Central Bank of Kenya

Quarterly Economic Review

October-December 2025

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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

Headline inflation edged up to 4.5 percent in the fourth quarter of 2025 from 4.4 percent in the third quarter, reflecting the effect of monetary policy easing and seasonal factors. Core inflation declined to 2.3 percent in the fourth quarter of 2025 from 3.0 percent in the previous quarter, largely driven by lower prices of select processed food items. Non-core inflation increased significantly to 10.4 percent in the fourth quarter from 8.7 percent in the third quarter, mainly on account of significant increases in prices of select vegetable and energy items.

Real GDP growth moderated to 4.6 percent in 2025 from 4.7 percent in 2024 on account of subdued growth of agriculture and services, which outweighed the recovery in industrial activity. Industry sector recorded strong growth, mainly driven by recovery in construction and mining and quarrying sectors. The fourth quarter of 2025 recorded a relatively lower growth of 4.0 percent compared to 5.4 percent in a similar quarter of 2024, mainly driven by the contraction of the agriculture sector and moderation in services sector growth during the quarter.

The Government's budgetary operations at the end of the second quarter of FY 2025/26 resulted in a deficit (including grants) of 2.8 percent of GDP. Revenue collection remained below targets while expenditure was slightly above target.

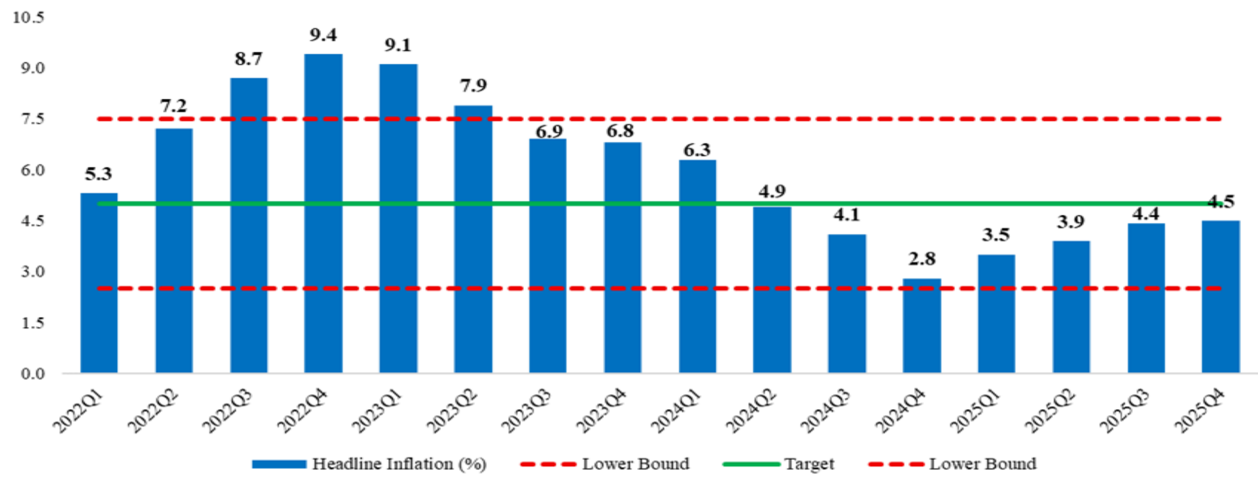
Kenya's public and publicly guaranteed debt increased by 2.0 percent during the second quarter of 2025/26. Domestic and external debt increased by 2.7 percent and 1.3 percent, respectively.

Chapter 1
Inflation

Trends in Headline Inflation

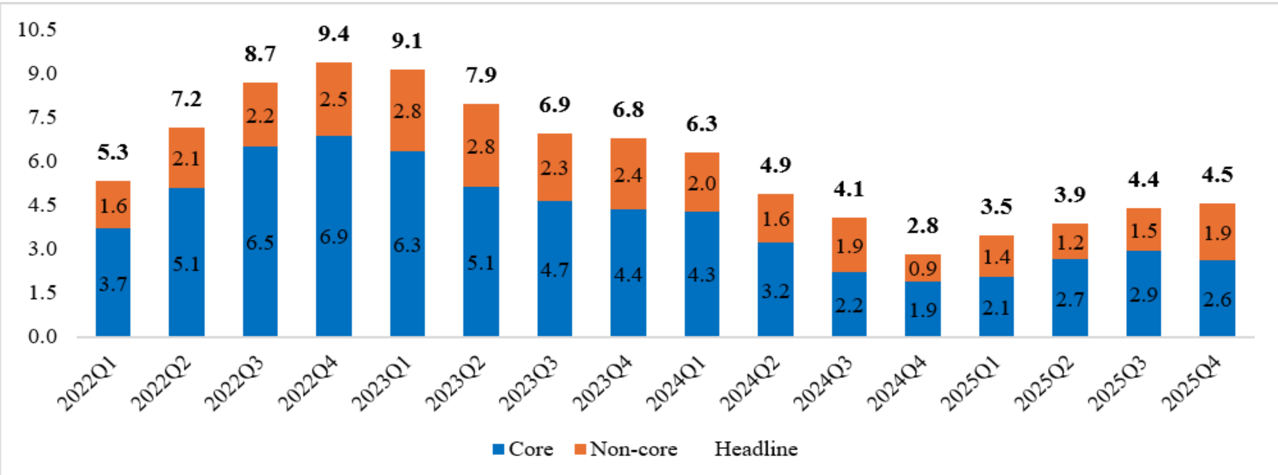
Headline inflation edged up to 4.5 percent in the fourth quarter of 2025, from 4.4 percent in the third quarter, reflecting the combined effect of the monetary policy stance, seasonal factors and stable exchange rate. Core inflation declined to 2.3 percent in the fourth quarter of 2025 from 3.0 percent in the previous quarter, largely driven by lower prices of select processed food items. Consequently, the contribution of core inflation to headline inflation eased to 2.6 percentage points in the fourth quarter compared to 2.9 percentage points in the third quarter. On the hand, non-core inflation increased significantly to 10.4 percent in the fourth quarter from 8.7 percent in the third quarter, mainly on account of significant increases in prices of select vegetable and energy items. As a result, the contribution of non-core inflation to headline inflation increased to 1.9 percentage points in the fourth quarter from 1.5 percentage points in the third quarter of 2025 2025 **(Charts 1.1 and 1.2).**

Chart 1.1: Developments in Headline Inflation



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

Chart 1.2: Contribution of Broad Components to Headline Inflation

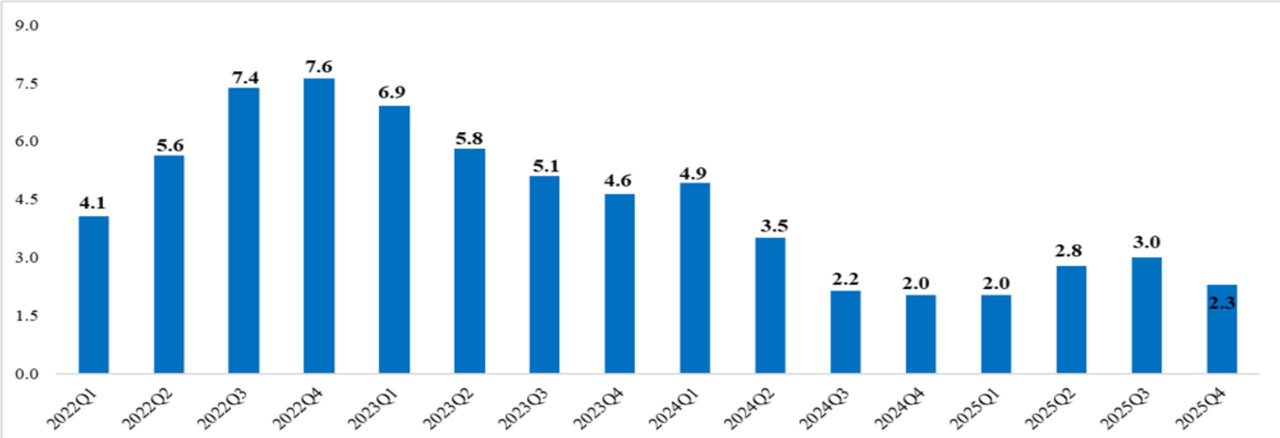


Source: Kenya National Bureau of Statistics and Central Bank of Kenya.

Core Inflation

Core inflation declined to 2.3 percent in the fourth quarter from 3.0 percent in third quarter, largely driven by easing prices of select processed food items, notably sifted maize flour, fortified maize flour, sugar, cooking fat and cooking oil/salad. Prices of non-food items in the core basket remained relatively stable **(Chart 1.3).**

Chart 1.3: Developments in Core Inflation

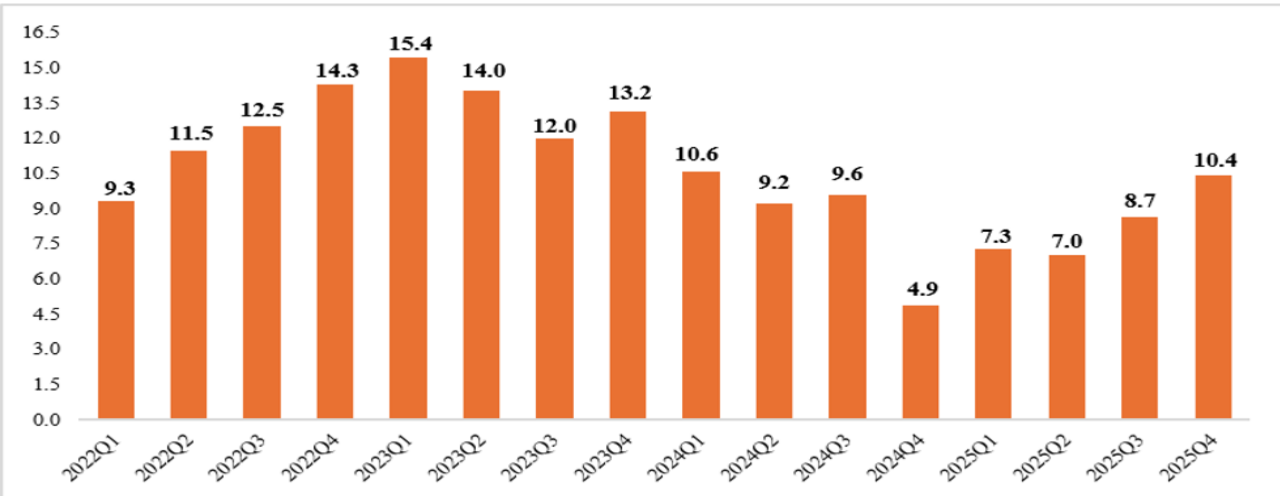


Source: Kenya National Bureau of Statistics and Central Bank of Kenya.

Non-Core Inflation

Non-core inflation increased to 10.4 percent in the fourth quarter of 2025 from 8.7 percent in the previous quarter, mainly driven by higher prices of select vegetables and energy items. Additionally, prices of local flights and country bus fares also increased in line with seasonal patterns **(Chart 1.4).**

Chart 1.4: Developments in Non-Core Inflation



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

Chapter 2

Economic Performance

Overview

The economy grew by 4.6 percent in 2025 compared to 4.7 percent in 2024. The slight moderation was driven by subdued growth of agriculture and services, which outweighed the recovery in industrial activity. The industrial sector rebounded and grew by 4.7 percent compared to 1.1 percent in 2024, mainly driven by strong recovery of activity in the construction and mining and quarrying sectors. Meanwhile, growth of services moderated to 5.3 percent in 2025 from 6.0 percent in 2024, reflecting relatively lower growth across all sectors. Additionally, agriculture sector growth decelerated to 3.1 percent from 4.4 percent in 2024, owing to the contraction of the sector in the fourth quarter of 2025.

In the fourth quarter of 2025, real Gross Domestic Product (GDP) decelerated to 4.0 percent from 5.4 percent in a similar quarter of 2024, mainly reflecting the contraction of agriculture sector and a general moderation in services sector growth. However, the industrial sector recorded a remarkable improvement in growth **(Table 2.1).**

Agriculture

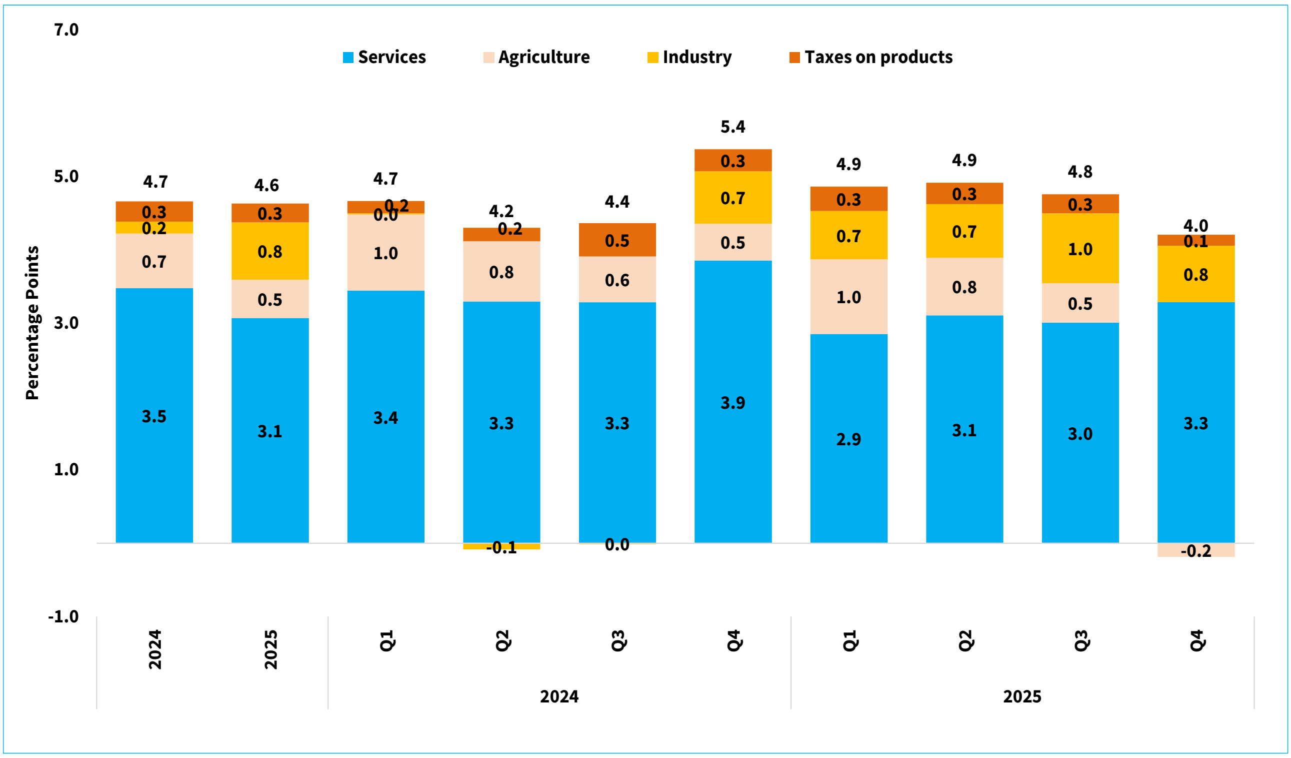
The sector recorded a relatively lower growth of 3.1 percent in 2025 compared to 4.4 percent in 2024. The growth in the first three quarters was partly offset by a contraction of -1.3 percent in the fourth quarter of 2025, reflecting the poor rainfall outcome experienced during the short rains season. Production of beans, tea and sugarcane declined by 11.9 percent, 8.0 percent, and 24.7 percent, respectively. However, production of maize, potatoes and millet increased by 2.2 percent, 13.6 percent, and 14.3 percent, respectively. Additionally, production of cash crops such as coffee and milk increased by 3.8 percent and 11.6 percent, respectively.

In the fourth quarter of 2025, the sector contracted by -1.3 percent from 3.3 percent growth in a similar quarter of 2024. This contraction was mainly due to below average rainfall, which constrained agricultural production. Tea production and sugarcane deliveries declined by 3.0 percent and 7.0 percent, respectively, during the quarter under review **(Chart 2.1).**

Non-Agriculture

The non-agriculture sector continued to support overall growth, expanding by 4.9 percent in 2025 compared to 4.7 percent in 2024. The improved performance was largely driven by strong recovery in industrial activity. Broadly, the non-agriculture sector growth decelerated to 5.0 percent in the fourth quarter of 2025 from 5.7 percent in a similar quarter of 2024. The deceleration was mainly driven by the relatively slower services sector growth of 5.5 percent compared to 6.6 percent in the corresponding quarter of the previous year **(Tables 2.1 and 2.3).**

Chart 2.1: Sectoral contributions to real GDP growth (percentage points)



a) The **services sector** growth moderated to 5.3 percent in 2025 from 6.0 percent in 2024 and contributed 3.1percentage points to real GDP growth. Similarly, growth slowed to 5.5 percent in the fourth quarter of 2025 compared to 6.6 percent in a similar quarter in 2024. Performance of select sectors is highlighted below:

- **Information and Communication:** In 2025, growth of the sector decelerated significantly to 4.8 percent from 7.1 percent in 2024, reflecting uneven performance across sub-activities. The following activities recorded improved performance: volume of mobile money transactions (1.3 percent), international outgoing voice traffic (9.5 percent), total utilized bandwidth (1.7 percent), and value of imported ICT equipment (2.4 percent). On the other hand, the following activities recorded a slowdown in performance: value of mobile money transactions (5.3 percent), volume of domestic voice traffic (3.5 percent), and value of exported ICT equipment (22.7 percent). Meanwhile, in the fourth quarter of 2025, growth of the sector moderated to 4.0 percent from 6.6 percent in a similar quarter of 2024.
- **Financial and Insurance Activities:** the sector grew by 6.5 percent in 2025 compared to 7.5 percent in 2024. Both the financial and insurance subsectors recorded slower growth, with the financial sub-sector growing by 4.0 percent compared to 5.0 percent in 2024, and the insurance sub-sector growing by 12.9 percent compared to 14.4 percent in 2024. However, in the fourth quarter of 2025, the sector recorded improved growth of 7.4 percent from 6.4 percent in a similar quarter of 2024. The robust growth was supported by increased growth of credit to the private sector, mainly supported by decline in lending rates.
- **Transport and Storage:** growth for the sector moderated to 3.7 percent from 4.3 percent in 2024. Increased activity in road, railway and water transport services was partially offset by the significant contraction in air transport. In the fourth quarter of 2025, the sector recorded a relatively lower growth of 4.7 percent compared to 5.1 percent in a similar quarter of 2024. This was driven by decline in air transport activity, reflected in lower consumption of aviation fuel (9.4 percent) and passenger flows through JKIA (1.6 percent).
- **Accommodation and Food Services:** growth of the sector remained robust at 15.6 percent in 2025 compared to 25.9 percent in 2024. The strong performance was driven by increased conferencing activities as Kenya co-hosted the

Africa Nations Championship, among other high level international conferences during the year. Consequently, international visitor arrivals through Jomo Kenyatta International Airport and Moi International Airport increased by 6.1 percent, while hotel bed occupancy rose by 12.6 percent in 2025. The sector recorded a higher growth of 18.3 percent in the fourth quarter of 2025, compared to 12.5 percent growth in a similar quarter of 2024, mainly supported by international tourist arrivals which increased by 8.0 percent.

b) The **industrial sector** rebounded and grew by 4.7 percent in 2025 compared to 1.1 percent in 2024. The strong performance was propelled by recovery of construction, mining and quarrying sectors, as well as improved growth of electricity and water supply, which offset the decelerated growth of the manufacturing sector. The trend was replicated in the fourth quarter of 2025. The industrial sector growth increased to 4.7 percent from 4.2 percent in a similar quarter of 2024 **(Tables 2.1, Table 2.3 and Figure 2.1).**

- **Construction:** The sector recovered strongly in 2025, expanding by 6.8 percent from a contraction of -0.7 percent in 2024. The improved growth during the year was largely driven by increased civil work and increased development of residential buildings by the State Department for Housing and Urban Development. As a result, cement consumption rose by 20.3 percent, imports of iron and steel and bitumen increased by 50.7 percent and 38.4 percent, respectively, while credit advanced to the sector increased by 45.5 percent in 2025. The robust recovery continued in the fourth quarter of 2025, as evidenced by improved growth of 7.3 percent from 4.2 percent recorded during a similar period of 2024. This was reflected in the total value of building plans approved in Nairobi and cement consumption, which increased by 56.7 percent and 21.1 percent, respectively.
- **Electricity and Water Supply:** On an annual basis, the sector's growth increased to 5.2 percent in 2025 from 2.7 percent in 2024, driven by electricity generation and sales, which increase by 6.2 percent and 9.6 percent, respectively. The sector also grew by 5.5 percent in the fourth quarter of 2025 compared to 3.7 percent in a similar period in 2024, supported by increased electricity generation from all sources except solar.
- **Manufacturing:** In 2025, the sector's growth decelerated to 2.0 percent from 3.0 percent in 2024, as the industry continued to navigate high production costs, energy-related constraints and the general decline in manufacturing globally. Growth in the fourth quarter of 2025 slowed down to 1.1 percent from 4.4 percent in a similar quarter of 2024, partly reflected in contraction of sugar production by -13.7 percent. However, activity was supported by increased production of cement (21.2 percent), galvanised sheets (24.1 percent), assembled vehicles (43.8 percent), and soft drinks (7.6 percent) **(Table 2.1).**

Table 2.1: Gross domestic product (GDP) growth by activity (percent)

	Annual		2024				2025			
	2024	2025	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
1. Agriculture	**4.4**	**3.1**	**5.5**	**4.2**	**4.3**	**3.3**	**5.3**	**4.0**	**3.8**	**-1.3**
2. Non-Agriculture (o/w)	**4.7**	**4.9**	**4.5**	**4.2**	**4.4**	**5.7**	**4.8**	**5.1**	**4.9**	**5.0**
2.1 Industry	**1.1**	**4.7**	**0.2**	**-0.4**	**0.1**	**4.2**	**4.0**	**4.6**	**5.5**	**4.7**
Mining & Quarrying	-7.8	14.9	-15.2	-12.2	-8.1	5.1	12.7	13.7	15.0	17.8
Manufacturing	3.0	2.0	1.8	3.1	2.5	4.4	2.8	1.3	2.7	1.1
Electricity & water supply	2.7	5.2	3.4	2.0	1.8	3.7	4.1	6.5	4.8	5.5
Construction	-0.7	6.8	-0.5	-4.3	-2.5	4.2	4.5	7.3	8.1	7.3
2.2 Services	**6.0**	**5.3**	**6.1**	**5.9**	**5.6**	**6.6**	**5.0**	**5.5**	**5.0**	**5.5**
Wholesale & Retail Trade	4.0	3.6	4.0	2.8	2.8	6.3	4.3	2.6	3.1	4.0
Accommodation & Food Services	25.9	15.6	37.0	34.6	23.2	12.5	8.0	12.8	23.6	18.3
Transport & Storage	4.3	3.7	4.1	3.5	4.4	5.1	3.6	3.3	3.1	4.7
Information & Communication	7.1	4.8	8.4	6.3	7.1	6.6	5.5	5.9	4.0	4.0
Financial & Insurance	7.5	6.5	9.2	7.8	6.9	6.4	5.3	7.1	6.1	7.4
Public administration	8.7	8.3	6.3	8.4	8.5	11.4	9.5	8.7	6.3	8.7
Professional, Administration & Support Services	6.4	5.0	12.1	8.3	4.5	1.5	4.1	7.0	7.1	2.1
Real estate	5.3	3.9	6.3	5.5	4.9	4.4	4.6	4.3	3.7	2.9
Education	4.8	2.8	1.9	3.0	5.6	8.6	1.8	3.8	3.9	2.1
Health	6.0	5.5	5.2	7.7	5.8	5.1	4.7	7.0	4.4	5.9
Other services	4.5	2.6	4.9	4.3	5.1	3.5	2.4	2.3	3.2	2.2
FISIM	9.7	0.2	16.7	11.7	10.7	1.3	0.6	2.2	2.0	-3.9
2.3 Taxes on products	**3.3**	**3.1**	**2.1**	**2.4**	**5.2**	**3.4**	**4.1**	**3.8**	**3.1**	**1.7**
Real GDP Growth	**4.7**	**4.6**	**4.7**	**4.2**	**4.4**	**5.4**	**4.9**	**4.9**	**4.8**	**4.0**

Table 2.2: Sectoral Shares (Percentage of GDP)

	Annual		2024				2025			
	2024	2025	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
1. Agriculture	**17.1**	**16.8**	**18.9**	**19.7**	**14.5**	**15.2**	**19.0**	**19.6**	**14.3**	**14.4**
2. Non-Agriculture (o/w)	**82.9**	**83.2**	**81.1**	**80.3**	**85.5**	**84.8**	**81.0**	**80.4**	**85.7**	**85.6**
2.1 Industry	**16.7**	**16.7**	**16.4**	**16.0**	**17.3**	**17.0**	**16.3**	**16.0**	**17.4**	**17.1**
Mining & Quarrying	0.9	1.0	0.8	0.9	1.0	0.9	0.9	0.9	1.1	1.1
Manufacturing	8.0	7.8	7.9	7.9	8.1	8.1	7.8	7.7	8.0	7.9
Electricity & water supply	2.4	2.4	2.3	2.3	2.6	2.4	2.3	2.3	2.6	2.4
Construction	5.4	5.5	5.3	5.0	5.7	5.6	5.3	5.1	5.9	5.8
2.2 Services	**57.9**	**58.3**	**56.5**	**56.5**	**59.6**	**59.0**	**56.6**	**56.8**	**59.7**	**59.8**
Wholesale & Retail Trade	8.0	7.9	8.5	7.4	7.8	8.3	8.4	7.2	7.7	8.3
Accommodation & Food Services	1.6	1.8	1.6	1.6	1.5	1.6	1.7	1.7	1.8	1.8
Transport & Storage	9.5	9.4	9.1	9.4	10.3	9.4	9.0	9.2	10.1	9.5
Information & Communication	3.4	3.4	3.4	3.2	3.5	3.6	3.4	3.3	3.5	3.6
Financial & Insurance	9.8	9.9	9.0	9.7	10.0	10.4	9.1	9.9	10.1	10.7
Public administration	6.2	6.4	5.9	6.3	6.4	6.2	6.1	6.6	6.5	6.5
Professional, Administration & Support Services	2.9	2.9	2.8	2.8	3.0	2.9	2.8	2.9	3.0	2.8
Real estate	10.3	10.2	10.2	10.3	10.7	10.1	10.2	10.2	10.6	10.0
Education	4.8	4.7	4.9	4.3	4.9	5.1	4.8	4.3	4.9	5.0
Health	2.2	2.3	2.1	2.3	2.3	2.3	2.1	2.4	2.3	2.4
Other services	2.1	2.1	2.0	2.1	2.4	2.0	2.0	2.0	2.4	1.9
FISIM	-3.0	-2.9	-2.9	-2.9	-3.2	-2.9	-2.8	-2.8	-3.1	-2.7
2.3 Taxes on products	**8.3**	**8.2**	**8.1**	**7.7**	**8.7**	**8.8**	**8.1**	**7.6**	**8.5**	**8.6**
Total	**100**	**100**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

Table 2.3: Sectoral Contributions to Real GDP Growth Rate (Percentage Points)

	Annual		2024				2025			
	2024	2025	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
1. Agriculture	**0.7**	**0.5**	**1.0**	**0.8**	**0.6**	**0.5**	**1.0**	**0.8**	**0.5**	**-0.2**
2. Non-Agriculture (o/w)	**3.9**	**4.1**	**3.6**	**3.4**	**3.7**	**4.9**	**3.8**	**4.1**	**4.2**	**4.3**
2.1 Industry	**0.2**	**0.8**	**0.0**	**-0.1**	**0.0**	**0.7**	**0.7**	**0.7**	**1.0**	**0.8**
Mining & Quarrying	-0.1	0.1	-0.1	-0.1	-0.1	0.0	0.1	0.1	0.2	0.2
Manufacturing	0.2	0.2	0.1	0.2	0.2	0.4	0.2	0.1	0.2	0.1
Electricity & water supply	0.1	0.1	0.1	0.0	0.0	0.1	0.1	0.2	0.1	0.1
Construction	0.0	0.4	0.0	-0.2	-0.1	0.2	0.2	0.4	0.5	0.4
2.2 Services	**3.5**	**3.1**	**3.5**	**3.3**	**3.3**	**3.9**	**2.9**	**3.1**	**3.0**	**3.3**
Wholesale & Retail Trade	0.3	0.3	0.3	0.2	0.2	0.5	0.4	0.2	0.2	0.3
Accommodation & Food Services	0.4	0.3	0.6	0.6	0.4	0.2	0.1	0.2	0.4	0.3
Transport & Storage	0.4	0.3	0.4	0.3	0.4	0.5	0.3	0.3	0.3	0.4
Information & Communication	0.2	0.2	0.3	0.2	0.3	0.2	0.2	0.2	0.1	0.1
Financial & Insurance	0.7	0.6	0.8	0.8	0.7	0.7	0.5	0.7	0.6	0.8
Public administration	0.5	0.5	0.4	0.5	0.5	0.7	0.6	0.6	0.4	0.6
Professional, Administration & Support Services	0.2	0.1	0.3	0.2	0.1	0.0	0.1	0.2	0.2	0.1
Real estate	0.5	0.4	0.6	0.6	0.5	0.4	0.5	0.4	0.4	0.3
Education	0.2	0.1	0.1	0.1	0.3	0.4	0.1	0.2	0.2	0.1
Health	0.1	0.1	0.1	0.2	0.1	0.1	0.1	0.2	0.1	0.1
Other services	0.1	0.1	0.1	0.1	0.1	0.1	0.0	0.0	0.1	0.0
FISIM	-0.3	0.0	-0.5	-0.3	-0.3	0.0	0.0	-0.1	-0.1	0.1
2.3 Taxes on products	**0.3**	**0.3**	**0.2**	**0.2**	**0.5**	**0.3**	**0.3**	**0.3**	**0.3**	**0.1**
Real GDP Growth	**4.7**	**4.6**	**4.7**	**4.2**	**4.4**	**5.4**	**4.9**	**4.9**	**4.8**	**4.0**

Chapter 3

Developments in Money, Credit and Interest Rates

Overview

Broad money supply (M3) grew by 4.7 percent in the fourth quarter of 2025, compared with a contraction of 0.4 percent in the previous quarter, mainly driven by higher deposits.

Monetary aggregates and its components

Broad money supply (M3) growth accelerated to 4.7 percent in the fourth quarter of 2025, from a contraction of 0.4 percent in the previous quarter, supported mainly by higher deposits, particularly corporate deposits. The increase in corporate deposits was largely reflected in time and savings deposits and foreign currency deposits. The pickup in time and savings deposits partly reflected efforts by corporates to lock in favourable interest rates. Household deposits also increased by KSh 39.2 billion in the fourth quarter of 2025, compared with a contraction of KSh 66.6 billion in the previous quarter. Like the corporate sector, the increase in household deposits was reflected in both time and savings deposits and foreign currency deposits. County government deposits at the Central Bank also increased, resulting in a rise in other deposits, while higher demand for cash during the end-year festivities supported growth in currency outside banks **(Tables 3.1 and 3.2).**

On the counterpart side, broad money (M3) growth in the fourth quarter of 2025 was supported by increases in both net foreign assets (NFA) and net domestic assets (NDA), with net foreign assets accounting for the larger share of the increase. The increase in NFA reflected higher official inflows and CBK operations, which resulted in a build-up of foreign currency reserves at the CBK, as well as an increase in external deposits held by commercial banks. NDA increased, mainly reflecting a pick-up in lending to the private sector **(Table 3.1).**

Table 3.1: Monetary aggregates (KSh Billion)

	End Month Level (KSh Billion)					Quarterly Growth Rates (%)					Absolute Quarterly Changes (KSh Billion)				
	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25
Components of M3															
1. Money supply, M1 (1.1+1.2+1.3)	2,121.4	2,109.8	2,342.3	2,324.2	2,406.0	7.5	-0.5	11.0	-0.8	3.5	148.6	-11.6	232.5	-18.1	81.8
1.1 Currency outside banks	292.8	285.4	286.0	292.5	323.2	9.2	-2.5	0.2	2.3	10.5	24.6	-7.4	0.6	6.5	30.7
1.2 Demand deposits	1,714.7	1,724.9	1,880.5	1,930.5	1,970.4	6.9	0.6	9.0	2.7	2.1	111.1	10.2	155.6	50.0	39.8
1.3 Other deposits at CBK 1/	114.1	99.7	175.9	101.3	112.8	12.8	-12.6	76.5	-42.4	11.4	13.0	-14.4	76.2	-74.6	11.5
2. Money supply, M2 (1+2.1)	4,231.3	4,277.6	4,519.6	4,488.1	4,682.7	4.6	1.1	5.7	-0.7	4.3	187.8	46.2	242.0	-31.5	194.6
2.1 Time and saving deposits	2,109.9	2,167.8	2,177.3	2,163.9	2,276.7	1.9	2.7	0.4	-0.6	5.2	39.2	57.8	9.5	-13.4	112.8
3. Money supply, M3 (2+3.1)	5,488.7	5,516.6	5,786.5	5,761.1	6,029.3	2.0	0.5	4.9	-0.4	4.7	107.3	27.9	269.9	-25.4	268.3
3.1 Foreign Currency Deposits	1,257.4	1,239.0	1,266.9	1,273.0	1,346.7	-6.0	-1.5	2.2	0.5	5.8	-80.5	-18.4	27.8	6.1	73.7
Sources of M3															
1. Net foreign assets 2/	841.7	957.1	1,066.3	943.9	1,183.9	-5.8	13.7	11.4	-11.5	25.4	-51.6	115.4	109.2	-122.4	240.0
Central Bank	610.1	682.3	810.8	747.1	892.5	29.2	11.8	18.8	-7.8	19.5	138.1	72.2	128.5	-63.6	145.4
Banking Institutions	231.5	274.8	255.5	196.8	291.4	-45.0	18.7	-7.0	-23.0	48.0	-189.7	43.2	-19.2	-58.7	94.6
2. Net domestic assets (2.1+2.2)	4,647.1	4,559.5	4,720.2	4,817.1	4,845.4	3.5	-1.9	3.5	2.1	0.6	158.9	-87.5	160.6	97.0	28.3
2.1 Domestic credit	6,458.5	6,509.2	6,655.5	6,368.6	6,429.1	3.9	0.8	2.2	3.2	1.0	239.5	50.7	146.3	196.2	60.5
2.1.1 Government (net)	2,533.7	2,600.9	2,713.3	2,337.4	2,288.8	8.0	2.7	4.3	4.8	-2.1	187.3	67.2	112.3	107.3	-48.6
2.1.2 Private sector	3,857.7	3,837.6	3,880.9	3,979.8	4,085.8	1.8	-0.5	1.1	2.5	2.7	68.6	-20.1	43.3	98.9	106.0
2.1.3 Other public sector	67.1	70.7	61.4	51.4	54.5	-19.7	5.4	-13.2	-16.3	6.0	-16.5	3.6	-9.3	-10.0	3.1
2.2 Other assets net	-1,811.4	-1,949.7	-1,935.4	-1,551.5	-1,583.7	4.7	7.6	-0.7	6.8	2.1	-80.6	-138.3	14.3	-99.2	-32.2
Memorandum items															
4. Overall liquidity, L (3+4.1)	8,662.0	8,807.9	9,192.1	9,886.5	10,290.2	2.5	1.7	4.4	2.1	4.1	214.7	145.9	384.1	204.3	403.7
4.1 Non-bank holdings of government securities	3,173.3	3,291.3	3,405.6	4,125.5	4,260.9	3.5	3.7	3.5	5.9	3.3	107.3	118.1	114.3	229.7	135.4

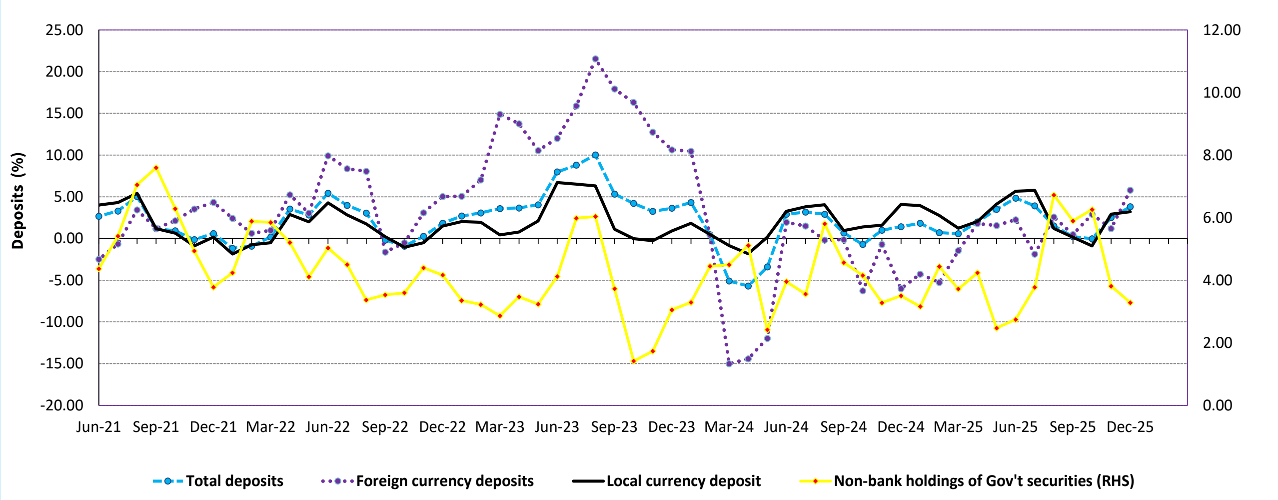
Absolute and percentage changes may not necessarily add up due to rounding

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

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-24	Mar-25	Jun-25	Sep-25	Dec-25	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25
1. Household Sector 1/	2076	2172	2233	2166	2206	-0.4	4.6	2.6	-3.0	1.8	-8.1	96.1	56.9	-66.6	39.2
1.1 Demand Deposits	668	727	812	760	762	6.0	8.7	11.2	-6.5	0.3	38.0	58.3	81.6	-52.6	2.0
1.2 Time and Saving Deposits	1027	1064	1036	1033	1058	-2.1	3.6	-2.6	-0.4	2.5	-22.0	37.2	-28.2	-3.7	25.3
1.3 Foreign Currency Deposits	381	382	385	374	386	-6.0	0.2	0.9	-2.7	3.2	-24.2	0.6	3.4	-10.4	11.9
2. Corporate Sector	2909	2867	3019	3129	3296	2.6	-1.5	5.0	3.6	5.3	74.6	-42.3	143.9	109.4	166.9
2.1 Demand deposits	1018	972	1052	1150	1163	7.3	-4.6	8.0	9.3	1.1	69.5	-46.4	78.3	97.5	13.2
2.2 Time and Saving Deposits	1018	1041	1089	1085	1176	6.5	2.2	3.8	-0.4	8.4	61.8	22.9	40.3	-4.0	90.9
2.3 Foreign Currency Deposits	873	854	878	894	957	-6.1	-2.2	3.0	1.8	7.0	-56.7	-18.8	25.3	16.0	62.8

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 slowed to 1.0 percent in the fourth quarter of 2025, from 3.2 percent in the previous quarter, mainly due to a contraction in net lending to Government. This mainly reflected an increase in Government deposits held with commercial banks. Credit to the rest of the public sector increased slightly, largely due to credit uptake by county governments **(Table 3.3).**

In contrast, credit to the private sector improved in the fourth quarter of 2025, growing by 2.7 percent compared with 2.5 percent in the previous quarter. The increase partly reflected higher demand for working capital by corporates, particularly in the trade sector, amid seasonal growth in demand for goods and services, as well as increased demand for credit by households.

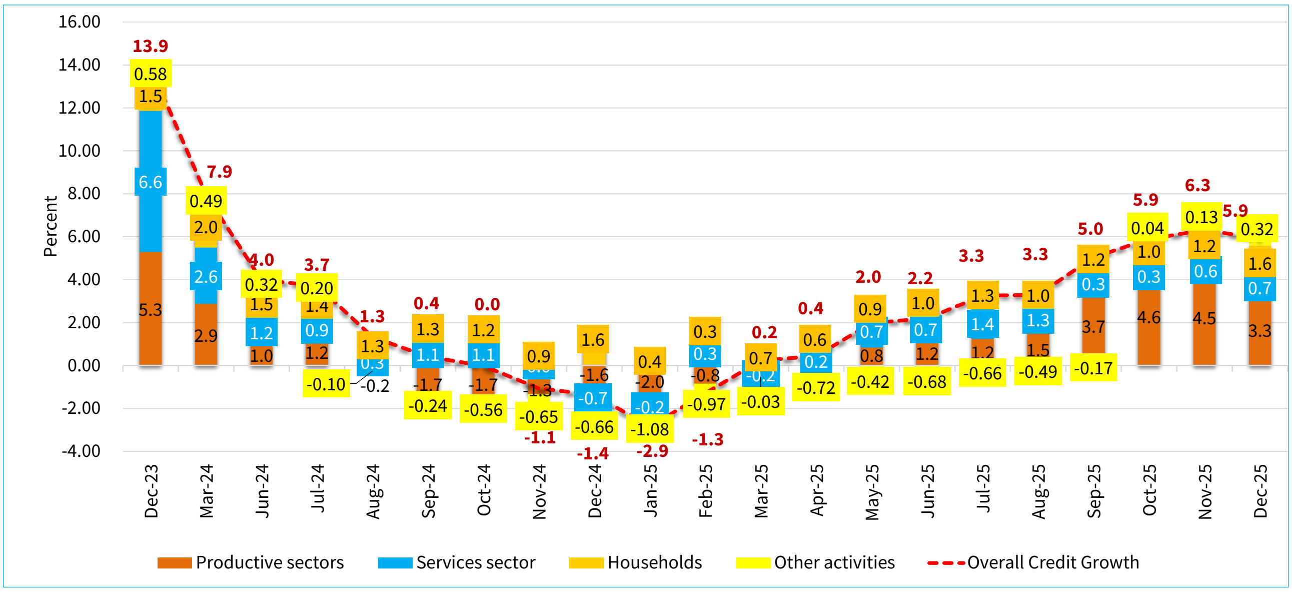
Year-on-year growth in private sector credit rose to 5.9 percent in September 2025, from 5.0 percent in June 2025 and 2.2 percent in September 2024, mainly reflecting improved demand for credit in line with declining lending interest rates and resilient economic activity. Private sector credit growth is expected to continue strengthening in the near term, supported by improved economic activity, an accommodative policy stance, and enhanced transparency and loan pricing following the introduction of the revised Risk-Based Credit Pricing model **(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-24	Mar-25	Jun-25	Sep-25	Dec-25	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25
1. Credit to Government	1,984.2	2,088.7	2,230.1	2,337.4	2,288.8	17.2	5.3	6.8	4.8	-2.1	291.2	104.5	141.4	107.3	-48.6
Central Bank	386.3	395.9	395.9	433.7	438.1	7.5	2.5	0.0	9.5	1.0	27.0	9.6	0.0	37.7	4.5
Commercial Banks & NBFIs	1,597.9	1,692.8	1,834.2	1,903.8	1,850.7	19.8	5.9	8.4	3.8	-2.8	264.2	94.9	141.4	69.6	-53.1
2. Credit to other public sector	67.1	70.7	61.4	51.4	54.5	-19.7	5.4	-13.2	-16.3	6.0	-16.5	3.6	-9.3	-10.0	3.1
Local government	1.7	15.0	16.1	13.9	18.7	-76.1	791.2	6.8	-13.3	34.4	-5.4	13.3	1.0	-2.1	4.8
Parastatals	65.4	55.7	45.3	37.5	35.8	-14.5	-14.9	-18.6	-17.4	-4.5	-11.1	-9.7	-10.4	-7.9	-1.7
3. Credit to private sector	3,857.7	3,837.6	3,880.9	3,979.8	4,085.8	1.8	-0.5	1.1	2.5	2.7	68.6	-20.1	43.3	98.9	106.0
Agriculture	149.0	149.0	151.1	153.5	192.0	9.4	0.0	1.4	1.6	25.0	12.8	-0.1	2.1	2.5	38.4
Manufacturing	577.1	560.4	598.3	590.3	584.2	8.7	-2.9	6.8	-1.3	-1.0	46.0	-16.7	37.9	-8.0	-6.1
Trade	678.8	682.9	696.8	702.4	739.4	0.5	0.6	2.0	0.8	5.3	3.1	4.0	13.9	5.6	37.0
Building and construction	134.5	153.8	159.6	192.5	184.4	6.8	14.4	3.8	20.6	-4.2	8.6	19.3	5.8	32.9	-8.1
Transport & communications	367.2	357.0	336.2	343.4	330.2	5.5	-2.8	-5.8	2.1	-3.8	19.3	-10.2	-20.8	7.1	-13.2
Finance & insurance	149.1	133.6	142.1	154.6	158.8	-4.8	-10.4	6.4	8.8	2.8	-7.5	-15.5	8.5	12.5	4.3
Real estate	458.4	451.3	452.0	459.7	449.0	0.7	-1.5	0.2	1.7	-2.3	3.0	-7.1	0.7	7.7	-10.7
Mining and quarrying	20.1	17.4	22.7	21.5	28.4	-59.3	-13.2	30.1	-5.1	31.9	-29.2	-2.6	5.3	-1.2	6.9
Private households	572.3	560.9	564.8	570.8	584.1	-0.4	-2.0	0.7	1.0	2.3	-2.3	-11.5	4.0	5.9	13.4
Consumer durables	429.2	449.9	457.5	468.5	479.6	2.8	4.8	1.7	2.4	2.4	11.5	20.7	7.6	11.1	11.1
Business services	205.1	189.9	192.5	197.4	197.2	-0.5	-7.4	1.4	2.5	-0.1	-1.0	-15.2	2.6	4.9	-0.1
Other activities	116.8	131.5	107.3	125.2	158.4	3.9	12.6	-18.4	16.7	26.5	4.4	14.8	-24.2	17.9	33.2
4. TOTAL (1+2+3)	5,909.0	5,997.0	6,172.4	6,368.6	6,429.1	6.2	1.5	2.9	3.2	1.0	343.4	88.0	175.4	196.2	60.5

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 growth accelerated to 10.3 percent in the fourth quarter of 2025, from 0.8 percent in the previous quarter. This was mainly due to a build-up in net foreign assets, which more than offset the contraction in net domestic assets. The increase in net foreign assets was supported by official inflows and Central Bank foreign exchange operations. In contrast, the decline in net domestic assets reflected a sharp reduction in net lending to commercial banks. The increase in reserve money was reflected in higher currency outside banks as well as bank reserves **(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-24	Mar-25	Jun-25	Sep-25	Dec-25	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25
Sources of Reserve Money															
1. Net Foreign Assets	610.1	682.3	810.8	747.1	892.5	29.2	11.8	18.8	-7.8	19.5	138.1	72.2	128.5	-63.6	145.4
2. Net Domestic Assets	11.9	-98.9	-238.5	-170.4	-256.4	-89.0	-928.1	141.1	-28.5	50.5	-96.2	-110.9	-139.6	68.1	-86.0
2.1 Government Borrowing (net)	386.3	395.9	395.9	433.7	438.1	7.5	2.5	0.0	9.5	1.0	27.0	9.6	0.0	37.7	4.5
2.2 Commercial banks (net)	123.6	8.7	-28.7	-57.1	-172.3	-41.3	-93.0	-431.0	99.2	201.6	-87.0	-114.9	-37.4	-28.4	-115.2
2.3 Other Domestic Assets (net)	-501.6	-507.2	-609.5	-550.7	-526.1	7.8	1.1	20.2	-9.7	-4.5	-36.3	-5.6	-102.3	58.8	24.6
Components of Reserve Money															
3. Reserve Money	622.1	583.4	572.3	576.7	636.1	7.2	-6.2	-1.9	0.8	10.3	41.9	-38.7	-11.1	4.5	59.4
3.1 Currency outside banks	292.8	285.4	286.0	292.5	323.2	9.2	-2.5	0.2	2.3	10.5	24.6	-7.4	0.6	6.5	30.7
3.2 Bank reserves	329.3	298.0	286.3	284.2	312.9	5.5	-9.5	-3.9	-0.7	10.1	17.3	-31.3	-11.7	-2.1	28.7

Source: Central Bank of Kenya

Interest Rates

a. Central Bank Rate

The Monetary Policy Committee (MPC) cumulatively reduced the Central Bank Rate (CBR) by 50 basis points in its October and December 2025 meetings, with a 25-basis-point cut at each meeting, bringing the rate to 9.00 percent. The Committee noted that inflation had declined and remained below the midpoint of the target range, supported by lower food prices, stable energy costs, and a stable exchange rate. The Committee concluded that there was scope for further easing to stimulate private sector credit and support economic activity, while maintaining exchange rate stability.

b. Short Term Rates

Short-term interest rates moderated during the fourth quarter of 2025, partly reflecting improved money market liquidity and a further easing of the monetary policy stance. The weighted overnight interbank rate—renamed the Kenya Shilling Overnight Interbank Average (KESONIA) in September 2025—declined to 9.08 percent in December 2025, from 9.48 percent in September 2025, and remained within the interest rate corridor around the CBR, partly supported by open market operations. The average 91-day Treasury bill rate fell to 7.77 percent in December 2025 from 8.90 percent in September 2025, while the average 182-day Treasury bill rate declined to 7.80 percent from 8.02 percent.

c. Lending and Deposit Rates

Commercial banks' average lending and deposit rates declined in the fourth quarter of 2025, reflecting the easing of the monetary policy stance. The weighted average lending rate fell by 25 basis points, from 15.07 percent in September 2025 to 14.82 percent in September 2025. Similarly, the average deposit rate declined to 7.13 percent in December 2025, from 7.63 percent in September 2025, reflecting an easing in the cost of funds. Deposit rates fell faster than lending rates, resulting in a wider lending–deposit spread.

Table 3.5: Interest rates (percent)

	2024	2025											
	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec
91-day Treasury bill rate	10.32	9.63	9.14	8.88	8.51	8.37	8.21	8.13	8.05	7.96	7.88	7.79	7.77
182-day Treasury bill rate	10.39	10.03	9.57	9.13	9.15	8.59	8.51	8.44	8.19	8.02	7.92	7.82	7.80
Interbank rate	11.45	11.21	10.68	10.68	10.14	9.86	9.72	9.63	9.55	9.48	9.33	9.24	9.08
Repo rate	0.00	11.22	10.80	10.71	10.28	10.00	9.87	9.75	9.61	9.55	9.35	9.26	9.12
Reverse Repo rate	12.22	11.39	-	-	-	-	-	-	9.74	9.68	9.17	-	-
Central Bank Rate (CBR)	11.25	11.25	10.75	10.75	10.00	10.00	9.75	9.75	9.50	9.50	9.25	9.25	9.00
Average lending rate (1)	16.89	16.64	16.41	15.76	15.65	15.44	15.29	15.24	15.17	15.07	15.00	14.88	14.82
Overdraft rate	15.75	15.38	15.10	14.29	14.08	13.73	13.52	13.61	13.89	13.72	13.23	13.36	13.38
1-5years	17.72	17.56	17.21	16.48	16.33	16.07	15.89	15.68	15.50	15.41	15.34	15.24	15.18
Over 5years	16.59	16.33	16.19	15.67	15.61	15.49	15.37	15.31	15.26	15.19	15.26	15.01	14.95
Average deposit rate (2)	10.45	10.05	9.76	9.34	8.87	8.70	8.37	8.07	7.74	7.63	7.50	7.28	7.13
0-3months	11.27	10.65	10.11	9.88	8.92	8.64	8.45	8.29	8.18	8.11	2.12	1.91	2.13
Over 3 months deposit	11.04	10.73	10.59	10.48	9.93	9.72	9.30	8.84	8.28	8.11	7.91	7.72	7.66
Savings deposits	4.25	4.08	4.02	3.09	3.66	3.31	3.76	3.76	3.61	3.77	7.99	7.71	7.78
Spread (1-2)	6.44	6.59	6.64	6.42	6.78	6.74	6.92	7.18	7.43	7.44	7.51	7.60	7.69

Source: Central Bank of Kenya

Chapter 4
Global Economy

According to the International Monetary Fund (IMF) January 2026 update of the World Economic Outlook, global economic activity remained broadly resilient in the fourth quarter of 2025, despite persistent policy uncertainty and ongoing trade frictions. Global growth in 2025 is estimated at 3.3 percent, unchanged from 2024, reflecting steady but uneven momentum across regions. Growth is projected to remain stable at 3.3 percent in 2026 before easing slightly to 3.2 percent in 2027. The relatively stable global performance conceals divergent underlying dynamics, including easing trade tensions, accommodative financial conditions, fiscal stimulus in selected advanced economies, and strong investment in technology-related sectors, particularly artificial intelligence (AI), offset by structural weaknesses and heightened geopolitical risks.

Growth outcomes in advanced economies strengthened moderately toward the end of 2025. The United States recorded a stronger-than-expected performance in the third quarter, with growth accelerating to an annualized rate of 4.3 percent, supported by robust technology investment and resilient consumption. The US growth for 2025 is estimated at 2.1 percent and projected to rise to 2.4 percent in 2026, underpinned by fiscal support and a gradual easing of monetary policy. In the euro area, economic activity remained subdued, with growth estimated at 1.4 percent in 2025 and projected at 1.3 percent in 2026. Germany emerged from its 2024 contraction with modest growth of 0.2 percent in 2025, while France, Italy, and Spain recorded moderate expansions, supported by services activity and public spending. Japan's economy rebounded to 1.1 percent in 2025 following a contraction in 2024, although growth is expected to moderate over the medium term.

Emerging market and developing economies continued to be the main drivers of global growth, expanding by 4.4 percent in 2025 and projected to remain above 4.0 percent in 2026–2027. China's economy grew by 5.0 percent in 2025, supported by policy stimulus and resilient exports, although growth is expected to moderate to 4.5 percent in 2026 amid structural challenges in the property sector and softer domestic demand. India remained the fastest-growing major economy, expanding by 7.3 percent in 2025, driven by strong domestic demand and sustained investment momentum. In sub-Saharan Africa, growth improved to 4.4 percent in 2025 and is projected at 4.6 percent in 2026, reflecting ongoing macroeconomic stabilization and reform efforts in key economies. Within the region, Nigeria and South Africa recorded growth rates of 4.2 percent and 1.3 percent, respectively, in 2025. Kenya's growth is expected to remain above both global and sub-Saharan Africa averages, supported by resilient domestic demand and robust performance in the services sector.

Global trade remained relatively resilient in 2025, but the pace of expansion is projected to decelerate from 4.1 percent in 2025 to 2.6 percent in 2026, partly reflecting earlier front-loading of trade flows in response to tariff-related uncertainty. Trade tensions between the United States and China eased following bilateral agreements on tariffs. However, policy uncertainty remains elevated relative to early 2025, and trade policy remains a major source of downside risk to global growth.

Global financial conditions remained broadly accommodative in the fourth quarter of 2025, despite periodic volatility in equity and bond markets. Strong investor appetite for technology stocks sustained equity valuations, although concerns emerged regarding elevated leverage and concentration risks in AI-related sectors. Sovereign bond issuance remained high, with some advanced economies shifting toward shorter maturities amid rising fiscal pressures. Emerging markets benefited from continued portfolio inflows and improved access to international capital markets.

Inflation continued to moderate gradually during the second half of 2025. Global headline inflation declined to 4.1 percent in 2025 and is projected to ease further to 3.8 percent in 2026 and 3.4 percent in 2027. The disinflation process, however, remains uneven across regions. Inflation in the United States is projected to return to target only in 2027 due to gradual pass-through from earlier tariff increases. In the euro area and Japan, inflation is expected to be around target levels, while inflation in China remains subdued. Lower global energy prices, driven by ample supply and moderate growth in demand, supported the disinflation trend in 2025, easing cost pressures across the production and consumption sectors.

In 2025, monetary policy diverged across major economies. The U.S. Federal Reserve cut the federal funds rate to around 4.25–4.50 percent by year-end, while the Bank of England lowered Bank Rate to 3.75 percent. The European Central Bank held rates steady near 2 percent, and the Bank of Japan raised its policy rate to 0.75 percent in December. Fiscal policy remained broadly supportive, with continued stimulus in the United States, Germany, and Japan helping to cushion slowing growth and trade-related headwinds in the final quarter of 2025.

Despite the resilience observed in 2025, risks to the global outlook remain tilted to the downside. Renewed trade tensions, geopolitical conflicts, fiscal sustainability concerns in highly indebted economies, and tighter global financial conditions could disrupt growth momentum. Conversely, faster-than-expected AI adoption and productivity gains, as well as sustained easing of trade tensions, present potential upside risks to medium-term growth.

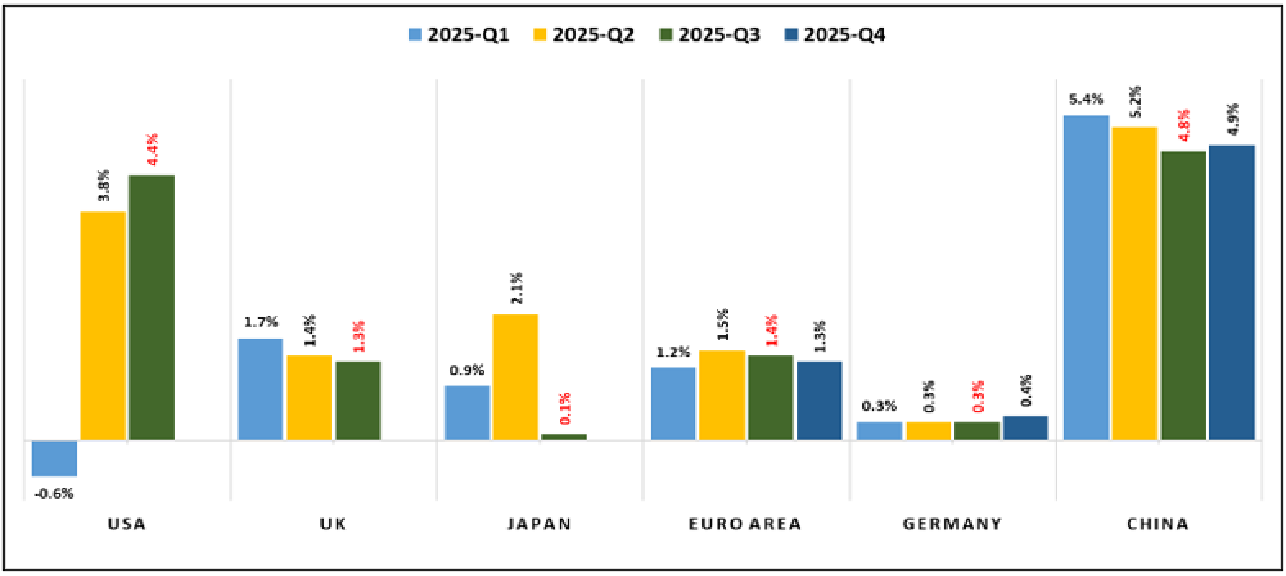
Table 4.1: Growth performance and outlook for the global economy (percent)

Year Over Year

	Actuals		Estimate	Projections		Difference from Oct 2025 WEO Projections	
	2023	2024	2025	2026	2027	2026	2027
World Output	**3.5**	**3.3**	**3.3**	**3.3**	**3.2**	**0.2**	**0.0**
Advanced Economies	**1.8**	**1.8**	**1.7**	**1.8**	**1.7**	**0.2**	**0.0**
United States	2.9	2.8	2.1	2.4	2.0	0.3	-0.1
Euro Area	0.5	0.9	1.4	1.3	1.4	0.1	0.0
Germany	–0.3	–0.2	0.2	1.1	1.5	0.2	0.0
France	1.6	1.1	0.8	1.0	1.2	0.1	0.0
Italy	0.7	0.7	0.5	0.7	0.7	-0.1	0.1
Spain	2.7	3.2	2.9	2.3	1.9	0.3	0.2
Japan	1.4	0.2	1.1	0.7	0.6	0.1	0.0
United Kingdom	0.4	1.1	1.4	1.3	1.5	0.0	0.0
Canada	1.5	1.6	1.6	1.6	1.9	0.1	0.0
Emerging Market and Developing Economies	**4.7**	**4.3**	**4.4**	**4.2**	**4.1**	**0.2**	**-0.1**
Emerging and Developing Asia	**6.1**	**5.3**	**5.4**	**5.0**	**4.8**	**0.3**	**0.0**
China	5.4	5.0	5.0	4.5	4.0	0.3	-0.2
India	9.2	6.5	7.3	6.4	6.4	0.2	0.0
Emerging and Developing Europe	**3.6**	**3.5**	**2.0**	**2.3**	**2.4**	**0.1**	**0.0**
Russia	4.1	4.3	0.6	0.8	1.0	-0.2	-0.1
Latin America and the Caribbean	**2.4**	**2.4**	**2.4**	**2.2**	**2.7**	-0.1	0.1
Brazil	3.2	3.4	2.5	1.6	2.3	-0.3	0.1
Middle East and Central Asia	**2.4**	**2.4**	**3.7**	**3.9**	**4.0**	**0.1**	**0.2**
Saudi Arabia	0.5	2.0	4.3	4.5	3.6	0.5	0.4
Sub-Saharan Africa	**3.6**	**4.0**	**4.4**	**4.6**	**4.6**	0.2	0.1
Nigeria	2.9	3.4	4.2	4.4	4.1	0.2	0.1
South Africa	0.8	0.5	1.3	1.4	1.5	0.2	0.0
Kenya	5.3	4.7	4.8	4.9	...	...	...

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 986 million in the fourth quarter of 2025, compared to a surplus of USD 881 million in a similar period in 2024.

Current Account Balance

The current account deficit widened by USD 1544 million to USD 841 million in the fourth quarter of 2025, up from USD 687 million in the corresponding period of 2024 **(Table 5.1).** The widening of the current account deficit was mainly on account of the deficit in the goods balance, which increased by USD 173 million to USD 3,034 million in the fourth quarter of 2025, compared to USD 2,861 million in the same period of 2024, reflecting higher imports, which more than offset the increase in exports. The services account balance worsened by USD 161 million during the quarter, mainly due to lower earnings from transport and other services. The deficit in the primary income account widened by USD 8 million, due to decreased investment income receipts. The secondary income balance declined by USD 62 million, largely due to a reduction in other current transfers. However, remittance inflows declined by USD 36 million to USD 1,282 million in the fourth quarter of 2025, down from USD 1,318 million in the similar period of 2024.

Table 5.1: Trade Exports (USD Millions)

ITEM	2024				2025				2025 Q4-2024Q4	
	Jan- Mar	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar	Apr-Jun	July-Sep	Oct-Dec	Absolute	Percent
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Change	Change
A. Current Account	-373	-535	-529	-687	-541	-536	-969	-841	-154	22.4
Goods: exports f.o.b.	3020	3151	3196	2897	3179	3273	3559	3025	128	4.4
Goods: imports f.o.b.	5157	5592	5745	5758	5460	5792	6378	6058	301	5.2
Services: credit	1854	1937	2239	2047	1941	1965	2253	2236	189	9.2
Services: debit	1301	1403	1472	1526	1348	1427	1559	1555	28	1.8
Balance on goods and services	-1584	-1908	-1782	-2341	-1687	-1982	-2125	-2353	-12	0.5
Primary income: credit	55	61	77	99	99	107	101	94	-5	-4.7
Primary income: debit	687	513	815	399	738	540	801	457	57	14.4
Balance on goods, services, and primary income	-2216	-2360	-2520	-2641	-2327	-2415	-2825	-2715	-74	2.8
Secondary income: credit	1846	1856	2002	1958	1804	1899	1869	1891	-67	-3.4
O/w Remittances	1207	1202	1272	1318	1245	1306	1280	1282	-36	-2.8
Secondary income: debit	3	31	11	4	19	20	14	17	13	327.9
B. Capital Account.	57	61	10	104	0	136	23	22	-82	-79.0
Capital account: credit	57	61	10	104	0	136	23	22	-82	-79.0
Capital account: debit	0	0	0	0	0	0	0	0	0	0
C. Financial Account.	-1357	-602	-586	-1665	-782	-1544	-575	-1021	644	-38.7
D. Net Errors and Omissions	-1259	522	73	-201	354	71	-148	784	985	-489.4
E. Overall Balance	218	-650	-140	-881	-595	-1215	519	-986	-105	11.9
F. Reserves and Related Items	-218	650	140	881	595	1215	-519	986	105	11.9

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

Goods Account

Goods exports rose by USD 128 million to USD 3,025 million in the fourth quarter of 2025, mainly attributed to higher export earnings from tea, coffee, horticulture, manufactured goods, mineral fuels, animal and vegetable oils, and clothing accessories. The increase in agricultural exports was mainly on account of demand and favorable prices in the international market. Re-exports, which mainly comprise petroleum fuels to the region, declined on account of lower oil prices in the international market.

Table 5.2a: Trade Imports (USD Millions)

	2024				2025*				2025 Q4-2024Q4	
TRADE EXPORTS-CIF (USD MILLIONS)	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec	Oct	Nov	Dec	Oct-Dec	Absolute	Percent
COMMODITY DESCRIPTION	Q1	Q2	Q3	Q4				Q4	Change	Change
FOOD AND LIVE ANIMALS	768	747	792	674	270	263	299	833	158.8	-76.4
Vegetables and Fruits (Fresh)	129	140	180	121	58	54	52	163	42.0	-65.3
Coffee	56	92	96	59	22	23	25	70	10.5	-82.2
Tea	388	341	345	324	128	123	152	402	78.3	-75.8
BEVERAGES AND TOBACCO	33	33	39	34	12	9	10	30	-4.1	-112.1
CRUDE MATERIALS	352	304	269	336	100	96	99	296	-39.9	-111.9
Cut flowers	150	119	109	127	48	45	44	137	10.0	-92.1
MINERAL FUELS	24	28	31	25	10	8	12	30	4.8	-80.6
ANIMAL & VEGETABLE OILS	32	64	77	54	26	25	19	71	16.9	-68.5
CHEMICALS AND RELATED PRODUCTS	149	155	178	146	45	52	50	147	0.8	-99.4
MANUFACTURED GOODS	157	156	184	142	50	55	53	158	16.1	-88.7
Non - Metallic Minerals	52	51	63	37	14	17	16	47	9.3	-75.2
Iron and Steel	49	52	54	44	18	17	17	51	7.1	-84.0
MACHINERY AND TRANSPORT EQUIPMENT	29	21	37	42	10	15	13	37	-4.9	-111.6
MISCELLENEOUS MANUFACTURED ARTIC.	155	182	213	202	63	72	71	206	3.9	-98.1
Clothing accessories	85	97	124	119	36	43	43	122	2.7	-97.7
COMMODITIES & TRANSACTIONS	5	6	4	9	3	7	0	10	1.1	-87.6
RE-EXPORTS	1,259	1,408	1,327	1,178	286	360	354	1,000	-178.4	-115.1
TOTAL CUSTOMS EXPORTS (CIF)	2,963	3,104	3,152	2,841	874	961	981	2,816	(25)	(101)

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

Goods imports increased by USD 301 million to USD 6,058 million in the fourth quarter of 2025. The increase was mainly in imports of intermediate goods, machinery, and transport equipment. Food imports rose by 88 million to USD 640 million in the fourth quarter of 2025, largely driven by increases in cereal and sugar imports. During the review period, imports of chemicals increased by USD 107 to USD 874 million due to an increase in imports of manufactured fertilizer. Similarly, imports of machinery and transport vehicles increased by (USD 185 million), animal and vegetable oils (USD 10 million), and manufactured goods (USD 27 million). However, imports of mineral fuels were lower largely on account of a decline in the importation of jet fuel because of low oil prices in the international market.

Table 5.2b: Trade Imports (USD Millions)

TRADE IMPORTS-CIF (USD MILLIONS)	2024				2025		2025*					2025 Q4-2024Q4	
	Oct-Dec	Jan-Mar	Apr-Jun	Jul-Sep	Oct	Nov	Dec	Oct-Dec	Absolute	Percent	Oct-Dec	Absolute	Percent
COMMODITY DESCRIPTION	Q4	Q1	Q2	Q3				Q4	Change	Change	Q4	Change	Change
FOOD AND LIVE ANIMALS	552	307	460	497	211	248	181	640	87.9	15.9	640	87.9	15.9
Cereals	375	97	189	248	134	169	112	415	40.1	10.7	415	40.1	10.7
Sugar	37	60	103	115	29	31	23	83	45.9	122.6	83	45.9	122.6
BEVERAGES AND TOBACCO	45	24	33	29	11	10	15	36	-8.5	-19.1	36	-8.5	-19.1
CRUDE MATERIALS	170	187	151	204	64	48	52	164	-6.6	-3.9	164	-6.6	-3.9
MINERAL FUELS	1,899	1,825	1,803	2,125	650	609	633	1,892	-6.9	-0.4	1,892	-6.9	-0.4
Motor spirit	332	310	327	312	123	106	103	333	0.8	0.2	333	0.8	0.2
Jet fuel	235	209	158	209	86	50	36	171	-63.8	-27.1	171	-63.8	-27.1
Diesel oil	800	738	717	905	243	284	290	817	16.6	2.1	817	16.6	2.1
ANIMAL & VEGETABLE OILS	321	376	256	265	101	115	114	331	9.6	3.0	331	9.6	3.0
CHEMICALS AND RELATED PRODUCTS	766	756	758	749	278	286	310	874	107.3	14.0	874	107.3	14.0
Organic and Inorganic Chemicals	93	127	154	135	45	38	48	131	38.2	41.1	131	38.2	41.1
Medicinal & Pharmaceuticals	157	66	75	70	21	18	32	72	-85.1	-54.3	72	-85.1	-54.3
Manufactured Fertilizers	94	170	163	170	60	60	57	177	82.3	87.2	177	82.3	87.2
Plastics	221	146	146	163	53	46	53	151	-69.9	-31.6	151	-69.9	-31.6
Chemical Materials and Products	101	108	106	119	38	34	41	113	11.5	11.3	113	11.5	11.3
MANUFACTURED GOODS	767	763	897	840	284	247	263	793	26.5	3.5	793	26.5	3.5
Textile Yarn	164	168	186	185	62	47	57	166	2.1	1.3	166	2.1	1.3
Iron and Steel	234	239	320	233	85	67	78	231	-3.4	-1.4	231	-3.4	-1.4
MACHINERY AND TRANSPORT EQUIPMENT	1,113	1,102	1,259	1,561	422	405	470	1,298	184.5	16.6	1,298	184.5	16.6
Machinery	731	747	828	1,154	276	245	325	846	114.6	15.7	846	114.6	15.7
Transport	382	355	431	407	147	160	146	452	69.9	18.3	452	69.9	18.3
MISCELLENEOUS MANUFACTURED ARTIC.	467	282	274	322	128	109	102	339	-127.3	-27.3	339	-127.3	-27.3
COMMODITIES & TRANSACTIONS	120	129	138	147	51	52	53	156	36.0	30.1	156	36.0	30.1
TOTAL CUSTOMS IMPORTS (CIF)	6,235	5,670	5,942	6,651	2,163	2,090	2,151	6,404	169.5	2.7	6,404	169.5	2.7

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

Exports of goods to the East African Community (EAC) region declined to USD 1,408 million in the fourth quarter of 2025 from USD 1,425 million in the fourth quarter of 2024. The decline was in Uganda, Tanzania, Ethiopia and Somalia. Exports to the COMESA region declined marginally to USD 1,202 million in the fourth quarter of 2025 from USD 1,258 million in the similar period in 2024. Exports to the rest of the world increased by 160 percent to USD 1,424 million, mainly to the USA, UAE, Pakistan, Netherlands and United Kingdom **(Table 5.2c).** Imports of goods were mainly from China, India, Japan, Saudi Arabia, Malaysia, and the USA, and improved by 5 percent, 7 percent, 18 percent, 71 percent, 5 percent, respectively, while imports from the USA and UAE declined by 48 percent, and 22 percent in the period under review. Imports from China were mainly machinery and transport equipment, imports from India were mainly pharmaceuticals, while oil imports from the UAE were mainly oil products. During the period under review, imports from COMESA and the rest of the world increased by 10 percent and 6.1 percent, respectively.

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

IMPORTS	USD Millions		Share of Imports (%)		EXPORTS	USD Millions		Share of Exports (%)	
	FY		FY			FY		FY	
Region/Country	2024*	2025**	2024	2025		2024*	2025**	2024	2025
Africa	**1,834**	**2,017**	**8.1**	**8.3**	**Africa**	**6,878**	**6,601**	**60.0**	**55.8**
o/w South Africa	*498*	*483*	*2.2*	*2.0*	*o/w Uganda*	*4,188*	*4,393*	*36.5*	*37.2*
Tanzania	380	407	1.7	1.7	Tanzania	525	500	4.6	4.2
Egypt	308	390	1.4	1.6	Rwanda	340	312	3.0	2.6
Uganda	248	296	1.1	1.2	South Sudan	703	197	6.1	1.7
			-	-	Egypt	228	192	2.0	1.6
EAC	**684**	**748**	**3.0**	**3.1**	DRC	205	243	1.8	2.1
COMESA	**853**	**985**	**3.8**	**4.1**	Somalia	132	124	1.1	1.1
					Ethiopia	103	106	0.9	0.9
Rest of the World	**20,766**	**22,300**	**91.9**	**91.7**	Zambia	71	66	0.6	0.6
o/w China	3,557	4,820	15.7	19.8					
UAE	5,594	5,375	24.8	22.1	**EAC**	**6,025**	**5,716**	**52.6**	**48.3**
India	1,783	2,112	7.9	8.7	**COMESA**	**5,345**	**5,563**	**46.6**	**47.1**
Malaysia	986	1,038	4.4	4.3					
USA	960	1,144	4.2	4.7	**Rest of the World**	**4,581**	**5,222**	**40.0**	**44.2**
Japan	742	957	3.3	3.9	o/w UAE	652	687	5.7	5.8
Saudi Arabia	1,538	1,316	6.8	5.4	Pakistan	580	572	5.1	4.8
Russia	552	453	2.4	1.9	Netherlands	556	512	4.9	4.3
Netherlands	417	189	1.8	0.8	USA	525	653	4.6	5.5
Oman	393	345	1.7	1.4	United Kingdom	421	460	3.7	3.9
United Kingdom	319	340	1.4	1.4	Saudi Arabia	221	126	1.9	1.1
Germany	266	331	1.2	1.4	China	173	160	1.5	1.3
Pakistan	255	255	1.1	1.0	Germany	120	164	1.0	1.4
France	254	228	1.1	0.9	France	108	117	0.9	1.0
Indonesia	219	231	1.0	1.0	India	86	144	0.8	1.2
Belgium	**214**	**243**	**0.9**	**1.0**	**Spain**	**73**	**80**	**0.6**	**0.7**
Total Imports (CIF)	**22,599**	**24,317**	**100**	**100**	**Total Exports (CIF)**	**11,459**	**11,823**	**100**	**100**
European Union	**1,736**	**1,680**	**8**	**7**	European Union	1,528	1,704	13	14
China	**3,557**	**4,820**	**16**	**20**	China	173	160	2	1

** Revised*

***Provisional*

CIF - Cost Insurance and Freight

Source: Central Bank of Kenya and Kenya Revenue Authority

Financial Account

Net inflows in the financial account of the balance of payments decreased by USD 644 million to USD 1,061 million in the fourth quarter of 2025, driven mainly by a decline in the net incurrence of liabilities, particularly in portfolio and other investments **(Table 5.3).** This was largely attributed to decrease in portfolio investment liabilities.

Table 5.3: Financial Account (USD Million)

	2024				2025							2025 Q4-2024Q4	
	Jan-Mar Q1	Apr-Jun Q2	Jul-Sep Q3	Oct-Dec Q4	Jan-Mar Q1	Apr-Jun Q2	July-Sep Q3	Oct	Nov	Dec	Oct-Dec Q4	Absolute	Percent
Financial Account	-1357	-602	-586	-1665	-782	-1544	-575	-658	68	-430	-1021	644	-39
Direct investment: assets	45	153	134	94	58	114	120	46	46	46	139	45	47
Direct investment: liabilities, n.i.e.	176	201	203	203	278	278	278	91	90	96	278	74	37
Portfolio investment: assets	83	196	108	150	131	56	174	101	98	91	291	141	94
Equity and investment fund shares	76	43	40	70	186	37	186	97	90	87	274	204	292
Debt securities	7	153	68	80	-55	19	-12	5	9	4	17	-63	-79
Portfolio investment: liabilities, n.i.e.	1500	-625	149	782	639	175	149	814	3	26	843	61	8
Equity and investment fund shares	-15	23	-5	-129	-25	-1	-30	-12	-23	0	-36	93	-72
Debt securities	1516	-647	154	911	664	176	179	826	26	26	879	-32	-4
Financial derivatives: net	16	4	-7	-30	-11	-31	22	-7	-8	-6	-21	9	-30
Financial derivatives: assets	27	13	-21	-37	-17	-33	23	-22	-1	1	-22	16	-42
Financial derivatives: liabilities	12	8	-14	-7	-6	-2	1	-15	7	7	-1	7	-91
Other investment: assets	631	356	-214	-1562	-243	-101	-436	429	321	-236	514	2076	-133
Other investment: liabilities, n.i.e.	456	1736	254	-669	-200	1128	28	323	297	203	823	1491	-223
Deposit-taking corporations	-148	-92	-150	-66	-543	-16	81	194	-26	-203	-35	31	-47
General government	-179	1410	-433	-1206	-303	522	-759	-123	17	122	16	1221	-101
Other sectors	782	417	838	603	644	625	705	252	307	283	842	240	40

* Provisional

Source: Central Bank of Kenya

Foreign Exchange Reserves

The banking system's total foreign exchange holdings rose to USD 18,608 million at the end of the fourth quarter of 2025, up from USD 16,325 million in the corresponding period in 2024. Official reserves held by the Central Bank accounted for the largest share of gross reserves and increased to USD 12,394 million, equivalent to 5.3 months of import cover. Commercial bank reserves, however, declined marginally to USD 6,214 million from USD 6,258 million over the same period **(Table 5.4).**

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

	2024			2025			2025 Q4-2024Q4	
	Oct	Nov	Dec	October	November	December	Absolute	Percent
1. Gross Reserves	16,043	16,312	16,325	17,948	18,167	18,608	2283	14
of which:								
Official	9,184	9,578	10,067	11,919	11,689	12,394	2328	23
import cover*	4.1	4.2	4.4	5.2	5.1	5.3	1	21
Commercial Banks	6,859	6,734	6,258	6,030	6,477	6,214	-44	-1
2. Residents' foreign currency deposits	10,395	10,392	9,956	10,491	10,516	10,582	627	6

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

Source: Central Bank of Kenya

Exchange Rates

The Kenya Shilling depicted mixed performance against major international and regional currencies in the fourth quarter of 2025 compared with the corresponding period in 2024. The Kenya Shilling remained broadly stable against the US Dollar, averaging 129.28 in the fourth quarter of 2025 compared with 129.32 in the fourth quarter of 2024. However, the Shilling depreciated against the Sterling Pound (3.59 percent), and the Euro (8.99 percent), and appreciated against the Japanese Yen (1.17 percent).

Within the EAC region, the Shilling weakened against the Uganda Shilling (3.63 percent), and Tanzania Shilling (6.35 percent), but strengthen against the South African Rand (4.46 percent), Rwanda Franc (6.52 percent) and the Burundi Franc (0.50 percent) during the review period **(Table 5.7 and Chart 5.1)**.

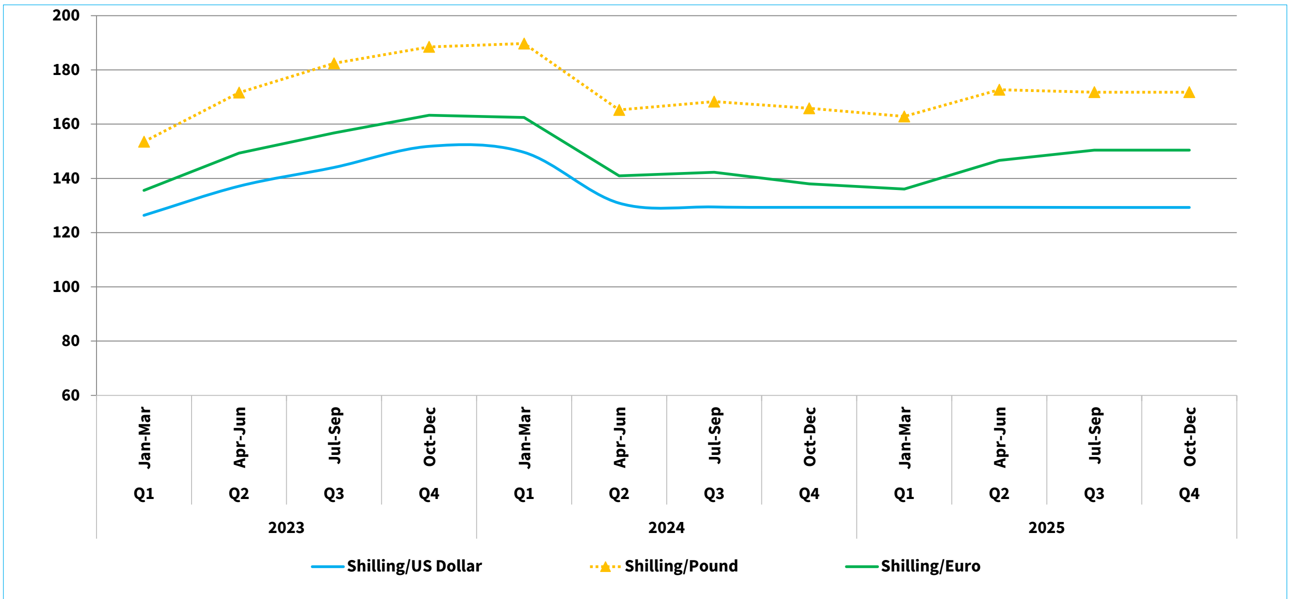
Table 5.7: Kenya Shilling exchange rate

	2024Q4			2024Q4			2025Q4	2025Q4	2025 Q4-2024Q4
	Oct	Nov	Dec	Oct-Dec	Oct	Nov	Dec	Oct-Dec	Percent
US Dollar	129.20	129.40	129.36	129.32	129.24	129.48	129.13	129.28	(0.03)
Pound Sterling	168.79	165.06	163.64	165.83	172.68	170.06	172.63	171.79	3.59
Euro	140.94	137.53	135.55	138.01	150.53	149.65	151.08	150.42	8.99
100 Japanese Yen	86.41	84.16	84.30	84.96	85.51	83.51	82.87	83.97	(1.17)
South Africa Rand	7.36	7.22	7.11	7.23	7.49	7.52	7.66	7.55	4.46
Uganda Shilling*	28.40	28.43	28.34	28.39	26.79	27.59	27.69	27.36	(3.63)
Tanzania Shilling*	21.09	20.61	19.21	20.30	19.05	18.92	19.07	19.01	(6.35)
Rwanda Franc*	10.46	10.56	10.65	10.56	11.24	11.23	11.27	11.24	6.52
Burundi Franc*	22.53	22.77	22.85	22.72	22.80	22.79	22.90	22.83	0.50

* 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

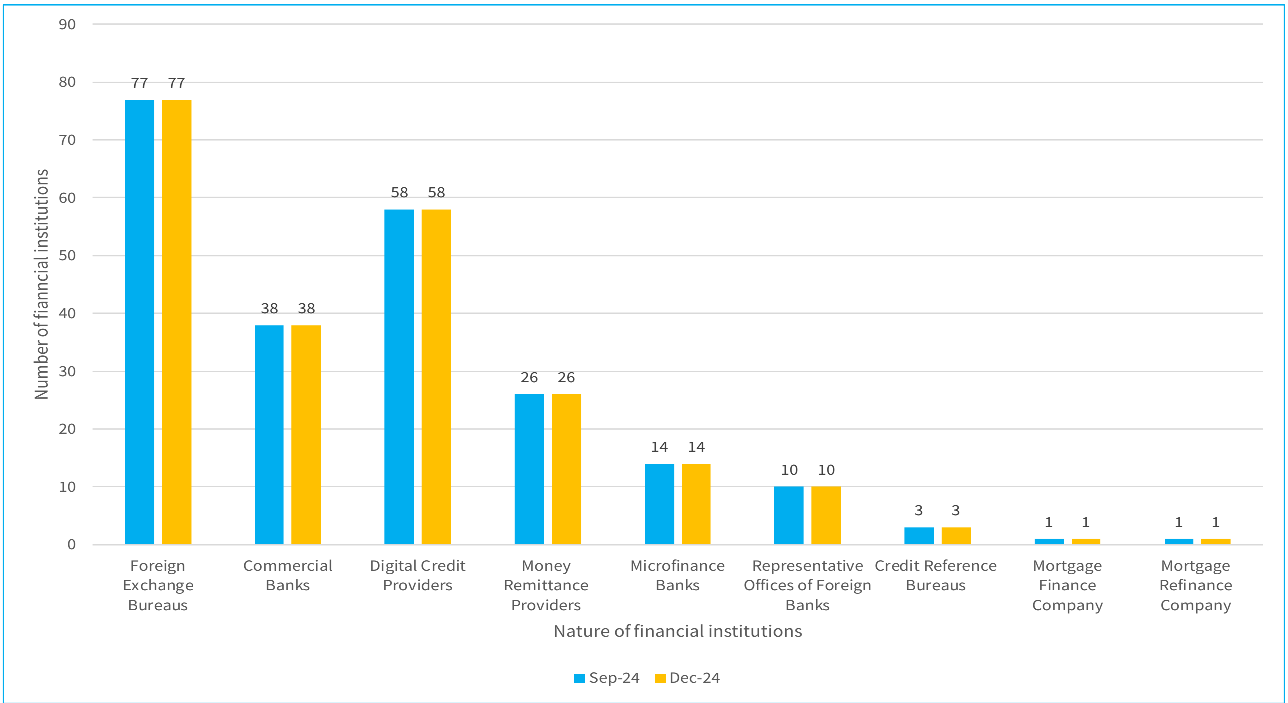
Overview

The banking sector remained stable and resilient in the fourth quarter of 2025. Total assets increased by 4.4 percent to Ksh.8,413.3 billion in December 2025, from 8,059.5 billion in September 2025. The deposit base increased by 5.4 percent to Ksh.6,274.1 billion in the fourth quarter of 2025, from Ksh.5,953.2 billion in the third quarter of 2025. The sector was well capitalized with capital adequacy ratio of 20.0 percent in the fourth quarter of 2025, which was above the minimum capital requirement of 14.5 percent. The sector remained profitable in the fourth quarter of 2025, with quarterly profit before tax of Ksh.90.4 billion, an increase from Ksh.79.8 billion reported in the third quarter of 2025. Credit risk has started easing with Gross Non-Performing Loans (NPLs) to Gross Loans Ratio standing at 15.4 percent at the end of the fourth quarter of 2025, a decrease from 16.9 percent recorded at the end of third quarter of 2025.

Structure of the Banking Sector

The Kenyan banking sector comprised 38 Commercial Banks, 1 Mortgage Finance Company, 1 Mortgage Refinance Company, 14 Microfinance Banks, 9 Representative Offices of Foreign Banks, 92 Foreign Exchange Bureaus, 33 Money Remittance Providers, 3 Credit Reference Bureaus, and 195 Digital Credit Providers as of December 2025. **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

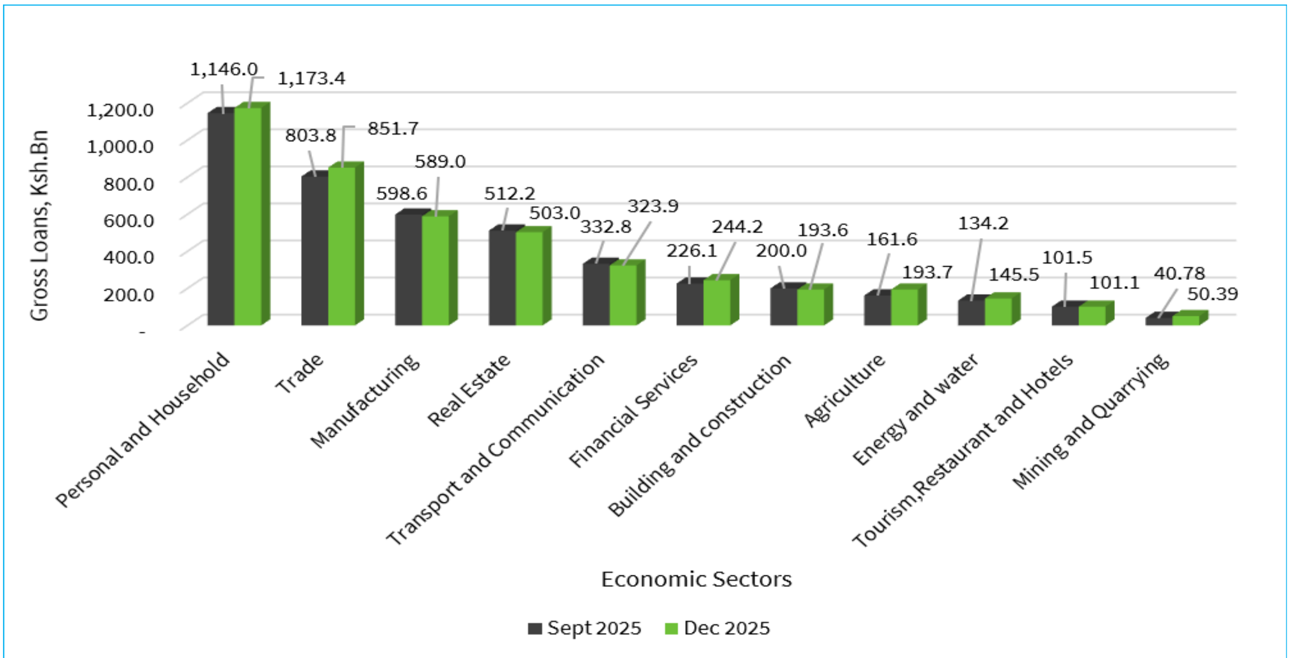
i) Growth in banking sector assets

Total assets increased by 4.4 percent to Ksh.8,413.3 billion in December 2025, from 8,059.5 billion in September 2025. The increase in total assets was mainly recorded in other foreign assets by Ksh.71.8 billion (546.5 percent), balances at Central Bank of Kenya by Ksh.153.1 billion (44.3 percent), Investments by Ksh.27.7 billion (29.9 percent) and balances at Central Bank of Kenya by Ksh.22.8 billion (7.1 percent). Loans and advances remained the main component of total assets, accounting for 47.0 percent in the fourth quarter of 2025, from 47.4 percent in the third quarter of 2025.

ii) Loans and Advances

The banking sector loan book increased by 2.6 percent, to Ksh.4,369.6 billion in the fourth quarter of 2025, from Ksh.4,257.5 billion in the third quarter of 2025. The increase in gross loans and advances was largely witnessed in the Trade, Agriculture, Personal and Household, Financial Services, and Energy and Water sectors. The sectoral distribution of gross loans for the third and fourth quarters of 2025 is highlighted in **Chart 6.2**.

Chart 6.2: Kenyan banking sector gross loans

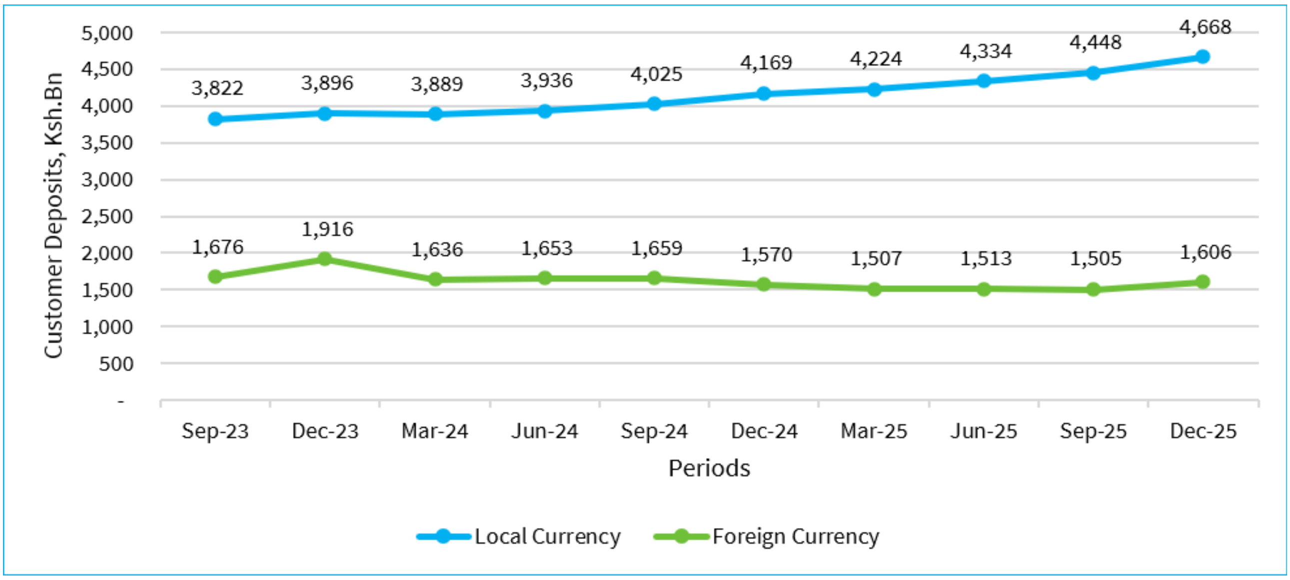


Source: Central Bank of Kenya

iii) Deposit Liabilities

Customer deposits remained the main source of funding to the banks accounting for 74.6 percent of the banking sector total liabilities and shareholders' funds as at the end of the fourth quarter of 2025. The customer deposit base increased by Ksh.320.9 billion (5.4 percent) to Ksh.6,274.1 billion in the fourth quarter of 2025, from Ksh.5,953.2 billion in the third quarter of 2025. Local currency deposits increased by Ksh.219.5 billion (4.9 percent) to Ksh.4,667.6 billion in the fourth quarter of 2025, from Ksh.4,448.1 billion in the third quarter of 2025. Foreign currency deposits increased by Ksh.101.4 billion (6.7 percent) to Ksh.1,606.5 billion in the fourth quarter of 2025, from Ksh.1,505.1 billion in the third quarter of 2025. **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 1.5 percent to Ksh.1,074.6 billion in the fourth quarter of 2025, from Ksh.1,058.5 billion in the third quarter of 2025. Total capital increased by 2.4 percent to Ksh.1,226.5 billion in the fourth quarter of 2025, from Ksh.1,197.8 billion in the third quarter of 2025.

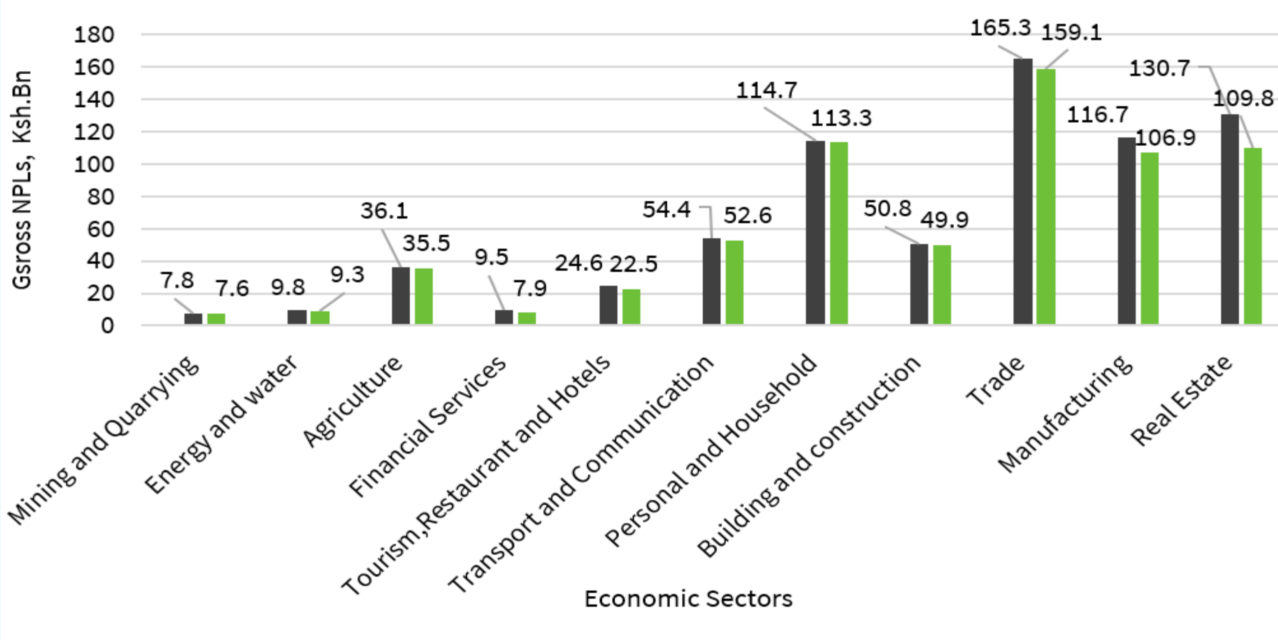
Core capital to total risk-weighted assets ratios decreased slightly to 17.5 percent in the fourth quarter of 2025 from 17.6 percent in the third quarter of 2025. The decrease in the core capital ratio was mainly due to an increase in total risk weighted assets (2.4 percent). Total capital to total risk-weighted assets ratio remained the same at 20.0 percent in the fourth and third quarters of 2025.

The core capital to total deposits ratio is set at 8 percent. Commercial banks maintained an adequate buffer, with the ratio standing at 17.1 percent in the fourth quarter of 2025, from 17.8 percent in the third quarter of 2025. The decrease in the core capital to total deposits ratio was mainly due to an increase in total deposits (5.4 percent).

Asset Quality

The Gross Non-Performing Loans (NPLs) decreased by 6.4 percent to Ksh.674.4 billion at the end of the fourth quarter of 2025 from Ksh.720.4 billion at the end of the third quarter of 2025. The gross NPLs to gross loans ratio decreased to 15.4 percent in the fourth quarter of 2025, from 16.9 percent in the third quarter of 2025. This was due to recoveries and write-offs. **Chart 6.4** highlights the sectoral distribution of gross NPLs.

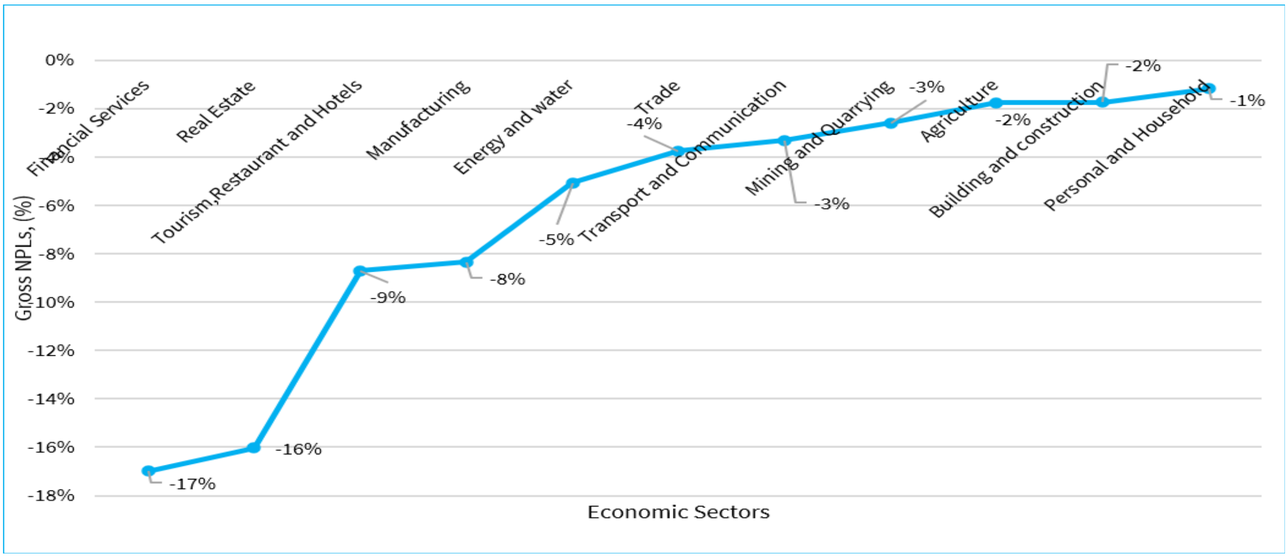
Chart 6.4: Kenyan banking sector gross non-performing loans



Source: Central Bank of Kenya

The decrease in gross NPLs was spread across eleven economic sectors as highlighted in **Chart 6.5.**

Chart 6.5: Movement in Gross NPLs- Third Quarter and Fourth Quarter 2025



Source: Central Bank of Kenya

Eleven sectors registered decreases in NPLs by Ksh.46.0 billion as a result of recoveries and write-off.

The banking sector's asset quality, as measured by the proportion of net non-performing loans to gross loans slightly improved from 8.1 percent in third quarter of 2025, to 7.2 percent in the fourth quarter of 2025. The coverage ratio, measured as a percentage of specific provisions to total NPLs, increased slightly from 42.0 percent in the third quarter of 2025, to 43.2 percent in the fourth quarter of 2025, due to a decrease in specific provisions (4.0 percent) as compared to the decrease in total NPLs (6.6 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-25	Dec-25
1.	Gross Loans and Advances (Ksh.Bn)	4,257.5	4,369.6
2.	Interest in Suspense (Ksh.Bn)	126.1	119.1
3.	Loans and Advances (net of interest suspended) (Ksh.Bn)	4,131.4	4,250.5
4.	Gross non-performing loans (Ksh.Bn)	720.4	674.4
5.	Specific Provisions (Ksh.Bn)	249.7	239.7
6.	General Provisions (Ksh.Bn)	59.2	56.8
7.	Total Provisions (5+6) (Ksh.Bn)	308.9	296.5
8.	Net Advances (3-7) (Ksh.Bn)	4,072.2	3,954.0
9.	Total Non-Performing Loans and Advances (4-2) (Ksh.Bn)	594.3	555.3
10.	Net Non-Performing Loans and Advances (9-5) (Ksh.Bn)	344.6	344.6
11.	Total NPLs as % of Total Advances (9/3) (%)	14.4	13.1
12.	Net NPLs as % of Gross Advances (10/1) (%)	8.1	7.9
13.	Specific Provisions as % of Total NPLs (5/9) (%)	42.0	43.2
14.	Gross NPLs to Gross Loans Ratio (4/1) (%)	16.9	15.4

Source: Central Bank of Kenya

Profitability

The banking sector recorded an increase in quarterly pre-tax profits of Ksh.10.6 billion to Ksh.90.4 billion in the third quarter of 2025, from Ksh.79.8 billion in the third quarter of 2025. The increase in profitability was mainly attributable to a higher decrease in quarterly expenses of Ksh.11.0 billion and a lower decrease in quarterly income of Ksh.0.3 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 48.1 percent, 28.4 percent and 16.0 percent in the fourth quarter of 2025 as compared 48.4 percent, 28.5 percent and 15.4 percent in the third quarter of 2025.

On the other hand, interest on deposits, other expenses and salaries and wages, were the key components of expenses, accounting for 35.2 percent, 23.8 percent and 23.4 percent of total expenses respectively in the fourth quarter of 2025, compared to 37.4 percent, 22.9 percent and 22.4 percent of total expenses respectively in the third quarter of 2025.

Return on Assets (ROA) remained the same at 3.0 percent in the fourth and third quarter of 2025. Return on Equity (ROE) increased to 22.7 percent in the fourth quarter of 2025, from 22.2 percent in the third quarter of 2025.

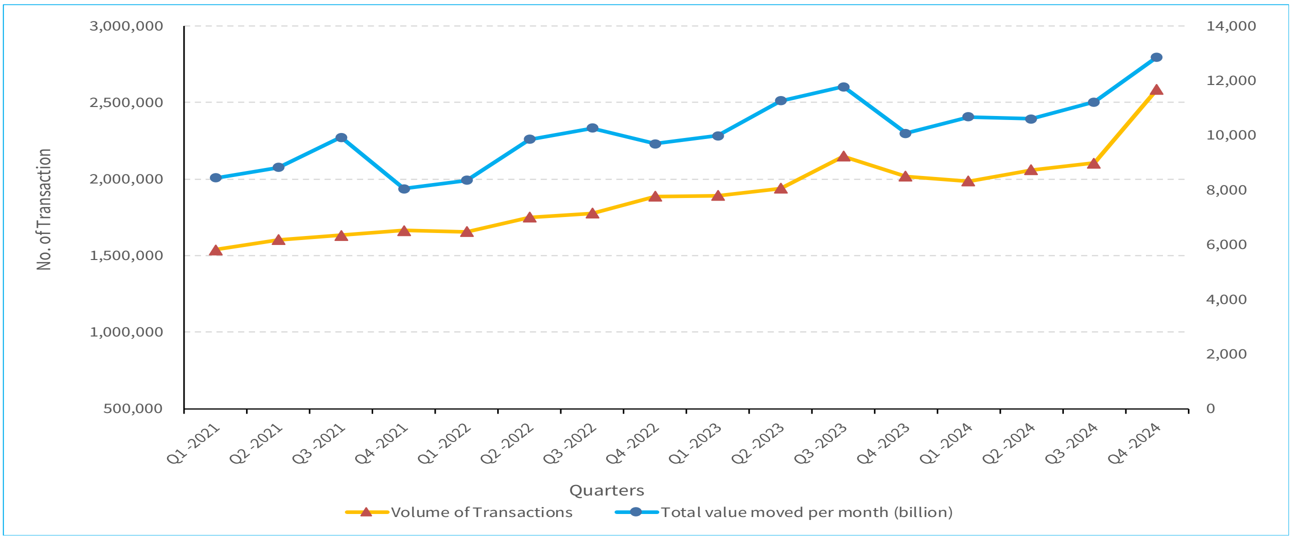
Liquidity

The banking sector's overall liquidity ratio remained the same at 59.3 percent in the fourth and third quarters of 2025. These were above the statutory minimum of 20 percent.

Outlook of the Sector

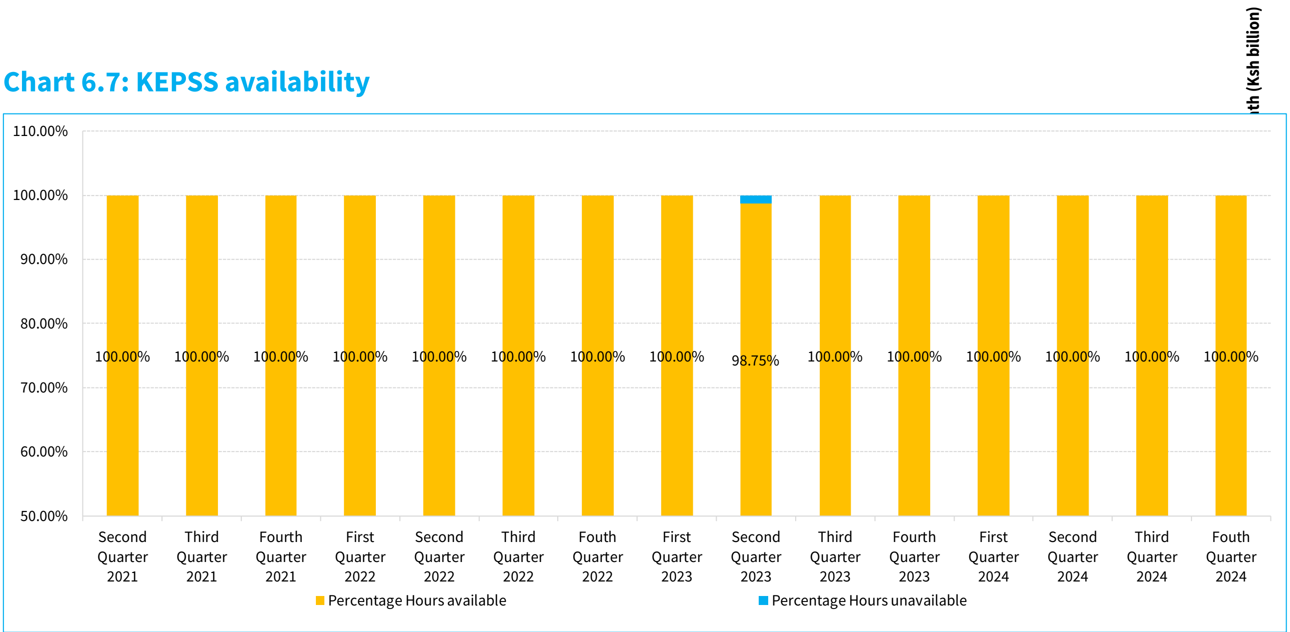
- The banking sector is projected to remain stable in the first quarter of 2026.
- Operational risk is expected to remain elevated due to increasing cyber security risks.
- Credit risk is expected to continue easing in the short to medium term. The gross NPLs to Gross Loans ratio decreased from 16.9 percent in the third quarter of 2025, to 15.4 percent in the fourth quarter of 2025.
- Interest rate risk is expected to continue easing on the backdrop of stabilizing interest rates.
- Liquidity risk is stable. The banking sector's overall liquidity ratio remained the same at 59.3 percent in the third and fourth quarter of 2025. These were above the statutory minimum of 20 percent.

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 2025/26 resulted in a deficit of 2.5 percent of GDP against a target of 2.3 percent of GDP. Revenue collections were below the target by 7.5 percent mainly on account of underperformance in tax revenues and Appropriation in Aid (AiA) categories. Meanwhile, total expenditure and net lending amounted to KSh. 2,019.8 billion against the target of KSh. 2,097.0 billion.

Table 7.1: Statement of Government Operations in the Second Quarter of FY 2025/26 (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)		

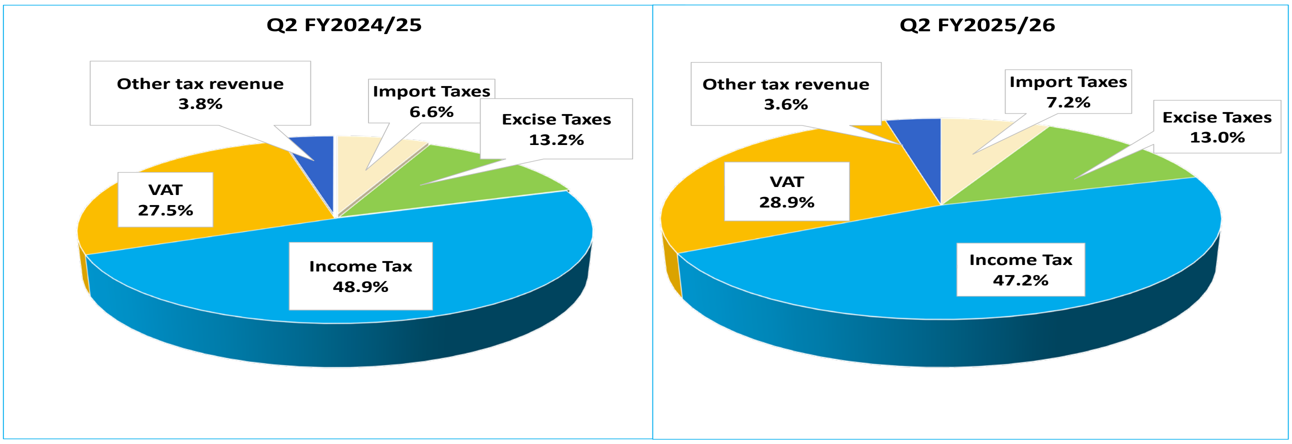
Source: The National Treasury-December 2024 Budget Outturn (BOT)

Revenue

Government receipts comprising revenue and grants increased by 23.5 percent to KSh 845.8 billion in the second quarter of FY 2025/26, compared to KSh 685.1 billion in the second quarter of FY 2024/25. The increase was reflected in Ordinary Revenue and Appropriation in Aid (A-in-A) which increased by 17.0 percent and 71.7 percent to Ksh 663.1 billion and Ksh 179.9 billion, respectively. This more than offset the decline in external grants which declined by 79.0 percent by end of the quarter. Total revenue and grants were below the target by KSh 96.8 billion reflecting underperformance in all ordinary revenues categories except import duty. However, Ministerial Appropriations in Aid collected during the quarter amounted to KSh 179.9 billion, which was KSh 24.8 billion higher than target mainly due to timely reporting of SAGAs' A.I.A.

There was a minor shift in the composition of tax revenues in the second quarter of FY 2025/26 compared with a similar period in the previous financial year **(Chart 7.1).** The share of import taxes and Value Added Tax (VAT) increased by 0.6 percentage points and 1.6 percentage points respectively, while the share of excise taxes, income tax, and other taxes declined by 0.1 percentage points, 1.5 percentage points and 0.5 percentage points, respectively.

Chart 7.1: Composition of Tax Revenue in the Second Quarter of FY 2025/26



Source: December 2024 BOT, National Treasury

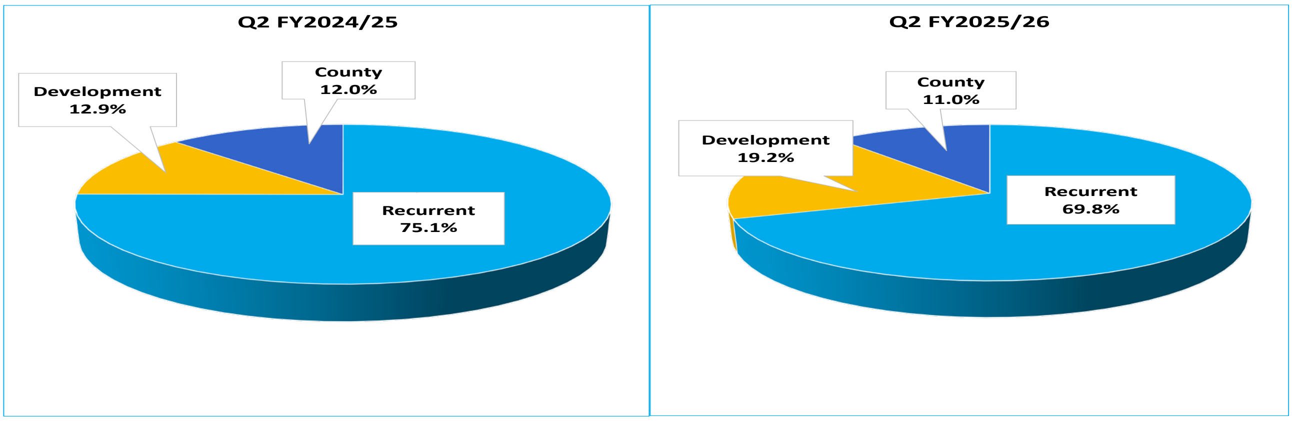
Expenditure and Net Lending

Government expenditure and net lending increased by 3.9 percent to KSh 1,107.1 billion in the second quarter of the FY 2025/26 compared to KSh 1,065.7 billion in the second quarter of FY 2024/25. The increase in expenditures reflected a rise in national government recurrent expenditure and development expenditure that more than offset the decline in county transfers **(Table 7.1).**

The expenditure and net lending to December 2025 was below the target of KSh 2,097.0 billion by KSh 77.1 billion attributed to lower disbursement towards recurrent expenditure and transfer to the counties. This more than offset the above target expenditure on development.

In terms of composition, recurrent expenditure held the largest share in total government expenditure accounting for 69.80 percent in the second quarter of the FY 2025/26, which was 5.3 percentage points lower than the level recorded in a similar quarter during the previous fiscal year. The share of development expenditure increased by 6.3 percentage points while that of county allocations declined by 1.0 percentage points during the period under review **(Chart 7.2).**

Chart 7.2: Composition of Government Expenditure in the Second Quarter of FY 2025/26



Source: December 2025 BOT, National Treasury

Financing

The budget deficit including grants amounted to KSh 475.5 billion or 2.5 percent of GDP at the end of the second quarter of FY 2025/26. The budget deficit was funded by net domestic borrowing of KSh 497.9 billion and net foreign repayments of KSh 7.8 billion. Domestic borrowing comprised KSh 422.2 billion from financial corporations, drawdown of KSh 9.0 billion from non-financial corporations, KSh 30.4 billion from households, KSh 30.7 billion from non-residents, KSh 22.9 billion from General Government and KSh 3.0 billion from Non-Profit Institutions **(Table 7.2).** By the end of the second quarter, net domestic borrowing was above target by Ksh 12.3 billion while net external borrowing was above target repayments by KSh 51.0 billion **(Table 7.1 and Table 7.2).**

Table 7.2 Domestic Financing (KSh Bn) to December 2025

	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 2025/26

In the supplementary I budget for FY 2025/26, total revenue including grants is projected at KSh 3,432.2 billion (18.1 percent of GDP). Government expenditure is projected at KSh 4,586.6 billion (24.1 percent of GDP), of which KSh 3,364.5 billion will be for recurrent expenses, KSh 737.3 billion for development expenses and KSh 484.8 billion for transfers to county governments.

The overall budget deficit including grants is, therefore, projected at KSh 1,154.4 billion (6.1 percent of GDP) in 2025/26, to be financed through net external borrowing of KSh 229.8 billion and net domestic borrowing of KSh 924.5 billion **(Table 7.3).**

Table 7.3: Budget Estimates for the Fiscal Year 2025/2026

	Ksh (Bn)	% of GDP
1. TOTAL REVENUE (Including Grants)	3,438.9	18.4
Ordinary Revenue	2,784.4	14.9
Appropriations-in-Aid	614.6	3.3
External Grants	39.9	0.2
2. TOTAL EXPENSES & NET LENDING	4,638.4	24.9
Recurrent Expenses	3,393.2	18.2
Development Expenses	758.4	4.1
County Transfer	484.8	2.6
Contigency Fund	2.00	
3. DEFICIT INCL. GRANTS (1-2)	(1,199.5)	-6.4
Adjustment to Cash Basis	-	-
4. FINANCING	1,199.4	6.4
Domestic (Net)	973.6	5.2
External (Net)	225.8	1.2

Source: National Treasury, Supplementary Budget I, 2026

Chapter 8

Developments in Public Debt

Overall Public Debt

Kenya's public and publicly guaranteed debt increased by 2.0 percent during the second quarter of 2025/26. Domestic and external debt increased by 2.7 percent and 1.3 percent, respectively. The ratio of public debt to GDP was estimated at 68.5 percent by the end of second quarter of 2025/26 compared to 68.9 percent by the end of the first quarter of 2025/26 **(Table 8.1)**.[1]

Table 8.1 Kenya's public and publicly guaranteed debt

	FY 2024/25	FY 2025/26							
	Q4	Jul-25	Aug-25	Q1	Oct-25	Nov-25	Q2	Q on Q Change	Q on Q Change
EXTERNAL									
Bilateral	1,112.3	1,048.5	1,057.3	1,065.0	1,057.2	1,064.4	1,061.9	-3.2	-1,133.4
Multilateral	3,045.4	3,006.4	3,025.5	3,057.8	3,030.1	3,028.7	3,034.0	-23.7	-2,847.2
Commercial Banks	1,312.7	1,316.1	1,306.0	1,256.2	1,355.6	1,361.7	1,351.6	95.3	-1,193.8
Supplier Credits	14.4	14.2	14.4	14.5	14.4	14.4	14.5	0.0	-14.0
Sub-Total	5,484.8	5,385.3	5,403.3	5,393.5	5,457.2	5,469.2	5,462.0	68.4	-5,188.4
(As a % of GDP)	32.0	30.8	30.9	30.8	31.0	31.1	31.1	0.2	-32.0
(As a % of total debt)	46.4	45.7	45.1	44.7	44.8	44.6	44.4	27.7	-48.1
DOMESTIC									
Banks	6,146.9	6,231.7	6,421.4	6,497.4	6,558.1	6,637.7	6,653.4	156.1	157.2
Central Bank	4,819.8	4,909.2	5,038.8	5,097.6	5,151.3	5,211.3	5,247.3	149.7	34.4
Commercial Banks	178.6	154.6	143.1	163.1	179.5	147.6	185.2	22.2	122.8
Non-banks	2,179.4	2,217.0	2,253.4	2,296.9	2,294.1	2,296.9	2,322.9	26.0	107.1
Pension Funds	894.5	905.6	925.4	943.3	952.7	970.1	975.8	32.5	45.2
Insurance Companies	799.1	816.0	835.8	847.8	861.1	880.2	896.0	48.2	24.8
Other Non-bank Sources	467.5	468.2	469.5	476.9	482.8	493.2	490.4	13.5	37.1
Non-residents	397.8	397.5	422.3	425.2	427.2	430.4	428.8	3.6	2.3
Sub-Total	279.7	279.0	299.4	302.8	305.3	308.3	311.3	8.5	266.6
(As a % of GDP)	128.3	123.8	135.1	139.7	135.0	137.1	119.1	-20.6	0.9
(As a % of total debt)	53.8	54.1	56.3	55.1	56.5	57.4	56.5	1.3	48.1
GRAND TOTAL	178.6	154.6	143.1	163.1	179.5	147.6	185.2	22.2	-4,921.8
(As a % of GDP)	67.6	46.7	34.9	55.0	73.1	40.0	78.2	23.2	-31.1

Source: The National Treasury and CBK

Domestic Debt

The 2.7 percent increase in domestic debt was on account of increased uptake of Treasury bonds. The share of domestic debt to total debt increased by 0.3 percentage points to 55.6 percent by the end of the second quarter of 2025/26 from 55.3 percent in the previous quarter. The proportion of debt securities to total domestic debt stood at 97.3 percent by the end of the second quarter of 2025/26, a slight decline from 97.6 percent in the previous quarter **(Table 8.2)**.

[1] 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)

						Change: Q on Q		Proportions %				
	FY 2024/25	FY 2025/26						FY 2024/25	FY 2025/26			
	Q4	Q1	Oct-25	Nov-25	Q2	Ksh(Bn)	%	Q4	Q1	Oct-25	Nov-25	Q2
Total Stock of Domestic Debt (A+B)	6,325.5	6,660.4	6,737.6	6,785.3	6,838.7	178.2	2.7	100.0	100.0	100.0	100.0	100.0
A. Government Securities	6,146.9	6,497.4	6,558.1	6,637.7	6,653.4	156.1	2.4	97.2	97.6	97.3	97.8	97.3
1. Treasury Bills (excluding Repo Bills)	1,036.9	1,081.7	1,057.0	1,050.2	1,074.4	-7.3	-0.7	16.4	16.2	15.7	15.5	15.7
Household	58.6	55.6	54.2	52.7	51.4	-4.2	-7.6	0.9	0.8	0.8	0.8	0.8
Nonfinancial corporations	51.6	46.8	36.9	37.0	22.0	-24.8	-53.0	0.8	0.7	0.5	0.5	0.3
Financial Corporations	860.2	914.7	900.6	895.8	931.4	16.7	1.8	13.6	13.7	13.4	13.2	13.6
Non-Profit Institutions	8.8	6.4	6.4	5.8	5.6	-0.8	-12.2	0.1	0.1	0.1	0.1	0.1
Non-Resident	3.6	4.1	4.3	4.3	5.2	1.1	28.3	0.1	0.1	0.1	0.1	0.1
General Government	54.2	54.1	54.7	54.6	58.8	4.7	8.7	0.9	0.8	0.8	0.8	0.9
2. Treasury Bonds	5,110.0	5,415.6	5,501.1	5,587.5	5,579.0	163.3	3.0	80.8	81.3	81.6	82.3	81.6
Household	339.2	369.6	373.0	377.7	377.4	7.8	2.1	5.4	5.5	5.5	5.6	5.5
Nonfinancial corporations	76.7	92.9	98.1	100.2	97.1	4.2	4.6	1.2	1.4	1.5	1.5	1.4
Financial Corporations	3,959.6	4,182.9	4,250.7	4,315.5	4,315.9	133.0	3.2	62.6	62.8	63.1	63.6	63.1
Non-Profit Institutions	45.0	48.7	50.1	51.6	50.8	2.1	4.4	0.7	0.7	0.7	0.8	0.7
Non-Resident	276.2	298.8	301.0	304.0	306.1	7.3	2.4	4.4	4.5	4.5	4.5	4.5
General Government	413.3	422.8	428.1	438.5	431.6	8.8	2.1	6.5	6.3	6.4	6.5	6.3
3. Frozen account	15.6	15.6	15.6	15.6	15.6	0.0	0.0	0.2	0.2	0.2	0.2	0.2
B. Others:	163.0	147.5	163.9	132.0	169.7	22.2	15.0	2.6	2.2	2.4	1.9	2.5
Of which CBK overdraft to Government	67.6	55.0	73.1	40.0	78.2	23.2	42.2	1.1	0.8	1.1	0.6	1.1

Source: Central Bank of Kenya

Treasury Bills

Treasury bill holdings, excluding those held by the CBK for open market operations (Repos), recorded a 0.5 percent decrease during the second quarter of 2025/26. As a result, the proportion of Treasury bills to total domestic debt decreased by 0.7 percentage points. Financial corporations hold about 86.7 percent of Treasury bills, an increase from 84.6 percent in the previous quarter **(Table 8.2)**.

Treasury Bonds

Treasury bonds holdings decreased by 0.3 percent during the second quarter of 2025/26 compared to an increase of 0.5 percent in the previous quarter **(Table 8.2).** The largest component of this buildup was attributable to proceeds from the 15-year, 20-year and 25-year Treasury bonds issued during the quarter **(Table 8.3).** The leading holders of Treasury bonds by the end of the period under review were financial corporations which accounted for over 77 percent of the outstanding stock of Treasury Bonds.

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

		KSh (Billions)				Change Q on Q		Proportions (%)		
		FY 2025/26						2024/25	2025/26	
		Q1	Oct-25	Nov-25	Q2	KSh(Bn)	%	Q4	Q1	Q2
Treasury bills	91-Day	90.0	86.6	105.6	99.5	9.5	10.6	1.7	1.4	1.5
	182-Day	179.1	158.6	131.4	124.5	-54.7	-30.5	3.2	2.7	1.8
	364-Day	812.6	811.9	813.3	850.4	37.9	4.7	11.5	12.2	12.4
Treasury Bonds	1-Year	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	2-Year	0.0	0.0	0.0	0.0	0.0	0.0	1.5	0.0	0.0
	3-Year	168.1	168.1	148.7	148.7	-19.4	-11.5	2.7	2.5	2.2
	4-Year	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	5-Year	210.6	210.6	210.6	210.6	0.0	0.0	3.3	3.2	3.1
	6-Year	69.7	69.7	69.7	39.8	-29.9	-42.9	1.1	1.0	0.6
	6.5-Year	186.9	186.9	186.9	186.9	0.0	0.0	3.0	2.8	2.7
	7-Year	213.3	213.3	213.3	213.3	0.0	0.0	3.4	3.2	3.1
	8-Year	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	8.5-Year	240.3	240.3	240.3	240.3	0.0	0.0	3.8	3.6	3.5
	9-Year	39.3	39.3	39.3	39.3	0.0	0.0	0.6	0.6	0.6
	10-Year	843.3	843.3	843.3	843.3	0.0	0.0	13.3	12.7	12.3
	11-Year	80.2	80.2	80.2	80.2	0.0	0.0	1.3	1.2	1.2
	12-Year	35.1	35.1	35.1	35.1	0.0	0.0	0.8	0.5	0.5
	14-Year	159.5	159.5	159.5	159.5	0.0	0.0	2.5	2.4	2.3
	15-Year	1,169.1	1,200.5	1,253.0	1,227.8	58.7	5.0	15.6	17.6	18.0
	16- Year	152.0	152.0	152.0	152.0	0.0	0.0	2.4	2.3	2.2
	17- Year	185.2	185.2	185.2	185.2	0.0	0.0	2.9	2.8	2.7
	18- Year	161.6	161.6	161.6	161.6	0.0	0.0	2.6	2.4	2.4
	19- Year	199.2	199.2	199.2	199.2	0.0	0.0	1.6	3.0	2.9
	20-Year	708.7	762.7	782.5	782.5	73.8	10.4	10.3	10.6	11.4
	21-Year	106.7	106.7	106.7	106.7	0.0	0.0	1.7	1.6	1.6
	25-Year	440.1	440.1	440.1	516.0	75.8	17.2	5.8	6.6	7.5
	30-Year	46.6	46.6	46.6	50.9	4.3	9.1	0.7	0.7	0.7
Repo T bills		15.6	15.6	15.6	15.6	0.0	0.0	0.2	0.2	0.2
Overdraft		55.0	73.1	40.0	78.2	23.2	42.2	1.1	0.8	1.1
Other Domestic debt		92.5	90.8	125.6	91.4	-1.0	-1.1	1.5	1.4	1.3
Total Debt		6,660.4	6,737.6	6,785.3	6,838.7	178.2	2.7	100.0	100.0	100.0

Source: Central Bank of Kenya

Domestic Debt by Tenor and the Maturity Structure

The government floated only 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 84:16 Treasury bonds to Treasury bills. The benchmark 2-year, 5-year, 10-year, 15-year and 20- year Treasury Bonds accounted for 54.9 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 15.7 percent by the end of December 2025.

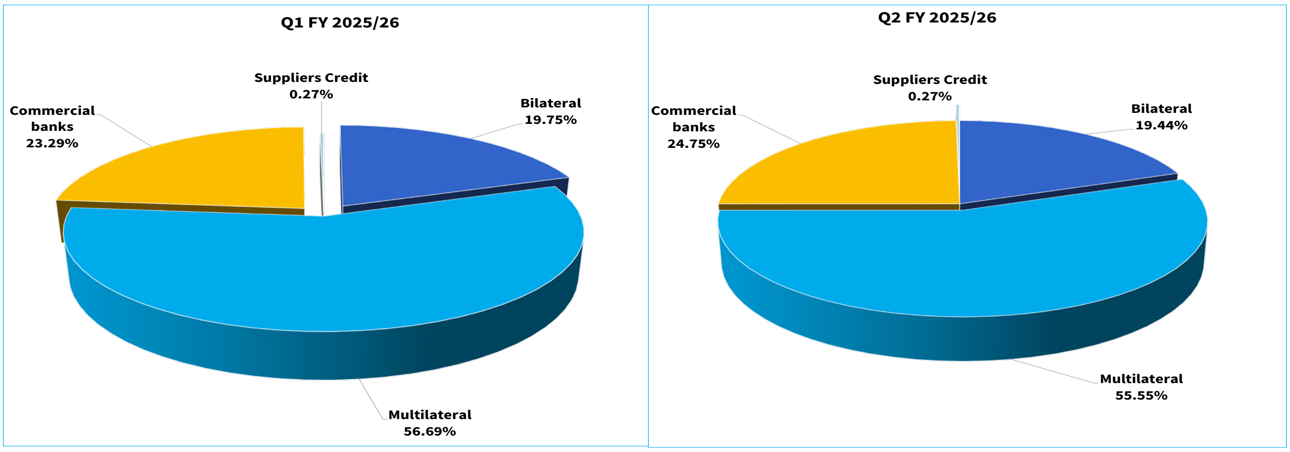
External Debt

Public and publicly guaranteed external debt increased by 1.3 percent during the second quarter of 2025/26. This increase was majorly driven by disbursements from commercial lenders and exchange rate movements.

Composition of External Debt by Creditor

The composition of external debt was dominated with flow of international development assistance in form of concessional loans. The share of outstanding debt from official multilateral lenders (who provide concessional loans) was 55.6% in the second quarter of 2025/26, however, it decreased by 0.8 percentage points, mainly due to reduced disbursements from IMF during the quarter under review. The proportion of bilateral debt decreased by 0.3 percentage points while commercial debt increased by 7.6 percentage points, during the second quarter of 2025/26 indicating a shift towards commercial loans **(Chart 8.1).**

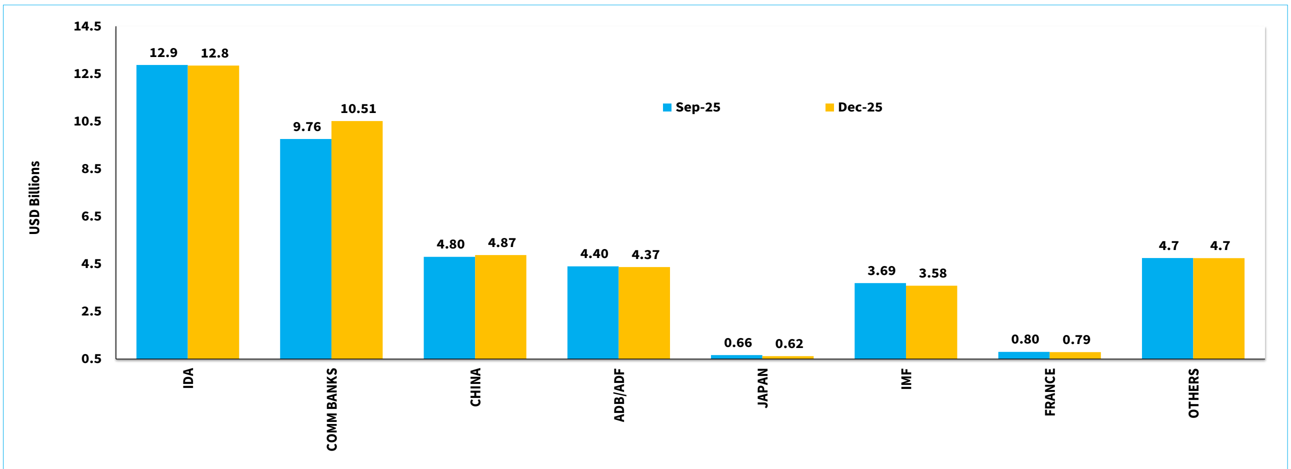
Chart 8.1: Composition of external debt by lender



Source: The National Treasury

Debt owed to International Development Association (IDA), Kenya's largest multilateral lender, stood at USD 12.8 billion (30.3 percent of external debt). Debt owed to China, Kenya's largest bilateral lender, amounted to USD 4.9 billion, or 11.5 percent of the total external debt by the end of the second quarter of 2025/26 **(Chart 8.2).**

Chart 8.2: External debt by creditor

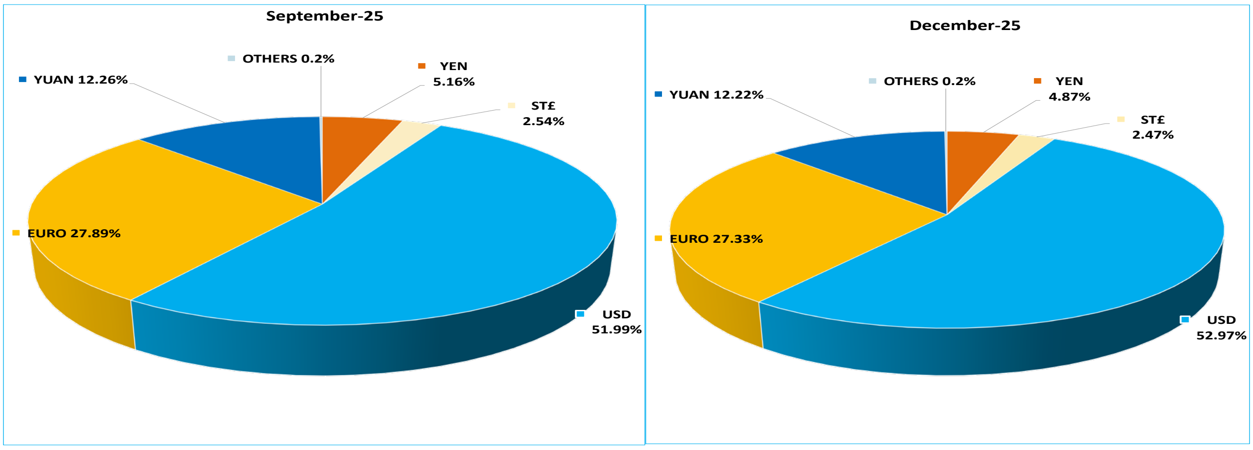


Source: The National Treasury

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 80.3 percent of the total currency composition at the end of the second quarter of 2025/26. The proportion held in US dollar increased by 1.0 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 was 33.5 percent during the second quarter of 2025/26. 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 2025/26 amounted to KSh 163.3 billion. This comprised of KSh. 130.6 billion (80.0 percent) principal and KSh 32.7billion (20.0 percent) interest. External debt service to revenue and exports ratios improved during the quarter under review mainly due to a decrease interest and principal repayments relative to the previous quarter[2] **(Table 8.4).**

Table 8.4: External debt sustainability indicators

Composite Indicators Threshold	Q1 FY 2024/25	Q2 FY 2024/25	Q3 FY 2024/25	Q4 FY 2024/25	Q1 FY 2025/26	Q2 FY 2025/26
Debt service to Revenues (18%)	23.7	9.8	37.4	9.7	30.0	19.4
Debt service to Exports (15%)	23.2	10.1	40.7	13.8	28.3	22.2

Source: Central Bank of Kenya and The National Treasury

Debt Sustainability Analysis

A Debt Sustainability Analysis shows that Kenya's debt remains sustainable in the medium to long term but has a high risk of distress. According to the assessment, Kenya's debt position is strengthened by the ongoing fiscal consolidation efforts by the Government and improvement in export growth compared to the previous ten years. However, debt sustainability is undermined by weak projections for revenue mobilization and ongoing export underperformance, both of which have an impact on the country's ability to service its debt.

[2] 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 5.6 and 5.57 percent in the fourth quarter of 2025 compared to the third quarter of 2025. Similarly, Market capitalization increased by 5.75 percent. Equity turnover and total shares traded decreased by 6.51 percent and 17.63 percent, respectively **(Table 9.1 and Chart 9.1)**.

Table 9.1: Selected stock market indicators

INDICATOR	2024				2025			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Change 2025Q2-2025Q3 (%)
NSE 20 Share Index (1966=100)	1,752.43	1,656.50	1,775.67	2,010.65	2,226.88	2,440.26	2,972.64	21.82
NASI (2008=100)	113.09	109.49	107.08	123.48	130.81	153.43	176.74	15.19
Number of Shares Traded (Millions)	1,097.33	1,090.22	1,020.65	1,729.31	1,576.20	1,442.44	1,818.77	26.09
Equities Turnover (Ksh Millions)	19,065.97	28,390.94	17,392.47	41,119.71	26,267.04	29,759.55	46,227.67	55.34
Market Capitalization (Ksh Billions)	1,766.95	1,710.64	1,676.24	1,939.74	2,056.07	2,417.06	2,784.47	15.20
Foreign Purchase (Ksh Millions)	10,179.37	19,690.52	7,013.94	7,819.04	8,524.22	13,562.93	11,764.35	-13.26
Foreign Sales (Ksh Millions)	12,407.40	16,712.83	7,641.70	24,458.19	11,786.78	13,740.02	15,603.21	13.56
Ave. Foreign Investor Participation to Equity Turnover (%)	59.23	64.11	42.13	39.25	38.66	45.87	29.60	-16.27
Bond Turnover (Ksh Millions)	458,198.67	323,608.66	391,044.32	371,524.18	724,812.25	666,460.64	684,122.61	2.65
10-Year Eurobond Yield (%) (2028)	9.238	10.694	8.627	9.056	8.836	8.260	6.056	-2.20
10-Year Eurobond Yield (%) (2031)		11.080	9.532	10.129	10.449	9.440	7.880	-1.56
12-Year Eurobond Yield (%) (2032)	9.265	11.011	9.553	10.114	10.419	9.620	8.109	-1.51
13-Year Eurobond Yield (%) (2034)	9.316	10.924	9.439	10.117	10.413	9.840	8.429	-1.41
30-Year Eurobond Yield (%) (2048)	9.316	11.092	9.939	10.286	10.799	10.490	9.247	-1.24

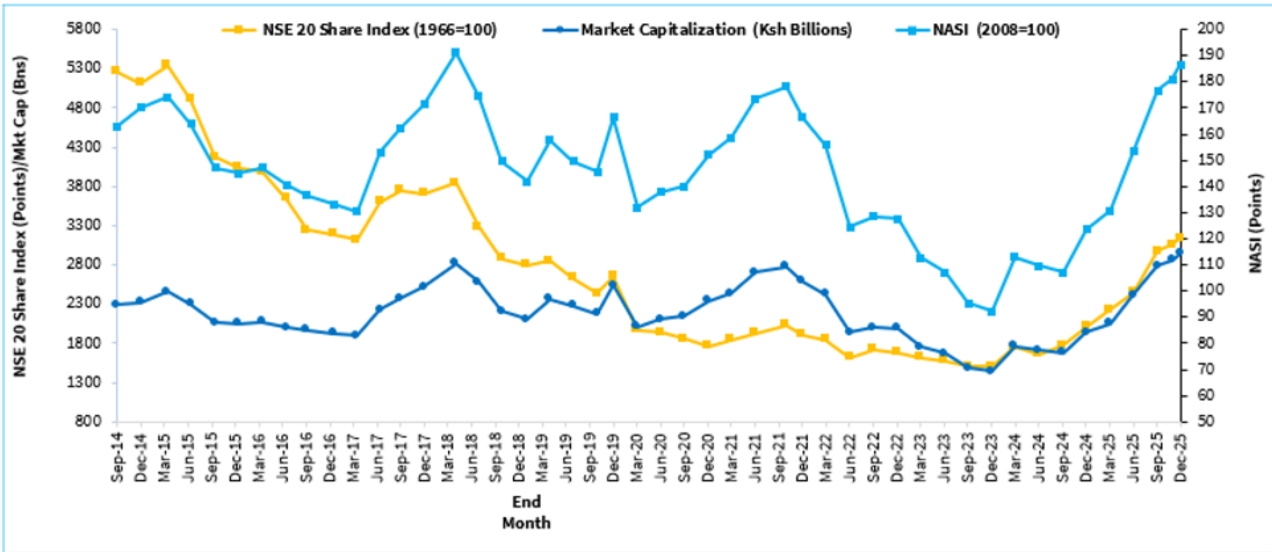
* Percentage points

Source: Nairobi Security Exchange

Foreign Investors' Participation

The value of equities purchased by foreign investors increased by 18.12 percent at the end of the fourth quarter of 2025 compared to the third quarter of 2025. The value of equities sold by foreign investors increased by 18.67 percent in the same period. Overall, the average foreign investor participation at the NSE increased by 7.40 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

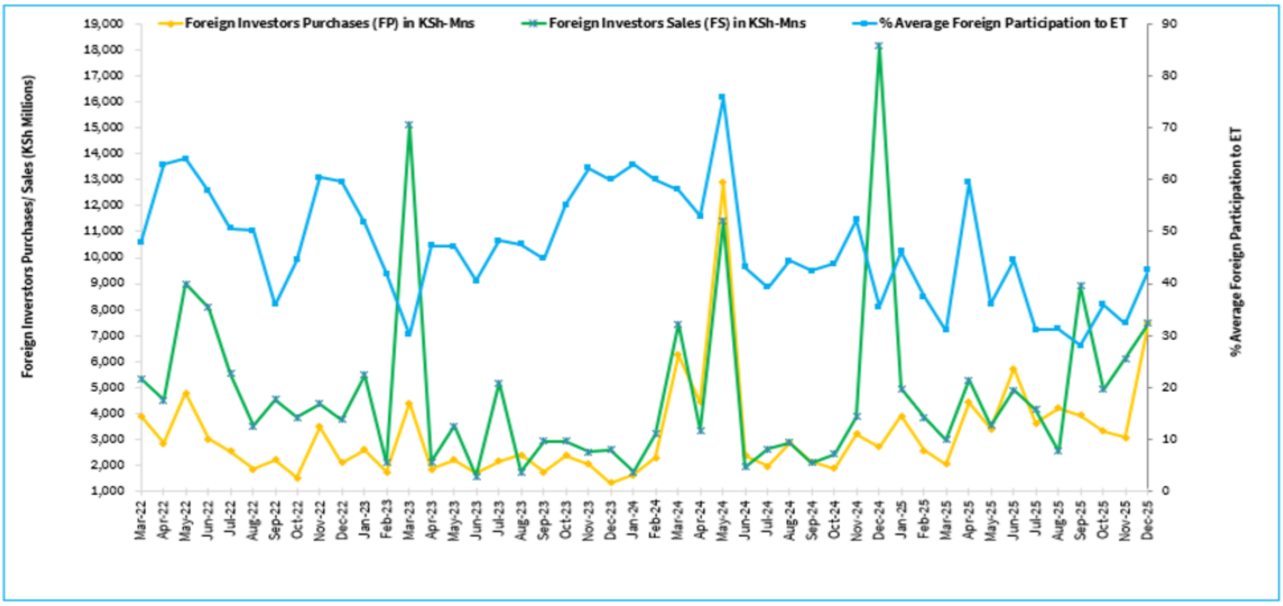


Source: Nairobi Security Exchange

Bonds Market

The bond turnover in the domestic secondary market decreased by 7.2 percent in the fourth quarter of 2025 compared to the third quarter of 2025. In the international market, yields on all outstanding Kenya's Eurobonds decreased by an average of 54.34 basis points during the period under review **(Table 9.1).**

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			2025				Absolute Quarterly Changes (KSh Million)					Quaterly Growth Rates (%)				
1.0	**ASSETS**	**Mar**	**Sept**	**Dec**	**Mar**	**June**	**Sept**	**Dec**	**Q4,2025**	**Q3,2025**	**Q2,2025**	**Q1,2025**	**Q4,2024**	**Q4,2025**	**Q3,2025**	**Q2,2025**	**Q1,2025**	**Q4,2024**
1.1	Reserves and Gold Holdings	964,679	1,061,338	1,255,398	1,336,093	1,487,606	1,430,374	1,589,002	158,628	(57,232)	151,513	80,695	194,060	11.1	(3.8)	11.3	6.4	18.3
1.2	Funds Held with IMF	58,226	53,174	47,175	44,098	39,565	38,720	22,331	(16,389)	(845)	(4,533)	(3,077)	(5,999)	(42.3)	(2.1)	(10.3)	(6.5)	(11.3)
1.3	Investment in Equity (Swift Shares)	11	12	11	11	12	115	114	(1)	103	1	-	(1)	(0.9)	858.3	9.1	-	(5.0)
1.4	Items in the Course of Collection								-	-	-	-	-					
1.5	Advances to Commercial Banks	207,561	189,332	102,624	67,909	56,570	51,852	45,578	(6,274)	(4,718)	(11,339)	(34,715)	(86,708)	(12.1)	(8.3)	(16.7)	(33.8)	(45.8)
1.6	Loans and Other Advances	423,467	424,385	458,237	466,004	482,252	480,972	468,952	(12,020)	(1,280)	16,248	7,767	33,852	(2.5)	(0.3)	3.5	1.7	8.0
1.7	Other Assets	4,041	6,780	7,448	6,624	6,816	7,171	9,716	2,545	355	192	(824)	668	35.5	5.2	2.9	(11.1)	9.9
1.8	Retirement Benefit Asset	4,994	5,861	5,861	5,861	7,258	7,258	7,258	-	-	1,397	-	0	-	-	23.8	-	0.0
1.9	Property and Equipment	29,082	29,244	28,888	28,635	28,710	28,165	27,761	(404)	(545)	75	(253)	(356)	(1.4)	(1.9)	0.3	(0.9)	(1.2)
1.10	Intangible Assets	2,421	2,411	2,715	3,226	3,942	3,854	3,924	70	(88)	716	511	304	1.8	(2.2)	22.2	18.8	12.6
1.11	Due Debt from Government of Kenya	194,161	99,346	133,904	181,538	165,251	149,640	172,813	23,173	(15,611)	(16,287)	47,634	34,558	15.5	(9.4)	(9.0)	35.6	34.8
	TOTAL ASSETS	**1,888,642**	**1,871,883**	**2,042,261**	**2,139,999**	**2,277,982**	**2,198,121**	**2,347,449**	**149,328**	**(79,861)**	**137,983**	**97,738**	**170,378**	6.8	(3.5)	6.4	4.8	9.1
2.0	**LIABILITIES**								-	-	-	-	-					
2.1	Currency in Circulation	337,668	332,222	371,696	353,204	357,015	363,055	399,885	36,830	6,040	3,811	(18,492)	39,474	10.1	1.7	1.1	(5.0)	11.9
2.2	Deposits	563,692	544,385	624,002	627,838	687,750	569,107	605,822	36,715	(118,643)	59,912	3,836	79,617	6.5	(17.3)	9.5	0.6	14.6
2.3	International Monetary Fund	587,952	589,238	644,519	655,444	678,940	677,085	666,135	(10,950)	(1,855)	23,496	10,925	55,281	(1.6)	(0.3)	3.6	1.7	9.4
2.4	Investment by Banks				79,820	106,018	130,463	239,382	108,919	24,445	26,198	79,820	-					
2.5	Other Liabilities	3,637	6,543	3,069	3,460	5,700	2,505	4,829	2,324	(3,195)	2,240	391	(3,474)	92.8	(56.1)	64.7	12.7	(53.1)
	TOTAL LIABILITIES	1,492,949	1,472,388	1,643,286	1,719,766	1,835,423	1,742,215	1,916,053	173,838	(93,208)	115,657	76,480	170,898	10.0	(5.1)	6.7	4.7	11.6
3.0	EQUITY AND RESERVES	395,694	399,495	398,975	420,233	442,559	455,906	431,396	(24,510)	13,347	22,326	21,258	(520)	(5.4)	3.0	5.3	5.3	(0.1)
	Share Capital	50,000	60,000	60,000	60,000	60,000	60,000	70,000	10,000	-	-	-	-	16.7	-	-	-	-
	General reserve fund	345,347	320,262	319,742	341,000	357,334	370,323	335,054	(35,269)	12,989	16,334	21,258	(520)	(9.5)	3.6	4.8	6.6	(0.2)
	Asset Revaluation	21,680	21,680	21,680	21,680	21,680	21,680	21,680	-	-	-	-	(0)	-	-	-	-	(0.0)
	Fair Value Reserves -OCI	(21,333)	(2,447)	(2,447)	(2,447)	3,545	3,903	4,662	759	358	5,992	0	-	19.4	10.1	(244.9)	(0.0)	-
	Consolidated Fund								-	-	-	-	-					
4	**TOTAL LIABILITIES AND EQUITY**	**1,888,643**	**1,871,884**	**2,042,261**	**2,139,999**	**2,277,982**	**2,198,121**	**2,347,449**	**149,328**	**(79,861)**	**137,983**	**97,738**	**170,377**	**6.8**	**(3.5)**	**6.4**	**4.8**	**9.1**

Source: Central Bank of Kenya

Notes on the Financial Position of the CBK

Assets

The Central Bank of Kenya (CBK) balance sheet expanded by 6.8 percent in the fourth quarter of 2025, compared with a contraction of 3.5 percent in the previous quarter. The increase was mainly reflected in reserves and gold holdings, as well as debt due from the Government of Kenya. Reserves and gold holdings—which include foreign exchange reserves held in external current accounts, deposits in special and project accounts, domestic foreign currency clearing accounts, gold, Special Drawing Rights (SDRs), and securities held under the World Bank's Reserves Advisory and Management Program (RAMP)—increased due to official government inflows and CBK purchases of foreign exchange. Debt due from the Government also increased, partly reflecting use of the overdraft facility by the Government. In contrast, advances to commercial banks declined, owing to improved liquidity conditions in the money market, while loans and advances also fell, reflecting repayment of debt on-lent from the IMF

Liabilities

On the liability side, the expansion in the Central Bank of Kenya's (CBK) balance sheet was reflected in increased bank investments, higher currency in circulation, and a rise in deposits. The increase in bank investments was partly driven by open-market operations, while the increase in currency in circulation was supported by seasonal demand for cash during the end-of-year festivities. The rise in deposits partly reflected higher Government deposits.

Central Bank of Kenya

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