

Equity Kenya Macro Note



Kenya Financial Markets Weekly

4th - 8th May 2026

Supply driven inflation pushes headline CPI to 5.6% in April.

Inflation climbed to 5.6% in April, up from 4.4% in March. Non-core inflation rose sharply to 13.4% from 10.8%, while core inflation edged up to 2.8% from 2.1%. The acceleration appears to be driven primarily by supply-side shocks rather than overheating in the economy, with rising energy and food prices passing through quickly even as underlying demand remains relatively weak.

Kenya's Economy Slows to Five-Year Low in 2025 Despite Broad-Based Growth

Kenya's real GDP grew by 4.6% in 2025, slightly lower than 4.7% in 2024, with all sectors recording positive growth. Key drivers included Agriculture (3.1%), Construction (6.8%), and Mining & Quarrying (14.9%), alongside strong gains in Accommodation & Food Services (15.6%) and Public Administration (8.3%).

Equities down 2% in April, foreigners withdraw Sh1.6bn

Equities ended down 2% in April with a total valuation of Sh3.4trn (\$26.4bn) compared to Sh3.47trn (\$26.8bn) at the end of March. All indices recorded slight reversals over the month as investors withdrew a net of Sh1.6bn (\$13m) making it the fourth consecutive month of net withdrawals by foreigners YTD equities are up 16% despite the Middle East war.

Oil soars after alledged attack of American warship by Iran

Brent prices soared 5% on Monday after reports of US warship being hit by missiles. Brent prices had eased slightly on Friday down 5% to \$108/barrel. The dollar also trenghtened slightly on Monday following report of the attack on the American warship.

President Ruto orders up to 15% increase in wages

President William Ruto on Friday announced an upto 15% increase in general wages during the labour day celebration setting stage for increase in labour costs and possible inflationary fears. The Kenyan economy net additions in jobs in 2025 increased to 822,100 from 782,300 in 2024 to the number of employed to 21.6 million against a population of 53 million. Of the new jobs created only 12% are formal jobs.

Inside Sh4.8trn FY2026/27 budget

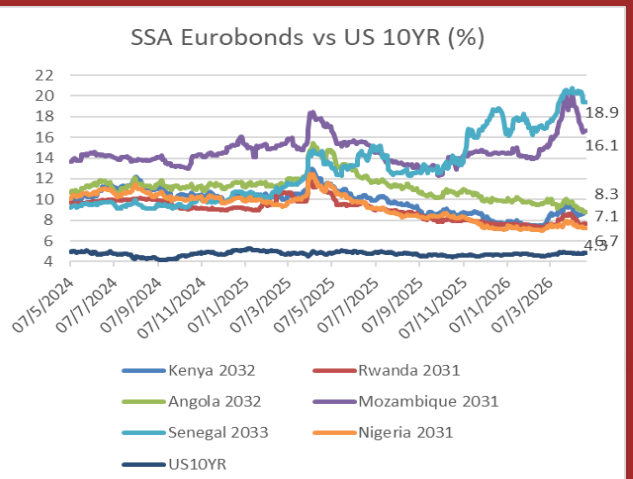
Treasury has tabled FY2026/27 budgets in parliament with expenditure rising to Sh4.8trn from Sh4.8trn.

Development expenditure is set to nearly double to Sh840bn from Sh482bn. Recurrent spending is expected to come in at Sh1.98trn, taking the total voted expenditure to Sh2.8trn.

The aggressive spending will drive increased borrowing in both domestic and external markets following treasury's promise to not increase taxation. Treasury is targeting a lower fiscal deficit of 5.4% of GDP by pushing development projects to the infrastructure fund to free up fiscal space .

Angola 2032 yield down 50bps, drops below Kenya 2032

Kenya 2032 yields eased slightly by 10bps to 8.2% on Monday but remained 120bps above Rwanda 2031 as Angola 2032 came off 50bps week on week to go below Kenya 2032. The yields, that were spiked by the Middle East war have failed to come off partly driven by Kenya's lack of existing programme with the IMF that continues to spook investors. Mozambique and Senegal yields also remain elevated attributed to fiscal slippage in both countries. US 10 year yields rose 10bps week on week to a high of 4.4% and the 30-yr breached 5%.



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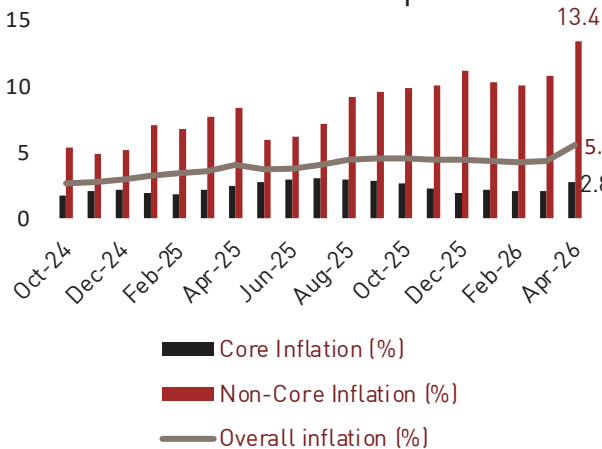
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T-bill Yields rise Despite Weak Demand and Inflation concern (30 April 2026)

Tbills auction dated 30 April 2026, recorded bids of KSh 18.5 billion against an offer of KSh 24.0 billion, translating to a 77% subscription rate. Demand was strongest in the 91-day paper but yields edged higher across all tenors, rising by 26 basis points to 8.04% for the 91-day, 32 basis points to 8.21% for the 182-day, and 24 basis points to 8.51% for the 364-day, reflecting a gradual repricing of government securities as investors price in higher inflation emanating from higher energy prices.

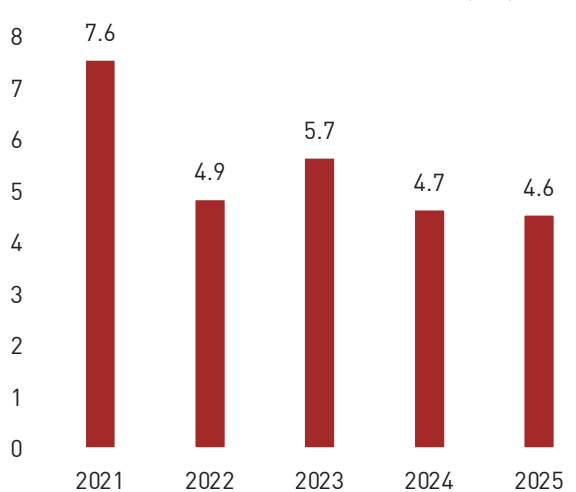
Inflation Developments



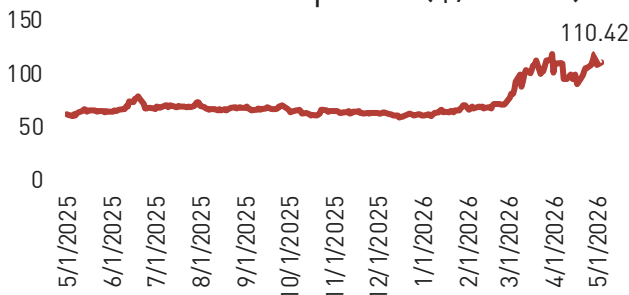
Fed, BoE, ECB all hold rates on inflationary fears

Three of the world's top Central Banks last week held rates, decisions primarily driven by inflationary fears from high energy prices resulting from the Middle East war. The FOMC in what was Jerome Powell's final meeting at the helm voted to keep the rates between 3.5%-3.75%. Headline annual PCE and CPI inflation rates have been above the Fed's 2% target every single month. The Bank of England on its part left the base lending rate at 3.75%, while noting high inflation that rose to 3.3% against a target of 2%. The ECB held its three main interest rates unchanged also citing high energy prices.

GDP at Market Prices (%)



Brent oil prices (\$/barrel)



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- More than half of banks snub Kesonia opt for CBR
- 7 state departments exhaust full-year budget in nine months
- Geographical survey identifies 970 different minerals in Kenya
- 3 requirements holding World Bank's DPO's assistance to Kenya
- 2-Month-old Middle East war shakes Kenya's economy
- Iran war tests KES stability
- Rising freight costs could fuel inflation
- Sh100bn Middle East-bound exports stuck as Middle East situation remains volatile
- Kenya growth slows to 4.6% in 2025
- Wages growth beat inflation for first time since 2020
- Economy adds 824100 jobs in 2025 but 90% are informal
- State spending on affordable housing more than triples

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Key Financial and Economic Calendar Month	Events & Dates
14 th May	Pump prices release
30 th May	April inflation release
8 th May	US Job report

APRIL 2026 World Economic Outlook

Subject	2026	2027	2028	2029	2030	2031
GDP constant prices (%)	4.5	4.7	5.1	5	5	5
GDP current prices (Sh bn)	19,499	21,567	23,895	26,489	29,233	32,175
GDP current prices (\$ bn)	147.3	154.7	162	171.5	183.6	196
Inflation average (%)	5.9	5.9	5.7	5.7	5.3	5
Inflation EOP (%)	6.4	5.5	5.9	5.5	5	5
Population (Millions)	54.3	55.2	56.1	57	58	58.9
Government net lending (% of GDP)	-6.4	-6	-6	-6.1	-6.2	-6.3
Government net debt (% of GDP)	68.8	69.9	71.1	71.5	72.4	73.5
Current account balance (bn \$)	-6	-5.8	-5.6	-5.7	-5.9	-6.3
Current account balance (% of GDP)	-4.1	-3.7	-3.4	-3.3	-3.2	-3.2

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