ASSET FINANCE

MACROECONOMIC UPDATE

July 2026

THE OIL SHOCK: FOCUS NOW SHIFTS TO DURABILITY OF MOU

SCENARIOS	2026 GLOBAL GDP GROWTH	ASSUMPTIONS	ECONOMIC IMPLICATION
Best case **(20% probability)**	**3.1%**	• MOU between Iran and the US evolves into a broader deal. • Fast resumption of production by UAE and Saudi Arabia. • Iran oil supply to international market resumes fully. • Ceasefire between Israel and Lebanon holds. • Brent oil prices falls below $60 per barrel on average.	• Domestic headline inflation averages 5%-7% in the remainder of the year. • Both the US Fed and local MPC hold policy rate at current level and cut in Q4. • KES depreciates mildly about 1%- 2% in 2026.
Base case **(55% probability)**	**2.6%**	• MOU between Iran and the US evolves into a broader deal. • Ceasefire between Israel and Lebanon holds. • Gulf producers successfully switch to export a significant portion by pipelines. • Brent oil prices at $60-75 per barrel on average.	• Domestic headline inflation averages 6%-7% in the remainder of the year. • Both the US Fed and local MPC hold policy rate at current level and cut in Q4. • KES depreciate by 1%-4% in 2026.
Worst case **(25% probability)**	**2.0%**	• Temporary de-escalation, then reverses to conflict. • No agreement on Iran's nuclear assets • No ceasefire between Israel and Lebanon. • Gulf producers fail to successfully switch to export a significant portion by pipelines. • Brent oil Prices: over $85 per barrel.	• Domestic headline inflation continues to rise to 7%-8% in the remainder of the year. • Both the US Fed and local MPC hold policy rate at current level for the remainder of 2026. • KES depreciates by over 3% in 2026.

SUMMARY OF GLOBAL DEVELOPMENTS AND IMPACT

- The US and Iran have resumed military attacks, thus not adhered to the memorandum of understanding (MOU).
- We anticipate that this will lead to sporadic passage along the Strait of Hormuz and irregular global energy flows.
- Thus, geopolitical developments will remain a key swing factor for global markets for a while.
- Therefore, global economic growth rate is now forecast lower at 3.0% from 3.5% in 2025.
- Consequently, with a higher price range for oil, overall inflation will increase from 4.1% in 2025 to 4.7% this year.
- In response, central banks are likely to keep policy rates around the current levels.
- Sub-Saharan Africa is expected to also record lower economic activity level, growing at 4.3% in 2026 from 4.5% in 2025.
- Lower growth stems from vulnerability on energy importers, limited fiscal space and declining development assistance.

- Brent oil price likely to range USD 70-85 per barrel.
- With slower global growth we expect weaker export earnings, tourist arrivals and diaspora remittances.
- However, the decline is marginal- limited to single digit. Thus, some heterogeneous client impact.
- USD pricing likely to remain around current levels in Q3.
- Main (G3) currencies expected to respond to the USD and move marginally.
- Expiry of US reciprocal 10% tariffs dated April 2025 under section 122 at end July will likely be replaced by new tariffs under Section 301. Some tariffs may be revised.

KENYA'S MACROECONOMIC OUTLOOK

INDICATOR	MAR 2025	DEC 2025	MAR 2026	JUNE 2026	DEC 2026
GDP Growth Rate	4.9	4.6	4.8	4.0-4.5	4.0-4.5
Private sector credit growth-%	0.2	5.3	8.1	6.0-8.0	6.0-8.0
Inflation rate	3.6	4.5	4.4	6.0- 7.5	6.0- 7.0
FX Reserves (import cover)	5.1	5.3	6.0	5.0-5.5	4.5-5.0
USD / KES Exchange rate	129.3	129.1	129.50	129-131	130-132
Central Bank Rate	10.75	9.00	8.75	8.75	8.50-8.75
91 Day T-Bill	8.8	7.7	7.4	8.8	8.8-9.5

SUMMARY OF LOCAL DEVELOPMENTS & IMPACT ON THE BANK

- Q1 2026 GDP numbers illustrate that Kenya's economy remains resilient mainly due to the diversified nature of the economy.
- GDP grew by 5.3%, mainly driven by public sector activity, with positive linkages on non-food manufacturing and construction sectors.
- More recently, economic activity seems to ignore the external developments in the Middle East, as illustrated by the NCBA Consumer Activity Index showing that household consumption grew by 9.5% in June.
- Similarly, the headline PMI improved to 49.4 in June from 47.7 in May.
- On the domestic front, we expect vegetable and fruit prices to decline in the near-term, upon which headline inflation would average 6.0%-6.5% in the third quarter of 2026, relative to 6.4% levels as of June.
- Resultantly, the MPC is expected to hold the policy rate at 8.75% in August under the base case scenario.
- USD/KES is likely to trade between 129 to 131 in the near-term with CBK intervention. So far, the currency is supported by a stable import bill.
- On interest rates, following the start of a new fiscal year, we expect the seasonally low appetite by the government to result in a marginal change in interest rates in Q3.

- Economic growth is likely to print lower at about 4.5% relative to 5.3% in Q1.
- Activity in agriculture and the public sector will be key drivers.
- Thus, credit private sector credit growth is likely to average 7.0%-9.0% in the remainder of the year.
- Most of this will come from construction, manufacturing, trade, consumer loans and a few service sectors.
- To this end, the NPL ratio, now at 15.3% is expected to range at 13.0%-15.0% in the second half of 2026.

APPENDIX

July 2026

KENYA'S ECONOMY EXPANDED BY 5.3% IN Q1 2026

	Q1-2025	Q1-2026
Agriculture	5.3%	4.90%
Mining & quarrying	12.7%	9.10%
Manufacturing	2.80%	4.40%
Electricity & water	4.10%	4.30%
Construction	4.5%	6.60%
Wholesale & retail trade	4.30%	4.00%
Accommodation & food serving	8.00%	14.70%
Transport & storage	3.60%	3.60%
Information & comm	5.50%	5.00%
Finance & insurance	5.30%	6.30%
Public administration	9.50%	5.70%
Proffessiona Admin & support	4.10%	2.40%
Real Estate	4.60%	5.00%
Education	1.80%	6.20%
Health	4.70%	4.30%
GDP at market prices	**4.90%**	**5.30%**

- Kenya's economy expanded by 5.3% in Q1 2026, improving from 4.9% in Q1 2025, reflecting broad-based growth across all major sectors and continued resilience in domestic economic activity.
- Notably, the agriculture sector, which remains the backbone of the economy, grew by 4.9%, supported by increased tea production (3.1%), sugarcane deliveries (6.2%), and cut flower exports (4.3%). However, overall performance was moderated by declines in coffee production (6.2%) and fruit exports (30.9%).
- That said, the accommodation and food services sector recorded the strongest performance, expanding by 14.7%, driven by sustained recovery in tourism and higher visitor arrivals,
- Looking ahead, the economic outlook remains positive, supported by continued tourism recovery, improving private sector credit growth, resilient agricultural activity, and ongoing infrastructure investment.
- However, downside risks persist, particularly from the potential impact of El Niño weather conditions later in the year, which could weigh on agricultural production and overall economic growth.

THANK YOU

July 2026