

Republic of Kenya

Investor Presentation

September 2026

Outline

1. Macroeconomic Performance
2. Revenue and Budget Performance
3. Fiscal Performance and Reforms
4. Improved credit profile: What others say about Kenya

1.Macroeconomic Performance

Macroeconomic Policy Context

- **Global Environment: Global growth is projected to moderate to 3.0% in 2026 before recovering to 3.4% in 2027, from an average growth of 3.5% during 2024–2025.** The global outlook is being supported by easing of global inflation and supply chain constraints. The global slowdown in 2026 reflects the adverse effects of the Middle East conflict manifested in supply chain disruptions, higher energy prices and elevated inflationary pressures.

- **Kenyan economy remains one of the fastest-growing economies in the region, with growth exceeding both the Global and Sub-Saharan African averages.**

- The Kenyan economy has remained resilient and registered an average growth rate of 5.0 percent in the period 2022 to 2025, outperforming the average global growth rate of 3.4 percent and that of Sub-Saharan Africa of 4.1 percent.

Sources: The National Treasury

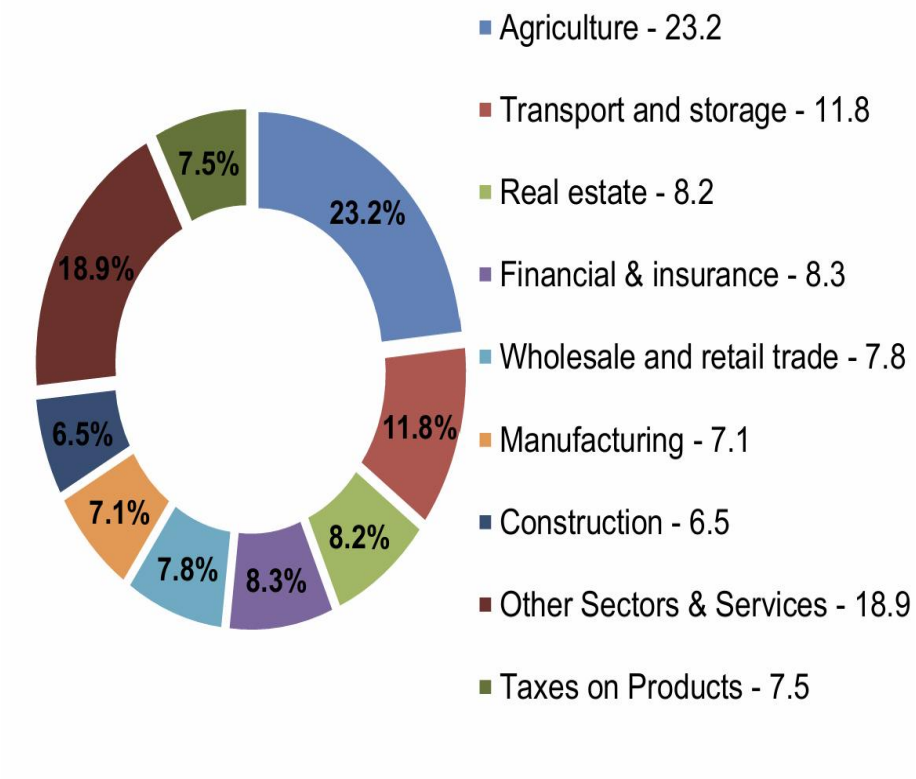
Macroeconomic Policy Context

- Importantly, macroeconomic stability has been preserved, confidence in the economy strengthened, and the foundations for sustained growth are now firmly in place under the Bottom-Up Economic Transformation (BETA).
- Macroeconomic fundamentals such as inflation, interest rates and exchange rate have strongly rebounded and are projected to remain stable. Reforms are therefore yielding desired results.

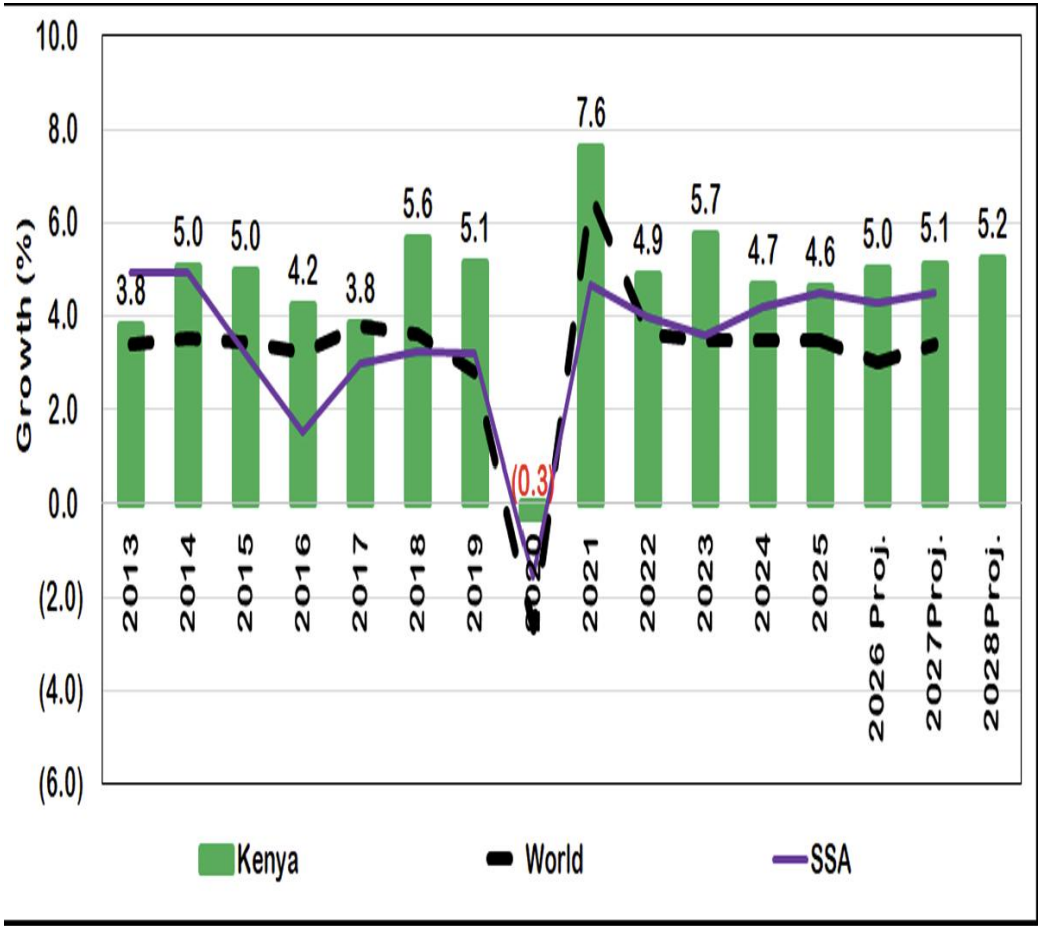
Sources: The National Treasury

Fastest Growing and Strong Diversified Economy

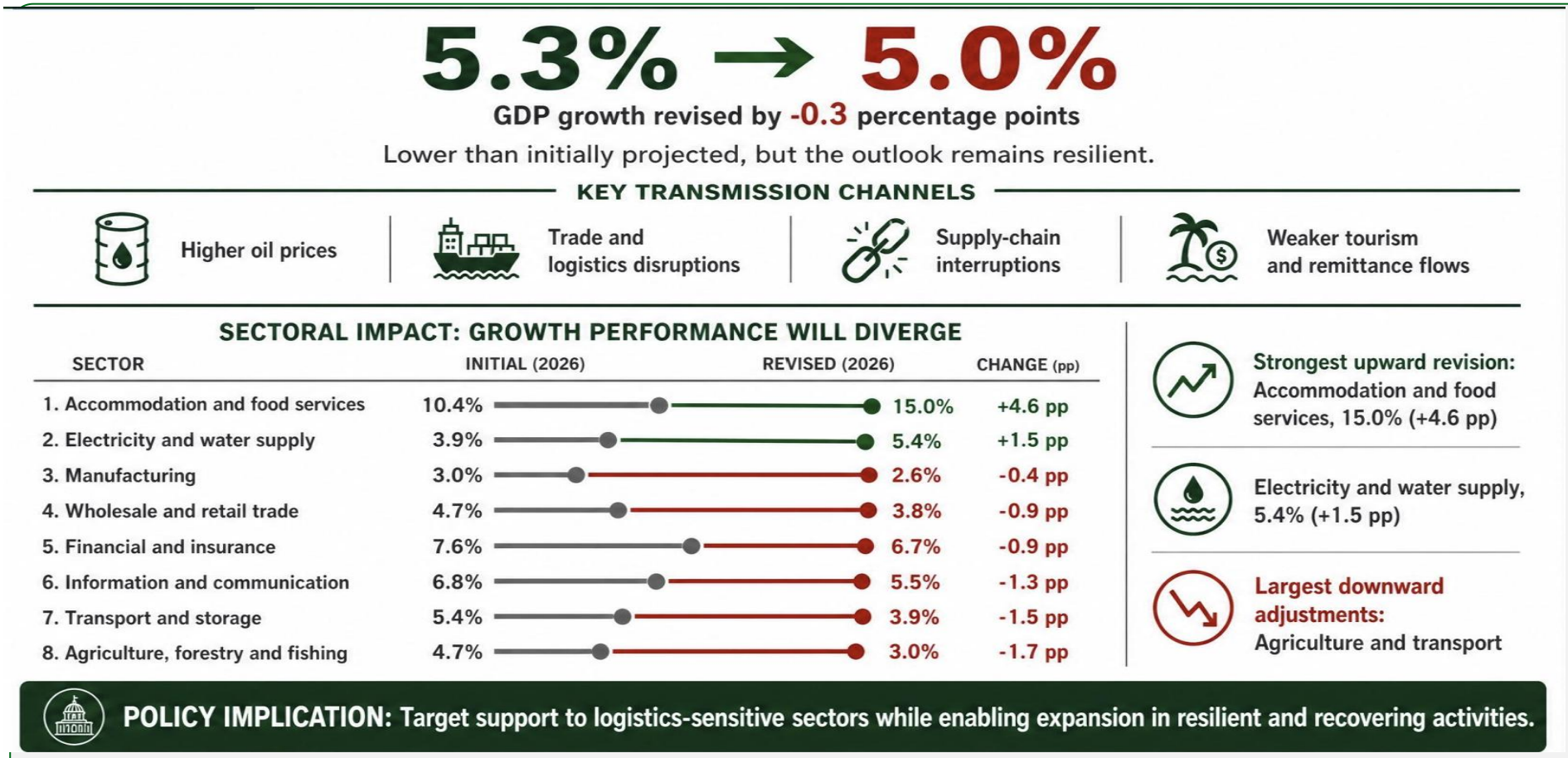
- **In 2025, a diversified services sector (55.1% of GDP) drives the economy, while Agriculture remains the largest single sector (23.2% of GDP), supporting employment, exports, and food security.**



Growth is expected to remain resilient, accelerating from 4.6% in 2025 to 5.0% in 2026 and 5.1% in 2027, supported by sound macroeconomic policies, ongoing structural reforms, and stronger private sector investment.



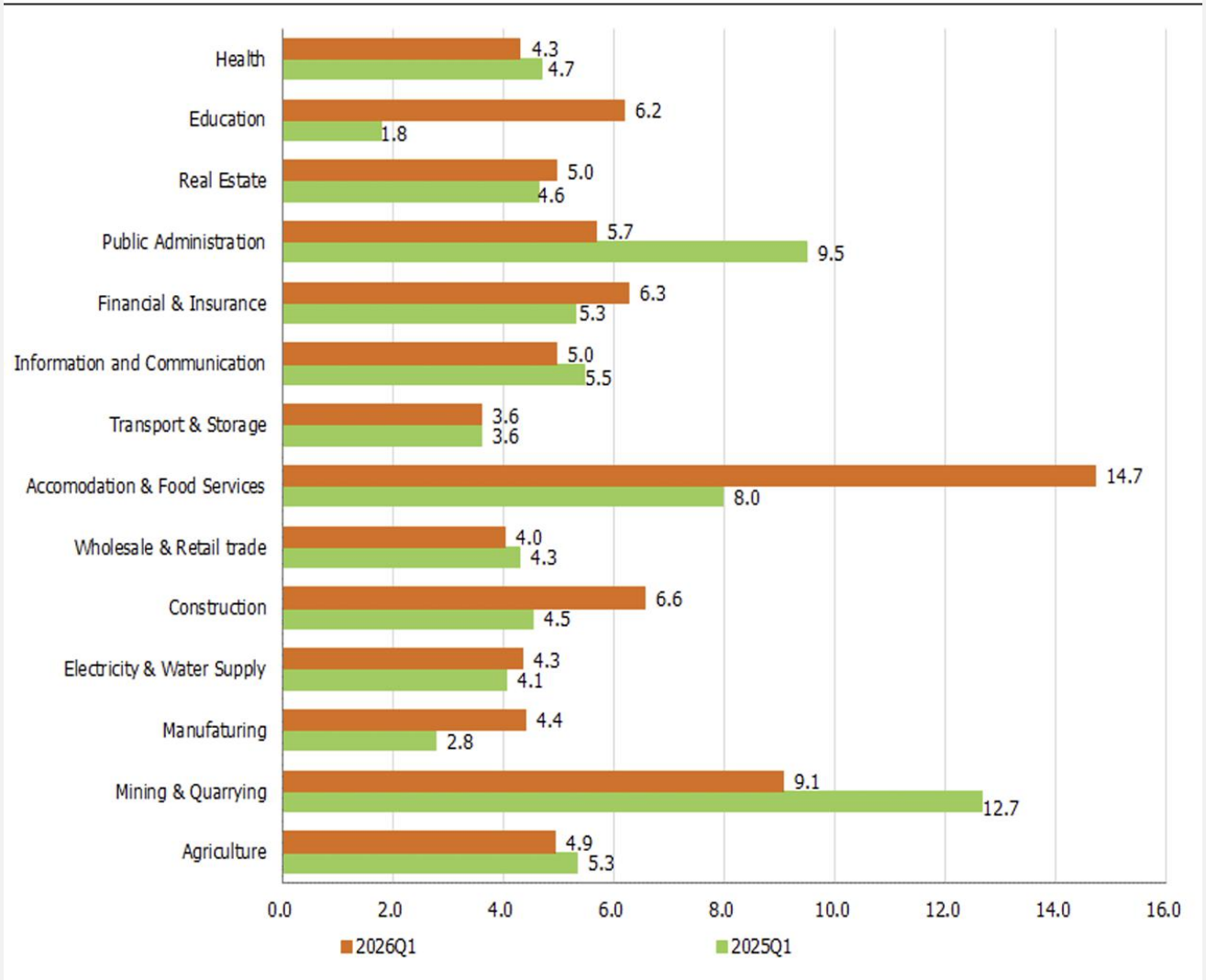
Domestic growth outlook for 2026 revised downwards to 5.0% in 2026



- **Baseline growth for 2026 revised downwards reflecting external shocks particularly emerging risks, from the Middle East conflict.**
- **Growth in 2027 projected at 5.1% as external pressures ease and global supply chains normalize**

Sources: The National Treasury

In Quarter 1 of 2026, the economy grew by 5.3% compared to 4.9% in Q1 of 2025



Agriculture (4.9%): Supported by improved agricultural output and stronger horticultural exports.

Mining &Quarrying (9.1%): Driven by increased mineral and quarry production.

Manufacturing (4.4%): Marking the strongest performance in years: Driven by increased of sugar, soft drinks, milk, cement, galvanized sheets, and assembled vehicles

Construction (6.6%): Sustained by infrastructure development and private sector investment.

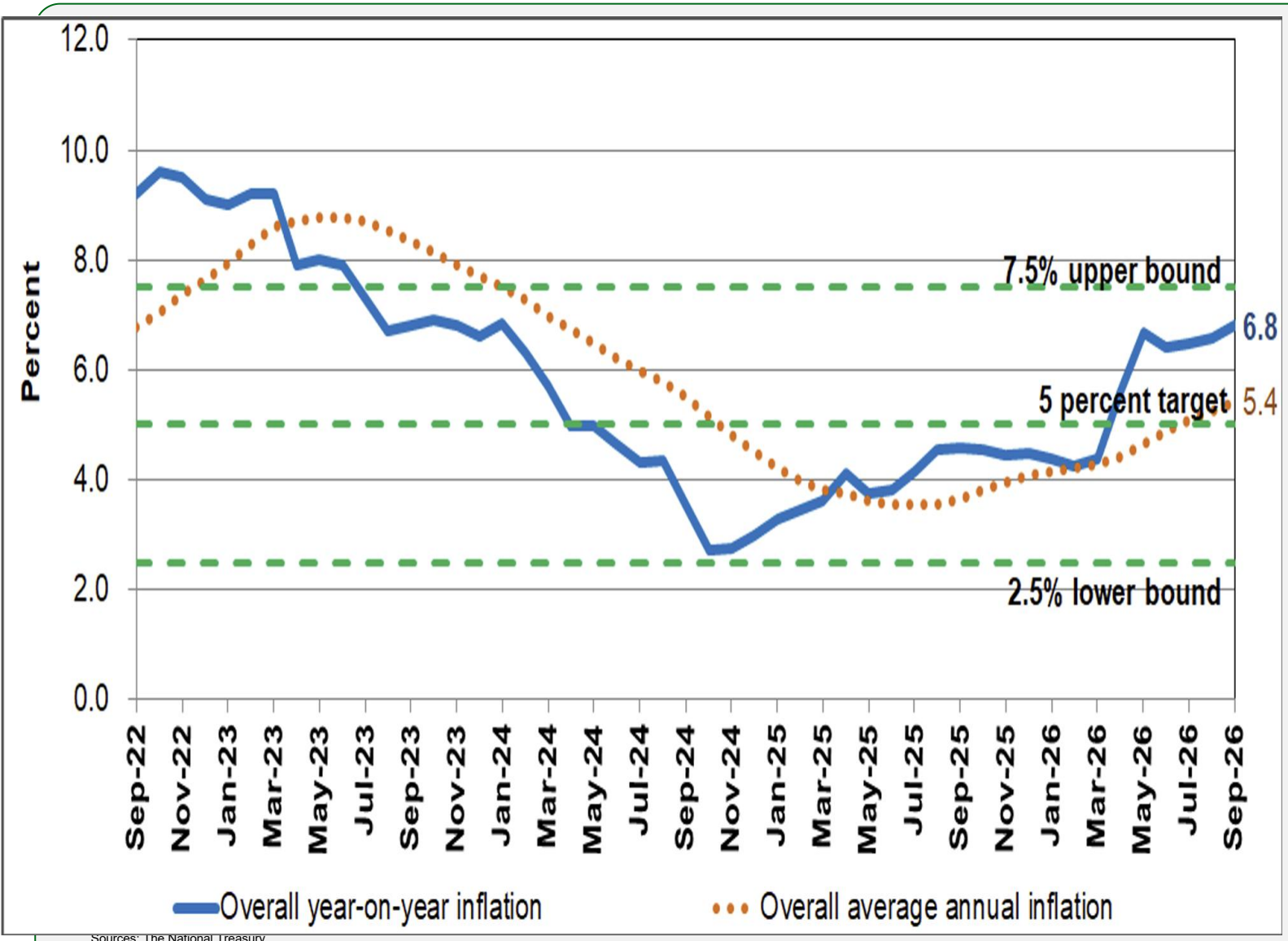
Transport & Storage (3.6%): Supported by increased road transport, port throughput, and SGR freight and passenger traffic.

Financial & Insurance (6.3%);

Accommodation & Food Services (14.7%).

Sources: The National Treasury

Inflation remains within the target range



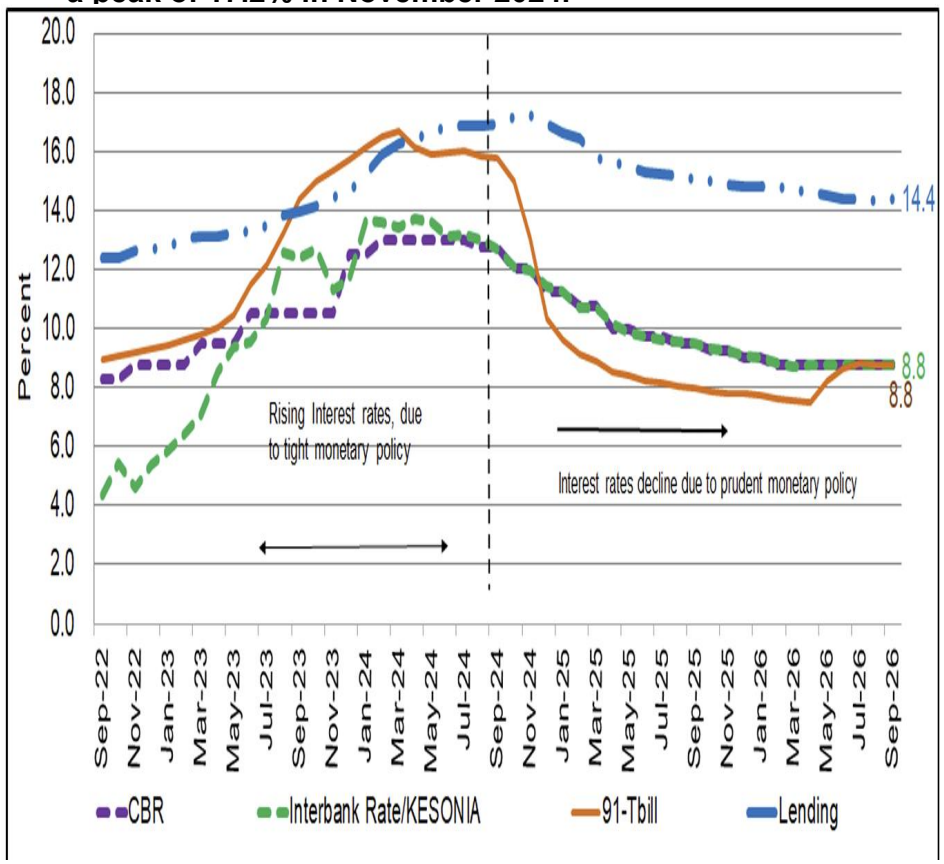
Sources: The National Treasury

Inflation was 6.8% as at September 2026 from 4.4% in March 2026 and 4.6% in September 2025, largely reflecting the impact of the escalation of the Middle East conflict on global oil prices.

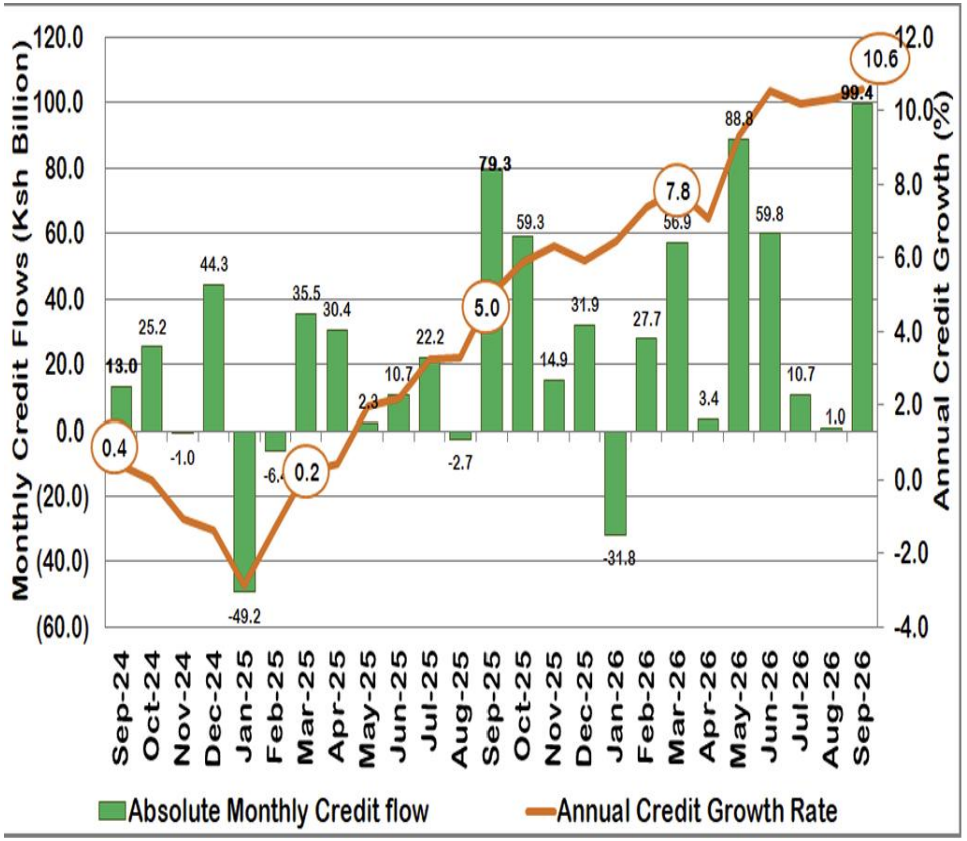
Government interventions including subsidies and the temporary reduction of VAT on fuel continue to stabilize domestic fuel pump prices

Interest rates decline while credit to the private sector gradually recovers…

- CBR at 8.75% by September 2026 compared with 13.0% in August 2024;
- The 91-day Treasury bill rate at 8.8% in September 2026 while the 364-day rate at 9.1% over the same period.
- Lending rates declined to 14.4% in September 2026, from a peak of 17.2% in November 2024.



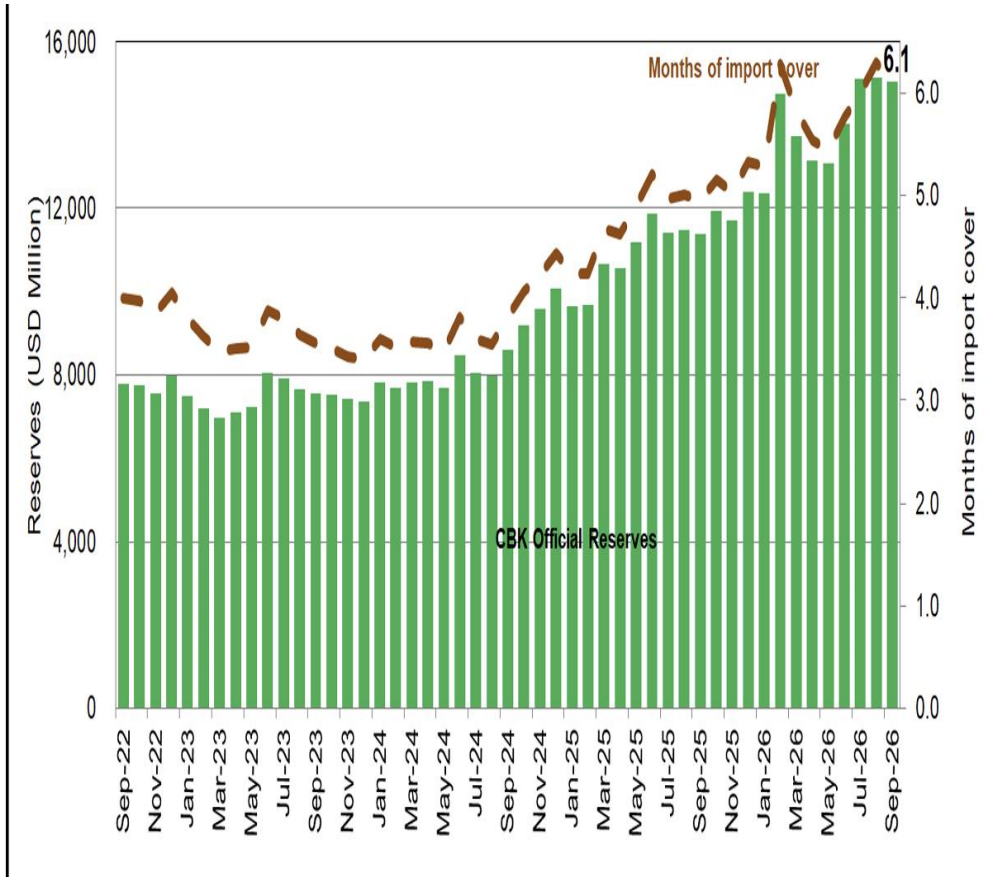
- Growth in commercial banks lending to the private sector remained strong at 10.6% in September 2026 from -2.9% in January 2025.
- Supported by increased credit flows to key sectors of the economy.



Resilient external sector and stability in the foreign exchange market

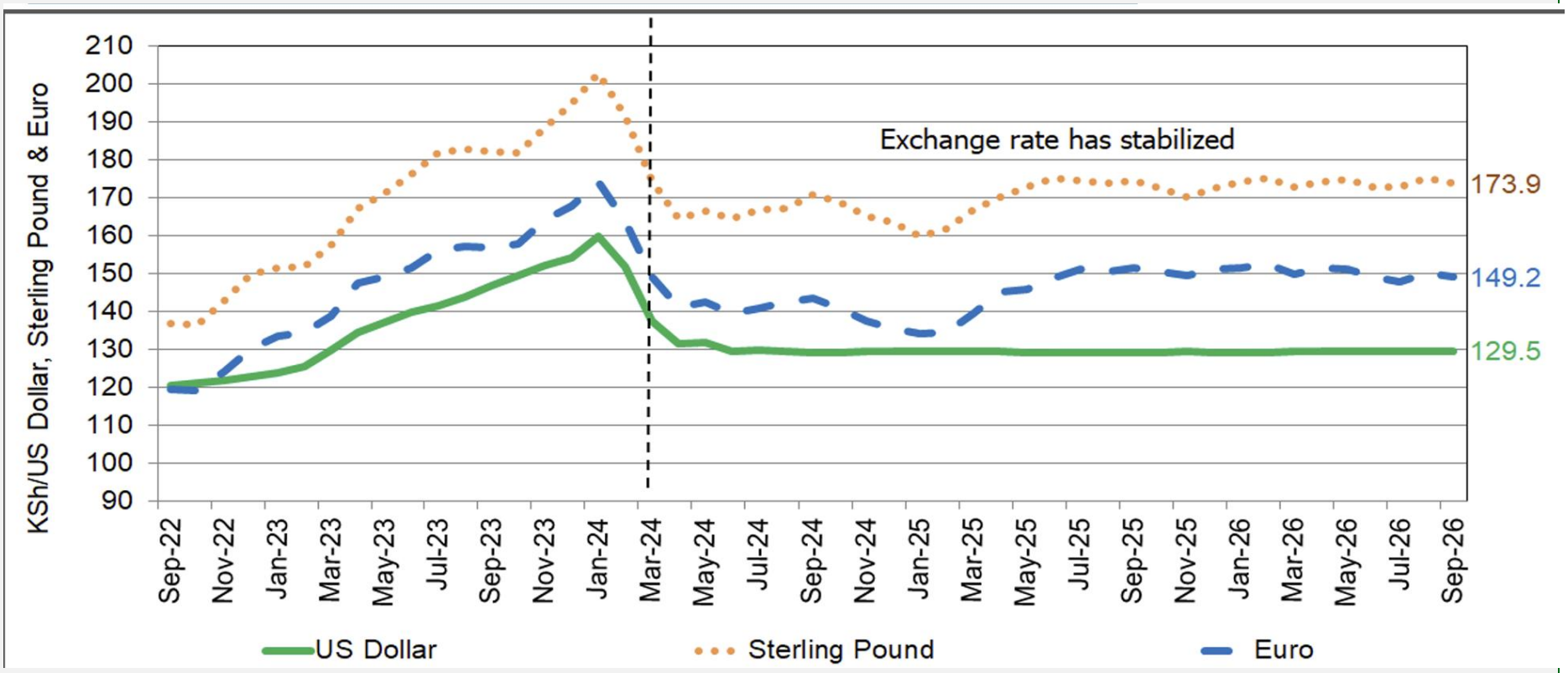
- **Current account** deficit is estimated at **3.1% of GDP** in the year to **August 2026** compared to 2.1% of GDP in a similar period in 2025:
- **Goods exports** increased by 11.8%, mainly driven by horticulture, tea, and machinery and transport equipment.
- **Goods imports** increased by 15.8%, reflecting higher imports of food, mineral fuels, and intermediate and capital goods.
- **Services receipts** increased by 8.7% mainly driven by travel services receipts.
- **Remittances** remained strong at **US$ 5,013 million** in the year to August 2026.

- **The official foreign exchange reserves remained adequate at USD 14.9 billion (6.1 months of import cover) as of end September 2026.**
- **•These reserves continue to provide adequate cover and a buffer against short-term domestic and external shocks.**



Kenya Shilling to the US Dollar rate has remained stable

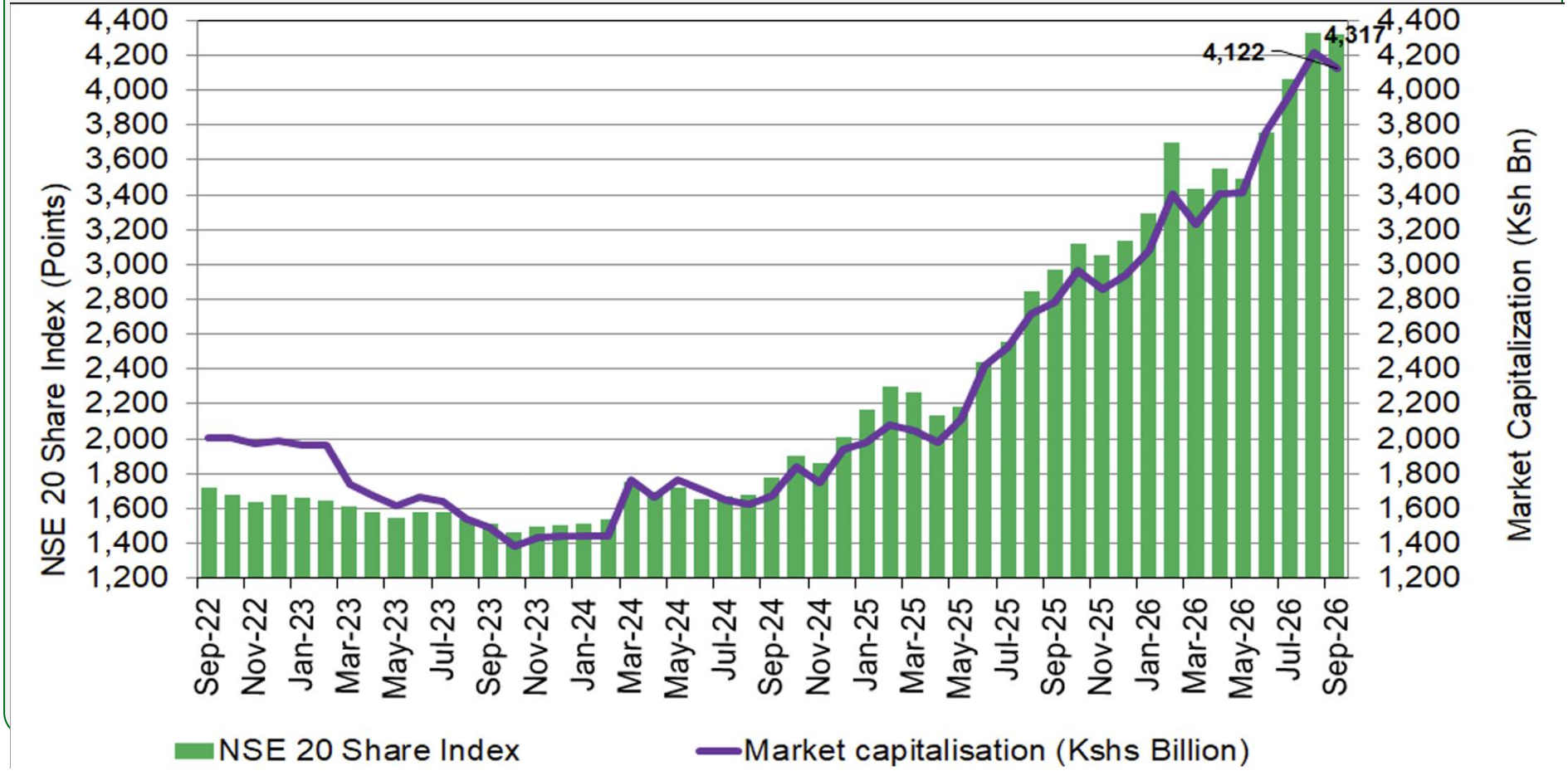
- The Kenya Shilling remained relatively stable against the dollar, averaging KSh 129.5 in September 2026 compared to KSh 129.2 in September 2025, and showing a marked appreciation from a peak of KSh 160.8 in January 2024.
- The stability was supported by strong foreign exchange reserves, steady remittance and export inflows, and improved market confidence.



Sources: The National Treasury

Activities at the Nairobi Securities Exchange (NSE) improved significantly over the past year:

- ❑ The NSE 20 Share Index rose by 45.2% to 4,317 points in September 2026, having crossed the 4,000-point mark in August 2026 for the first time in nearly a decade.
- ❑ Market capitalization surpassed the KSh 4 trillion mark in August 2026 and increased by 48.0% to KSh 4,122 billion in September 2026.



Highlights of Performance of Kenya's Capital market

- **Trading activity is at record levels. Equity turnover in the first seven months of 2026** rose 242.6% year-on-year to KSh 381.9 billion:
  - ➢ Shares traded up 127.4% to 11.84 billion and deals up 17% to over 514,000.
  - ➢ Bond turnover hit a record KSh 2.71 trillion in 2025 (up 75.5%), and Q1 2026 became the first quarter in history to exceed KSh 1 trillion in bond trading.

The strong performance was supported by:

- Lower domestic interest rates, a relatively stable exchange rate, and improved corporate earnings.
- Major capital market transactions, including the successful Kenya Pipeline Company (KPC) Initial Public Offering (IPO) and the Government's partial divestiture of a 15% stake in Safaricom PLC to Vodacom.
- **Wealth creation is being democratized**.
  - ❖ Over 70,000 ordinary Kenyans participated in the KPC e-IPO;
  - ❖ The removal of the 100 share minimum and the Ziidi Trader platform have opened the market to first-time investors; and
  - ❖ Individual bond accounts nearly quadrupled year-on-year in Q1 2026.

Strong FDI inflows in 2025: Strong investor confidence despite global uncertainty.

- **FDI inflows of USD 3.2 billion in 2025:** the highest ever recorded **- 38% growth from USD 2.3 billion in 2024 (UNCTAD World Investment Report 2026)**
- Kenya ranked among Africa's top five FDI destinations and remained one of East Africa's leading investment hubs**.**
- **Investor Confidence**
  - **Reinvested earnings** reached **USD 1.77 billion**, accounting for 55% of Kenya's total FDI inflows.
  - **Reinvested earnings** increased by 128% between 2022 and 2025, signalling strong confidence by existing investors.
  - Since nearly 70% of global FDI originates from reinvestment and expansion, investor aftercare remains Kenya's most cost-effective strategy for sustaining FDI growth.
- **Kenya remained among the top recipients of FDI in Africa:** Egypt: ~USD 15 billion; Nigeria: ~USD 4.0 billion; Ethiopia: ~USD 3.8 billion; Uganda: ~USD 3.4 billion; **Kenya: ~USD 3.2 billion**

Sources: The National Treasury

2. Revenue and Budget Performance

Sources: The National Treasury

Government Policy and Priorities over the Medium Term

- The National Budget continues to support implementation of the **Bottom-up Economic Transformation Agenda (BETA)** to achieve economic turnaround and inclusive growth.

- The Agenda aims to increase investments in the five core pillars envisaged to have the largest impact to the economy as well as on household welfare. These are:

  i. Agricultural Transformation and Inclusive Growth;

  ii. Micro, Small and Medium Enterprise (MSME);

  iii. Housing and Settlement

  iv. Universal Healthcare

  v. Digital Superhighway and Creative Industry

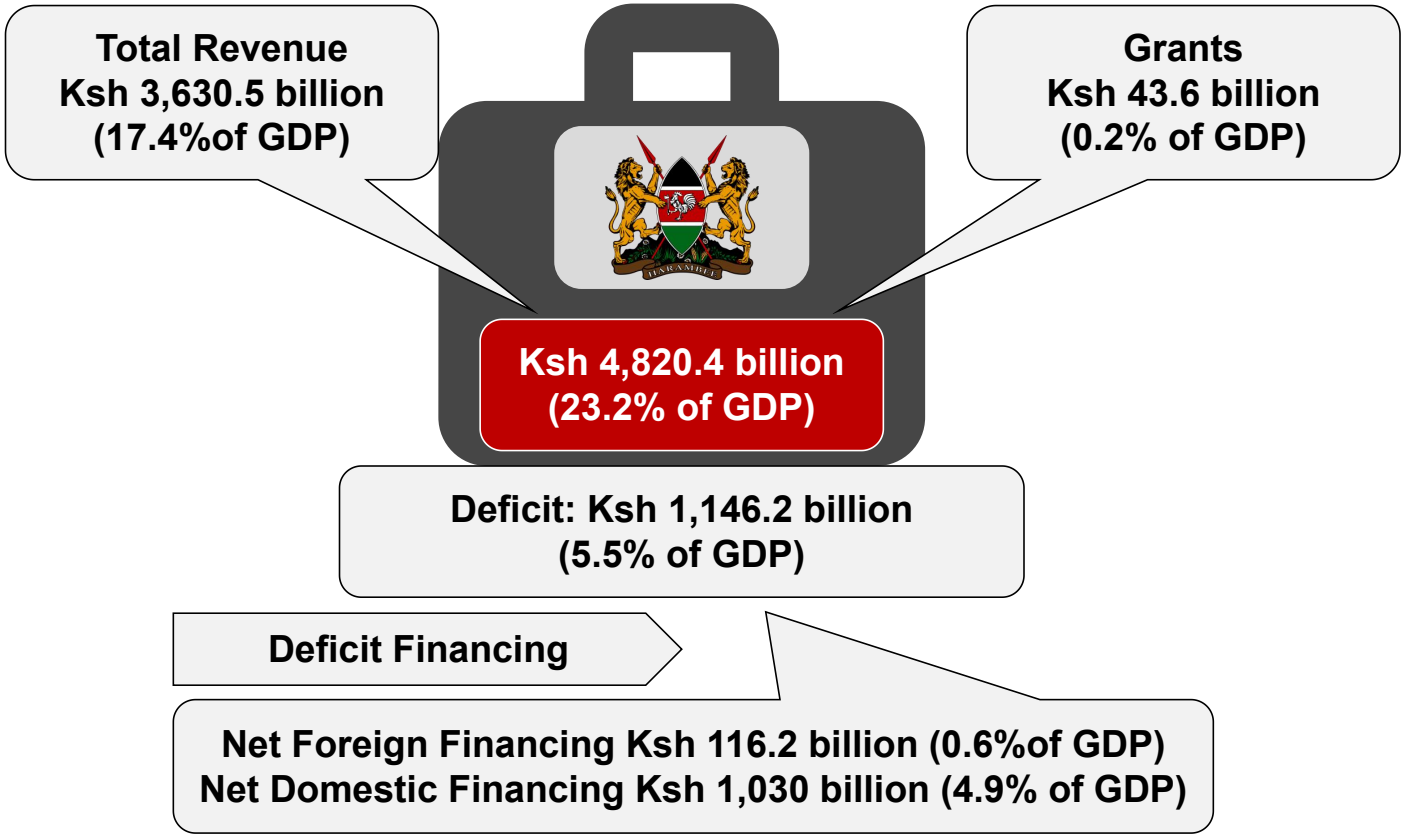
- The key enablers include: Infrastructure; Manufacturing; Blue Economy; Services Economy, Environment and Climate Change; Education and Training; Women Agenda; Social Protection; Sports, Culture and Arts; Youth Empowerment and Development Agenda; Governance; and Foreign Policy and Regional Integration.

Sources: The National Treasury

Highlights of the FY 2026/27 Printed Budget Estimates

- Budget Statement was be presented to Parliament on **11th June 2026**;
- Theme: "***Sustaining the Bottom-Up Economic Transformation Agenda for Resilient and Inclusive Growth amid Global Uncertainty".***

Overall Budget and Financing



Sources: The National Treasury

FY 2026/27: Summary of Budget performance by end September 2026

- Budget implementation during the first quarter of FY 2026/27 progressed well in line with the approved Budget,
- By end September 2026, revenue collection was below target by **KSh 40.4 billion** mainly on account of shortfalls in ordinary **revenues of KSh 58.2 billion** while Ministerial AiA surpassed target by KSh 17.8 billion.
  - Revenues grew **by 15.9%** by end September 2026 compared with a growth of 1.4% by end September 2025;
  - Ordinary revenues grew **by 14.4%** compared to growth of -2.9% over the same period.
- **Expenditures** by end **September 2026** surpassed target **by KSh 116.9 billion** largely on account of above target absorption of recurrent expenditure by **KSh 59.3 billion** and development expenditure by **KSh 34.7 billion**.
- Transfers of Equitable share to County Governments above target by **KSh 22.9 billion**.
- **Fiscal deficit incl. of grants by end September was KSh 329.1 billion (1.6% of GDP) against a target of KSh 174.8 billion (0.8%)**

Sources: The National Treasury

FY 2026/27 Budget Performance: Revenue performance by end September 2026

Amount in KSh Billion	September 2025			September 2026				
	Actual	% of GDP	% Growth	Target	Prel.Issues	Deviation	% of GDP	% Growth
A. Total Revenue (1+2)	**706.9**	**3.7**	**1.4**	**859.9**	**819.5**	**(40.4)**	**3.9**	**15.9**
1. Ordinary Revenue (i+ii)	**573.5**	**3.0**	**(2.9)**	**714.0**	**655.8**	**(58.2)**	**3.2**	**14.4**
i) Tax Revenues	*556.4*	*2.9*	*5.9*	*683.4*	*632.9*	*(50.5)*	*3.0*	*13.8*
Import Duty	40.5	0.2	16.9	45.9	46.9	1.0	0.2	15.8
Excise Duty	73.9	0.4	8.4	94.3	78.1	(16.3)	0.4	5.7
Income Tax	252.6	1.3	(2.3)	323.3	297.9	(25.4)	1.4	17.9
PAYE	136.6	0.7	0.2	162.2	149.6	(12.6)	0.7	9.5
Other Income Tax	116.0	0.6	(5.2)	161.2	148.3	(12.8)	0.7	27.9
VAT	173.4	0.9	14.6	200.9	190.7	(10.1)	0.9	10.0
VAT Local	87.3	0.5	17.4	100.8	96.1	(4.7)	0.5	10.1
VAT Imports	86.0	0.4	11.8	100.0	94.6	(5.4)	0.5	10.0
Other Tax Revenue	16.0	0.1	25.1	19.0	19.4	0.3	0.1	20.6
ii) Non Tax Revenue	*17.1*	*0.1*	*(73.8)*	*30.6*	*22.9*	*(7.7)*	*0.1*	*34.0*
2. Appropriation In Aid	**133.5**	**0.7**	**25.2**	**145.9**	**163.6**	**17.8**	**0.8**	**22.6**
B. External Grants	**2.9**	**0.0**	**118.1**	**4.6**	**7.6**	**3.0**	**0.0**	**0.0**
Total Revenue and External Grants (A+B)	**709.9**	**3.7**	**1.6**	**864**	**827**	**(37.4)**	**4.0**	**16.5**

- In September 2026, tax revenues fell short of the target by KSh 50.5 billion, with all major
- Despite the shortfall, all tax heads recorded positive growth, with overall tax revenue growing by 13.8%, compared to 5.9% over the same period in 2025.

Sources: The National Treasury

3. Fiscal Performance and Reforms

Sources: The National Treasury

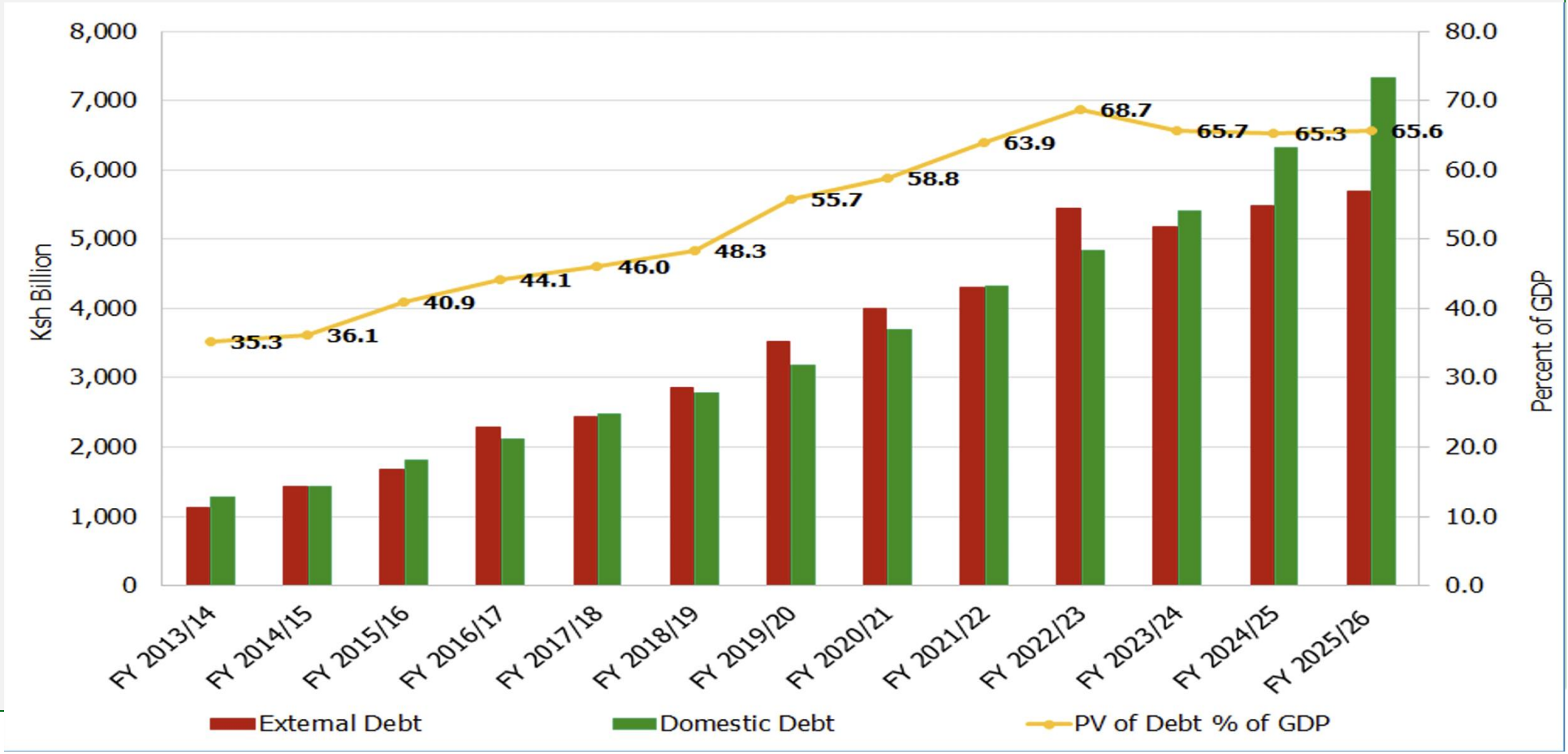
Fiscal Pressures on the Budget

- **Revenue collection is declining** - ordinary revenue has fallen steadily since FY 2013/14, from 18.1% to about 13.9% of GDP in FY 2026/27;
- **Debt burden is heavy** – Debt at Present Value is 65.6% of GDP, and a PV 55%+/-5% anchor. This calls for continuous liability management and strong fiscal consolidation that can yield a primary surplus of at least 2.3% of GDP each year;
- **Demand for Spending has been rising and is rigid** - Consolidated Fund Services and MDA spending pressures leave little fiscal space to support development and priority projects of Government.

Sources: The National Treasury

Total Public Debt Stock

- Public debt stood at KSh 13.0 trillion in June 2026, comprising of KSh 5.7 trillion (43.7%) in external debt and KSh 7.3 trillion (56.3%) in domestic debt.
- Present Value (PV) of total debt-to-GDP was 65.6% as at June 2026, declining from 68.7% in 2022/23.



Reforms on Revenue Mobilization over the Medium Term

- Continuous implementation of the **Medium-Term Revenue Strategy** and the **National Tax Policy** that target to raise tax revenues to 20% of GDP.
- The Strategy targets to progressively strengthen tax revenue mobilization by:
  - Simplifying and harmonizing tax laws,
  - Rationalizing and targeting tax expenditures, and
  - Creating a simple, predictable and fair tax system.
- **Scaling up non-tax revenues** by enhancing the capacity of Ministries, Departments & Agencies (MDAs) to effectively generate income from public services and strengthen their operational systems to improve service-based revenue performance.

Sources: The National Treasury

Digitizing Tax Administration to continue driving Revenue Reforms

❑ **Modern revenue mobilization requires both institutional reform and technological transformation.**

Tax Base Broadening

Reduce exemptions, rationalize incentives, expand coverage to informal sectors

Compliance & Enforcement

Risk-based auditing, anti-evasion measures, cross-border information sharing

Digital Tax Systems

E-filing, mobile payments, real-time data analytics for revenue collection

Progressive Tax Design

Balance revenue needs with equity — avoid regressive indirect taxes that fuel instability

Taxpayer Trust

Transparency, simplified procedures, visible public service delivery as social contract

International Cooperation

OECD tax norms, Platform for Collaboration on Tax

Expenditure reforms to continue driving efficiency thus lowering total expenditures as a % of GDP

Strengthening expenditure controls and improving the efficiency and effectiveness of public spending



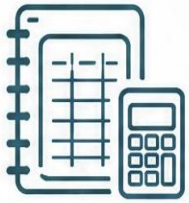
1 e-Government Procurement

Full implementation by all Procuring Entities.



2 Treasury Single Account

Full implementation, including automated County Government exchequer processes and integration of State Corporations and SAGAs' daily cash balances for better visibility of commercial-bank accounts.



3 Accrual-Basis Accounting

Continuous transition from cash-based to full accrual accounting across the public sector, aligned with IPSAS standards.



4 Pension Administration

Digitisation and automation through the end-to-end Pension Management Information System.



5 HRIS-Kenya

Strengthen implementation to automate payroll and simultaneouslly compute and remit pension contributions and other statutory deductions.



6 Public-Private Partnerships

Continue using the PPP framework for commercially viable projects.



7 Zero-Based Budgeting

Entrench the approach to re-orient the Government's budgeting and expenditure framework.

Reforms yielding desired outcomes: Treasury Single Account (TSA

Consolidating government cash at the Central Bank of Kenya — from fragmentation to full visibility

Before TSA — FRAGMENTED

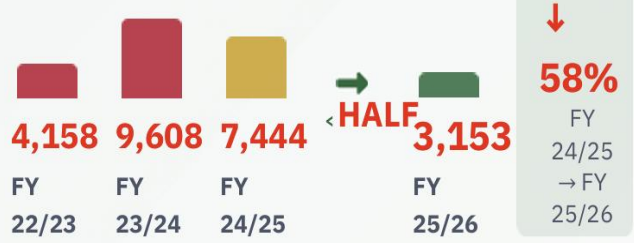
- Government funds scattered across hundreds of commercial bank accounts nationwide
- Poor cash visibility — no consolidated picture of government balances in real time
- Idle cash earning no return while government borrowed at high cost from the market
- Delayed payments, leakage risks, and weakened fiscal accountability across agencies

After TSA — CONSOLIDATED

- Single CBK master account — all receipts and payments flow through one central point
- Real-time cash visibility via Meridian system — web- based, cross-agency debt reporting
- Idle balances eliminated — reduced unnecessary domestic borrowing and interest costs
- DhowCSD platform launched Sept 2023 — enhanced transparency and accountability

TSA IMPACT: CBK OVERDRAFT INTEREST PAYMENTS (KSH MN)

FY 2025/26 overdraft interest was less than half of FY 2024/25 — direct result of TSA cash management improvements



State-Owned Enterprises Reforms: Creating Value and Unlocking

Comprehensive reforms are underway

- **Phase I of the reforms** covers 23 mergers, 16 dissolutions, 7 transfers of functions to MDAs, and the declassification of selected State Corporations.

Implementation is well advanced as enabling legislation await approval. Work on staff rationalization and verification of assets and liabilities is ongoing to ensure a smooth transition.

- **The Government-Owned Enterprises (GOEs) Act, 2025**: Reforms in **65 GOEs and 18 statutory entities**, including the recruitment of independent directors to strengthen corporate governance are in progress.

- GOEs will operate **on commercial principles, enhancing financial sustainability, reducing dependence on the Exchequer, improving service delivery, and strengthening accountability to the National Treasury.**

Sources: The National Treasury

4. Improved credit profile: What others say about Kenya

Sources: The National Treasury

Rating Agencies Upgrades Kenya's Long-Term Sovereign Credit Rating

- Continued implementation of policies and programmes under the Bottom-Up Economic Transformation Agenda has continued to achieve the desired outcomes. As a result:

- **S&P Global Ratings: 'B' with a Stable Outlook –** On **21st August 2026**, S&P affirmed Kenya's **'B/B' sovereign credit ratings and Stable Outlook**, citing continued access to external and domestic financing and improved external liquidity, while noting persistent fiscal and debt-related pressures.

- **Fitch Ratings: B- (Stable outlook) — affirmed** on **17th July 2026,** reflecting strong medium-term growth prospects, resilient foreign exchange reserves, and low GDP volatility, balanced against high debt servicing costs, fiscal consolidation challenges, and governance-related risks.

- **Moody's: B3 (Stable outlook) — upgraded** in **January 2026** from **Caa1,** due to stronger external liquidity, improved debt management and lower refinancing risks.

Sources: The National Treasury

Rising Global Competitiveness and a Top Human Capital Champion

- **In Washington DC in April 2026**, the World Bank recognized Kenya as a top performer and **"Human Capital Champion"** for the significant progress in **building human capital through investments in health and education.**

  - **Key Drivers:** Progress is driven by a **16% drop in child stunting, improved education outcomes**, and **high renewable energy use (over 93%)** which supports workforce development.

- **In November 2025**: Kenya **topped the African economies** and was ranked position **56th Globally** in the IMD 2025 Global Competitiveness Ranking

  - Due to a **combination of rapid structural reforms, institutional modernization,** and **sustained policy execution** that distinguishes Kenya from regional peers.

Sources: The National Treasury

Thank You!