Kenya Macro-Economic Highlights

March 2025

For a Better Tomorrow

Monetary Policy Committee Meeting (MPC)

The most recent committee meeting was held on April 8th, 2025. Key highlights were:

- Global growth remained resilient in 2024, led by the U.S. and India. However, the 2025 outlook is uncertain, amid heightened trade tensions, retaliatory tariffs, and persistent geopolitical risks (notably in the Middle East and Ukraine). Global inflation has eased, though rising tariffs may reignite price pressures. Central banks worldwide continue cutting rates at varying degrees, dependant on inflationary levels and growth projections. International oil prices have moderated, but volatility risks remain elevated on account of rising tariffs levied on imports.

- Kenya's inflation was 3.6% in March 2025 (up from 3.5% in February), remaining well within the 5±2.5% target band. Core inflation rose to 2.2% due to pricier processed foods, while non-core inflation fell to 7.4% on lower food and energy costs. Inflation is expected to stay below the target midpoint in the near term, supported by lower food and energy prices, stable currency, and contained core inflation.

- Real GDP growth slowed to 4.6% in 2024 (from 5.6% in 2023), reflecting broad-based sectoral deceleration. However, early 2025 indicators suggest a rebound, with full-year growth projected at 5.4%. Key drivers include recovery in agriculture, sustained services performance, credit growth, and improved exports. This outlook, however, remains subject to internal and external risks.

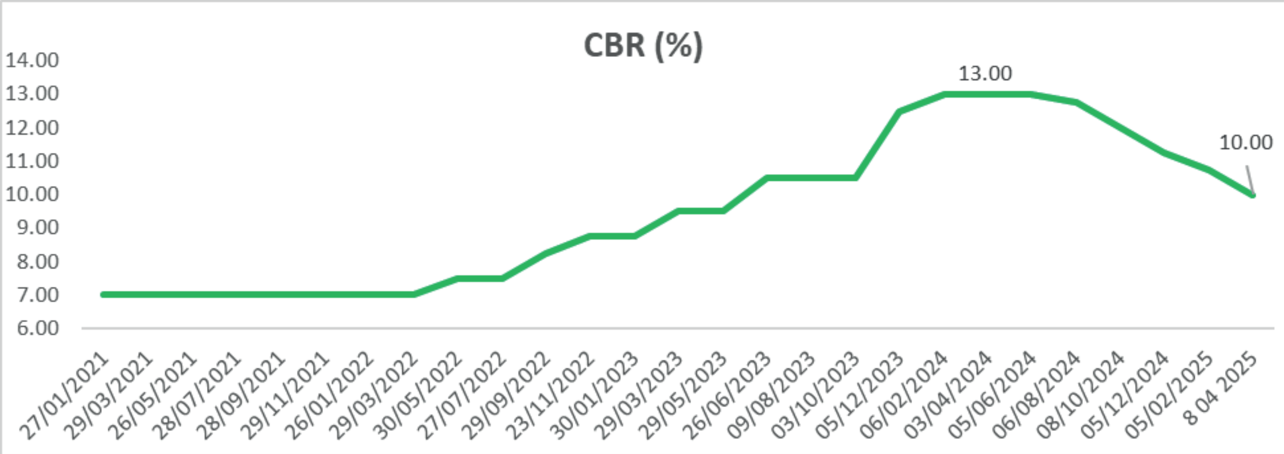
- Revised balance of payments data reflect that the current account deficit narrowed to 3.1% of GDP in the 12 months to February 2025 (from 3.3% in the same period in 2024). Exports rose by 13.1%, service receipts by 14%, and diaspora remittances by 14.5%. With lower oil imports and resilient inflows, the overall balance of payments position recorded a USD 1.38B surplus. The 2025 current account deficit is projected at 2.8% of GDP, with continued reserve buildup expected.

- The CBK's forex reserves, currently amounting to approximately USD 9.93 billion—which translates to about 4.44 months' worth of import coverage based on the updated import figures—continue to offer sufficient protection and serve as a buffer against short-term currency market disturbances.

- The banking sector remains stable, with strong liquidity and capital. However, the NPL ratio rose to 17.2% in February, driven by stress in real estate, trade, and manufacturing. Despite this, banks have maintained adequate provisioning. Private sector credit grew modestly by 0.2% in March after earlier contraction, aided by shilling appreciation and declining lending rates (Average commercial banks' lending rates), which fell to 15.8% in March from 16.4% in February.

- The Committee observed that the FY2024/25 Supplementary Budget I is currently being implemented, and that the proposal for Supplementary Budget II is expected to reduce the fiscal deficit from 5.3 percent of GDP in FY2023/24 to 5.1 percent. In the medium term, this fiscal tightening is anticipated to lower debt vulnerabilities and gradually steer the present-value debt-to-GDP ratio toward the 55 percent target anchor.

- To enhance policy transmission, MPC narrowed the CBR interest rate corridor from ±150bps to ±75bps and lowered the Discount Window rate to 75bps from 300bps above CBR. Further to this, with inflation under control and with the private sector credit still lagging, the MPC saw room for further easing to stimulate lending and growth, the CBR was cut by 75bps to 10.00% (from 10.75%).

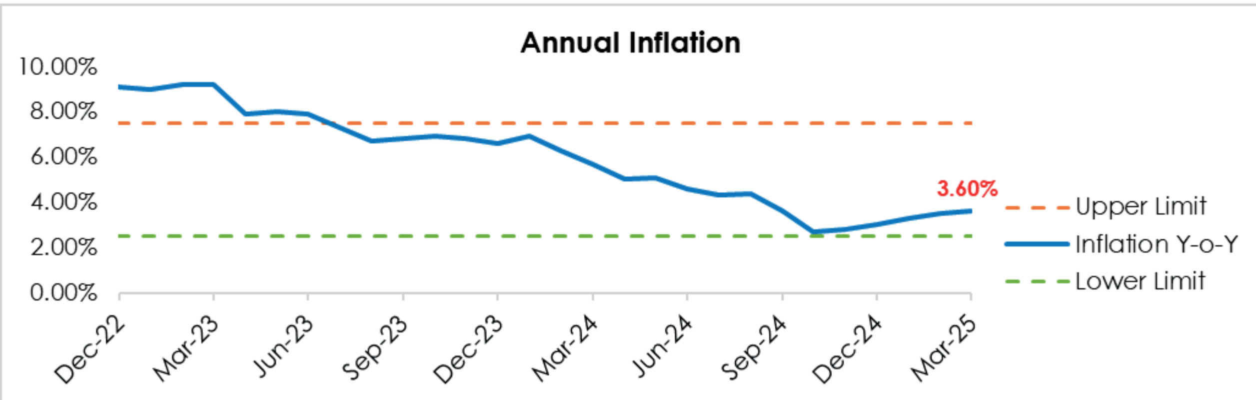


(Source: KNBS, OMIG Research)

The Committee will monitor policy impacts and economic developments. It shall reconvene in June 2025.

Inflation

Kenya's annual inflation rate continued its gradual increase for the fifth consecutive month, reaching 3.6% in March. This indicates that the overall price level was 3.6% higher compared to the same period in the previous year. On a month-to-month basis, the index rose from 143.12 in February 2025 to 143.69 in March 2025, corresponding to a monthly inflation rate of 0.4%, largely driven by price increases across most constituent baskets. Notably, the Food and Non-Alcoholic Beverages category experienced a rise of 0.7%, whereas the Housing, Water, Electricity, Gas, and other fuels category increased by 0.2%. Projections suggest that inflation will maintain its modest upward trajectory, eventually hovering at approximately 5% as the year progresses.

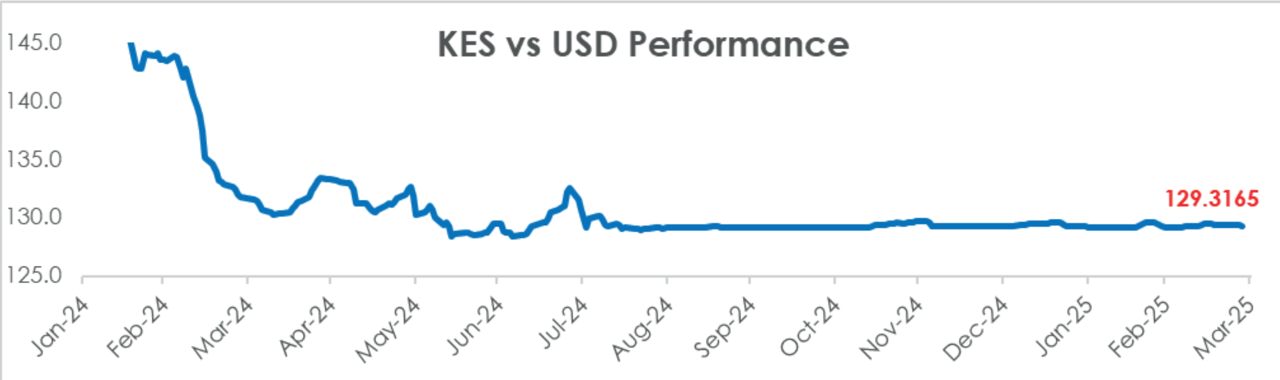


(Source: KNBS, OMIG Research)

Foreign Exchange Market

In the quarter, the Kenyan Shilling weakened marginally against the USD closing March at 129.32 from 129.29 in December.

For the past 9 months or so, the shilling has showed considerable stability against major global currencies with projections forecasting it will maintain the stability in the near term, bolstered by consistent remittance inflows, capital inflows, and reduced external debt obligations in the FY2024/25 budget cycle.

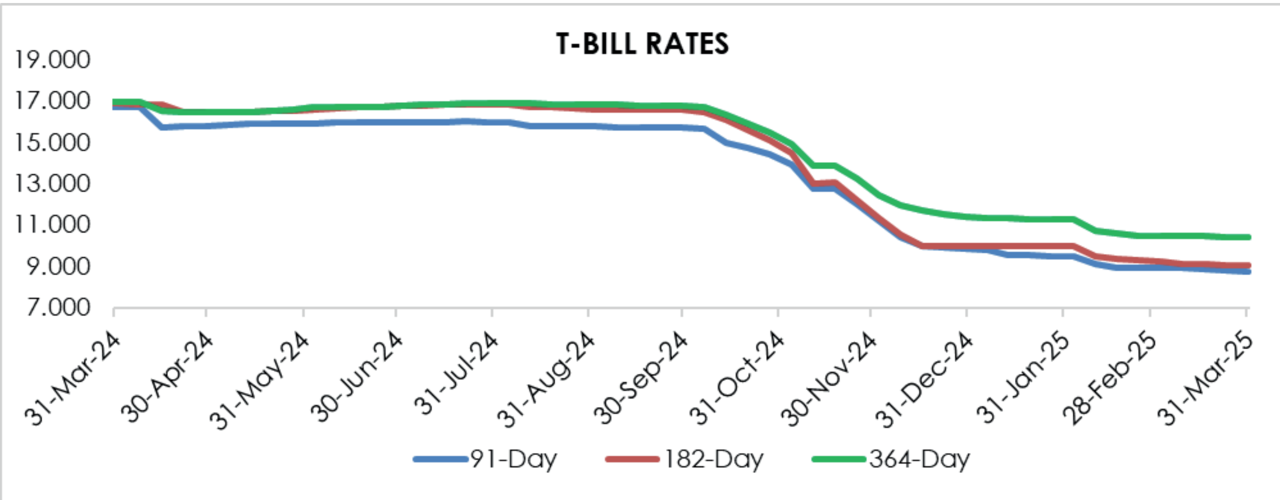


(Source: CBK, OMIG Research)

Yields and Yield Curve

Treasury Bills

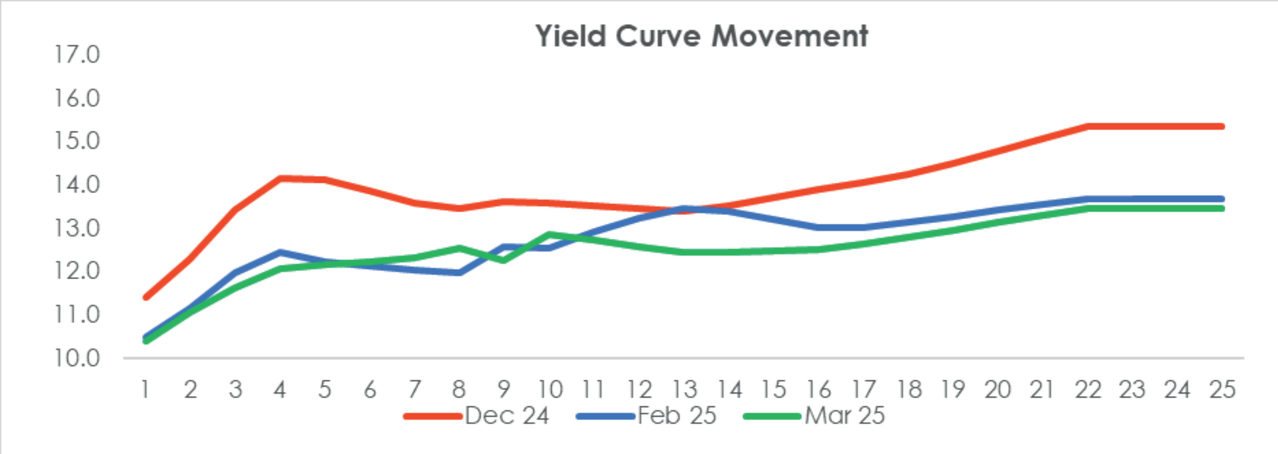
In March, Treasury bills remained in oversubscribed, evidenced by an overall subscription rate of 140.5%. Specifically, the 91-day, 182-day, and 364-day issues attracted subscription rates of 269%, 78%, and 150%, respectively. The yield on the 91-day T-bill declined to 8.7907% by month's end, compared to 8.9477% at the beginning of March. Similarly, the 182-day instrument's yield adjusted to 9.0583% in March from 9.3116% at the close of February, while the 364-day T-bill experienced a marginal reduction to 10.4117% in March from 10.5261% in February.



(Source: CBK, OMIG Research)

Treasury Bonds

In the quarter, the yield curve had a notable downward shift in line with the overall interest rate environment with yield curve having an average reduction of 133 bps. We anticipate a decelerated decline in the yield curve going forward with any primary auctions distorting the general trend of the yield curve by introducing bumps.

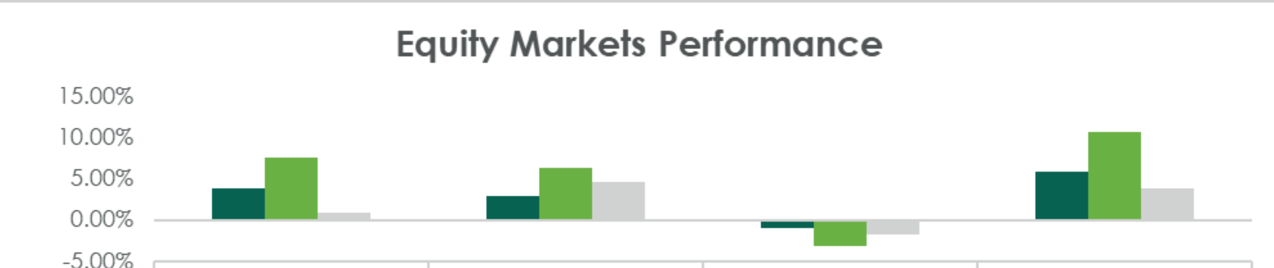


(Source: NSE, OMIG Research)

Equities Market Performance

The markets registered a downward movement in March after positive returns in January and February. In March, the All-share Index closed at 130.81 points, representing a 1.00% decline from February's level of 132.13 points dragged down by the weaker performance by large cap. stocks such as Equity (-3.3%), EABL (-2.7%) and KCB (-6.2%). On a quarterly basis, the index rose by 5.94%.

The NSE 20-share Index ended the month at 2,226.88 points, marking a 3.19% decrease from 2,300.17 points in the previous month, while registering a 10.75% increase over the quarter. Similarly, the NSE 25-share Index declined by 1.74% to 3,532.38 points from 3,595.08 points in February, with a quarterly gain of 3.81%. We anticipate continued growth in the listed equities market, underpinned by projected economic expansion, declining yields in the fixed income markets and growth in undervalued counters.



	Jan-25	Feb-25	Mar-25	Q1 2025
NASI	3.89%	3.00%	-1.00%	5.94%
NSE -20	7.56%	6.36%	-3.19%	10.75%
NSE-25	0.98%	4.63%	-1.74%	3.81%

(Source: NSE, OMIG Research)

Top & Bottom 5 equity stocks performance

Top 5 Stock	Mar 2025 Performance
Liberty Kenya Holdings Ltd Ord.1.00	32.39%
E.A. Portland Cement Co. Ltd Ord 5.00	20.15%
Sanlam Kenya Plc Ord 5.00	13.21%
Sameer Africa Plc Ord 5.00	10.06%
The Limuru Tea Co. Plc Ord 20.00AIMS	6.67%

Bottom 5 Stock	Mar 2025 Performance
Car & General (K) Ltd Ord 5.00	-18.75%
Centum Investment Co Plc Ord 0.50	-16.05%
HF Group Plc Ord 5.00	-14.18%
TPS Eastern Africa Ltd Ord 1.00	-14.12%
Eveready East Africa Ltd Ord.1.00	-12.12%

Top 10 Stocks Performance by Market Weight

Top 10 Stock	Market Weight	Mar 2025 Performance
Safaricom Plc Ord 0.05	35.66%	1.95%
Equity Group Holdings Plc Ord 0.50	8.64%	-3.29%
East African Breweries Plc Ord 2.00	6.92%	-2.70%
KCB Group Plc Ord 1.00	6.59%	-6.23%
Standard Chartered Bank Kenya Ltd Ord 5.00	5.50%	-0.33%
ABSA Bank Kenya Plc Ord 0.50	5.02%	0.00%
The Co-operative Bank of Kenya Ltd Ord 1.00	4.57%	-5.04%
NCBA Group Plc Ord 5.00	4.21%	4.48%
Stanbic Holdings Plc ord.5.00	3.11%	6.24%
I&M Group Plc Ord 1.00	2.66%	-10.01%

(Source: NSE, OMIG Research)

Source: Old Mutual Investment Group Research

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For a better tomorrow

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