



Central Bank of Kenya

MONETARY POLICY COMMITTEE MEETING BACKGROUND INFORMATION

Wednesday, June 6, 2024

Dr. Kamau Thugge, CBS
Governor

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1.

Monetary Policy Decision

During its Meeting on June 5, 2024, the Monetary Policy Committee (MPC) retained the Central Bank Rate (CBR) at 13.00 percent.

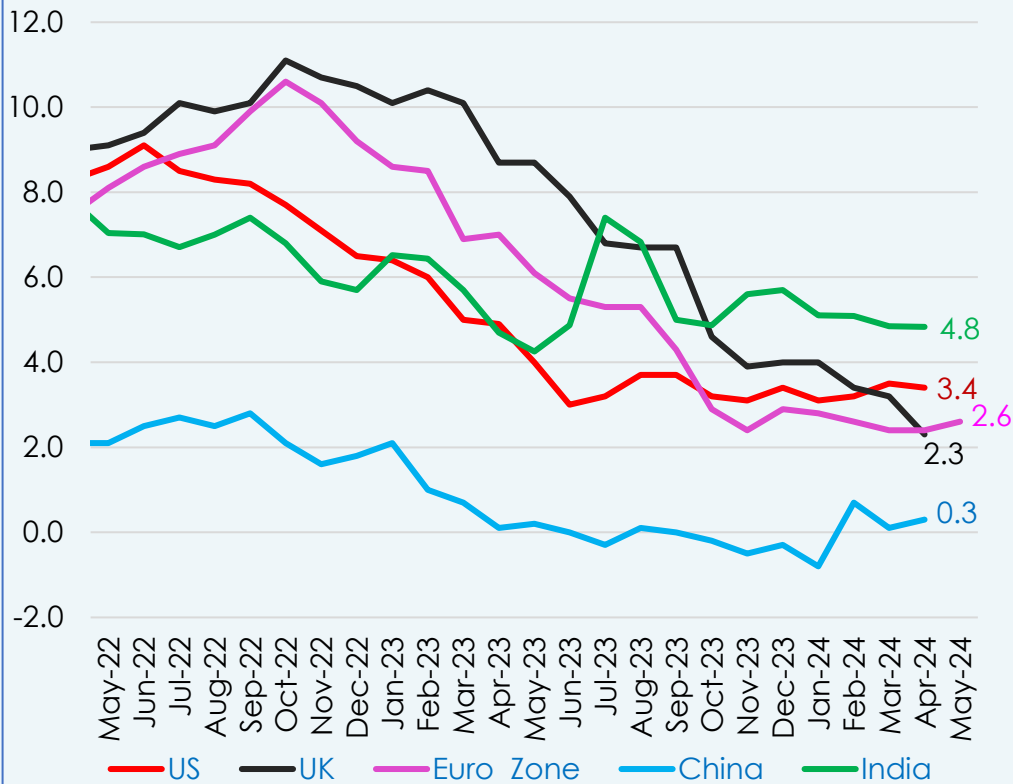
- The MPC noted that:
 - Its previous measures have lowered overall inflation to 5.1 percent, stabilized the exchange rate, and anchored inflationary expectations.
 - The non-food non-fuel (NFNF) inflation has remained sticky in the recent months, and
 - Interest rates in the major economies are expected to remain higher-for-longer due to the stickiness of inflation.
- The MPC concluded that the current monetary policy stance will ensure that overall inflation remains stable around the mid-point of the target range in the near term, while ensuring continued stability in the exchange rate.
- 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 August 2024.

2.

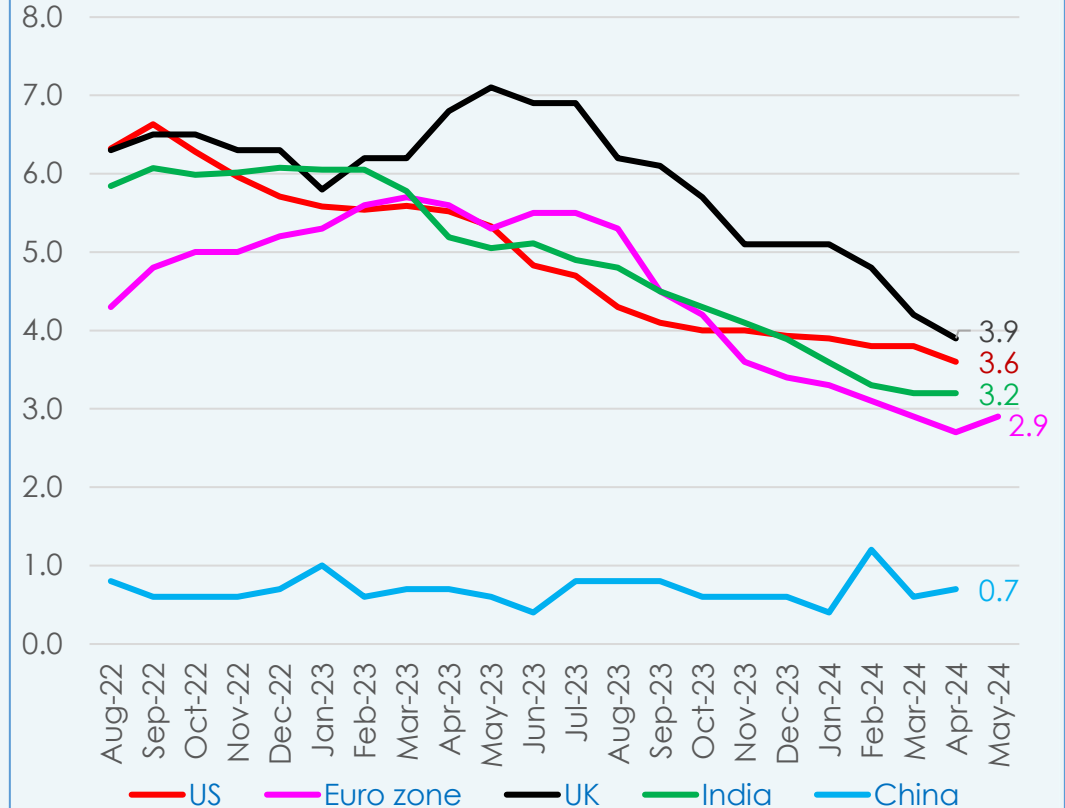
Global inflation:

Global inflation has moderated, but some stickiness has persisted in the advanced economies.

Headline inflation rates (y/y, percent)



Core inflation rates (y/y, percent)



- Headline inflation rates in the major economies have generally been easing, but the pace of decline has been below expectations with some stickiness, particularly in the U.S. and in the Eurozone.
- Core inflation has remained sticky in the advanced economies, mainly reflecting tight labor markets and high services price inflation.
- Inflation in China has remained low reflecting weak domestic demand.
- The IMF April 2024 WEO projects global inflation to decline from 6.8 percent in 2023 to 5.9 percent in 2024, mainly reflecting the impact of the tight monetary policies and lower commodity prices.

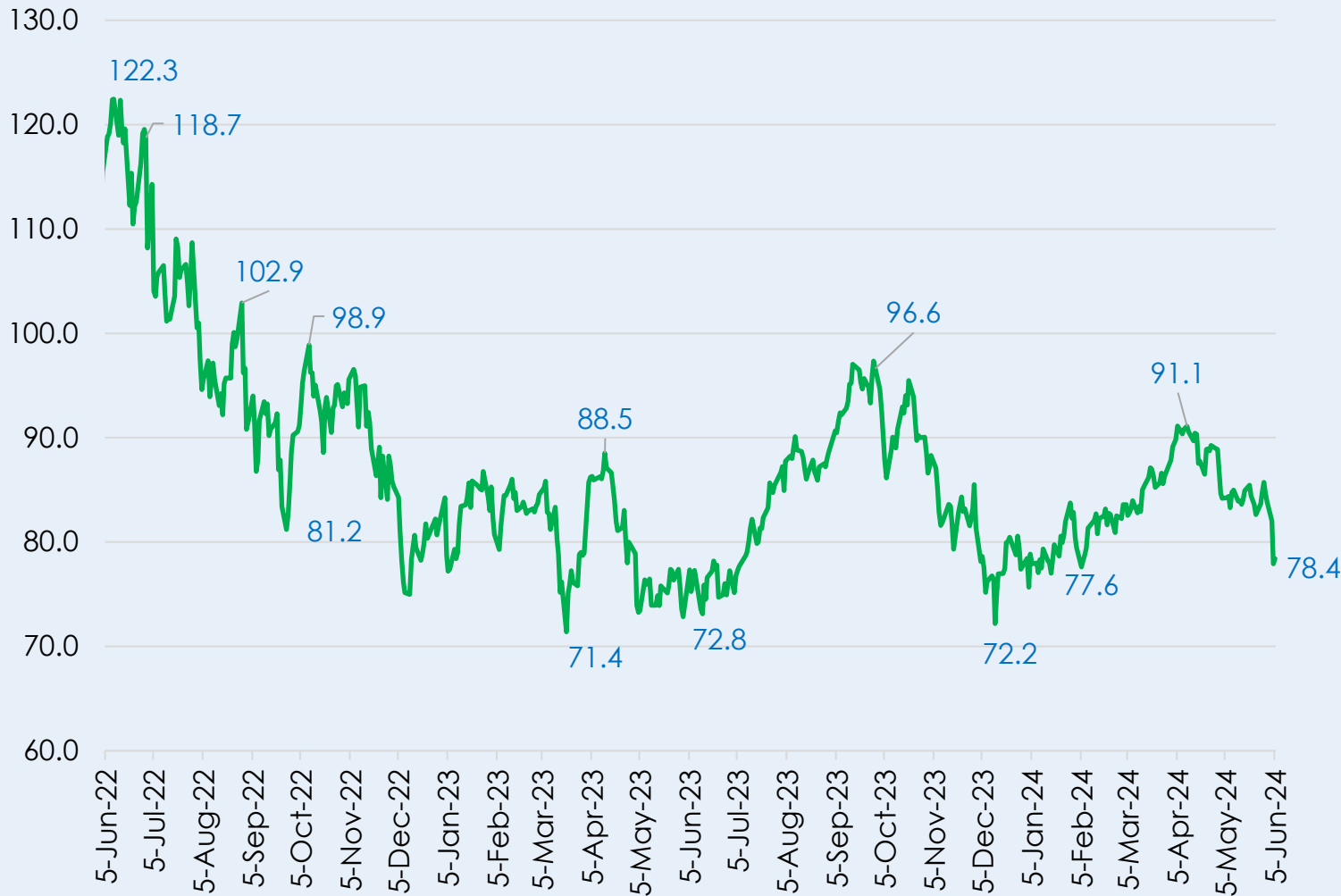
Source: Websites of Statistics Offices/Central Banks of respective countries

3.

Global commodity prices:

International oil prices have moderated, due to reduced risk premium from the Middle East conflict and improved supply by non-OPEC+ oil producers

Murban oil price (USD, per barrel)



- Oil prices moderated in May 2024 from the spike in early April, as fears of escalation of the conflict between Israel and Iran dissipated.
- Oil prices are expected to decline on average in 2024 relative to 2023, mainly driven by weak demand particularly in China, and strong non-OPEC+ supply growth.
- During the meeting on June 2, 2024, the OPEC+ oil producers signaled the intention to start increasing production from the fourth quarter of 2024.

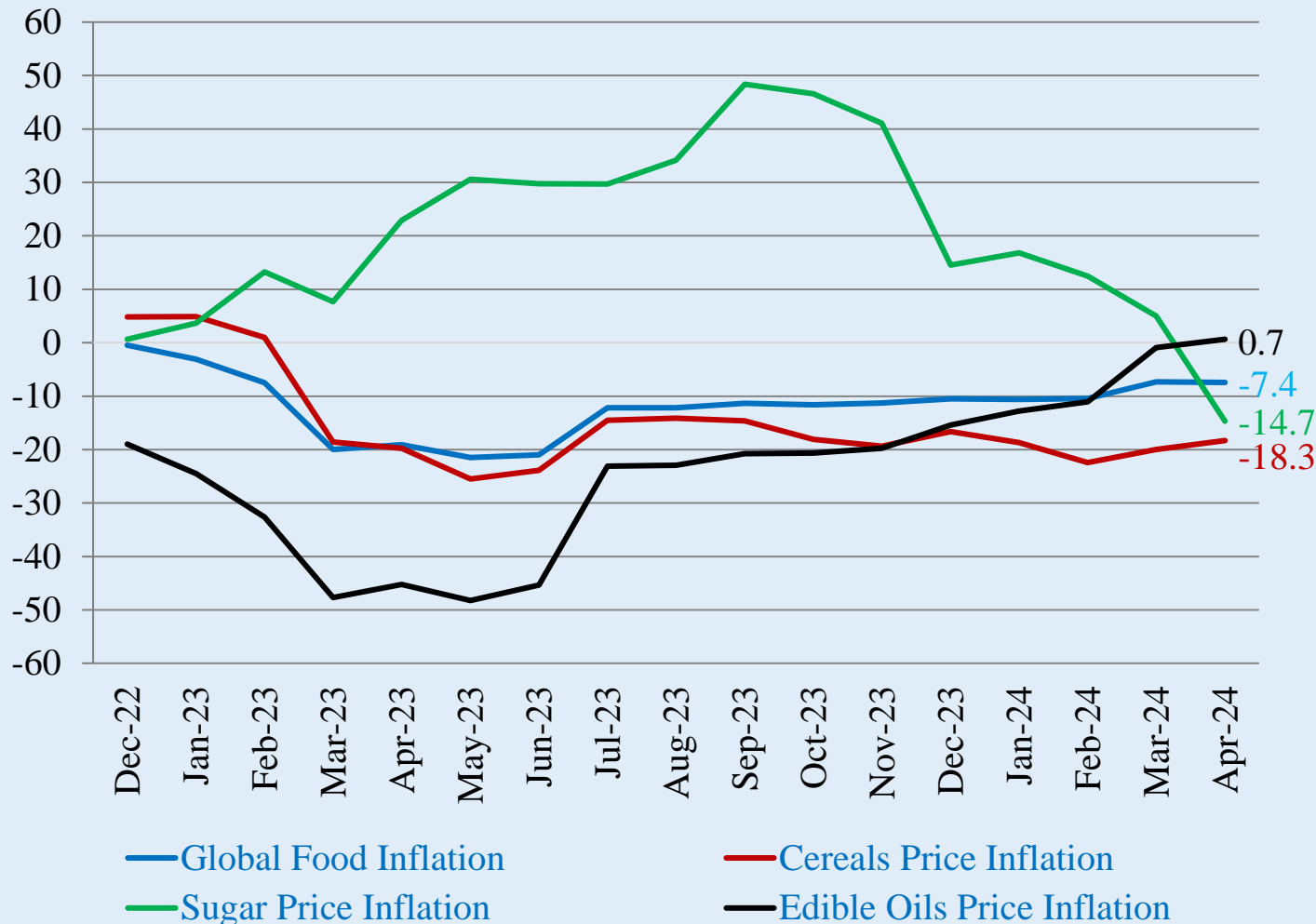
Source: Oilprice.com

4.

Global commodity prices:

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

Global food inflation (y/y, percent)



- Global food inflation eased further in April 2024, reflecting declines in prices of sugar, cereals, and dairy products.
- Sugar prices eased further, reflecting improved supply with larger-than-previously-anticipated outputs in India and Thailand, and improved production in Brazil.
- Edible oils price inflation increased slightly, reflecting higher sunflower and rapeseed oil prices, attributed to unfavorable weather conditions for the winter rapeseed in parts of Europe.

Source: UN FAO Food Index

5.

Global economic outlook:

Global growth continues to recover, supported by stronger than expected growth in the United States, and resilient growth in some large emerging market economies, particularly India.

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

	2019 Act.	2020 Act.	2021 Act.	2022 Act.	2023 Est.	2024 Proj.		2025 Proj.	
						Apr. 2024 WEO	Difference from Jan. 2024 WEO	Apr. 2024 WEO	Difference from Jan. 2024 WEO
World	2.8	-2.7	6.5	3.5	3.2	3.2	0.1	3.2	0.0
Advanced Economies	1.8	-3.9	5.7	2.6	1.6	1.7	0.2	1.8	0.0
United States	2.5	-2.2	5.8	1.9	2.5	2.7	0.6	1.9	0.2
United Kingdom	1.6	-10.4	8.7	4.3	0.1	0.5	-0.1	1.5	-0.1
Japan	-0.4	-4.1	2.6	1.0	1.9	0.9	0.0	1.0	0.2
Euro area	1.6	-6.1	5.9	3.4	0.4	0.8	-0.1	1.5	-0.2
Germany	1.1	-3.8	3.2	1.8	-0.3	0.2	-0.3	1.3	-0.3
France	1.8	-7.5	6.3	2.5	0.9	0.7	-0.3	1.4	-0.3
Italy	0.5	-9.0	8.3	4.0	0.9	0.7	0.0	0.7	-0.4
Emerging Market and Developing Economies	3.6	-1.8	7.0	4.1	4.3	4.2	0.1	4.2	0.0
China	6.0	2.2	8.5	3.0	5.2	4.6	0.0	4.1	0.0
India	3.9	-1.8	9.7	7.0	7.8	6.8	0.3	6.5	0.0
Russia	2.2	-2.7	6.0	-1.2	3.6	3.2	0.6	1.8	0.7
Sub-Saharan Africa	3.2	-1.6	4.7	4.0	3.4	3.8	0.0	4.0	-0.1
South Africa	0.3	-6.0	4.7	1.9	0.6	0.9	-0.1	1.2	-0.1
Nigeria	2.2	-1.8	3.6	3.3	2.9	3.3	0.3	3.0	-0.1
Kenya	5.7	-0.3	7.6	4.9	5.6	5.0	0.0	5.3	0.0

- Growth in the U.S. was revised up in the April 2024 IMF WEO due to strong consumption and higher government spending. India's growth was revised up on continued strong domestic demand. However, growth in Euro area was revised down mainly reflecting weak consumer sentiment in Germany.
- The main risks to the global growth outlook relate to further escalation of geopolitical tensions, and interest rates remaining higher for longer due to sticky inflation in advanced economies..
- 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, mainly supported by resilient services and improved performance in agriculture.

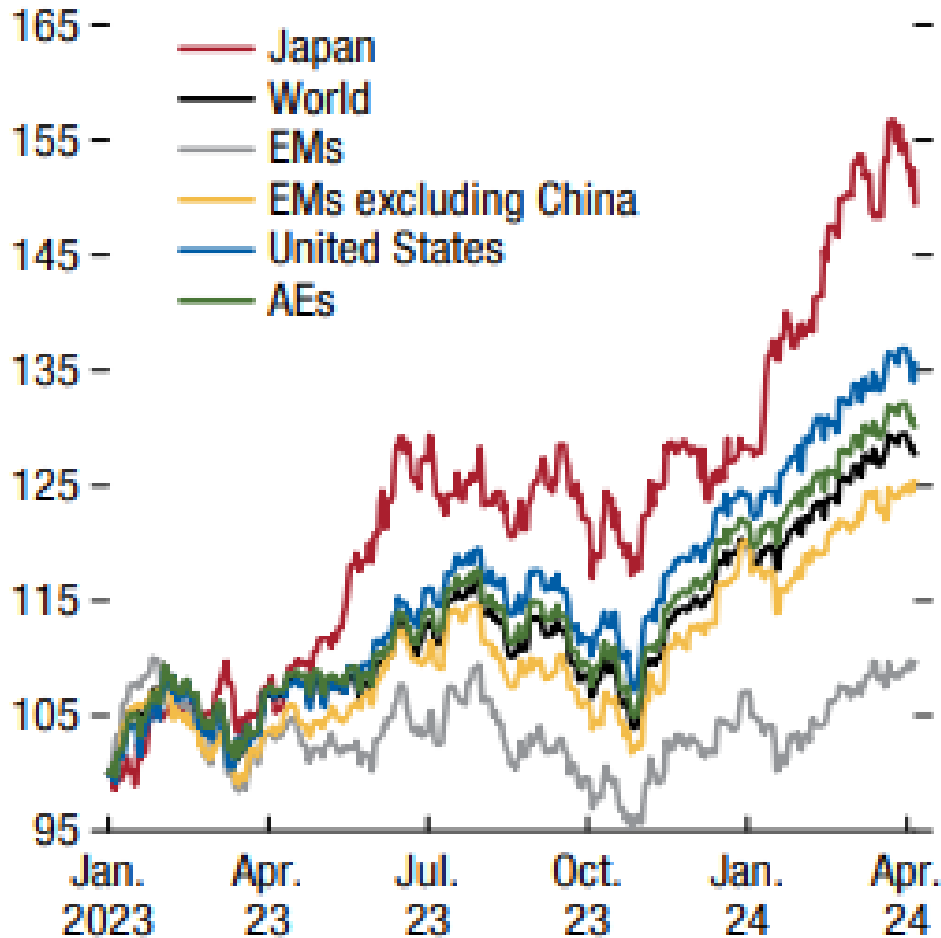
Source: IMF World Economic Outlook (WEO)

6.

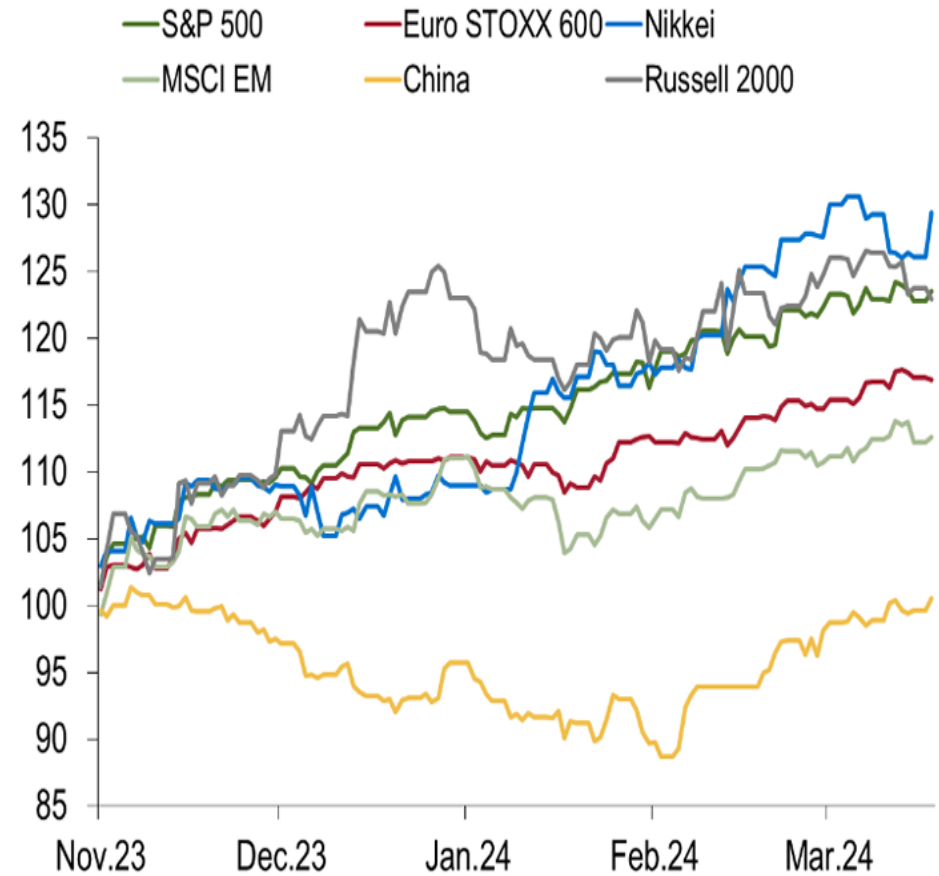
Global financial markets:

Financial market conditions have improved, reflected in improved equity market performance driven by improved investor optimism about global growth

Equity performance in advanced and emerging market economies (Prices Index, January 1, 2023=100)



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



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

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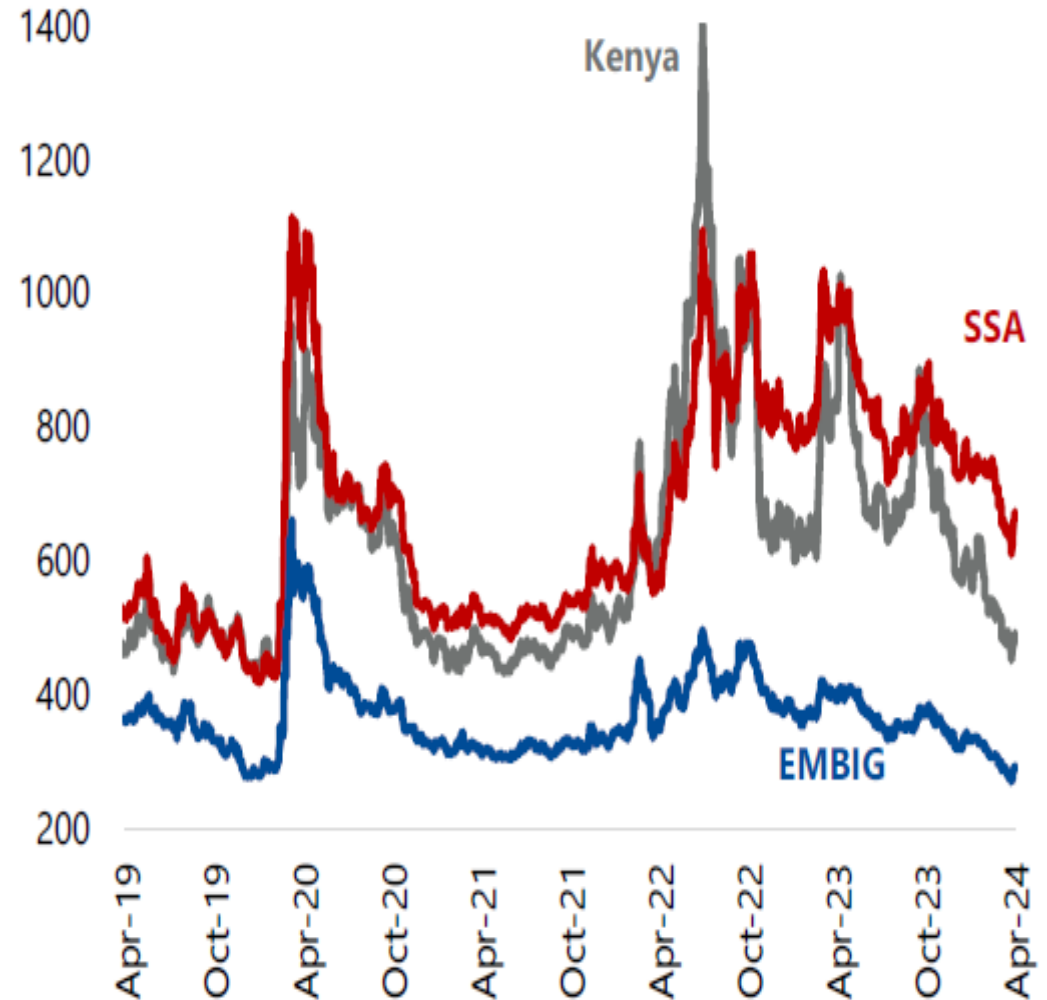
Global financial markets:

Emerging markets and developing economies have continued to issue international bonds, due to favorable market conditions and narrowing sovereign borrowing spreads

Sovereign bonds issuances in emerging markets in 2024 (USD, Billion)

Issuer	2024	Feb-24	Mar-24	Apr-24
Poland	12.0	-	7.9	-
Saudi Arabia	11.8	-	-	-
Mexico	9.6	-	-	-
Romania	8.3	4.3	-	-
United Arab Emirates	5.7	0.7	-	5.0
Turkey	5.1	2.9	2.1	-
Brazil	4.5	-	-	-
Hungary	4.1	-	-	-
Panama	3.1	3.1	-	-
Côte d'Ivoire	2.6	-	-	-
Indonesia	2.0	-	-	-
Bahrain	2.0	2.0	-	-
Chile	1.7	-	-	-
Croatia	1.6	-	1.6	-
Kenya	1.5	1.5	-	-
Colombia	1.4	-	-	1.4
Paraguay	1.0	1.0	-	-
El Salvador	0.9	-	-	0.9
Montenegro	0.8	-	0.8	-
Benin	0.7	0.7	-	-

Emerging markets sovereign bond borrowing spreads (basis points)

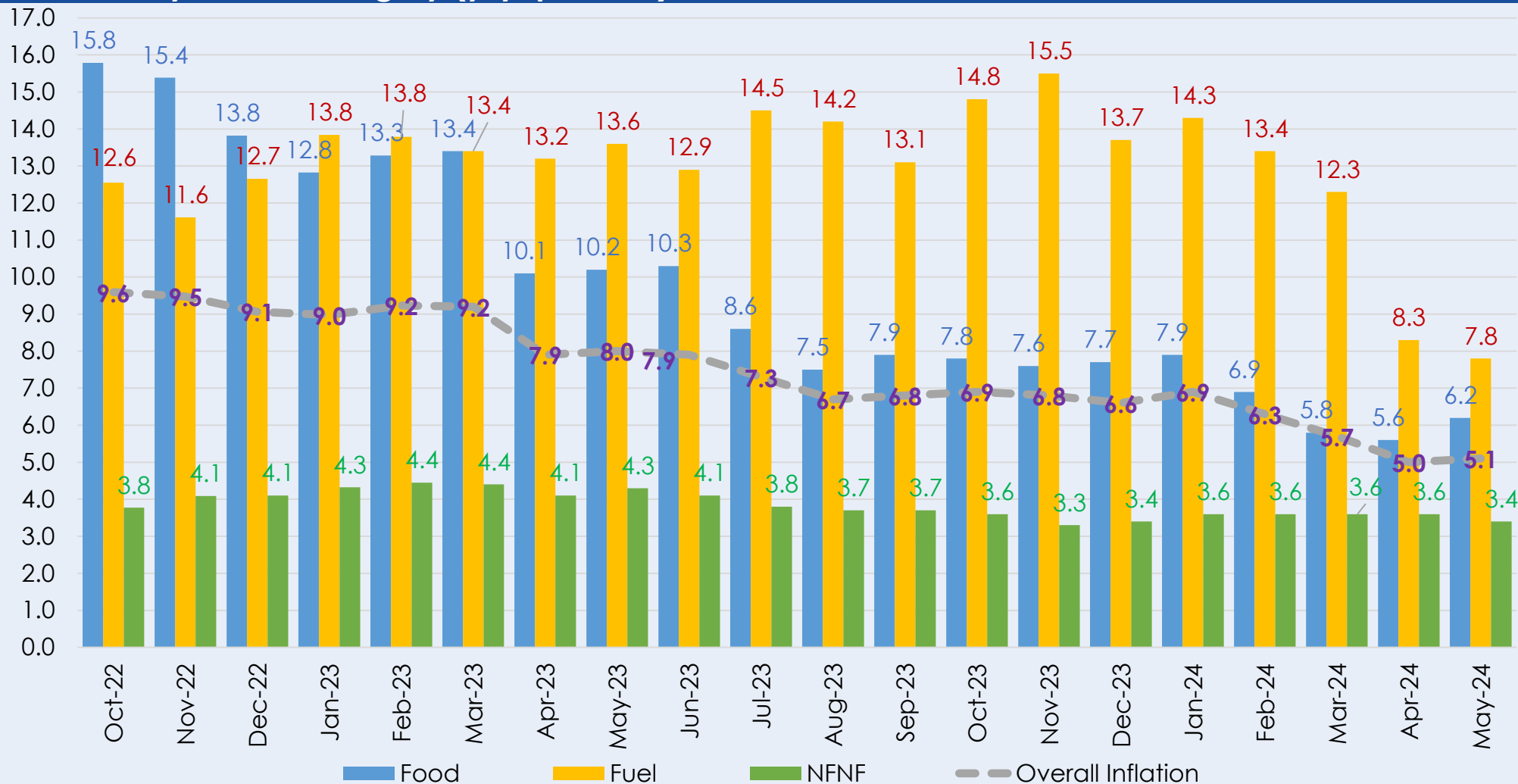


Sources: Bloomberg, Bond Radar (issuance), EPFR (fund flows).

Domestic inflation:

Overall inflation remained broadly unchanged at 5.1 percent in May 2024, compared to 5.0 percent in April.

Inflation by broad category (y/y, percent)



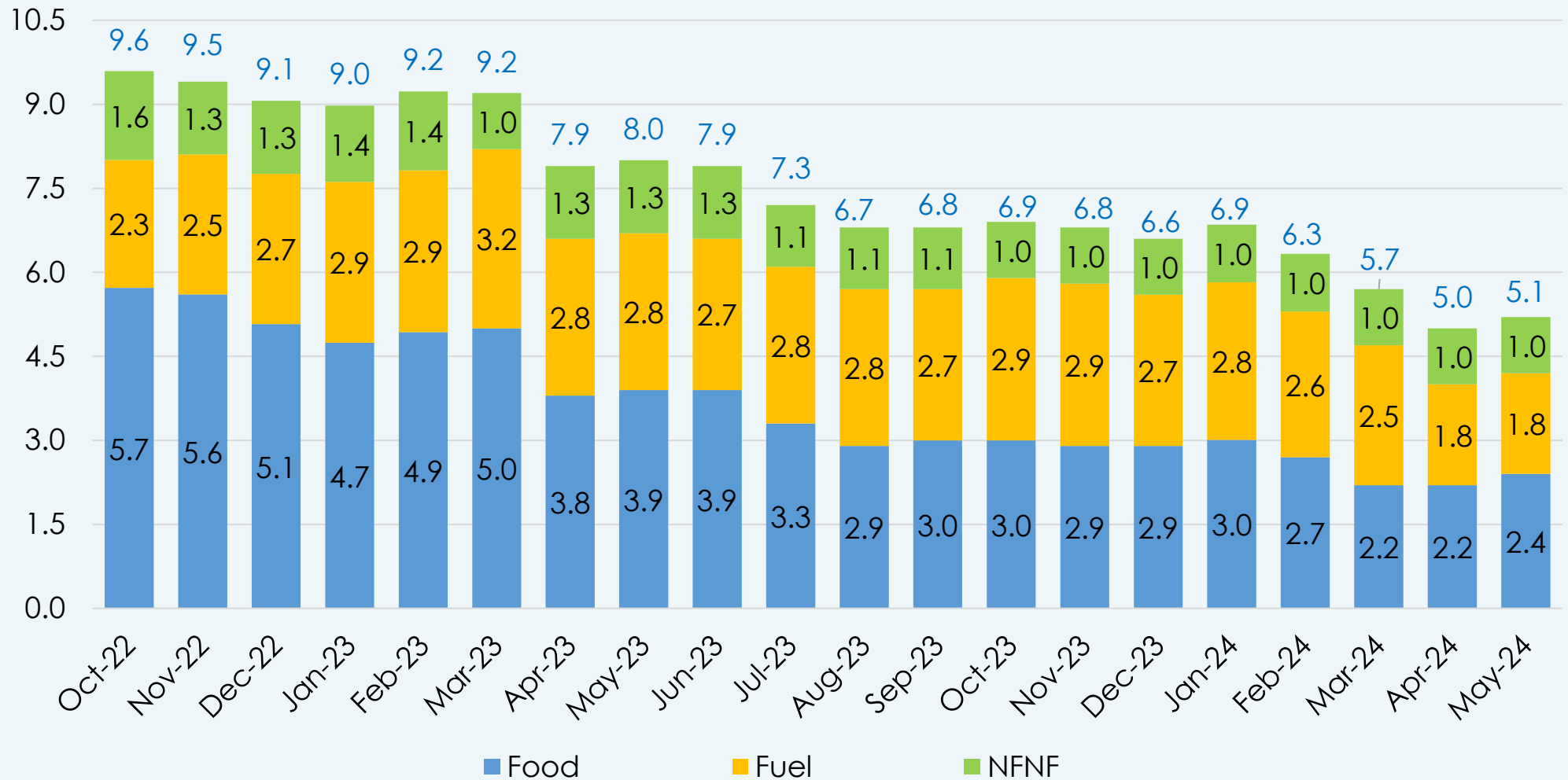
Source: Kenya National Bureau of Statistics and Central Bank of Kenya

9.

Domestic inflation:

The contribution of food to overall inflation increased in May 2024, while that of fuel and NFNF remained stable

Contributions to Overall Inflation (percentage points)



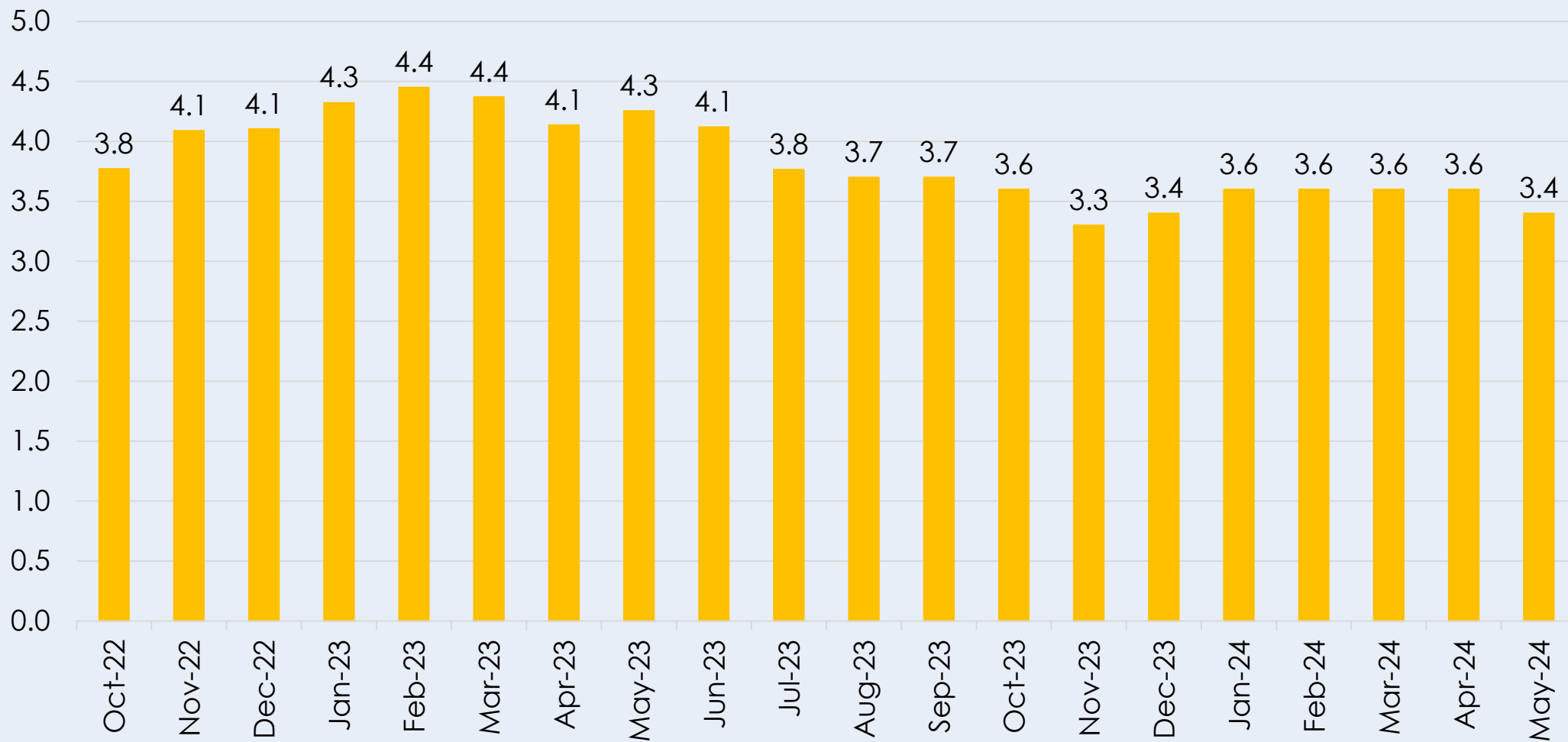
Source: KNBS and CBK

10.

Domestic inflation:

Non-food non-fuel (NFNF) inflation eased to 3.4 percent in May from 3.6 percent in April, reflecting the impact of monetary policy measures

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

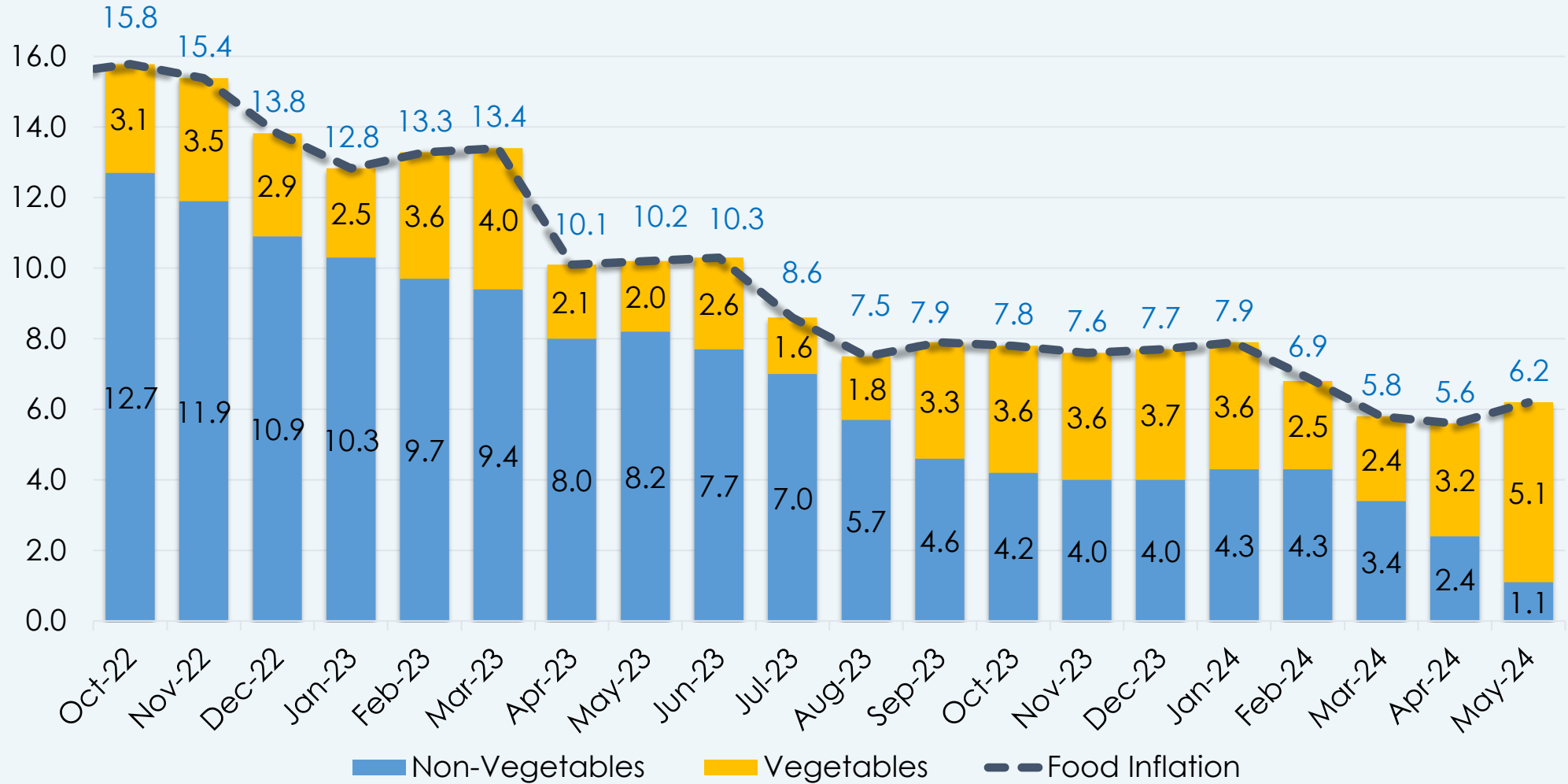


Source: KNBS and CBK

Main drivers of food inflation:

Food inflation rose in May 2024 driven by higher vegetables price inflation attributed to supply disruptions attributed to the recent heavy rains and flooding in some parts of the country

Contributions to food inflation (percentage points)



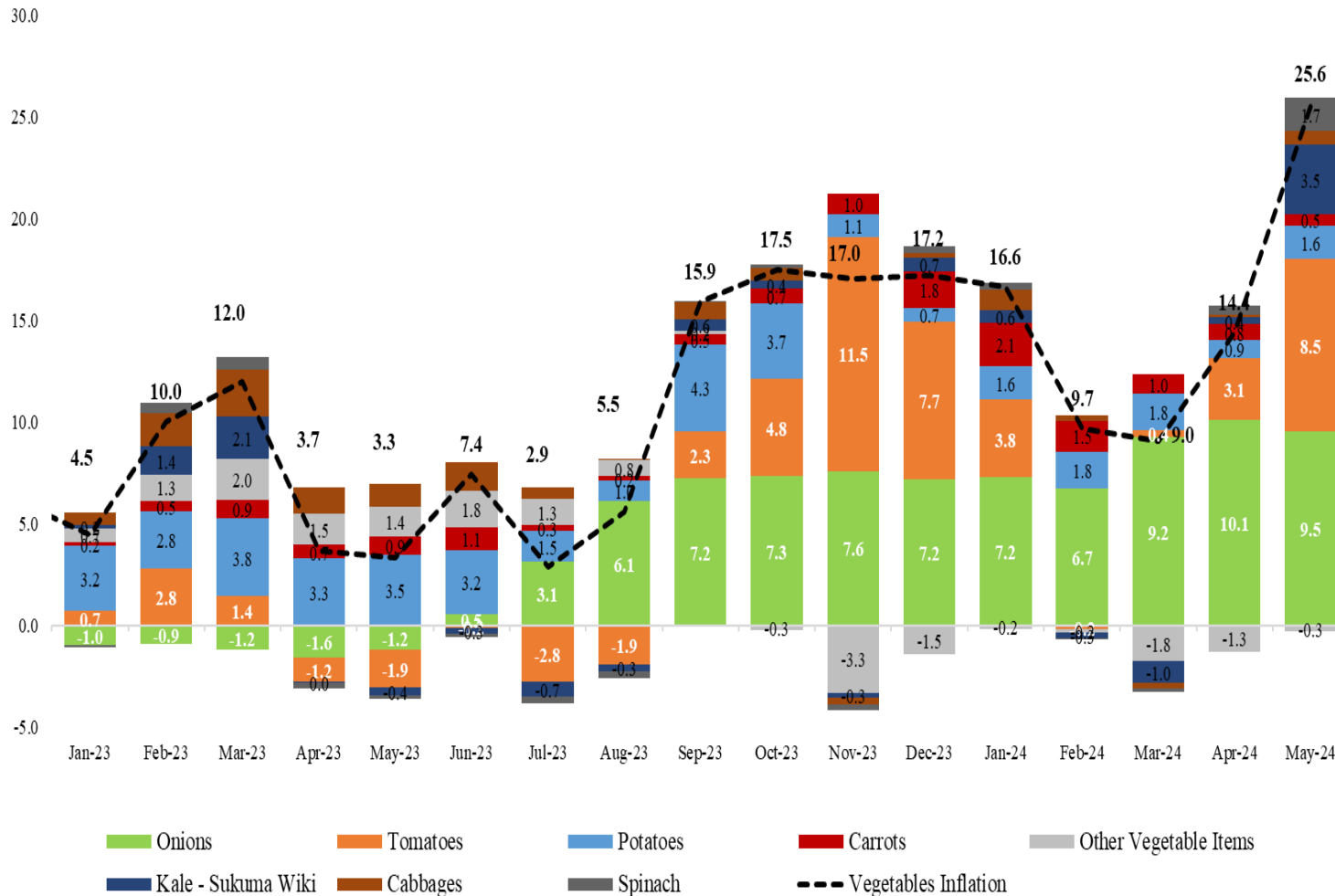
Source: KNBS and CBK

12.

Main drivers of vegetables inflation:

Vegetables inflation increased sharply in May 2024, driven by higher prices of onions, tomatoes, potatoes, Kale-Sukuma Wiki, and spinach

Contributions to vegetables inflation (percentage points)



- The recent excessive rains and flooding disrupted supply of key vegetables, particularly onions and tomatoes.
- Prices of onions rose by 67.7 percent (year-on-year) in May 2024 and contributed 0.4 percentage points to overall inflation from 0.5 percentage points in April.
- Prices of tomatoes rose by 29.7 percent (year-on-year) in May 2024 and contributed 0.4 percentage points to overall inflation from 0.1 percentage points in April.

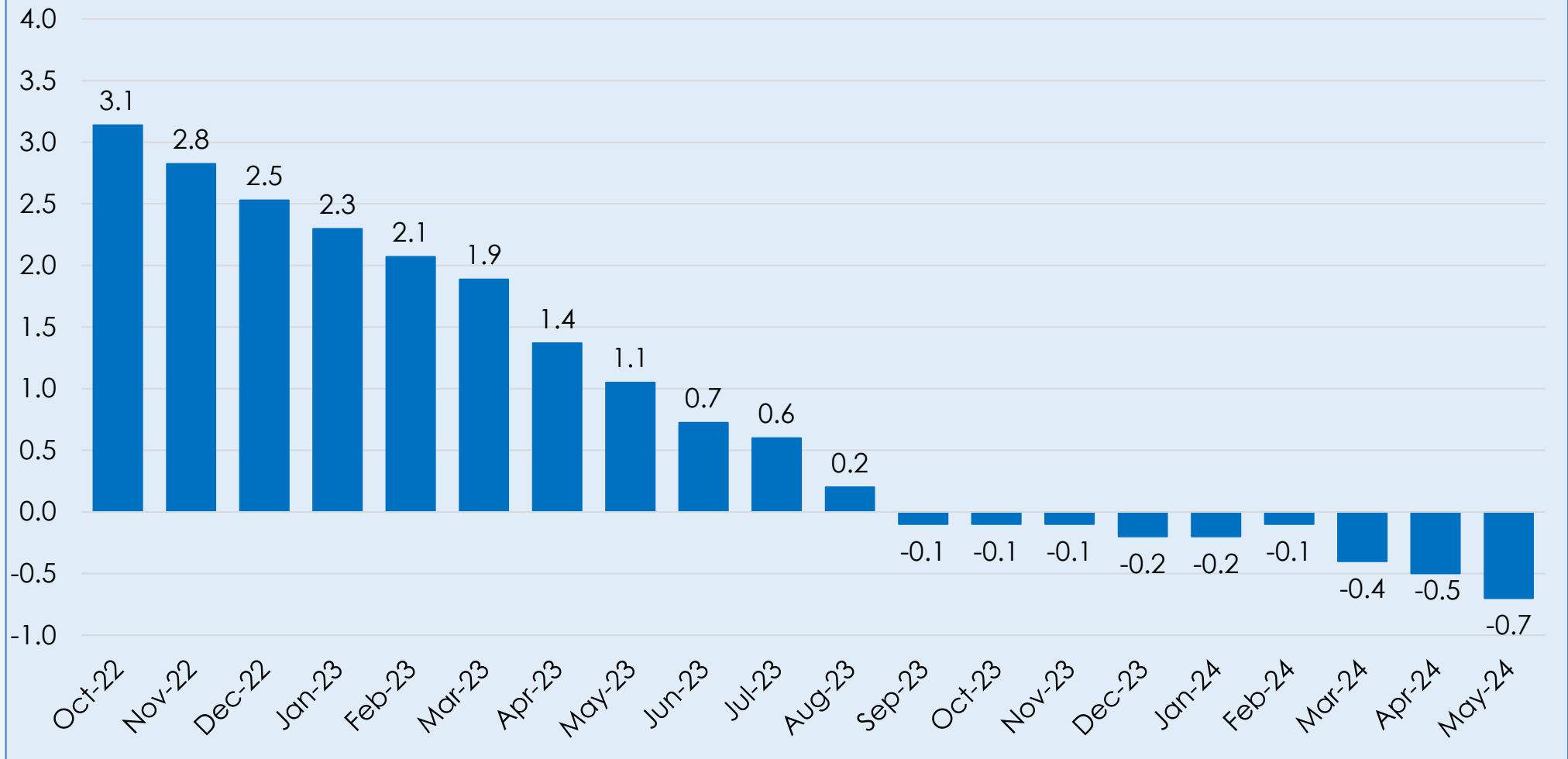
Source: KNBS and CBK

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 to overall Inflation (percentage points)

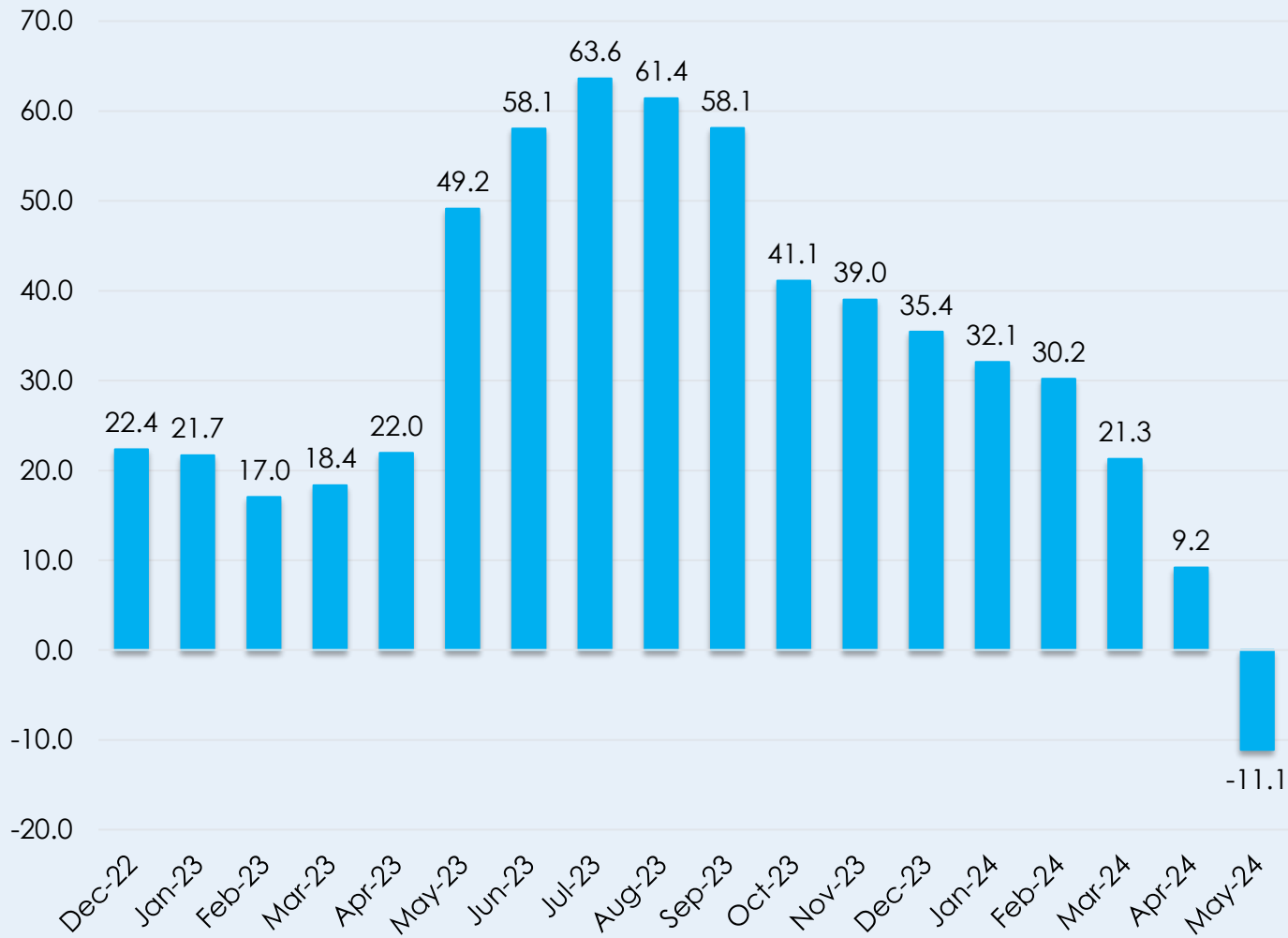


Source: KNBS and CBK

Main drivers of non-vegetables Inflation:

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

Sugar price inflation (y/y, percent)



Source: KNBS

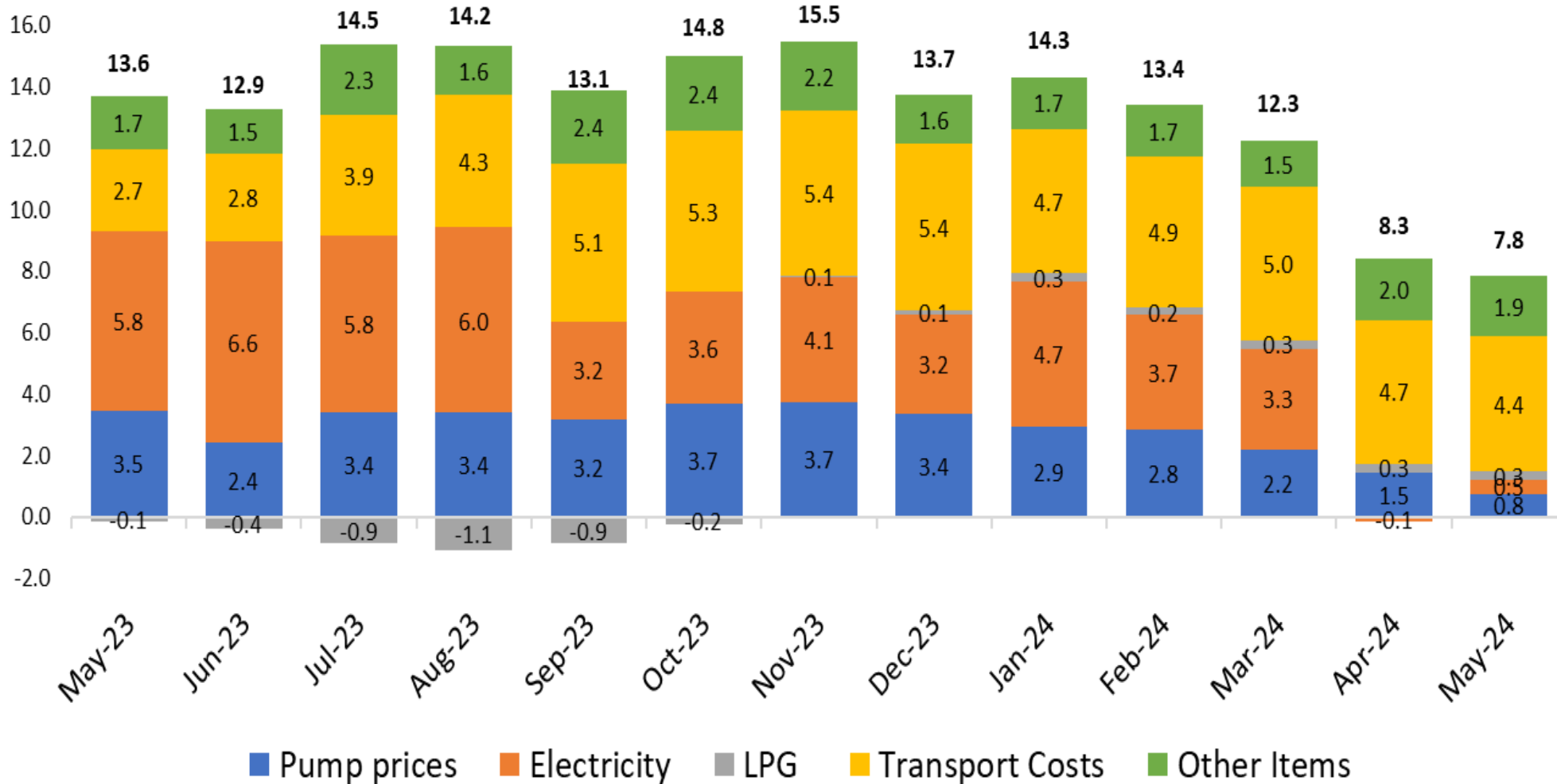
- Domestic sugar prices continued to moderate from the peak levels witnessed in mid-2023, reflecting improved supply, with the re-opening of sugar factories from October 2023 after shutdown for maintenance.
- The contribution of sugar prices to overall inflation decreased to -0.2 percent in May from 0.1 percentage points in April, from 0.3 percentage points in March 2024 and 0.5 percentage points in January.
- The implementation of Government measures to improve the supply of sugar through imports continues to moderate prices.
- Globally, sugar prices have continued to moderate with improved supply particularly from Brazil.

15.

Main drivers of fuel inflation:

Fuel inflation declined in May 2024, reflecting a downward adjustment in pump prices and lower electricity prices

Contributions to fuel inflation (percentage points)



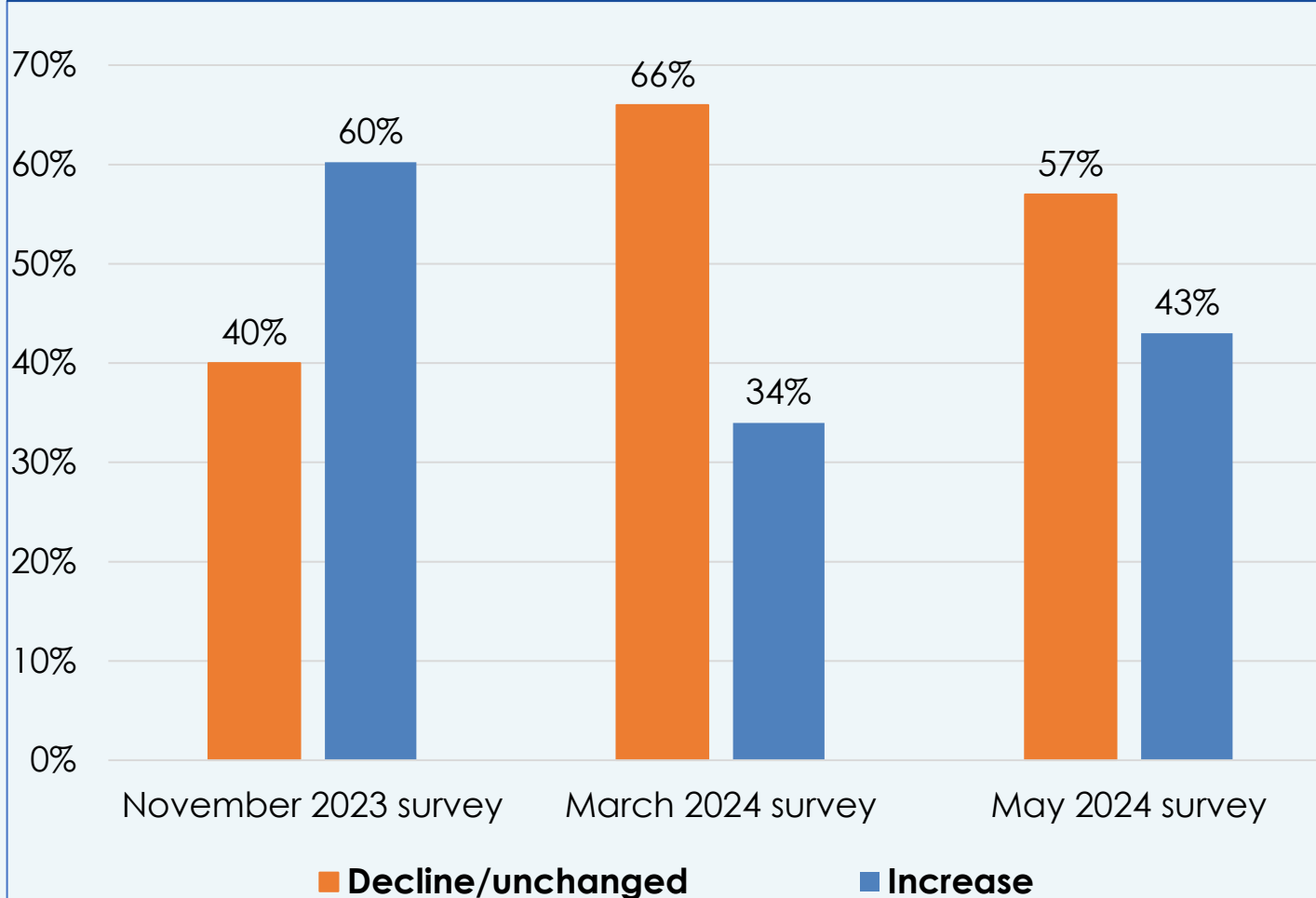
Source: KNBS

16.

Inflation expectations:

The May 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 expected increase in food supply following favorable weather conditions, stability of the exchange rate, and easing fuel prices.
- Some respondents were concerned about the potential increase in prices of key commodities due to the impact of the recent excessive rains/flooding.

Domestic economy:

Despite the recent flooding in some parts of the country, the economy is expected to remain strong in 2024, supported by the resilient services sector, robust performance of agriculture sector, and continued implementation of Government measures to boost economic activity across priority sectors

Real GDP growth (y/y, percent)

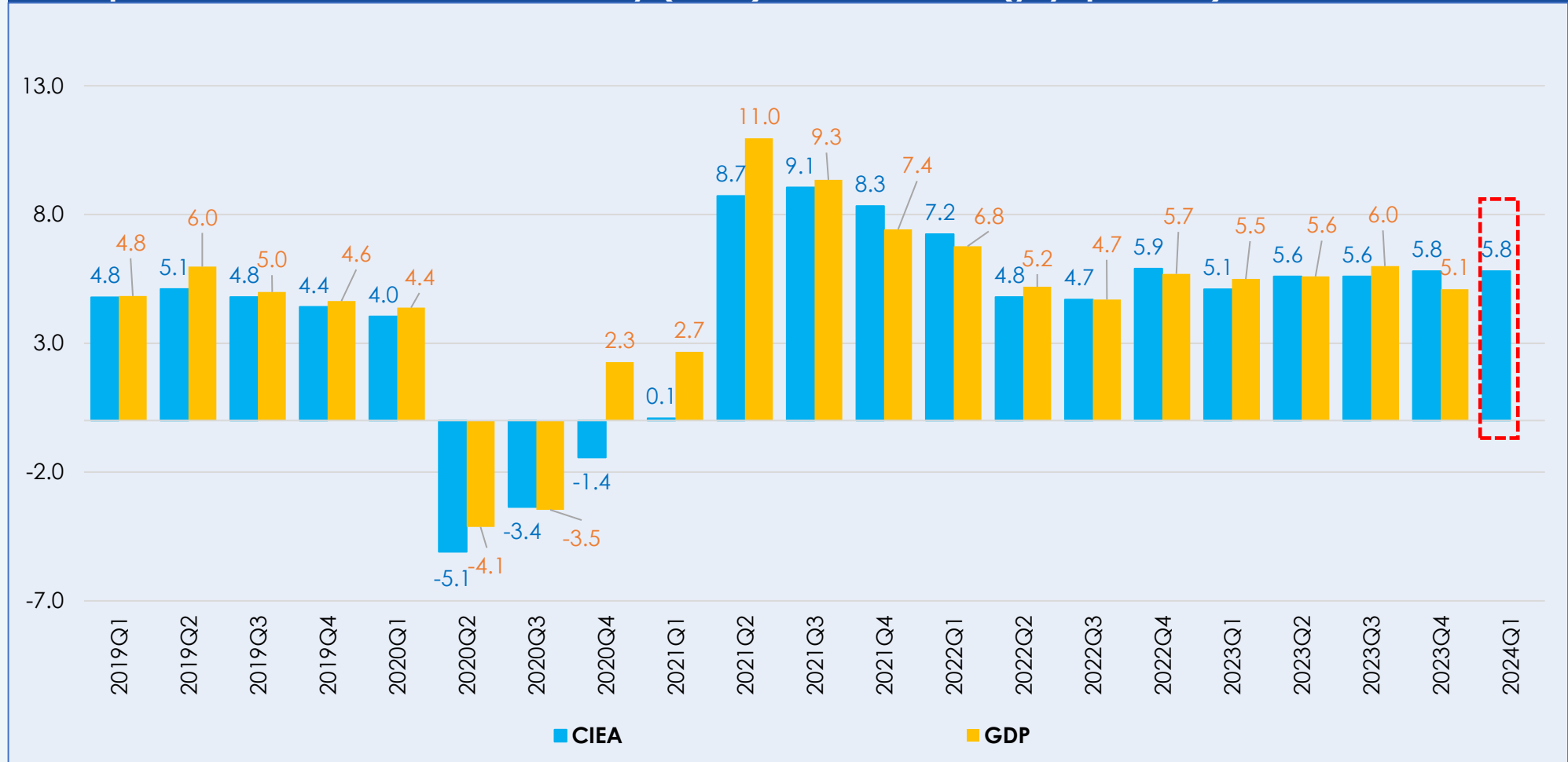
	2019 Act.	2020 Act.	2021 Act.	2022 Act.	2023 Act.					2024 Proj.	
					Q1	Q2	Q3	Q4	Annual	Q1	Annual
1. Agriculture	2.7	4.6	-0.4	-1.5	6.4	7.8	5.1	6.2	6.5	5.0	5.1
2. Non-Agriculture (o/w)	5.7	-1.4	9.5	6.3	5.3	5.1	6.2	4.9	5.4	5.9	5.8
2.1 Industry	4.0	3.3	7.5	3.9	1.7	1.4	3.1	1.3	1.9	3.4	3.8
Mining & Quarrying	4.3	5.5	18.0	9.3	-11.0	-8.3	0.8	-6.9	-6.5	1.4	1.1
Manufacturing	2.6	-0.3	7.3	2.6	2.0	1.6	2.7	1.7	2.0	2.5	3.0
Electricity & water supply	1.7	0.6	5.6	5.5	3.8	2.8	3.3	1.3	2.8	5.2	5.3
Construction	7.2	10.1	6.7	4.1	3.0	2.7	4.0	2.2	3.0	4.4	4.9
2.2 Services	6.5	-1.8	9.8	7.0	6.8	6.8	7.8	6.5	7.0	6.9	6.6
Wholesale & Retail Trade	5.3	-0.4	8.0	3.5	2.9	2.1	3.1	2.8	2.7	5.5	5.9
Accommodation & food services	14.3	-47.7	52.6	26.8	47.1	42.7	34.5	18.1	33.6	17.6	17.7
Transport & Storage	6.3	-8.0	7.4	5.8	6.6	4.6	5.1	8.5	6.2	6.7	5.8
Information & Communication	7.0	6.0	6.1	9.0	9.5	7.6	8.8	11.0	9.3	8.1	8.5
Financial & Insurance	8.1	5.9	11.5	12.0	5.9	13.2	15.5	6.3	10.1	10.2	8.0
Public administration	8.4	7.0	6.0	5.1	7.6	3.2	4.6	3.4	4.6	5.1	5.6
Professional, Admin & Support Services	6.8	-13.7	7.1	9.5	8.6	6.6	9.7	12.8	9.5	5.9	6.1
Real estate	6.7	4.1	6.7	4.5	7.3	8.1	7.7	6.2	7.3	5.2	5.3
Education	5.7	-9.2	22.8	5.2	2.0	3.1	3.5	3.9	3.1	5.3	5.1
Health	5.5	5.6	8.9	3.4	5.1	4.7	5.0	4.8	4.9	5.1	5.5
Other services	4.3	-14.6	12.5	6.5	4.6	2.4	6.4	2.9	4.1	5.7	5.8
FISIM	9.5	-1.8	5.3	0.2	0.6	4.9	2.9	2.5	2.7	2.8	2.3
2.3 Taxes on products	3.9	-8.0	11.9	6.7	3.0	1.8	1.9	2.0	2.2	4.8	4.1
Real GDP Growth	5.1	-0.3	7.6	4.9	5.5	5.6	6.0	5.1	5.6	5.8	5.7

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

Domestic economy:

Leading indicators point to strong performance of the economy in the first quarter of 2024, reflecting continued robust activity in the agriculture and service sectors

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



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

Private sector credit growth:

Growth in commercial bank lending to the private sector moderated in April 2024, partly reflecting exchange rate valuation effects on foreign currency denominated loans following the appreciation of the Shilling

12 Months growth in private sector credit (percent)



Source: CBK

20.

Balance of payments:

The overall balance of payments is projected to record a deficit of USD 1,493 million in 2024 compared to the deficit of USD 1,008 million in 2023

Balance of payments, in millions of U.S. dollars

	2019	2020	2021	2022	12 months to Apr 2023	2023	12 months to Apr 2024	2024 Proj.
Current account	-5,252	-3,730	-5,601	-5,901	-5,538	-4,294	-4,496	-4,845
Trade balance	-10,679	-8,337	-11,139	-11,934	-11,443	-10,011	-9,777	-10,762
Goods: exports, f.o.b.	5,872	6,062	6,787	7,421	7,373	7,228	7,589	8,067
<i>of which</i>								
Tea	1,113	1,226	1,192	1,384	1,358	1,345	1,434	1,555
Horticulture	1,011	950	1,129	944	909	929	978	1,157
Manufactured Goods	402	380	512	622	686	686	659	763
Goods: imports, f.o.b.	16,551	14,399	17,926	19,355	18,816	17,239	17,367	18,829
<i>of which</i>								
Oil products	3,314	2,219	3,474	5,548	5,499	4,802	4,709	5,061
Machinery & Transport equipment	4,872	3,974	4,653	3,760	3,456	3,252	3,555	3,716
Services balance	1,748	334	955	1,277	1,131	632	206	590
Services, Credit	5,602	3,660	5,011	6,528	6,504	5,455	4,991	5,682
Services, Debit	3,854	3,326	4,056	5,251	5,373	4,823	4,785	5,092
Goods and services balance	-8,932	-8,003	-10,184	-10,657	-10,312	-9,378	-9,571	-10,172
Primary income, balance	-1,606	-677	-1,533	-1,761	-1,842	-1,901	-2,082	-2,497
Secondary income, balance	5,285	4,950	6,116	6,516	6,616	6,986	7,157	7,824
<i>of which</i>								
Remittances	2,796	3,094	3,718	4,028	4,019	4,190	4,495	4,693
Capital account	208	131	196	141	139	128	123	134
Financial Account	-4,828	-1,876	-5,560	-4,159	-2,970	-2,715	-3,569	-3,218
Foreign Direct Investment	-433	387	384	-251	-247	-229	-204	-586
Portfolio Investment	-468	1,321	182	710	847	673	414	453
Portfolio Investment, assets	857	1,045	1,042	481	565	513	353	625
Portfolio Investment, liabilities	1,325	-276	861	-228	-282	-160	-61	171
Equity and investment fund shares	9	-276	-96	-207	-271	-160	-58	-88
Debt securities	1,316	0	957	-22	-11	-1	-3	259
Disbursement	0	0	1,130	17	14	14	1,462	2,259
Repayments	0	0	53	38	24	15	1,465	2,000
Other Investment	-3,919	-3,572	-6,148	-4,598	-3,570	-3,159	-3,779	-3,086
Net errors and omissions	1,323	294	697	-539	-185	527	621	0
Overall balance ("-" indicates a surplus)	-1,106	1,429	-852	2,141	2,595	1,008	281	1,493
Reserves and related items	1,106	-1,429	852	-2,141	-2,595	-1,008	-281	-1,493
Reserve assets (gross)+ve entry reflect an increase in reserve assets	951	-819	1,194	-1,521	-1,954	-628	772	62
Use of Fund credit and loans to the fund (net)	-154	610	847	619	641	380	1,053	1,555

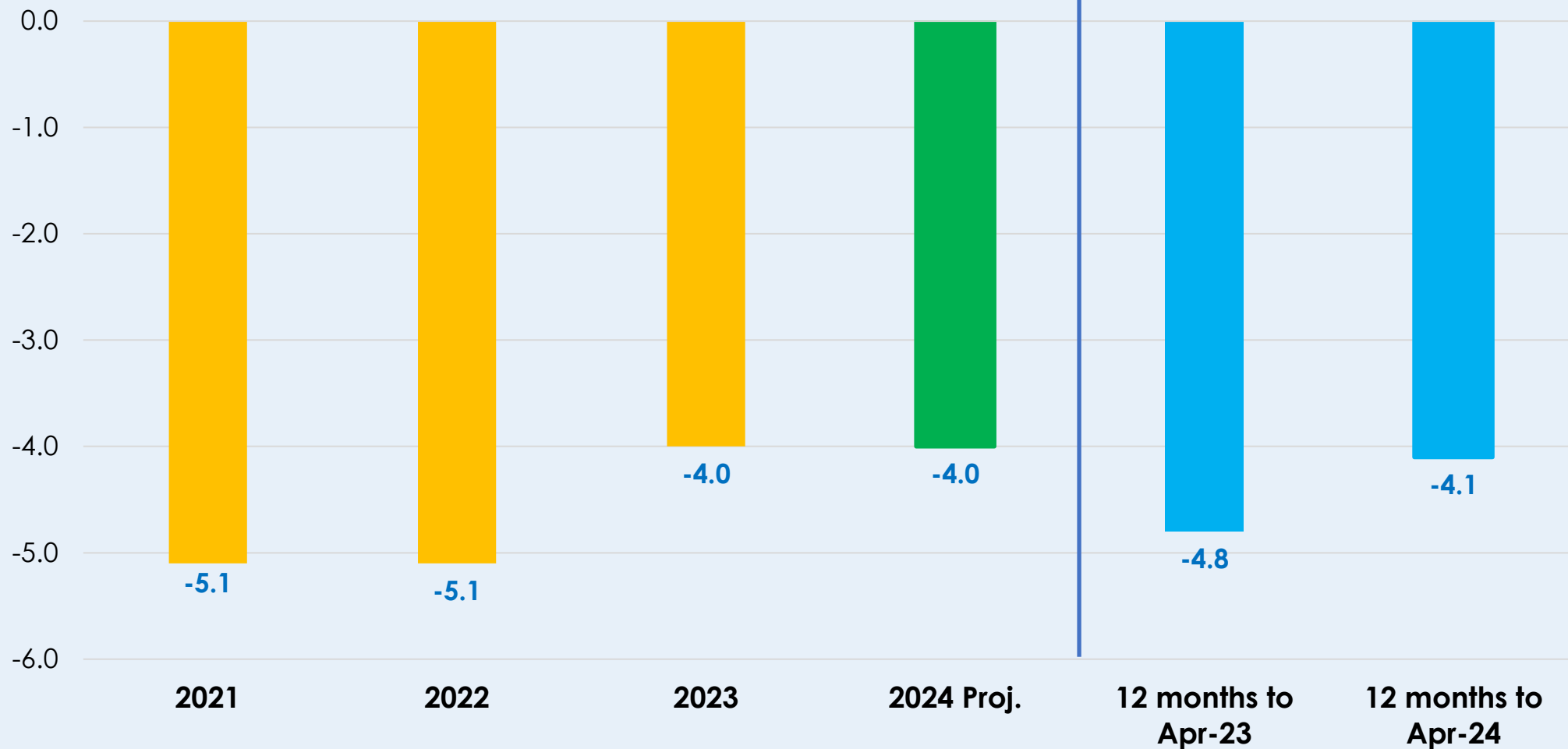
Source: CBK, KRA

21.

Current account balance:

The current account deficit is expected to remain stable at 4.0 percent of GDP in 2024, reflecting improvement in exports especially of agricultural commodities, resilient remittances, effects of regional trade integration initiatives, and recovery in imports supported by a stable exchange rate

Current account balance (percent of GDP)

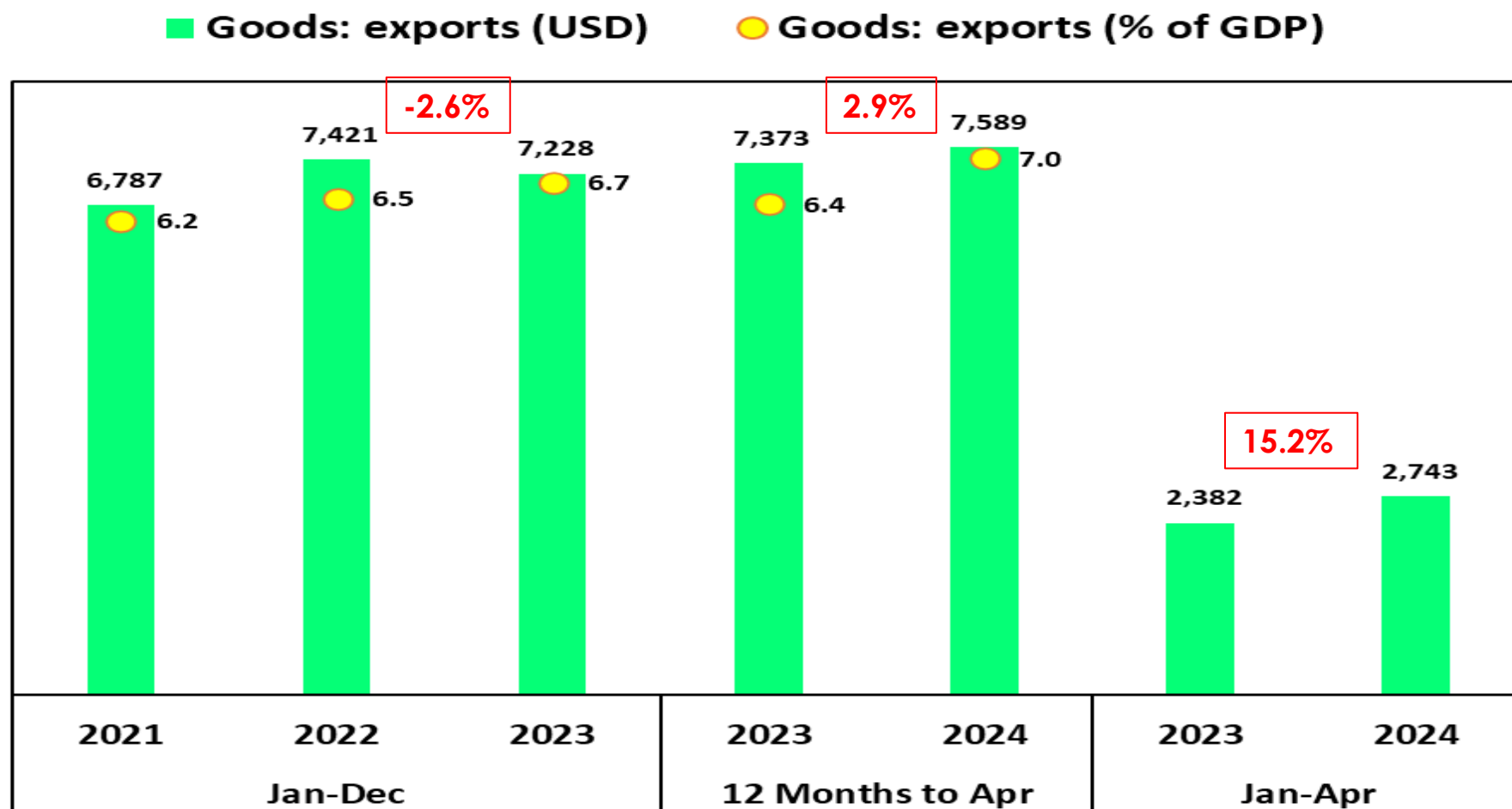


Source: CBK

Balance of payments:

Goods exports increased by 2.9 percent in the 12 months to April 2024 compared to a similar period in 2023, and were 15.2 percent higher in the first four months of 2024 compared to a similar period in 2023

Total goods exports (USD Million)



Source: CBK, KRA

Balance of payments:

The increase in exports reflects higher exports of agricultural commodities (particularly tea, and vegetables and fruits), and re-exports

Goods exports by products (USD Million)

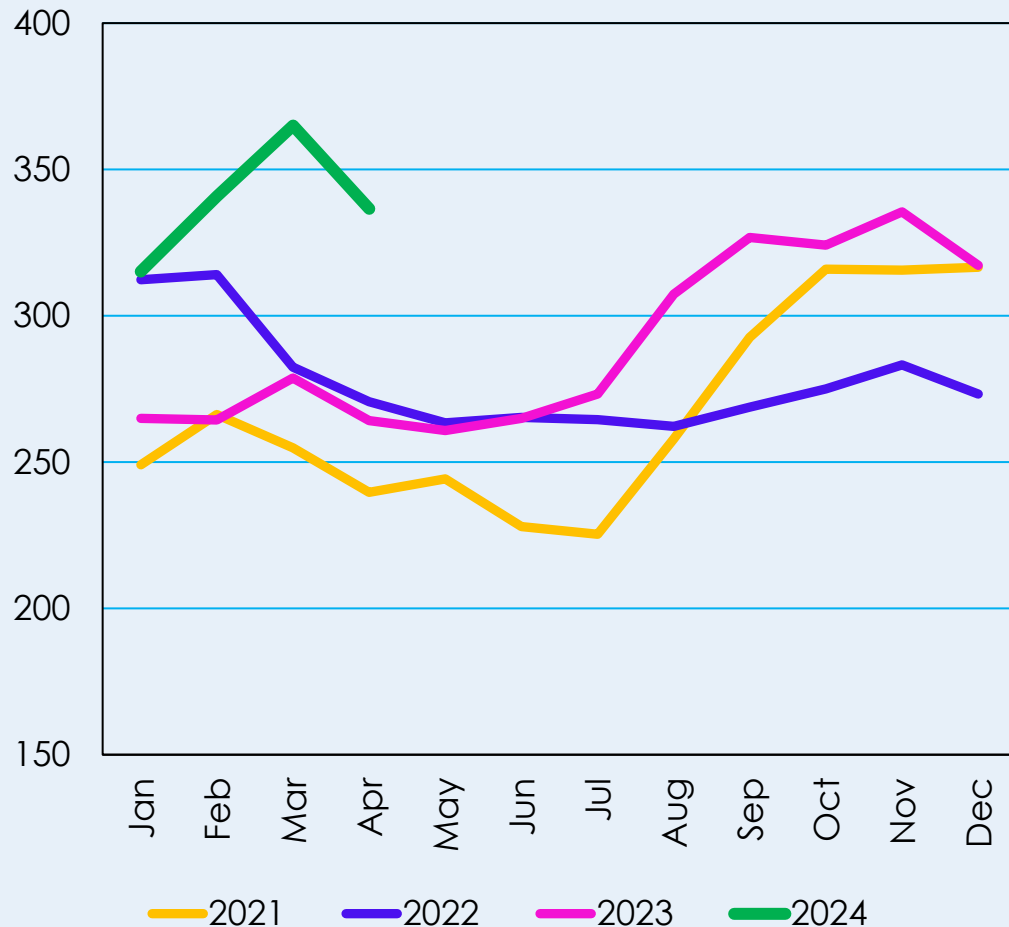
SITC CODE		12 Months to April			Deviation		Jan-April			Deviation	
		2022	2023	2024	2023/22	2024/23	2022	2023	2024	2023/22	2024/23
0	FOOD AND LIVE ANIMALS	2547	2746	2942	199	196	921	894	1038	-26	143
05	Vegetables	623	570	630	-53	60	192	178	218	-14	40
054	Fruits and Nuts	257	190	235	-67	45	75	60	83	-15	23
057	Fresh Vegetables	264	269	262	5	-7	83	75	92	-8	16
071	Coffee	278	299	259	21	-40	127	94	87	-32	-7
0741	Tea	1216	1358	1434	142	76	458	432	520	-25	87
1	BEVERAGES AND TOBACCO	165	158	136	-7	-22	56	51	44	-5	-7
2	CRUDE MATERIALS	1290	1259	1169	-31	-90	473	475	450	3	-26
3	MINERAL FUELS	60	98	116	38	19	22	32	34	10	1
4	ANIMAL AND VEGETABLE OILS	172	208	165	36	-43	62	43	47	-18	3
5	CHEMICALS	545	627	606	82	-21	180	201	199	21	-2
52	Inorganic chemicals	93	128	93	35	-35	37	36	29	-1	-7
54	Medical and Pharmaceutical products	106	113	124	7	11	33	42	39	9	-2
55	Perfume materials	175	185	195	10	11	58	60	64	2	4
6	MANUFACTURED GOODS	526	686	659	159	-27	166	230	210	64	-20
64	Paper & Paperboard	51	65	58	14	-7	17	20	14	3	-6
66	Non - Metallic Minerals	140	194	207	53	14	36	75	71	40	-5
67	Iron and Steel	185	251	217	66	-34	62	80	66	18	-15
7	MACHINERY AND TRANSPORT EQUIP	124	135	102	12	-34	33	48	35	15	-13
8	MISCELLANEOUS MAN. ARTICLES	690	669	619	-21	-49	218	197	211	-21	14
9	COMMODITIES & TRANSACTIONS	23	28	35	6	6	10	6	8	-4	2
	DOMESTIC EXPORTS	6142	6615	6550	473	-65	2139	2178	2273	38	95
	RE-EXPORTS	727	703	971	-24	268	270	178	428	-92	250
	CUSTOMS EXPORTS (FOB)	6,875	7,318	7,522	443	204	2,415	2,356	2,701	-59	345

Source: CBK, KRA

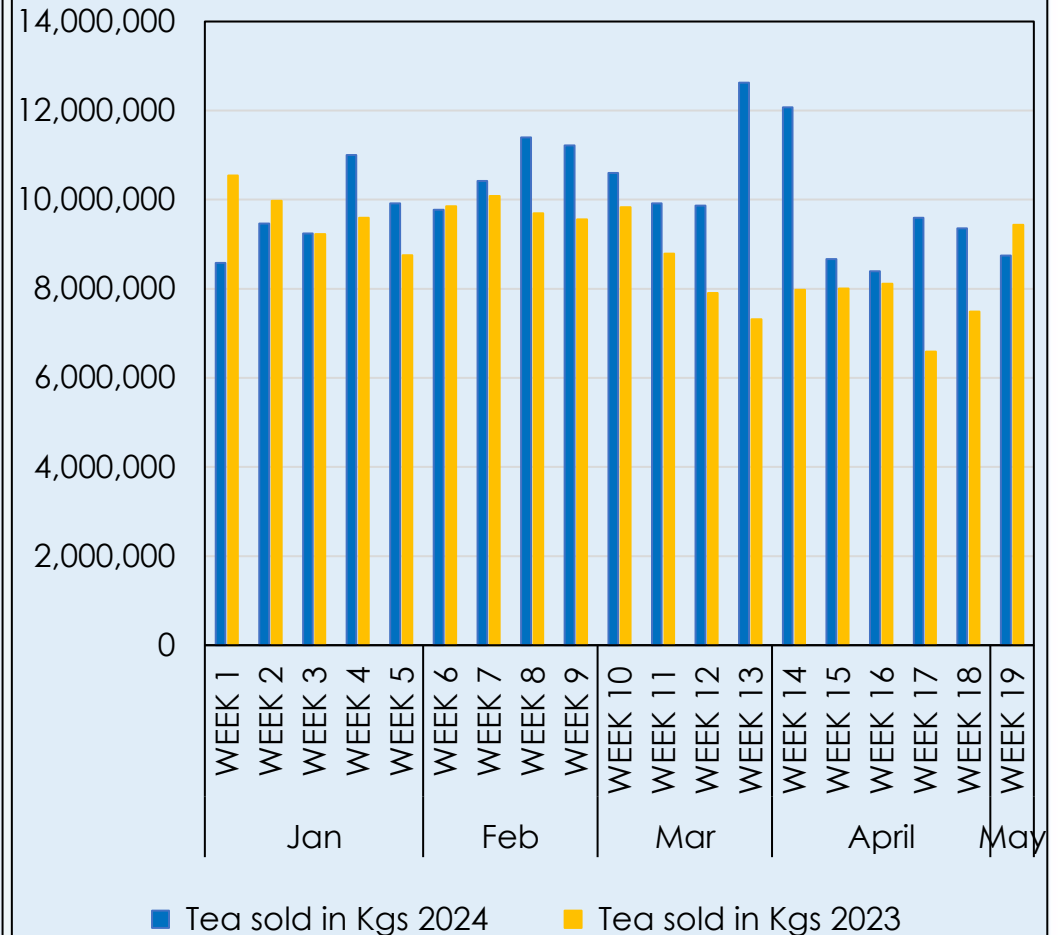
Balance of payments:

Improved prospects for tea exports in 2024 on account of higher international prices. The quantity of tea sold at the Mombasa auction has increased in 2024 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

25.

Balance of payments:

Export earning from horticulture have increased with the higher export quantities

Quantities of horticulture Exports ('000 Tonnes)

	Jan-Dec			Deviation	12 Months to April		Deviation	Jan-Apr		Deviation
	2021	2022	2023	2023/22	2023	2024	2024/23	2023	2024	2024/23
Vegetables	252	168	268	100	170	302	132	67	116	48
Fruits and Nuts	156	176	213	37	182	208	25	73	83	10
Cut Flowers	136	127	130	3	128	131	3	48	47	-1
Horticulture	544	471	611	140	480	640	161	189	246	57

Values of horticulture exports (USD, Million)

	Jan-Dec			Deviation	12 Months to April		Deviation	Jan-Apr		Deviation
	2021	2022	2023	2023/22	2023	2024	2024/23	2023	2024	2024/23
Vegetables	296	205	213	8	196	225	29	60	83	23
Fruits and Nuts	282	277	245	-32	278	242	-35	75	92	16
Cut Flowers	551	462	471	9	451	480	29	180	189	9
Horticulture	1129	944	929	-15	925	948	23	315	363	48

Source: KRA

Balance of payments:

Goods imports declined by 7.7 percent in the 12 months to April 2024 compared to a similar period of 2023, but were 2.2 percent higher in the first four months of 2024 compared to a similar period in 2023

Total goods imports (USD Million)



Source: CBK, KRA

Balance of payments:

The decline in imports in the 12 months to April 2024 was across all categories, except machinery and transport equipment

Goods imports by products (USD Million)

SITC CODE	COMMODITY DESCRIPTION	12 Months to April			Deviation		Jan-Apr			Deviation	
		2022	2023	2024	2023/22	2024/23	2022	2023	2024	2023/22	2024/23
0	FOOD AND LIVE ANIMALS	1822	2288	2288	466	-0.7	595	789	707	194	-82
04	Cereals	1033	1352	1279	319	-73	333	458	418	125	-40
06	Sugar	238	256	434	19	178	76	96	124	20	29
1	BEVERAGES AND TOBACCO	129	129	105	0	-24	45	42	29	-3	-14
2	CRUDE MATERIALS	450	464	528	14	64	148	143	185	-4	42
3	MINERAL FUELS, LUBRICANTS	4157	5499	4709	1342	-790	1655	1606	1546	-49	-59
334211	Jet fuel	470	797	751	327	-46	215	239	280	23	42
334301	Diesel oil	1514	2270	1838	756	-433	618	616	522	-2	-94
4	ANIMAL & VEGETABLE OILS	1176	1156	993	-20	-163	386	327	323	-59	-4
4222	Palm oil	1046	1026	835	-21	-191	343	283	281	-59	-2
5	CHEMICALS	3236	3238	2821	3	-417	1155	1117	1042	-38	-75
54	Medicinal & Pharm.	873	714	657	-159	-57	313	236	244	-77	8
56	Manufactured Fert.	318	618	304	300	-314	94	298	133	203	-165
57	Plastics in Pri. Form	753	634	602	-119	-32	261	189	206	-72	17
59	Chemical Mtrls & Prdts.	388	421	421	33	0	148	137	166	-11	29
6	MANUFACTURED GOODS	3689	3125	2617	-563	-508	1237	893	857	-344	-36
64	Paper, Paper boards & Articles	409	434	384	25	-50	159	122	130	-37	9
65	Textile yarn, Fabric and Articles	668	602	567	-66	-35	233	182	210	-50	28
66	Non Metal Mineral Manuf.	280	224	188	-57	-35	103	65	61	-38	-4
67	Iron and Steel	1389	1112	800	-277	-312	474	304	235	-170	-70
69	Metal Manufactures	167	344	297	177	-47	124	93	94	-31	1
7	MACHINERY & TRANSPORT EQUIP	4235	3456	3555	-778	99	1275	972	1275	-303	303
72	Mach. for Part. Inds.	604	546	450	-57	-97	179	149	139	-29	-11
74	Gen. Ind.Mach.	604	478	600	-126	123	212	144	225	-67	81
77	Elec. Mach.	865	616	617	-248	1	284	167	199	-116	32
78	Road vehicles	1198	951	834	-246	-118	314	269	267	-46	-1
79	Other Transport Equipment	206	203	324	-3	121	54	51	182	-4	131
8	MISCELLENEOUS MANUF. ARTIC.	1128	1026	1096	-102	70	389	292	361	-97	69
9	COMMODITIES & TRANSACTIONS	63	184	328	121	144	33	77	125	44	48
	CUSTOMS IMPORT (CIF)	20,026	20,392	18,719	366	-1673	6,884	6,185	6,324	-699	139
	ADJUSTMENTS	1519	1576	1352			575	415	426		
	BOP IMPORTS (FOB)	18507	18,816	17,367	309	-1449	6,309	5,770	5,898	-539	128

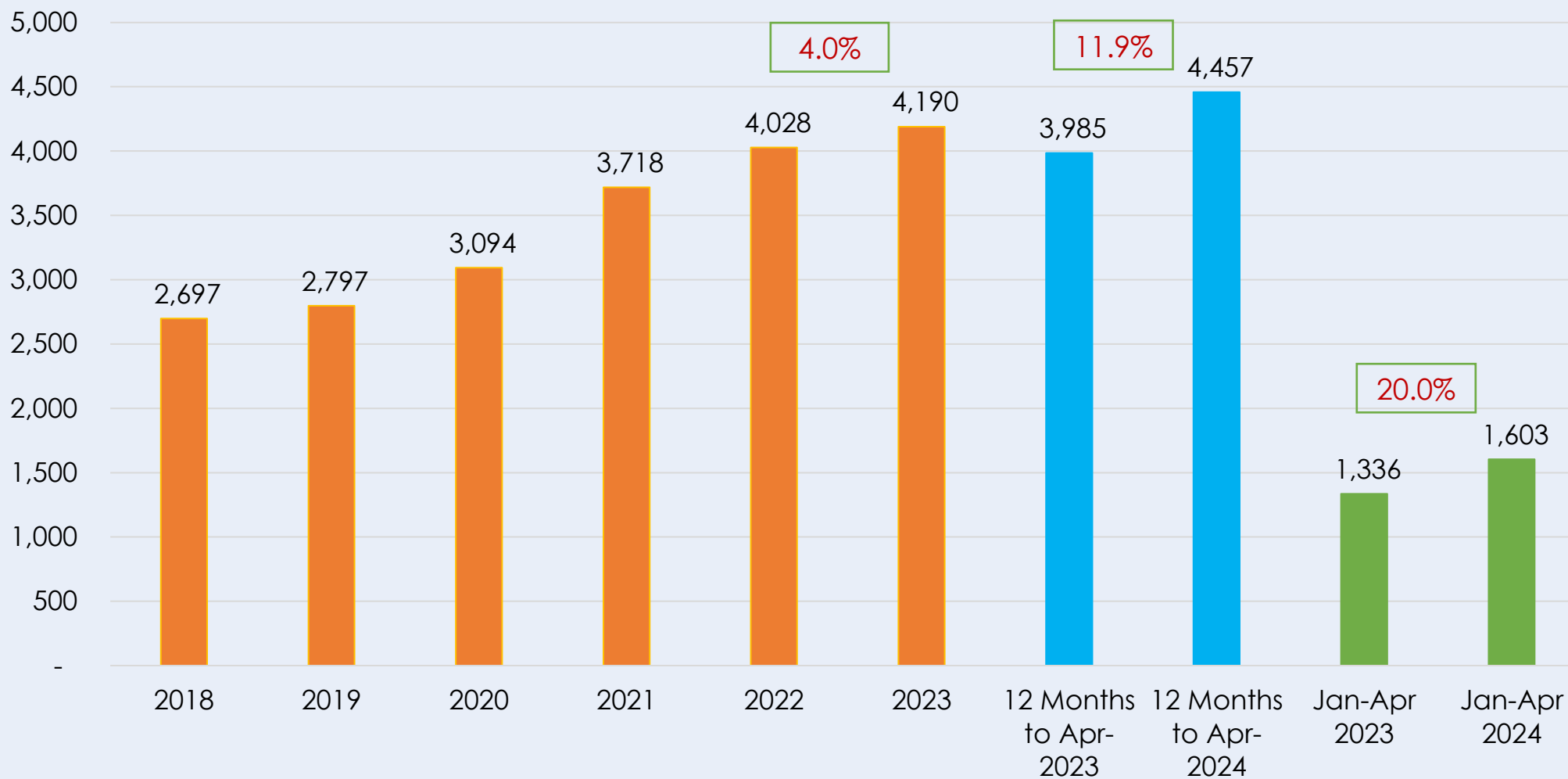
Source: CBK, KRA

28.

Diaspora remittances:

Remittances have remained strong, and were 20.0 percent higher in the period January to April 2024 compared to a similar period in 2023

Diaspora remittances inflows (USD, Million)



Source: CBK

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				12 Months to April			Jan-April		
		2021	2022	2023	Deviation (%)	2023	2024	Deviation (%)	2023	2024	Deviation (%)
1	United States of America	2,242	2,334	2,340	0.3	2,289	2,406	5.1	775	840	8.5
2	Saudi Arabia	185	302	370	22.3	331	389	17.5	118	138	16.7
3	United Kingdom	319	333	334	0.3	331	363	9.7	103	131	27.6
4	Germany	116	130	176	35.7	137	202	47.4	49	75	53.9
5	Australia	89	106	107	0.9	94	131	39.0	26	51	92.4
6	Canada	87	79	83	4.9	74	101	36.6	22	40	82.6
7	United Arab Emirates	57	62	66	6.4	61	79	30.4	22	36	61.3
8	Tanzania	49	56	78	38.7	59	87	47.5	21	29	42.3
9	Qatar	75	87	48	-44.7	77	52	-32.4	19	23	21.0
10	Uganda	30	28	57	106.9	33	63	91.4	15	21	41.8
11	Switzerland	50	51	48	-4.6	52	47	-8.5	17	16	-5.9
12	Netherlands	22	25	21	-13.0	23	25	8.6	7	11	50.0
13	Italy	27	23	25	9.9	23	27	15.8	9	10	17.5
14	Sweden	22	26	21	-18.5	22	23	5.1	6	9	41.1
15	Others	347	387	415	27.8	378	461	82.7	127	174	46.2
	Total	3,718	4,028	4,190	4.0	3,985	4,457	11.9	1,336	1,603	20.0

Source: CBK

30.

Services exports:

Tourist arrivals improved by 27.2 percent in the 12 months to March 2024 compared to a similar period in 2023, with the U.S. remaining the main source market

Number of tourist arrivals

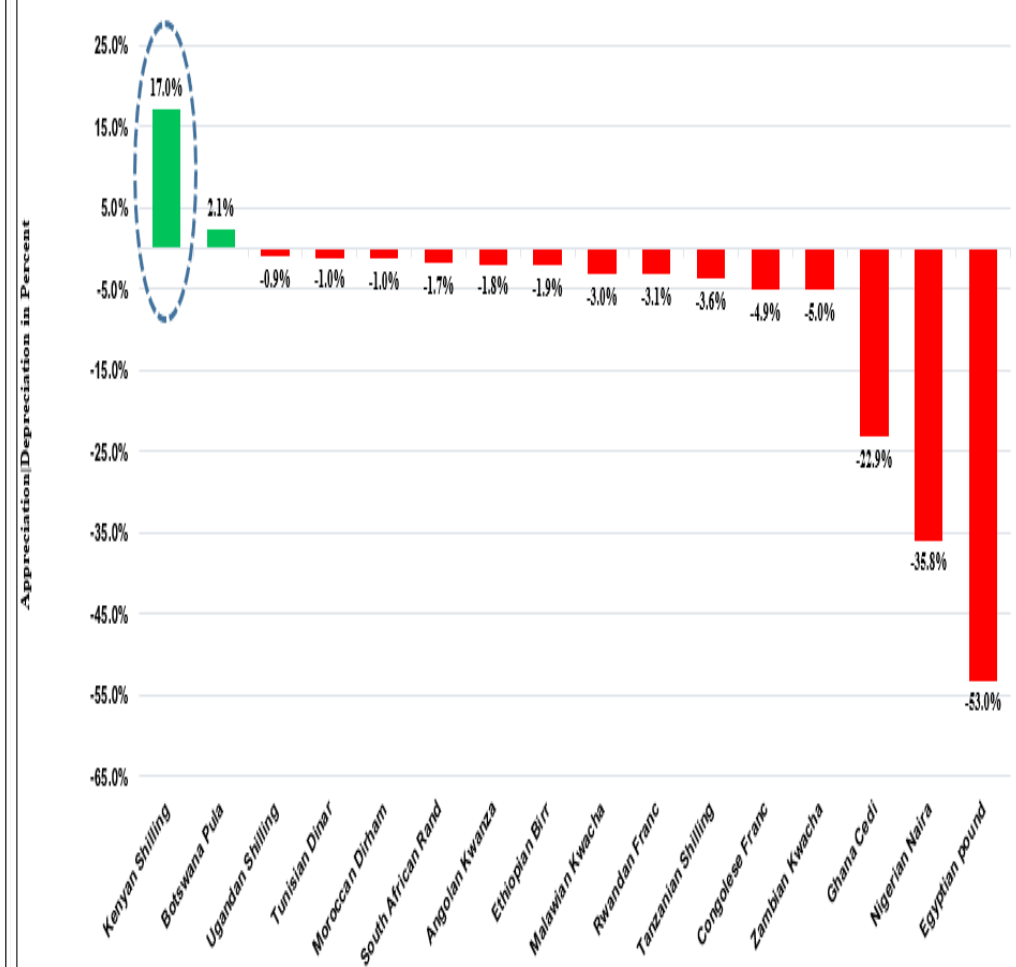
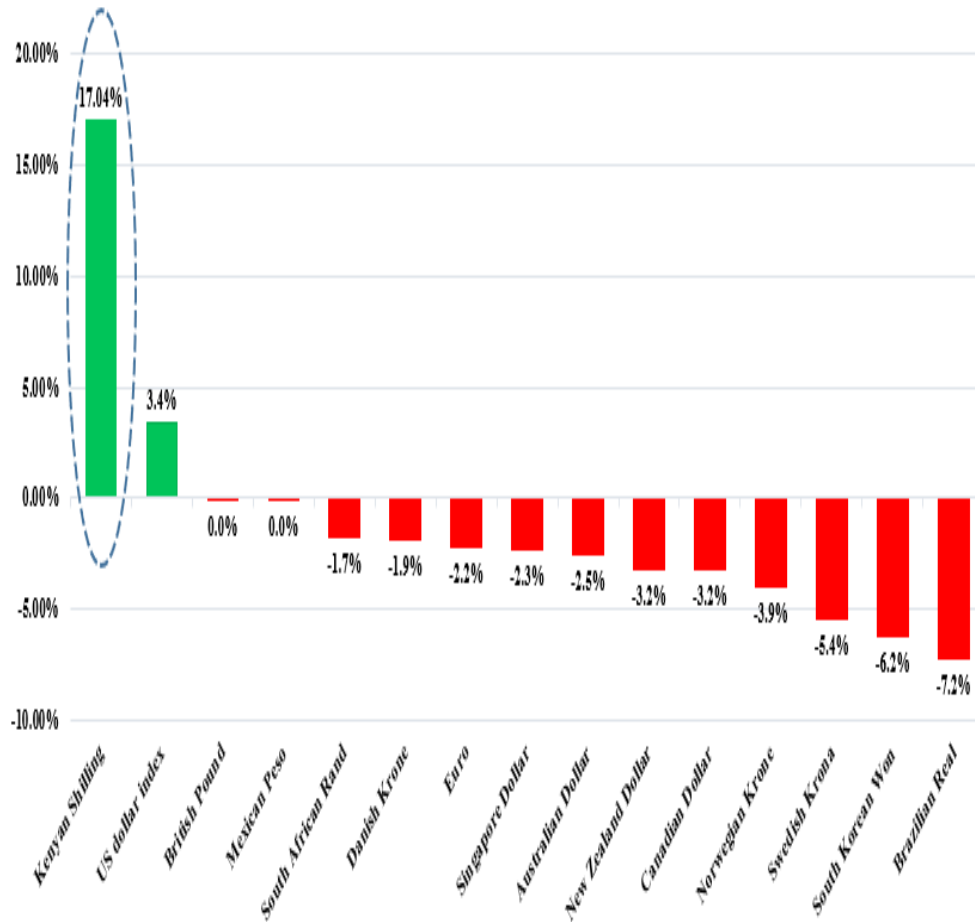
		Number of Tourist Arrivals			% share of total Arrivals		Percent Change	
		12 Months to Mar			12 Months to Mar		12 Months to Mar	
		2022	2023	2024	2023	2024	2023/2022	2023/2024
1	United States of America	155,291	225,351	274,866	13.85	13.28	45.12	22.0
2	Uganda	93,060	166,602	211,337	10.24	10.21	79.03	26.9
3	United Republic of Tanzania	81,488	134,779	168,124	8.28	8.12	65.40	24.7
4	United Kingdom	68,934	140,574	162,926	8.64	7.87	103.93	15.9
5	India	47,990	82,851	102,049	5.09	4.93	72.64	23.2
6	Germany	34,341	62,234	82,407	3.83	3.98	81.22	32.4
7	Italy	14,307	52,931	75,961	3.25	3.67	269.97	43.5
8	Somalia	30,761	40,666	58,598	2.50	2.83	32.20	44.1
9	China	26,933	21,691	57,021	1.33	2.76	-	19.46
10	Rwanda	28,377	50,845	53,830	3.13	2.60	79.18	5.9
11	France	23,912	39,541	49,533	2.43	2.39	65.36	25.3
12	South Sudan	22,327	36,632	44,267	2.25	2.14	64.07	20.8
13	Ethiopia	25,547	38,771	43,001	2.38	2.08	51.76	10.9
14	Canada	16,076	31,851	40,928	1.96	1.98	98.13	28.5
15	South Africa	21,092	32,726	37,484	2.01	1.81	55.16	14.5
16	Burundi	15,193	24,717	36,195	1.52	1.75	62.69	46.4
17	Netherlands	15,753	29,146	34,158	1.79	1.65	85.02	17.2
18	Nigeria	28,172	32,160	32,815	1.98	1.59	14.16	2.0
19	Democratic Republic of Congo	17,181	21,632	30,232	1.33	1.46	25.91	39.8
20	Poland	11,036	12,743	29,194	0.78	1.41	15.47	129.1
21	Spain	11,689	24,985	27,962	1.54	1.35	113.75	11.9
	Others	211,099	323,390	416,732	19.9	20.1	53.19	28.9
	Total	1,000,559	1,626,818	2,069,620	100	100	62.59	27.2

Source: Kenya Tourism Board

Exchange rate developments:

The Kenya Shilling has strengthened in 2024, reflecting increased inflows, impact of monetary policy measures, impact of recent reforms in the foreign exchange market, and the buyback of the June 2024 Eurobond

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

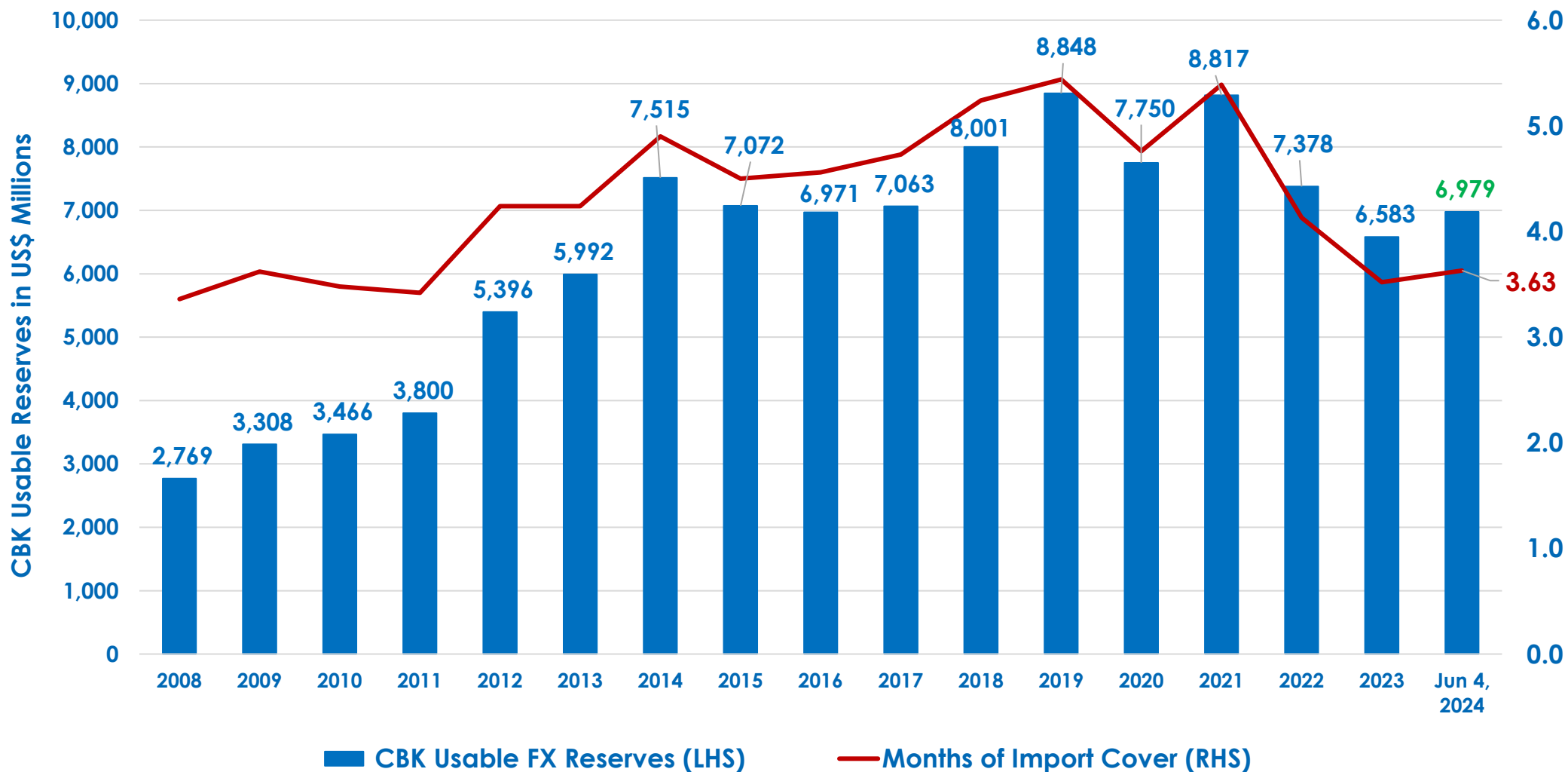


Source: CBK as of May 30, 2024

32.

CBK usable foreign exchange reserves: Foreign exchange reserves remain adequate

CBK usable foreign exchange reserves (end period)

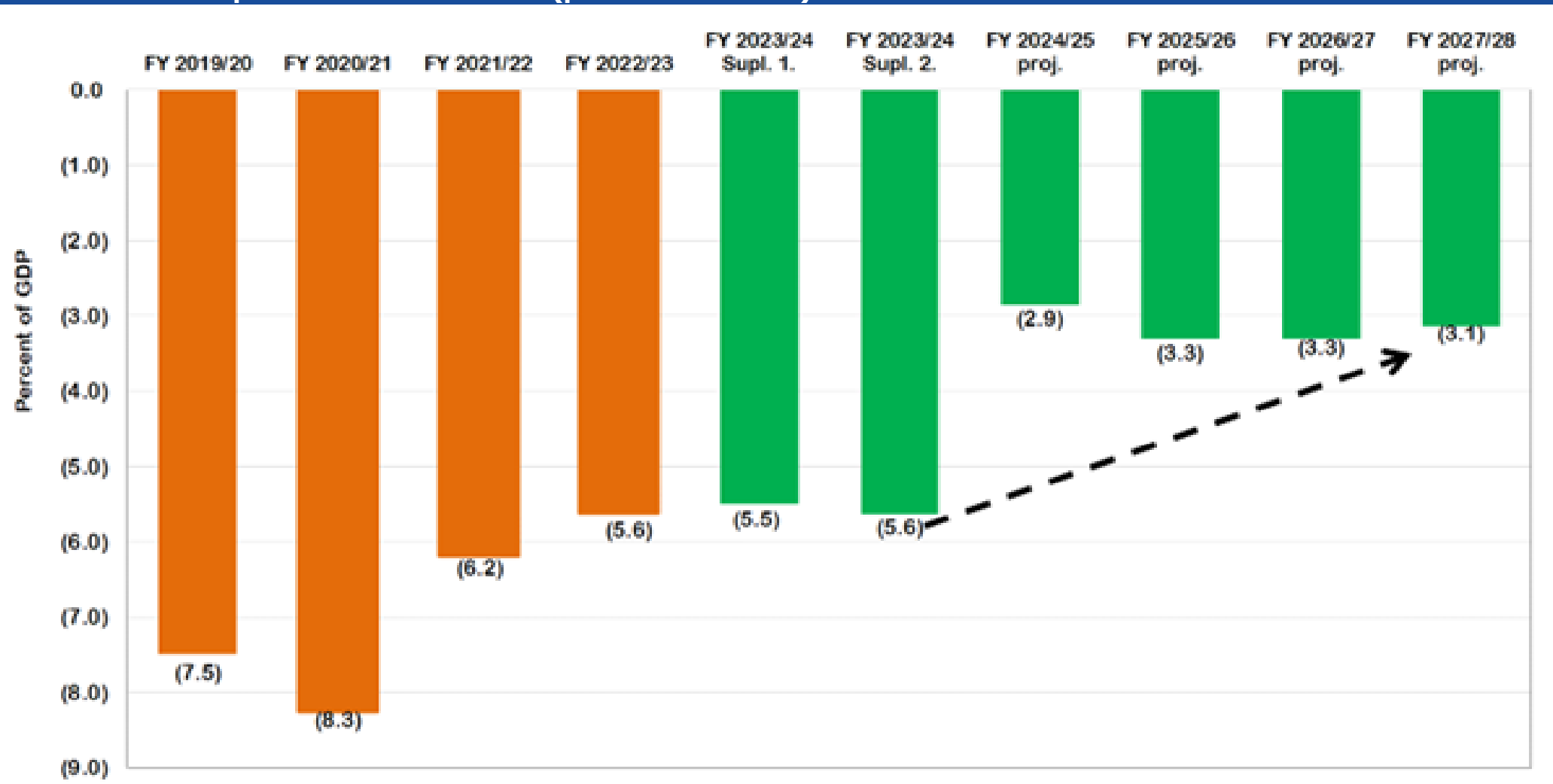


Source: CBK as of June 4, 2024

Fiscal performance and outlook:

The envisaged fiscal consolidation over the medium-term is expected to reduce growth of public debt and boost the debt sustainability position.

Actual and expected fiscal deficit (percent of GDP)



Source: The National Treasury



Central Bank of Kenya

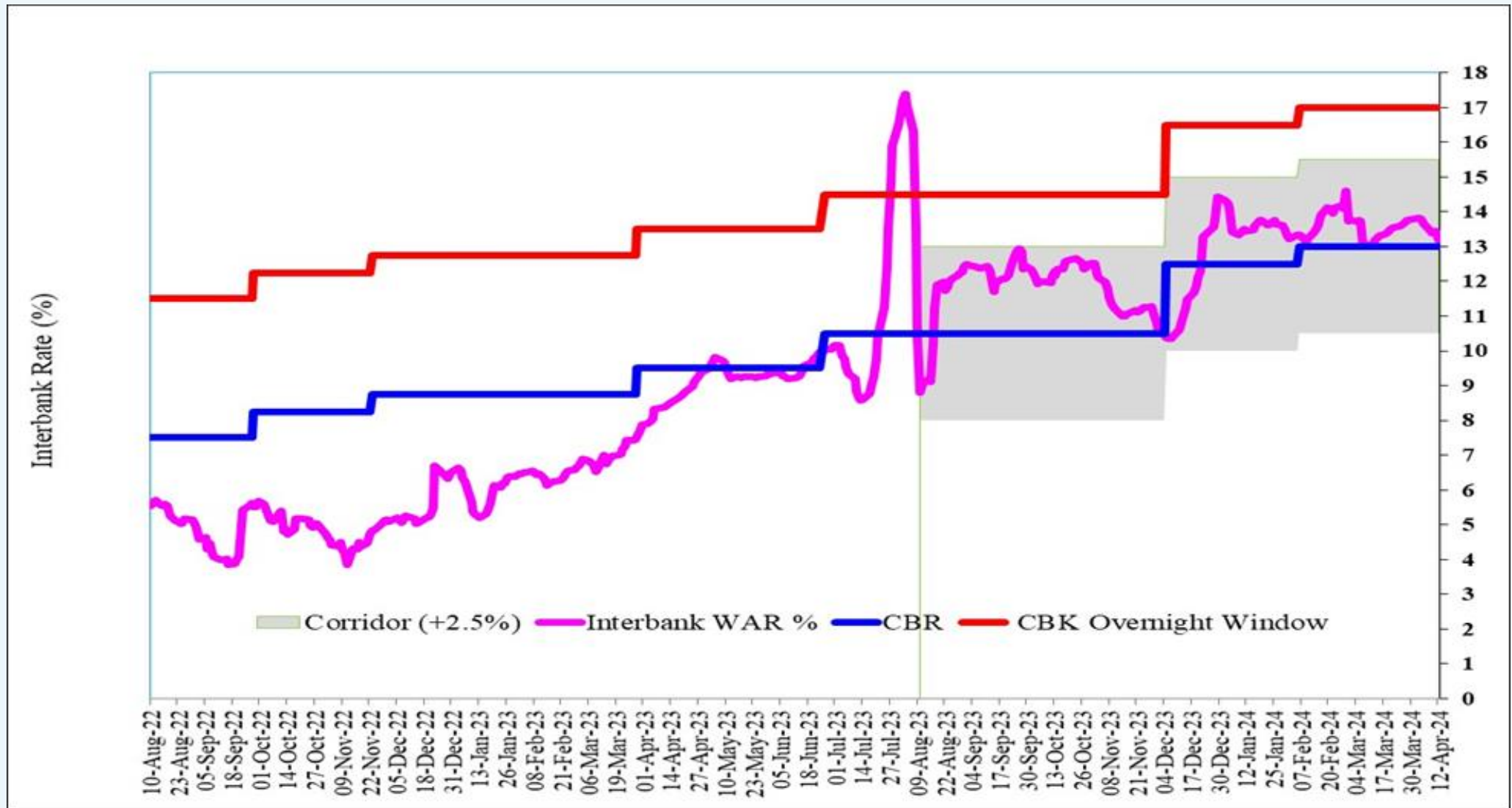
REVIEW OF THE MONETARY POLICY IMPLEMENTATION FRAMEWORK

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1. The MPC noted that the new monetary policy implementation framework adopted on August 9, 2023, has resulted in improved functioning of the interbank market, narrower interest rate spreads with reduced market segmentation, and improved monetary policy transmission.
2. To enhance the effectiveness of the monetary policy implementation framework, the MPC considered and approved a recommendation to review the width of the interest rate corridor around the Central Bank Rate (CBR) from the current ± 250 basis points to ± 150 basis points.
3. In line with this review, the Committee also approved a recommendation to adjust the applicable interest rate on the Discount Window from the current 400 basis points above CBR, to 300 basis points

35.

The monetary policy implementation framework has anchored the interbank rate to closely track the CBR



Thank You!

