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Kenya Macro-Economic Highlights

April 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.

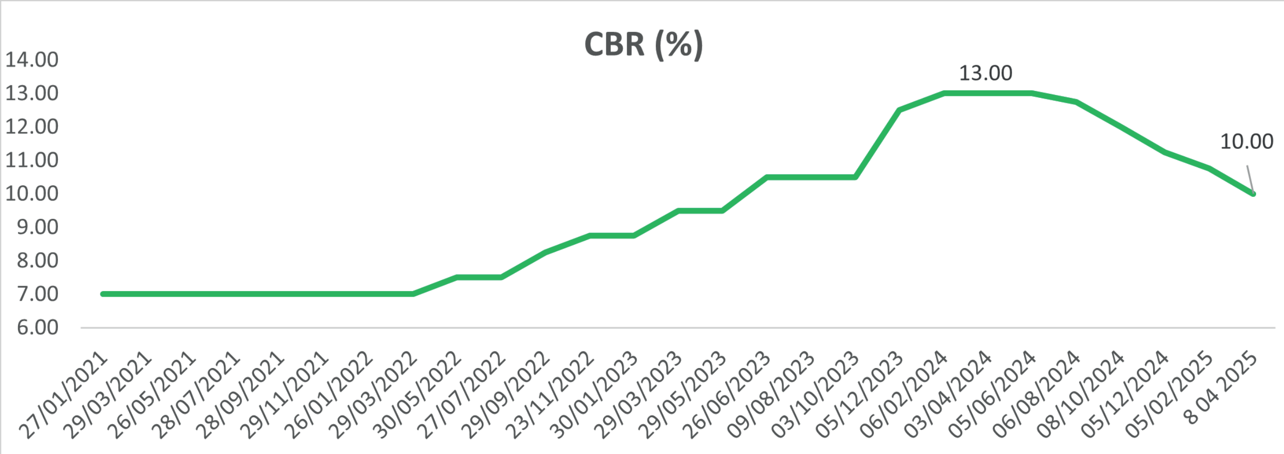
- Revised balance of payments data reflect that the current account deficit narrowed to 3.1% of GDP in the 12 months to February 2025 (from 3.3% in the same period in 2024). Exports rose by 13.1%, service receipts by 14%, and diaspora remittances by 14.5%. With lower oil imports and resilient inflows, 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%).

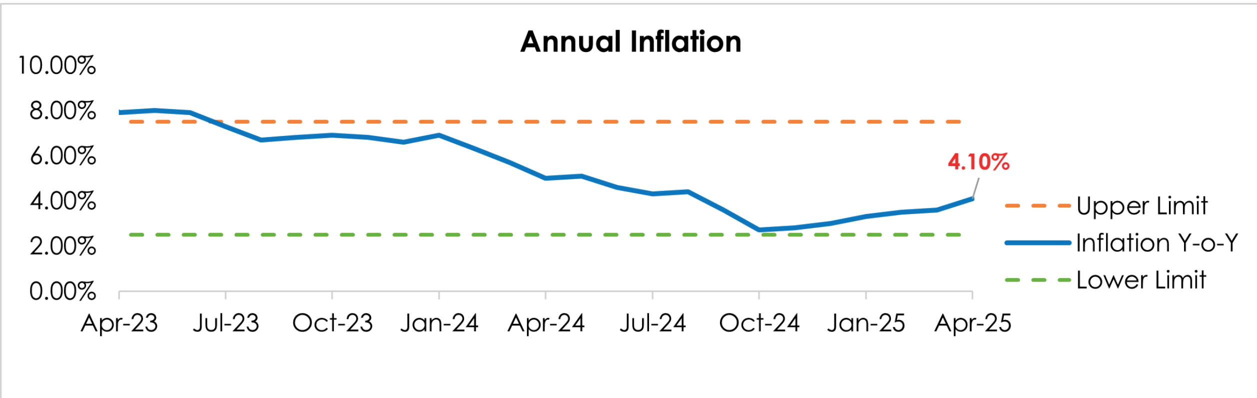


(Source: KNBS, OMIG Research)

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

Inflation

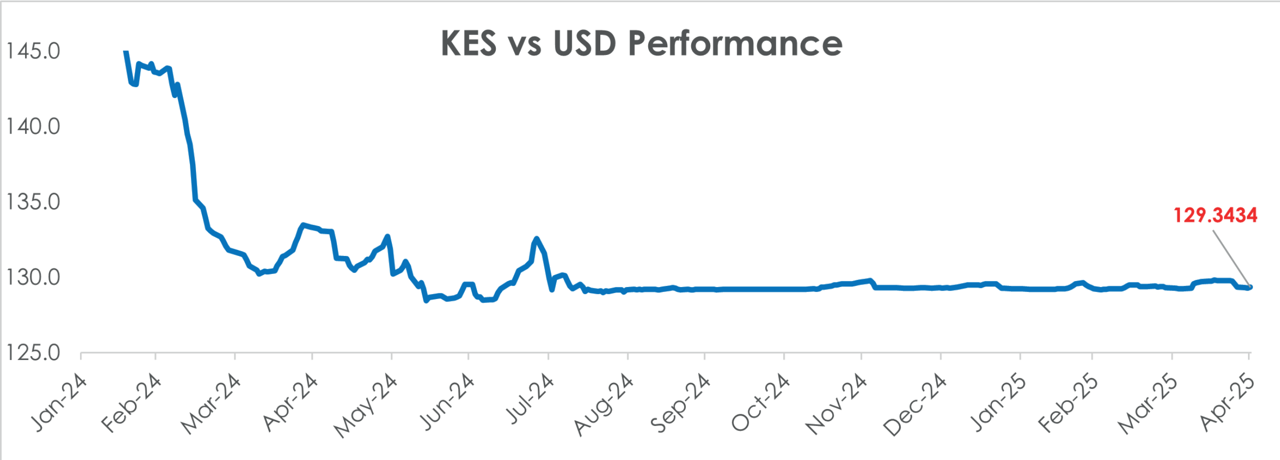
The annual consumer price inflation, as measured by the Consumer Price Index (CPI), stood at 4.1% in April 2025, indicating that the overall price level in April 2025 was 4.1% higher compared to April 2024. This increase was predominantly driven by higher prices within the Food and Non-Alcoholic Beverages (7.1%), Transport (2.3%), and Housing, Water, Electricity, Gas, and Other Fuels (0.8%) categories over the one-year period. Collectively, these three divisions constitute over 57% of the total weight across the 13 principal expenditure categories. On a month-to-month basis, the rise in inflation was primarily attributed to increases of 0.4%, 0.5%, and 0.3% in the Food and Non-Alcoholic Beverages, Transport, and Housing, Water, Electricity, Gas, and Other Fuels categories, respectively.



(Source: KNBS, OMIG Research)

Foreign Exchange Market

In April, the Kenyan Shilling experienced a slight depreciation against the US Dollar, easing by 0.02% to close at 129.34, compared to 129.32 in March. In the near term, the currency is expected to maintain relative stability, however, looking further ahead, the Shilling may face increased volatility due to the suspension of the final USD 850 million tranche from the International Monetary Fund (IMF) and the absence of a current IMF program. With ongoing discussions for a potential new IMF agreement likely to be protracted, this gap in external financial support could complicate the government's efforts to secure foreign funding and maintain investor confidence.



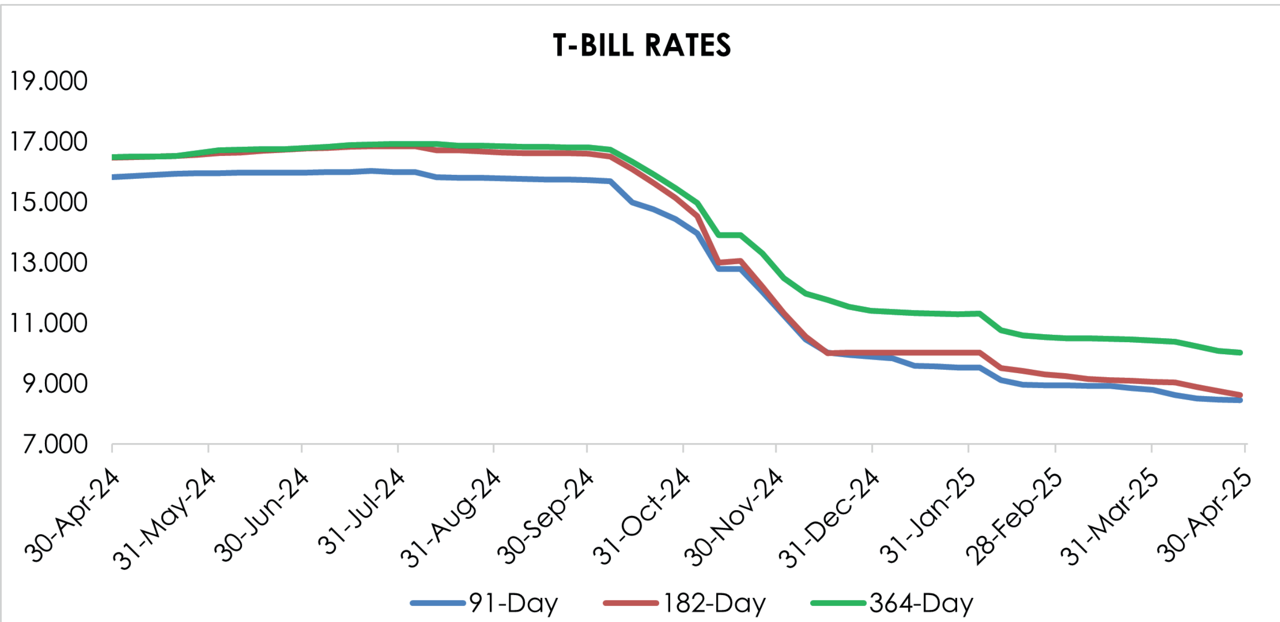
(Source: CBK, OMIG Research)

Yields and Yield Curve

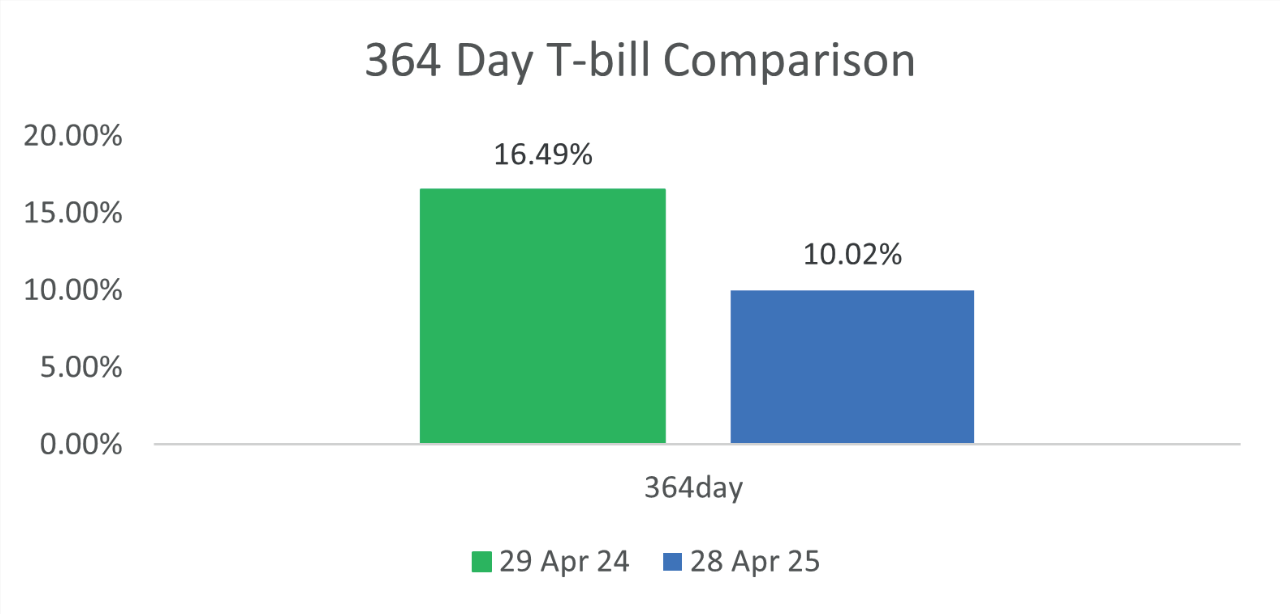
Treasury Bills

In April, demand for Treasury bills remained robust, as reflected in a total subscription rate of 183%. Investor interest varied significantly across tenors, with the 91-day, 182-day, and 364-day issues attracting subscription rates of 292%, 99%, and 223%, respectively, indicating a clear investor preference for the 91-day and 364-day papers. This weighting suggests that investors are split between the yields offered and duration.

Over the same period, rates trended downward, with the 91-day T-bill declining to 8.44% by the end of April, down from 8.79% in early March. Similarly, the yield on the 182-day T-bill moderated to 8.62% from 9.06%, while the 364-day instrument saw its yield decrease to 10.02%, compared to 10.41% at the close of March.



(Source: CBK, OMIG Research)

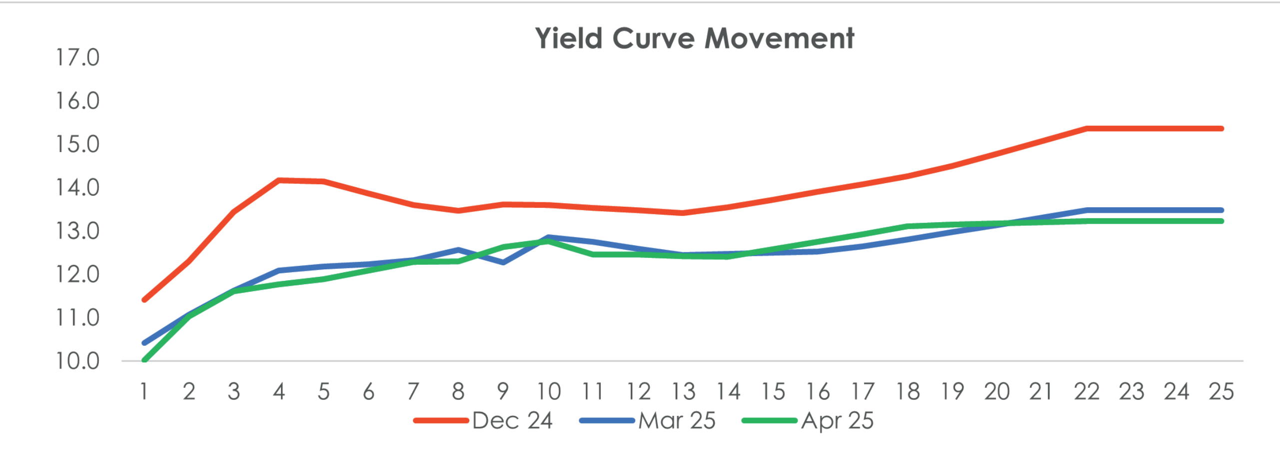


(Source: CBK, OMIG Research)

Treasury Bonds

In April, the yield curve remained relatively stable, exhibiting only modest adjustments. The most significant movement was an upward shift of 36bps in the 9-year segment, while the 1-year tenor experienced a 39bps decline. Looking ahead, we expect the yield curve to continue its gradual downward trend in the short term.

However, there is growing speculation that a potentially wider fiscal deficit in the forthcoming fiscal year may compel the government to increase domestic borrowing, which, if realized, would result in investors seeking higher yields at auctions and consequently result into an upward pressure on the yield curve.

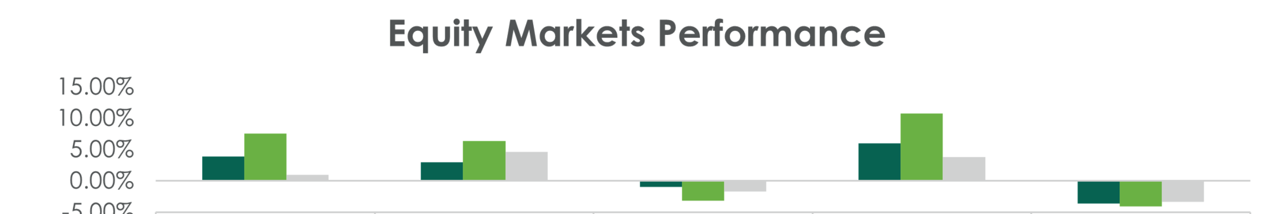


(Source: NSE, OMIG Research)

Equities Market Performance

The markets registered the second consecutive downward movement in April after positive returns in January and February. The All-share Index closed at 126.08 points, representing a 3.62% decline from March's level of 130.81 points, dragged down by the weaker performance by large cap. stocks such as Safaricom (-4.1%), Equity (3.0%), EABL (-3.3%), KCB (-8.8%) and Co-op (-10%).

The NSE 20-share Index ended the month at 2,135.51 points, marking a 4.1% decrease from 2,226.88 points in the previous month. Similarly, the NSE 25-share Index declined by 3.4% to 3,412.63 points from 3,532.38 points in March. Moreover, market capitalization closed the month at KES 1,981.79 billion, a 3.61% decrease from KES 2,056.07 billion in March.



	Jan-25	Feb-25	Mar-25	Q1 2025	Apr-25
NASI	3.89%	3.00%	-1.00%	5.94%	-3.62%
NSE -20	7.56%	6.36%	-3.19%	10.75%	-4.10%
NSE-25	0.98%	4.63%	-1.74%	3.81%	-3.39%

(Source: NSE, OMIG Research)

Top & Bottom 5 equity stocks performance

Top 5 Stock	Apr 2025 Performance
Crown Paints Kenya Plc Ord 5.00	18.50%
NEW GOLD ETF	13.60%
Liberty Kenya Holdings Ltd Ord.1.00	13.59%
Kakuzi Plc Ord.5.00	10.00%
Stanbic Holdings Plc ord.5.00	7.88%

Bottom 5 Stock	Apr 2025 Performance
Unga Group Ltd Ord 5.00	-16.33%
Longhorn Publishers Plc Ord 1.00AIMS	-16.23%
Britam Holdings Plc Ord 0.10	-15.29%
Kenya Airways Ltd Ord 1.00	-15.06%
Nation Media Group Plc Ord. 2.50	-15.02%

Top 10 Stocks Performance by Market Weight

Top 10 Stock	Market Weight	Apr 2025 Performance
Safaricom Plc Ord 0.05	35.48%	-4.10%
Equity Group Holdings Plc Ord 0.50	8.70%	-2.97%
East African Breweries Plc Ord 2.00	6.94%	-3.33%
KCB Group Plc Ord 1.00	6.23%	-8.78%
Standard Chartered Bank Kenya Ltd Ord 5.00	5.72%	0.25%
ABSA Bank Kenya Plc Ord 0.50	4.97%	-4.47%
NCBA Group Plc Ord 5.00	4.49%	2.86%
The Co-operative Bank of Kenya Ltd Ord 1.00	4.26%	-10.00%
Stanbic Holdings Plc ord.5.00	3.48%	7.88%
I&M Group Plc Ord 1.00	2.56%	-6.96%

(Source: NSE, OMIG Research)

Source: Old Mutual Investment Group Research

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