

Equity Kenya Macro Note



Kenya Financial Markets Weekly

6th July to 10th July 2026

Inflation up 6.4% YoY, outlook softer than earlier expected

June YoY inflation stood at 6.4% easing from 6.7% recorded in May YoY. Rise in cost of living primarily driven by higher fuel prices that pushed transport costs up 16% YoY. Food prices were up 8.6% comparative to June 2025. Core inflation came in at 3.1% over the 12 months. Inflation expected to remain above 5% but below the CBK ceiling of 7.5%, falling crude prices and consecutive lower pump prices from August expected to keep CBR unchanged in Q3 at 8.75%

Oil stable at \$72 as US-Iran conclude second round of talks

Brent crude futures hovered around the \$72 last week in what traders called 'guarded optimism' believing the peace efforts will hold. Some shipping has resumed through the Strait of Hormuz but the level of uncertainty remains high after the 2 countries exchanged fire last weekend. Kuwait ramped up production to 1.65 million barrels per day in June from 580,000 in May. The jump in Kuwait production adds signs that Gulf oil flows through the strait are recovering.

T-bill rates rise further despite 'softer' inflation

Investors pushed CBK for higher rates on the short-term papers despite June inflation coming in at 6.4% and a softer outlook on inflation than earlier expected due to easing of tensions in the Middle East. The short-term papers averaged 8.8%, 8.9% and 8.9% for the 91-day, 182-day and 364-day respectively with all now above CBR (risk free rate) at 8.75%. CBK took up Sh24.7bn turning down Sh10.5bn in Thursday's auction.

Treasury completes 155 sale of Safaricom shares to Vodacom

Treasury on Tuesday completed the sale 15% Safaricom stake sale to Vodacom earning sh244.5bn (Sh204.3bn from stake sale and Sh40bn advanced dividend earnings). The proceeds are expected to fund the Infrastructure fund that is aimed at financing development projects. Treasury's stake in the telco has now reduced to 20% with Vodacom now holding a majority 55% stake.

'Weaker than expected' US jobs data, makes Feds expectation more 'interesting'

With both USA CPI and PCE data above the desired 2% almost all bets were on at least 1 hike of 25bps on the fed in 2026 and likely to come in the September or October meeting. Last week's jobs data however came in weaker than expected job data with only 57,000 jobs created in June down from 129,000 in May and against a forecasted consensus 115,000. Traders are now pricing in a 60% chance of a hike in the September meeting down from the earlier projection of 75%.

Kenya Secures US\$750M World Bank Funding Amid Fresh Reform Conditions

The World Bank has disbursed a US\$750 million Development Policy Operation (DPO) to Kenya, comprising US\$340 million from the IBRD and US\$410 million in concessional IDA financing. The Bank cited progress in governance and public finance reforms including the Conflict-of-Interest Act, Treasury Single Account, procurement reforms, and expanded social protection. The DPO programme also requires further reforms on governance, public financial management, and debt transparency. The World Bank noted that KES 383 billion (2.2% of GDP) in securitized future revenues is excluded from official debt statistics and estimates Kenya's effective debt stock is KES 588 billion higher when pending bills and privatization-related liabilities are included.

Kenya 2032 yield up 20bps despite optimism of longer peace in the gulf.

Kenya 2032 yield was up 20bps to 7.6% last week reversing gains made in the previous weeks following talks between the USA and Iran on a lasting peace solution in the Middle East. Fiscal deficit for the just ended FY2025/26 is expected to hover around 6.5% of GDP from 5.9% in FY2024/25 further from the planned fiscal consolidation target of 3%. Across board, yields rose as investors became weary of monetary policy tightening following the oil shock that drove inflation up. US10 year yield was up 10% last week after a weaker than expected job report showed creation of just 57000 new jobs and slight drop in unemployment rate to 4.2%.

Equity Kenya Macro Note



Kenya Financial Markets Weekly

06th July to 10th July 2026

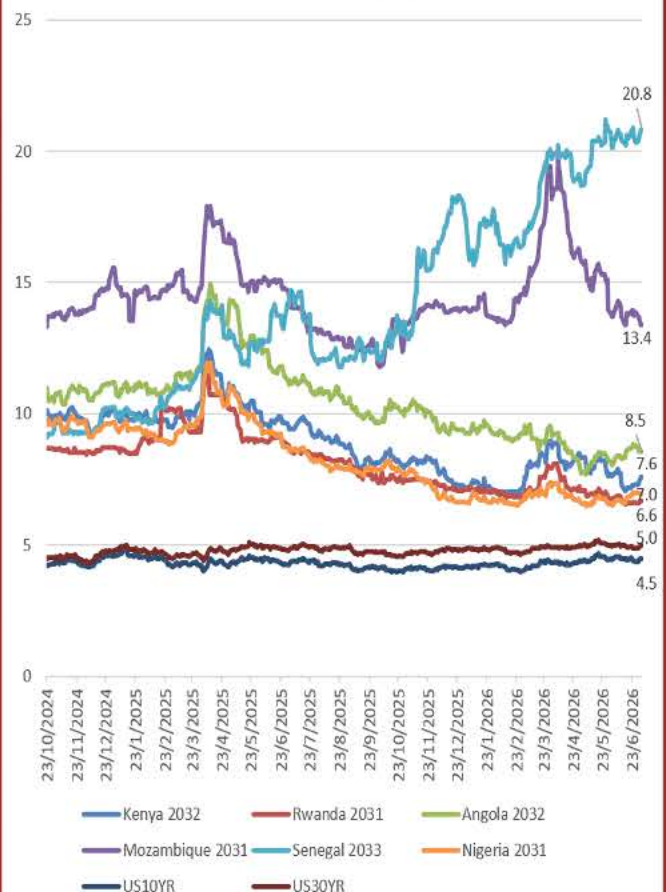
Reserves up 7% on DPO cash

FX reserves closed the week up 7% to \$14bn week on week from \$13.2b following the World Bank disbursement of the Development Policy Operation funds of \$750m. Reserves had fallen 10% since the beginning of the war as the Central Bank battled to keep the shilling from crossing the \$130 mark. KES closed the week at 129.3 slightly stronger than the previous week supported by easing tensions in the Gulf region.

CBR vs Inflation (%)



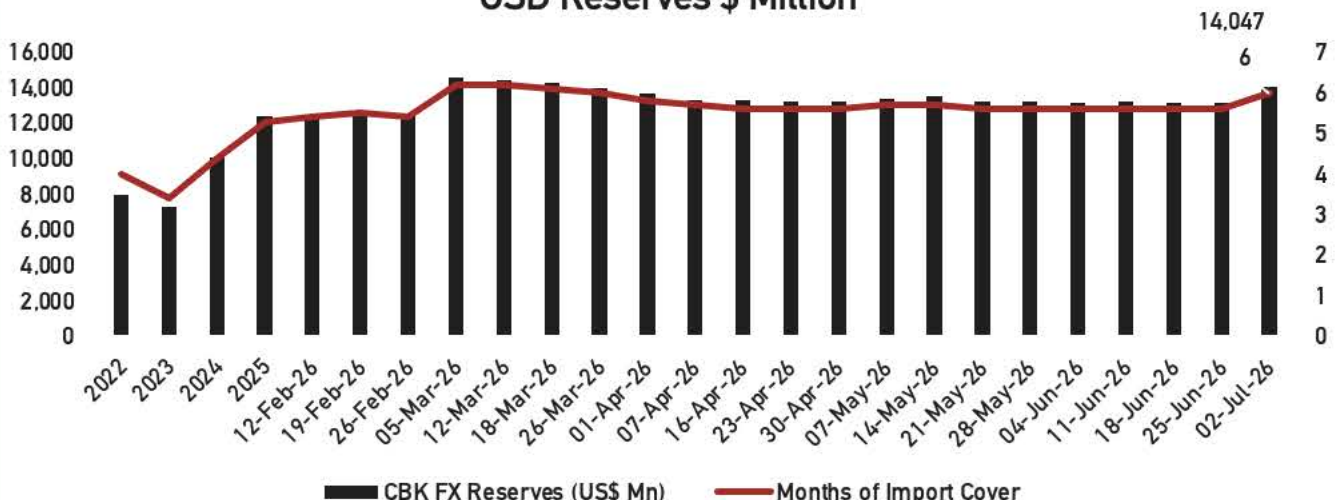
Bond yields (%)



NEWS:

- CBK targets targeting aSh80bn from 4 bonds in July
- Banks increase share of NSE market cap to 43%
- Possible policy rate hikes threatens debt service costs
- Vodacom completes 15% stake purchase of Safaricom
- Kenya receives \$750m DPO from World Bank
- World bank steps in, offers to mend Kenya-IMF relations
- NSE tops return for investors in H1
- World Bank analysis adds Kenya's debt by Sh588bn

USD Reserves \$ Million



Equity Kenya Macro Note



Kenya Financial Markets Weekly

06th July to 10th July 2026

Key Financial and Economic Calendar Month	Events & Dates
8 th July	FOMC Minutes
10 th July	Kenya Remittances YoY
14 th July	US CPI YoY (Jun)
14 th July	EPRA price review
15 th July	China GDP Q2 2026

KRA Expands Tax Amnesty to Boost Revenue Collection

The Kenya Revenue Authority (KRA) is expanding its tax amnesty programme to recover outstanding tax arrears and help offset the revenue shortfall from the scaled-back Finance Act 2026. The initiative is being positioned as a non-legislative measure to strengthen revenue collection and support the government's FY2026/27 fiscal targets.

Finance Act 2026 : Legal Challenge Dismissed

The High Court dismissed a petition challenging the Finance Act 2026 and Appropriations Act 2026 on procedural grounds, ruling that petitioners had not first obtained parliamentary attendance records through the Access to Information Act. The ruling leaves the Finance Act in force removing near-term legal uncertainty over the FY2026/27 revenue framework although a fresh petition remains possible after the required legal process is followed

Counties Advance Finance Bills as Revenue Targets

County assemblies are progressing with approvals of their Finance Bills for FY2026/27. Kakamega County has already passed its Finance Bill, targeting KES 2.2 billion in own-source revenue, while other counties continue deliberations on their respective revenue proposals.

KRA Expands Tax Amnesty to Boost Revenue Collection

The Kenya Revenue Authority (KRA) is expanding its tax amnesty programme to recover outstanding tax arrears and help offset the revenue shortfall from the scaled-back Finance Act 2026. The initiative is being positioned as a non-legislative measure to strengthen revenue collection and support the government's FY2026/27 fiscal targets.

Cooperatives Bill : Fast-Trackd Reform of KES 1T+ Savings Sector

The government is fast-tracking the Cooperatives Bill through Parliament to modernize Kenya's cooperative sector which manages over KES 1 trillion in savings. The reforms aim to strengthen regulation, improve governance, and expand access to credit across a sector central to agricultural and rural finance. The Bill aligns with broader agricultural and coffee sector reforms though its final provisions and passage timeline remain subject to parliamentary approval.

Report prepared by:

Dr. Emilio Munene (Economist-Treasury)
Timothy Odinga (Equity Group, Kenya Lead-Economist)

Disclaimer

This document has been prepared by Equity Bank Kenya Ltd.
All information in this document is for informational purposes. It is not intended as a substitute for professional advice, nor is it intended to form the basis of any investment decision. Should you decide to act upon any information in this document, you do so at your own risk. Equity Group accepts no liability for your reliance on the information in this document. Read detailed T&C [here](#)

