Kenya Macro-Economic Highlights

June 2025

For a Better Tomorrow

Monetary Policy Committee Meeting (MPC)

The most recent committee meeting was held on June 10th, 2025. Key highlights were:

- Global economic growth is expected to slow to 2.8% in 2025 from 3.3% in 2024, largely due to weaker performance in major economies—particularly the United States and China. This slowdown stems from the adverse effects of increased tariffs on U.S. imports and retaliatory measures by other countries. While both nations have softened their earlier tariff positions, uncertainty surrounding ongoing trade negotiations continues to cloud the outlook. Moreover, subdued global demand—especially from China—and persistent geopolitical conflicts, notably in the Middle East and the Russia-Ukraine region, present ongoing risks to global economic stability.

- Global headline inflation has shown signs of easing, but its rate of decline is expected to slow, owing to the inflationary pressures stemming from heightened trade tariffs. In response, central banks in advanced economies are taking a more cautious stance on interest rate cuts, balancing inflation control with growth concerns. Meanwhile, international oil prices have softened, supported by higher global supply and reduced demand—particularly from China. However, oil price volatility remains a risk due to ongoing geopolitical tensions and tariff-related disruptions. Food inflation has also eased, primarily driven by falling prices of cereals and sugar, though prices of edible oils continue to remain high.

- Kenya's headline inflation remained flat at 3.8% in June 2025, keeping it comfortably below the central bank's mid-point target of 5% (within the 5±2.5% range). Non-core inflation was 6.2% during the period while core inflation edged up to 3.0% from 2.8%, reflecting increased costs of processed food products. Looking ahead, overall inflation is projected to remain subdued, anchored by stable food and energy prices and a steady exchange rate.

- Kenya's current account deficit narrowed to 1.8% of GDP in the year to April 2025, down from 2.2% in the same period in 2024. This improvement was largely attributed to robust export performance—particularly in horticulture and coffee—and strong diaspora remittances, which rose by 12.1%. Goods exports grew by 3.8%, while imports increased by 7.6%, mainly due to higher demand for intermediate and capital goods. Additionally, service exports expanded by 12.0%, supported by increased transport and travel receipts

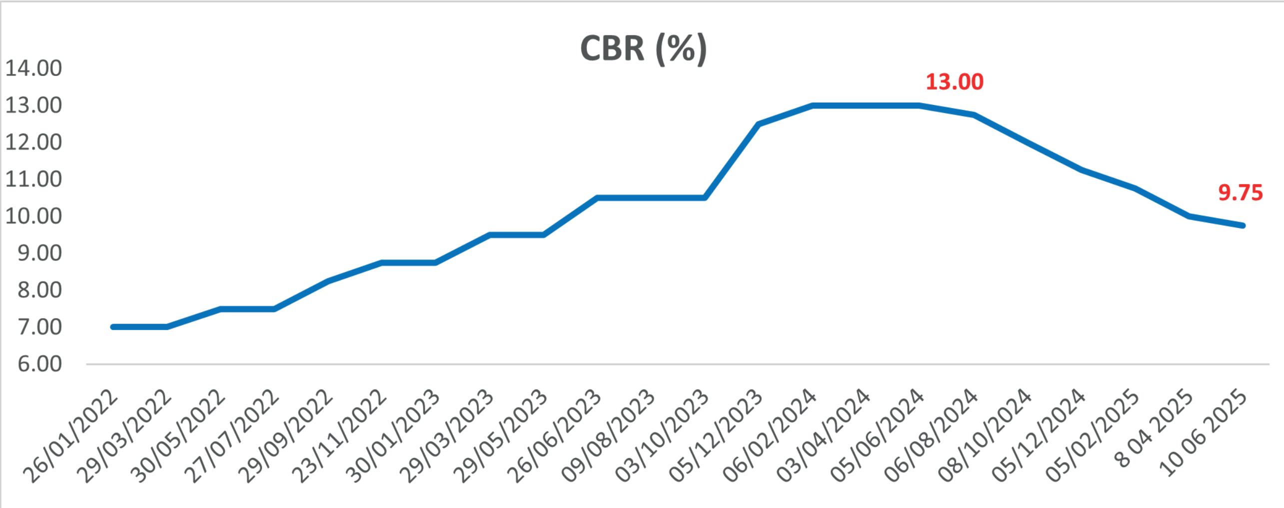
- Kenya's foreign exchange reserves rose to USD 10.83 billion, equivalent to 4.75 months of import cover. These reserves provide a solid cushion against short-term external shocks and help stabilize the foreign exchange market.

- The banking sector remains robust, supported by strong liquidity and capital buffers. However, the non-performing loans (NPL) ratio increased slightly to 17.6% in April 2025, up from 17.2% in February. The rise in NPLs was concentrated in sectors such as trade, personal and household lending, tourism and hospitality, and construction. Despite this uptick, banks have maintained prudent provisioning to absorb potential credit losses, ensuring overall sectoral resilience.

- Private sector credit growth improved to 2.0% in May 2025, up from 0.4% in April and recovering from a contraction of -2.9% in January. This rebound reflects increased credit demand, driven by declining interest rates and the mitigation of foreign currency loan revaluation effects, following the Kenyan Shilling's appreciation. Correspondingly, average lending rates fell to 15.4% in May, down from 15.7% in April and 17.2% in November 2024, indicating easing financial conditions.

- On the fiscal side, the Committee acknowledged progress in implementing the FY2024/25 Supplementary Budget II and the formulation of the FY2025/26 Budget, both of which are aligned with the government's medium-term fiscal consolidation agenda aimed at containing debt risks and enhancing macroeconomic stability.

- The Committee noted that:
    - Overall inflation in Kenya is projected to remain below the mid-point of the target range (5 ± 2.5%) in the near term, signaling continued price stability.
    - Internationally, central banks in advanced economies are gradually easing interest rates, albeit cautiously, as they balance inflation risks with growth considerations.
    - Domestically, lending rates have continued to decline, contributing to a modest recovery in private sector credit growth, reflecting improving financial conditions and renewed credit demand.
- The Committee determined that there is room to further ease the monetary policy stance to reinforce earlier measures aimed at boosting bank lending to the private sector and stimulating economic activity. Accordingly, the MPC reduced the Central Bank Rate (CBR) by 25 basis points—from 10.00% to 9.75% to support credit expansion and economic growth.



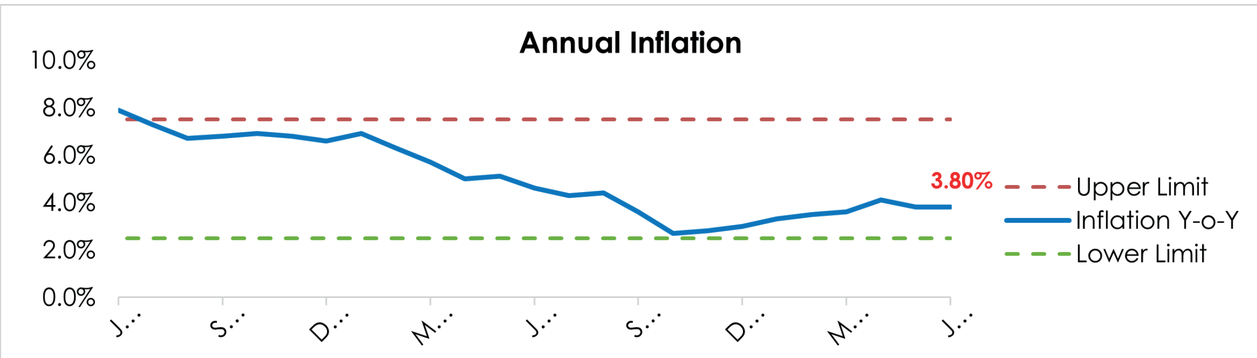
(Source: KNBS, OMIG Research)

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

Inflation

The annual consumer price inflation, as measured by the Consumer Price Index (CPI), clocked at 3.8% in June 2025, indicating that the representative basket of goods and services cost 3.8% more than it did twelve months earlier, in June 2024. This increase was predominantly driven by higher prices within the Food and Non-Alcoholic Beverages (6.6%), Transport (3.2%), and Housing, Water, Electricity, Gas, and Other Fuels (0.2%) categories over the one-year period. Collectively, these three divisions constitute just over 57% of the total weight across the 13 principal expenditure categories.

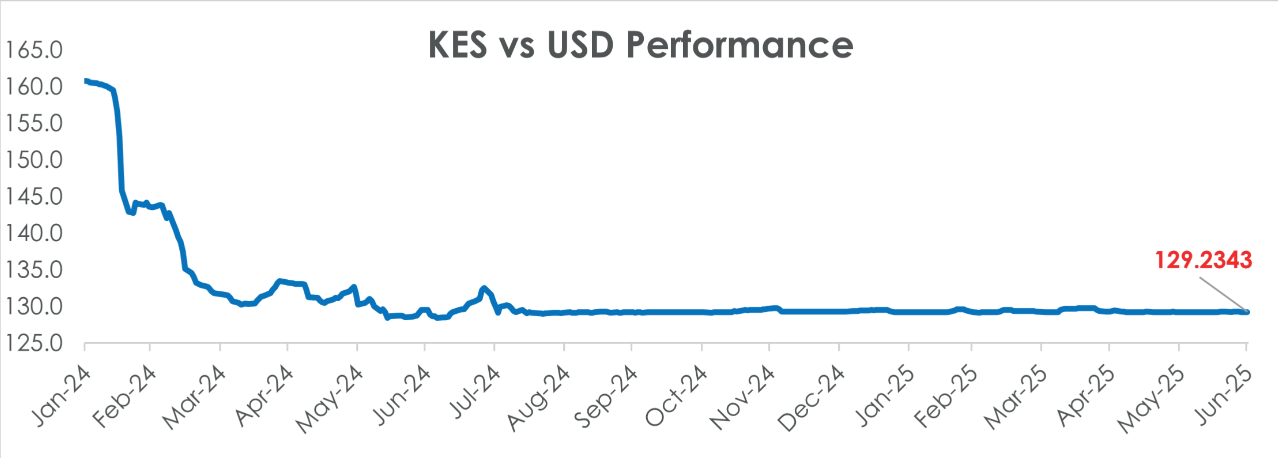
On a month-to-month basis, the 0.5% rise in inflation was primarily attributed to increases of 1% and 0.7%, in the Food and Non-Alcoholic Beverages and in the Transport categories.



(Source: KNBS, OMIG Research)

Foreign Exchange Market

During June, the Kenyan shilling posted a very slight uptick against the U.S. dollar, appreciating to KES 129.23 per dollar from May's KES 129.24. In the near term, the exchange rate is likely to remain broadly steady; yet the medium-to-long-run outlook is less stable. The suspension of the IMF's final US$850 million tranche, the absence of a follow-on Fund programme, and a demanding external-debt-service calendar all point to the prospect of heightened exchange-rate volatility. However, the government is pursuing other avenues for external financing such as the World Bank and issuing its first Panda bond, a renminbi (RMB) denominated debt instrument in the Chinese market, as part of efforts to bridge financing gaps related to infrastructure development.



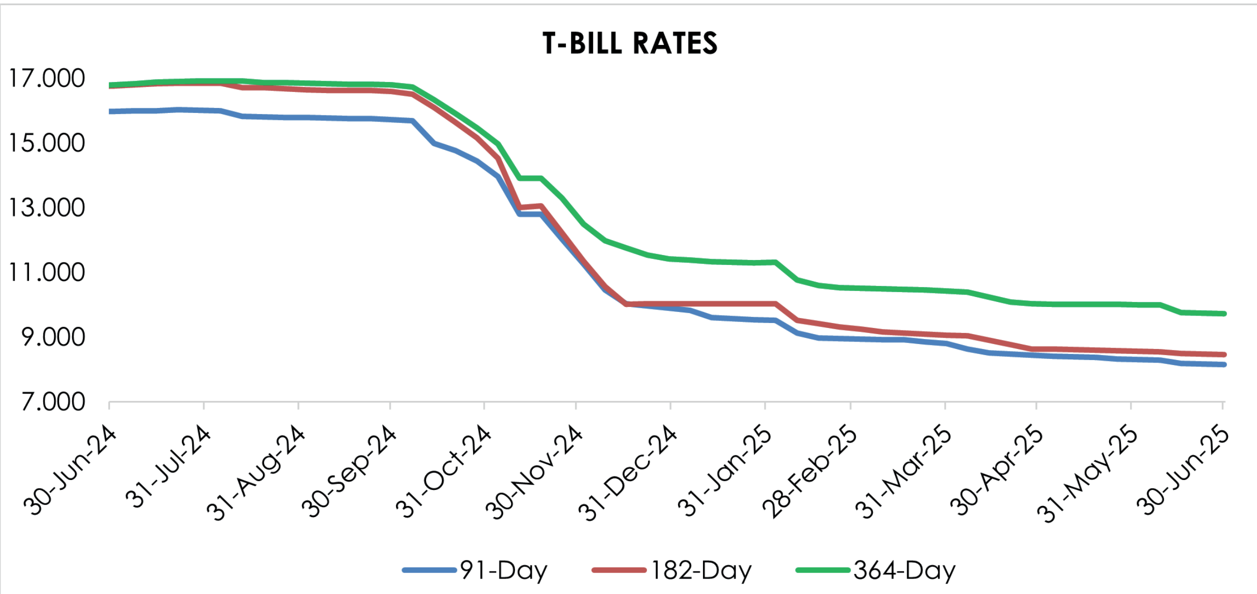
(Source: CBK, OMIG Research)

Yields and Yield Curve

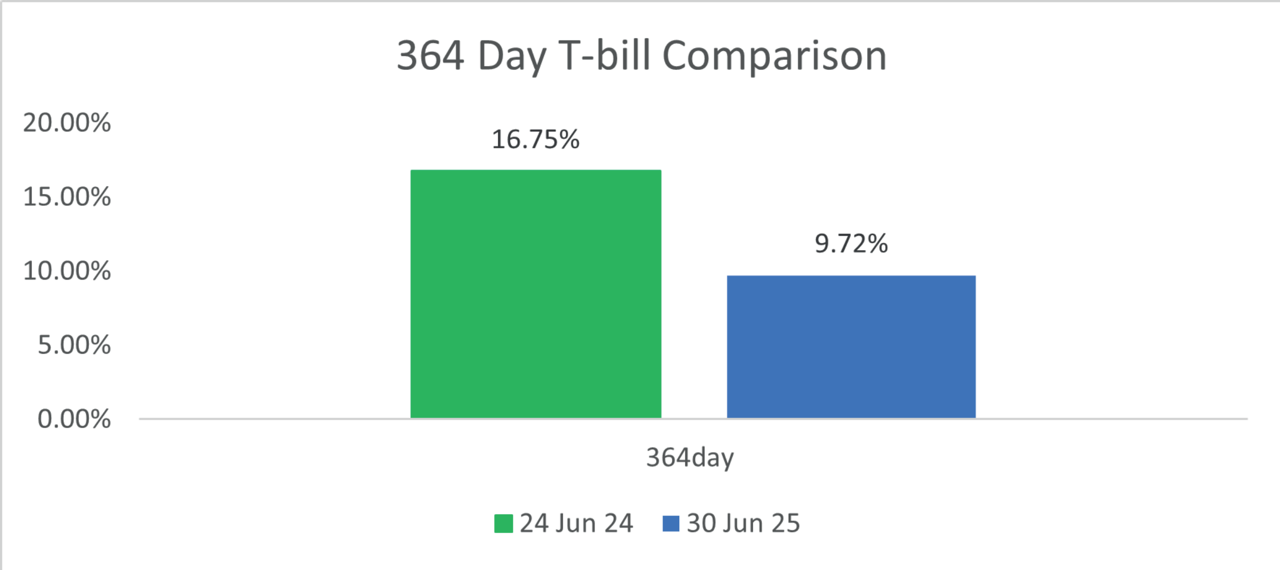
Treasury Bills

In June, demand for Treasury bills remained robust, as reflected in a total subscription rate of 179%, with the subscription rate rebounding upwards from the month prior. Investor interest varied significantly across tenors, with the 91-day, 182-day, and 364-day issues attracting subscription rates of 235%, 53%, and 284%, respectively, indicating a clear investor preference for the 91-day and 364-day papers with a clear weight toward the longer dated paper.

Over the same period, rates trended downward, with the 91-day T-bill declining to 8.14% by the end of June, down from 8.32% the month prior. Similarly, the yield on the 182-day T-bill moderated to 8.46% from 8.58%, while the 364-day instrument saw its yield decrease to 9.72%, compared to 10.00%.



(Source: CBK, OMIG Research)

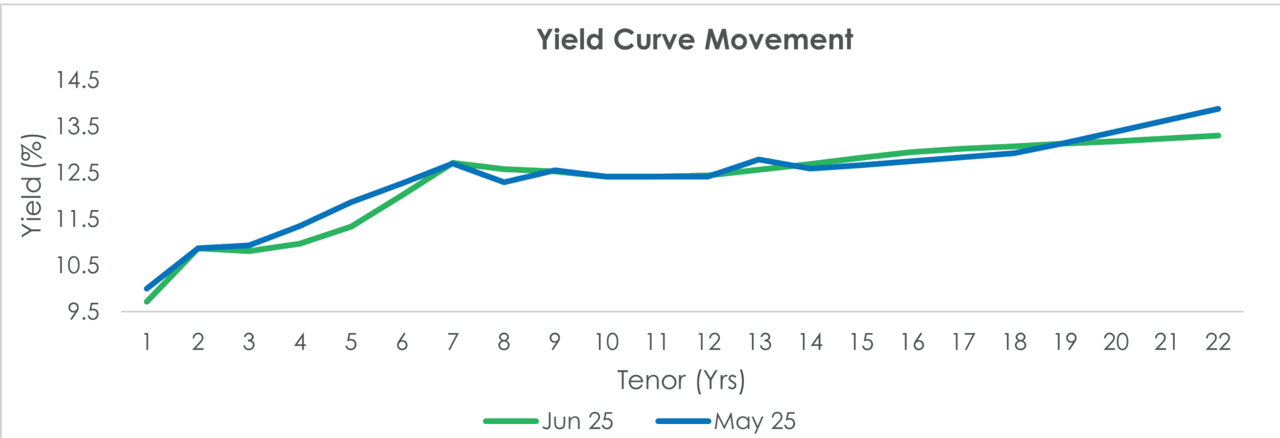


(Source: CBK, OMIG Research)

Treasury Bonds

In June, the yield curve experienced some localized volatility driven by primary auctions of select papers as well as heightened turnover in the secondary market. The most pronounced adjustment was a 58-basis-point reduction at the 22-year point.

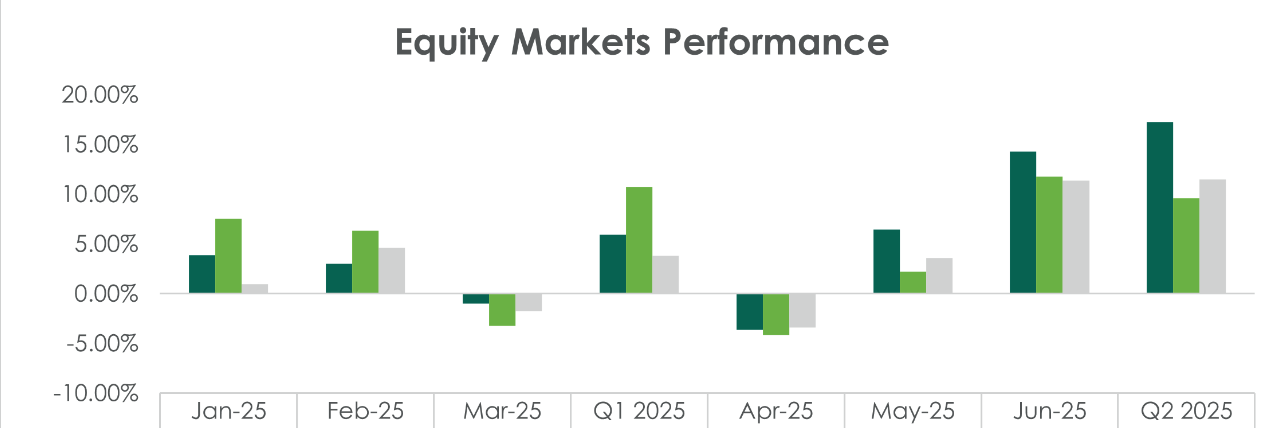
However, concerns around a potentially more expansive fiscal deficit in the upcoming fiscal year suggests that the Treasury may be compelled to augment its reliance on domestic borrowing. Should that scenario materialise and persist, auction participants are likely to demand higher yields, thereby exerting upward pressure on the curve.



(Source: NSE, OMIG Research)

Equities Market Performance

The equities market maintained the positive performance throughout June with the NSE All-Share Index posting a 14.3% growth, while the NSE 20 and NSE 25 indices rose by 11.8% and 11.4%, respectively. Market capitalization expanded to KES 2.42 trillion, marking a 14.5% month-on-month increase. This improvement was anchored by the notable rise of the market's largest and most liquid counters: Safaricom appreciated 21.4%, KCB Bank 10.6%, Equity Bank 13.6% and Co-operative Bank 15.5%. Most notably is the robust performance of the equity market in the first half of 2025 with the all-share index posting a strong 24%, significantly outpacing the fixed income instrument in the same period.



	Jan-25	Feb-25	Mar-25	Q1 2025	Apr-25	May-25	Jun-25	Q2 2025
NASI	3.89%	3.00%	-1.00%	5.94%	-3.62%	6.45%	14.32%	17.29%
NSE -20	7.56%	6.36%	-3.19%	10.75%	-4.10%	2.25%	11.76%	9.58%
NSE-25	0.98%	4.63%	-1.74%	3.81%	-3.39%	3.60%	11.40%	11.49%

(Source: NSE, OMIG Research)

Top & Bottom 5 equity stocks performance

Top 5 Stock	June 2025 Performance
KenGen Co. Plc Ord. 2.50	50.71%
Sameer Africa Plc Ord 5.00	48.84%
Kenya Power & Lighting Co Plc Ord 2.50	46.68%
Nairobi Securities Exchange Plc Ord 4.00	30.35%
E.A.Portland Cement Co. Ltd Ord 5.00	27.32%

Bottom 5 Stock	June 2025 Performance
Liberty Kenya Holdings Ltd Ord.1.00	-10.39%
Trans-Century Plc Ord 0.50AIMS	-8.20%
Unga Group Ltd Ord 5.00	-7.27%
Eaagads Ltd Ord 1.25 AIM	-5.83%
Crown Paints Kenya Plc Ord 5.00	-5.50%

Top 10 Stocks Performance by Market Weight

Top 10 Stock	Market Weight	June 2025 Performance
Safaricom Plc Ord 0.05	41.44%	21.36%
Equity Group Holdings Plc Ord 0.50	7.63%	13.59%
KCB Group Plc Ord 1.00	6.20%	10.69%
East African Breweries Plc Ord 2.00	6.04%	2.79%
Standard Chartered Bank Kenya Ltd Ord 5.00	4.69%	11.64%
The Co-operative Bank of Kenya Ltd Ord 1.00	4.35%	15.48%
ABSA Bank Kenya Plc Ord 0.50	4.31%	4.92%
NCBA Group Plc Ord 5.00	4.06%	9.17%
Stanbic Holdings Plc ord.5.00	2.69%	7.69%
I&M Group Plc Ord 1.00	2.57%	5.15%

(Source: NSE, OMIG Research)

Source: Old Mutual Investment Group Research

Enwealth
For a better tomorrow

Contact Us

Enwealth Capital Limited

Morningside Office Park,
1st Floor Suite D2, Ngong Road
P.O Box 52840-00200

Pilot Line: +254 700 617 443.
Telephone: +254 208160312, 202319162, 202316467

Email: enwealthcapital@enwealth.co.ke
Website: enwealth.co.ke/capital