



Central Bank of Kenya

MONETARY POLICY COMMITTEE MEETING BACKGROUND INFORMATION

Wednesday, April 9, 2026

Dr. Kamau Thugge, CBS
Governor

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

1.

Monetary Policy Decisions

- 1. During its Meeting on April 8, 2026, the Monetary Policy Committee (MPC) decided to maintain the Central Bank Rate (CBR) at 8.75 percent.**
- 2. The MPC observed that:**
 - The conflict in the Middle East has disrupted global supply chains, leading to significantly higher energy prices and heightened risks to global inflation and growth outlooks in the near term.
 - Despite expected upward pressure from higher energy prices, Kenya's overall inflation is expected to remain within the target range in the near term, supported by appropriate monetary policy actions, expected stability in food prices attributed to favourable weather conditions, and a broadly stable exchange rate.
 - Central banks in the major economies have kept their policy rates unchanged as they assess the impact of the conflict in the Middle East 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.
 - The MPC concluded that the current monetary policy stance, with the Central Bank Rate unchanged at 8.75 percent, remains appropriate to ensure that inflation expectations remain anchored within the target range, and the exchange rate remains stable. Additionally, the MPC assessed that there is need to monitor any second-round effects of the recent increase in international oil prices on overall inflation.
- 3. The MPC will closely monitor the impact of this policy decision,** the evolution and impact of the conflict in the Middle East, 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 June 2026.**

Global Economic Developments and Outlook

2.

Global inflation outlook:

Inflation is projected to increase in 2026, mainly driven by a sharp increase in energy prices and fertilizer costs due to supply chain disruptions attributed to the war in the Middle East.

March 2026 OECD Interim Economic Outlook: Selected countries' outlook for headline inflation (y/y, percent)

	2025	2026		2027	
		Interim EO projections	Difference from December EO	Interim EO projections	Difference from December EO
G20*	3.4	4.0	1.2	2.7	0.2
Australia	2.8	4.1	1.4	2.5	0.0
Canada	2.1	2.4	0.3	2.0	0.0
Euro area	2.1	2.6	0.7	2.1	0.1
Germany	2.3	2.9	0.8	2.6	0.2
France	0.9	1.8	0.5	1.5	-0.1
Italy	1.6	2.4	0.7	1.8	0.0
Spain ²	2.7	3.0	0.7	2.2	0.4
Japan	3.2	2.4	0.2	1.9	-0.2
Korea	2.1	2.7	0.9	2.0	0.0
Mexico	3.8	3.8	0.5	3.2	0.3
Türkiye	34.9	28.7	5.9	18.9	5.2
United Kingdom	3.4	4.0	1.5	2.6	0.5
United States	2.6	4.2	1.2	1.6	-0.7
Argentina	41.9	31.3	13.7	14.1	4.1
Brazil	5.0	4.1	-0.1	3.8	0.0
China	-0.1	1.3	1.0	1.1	0.3
India ³	2.0	5.1	1.7	4.1	0.1
Indonesia	1.9	3.4	0.3	2.6	-0.6
Russia	8.7	6.4	1.0	4.5	0.2
Saudi Arabia	2.0	1.9	-0.3	2.2	0.2
South Africa	3.2	3.9	0.3	3.3	0.1
<i>Memorandum item</i>					
G20 countries excluding Argentina and Türkiye	2.2	3.1	0.9	2.2	0.0

Note: Difference from December 2025 OECD Economic Outlook in percentage points, based on rounded figures. The G20 aggregate uses moving nominal GDP weights at purchasing power parities (PPPs). Revisions to PPP estimates affect the difference in the aggregate. Based on data available up to 23 March 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.

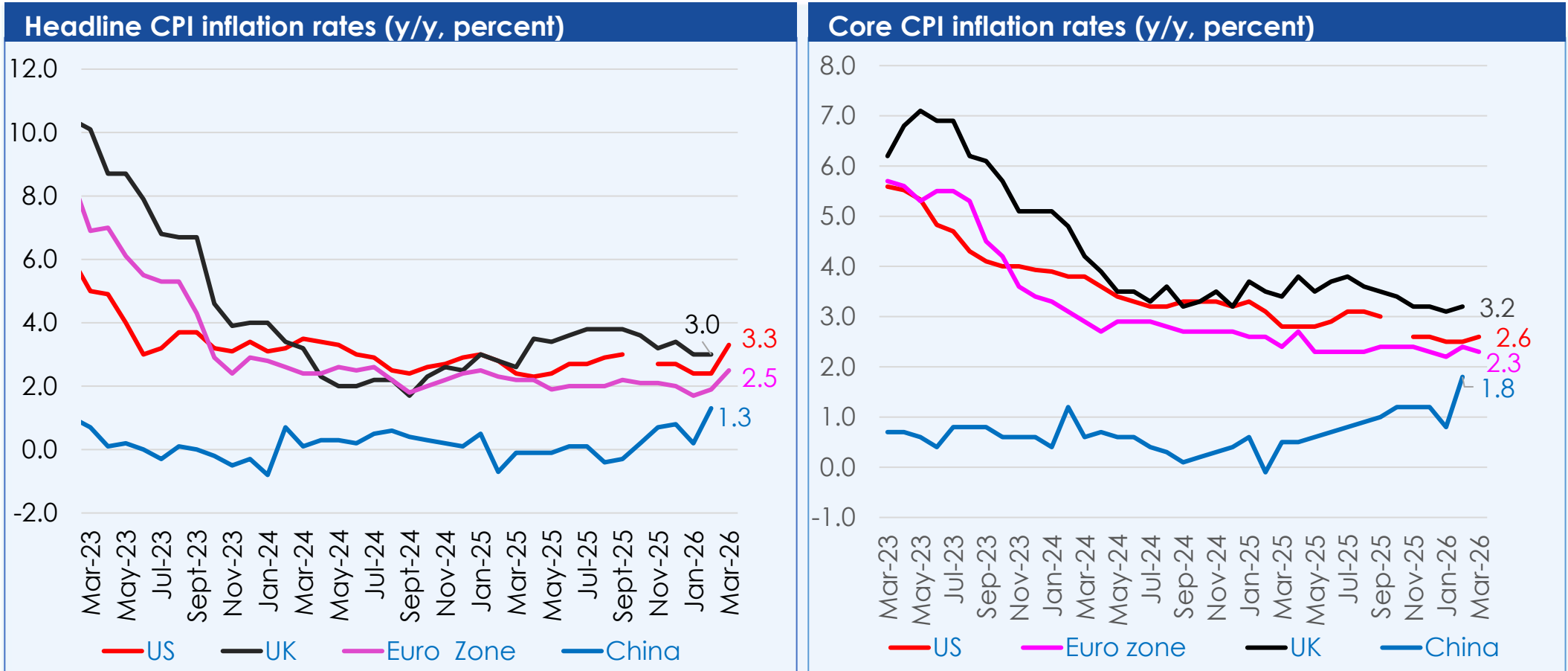
Source: OECD Interim Economic Outlook 119 database; and OECD Economic Outlook 118 database.

- Faced with the energy price shock, central banks in the major economies have kept their policy rates unchanged as they assess the impact of the evolving conflict in the Middle East.
- Risks to the inflation outlook have increased following the escalation of the conflict in the Middle East.

3.

Inflation in major economies:

Inflation rates in the major economies have remained above target due to the stickiness in core inflation, and the recent increase in energy prices.



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 increased in March 2026, mainly due to the impact of higher fuel prices.
- UK headline inflation remained steady in February 2026, partly driven by lower petrol costs which offset the rise in core inflation.
- Eurozone inflation rose in March 2026, mainly due to higher energy prices, but core inflation eased slightly.
- China's inflation increased in February 2026 due to a sharp rise in services inflation during the Chinese New Year festivities.

4.

Global commodity prices:

International oil prices have risen sharply and remained volatile due to supply disruptions and elevated uncertainties attributed to the war in the Middle East.

Murban oil price (USD, per barrel)



Source: Refinitiv.com

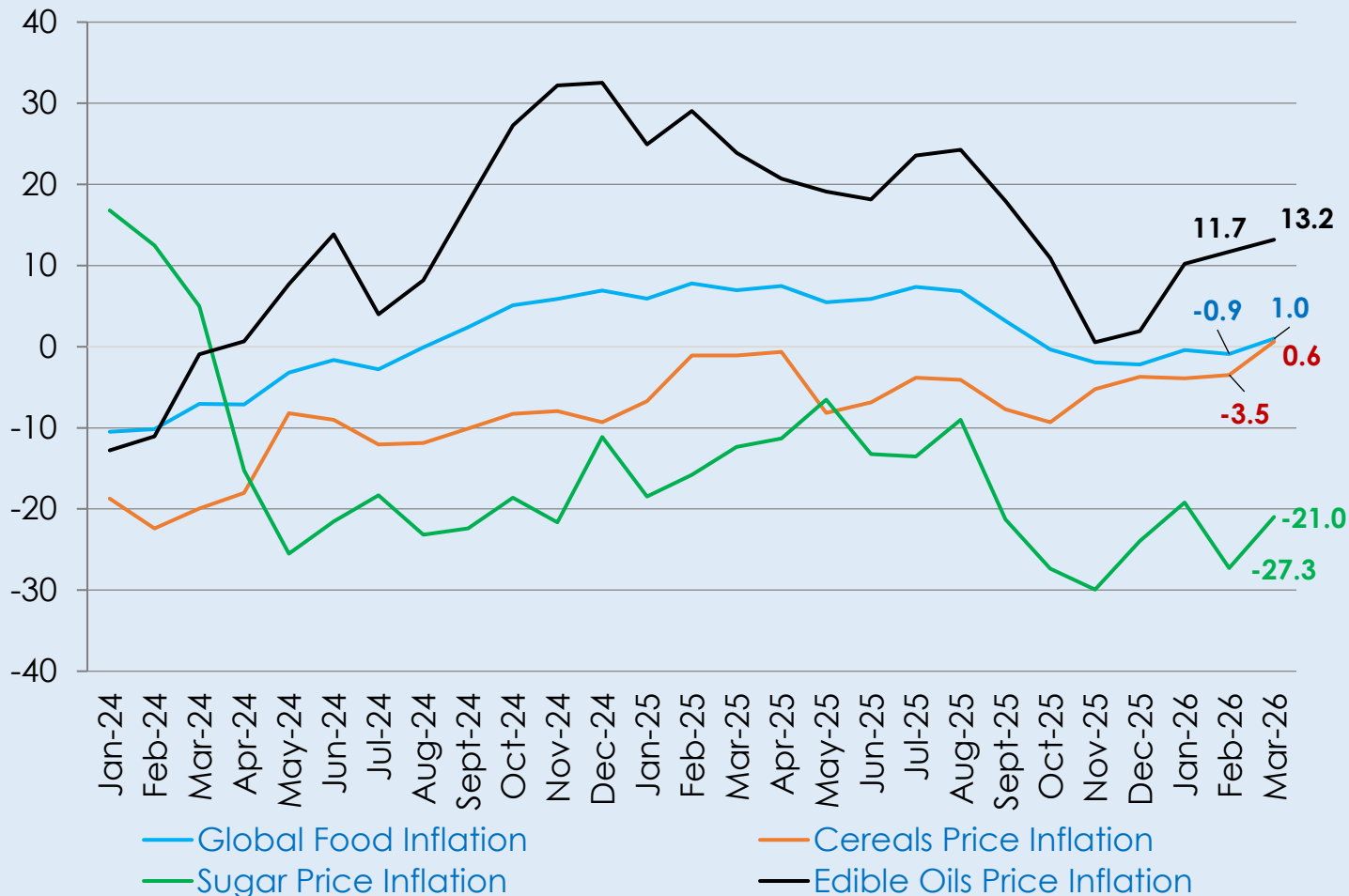
- Crude oil prices rose sharply in March 2026 and have remained volatile after the major Middle East oil producers cut output due to closure of the Strait of Hormuz on account of significant disruptions from the war in Iran.
- Damages to oil infrastructure attributed to the conflict have also reduced oil production in these countries.
- The outlook for international oil prices remains uncertain and is predicated on the length and severity of the conflict in the Middle East.

5.

Global commodity prices:

Food inflation increased modestly in March 2026, mainly driven by higher inflation rates for edible oils and cereals prices.

Global food inflation (y/y, percent)



- **Edible oils price inflation increased on account of higher prices of palm, soy, sunflower and rapeseed oils.** Palm oil prices rose due to spillover effects of higher crude oil prices, and lower production in Malaysia. Soyoil prices rose due to expectations of stronger biofuel uptake in the USA. Sunflower and rapeseed oil prices increased on tight supply and prospects of strong demand amid elevated energy prices.
- **Cereals price inflation increased,** mainly reflecting higher prices of wheat due to drought concerns in the USA, and expectations of reduced plantings in Australia on higher fertilizer costs. Maize prices increased on concerns about fertilizer affordability and improved ethanol demand prospects linked to higher energy prices.
- **World sugar price inflation declined on account** of a favorable global supply outlook, supported by good harvests in India and Thailand.

Source: UN FAO Food Index

6.

Global economic growth outlook:

Prior to the conflict in the Middle East, global growth was projected to remain steady at 3.3 percent in 2026, but is now expected to moderate due to effects of higher inflation and reduced demand arising from the higher energy prices and elevated uncertainties.

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

	2025	2026		2027	
		Interim EO projections	Difference from December EO	Interim EO projections	Difference from December EO
World	3.3	2.9	0.0	3.0	-0.1
G20 ¹	3.3	3.0	0.1	3.0	-0.1
Australia	2.0	2.3	0.0	2.4	0.1
Canada	1.7	1.2	-0.1	1.7	0.0
Euro area	1.4	0.8	-0.4	1.2	-0.2
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Italy	0.5	0.4	-0.2	0.6	-0.1
Spain ²	2.8	2.1	-0.1	1.7	-0.1
Japan	1.2	0.9	0.0	0.9	0.0
Korea	0.9	1.7	-0.4	2.1	0.0
Mexico	0.6	1.3	0.1	1.7	0.0
Türkiye	3.6	3.3	-0.1	3.8	-0.2
United Kingdom	1.3	0.7	-0.5	1.3	0.0
United States	2.1	2.0	0.3	1.7	-0.2
Argentina	4.4	2.8	-0.2	3.5	-0.4
Brazil	2.3	1.5	-0.2	2.1	-0.1
China	5.0	4.4	0.0	4.3	0.0
India ³	7.6	6.1	-0.1	6.4	0.0
Indonesia	5.1	4.8	-0.2	5.0	-0.1
Russia	1.0	0.6	0.1	0.8	0.2
Saudi Arabia	4.5	4.0	0.0	3.6	-0.3
South Africa	1.1	1.2	-0.1	1.7	0.2

Note: Difference from December 2025 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 23 March 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.

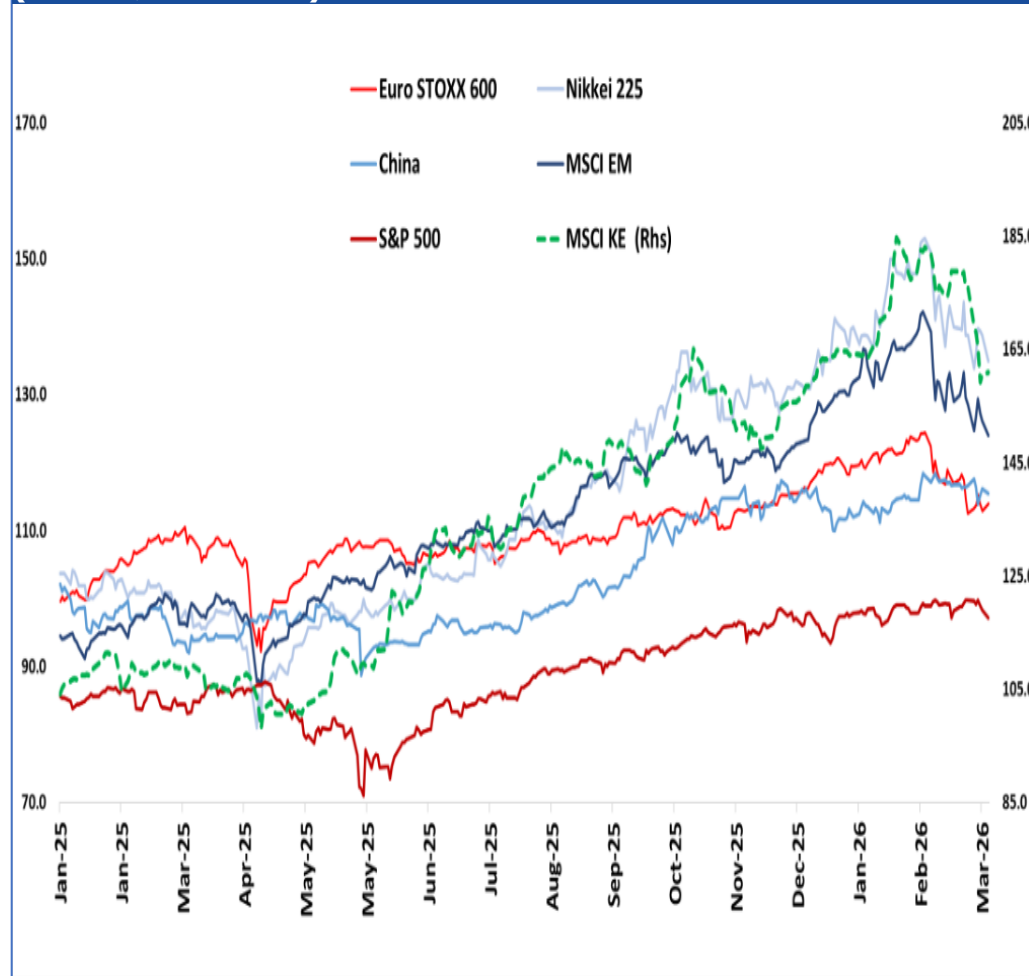
Source: OECD Interim Economic Outlook 119 database; and OECD Economic Outlook 118 database.

- Disruptions from the conflict in the Middle East are expected to offset the growth impetus from the strong momentum in AI-related investment and production, lower effective tariff rates, and supportive financial conditions.
- Additionally, elevated trade policy uncertainty and the Russia-Ukraine conflict, remain key risks to growth.
- Kenya's growth is projected at 5.3 percent in 2026, and 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.

Global financial conditions:

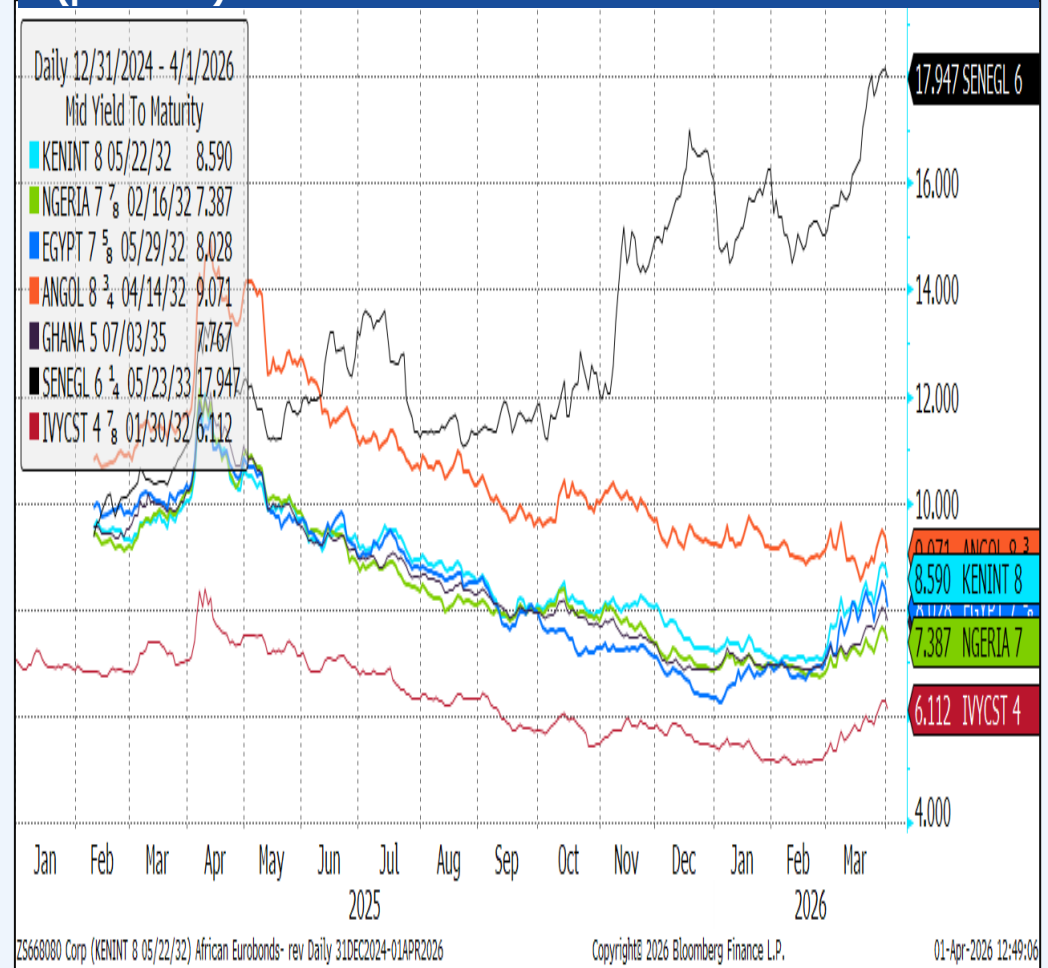
Financial markets conditions have tightened due to elevated uncertainties from the conflict in the Middle East, with equity prices falling across countries, Eurobond yields rising in Emerging and Developing Market Economies (EMDEs), and the US Dollar appreciating against major currencies.

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



Sources: Bloomberg Finance L.P.; FactSet; MSCI; NABE; LSEG Datastream; MSCI Daily Fixed-Income Insights as of March 31, 2026

Select African Countries' Eurobond yields (percent)



ZS668080 Corp (KENINT 8 05/22/32) African Eurobonds - rev Daily 31DEC2024-01APR2026

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Source: Bloomberg as April 1, 2026

8.

Summary of global developments and outlook

1. **Global inflation is projected to increase in 2026**, mainly driven by higher energy and fertilizer costs.
2. **Central banks in the major economies have kept their policy rates unchanged** as they assess the impact of the conflict in the Middle East on inflation and growth outlooks.
3. **Global growth is projected to moderate in 2026** on account of higher inflation and reduced demand attributed to higher energy prices and elevated uncertainty.
4. **Global financial conditions have tightened**, as reflected in the decline in equity prices, rise in Eurobond yields for EMDEs, and appreciation of the US Dollar against major currencies. **This may restrict ability of EMDEs to borrow in the international capital markets**, lead to higher debt servicing costs and reduced capital inflows.
5. **Risks to the global growth outlook remain elevated** due to the evolving conflict in the Middle East, elevated trade policy uncertainty, and weak global demand.
6. **Kenya's growth is expected to remain above the global, EMDEs and SSA averages**, mainly reflecting the resilience and diversified nature of the economy.

Domestic Economic Developments and Outlook

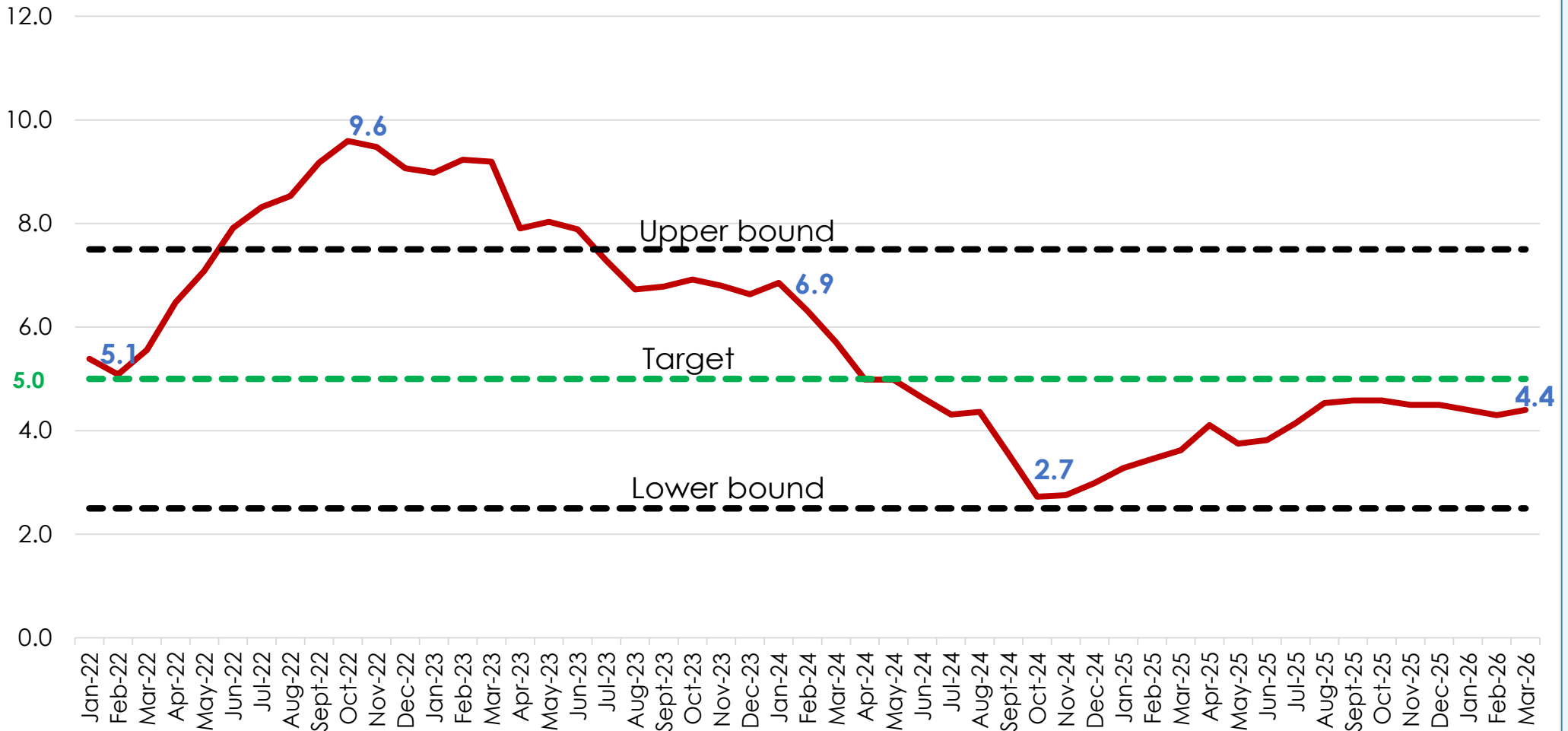
Inflation developments and outlook

9a.

Domestic Inflation developments:

Overall inflation has remained within the target range since July 2023, supported by appropriate policy measures and exchange rate stability.

Headline Inflation (y/y, percent)



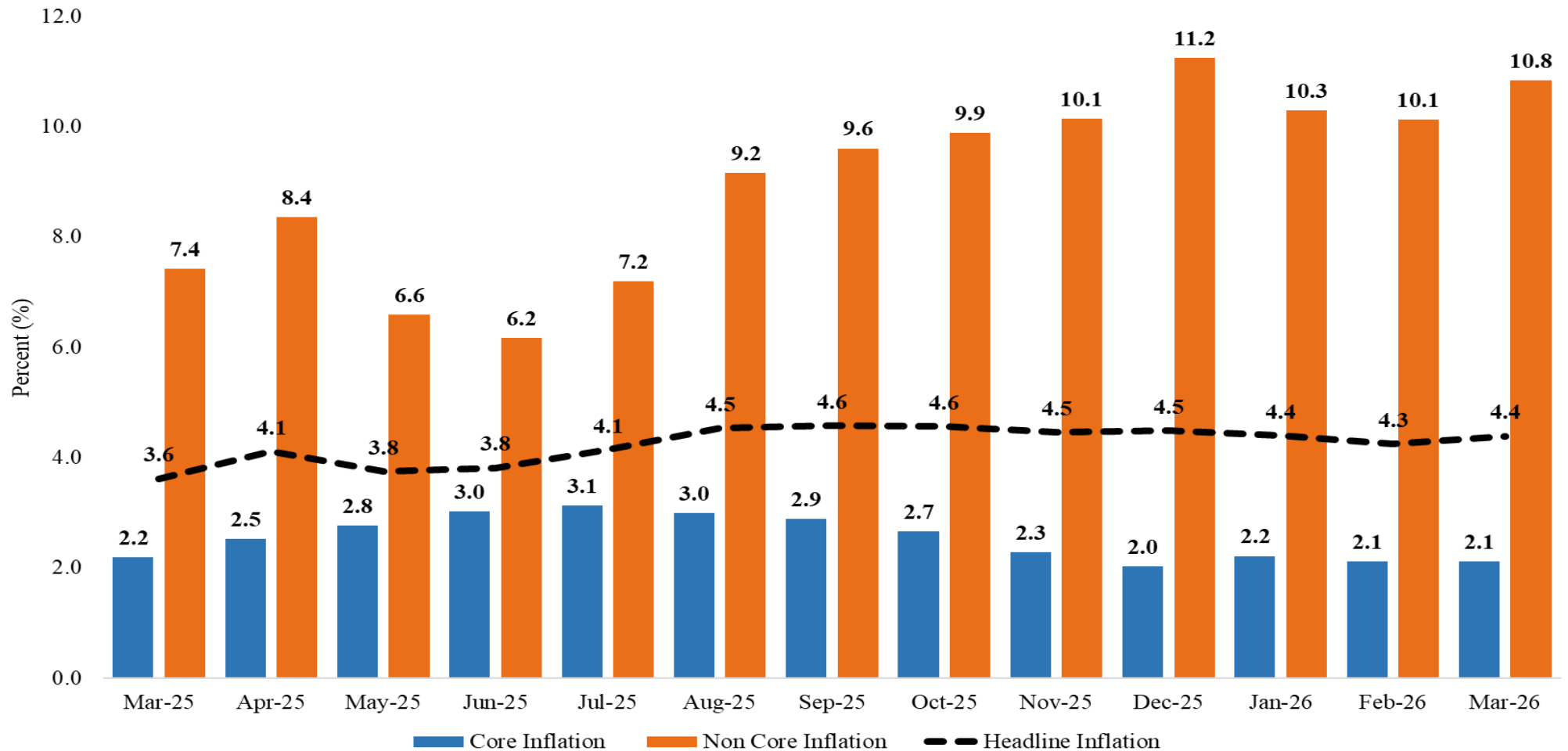
Source: Kenya National Bureau of Statistics

9b.

Domestic inflation developments:

Overall inflation stood at 4.4 percent in March 2026 compared to 4.3 percent in February, and remained below the mid-point of the target range of 5 ± 2.5 percent.

Inflation by broad category (y/y, percent)

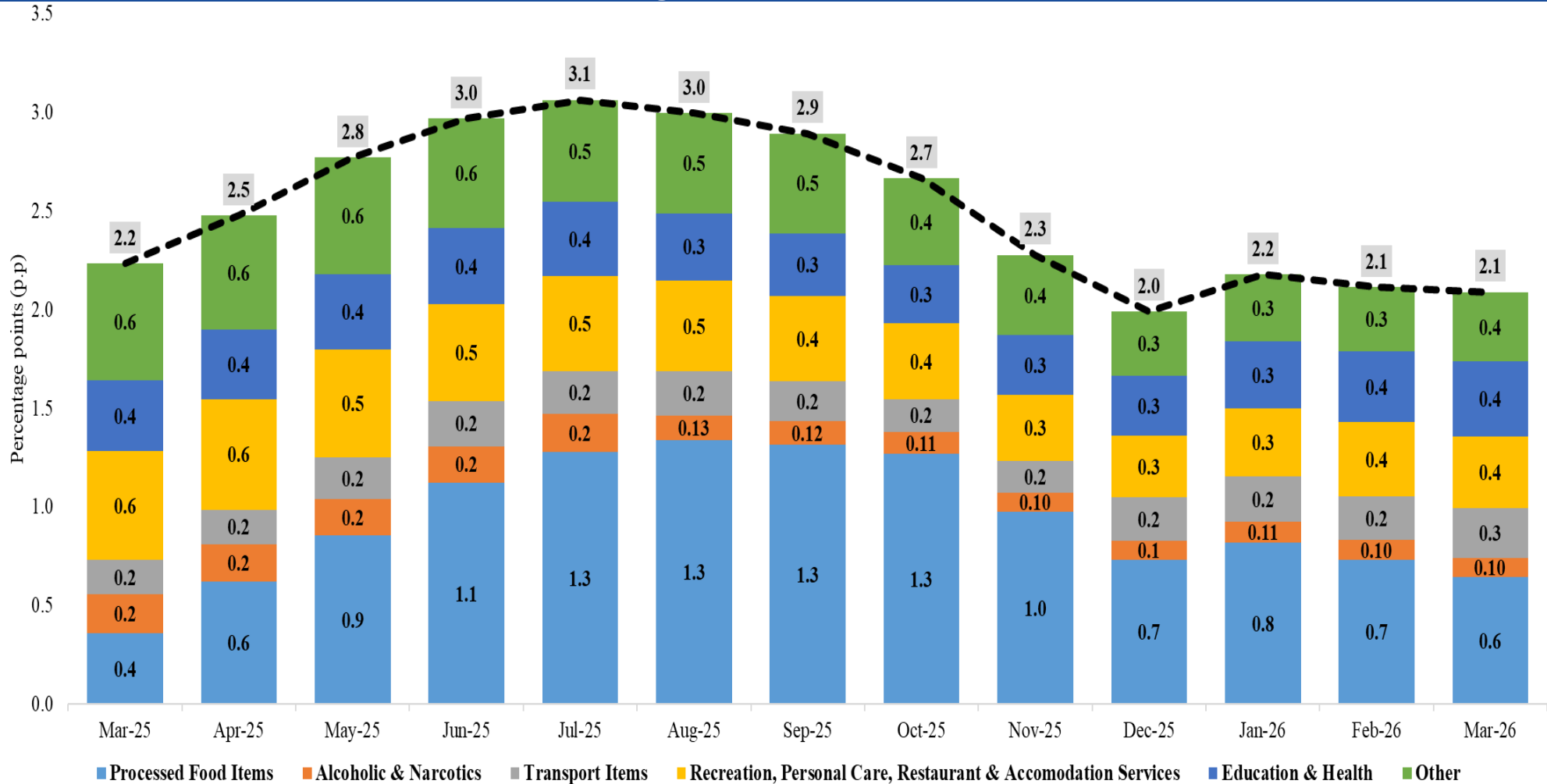


Source: Kenya National Bureau of Statistics

Main drivers of core inflation:

Core inflation remained stable in February and March 2026, supported by lower prices of some processed food items, particularly sugar and maize flour.

Contributions to core inflation (percentage points)



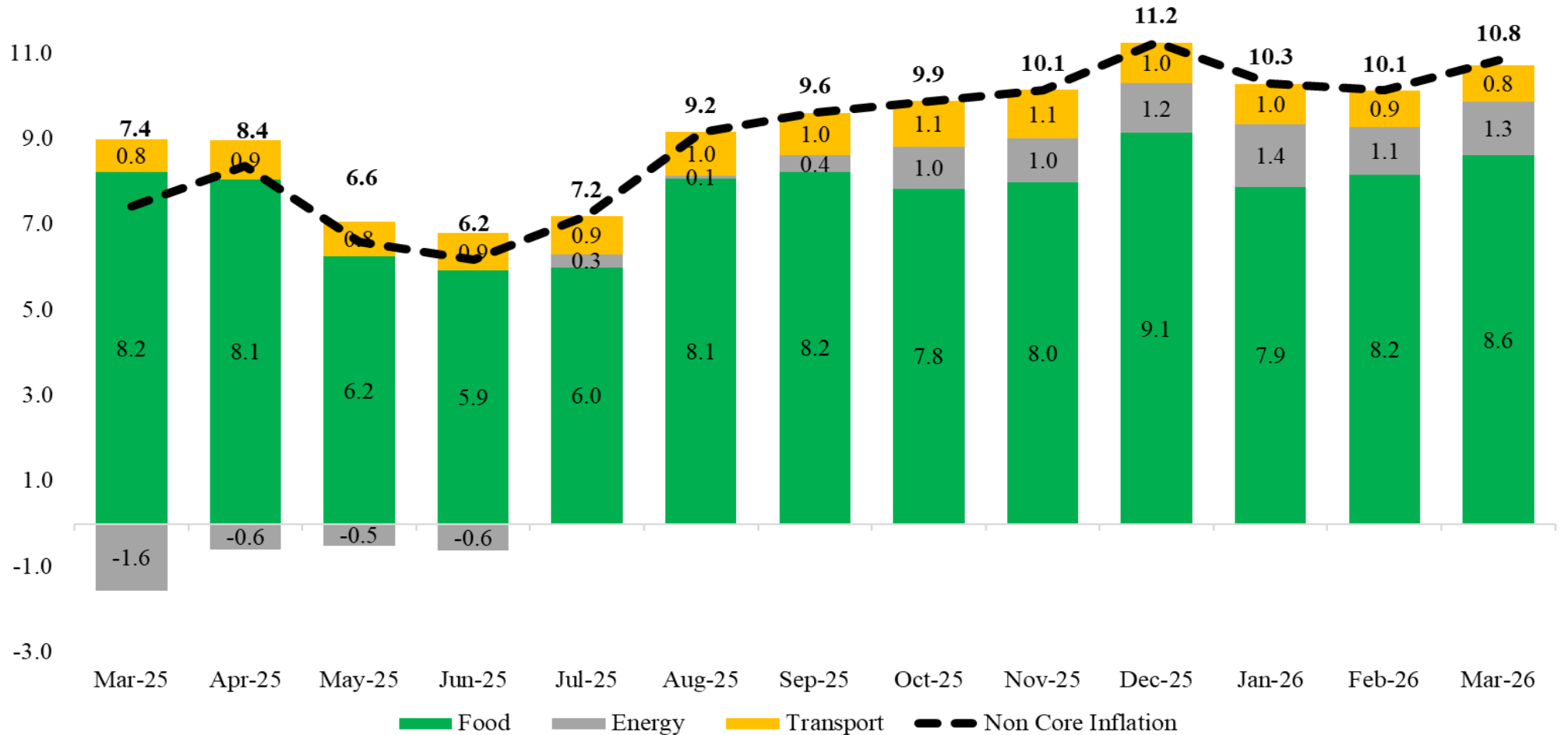
Source: KNBS and CBK computations

11.

Main drivers of non-core inflation:

Non-core inflation increased in March 2026, mainly driven by higher prices of some vegetables, particularly tomatoes and Irish potatoes.

Contributions to non-core inflation (percentage points)

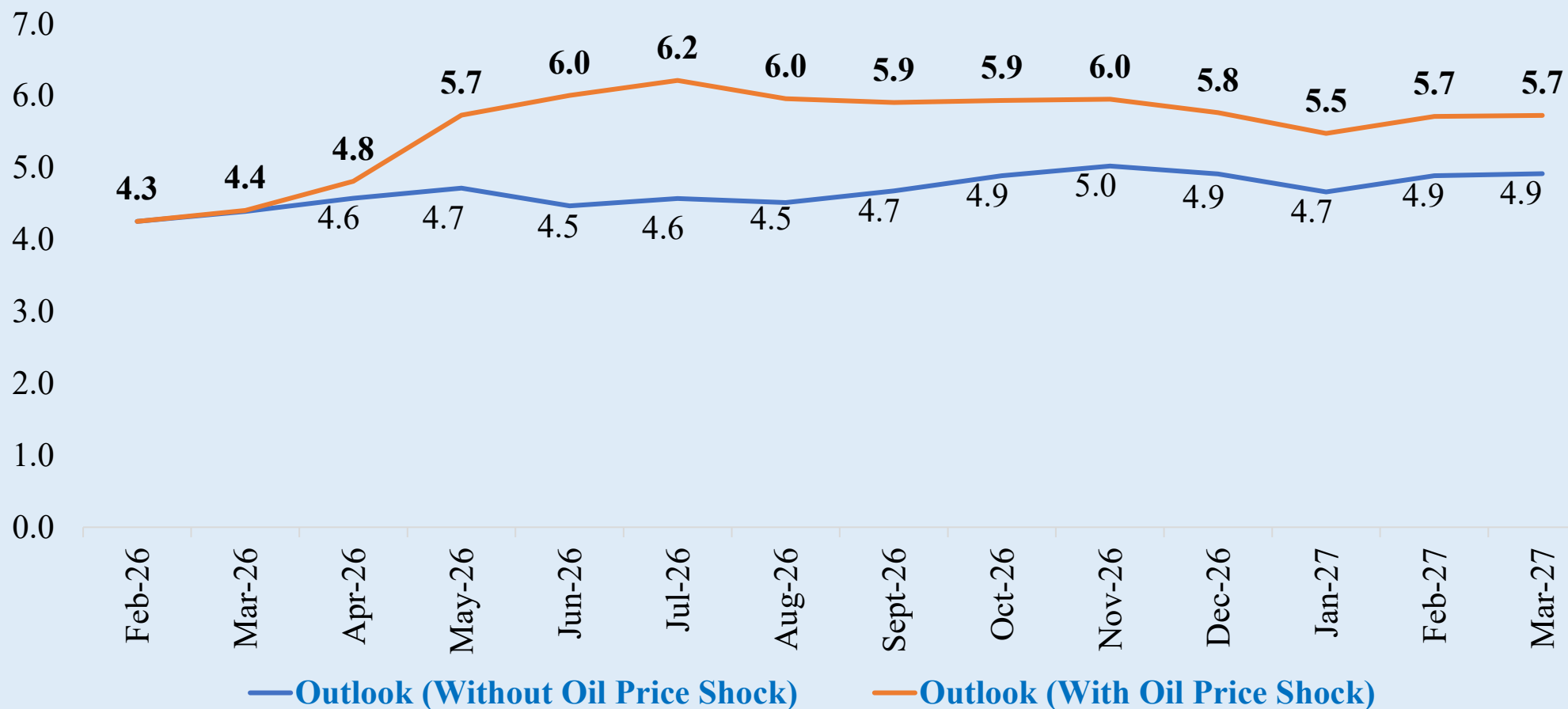


Source: KNBS and CBK

Inflation Projections:

Despite expected upward pressure from higher energy prices, overall inflation is expected to remain within the 5±2.5 percent target range in the near term, supported by appropriate monetary policy actions, expected stability in food prices attributed to favourable weather conditions, and continued exchange rate stability.

Forecasts of overall inflation: April 2026 to March 2027 (y/y, percent)

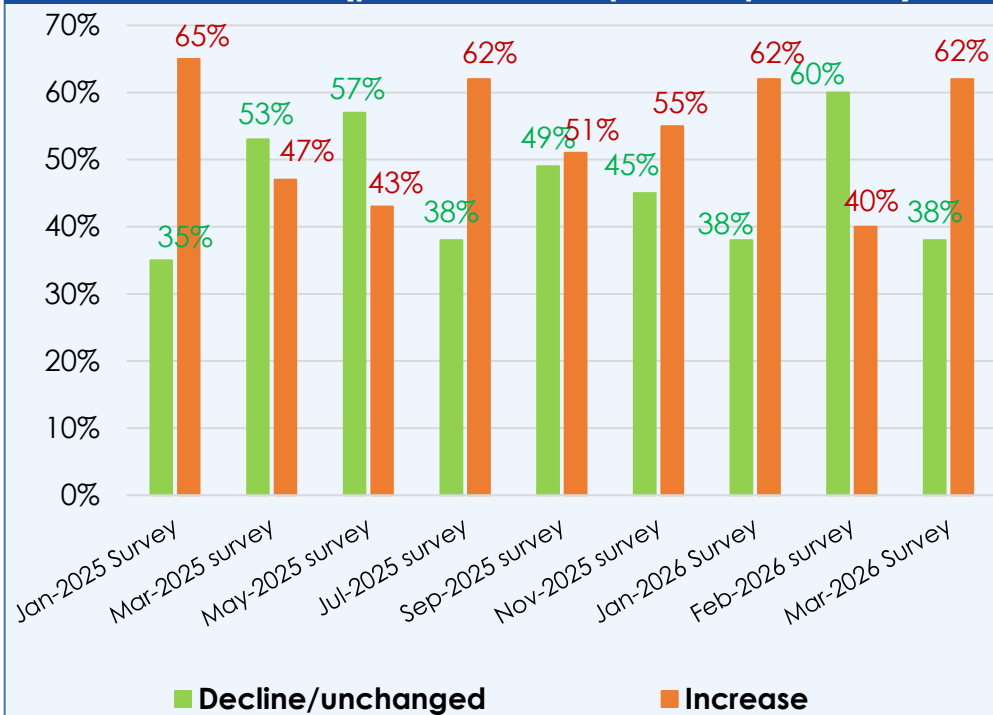


Source: KNBS, and CBK for projections

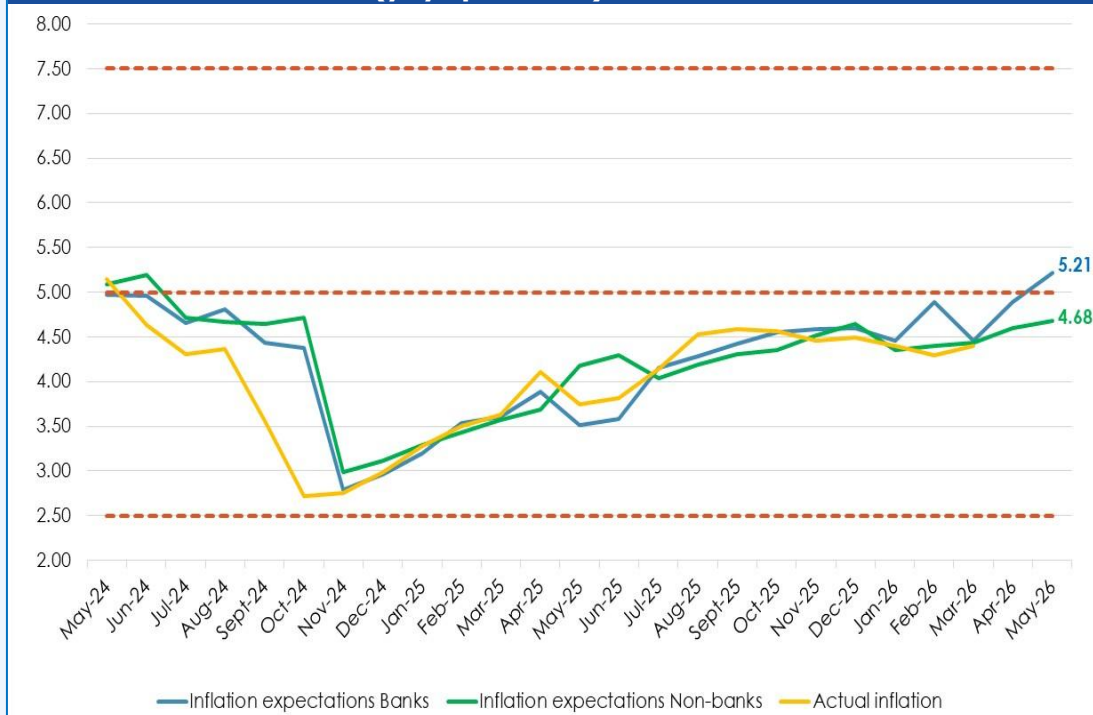
Inflation expectations:

The March 2026 MPC Market Perceptions Survey and Agriculture Sector Survey show that inflation expectations remain anchored within the 5±2.5 percent target range in the near term, but some upward pressure is expected due to higher 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)



- A majority of respondents to the February survey had expected inflation to decline or remain unchanged on account of lower food prices due to favorable weather conditions. These expectations changed in the March survey with most respondents expecting some upward pressure on inflation due to higher international oil prices arising from the conflict in the Middle East.
- Nevertheless, inflation is expected to remain within the target range in the near term supported by stable food prices attributed to favourable weather conditions, and stability in the exchange rate.

- The March 2026 MPC Market Perceptions Survey shows that inflation expectations in the near term remain anchored within the target range, mainly due to expected lower food prices attributed to favorable weather conditions, and exchange rate stability.
- Nevertheless, respondents expect some upward pressure on inflation due to effects of higher international oil prices arising from disruptions from the war in the Middle East.

- 1. Overall inflation was broadly stable at 4.4 percent in March 2026 compared to 4.3 percent in February**, and remained below the midpoint (5.0 percent) of the 5 ± 2.5 percent target range.
- 2. Despite expected upward pressure from higher energy prices, overall inflation is expected to remain within the 5 ± 2.5 percent target range in the near term, supported by:**
 - Appropriate monetary policy actions.
 - Expected stability in food prices attributed to favourable weather conditions.
 - Exchange rate stability which is expected to continue moderating the impact of imported inflation.
- 3. The March 2026 MPC Market Perceptions Survey, Agriculture Sector Survey and CEOs Survey** show that inflation expectations remain anchored within the target range in the near term, but some upward pressure is expected due to higher energy prices.
- 4. The main risks to the inflation outlook relate to** heightened geopolitical risks particularly the ongoing war in Middle East with implications on volatility in oil prices, and elevated trade policy uncertainty.

GDP growth developments and outlook

Domestic economic growth:

The growth of the economy is projected at 5.3 percent in 2026 compared to the previous projection of 5.5 percent, reflecting the emerging risks of the conflict in the Middle East on the performance of some key sectors of the economy.

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.	Q1 Proj.	Annual Proj.	Annual Proj.
1. Agriculture	19.8	-0.4	-1.5	6.6	4.6	6.0	4.4	3.2	3.7	4.4	4.4	4.7	4.4
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	5.5	5.4	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	4.5	4.7	5.1
Mining & Quarrying	1.1	18.0	9.3	-6.5	-9.2	10.8	15.3	16.6	14.2	14.3	9.0	9.0	9.4
Manufacturing	9.1	7.3	2.6	2.2	2.8	2.1	1.0	2.5	3.2	2.2	2.9	3.0	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	4.0	5.2	4.3
Construction	5.1	6.7	4.1	3.0	-0.7	3.0	5.7	6.7	6.5	5.5	6.4	6.2	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	5.8	5.7	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	4.9	4.6	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	9.5	8.0	14.2
Transport & Storage	9.8	7.4	5.8	5.5	4.4	3.7	5.4	5.2	5.4	4.9	4.5	4.3	5.7
Information & Communication	2.7	6.1	9.0	10.3	7.0	5.8	6.0	4.5	5.5	5.4	6.9	6.7	6.8
Financial & Insurance	7.8	11.5	12.0	10.1	7.6	5.2	6.7	5.4	6.2	5.9	6.5	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	5.0	5.3	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	7.1	6.6
Real estate	9.5	6.7	4.5	7.3	5.3	5.3	5.5	5.7	5.6	5.5	6.3	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	5.5	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	5.3	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	3.9	4.2	4.2
FISIM	-3.0	5.3	0.2	2.7	9.0	2.4	1.8	3.6	2.7	2.7	3.2	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	4.7	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	5.3	5.3	5.6

- **Higher energy prices attributed to the war in Iran** are expected to affect the performance of key sectors such as manufacturing, transport and storage, accommodation and food services, and wholesale and retail trade.
- **Disruptions in supply chains** are also expected to affect exports and imports of goods and services.
- **Agriculture sector growth is expected to improve**, supported by favorable weather conditions.
- **The industrial sector continues to recover**, driven by construction, and affordable housing programme, with the settlement of pending bills and PPPs.
- **Key service sectors are expected to remain resilient**, supported by continued digitization of the economy, expansion of e-commerce, and the conducive macroeconomic environment.
- **Improved uptake of credit across key sectors** is expected to support growth, particularly in manufacturing, building and construction, agriculture, consumer durables, and trade.

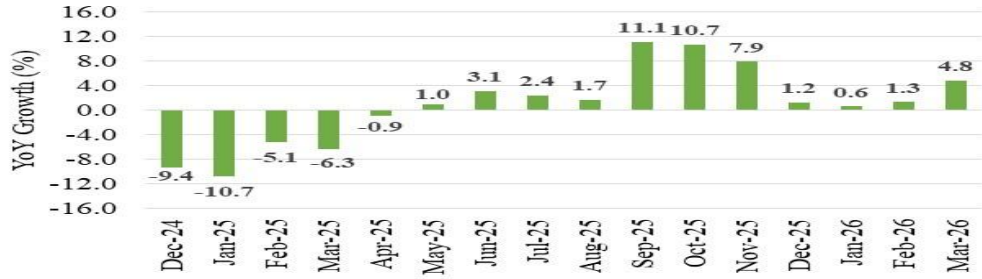
Source: Kenya National Bureau of Statistics and Central Bank of Kenya

Sectoral credit to private sector:

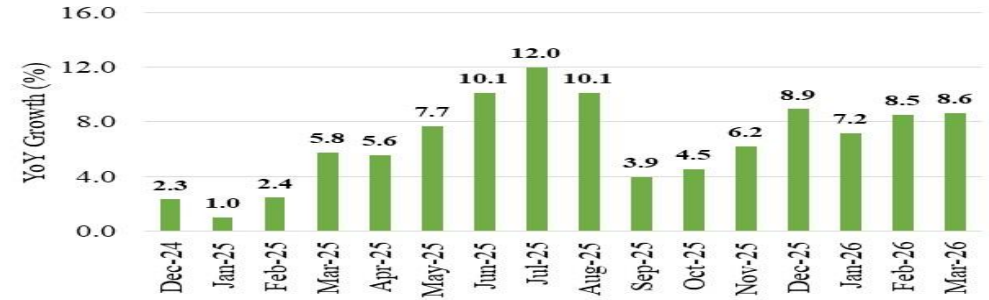
Growth in credit to key sectors of the economy, particularly building and construction, trade, agriculture, and consumer durables, remained strong in March 2026. Manufacturing sector recorded improved credit growth in March 2026 after significant net loan repayments recorded in December 2025 and January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

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

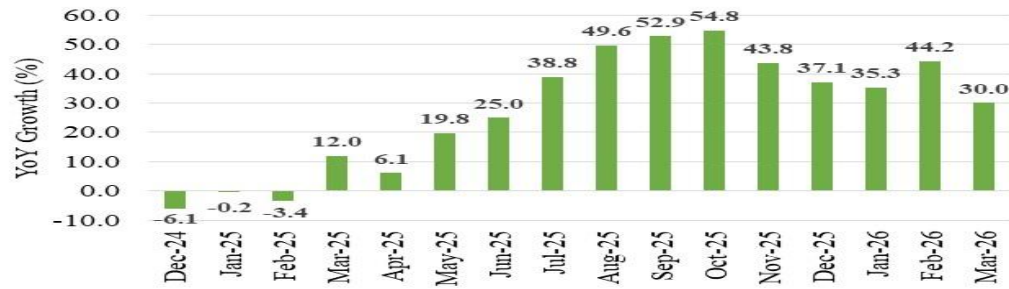
Manufacturing



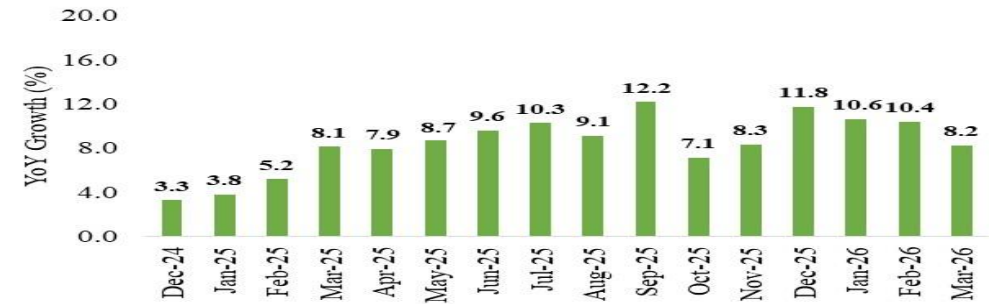
Trade



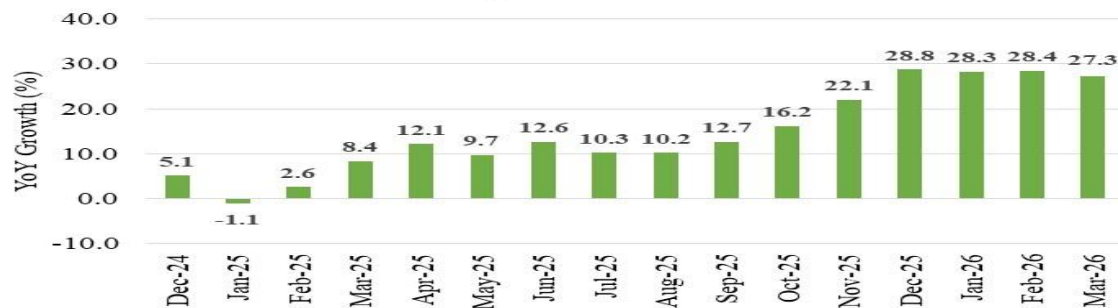
Building & Construction



Consumer durables



Agriculture

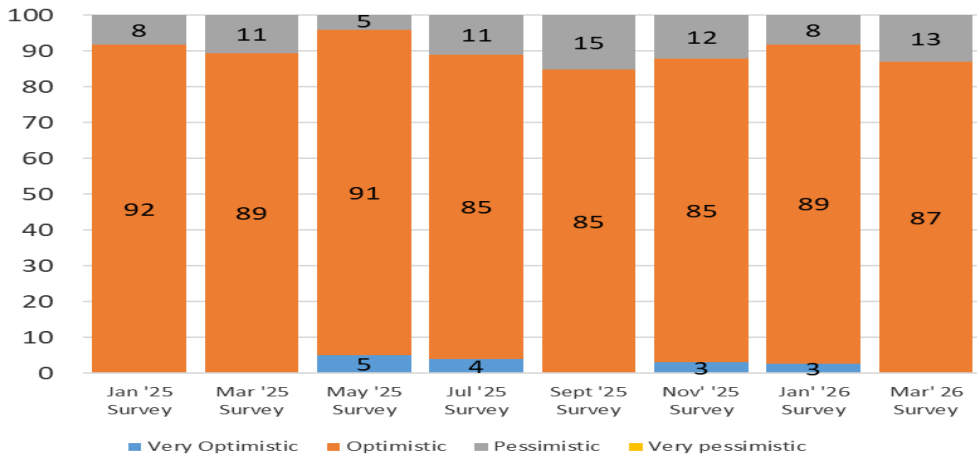


Source: Central Bank of Kenya

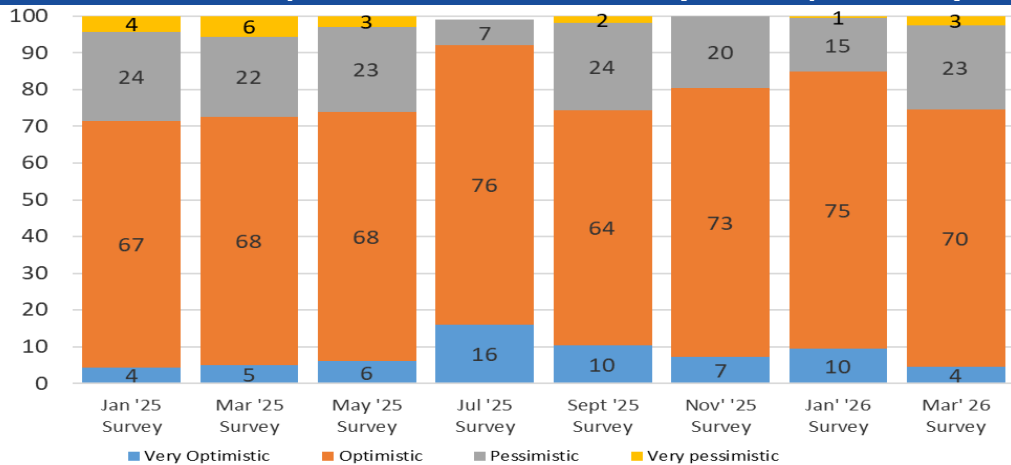
March 2026 MPC Surveys:

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.

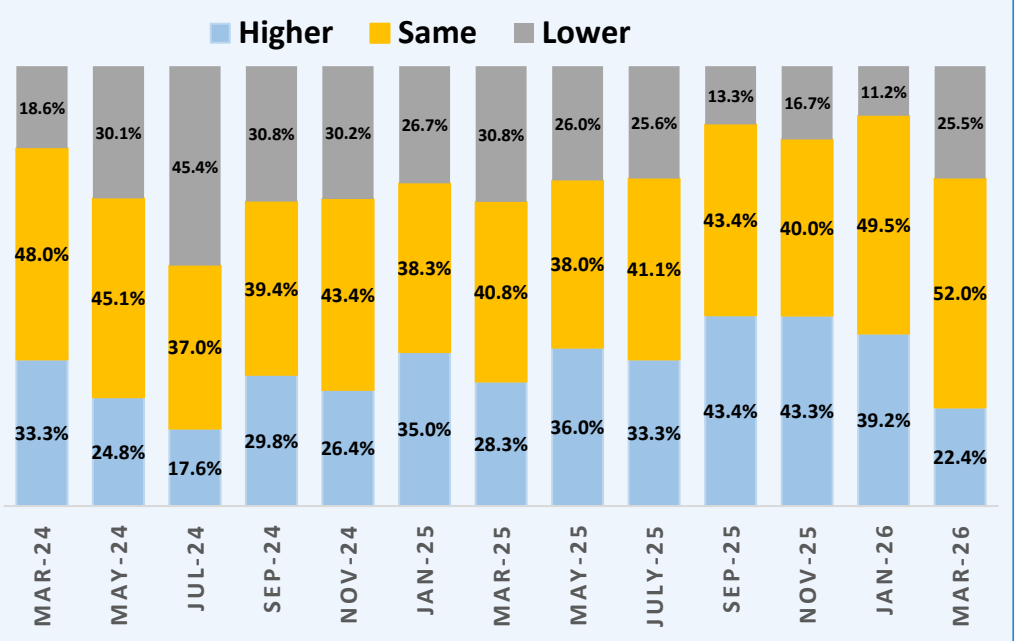
Market Perceptions Survey: Optimism in growth prospects for the next 12 months by Banks (% of respondents)



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 the stable macroeconomic environment with low inflation and stable exchange rate, lower interest rates, expected favorable weather conditions which are expected to support agriculture, increased infrastructure spending, increased digital innovations, and improved private sector credit growth.
- Nevertheless, respondents expressed concerns about increased global uncertainties attributed to the conflict in the Middle East, high cost of doing business, and low consumer demand.

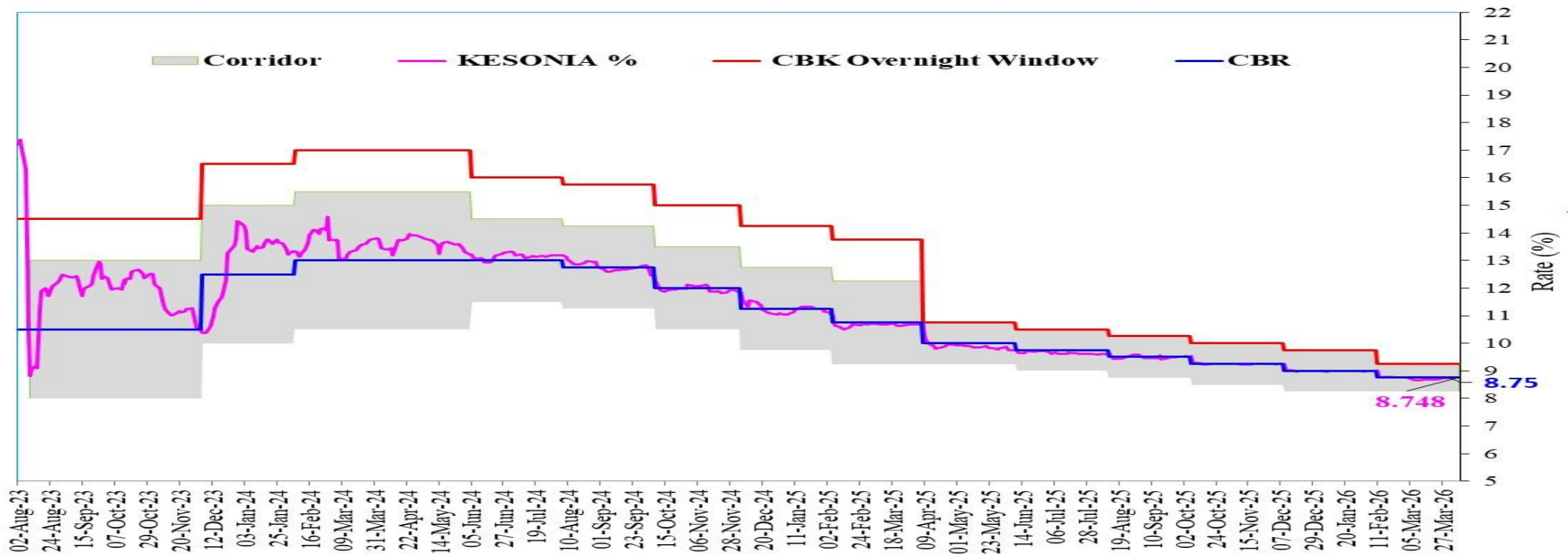
1. **The growth of the economy is estimated at 5.0 percent in 2025 compared to 4.7 percent in 2024**, mainly reflecting a rebound of the industrial sector and resilience of the services sector.
2. **Leading indicators of economic activity point to resilient performance** in the first quarter of 2026.
3. **The growth of the economy is projected at 5.3 percent in 2026 compared to the previous projection of 5.5 percent**, reflecting the emerging risks of the conflict in the Middle East on the performance of some key sectors of the economy.
4. **The MPC Surveys conducted in March 2026 revealed sustained optimism** about business activity and economic growth prospects for the next 12 months, but there are concerns about the conflict in the Middle East.
5. **This outlook is subject to risks**, particularly a prolonged conflict in the Middle East, and elevated trade policy uncertainties.

Monetary developments

Monetary policy implementation framework:

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

Monetary policy implementation framework (August 2023–April 7 2026)



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

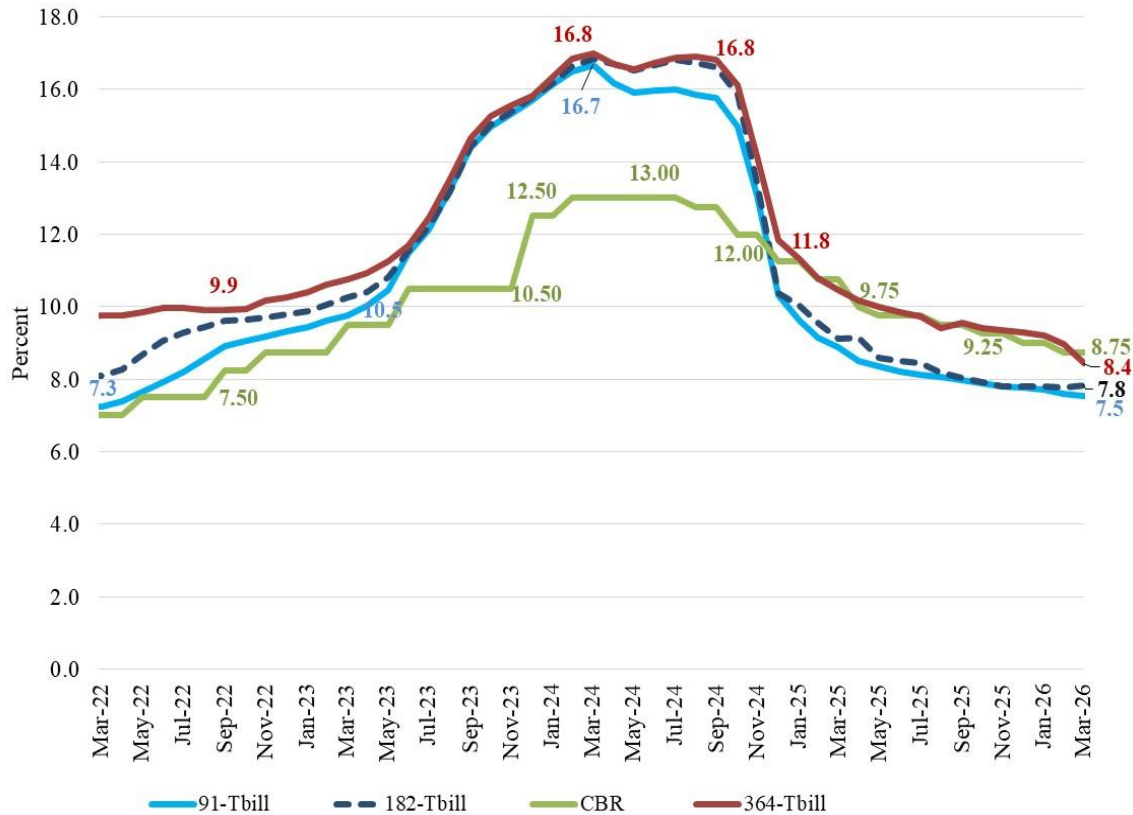
Source: CBK

- 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.

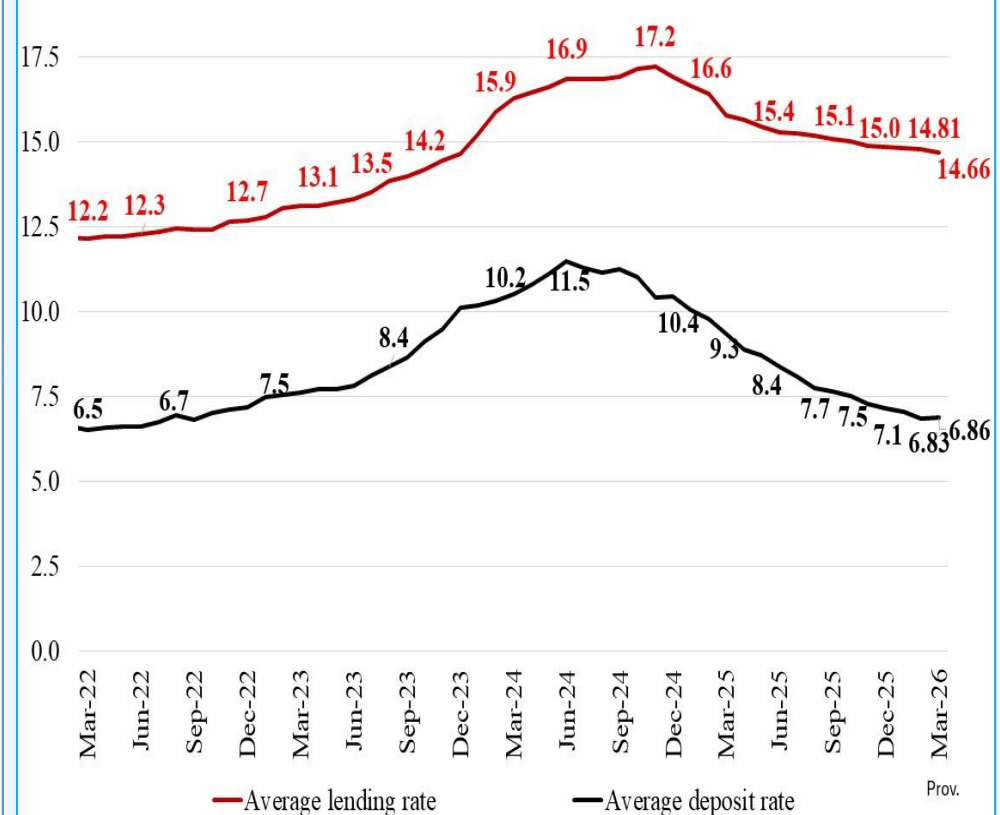
Monetary developments:

Short term interest rates and commercial banks lending rates have declined, inline with the recent reductions in the Central Bank Rate.

Average Treasury bill rates and Central Bank Rate (percent)



Average commercial banks interest rates (percent)



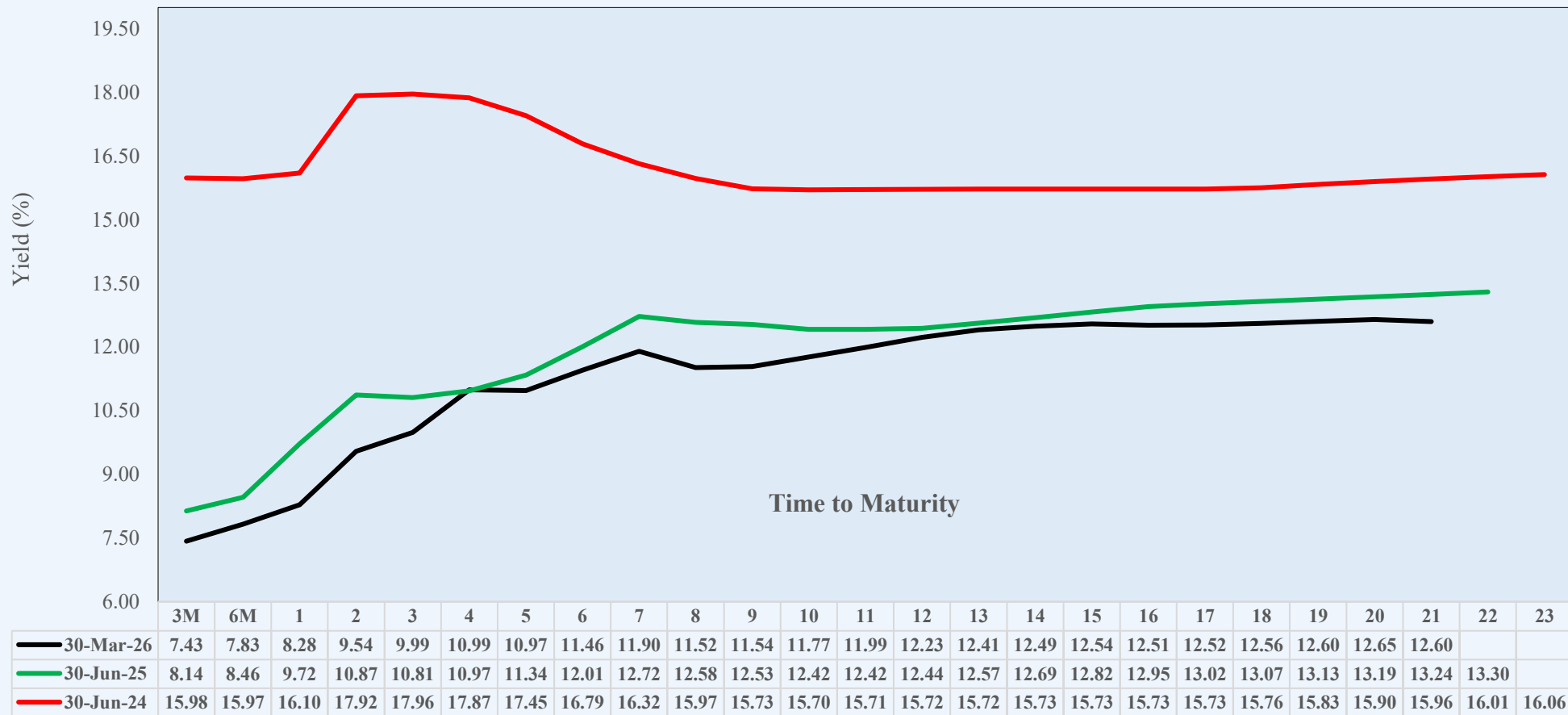
Source: CBK

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

Monetary developments:

The yield curve for Government securities has shifted downwards, in line with the recent monetary policy easing.

Kenya Government Securities Yield Curve (percent)

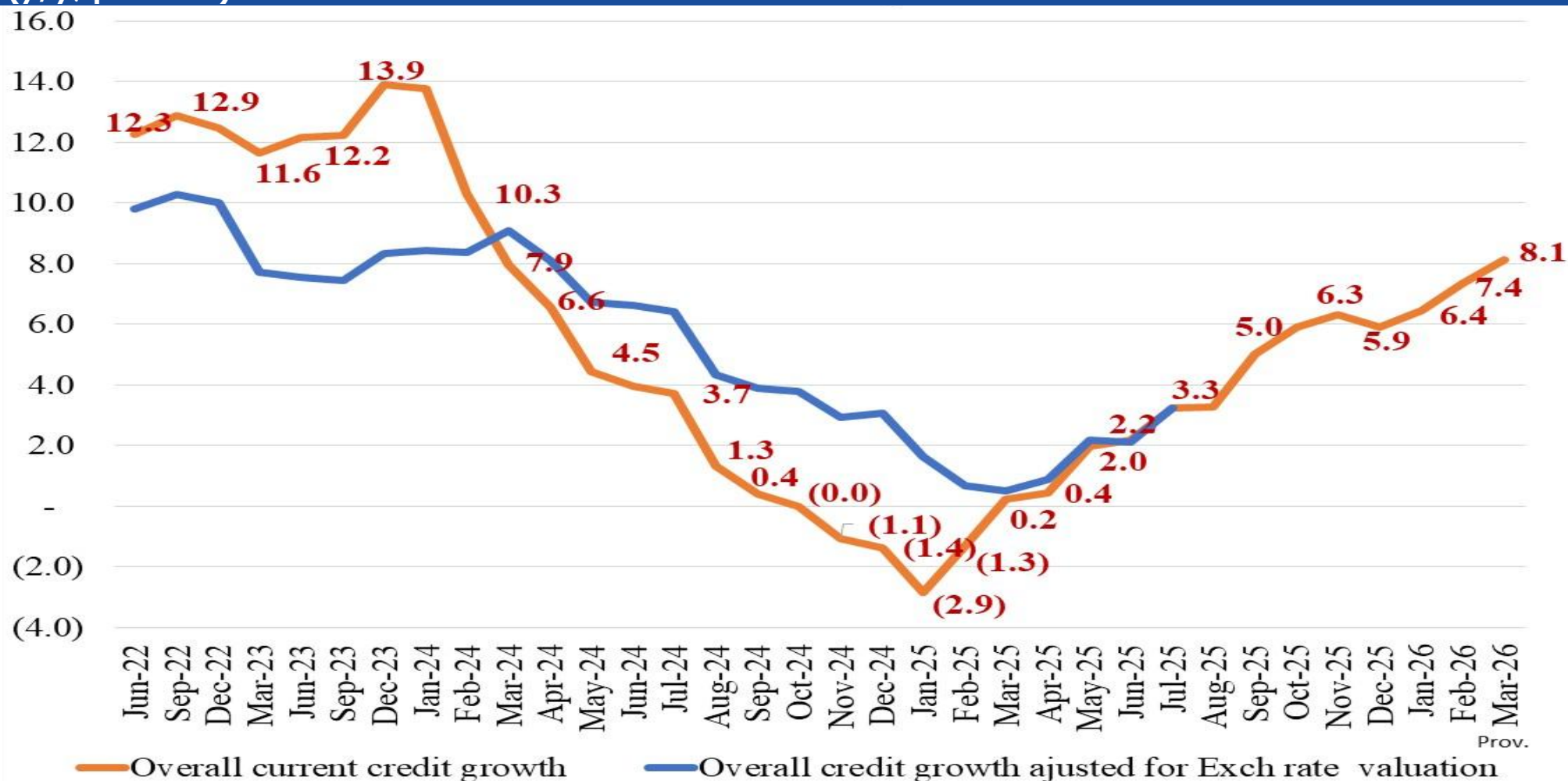


Source: CBK

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)

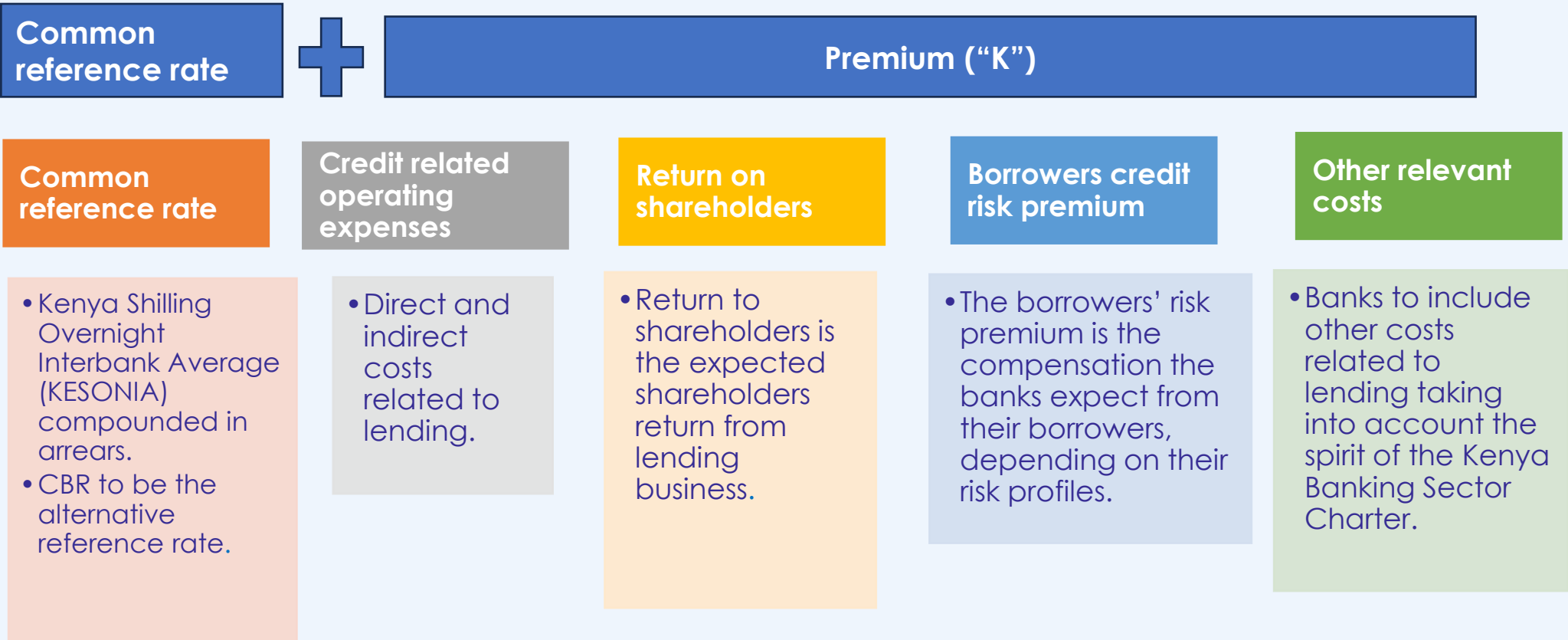


Source: CBK

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 is fully operational from 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 improved to 8.1 percent in March 2026** from 5.9 percent in December 2025, and -2.9 percent in January 2025.
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:

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 account inflows.

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

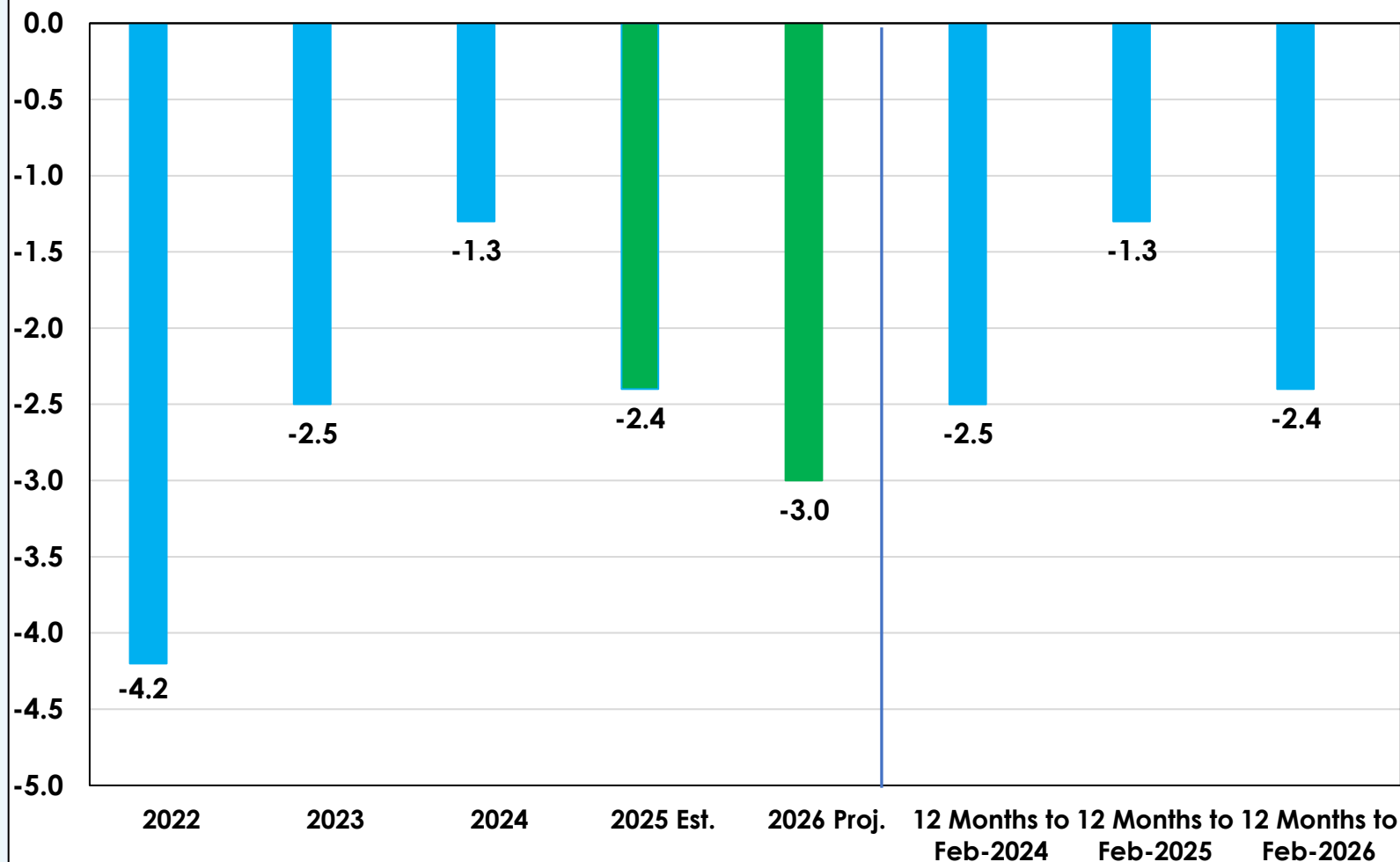
	2022	2023	2024	12 months to Feb 2025	2025 Est.	12 months to Feb 2026	2026 Proj.
A. Current account	-4,824	-2,728	-1,551	-1,657	-3,299	-3,398	-4,434
Trade balance	-11,559	-9,556	-9,734	-9,886	-10,995	-11,212	-11,661
Goods exports, f.o.b	10,650	11,031	12,508	12,638	13,266	13,657	13,972
Goods imports, f.o.b	22,209	20,588	22,242	22,525	24,261	24,870	25,632
Services balance	1,981	1,703	2,416	2,486	2,101	2,163	1,769
Services Credit	7,604	7,149	8,078	8,207	8,168	8,166	8,384
Services Debit	5,623	5,446	5,662	5,721	6,067	6,003	6,615
Goods and Services Balance	-9,579	-7,853	-7,318	-7,400	-8,894	-9,049	-9,892
Primary income, Balance	-1,761	-1,861	-1,845	-1,794	-1,799	-1,786	-2,102
Secondary income	6,516	6,986	7,613	7,537	7,394	7,438	7,560
B. Financial and capital account	-2,683	-1,720	-3,009	-3,088	-5,602	-8,291	-5,053
C. Overall balance ("-", indicates a surplus)	2,141	1,008	-1,459	-1,431	-2,303	-4,893	-619
D. Reserves and related items	-2,141	-1,008	1,459	1,431	2,303	4,893	619

Source: KNBS and CBK

Current account balance:

The current account deficit widened in the 12 months to February 2026 relative to a similar period in 2025, due to a higher trade deficit and lower secondary income transfers as a share of GDP. A wider current account deficit is projected in 2026 due to the impact of the conflict in the Middle East.

Current account balance (percent of GDP)



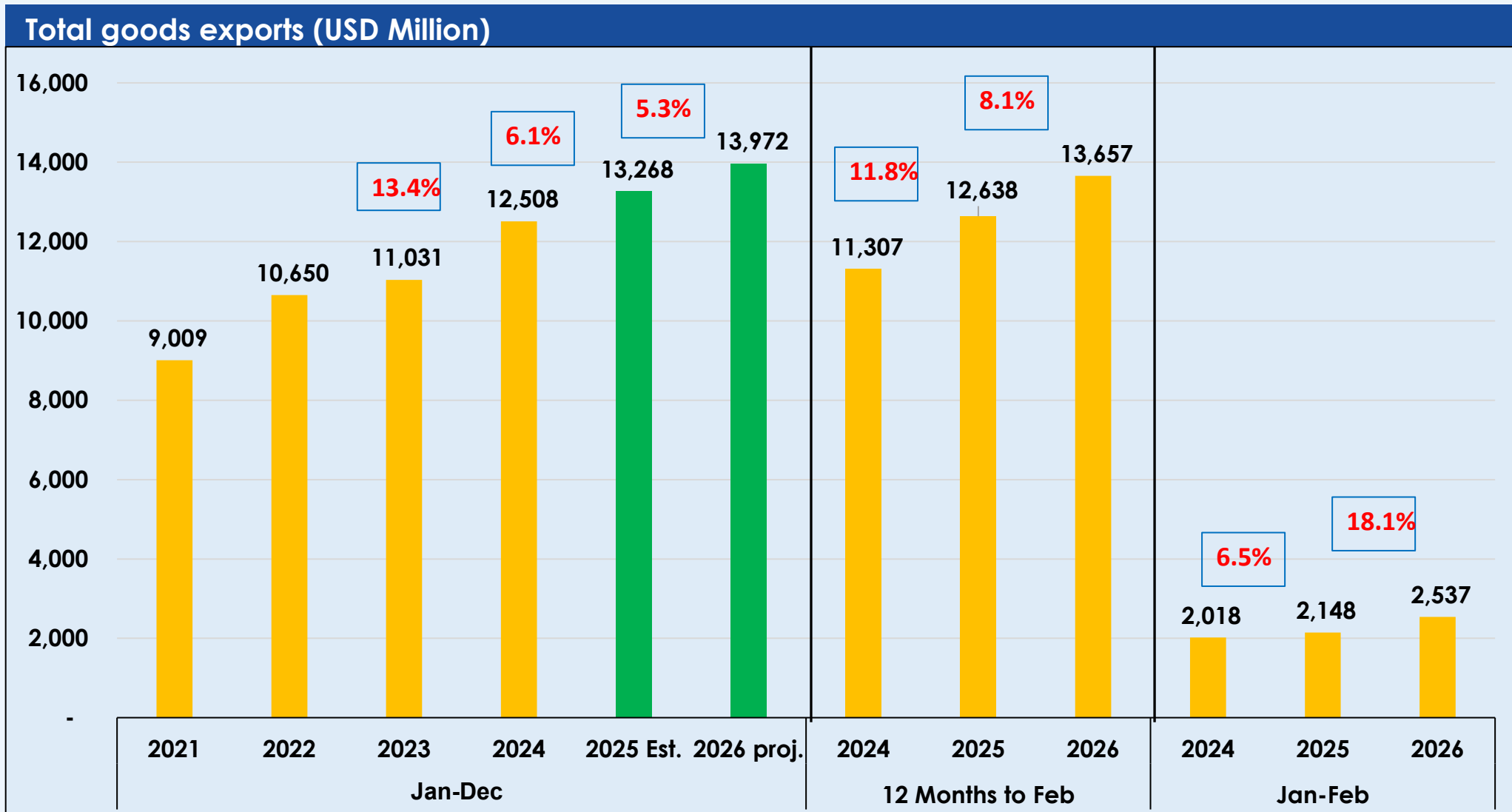
The projected wider current account deficit in 2026 reflects:

- The direct impact of the US-Israel-Iran war on the goods balance via commodity prices, supply chain disruptions, and reduced global demand.
- Higher oil import bill due to higher oil prices.
- Lower receipts from the services sector, especially travel services, air and sea transport services.
- Slower growth in remittance inflows to as disposable income in the Gulf States declines.
- Indirect impact via Kenya's trading partners and reduced domestic demand.

Source: KRA and CBK

Balance of Payments:

Goods exports increased by 8.1 percent in the 12 months to February 2026 compared to a similar period in 2025, mainly driven by horticulture, tea, coffee, food and live animals, and machinery and transport equipment.

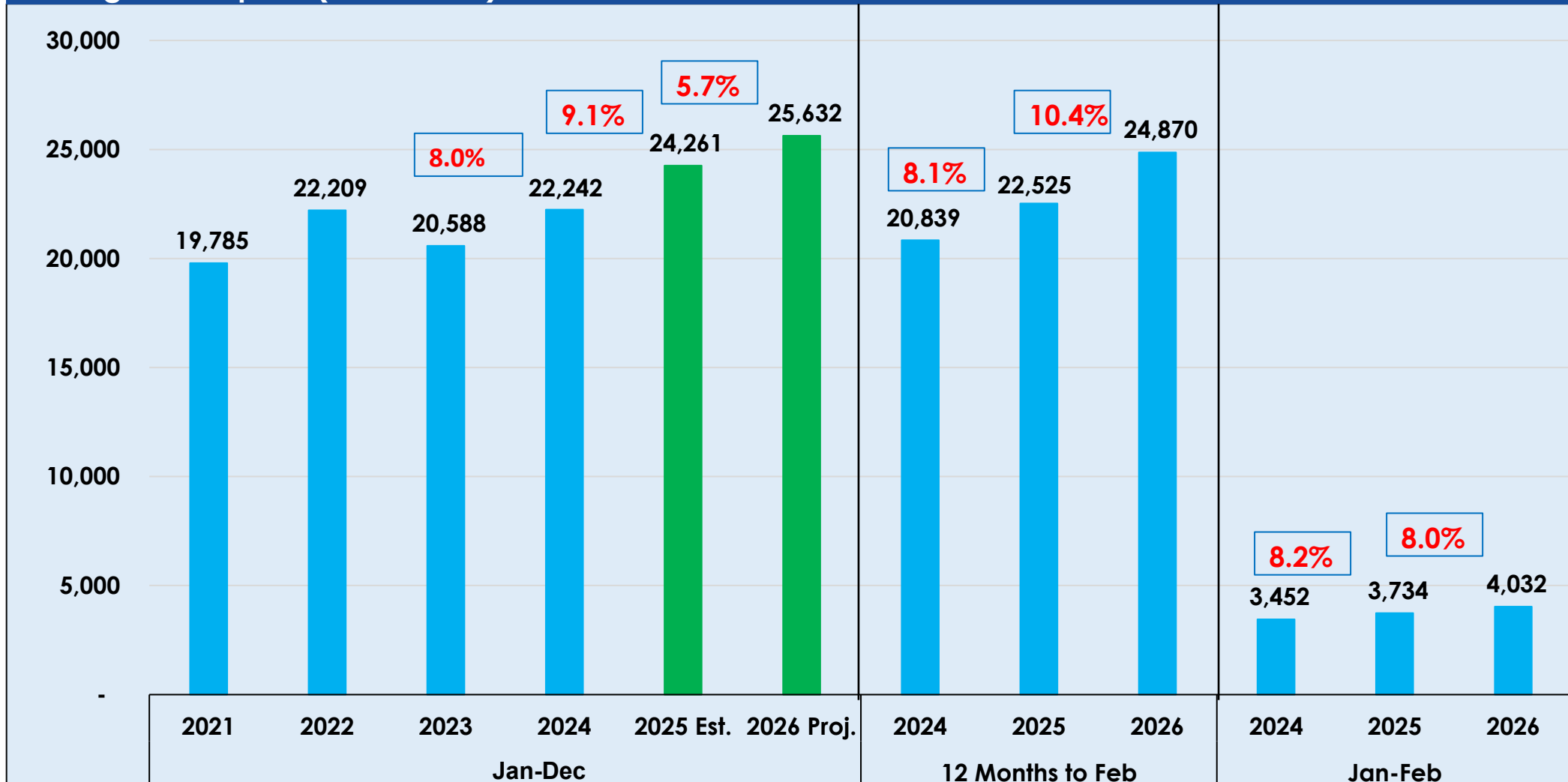


Source: KRA and CBK

Balance of Payments:

Goods imports increased by 10.4 percent in the 12 months to February 2026 compared to a similar period in 2025, mainly reflecting increases in intermediate and capital goods imports for domestic production.

Total goods imports (USD Million)

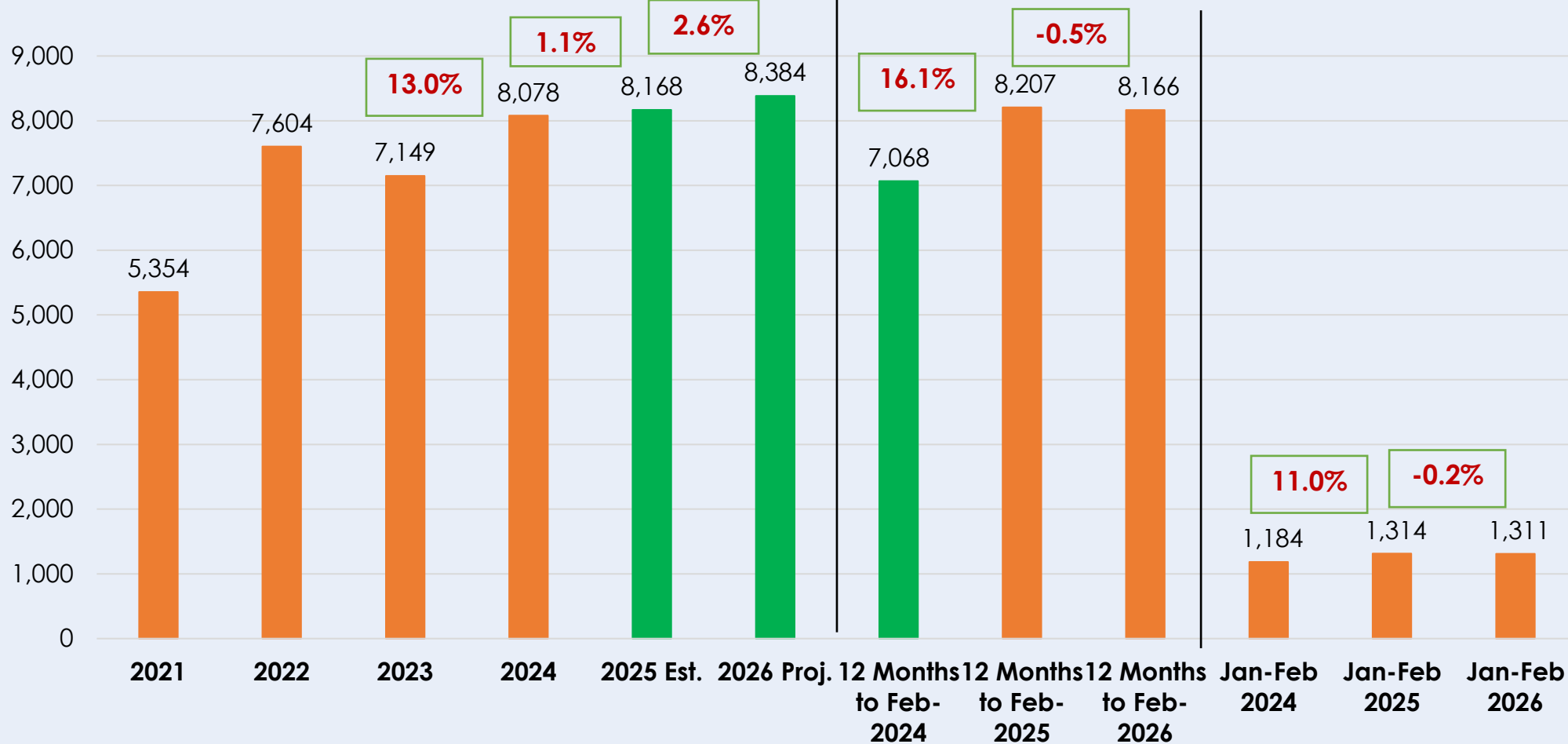


Source: CBK, KRA

Balance of payments:

Services receipts decreased by 0.5 percent in the 12 months to February 2026 relative to a similar period in 2025, mainly on account of lower earnings from transport services.

Total services export receipts (USD Million)

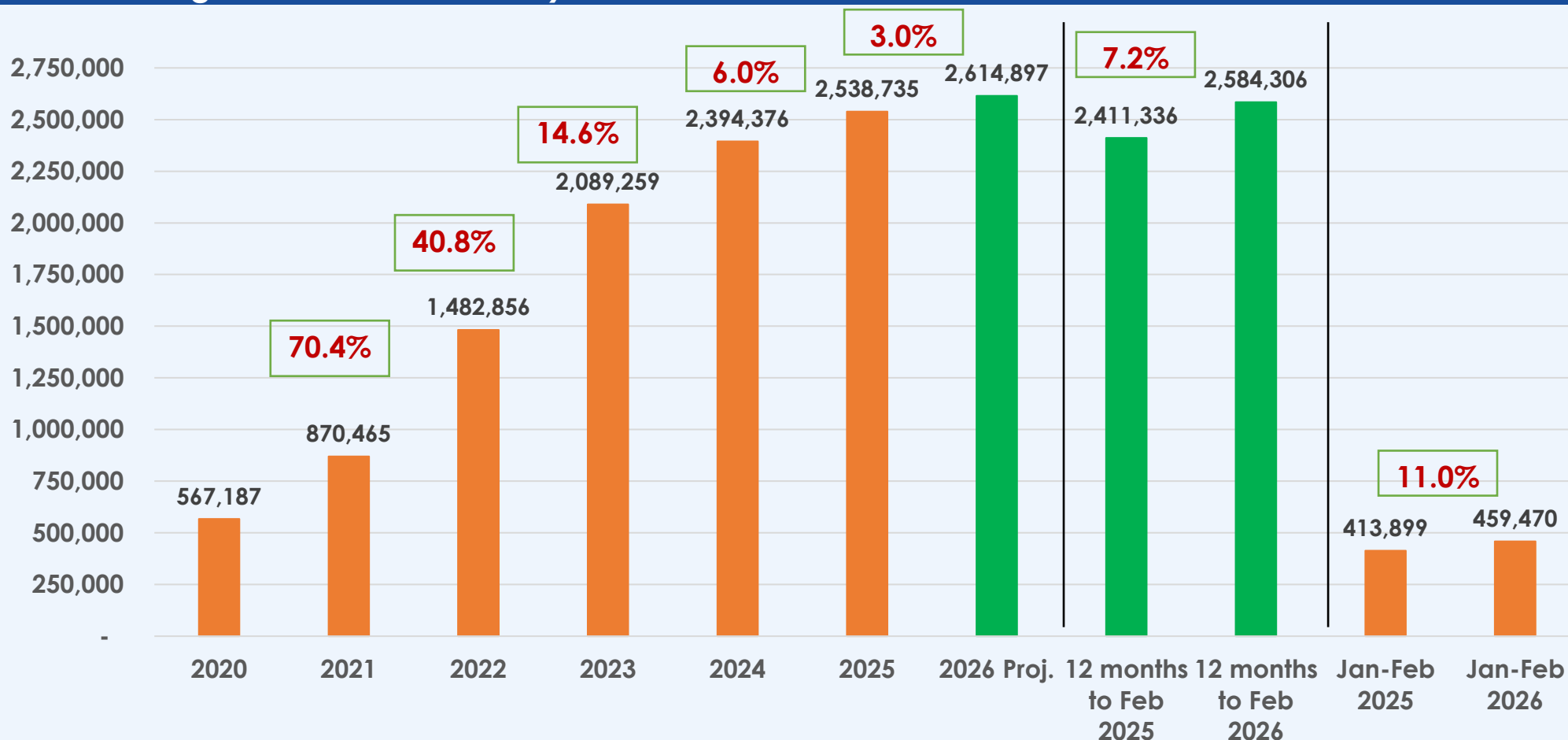


Source: CBK, KRA

Services exports:

Tourist arrivals have remained resilient, growing by 7.2 percent in the 12 months to February 2026, mainly on account of recovery of international travel and Government measures to diversify source markets.

Number and growth of tourist arrivals)

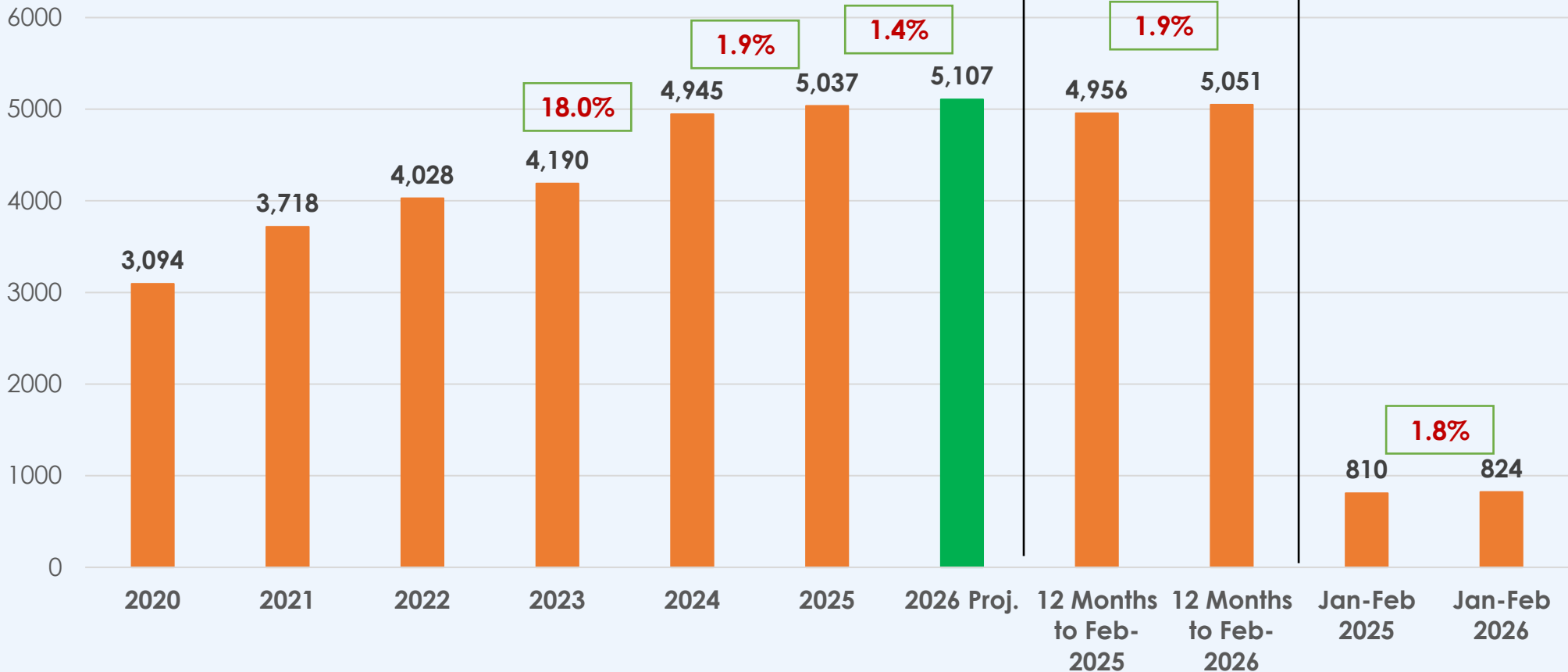


Source: KNBS/Tourism Research Institute/Kenya Tourism Board/CBK for projections

Diaspora remittances:

Remittances inflows remained resilient in the 12 months to February 2026 despite increased global uncertainties, supported by diversified source countries and impact of government policies to export skilled labor.

Diaspora remittances inflows (USD, Million)



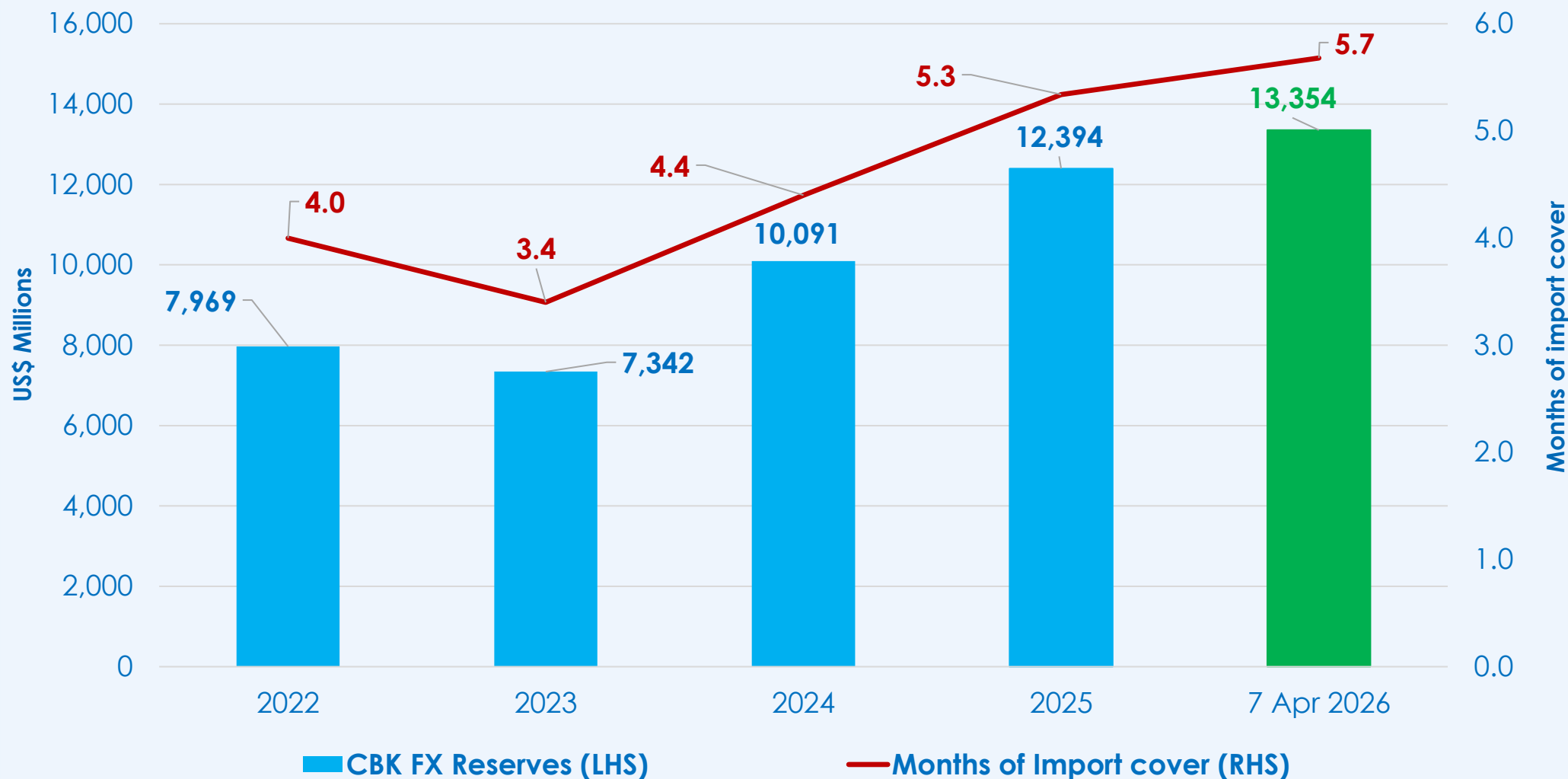
Source: CBK

32.

CBK foreign exchange reserves:

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

CBK foreign exchange reserves (end period)

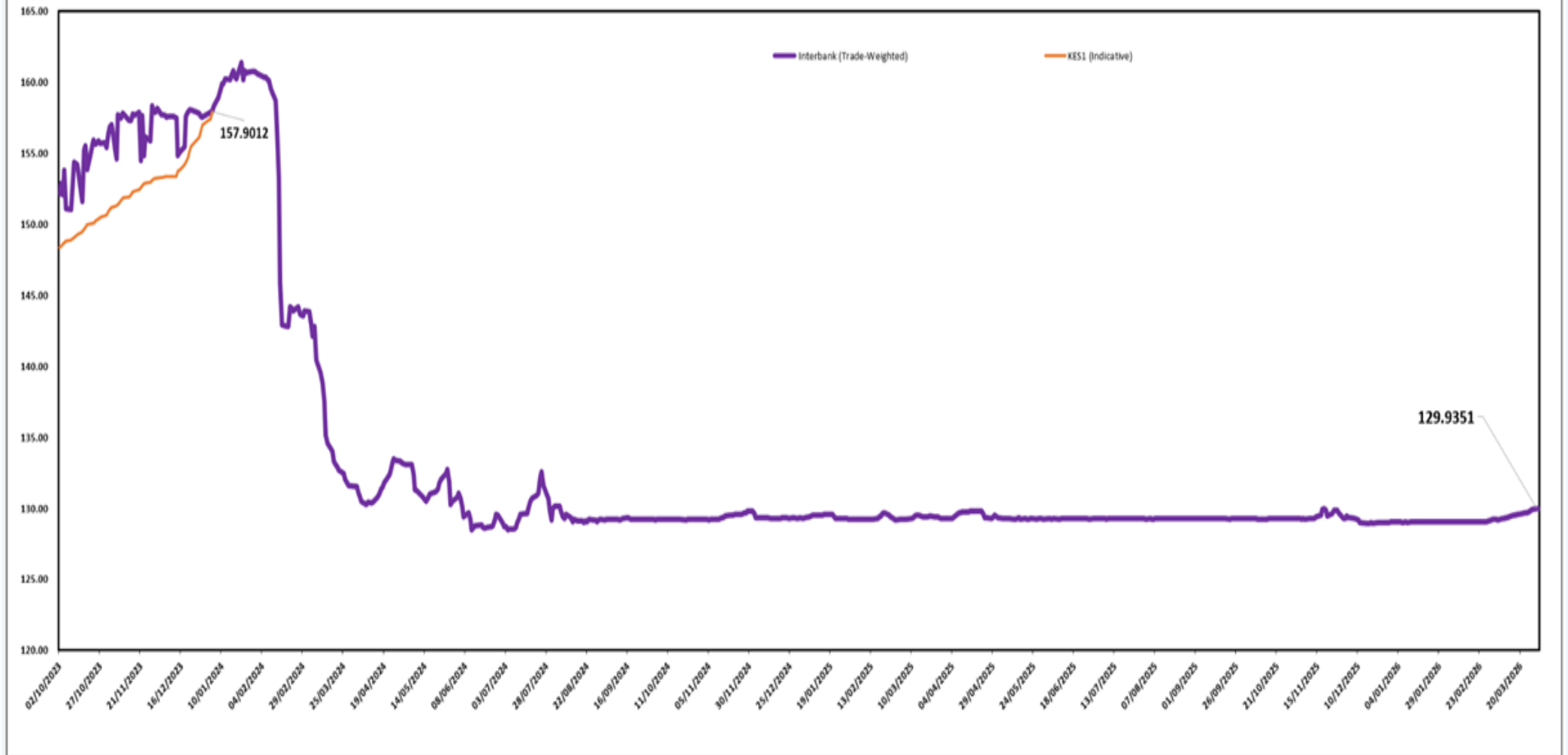


Source: CBK as of April 7, 2026

Exchange rate developments:

Despite heightened geopolitical risks, the Kenya Shilling has remained broadly stable, supported by diversified foreign exchange inflows, increased 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 as of February 03, 2025

1. **The current account deficit is estimated at 2.4 percent of GDP in the 12 months to February 2026 compared to 1.3 percent of GDP in similar period in 2025**, due to a higher trade deficit and lower secondary income transfers as a share of GDP.
2. **The current account deficit is projected at 3.0 percent of GDP in 2026 compared to the previous projection of 2.2 percent of GDP**, mainly reflecting emerging risks of the conflict in the Middle East, including higher international oil prices, lower receipts from services, slower growth in remittance inflows, and reduced exports.
 - The current account deficit is expected to be more than fully financed by financial account inflows in 2026, resulting in an overall balance of payments surplus of USD 619 million in 2026.
 - Gross foreign exchange reserves are projected at USD 13,013 million at the end of 2026 from USD 12,394 million in 2025.
3. **Downside risks to the balance of payments outlook:** a prolonged conflict in the Middle East may exacerbate commodity price disruptions; elevated trade policy uncertainty; and volatility in the international oil markets.

Banking sector developments

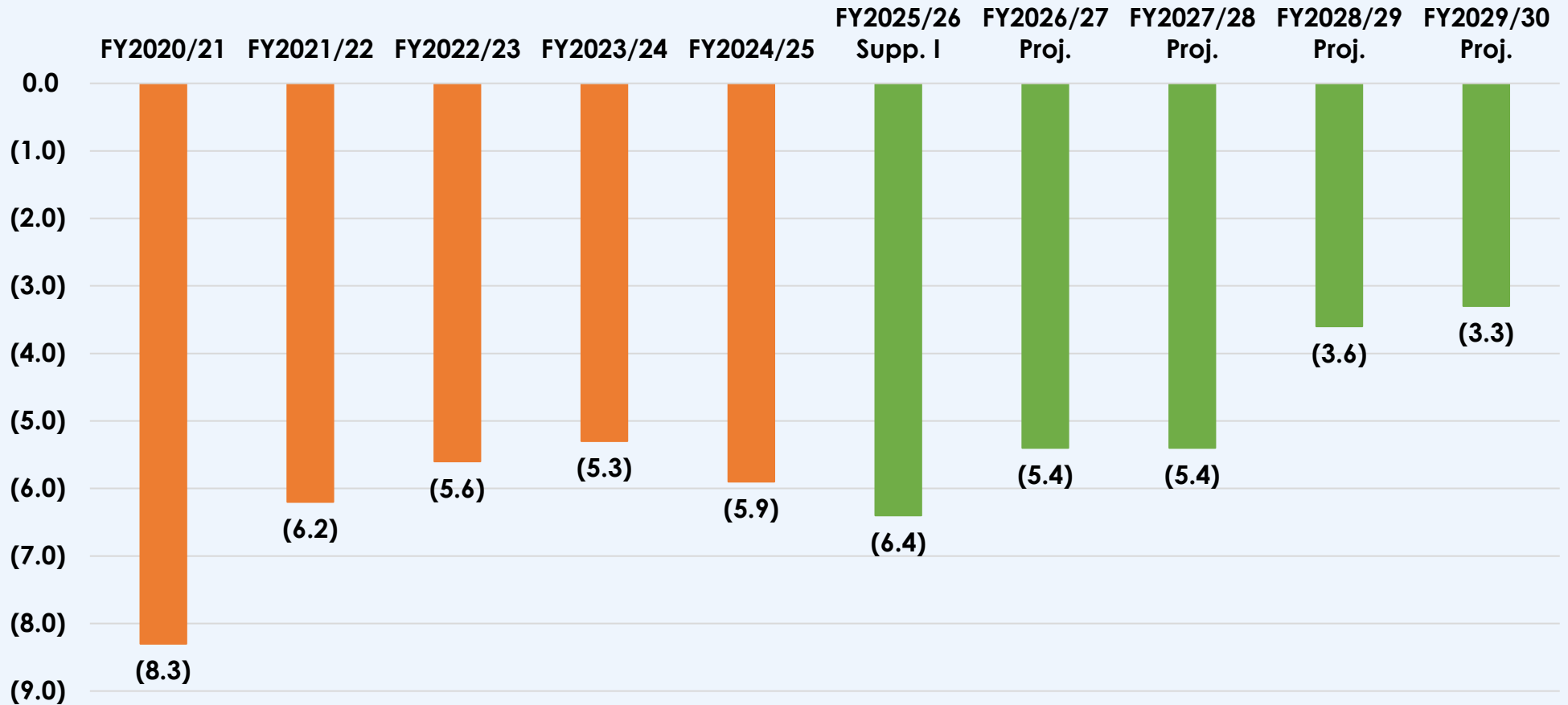
- Capital adequacy and liquidity ratios for the banking sector have remained above the minimum statutory limits of 14.5 percent and 20.0 percent, respectively:**
 - Total capital adequacy ratio stood at 20.3 percent in February 2026, up from 20.0 percent in December 2025.
 - The average banking sector liquidity ratio was 61.7 percent in February 2026, up from 59.3 percent in December 2025.
- The ratio of gross non-performing loans to gross loans stood at 15.6 percent in March 2026 compared to 15.4 percent in December 2025 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.
- The revised banking sector Risk-Based Credit Pricing Model (RBCPM) was fully implemented in March 2026,** and is expected to improve the transmission of monetary policy decisions to commercial banks' lending rates and enhance transparency in the pricing of loans by banks.

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 expected fiscal deficit (percent of GDP)



Source: The National Treasury

Summary and key takeaways

1. On the global front:

- Inflation is projected to increase in 2026, mainly driven by higher energy prices arising from the conflict in the Middle East.
- Growth is projected to moderate in 2026 on account of higher inflation and reduced demand due to higher energy prices and elevated uncertainty.

2. On the domestic front:

- Overall inflation remains anchored within the target range, but some upward pressure is expected on account of higher energy prices.
- The Kenya Shilling has remained relatively 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 CBR.
- 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 the elevated global risks, the CBK has kept the CBR unchanged to ensure that inflation expectations remain anchored, and the exchange rate stable.** The CBK remains vigilant to any second-round effects of higher international oil prices on inflation.

Thank You!

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