

Mentoria Economics

KENYA'S ECONOMIC TRAJECTORY AND THE GLOBAL LANDSCAPE

OCTOBER 2025



OUR GOAL AT MENTORIA ECONOMICS

To deliver strategic, independent insights for effective business planning.



- Global Developments
- Kenya Macroeconomic Analysis
- Opportunities and Risks
- Q&A

IMF – Buckle Up! Uncertainty is the new Normal



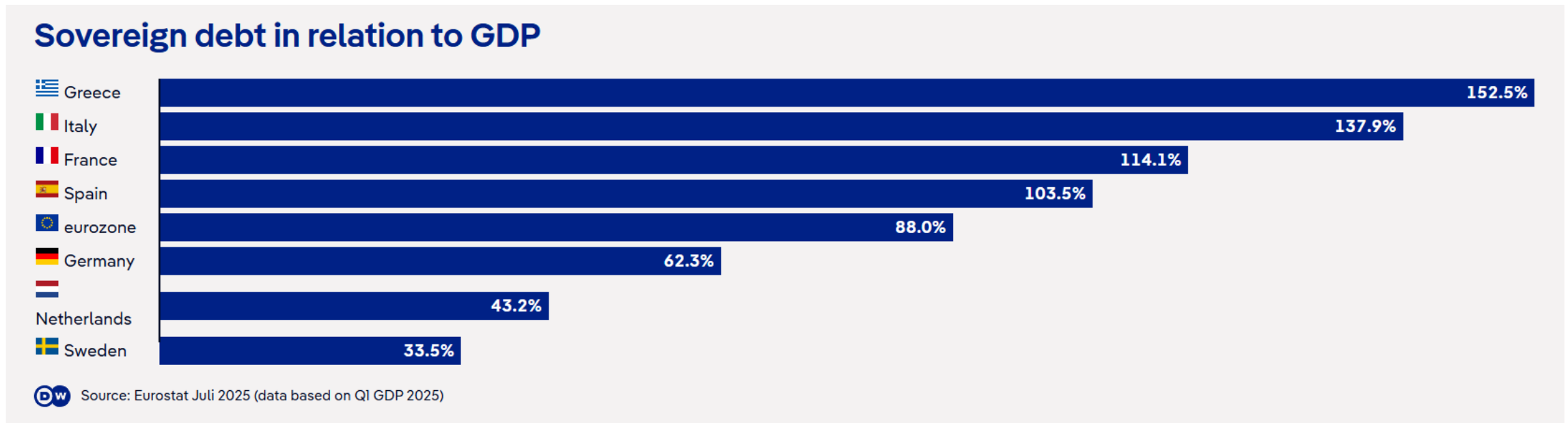
- Growing signs of strain – record gold price which topped USD 4,000 an ounce – signalling anxiety among investors
- Exceptionally high valuations for US Stocks.
- Global growth expected to be at 3.2% in 2025 and 3.1% in 2026 – Front-loading is fading!

US Economy – Government Shutdown weighing heavily on the Economy



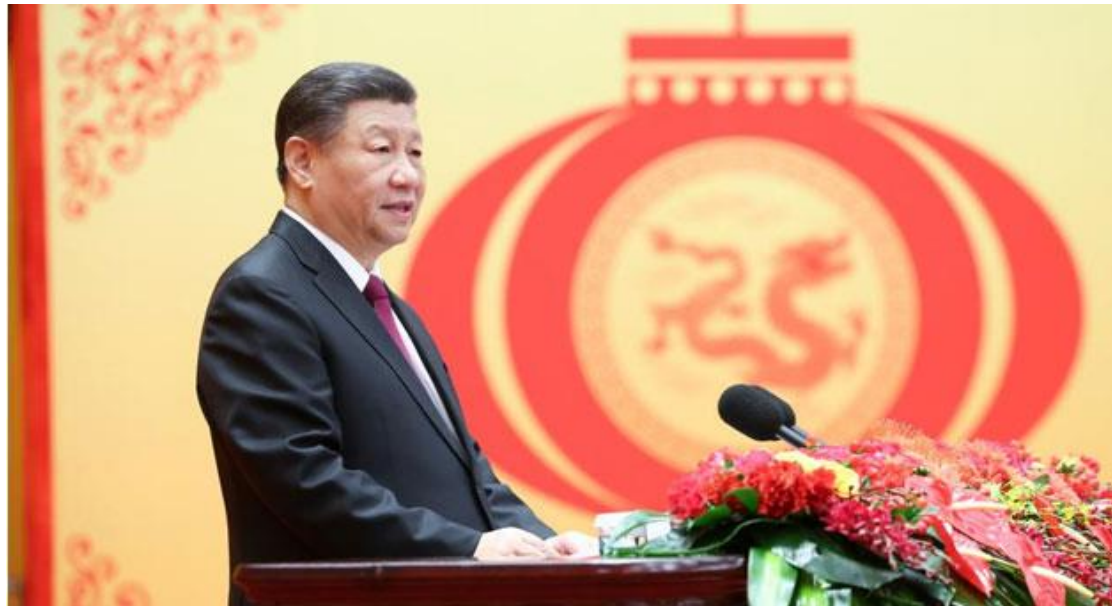
- Over 600,000 federal employees have been furloughed as Republicans and Democrats face a deadlock over budget issues.
- While GDP growth looks positive, there is still uncertainty in the labour market. Unemployment hits near a four year high of 4.3% while inflation hits 3 percent.
- The Federal Reserve has attempted to slash interest rates to boost the economy. Another rate cut is expected this week.
- Trump administration supports a one year extension of AGOA

France's Political Crisis : Will it trigger a eurozone debt crisis?



- Budget cuts are politically untenable, financial markets have responded with higher risk premiums on French bonds.

China Economy Slowing Down amid trade wars



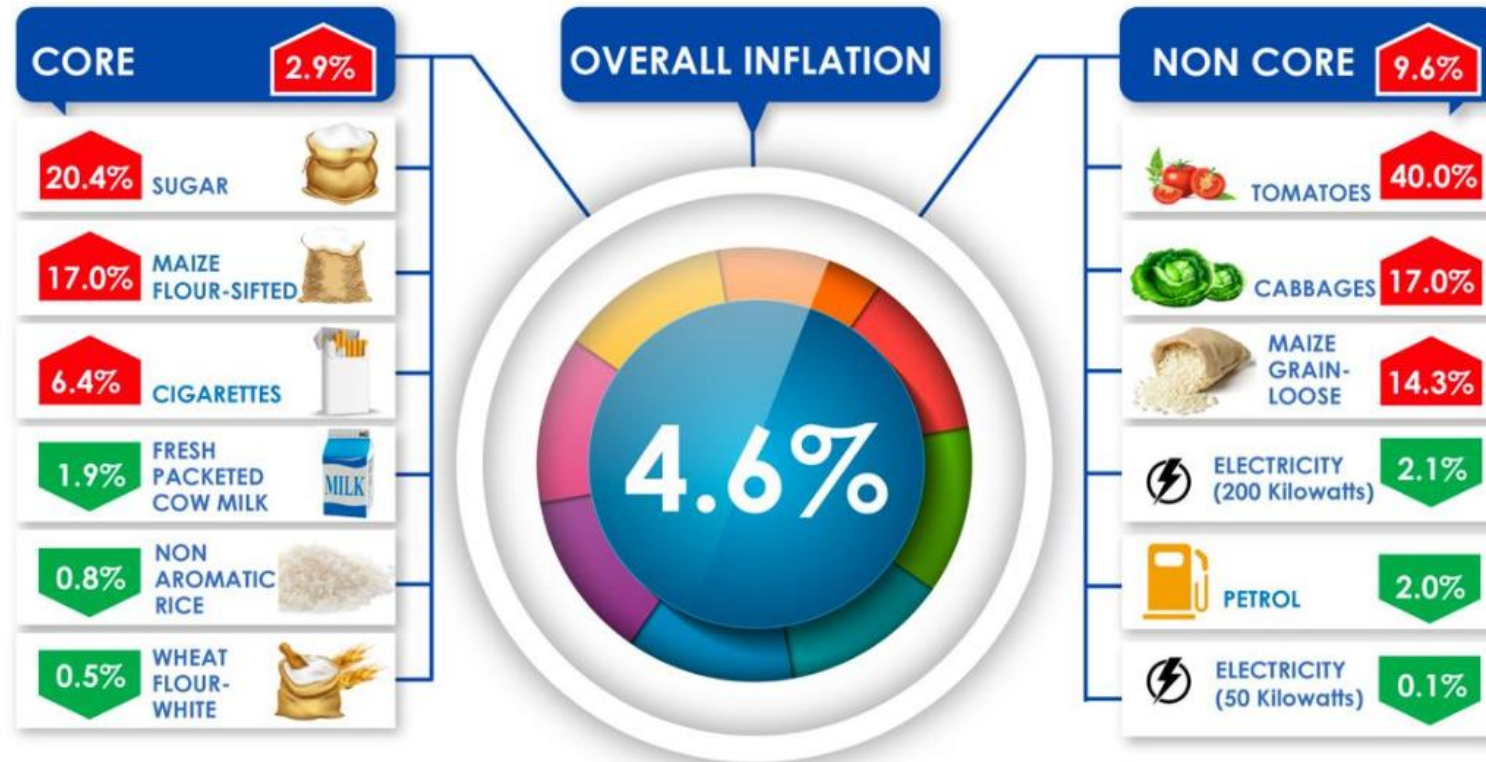
- Economic Pressures:** combination of trade wars with America and domestic challenges driving economic slowdown
- Policy Response:** policymakers mulling over the need for more fiscal support to hit target.
- Rare Earth Dominance :** China seeks to apply export control on items with rare earth of which it controls almost 90%
- New five year economic plan** will involve more money to high-tech and scientific technology and export sectors that have kept Chinese economy afloat



Kenya Macroeconomic Outlook

Kenya Macroeconomic Outlook

INFLATION HIGHLIGHTS - SEPTEMBER 2025

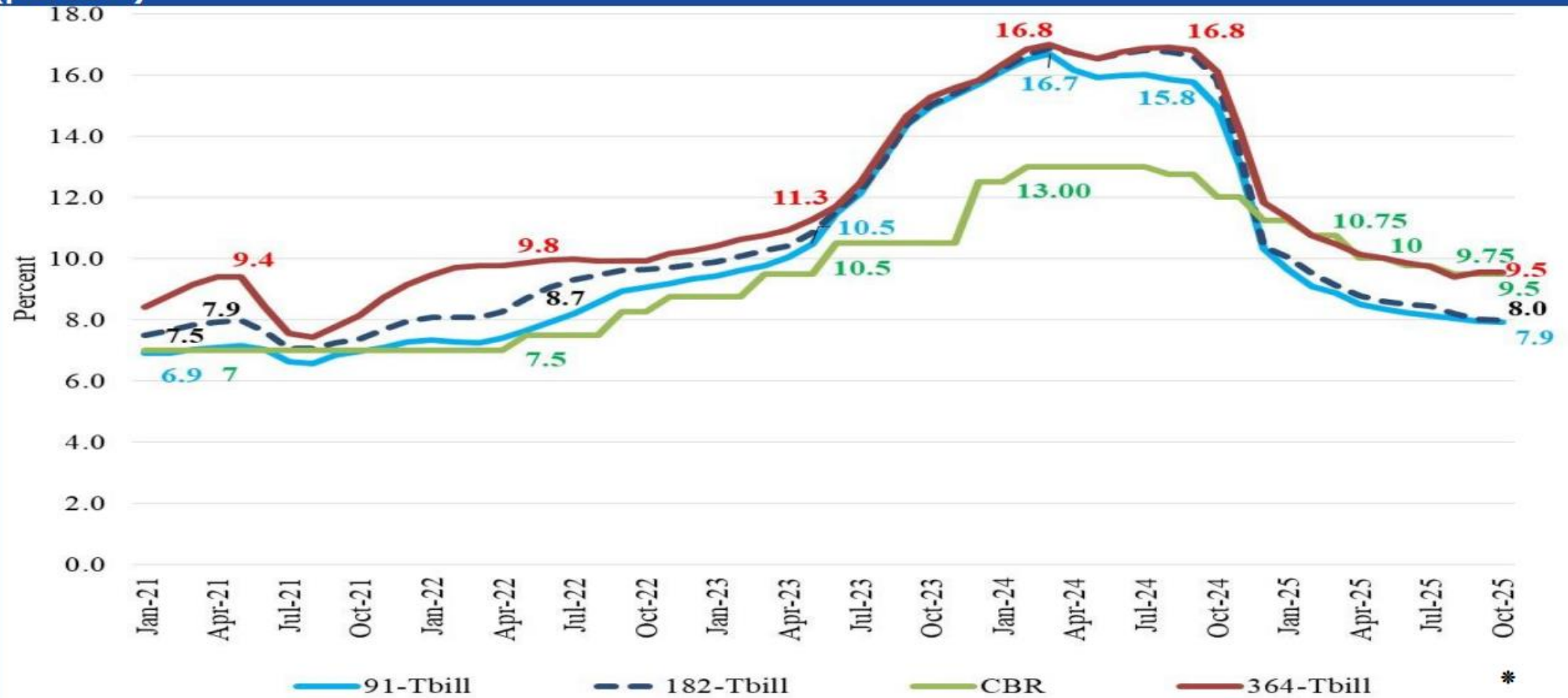


Inflation is calculated as the change in prices between September 2025 and September 2024.
The overall inflation rate in August 2025 was 4.5 percent. The core CPI basket accounts for 81.1% of the overall CPI.

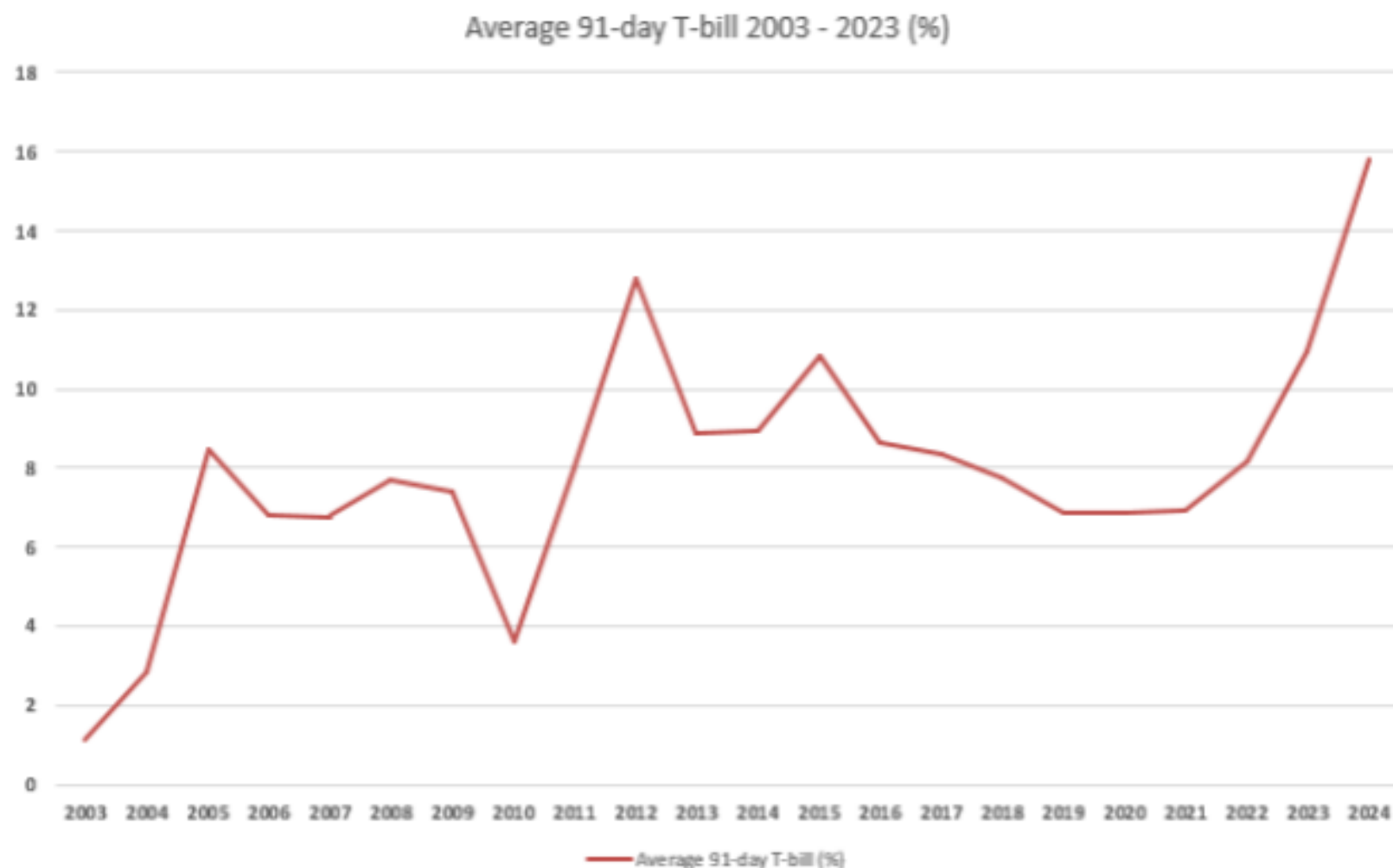
Source: Kenya National Bureau of Statistics (KNBS)
The detailed report on core and non core measures of inflation is available on the KNBS website

Interest rates are coming down

Average Treasury bill rates and Central Bank Rate
(percent)



Interest rates – A 20-year perspective (2003 –2024)

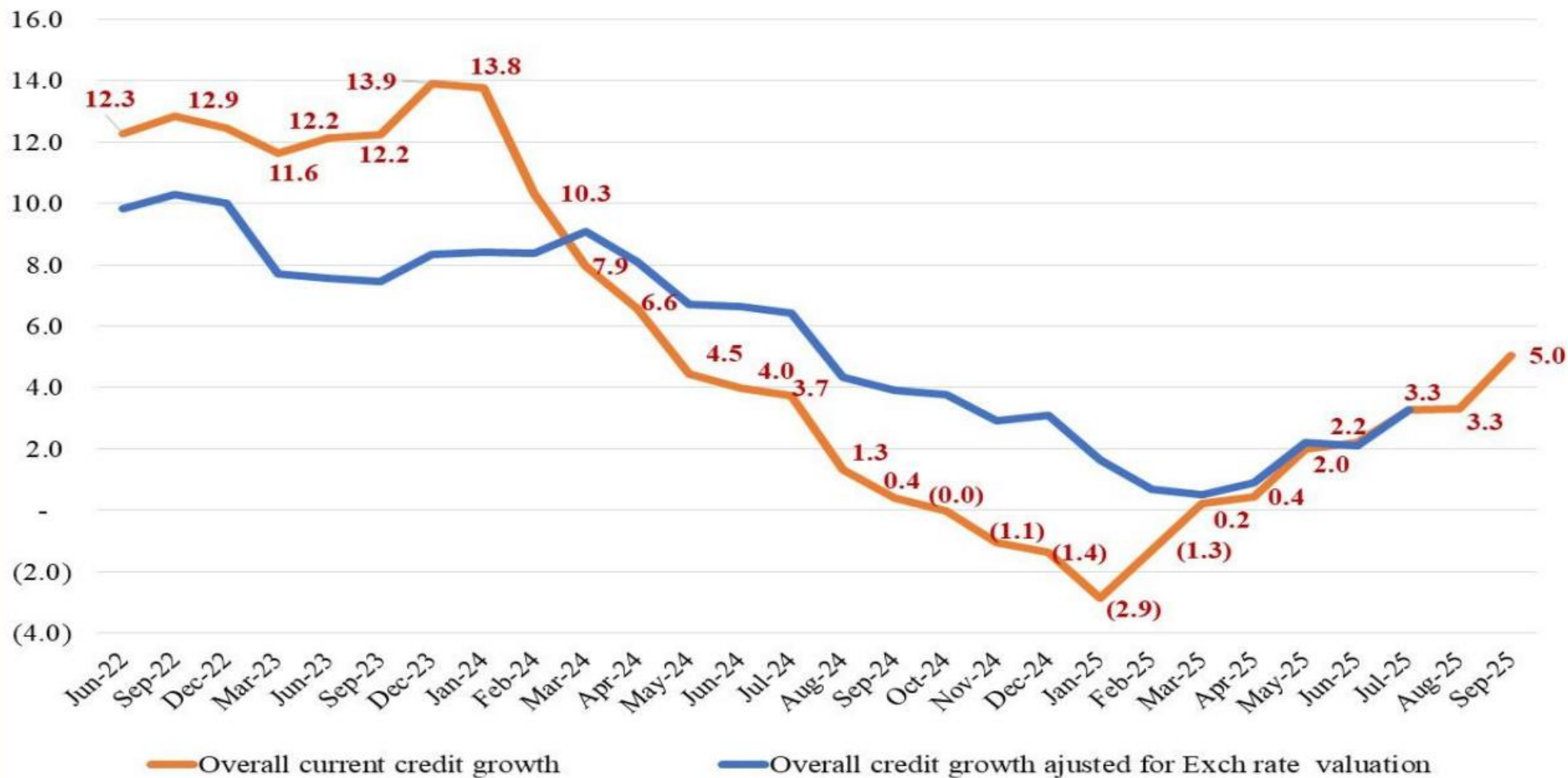


Higher interest rate environment leads to a crowding out of the private sector

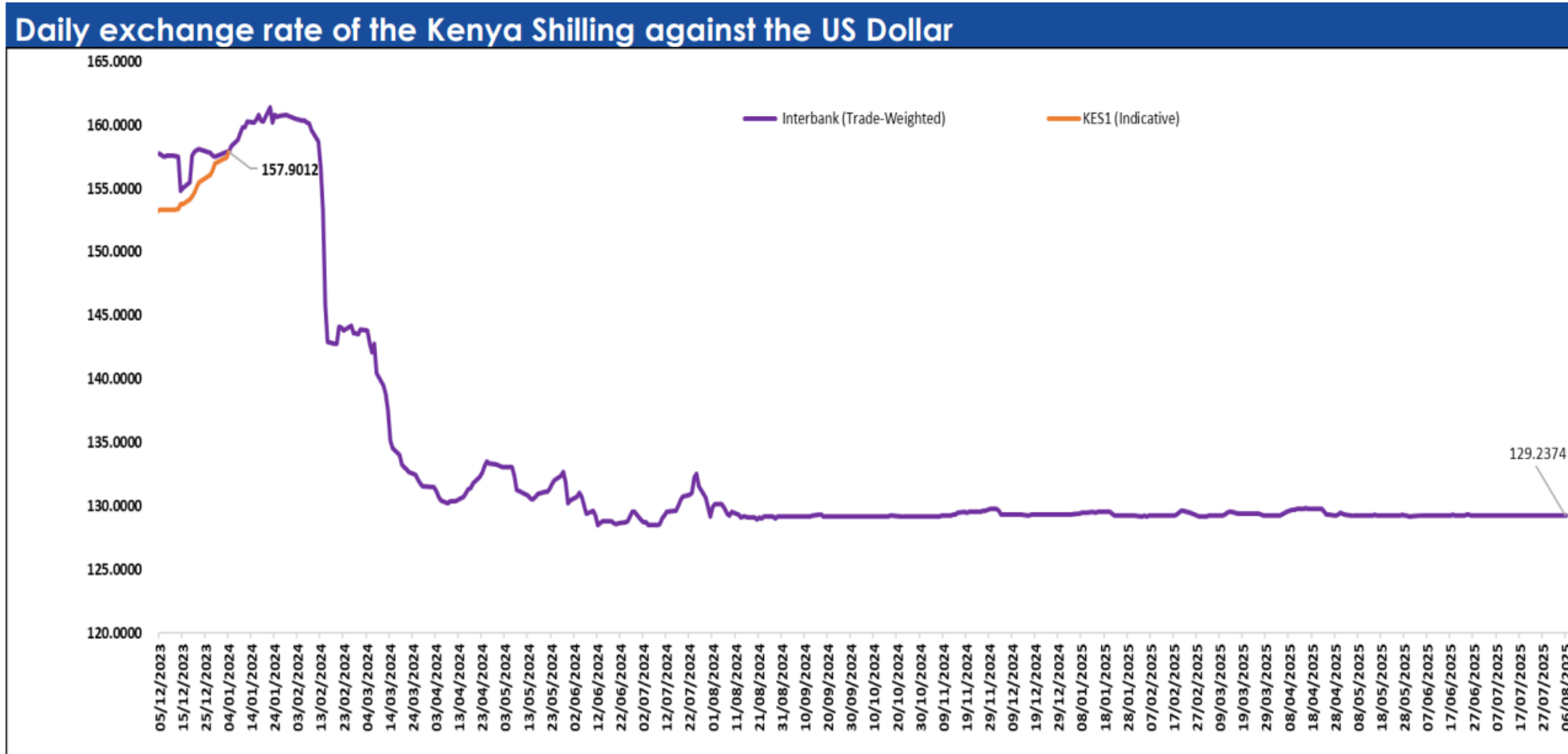
Source : CBK

Credit to Private Sector rebounding

12 Month growth in credit to the private sector (y/y, percent)



Kenya shilling has retained an extended level of stability against USD



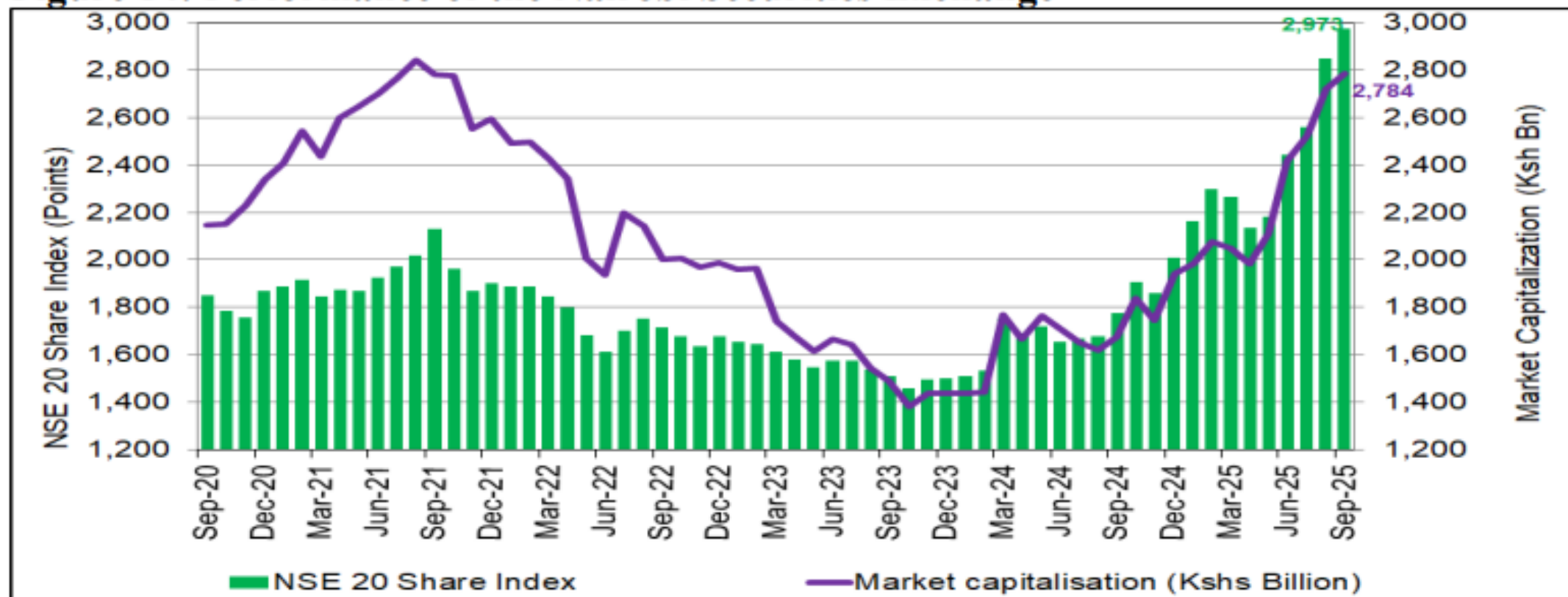
Easing cost of credit could be a boost for economic growth

Real GDP growth (y/y, percent)										
	Weight (2016Q1 -2024Q4)	2021 Act.	2022 Act.	2023 Act.	2024 Act.	2025				2026
						Q1 Act.	Q2 Act.	Q3 Proj.	Annual Proj.	Annual Proj.
1. Agriculture	18.4	-0.4	-1.5	6.6	4.6	6.0	4.4	5.1	5.1	4.9
2. Non-Agriculture (o/w)	81.6	9.5	6.3	5.5	4.7	4.7	5.1	5.4	5.2	5.6
2.1 Industry	17.7	7.5	3.9	2.0	0.8	3.0	4.0	4.0	3.7	4.3
Mining & Quarrying	1.0	18.0	9.3	-6.5	-9.2	10.8	15.3	8.8	10.8	5.7
Manufacturing	8.6	7.3	2.6	2.2	2.8	2.1	1.0	2.7	2.3	3.3
Electricity & water supply	2.5	5.6	5.5	3.2	1.9	3.6	5.7	4.9	4.8	4.2
Construction	5.5	6.7	4.1	3.0	-0.7	3.0	5.7	4.6	4.3	5.5
2.2 Services	55.3	9.8	7.0	7.0	6.0	5.0	5.7	6.0	5.7	6.1
Wholesale & Retail Trade	8.3	8.0	3.5	3.3	3.8	5.4	4.0	4.8	4.9	5.4
Accommodation & food services	1.1	52.6	26.8	33.6	25.7	4.1	7.8	9.0	7.6	10.5
Transport & Storage	9.8	7.4	5.8	5.5	4.4	3.8	5.4	5.5	5.0	5.7
Information & Communication	3.1	6.1	9.0	10.3	7.0	5.8	6.0	7.6	6.8	7.8
Financial & Insurance	8.4	11.5	12.0	10.1	7.6	5.1	6.6	6.5	6.1	6.4
Public administration	5.8	6.0	5.1	5.0	8.2	6.5	6.0	5.2	5.8	4.8
Professional, Admin & Support Services	2.8	7.1	9.5	9.9	6.2	4.6	8.5	7.7	7.0	7.5
Real estate	9.9	6.7	4.5	7.3	5.3	5.3	5.5	5.8	5.5	6.4
Education	4.7	22.8	5.2	2.9	3.9	2.9	3.2	4.8	3.8	5.4
Health	2.2	8.9	3.4	4.5	6.3	4.8	6.8	5.6	5.8	5.1
Other services	2.2	12.5	6.5	4.3	4.7	2.8	1.4	3.7	3.0	4.0
FISIM	-3.1	5.3	0.2	2.7	9.0	1.9	1.4	1.8	1.8	4.5
2.3 Taxes on products	8.6	11.9	6.7	3.2	4.4	5.7	3.3	4.3	4.5	4.6
Real GDP Growth	100.0	7.6	4.9	5.7	4.7	4.9	5.0	5.4	5.2	5.5

- Agriculture sector growth expected to remain strong, supported by favorable weather conditions, subsidized fertilizer, and irrigation expansion
- Industrial sector continues to recover, driven by construction, affordable housing programme, with the settlement of pending bills.
- Key service sectors expected to remain resilient, supported by continued digitization of the economy, and easing cost of credit.
- Improved uptake of credit across key sectors expected to support growth particularly for building and construction, manufacturing, consumer durables, and trade.

High FDI inflows into the Nairobi Securities Exchange

Figure 14: Performance of the Nairobi Securities Exchange



Source of Data: Nairobi Securities Exchange

Debt Levels Remain Stubbornly High

Table 6: Kenya's Public Debt Sustainability Analysis

Indicators	Benchmark	2024	2025	2026	2027	2028	2029	2034
PV of debt-to-GDP ratio	55	63.0	64.0	63.7	61.2	58.6	56.2	49.7
PV of public debt-to-revenue and grant ratio		356.2	348.4	334.3	313.8	296.0	282.9	249.9
Debt service -to-revenue and grant ratio		63.7	62.5	61.4	58.1	55.7	49.0	47.1

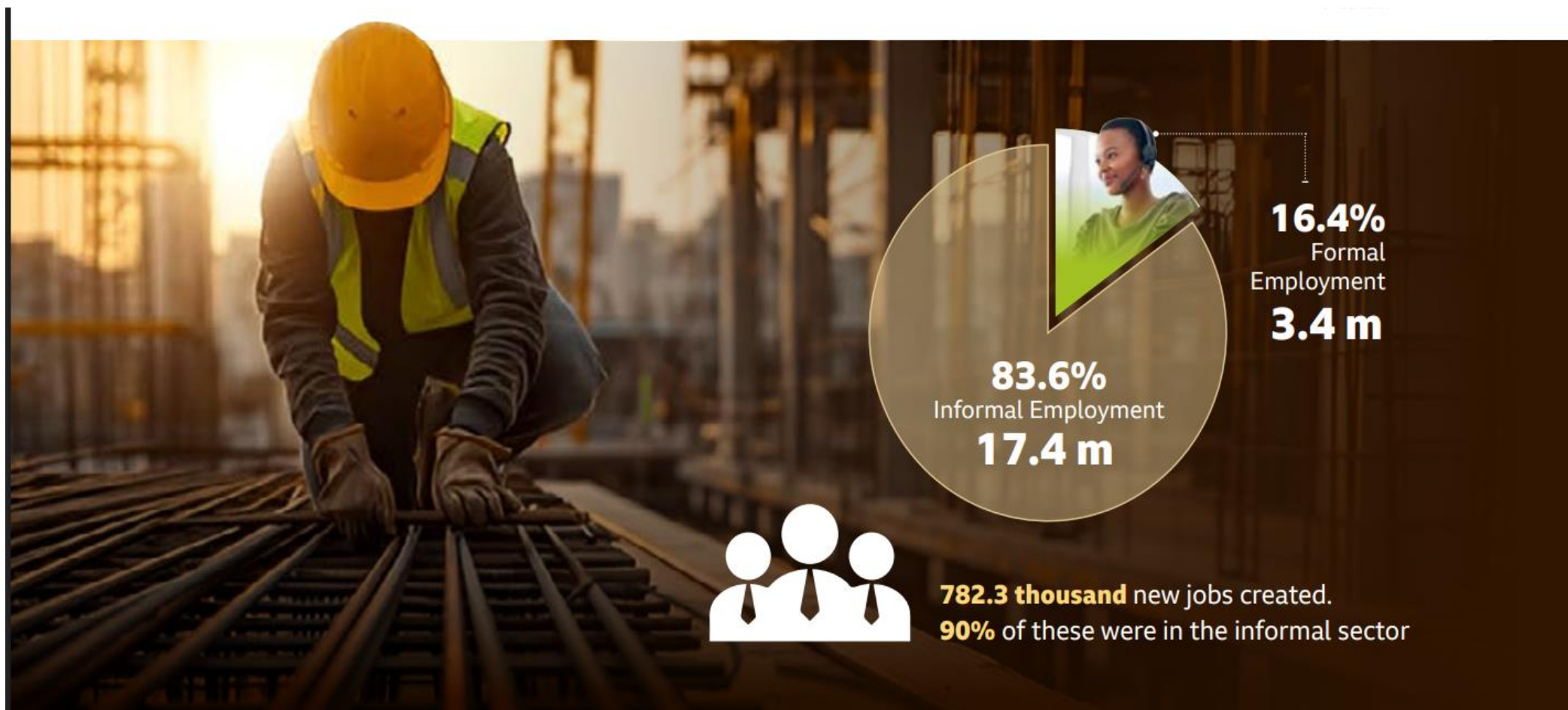
Source: IMF Country Report, October 2024

Table 7: Kenya's External Debt Sustainability

Indicators	Thresholds	2024	2025	2026	2027	2028	2029	2034
PV of debt-to-GDP ratio	40	29.8	30.4	31.0	29.5	28.1	26.8	22.5
PV of debt-to-exports ratio	180	274.2	260.2	241.9	222.3	208.1	195.0	152.5
PPG Debt service-to-exports ratio	15	40.5	31.9	29.8	27.3	27.0	22.0	16.7
PPG Debt service-to-revenue ratio	18	25.2	20.6	20.4	18.9	18.6	15.5	12.6

Source: IMF Country Report, October 2024

Employment – Labour Market is highly informal



Savings and Investments - 92% of pension assets in 4 asset classes

Table 1: Pension Asset Allocation (Kshs. Bn)

S/No.	Investment Asset Category	Dec-22		Dec-22		Jun-23		Dec-23		Jun-24		Dec-24		% Change
		Kshs. (Bn)	(%)	Kshs. (Bn)	(%)	Kshs. (Bn)	(%)	Kshs. (Bn)	(%)	Kshs. (Bn)	(%)	Kshs. (Bn)	(%)	
1	Government Securities	695.5	45.9%	722.0	45.8%	814.3	47.8%	818.9	47.5%	1,011.2	51.1%	1,183.3	52.5%	↑ 17.0%
2	Quoted Equities	206.1	13.6%	215.2	13.7%	174.1	10.2%	145.2	8.4%	175.0	8.8%	202.3	9.0%	↑ 15.6%
3	Immovable Property	239.2	15.8%	248.4	15.8%	246.3	14.4%	242.1	14.0%	236.3	11.9%	249.2	11.0%	↑ 5.5%
4	Guaranteed Funds	284.5	18.8%	298.0	18.9%	327.0	19.2%	358.1	20.8%	405.2	20.5%	437.5	19.4%	↑ 8.0%
5	Listed Corporate Bonds	7.4	0.5%	7.8	0.5%	7.5	0.4%	6.7	0.4%	7.0	0.4%	6.3	0.3%	↓ -10.1%
6	Fixed Deposits	36.4	2.4%	42.2	2.7%	67.7	4.0%	81.9	4.8%	53.2	2.7%	53.7	2.4%	↑ 0.9%
7	Offshore	15.2	1.0%	14.1	0.9%	22.3	1.3%	27.2	1.6%	39.0	2.0%	64.5	2.9%	↑ 65.3%
8	Cash	20.7	1.4%	16.8	1.1%	22.6	1.3%	25.0	1.5%	24.7	1.2%	23.1	1.0%	↑ -6.6%
9	Unquoted Equities	4.4	0.3%	5.0	0.3%	5.1	0.3%	3.6	0.2%	3.9	0.2%	4.0	0.2%	↑ 0.3%
10	Private Equity	3.4	0.2%	3.6	0.2%	5.4	0.3%	5.7	0.3%	8.8	0.4%	16.2	0.7%	↑ 85.1%
11	Real Estate Investment Trusts (REITs)	0.3	0.0%	0.3	0.0%	10.6	0.6%	11.1	0.6%	11.1	0.6%	11.7	0.5%	↑ 5.5%
12	Commercial paper, non-listed bonds by private companies	0.0	0.0%	0.0	0.0%	0.0	0.0%	0.0	0.0%	3.1	0.2%	3.2	0.1%	↑ 5.5%
13	Other Assets	0.2	0.1%	2.7	0.2%	0.0	0.0%	0.0	0.0%	0.1	0.003%	0.2	0.01%	↑ 204.7%
Total		1515.0	100%	1576.0	100%	1704.0	100%	1725.0	100%	1,979.0	100%	2,255.3	100%	↑ 13.96%

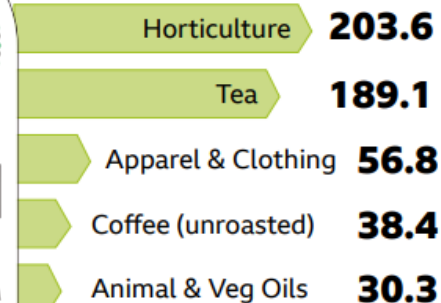
International Trade – Exports vs Imports



Exports grew
by **10.4%** to
KSh 1,112.3B.

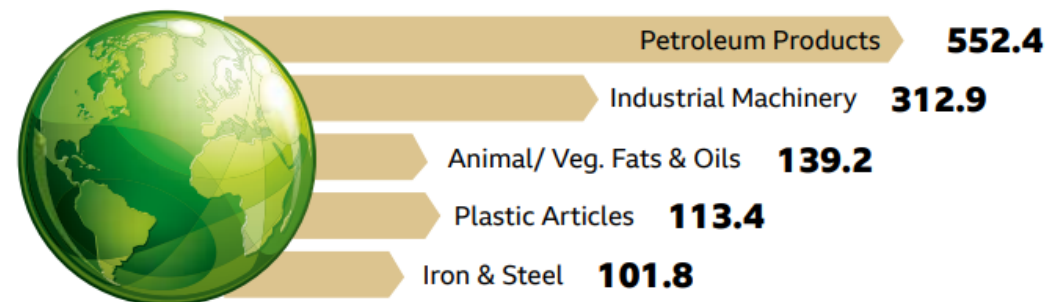


Top 5 Exports in 2024 (KSh in Billions)



Imports
increased
by **3.6%** to
KSh 2,706.3B.

Top 5 Imports in 2024 (KSh in Billions)



Banking Sector Developments

1. **Capital adequacy and liquidity ratios for the banking sector have remained** above the minimum statutory limits of 14.5 percent and 20.0 percent, respectively:
 - Total capital adequacy ratio stood at 20.1 percent in August 2025, compared to 20.4 percent in June 2025.
 - The banking sector liquidity ratio was 59.8 percent in August 2025, compared to 58.4 percent in June 2025.
2. The ratio of gross non-performing loans (NPLs) to gross loans was 17.1 percent in September 2025, down from 17.6 percent in June and August.
 - Banks have continued to make adequate provisions for the NPLs, and the sector remains profitable providing sufficient buffers.
3. The revised banking sector Risk-Based Credit Pricing (RBCP) model, which will be fully operational by March 2026, will improve the transmission of monetary policy decisions to commercial banks' lending interest rates, and enhance transparency in the pricing of loans by banks.

Opportunities



Mentoria Economics

1. Interest rates are coming down which could lead to more vibrant economic environment.
2. Increased dollar inflows could increase Foreign Direct Investment in Kenya.
3. Good weather conditions will boost agricultural output and exports to new markets eg Avocado
4. The rise of Artificial intelligence (AI) will boost productivity gains.
5. Strong, resilient human capital together with a diversified economy will boost economic resilience.
6. Rise of Public Private Partnership (PPP) opportunities

Risks



1. Debt distress could put pressure on key public services.
2. High unemployment levels could fuel more demonstrations disrupting business and tax revenue targets.
3. Political uncertainty could cloud business planning and investment.
4. Rising protectionism in key export markets could limit job and export opportunities in those areas.
5. High focus on public sector growth could crowd out the private sector.

THANK YOU!

For economic and business insights please send an email to info@mentoria.co.ke