Central Bank of Kenya

Quarterly Economic Review

April – June 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 increased to 3.9 percent in the second quarter of 2025 from 3.5 percent in the first quarter of 2025, mainly driven by easing monetary policy stance and seasonal factors. Core inflation increased to 2.8 percent from 2.0 percent in the first quarter of 2025, with its contribution to headline inflation increasing to 2.1 percentage points from 1.5 percentage points. Meanwhile, non-core inflation declined to 6.8 percent from 7.3 percent in the first quarter of 2025, and its contribution to headline inflation declined slightly to 1.8 percentage points from 1.9 percentage points

Economic growth was strong at 5.0 percent in the second quarter of 2025 compared to 4.6 percent in a similar quarter of 2024, mainly driven by a rebound in industrial activity, resilient performance of key service sectors, and stable growth of agriculture. Agriculture growth remained stable during the quarter, owing to favourable weather conditions and continued Government support for the sector. The improved performance of industry was recorded in all sectors except manufacturing. Meanwhile, the services sector performance was largely supported by resilient growth of transport and storage, finance and insurance, information and communication, and wholesale and retail trade.

Growth in broad money supply (M3) increased by 4.9 percent in the second quarter of 2025 from a growth of 0.5 percent in the previous quarter, largely reflecting increased deposits.

The global economy maintained a gradual recovery in the second quarter of 2025, though activity remained uneven across regions and sectors. Services continued to drive growth, while manufacturing performance was mixed amid tariff-related uncertainties. The July 2025 IMF World Economic Outlook revised global growth to 3.0 percent in 2025 and 3.1 percent in 2026, supported by stronger activity in the United States, China, and India, alongside modest gains in the Euro Area and the United Kingdom. Sub-Saharan Africa's outlook improved to 4.0 percent in 2025, with Kenya expected to grow above both regional and global averages. Inflation has eased but remains sticky, while financial markets have show volatility, with risks tilted to the downside from trade frictions and geopolitical tensions.

The current account deficit widened by USD 301 million to USD 662 million in the second quarter of 2025, up from USD 361 million in the same period of 2024. This expansion was primarily driven by a widening goods trade deficit and a worsening services account. The goods trade deficit widened by USD 368 million to USD 2,750 million in the second quarter of 2025, compared to USD 2,382 million in the corresponding period of 2024, reflecting increased imports.

The banking sector remained stable and resilient in the second quarter of 2025. Total assets increased by 2.3 percent to KSh.7,849.1 billion in June 2025, from KSh.7,673.6 billion in March 2025. The deposit base increased by 2.0 percent to KSh.5,847.8 billion in the second quarter of 2025, from KSh.5,730.9 billion in the first quarter of 2025. The sector was well capitalized with capital adequacy ratio of 20.4 percent in the second quarter of 2025, which was above the minimum capital requirement of 14.5 percent. The sector remained profitable in the second quarter of 2025, with quarterly profit before tax of KSh.74.6 billion, an increase from KSh.73.5 billion reported in the first quarter of 2025. Credit risk remained elevated with Gross Non-Performing Loans (NPLs) to Gross Loans Ratio standing at 17.6 percent at the end of the second quarter of 2025, a slight increase from 17.4 percent recorded at the end of first quarter of 2025.

The Government's budgetary operations at the end of the fourth quarter of FY 2024/25 resulted in a deficit (including grants) of 5.8 percent of GDP. Revenue collection remained below target, as was the case with expenditure.

Kenya's public and publicly guaranteed debt increased by 3.9 percent during the fourth quarter of the FY 2024/25. Domestic debt and external debt increased by 3.3 percent and 4.7 percent respectively.

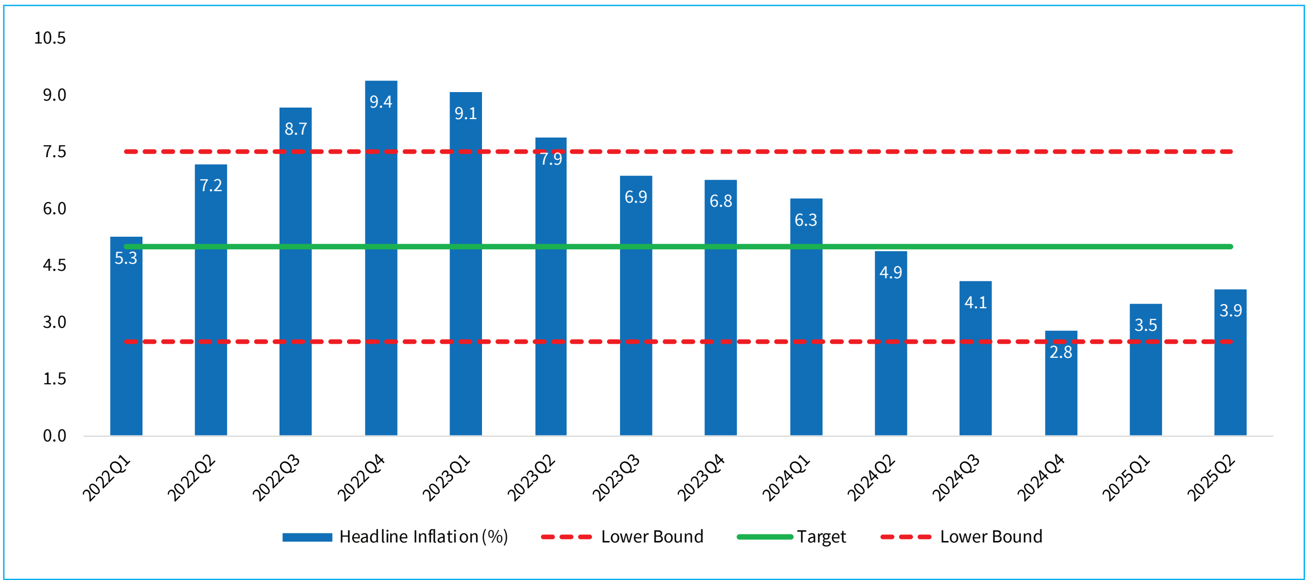
At the Nairobi Securities Exchange, the NSE 20 and NASI share price indices increased by 9.6 and 17.3 percent respectively in the second quarter of 2025 compared to the first quarter of 2025. Similarly, market capitalization increased by 17.6 percent. Equity turnover increased by 13.3 percent, while total shares traded decreased 8.5 percent, respectively.

CHAPTER 1:
Inflation

Trends in Headline Inflation

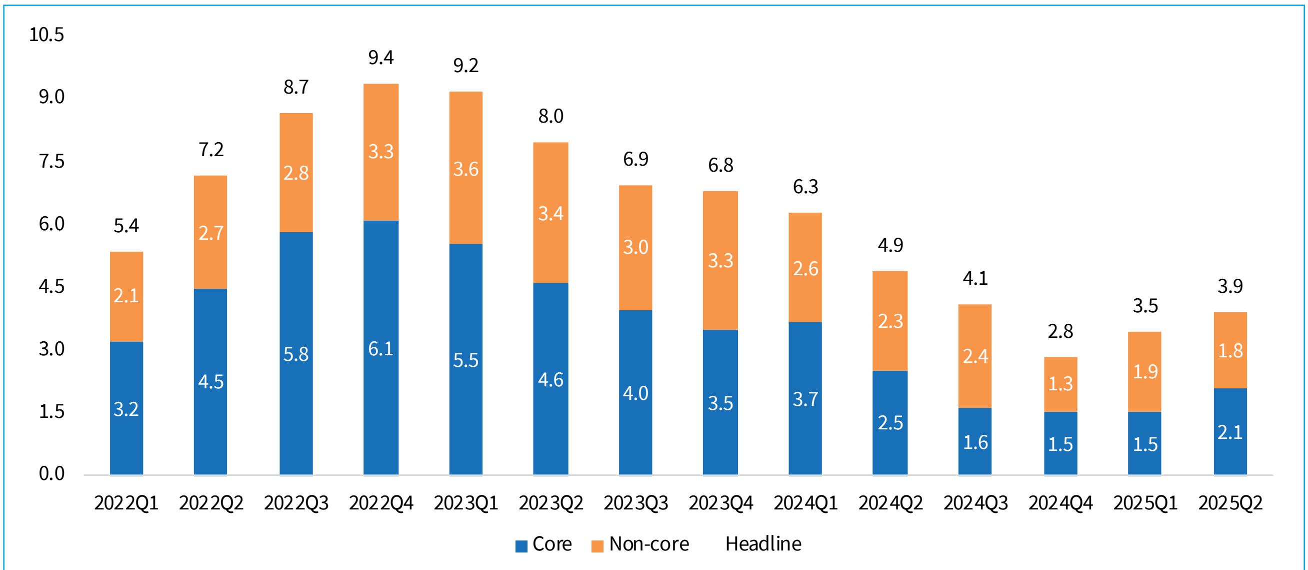
Headline inflation increased to 3.9 percent in the second quarter of 2025 from 3.5 percent in the first quarter of 2025, mainly driven by easing monetary policy stance and seasonal factors. Core inflation increased to 2.8 percent from 2.0 percent in the first quarter of 2025, with its contribution to headline inflation increasing to 2.1 percentage points from 1.5 percentage points. Meanwhile, non-core inflation declined to 6.8 percent from 7.3 percent in the first quarter of 2025, and its contribution to headline inflation declined slightly to 1.8 percentage points from 1.9 percentage points (Chart 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

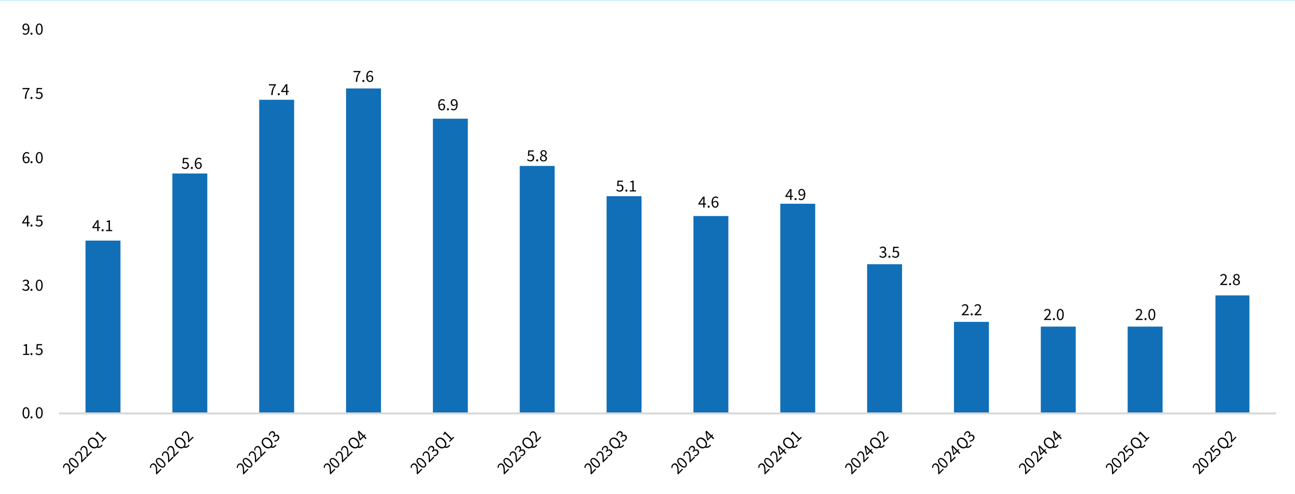


Source: Kenya National Bureau of Statistics and Central Bank of Kenya.

Core Inflation

Core inflation increased to 2.8 percent in the second quarter of 2025 from 2.0 percent in the previous quarter, mainly driven by increased prices of processed foods, particularly sifted and fortified maize flour, meat products, cooking oil, cooking fat, and sugar (Chart 1.3). The increase reflects seasonal factors and higher international prices of edible oils. Meanwhile, prices of non-food items remained relatively stable during the quarter under review.

Chart 1.3: Developments in Core Inflation

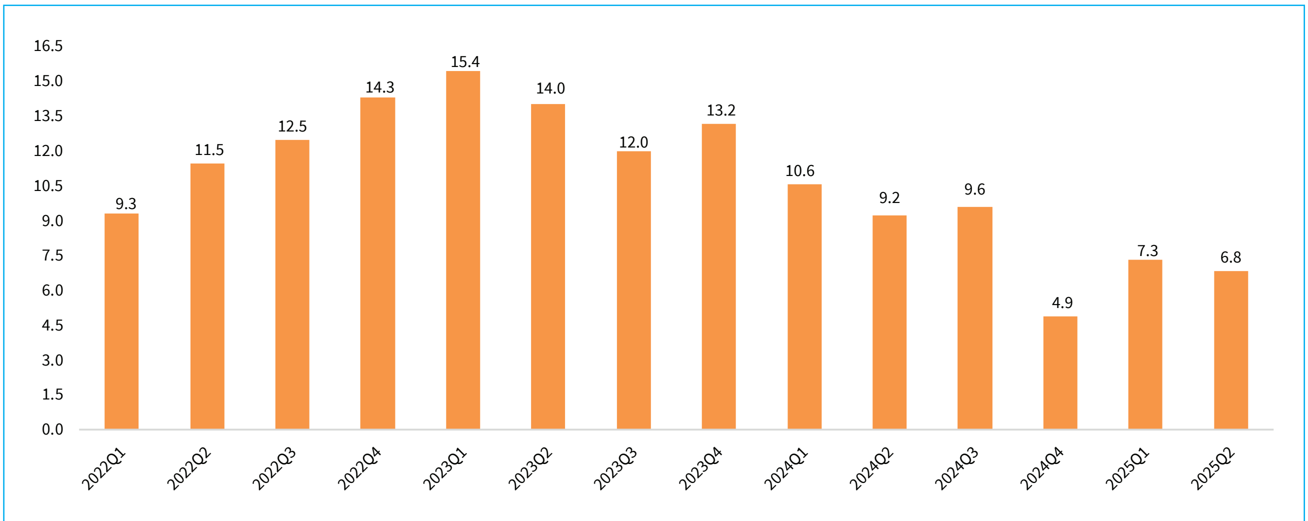


Source: Kenya National Bureau of Statistics and Central Bank of Kenya.

Non-Core Inflation

Non-core inflation declined to 6.8 percent in the second quarter of 2025 from 7.3 percent in the previous quarter, mainly driven by lower prices of fresh farm produce items following favourable weather conditions, experienced during the quarter under review (Chart 1.4). Subsequently, inflation for food crops and related items declined to 10.5 percent from 13.7 percent in the previous quarter. Energy prices moderated the non-core inflation, though at a slower pace. Energy inflation contracted by -3.1 percent compared to a contraction of -7.0 percent in the first quarter of 2025, reflecting the dynamics of domestic and international oil prices. Inflation of transport items in the non-core CPI basket increased to 15.5 percent from 13.0 percent in the previous quarter, attributable to higher prices of 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

Economic growth was relatively strong in the second quarter of 2025, mainly driven by a rebound in industrial activity, resilient performance of key service sectors, and stable growth of agriculture. The economy is estimated to have expanded by 5.0 percent compared to 4.6 percent in a similar quarter of 2024. The rebound in industrial sector activity was reflected in increased growth of all sectors except manufacturing. Agriculture, forestry and fishing sector growth remained stable during the quarter, owing to favourable weather conditions and continued Government support to the sector. Meanwhile, the services sector performance was largely supported by resilient growth of transport and storage, finance and insurance, information and communication, and wholesale and retail trade (Table 3.1).

Agriculture

Growth of agriculture sector was stable at 4.4 percent in the second quarter of 2025 compared to 4.5 percent in a similar quarter of 2024. It contributed 0.9 percentage points to real GDP growth (Tables 3.1 and 3.3). During the quarter under review, exports of the following products increased relative to the same quarter in 2024: coffee (26.0 percent), vegetables (31.5 percent), fruits (10.1 percent), and cut flowers (33.1 percent). Additionally, milk deliveries increased by 24.1 percent. On the other hand, cane deliveries and tea production declined by 44.1 percent and 5.3 percent, respectively.

Non-Agriculture

Broadly, the non-agriculture sector grew by 5.1 percent compared to 4.6 percent in a similar quarter of 2024 and contributed 4.1 percentage points to real GDP growth. The improvement was driven by a rebound of the industrial sector and strong performance of key service sectors (Tables 3.1 and 3.3).

a. Services sector growth remained resilient, expanding by 5.7 percent in the second quarter of 2025 compared to 6.1 percent in a corresponding quarter of 2024. It contributed 3.2 percentage points to real GDP growth. Performance of select sectors was as follows:

- Transport and Storage sector recorded a strong growth of 5.4 percent compared to 3.4 percent in a similar quarter of 2024. The improved performance was reflected in increased consumption of diesel (12.0 percent), number of passengers ferried through the Standard Gauge Railway (SGR) (10.3 percent), and volume of cargo throughput at the Mombasa port (4.0 percent). Meanwhile, air transport recorded mixed performance. International arrivals and departures through Jomo Kenyatta Iinternational Airport (JKIA) in Nairobi and Moi Iinternational Airport (MIA) in Mombasa cumulatively increased by 3.3 percent and 7.3 percent, respectively. However, domestic arrivals and departures through the two main airports declined by 7.5 percent and 15.0 percent, respectively.
- Information and Communication sector recorded a robust growth of 6.0 percent compared to 6.7 percent in a similar quarter of 2024. Growth was supported by domestic and international mobile voice traffic which increased by 17.3 percent and 24.3 percent, respectively. Additionally, total mobile broadband data consumption rose by 38.4 percent, pointing to an expanding subscriber base and data usage.
- Financial and Insurance sector expanded by 6.6 percent compared to 8.0 percent in a similar quarter of 2024. Following the lowering of the Central Bank Rate (CBR) to 9.75 percent in June 2025 from 13.0 percent in June 2024, the cost of credit eased during the quarter. As a result, private sector credit recovered and grew by 1.5 percent from a contraction of -1.3 percent in a similar quarter of 2024.
- Wholesale and Retail Trade sector grew by 4.0 percent compared to 2.5 percent in a similar quarter of 2024, supported by the continued stability of exchange rate and relatively low inflation during the quarter under review.

- Accommodation and Food Services sector growth is estimated to have decelerated significantly to 7.8 percent compared to 35.5 percent in a similar quarter of 2024. Growth was constrained by lower tourist arrivals through JKIA and MIA, which increased modestly by 3.3 percent compared to 15.4 percent in a similar quarter of 2024.

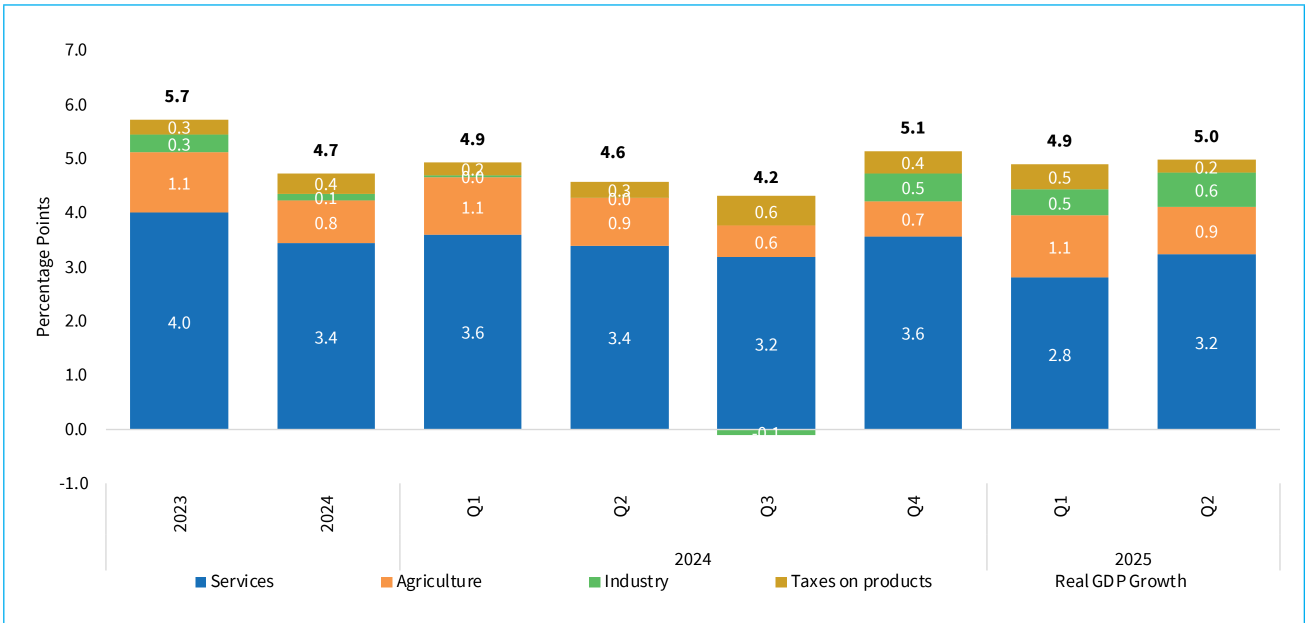
b. Industrial sector activity rebounded in the second quarter of 2025, reflecting notable improvement of growth of all sectors except manufacturing. The sector grew by 4.0 percent compared to 0.4 percent in a similar quarter of 2024 and contributed 0.6 percentage points to real GDP growth (Tables 3.1 and Figure 3.1).

- Construction sector growth recovered to expand by 5.7 percent from a contraction of -3.7 percent in a similar quarter of 2024. The increased activity in the sector was supported by higher cement consumption (23.9 percent), imports of bitumen (45.6 percent), iron and steel imports (137.1 percent), and credit uptake (21.7 percent).

- Electricity and Water Supply sector growth was strong at 5.7 percent compared to 1.2 percent in a similar quarter of 2024. Growth was mainly driven by electricity generation which increased by 7.5 percent. All sources of electricity generation recorded increased activity during the quarter except hydroelectricity and solar generation which declined by 11.3 percent and 1.7 percent, respectively.

- Manufacturing sector growth decelerated to 1.0 percent from 3.2 percent in a similar quarter of 2024, owing to subdued activity in production of select processed food products. Production of sugar and soft drinks declined notably by 43.8 percent and 6.7 percent. However, the non-food manufacturing sub-sector recorded increased activity. Production of cement, galvanized sheets, and assembled vehicles increased by 21.0 percent, 11.3 percent, and 20.8 percent, respectively.

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



Source: Kenya National Bureau of Statistics

Table 2.1: Gross Domestic Product (GDP) Growth By Activity (%)

	Annual		2024				2025	
	2023	2024	Q1	Q2	Q3	Q4	Q1	Q2
1. Agriculture	6.6	4.6	5.6	4.5	4.0	4.3	6.0	4.4
2. Non-Agriculture (o/w)	5.5	4.7	4.8	4.6	4.3	5.3	4.7	5.1
2.1 Industry	2.0	0.8	0.4	0.2	-0.4	3.1	3.0	4.0
Mining & Quarrying	-6.5	-9.2	-16.1	-5.5	-12.2	-2.3	10.8	15.3
Manufacturing	2.2	2.8	1.9	3.2	2.3	3.9	2.1	1.0
Electricity & water supply	3.2	1.9	2.8	1.2	0.9	2.7	3.6	5.7
Construction	3.0	-0.7	0.4	-3.7	-2.6	2.9	3.0	5.7
2.2 Services	7.0	6.0	6.4	6.1	5.4	6.1	5.0	5.7
Wholesale & Retail Trade	3.3	3.8	3.6	2.5	2.6	6.4	5.4	4.0
Accommodation & Food Services	33.6	25.7	38.1	35.0	22.9	10.9	4.1	7.8
Transport & Storage	5.5	4.4	4.1	3.4	4.6	5.6	3.8	5.4
Information & Communication	10.3	7.0	9.2	6.7	6.9	5.6	5.8	6.0
Financial & Insurance	10.1	7.6	9.6	8.0	7.3	6.0	5.1	6.6
Public administration	5.0	8.2	7.5	9.0	7.3	9.2	6.5	6.0
Professional, Administration & Support Services	9.9	6.2	9.4	6.7	4.5	4.7	4.6	8.5
Real estate	7.3	5.3	6.9	5.9	4.8	3.6	5.3	5.5
Education	2.9	3.9	2.4	3.2	4.8	5.4	2.9	3.2
Health	4.5	6.3	5.4	8.1	6.2	5.6	4.8	6.8
Other services	4.3	4.7	5.1	4.8	4.9	4.0	2.8	1.4
FISIM	2.7	9.0	15.4	10.3	11.0	0.7	1.9	1.4
2.3 Taxes on products	3.2	4.4	2.9	3.8	6.3	4.5	5.7	3.3
Real GDP Growth	5.7	4.7	4.9	4.6	4.2	5.1	4.9	5.0

Source: Kenya National Bureau of Statistics

Table 2.2: Sectoral Shares (Percentage of GDP)

	Annual		2024				2025	
	2023	2024	Q1	Q2	Q3	Q4	Q1	Q2
1. Agriculture	17.1	17.1	18.9	19.7	14.4	15.4	19.1	19.6
2. Non-Agriculture (o/w)	82.9	82.9	81.1	80.3	85.6	84.6	80.9	80.4
2.1 Industry	17.3	16.6	16.4	16.1	17.2	16.9	16.1	15.9
Mining & Quarrying	1.0	0.9	0.8	0.9	0.9	0.9	0.9	1.0
Manufacturing	8.2	8.0	7.9	7.9	8.1	8.1	7.7	7.6
Electricity & water supply	2.4	2.4	2.3	2.2	2.5	2.4	2.3	2.3
Construction	5.7	5.4	5.3	5.0	5.7	5.6	5.2	5.0
2.2 Services	57.1	57.8	56.5	56.4	59.5	58.8	56.5	56.8
Wholesale & Retail Trade	8.1	8.0	8.4	7.4	7.8	8.4	8.5	7.3
Accommodation & Food Services	1.3	1.6	1.6	1.6	1.5	1.6	1.6	1.6
Transport & Storage	9.6	9.5	9.1	9.3	10.3	9.5	9.0	9.4
Information & Communication	3.4	3.4	3.4	3.2	3.5	3.5	3.4	3.3
Financial & Insurance	9.5	9.8	9.0	9.7	10.0	10.4	9.0	9.8
Public administration	6.0	6.2	5.9	6.4	6.3	6.1	6.0	6.4
Professional, Administration & Support Services	2.8	2.9	2.7	2.7	3.0	3.0	2.7	2.8
Real estate	10.2	10.3	10.2	10.3	10.7	10.0	10.2	10.3
Education	4.8	4.8	4.9	4.3	4.9	4.9	4.8	4.2
Health	2.2	2.2	2.1	2.3	2.3	2.3	2.1	2.4
Other services	2.1	2.1	2.0	2.1	2.4	2.0	2.0	2.0
FISIM	-2.8	-3.0	-2.9	-2.8	-3.2	-2.9	-2.8	-2.7
2.3 Taxes on products	8.4	8.4	8.2	7.8	8.8	8.9	8.3	7.6
Total	100	100	100.0	100.0	100.0	100.0	100.0	100.0

Source: Kenya National Bureau of Statistics and Staff computation

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

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

Source: Kenya National Bureau of Statistics and Staff computations

CHAPTER 3:

Developments in Money, Credit and Interest Rates

Overview

Growth in broad money supply (M3) increased by 4.9 percent in the second quarter of 2025 from a growth of 0.5 percent in the previous quarter, largely reflecting increased deposits.

Monetary aggregates and its components

Quarter-on-quarter growth in broad money supply (M3) improved to 4.9 percent in the second quarter of 2025, from 0.5 percent in the first quarter, driven by increased deposits. The increase in deposits was mainly reflected in corporate sector deposit, particularly the demand and time and savings deposits category. This was partly supported by increased government payments towards the end of the fiscal year and improved business activity. Other deposits at the Central Bank also increased, reflecting transfers from the Central Government to County Governments. Meanwhile, the household sector deposits increased, but at a slower pace relative to the previous quarter (Tables 3.1 & 3.2).

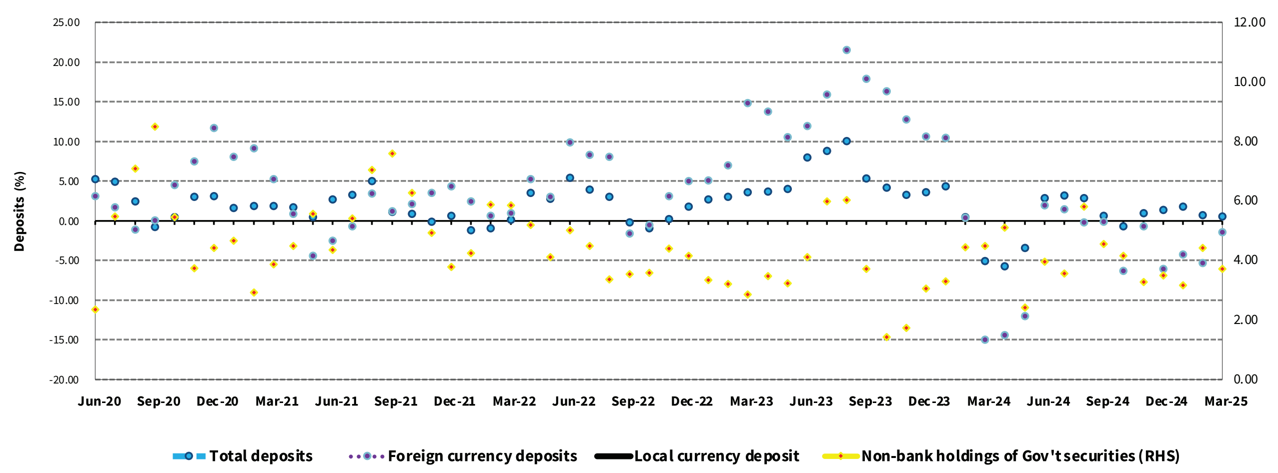
On the counterpart side, growth in broad money supply (M3) in the second quarter of 2025 was mainly supported by increased net domestic assets of the banking system on account of increased net lending to the government and a recovery in private sector credit. The net foreign assets also supported the growth in money supply during the quarter, mainly reflecting increased foreign reserves by the Central Bank, driven by official government inflows and purchases from the interbank market. However, net foreign assets of commercial banks moderated, reflecting reduced deposits abroad (Table 3.1).

Table 3.1: Monetary Aggregates

	End Month Level (KSh. Billion)					Quarterly Growth Rates (%)					Absolute Quarterly Changes (KSh. Billion)				
	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25
Components of M3															
1. Money supply, M1 (1.1+1.2+1.3)	**2,063.6**	**1,972.8**	**2,121.4**	**2,109.8**	**2,342.3**	**3.6**	**-4.4**	**7.5**	**-0.5**	**11.0**	**70.8**	**-90.9**	**148.6**	**-11.6**	**232.5**
1.1 Currency outside banks	274.2	268.2	292.8	285.4	286.0	0.1	-2.2	9.2	-2.5	0.2	0.2	-5.9	24.6	-7.4	0.6
1.2 Demand deposits	1,630.8	1,603.6	1,714.7	1,724.9	1,880.5	-0.3	-1.7	6.9	0.6	9.0	-4.6	-27.2	111.1	10.2	155.6
1.3 Other deposits at CBK 1/	158.9	101.1	114.1	99.7	175.9	89.4	-36.4	12.8	-12.6	76.5	75.0	-57.8	13.0	-14.4	76.2
2. Money supply, M2 (1+2.1)	**4,041.6**	**4,043.5**	**4,231.3**	**4,277.6**	**4,519.6**	**3.9**	**0.0**	**4.6**	**1.1**	**5.7**	**151.3**	**1.9**	**187.8**	**46.2**	**242.0**
2.1 Time and saving deposits	1,978.0	2,070.8	2,109.9	2,167.8	2,177.3	4.2	4.7	1.9	2.7	0.4	80.4	92.8	39.2	57.8	9.5
3. Money supply, M3 (2+3.1)	**5,381.3**	**5,381.4**	**5,488.7**	**5,516.6**	**5,786.5**	**3.4**	**0.0**	**2.0**	**0.5**	**4.9**	**176.9**	**0.1**	**107.3**	**27.9**	**269.9**
3.1 Foreign Currency Deposits	1,339.7	1,337.9	1,257.4	1,239.0	1,266.9	2.0	-0.1	-6.0	-1.5	2.2	25.6	-1.8	-80.5	-18.4	27.8
Sources of M3															
1. Net foreign assets 2/	**905.9**	**893.3**	**841.7**	**957.1**	**1,066.3**	**20.9**	**-1.4**	**-5.8**	**13.7**	**11.4**	**156.4**	**-12.6**	**-51.6**	**115.4**	**109.2**
Central Bank	479.2	472.1	610.1	682.3	810.8	23.7	-1.5	29.2	11.8	18.8	91.7	-7.1	138.1	72.2	128.5
Banking Institutions	426.7	421.2	231.5	274.8	255.5	17.9	-1.3	-45.0	18.7	-7.0	64.7	-5.5	-189.7	43.2	-19.2
2. Net domestic assets (2.1+2.2)	**4,475.4**	**4,488.2**	**4,647.1**	**4,559.5**	**4,720.2**	**0.5**	**0.3**	**3.5**	**-1.9**	**3.5**	**20.5**	**12.7**	**158.9**	**-87.5**	**160.6**
2.1 Domestic credit	6,170.1	6,219.0	6,458.5	6,509.2	6,655.5	0.2	0.8	3.9	0.8	2.2	12.8	48.9	239.5	50.7	146.3
2.1.1 Government (net)	2,287.7	2,346.4	2,533.7	2,600.9	2,713.3	2.3	2.6	8.0	2.7	4.3	52.3	58.7	187.3	67.2	112.3
2.1.2 Private sector	3,797.5	3,789.1	3,857.7	3,837.6	3,880.9	-0.8	-0.2	1.8	-0.5	1.1	-31.4	-8.5	68.6	-20.1	43.3
2.1.3 Other public sector	84.9	83.6	67.1	70.7	61.4	-8.6	-1.6	-19.7	5.4	-13.2	-8.0	-1.4	-16.5	3.6	-9.3
2.2 Other assets net	-1,694.7	-1,730.9	-1,811.4	-1,949.7	-1,935.4	-0.4	2.1	4.7	7.6	-0.7	7.6	-36.2	-80.6	-138.3	14.3
Memorandum items															
4. Overall liquidity, L (3+4.1)	**8,313.4**	**8,447.3**	**8,662.0**	**8,807.9**	**9,192.1**	**3.6**	**1.6**	**2.5**	**1.7**	**4.4**	**288.4**	**134.0**	**214.7**	**145.9**	**384.1**
4.1 Non-bank holdings of government securities	2,932.1	3,065.9	3,173.3	3,291.3	3,405.6	4.0	4.6	3.5	3.7	3.5	111.5	133.8	107.3	118.1	114.3

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)				
	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25
1.1. Household Sector 1/	**2042**	**2084**	**2076**	**2172**	**2228**	**-0.2**	**2.0**	**-0.4**	**4.6**	**2.6**	**-3.8**	**41.8**	**-8.1**	**96.1**	**55.9**
1.1 Demand Deposits	625	630	668	727	807	-4.6	0.8	6.0	8.7	11.1	-30.2	4.9	38.0	58.3	80.6
1.2 Time and Saving Deposits	1017	1049	1027	1064	1036	2.8	3.1	-2.1	3.6	-2.7	27.9	31.5	-22.0	37.2	-28.4
1.3 Foreign Currency Deposits	400	405	381	382	385	-0.4	1.3	-6.0	0.2	1.0	-1.5	5.4	-24.2	0.6	3.7
2.2. Corporate Sector	**2819**	**2835**	**2909**	**2867**	**3013**	**3.4**	**0.6**	**2.6**	**-1.5**	**5.1**	**93.2**	**16.1**	**74.6**	**-42.3**	**146.1**
2.1 Demand deposits	979	949	1018	972	1051	2.4	-3.1	7.3	-4.6	8.1	22.9	-30.0	69.5	-46.4	78.7
3. 2.2 Time and Saving Deposits	904	957	1018	1041	1083	5.0	5.9	6.5	2.2	4.0	43.4	52.9	61.8	22.9	41.4
2.3 Foreign Currency Deposits	936	929	873	854	880	3.0	-0.7	-6.1	-2.2	3.0	27.0	-6.8	-56.7	-18.8	26.0

Source: Central Bank of Kenya

Developments in Domestic Credit

Domestic credit by the banking system grew by 2.2 percent in the second quarter of 2025, up from 0.8 percent in the first quarter, mainly driven by increased net lending to government, and a recovery in lending to the private sector. Increased net lending to government mainly reflected increase uptake of government securities by commercial banks. In contrast, lending to other public sector declined, mainly reflecting repayments by parastatals **(Table 3.3)**.

Growth in commercial banks' lending to the private sector increased to 1.1 percent in the second quarter of 2025, compared to a contraction of 0.5 percent in the previous quarter. The recovery in credit reflects improved demand in line with the declining lending interest rates and resilient economic activities during the second quarter of 2025. Growth in credit to key sectors of the economy improved, particularly manufacturing, trade, building and construction and finance and insurance sectors (Table 3.3).

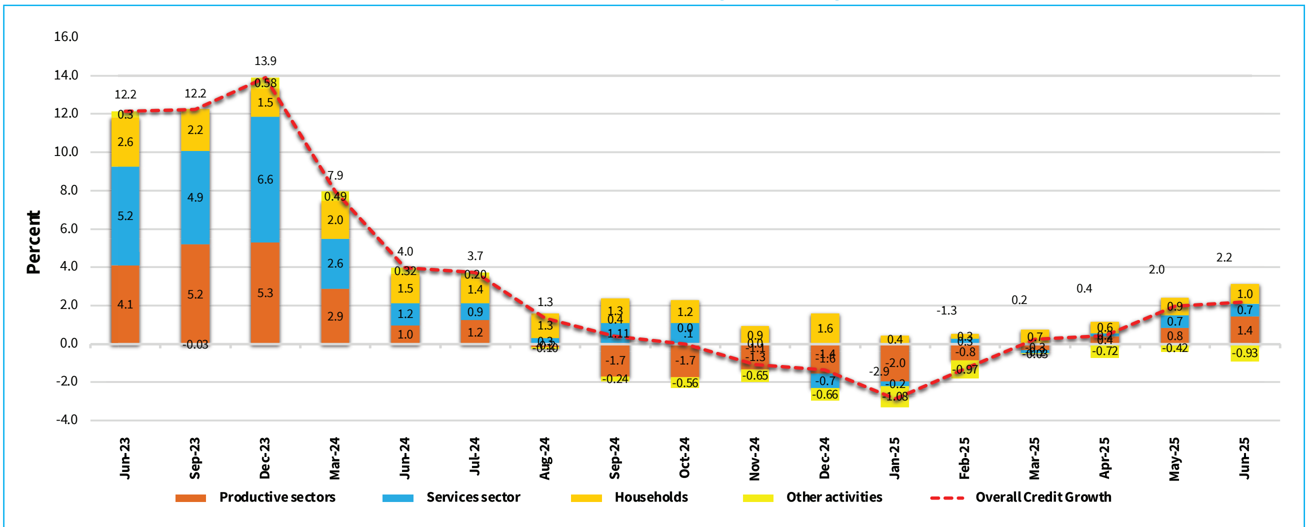
On an annual basis, growth in commercial banks' lending to the private sector rose to 2.2 percent in June 2025, compared to a contraction of 0.2 percent in March 2025. This improvement mainly reflected stronger credit demand supported by declining lending interest rates as well as the easing of exchange rate valuation effects on foreign currency loans due to the appreciation of the Shilling (Chart 3.2).

Table 2.3: Banking Sector Net Domestic Credit

	End Month Level (KSh Billion)					Quarterly Growth Rates (%)					Absolute Quarterly Changes (KSh Billion)				
	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25
1. Credit to Government	**2,287.7**	**2,346.4**	**2,533.7**	**2,600.9**	**2,713.3**	**2.3**	**2.6**	**8.0**	**2.7**	**4.3**	**52.3**	**58.7**	**187.3**	**67.2**	**112.3**
Central Bank	380.8	359.3	386.3	395.9	395.9	-11.7	-5.6	7.5	2.5	0.0	-50.4	-21.5	27.0	9.6	0.0
Commercial Banks & NBFIs	1,906.9	1,987.1	2,147.4	2,205.0	2,317.3	5.7	4.2	8.1	2.7	5.1	102.6	80.2	160.3	57.6	112.3
2. Credit to other public sector	**84.9**	**83.6**	**67.1**	**70.7**	**61.4**	**-8.6**	**-1.6**	**-19.7**	**5.4**	**-13.2**	**-8.0**	**-1.4**	**-16.5**	**3.6**	**-9.3**
Local government	6.4	7.0	1.7	15.0	16.1	21.5	10.1	-76.1	791.2	6.8	1.1	0.6	-5.4	13.3	1.0
Parastatals	78.5	76.5	65.4	55.7	45.3	-10.4	-2.6	-14.5	-14.9	-18.6	-9.1	-2.0	-11.1	-9.7	-10.4
3. Credit to private sector	**3,797.5**	**3,789.1**	**3,857.7**	**3,837.6**	**3,880.9**	**-0.8**	**-0.2**	**1.8**	**-0.5**	**1.1**	**-31.4**	**-8.5**	**68.6**	**-20.1**	**43.3**
Agriculture	134.2	136.3	149.0	149.0	151.1	-2.4	1.6	9.4	0.0	1.4	-3.3	2.1	12.8	-0.1	2.1
Manufacturing	580.2	531.1	577.1	560.4	598.3	-3.0	-8.5	8.7	-2.9	6.8	-17.6	-49.1	46.0	-16.7	37.9
Trade	632.7	675.7	678.8	682.9	696.8	-2.0	6.8	0.5	0.6	2.0	-12.9	43.0	3.1	4.0	13.9
Building and construction	127.7	125.9	134.5	153.8	159.6	-7.0	-1.4	6.8	14.4	3.8	-9.7	-1.7	8.6	19.3	5.8
Transport & communications	343.0	348.0	367.2	357.0	336.2	0.6	1.5	5.5	-2.8	-5.8	2.2	5.0	19.3	-10.2	-20.8
Finance & insurance	152.4	156.6	149.1	133.6	142.1	-7.4	2.8	-4.8	-10.4	6.4	-12.2	4.2	-7.5	-15.5	8.5
Real estate	444.7	455.4	458.4	451.3	452.0	0.9	2.4	0.7	-1.5	0.2	3.8	10.6	3.0	-7.1	0.7
Mining and quarrying	42.9	49.3	20.1	17.4	22.7	36.8	15.0	-59.3	-13.2	30.1	11.5	6.4	-29.2	-2.6	5.3
Private households	566.0	574.6	572.3	560.9	564.8	0.0	1.5	-0.4	-2.0	0.7	-0.1	8.7	-2.3	-11.5	4.0
Consumer durables	417.3	417.7	429.2	449.9	457.5	0.3	0.1	2.8	4.8	1.7	1.2	0.4	11.5	20.7	7.6
Business services	213.8	206.1	205.1	189.9	192.5	-2.1	-3.6	-0.5	-7.4	1.4	-4.6	-7.7	-1.0	-15.2	2.6
Other activities	142.8	112.4	116.8	131.5	107.3	7.7	-21.3	3.9	12.6	-18.4	10.2	-30.4	4.4	14.8	-24.2
4. TOTAL (1+2+3)	**6,170.1**	**6,219.0**	**6,458.5**	**6,509.2**	**6,655.5**	**0.2**	**0.8**	**3.9**	**0.8**	**2.2**	**12.8**	**48.9**	**239.5**	**50.7**	**146.3**

Source: Central Bank of Kenya

Chart 2.2: Contributions to Overall Credit Growth by Activity Group in Percent



Source: Central Bank of Kenya

Reserve Money

Reserve money contracted by 1.9 percent in the second quarter of 2025, mainly reflecting a reduction in bank reserves. On the counterpart side, the contraction in reserve money was reflected in a decline in net domestic assets, which more than offset the increase in net foreign assets of the central bank. The decline in net domestic assets was partly attributed to reduced net lending to banks as a result of improved money market liquidity, while open market operations were active to align the overnight interbank rate to the Central Bank rate (CBR) **(Table 3.4)**

Table 3.4: Reserve Money and Its Sources

	End Month Level (KSh. Billion)					Quarterly Growth Rates (%)					Absolute Quarterly Changes (KSh. Billion)				
	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25
Sources of Reserve Money															
1. Net Foreign Assets	479.2	472.1	610.1	682.3	810.8	23.7	-1.5	29.2	11.8	18.8	91.7	-7.1	138.1	72.2	128.5
2. Net Domestic Assets	100.5	108.1	11.9	-98.9	-238.5	-47.3	7.6	-89.0	-928.1	141.1	-90.1	7.6	-96.2	-110.9	-139.6
2.1 Government Borrowing (net)	380.8	359.3	386.3	395.9	395.9	-11.7	-5.6	7.5	2.5	0.0	-50.4	-21.5	27.0	9.6	0.0
2.2 Commercial banks (net)	260.5	210.6	123.6	8.7	-28.7	14.0	-19.2	-41.3	-93.0	-431.0	32.0	-49.9	-87.0	-114.9	-37.4
2.3 Other Domestic Assets (net)	-544.5	-465.4	-501.6	-507.2	-609.5	15.2	-14.5	7.8	1.1	20.2	-71.7	79.1	-36.3	-5.6	-102.3
Time and saving deposits															
3. Reserve Money	**579.7**	**580.2**	**622.1**	**583.4**	**572.3**	**0.3**	**0.1**	**7.2**	**-6.2**	**-1.9**	**1.6**	**0.5**	**41.9**	**-38.7**	**-11.1**
3.1 Currency outside banks	274.2	268.2	292.8	285.4	286.0	0.1	-2.2	9.2	-2.5	0.2	0.2	-5.9	24.6	-7.4	0.6
3.2 Bank reserves	305.6	312.0	329.3	298.0	286.3	0.5	2.1	5.5	-9.5	-3.9	1.4	6.4	17.3	-31.3	-11.7

Source: Central Bank of Kenya

Interest Rates

a. Central Bank Rate

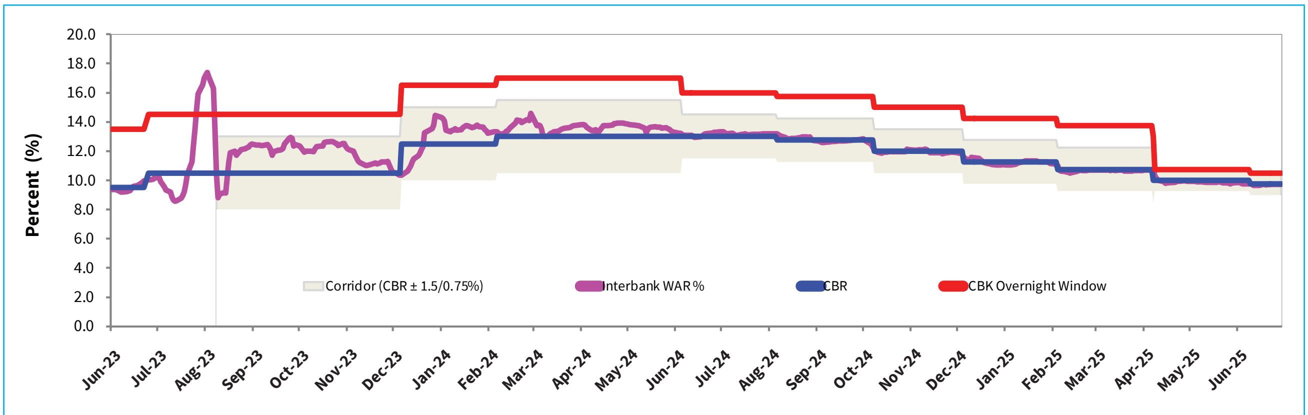
During the second quarter of 2025, the Monetary Policy Committee (MPC) reduced the CBR by a cumulative 100 basis points to 9.75 percent. The MPC lowered the CBR by 75 basis points in April and by an additional 25 basis points in June. In both meetings, the Committee noted that overall inflation was expected 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 of the monetary policy stance to stimulate lending by banks to the private sector and supporting economic activity, while ensuring the exchange rate stability.

In its April 2025 meeting, the MPC narrowed the interest rate corridor from ±150 basis points to ±75 basis points around the CBR to enhance the effectiveness of the monetary policy implementation framework. This enhances stability of the interbank rate and align the rate closer to the CBR. The Committee also revised the applicable interest rate on the Discount Window from 300 basis points above the CBR to 75 basis points above the CBR, aligning it with the upper bound of the corridor.

b. Short Term Rates

Short-term interest rates continued to decline in the second quarter of 2025, reflecting the easing of the monetary policy stance and improved liquidity conditions in the money market. The weighted average overnight interbank rate declined to 9.72 percent in June 2025 from 10.68 percent in March 2025. The average interbank rate remained aligned within the prescribed corridor around the CBR, partly supported by open market operations. The average 91-day Treasury bill rate declined further to 8.21 percent in June 2025 from 8.88 percent in March 2025. Similarly, the 182-day Treasury bill rate declined to 8.51 percent from 9.13 percent over the same period.

Chart 3.3: Interest Rate Corridor (%)



c. Lending and Deposit Rates

The commercial banks' average lending and deposit rates declined in the second quarter of 2025, reflecting the easing of the monetary policy stance. The weighted average lending rate fell by 48 basis points, from 15.76 percent in March 2025 to 15.29 percent in June 2025. Similarly, the average deposit rate declined to 8.37 percent in June 2025, down from 9.34 percent in March 2025, reflecting easing cost of funds.

Table 3.5: Interest Rates (%)

	2023				2024				2025					
	Mar	Jun	Sep	Dec	Mar	Jun	Sep	Dec	Jan	Feb	Mar	Apr	May	Jun
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**
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
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
Repo rate	**-**	**-**	**-**	**-**	**0.00**	**0.00**	**0.00**	**0.00**	**11.22**	**10.80**	**10.71**	**10.28**	**10.00**	**9.87**
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
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**
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
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
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
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
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
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
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
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

Source: Central Bank of Kenya

CHAPTER 4:

Global Economy

Global output continued to improve in second quarter of 2025, reflecting modest recovery in economic activity in US, Euro Area, UK, and China while high-frequency global economic activity indicators were mixed, with some divergence between manufacturing and service sectors. The global economy prospects remained uncertain with the July 2025 updates of the IMF World Economic Outlook (WEO) indicating global growth projection of by 3.0 percent in 2025 and moderate to 3.1 percent in 2026 compared to an estimate of 3.3 percent in 2024. This reflects an upward revision of 0.2 percentage points and 0.1 percentage points from an earlier forecast of 2.8 percent in 2025 and 3.0 percent in 2026 in April 2025 WEO, due in part to easing of economic policy uncertainty and geopolitical risks mostly in advanced economies (Table 4.1).

Growth in the advanced economies is projected to grow at 1.5 percent in 2025 and moderate to 1.6 percent in 2026. The growth outlook for U.S. in 2025 was revised upward to 1.9 percent in 2025 and 2.0 percent in 2026, reflecting in part improving consumer spending and investments amid greater policy uncertainty and trade tensions. The Euro Area growth in 2025 was projected at 1.0 percent and 1.2 percent, reflecting improved economic activities across the region. The UK and Japan are projected to grow by 1.2 percent and 0.7 percent, respectively in 2025.

In the emerging market and developing economies, growth is expected to remain stable at 4.1 percent and 4.0 percent in 2025 and 2026, an upward revision of 0.4 percentage points for 2025 compared to the April 2025 WEO projection, reflecting stronger activity in Asia particularly in China and India. However, economic prospects in the region are expected to be subdued as full impact of tariffs materializes. In sub-Saharan Africa (SSA), economic growth is projected to reach 4.0 percent in 2025 and to improve to 4.3 percent in 2026. The forecast for 2025 is 0.2 percentage points higher relative to the projection in April 2025 WEO, trade uncertainty with the tariffs dissipates. Nigeria and South Africa are expected to grow by 3.4 percent and 1.0 percent in 2025, respectively. Kenya's growth is expected to remain above the global and SSA averages in 2025.

Global financial market conditions remain volatile, with the equity market exhibiting volatility and government bond yield spreads in major economies declining on expectations that rising tariffs and retaliatory actions will hurt corporate earnings and slow the global economy. Concerns about global inflation have eased, although some persistence remains in several advanced economies. Global headline inflation is projected at 4.2 percent in 2025 and 3.6 percent in 2026, reflecting persistent and sticky inflation outturns above target in advanced economies. Global headline inflation has moderated but is projected to decline at a slower pace in 2025 and 2026 than previously anticipated, mainly due to effects of higher tariffs on imports. Global food inflation increased slightly in June 2025, mainly driven by elevated edible oil prices inflation.

International oil prices have moderated though volatility and uncertainty remains. Major oil-producing nations of OPEC+ agreed to increase their total crude production by 548,000 barrels per day from August 2025, as they continue to unwind the previous voluntary supply cuts. Nevertheless, the risk of potential volatility remains elevated due to higher tariffs on imports, and persistent geopolitical conflicts in the Middle East and the Russian-Ukrane war.

Central banks in the major economies have continued to lower their interest rates, but at different paces depending on their inflation and growth outcomes. The Bank of England lowered its policy rate by 25 basis points in May, while the US Fed retained its policy rate during the May and June meetings due to uncertainty from trade tensions. Global trade growth is projected to be 2.6 percent in 2025 and fall to 1.6 percent in 2026, partly reflecting full impact of U.S reciprocal tariffs.

Preliminary GDP figures for the second quarter of 2025 show significant divergence of growth outcomes across economies. Growth in the United

States rebounded from a contraction of 0.5 percent in the first quarter of 2025 to 3.0 percent in the second quarter, driven partly by a pause in trade tensions, ongoing trade agreements with key partners, and rising consumer confidence alongside stronger business activity in the service sector. The fall in domestic demand is due to elevated inflation pressures. In comparison, subdued growth was recorded in the United Kingdom (1.2 percent), the Euro Area (1.4 percent), and Germany's (0.4 percent). China's growth improved to 5.2 percent in the second quarter of 2025, reflecting in part recovery of exports amid elevated uncertainty about US-China trade tension (Chart 4.1).

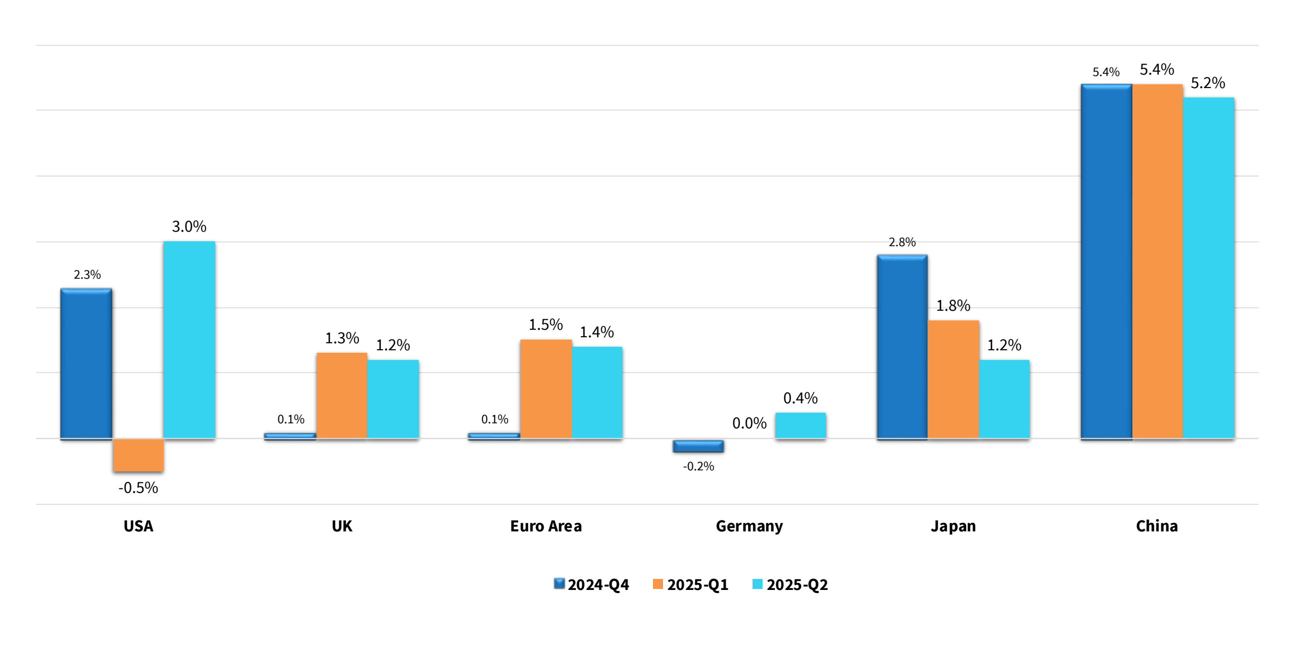
The main risks to the global growth outlook relate to elevated uncertainty on trade policy, and escalation of geopolitical conflicts particularly the conflict in the Middle East and the Russia-Ukraine war. A higher-than-expected inflation could result in more restrictive monetary policy, and potential volatility in the financial markets due to repricing in financial markets.

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**	**3.0**	**3.1**	**3.6**	**2.7**	**3.2**
Advanced Economies	**1.8**	**1.8**	**1.5**	**1.6**	**1.9**	**1.4**	**1.7**
United States	2.9	2.8	1.9	2.0	2.5	1.7	2.0
Euro Area	**0.5**	**0.9**	**1.0**	**1.2**	**1.2**	**0.7**	**1.7**
Germany	–0.3	–0.2	0.1	0.9	–0.2	0.5	1.0
France	1.6	1.1	0.6	1.0	0.6	0.7	1.1
Italy	0.7	0.7	0.5	0.8	0.6	0.7	1.0
Spain	2.7	3.2	2.5	1.8	3.3	2.3	1.6
Japan	1.4	0.2	0.7	0.5	1.4	–0.2	0.8
United Kingdom	0.4	1.1	1.2	1.4	1.5	1.5	1.2
Emerging Market and Developing Economies	**4.7**	**4.3**	**4.1**	**4.0**	**4.9**	**3.6**	**4.3**
China	5.4	5.0	4.8	4.2	5.4	3.8	4.7
India	9.2	6.5	6.4	6.4	7.4	6.4	6.4
Russia	4.1	4.3	0.9	1.0	4.5	–0.1	0.5
Latin America and the Caribbean	**2.4**	**2.4**	**2.2**	**2.4**	**2.4**	**1.9**	**2.8**
Brazil	3.2	3.4	2.3	2.1	3.3	2.4	2.3
Middle East and Central Asia	**2.4**	**2.4**	**3.4**	**3.5**	**...**	**...**	**...**
Saudi Arabia	0.5	2.0	3.6	3.9	4.4	3.6	3.9
Sub-Saharan Africa	**3.6**	**4.0**	**4.0**	**4.3**	**...**	**...**	**...**
Nigeria	2.9	3.4	3.4	3.2	3.7	4.0	4.2
South Africa	0.8	0.5	1.0	1.3	0.5	1.4	0.9
Kenya	5.6		5.0	5.0	...	...	...
World Trade Volume (goods and services)	**1.0**	**3.5**	**2.6**	**1.9**	**...**	**...**	**...**
Commodity Prices							
Oil	–16.4	–1.8	–13.9	–5.7	–10.1	–11.3	–0.7
Nonfuel	–5.7	3.7	7.9	2.0	8.3	6.6	–0.5
World Consumer Prices	**6.6**	**5.6**	**4.2**	**3.6**	**4.8**	**3.5**	**2.9**
Advanced Economies	4.6	2.6	2.5	2.1	2.4	2.4	2.0
Emerging Market and Developing Economies	8.0	7.7	5.4	4.5	6.6	4.4	3.5

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

Chart 4.1: Global growth, second 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 an improved surplus of USD 1,215 million in the second quarter of 2025 compared to a surplus of USD 650 million in second quarter of 2024.

Current Account Balance

The current account deficit widened by USD 301 million to USD 662 million in the second quarter of 2025, up from USD 361 million in the same period of 2024 (Table 5.1). The goods trade deficit widened by USD 368 million to USD 2,750 million in the second quarter of 2025, compared to USD 2,382 million in the corresponding period of 2024, reflecting increased imports.

The deficit in the services account worsened by USD 89 million during the quarter, reflecting lower earnings from transport and travel receipts while the deficit in the primary income account declined due to an increase in the primary income receipts. Meanwhile, secondary income transfers increased by USD 44 million, mainly due to higher remittance inflows, which totaled USD 1,306 million during the review period.

Table 5.1: Balance on Current Account (USD Millions))

BPM6 Formart	2023		2024				2025					2025 Q2 - 2024 Q2	
	Jul-Sep	Oct- Dec	Jan- Mar	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar	Apr	May	Jun	Apr-Jun	Absolute	Percent
	Q3	Q4	Q1	Q2	Q3	Q4	Q1				Q2	Change	Change
A. Current Account	-442	-856	-266	-361	-336	-588	-513	-305	-233	-124	-662	-301	83.4
Goods: exports f.o.b.	2842	2717	3072	3211	3265	2960	3229	937	1028	1334	3299	88	2.7
Goods: imports f.o.b.	4999	5308	5157	5592	5745	5748	5592	1954	1919	2176	6049	456	8.2
Services: credit	1808	1587	1852	1935	2237	2053	1977	597	617	600	1814	-121	-6.2
Services: debit	1281	1290	1289	1394	1460	1518	1341	434	476	452	1362	-32	-2.3
Balance on goods and services	-1630	-2295	-1521	-1841	-1703	-2253	-1727	-854	-750	-693	-2298	-457	24.8
Primary income: credit	52	52	55	61	77	99	99	36	48	33	117	56	92.6
Primary income: debit	611	379	643	406	701	388	669	120	153	90	362	-44	-10.8
Balance on goods, services, and primary income	-2189	-2622	-2109	-2186	-2327	-2542	-2298	-938	-856	-750	-2543	-357	16.3
Secondary income: credit	1758	1782	1846	1856	2002	1958	1804	639	629	632	1900	44	2.4
O/w Remittances	1082	1092	1207	1202	1272	1318	1245	429	443	434	1306	104	8.6
Secondary income: debit	11	17	3	31	11	4	19	6	6	6	19	-13	-40.2
B. Capital Account.	24	13	57	61	10	104	0	-38	23	158	144	82	133.8
Capital account: credit	24	13	57	61	10	104	0	-38	23	158	144	82	133.8
Capital account: debit	0	0	0	0	0	0	0	0	0	0	0	0	0.0
C. Financial Account.	112	-94	-188	-332	-517	-1152	-380	-364	-976	-802	-2142	-1809	544.3
D. Net Errors and Omissions	-380	566	-191	617	-52	214	728	-138	-140	-130	-409	-1025	-166.3
E. Overall Balance	911	184	213	-650	-140	-882	-595	117	-625	-706	-1215	-565	87.0
F. Reserves and Related Items	-911	-184	-213	650	140	882	595	-117	625	706	1215	565	87.0

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

Goods Account

Goods exports rose by USD 88 million to USD 3,299 million in the second quarter of 2025, mainly attributed to higher exports earnings from coffee, vegetables and fruits, cut flowers, manufactured goods of non-metallics mineral categories, animal and vegetable oils, and clothing accessories. Coffee exports improved due to higher international coffee prices, as adverse weather conditions in major international source markets such as Brazil, Vietnam and Indonesia affected production. However, exports of tea fell marginally in the second quarter of 2025, mainly reflecting lower prices at the Mombasa tea auction. The re-exports which comprise petroleum fuels recorded a decline during the review period due to relatively lower international fuel prices.

Table 5.2a: Trade Exports (USD Millions)

	2024			2025					2025 Q2-2024 Q2	
TRADE EXPORTS-CIF (USD MILLIONS)	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar	Apr	May	Jun	Apr-Jun	Absolute	Percent
COMMODITY DESCRIPTION	Q2	Q3	Q4	Q1				Q2	Change	Change
FOOD AND LIVE ANIMALS	747	792	674	791	301	300	261	862	114	15.3
Vegetables and Fruits (Fresh)	140	180	121	118	56	60	66	181	41	29.6
Coffee	92	96	59	123	61	58	36	155	63	68.0
Tea	341	345	324	356	124	119	98	340	-1	-0.2
BEVERAGES AND TOBACCO	33	39	34	33	10	11	12	33	0	1.5
CRUDE MATERIALS	304	269	336	381	100	105	87	291	-13	-4.1
Cut flowers	119	109	127	162	44	50	41	135	16	13.6
MINERAL FUELS	28	31	25	26	10	8	9	27	-1	-4.5
ANIMAL & VEGETABLE OILS	64	77	54	64	27	34	38	99	35	55.4
CHEMICALS AND RELATED PRODUCTS	155	178	146	139	54	49	53	156	1	0.4
MANUFACTURED GOODS	156	184	142	158	55	61	53	169	13	8.2
Non - Metallic Minerals	51	63	37	48	20	21	16	57	6	12.6
Iron and Steel	52	54	44	54	15	19	17	51	0	-0.5
MACHINERY AND TRANSPORT EQUIPMENT	21	37	42	39	12	15	11	38	17	80.6
MISCELLENEOUS MANUFACTURED ARTIC.	182	213	202	197	60	69	63	192	10	5.8
Clothing accessories	97	124	119	111	34	42	40	116	19	20.1
COMMODITIES & TRANSACTIONS	6	4	9	8	60	9	0	68	63	1079.6
RE-EXPORTS	1,401	1,288	1,088	946	242	349	373	963	-438	-31.3
TOTAL CUSTOMS EXPORTS (CIF)	3,104	3,152	2,841	2,907	936	1,021	967	2,924	-180	-5.8

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

Goods imports increased by USD 456.4 million to USD 6,048.7 million in the second quarter of 2025. The increase was mainly in imports of intermediate, machinery and capital goods. Imports of food imports rose by 80 million, largely driven by increases in sugar imports while animal and vegetable oils, which comprise palm oil increased by USD 17 million to USD 256 million. Imports of manufactured goods comprising iron and steel and textile yarn increased by USD 220 million to USD 897 million. Similarly, imports of machinery equipment for industrial use and transport vehicles increased during the review period (Table 5.2b). However, imports of chemicals and related products mainly comprising manufactured fertilizer and plastics in primary and non-primary form declined by USD 76 million to USD 758 million. Oil imports also declined by USD 347 million to USD 1,813 million as global oil prices remained relatively lower in the period under review.

Table 5.2b: Trade Imports (USD Millions)

	2023				2024				2025								2025 Q2-2024 Q2	
TRADE IMPORTS-CIF (USD MILLIONS)	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec	Jan	Feb	Mar	Jan-Mar	Apr	May	Jun	Apr-Jun	Abso-lute	Per-cent
COMMODITY DESCRIPTION	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4				Q1				Q2	Cha-nge	Cha-nge
FOOD AND LIVE ANIMALS	607	659	619	485	499	540	473	552	155	108	168	432	201	218	206	626	86	15.8
Cereals	333	453	343	189	281	343	261	375	78	51	93	222	99	118	138	356	13	3.8
Sugar	87	55	105	159	99	65	61	37	26	8	26	60	32	42	29	103	38	58.9
BEVERAGES AND TOBACCO	35	32	24	28	21	24	30	45	8	8	8	24	12	13	8	34	9	37.0
CRUDE MATERIALS	108	119	121	138	140	138	160	170	55	52	80	187	47	49	55	151	13	9.7
MINERAL FUELS	1,885	2,069	1,975	2,202	2,073	2,160	2,084	1,899	675	564	585	1,825	531	629	653	1,813	-347	-16.1
Motor spirit	322	337	374	358	326	394	337	332	118	68	124	310	134	68	125	327	-67	-17.1
Jet fuel	208	237	220	284	305	243	212	235	80	75	54	209	68	38	52	158	-85	-35.1
Diesel oil	840	929	859	966	808	899	909	800	289	220	230	738	169	280	268	717	-183	-20.3
ANIMAL & VEGETABLE OILS	250	233	299	215	230	239	243	321	138	119	118	376	99	85	72	256	17	7.3
CHEMICALS AND RELATED PRODUCTS	840	742	630	685	730	835	849	766	246	245	266	756	291	258	209	758	-76	-9.2
Organic and Inorganic Chemicals	93	91	84	85	85	94	89	93	32	26	20	78	37	29	23	89	-5	-5.3
Medicinal & Pharmaceuticals	144	203	163	139	171	192	223	157	44	39	75	158	72	50	49	171	-21	-11.0
Manufactured Fertilizers	254	94	39	83	65	138	81	94	25	46	41	112	29	46	11	86	-52	-37.5
Plastics	172	178	163	195	199	204	220	221	74	61	74	208	77	65	61	204	0	-0.2
Chemical Materials and Products	105	102	101	83	128	126	137	101	42	36	29	108	37	34	35	106	-21	-16.3
MANUFACTURED GOODS	680	741	593	639	638	677	699	767	269	259	234	763	279	274	343	897	220	32.4
Textile Yarn	136	138	117	149	155	164	168	164	59	60	49	168	62	63	61	186	22	13.7
Iron and Steel	233	286	174	177	187	172	165	234	87	89	63	239	86	77	156	320	148	85.9
MACHINERY AND TRANSPORT EQUIPMENT	745	753	859	894	872	1,045	1,272	1,113	392	355	355	1,102	430	413	416	1,259	214	20.5
Machinery	498	515	599	612	541	713	787	731	286	234	226	747	286	282	261	828	116	16.2
Transport	248	238	260	282	331	332	484	382	105	121	129	355	144	132	155	431	98	29.6
MISCELLENEOUS MANUFACTURED ARTIC.	217	239	224	347	261	283	296	467	91	106	85	282	89	95	90	274	-8	-3.0
COMMODITIES & TRANSACTIONS	57	66	75	84	93	102	111	120	42	43	44	129	45	46	47	138	36	35.5
TOTAL CUSTOMS IMPORTS (CIF)	5,409	5,634	5,392	5,682	5,525	6,001	6,169	6,235	2,046	1,832	1,917	5,795	1,995	2,044	2,069	6,108	107	1.8

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

Exports of goods to the East African Community (EAC) region declined by 12.2 percent to USD 1,404 million in second quarter of 2025 from USD 1,599 million in the second quarter of 2024. The decline was in Uganda and Somalia countries. Similarly, exports to COMESA region declined by 15.4 percent to USD 1,162 million. Exports to the rest of the world increased by 18.4 percent to USD 1,721 million and was mainly to Netherlands, Germany, France, Spain, and India (Table 5.2c). Imports of goods were mainly from Japan, Belgium, India, Indonesia, China, and Malaysia, which accounted for 42.8 percent, 27.8 percent, 27.1 percent, 21.6 percent, 10.6 percent, 20.3 percent, and 10.6 percent of total imports, respectively, in the second quarter of 2025. 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 24.2 percent, equivalent of USD 105.8 million following higher imports from South Africa, Egypt and Uganda.

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

Exports Region/ Country	2024 Jan - Mar Q1	2024 Apr - Jun Q2	2024 Jul - Sep Q3	2024 Oct - Dec Q4	2025 Jan - Mar Q1	2025 Apr	2025 May	2025 Jun	2025 Apr - Jun Q2	Share of Imports (%) Q2 2025	Share of Imports (%) Q2 2024
Africa	**1,731**	**1,757**	**1,835**	**1,633**	**1,558**	**446**	**560**	**572**	**1,578**	**48**	**55**
o/w Uganda	1,056	1,110	1,124	945	837	230	339	298	868	26	35
Tanzania	120	122	144	148	125	42	44	48	134	4	4
Rwanda	79	84	112	90	93	27	31	28	86	3	3
South Sudan	184	189	139	134	219	49	53	103	205	6	6
Egypt	70	36	44	51	50	16	13	18	46	1	1
DRC	58	50	63	65	53	18	24	19	62	2	2
Somalia	33	29	39	29	29	11	8	8	27	1	1
Ethiopia	29	24	31	28	22	9	9	8	25	1	1
Zambia	17	20	17	19	13	7	4	6	17	1	1
EAC	**1,523**	**1,599**	**1,634**	**1,425**	**1,378**	**384**	**506**	**514**	**1,404**	**43**	**50**
COMESA	**1,353**	**1,374**	**1,461**	**1,258**	**1,135**	**326**	**439**	**398**	**1,162**	**35**	**43**
			-	-	-				-		
Rest of the World	**1,341**	**1,454**	**1,430**	**1,327**	**1,671**	**490**	**468**	**762**	**1,721**	**52**	**45**
o/w UAE	146	286	212	112	150	108	58	48	214	6	9
Pakistan	143	138	158	129	149	55	51	30	136	4	4
Nether-lands	188	120	104	119	152	48	48	41	137	4	4
USA	149	158	190	165	146	44	59	48	151	5	5
United Kingdom	127	103	106	114	127	38	38	35	112	3	3
Saudi Arabia	75	69	27	27	38	10	13	11	34	1	2
China	40	65	37	54	34	13	12	9	34	1	2
Germany	37	37	40	27	47	15	21	13	50	2	1
France	24	25	30	25	28	11	11	11	33	1	1
India	23	19	63	39	23	8	6	5	19	1	1
Spain	13	28	26	10	11	11	12	10	32	1	1
Total Exports (FOB)	**3,072**	**3,211**	**3,265**	**2,960**	**3,229**	**937**	**1,028**	**1,334**	**3,299**	**100**	**100**
European Union	**329**	**282**	**283**	**247**	**323**	**127**	**128**	**106**	**361**	**11**	**9**
China	**40**	**65**	**37**	**54**	**34**	**13**	**12**	**9**	**34**	**1**	**2**

Imports Region/ Country	2024 Jan - Mar Q1	2024 Apr - Jun Q2	2024 Jul - Sep Q3	2024 Oct - Dec Q4	2025 Q1	2025 Apr - Jun Apr	2025 Apr - Jun May	2025 Apr - Jun Jun	2025 Q2	Share of Imports (%) Q2 2025	Share of Imports (%) Q2 2024
Africa	**445**	**437**	**481**	**512**	**481**	**155**	**196**	**193**	**543**	**9**	**8**
o/w South Africa	143	98	106	123	147	30	38	39	108	2	2
Tanzania	103	112	115	101	88	31	33	39	103	2	2
Egypt	61	72	83	94	84	32	36	61	129	2	1
Uganda	50	71	66	68	67	30	40	25	95	2	1
EAC	**169**	**192**	**194**	**180**	**166**	**64**	**76**	**68**	**207**	**3**	**3**
COMESA	**185**	**203**	**227**	**234**	**214**	**89**	**111**	**110**	**309**	**5**	**4**
			-								
Rest of the World	**4,711**	**5,155**	**5,264**	**5,236**	**5,111**	**1,799**	**1,723**	**1,983**	**5,506**	**91**	**92**
o/w China	840	1,003	1,311	1,153	1,149	395	385	426	1,206	20	18
UAE	1,194	1,460	1,427	1,390	1,303	338	481	435	1,255	21	26
India	478	441	498	534	519	238	156	167	560	9	8
Malaysia	276	208	209	300	299	83	68	79	230	4	4
USA	273	282	252	348	271	96	106	71	273	5	5
Japan	183	204	204	221	239	85	104	103	292	5	4
Saudi Arabia	297	353	318	408	345	58	98	89	246	4	6
Russia	91	196	144	162	103	18	24	1	43	1	4
Netherlands	134	90	60	53	38	9	13	16	38	1	2
Oman	188	181	90	61	8	58	30	98	186	3	3
United Kingdom	58	106	80	92	65	26	38	39	103	2	2
Germany	67	77	105	76	73	32	22	22	77	1	1
Pakistan	113	67	58	99	30	26	14	28	68	1	1
France	42	61	57	68	53	18	15	17	49	1	1
Indonesia	48	40	58	45	80	17	17	15	48	1	1
Belgium	109	50	24	120	34	44	12	7	64	1	1
Total Imports (FOB)	**5,157**	**5,592**	**5,745**	**5,748**	**5,592**	**1,954**	**1,919**	**2,176**	**6,049**	**100**	**100**
European Union	**491**	**433**	**419**	**509**	**406**	**162**	**130**	**117**	**409**	**7**	**8**
China	**840**	**1,003**	**1,311**	**1,153**	**1,149**	**395**	**385**	**426**	**1,206**	**20**	**18**

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 1,809 million to USD 2,142 million in the second 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 reflected increases in other investment liabilities.

Table 5.3: Financial Account (USD Million)

BPM6 Concept	2024				2025								2025 Q2 - 2024 Q2	
Region/Country	Jan-Mar Q1	Apr-Jun Q2	Jul-Sep Q3	Oct-Dec Q4	Jan	Feb	Mar	Jan-Mar Q1	Apr	May	Jun	Apr-Jun Q2	Absolute	Percent
Financial Account	-188	-332	-517	-1152	57	-328	-109	-380	-364	-976	-802	-2142	-1809	544
Direct investment: assets	45	153	134	94	19	19	19	58	19	19	19	58	-96	-62
Direct investment: liabilities, n.i.e.	173	125	112	232	58	58	58	175	54	53	52	159	34	27
Portfolio investment: assets	79	207	101	199	47	59	50	155	72	50	52	174	-33	-16
Equity and investment fund shares	72	54	34	119	70	70	70	210	81	69	73	223	168	310
Debt securities	7	153	68	80	-23	-12	-20	-55	-10	-19	-20	-49	-202	-132
Portfolio investment: liabilities, n.i.e.	1032	-618	149	-265	-248	-249	-249	-746	-180	-150	-8	-338	280	-45
Equity and investment fund shares	-15	23	-5	-129	-8	-8	-8	-25	-11	7	-6	-11	-33	-147
Debt securities	1047	-640	154	-136	-240	-240	-240	-720	-169	-156	-2	-327	313	-49
Financial derivatives: net	16	4	-7	-30	-4	-6	-5	-15	-5	-2	1	-7	-11	-253
Financial derivatives: assets	27	13	-21	-37	-33	-5	21	-17	-32	-2	1	-33	-46	-367
Financial derivatives: liabilities	12	8	-14	-7	-29	0	27	-2	-27	0	0	-27	-35	-428
Other investment: assets	631	356	-214	-1562	-142	-244	7	-379	-98	-75	174	2	-355	-100
Other investment: liabilities, n.i.e.	-247	1547	270	-114	54	346	370	770	479	1064	1005	2548	1001	65
Deposit-taking corporations	-148	-92	-150	-66	-329	-34	-179	-543	-182	-45	205	-22	70	-77
General government	86	1410	-433	-235	316	360	461	1137	178	567	253	997	-412	-29
Other sectors	-186	228	854	187	67	20	87	174	485	541	547	1574	1345	589

**Provisional*
Source: Central Bank of Kenya and KNBS

Foreign Exchange Reserves

The banking system's total foreign exchange holdings increased to USD 17,762 million at the end of the second quarter of 2025 from USD 16,438 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 11,877 million, equivalent to 5.2 months of import cover. However, commercial bank reserves declined to USD 5,885 million at the end of the second quarter of 2025, from USD 7,975 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)

	2023							2024								2025 Q2-2024Q2	
	Jan	Feb	Mar	Jun	Aug	Sep	Dec	Mar	Jun	Sep	Dec	Mar	Apr	May	June	Abso-lute	Per-cent
1. Gross Reserves	11,417	11,286	10,901	13,166	13,676	13,852	14,156	15,328	16,438	16,391	16,325	16,574	16,449	16,825	17,762	2,169	16
of which:																0	
Official	7,495	7,177	6,962	8,037	7,652	7,535	7,342	7,813	8,463	8,603	10,067	10,662	10,545	11,170	11,877	2,725	36
Import Cover*	3.8	3.6	3.5	3.9	3.6	3.6	3.4	3.6	3.8	3.8	4.4	4.7	4.6	4.9	5.2	1	29.2
Commercial Banks	3,922	4,110	3,939	5,129	6,024	6,316	6,814	7,515	7,975	7,789	6,258	5,912	5,904	5,654	5,885	-556	(9)
2. Residents' Foreign Currency Deposits	7,931	8,095	7,760	8,673	9,397	9,778	10,173	10,344	10,609	10,622	9,956	9,954	9,940	9,960	9,960	-218	(2)

Source: Central Bank of Kenya

Exchange Rates

The Kenya Shilling appreciated against most major international currencies during the second quarter of 2025 compared to a similar period in 2024. It strengthened by 1.2 percent against the US Dollar, exchanging at an average of 129.34 in quarter two of 2025 compared to 130.87 in quarter two of 2024.

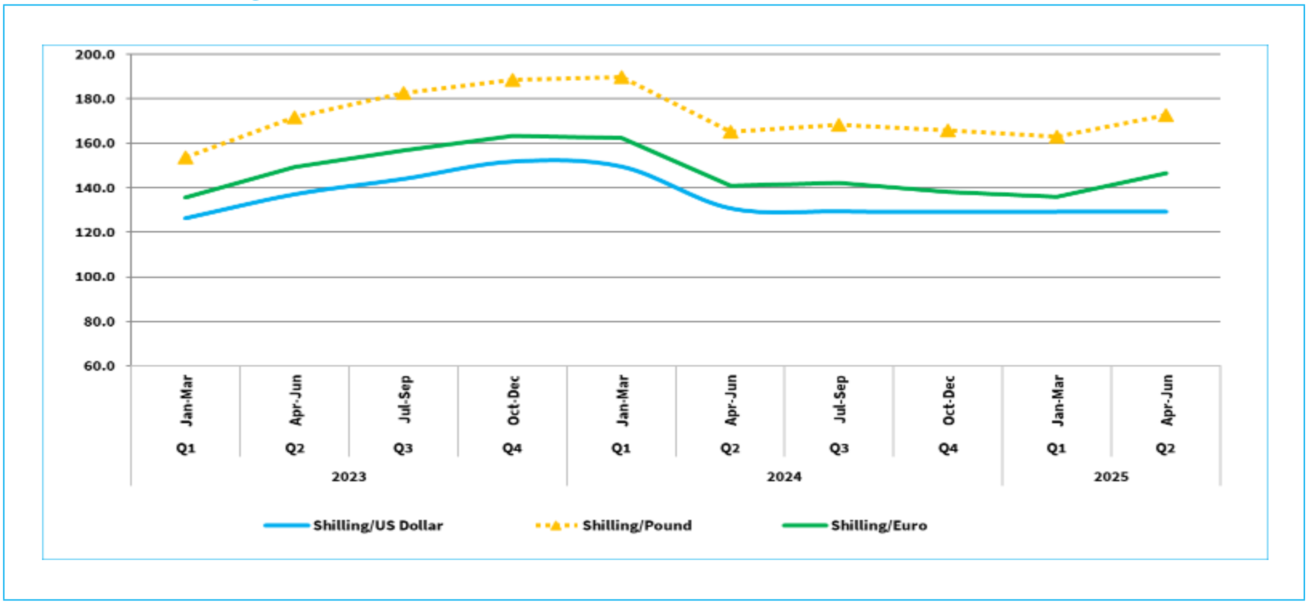
However, the Shilling weakened against the Sterling Pound (4.43 percent), Euro (3.98 percent), and Japanese Yen (6.24 percent). It also depreciated against select East African currencies, weakening against the Rwandan Franc (10.33 percent), Burundi Franc (4.81 percent), and Tanzania Shilling (3.64 percent), while appreciating against the Ugandan Shilling (Table 5.5 and Chart 5.1).

Table 5.5: Kenya Shilling exchange rate

	2024 Q1	2024 Q2	2024 Q3				2024 Q4												2025 Q2 - 2024 Q2
	Jan-Mar	Apr-Jun	Jul	Aug	Sep	Jul-Sep	Oct	Nov	Dec	Oct-Dec	Jan	Feb	Mar	Jan-Mar	Apr	May	Jun	Apr-Jun	Per-cent
US Dollar	149.63	130.87	129.87	129.32	129.20	129.46	29.20	129.40	129.36	129.32	129.39	129.30	129.33	129.34	129.50	129.27	129.25	129.34	(1.18)
Pound Sterling	189.71	165.24	166.91	167.28	170.74	168.31	168.79	165.06	163.64	165.83	159.80	161.95	166.77	162.84	170.18	172.76	175.15	172.70	4.43
Euro	162.47	140.96	140.75	142.44	143.52	142.24	140.94	137.53	135.55	138.01	134.00	134.61	139.58	136.06	145.19	145.80	148.88	146.62	3.98
100 Japanese Yen	100.92	84.03	82.22	88.45	90.34	87.00	86.41	84.16	84.30	84.96	82.63	85.17	86.74	84.85	89.65	89.35	89.38	89.46	6.24
South African Rand	7.92	7.04	7.12	7.17	7.34	7.21	7.36	7.22	7.11	7.23	6.91	6.99	7.07	6.99	6.80	7.14	7.24	7.06	0.23
Uganda Shilling*	25.94	28.96	28.54	28.78	28.73	28.68	28.40	28.43	28.34	28.39	28.50	28.45	28.36	28.44	28.34	28.17	27.92	28.14	(2.86)
Tanzania Shilling*	17.07	19.86	20.56	20.93	21.08	20.86	21.09	20.61	19.21	20.30	19.36	19.98	20.40	19.91	20.60	20.82	20.43	20.62	3.64
Rwanda Franc*	8.57	9.90	10.09	10.23	10.34	10.22	10.46	10.56	10.65	10.56	10.73	10.81	10.90	10.81	10.90	10.95	11.03	10.96	10.33
Burundi Franc*	19.19	21.93	22.17	22.30	22.41	22.29	22.53	22.77	22.85	22.72	22.87	22.90	22.91	22.89	22.95	23.02	23.04	23.00	4.81

** 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 PERFORMANCE

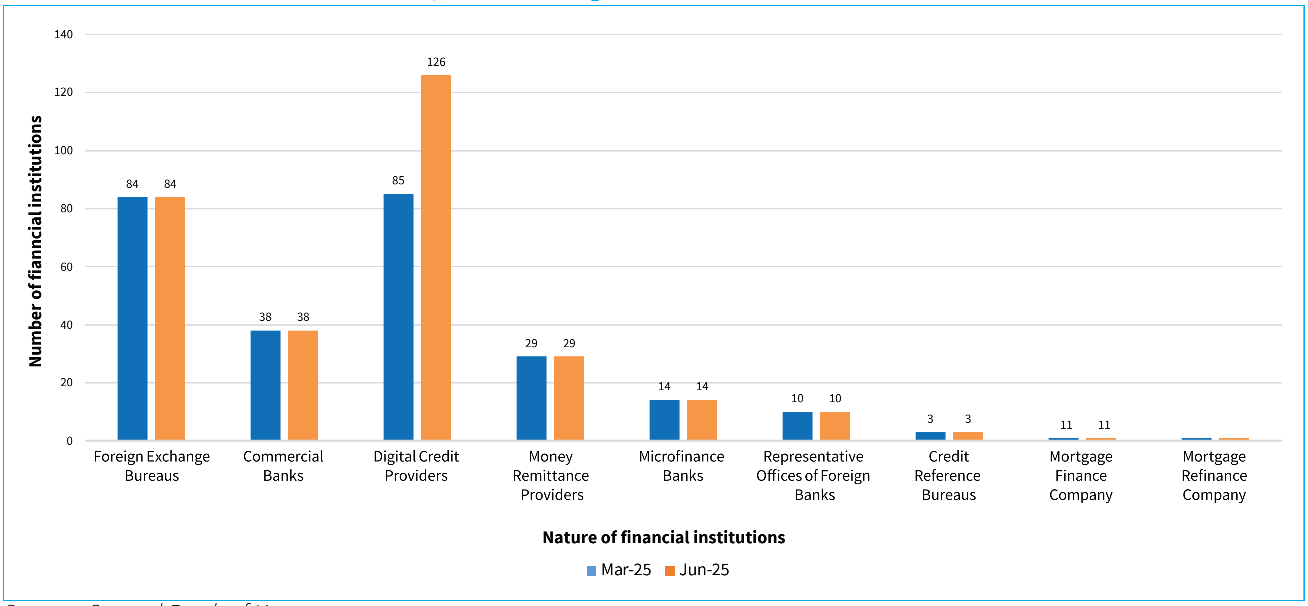
Overview

The banking sector remained stable and resilient in the second quarter of 2025. Total assets increased by 2.3 percent to KSh.7,849.1 billion in June 2025, from KSh.7,673.6 billion in March 2025. The deposit base increased by 2.0 percent to KSh.5,847.8 billion in the second quarter of 2025, from KSh.5,730.9 billion in the first quarter of 2025. The sector was well capitalized with capital adequacy ratio of 20.4 percent in the second quarter of 2025, which was above the minimum capital requirement of 14.5 percent. The sector remained profitable in the second quarter of 2025, with quarterly profit before tax of KSh.74.6 billion, an increase from KSh.73.5 billion reported in the first quarter of 2025. Credit risk remained elevated with Gross Non-Performing Loans (NPLs) to Gross Loans Ratio standing at 17.6 percent at the end of the second quarter of 2025, an increase from 17.4 percent recorded at the end of first 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, 10 Representative Offices of Foreign Banks, 84 Foreign Exchange Bureaus, 29 Money Remittance Providers, 3 Credit Reference Bureaus, and 126 Digital Credit Providers as of June 2025. Chart 6.1 shows the structure of the Kenyan banking sector as at the end of the last two quarters.

Chart 6.1: Structure of the Kenyan Banking Sector



Source: Central Bank of Kenya

Structure of the Balance Sheet

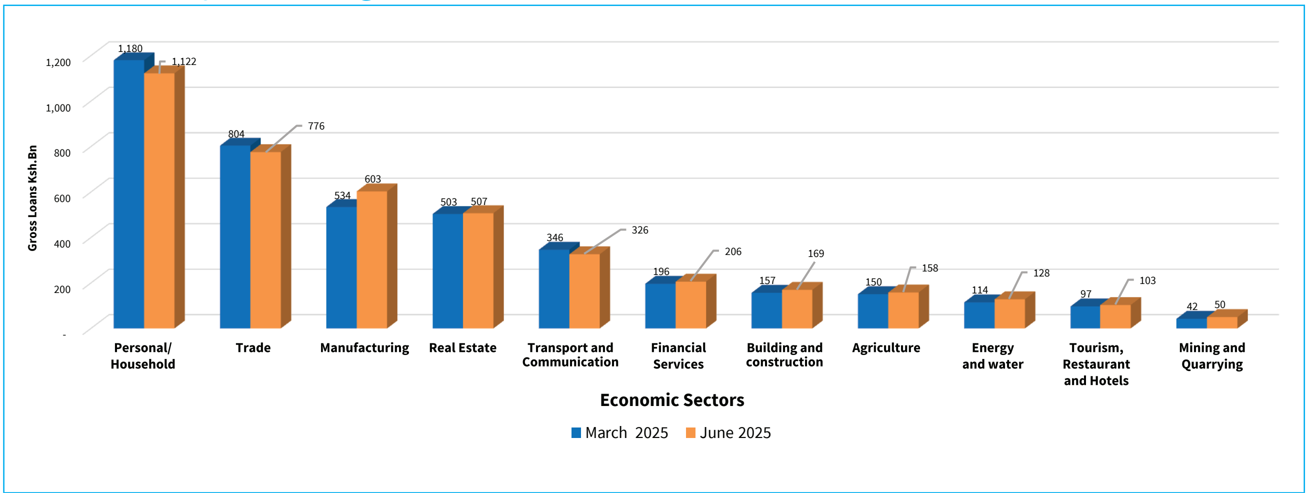
i. Increase in Banking sector assets

Total assets increased by 2.3 percent to Ksh.7,849.1 billion in June 2025, from KSh.7,673.6 billion in March 2025. The increase in total assets was mainly recorded in government securities by KSh.113.2 billion (4.8 percent), placements by KSh.39.2 billion (6.8 percent), foreign gross loans by KSh.28.6 billion (2.9 percent) and balances at Central Bank of Kenya by KSh.24 billion (8.0 percent). Loans and advances remained the main component of total assets, accounting for 47.4 percent in the second quarter of 2025, a decrease from 48.4 percent in the first quarter of 2025.

ii. Loans and Advances

The banking sector loan book increased by 0.6 percent, to KSh.4,147.3 billion in the second quarter of 2025 from KSh.4,123.4 billion in the first quarter of 2025. The increase in gross loans and advances was largely witnessed in the Manufacturing, Energy and Water, Building and Construction, Financial Services and Agriculture sectors. The sectoral distribution of gross loans for the first and second quarters of 2025 is highlighted in Chart 6.2.

Chart 6.2: Kenyan Banking Sector Gross Loans

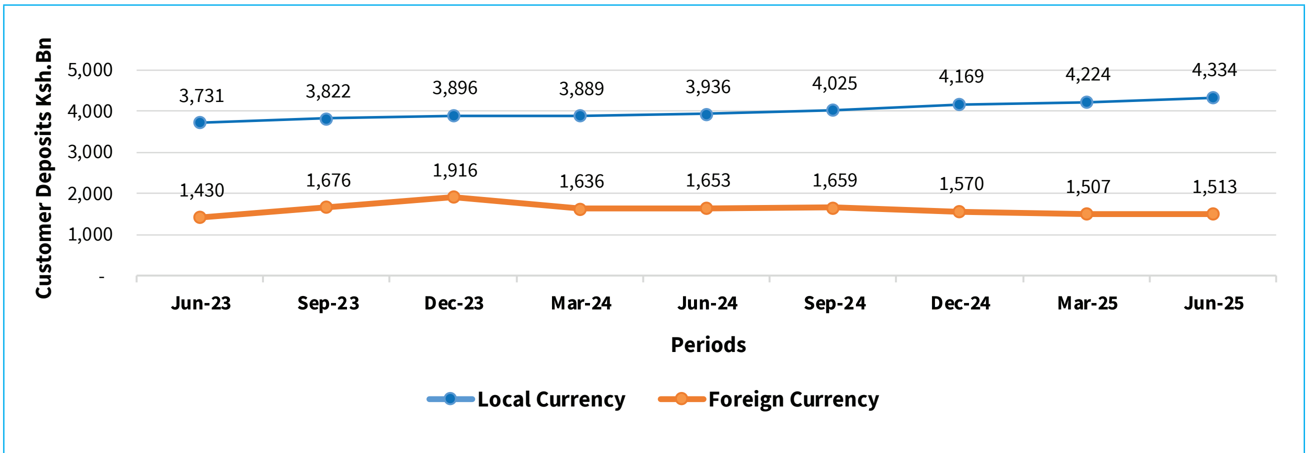


Source: Central Bank of Kenya

Deposit Liabilities

Customer deposits remained the main source of funding to the banks, accounting for 74.5 percent of the banking sector total liabilities and shareholders' funds as at the end of the second quarter of 2025. The customer deposit base increased by KSh.116.9 billion (2.0 percent) to KSh.5,847.8 billion in the second quarter of 2025, from KSh.5,730.9 billion in the first quarter of 2025. Local currency deposits increased by KSh.110.8 billion (2.6 percent) to KSh.4,334.4 billion in the second quarter of 2025, from KSh.4,223.6 billion in the first quarter of 2025. Foreign currency deposits increased by KSh.6.1 billion (0.4 percent) to KSh.1,513.4 billion in the second quarter of 2025, from KSh.1,507.3 billion in the first 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 3.3 percent to KSh.1,053.2 billion in the second quarter of 2025, from KSh.1,020.0 billion in the first quarter of 2025. Total capital increased by 2.6 percent to KSh.1,192.8 billion in the second quarter of 2025, from KSh.1,162.4 billion in the first quarter of 2025.

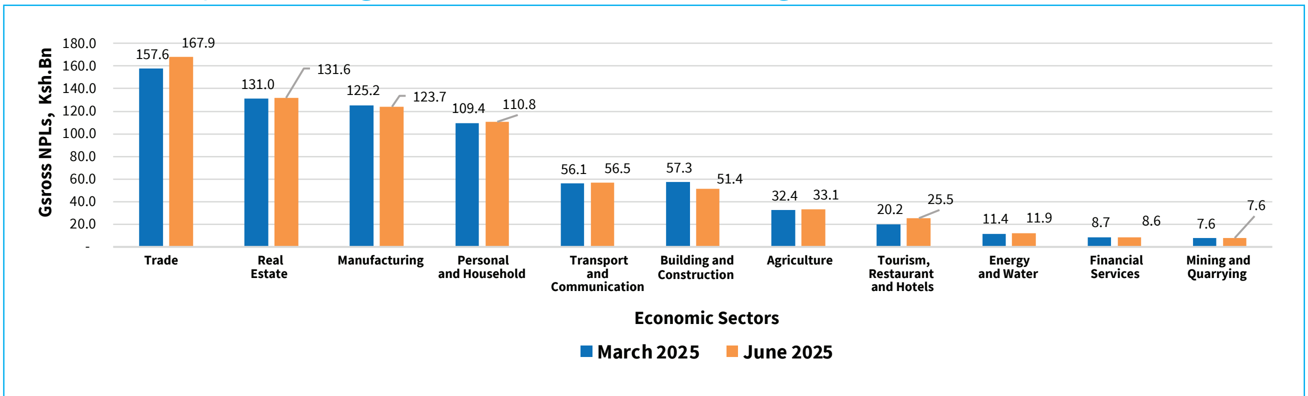
Core capital to total risk-weighted assets ratios increased slightly to 18.0 percent in the second quarter of 2025 from 17.7 percent in the first quarter of 2025. The increase in the core capital ratio was mainly due to a higher increase in core capital (3.3 percent) as compared to increase in total risk weighted assets (1.2 percent). Total capital to total risk-weighted assets ratio increased to 20.4 percent in the second quarter of 2025 from 20.1 percent in the first 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 18.0 percent in the second quarter of 2025.

Asset Quality

The Gross Non-Performing Loans (NPLs) increased by 1.6 percent from KSh.717.0 billion in the first quarter of 2025, to KSh.728.5 billion at the end of the second quarter of 2025. The gross NPLs to gross loans ratio increased to 17.6 percent in the second quarter of 2025, from 17.4 percent in the first quarter of 2025. This was due to a higher increase in gross NPLs of 1.6 percent compared to 0.6 percent increase gross loans. Chart 6.4 highlights the sectoral distribution of gross NPLs.

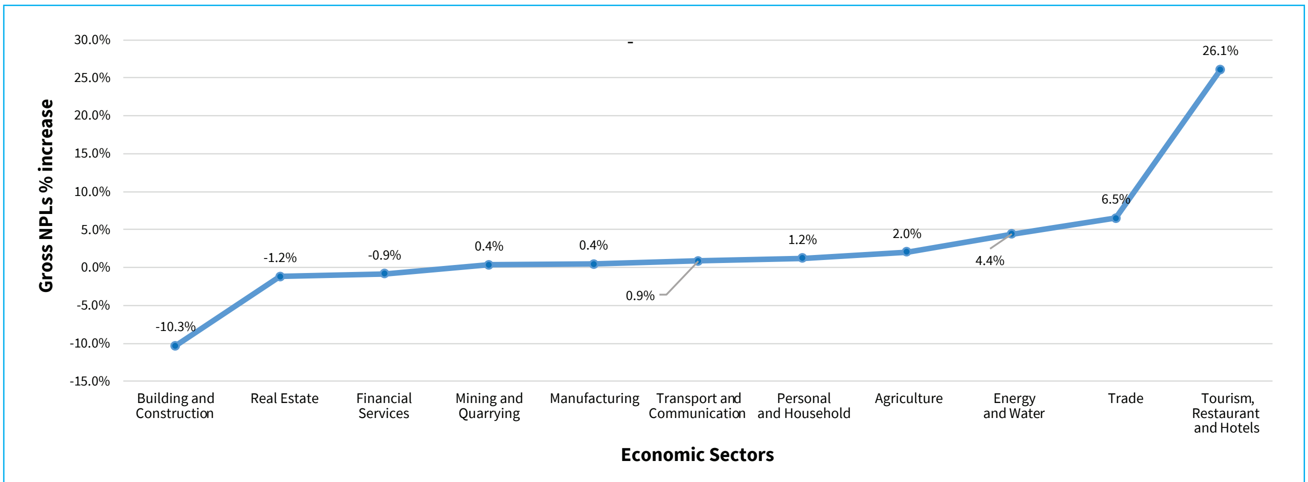
Chart 6.4: Kenyan Banking Sector Gross Non-performing Loans



Source: Central Bank of Kenya

The increase in gross NPLs was spread across eight economic sectors as highlighted in Chart 6.5

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



Source: Central Bank of Kenya

Eight sectors registered increases in NPLs by KSh.19.0 billion as a result of a challenging operating environment. Three economic sectors registered decreases in NPLs of KSh.7.5 billion mainly due to repayments.

The banking sector's asset quality, as measured by the proportion of net non-performing loans to gross loans slightly improved from 8.8 percent in first quarter of 2025, to 8.6 percent in the second quarter of 2025. The coverage ratio, measured as a percentage of specific provisions to total NPLs, increased slightly from 39.8 percent in the first quarter of 2025, to 40.9 percent in the second quarter of 2025, due to a higher increase in specific provisions (3.8 percent) as compared to the increase in total NPLs (1.0 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

		Mar-25	Jun-25
1	Gross Loans and Advances (Ksh. Bn)	4,123.4	4,147.3
2	Interest in Suspense (Ksh.Bn)	116.8	122.2
3	Loans and Advances (net of interest suspended) (Ksh.Bn)	4,006.6	4,025.2
4	Gross non-performing loans (Ksh. Bn)	717.0	728.5
5	Specific Provisions (Ksh.Bn)	238.7	247.8
6	General Provisions (Ksh.Bn)	58.2	58.7
7	Total Provisions (5+6) (Ksh.Bn)	296.9	306.6
8	Net Advances (3-7) (Ksh.Bn)	3,709.7	3,718.6
9	Total Non-Performing Loans and Advances (4-2) (Ksh.Bn)	600.2	606.3
10	Net Non-Performing Loans and Advances (9-5) (Ksh.Bn)	361.5	358.5
11	Total NPLs as % of Total Advances (9/3) (%)	15.0	15.1
12	Net NPLs as % of Gross Advances (10/1) (%)	8.8	8.6
13	Specific Provisions as % of Total NPLs (5/9) (%)	39.8	40.9
14	Gross NPLs to Gross Loans Ratio (4/1) (%)	17.4	17.6

Profitability

The banking sector recorded an increase in quarterly pre-tax profits of KSh.1.1 billion to KSh.74.6 billion in the second quarter of 2025, from KSh.73.5 billion in the first quarter of 2025. The increase in profitability was mainly attributed to an increase in quarterly income of KSh.3.8 billion compared to a decrease in quarterly expenses of KSh.2.7 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 48.8 percent, 28.5 percent and 15.2 percent in the second quarter of 2025 as compared to 49.2 percent, 28.2 percent and 15.6 percent in the first quarter of 2025.

On the other hand, interest on deposits, other expenses and salaries and wages, were the key components of expenses, accounting for 38.6 percent, 23.2 percent and 21.5 percent of total expenses respectively in the second quarter of 2025, compared to 39.8 percent, 22.1 percent and 21.4 percent in the first quarter of 2025.

Return on Assets (ROA) increased slightly to 3.6 percent in the second quarter of 2025, from 3.1 percent recorded in the first quarter of 2025. Return on Equity (ROE) decreased to 23.0 percent in the second quarter of 2025, from 23.1 percent in the first quarter of 2025.

Liquidity

The banking sector's overall liquidity ratio remained at 58.4 percent in the first and second quarters of 2025. The banking sector liquidity ratio remained above the minimum statutory level of 20 percent.

Outlook of the Sector

The banking sector is projected to remain stable in the third 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 increased from 17.4 percent in the first quarter of 2025, to 17.6 percent in the second 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 remained at 58.4 percent in the first and second quarters of 2025. These were above the statutory minimum of 20 percent.

CHAPTER 7:

Government Budgetary Performance

The Government's budgetary operations at the end of the fourth quarter of FY 2024/25 resulted in a deficit of 5.8 of GDP. Both revenues and expenditures were below target with shortfalls in total revenues including grants and total expenditure and net lending at 2.7 percent and at 2.0 percent, respectively.

Table 7.1: Statement of Government Operations (KSh Billion)

	FY2023/24	FY 2024/25										
	Q4	April	May	June	Q4	Cumulative to June-2025	Target	Over (+) / Below (-) Target	% Variance	% change Q on Q	% cumulative share to GDP	Target to GDP (%)
1. TOTAL REVENUE & GRANTS	**855.1**	**279.1**	**247.4**	**439.5**	**966.1**	**2,951.9**	**3,032.8**	**(80.8)**	**(2.7)**	**13.0**	**16.9**	**17.4**
Ordinary Revenue	711.0	234.1	217.2	271.6	722.9	2,420.2	2,496.2	(76.0)		1.7		
Tax Revenue	625.9	222.2	210.7	249.3	682.1	2,271.4	2,304.1	(32.7)		9.0		
Non Tax Revenue	85.1	11.9	6.6	22.3	40.8	148.8	192.1	(43.3)		(52.1)		
Appropriations-in-Aid	136.0	45.0	27.2	147.5	219.7	498.4	489.4	9.1		61.5		
External Grants	8.1	0.1	3.0	20.4	23.5	33.3	47.2	(13.9)		189.4		
2. TOTAL EXPENDITURE & NET LENDING	**1,209.8**	**340.9**	**391.1**	**547.4**	**1,279.4**	**3,963.1**	**4,045.1**	**(81.9)**	**(2.0)**	**5.8**	**22.7**	**23.2**
Recurrent Expenses	882.2	259.0	239.8	360.2	859.1	2,937.2	2,989.1	(51.9)		(2.6)		
Development Expenses	186.3	38.1	78.4	114.6	231.1	581.1	602.1	(20.9)		24.0		
County Transfers	141.3	43.8	72.9	72.6	189.3	444.8	454.0	(9.1)		34.0		
Others	-	-	-	-	0.0	-	-	-				
3. DEFICIT (INCL. GRANTS) (1-2)	**(354.7)**	**(61.8)**	**(143.7)**	**(107.8)**	**-313.4**	**(1,011.2)**	**(1,012.3)**	**1.1**	**(0.1)**	**(11.6)**	**(5.8)**	**(5.8)**
As percent of GDP	(2.2)	(0.4)	(0.8)	(0.6)	-1.8	(1.1)	(5.8)	4.7		(18.2)		
4. ADJUSTMENT TO CASH BASIS	**45.4**	**-**	**-**		**0.0**	**-**	**-**	**-**				
5. DEFICIT INCL . GRANTS ON A CASH BASIS	**(309.3)**	**(61.8)**	**(143.7)**	**(107.8)**	**-313.4**	**(1,011.2)**	**(1,012.3)**	**1.1**	**(0.1)**	**1.3**	**(5.8)**	**(5.8)**
As percent of GDP	(1.9)	(0.4)	(0.8)	(0.6)	-1.8	(5.8)	(5.8)	0.0		(6.3)		
6. DISCREPANCY: Expenditure (+) / Revenue (-)	**(8.9)**	**(31.2)**	**45.4**	**10.8**	**-27.1**	**9.8**	**-**			**202.8**		
7. FINANCING	**318.2**	**30.6**	**189.1**	**118.7**	**338.4**	**1,021.0**	**1,012.3**	**8.7**	**0.9**	**6.3**	**5.9**	**5.8**
Domestic (Net)	208.5	5.5	129.9	86.0	221.3	841.2	825.8	15.4		6.1	4.8	
External (Net)	109.7	25.2	59.2	32.7	117.1	179.8	186.5	(6.7)		6.7	1.0	

Source: The National Treasury- June 2025 Budget Outturn (BOT)

Revenue

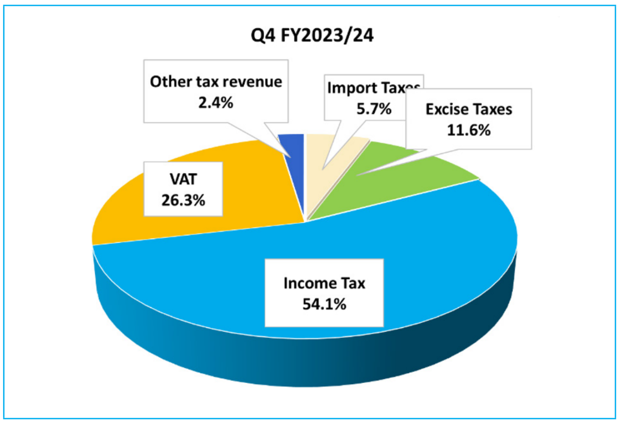
Government receipts comprising revenue and grants increased by 13.0 percent to KSh 966.1 billion in the fourth quarter of FY 2024/25, compared to KSh 855.1 billion in the fourth quarter of FY 2023/24. The increase was reflected in tax revenues, Appropriation in Aid (A-in-A) and external grants. However, non-tax revenues registered a decline of 52.1 percent (Table 7.1).

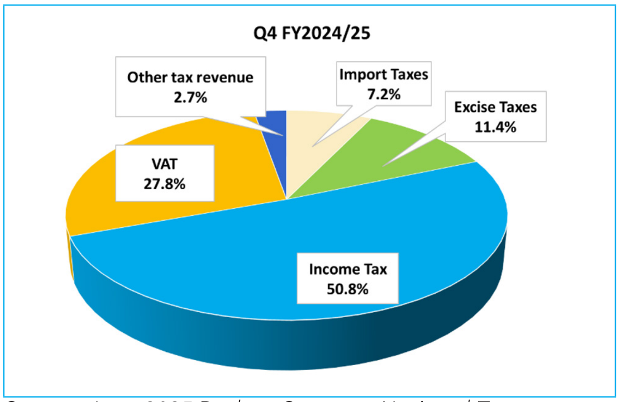
There was a minor shift in the composition of tax revenues in the fourth quarter of FY 2024/25 compared with a similar period in the previous financial year (Chart 7.1). The share of import taxes, VAT and other tax revenues increased by 1.6 percentage points, 1.5 percentage points and 0.4 percentage points respectively. However, the shares of income tax and excise declined by 3.3 percentage points and 0.3 percentage points, respectively.

Cumulatively to June 2025, Government total revenue and grants stood at KSh 2,951.9 billion (16.9 percent of GDP) against a target of KSh 3,032.8 billion (17.4 percent of GDP) (Table 7.1). Tax revenue was below the set target reflecting underperformance in major revenue categories.

External grants cumulatively to June 2025 stood at KSh 33.3 billion, which was KSh 13.9 billion lower than target, occasioned by slow absorption of donor funds. Meanwhile, Ministerial Appropriations in Aid (A-in-A) collected during the cumulative period to June 2025 amounted to KSh 498.4 billion, which was KSh 9.1 billion higher than target due to improved reporting by Semi-Autonomous Government Agencies.

Chart 7.1: Composition of Tax Revenue





Source: June 2025 Budget Out-turn, National Treasury

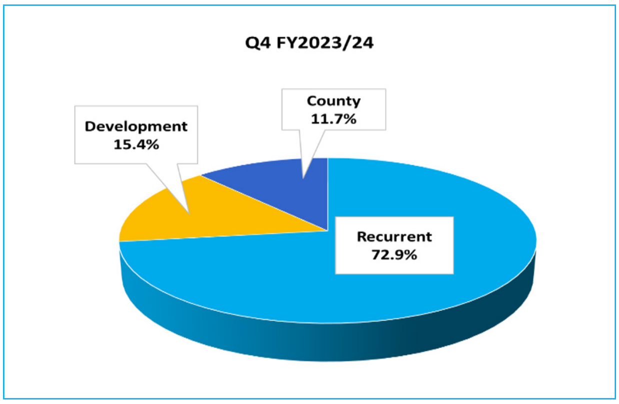
Expenditure and Net Lending

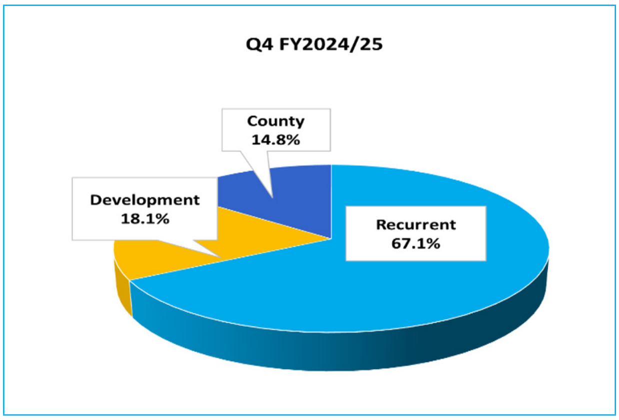
Government expenditure and net lending increased by 5.8 percent to KSh 1,279.4 billion in the fourth quarter of the FY 2024/25 from KSh 1,209.8 billion in the fourth quarter of the FY 2023/24. The increase in expenditures reflected increases of 24.0 percent and 34.0 percent in national government development expenditure and county transfers, respectively, that more than offset the decline in recurrent expenditure.

In terms of composition, recurrent and development expenditure accounted for 67.1 percent and 18.1 percent of total government expenditure, respectively, in the fourth quarter of the FY 2024/25 compared to 72.9 percent and 15.4 percent in a similarly period in FY 2023/24. The share of the county allocations increased by 3.1 percentage points to 14.8 percent during the period under review (Chart 7.2).

Cumulatively, expenditure and net lending to June 2025 amounted to KSh 3,963.1 billion (22.7 percent of GDP), against a target of KSh 4,045.1 billion (23.2 percent of GDP). The shortfall of KSh 81.9 billion was recorded in all the expenditure components.

Chart 7.2: Composition of Government Expenditure





Source: BOT from the National Treasury

Financing

The budget deficit including grants on cash basis amounted to KSh 1,011.2 billion (5.8 percent of GDP) at the end of the fourth quarter of FY 2024/25 against a target of Ksh 1,012.3 billion (5.8 percent of GDP). The deficit was financed by net foreign financing of KSh 179.8 billion (1.0 percent of GDP) and net domestic financing of KSh 841.2 billion (4.8 percent of GDP). Domestic borrowing comprised KSh 377.4 billion from commercial banks, KSh 474.6 billion from non-banks, net repayment of KSh 1.0 billion from non-residents and a drawdown of KSh 56.9 billion from government deposits at the Central Bank (Table 7.2).

Table 7.2 Domestic Financing (KSh Billion)

	FY 2024/25						
	Q2	Q3			Q4		
	Dec-24	Jan-25	Feb-25	Mar-25	Apr-25	May-25	Jun-25
From CBK	(28.1)	(30.8)	(7.2)	(47.8)	(18.7)	61.7	(56.9)
From commercial banks	230.3	254.0	317.7	308.1	300.3	303.4	377.4
From Non-banks	252.6	291.2	339.2	357.1	373.9	408.9	474.6
From Non-Residents	3.2	3.2	2.7	2.1	1.7	(1.4)	(1.0)
Total Domestic Financing	457.9	517.5	652.4	619.6	657.1	772.5	794.0
Other Domestic financing /1	(58.5)	13.2	(2.3)	0.3	(31.7)	(17.3)	47.2
Net Domestic Financing	399.4	530.8	650.1	619.9	625.4	755.2	841.2

Source: Central Bank of Kenya

Outlook for FY 2025/26

In the preliminary budget estimates for the FY 2025/26, total revenue including grants is projected at KSh 3,368.9 billion (17.5 percent of GDP). Government expenditure is projected at KSh 4,269.9 billion (22.2 percent of GDP), of which KSh 3,134.1 billion will be for recurrent expenses, KSh 649.0 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 FY 2025/26, to be financed through net external borrowing of KSh 287.4 billion (1.5 percent of GDP) and net domestic financing of KSh 613.5 billion (3.2 percent of GDP) (Table 7.3).

Table 7.3: Budget Estimates for the FY 2025/26 (KSh Billion)

	Ksh (Bn)	% of GDP
1. TOTAL REVENUE (Including Grants)	3,368.9	17.5
Ordinary Revenue	2,754.7	14.3
Appropriations-in-Aid	566.9	2.9
External Grants	47.2	0.2
2. TOTAL EXPENSES & NET LENDING	4,269.9	22.2
Recurrent Expenses	3,134.1	16.3
Development Expenses	649.0	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:

Developments in Public Debt

Overall Public Debt

Kenya's public and publicly guaranteed debt increased by 3.9 percent during the fourth quarter of the FY 2024/25. Domestic debt and external debt increased by 3.3 percent and 4.7 percent respectively. The ratio of public debt to GDP is estimated to have increased from the 65.2 percent by the end of the third quarter of the FY 2024/25 to 67.7 percent by the end of fourth quarter of the FY 2024/25 (Table 8.1).[1]

Table 8.1 Kenya's Public and Publicly Guaranteed Debt

	FY 2023/24				FY 2024/25						
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Apr-25	May-25	Q4	Q on Q Change
EXTERNAL											
Bilateral	1,341.8	1,422.2	1,135.5	1,154.7	1,133.4	1,101.1	1,073.8	1,096.6	1,099.1	1,112.3	38.6
Multilateral	2,827.1	3,061.1	2,654.3	2,774.4	2,847.2	2,777.6	2,877.0	2,942.4	2,937.2	3,045.4	168.4
Commercial Banks	1,483.6	1,588.7	1,359.1	1,207.5	1,193.8	1,165.1	1,273.9	1,273.0	1,257.6	1,312.7	38.8
Supplier Credits	15.3	17.6	14.6	14.2	14.0	13.3	13.7	14.2	14.2	14.4	0.8
Sub-Total	**5,667.8**	**6,089.6**	**5,163.4**	**5,150.8**	**5,188.4**	**5,057.0**	**5,238.3**	**5,326.3**	**5,308.2**	**5,484.8**	**246.5**
(As a % of GDP)	38.9	38.5	32.6	32.5	29.8	29.0	30.0	30.6	30.4	31.5	1.4
(As a % of total debt)	53.6	54.7	49.7	48.8	48.1	46.3	46.1	46.4	46.1	46.4	0.3
DOMESTIC											**0.0**
Banks	**2,280.2**	**2,323.2**	**2,392.6**	**2,448.9**	**2,494.0**	**2,651.2**	**2,791.1**	**2,805.9**	**2,811.9**	**2,864.7**	**73.6**
Central Bank	198.5	222.1	202.4	170.1	107.6	142.0	189.6	189.9	200.0	172.6	-17.0
Commercial Banks	2,081.7	2,101.1	2,190.1	2,278.8	2,386.4	2,509.1	2,601.4	2,616.0	2,611.9	2,692.1	90.6
Non-banks	**2,600.8**	**2,682.4**	**2,808.6**	**2,927.6**	**3,073.2**	**3,180.2**	**3,299.0**	**3,322.8**	**3,359.3**	**3,428.6**	**129.6**
Pension Funds	1,550.1	1,511.3	1,542.6	1,601.5	1,649.4	1,694.7	1,732.3	1,745.2	1,777.5	1,818.8	86.5
Insurance Companies	354.7	365.3	374.7	391.0	404.7	429.5	436.6	445.4	448.4	457.4	20.8
Other Non-bank Sources	696.1	805.8	891.3	935.1	1,019.1	1,056.1	1,130.2	1,132.2	1,133.4	1,152.5	22.3
Non-residents	**33.6**	**33.5**	**34.1**	**34.1**	**34.6**	**36.9**	**36.6**	**35.4**	**32.3**	**32.7**	**-3.9**
Sub-Total	**4,914.6**	**5,039.1**	**5,235.2**	**5,410.7**	**5,601.7**	**5,868.3**	**6,126.7**	**6,164.1**	**6,203.5**	**6,326.0**	**199.3**
(As a % of GDP)	33.7	31.8	33.1	34.2	32.1	33.7	35.1	35.4	35.6	36.3	1.1
(As a % of total debt)	46.4	45.3	50.3	51.2	51.9	53.7	53.9	53.6	53.9	53.6	-0.3
GRAND TOTAL	**10,582.4**	**11,128.7**	**10,398.6**	**10,561.5**	**10,790.1**	**10,925.3**	**11,365.0**	**11,490.4**	**11,511.7**	**11,810.8**	**445.8**
(As a % of GDP)	72.6	70.3	65.7	66.7	61.9	62.7	65.2	65.9	66.0	67.7	2.6

Domestic Debt

Domestic debt increased by 3.3 percent to KSh 6,326.0 billion by the end of fourth quarter FY 2024/25 from KSh 6,126.7 billion as at the end third quarter FY 2024/25 on account of increased uptake of Treasury bills and bonds. However, the share of domestic debt to total debt decreased by -0.3 percentage points to 53.6 percent by the end of the fourth quarter of the FY 2024/25. The proportion of debt securities to total domestic debt stood at 97.2 percent by the end of the fourth quarter of the FY 2024/25 (Table 8.1).

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

Table 8.2: Government Gross Domestic Debt (KSh Billion)

	Ksh (Billions)						Change: Q on Q		Propotions (%)		
	FY 2023/24	FY 2024/25							FY 2023/24	FY 2024/25	
	Q4	Q2	Q3	Apr-25	May-25	Q4	Ksh(Bn)	%	Q4	Q3	Q4
Total Stock of Domestic Debt (A+B)	**5,410.7**	**5,868.3**	**6,126.7**	**6,164.1**	**6,203.5**	**6,326.0**	**199.3**	**3.3**	**100.0**	**100.0**	**100.0**
A. Government Securities	**5,243.0**	**5,730.1**	**5,940.9**	**5,966.9**	**5,997.1**	**6,146.9**	**206.0**	**3.5**	**96.9**	**97.0**	**97.2**
1. Treasury Bills (excluding Repo Bills)	**615.9**	**846.1**	**915.4**	**946.9**	**963.0**	**1,036.9**	**121.4**	**13.3**	**11.4**	**14.9**	**16.4**
Banking institutions	208.1	377.7	424.2	460.4	476.4	530.9	106.7	25.2	3.8	6.9	8.4
The Central Bank	0.2	0.2	0.2	0.2	0.2	0.2	0.0	0.0	0.0	0.0	0.0
Commercial Banks	207.9	377.5	424.0	460.2	476.2	530.7	106.7	25.2	3.8	6.9	8.4
Pension Funds	55.1	56.6	50.8	49.1	49.8	52.6	1.8	3.5	1.0	0.8	0.8
Insurance Companies	6.6	10.6	9.3	10.6	11.4	18.4	9.1	97.9	0.1	0.2	0.3
Others	346.1	401.2	431.1	426.8	425.4	434.9	3.8	0.9	6.4	7.0	6.9
2. Treasury Bonds	**4,627.1**	**4,884.0**	**5,025.4**	**5,020.0**	**5,034.1**	**5,110.0**	**84.6**	**1.7**	**85.5**	**82.0**	**80.8**
Banking institutions	2,073.6	2,135.4	2,181.1	2,148.4	2,129.0	2,154.7	-26.4	-1.2	38.3	35.6	34.1
The Central Bank	8.1	8.1	8.1	8.1	8.1	8.1	0.0	0.0	0.1	0.1	0.1
Commercial Banks	2,065.5	2,127.3	2,173.0	2,140.3	2,120.9	2,146.6	-26.4	-1.2	38.2	35.5	33.9
Insurance Companies	384.5	418.9	427.2	434.8	437.0	438.9	11.7	2.7	7.1	7.0	6.9
Pension Funds	1,546.4	1,638.1	1,681.4	1,696.1	1,727.7	1,766.2	84.7	5.0	28.6	27.4	27.9
Others	622.7	691.7	495.9	523.5	546.6	524.3	28.4	5.7	11.5	8.1	8.3
3. Long Term Stocks	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Banking institutions	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Others	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
4. Frozen account	**17.2**	**16.7**	**16.7**	**16.1**	**16.1**	**16.1**	**-0.6**	**-3.3**	**0.3**	**0.3**	**0.3**
Of which: Repo T/Bills	16.6	16.1	16.1	16.1	16.1	16.1	0.0	0.0	0.3	0.3	0.3
B. Others:	**150.4**	**121.4**	**169.2**	**181.0**	**190.3**	**163.0**	**-6.2**	**-3.6**	**2.8**	**2.8**	**2.6**
Of which CBK overdraft to Government	61.0	37.5	86.5	84.9	95.0	67.6	-18.9	-21.8	1.1	1.4	1.1

Treasury Bills

Treasury bill holdings, excluding those held by the CBK for open market operations (Repos) recorded a 13.3 percent increase during the fourth quarter of the FY 2024/25. As a result, the proportion of Treasury bills to total domestic debt increased by 1.4 percentage points. This reflected increased uptake of treasury bills by the investors following a decline in interest rates. Commercial banks were the leading holders of Treasury bills at 51.2 percent (Table 8.2).

Treasury Bonds

Treasury bonds holdings increased by 1.7 percent during the fourth quarter of the FY 2024/25 (Table 8.2). The largest component of this buildup was attributable to proceeds from the 15-year and 25-year Treasury bonds issued during the quarter (Tables 8.3). The leading holders of Treasury bonds were commercial banks, pension funds and Insurance companies. Commercial bank holdings accounted for almost half of the outstanding Treasury Bonds.

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

		KSh (Billions)						Change Q on Q						
		FY 2024/25								2023/24	2024/25			
		Q1	Q2	Q3	Apr-25	May-25	Q4	KSh (Bn)	%	Q4	Q1	Q2	Q3	Q4
Treasury bills	91-Day	164.6	131.8	108.4	108.1	114.3	106.1	-2.3	-2.1	2.7	2.9	2.2	1.8	1.7
	182-Day	225.7	223.0	222.1	218.5	195.9	204.3	-17.9	-8.0	3.7	4.0	3.8	3.6	3.2
	364-Day	322.1	491.3	585.8	620.3	652.8	726.5	140.7	24.0	5.0	5.8	8.4	9.6	11.5
Treasury Bonds	1-Year	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1.7	0.0	0.0	0.0
	2-Year	94.6	94.6	94.6	94.6	94.6	94.6	0.0	0.0	1.7	4.1	1.6	1.5	1.5
	3-Year	228.7	228.7	219.5	168.1	168.1	168.1	-51.4	-23.4	4.2	6.4	3.9	3.6	2.7
	4-Year	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1.2	0.0	0.0	0.0
	5-Year	360.0	315.1	280.2	280.2	210.6	210.6	-69.6	-24.8	6.7	3.3	5.4	4.6	3.3
	6-Year	69.7	69.7	69.7	69.7	69.7	69.7	0.0	0.0	1.3	4.2	1.2	1.1	1.1
	6.5-Year	186.9	186.9	186.9	186.9	186.9	186.9	0.0	0.0	2.1	0.0	3.2	3.1	3.0
	7-Year	234.5	213.3	213.3	213.3	213.3	213.3	0.0	0.0	4.3	4.3	3.6	3.5	3.4
	8-Year	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1.9	0.0	0.0	0.0
	8.5-Year	240.3	240.3	240.3	240.3	240.3	240.3	0.0	0.0	4.4	12.1	4.1	3.9	3.8
	9-Year	107.4	98.9	93.1	53.6	39.3	39.3	-53.7	-57.7	2.0	1.4	1.7	1.5	0.6
	10-Year	676.6	843.3	843.3	843.3	843.3	843.3	0.0	0.0	12.2	0.9	14.4	13.8	13.3
	11-Year	80.2	80.2	80.2	80.2	80.2	80.2	0.0	0.0	1.5	1.7	1.4	1.3	1.3
	12-Year	51.1	51.1	51.1	51.1	51.1	51.1	0.0	0.0	0.9	15.5	0.9	0.8	0.8
	14-Year	94.3	94.3	159.5	159.5	159.5	159.5	0.0	0.0	1.7	2.7	1.6	2.6	2.5
	15-Year	866.2	851.9	849.8	902.8	928.0	988.2	138.3	16.3	16.0	2.2	14.5	13.9	15.6
	16- Year	152.0	152.0	152.0	152.0	152.0	152.0	0.0	0.0	2.8	2.9	2.6	2.5	2.4
	17- Year	120.5	120.5	185.2	185.2	185.2	185.2	0.0	0.0	1.3	1.8	2.1	3.0	2.9
	18- Year	161.6	161.6	161.6	161.6	161.6	161.6	0.0	0.0	3.0	10.4	2.8	2.6	2.6
	19- Year	98.4	98.4	98.4	98.4	98.4	98.4	0.0	0.0	1.8	1.9	1.7	1.6	1.6
	20-Year	585.0	605.7	605.7	605.7	652.8	652.8	47.1	7.8	10.6	4.3	10.3	9.9	10.3
	21-Year	106.7	106.7	106.7	106.7	106.7	106.7	0.0	0.0	2.0	0.5	1.8	1.7	1.7
	25-Year	242.6	242.6	305.9	338.5	364.2	364.2	58.3	19.1	4.5	4.3	4.1	5.0	5.8
	30-Year	28.1	28.1	28.1	28.1	28.1	43.9	15.7	55.9	0.5	0.3	0.5	0.5	0.7
Repo T bills		16.1	16.1	16.1	16.1	16.1	16.1	0.0	0.0	0.3	0.3	0.3	0.3	0.3
Overdraft		0.0	37.5	86.5	84.9	95.0	67.6	-18.9	-21.8	1.1	0.0	0.6	1.4	1.1
Other Domestic debt		87.6	84.6	82.5	96.2	95.4	95.4	12.9	15.7	1.7	1.6	1.4	1.3	1.5
Total Debt		5,601.7	5,868.3	6,126.7	6,164.1	6,203.5	6,326.0	199.3	3.3	100.0	100.0	100.0	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 84:16 Treasury bonds to Treasury bills. The benchmark 2-year, 5-year, 10-year, 15-year and 20-year Treasury Bonds accounted for 54.6 percent of the total outstanding Treasury Bonds. The refinancing risk on total domestic debt increased as the Treasury bills component in the domestic debt profile increased to 16.4 percent from 11.4 percent in June 2024.

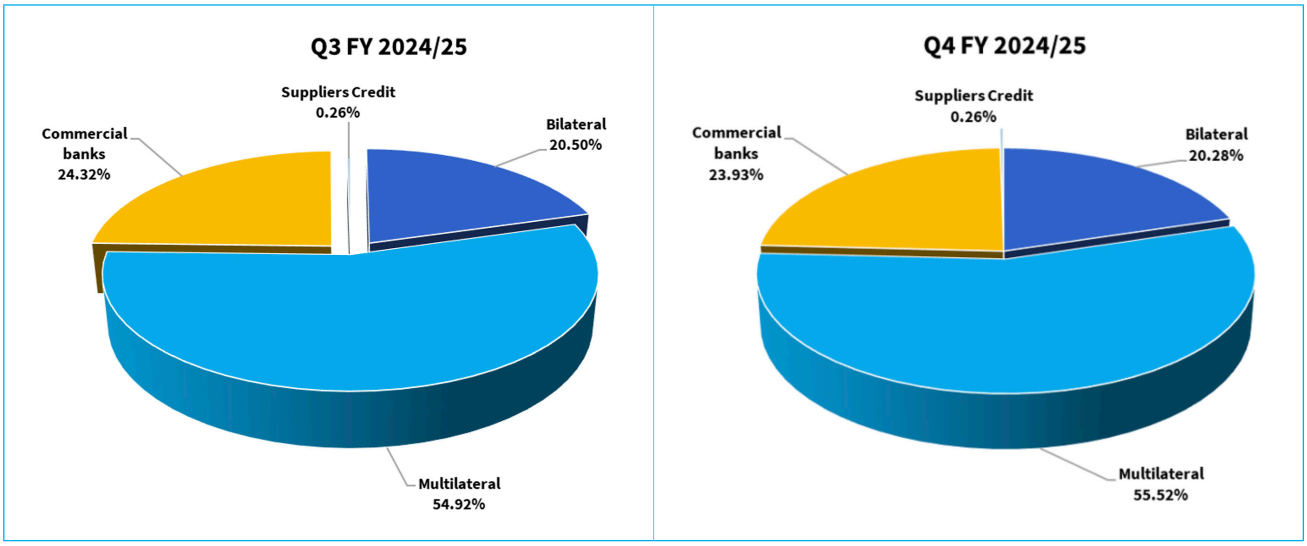
External Debt

Public and publicly guaranteed external debt increased by 4.7 percent to KSh 5,484.8 billion during the fourth quarter of the FY 2024/25. This increase was majorly driven by increase in disbursement from bilateral and multilateral lenders and commercial loans during the quarter (Chart 8a).

Composition of External Debt by Creditor

The share of outstanding debt from official multilateral lenders (who provide concessional loans) increased by 0.6 percentage points, mainly driven by disbursements from IDA loans during the quarter under review. The proportion of commercial debt decreased by 0.4 percentage points during the fourth quarter of FY 2024/25 indicating a shift towards concessional financing.

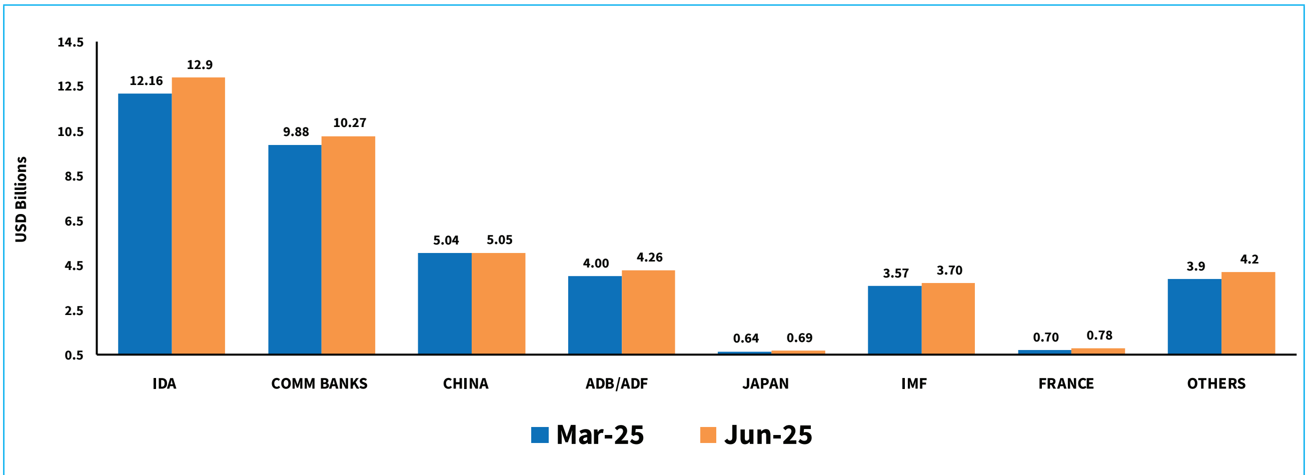
Chart 8a: Composition of external debt by lender Classification



Source: National Treasury

Debt owed to International Development Association (IDA), Kenya's largest multilateral lender stood at USD 12.9 billion (or 30.8 percent of external debt). Debt owed to China, Kenya's largest bilateral lender, amounted to USD 5.1 billion, or 12.1 percent of the total external debt by the fourth quarter of the FY 2024/25 (Chart 8b).

Chart 8b: External Debt by Creditor

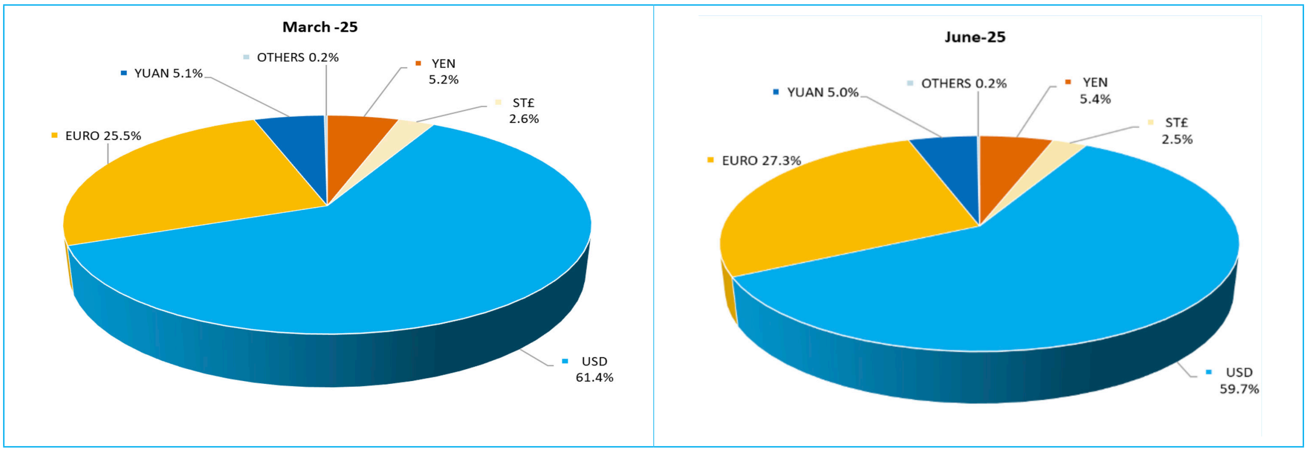


Source: National Treasury

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 86.9 percent of the total currency composition at the end of the fourth quarter of the FY 2024/25. (Chart 8c).

Chart 8c: Debt Composition by Currency



Source: National Treasury

Public Debt Service

The ratio of domestic interest payments to ordinary revenue was 22.0 percent during the fourth quarter of the FY 2024/25. The largest component of domestic interest payments was coupon interest on Treasury Bonds which was consistent with the proportion of debt held in Treasury bonds. External debt service for the fourth quarter of FY 2024/25 amounted to KSh 91.6 billion.[2] External debt service to revenue and exports ratios improved during the quarter under review mainly due to a reduction in the external repayments relative to the previous quarter (Table 8.4).

Table 8.4: Liquidity External debt sustainability indicators

Composite Indicators Threshold	Q3 FY 2022/23	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
Debt service to Revenues (18%)	23.0	13.2	68.0	17.4	23.7	9.8	37.4	9.7
Debt service to Exports (15%)	28.0	19.8	74.5	31.1	23.2	10.1	40.7	13.8

Source National Treasury and Central Bank of Kenya

Debt Sustainability Analysis

Based on the findings of the Debt Sustainability Analysis (DSA) conducted by the IMF in October 2024, Kenya's debt is sustainable but has a high risk of debt distress. The assessment showed that Kenya's debt position is driven by a weaker outlook for revenue mobilization and continued underperformance in exports that weighs on the debt servicing capacity. However, Kenya's debt dynamics were expected to improve gradually supported by the fiscal consolidation and a notable improvement in export growth relative to the performance in the past decade.

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 9.6 and 17.3 percent respectively in the second quarter of 2025 compared to the first quarter of 2025. Similarly, market capitalization increased by 17.6 percent. Equity turnover increased by 13.3 percent, while total shares traded decreased 8.5 percent, respectively, (Table 9.1 and Chart 9.1).

Table 9.1: Selected stock Market indicators

INDICATOR	2023			2024				2025		
	Q1	Q2	Q3	Q1	Q2	Q3	Q4	Q1	Q2	Change 2025Q1-2025Q2 (%)
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	9.58
NASI (2008=100)	112.76	107.00	95.22	113.09	109.49	107.08	123.48	130.81	153.43	17.29
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	-8.49
Equities 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	13.30
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	17.56
Foreign Purchase (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	59.11
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	16.57
Ave. Foreign Investor Participation to Equity Turnover (%)	41.24	44.95	47.01	59.23	64.11	42.13	39.25	38.66	45.87	7.21*
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	-8.05
10-Year Eurobond Yield (%) (2028)	12.090	11.076	13.273	9.238	10.694	8.627	9.056	8.836	8.260	-0.58*
10-Year Eurobond Yield (%) (2031)					11.080	9.532	10.129	10.449	9.440	-1.01*
12-Year Eurobond Yield (%) (2032)	11.836	10.314	12.698	9.265	11.011	9.553	10.114	10.419	9.620	-0.80*
13-Year Eurobond Yield (%) (2034)	11.113	11.057	12.296	9.316	10.924	9.439	10.117	10.413	9.840	-0.57*
30-Year Eurobond Yield (%) (2048)	11.683	11.578	12.453	9.316	11.092	9.939	10.286	10.799	10.490	-0.31*

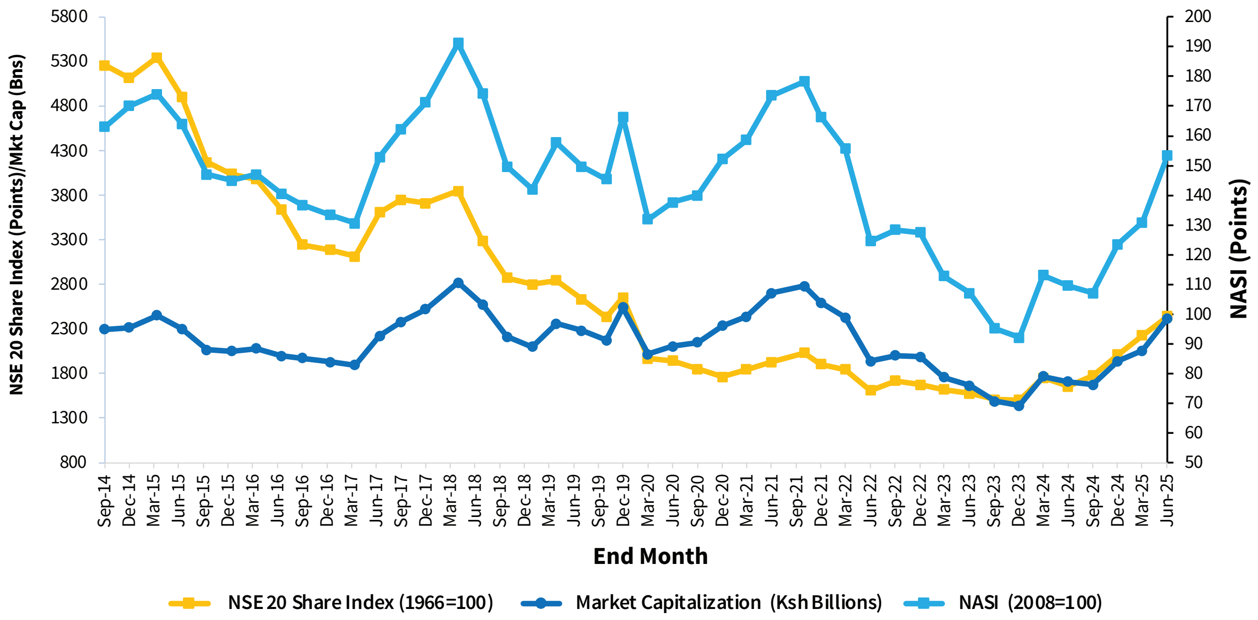
* Percentage points

Source: Nairobi Security Exchange

Foreign Investors' Participation

The value of equities purchased and sold by foreign investors increased by 59.1 percent and 16.6 percent, respectively, at the end of the second quarter of 2025 compared to the first quarter of 2025. Overall, the average foreign investor participation at the NSE increased by 7.2 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

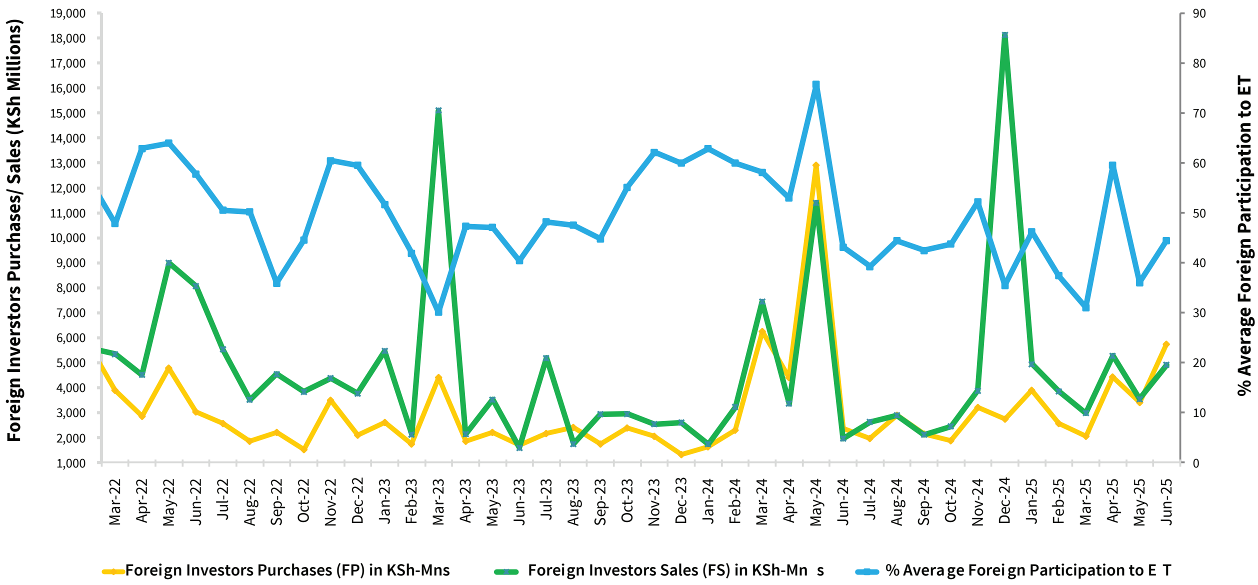


Bonds Market

The bond turnover in the domestic secondary market increased by 8.1 percent in the second quarter of 2025 compared to the first quarter of 2025.

In the international market, yields on all outstanding Kenya's Eurobonds decreased by an average of 65 basis points during the period under review (Table 9.1).

Chart 9.2: Foreign investors participation at the NSE



CHAPTER 10:

Statement of Financial Position of the Central Bank of Kenya

(Kenya Shilling Million)

		2024	2024			2025		Absolute Quarterly Changes (KSh Million)					Absolute Quarterly Changes (KSh Million)				
1.0	ASSETS	Mar	Jun	Sept	Dec	Mar	Jun	Q2, 2025	Q1,2025	Q4,2024	Q3, 2024	Q2, 2024	Q2, 2025	Q1, 2025	Q4, 2024	Q3, 2024	Q2, 2024
1.1	Reserves and Gold Holdings	964,679	1,049,305	1,061,338	1,255,398	1,336,093	1,487,606	151,513	80,695	194,060	12,033	84,626	11.3	6.4	18.3	1.1	8.8
1.2	Funds Held with IMF	58,226	52,550	53,174	47,175	44,098	39,565	(4,533)	(3,077)	(5,999)	624	(5,676)	(10.3)	(6.5)	(11.3)	1.2	(9.7)
1.3	Investment in Equity (Swift Shares)	11	11	12	11	11	12	1	-	(1)	0	(0)	9.1	-	(5.0)	3.9	(2.7)
1.4	Items in the Course of Collection							-	-	-	-	-					
1.5	Advances to Commercial Banks	207,561	239,847	189,332	102,624	67,909	56,570	(11,339)	(34,715)	(86,708)	(50,515)	32,287	(16.7)	(33.8)	(45.8)	(21.1)	15.6
1.6	Loans and Other Advances	423,467	413,002	424,385	458,237	466,004	482,252	16,248	7,767	33,852	11,383	(10,464)	3.5	1.7	8.0	2.8	(2.5)
1.7	Other Assets	4,041	7,117	6,780	7,448	6,624	6,821	197	(824)	668	(337)	3,076	3.0	(11.1)	9.9	(4.7)	76.1
1.8	Retirement Benefit Asset	4,994	5,861	5,861	5,861	5,861	5,861	-	-	0	-	867	-	-	0.0	-	17.4
1.9	Property and Equipment	29,082	29,647	29,244	28,888	28,635	29,371	736	(253)	(356)	(403)	565	2.6	(0.9)	(1.2)	(1.4)	1.9
1.10	Intangible Assets	2,421	2,666	2,411	2,715	3,226	3,942	716	511	304	(255)	246	22.2	18.8	12.6	(9.6)	10.2
1.11	Due Debt from Government of Kenya	194,161	160,311	99,346	133,904	181,538	165,251	(16,287)	47,634	34,558	(60,965)	(33,850)	(9.0)	35.6	34.8	(38.0)	(17.4)
	TOTAL ASSETS	**1,888,642**	**1,960,317**	**1,871,883**	**2,042,261**	**2,139,999**	**2,277,251**	**137,252**	**97,738**	**170,378**	**(88,433)**	**71,675**	**6.4**	**4.8**	**9.1**	**(4.5)**	**3.8**
2.0	LIABILITIES							-	-	-							
2.1	Currency in Circulation	337,668	333,795	332,222	371,696	353,204	357,015	3,811	(18,492)	39,474	(1,572)	(3,873)	1.1	(5.0)	11.9	(0.5)	(1.1)
2.2	Deposits	563,692	647,035	544,385	624,002	627,838	687,750	59,912	3,836	79,617	(102,649)	83,343	9.5	0.6	14.6	(15.9)	14.8
2.3	International Monetary Fund	587,952	573,412	589,238	644,519	655,444	678,940	23,496	10,925	55,281	15,826	(14,540)	3.6	1.7	9.4	2.8	(2.5)
2.4	Investment by Banks					79,820	106,018	26,198	79,820	-	-	-					
2.5	Other Liabilities	3,637	6,117	6,543	3,069	3,460	5,690	2,230	391	(3,474)	426	2,480	64.5	12.7	(53.1)	7.0	68.2
	TOTAL LIABILITIES	1,492,949	1,560,359	1,472,388	1,643,286	1,719,766	1,835,413	115,647	76,480	170,898	(87,970)	67,409	6.7	4.7	11.6	(5.6)	4.5
3.0	EQUITY AND RESERVES	395,694	399,958	399,495	398,975	420,233	441,838	21,605	21,258	(520)	(463)	4,264	5.1	5.3	(0.1)	(0.1)	1.1
	Share Capital	50,000	50,000	60,000	60,000	60,000	60,000	-	-	-	10,000	-	-	-	-	20	-
	General reserve fund	345,347	300,725	320,262	319,742	341,000	356,613	15,613	21,258	(520)	19,538	(44,622)	4.6	6.6	(0.2)	6	(13)
	Asset Revaluation	21,680	21,680	21,680	21,680	21,680	21,680	-	-	(0)	-	-	-	-	(0.0)	-	-
	Fair Value Reserves -OCI	(21,333)	(2,447)	(2,447)	(2,447)	(2,447)	3,545	5,992	0	-	(1)	18,887	(244.9)	(0.0)	-	0	(89)
	Consolidated Fund		30,000					-	-	-	(30,000)	30,000					
4	TOTAL LIABILITIES AND EQUITY	1,888,643	1,960,317	1,871,884	2,042,261	2,139,999	2,277,251	137,252	97,738	170,377	(88,433)	71,674	6.4	4.8	9.1	(4.5)	3.8

Notes on the Financial Position

Assets

The Central Bank of Kenya's (CBK) balance sheet increased by 6.4 percent in the second quarter of 2025 compared to 4.8 percent in the previous quarter. The expansion was primarily driven by an increase in reserves and gold holdings. Reserve and gold holdings—which encompass 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 held under the Reserves Advisory and Management Program (RAMP) with the World Bank—increased significantly during the quarter, largely supported by CBK purchases of foreign exchange from the interbank market. Loans and advances also increased during the period.

Meanwhile, advances to commercial banks declined, reflecting improved liquidity conditions in the money markets. Debt due from government also declined, reflecting reduced utilization of the overdraft facility at the Central Bank.

Liabilities

On the liability side, the increased growth of the CBK's balance sheet was largely driven by increases in deposit liabilities, and investment banks by banks. The increase in deposits was mainly on account of increased government deposits. The increase in investment by banks was partly due to open market operations. In addition, liabilities to the International Monetary Fund, equity and reserves, and currency in circulation increased slightly during the period.

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