



Central Bank of Kenya

MONETARY POLICY COMMITTEE MEETING BACKGROUND INFORMATION

Thursday, April 4, 2024

Dr. Kamau Thugge, CBS
Governor

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1.

Monetary Policy Decision

During its Meeting on April 3, 2024, the Monetary Policy Committee (MPC) retained the Central Bank Rate (CBR) at 13.00 percent.

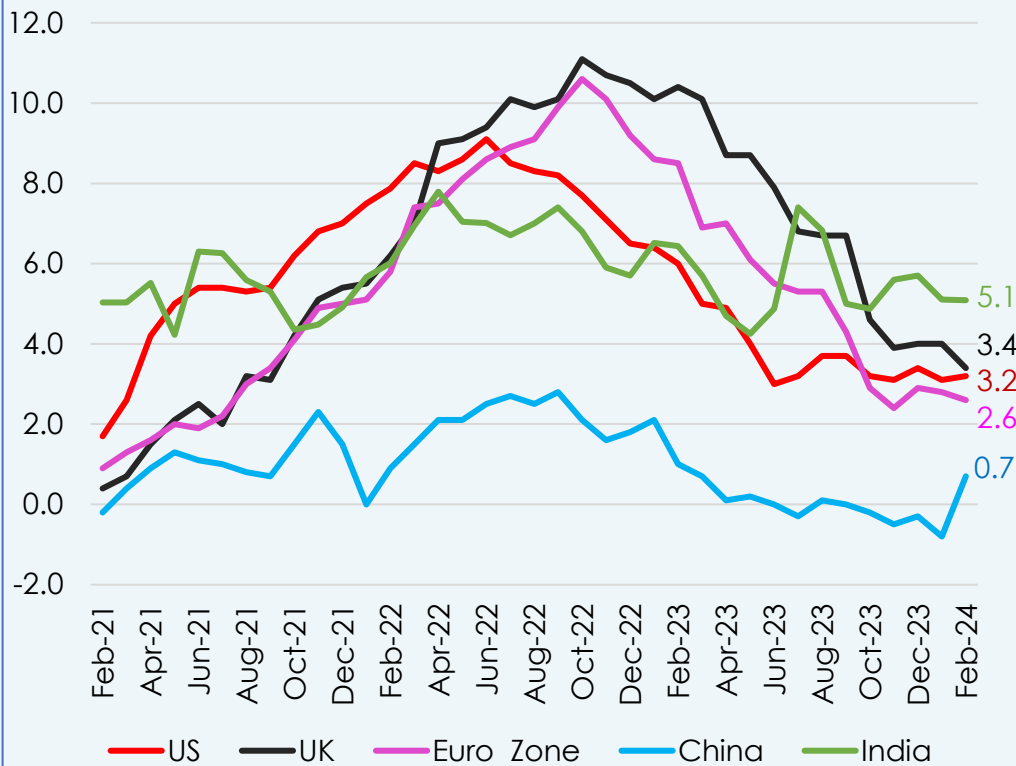
- The MPC noted that:
 - Its previous measures have lowered inflation, addressed the exchange rate pressures, and anchored inflationary expectations.
 - Overall inflation is expected to continue declining in the near term, supported by lower food and fuel prices, and pass-through effects of the recent exchange rate appreciation.
- The MPC concluded that the current monetary policy stance will ensure that overall inflation continues to decline towards the 5.0 percent mid-point of the target range.
- The MPC will closely monitor the impact of the policy measures as well as developments in the global and domestic economy and stands ready to take further action as necessary in line with its mandate.
- The Committee will meet again in June 2024.

2.

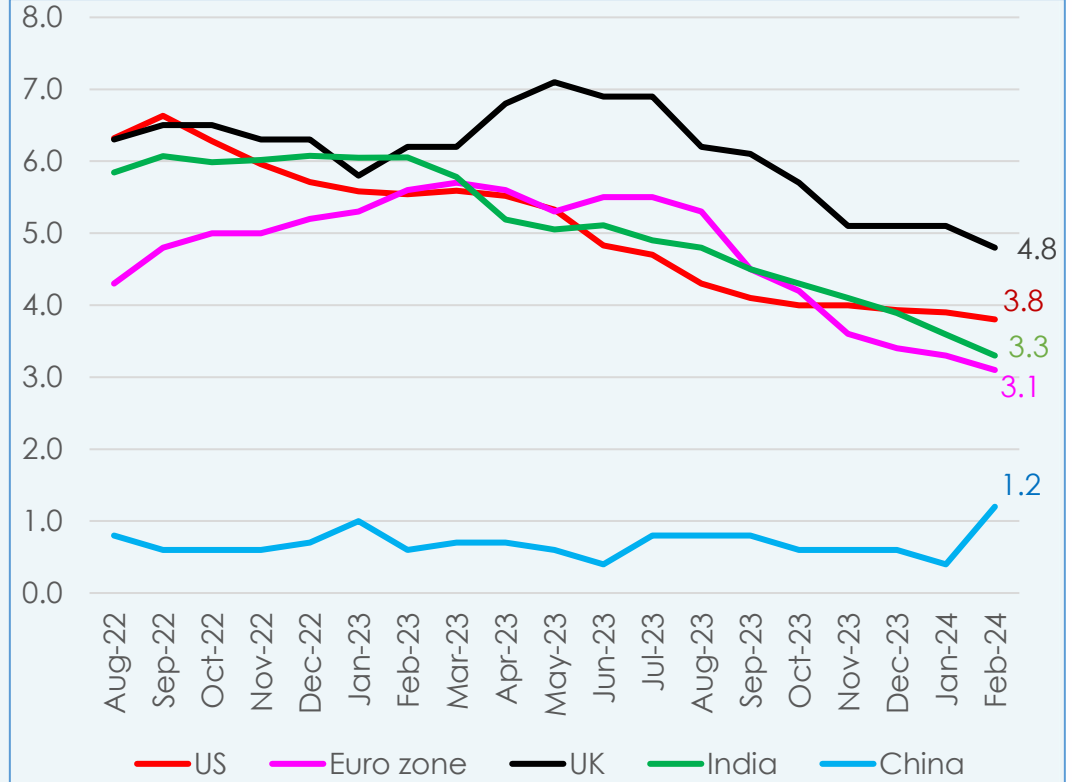
Global inflation:

Global inflation has moderated, but some stickiness has persisted in some advanced economies, driven by core inflation

Headline inflation rates (y/y, percent)



Core inflation rates (y/y, percent)



- Headline inflation rates in the US, UK and Eurozone have generally been easing, but the pace of decline has been below expectations with some stickiness particularly in the U.S.
- Core inflation has been sticky in the advanced economies, mainly reflecting tight labor markets and high services price inflation.
- A key risk to inflation is international oil prices, which have trended upwards since January 2024 largely driven by disruptions to shipping through the Red Sea, and production cuts by OPEC+ and other allied oil producers.

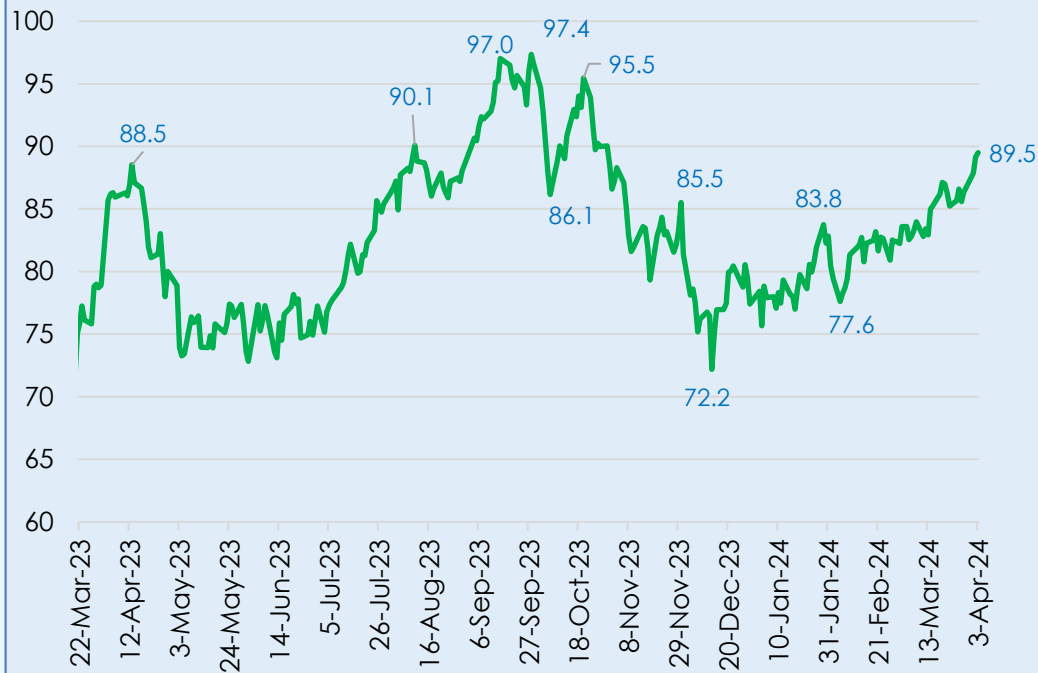
Source: Websites of Statistics Offices/Central Banks of respective countries

3.

Global commodity prices:

Food inflation has continued to decline with improved supply, but international oil prices have trended upwards since January 2024 largely driven by disruptions to shipping through the Red Sea, and production cuts by OPEC+ and other allied oil producers

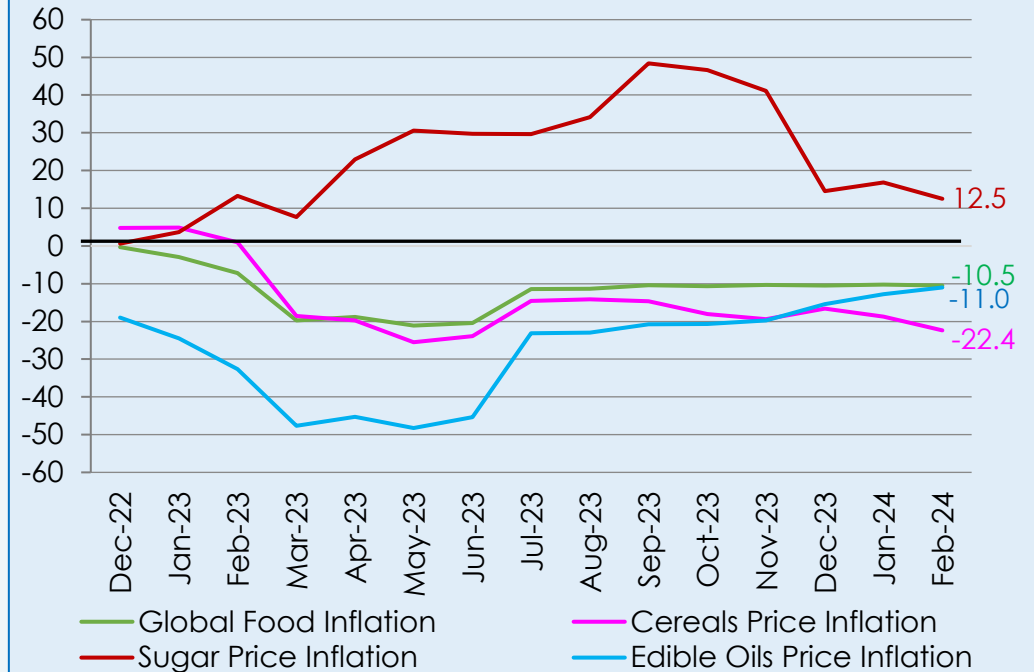
Murban oil price (USD, per barrel)



- The upward trend in oil prices since January 2024, reflects higher shipping costs arising from the Israel-Palestinian conflict amid increased Houthi Rebels attacks on oil tankers/ships in the Red Sea near Yemen.
- The OPEC+ and allied producers have also extended the voluntary oil production cuts of 2.2 million barrels per day into the second quarter of 2024. Increased supply from non-OPEC+ producers, particularly U.S, Brazil, Canada, and Norway has moderated effects of supply cuts.
- Improved demand partly due to rising global demand is exerting some upward pressure on oil prices.

Source: Oilprice.com

Global food inflation (y/y, percent)



- Food inflation continued to ease in February 2024, largely reflecting declines in cereals prices. Maize prices dropped the most with expectations of large harvests in Argentina and Brazil. Wheat prices also declined with improved supply from the Russian Federation.
- Edible oils price inflation also declined, driven by abundant soybean outputs from South America. But palm oil prices rose slightly due to seasonal lower production in the major producing countries, but the prices remained below the 2023 levels.
- Sugar prices moderated in February 2024, reflecting improved supply attributed to favourable weather conditions in the key growing areas of Brazil.

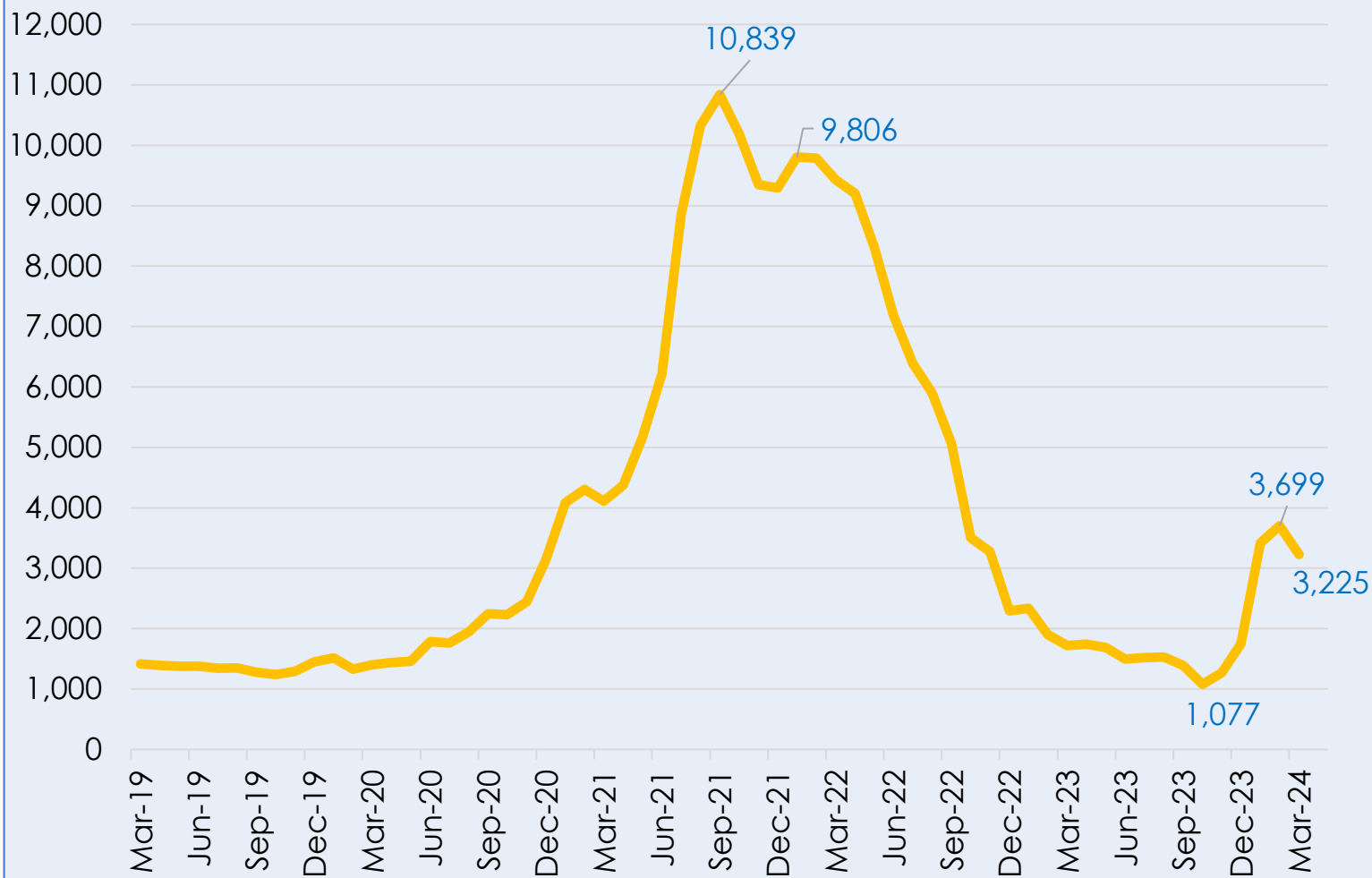
Source: UN FAO Food Index

4.

Global supply chain constraints:

Global freight costs have increased in the recent period following disruptions to shipping through the Red Sea arising from escalation of the conflict in the Middle East

Global container freight rate index of a 40 feet container (in US Dollars)



- The Israel-Palestinian conflict spilled over to the Red Sea in November 2023 with Houthis attacking ships.
- As a result, freight costs through the Suez Canal increased significantly with shippers using alternative/longer routes.
- The number of ships and volume of trade transiting the route declined notably.
- The Suez Canal accounts for approximately 20 percent of global containerized trade.

Source: Statista.com

5.

Global economic outlook:

Global growth continues to recover, reflecting stronger-than-expected U.S. growth, and robust growth in some large emerging market economies, particularly India.

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

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

- The main risks to the global growth outlook relate to the potential escalation of geopolitical tensions particularly the Israel-Palestinian and Russia-Ukraine conflicts.
- The IMF projections show that Kenya's real GDP growth is expected to remain strong in 2024 and above the global, SSA and emerging market and developing economies averages, mainly supported by resilient services and improved performance in agriculture.

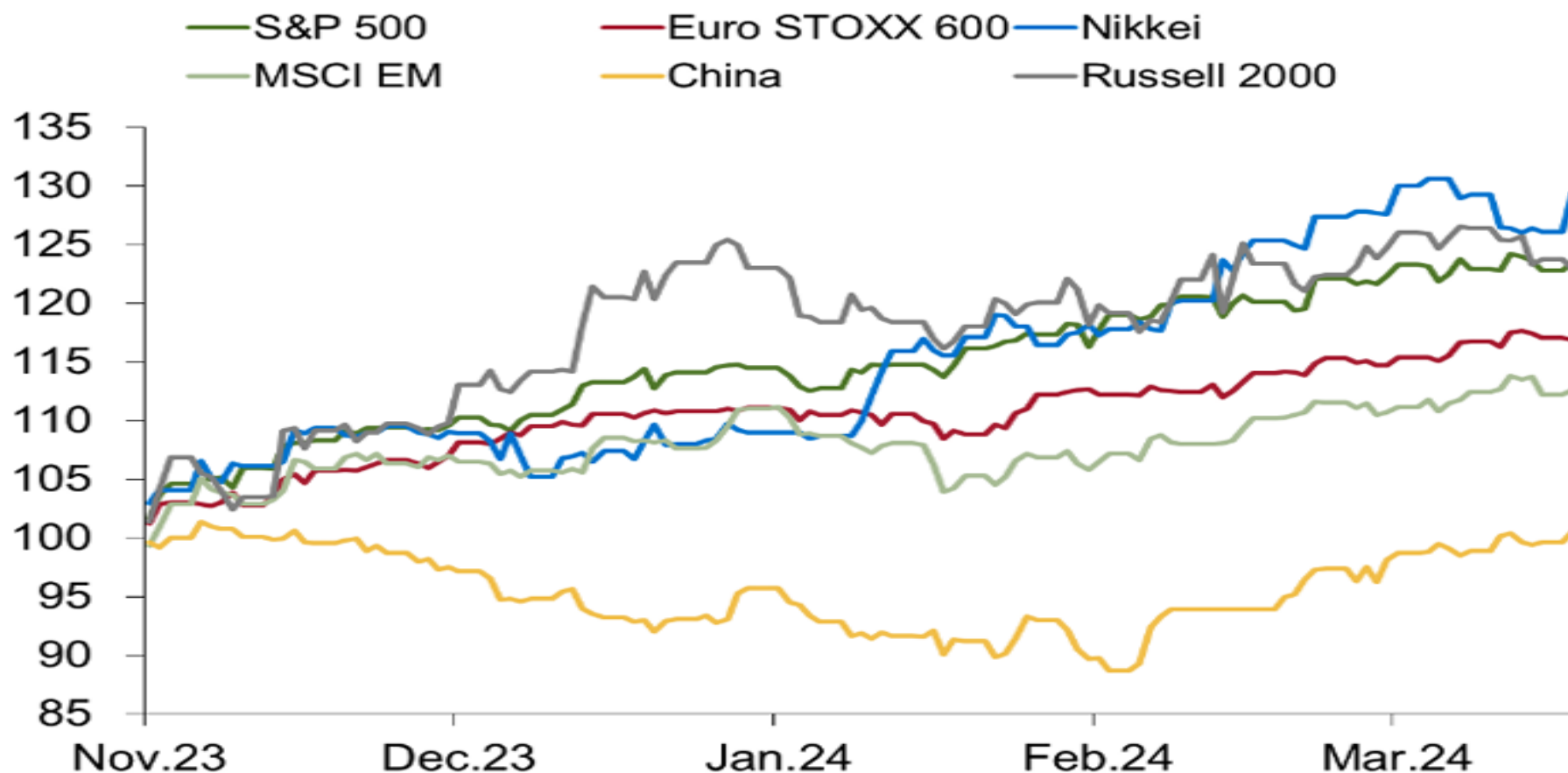
Source: IMF World Economic Outlook (WEO)

6.

Global financial markets:

Financial market conditions have improved supported by increased risk appetite and positive market sentiments

Performance of selected Stock Indices (Prices Index, October 31, 2023=100)



Sources: Bloomberg Finance L.P.; FactSet; Morgan Stanley Capital International (MSCI); NABE; Refinitiv Eikon Datastream IBES

7.

Global financial markets:

Emerging markets and developing economies have successfully issued international bonds in 2024, reflecting favorable market conditions

Recent sovereign bonds issuances in emerging markets in 2024 (USD, Billion)

Issuer	2022	2023	2024	Dec-23	Jan-24	Feb-24
Saudi Arabia	5.0	15.7	11.8	-	11.8	-
Mexico	7.3	5.3	9.6	-	9.6	-
Romania	8.5	10.5	8.3	0.7	4.0	4.3
Brazil	-	4.2	4.5	-	4.5	-
Poland	5.1	10.6	4.1	-	4.1	-
Hungary	5.2	7.0	4.1	-	4.1	-
Panama	4.0	3.9	3.1	-	-	3.1
Turkey	13.0	9.9	2.9	-	-	2.9
Côte d'Ivoire	-	-	2.6	-	2.6	-
Indonesia	8.2	5.7	2.0	-	2.0	-
Bahrain	-	2.0	2.0	-	-	2.0
Chile	7.0	11.2	1.7	-	1.7	-
Kenya	-	-	1.5	-	-	1.5
Paraguay	0.5	0.5	1.0	-	-	1.0
United Arab Emirates	4.2	3.2	0.7	-	-	0.7
Benin	-	-	0.7	-	-	0.7

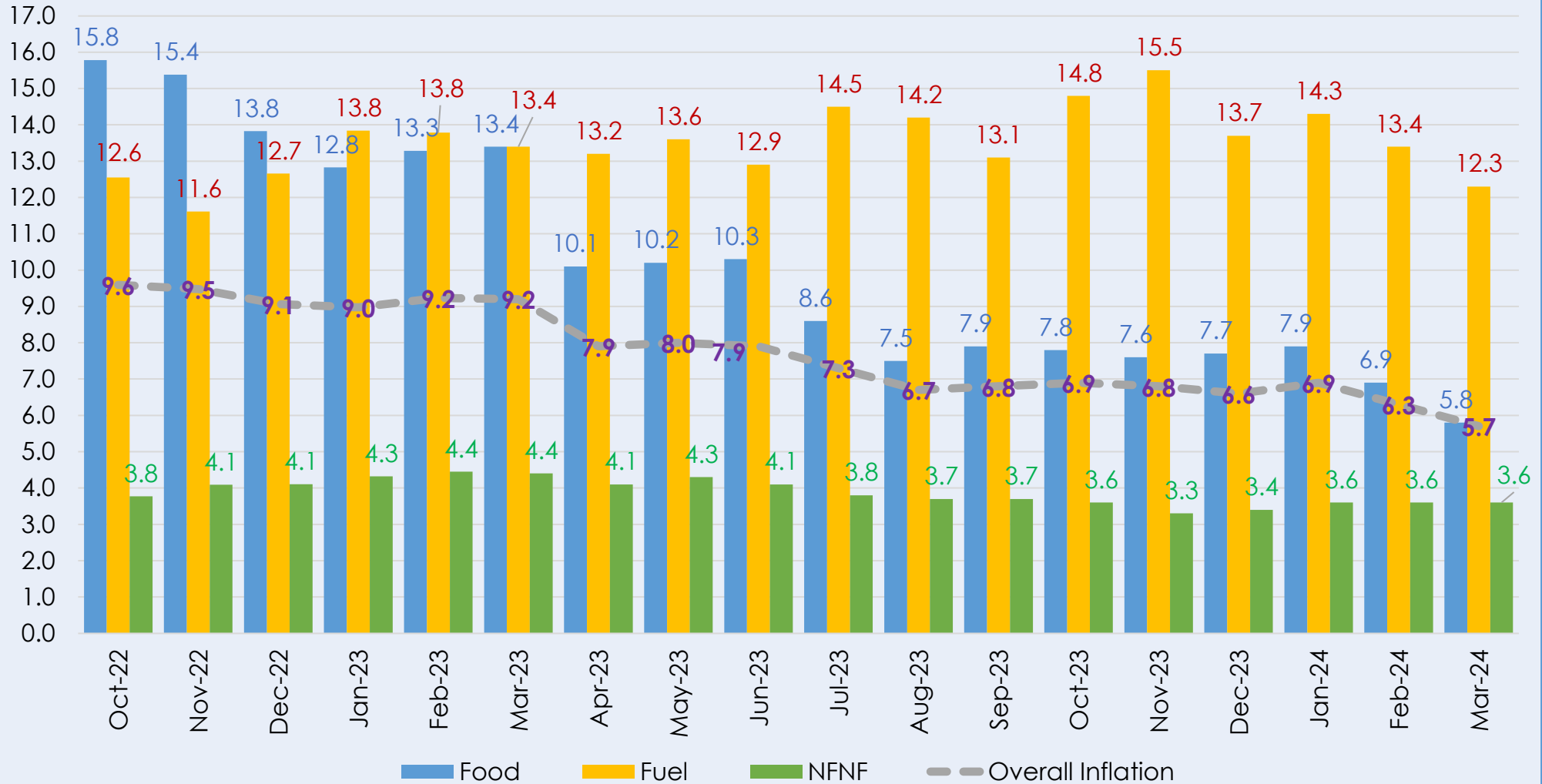
Sources: Bloomberg, Bond Radar (issuance), EPFR (fund flows).

8.

Domestic inflation:

Overall inflation declined further in March 2024, driven by lower food and fuel inflation

Inflation by broad category (y/y, percent)



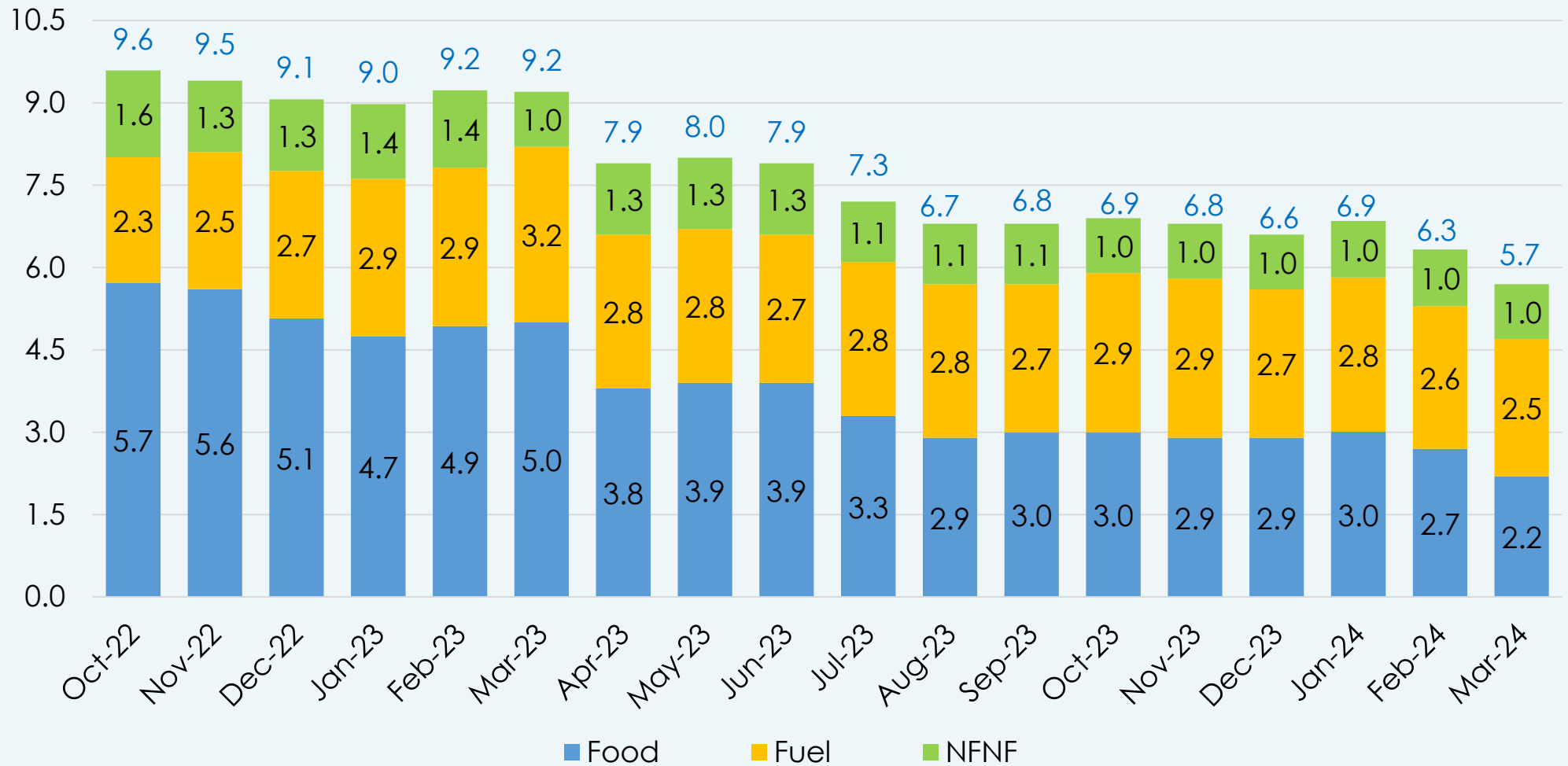
Source: Kenya National Bureau of Statistics and Central Bank of Kenya

9.

Domestic inflation:

The contribution of food inflation to overall inflation was lower than that of fuel inflation in March 2024

Contributions to Overall Inflation (percentage points)

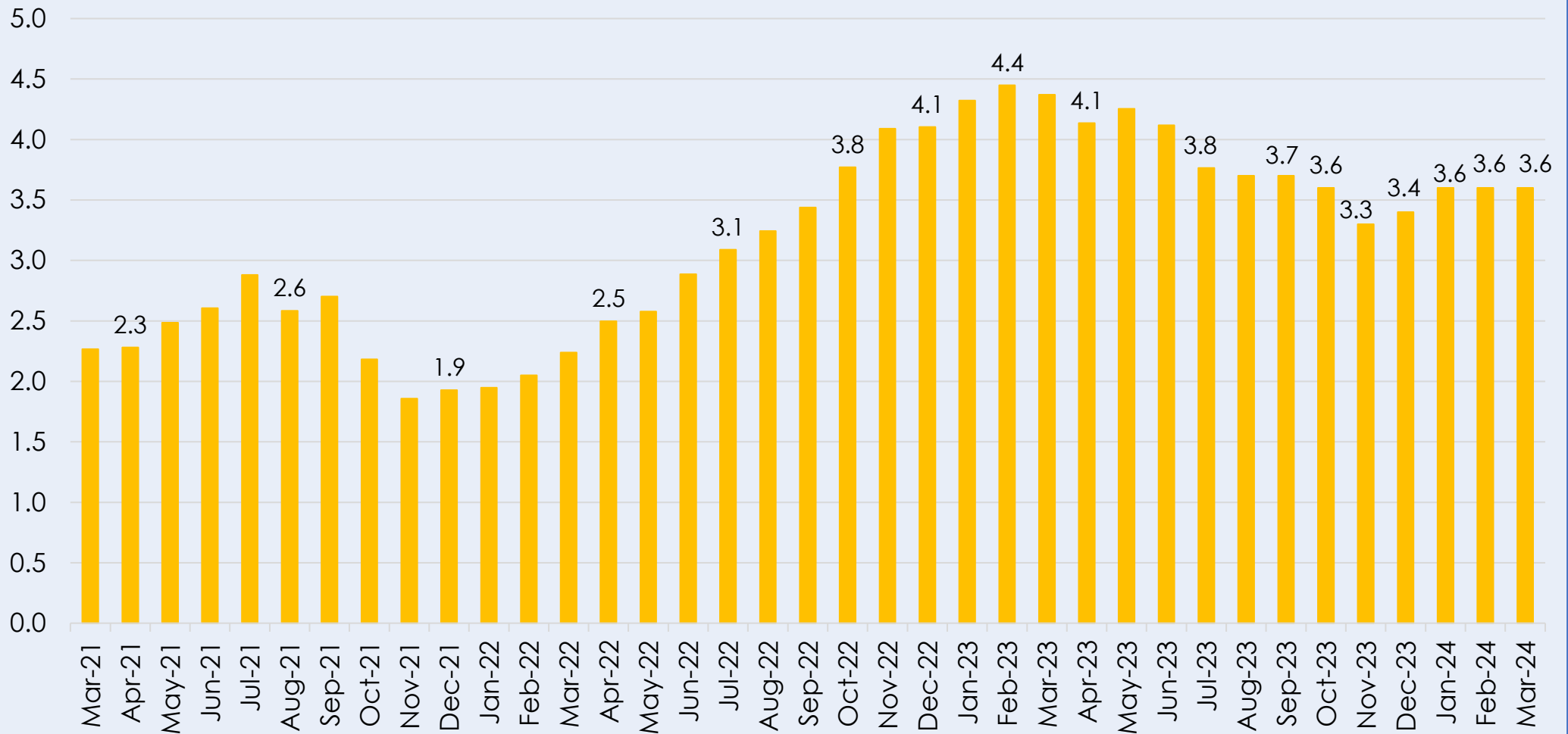


Source: KNBS and CBK

Domestic inflation:

Non-food non-fuel (NFNF) inflation remained stable in February and March, reflecting the impact of monetary policy measures.

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



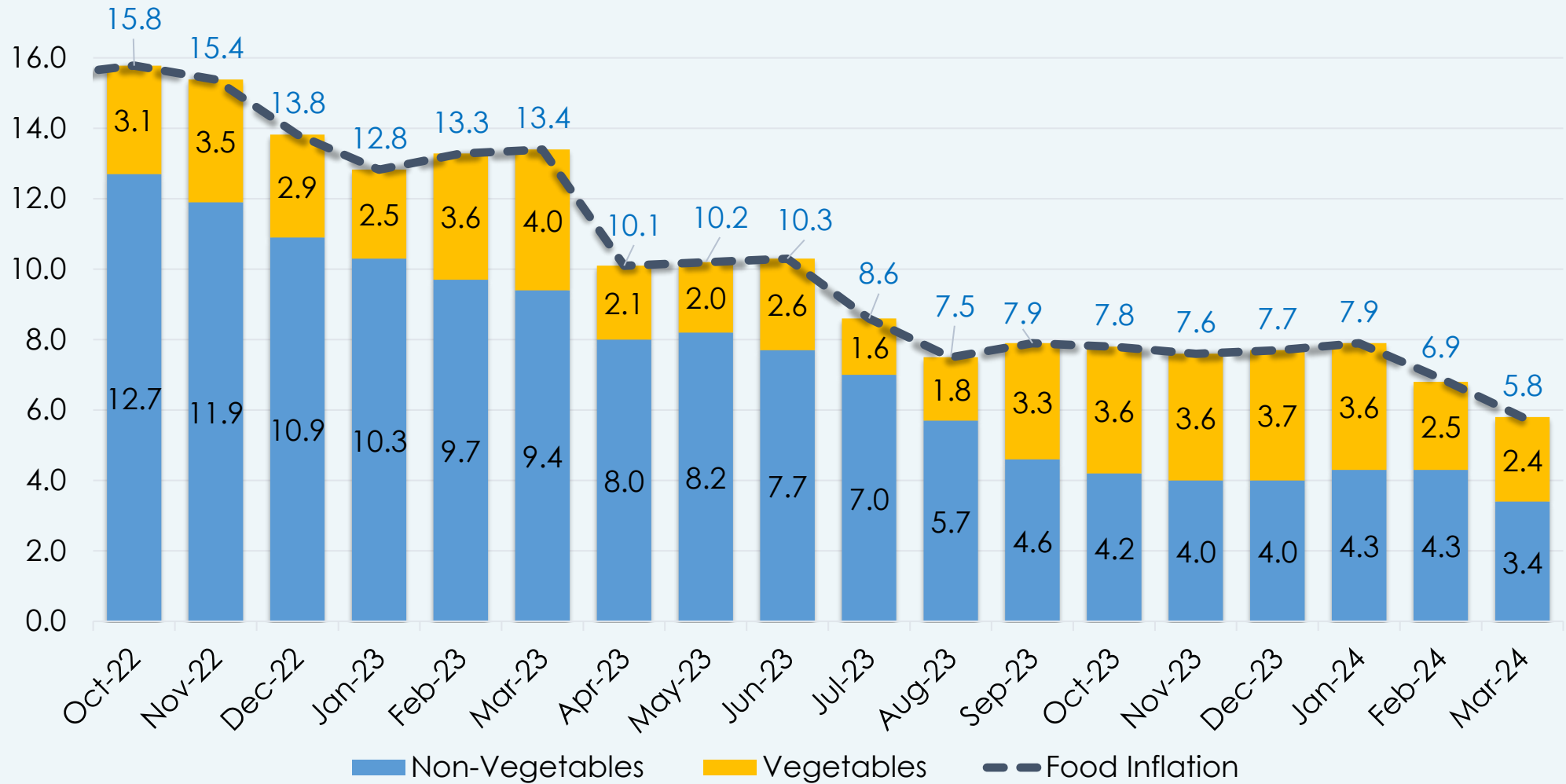
Source: KNBS and CBK

11.

Main drivers of food inflation:

The decline in food inflation was largely driven by lower non-vegetables price inflation attributed to improved supply

Contributions to food inflation (percentage points)

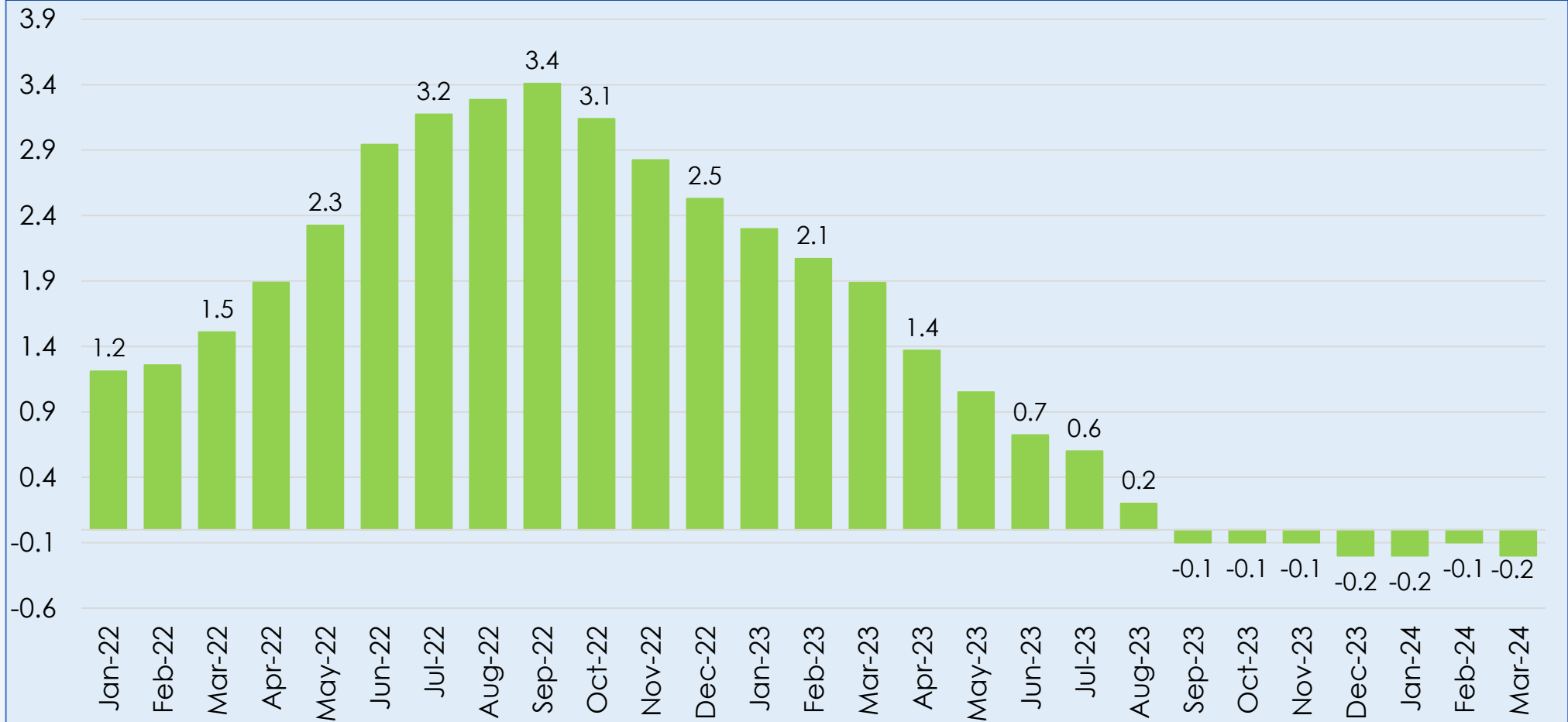


Source: KNBS and CBK

Main drivers of non-vegetables inflation:

Food inflation was moderated by declines in prices of key non-vegetable food items particularly maize and wheat products, reflecting improved supply from ongoing harvests

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

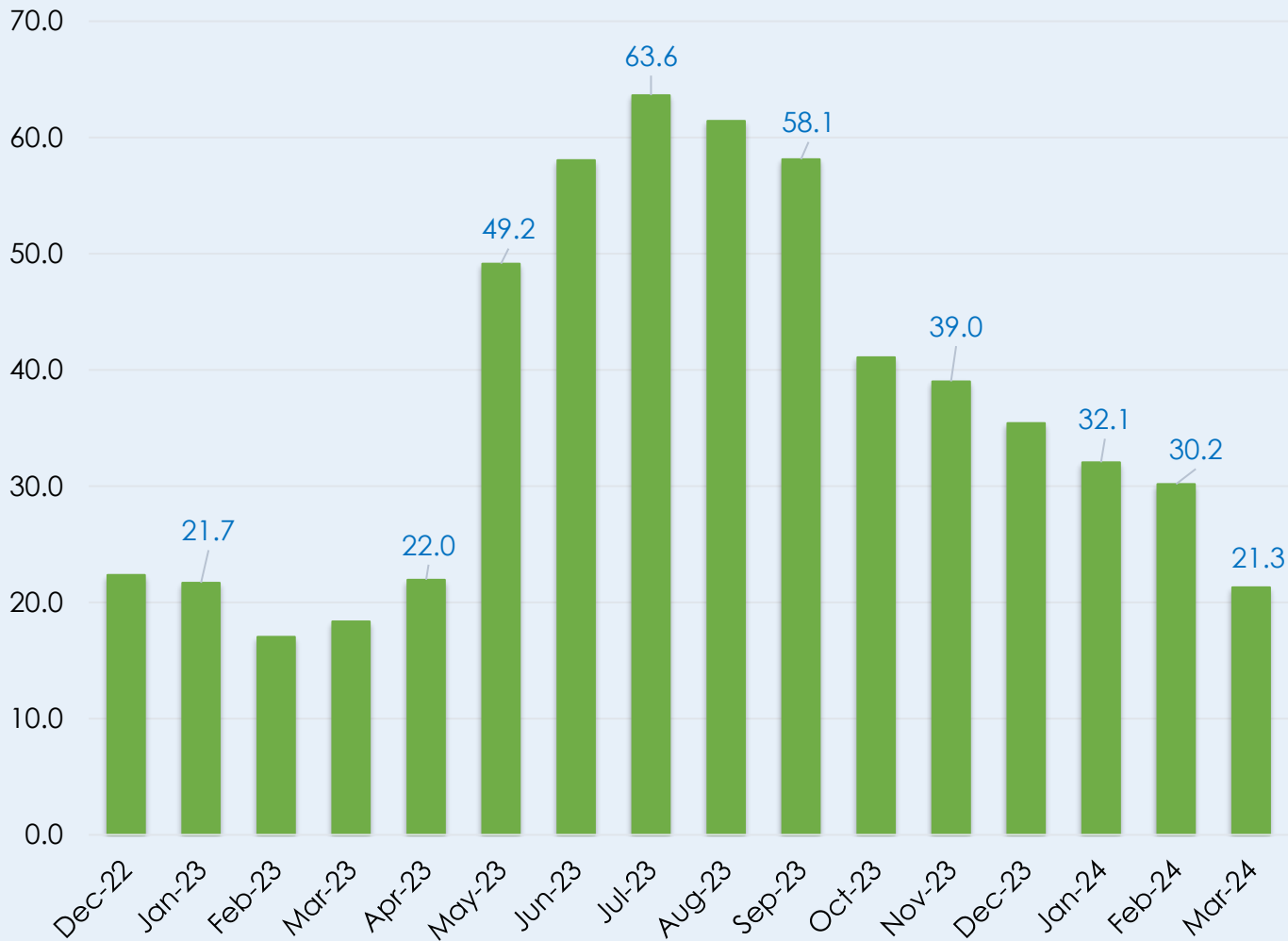


Source: KNBS and CBK

Main drivers of non-vegetables Inflation:

Sugar prices have continued to moderate with continued improvement in domestic and global supply

Sugar price inflation (y/y, percent)



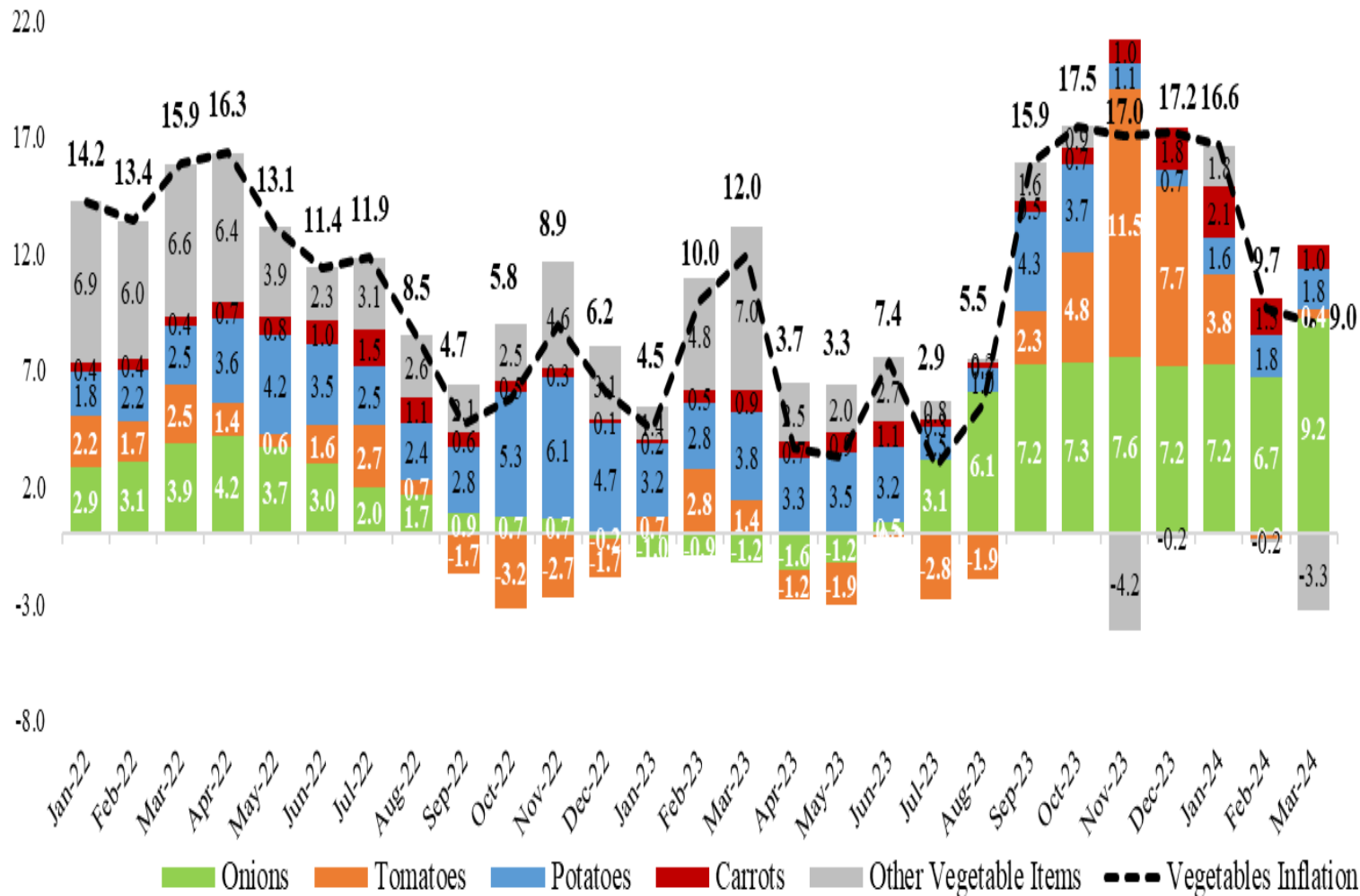
Source: KNBS

- Domestic sugar prices have continued to moderate from the peak levels witnessed in mid-2023 due to improved supply, attributed to re-opening of sugar factories from October 2023 after shutdown for maintenance.
- The contribution of sugar prices to overall inflation decreased to 0.3 percentage points in March, from 0.4 percentage points in February 2024 and 0.5 percentage points in January.
- The implementation of Government measures to improve the supply of sugar through imports continues to moderate prices.
- Globally, sugar prices have continued to moderate with improved supply particularly from harvests in Brazil.

Main drivers of vegetables inflation

Food inflation was moderated by declines in prices of some vegetable food items including carrots, *kale/sukuma wiki*, spinach and cabbages, following improved supply attributed to favorable weather conditions

Contributions to vegetables inflation (percentage points)



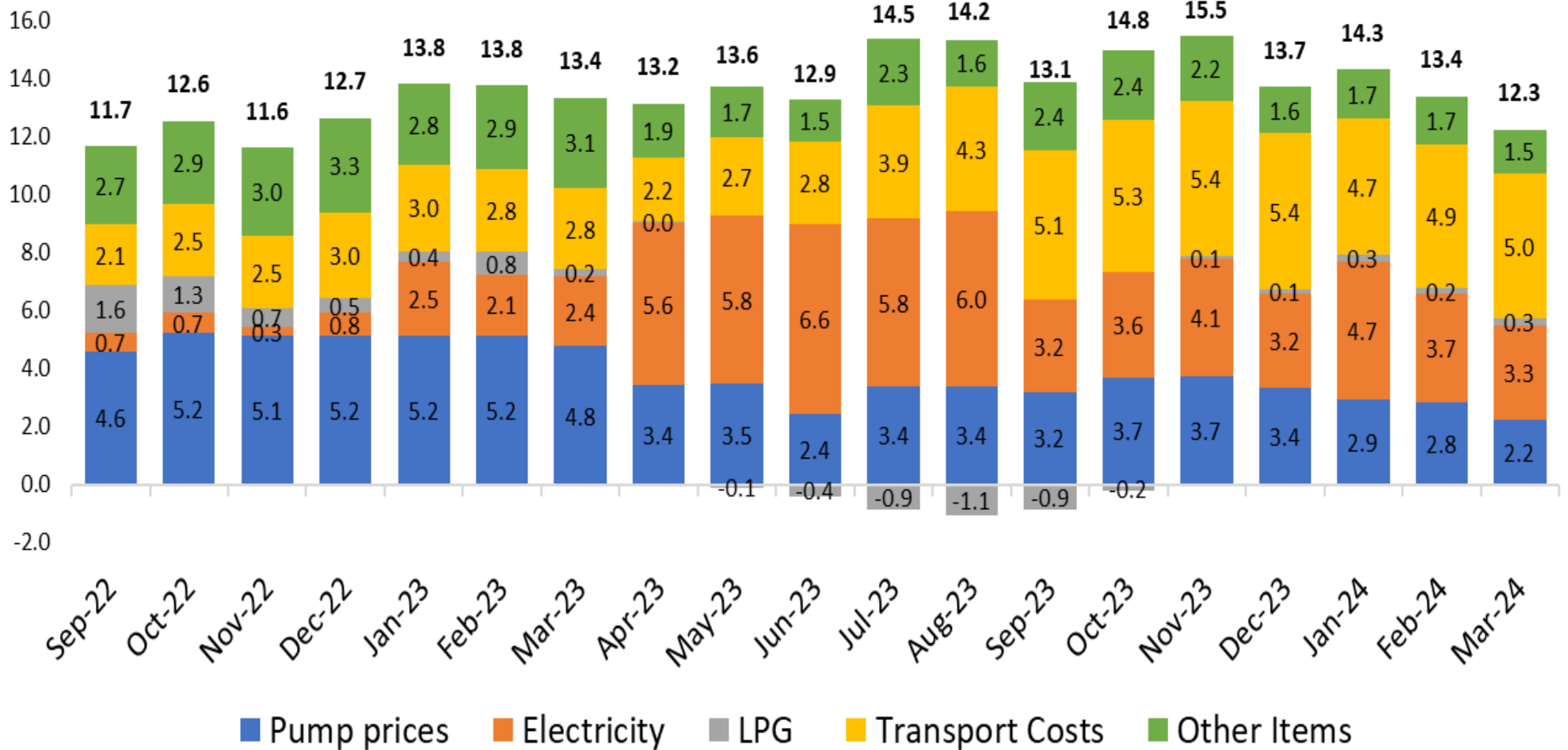
- Nevertheless, prices of onions rose by 65.5 percent (year-on-year) in March 2024, and contributed 0.42 percentage points to overall inflation in March from 0.31 percentage points in February.
- The March 2024 Agriculture Sector Survey shows that onion prices have remained elevated on account of reduced domestic supply, as well as supply from Tanzania.

Source: KNBS and CBK

Main drivers of fuel inflation:

Fuel inflation declined in March 2024, largely reflecting the impact of the shilling's appreciation which resulted in a decrease in electricity prices and a downward adjustment in pump prices.

Contributions to fuel inflation (percentage points)

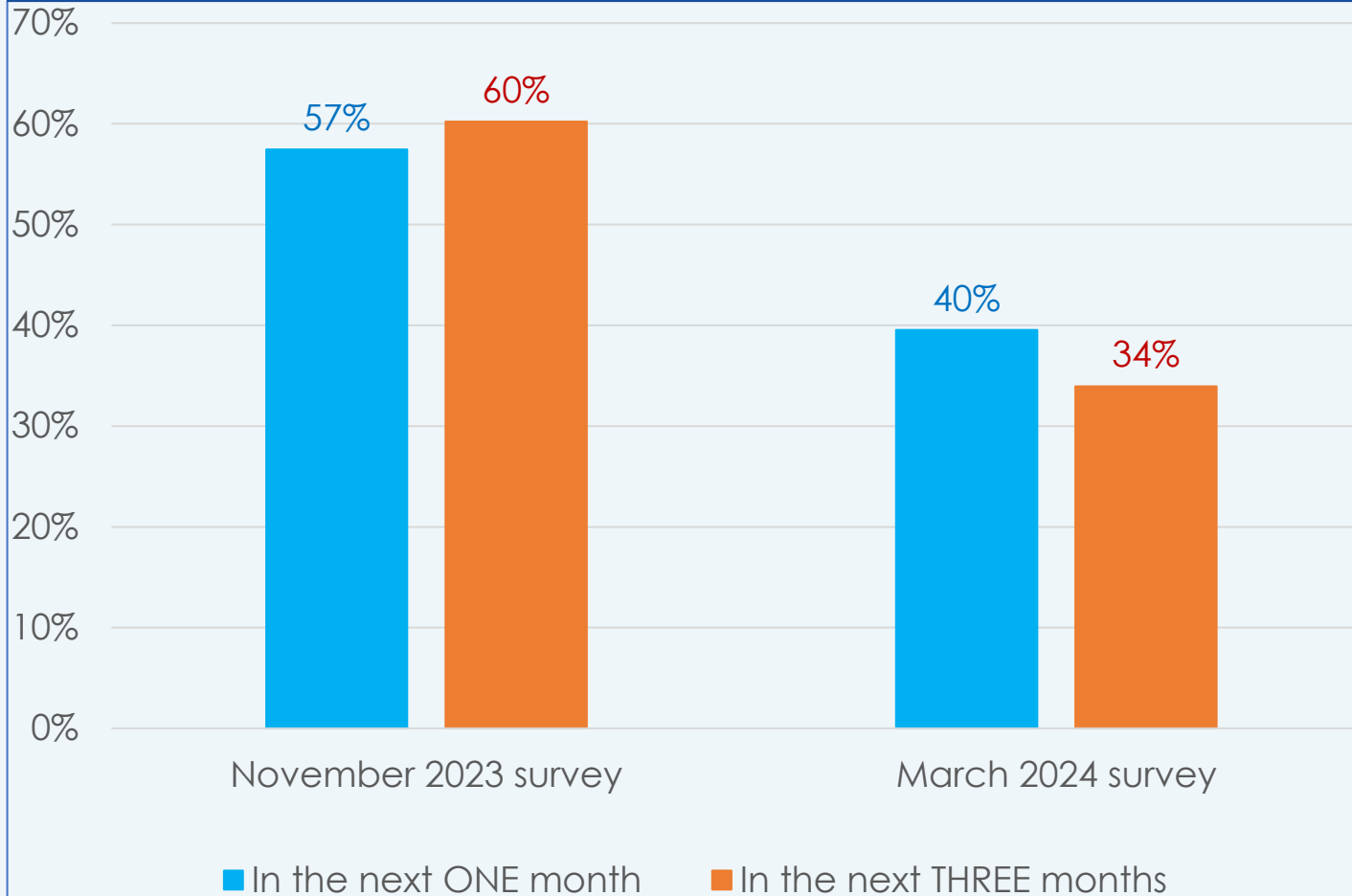


Source: KNBS

Inflation expectations:

The March 2024 Agriculture Sector Survey shows that respondents expect inflation to decline in the next three months

Proportion of respondents expecting inflation to increase (percent of total respondents)



- Respondents expect inflation to decline, on account of lower food prices in line with the expected favorable weather conditions, the appreciation of the exchange rate, and the reduction in fuel prices.
- Some respondents were concerned about uncertainties regarding the adequacy of the March-May long rains and rise in global oil prices due to the crisis in the Middle East.

Domestic economy:

The economy is expected to remain strong in 2024, supported by the resilient services sector, robust performance of the agriculture sector, implementation of Government measures to boost economic activity across priority sectors in line with the Bottom-up Economic Transformation Agenda (BETA), and improved global growth outlook

Real GDP growth (y/y, percent)

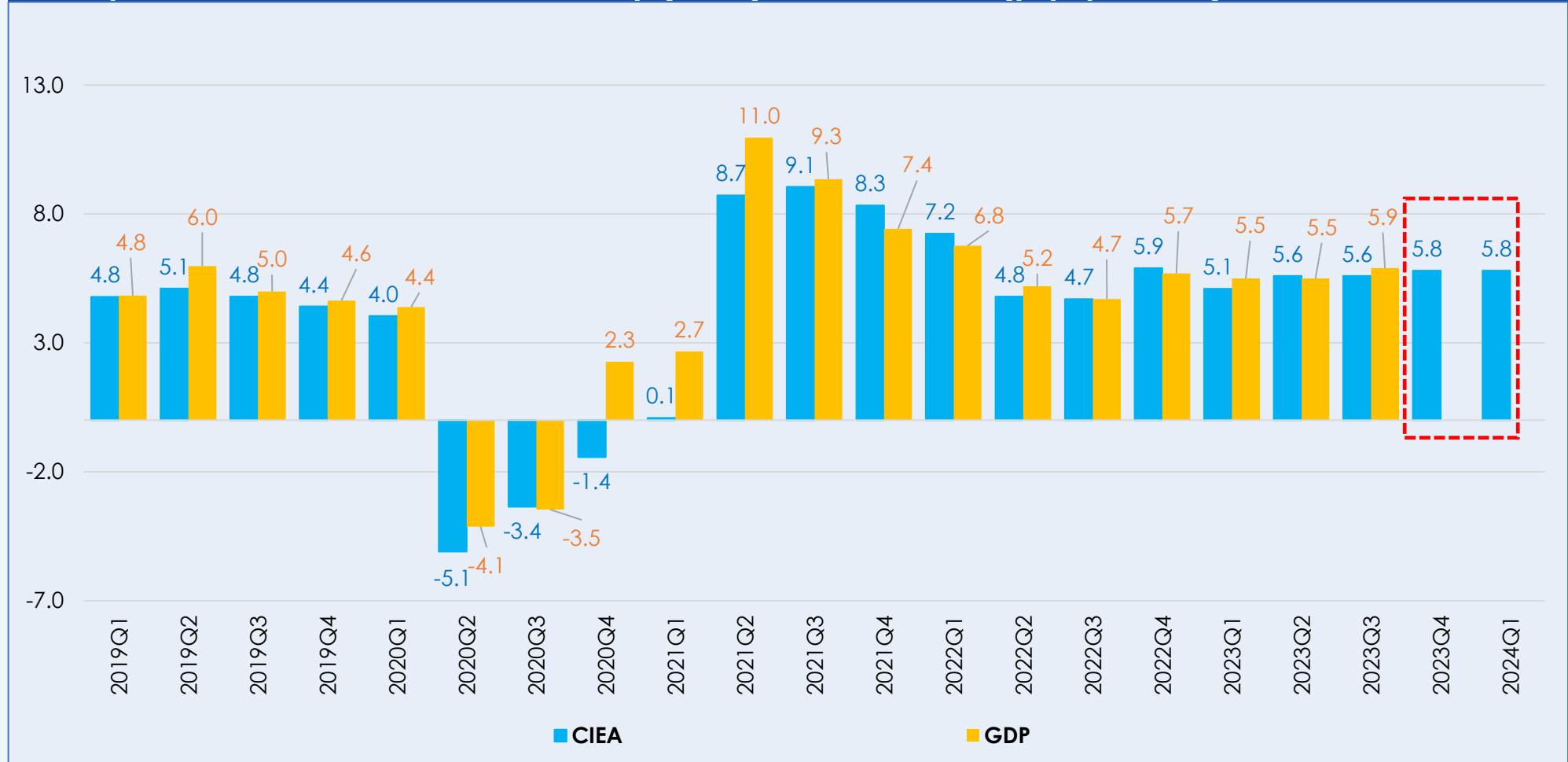
					2023					2024 Proj.	
	2019	2020	2021	2022	Q1	Q2	Q3	Q4 Est.	Annual Est.	Q1	Annual
1. Agriculture	2.7	4.6	-0.4	-1.6	6.1	8.2	6.7	5.8	6.6	5.0	4.9
2. Non-Agriculture (o/w)	5.7	-1.4	9.5	6.3	5.3	4.8	5.7	5.7	5.4	6.0	5.9
2.1 Industry	4.0	3.3	7.5	3.9	2.5	2.0	2.8	2.4	2.4	3.6	4.0
Mining & Quarrying	4.3	5.5	18.0	9.3	3.3	5.2	1.1	1.8	3.0	4.6	4.0
Manufacturing	2.6	-0.3	7.3	2.7	2.0	1.4	2.6	1.6	1.9	2.5	3.0
Electricity & water supply	1.7	0.6	5.6	4.9	2.5	0.8	1.9	2.1	1.8	5.2	5.3
Construction	7.2	10.1	6.7	4.1	3.1	2.6	3.8	3.9	3.3	4.4	4.9
2.2 Services	6.5	-1.8	9.8	7.0	6.2	5.9	7.1	6.9	6.6	6.8	6.6
Wholesale & Retail Trade	5.3	-0.4	8.0	3.8	5.7	4.2	4.8	4.9	4.9	5.5	6.2
Accommodation & food services	14.3	-47.7	52.6	26.2	21.5	12.2	26.0	14.8	18.4	13.8	14.2
Transport & Storage	6.3	-8.0	7.4	5.6	6.2	3.0	2.8	3.2	3.7	6.7	5.8
Information & Communication	7.0	6.0	6.1	9.9	9.0	6.4	7.3	7.9	7.6	8.1	8.4
Financial & Insurance	8.1	5.9	11.5	12.8	5.8	13.5	14.7	13.8	12.0	10.2	8.0
Public administration	8.4	7.0	6.0	4.5	6.6	3.8	4.2	4.3	4.7	5.1	5.6
Professional, Admin & Support Services	6.8	-13.7	7.1	9.4	7.3	5.5	9.5	7.9	7.6	5.9	6.1
Real estate	6.7	4.1	6.7	4.5	5.2	5.8	6.2	5.9	5.8	5.2	5.3
Education	5.7	-9.2	22.8	4.8	3.0	4.0	4.7	4.1	4.2	5.3	5.1
Health	5.5	5.6	8.9	4.5	5.4	5.0	5.1	5.2	5.2	5.1	5.5
Other services	4.3	-14.6	12.5	5.7	3.2	1.6	7.4	6.5	4.7	5.7	5.8
FISIM	9.5	-1.8	5.3	1.5	0.6	6.1	3.8	2.9	3.3	2.8	2.3
2.3 Taxes on products	3.9	-8.0	11.9	7.0	5.3	4.0	2.8	4.8	4.2	5.4	5.6
Real GDP Growth	5.1	-0.3	7.6	4.8	5.5	5.5	5.9	5.8	5.6	5.8	5.7

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

Domestic economy:

Leading indicators point to continued strong performance of the economy in the first quarter of 2024, reflecting robust activity in the agriculture and service sectors

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

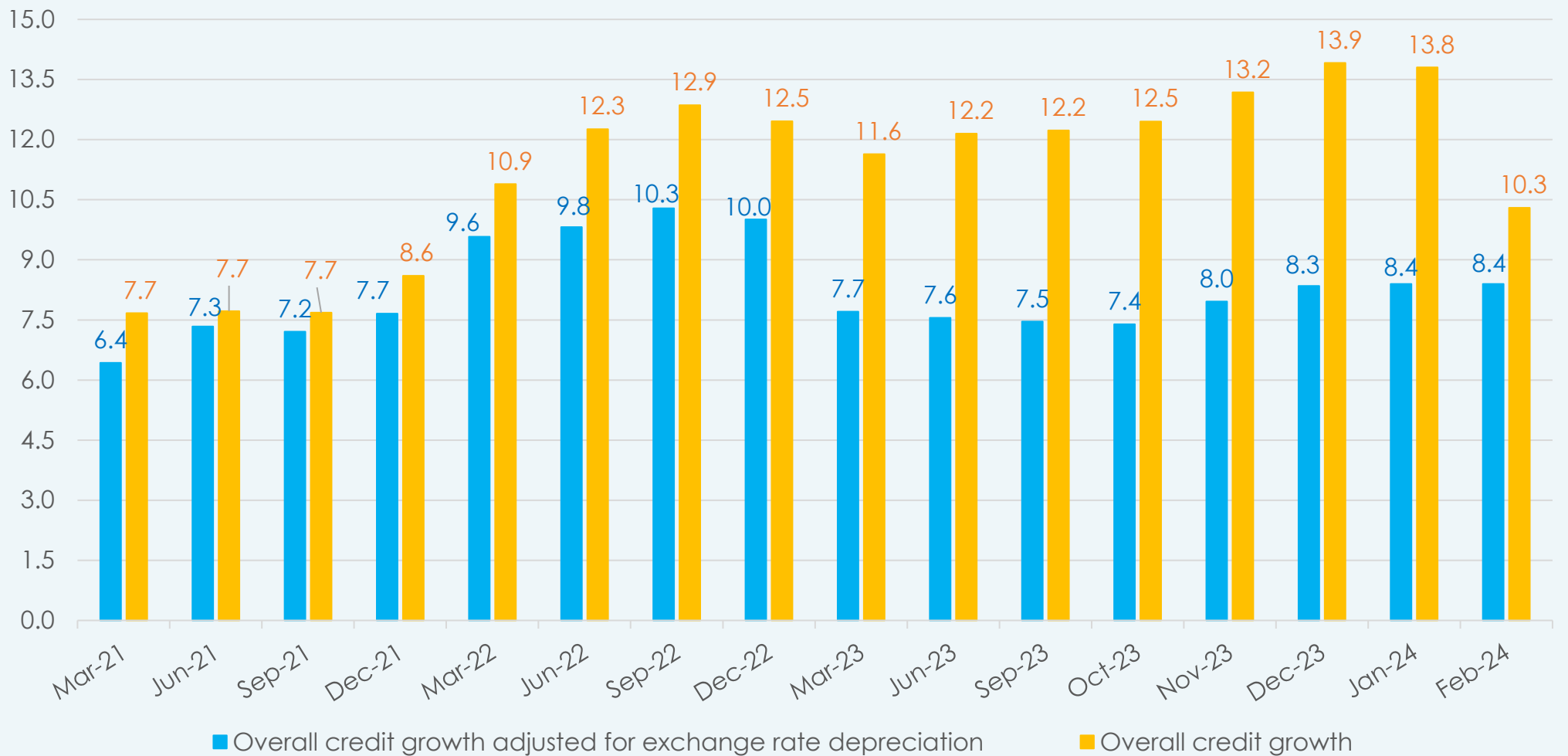


Source: Kenya National Bureau of Statistics and Central Bank of Kenya

Private sector credit:

Growth in credit to the private sector adjusted for exchange rate depreciation has been moderate, reflecting the impact of monetary policy tightening

12 Months growth in credit to private sector (percent)



Source: CBK

20.

Balance of payments:

The overall balance of payments is projected to record a surplus of USD 1,356 million in 2024 compared to an estimated deficit of USD 712 million in 2023

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

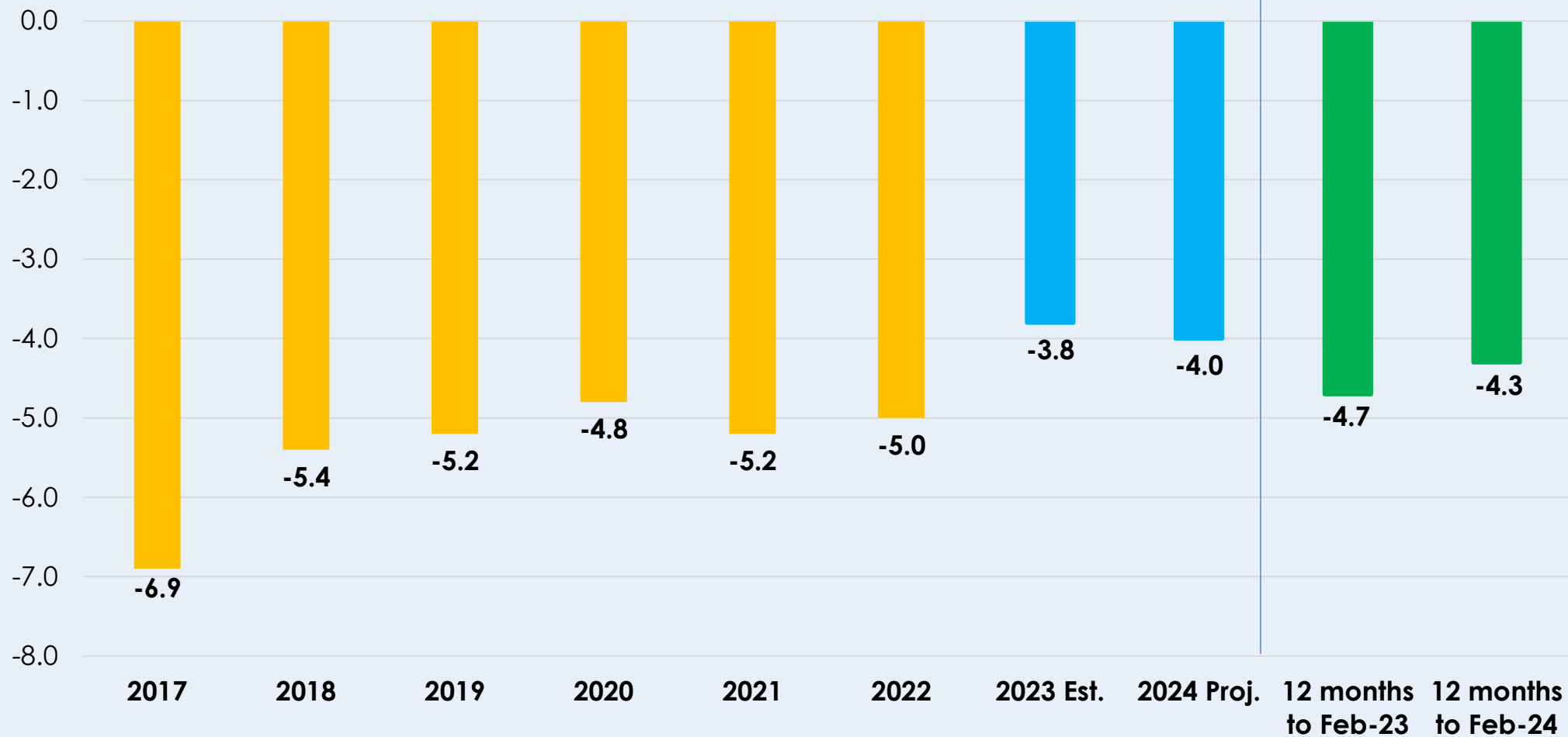
	2019	2020	2021	2022	12 Months to Feb 2023	2023 Est.	12 Months to Feb 2024	2024 Proj.
Current account	-5,252	-4,792	-5,748	-5,774	-5,368	-4,086	-4,557	-4,849
Trade balance	-10,679	-8,337	-11,052	-11,715	-11,319	-9,853	-9,845	-10,968
Goods: exports, f.o.b.	5,872	6,062	6,787	7,421	7,474	7,258	7,345	8,047
Tea	1,113	1,226	1,192	1,384	1,372	1,345	1,377	1,543
Horticulture	1,011	950	1,129	944	925	929	948	1,165
Manufactured Goods	402	380	512	622	659	686	669	858
Other	3,345	3,507	3,954	4,472	4,518	4,298	4,351	4,480
Goods: imports, f.o.b.	16,551	14,399	17,839	19,136	18,793	17,112	17,190	19,015
Oil products	3,314	2,219	3,474	5,548	5,640	4,802	4,788	5,061
Other	13,237	12,181	14,365	13,588	9,582	12,309	9,031	13,953
Machinery & Transport equipment	4,872	3,974	4,653	3,760	3,571	3,252	3,371	3,618
Services balance	1,748	333	1,027	1,165	1,102	821	436	1,266
Services, Credit	5,602	3,659	5,018	6,436	6,441	5,604	5,203	6,085
Transportation	2,181	1,084	1,642	2,303	2,206	1,936	1,834	2,479
Travel	1,007	545	843	1,107	1,162	1,019	932	1,125
Services, Debit	3,854	3,326	3,991	5,271	5,339	4,783	4,767	4,818
Transportation	1,449	1,118	1,565	2,137	2,145	1,766	1,753	1,878
Goods and services balance	-8,932	-8,004	-10,025	-10,550	-10,217	-9,032	-9,409	-9,701
Primary income, balance	-1,606	-1,738	-1,839	-1,740	-1,759	-2,023	-2,208	-2,559
Credit	217	54	62	40	54	111	112	124
Debit	1,823	1,791	1,900	1,780	1,812	2,133	2,320	2,682
Secondary income, balance	5,285	4,950	6,116	6,516	6,607	6,969	7,060	7,411
Credit	5,340	5,026	6,256	6,563	6,712	7,097	7,132	7,545
Remittances	2,796	3,094	3,718	4,028	4,058	4,190	4,359	4,398
Debit	55	76	140	47	105	127	72	134
Capital account	208	131	196	142	133	127	132	156
Financial Account	-4,820	-2,682	-5,934	-4,362	-3,635	-3,860	-5,450	-4,381
Foreign Direct Investment	-433	-569	-44	-339	-431	-458	-533	-473
Direct Investment, assets	37	-143	420	53	-41	-46	-57	45
Direct Investment, liabilities	470	427	464	392	389	412	476	517
Portfolio Investment	-468	1,321	186	712	791	650	449	1,322
Portfolio Investment, assets	857	1,045	1,042	481	553	497	309	693
Portfolio Investment, liabilities	1,325	-276	857	-230	-238	-153	-139	-629
Equity and investment fund shares	9	-276	-96	-208	-224	-154	-136	-88
Debt securities	1,316	0	953	-23	-14	1	-3	-541
Other Investment	-3,919	-3,434	-6,075	-4,735	-3,995	-4,051	-5,366	-5,231
Other investment, assets	564	998	85	-557	-134	2,875	4,136	1,138
Other investment, liabilities	4,484	4,432	6,160	4,178	3,861	6,927	9,502	6,369
Net errors and omissions	1,331	1,311	466	-877	-655	-559	-1,193	-1,045
Overall balance ("-"), indicates a surplus)	-1,107	668	-848	2,147	2,238	712	224	-1,356
Reserves and related items	1,107	-668	848	-2,147	-2,238	-712	-224	1,356
Use of Fund credit and loans to the fund (net)	-154	610	847	619	619	109	775	1,356
Reserve assets (gross)+ve entry reflect an increase in r	953	-822	1,190	-1,528	-1,619	-603	551	1,356

21.

Current account balance:

The current account deficit is estimated at 4.3 percent of GDP in the 12 months to February 2024, down from 4.7 percent of GDP in a similar period of 2023, and is projected at 4.0 percent of GDP in 2024.

Current account balance (percent of GDP)



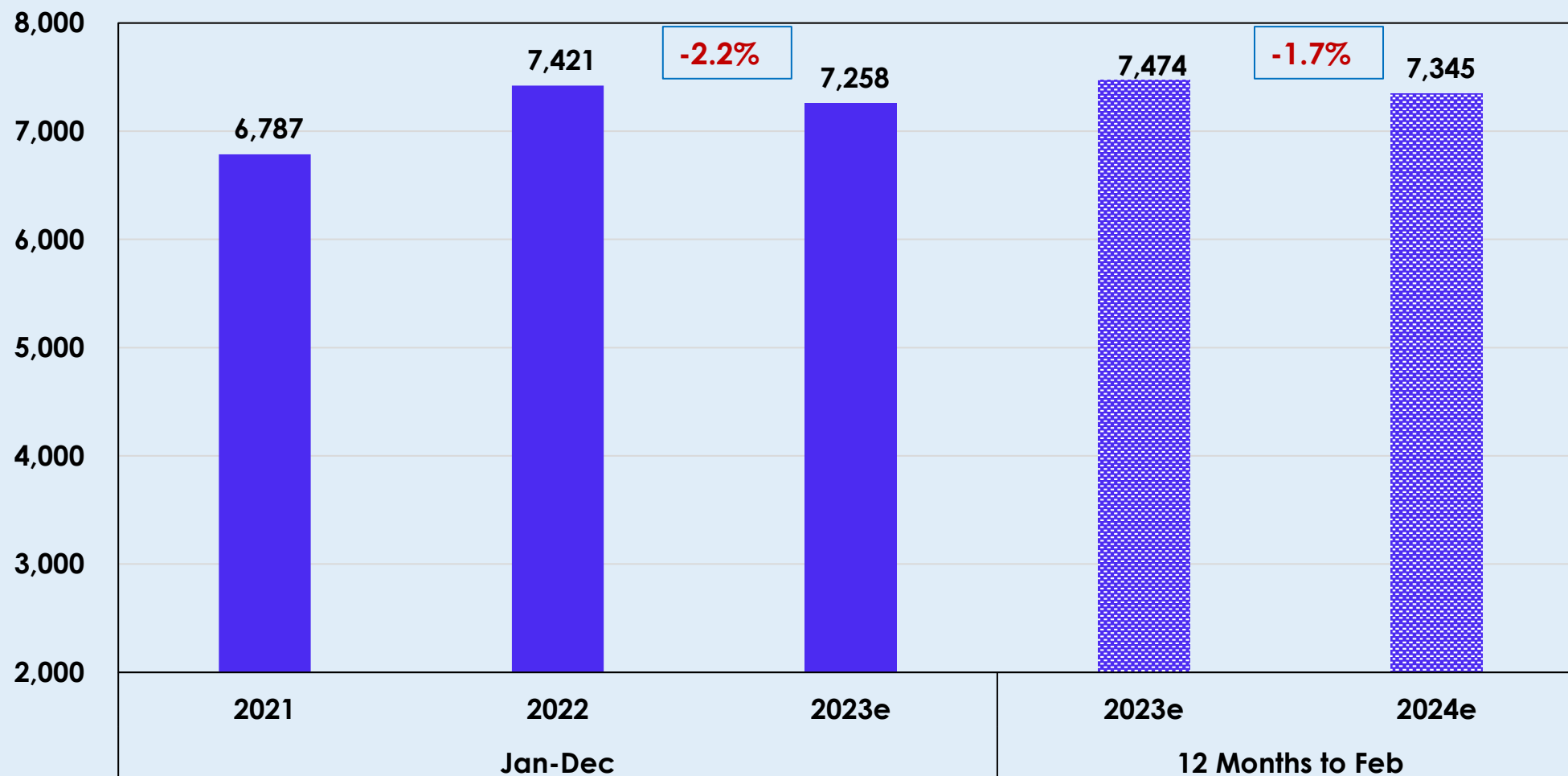
Source: CBK

22.

Balance of payments:

Goods exports declined by 1.7 percent in the 12 months to February 2024 compared to a similar period in 2023

Total goods exports (USD Million)



Source: CBK, KRA

23.

Balance of payments:

The decline in exports was across several categories, except food, petroleum products and manufactured goods exports

Goods exports by products (USD Million)

SITC CODE	COMMODITY DESCRIPTION	Jan-Dec			12 Months to Feb		Percent Change
		2021	2022	2023	2023	2024	2024/2023
0	FOOD AND LIVE ANIMALS	2,551	2,773	2,796	2,768	2,852	3.0
05	Vegetables and Fruits	688	584	590	579	602	4.0
054	o/w Vegetables	296	205	213	196	225	14.6
057	Fruits	282	277	245	278	242	-12.8
071	Coffee	249	331	266	306	264	-13.9
0741	Tea	1,192	1,384	1,345	1,372	1,377	0.4
1	BEVERAGES AND TOBACCO	159	164	144	161	140	-13.3
2	CRUDE MATERIALS & INEDIBLE	1,286	1,256	1,195	1,270	1,168	-8.0
3	MINERAL FUELS	54	88	116	94	113	20.3
4	ANIMAL AND VEGETABLE OILS	137	226	161	223	160	-28.4
5	CHEMICALS AND RELATED PRODUCTS	522	606	610	636	606	-4.7
6	MANUFACTURED GOODS	512	622	686	659	669	1.4
661	Lime, Cement	108	106	161	121	155	28.5
67	Iron and Steel	174	233	233	246	218	-11.1
7	MACHINERY & TRANSPORT EQUIP	137	120	116	132	108	-18.3
8	MISCELLANEOUS MAN. ARTICLES	675	689	602	689	602	-12.5
84	Clothing accessories	389	400	321	400	321	-19.7
9	COMMODITIES & TRANSACTIONS	15	33	33	33	32	-2.0
	DOMESTIC EXPORTS	6,048	6,576	6,456	6,665	6,450	-3.2
	RE-EXPORTS	700	800	734	767	823	7.3
	CUSTOMS EXPORTS (FOB)	6,748	7,377	7,191	7,433	7,273	-2.1
	Adjustments for BOP	-38.9	-44.5	-66.9	-41.3	-71.7	
	BOP EXPORTS (FOB)	6,787	7,421	7,258	7,474	7,345	-1.7

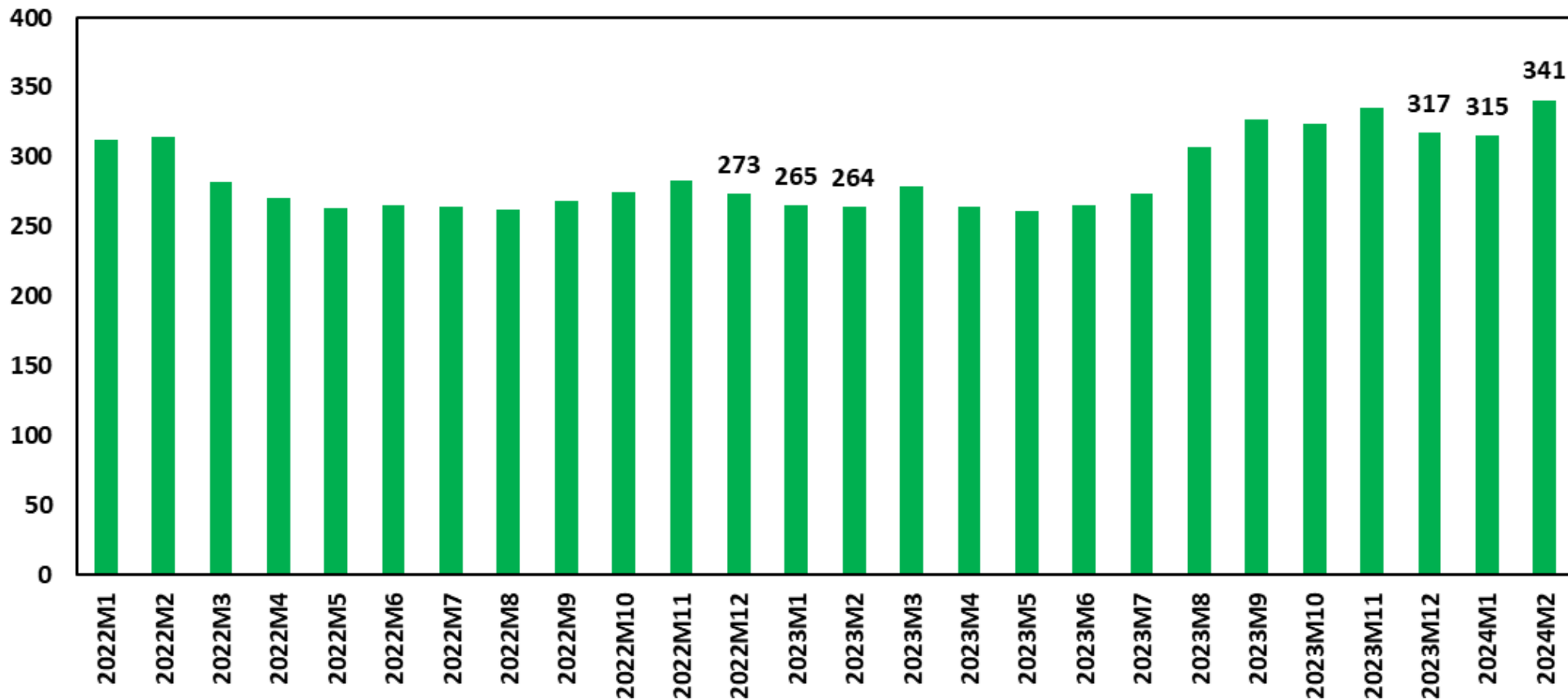
Source: CBK, KRA

24.

Balance of payments:

Positive prospects for improved tea exports in 2024 on account of the pick-up in global tea prices

Tea, Mombasa, Kenya, Auction price (US cents per kg)

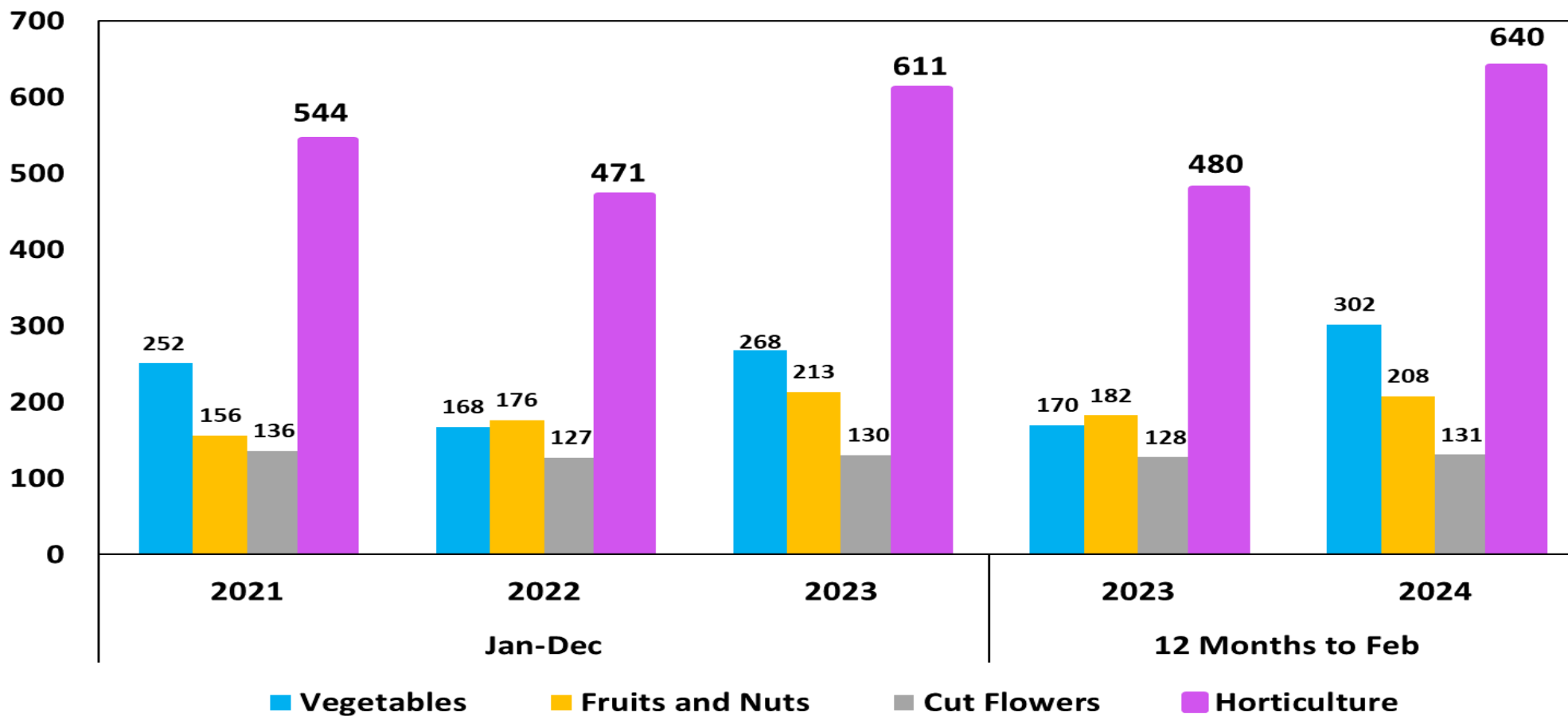


Source: IMF, WEO

Balance of payments:

Volumes of horticulture exports have improved, with positive prospects following the recent lifting of the export ban on macadamia

Quantities of Horticulture Exports (Kg million)



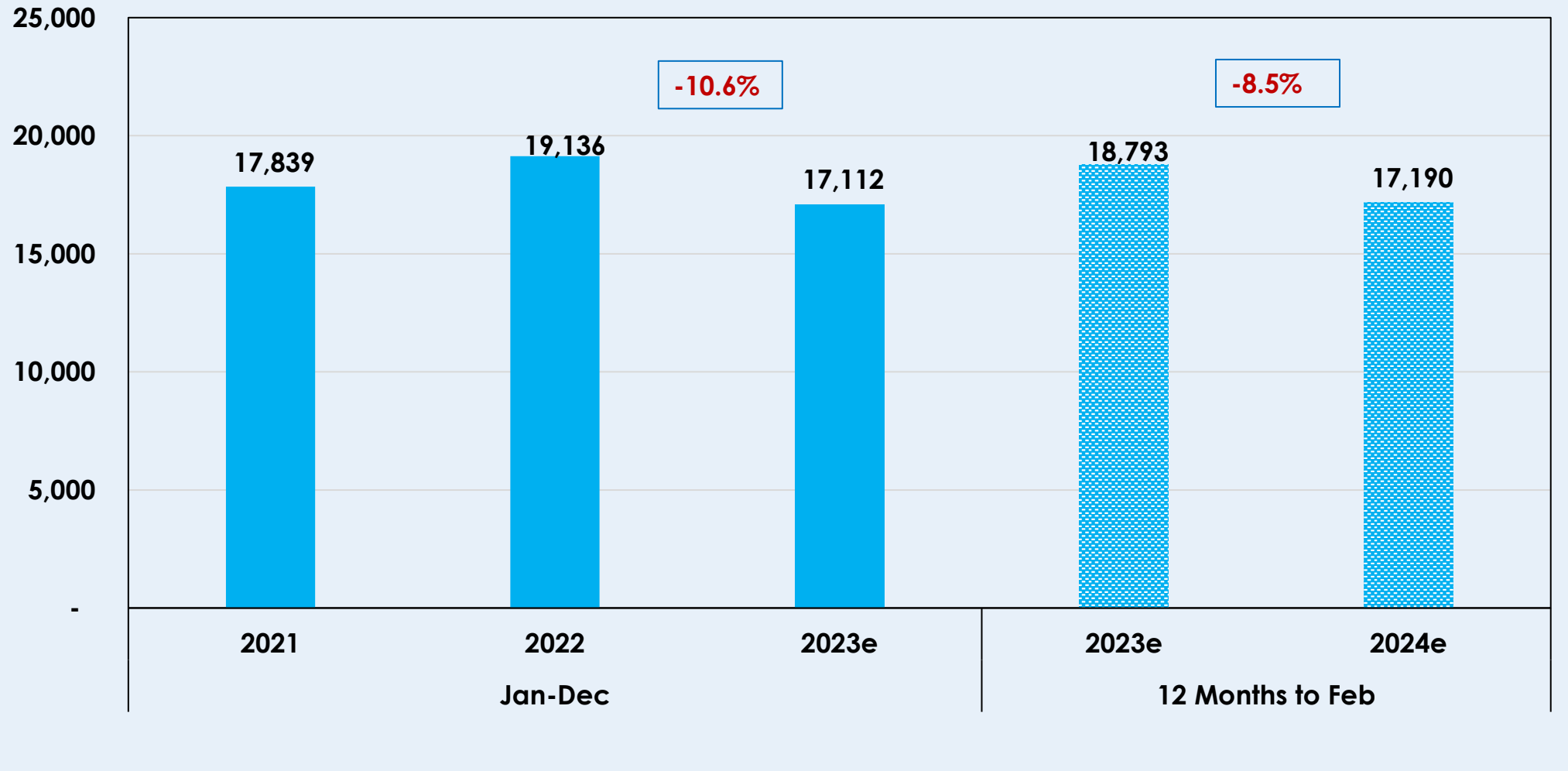
Source: KRA

26.

Balance of payments:

Imports of goods declined by 8.5 percent in the 12 months to February 2024 compared to a similar period in 2023

Total goods imports (USD Million)



Source: CBK, KRA

27.

Balance of payments:

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

Goods imports by products (USD Million)

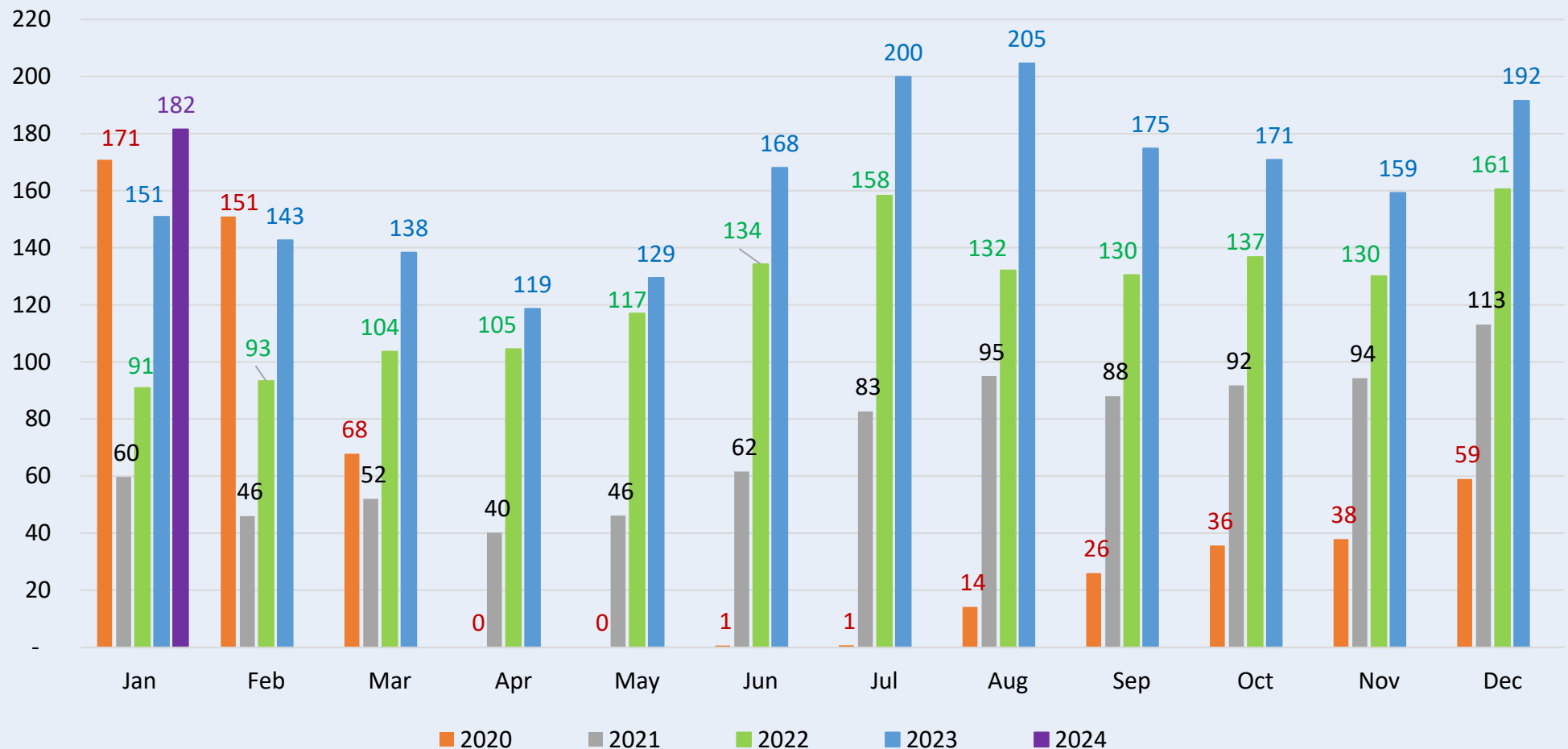
SITC COES	COMMODITY DESCRIPTION	Jan-Dec			12 Months to Feb		Percent change
		2021	2022	2023	2023	2024	2024/2023
0	FOOD AND LIVE ANIMALS	1873	2094	2370	2,146	2,329	8.5
04	o/w Cereals	1,067	1,227	1,319	1,244	1,284	3.2
06	Sugar	262	236	406	244	439	80.1
1	BEVERAGES AND TOBACCO	135	132	118	131	109	-17.1
2	CRUDE MATERIALS	448	469	487	455	514	13.0
3	MINERAL FUELS	3,474	5,548	4,802	5,640	4,788	-15.1
334112	o/w Motor spirit(premium)	1,109	1,584	1,392	1,610	1,372	-14.8
334211	Jet fuel(kerosene type)	357	773	709	800	734	-8.2
334301	Diesel oil	1,280	2,272	1,931	2,357	1,901	-19.3
4	ANIMAL & VEGETABLE OILS,	1,100	1,215	997	1,180	1,006	-14.8
5	CHEMICALS AND RELATED PRODUCTS	3,103	3,277	2,896	3,245	2,849	-12.2
6	MANUFACTURED GOODS	3,646	3,469	2,654	3,300	2,623	-20.5
64	o/w Paper, Paperboard & Articles	401	472	376	447	379	-15.3
65	Textile Yarn, Fabric Articles	608	652	540	627	545	-13.1
66	Non metal mineral manufactures	270	262	192	253	188	-25.7
67	Iron and steel	1,420	1,282	870	1,206	844	-30.0
69	Metal Manufactures	478	375	296	352	294	-16.5
7	MACHINERY AND TRANSPORT EQUIPMENT	4,371	3,760	3,252	3,571	3,371	-5.6
72	o/w Mach. for Part. Inds.	676	576	460	545	443	-18.7
74	Gen. Ind.Mach.	671	545	519	481	547	13.7
77	Elec. Mach.	817	732	585	672	591	-12.1
78	Road vehicles	1,302	997	835	977	837	-14.4
79	Other Transport Equipment	228	207	193	205	285	39.5
8	MISCELLENEOUS MANUFACTURED ARTIC.	1,110	1,124	1,027	1,069	1,060	-0.8
9	COMMODITIES & TRANSACTIONS n.e.s	38	140	280	162	304	87.6
	CUSTOMS IMPORTS (CIF)	19,263	21,091	18,614	20,742	18,657	-10.1
	Adjustments for BOP	1,424	1,955	1,502	1,949	1,467	
	BOP IMPORTS (FOB)	17,839	19,136	17,112	18,793	17,190	-8.5

Source: CBK, KRA

Services exports:

Tourist arrivals improved by 27.6 percent in the 12 months to January 2024 compared to a similar period in 2023, and were 20.3 percent higher in January 2024 compared to January 2023

Number of tourist arrivals (in thousands)



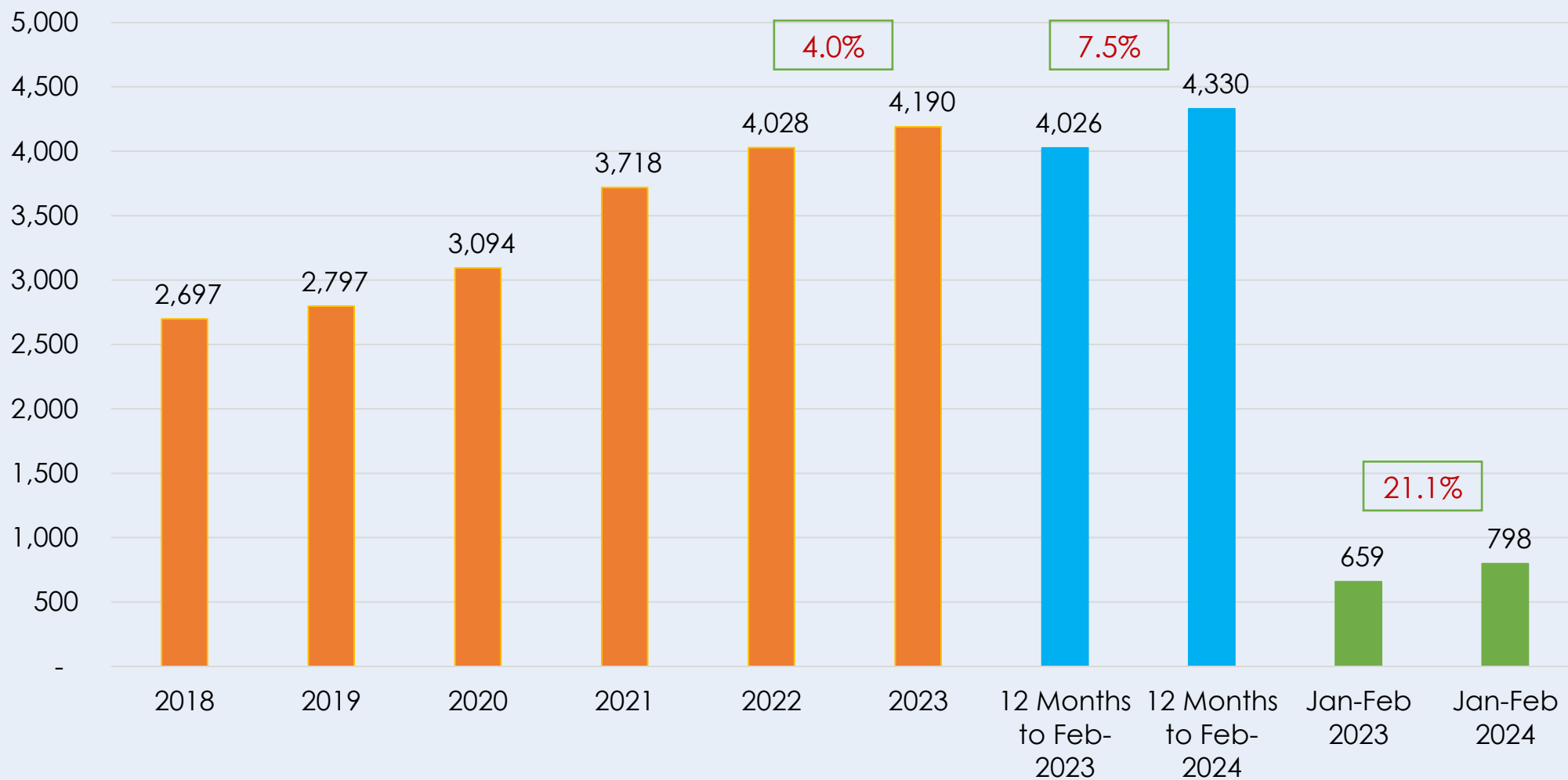
Source: Kenya Tourism Board

29.

Diaspora remittances:

Remittances have remained strong, and increased by 7.5 percent in the 12 months to February 2024 relative to a similar period in 2023

Diaspora remittances inflows (USD, Million)



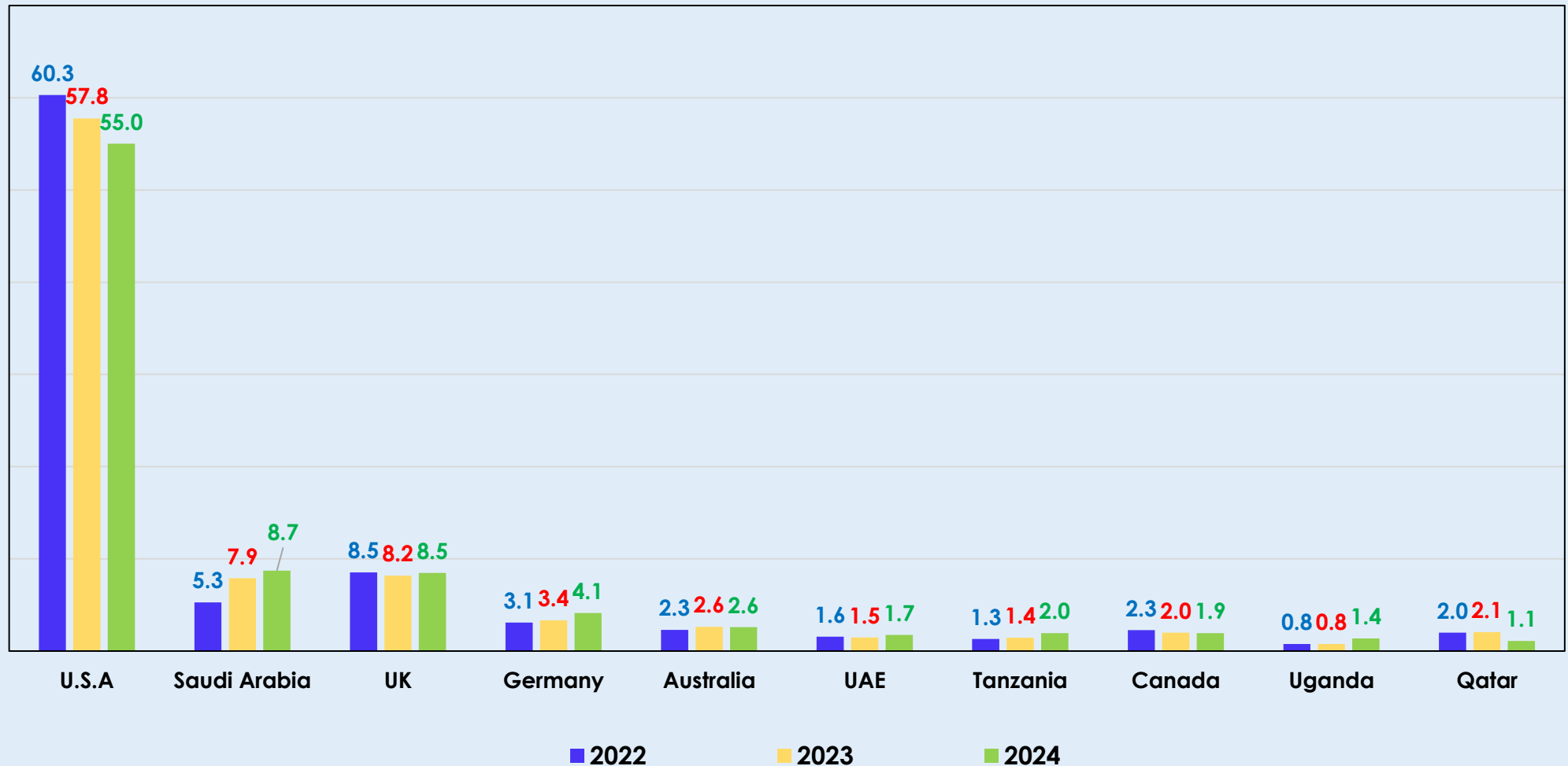
Source: CBK

30.

Diaspora remittances:

The share of remittance inflows from non-traditional markets including the EAC corridor has increased indicating diversification of the sources

Diaspora remittances inflows in 12 months to February by source (percentage in total)



Source: CBK

31.

Financial account:

Financial account inflows expected to support a buildup in foreign exchange reserves in 2024

Financial account inflows (US\$ millions)

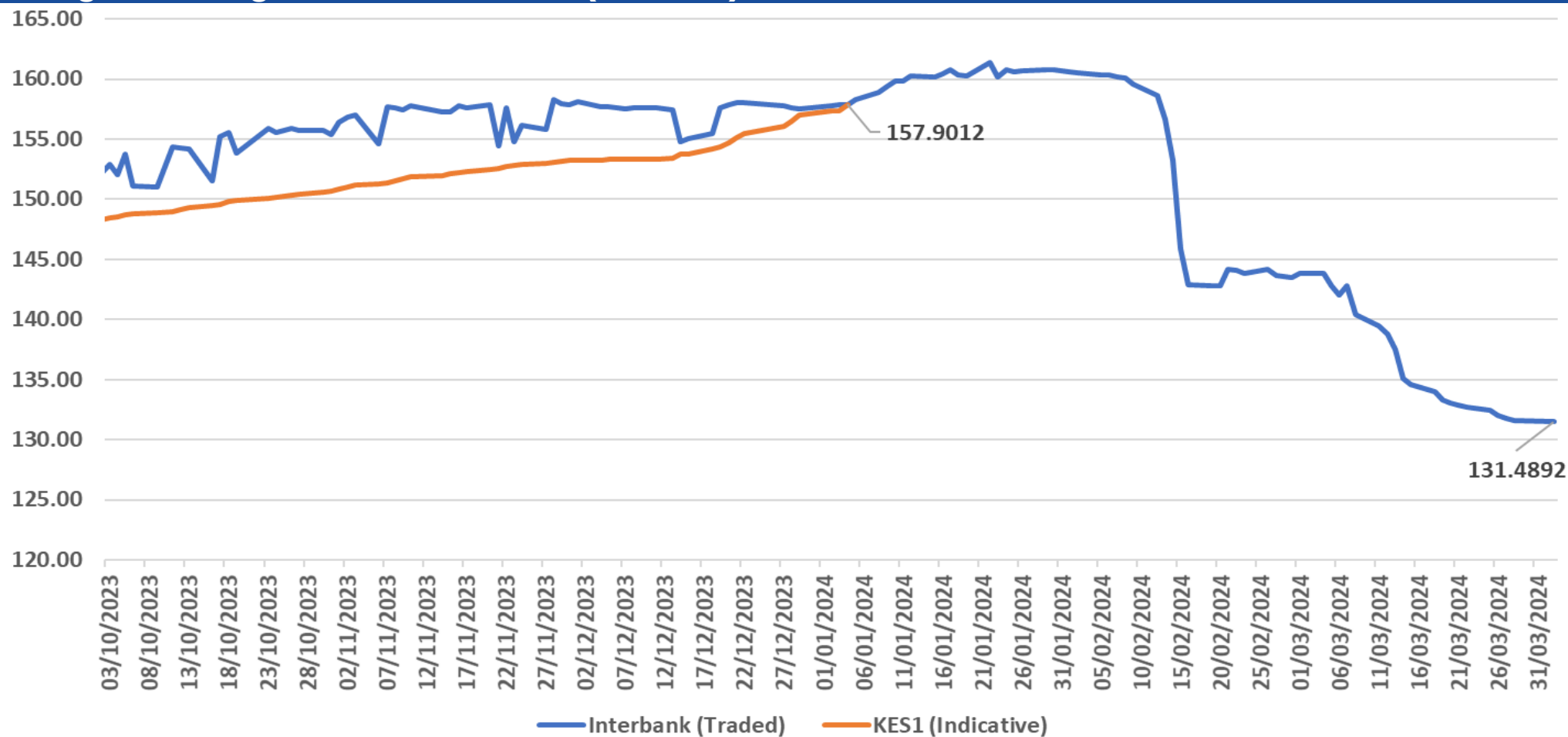
	2019	2020	2021	2022	12 Months to Feb 2023	2023 Est.	12 Months to Feb 2024	2024 Proj.
Financial Account	-4,820	-2,682	-5,934	-4,362	-3,635	-3,860	-5,450	-4,381
Foreign Direct Investment	-433	-569	-44	-339	-431	-458	-533	-473
Direct Investment, assets	37	-143	420	53	-41	-46	-57	45
Direct Investment, liabilities	470	427	464	392	389	412	476	517
Portfolio Investment	-468	1,321	186	712	791	650	449	1,322
Portfolio Investment, assets	857	1,045	1,042	481	553	497	309	693
Portfolio Investment, liabilities	1,325	-276	857	-230	-238	-153	-139	-629
Equity and investment fund shares	9	-276	-96	-208	-224	-154	-136	-88
Debt securities	1,316	0	953	-23	-14	1	-3	-541
Other Investment	-3,919	-3,434	-6,075	-4,735	-3,995	-4,051	-5,366	-5,231
Other investment, assets	564	998	85	-557	-134	2,875	4,136	1,138
Other investment, liabilities	4,484	4,432	6,160	4,178	3,861	6,927	9,502	6,369
Net errors and omissions	1,331	1,311	466	-877	-655	-559	-1,193	-1,045
Overall balance ("-" indicates a surplus)	-1,107	668	-848	2,147	2,238	712	224	-1,356
Reserves and related items	1,107	-668	848	-2,147	-2,238	-712	-224	1,356
Use of Fund credit and loans to the fund (net)	-154	610	847	619	619	109	775	1,356
Reserve assets (gross)+ve entry reflect an increase in r	953	-822	1,190	-1,528	-1,619	-603	551	1,356

Source: CBK

Exchange rate developments:

The exchange rate has strengthened, reflecting increased inflows and impact of monetary policy measures. This is also supported by the impact of recent reforms in the foreign exchange market.

Foreign exchange interbank market (Ksh/USD)

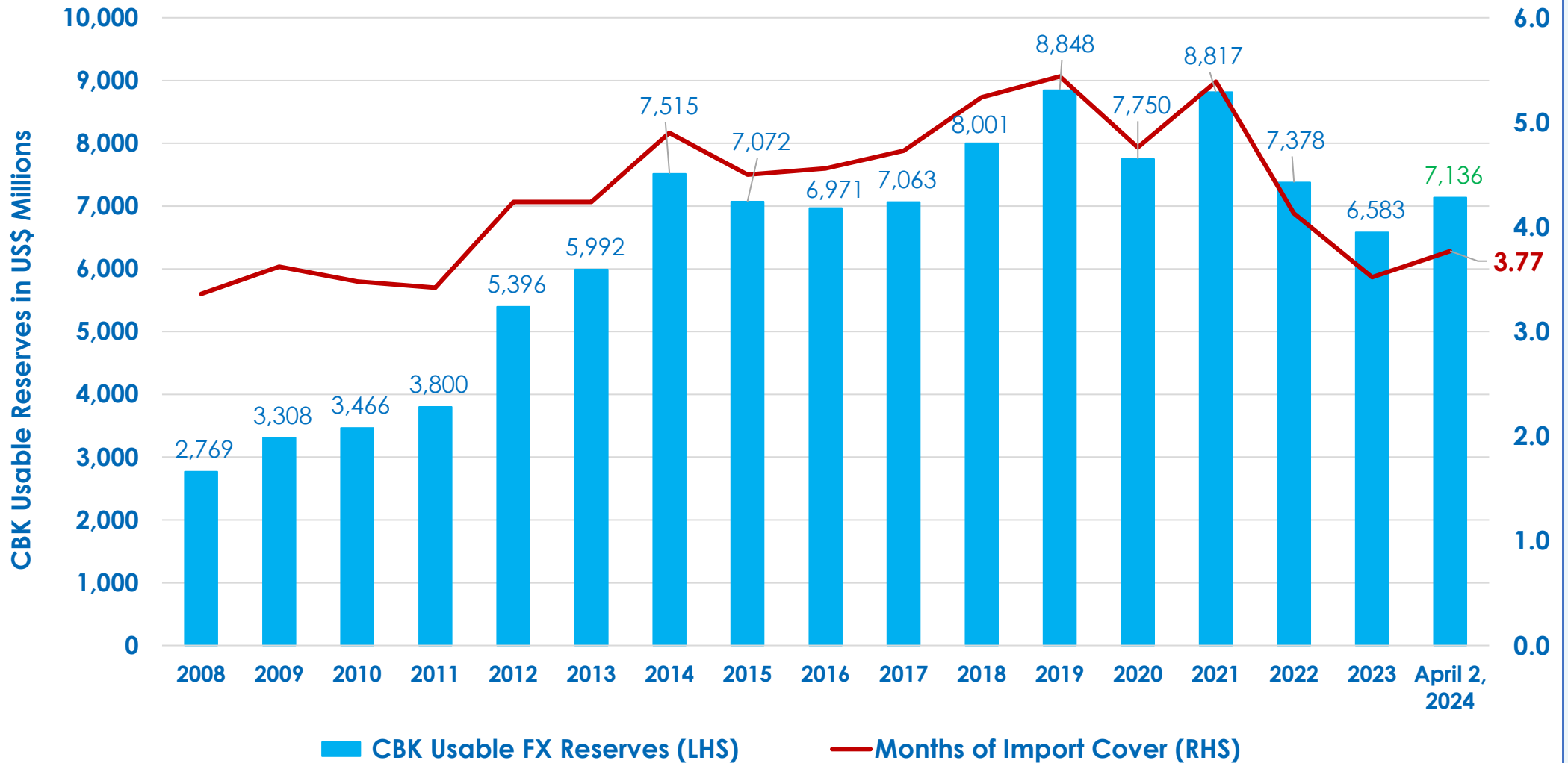


Source: CBK as of April 2, 2024

33.

CBK usable foreign exchange reserves: Foreign exchange reserves remain adequate

CBK usable foreign exchange reserves (end period)

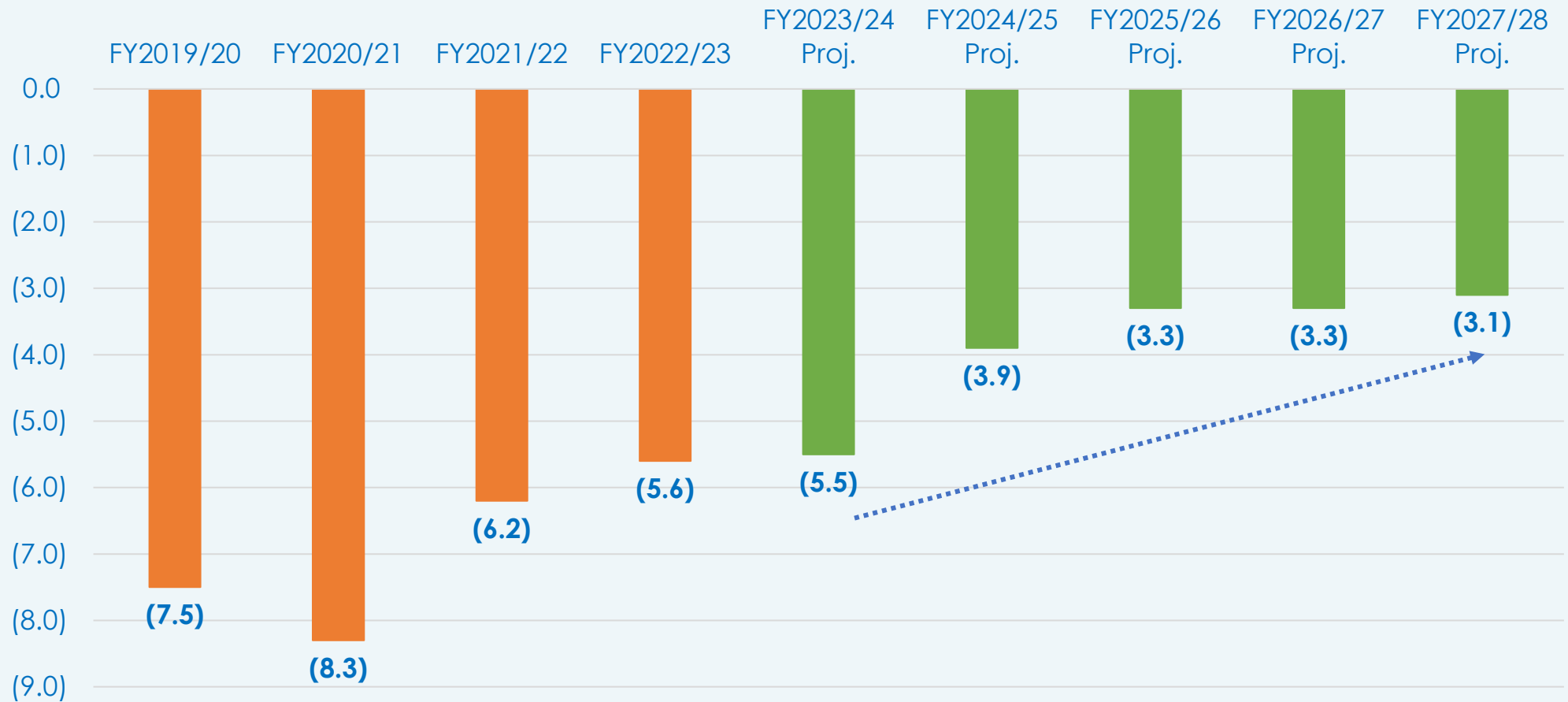


Source: CBK as of April 2, 2024

Fiscal performance and outlook:

The envisaged fiscal consolidation over the medium-term is expected to reduce growth of public debt and boost debt sustainability position. The fiscal consolidation will be achieved through broadening of the revenue base and containing non-priority expenditures

Actual and expected fiscal deficit (percent of GDP)



Source: The National Treasury

Thank You!

