



Central Bank of Kenya

Quarterly Economic Review

July-September 2024



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THE PRINCIPAL OBJECTIVES OF THE CENTRAL BANK OF KENYA

The role of the Central Bank of Kenya (CBK) is anchored in Section 231 of Kenya's Constitution and in the CBK Act. The CBK is responsible for formulating monetary policy to achieve and maintain price stability, and issuing currency.

The Bank also promotes financial stability through regulation, supervision and licensing of financial institutions under its mandate. It also provides oversight of the payment, clearing and settlement systems, and fosters liquidity, solvency and proper functioning of the financial system. The CBK formulates and implements the foreign exchange policy, and manages foreign exchange reserves. It is also the banker for, adviser to, and fiscal agent of the Government.

The CBK's monetary policy is designed to support the Government's objectives with respect to growth. The CBK formulates and conducts monetary policy with the aim of keeping overall inflation within the target prescribed by the National Treasury at the beginning of the financial year. Currently, this target is a range between 2.5 percent and 7.5 percent.

The achievement and maintenance of a low and stable inflation rate, coupled with adequate liquidity in the market, facilitates higher levels of domestic savings and private investment. This leads to improved economic growth, higher real incomes and increased employment opportunities.

HIGHLIGHTS

Overall inflation declined to 4.1 percent in the third quarter of 2024 from 4.9 percent in the second quarter of 2024, mainly driven by lower food and energy prices.

Economic growth decelerated further in the third quarter of 2024 to 4.0 percent compared to 6.0 percent in a similar quarter of 2023. The slowdown was reflected across all sectors of the economy except wholesale and retail trade, public administration, and education. The agriculture sector remained resilient, largely driven by favourable weather conditions. Growth of service sectors was supported by resilient performance of wholesale and retail trade, information and communication, and accommodation and food services. However, in the industrial sector contracted during the quarter, driven by the contraction of construction and mining and quarrying sectors.

Broad money supply (M3) was broadly unchanged in the third quarter of 2024 compared to the previous quarter, mainly reflected in the deposits.

The global economy continued to rebound in the third quarter of 2024, albeit at a slower pace. Global economic activity continued to be marked by divergences across economies and sectors. High frequency leading indicators pointed to a resilient growth in the service sector, while the manufacturing sector remained subdued, particularly in several advanced and emerging economies. Global economic activity is expected to remain broadly flat in 2024 and 2025, reflecting resilient growth in service sector, and better-than-expected growth outcomes in the United States, the United Kingdom, and India. However, sluggish growth in the Eurozone, Nigeria and China, and a subdued pick up in manufacturing sector continues to adversely weigh on global economy. According to the IMF World Economic Outlook (WEO) October report, annual global growth is projected to remain flat at 3.2 percent for both 2024 and 2025.

The current account deficit widened by USD 483 million to USD 1,453 million in the third quarter of 2024 compared to a deficit of USD 970 million in third quarter of 2023. The widening of current account deficit was on account of a decline in the trade balance, and primary income balance. The deficit in the goods balance widened by USD 465 million to USD 2,736 million in the third quarter of 2024 compared to a deficit of USD 2,271 million in third quarter of 2023, reflecting an increase in goods imports.

The banking sector remained stable and resilient in the third quarter of 2024. Total assets increased by 0.2 percent to Ksh.7,568.4 billion in September 2024, from Ksh.7,552.0 billion in June 2024. The deposit base also increased by 1.7 percent to Ksh.5,684.0 billion in the third quarter of 2024, from Ksh.5,589.1 billion in the second quarter of 2024. The sector was well capitalized with a capital adequacy ratio of 19.1 percent, which was above the minimum capital requirement of 14.5 percent. The sector remained profitable in the third quarter of 2024, with quarterly profit before tax of Ksh.64.2 billion, a decrease from Ksh.66.1 billion reported in the second quarter of 2024. Credit risk remained elevated with Gross Non-Performing Loans (NPLs) to Gross Loans Ratio standing at 16.5 percent at the end of the third quarter of 2024, an increase from 16.3 percent recorded at the end of second quarter of 2024.

The Government's budgetary operations at the end of the first quarter of FY 2024/25 resulted in a deficit of 1.1 of GDP and was on target. Total revenues and grants were above the target by 1.4 percent while expenditure and net lending was below target by 0.3 percent.

Kenya's public and publicly guaranteed debt increased by 2.2 percent during the first quarter of 2024/25. Domestic and external debt increased by 3.5 percent and 0.7 percent, respectively. The ratio of public debt to GDP was estimated at 66.6 percent by the end of first quarter of 2024/25 compared to 67.2 percent by the end of the fourth quarter of 2023/24.

At the Nairobi Securities Exchange, the NSE 20 share price index increased by 7.2 but NASI declined by 2.2 percent in the third quarter of 2024 compared to the second quarter of 2024. Market capitalization, total shares traded, and Equity turnover declined by 2.0 percent, 6.4 percent and 38.7 percent, respectively.

Chapter 1 Inflation

Overview

Overall inflation continued to decline in the third quarter of 2024. It declined to 4.1 percent from 4.9 percent in the second quarter of 2024, mainly driven by lower food and fuel prices. Food inflation declined to 5.3 percent from 5.8 percent in the previous quarter, supported by increased food supply of key food items following favorable weather conditions. Fuel inflation declined significantly to 3.4 percent

from 7.2 percent in the previous quarter, reflecting significant decline in electricity and pump prices, supported by downward adjustment of pump prices by the Energy and Petroleum Regulatory Authority (EPRA) and stable exchange rate during the quarter. Non-food Non-fuel (NFNF) inflation remained stable at 3.4 percent, largely reflecting muted demand pressures and impact of monetary policy tightening (**Table 1.1 and Chart 1.1**).

Table 1.1: Recent trends in inflation (percent)

	2023		2024					
	Q3	Q4	Q1	Q2	Q3	July	Aug	Sept
Overall inflation	6.9	6.8	6.3	4.9	4.1	4.3	4.4	3.6
Food Inflation	8.0	7.7	6.8	5.8	5.3	5.6	5.3	5.1
Fuel Inflation	13.9	14.6	13.3	7.2	3.4	4.5	4.7	1.1
Non-Food-Non-Fuel (NFNF) Inflation	3.7	3.4	3.6	3.4	3.4	3.3	3.5	3.4
Annual Average Inflation*	8.5	7.9	7.2	6.5	5.7	6.0	5.8	5.5
Three Months Annualised Inflation	4.8	8.0	3.8	3.0	1.6	4.5	0.7	-0.3

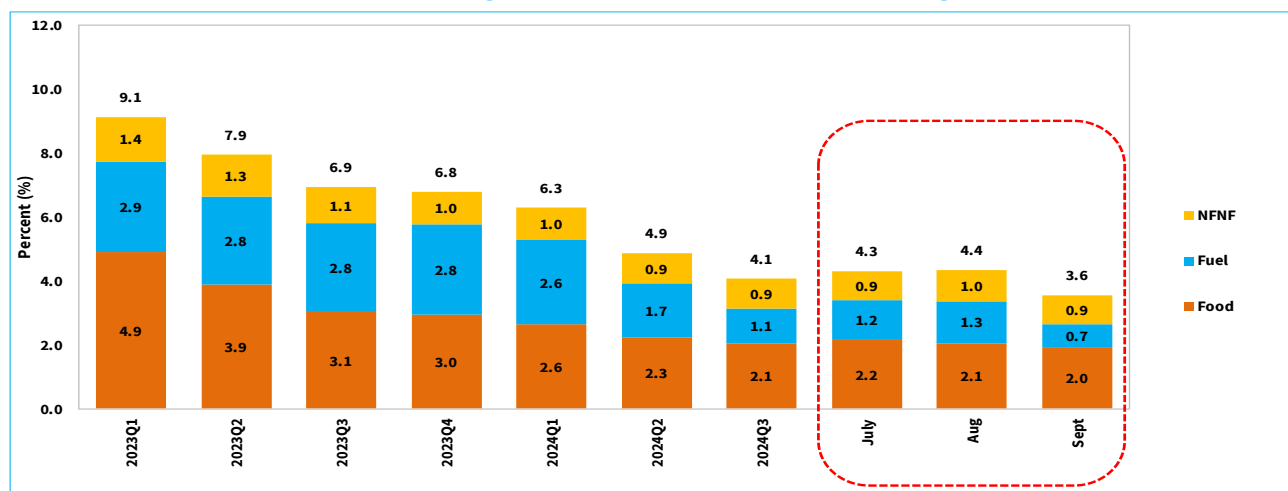
*Average annual inflation refers to the average inflation for 12 consecutive months. For instance, average annual inflation for June 2023 is computed as the percentage change in the average CPI for the period July 2022 to June 2023, relative to the average CPI for the period July 2021-June 2022.

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

The contribution of food inflation declined to 2.1 percentage points in the third quarter from 2.3 percentage points in the second quarter of 2024. The contribution of fuel inflation declined to 1.1

percentage points from 1.7 percentage points in a similar period, while that of NFNF inflation remained stable at 0.9 percentage points (**Chart 1.1**).

Chart 1.1: Contribution of broad categories to overall inflation (percentage points)



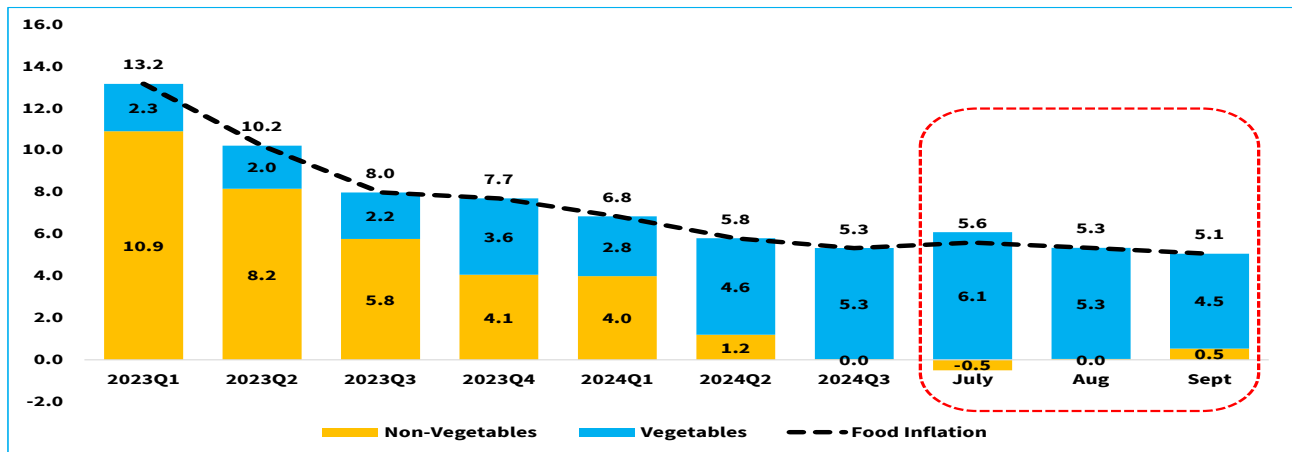
Source: Kenya National Bureau of Statistics and Central Bank of Kenya.

Food Inflation

Food inflation declined further in the third quarter of 2024, supported by declines in prices of key vegetable and non-vegetable items. It declined to 5.3 percent from 5.8 percent in the previous quarter, supported by continued easing of prices of key food

items such as maize and wheat products, sugar, edible oils and milk. In addition, the prices of key vegetable items such as tomatoes, kales and onions reduced significantly on account of increased supply following favourable weather conditions (Chart 1.2).

Chart 1.2: Food inflation by category (percent)



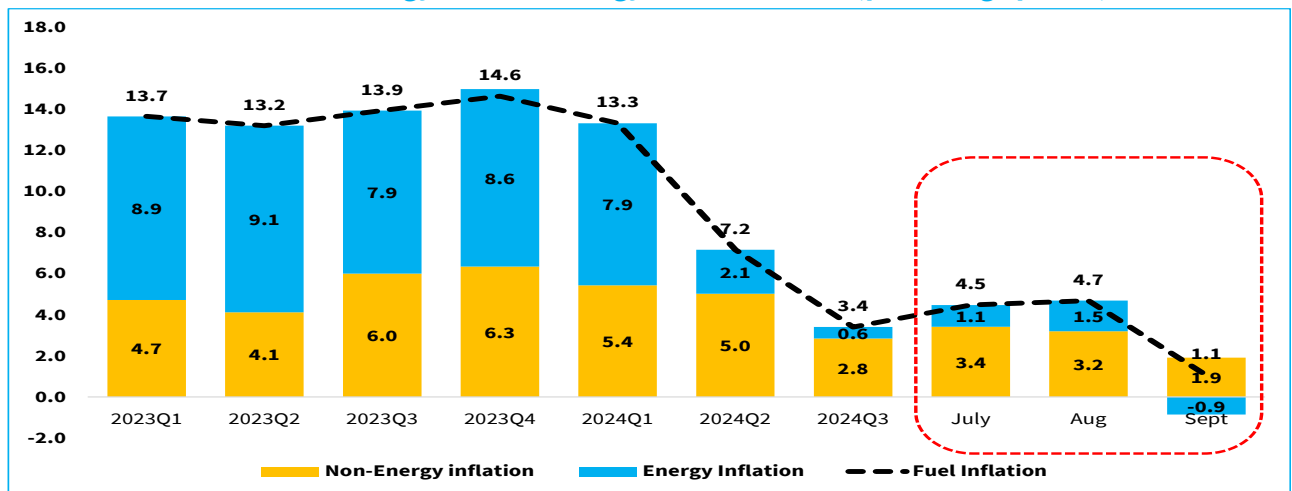
Source: Kenya National Bureau of Statistics and Central Bank of Kenya.

Fuel Inflation

Fuel inflation declined significantly to 3.4 percent from 7.2 percent in the previous quarter, mainly driven by significant declines in energy prices. Electricity and pump prices declined significantly following further downward price adjustment by the EPRA, mainly reflecting developments in

international oil prices and stable exchange rate. However, prices of Liquefied Petroleum Gas (LPG) remained elevated during the quarter. The non-energy component of fuel inflation continued to decline in the third quarter mainly due to easing transport costs compared to the previous quarter (Chart 1.3).

Chart 1.3: Contribution of energy and non-energy to fuel inflation (percentage points)



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

Non-Food Non-Fuel Inflation (NFNF)

Non-food Non-fuel (NFNF) inflation remained stable at 3.4 percent in both second and third quarters of 2024, reflecting general stability in prices of most components under this category (**Table 1.2**).

Table 1.2: Non-food-non-fuel inflation by CPI category (percent)

		Alcoholic Beverages, Tobacco & Narcotics	Clothing & Footwear	Housing & Water	Furnishings, Household Equipment and Routine Household Maintenance	Health	Information & Communication	Recreation, Sports & Culture	Education Services	Restaurants & Accommodation Services	Insurance and Financial Services	Personal Care, Social Protection and Miscellaneous Goods & Services	NFNF
2023	Q1	8.4	3.1	3.1	8.6	2.2	1.1	6.0	2.4	6.6	1.3	7.6	4.4
	Q2	9.7	2.9	2.9	6.0	2.3	1.3	5.3	2.3	5.9	1.3	7.9	4.2
	Q3	10.2	3.0	2.3	4.0	2.4	1.1	5.6	2.1	4.8	1.3	7.4	3.7
	Q4	8.5	3.1	2.7	3.6	2.6	1.0	5.1	2.0	4.1	1.0	6.5	3.4
2024	Q1	8.5	3.6	2.7	4.1	2.5	1.3	5.0	2.5	4.4	1.0	6.1	3.6
	Q2	8.0	3.7	2.5	4.2	2.6	1.3	4.8	2.3	4.3	0.9	5.3	3.4
	Q3	7.6	3.4	2.5	4.1	2.7	1.4	4.4	2.6	4.4	0.8	4.6	3.4
	July	6.9	3.6	2.5	4.4	2.7	1.2	4.5	2.2	4.3	0.9	4.8	3.3
	Aug	8.2	3.5	2.5	4.2	2.8	1.6	4.5	2.8	4.5	0.7	4.6	3.5
	Sept	7.7	3.3	2.3	3.8	2.7	1.4	4.3	2.9	4.4	0.7	4.5	3.4

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

Chapter 2

Economic Performance

Overview

Economic growth decelerated further in the third quarter of 2024. Real GDP grew by 4.0 percent compared to 6.0 percent in a similar quarter of 2023, mainly driven by a notable contraction of mining and quarrying, and construction sectors.

The agriculture sector growth remained resilient, supported by favourable weather conditions. Most services sectors remained resilient, though with lower growth rates than the same period last year. However, growth of the industrial sector broadly contracted during the quarter, owing to contraction of construction and mining and quarrying sectors (**Table 2.1**).

Agriculture

Agriculture sector performance remained resilient in the third quarter of 2024, attributable to favourable weather conditions and government interventions including fertilizer subsidy. It grew by 4.2 percent compared to 5.1 percent in a similar quarter of 2023 and contributed 0.6 percentage points to real GDP growth. The good performance was supported by increased export of horticultural crops (6.6 percent), milk intake (2.9 percent), cane deliveries (188.7 percent), and coffee sales. However, tea production declined by -12.2 percent (**Tables 3.1 and 3.3**).

Non-Agriculture

Broadly, growth of the non-agriculture sector slowed in the third quarter of 2024, owing to the contraction of industry and slow down in growth of most service sectors. It grew by 4.0 percent compared to 6.2 percent in a similar quarter of 2023 and contributed 3.4 percentage points to real GDP growth (**Tables 3.1 and 3.3**).

- a) Growth of the service sector remained resilient in the second quarter of 2024. It grew by 5.3 percent compared to 7.8 percent in a similar quarter of 2023 and contributed 3.1 percentage points to real GDP growth.
- Wholesale and Retail Trade sector grew by 4.8 percent, which was higher than 3.1 percent growth recorded in a similar quarter of 2023.

The improved performance reflected the impact of strengthening of exchange rate and low inflation during the quarter.

- Transport and Storage sector grew by 5.2 percent compared to 5.1 percent growth in the corresponding quarter of 2023. Growth in the sector was boosted by an increase in consumption of diesel (2.7 percent) and cargo throughput at the Mombasa port (14.1 percent). However, passengers ferried through Standard Gauge Railway (SGR) declined by -7.2 percent while freight transport via SGR contracted by -0.8 percent.
 - Accommodation and Food Services sector remained resilient and grew by 13.7 percent compared to 34.5 percent growth in the third quarter of 2023. This was reflected in increased visitor arrivals through major border points (4.2 percent).
 - Information and Communication sector growth moderated to 6.1 percent compared to 8.8 percent in a similar quarter of 2023. Growth of the sector was largely supported by increased e-commerce activities and demand for data-intensive services.
 - Financial and Insurance sector growth decelerated to 4.7 percent from 15.5 percent in a similar period in 2023. The deceleration reflects higher cost of credit as interest rates remained high during the quarter, which resulted in lower growth of credit to the private sector.
- b) Industrial sector activity contracted in the third quarter of 2023 to -0.2 percent from 3.1 percent in a similar quarter of 2023, and consequently moderated GDP growth by -0.05 percentage points (**Tables 2.1 and Figure 2.1**).

Construction sector contracted significantly by -2.0 percent compared to a growth 4.0 percent in a similar quarter of 2023. The dismal performance was reflected in declines of key inputs such as cement consumption (-10.0 percent) and import of bitumen (-40.9 percent). However, import of iron and steel products rose by 11.5 percent.

Electricity and Water Supply sector growth decelerated to 0.9 percent from 3.3 percent in a similar period of 2023. The deceleration was mainly driven by a decline in generation of geothermal electricity (-7.8 percent) and thermal electricity (-10.2 percent). However, activity in the sector was

supported by generation of hydro power which increased by 21.0 percent during the period under review.

Manufacturing sector growth slowed to 2.3 percent from 2.8 percent in the third quarter of 2023. Growth of the sector was largely driven by the food

subsector, particularly increased production of sugar (197.4 percent), soft drinks (27.5 per cent), and milk deliveries to processors (6.5 percent). However, the sector was constrained by a decline in production of galvanized sheets (-4.2 percent), cement (-12.1 percent) and assembly of motor vehicles (-0.4 percent).

Chart 2.1: Sectoral contributions to real GDP growth (percentage points)



Source: Kenya National Bureau of Statistics and CBK Staff computations

Table 2.1: Gross domestic product (GDP) growth by activity (percent)

	Annual		2023				2024		
	2022	2023	Q1	Q2	Q3	Q4	Q1	Q2	Q3
1. Agriculture	-1.5	6.5	6.4	7.8	5.1	6.2	6.1	4.8	4.2
2. Non-Agriculture (o/w)	6.3	5.4	5.2	5.1	6.2	4.9	4.7	4.5	4.0
2.1 Industry	3.9	1.9	1.5	1.4	3.1	1.4	0.1	0.6	-0.2
Mining & Quarrying	9.3	-6.5	-11.0	-8.3	0.8	-6.9	-14.8	-2.7	-11.1
Manufacturing	2.6	2.0	1.7	1.5	2.8	2.0	1.2	3.2	2.3
Electricity & water supply	5.5	2.8	3.8	2.8	3.3	1.3	2.4	1.0	0.9
Construction	4.1	3.0	3.0	2.7	4.0	2.2	0.1	-2.9	-2.0
2.2 Services	7.0	7.0	6.8	6.8	7.8	6.5	6.2	5.5	5.3
Wholesale & Retail Trade	3.5	2.7	2.9	2.1	3.1	2.8	4.9	4.4	4.8
Accommodation & restaurant	26.8	33.6	47.1	42.7	34.5	18.1	28.0	26.6	13.7
Transport & Storage	5.8	6.2	6.6	4.6	5.1	8.5	3.9	3.6	5.2
Information & Communication	9.0	9.3	9.5	7.6	8.8	11.0	7.8	7.2	6.1
Financial & Insurance	12.0	10.1	5.9	13.2	15.5	6.3	7.0	5.1	4.7
Public administration	5.1	4.6	7.6	3.2	4.6	3.4	5.8	5.1	5.4
Professional, Administration & Support Services	9.5	9.5	8.6	6.6	9.7	12.8	9.9	6.8	7.8
Real estate	4.5	7.3	7.3	8.1	7.7	6.2	6.6	6.0	5.5
Education	5.2	3.1	2.0	3.1	3.5	3.9	4.0	3.1	3.8
Health	3.4	4.9	5.1	4.7	5.0	4.8	5.5	5.5	4.4
Other services	6.5	4.1	4.6	2.4	6.4	2.9	2.3	2.0	2.8
FISIM	0.2	2.7	0.6	4.9	2.9	2.5	5.8	0.9	5.1
2.3 Taxes on products	6.7	2.2	3.0	1.8	1.9	2.0	4.4	5.7	3.4
Real GDP Growth	4.9	5.6	5.5	5.6	6.0	5.1	5.0	4.6	4.0

Source: Kenya National Bureau of Statistics

Table 2.2: Sectoral shares (percentage of Real GDP)

	Annual		2023				2024		
	2022	2023	Q1	Q2	Q3	Q4	Q1	Q2	Q3
1. Agriculture	17.0	17.1	18.8	19.7	14.4	15.6	19.0	19.7	14.5
2. Non-Agriculture (o/w)	83.0	82.9	81.2	80.3	85.6	84.4	81.0	80.3	85.5
2.1 Industry	17.9	17.3	17.2	16.8	18.0	17.2	16.4	16.2	17.3
Mining & Quarrying	1.2	1.0	1.0	1.0	1.1	0.9	0.8	0.9	0.9
Manufacturing	8.4	8.2	8.1	8.0	8.3	8.3	7.8	7.9	8.1
Electricity & water supply	2.5	2.4	2.4	2.3	2.6	2.4	2.3	2.2	2.5
Construction	5.8	5.7	5.7	5.5	6.1	5.6	5.4	5.1	5.7
2.2 Services	56.4	57.2	55.7	55.8	59.1	58.3	56.3	56.3	59.8
Wholesale & Retail Trade	8.3	8.0	8.5	7.4	7.9	8.3	8.5	7.4	8.0
Accommodation & restaurant	1.0	1.3	1.2	1.2	1.3	1.5	1.5	1.5	1.4
Transport & Storage	9.6	9.6	9.1	9.5	10.3	9.7	9.0	9.4	10.4
Information & Communication	3.2	3.3	3.2	3.1	3.4	3.5	3.3	3.2	3.5
Financial & Insurance	9.1	9.5	8.7	9.5	9.9	10.0	8.9	9.6	9.9
Public administration	6.0	6.0	5.7	6.0	6.1	6.0	5.8	6.1	6.2
Professional, Administration & Support Services	2.7	2.8	2.6	2.7	2.9	3.0	2.8	2.7	3.0
Real estate	10.1	10.3	10.1	10.2	10.6	10.1	10.2	10.3	10.8
Education	4.9	4.8	5.0	4.4	4.9	5.0	4.9	4.3	4.9
Health	2.2	2.2	2.1	2.3	2.2	2.4	2.1	2.3	2.2
Other services	2.1	2.1	2.0	2.1	2.4	2.0	2.0	2.0	2.3
FISIM	-2.9	-2.9	-2.6	-2.7	-2.9	-3.2	-2.7	-2.6	-2.9
2.3 Taxes on products	8.6	8.4	8.4	7.7	8.5	8.9	8.3	7.8	8.4
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: Kenya National Bureau of Statistics

Table 2.3: Sectoral contributions to real GDP growth rate (percentage points)

	Annual		2023				2024		
	2022	2023	Q1	Q2	Q3	Q4	Q1	Q2	Q3
1. Agriculture	-0.2	1.1	1.2	1.5	0.7	1.0	1.1	0.9	0.6
2. Non-Agriculture (o/w)	5.2	4.4	4.3	4.1	5.3	4.2	3.8	3.6	3.4
2.1 Industry	0.7	0.3	0.2	0.2	0.5	0.2	0.0	0.1	0.0
Mining & Quarrying	0.1	-0.1	-0.1	-0.1	0.0	-0.1	-0.1	0.0	-0.1
Manufacturing	0.2	0.2	0.1	0.1	0.2	0.2	0.1	0.3	0.2
Electricity & water supply	0.1	0.1	0.1	0.1	0.1	0.0	0.1	0.0	0.0
Construction	0.2	0.2	0.2	0.1	0.2	0.1	0.0	-0.1	-0.1
2.2 Services	3.9	4.0	3.8	3.8	4.6	3.8	3.5	3.1	3.1
Wholesale & Retail Trade	0.3	0.2	0.2	0.2	0.2	0.2	0.4	0.3	0.4
Accommodation & restaurant	0.3	0.4	0.6	0.5	0.4	0.3	0.4	0.4	0.2
Transport & Storage	0.6	0.6	0.6	0.4	0.5	0.8	0.4	0.3	0.5
Information & Communication	0.3	0.3	0.3	0.2	0.3	0.4	0.3	0.2	0.2
Financial & Insurance	1.1	1.0	0.5	1.3	1.5	0.6	0.6	0.5	0.5
Public administration	0.3	0.3	0.4	0.2	0.3	0.2	0.3	0.3	0.3
Professional, Administration & Support Services	0.3	0.3	0.2	0.2	0.3	0.4	0.3	0.2	0.2
Real estate	0.5	0.7	0.7	0.8	0.8	0.6	0.7	0.6	0.6
Education	0.3	0.2	0.1	0.1	0.2	0.2	0.2	0.1	0.2
Health	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Other services	0.1	0.1	0.1	0.0	0.2	0.1	0.0	0.0	0.1
FISIM	0.0	-0.1	0.0	-0.1	-0.1	-0.1	-0.2	0.0	-0.1
2.3 Taxes on products	0.6	0.2	0.2	0.1	0.2	0.2	0.4	0.5	0.3
Real GDP Growth	4.9	5.6	5.5	5.6	6.0	5.1	5.0	4.6	4.0

Source: Kenya National Bureau of Statistics and CBK Staff computations

Chapter 3

Developments in Money, Credit and Interest Rates

Overview

Broad money supply (M3) was broadly unchanged in the third quarter of 2024 compared to the previous quarter, mainly reflected in the deposits.

Monetary aggregates and its components

Broad money supply (M3) remained broadly unchanged in the third quarter of 2024 compared to the previous quarter, mainly reflected in deposits. The increase in household and corporate sector deposits were largely offset by the decline in other deposits at the Central Bank. The decline in other deposits at the CBK was mainly due to decrease in county deposits. The increase in corporate and household deposits were mainly reflected in

the time and savings deposits, partly reflecting attractive interest rates offered by banks on time deposits. Meanwhile, the currency outside banks declined during the quarter under review (**Tables 3.1 & 3.2**).

On the counterpart side, the unchanged position of broad money during the quarter reflected an increase in net domestic assets of banking system being offset by a decline in net foreign assets of the banking system. The increase in net domestic assets of banking system mainly reflected increased net lending to the government, while the decline in net foreign assets partly reflected debt servicing and the impact of exchange rate appreciation, as well as reduced deposits abroad by banks (**Table 3.1**).

Table 3.1: Monetary aggregates (KSh Billion)

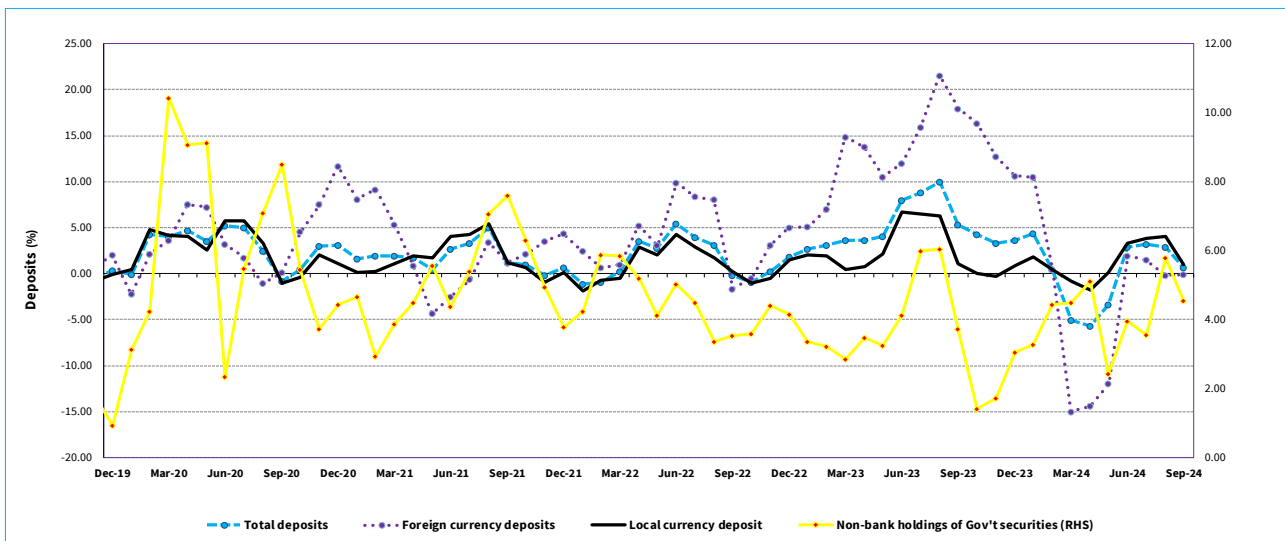
	End Month Level (KSh Billion)					Quarterly Growth Rates (%)					Absolute Quarterly Changes (KSh Billion)				
	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24
Components of M3															
1. Money supply, M1 (1.1+1.2+1.3)	2,017.3	2,044.1	1,992.8	2,063.6	1,972.8	-3.9	1.3	-2.5	3.6	-4.4	-81.0	26.8	-51.2	70.8	-90.9
1.1 Currency outside banks	267.5	282.1	273.9	274.2	268.2	3.7	5.5	-2.9	0.1	-2.2	9.6	14.6	-8.2	0.2	-5.9
1.2 Demand deposits	1,645.2	1,663.9	1,635.0	1,630.6	1,603.4	-2.1	1.1	-1.7	-0.3	-1.7	-35.5	18.7	-28.9	-4.4	-27.2
1.3 Other deposits at CBK 1/	104.6	98.0	83.9	158.9	101.1	-34.5	-6.3	-14.4	89.4	-36.4	-55.0	-6.5	-14.1	75.0	-57.8
2. Money supply, M2 (1+2.1)	3,898.2	3,952.3	3,890.4	4,041.6	4,043.5	1.2	1.4	-1.6	3.9	0.0	46.1	54.1	-62.0	151.3	1.9
2.1 Time and saving deposits	1,881.0	1,908.3	1,897.5	1,978.0	2,070.8	7.2	1.5	-0.6	4.2	4.7	127.0	27.3	-10.7	80.4	92.8
3. Money supply, M3 (2+3.1)	5,295.9	5,498.6	5,204.4	5,381.3	5,381.4	5.1	3.8	-5.3	3.4	0.0	258.5	202.7	-294.1	176.9	0.1
3.1 Foreign Currency Deposits	1,397.6	1,546.3	1,314.1	1,339.7	1,337.9	17.9	10.6	-15.0	2.0	-0.1	212.4	148.6	-232.2	25.6	-1.8
Sources of M3															
1. Net foreign assets 2/	708.5	793.6	749.5	905.9	893.3	19.8	12.0	-5.6	20.9	-1.4	117.0	85.1	-44.1	156.4	-12.6
Central Bank	516.2	486.9	387.4	479.2	472.1	-16.3	-5.7	-20.4	23.7	-1.5	-100.6	-29.3	-99.4	91.7	-7.1
Banking Institutions	192.3	306.7	362.0	426.7	421.2	-857.1	59.5	18.0	17.9	-1.3	217.7	114.4	55.3	64.7	-5.5
2. Net domestic assets (2.1+2.2)	4,587.4	4,705.0	4,455.0	4,475.4	4,488.2	3.2	2.6	-5.3	0.5	0.3	141.4	117.6	-250.0	20.5	12.7
2.1 Domestic credit	6,077.7	6,252.0	6,157.3	6,170.1	6,219.0	4.4	2.9	-1.5	0.2	0.8	257.4	174.4	-94.8	12.8	48.9
2.1.1 Government (net)	2,203.4	2,239.5	2,235.4	2,287.7	2,346.4	5.7	1.6	-0.2	2.3	2.6	119.4	36.2	-4.2	52.3	58.7
2.1.2 Private sector	3,773.6	3,911.2	3,829.0	3,797.5	3,789.1	3.3	3.6	-2.1	-0.8	-0.2	121.1	137.5	-82.2	-31.4	-8.5
2.1.3 Other public sector	100.6	101.3	93.0	84.9	83.6	20.2	0.7	-8.3	-8.6	-1.6	16.9	0.7	-8.4	-8.0	-1.4
2.2 Other assets net	-1,490.3	-1,547.0	-1,702.3	-1,694.7	-1,730.9	8.4	3.8	10.0	-0.4	2.1	-116.0	-56.8	-155.3	7.6	-36.2
Memorandum items															
4. Overall liquidity, L (3+4.1)	7,915.1	8,197.8	8,025.0	8,313.4	8,447.3	4.7	3.6	-2.1	3.6	1.6	352.5	282.7	-172.8	288.4	134.0
4.1 Non-bank holdings of government securities	2,619.2	2,699.2	2,820.6	2,932.1	3,065.9	3.7	3.1	4.5	4.0	4.6	94.0	80.0	121.4	111.5	133.8

Absolute and percentage changes may not necessarily add up due to rounding off

1/ Includes county deposits and special projects deposit

2/ Net Foreign Assets at current exchange rate to the US dollar.

Source: Central Bank of Kenya

Chart 3.1: Quarterly growth in deposit and non-bank holdings of government securities (percent)

Source: Central Bank of Kenya

Table 3.2: Deposit holdings of corporates and household sectors

	End Month Level (KSh Billion)					Quarterly Growth Rates (%)					Absolute Quarterly Changes (KSh Billion)				
	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24
1. Household Sector 1/	2150	2143	2092	2097	2144	2.6	-0.3	-2.4	0.3	2.2	53.5	-7.1	-51.4	5.3	46.9
1.1 Demand Deposits	713	634	658	627	632	-3.1	-11.1	3.8	-4.6	0.8	-22.6	-79.3	24.0	-30.6	5.1
1.2 Time and Saving Deposits	1012	1023	1027	1064	1101	2.9	1.1	0.4	3.6	3.4	28.8	11.2	3.9	36.6	36.6
1.3 Foreign Currency Deposits	425	486	407	406	411	12.5	14.3	-16.3	-0.2	1.3	47.3	61.0	-79.3	-0.6	5.2
2. Corporate Sector	2748	2952	2730	2825	2840	10.1	7.4	-7.5	3.5	0.5	251.6	203.5	-222.2	95.2	15.3
2.1 Demand deposits	911	1013	958	983	950	-1.4	11.1	-5.4	2.6	-3.3	-13.1	101.2	-54.9	25.1	-32.2
2.2 Time and Saving Deposits	863	877	863	907	961	13.0	1.6	-1.6	5.1	6.0	99.1	14.0	-13.8	43.7	54.3
2.3 Foreign Currency Deposits	974	1062	909	935	928	20.5	9.1	-14.5	2.9	-0.7	165.6	88.3	-153.5	26.5	-6.8

1/ Household Sector includes individuals, unincorporated businesses serving households and non-profit institutions

Source: Central Bank of Kenya

Developments in Domestic Credit

Domestic credit extended by the banking system increased by 0.8 percent in the third quarter of 2024 compared to 0.2 percent in the previous quarter largely reflecting increased net lending to Government. The increased net lending to government was due to higher uptake of government securities by commercial banks during the quarter. Meanwhile, net lending to the government by the central bank moderated partly due to increased government deposits at the Central bank, while credit to other public sector also moderated on account of net repayments by parastatals (**Table 3.3**).

Credit to the private sector contracted further in the third quarter of 2024, by 0.2 percent compared to a contraction of 0.8 percent in the previous quarter.

The contraction in credit to the private sector, partly reflected reduced demand attributed to high lending rates and exchange rate valuation effects on foreign currency denominated loans following the appreciation of the Shilling. Reduction in credit growth was reflected across key sectors of the economy, including manufacturing, building and construction, and business services; and most of these sectors have significant foreign currency denominated loans (**Chart 3.2**).

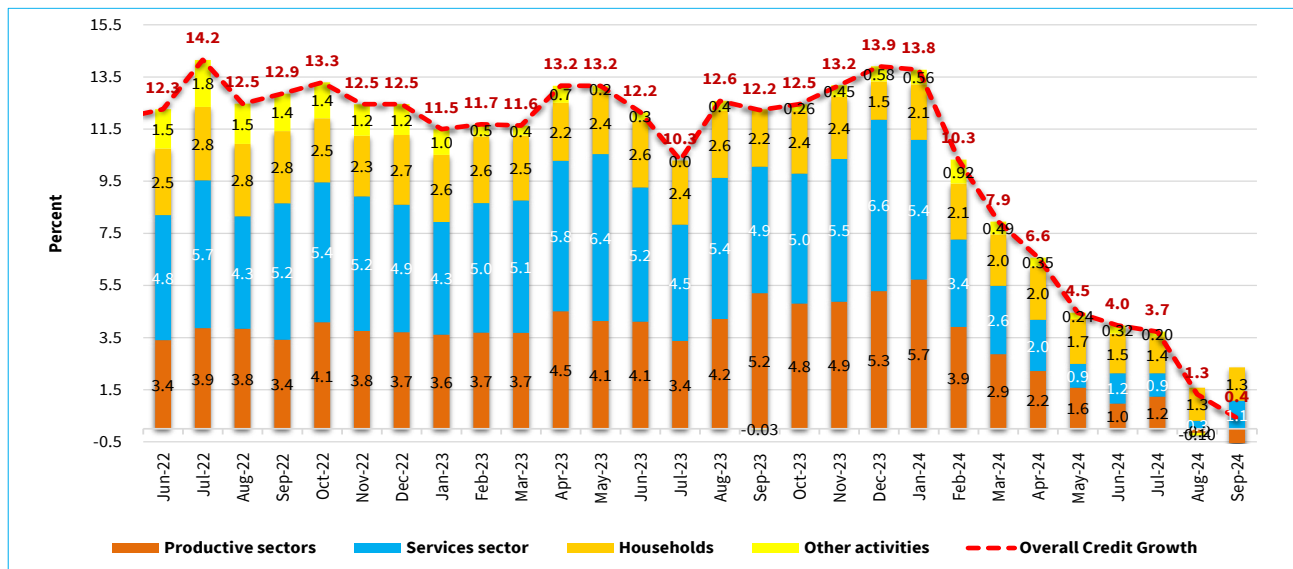
The 12-month growth in commercial bank lending to the private sector stood at 0.4 percent in September 2024 compared to 4.0 percent in June 2024. Growth in local currency denominated loans stood at 4.9 percent in September while foreign currency denominated loans, which account for about 26 percent of total loans, contracted by 12.7 percent.

Table 3.3: Banking sector net domestic credit

	End Month Level (KSh Billion)					Quarterly Growth Rates (%)					Absolute Quarterly Changes (KSh Billion)				
	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24
1. Credit to Government	2,203.4	2,239.5	2,235.4	2,287.7	2,346.4	5.7	1.6	-0.2	2.3	2.6	119.4	36.2	-4.2	52.3	58.7
Central Bank	459.3	487.5	431.2	380.8	359.3	42.0	6.1	-11.6	-11.7	-5.6	135.9	28.2	-56.3	-50.4	-21.5
Commercial Banks & NBFIs	1,744.1	1,752.0	1,804.2	1,906.9	1,987.1	-0.9	0.5	3.0	5.7	4.2	-16.5	7.9	52.2	102.6	80.2
2. Credit to other public sector	100.6	101.3	93.0	84.9	83.6	20.2	0.7	-8.3	-8.6	-1.6	16.9	0.7	-8.4	-8.0	-1.4
Local government	5.0	5.1	5.3	6.4	7.0	-26.4	2.8	3.5	21.5	10.1	-1.8	0.1	0.2	1.1	0.6
Parastatals	95.7	96.3	87.7	78.5	76.5	24.3	0.6	-8.9	-10.4	-2.6	18.7	0.6	-8.6	-9.1	-2.0
3. Credit to private sector	3,773.6	3,911.2	3,829.0	3,797.5	3,789.1	3.3	3.6	-2.1	-0.8	-0.2	121.1	137.5	-82.2	-31.4	-8.5
Agriculture	127.1	141.8	137.4	134.2	136.3	4.3	11.5	-3.0	-2.4	1.6	5.2	14.6	-4.3	-3.3	2.1
Manufacturing	620.0	636.7	597.9	580.2	531.1	6.2	2.7	-6.1	-3.0	-8.5	36.4	16.7	-38.8	-17.6	-49.1
Trade	634.6	663.4	645.6	632.7	675.7	3.4	4.5	-2.7	-2.0	6.8	20.9	28.8	-17.8	-12.9	43.0
Building and construction	145.5	143.3	137.3	127.7	125.9	4.5	-1.5	-4.1	-7.0	-1.4	6.3	-2.2	-5.9	-9.7	-1.7
Transport & communications	343.2	361.4	340.8	343.0	348.0	4.5	5.3	-5.7	0.6	1.5	14.7	18.2	-20.7	2.2	5.0
Finance & insurance	156.1	189.1	164.5	152.4	156.6	5.8	21.2	-13.0	-7.4	2.8	8.5	33.1	-24.6	-12.2	4.2
Real estate	444.9	452.5	440.9	444.7	455.4	3.7	1.7	-2.6	0.9	2.4	15.7	7.6	-11.6	3.8	10.6
Mining and quarrying	25.1	26.0	31.3	42.9	49.3	23.8	3.9	20.3	36.8	15.0	4.8	1.0	5.3	11.5	6.4
Private households	537.2	524.1	566.1	566.0	574.6	2.1	-2.4	8.0	0.0	1.5	10.9	-13.1	42.0	-0.1	8.7
Consumer durables	406.7	415.5	416.1	417.3	417.7	1.3	2.2	0.1	0.3	0.1	5.2	8.8	0.6	1.2	0.4
Business services	212.0	214.8	218.5	213.8	206.1	1.0	1.3	1.7	-2.1	-3.6	2.2	2.8	3.7	-4.6	-7.7
Other activities	121.4	142.7	132.6	142.8	112.4	-7.4	17.5	-7.1	7.7	-21.3	-9.7	21.2	-10.1	10.2	-30.4
4. TOTAL (1+2+3)	6,077.7	6,252.0	6,157.3	6,170.1	6,219.0	4.4	2.9	-1.5	0.2	0.8	257.4	174.4	-94.8	12.8	48.9

Source: Central Bank of Kenya

Chart 3.2: Contribution to overall credit growth by activity group (percentage points)



Source: Central Bank of Kenya

Reserve Money

Reserve money remained broadly unchanged in the third quarter of 2024 compared to the previous quarter. This largely reflected an increase in bank reserves, which was nearly offset by a decline in the

currency outside banks. On the counterpart, the increased in net domestic assets of the central bank was largely offset by the reduction in the net foreign assets (**Table 3.4**).

Table 3.4: Reserve money and its sources

	End Month Level (KSh Billion)					Quarterly Growth Rates (%)					Absolute Quarterly Changes (KSh Billion)				
	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24
Sources of Reserve Money															
1. Net Foreign Assets	516.2	486.9	387.4	479.2	472.1	-16.3	-5.7	-20.4	23.7	-1.5	-100.6	-29.3	-99.4	91.7	-7.1
2. Net Domestic Assets	71.0	108.6	190.6	100.5	108.1	-155.2	52.9	75.6	-47.3	7.6	199.6	37.6	82.1	-90.1	7.6
2.1 Government Borrowing (net)	459.3	487.5	431.2	380.8	359.3	42.0	6.1	-11.6	-11.7	-5.6	135.9	28.2	-56.3	-50.4	-21.5
2.2 Commercial banks (net)	163.9	242.7	228.5	260.5	210.6	69.4	48.1	-5.9	14.0	-19.2	67.2	78.8	-14.2	32.0	-49.9
2.3 Other Domestic Assets (net)	-555.9	-625.4	-472.8	-544.5	-465.4	0.6	12.5	-24.4	15.2	-14.5	-3.4	-69.5	152.6	-71.7	79.1
Components of Reserve Money															
3. Reserve Money	587.2	595.5	578.1	579.7	580.2	20.3	1.4	-2.9	0.3	0.1	99.0	8.2	-17.4	1.6	0.5
3.1 Currency outside banks	267.5	282.1	273.9	274.2	268.2	3.7	5.5	-2.9	0.1	-2.2	9.6	14.6	-8.2	0.2	-5.9
3.2 Bank reserves	319.8	313.4	304.2	305.6	312.0	38.8	-2.0	-2.9	0.5	2.1	89.4	-6.4	-9.2	1.4	6.4

Source: Central Bank of Kenya

Interest Rates

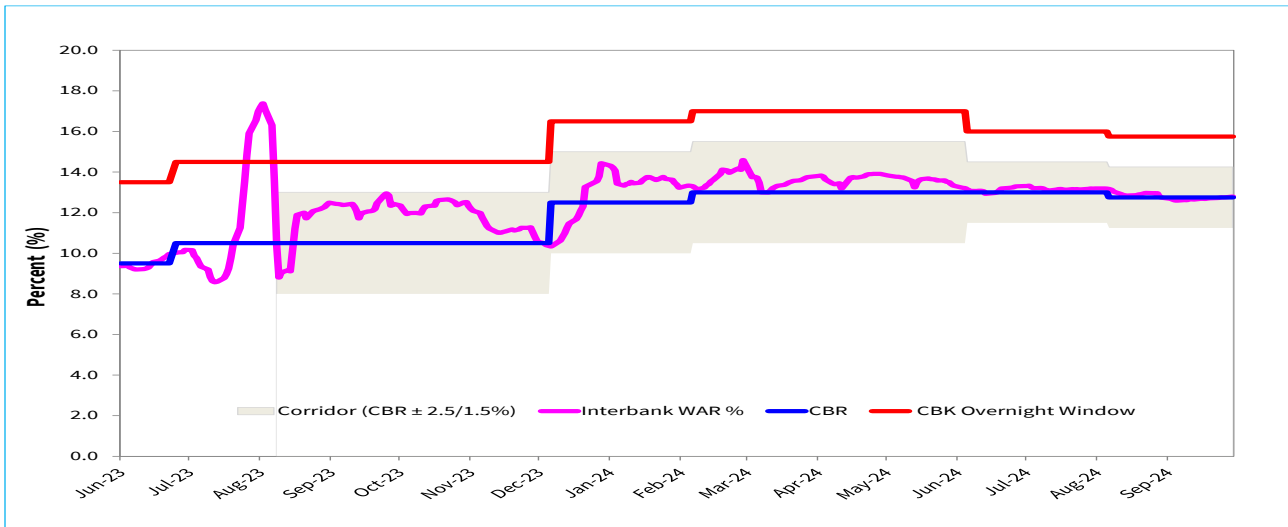
a. Central Bank Rate

The Monetary Policy Committee (MPC) meeting in August 2024 decided to lower the Central Bank Policy (CBR) rate to 12.75 percent from 13.00 percent, noting 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 Committee further noted that non-food non-fuel inflation has moderated, while central banks in some major economies have lowered interest rates in response to easing inflationary pressures. The MPC concluded that there was scope for a gradual easing of the monetary policy stance, while ensuring continued exchange rate stability.

b. Short Term Rates

Short-term interest rates decreased in line with the reduction in the Central Bank Rate and improved liquidity conditions. The weighted overnight interbank rate decreased to 12.67 percent in September from 13.14 percent in June 2024, and it remained within the interest rate corridor band around the CBR, partly supported by open market operations. The average 91-day Treasury bill rate decreased to 15.75 percent in September 2024 from 15.97 percent in June 2024, while the average 182-day Treasury bill rate decreased to 16.62 percent from 16.67 percent.

Chart 3.3: Interest Rate Corridor (%)



Source: Central Bank of Kenya

c. Lending and Deposit Rates

Commercial banks' average lending remained elevated in the third quarter of 2024, partly reflecting the lag effects of the tightening of the monetary policy stance. The weighted average lending rate

increased to 16.91 percent in September 2024 from 16.85 percent in June 2024. The weighted average deposit rate decreased slightly to 11.24 percent from 11.48 percent in June 2024.

Table 3.5: Interest rates (percent)

	2023				2024								
	Mar	Jun	Sep	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep
91-day Treasury bill rate	9.76	11.49	14.38	15.70	16.14	16.51	16.68	16.16	15.91	15.97	16.00	15.85	15.75
182-day Treasury bill rate	10.25	11.54	14.42	15.80	16.18	16.65	16.86	16.71	16.52	16.67	16.82	16.74	16.62
Interbank rate	7.05	9.48	12.36	11.65	13.65	13.59	13.42	13.70	13.62	13.14	13.17	13.01	12.67
Repo rate	-	-	-	-	-	-	-	-	-				-
Reverse Repo rate	10.37	9.90	13.76	14.03	13.76	14.69	14.71	14.64	13.80	13.75	13.93	12.91	13.07
Central Bank Rate (CBR)	9.50	10.50	10.50	12.50	12.50	13.00	13.00	13.00	13.00	13.00	13.00	12.75	12.75
Average lending rate (1)	13.09	13.31	13.98	14.64	15.20	15.88	16.28	16.45	16.60	16.85	16.84	16.84	16.91
Overdraft rate	12.69	12.83	13.62	14.65	15.11	15.55	15.97	16.37	16.52	16.78	16.43	16.39	16.83
1-5years	13.47	13.79	14.48	15.16	15.87	16.36	16.82	17.03	17.28	17.52	17.59	17.66	17.69
Over 5years	12.91	13.06	13.67	14.14	14.62	15.58	15.90	15.94	15.99	16.25	16.32	16.27	16.18
Average deposit rate (2)	7.54	7.80	8.64	10.10	10.18	10.32	10.52	10.77	11.12	11.48	11.28	11.14	11.24
0-3months	8.13	8.32	9.76	11.42	11.65	11.89	12.08	12.00	12.46	12.56	12.38	12.05	12.28
Over 3 months deposit	8.19	8.54	8.96	10.19	10.57	10.81	11.27	11.44	11.72	11.92	12.08	12.03	12.04
Savings deposits	3.55	3.92	4.00	4.24	3.69	3.33	3.90	4.14	4.45	5.11	4.56	4.62	3.57
Spread (1-2)	5.55	5.51	5.33	4.54	5.02	5.56	5.76	5.68	5.48	5.37	5.56	5.71	5.67

Source: Central Bank of Kenya

Chapter 4

Global Economy

The global economy continued to rebound in the third quarter of 2024, albeit at a slower pace. Global economic activity continued to be marked by divergences across economies and sectors. High frequency leading indicators pointed to a resilient growth in the service sector, while the manufacturing sector remained subdued, particularly in several advanced and emerging economies. Global economic activity is expected to remain broadly flat in 2024 and 2025, reflecting resilient growth in service sector, and better-than-expected growth outcomes in the United States, the United Kingdom, and India. However, sluggish growth in the Eurozone, Nigeria and China, and a subdued pick up in manufacturing sector continues to adversely weigh on global economy. According to the IMF World Economic Outlook (WEO) October report, annual global growth is projected to remain flat at 3.2 percent for both 2024 and 2025.

Growth in the advanced economies is expected to be 1.8 percent in 2024 and 2025, respectively. This outlook reflects stronger growth momentum in the US and pickup in demand in the United Kingdom despite weaker-than-expected growth in the Euro Area due to reduced industrial activity in Germany. In 2024, growth in most economies within this group is forecast to improve, with the Euro Area at 0.4 percent, the UK at 1.1 percent, and Japan at 0.3 percent. US growth is projected to stabilize at 2.8 percent.

In the emerging market and developing economies (EMDEs), growth is projected to modestly decline from an estimated 4.4 percent in 2023 to 4.2 percent in 2024 and 2025, reflecting a slowdown in economic activities in China amid rising prospects in India. In Sub-Saharan Africa (SSA), economic activity is projected to improve from 3.6 percent in 2023 to a similar expected outturn in 2024 and improve further to 4.2 percent in 2025. The projected increases are attributed to dissipating weather related shocks and improving monetary conditions because of ongoing monetary policy easing in advanced economies, and increased investments in the service sectors of non-resource-intensive economies. Specifically, Nigeria, South Africa, and Kenya are expected to grow by 2.9 percent, 1.1 percent, and 5.0 percent in 2024, respectively. In 2025, their growth rates are forecasted to be 3.2

percent for Nigeria, 1.5 percent for South Africa, and 5.0 percent for Kenya.

Global financial conditions eased during the third quarter of 2024, even though interest rates are expected to remain higher for longer as market participants scale back their easing expectations. Concerns about global inflation have moderated, although some persistence remains in several advanced economies. Headline inflation is anticipated to gradually decline from 6.8 percent in 2023 to 5.2 percent in 2024. Global commodity market pressures are expected to continue easing as nonfuel and fuel commodity prices converge toward their long-run historical standards. Oil prices are projected to decrease by about 6.2 percent, averaging \$81.29 per barrel in 2024, while nonfuel commodity prices are expected to rise by 2.9 percent in 2024. Global demand is anticipated to increase, driven by higher consumer spending, particularly in the service sector, with rising demand for travel, tourism, and recreational activities. World trade growth is forecasted to be 3.1 percent in 2024, reflecting the normalization of supply chain networks.

Preliminary GDP figures for the third quarter of 2024 reveal a mixed economic performance across key regions. The United States recorded a growth rate of 2.7 percent, signaling a steady but moderate expansion, partly reflecting strong outturns in consumptions and non-residential investments. The UK economy improved marginally to 1.0 percent, as falling interest rates and easing of inflation pressures continue to stimulate domestic demand. In comparison, the Euro Area saw a more subdued growth of 0.9 percent, with Germany growth contracting by 0.2 percent. China growth slowed down to 4.6 percent in third quarter of 2024, reflecting persistent weakness in real estate sector and low consumer confidence which more than offset gains in exports.

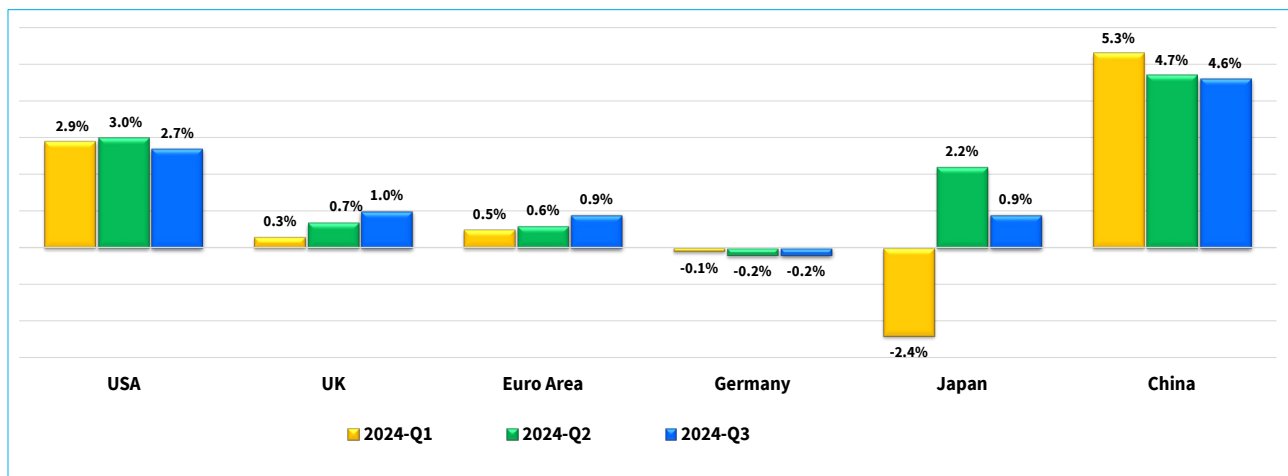
Risks to the global economic outlook remains largely tilted to downside, attributed to increased concerns over US policy direction, particularly on trade, fiscal measures and foreign policy alongside heightened geopolitical conflicts in the Middle East, and Russia-Ukraine War.

Table 4.1: Overview of the World Economic Outlook Projections (percent)

	Annual Year over Year					Quarterly Q4 Over Q4		
	Actual		Estimate	Projections		Estimate	Projections	
	2021	2022	2023	2024	2025	2023	2024	2025
World Output	6.3	3.5	3.3	3.2	3.2	3.4	3.3	3.1
Advanced Economies	5.4	2.7	1.7	1.8	1.8	1.7	1.9	1.7
United States	5.9	2.1	2.9	2.8	2.2	3.2	2.5	1.9
Euro Area	5.3	3.5	0.4	0.8	1.2	0.2	1.2	1.3
Germany	2.6	1.8	-0.3	0.0	0.8	-0.2	0.3	1.3
France	6.4	2.5	1.1	1.1	1.1	1.3	0.7	1.5
Italy	7.0	3.7	0.7	0.7	0.8	0.3	1.0	0.6
Spain	5.5	5.5	2.7	2.9	2.1	2.3	2.9	2.0
Japan	2.2	1.0	1.7	0.3	1.1	0.9	1.8	0.2
United Kingdom	7.6	4.1	0.3	1.1	1.5	-0.3	2.1	1.1
Emerging Market and Developing Economies	6.8	4.0	4.4	4.2	4.2	4.7	4.4	4.3
China	8.4	3.0	5.2	4.8	4.5	5.4	4.5	4.7
India	9.1	7.2	8.2	7.0	6.5	7.8	6.7	6.5
Russia	5.6	-2.1	3.6	3.6	1.3	4.8	2.4	1.2
Latin America and the Caribbean	7.0	3.9	2.2	2.1	2.5	1.3	2.1	2.9
Brazil	5.0	2.9	2.9	3.0	1.3	2.2	3.5	2.2
Middle East and Central Asia	4.4	5.4	2.1	2.4	3.9	...	...	...
Saudi Arabia	3.9	8.7	-0.8	1.5	4.6	-4.3	2.1	4.6
Sub-Saharan Africa	4.7	3.9	3.6	3.6	4.2	...	...	...
Nigeria	3.6	3.3	2.9	2.9	3.2	3.2	3.5	3.7
South Africa	4.7	1.9	0.7	1.1	1.5	1.3	1.7	1.0
Kenya	7.6	4.9	5.6	5.0	5.0	...	...	...
World Trade Volume (goods and services)	10.7	5.2	0.8	3.1	3.4	...	...	...
Commodity Prices								
Oil	65.8	39.2	-20.7	-6.2	-20.7	-4.4	-7.3	-4.9
Nonfuel	26.7	7.9	-4.8	-1.4	-4.8	-0.2	3.8	0.5
World Consumer Prices	4.7	8.7	6.8	5.2	6.8	5.7	5.3	3.5
Advanced Economies	3.1	7.3	4.7	2.8	4.7	3.2	2.3	2.0
Emerging Market and Developing Economies	5.9	9.8	8.3	6.8	8.3	7.8	7.7	4.7

Source: World Economic Outlook, October 2024

Chart 4.1: Global growth, third quarter-2024 (percent)



Source: National Bureau of Statistics offices, The Organisation for Economic Co-operation and Development (OECD)

Chapter 5

Balance of Payments and Exchange Rates

Overview

The overall balance of payment recorded a surplus of USD 140 million in the third quarter of 2024 compared to a deficit of USD 911 million in third quarter of 2023.

Current Account Balance

The current account deficit widened by USD 482 million to USD 1,452 million in the third quarter of 2024 compared to a deficit of USD 970 million in third quarter of 2023 (**Table 5.1**). The widening of current account deficit was on account of a decline in the trade balance, and primary income balance. The deficit in the goods balance widened by USD 465 million to USD 2,736 million in the third quarter

of 2024 compared to a deficit of USD 2,271 million in third quarter of 2023, reflecting an increase in goods imports.

The improvement in the services account by USD 21 million was due to lower services payments. However, the balance on primary account widened by USD 263 million to a deficit of USD 834 million in the third quarter of 2024 from deficit of USD 571 million in the third quarter of 2023, reflecting higher interest-related payments on other investments. Transfers in the secondary income account improved by USD 224 million and was mainly attributed to higher remittances receipts during the review period.

Table 5.1: Balance on Current Account (USD Millions)

ITEM	2023		2024*						2024 Q3 - 2023Q3	
	Jul-Sep	Oct- Dec	Jan- Mar	Apr-Jun	Jul	Aug	Sep	Jul-Sep	Absolute	Percent
	Q3	Q4	Q1	Q2				Q3	Change	Change
A. Current Account	-970	-1,285	-859	-807	-427	-613	-412	-1,452	-482	50
Goods: exports f.o.b.	1,862	1,707	2,004	2,110	753	729	714	2,195	334	18
Goods: imports f.o.b.	4,133	4,413	4,277	4,717	1,645	1,669	1,617	4,931	799	19
Services: credit	1,238	1,113	1,316	1,518	500	462	476	1,438	200	16
Services: debit	1,113	1,127	1,137	1,197	425	418	449	1,293	180	16
Balance on goods and services	-2,147	-2,720	-2,094	-2,286	-817	-897	-877	-2,591	-444	21
Primary income: credit	57	57	60	66	25	21	33	80	22	39
Primary income: debit	628	388	660	414	286	398	228	912	284	45
Balance on goods, services, and primary income	-2,717	-3,050	-2,694	-2,635	-1,078	-1,274	-1,071	-3,423	-706	26
Secondary income: credit	1,758	1,782	1,851	1,859	661	672	670	2,004	246	14
O/w Remittances	81	81	81	81	27	27	27	81	-	0
Secondary income: debit	11	17	16	31	11	11	11	32	22	198
B. Capital Account.	24	13	57	62	-	2	9	10	-13	-56
Capital account: credit	24	13	57	62	-	2	9	10	-13	-56
Capital account: debit	-	-	-	-	-	-	-	-	-	-
C. Financial Account.	64	-243	-784	-1,397	677	-608	-1,328	-1,260	-1,324	-2,063
D. Net Errors and Omissions	100	845	-195	-2	665	-49	-295	321	221	222
E. Overall Balance	911	184	213	-650	439	52	-631	-140	-1,051	-115
F. Reserves and Related Items	-911	-184	-213	650	-439	-52	631	140	1,051	-115

* Provisional

Fob-free on board

Source: Central Bank of Kenya and KNBS

Goods Account

Goods exports improved by USD 334 million to USD 2,195 million, occasioned by improved receipts from horticulture (vegetables, fruits and cut flowers) and re-exports which grew by 6.9 percent, 30.6 percent, and 46.7 percent, respectively (**Table 5.2a**). The improvement in horticulture exports was due to higher exports quantities of both vegetables, fruits

and nuts during the period under review. The re-exports increased by USD 110.2 million to USD 346 million during the third quarter of 2024, mainly reflecting higher uptake of jet-fuel by non-resident airlines. However, receipts from the exports of tea declined marginally by USD 4.5 million to USD 345 million from USD 349 million, mainly on account of lower prices at the Mombasa tea auction.

Table 5.2a: Trade Exports (USD Millions)

TRADE EXPORTS-CIF (USD MILLIONS) COMMODITY DESCRIPTION	2023		2024*						2024 Q3-2023Q3	
	Jul-Sep	Oct - Dec	Jan-Mar	Apr-Jun	Jul	Aug	Sep	Jul-Sep	Absolute	Percent
	Q3	Q4	Q1	Q2				Q3	Change	Change
FOOD AND LIVE ANIMALS	743	652	768	748	277	260	255	792	48.9	6.6
Vegetables and Fruits (Fresh)	141	96	129	140	58	66	58	181	39.6	28.1
Coffee	70	29	56	92	39	30	28	96	26.2	37.4
Tea	349	337	388	341	119	114	111	345	-4.5	-1.3
BEVERAGES AND TOBACCO	32	36	33	33	12	12	15	39	7.4	23.3
CRUDE MATERIALS	253	273	352	304	90	86	93	269	16.5	6.5
Cut flowers	107	109	150	119	39	32	39	109	2.7	2.5
MINERAL FUELS	25	41	24	28	9	11	11	31	6.7	27.3
ANIMAL & VEGETABLE OILS	46	42	32	64	26	30	21	77	30.8	66.3
CHEMICALS AND RELATED PRODUCTS	155	149	149	155	55	58	65	178	22.6	14.6
MANUFACTURED GOODS	181	146	157	156	59	68	56	184	3.0	1.7
Non - Metallic Minerals	60	39	52	51	17	26	19	63	2.3	3.8
Iron and Steel	58	52	49	52	19	18	17	54	-4.3	-7.4
MACHINERY AND TRANSPORT EQUIPMENT	22	26	29	21	11	13	16	40	17.9	82.5
MISCELLANEOUS MANUFACTURED ARTIC.	149	149	155	182	79	76	64	218	69.5	46.7
Clothing accessories	80	78	85	97	47	43	34	125	44.7	55.8
COMMODITIES & TRANSACTIONS	8	15	5	6	2	2	0	4	-3.4	-43.9
RE-EXPORTS	236	167	290	395	127	106	112	346	110.2	46.7
TOTAL CUSTOMS EXPORTS	1,849	1,695	1,995	2,072	747	723	708	2,179	330.2	17.9

*Provisional;

Source: Central Bank of Kenya and Kenya Revenue Authority

Goods imports widened by USD 799 million to USD 4,931 million in the third quarter of 2024. The increase was mainly on imports of crude material, machinery and transport equipment and chemicals, which more than off-set the decline in imports of food and manufactured goods (**Table 5.2b**). Imports of machinery equipment was mainly for industrial use, while imports of transport equipment comprised mainly locomotives for railway transport.

The decline in manufactured goods was due to lower imports of iron and steel following the increase in its import duty to promote domestic production. Food imports declined by USD 145 million to USD 474 million mainly on account of lower imports of cereals, specifically rice and maize. Oil imports rose by USD 48 million to USD 1,158, from USD 1,110 million during the review period.

Table 5.2b: Trade Imports (USD Millions)- Custom Statistics

TRADE IMPORTS-CIF (USD MILLIONS)	2023		2024*						2024 Q3-2023Q3	
	Jul-Sep	Oct-Dec	Jan-Mar	Apr-Jun	Jul	Aug	Sep	Jul-Sep	Absolute	Percent
COMMODITY DESCRIPTION	Q3	Q4	Q1	Q2				Q3	Change	Change
FOOD AND LIVE ANIMALS	619	485	498	541	110	175	189	474	-145	-23.5
Cereals	343	189	281	343	42	111	109	261	-82	-23.9
Sugar	105	159	99	65	21	15	25	61	-44	-41.9
BEVERAGES AND TOBACCO	24	28	21	24	9	9	12	30	6	25.3
CRUDE MATERIALS	121	138	140	138	56	39	65	160	39	32.2
MINERAL FUELS	1,110	1,302	1,147	1,202	393	391	374	1,158	48	4.3
Motor spirit	374	358	326	396	124	97	116	337	-37	-9.9
Jet fuel	157	216	218	178	57	54	28	139	-19	-11.9
Diesel oil	440	536	377	440	147	176	140	463	23	5.3
ANIMAL & VEGETABLE OILS	299	215	230	239	74	91	79	243	-55	-18.5
CHEMICALS AND RELATED PRODUCTS	630	685	731	836	308	272	269	849	219	34.8
Organic and Inorganic Chemicals	84	85	85	94	33	26	30	89	5	6.3
Medicinal & Pharmaceuticals	163	139	171	192	75	91	57	223	60	37.0
Manufactured Fertilizers	39	83	65	138	41	10	30	81	42	107.1
Plastics	163	195	199	204	74	70	77	220	57	34.9
Chemical Materials and Products	101	83	128	127	46	49	42	137	36	35.5
MANUFACTURED GOODS	593	639	638	677	246	222	231	700	107	18.0
Textile Yarn	117	149	155	164	58	55	55	168	52	44.1
Iron and Steel	174	177	187	172	64	43	57	165	-9	-4.9
MACHINERY AND TRANSPORT EQUIPMENT	859	894	872	1,048	436	470	398	1,303	444	51.7
Machinery	599	612	541	714	287	264	265	815	216	36.1
Transport	260	282	331	334	149	206	133	488	228	87.6
MISCELLANEOUS MANUFACTURED ARTIC.	224	347	261	300	106	97	99	302	79	35.1
COMMODITIES & TRANSACTIONS	75	84	93	102	36	37	38	111	36	48.3
TOTAL CUSTOMS IMPORTS (CIF)	4,479	4,734	4,538	5,004	1,741	1,765	1,715	5,221	742	16.6

*Provisional

CIF Cost Insurance and Freight

Source: Central Bank of Kenya and Kenya Revenue Authority

Exports of goods to the EAC region accounted for 30.2 percent total exports and increased by 13.0 percent to USD 657 million in third quarter of 2024, of reflecting increased exports to Uganda, Rwanda and Democratic Republic of Congo (DRC). Similarly, exports to COMESA region increased by 1.9 percent following increased exports to Somalia, and Ethiopia during the period under review. Exports to the rest of the world increased by 26.8 percent to USD 1,317 million and was mainly to United Arab Emirates (UAE), USA, Germany, the United Kingdom and India (**Table 5.2c**).

Imports of goods were mainly from China, UAE, India and US, which accounted for 25.1 percent, 13.1 percent, 9.1 percent and 4.9 percent of total imports, respectively. The imports from China were mainly railway transport equipment, imports from India were mainly pharmaceuticals while oil imports from UAE were mainly oil products. During the period under review, imports from Africa declined by 2.2 percent, equivalent of USD 10.8 million following lower imports from South Africa and Uganda (**Table 5.2c**).

Table 5.2c: Kenya's Direction of Trade (USD Millions)

EXPORTS (USD M)	2023		2024			Share of Imports (%)		Imports Region/ Country	2023		2024			Share of Imports (%)	
	Jul-Sep	Oct-Dec	Jan-Mar	Apr-Jun	Jul-Sep				Jul-Sep	Oct-Dec	Jan-Mar	Apr-Jun	Jul-Sep		
	Q3	Q4	Q1	Q2	Q3	Q3 2024	Q3 2023		Q3	Q4	Q1	Q2	Q3	Q3 2024	Q3 2023
Africa	810	732	760	749	862	39	44	Africa	496	455	445	454	485	10	12
o/w Uganda	237	192	222	249	265	12	13	o/w South Africa	131	125	144	115	106	2	3
Tanzania	133	135	111	115	135	6	7	Tanzania	93	73	103	112	116	2	2
Rwanda	81	69	69	76	96	4	4	Egypt	83	92	61	72	86	2	2
South Sudan	56	61	62	57	45	2	3	Uganda	68	59	50	71	66	1	2
Egypt	59	62	70	36	44										
DRC	53	44	58	50	63	3	3	EAC	182	140	169	192	195	4	4
Somalia	37	34	33	29	39	2	2	COMESA	226	239	185	203	231	5	5
Ethiopia	23	27	33	24	31										
Zambia	18	16	17	20	17	1	1	Rest of the World	3,636	3,958	3,832	4,263	4,446	90	88
								o/w China	831	883	841	1,006	1,327	27	20
EAC	582	516	547	592	657	30	31	UAE	854	690	449	694	686	14	21
COMESA	535	462	513	505	590	27	29	India	386	479	478	441	499	10	9
								Malaysia	192	310	276	208	210	4	5
Rest of the World	1,051	975	1,245	1,362	1,333	61	56	USA	225	180	273	282	257	5	5
o/w UAE	116	103	146	286	212	10	6	Japan	176	178	184	205	205	4	4
Pakistan	164	135	143	138	158	7	9	Saudi Arabia	244	178	49	98	71	1	6
Netherlands	128	120	188	120	104	5	7	Russia	112	153	91	196	144	3	3
USA	116	101	149	158	190	9	6	Netherlands	37	155	137	90	61	1	1
United Kingdom	91	100	127	103	106	5	5	Oman	13	10	188	181	90	2	0
Saudi Arabia	35	42	75	69	28	1	2	United Kingdom	61	94	61	108	81	2	1
China	34	34	40	65	38	2	2	Germany	61	61	67	77	105	2	1
Germany	28	18	37	37	40	2	1	Pakistan	48	27	113	67	58	1	1
France	32	27	24	25	30	1	2	France	80	71	42	61	59	1	2
India	22	23	23	19	63	3	1	Indonesia	84	48	48	40	58	1	2
Spain	23	8	13	28	26	1	1	Belgium	25	29	109	50	24	0	1
Total Exports	1,862	1,707	2,004	2,110	2,195	100	100	Total Imports (FOB)	4,133	4,413	4,277	4,717	4,931	100	100
European Union	273	222	329	282	283	13	15	European Union	363	458	494	433	424	9	9
China	34	34	40	65	38	2	2	China	831	883	841	1,006	1,327	27	20

*Provisional

Source: Central Bank of Kenya and Kenya Revenue Authority

Financial Account

The financial account of the Balance of Payments net inflows rose by USD 1,324 million, reflecting increased financial liabilities in the third quarter of 2024 compared to a similar period in 2023 (**Table 5.3**). Inflows of portfolio investment liabilities increased to USD 135 million in Q3 2024 compared with a decline of USD 17 million in Q3 2023. Inflows

of direct investment liabilities remained relatively stable at USD 186 million in Q3 2024 compared to USD 177 million in Q3 2023. Other investment liabilities decreased by USD 291 million to USD 917 million in Q3 2024 from USD 1,208 million in Q3 2023, mainly attributed to decreased liabilities of the other sectors (nonfinancial corporations, households, and NPISHs).

Table 5.3: Financial Account (USD Million)

BPM6 Concept	2023		2024						2024 Q3-2023Q3	
	Jul-Sep	Oct-Dec	Jan-Mar	Apr-Jun	Jul	Aug	Sep	Jul-Sep	Absolute	Percent
	Q3	Q4	Q1	Q2				Q3		
Financial Account	64	-243	-784	-1397	677	-608	-1328	-1260	-1324	-2063.5
Direct investment: assets	121	115	67	109	37	37	37	110	-12	-9.6
Direct investment: liabilities, n.i.e.	177	168	249	183	62	66	59	186	9	5.4
Portfolio investment: assets	96	93	113	25	33	54	-16	71	-25	-26.3
Equity and investment fund shares	83	101	107	13	-7	40	-24	9	-74	-88.8
Debt securities	13	-8	7	13	39	14	8	62	48	358.9
Portfolio investment: liabilities, n.i.e.	-17	-19	937	-35	-195	120	210	135	152	-903.6
Equity and investment fund shares	-25	-15	-15	23	1	6	6	13	38	-154.2
Debt securities	8	-3	953	-58	-196	114	203	122	114	1420.5
Financial derivatives: net	31	31	16	14	0	-15	-3	-18	-49	-158.7
Financial derivatives: assets	32	31	27	9	-1	-28	8	-21	-53	-166.4
Financial derivatives: liabilities	1	0	12	-5	-1	-13	11	-3	-4	-384.3
Other investment: assets	1183	711	622	671	519	-462	-240	-184	-1367	-115.5
Other investment: liabilities, n.i.e.	1208	1043	416	2068	44	36	837	917	-291	-24.1
Deposit-taking corporations	-277	-313	-148	-169	-21	-243	123	-140	137	-49.3
General government	-190	170	-25	1410	-525	-93	44	-574	-384	201.9
Other sectors	1675	1186	589	826	590	372	670	1633	-43	-2.6

*Provisional

Source: Central Bank of Kenya and KNBS

Foreign Exchange Reserves

The banking system's total foreign exchange holdings increased to USD 16,391 million at the end of the third quarter of 2024 from USD 13,852 million in a similar period in 2023. The official reserves held

by the Central Bank constituted the bulk of the gross reserves and rose to USD 8,603 million, equivalent to 4.4 months of import cover. Similarly, Commercial Bank reserves rose to USD 7,789 million at the end of the third quarter of 2024 (**Table 5.4**).

Table 5.4: Foreign exchange reserves and residents' foreign currency deposits (end of period, USD Million)

	2023				2024					2024 Q3-2023Q3	
	Mar	Jun	Sep	Dec	Mar	Jun	Jul	Aug	Sep	Absolute	Percent
1. Gross Reserves	10,901	13,166	13,852	14,156	15,328	16,438	16,556	16,061	16,391	2,539	18
of which:											
Official	6,962	8,037	7,535	7,342	7,813	8,463	8,024	7,972	8,603	1,067	14
import cover*	3.9	4.3	4.0	3.9	4.1	4.4	4.1	4.1	4.4	0.4	10.2
Commercial Banks	3,939	5,129	6,316	6,814	7,515	7,975	8,532	8,089	7,789	1,472	23
2. Residents' foreign currency deposits	7,760	8,673	9,778	10,173	10,344	10,609	10,959	10,814	10,622	844	9

*Provisional

Source: Central Bank of Kenya and KNBS

Exchange Rates

The Kenya Shilling exchange rate strengthened against major international and regional currencies during the third quarter of 2024 compared to the second quarter. The Kenya Shilling strengthened by 1.1 percent against the US Dollar to exchange at

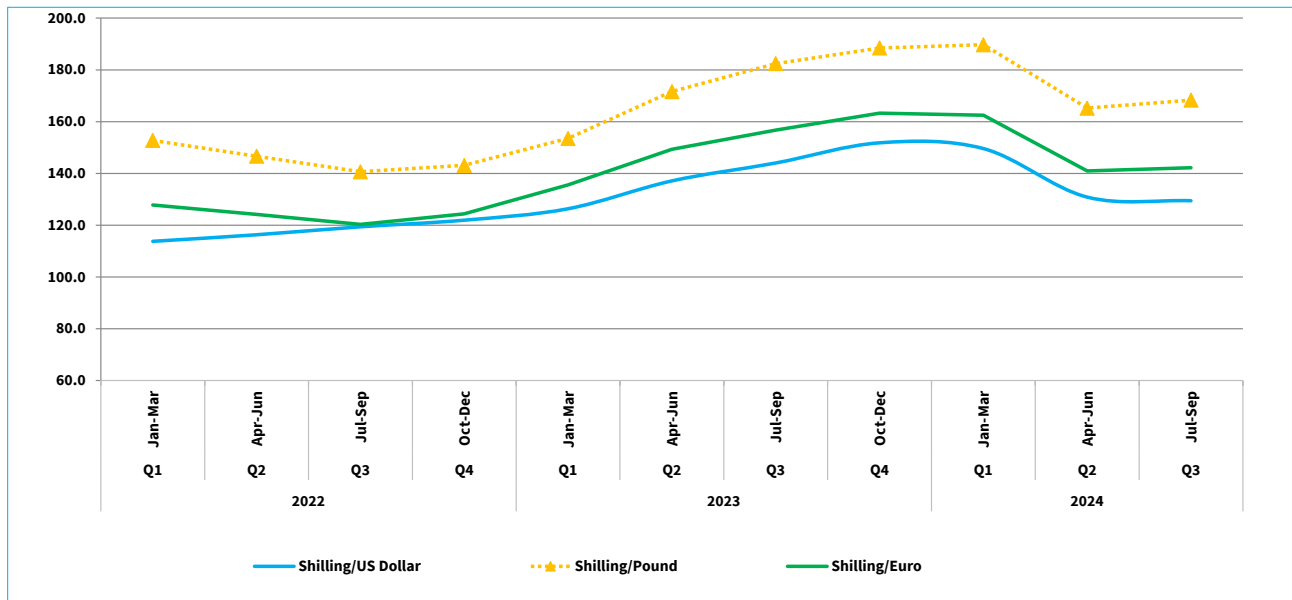
an average of 129.46 compared with 130.87 in third quarter of 2024, supported by increased foreign exchange inflows and impact of monetary policy measures. However, the Shilling weakened against other major currencies and against selected EAC currencies excluding Ugandan Shilling during the review period (**Table 5.5 and Chart 5.1**).

Table 5.5: Kenya Shilling exchange rate

	2024 Q1	2024 Q2				2024 Q3				2024 Q3-2024Q2
	Jan-Mar	Apr	May	Jun	Apr-Jun	Jul	Aug	Sep	Jul-Sep	Percent
US Dollar	149.63	131.57	131.69	129.36	130.87	129.87	129.32	129.20	129.46	-1.1
Pound Sterling	189.71	164.69	166.47	164.54	165.24	166.91	167.28	170.74	168.31	1.9
Euro	162.47	141.13	142.40	139.36	140.96	140.75	142.44	143.52	142.24	0.9
100 Japanese Yen	100.92	85.57	84.50	82.02	84.03	82.22	88.45	90.34	87.00	3.5
South Africa Rand	7.92	6.96	7.15	7.02	7.04	7.12	7.17	7.34	7.21	2.4
Uganda Shilling*	25.94	29.07	28.79	29.03	28.96	28.54	28.78	28.73	28.68	-1.0
Tanzania Shilling*	17.07	19.63	19.70	20.23	19.86	20.56	20.93	21.08	20.86	5.0
Rwanda Franc*	8.57	9.79	9.84	10.08	9.90	10.09	10.23	10.34	10.22	3.2
Burundi Franc*	19.19	21.77	21.79	22.23	21.93	22.17	22.30	22.41	22.29	1.7

Source: Central Bank of Kenya

Chart 5.1: Exchange Rate Developments



Source: Central Bank of Kenya

Chapter 6 Banking Sector

Overview

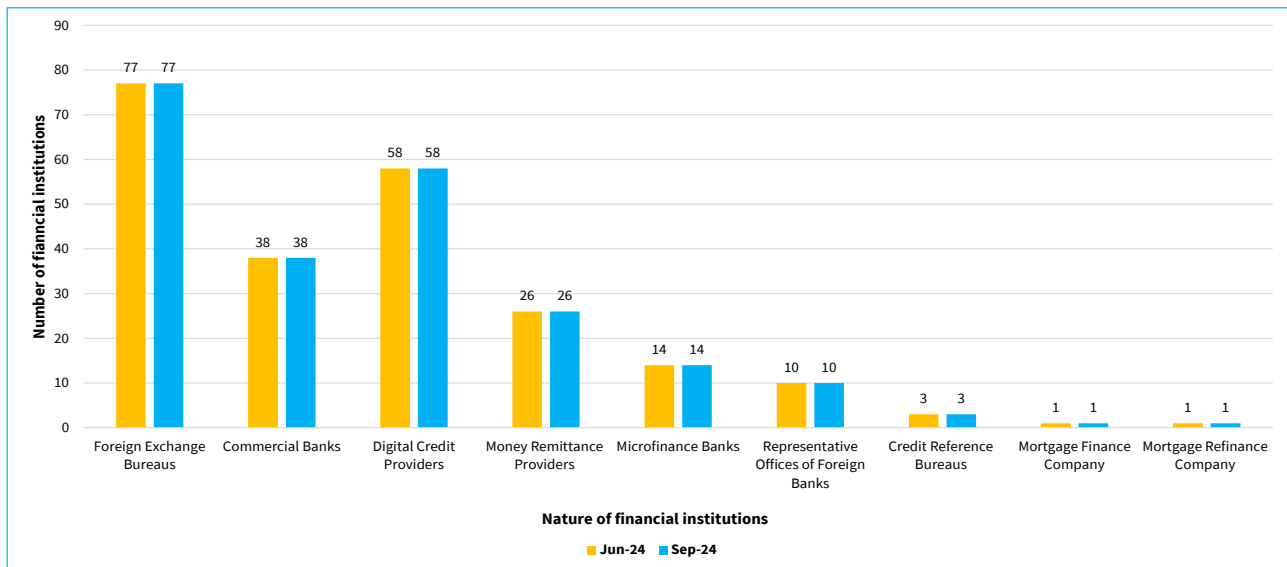
The banking sector remained stable and resilient in the third quarter of 2024. Total assets increased by 0.2 percent to Ksh.7,568.4 billion in September 2024, from Ksh.7,552.0 billion in June 2024. The deposit base also increased by 1.7 percent to Ksh.5,684.0 billion in the third quarter of 2024, from Ksh.5,589.1 billion in the second quarter of 2024. The sector was well capitalized with a capital adequacy ratio of 19.1 percent, which was above the minimum capital requirement of 14.5 percent. The sector remained profitable in the third quarter of 2024, with quarterly profit before tax of Ksh.64.2 billion, a decrease from Ksh.66.1 billion reported in the second quarter of 2024. Credit risk remained elevated with Gross Non-Performing Loans (NPLs)

to Gross Loans Ratio standing at 16.5 percent at the end of the third quarter of 2024, an increase from 16.3 percent recorded at the end of second quarter of 2024.

Structure of the Banking Sector

The Kenyan banking sector comprised 38 Commercial Banks, 1 Mortgage Finance Company, 1 Mortgage Refinance Company, 14 Microfinance Banks, 10 Representative Offices of Foreign Banks, 77 Foreign Exchange Bureaus, 26 Money Remittance Providers, 3 Credit Reference Bureaus, and 58 Digital Credit Providers as of September 2024. **Chart 6.1** shows the structure of the Kenyan banking sector as at the end of the last two quarters.

Chart 6.1: Structure of the kenyan banking sector



Source: Central Bank of Kenya

Structure of the Balance Sheet

i) Increase in Banking sector assets

Total assets increased by 0.2 percent to KSh 7,568.4 billion in September 2024, from KSh 7,552.0 billion in June 2024. The increase in total assets was mainly recorded in government securities by KSh 41.2 billion (2.0 percent), cash balances by KSh 7.9 billion (10.6 percent) and investments by KSh 6.5 billion (8.1 percent). Loans and advances remained

the main component of total assets, accounting for 48.6 percent in the third quarter of 2024, an increase from 48.4 percent recorded in the second quarter of 2024.

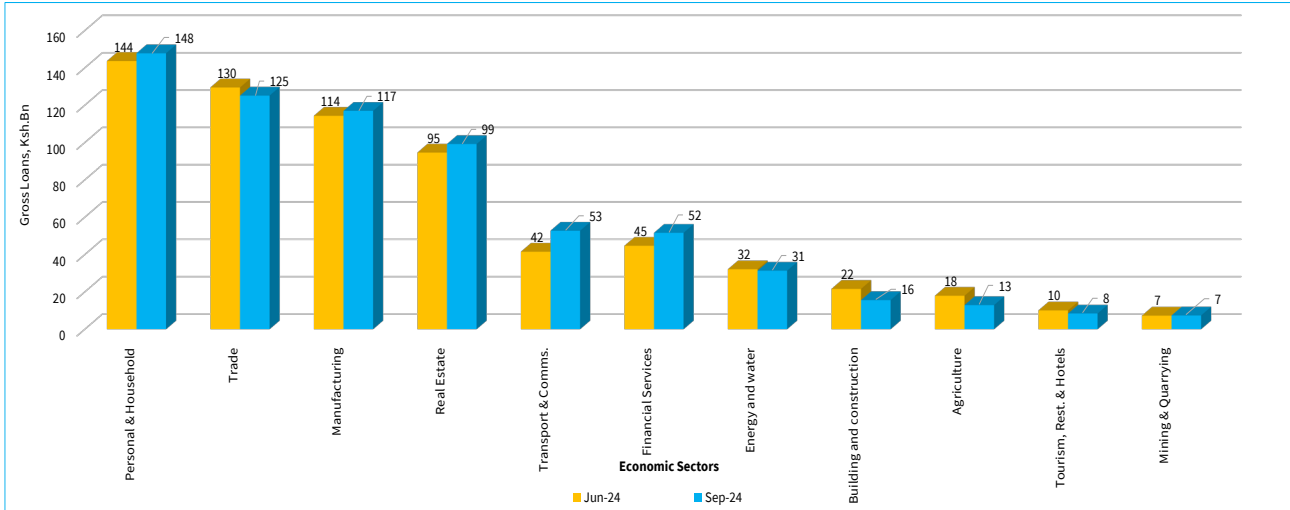
ii) Loans and Advances

The banking sector loan book increased by 0.6 percent, to KSh 4,064.2 billion in the third quarter of 2024, from KSh 4,041.3 billion in the second quarter of 2024. The increase in gross loans and

advances was largely witnessed in the Transport and Communication, Personal and Household, Mining and Quarrying, Tourism, Restaurant and Hotels, Financial Services and Real Estate sectors.

The increase in gross loans was mainly due to new advances. The sectoral distribution of gross loans for the second quarter of 2024 and the third quarter of 2024, is highlighted in **Chart 6.2**.

Chart 6.2: Kenyan banking sector gross loans



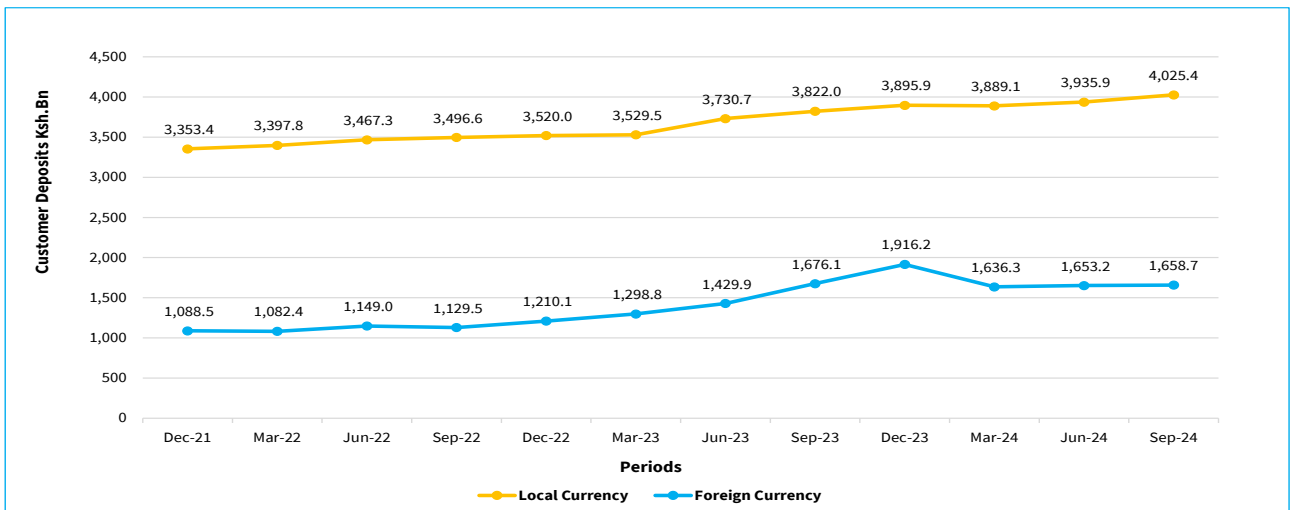
Source: Central Bank of Kenya

iii) Deposit Liabilities

Customer deposits remain the main source of funding to the banks accounting for 75.1 percent of the banking sector total liabilities and shareholders’ funds as at the end of the third quarter of 2024. The customer deposit base increased by KSh 95.0 billion (1.7 percent) to KSh 5,684.0 billion in the third quarter of 2024, from KSh 5,589.1 billion in the second quarter of 2024. Local currency deposits

increased by KSh 89.5 billion (2.3 percent) to KSh 4,025.4 billion in the third quarter of 2024, from KSh 3,935.9 billion in the second quarter of 2024. Foreign currency deposits increased by KSh 5.5 billion (0.3 percent) to KSh 1,658.7 billion in the third quarter of 2024, from KSh 1,653.2 billion in the second quarter of 2024. **Chart 6.3** shows the trend of deposit liabilities.

Chart 6.3: Customer deposits



Source: Central Bank of Kenya

Capital Adequacy

Kenya’s banking sector is well-capitalized and meets the minimum capital requirements. Core capital decreased by 0.4 percent to KSh 946.4 billion in the third quarter of 2024, from KSh 950.4 billion in the second quarter of 2024. Total capital decreased by 1.1 percent to KSh 1,083.2 billion in the third quarter of 2024, from KSh 1,094.7 billion in the second quarter of 2024.

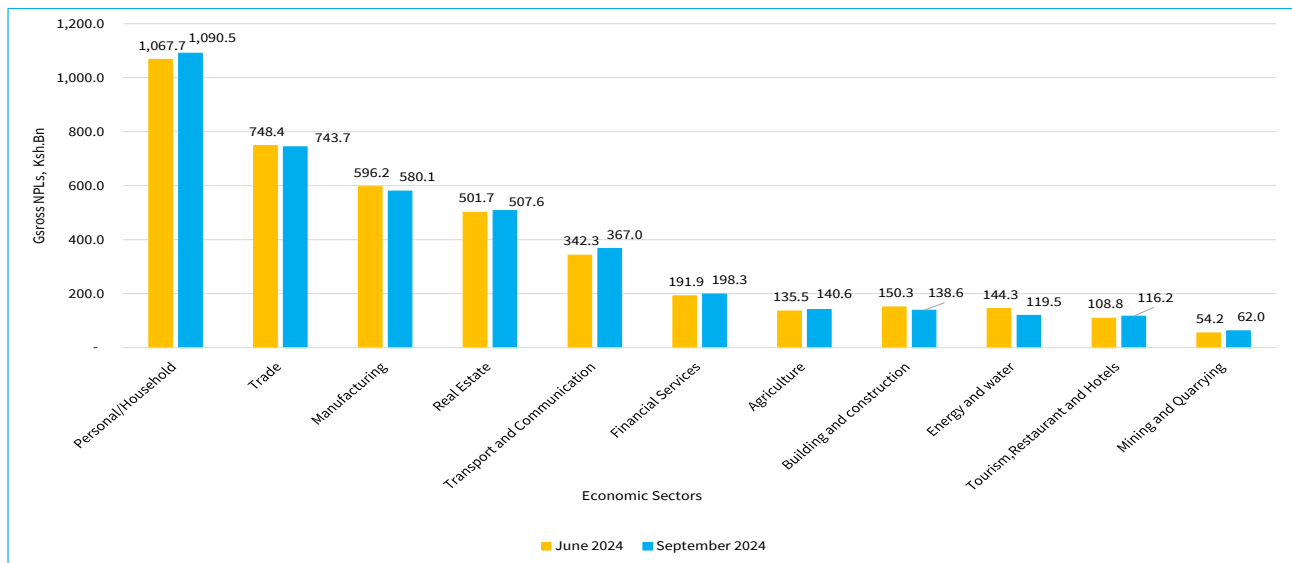
The core capital to total risk-weighted assets ratio increased marginally to 16.7 percent in the third quarter of 2024 from 16.6 percent in the second quarter of 2024. The increase in the core capital ratio was mainly due to a higher decrease in total risk-weighted assets (0.8 percent) as compared to a decrease in core capital (0.4 percent). The total capital to total risk-weighted assets ratio remained at 19.1 percent in the third quarter of 2024 and the second quarter of 2024.

The minimum core capital to total deposits ratio is set at 8 percent. Commercial banks maintained an adequate buffer, with the ratio standing at 16.7 percent in the third quarter of 2024.

Asset Quality

The Gross Non-Performing Loans (NPLs) increased by 1.8 percent from KSh 657.6 billion in the second quarter of 2024, to KSh 669.5 billion at the end of the third quarter of 2024. The gross NPLs to gross loans ratio increased to 16.5 percent in the third quarter of 2024, from 16.3 percent in the second quarter of 2024. This was due to a lower increase in gross loans (0.6 percent) against a higher increase in gross NPLs (1.8 percent). **Chart 6.4** highlights the sectoral distribution of gross NPLs.

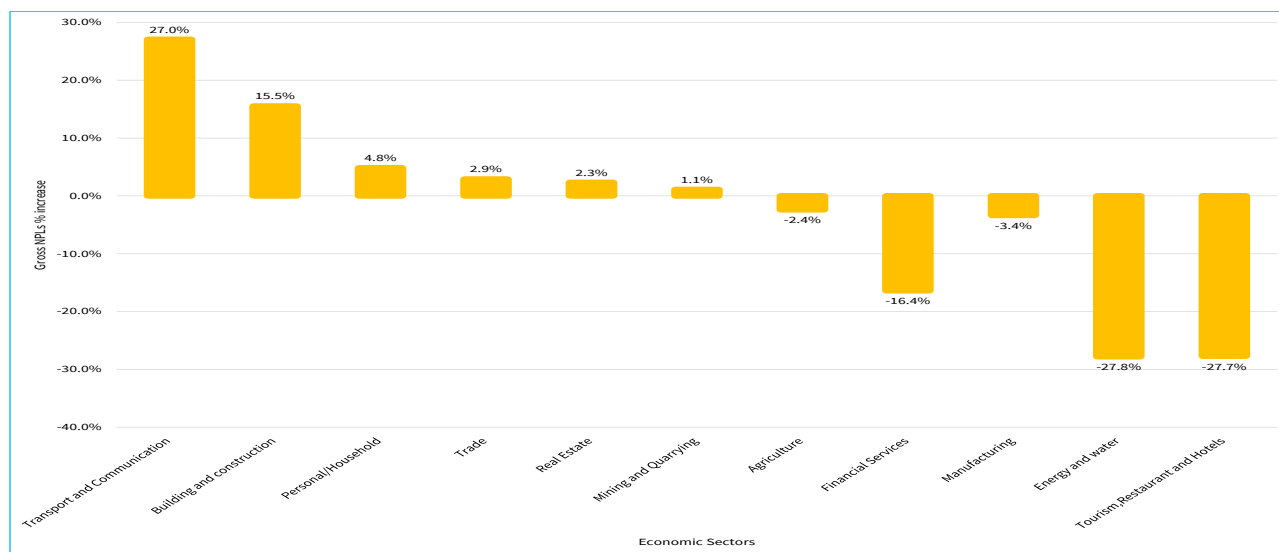
Chart 6.4: Kenyan banking sector gross non-performing loans



Source: Central Bank of Kenya

The increase in gross NPLs was spread across six economic sectors as highlighted in **Chart 6.5**.

Chart 6.5: Movement in Gross NPLs- Second Quarter of and Third Quarter 2024



Source: Central Bank of Kenya

Transport and Communication, Building and Construction, Personal and Household, Trade, Real Estate sectors registered increases in NPLs by Ksh.29.7 billion as a result of a challenging operating environment. Agriculture, Financial Services, Manufacturing, Energy and Water, Tourism, Restaurant and Hotels sectors registered decreased NPLs of Ksh.17.8 billion mainly due to write-offs and repayments.

The banking sector's asset quality, as measured by the proportion of net non-performing loans to gross

loan increased from 8.2 percent in second quarter of 2024, to 8.4 percent in the third quarter of 2024. The coverage ratio, measured as a percentage of specific provisions to total NPLs, decreased slightly from 40.4 percent in the second quarter of 2024, to 38.9 percent in the third quarter of 2024, due to a higher decrease in specific provisions (-2.7 percent) as compared to the increase in total NPLs (1.0 percent). A summary of asset quality for the banking sector over the period is shown in **Table 6.1**.

Table 6.1: Summary of asset quality

	Jun-24	Sep-24
1. Gross Loans and Advances (Ksh.Bn)	4,041.3	4,064.2
2. Interest in Suspense (Ksh.Bn)	104.0	110.3
3. Loans and Advances (net of interest suspended) (Ksh.Bn)	3,937.3	3,953.9
4. Gross Non-Performing loans (Ksh.Bn)	657.6	669.5
5. Specific Provisions (Ksh.Bn)	223.7	217.6
6. General Provisions (Ksh.Bn)	57.6	58.2
7. Total Provisions (5+6) (Ksh.Bn)	281.3	275.8
8. Net Advances (3-7) (Ksh.Bn)	3,656.0	3,678.1
9. Total Non-Performing Loans and Advances (4-2) (Ksh.Bn)	553.5	559.2
10. Net Non-Performing Loans and Advances (9-5) (Ksh.Bn)	329.9	341.6
11. Total NPLs as % of Total Advances (9/3) (%)	14.1%	14.1%
12. Net NPLs as % of Gross Advances (10/1) (%)	8.2%	8.4%
13. Specific Provisions as % of Total NPLs (5/9) (%)	40.4%	38.9%
14. Gross NPLs to Gross Loans Ratio (4/1) (%)	16.3%	16.5%

Source: Central Bank of Kenya

Profitability

The banking sector recorded a decrease in quarterly pre-tax profits of KSh 1.9 billion to KSh 64.2 billion in the third quarter of 2024, from KSh 66.1 billion in the second quarter of 2024. The decrease in profitability was mainly attributable to a higher increase in quarterly expense of KSh 6.2 billion as compared to an increase in quarterly income of KSh 4.3 billion. The higher increase in expense was mainly attributed to increased other interest expense (KSh 9.3 billion).

Interest income on loans and advances, interest on government securities and other incomes were the major sources of income in both quarters. They accounted for 50.9 percent, 24.6 percent and 13.4 percent in the third quarter of 2024 as compared to 50.6 percent, 24.3 percent and 13.7 percent in the second quarter of 2024.

On the other hand, interest on deposits, other expenses and salaries and wages, were the key components of expenses, accounting for 41.9 percent, 20.4 percent and 18.7 percent of total expenses respectively in the second quarter of 2024, compared to 39.8 percent, 16.5 percent and 22.8 percent in the second quarter of 2024.

Return on Assets (ROA) increased slightly to 3.0 in the third quarter of 2024, from 2.9 percent recorded in the second quarter of 2024. Return on Equity (ROE) decreased to 24.9 percent in the third quarter of 2024, from 26.0 percent in the second quarter of 2024.

Liquidity

The banking sector's overall liquidity ratio increased to 54.6 percent in the third quarter of 2024, from 53.5 percent in the second quarter of 2024. The increase was driven by a higher increase in total liquid assets of 3.7 percent and a 1.7 percent increase in total short-term liabilities between the two quarters. The banking sector liquidity ratio remained above the minimum statutory level of 20 percent.

Outlook of the Sector

- The banking sector is projected to remain stable in the fourth quarter of 2024.
- Operational risk is expected to remain elevated due to increasing cyber security risks.
- Credit risk is expected to be elevated in the short to medium term. The gross NPLs to Gross Loans ratio increased from 15.7 percent in the second quarter of 2024, to 16.5 percent in the third quarter of 2024.
- Interest rate risk is easing on the backdrop of stabilizing interest rates.
- Liquidity risk is stable. The liquidity ratio increased to 54.6 percent in the third quarter of 2024, from 53.5 percent in the second quarter of 2024. These were above the statutory minimum of 20 percent.

Kenya Shilling Flows in KEPSS

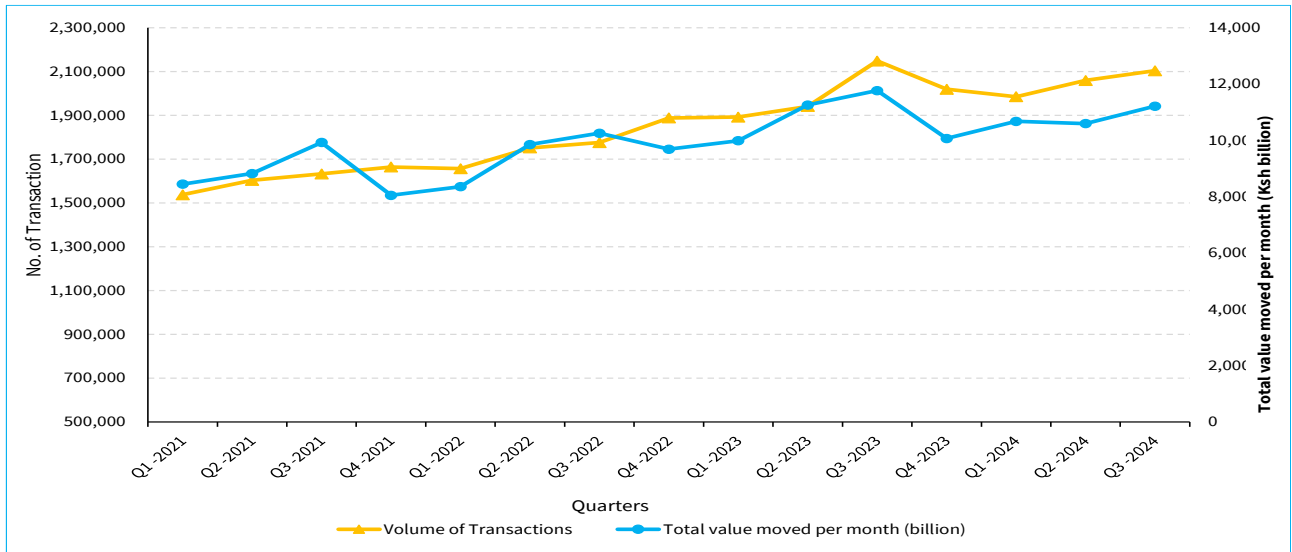
Kenya Electronic Payments and Settlement System (KEPSS) used for large value Real Time Gross Settlement (RTGS) payments moved a volume of 2.10 million transaction messages worth KSh 11.2 trillion in the third quarter of 2024, compared to the previous quarter which recorded 2.06 million transactions worth KSh 10.6 trillion. The volumes and values increased by 2.16 percent and 5.82 percent respectively.

Chart 6.6 below highlights recent trends in KEPSS transactions.

System Availability

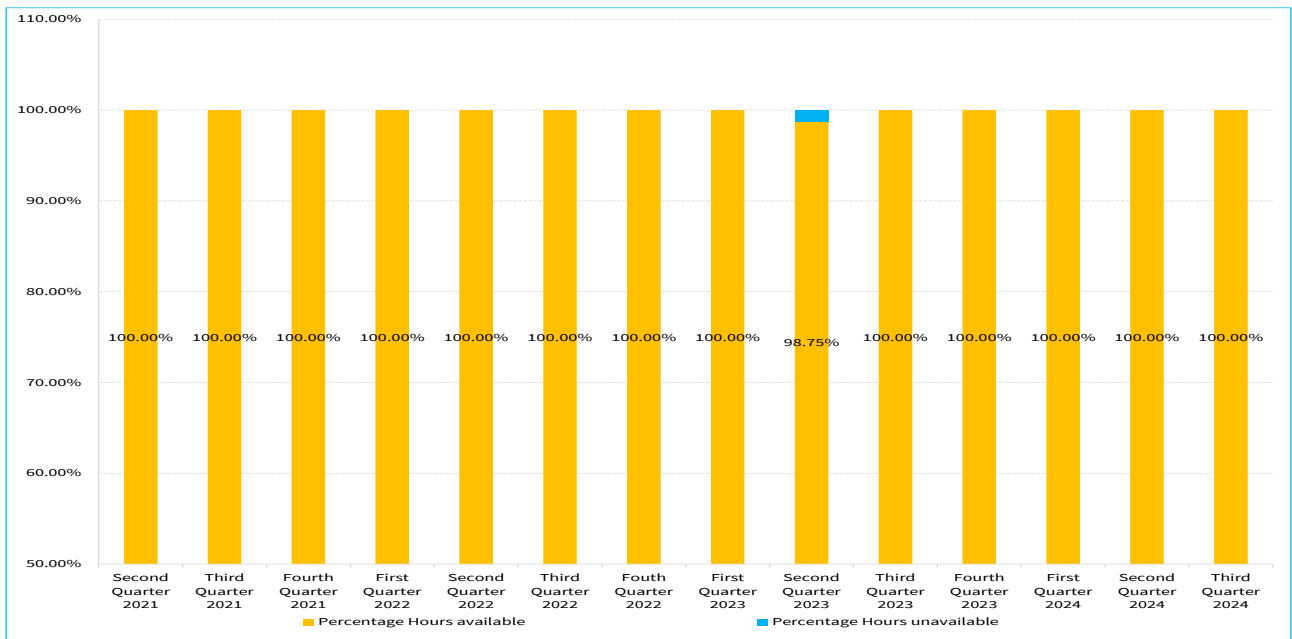
The KEPSS system is available to the commercial banks and other participants for 8 hours per day from 8.30 AM to 4.30 PM. The system availability maintained an average 100 percent during the third quarter of 2024 (**Chart 6.7**).

Chart 6.6: Trends in monthly flows through KEPSS



Source: Central Bank of Kenya

Chart 6.7: KEPSS availability



Source: Central Bank of Kenya

Chapter 7

Government Budgetary Performance

Overview

The Government's budgetary operations at the end of the first quarter of FY 2024/25 resulted in a deficit

of 1.1 of GDP and was on target. Total revenues and grants were above the target by 1.4 percent while expenditure and net lending was below target by 0.3 percent.

Table 7.1: Statement of Government Operations (KSh Billion)

	FY2023/24		FY2024/25		Over (+) / Below (-) Target	% Variance	% change Q on Q	% cumulative share to GDP	Target to GDP (%)
	Q1	Q4	Q1	Target					
1. TOTAL REVENUE & GRANTS	589.5	855.1	698.8	688.9	9.9	1.4	18.6	3.9	3.8
Ordinary Revenue	536.8	711.0	590.9	605.5	(14.6)		10.1		
Tax Revenue	514.1	625.9	525.3	560.3	(34.9)		2.2		
Non Tax Revenue	22.7	85.1	65.5	45.2	20.3		189.1		
Appropriations-in-Aid	49.3	136.0	106.6	80.2	26.4		116.3		
External Grants	3.4	8.1	1.4	3.2	(1.8)		(60.4)		
2. TOTAL EXPENDITURE & NET LENDING	644.0	1,209.8	890.2	892.6	(2.3)	(0.3)	38.2	4.9	4.9
Recurrent Expenses	517.0	882.2	689.9	685.2	4.7		33.4		
Development Expenses	65.9	186.3	136.8	99.6	37.2		107.5		
County Transfers	61.1	141.3	63.6	107.3	(43.7)		4.1		
Others	-	-	-	0.5	(0.5)				
3. DEFICIT (INCL. GRANTS) (1-2)	(54.6)	(354.7)	(191.4)	(203.7)	12.3	(6.0)	250.9	(1.1)	(1.1)
As percent of GDP	(0.3)	(2.2)	(1.1)	(1.1)	0.1				
4. ADJUSTMENT TO CASH BASIS	-	45.4	-	-	-				
5. DEFICIT INCL. GRANTS ON A CASH BASIS	(54.6)	(309.3)	(191.4)	(203.7)	12.3	(6.0)	250.9	(1.1)	(1.1)
As percent of GDP	(0.3)	(1.9)	(1.1)	(1.1)	0.1				
6. DISCREPANCY: Expenditure (+) / Revenue (-)	11.0	(8.9)	(27.1)	-					
7. FINANCING	65.6	318.2	164.4	203.7	(39.3)	(19.3)	150.7	0.9	1.1
Domestic (Net)	93.3	208.5	220.7	188.8	31.9		136.5	1.2	
External (Net)	(27.7)	109.7	(56.3)	14.9	(71.2)		103.1	(0.3)	

Source: The National Treasury, Preliminary BOT, June 2024

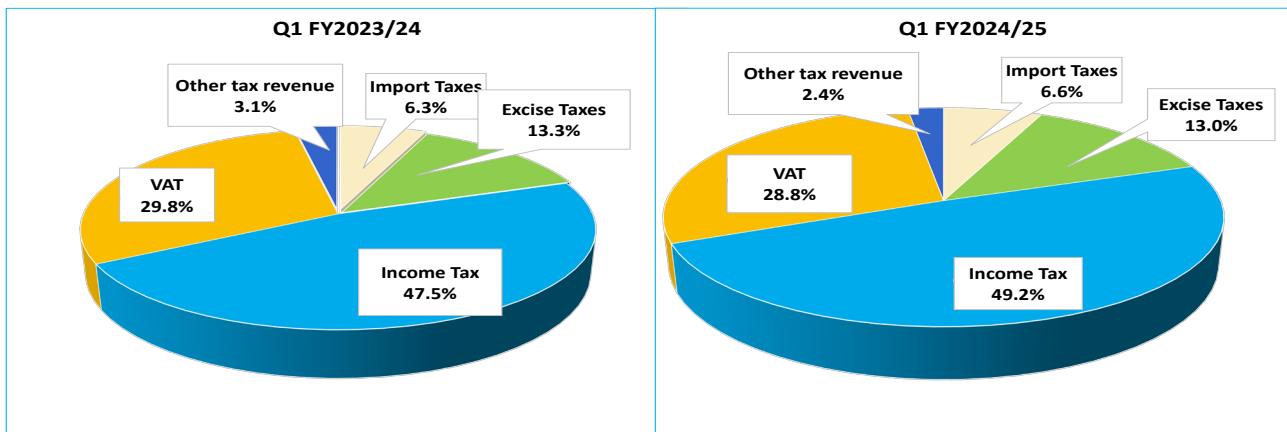
Revenue

Government receipts, comprising revenue and grants increased by 18.6 percent to KSh 698.8 billion in the first quarter of FY 2024/25, compared to KSh 589.5 billion in the first quarter of FY 2023/24. The increase was reflected in all the sources including tax revenues, non-tax revenues, Appropriation in Aid (A-in-A) while the external grants declined. Total revenue and grants were above the target by KSh 9.9 billion reflecting performance in non-tax revenue and Appropriation in Aid that more than offset the decline in tax revenues and external grants.

Ministerial Appropriations in Aid collected during the quarter amounted to KSh 106.6 billion, which was KSh 26.4 billion higher than target mainly due to timely reporting by SAGAs (**Table 7.1**).

There was a minor shift in the composition of tax revenues in the first quarter of FY 2024/25 compared with a similar period in the previous financial year (**Chart 7.1**). The share of income tax and import taxes increased by 1.8 percentage points and 0.3 percentage points, respectively, while the share of excise taxes, VAT and other tax revenues declined by 0.4 percentage points, 1.0 percentage points and 0.7 percentage points, respectively.

Chart 7.1: Composition of Tax Revenue



Source: September 2023 BOT, National Treasury

Expenditure and Net Lending

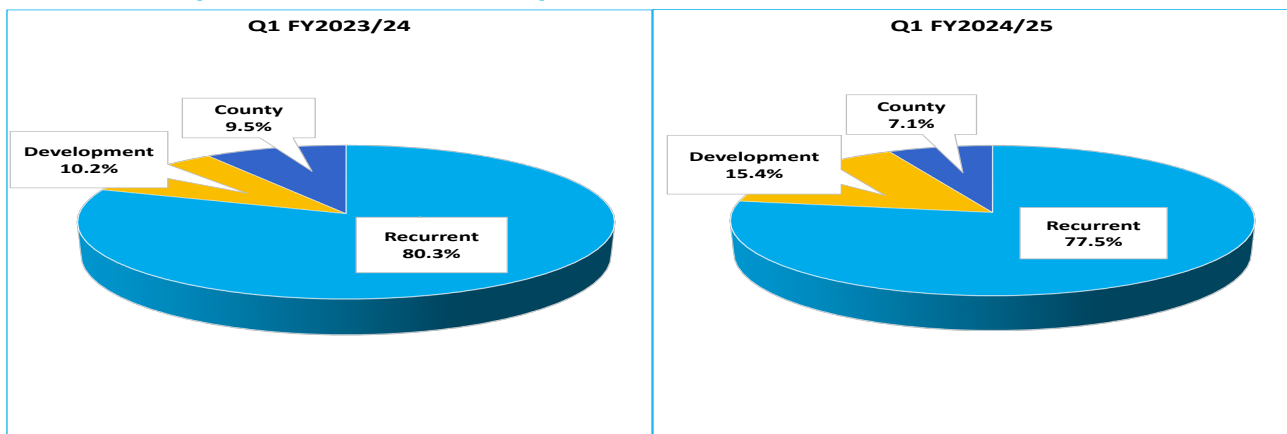
Government expenditure and net lending increased by 38.2 percent to KSh 890.2 billion in the first quarter of the FY 2024/25 compared to KSh 644.0 billion in the first quarter of the FY 2023/24. The increase in expenditure reflected a rise in national government recurrent expenditure, development and county transfers (**Table 7.1**).

The expenditure and net lending to September 2024 was below the target of KSh 892.6 billion by KSh 2.3 billion attributed to shortfall in transfers to County Governments. The overperformance in the recurrent expenditure category was mainly due to higher

than targeted expenditure on domestic interest payments and in operations and maintenance.

In terms of composition, recurrent expenditure held the largest share in total government expenditure accounting for 77.5 percent in the first quarter of the FY 2024/25, which was 2.8 percentage points lower than the level recorded in a similar quarter during the previous fiscal year. The share of county allocations declined by 2.3 percentage points while that of development expenditure rose by 5.1 percentage points during the period under review (**Chart 7.2**).

Chart 7.2: Composition of Government Expenditure



Source: September 2023 BOT, National Treasury

Financing

The budget deficit including grants amounted to KSh 191.4 billion or 1.1 percent of GDP at the

end of the first quarter of FY 2024/25. The budget deficit was funded by net domestic borrowing of KSh 220.7 billion and net foreign repayments of KSh 56.3 billion. Domestic borrowing comprised

KSh 107.5 billion from the commercial banks, KSh 145.5 billion from non-banks, KSh 0.8 billion from non-residents and KSh 62.7 billion drawdown on government deposits at the Central Bank (**Table 7.2**). Other domestic financing during the quarter

amounted to KSh 29.2 billion. By the end of the first quarter, net domestic borrowing was above target by Ksh 39.3 billion while net external borrowing was below target by KSh 71.2 billion (**Table 7.1**).

Table 7.2 Domestic financing (KSh Billion)

	FY 2023/24			FY 2024/25		
	Q4			Q1		
	Apr-24	May-24	Jun-24	Jul-24	Aug-24	Sep-24
1. From CBK	(25.3)	50.4	(22.1)	(1.1)	(11.2)	(62.5)
2.From commercial banks	160.7	152.1	190.3	20.0	62.3	107.5
4.From Non-banks	324.3	328.5	404.3	23.8	96.1	145.5
5. From Non-Residents	2.5	2.1	2.1	-	0.8	0.8
6.Total Net Domestic Credit	462.1	533.1	574.5	42.7	148.1	191.4
7. Other Domestic financing /1	20.4	(55.1)	21.1	75.5	32.8	29.2
8. Net Domestic Financing	482.5	478.0	595.6	118.2	180.9	220.7

/1 Include accounts payables and domestic loan repayment receipts

Source: The National Treasury (NB: Treasury Bills are reflected at cost)

Outlook for FY 2023/24

In the supplementary budget for the FY 2024/25, total revenue including grants is projected at KSh 3,112.3 billion (17.2 percent of GDP). Government expenditure is projected at KSh 3,880.8 billion (21.5 percent of GDP), of which KSh 2,826.2 billion will be for recurrent expenses, KSh 599.5 billion for development expenses and KSh 451.1 billion for transfers to county governments.

The overall budget deficit including grants is, therefore, projected at KSh 768.6 billion (4.3 percent of GDP) in FY 2024/25, to be financed through net external borrowing of KSh 355.5 billion (2.0 percent of GDP) and net domestic financing of KSh 413.1 billion (2.3 percent of GDP) (**Table 7.3**).

Table 7.3: Budget Estimates for the Fiscal Year 2023/2024

	Ksh (Bn)	% of GDP
1. TOTAL REVENUE (Including Grants)	3,112.3	17.2
Ordinary Revenue	2631.4	14.6
Appropriations-in-Aid	428.6	2.4
External Grants	52.3	0.3
2. TOTAL EXPENSES & NET LENDING	3880.8	21.5
Recurrent Expenses	2826.2	15.7
Development Expenses	599.5	3.3
County Transfer	451.1	2.5
Contingency Fund	4.0	0.0
3. DEFICIT INCL. GRANTS (1-2)	(768.6)	(4.3)
Adjustment to Cash Basis	0.0	0.0
4. FINANCING	768.6	4.3
Domestic (Net)	413.1	2.3
External (Net)	355.5	2.0

Source: National Treasury, Supplementary Budget, November 2023

Chapter 8

Developments in Public Debt

Overall Public Debt

Kenya's public and publicly guaranteed debt increased by 2.2 percent during the first quarter of 2024/25. Domestic and external debt increased by 3.5 percent and 0.7 percent, respectively. The ratio

of public debt to GDP was estimated at 66.6 percent by the end of first quarter of 2024/25 compared to 67.2 percent by the end of the fourth quarter of 2023/24 (**Table 8.1**).¹

Table 8.1 Kenya's public and publicly guaranteed debt

	FY2023/24				FY2024/25			
	Q1	Q2	Q3	Q4	Jul-24	Aug-24	Q1	Q on Q Change
EXTERNAL								
Bilateral	1,341.8	1,422.2	1,135.5	1,154.7	1,132.1	1,142.6	1,133.4	-21.3
Multilateral	2,827.1	3,061.1	2,654.3	2,774.4	2,806.6	2,825.2	2,847.2	72.7
Commercial Banks	1,483.6	1,588.7	1,359.1	1,207.5	1,210.5	1,194.4	1,193.8	-13.7
Supplier Credits	15.3	17.6	14.6	14.2	13.7	13.9	14.0	-0.2
Sub-Total	5,667.8	6,089.6	5,163.4	5,150.8	5,162.9	5,176.1	5,188.4	37.5
(As a % of GDP)	38.9	40.3	33.5	32.8	32.8	32.9	32.0	-0.8
(As a % of total debt)	53.6	54.7	49.7	48.8	48.6	48.2	48.1	-0.7
DOMESTIC								
Banks	2,280.2	2,323.2	2,392.6	2,448.9	2,467.9	2,500.1	2,494.0	45.0
Central Bank	198.5	222.1	202.4	170.1	169.0	158.9	107.6	-62.5
Commercial Banks	2,081.7	2,101.1	2,190.1	2,278.8	2,298.8	2,341.1	2,386.4	107.5
Non-banks	2,600.8	2,682.4	2,808.6	2,927.6	2,951.4	3,023.7	3,073.2	145.5
Pension Funds	1,550.1	1,511.3	1,542.6	1,601.5	1,602.9	1,619.0	1,649.4	47.9
Insurance Companies	354.7	365.3	374.7	391.0	393.5	399.9	404.7	13.7
Other Non-bank Sources	696.1	805.8	891.3	935.1	955.1	1,004.8	1,019.1	83.9
Non-residents	33.6	33.5	34.1	34.1	33.7	34.6	34.6	0.5
Sub-Total	4,914.6	5,039.1	5,235.2	5,410.7	5,453.0	5,558.3	5,601.7	191.0
(As a % of GDP)	33.7	33.4	33.9	34.4	34.7	35.4	34.6	0.1
(As a % of total debt)	46.4	45.3	50.3	51.2	51.4	51.8	51.9	0.7
GRAND TOTAL	10,582.4	11,128.7	10,398.6	10,561.5	10,615.8	10,734.4	10,790.1	228.6
(As a % of GDP)	72.6	73.7	67.4	67.2	67.5	68.3	66.6	-0.6

Source: The National Treasury and CBK

Domestic Debt

The 3.5 percent increase in domestic debt was on account of increased uptake of Treasury bonds. The share of domestic debt to total debt increased by 0.7 percentage points to 51.9 percent by the end of the first quarter of 2024/25 from 51.2 percent in the

previous quarter. The proportion of debt securities to total domestic debt stood at 98.1 percent by the end of the first quarter of 2024/25, an increase from 96.9 percent in the previous quarter (**Table 8.2**).

¹ The quarterly analysis is based on the Fiscal year quarters; Q1: July- September, Q2: October- December, Q3: January-March Q4: April- June

Table 8.2: Government gross domestic debt (KSh Billion)

	Ksh (Billions)					Change: Q on Q		Proportions %				
	FY2023/24		FY2024/25			Ksh(Bn)	%	FY2023/24		FY2024/25		
	May-24	Q4	Jul-24	Aug-24	Q1			Q3	Q4	Jul-24	Aug-24	Q1
Total Stock of Domestic Debt (A+B)	5,244.6	5,410.7	5,453.0	5,558.3	5,601.7	191.0	3.5	100.0	100.0	100.0	100.0	100.0
A. Government Securities	5,128.7	5,243.0	5,289.8	5,403.2	5,498.1	255.1	4.9	96.2	96.9	97.0	97.2	98.1
1. Treasury Bills (excluding Repo Bills)	588.9	615.9	651.9	673.9	712.4	96.6	15.7	10.6	11.4	12.0	12.1	12.7
Banking institutions	200.3	208.1	230.8	242.1	265.7	57.6	27.7	3.4	3.8	4.2	4.4	4.7
The Central Bank	0.2	0.2	0.2	0.2	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Commercial Banks	200.0	207.9	230.6	241.8	265.5	57.6	27.7	3.4	3.8	4.2	4.4	4.7
Pension Funds	52.7	55.1	51.1	46.7	52.2	-2.9	-5.3	0.9	1.0	0.9	0.8	0.9
Insurance Companies	7.0	6.6	6.2	6.0	6.2	-0.3	-5.1	0.1	0.1	0.1	0.1	0.1
Others	329.0	346.1	363.7	379.2	388.3	42.2	12.2	6.2	6.4	6.7	6.8	6.9
2. Treasury Bonds	4,539.8	4,627.1	4,637.9	4,729.2	4,785.6	158.5	3.4	85.5	85.5	85.1	85.1	85.4
Banking institutions	2,043.5	2,073.6	2,073.8	2,102.9	2,124.7	51.1	2.5	38.5	38.3	38.0	37.8	37.9
The Central Bank	8.1	8.1	8.1	8.1	8.1	0.0	0.0	0.2	0.1	0.1	0.1	0.1
Commercial Banks	2,035.4	2,065.5	2,065.8	2,094.8	2,116.6	51.1	2.5	38.4	38.2	37.9	37.7	37.8
Insurance Companies	375.5	384.5	387.2	393.9	398.5	14.0	3.6	7.0	7.1	7.1	7.1	7.1
Pension Funds	1,512.0	1,546.4	1,551.7	1,572.2	1,597.2	50.8	3.3	28.5	28.6	28.5	28.3	28.5
Others	608.8	622.7	625.1	660.2	665.3	42.6	6.8	11.5	11.5	11.5	11.9	11.9
3. Long Term Stocks	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Banking institutions	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Others	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
4. Frozen account	17.2	17.2	16.7	16.7	16.7	-0.6	-3.2	0.3	0.3	0.3	0.3	0.3
Of which: Repo T/Bills	16.6	16.6	16.1	16.1	16.1	-0.6	-3.3	0.3	0.3	0.3	0.3	0.3
B. Others:	98.7	150.4	146.5	138.5	87.0	-63.5	-42.2	3.5	2.8	2.7	2.5	1.6
Of which CBK overdraft to Government	85.0	61.0	60.5	49.5	0.0	-61.0	-100.0	1.8	1.1	1.1	0.9	0.0

Source: Central Bank of Kenya

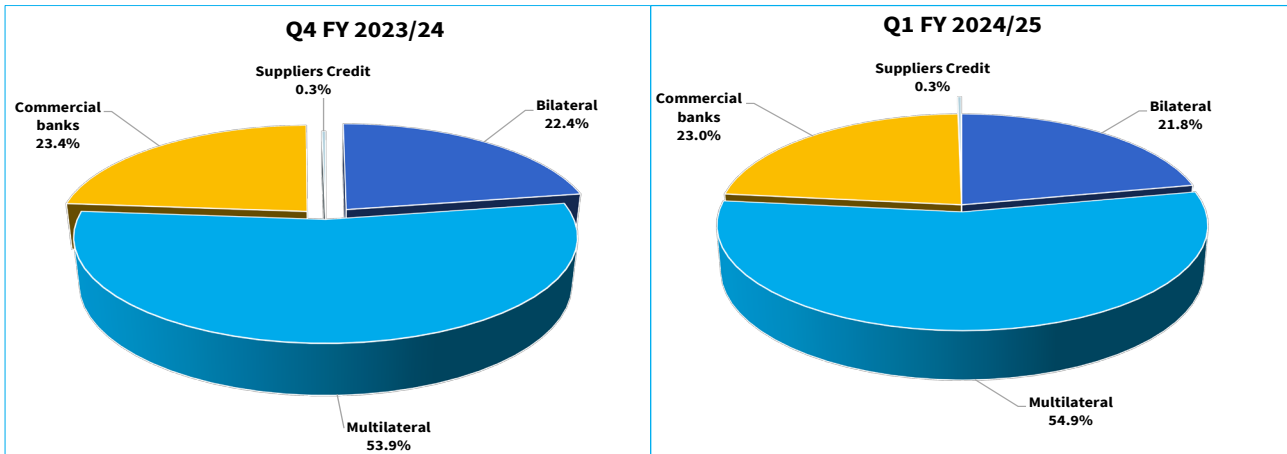
Treasury Bills

Treasury bill holdings, excluding those held by the CBK for open market operations (Repos) recorded a 15.7 percent increase during the first quarter of 2024/25. As a result, the proportion of Treasury bills to total domestic debt increased by 1.3 percentage points. Commercial banks hold 37.3 percent of Treasury bills, an increase from 33.8 percent in the previous quarter (**Table 8.2**).

Treasury Bonds

Treasury bonds holdings increased by 3.4 percent during the first quarter of 2024/25 (**Table 8.2**). The largest component of this buildup was attributable to proceeds from the 6.5- year and 17- year Treasury bonds issued during the quarter (**Table 8.3**). The leading holders of Treasury bonds by the end of the period under review were commercial banks and pension funds. Commercial bank holdings accounted for almost half of the outstanding Treasury Bonds.

Chart 8.1: Composition of external debt by lender

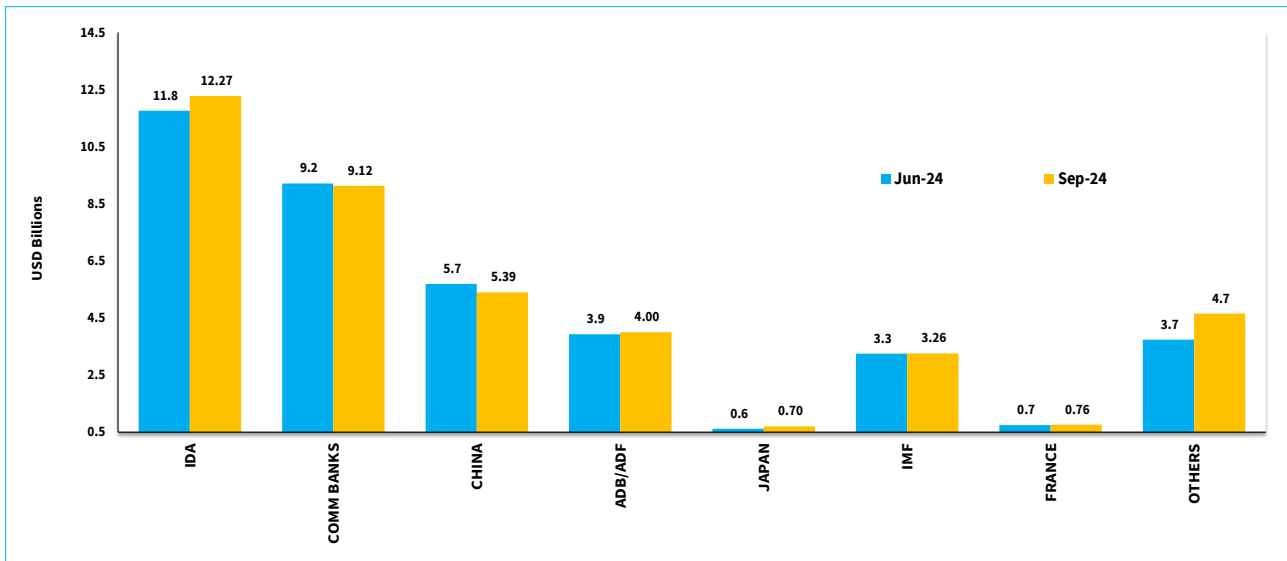


Source: The National Treasury

Debt owed to International Development Association (IDA), Kenya’s largest multilateral lender, stood at USD 12.3 billion (30.5 percent of external debt). Debt owed to China, Kenya’s largest

bilateral lender, amounted to USD 5.4 billion, or 13.4 percent of the total external debt by the end of the first quarter of 2024/25 (**Chart 8.2**).

Chart 8.2: External debt by creditor



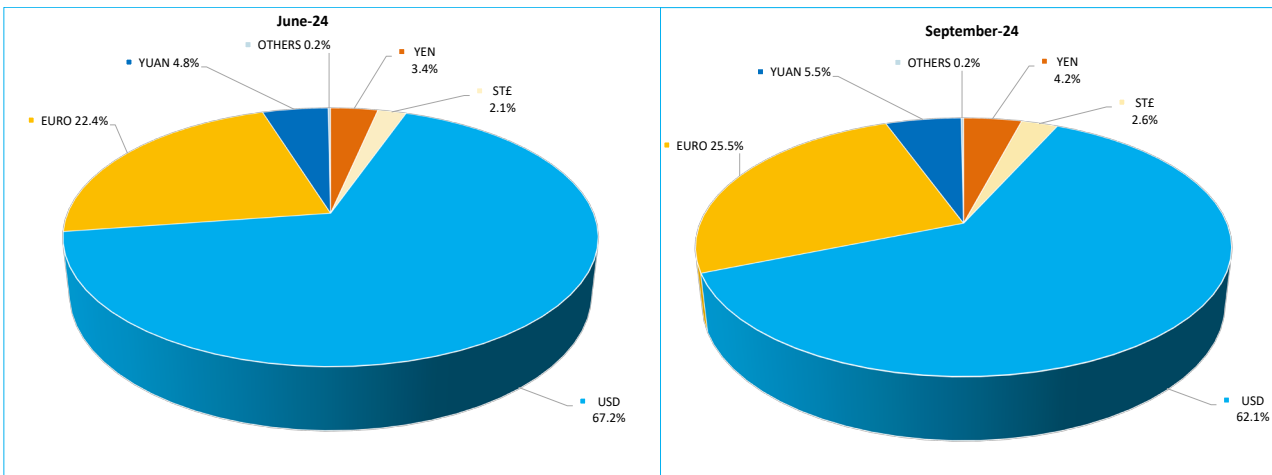
Source: The National Treasury

Currency Composition of External Debt

Kenya’s public and publicly guaranteed external debt is denominated in various currencies to mitigate against currency risk. The dominant currencies include the US dollar and the Euro which

accounted for 87.5 percent of the total currency composition at the end of the first quarter of 2024/25. The proportion held in US dollar decreased by 5.1 percentage points (**Chart 8.3**).

Chart 8.3: Debt composition by currency



Source: The National Treasury

Public Debt Service

The ratio of domestic interest payments to ordinary revenues was 23.7 percent during the first quarter of 2024/25. The largest component of domestic interest payments was coupon payment on Treasury Bonds which was consistent with the proportion of debt held in Treasury bonds. External debt service in the first quarter of 2024/25 amounted to KSh 165.6 billion. This comprised of

KSh. 93.3 billion (56.4 percent) principal and KSh 72.3 billion (43.6 percent) interest. External debt service to revenue and exports ratios deteriorated during the quarter under review mainly due to an increase in debt services relative to the previous quarter² (Table 8.4).

Table 8.4: External debt sustainability indicators

Composite Indicators Threshold	Q4 FY 2022/23	Q1 FY 2023/24	Q2 FY 2023/24	Q3 FY 2023/24	Q4 FY 2023/24	Q1 FY 2024/25
Debt service to Revenues (18%)	13.2	28.3	15.9	68.0	17.4	23.7
Debt service to Exports (15%)	19.8	34.1	20.4	74.5	31.1	35.2

Source: Central Bank of Kenya and The National Treasury

Debt Sustainability Analysis

A Debt Sustainability Analysis conducted by the IMF in November 2024 show that Kenya’s debt remains sustainable in the medium to long term but facing a high risk of debt distress. This was mainly driven by a weaker outlook for revenue mobilization and continued underperformance in

exports that weighs on the debt servicing capacity. The assessment also shows Kenya’s debt dynamics were being are expected to improve gradually supported by the multiyear fiscal consolidation and a notable improvement in export growth relative to the performance in the past decade.

² Debt service ratios to flow resource bases such as revenues and exports are liquidity indicators of the level of indebtedness.

Chapter 9

Capital Markets

At the Nairobi Securities Exchange, the NSE 20 share price index increased by 7.2 percent. However, NASI declined by 2.2 percent in the third quarter of 2024 compared to the second quarter of 2024. Market

capitalization, total shares traded, and Equity turnover declined by 2.0 percent, 6.4 percent and 38.7 percent, respectively (**Table 9.1 and Chart 9.1**).

Table 9.1: Selected stock market indicators

INDICATOR	2023				2024				Change 2024Q3- 2024Q2 (%)
	Q1	Q2	Q3	Q4	Q1	Q2	Q3		
NSE 20 Share Index (1966=100)	1,622.05	1,574.92	1,508.80	1,501.20	1,752.43	1,656.50	1,775.67	7.19	
NASI (2008=100)	112.76	107.00	95.22	92.11	113.09	109.49	107.08	-2.20	
Number of Shares Traded (Millions)	1,086.50	764.87	1,081.70	812.10	1,097.33	1,090.22	1,020.65	-6.38	
Equities Turnover (Ksh Millions)	44,815.56	14,395.17	17,219.00	11,801.05	19,065.97	28,390.94	17,392.47	-38.74	
Market Capitalization (Ksh Billions)	1,756.00	1,666.29	1,488.00	1,439.00	1,766.95	1,710.64	1,676.24	-2.01	
Foreign Purchase (Ksh Millions)	8,757.28	5,777.00	6,324.00	5,755.75	10,179.37	19,690.52	7,013.94	-64.38	
Foreign Sales (Ksh Millions)	22,687.19	7,258.54	9,864.00	8,092.00	12,407.40	16,712.83	7,641.70	-54.28	
Ave. Foreign Investor Participation to Equity Turnover (%)	41.24	44.95	47.01	58.67	59.23	64.11	42.13	-21.98	
Bond Turnover (Ksh Millions)	162,514.88	147,405.62	196,301.00	137,777.84	458,198.67	323,608.66	391,044.32	20.84	
7-Year Eurobond Yield (%) - 2027	12.649	12.620	14.299	10.104	8.443	10.567	8.342	-2.23*	
10-Year Eurobond Yield (%) - 2024	12.090	11.076	13.273	9.824	9.238	10.694	8.627	-2.07*	
10-Year Eurobond Yield (%) - 2028						11.080	9.532	-1.55*	
12-Year Eurobond Yield (%) - 3032	11.836	10.314	12.698	9.894	9.265	11.011	9.553	-1.46*	
13-Year Eurobond Yield (%) - 2034	11.113	11.057	12.296	9.514	9.316	10.924	9.439	-1.49*	
30-Year Eurobond Yield (%) - 2048	11.683	11.578	12.453	10.179	9.316	11.092	9.939	-1.15*	

* Percentage points

Source: Nairobi Security Exchange

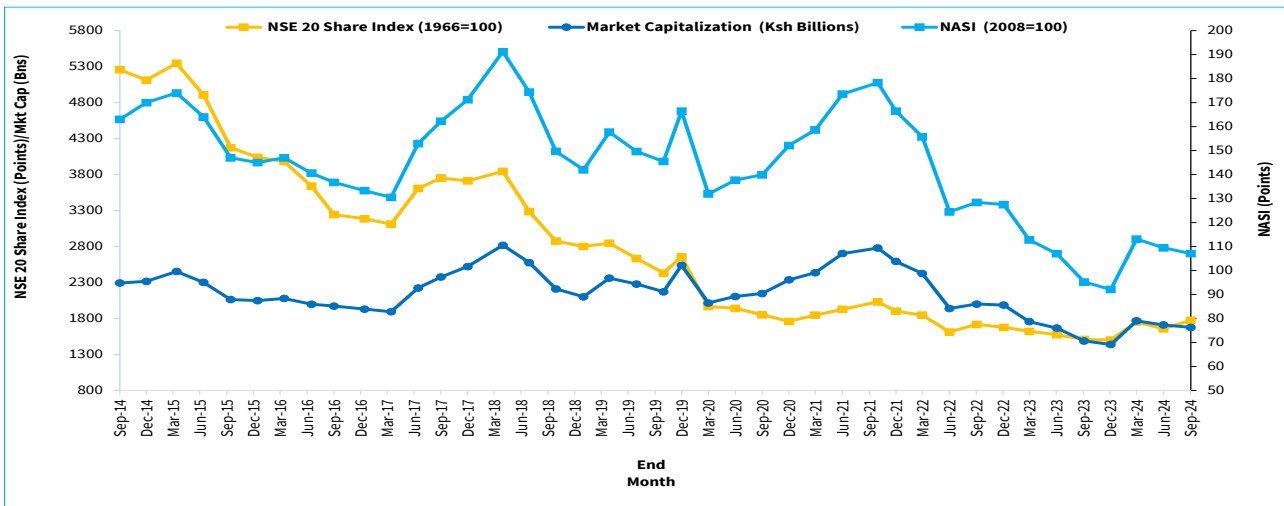
Foreign Investors' Participation

The value of equities purchased by foreign investors decreased by 64.4 percent at the end of the third quarter of 2024 compared to the second quarter of 2024 while the value of equities sold by foreign investors also decreased by 54.3 percent

in the same period. Overall, the average foreign investor participation at the NSE decreased by 21.98 percentage points in the period under review (**Table 9.1 and Chart 9.2**).

Bonds Market

Chart 9.1: NSE 20 share price index, NASI and market capitalization

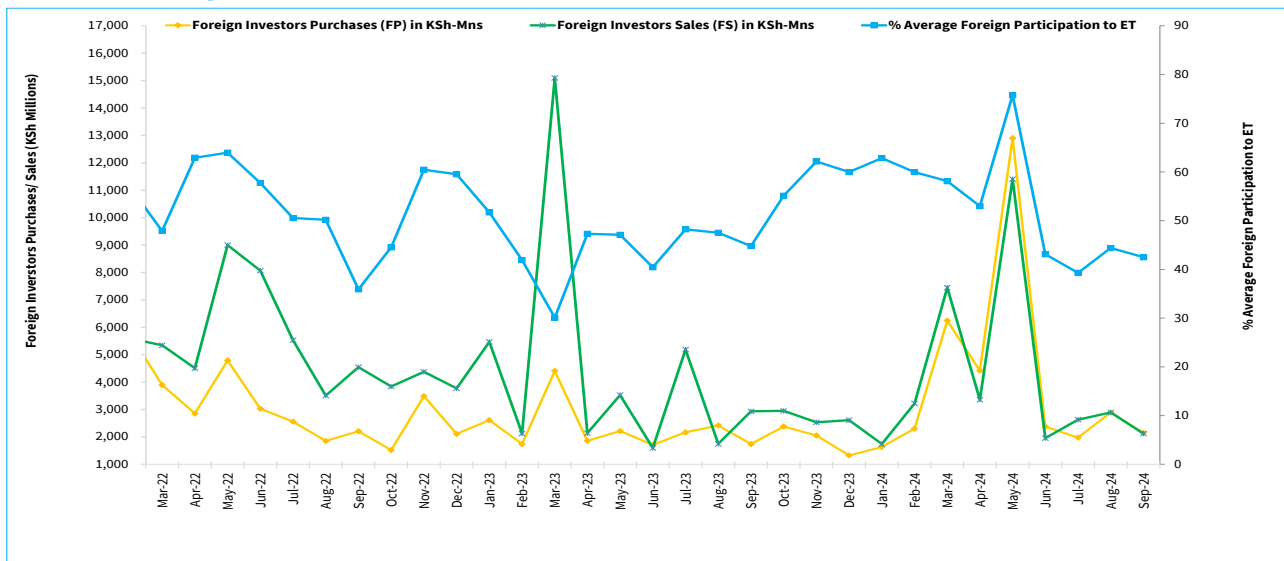


Source: Nairobi Security Exchange

The bond turnover in the domestic secondary market increased by 20.8 percent in the third quarter of 2024 compared to the second quarter of 2024. In the international market, yields on all

outstanding Kenya’s Eurobonds decreased by an average of 165.8 basis points during the period under review (Table 9.1).

Chart 9.2: Foreign investors participation at the NSE



Source: Nairobi Security Exchange

Chapter 10

Statement of Financial Position of the Central Bank of Kenya (Kenya Shilling Million)

1.0 ASSETS	2023		2024			Absolute Quarterly Changes (KSh Million)					Quarterly Growth Rates (%)					
	Sept	Dec	Mar	June	Sept	Q3,2024	Q2,2024	Q1,2024	Q4,2023	Q3,2023	Q3,2024	Q2,2024	Q1,2024	Q4,2023	Q3,2023	Q2,2023
11 Reserves and Gold Holdings	1,045,504	1,068,257	964,679	1,049,305	1,061,338	12,033	84,626	(103,578)	22,753	(17,577)	1.1	8.8	(9.7)	2.2	(1.7)	25.4
12 Funds Held with IMF	73,154	76,528	58,226	52,550	53,174	624	(5,676)	(18,302)	3,374	(121)	1.2	(9.7)	(23.9)	4.6	(0.2)	(1.4)
13 Investment in Equity (Swift Shares)	13	14	11	11	12	0	(0)	(3)	1	1	3.9	(2.7)	(18.2)	11.9	8.1	-
14 Items in the Course of Collection						-	-	-	-	(42)					(100.0)	(3.4)
15 Advances to Commercial Banks	167,761	229,230	207,561	239,847	189,332	(50,515)	32,287	(21,669)	61,469	85,292	(21.1)	15.6	(9.5)	36.6	103.4	(29.5)
16 Loans and Other Advances	386,099	416,153	423,467	413,002	424,385	11,383	(10,464)	7,314	30,054	55,540	2.8	(2.5)	1.8	7.8	16.8	5.2
17 Other Assets	6,371	5,125	4,041	7,117	6,780	(337)	3,076	(1,084)	(1,246)	(513)	(4.7)	76.1	(21.1)	(19.6)	(7.5)	(6.5)
18 Retirement Benefit Asset	4,994	4,995	4,994	5,861	5,861	-	867	(1)	1	(0)	-	17.4	(0.0)	0.0	(0.0)	(29.5)
19 Property and Equipment	29,471	29,422	29,082	29,647	29,244	(403)	565	(340)	(49)	(318)	(1.4)	1.9	(1.2)	(0.2)	(1.1)	(3.7)
1.10 Intangible Assets	2,075	2,401	2,421	2,666	2,411	(255)	246	20	326	77	(9.6)	10.2	0.8	15.7	3.9	45.3
1.11 Due Debt from Government of Kenya	190,238	216,250	194,161	160,311	99,346	(60,965)	(33,850)	(22,089)	26,012	271	(38.0)	(17.4)	(10.2)	13.7	0.1	1.4
TOTAL ASSETS	1,905,681	2,048,375	1,888,642	1,960,317	1,871,883	(88,433)	71,675	(159,733)	142,694	122,611	(4.5)	3.8	(7.8)	7.5	6.9	12.3
2.0 LIABILITIES																
21 Currency in Circulation	321,984	351,275	337,668	333,795	332,222	(1,572)	(3,873)	(13,607)	29,291	6,017	(0.5)	(1.1)	(3.9)	9.1	1.9	2.5
22 Deposits	554,775	555,005	563,692	647,035	544,385	(102,649)	83,343	8,687	230	(18,200)	(15.9)	14.8	1.6	0.0	(3.2)	26.1
23 International Monetary Fund	554,703	596,286	587,952	573,412	589,238	15,826	(14,540)	(8,334)	41,583	76,804	2.8	(2.5)	(1.4)	7.5	16.1	4.8
24 Other Liabilities	6,284	3,922	3,637	6,117	6,543	426	2,480	(285)	(2,362)	132	7.0	68.2	(7.3)	(37.6)	2.1	13.8
TOTAL LIABILITIES	1,437,745	1,506,488	1,492,949	1,560,359	1,472,388	(87,970)	67,409	(13,539)	68,743	64,752	(5.6)	4.5	(0.9)	4.8	4.7	12.1
3.0 EQUITY AND RESERVES	467,935	541,887	395,694	399,958	399,495	(463)	4,264	(146,193)	73,952	57,857	(0.1)	1.1	(27.0)	15.8	14.1	13.1
Share Capital	50,000	50,000	50,000	50,000	60,000	10,000	-	-	-	12,000	20	-	-	-	32	-
General reserve fund	417,588	491,540	345,347	300,725	320,262	19,538	(44,622)	(146,193)	73,952	50,858	6	(13)	(30)	18	14	12
Asset Revaluation	21,680	21,680	21,680	21,680	21,680	-	-	-	-	-	-	-	-	-	-	-
Fair Value Reserves - OCI	(21,333)	(21,333)	(21,333)	(2,447)	(2,447)	(1)	18,887	-	-	(0)	0	(89)	-	-	0	(8)
Consolidated Fund				30,000		(30,000)	30,000	-	-	(5,000)						
4 TOTAL LIABILITIES AND EQUITY	1,905,681	2,048,375	1,888,643	1,960,317	1,871,884	(88,433)	71,674	(159,732)	142,694	122,611	(4.5)	3.8	(7.8)	7.5	6.9	12.3

Source: Central Bank of Kenya

Notes on the Financial Position of the CBK

Assets

The Central Bank of Kenya balance sheet declined by 7.8 percent in the first quarter of 2024 compared to an increase of 7.5 percent in the previous quarter, largely reflecting reduced reserve and gold holdings mainly due to valuation effects following appreciation of the exchange rate. Reserve and gold holdings comprise of foreign reserves held in external current accounts, deposits and special/projects accounts, domestic foreign currency clearing accounts, gold, special drawing rights and Reserves Advisory and Management Program (RAMP) securities invested with the World Bank. Advances to commercial banks, largely for liquidity management also declined, partly reflecting improved liquidity conditions. Funds held with IMF moderated during the quarter under review, partly reflecting the impact of the appreciation of

the exchange rate while debt due from government decreased, partly reflecting reduced utilization of overdraft facility at the central bank by government.

Liabilities

On the liability side, the decline in the Central Bank's balance sheet was largely reflected in equity and reserves which declined on account of revaluation losses due to the impact of exchange rate appreciation. Currency in circulation also moderated during the quarter, reflecting reduced demand for cash following the end of year festivities. The IMF liabilities relates to disbursements to the government under the Extended Credit Facility (ECF) and Extended Fund Facility (EFF) to the Government, which are channeled through the Central Bank, and its decline mainly reflected valuation effects of the exchange rate appreciation.



Central Bank of Kenya

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