Equity Kenya Macro Note

Kenya Financial Markets Weekly

20th July to 24th July 2026

EPRA keeps pump prices unchanged

Kenya Energy sector regulator EPRA last week held fuel prices unchanged for the next one month. Diesel and Super will retail at Sh223/l ($1.7/l) and Sh214/l ($1.7/l) respectively. Over the cycle, EPRA will cross-subsidize super with petrol by adding an extra Sh8.6/l of diesel to prevent a Sh5.49/l rise in super prices. Treasury also announced a 3-month extension of the VAT cut to 8% from 16% to cushion consumers from higher prices. The move that is likely to worsen the country's fiscal position will help keep inflation from rising beyond the ceiling of the desired region (7.5%).

Yields rise on renewed US-Iran war

Kenya 2032 gained 20bps last week to 7.9% and 130bps higher than Rwanda 2031. Longer dated yields across the global continue to gain following the renewed fighting in the Middle East that has pushed markets into uncertainty. Investors continue pricing in rate hikes following possible inflationary pressures resulting from higher energy prices. US10yr and 30Yr yields also remain elevated despite inflation easing to 3.5% YoY and cutting the chances of a rate hike on 29th July's FOMC meeting. Kenya's fiscal deficit for the FY2026/27 fiscal year is targeted at 5.5% of GDP. Inflation remains a key concern driven by higher pump prices.

Oil claws back to $90, rekindles inflation fears

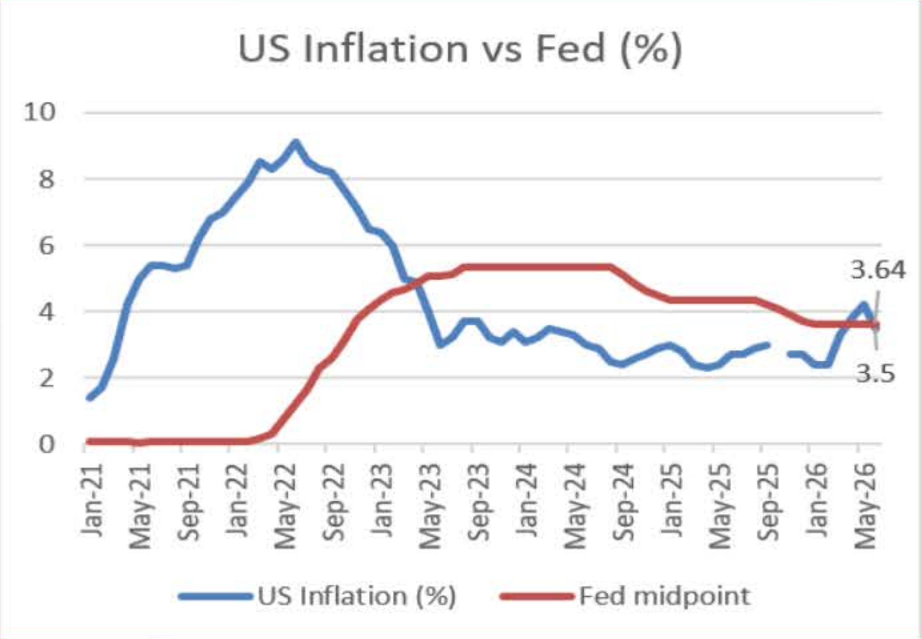
Brent crude futures remained high as traders weighed escalating tensions between the USA and Iran. Futures touched a one month high of $84/barrel. Risks to oil supply persist following Iran's proclamation of that the Strait of Hormuz remains a red line. Oil futures had eased to lows of $70 earlier in the month following optimism that the fragile truce was going to hold. Inflationary fears globally persist following the resurgence of fighting at the gulf.

Remittance Inflows Fall 4.7% in June

Remittance inflows to Kenya declined by 4.7% to USD 376 mn in June 2026 down from USD 394 mn in May mainly due to lower transfers from key source markets. On a 12-month cumulative basis remittances fell 2.4% to USD 4.96 bn in the year to June 2026 compared with USD 5.08 bn during the corresponding period in 2025. Despite the decline remittances remain a vital source of foreign exchange earnings and continue to support Kenya's balance of payments.

Easing US inflation cools of chance of July rate hike

US YoY inflation eased to 3.5% in June from 4.2% in May, the cool down has been attributed to easing in gasoline prices and has now cut chances of a rate hike at the 29th July FOMC meeting. Inflation in the US has remained above the targeted 2% for over 5 years and now expected to remain above target following renewed fighting in the Middle East that has pushed prices closer to $90. With yields rising inflationary risks persists with traders still penciling in at least 1 Fed hike in 2026.



Potential Aviation Strike Could Disrupt Trade and FX Flows

The Kenya Aviation Workers Union (KAWU) is expected to issue a seven-day strike notice today 20th July raising the possibility of a walkout at Jomo Kenyatta International Airport (JKIA) as early as 27 July if no agreement is reached. The potential strike represents the most immediate event risk this week with possible disruptions to passenger travel, tourism receipts, and cargo operations at one of Africa's busiest aviation hubs. Any prolonged disruption could weigh on Kenya's current account by affecting export logistics and foreign exchange earnings from tourism.

Weak Household consumption slows China Q2 growth

China Q2 growth slowed to 4.3% from 5% in Q1 and 5.2% in Q2 YoY 2025, due to weaker household consumption. Retail sales grew 1% while industrial output grew 5.3% showing the countries dependence on exports as a time when other big economies are concerned about China's export dominance. Wages remain sluggish hurting domestic consumption. Industrial overcapacity, U.S. tariffs and price wars among producers have fuelled layoffs in factories.

Tel: +254 763 000 000 @KeEquityBank KeEquityBank

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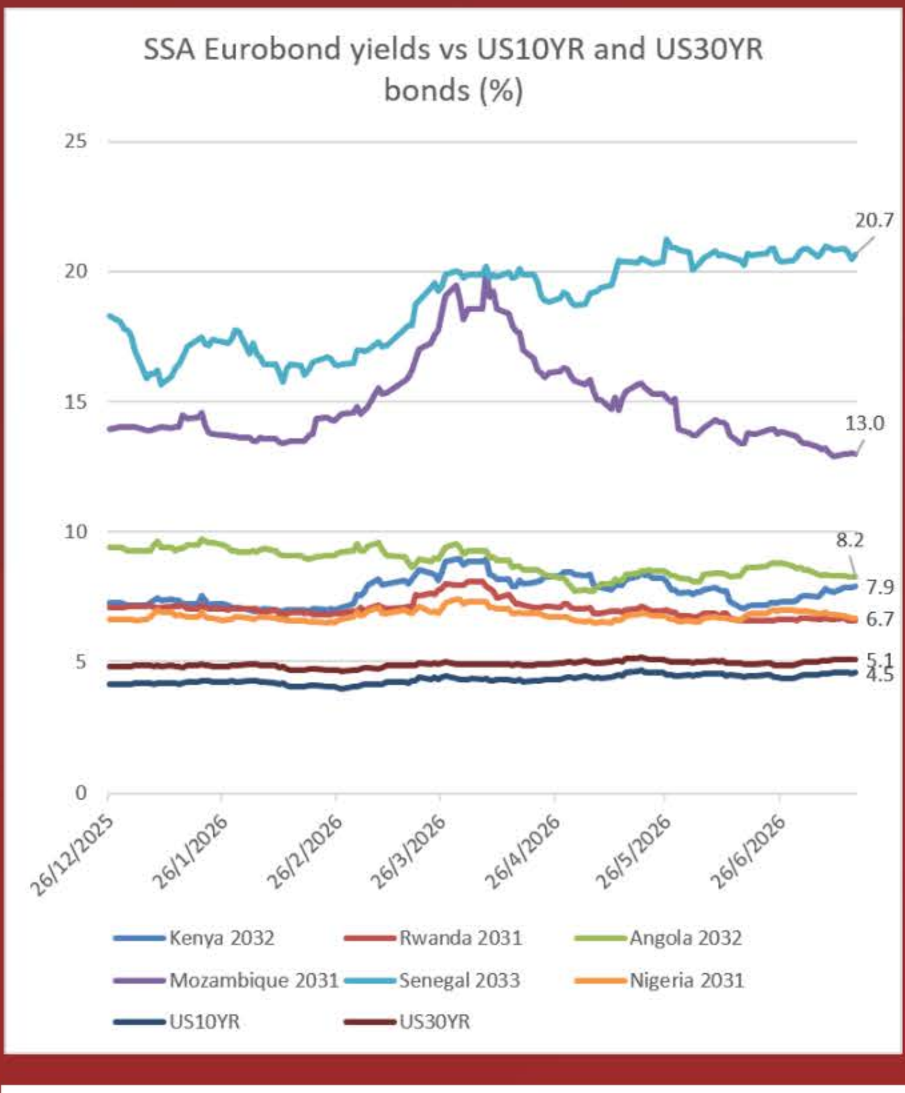
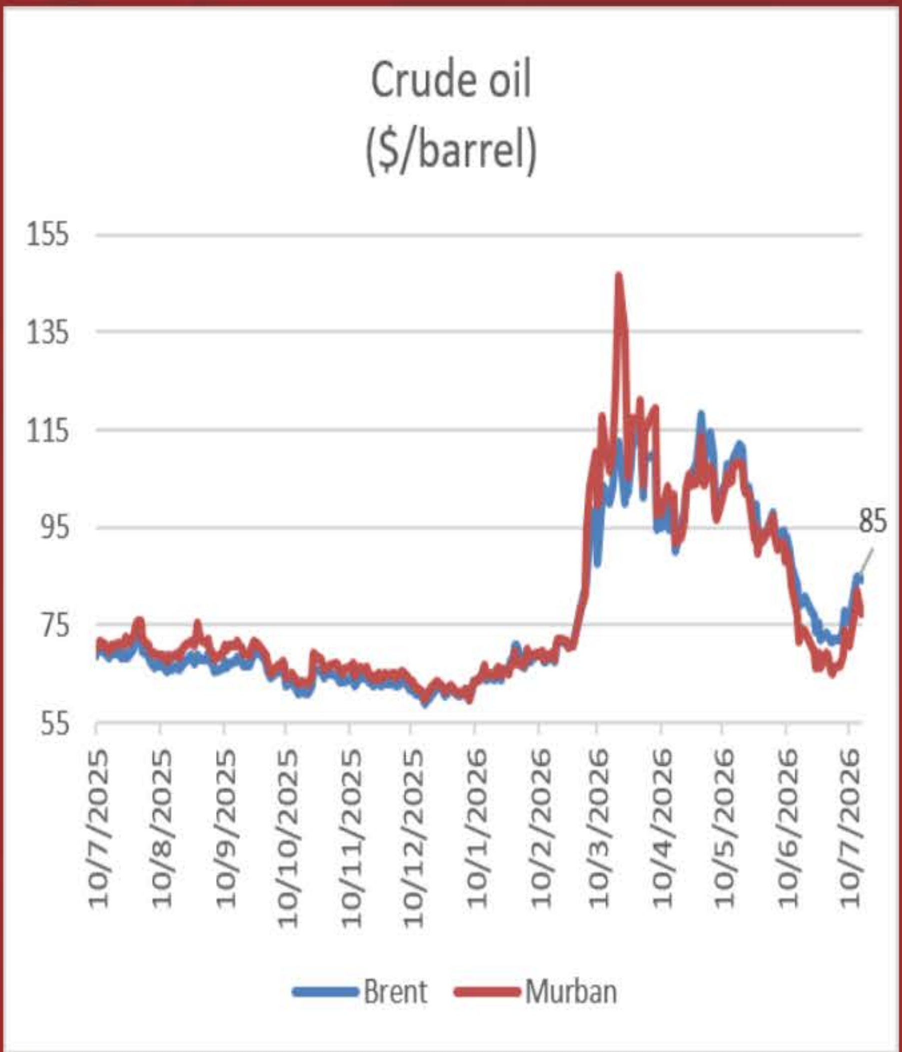
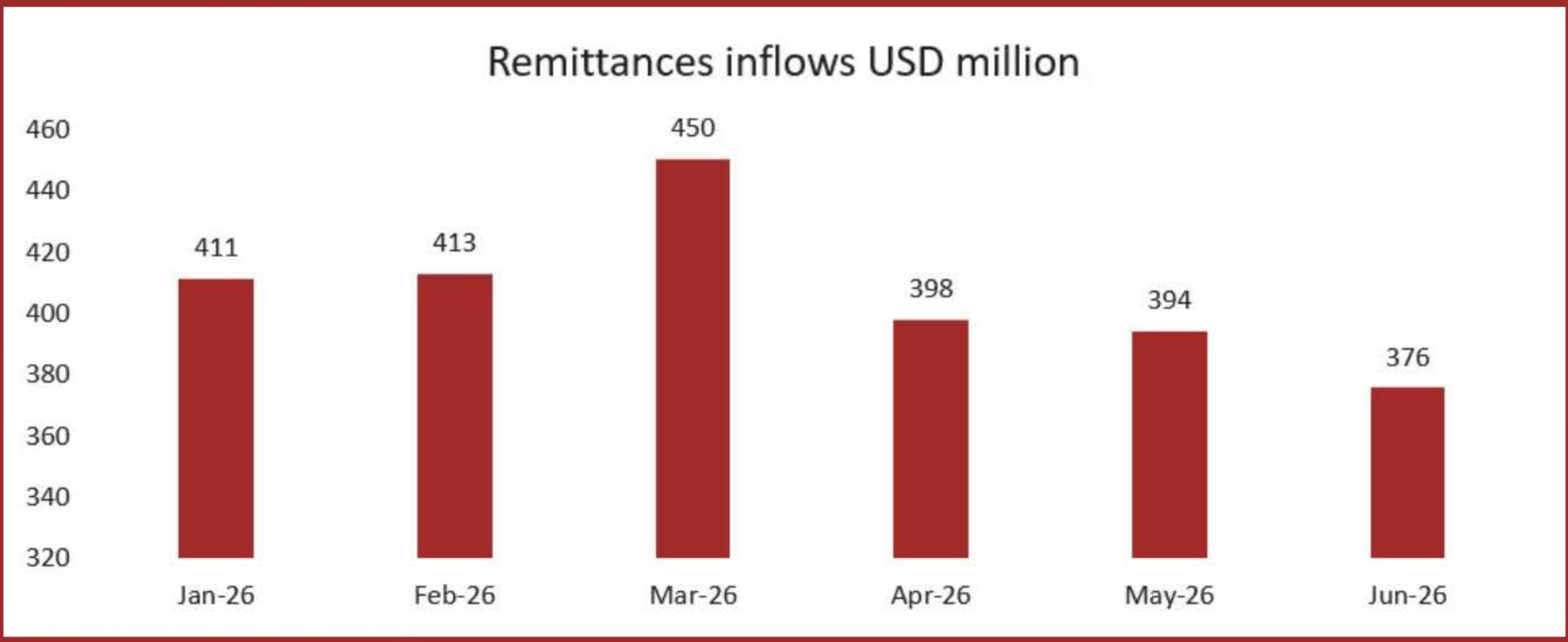
Shilling Holds Firm Amid Key Risk Watch

USD/KES opened stable at 129.25–129.27 with the shilling supported by stronger FX reserves. The main risks remain the potential JKIA aviation strike, weaker remittance inflows, and fiscal pressures







NEWS:

- Kenyans spend more on gambling than equities' purchases
- Fuel prices unchanged in the July-August cycle
- VAT relief on fuel extended by 3 months
- Kenya eyes additional $500m from Samurai bonds
- Corporate tax growth beat PAYE
- US now fastest growing market for Kenyan goods
- Civil servants face salary freeze on undisclosed wealth,

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Key Financial and Economic Calendar Month	Events & Dates
23rd July	ECB Rate Decision
27th July	Potential KAWU Aviation Strike / JKIA
29th July	FOMC meeting
30st July	US Core PCE data
31st July	July YoY inflation
11th August	Monetary Policy Committee (MPC) Decision

Fitch Affirms Kenya's B- Rating Flags Rising Debt and Fiscal Risks

Fitch Ratings has affirmed Kenya's 'B-' Long-Term Issuer Default Rating with a Stable Outlook citing the country's resilient economic growth and adequate foreign exchange reserves despite mounting fiscal and external pressures. The rating agency expects Kenya's economy to grow by 4.8% in 2026 supported by macroeconomic stability. However, it warned that persistent budget deficits, weak tax revenue, high public debt, and rising debt-servicing costs continue to weigh on the country's credit profile. Fitch also highlighted risks stemming from political and social pressures ahead of the 2027 general elections, uncertainty over external financing, and the economic impact of higher global fuel prices. It said that stronger fiscal consolidation, improved revenue collection and a sustained reduction in the debt burden would be needed to support a future ratings upgrade.

Kenya Debt Strategy: Further Liability Management Plans Take Shape

Kenya is considering a further USD 500 million Eurobond buyback in FY2026/27 alongside new dollar issuance to extend maturities and reduce refinancing pressures. The government is also pursuing a USD 500 million sustainability-linked loan (SLL) linked to targets on rural electricity access and natural forest loss reduction. Treasury has indicated that while Kenya's debt repayment profile has improved, further liability management operations may be needed, particularly to address expensive syndicated commercial loans. Market focus remains on the timing and pricing of the SLL and any additional Eurobond transaction.

Railway Levy Clears Path for SGR Expansion Amid of Procurement Challenges

The High Court has upheld the 2% railway development levy on imports allowing the government to use the proceeds to support the USD 5.4 billion SGR extension project. However the court declared the KES 11.5 billion Riruta-Ngong commuter railway project unconstitutional citing the lack of parliamentary approval, feasibility studies and competitive procurement. The project will require a fresh tender process.

AfDB Approves $335mn Support for Kenya's Reform Agenda

The African Development Bank has approved a €293.9 million (approximately USD 335 million) loan for Kenya under the second phase of its Economic Inclusion and Green Recovery Support Programme. The financing will support reforms focused on fiscal management, debt reporting, procurement efficiency, and green recovery initiatives strengthening Kenya's efforts to improve public finance management and economic resilience.

Report prepared by:

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

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