



**Central Bank of Kenya**

# **MONETARY POLICY COMMITTEE MEETING BACKGROUND INFORMATION**

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Friday, December 6, 2024

Dr. Kamau Thugge, CBS  
Governor

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# 1.

## Monetary Policy Decision

**During its Meeting on December 5, 2024, the Monetary Policy Committee (MPC) lowered the Central Bank Rate (CBR) from 12.00 percent to 11.25 percent.**

- The MPC noted that:
  - Overall inflation was expected to remain below the midpoint of the  $5\pm 2.5$  percent target range in the near term, supported by low fuel inflation, stable food inflation, and exchange rate stability.
  - The NFNF inflation has moderated and is expected to remain stable.
  - Central banks in the major economies have lowered their interest rates further, with expectations of a gradual pace of reductions in the coming months.
  - Economic growth in the first half of 2024 had decelerated, and therefore there was scope for a further easing of the monetary policy stance to support economic activity, while ensuring exchange rate stability.
- The MPC observed that short-term rates on government securities had declined sharply in line with the CBR, but that banks had not responded by lowering their rates proportionately. The MPC, therefore, urges banks to take necessary steps to lower their lending rates, in order to stimulate credit to the private sector, and thereby stimulate more economic activity.
- 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 February 2025.

## 2.

# Global developments: Summary of global developments and outlook

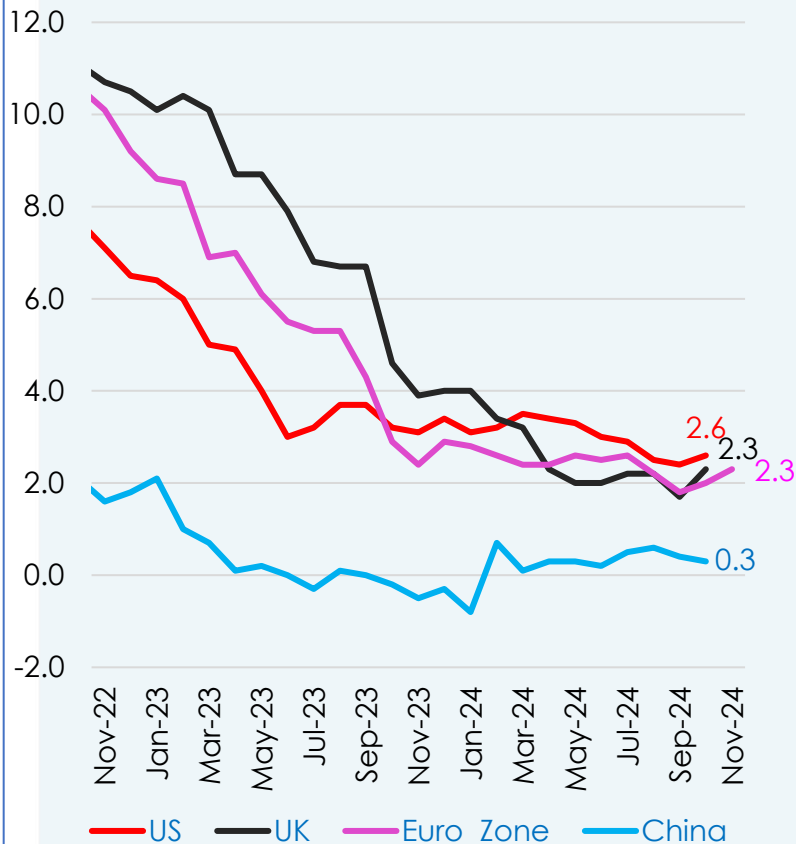
1. **Global headline inflation has declined**, supported by lower commodity prices.
2. **Central banks in major economies have continued to lower interest rates**, including the US Fed, European Central Bank, and Bank of England. They are expected to continue lowering interest rates, but at a gradual pace.
3. **Global growth continues to recover and is expected to remain at 3.2 percent in both 2024 and 2025**, supported by strong growth in the U.S. and India, as well as improved growth prospects in the UK.
4. **Risks to global growth outlook** relate to elevated geopolitical risks particularly the conflict in the Middle East, and the Russia-Ukraine War.
5. **Global financial conditions are expected to be relatively volatile in the near term**, mainly reflecting heightened geopolitical tensions.
6. **Kenya's real GDP growth is expected to remain above the global, SSA and emerging market and developing economies averages in 2024 and 2025.**

# 3.

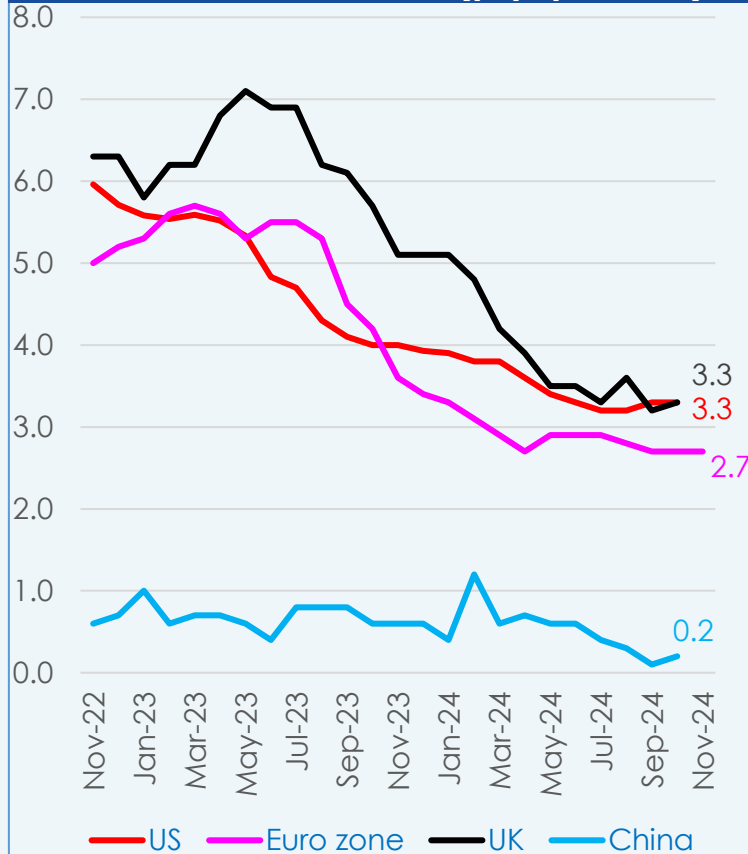
## Global inflation:

Global inflation has declined, mainly driven by lower commodity prices

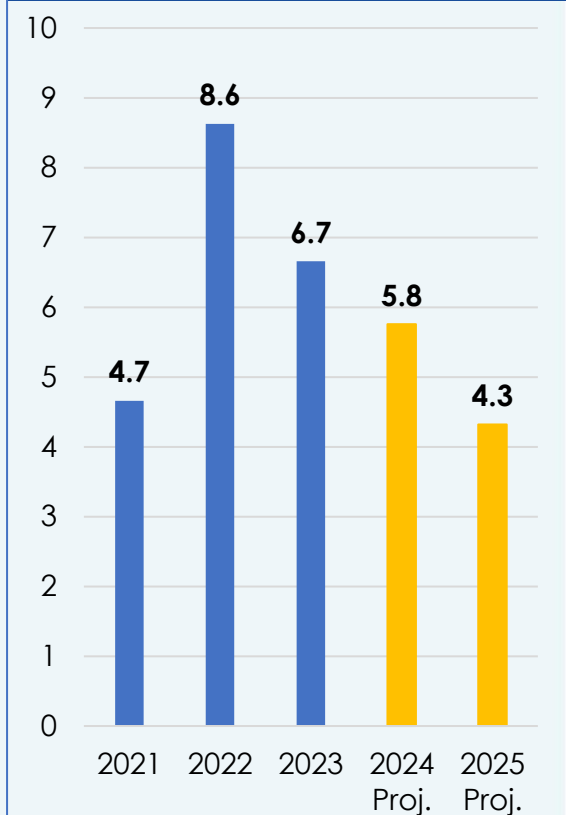
Headline CPI inflation rates (y/y, percent)



Core CPI inflation rates (y/y, percent)



Average global headline inflation (y/y, percent)



- Inflation rates in the major economies have declined, but core inflation has remained sticky mainly driven by services price inflation.
- The expected continued decline in global inflation provides headroom for further reductions in interest rates in the major economies.

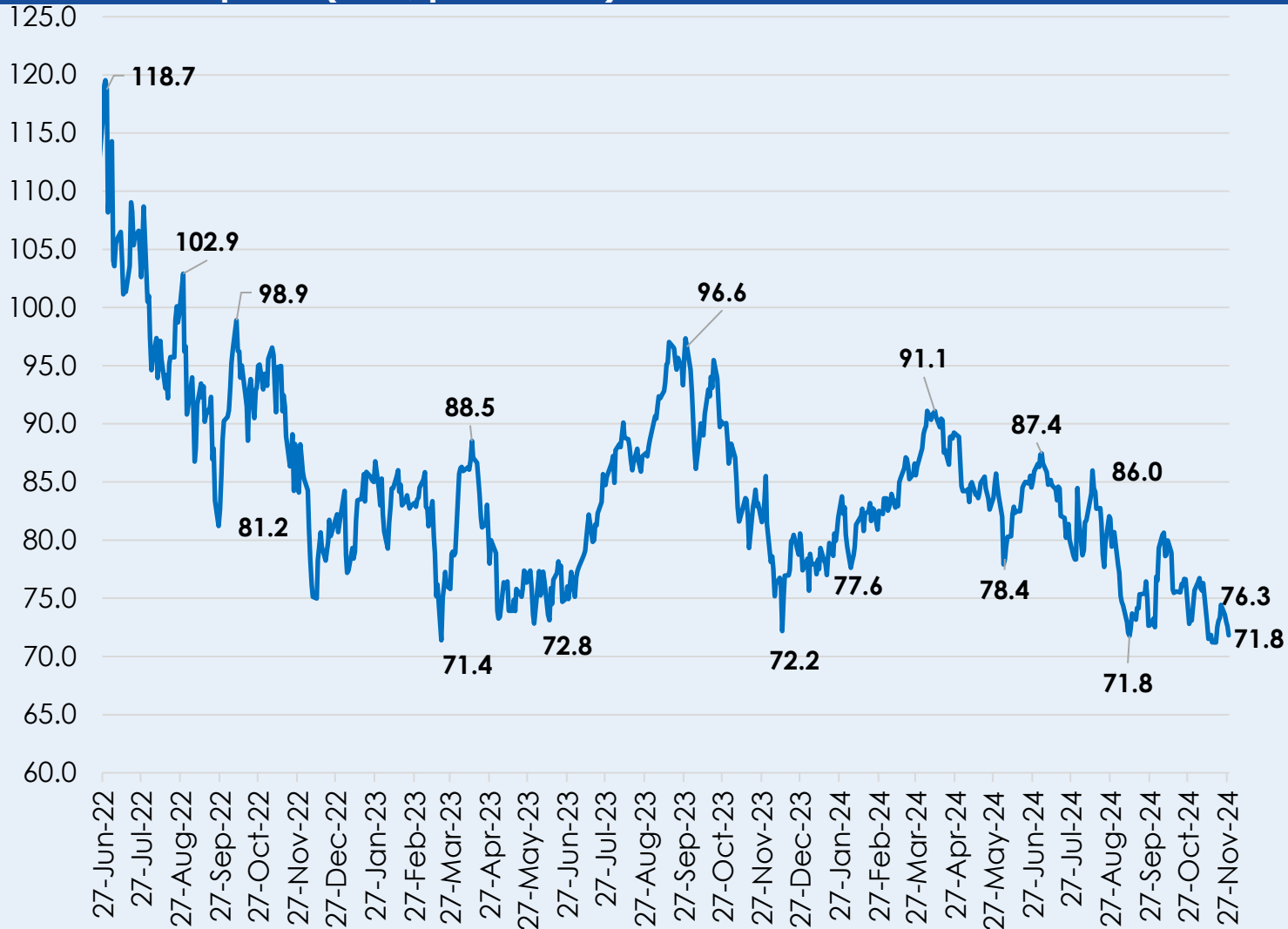
Source: Websites of Statistics Offices/Central Banks of respective countries/IMF World Economic Outlook for projections

# 4.

## Global commodity prices:

International oil prices have moderated, but the risk of potential volatility remains elevated due to heightened geopolitical tensions

Murban oil price (USD, per barrel)



Source: Oilprice.com, and Reuters

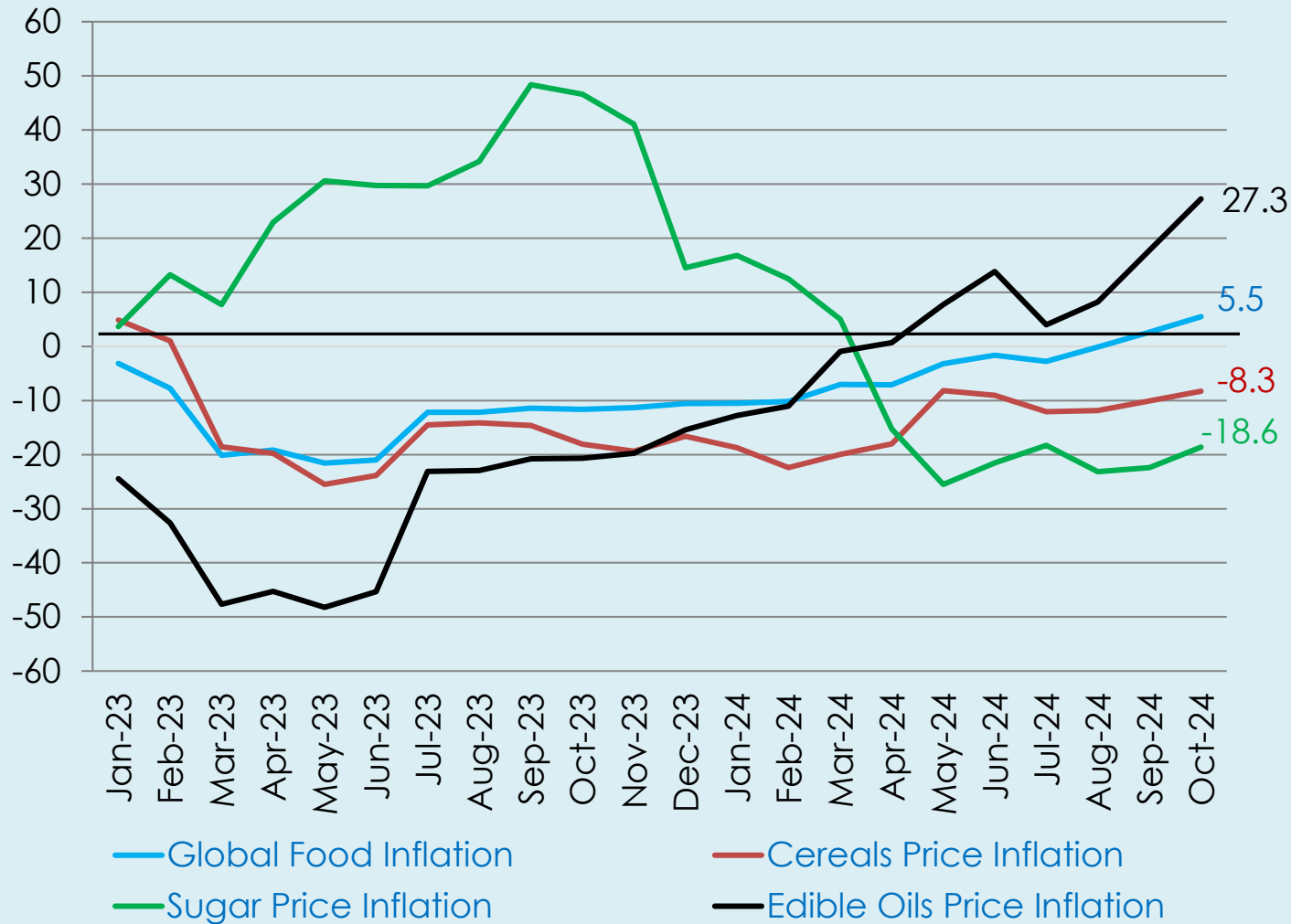
- Oil prices have declined, mainly reflecting increased supply from non-OPEC oil producers, and weak demand in China.
- The OPEC+ meeting held on December 5, 2024, decided to delay the unwinding of its production cuts that were planned to begin in December 2024, by three months until April and extended the full unwinding of cuts by a year until the end of 2026 due to weak demand and booming production outside the group.
- The main risks to oil prices relate to potential supply disruptions arising from escalation of the conflict in the Middle East and the Russia-Ukraine war.

# 5.

## Global commodity prices:

Global food inflation increased in October 2024, driven by higher edible oils prices inflation

Global food inflation (y/y, percent)



- Edible oils price inflation increased in October 2024, driven by higher prices of palm, soy, sunflower and rapeseed oils, attributed to lower production in key producing countries in Southeast Asia. There is also increased global demand for biofuels.
- Sugar price inflation declined partly due to improved production in Brazil on account of favorable weather conditions in key sugar growing areas.
- Cereals price inflation declined partly due to lower prices of rice, reflecting India's removal of export restrictions on non-broken rice. Prices of sorghum also declined.

Source: UN FAO Food Index



6.

## Global economic outlook:

Global growth is projected at 3.2 percent in both 2024 and 2025, supported by strong growth in the US and India, and improved prospects for growth in the UK

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

	2019 Act.	2020 Act.	2021 Act.	2022 Act.	2023 Act.	2024 Proj.		2025 Proj.	
						Oct. 2024 WEO	Difference from Jul. 2024 WEO	Oct. 2024 WEO	Difference from Jul. 2024 WEO
<b>World</b>	<b>2.8</b>	<b>-2.7</b>	<b>6.5</b>	<b>3.5</b>	<b>3.3</b>	<b>3.2</b>	<b>0.0</b>	<b>3.2</b>	<b>-0.1</b>
<b>Advanced Economies</b>	<b>1.8</b>	<b>-3.9</b>	<b>5.7</b>	<b>2.6</b>	<b>1.7</b>	<b>1.8</b>	<b>0.1</b>	<b>1.8</b>	<b>0.0</b>
United States	2.5	-2.2	5.8	1.9	2.9	2.8	0.2	2.2	0.3
United Kingdom	1.6	-10.4	8.7	4.3	0.3	1.1	0.4	1.5	0.0
Japan	-0.4	-4.1	2.6	1.0	1.7	0.3	-0.4	1.1	0.1
Euro area	1.6	-6.1	5.9	3.4	0.4	0.8	-0.1	1.2	-0.3
Germany	1.1	-3.8	3.2	1.8	-0.3	0.0	-0.2	0.8	-0.5
France	1.8	-7.5	6.3	2.6	1.1	1.1	0.2	1.1	-0.2
Italy	0.5	-9.0	8.3	4.0	0.7	0.7	0.0	0.8	-0.1
<b>Emerging Market and Developing Economies</b>	<b>3.6</b>	<b>-1.8</b>	<b>7.0</b>	<b>4.1</b>	<b>4.4</b>	<b>4.2</b>	<b>0.0</b>	<b>4.2</b>	<b>-0.1</b>
China	6.0	2.2	8.5	3.0	5.2	4.8	-0.2	4.5	0.0
India	3.9	-1.8	9.7	7.0	8.2	7.0	0.0	6.5	0.0
Russia	2.2	-2.7	6.0	-1.2	3.6	3.6	0.4	1.3	-0.2
Saudi Arabia	1.1	-3.6	5.1	7.5	-0.8	1.5	-0.2	4.6	-0.1
<b>Sub-Saharan Africa</b>	<b>3.2</b>	<b>-1.6</b>	<b>4.7</b>	<b>4.0</b>	<b>3.6</b>	<b>3.6</b>	<b>-0.1</b>	<b>4.2</b>	<b>0.1</b>
South Africa	0.3	-6.0	4.7	1.9	0.7	1.1	0.2	1.5	0.3
Nigeria	2.2	-1.8	3.6	3.3	2.9	2.9	-0.2	3.2	0.2
Kenya	5.7	-0.3	7.6	4.9	5.6	5.0	0.0	5.0	0.0

- The expected strong growth in the USA, and improved growth outlook for UK and Saudi Arabia in 2024 and 2025, provides scope for higher diaspora remittances inflows and tourist arrivals to Kenya.
- The projected pick up in growth for the Euro area in 2024 and 2025, together with the recent implementation of the Economic Partnership Agreement (EPA) is expected to benefit Kenya's exports to Europe.

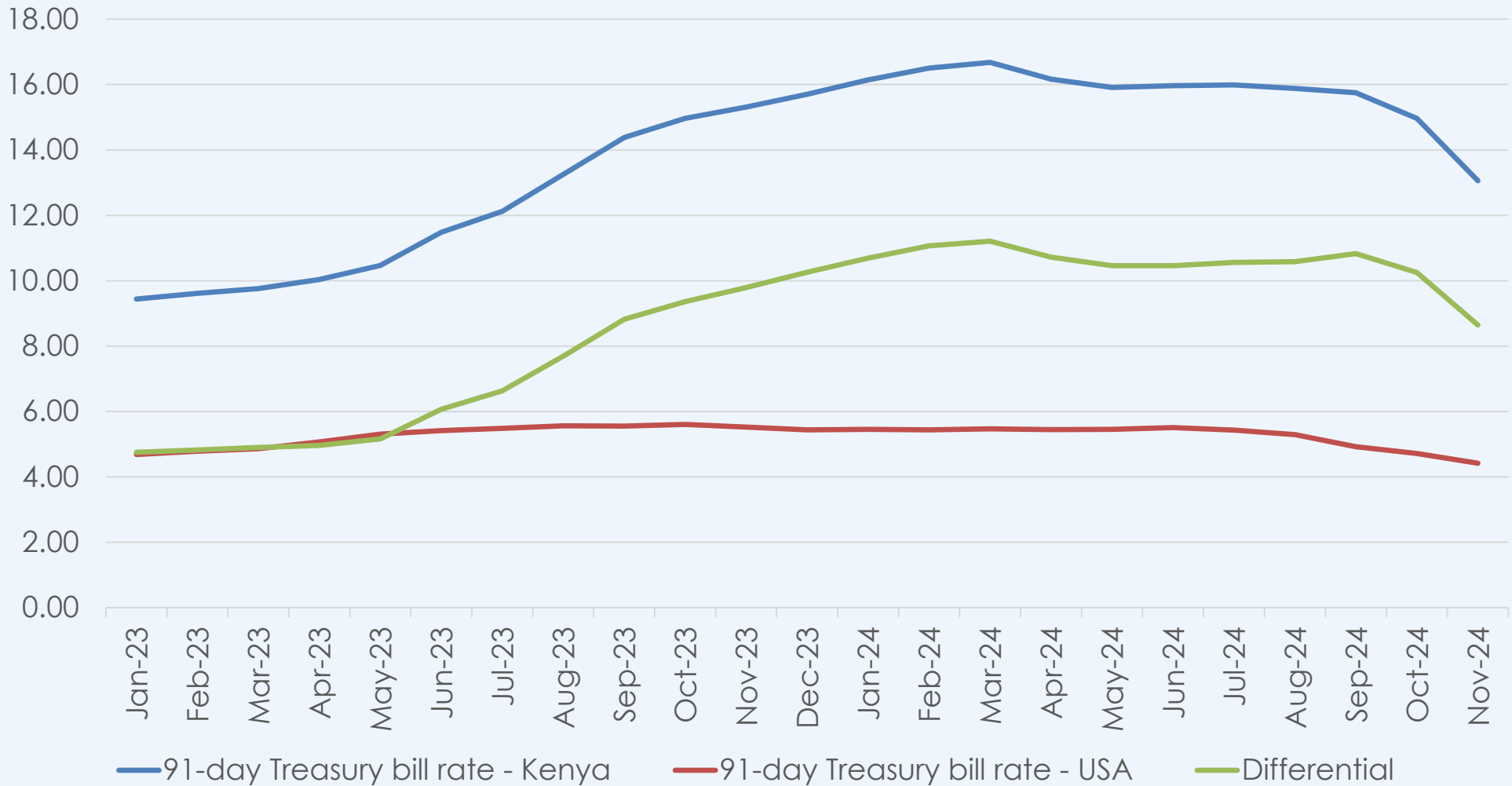
Source: IMF World Economic Outlook (WEO)

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## Global financial markets:

The interest rate differentials between the United States and Kenya have remained relatively stable despite the lowering of the policy rates

Average interest rates on 91-days Treasury bills in the United States and Kenya (percent)



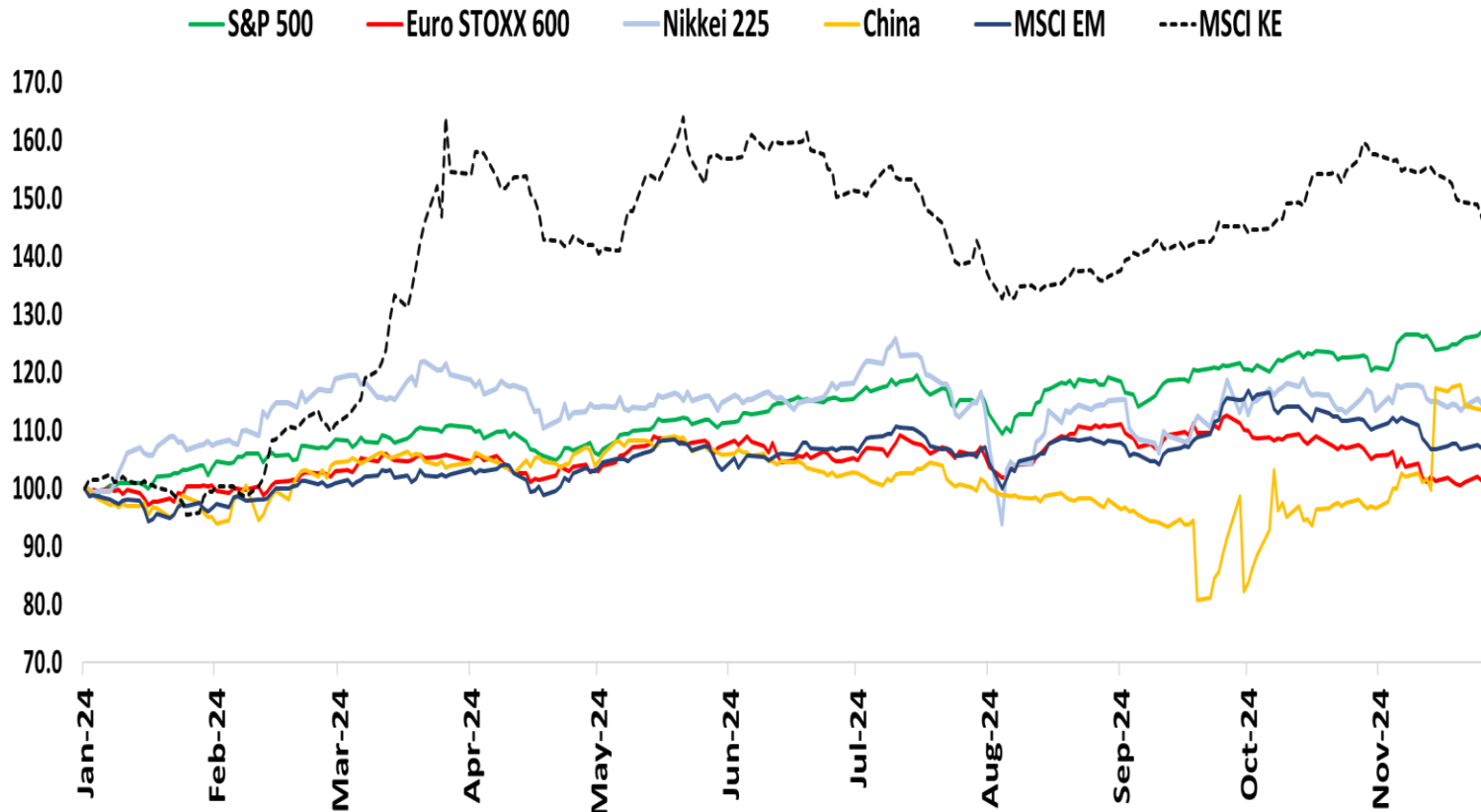
Sources: Central Bank websites



## Global financial markets:

Global financial market conditions were relatively volatile in November 2024, reflected in a decline in the performance of equity markets

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



- The volatility in financial conditions largely reflects increased uncertainties from the heightened geopolitical tensions, particularly in the Middle East.

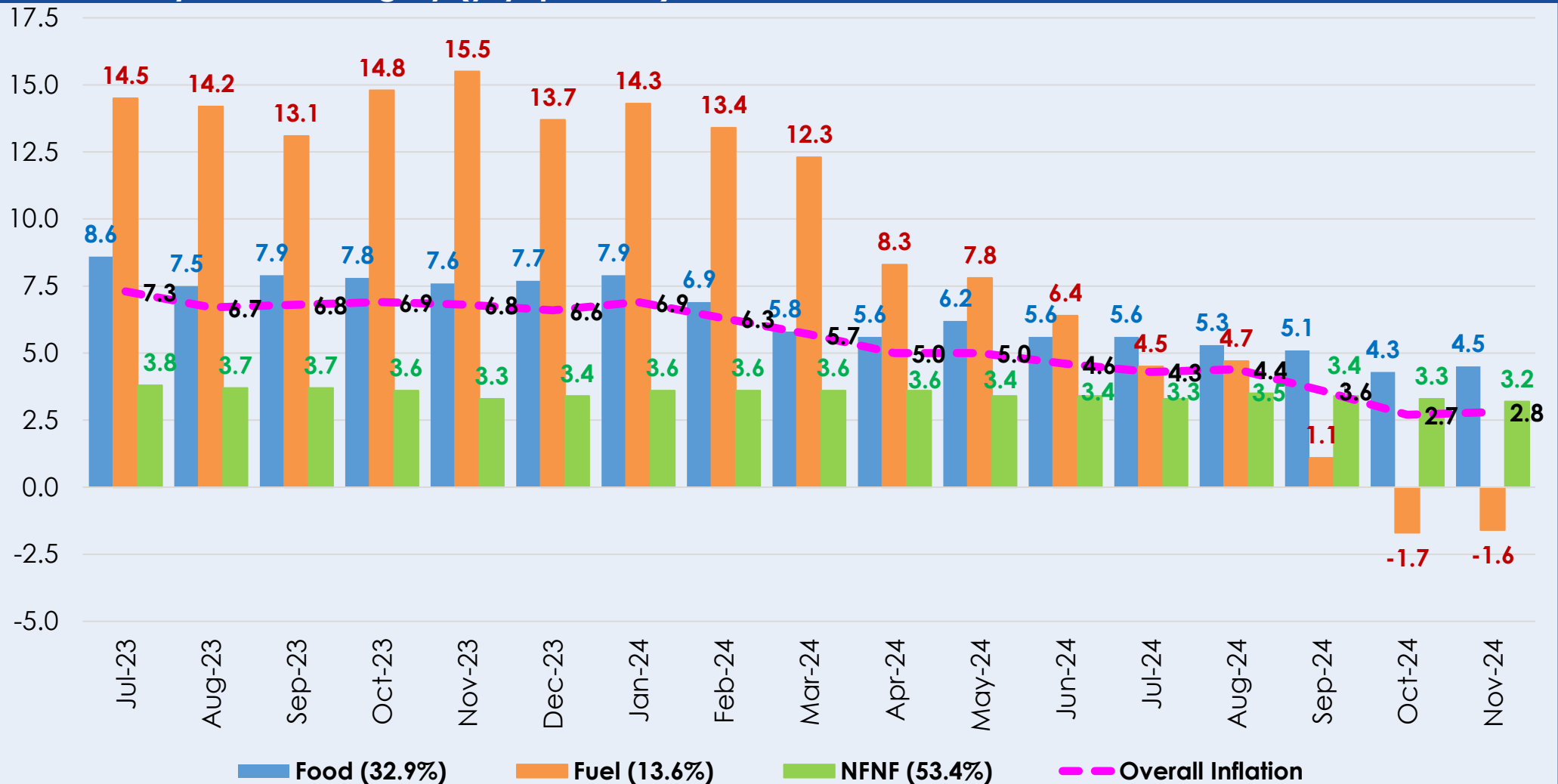
Sources: Bloomberg Finance L.P.; FactSet; Morgan Stanley Capital International (MSCI); NABE; Refinitiv Eikon Datastream IBES

- 1. Overall inflation remained below the midpoint of the  $5\pm 2.5$  percent target range in October and November 2024:**
  - It was broadly unchanged at 2.8 percent in November 2024, compared to 2.7 percent in October.
  - Food inflation rose marginally, reflecting a modest rise in non-vegetables price inflation attributed to higher prices of a few items particularly cooking oil.
  - Fuel inflation remained low, mainly on account of lower electricity and pump prices.
  - Non-food non-fuel (NFNF) inflation moderated, on account of muted demand pressures.
  - The stability in the exchange rate has minimised imported inflation.
- 2. The inflation rate is expected to remain below the mid-point of the target range in the near term, supported by:**
  - Food inflation is expected to remain low and stable, on account of Improved supply attributed to ongoing harvests and favorable weather conditions.
  - A stable exchange rate.
  - Fuel inflation expected to remain low due to base effects, stable exchange rate and easing international oil prices.
  - NFNF inflation is expected to remain low and stable.
- 3. The main risks to inflation relate to uncertainty on the evolution of international oil prices** due to the escalation of geopolitical conflicts (Middle East and Russia-Ukraine).

## Domestic inflation:

Overall inflation remained broadly unchanged in October and November 2024, driven by low fuel inflation and a decline in NFNF inflation

### Inflation by broad category (y/y, percent)

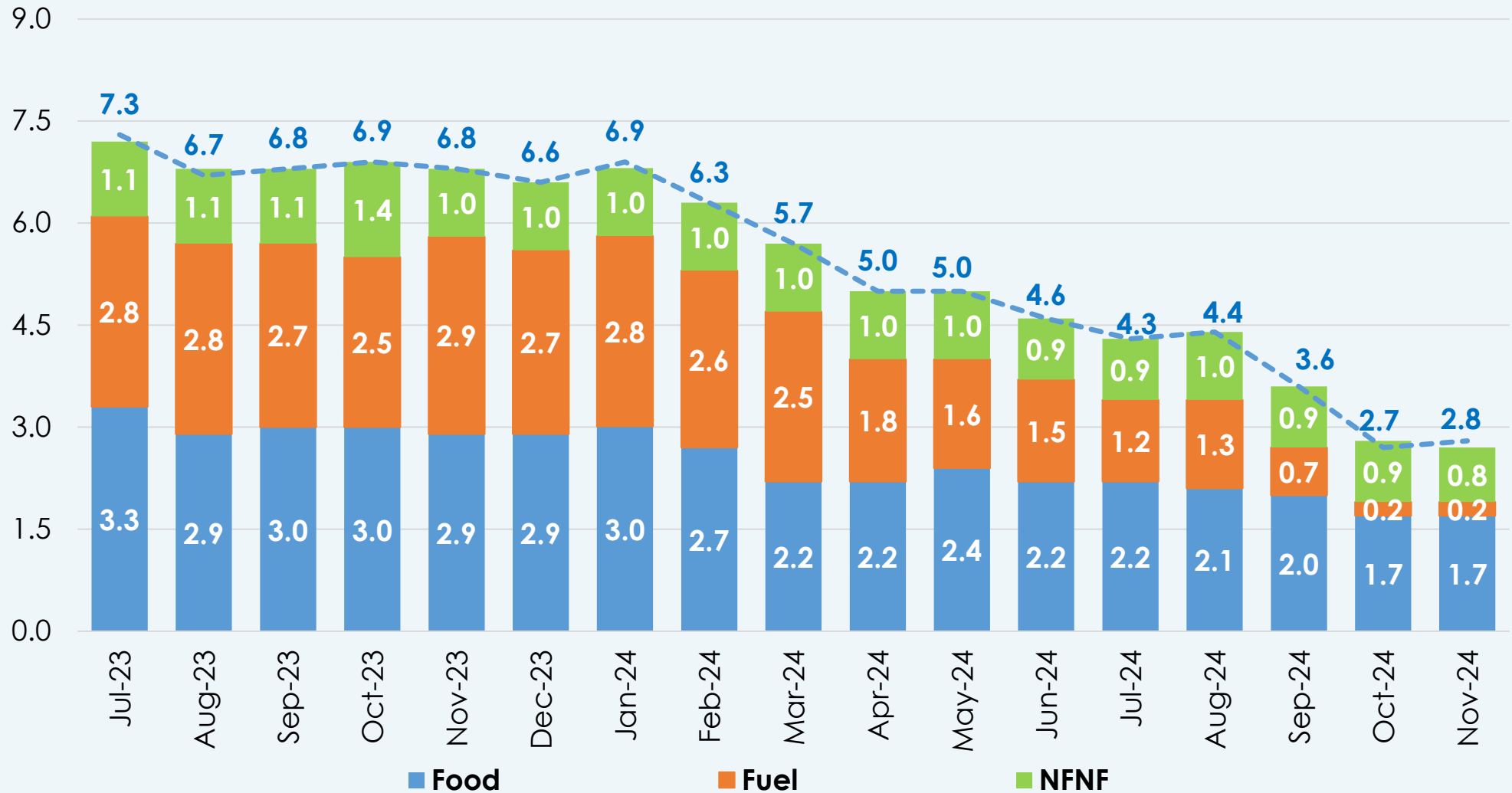


Source: Kenya National Bureau of Statistics and Central Bank of Kenya

## Domestic inflation:

The contribution of NFNF inflation to overall inflation declined in November 2024, on account of muted demand pressures

### Contributions to Overall Inflation (percentage points)

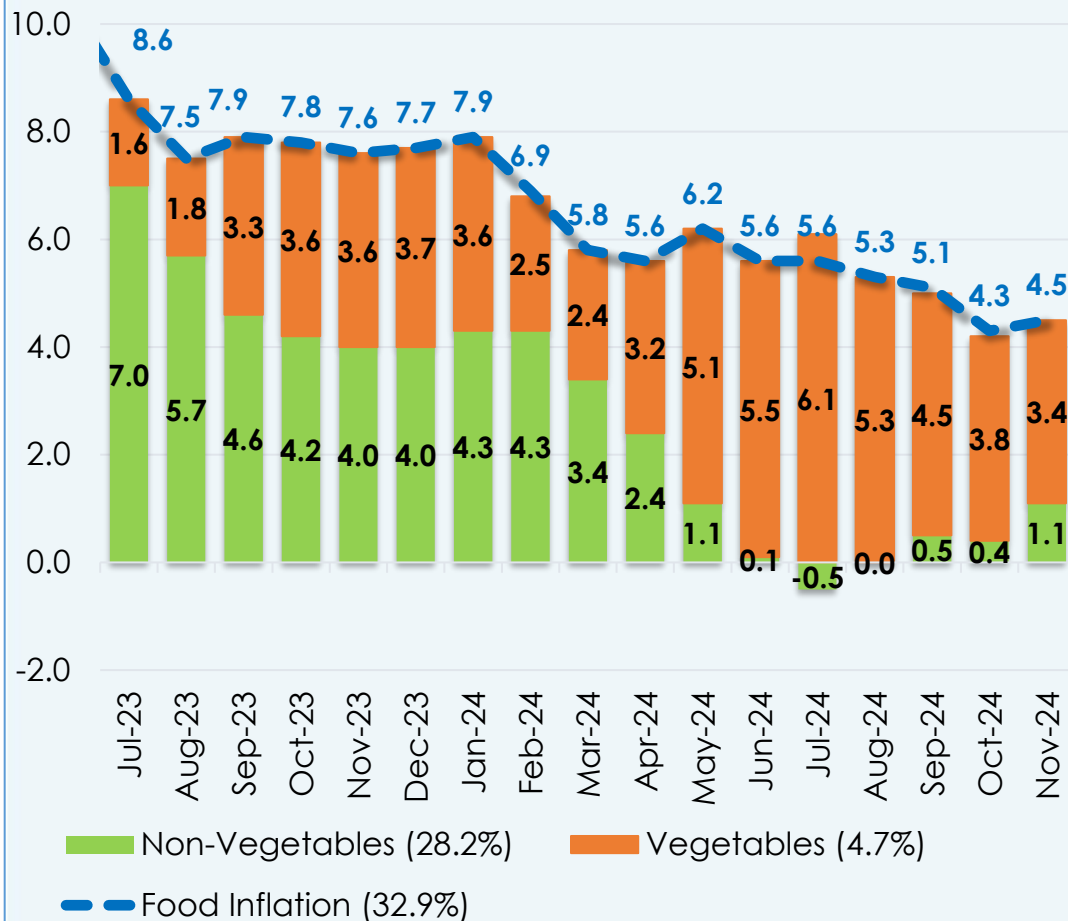


Source: KNBS and CBK

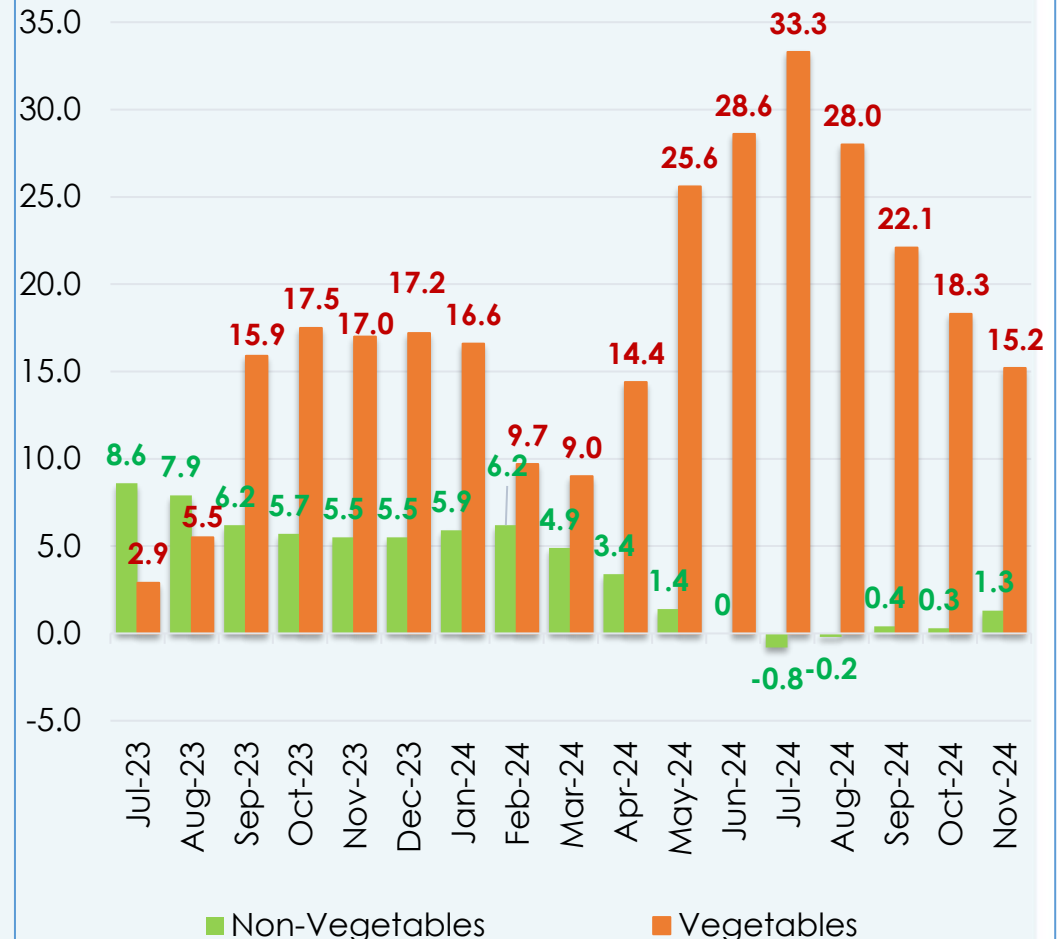
## Main drivers of food inflation:

Food inflation rose slightly in November 2024, reflecting a modest increase in non-vegetables price inflation, which however remains low

### Contributions to food inflation (percentage points)



### Vegetables and non-vegetables inflation (y/y, percent)

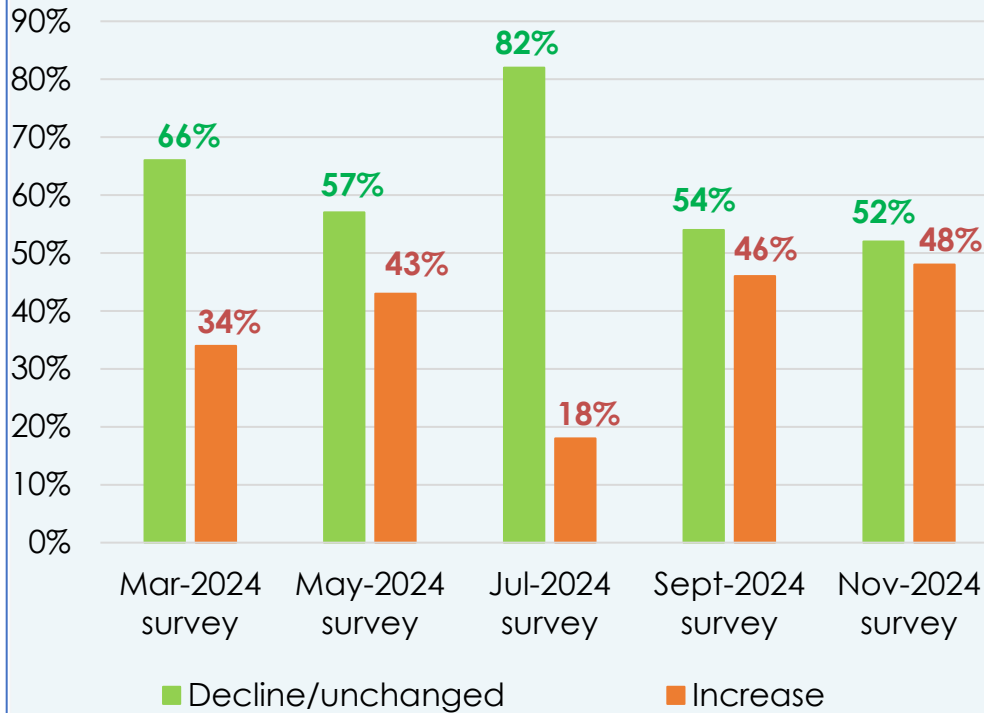


Source: KNBS and CBK

# Inflation expectations and projections:

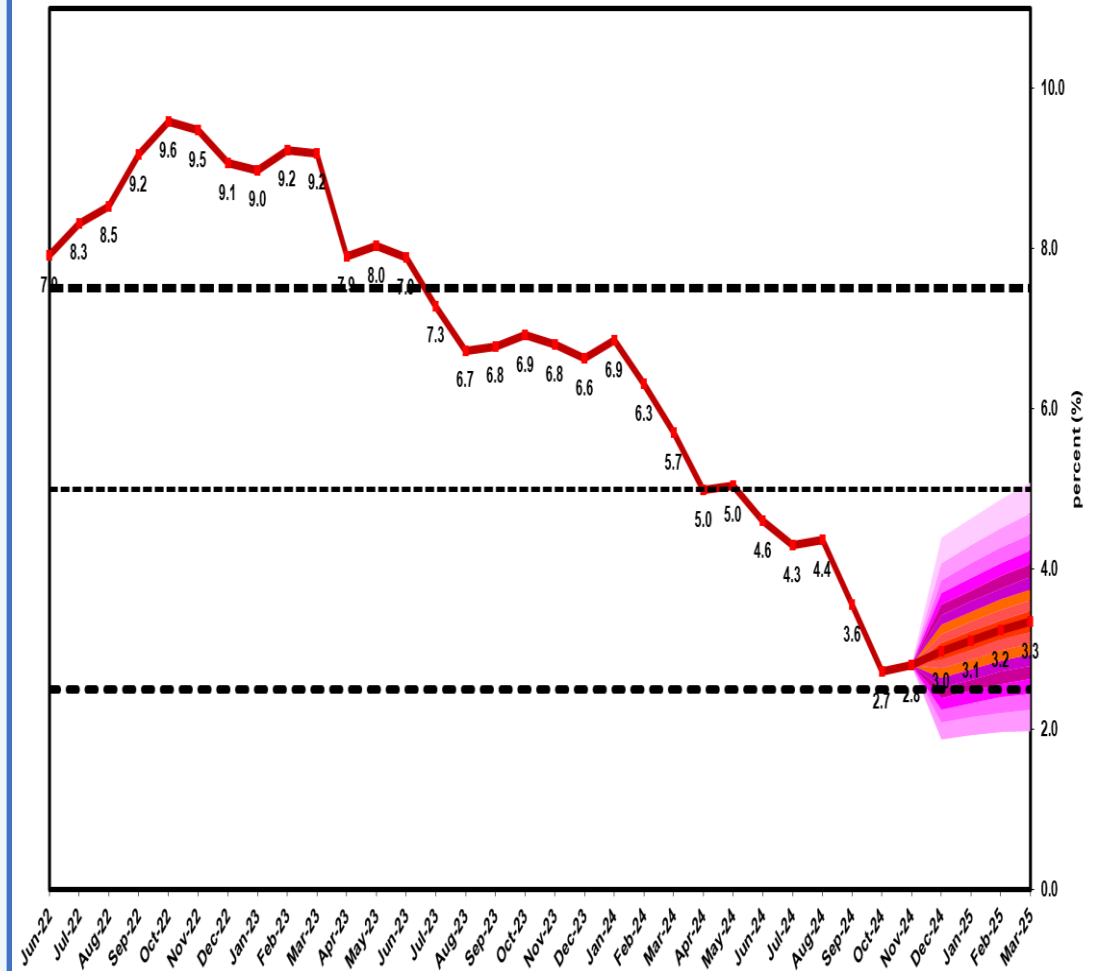
The November 2024 Agriculture Sector Survey, and CBK projections show that inflation is expected to remain within the target range in the near term

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



- Majority of respondents to the November 2024 Agriculture Survey expect inflation to either remain unchanged or decrease in the next three months, on account of improved food supply with ongoing harvests and favorable weather conditions, stability in pump prices, and a stable exchange rate.
- Some respondents expect moderate upward pressure on prices of select cereal items such as green maize due to seasonal factors, and cooking oil on account higher global prices.

## Forecasts of overall inflation: December 2024 to March 2025 (y/y, percent)



Source: KNBS, and CBK for projections



1. Economic growth averaged 4.8 percent in the first half of 2024, down from 5.5 percent in the first half of 2023:
  - The slow down reflects deceleration in growth in most sectors of the economy.
  - Construction and mining and quarrying sectors recorded contractions.
  
2. The growth is projected at 5.1 percent in 2024 and 5.5 percent in 2025, reflecting:
  - The growth slow down in the first half of 2024.
  - Deceleration in private sector credit growth to key sectors of the economy, particularly manufacturing, construction, and transport and storage.
  - The resilience of key service sectors and agriculture, and improved exports are expected to continue supporting growth.
  - Growth will also be supported by implementation of trade initiatives including the Kenya–EU Economic Partnership Agreement, and export promotion measures.
  
3. The main risks to the growth outlook relate to continued geopolitical tensions in the Middle East and Ukraine, which have potential to disrupt supply chains.

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## Domestic economic growth:

The economy is projected to grow by 5.1 percent in 2024 and 5.5 percent in 2025, supported by resilient agriculture and services sector performance, and improved exports

### Real GDP growth (y/y, percent)

	Weight (2016- 2023)	2019 Act.	2020 Act.	2021 Act.	2022 Act.	2023 Act.	2024					2025 Proj.
							Q1 Act.	Q2 Act.	Q3 Est.	Q4 Proj.	Annual Proj.	
<b>1. Agriculture</b>	<b>18.6</b>	<b>2.7</b>	<b>4.6</b>	<b>-0.4</b>	<b>-1.5</b>	<b>6.5</b>	<b>6.1</b>	<b>4.8</b>	<b>5.3</b>	<b>5.2</b>	<b>5.3</b>	<b>5.6</b>
<b>2. Non-Agriculture (o/w)</b>	<b>81.4</b>	<b>5.7</b>	<b>-1.4</b>	<b>9.5</b>	<b>6.3</b>	<b>5.4</b>	<b>4.7</b>	<b>4.5</b>	<b>5.2</b>	<b>5.5</b>	<b>5.0</b>	<b>5.7</b>
<b>2.1 Industry</b>	<b>17.7</b>	<b>4.0</b>	<b>3.3</b>	<b>7.5</b>	<b>3.9</b>	<b>1.9</b>	<b>0.1</b>	<b>0.6</b>	<b>2.0</b>	<b>1.9</b>	<b>1.1</b>	<b>3.5</b>
Mining & Quarrying	<b>1.0</b>	4.3	5.5	18.0	<b>9.3</b>	<b>-6.5</b>	<b>-14.8</b>	<b>-2.7</b>	<b>-5.8</b>	<b>-7.6</b>	<b>-7.7</b>	<b>-3.0</b>
Manufacturing	<b>8.7</b>	2.6	-0.3	7.3	<b>2.6</b>	<b>2.0</b>	<b>1.2</b>	<b>3.2</b>	<b>3.1</b>	<b>3.2</b>	<b>2.7</b>	<b>3.1</b>
Electricity & water supply	<b>2.5</b>	1.7	0.6	5.6	<b>5.5</b>	<b>2.8</b>	<b>2.4</b>	<b>1.0</b>	<b>3.1</b>	<b>2.5</b>	<b>2.3</b>	<b>3.8</b>
Construction	<b>5.5</b>	7.2	10.1	6.7	<b>4.1</b>	<b>3.0</b>	<b>0.1</b>	<b>-2.9</b>	<b>1.5</b>	<b>1.3</b>	<b>0.1</b>	<b>4.0</b>
<b>2.2 Services</b>	<b>55.0</b>	<b>6.5</b>	<b>-1.8</b>	<b>9.8</b>	<b>7.0</b>	<b>7.0</b>	<b>6.2</b>	<b>5.5</b>	<b>6.3</b>	<b>6.8</b>	<b>6.2</b>	<b>6.9</b>
Wholesale & Retail Trade	<b>8.3</b>	5.3	-0.4	8.0	<b>3.5</b>	<b>2.7</b>	<b>4.9</b>	<b>4.4</b>	<b>5.0</b>	<b>5.6</b>	<b>5.0</b>	<b>6.4</b>
Accommodation & food services	<b>1.0</b>	14.3	-47.7	52.6	<b>26.8</b>	<b>33.6</b>	<b>28.0</b>	<b>26.6</b>	<b>25.0</b>	<b>26.7</b>	<b>26.6</b>	<b>18.0</b>
Transport & Storage	<b>9.8</b>	6.3	-8.0	7.4	<b>5.8</b>	<b>6.2</b>	<b>3.9</b>	<b>3.6</b>	<b>5.1</b>	<b>5.7</b>	<b>4.6</b>	<b>5.6</b>
Information & Communication	<b>3.0</b>	7.0	6.0	6.1	<b>9.0</b>	<b>9.3</b>	<b>7.8</b>	<b>7.2</b>	<b>7.9</b>	<b>8.0</b>	<b>7.7</b>	<b>8.6</b>
Financial & Insurance	<b>8.3</b>	8.1	5.9	11.5	<b>12.0</b>	<b>10.1</b>	<b>7.0</b>	<b>5.1</b>	<b>5.8</b>	<b>6.1</b>	<b>6.0</b>	<b>6.4</b>
Public administration	<b>5.8</b>	8.4	7.0	6.0	<b>5.1</b>	<b>4.6</b>	<b>5.8</b>	<b>5.1</b>	<b>5.9</b>	<b>5.3</b>	<b>5.5</b>	<b>4.0</b>
Professional, Admin & Support Services	<b>2.8</b>	6.8	-13.7	7.1	<b>9.5</b>	<b>9.5</b>	<b>9.9</b>	<b>6.8</b>	<b>7.2</b>	<b>7.5</b>	<b>7.8</b>	<b>9.0</b>
Real estate	<b>9.9</b>	6.7	4.1	6.7	<b>4.5</b>	<b>7.3</b>	<b>6.6</b>	<b>6.0</b>	<b>6.9</b>	<b>7.0</b>	<b>6.6</b>	<b>6.4</b>
Education	<b>4.7</b>	5.7	-9.2	22.8	<b>5.2</b>	<b>3.1</b>	<b>4.0</b>	<b>3.1</b>	<b>4.5</b>	<b>5.0</b>	<b>4.2</b>	<b>5.7</b>
Health	<b>2.2</b>	5.5	5.6	8.9	<b>3.4</b>	<b>4.9</b>	<b>5.5</b>	<b>5.5</b>	<b>5.1</b>	<b>5.0</b>	<b>5.3</b>	<b>5.3</b>
Other services	<b>2.2</b>	4.3	-14.6	12.5	<b>6.5</b>	<b>4.1</b>	<b>2.3</b>	<b>2.0</b>	<b>4.5</b>	<b>4.9</b>	<b>3.5</b>	<b>3.7</b>
FISIM	<b>-3.1</b>	9.5	-1.8	5.3	<b>0.2</b>	<b>2.7</b>	<b>5.8</b>	<b>0.9</b>	<b>3.1</b>	<b>2.9</b>	<b>3.2</b>	<b>2.7</b>
<b>2.3 Taxes on products</b>	<b>8.6</b>	<b>3.9</b>	<b>-8.0</b>	<b>11.9</b>	<b>6.7</b>	<b>2.2</b>	<b>4.4</b>	<b>5.7</b>	<b>4.1</b>	<b>4.5</b>	<b>4.7</b>	<b>2.9</b>
<b>Real GDP Growth</b>	<b>100.0</b>	<b>5.1</b>	<b>-0.3</b>	<b>7.6</b>	<b>4.9</b>	<b>5.6</b>	<b>5.0</b>	<b>4.6</b>	<b>5.2</b>	<b>5.5</b>	<b>5.1</b>	<b>5.5</b>

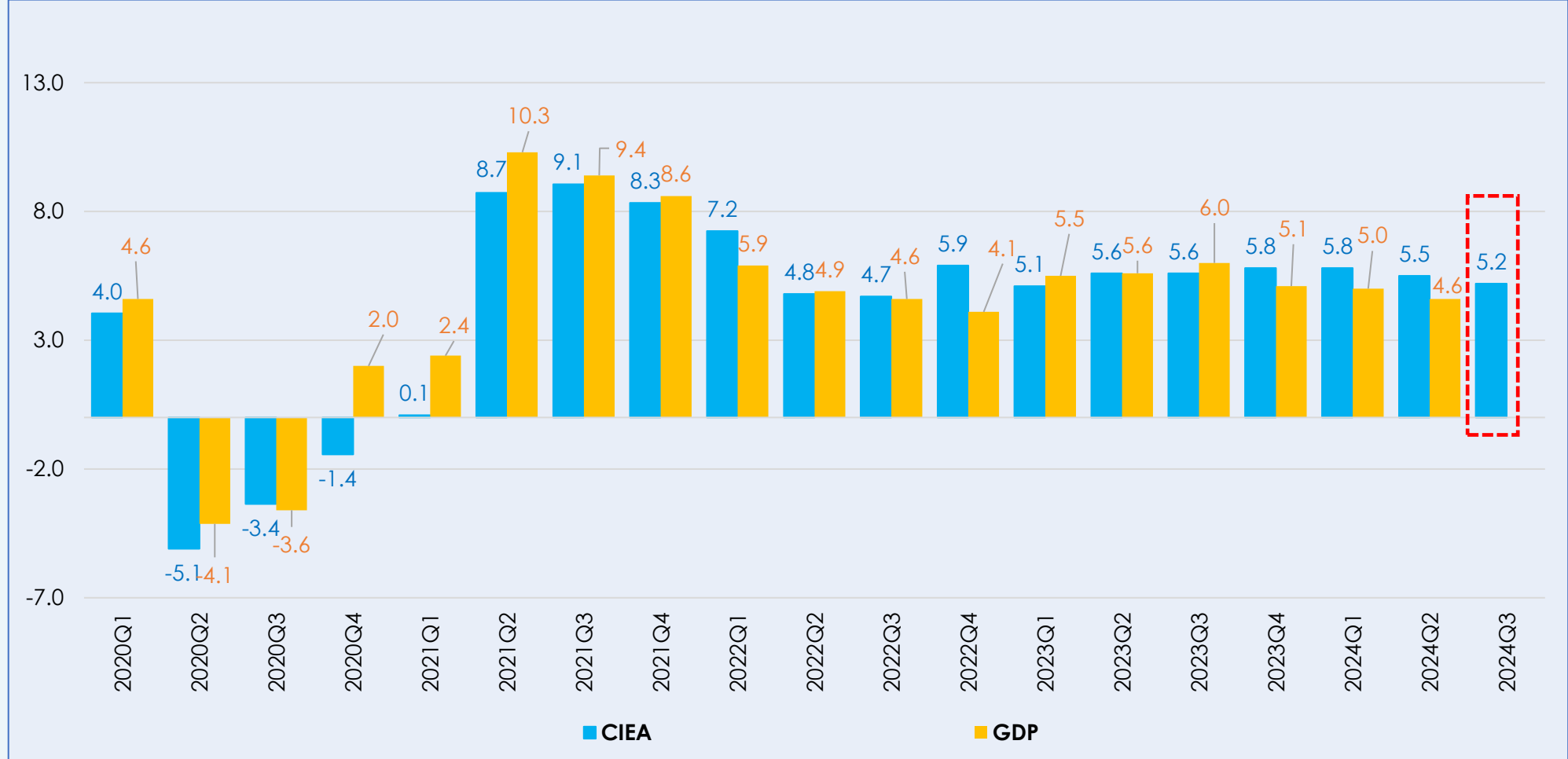
Source: Kenya National Bureau of Statistics and Central Bank of Kenya

16.

## Domestic economy:

Leading indicators point to an estimate of 5.2 percent for real GDP growth in 2024Q3, compared to a growth of 6.0 percent in 2023Q3

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:

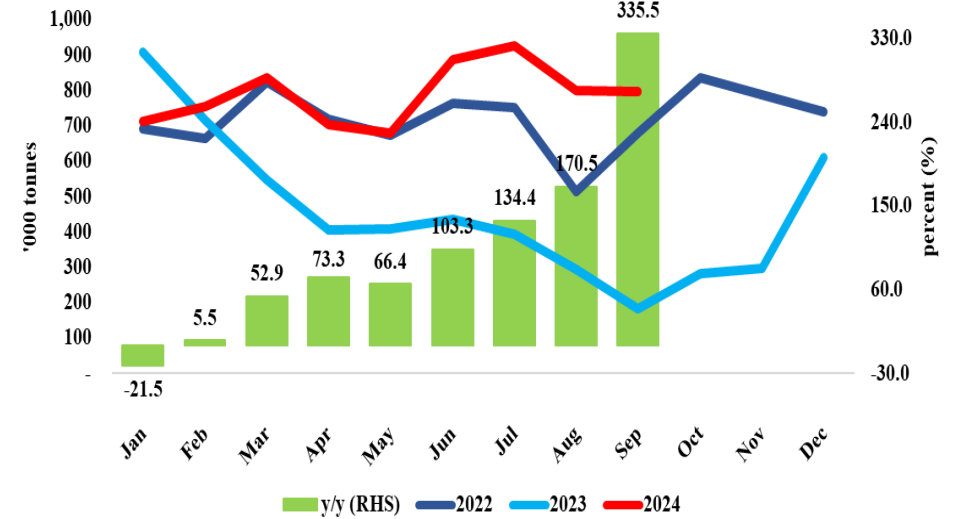
Production of key crops is projected to be resilient in 2024, reflecting the impact of favorable weather conditions and increased usage of the Government subsidized fertilizer. Sugar cane and milk production increased in the third quarter of 2024 due to favorable weather conditions

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

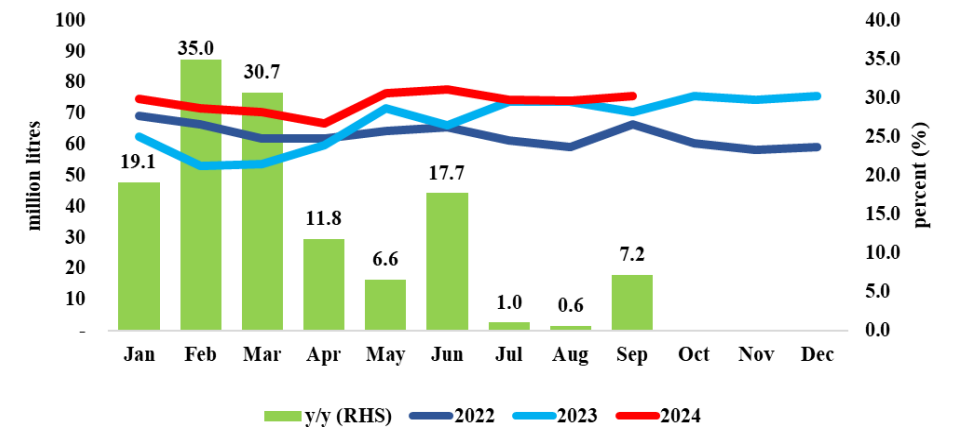
	2021	2022	2023	2024 Proj.	Proj. 2023/2024 Growth (%)
Maize	36,700,000	34,300,000	47,600,000	<b>48,355,216</b>	<b>1.6</b>
Wheat	3,878,889	4,096,667	3,438,889	<b>4,497,878</b>	<b>30.8</b>
Rice	1,490,350	2,136,656	2,545,156	<b>1,828,134</b>	<b>-28.2</b>
Beans	7,400,000	8,300,000	9,600,000	<b>10,583,508</b>	<b>10.2</b>
Irish Potatoes	23,333,333	20,000,000	25,555,556	<b>27,051,233</b>	<b>5.9</b>
Sorghum	1,500,000	1,300,000	2,200,000	<b>3,258,868</b>	<b>48.1</b>
Millet	700,000	700,000	1,000,000	<b>1,132,626</b>	<b>13.3</b>

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

### Sugar cane deliveries



### Milk deliveries

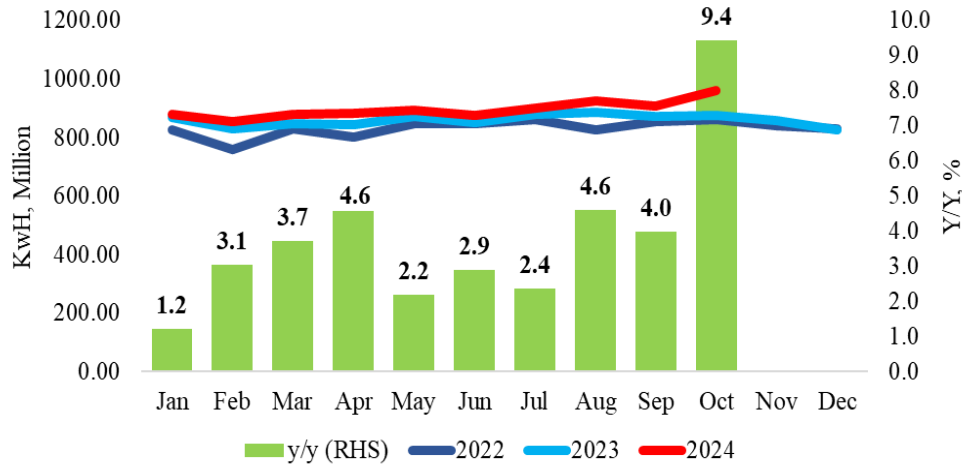


Source: Kenya National Bureau of Statistics

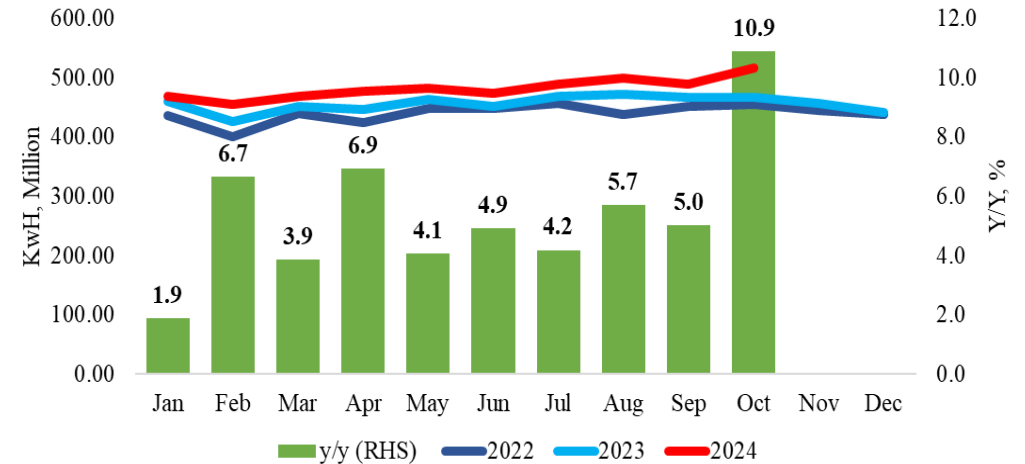
## Manufacturing sector performance:

Increased power consumption particularly by large companies, and growth in agro-processing activities, indicate improved manufacturing activity

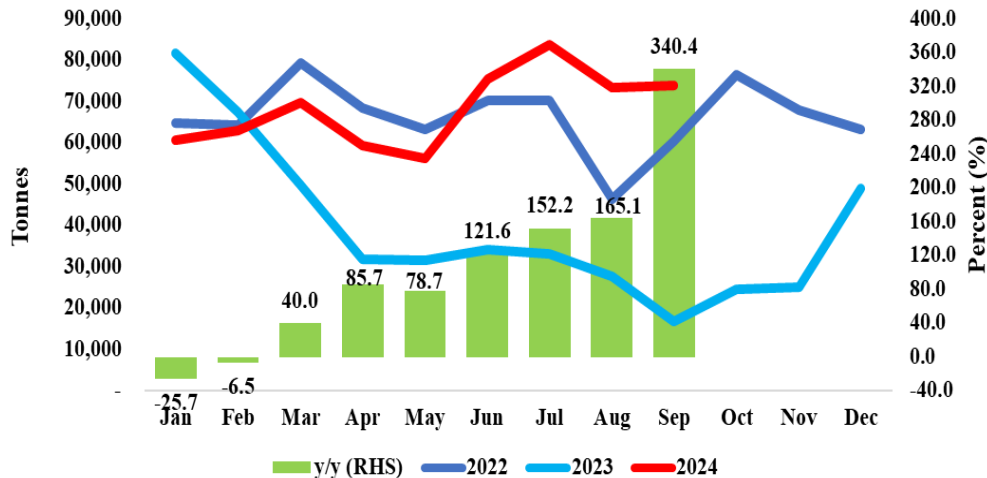
### Total Power Consumption



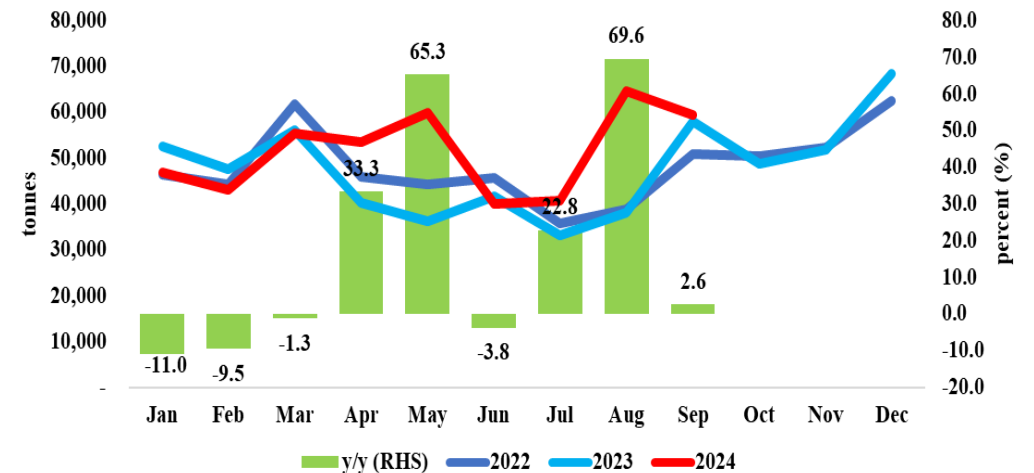
### Trends of Large Power Consumption



### Sugar Production



### Soft drinks Production

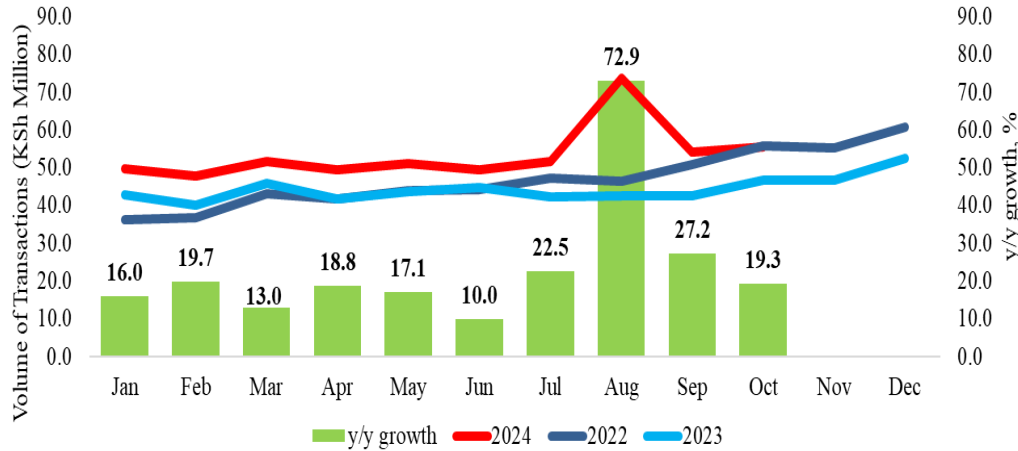


Source: KNBS

# Services sector performance:

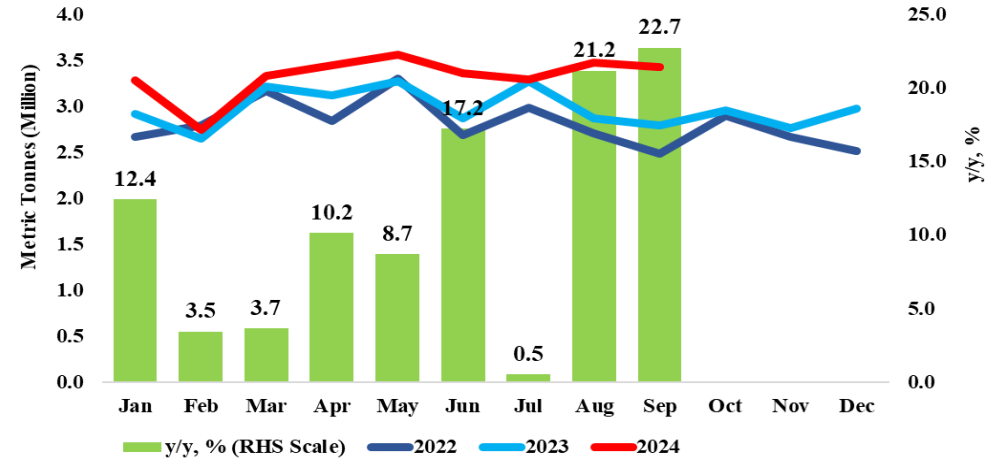
Select indicators of performance of the information and communication, transport and storage, and accommodation and food services sectors, indicate resilient performance

Volume of Bank to E-wallet Transactions



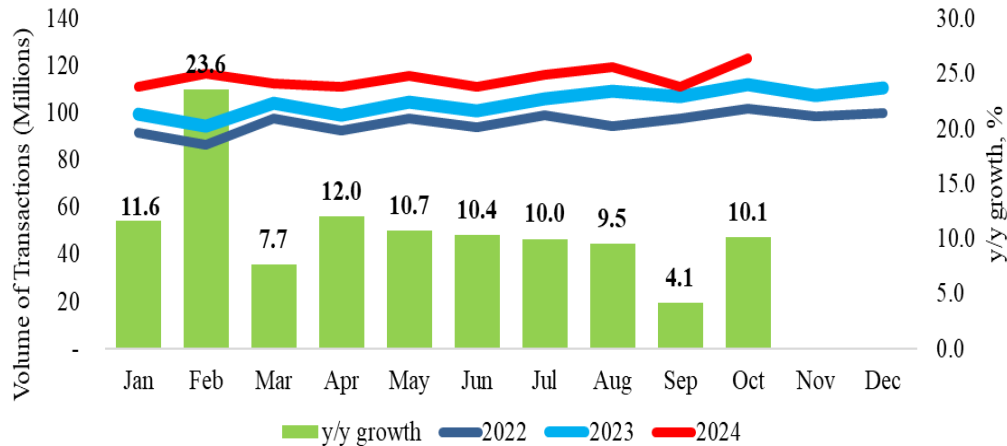
Source: CBK

Monthly Cargo Throughput at the Port of Mombasa



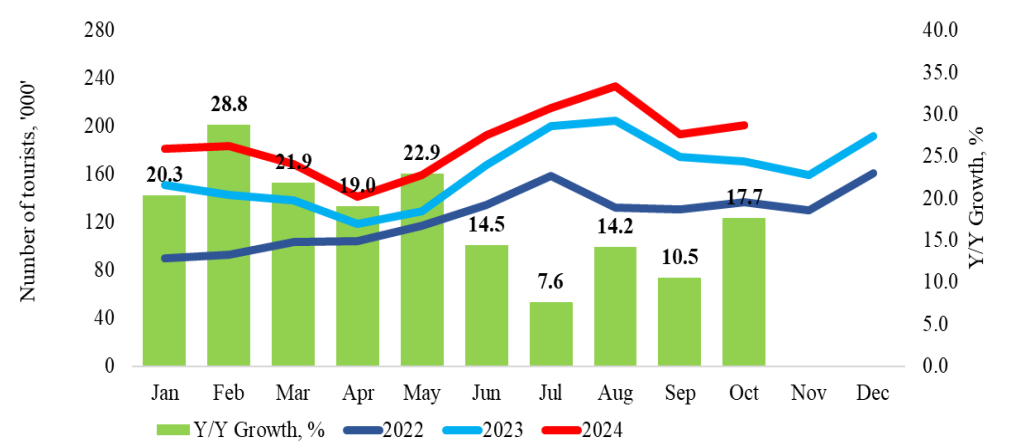
Source: KNBS

Volume of Mobile Money Deposit Transactions



Source: CBK

Tourist arrivals



Source: Kenya Tourism Board

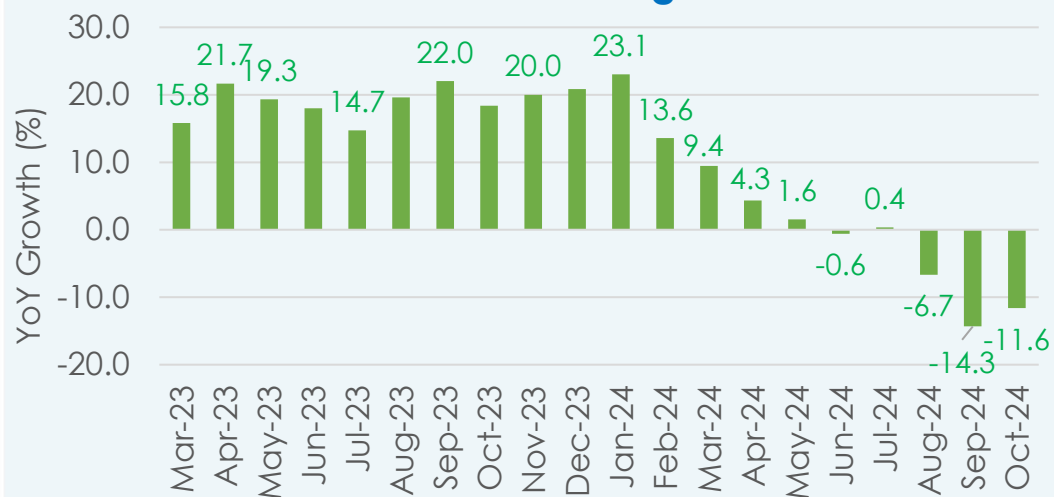


## Sectoral credit to private sector:

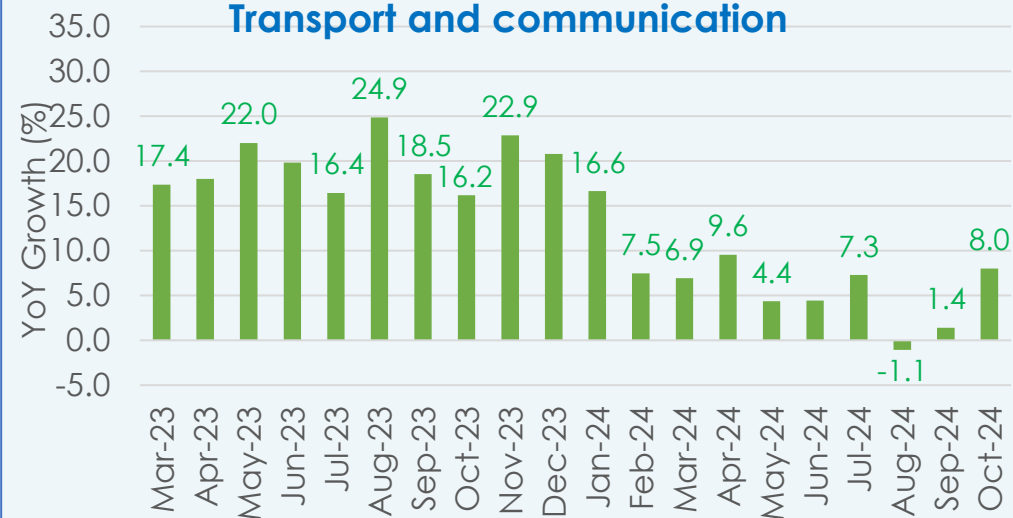
Growth in credit to key sectors of the economy decelerated with implications on economic growth

### Sectoral growth in credit to private sector (y/y, percent)

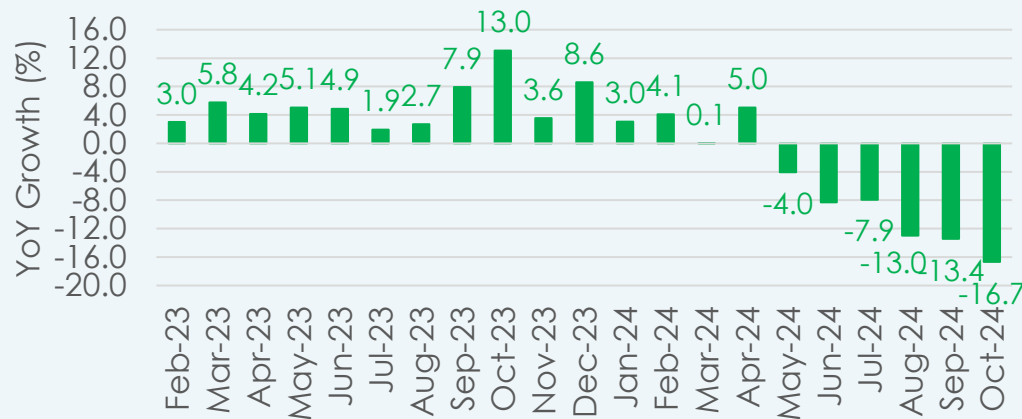
#### Manufacturing



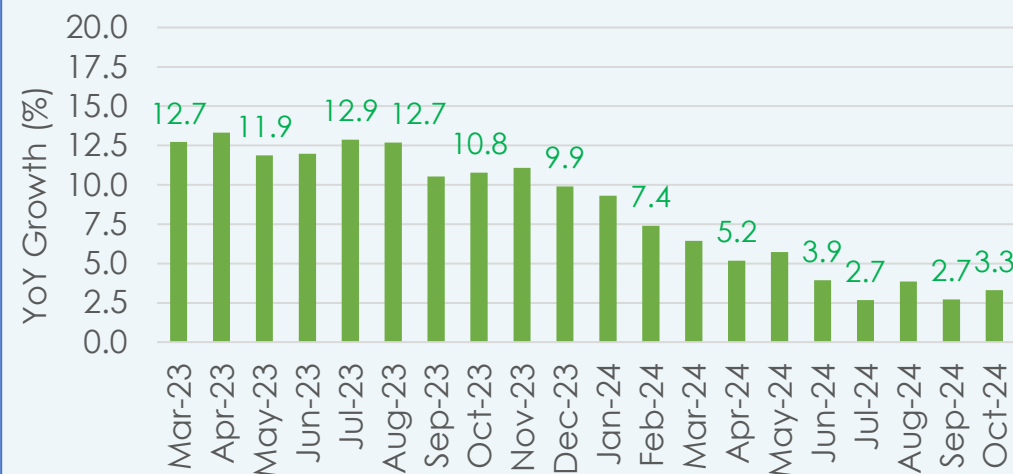
#### Transport and communication



#### Building and construction



#### Consumer durables



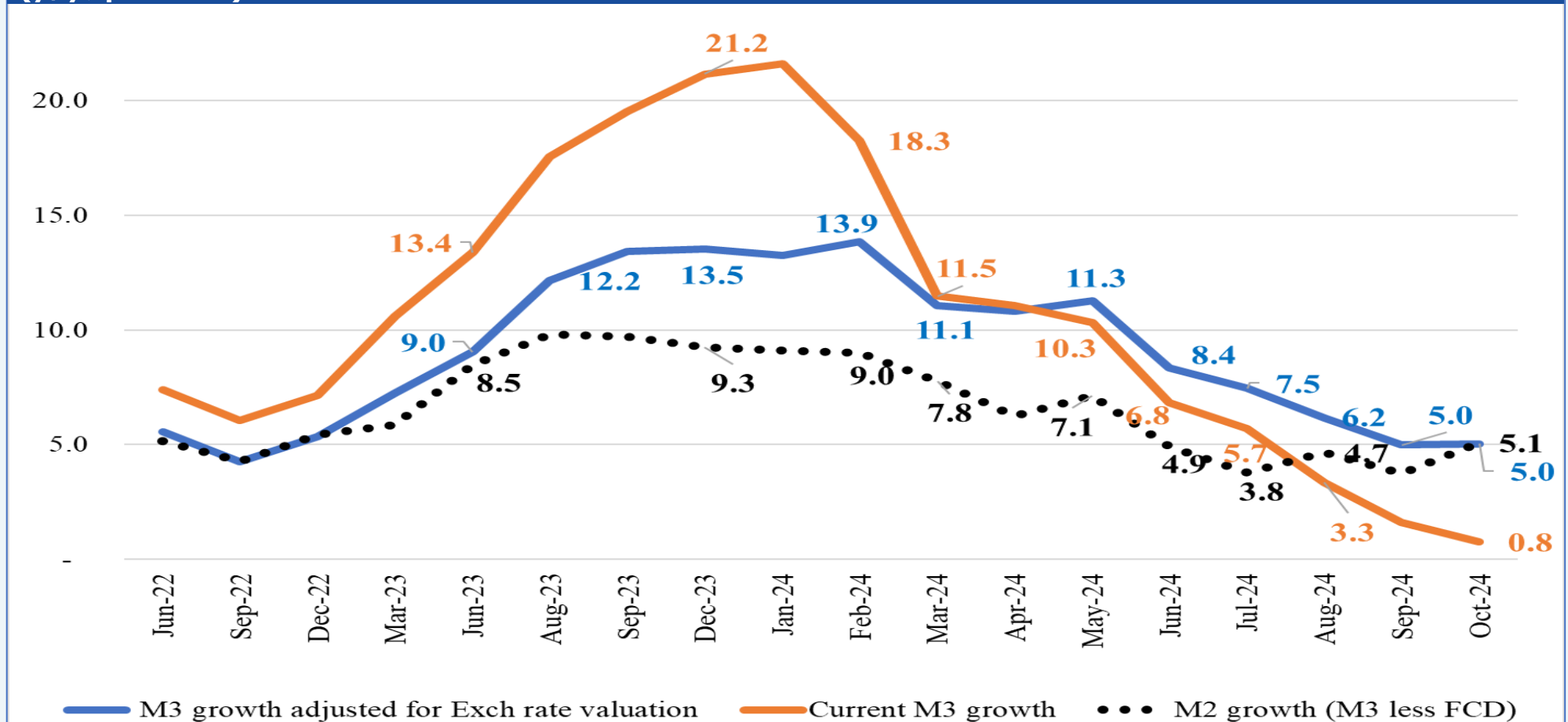
Source: KNBS and Central Bank of Kenya

1. Growth in money supply moderated further in October 2024, mainly reflecting a deceleration in credit to private sector growth, and exchange rate valuation effects.
2. Growth of credit to private sector across most sectors has slowed down, reflecting;
  - Impact of exchange rate appreciation on foreign currency loans
  - Higher lending rates due to lag effects of previous tightening of monetary policy.
3. Short-term interest rates have declined in line with the reduction in the CBR.
4. Commercial banks' average lending interest rates are expected to decline in line with the short-term interest rates.

## Monetary developments:

Moderation in growth in broad money supply M3, reflects exchange rate valuation effects attributed to appreciation of the Shilling. Growth in M2 has picked up slightly

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

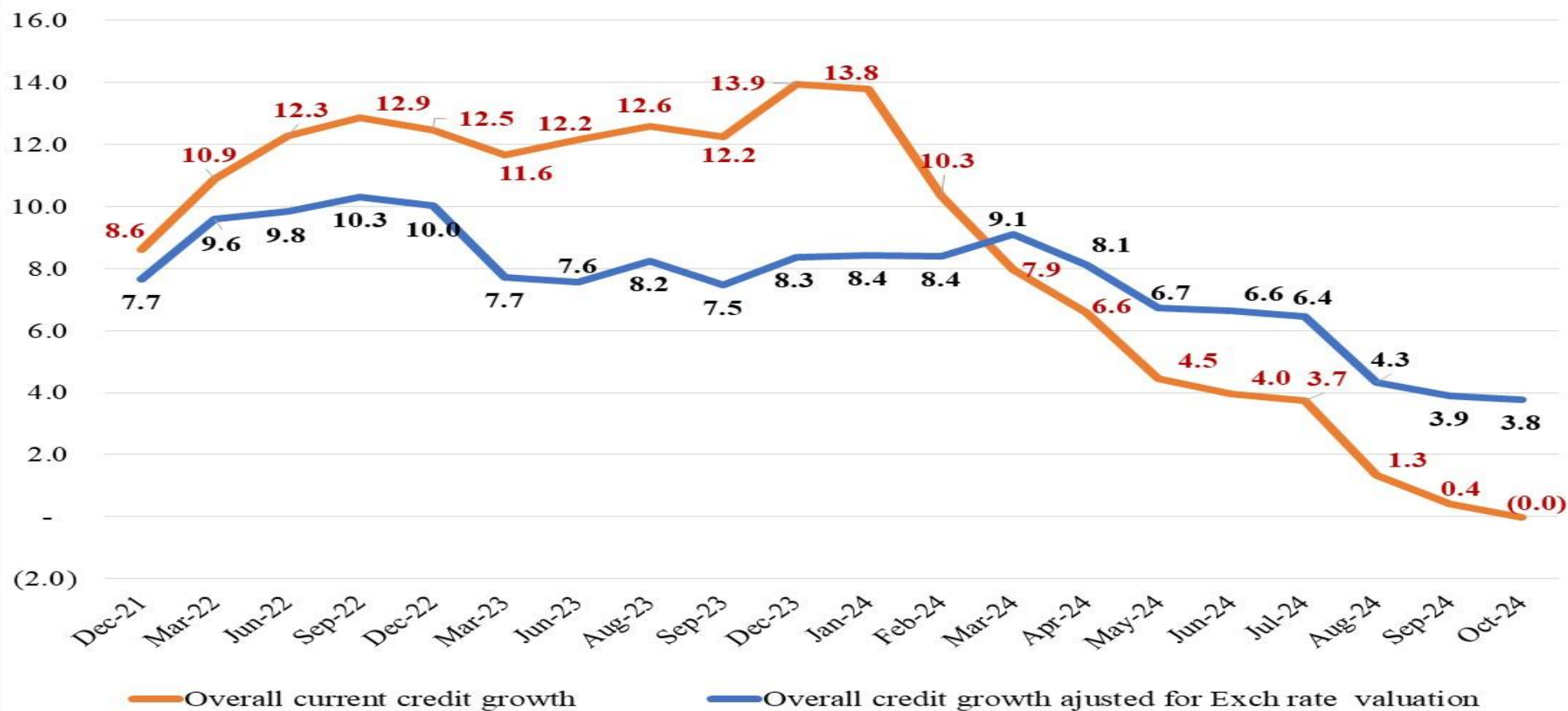


Source: CBK

## Monetary developments:

Commercial bank lending to the private sector remained broadly unchanged in October 2024 relative to the previous year, reflecting exchange rate valuation effects on foreign currency denominated loans, and reduced demand attributed to high lending interest rates

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

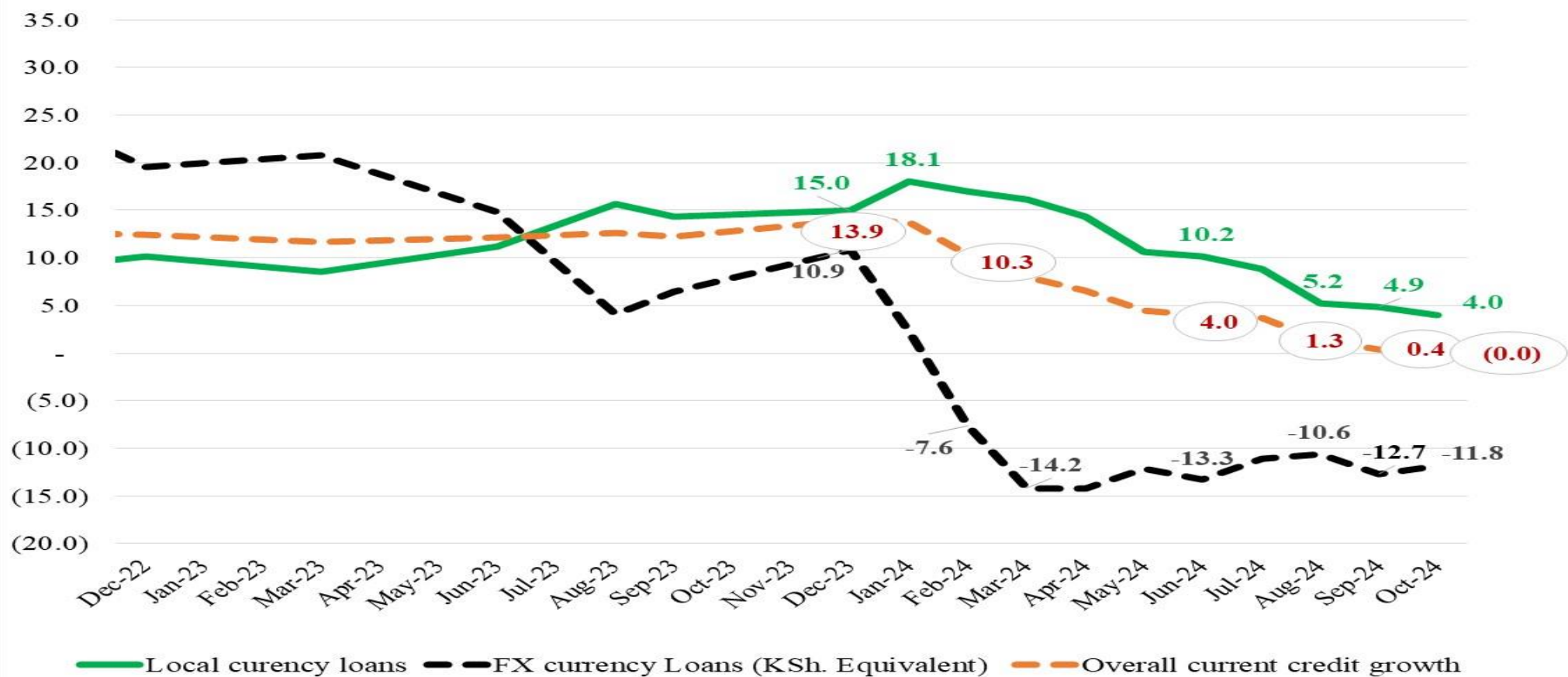


Source: CBK

## Monetary developments:

Growth in local currency loans to private sector moderated in October 2024, partly reflecting net repayments of loans and reduced credit demand

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



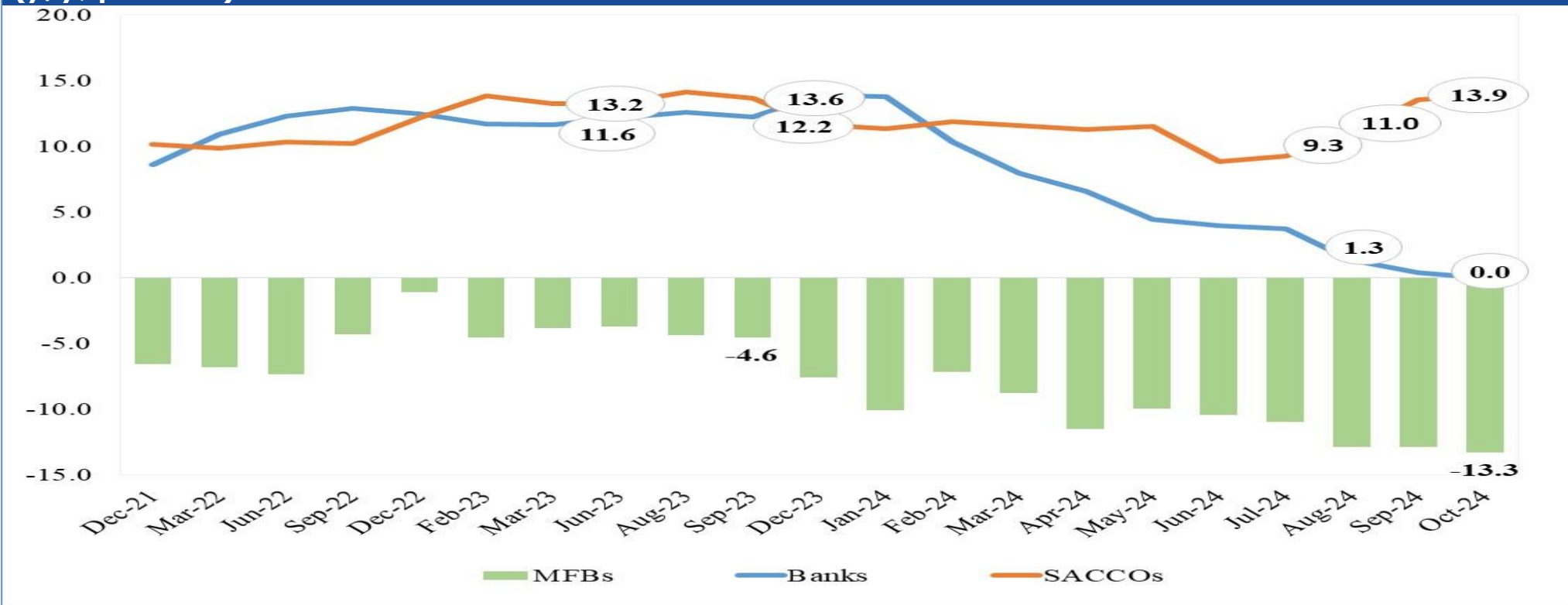
Source: CBK



## Monetary developments:

Growth in credit from SACCOs has been relatively resilient, mainly reflecting comparably lower interest rates relative to commercial banks

### 12 Month growth in credit to the private sector by banks and SACCOs (y/y, percent)



	Shares in total credit (%)									
	Dec-22	Mar-23	Jun-23	Sep-23	Oct-23	Dec-23	Mar-24	Jun-24	Sep-24	Oct-24
Saccos	14.4	14.3	14.3	14.3	14.2	14.2	14.8	14.9	15.9	15.9
MFB's	1.1	1.1	1.0	1.0	1.0	0.9	0.9	0.9	0.9	0.8
Banks	84.4	84.6	84.7	84.7	84.8	84.8	84.3	84.2	83.2	83.2

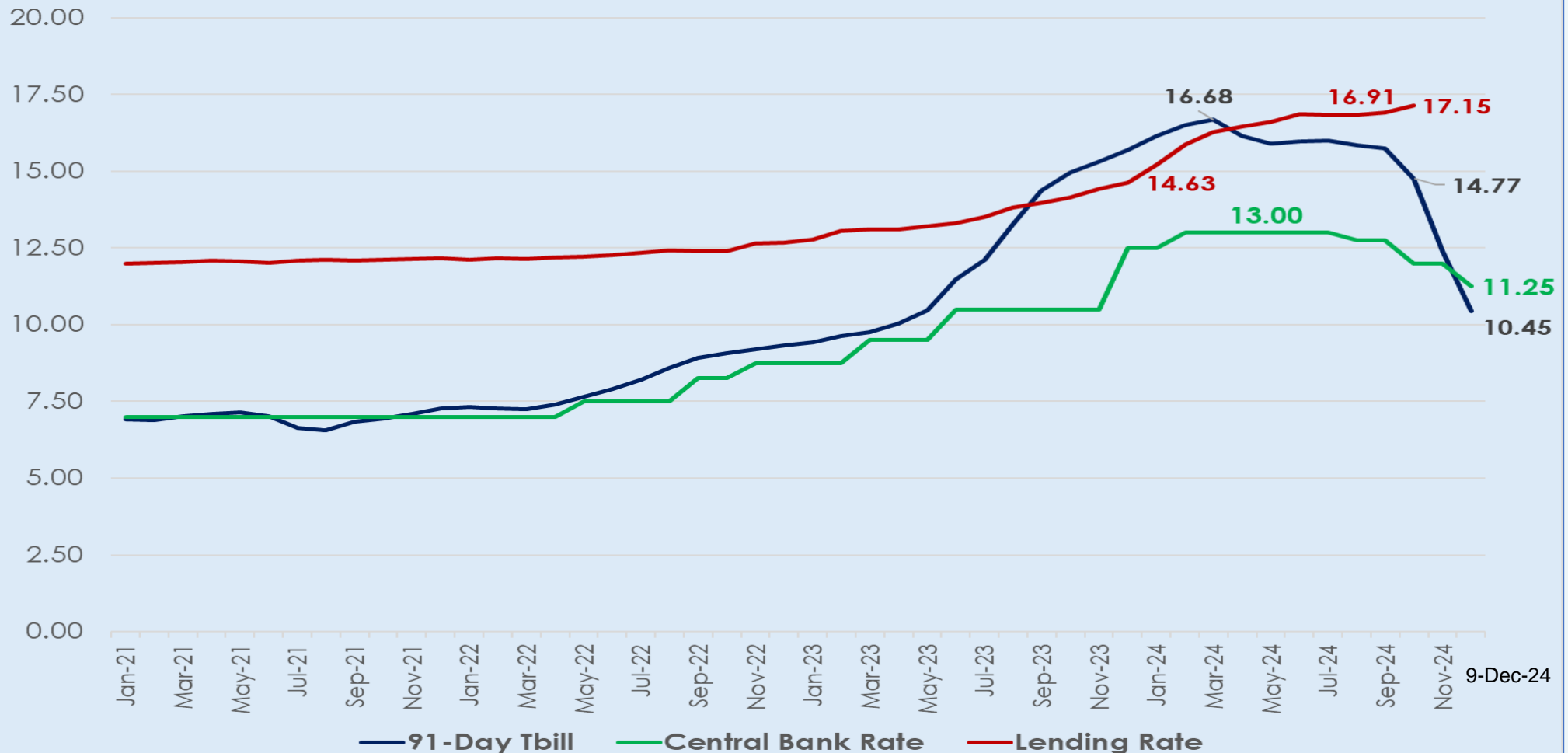
Source: CBK



## Monetary developments:

Short term interest rates have declined in line with the lowering of the Central Bank Rate August and October 2024

### Average lending rate, 91-day Treasury bill rate, and Central bank Rate (percent)

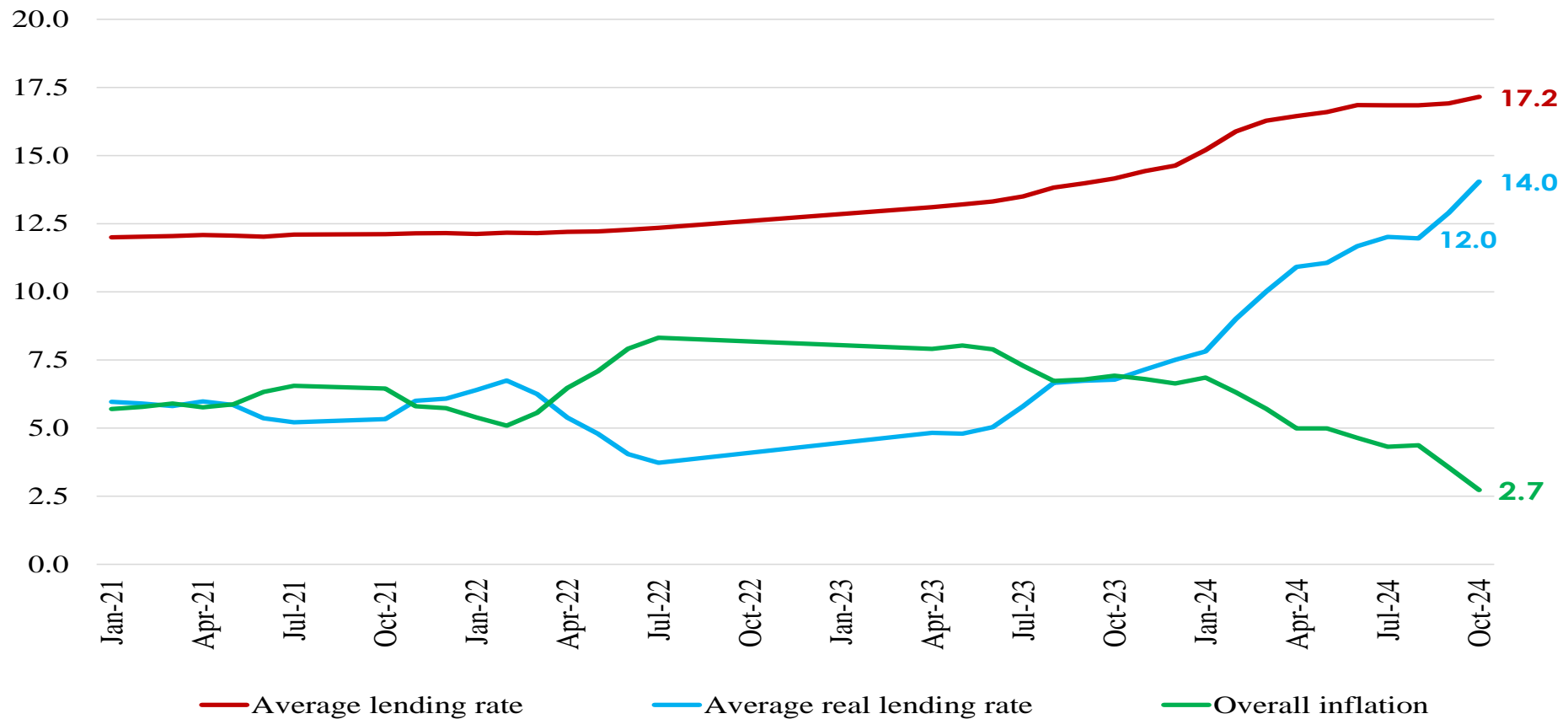


Source: CBK

## Monetary developments:

Commercial banks real lending rates have increased, with the decline in short term interest rates expected to transmit into lower lending rates

### Average commercial banks interest rates, and overall inflation (percent)

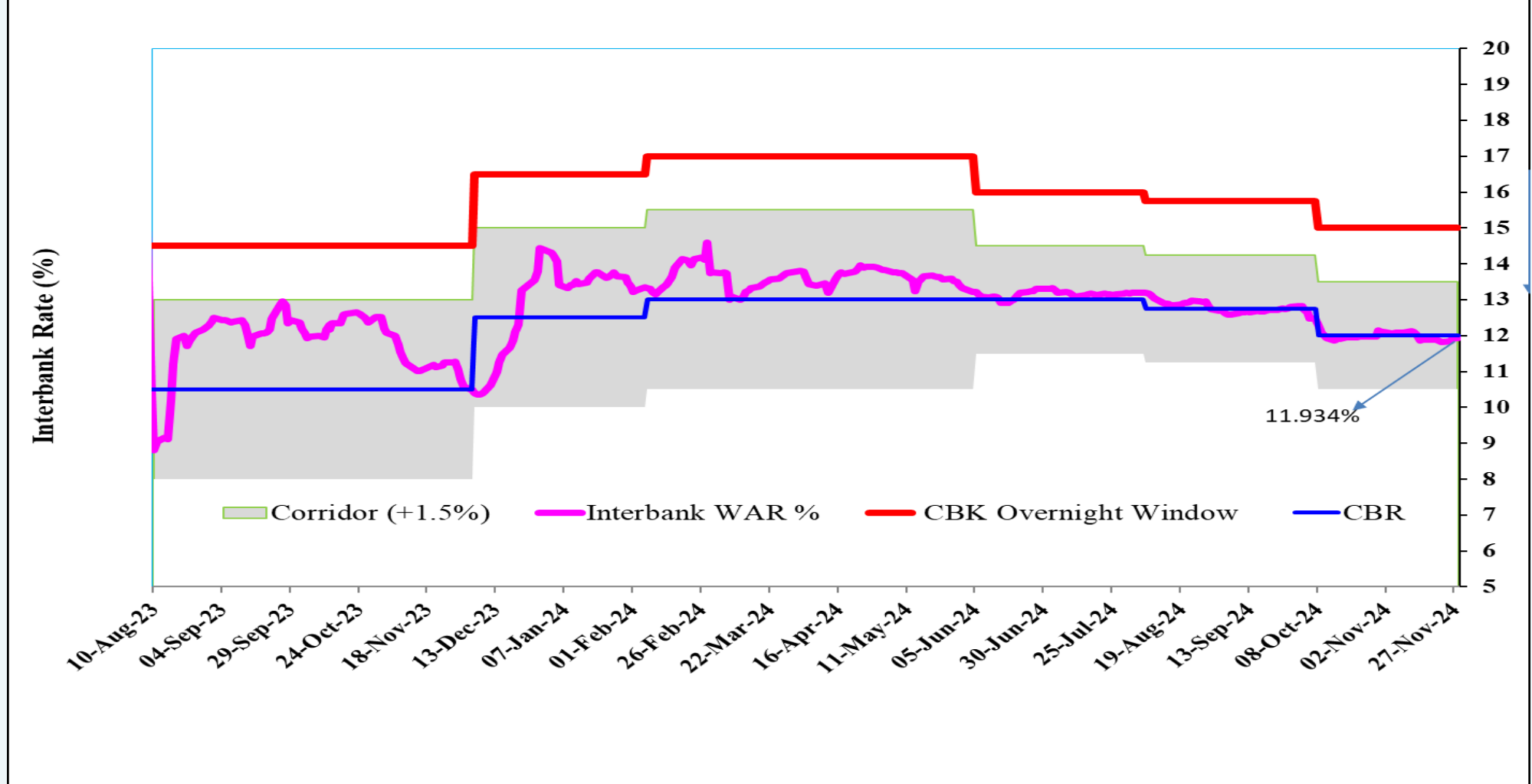


Source: CBK

## Monetary policy implementation framework:

The new framework has aligned the interbank rate to the CBR, reduced interbank rate spreads, and improved monetary policy transmission to the short-term interest rates

### Monetary policy implementation framework Since August 10, 2023



Source: CBK

- **The current account deficit was 3.8 percent of GDP in the 12 months to October 2024 from 3.7 percent of GDP in the 12 months to October 2023**, reflecting improvement in goods exports and resilient remittance inflows, and import recovery due to a stable exchange rate.
- **The current account deficit is expected to remain stable at 4.0 percent of GDP in 2024 and 2025**, reflecting improved exports especially of agricultural commodities, resilient remittances, trade and investment initiatives, and recovery in imports supported by a stable exchange rate.
- **The projected current account deficit in 2024 is expected to be more than fully financed by capital and financial inflows**, resulting in an overall balance of payments surplus of USD 937 million. This surplus, together with IMF disbursements, is expected to result in a buildup of reserves by USD 2,227 million.
- **The main external sector risks** relate to intensification of ongoing geopolitical conflict, and volatility in the international oil markets.

30.

## Balance of payments:

The overall balance of payments was a surplus in the 12 months to October 2024, reflecting improved surplus in the financial account

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

	2020	2021	2022	12 Months to Oct 2023	2023	12 Months to Oct 2024	2024 Proj	2025 proj.
<b>Current account</b>	<b>-3,730</b>	<b>-5,601</b>	<b>-5,901</b>	<b>-4,104</b>	<b>-4,294</b>	<b>-4,471</b>	<b>-4,938</b>	<b>-5,421</b>
Trade balance	<b>-8,337</b>	<b>-11,139</b>	<b>-11,934</b>	<b>-9,966</b>	<b>-10,011</b>	<b>-10,472</b>	<b>-10,860</b>	<b>-11,986</b>
Goods exports, f.o.b	<b>6,062</b>	<b>6,787</b>	<b>7,421</b>	<b>7,274</b>	<b>7,228</b>	<b>8,139</b>	<b>8,232</b>	<b>9,261</b>
Tea	1,226	1,192	1,384	1,370	1,345	1,400	1,488	1,627
Horticulture	950	1,129	944	935	929	1,048	1,052	1,245
Goods imports, f.o.b	<b>14,399</b>	<b>17,926</b>	<b>19,355</b>	<b>17,241</b>	<b>17,239</b>	<b>18,611</b>	<b>19,092</b>	<b>21,247</b>
Oil Products	2,219	3,474	5,548	4,717	4,802	4,733	4,897	5,209
Services balance	<b>334</b>	<b>955</b>	<b>1,277</b>	<b>749</b>	<b>632</b>	<b>699</b>	<b>794</b>	<b>1,000</b>
Services Debit	<b>3,326</b>	<b>4,056</b>	<b>5,251</b>	<b>5,162</b>	<b>4,823</b>	<b>4,747</b>	<b>4,614</b>	<b>4,902</b>
Goods and Services Balance	<b>-8,003</b>	<b>-10,184</b>	<b>-10,657</b>	<b>-9,217</b>	<b>-9,378</b>	<b>-9,773</b>	<b>-10,067</b>	<b>-10,986</b>
Primary income, Balance	<b>-677</b>	<b>-1,533</b>	<b>-1,761</b>	<b>-1,937</b>	<b>-1,901</b>	<b>-2,160</b>	<b>-2,440</b>	<b>-2,495</b>
Secondary income	<b>4,950</b>	<b>6,116</b>	<b>6,516</b>	<b>7,051</b>	<b>6,986</b>	<b>7,461</b>	<b>7,569</b>	<b>8,060</b>
Remittances	3,094	3,718	4,028	4,165	4,190	4,804	4,923	5,268
<b>Capital account</b>	<b>131</b>	<b>196</b>	<b>141</b>	<b>136</b>	<b>128</b>	<b>139</b>	<b>134</b>	<b>141</b>
<b>Financial Account</b>	<b>-1,876</b>	<b>-5,560</b>	<b>-4,159</b>	<b>-2,130</b>	<b>-2,631</b>	<b>-4,600</b>	<b>-5,266</b>	<b>-5,326</b>
Net Errors and Omissions	<b>294</b>	<b>697</b>	<b>-539</b>	<b>763</b>	<b>527</b>	<b>721</b>	<b>476</b>	<b>0</b>
Overall balance ("-" indicates a surplus)	<b>1,429</b>	<b>-852</b>	<b>2,141</b>	<b>1,074</b>	<b>1,008</b>	<b>-990</b>	<b>-937</b>	<b>-46</b>
Reserves and related items	<b>-1,429</b>	<b>852</b>	<b>-2,141</b>	<b>-1,074</b>	<b>-1,008</b>	<b>990</b>	<b>937</b>	<b>46</b>
Reserve assets (gross)+ve entry reflect an increase in reserve assets	-819	1,194	-1,521	-254	-628	1,669	2,227	333
Use of Fund credit and loans to the fund (net)	610	847	619	820	380	680	1,290	287

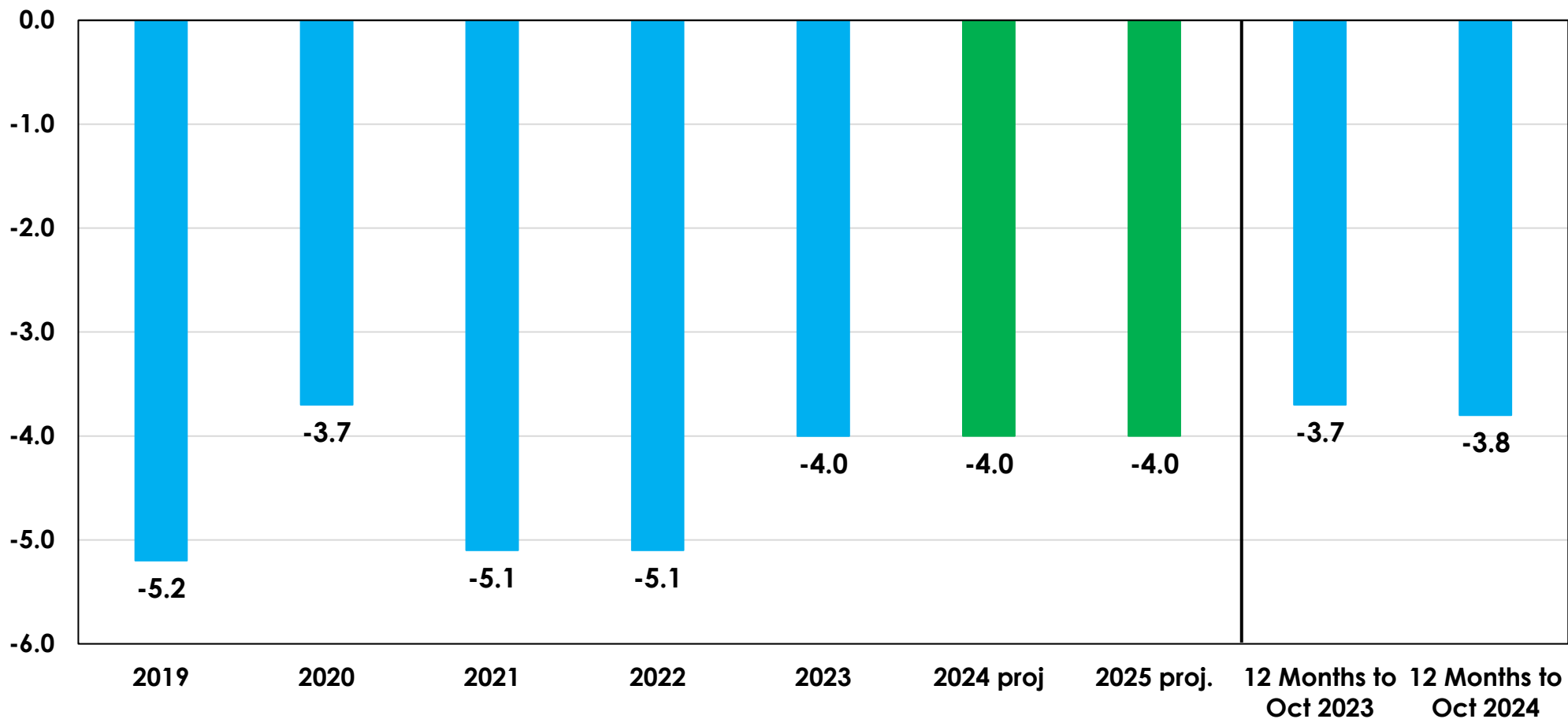
Source: CBK

31.

## Current account balance:

The current account deficit is projected to remain stable at 4.0 percent of GDP in both 2024 and 2025

Current account balance (percent of GDP)



Source: CBK

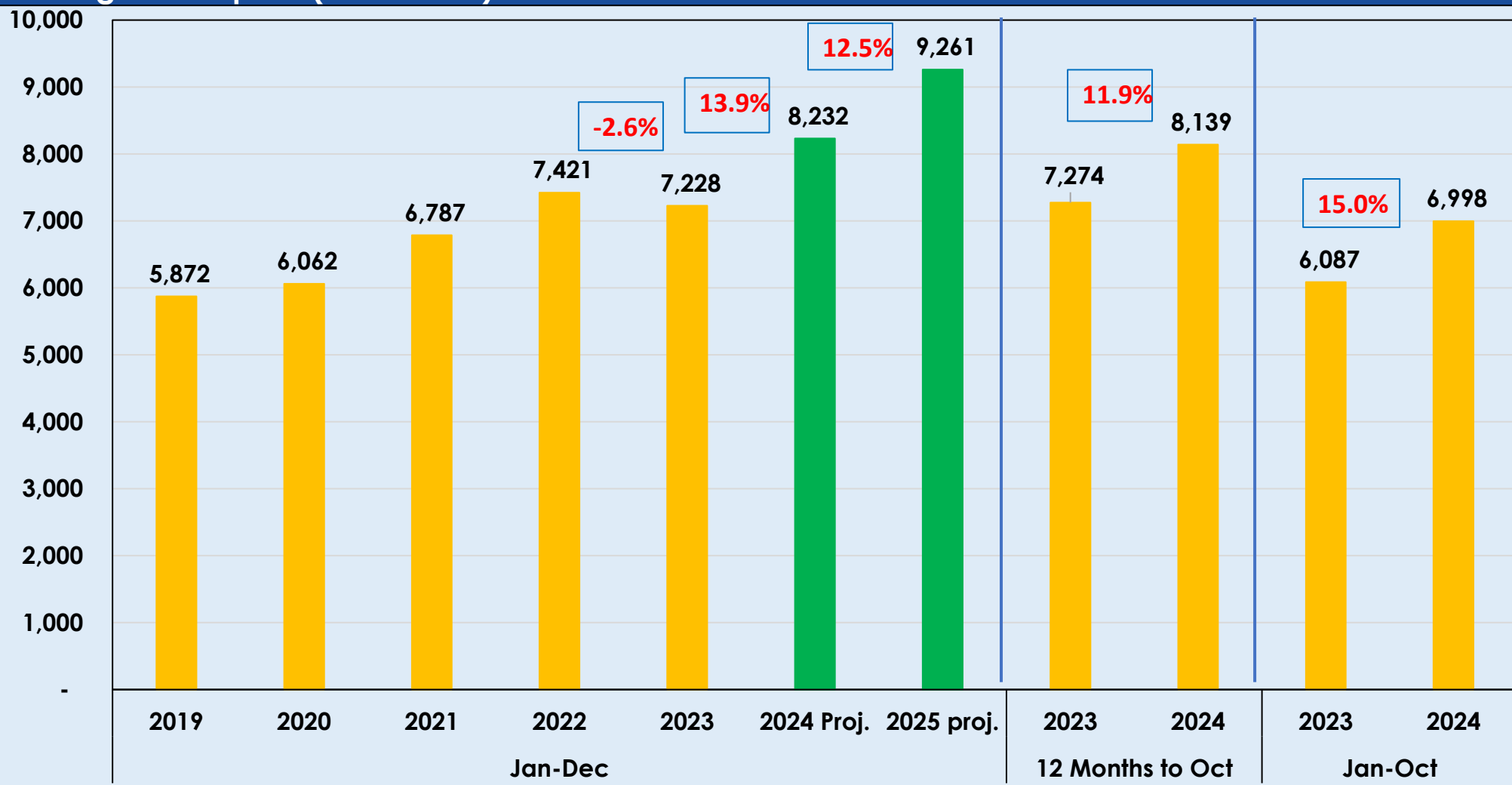


32.

## Balance of payments:

Goods exports increased by 15.0 percent in the first ten months of 2024 compared to a similar period in 2023, driven by exports of agricultural commodities and re-exports

Total goods exports (USD Million)



## 33.

## Balance of payments:

The increase in exports was broad based, except in manufactured goods

### Goods exports by products (USD Million)

SITC CODE		Jan-Dec			Percent Change		12 Months to October			Percent Change		October			Percent Change	
		2021	2022	2023	2022/21	2023/22	2022	2023	2024	2023/22	2024/23	2022	2023	2024	2023/22	2024/23
0	<b>FOOD AND LIVE ANIMALS</b>	2551	2773	2799	8.7	0.9	2752	2821	2960	2.5	4.9	2320	2369	2530	2.1	6.8
05	VEGETABLES AND FRUITS	688	584	590	-15.2	1.1	600	590	689	-1.7	16.8	503	509	607	1.2	19.3
054	Fresh vegetables	296	205	212	-30.7	3.7	216	211	273	-2.7	29.4	171	177	237	3.4	34.0
057	Fresh fruits & Nuts	282	277	246	-1.8	-11.5	282	255	285	-9.5	11.7	245	223	263	-9.0	17.8
071	Coffee & Substitutes	249	331	266	32.9	-19.4	332	279	284	-16.0	1.8	298	246	264	-17.3	7.2
0741	Tea	1192	1384	1347	16.1	-2.7	1352	1370	1400	1.3	2.1	1131	1118	1170	-1.2	4.7
1	<b>BEVERAGES AND TOBACCO</b>	159	164	144	2.9	-12.1	160	150	142	-6.3	-5.1	133	119	117	-10.3	-1.3
2	<b>CRUDE MATERIALS- INEDIBLE</b>	1286	1256	1194	-2.3	-4.9	1250	1215	1222	-2.8	0.5	1049	1008	1035	-3.9	2.7
28	Metalliferous Ores and metal scrap	312	371	269	19.0	-27.6	350	292	241	-16.6	-17.4	302	223	196	-26.1	-12.1
292711	Cut flowers	551	462	471	-16.1	2.0	478	469	490	-1.8	4.4	394	401	419	1.8	4.7
3	<b>MINERAL FUELS</b>	54	88	115	62.3	31.1	86	94	126	9.7	33.8	75	81	93	8.9	13.8
4	<b>ANIMAL AND VEGETABLE OILS</b>	137	226	162	65.3	-28.6	223	165	217	-25.9	31.6	195	134	190	-31.4	41.3
5	<b>CHEMICALS AND RELATED PRODUCTS</b>	522	606	608	16.2	0.4	587	615	624	4.9	1.5	505	514	530	1.9	3.1
51	Organic inorganic chemicals	89	141	108	58.4	-23.3	130	120	94	-8.0	-21.6	116	95	81	-18.2	-14.9
54	Medical and Pharmaceuticals	102	103	126	1.7	22.1	100	121	141	21.0	16.0	88	106	121	20.3	13.6
55	Perfume materials	171	182	192	6.9	5.1	184	192	194	4.4	1.2	153	163	165	6.4	1.7
6	<b>MANUFACTURED GOODS</b>	512	622	680	21.5	9.3	607	686	641	12.9	-6.6	518	582	543	12.4	-6.7
64	Paper & Paperboard(inc. articles of paper)	46	62	64	35.5	2.3	61	64	50	3.8	-22.0	54	55	41	2.5	-25.8
66	Non - Metallic Minerals	143	154	212	7.4	37.8	155	211	206	35.8	-2.1	128	184	178	44.3	-3.2
67	Iron and Steel	174	233	231	33.6	-0.5	223	240	199	7.5	-16.9	192	199	167	3.8	-16.1
7	<b>MACHINERY AND TRANSPORT EQUIPMENT</b>	137	120	115	-12.4	-4.1	116	120	117	3.3	-2.4	95	95	98	0.3	2.5
8	<b>MISCELLANEOUS MAN. ARTICLES</b>	675	689	606	2.2	-12.2	694	609	720	-12.4	18.3	587	506	620	-13.8	22.6
84	Clothing accessories	389	400	325	2.9	-18.8	404	333	399	-17.6	19.7	337	270	344	-19.9	27.4
9	<b>COMMODITIES &amp; TRANSACTIONS</b>	15	33	33	111.7	0.5	34	24	33	-29.1	37.3	28	20	20	-29.8	2.4
	<b>DOMESTIC EXPORTS</b>	6,048	6,576	6,455	8.7	-1.8	6,510	6,500	6,803	-0.1	4.7	5,504	5,428	5,776	-1.4	6.4
	<b>RE-EXPORTS</b>	700	795	722	13.5	-9.2	845	720	1283	-14.7	78.1	692	617	1178	-10.8	91.0
	<b>TOTAL EXPORTS (Customs)</b>	6,748	7,371	7,177	9.2	-2.6	7,355	7,221	8,086	-1.8	12.0	6,196	6,045	6,955	-2.4	15.0
	<b>Adjust for BOP incl. (Informal trade, electricity)</b>	38.9	50.0	50.8	28.6	1.6	87.4	53.8	52.7	-38.5	-1.9	38.0	41.8	43.7	9.9	4.6
	<b>TOTAL EXPORTS (BOP)</b>	6,787	7,421	7,228	9.3	-2.6	7,442	7,274	8,139	-2.3	11.9	6,234	6,087	6,998	-2.4	15.0

Source: CBK, KRA

## Balance of payments:

Export earnings from horticulture have increased, reflecting higher export quantities

### Quantities of horticulture Exports (Million Kgs)

SITC CODE		Jan-Dec			Percent Change		12 Months to October			Percent Change		Jan-October			Percent Change	
		2021	2022	2023	2022/21	2023/22	2022	2023	2024	2023/22	2024/23	2022	2023	2024	2023/22	2024/23
	<b>Horticulture</b>	<b>544</b>	<b>471</b>	<b>609</b>	-13.3	29.2	<b>487</b>	<b>579</b>	<b>726</b>	18.9	25.3	<b>410</b>	<b>517</b>	<b>634</b>	26.3	22.5
054	Fresh vegetables	252	168	266	-33.4	58.5	181	236	380	30.9	60.7	144	213	327	47.5	53.5
057	Fresh Fruits and Nuts	156	176	213	12.9	20.7	178	211	222	18.7	5.4	159	194	203	21.7	4.9
29271100	Cut flowers	136	127	131	-6.3	2.4	129	132	124	2.6	-6.2	106	111	104	4.4	-6.1

### Values of of horticulture Exports (USD Million)

SITC CODE		Jan-Dec			Percent Change		12 Months to October			Percent Change		Jan-October			Percent Change	
		2021	2022	2023	2022/21	2023/22	2022	2023	2024	2023/22	2024/23	2022	2023	2024	2023/22	2024/23
	<b>Horticulture</b>	<b>1129</b>	<b>944</b>	<b>929</b>	-16.3	-1.6	<b>977</b>	<b>935</b>	<b>1048</b>	-4.2	12.1	<b>810</b>	<b>801</b>	<b>920</b>	-1.1	14.8
054	Fresh vegetables	296	205	212	-30.7	3.7	216	211	273	-2.7	29.4	171	177	237	3.4	34.0
057	Fresh Fruits and Nuts	282	277	246	-1.8	-11.5	282	255	285	-9.5	11.7	245	223	263	-9.0	17.8
292711	Cut flowers	551	462	471	-16.1	2.0	478	469	490	-1.8	4.4	394	401	419	1.8	4.7

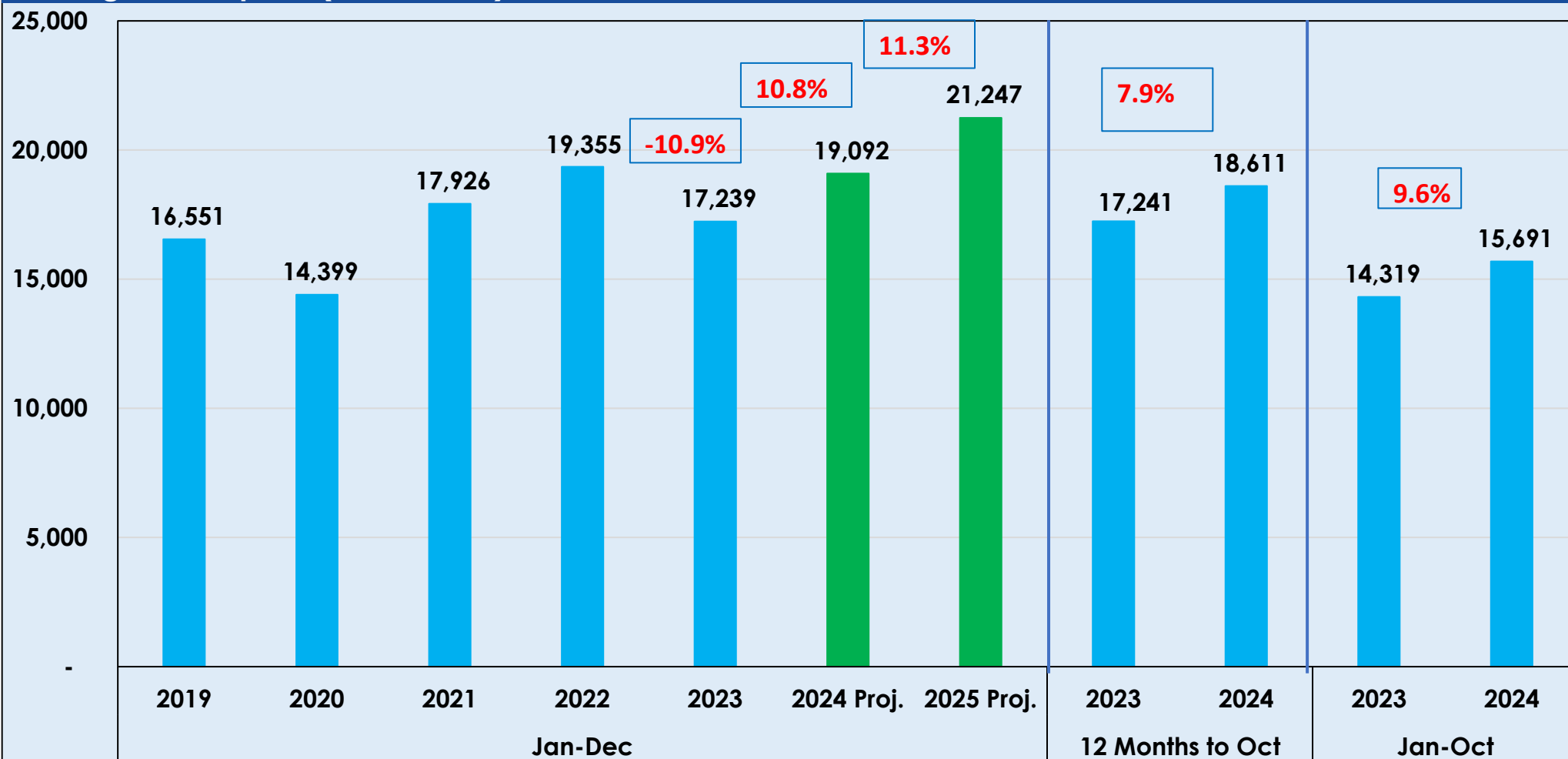
Source: KRA

35.

## Balance of payments:

Goods imports increased by 9.6 percent in the first ten months of 2024 compared to a similar period of 2023, mainly driven by intermediate and capital goods imports

### Total goods imports (USD Million)



Source: CBK, KRA

## Balance of payments:

The increase in imports in the first ten months of 2024 was mainly in intermediate and capital goods, while food imports declined

### Goods imports by products (USD Million)

SITC CO	COMMODITY DESCRIPTION	Jan-Dec		Percent Change		12 Months to October			Percent Change		Jan-October			Percent Change	
		2022	2023	2022/21	2023/22	2,022	2,023	2,024	2023/22	2024/23	2,022	2,023	2,024	2023/22	2024/23
0	<b>FOOD AND LIVE ANIMALS</b>	2,094	2,370	11.8	13.2	2,003	2,469	1,983	23.3	-19.7	1,699	2,074	1,687	22.0	-18.6
04	Cereals	1,227	1,319	14.9	7.5	1,159	1,432	1,101	23.6	-23.1	1,011	1,217	998	20.3	-17.9
041	Wheat	659	674	16.1	2.2	605	730	612	20.8	-16.2	529	601	539	13.5	-10.2
042	Rice	290	400	2.5	37.8	292	423	373	45.0	-11.8	250	383	357	53.2	-6.9
044	Maize	207	163	67.4	-21.3	201	178	73	-11.3	-59.0	186	158	68	-15.5	-57.1
06	Sugar	236	406	-9.8	71.5	238	347	356	45.7	2.6	177	287	237	62.5	-17.3
1	<b>BEVERAGES AND TOBACCO</b>	132	118	-2.2	-10.1	131	132	108	0.4	-17.8	103	103	93	0.0	-9.8
2	<b>CRUDE MATERIALS</b>	469	487	4.7	3.8	458	486	585	6.2	20.3	381	398	497	4.6	24.8
3	<b>MINERAL FUELS</b>	5,548	4,769	59.7	-14.0	5,513	4,717	4,733	-14.4	0.3	4,778	3,948	3,912	-17.4	-0.9
334112	Motor spirit(premium)	1,584	1,392	42.8	-12.1	1,635	1,334	1,427	-18.4	7.0	1,387	1,137	1,172	-18.0	3.1
334211	Jet fuel(kerosene type)	773	709	116.5	-8.3	736	708	715	-3.7	0.9	645	581	586	-10.0	0.9
334301	Diesel oil	2,272	1,931	77.6	-15.0	2,191	1,941	1,760	-11.4	-9.3	1,941	1,609	1,438	-17.1	-10.6
4	<b>ANIMAL &amp; VEGETABLE OILS &amp; FATS</b>	1,215	997	10.5	-18.0	1,252	1,036	930	-17.2	-10.2	1,027	849	782	-17.4	-7.8
4222	Palm oil	1,085	837	9.8	-22.9	1,112	880	810	-20.9	-8.0	911	706	679	-22.5	-3.8
5	<b>CHEMICALS AND RELATED PRODUCTS</b>	3,277	2,896	5.6	-11.6	3,386	2,925	3,148	-13.6	7.6	2,806	2,454	2,705	-12.5	10.2
54	Medicinal & Pharm.	791	649	-1.8	-17.9	829	671	734	-19.1	9.4	679	559	643	-17.7	15.1
56	Manufactured Fert.	414	469	17.3	13.1	436	464	383	6.4	-17.5	365	415	329	13.6	-20.7
57	Plastics in Pri. Form	706	586	-4.3	-17.1	746	580	657	-22.2	13.3	603	477	549	-20.9	15.1
59	Chemical Mtrls & Prdts.	432	392	17.4	-9.3	430	403	484	-6.1	20.0	365	336	429	-7.8	27.5
6	<b>MANUFACTURED GOODS</b>	3,469	2,654	-4.8	-23.5	3,568	2,703	2,705	-24.3	0.1	2,978	2,212	2,263	-25.7	2.3
64	Paper and Paper Board	472	376	17.8	-20.3	491	373	407	-24.0	9.1	407	309	340	-24.2	10.1
65	Textile Yarn, Fabrics & Articles	652	540	7.4	-17.3	672	527	646	-21.5	22.5	560	435	542	-22.3	24.5
66	Non-Met. Mineral Manufactures	262	192	-3.1	-26.5	272	199	198	-27.0	-0.6	225	162	168	-27.9	3.3
67	Iron And Steel	1282	870	-9.7	-32.2	1,299	913	721	-29.7	-21.0	1,109	739	590	-33.4	-20.1
69	Metal Manufactures	375	296	-21.7	-20.9	403	302	309	-25.2	2.2	319	247	259	-22.8	4.9
7	<b>MACHINERY AND TRANSPORT EQUIP</b>	3,760	3,252	-14.0	-13.5	3,946	3,215	4,240	-18.5	31.9	3,168	2,623	3,611	-17.2	37.7
	Machinery	2,556	2,225	-10.1	-12.9	2,682	2,192	2,748	-18.3	25.4	2,174	1,810	2,333	-16.7	28.9
78	Road vehicles	997	835	-23.4	-16.3	1,054	869	926	-17.5	6.6	825	697	788	-15.6	13.0
79	Other Transport Equipment	207	193	-9.3	-6.8	210	155	566	-26.3	265.2	168	117	490	-30.7	320.1
8	<b>MISCELLANEOUS MANUF. ARTIC.</b>	1,124	1,027	1.2	-8.6	1,143	955	1,361	-16.4	42.5	947	779	1,113	-17.8	42.9
9	<b>COMMODITIES &amp; TRANSACTIONS</b>	140	280	267.5	99.9	119	256	400	115.0	56.2	107	223	343	108.0	53.7
	<b>IMPORTS CIF (CUSTOMS)</b>	21,091	18,580	9.5	-11.9	21,405	18,651	19,794	-12.9	6.1	17,891	15,450	16,664	-13.6	7.9
	Adjustments excl (I.F) incl (formal & Elect	1,736	1,342	29.8	-22.7	1,630	1,410	1,183	-13.5	-16.1	1,457	1,132	972	-22.4	-14.1
	<b>IMPORTS BOP</b>	19,355	17,239	8.0	-10.9	19,776	17,241	18,611	-12.8	7.9	16,433	14,319	15,691	-12.9	9.6

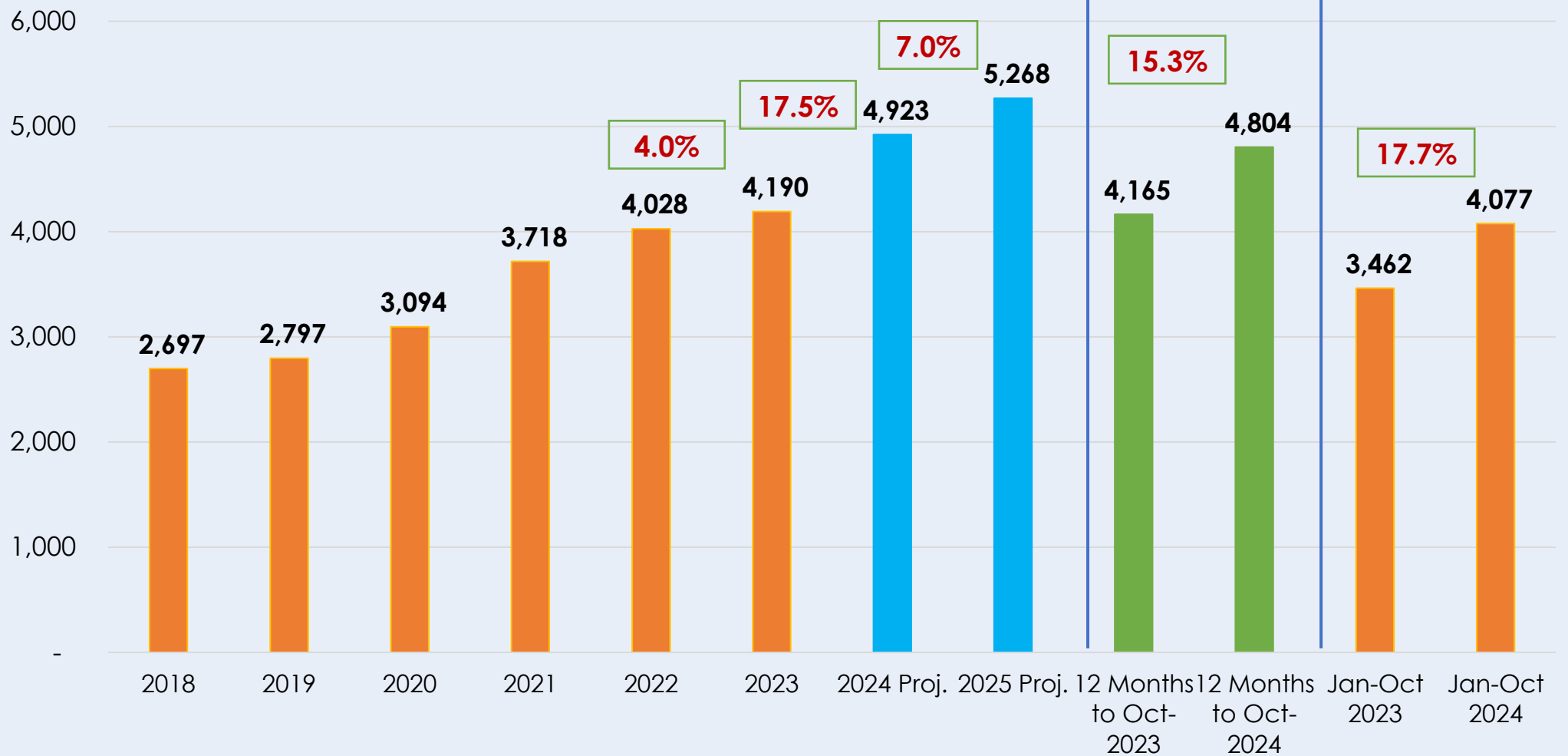
Source: CBK, KRA

37.

## Diaspora remittances:

Remittances have remained strong, growing by 17.7 percent in the first ten months of 2024 compared to a similar period in 2023

Diaspora remittances inflows (USD, Million)



Source: CBK

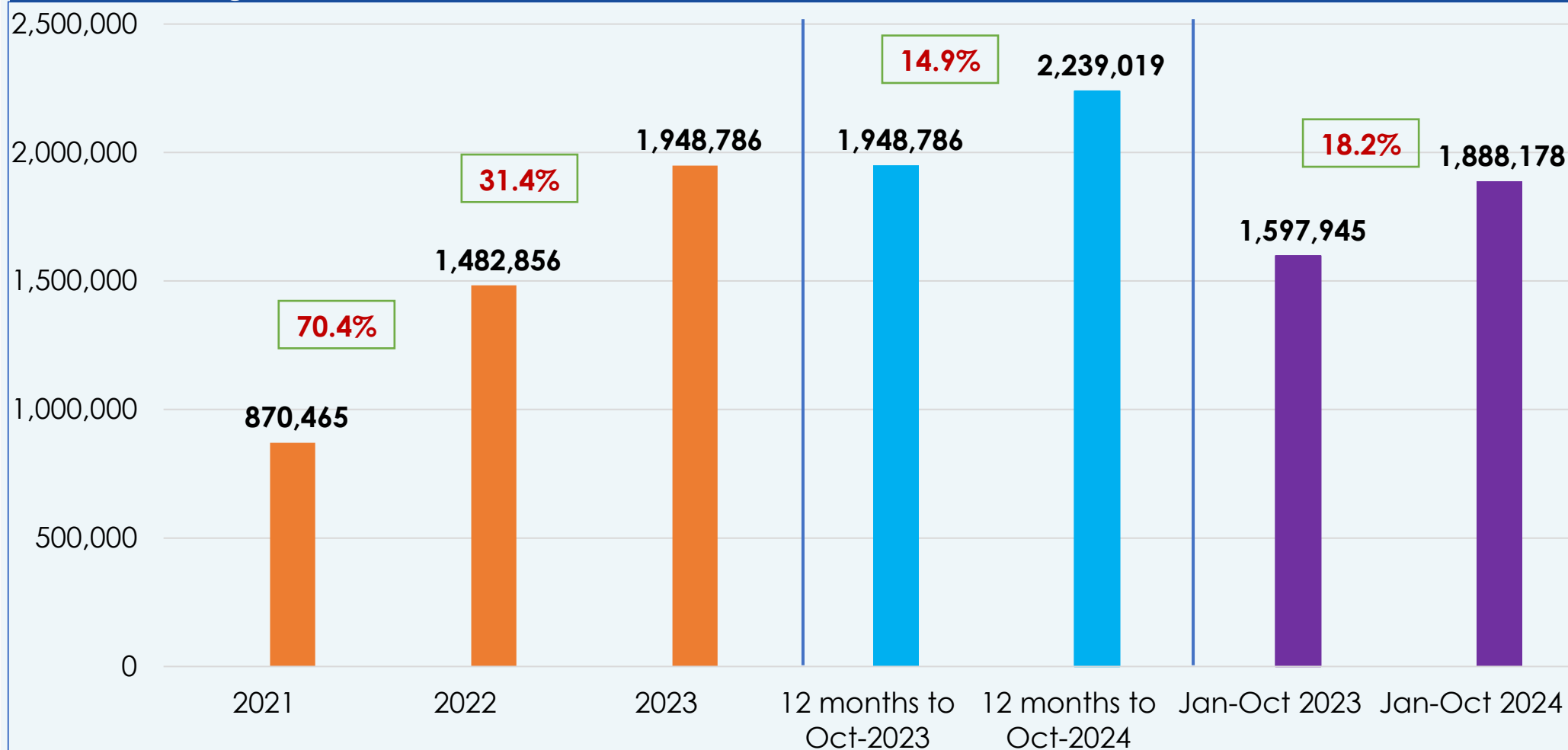


38.

## Services exports:

Tourist arrivals improved by 14.9 percent in the 12 months to October 2024 compared to a similar period in 2023, reflecting recovery in international travel

### Number and growth of tourist arrivals

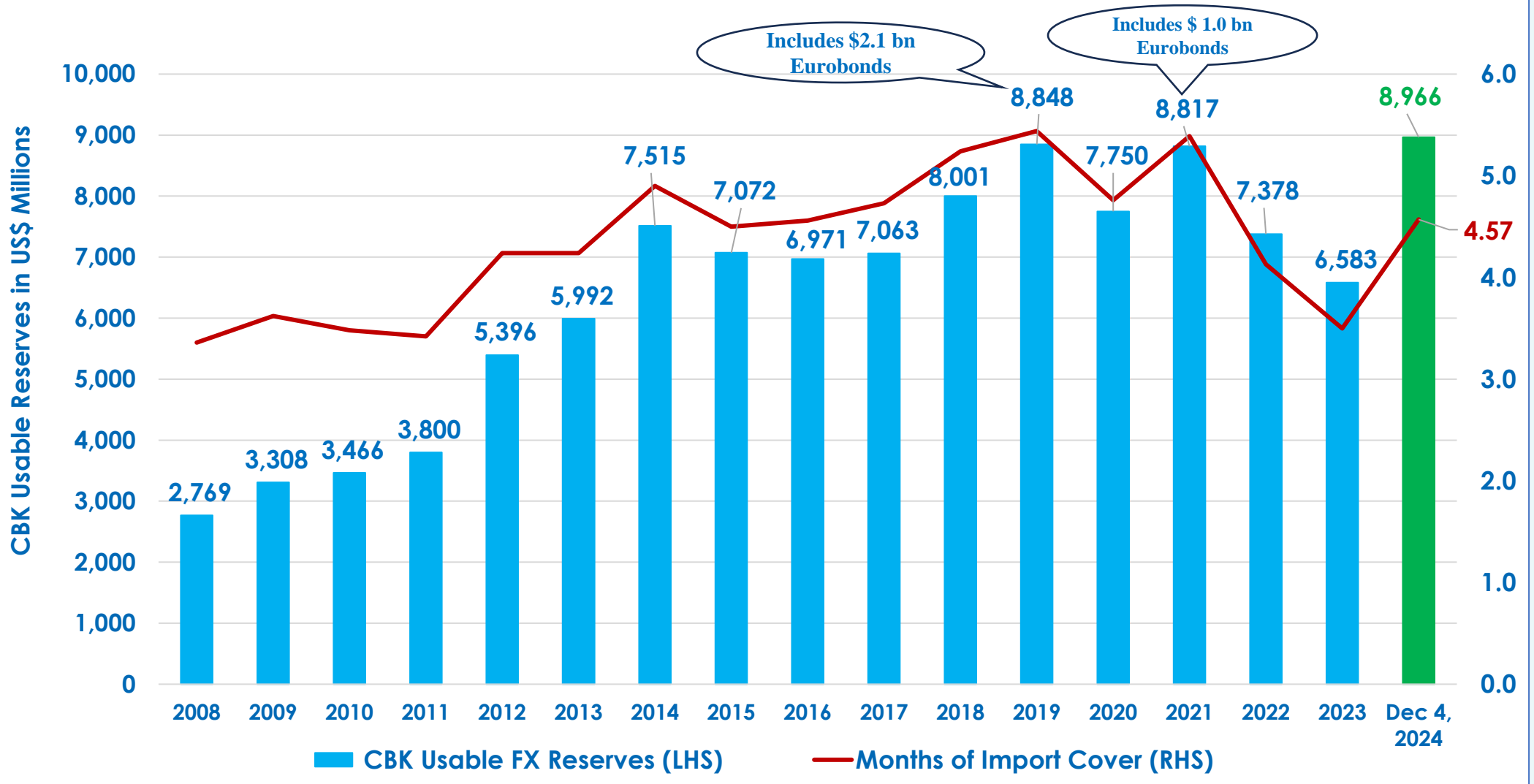


Source: Kenya Tourism Board

# CBK usable foreign exchange reserves:

Foreign exchange reserves remain adequate, and are at their highest levels

## CBK usable foreign exchange reserves (end period)

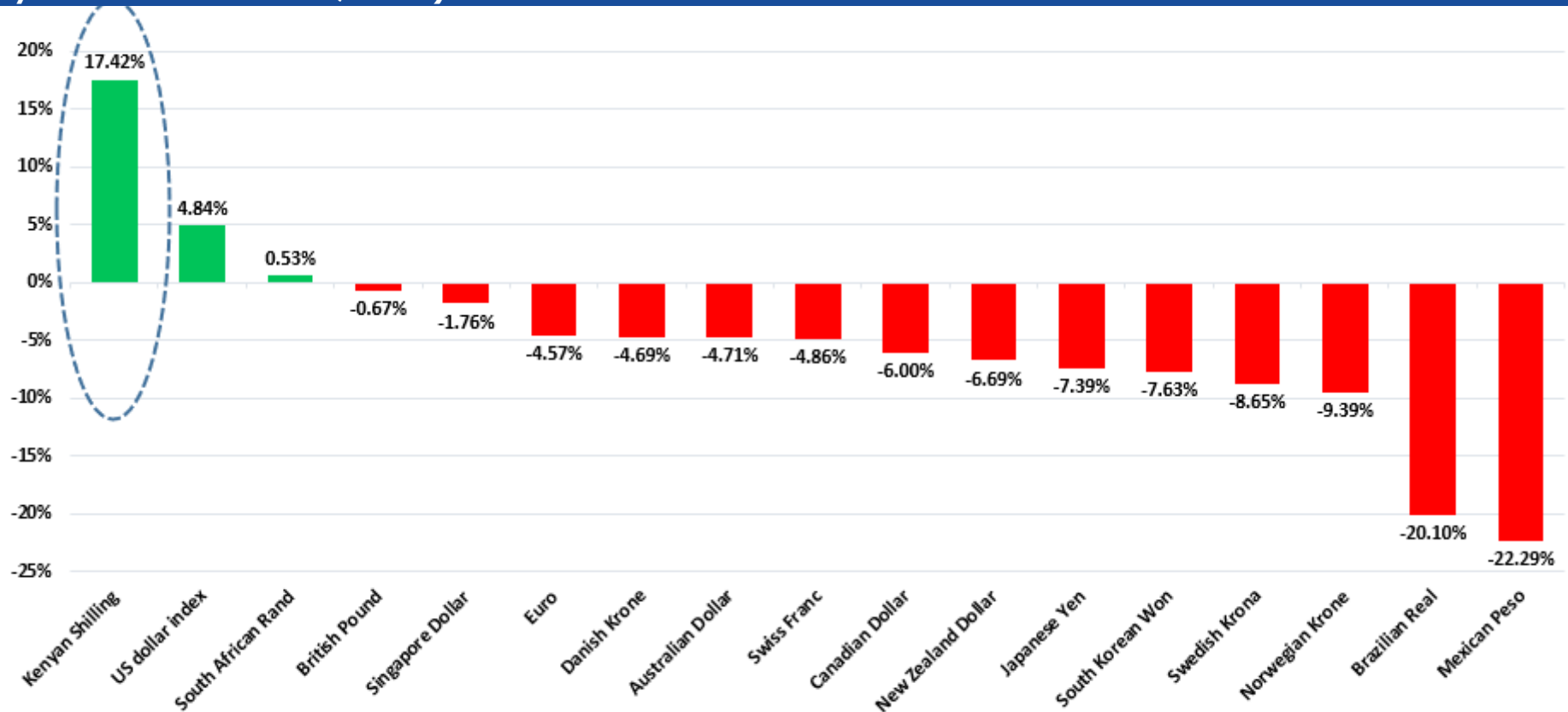


Source: CBK as of December 4, 2024

## Exchange rate developments:

The Kenya Shilling has strengthened by 17.4 percent in 2024, supported by foreign exchange inflows from remittance providers, offshore investors and the tea sector

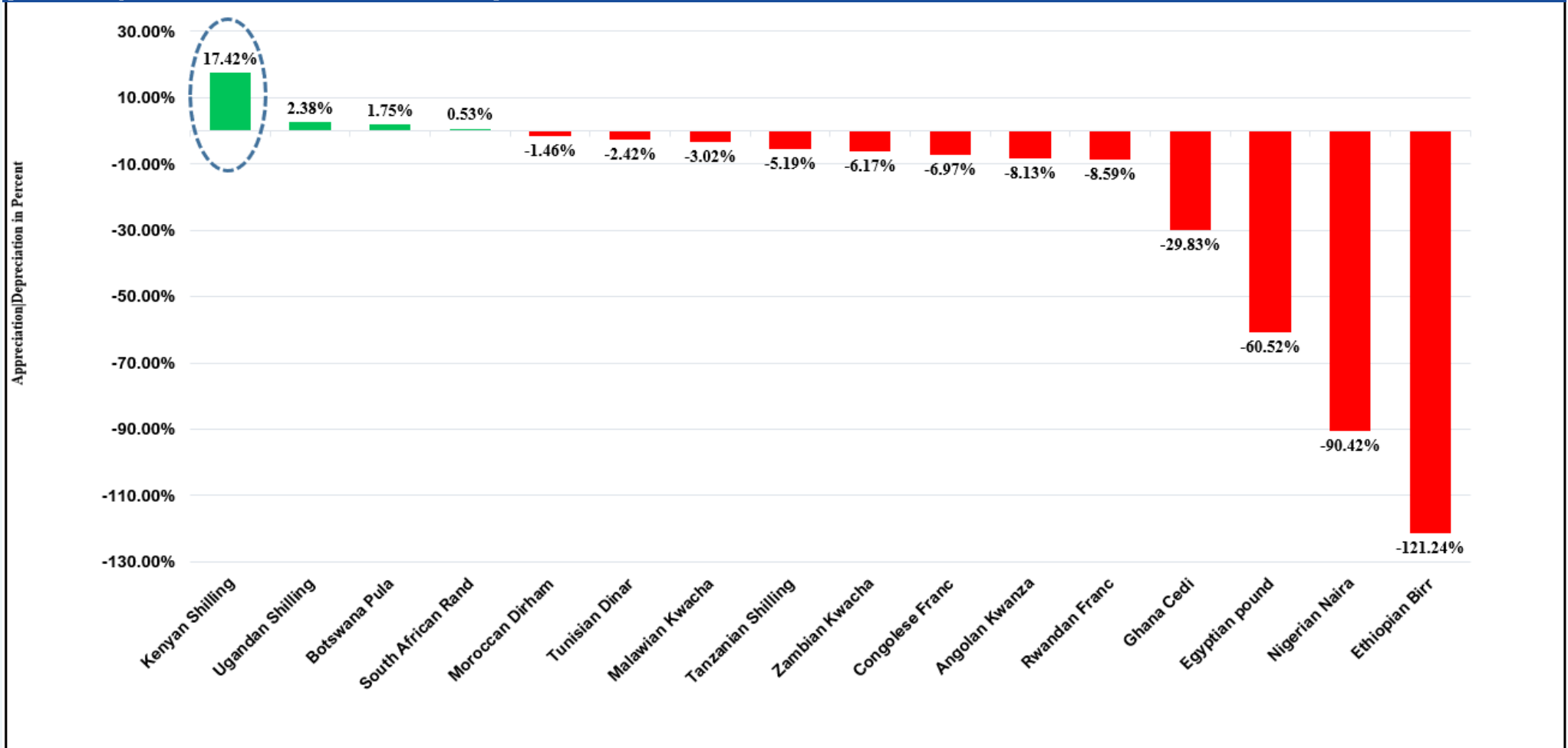
Change in the exchange rates of selected major global currencies against the US Dollar  
(January 2 to November 28, 2024)



Source: CBK as of November 28, 2024

## Exchange rate developments: The Kenya Shilling has strengthened against the US Dollar

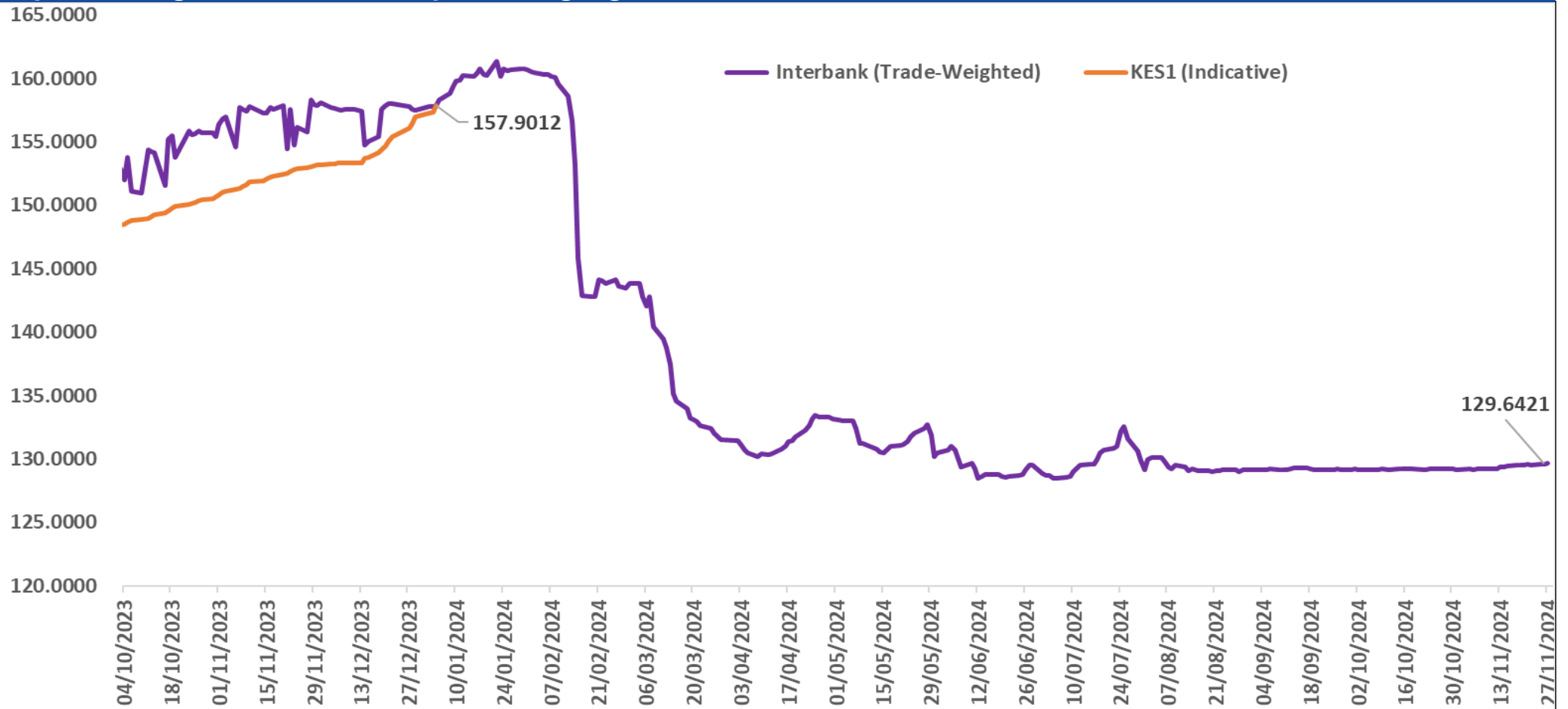
### Change in the exchange rates of selected major African currencies against the USD (January 2 to November 28, 2024)



Source: CBK as of November 28, 2024

## Exchange rate developments: The Kenya Shilling has remained stable indicative of confidence in the economy

### Daily exchange rate of the Kenya Shilling against the US Dollar

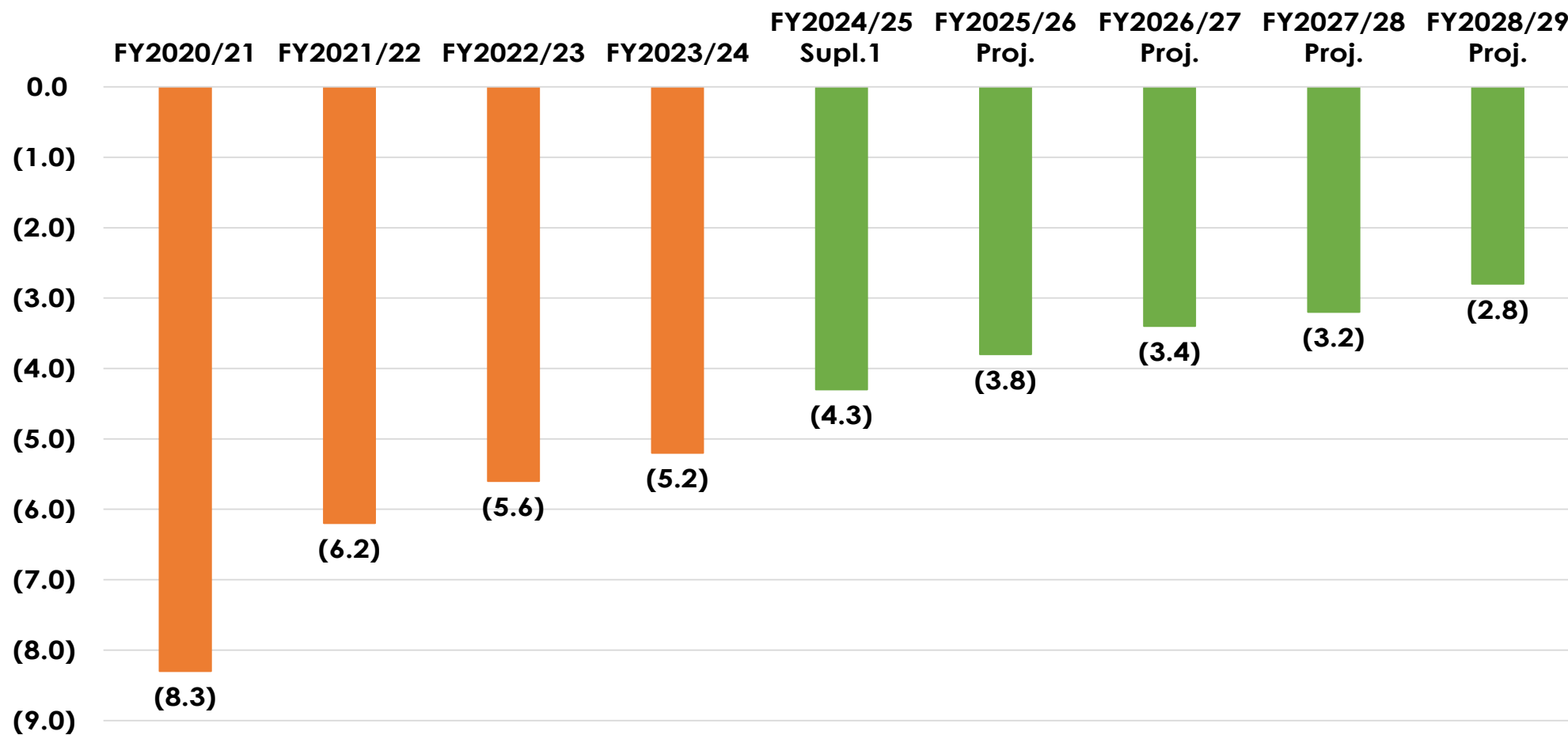


Source: CBK as of November 27, 2024

## Fiscal performance and outlook:

The ongoing 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



1. Total Capital adequacy ratio stood at 19.1 percent in October 2024, the same as in August 2024, while the liquidity ratio of was 54.3 percent in October 2024, the same as it was in August 2024.
  - These were above the minimum statutory limits of 14.5 percent and 20.0 percent, respectively.
2. The gross NPLs to gross loans ratio decreased marginally to 16.5 percent in October 2024, from 16.7 percent in August.
  - Banks have continued to make adequate provisions for the NPLs, and the sector remains profitable providing sufficient buffers.
3. Cumulative banking sector pre-tax profits increased by Ksh.25.7 billion (12.9 percent) to Ksh.225.3 billion in October 2024, compared to Ksh.199.6 billion in October 2023.

*Thank You!*

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