

Equity Kenya Macro Note

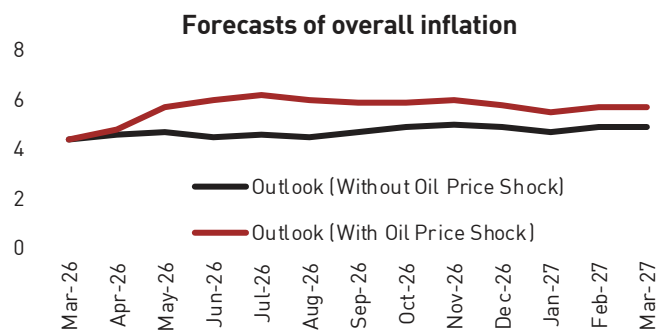


Kenya Financial Markets Weekly

13th - 17th April 2026

Inflation

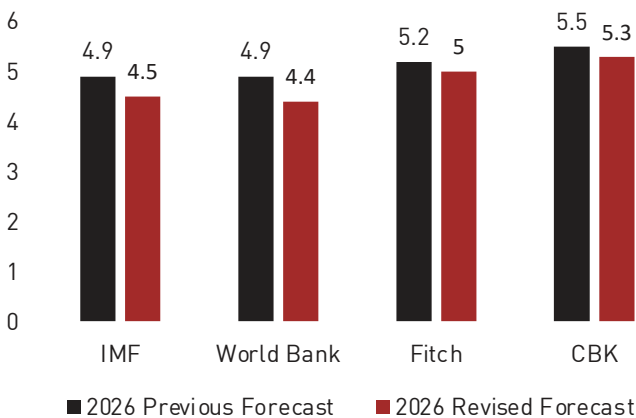
According to the Central Bank of Kenya, inflation is expected to stay within the 5% ± 2.5% range in the near term suggesting generally stable prices. However, there are still risks of higher fuel prices, exchange rate pressure and global commodity costs.



VAT Amendment Bill 2026

Between March and April 2026, EPRA raised fuel prices sharply after a stable March, with petrol rising from about Kes 178 to Kes 206 and diesel from Kes 167 to Kes 206, while kerosene remained unchanged at 153. The reduction of VAT on fuel from 16% to 8% immediately lowered pump prices in Nairobi to Kes 197.60 for petrol, Kes 196.63 for diesel and Kes 152.78 for kerosene. This eased transport and living costs by reducing one of the key drivers of inflation in the economy. However, while consumers benefit in the short term, the policy reduces government revenue creating a trade-off between lower prices and fiscal stability.

2026 Growth Forecast Revisions



T-bills and Bonds

The government raised Kes 13.97 billion in Treasury bills out of Kes 24 billion offered at yields of 7.42–8.28, showing stable short-term funding. In Treasury bonds, two long-term papers were issued: a 14.9-year bond (Kes 7.05 billion bids, Kes 6.57 billion accepted) and a 30-year bond (Kes 31.28 billion bids, Kes 23.49 billion accepted), with yields around 13%–13.8%.

Exchange rate

The shilling shows short-term stability but long-term weakening across major currencies. USD/KES is at 129.00 with a modest -0.61% yearly change but still a +19.56% depreciation over 5 years. EUR (151.95) and GBP (174.51) continue to strengthen, up +2.93% and +1.54% year-on-year respectively, while CHF (165.25) shows the strongest pressure at +4.22% yearly and +39.71% over 5 years. CNY also trends higher at 18.98 (+6.75% YoY), reflecting trade-driven demand. Only JPY shows sustained weakness against the shilling.

Interbank Market

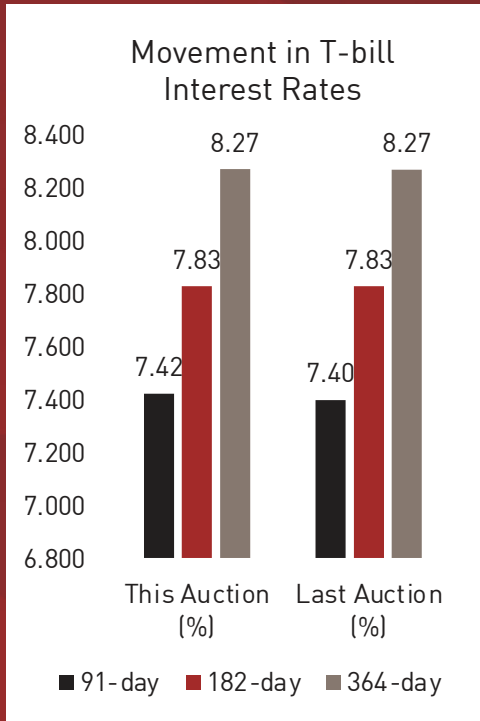
Projected inflows into the banking system total Kes 105.8bn, driven by Kes 34.9bn T-bills maturing, Kes 10.1bn bond coupons, and Kes 60.8bn repos maturing. Against this, outflows of Kes 24.0bn from T-bill issuance result in a net banking system inflow of Kes 81.8bn. Cumulatively in 2026 YTD, repo mop-up operations stand at Kes 3.98tn, while horizontal repos total Kes 61.3bn, with outstanding repo mop-up at Kes 234.9bn and horizontal repos at Kes 22.3bn as of 8 April 2026.

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Item (KES bn)	FY24/25 Original Approved	FY24/25 Post Protest Supp	FY24/25 Supp II	FY25/26 Original Approved	FY25/26 Supp I
Fiscal Deficit	-597.0	-768.6	-997.5	-900.9	-1,140.7
% of GDP	-3.3%	-4.3%	-5.7%	-4.7%	-5.9%
Primary Balance	412.9	241.3	-113.1	196.7	142.7
% of GDP	2.3%	1.3%	-0.6%	1.0%	0.1%
Deficit Financing	597.0	768.6	997.5	900.9	1,140.7
% of GDP	3.3%	4.3%	5.7%	4.7%	5.9%
Net External	368.8	346.4	286.5	254.8	254.8
% of GDP	1.8%	2.0%	1.1%	1.3%	1.3%
Net Domestic	228.2	412.2	611.0	616.5	886.9
% of GDP	1.6%	2.2%	4.7%	3.2%	4.7%

Category	Rate (%)	Change
KESONIA	8.7583	+0.88 bps
CBR	8.75	—
Discount Window	9.25	—
Inflation (Mar 2026)	4.40	+10.0 bps

Key Financial and Economic Calendar Month	Events & Dates
22nd April	BMF Auction
29th April	FOMC Decision
30th April	Inflation Release
30th April	ECB Rate Decision

NEWS:

1. World Bank, IMF painful terms back with Iran war
2. Kenya Trims Tax Revenue Goal, Ramps Up Borrowing
3. Kenya eyes Sh64.5bn debut green bond to plug funding deficit
4. IMF upsets Treasury with calls to classify new SGR cash as debt
5. Trump levy cuts US remittances to five-year low
6. Kenya seeks World bank emergency funds as oil shock hits reserves

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