Equity Kenya Macro Note

Kenya Financial Markets Weekly

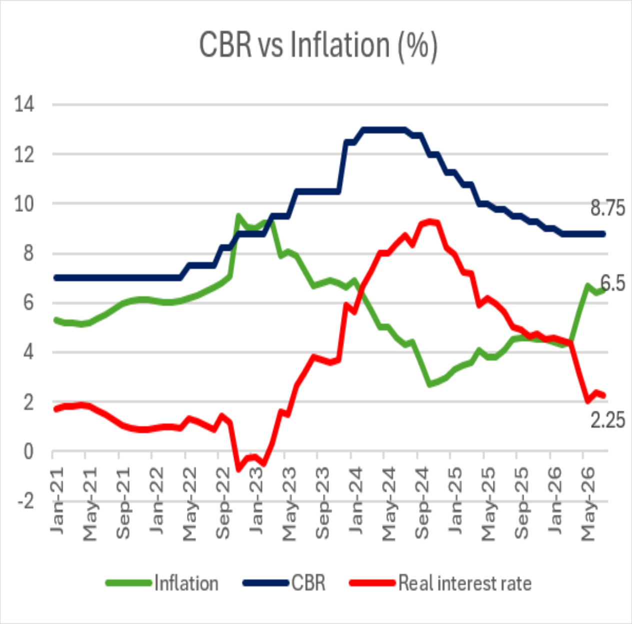
3rd Aug to 7th Aug 2026

July inflation at 6.5%

July YoY stood at 6.5%, slight increase from 6.4% YoY recorded in June. Driven by a 15.6% rise in transport costs and 9% rise in food costs over the 12-month period. Core inflation recorded a slight rise to 3.25 from 3.1%. With inflation comfortably below the 7.5% desired ceiling by CBK we expect the CBK to keep the benchmark unchanged in its August 11 meeting.

Fed, BoE hold rates as expected

The FOMC voted 9-3 to hold to hold its key interest rate steady between 3.5%-3.75%. Markets largely expected the central bank policymakers to approve another hold on rates as the committee worked on balancing between keeping inflation in check and jobs creation. USA inflation stood at 3.5% YoY in June. Elsewhere the BoE also held rates unchanged. The Monetary Policy Committee voted 6-3 to keep rates at 3.75%. Inflationary pressures resulting from higher oil prices due to the Middle East war has put pressure on Central Banks to stop the earlier easing cycle.



Government settles Sh80bn Pending bills

Pending bills verification committee approved settlement of bills worth KES 235.3bn against analyzed bills of KES 609.2bn. Of the Sh235bn recommended, KES 80.3bn has been settled through securitization in the roads sector leaving a verified balance of KES 155.3bn that is expected to be settled withing the current and the next financial year. Pending bills and high interest rates were among the key factors behind the rise of Non-performing loans that hit a record high of 17.4% in 2022.

Oil dips 5% as Trump cancels planned Iran strikes

Oil eased 5.3% on Monday morning to $83.3/barrel after U.S president Donald Trump cancelled planned attacks on Iran as he sought a quick deal to stop Iran's nuclear ambitions and reopen the Strait of Hormuz. Reports that some tankers were forced to turn around in the Strait of Hormuz prompted traders to reassess shipping flows through the key waterway pushed prices to $90/bbl on Friday. Brent is expected to whipsaw between 80$ to 100$ in the near term as the market reacts to geopolitical risks.

US economy slows to 1.5% in Q2

US economic growth slowed down to 1.5% in Q2 against a 1.8%-2.1% forecast. The below expectation figures come against a 2.1% growth recorded in the first quarter. Growth was weaker than expected in the second quarter though underlying drivers were mostly solid. an acceleration in consumer spending and robust business investment in equipment related to the buildout of artificial intelligence infrastructure pointed to underlying strength.

Kenya 2032 yield up 60bps in July

Kenya 2032 ended July at 8%, 60bps up from end of June heavily affected by the resumption of the Middle East war that rekindled inflation fears and possibility of rate hikes globally. Now 140bps above Rwanda 2031 (6.5%) and 320bps above US10yr at 4.7%. Kenya's fiscal deficit for the FY2025/26 is estimated at 6.7% and could widen with tax under performance pushing the government to domestic and external borrowing. EMEs yields remain high driven by systemic risks and global disruptions.

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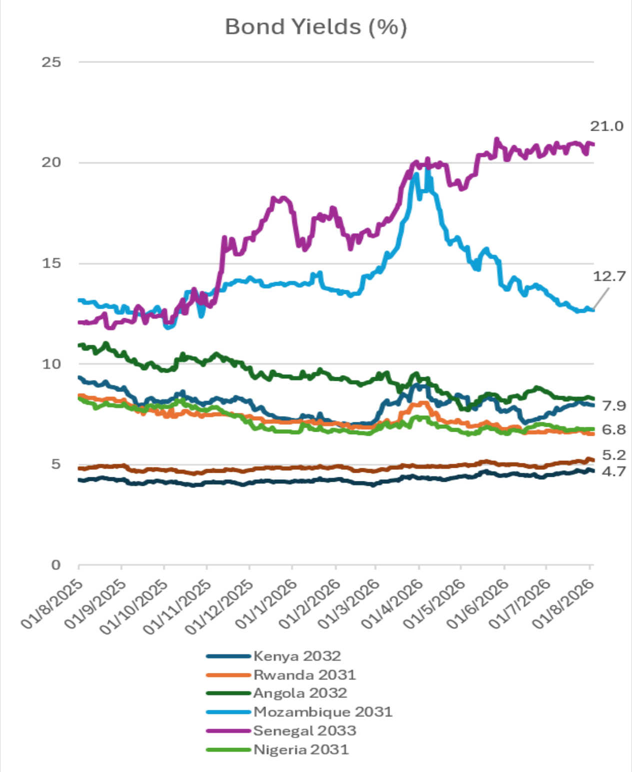
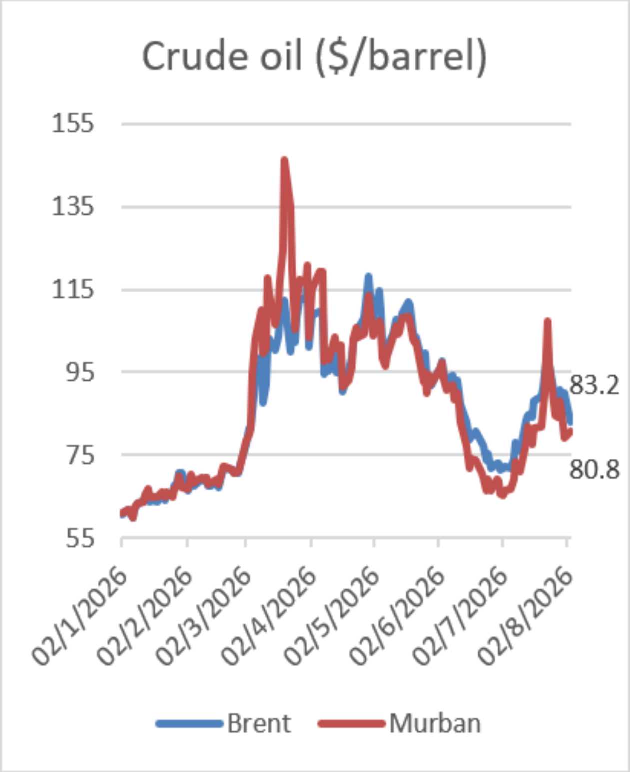
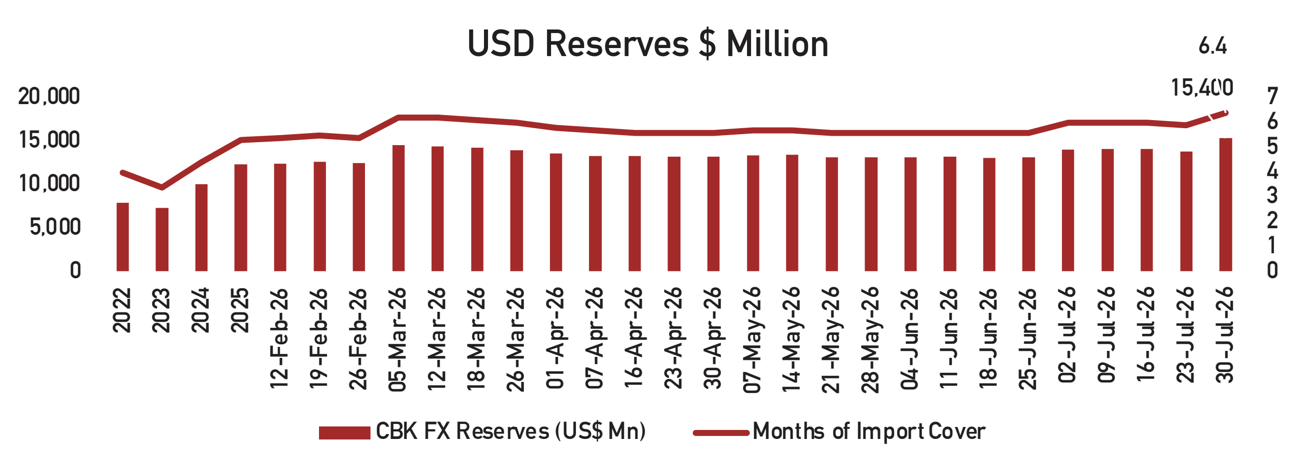
Kenyan Shilling Stable but Faces Growing Pressure

The shilling remains range-bound at around between KES 129.20 to 129.70 per dollar but risks are rising from higher oil prices and falling remittances. With inflation limiting further CBK rate cuts currency support is constrained with expectations of gradual depreciation towards KES 130 per dollar by year-end. Kenya's FX reserves rose +11.16% week-on-week from USD 13.85bn on July 27 to USD 15.40bn on July 31. The increase strengthens Kenya's external liquidity position and provides a larger buffer for managing currency volatility and supporting import cover.







NEWS:

- Close to half of Chinese imports to Kenya missing on KRA data
- $120.9m money laundering proceeds arrested by FRC in 2025
- Kenya to borrow KES 81bn for JKIA upgrade
- 243-KM Mau Summit-Malaba Highway feasibility study to start in Q1 of FY2026/27
- Nairobi county to miss World Bank grants
- Treasury miss FY2025/26 revenue target by KES 90bn

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Key Financial and Economic Calendar Month	Events & Dates
5th August	S&P Global US Services PMI
5th August	Stanbic Bank Kenya PMI
7th August	US Nonfarm Payrolls and Unemployment Rate
11th August	Monetary Policy Committee (MPC) Decision
12th August	US CPI Data release

Kenya Cuts Domestic Borrowing and Raises External Financing

Kenya has rebalanced its FY2026/27 financing strategy by reducing domestic borrowing to KES 898 billion from KES 1.03 trillion while increasing external borrowing to KES 247.2 billion from KES 116 billion. The shift should ease pressure on domestic liquidity and interest rates but increases exposure to foreign exchange risk and underscoring the importance of securing external financing on favorable terms.

Fiscal Consolidation with Targeted Tax Relief

The Treasury has launched the FY2027/28 budget process, signalling targeted personal income tax relief to boost household disposable incomes while maintaining expenditure below 21.4% of GDP. However with 40% of tax revenues allocated to debt servicing and 27% to public sector wages, fiscal space remains constrained underscoring the need to balance tax relief with continued fiscal discipline.

Kenya Explores Panda Bond Market Entry

Kenya is considering its first yuan-denominated "panda bond" issuance in China's onshore market a move that could lower borrowing costs and diversify financing sources. The potential debut aligns with a growing emerging-market shift toward alternative funding channels as China expands access to its domestic capital markets.

KES 165 Billion Treasury Bond Operations: IFB Re-opening and Switch

The Treasury plans to raise up to KES 165 billion through an IFB re-opening (KES 150 billion) and a switch auction (KES 15 billion) to extend debt maturities and reduce refinancing risks. The IFB offers 16–21-year WHT-exempt amortizing bonds with coupons of 11.75%–12.737% and market yields of 12.11%–12.66%, supported by strong institutional demand due to tax benefits and SLR eligibility. The switch auction exchanges short-term securities into the 2029 bond extending duration by about 1 year and 3.2 years. Together the operations reinforce Kenya's liability management strategy amid a KES 898 billion domestic borrowing target balancing long-term financing needs with rollover risk reduction.

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