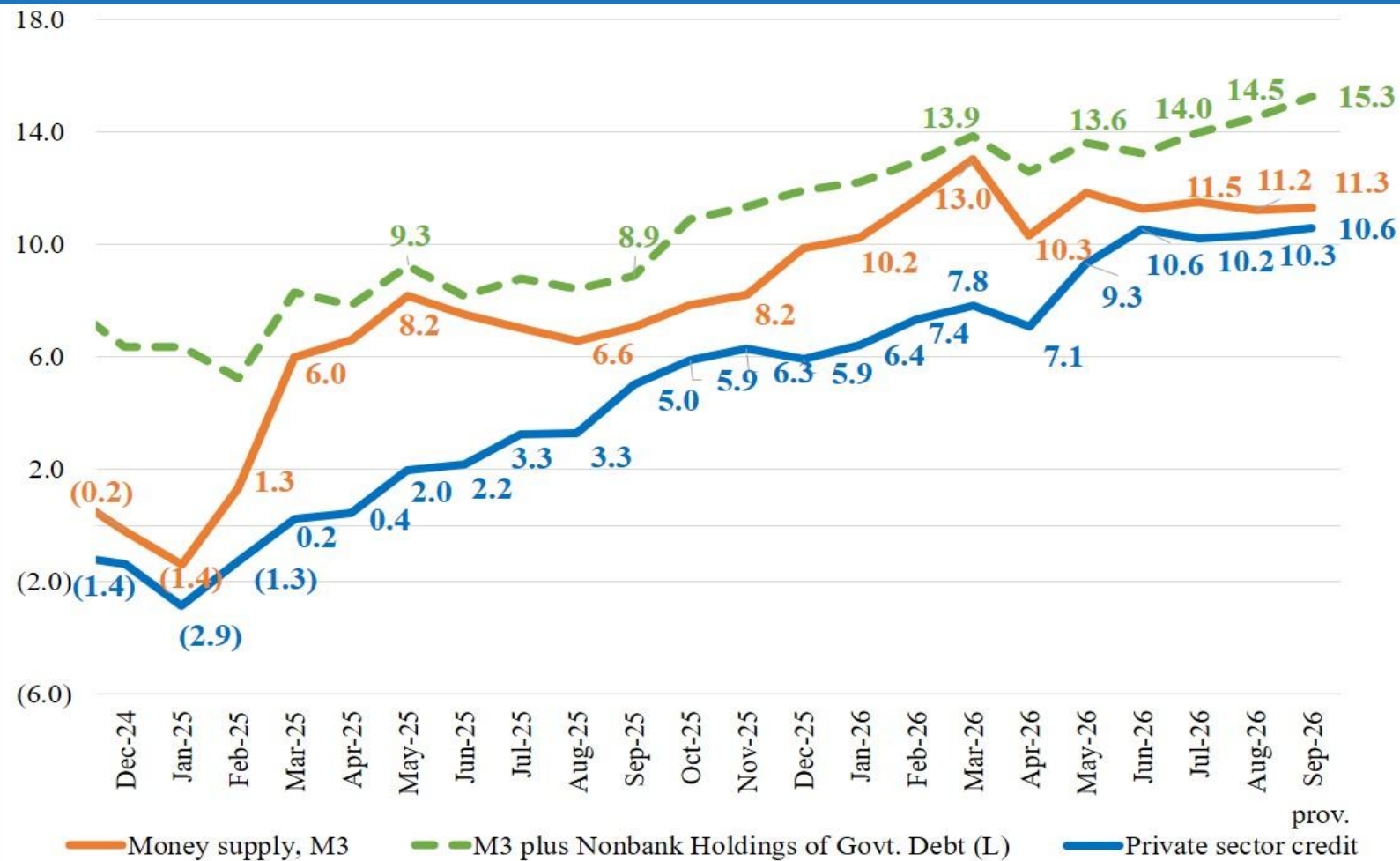
Source: CBK

- The introduction of the Risk Based Credit Pricing framework is expected to support a narrowing of the spread between the average commercial banks lending rates and deposit rates by enhancing transparency in loan pricing.

Monetary developments:

Growth in broad money supply (M3) remained strong in September 2026, mainly driven by growth in private sector credit.

Growth in broad money supply and private sector credit (percent)



- The strong growth in broad money supply mainly reflected the improved growth of credit to private.
- Growth in commercial banks lending to the private sector remained strong in September 2026, supported by increased credit flows to key sectors of the economy.
- The contribution of net foreign assets of the banking system to broad money supply growth also remained strong.

Source: CBK

Risk-Based Credit Pricing Model:

The revised Risk-Based Credit Pricing Model was fully implemented in March 2026 and is expected to improve the transmission of monetary policy decisions and enhance transparency in loan pricing.

Components of the revised RBCP Model which is fully operational since March 2026

Common reference rate

- Kenya Shilling Overnight Interbank Average (KESONIA) compounded in arrears.
- CBR to be the alternative reference rate.

Credit related operating expenses

- Direct and indirect costs related to lending.

Return on shareholders

- Return to shareholders is the expected shareholders return from lending business.

Borrowers credit risk premium

- The borrowers' risk premium is the compensation the banks expect from their borrowers, depending on their risk profiles.

Other relevant costs

- Banks to include other costs related to lending taking into account the spirit of the Kenya Banking Sector Charter.

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

Note: The new model applies 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 broadly stable and aligned to the CBR.
3. Commercial banks' average lending interest rates were stable in August and September 2026.
4. Growth in broad money supply, M3, remained strong in September 2026, mainly supported by domestic credit and net foreign assets of the banking system.
5. **Growth in credit to the private sector remained strong at 10.6 percent in September 2026, compared to -2.9 percent in January 2025. Growth in credit to key sectors of the economy remained strong.**

Balance of payments developments and outlook

Balance of payments:

A wider current account deficit is projected in 2026 due to the impact of the conflict in the Middle East. The deficit is expected to be more than fully financed by financial and capital account inflows, resulting in a balance of payments surplus.

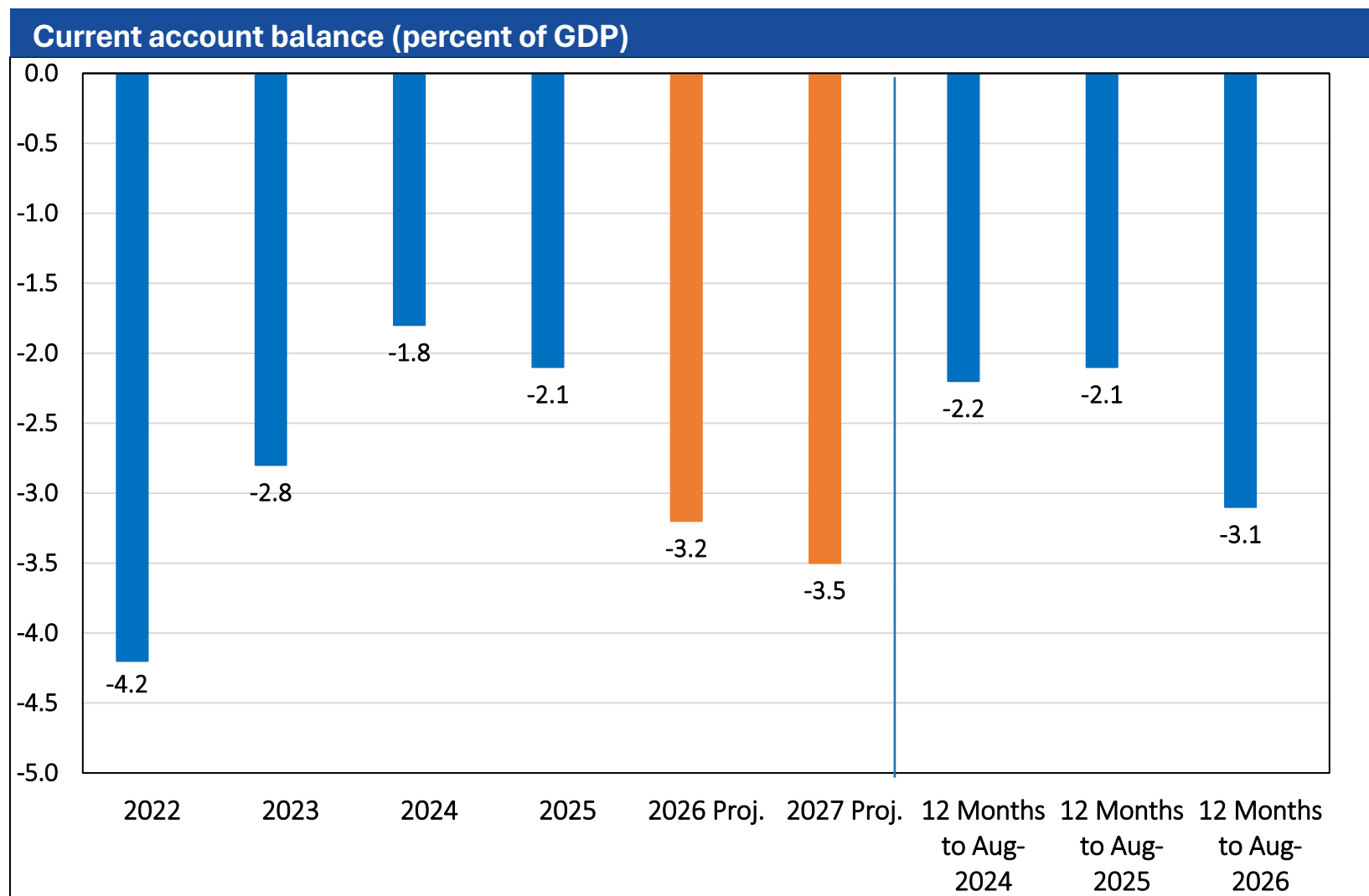
Balance of payments (millions of U.S. dollars)

	2022	2023	2024	12 months to Aug-2025	2025	12 months to Aug-2026	2026 Proj.	2027 Proj.
A. Current account	-4,824	-3,016	-2,124	-2,806	-3,140	-4,471	-4,680	-5,704
Trade balance	-11,559	-9,747	-9,987	-10,636	-10,945	-12,845	-12,555	-14,174
Goods exports, f.o.b	10,650	10,841	12,264	12,873	13,036	14,391	14,647	15,675
Goods imports, f.o.b	22,209	20,588	22,252	23,510	23,982	27,236	27,202	29,849
Services balance	1,981	1,703	2,373	2,369	2,505	2,654	2,725	3,386
Services Credit	7,604	7,149	8,076	8,201	8,394	8,914	9,366	10,627
Services Debit	5,623	5,446	5,703	5,833	5,889	6,260	6,641	7,241
Goods and Services Balance	-9,579	-8,043	-7,614	-8,267	-8,440	-10,191	-9,830	-10,788
Primary income, Balance	-1,761	-1,958	-2,122	-2,057	-2,094	-1,720	-2,308	-2,671
Secondary income	6,516	6,986	7,613	7,519	7,394	7,439	7,458	7,755
B. Financial and capital account	-2,683	-2,008	-3,576	-5,707	-5,580	-8,029	-7,106	-6,754
C. Overall balance ("-", indicates a surplus)	2,141	1,008	-1,453	-2,901	-2,440	-3,558	-2,426	-1,050
D. Reserves and related items	-2,141	-1,008	1,453	2,901	2,440	3,558	2,426	1,050

Source: KNBS and CBK

Current account balance:

The current account deficit is projected to widen to 3.2 percent of GDP in 2026 compared to 2.1 percent of GDP in 2025, mainly due to the impact of the conflict in the Middle East.

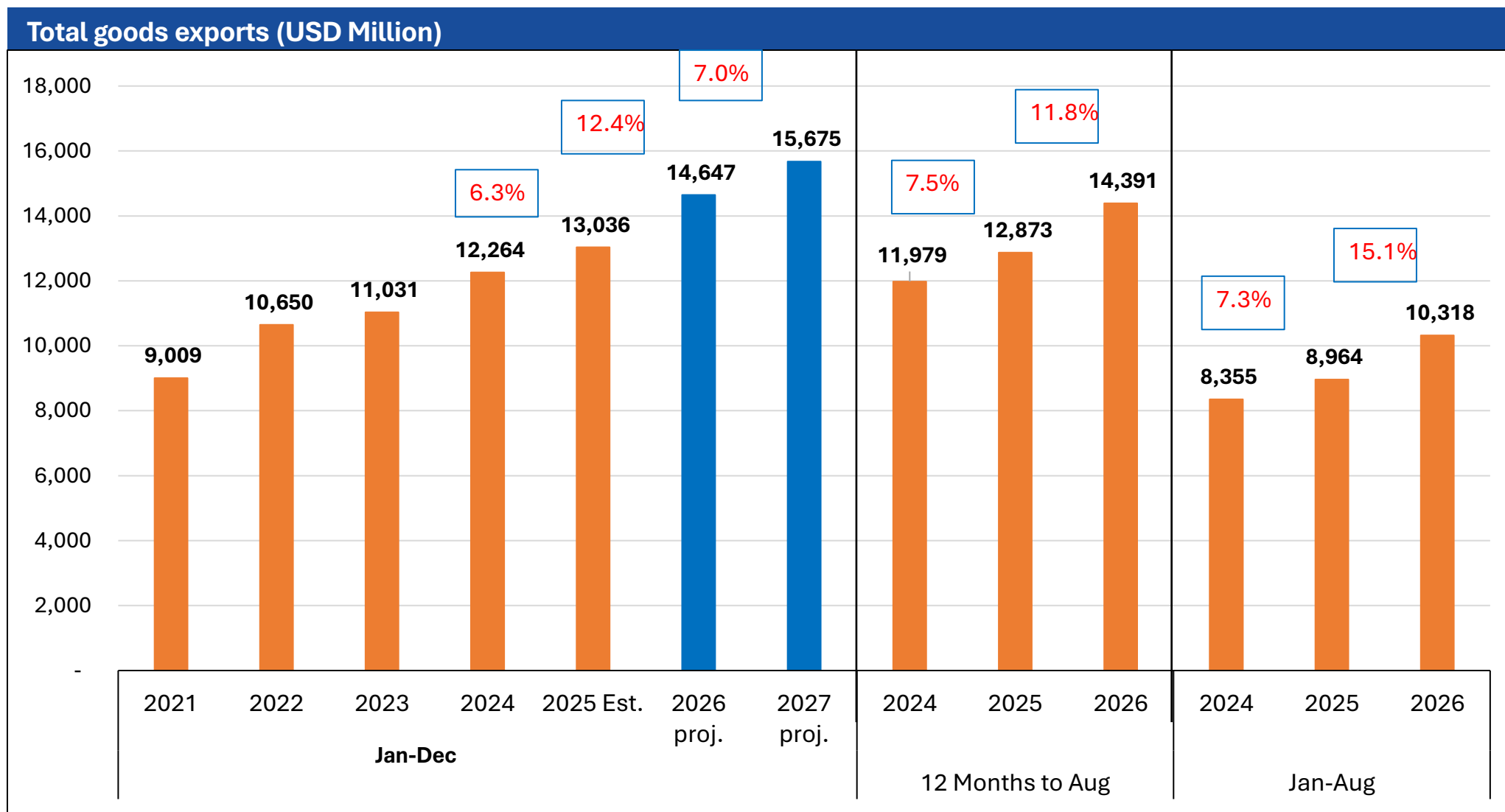


- **The projected wider current account deficit in 2026** mainly reflects higher trade deficit mainly due to higher international oil prices, and slower growth in remittances.

Source: KRA and CBK

Balance of Payments:

Goods exports increased by 11.8 percent in the 12 months to August 2026 compared to a similar period in 2025, mainly driven by horticulture, tea, and machinery and transport equipment.

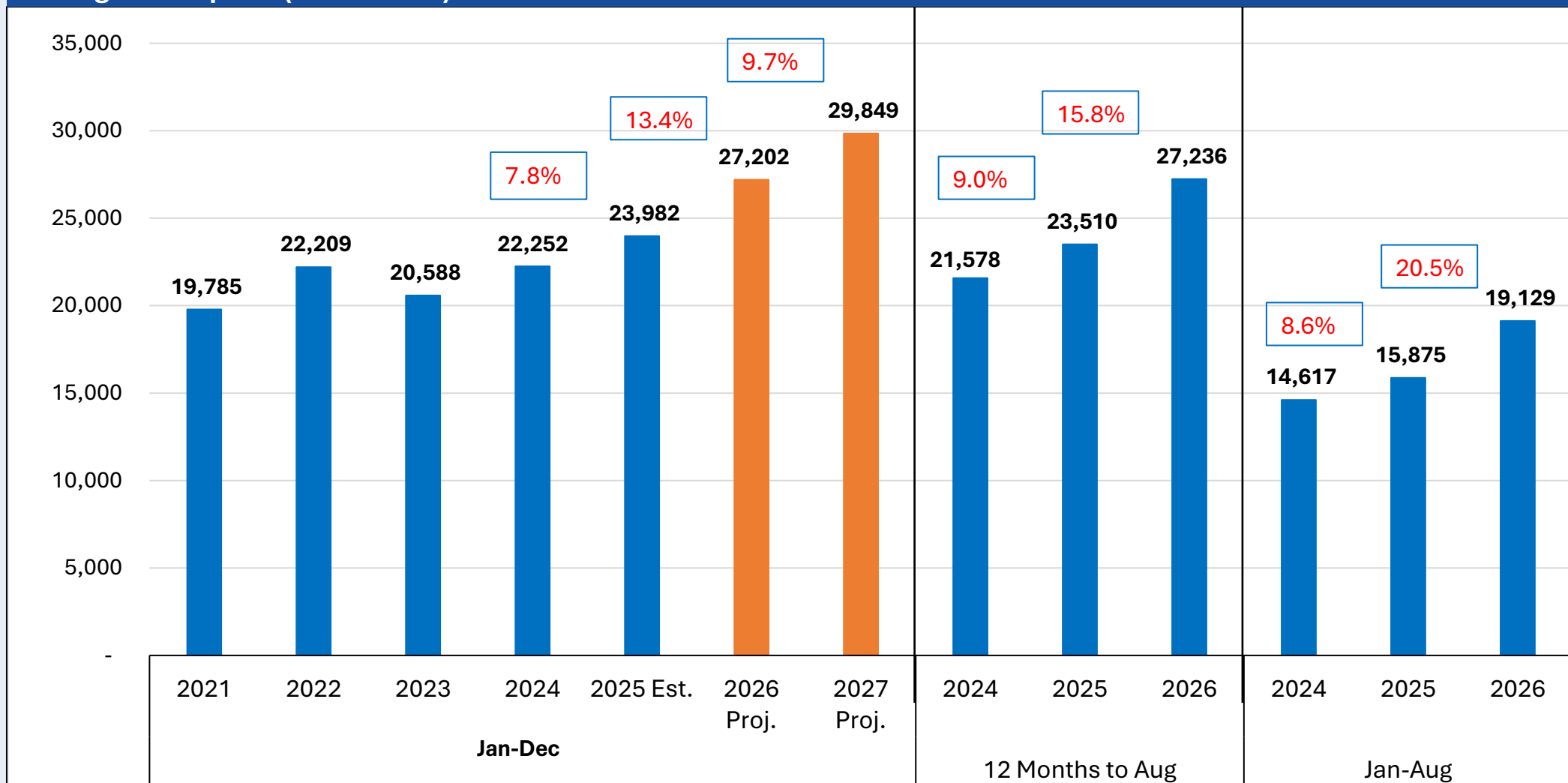


Source: KRA and CBK

Balance of Payments:

Goods imports increased by 15.8 percent in the 12 months to August 2026 compared to a similar period in 2025, mainly reflecting higher imports of food, mineral fuels, and intermediate and capital goods.

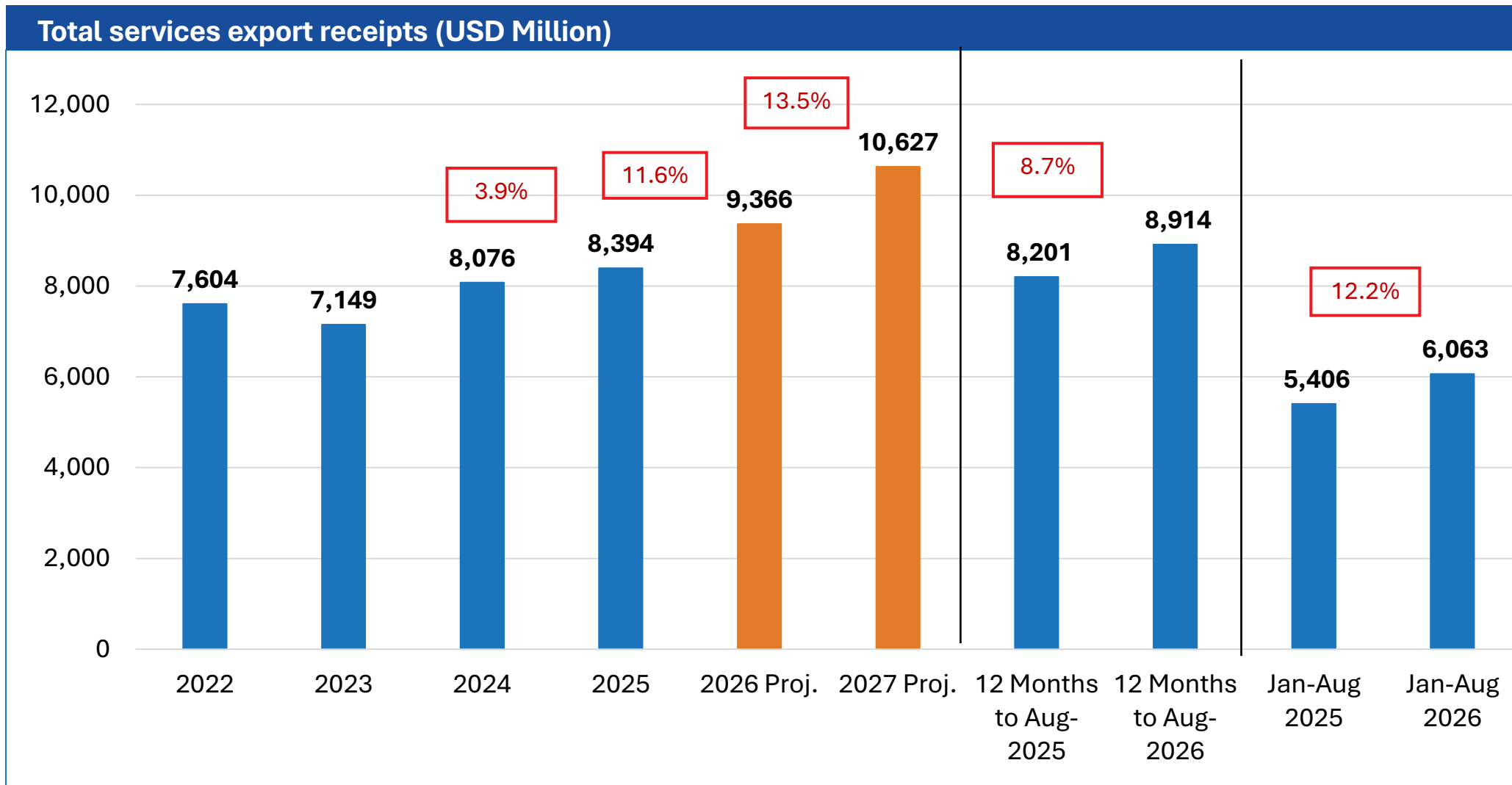
Total goods imports (USD Million)



Source: CBK, KRA

Balance of payments:

Services receipts increased by 8.7 percent in the 12 months to August 2026 relative to a similar period in 2025, mainly driven by travel receipts.

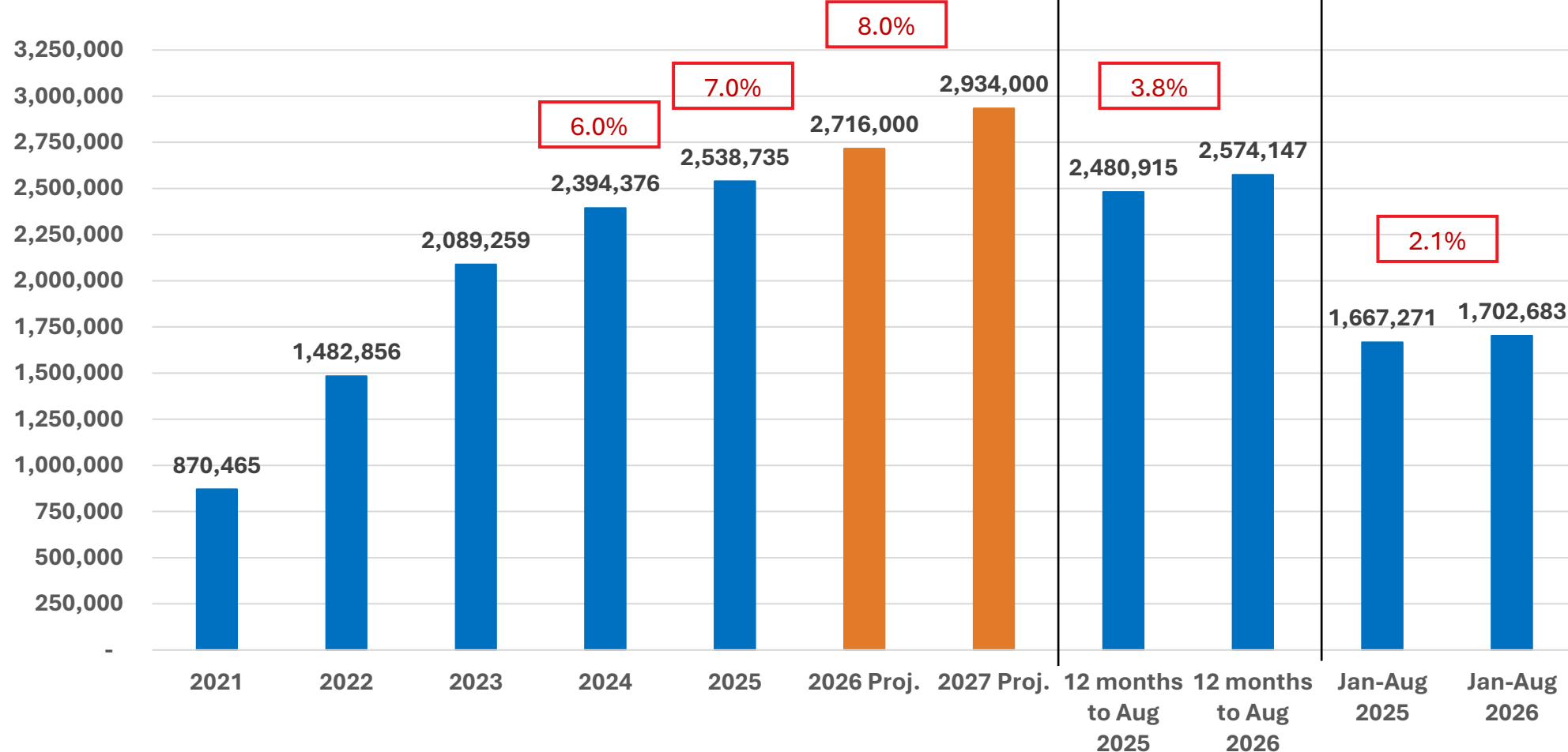


Source: CBK, KRA

Services exports:

Tourist arrivals have remained resilient, growing by 3.8 percent in the 12 months to August 2026, on account of Government initiatives to diversify source markets, and measures to increase conferencing, business and holiday tourism in the country.

Number and growth of tourist arrivals)

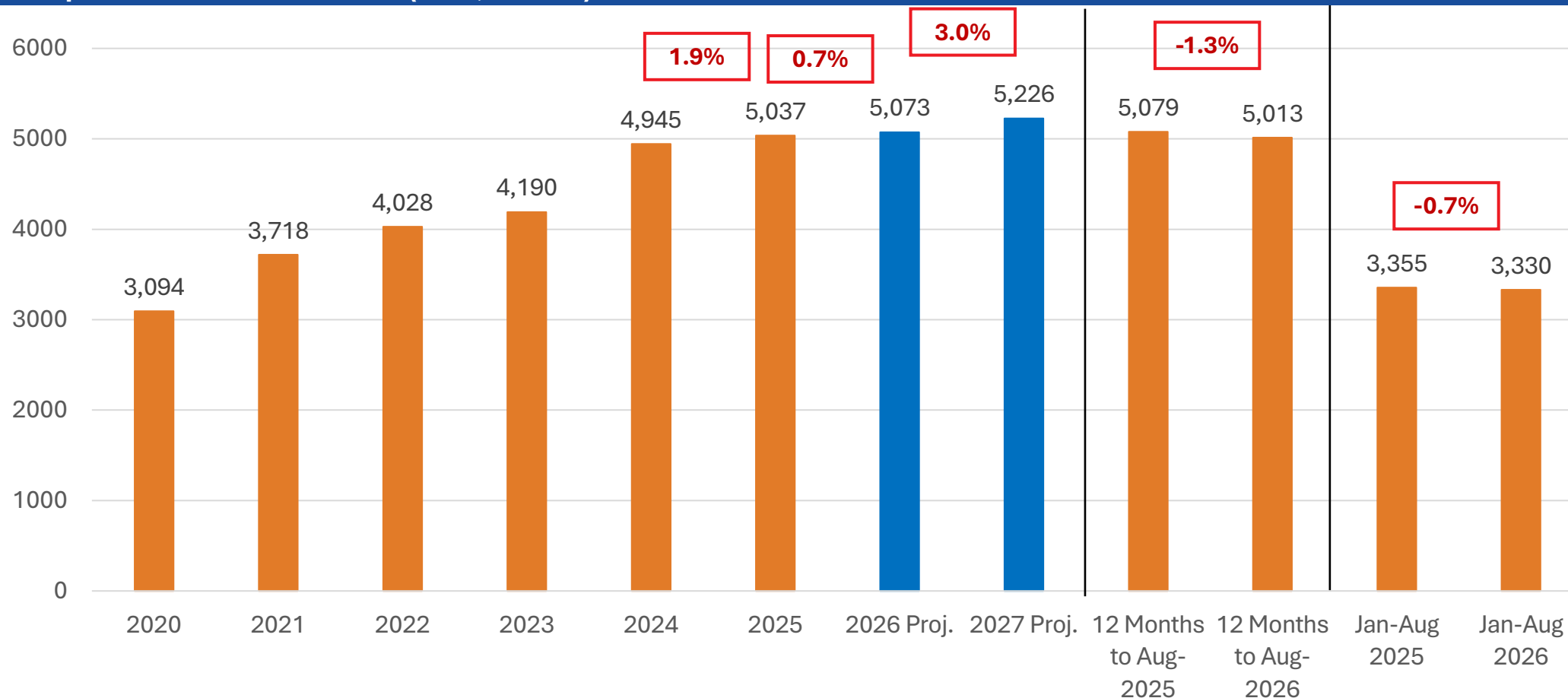


Source: KNBS/Tourism Research Institute/Kenya Tourism Board/CBK for projections

Diaspora remittances:

Remittances inflows remained resilient in the 12 months to August 2026, supported by diversified source countries and impact of government policies to export skilled labor. Nevertheless, the remittances inflows slowed down mainly reflecting reduced inflows from the USA and Saudi Arabia.

Diaspora remittances inflows (USD, Million)

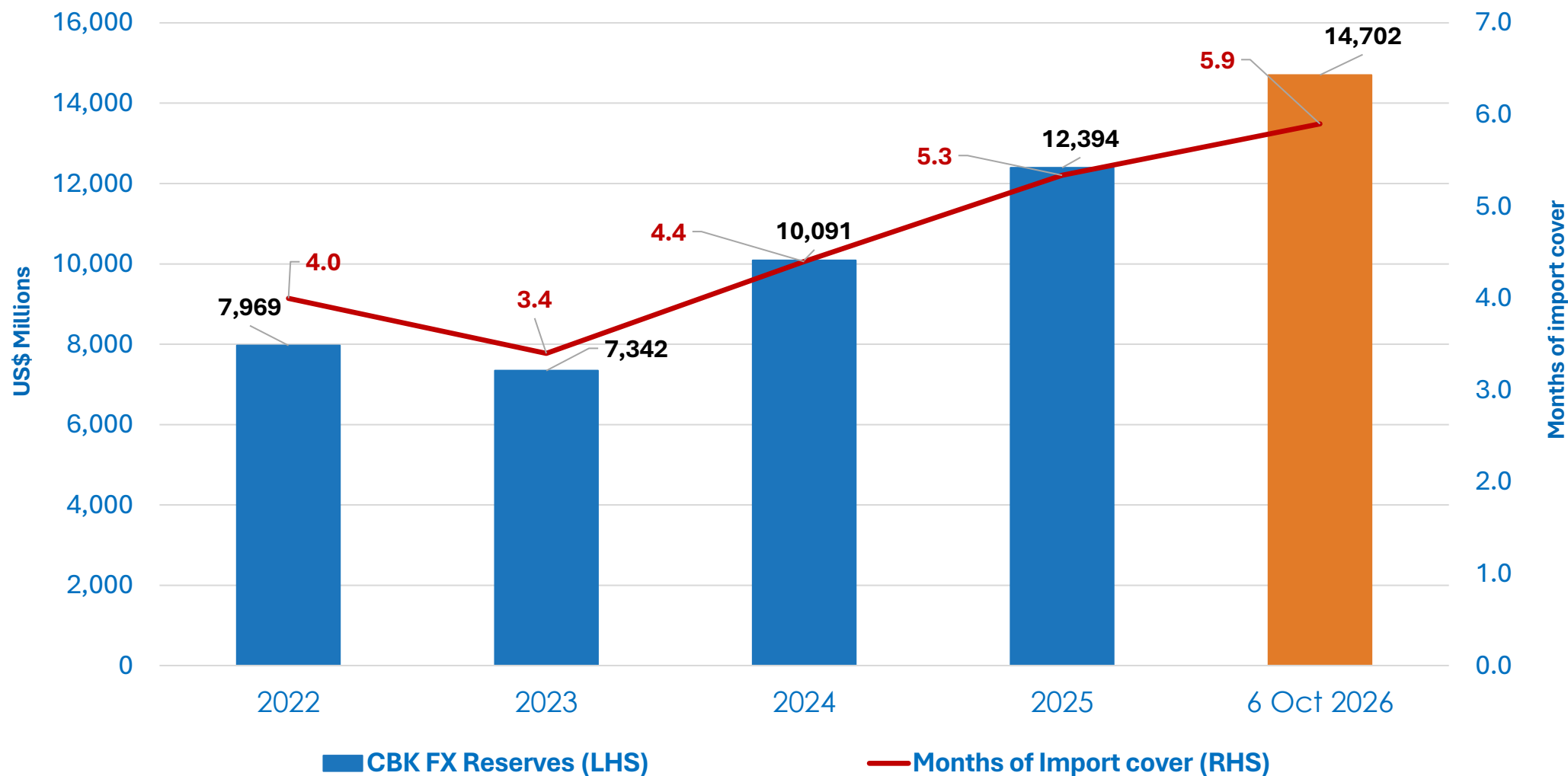


Source: CBK

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)

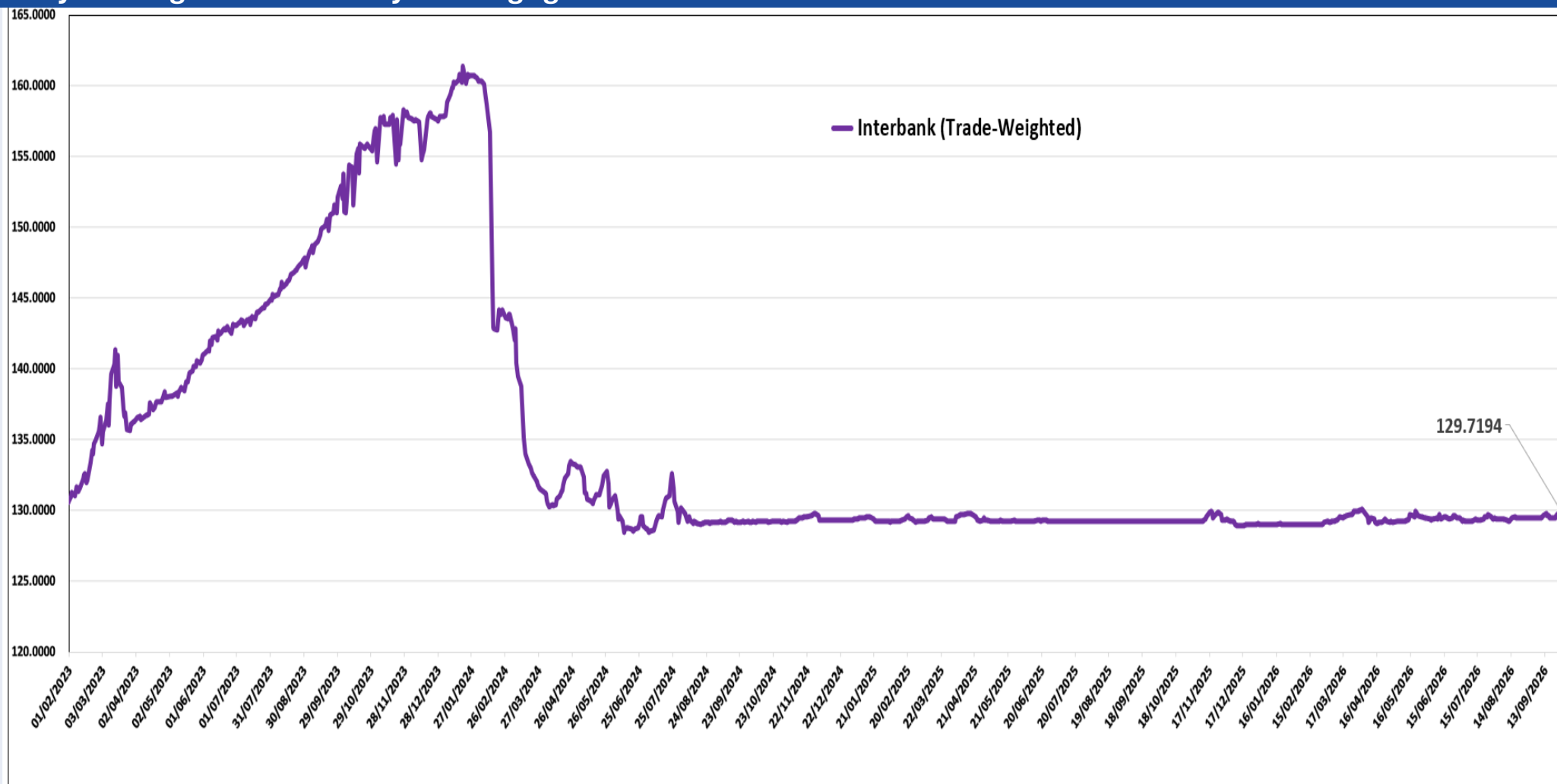


Source: CBK as of October 6, 2026

Exchange rate developments:

Despite elevated global uncertainties, the Kenya Shilling has remained stable, supported by diversified foreign exchange inflows, confidence in the economy and adequate foreign exchange reserves.

Daily exchange rate of the Kenya Shilling against the US Dollar



Source: Central Bank of Kenya

Summary of balance of payments developments and outlook

1. **The current account deficit is projected at 3.2 percent of GDP in 2026 compared to 2.1 percent of GDP in 2025**, mainly reflecting increased imports of mineral fuels on account of higher international oil prices, and lower remittances.
 - The current account deficit is expected to be more than fully financed by financial and capital account inflows in 2026, resulting in an overall balance of payments surplus of USD 2,426 million.
 - Gross foreign exchange reserves are projected to remain strong at USD 14,820 million at the end of 2026 from USD 12,394 million in 2025.
2. **Downside risks to the balance of payments outlook:** heightened geopolitical tensions; volatility in international oil prices; weakening global economic activity; persistent trade policy uncertainty; and potential adverse weather developments (El Niño) and climate-related shocks.

Banking sector developments

Banking sector developments: The banking sector remains stable and resilient.

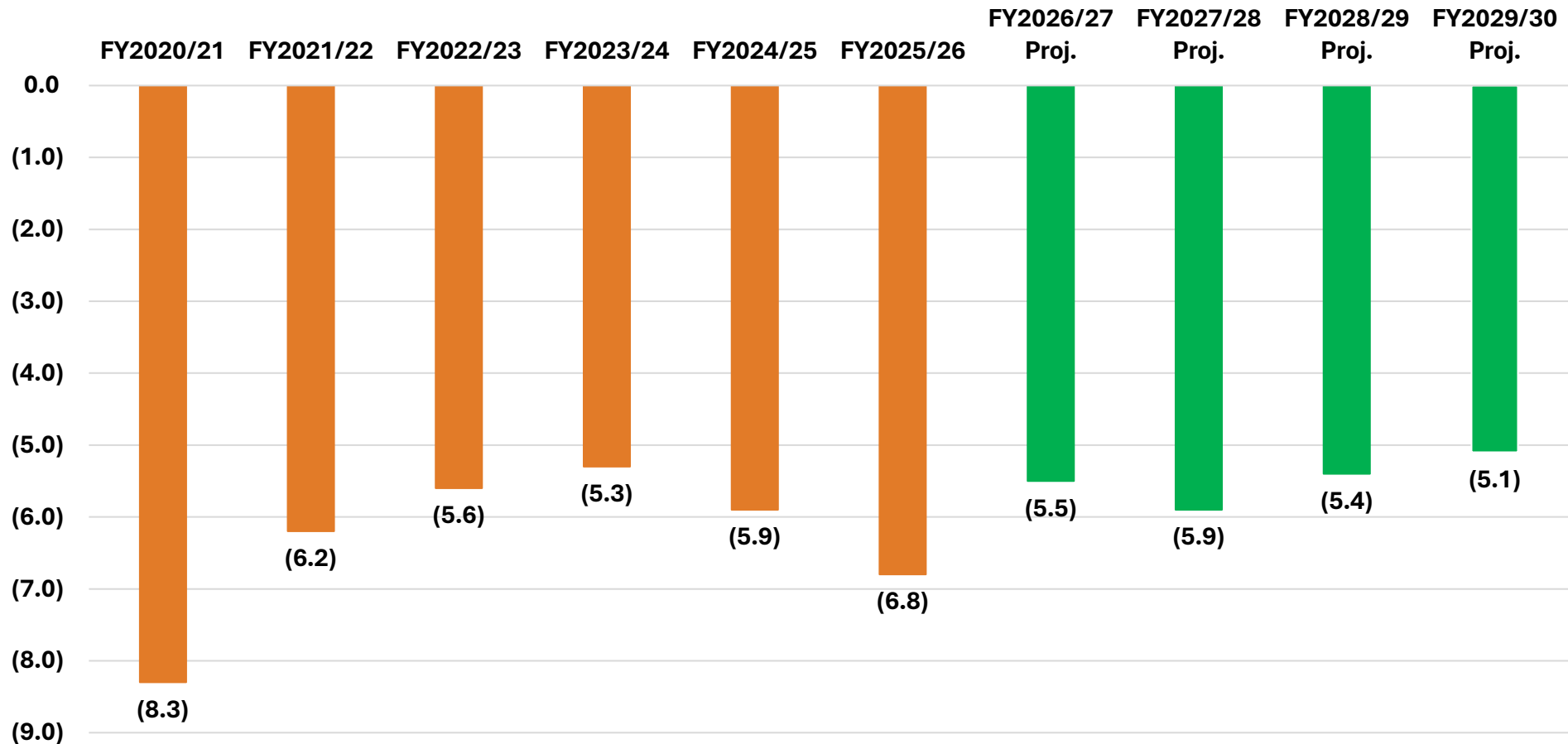
1. **Capital adequacy and liquidity ratios for the banking sector have remained above the minimum statutory limits of 14.5 percent and 20.0 percent, respectively:**
 - Total capital adequacy ratio stood at 20.5 percent in August 2026, compared to 20.0 percent in June 2026 and December 2025, respectively.
 - The average banking sector liquidity ratio was 59.8 percent in August 2026 compared to 61.2 percent in June 2026 and 59.3 percent in December 2025.
2. **The ratio of gross non-performing loans to gross loans stood at 13.9 percent in September 2026,** down from 14.8 percent in June 2026 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.

Fiscal developments and outlook

Fiscal performance and outlook:

The Government's planned fiscal consolidation strategy is expected to reduce debt vulnerabilities over the medium term.

Actual and projected fiscal deficit (percent of GDP)



Source: The National Treasury

Summary and key takeaways

Summary and Key Takeaways

1. On the global front:

- Inflation is projected to increase in 2026, mainly driven by higher energy and food prices.
- Economic growth is projected to moderate in 2026, due to higher energy prices and elevated global uncertainties.

2. On the domestic front:

- Overall inflation is expected to remain within the target range in the near term.
- The exchange rate is expected to remain stable.
- Despite the elevated global risks, economic growth is expected to remain resilient.
- Average commercial banks' lending rates have declined, and as a result growth in credit to private sector has continued to improve.
- The banking sector remains stable and resilient.
- Confidence in the economy remains strong as reflected in sustained optimism in the economic prospects by respondents to the MPC surveys.

3. In view of these developments, the MPC kept the CBR unchanged at 8.75 percent, to ensure that inflation expectations remain anchored within the target range, and the exchange rate remains stable.

THANK YOU

