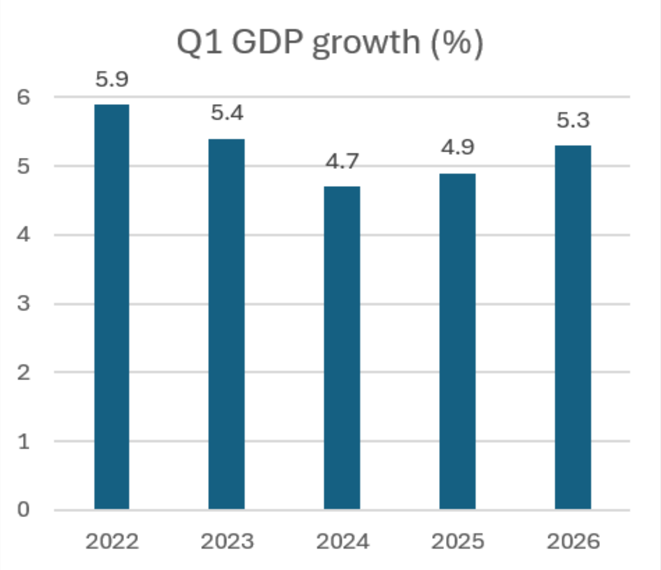
Equity Kenya Macro Note

Kenya Financial Markets Weekly

13th July to 17th July 2026

Q1 GDP up 5.3%

Output expanded by 5.3% up from 4.9% growth in Q1 2025. Growth boosted by manufacturing (4.4%), construction (6.6%), accommodation (14.7%), financial services (6.3%). All sectors of the economy recorded positive growth over the quarter.



Oil gains as US, Iran resume attacks

Brent futures shot up 5% last week as supply risks persist following renewed fighting between the US and Iran last week. Friday saw prices ease slightly compared to the mid -week highs. Oil market still faces plenty of uncertainties as cargo passage through Strait of Hormuz remains a risky affair. Brent is expected to remain above $70/barrel in Q3 but could touch sub $70 in Q4 if the cease fire holds. Inflation risks remain elevated globally driven by oil supply shocks and ripple effects. World Bank in its latest release projected global inflation to rise to 4% this year but acknowledged inflation outlook remains highly uncertain.

Eyes on EPRA as monthly review beckons

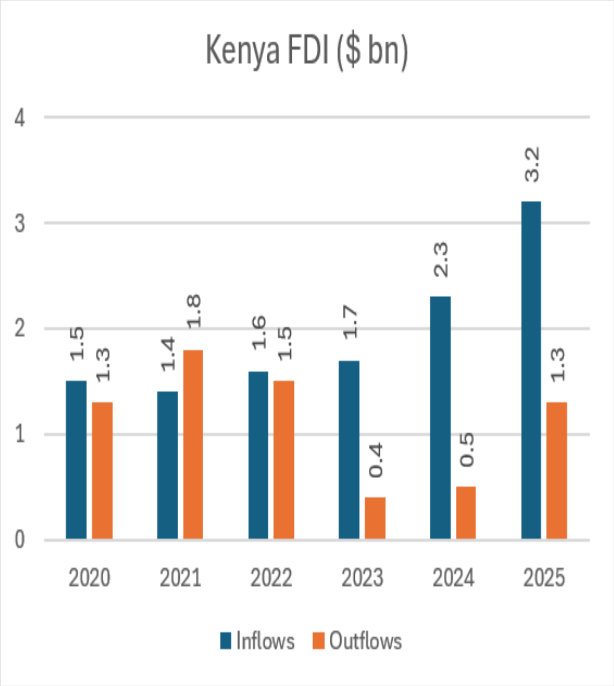
Energy and Petroleum Regulatory Authority is set to announce new fuel pump price for the July-August cycle. International Murban crude averaged $80/bbl in June down from $101/bbl in May, the easing that is now under threat was driven by a 60-day interim peace deal between the US and Iran. We expect a slight decrease in diesel prices and super prices across the country, with a bigger fall in mid-August. June inflation came in at 6.4% down from 6.7% in May.

Q1 Current account deficit widens 73%

Q1 current account deficit widened 73% to Sh120.9bn ($937m) from Sh70bn ($543M) on a wider trade deficit compared to the same period a year ago. Export earnings declined 6% while import expenditure increased by 4.5%. Net receipts from services dropped 27%. Financial account deficit more than doubled Sh243bn from Sh108.4bn.

FDI grows 39% in 2025 to $3.2bn, the highest in years

Fresh data by UNCTAD (United Nations Conference on Trade and Development) has revealed that Foreign Direct Inflows to Kenya grew 39% in 2025 to $3.2bn (Sh413bn) from $2.3bn (Sh297bn) in 2024. Despite the remarkable growth, this lagged Uganda (which should fall as its oil project is near completion) and Ethiopia at $3.4bn and $3.8bn. Total global FDI flows in 2025 rose by 6% to $1.6trn. Inflows were up 11% in developed economies and only 2% in developing economies. Global FDI was driven by investments in data centers, followed by oil and gas and semi-conductors dominated projects funded by FDI.



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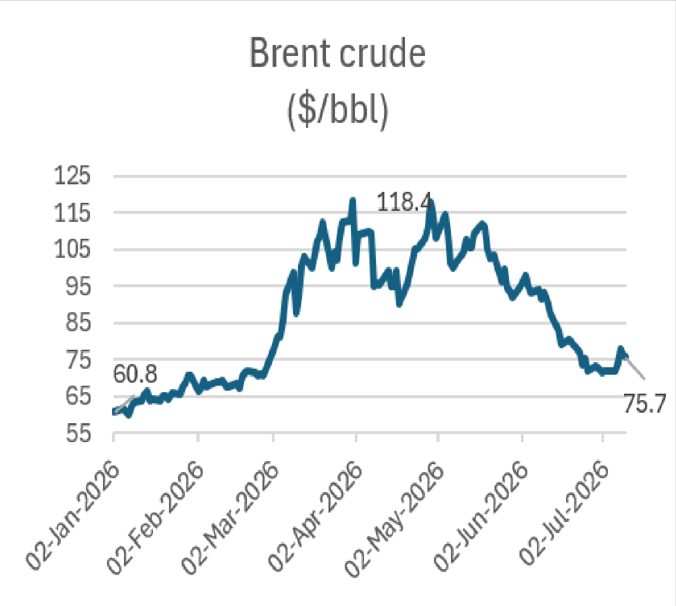
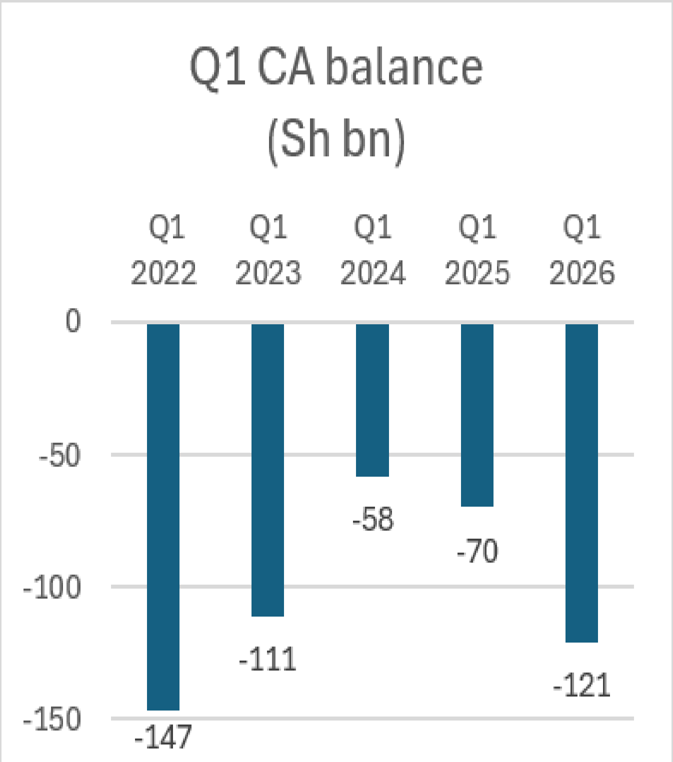
Yields gain on renewed fighting in the gulf

Bond yields gained last week on renewed fighting between US and Iran that has resulted to higher crude prices reversing previous gains. Kenya 2032 had clawed back to 7% in Mid June but has now risen to 7.7% up 20bps week on week. Now 90bps higher than Rwanda 2031 investors are pricing in higher risk in Kenya 2032 with the country's fiscal deficit edging further and further away from the fiscal consolidation target of 2.8%. US 10yr and 30yr were also up 10bps last week to 4.5% and 5% respectively with inflation above the 2% target the Fed is still expected to hike at least once in 2026.





NEWS:

- Pension schemes book Sh16bn gain for bonds, equities disposal
- Lower fuel prices to ease interest rate pressure
- GoK to have final say on future Safaricom expansion
- Kenya now second biggest arms importer in Africa
- UNCTAD: FDI inflows to Kenya jump 38% to $3.2bn in 2025
- World Bank says Infrastructure fund will not reduce fiscal deficit in the long run
- Credit growth, GoK securities propel banks to record Sh111bn pre tax profit in 4 months
- Kenya target $1bn through climate linked bonds

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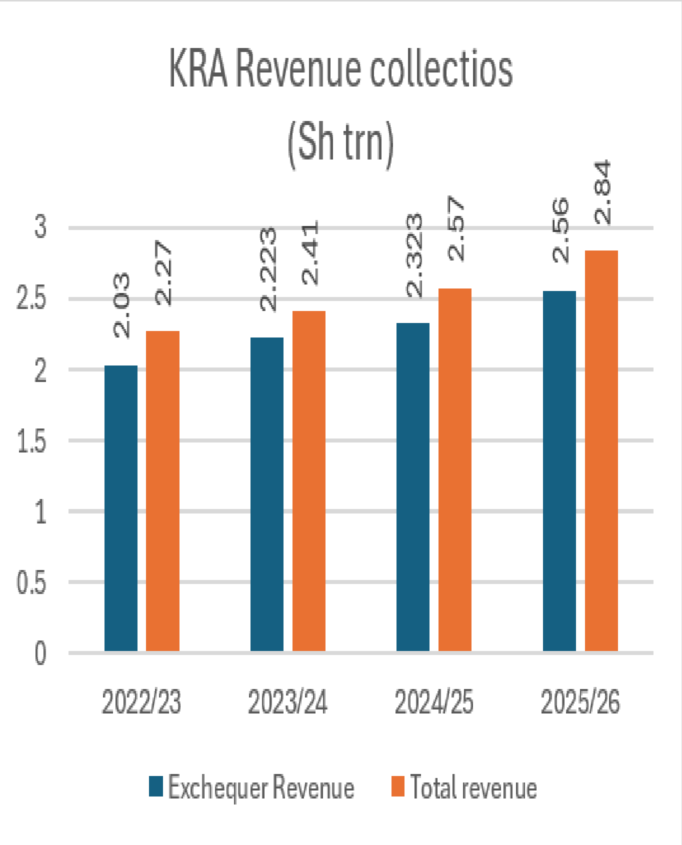
Key Financial and Economic Calendar Month	Events & Dates
14th July	US CPI YoY (Jun)
14th July	EPRA price review
15th July	China GDP Q2 2026
16th July	Ol-Kalou by elections
July 28-29th	FOMC meeting
31st July	July YoY inflation

FY2025/26 tax revenue grow 10% but miss target by Sh130bn

Total revenue collected by the tax man increased by 10.6% to Sh2.84trn ($22bn) made up of Sh2.6trn exchequer revenue and Sh0.3trn collections for other government agencies. The 10% growth in tax revenue to Sh2.6trn ($19.8bn), which fell short of the Sh2.7trn target has been attributed to improved revenue mobilization measures, tax payer contributions and improved sector mobility. Kenya's tax revenue growth has trailed expenditure grow pushing fiscal deficit further and further away from the fiscal consolidation target.



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