ECONOMIC BULLETIN

A Report Prepared by:

The KBA Centre for Research on Financial Markets and Policy®

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KENYA BANKERS ASSOCIATION

About this Report

This Bulletin presents a comprehensive review of Kenya's economic performance in the third quarter of 2025, leveraging recent performance and developments to offer insights into the country's economic outlook for the year 2026. The Bulletin highlights key trends across the real economy, government fiscal operations, public debt, inflation and interest rates, the balance of payments and exchange rate dynamics. It also examines activity within the financial sector, including banking, and capital markets.

About the Centre for Research on Financial Markets and Policy®

The Centre for Research on Financial Markets and Policy® was established by the Kenya Bankers Association in 2012 to offer an array of research, commentary, and dialogue regarding critical policy matters that impact on financial markets in Kenya. The Centre sponsors original research, provides thoughtful commentary, and hosts dialogues and conferences involving scholars and practitioners on key financial market issues. Through these activities, the Centre acts as a platform for intellectual engagement and dialogue between financial market experts, the banking sector and the policy makers in Kenya. It therefore contributes to an informed discussion that influences critical financial market debates and policies.

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From the CEO's Desk

THE 44TH ISSUE OF THE KENYA BANKERS ECONOMIC BULLETIN presents a comprehensive review of Kenya's economic and financial performance in the third quarter of 2025, as well as insights into the outlook for 2026. More specifically, the Bulletin sheds light into evolving macroeconomic conditions, financial sector performance and policy interventions shaping Kenya's economic outlook.

This edition highlights several significant developments. From a global standpoint, global growth is projected at 3.2% in 2025, because of front-loaded consumption and investment and lower effective tariff rates. Sub-Saharan Africa's outlook has modestly improved, with growth expected to strengthen further in 2026. These developments are expected to influence Kenya primarily through trade, tourism, remittance flows and financial market conditions.

> *This edition highlights several significant developments. From a global standpoint, global growth is projected at 3.2% in 2025, because of front-loaded consumption and investment and lower effective tariff rates.*

Anchored Inflation

Domestically, the economy demonstrated strong momentum in the third quarter of 2025, expanding by 4.9% compared to 4.2% in the corresponding period of 2024. Growth was supported by renewed activity in key productive sectors and an accommodative monetary policy environment. The strongest performance was recorded in accommodation and food services, reflecting continued recovery in tourism and hospitality. Inflation remained well anchored within the government target range. Going forward, improving supply conditions and stable global commodity prices are expected to keep inflation anchored around the midpoint of the target band in 2026. Notwithstanding these positive developments, fiscal risks remain elevated. Revenue underperformance continues to pose challenges to fiscal consolidation efforts, with implications for domestic financing needs and potential crowding out of private sector credit.

Strengthened Policy Transmission

Monetary easing during the quarter supported improved liquidity conditions and strengthened policy transmission. Consequently, there was a gradual recovery in private sector credit growth. Even so, asset quality remains an area of concern by the industry, with the non-performing loans ratio standing at 17.1 percent in September 2025 amid lingering repayment pressures.

Kenya's banking sector remained stable and resilient, underpinned by broad-based growth. Total sector assets increased to Kes 8.06 trillion in September 2025. Liquidity conditions remained comfortable, with the aggregate liquidity ratio well above the statutory minimum.

I trust that this edition of the Kenya Bankers Economic Bulletin will provide you with valuable insights. We welcome feedback and contributions on topical issues shaping Kenya's financial sector. Submissions and editorial correspondence may be directed to the Bulletin's Editor at research@kba.co.ke .

Raimond Molenje
Chief Executive Officer
Kenya Bankers Association

Editorial Opinion

By Dr. Samuel Tiriongo
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Global inflationary pressures have continued to ease, creating a more benign external price environment, even as pockets of downside risk remain. Internationally, food inflation moderated in 2025 as global cereal and sugar prices softened on the back of strong harvests. Even so, edible oils inflation stayed elevated due to persistent supply tightness in sunflower and rapeseed markets. This global disinflation trend has supported a shift toward monetary easing, albeit amid continued uncertainty from geopolitical tensions, oil-market volatility and evolving trade policies.

Domestically, inflation remained well-anchored within the government target range. Kenya's headline inflation eased marginally to 4.5% in November and December 2025, from 4.6% in October 2025 **(Figure 1).** While non-core inflation edged up to 11.2% in December 2025 from 10.1% in the previous month, driven mainly by higher prices of fresh vegetable and energy items.

On the other hand, core inflation declined to 2.0% in December 2025 from 2.3% in November and 2.7% in October 2025. Going forward, expectations of global commodity prices stabilizing at lower levels, alongside improving supply conditions and sustained domestic food production, suggest that inflation is likely to remain anchored around the mid-point of the target band in 2026, notwithstanding lingering external downside risks.

Food Inflation

Internationally, food inflation moderated in 2025 as global cereal and sugar prices softened on the back of strong harvests.

4.5%

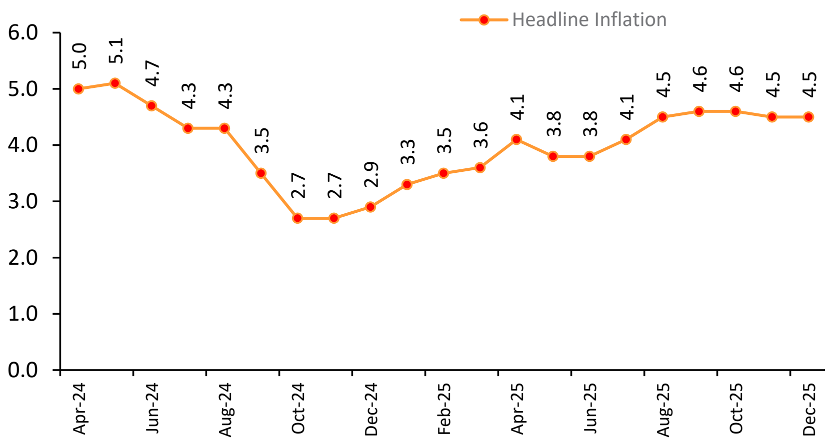
Headline inflation in November, December 2025

Domestically, inflation remained well-anchored within the government target range. Kenya's headline inflation eased marginally to 4.5% in November and December 2025, from 4.6% in October 2025

2.0%

core inflation declined to 2.0% in December 2025 from 2.3% in November and 2.7% in October 2025.

Figure 1: Trends in Headline Inflation



Source: KNBS

> *Going forward, expectations of global commodity prices stabilizing at lower levels, alongside improving supply conditions and sustained domestic food production*

Domestic Economy Overview

At the same time, the domestic economy has shown a strong growth momentum. The economy expanded by 4.9% in the third quarter of 2025, compared to 4.2% growth recorded in the corresponding period of 2024 **(Figure 2a).** This growth was supported by renewed activity in key productive sectors and a accommodative monetary policy environment that catalyzed easing of the financial conditions.

The strongest growth was evident in the Accommodation and Food Services sector, which grew by 17.7%, on account of the continued strength in tourism and hospitality, underpinned by international visitor arrivals and major events such as CHAN. Nonetheless, fiscal risks remain elevated. While fiscal spending is expected to reinforce growth momentum, the ongoing fiscal consolidation faces headwinds from revenue underperformance, which could push deficits above target **(Figure 2b)** and increase reliance on domestic financing **(Figure 2c).**

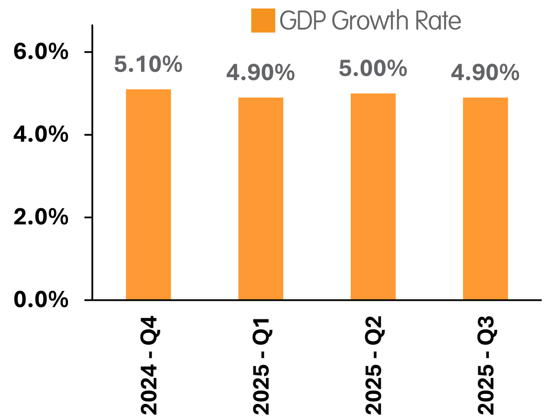
November 2025 Inflation

4.5%

Kenya's headline inflation eased marginally to 4.5% in November and December 2025, from 4.6% in October 2025 (Figure 1).

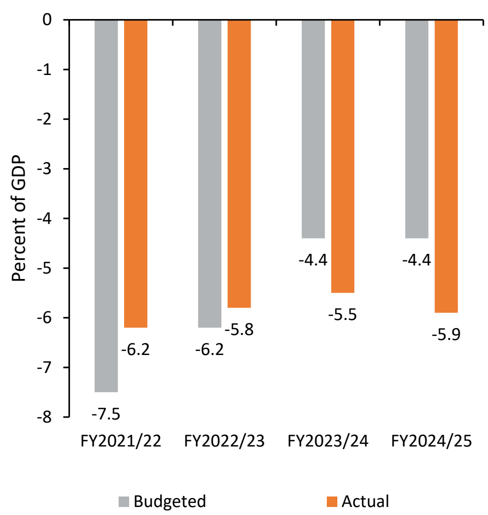
Such developments could complicate efforts to narrow the fiscal deficit from 5.7% of GDP in FY 2024/25 to 4.8% in FY 2025/26 and to reduce public debt toward the medium-term target range of 55 ± 5% of GDP by 2028. Moreover, a sharper shift toward domestic borrowing could also crowd out private sector credit.

Figure 2(a): Trends in GDP Growth Rate



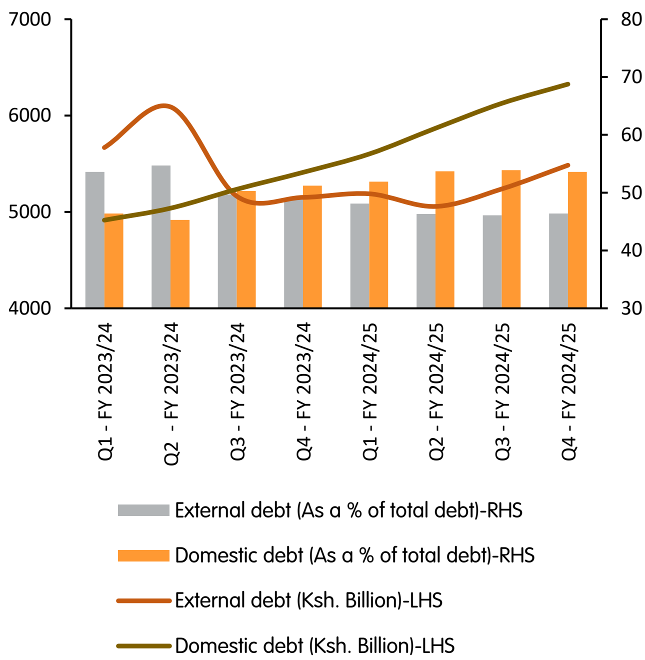
Source: KNBS

Figure 2(b): Fiscal Balance as a percentage of GDP (%)



Source: National Treasury

Figure 2(c): Trends in domestic and external debt



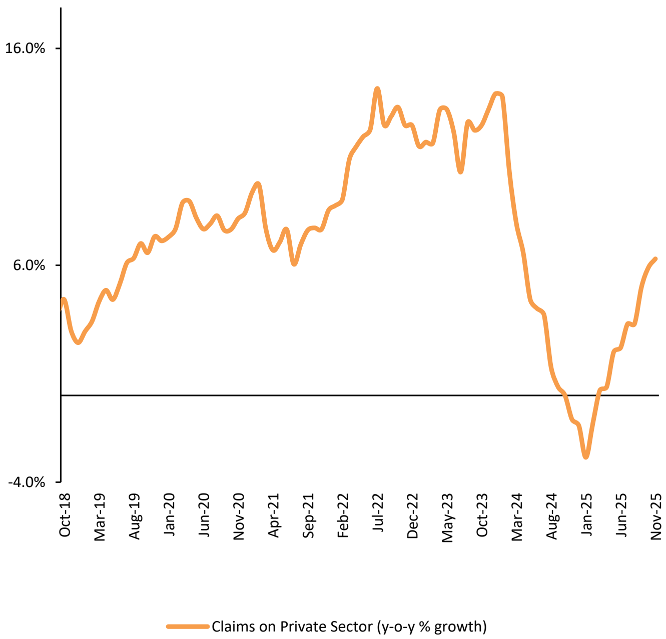
Source: National Treasury and Central Bank of Kenya

4.9% *Percentage growth of Kenya's economy in the third quarter of 2025, compared to 4.2% growth recorded in the corresponding period of 2024.*

The financial conditions have nevertheless continued to ease, reflecting both global and domestic monetary developments. In December 2025, the U.S. Federal Reserve cut interest rates by 25 basis points for the third consecutive time, lowering the federal funds rate to 3.5% - 3.75%.

Within the domestic market, liquidity conditions improved and monetary policy transmission strengthened, with KESONIA remaining stable and closely aligned to the Central Bank Rate. Other market interest rates, including lending, deposit and Treasury bill rates declined, albeit at varying magnitudes, reflecting persistent structural rigidities. Consequently, private sector credit growth continued to recover, reaching 6.3% November 2025, up from 5.9% in October 2025 and a contraction of 2.85% recorded in January 2025 **(Figure 3). T**his recovery was broad-based, with the building and construction (43.8%), Manufacturing (7.9%), Trade (6.2%) and consumer durables (8.3%), posting strong growth.

Figure 3: Credit to the private sector



Source: CBK

$435.50 million

Remittances remained strong, reaching USD 435.50 million in December 2025. These inflows supported exchange rate stability (Figure 4) and contributed to a build-up in official foreign exchange reserves.

Remittances & Forex Reserves

Remittances inflows supported exchange rate stability, to a build-up in official foreign exchange reserves at USD 12,394 million, equivalent to 5.3 months of import cover, as of 31 December 2025.

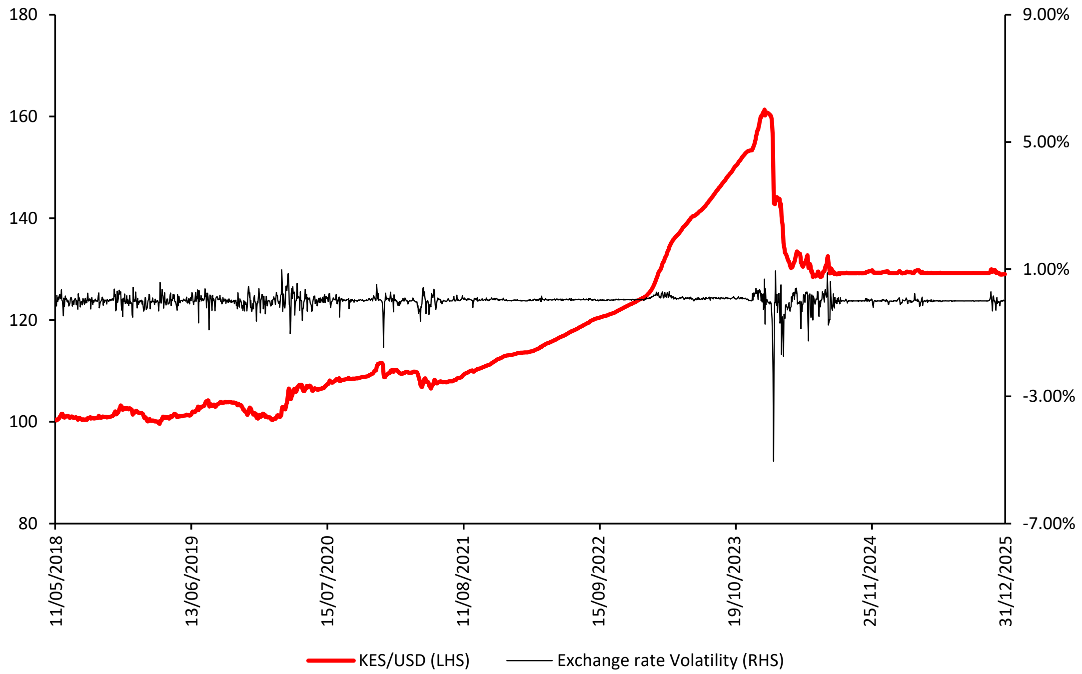
USD 435.50

Remittances as at December 2025, suppoting exchange rate stability and inflation mitigation

Source: National Treasury

Meanwhile, the external sector remained supportive of macroeconomic stability. The current account deficit widened slightly to 2.2% of GDP in the 12 months to October 2025 due to higher importation of intermediate and capital goods. Remittances remained strong, reaching USD 435.50 million in December 2025. These inflows supported exchange rate stability **(Figure 4)** and contributed to a build-up in official foreign exchange reserves, which stood at USD 12,394 million, equivalent to 5.3 months of import cover, as of 31 December 2025.The prevailing exchange rate stability continues to mitigate risks of imported inflation, reinforcing the overall inflation outlook.

Figure 4: Trends in KES/USD Exchange Rate



Source: CBK

> ***The current account deficit widened slightly to 2.2% of GDP in the 12 months to October 2025 due to higher importation of intermediate and capital goods.***

State of the Economy

Global economic activity in 2025 is projected to be stronger than previously anticipated, reflecting resilient performance in the first half of the year and easing trade frictions. According to the IMF's October 2025 World Economic Outlook, global growth is forecast at 3.2% in 2025 and 3.1% in 2026, slightly below the 3.3% recorded in 2024 but representing an upward revision for 2025 relative to earlier forecasts (Table 1).

This improvement is largely attributed to lower effective tariff rates and front-loaded consumption and investment, although momentum is expected to moderate going into 2026 amid elevated policy uncertainty, rising protectionism, constrained fiscal space and declining international aid.

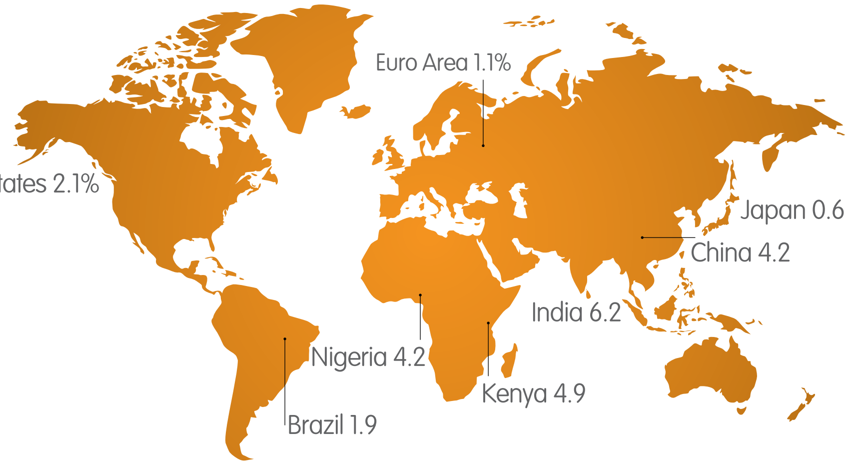
Table 1: Global Economic Growth rates (%)

		October 2025 Projections	
	2024	2025	2026
World Output	**3.3**	**3.2**	**3.1**
Advanced Economies	**1.8**	**1.6**	**1.6**
United States	2.8	2.0	2.1
Euro Area	0.9	1.2	1.1
Japan	0.1	1.1	0.6
United Kingdom	1.1	1.3	1.3
Emerging and Developing Economies	**4.3**	**4.2**	**4.0**
China	5.0	4.8	4.2
India	6.5	6.6	6.2
Brazil	3.4	2.4	1.9
Sub-Saharan Africa	**4.1**	**4.1**	**4.4**
Nigeria	4.1	3.9	4.2
Kenya	4.7	4.8	4.9
South Africa	0.5	1.1	1.2

Source: IMF World Economic Outlook Update (October 2025)

Growth in Advanced Economies remains subdued at 1.6% in both 2025 and 2026, down from 1.8% in 2024, with the United States decelerating from strong 2024 performance despite modest upward revisions supported by fiscal stimulus and easier financial conditions. Emerging Markets and Developing Economies are projected to grow by 4.2% in 2025 and 4.0% in 2026, slightly below 2024 levels, reflecting weaker prospects in Russia despite stable growth in China. In Sub-Saharan Africa, the outlook has modestly improved, with growth projected at 4.1% in 2025 and strengthening further to 4.4% in 2026, supported by a softer external environment and improved regional demand dynamics.

Global Economic Growth rates Projections 2026 (%)

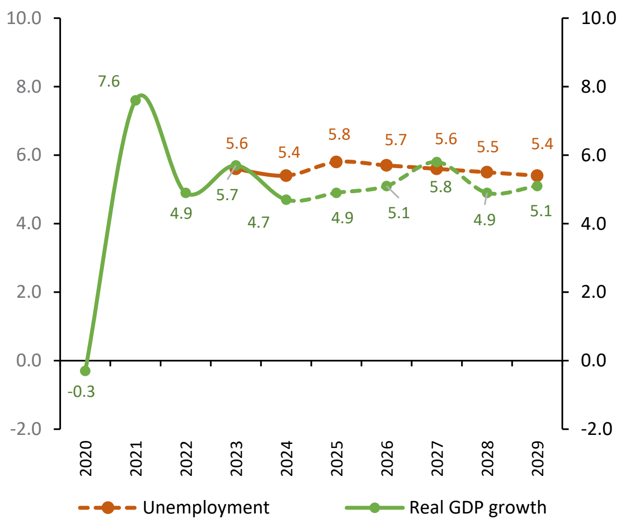


The spillover effects of these global developments through export performance, tourism flows and remittances are expected to impact on the goods market equilibrium conditions in emerging and some frontier markets including Kenya. The domestic economy grew by 4.9% in the third quarter of 2025. Forecasts of economic growth range between 4.8% and 4.9% (IMF, 2025) and 4.9% and 5.0% (S&P Global Market Intelligence) for 2025 and 2026, respectively **(Figure 5a).** The headline Purchasing Managers' Index (PMI) remained upbeat during the quarter to stand at 53.7 in December 2025 **(Figure 5b).**

> ***Growth in Advanced Economies remains subdued at 1.6% in both 2025 and 2026, down from 1.8% in 2024, with the United States decelerating from strong 2024 performance despite modest upward revisions.***

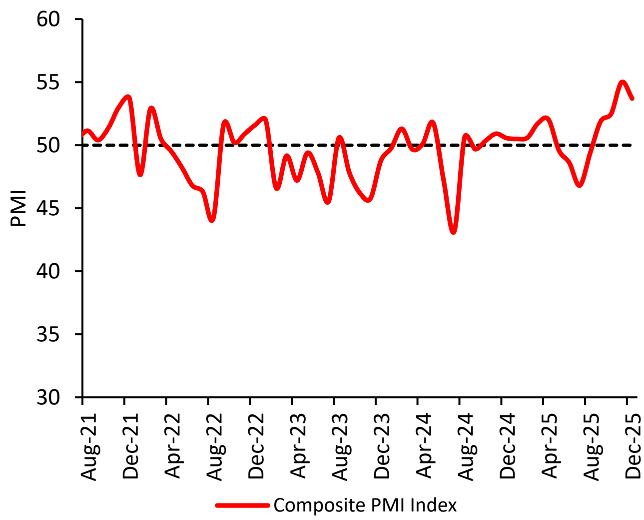
Figure 5: Kenya's GDP growth

Figure 5(a): Kenya's GDP growth and unemployment rates



Source: S&P Global Market Intelligence Forecast

Figure 5(b): Composite Purchasing Managers Index (PMI)



Source: IHS Markit

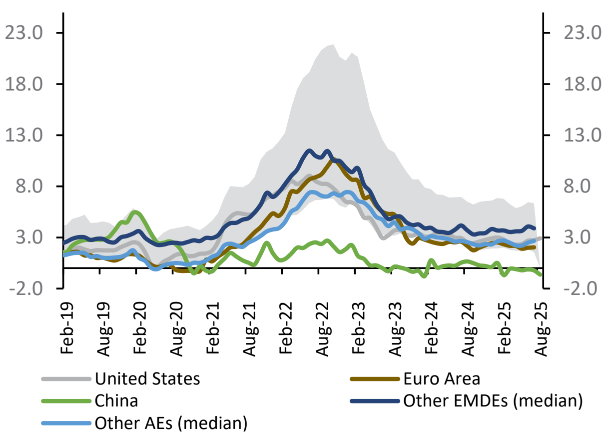
Strong Domestic Food Production

There are expectations of global commodity prices stabilizing at lower levels, supply conditions improving. With domestic food production remaining strong, inflation is expected to stay anchored near the mid-point of the target band in 2026.

From the inflationary standpoint, food inflation in the global economy has moderated as global cereal and sugar prices softened following strong harvests. Global inflation is projected to decline to 4.2% in 2025, and further to 3.7% in 2026, from 5.6% in 2024, with forecasts largely unchanged from July 2025 WEO. Major economies, including the United States, United Kingdom and the Euro Area, recorded mild upticks in headline inflation due to tariff-related cost pressures and higher food prices, but core inflation remained broadly stable **(Figure 6).** Domestically, Kenya's headline inflation in December 2025 stood at 4.5%, down slightly from 4.6 % in October 2025. As non-core inflation edged up to 11.2% from 9.9% in October 2025, core inflation eased to 2.0% from 2.7 % in October 2025 **(Figure 7).**

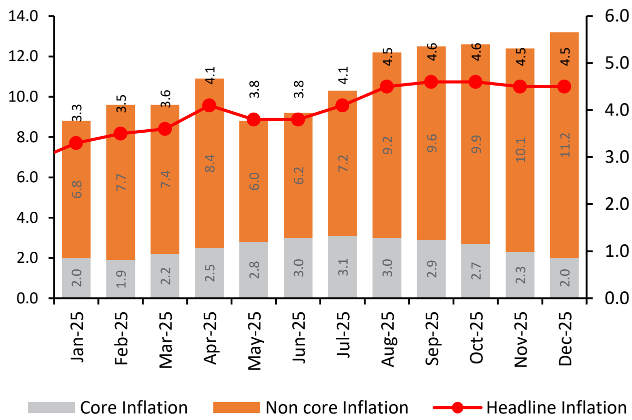
Thus, going forward, there are expectations of global commodity prices stabilizing at lower levels **(Figure 8)** and supply conditions improving. With domestic food production remaining strong, inflation is expected to stay anchored near the mid-point of the target band in 2026.

Figure 6: Trends in Global headline inflation



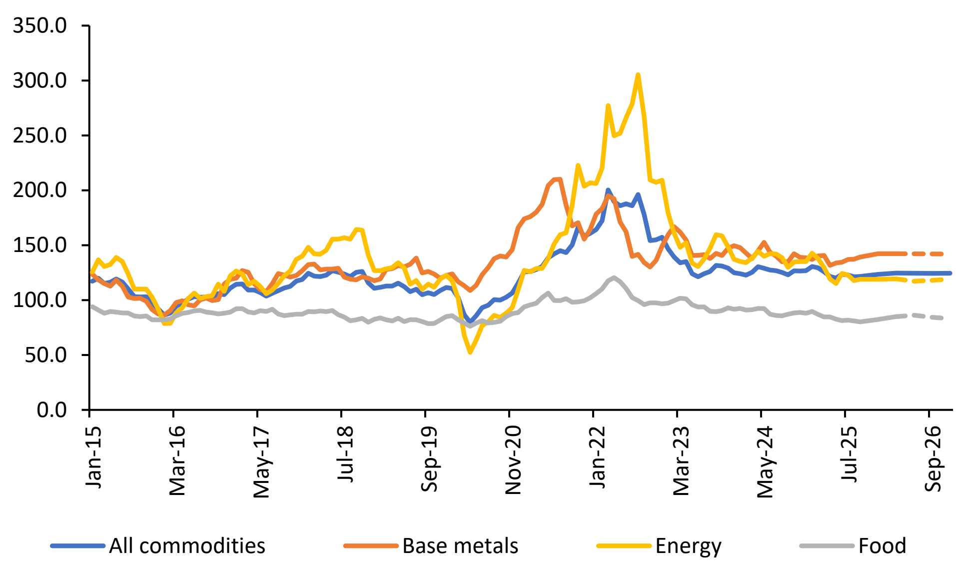
Source: IMF

Figure 7: Trends and drivers of domestic headline inflation



Source: CBK and KNBS

Figure 8: Developments in the global commodities market



Source: IMF Commodity Database

Monetary Policy Easing Streaks

Moreover, the improvements in the global financial conditions along with the moderating inflation has ushered in a monetary policy easing streaks in both the United States and United Kingdom. As a result, there has been a notable recovery of major equity markets **(Figure 9),** and a buildup in expectations of increased capital flows into emerging and frontier markets. In the domestic market, the financial market conditions have equally eased, and liquidity conditions improved.

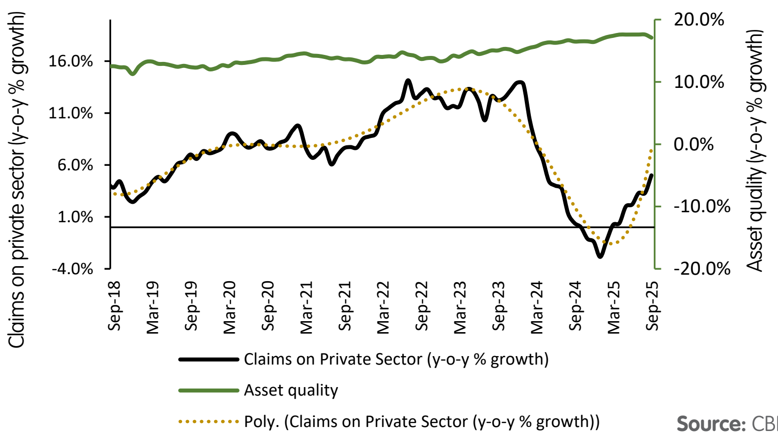
The monetary policy transmission has been strengthened with KESONIA becoming more stable and aligned to the Central Bank Rate (CBR) as the private-sector credit growth continues to improve **(Figure 10).** Nonetheless, the deterioration in the industry's asset quality continue to discourage stronger lending as banks remain cautious in lending to avert increasing loan loss provisions.

Figure 9: Global financial market conditions

Source: MSCI

The improvements in the global financial conditions along with the moderating inflation has ushered in a monetary policy easing streaks in both the United States and United Kingdom.

Figure 10: Trends in credit to the private sector and Asset quality



Source: CBK

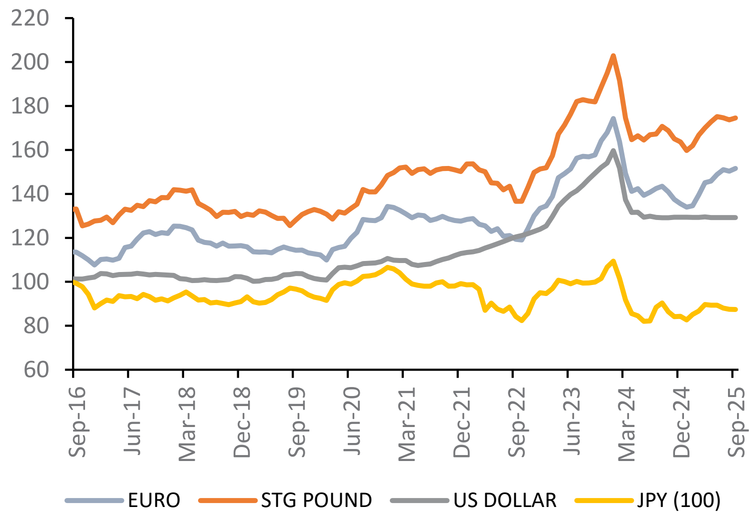
Kenya Shilling Mixed Performance

The Kenya Shilling continues to post a mixed performance against most major international currencies **(Figure 11a).** First, it strengthened slightly against the US Dollar, to exchange at an average rate of KES129.24 in the third quarter of 2025, which was stronger than KES129.35 in the second quarter of 2025. On the other hand, the British Pound, the Euro and the Japanese Yen remained much stronger relative to the Shilling. The British Pound averaged at KES174.31 in the third quarter of 2025, up from KES172.66 in the second quarter of 2025.

The Shilling decreased in value against the Euro with an average exchange rate of KES151.63 in the third quarter of 2025, compared to KES146.61 in the second quarter of 2025. In contrast, the Kes strengthened against the Japanese Yen, averaging at KES87.66 in the third quarter of 2025, compared to KES89.47 in the second quarter of 2025. However, the Kenya Shilling remained relatively stable against select East African currencies, averaging 27.50 Ugandan Shillings and 19.65 Tanzanian Shillings **(Figure 11b).**

Figure 11: Exchange Rate Developments

Figure 11(a): Shilling against Major international currencies



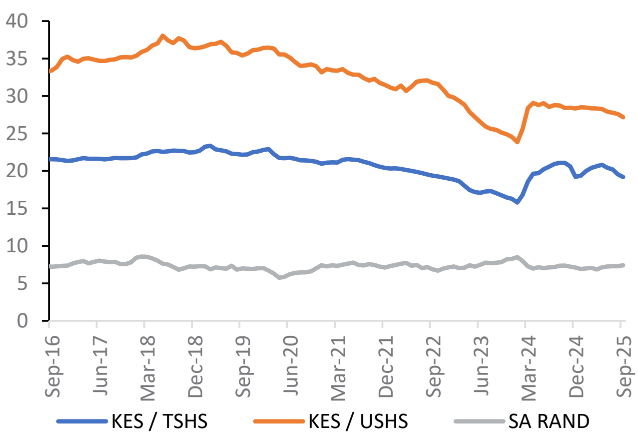
Source: CBK

Kenya Shilling vs Euro, 2025

151.63

Average value of the Kenya Shilling exchange rate when it decreased in value against the Euro in the third quarter of 2025, compared to 146.61 in the second quarter of 2025.

Figure 11(b): Shilling against regional currencies



Source: CBK

Kenya Shilling stable against East African currencies (2025)

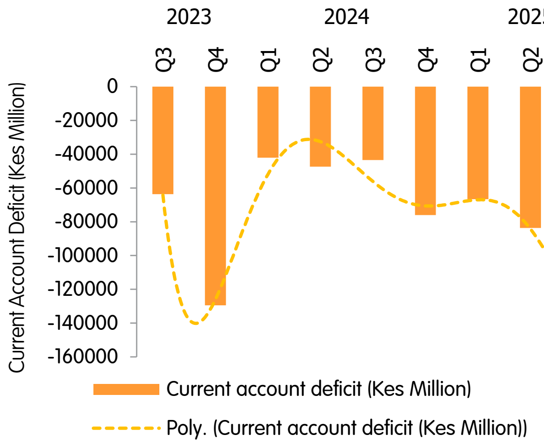
In the third quarter of 2025, the Kenya Shilling remained relatively stable against select East African currencies, averaging 27.50 Ugandan Shillings and 19.65 Tanzanian Shillings.

The performance of the external sector in the third quarter of 2025 was characterized by a widening current account deficit, a worsening trade balance, and increased debt servicing requirements. The current account deficit widened to Kes 135.3 billion in the third quarter of 2025, up from Kes 43.5 billion in a similar quarter of 2024 **(Figure 12a).** This expansion was primarily driven by a larger merchandise trade deficit and a significant decline in the Services Account surplus. Export performance has improved on strong tea, coffee and horticultural earnings **(Figure 12b).**

The net services surplus dropped from Kes 100.6 billion to Kes 57.2 billion, largely due to reduced net inflows from travel, transport and government services. On the other hand, primary Income account showed slight improvement, with the deficit narrowing from Kes 80.8 billion to Kes 76.5 billion. The surplus in the secondary income account declined from Kes 257.7 billion to Kes 239.8 billion. This occurred despite a marginal increase in diaspora remittances, which rose from Kes 164.9 billion to Kes 165.5 billion **(Figures 12c and 12d).**

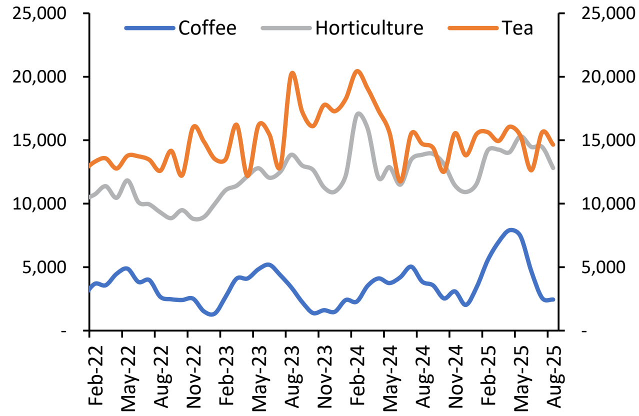
Figure 12: The external Sector

Figure 12(a): Trends in Current account deficit, KSh Millions



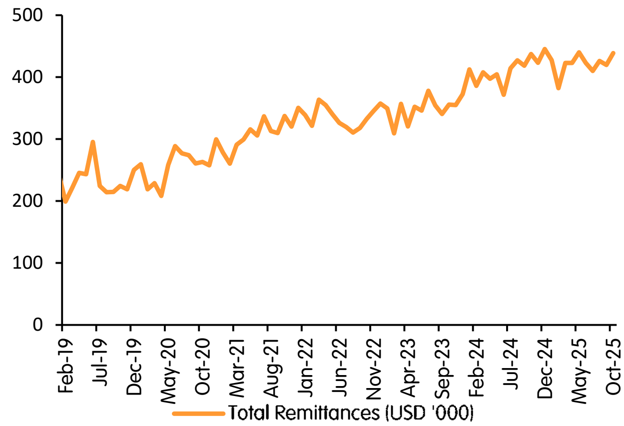
Source: CBK & KNBS

Figure 12(b): Trends in export of Key crops



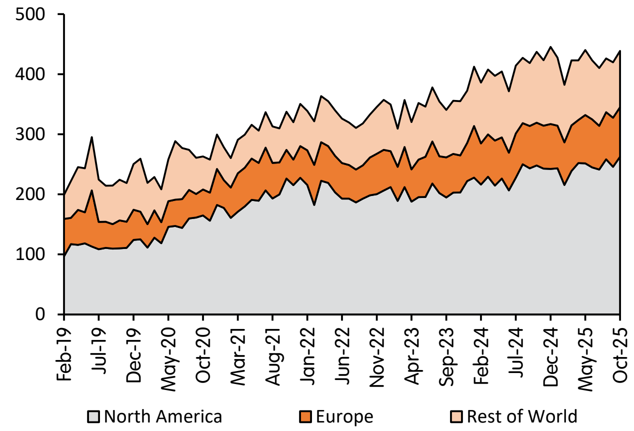
Source: CBK & KNBS

Figure 12(c): Trends in remittances inflows (USD millions)



Source: CBK

Figure 12(d): Trends in remittances inflows (USD millions) by region



Source: CBK

Capital & Financial Account Performance

In terms of Kenya's direction of trade, the third quarter of 2025 recorded a total trade volume of Kes 1,014.4 million. Total export earnings increased to Kes 289.4 billion, representing a 2.5% rise compared to the same quarter in 2024. As shown in **Figure 13a,** Africa remained Kenya's largest export destination. The latter accounted for 44.6% of total earnings. Export receipts from the continent expanded by 15.3%, supported by strong growth in shipments to the Democratic Republic of Congo, Uganda and Egypt. Export performance to Europe was also positive, with earnings rising by 5.2% to Kes 60.8 billion, mainly reflecting increased exports to the Netherlands and a substantial surge to Kazakhstan, underpinned by higher domestic exports of cut flowers and macadamia nuts. In contrast, exports to Asia contracted by 14.2% to Kes 68.0 billion.

On the import side, the total import bill rose by 7.4% to Kes 725.0 billion during the quarter, with Asia continuing to dominate as Kenya's primary source of imports **(Figure 13b).** The region accounted for 68.6% of total import expenditure, with imports increasing by 5.9%. Imports from Europe increased by 7.8% to Kes 99.6 billion, supported by higher inflows from Belgium and Germany, even as imports from the Russian Federation and the Netherlands declined. Import expenditure from Africa rose by 12.6% to Kes 74.7 billion.

44.6%

Percentage of Kenya's Total earnings from continental exports

Africa remained Kenya's largest export destination. *The latter accounted for 44.6% of total earnings. Export receipts from the continent expanded by 15.3%, supported by strong growth in shipments to the Democratic Republic of Congo, Uganda and Egypt.*

Figure 13: Exports and Imports trend in various regions

Figure 13(a): Exports to various regions

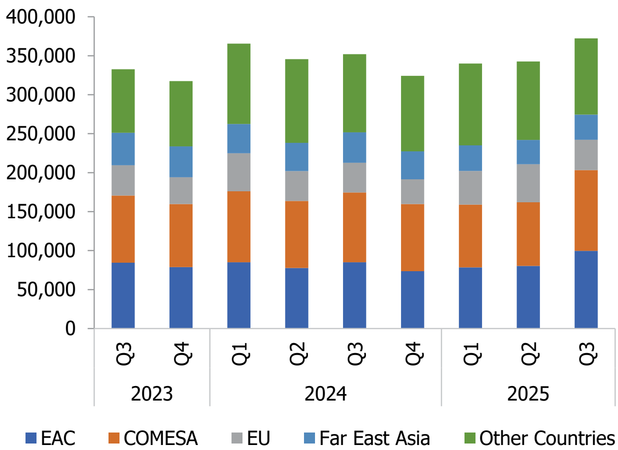
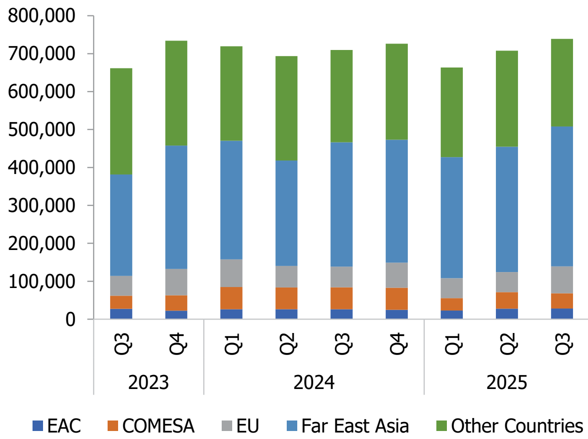


Figure 13(b): Imports from various blocks



Source: CBK

KENYA'S BALANCE OF PAYMENTS

The capital account recorded a surplus of Kes 2,950.0 million in the third quarter of 2025 **(Figure 14a)**. This represents an increase compared to the Kes 1,353.0 million recorded in the corresponding quarter of 2024. However, there was a substantial decline from the second quarter of 2025, which saw a much higher surplus of Kes 17,613.0 million. The financial account **(Figure 14b),** which tracks net external financing, saw a sharp contraction during this period. Net External Financing declined by 57.8%, falling from KSh 60.9 billion in the third quarter of 2024 to Kes 25.7 billion in the third quarter of 2025. The overall balance of payments for the third quarter of 2025 was recorded at Kes 63,730.6 million.

2,950.0

Amount of Capital Account Surplus in Kes Millions

Capital Account Surplus (Q3 2025)

The capital account recorded a surplus of Kes 2,950.0 million in the third quarter of 2025 (Figure 14a). This represents an increase compared to the Kes 1,353.0 million recorded in the corresponding quarter of 2024.

Figure 14: Capital and Financial accounts

Figure 14b: Financial Account

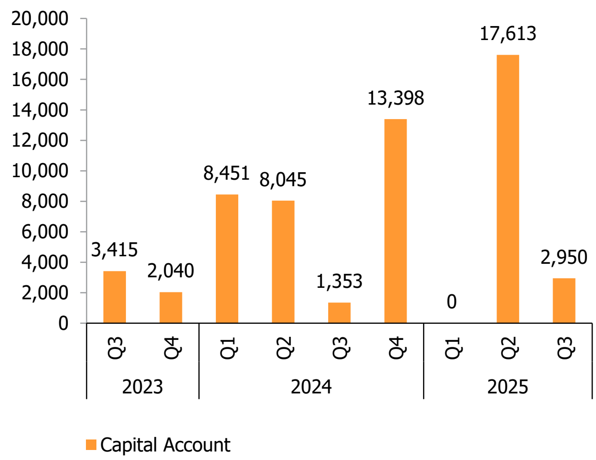
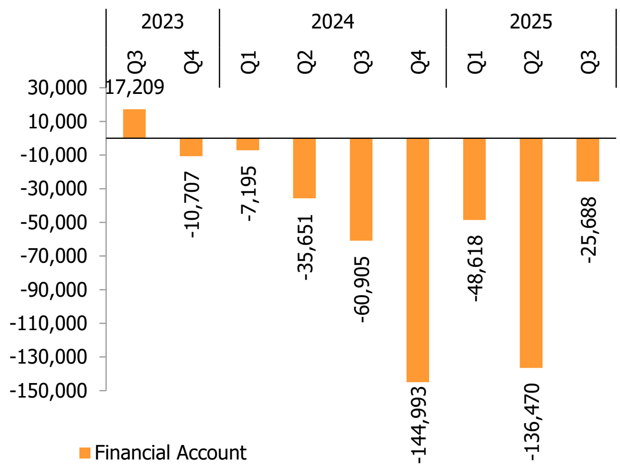


Figure 14a: Capital Account



Source: KNBS

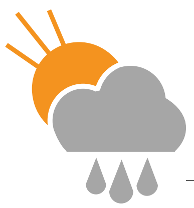
Sectoral Performance

Mixed sectoral performance was evident during the third quarter of 2025, with the climatic conditions, cost conditions, and financial risk dynamics weighing on the sectoral outcomes. When compared to a similar quarter in 2024, it is evident that growth drivers shifted away from volume expansion toward price effects, public-sector activity and financial market sentiment.

Agriculture

The agriculture sector in the third quarter of 2025 exhibited a clear divergence between output volumes and value performance. The weather-related disruptions emerged as the dominant influence, particularly in rain-fed subsectors, while price dynamics and export composition provided partial insulation against sharper declines.

For instance, tea production weakened markedly during the third quarter of 2025 as dry weather conditions prevailed in July and August. As a result, the output contractions of 4.37% and 4.55% were observed, respectively. A modest recovery in September 2025, supported by improved rainfall in highland regions west of the Rift Valley, improved production marginally to 42.51 million kilograms. Nonetheless, this was insufficient to offset earlier losses.



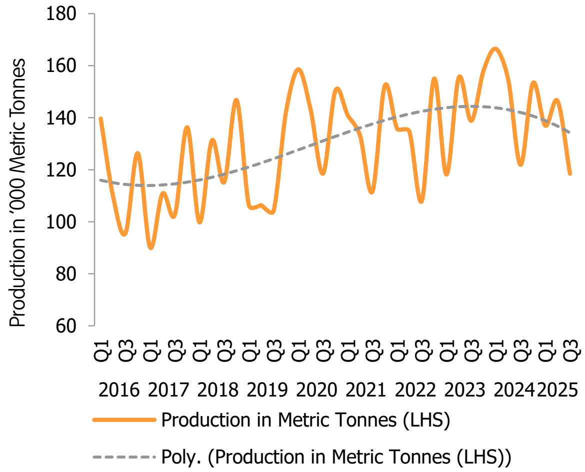
Weather-related disruptions Were Dominant

Agriculture sector in 3rd quarter of 2025 exhibited a clear divergence between output volumes and value performance. The weather-related disruptions emerged as the dominant influence, particularly in rain-fed subsectors.

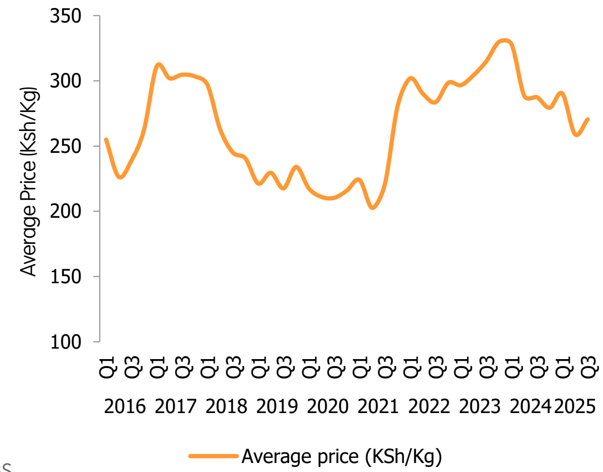
On the overall, tea production declined by 2.8% in the third quarter of 2025 to stand at 118,431 metric tonnes **(Figure 15a).** The smallholder factories under KTDA management were disproportionately affected, on account of their higher exposure to rainfall variability. On the other hand, the average tea prices during the third quarter of 2025 fell by 5.9% relative to the third quarter in 2024, where the average tea aution prices stood at kes 287.40 per Kg **(Figure 15b).**

Figure 15: Tea production and prices

15(a): Tea Production in Metric Tonnes



15(b): Tea Auction Prices in KSh/kg



Source: KNBS

Tea export volumes increased from 157,063 metric tonnes in the third quarter of 2024 to 164,460 metric tonnes in the third quarter of 2025 **(Figure 16a).** This growth contributed to a marginal increase in export earnings to Kes 44.82 billion in the third quarter of 2025 from Kes 44.63 billion in a similar quarter in 2024 **(Figure 16b).**

118,431

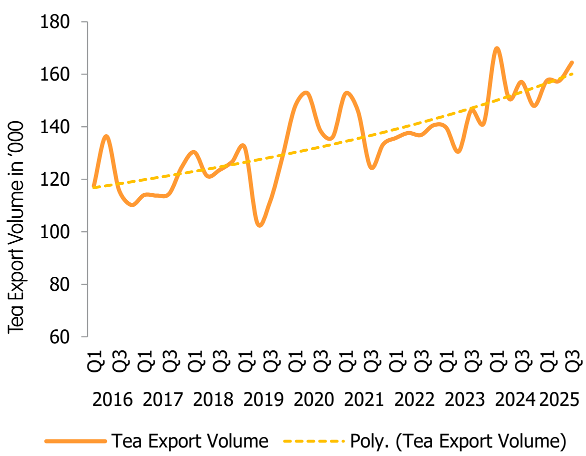
Q3 tea production amount in metric tonnes, 2025

Tea production declined by 2.8% in the third quarter of 2025 to stand at 118,431 metric tonnes (Figure 15a). The smallholder factories under KTDA management were disproportionately affected

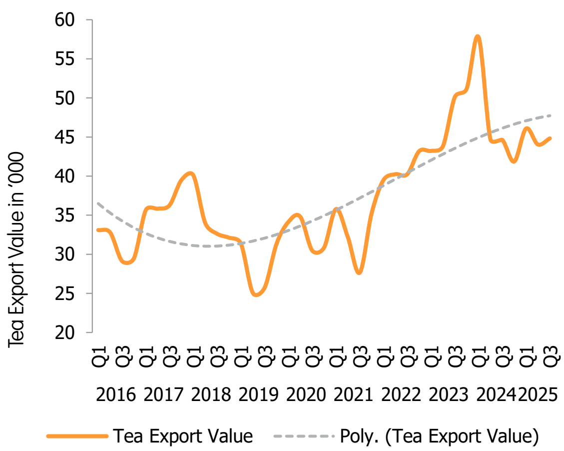
In contrast, the coffee subsector demonstrated strong price-driven resilience in the third quarter of 2025. Although export volumes declined sharply relative to the third quarter of 2024 **(Figure 16c),** elevated international prices sustained export earnings **(Figure 16d).** Auction sales more than doubled in value, while direct sales also recorded strong growth. This divergence between volumes and values points to a continued premiumization trend, with unit prices rising sufficiently to offset lower quantities. However, the export structure remained heavily skewed toward unprocessed green beans. This speaks to the largely untapped opportunities for higher value addition.

Figure 16 Value of Tea and Coffee Exports

16(a): Tea Export Volume

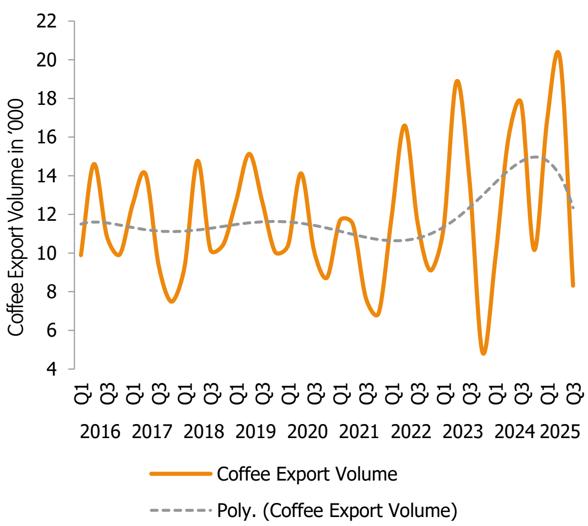


16(b): Tea Export Value

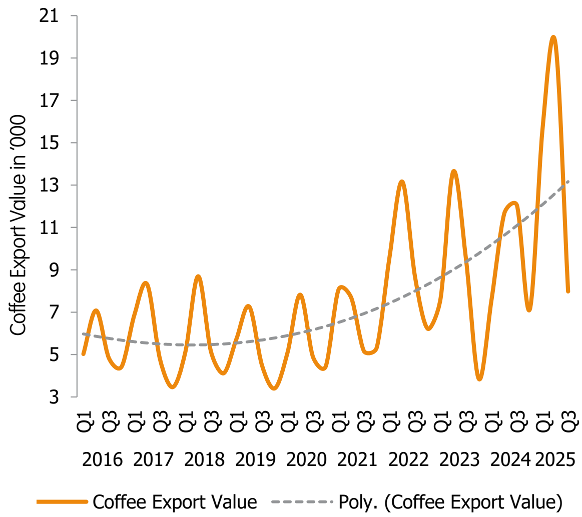


Source: KNBS

16(c): Coffee Export Volume



16(d): Coffee Export Value

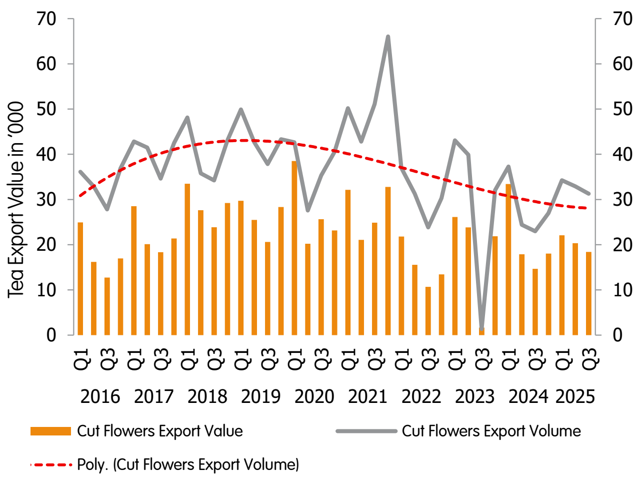


Source: **KNBS**

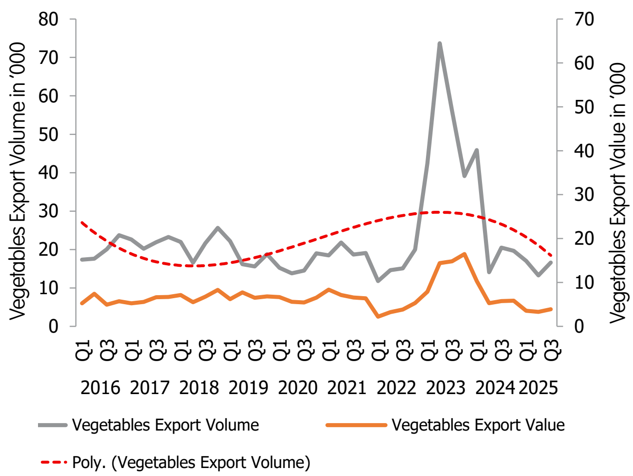
Horticulture emerged as the strongest agricultural performer during the third quarter of 2025. The total export earnings increased compared to the third quarter of 2024, driven primarily by cut flowers, which benefited from firm demand in European markets, as its export volume increased modestly from 22,961 Metric Tonnes in Q3 of 2024 to 31,277 Metric Tonnes in the third quarter of 2025 **(Figure 17a).** Vegetable exports, by contrast, experienced a significant contraction in in both export volumes and values.

Figure 17: Cut Flower, Vegetables and Fruits

17(a): Cut Flowers



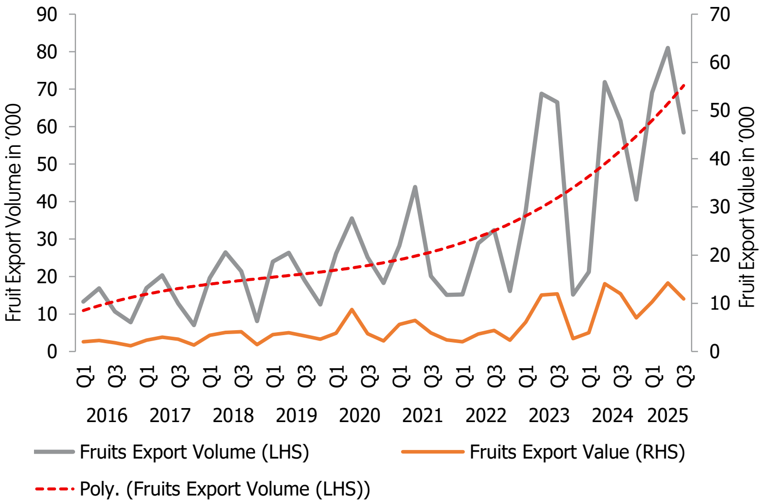
17(b): Vegetables



Source: KNBS

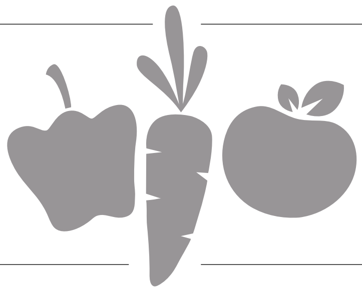
The volume dropped from 20,481 Metric Tonnes in Q3 of 2024 to 16,617 Metric Tonnes in the third quarter of 2025, as the export value dropped from Kes 5.75 billion to Kes 3.91 billion, respectively. Additionally, fruit exports also recorded a slight slump in the volume exported, dropping from 61,510 Metric Tonnes in the third quarter of 2024 to 58,415 metric tonnes in the third quarter of 2025, generating Kes 10.91 billion in the third quarter of 2025 **(Figure 17c).**

17(c): Fruits



Source: KNBS

Horticulture emerged as the strongest agricultural performer during the third quarter of 2025. The total export earnings increased compared to the third quarter of 2024, driven primarily by cut flowers.



16,617

Metric Tonnes
Exported in Q3 2025

Cut Flower, Vegetables and Fruits

The volume dropped from 20,481 MT in Q3 of 2024 to 16,617 MT in Q3 of 2025, as the export value dropped from Kes 5.75 billion to Kes 3.91 billion, respectively.

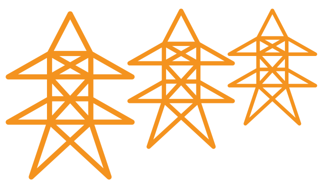
Energy

Kenya's energy sector consolidated its structural transition toward renewable dominance in the third quarter of 2025, with energy generation capacity outperforming the third quarter of 2024. Expansion in electricity generation remained upbeat, supported by geothermal output as the baseload source and complemented by hydro, wind and solar generation.

In quantum terms, hydroelectric power production dropped to 881 million KWh in the third quarter of 2025, down from 950 million KWh recorded in a similar quartering 2024 ***(Figure 18a),*** mainly because of the seasonal rainfall patterns. On the other hand, geothermal power remained the backbone of electricity generation, benefiting from low marginal costs and operational stability.

881

Hydro power production in million KWh in Q3 (2025)



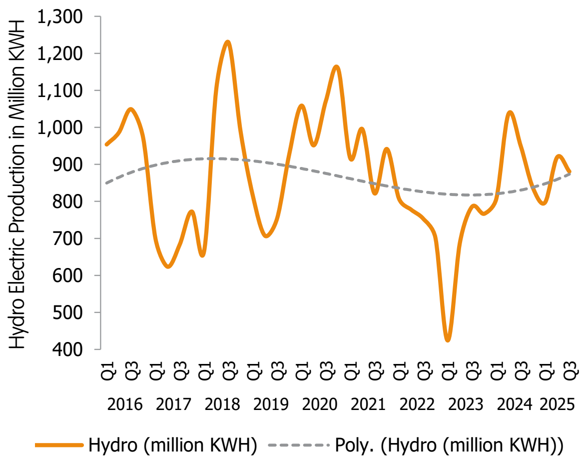
Drop in Hydro Power

Hydroelectric power production dropped to 881 million KWh in the third quarter of 2025, down from 950 million KWh recorded in a similar quartering 2024

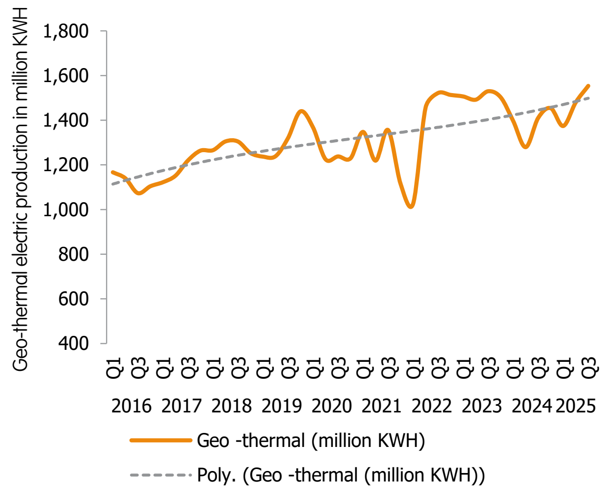
The total production increased to 1,554 million KWh in the third quarter of 2025, up from 1,410 million KWh recorded in a similar quartering 2024 **(Figure 18b).** Thermal generation, on its part, played a supporting role in meeting peak demand and maintaining grid stability, and its generation rose to 380 million KWh in the third quarter of 2025 **(Figure 18c).** Wind power generation continued to complement hydro, particularly during drier periods, while solar power, though still modest in utility-scale generation, dominated captive power capacity among commercial and industrial users.

Figure 18 Quarterly Electricity Generation by Source

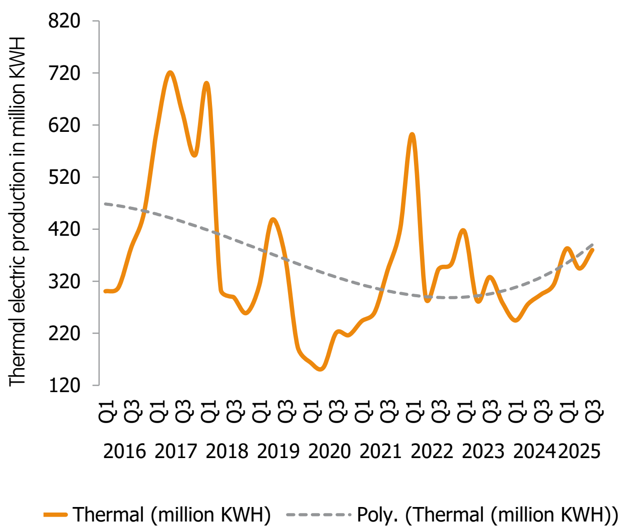
18a: Hydroelectric Power Production



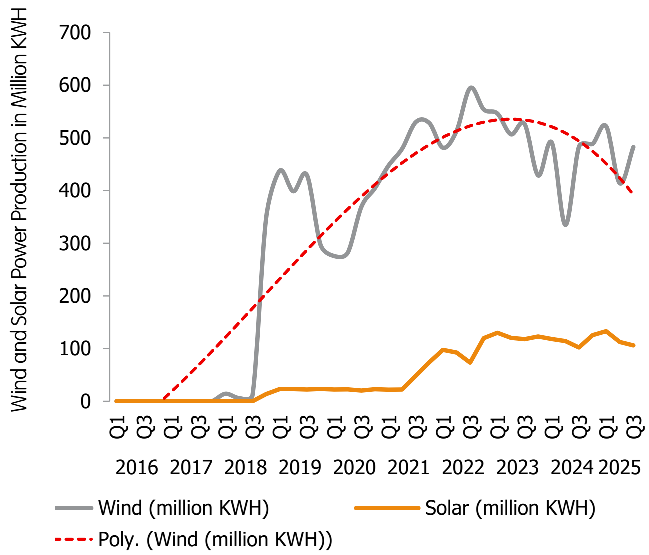
18b: Geothermal Power



18c: Thermal Power Production



18d: Wind and Solar Power Production



Source: KNBS

Petroleum Subsector

In the petroleum subsector, global price volatility stabilised during the quarter, with international crude oil prices (Murban crude oil prices) closing the quarter at USD 70.39 per barrel in September 2025. However, domestic pump prices exhibited only partial pass-through of these declines, reflecting the influence of taxes, exchange rate movements and supply-chain costs. The pump price of petrol, diesel and kerosene stood at Kes 185.59, Kes 172.64 and Kes 155.96 per litre, respectively in September 2025. Meanwhile, the retail price of Liquefied Petroleum Gas (LPG) stood at Kes 3,151.65 for a 13-kg cylinder as of September 2025 (Table 5).

The pump price per litre in September 2025

Kes 185.59 (Petrol)

Kes 172.64 (Diesel)

Kes 155.96 (Kerosene)

3,151.65

Price of Liquefied Petroleum Gas (LPG) stood at Kes 3,151.65 for a 13-kg cylinder as of September 2025

Table 5: Average Monthly Crude Oil and Retail Fuel Prices

	Sep-2024	Oct-2024	Nov-2024	Dec-2024	Jan-2025	Feb-2025	Mar-2025	Apr-2025	May-2025	Jun-2025	Jul-2025	Aug-2025	Sep-2025
Murban crude oil(US$/Barrel)	73.59	74.45	72.98	73.07	79.38	76.81	74.00	68.98	63.62	69.73	70.97	69.73	70.39
Super petrol (KES/Litre)	189.46	181.33	181.33	176.96	177.25	177.25	177.25	175.3	175.3	178.19	187.37	186.37	185.59
Diesel (KES/Litre)	172.33	168.82	168.82	165.82	167.84	167.84	167.84	165.64	165.64	163.89	172.75	172.75	172.64
Kerosene (KES/Litre)	159.1	152.18	152.18	149.18	152.18	152.18	152.18	149.78	149.78	147.92	157.76	156.76	155.96
LPG (13Kgs)	3,196.04	3,183.29	3,147.66	3,143.85	3,122.16	3,139.65	3,146.03	3,156.19	3,141.30	3,134.91	3,146.58	3,158.35	3,151.65

Source: KNBS

Manufacturing

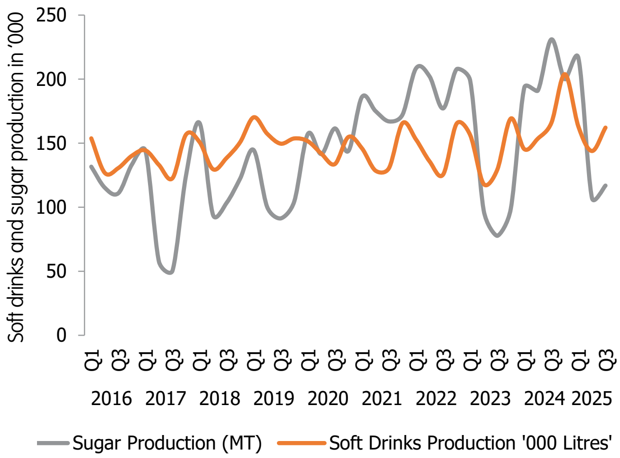
Activities in the manufacturing sector remained subdued relative to the third quarter of 2024. Food manufacturing emerged as the key drag on sector performance, with sugar and soft drink production remaining significantly below year-earlier levels. Sugar production fell sharply to 116,900 metric tonnes from 231,053 metric tonnes in a similar quarter in 2024, while soft drink output declined to 162.2 million litres from 165.3 million litres in the third quarter of 2024 **(Figure 19a).** In addition, milk consumption declined to 249 million litres in the third quarter of 2025, from 225 million litres in the third quarter of 2024.

Manufacturing sector remained subdued
Food manufacturing emerged as the key drag on sector performance, with sugar and soft drink production remaining significantly below year-earlier levels.

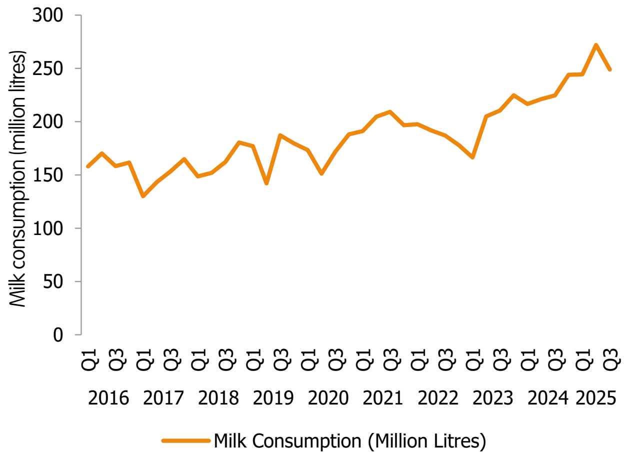
Nonetheless, non-food manufacturing provided limited offsetting support, particularly in cement and galvanized sheet production **(Figure 19b)**, which benefited from ongoing construction activity and infrastructure projects. Nevertheless, these gains were insufficient to lift overall manufacturing momentum.

Figure 19: Production in the Manufacturing Sector

19(a): Food manufacturing - Soft drinks and Sugar production

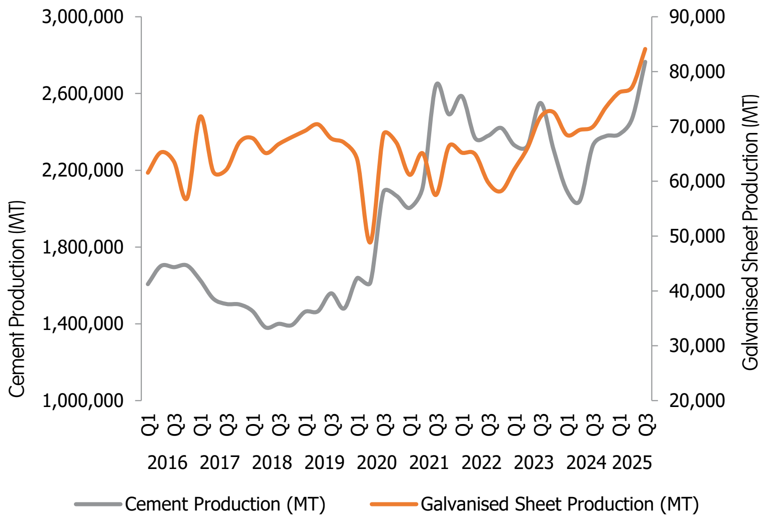


19(b): Milk Consumption (Million litres)



Source: KNBS

19(c): Non-food Manufacturing – Cement and Galvanised Sheet Production

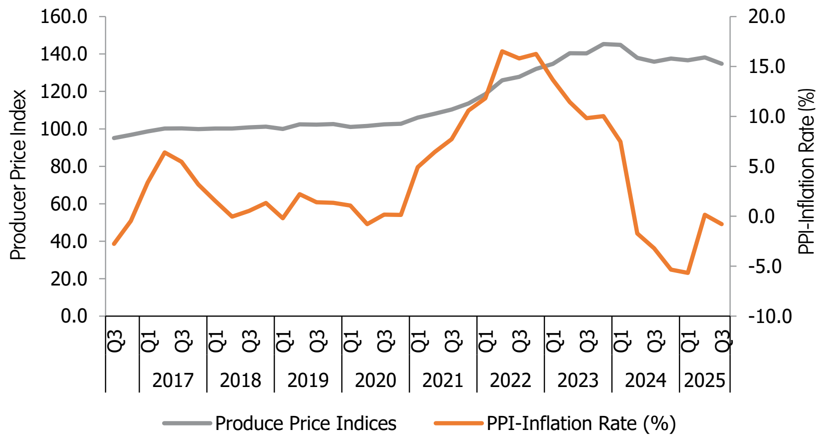


SOURCE: KNBS

> ***Non-food manufacturing provided limited offsetting support, particularly in cement and galvanized sheet production, which benefited from ongoing construction activity and infrastructure projects.***

The Producer Price Index (PPI) data indicated mild but persistent cost pressures, constraining profit margins and limiting firms' ability to expand output aggressively. Compared to the third quarter of 2024, the Producer Price Index (PPI) declined slightly to 134.8 points in the third quarter of 2025 from 135.9 points in a similar quarter in 2024. Year-on-year producer inflation rate as of September 2025 was -0.79%, compared to -3.21 recorded in a similar quarter in 2024 **(Figure 20)**.

Figure 20: Producer Price Indices (PPI)



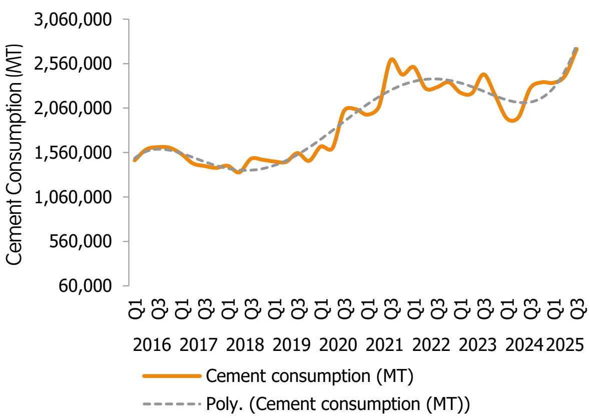
Source: KNBS

Building & Construction

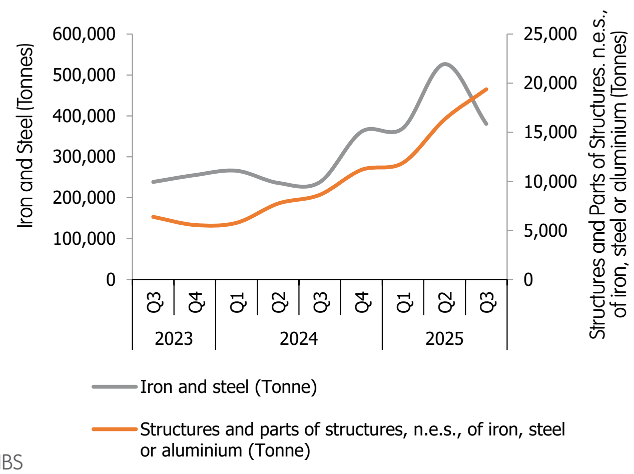
The performance of the building and construction sector remained upbeat during the quarter, outperforming the level of activities in a similar quarter in 2024, mainly due to the contribution of public-sector projects. Cement consumption remained elevated, rising to 2.72 million metric tonnes during the quarter, up from 2.28 million metric tonnes a year earlier during a similar quarter **(Figure 22a)**. Moreover, the increased imports of iron, steel and bitumen **(Figure 21b)** pointed to ongoing construction of roads and housing units, consistent with government policy priorities.

Figure 21: Cement Consumption in Metric Tonnes

21(a): Cement Consumption in Metric Tonnes



21(b): Quantity of Imported Iron, Steel and Bitumen

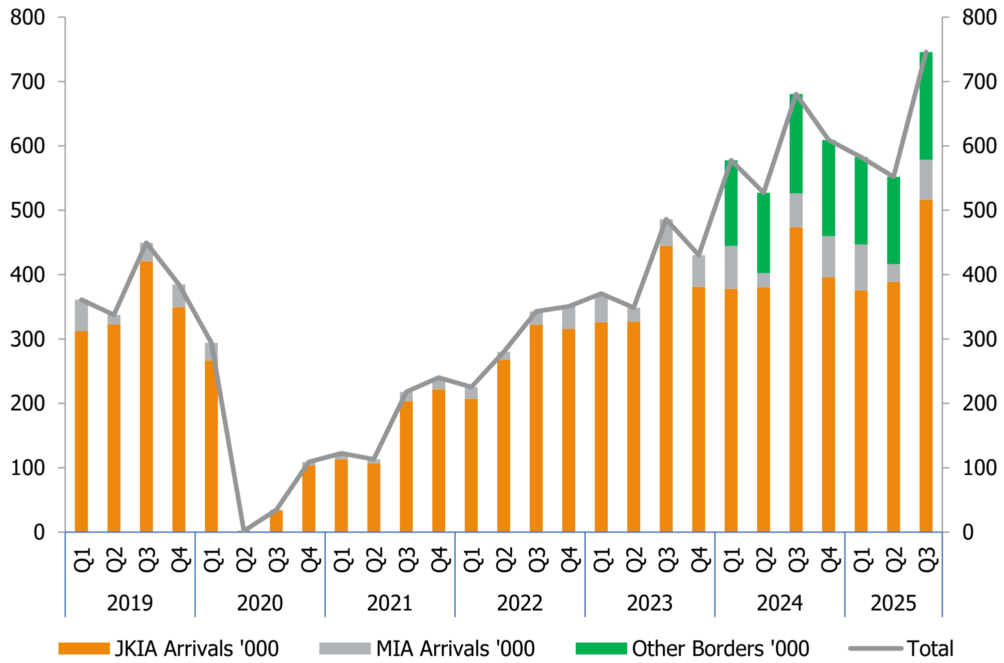


Source: KNBS

Tourism

Tourism activity continued to expand in the third quarter of 2025, modestly outperforming the third quarter of 2024, following a further recovery in international travel. The total tourist arrivals in all the entry points grew to 745.72 thousand tourists in the third quarter of 2025, up from 680.528 registered in a similar quarter in 2024, representing a 9.58% growth. Tourist arrivals through JKIA increased from 473.80 thousand in the third quarter of 2024 to 516.33 thousand in the third quarter of 2025. Similarly, arrivals through MIA rose slightly from 52.37 thousand to 61.91 thousand over a similar period. Other border entries also increased from 154.36 thousand to 167.48 thousand **(Figure 22).**

Figure 22: Tourist Arrivals



Source: KNBS

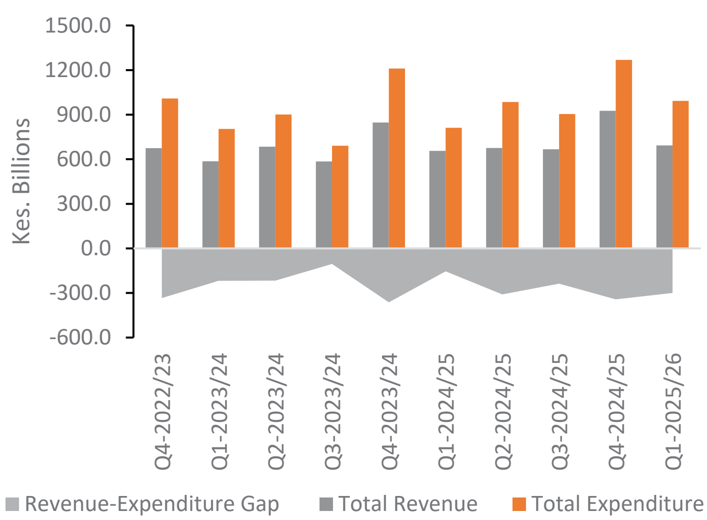
> *The total tourist arrivals in all the entry points grew to 745.72 thousand tourists in the third quarter of 2025, up from 680.528 registered in a similar quarter in 2024*

Fiscal Performance

Government Revenue & Expenditure

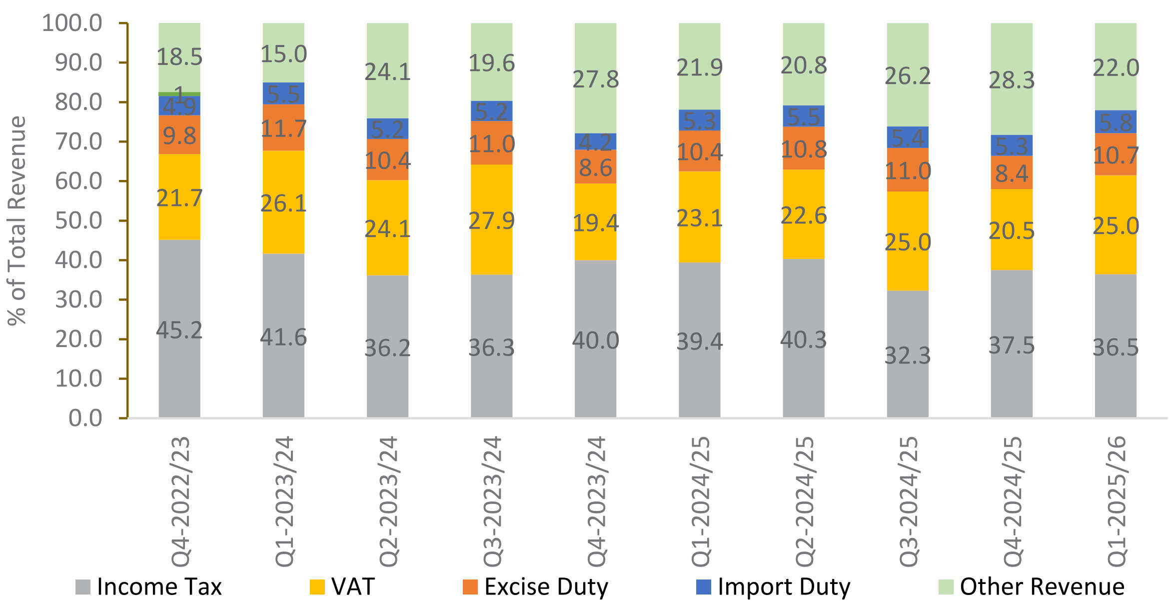
The total revenue & grants collected during the first quarter of FY 2025/2026 was up 5.58% percent to Kes. 693.0 billion, up from Kes 656.4 billion over a similar period in FY 2024/2025. Total expenditure over the period also grew, but by a much wider margin of 22.35%, to Kes 992.5 billion in the first quarter of the FY 2025/2026. Consequently, the revenue – expenditure gap widened to Kes. 299.5 billion during the quarter **(Figure 23).** Moreover, while the revenue performance during the quarter was impressive, there was a notable shift in the overall composition of the total revenue. The share of income tax decreased to 36.5%, compared to 39.4% recorded in a similar quarter in the financial year 2024/2025. In contrast, the share of import duty, VAT and Other revenues increased **(Figure 24).**

Figure 23: Quarterly Revenue-Expenditure Gap



Source: Central Bank of Kenya

Figure 24: Quarterly Revenue Structure

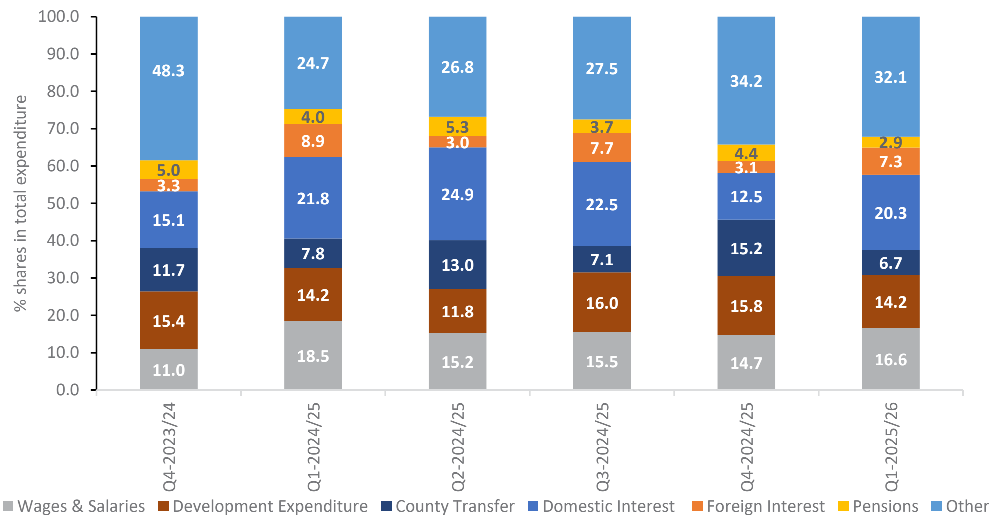


Source: Central Bank of Kenya

> *While the revenue performance during the fourth quarter was impressive, there was a notable shift in the overall composition of the total revenue.*

The government recurrent expenditure in the first quarter of the FY 2025/2026 comprised Domestic Interest at 20.3%, Foreign Interest at 7.3%, Wages & Salaries at 16.6%, Pensions at 2.9% and Other expenses at 32.1%. On its part, County Transfers accounted for 6.7%, while Development Expenditure was 14.2 percent of the total expenditure **(Figure 25).**

Figure 25: Quarterly Expenditure Structure



Source: Central Bank of Kenya

Government Deficit Financing & Public Debt

The first quarter of FY 2025/26 saw Kenya's public and publicly guaranteed debt rise by 2.1%, on account of growth in both the domestic and external debt. The total debt stood at Kes 12,053.9 billion, out of which 55.3% was attributed to domestic debt, while the remaining 44.7% was external debt (Figure26). In terms of their respective composition, the domestic debt in Q1 FY2025/26 was dominated by commercial banks at 34.5%, followed by other non-bank sources, pension funds, insurance firms, limited non-resident participation and minimal Central Bank holdings at 2.4% levels **(Figure 26a).** On the other hand, the external debt was largely multilateral at 56.7%, followed by commercial bank borrowing and bilateral lenders, with export credit accounting for 0.3% of total external debt obligations **(Figure 26b).**

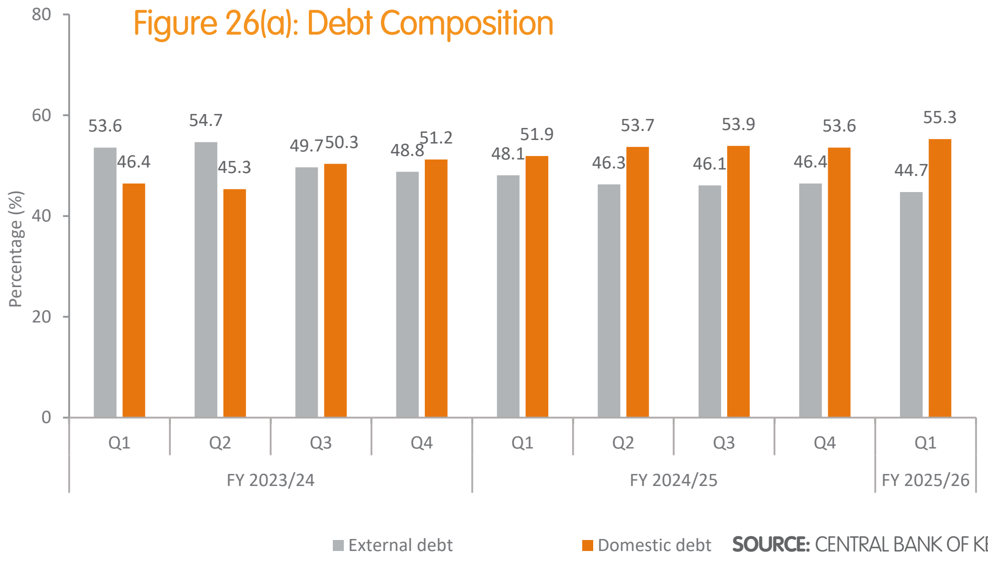
Kenya's Public Debt (2025/26)

12,053.9
Billion (KSh)

The first quarter of FY 2025/26 saw Kenya's public and publicly guaranteed debt rise by 2.1%, on account of growth in both the domestic and external debt. The total debt stood at Kes 12,053.9 billion

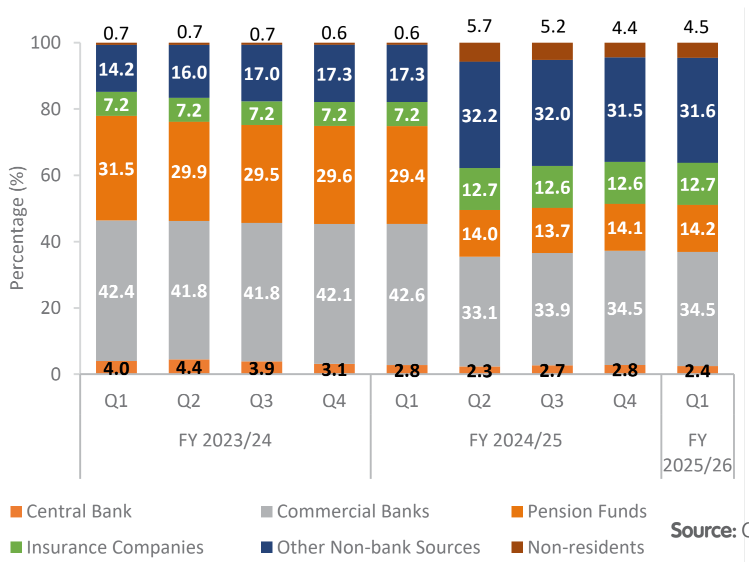
Figure 8: Composition of Domestic and External Debt

Figure 26(a): Debt Composition



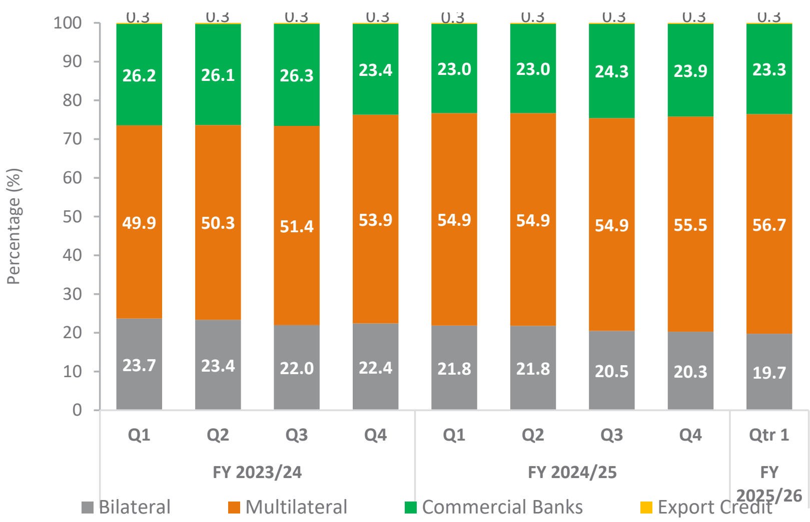
SOURCE: CENTRAL BANK OF KENYA

Figure 26(b): Composition of Domestic Debt



Source: Central Bank of Kenya

Figure 26(c): Composition of External Debt



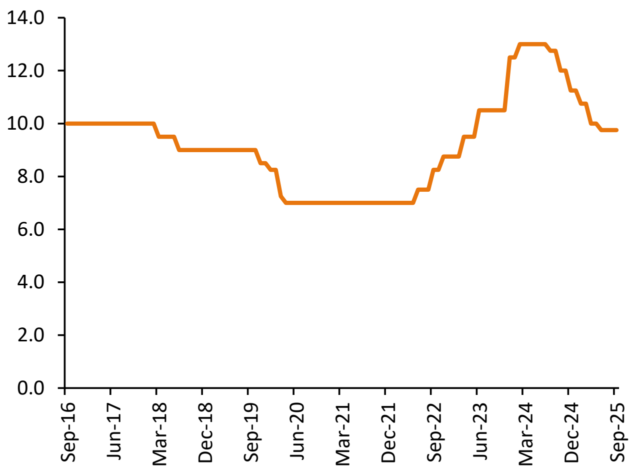
Source: Central Bank of Kenya

Monetary & Financial Developments

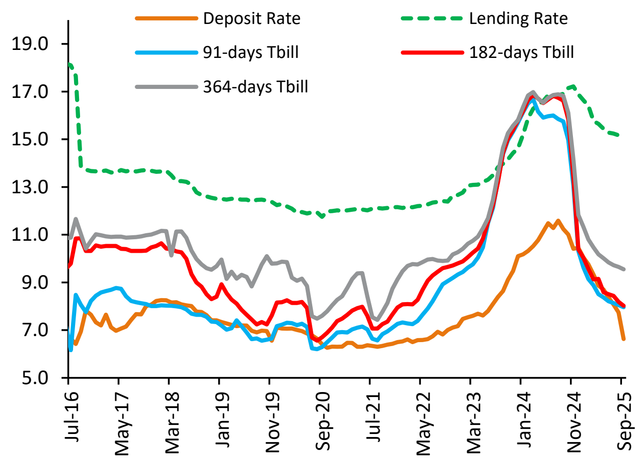
In the third quarter of 2025, the Central Bank of Kenya continued with its monetary easing cycle **(Figure 27a)**, supported by a well-anchored inflation outlook and a stable exchange rate. This policy stance actively shaped short-term liquidity pricing, as reflected in the close co-movement between the policy rate and money market rates. Consistent with the easing cycle, average deposit rates declined modestly from 8.37% in June 2025 to 6.63% in September 2025, while average lending rates eased from 15.28% to 15.07%, pointing to a gradual reduction in borrowing costs for both households and businesses. In parallel, yields on short-term government securities mirrored these developments, with the 91-day Treasury bill rate declining from 8.21% to 7.96% **(Figure 27b).**

Figure 27: Market Rates Dynamics

27(a): Trends in Central Bank Rate (CBR)



27(b): Money Market Rates



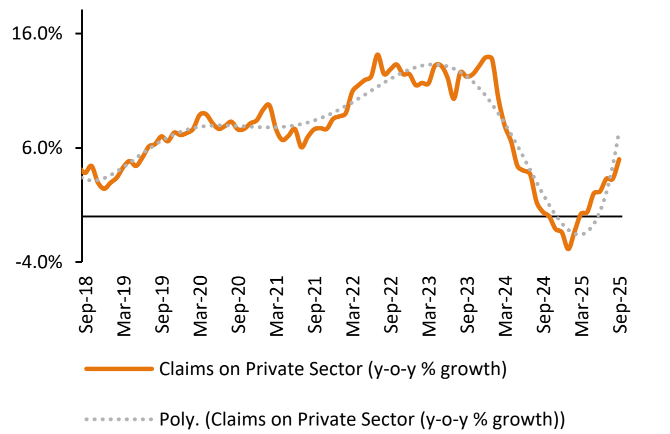
Source: Central Bank of Kenya

The pass-through from declining interest rates supported a gradual pickup in private sector lending, with credit growth accelerating to 5% in the third quarter of 2025, compared to just 0.4% in the corresponding quarter of 2024 **(Figure 27a).** This growth reflects a cautious recovery in credit demand as borrowing conditions eased.

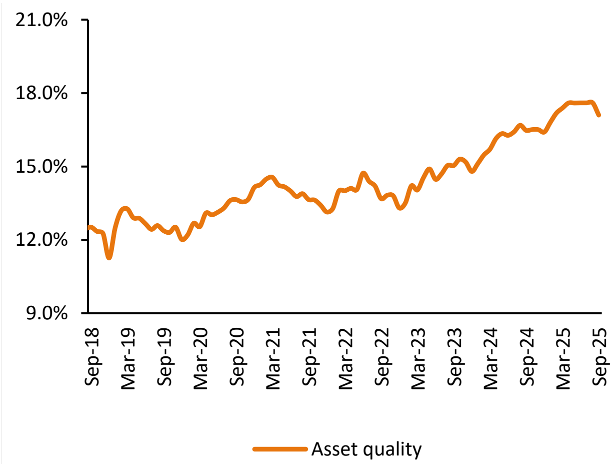
Nonetheless, asset quality remains a key area of concern. The banking sector's asset quality deteriorated further during the period, with the non-performing loans (NPL) ratio edging up to 17.1% in September 2025, from 16.47% in September 2024 **(Figure 27b),** on the back of lingering repayment pressures despite the easing interest rate environment.

Figure 28: Interest Rates Dynamics

28(a): Claims on Private Sector Credit (y-o-y % growth)



28(b): Asset Quality (%)



Source: Central Bank of Kenya

Capital Markets

The Nairobi Securities Exchange (NSE) remained buoyant during the third quarter of 2025, with all major market indicators recording notable improvements. As shown in **Table 7**, the performance of the equities market was broad-based. The NSE All Share Index (NASI), which provides a comprehensive measure of overall market performance, rose significantly during the quarter, closing at 176.74 points in September 2025 compared to 153.43 points in the second quarter of 2025. Compared to September 2024, when the NASI stood at 107.08 points, the index recorded a sharp year-on-year improvement. Similar positive trends were observed in the NSE 25 and NSE 20 Share Indices, which track the performance of the most liquid and established companies on the bourse. The NSE 25 Index increased to 4,624.72 points in September 2025, up from 3,938.28 points in June 2025, while the NSE 20 Index rose to 2,972.64 points from 2,440.26 points over the same period.

4,624.72

NSE 25 index as of Sept 2025

The NSE 25 Index increased to 4,624.72 points in September 2025, up from 3,938.28 points in June 2025, while the NSE 20 Index rose to 2,972.64 points from 2,440.26 points over the same period.

Market capitalization expanded during the quarter, reaching Kes 2.78 trillion in September 2025, up from Kes 2.42 trillion in June 2025 and significantly higher than Kes 1.68 trillion recorded in a similar quarter in 2024. Similarly, trading activity strengthened as was the case with the number of shares traded, which rose to 847.54 million in September 2025, compared to 579.85 million in June 2025, while equity turnover increased to Kes 22.7 billion from Kes 11.97 billion over the same period.

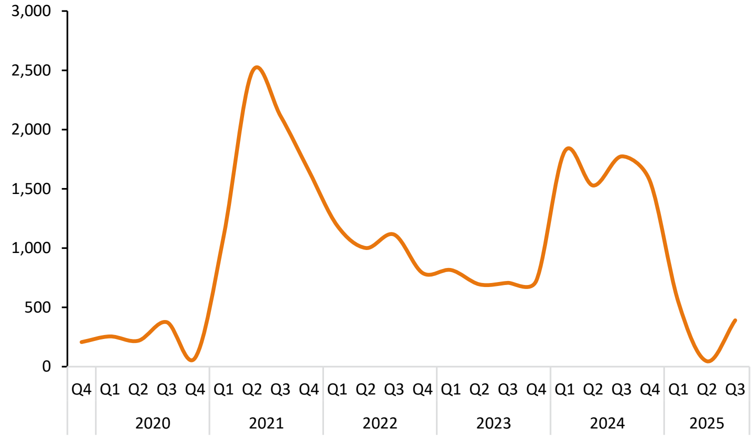
In tandem with the equities market, the derivatives segment also recorded a notable rebound. After hitting its lowest level since the post-2020 contraction in the second quarter of 2025, the derivatives market activity recovered to 391 contracts during the quarter **(Figure 29).**

Table 7: Trends in Nairobi Securities Exchange Leading Indicators

	Sep-2024	Oct-2024	Nov-2024	Dec-2024	Jan-2025	Feb-2025	Mar-2025	Apr-2025	May-2025	Jun-2025	Jul-2025	Aug-2025	Sep-2025
NASI (2008=100) Points	107.08	117.61	111.53	123.48	128.28	132.13	130.81	126.08	134.21	153.43	160.22	172.6	176.74
NSE 25 Share Index	2,899.20	3,190.72	3,063.32	3,402.80	3,436.04	3,595.08	3,532.38	3,412.63	3,535.41	3,938.28	4,135.28	4,443.40	4,624.72
NSE 20 Share Index (1966=100) Points	1,775.67	1,906.00	1,861.00	2,011.00	2,162.58	2,300.17	2,226.88	2,135.51	2,183.46	2,440.26	2,558.63	2,845.64	2,972.64
Number of Shares Traded (Million)	334	382	501	846	632.23	472.75	471.23	361.61	501.00	579.85	487.13	483.88	847.54
Equities Turnover (Kes Million)	5,019.00	4,942.00	6,787.00	29,391.00	9,570.43	8,569.40	8,127.21	8,159.67	9,632.00	11,967.97	12,912.77	10,773.19	22,701.30
Market Capitalization (Kes Billion)	1,676.24	1,840.97	1,745.88	1,939.74	1,983.70	2,076.83	2,056.07	1,981.79	2,111.21	2,417.06	2,524.22	2,719.26	2,784.47

Source: NSE

Figure 29: Number of contracts



Source: Central Bank of Kenya

Banking Sector Performance

Kenya's banking sector sustained a strong and resilient performance in the third quarter of 2025, underpinned by broad-based growth. The sector's total assets continued on an upward trajectory during the quarter, growing from Kes 7,849.10 billion in June 2025 to Kes 8,059.50 billion in September **(Figure 30a).** The increase in total assets was largely driven by higher levels of loans and advances to the private sector, increased interbank placements and growth in other earning assets, signalling improved credit intermediation and financial deepening.

> ***Liquidity conditions in the sector remained comfortable during the quarter, with the aggregate liquidity ratio remaining well above the statutory minimum of 20 percent, rising to 59.3 as of September 2025.***

Liquidity conditions in the banking sector remained comfortable during the quarter, with the aggregate liquidity ratio remaining well above the statutory minimum of 20 percent, rising to 59.3 as of September 2025 **(Figure 30b).** The high liquidity levels indicate that banks maintained adequate buffers to meet short-term obligations and withstand potential liquidity shocks, reinforcing overall financial system stability.

Asset quality showed notable improvement during the third quarter of 2025. Gross non-performing loans declined marginally during the quarter, dropping to Kes 720.4 billion in September 2025, down from Kes 728.50 billion in June 2025 **(Figure 30c).** The ratio of gross non-performing loans (NPLs) to gross loans was 17.1% in September 2025, with decreases in NPLs observed in the building and construction, real estate, tourism, restaurant and hotels, and trade sectors.

8,059.50 Billion

The sector's total assets as of September 2025, having continued on an upward trajectory during the quarter, growing from Kes 7,849.10 billion in June 2025.

Non-Performing Loans

Gross non-performing loans declined marginally during the quarter, dropping to Kes 720.4 billion in September 2025, down from Kes 728.50 billion in June 2025

Figure 30: Banking Sector Performance

Figure 30(a): Total Assets

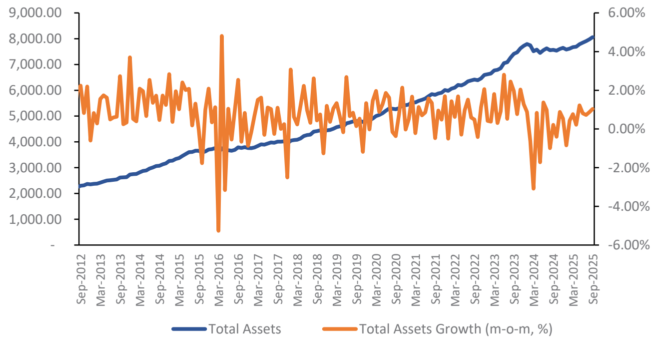


Figure 30(b): Liquidity Ratio

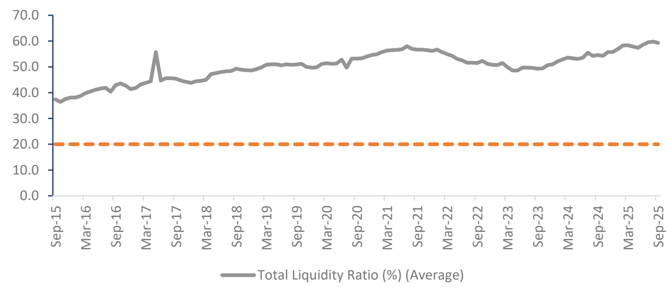


Figure 30(c): Gross Loans

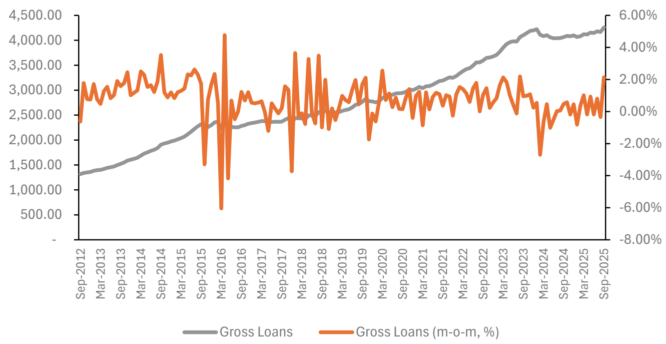
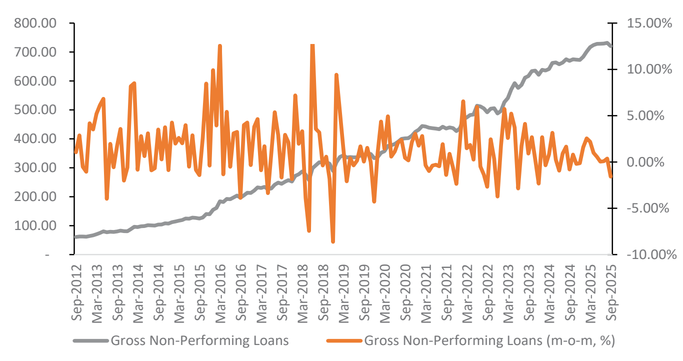


Figure 30(d): Gross Non-performing Loans



The banking sector's total assets continued on an upward trajectory during the quarter, growing from Kes 7,849.10 billion in June 2025 to Kes 8,059.50 billion in September

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