



Kenya Macro-Economic Highlights



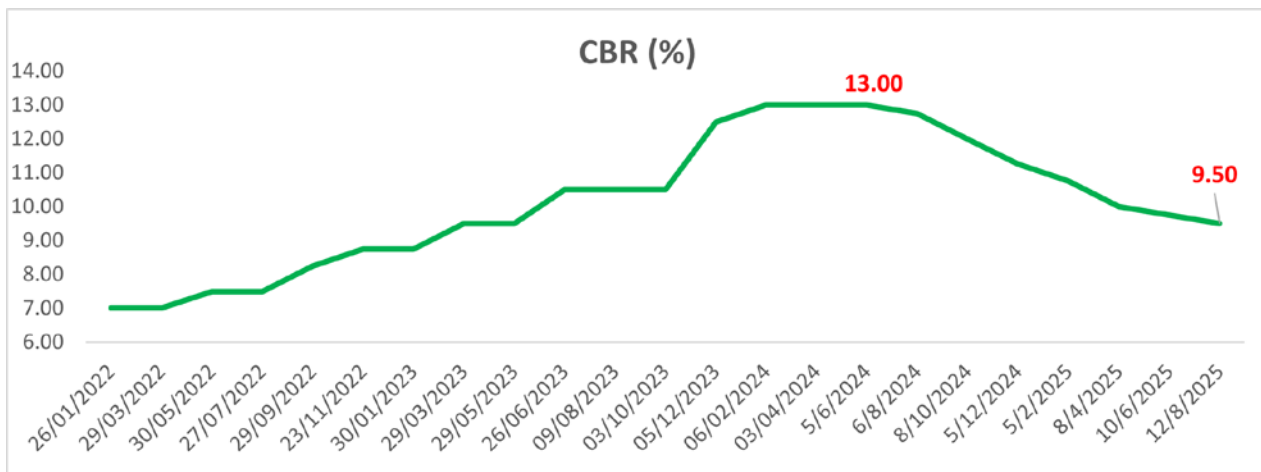
August 2025

For a Better Tomorrow

Monetary Policy Committee Meeting (MPC)

On August 12th, 2025, The Monetary Policy Committee (MPC) decided to lower the Central Bank Rate (CBR) by 25 basis points to 9.50%. During the meeting, other key highlights were:

- Upward revision of global growth outlook for 2025 to 3.0% from 2.8%, reflecting positive revisions to growth in United States and China, due to lower effective tariff rates on trade, and improved global financial conditions. In as much the U.S. has reached trade agreements with some countries, uncertainties remain elevated regarding trade policies and tariffs. Also, weak global demand and heightened geopolitical tensions in the Middle East and the Russia-Ukraine conflict, remain key risks.
- Global inflation is expected to ease in 2025, supported by lower energy costs and weakening global demand. Central banks in major economies have continued to reduce interest rates, though the pace has been cautious and uneven, reflecting differing inflation and growth outlooks. International oil prices have moderated on the back of higher production and subdued demand but remain volatile amid heightened global uncertainties. Food inflation has edged up, driven mainly by higher edible oil prices, while inflation in cereals and sugar has remained subdued.
- Kenya's headline inflation rose slightly to 4.1% in July 2025 from 3.8% in June, remaining below the midpoint of the target range of $5 \pm 2.5\%$. Core inflation edged up to 3.1% from 3.0% over the same period, driven largely by higher prices of processed food items, especially sugar and maize flour. Non-core inflation climbed to 7.2% in July from 6.2% in June, reflecting rising energy costs. Looking ahead, overall inflation is projected to stay below the midpoint of the target range in the short term, supported by lower food prices, stable energy costs, and continued exchange rate stability.
- Kenya's economy remained resilient in Q1 2025, with real GDP expanding by 4.9%, supported by strong agricultural performance and a rebound in industrial activity, particularly construction. Leading indicators suggest stronger growth in Q2 2025. Real GDP is projected to grow by 5.2% in 2025 and 5.4% in 2026, driven by agriculture, key service sectors, and recovery in industry. However, risks remain from global trade policy uncertainties and geopolitical tensions.
- The current account deficit narrowed to 1.6% of GDP in the 12 months to June 2025, from 1.8% in the same period of 2024. This improvement was supported by a 7.7% growth in goods exports, driven by horticulture, coffee, vegetable oil, and clothing accessories. Goods imports rose by 9.9% , reflecting higher demand for intermediate and capital goods. Services receipts expanded by 12.5% , mainly from transport and travel, while diaspora remittances increased by 12.1% . The deficit is projected to remain stable at 1.5% of GDP in 2025 (compared to 1.3% in 2024) and is expected to be more than fully financed by financial inflows, resulting in a balance of payments surplus and an accumulation of gross reserves of USD 673 million.
- CBK foreign exchange reserves currently stands at USD 10,956 million (equivalent to 4.8 months of import cover), providing adequate buffer against short-term domestic and external shocks.
- The banking sector remains stable and resilient, with strong liquidity and capital adequacy ratios. The ratio of gross non-performing loans (NPLs) to gross loans remained unchanged at 17.6% in April and June 2025. Declines in NPLs were noted in the building and construction, personal and household and manufacturing sectors, while trade and tourism, restaurant and hotels sectors recorded increases in NPLs. Banks have continued to make adequate provisions for the NPLs.
- The MPC reviewed the proposed revised banking sector Risk-Based Credit Pricing (RBCP) model, which is expected to improve the transmission of monetary policy decisions to commercial banks' lending interest rates.
- Private sector credit growth continued to recover, reaching 3.3% in July 2025 (up from 2.2% in June and -2.9% in January). Growth was strongest in manufacturing, trade, construction, and consumer durables, supported by rising demand and declining lending rates. Average lending rates fell to 15.2% in July 2025, from 15.3% in June and 17.2% in November 2024.
- The Committee noted the outcome of the implementation of the FY2024/25 Budget, and the Budget for FY2025/26, which reinforces the Government's fiscal consolidation strategy, and thereby reduces debt vulnerabilities.

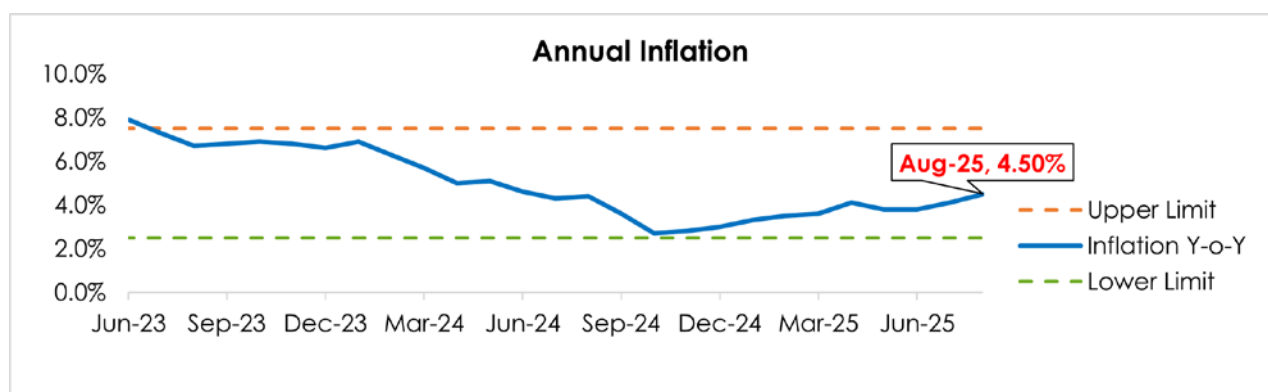


- The Committee therefore concluded that there was scope for a further easing of the monetary policy stance to augment the previous policy actions aimed at stimulating lending by banks to the private sector and supporting economic activity, while ensuring inflationary expectations remain firmly anchored, and the exchange rate remains stable.
- The MPC will closely monitor the impact of this policy decision as well as developments in the global and domestic economy and stands ready to take further action as necessary in line with its mandate. The Committee will meet again in October 2025.

Inflation

The annual consumer price inflation, as measured by the Consumer Price Index (CPI), clocked at 4.5% in August 2025, indicating that the representative basket of goods and services cost 4.5% more than it did twelve months earlier, in August 2024. This increase was predominantly driven by rise prices within the Food and Non-Alcoholic Beverages (8.3%), Transport (4.4%), 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 0.8% and 4.4%, in the Housing, Water, Electricity, Gas, and Other Fuels and in the Transport categories respectively.



(Source: KNBS, OMIG Research)

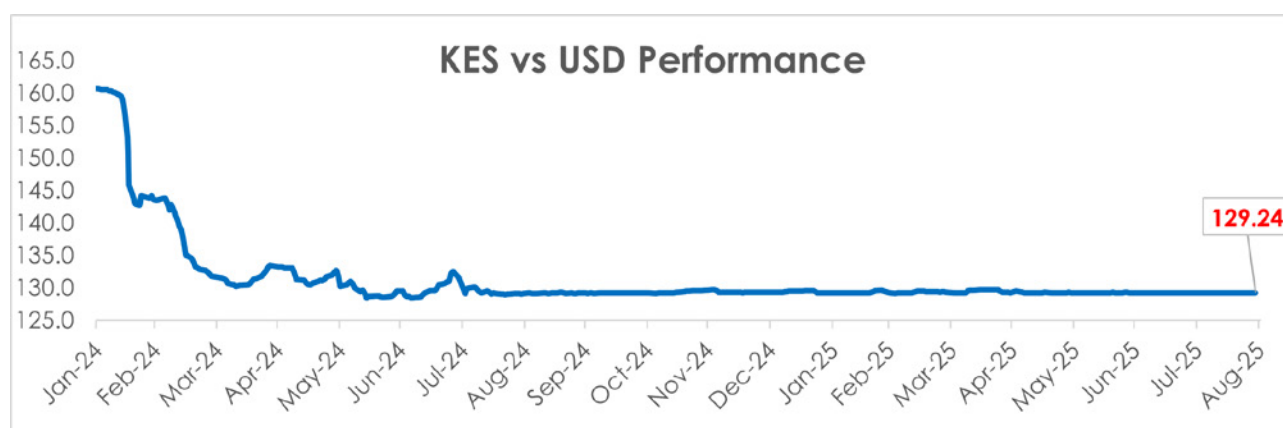
Foreign Exchange Market

For the month of August, the Kenya shilling remained steady against the U.S. dollar, closing the month at 129.24.

The Kenya government has passed the improved version of a Conflict-of-Interest Bill, removing a major hurdle to the World Bank facility with an outlook to receive a disbursement of KES 96.9 billion (USD 750 million). As at close of August, according to central Bank of Kenya, foreign reserve remained adequate at USD 10,889 million (4.8 months of import cover). If the World bank facility falls through, this could anchor the country's foreign exchange rate.

The S&P Global ratings upgraded Kenya's sovereign credit rating to 'B' from 'B-'. According to the report, the upgrade reflects their view on Kenya's receding near-term external liquidity risks, strong exports, resilient remittances, ongoing monetary easing which is bolstering domestic funding conditions coupled with other factors. However, there are concerns around social pressures in Kenya that would strain efforts toward fiscal consolidation, Kenya's near-term access to concessional external financing remains constrained and is expected to be supplemented by more expensive non-concessional financing.

Taking the above into consideration, in the near term, exchange rate is likely to remain broadly steady. However, in the medium-to-long-run, outlook remains less stable due to external debt servicing pressures.



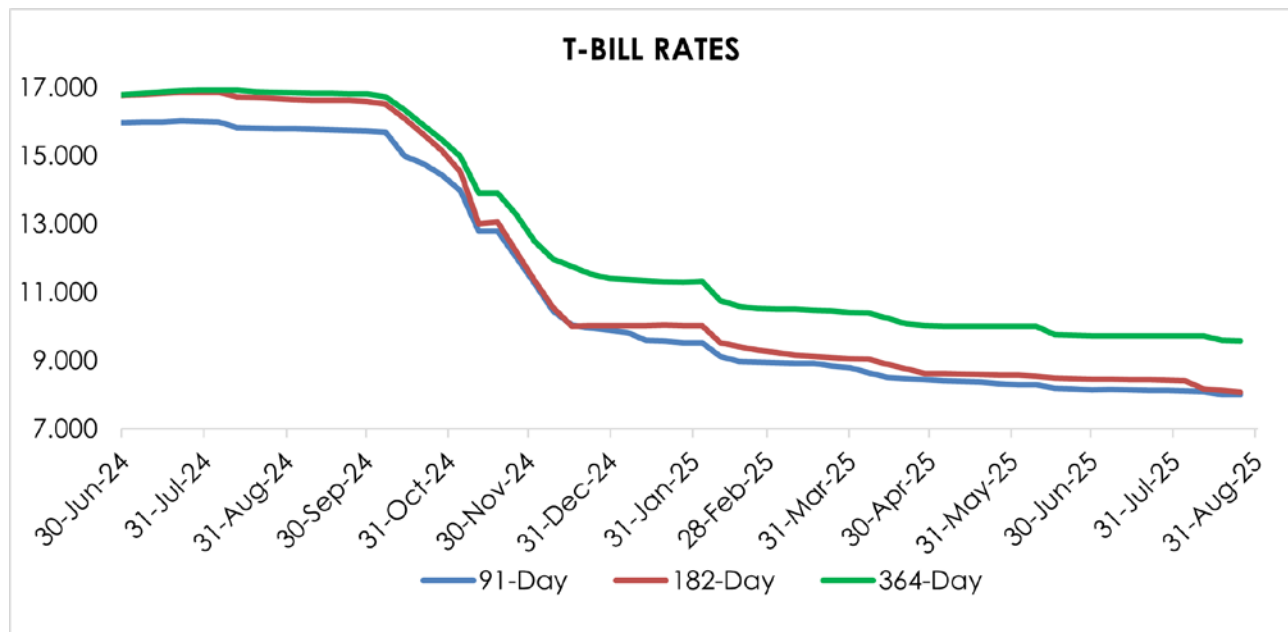
(Source: CBK, OMIG Research)

Yields and Yield Curve

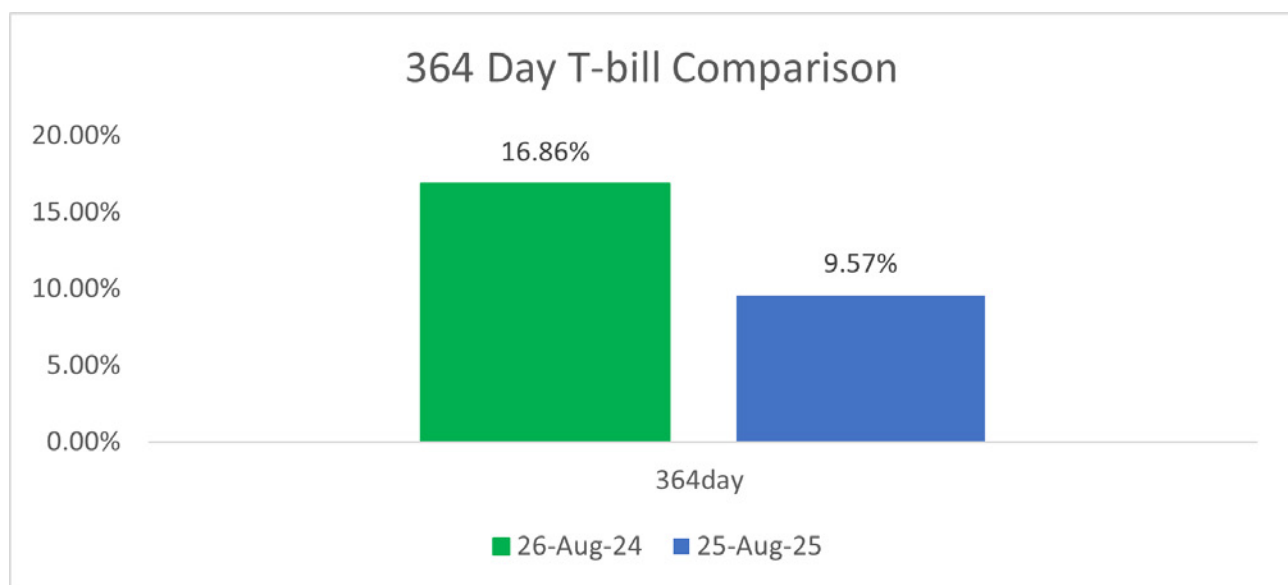
Treasury Bills

In August, demand for Treasury bills have started to decline, as reflected in the total subscription rate of 94, from 117% the month prior. Investor interest has varied across tenors, with the 91-day, 182-day, and 364-day issues with subscription rates of 117%, 73%, and 105%, respectively, indicating a clear investor preference for the 91-day and 364-day papers.

Over the same period, rates trended downward, with the 91-day T-bill declining to 8.00% by the end of August, down from 8.12% close to the previous month. Similarly, the yield on the 182-day T-bill declined to 8.07% from 8.42%, while the 364-day instrument had a slight downtick to 9.57%, compared to close of June and July at 9.72%.



(Source: CBK, OMIG Research)



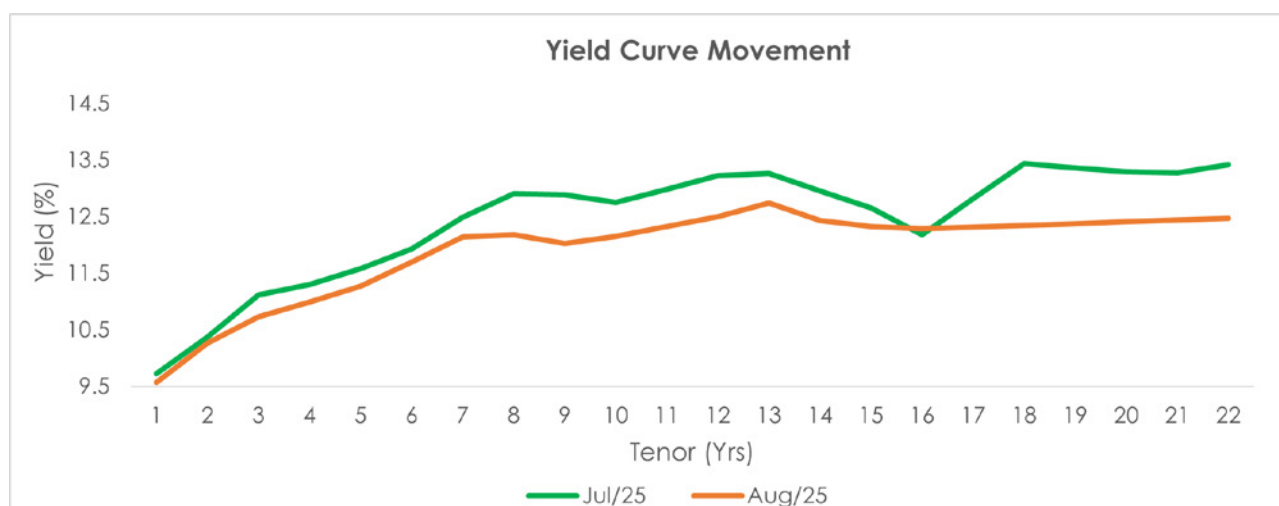
(Source: CBK, OMIG Research)

Treasury Bonds

In August, 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 adjustments were a 11-basis-point steepening at the 16-year maturity and a 108-basis-point compression at the 18-year maturity. Unlike the previous month, the August yield curve showed a normalized trend, especially in the long end of the curve where we anticipate more pronounced capital gains.

In the near term, the yield curve appears set for a measured downward trend; however, the higher government domestic borrowing target of KES 635.5 billion for FY 2025/26 of KES 635.5 billion, to meet borrowing targets, may push medium term yields slightly upwards.

In August, the government reopened the IFB1/2018/015 and IFB1/2022/019 which recorded a significant oversubscription rate of 359.37%, indicating high demand for IFBs and liquidity amongst investors.



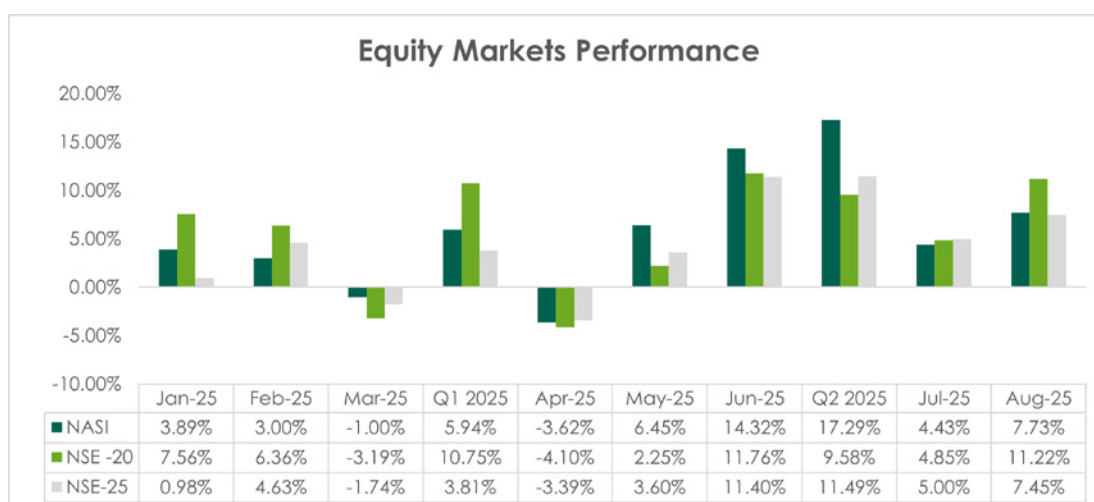
(Source: NSE, OMIG Research)

Equities Market Performance

In August, the equities market had an upward trajectory, in comparison to the month prior. The NSE All-Share Index rose by 7.3%, while the NSE-20 and NSE-25 gained 11.2% and 7.5%, respectively. Market capitalization expanded to KES 2.72 trillion, marking a 7.73 % month-on-month increase.

This upward movement was driven by the rise of most counters YTD: Safaricom appreciated 67.74%, NCBA 33.30%, Stanbic Holdings 32.97% and Equity Group 15.94%. Notably, strong gains were experienced in Sameer Africa Plc 544.03% and Trans-Century Plc maintained solid gains at 187.18%.

The growth in NASI was largely driven by speculative activity across several counters, with investor optimism boosted by Sameer's successful USD 7.1 million land sale after years of delay and alongside solid H1 financial results.



(Source: NSE, OMIG Research)

Top & Bottom 5 Equity Stocks Performance

Top 5 Stock	Aug 2025 Performance
Sameer Africa Plc Ord 5.00	544.0%
Trans-Century Plc Ord 0.50AIMS	187.2%
Kenya Power & Lighting Co Plc Ord 2.50	166.1%
Nairobi Securities Exchange Plc Ord 4.00	143.3%
KenGen Co. Plc Ord. 2.50	140.7%

Bottom 5 Stock	Aug 2025 Performance
Umeme Ltd Ord 0.50	-43.3%
Nairobi Business Ventures Plc Ord. 0.50GEMS	-19.4%
The Limuru Tea Co. Plc Ord 20.00AIMS	-11.4%
Nation Media Group Plc Ord. 2.50	-7.6%
Kenya Airways Ltd Ord 1.00	-2.3%

Top 10 Stocks Performance by Market Weight

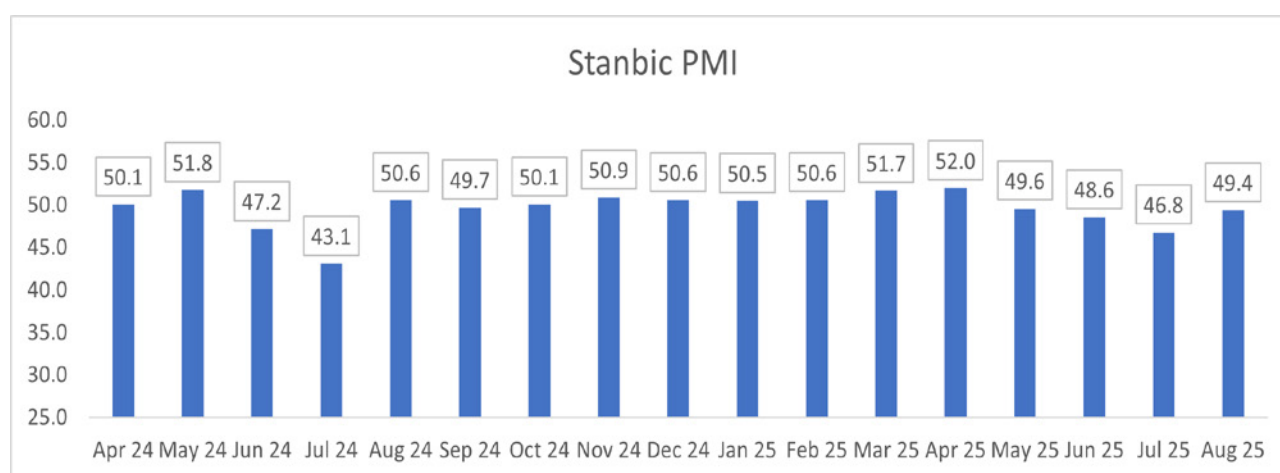
Top 10 Stock	Market Weight	Aug 2025 Performance
Safaricom Plc Ord 0.05	42.14%	67.74%
Equity Group Holdings Plc Ord 0.50	7.77%	15.94%
KCB Group Plc Ord 1.00	6.41%	30.41%
East African Breweries Plc Ord 2.00	6.35%	24.36%
Standard Chartered Bank Kenya Ltd Ord 5.00	4.45%	14.39%
ABSA Bank Kenya Plc Ord 0.50	4.01%	11.36%
NCBA Group Plc Ord 5.00	3.89%	33.30%
The Co-operative Bank of Kenya Ltd Ord 1.00	3.84%	8.21%
Stanbic Holdings Plc ord.5.00	2.65%	32.97%
I&M Group Plc Ord 1.00	2.47%	6.62%

(Source: NSE, OMIG Research)

Stanbic PMI

In August, the Stanbic Kenya PMI increased to 49.4 after three consecutive months of decline edging closer to the 50 benchmark. According to the report, this upward movement signalled a much softer decline in operating conditions midway through the third quarter. The rate of decline in new orders softened. While some firms continued to highlight weak purchasing power at clients, others saw a pick-up in new business and a general recovery in economic conditions from the last few months of protest-related disruptions. Employment levels also increased and rise in wage costs due to salary adjustments to accommodate cost-of-living pressures. Although job creation remained mild, the uplift was the fastest seen in 15 months. Kenyan companies reported a solid increase in input costs in August, although the pace of inflation slowed down for the first time in five months.

In essence, despite businesses conditions still being subdued, they showed a greater level of optimism towards future output, which took overall sentiment to its highest since February 2023.



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Source: Old Mutual Investment Group Research



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