



Central Bank of Kenya

Quarterly Economic Review

January – March 2025



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The Principal Objectives of the Central Bank of Kenya

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

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

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

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

Highlights

Headline inflation picked up slightly to 3.5 percent in the first quarter of 2025 from 2.8 percent in the fourth quarter of 2024, attributed to easing monetary policy stance and seasonal factors. Core inflation stabilized at 2.0 percent in the first quarter of 2025 and fourth quarter of 2024, while non-core inflation increased from 5.2 percent to 7.3 percent over the same period.

The economy remained resilient in the first quarter of 2025, supported by a strong performance of agriculture and recovery in industrial activity. The economy is estimated to have expanded by 4.9 percent, a similar growth recorded in the corresponding quarter of 2024. Agriculture sector growth was robust, largely on account of favourable weather conditions and continued Government investment in the sector. Industrial sector activity was mainly supported by notable recovery of construction and mining and quarrying sectors. However, the growth of services sector broadly decelerated, with all sectors recording lower growth except Wholesale and Retail Trade, and Education sectors.

Broad money supply (M3) growth moderated in the first quarter of 2025 compared to the previous quarter, mainly reflected in the deposits and cash outside banks.

The global economy is expected to slowdown to 2.8 percent in 2025 and 3.0 percent in 2026 from 3.3 percent in 2024. The slowdown in global growth will be across key economies but is especially pronounced in the United States and China. The deterioration in global economic activity arises from trade policy measures enacted by the United States in early 2025 which have resulted in significant trade barriers, and increasing trade policy uncertainties that have negatively impacted businesses and consumer confidence, and is set to hold back on trade and investments.

The overall balance of payment recorded a surplus of USD 568.2 million in the first quarter of 2025 compared to a deficit of USD 213.0 million in first quarter of 2024. The surplus reflects the build-up in foreign exchange reserves of USD 781.2 million during the review period.

The banking sector remained stable and resilient in the first quarter of 2025. Total assets increased by 0.4 percent to KSh.7,673.6 billion in March 2025, from KSh.7,645.8 billion in December 2024. The deposit base decreased by 0.2 percent to KSh.5,730.9 billion in the first quarter of 2025, from KSh.5,739.6 billion in the fourth quarter of 2024. The sector was well capitalized with capital adequacy ratio of 20.1 percent in the first quarter of 2025, which was above the minimum capital requirement of 14.5 percent. The sector remained profitable in the first quarter of 2025, with quarterly profit before tax of KSh.73.5 billion, an increase from KSh.58.5 billion reported in the fourth quarter of 2024. Credit risk remained elevated with Gross Non-Performing Loans (NPLs) to Gross Loans Ratio standing at 17.4 percent at the end of the first quarter of 2025, an increase from 16.5 percent recorded at the end of fourth quarter of 2024.

The Government's budgetary operations at the end of the third quarter of FY 2024/25 resulted in a deficit (including grants) of 4.0 percent of GDP. Both revenue collections and expenditure remained below their respective targets.

Kenya's public and publicly guaranteed debt increased by 4.0 percent during the third quarter of 2024/25. Domestic and external debt increased by 4.4 percent and 3.6 percent, respectively.

At the Nairobi Securities Exchange, the NSE 20 and NASI share price indices increased by 6.2 and 12.2 percent in the first quarter of 2025 compared to the fourth quarter of 2024. Similarly, Market capitalization increased by 6.9 percent. Total shares traded, and Equity turnover decreased by 15.0 percent, and 85.4 percent, respectively.

Chapter 1

Inflation

Trends in Headline Inflation

Headline inflation picked up slightly to 3.5 percent in the first quarter of 2025 from 2.8 percent in the fourth quarter of 2024, attributed to easing monetary policy stance and seasonal factors.

Core inflation stabilized at 2.0 percent in the first quarter of 2025 and fourth quarter of 2024. The stability of the core inflation broadly reflects low inflationary pressures, appropriate monetary policy

stance and the stability of the exchange rate. It contributed 2.1 percentage points to overall inflation.

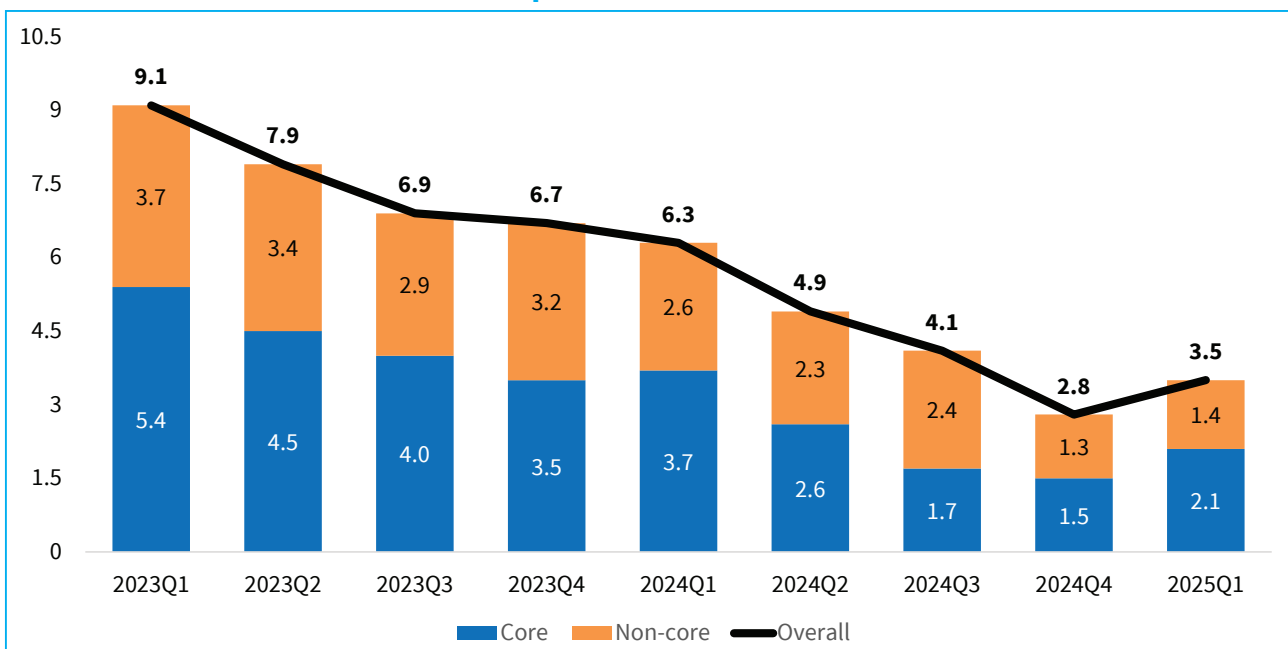
Non-core inflation increased from 4.9 percent in the fourth quarter of 2024 to 7.3 percent in the first quarter of 2025, mainly driven by increase in the prices of key food items in the non-core inflation category. It contributed 1.4 percentage points to overall inflation (**Table 1 and Chart 1**).

Table 1.1: Developments in Headline Inflation

| | 2023 | | | | 2024 | | | | 2025 |
|--------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| | 2023Q1 | 2023Q2 | 2023Q3 | 2023Q4 | 2024Q1 | 2024Q2 | 2024Q3 | 2024Q4 | 2024Q1 |
| Overall inflation | 9.1 | 7.9 | 6.9 | 6.8 | 6.3 | 4.9 | 4.1 | 2.8 | 3.5 |
| Core Inflation | 6.9 | 5.8 | 5.1 | 4.6 | 4.9 | 3.5 | 2.2 | 2.0 | 2.0 |
| Non Core Inflation | 15.4 | 14.0 | 12.0 | 13.2 | 10.6 | 9.2 | 9.6 | 4.9 | 7.3 |

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

Chart 1.1: Contribution of Broad Components to Headline Inflation



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

Chapter 2

Economic Performance

Overview

The economy remained buoyant in the first quarter of 2025, supported by a strong performance of agriculture and recovery in industrial activity. The economy is estimated to have expanded by 4.9 percent, a similar growth recorded in the first quarter of 2024. Agriculture sector growth was robust, largely on account of favourable weather conditions and Government interventions such as subsidised fertilisers. Industrial sector activity broadly recovered, mainly supported by notable improvement of construction and mining and quarrying sectors. However, the services sector broadly decelerated, with all sectors recording lower growth except Wholesale and Retail Trade, and Education sectors (**Table 2.1**).

Agriculture

The performance of agriculture sector remained robust, largely on account of favourable weather conditions and continued Government interventions in the sector, particularly provision of subsidised inputs. It grew by 6.0 percent in 2025Q1 compared to 5.6 percent in a similar quarter of 2024 and contributed 1.1 percentage points to real GDP growth (**Tables 2.1 and 2.3**). During the quarter under review, exports of horticultural crops and coffee sales increased by 1.1 percent and 39.3 percent, respectively compared to a similar quarter of 2024. Sugarcane and milk deliveries continued to improve, increasing by 2.3 percent and 14.5 percent, respectively. However, tea production declined by 18.9 percent compared to a similar period in 2024.

Non-Agriculture

Broadly, growth of the non-agriculture sector slowed in the first quarter of 2025, owing to a slowdown in growth of the service sectors. It grew by 4.6 percent compared to 4.8 percent in a similar quarter of 2024 and contributed 3.8 percentage points to real GDP growth (**Tables 2.1 and 2.3**).

- a) Though the services sector remains the dominant driver of growth of the sector broadly decelerated to 5.0 percent in the first quarter of 2025 compared to 6.4 percent in a corresponding quarter of 2024. Growth of all sectors decelerated except Wholesale and Retail Trade, and Education sectors. It contributed 2.8 percentage points to real GDP growth.
- Wholesale and Retail Trade sector recorded a robust growth of 5.4 percent compared to 3.6 percent in a similar quarter of 2024, reflecting the impact of exchange rate stability and low inflation during the quarter.
 - Transport and Storage sector growth sector is estimated to have slowed to 3.8 percent from 4.1 percent in a similar quarter of 2024. Growth of the sector was boosted by increased volume of cargo moved through the Standard Gauge Railway (SGR) and the port of Mombasa, which increased by 39.7 and 12.6 percent, respectively. Fuel consumption increased by 8.1 percent, mainly reflected in increased consumption of diesel (2.5 percent) and petrol (7.3 percent). Meanwhile, the number of passengers that passed through the Jomo Kenyatta International Airport (JKIA) in Nairobi (incoming and outgoing) increased by 3.1 percent in January 2025. However, the number of passengers who used the SGR declined slightly by 0.4 percent compared to a similar quarter of 2024.
 - Accommodation and Food Services sector growth is estimated to have decelerated significantly to 4.1 percent from 38.1 percent in the period under review. The slowdown was reflected in significant growth deceleration in tourist arrivals to 0.5 percent compared to 10.4 percent in the first quarter of 2024.

- Information and Communication sector growth is estimated to have slowed to 5.8 percent from 9.1 percent a similar quarter in 2024. Growth was supported by improved volume of outgoing domestic voice traffic and Short Messaging Services (SMSs), which increased by 14.8 percent and 6.7 percent, respectively. Additionally, international bandwidth utilized per second increased by 306.1 percent.
- Financial and Insurance sector growth slowed to 5.1 percent from 9.6 percent in the first quarter of 2024 reflecting slower expansion in of credit to private sector.

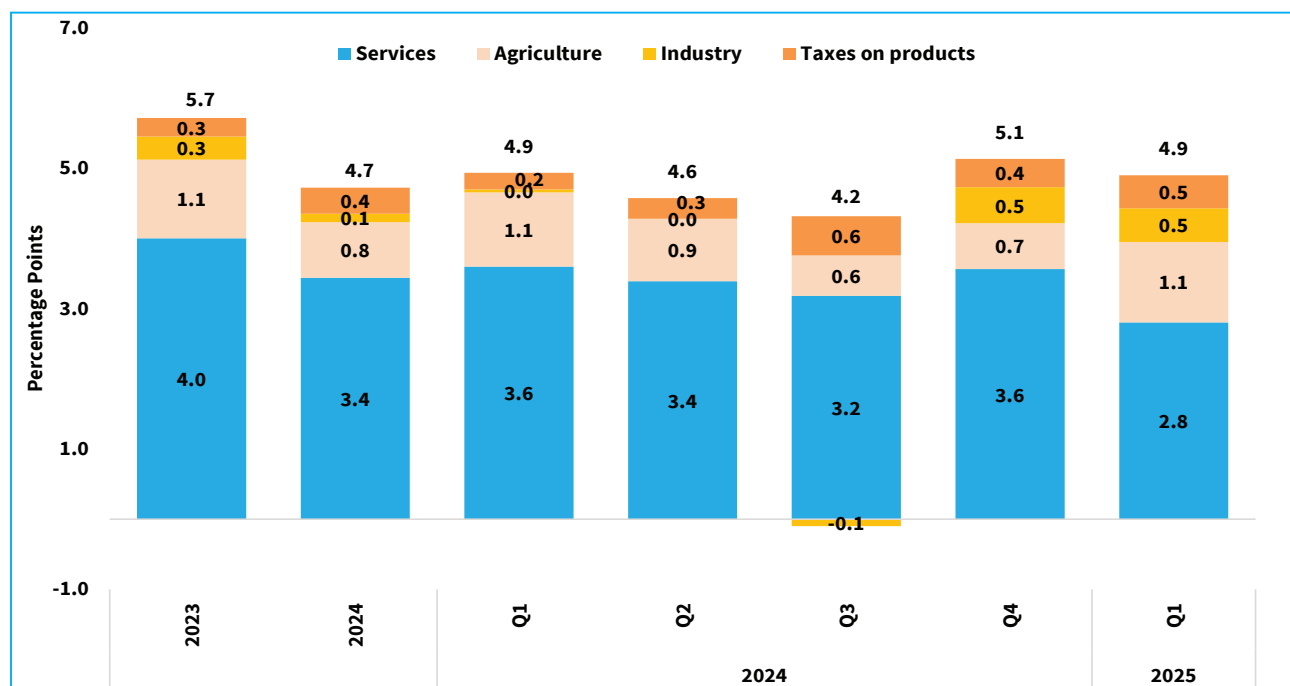
b) Industrial sector activity recovered in the first quarter of 2025, mainly driven by notable improvement of construction and mining and quarrying sectors. The sector grew by 3.0 percent compared to 0.4 percent in a similar quarter of 2024 and contributed 0.5 percentage points to real GDP growth (**Tables 2.1 and 2.3 and Figure 2.1**).

- Construction sector growth sector recovered in the first quarter of 2025 and grew by 3.0 percent compared to 0.4 percent in a similar quarter of 2024, reflected in a higher uptake of inputs such as cement, steel, and iron. Cement consumption increased by 20.7 percent,

while imports of steel and iron increased by 35.8 percent. Moreover, credit advanced to the sector increased by 11.6 percent. However, imports of bitumen declined by 17.2 percent during the quarter.

- Manufacturing sector grew by 2.1 percent from 1.9 percent in a similar quarter of 2024, mainly driven by improved activity in both food and non-food manufacturing sub-sectors. Production of sugar and soft drinks increased by 11.9 percent and 10.8 percent, respectively, compared to a similar quarter of 2024. Meanwhile, production of galvanized sheets, cement, and assembled vehicles increased by 11.3 percent, 13.9 percent, and 12.2 percent, respectively during the quarter under review.
- Electricity and Water Supply sector growth increased to 3.6 percent from 2.8 percent in a similar quarter of 2024. Growth was mainly driven by electricity generation, which increased by 4.9 percent compared to a similar quarter of 2024. All sources of electricity generation recorded increased activity during the quarter except hydroelectricity and geothermal generation, which declined by 1.3 and 1.6 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 Sector (Percent)

| | Annual | | 2024 | | | | 2025 |
|---|------------|------------|------------|------------|-------------|------------|------------|
| | 2023 | 2024 | Q1 | Q2 | Q3 | Q4 | Q1 |
| 1. Agriculture | 6.6 | 4.6 | 5.6 | 4.5 | 4.0 | 4.3 | 6.0 |
| 2. Non-Agriculture (o/w) | 5.5 | 4.7 | 4.8 | 4.6 | 4.3 | 5.3 | 4.6 |
| 2.1 Industry | 2.0 | 0.8 | 0.4 | 0.2 | -0.4 | 3.1 | 3.0 |
| Mining & Quarrying | -6.5 | -9.2 | -16.1 | -5.5 | -12.2 | -2.3 | 10.0 |
| Manufacturing | 2.2 | 2.8 | 1.9 | 3.2 | 2.3 | 3.9 | 2.1 |
| Electricity & water supply | 3.2 | 1.9 | 2.8 | 1.2 | 0.9 | 2.7 | 3.6 |
| Construction | 3.0 | -0.7 | 0.4 | -3.7 | -2.6 | 2.9 | 3.0 |
| 2.2 Services | 7.0 | 6.0 | 6.4 | 6.1 | 5.4 | 6.1 | 5.0 |
| Wholesale & Retail Trade | 3.3 | 3.8 | 3.6 | 2.5 | 2.6 | 6.4 | 5.4 |
| Accommodation & restaurant | 33.6 | 25.7 | 38.1 | 35.0 | 22.9 | 10.9 | 4.1 |
| Transport & Storage | 5.5 | 4.4 | 4.1 | 3.4 | 4.6 | 5.6 | 3.8 |
| Information & Communication | 10.3 | 7.0 | 9.2 | 6.7 | 6.9 | 5.6 | 5.8 |
| Financial & Insurance | 10.1 | 7.6 | 9.6 | 8.0 | 7.3 | 6.0 | 5.1 |
| Public administration | 5.0 | 8.2 | 7.5 | 9.0 | 7.3 | 9.2 | 6.5 |
| Professional, Administration & Support Services | 9.9 | 6.2 | 9.4 | 6.7 | 4.5 | 4.7 | 4.6 |
| Real estate | 7.3 | 5.3 | 6.9 | 5.9 | 4.8 | 3.6 | 5.3 |
| Education | 2.9 | 3.9 | 2.4 | 3.2 | 4.8 | 5.4 | 2.9 |
| Health | 4.5 | 6.3 | 5.4 | 8.1 | 6.2 | 5.6 | 4.8 |
| Other services | 4.3 | 4.7 | 5.1 | 4.8 | 4.9 | 4.0 | 3.0 |
| FISIM | 2.7 | 9.0 | 15.4 | 10.3 | 11.0 | 0.7 | 2.0 |
| 2.3 Taxes on products | 3.2 | 4.4 | 2.9 | 3.8 | 6.3 | 4.5 | 5.7 |
| Real GDP Growth | 5.7 | 4.7 | 4.9 | 4.6 | 4.2 | 5.1 | 4.9 |

Source: Kenya National Bureau of Statistics

Table 2.2: Sectoral Shares (Percentage of GDP)

| | Annual | | 2024 | | | | 2025 |
|---|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| | 2023 | 2024 | Q1 | Q2 | Q3 | Q4 | Q1 |
| 1. Agriculture | 17.1 | 17.1 | 18.9 | 19.7 | 14.4 | 15.4 | 19.1 |
| 2. Non-Agriculture (o/w) | 82.9 | 82.9 | 81.1 | 80.3 | 85.6 | 84.6 | 80.9 |
| 2.1 Industry | 17.3 | 16.6 | 16.4 | 16.1 | 17.2 | 16.9 | 16.1 |
| Mining & Quarrying | 1.0 | 0.9 | 0.8 | 0.9 | 0.9 | 0.9 | 0.9 |
| Manufacturing | 8.2 | 8.0 | 7.9 | 7.9 | 8.1 | 8.1 | 7.7 |
| Electricity & water supply | 2.4 | 2.4 | 2.3 | 2.2 | 2.5 | 2.4 | 2.3 |
| Construction | 5.7 | 5.4 | 5.3 | 5.0 | 5.7 | 5.6 | 5.2 |
| 2.2 Services | 57.2 | 57.8 | 56.5 | 56.4 | 59.5 | 58.8 | 56.5 |
| Wholesale & Retail Trade | 8.0 | 8.0 | 8.4 | 7.4 | 7.8 | 8.4 | 8.5 |
| Accommodation & restaurant | 1.3 | 1.6 | 1.6 | 1.6 | 1.5 | 1.6 | 1.6 |
| Transport & Storage | 9.6 | 9.5 | 9.1 | 9.3 | 10.3 | 9.5 | 9.0 |
| Information & Communication | 3.3 | 3.4 | 3.4 | 3.2 | 3.5 | 3.5 | 3.4 |
| Financial & Insurance | 9.5 | 9.8 | 9.0 | 9.7 | 10.0 | 10.4 | 9.0 |
| Public administration | 6.0 | 6.2 | 5.9 | 6.4 | 6.3 | 6.1 | 6.0 |
| Professional, Administration & Support Services | 2.8 | 2.9 | 2.7 | 2.7 | 3.0 | 3.0 | 2.7 |
| Real estate | 10.3 | 10.3 | 10.2 | 10.3 | 10.7 | 10.0 | 10.2 |
| Education | 4.8 | 4.8 | 4.9 | 4.3 | 4.9 | 4.9 | 4.8 |
| Health | 2.2 | 2.2 | 2.1 | 2.3 | 2.3 | 2.3 | 2.1 |
| Other services | 2.1 | 2.2 | 2.0 | 2.1 | 2.4 | 2.0 | 2.0 |
| FISIM | -2.9 | -3.0 | -2.9 | -2.8 | -3.2 | -2.9 | -2.8 |
| 2.3 Taxes on products | 8.4 | 8.4 | 8.2 | 7.8 | 8.8 | 8.9 | 8.3 |
| Totals | 100.0 | 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 |
| 1. Agriculture | 1.1 | 0.8 | 1.1 | 0.9 | 0.6 | 0.7 | 1.1 |
| 2. Non-Agriculture (o/w) | 4.6 | 3.9 | 3.9 | 3.7 | 3.6 | 4.5 | 3.8 |
| 2.1 Industry | 0.3 | 0.1 | 0.1 | 0.0 | -0.1 | 0.5 | 0.5 |
| Mining & Quarrying | -0.1 | -0.1 | -0.1 | -0.1 | -0.1 | 0.0 | 0.1 |
| Manufacturing | 0.2 | 0.2 | 0.1 | 0.3 | 0.2 | 0.3 | 0.2 |
| Electricity & water supply | 0.1 | 0.0 | 0.1 | 0.0 | 0.0 | 0.1 | 0.1 |
| Construction | 0.2 | 0.0 | 0.0 | -0.2 | -0.1 | 0.2 | 0.2 |
| 2.2 Services | 4.0 | 3.5 | 3.6 | 3.4 | 3.2 | 3.6 | 2.8 |
| Wholesale & Retail Trade | 0.3 | 0.3 | 0.3 | 0.2 | 0.2 | 0.5 | 0.5 |
| Accommodation & restaurant | 0.4 | 0.4 | 0.6 | 0.6 | 0.3 | 0.2 | 0.1 |
| Transport & Storage | 0.5 | 0.4 | 0.4 | 0.3 | 0.5 | 0.5 | 0.3 |
| Information & Communication | 0.3 | 0.2 | 0.3 | 0.2 | 0.2 | 0.2 | 0.2 |
| Financial & Insurance | 1.0 | 0.7 | 0.9 | 0.8 | 0.7 | 0.6 | 0.5 |
| Public administration | 0.3 | 0.5 | 0.4 | 0.6 | 0.5 | 0.6 | 0.4 |
| Professional, Administration & Support Services | 0.3 | 0.2 | 0.3 | 0.2 | 0.1 | 0.1 | 0.1 |
| Real estate | 0.7 | 0.5 | 0.7 | 0.6 | 0.5 | 0.4 | 0.5 |
| Education | 0.1 | 0.2 | 0.1 | 0.1 | 0.2 | 0.3 | 0.1 |
| Health | 0.1 | 0.1 | 0.1 | 0.2 | 0.1 | 0.1 | 0.1 |
| Other services | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 |
| FISIM | -0.1 | -0.3 | -0.4 | -0.3 | -0.4 | 0.0 | -0.1 |
| 2.3 Taxes on products | 0.3 | 0.4 | 0.2 | 0.3 | 0.6 | 0.4 | 0.5 |
| Real GDP Growth | 5.7 | 4.7 | 4.9 | 4.6 | 4.2 | 5.1 | 4.9 |

Source: Kenya National Bureau of Statistics and Staff computations

Chapter 3

Developments in Money, Credit and Interest Rates

Overview

Broad money supply (M3) growth moderated in the first quarter of 2025 compared to the previous quarter, mainly reflected in the deposits.

Monetary aggregates and its components

Broad money supply (M3) growth moderated to 0.5 percent in the first quarter of 2025 compared to 2.0 percent in the previous quarter, mainly reflected in reduced growth in deposits. The decline in deposits was driven by a decline in corporate deposits, largely reflected in demand deposits. In addition, other deposits at the central bank declined largely due to reduced county government deposits. The cash outside banks also declined contributing to slowdown in money supply, mainly on account of reduced demand for cash by households after the

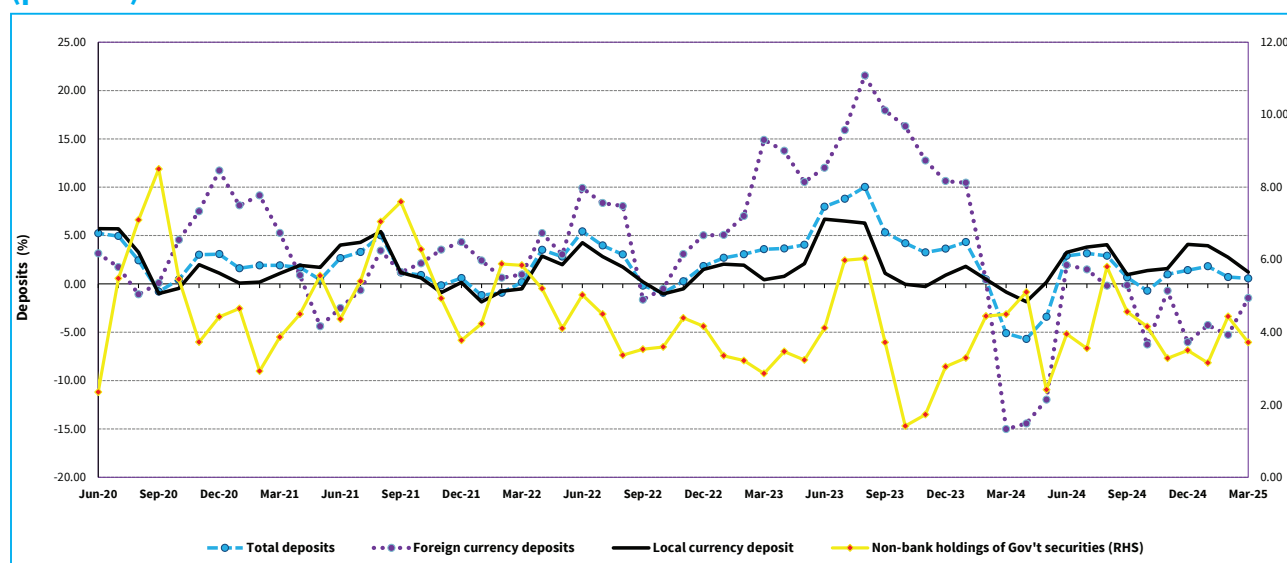
end of year festivities. Meanwhile, household sector deposits increased, supported by increases in both demand and time deposits (**Tables 3.1 & 3.2**).

On the counterpart side, growth in broad money supply (M3) in the first quarter of 2025 was mainly driven by increases in net foreign assets of the banking system and net lending to the government sector. However, growth in money supply was moderated by reduced credit to the private sector, while other items net of the banking system increased, partly reflecting increased reserves by banks in readiness for dividend payments. Meanwhile, the increase in net foreign assets was reflected in both increased central bank and commercial banks' foreign assets (**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-24 | Sep-24 | Dec-24 | Mar-25 | Jun-24 | Sep-24 | Dec-24 | Mar-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 | 3.6 | -4.4 | 7.5 | -0.5 | 70.8 | -90.9 | 148.6 | -11.6 |
| 1.1 Currency outside banks | 274.2 | 268.2 | 292.8 | 285.4 | 0.1 | -2.2 | 9.2 | -2.5 | 0.2 | -5.9 | 24.6 | -7.4 |
| 1.2 Demand deposits | 1,630.6 | 1,603.6 | 1,714.7 | 1,724.9 | -0.3 | -1.7 | 6.9 | 0.6 | -4.4 | -27.2 | 111.1 | 10.2 |
| 1.3 Other deposits at CBK 1/ | 158.9 | 101.1 | 114.1 | 99.7 | 89.4 | -36.4 | 12.8 | -12.6 | 75.0 | -57.8 | 13.0 | -14.4 |
| 2. Money supply, M2 (1+2.1) | 4,041.6 | 4,043.5 | 4,231.3 | 4,277.6 | 3.9 | 0.0 | 4.6 | 1.1 | 151.3 | 1.9 | 187.8 | 46.2 |
| 2.1 Time and saving deposits | 1,978.0 | 2,070.8 | 2,109.9 | 2,167.8 | 4.2 | 4.7 | 1.9 | 2.7 | 80.4 | 92.8 | 39.2 | 57.8 |
| 3. Money supply, M3 (2+3.1) | 5,381.3 | 5,381.4 | 5,488.7 | 5,516.6 | 3.4 | 0.0 | 2.0 | 0.5 | 176.9 | 0.1 | 107.3 | 27.9 |
| 3.1 Foreign Currency Deposits | 1,339.7 | 1,337.9 | 1,257.4 | 1,239.0 | 2.0 | -0.1 | -6.0 | -1.5 | 25.6 | -1.8 | -80.5 | -18.4 |
| Sources of M3 | | | | | | | | | | | | |
| 1. Net foreign assets 2/ | 905.9 | 893.3 | 841.7 | 957.1 | 20.9 | -1.4 | -5.8 | 13.7 | 156.4 | -12.6 | -51.6 | 115.4 |
| Central Bank | 479.2 | 472.1 | 610.1 | 682.3 | 23.7 | -1.5 | 29.2 | 11.8 | 91.7 | -7.1 | 138.1 | 72.2 |
| Banking Institutions | 426.7 | 421.2 | 231.5 | 274.8 | 17.9 | -1.3 | -45.0 | 18.7 | 64.7 | -5.5 | -189.7 | 43.2 |
| 2. Net domestic assets (2.1+2.2) | 4,475.4 | 4,488.2 | 4,647.1 | 4,559.5 | 0.5 | 0.3 | 3.5 | -1.9 | 20.5 | 12.7 | 158.9 | -87.5 |
| 2.1 Domestic credit | 6,170.1 | 6,219.0 | 6,458.5 | 6,509.2 | 0.2 | 0.8 | 3.9 | 0.8 | 12.8 | 48.9 | 239.5 | 50.7 |
| 2.1.1 Government (net) | 2,287.7 | 2,346.4 | 2,533.7 | 2,600.9 | 2.3 | 2.6 | 8.0 | 2.7 | 52.3 | 58.7 | 187.3 | 67.2 |
| 2.1.2 Private sector | 3,797.5 | 3,789.1 | 3,857.7 | 3,837.6 | -0.8 | -0.2 | 1.8 | -0.5 | -31.4 | -8.5 | 68.6 | -20.1 |
| 2.1.3 Other public sector | 84.9 | 83.6 | 67.1 | 70.7 | -8.6 | -1.6 | -19.7 | 5.4 | -8.0 | -1.4 | -16.5 | 3.6 |
| 2.2 Other assets net | -1,694.7 | -1,730.9 | -1,811.4 | -1,949.7 | -0.4 | 2.1 | 4.7 | 7.6 | 7.6 | -36.2 | -80.6 | -138.3 |
| Memorandum items | | | | | | | | | | | | |
| 4. Overall liquidity, L (3+4.1) | 8,313.4 | 8,447.3 | 8,662.0 | 8,807.9 | 3.6 | 1.6 | 2.5 | 1.7 | 288.4 | 134.0 | 214.7 | 145.9 |
| 4.1 Non-bank holdings of government securities | 2,932.1 | 3,065.9 | 3,173.3 | 3,291.3 | 4.0 | 4.6 | 3.5 | 3.7 | 111.5 | 133.8 | 107.3 | 118.1 |

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. Billion) | | | |
|-------------------------------|-----------------------------------|-------------|-------------|-------------|-------------------------------|------------|-------------|-------------|--|-------------|--------------|--------------|
| | Jun-24 | Sep-24 | Dec-24 | Mar-25 | Jun-24 | Sep-24 | Dec-24 | Mar-25 | Jun-24 | Sep-24 | Dec-24 | Mar-25 |
| 1. Household Sector 1/ | 2046 | 2088 | 2066 | 2173 | -0.1 | 2.1 | -1.0 | 5.2 | -3.1 | 42.1 | -21.9 | 107.0 |
| 1.1 Demand Deposits | 625 | 630 | 668 | 727 | -4.6 | 0.8 | 6.0 | 8.7 | -30.2 | 4.9 | 38.0 | 58.3 |
| 1.2 Time and Saving Deposits | 1021 | 1053 | 1018 | 1065 | 2.9 | 3.1 | -3.3 | 4.6 | 28.6 | 31.8 | -34.6 | 46.8 |
| 1.3 Foreign Currency Deposits | 399 | 405 | 379 | 381 | -0.4 | 1.3 | -6.3 | 0.5 | -1.5 | 5.4 | -25.4 | 1.9 |
| 2. Corporate Sector | 2811 | 2827 | 2918 | 2859 | 3.4 | 0.6 | 3.2 | -2.0 | 92.2 | 16.1 | 90.6 | -58.5 |
| 2.1 Demand deposits | 979 | 949 | 1018 | 972 | 2.4 | -3.1 | 7.3 | -4.6 | 22.9 | -30.0 | 69.5 | -46.4 |
| 2.2 Time and Saving Deposits | 897 | 950 | 1027 | 1035 | 5.0 | 5.9 | 8.0 | 0.8 | 42.5 | 53.1 | 76.5 | 7.9 |
| 2.3 Foreign Currency Deposits | 935 | 928 | 872 | 852 | 2.9 | -0.7 | -6.0 | -2.3 | 26.8 | -7.0 | -55.3 | -20.0 |

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

Source: Central Bank of Kenya

Developments in Domestic Credit

Growth in domestic credit by the banking system moderated to 0.8 percent in the first quarter of 2025 compared to 3.9 percent in the previous quarter, mainly reflected in private sector credit. Net lending to government increased, reflecting higher uptake of government securities by commercial banks. Lending to other public sector also increased, mainly reflecting increased credit by county governments (**Table 3.3**).

Credit to the private sector contracted by 0.5 percent in the first quarter of 2025 compared to an increase of 1.8 percent in the previous quarter. The decline was driven by net loans repayments

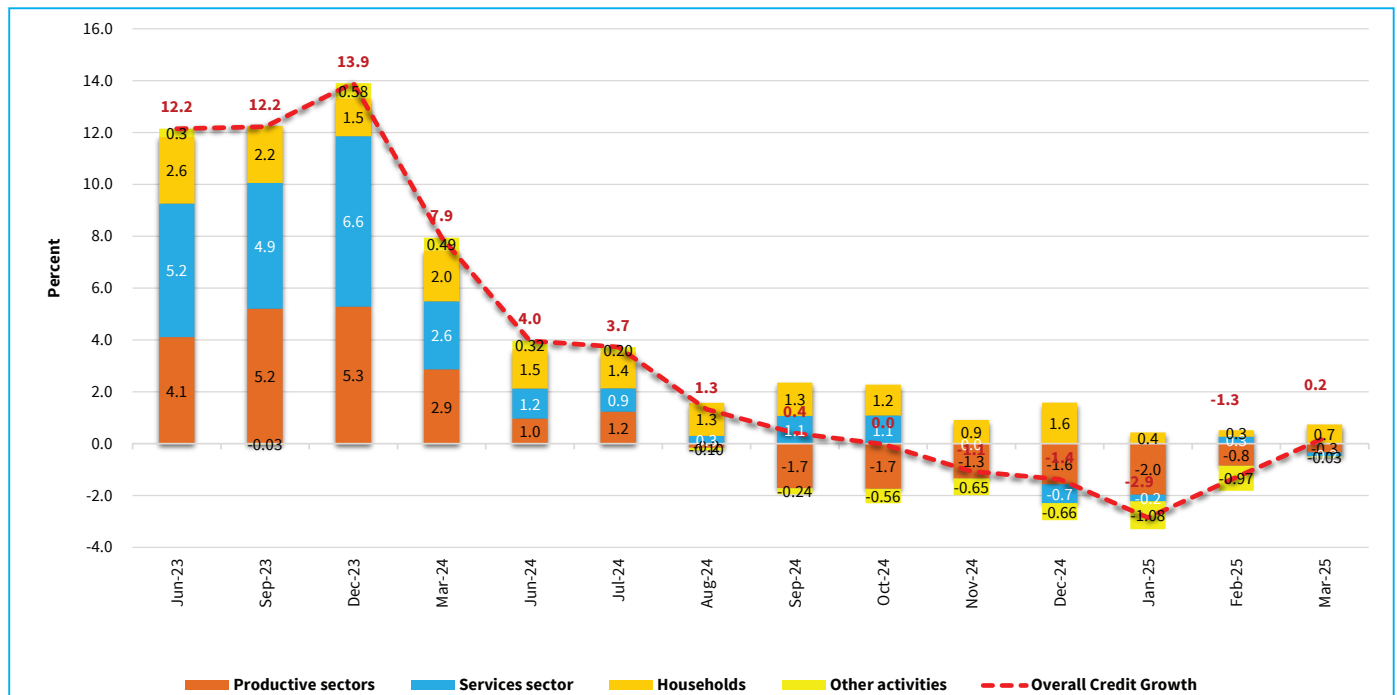
in manufacturing, transport and communication, finance and insurance, and business services. Meanwhile, consumer durables, trade, building and construction sectors recorded increased credit growth, partly reflecting improved credit demand for working capital requirements (**Table 3.3**).

On annual basis, growth in commercial banks' lending to the private sector improved to 0.2 percent in March 2025 compared to a contraction of 1.4 percent in December 2024, reflecting dissipation of exchange rate valuation effects on foreign currency denominated loans following the appreciation of the Shilling and improved credit demand in line with the declining lending interest rates (**Chart 3.2**).

Table 3.3: Banking Sector Net Domestic Credit

| | End Month Level (KSh. Billion) | | | | | Quarterly Growth Rates (%) | | | | | Absolute Quarterly Changes (KSh. Billion) | | | | |
|---|--------------------------------|---------|---------|---------|---------|----------------------------|--------|--------|--------|--------|---|--------|--------|--------|--------|
| | Mar-24 | Jun-24 | Sep-24 | Dec-24 | Mar-25 | Mar-24 | Jun-24 | Sep-24 | Dec-24 | Mar-25 | Mar-24 | Jun-24 | Sep-24 | Dec-24 | Mar-25 |
| 1. Credit to Government | 2,235.4 | 2,287.7 | 2,346.4 | 2,533.7 | 2,600.9 | -0.2 | 2.3 | 2.6 | 8.0 | 2.7 | -4.2 | 52.3 | 58.7 | 187.3 | 67.2 |
| Central Bank | 431.2 | 380.8 | 359.3 | 386.3 | 395.9 | -11.6 | -11.7 | -5.6 | 7.5 | 2.5 | -56.3 | -50.4 | -21.5 | 27.0 | 9.6 |
| Commercial Banks & NBFIs | 1,804.2 | 1,906.9 | 1,987.1 | 2,147.4 | 2,205.0 | 3.0 | 5.7 | 4.2 | 8.1 | 2.7 | 52.2 | 102.6 | 80.2 | 160.3 | 57.6 |
| 2. Credit to other public sector | 93.0 | 84.9 | 83.6 | 67.1 | 70.7 | -8.3 | -8.6 | -1.6 | -19.7 | 5.4 | -8.4 | -8.0 | -1.4 | -16.5 | 3.6 |
| Local government | 5.3 | 6.4 | 7.0 | 1.7 | 15.0 | 3.5 | 21.5 | 10.1 | -76.1 | 791.2 | 0.2 | 1.1 | 0.6 | -5.4 | 13.3 |
| Parastatals | 87.7 | 78.5 | 76.5 | 65.4 | 55.7 | -8.9 | -10.4 | -2.6 | -14.5 | -14.9 | -8.6 | -9.1 | -2.0 | -11.1 | -9.7 |
| 3. Credit to private sector | 3,829.0 | 3,797.5 | 3,789.1 | 3,857.7 | 3,837.6 | -2.1 | -0.8 | -0.2 | 1.8 | -0.5 | -82.2 | -31.4 | -8.5 | 68.6 | -20.1 |
| Agriculture | 137.4 | 134.2 | 136.3 | 149.0 | 149.0 | -3.0 | -2.4 | 1.6 | 9.4 | 0.0 | -4.3 | -3.3 | 2.1 | 12.8 | -0.1 |
| Manufacturing | 597.9 | 580.2 | 531.1 | 577.1 | 560.4 | -6.1 | -3.0 | -8.5 | 8.7 | -2.9 | -38.8 | -17.6 | -49.1 | 46.0 | -16.7 |
| Trade | 645.6 | 632.7 | 675.7 | 678.8 | 682.9 | -2.7 | -2.0 | 6.8 | 0.5 | 0.6 | -17.8 | -12.9 | 43.0 | 3.1 | 4.0 |
| Building and construction | 137.3 | 127.7 | 125.9 | 134.5 | 153.8 | -4.1 | -7.0 | -1.4 | 6.8 | 14.4 | -5.9 | -9.7 | -1.7 | 8.6 | 19.3 |
| Transport & communications | 340.8 | 343.0 | 348.0 | 367.2 | 357.0 | -5.7 | 0.6 | 1.5 | 5.5 | -2.8 | -20.7 | 2.2 | 5.0 | 19.3 | -10.2 |
| Finance & insurance | 164.5 | 152.4 | 156.6 | 149.1 | 133.6 | -13.0 | -7.4 | 2.8 | -4.8 | -10.4 | -24.6 | -12.2 | 4.2 | -7.5 | -15.5 |
| Real estate | 440.9 | 444.7 | 455.4 | 458.4 | 451.3 | -2.6 | 0.9 | 2.4 | 0.7 | -1.5 | -11.6 | 3.8 | 10.6 | 3.0 | -7.1 |
| Mining and quarrying | 31.3 | 42.9 | 49.3 | 20.1 | 17.4 | 20.3 | 36.8 | 15.0 | -59.3 | -13.2 | 5.3 | 11.5 | 6.4 | -29.2 | -2.6 |
| Private households | 566.1 | 566.0 | 574.6 | 572.3 | 560.9 | 8.0 | 0.0 | 1.5 | -0.4 | -2.0 | 42.0 | -0.1 | 8.7 | -2.3 | -11.5 |
| Consumer durables | 416.1 | 417.3 | 417.7 | 429.2 | 449.9 | 0.1 | 0.3 | 0.1 | 2.8 | 4.8 | 0.6 | 1.2 | 0.4 | 11.5 | 20.7 |
| Business services | 218.5 | 213.8 | 206.1 | 205.1 | 189.9 | 1.7 | -2.1 | -3.6 | -0.5 | -7.4 | 3.7 | -4.6 | -7.7 | -1.0 | -15.2 |
| Other activities | 132.6 | 142.8 | 112.4 | 116.8 | 131.5 | -7.1 | 7.7 | -21.3 | 3.9 | 12.6 | -10.1 | 10.2 | -30.4 | 4.4 | 14.8 |
| 4. Total (1+2+3) | 6,157.3 | 6,170.1 | 6,219.0 | 6,458.5 | 6,509.2 | -1.5 | 0.2 | 0.8 | 3.9 | 0.8 | -94.8 | 12.8 | 48.9 | 239.5 | 50.7 |

Source: Central Bank of Kenya

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

Reserve Money

Reserve money contracted by 6.2 percent in the first quarter of 2025, reflecting a reduction in bank reserves and currency outside banks attributed to seasonal reduced demand for cash by households after the end of year festivities. 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 mainly attributed to reduced net lending to banks as a result of improved money market liquidity, while open market operations was 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) | | | | |
|------------------------------------|--------------------------------|--------|--------|--------|--------|----------------------------|--------|--------|--------|--------|---|--------|--------|--------|--------|
| | Mar-24 | Jun-24 | Sep-24 | Dec-24 | Mar-25 | Mar-24 | Jun-24 | Sep-24 | Dec-24 | Mar-25 | Mar-24 | Jun-24 | Sep-24 | Dec-24 | Mar-25 |
| Sources of Reserve Money | | | | | | | | | | | | | | | |
| 1. Net Foreign Assets | 387.4 | 479.2 | 472.1 | 610.1 | 682.3 | -20.4 | 23.7 | -1.5 | 29.2 | 11.8 | -99.4 | 91.7 | -7.1 | 138.1 | 72.2 |
| 2. Net Domestic Assets | 190.6 | 100.5 | 108.1 | 11.9 | -98.9 | 75.6 | -47.3 | 7.6 | -89.0 | -928.1 | 82.1 | -90.1 | 7.6 | -96.2 | -110.9 |
| 2.1 Government Borrowing (net) | 431.2 | 380.8 | 359.3 | 386.3 | 395.9 | -11.6 | -11.7 | -5.6 | 7.5 | 2.5 | -56.3 | -50.4 | -21.5 | 27.0 | 9.6 |
| 2.2 Commercial banks (net) | 228.5 | 260.5 | 210.6 | 123.6 | 8.7 | -5.9 | 14.0 | -19.2 | -41.3 | -93.0 | -14.2 | 32.0 | -49.9 | -87.0 | -114.9 |
| 2.3 Other Domestic Assets (net) | -472.8 | -544.5 | -465.4 | -501.6 | -507.2 | -24.4 | 15.2 | -14.5 | 7.8 | 1.1 | 152.6 | -71.7 | 79.1 | -36.3 | -5.6 |
| Components of Reserve Money | | | | | | | | | | | | | | | |
| 3. Reserve Money | 578.1 | 579.7 | 580.2 | 622.1 | 583.4 | -2.9 | 0.3 | 0.1 | 7.2 | -6.2 | -17.4 | 1.6 | 0.5 | 41.9 | -38.7 |
| 3.1 Currency outside banks | 273.9 | 274.2 | 268.2 | 292.8 | 285.4 | -2.9 | 0.1 | -2.2 | 9.2 | -2.5 | -8.2 | 0.2 | -5.9 | 24.6 | -7.4 |
| 3.2 Bank reserves | 304.2 | 305.6 | 312.0 | 329.3 | 298.0 | -2.9 | 0.5 | 2.1 | 5.5 | -9.5 | -9.2 | 1.4 | 6.4 | 17.3 | -31.3 |

Source: Central Bank of Kenya

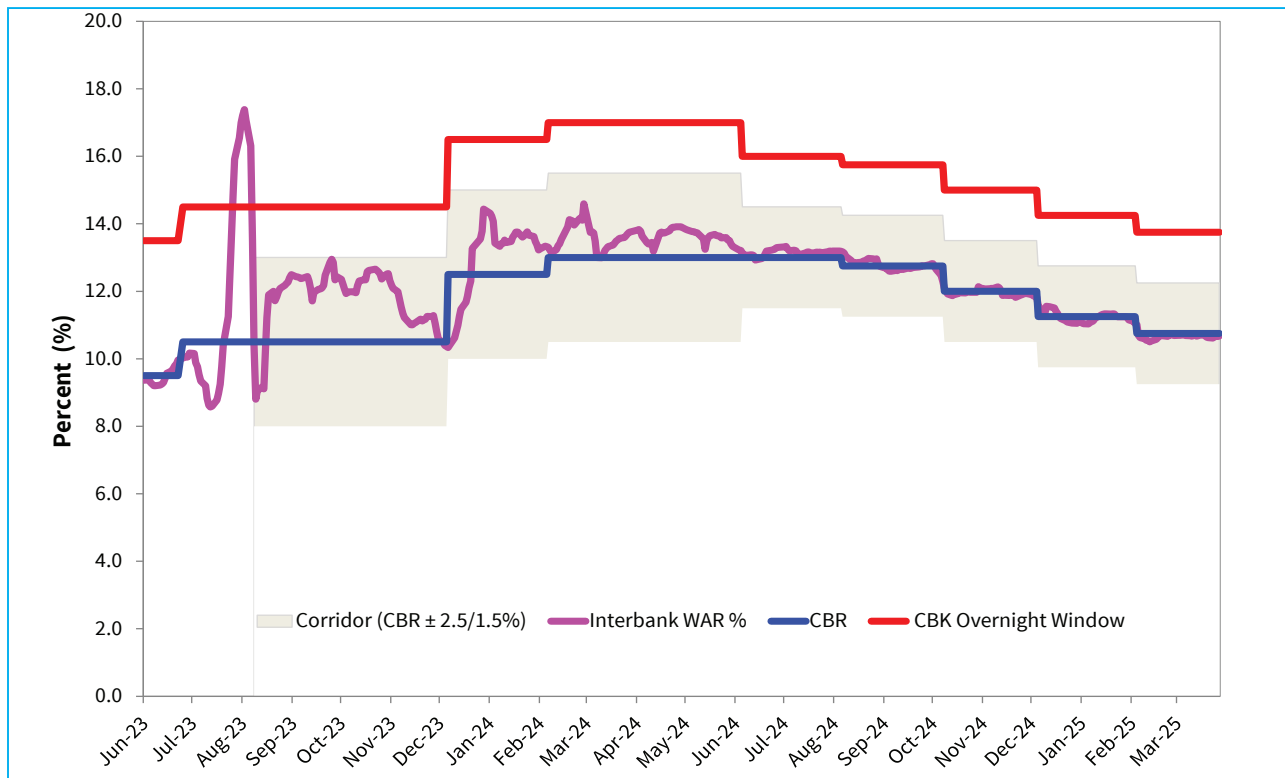
Interest Rates

a) Central Bank Rate

The Monetary Policy Committee (MPC) meeting in February 2025 decided to lower the Central Bank Rate (CBR) by 50 basis points to 10.75 percent from 11.25 percent. The MPC also reduce the Cash Reserve Ratio (CRR) by 100 basis points to 3.25 percent from 4.25 percent, to complement the lowering of the CBR, and support lowering of lending rates. The MPC noted that overall inflation was expected to remain below the midpoint of the 5 ± 2.5 percent target range in the near term, supported by low and stable core inflation, subdued energy prices inflation, and exchange rate stability. Additionally, central banks in the major economies have continued to lower their interest rates, but at different paces. The Committee further noted that economic growth decelerated in 2024, and therefore there was scope for further easing of monetary policy to support economic activity, while maintaining exchange rate stability.

b) Short Term Rates

Short-term interest rates continued to decline in the first 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 10.68 percent in March 2025 from 11.45 percent in December 2024. The average interbank rate remained aligned within the prescribed corridor around the Central Bank Rate (CBR), partly supported by open market operations. The average 91-day Treasury bill rate declined to 8.88 percent in March 2025 from 10.32 percent in December 2024. Similarly, the 182-day Treasury bill rate declined to 9.13 percent from 10.39 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 first quarter of 2025, reflecting the easing of the monetary policy stance. The weighted average lending rate fell by 113 basis

points, from 16.89 percent in December 2024 to 15.76 percent in March 2025. Similarly, the average deposit rate declined to 9.34 percent in March 2025, down from 10.45 percent in December 2024, reflecting easing cost of funds.

Table 3.5: Interest Rates (%)

| | 2023 | | | | 2024 | | | | 2025 | | |
|---------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| | Mar | Jun | Sep | Dec | Mar | Jun | Sep | Dec | Jan | Feb | Mar |
| 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 |
| 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 |
| Interbank rate | 7.05 | 9.48 | 12.36 | 11.65 | 13.42 | 13.14 | 12.67 | 11.45 | 11.21 | 10.68 | 10.68 |
| Repo rate | - | - | - | - | 0.00 | 0.00 | 0.00 | 0.00 | 11.22 | 10.80 | 10.71 |
| 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 |
| 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 |
| Overdraft rate | 12.69 | 12.83 | 13.62 | 14.65 | 15.97 | 16.78 | 16.83 | 15.75 | 15.38 | 15.10 | 14.29 |
| 1-5 years | 13.47 | 13.79 | 14.48 | 15.16 | 16.82 | 17.52 | 17.69 | 17.72 | 17.56 | 17.21 | 16.48 |
| Over 5 years | 12.91 | 13.06 | 13.67 | 14.14 | 15.90 | 16.25 | 16.18 | 16.59 | 16.33 | 16.19 | 15.67 |
| 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 |
| 0-3 months | 8.13 | 8.32 | 9.76 | 11.42 | 12.08 | 12.56 | 12.28 | 11.27 | 10.65 | 10.11 | 9.88 |
| 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 |
| Savings deposits | 3.55 | 3.92 | 4.00 | 4.24 | 3.90 | 5.11 | 3.57 | 4.25 | 4.08 | 4.02 | 3.09 |
| 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 |

Source: Central Bank of Kenya

Chapter 4

Global Economy

The global economy is expected to slowdown to 2.8 percent in 2025 and 3.0 percent in 2026 from 3.3 percent in 2024. The slowdown in global growth will be across key economies but is especially pronounced in the United States and China. The deterioration in global economic activity arises from trade policy measures enacted by the United States in early 2025 which has resulted in significant trade barriers and increasing trade policy uncertainties that have negatively impacted businesses and consumer confidence and is set to hold back on trade and investments.

Growth in the advanced economies is expected to slowdown to 1.4 percent in 2025 and 1.5 percent in 2026 from 1.8 percent in 2024. Annual real GDP growth in the United States is projected to slow to 1.8 percent in 2025 from 2.8 percent in 2024 as the elevated tariff barriers are projected to increase the cost of imported intermediate and final goods thereby impacting domestic prices and output. The US first quarter 2025 growth of 2.0 percent was lower by 0.7 percentage points following lower government spending and an increase in imported good for stock piling, in anticipation of tariff increases. The Euro area, real GDP growth picked up in the first quarter of 2025. However, the full year growth is expected to decrease, reflecting elevated uncertainty, reduced consumer confidence and global trade tensions. Growth in the UK is projected to be higher in 2025 at 1.5 percent from 1.1 percent in 2024, driven by investment growth and net trade.

In the emerging market and developing economies (EMDEs), growth is projected to decline to 4.3 percent in 2025 from an estimated 5.4 percent in 2024, reflecting a slowdown in economic activities in China, India and Russia. In China, real GDP growth was strong in the first quarter of 2025, boosted by robust domestic demand and frontloaded exports. However, high US tariffs and ongoing adjustments in the real estate sector are expected to weigh on economic activity going forward. The escalation of geopolitical tension in middle east and Russia's invasion of Ukraine has also occasioned energy-related uncertainty with negative implications on

global growth. In Sub-Saharan Africa (SSA), economic activity is projected to improve from 3.4 percent in 2023 to 3.8 percent in 2024 and 4.0 percent in 2025. The projected increases are attributed to favourable weather conditions and increased investments in the service sectors. Specifically, Nigeria, South Africa, and Kenya are expected to grow by 3.0 percent, 1.0 percent, and 5.0 percent in 2025, respectively.

Tariff announcements by the United States and countermeasures by other countries triggered global financial market volatility in the first half of 2025, across the equity, bonds and foreign exchange markets. The volatility in the global equity market triggered sharp sell-off with the US equity indices remaining below the historical peak. Similarly, the heightened volatility of bond yields in the US and Euro are following the April 2 tariff announcements widened the credit spreads thereby pushing the intermediation capacities. The foreign exchange markets also remained volatile with the euro appreciation against the US dollar triggered by a shift in market expectations regarding the growth and inflation outlook for the United States and the potential impact of the US Administration's policies on demand for US assets. Emerging and developing economies (EMDEs) domestic currencies weakened and equity markets declined but varied across economies, reflecting a cautious pace and repricing of the monetary policy easing expectations across advanced economies and weakening of global output prospects. EMDEs sovereign spreads widened, due to reduced risk sentiments amid demand-driven concerns arising from rising trade tensions despite increased participation in the international capital markets in the period under consideration.

Concerns about global inflation have moderated, although some persistence remains in several advanced economies. Headline inflation is anticipated to gradually decline from 6.8 percent in 2023 to 5.9 percent in 2024 and further to 4.5 percent in 2025. Rising inflation pressure and expectations and softening of economic activities raised concerns about the near-term outlook and dampened risk appetite and as result central bank

have been cautious in lowering their interest rates. The European Central Bank (ECB) continued to ease its policy as inflation moderated in the Euro Area while the US Federal Reserve and Bank of England (BOE) retained their benchmark interest rates, with market repricing for fewer cuts in 2025.

Although inflation has recently declined in most countries, service price inflation remains stubbornly sticky, and goods price inflation has increased slightly in many countries due to rising food prices. Protectionism is adding to these inflationary pressures, and inflation expectations have risen substantially in several countries. And even though we are still forecasting that inflation will come down to central bank targets by 2026 in most countries, it will now take longer to reach those targets. In the countries more affected by tariffs, inflation might even rise first before coming down.

Risks have risen significantly too. There is the risk that protectionism and trade policy uncertainty will increase even further and that additional trade barriers might be introduced. According to our simulations, additional tariffs would further reduce global growth prospects and fuel inflation, dampening global growth even more.

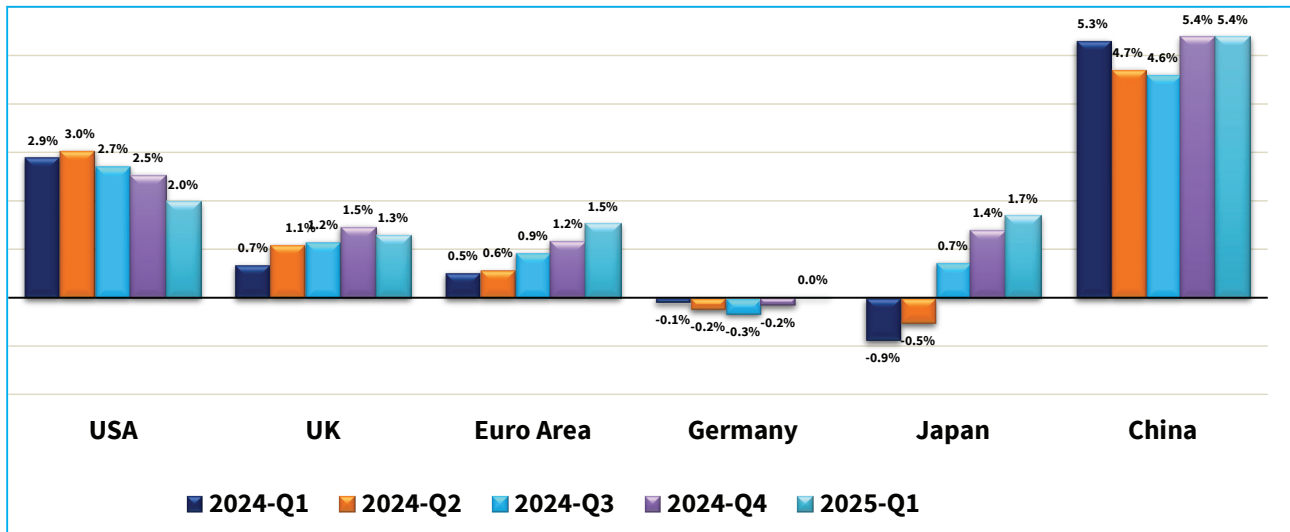
Global GDP growth is expected to moderate from 3.2 percent in 2024 to 3.1 percent in 2025 and 3.0 percent in 2026, with higher trade barriers in several G20 economies and increased policy uncertainty weighing on investment and household spending. Annual real GDP growth in the United States is projected to slow from its very strong recent pace to 2.2 percent in 2025 and 1.6 percent in 2026. Euro area real GDP growth is projected to be 1.0 percent in 2025 and 1.2 percent in 2026, as heightened uncertainty keeps growth subdued. Growth in China is projected to slow from 4.8 percent this year to 4.4 percent in 2026.

Global commodity market pressures are expected to continue easing as nonfuel and fuel commodity prices converge towards their long-run historical standards. Oil prices are projected to decrease by about 2.5 percent, averaging USD 78.61 per barrel in 2024, while nonfuel commodity prices are expected

to decline by 0.8 percent in 2024. Global demand is anticipated to increase, driven by higher consumer spending, particularly in the service sector, with rising demand for travel, tourism, and recreational activities. World trade growth is forecasted to be 3.0 percent in 2024, reflecting the normalization of supply chain networks. Inflationary pressures persist in many economies, with headline inflation recently turning up again in an increasing share of economies. Services price inflation has stayed elevated, with a median rate of 3.6 percent across OECD economies. Over 2025-26 inflation is projected to be higher than previously expected, although still moderating as economic growth softens. Headline inflation is projected to fall from 3.8 percent in 2025 to 3.2 percent in 2026 in the G20 economies. Underlying inflation is now projected to remain above central bank targets in many countries in 2026.

The global outlook is becoming increasingly challenging. Substantial increases in trade barriers, tighter financial conditions, weakened business and consumer confidence, and elevated policy uncertainty all pose significant risks to growth. If these trends continue, they could substantially dampen economic prospects. Rising trade costs—particularly in countries implementing new tariffs—are likely to fuel inflation, although this may be partly offset by softer commodity prices. Risks to the outlook remain substantial. Key concerns include further escalations or sudden shifts in trade policies, more cautious behaviour from consumers and businesses, and continued repricing of risk in financial markets. Inflation may also stay elevated for longer than anticipated, especially if inflation expectations continue to rise. On the upside, an early reversal of recent trade barriers could boost economic growth and help ease inflationary pressures.

Risks to the global outlook remain largely balanced in the near term, with effects of geopolitical events remaining largely muted and vulnerabilities in the financial markets being relatively volatile. Elevated commodity prices are largely underpinned by regional conflicts and unfavorable weather conditions.

Chart 4.1: Global growth, Percent Change Quarter-over-Quarter

Source: Organization for Economic Co-operation and Development (OECD)

Chapter 5

Balance of Payments and Exchange Rates

Current Account Balance

The current account deficit widened to USD 515.2 million in the first quarter of 2025 from USD 266.1 million in first quarter of 2024 (**Table 5.1**). The widening of the current account balance was mainly attributed to the worsening of the goods balance following 8.5 percent increase in goods imports, which more than offset the 5.1 percent increase in goods exports and the

marginally decline in secondary income transfers of USD 57.5 million, even as remittance inflows remained resilient. During the review period, the surplus in the services account improved following an increase in services receipts while the deficit in the primary income account declined due to an increase in the primary income receipts.

Table 5.1: Balance of Payments (USD Millions)

| BPM6 Formart | 2024 | | | | 2025 | | | | 2025 Q1/2024 Q1 | |
|---|------------|------------|------------|------------|--------|--------|--------|------------|-----------------|----------------|
| | Jan-Mar Q1 | Apr-Jun Q2 | Jul-Sep Q3 | Oct-Dec Q4 | Jan | Feb | Mar | Jan-Mar Q1 | Absolute Change | Percent Change |
| A. Current Account | -266.1 | -361.0 | -335.7 | -587.7 | -262.8 | -109.1 | -143.3 | -515.2 | -249.1 | 93.6 |
| Goods: exports f.o.b. | 3072.4 | 3210.5 | 3264.9 | 2960.1 | 1063.8 | 1084.4 | 1080.5 | 3228.8 | 156.3 | 5.1 |
| Goods: imports f.o.b. | 5156.6 | 5592.3 | 5745.0 | 5748.2 | 1954.1 | 1780.1 | 1860.7 | 5595.0 | 438.4 | 8.5 |
| Services: credit | 1852.3 | 1935.0 | 2237.2 | 2053.2 | 660.4 | 659.3 | 657.7 | 1977.4 | 125.1 | 6.8 |
| Services: debit | 1289.0 | 1394.0 | 1460.4 | 1518.2 | 459.5 | 438.9 | 442.7 | 1341.1 | 52.1 | 4.0 |
| <i>Balance on goods and services</i> | -1520.8 | -1840.8 | -1703.2 | -2253.2 | -689.5 | -475.3 | -565.2 | -1729.9 | -209.1 | 13.7 |
| Primary income: credit | 54.9 | 60.7 | 77.0 | 99.2 | 28.8 | 33.1 | 36.7 | 98.7 | 43.8 | 79.9 |
| Primary income: debit | 642.9 | 406.0 | 700.5 | 387.8 | 225.1 | 221.9 | 222.1 | 669.2 | 26.3 | 4.1 |
| <i>Balance on goods, services, and primary income</i> | -2108.9 | -2186.1 | -2326.7 | -2541.8 | -885.8 | -664.0 | -750.7 | -2300.5 | -191.6 | 9.1 |
| Secondary income: credit | 1846.2 | 1856.3 | 2001.6 | 1958.0 | 629.2 | 561.1 | 613.9 | 1804.2 | -42.0 | -2.3 |
| <i>O/w Remittances</i> | 1206.1 | 1173.3 | 1260.0 | 1305.8 | 427 | 382.24 | 422.9 | 1232.5 | 26.4 | 2.2 |
| Secondary income: debit | 3.4 | 31.2 | 10.6 | 3.9 | 6.2 | 6.2 | 6.5 | 19.0 | 15.6 | 455.7 |
| B. Capital Account | 56.7 | 61.5 | 10.5 | 103.6 | 53.3 | 13.8 | 39.6 | 106.6 | 49.9 | 88.1 |
| Capital account: credit | 56.7 | 61.5 | 10.5 | 103.6 | 53.3 | 13.8 | 39.6 | 106.6 | 49.9 | 88.1 |
| C. Financial Account | -142.7 | -287.5 | -472.2 | -1107.3 | 29.2 | -325.2 | -80.0 | -376.0 | -233.3 | 163.5 |
| D. Net Errors and Omissions | -146.3 | 661.8 | -7.0 | 258.8 | -173.2 | -228.9 | 1002.9 | 600.8 | 747.1 | -510.6 |
| E. Overall Balance | 213.0 | -649.7 | -139.9 | -882.1 | 411.9 | -1.0 | -979.2 | -568.2 | -781.2 | -366.8 |
| F. Reserves and Related Items | -213.0 | 649.7 | 139.9 | 882.1 | -411.9 | 1.0 | 979.2 | 568.2 | 781.2 | -366.8 |

*Revised; **Provisional

Fob - free on-board

Source: Central Bank of Kenya and KNBS

Goods Account

Goods exports improved by 156.3 million to USD 3,228.8 in the first quarter of 2025 mainly on account of an increase in exports of coffee, cut flowers, and clothing accessories. Coffee exports improved following higher international coffee prices, as adverse weather affected production in Brazil,

Vietnam and Indonesia, which are the key source markets. Exports of tea, vegetables and fruits declined during the review period following a prolonged dry spell, which affected production and thereby export quantities. The re-exports which mainly comprises petroleum fuels also declined during the review period **(Table 5.2a).**

Table 5.2a: Trade Exports (USD Millions)

| Trade Exports-CIF (USD Millions) Commodity Description | 2024 | | | | 2025 | | | | 2025 Q1/2024 Q1 | |
|---|---------------|---------------|---------------|---------------|------|-----|-----|---------------|--------------------|-------------------|
| | Jan-Mar Q1 | Apr-Jun Q2 | Jul-Sep Q3 | Oct-Dec Q4 | Jan | Feb | Mar | Jan-Mar Q1 | Absolute Change | Percent Change |
| Food and Live Animals | 768 | 747 | 792 | 674 | 240 | 269 | 283 | 791 | 23.4 | 3.0 |
| Vegetables and Fruits (Fresh) | 129 | 140 | 180 | 121 | 32 | 38 | 48 | 118 | -10.3 | -8.0 |
| Coffee | 56 | 92 | 96 | 59 | 27 | 43 | 54 | 123 | 67.5 | 120.9 |
| Tea | 388 | 341 | 345 | 324 | 120 | 121 | 116 | 356 | -31.5 | -8.1 |
| Beverages And Tobacco | 33 | 33 | 39 | 34 | 11 | 10 | 12 | 33 | 0.0 | 0.0 |
| Crude Materials | 352 | 304 | 269 | 336 | 132 | 134 | 115 | 381 | 28.9 | 8.2 |
| Cut Flowers | 150 | 119 | 109 | 127 | 47 | 63 | 52 | 162 | 12.0 | 8.0 |
| Mineral Fuels | 24 | 28 | 31 | 25 | 8 | 9 | 9 | 26 | 1.4 | 5.7 |
| Animal & Vegetable Oils | 32 | 64 | 77 | 54 | 23 | 19 | 22 | 64 | 31.7 | 98.5 |
| Chemicals and Related Products | 149 | 155 | 178 | 146 | 45 | 48 | 45 | 139 | -10.4 | -7.0 |
| Manufactured Goods | 157 | 156 | 184 | 142 | 51 | 54 | 53 | 158 | 1.0 | 0.6 |
| Non - Metallic Minerals | 52 | 51 | 63 | 37 | 18 | 16 | 14 | 48 | -3.5 | -6.7 |
| Iron And Steel | 49 | 52 | 54 | 44 | 17 | 19 | 19 | 54 | 5.7 | 11.6 |
| Machinery and Transport Equipment | 29 | 21 | 37 | 42 | 11 | 11 | 17 | 39 | 9.9 | 33.8 |
| Miscellaneous Manufactured Artic. | 155 | 182 | 213 | 202 | 60 | 63 | 73 | 197 | 41.9 | 27.1 |
| Clothing Accessories | 85 | 97 | 124 | 119 | 33 | 36 | 43 | 111 | 26.7 | 31.4 |
| Commodities & Transactions | 5 | 6 | 4 | 9 | 2 | 3 | 3 | 7 | 1.9 | 34.4 |
| Re-Exports | 1,259 | 1,408 | 1,327 | 1,178 | 358 | 359 | 355 | 1,072 | -186.4 | -14.8 |
| Total Customs Exports (CIF) | 2,963 | 3,104 | 3,152 | 2,841 | 942 | 978 | 987 | 2,907 | -56.7 | -1.9 |

*Revised

**Provisional

CIF Cost Insurance and Freight

Source: Central Bank of Kenya and Kenya Revenue Authority

Goods imports increased by USD 438.4 million to USD 5,595.0 million in the first quarter of 2025. The increase was mainly on imports of intermediate, machinery and capital goods. Imports of animal and vegetable oils, which comprises palm oil increased by USD 146 million to USD 376 million, while imports of chemicals and related products, mainly comprising manufactured fertilizer and plastics in primary and non-primary form increased by USD 26 million to USD 756 million. Imports of manufactured goods comprising iron and steel and textile yarn increased by USD 125 million to USD 763

million. Similarly, imports of machinery equipment for industrial use and transport vehicles increased during the review period (**Table 5.2b**). Food imports however, declined by USD 67 million to USD 432 million in the first quarter of 2025 mainly on account of lower imports of sugar and cereals, specifically rice. Oil imports also declined by USD 239 million to USD 1,834 million as global oil prices remained relatively lower trading at USD 74.5 per barrel in the first quarter of 2025 compared to USD 80.9 per barrel in the first quarter of 2024.

Table 5.2b: Trade Imports (USD Millions)

| Trade Exports-CIF (USD Millions) Commodity Description | 2024 | | | | 2025 | | | | 2025 Q1/2024 Q1 | |
|---|---------------|---------------|---------------|---------------|------|-----|-----|---------------|--------------------|-------------------|
| | Jan-Mar Q1 | Apr-Jun Q2 | Jul-Sep Q3 | Oct-Dec Q4 | Jan | Feb | Mar | Jan-Mar Q1 | Absolute Change | Percent Change |
| Food and Live Animals | 499 | 540 | 473 | 552 | 155 | 108 | 168 | 432 | -67 | -13.5 |
| Cereals | 281 | 343 | 261 | 375 | 78 | 51 | 93 | 222 | -59 | -21.0 |
| Sugar | 99 | 65 | 61 | 37 | 26 | 8 | 26 | 60 | -39 | -39.3 |
| Beverages And Tobacco | 21 | 24 | 30 | 45 | 8 | 8 | 8 | 24 | 3 | 15.8 |
| Crude Materials | 140 | 138 | 160 | 170 | 55 | 52 | 80 | 187 | 47 | 33.4 |
| Mineral Fuels | 2,073 | 2,160 | 2,084 | 1,899 | 675 | 574 | 585 | 1,834 | -239 | -11.5 |
| Motor Spirit | 326 | 394 | 337 | 332 | 118 | 68 | 124 | 310 | -16 | -4.8 |
| Jet Fuel | 305 | 243 | 212 | 235 | 80 | 75 | 54 | 209 | -97 | -31.6 |
| Diesel Oil | 808 | 899 | 909 | 800 | 289 | 220 | 230 | 738 | -70 | -8.7 |
| Animal & Vegetable Oils | 230 | 239 | 243 | 321 | 138 | 119 | 118 | 376 | 146 | 63.5 |
| Chemicals and Related Products | 730 | 835 | 849 | 766 | 246 | 245 | 266 | 756 | 26 | 3.5 |
| Organic and Inorganic Chemicals | 85 | 94 | 89 | 93 | 32 | 26 | 20 | 78 | -7 | -8.4 |
| Medicinal & Pharmaceuticals | 171 | 192 | 223 | 157 | 44 | 39 | 75 | 158 | -13 | -7.6 |
| Manufactured Fertilizers | 65 | 138 | 81 | 94 | 25 | 46 | 41 | 112 | 47 | 73.3 |
| Plastics | 142 | 169 | 175 | 183 | 60 | 49 | 60 | 170 | 29 | 20.2 |
| Chemical Materials And Products | 128 | 126 | 137 | 101 | 42 | 36 | 29 | 108 | -20 | -15.5 |
| Manufactured Goods | 638 | 677 | 699 | 767 | 269 | 259 | 234 | 763 | 125 | 19.5 |
| Textile Yarn | 155 | 164 | 168 | 164 | 59 | 60 | 49 | 168 | 13 | 8.3 |
| Iron And Steel | 187 | 172 | 165 | 234 | 87 | 89 | 63 | 239 | 52 | 27.8 |
| Machinery And Transport Equipment | 872 | 1,045 | 1,272 | 1,113 | 392 | 355 | 355 | 1,102 | 230 | 26.4 |
| Machinery | 872 | 1,045 | 1,272 | 1,113 | 392 | 355 | 355 | 1,102 | 230 | 26.4 |
| Transport | 331 | 332 | 484 | 382 | 105 | 121 | 129 | 355 | 24 | 7.2 |
| Miscellaneous Manufactured Artic. | 261 | 283 | 296 | 467 | 91 | 106 | 85 | 282 | 21 | 8.1 |
| Commodities & Transactions | 93 | 102 | 111 | 120 | 42 | 43 | 44 | 129 | 36 | 38.9 |
| Total Customs Exports (CIF) | 2,963 | 3,104 | 3,152 | 2,841 | 942 | 978 | 987 | 2,907 | -56.7 | -1.9 |

*Revised

**Provisional

CIF Cost Insurance and Freight

Source: Central Bank of Kenya and Kenya Revenue Authority

Direction of Trade

Exports of goods to the East African Community (EAC) region declined by 9.5 percent to USD 1,378 million in first quarter of 2025 from USD 1,523 million in the first quarter of 2024. The decline was across the EAC countries. Similarly, exports to COMESA region declined by 3.4 percent to USD 1,307 million. Exports to the rest of the world increased by 9.5 percent to USD 1,317 million and was mainly to United Arab Emirates (UAE), Pakistan, Germany, France and India (**Table 5.2c**).

Imports of goods were mainly from UAE, China, India and US, which accounted for 25.1 percent, 13.1 percent, 9.1 percent and 4.9 percent of total imports, respectively, in the first 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 8.1 percent, equivalent of USD 35.9 million following higher imports from South Africa, Egypt and Uganda (**Table 5.2c**).

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

| Exports | 2024 | | | | 2025 | 2025 Q1-2024 Q1 | |
|------------------------------|--------------|--------------|--------------|--------------|--------------|-----------------|----------------|
| | Jan-Mar | Apr-Jun | Jul-Sep | Oct-Dec | Jan-Mar | Abs Change | Percent Change |
| Region/Country | Q1 | Q2 | Q3 | Q4 | Q1 | | |
| Africa | 1731 | 1757 | 1835 | 1633 | 1,557 | -173.8 | -10.0 |
| o/w Uganda | 1056 | 1110 | 1243 | 1057 | 1,031 | -25.1 | -2.4 |
| Tanzania | 120 | 122 | 133 | 136 | 114 | -6.2 | -5.2 |
| Rwanda | 79 | 84 | 96 | 71 | 72 | -7.2 | -9.1 |
| South Sudan | 184 | 189 | 45 | 54 | 57 | -127.0 | -69.0 |
| Egypt | 70 | 36 | 44 | 51 | 50 | -20.8 | -29.5 |
| DRC | 58 | 50 | 63 | 65 | 53 | -4.6 | -8.0 |
| Somalia | 33 | 29 | 39 | 29 | 29 | -3.7 | -11.2 |
| Ethiopia | 29 | 24 | 31 | 28 | 22 | -7.1 | -24.4 |
| Zambia | 17 | 20 | 17 | 19 | 13 | -3.3 | -19.6 |
| EAC | 1523 | 1599 | 1634 | 1425 | 1,378 | -145.2 | -9.5 |
| COMESA | 1353 | 1374 | 1565 | 1350 | 1,307 | -46.2 | -3.4 |
| Rest of the World | 1,232 | 1,347 | 1,317 | 1,208 | 1,349 | 117.3 | 9.5 |
| o/w UAE | 146 | 286 | 212 | 112 | 150 | 4.0 | 2.7 |
| Pakistan | 143 | 138 | 158 | 129 | 149 | 5.6 | 3.9 |
| Netherlands | 188 | 120 | 104 | 119 | 152 | -35.9 | -19.1 |
| USA | 149 | 158 | 190 | 165 | 146 | -2.7 | -1.8 |
| United Kingdom | 127 | 103 | 106 | 114 | 127 | 0.0 | 0.0 |
| Saudi Arabia | 75 | 69 | 27 | 27 | 38 | -37.7 | -49.9 |
| China | 40 | 65 | 37 | 54 | 34 | -5.8 | -14.4 |
| Germany | 37 | 37 | 40 | 27 | 47 | 10.3 | 27.7 |
| France | 24 | 25 | 30 | 25 | 28 | 4.4 | 18.5 |
| India | 23 | 19 | 63 | 39 | 23 | 0.3 | 1.2 |
| Spain | 13 | 28 | 26 | 10 | 11 | | |
| Others | 265 | 299 | 322 | 387 | 443 | 177.4 | 66.8 |
| Total Customs Exports | 2,963 | 3,104 | 3,152 | 2,841 | 2,907 | -56.5 | -1.9 |
| | | | | | | | |
| European Union | 329 | 282 | 283 | 247 | 323 | -5.3 | -1.6 |
| China | 40 | 65 | 37 | 54 | 34 | -5.8 | -14.4 |

| Imports | 2024 | | | | 2025 | 2025 Q1-2024 Q1 | |
|------------------------------|--------------|--------------|--------------|--------------|--------------|-----------------|----------------|
| | Jan-Mar | Apr-Jun | Jul-Sep | Oct-Dec | Jan-Mar | Abs Change | Percent Change |
| Region/Country | Q1 | Q2 | Q3 | Q4 | Q1 | | |
| Africa | 445 | 437 | 481 | 512 | 481 | 35.9 | 8.1 |
| o/w South Africa | 143 | 98 | 106 | 123 | 147 | 3.4 | 2.4 |
| Tanzania | 103 | 112 | 115 | 101 | 88 | -15.4 | -14.9 |
| Egypt | 61 | 72 | 83 | 94 | 84 | 23.2 | 38.0 |
| Uganda | 50 | 71 | 66 | 68 | 67 | 17.2 | 34.3 |
| EAC | 169 | 192 | 194 | 180 | 166 | -2.8 | -1.6 |
| COMESA | 185 | 203 | 227 | 234 | 214 | 29.0 | 15.7 |
| Rest of the World | 5,080 | 5,564 | 5,688 | 5,723 | 5,314 | 234.4 | 4.6 |
| o/w China | 840 | 1,003 | 1,311 | 1,153 | 1,149 | 308.7 | 36.7 |
| UAE | 1,194 | 1,460 | 1,427 | 1,390 | 1,303 | 108.9 | 9.1 |
| India | 478 | 441 | 498 | 534 | 519 | 41.7 | 8.7 |
| Malaysia | 276 | 208 | 209 | 300 | 299 | 23.3 | 8.5 |
| USA | 273 | 282 | 252 | 348 | 271 | -1.9 | -0.7 |
| Japan | 183 | 204 | 204 | 221 | 239 | 56.0 | 30.5 |
| Saudi Arabia | 297 | 353 | 318 | 408 | 345 | 48.0 | 16.2 |
| Russia | 91 | 196 | 144 | 162 | 103 | 11.8 | 12.9 |
| Netherlands | 134 | 90 | 60 | 53 | 38 | -96.4 | -71.9 |
| Oman | 188 | 181 | 90 | 61 | 8 | -180.4 | -95.8 |
| United Kingdom | 58 | 106 | 80 | 92 | 65 | 7.6 | 13.2 |
| Germany | 67 | 77 | 105 | 76 | 73 | 6.6 | 9.9 |
| Pakistan | 113 | 67 | 58 | 99 | 30 | -82.2 | -73.1 |
| France | 42 | 61 | 57 | 68 | 53 | 10.9 | 25.7 |
| Indonesia | 48 | 40 | 58 | 45 | 80 | 32.4 | 68.2 |
| Belgium | 109 | 50 | 24 | 120 | 34 | | |
| Others | 689 | 743 | 793 | 592 | 703 | 14.3 | 2.1 |
| Total Customs Imports | 5,525 | 6,001 | 6,169 | 6,235 | 5,795 | 270.4 | 4.9 |
| | | | | | | | |
| European Union | 491 | 433 | 419 | 509 | 406 | -85.2 | -17.4 |
| China | 840 | 1003 | 1311 | 1153 | 1149 | 308.7 | 36.7 |

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 233 million to USD 376 million in the first quarter of 2025, reflecting a decline in net acquisition of financial assets by USD 965 million, which more than offset the USD 732 million decline in net financial liabilities (**Table 5.3**). The decline in net financial assets was mainly in the other

investment categories, specifically the depository taking corporations, while the decline in financial liabilities reflected a reduction in portfolio debt following the repayment of the Eurobond by the government during the first quarter of 2025 compared to a similar period in 2024. However, the government sector increased its uptake of other investment loan liabilities.

Table 5.3: Financial Account (USD Million)

| BPM6 Concept | 2024 | | | | 2025 | | | | 2025 Q1/2024 Q1 | |
|---|------------|------------|------------|------------|------|------|------|------------|-----------------|----------------|
| | Jan-Mar Q1 | Apr-Jun Q2 | Jul-Sep Q3 | Oct-Dec Q4 | Jan | Feb | Mar | Jan-Mar Q1 | Absolute Change | Percent Change |
| Financial Account | -143 | -287 | -240 | -1107 | 29 | -325 | -80 | -376 | -233 | 163.5 |
| Direct investment: assets | 45 | 153 | 134 | 94 | 19 | 19 | 19 | 58 | 13 | 27.9 |
| Direct investment: liabilities, n.i.e. | 128 | 80 | 67 | 187 | 58 | 58 | 58 | 175 | 46 | 35.9 |
| Portfolio investment: assets | 79 | 207 | 101 | 199 | 47 | 59 | 50 | 155 | 77 | 97.5 |
| Equity and investment fund shares | 72 | 54 | 34 | 119 | 70 | 70 | 70 | 210 | 138 | 192.0 |
| Debt securities | 7 | 153 | 68 | 80 | -23 | -12 | -20 | -55 | -61 | -912.9 |
| Portfolio investment: liabilities, n.i.e. | 1032 | -618 | 149 | -265 | -248 | -249 | -249 | -746 | -1778 | -172.3 |
| Equity and investment fund shares | -15 | 23 | -5 | -129 | -8 | -8 | -8 | -25 | -10 | 63.0 |
| Debt securities | 1047 | -640 | 154 | -136 | -240 | -240 | -240 | -720 | -1768 | -168.8 |
| Financial derivatives: net | 16 | 4 | -7 | -30 | -31 | -3 | 23 | -11 | -27 | -170.8 |
| Financial derivatives: assets | 27 | 13 | -21 | -37 | -33 | -5 | 21 | -17 | -44 | -161.0 |
| Financial derivatives: liabilities | 12 | 8 | -14 | -7 | -2 | -2 | -2 | -6 | -18 | -148.2 |
| Other investment: assets | 631 | 356 | 19 | -1562 | -142 | -244 | 7 | -379 | -1010 | -160.1 |
| Other investment: liabilities, n.i.e. | -247 | 1547 | 270 | -114 | 54 | 346 | 370 | 770 | 1017 | -411.4 |
| Deposit-taking corporations | -148 | -92 | -150 | -66 | -329 | -34 | -179 | -543 | -395 | 267.7 |
| General government | 86 | 1410 | -433 | -235 | 316 | 360 | 461 | 1137 | 1051 | 1216.5 |
| Other sectors | -186 | 228 | 854 | 187 | 67 | 20 | 87 | 174 | 360 | -193.3 |

*Revised, **Provisional

Source: Central Bank of Kenya and KNBS

Foreign Exchange Reserves

The banking system's total foreign exchange holdings increased to USD 16,574 million at the end of March 2025 from USD 15,328 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 10,662 million, equivalent to 4.7 months of import cover at the end of March 2025 from USD 7,813 million equivalent to 4.1 months of import cover at the end of March 2024. Commercial Bank foreign reserves however declined to USD 5,912 million from USD 7,515 million, during the review period (**Table 5.4**).

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

| | 2023 | | | | 2024 | | | | 2025 | | | 2025 Q1-2024 Q1 | |
|--|--------|--------|--------|--------|--------|--------|--------|----------|---------|---------|--------|-----------------|---------|
| | Mar | Jun | Sep | Dec | Mar | Jun | Sep | Dec | Jan | Feb | Mar | Absolute | Percent |
| 1. Gross Reserves | 10,901 | 13,166 | 13,852 | 14,156 | 15,328 | 16,438 | 16,391 | 16,325 | 19,363 | 15,701 | 16,574 | 1,246 | 8.1 |
| O/w: Official | 6,962 | 8,037 | 7,535 | 7,342 | 7,813 | 8,463 | 8,603 | 10,066.6 | 9,654.7 | 9,682.6 | 10,662 | 2,849 | 36.5 |
| Import Cover* | 3.9 | 4.3 | 4.0 | 3.9 | 4.1 | 4.4 | 3.8 | 4.4 | 4.2 | 4.2 | 4.7 | 0.6 | 14.7 |
| Commercial Banks | 3,939 | 5,129 | 6,316 | 6,814 | 7,515 | 7,975 | 7,789 | 6,257.9 | 9,707.8 | 6,018.3 | 5,912 | -1,603 | -21.3 |
| 2. Residents' Foreign Currency Deposits | 7,760 | 8,673 | 9,778 | 10,173 | 10,344 | 10,609 | 10,622 | 9,956 | 9,885 | 9,833 | 9,955 | (389) | -3.8 |

Source: Central Bank of Kenya

Exchange Rates

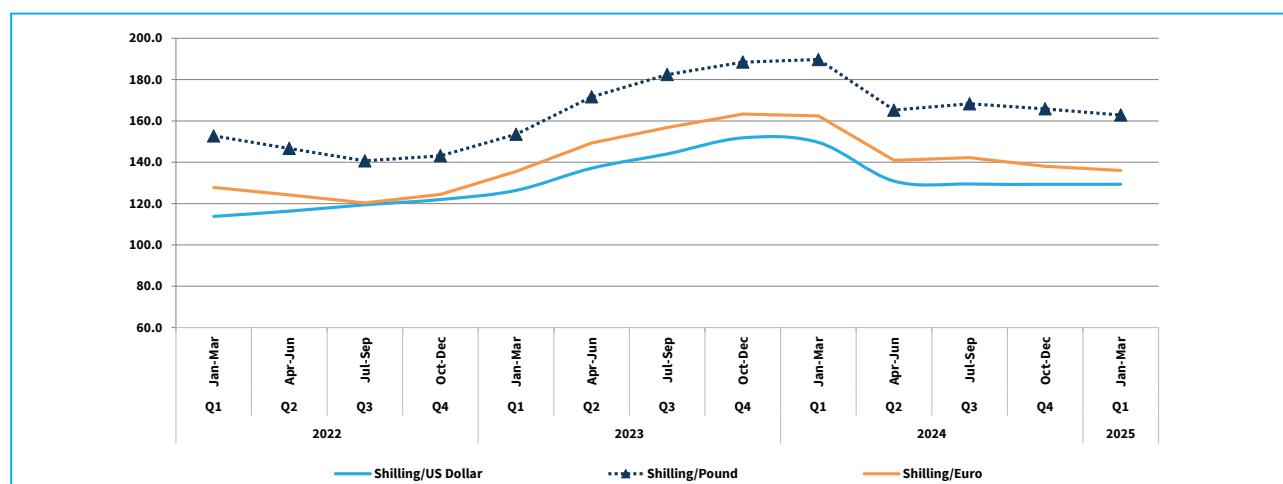
The Kenya Shilling exchange rate remained relatively stable in the first quarter of 2025 compared to the fourth quarter of 2024. The Kenya Shilling stabilized at 129.34 per USD in the first quarter of 2025. It marginally strengthened against the Sterling Pound, the Euro and the Japanese Yen to trade at 162.84 per GBP,

136.06 per Euro and 84.85 per 100 Yen. Similarly, the Kenya Shilling strengthened by 3.3 percent against the South Rand and by 1.9 percent against the Tanzania Shilling. The Kenya Shilling on the other hand, weakened marginally against the Ugandan Shilling, Rwanda Franc and Burundi Franc during the review period **(Table 5.5 and Chart 5.1)**.

Table 5.5: Kenya Shilling exchange rate

| | 2024 | | | | 2025 | | | | 2025 Q1-2024 Q1 |
|---------------------------|--------|--------|--------|---------|--------|--------|--------|---------|-----------------|
| | Oct | Nov | Dec | Oct-Dec | Jan | Feb | Mar | Jan-Mar | Percent Change |
| US Dollar | 129.20 | 129.40 | 129.36 | 129.32 | 129.39 | 129.30 | 129.33 | 129.34 | 0.0 |
| Pound Sterling | 168.79 | 165.06 | 163.64 | 165.83 | 159.80 | 161.95 | 166.77 | 162.84 | -1.8 |
| Euro | 140.94 | 137.53 | 135.55 | 138.01 | 134.00 | 134.61 | 139.58 | 136.06 | -1.4 |
| 100 Japanese Yen | 86.41 | 84.16 | 84.30 | 84.96 | 82.63 | 85.17 | 86.74 | 84.85 | -0.1 |
| South African Rand | 7.36 | 7.22 | 7.11 | 7.23 | 6.91 | 6.99 | 7.07 | 6.99 | -3.3 |
| Uganda Shilling* | 28.40 | 28.43 | 28.34 | 28.39 | 28.50 | 28.45 | 28.36 | 28.44 | 0.2 |
| Tanzania Shilling* | 21.09 | 20.61 | 19.21 | 20.30 | 19.36 | 19.98 | 20.40 | 19.91 | -1.9 |
| Rwanda Franc* | 10.46 | 10.56 | 10.65 | 10.55 | 10.73 | 10.81 | 10.90 | 10.81 | 2.4 |
| Burundi Franc* | 22.53 | 22.77 | 22.85 | 22.72 | 22.87 | 22.90 | 22.91 | 22.89 | 0.8 |

Source: Central Bank of Kenya

Chart 5.1: Exchange Rate Developments

Source: Central Bank of Kenya

Chapter 6

Banking Sector

Overview

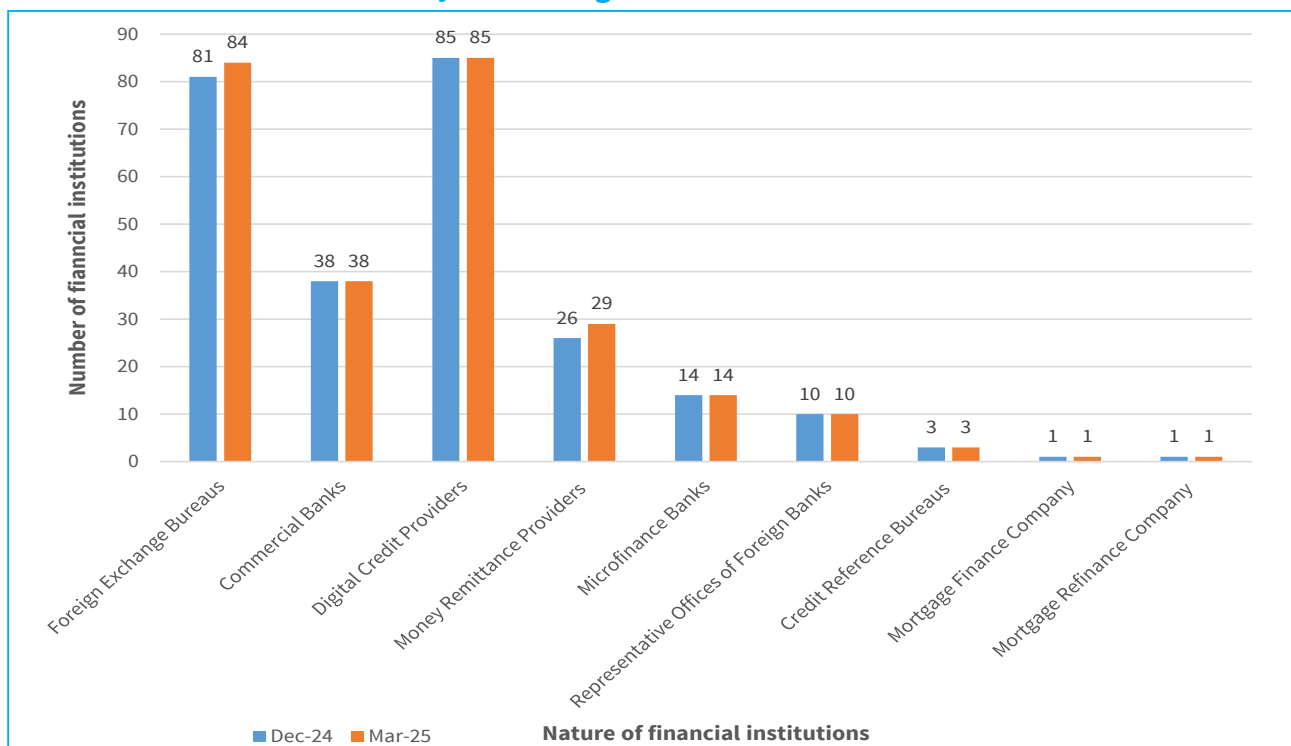
The banking sector remained stable and resilient in the first quarter of 2025. Total assets increased by 0.4 percent to Ksh.7,673.6 billion in March 2025, from Ksh.7,645.8 billion in December 2024. The deposit base decreased by 0.2 percent to Ksh.5,730.9 billion in the first quarter of 2025, from Ksh.5,739.6 billion in the fourth quarter of 2024. The sector was well capitalized with capital adequacy ratio of 20.1 percent in the first quarter of 2025, which was above the minimum capital requirement of 14.5 percent. The sector remained profitable in the first quarter of 2025, with quarterly profit before tax of Ksh.73.5 billion, an increase from Ksh.58.5 billion reported in the fourth quarter of 2024. Credit risk remained elevated with Gross Non-

Performing Loans (NPLs) to Gross Loans Ratio standing at 17.4 percent at the end of the first quarter of 2025, an increase from 16.5 percent recorded at the end of fourth quarter of 2024.

Structure of the Banking Sector

The Kenyan banking sector comprised 38 Commercial Banks, 1 Mortgage Finance Company, 1 Mortgage Refinance Company, 14 Microfinance Banks, 10 Representative Offices of Foreign Banks, 81 Foreign Exchange Bureaus, 24 Money Remittance Providers, 3 Credit Reference Bureaus, and 85 Digital Credit Providers as of March 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



Structure of the Balance Sheet

i) Increase in Banking sector assets

Total assets increased by 0.4 percent to Ksh.7,673.6 billion in March 2025, from Ksh.7,645.8 billion in December 2024. The increase in total assets was mainly recorded in government securities by Ksh.141.2 billion

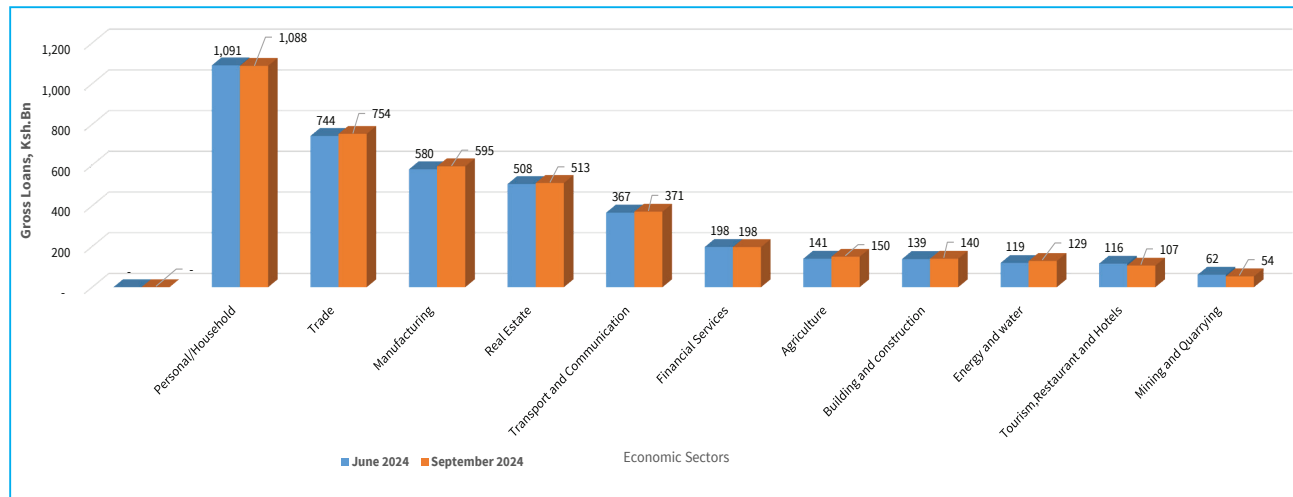
(6.3 percent), local currency loans by Ksh.59.8 billion (2.3 percent), other foreign assets by Ksh.6.7 billion (57.8 percent) and investments by Ksh.2.4 billion (2.7 percent). Loans and advances remained the main component of total assets, accounting for 48.3 percent in the first quarter of 2025, it was 48.6 percent in the fourth quarter of 2024.

ii) Loans and Advances

The banking sector loan book increased by 0.6 percent, to Ksh.4,123.4 billion in the first quarter of 2025, from Ksh.4,099.3 billion in the fourth quarter of 2024. The increase in gross loans and advances was

largely witnessed in the Personal and Household, Trade, and Building and Construction sectors. The sectoral distribution of gross loans for the fourth quarter of 2024 and the first quarter of 2025, is highlighted in **Chart 6.2**.

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

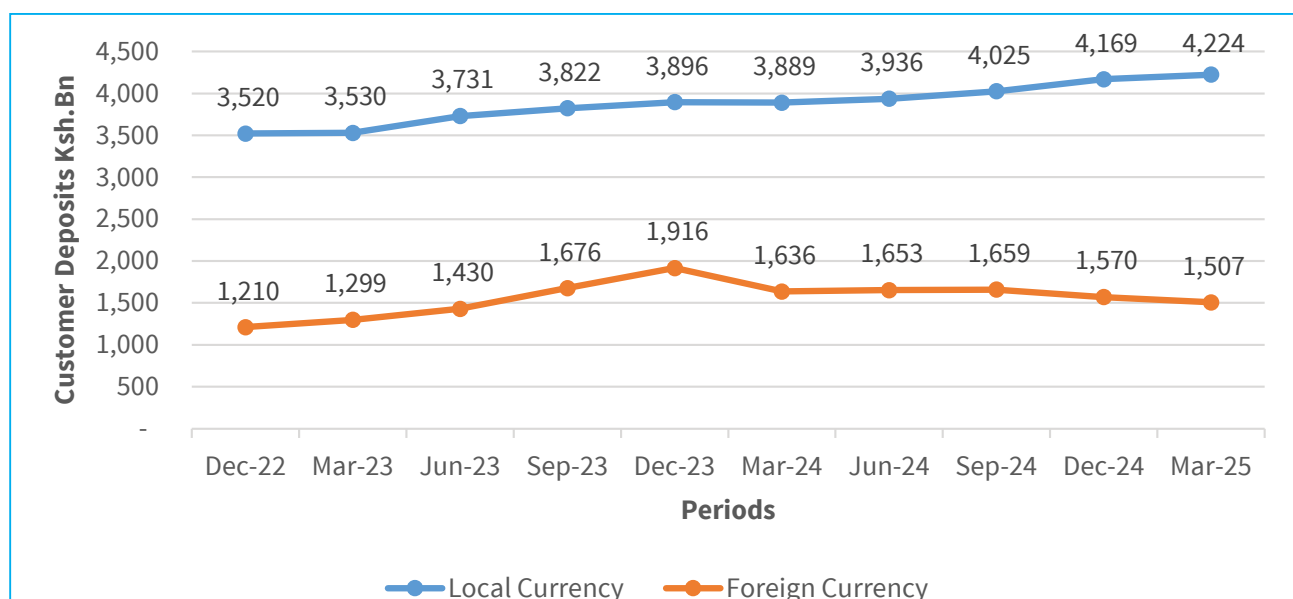


iii) Deposit Liabilities

Customer deposits remain the main source of funding to the banks accounting for 74.7 percent of the banking sector total liabilities and shareholders' funds as at the end of the first quarter of 2025. The customer deposit base decreased by Ksh.8.7 billion (0.2 percent) to Ksh.5,730.9 billion in the first quarter of 2025, from Ksh.5,739.6 billion in the fourth quarter

of 2024. Local currency deposits increased by Ksh.54.3 billion (1.3 percent) to Ksh.4,223.6 billion in the first quarter of 2025, from Ksh.4,169.2 billion in the fourth quarter of 2024. Foreign currency deposits decreased by Ksh.63.0 billion (4.0 percent) to Ksh.1,507.3 billion in the first quarter of 2025, from Ksh.1,570.4 billion in the fourth quarter of 2024. **Chart 6.3** shows the trend of deposit liabilities.

Chart 6.3: Customer Deposits



Capital Adequacy

Kenya's banking sector is well capitalized and meets the minimum capital requirements. Core capital increased by 5.2 percent to Ksh.1,020 billion in the first quarter of 2025, from Ksh.969.5 billion in the fourth quarter of 2024. Total capital increased by 5.8 percent to Ksh.1,162.4 billion in the first quarter of 2025, from Ksh.1,098.8 billion in the fourth quarter of 2024.

Core capital to total risk-weighted assets ratios increased slightly to 17.7 percent in the first quarter of 2025 from 17.1 percent in the fourth quarter of 2024. The increase in the core capital ratio was mainly due to a higher increase in core capital (5.2 percent) as compared to increase in total risk weighted assets (1.7 percent). Total capital to total risk-weighted assets ratio increased to 20.1 percent in the first

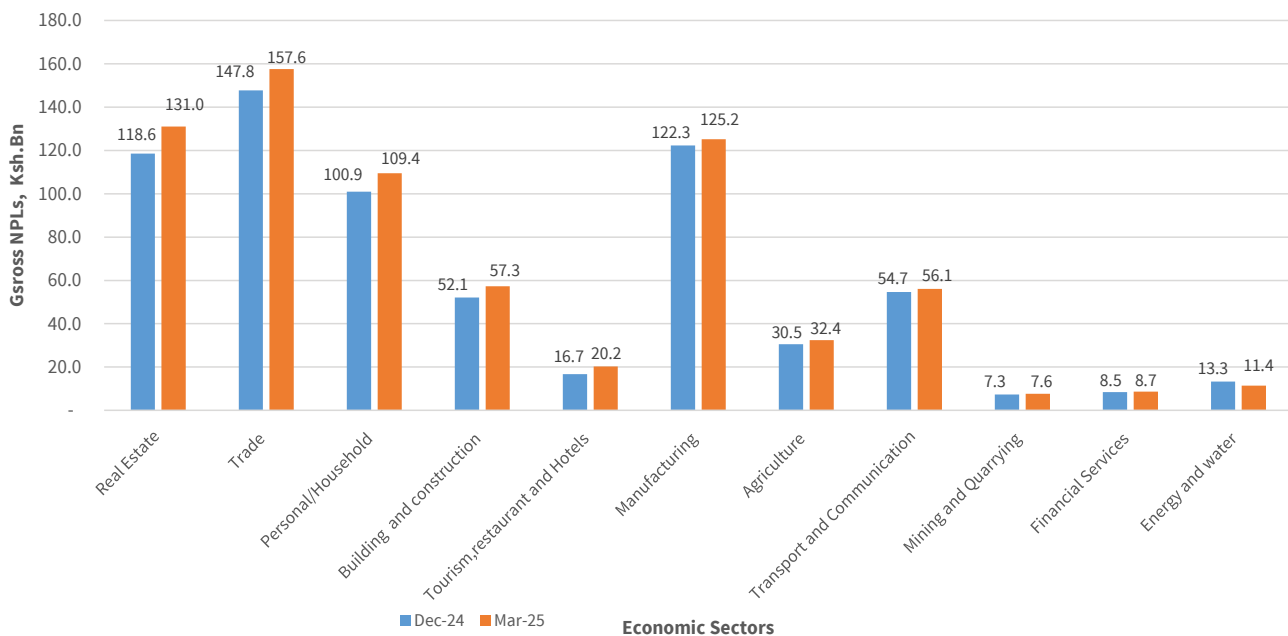
quarter of 2025 from 19.4 percent in the fourth quarter of 2024.

The minimum core capital to total deposits ratio is set at 8 percent. Commercial banks maintained an adequate buffer, with the ratio standing at 17.8 percent in the first quarter of 2025.

Asset Quality

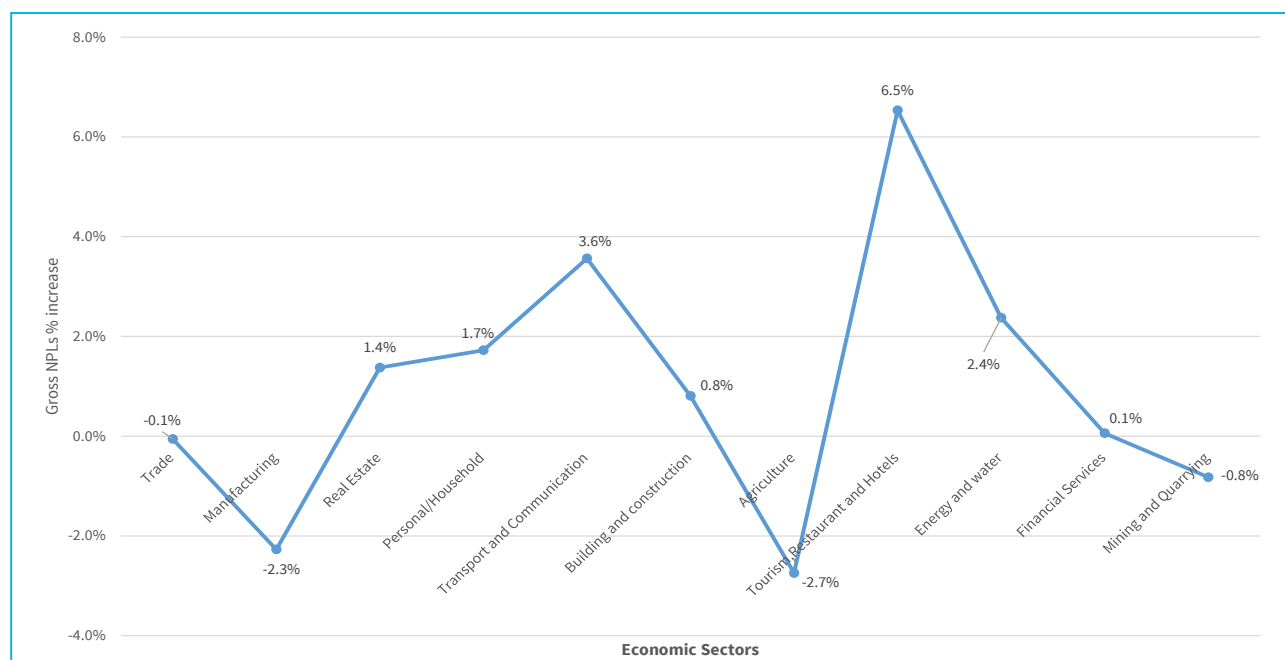
The Gross Non-Performing Loans (NPLs) increased by 6.6 percent from Ksh.672.6 billion in the fourth quarter of 2024, to Ksh.717 billion at the end of the first quarter of 2025. The gross NPLs to gross loans ratio increased to 17.4 percent in the first quarter of 2025, from 16.4 percent in the fourth quarter of 2024. This was due to a higher increase in gross NPLs of 6.6 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 (Ksh.Bn)



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

Chart 6.5: Movement in Gross NPLs – Fourth quarter 2024 and First quarter 2025



All sectors registered increases in NPLs by Ksh.46.2 billion as a result of a challenging operating environment. Energy and Water sector registered a decrease in NPLs of Ksh.1.9 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 increased from 8.7 percent in fourth

quarter of 2024, to 8.8 percent in the first quarter of 2025. The coverage ratio, measured as a percentage of specific provisions to total NPLs, increased slightly from 37.4 percent in the fourth quarter of 2024, to 39.8 percent in the first quarter of 2025, due to a higher increase in specific provisions (11.3 percent) as compared to the increase in total NPLs (4.8 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

| | | Dec-24 | Mar-25 |
|----|---|---------|---------|
| 1 | Gross Loans and Advances (Ksh.Bn) | 4,099.3 | 4,123.4 |
| 2 | Interest in Suspense (Ksh.Bn) | 99.7 | 116.8 |
| 3 | Loans and Advances (net of interest suspended) (Ksh.Bn) | 3,999.6 | 4,006.6 |
| 4 | Gross Non-Performing loans (Ksh.Bn) | 672.6 | 717.0 |
| 5 | Specific Provisions (Ksh.Bn) | 214.5 | 238.7 |
| 6 | General Provisions (Ksh.Bn) | 67.8 | 58.2 |
| 7 | Total Provisions (5+6) (Ksh.Bn) | 282.3 | 296.9 |
| 8 | Net Advances (3-7) (Ksh.Bn) | 3,717.3 | 3,709.7 |
| 9 | Total Non-Performing Loans and Advances (4-2) (Ksh.Bn) | 572.9 | 600.2 |
| 10 | Net Non-Performing Loans and Advances (9-5) (Ksh.Bn) | 358.4 | 361.5 |
| 11 | Total NPLs as % of Total Advances (9/3) (%) | 14.3% | 15.0% |
| 12 | Net NPLs as % of Gross Advances (10/1) (%) | 8.7% | 8.8% |
| 13 | Specific Provisions as % of Total NPLs (5/9) (%) | 37.4% | 39.8% |
| 14 | Gross NPLs to Gross Loans Ratio (4/1) (%) | 16.4% | 17.4% |

Profitability

The banking sector recorded an increase in quarterly pre-tax profits of Ksh.15.1 billion to Ksh.73.5 billion in the first quarter of 2025, from Ksh.58.5 billion in the fourth quarter of 2024. The increase in profitability was mainly attributable to a higher decrease in quarterly expenses of Ksh.27.6 billion as compared to decrease in quarterly income of Ksh.12.6 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 49.2 percent, 28.2 percent and 15.6 percent in the first quarter of 2025 as compared to 51.0 percent, 25.4 percent and 13.6 percent in the fourth quarter of 2024.

On the other hand, interest on deposits, other expenses and salaries and wages, were the key components of expenses, accounting for 39.8 percent, 22.1 percent and 21.4 percent of total expenses respectively in the first quarter of 2025, compared to 41.7 percent, 21.0 percent and 18.5 percent in the fourth quarter of 2024.

Return on Assets (ROA) increased slightly to 3.1 percent in the first quarter of 2025, from 2.8 percent recorded in the fourth quarter of 2024. Return on Equity (ROE) increased to 23.1 percent in the first quarter of 2025, from 22.0 percent in the fourth quarter of 2024.

Liquidity

The banking sector's overall liquidity ratio increased to 58.4 percent in the first quarter of 2025, from 55.8 percent in the fourth quarter of 2024. The increase was driven by a higher increase in total liquid assets of 5.9 percent and a 1.1 percent increase in total short-term liabilities between the two quarters. The banking sector liquidity ratio remained above the minimum statutory level of 20 percent.

Outlook of the Sector

- The banking sector is projected to remain stable in the second 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 16.4 percent in the fourth quarter of 2024, to 17.4 percent in the first quarter of 2025.
- Interest rate risk is easing on the backdrop of stabilizing interest rates.
- Liquidity risk is stable. The liquidity ratio increased to 58.4 percent in the first quarter of 2025, from 55.8 percent in the fourth quarter of 2024. These were above the statutory minimum of 20 percent.

Chapter 7

Government Budget Performance

Overview

The Government's budgetary operations at the end of the third quarter of FY 2024/25 resulted in a deficit of 4.0 percent of GDP against a target of 3.8 percent of GDP. Revenue collections were below the target by 8.0 percent on account of underperformance in ordinary

revenues categories and Ministerial Appropriations in Aid. Meanwhile, total expenditure and net lending amounted to KSh. 2,683.7 billion against the target of KSh. 2,821.2 billion.

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

| | FY2023/24 | FY 2024/25 | | | | Over (+) / Below (-) Target | % Variance | % change Q on Q | % cumulative share to GDP | Target to GDP (%) |
|--|-----------|------------|--------|--------------------------|---------|-----------------------------|------------|-----------------|---------------------------|-------------------|
| | Q3 | Q2 | Q3 | Cumulative to March 2025 | Target | | | | | |
| 1. Total Revenue & Grants | 550.8 | 685.1 | 602.0 | 1,985.9 | 2,157.4 | (171.5) | (8.0) | 9.3 | 11.4 | 12.4 |
| Ordinary Revenue | 504.8 | 566.9 | 539.5 | 1,697.3 | 1,840.1 | (142.8) | | 6.9 | | |
| Tax Revenue | 484.0 | 556.1 | 507.8 | 1,589.3 | 1,715.5 | (126.2) | | 4.9 | | |
| Non Tax Revenue | 20.7 | 10.8 | 31.7 | 108.0 | 124.6 | (16.6) | | 52.9 | | |
| Appropriations-in-Aid | 37.6 | 104.8 | 67.4 | 278.8 | 297.9 | (19.1) | | 79.2 | | |
| External Grants | 8.5 | 13.4 | -5.0 | 9.8 | 19.4 | (9.6) | | (158.7) | | |
| 2. Total Expenditure & Net Lending | 690.6 | 1,065.7 | 727.8 | 2,683.7 | 2,821.2 | (137.4) | (4.9) | 5.4 | 15.4 | 16.2 |
| Recurrent Expenses | 499.8 | 800.1 | 588.1 | 2,078.1 | 2,065.7 | 12.4 | | 17.7 | | |
| Development Expenses | 94.2 | 137.5 | 75.8 | 350.1 | 415.5 | (65.4) | | (19.5) | | |
| County Transfers | 96.6 | 128.0 | 63.9 | 255.5 | 340.0 | (84.4) | | (33.8) | | |
| Others | - | 0.0 | 0.0 | - | - | - | | | | |
| 3. Deficit (Incl. Grants) (1-2) | (139.8) | -380.6 | -125.8 | (697.8) | (663.8) | (34.1) | 5.1 | (10.0) | (4.0) | (3.8) |
| As percent of GDP | (0.9) | -2.1 | -0.7 | (1.1) | (3.8) | 2.7 | | | | |
| 4. Adjustment to Cash Basis | | 0.0 | 0.0 | - | - | - | | | | |
| 5. Deficit Incl. Grants on a Cash Basis | (139.8) | -380.6 | -125.8 | (697.8) | (663.8) | (34.1) | 5.1 | (10.0) | (4.0) | (3.8) |
| As percent of GDP | (0.9) | -2.1 | -0.7 | (4.0) | (3.8) | (0.2) | | | | |
| 6. Discrepancy: Expenditure (+) / Revenue (-) | (1.8) | -27.1 | -27.1 | (15.2) | - | | | | | |
| 7. Financing | 319.7 | 226.9 | 291.4 | 682.6 | 663.8 | 18.9 | 2.8 | (8.9) | 3.9 | 3.8 |
| Domestic (Net) | 177.1 | 178.7 | 220.5 | 619.9 | 443.7 | 176.2 | | 24.5 | 3.6 | |
| External (Net) | 142.6 | 48.2 | 70.8 | 62.7 | 220.1 | (157.3) | | (50.3) | 0.4 | |

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

Revenue

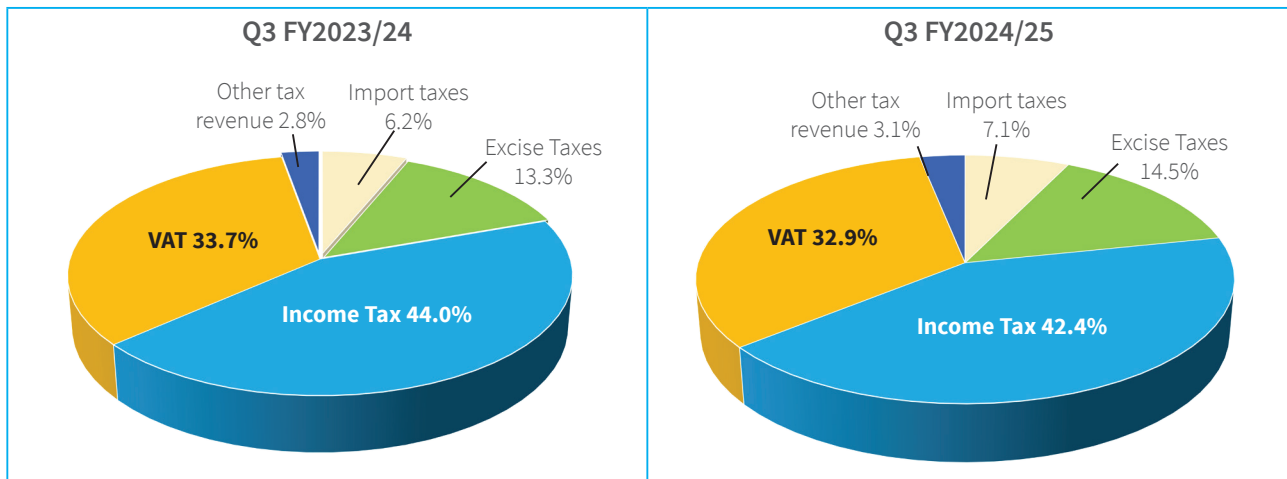
Government receipts, comprising revenue and grants increased by 9.3 percent to KSh 602.0 billion in the third quarter of FY 2024/25, compared to KSh 550.8 billion in the third quarter of FY 2023/24. The increase was reflected in Non-tax revenues, tax revenues and Appropriation in Aid (A-in-A) which increased by 52.9 percent, 4.9 percent and 79.2 percent, respectively.

Over the same period, external grants decreased by 158.7 percent. Total revenue and grants were below the target by KSh 171.5 billion reflecting underperformance in all ordinary revenues categories except investment income and housing levy. In addition, Ministerial Appropriations in Aid collected during the quarter amounted to KSh 67.4 billion, which was KSh 19.1 billion lower than target mainly due to delay in reporting by SAGAs.

There was a minor shift in the composition of tax revenues in the third quarter of FY 2024/25 compared with a similar period in the previous financial year (**Chart 7.1**). The share of excise taxes, import taxes, and other taxes increased by 1.2 percentage points,

0.9 percentage points and 0.3 percentage points, respectively, while the share of income tax and Value Added Tax (VAT) declined by 1.6 percentage points and 0.8 percentage points, respectively.

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



Source: December 2024 BOT, National Treasury

Expenditure and Net Lending

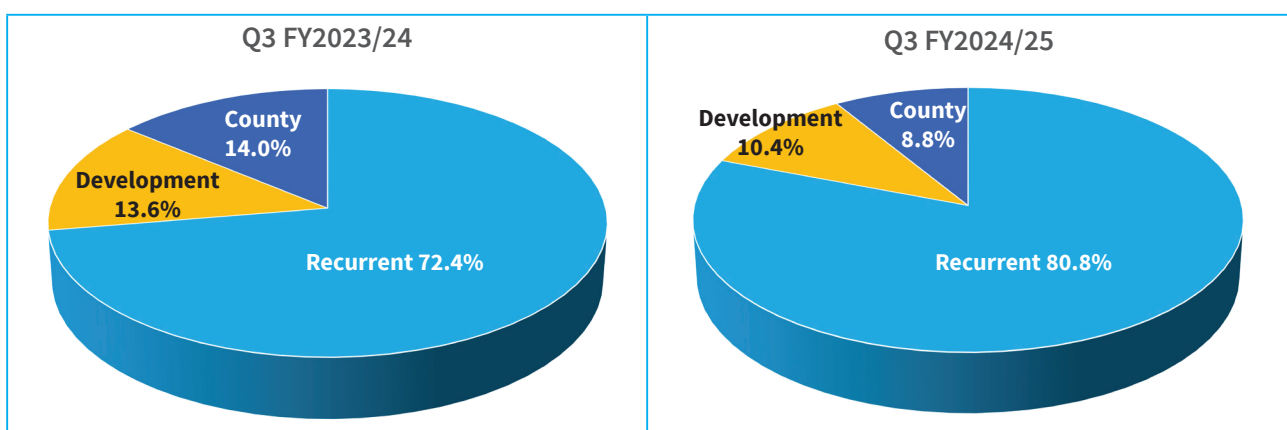
Government expenditure and net lending increased by 5.4 percent to KSh 727.8 billion in the third quarter of the FY 2024/25 from KSh 690.6 billion in the third quarter of the FY 2023/24. The increase in expenditures reflected a rise in national government recurrent expenditure that more than offset the decline in development expenditure and county transfers (**Table 7.1**).

The expenditure and net lending to March 2025 was below the target of KSh 2,821.1 billion by KSh 137.4 billion attributed to shortfall in disbursement

towards development expenditures and transfers to County Governments.

In terms of composition, recurrent expenditure held the largest share in total government expenditure accounting for 80.8 percent in the third quarter of the FY 2024/25, which was 8.4 percentage points higher than the level recorded in a similar quarter during the previous fiscal year. The share of development expenditure and county allocations declined by 3.2 percentage points and 5.2 percentage points, respectively, during the period under review (**Chart 7.2**).

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



Source: December 2024 BOT, National Treasury

Financing

The budget deficit including grants amounted to KSh 697.8 billion or 4.0 percent of GDP at the end of the third quarter of FY 2024/25. The budget deficit was funded by net domestic borrowing of KSh 619.9 billion and net foreign borrowing of KSh 62.7 billion. Domestic borrowing comprised KSh 308.1 billion from the commercial banks, KSh 357.1 billion from

non-banks, KSh 2.1 billion from non-residents and a drawdown in government deposits at the Central Bank **(Table 7.2)**. Other domestic financing at the end of the quarter reduced by KSh 0.3 billion. By the end of the third quarter, net domestic borrowing was above target by KSh 176.2 billion while net external borrowing was below target by KSh 157.3 billion **(Table 7.1)**.

Table 7.2 Domestic Financing (KSh Bn) to December 2024

| | FY 2024/25 | | | | | | | | |
|--------------------------------|------------|--------|--------|--------|--------|--------|--------|--------|--------|
| | Q1 | | | Q2 | | | Q3 | | |
| | Jul-24 | Aug-24 | Sep-24 | Oct-24 | Nov-24 | Dec-24 | Jan-25 | Feb-25 | Mar-25 |
| 1. From CBK | (1.1) | (11.2) | (62.5) | (35.3) | (32.3) | (28.1) | (30.8) | (7.2) | (47.8) |
| 2. From commercial banks | 20.0 | 62.3 | 107.5 | 160.3 | 226.3 | 230.3 | 254.0 | 317.7 | 308.1 |
| 4. From Non-banks | 23.8 | 96.1 | 145.5 | 157.6 | 186.9 | 252.6 | 291.2 | 339.2 | 357.1 |
| 5. From Non-Residents | - | 0.8 | 0.8 | (0.1) | 1.7 | 3.2 | 3.2 | 2.7 | 2.1 |
| 6. Total Domestic Financing | 42.7 | 148.1 | 191.4 | 282.5 | 382.6 | 457.9 | 517.5 | 652.4 | 619.6 |
| 6. Other Domestic financing /1 | 75.5 | 32.8 | 29.2 | (19.4) | 1.5 | (58.5) | 13.2 | (2.3) | 0.3 |
| 7. Net Domestic Financing | 118.2 | 180.9 | 220.7 | 263.1 | 384.1 | 399.4 | 530.8 | 650.1 | 619.9 |

/1 Include accounts payables and domestic loan repayment receipts

NB: Treasury Bills are reflected at cost

Source: Central Bank of Kenya

Outlook for FY 2025/26

In the budget for FY 2025/26, total revenue including grants is projected at KSh 3,368.6 billion (17.5 percent of GDP). Government expenditure is projected at KSh 4,291.9 billion (22.3 percent of GDP), of which KSh 3,134.4 billion will be for recurrent expenses, KSh 693.2 billion for development expenses and KSh 474.9 billion for transfers to county governments.

The overall budget deficit including grants is, therefore, projected at KSh 923.3 billion (4.8 percent of GDP) in 2025/26, to be financed through net external borrowing of KSh 287.7 billion and net domestic borrowing of KSh 635.5 billion **(Table 7.3)**.

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

| | Ksh (Bn) | % of GDP |
|---|----------|----------|
| 1. TOTAL REVENUE (Including Grants) | 3,368.6 | 17.5 |
| Ordinary Revenue | 2,754.7 | 14.3 |
| Appropriations-in-Aid | 567.0 | 2.9 |
| External Grants | 46.9 | 0.2 |
| 2. TOTAL EXPENSES & NET LENDING | 4,291.9 | 22.3 |
| Recurrent Expenses | 3,134.4 | 16.3 |
| Development Expenses | 693.2 | 3.6 |
| County Transfer | 474.9 | 2.5 |
| Other | - | - |
| 3. DEFICIT INCL. GRANTS (1-2) | (923.3) | -4.8 |
| Adjustment to Cash Basis | - | - |
| 4. FINANCING | 923.2 | 4.8 |
| Domestic (Net) | 635.5 | 3.3 |
| External (Net) | 287.7 | 1.5 |

Source: National Treasury, Budget Statement FY 2025/26

Chapter 8

Overall Public Debt

Kenya's public and publicly guaranteed debt increased by 4.0 percent during the third quarter of 2024/25. Domestic and external debt increased by 4.4 percent and 3.6 percent, respectively.

The ratio of public debt to GDP was estimated at 70.0 percent by the end of third quarter of 2024/25 compared to 67.4 percent by the end of the second quarter (**Table 8.1**)¹.

Table 8.1 Kenya's Public and Publicly Guaranteed Debt

| | FY 2023/24 | FY 2024/25 | | | | | |
|------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|---------------|
| | Q4 | Q1 | Q2 | Jan-25 | Feb-25 | Q3 | Q on Q Change |
| External | | | | | | | |
| Bilateral | 1,154.7 | 1,133.4 | 1,101.1 | 1,079.8 | 1,081.7 | 1,073.8 | -27.3 |
| Multilateral | 2,774.4 | 2,847.2 | 2,777.6 | 2,826.0 | 2,824.6 | 2,877.0 | 99.4 |
| Commercial Banks | 1,207.5 | 1,193.8 | 1,165.1 | 1,164.3 | 1,151.9 | 1,273.9 | 108.8 |
| Supplier Credits | 14.2 | 14.0 | 13.3 | 13.3 | 13.3 | 13.7 | 0.4 |
| Sub-Total | 5,150.8 | 5,188.4 | 5,057.0 | 5,083.4 | 5,071.5 | 5,238.3 | 181.3 |
| (As a % of GDP) | 32.9 | 32.5 | 31.2 | 31.3 | 31.3 | 32.3 | 1.1 |
| (As a % of total debt) | 48.8 | 48.1 | 46.3 | 46.2 | 45.5 | 46.1 | -0.2 |
| Domestic | | | | | | | |
| Banks | 2,448.9 | 2,494.0 | 2,651.2 | 2,672.1 | 2,759.4 | 2,791.1 | 139.9 |
| Central Bank | 170.1 | 107.6 | 142.0 | 139.3 | 162.9 | 189.6 | 47.6 |
| Commercial Banks | 2,278.8 | 2,386.4 | 2,509.1 | 2,532.8 | 2,596.5 | 2,601.4 | 92.3 |
| Non-banks | 2,927.6 | 3,073.2 | 3,180.2 | 3,218.8 | 3,266.9 | 3,299.0 | 118.8 |
| Pension Funds | 1,601.5 | 1,649.4 | 1,694.7 | 1,708.9 | 1,715.4 | 1,732.3 | 37.6 |
| Insurance Companies | 391.0 | 404.7 | 429.5 | 434.3 | 438.5 | 436.6 | 7.1 |
| Other Non-bank Sources | 935.1 | 1,019.1 | 1,056.1 | 1,075.7 | 1,113.0 | 1,130.2 | 74.1 |
| Non-residents | 34.1 | 34.6 | 36.9 | 36.9 | 36.4 | 36.6 | -0.3 |
| Sub-Total | 5,410.7 | 5,601.7 | 5,868.3 | 5,927.8 | 6,062.7 | 6,126.7 | 258.4 |
| (As a % of GDP) | 34.6 | 35.1 | 36.2 | 36.5 | 37.4 | 37.8 | 1.6 |
| (As a % of total debt) | 51.2 | 51.9 | 53.7 | 53.8 | 54.5 | 53.9 | 0.2 |
| Grand Total | 10,561.5 | 10,790.1 | 10,925.3 | 11,011.2 | 11,134.2 | 11,365.0 | 439.7 |
| (As a % of GDP) | 67.4 | 67.6 | 67.4 | 67.9 | 68.6 | 70.0 | 2.7 |

Source: National treasury and CBK

Domestic Debt

The 4.4 percent increase in domestic debt was on account of increased uptake of Treasury bills and bonds. The share of domestic debt to total debt increased by 0.2 percentage points to 53.9 percent

by the end of the third quarter of 2024/25 from 53.7 percent in the previous quarter. The proportion of debt securities to total domestic debt stood at 97.0 percent, which was slightly lower than the 97.6 percent in the previous quarter (**Table 8.2**).

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

Table 8.2: Government Gross Domestic Debt (KSh Billion)

| | Ksh (Billions) | | | | | Change: Q on Q | | Propotions (%) | | | |
|---|----------------|------------|---------|---------|---------|----------------|-------|----------------|------------|-------|-------|
| | FY 2023/24 | FY 2024/25 | | | | | | FY 2023/24 | FY 2024/25 | | |
| | Q4 | Q2 | Jan-25 | Feb-25 | Q3 | Ksh(Bn) | % | Q4 | Aug-24 | Q1 | Q3 |
| Total Stock of Domestic Debt (A+B) | 5,410.7 | 5,868.3 | 5,927.8 | 6,062.7 | 6,126.7 | 258.4 | 4.4 | 100.0 | 100.0 | 100.0 | 100.0 |
| A. Government Securities | 5,243.0 | 5,730.1 | 5,793.1 | 5,903.7 | 5,940.9 | 210.7 | 3.7 | 96.9 | 97.2 | 98.1 | 97.0 |
| 1. Treasury Bills (excluding Repo Bills) | 615.9 | 846.1 | 856.3 | 886.8 | 915.4 | 69.3 | 8.2 | 11.4 | 12.1 | 12.7 | 14.9 |
| Banking institutions | 208.1 | 377.7 | 378.4 | 409.8 | 424.2 | 46.5 | 12.3 | 3.8 | 4.4 | 4.7 | 6.9 |
| The Central Bank | 0.2 | 0.2 | 0.2 | 0.2 | 0.2 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Commercial Banks | 207.9 | 377.5 | 378.1 | 409.6 | 424.0 | 46.5 | 12.3 | 3.8 | 4.4 | 4.7 | 6.9 |
| Pension Funds | 55.1 | 56.6 | 55.9 | 47.5 | 50.8 | -5.7 | -10.1 | 1.0 | 0.8 | 0.9 | 0.8 |
| Insurance Companies | 6.6 | 10.6 | 10.4 | 10.7 | 9.3 | -1.3 | -12.1 | 0.1 | 0.1 | 0.1 | 0.2 |
| Others | 346.1 | 401.2 | 411.6 | 418.9 | 431.1 | 29.9 | 7.4 | 6.4 | 6.8 | 6.9 | 7.0 |
| 2. Treasury Bonds | 4,627.1 | 4,884.0 | 4,936.8 | 5,016.9 | 5,025.4 | 141.4 | 2.9 | 85.5 | 85.1 | 85.4 | 82.0 |
| Banking institutions | 2,073.6 | 2,135.4 | 2,159.0 | 2,190.6 | 2,181.1 | 45.7 | 2.1 | 38.3 | 37.8 | 37.9 | 35.6 |
| The Central Bank | 8.1 | 8.1 | 8.1 | 8.1 | 8.1 | 0.0 | 0.0 | 0.1 | 0.1 | 0.1 | 0.1 |
| Commercial Banks | 2,065.5 | 2,127.3 | 2,150.9 | 2,182.6 | 2,173.0 | 45.7 | 2.1 | 38.2 | 37.7 | 37.8 | 35.5 |
| Insurance Companies | 384.5 | 418.9 | 423.8 | 427.8 | 427.2 | 8.4 | 2.0 | 7.1 | 7.1 | 7.1 | 7.0 |
| Pension Funds | 1,546.4 | 1,638.1 | 1,653.0 | 1,668.0 | 1,681.4 | 43.3 | 2.6 | 28.6 | 28.3 | 28.5 | 27.4 |
| Others | 622.7 | 691.7 | 566.9 | 553.9 | 594.3 | -97.4 | -14.1 | 11.5 | 11.9 | 11.9 | 9.7 |
| 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 | 16.7 | 16.7 | 0.0 | 0.0 | 0.3 | 0.3 | 0.3 | 0.3 |
| Of which: Repo T/Bills | 16.6 | 16.1 | 16.1 | 16.1 | 16.1 | 0.0 | 0.0 | 0.3 | 0.3 | 0.3 | 0.3 |
| B. Others | 150.4 | 121.4 | 118.0 | 142.3 | 169.2 | 47.7 | 39.3 | 2.8 | 2.5 | 1.6 | 2.8 |
| Of which CBK overdraft to Government | 61.0 | 37.5 | 35.2 | 60.6 | 86.5 | 49.0 | 130.8 | 1.1 | 0.9 | 0.0 | 1.4 |

Source: Central Bank of Kenya

Treasury Bills

Treasury bill holdings, excluding those held by CBK for open market operations (Repos), recorded an 8.2 percent increase during the third quarter of 2024/25. As a result, the proportion of Treasury bills to total domestic debt increased by 0.5 percentage points. Commercial banks hold 46.3 percent of Treasury bills, an increase from 44.6 percent in the previous quarter (**Table 8.2**).

Treasury Bonds

Treasury bonds holdings increased by 2.9 percent during the third quarter of 2024/25, which was higher than the 2.1 percent increase in the previous quarter (**Table 8.2**). The largest component of this buildup was attributable to proceeds from the 15-year and 25-year Treasury bonds re-opened during the quarter (**Table 8.3**). The leading holders of Treasury bonds by the end of the period under review were commercial banks and pension funds. Commercial bank holdings accounted for almost half of the outstanding Treasury Bonds.

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

| | Ksh (Billions) | | | | | Change: Q on Q | | Proportion (%) | | | |
|---------------------|----------------|------------|---------|---------|---------|-------------------|-------|----------------|---------|-------|-------|
| | FY 2023/24 | FY 2024/25 | | | | | | 2023/24 | 2024/25 | | |
| | Q1 | Q2 | Jan-25 | Feb-25 | Q3 | Ksh(Bn) | % | Q4 | Q1 | Q2 | Q3 |
| Treasury Bills | 91-Day | 164.6 | 131.8 | 123.0 | 106.3 | 108.4 | -23.4 | -17.8 | 2.9 | 2.2 | 1.8 |
| | 182-Day | 225.7 | 223.0 | 221.1 | 219.3 | 222.1 | -0.9 | -0.4 | 4.0 | 3.8 | 3.6 |
| | 364-Day | 322.1 | 491.3 | 512.2 | 561.2 | 585.8 | 94.5 | 19.2 | 5.8 | 8.4 | 9.6 |
| Treasury Bonds | 1-Year | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 1.7 | 0.0 | 0.0 |
| | 2-Year | 94.6 | 94.6 | 94.6 | 94.6 | 94.6 | 0.0 | 0.0 | 4.1 | 1.6 | 1.5 |
| | 3-Year | 228.7 | 228.7 | 228.7 | 219.5 | 219.5 | -9.2 | -4.0 | 6.4 | 3.9 | 3.6 |
| | 4-Year | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 1.2 | 0.0 | 0.0 |
| | 5-Year | 360.0 | 315.1 | 315.1 | 280.2 | 280.2 | -34.9 | -11.1 | 3.3 | 5.4 | 4.6 |
| | 6-Year | 69.7 | 69.7 | 69.7 | 69.7 | 69.7 | 0.0 | 0.0 | 4.2 | 1.2 | 1.1 |
| | 6.5-Year | 186.9 | 186.9 | 186.9 | 186.9 | 186.9 | 0.0 | 0.0 | 0.0 | 3.2 | 3.1 |
| | 7-Year | 234.5 | 213.3 | 213.3 | 213.3 | 213.3 | 0.0 | 0.0 | 4.3 | 3.6 | 3.5 |
| | 8-Year | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 1.9 | 0.0 | 0.0 |
| | 8.5-Year | 240.3 | 240.3 | 240.3 | 240.3 | 240.3 | 0.0 | 0.0 | 12.1 | 4.1 | 3.9 |
| | 9-Year | 107.4 | 98.9 | 98.9 | 93.2 | 93.1 | -5.8 | -5.9 | 1.4 | 1.7 | 1.5 |
| | 10-Year | 676.6 | 843.3 | 843.3 | 843.3 | 843.3 | 0.0 | 0.0 | 0.9 | 14.4 | 13.8 |
| | 11-Year | 80.2 | 80.2 | 80.2 | 80.2 | 80.2 | 0.0 | 0.0 | 1.7 | 1.4 | 1.3 |
| | 12-Year | 51.1 | 51.1 | 51.1 | 51.1 | 51.1 | 0.0 | 0.0 | 15.5 | 0.9 | 0.8 |
| | 14-Year | 94.3 | 94.3 | 94.3 | 159.5 | 159.5 | 65.2 | 69.2 | 2.7 | 1.6 | 2.6 |
| | 15-Year | 866.2 | 851.9 | 877.5 | 877.5 | 849.8 | -2.0 | -0.2 | 2.2 | 14.5 | 13.9 |
| | 16- Year | 152.0 | 152.0 | 152.0 | 152.0 | 152.0 | 0.0 | 0.0 | 2.9 | 2.6 | 2.5 |
| | 17- Year | 120.5 | 120.5 | 120.5 | 185.2 | 185.2 | 64.8 | 53.8 | 1.8 | 2.1 | 3.0 |
| | 18- Year | 161.6 | 161.6 | 161.6 | 161.6 | 161.6 | 0.0 | 0.0 | 10.4 | 2.8 | 2.6 |
| | 19- Year | 98.4 | 98.4 | 98.4 | 98.4 | 98.4 | 0.0 | 0.0 | 1.9 | 1.7 | 1.6 |
| | 20-Year | 585.0 | 605.7 | 605.7 | 605.7 | 605.7 | 0.0 | 0.0 | 4.3 | 10.3 | 9.9 |
| | 21-Year | 106.7 | 106.7 | 106.7 | 106.7 | 106.7 | 0.0 | 0.0 | 0.5 | 1.8 | 1.7 |
| | 25-Year | 242.6 | 242.6 | 269.7 | 269.7 | 305.9 | 63.3 | 26.1 | 4.3 | 4.1 | 5.0 |
| | 30-Year | 28.1 | 28.1 | 28.1 | 28.1 | 28.1 | 0.0 | 0.0 | 0.3 | 0.5 | 0.5 |
| Repo T bills | | 16.1 | 16.1 | 16.1 | 16.1 | 16.1 | 0.0 | 0.0 | 0.3 | 0.3 | 0.3 |
| Overdraft | | 0.0 | 37.5 | 35.2 | 60.6 | 86.5 | 49.0 | 130.8 | 0.0 | 0.6 | 1.4 |
| Other Domestic debt | | 87.6 | 84.6 | 83.4 | 82.3 | 82.5 | -2.1 | -2.5 | 1.6 | 1.4 | 1.3 |
| Total Debt | | 5,601.7 | 5,868.3 | 5,927.8 | 6,062.7 | 6,126.7 | 258.4 | 4.4 | 100.0 | 100.0 | 100.0 |

Source: Central Bank of Kenya

Domestic Debt by Tenor and the Maturity Structure

The government floated both short and long dated securities during the period under review. The current debt securities portfolio is dominated by medium- and long-term debt securities at the ratio of 85:15 Treasury

bonds to Treasury bills. The benchmark 2-year, 5-year, 10-year, 15-year and 20-year Treasury Bonds accounted for 53.2 percent of the total outstanding Treasury Bonds. The refinancing risk on total domestic debt remained low as the Treasury bills component in the domestic debt profile stood at 14.9 percent by the end of March 2025.

External Debt

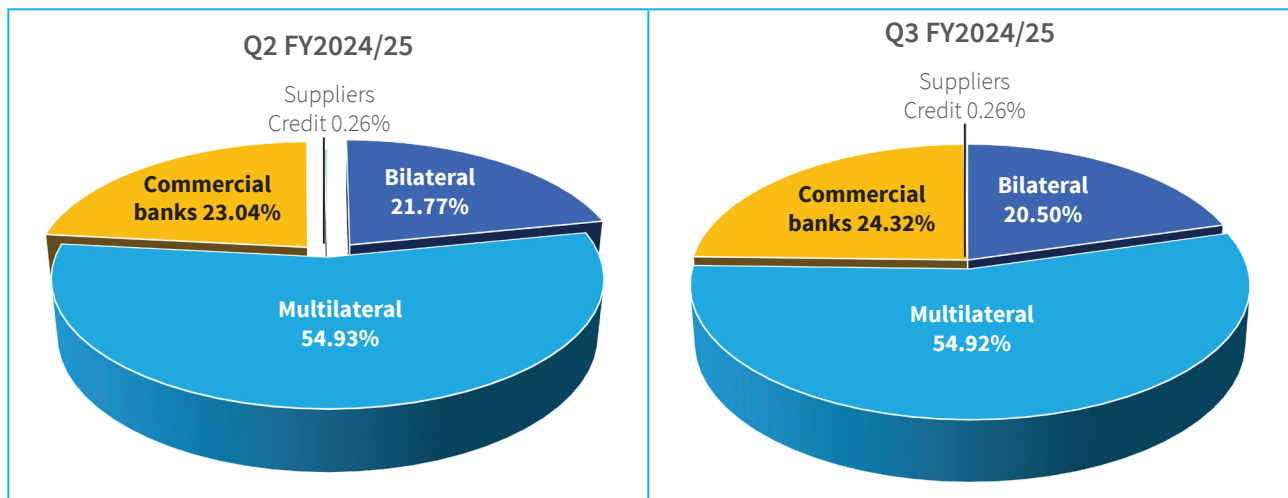
Public and publicly guaranteed external debt increased by 3.6 percent during the third quarter of 2024/25. This increase was majorly driven by disbursements from multilateral and commercial lenders and exchange rate movements.

Composition of External Debt by Creditor

The composition of external debt improved with increased flow of international development assistance

in form of concessional loans. The shares of outstanding debt from official multilateral lenders (who provide concessional loans) and supplier credits remained unchanged at 54.9 percent and 0.26 percent while the proportion of commercial debt increased by 1.3 percentage points. However, proportion of bilateral debt decreased by 1.3 percentage points during the third quarter of 2024/25 (**Chart 8.1**).

Chart 8.1: Composition of external debt by lender

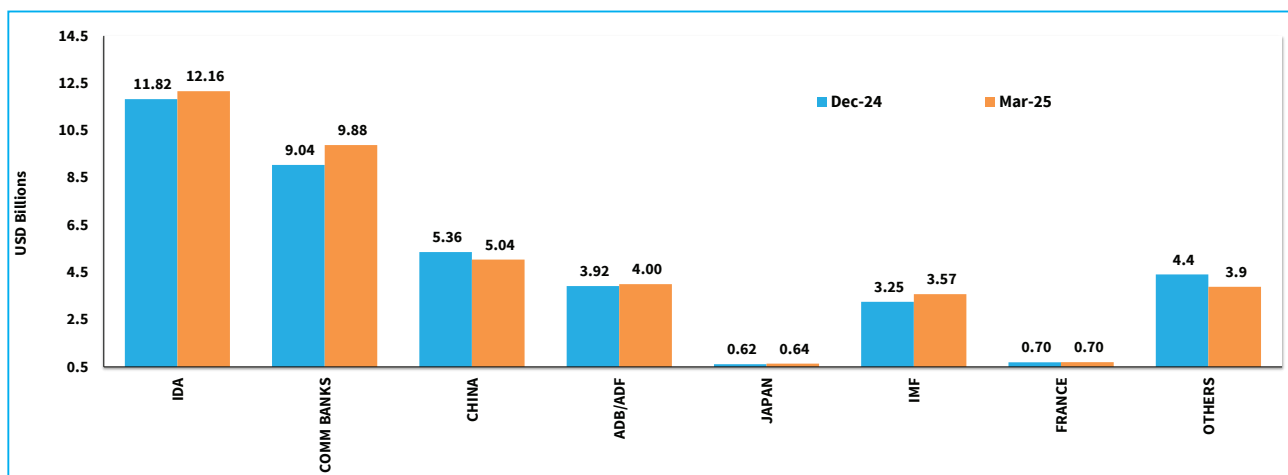


Source: December 2024 BOT, National Treasury

Debt owed to International Development Association (IDA), Kenya's largest multilateral lender, stood at USD 12.2 billion (30.5 percent of external debt). Debt owed

to China, Kenya's largest bilateral lender, amounted to USD 5.0 billion, or 12.6 percent of the total external debt by the end of the third quarter of 2024/25 (**Chart 8.2**).

Chart 8.2: External Debt by Creditor



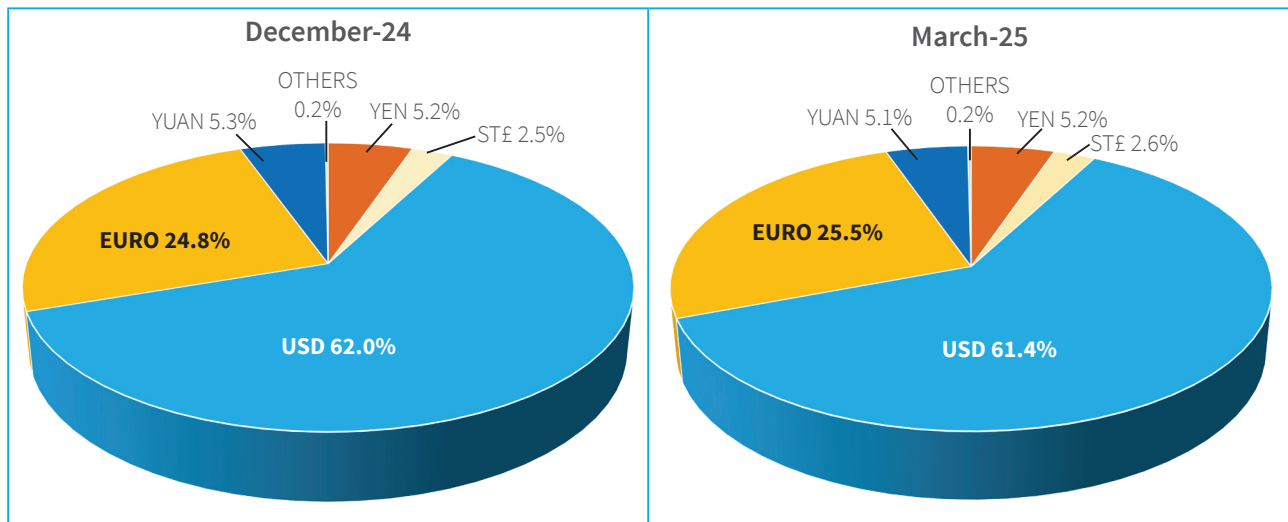
Source: National Treasury

Currency Composition of External Debt

Kenya's public and publicly guaranteed external debt is denominated in various currencies to mitigate against currency risk. The dominant currencies include the US

dollar and the Euro which accounted for 86.9 percent of the total currency composition at the end of the third quarter of 2024/25. The proportion held in US dollar decreased by 0.5 percentage points (**Chart 8.3**).

Chart 8.3: Debt Composition by Currency



Source: National Treasury

Public Debt Service

The ratio of domestic interest payments to ordinary revenues was 37.4 percent during the third quarter of 2024/25. The largest component of domestic interest payments was coupon interest on Treasury Bonds which was consistent with the proportion of debt held in Treasury bonds. External debt service for the third

quarter of 2024/25 amounted to KSh 235.4 billion. This comprised of KSh. 165.7 billion (70.4 percent) principal and KSh 69.8 billion (29.6 percent) interest. External debt service to revenue and exports ratios deteriorated during the quarter under review mainly due to an increase in principal repayments relative to the previous quarter² (Table 8.4).

Table 8.4: Liquidity External debt indicators

| Composite Indicators Threshold | Q3 FY 2022/23 | Q4 FY 2022/23 | Q1 FY 2023/24 | Q2 FY 2023/24 | Q3 FY 2023/24 | Q4 FY 2023/24 | Q1 FY 2024/25 | Q2 FY 2024/25 | Q3 FY 2024/25 |
|--------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Debt service to Revenues (18%) | 23.0 | 13.2 | 28.3 | 15.9 | 68.0 | 17.4 | 23.7 | 9.8 | 37.4 |
| Debt service to Exports (15%) | 28.0 | 19.8 | 34.1 | 20.4 | 74.5 | 31.1 | 23.2 | 10.1 | 40.7 |

Debt Sustainability Analysis

A Debt Sustainability Analysis (DSA) conducted by the IMF in October 2024 shows that Kenya's debt remains sustainable in the medium to long term but facing a high risk of debt distress. This was mainly driven by a weaker outlook for revenue mobilization and

continued underperformance in exports that weighs on the debt servicing capacity. The assessment also showed that Kenya's debt dynamics were expected to improve gradually supported by the multiyear fiscal consolidation and a notable improvement in export growth relative to the performance in the past decade.

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 10.8 and 5.9 percent in the first quarter of 2025 compared to the fourth quarter of 2024. Similarly, Market capitalization

increased by 6.9 percent. Total shares traded, and Equity turnover decreased by 8.9 percent, and –36.1 percent, respectively. (**Table 9.1 and Chart 9.1**).

Table 9.1: Selected stock Market indicators

| Indicator | 2023 | | | 2024 | | | | 2025 | Change 2025Q1-2024Q2 (%) |
|--|------------|------------|------------|------------|------------|------------|------------|------------|--------------------------|
| | Q1 | Q2 | Q3 | Q1 | Q2 | Q3 | Q4 | Q1 | |
| 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 | 10.75 |
| NASI (2008=100) | 112.76 | 107.00 | 95.22 | 113.09 | 109.49 | 107.08 | 123.48 | 130.81 | 6.85 |
| 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 | -15.00 |
| 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 | -85.40 |
| 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 | 6.94 |
| 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 | 10.05 |
| 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 | -165.82 |
| Ave. Foreign Investor Participation to Equity Turnover (%) | 41.24 | 44.95 | 47.01 | 59.23 | 64.11 | 42.13 | 39.25 | 38.66 | -0.59 |
| 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 | 90.34 |
| 7-Year Eurobond Yield (%) (2027) | 12.649 | 12.620 | 14.299 | 8.443 | 10.567 | 8.342 | 8.480 | 7.583 | -0.90* |
| 10-Year Eurobond Yield (%) (2028) | 12.090 | 11.076 | 13.273 | 9.238 | 10.694 | 8.627 | 9.056 | 8.836 | -0.22* |
| 10-Year Eurobond Yield (%) (2031) | | | | | 11.080 | 9.532 | 10.129 | 10.449 | 0.32* |
| 12-Year Eurobond Yield (%) (2032) | 11.836 | 10.314 | 12.698 | 9.265 | 11.011 | 9.553 | 10.114 | 10.419 | 0.31* |
| 13-Year Eurobond Yield (%) (2034) | 11.113 | 11.057 | 12.296 | 9.316 | 10.924 | 9.439 | 10.117 | 10.413 | 0.30* |
| 30-Year Eurobond Yield (%) (2048) | 11.683 | 11.578 | 12.453 | 9.316 | 11.092 | 9.939 | 10.286 | 10.799 | 0.51* |
| * Percentage points | | | | | | | | | |
| Source : Nairobi Securities Exchange | | | | | | | | | |

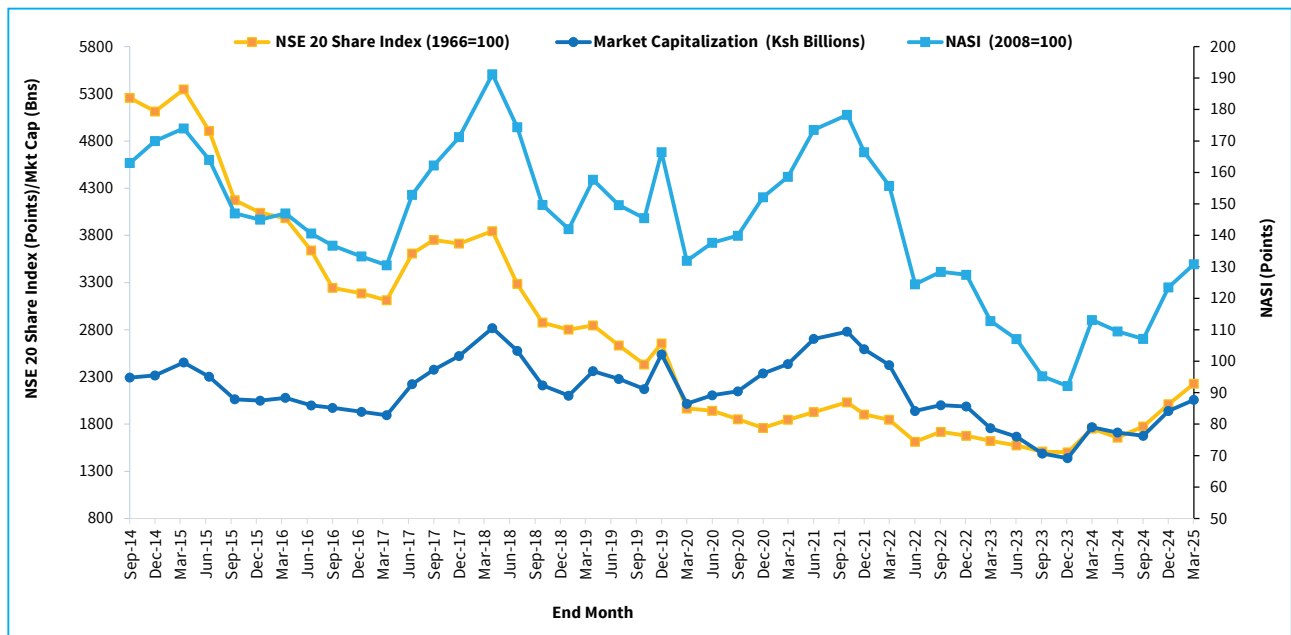
* Percentage points

Source: Nairobi Security Exchange

Foreign Investors' Participation

The value of equities purchased by foreign investors increased by 9.0 percent at the end of the first quarter of 2025 compared to the fourth quarter of 2024. Also, the value of equities sold by foreign investors

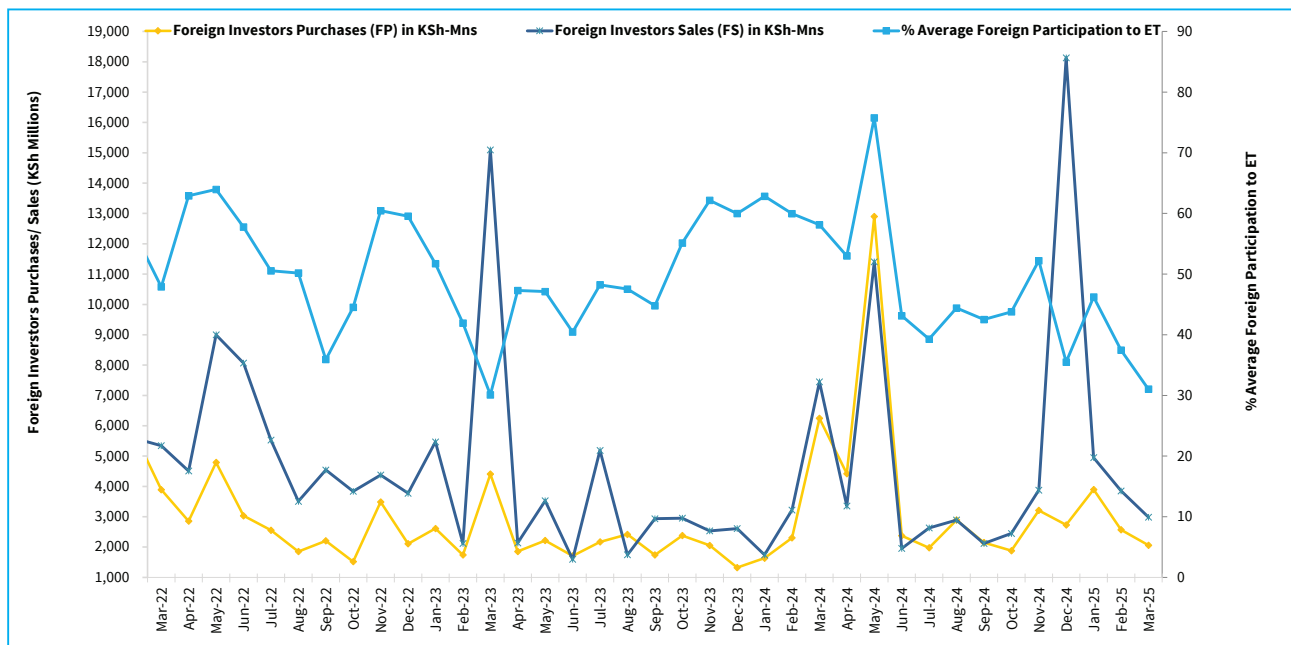
decreased by 51.8 percent in the same period. Overall, the average foreign investor participation at the NSE decreased by 0.6 percentage points in the period under review (**Table 9.1 and Chart 9.2**).

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

Bonds Market

The bond turnover in the domestic secondary market increased by 95.1 percent in the first quarter of 2025 compared to the fourth quarter of 2024.

In the international market, yields on all outstanding Kenya's Eurobonds decreased by an average of 5 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 Central Bank of Kenya (Kenya shillings million)

Table 10.1: Statement of Financial Position as at Second Quarter of 2023 (Amounts In Kshs. Million)

| | | 2024 | | | | 2025 | Absolute Quarterly Changes (KSh Million) | | | | | | Quarterly Growth Rates (%) | | | |
|-------------------------|-------------------------------------|-----------|-----------|-----------|-----------|-----------|--|----------|-----------|----------|-----------|---------|----------------------------|---------|---------|---------|
| | | Mar | June | Sept | Dec | Mar | Q1,2025 | Q4,2024 | Q3,2024 | Q2,2024 | Q1,2024 | Q1,2025 | Q4,2024 | Q3,2024 | Q2,2024 | Q1,2024 |
| 1.0 Assets | | | | | | | | | | | | | | | | |
| 1.1 | Reserves and Gold Holdings | 964,679 | 1,049,305 | 1,061,338 | 1,255,398 | 1,336,093 | 80,695 | 194,060 | 12,033 | 84,626 | (103,578) | 6.4 | 18.3 | 1.1 | 8.8 | (9.7) |
| 1.2 | Funds Held with IMF | 58,226 | 52,550 | 53,174 | 47,175 | 44,098 | (3,077) | (5,999) | 624 | (5,676) | (18,302) | (6.5) | (11.3) | 1.2 | (9.7) | (23.9) |
| 1.3 | Investment in Equity (Swift Shares) | 11 | 11 | 12 | 11 | 11 | - | (1) | 0 | (0) | (3) | - | (5.0) | 3.9 | (2.7) | (18.2) |
| 1.4 | Items in the Course of Collection | | | | | | - | - | - | - | - | | | | | |
| 1.5 | Advances to Commercial Banks | 207,561 | 239,847 | 189,332 | 102,624 | 67,909 | (34,715) | (86,708) | (50,515) | 32,287 | (21,669) | (33.8) | (45.8) | (21.1) | 15.6 | (9.5) |
| 1.6 | Loans and Other Advances | 423,467 | 413,002 | 424,385 | 458,237 | 466,004 | 7,767 | 33,852 | 11,383 | (10,464) | 7,314 | 1.7 | 8.0 | 2.8 | (2.5) | 1.8 |
| 1.7 | Other Assets | 4,041 | 7,117 | 6,780 | 7,448 | 6,624 | (824) | 668 | (337) | 3,076 | (1,084) | (11.1) | 9.9 | (4.7) | 76.1 | (21.1) |
| 1.8 | Retirement Benefit Asset | 4,994 | 5,861 | 5,861 | 5,861 | 5,861 | - | 0 | - | 867 | (1) | - | 0.0 | - | 17.4 | (0.0) |
| 1.9 | Property and Equipment | 29,082 | 29,647 | 29,244 | 28,888 | 28,635 | (253) | (356) | (403) | 565 | (340) | (0.9) | (1.2) | (1.4) | 1.9 | (1.2) |
| 1.10 | Intangible Assets | 2,421 | 2,666 | 2,411 | 2,715 | 3,226 | 511 | 304 | (255) | 246 | 20 | 18.8 | 12.6 | (9.6) | 10.2 | 0.8 |
| 1.11 | Due Debt from Government of Kenya | 194,161 | 160,311 | 99,346 | 133,904 | 181,538 | 47,634 | 34,558 | (60,965) | (33,850) | (22,089) | 35.6 | 34.8 | (38.0) | (17.4) | (10.2) |
| | Total Assets | 1,888,642 | 1,960,317 | 1,871,883 | 2,042,261 | 2,139,999 | 97,738 | 170,378 | (88,433) | 71,675 | (159,733) | 4.8 | 9.1 | (4.5) | 3.8 | (7.8) |
| 2.0 Liabilities | | | | | | | | | | | | | | | | |
| 2.1 | Currency in Circulation | 337,668 | 333,795 | 332,222 | 371,696 | 353,204 | (18,492) | 39,474 | (1,572) | (3,873) | (13,607) | (5.0) | 11.9 | (0.5) | (1.1) | (3.9) |
| 2.2 | Deposits | 563,692 | 647,035 | 544,385 | 624,002 | 627,838 | 3,836 | 79,617 | (102,649) | 83,343 | 8,687 | 0.6 | 14.6 | (15.9) | 14.8 | 1.6 |
| 2.3 | International Monetary Fund | 587,952 | 573,412 | 589,238 | 644,519 | 655,444 | 10,925 | 55,281 | 15,826 | (14,540) | (8,334) | 1.7 | 9.4 | 2.8 | (2.5) | (1.4) |
| 2.4 | Investment by Banks | | | | | 79,820 | 79,820 | - | - | - | | | | | | |
| 2.5 | Other Liabilities | 3,637 | 6,117 | 6,543 | 3,069 | 3,460 | 391 | (3,474) | 426 | 2,480 | (285) | 12.7 | (53.1) | 7.0 | 68.2 | (7.3) |
| | Total Liabilities | 1,492,949 | 1,560,359 | 1,472,388 | 1,643,286 | 1,719,766 | 76,480 | 170,898 | (87,970) | 67,409 | (13,539) | 4.7 | 11.6 | (5.6) | 4.5 | (0.9) |
| 3.0 Equity and Reserves | | | | | | | | | | | | | | | | |
| | Share Capital | 50,000 | 50,000 | 60,000 | 60,000 | 60,000 | - | - | 10,000 | - | - | - | - | 20 | - | - |
| | General reserve fund | 345,347 | 300,725 | 320,262 | 319,742 | 341,000 | 21,258 | (520) | 19,538 | (44,622) | (146,193) | 6.6 | (0.2) | 6 | (13) | (30) |
| | Asset Revaluation | 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) | 0 | - | (1) | 18,887 | - | (0.0) | - | 0 | (89) | - |
| | Consolidated Fund | | 30,000 | | | | - | - | (30,000) | 30,000 | - | | | | | |
| 4.0 | Total Liabilities and Equity | 1,888,643 | 1,960,317 | 1,871,884 | 2,042,261 | 2,139,999 | 97,738 | 170,377 | (88,433) | 71,674 | (159,732) | 4.8 | 9.1 | (4.5) | 3.8 | (7.8) |

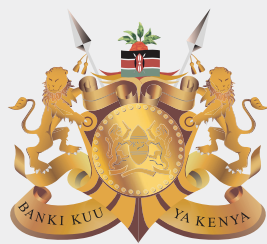
Notes on CBK Financial Position

Assets

The Central Bank of Kenya (CBK) balance sheet increased by 4.8 percent in the first quarter of 2025 compared to 9.1 percent in the previous quarter, mainly reflected 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 due to official government inflows as well as Central Bank purchases of foreign exchange. In addition, debt due from the Government increased, partly reflecting utilization of the overdraft facility by the government. In contrast, advances to commercial banks declined, owing to improved liquidity conditions in the money markets.

Liabilities

On the liability side, the growth in Central Bank of Kenya's (CBK) balance sheet, partly reflected increased investment by banks, increased equity and reserves and increased in deposits. The increase in investment by banks was partly due to open market operations, while the increase in equity and reserves was partly due to improved profitability. The increase in deposits partly reflected increased government deposits. In addition, liabilities to the International Monetary Fund (IMF) increased slightly during the review period. Meanwhile, the currency in circulation declined, largely reflecting seasonal reduced demand for cash following the end of year festivities.



Central Bank of Kenya

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