



Central Bank of Kenya

MONETARY POLICY COMMITTEE MEETING BACKGROUND INFORMATION

Wednesday, August 7, 2024

Dr. Kamau Thugge, CBS
Governor

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1.

Monetary Policy Decision

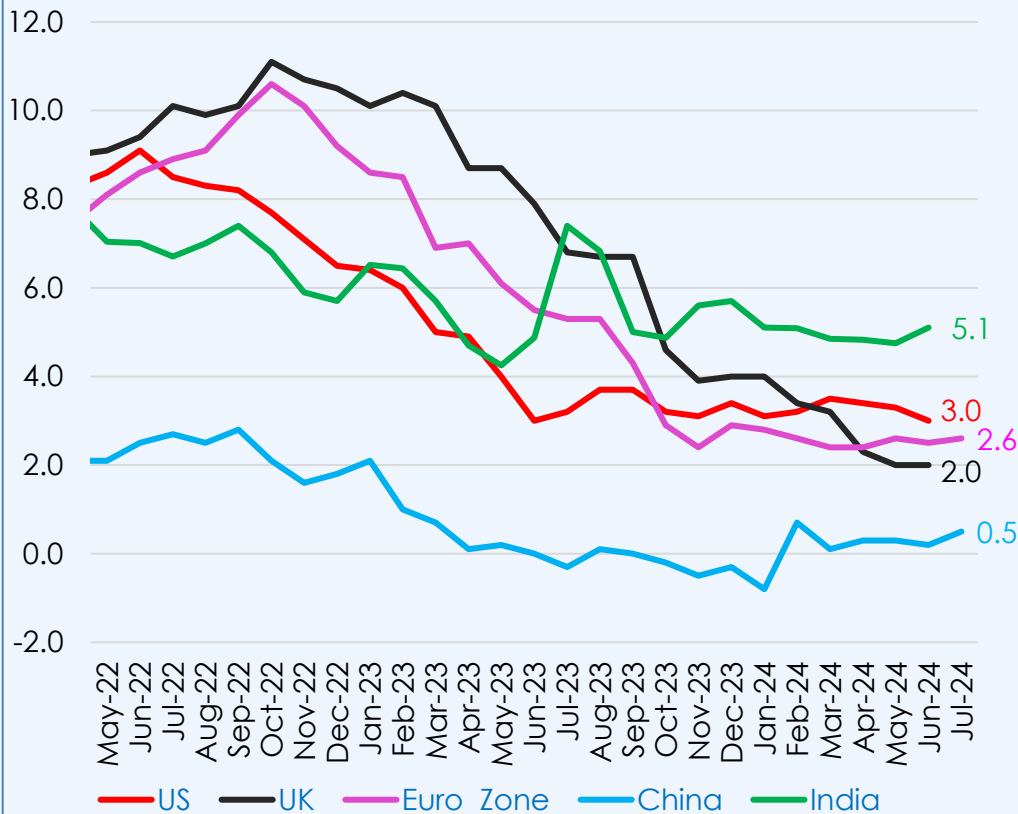
During its Meeting on August 6, 2024, the Monetary Policy Committee (MPC) lowered the Central Bank Rate (CBR) from 13.00 percent to 12.75 percent.

- The MPC noted that:
 - Its previous measures have lowered overall inflation to below the mid-point of the target range, stabilized the exchange rate, and anchored inflationary expectations.
 - The NFNF inflation has moderated, while central banks in some major economies have lowered interest rates in response to easing inflationary pressures, with indications that other central banks will soon embark on a similar trajectory.
- The MPC concluded that there was scope for a gradual easing of the monetary policy stance, while ensuring continued exchange rate stability.
- The MPC will closely monitor the impact of the policy measures 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 2024.

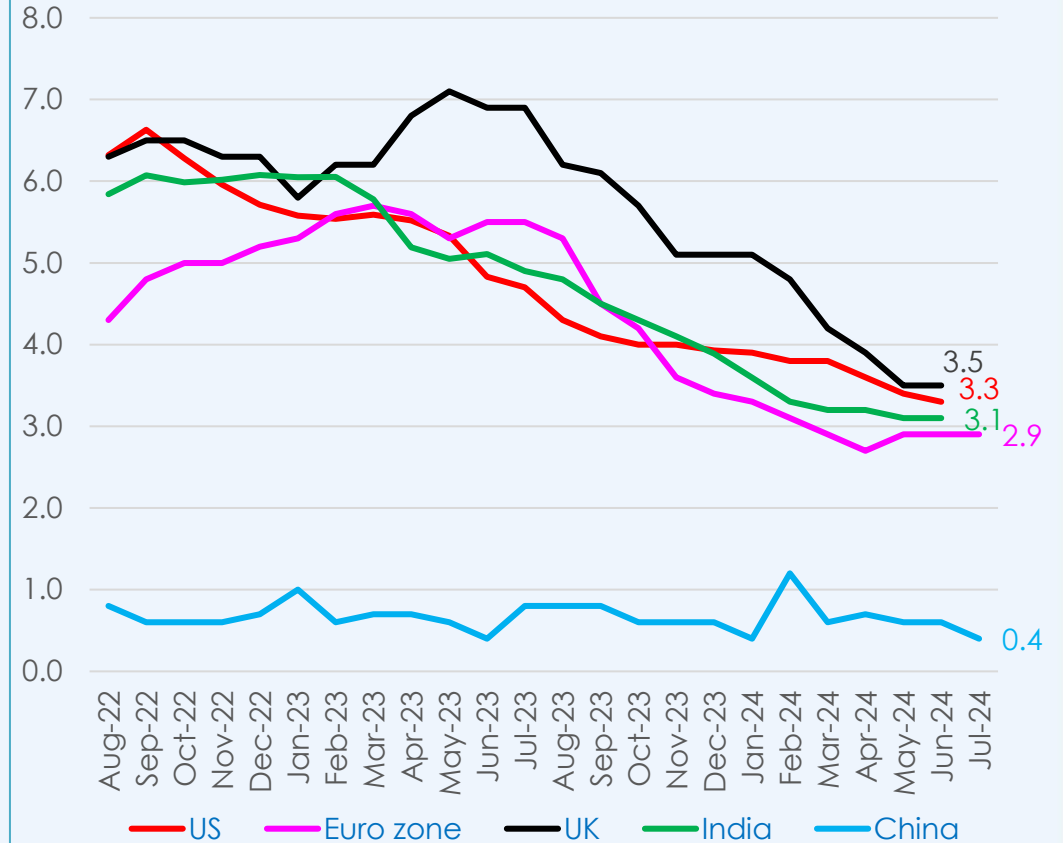
2.

Global inflation: Global inflation has moderated, but the pace of decline has slowed down

Headline CPI inflation rates (y/y, percent)



Core CPI inflation rates (y/y, percent)



- **Headline inflation rates in the major economies have continued to ease, but the pace of decline has slowed down.**
- **Core inflation has remained sticky in the advanced economies, mainly driven by services and wage price inflation.**
- **Global inflation is expected to decline from 6.7 percent in 2023 to 5.9 percent in 2024, reflecting the impact of tight monetary policies, and cooling labor markets in the U.S. However, the slow down in the pace of decline in inflation reflects persistence of higher-than-average inflation in services prices, and nominal wage growth attributed to wage negotiations in some countries early in the year.**

Source: Websites of Statistics Offices/Central Banks of respective countries

3.

Global commodity prices:

International oil prices have moderated, however an escalation in geopolitical tensions in the Middle East could result in higher oil prices in the second half of 2024

Murban oil price (USD, per barrel)



- The OPEC+ meeting of August 1, 2024, reiterated the groups intention to start unwinding the 2.2 million barrels per day voluntary production cuts from October 2024.

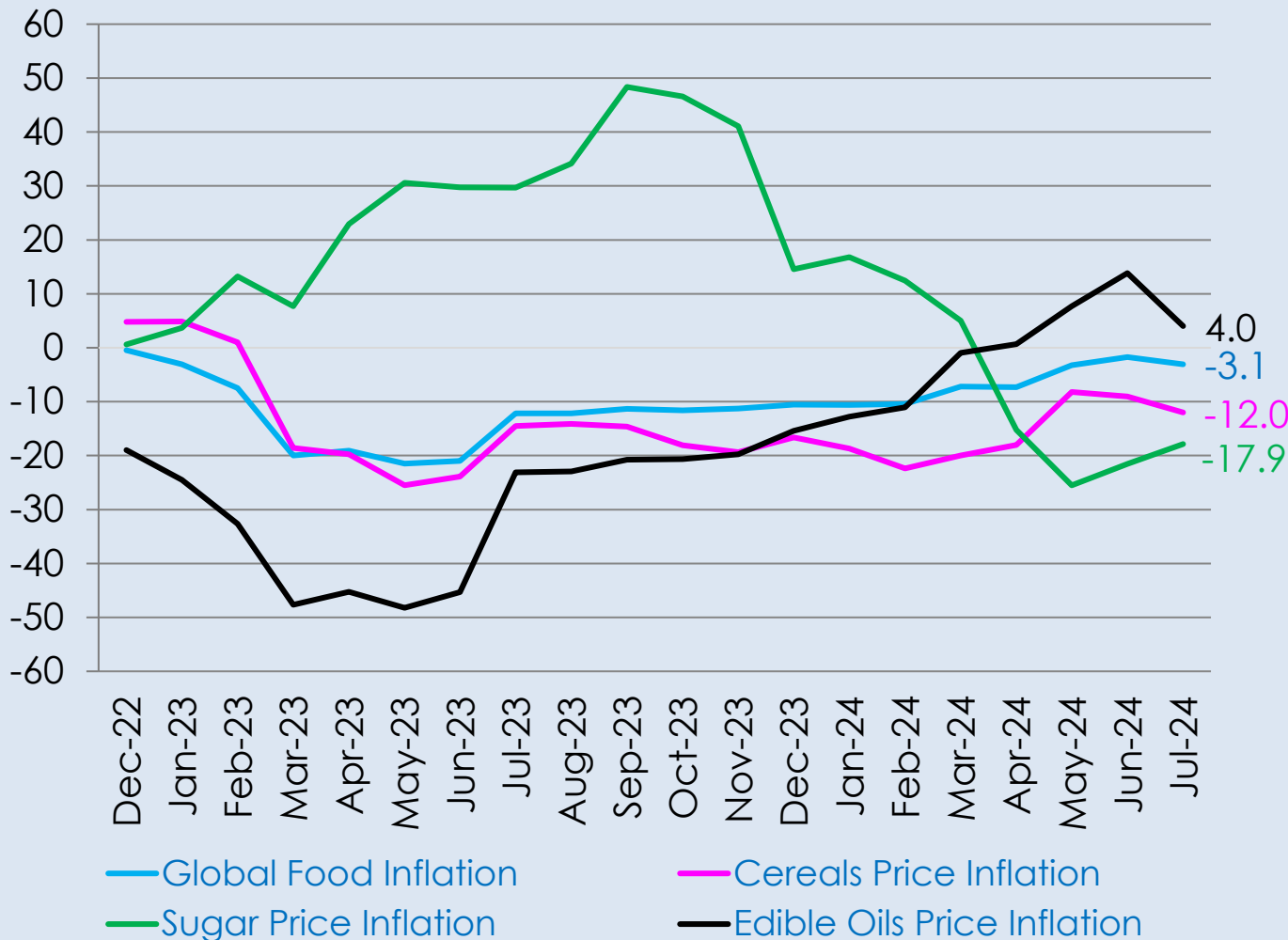
Source: Oilprice.com, and Reuters

4.

Global commodity prices:

Global food inflation has continued to decline with improved supply of key food items, particularly sugar and cereals

Global food inflation (y/y, percent)



- Global prices of major cereals decreased in July 2024, reflecting improved supply from ongoing winter wheat harvests in the northern hemisphere, and expectations of large spring wheat harvests. Maize prices declined with improved supply from ongoing harvests in Argentina and Brazil.
- Sugar price inflation declined on due to improved supply, supported by conducive weather conditions in India and Thailand.
- Edible oils price inflation remained high, reflecting higher world soy oil prices attributed to higher import demand from the biofuel sector in the Americas. Palm oil prices increased on account of global demand and lower output in Indonesia, the world's leading palm oil producer.

Source: UN FAO Food Index

5.

Global economic outlook:

Global growth continues to recover, supported by strong growth in United States, and improved growth prospects in some large emerging market economies, particularly India and China

Global and selected countries' real GDP growth (y/y, percent)

	2019 Act.	2020 Act.	2021 Act.	2022 Act.	2023 Act.	2024 Proj.		2025 Proj.	
						Jul. 2024 WEO	Difference from Apr. 2024 WEO	Jul. 2024 WEO	Difference from Apr. 2024 WEO
World	2.8	-2.7	6.5	3.5	3.3	3.2	0.0	3.3	0.1
Advanced Economies	1.8	-3.9	5.7	2.6	1.7	1.7	0.0	1.8	0.0
United States	2.5	-2.2	5.8	1.9	2.5	2.6	-0.1	1.9	0.0
United Kingdom	1.6	-10.4	8.7	4.3	0.1	0.7	0.2	1.5	0.0
Japan	-0.4	-4.1	2.6	1.0	1.9	0.7	-0.2	1.0	0.0
Euro area	1.6	-6.1	5.9	3.4	0.5	0.9	0.1	1.5	0.0
Germany	1.1	-3.8	3.2	1.8	-0.2	0.2	0.0	1.3	0.0
France	1.8	-7.5	6.3	2.6	1.1	0.9	0.2	1.3	-0.1
Italy	0.5	-9.0	8.3	4.0	0.9	0.7	0.0	0.9	0.2
Emerging Market and Developing Economies	3.6	-1.8	7.0	4.1	4.4	4.3	0.1	4.3	0.1
China	6.0	2.2	8.5	3.0	5.2	5.0	0.4	4.5	0.4
India	3.9	-1.8	9.7	7.0	8.2	7.0	0.2	6.5	0.0
Russia	2.2	-2.7	6.0	-1.2	3.6	3.2	0.0	1.5	-0.3
Sub-Saharan Africa	3.2	-1.6	4.7	4.0	3.4	3.7	-0.1	4.1	0.1
South Africa	0.3	-6.0	4.7	1.9	0.7	0.9	0.0	1.2	0.0
Nigeria	2.2	-1.8	3.6	3.3	2.9	3.1	-0.2	3.0	0.0
Kenya	5.7	-0.3	7.6	4.9	5.6	5.0	0.0	5.0	-0.3

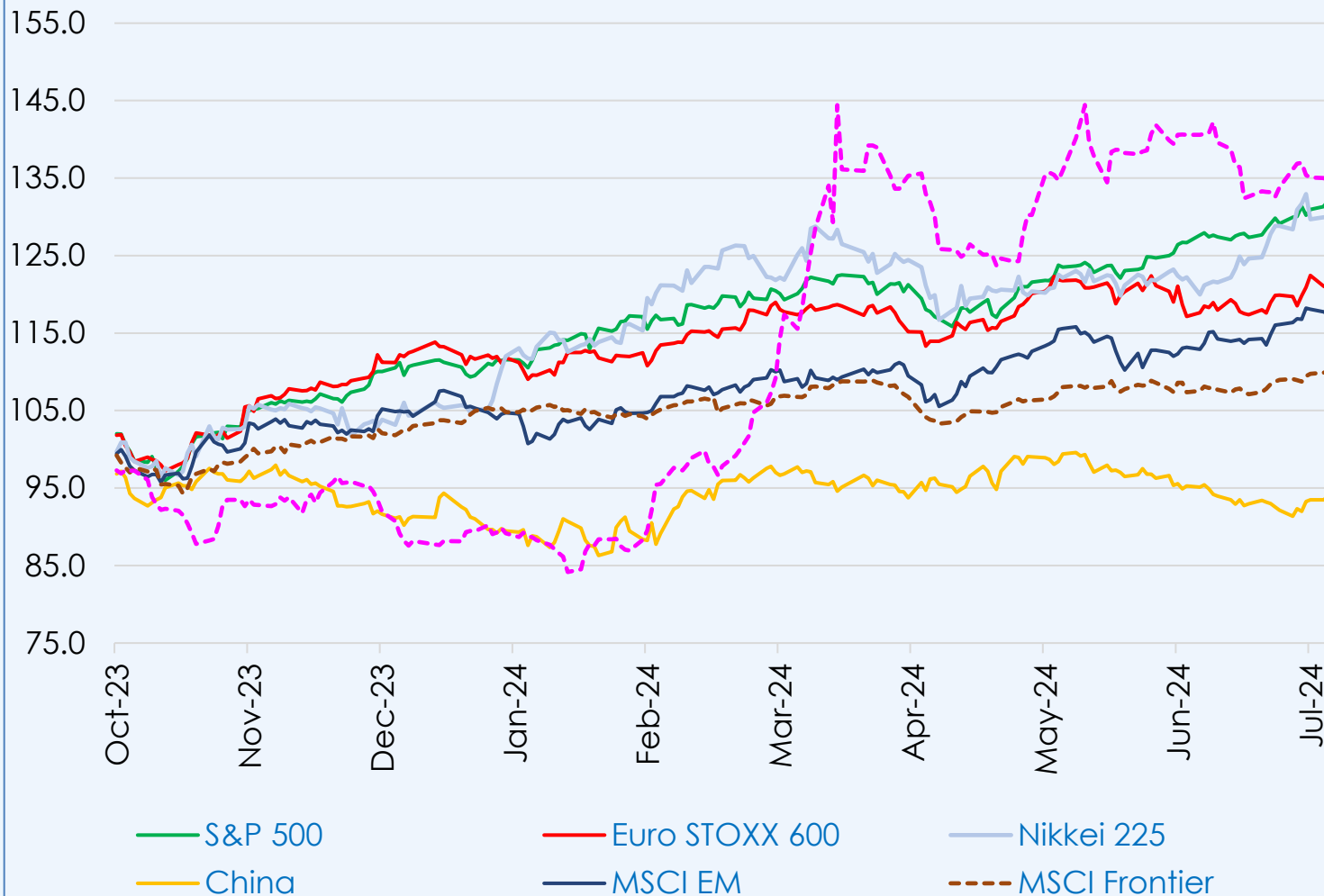
- The growth outlook for U.S. remains strong despite slight downward revision due to moderating consumption. Growth in the Euro area was revised slightly up on strong growth in services, higher-than-expected net exports, strong consumption, and higher investment with easing financial conditions. India's growth was revised up on strong private consumption, while growth in China was revised up on resurgent domestic consumption and strong exports. Growth in SSA was revised down on account of lower growth in Nigeria attributed to high inflation.
- The key risks to global growth in 2024 relate to interest rates remaining higher-for-even-longer due to persistence of inflation above target in advanced economies, increased policy uncertainty following changes of government in some major economies, trade tensions, and escalation of geopolitical tensions.
- The IMF projections show that Kenya's real GDP growth is expected to remain strong in 2024 and above the global, SSA and emerging market and developing economies average growth rates.

Source: IMF World Economic Outlook (WEO)

Global financial markets:

Global financial market conditions have remained stable, reflected in improved performance of equity markets

Performance of selected Stock Indices (Prices Index, October 31, 2023=100)



- This stability in financial market conditions reflects improved global economic conditions.
- The improved financial conditions have eased financial market access for the Emerging Markets and Developing economies (EMDEs).

Sources: Bloomberg Finance L.P.; FactSet; Morgan Stanley Capital International (MSCI); NABE; Refinitiv Eikon Datastream IBES

7.

Key takeaways on global developments and outlook

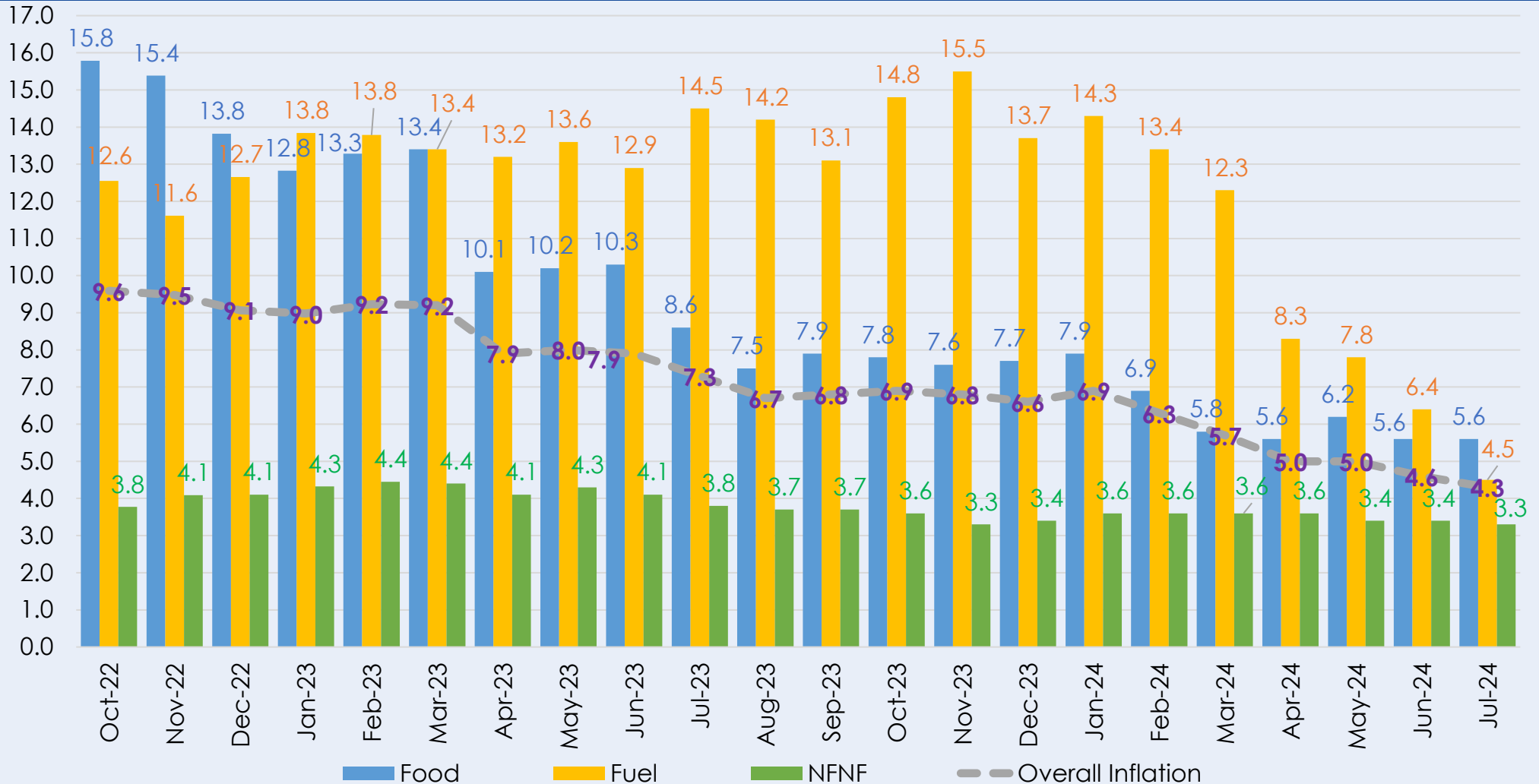
1. **Global growth remains steady in 2024**, supported by strong growth in the U.S. and improved growth prospects for China and India.
2. **Risks to global growth outlook** relate to the elevated geopolitical risks particularly the war in the Middle East, and increased uncertainties with respect to political factors such as elections in major economies.
3. **Global inflation continues to decline**, but the pace of decline has slowed down largely due to persistence of higher-than-average inflation in services prices.
4. **Interest rates in advanced economies are expected to remain higher-for-even-longer**, due to expected persistence in inflation above target. Central banks in some major economies have lowered interest rates, while the U.S. Fed is expected to commence interest rate cuts from September 2024.
5. **Kenya's real GDP growth expected to remain above the global, SSA and emerging market and developing economies averages in 2024 and 2025.**

- 1. Monetary policy measures have lowered inflation**, stabilized the exchange rate, and anchored inflationary expectations:
 - Overall inflation declined to 4.3 percent in July 2024, from a peak of 9.6 percent in October 2022.
 - Food prices have declined, reflecting improved weather conditions and lower international food prices, and the impact of fiscal measures implemented by the Government to moderate the prices of specific commodities.
 - Fuel inflation has eased on account of lower international oil prices.
 - Non-food non-fuel inflation (NFNF) has moderated on account of the impact of monetary policy measures.
 - The appreciation of the exchange rate has reduced imported inflation.
- 2. Overall inflation is expected to remain below the mid-point of the target range in the near term**, supported by:
 - A stable exchange rate,
 - Improved food supply attributed to favorable weather conditions, and
 - Stable fuel prices.

Domestic inflation:

Overall inflation declined in July 2024, driven by lower fuel and non-food non-fuel (NFNF) inflation, and stable food inflation

Inflation by broad category (y/y, percent)

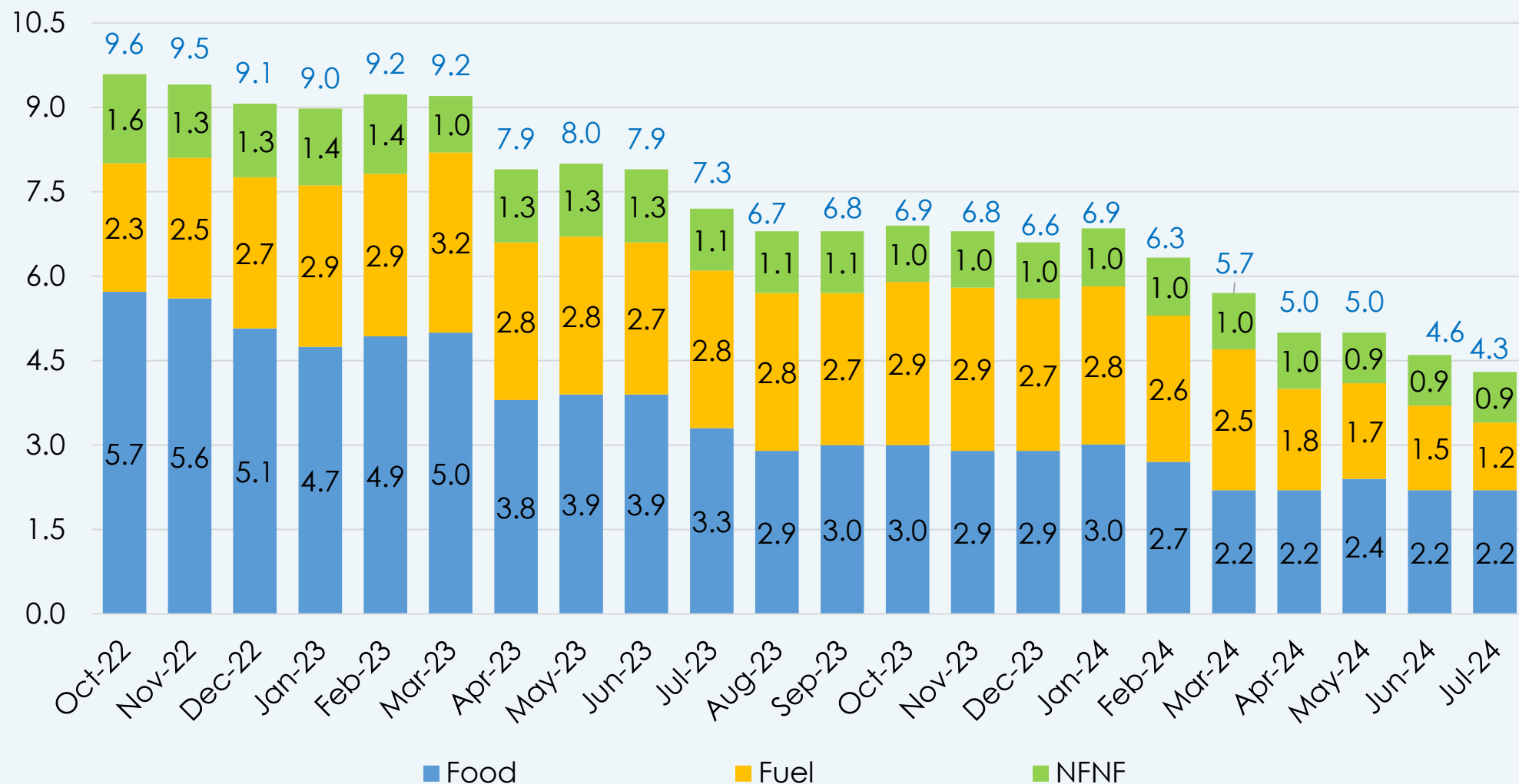


Source: Kenya National Bureau of Statistics and Central Bank of Kenya

Domestic inflation:

The contribution of fuel to overall inflation declined in July 2024, reflecting the impact of lower electricity and pump prices

Contributions to Overall Inflation (percentage points)

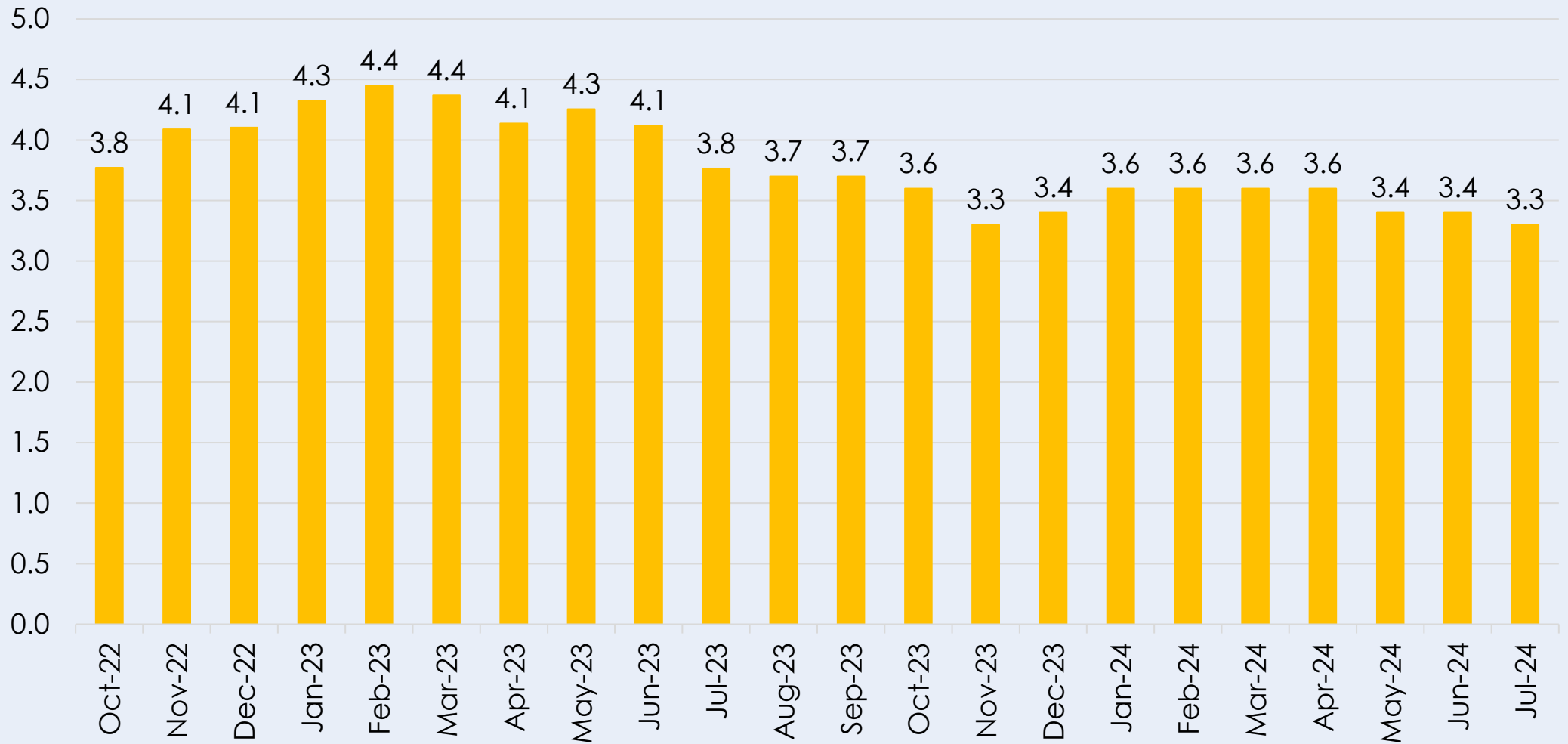


Source: KNBS and CBK

Domestic inflation:

Non-food non-fuel (NFNF) inflation moderated in July 2024, reflecting the impact of previous monetary policy measures

Non-food non-fuel inflation (y/y, percent)

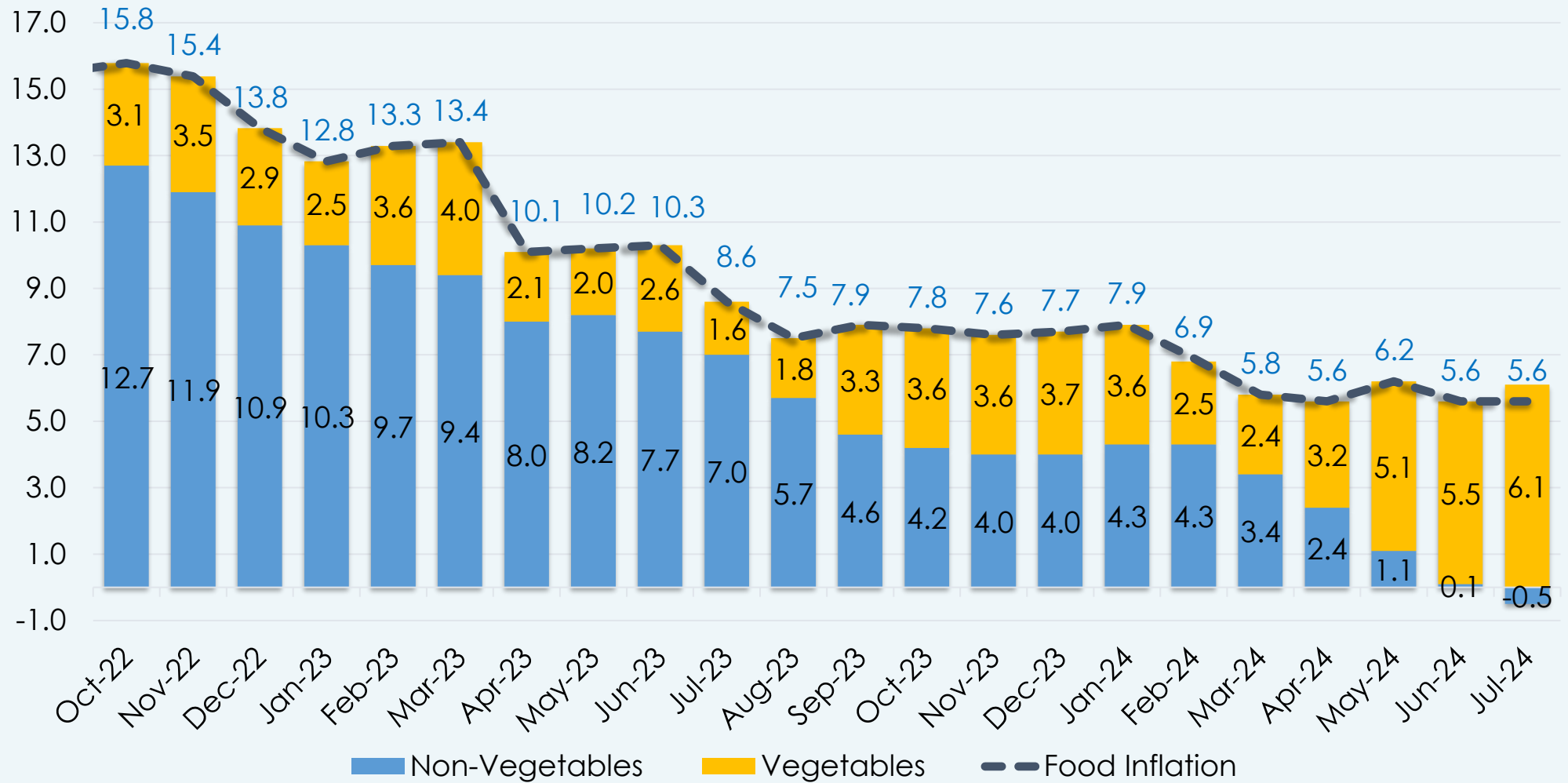


Source: KNBS and CBK

Main drivers of food inflation:

Food inflation remained stable in July 2024, reflecting continued easing of non-vegetables price inflation which offset the rise in vegetables inflation

Contributions to food inflation (percentage points)



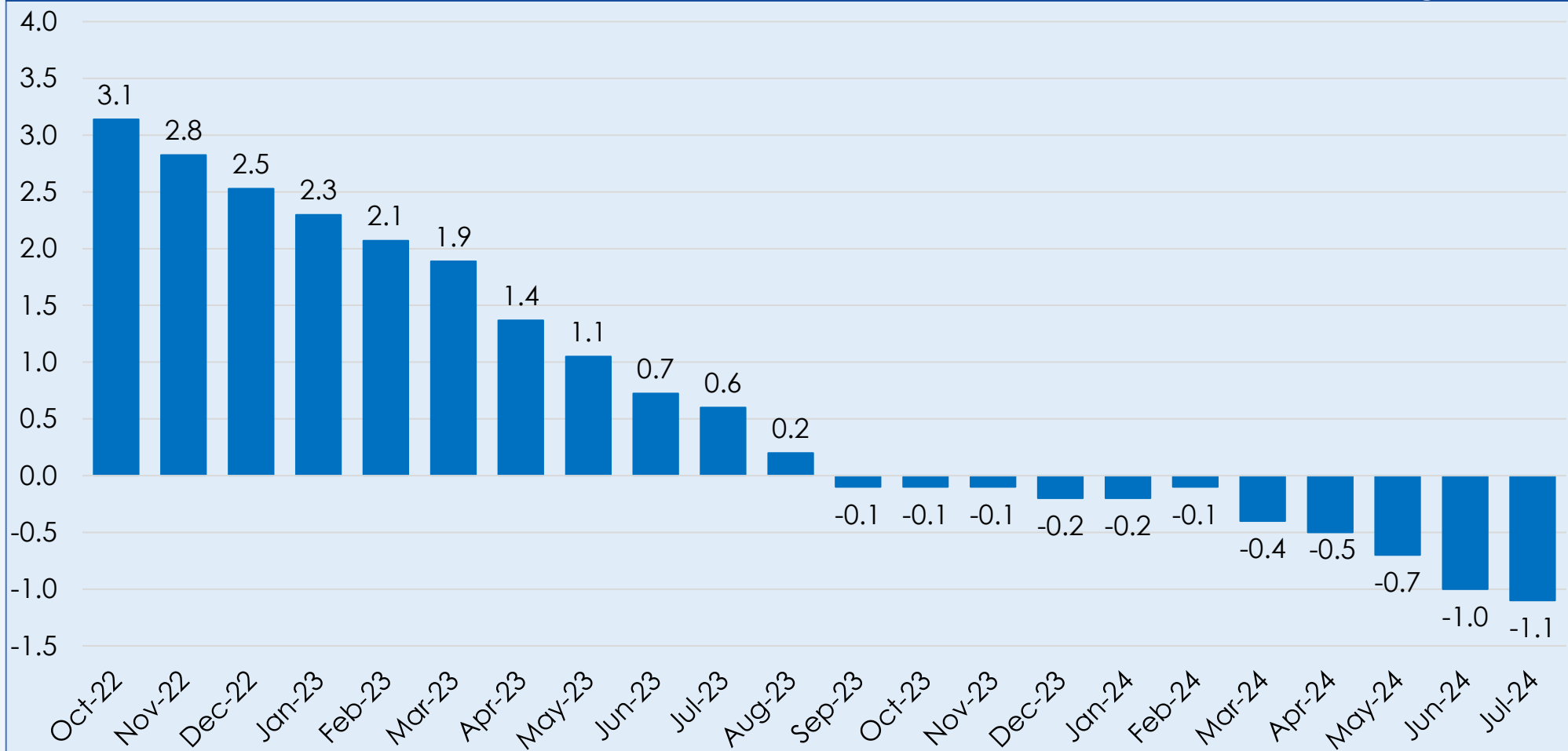
Source: KNBS and CBK

13.

Main drivers of non-vegetables inflation:

Food inflation was moderated by continued decline in prices of key non-vegetable food items, particularly maize and wheat products, reflecting improved supply

Contribution of maize, wheat, milk, and edible oils prices to overall Inflation (percentage points)

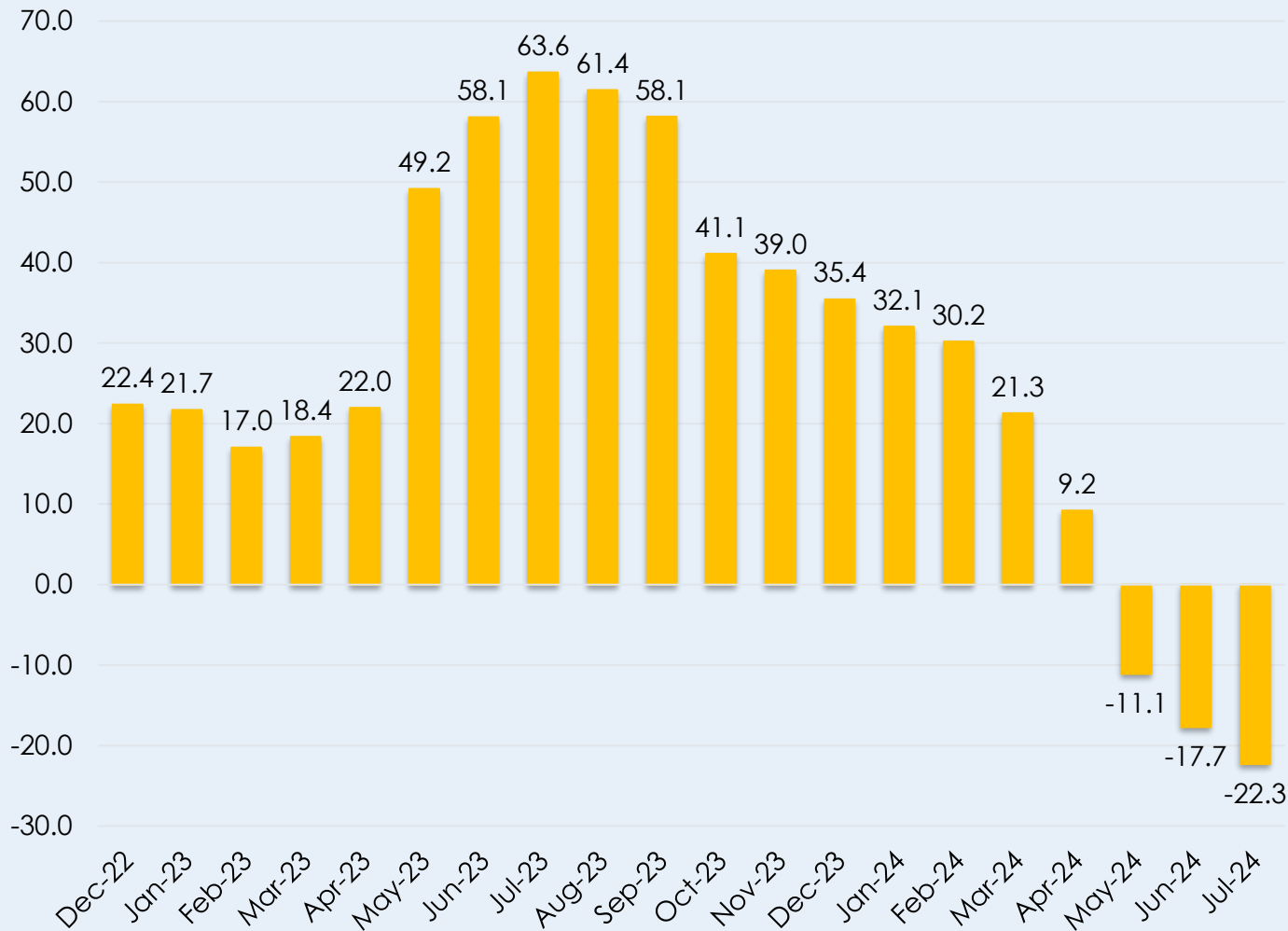


Source: KNBS and CBK

Main drivers of non-vegetables Inflation:

Food inflation was also moderated by declines in sugar prices which fell further in July 2024, with improvement in domestic and global supply

Sugar price inflation (y/y, percent)



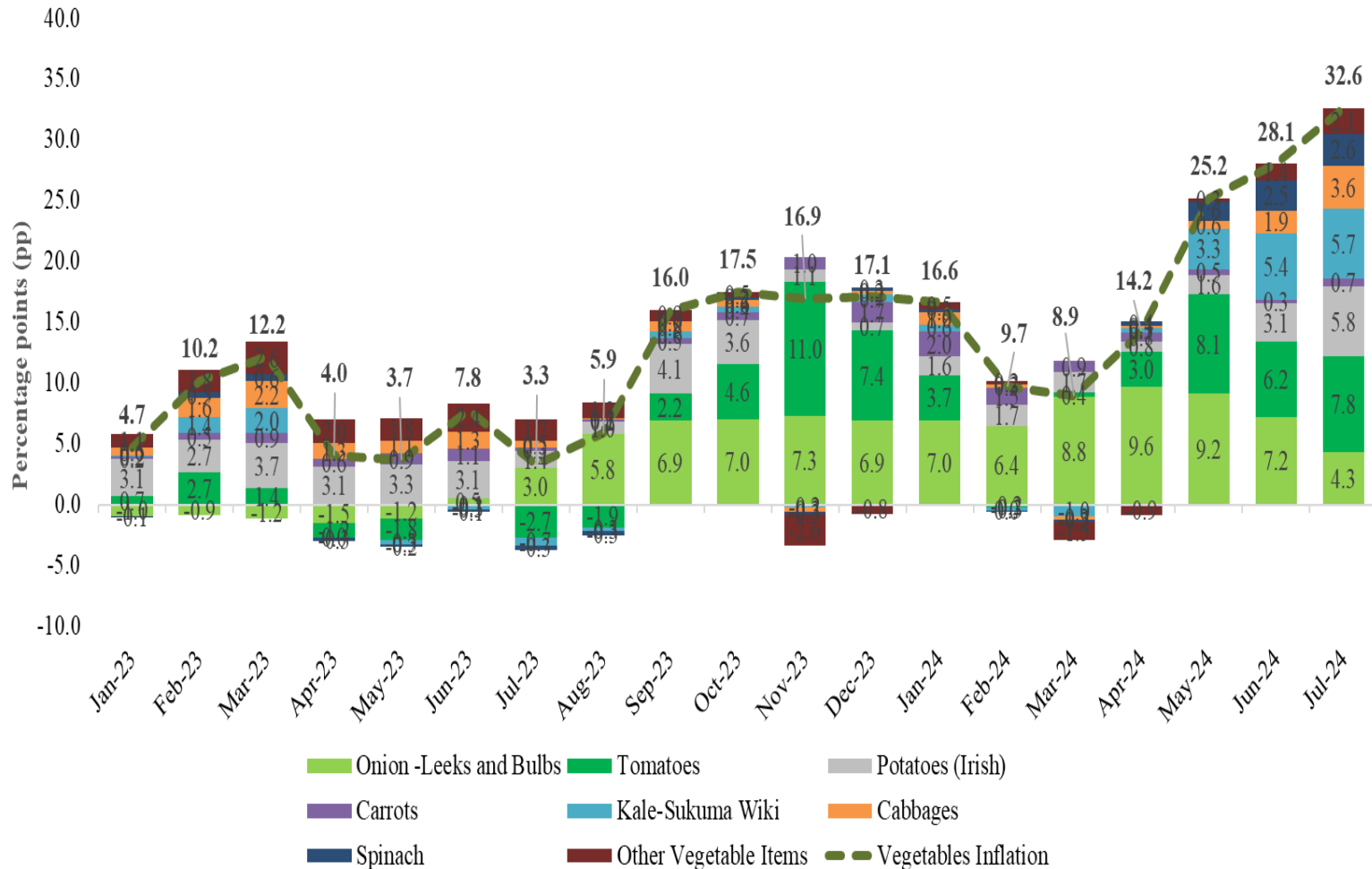
Source: KNBS

- Domestic sugar prices continued to moderate in July 2024 from the peak levels witnessed in mid-2023, reflecting improved supply, due to favorable weather conditions.
- The contribution of sugar prices to overall inflation was -0.3 percentage points in July and June 2024, down from 0.5 percentage points in January.
- Globally, sugar prices have moderated, with improved supply

Main drivers of vegetables inflation:

Vegetables price inflation remained elevated in July 2024, largely due to higher prices of tomatoes, Kale-Sukuma Wiki, cabbages and potatoes

Contributions to vegetables inflation (percentage points)



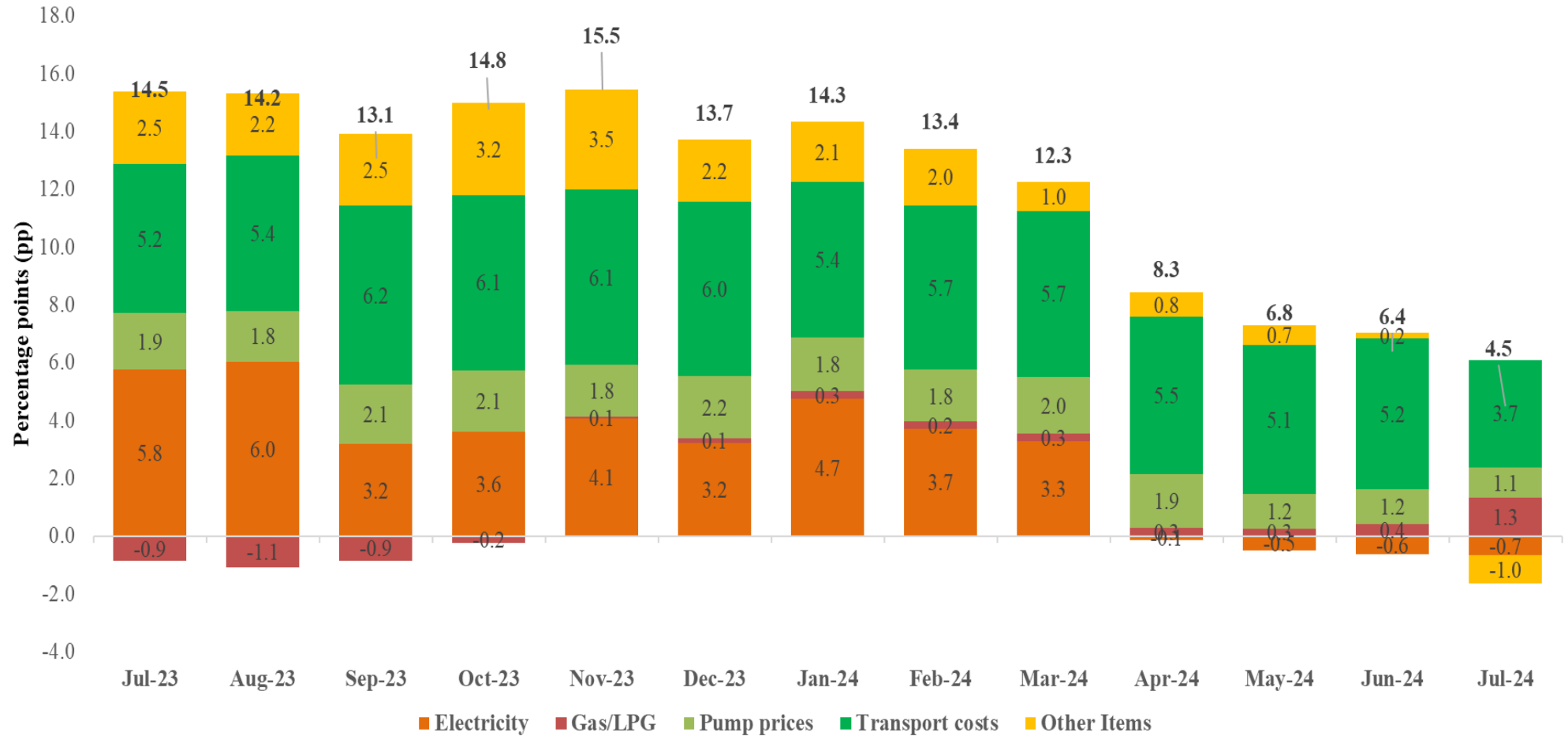
- The excessive rains and flooding in April/May 2024 disrupted supply of key vegetables, particularly onions and tomatoes.
- Nevertheless, the July 2024 Agriculture Sector Survey shows that prices of onions and tomatoes are expected to decline in August, due to improved supply following increased domestic production.

Source: KNBS and CBK

Main drivers of fuel inflation:

Fuel inflation declined further in July 2024, reflecting the impact of the downward adjustment in pump prices, lower electricity prices, and reduced transport costs

Contributions to fuel inflation (percentage points)

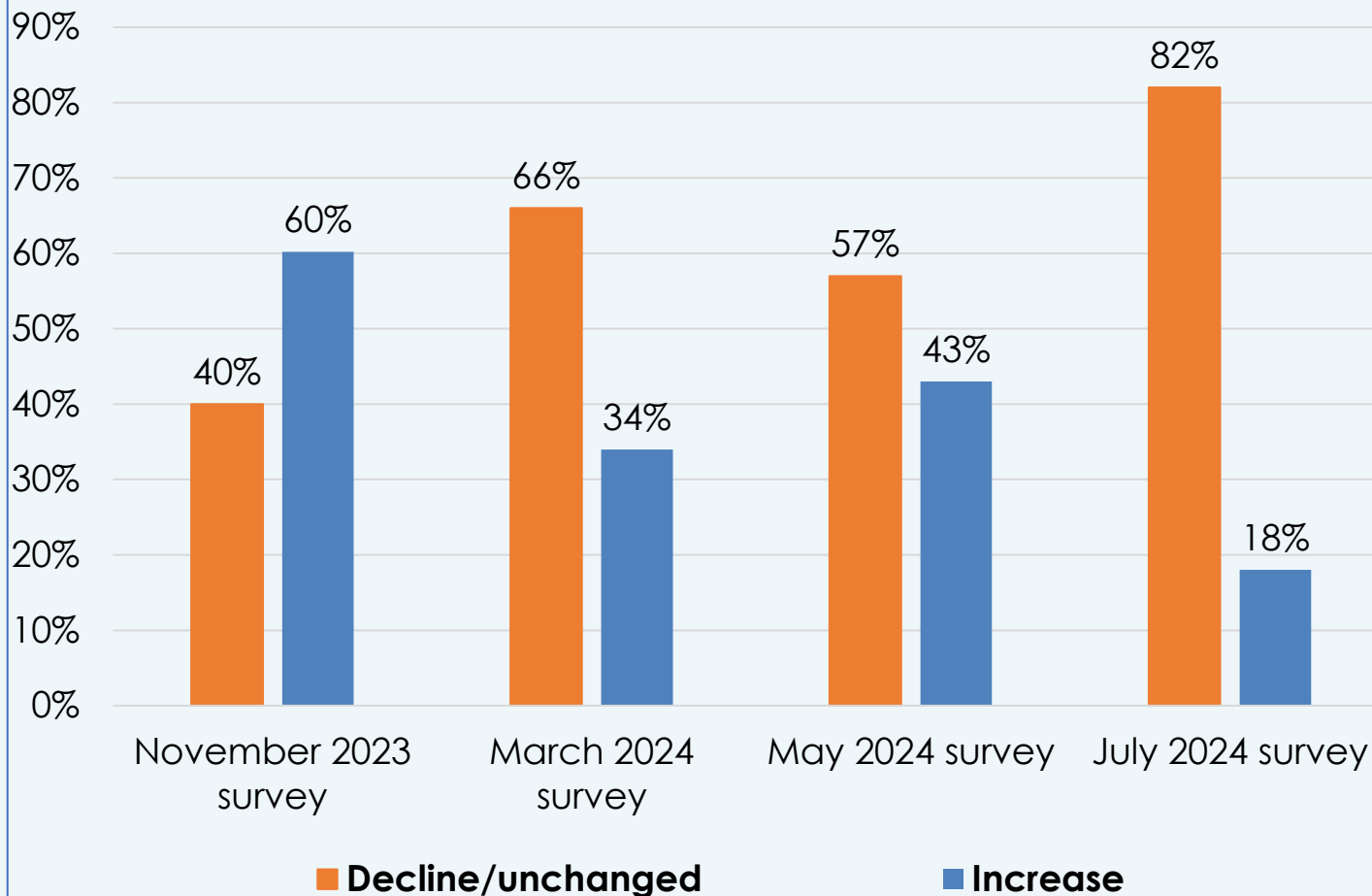


Source: KNBS and CBK

Inflation expectations:

The July 2024 Agriculture Sector Survey shows that most respondents expect inflation to decline or remain unchanged in the next three months

Inflation expectations in the next three months (percent of sampled respondents)



- Majority of respondents expect inflation to either remain unchanged or decrease in the next three months, on account of improved food supply with expected harvests, exchange rate stability, and reduction in pump prices.
- Nevertheless, some respondents were concerned about potential increase in prices of some key commodities following disruptions from recent protests on the Finance Bill 2024, which was subsequently withdrawn.

- 1. The economy remained resilient in the first quarter of 2024, growing by 5.0 percent compared to 5.5 percent in a similar quarter of 2023, reflecting:**
 - Continued strong performance of agriculture due to favorable weather conditions, and robust performance of service sectors.
 - However, the performance of manufacturing and construction sectors was subdued, partly reflecting higher production costs and construction costs in the period.
- 2. The growth of the economy is expected to remain resilient in 2024 and is projected at 5.4 percent in 2024 from 5.6 percent in 2023, supported by:**
 - Sustained agriculture performance due to favorable weather conditions and government interventions.
 - Robust performance of service sectors.
 - Improved exports, supported by improved global growth prospects, and ongoing trade initiatives (tripartite agreement between COMESA, EAC and SADC, AfCFTA, and the Kenya/EU EPA).
- 3. The main risks to the Kenyan economy relate to increased global uncertainties, particularly the potential negative effects of the heightened geopolitical tensions.**

Domestic economic growth:

The economy is expected to remain strong in 2024, supported by resilient services, robust performance in agriculture, and improved exports

Real GDP growth (y/y, percent)

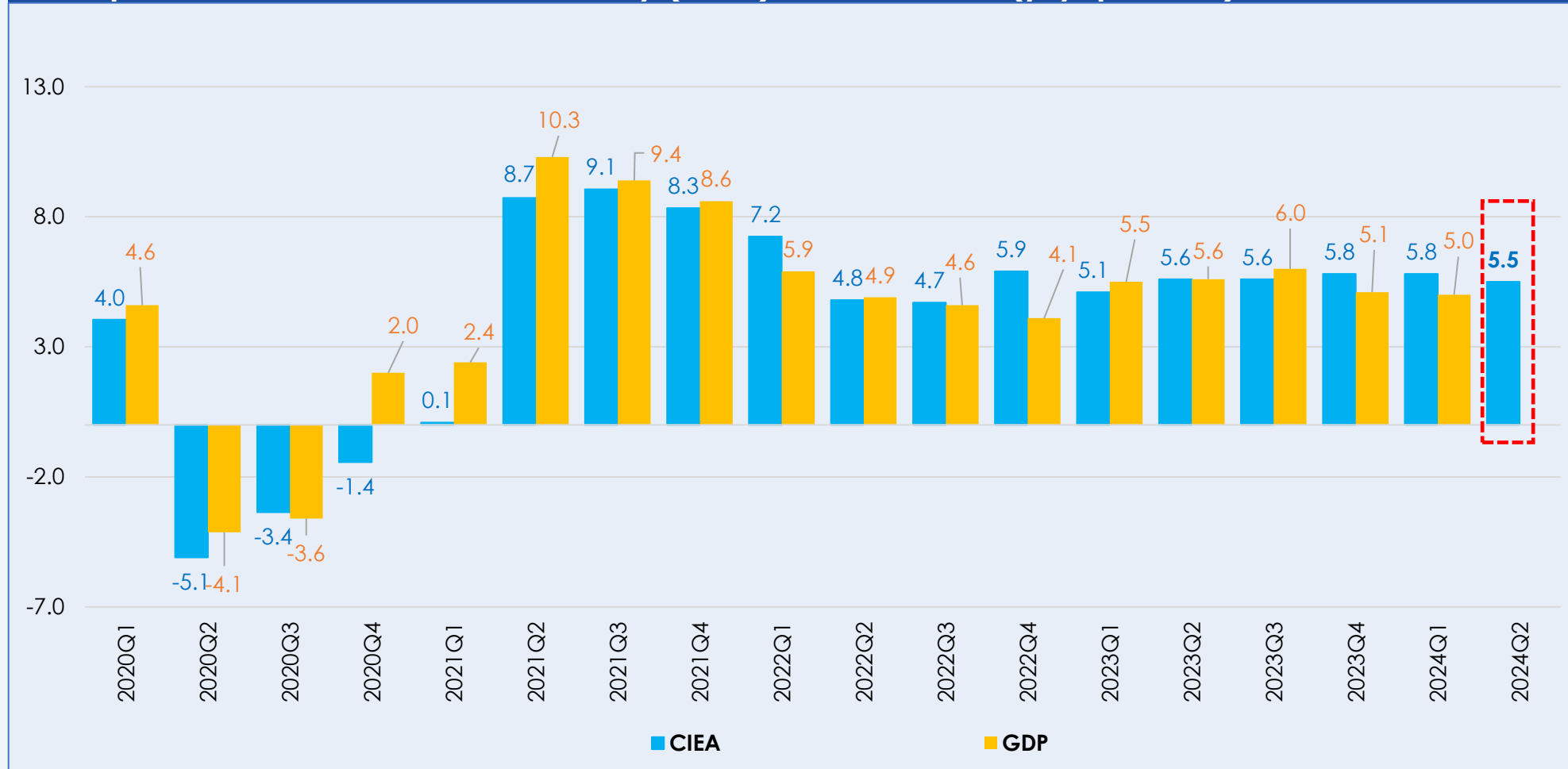
	2019 Act.	2020 Act.	2021 Act.	2022 Act.	2023 Act.	2024			2025 Proj.
						Q1 Act.	Q2 Proj.	Annual Proj.	
1. Agriculture	2.7	4.6	-0.4	-1.5	6.5	6.1	6.0	6.0	5.6
2. Non-Agriculture (o/w)	5.7	-1.4	9.5	6.3	5.4	4.7	5.4	5.3	5.4
2.1 Industry	4.0	3.3	7.5	3.9	1.9	0.1	1.5	1.4	3.2
Mining & Quarrying	4.3	5.5	18.0	9.3	-6.5	-14.8	-16.1	-16.8	-1.9
Manufacturing	2.6	-0.3	7.3	2.6	2.0	1.4	2.2	2.3	2.8
Electricity & water supply	1.7	0.6	5.6	5.5	2.8	2.4	3.2	3.7	3.8
Construction	7.2	10.1	6.7	4.1	3.0	0.1	2.9	2.4	4.1
2.2 Services	6.5	-1.8	9.8	7.0	7.0	6.2	6.8	6.6	6.4
Wholesale & Retail Trade	5.3	-0.4	8.0	3.5	2.7	4.9	5.6	5.4	6.3
Accommodation & food services	14.3	-47.7	52.6	26.8	33.6	28.0	19.5	21.3	18.0
Transport & Storage	6.3	-8.0	7.4	5.8	6.2	3.8	5.0	4.9	5.6
Information & Communication	7.0	6.0	6.1	9.0	9.3	7.8	8.8	8.4	8.2
Financial & Insurance	8.1	5.9	11.5	12.0	10.1	7.0	7.6	7.1	6.5
Public administration	8.4	7.0	6.0	5.1	4.6	5.8	5.5	5.4	4.1
Professional, Admin & Support Services	6.8	-13.7	7.1	9.5	9.5	9.9	9.6	9.4	9.0
Real estate	6.7	4.1	6.7	4.5	7.3	6.6	7.2	7.3	6.0
Education	5.7	-9.2	22.8	5.2	3.1	4.0	4.5	4.7	5.2
Health	5.5	5.6	8.9	3.4	4.9	5.5	5.4	5.2	5.3
Other services	4.3	-14.6	12.5	6.5	4.1	2.5	3.6	4.0	3.2
FISIM	9.5	-1.8	5.3	0.2	2.7	5.8	2.5	3.5	2.4
2.3 Taxes on products	3.9	-8.0	11.9	6.7	2.2	4.7	4.2	4.1	3.0
Real GDP Growth	5.1	-0.3	7.6	4.9	5.6	5.0	5.5	5.4	5.5

Source: Kenya National Bureau of Statistics and Central Bank of Kenya

Domestic economy:

Leading indicators point to resilient performance of the economy in the second quarter of 2024, reflecting robust activity in the agriculture, and resilient services sector

Composite Index of Economic Activity (CIEA) and real GDP (y/y, percent)



Source: Kenya National Bureau of Statistics and Central Bank of Kenya

Agriculture sector performance:

Production of key crops is projected to remain strong in 2024, supported by favorable weather conditions and Government measures such as providing subsidized fertilizer

Actual and projected production of key crops (in 90 kgs bags)

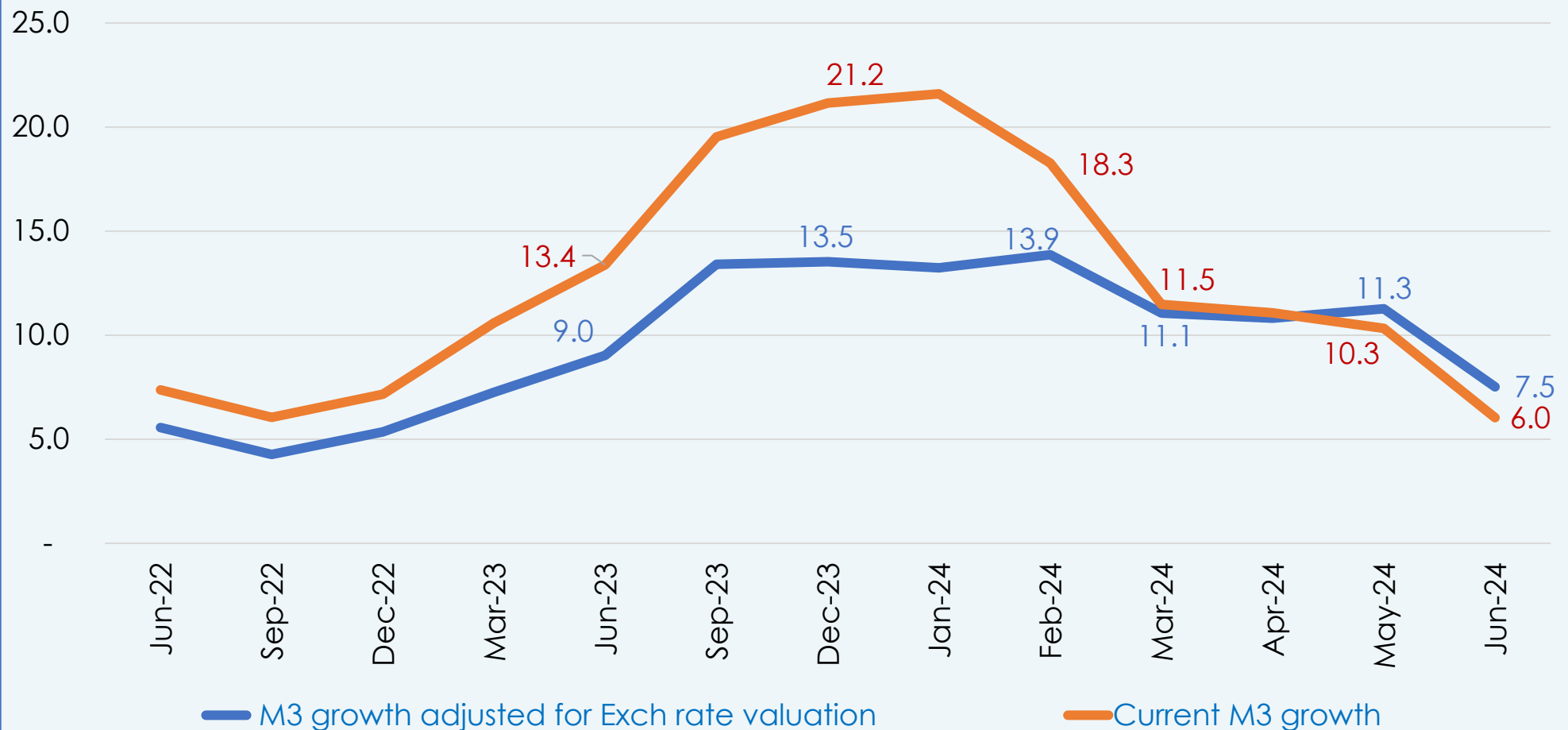
	2021	2022	2023	2024 proj.	2023-2024 Growth (%)
Maize	36,700,000	34,300,000	47,600,000	50,097,661	5.2
Wheat	3,878,889	4,096,667	3,438,889	5,356,827	55.8
Rice	1,490,350	2,136,656	2,545,156	1,828,134	-28.2
Beans	7,400,000	8,300,000	9,600,000	10,519,925	9.6
Irish Potatoes	23,333,333	20,000,000	25,555,556	29,064,433	13.7
Sorghum	1,500,000	1,300,000	2,200,000	3,258,868	48.1
Millet	700,000	700,000	1,000,000	1,132,626	13.3
Avocados	4,811,111	5,093,333	6,917,778	6,917,778	0.0
Coffee	383,333	576,144	540,544	508,900	-5.9

Source: KNBS for actual data, and Food and Nutrition Security Report from Ministry of Agriculture for the June 2024 projections

Monetary developments:

Growth in broad money supply moderated in June 2024, partly due to exchange rate valuation effects attributed to appreciation of the Shilling

Growth in broad money supply, M3 (y/y, percent)

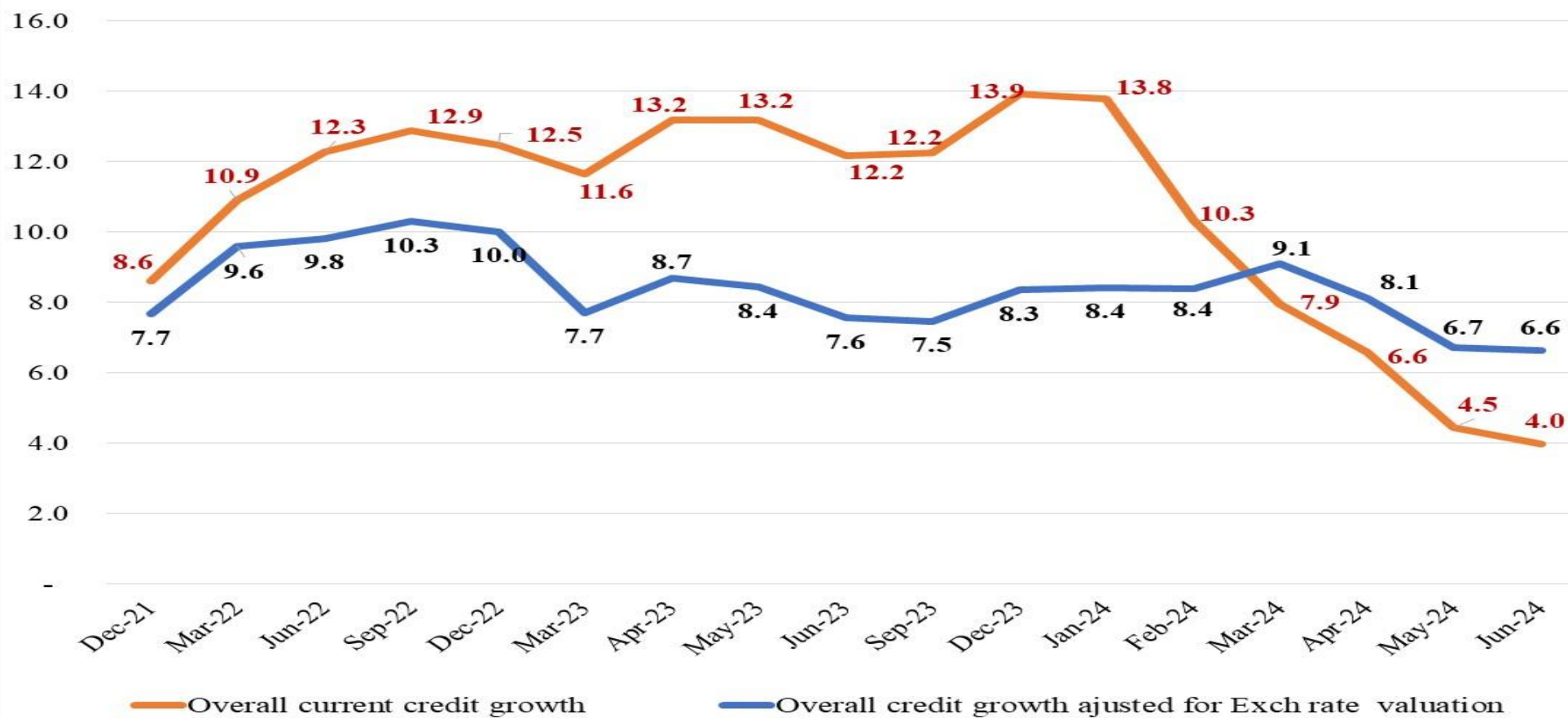


Source: CBK

Monetary developments:

Growth in credit to the private sector adjusted for exchange rate valuation effects on foreign exchange loans has been relatively stable

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

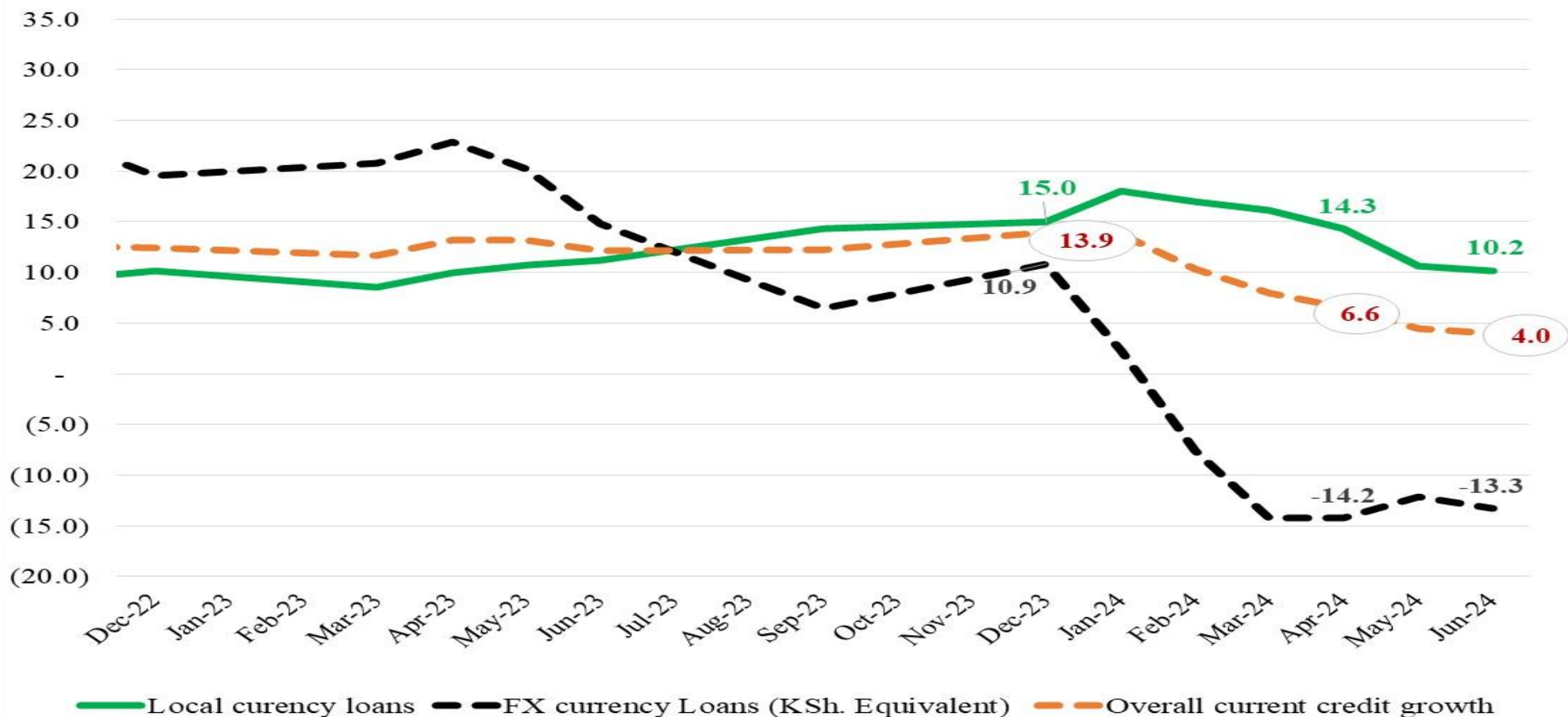


Source: CBK

Monetary developments:

Growth in local currency loans to the private sector has moderated, partly reflecting valuation effects on foreign exchange loans

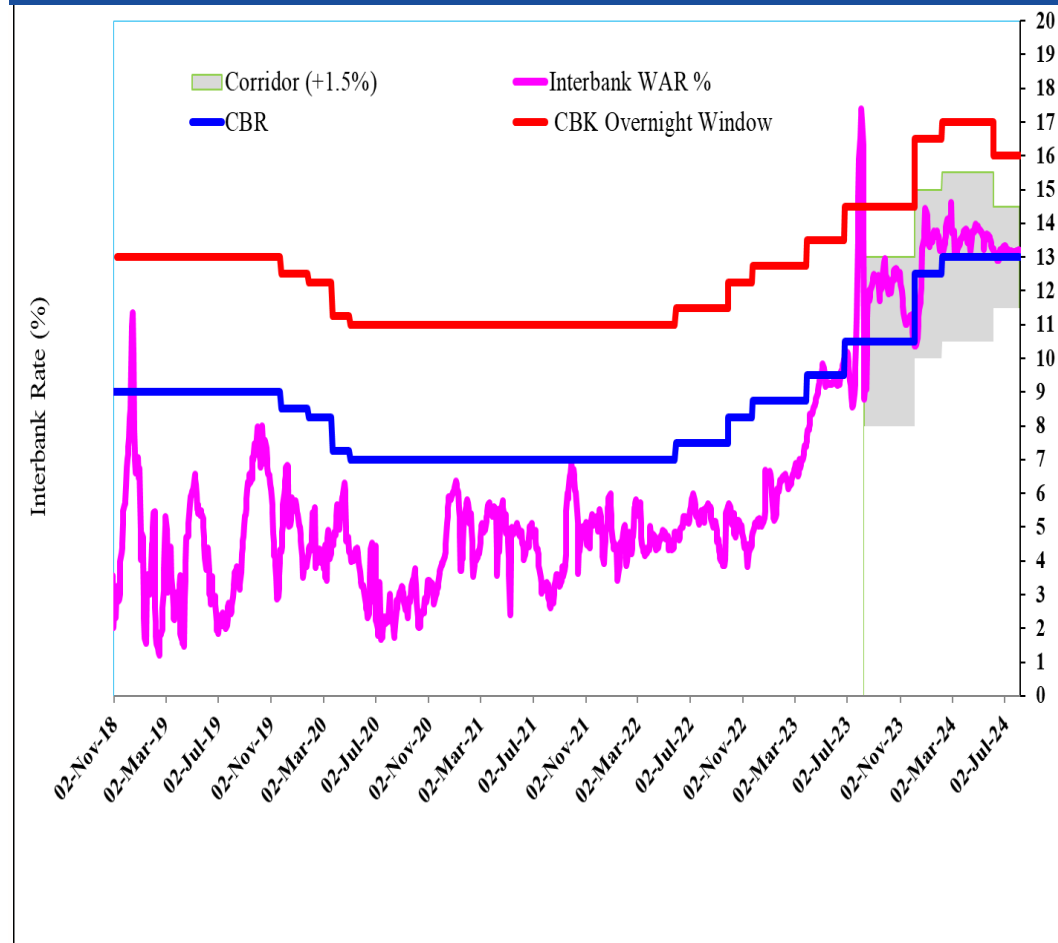
12 Month growth in credit to the private sector by currency (y/y, percent)



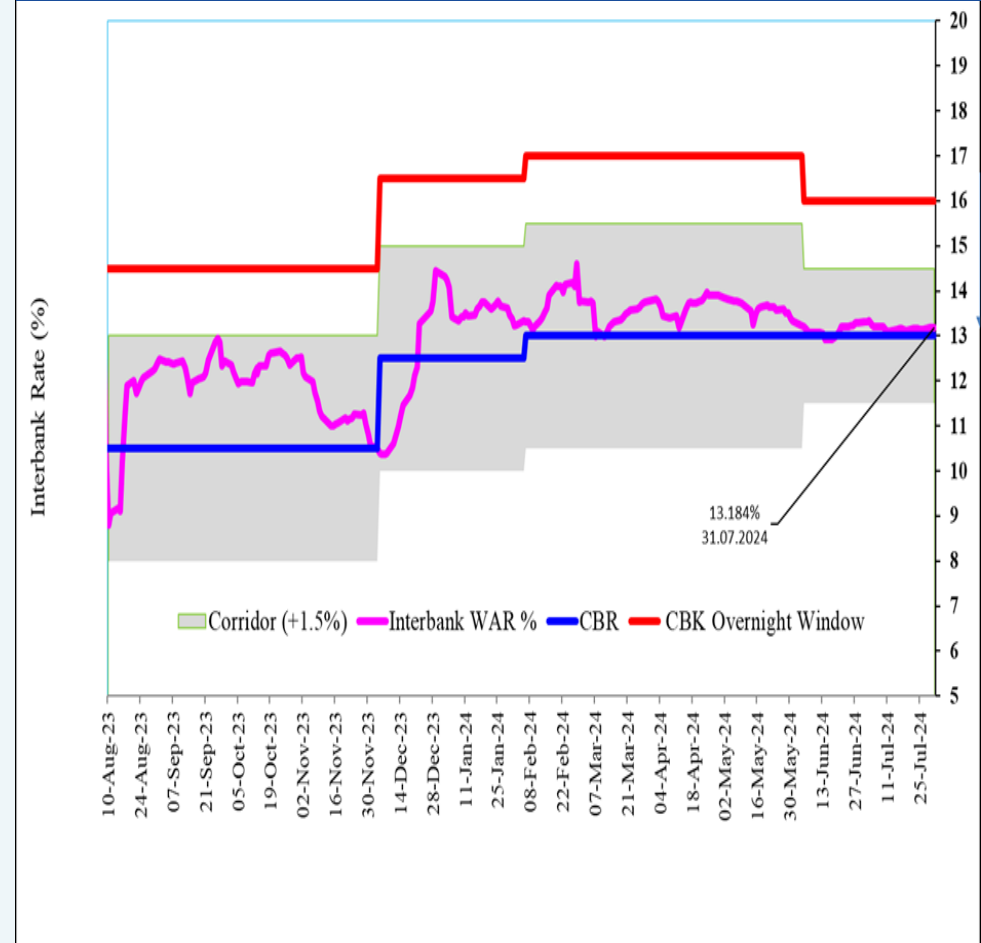
Source: CBK

Monetary policy implementation framework:
The new framework has aligned the interbank rate to the Central Bank Rate (CBR), stabilized the interbank rate, and improved policy transmission.

Monetary policy implementation framework
Since November 2018



Monetary policy implementation framework
Since August 10, 2023



Source: CBK

- **The overall balance of payments deficit narrowed to USD 631 million in the 12 months to June 2024 from USD 1,096 million in similar period of 2023.** The overall deficit is projected at USD 1,107 million in 2024, which should result in a reserves build up of USD 662 million, after taking into consideration IMF financing.
- **The current account deficit was estimated at 3.7 percent of GDP in the 12 months to June 2024 compared to 4.2 percent of GDP in the 12 months to June 2023,** reflecting improvement in goods exports and remittance inflows.
- **The current account deficit is expected to remain stable at 4.0 percent of GDP in 2024 and 2025,** reflecting:
 - ✓ Improvement in exports especially of agricultural commodities
 - ✓ Resilient remittances
 - ✓ Trade and investment initiatives
 - ✓ Recovery in imports supported by a stable exchange rate
- **The main external sector risks** relate to the ongoing conflict in the Middle East, with the heightened geopolitical risks and global oil price volatility.

27.

Balance of payments:

The overall balance of payments deficit narrowed in the 12 months to June 2024 compared to a similar period of 2023, reflecting improved goods exports, lower imports of goods, and strong remittance inflows.

Balance of payments, in millions of U.S. dollars, unless otherwise indicated

	2020	2021	2022	12 Months to June 2023	2023	12 Months to June 2024	2024 Proj.	2025 Proj.
Current account	-3,730	-5,601	-5,901	-4,841	-4,294	-4,091	-4,876	-5,350
Trade balance	-8,337	-11,139	-11,934	-10,849	-10,011	-9,888	-11,106	-12,500
Goods exports, f.o.b	6,062	6,787	7,421	7,295	7,228	7,660	8,067	9,002
<i>of which</i>								
Tea	1,226	1,192	1,384	1,351	1,345	1,413	1,555	1,701
Horticulture	950	1,129	944	900	929	988	1,157	1,310
Manufactured Goods	380	512	622	684	686	635	763	877
Goods imports, f.o.b	14,399	17,926	19,355	18,144	17,239	17,548	19,172	21,502
<i>of which</i>								
Oil Products	2,219	3,474	5,548	5,200	4,802	4,761	5,061	5,385
Machinery and Transport	3,974	4,653	3,760	3,283	3,252	3,674	3,716	4,087
Services balance	334	955	1,277	1,090	632	516	486	998
Services Credit	3,660	5,011	6,528	6,452	5,455	5,050	5,117	5,848
Services Debit	3,326	4,056	5,251	5,362	4,823	4,534	4,631	4,850
Goods and Services Balance	-8,003	-10,184	-10,657	-9,759	-9,378	-9,372	-10,620	-11,502
Primary income, Balance	-677	-1,533	-1,761	-1,881	-1,901	-1,908	-1,967	-1,976
Credit	149	193	142	164	205	241	229	257
Debit	826	1,726	1,902	2,045	2,106	2,149	2,196	2,232
Secondary income	4,950	6,116	6,516	6,799	6,986	7,189	7,711	8,127
Credit	5,026	6,256	6,563	6,883	7,079	7,251	7,809	8,230
Remittances	3,094	3,718	4,028	4,046	4,190	4,588	4,860	5,249
Other current transfers	1,874	2,386	2,461	2,754	2,775	2,630	2,949	2,981
Debit	76	140	47	84	93	62	98	103
Capital account	131	196	141	126	128	139	134	141
Financial Account	-1,876	-5,560	-4,159	-3,414	-2,631	-2,894	-3,635	-5,299
Foreign Direct investment	387	384	-251	-244	-229	-355	-696	-787
Direct investment: assets	382	804	542	530	503	376	220	220
Direct investment: liabilities	-5	420	792	774	732	731	915	1,007
Portfolio investment	1,321	182	710	730	673	521	453	-274
Portfolio investment: assets	1,045	1,042	481	496	513	571	625	648
Portfolio investment: liabilities	-276	861	-228	-233	-160	49	171	922
Equity and investment fund shares	-276	-96	-207	-218	-160	-36	-88	-78
Debt securities	0	957	-22	-16	-1	85	259	1,000
Other investment	-3,572	-6,148	-4,598	-3,900	-3,159	-3,060	-3,393	-4,238
Other investment: assets	998	85	-556	1,025	2,878	2,840	2,630	503
Other investment: liabilities	4,570	6,233	4,042	4,925	6,037	5,901	6,023	4,741
Net Errors and Omissions	294	697	-539	198	527	505	0	0
Overall balance ("-" indicates a surplus)	1,429	-852	2,141	1,096	1,008	631	1,107	-12
Reserves and related items	-1,429	852	-2,141	-1,096	-1,008	-631	-1,107	12
Reserve assets (gross)+ve entry reflect an increase in reserve assets	-819	1,194	-1,521	-458	-628	458	662	299
Use of Fund credit and loans to the fund (net)	610	847	619	638	380	1,089	1,769	287

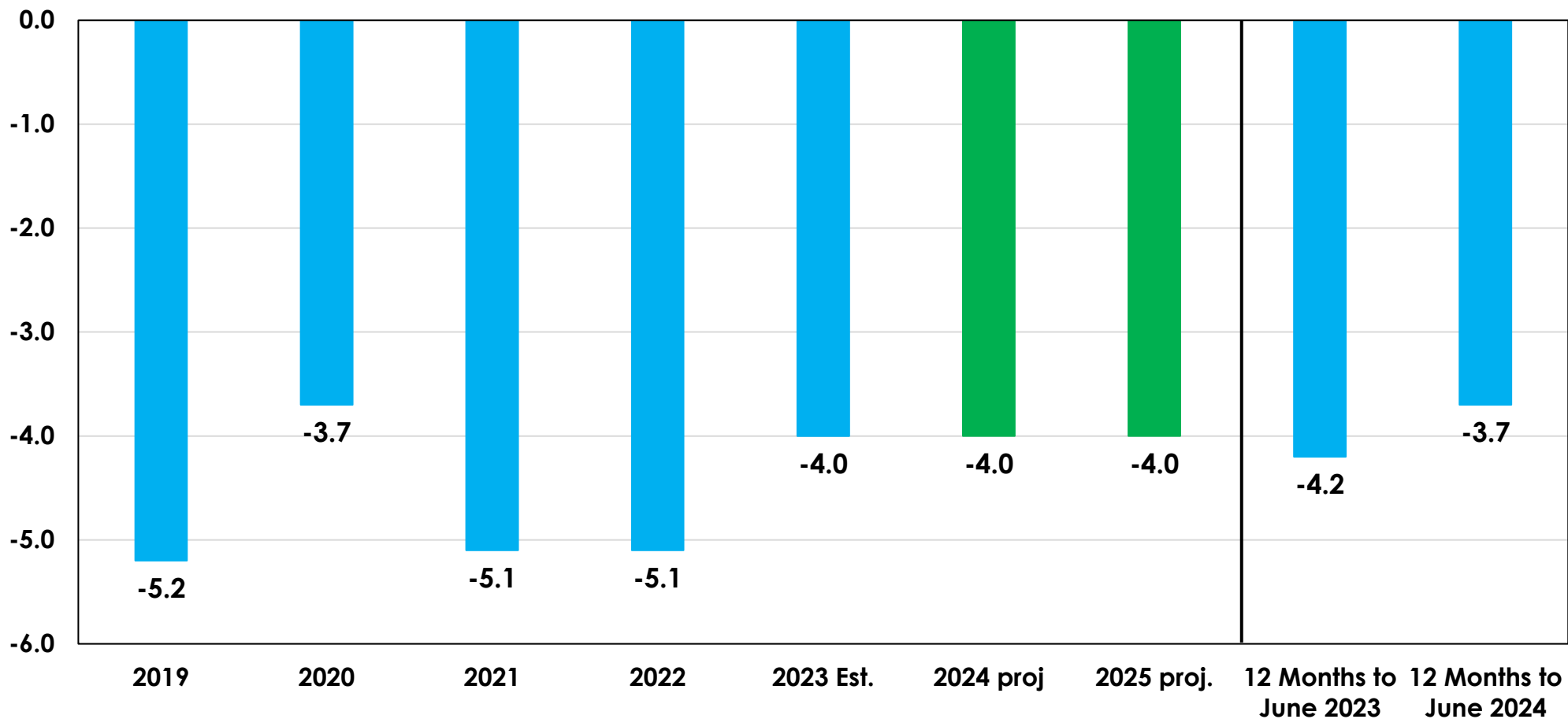
Source: CBK

28.

Current account balance:

The current account deficit narrowed in the 12 months to June 2024 compared to a similar period of 2023

Current account balance (percent of GDP)

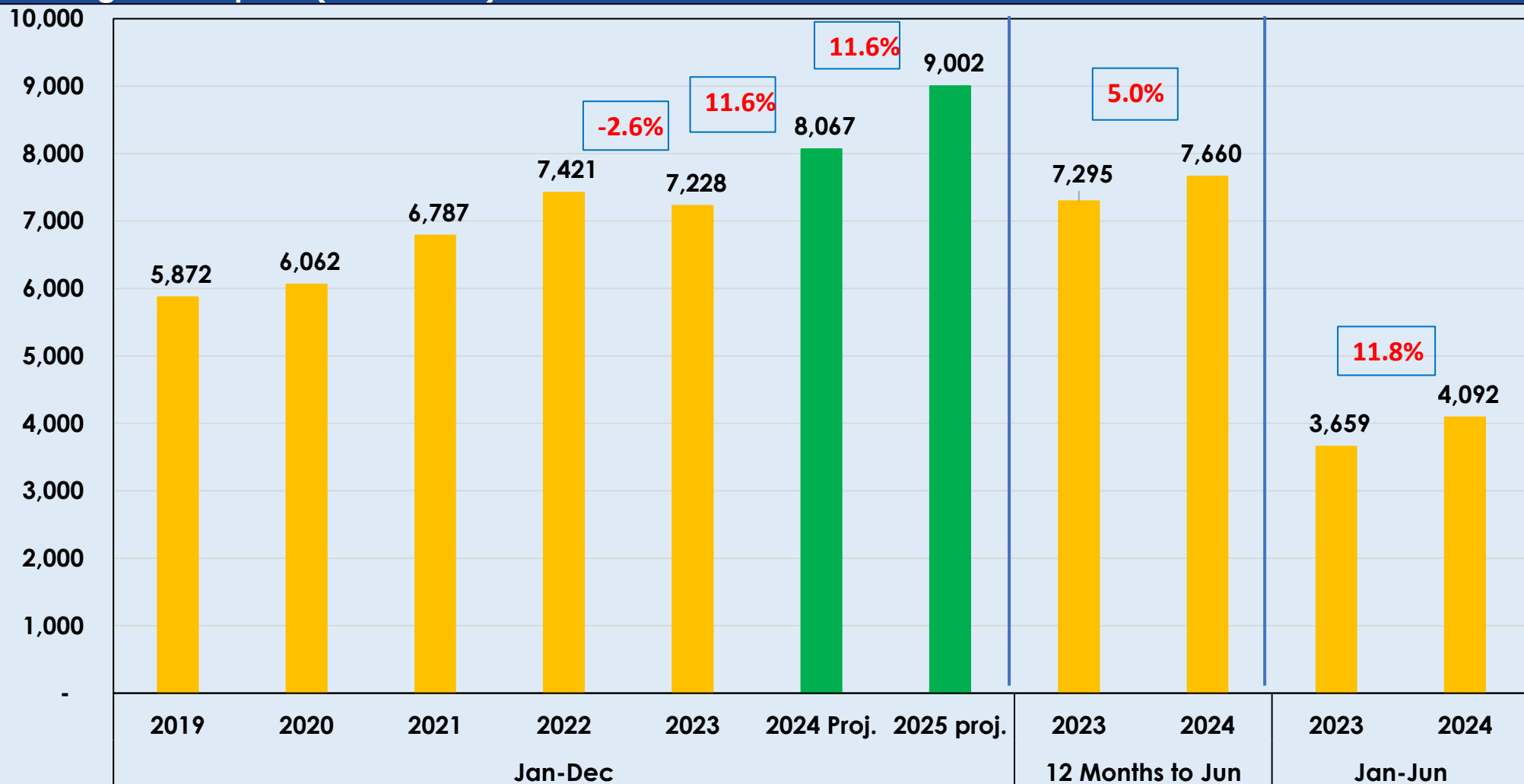


Source: CBK

Balance of payments:

Goods exports increased by 11.8 percent in the first half of 2024 compared to in a similar period in 2023, mainly reflecting increased exports of agricultural commodities and re-exports

Total goods exports (USD Million)



30.

Balance of payments:

The increase in exports reflects higher exports of agricultural commodities, clothing accessories, and re-exports

Goods exports by products (USD Million)

SITC CODE	COMMODITY DESCRIPTION	Jan-Dec		% Change	12 Month to June		%Change	Jan-June		% Change	
		2022	2023	2023/22	2023	2024	2024/23	2023	2024	2023/22	2024/23
0	FOOD AND LIVE ANIMALS	2,773	2,799	0.9	2,752	2,907	5.6	1,403	1,511	-1.4	7.7
05	VEGETABLES AND FRUITS	584	590	1.1	564	632	12.1	287	329	-6.5	14.5
054	Vegetables	205	212	3.7	185	233	26.5	90	111	-18.3	23.5
057	Fruits	277	246	-11.5	265	271	2.1	132	157	-8.4	19.3
071	Coffee	331	266	-19.4	296	247	-16.6	167	148	-17.1	-11.6
0741	Tea	1,384	1,347	-2.7	1,351	1,413	4.6	661	727	-4.7	10.0
1	BEVERAGES AND TOBACCO	164	144	-12.1	156	133	-14.9	76	65	-8.7	-14.3
2	CRUDE MATERIALS	1,256	1,194	-4.9	1,230	1,174	-4.5	669	649	-3.8	-3.0
292711	Cut flowers	462	471	2.0	450	484	7.5	256	268	-4.6	4.9
3	MINERAL FUELS	88	115	31.1	102	118	16.1	49	53	39.4	6.3
4	ANIMAL AND VEGETABLE OILS	226	162	-28.6	184	184	-0.1	74	96	-36.6	30.0
5	CHEMICALS	606	608	0.4	628	601	-4.3	305	298	7.8	-2.4
52	Inorganic chemicals	129	99	-23.0	119	91	-23.8	53	45	-15.3	-15.7
54	Medical and Pharmaceutical products	103	126	22.1	117	126	7.8	63	63	27.9	-0.1
55	Perfume materials	182	192	5.1	187	191	2.4	94	93	4.9	-0.3
6	MANUFACTURED GOODS	622	680	9.3	684	635	-7.1	353	308	21.4	-12.6
64	Paper & Paperboard	62	64	2.3	65	54	-16.9	33	23	10.3	-29.0
66	Non - Metallic Minerals	154	212	37.8	199	199	0.2	113	100	65.6	-11.6
67	Iron and Steel	233	231	-0.5	244	210	-13.7	121	100	10.4	-17.4
7	MACHINERY & TRANSPORT EQUIP	120	115	-4.1	132	97	-26.8	67	49	22.8	-26.8
8	MISCELLANEOUS MAN. ARTICLES	689	606	-12.2	653	630	-3.5	308	332	-10.5	8.0
9	COMMODITIES & TRANSACTIONS	33	33	0.5	27	34	24.9	10	11	-35.1	10.1
	DOMESTIC EXPORTS (captured)	7,371	7,177	-2.6	7,243	7,599	4.9	3,633	4,055	-3.4	11.6
	RE-EXPORTS	795	722	-9.2	694	1,086	56.5	319	683	-24.1	114.2
	TOTAL EXPORTS	7,371	7,177	-2.6	7,243	7,599	4.9	3,633	4,055	-3.4	11.6
	ADJUSTMENTS FOR BOP	-50.0	-50.8	1.6	-52.6	-61.4	16.8	-25.9	-36.5	11.1	40.9
	TOTAL EXPORTS BOP (FOB)	7,421	7,228	-2.6	7,295	7660	5.0	3,659	4,092	-3.3	11.8

Source: CBK, KRA

31.

Balance of payments:

Improved prospects for tea exports in 2024 with improved demand from key markets

Direction of Tea Exports (USD Million)

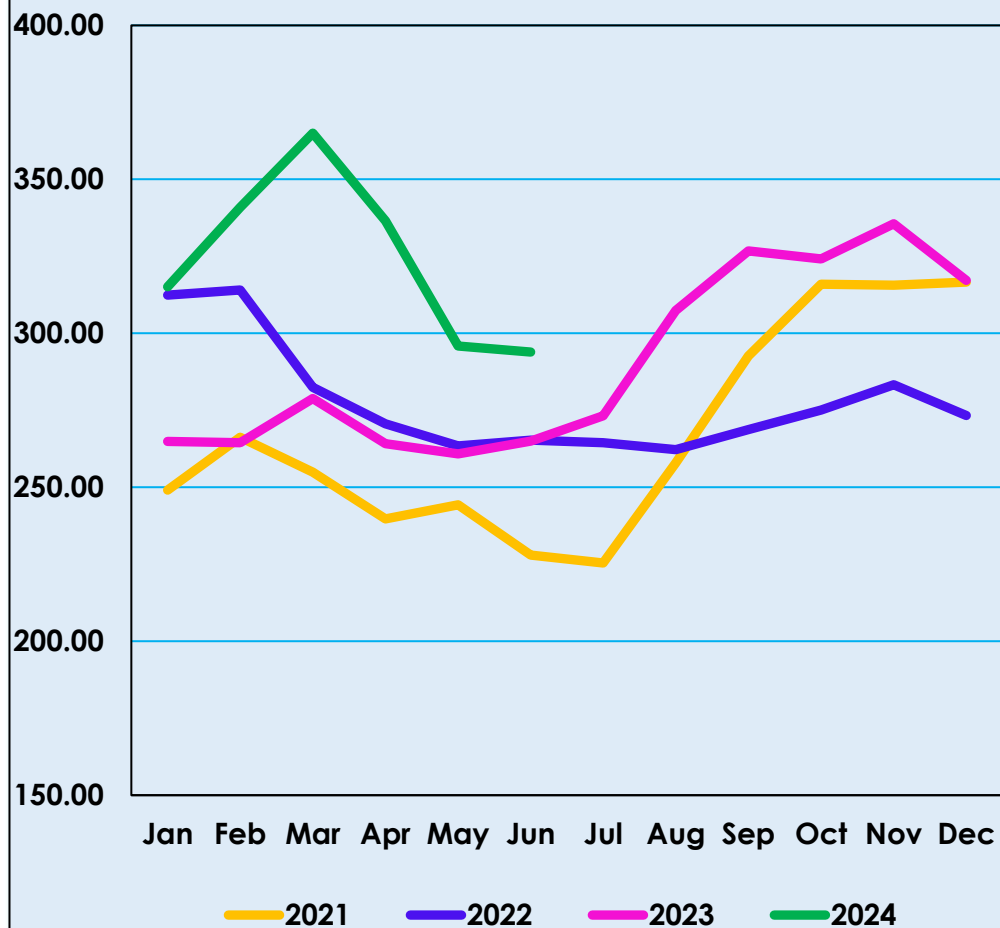
	Jan-Dec			Deviation	12 Months to June		Deviation	Jan-June		Deviation
	2021	2022	2023		2023	2024		2023	2024	
PAKISTAN	464.1	530.2	546.6	16.4	511.4	572.8	61.3	245.7	271.86	26.2
EGYPT	168.1	204.7	200.4	-4.3	186.8	198.3	11.5	95.4	93.34	-2.1
UNITED KINGDOM	101.4	99.4	91.3	-8.1	99.9	97.0	-3.0	51.5	57.18	5.7
UAE	67.5	96.4	79.4	-17.0	108.2	60.5	-47.7	54.5	35.62	-18.9
YEMEN	40.6	57.4	57.7	0.3	52.3	58.0	5.7	27.3	27.56	0.3
RUSSIAN FEDERATION	48.4	48.0	29.9	-18.1	36.0	38.0	2.0	15.1	23.21	8.1
SAUDI ARABIA	7.9	20.9	18.0	-2.9	17.8	41.2	23.3	7.8	30.94	23.2
IRAN	16.3	45.9	45.7	-0.2	71.1	35.7	-35.4	33.4	23.35	-10.1
AFGHANISTAN	5.1	25.0	31.5	6.6	30.4	16.9	-13.5	19.0	4.40	-14.6
POLAND	18.1	19.2	17.8	-1.4	17.4	18.3	0.8	8.4	8.88	0.5
IRELAND	11.9	20.6	19.0	-1.6	22.6	17.2	-5.4	11.9	10.15	-1.8
SUDAN	30.2	33.6	25.1	-8.5	30.9	17.0	-13.9	11.8	3.70	-8.1
KAZAKHSTAN	24.3	22.7	14.6	-8.1	16.2	15.3	-0.8	5.2	5.93	0.7
USA	13.3	13.2	8.0	-5.2	9.0	11.2	2.2	3.3	6.59	3.3
OTHER	174.9	146.5	162.0	15.4	108.6	121.4	12.8	50.6	65.1	14.5
GRAND TOTAL	1,192	1,384	1,347	-36.8	1,319	1,319	15	641	668	46

Source: CBK and KRA

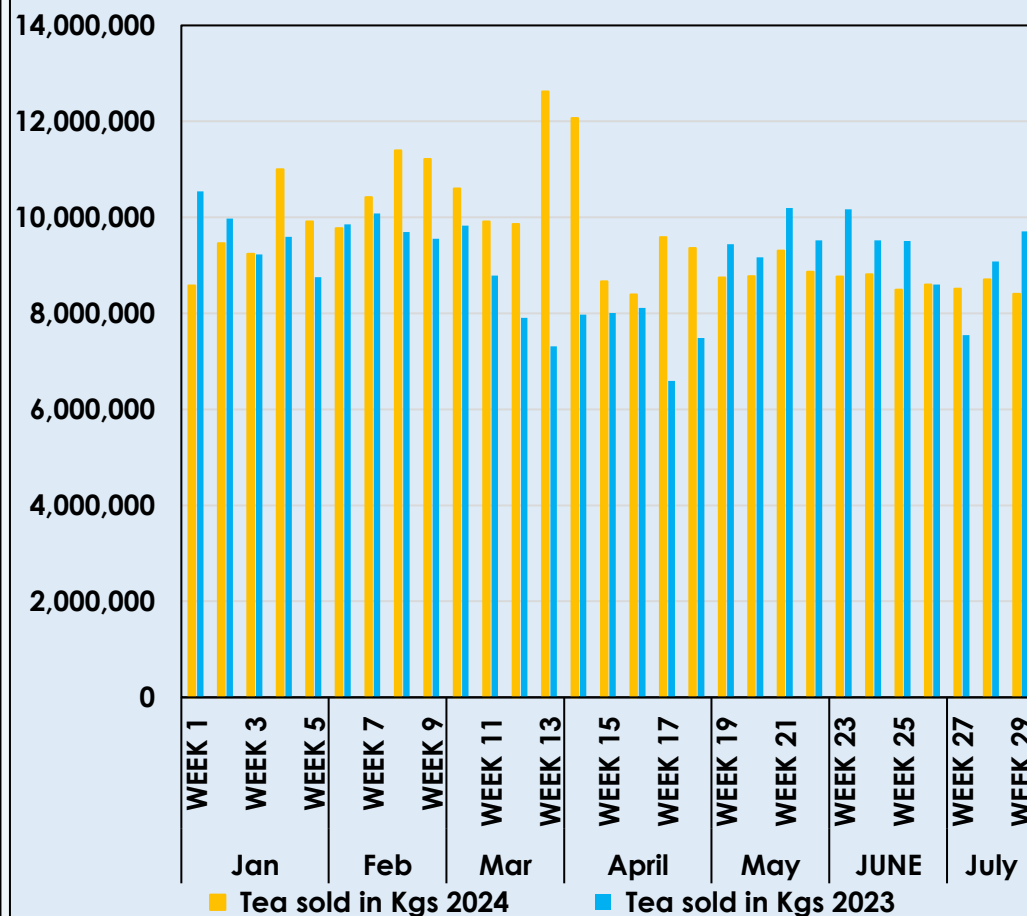
Balance of payments:

Improved prospects for tea exports in 2024, on account of higher international prices, and higher quantity of tea sold at the Mombasa auction reflecting improved demand

Price of tea sold at Mombasa auction (US cents per kg)



Quantities of tea sold at the Mombasa auction (kgs)



Source: IMF

33.

Balance of payments:

Export earning from horticulture have increased with the higher export quantities

Quantities and Values of of horticulture Exports

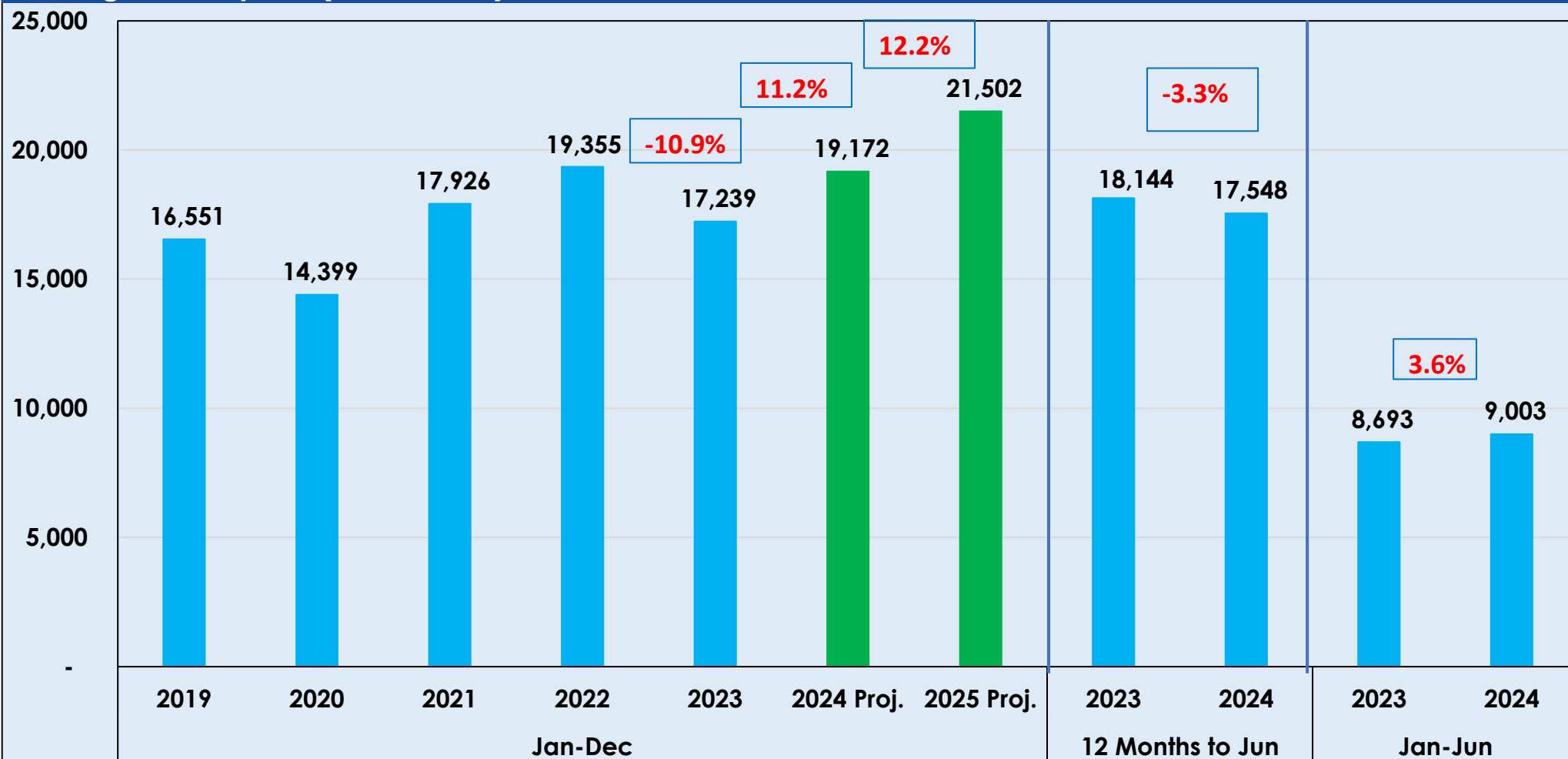
	Jan-Dec			12 Months to June		% Change	Jan-Jun		% Change
	2021	2022	2023	2023	2024	2024/23	2023	2024	2024/23
Volumes(millions)									
Vegetables	252	168	268	182	348	91.2	95	178	86.3
Fruits and Nuts	156	176	213	195	227	16.3	118	132	12.0
Cut Flowers	136	127	130	128	128	0.3	69	67	-3.6
Horticulture	544	471	611	505	703	39.3	283	377	33.3
Values (USD million)									
Vegetables	296	205	213	185	233	26.5	90	111	23.5
Fruits and Nuts	282	277	245	265	271	2.1	132	157	19.3
Cut Flowers	551	462	471	450	484	7.5	256	268	4.9
Horticulture	1129	944	929	900	988	9.8	477	536	12.3

Source: KRA

Balance of payments:

Goods imports increased in the first half of 2024 compared to a similar period of 2023, partly driven by imports of machinery and transport equipment

Total goods imports (USD Million)



Source: CBK, KRA

35.

Balance of payments:

The increase in imports in the first half of 2024 was mainly in sugar, other transport equipment, miscellaneous manufactures, and crude materials

Goods imports by products (USD Million)

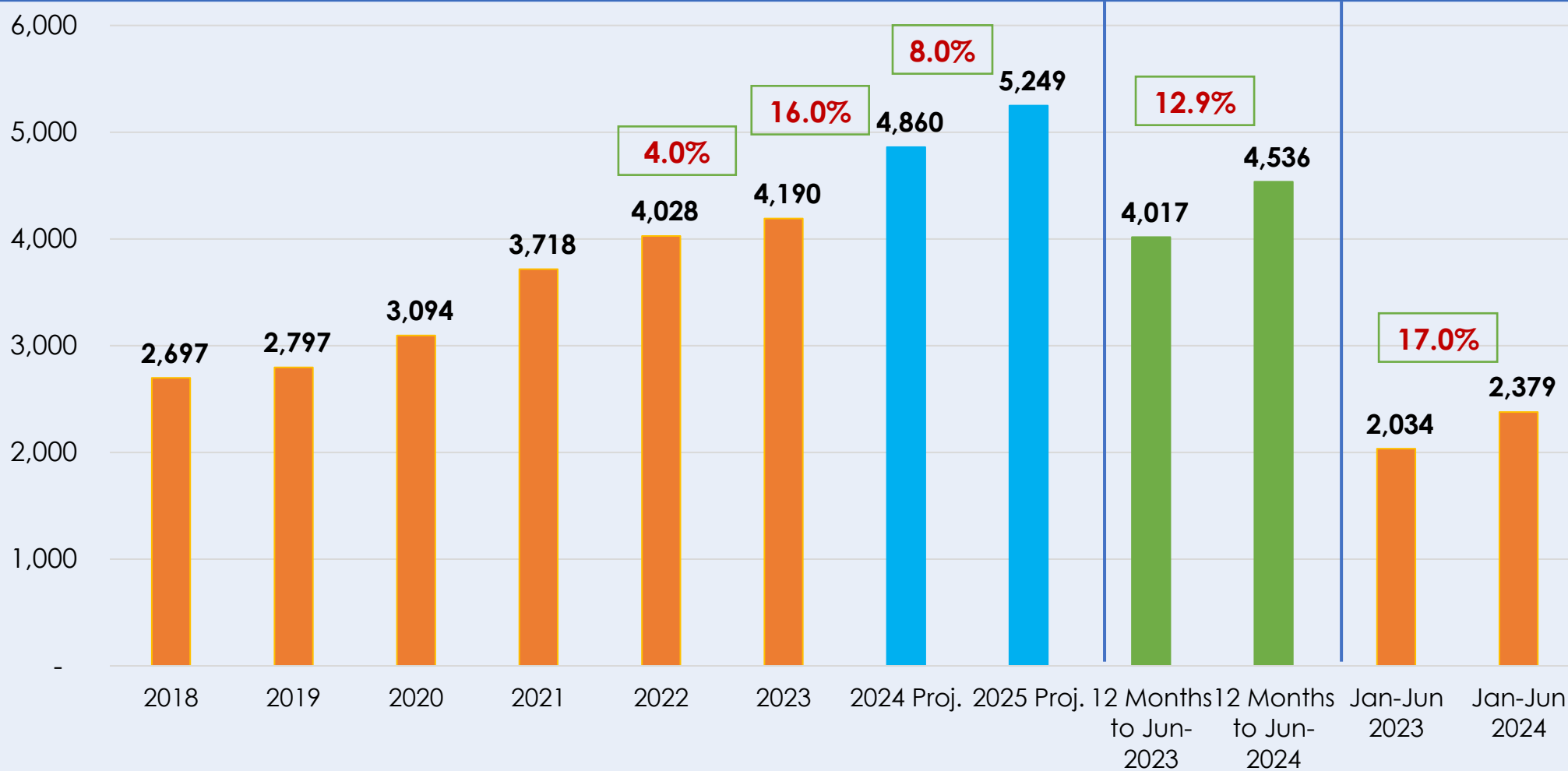
SITC CODE	COMMODITY DESCRIPTION	Jan-Dec		% Change	12 Month to June		% Change	Jan-June		% Change
		2022	2023	2023/22	2023	2024	2024/23	2023	2024	2024/23
0	FOOD AND LIVE ANIMALS	2,094	2,370	13.2	2,360	2,142	-9.2	1,266	1,038	-18.0
04	CEREALS	1,227	1,319	7.5	1,422	1,156	-18.7	787	624	-20.7
06	SUGAR	236	406	71.5	265	427	60.9	142	163	15.1
1	BEVERAGES AND TOBACCO	132	118	-10.1	133	97	-26.9	66	45	-31.6
2	CRUDE MATERIALS	469	487	3.8	477	537	12.4	227	278	22.0
3	MINERAL FUELS	5,548	4,769	-14.0	5,200	4,761	-8.4	2,356	2,349	-0.3
334112	2.2 Motor spirit(premium)	1,584	1,392	-12.1	1,460	1,455	-0.4	659	722	9.5
334211	2.4 Jet fuel(kerosene type)	773	709	-8.3	744	769	3.4	336	396	17.8
334301	2.6 Diesel oil	2,272	1,931	-15.0	2,184	1,792	-17.9	956	817	-14.5
4	ANIMAL & VEGETABLE OILS	1,215	997	-18.0	1,027	982	-4.4	483	468	-3.0
5	CHEMICALS	3,277	2,896	-11.6	3,138	2,881	-8.2	1,582	1,567	-0.9
54	Medicinal & Pharm.	791	649	-17.9	702	664	-5.4	347	362	4.4
55	Essential Oils	231	226	-1.9	213	241	12.8	101	116	14.2
56	Manufactured Fert.	414	469	13.1	621	324	-47.8	347	202	-41.7
57	Plastics in Pri. Form	706	586	-17.1	594	606	2.0	291	311	6.9
59	Chemical Mtrls & Prdts.	432	392	-9.3	418	440	5.2	207	255	23.0
6	MANUFACTURED GOODS	3,469	2,654	-23.5	3,000	2,548	-15.1	1,421	1,316	-7.4
64	PAPER, PAPERBOARD & ARTICLES	472	376	-20.3	415	379	-8.6	192	195	1.6
65	TEXTILE YARN, FABRICS & ARTICLES	652	540	-17.3	576	585	1.6	273	319	16.6
66	NON-MET. MINERAL MANUF.	1,282	192	-85.0	206	188	-9.0	99	95	-4.3
67	IRON AND STEEL	178	870	388.9	1,076	710	-34.1	519	359	-30.9
69	METAL MANUFACTURES	375	296	-20.9	325	301	-7.3	143	147	3.1
7	MACHINERY & TRANSPORT EQUIP	3,760	3,252	-13.5	3,283	3,674	11.9	1,499	1,920	28.1
72	Mach. for Part. Inds.	576	460	-20.1	518	443	-14.5	226	209	-7.5
74	Gen. Ind.Mach.	545	519	-4.7	483	602	24.5	235	318	35.0
77	Elec. Mach.	732	585	-20.1	570	651	14.1	263	328	24.9
78	Road vehicles	997	835	-16.3	899	830	-7.7	424	418	-1.2
79	Other Transport Equipment	207	193	-6.8	173	377	118.6	62	247	297.9
8	MISCELLANEOUS MANUF.	1,124	1,027	-8.6	995	1,132	13.8	456	561	23.1
9	COMMODITIES & TRANSACTIONS	140	280	99.9	208	352	69.2	122	194	59.0
	TOTAL IMPORTS (CIF)	21,091	18,580	-11.9	19,627	18,755	-4.4	9,367	9,542	1.9
	ADJUSTMENTS FOR BOP	1,736	1,342	-22.7	1,483	1,207	-18.6	674	539	-20.0
	TOTAL IMPORTS BOP (FOB)	19,355	17,239	-10.9	18,144	17,548	-3.3	8,693	9,003	3.6

Source: CBK, KRA

Diaspora remittances:

Remittances have remained strong, growing by 17.0 percent in the first half of 2024 compared to a similar period in 2023

Diaspora remittances inflows (USD, Million)



Source: CBK

37.

Diaspora remittances:

The increase in remittance inflows reflects higher inflows from key source markets, and diversification to non-traditional source markets

Diaspora remittances inflows by source country (USD, Million)

		Jan-Dec				Deviation (%)	12 Months to June			Jan-June		
		2021	2022	2023	2023		2024	Deviation (%)	2023	2024	Deviation (%)	
1	United States of America	2,242	2,334	2,340	0.3	2,289	2,438	6.5	1,153	1,251	8.5	
2	Saudi Arabia	185	302	370	22.3	347	388	12.0	184	202	9.9	
3	United Kingdom	319	333	334	0.3	344	348	1.3	169	183	8.3	
4	Germany	116	130	176	35.7	140	206	47.2	73	103	40.9	
5	Australia	89	106	107	0.9	88	142	60.8	41	76	85.9	
6	Canada	87	79	83	4.9	69	112	62.6	32	61	88.7	
7	United Arab Emirates	57	62	66	6.4	62	94	52.0	34	63	83.5	
8	Tanzania	49	56	78	38.7	61	88	43.6	32	41	30.2	
9	Qatar	75	87	48	-44.7	70	57	-19.5	27	36	31.6	
10	Uganda	30	28	57	106.9	42	61	44.6	28	32	11.2	
11	Switzerland	50	51	48	-4.6	53	46	-12.8	28	26	-7.1	
12	Netherlands	22	25	21	-13.0	22	26	17.1	10	15	41.9	
13	Italy	27	23	25	9.9	23	29	26.8	12	15	27.6	
14	Sweden	22	26	21	-18.5	20	24	19.5	9	12	37.3	
15	Others	347	387	415	7.2	387	477	23.2	201	263	31.2	
	Total	3,718	4,028	4,190	4.0	4,017	4,536	12.9	2,034	2,379	17.0	

Source: CBK

38.

Services exports:

Tourist arrivals improved by 27.2 percent in the 12 months to June 2024 compared to a similar period in 2023, with declining shares from high spending source markets

Number of tourist arrivals

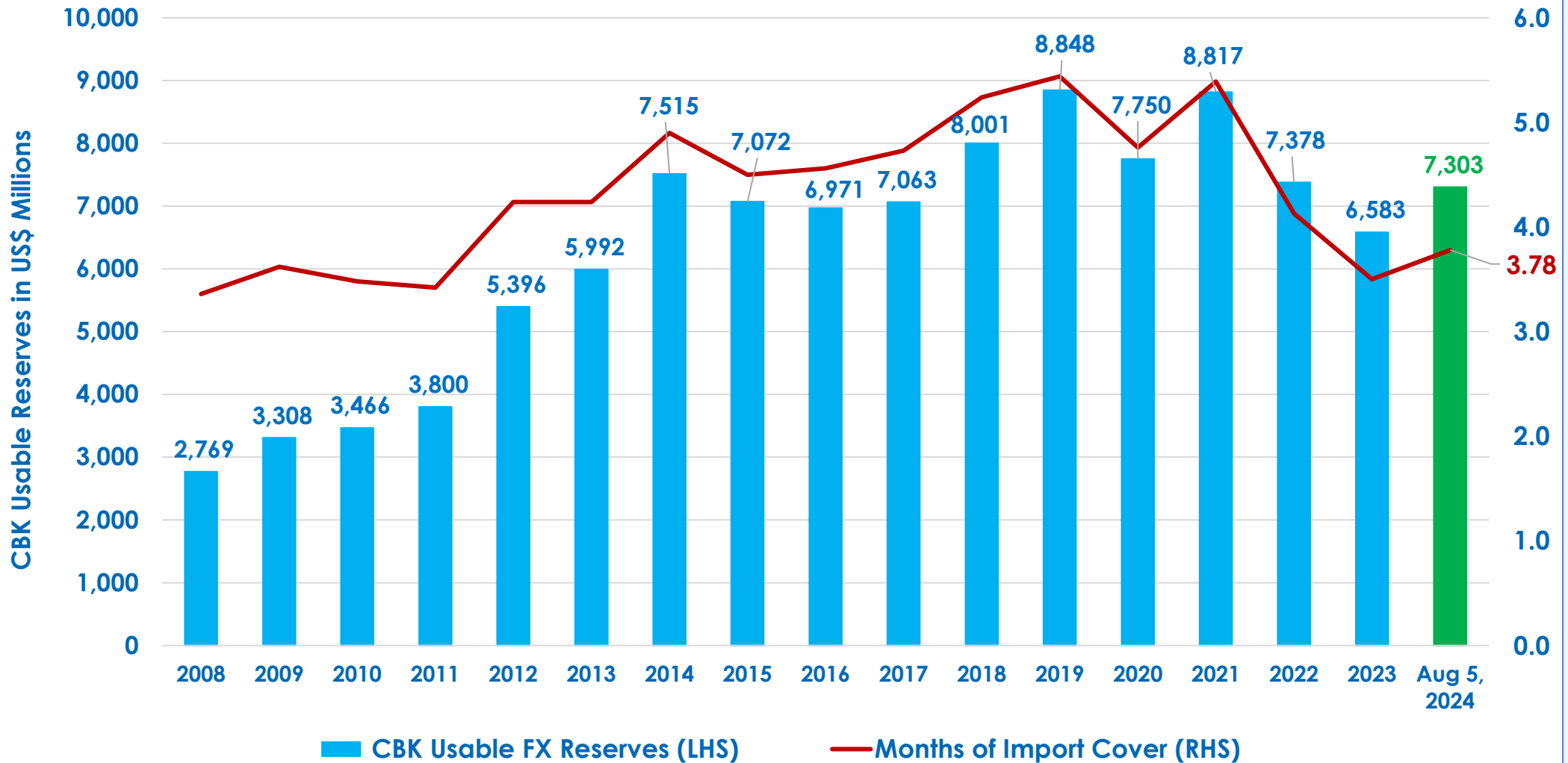
		Number of Tourist Arrivals			% share of total Arrivals		Percent Change	
		12 Months to June			12 Months to June		12 Months to June	
		2022	2023	2024	2023	2024	2023/2022	2023/2024
1	United States of America	183,058	234,118	282,624	13.9	13.2	27.89	20.7
2	Uganda	113,740	177,115	216,065	10.5	10.1	55.72	22.0
3	United Republic of Tanzania	95,215	142,090	180,430	8.4	8.4	49.23	27.0
4	United Kingdom	93,457	141,069	162,651	8.4	7.6	50.95	15.3
5	India	68,118	83,537	106,962	5.0	5.0	22.64	28.0
6	Germany	41,868	66,146	81,716	3.9	3.8	57.99	23.5
7	Italy	16,968	53,399	76,260	3.2	3.6	214.70	42.8
8	Somalia	37,399	40,227	68,369	2.4	3.2	7.56	70.0
9	China	23,115	26,074	64,128	1.5	3.0	12.80	145.9
10	Rwanda	35,189	51,227	57,017	3.0	2.7	45.58	11.3
11	France	28,888	41,187	49,868	2.4	2.3	42.57	21.1
12	South Sudan	26,583	37,946	45,579	2.2	2.1	42.75	20.1
13	Ethiopia	31,580	39,192	44,926	2.3	2.1	24.10	14.6
14	Canada	20,375	33,044	42,276	2.0	2.0	62.18	27.9
15	South Africa	25,435	34,202	37,072	2.0	1.7	34.47	8.4
16	Burundi	16,987	27,859	40,514	1.7	1.9	64.00	45.4
17	Netherlands	19,839	29,064	35,355	1.7	1.6	46.50	21.6
18	Nigeria	31,144	33,061	32,631	2.0	1.5	6.16	- 1.3
19	Democratic Republic of Congo	19,750	22,378	33,499	1.3	1.6	13.31	49.7
20	Poland	11,128	13,633	29,454	0.8	1.4	22.51	116.0
21	Spain	15,346	25,126	28,535	1.5	1.3	63.73	13.6
	Others	253,223	335,397	430,265	19.9	20.0	32.45	28.3
	Total	1,208,405	1,687,091	2,146,196	100.00	100.00	39.61	27.2

Source: Kenya Tourism Board

39.

CBK usable foreign exchange reserves: Foreign exchange reserves remain adequate

CBK usable foreign exchange reserves (end period)

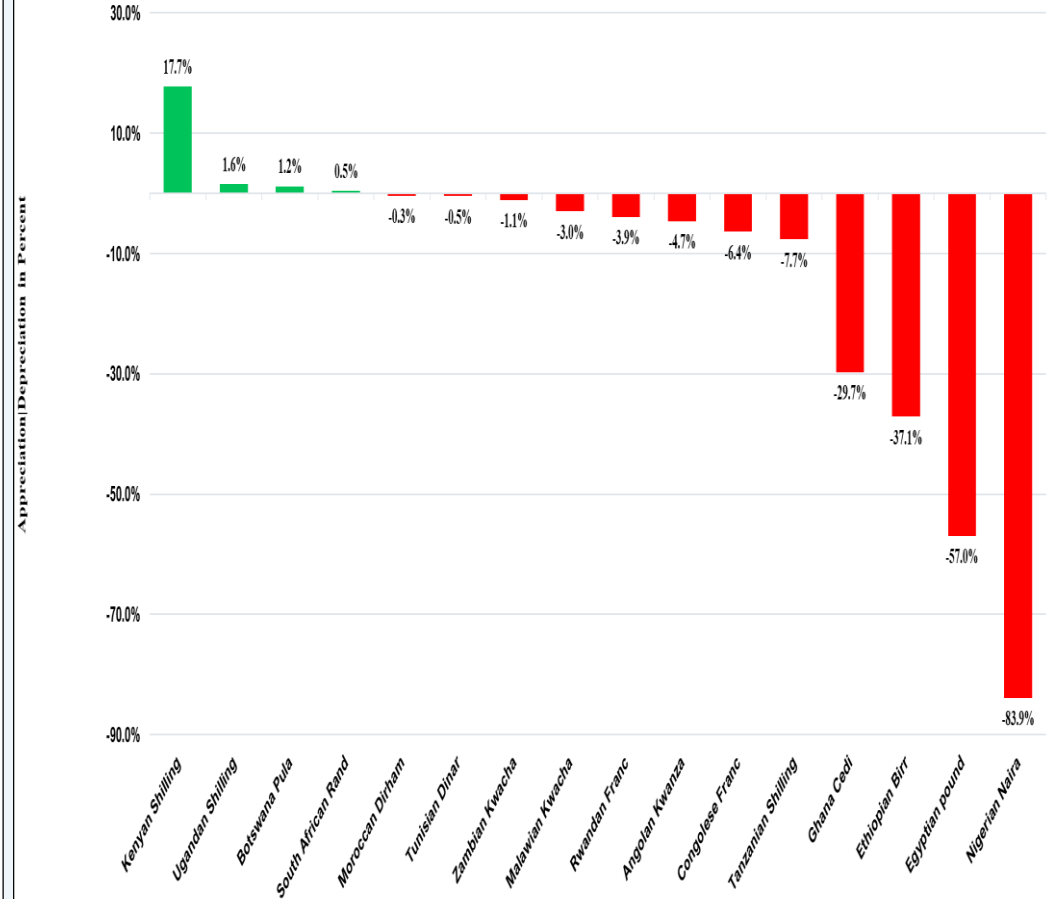
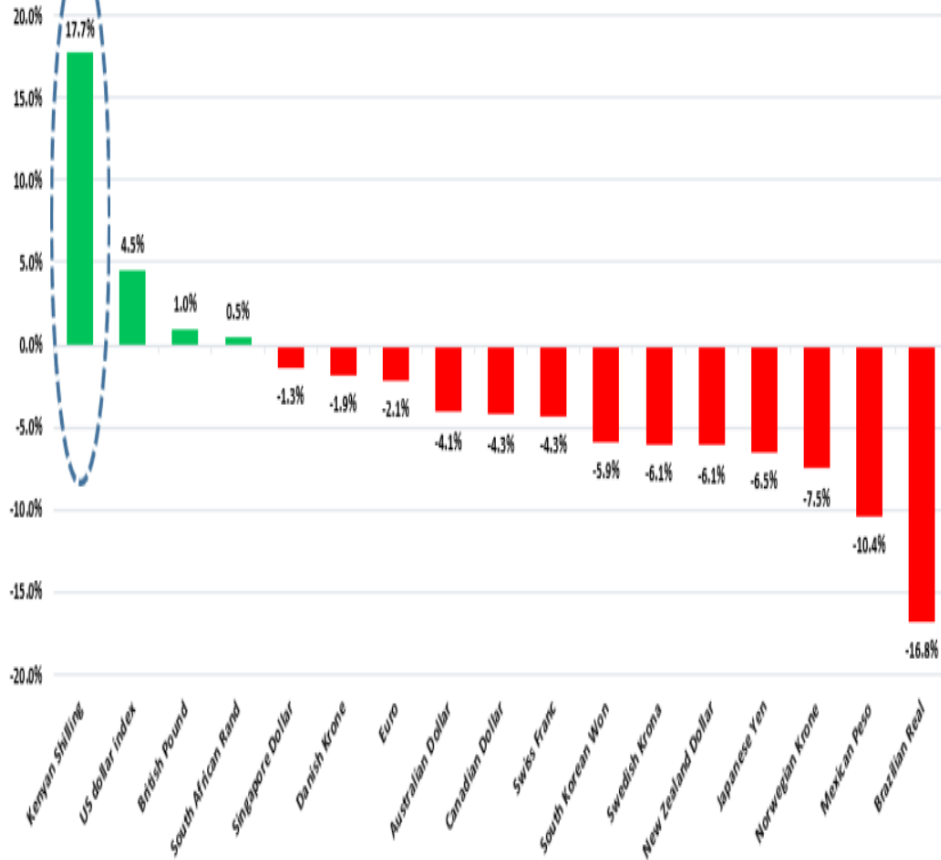


Source: CBK as of August 5, 2024

Exchange rate developments:

The Kenya Shilling has strengthened by 17.7 percent in 2024, reflecting improved foreign exchange inflows, impact of monetary policy measures, impact of recent reforms in the foreign exchange market, and the repayment of the June 2024 Eurobond

Change in the exchange rates of selected currencies against the USD (January 2 to July 30, 2024)

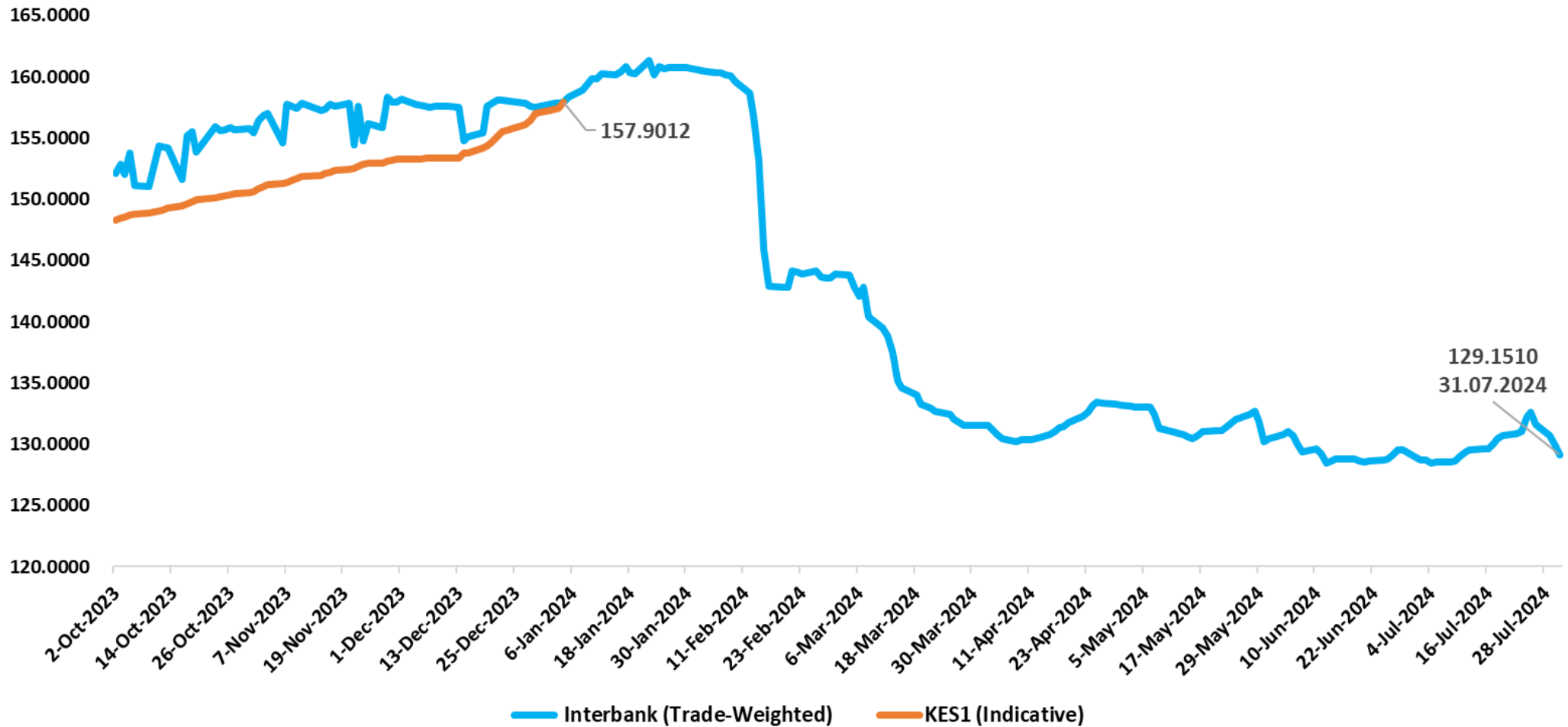


Source: CBK as of July 30, 2024

Exchange rate developments:

The Kenya Shilling has remained stable in the face of the recent Credit Rating, and protests on the Finance Bill 2024

Daily exchange rate of the Kenya Shilling against the US Dollar

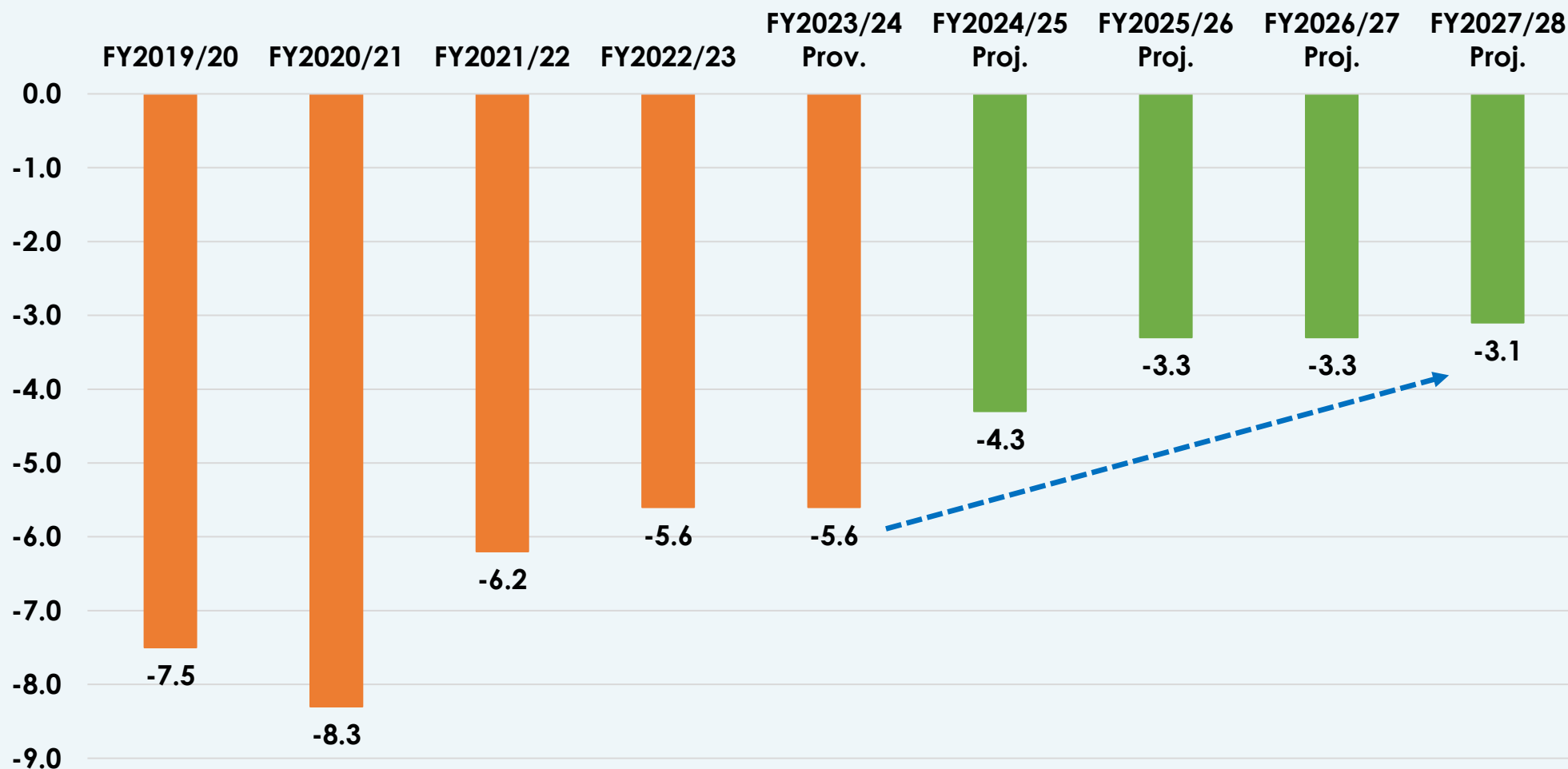


Source: CBK as of July 31, 2024

Fiscal performance and outlook:

The expected fiscal consolidation in the medium-term should reduce debt vulnerabilities while moving the debt/GDP ratio towards a stronger sustainable position

Actual and expected fiscal deficit (percent of GDP)



Source: The National Treasury

Thank You!

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