Central Bank of Kenya

Quarterly Economic Review

July – September 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. Additionally, it is also the banker for, adviser to, and fiscal agent of the Government.

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 CBK's monetary policy is designed to support the Government's objectives with respect to growth.

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 4.4 percent in the third quarter of 2025, from 3.9 percent in the previous quarter, reflecting the impact of the accommodative monetary policy stance and typical seasonal patterns. Core inflation picked up, rising to 3.0 percent in the third quarter of 2025 from 2.8 percent in the second quarter. Consequently, its contribution to overall inflation increased to 2.9 percentage points in the third quarter compared 2.1 percentage points in the second quarter. Non-core inflation also recorded a notable uptick to 8.7 percent from 6.8 percent in the third quarter, driven by increase in prices of select vegetable and energy items.

The economy strengthened and grew by 4.9 percent in the third quarter of 2025 compared to 4.2 percent in a similar quarter of 2024, supported by strong industrial activity and resilience of key service sectors. The expansion in industry was driven by strong growth across all sectors, particularly construction and mining and quarrying. Resilience of the services sector was supported by robust growth of Accommodation and Food Services, Real Estate, Finance and Insurance, and Transport and Storage sectors. However, agriculture sector growth decelerated during the quarter under review.

Broad money supply (M3) declined by 0.4 percent in the third quarter of 2025, compared to an increase of 4.9 percent in the previous quarter, mainly reflecting a decline in household sector deposits and other deposits held at the CBK.

According to the IMF's October 2025 World Economic Outlook (WEO), global output continued to show resilience to trade policy shocks in the third quarter of 2025, largely supported by the front-loading of trade activity. However, uncertainty about the stability and trajectory of the global economy remains elevated. The WEO projects global growth to moderate from 3.3 percent in 2024 to 3.2 percent in 2025 and further to 3.1 percent in 2026, reflecting heightened policy uncertainty and escalating trade tensions between the United States and its major trading partners. Nonetheless, the 2025 projection represents an upward revision of 0.2 percentage points from the July 2025 estimate of 3.0 percent, partly due to easing economic policy uncertainty and reduced geopolitical risks, particularly in advanced economies.

The overall balance of payment recorded a deficit of USD 519 million in the third quarter of 2025 compared to a surplus of USD 140 million in a similar period in 2024.

The banking sector remained stable and resilient in the third quarter of 2025. Total assets increased by 2.7 percent to Ksh.8,059.5 billion in September 2025, from Ksh. 7,849.1 billion in June 2025. The deposit base increased by 1.8 percent to Ksh.5,953.2 billion in the third quarter of 2025, from Ksh. 5,847.8 billion in the second quarter of 2025. The sector was well capitalized with capital adequacy ratio of 20.0 percent in the third quarter of 2025, which was above the minimum capital requirement of 14.5 percent. The sector remained profitable in the third quarter of 2025, with quarterly profit before tax of Ksh.79.8 billion, an increase from Ksh.74.6 billion reported in the second quarter of 2025. Credit risk remained elevated with Gross Non-Performing Loans (NPLs) to Gross Loans Ratio standing at 16.9 percent at the end of the third quarter of 2025, a decrease from 17.6 percent recorded at the end of second quarter of 2025.

The Government's budgetary operations at the end of the first quarter of FY 2025/26 resulted in a deficit (including grants) of 1.6 percent of GDP. Revenue collection remained below target; however, expenditure and net lending was above target.

Kenya's public and publicly guaranteed debt increased by 2.1 percent during the first quarter of FY 2025/26. Domestic debt increased by 5.3 percent while external debt declined by 1.7 percent. The ratio of public debt to GDP was estimated at 68.9 percent by the first quarter of FY 2025/26 compared to 69.0 percent by the end of the first quarter of FY 2024/25.

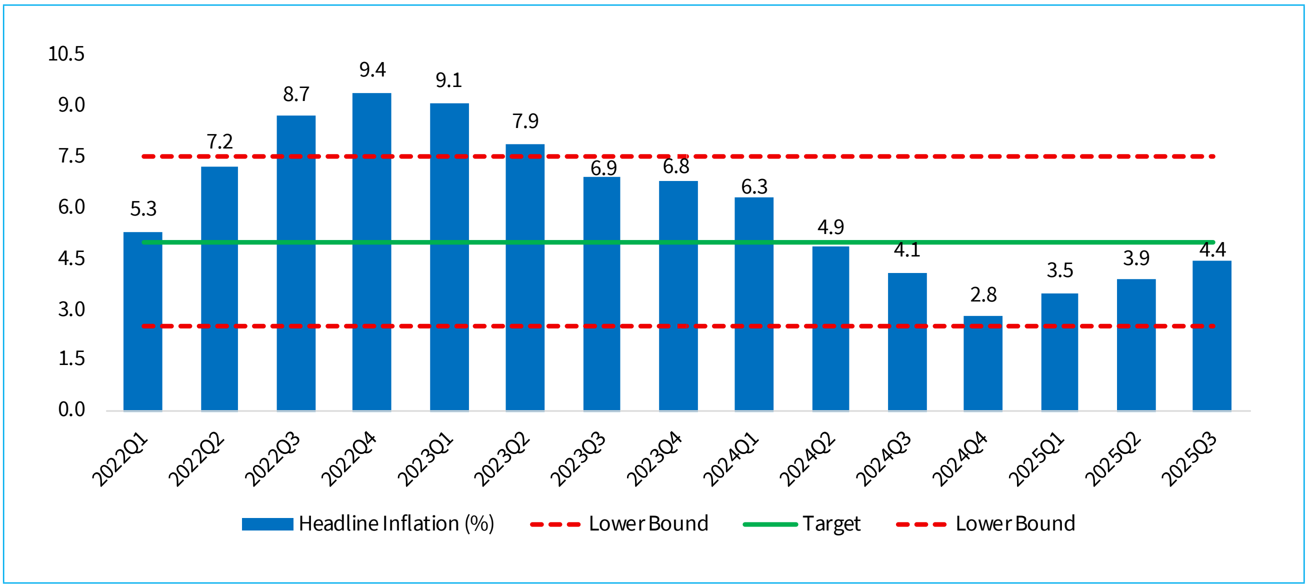
At the Nairobi Securities Exchange, the NSE 20 and NASI share price indices increased by 21.8 and 15.2 percent in the third quarter of 2025 compared to the second quarter of 2025. Similarly, Market capitalization increased by 15.2 percent. Equity turnover increased by 55.3 percent, while total shares traded increased 26.1 percent, respectively

Chapter 1:
Inflation

Trends in Headline Inflation

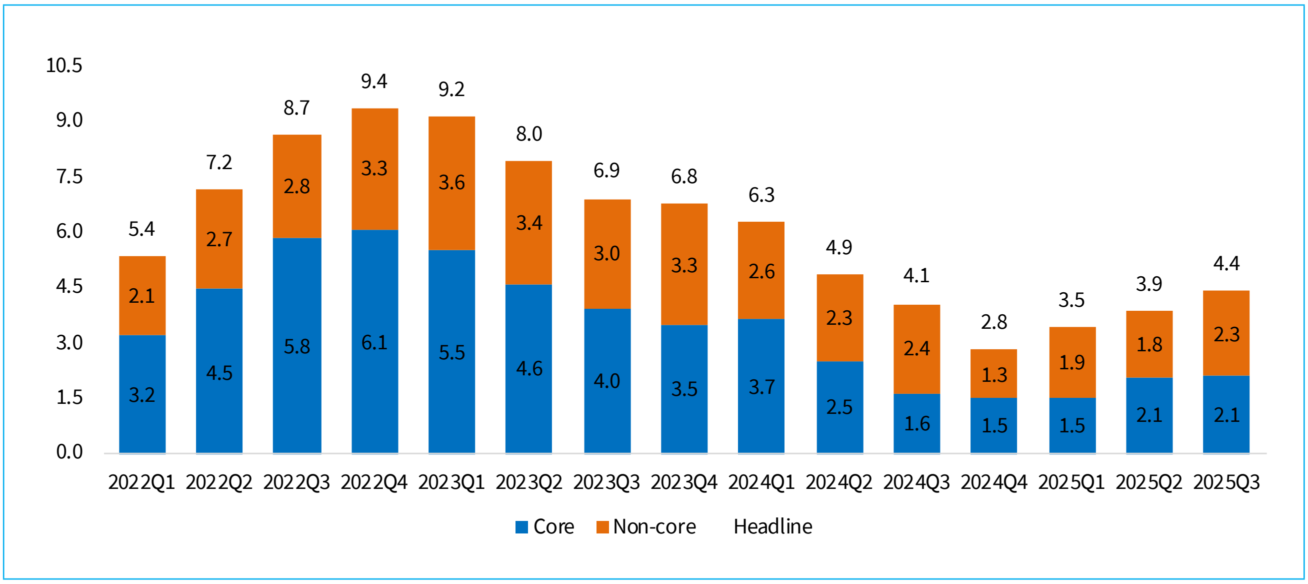
Headline inflation edged up to 4.4 percent in the third quarter of 2025, from 3.9 percent in the previous quarter, reflecting the impact of the accommodative monetary policy stance and seasonal patterns. Core inflation increased to 3.0 percent in the third quarter of 2025 from 2.8 percent in the second quarter, indicating a moderate strengthening of underlying price pressures. Consequently, its contribution to overall inflation increased to 2.9 percentage points in the third quarter, from 2.1 percentage points in the second quarter. Additionally, non-core inflation recorded a notable uptick to 8.7 percent from 6.8 percent in the third quarter, driven by elevated prices of select vegetable and energy items **(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

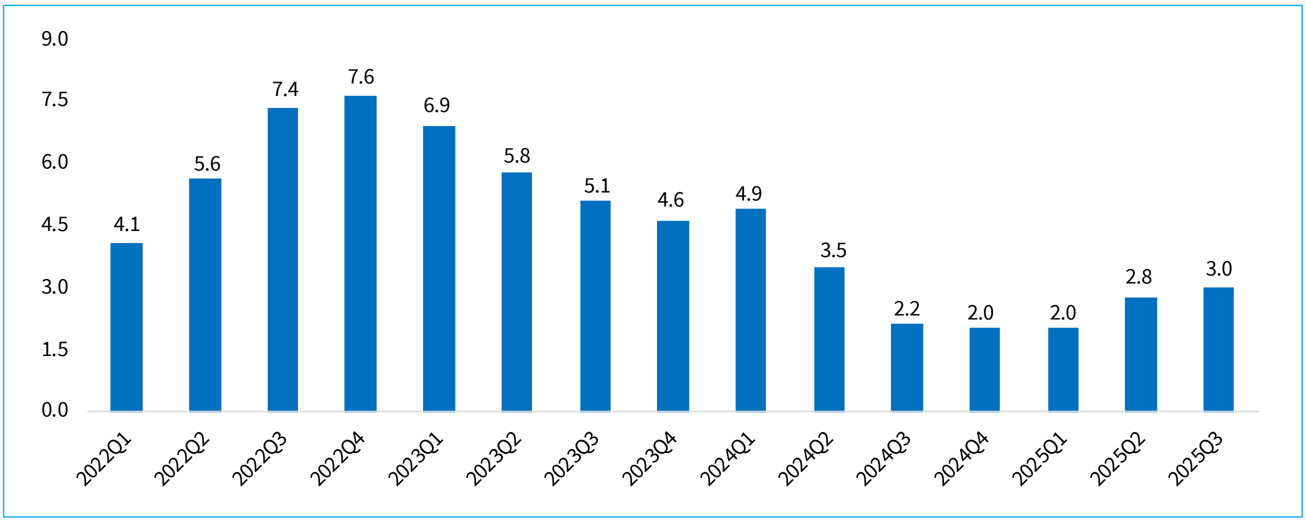


Source: Kenya National Bureau of Statistics and Central Bank of Kenya.

Core Inflation

Core inflation increased modestly to 3.0 percent in the third quarter of 2025, up from 2.8 percent in the previous quarter, mainly on account of increases in prices of processed food items. However, prices of non-food items remained broadly stable during the quarter under review **(Chart 1.3)**.

Chart 1.3: Developments in Core Inflation

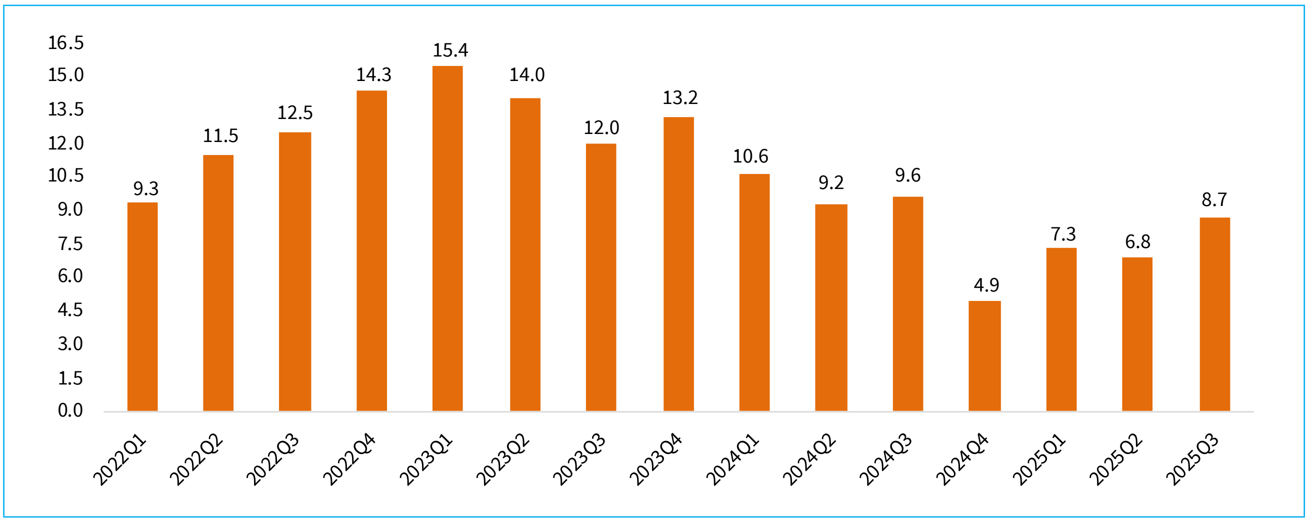


Source: Kenya National Bureau of Statistics and Central Bank of Kenya.

Non-Core Inflation

Non-core inflation rose to 8.7 percent in the second quarter of 2025 from 6.8 percent in the previous quarter, mainly driven by higher prices of select vegetable and energy items. **(Chart 1.4)**. Inflation for food crops and related items sub-category increased marginally to 10.9 percent in the third quarter of 2025, from 10.5 percent in the previous quarter, reflecting continued pressures from higher prices of select vegetable items. Energy inflation stood at 0.5 percent compared to a disinflation of -3.1 percent in the second quarter, driven by modest increases in domestic fuel prices in July 2025 and increased prices of charcoal and firewood. Transport inflation also accelerated to 17.5 percent from 15.5 percent in the preceding quarter on account of higher prices of local flights and country bus fares.

Chart 1.4: Developments in Non-Core Inflation



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

Chapter 2:
Performance of the Real Sector

Overview

The economy recorded an improved real GDP growth of 4.9 percent in the third quarter of 2025 compared to 4.2 percent in a similar quarter of 2024, supported by strong industrial activity and resilience of key service sectors. The expansion in industry was driven by strong growth in all sectors, particularly construction and mining and quarrying. Resilience of the Services sector was supported by strong growth of Accommodation and Food Services, Real Estate, Finance and Insurance, and Transport and Storage sectors. On the other hand, agriculture sector growth decelerated during the quarter under review **(Table 3.1)**.

Agriculture

The agriculture sector growth decelerated to 3.2 percent in the third quarter of 2025 compared to 4.0 percent in a similar quarter of 2024, and contributed 0.5 percentage points to real GDP growth **(Tables 3.1 and 3.3)**. The growth of the sector was supported by milk production, which increased by 9.7 percent, and improved performance of high value horticulture crops, reflected in exports of cut flowers, which expanded by 36.2 percent during the quarter. However, growth of the sector was constrained by subdued performance of agricultural activities including declines of coffee exports (-53.1 percent), vegetables (-18.9 percent), and fruits (-5.0 percent). Additionally, production of tea and sugarcane deliveries declined by -2.8 percent and -46.6 percent, respectively.

Non-Agriculture

The non-agriculture sector strengthened and grew by 5.2 percent compared to 4.3 percent in a similar quarter of 2024 and contributed 4.4 percentage points to real GDP growth. The improvement was driven by a strong performance of the industrial sector and resilience of service sectors. **(Tables 3.1 and 3.3)**.

Industrial sector activity sustained momentum in the third quarter of 2025, reflecting notable improvement of growth across all sectors. The sector grew by 4.8 percent compared to a contraction of -0.4 percent in a similar quarter of 2024 and contributed 0.8 percentage points to real GDP growth **(Tables 2.1 and Figure 2.1)**.

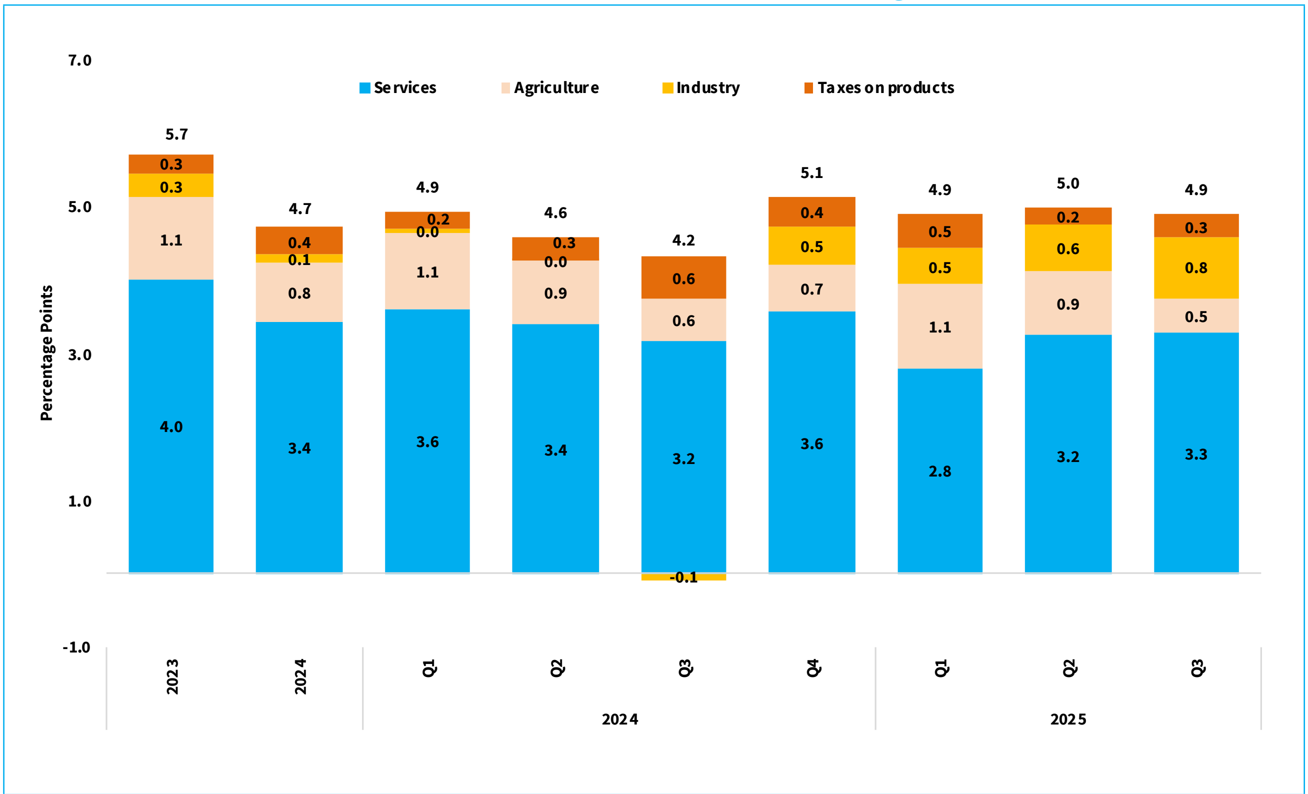
- Construction sector recorded significant growth, expanding by 6.7 percent, from a contraction of -2.6 percent in a similar quarter of 2024. The increased activity in the sector was reflected in increased cement consumption (16.2 percent), imports of bitumen (7.3 percent), iron and steel imports (52.6 percent) and credit uptake (51.2 percent).
- Electricity and Water Supply sector growth recovered to 3.6 percent from 0.9 percent in a similar quarter of 2024. Total electricity generation increased by 5.0 percent during the quarter, driven by increased generation from geothermal and solar sources. Additionally, total electricity sales and imports increased by 9.0 percent and 26.0 percent, respectively during the quarter.
- Manufacturing sector expanded by 2.5 percent compared to 2.3 percent in a similar quarter of 2024, mainly supported by the non-food sub-sector. Production of cement, galvanised sheets and assembly of motor vehicles increased by 15.7 percent, 20.3 percent, and 3.2 percent, respectively. However, activity in the agro-processing subsector declined, largely on account of lower production of sugar and soft drinks which declined by 49.4 percent and 2.2 percent, respectively. However, milk deliveries and volume of processed milk increased by 9.7 percent and 14.6 percent, respectively.

a. Services sector which remains the dominant driver of growth remained resilient and grew by 5.5 percent in the third quarter of 2025 compared to 5.4 percent in a corresponding quarter of 2024, thereby contributing 3.3 percentage points to real GDP growth. The performance of select sectors was as follows:

- Accommodation and Food Services sector expanded by 17.7 percent compared to 22.9 percent in a similar quarter of 2024. Activity in the sector was boosted by increased visitors as Kenya co-hosted the African Nations Championship (CHAN 2024) during the quarter under review. Additionally, international passenger arrivals through JKIA and MIA increased by 9.9 percent.

- Financial and Insurance sector grew by 5.4 percent compared to 7.3 percent in a similar quarter of 2024. Activity in the sector was boosted by easing cost of credit as interest on loans and other advances declined from 16.9 percent in September 2024 to 15.07 percent in September 2025. The decline in market rates reflects monetary policy easing as the Central Bank Rate (CBR) was lowered to 9.5 percent in September 2025 from 12.75 percent in September 2024.
- Transport and Storage sector recorded a strong growth of 5.2 percent compared to 4.6 percent in a similar quarter of 2024. Activity in water, road and air transport subsectors increased, as reflected in increased volume of cargo throughput at the Mombasa port (12.0 percent), consumption of light diesel (10.5 percent), visitor arrivals through JKIA and MIA (9.9 percent), and number of passengers ferried through Standard Gauge Railway (SGR) (8.6 percent).
- Wholesale and Retail Trade sector growth increased to 4.8 percent from 2.6 percent in a similar quarter of 2024, reflecting increased activity, partly supported by the stability of inflation and exchange rate during the quarter under review.
- Information and Communication sector grew by 4.5 percent compared to 6.9 percent in a similar quarter of 2024. Growth was supported by domestic mobile voice traffic, short messaging services (SMS), and mobile money transactions, which increased by 14.2 percent 7.3 percent, and 5.2 percent, respectively. However, growth was constrained by a significant decline in total utilized international bandwidth by 19.2 percent during the quarter under review.

Chart 2.1: Sectoral Contributions to Real GDP Growth (Percentage Points)



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

Table 2.1: Gross Domestic Product (GDP) Growth by Sector (Percent)

	Annual		2024				2025		
	2023	2024	Q1	Q2	Q3	Q4	Q1	Q2	Q3
1. Agriculture	**6.6**	**4.6**	**5.6**	**4.5**	**4.0**	**4.3**	**6.0**	**4.4**	**3.2**
2. Non-Agriculture (o/w)	**5.5**	**4.7**	**4.8**	**4.6**	**4.3**	**5.3**	**4.6**	**5.1**	**5.2**
2.1 Industry	**2.0**	**0.8**	**0.4**	**0.2**	**-0.4**	**3.1**	**3.0**	**4.0**	**4.8**
Mining & Quarrying	-6.5	-9.2	-16.1	-5.5	-12.2	-2.3	10.8	15.3	16.6
Manufacturing	2.2	2.8	1.9	3.2	2.3	3.9	2.1	1.0	2.5
Electricity & water supply	3.2	1.9	2.8	1.2	0.9	2.7	3.6	5.7	3.6
Construction	3.0	-0.7	0.4	-3.7	-2.6	2.9	3.0	5.7	6.7
2.2 Services	**7.0**	**6.0**	**6.4**	**6.1**	**5.4**	**6.1**	**5.0**	**5.7**	**5.5**
Wholesale & Retail Trade	3.3	3.8	3.6	2.5	2.6	6.4	5.4	4.0	4.8
Accommodation & Food Services	33.6	25.7	38.1	35.0	22.9	10.9	4.1	7.8	17.7
Transport & Storage	5.5	4.4	4.1	3.4	4.6	5.6	3.8	5.4	5.2
Information & Communication	10.3	7.0	9.2	6.7	6.9	5.6	5.8	6.0	4.5
Financial & Insurance	10.1	7.6	9.6	8.0	7.3	6.0	5.1	6.6	5.4
Public administration	5.0	8.2	7.5	9.0	7.3	9.2	6.5	6.0	5.1
Professional, Administration & Support Services	9.9	6.2	9.4	6.7	4.5	4.7	4.6	8.5	6.1
Real estate	7.3	5.3	6.9	5.9	4.8	3.6	5.3	5.5	5.7
Education	2.9	3.9	2.4	3.2	4.8	5.4	2.9	3.2	3.4
Health	4.5	6.3	5.4	8.1	6.2	5.6	4.8	6.8	4.1
Other services	4.3	4.7	5.1	4.8	4.9	4.0	3.0	1.8	6.2
FISIM	2.7	9.0	15.4	10.3	11.0	0.7	2.4	1.8	3.6
2.3 Taxes on products	**3.2**	**4.4**	**2.9**	**3.8**	**6.3**	**4.5**	**5.7**	**3.3**	**3.7**
Real GDP Growth	5.7	4.7	4.9	4.6	4.2	5.1	4.9	5.0	4.9

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

Table 2.2: Sectoral Shares (Percentage of GDP)

	Annual		2024				2025		
	2023	2024	Q1	Q2	Q3	Q4	Q1	Q2	Q3
1. Agriculture	17.1	17.1	18.9	19.7	14.4	15.4	19.1	19.6	14.2
2. Non-Agriculture (o/w)	82.9	82.9	81.1	80.3	85.6	84.6	80.9	80.4	85.8
2.1 Industry	17.3	16.6	16.4	16.1	17.2	16.9	16.1	15.9	17.2
Mining & Quarrying	1.0	0.9	0.8	0.9	0.9	0.9	0.9	1.0	1.0
Manufacturing	8.2	8.0	7.9	7.9	8.1	8.1	7.7	7.6	7.9
Electricity & water supply	2.4	2.4	2.3	2.2	2.5	2.4	2.3	2.3	2.5
Construction	5.7	5.4	5.3	5.0	5.7	5.6	5.2	5.0	5.8
2.2 Services	57.1	57.8	56.5	56.4	59.5	58.8	56.5	56.8	59.9
Wholesale & Retail Trade	8.1	8.0	8.4	7.4	7.8	8.4	8.5	7.3	7.8
Accommodation & Food Services	1.3	1.6	1.6	1.6	1.5	1.6	1.6	1.6	1.7
Transport & Storage	9.6	9.5	9.1	9.3	10.3	9.5	9.0	9.4	10.3
Information & Communication	3.4	3.4	3.4	3.2	3.5	3.5	3.4	3.3	3.5
Financial & Insurance	9.5	9.8	9.0	9.7	10.0	10.4	9.0	9.8	10.1
Public administration	6.0	6.2	5.9	6.4	6.3	6.1	6.0	6.4	6.4
Professional, Administration & Support Services	2.8	2.9	2.7	2.7	3.0	3.0	2.7	2.8	3.0
Real estate	10.2	10.3	10.2	10.3	10.7	10.0	10.2	10.3	10.8
Education	4.8	4.8	4.9	4.3	4.9	4.9	4.8	4.2	4.8
Health	2.2	2.2	2.1	2.3	2.3	2.3	2.1	2.4	2.3
Other services	2.1	2.1	2.0	2.1	2.4	2.0	2.0	2.0	2.4
FISIM	-2.8	-3.0	-2.9	-2.8	-3.2	-2.9	-2.8	-2.8	-3.2
2.3 Taxes on products	8.4	8.4	8.2	7.8	8.8	8.9	8.3	7.6	8.7
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

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

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

	Annual		2024				2025		
	2023	2024	Q1	Q2	Q3	Q4	Q1	Q2	Q3
1. Agriculture	1.1	0.8	1.1	0.9	0.6	0.7	1.1	0.9	0.5
2. Non-Agriculture (o/w)	4.6	3.9	3.9	3.7	3.6	4.5	3.8	4.1	4.4
2.1 Industry	0.3	0.1	0.1	0.0	-0.1	0.5	0.5	0.6	0.8
Mining & Quarrying	-0.1	-0.1	-0.1	-0.1	-0.1	0.0	0.1	0.2	0.2
Manufacturing	0.2	0.2	0.1	0.3	0.2	0.3	0.2	0.1	0.2
Electricity & water supply	0.1	0.0	0.1	0.0	0.0	0.1	0.1	0.1	0.1
Construction	0.2	0.0	0.0	-0.2	-0.1	0.2	0.2	0.3	0.4
2.2 Services	4.0	3.5	3.6	3.4	3.2	3.6	2.8	3.2	3.3
Wholesale & Retail Trade	0.3	0.3	0.3	0.2	0.2	0.5	0.5	0.3	0.4
Accommodation & Food Services	0.4	0.4	0.6	0.6	0.3	0.2	0.1	0.1	0.3
Transport & Storage	0.5	0.4	0.4	0.3	0.5	0.5	0.3	0.5	0.5
Information & Communication	0.3	0.2	0.3	0.2	0.2	0.2	0.2	0.2	0.2
Financial & Insurance	1.0	0.7	0.9	0.8	0.7	0.6	0.5	0.7	0.5
Public administration	0.3	0.5	0.4	0.6	0.5	0.6	0.4	0.4	0.3
Professional, Administration & Support Services	0.3	0.2	0.3	0.2	0.1	0.1	0.1	0.2	0.2
Real estate	0.7	0.5	0.7	0.6	0.5	0.4	0.5	0.6	0.6
Education	0.1	0.2	0.1	0.1	0.2	0.3	0.1	0.1	0.2
Health	0.1	0.1	0.1	0.2	0.1	0.1	0.1	0.2	0.1
Other services	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.0	0.2
FISIM	-0.1	-0.3	-0.4	-0.3	-0.4	0.0	-0.1	0.0	-0.1
2.3 Taxes on products	0.3	0.4	0.2	0.3	0.6	0.4	0.5	0.2	0.3
Real GDP Growth	5.7	4.7	4.9	4.6	4.2	5.1	4.9	5.0	4.9

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

Chapter 3:

Developments in Money, Credit, and Interest Rates

Overview

Broad money supply (M3) declined by 0.4 percent in the third quarter of 2025, compared to an increase of 4.9 percent in the previous quarter, mainly reflecting a decline in household sector deposits and other deposits held at the CBK.

Monetary aggregates and its components

Broad money supply (M3) declined by 0.4 percent in the third quarter of 2025, compared to a growth of 4.9 percent in the previous quarter. The decline was mainly reflected in moderation of household sector deposits and other deposits held at the CBK. The moderation in household sector deposits was largely concentrated in demand deposits. Meanwhile, the corporate sector deposits improved, largely on account of higher demand deposits. The reduction in other deposits at the CBK mainly reflected lower county government deposits **(Tables 3.1 and 3.2)**.

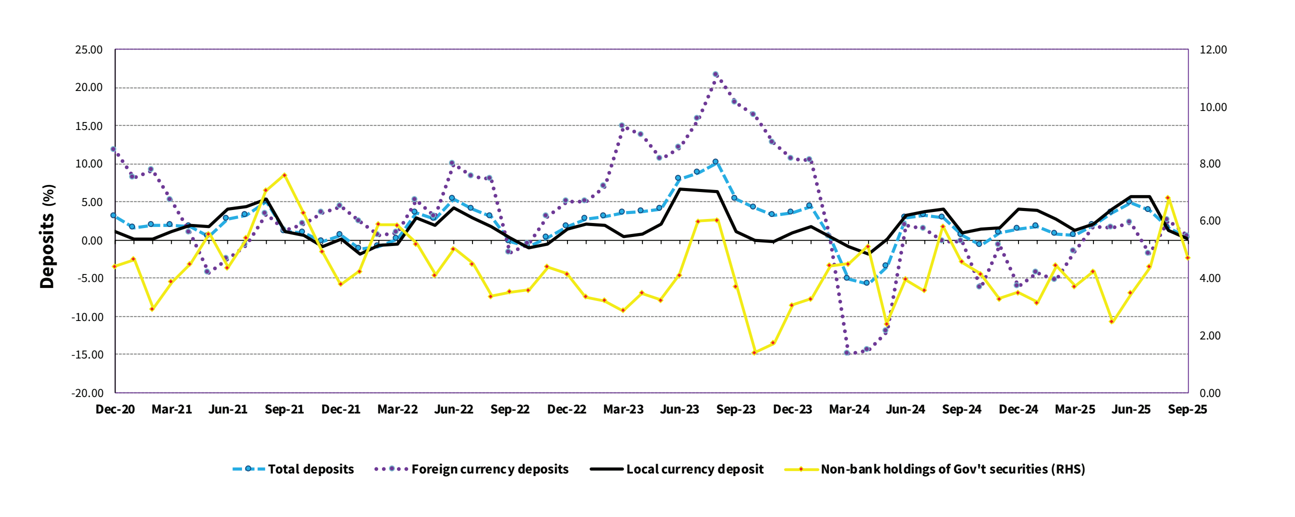
On the counterpart side, the decline in broad money reflected a decline in the net foreign assets (NFA) of the banking system, which more than offset an increase in net domestic assets (NDA). The reduction in NFA partly reflected external debt service payments, which lowered the CBK's net foreign assets, while the decline in commercial banks' NFA was due to a drop in their external foreign currency deposits. The increase in NDA mainly reflected higher net lending to Government and a recovery in credit to the private sector **(Table 3.1)**.

Table 3.1: Monetary Aggregates

	End Month Level (KSh. Billion)					Quarterly Growth Rates (%)					Absolute Quarterly Changes (KSh. Billion)				
	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25
Components of M3															
1. Money supply, M1 (1.1+1.2+1.3)	**1,972.8**	**2,121.4**	**2,109.8**	**2,342.3**	**2,324.2**	**-4.4**	**7.5**	**-0.5**	**11.0**	**-0.8**	**-90.9**	**148.6**	**-11.6**	**232.5**	**-18.1**
1.1 Currency outside banks	268.2	292.8	285.4	286.0	292.5	-2.2	9.2	-2.5	0.2	2.3	-5.9	24.6	-7.4	0.6	6.5
1.2 Demand deposits	1,603.6	1,714.7	1,724.9	1,880.5	1,930.5	-1.7	6.9	0.6	9.0	2.7	-27.2	111.1	10.2	155.6	50.0
1.3 Other deposits at CBK 1/	101.1	114.1	99.7	175.9	101.3	-36.4	12.8	-12.6	76.5	-42.4	-57.8	13.0	-14.4	76.2	-74.6
2. Money supply, M2 (1+2.1)	**4,043.5**	**4,231.3**	**4,277.6**	**4,519.6**	**4,488.1**	**0.0**	**4.6**	**1.1**	**5.7**	**-0.7**	**1.9**	**187.8**	**46.2**	**242.0**	**-31.5**
2.1 Time and saving deposits	2,070.8	2,109.9	2,167.8	2,177.3	2,163.9	4.7	1.9	2.7	0.4	-0.6	92.8	39.2	57.8	9.5	-13.4
3. Money supply, M3 (2+3.1)	**5,381.4**	**5,488.7**	**5,516.6**	**5,786.5**	**5,761.1**	**0.0**	**2.0**	**0.5**	**4.9**	**-0.4**	**0.1**	**107.3**	**27.9**	**269.9**	**-25.4**
3.1 Foreign Currency Deposits	1,337.9	1,257.4	1,239.0	1,266.9	1,273.0	-0.1	-6.0	-1.5	2.2	0.5	-1.8	-80.5	-18.4	27.8	6.1
Sources of M3															
1. Net foreign assets 2/	**893.3**	**841.7**	**957.1**	**1,066.3**	**943.9**	**-1.4**	**-5.8**	**13.7**	**11.4**	**-11.5**	**-12.6**	**-51.6**	**115.4**	**109.2**	**-122.4**
Central Bank	472.1	610.1	682.3	810.8	747.1	-1.5	29.2	11.8	18.8	-7.8	-7.1	138.1	72.2	128.5	-63.6
Banking Institutions	421.2	231.5	274.8	255.5	196.8	-1.3	-45.0	18.7	-7.0	-23.0	-5.5	-189.7	43.2	-19.2	-58.7
2. Net domestic assets (2.1+2.2)	**4,488.2**	**4,647.1**	**4,559.5**	**4,720.2**	**4,817.1**	**0.3**	**3.5**	**-1.9**	**3.5**	**2.1**	**12.7**	**158.9**	**-87.5**	**160.6**	**97.0**
2.1 Domestic credit	6,219.0	6,458.5	6,509.2	6,655.5	6,860.4	0.8	3.9	0.8	2.2	3.1	48.9	239.5	50.7	146.3	204.9
2.1.1 Government (net)	2,346.4	2,533.7	2,600.9	2,713.3	2,829.3	2.6	8.0	2.7	4.3	4.3	58.7	187.3	67.2	112.3	116.0
2.1.2 Private sector	3,789.1	3,857.7	3,837.6	3,880.9	3,979.8	-0.2	1.8	-0.5	1.1	2.5	-8.5	68.6	-20.1	43.3	98.9
2.1.3 Other public sector	83.6	67.1	70.7	61.4	51.4	-1.6	-19.7	5.4	-13.2	-16.3	-1.4	-16.5	3.6	-9.3	-10.0
2.2 Other assets net	-1,730.9	-1,811.4	-1,949.7	-1,935.4	-2,043.3	2.1	4.7	7.6	-0.7	5.6	-36.2	-80.6	-138.3	14.3	-107.9
Memorandum items															
4. Overall liquidity, L (3+4.1)	**8,447.3**	**8,662.0**	**8,807.9**	**9,192.1**	**9,327.6**	**1.6**	**2.5**	**1.7**	**4.4**	**1.5**	**134.0**	**214.7**	**145.9**	**384.1**	**135.6**
4.1 Non-bank holdings of government securities	3,065.9	3,173.3	3,291.3	3,405.6	3,566.6	4.6	3.5	3.7	3.5	4.7	133.8	107.3	118.1	114.3	161.0

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 Levels (KSh Billion)					Quarterly Growth Rates (%)					Absolute Quarterly Changes (KSh Billions)				
	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25
1.1. Household Sector 1/	**2084**	**2076**	**2172**	**2233**	**2166**	**2.0**	**-0.4**	**4.6**	**2.6**	**-3.0**	**41.8**	**-8.1**	**96.1**	**56.9**	**-66.6**
1.1 Demand Deposits	630	668	727	812	760	0.8	6.0	8.7	11.2	-6.5	4.9	38.0	58.3	81.6	-52.6
1.2 Time and Saving Deposits	1049	1027	1064	1036	1033	3.1	-2.1	3.6	-2.6	-0.4	31.5	-22.0	37.2	-28.2	-3.7
1.3 Foreign Currency Deposits	405	381	382	385	374	1.3	-6.0	0.2	0.9	-2.7	5.4	-24.2	0.6	3.4	-10.4
2.2. Corporate Sector	**2835**	**2909**	**2867**	**3019**	**3129**	**0.6**	**2.6**	**-1.5**	**5.0**	**3.6**	**16.1**	**74.6**	**-42.3**	**143.9**	**109.4**
2.1 Demand deposits	949	1018	972	1052	1150	-3.1	7.3	-4.6	8.0	9.3	-30.0	69.5	-46.4	78.3	97.5
3. 2.2 Time and Saving Deposits	957	1018	1041	1089	1085	5.9	6.5	2.2	3.8	-0.4	52.9	61.8	22.9	40.3	-4.0
2.3 Foreign Currency Deposits	929	873	854	878	894	-0.7	-6.1	-2.2	3.0	1.8	-6.8	-56.7	-18.8	25.3	16.0

Source: Central Bank of Kenya

Developments in Domestic Credit

Growth in domestic credit extended by the banking system accelerated to 3.1 percent in the third quarter of 2025 from 2.2 percent in the previous quarter, reflecting higher net lending to Government and the continued recovery in private sector credit. The increase in net lending to Government mainly reflected higher uptake of government securities by commercial banks, alongside reduced Government deposits at the Central Bank. Credit to the other public sector moderated on account of net repayments by parastatal **(Table 3.3)**.

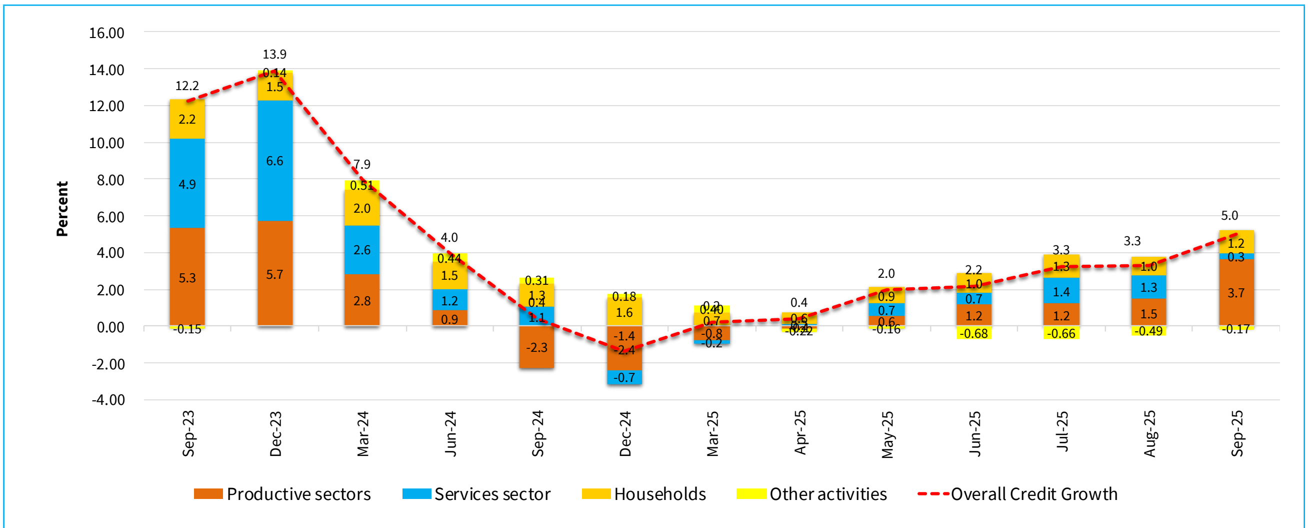
Year-on-year growth in private sector credit rose to 5.0 percent in September 2025, from 2.2 percent in June 2025 and 0.4 percent in March 2025, mainly reflecting improved demand for credit in line with the declining lending interest rates, and resilient economic activities. Private sector credit growth is expected to continue strengthening in the near-term, supported by improved economic activity and an accommodative policy stance, as well as enhanced transparency and improved 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)				
	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25
1. Credit to Government	**2,346.4**	**2,533.7**	**2,600.9**	**2,713.3**	**2,829.3**	**2.6**	**8.0**	**2.7**	**4.3**	**4.3**	**58.7**	**187.3**	**67.2**	**112.3**	**116.0**
Central Bank	359.3	386.3	395.9	395.9	433.7	-5.6	7.5	2.5	0.0	9.5	-21.5	27.0	9.6	0.0	37.7
Commercial Banks & NBFIs	1,987.1	2,147.4	2,205.0	2,317.3	2,395.6	4.2	8.1	2.7	5.1	3.4	80.2	160.3	57.6	112.3	78.3
2. Credit to other public sector	**83.6**	**67.1**	**70.7**	**61.4**	**51.4**	**-1.6**	**-19.7**	**5.4**	**-13.2**	**-16.3**	**-1.4**	**-16.5**	**3.6**	**-9.3**	**-10.0**
Local government	7.0	1.7	15.0	16.1	13.9	10.1	-76.1	791.2	6.8	-13.3	0.6	-5.4	13.3	1.0	-2.1
Parastatals	76.5	65.4	55.7	45.3	37.5	-2.6	-14.5	-14.9	-18.6	-17.4	-2.0	-11.1	-9.7	-10.4	-7.9
3. Credit to private sector	**3,789.1**	**3,857.7**	**3,837.6**	**3,880.9**	**3,979.8**	**-0.2**	**1.8**	**-0.5**	**1.1**	**2.5**	**-8.5**	**68.6**	**-20.1**	**43.3**	**98.9**
Agriculture	136.3	149.0	149.0	151.1	153.5	1.6	9.4	0.0	1.4	1.6	2.1	12.8	-0.1	2.1	2.5
Manufacturing	531.1	577.1	560.4	598.3	590.3	-8.5	8.7	-2.9	6.8	-1.3	-49.1	46.0	-16.7	37.9	-8.0
Trade	675.7	678.8	682.9	696.8	702.4	6.8	0.5	0.6	2.0	0.8	43.0	3.1	4.0	13.9	5.6
Building and construction	125.9	134.5	153.8	159.6	192.5	-1.4	6.8	14.4	3.8	20.6	-1.7	8.6	19.3	5.8	32.9
Transport & communications	348.0	367.2	357.0	336.2	343.4	1.5	5.5	-2.8	-5.8	2.1	5.0	19.3	-10.2	-20.8	7.1
Finance & insurance	156.6	149.1	133.6	142.1	154.6	2.8	-4.8	-10.4	6.4	8.8	4.2	-7.5	-15.5	8.5	12.5
Real estate	455.4	458.4	451.3	452.0	459.7	2.4	0.7	-1.5	0.2	1.7	10.6	3.0	-7.1	0.7	7.7
Mining and quarrying	49.3	20.1	17.4	22.7	21.5	15.0	-59.3	-13.2	30.1	-5.1	6.4	-29.2	-2.6	5.3	-1.2
Private households	574.6	572.3	560.9	564.8	570.8	1.5	-0.4	-2.0	0.7	1.0	8.7	-2.3	-11.5	4.0	5.9
Consumer durables	417.7	429.2	449.9	457.5	468.5	0.1	2.8	4.8	1.7	2.4	0.4	11.5	20.7	7.6	11.1
Business services	206.1	205.1	189.9	192.5	197.4	-3.6	-0.5	-7.4	1.4	2.5	-7.7	-1.0	-15.2	2.6	4.9
Other activities	112.4	116.8	131.5	107.3	125.2	-21.3	3.9	12.6	-18.4	16.7	-30.4	4.4	14.8	-24.2	17.9
4. TOTAL (1+2+3)	**6,219.0**	**6,458.5**	**6,509.2**	**6,655.5**	**6,860.4**	**0.8**	**3.9**	**0.8**	**2.2**	**3.1**	**48.9**	**239.5**	**50.7**	**146.3**	**204.9**

Source: Central Bank of Kenya

Chart 3.2: Contributions to Overall Credit Growth by Activity Group in Percent



Source: Central Bank of Kenya

Reserve Money

Growth of reserve money improved to 0.8 percent in the third quarter of 2025, compared to a contraction of 1.9 percent in the previous quarter. The increase reflected higher currency outside banks, which more than offset a decline in bank reserves. On the counterpart side, the pickup in growth reflected increased net lending to Government, driven by a decline in Government deposits at the CBK and a reduction in 'other domestic assets' mainly due to reduce other deposits at CBK, which more than offset the decline in net foreign assets **(Table 3.4)**.

Table 3.4: Reserve Money and Its Sources

	Sep-24	Dec-24	Mar-25	Jun-25	Jan-00	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25
Sources of Reserve Money															
1. Net Foreign Assets	472.1	610.1	682.3	810.8	747.1	-1.5	29.2	11.8	18.8	-7.8	-7.1	138.1	72.2	128.5	-63.6
2. Net Domestic Assets	108.1	11.9	-98.9	-238.5	-170.4	7.6	-89.0	-928.1	141.1	-28.5	7.6	-96.2	-110.9	-139.6	68.1
2.1 Government Borrowing (net)	359.3	386.3	395.9	395.9	433.7	-5.6	7.5	2.5	0.0	9.5	-21.5	27.0	9.6	0.0	37.7
2.2 Commercial banks (net)	210.6	123.6	8.7	-28.7	-57.1	-19.2	-41.3	-93.0	-431.0	99.2	-49.9	-87.0	-114.9	-37.4	-28.4
2.3 Other Domestic Assets (net)	-465.4	-501.6	-507.2	-609.5	-550.7	-14.5	7.8	1.1	20.2	-9.7	79.1	-36.3	-5.6	-102.3	58.8
Time and saving deposits															
3. Reserve Money	**580.2**	**622.1**	**583.4**	**572.3**	**576.7**	**0.1**	**7.2**	**-6.2**	**-1.9**	**0.8**	**0.5**	**41.9**	**-38.7**	**-11.1**	**4.5**
3.1 Currency outside banks	268.2	292.8	285.4	286.0	292.5	-2.2	9.2	-2.5	0.2	2.3	-5.9	24.6	-7.4	0.6	6.5
3.2 Bank reserves	312.0	329.3	298.0	286.3	284.2	2.1	5.5	-9.5	-3.9	-0.7	6.4	17.3	-31.3	-11.7	-2.1

Source: Central Bank of Kenya

Interest Rates

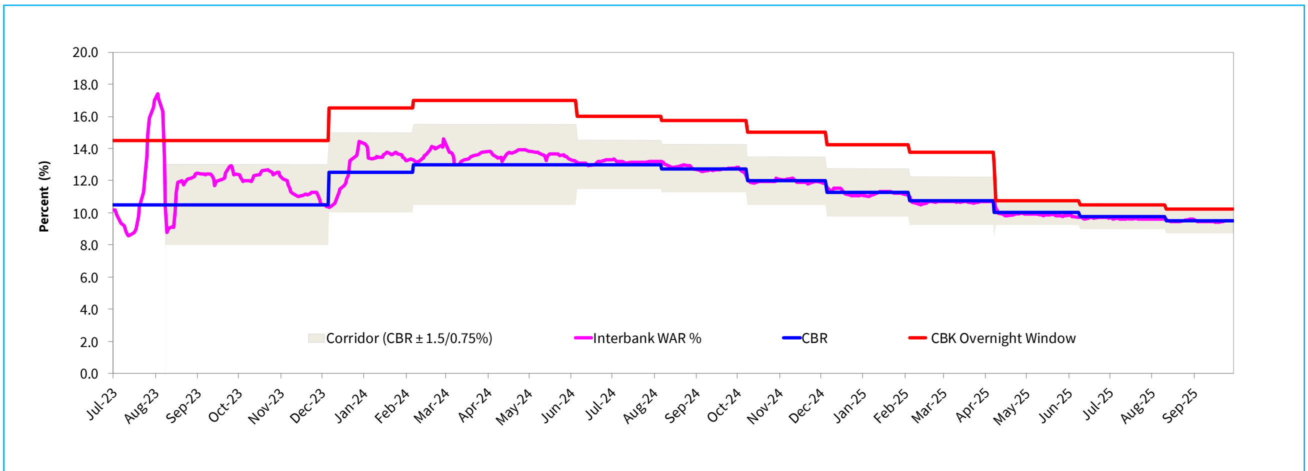
a. Central Bank Rate

The CBK's Monetary Policy Committee (MPC) in August 2025 reduced the policy rate—the Central Bank Rate (CBR)—by 25 basis points to 9.50 percent from 9.75 percent. The MPC noted that overall inflation was expected to remain below the midpoint of the 5 ± 2.5 percent target range in the near term, supported by low and stable core inflation, subdued energy prices, and exchange rate stability. 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 third 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 9.48 percent in September 2025, from 9.72 percent in June 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 8.90 percent in September 2025 from 9.14 percent in June 2025, while the average 182-day Treasury bill rate declined to 8.02 percent from 8.51 percent.

Chart 3.3: Interest Rate Corridor (%)



Source: Central Bank of Kenya

c. Lending and Deposit Rates

Commercial banks' average lending and deposit rates declined in the third quarter of 2025, reflecting the easing of the monetary policy stance. The weighted average lending rate fell by 22 basis points, from 15.29 percent in June 2025 to 15.07 percent in September 2025. Similarly, the average deposit rate declined to 7.63 percent in September 2025, from 8.37 percent in June 2025, reflecting an easing in the cost of funds. Deposit rates fell faster than lending rates, resulting in a wider lending–deposit spread.

Table 3.6: Interest Rates (%)

	2023				2024				2025								
	Mar	Jun	Sep	Dec	Mar	Jun	Sep	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept
91-day Treasury bill rate	**9.76**	**11.49**	**14.38**	**15.70**	**16.68**	**15.97**	**15.75**	**10.32**	**9.63**	**9.14**	**8.88**	**8.51**	**8.37**	**8.21**	**8.13**	**8.05**	**7.96**
182-day Treasury bill rate	10.25	11.54	14.42	15.80	16.86	16.67	16.62	10.39	10.03	9.57	9.13	9.15	8.59	8.51	8.44	8.19	8.02
Interbank rate	7.05	9.48	12.36	11.65	13.42	13.14	12.67	11.45	11.21	10.68	10.68	10.14	9.86	9.72	9.63	9.55	9.48
Repo rate	-	-	-	-	**0.00**	**0.00**	**0.00**	**0.00**	**11.22**	**10.80**	**10.71**	**10.28**	**10.00**	**9.87**	**9.75**	**9.61**	**9.55**
Reverse Repo rate	10.37	9.90	13.76	14.03	14.71	13.75	13.07	12.22	11.39	-	-	-	-	-	-	-	-
Central Bank Rate (CBR)	9.50	10.50	10.50	12.50	13.00	13.00	12.75	11.25	11.25	10.75	10.75	10.00	10.00	9.75	9.75	9.50	9.50
Average lending rate (1)	**13.09**	**13.31**	**13.98**	**14.64**	**16.28**	**16.85**	**16.91**	**16.89**	**16.64**	**16.41**	**15.76**	**15.65**	**15.44**	**15.29**	**15.24**	**15.17**	**15.07**
Overdraft rate	12.69	12.83	13.62	14.65	15.97	16.78	16.83	15.75	15.38	15.10	14.29	14.08	13.73	13.52	13.61	13.89	13.72
1-5years	13.47	13.79	14.48	15.16	16.82	17.52	17.69	17.72	17.56	17.21	16.48	16.33	16.07	15.89	15.68	15.50	15.41
Over 5years	12.91	13.06	13.67	14.14	15.90	16.25	16.18	16.59	16.33	16.19	15.67	15.61	15.49	15.37	15.31	15.26	15.19
Average deposit rate (2)	7.54	7.80	8.64	10.10	10.52	11.48	11.24	10.45	10.05	9.76	9.34	8.87	8.70	8.37	8.07	7.74	7.63
0-3months	8.13	8.32	9.76	11.42	12.08	12.56	12.28	11.27	10.65	10.11	9.88	8.92	8.64	8.45	8.29	8.18	8.11
Over 3 months deposit	8.19	8.54	8.96	10.19	11.27	11.92	12.04	11.04	10.73	10.59	10.48	9.93	9.72	9.30	8.84	8.28	8.11
Savings deposits	3.55	3.92	4.00	4.24	3.90	5.11	3.57	4.25	4.08	4.02	3.09	3.66	3.31	3.76	3.76	3.61	3.77
Spread (1-2)	5.55	5.51	5.33	4.54	5.76	5.37	5.67	6.44	6.59	6.64	6.42	6.78	6.74	6.92	7.18	7.43	7.44

Source: Central Bank of Kenya

Chapter 4:

Global Economy

According to the IMF's October 2025 World Economic Outlook (WEO), global output continued to show resilience to trade policy shocks in the third quarter of 2025, largely supported by the front-loading of trade activity. However, uncertainty about the stability and trajectory of the global economy remains elevated. The WEO projects global growth to moderate from 3.3 percent in 2024 to 3.2 percent in 2025 and further to 3.1 percent in 2026, reflecting heightened policy uncertainty and escalating trade tensions between the United States and its major trading partners. Nonetheless, the 2025 projection represents an upward revision of 0.2 percentage points from the July 2025 estimate of 3.0 percent, partly due to easing economic policy uncertainty and reduced geopolitical risks, particularly in advanced economies.

Growth in the advanced economies is projected to stabilize at 1.6 percent in 2025 and 2026, respectively, representing an upward revision of 0.1 percentage points for 2025 from July WEO 2025 updates. The growth outlook for the United States was revised upward to 2.0 percent in 2025 and 2.1 percent in 2026, reflecting in part improving consumer spending and investments amid greater policy uncertainty which continue to dampen private investment. Euro Area is expected to improve by 1.2 percent in 2025 from 0.9 percent in 2024, mainly driven by improved economic activity across the region. Germany economy is expected to recover from a contraction of 0.5 percent in 2024 to an increase of 0.2 percent and 0.9 percent in 2025 and 2026, respectively. The UK and Japan are projected to grow by 1.3 percent and 1.1 percent, respectively in 2025.

In the emerging market and developing economies, growth is expected to remain stable at 4.2 percent and 4.0 percent in 2025 and 2026, representing an upward revision of 0.1 percentage points than in the July WEO update, reflecting resilient economic activity in Asia particularly China and India. However, economic prospects in the region are expected to be subdued as the full impact of tariffs materializes. In sub-Saharan Africa (SSA), economic growth is projected to reach 4.1 percent in 2025 and to improve to 4.4 percent in 2026. Nigeria and South Africa are expected to grow by 3.9 percent and 1.1 percent in 2025, respectively. Kenya's growth is expected to remain above the global and Sub-Saharan Africa (SSA) averages in 2025.

Global financial market conditions remain fragile, with equity markets experiencing elevated volatility and government bond yield spreads in major economies narrowing as investors price in the impact of rising tariffs and retaliatory trade actions on corporate earnings and global growth prospects. The IMF's October 2025 World Economic Outlook projects global headline inflation to ease to about 4.2 percent in 2025 and 3.7 percent in 2026, reflecting ongoing but uneven disinflation, with several advanced economies still recording inflation outcomes above target. Although global headline inflation has moderated, the pace of decline is now expected to be slower than previously anticipated, largely due to the inflationary effects of higher import tariffs and persistent policy uncertainty. In the commodities-analysis annex, the IMF also reports that its global food and beverages price index fell by 4.8 percent between March and August 2025, driven by sharp declines in coffee, cereals, and sugar prices.

International oil prices have remained subdued, reflecting strong supply and modest global demand growth. Futures-market projections indicate that oil will average around USD 68.9 per barrel in 2025 and decline slightly to approximately USD 65.8 per barrel in 2026, helping to temper inflationary pressures in advanced economies while weighing on external balances and fiscal revenues in oil-exporting countries.

Central banks in the major economies have continued to lower their interest rates, but at a different pace depending on their inflation and growth outlooks. The US dollar weakened, largely attributed to worsening of US growth prospects as shifts in the US trade policy weighed on market economic activity due to decline in aggregate demand while elevated risks of a significant selloff in the US equity market destabilized the global financial markets. Labor market weaknesses mostly in U.S., rising inflation pressure and expectations, and softening of economic activities raised concerns about the near-term outlook and dampened risk appetite and as result central bank have been cautious in lowering their interest rates. In October 2025 central bank's policy rate meetings, the US Federal Reserve lowered the federal funds rate by 25 basis points to a target range of 3.75-4.00 percent, reflecting elevated US inflation outcomes, subdued economic activity and labour market weakness; the Bank of Canada also cut its policy rate by 25 basis points to 2.25 percent; and the European Central Bank and the Bank of Japan left their interest rate unchanged at 2.0 percent and 0.5 percent, respectively.

There is a notable difference in growth outcomes among economies according to preliminary GDP statistics for the third quarter of 2025. Growth in the United States rebounded from a contraction of 0.5 percent in quarter one of 2025 to 3.8 percent in quarter two of 2025 and had a slight dip to 3.5 percent in quarter three of 2025, partly attributable to pause and ongoing trade agreements with key trade partners and rising consumer confidence and business activity in the service sector. In comparison, subdued growth was recorded in the United Kingdom (1.3 percent), the Euro Area (1.4 percent), and Germany's (0.3 percent). China's growth expanded by 4.8% in third quarter of 2025, down from 5.2% in the second quarter of 2025, reflecting elevated uncertainty about US-China trade war, a prolonged property slump, and soft consumer demand.

The main risks to the global growth outlook relate to the prolonged trade policy uncertainty, escalation of protectionist measures, shocks to labor supply from the stringent immigration policies in advanced economies and geopolitical tensions particularly the conflict in the Middle East and the Russia-Ukraine war. Emerging fiscal vulnerabilities and financial market fragilities may interact with the rising borrowing costs and increased rollover risks for sovereigns while the persistent inflation is calling for recalibration of macroeconomic policies amid dim medium-term growth prospects and global economic fragmentation.

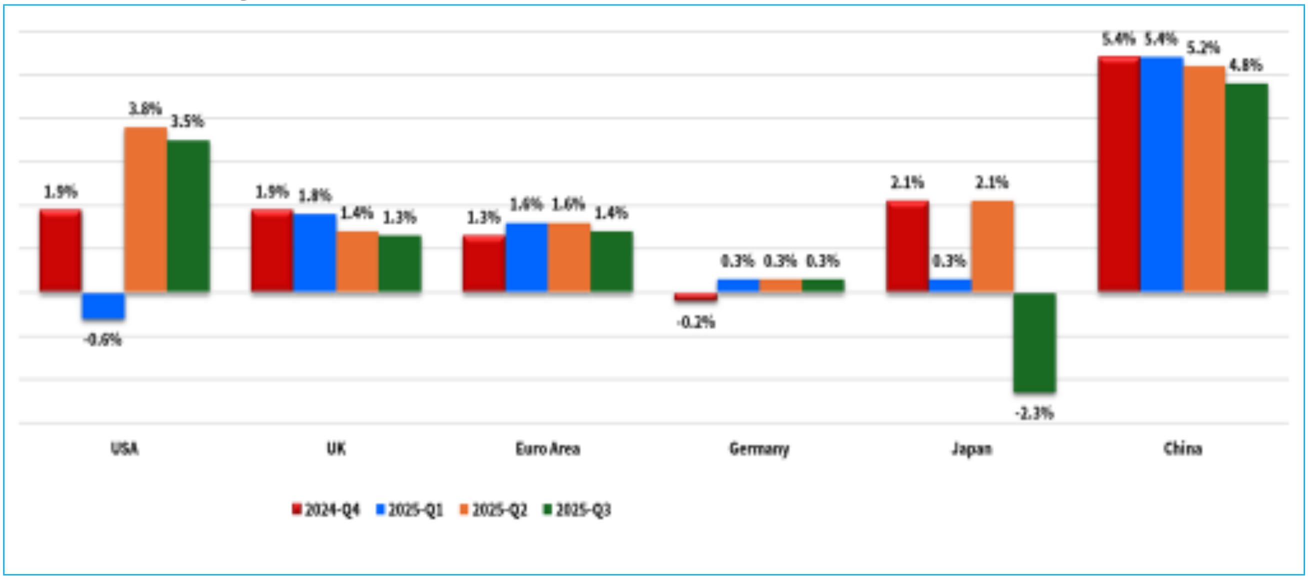
Table 4.1 Growth performance and outlook for the global economy (percent)

	Annual				Quarterly		
	Year over Year				Quarter over Quarter		
	Annual		Projection		Actual	Projection	
	2023	2024	2025	2026	2024	2025	2026
World Output	**3.5**	**3.3**	**3.2**	**3.1**	**3.6**	**2.6**	**3.3**
Advanced Economies	**1.8**	**1.8**	**1.6**	**1.6**	**1.9**	**1.3**	**1.8**
United States	2.9	2.8	2.0	2.1	2.4	1.9	2.0
Euro Area	**0.5**	**0.9**	**1.2**	**1.1**	**1.3**	**0.7**	**1.7**
Germany	–0.3	–0.5	0.2	0.9	–0.2	0.3	1.0
France	1.6	1.1	0.7	0.9	0.6	0.8	1.0
Italy	0.7	0.7	0.5	0.8	0.6	1.0	0.1
Spain	2.7	3.5	2.9	2.0	3.7	2.5	1.8
Japan	1.4	0.1	1.1	0.6	1.3	0.2	1.1
United Kingdom	0.4	1.1	1.3	1.3	1.5	1.4	1.4
Emerging Market and Developing Economies	**4.7**	**4.3**	**4.2**	**4.0**	**4.9**	**3.7**	**4.4**
China	5.4	5.0	4.8	4.2	5.4	3.7	5.0
India	9.2	6.5	6.6	6.2	7.4	6.0	6.2
Russia	4.1	4.3	0.6	1.0	4.5	–0.5	0.5
Latin America and the Caribbean	**2.4**	**2.4**	**2.4**	**2.3**	**2.4**	**2.1**	**2.6**
Brazil	3.2	3.4	2.4	1.9	3.3	2.4	2.3
Middle East and Central Asia	**2.4**	**2.6**	**3.5**	**3.8**	**...**	**...**	**...**
Saudi Arabia	0.5	2.0	4.0	4.0	4.4	4.0	4.0
Sub-Saharan Africa	**3.6**	**4.1**	**4.1**	**4.4**	**...**	**...**	**...**
Nigeria	2.9	4.1	3.9	4.2	4.0	3.9	4.3
South Africa	0.8	0.5	1.1	1.2	0.5	1.5	1.0
Kenya	5.6		4.8	4.9	...	...	...
World Trade Volume (goods and services)	**1.0**	**3.5**	**3.6**	**2.3**	**...**	**...**	**...**

	Annual				Quarterly		
	Year over Year				Quarter over Quarter		
	Annual		Projection		Actual	Projection	
	2023	2024	2025	2026	2024	2025	2026
Commodity Prices							
Oil	–16.4	–1.8	–12.9	–4.5	–10.1	–8.3	–2.2
Nonfuel	–5.7	3.7	7.4	4.1	8.3	7.1	1.2
World Consumer Prices	**6.6**	**5.8**	**4.2**	**3.7**	**4.9**	**3.6**	**3.0**
Advanced Economies	4.6	2.6	2.5	2.2	2.4	2.4	2.0
Emerging Market and Developing Economies	8.0	7.9	5.3	4.7	6.7	4.4	3.7

Source: IMF, World Economic Outlook, October 2025 Report

Chart 4.1: Global growth, third quarter-2025 (percent)



Source: IMF, World Economic Outlook, July 2025 Updates report

Chapter 5:

Balance of Payments and Exchange Rates

Overview

The overall balance of payment recorded a deficit of USD 519 million in the third quarter of 2025 compared to a surplus of USD 140 million in a similar period in 2024.

Current Account Balance

The current account deficit widened by USD 711 million to USD 1,047 million in the third quarter of 2025, up from USD 336 million in the corresponding period of 2024 (Table 5.1). The goods deficit increased by USD 273 million to USD 2,753 million in the third quarter of 2025, compared to USD 2,480 million in the same period of 2024, reflecting higher imports. The services account balance worsened by USD 334 million during the quarter, mainly due to lower earnings from transport and other services. In contrast, the deficit in the primary income account narrowed, supported by increased investment income receipts. The secondary income balance declined by USD 135 million, largely due to a reduction in other current transfers. However, remittance inflows rose by USD 8 million to USD 1,280 million in the third quarter of 2025, up from USD 1,272 million in the similar period of 2024.

Table 5.1: Balance On Current Account (USD Millions)

BPM6 Formart	2024		2025						2025Q3 - 2024Q3	
	Jul-Sep	Oct-Dec	Jan-Mar	Apr-Jun	July -Sep			July-Sep	Absolute	Percent
	Q3	Q4	Q1	Q2	July	Aug	Sep	Q3	Change	Change
A. Current Account	-336	-588	-515	-647	-417	-244	-386	-1047	-711	211.8
Goods: exports f.o.b.	3265	2960	3229	2714	1498	1068	1076	3642	377	11.5
Goods: imports f.o.b.	5745	5748	5595	5408	2487	1853	2054	6395	650	11.3
Services: credit	2237	2053	1977	2009	734	724	734	2192	-45	-2.0
Services: debit	1460	1518	1341	1503	594	561	595	1749	289	19.8
Balance on goods and services	-1703	-2253	-1730	-2187	-850	-622	-839	-2310	-607	35.6
Primary income: credit	77	99	99	107	44	26	32	101	24	31.4
Primary income: debit	701	388	669	446	213	260	220	693	-7	-1.0
Balance on goods, services, and primary income	-2327	-2542	-2300	-2526	-1019	-857	-1027	-2903	-576	24.7
Secondary income: credit	2002	1958	1804	1899	606	617	646	1869	-132	-6.6
O/w Remittances	1272	1318	1245	1306	416	433	431	1280	8	0.6
Secondary income: debit	11	4	19	20	4	5	5	14	3	29.8
B. Capital Account.	10	104	0	136	0	1	22	23	12	118.4
Capital account: credit	10	104	0	136	0	1	22	23	12	118.4
Capital account: debit	0	0	0	0	0	0	0	0	0	0.0
C. Financial Account.	-549	-1184	-1956	-1208	-3	-513	159	-357	192	-35.0
D. Net Errors and Omissions	-84	182	-846	517	-55	-223	426	148	232	-276.2
E. Overall Balance	-140	-882	-595	-1215	469	-47	97	519	659	-471.1
F. Reserves and Related Items	140	882	595	1215	-469	47	-97	-519	-659	-471.1

**Provisional*

Fob - free on-board

Source: Central Bank of Kenya and KNBS

Goods Account

Goods exports rose by USD 377 million to USD 3,642 million in the third quarter of 2025, mainly attributed to higher exports earnings from re-exports, tea, horticulture, manufactured goods of non-metallics mineral categories, animal and vegetable oils, machinery and transport equipment and clothing accessories. Tea exports improved mainly attributed to higher prices at the Mombasa tea auction.

Table 5.2a: Trade Exports (USD Millions)

	2024					2025						2025 Q32 - 2024Q3	
TRADE EXPORTS-CIF (USD MILLIONS)	Jul-Sep	Oct	Nov	Dec	Oct-Dec	Jan-Mar	Apr-Jun	July	August	Sep-tember	Jul-Sep	Absolute	Percent
COMMODITY DESCRIPTION	Q3				Q4	Q1	Q2					Change	Change
FOOD AND LIVE ANIMALS	792	222	236	216	674	791	862	273	252	272	797	4.8	-7.6
Vegetables and Fruits (Fresh)	180	51	36	34	121	118	181	66	58	61	186	5.6	2.6
Coffee	96	20	24	16	59	123	155	20	19	26	64	-31.9	-58.5
Tea	345	97	120	107	324	356	340	121	113	113	347	2.1	1.9
BEVERAGES AND TOBACCO	39	12	12	10	34	33	33	9	10	13	33	-6.6	-1.4
CRUDE MATERIALS	269	109	113	113	336	381	291	96	82	95	273	3.4	-6.4
Cut flowers	109	42	43	43	127	162	135	39	35	43	118	8.3	-12.8
MINERAL FUELS	31	9	8	8	25	26	27	9	12	11	32	1.1	19.2
ANIMAL & VEGETABLE OILS	77	16	22	16	54	64	99	34	36	26	96	19.0	-3.2
CHEMICALS AND RELATED PRODUCTS	178	48	56	41	146	139	156	50	45	53	148	-30.0	-5.2
MANUFACTURED GOODS	184	46	50	46	142	158	169	63	56	66	185	1.6	9.8
Non - Metallic Minerals	63	13	15	10	37	48	57	19	18	24	62	-0.6	8.2
Iron and Steel	54	13	16	16	44	54	51	20	19	18	57	2.8	11.0
MACHINERY AND TRANSPORT EQUIPMENT	37	8	21	13	42	39	38	16	12	14	42	4.8	12.1
MISCELLENEOUS MANUFACTURED ARTIC.	213	65	68	69	202	197	192	81	71	74	227	13.4	18.0
Clothing accessories	124	38	41	40	119	111	116	52	45	43	140	15.4	20.5
COMMODITIES & TRANSACTIONS	4	5	2	2	9	8	68	3	5	8	16	11.4	-77.0
RE-EXPORTS	1,327	436	368	374	1,178	1,072	988	747	374	342	1,463	136.0	48.0
TOTAL CUSTOMS EXPORTS (CIF)	3,152	977	956	908	2,841	2,907	2,924	1,382	955	973	3,311	159	13

**Provisional*

CIF Cost Insurance and Freight

Source: Central Bank of Kenya and Kenya Revenue Authority

Goods imports increased by USD 650 million to USD 6,395 million in the third quarter of 2025. The increase was mainly in imports of intermediate, machinery and capital goods. Import of food rose by 23 million, largely driven by increases in sugar imports while animal and vegetable oils, which comprise palm oil increased by USD 22 million to USD 265 million. Imports of manufactured goods comprising iron and steel and textile yarn increased by USD 141 million to USD 840 million. Similarly, imports of machinery equipment for industrial use and transport vehicles increased during the review period **(Table 5.2b)**. However, import of chemicals and related products comprising of manufactured fertilizer and medicinal and pharmaceutical declined by USD 100 million to USD 749 million. The decline in Medicinal and pharmaceutical was attributed to supply chain constraints.

Table 5.2b: Trade Imports (USD Millions)

	2025								2025 Q3 - 2024Q3	
TRADE IMPORTS-CIF (USD MILLIONS)	Jul-Sep	Oct-Dec	Jan-Mar	Apr-Jun	Jul	Aug	Sep	Jul-Sep	Absolute	Percent
COMMODITY DESCRIPTION	Q3	Q4	Q1	Q2				Q3	Change	Change
FOOD AND LIVE ANIMALS	473	552	432	626	156	164	176	497	23.3	4.9
Cereals	261	375	222	356	70	77	100	247	-14.5	-5.5
Sugar	61	37	60	103	35	48	31	115	54.1	88.9
BEVERAGES AND TOBACCO	30	45	24	34	10	8	12	30	0.0	0.2
CRUDE MATERIALS	160	170	187	151	68	58	78	204	43.4	27.1
MINERAL FUELS	2,084	1,899	1,825	1,813	974	541	610	2,125	41.1	2.0
Motor spirit	337	332	310	327	89	108	114	312	-25.0	-7.4
Jet fuel	212	235	209	158	110	58	41	209	-2.9	-1.4
Diesel oil	909	800	738	717	412	225	268	905	-4.0	-0.4
ANIMAL & VEGETABLE OILS	243	321	376	256	100	70	95	265	21.9	9.0
CHEMICALS AND RELATED PRODUCTS	849	766	756	758	290	226	233	749	-100.2	-11.8
Organic and Inorganic Chemicals	89	93	78	89	36	32	35	103	13.8	15.6
Medicinal & Pharmaceuticals	223	157	158	171	52	45	54	152	-71.5	-32.0
Manufactured Fertilizers	81	94	112	86	31	23	3	57	-23.9	-29.6
Plastics	220	221	208	204	82	62	71	214	-5.6	-2.5
Chemical Materials and Products	137	101	108	106	48	36	35	119	-18.4	-13.4
MANUFACTURED GOODS	699	767	763	897	304	262	274	840	141.1	20.2
Textile Yarn	168	164	168	186	65	52	69	185	17.0	10.1
Iron and Steel	165	234	239	320	70	92	71	233	68.0	41.3
MACHINERY AND TRANSPORT EQUIPMENT	1,272	1,113	1,102	1,259	533	504	526	1,563	291.1	22.9
Machinery	787	731	747	828	399	381	375	1,155	367.7	46.7
Transport	484	382	355	431	134	123	151	408	-76.6	-15.8
MISCELLENEOUS MANUFACTURED ARTIC.	296	467	282	274	112	78	132	322	25.9	8.8
COMMODITIES & TRANSACTIONS	111	120	129	138	48	49	50	147	36.0	32.6
TOTAL CUSTOMS IMPORTS (CIF)	6,169	6,235	5,795	6,108	2,572	1,925	2,155	6,653	483.8	7.8

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

Exports of goods to East African Community (EAC) region improved by 13 percent to USD 1,848 million in third quarter of 2025 from USD 1,634 million in the third quarter of 2024. The improvement was in Uganda, Rwanda and DRC countries. Similarly, exports to COMESA region rose by 22 percent to USD 1,782 million. Exports to the rest of the world increased by 10 percent to USD 1,573 million and was mainly to Netherlands, France, and Saudi Arabia **(Table 5.2c)**. Imports of goods were mainly from China, India, Malysia USA, Saudi Arabia, Oman and Japan which improved by 9 percent, 11 percent, 21 percent, 22 percent, 36 percent, 41 percent, and 45 in the period under review .Imports from China were mainly machinery and transport equipment, imports from India were mainly pharmaceuticals while oil imports from UAE were mainly oil products. During the period under review, imports from Africa increased by 13 percent, equivalent of USD 61 million following higher imports from South Africa and Uganda.

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

Exports	2024		2025						Share of Imports (%)	
Region/ Country	Jul-Sep	Oct-Dec	Jan-Mar	Apr-Jun	Jul	Aug	Sep	Jul-Sep		
	Q3	Q4	Q1	Q2				Q3	Q3 2025	Q3 2024
Africa	**1,835**	**1,633**	**1,558**	**1,578**	**930**	**566**	**573**	**2,069**	**57**	**56**
o/w Uganda	1,124	945	837	868	703	353	334	1,390	38	34
Tanzania	144	148	125	134	52	35	43	130	4	4
Rwanda	112	90	93	86	41	37	43	120	3	3
South Sudan	139	134	219	205	20	11	31	62	2	4
Egypt	44	51	50	46	21	18	20	58	2	1
DRC	63	65	53	62	26	46	28	99	3	2
Somalia	39	29	29	27	9	9	11	29	1	1
Ethiopia	31	28	22	25	13	9	8	30	1	1
Zambia	17	19	13	17	6	7	11	24	1	1
EAC	**1,634**	**1,425**	**1,378**	**1,404**	**857**	**496**	**495**	**1,848**	**51**	**50**
COMESA	**1,461**	**1,258**	**1,135**	**1,162**	**829**	**485**	**467**	**1,782**	**49**	**45**
	-	-	-	-				-	-	-
Rest of the World	**1,430**	**1,327**	**1,671**	**1,136**	**568**	**501**	**503**	**1,573**	**43**	**44**
o/w UAE	212	112	150	214	45	37	38	120	3	6
Pakistan	158	129	149	136	44	46	47	138	4	5
Netherlands	104	119	152	137	40	35	44	119	3	3
USA	190	165	146	151	62	52	53	167	5	6
United Kingdom	106	114	127	112	36	32	36	105	3	3
Saudi Arabia	27	27	38	34	10	9	10	29	1	1
China	37	54	34	34	18	9	9	35	1	1
Germany	40	27	47	50	11	9	13	33	1	1
France	30	25	28	33	14	14	10	37	1	1
India	63	39	23	19	9	9	12	30	1	2
Spain	26	10	11	32	11	7	5	23	1	1
Total Exports (FOB)	**3,265**	**2,960**	**3,229**	**2,714**	**1,498**	**1,068**	**1,076**	**3,642**	**100**	**100**
European Union	**283**	**247**	**323**	**361**	**98**	**87**	**97**	**283**	**8**	**9**
China	**37**	**54**	**34**	**34**	**18**	**9**	**9**	**35**	**1**	**1**

Imports	2024		2025						Share of Imports (%)	
Region/Country	Jul-Sep	Oct-Dec	Jan-Mar	Jan-Jun	July-Sep					
	Q3	Q4	Q1	Q2	Jul	Aug	Sep	Jul-Sep	Q3 2025	Q3 2024
Africa	**481**	**512**	**481**	**543**	**185**	**177**	**180**	**542**	**8**	**8**
o/w South Africa	106	123	147	108	31	47	56	134	2	2
Tanzania	115	0	88	103	46	32	30	108	2	2
Egypt	83	94	84	129	28	24	28	80	1	1
Uganda	66	68	67	95	30	28	31	89	1	1
EAC	**194**	**180**	**166**	**207**	**80**	**64**	**63**	**207**	**3**	**3**
COMESA	**227**	**234**	**214**	**309**	**86**	**95**	**91**	**271**	**4**	**4**
Rest of the World	**5,264**	**5,236**	**5,114**	**4,865**	**2,302**	**1,676**	**1,875**	**5,853**	**92**	**92**
o/w China	1,311	1,153	1,149	1,206	556	421	450	1,426	22	23
UAE	1,427	1,390	1,303	1,255	602	342	420	1,364	21	25
India	498	534	519	560	195	187	173	555	9	9
Malaysia	209	300	299	230	88	66	98	252	4	4
USA	252	348	271	273	127	75	105	307	5	4
Japan	204	221	239	292	97	87	95	278	4	4
Saudi Arabia	318	408	345	246	181	114	153	447	7	6
Russia	144	162	103	43	0	46	46	92	1	3
Netherlands	60	53	38	38	17	11	14	41	1	1
Oman	90	61	8	186	77	7	47	131	2	2
United King-dom	80	92	65	103	31	15	23	69	1	1
Germany	105	76	73	77	41	108	22	171	3	2
Pakistan	58	99	30	68	14	9	18	41	1	1
France	57	68	53	49	21	17	26	64	1	1
Indonesia	58	45	80	48	20	12	13	45	1	1
Belgium	24	120	34	64	11	56	10	77	1	0
Total Imports (FOB)	**5,745**	**5,748**	**5,595**	**5,408**	**2,487**	**1,853**	**2,054**	**6,395**	**100**	**100**
	-									
European Union	**419**	**509**	**406**	**409**	**163**	**257**	**128**	**548**	**9**	**7**
China	**1,311**	**1,153**	**1,149**	**1,206**	**556**	**421**	**450**	**1,426**	**22**	**23**

Source: Central Bank of Kenya and Kenya Revenue Authority

Financial Account

Net inflows in the financial account of the balance of payments rose by USD 192 million to USD 357 million in the third quarter of 2025, reflecting an increase in net financial liabilities, which more than offset the decline in net acquisition of financial assets **(Table 5.3)**. The increase in financial liabilities was largely direct and portfolio investment, while other investment liabilities declined.

Table 5.3: Financial Account (USD Million)

BPM6 Concept	2024		2025						2025 Q2 - 2024 Q2	
Region/Country	Jul-Sep	Oct-Dec	Jan-Mar	Apr-Jun	July	Aug	Sep	July-Sep	Absolute	Percent
	Q3	Q4	Q1	Q2				Q3		
Financial Account	-549	-1184	-1956	-1208	-3	-513	159	-357	192	35
Direct investment: assets	134	94	58	114	40	40	40	120	-14	-10
Direct investment: liabilities, n.i.e.	144	264	328	285	90	90	90	269	125	87
Portfolio investment: assets	101	199	155	93	65	65	65	194	92	91
Equity and investment fund shares	34	119	210	74	69	69	69	206	172	509
Debt securities	68	80	-55	19	-4	-4	-4	-12	-80	-118
Portfolio investment: liabilities, n.i.e.	149	-265	681	154	-14	150	18	154	5	3
Equity and investment fund shares	-5	-129	-25	-1	-10	-10	-10	-30	-25	-514
Debt securities	154	-136	707	155	-4	160	28	184	30	20
Financial derivatives: net	-7	-30	-11	-31	-1	28	-5	22	29	-391
Financial derivatives: assets	-21	-37	-17	-33	0	28	-5	23	44	-206
Financial derivatives: liabilities	-14	-7	-6	-2	0	0	0	1	15	-109
Other investment: assets	-214	-1562	-379	-105	-156	-163	-116	-436	-222	104
Other investment: liabilities, n.i.e.	270	-114	770	840	-125	243	-284	-166	-436	-162
Deposit-taking corporations	-150	-66	-543	-18	52	108	-78	81	231	154
General government	-433	-235	1137	454	-353	-15	-391	-759	-326	-75
Other sectors	854	187	174	406	176	150	185	511	-343	-40

**Provisional*

Source: Central Bank of Kenya and KNBS

Foreign Exchange Reserves

The banking system's total foreign exchange holdings increased to USD 16,892 million at the end of the third quarter of 2025 from USD 16,391 million in a similar period in 2024. The official reserves held by the Central Bank constituted the bulk of the gross reserves and rose to USD 11,384 million, equivalent to 4.5 months of import cover. However, commercial bank reserves declined to USD 5,509 million at the end of the third quarter of 2025, from USD 7,789 million at the end of 2024 **(Table 5.4)**.

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

	2024				2025								2025 Q3 - 2024Q3	
	Sep	Oct	Nov	Dec	Mar	Apr	May	June	July	August	Sep-tem-ber	Jun-Sep	Abso-lute	Percent
1. Gross Reserves	16,391	16,043	16,312	16,325	16,574	16,449	16,825	17,762	17,199	17,408	16,892	16,892	501	3
of which:														
Official	8,603	9,184	9,578	10,067	10,662	10,545	11,170	11,877	11,408	11,480	11,384	11,384	2,781	32
Import Cover*	4	4.1	4.2	4.4	4.7	4.6	4.9	5.2	5.0	5.0	5.0	5	1	30
Commercial Banks	7,789	6,859	6,734	6,258	5,912	5,904	5,654	5,885	5,792	5,928	5,509	5,509	(2,280)	-29
2. Residents' Foreign Currency Deposits	10,622	10,395	10,392	9,956	9,955	205	10,390	10,261	10,080	10,080	10,076	10,076	-546	-5

Source: Central Bank of Kenya

Exchange Rates

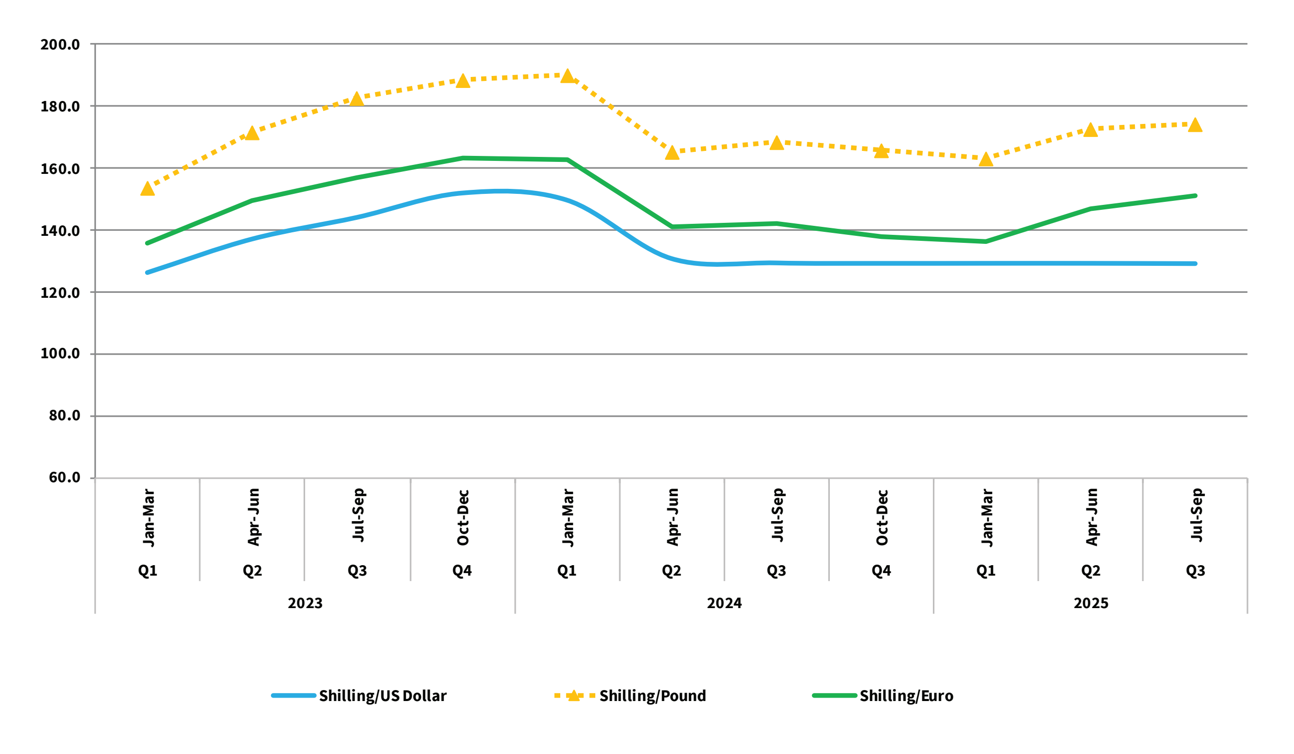
The Kenya Shilling appreciated against most major international currencies during the third quarter of 2025 compared to a similar period in 2024. It remained largely stable against the US Dollar, exchanging at an average of 129.24 in Q3 2025 compared to 129.46 in Q3 2024. However, the Shilling weakened against the Sterling Pound (3.57 percent) and Euro (6.18 percent). It also depreciated against select East African currencies, weakening against the Uganda Shilling (4.13 percent) and Tanzania Shilling (5.75 percent), while appreciating against the Rwanda and Burundi Francs by 9.46 percent and 3.44 percent, respectively.

Table 5.5: Kenya Shilling exchange rate

	2024 Q1	2024 Q2	2024 Q3	2024 Q4	2025 Q1	2025Q2				2025Q3	2025 Q3 - 2024 Q3
	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar	Apr-Jun	Jul	Aug	Sep	Apr-Jun	Percent
US Dollar	149.63	130.87	129.46	129.32	129.34	129.34	129.24	129.24	129.24	129.24	(0.17)
Pound Sterling	189.71	165.24	168.31	165.83	162.84	172.70	174.56	173.82	174.58	174.32	3.57
Euro	162.47	140.96	142.24	138.01	136.06	146.62	151.00	150.45	151.63	151.03	6.18
100 Japanese Yen	100.92	84.03	87.00	84.96	84.85	89.46	87.99	87.54	87.41	87.65	0.74
South African Rand	7.92	7.04	7.21	7.23	6.99	7.06	7.28	7.30	7.40	7.33	1.62
Uganda Shilling*	25.94	28.96	28.68	28.39	28.44	28.14	27.76	27.59	27.15	27.50	(4.13)
Tanzania Shilling*	17.07	19.86	20.86	20.30	19.91	20.62	20.19	19.60	19.18	19.66	(5.75)
Rwanda Franc*	8.57	9.90	10.22	10.56	10.81	10.96	11.15	11.19	11.22	11.19	9.46
Burundi Franc*	19.19	21.93	22.29	22.72	22.89	23.00	23.06	23.07	23.05	23.06	3.44

** Units of currency per Kenya Shilling*
Source: Central Bank of Kenya

Chart 5.1: Exchange Rate Developments



Source: Central Bank of Kenya

Chapter 6:

Banking Sector

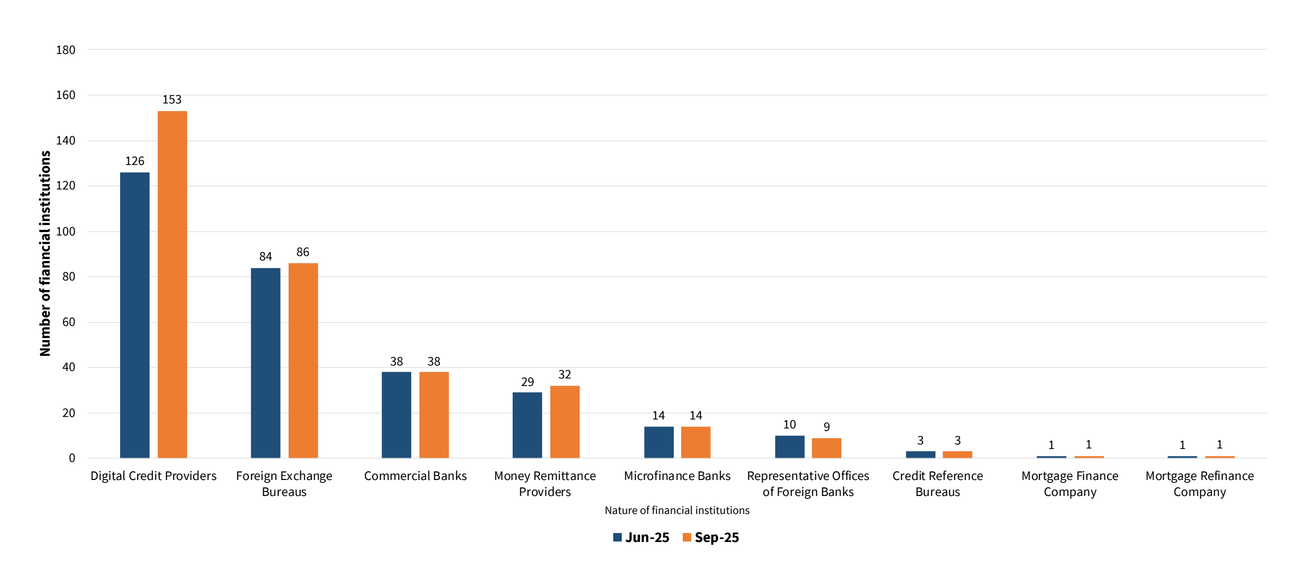
Overview

The banking sector remained stable and resilient in the third quarter of 2025. Total assets increased by 2.7 percent to Ksh. 8,059.5 billion in September 2025, from Ksh. 7,849.1 billion in June 2025. The deposit base increased by 1.8 percent to Ksh. 5,953.2 billion in the third quarter of 2025, from Ksh. 5,847.8 billion in the second quarter of 2025. The sector was well capitalized with a capital adequacy ratio of 20.0 percent in the third quarter of 2025, which was above the minimum capital requirement of 14.5 percent. The sector remained profitable in the third quarter of 2025, with quarterly profit before tax of Ksh.79.8 billion, an increase from Ksh.74.6 billion reported in the second quarter of 2025. Credit risk remained elevated with Gross Non-Performing Loans (NPLs) to Gross Loans Ratio standing at 16.9 percent at the end of the third quarter of 2025, a decrease from 17.6 percent recorded at the end of the second 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, 86 Foreign Exchange Bureaus, 32 Money Remittance Providers, 3 Credit Reference Bureaus, and 153 Digital Credit Providers as of September 2025. **Chart 1.1** shows the structure of the Kenyan banking sector as at the end of the last two quarters.

Chart 6.1: Structure of the Kenyan Banking Sector



Source: Central Bank of Kenya

Structure of the Balance Sheet

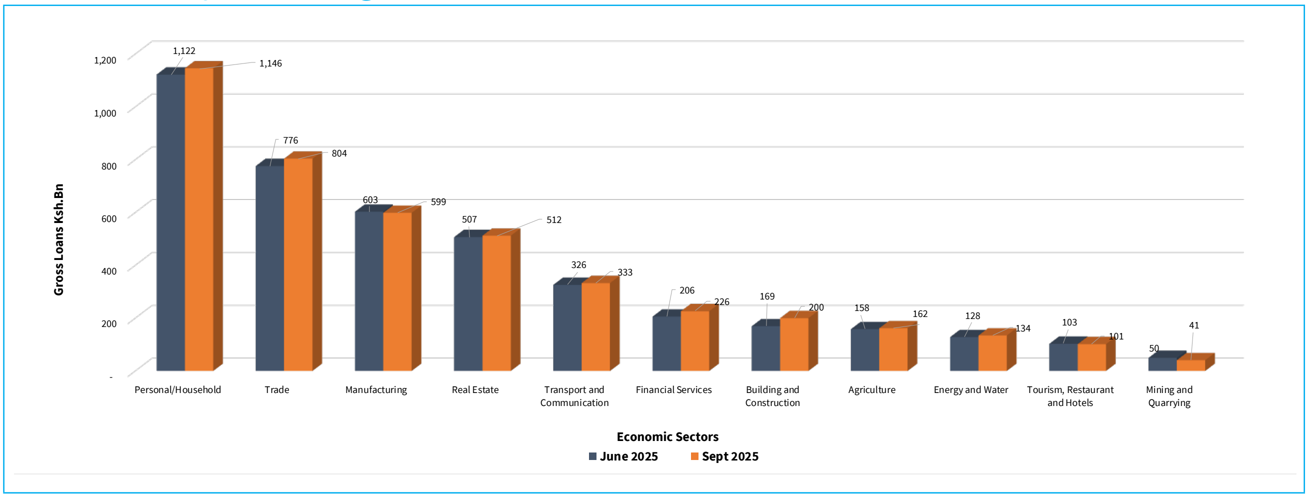
i. Increase in Banking sector assets

Total assets increased by 2.7 percent to Ksh.8,059.5 billion in September 2025, from Ksh. 7,849.1 billion in June 2025. The increase in total assets was mainly recorded in government securities by Ksh.133.3 billion (5.3 percent), Cash by Ksh. 12 billion (13.6 percent), Investments by Ksh. 10.1 billion (12.2 percent) and balances at the Central Bank of Kenya by Ksh. 22.8 billion (7.1 percent). Loans and advances remained the main component of total assets, accounting for 47.4 percent in the second and third quarter of 2025.

ii. Loans and Advances

The banking sector loan book increased by 2.7 percent, to Ksh.4,257.5 billion in the third quarter of 2025, from Ksh. 4,147.3 billion in the second quarter of 2025. The increase in gross loans and advances was largely witnessed in the Energy and Water, Building and Construction, Financial Services and Trade sectors. The sectoral distribution of gross loans for the second and third quarters of 2025 is highlighted in **Chart 6.2**.

Chart 6.2: Kenyan Banking Sector Gross Loans (KSh.Bn)

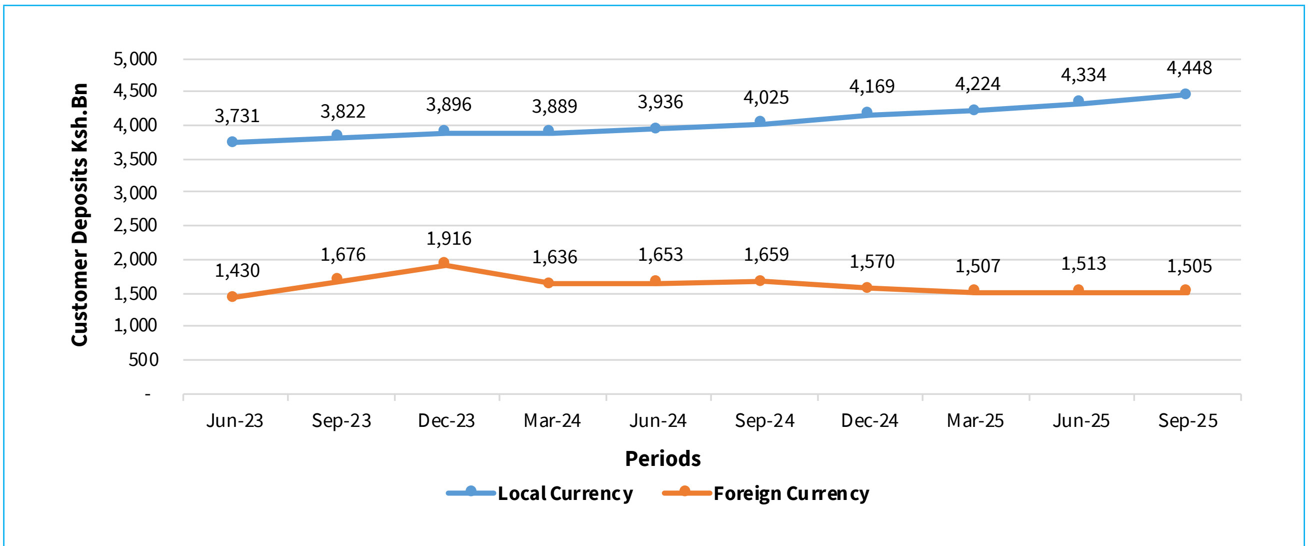


Source: Central Bank of Kenya

Deposit Liabilities

Customer deposits remained the main source of funding to the banks accounting for 73.9 percent of the banking sector total liabilities and shareholders' funds as at the end of the third quarter of 2025. The customer deposit base increased by Ksh.105.4 billion (1.8 percent) to Ksh. 5,953.2 billion in the third quarter of 2025, from Ksh. 5,847.8 billion in the second quarter of 2025. Local currency deposits increased by Ksh. 113.7 billion (2.6 percent) to Ksh. 4,448.1 billion in the third quarter of 2025, from Ksh. 4,334.4 billion in the second quarter of 2025. Foreign currency deposits decreased by Ksh. 8.3 billion (0.5 percent) to Ksh. 1,505.1 billion in the third quarter of 2025, from Ksh. 1,513.4 billion in the second 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 0.5 percent to Ksh. 1,058.5 billion in the third quarter of 2025, from Ksh. 1,053.2 billion in the second quarter of 2025. Total capital increased by 0.4 percent to Ksh. 1,197.8 billion in the third quarter of 2025, from Ksh. 1,192.8 billion in the second quarter of 2025.

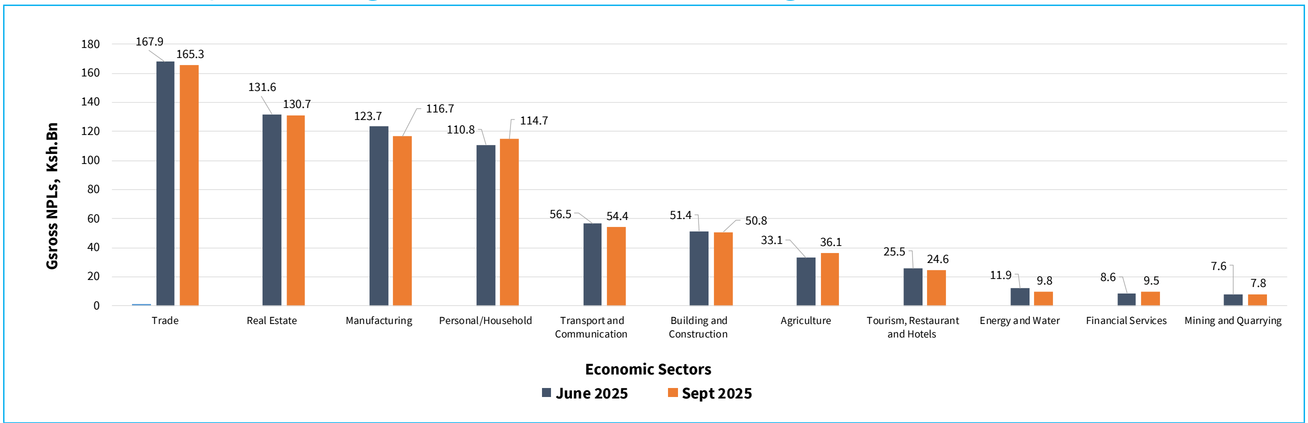
Core capital to total risk-weighted assets ratios decreased slightly to 17.6 percent in the third quarter of 2025 from 18.0 percent in the second quarter of 2025. The decrease in the core capital ratio was mainly due to an increase in total risk weighted assets (2.7 percent). Total capital to total risk-weighted assets ratio decreased to 20.0 percent in the third quarter of 2025 from 20.4 percent in the second quarter 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 17.8 percent in the third quarter of 2025.

Asset Quality

The Gross Non-Performing Loans (NPLs) decreased by 1.1 percent to Ksh. 720.4 billion at the end of the third quarter of 2025 from Ksh. 728.5 billion at the end of the second quarter of 2025. The gross NPLs to gross loans ratio decreased to 16.9 percent in the third quarter of 2025, from 17.6 percent in the second quarter of 2025. This was due to recoveries and write-offs. **Chart 6.4** highlights the sectoral distribution of gross NPLs.

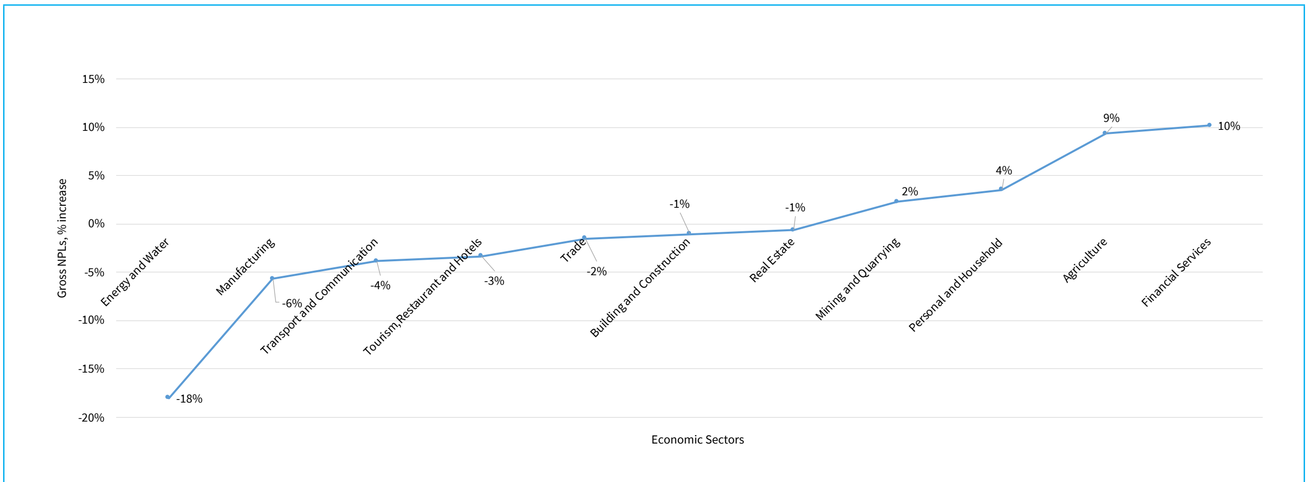
Chart 6.4: Kenyan Banking Sector Gross Non-Performing Loans



Source: Central Bank of Kenya

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

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



Source: Central Bank of Kenya

Seven sectors registered decreases in NPLs by Ksh.16.1 billion as a result of recoveries and write-offs. Four economic sectors registered increases in NPLs of Ksh. 8 billion mainly due to a challenging business and operating environment.

The banking sector's asset quality, as measured by the proportion of net non-performing loans to gross loans slightly improved from 8.6 percent in second quarter of 2025, to 8.1 percent in the third quarter of 2025. The coverage ratio, measured as a percentage of specific provisions to total NPLs, increased slightly from 40.9 percent in the second quarter of 2025, to 42.0 percent in the third quarter of 2025, due to an increase in specific provisions (0.8 percent) as compared to the decrease in total NPLs (2.0 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

		Jun-25	Sep-25
1	Gross Loans and Advances (Ksh.Bn)	4,147.3	4,257.5
2	Interest in Suspense (Ksh.Bn)	122.2	126.1
3	Loans and Advances (net of interest suspended) (Ksh.Bn)	4,025.2	4,131.4
4	Gross non-performing loans (Ksh. Bn)	728.5	720.4
5	Specific Provisions (Ksh.Bn)	247.8	249.7
6	General Provisions (Ksh.Bn)	58.7	59.2
7	Total Provisions (5+6) (Ksh.Bn)	306.6	308.9
8	Net Advances (3-7) (Ksh.Bn)	3,718.6	4,072.2
9	Total Non-Performing Loans and Advances (4-2) (Ksh.Bn)	606.3	594.3
10	Net Non-Performing Loans and Advances (9-5) (Ksh.Bn)	358.5	344.6
11	Total NPLs as % of Total Advances (9/3) (%)	15.1%	14.4%
12	Net NPLs as % of Gross Advances (10/1) (%)	8.6%	8.1%
13	Specific Provisions as % of Total NPLs (5/9) (%)	40.9%	42.0%
14	Gross NPLs to Gross Loans Ratio (4/1) (%)	17.6%	16.9%

Source: Central Bank of Kenya

Profitability

The banking sector recorded an increase in quarterly pre-tax profits of Ksh.5.2 billion to Ksh. 79.8 billion in the third quarter of 2025, from Ksh. 74.6 billion in the second quarter of 2025. The increase in profitability was mainly attributable to a lower increase in quarterly expenses of Ksh.4.9 billion as compared to a higher increase in quarterly income of Ksh.10.1 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 48.4 percent, 28.5 percent and 15.4 percent in the third quarter of 2025 as compared 48.8 percent, 28.5 percent and 15.2 percent in the second quarter of 2025.

On the other hand, interest on deposits, other expenses and salaries and wages, were the key components of expenses, accounting for 37.4 percent, 22.9 percent and 22.4 percent of total expenses respectively in the third quarter of 2025, compared to 38.6 percent, 23.2 percent and 21.5 percent of total expenses respectively in the second quarter of 2025.

Return on Assets (ROA) decreased slightly to 3.0 percent in the third quarter of 2025, from 3.6 percent in the second quarter of 2025. Return on Equity (ROE) decreased to 22.2 percent in the third quarter of 2025, from 23.0 percent in the second quarter of 2025.

Liquidity

The banking sector's overall liquidity ratio increased to 59.3 percent in the third quarter of 2025, from 58.4 percent in the second quarter 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 fourth quarter of 2025.
- Operational risk is expected to remain elevated due to increasing cyber security risks.
- Credit risk is expected to be elevated in the short to medium term. The gross NPLs to Gross Loans ratio decreased from 17.6 percent in the second quarter of 2025, to 16.9 percent in the third quarter of 2025.
- Interest rate risk is easing on the backdrop of stabilizing interest rates.
- Liquidity risk is stable. The banking sector's overall liquidity ratio increased to 59.3 percent in the third quarter of 2025, from 58.4 percent in the second quarter of 2025. These were above the statutory minimum of 20 percent.

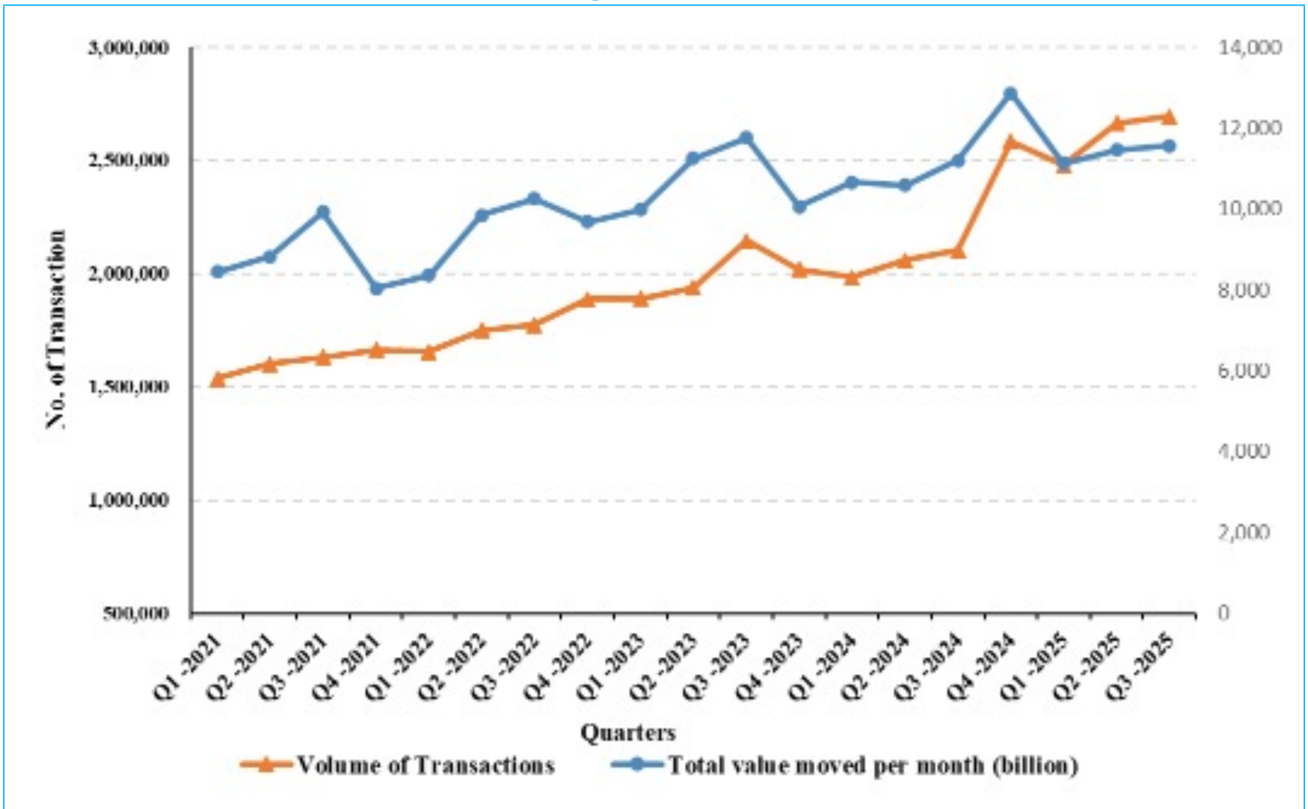
KENYA SHILLING FLOWS IN KEPSS

The Kenya Electronic Payments and Settlement System (KEPSS), which facilitates large-value Real Time Gross Settlement (RTGS) transactions, processed 2.67 million messages valued at KES 11.5 trillion in the third quarter of 2025. This reflects a 1.01% increase in transaction volumes and a 1.10% rise in total value compared to the previous quarter. The sustained upward trend underscores continued confidence in the RTGS platform and its critical role in supporting high-value interbank and corporate payments within the national payment system. Chart 6.6 below highlights recent trends in KEPSS transactions.

SYSTEM AVAILABILITY

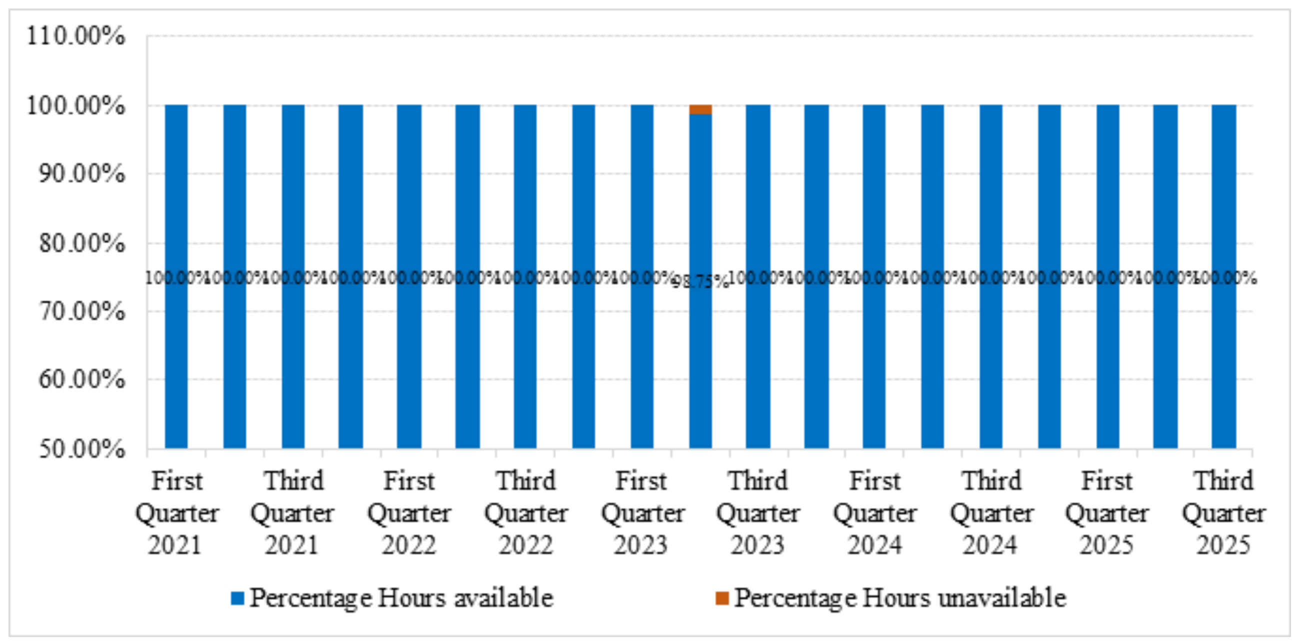
The KEPSS platform is accessible to commercial banks and other authorized participants for twelve hours daily, operating from 7:00 a.m. to 7.00 p.m. During the third quarter of 2025, the system maintained an average availability rate of 100 percent, ensuring uninterrupted processing of high-value transactions and supporting overall stability within the national payments infrastructure (Chart 6.7).

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

Overview

The Government's budgetary operations at the end of the first quarter of FY 2025/26 resulted in a deficit of 1.6 percent of GDP against a target of 1.1 percent of GDP. Revenue collections were below the target by 10.7 percent mainly on account of underperformance in all ordinary revenues categories except investment income and loan interest receipts. Meanwhile, total expenditure and net lending amounted to KSh. 992.6 billion against the target of KSh. 987.2 billion. Both recurrent expenditures and development expenditures were above target by Kshs 24.8 billion and Kshs 28.1 billion respectively.

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

	FY2024/25	FY 2025/26									
	Q1	July	August	Sept	Q1	Target	Over (+) / Below (-) Target	% Variance	% change Q on Q	% cumulative share to GDP	Target to GDP (%)
1. TOTAL REVENUE & GRANTS	698.8	214.8	206.3	291.0	712.1	797.7	**(85.6)**	**(10.7)**	**1.9**	**4.1**	**4.6**
Ordinary Revenue	590.9	171.9	165.0	236.5	573.5	663.5	(90.0)		(2.9)		
Tax Revenue	525.3	171.4	157.1	227.6	556.1	645.5	(89.4)		5.9		
Non Tax Revenue	65.5	0.5	7.9	8.9	17.3	18.0	(0.6)		(73.6)		
Appropriations-in-Aid	106.6	42.8	41.2	51.7	135.7	129.8	5.9		27.3		
External Grants	1.4	-	0.1	2.9	2.9	4.4	(1.5)		118.1		
2. TOTAL EXPENDITURE & NET LENDING	**890.2**	**219.8**	**355.4**	**417.4**	**992.5**	**987.2**	**5.4**	**0.5**	**11.5**	**5.7**	**5.6**
Recurrent Expenses	689.9	201.2	283.1	300.9	785.2	760.5	24.8		13.8		
Development Expenses	136.8	18.6	39.4	83.2	141.2	113.1	28.1		3.2		
County Transfers	63.6	-	32.9	33.2	66.1	113.6	(47.4)		4.0		
Others	-	-	-	-	-	-	-				
3. DEFICIT (INCL. GRANTS) (1-2)	**(191.4)**	**(5.0)**	**(149.1)**	**(126.3)**	**(280.4)**	**(189.5)**	**(91.0)**	**48.0**	**46.5**	**(1.6)**	**(1.1)**
As percent of GDP	(1.1)	(0.0)	(0.9)	(0.7)	(1.6)	(1.1)	(0.5)		51.2		
4. ADJUSTMENT TO CASH BASIS	-	-	-	-	-	-	-				
5. DEFICIT INCL . GRANTS ON A CASH BASIS	**(191.4)**	**(5.0)**	**(149.1)**	**(126.3)**	**(280.4)**	**(189.5)**	**(91.0)**	**48.0**	**46.5**	**(1.6)**	**(1.1)**
As percent of GDP	(1.1)	(0.0)	(0.9)	(0.7)	(1.6)	(1.1)	(0.5)		51.2		
6. DISCREPANCY: Expenditure (+) / Revenue (-)	**(27.1)**	**30.4**	**(27.0)**	**(42.2)**	**(38.7)**	-			**43.1**		
7. FINANCING	**164.4**	**35.4**	**122.2**	**84.2**	**241.7**	**189.5**	**52.2**	**27.6**	**47.1**	**1.4**	**1.1**
Domestic (Net)	220.7	81.0	124.1	134.7	339.8	248.9	90.9		54.0	1.9	
External (Net)	(56.3)	(45.6)	(2.0)	(50.5)	(98.1)	(59.4)	(38.7)		74.2	(0.6)	

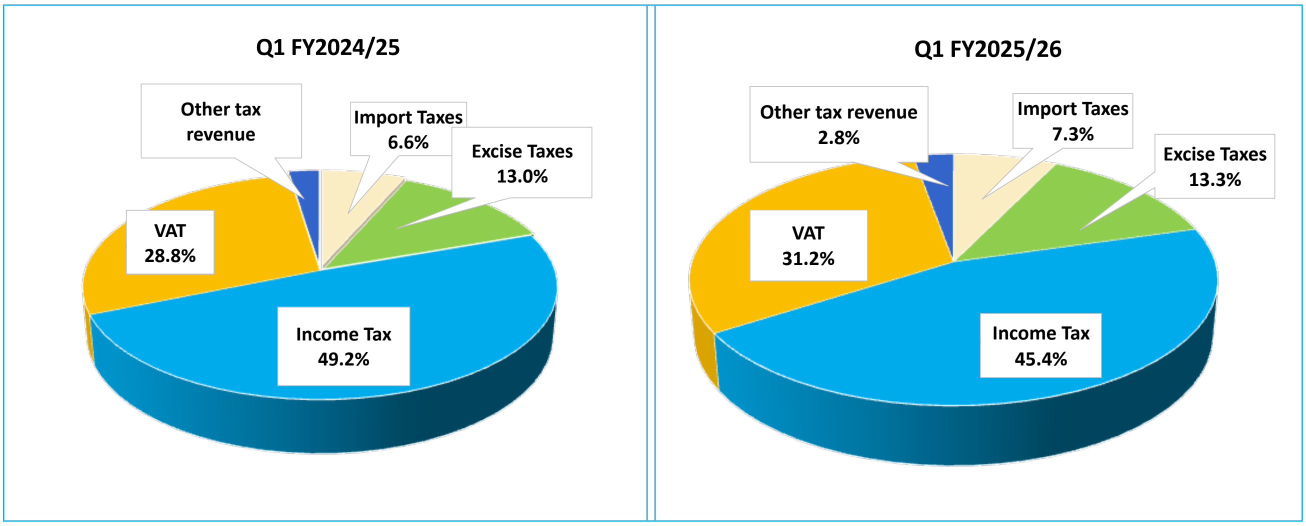
Source: The National Treasury

Revenue

Government receipts, comprising revenue and grants increased marginally by 1.9 percent to KSh 712.1 billion in the first quarter of FY 2025/26, compared to KSh 698.8 billion in the first quarter of FY 2024/25. The increase was reflected in Appropriation in Aid (A-in-A) and external grants which grew by 27.3 percent and 118.1 percent, respectively by end of the quarter. Ordinary revenues registered a drop of 2.9 percent to Ksh 573.5 billion in the quarter mainly on account of decline in non-tax revenues by 73.6 percent, however, tax revenues grew by 5.9% in the quarter. Total revenue and grants were below the target by KSh 85.6 billion reflecting underperformance in all ordinary revenues categories except investment income and loan interest receipts. In addition, Ministerial Appropriations in Aid collected during the quarter amounted to KSh 135.7 billion, which was KSh 5.9 billion higher than target mainly due to timely reporting of SAGAs' A.I.A.

There was a major shift in the composition of tax revenues in the first quarter of FY 2025/26 compared with a similar period in the previous financial year **(Chart 7.1)**. The share of Value Added Tax (VAT), import taxes, excise taxes and other taxes increased by 2.4 percentage points, 0.7 percentage points, 0.3 percentage points, and 0.4 percentage points, respectively, while the share of income tax declined by 3.8 percentage points.

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



Source: National Treasury

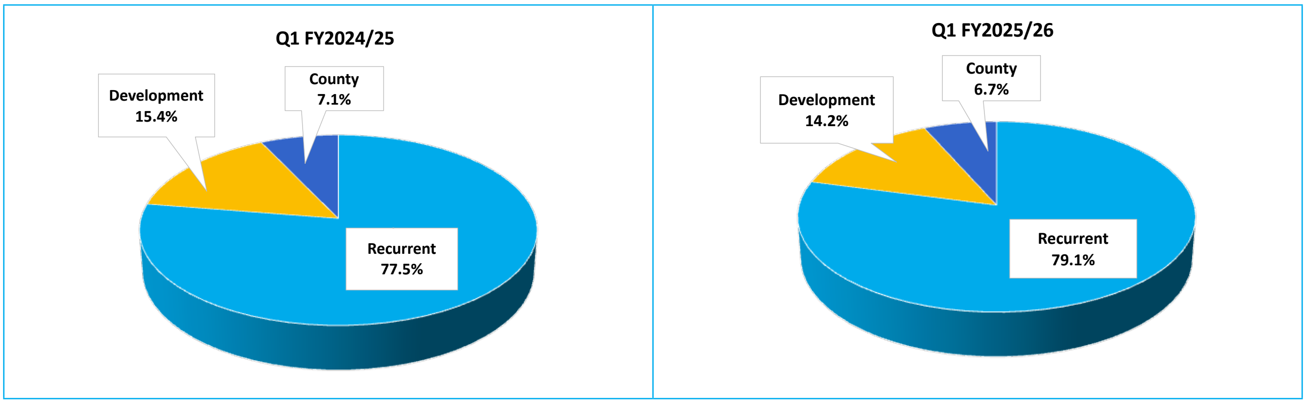
Expenditure and Net Lending

Government expenditure and net lending increased by 11.5 percent to KSh 992.5 billion in the first quarter of the FY 2025/26 from KSh 890.2 billion in the first quarter of the FY 2024/25. The increase in expenditures reflected a rise in national government recurrent expenditure, development expenditure and county transfers **(Table 7.1)**.

The expenditure and net lending to September 2025 was above the target of KSh 987.2 billion by KSh 5.4 billion attributed to over expenditure in recurrent and development categories. Recurrent expenditure overshoot was mainly due to higher than targeted expenditure on domestic interest payment. County Transfers below target expenditure is reflective of the shortfall in disbursement towards County Governments.

In terms of composition, recurrent expenditure held the largest share in total government expenditure accounting for 79.1 percent in the first quarter of the FY 2025/26, which was 1.6 percentage points higher than the level recorded in a similar quarter during the previous fiscal year. The share of development expenditure and county allocations declined by 1.1 percentage points and 0.5 percentage points respectively during the period under review **(Chart 7.2)**.

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



Source: National Treasury

Financing

The budget deficit including grants amounted to KSh 280.4 billion or 1.6 percent of GDP at the end of the first quarter of FY 2025/26. The budget deficit was funded by KSh 98.1 billion net foreign repayments and KSh 339.8 billion net domestic borrowing. Domestic borrowing comprised KSh 262.5 billion from financial corporations, KSh 11.2 billion from non-financial corporations, KSh 26.0 billion from households, KSh 22.2 billion from non-residents, KSh 9.6 billion from General Government and KSh 1.6 billion from Non-Profit Institutions **(Table 7.2)**. By the end of the first quarter, net domestic borrowing was above target by Ksh 90.9 billion while net external borrowing were below target repayments by KSh 38.7billion **(Table 7.1 and Table 7.2)**.

Table 7.2 Domestic Financing (KSh Bn) to September 2025

	FY 2024/25		
	Q2		
	Jul-25	Aug-25	Sep-25
1. From Household	(0.2)	23.0	26.0
2. Nonfinancial corporations	(4.7)	6.5	11.2
3. From Financial Corporations	86.5	202.9	262.5
Commercial_banks	35.0	62.0	102.8
Money Market Funds	20.8	31.0	37.0
Insurance	16.2	35.1	47.7
Pension	11.2	30.2	49.5
4. From Non-Profit Institutions	0.3	2.6	1.6
5. From Non-Resident	(0.6)	18.7	22.2
6. From General Government	1.2	2.0	9.6
7.Total Domestic Financing	82.5	255.7	333.1
8. Other Domestic financing /1	(1.4)	(50.5)	6.7
9. Net Domestic Financing	81.0	205.1	339.8

/1 Include accounts payables and domestic loan repayment receipts

NB: Treasury Bills are reflected at cost

Source: Central Bank of Kenya

Outlook for FY 2025/26

In the budget estimates for the FY 2025/26, total revenue including grants is projected at KSh 3,368.6 billion (17.4 percent of GDP). Government expenditure is projected at KSh 4,269.6 billion (22.1 percent of GDP), of which KSh 3,134.1 billion will be for recurrent expenses, KSh 648.7 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 901.0 billion (4.7 percent of GDP) in 2025/26, to be financed through net external borrowing of KSh 287.4 billion and net domestic borrowing of KSh 613.5 billion **(Table 7.3)**.

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

	Ksh (Bn)	% of GDP
1. TOTAL REVENUE (Including Grants)	3,368.6	17.4
Ordinary Revenue	2,754.7	14.2
Appropriations-in-Aid	566.9	2.9
External Grants	46.9	0.2
2. TOTAL EXPENSES & NET LENDING	4,269.6	22.1
Recurrent Expenses	3,134.1	16.2
Development Expenses	648.7	3.4
County Transfer	484.8	2.5
Other	-	
3. DEFICIT INCL. GRANTS (1-2)	(901.0)	-4.7
Adjustment to Cash Basis	-	-
4. FINANCING	901.0	4.7
Domestic (Net)	613.5	3.2
External (Net)	287.4	1.5

Source: National Treasury- Budget Summary, 2025

Chapter 8:

Development in Public Debt

Overall Public Debt

Kenya's public and publicly guaranteed debt increased by 2.1 percent during the first quarter of FY 2025/26. Domestic debt increased by 5.3 percent while external debt declined by 1.7 percent. The ratio of public debt to GDP was estimated at 68.9 percent by the first quarter of FY 2025/26 compared to 69.0 percent by the end of the first quarter of FY 2024/25 **(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	Q on Q Change
EXTERNAL					
Bilateral	1,112.3	1,048.5	1,057.3	1,065.0	-47.3
Multilateral	3,045.4	3,006.4	3,025.5	3,057.8	12.4
Commercial Banks	1,312.7	1,316.1	1,306.0	1,256.2	-56.4
Supplier Credits	14.4	14.2	14.4	14.5	0.1
Sub-Total	**5,484.8**	**5,385.3**	**5,403.3**	**5,393.5**	**-91.3**
(As a % of GDP)	32.0	30.8	30.9	30.8	-1.2
(As a % of total debt)	46.4	45.7	45.1	44.7	-37.5
DOMESTIC					
Total Government Securities	**6,146.9**	**6,231.7**	**6,421.4**	**6,497.4**	**350.5**
Financial Corporations	4,819.8	4,909.2	5,038.8	5,097.6	277.9
Central Bank	178.6	154.6	143.1	163.1	-15.5
Commercial Banks	2,179.4	2,217.0	2,253.4	2,296.9	117.6
Pension	894.5	905.6	925.4	943.3	48.8
Insurance	799.1	816.0	835.8	847.8	48.7
General Government	467.5	468.2	469.5	476.9	9.4
Household	397.8	397.5	422.3	425.2	27.4
Non-Resident	279.7	279.0	299.4	302.8	23.1
Nonfinancial corporations	128.3	123.8	135.1	139.7	11.4
Non-Profit Institutions	53.8	54.1	56.3	55.1	1.3
Other Domestic Debt	**178.6**	**154.6**	**143.1**	**163.1**	**-15.5**
Overdraft	67.6	46.7	34.9	55.0	-12.6
UnCleared items	0.0	0.0	0.0	0.0	0.0
Bank advances	14.8	13.8	13.7	13.5	-1.2
Pre-1997 Frozen Debt	15.6	15.6	15.6	15.6	0.0
IMF funds on-lent to Government	80.6	78.5	78.9	78.9	-1.6
Sub-Total	**6,325.5**	**6,386.2**	**6,564.5**	**6,660.4**	**335.0**
(As a % of GDP)	37.0	36.5	37.5	38.1	1.1
(As a % of total debt)	53.6	54.3	54.9	55.3	1.7
GRAND TOTAL	**11,810.3**	**11,771.5**	**11,967.8**	**12,053.9**	**243.7**
(As a % of GDP)	69.0	67.3	68.4	68.9	-0.1

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

Domestic Debt

The 5.3 percent increase in domestic debt was on account of increased uptake of Treasury bonds. The share of domestic debt to total debt increased by 1.7 percentage points to 55.3 percent by the end of the first quarter of FY 2025/26 from 53.6 percent in the first quarter of FY 2024/25. The proportion of government securities to total domestic debt stood at 97.6 percent by the end of the first quarter of FY 2025/26, an increase from 97.2 percent in the previous quarter **(Table 8.2)**.

Table 8.2: Government Gross Domestic Debt (Ksh Billion)

					Change: Q on Q		Propotions (%)	
	FY 2024/25	FY 2025/26					FY 2024/25	FY 2025/26
	Q4	Jul-25	Aug-25	Q1	Ksh(Bn)	%	Q4	Q1
Total Stock of Domestic Debt (A+B)	**6,325.5**	**6,386.2**	**6,564.5**	**6,660.4**	**335.0**	**5.3%**	**100.0**	**100.0**
A. Government Securities	**6,146.9**	**6,231.7**	**6,421.4**	**6,497.4**	**350.5**	**5.7%**	**97.2**	**97.6**
1. Treasury Bills (excluding Repo Bills)	**1,036.9**	**1,051.4**	**1,054.5**	**1,081.7**	**44.8**	**4.3%**	**16.4**	**16.2**
Household	58.6	57.7	56.8	55.6	-3.0	-5.1%	0.9	0.8
Nonfinancial corporations	51.6	46.8	46.7	46.8	-4.8	-9.3%	0.8	0.7
Financial Corporations	860.2	880.6	885.0	914.7	54.6	6.3%	13.6	13.7
Non-Profit Institutions	8.8	9.0	7.1	6.4	-2.3	-26.5%	0.1	0.1
Non-Resident	3.6	3.6	3.8	4.1	0.5	13.5%	0.1	0.1
General Government	54.2	53.9	55.1	54.1	-0.1	-0.2%	0.9	0.8
2. Treasury Bonds	**5,110.0**	**5,180.2**	**5,366.9**	**5,415.6**	**305.6**	**6.0%**	**80.8**	**81.3**
Household	339.2	339.8	365.6	369.6	30.4	9.0%	5.4	5.5
Nonfinancial corporations	76.7	77.0	88.4	92.9	16.1	21.0%	1.2	1.4
Financial Corporations	3,959.6	4,028.6	4,153.8	4,182.9	223.3	5.6%	62.6	62.8
Non-Profit Institutions	45.0	45.1	49.2	48.7	3.7	8.1%	0.7	0.7
Non-Resident	276.2	275.4	295.5	298.8	22.6	8.2%	4.4	4.5
General Government	413.3	414.3	414.4	422.8	9.5	2.3%	6.5	6.3
3. Frozen account	**15.6**	**15.6**	**15.6**	**15.6**	**0.0**	**0.0%**	**0.2**	**0.2**
B. Others:	**163.0**	**139.0**	**127.5**	**147.5**	**-15.5**	**-9.5%**	**2.6**	**2.2**
Of which CBK overdraft to Government	67.6	46.7	34.9	55.0	-12.6	-18.6%	1.1	0.8

Source: The National Treasury

Treasury Bills

Treasury bill holdings, excluding those held by the CBK for open market operations (Repos), recorded a 4.3 percent increase during the first quarter of FY 2025/26 however, the proportion of Treasury bills to total domestic debt decreased by 0.2 percentage points. Financial corporations hold 84.6 percent of Treasury bills, an increase from 83.0 percent in the previous quarter **(Table 8.2)**.

Treasury Bonds

Treasury bonds holdings to total domestic debt increased by 0.5 percentage points during the first quarter of FY 2025/26 to 81.3 percent (Table 8.2). The largest component of this buildup was attributable to proceeds from the 10- year and 15- 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 70 percent of the outstanding Treasury Bonds.

Table 8.3: Outstanding Domestic Debt by Tenor (KSh billion)

		KSh (Billions)				Change Q on Q		Proportion (%)	
		FY 2024/25	FY 2025/26					2024/25	2025/26
		Q4	Jul-25	Aug-25	Q1	KSh (Bn)	%	Q4	Q1
Treasury Bills	91-Day	106.1	94.3	87.4	90.0	-16.1	-15.2	1.7	1.4
	182-Day	204.3	210.2	194.6	179.1	-25.1	-12.3	3.2	2.7
	364-Day	726.5	747.0	772.5	812.6	86.1	11.9	11.5	12.2
Treasury Bonds	1-Year	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	2-Year	94.6	94.6	0.0	0.0	-94.6	-100.0	1.5	0.0
	3-Year	168.1	168.1	168.1	168.1	0.0	0.0	2.7	2.5
	4-Year	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
	6-Year	69.7	69.7	69.7	69.7	0.0	0.0	1.1	1.0
	6.5-Year	186.9	186.9	186.9	186.9	0.0	0.0	3.0	2.8
	7-Year	213.3	213.3	213.3	213.3	0.0	0.0	3.4	3.2
	8-Year	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
	9-Year	39.3	39.3	39.3	39.3	0.0	0.0	0.6	0.6
	10-Year	843.3	843.3	843.3	843.3	0.0	0.0	13.3	12.7
	11-Year	80.2	80.2	80.2	80.2	0.0	0.0	1.3	1.2
	12-Year	51.1	51.1	51.1	35.1	-16.1	-31.4	0.8	0.5
	14-Year	159.5	159.5	159.5	159.5	0.0	0.0	2.5	2.4
	15-Year	988.2	988.2	1,169.1	1,169.1	180.9	18.3	15.6	17.6
	16- Year	152.0	152.0	152.0	152.0	0.0	0.0	2.4	2.3
	17- Year	185.2	185.2	185.2	185.2	0.0	0.0	2.9	2.8
	18- Year	161.6	161.6	161.6	161.6	0.0	0.0	2.6	2.4
	19- Year	98.4	98.4	199.2	199.2	100.8	102.4	1.6	3.0
	20-Year	652.8	684.6	684.6	708.7	55.9	8.6	10.3	10.6
	21-Year	106.7	106.7	106.7	106.7	0.0	0.0	1.7	1.6
	25-Year	364.2	402.5	402.5	440.1	76.0	20.9	5.8	6.6
	30-Year	43.9	43.9	43.9	46.6	2.7	6.2	0.7	0.7
Repo T bills		15.6	15.6	15.6	15.6	0.0	0.0	0.2	0.2
Overdraft		67.6	46.7	34.9	55.0	-12.6	-18.6	1.1	0.8
Other Domestic debt		95.4	92.3	92.3	92.5	-2.9	-3.0	1.5	1.4
Total Debt		6,325.5	6,386.2	6,564.5	6,660.4	335.0	5.3	100.0	100.0

Domestic Debt by Tenor and the Maturity Structure

The government floated both short and long dated securities during the period under review. The current debt securities portfolio is dominated by medium- and long-term debt securities at the ratio of 83:17 Treasury bonds to Treasury bills. The benchmark 2-year, 5-year, 10-year, 15-year and 20- year Treasury Bonds accounted for 54.1 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 16.2 percent by the end of September 2025.

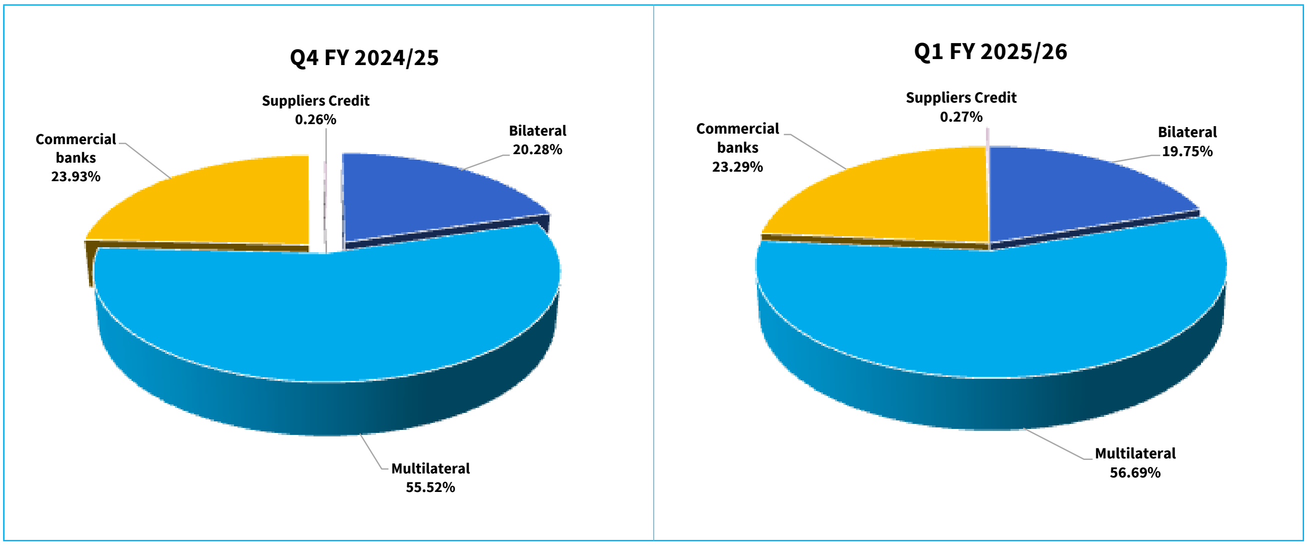
External Debt

Public and publicly guaranteed external debt declined by 1.7 percent during the first quarter of FY 2025/26. This decline was majorly driven by decline in disbursements from bilateral lenders, commercial banks and exchange rate movements.

Composition of External Debt by Creditor

The composition of external debt improved with increased flow of international development assistance in form of concessional loans. The share of outstanding debt from official multilateral lenders (who provide concessional loans) increased by 0.4 percentage points, mainly driven by disbursements from IDA during the quarter under review. The proportion of bilateral and commercial debt decreased by 4.3 percentage points each, during the first quarter of FY 2025/26 indicating a shift towards concessional loans **(Chart 8.1)**.

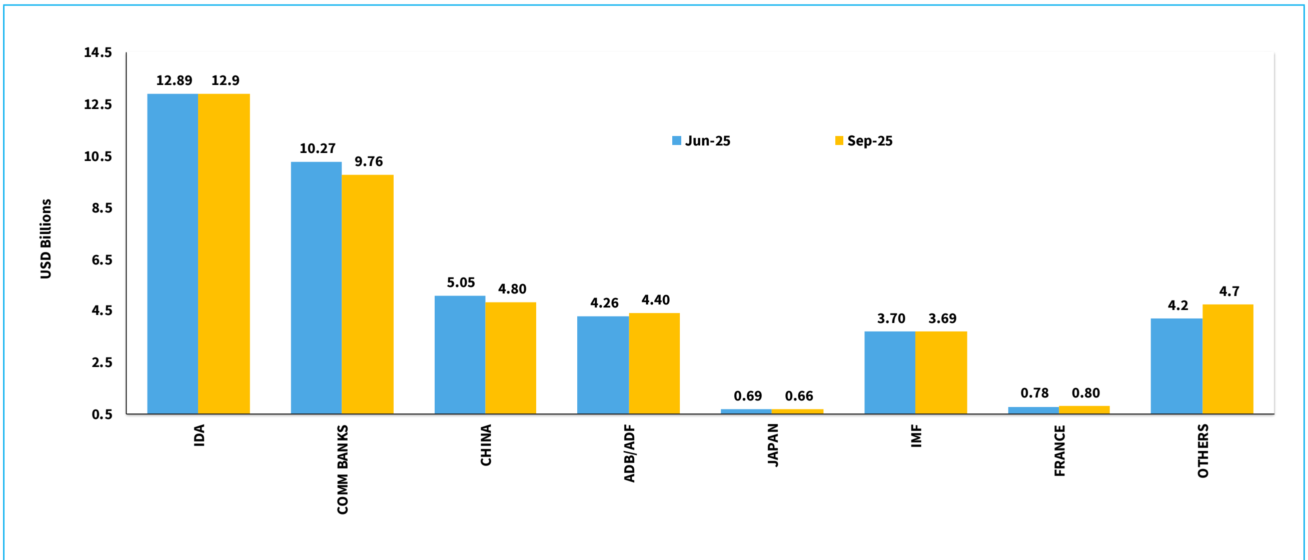
Chart 8.1: Composition of external debt by lender



Source: National Treasury

Debt owed to International Development Association (IDA), Kenya's largest multilateral lender, stood at USD 12.9 billion (30.8 percent of external debt). Debt owed to China, Kenya's largest bilateral lender, amounted to USD 4.8 billion, or 11.5 percent of the total external debt by the end of the first quarter of FY 2025/26 **(Chart 8.2)**.

Chart 8.2: External Debt by Creditor

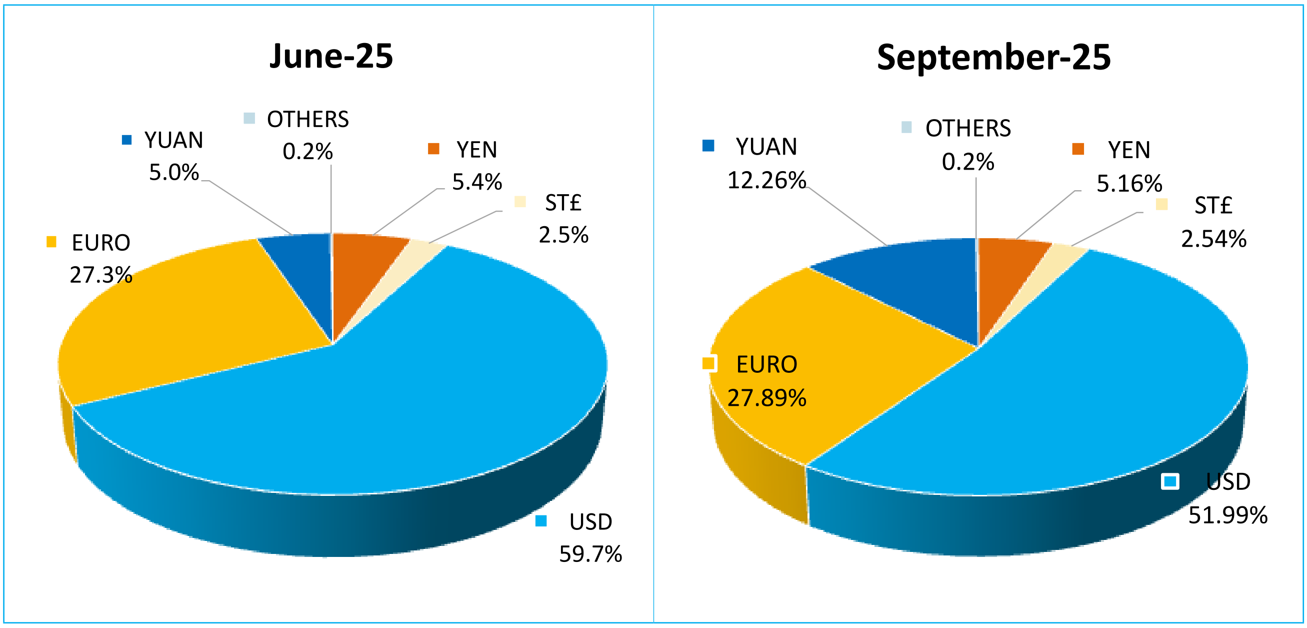


Source: National Treasury

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 79.9 percent of the total currency composition at the end of the first quarter of FY 2025/26. The proportion held in US dollar decreased by 7.7 percentage points **(Chart 8.3)**.

Chart 8.3: Debt Composition by Currency



Source: National Treasury

Public Debt Service

The ratio of domestic interest payments to ordinary revenues was 35.1 percent during the first quarter of FY 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 first quarter of FY 2025/26 amounted to KSh 213.1 billion. This comprised of KSh. 141.1 billion (66.2 percent) principal and KSh 72.0 billion (33.8 percent) interest. External debt service to revenue and exports ratios worsened during the quarter under review mainly due to increase in interest and principal repayments relative to the previous quarter[2] **(Table 8.4)**.

Table 8.4: Liquidity External debt indicators

Composite Indicators Threshold	Q4 FY 2022/23	Q3 FY 2023/24	Q4 FY 2023/24	Q1 FY 2024/25	Q2 FY 2024/25	Q3 FY 2024/25	Q4 FY 2024/25	Q1 FY 2025/26
Debt service to Revenues (18%)	13.2	68.0	17.4	23.7	9.8	37.4	9.7	25.2
Debt service to Exports (15%)	19.8	74.5	31.1	23.2	10.1	40.7	13.8	26.6

Source National Treasury and Central Bank of Kenya

Debt Sustainability Analysis

A Debt Sustainability Analysis conducted by the IMF in October 2024 shows that Kenya's debt remains sustainable but has a high risk of distress. According to the assessment, Kenya's debt position is caused by a weak projection for revenue mobilization and ongoing export underperformance, both of which have an impact on the country's ability to service its debt. However, it is anticipated that Kenya's debt dynamics would progressively improve thanks to the multiyear fiscal consolidation and a noticeable improvement in export growth compared to the previous ten years.

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 21.8 and 15.2 percent in the third quarter of 2025 compared to the second quarter of 2025. Market capitalisation, equity turnover and total shares traded increased by 15.2 percent, 55.3 percent and 16.1 percent, respestively. **(Table 9.1 and Chart 9.1)**.

Table 9.1: Selected stock market indicators

INDICATOR	2023			2024				2025		
	2023 Q1	2023 Q2	2023 Q3	2024 Q1	2024 Q2	2024 Q3	2024 Q4	2025 Q1	2025 Q2	2025 Q3	Change 2025Q2–2025Q3 (%)
NSE 20 Share Index (1966=100)	1,622.05	1,574.92	1,508.80	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)	112.76	107.00	95.22	113.09	109.49	107.08	123.48	130.81	153.43	176.74	15.19
Number of Shares Traded (Millions)	1,086.50	764.87	1,081.70	1,097.33	1,090.22	1,020.65	1,729.31	1,576.20	1,442.44	1,818.77	26.09
Equity Turnover (KSh Millions)	44,815.56	14,395.17	17,219.00	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)	1,756.00	1,666.29	1,488.00	1,766.95	1,710.64	1,676.24	1,939.74	2,056.07	2,417.06	2,784.47	15.20
Foreign Purchases (KSh Millions)	8,757.28	5,777.00	6,324.00	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)	22,687.19	7,258.54	9,864.00	12,407.40	16,712.83	7,641.70	24,458.19	11,786.78	13,740.02	15,603.21	13.56
Net Foreign Investor Participation to Equity Turnover (%)	41.24	44.95	47.01	59.23	64.11	42.13	39.25	38.66	45.87	29.60	-16.27
Bond Turnover (KSh Millions)	162,514.88	147,405.62	196,301.00	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)	12.090	11.076	13.273	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)	11.836	10.314	12.698	9.265	11.011	9.553	10.114	10.419	9.620	8.109	-1.51
13-Year Eurobond Yield (%) (2034)	11.113	11.057	12.296	9.316	10.924	9.439	10.117	10.413	9.840	8.429	-1.41
30-Year Eurobond Yield (%) (2048)	11.683	11.578	12.453	9.316	11.092	9.939	10.286	10.799	10.490	9.247	-1.24

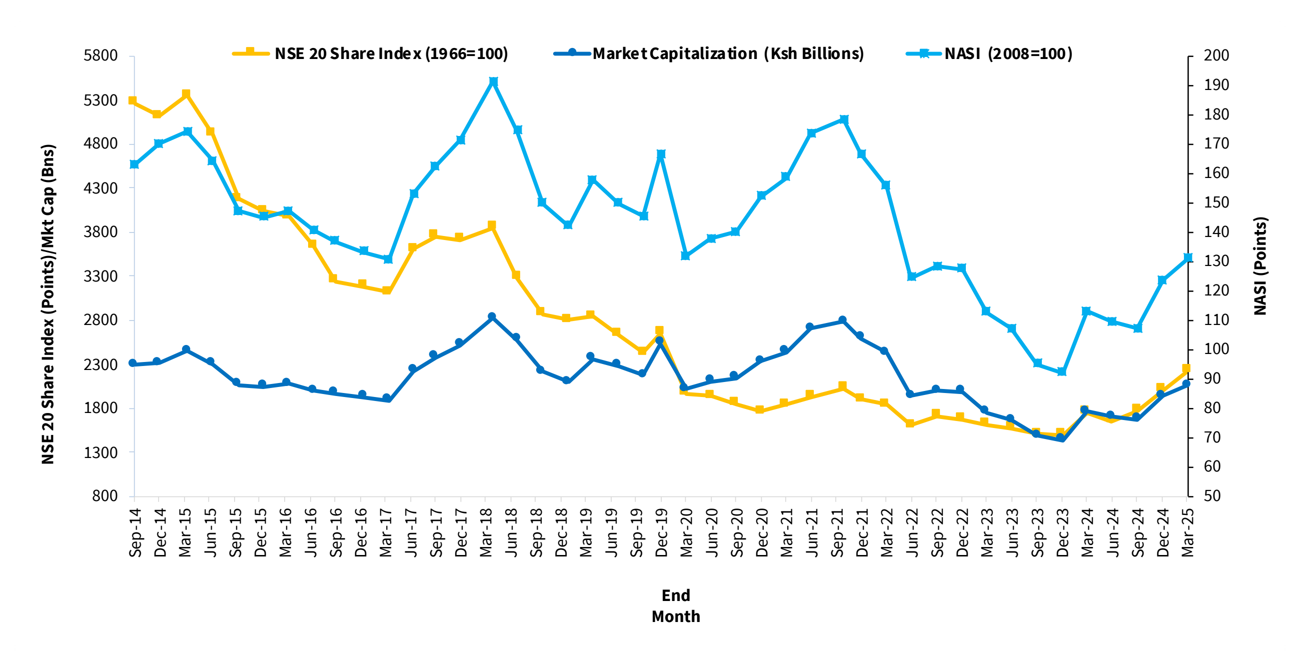
* Percentage points

Source: Nairobi Security Exchange

Foreign Investors' Participation

The value of equities purchased by foreign investors decreased by 13.3 percent at the end of the third quarter of 2025 compared to the second quarter of 2025. The value of equities sold by foreign investors increased by 13.6 percent in the same period. Overall, the average foreign investor participation at the NSE decreased by 16.3 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

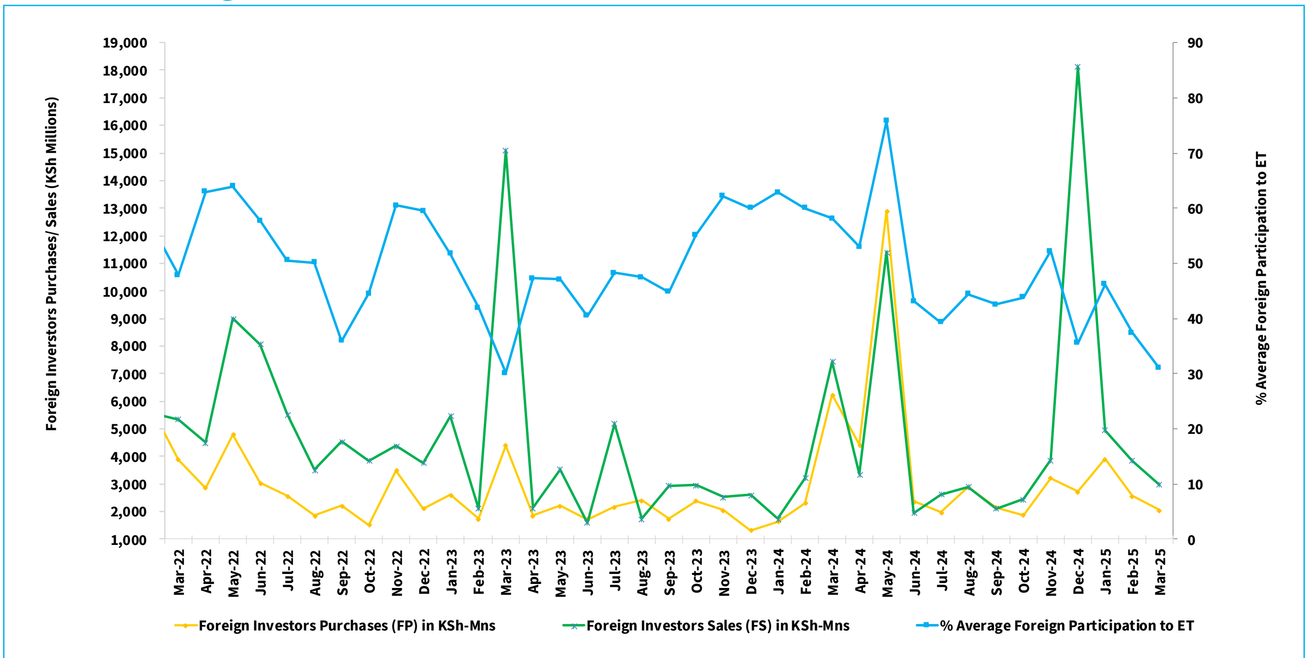


Source: Nairobi Security Exchange

Bonds Market

The bond turnover in the domestic secondary market increased by 2.7 percent in the third quarter of 2025 compared to the second quarter of 2025. In the international market, yields on all outstanding Kenya's Eurobonds decreased by an average of 159 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 shillings million

		2024		2025			Absolute Quarterly Changes (KSh Million)					Absolute Quarterly Changes (KSh Million)				
1.0	**ASSETS**	**Sept**	**Dec**	**Mar**	**June**	**Sept**	**Q3, 2025**	**Q2, 2025**	**Q1, 2025**	**Q4, 2024**	**Q3, 2024**	**Q3, 2025**	**Q2, 2025**	**Q1, 2025**	**Q4, 2024**	**Q3, 2024**
1.1	Reserves and Gold Holdings	1,061,338	1,255,398	1,336,093	1,487,606	1,430,374	(57,232)	151,513	80,695	194,060	12,033	(3.8)	11.3	6.4	18.3	1.1
1.2	Funds Held with IMF	53,174	47,175	44,098	39,565	38,720	(845)	(4,533)	(3,077)	(5,999)	624	(2.1)	(10.3)	(6.5)	(11.3)	1.2
1.3	Investment in Equity (Swift Shares)	12	11	11	12	115	103	1	-	(1)	0	858.3	9.1	-	(5.0)	3.9
1.4	Items in the Course of Collection						-	-	-	-	-					
1.5	Advances to Commercial Banks	189,332	102,624	67,909	56,570	51,852	(4,718)	(11,339)	(34,715)	(86,708)	(50,515)	(8.3)	(16.7)	(33.8)	(45.8)	(21.1)
1.6	Loans and Other Advances	424,385	458,237	466,004	482,252	480,972	(1,280)	16,248	7,767	33,852	11,383	(0.3)	3.5	1.7	8.0	2.8
1.7	Other Assets	6,780	7,448	6,624	6,816	7,171	355	192	(824)	668	(337)	5.2	2.9	(11.1)	9.9	(4.7)
1.8	Retirement Benefit Asset	5,861	5,861	5,861	7,258	7,258	-	1,397	-	0	-	-	23.8	-	0.0	-
1.9	Property and Equipment	29,244	28,888	28,635	28,710	28,165	(545)	75	(253)	(356)	(403)	(1.9)	0.3	(0.9)	(1.2)	(1.4)
1.10	Intangible Assets	2,411	2,715	3,226	3,942	3,854	(88)	716	511	304	(255)	(2.2)	22.2	18.8	12.6	(9.6)
1.11	Due Debt from Government of Kenya	99,346	133,904	181,538	165,251	149,640	(15,611)	(16,287)	47,634	34,558	(60,965)	(9.4)	(9.0)	35.6	34.8	(38.0)
	TOTAL ASSETS	**1,871,883**	**2,042,261**	**2,139,999**	**2,277,982**	**2,198,121**	**(79,861)**	**137,983**	**97,738**	**170,378**	**(88,433)**	**(3.5)**	**6.4**	**4.8**	**9.1**	**(4.5)**
2.0	**LIABILITIES**						-	-	-							
2.1	Currency in Circulation	332,222	371,696	353,204	357,015	363,055	6,040	3,811	(18,492)	39,474	(1,572)	1.7	1.1	(5.0)	11.9	(0.5)
2.2	Deposits	544,385	624,002	627,838	687,750	569,107	(118,643)	59,912	3,836	79,617	(102,649)	(17.3)	9.5	0.6	14.6	(15.9)
2.3	International Monetary Fund	589,238	644,519	655,444	678,940	677,085	(1,855)	23,496	10,925	55,281	15,826	(0.3)	3.6	1.7	9.4	2.8
2.4	Investment by Banks			79,820	106,018	130,463	24,445	26,198	79,820	-	-					
2.5	Other Liabilities	6,543	3,069	3,460	5,700	2,505	(3,195)	2,240	391	(3,474)	426	(56.1)	64.7	12.7	(53.1)	7.0
	TOTAL LIABILITIES	1,472,388	1,643,286	1,719,766	1,835,423	1,742,215	(93,208)	115,657	76,480	170,898	(87,970)	(5.1)	6.7	4.7	11.6	(5.6)
3.0	EQUITY AND RESERVES	399,495	398,975	420,233	442,559	455,906	13,347	22,326	21,258	(520)	(463)	3.0	5.3	5.3	(0.1)	(0.1)
	Share Capital	60,000	60,000	60,000	60,000	60,000	-	-	-	-	10,000	-	-	-	-	20
	General reserve fund	320,262	319,742	341,000	357,334	370,323	12,989	16,334	21,258	(520)	19,538	3.6	4.8	6.6	(0.2)	6
	Asset Revaluation	21,680	21,680	21,680	21,680	21,680	-	-	-	(0)	-	-	-	-	(0.0)	-
	Fair Value Reserves -OCI	(2,447)	(2,447)	(2,447)	3,545	3,903	358	5,992	0	-	(1)	10.1	(244.9)	(0.0)	-	0
	Consolidated Fund						-	-	-	-	(30,000)					
4	TOTAL LIABILITIES AND EQUITY	1,871,884	2,042,261	2,139,999	2,277,982	2,198,121	(79,861)	137,983	97,738	170,377	(88,433)	(3.5)	6.4	4.8	9.1	(4.5)

Notes on the Financial Position

Assets

The Central Bank of Kenya's (CBK) balance sheet declined by 3.5 percent in the third quarter of 2025, compared to an increase of 6.4 percent in the previous quarter. The decline was mainly driven by a reduction in reserves and gold holdings. Reserves and gold holdings—which comprise foreign exchange reserves held in external current accounts, deposits in special/project accounts, domestic foreign currency clearing accounts, gold, Special Drawing Rights (SDRs), and securities managed under the World Bank's Reserves Advisory and Management Program (RAMP) declined during the quarter, largely reflecting debt service payments. In addition, debt due from Government declined, reflecting reduced utilization of the overdraft facility at the Central Bank.

Liabilities

On the liability side, the contraction of the CBK's balance sheet was largely driven by a decline in deposit liabilities, mainly reflecting reduction in Government deposits. The decrease in deposit liabilities was partly moderated by higher investment by banks, which partly reflected open market operations, as well as an increase in currency in circulation.

Central Bank of Kenya

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