Central Bank of Kenya

Quarterly Economic Review

October-December 2024

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THE PRINCIPAL OBJECTIVES OF THE CENTRAL BANK OF KENYA

The role of the Central Bank of Kenya (CBK) is anchored in Section 231 of Kenya's Constitution and in the CBK Act. The CBK is responsible for formulating monetary policy to achieve and maintain price stability, and issuing currency.

The Bank also promotes financial stability through regulation, supervision and licensing of financial institutions under its mandate. It also provides oversight of the payment, clearing and settlement systems, and fosters liquidity, solvency and proper functioning of the financial system. The CBK formulates and implements the foreign exchange policy, and manages foreign exchange reserves. It is also the banker for, adviser to, and fiscal agent of the Government.

The CBK's monetary policy is designed to support the Government's objectives with respect to growth. The CBK formulates and conducts monetary policy with the aim of keeping overall inflation within the target prescribed by the National Treasury at the beginning of the financial year. Currently, this target is a range between 2.5 percent and 7.5 percent.

The achievement and maintenance of a low and stable inflation rate, coupled with adequate liquidity in the market, facilitates higher levels of domestic savings and private investment. This leads to improved economic growth, higher real incomes and increased employment opportunities.

HIGHLIGHTS

The 2024Q4 real GDP outcome is not available. However, available economic indicators for the quarter point to mixed performance. The agriculture and services sectors are expected to remain resilient, while industrial activity is expected to remain subdued.

Headline inflation eased to 2.8 percent in the fourth quarter of 2024 from 4.1 percent in the third quarter of 2024, reflecting moderation of food prices, lower energy prices and the impact of monetary policy actions. Core inflation narrowed to 2.0 percent in the fourth quarter of 2024 from 2.2 in the third quarter of 2024, while non-core inflation declined to 5.2 percent from 9.8 percent over the same period.

Broad money supply (M3) increased in the fourth quarter of 2024 compared to the previous quarter, mainly reflected in the deposits and cash outside banks.

The global economy continued to rebound in the fourth quarter of 2024, albeit at a slower pace. Global economic activity remained marked by divergences across economies and sectors. High-frequency leading indicators pointed to resilient growth in the service sector, while the manufacturing sector remained subdued, particularly in several advanced and emerging economies. Global economic activity is expected to remain broadly flat in 2024 and 2025, reflecting resilient growth in the service sector and better-than-expected growth outcomes in the United States, the United Kingdom, and India. However, sluggish growth in the Eurozone, Nigeria, and China, along with a subdued pick-up in the manufacturing sector, continues to weigh on the global economy. According to the IMF World Economic Outlook (WEO) January report, annual global growth is projected at 3.2 percent in 2024 and 3.3 percent in 2025.

The current account deficit widened by USD 112 million to USD 1,397 million in the fourth quarter of 2024, up from USD 1,285 million in the same period of 2023 (Table 5.1). This increase was mainly driven by a larger trade deficit and a higher primary income balance deficit. The goods trade deficit widened by USD 254 million to USD 2,960 million in the fourth quarter of 2024, compared to USD 2,706 million in the corresponding period of 2023, reflecting increased goods imports.

The banking sector remained stable and resilient in the fourth quarter of 2024. Total assets increased by 1.0 percent to Ksh.7,645.8 billion in December 2024, from Ksh.7,568.4 billion in September 2024. The deposit base also increased by 1.0 percent to Ksh.5,739.6 billion in the fourth quarter of 2024, from Ksh.5,684.0 billion in the third quarter of 2024. The sector was well capitalized with capital adequacy ratio of 19.4 percent, which was above the minimum capital requirement of 14.5 percent. The sector remained profitable in the fourth quarter of 2024, with quarterly profit before tax of Ksh.58.5 billion, a decrease from Ksh.64.2 billion reported in the third quarter of 2024. Credit risk remained elevated with Gross Non-Performing Loans (NPLs) to Gross Loans Ratio standing at 16.4 percent at the end of the fourth quarter of 2024, a decrease from 16.5 percent recorded at the end of third quarter of 2024.

The Government's budgetary operations at the end of the second quarter of FY 2024/25 resulted in a deficit (including grants) of 2.5 percent of GDP. Both revenue collection and expenditure remained below their respective targets.

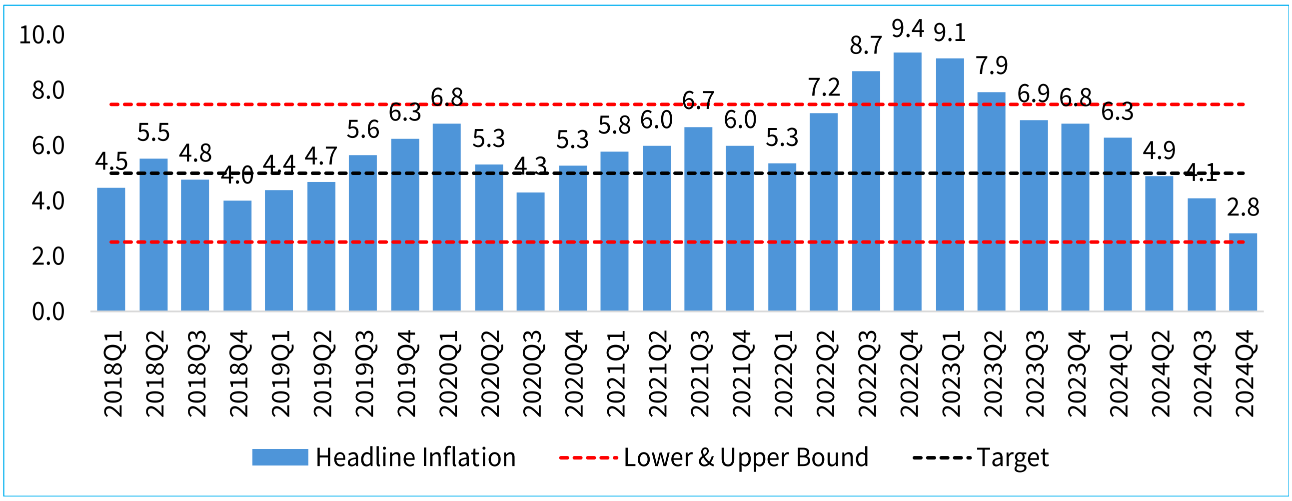
Kenya's public and publicly guaranteed debt increased by 5.3 percent during the second quarter of 2024/25. Domestic and external debt increased by 4.8 percent and 7.4 percent, respectively.
At the Nairobi Securities Exchange, the NSE 20 and NASI share price indices increased by 13.2 and 15.3 percent in the fourth quarter of 2024 compared to the third quarter of 2024. Market capitalization, total shares traded, and Equity turnover increased by 15.7 percent, 69.4 percent and 136.4 percent, respectively.

Chapter 1
Inflation

Trends in Headline Inflation

Headline inflation eased significantly from a peak of 9.4 percent in the second quarter of 2022 to 2.8 percent in the fourth quarter of 2024. The decline was attributable to moderation of food prices supported by increased food supply arising from favorable weather conditions and Government interventions such as subsidized fertilizer, lower energy prices and tight monetary policy which helped to anchor inflation expectations and mitigated against second order effects arising from the supply-side constraints. Moreover, the exchange rate stability significantly moderated the pass through effects of imported inflation pressures.

Chart 1.1: Developments in Headline Inflation

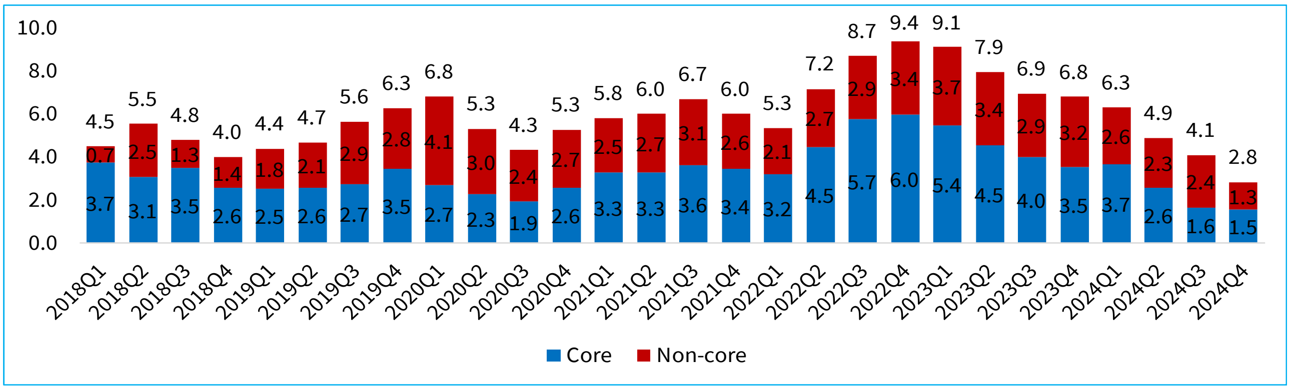


Source: Kenya National Bureau of Statistics and Central Bank of Kenya.

The Kenya National Bureau of Statistics (KNBS) in collaboration with the Central of Kenya(CBK) recently launched official measures of core and non-core inflation. Consequently, the former replaces the non-food non-fuel(NFNF) proxy measure that CBK has been reporting.[1] Core Consumer Price Index (CPI) component accounts for 81.1 percent of the 330 items in the CPI basket, while non-core component accounts for 18.9 percent. In this regard, the decline in inflation was driven by a reduction in the core inflation, which contributed 1.5 percentage points in the fourth quarter of 2024 compared to 1.6 percentage points in the previous quarter. Moreover, the contribution of non-core inflation also declined to 1.3 percentage points in the fourth quarter of 2024 from 2.4 percentage points in the third quarter of 2024.

[1]The computation of core and non-core inflation measures has been extended backwards to provide a longer series. For details on definitions and computation refer to Core and Non-Core Inflation Measures for Kenya report https://www.knbs.or.ke/wp-content/uploads/2025/02/Core-and-Non-Core-Inflation-Measures-in-Kenya1.pdf

Chart 1.2: Contribution of Broad Components to Headline Inflation

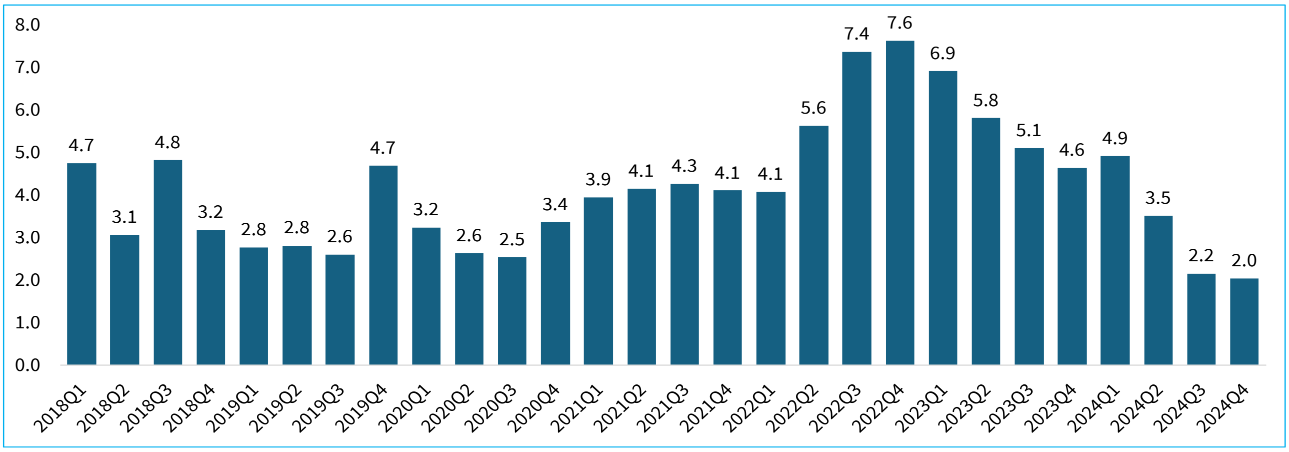


Source: Kenya National Bureau of Statistics and Central Bank of Kenya.

Core Inflation

Core inflation narrowed significantly to 2.0 percent in the fourth quarter of 2024, from a peak of 7.6 percent in the fourth quarter of 2022, largely reflecting the transmission of monetary policy tightening, waning second order effects from previously elevated energy prices and easing of prices of processed food items in the core CPI basket. Prices of processed food items including edible oils, sugar, and wheat products which had significantly contributed to earlier inflationary pressures waned as global commodity prices stabilized following easing supply chain constraints. In addition, the exchange rate appreciated, thereby muting the pass-through of imported food and energy prices, resulting in relatively lower production and transport costs.

Chart 1.3: Developments in Core Inflation



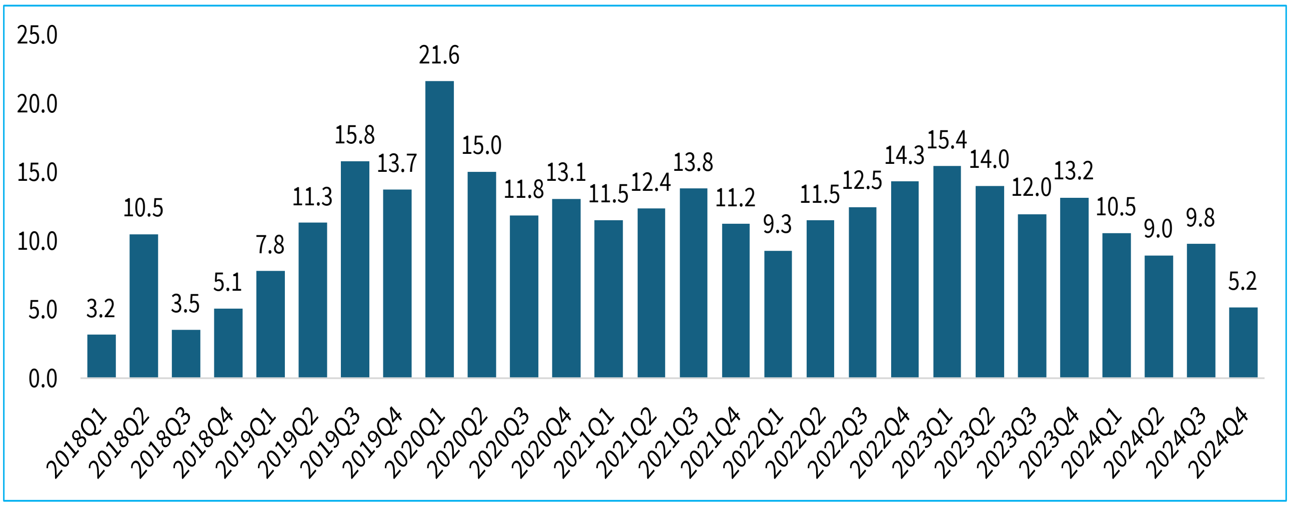
Source: Kenya National Bureau of Statistics and Central Bank of Kenya.

Non-Core Inflation

Non-core CPI component is largely comprised of fresh farm produce particularly vegetable items, energy items and select transport components[2], which are predominantly driven by volatility in domestic weather conditions and global energy prices. Non-core inflation declined to 5.2 percent in the fourth quarter of 2024, from 9.8 percent in the third quarter of 2024, having sigificantly decelerated from a peak of 21.6 percent last witnessed in the first quarter of 2020 during the COVID-19 pandemic period.

[2]County bus and local flight fares.

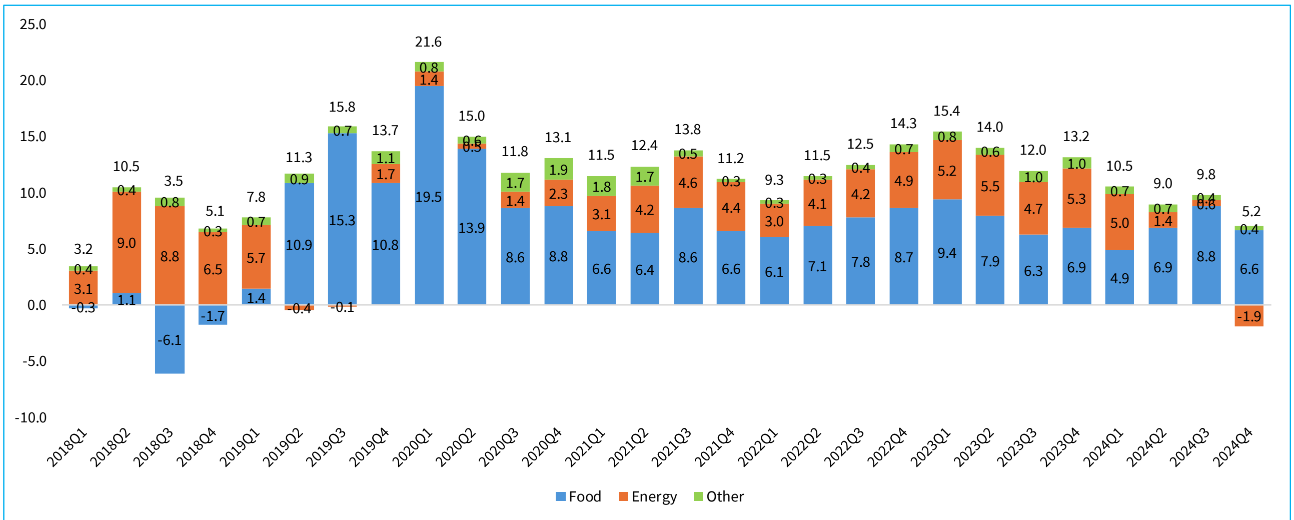
Chart 1.4: Developments in Non-Core Inflation



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

Prices of fresh farm produce remain the most significant driver of non-core inflation, contributing 6.6 percentage points in the fourth quarter of 2024. This reflects the significant impact of price volatility associated with seasonal supply of vegetable items arising from changes in weather conditions. The contribution of energy prices moderated non-core inflation by -1.9 percentage points in the fourth quarter of 2024, from a high of 5.3 percentage points in the first quarter of 2023, reflecting the dynamics of international and domestic energy prices, impact of geopolitical tensions and exchange rate impact over the period.

Chart 1.5: Contributions to Non-Core Inflation



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

Chapter 2
Economic Performance

Overview

The real Gross Domestic Product (GDP) growth outcome for the fourth quarter of 2024 is not available. Analysis of economic performance based on available economic indicators point to mixed performance. Growth of the agriculture sector is expected to remain resilient during the quarter, partly driven by favourable weather conditions experienced in the food-basket regions of the country during the quarter. Additionally, key service sectors are expected to record positive outcomes. However, industrial activity is expected to remain subdued **(Table 2.1).**

AGRICULTURE

The agriculture sector is expected to record good performance, supported by improved production of key crops following favorable weather conditions in the food-basket regions of the country. During the quarter under review, horticultural exports and milk intake increased by 17.7 percent and 7.9 percent, respectively, compared to a similar quarter of 2023. Sugarcane deliveries continued to improve supported by good weather conditions and the reopening of domestic sugar factories in October 2023, increasing by 87.9 percent in 2024Q4 compared to a similar quarter of 2023. Similarly, coffee sales increased by 45.7 percent following resumption of the Nairobi Coffee Exchange in August 2023. However, tea production declined in October and November 2024 compared to a similar period in 2023 **(Figure 2.1).**

Table 2.1: Quarterly Performance of Key Agricultural Output Indicators

	2023				2024*						
	Quarterly				Quarterly				Monthly		
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Oct-24	Nov-24	Dec-24
Horticulture											
Exports (Metric tonnes)	158,241	160,076	205,320	161,575	206,715	203,220	218,799	190,135	67,575	56,650	65,909
Growth (%)	*15.9*	*11.5*	*54.9*	*36.9*	*30.6*	*27.0*	*6.6*	*17.7*	*18.5*	*13.3*	*20.8*
Tea											
Output (Metric tonnes)	118,138	155,505	138,772	158,034	166,469	154,624	121,868	N/A	50,060	47,413	N/A
Growth (%)	*-13.0*	*15.6*	*28.6*	*2.0*	*40.9*	*-0.6*	*-12.2*		*-5.2*	*-6.9*	
Coffee											
Sales (Metric tonnes)	15,110	5,781	494	6,135	14,447	14,865	6,622	8,938	3,083	2,540	3,315
Growth (%)	*-20.1*	*119.0*	*-95.0*	*-4.2*	*-4.4*	*157.1*	*1240.5*	*45.7*	*117.2*	*51.5*	*9.1*
Sugar Cane											
Output ('000 Metric tonnes)	2,171	1,250	874	1,188	2,304	2,269	2,527	2,233	811	785	637
Growth (%)	*-0.4*	*-42.0*	*-55.1*	*-48.4*	*6.1*	*81.5*	*189.1*	*87.9*	*187.4*	*165.0*	*4.5*
Milk											
Output (million litres)	170	198	218	226	217	219	227	243	80	78	86
Growth %	*-14.2*	*3.1*	*16.5*	*26.7*	*27.8*	*10.9*	*4.2*	*7.9*	*5.4*	*4.9*	*13.2*

Source: Kenya National Bureau of Statistics

INDUSTRY

Industrial activity is expected to have remained subdued in 2024Q4, mainly hampered by declined activity in construction sector.

Manufacturing

The manufacturing sector activity was boosted by agro processing which continues to benefit from increased availability of agricultural produce. This was reflected in increased production of sugar and soft drinks by 102.7 percent and 19.5 percent, respectively, compared to a similar quarter of 2023. However, indicators of the non-food subsector point to mixed performance. Production of galvanized sheets and cement increased by 1.3 percent and 0.3 percent, respectively, during the quarter under review compared to a similar quarter in 2023. However, production of assembled vehicles declined by 29.6 percent **(Table 2.2).**

Table 2.2: Quarterly Production of Select Manufactured Goods

	2023				2024*						
	Quarterly				Quarterly				Monthly		
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Oct-24	Nov-24	Dec-24
Processed sugar											
Output (MT)	198,895	97,487	77,686	98,653	193,412	191,034	231,053	199,955	72,908	69,895	57,152
Growth %	*-4.6*	*-51.8*	*-56.1*	*-52.5*	*-2.8*	*96.0*	*197.4*	*102.7*	*196.4*	*177.6*	*16.9*
Soft drinks											
Output ('000 litres)	156,394	124,308	129,204	170,636	147,062	154,298	165,832	203,901	65,333	60,512	78,056
Growth %	*2.3*	*-8.5*	*2.9*	*3.2*	*-6.0*	*24.1*	*28.3*	*19.5*	*30.1*	*16.5*	*14.0*
Galvanized sheets											
Output (MT)	62,180	66,059	71,723	72,580	68,457	69,365	69,942	73,518	24,905	24,134	24,479
Growth %	*-1.0*	*1.7*	*20.0*	*24.7*	*10.1*	*5.0*	*-2.5*	*1.3*	*3.0*	*1.2*	*-0.3*
Cement production											
Output (MT)	2,330,709	2,326,508	2,551,023	2,407,811	2,095,360	2,040,429	2,302,943	2,413,831	817,386	803,632	792,813
Growth %	*-9.9*	*-1.8*	*7.2*	*-0.5*	*-10.1*	*-12.3*	*-9.7*	*0.3*	*-2.3*	*-1.2*	*4.6*
Assembled vehicles											
Output (No.)	3,329	4,185	3,275	3,570	3,005	2,773	3,262	2,515	978	826	711
Growth %	*-3.0*	*4.2*	*-9.1*	*47.5*	*-9.7*	*-33.7*	*-0.4*	*-29.6*	*-6.8*	*-40.4*	*-37.3*

MT = Metric tonnes
* Provisional

Source: Kenya National Bureau of Statistics

Electricity and Water Supply

Electricity generation increased by 3.9 percent compared to a similar quarter of 2023. All sources of electricity generation recorded increased activity during the quarter, except geothermal generation which declined by 3.2 percent.

Meanwhile, consumption of electricity increased by 7.1 percent, while international oil prices declined by 13.8 percent compared to the fourth quarter of

Table 2.3: Quarterly Performance of the Energy Sector Indicators

	2023				2024*						
	Quarterly				Quarterly				Monthly		
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Oct-24	Nov-24	Dec-24
Electricity Supply (Generation)											
Output (million KWH)	3,023.4	3,088.6	3,287.6	3,098.6	3,057.4	3,041.5	3,240.6	3,218.8	964.3	1,008.4	1,003.2
Growth %	*0.3*	*-1.3*	*0.0*	*-4.4*	*1.1*	*-1.5*	*-1.4*	*3.9*	*-7.0*	*4.6*	*-0.5*
Of which:											
Hydro-power Generation (million KWH)	424.1	686.7	785.4	766.5	807.3	1,036.5	950.1	836.8	307.9	369.0	318.0
Growth (%)	*-47.5*	*-11.7*	*4.3*	*9.3*	*90.4*	*51.0*	*21.0*	*9.2*	*0.9*	*19.8*	*-13.8*
Geo-Thermal Generation (million KWH)	1,506.3	1,491.7	1,529.6	1,502.4	1,396.4	1,279.3	1,410.4	1,453.9	424.5	385.4	409.0
Growth (%)	*46.8*	*2.4*	*0.5*	*-0.7*	*-7.3*	*-14.2*	*-7.8*	*-3.2*	*-7.8*	*-9.2*	*6.1*
Thermal Generation (million KWH)	416.5	283.0	328.1	278.1	244.5	276.5	294.6	313.9	59.6	116.2	84.2
Growth (%)	*-30.6*	*-1.9*	*-4.4*	*-21.2*	*-41.3*	*-2.3*	*-10.2*	*12.9*	*-5.5*	*94.9*	*-27.5*
Wind Generation (million KWH)	546.3	506.8	526.4	428.6	491.0	334.8	483.4	488.5	164.7	130.2	184.6
Growth (%)	*13.5*	*-1.2*	*-11.5*	*-22.6*	*-10.1*	*-33.9*	*-8.2*	*14.0*	*-17.6*	*-20.9*	*41.8*
Solar Generation (million KWH)	130.1	120.4	118.0	123.0	118.3	114.4	102.2	125.6	7.4	7.6	7.4
Growth (%)	*33.3*	*30.2*	*60.6*	*2.5*	*-9.1*	*-5.0*	*-13.4*	*2.1*	*-4.6*	*2.4*	*-2.4*
Consumption of electricity (million KWH)	2,547.0	2,568.1	2,640.5	2,572.1	2,614.3	2,650.7	2,730.3	2,754.3	775.0	785.4	796.3
Growth %	*5.3*	*2.7*	*3.8*	*1.4*	*2.6*	*3.2*	*3.4*	*7.1*	*-3.1*	*1.3*	*1.4*
Murban crude oil average price (US $ per barrel)	80.7	78.4	87.7	85.2	81.8	85.3	78.8	73.5	63.2	66.9	71.9
Growth %	*-17.4*	*-30.3*	*-14.0*	*-2.8*	*1.5*	*8.8*	*-10.1*	*-13.8*	*-2.0*	*5.8*	*7.4*

* Provisional

Source: Kenya National Bureau of Statistics

2023 **(Table 2.3).**

Construction

Available indicators for the construction sector point to subdued performance in the fourth quarter of 2024. Credit uptake by the sector declined by 10.9 percent compared to a similar quarter of 2023. Similarly, the value of building plans approved by the Nairobi City County Planning, Compliance and Enforcement Department declined by 22.5 percent during the quarter, reflected in declines in both residential and non-residential building plans. However, cement consumption increased by 3.7 percent during the quarter under review **(Table 2.4).**

Table 2.4: Quarterly Output of Selected Construction Indicators

	2023				2024*						
	Quarterly				Quarterly				Monthly		
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Oct-24	Nov-24	Dec-24
Cement Consumption											
Output (Tonnes)	2,234,210	2,227,579	2,439,748	2,300,249	1,942,876	1,957,069	2,257,192	2,385,532	803,354	793,239	788,939
Growth %	*-11.4*	*-2.4*	*6.3*	*-2.2*	*-13.0*	*-12.1*	*-7.5*	*3.7*	*1.7*	*0.9*	*8.9*
Value of Building Plans Approved by Nairobi City County Planning Compliance & Enforcement Department											
Residential (KSh, millions)	57,875	21,916	56,240	49,041	35,807	59,107	52,963	36,845	7,268	8,905	20,672.0
Growth (%)	*60.8*	*-20.8*	*51.6*	*83.9*	*-38.1*	*169.7*	*-5.8*	*-24.9*	*-46.8*	*-36.2*	*-3.6*
Non-residential (KSh, millions)	5,906	6548	12426	10085	8064	9940	9910	8982	3,332	2,214	3435.16
Growth (%)	*-56.6*	*-18.1*	*72.5*	*91.9*	*36.5*	*51.8*	*-20.2*	*-10.9*	*-24.2*	*0.2*	*-1.2*
Total (KSh, millions)	63,781	28,464.0	68,665.9	59,126.4	43,870.5	69,046.6	62,873.3	45,826.4	10,600	11,119	24,107.1
Growth (%)	*28.6*	*-20.2*	*55.0*	*85.3*	*-31.2*	*142.6*	*-8.4*	*-22.5*	*-41.3*	*-31.2*	*-3.2*

* Provisional
N/A - Not Available
Source: Kenya National Bureau of Statistics

SERVICES

Broadly, the services sector is expected to have remained resilient, driven by improved performance of key sectors. However, indicators for most sectors are not available.

Transport and Storage

Available indicators in the sector point to increased activity during the fourth quarter of 2024. Consumption of fuels increased by 9.7 percent, mainly reflected in increased consumption of diesel and petrol. Over the same period, the volume of cargo that passed through the port of Mombasa increased in October and November by 26.1 percent and 5.3 percent, respectively **(Table 2.5).**

Table 2.5: Quarterly Throughput of Select Transport Indicators

	2023				2024*						
	Quarterly				Quarterly				Monthly		
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Oct-24	Nov-24	Dec-24
Cargo Throughput at the port of Mombasa											
Total Output (tonnes)	8,792	9,271	8,514	9,266	9,420	10,371	10,204	N/A	3,755	3,462	N/A
Growth %	*1.8*	*1.9*	*4.7*	*14.6*	*7.1*	*11.9*	*19.8*		*26.1*	*5.3*	
Consumption of Fuels											
Output ('000 litres)	1,308.5	1,265.3	1,286.1	1,215.0	1,236.6	1,208.9	1,323	1,333	461.93	420.62	450.66
Growth (%)	*0.6*	*-0.4*	*0.1*	*-5.0*	*-5.5*	*-4.5*	*2.9*	*9.7*	*11.4*	*9.2*	*8.6*
o/w diesel consumption											
Output ('000 litres)	548.3	546.2	557.6	511.4	547.6	518.6	573	555	195.58	180.00	179.04
Growth (%)	*-5.5*	*-4.2*	*-2.3*	*-6.8*	*-0.1*	*-5.1*	*2.7*	*8.5*	*8.3*	*9.6*	*7.6*
petrol consumption											
Output ('000 litres)	376.8	365.2	359.7	356.2	357.4	338.5	378	399	132.47	121.89	144.36
Growth (%)	*-2.4*	*-5.0*	*-2.8*	*-3.0*	*-5.2*	*-7.3*	*5.1*	*12.0*	*16.2*	*6.4*	*13.2*

* Provisional
N/A - Not Available
Source: Kenya National Bureau of Statistics, Kenya Pipeline Company Limited

Accommodation and Restaurants

The sector is expected to have recorded robust growth during the quarter under review. This is reflected in increased tourist arrivals by 9.9 percent through the two main airports, Jomo Kenyatta International Airport in Nairobi, and Moi International Airport in Mombasa **(Table 2.6).**

Table 2.6: Quarterly Tourist Arrivals By Point of Entry

	2023				2024*						
	Quarterly				Quarterly				Monthly		
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Oct-24	Nov-24	Dec-24
Total Tourist Arrivals	337,825	317,196	451,441	399,302	409,164	370,923	489,831	438,712	142,416	129,335	166,961
Growth (%)	*49.9*	*13.3*	*43.3*	*23.0*	*21.1*	*16.9*	*8.5*	*9.9*	*8.1*	*4.6*	*16.0*
o.w. JKIA - Nairobi	292,979	296,574	410,926	351,119	343,555	349,491	438,877	375,913	124,986	109,933	140,994
Growth (%)	*41.4*	*10.8*	*39.5*	*20.9*	*17.3*	*17.8*	*6.8*	*7.1*	*5.7*	*1.2*	*13.5*
MIAM - Mombasa	44,846	20,622	40,515	48,183	65,609	21,432	50,954	62,799	17,430	19,402	25,967
Growth %	*147.5*	*68.9*	*96.6*	*40.6*	*46.3*	*3.9*	*25.8*	*30.3*	*29.1*	*30.0*	*31.5*

*Provisional
Source: Tourism Research Institute

Chapter 3

Developments in Money, Credit and Interest Rates

Overview

Broad money supply (M3) increased by 2 percent in the fourth quarter of 2024 compared to the previous quarter, mainly reflected in increased deposits, particularly the corporate sector deposits.

Monetary aggregates and its components

Broad money supply (M3) increased by 2 percent in the fourth quarter of 2024 compared to the previous quarter, mainly reflected in increased deposits. The increase in deposits was on account of increased corporate sector deposits, mainly the demand deposits and time and saving deposits partly attributed to attractive interest rates offered by banks on time deposits and higher household expenditures during the end of year festivities. In addition, the other deposits at the CBK increased, partly due to higher county deposits. However, household sector deposits declined during the fourth quarter of 2024, partly reflecting higher demand for cash as the currency outside banks increased with the end of year festivities **(Tables 3.1 & 3.2).**

Table 3.1: Monetary aggregates (KSh Billion)

	End Month Level (KSh Billion)					Quarterly Growth Rates (%)					Absolute Quarterly Changes (KSh Billion)				
	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24
Components of M3															
1. Money supply, M1 (1.1+1.2+1.3)	2,044.1	1,992.8	2,063.6	1,972.8	2,121.4	1.3	-2.5	3.6	-4.4	7.5	26.8	-51.2	70.8	-90.9	148.6
1.1 Currency outside banks	282.1	273.9	274.2	268.2	292.8	5.5	-2.9	0.1	-2.2	9.2	14.6	-8.2	0.2	-5.9	24.6
1.2 Demand deposits	1,663.9	1,635.0	1,630.6	1,603.4	1,714.7	1.1	-1.7	-0.3	-1.7	6.9	18.7	-28.9	-4.4	-27.2	111.1
1.3 Other deposits at CBK 1/	98.0	83.9	158.9	101.1	114.1	-6.3	-14.4	89.4	-36.4	12.8	-6.5	-14.1	75.0	-57.8	13.0
2. Money supply, M2 (1+2.1)	3,952.3	3,890.4	4,041.6	4,043.5	4,231.3	1.4	-1.6	3.9	0.0	4.6	54.1	-62.0	151.3	1.9	187.8
2.1 Time and saving deposits	1,908.3	1,897.5	1,978.0	2,070.8	2,109.9	1.5	-0.6	4.2	4.7	1.9	27.3	-10.7	80.4	92.8	39.2
3. Money supply, M3 (2+3.1)	5,498.6	5,204.4	5,381.3	5,381.4	5,488.7	3.8	-5.3	3.4	0.0	2.0	202.7	-294.1	176.9	0.1	107.3
3.1 Foreign Currency Deposits	1,546.3	1,314.1	1,339.7	1,337.9	1,257.4	10.6	-15.0	2.0	-0.1	-6.0	148.6	-232.2	25.6	-1.8	-80.5
Sources of M3															
1. Net foreign assets 2/	793.6	749.5	905.9	893.3	841.7	12.0	-5.6	20.9	-1.4	-5.8	85.1	-44.1	156.4	-12.6	-51.6
Central Bank	486.9	387.4	479.2	472.1	610.1	-5.7	-20.4	23.7	-1.5	29.2	-29.3	-99.4	91.7	-7.1	138.1
Banking Institutions	306.7	362.0	426.7	421.2	231.5	59.5	18.0	17.9	-1.3	-45.0	114.4	55.3	64.7	-5.5	-189.7
2. Net domestic assets (2.1+2.2)	4,705.0	4,455.0	4,475.4	4,488.2	4,647.1	2.6	-5.3	0.5	0.3	3.5	117.6	-250.0	20.5	12.7	158.9
2.1 Domestic credit	6,252.0	6,157.3	6,170.1	6,219.0	6,458.5	2.9	-1.5	0.2	0.8	3.9	174.4	-94.8	12.8	48.9	239.5
2.1.1 Government (net)	2,239.5	2,235.4	2,287.7	2,346.4	2,533.7	1.6	-0.2	2.3	2.6	8.0	36.2	-4.2	52.3	58.7	187.3
2.1.2 Private sector	3,911.2	3,829.0	3,797.5	3,789.1	3,857.7	3.6	-2.1	-0.8	-0.2	1.8	137.5	-82.2	-31.4	-8.5	68.6
2.1.3 Other public sector	101.3	93.0	84.9	83.6	67.1	0.7	-8.3	-8.6	-1.6	-19.7	0.7	-8.4	-8.0	-1.4	-16.5
2.2 Other assets net	-1,547.0	-1,702.3	-1,694.7	-1,730.9	-1,811.4	3.8	10.0	-0.4	2.1	4.7	-56.8	-155.3	7.6	-36.2	-80.6
Memorandum items															
4. Overall liquidity, L (3+4.1)	8,197.8	8,025.0	8,313.4	8,447.3	8,662.0	3.6	-2.1	3.6	1.6	2.5	282.7	-172.8	288.4	134.0	214.7
4.1 Non-bank holdings of government securities	2,699.2	2,820.6	2,932.1	3,065.9	3,173.3	3.1	4.5	4.0	4.6	3.5	80.0	121.4	111.5	133.8	107.3

Absolute and percentage changes may not necessarily add up due to rounding

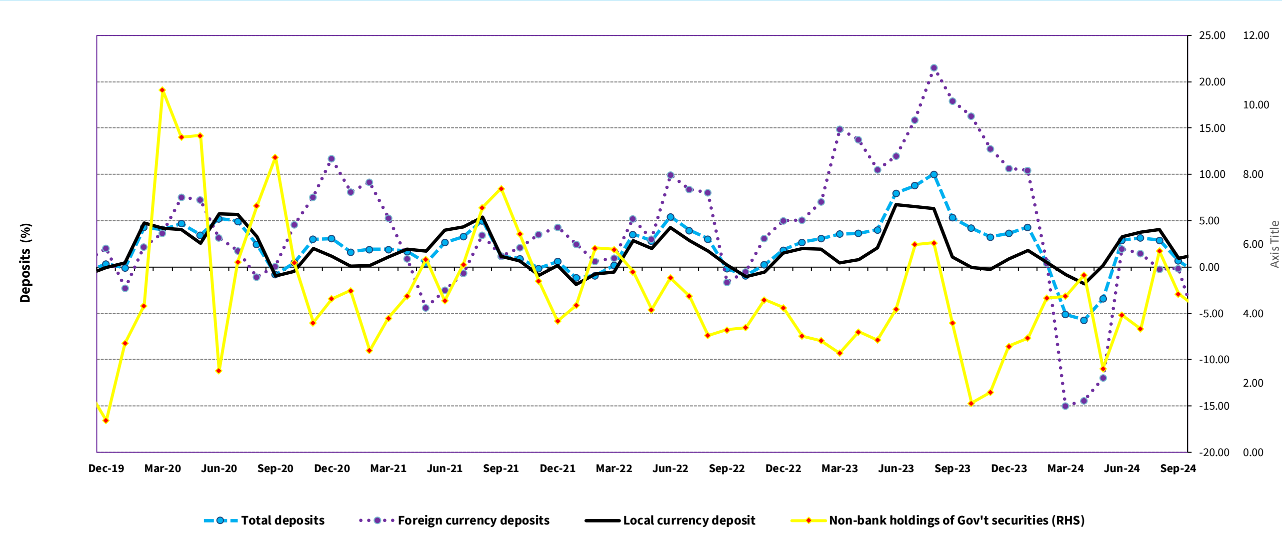
1/ Includes county deposits and special projects deposit

2/ Net Foreign Assets at current exchange rate to the US dollar.

Source: Central Bank of Kenya

On the counterpart, growth in broad money during the fourth quarter of 2024 was mainly supported by increased net domestic assets of the banking system, which more than offset the decline in net foreign assets. The increase in net domestic assets was supported by increased lending to both the government and the private sector. Meanwhile, the decline in net foreign assets was mainly due a reduction of commercial banks' foreign assets, partly reflecting the impact of the exchange appreciation **(Table 3.1).**

Chart 3.1: Quarterly growth in deposit and non-bank holdings of government securities (percent)



Source: Central Bank of Kenya

Table 3.2: Deposit holdings of corporates and household sectors

	End Month Level (KSh Billion)					Quarterly Growth Rates (%)					Absolute Quarterly Changes (KSh Billion)				
	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24
1. Household Sector 1/	2092	2049	2046	2088	2066	-0.5	-2.0	-0.1	2.1	-1.0	-10.6	-42.7	-3.1	42.1	-21.9
1.1 Demand Deposits	630	656	625	630	668	-11.2	4.0	-4.6	0.8	6.0	-79.4	25.1	-30.2	4.9	38.0
1.2 Time and Saving Deposits	983	993	1021	1053	1018	0.9	1.0	2.9	3.1	-3.3	8.9	9.5	28.6	31.8	-34.6
1.3 Foreign Currency Deposits	478	401	399	405	379	14.3	-16.2	-0.4	1.3	-6.3	59.9	-77.3	-1.5	5.4	-25.4
2. Corporate Sector	2947	2719	2811	2827	2918	7.4	-7.7	3.4	0.6	3.2	204.1	-228.3	92.2	16.1	90.6
2.1 Demand deposits	1010	956	979	949	1018	11.2	-5.4	2.4	-3.1	7.3	101.7	-54.2	22.9	-30.0	69.5
2.2 Time and Saving Deposits	876	855	897	950	1027	1.7	-2.4	5.0	5.9	8.0	14.6	-21.0	42.5	53.1	76.5
2.3 Foreign Currency Deposits	1061	908	935	928	872	9.0	-14.4	2.9	-0.7	-6.0	87.8	-153.0	26.8	-7.0	-55.3

1/ Household Sector includes individuals, unincorporated businesses serving households and non-profit institutions

Source: Central Bank of Kenya

Developments in Domestic Credit

Growth in domestic credit extended by the banking system increased to 3.9 percent in the fourth quarter of 2024, compared to 0.8 percent in the previous quarter. The increase was largely driven by higher net lending to the government, while the private sector also recorded improved credit growth. Meanwhile, credit to other public sector moderated, partly on account of net repayments by parastatals **(Table 3.3).**

Credit to the private sector recovered in the fourth quarter of 2024, increasing by 1.8 percent compared to a contraction of 0.2 percent in the previous quarter. The increase in private sector credit was partly due to higher credit demand for working capital requirements by corporates, mainly in manufacturing and trade sectors with seasonal increased demand for goods and services by households during the end of year festive season. In addition, agriculture, transport and communication, building and construction and real estate sector registered improved credit in the fourth quarter of 2024 **(Table 3.3).**

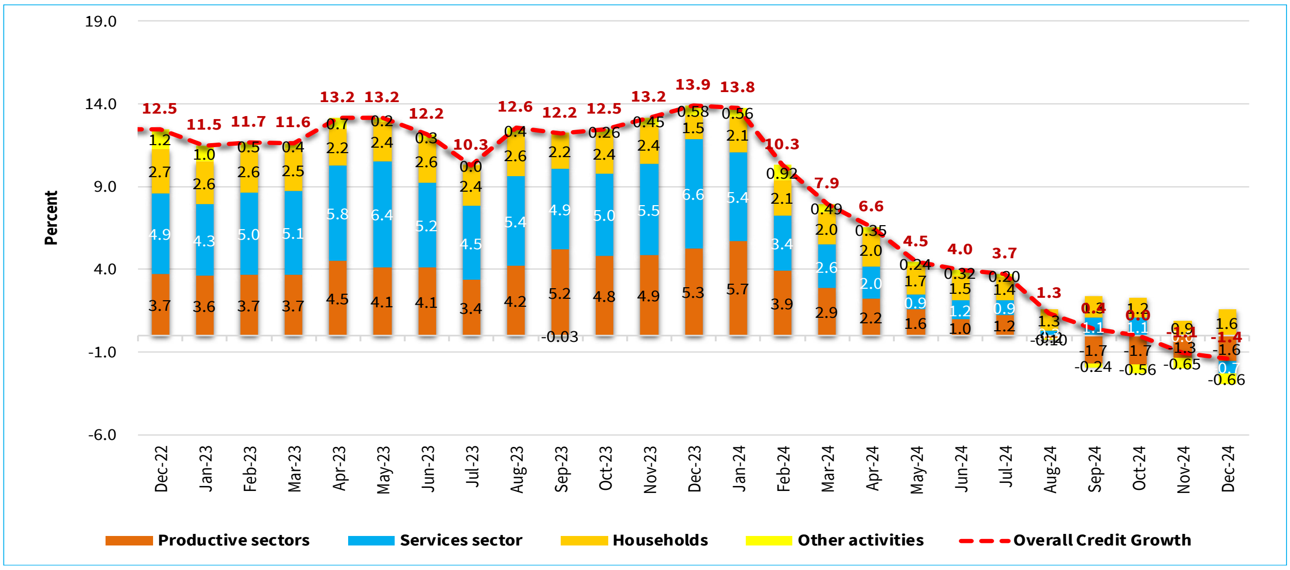
On an annual basis, commercial bank lending to the private sector contracted by 1.4 percent in December 2024 compared to the previous year. This decline reflected valuation effects on foreign currency denominated loans following the appreciation of the Shilling, and reduced demand attributed to high lending rates with the lagged effects of tight monetary policy **(Chart 3.2).**

Table 3.3: Banking sector net domestic credit

	End Month Level (KSh Billion)					Quarterly Growth Rates (%)					Absolute Quarterly Changes (KSh Billion)				
	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24
1. Credit to Government	2,239.5	2,235.4	2,287.7	2,346.4	2,533.7	1.6	-0.2	2.3	2.6	8.0	36.2	-4.2	52.3	58.7	187.3
Central Bank	487.5	431.2	380.8	359.3	386.3	6.1	-11.6	-11.7	-5.6	7.5	28.2	-56.3	-50.4	-21.5	27.0
Commercial Banks & NBFIs	1,752.0	1,804.2	1,906.9	1,987.1	2,147.4	0.5	3.0	5.7	4.2	8.1	7.9	52.2	102.6	80.2	160.3
2. Credit to other public sector	101.3	93.0	84.9	83.6	67.1	0.7	-8.3	-8.6	-1.6	-19.7	0.7	-8.4	-8.0	-1.4	-16.5
Local government	5.1	5.3	6.4	7.0	1.7	2.8	3.5	21.5	10.1	-76.1	0.1	0.2	1.1	0.6	-5.4
Parastatals	96.3	87.7	78.5	76.5	65.4	0.6	-8.9	-10.4	-2.6	-14.5	0.6	-8.6	-9.1	-2.0	-11.1
3. Credit to private sector	3,911.2	3,829.0	3,797.5	3,789.1	3,857.7	3.6	-2.1	-0.8	-0.2	1.8	137.5	-82.2	-31.4	-8.5	68.6
Agriculture	141.8	137.4	134.2	136.3	149.0	11.5	-3.0	-2.4	1.6	9.4	14.6	-4.3	-3.3	2.1	12.8
Manufacturing	636.7	597.9	580.2	531.1	577.1	2.7	-6.1	-3.0	-8.5	8.7	16.7	-38.8	-17.6	-49.1	46.0
Trade	663.4	645.6	632.7	675.7	678.8	4.5	-2.7	-2.0	6.8	0.5	28.8	-17.8	-12.9	43.0	3.1
Building and construction	143.3	137.3	127.7	125.9	134.5	-1.5	-4.1	-7.0	-1.4	6.8	-2.2	-5.9	-9.7	-1.7	8.6
Transport & communications	361.4	340.8	343.0	348.0	367.2	5.3	-5.7	0.6	1.5	5.5	18.2	-20.7	2.2	5.0	19.3
Finance & insurance	189.1	164.5	152.4	156.6	149.1	21.2	-13.0	-7.4	2.8	-4.8	33.1	-24.6	-12.2	4.2	-7.5
Real estate	452.5	440.9	444.7	455.4	458.4	1.7	-2.6	0.9	2.4	0.7	7.6	-11.6	3.8	10.6	3.0
Mining and quarrying	26.0	31.3	42.9	49.3	20.1	3.9	20.3	36.8	15.0	-59.3	1.0	5.3	11.5	6.4	-29.2
Private households	524.1	566.1	566.0	574.6	572.3	-2.4	8.0	0.0	1.5	-0.4	-13.1	42.0	-0.1	8.7	-2.3
Consumer durables	415.5	416.1	417.3	417.7	429.2	2.2	0.1	0.3	0.1	2.8	8.8	0.6	1.2	0.4	11.5
Business services	214.8	218.5	213.8	206.1	205.1	1.3	1.7	-2.1	-3.6	-0.5	2.8	3.7	-4.6	-7.7	-1.0
Other activities	142.7	132.6	142.8	112.4	116.8	17.5	-7.1	7.7	-21.3	3.9	21.2	-10.1	10.2	-30.4	4.4
4. TOTAL (1+2+3)	6,252.0	6,157.3	6,170.1	6,219.0	6,458.5	2.9	-1.5	0.2	0.8	3.9	174.4	-94.8	12.8	48.9	239.5

Source: Central Bank of Kenya

Chart 3.2: Contribution to overall credit growth by activity group (percentage points)



Source: Central Bank of Kenya

Reserve Money

Reserve money increased by 7.2 percent in the fourth quarter of 2024, partly reflecting increased currency outside banks and bank reserves attributed to seasonal increased demand for cash by households during the end of year festivities. On the counterpart, the increased in reserve money was mainly on account of increased net foreign assets of the central bank, which more than offset the decline in domestic assets. The increase in net foreign assets was supported by official inflows and central bank operations **(Table 3.4)**.

Table 3.4: Reserve money and its sources

	End Month Level (KSh Billion)					Quarterly Growth Rates (%)					Absolute Quarterly Changes (KSh Billion)				
	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24
Sources of Reserve Money															
1. Net Foreign Assets	486.9	387.4	479.2	472.1	610.1	-5.7	-20.4	23.7	-1.5	29.2	-29.3	-99.4	91.7	-7.1	138.1
2. Net Domestic Assets	108.6	190.6	100.5	108.1	11.9	52.9	75.6	-47.3	7.6	-89.0	37.6	82.1	-90.1	7.6	-96.2
2.1 Government Borrowing (net)	487.5	431.2	380.8	359.3	386.3	6.1	-11.6	-11.7	-5.6	7.5	28.2	-56.3	-50.4	-21.5	27.0
2.2 Commercial banks (net)	242.7	228.5	260.5	210.6	123.6	48.1	-5.9	14.0	-19.2	-41.3	78.8	-14.2	32.0	-49.9	-87.0
2.3 Other Domestic Assets (net)	-625.4	-472.8	-544.5	-465.4	-501.6	12.5	-24.4	15.2	-14.5	7.8	-69.5	152.6	-71.7	79.1	-36.3
Components of Reserve Money															
3. Reserve Money	595.5	578.1	579.7	580.2	622.1	1.4	-2.9	0.3	0.1	7.2	8.2	-17.4	1.6	0.5	41.9
3.1 Currency outside banks	282.1	273.9	274.2	268.2	292.8	5.5	-2.9	0.1	-2.2	9.2	14.6	-8.2	0.2	-5.9	24.6
3.2 Bank reserves	313.4	304.2	305.6	312.0	329.3	-2.0	-2.9	0.5	2.1	5.5	-6.4	-9.2	1.4	6.4	17.3

Source: Central Bank of Kenya

Interest Rates

a. Central Bank Rate

The Monetary Policy Committee (MPC) cumulatively reduced the Central Bank Rate (CBR) by 150 basis points during its October and December 2024 meetings, with a 75-basis-point cut in each, to 11.25 percent. The MPC noted that previous measures had lowered overall inflation below the mid-point of the target range, stabilized the exchange rate, and anchored inflation expectations. It also noted that non-food, non-fuel inflation had moderated, while the central banks in the major economies had lowered their interest rates. The MPC also noted that economic growth in the first half of 2024 had decelerated, and therefore concluded that there was scope for a further easing of the monetary policy stance to support economic activity, while ensuring exchange rate stability.

b. Short Term Rates

Short-term interest rates declined in the fourth quarter of 2024, in line with the easing of the monetary policy stance and improved liquidity conditions. The weighted overnight interbank rate decreased to 11.45 percent in December from 12.67 percent in September 2024, and it remained within the interest rate corridor around the CBR, partly supported by open market operations. The average 91-day Treasury bill rate decreased to 10.32 percent in December 2024 from 15.75 percent in September 2024, while the average 182-day Treasury bill rate decreased to 10.39 percent from 16.62 percent.

c. Lending and Deposit Rates

Commercial banks' average lending rates remained elevated in October and November 2024, partly reflecting the lagged effects of monetary policy tightening. However, the lending rates eased to 16.89 percent in December from 17.22 percent in November 2024, partly reflecting the decline in short-term rates following the easing of the monetary policy stance. The commercial banks average deposits rates declined to 10.45 percent in December 2024 from 11.24 percent in September 2024. As a result, the spread between lending rates and deposit rates increased to 6.44 percent in December from 5.67 percent in September 2024.

Table 3.5: Interest rates (percent)

	2023	2024											
	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
91-day Treasury bill rate	15.70	16.14	16.51	16.68	16.16	15.91	15.97	16.00	15.85	15.75	14.97	13.06	10.32
182-day Treasury bill rate	15.80	16.18	16.65	16.86	16.71	16.52	16.67	16.82	16.74	16.62	15.85	13.41	10.39
Interbank rate	11.65	13.65	13.59	13.42	13.70	13.62	13.14	13.17	13.01	12.67	12.07	11.99	11.45
Repo rate	-	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Reverse Repo rate	14.03	13.76	14.69	14.71	14.64	13.80	13.75	13.93	12.91	13.07	12.87	13.21	12.22
Central Bank Rate (CBR)	12.50	12.50	13.00	13.00	13.00	13.00	13.00	13.00	12.75	12.75	12.00	12.00	11.25
Average lending rate (1)	14.64	15.20	15.88	16.28	16.45	16.60	16.85	16.84	16.84	16.91	17.15	17.22	16.89
Overdraft rate	14.65	15.11	15.55	15.97	16.37	16.52	16.78	16.43	16.39	16.83	16.60	16.53	15.75
1-5years	15.16	15.87	16.36	16.82	17.03	17.28	17.52	17.59	17.66	17.69	18.12	18.21	17.72
Over 5years	14.14	14.62	15.58	15.90	15.94	15.99	16.25	16.32	16.27	16.18	16.52	16.63	16.59
Average deposit rate (2)	10.10	10.18	10.32	10.52	10.77	11.12	11.48	11.28	11.14	11.24	11.01	10.41	10.45
0-3months	11.42	11.65	11.89	12.08	12.00	12.46	12.56	12.38	12.05	12.28	11.87	11.28	11.27
Over 3 months deposit	10.19	10.57	10.81	11.27	11.44	11.72	11.92	12.08	12.03	12.04	11.98	11.42	11.04
Savings deposits	4.24	3.69	3.33	3.90	4.14	4.45	5.11	4.56	4.62	3.57	4.48	3.54	4.25
Spread (1-2)	4.54	5.02	5.56	5.76	5.68	5.48	5.37	5.56	5.71	5.67	6.14	6.81	6.44

Source: Central Bank of Kenya

Chapter 4

Global Economy

The global economy continued to rebound in the fourth quarter of 2024, albeit at a slower pace. Global economic activity remained marked by divergences across economies and sectors. High-frequency leading indicators pointed to resilient growth in the service sector, while the manufacturing sector remained subdued, particularly in several advanced and emerging economies. Global economic activity is expected to remain broadly flat in 2024 and 2025, reflecting resilient growth in the service sector and better-than-expected growth outcomes in the United States, the United Kingdom, and India. However, sluggish growth in the Eurozone, Nigeria, and China, along with a subdued pick-up in the manufacturing sector, continues to weigh on the global economy. According to the IMF World Economic Outlook (WEO) January report, annual global growth is projected at 3.2 percent in 2024 and 3.3 percent in 2025.

Growth in advanced economies is expected to be 1.7 percent in 2024 and 1.9 percent in 2025, respectively. This outlook reflects stronger growth momentum in the United States and a pickup in demand in the United Kingdom, despite weaker-than-expected growth in the Euro Area due to reduced industrial activity in Germany. In 2024, growth in most economies within this group is forecast to improve, with the Euro Area at 0.8 percent, the United Kingdom at 0.9 percent, and Japan at -0.2 percent. United States growth is projected to stabilize at 2.8 percent.

In emerging market and developing economies, growth is projected to decline modestly from an estimated 4.4 percent in 2023 to 4.2 percent in 2024 and 2025, reflecting a slowdown in economic activities in China amid rising prospects in India. In Sub-Saharan Africa, economic activity is projected to improve from 3.8 percent in 2023 to 4.2 percent in 2024. The projected increases are attributed to dissipating weather-related shocks, improving monetary conditions due to ongoing monetary policy. Specifically, Nigeria, South Africa, and Kenya are expected to grow by 3.1 percent, 0.8 percent, and 5.2 percent in 2024, respectively. In 2025, their growth rates are forecasted to be 3.2 percent for Nigeria, 1.5 percent for South Africa, and 5.3 percent for Kenya.

Global financial conditions eased during the fourth quarter of 2024, even though interest rates are expected to remain higher for longer as market participants scale back their easing expectations. Concerns about global inflation have moderated, although some persistence remains in several advanced economies. Headline inflation is projected at 4.2 percent in 2025 and 3.5 percent in 2026, converging back to target earlier in advanced economies than in emerging market and developing economies. Progress on disinflation is expected to continue, with deviations from October 2024 WEO forecasts being minimal. The gradual cooling of labor markets is expected to keep demand pressures at bay. Combined with the expected decline in energy prices, headline inflation is projected to continue its descent toward central bank targets. That said, inflation is projected to be close to, but above, the 2 percent target in 2025 in the United States, whereas inflationary dynamics are expected to be more subdued in the euro area. Low inflation is projected to persist in China. Consequently, the gap between anticipated policy rates in the United States and other countries becomes wider.

Global commodity market pressures are expected to continue easing as nonfuel and fuel commodity prices converge toward their long-run historical standards. Oil prices are projected to decline, with Brent crude expected to average around USD 76 per barrel in 2025, according to market forecasts. The IMF anticipates a 1.9 percent decline in 2025, followed by an 11.7 percent drop in 2026, reflecting potential oversupply and economic uncertainties. The price of West Texas Intermediate (WTI) crude is also expected to follow a similar trajectory, averaging around $70 per barrel in 2025. Key factors influencing these projections include production adjustments by OPEC+, global economic conditions, and geopolitical developments. Nonfuel commodity prices are expected to rise by 3.4 percent in 2024. Global demand is anticipated to increase, driven by higher consumer spending, particularly in the service sector, with rising demand for travel, tourism, and recreational activities. World trade growth is forecasted to be 3.4 percent in 2024, reflecting the normalization of supply chain networks.

Preliminary GDP figures for the fourth quarter of 2024 reveal a mixed economic performance across key regions. The United States recorded a growth rate of 2.3 percent, signaling a steady but moderate expansion, partly reflecting strong outturns in consumption and non-residential investments. The United Kingdom economy improved marginally to 0.1 percent as falling interest rates and easing inflation pressures continued to stimulate domestic demand. In comparison, the Euro Area saw more subdued growth of 0.1 percent, with Germany's growth contracting by 0.2 percent. China's growth slowed to 5.4 percent in the fourth quarter of 2024, reflecting persistent weakness in the real estate sector and low consumer confidence, which more than offset gains in exports.

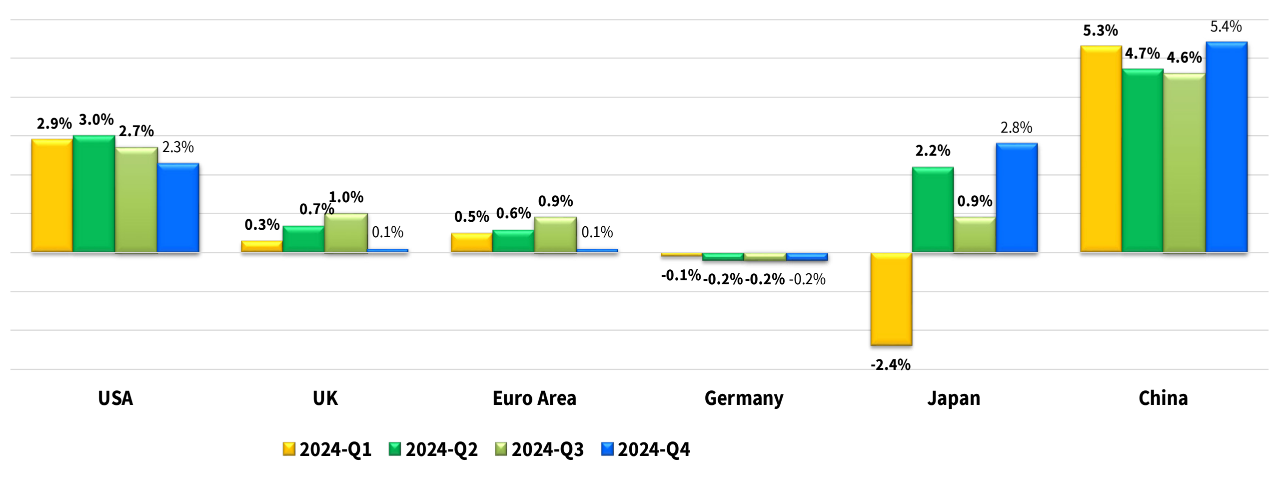
Risks to the global economic outlook remain largely tilted to the downside, attributed to increased concerns over United States policy direction, particularly on trade, fiscal measures, and foreign policy, alongside heightened geopolitical conflicts in the Middle East and the Russia-Ukraine war.

Table 4.1: Growth performance and outlook for the global economy (percent)

	Annual Year over Year					Quartely Q4 Over Q4		
	Actuals		Estimates	Projections		Estimate	Projections	
	2021	2022	2023	2024	2025	2023	2024	2025
World Output	6.3	3.5	3.3	3.2	3.2	3.4	3.3	3.1
Advanced Economies	5.4	2.7	1.7	1.8	1.8	1.7	1.9	1.7
United States	5.9	2.1	2.9	2.8	2.2	3.2	2.5	1.9
Euro Area	5.3	3.5	0.4	0.8	1.2	0.2	1.2	1.3
Germany	2.6	1.8	–0.3	0.0	0.8	–0.2	0.3	1.3
France	6.4	2.5	1.1	1.1	1.1	1.3	0.7	1.5
Italy	7.0	3.7	0.7	0.7	0.8	0.3	1.0	0.6
Spain	5.5	5.5	2.7	2.9	2.1	2.3	2.9	2.0
Japan	2.2	1.0	1.7	0.3	1.1	0.9	1.8	0.2
United Kingdom	7.6	4.1	0.3	1.1	1.5	–0.3	2.1	1.1
Emerging Market and Developing Economies	6.8	4.0	4.4	4.2	4.2	4.7	4.4	4.3
China	8.4	3.0	5.2	4.8	4.5	5.4	4.5	4.7
India	9.1	7.2	8.2	7.0	6.5	7.8	6.7	6.5
Russia	5.6	–2.1	3.6	3.6	1.3	4.8	2.4	1.2
Latin America and the Caribbean	7.0	3.9	2.2	2.1	2.5	1.3	2.1	2.9
Brazil	5.0	2.9	2.9	3.0	1.3	2.2	3.5	2.2
Middle East and Central Asia	4.4	5.4	2.1	2.4	3.9	. . .	. . .	. . .
Saudi Arabia	3.9	8.7	–0.8	1.5	4.6	–4.3	2.1	4.6
Sub-Saharan Africa	4.7	3.9	3.6	3.6	4.2	. . .	. . .	. . .
Nigeria	3.6	3.3	2.9	2.9	3.2	3.2	3.5	3.7
South Africa	4.7	1.9	0.7	1.1	1.5	1.3	1.7	1.0
Kenya	7.6	4.9	5.6	5.0	5.0	. . .	. . .	. . .
World Trade Volume (goods and services)	10.7	5.2	0.8	3.1	3.4	. . .	. . .	. . .
Commodity Prices								
Oil	65.8	39.2	–20.7	–6.2	–20.7	–4.4	–7.3	–4.9
Nonfuel	26.7	7.9	–4.8	–1.4	–4.8	–0.2	3.8	0.5
World Consumer Prices	4.7	8.7	6.8	5.2	6.8	5.7	5.3	3.5
Advanced Economies	3.1	7.3	4.7	2.8	4.7	3.2	2.3	2.0
Emerging Market and Developing Economies	5.9	9.8	8.3	6.8	8.3	7.8	7.7	4.7

Source: IMF, World Economic Outlook, December 2024 updates

Chart 4.1: Global growth, third quarter-2023 (percent)



Source: National Bureau of Statistics offices, The Organisation for Economic Co-operation and Development (OECD)

Chapter 5

Balance of Payments and Exchange Rates

Overview

The overall balance of payment recorded a surplus of USD 882 million in the fourth quarter of 2024 compared to a deficit of USD 184 million in fourth quarter of 2023 **(Table 5.1)**.

Table 5.1: Balance of payments (USD Million)

ITEM	2023	2024							Q3 2023-Q3 2022	
	Oct- Dec	Jan- Mar	Apr-Jun	Jul-Sep	Oct	Nov	Dec	Oct-Dec	Absolute	Percent
	Q4	Q1	Q2	Q3				Q4	Change	Change
A. Current Account	-1285	-859	-807	-1452	-586	-473	-339	-1397	-112	8.7
Goods: exports f.o.b.	1707	2004	2110	2195	689	720	625	2034	327	19.2
Goods: imports f.o.b.	4413	4277	4717	4931	1753	1663	1579	4994	581	13.2
Services: credit	1113	1316	1518	1438	417	442	452	1311	198	17.8
Services: debit	1127	1137	1197	1293	457	442	418	1316	190	16.8
Balance on goods and services	-2720	-2094	-2286	-2591	-1104	-943	-920	-2966	-246	9.1
Primary income: credit	57	60	66	80	33	34	39	106	49	85.5
Primary income: debit	388	660	414	912	154	213	112	479	91	23.5
Balance on goods, services, and primary income	-3050	-2694	-2635	-3423	-1224	-1122	-993	-3339	-289	9.5
Secondary income: credit	1782	1851	1859	2004	649	660	665	1974	192	10.8
O/w Remittances	1092	1209	1202	1272	438	441	453	1332	241	22.0
Secondary income: debit	17	16	31	32	11	11	10	32	15	93.4
B. Capital Account.	13	57	62	10	2	17	28	48	34	254.3
Capital account: credit	13	57	62	10	2	17	28	48	34	254.3
Capital account: debit	0	0	0	0	0	0	0	0	0	0
C. Financial Account.	-243	-784	-1397	-1260	-1113	-608	-984	-2706	-2463	1015.6
D. Net Errors and Omissions	845	-195	-2	321	52	-365	-161	-474	-1319	-156.1
E. Overall Balance	184	213	-650	-140	-581	212	-513	-882	-1066	-579.6
F. Reserves and Related Items	-184	-213	650	140	581	-212	513	882	1066	-579.6

* Provisional
Fob-free on board
Source: Central Bank of Kenya and KNBS

Current Account Balance

The current account deficit widened by USD 112 million to USD 1,397 million in the fourth quarter of 2024, up from USD 1,285 million in the same period of 2023 (Table 5.1). This increase was mainly driven by a larger trade deficit and a higher primary income balance deficit. The goods trade deficit widened by USD 254 million to USD 2,960 million in the fourth quarter of 2024, compared to USD 2,706 million in the corresponding period of 2023, reflecting increased goods imports.

Service receipts improved by USD 198 million during the quarter, supported by higher earnings from transport and travel. Travel improved by 9.6 percent, supported by international arrivals, while transport services grew by 62 percent, driven by increased trade activity in the region. However, the primary income balance deficit widened by USD 42 million to USD 372 million, up from USD 331 million in the fourth quarter of 2023, largely due to higher interest-related payments on other investments. Meanwhile, secondary income transfers increased by USD 177 million, mainly due to higher remittance inflows, which totaled USD 1,332 million during the review period.

Goods Account

Goods exports rose by USD 327 million to USD 2,034 million, driven by higher earnings from horticulture, raw materials, miscellaneous manufactured goods, and re-exports, which grew by 21 percent, 50 percent, 36 percent, and 82 percent, respectively **(Table 5.2a).** The increase in horticultural exports was attributed to higher volumes of vegetables, fruits, and nuts during the review period. Re-exports grew by USD 138 million to USD 305 million in the fourth quarter of 2024, largely due to increased jet fuel purchases by non-resident airlines. However, tea export earnings fell slightly by USD 3.9 million to USD 324 million from USD 337 million, mainly due to lower prices at the Mombasa tea auction.

Table 5.2a: Trade Exports (USD Millions)

ITEM	2023		2024					2024 Q4-2023Q4			
	Jul-Sep	Oct- Dec	Jan- Mar	Apr-Jun	Jul-Sep	Oct	Nov	Dec	Oct-Dec	Absolute	Percent
	Q3	Q4	Q1	Q2	Q3				Q4	Change	Change
A. Current Account	-970	-1285	-859	-807	-1452	-586	-473	-339	-1397	-112	8.7
Goods: exports f.o.b.	1862	1707	2004	2110	2195	689	720	625	2034	327	19.2
Goods: imports f.o.b.	4133	4413	4277	4717	4931	1753	1663	1579	4994	581	13.2
Services: credit	1238	1113	1316	1518	1438	417	442	452	1311	198	17.8
Services: debit	1113	1127	1137	1197	1293	457	442	418	1316	190	16.8
Balance on goods and services	-2147	-2720	-2094	-2286	-2591	-1104	-943	-920	-2966	-246	9.1
Primary income: credit	57	57	60	66	80	33	34	39	106	49	85.5
Primary income: debit	628	388	660	414	912	154	213	112	479	91	23.5
Balance on goods, services, and primary income	-2717	-3050	-2694	-2635	-3423	-1224	-1122	-993	-3339	-289	9.5
Secondary income: credit	1758	1782	1851	1859	2004	649	660	665	1974	192	10.8
O/w Remittances	1082	1092	1209	1202	1272	438	441	453	1332	241	22.0
Secondary income: debit	11	17	16	31	32	11	11	10	32	15	93.4
B. Capital Account.	24	13	57	62	10	2	17	28	48	34	254.3
Capital account: credit	24	13	57	62	10	2	17	28	48	34	254.3
Capital account: debit	0	0	0	0	0	0	0	0	0	0	#DIV/0!
C. Financial Account.	64	-243	-784	-1397	-1260	-1113	-608	-984	-2706	-2463	1015.6
D. Net Errors and Omissions	100	845	-195	-2	321	52	-365	-161	-474	-1319	-156.1
E. Overall Balance	911	184	213	-650	-140	-581	212	-513	-882	-1066	-579.6
F. Reserves and Related Items	-911	-184	-213	650	140	581	-212	513	882	1066	-579.6

*Provisional
CIF Cost Insurance and Freight
Source: Central Bank of Kenya and Kenya Revenue Authority

Goods imports rose by USD 581 million to USD 4,994 million in the fourth quarter of 2024, reflecting increases across all categories **(Table 5.2b)**. Machinery imports were primarily for industrial use, while transport equipment imports mainly consisted of locomotives for railway transport. Food imports grew by USD 68 million to USD 553 million, driven by higher imports of cereals, particularly rice and maize. On the other hand, oil imports declined by USD 82 million to USD 1,121 million, down from USD 1,130 million during the review period.

Table 5.2b: Trade Imports (USD Millions)

	2023	2024*							2024 Q4-2023Q4	
TRADE IMPORTS-CIF (USD MILLIONS)	Oct-Dec	Jan-Mar	Apr-Jun	Jul-Sep	Oct	Nov	Dec	Oct-Dec	Absolute	Percent
COMMODITY DESCRIPTION	Q4	Q1	Q2	Q3				Q4	Change	Change
FOOD AND LIVE ANIMALS	485	498	541	474	175	246	132	553	68	14.1
Cereals	189	281	343	261	114	179	82	375	186	98.7
Sugar	159	99	65	61	13	12	13	37	-121	-76.4
BEVERAGES AND TOBACCO	28	21	24	30	17	14	13	45	17	60.0
CRUDE MATERIALS	138	140	138	160	59	67	44	170	33	23.7
MINERAL FUELS	1,302	1,147	1,202	1,158	397	361	363	1,121	-182	-14.0
Motor spirit	358	326	396	337	113	113	113	339	-19	-5.4
Jet fuel	216	218	178	139	51	56	54	161	-54	-25.1
Diesel oil	536	377	440	463	158	126	123	407	-128	-24.0
ANIMAL & VEGETABLE OILS	215	230	239	243	70	113	138	321	106	49.3
CHEMICALS AND RELATED PRODUCTS	685	731	836	849	289	251	227	767	82	12.0
Organic and Inorganic Chemicals	85	85	94	89	35	28	30	93	8	9.7
Medicinal & Pharmaceuticals	139	171	192	223	58	49	49	157	18	12.7
Manufactured Fertilizers	83	65	138	81	46	32	16	94	12	14.3
Plastics	195	199	204	220	76	78	68	222	27	14.0
Chemical Materials and Products	83	128	127	137	36	34	31	101	18	21.7
MANUFACTURED GOODS	639	638	677	700	247	246	274	768	128	20.0
Textile Yarn	149	155	164	168	54	55	54	164	15	9.8
Iron and Steel	177	187	172	165	66	74	94	234	57	32.4
MACHINERY AND TRANSPORT EQUIPMENT	894	872	1,048	1,303	387	359	379	1,125	231	25.8
Machinery	612	541	714	815	263	219	254	736	123	20.2
Transport	282	331	334	488	124	141	124	389	108	38.2
MISCELLENEOUS MANUFACTURED ARTIC.	347	261	300	302	250	102	116	467	119	34.4
COMMODITIES & TRANSACTIONS	84	93	102	111	39	40	41	120	36	43.1
TOTAL CUSTOMS IMPORTS (CIF)	4,734	4,538	5,004	5,221	1,893	1,759	1,685	5,337	603	13

*Provisional
CIF Cost Insurance and Freight
Source: Central Bank of Kenya and Kenya Revenue Authority

Exports of goods to the EAC region accounted for 30 percent of total exports and grew by 8 percent to USD 557 million in the fourth quarter of 2024, driven by increased shipments to Uganda, Rwanda, and the Democratic Republic of Congo (DRC). Likewise, exports to the COMESA region rose by 6 percent, supported by higher exports to the Democratic Republic of Congo during the review period. Exports to the rest of the world rose by 30.3 percent to USD 1,271 million, with key destinations including the United Arab Emirates (UAE), the United States, Germany, the United Kingdom, China, and India **(Table 5.2c).**

On the import side, China, the UAE, India, and the United States were the main sources, accounting for 23 percent, 14 percent, 11 percent, and 7 percent of total imports, respectively. Imports from China were largely railway transport equipment, while those from India were primarily pharmaceuticals. The UAE remained a key supplier of oil products. Imports from Africa rose by 15 percent, equivalent to USD 67 million, driven by increased imports from the EAC region, particularly Tanzania and Uganda **(Table 5.2c).**

Table 5.2c: Kenya's Direction of Trade (USD Millions)

Exports	2023				2024				Share of Imports (%)	
	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec		
Region/Country	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q3 2024	Q3 2023
Africa	**780**	**752**	**810**	**732**	**760**	**749**	**862**	**763**	**38**	**43**
o/w Uganda	244	226	237	192	222	249	265	197	10	11
Tanzania	111	112	133	135	111	115	135	127	6	8
Rwanda	74	77	81	69	69	76	96	73	4	4
South Sudan	58	54	56	61	62	57	45	53	3	4
Egypt	57	50	59	62	70	36	44	51	3	4
DRC	44	41	53	44	58	50	63	64	3	3
Somalia	40	47	37	34	33	29	39	29	1	2
Ethiopia	33	30	23	27	33	24	31	26	1	2
Zambia	18	17	18	16	17	20	17	19	1	1
							27.0	6	0	-
EAC	**545**	**531**	**582**	**516**	**547**	**592**	**657**	**557**	27	30.2
COMESA	**529**	**499**	**535**	**462**	**513**	**505**	**590**	**489**	24	27
							-	-		-
Rest of the World	**1,063**	**1,063**	**1,051**	**975**	**1,245**	**1,362**	**1,333**	**1,271**	62	57
o/w UAE	85	88	116	103	146	286	212	105	5	6
Pakistan	111	140	164	135	143	138	158	129	6	8
Netherlands	144	155	128	120	188	120	104	119	6	7
USA	120	124	116	101	149	158	190	160	8	6
United Kingdom	107	97	91	100	127	103	106	114	6	6
Saudi Arabia	25	28	35	42	75	69	28	27	1	2
China	63	57	34	34	40	65	38	54	3	2
Germany	35	34	28	18	37	37	40	27	1	1
France	24	29	32	27	24	25	30	25	1	2
India	18	16	22	23	23	19	63	38	2	1
Spain	10	22	23	8	13	28	26	10	1	0
Total Exports (FOB)	**1,844**	**1,815**	**1,862**	**1,707**	**2,004**	**2,110**	**2,195**	**2,034**	**100**	**100**
							-	-		-
European Union	**280**	**308**	**273**	**222**	**329**	**282**	**283**	**247**	**12**	**13**
China	**63**	**57**	**34**	**34**	**40**	**65**	**38**	**54**	**3**	**2**

Imports	2023				2024				Share of Imports (%)	
Region/Country	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec		
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q4 2024	Q3 2023
Africa	**468**	**470**	**496**	**455**	**445**	**454**	**485**	**512**	**10**	**10**
o/w South Africa	129	165	131	125	144	115	106	123	2	3
Tanzania	63	78	93	73	103	112	116	101	2	2
Egypt	91	89	83	92	61	72	86	94	2	2
Uganda	65	72	68	59	50	71	66	68	1	1
							-	-		-
EAC	**138**	**167**	**182**	140	**169**	**192**	**195**	180	4	3
COMESA	**217**	**219**	**226**	239	**185**	**203**	**231**	234	5	5
							-	-		-
Rest of the World	**3,822**	**3,933**	**3,636**	3,958	**3,832**	**4,263**	**####**	4,482	90	90
o/w China	719	834	831	883	841	1,006	1,327	1,160	23	20
UAE	658	737	854	**690**	449	694	686	**703**	14	16
India	517	553	386	**479**	478	441	499	**537**	11	11
Malaysia	156	189	192	310	276	208	210	300	6	7
USA	146	253	225	**180**	273	282	257	**348**	7	4
Japan	162	179	176	178	184	205	205	222	4	4
Saudi Arabia	338	288	244	178	49	98	71	178	4	4
Russia	226	107	112	153	91	196	144	162	3	3
Netherlands	66	46	37	155	137	90	61	55	1	4
Oman	116	100	13	10	188	181	90	61	1	0
United Kingdom	69	67	61	94	61	108	81	95	2	2
Germany	76	89	61	61	67	77	105	76	2	1
Pakistan	56	57	48	27	113	67	58	99	2	1
France	63	49	80	71	42	61	59	68	1	2
Indonesia	107	61	84	48	48	40	58	45	1	1
Belgium	30	39	25	29	109	50	24	120	2	1
Total Imports (FOB)	**4,291**	**4,402**	**4,133**	**4,413**	**4,277**	**4,717**	**####**	**4,994**	**100**	**100**
							-	-		-
European Union	**381**	**385**	**363**	**458**	**494**	**433**	**424**	**511**	**10**	**10**
China	**719**	**834**	**831**	**883**	**841**	**1,006**	**####**	**1,160**	**23**	**20**

Source: Central Bank of Kenya and Kenya Revenue Authority

Financial Account

The financial account of the Balance of Payments recorded a net inflow increase of USD 2,706 million, reflecting higher financial liabilities in the fourth quarter of 2024 compared to the same period in 2023 (**Table 5.3** Portfolio investment liabilities recorded net inflows of USD 101 million in Q4 2024, compared to a net outflow of USD 19 million in Q4 2023. Direct investment liabilities remained relatively stable at USD 185 million in Q4 2024, up from USD 168 million in Q4 2023. Other investment liabilities decreased by USD 291 million to USD 917 million in Q4 2024 from USD 1,208 million in Q4 2023, mainly attributed to decreased liabilities of the other sectors (nonfinancial corporations, households, and NPISHs).

Table 5.3: Financial Account (USD Million)

	2023	2024							2024 Q4-2023Q4	
	Oct-Dec	Jan-Mar	Apr-Jun	Jul-Sep	Oct	Nov	Dec	Oct-Dec	Absolute	Percent
	Q4	Q1	Q2	Q3				Q4		
Financial Account	-243	-784	-1397	-1260	-1113	-608	-984	-2706	-2463	1016
Direct investment: assets	115	67	109	110	37	37	37	110	-5	-5
Direct investment: liabilities, n.i.e.	168	249	183	186	70	58	57	185	17	10
Portfolio investment: assets	93	113	25	71	135	-21	-15	99	6	7
Equity and investment fund shares	101	107	13	9	80	-33	-18	28	-73	-72
Debt securities	-8	7	13	62	55	12	3	71	79	-961
Portfolio investment: liabilities, n.i.e.	-19	937	-35	135	-18	-84	0	-101	-83	446
Equity and investment fund shares	-15	-15	23	13	2	1	1	4	19	-123
Debt securities	-3	953	-58	122	-19	-85	-1	-105	-102	3130
Financial derivatives: net	31	16	14	-18	2	3	1	6	-24	-80
Financial derivatives: assets	31	27	9	-21	-25	-5	-8	-38	-68	-223
Financial derivatives: liabilities	0	12	-5	-3	-28	-8	-8	-44	-44	29226
Other investment: assets	711	622	671	-184	-986	-123	-524	-1634	-2345	-330
Other investment: liabilities, n.i.e.	1043	416	2068	917	248	530	426	1203	160	15
Deposit-taking corporations	-313	-148	-169	-140	-67	-9	17	-59	255	-81
General government	170	-25	1410	-574	-56	90	-38	-5	-175	-103
Other sectors	1186	589	826	1633	371	449	446	1266	81	7

* Provisional

Source: Central Bank of Kenya

Foreign Exchange Reserves

The banking system's total foreign exchange holdings increased to USD 16,349 million at the end of the fourth quarter of 2024 from USD 14,156 million in a similar period in 2023. The official reserves held by the Central Bank constituted the bulk of the gross reserves and rose to USD 10,091million, equivalent to 5.2 months of import cover. However, commercial bank reserves declined to USD 6,258 million at the end of the fourth quarter of 2024, down from USD 6,814 million at the end of 2023 **(Table 5.4).**

Table 5.4: Foreign exchange reserves and residents' foreign currency deposits (end of period, USD Million)

	2024						2024 Q4-2023Q4	
	Jul	Aug	Sep	Oct	Nov	Dec	Absolute	Percent
1. Gross Reserves	16,556	16,061	16,391	16,043	16,312	16,349	2,193	16
of which:							0	
Official	8,024	7,972	8,603	9,184	9,578	10,091	2,749	36
import cover*	4.1	4.1	4.4	4.7	4.9	5.2	1	32.5
Commercial Banks	8,532	8,089	7,789	6,859	6,734	6,258	-556	(9)
2. Residents' foreign currency deposits	10,959	10,814	10,622	10,395	10,392	9,956	-218	(2)

*Based on 36-month average of imports of goods and non-factor services

Source: Central Bank of Kenya

Exchange Rates

The Kenya Shilling appreciated against most major international currencies during the fourth quarter of 2024 compared to the third quarter. It strengthened by 0.1 percent against the US Dollar, exchanging at an average of 129.32 in Q4 2024 compared to 129.46 in Q3 2024. The Shilling also gained against the Pound Sterling (1.47 percent), Euro (2.97 percent), and Japanese Yen (2.35 percent), driven by increased foreign exchange inflows and the impact of monetary policy measures. However, it depreciated against select East African currencies, weakening by 1.03 percent against the Uganda Shilling and 2.65 percent against the Tanzania Shilling, while appreciating against the Rwanda Franc and Burundi Franc **(Table 5.7 and Chart 5.1)**.

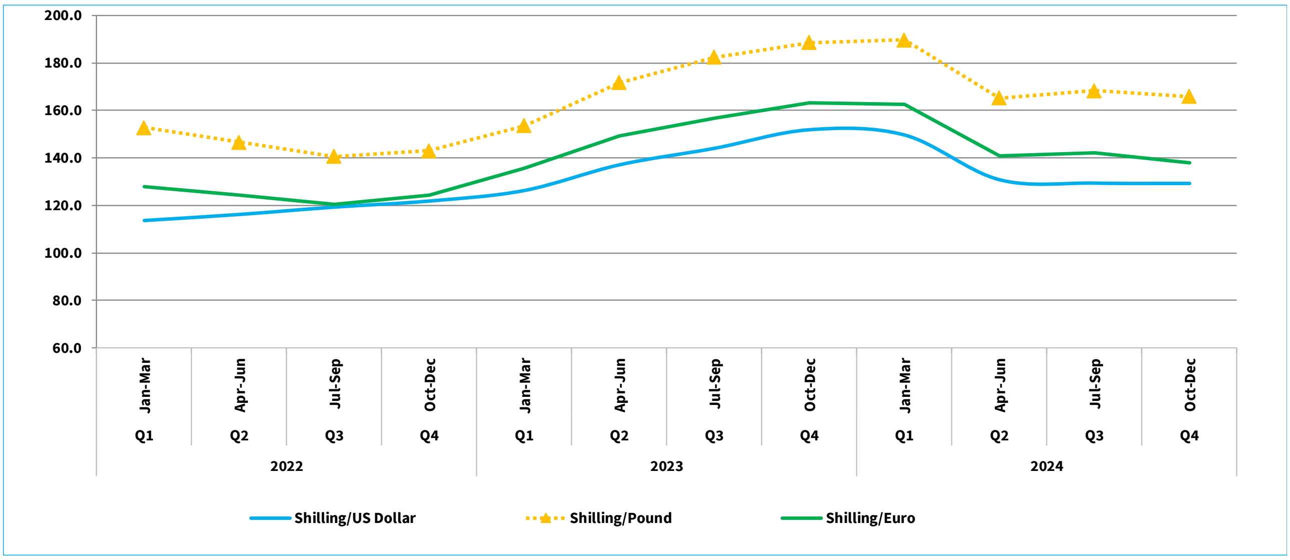
Table 5.7: Kenya Shilling exchange rate

	2024 Q3				2024Q4				2024 Q4-2024Q3
	Jul	Aug	Sep	Jul-Sep	Oct	Nov	Dec	Oct-Dec	Percent
US Dollar	129.87	129.32	129.20	129.46	129.20	129.40	129.36	129.32	(0.11)
Pound Sterling	166.91	167.28	170.74	168.31	168.79	165.06	163.64	165.83	(1.47)
Euro	140.75	142.44	143.52	142.24	140.94	137.53	135.55	138.01	(2.97)
100 Japanese Yen	82.22	88.45	90.34	87.00	86.41	84.16	84.30	84.96	(2.35)
South Africa Rand	7.12	7.17	7.34	7.21	7.36	7.22	7.11	7.23	0.28
Uganda Shilling*	28.54	28.78	28.73	28.68	28.40	28.43	28.34	28.39	(1.03)
Tanzania Shilling*	20.56	20.93	21.08	20.86	21.09	20.61	19.21	20.30	(2.65)
Rwanda Franc*	10.09	10.23	10.34	10.22	10.46	10.56	10.65	10.56	3.29
Burundi Franc*	22.17	22.30	22.41	22.29	22.53	22.77	22.85	22.72	1.90

* Units of currency per Kenya Shilling

Source: Central Bank of Kenya

Chart 5.1: Kenya Shilling nominal exchange rate (domestic currency per unit of foreign currency)



Source: Central Bank of Kenya

Chapter 6
Banking Sector

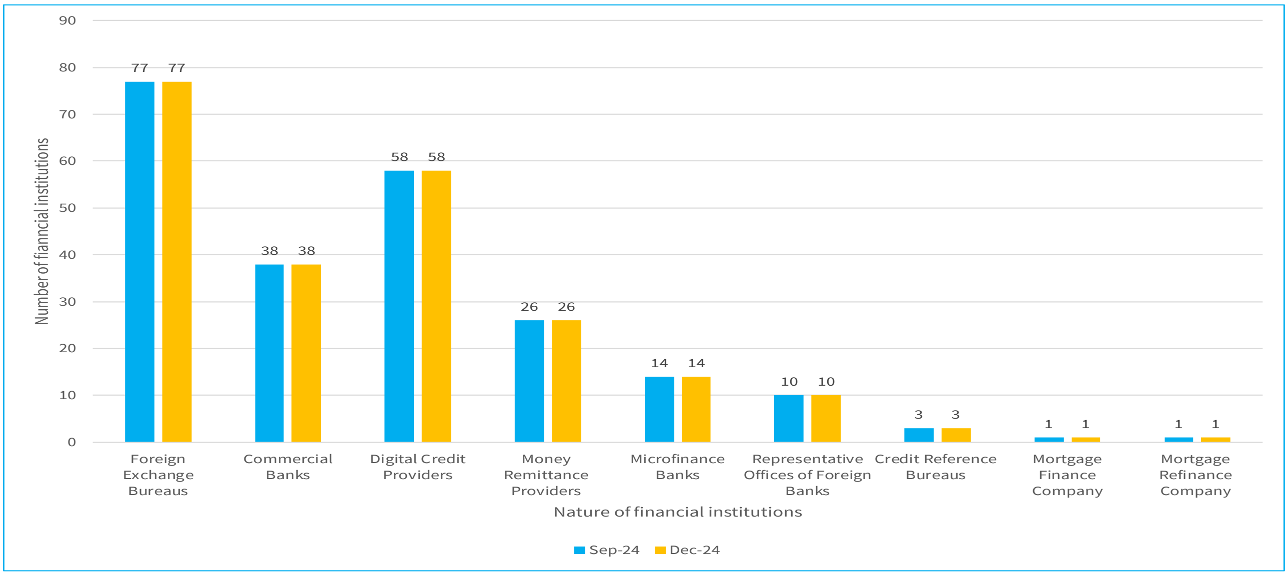
Overview

The banking sector remained stable and resilient in the fourth quarter of 2024. Total assets increased by 1.0 percent to Ksh.7,645.8 billion in December 2024, from Ksh.7,568.4 billion in September 2024. The deposit base also increased by 1.0 percent to Ksh.5,739.6 billion in the fourth quarter of 2024, from Ksh.5,684.0 billion in the third quarter of 2024. The sector was well capitalized with capital adequacy ratio of 19.4 percent, which was above the minimum capital requirement of 14.5 percent. The sector remained profitable in the fourth quarter of 2024, with quarterly profit before tax of Ksh.58.5 billion, a decrease from Ksh.64.2 billion reported in the third quarter of 2024. Credit risk remained elevated with Gross Non-Performing Loans (NPLs) to Gross Loans Ratio standing at 16.4 percent at the end of the fourth quarter of 2024, a decrease from 16.5 percent recorded at the end of third quarter of 2024.

Structure of the Banking Sector

The Kenyan banking sector comprised 38 Commercial Banks, 1 Mortgage Finance Company, 1 Mortgage Refinance Company, 14 Microfinance Banks, 10 Representative Offices of Foreign Banks, 81 Foreign Exchange Bureaus, 24 Money Remittance Providers, 3 Credit Reference Bureaus, and 85 Digital Credit Providers as of December 2024. **Chart 6.1** shows the structure of the Kenyan banking sector as at the end of the last two quarters.

Chart 6.1: Structure of the banking sector



Source: Central Bank of Kenya

Structure of the Balance Sheet

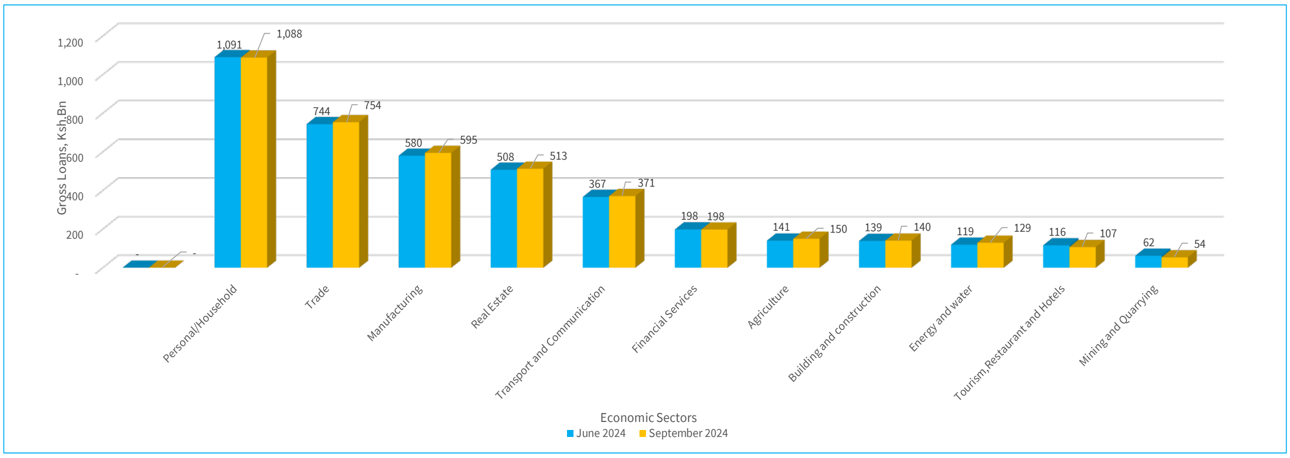
i) Growth in banking sector assets

Total assets increased by 1.0 percent to Ksh. 7,645.8 billion in December 2024, from Ksh. 7,658.4 billion in September 2024. The increase in total assets was mainly recorded in government securities by Ksh. 187.5 billion (9.1 percent) foreign gross loans by Ksh. 47.9 billion (4.7 percent, fixed net assets by Ksh. 36.7 billion (30.7 percent and cash balances by Ksh. 14.3 billion (18.0 percent). Loans and advances remained the main component of total assets, accounting for 48.6 percent in the fourth quarter of 2024, the same as it was in the third quarter of 2024.

ii) Loans and Advances

The banking sector loan book increased by 0.9 percent, to Ksh. 4,099.3 billion in the fourth quarter of 2024, from Ksh. 4,064.2 billion in the third quarter of 2024. The increase in gross loans and advances was largely witnessed in the Manufacturing, Trade, Energy and Water, Agriculture, Real Estate, Transport and Communication and Building and Construction sectors. The increase in gross loans was mainly due to new advances. The sectoral distribution of gross loans for the third quarter of 2024 and the fourth quarter of 2024, is highlighted in **Chart 6.2**.

Chart 6.2: Kenyan banking sector gross loans

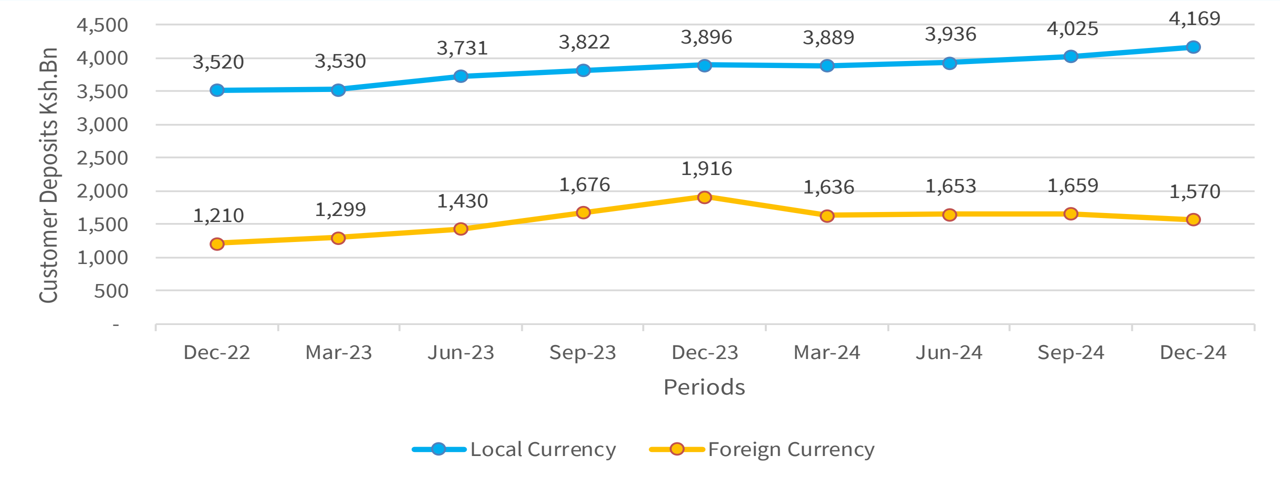


Source: Central Bank of Kenya

iii) Deposit Liabilities

Customer deposits remain the main source of funding to the banks accounting for 75.1 percent of the banking sector total liabilities and shareholders' funds as at the end of the fourth quarter of 2024. The customer deposit base increased by Ksh. 55.5 billion (1.0 percent) to Ksh. 5,739.6 billion in the fourth quarter of 2024, from Ksh. 5,684.0 billion in the third quarter of 2024. Local currency deposits increased by Ksh. 143.9 billion (3.6 percent) to Ksh. 4,169.2 billion in the fourth quarter of 2024, from Ksh. 4,025.4 billion in the third quarter of 2024. Foreign currency deposits decreased by Ksh. 88.3 billion (5.3 percent) to Ksh. 1,570.4 billion in the fourth quarter of 2024, from Ksh. 1,658.7 billion in the third quarter of 2024. **Chart 6.3** shows the trend of deposit liabilities.

Chart 6.3: Customer deposits



Source: Central Bank of Kenya

Capital Adequacy

Kenya's banking sector is well capitalized and meets the minimum capital requirements. Core capital increased by 2.4 percent to Ksh. 969.5 billion in the fourth quarter of 2024, from Ksh. 946.4 billion in the third quarter of 2024. Total capital increased by 1.4 percent to Ksh. 1,098.8 billion in the fourth quarter of 2024, from Ksh. 1,083.2 billion in the third quarter of 2024.

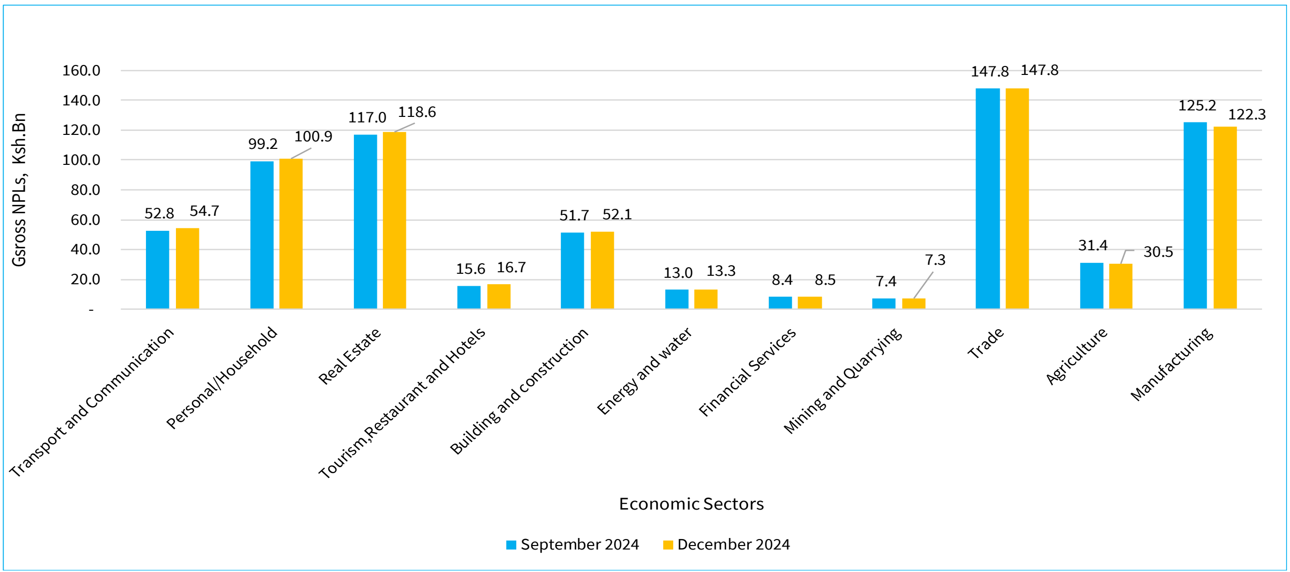
Core capital to total risk-weighted assets ratios increased slightly to 17.1 percent in the fourth quarter of 2024 from 16.7 percent in the third quarter of 2024, respectively. The increase in core capital ratio was mainly due to a decrease in total risk weighted assets (0.1 percent) as compared to increase in core capital (2.4 percent). Total capital to total risk-weighted assets ratio increased to 19.4 percent in the fourth quarter of 2024 from 19.1 percent in the third quarter of 2024.

The minimum core capital to total deposits ratio is set at 8 percent. Commercial banks maintained an adequate buffer, with the ratio standing at 16.9 percent in the fourth quarter of 2024.

Asset Quality

The Gross Non-Performing Loans (NPLs) increased by 0.5 percent from Ksh.669.5 billion in the third quarter of 2024, to Ksh.672.6 billion at the end of the fourth quarter of 2024. The gross NPLs to gross loans ratio decreased to 16.4 percent in the fourth quarter of 2024, from 16.5 percent in the third quarter of 2024. This was due to a higher increase in gross loans of 0.9 percent compared to 0.5 percent increase gross NPLs. Chart 1.4 highlights the sectoral distribution of gross NPLs.

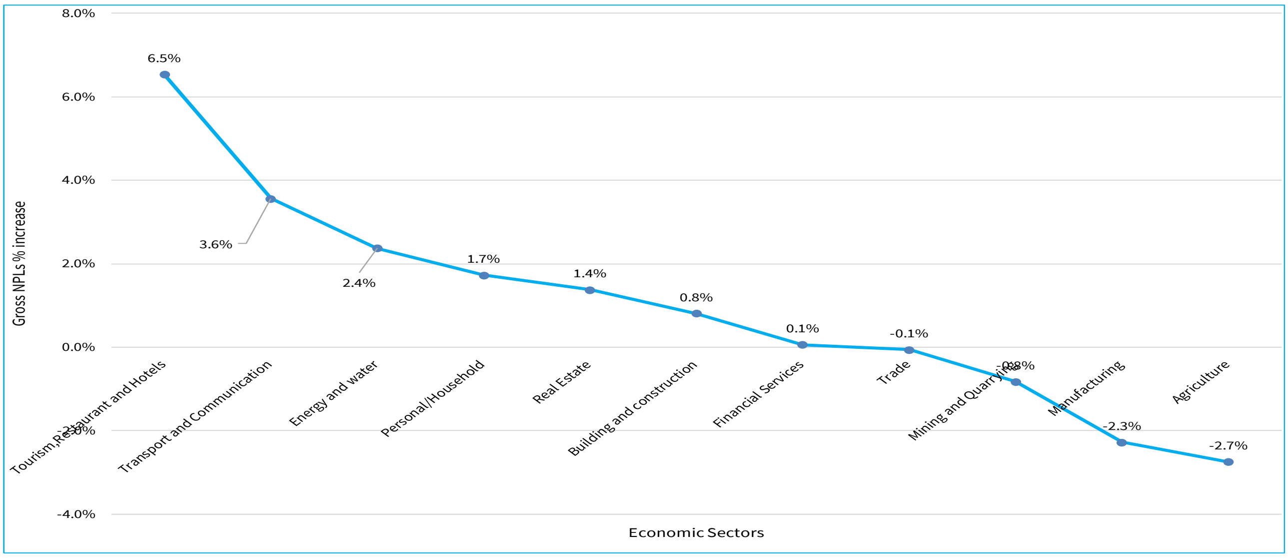
Chart 6.4: Kenyan banking sector gross non-performing loans



Source: Central Bank of Kenya

The increase in gross NPLs was spread across six economic sectors as highlighted in **Chart 6.5.**

Chart 6.5:Movement in Gross NPLs- Third Quarter and Fourth Quarter 2024



Source: Central Bank of Kenya

Transport and Communication, Real Estate, Tourism, Restaurant and Hotels, Building and Construction and Energy and Water sectors registered increases in NPLs by Ksh.6.9 billion as a result of a challenging operating environment. Mining and Quarrying, Trade, Agriculture, and Manufacturing sectors registered decreased NPLs of Ksh.3.9 billion mainly due to repayments.

The banking sector's asset quality, as measured by the proportion of net non-performing loans to gross loan increased from 8.4 percent in third quarter of 2024, to 8.7 percent in the fourth quarter of 2024. The coverage ratio, measured as a percentage of specific provisions to total NPLs, decreased slightly from 38.9 percent in the third quarter of 2024, to 37.4 percent in the fourth quarter of 2024, due to a higher decrease in specific provisions (1.4 percent) as compared to the increase in total NPLs (2.5 percent). A summary of asset quality for the banking sector over the period is shown in **Table 6.1.**

Table 6.1: Summary of asset quality

		Sep-24	Dec-24
1.	Gross Loans and Advances (Ksh.Bn)	4,064.2	4,099.3
2.	Interest in Suspense (Ksh.Bn)	110.3	99.7
3.	Loans and Advances (net of interest suspended) (Ksh.Bn)	3,953.9	3,999.6
4.	Gross Non-Performing loans (Ksh.Bn)	669.5	672.6
5.	Specific Provisions (Ksh.Bn)	217.6	214.5
6.	General Provisions (Ksh.Bn)	58.2	67.8
7.	Total Provisions (5+6) (Ksh.Bn)	275.8	282.3
8.	Net Advances (3-7) (Ksh.Bn)	3,678.1	3,717.3
9.	Total Non-Performing Loans and Advances (4-2) (Ksh.Bn)	559.2	572.9
10.	Net Non-Performing Loans and Advances (9-5) (Ksh.Bn)	341.6	358.4
11.	Total NPLs as % of Total Advances (9/3) (%)	14.1%	14.3%
12.	Net NPLs as % of Gross Advances (10/1) (%)	8.4%	8.7%
13.	Specific Provisions as % of Total NPLs (5/9) (%)	38.9%	37.4%
14.	Gross NPLs to Gross Loans Ratio (4/1) (%)	16.5%	16.4%

Source: Central Bank of Kenya

Profitability

The banking sector recorded a decrease in quarterly pre-tax profits of Ksh.5.7 billion to Ksh.58.5 billion in the fourth quarter of 2024, from Ksh.64.2 billion in the third quarter of 2024. The decrease in profitability was mainly attributable to a higher increase in quarterly expense of Ksh.8.6 billion as compared to an increase in quarterly income of Ksh.2.9 billion. The higher increase in expense was mainly attributed to increased other expenses (Ksh.14.3 billion).

Interest income on loans and advances, interest on government securities and other incomes were the major sources of income in both quarters. They accounted for 51.0 percent, 25.4 percent and 13.6 percent in the fourth quarter of 2024 as compared to 50.9 percent, 24.6 percent and 13.4 percent in the third quarter of 2024.

On the other hand, interest on deposits, other expenses and salaries and wages, were the key components of expenses, accounting for 41.7 percent, 21.0 percent and 18.7 percent of total expenses respectively in the third quarter of 2024, compared to 41.9 percent, 20.3 percent and 18.5 percent in the third quarter of 2024.

Return on Assets (ROA) decreased slightly to 2.8 percent in the fourth quarter of 2024, from 3.0 percent recorded in the third quarter of 2024. Return on Equity (ROE) decreased to 22.0 percent in the fourth quarter of 2024, from 24.9 percent in the third quarter of 2024.

Liquidity

The banking sector's overall liquidity ratio increased to 55.8 percent in the fourth quarter of 2024, from 54.6 percent in the third quarter of 2024. The increase was driven by a higher increase in total liquid assets of 2.8 percent and a 0.6 percent increase in total short-term liabilities between the two quarters. The banking sector liquidity ratio remained above the minimum statutory level of 20 percent.

Outlook of the Sector

- The banking sector is projected to remain stable in the first quarter of 2025.
- Operational risk is expected to remain elevated due to increasing cyber security risks.
- Credit risk is expected to be elevated in the short to medium term. The gross NPLs to Gross Loans ratio decreased from 16.5 percent in the third quarter of 2024, to 16.4 percent in the fourth quarter of 2024.
- Interest rate risk is easing on the backdrop of stabilizing interest rates.
- Liquidity risk is stable. The liquidity ratio increased to 55.8 percent in the fourth quarter of 2024, from 54.6 percent in the third quarter of 2024. These were above the statutory minimum of 20 percent.

Kenya Shilling Flows in KEPSS

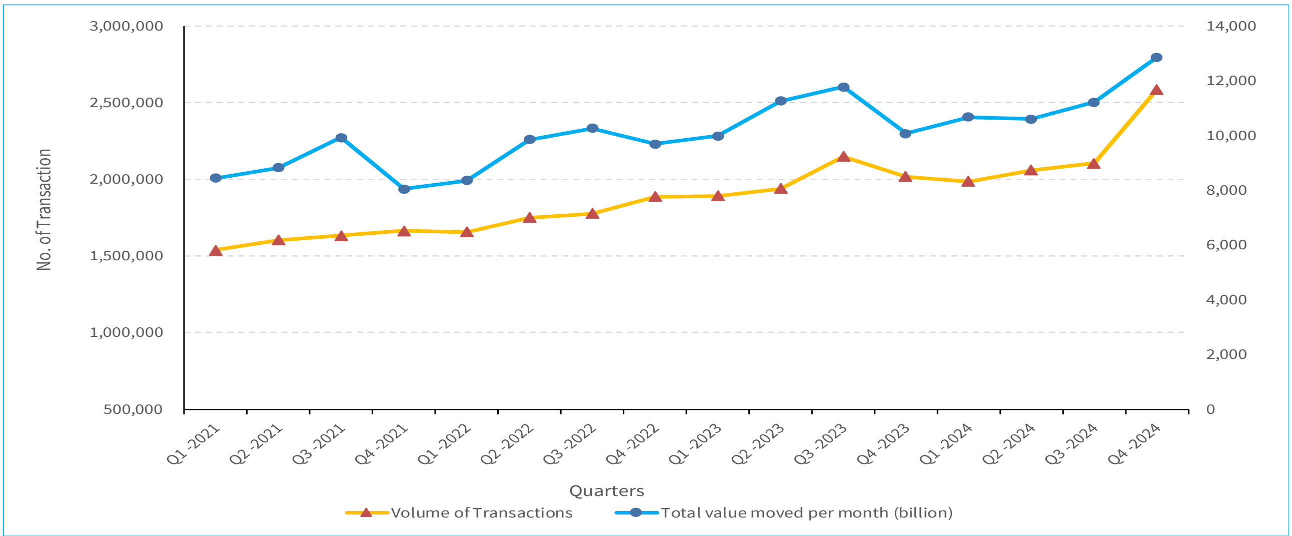
Kenya Electronic Payments and Settlement System (KEPSS) used for large value Real Time Gross Settlement (RTGS) payments moved a volume of 2.59 million transaction messages worth KSh 12.9 trillion in the fourth quarter of 2024, compared to the previous quarter which recorded 2.10 million transactions worth KSh 11.2 trillion. The volumes and values increased by 22.95 percent and 14.71 percent respectively.

Chart 5G below highlights recent trends in KEPSS transactions.

System Availability

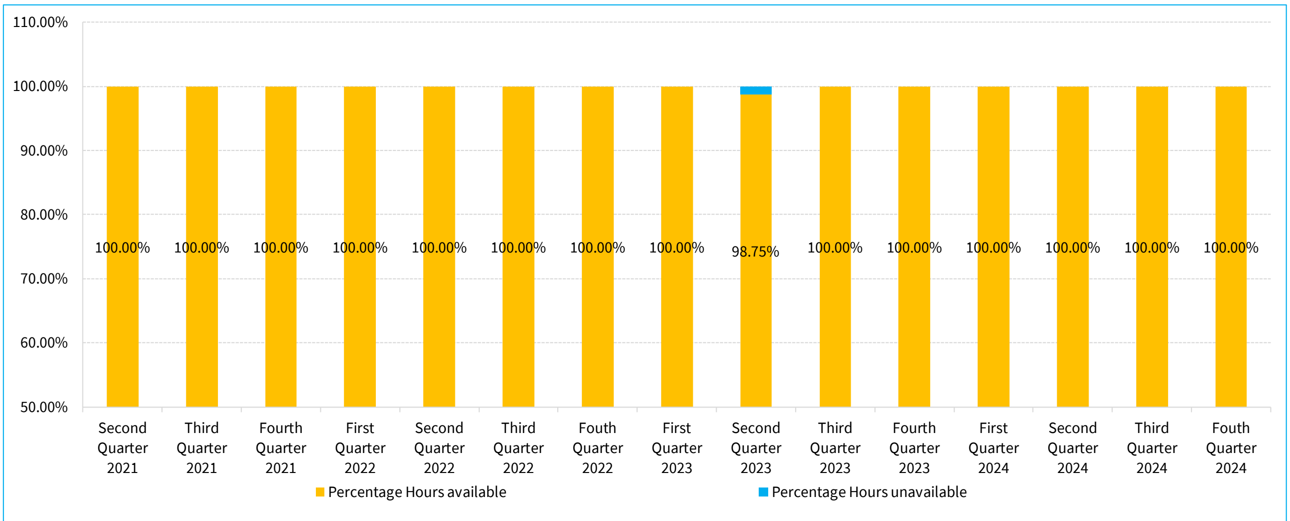
The KEPSS system is available to the commercial banks and other participants for 8 hours per day from 8.30 AM to 4.30 PM. The system availability maintained an average of 100 percent during the third quarter of 2024.

Chart 6.6: Trends in monthly flows through KEPSS



Source: Central Bank of Kenya

Chart 6.7: KEPSS availability



Source: Central Bank of Kenya

Chapter 7

Government Budgetary Performance

The Government's budgetary operations at the end of the second quarter of FY 2024/25 resulted in a deficit of 2.5 percent of GDP against a target of 1.9 percent of GDP. Revenue collections were below the target by 8.0 percent mainly on account of underperformance in all ordinary revenues categories. Meanwhile, total expenditure and net lending amounted to KSh. 1,795.8 billion against the target of KSh. 1796.0 billion.

Table 7.1: Statement of Government Operations in the Second Quarter of FY 2024/25 (KSh Billion)

	FY 2024/25								
	Q2	Cumulative	Target	Over (+) / Below (-)	% Variance	% change Q on Q	% cumulative share to GDP	Target to GDP (%)	Target to GDP (%)
1. TOTAL REVENUE & GRANTS		to Dec-2024		Target					9.1
Ordinary Revenue	640.5	1,339.3	1,456.3	(117.0)	(8.0)	(6.7)	7.4	8.1	
Tax Revenue	634.3	1,331.8	1,442.3	(110.5)		14.9			
Non Tax Revenue	548.3	1,073.6	1,174.5	(100.8)		2.2			
Appropriations-in-Aid	18.6	84.1	76.5	7.6		18.8			
External Grants	67.4	174.0	191.3	(17.3)		(49.0)			
2. TOTAL EXPENSES & NET LENDING	6.2	7.5	14.0	(6.5)		202.0			11.3
Recurrent Expenses	905.6	1,795.8	1,796.0	(0.2)	(0.0)	10.4	9.9	9.9	
Development Expenses	682.3	1,372.1	1,331.2	40.9		11.3			
County Transfers	95.3	232.0	244.5	(12.5)		(24.2)			
Others	128.0	191.6	219.2	(27.6)		57.4			
3. DEFICIT (INCL. GRANTS) (1-2)	-	-	1.0	(1.0)					(2.3)
As percent of GDP	(265.1)	(456.5)	(339.7)	(116.8)	34.4	97.7	(2.5)	(1.9)	
4. ADJUSTMENT TO CASH BASIS	(1.5)	(2.5)	(1.9)	(0.6)		76.6			
5. DEFICIT INCL . GRANTS ON A CASH BASIS	-	-	-	-					(2.3)
As percent of GDP	(265.1)	(456.5)	(339.7)	(116.8)	34.4	97.7	(2.5)	(1.9)	
6. DISCREPANCY: Expenditure (+) / Revenue (-)	(1.5)	(2.5)	(1.9)	(0.6)		76.6			
7. FINANCING	(27.1)	(51.9)	-	(51.9)		56.5			2.3
Domestic (Net)	240.2	404.6	339.7	64.9	19.1	105.7	2.2	1.9	
Capital Receipts (domestic loan receipts)	190.6	411.2	54.9	356.4		60.6	2.3		
External (Net)	49.7	(6.6)	284.8	(291.5)		(2,778.5)	(0.0)		

Source: The National Treasury-December 2024 Budget Outturn (BOT)

Revenue

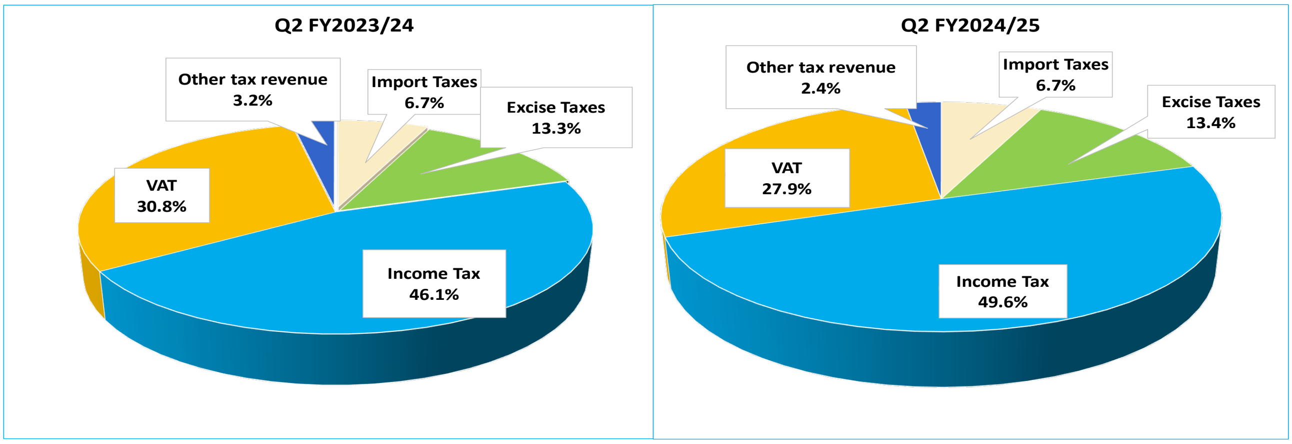
Government receipts, comprising revenue and grants decreased by 6.7 percent to KSh 640.5 billion in the second quarter of FY 2024/25, compared to KSh 686.2 billion in the second quarter of FY 2023/24. The decrease was reflected in Appropriation in Aid (A-in-A) which declined by 49.0 percent to Ksh 67.4 billion. This more than offset the increase in ordinary revenues and external grants which increased by 14.9 percent and 202.0 percent, respectively by end of the quarter. Total revenue and grants were below the target by KSh 117.0 billion reflecting underperformance in all ordinary revenues categories except investment income and housing levy. In addition, Ministerial Appropriations in Aid collected during the quarter amounted to KSh 174.0 billion, which was KSh 17.3 billion lower than target mainly due to delay in reporting of SAGAs' A.I.A.

There was a minor shift in the composition of tax revenues in the second quarter of FY 2024/25compared with a similar period in the previous financial year **(Chart 7.1).** The share of excise taxes, import taxes and income tax, increased by 0.1 percentage points, 0.1 percentage points and 3.5 percentage points, respectively, while the share of Value Added Tax (VAT) and other taxes declined by 2.9 percentage points and 0.8 percentage points, respectively.

Expenditure and Net Lending

Government expenditure and net lending increased by 10.4 percent to KSh 905.6 billion in the second quarter of the FY 2024/25 compared to KSh 820.3 billion in the second quarter of the FY 2023/24.

Chart 7.1: Composition of Tax Revenue in the second Quarter of FY 2024/25



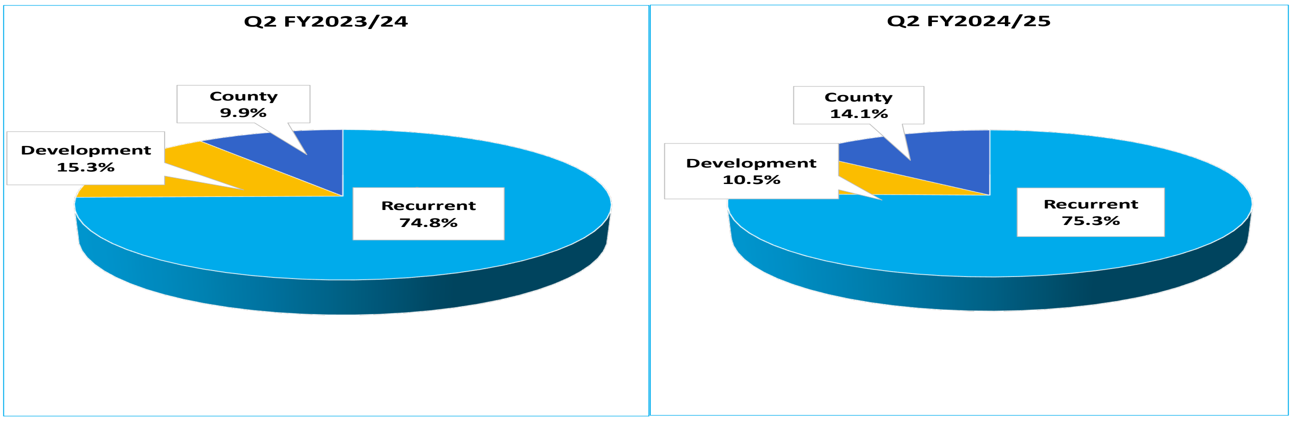
Source: December 2024 BOT, National Treasury

The increase in expenditures reflected a rise in national government recurrent expenditure and county transfers that more than offset the decline in development expenditure **(Table 7.1).**

The expenditure and net lending to December 2024 was below the target of KSh 1,796.0 billion by KSh 0.2 billion attributed to shortfall in disbursement towards development expenditures and transfers to County Governments. The over expenditure in recurrent category was mainly due to higher than targeted expenditures on domestic interest payment and in operations and maintenance.

In terms of composition, recurrent expenditure held the largest share in total government expenditure accounting for 75.3 percent in the second quarter of the FY 2024/25, which was 0.6 percentage points higher than the level recorded in a similar quarter during the previous fiscal year. The share of development expenditure declined by 4.8 percentage points while that of county allocations rose by 4.2 percentage points during the period under review **(Chart 7.2).**

Chart 7.2: Composition of Government Expenditure in the Second Quarter of FY 2024/25



Source: December 2024 BOT, National Treasury

Financing

The budget deficit including grants amounted to KSh 456.5billion or 2.5 percent of GDP at the end of the second quarter of FY 2024/25. The budget deficit was funded by net domestic borrowing of KSh 411.2 billion and net foreign repayments of KSh 6.6 billion. Domestic borrowing comprised KSh 230.3 billion from the commercial banks, KSh 238.8 billion from non-banks, KSh 2.4 billion from non-residents and KSh 28.1 billion drawdown on government deposits at the Central Bank **(Table 7.2).** Other domestic financing at the end of the quarter amounted to KSh 32.2 billion. By the end of the first quarter, net domestic borrowing was above target by Ksh 356.4 billion while net external borrowing was below target by KSh 291.5 billion **(Table 7.1).**

Table 7.2 Domestic financing to September 2023 (KSh Billion)

	FY 2024/25					
	Q1			Q2		
	Jul-24	Aug-24	Sep-24	Oct-24	Nov-24	Dec-24
1. From CBK	(1.1)	(11.2)	(62.5)	(35.3)	(32.3)	(28.1)
2.From commercial banks	20.0	62.3	107.5	160.3	226.3	230.3
4.From Non-banks	23.8	96.1	145.5	157.6	186.9	238.8
5. From Non-Residents	-	0.8	0.8	(0.1)	1.7	2.4
6.Total Net Domestic Credit	42.7	148.1	191.4	282.5	382.7	443.4
7. Other Domestic financing /1	75.5	32.8	29.2	(19.3)	19.0	(32.2)
8. Net Domestic Financing	118.2	180.9	220.7	263.1	401.7	411.2

/1 Include accounts payables and domestic loan repayment receipts

Source: The National Treasury (NB: Treasury Bills are reflected at cost)

Outlook for FY 2024/25

In the supplementary II budget for FY 2024/25, total revenue including grants is projected at KSh 3,109.8 billion (17.8 percent of GDP). Government expenditure is projected at KSh 3,971.1 billion (22.8percent of GDP), of which KSh 2,934.1 billion will be for recurrent expenses, KSh 590.9 billion for development expenses and KSh 445.6 billion for transfers to county governments.

The overall budget deficit including grants is, therefore, projected at KSh 861.2 billion (4.9 percent of GDP) in 2024/25, to be financed through net external borrowing of KSh 267.8 billion and net domestic borrowing of KSh 593.4 billion **(Table 7.3).**

Table 7.3: Budget Estimates for the Fiscal Year 20223/2024

	Ksh (Bn)	% of GDP
1. TOTAL REVENUE (Including Grants)	3,109.8	17.8
Ordinary Revenue	2,575.9	14.8
Appropriations-in-Aid	483.6	2.8
External Grants	50.3	0.3
2. TOTAL EXPENSES & NET LENDING	3,971.1	22.8
Recurrent Expenses	2,934.1	16.8
Development Expenses	590.9	3.4
County Transfer	445.6	2.6
Contigency Fund	0.4	0.0
3. DEFICIT INCL. GRANTS (1-2)	(861.2)	(4.9)
Adjustment to Cash Basis	0.0	0.0
4. FINANCING	861.2	4.9
Domestic (Net)	593.4	3.4
External (Net)	267.8	1.5

Source: National Treasury, Supplementary Budget, November 2023

Chapter 8

Developments in Public Debt

Overall Public Debt

Kenya's public and publicly guaranteed debt increased by 1.3 percent during the second quarter of 2024/25. Domestic debt increased by 4.8 percent while external debt decreased by 2.5 percent. The ratio of public debt to GDP was estimated at 67.6 percent by the end of second quarter of 2024/25 compared to 67.6 percent by the end of the first quarter of 2024/25 **(Table 8.1)**[3].

Table 8.1 Kenya's public and publicly guaranteed debt

	2023/24		2024/25						
	Q3	Q4	Jul-24	Aug-24	Q1	Oct-24	Nov-24	Q2	Q on Q Change
EXTERNAL									
Bilateral	1,135.5	1,154.7	1,132.1	1,142.6	1,133.4	1,113.9	1,123.4	1,101.1	-32.3
Multilateral	2,654.3	2,774.4	2,806.6	2,825.2	2,847.2	2,812.3	2,805.5	2,777.6	-69.6
Commercial Banks	1,359.1	1,207.5	1,210.5	1,194.4	1,193.8	1,180.4	1,195.7	1,165.1	-28.7
Supplier Credits	14.6	14.2	13.7	13.9	14.0	13.7	13.5	13.3	-0.7
Sub-Total	5,163.4	5,150.8	5,162.9	5,176.1	5,188.4	5,120.3	5,138.1	5,057.0	-131.4
(As a % of GDP)	33.5	32.9	32.8	32.6	32.5	31.9	31.9	31.2	-1.3
(As a % of total debt)	49.7	48.8	48.6	48.2	48.1	47.3	46.9	46.3	-1.8
DOMESTIC									
Banks	2,392.6	2,448.9	2,467.9	2,500.1	2,494.0	2,573.9	2,643.0	2,651.2	157.2
Central Bank	202.4	170.1	169.0	158.9	107.6	134.8	137.8	142.0	34.4
Commercial Banks	2,190.1	2,278.8	2,298.8	2,341.1	2,386.4	2,439.1	2,505.2	2,509.1	122.8
Non-banks	2,808.6	2,927.6	2,951.4	3,023.7	3,073.2	3,085.2	3,130.1	3,180.2	107.1
Pension Funds	1,542.6	1,601.5	1,602.9	1,619.0	1,649.4	1,660.9	1,681.0	1,694.7	45.2
Insurance Companies	374.7	391.0	393.5	399.9	404.7	409.8	415.1	429.5	24.8
Other Non-bank Sources	891.3	935.1	955.1	1,004.8	1,019.1	1,014.6	1,034.1	1,056.1	37.1
Non-residents	34.1	34.1	33.7	34.6	34.6	34.4	36.2	36.9	2.3
Sub-Total	5,235.2	5,410.7	5,453.0	5,558.3	5,601.7	5,693.5	5,809.3	5,868.3	266.6
(As a % of GDP)	34.0	34.6	34.6	35.0	35.1	35.5	36.0	36.2	1.1
(As a % of total debt)	50.3	51.2	51.4	51.8	51.9	52.7	53.1	53.7	1.8
GRAND TOTAL	10,398.6	10,561.5	10,615.8	10,734.4	10,790.1	10,813.9	10,947.4	10,925.3	135.2
(As a % of GDP)	67.6	67.4	67.4	67.7	67.6	67.4	67.9	67.4	-0.2

Source: The National Treasury and CBK

Domestic Debt

The 4.8 percent increase in domestic debt was on account of an increased uptake of Treasury bills and bonds. The share of domestic debt to total debt increased by 1.8 percentage points to 53.7 percent by the end of the second quarter of 2024/25 from 51.9 percent in the previous quarter. The proportion of debt securities to total domestic debt stood at 97.6 percent by the end of the second quarter of 2024/25, which was slightly lower than the 98.1 percent in the previous quarter **(Table 8.2)**.

[3] The quarterly analysis is based on the Fiscal year quarters; Q1: July- September, Q2: October- December, Q3: January-March Q4: April- June

Table 8.2: Government gross domestic debt (KSh Billion)

	Ksh (Billions)					Change: Q on Q		Proportions %					
	2022/23	2023/24						FY 2023/24		FY 2024/25			
	Q4	Q1	Oct-24	Nov-24	Q2	Ksh(Bn)	%	Q3	Q4	Q1	Oct-24	Nov-24	Q2
Total Stock of Domestic Debt (A+B)	5,410.7	5,601.7	5,693.5	5,809.3	5,868.3	266.6	4.8	100.0	100.0	100.0	100.0	100.0	100.0
A. Government Securities	5,243.0	5,498.1	5,562.9	5,675.1	5,730.1	232.1	4.2	96.2	96.9	98.1	97.7	97.7	97.6
1. Treasury Bills (excluding Repo Bills)	615.9	712.4	760.1	834.7	846.1	133.7	18.8	10.6	11.4	12.7	13.4	14.4	14.4
Banking institutions	208.1	265.7	311.6	380.7	377.7	112.0	42.2	3.4	3.8	4.7	5.5	6.6	6.4
The Central Bank	0.2	0.2	0.2	0.2	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Commercial Banks	207.9	265.5	311.4	380.5	377.5	112.0	42.2	3.4	3.8	4.7	5.5	6.5	6.4
Pension Funds	55.1	52.2	56.9	58.6	56.6	4.4	8.4	0.9	1.0	0.9	1.0	1.0	1.0
Insurance Companies	6.6	6.2	5.9	7.4	10.6	4.4	70.3	0.1	0.1	0.1	0.1	0.1	0.2
Others	346.1	388.3	385.7	388.1	401.2	12.9	3.3	6.2	6.4	6.9	6.8	6.7	6.8
2. Treasury Bonds	4,627.1	4,785.6	4,802.8	4,840.3	4,884.0	98.4	2.1	85.5	85.5	85.4	84.4	83.3	83.2
Banking institutions	2,073.6	2,124.7	2,131.6	2,128.1	2,135.4	10.7	0.5	38.5	38.3	37.9	37.4	36.6	36.4
The Central Bank	8.1	8.1	8.1	8.1	8.1	0.0	0.0	0.2	0.1	0.1	0.1	0.1	0.1
Commercial Banks	2,065.5	2,116.6	2,123.5	2,120.0	2,127.3	10.7	0.5	38.4	38.2	37.8	37.3	36.5	36.3
Insurance Companies	384.5	398.5	403.9	407.7	418.9	20.4	5.1	7.0	7.1	7.1	7.1	7.0	7.1
Pension Funds	1,546.4	1,597.2	1,603.9	1,622.4	1,638.1	40.9	2.6	28.5	28.6	28.5	28.2	27.9	27.9
Others	622.7	665.3	663.4	682.2	691.7	26.5	4.0	11.5	11.5	11.9	11.7	11.7	11.8
3. Long Term Stocks	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Banking institutions	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Others	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
4. Frozen account	17.2	16.7	16.7	16.7	16.7	0.0	0.0	0.3	0.3	0.3	0.3	0.3	0.3
Of which: Repo T/Bills	16.6	16.1	16.1	16.1	16.1	0.0	0.0	0.3	0.3	0.3	0.3	0.3	0.3
B. Others:	150.4	87.0	114.0	117.5	121.4	34.5	39.7	3.5	2.8	1.6	2.0	2.0	2.1
Of which CBK overdraft to Government	61.0	0.0	28.6	31.8	37.5	37.5		1.8	1.1	0.0	0.5	0.5	0.6

Source: Central Bank of Kenya

Treasury Bills

Treasury bill holdings, excluding those held by the CBK for open market operations (Repos) recorded 18.8 percent increase during the second quarter of 2024/25. As a result, the proportion of Treasury bills to total domestic debt increased by 1.7 percentage points. Commercial banks hold 44.6 percent of Treasury bills, an increase from 37.3 percent in the previous quarter **(Table 8.2)**.

Treasury Bonds

Treasury bonds holdings increased by 2.1 percent during the second quarter of 2024/25, which was slightly lower than the 3.4 percent increase in the previous quarter **(Table 8.2).** The largest component of this buildup was attributable to proceeds from the 10- year Treasury bond issued during the quarter **(Table 8.3)**. The leading holders of Treasury bonds by the end of the period under review were commercial banks and pension funds. Commercial bank holdings accounted for 43.6 percent of the outstanding Treasury Bonds.

Table 8.3: Outstanding domestic debt by tenor (KSh Billion)

		KSh (Billions)				Change Q on Q		Proportions (%)			
		FY 2024/25						2023/24		2024/25	
		Q1	Oct-24	Nov-24	Q2	KShs(Bn)	%	Q3	Q4	Q1	Q2
Treasury bills	91-Day	164.6	153.7	148.0	131.8	-32.8	-19.9	4.8	2.7	2.9	2.2
	182-Day	225.7	236.6	237.5	223.0	-2.7	-1.2	2.6	3.7	4.0	3.8
	364-Day	322.1	369.9	449.2	491.3	169.1	52.5	3.2	5.0	5.8	8.4
Treasury Bonds	1-Year	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1.7	0.0
	2-Year	94.6	94.6	94.6	94.6	0.0	0.0	1.0	1.7	4.1	1.6
	3-Year	228.7	228.7	228.7	228.7	0.0	0.0	3.9	4.2	6.4	3.9
	4-Year	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1.2	5.4
	5-Year	360.0	360.0	360.0	315.1	-44.8	-12.5	6.3	6.7	3.3	1.2
	6-Year	69.7	69.7	69.7	69.7	0.0	0.0	1.3	1.3	4.2	3.2
	6.5-Year	186.9	186.9	186.9	186.9	0.0	0.0	2.2	2.1	0.0	3.6
	7-Year	234.5	234.5	213.3	213.3	-21.3	-9.1	4.5	4.3	4.3	0.0
	8-Year	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1.9	4.1
	8.5-Year	240.3	240.3	240.3	240.3	0.0	0.0	4.6	4.4	12.1	1.7
	9-Year	107.4	107.4	107.4	98.9	-8.5	-7.9	2.1	2.0	1.4	14.4
	10-Year	676.6	725.7	767.0	843.3	166.7	24.6	11.7	12.2	0.9	1.4
	11-Year	80.2	80.2	80.2	80.2	0.0	0.0	1.5	1.5	1.7	0.9
	12-Year	51.1	51.1	51.1	51.1	0.0	0.0	1.0	0.9	15.5	1.6
	14-Year	94.3	94.3	94.3	94.3	0.0	0.0	1.8	1.7	2.7	14.5
	15-Year	866.2	834.3	851.9	851.9	-14.4	-1.7	16.5	16.0	2.2	2.6
	16- Year	152.0	152.0	152.0	152.0	0.0	0.0	2.9	2.8	2.9	2.1
	17- Year	120.5	120.5	120.5	120.5	0.0	0.0	1.3	1.3	1.8	2.8
	18- Year	161.6	161.6	161.6	161.6	0.0	0.0	3.1	3.0	10.4	1.7
	19- Year	98.4	98.4	98.4	98.4	0.0	0.0	1.9	1.8	1.9	10.3
	20-Year	585.0	585.0	585.0	605.7	20.7	3.5	10.9	10.6	4.3	1.8
	21-Year	106.7	106.7	106.7	106.7	0.0	0.0	2.0	2.0	0.5	4.1
	25-Year	242.6	242.6	242.6	242.6	0.0	0.0	4.6	4.5	4.3	0.5
	30-Year	28.1	28.1	28.1	28.1	0.0	0.0	0.5	0.5	0.3	0.5
Repo T bills		16.1	16.1	16.1	16.1	0.0	0.0	0.3	0.3	0.3	0.3
Overdraft		0.0	28.6	31.8	37.5	37.5	0.0	1.8	1.1	0.0	0.6
Other Domestic debt		87.6	86.0	86.4	84.6	-3.0	-3.5	1.7	1.7	1.6	1.4
Total Debt		5,601.7	5,693.5	5,809.3	5,868.3	266.6	4.8	100.0	100.0	100.0	100.0

Source: Central Bank of Kenya

Domestic Debt by Tenor and the Maturity Structure

The government floated both short and long dated securities during the period under review. The current debt securities portfolio is dominated by medium- and long-term debt securities at the ratio of 85:15 Treasury bonds to Treasury bills. The benchmark 2-year, 5-year, 10-year, 15-year and 20-year Treasury Bonds accounted for 55.5 percent of the total outstanding Treasury Bonds. The refinancing risk on total domestic debt remained low as the Treasury bills component in the domestic debt profile stood at 14.4 percent by the end of December 2023.

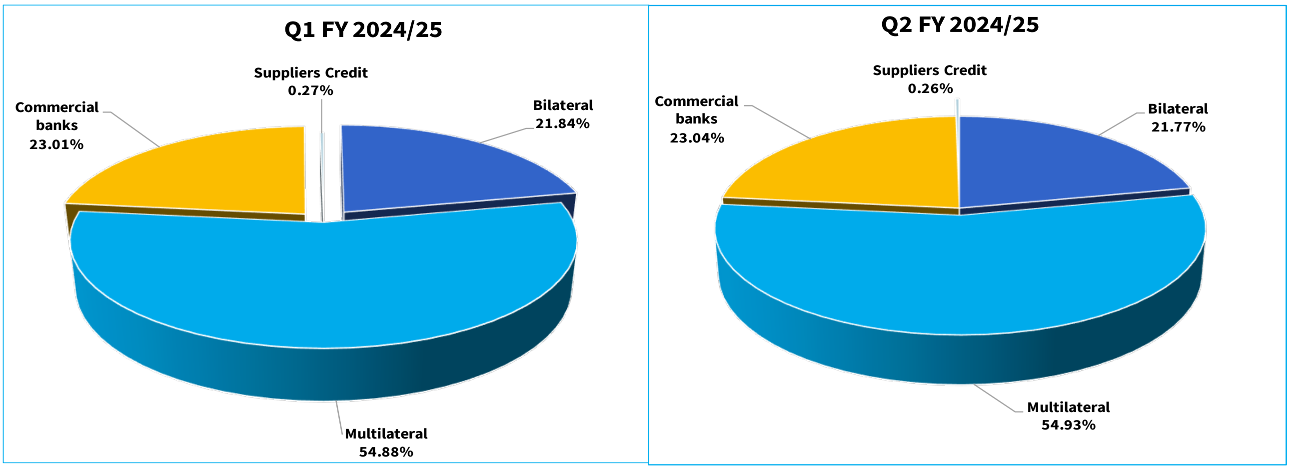
External Debt

Public and publicly guaranteed external debt decreased by 2.5 percent during the second quarter of 2024/25. The decrease was majorly driven by repayments to all external lenders.

Composition of External Debt by Creditor

The composition of external debt improved with increased flow of international development assistance in form of concessional loans. The share of outstanding debt from official multilateral lenders (who provide concessional loans) increased by 0.05 percentage points, mainly driven by disbursements from IMF during the quarter under review. The proportion of bilateral and supplier credits decreased by 0.07 percentage points and 0.01 percentage points, respectively, during the second quarter of 2024/25. However, the proportion of commercial debt remained stable at 23.0 percent **(Chart 8.1)**.

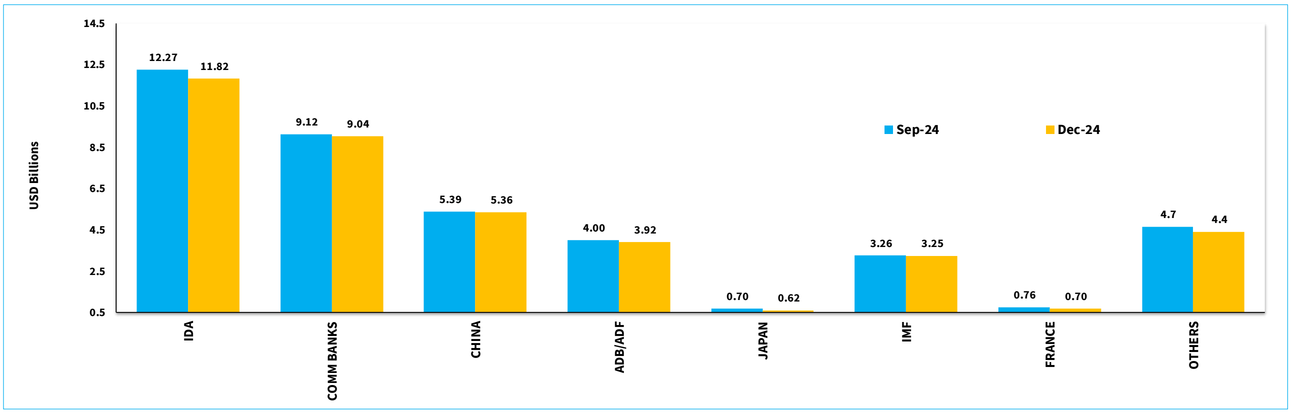
Chart 8.1: Composition of external debt by lender



Source: The National Treasury

Debt owed to International Development Association (IDA), Kenya's largest multilateral lender, stood at USD 11.8 billion (30.2 percent of external debt). Debt owed to China, Kenya's largest bilateral lender, amounted to USD 5.4 billion, or 13.7 percent of the total external debt by the end of the second quarter of 2024/25 **(Chart 8.2).**

Chart 8.2: External debt by creditor

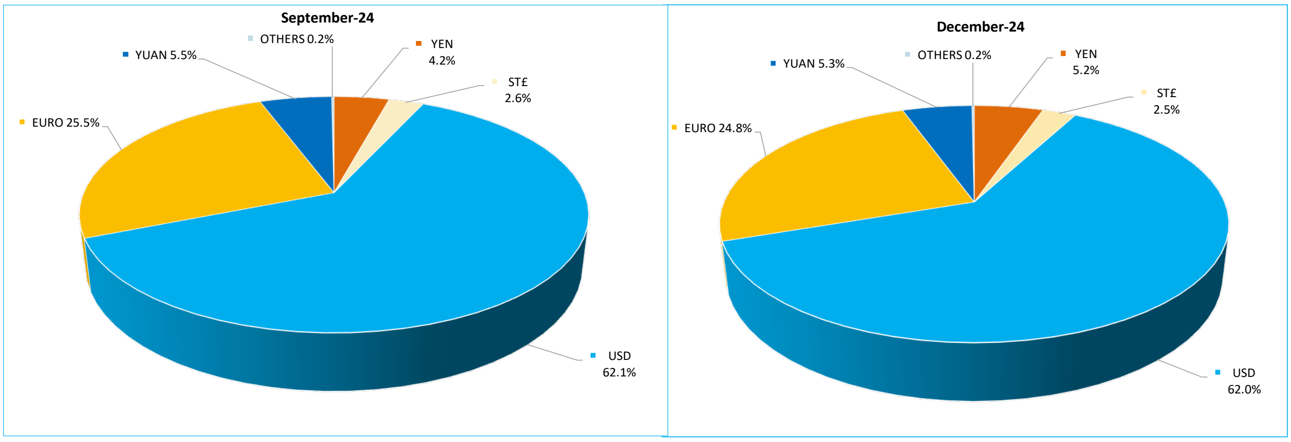


Source: The National Treasury

Currency Composition of External Debt

Kenya's public and publicly guaranteed external debt is denominated in various currencies to mitigate against currency risk. The dominant currencies include the US dollar and the Euro which accounted for 86.8 percent of the total currency composition at the end of the second quarter of 2024/25. The proportion held in US dollar decreased by 0.1 percentage points **(Chart 8.3)**.

Chart 8.3: Debt composition by currency



Source: The National Treasury

Public Debt Service

The ratio of domestic interest payments to ordinary revenues stood at 10.4 percent during the second quarter of 2024/25. The largest component of domestic interest payments was coupon interest on Treasury Bonds which was consistent with the proportion of debt held in Treasury bonds. External debt service for the second quarter of 2024/25 amounted to KSh 65.7 billion. This comprised of KSh. 36.3 billion (55.2 percent) principal and KSh 29.4billion (44.8 percent) interest. External debt service to revenue and exports ratios improved during the quarter under review mainly due to a decrease in principal repayments relative to the previous quarter[4] **(Table 8.4).**

Table 8.4: External debt sustainability indicators

Composite Indicators Threshold	Q1 FY 2023/24	Q2 FY 2023/24	Q3 FY 2023/24	Q4 FY 2023/24	Q1 FY 2024/25	Q2 FY 2024/25
Debt service to Revenues (18%)	28.3	15.9	68.0	17.4	23.7	10.4
Debt service to Exports (15%)	34.1	20.4	74.5	31.1	35.2	15.2

Source: Central Bank of Kenya and The National Treasury

Debt Sustainability Analysis

A Debt Sustainability Analysis conducted by the IMF in November 2024 show that Kenya's debt remains sustainable in the medium to long term but facing a high risk of debt distress. This was mainly driven by a weaker outlook for revenue mobilization and continued underperformance in exports that weighs on the debt servicing capacity. The assessment also shows Kenya's debt dynamics were being are expected to improve gradually supported by the multiyear fiscal consolidation and a notable improvement in export growth relative to the performance in the past decade.

[4]Debt service ratios to flow resource bases such as revenues and exports are liquidity indicators of the level of indebtedness.

Chapter 9

Capital Markets

At the Nairobi Securities Exchange, the NSE 20 and NASI share price indices increased by 13.2 and 15.3 percent in the fourth quarter of 2024 compared to the third quarter of 2024. Market capitalization, total shares traded, and Equity turnover increased by 15.7 percent, 69.4 percent and 136.4 percent, respectively **(Table 9.1 and Chart 9.1)**.

Table 9.1: Selected stock market indicators

INDICATOR	2023			2024				
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Change 2024Q2-2024Q1 (%)
NSE 20 Share Index (1966=100)	1,622.05	1,574.92	1,508.80	1,501.20	1,752.43	1,656.50	1,775.67	7.19
NASI (2008=100)	112.76	107.00	95.22	92.11	113.09	109.49	107.08	-2.20
Number of Shares Traded (Millions)	1,086.50	764.87	1,081.70	812.10	1,097.33	1,090.22	1,020.65	-6.38
Equities Turnover (Ksh Millions)	44,815.56	14,395.17	17,219.00	11,801.05	19,065.97	28,390.94	17,392.47	-38.74
Market Capitalization (Ksh Billions)	1,756.00	1,666.29	1,488.00	1,439.00	1,766.95	1,710.64	1,676.24	-2.01
Foreign Purchase (Ksh Millions)	8,757.28	5,777.00	6,324.00	5,755.75	10,179.37	19,690.52	7,013.94	-64.38
Foreign Sales (Ksh Millions)	22,687.19	7,258.54	9,864.00	8,092.00	12,407.40	16,712.83	7,641.70	-54.28
Ave. Foreign Investor Participation to Equity Turnover (%)	41.24	44.95	47.01	58.67	59.23	64.11	42.13	-21.98
Bond Turnover (Ksh Millions)	162,514.88	147,405.62	196,301.00	137,777.84	458,198.67	323,608.66	391,044.32	20.84
7-Year Eurobond Yield (%)- 2027	12.649	12.620	14.299	10.104	8.443	10.567	8.342	-2.23*
10-Year Eurobond Yield (%)-2024	12.090	11.076	13.273	9.824	9.238	10.694	8.627	-2.07*
10-Year Eurobond Yield (%)-2028						11.080	9.532	-1.55*
12-Year Eurobond Yield (%)-3032	11.836	10.314	12.698	9.894	9.265	11.011	9.553	-1.46*
13-Year Eurobond Yield (%) 2034	11.113	11.057	12.296	9.514	9.316	10.924	9.439	-1.49*
30-Year Eurobond Yield (%)-2048	11.683	11.578	12.453	10.179	9.316	11.092	9.939	-1.15*

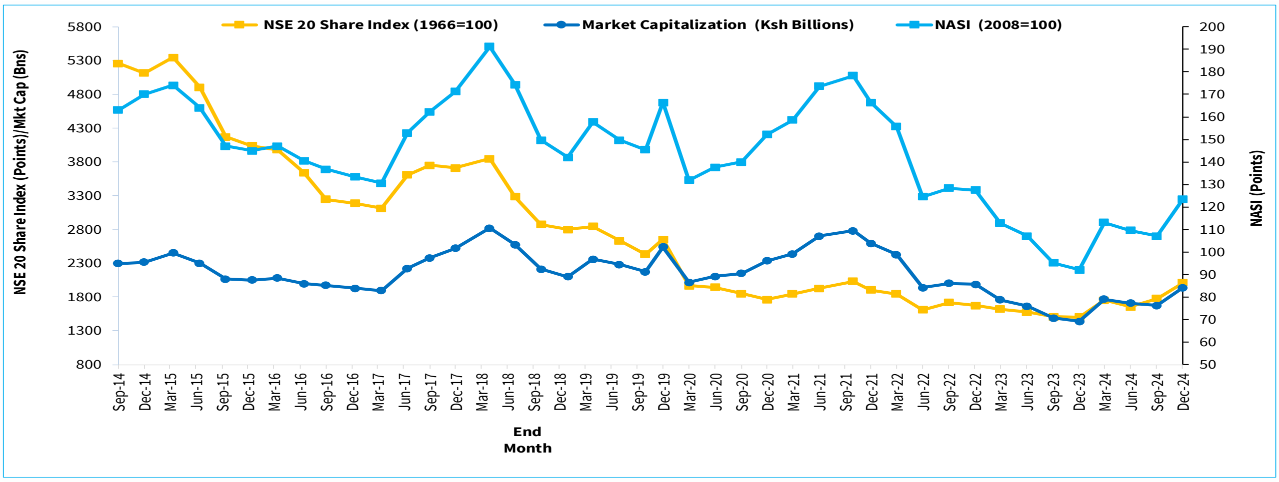
* Percentage points

Source: Nairobi Security Exchange

Foreign Investors' Participation

The value of equities purchased by foreign investors increased by 11.5 percent at the end of the fourth quarter of 2024 compared to the third quarter of 2024. Also, the value of equities sold by foreign investors also increased by 220.1 percent in the same period. Overall, the average foreign investor participation at the NSE decreased by 2.9 percentage points in the period under review **(Table 9.1 and Chart 9.2)**.

Chart 9.1: NSE 20 share price index, NASI and market capitalization

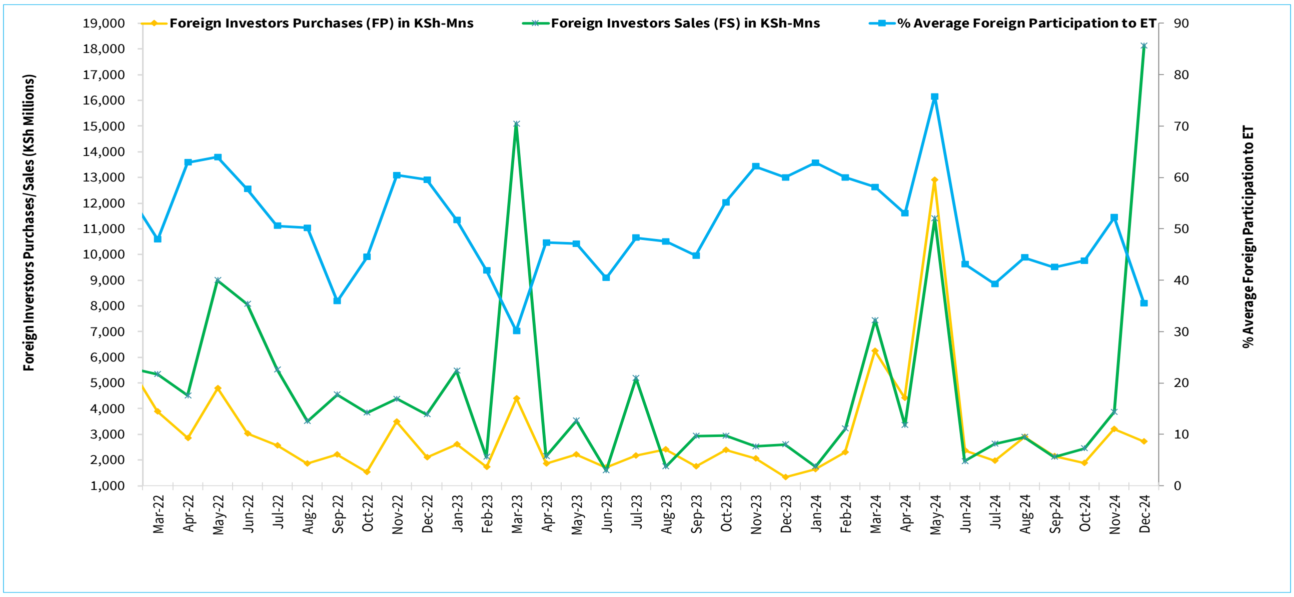


Source: Nairobi Security Exchange

Bonds Market

The bond turnover in the domestic secondary market decreased by 5.0 percent in the fourth quarter of 2024 compared to the third quarter of 2024. In the international market, yields on all outstanding Kenya's Eurobonds decreased by an average of 46 basis points during the period under review **(Table 9.1).** The Yield of the 6-Year Eurobond which was bought back in June 2024 stood at 10.13 percent at the end of the fourth quarter of 2024.

Chart 9.2: Foreign investors participation at the NSE



Source: Nairobi Security Exchange

Chapter 10

Statement of Financial Position of the Central Bank of Kenya

(Kenya Shilling Million)

		2024				Absolute Quarterly Changes (KSh Million)				Quaterly Growth Rates (%)			
1.0	**ASSETS**	**Mar**	**June**	**Sept**	**Dec**	**Q4,2024**	**Q3,2024**	**Q2,2024**	**Q1,2024**	**Q4,2024**	**Q3,2024**	**Q2,2024**	**Q1,2024**
1.1	Reserves and Gold Holdings	964,679	1,049,305	1,061,338	1,255,398	194,060	12,033	84,626	(103,578)	18.3	1.1	8.8	(9.7)
1.2	Funds Held with IMF	58,226	52,550	53,174	47,175	(5,999)	624	(5,676)	(18,302)	(11.3)	1.2	(9.7)	(23.9)
1.3	Investment in Equity (Swift Shares)	11	11	12	11	(1)	0	(0)	(3)	(5.0)	3.9	(2.7)	(18.2)
1.4	Items in the Course of Collection					-	-	-	-				
1.5	Advances to Commercial Banks	207,561	239,847	189,332	102,624	(86,708)	(50,515)	32,287	(21,669)	(45.8)	(21.1)	15.6	(9.5)
1.6	Loans and Other Advances	423,467	413,002	424,385	458,237	33,852	11,383	(10,464)	7,314	8.0	2.8	(2.5)	1.8
1.7	Other Assets	4,041	7,117	6,780	7,448	668	(337)	3,076	(1,084)	9.9	(4.7)	76.1	(21.1)
1.8	Retirement Benefit Asset	4,994	5,861	5,861	5,861	0	-	867	(1)	0.0	-	17.4	(0.0)
1.9	Property and Equipment	29,082	29,647	29,244	28,888	(356)	(403)	565	(340)	(1.2)	(1.4)	1.9	(1.2)
1.10	Intangible Assets	2,421	2,666	2,411	2,715	304	(255)	246	20	12.6	(9.6)	10.2	0.8
1.11	Due Debt from Government of Kenya	194,161	160,311	99,346	133,904	34,558	(60,965)	(33,850)	(22,089)	34.8	(38.0)	(17.4)	(10.2)
	TOTAL ASSETS	**1,888,642**	**1,960,317**	**1,871,883**	**2,042,261**	**170,378**	**(88,433)**	**71,675**	**(159,733)**	9.1	**(4.5)**	**3.8**	**(7.8)**
2.0	**LIABILITIES**					-							
2.1	Currency in Circulation	337,668	333,795	332,222	371,696	39,474	(1,572)	(3,873)	(13,607)	11.9	(0.5)	(1.1)	(3.9)
2.2	Deposits	563,692	647,035	544,385	624,002	79,617	(102,649)	83,343	8,687	14.6	(15.9)	14.8	1.6
2.3	International Monetary Fund	587,952	573,412	589,238	644,519	55,281	15,826	(14,540)	(8,334)	9.4	2.8	(2.5)	(1.4)
2.4	Other Liabilities	3,637	6,117	6,543	3,069	(3,474)	426	2,480	(285)	(53.1)	7.0	68.2	(7.3)
	TOTAL LIABILITIES	1,492,949	1,560,359	1,472,388	1,643,286	170,898	(87,970)	67,409	(13,539)	11.6	(5.6)	4.5	(0.9)
3.0	EQUITY AND RESERVES	395,694	399,958	399,495	398,975	(520)	(463)	4,264	(146,193)	(0.1)	(0.1)	1.1	(27.0)
	Share Capital	50,000	50,000	60,000	60,000	-	10,000	-	-	-	20	-	-
	General reserve fund	345,347	300,725	320,262	319,742	(520)	19,538	(44,622)	(146,193)	(0.2)	6	(13)	(30)
	Asset Revaluation	21,680	21,680	21,680	21,680	(0)	-	-	-	(0.0)	-	-	-
	Fair Value Reserves -OCI	(21,333)	(2,447)	(2,447)	(2,447)	-	(1)	18,887	-	-	0	(89)	-
	Consolidated Fund		30,000			-	(30,000)	30,000	-				
4	**TOTAL LIABILITIES AND EQUITY**	**1,888,643**	**1,960,317**	**1,871,884**	**2,042,261**	**170,377**	**(88,433)**	**71,674**	**(159,732)**	**9.1**	**(4.5)**	**3.8**	**(7.8)**

Source: Central Bank of Kenya

Notes on the Financial Position of the CBK

Assets

The Central Bank of Kenya (CBK) balance sheet increased by 9.1 percent in the fourth quarter compared to a decline of 4.5 percent in the previous quarter. The increase was largely reflected in the increase in Reserves and Gold Holdings. The reserve and gold holdings, which comprise of foreign reserves held in external current accounts, deposits and special/projects accounts, domestic foreign currency clearing accounts, gold, special drawing rights and Reserves Advisory and Management Program (RAMP) securities invested with the World Bank, increased due to official government inflows as well as Central Bank purchases of foreign exchange. In addition, debt due from government increased partly reflecting the IMF funds on-lent to government and utilization of overdraft facility at the central bank by government. Meanwhile, advances to commercial banks declined, reflecting improved liquidity conditions in the money markets.

Liabilities

On the liability side, the increase in the Central Bank's balance sheet was largely reflected in an increase in deposits, currency in circulation and liabilities to the IMF. The increase in deposits partly reflected the increase in government deposits with the Central Bank while the increase in currency in circulation reflected an increase in demand for cash during the end of year festivities. liabilities to the IMF increased in the fourth quarter of 2024 partly reflecting IMF related liabilities of government under the Extended Credit Facility (ECF) and Extended Fund Facility (EFF) to the Government, which were channeled through the Central Bank during the quarter under review.

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