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182-day T-Bill rate sneaks  
below 8% - lowest level since  
27th December 2021

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## WEEKLY FIXED INCOME REPORT

*Cumulative August 2025 tax revenues rise 5.0% y/y to KES 328.75bn,  
as domestic borrowings surge*

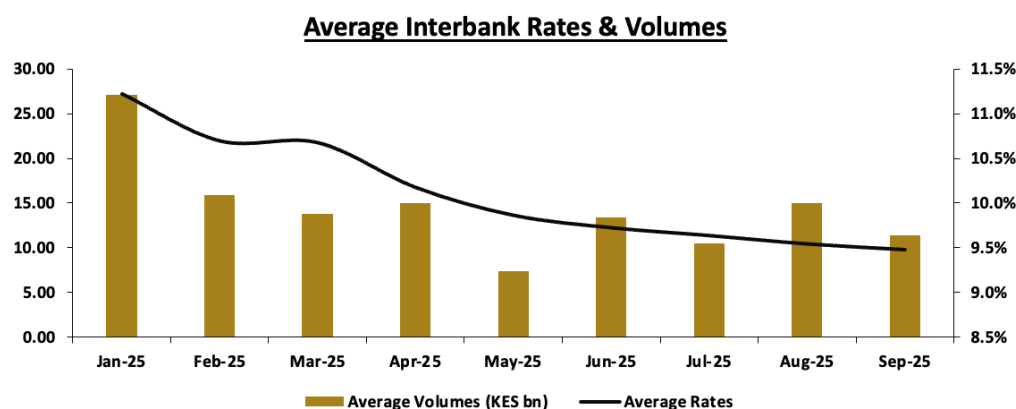
## MONEY MARKET STATISTICS

Interbank lending surged during the week, with the average traded volumes rising by 118.0% to KES 17.24bn, from KES 7.9bn the prior week. This is mirrored by a 121.4% increase in the transaction count, pointing to increased activity in the interbank market. The Kenya Shilling Overnight Interbank Average (KESONIA) inched upwards by 1.23bps w/w to 9.467%. Notably, players' liquidity appears to have tightened in the week, with some players resorting to the discount window (KES 500m):

Average	Previous Week – ended 18 <sup>th</sup> September 2025	Current Week – ended 25 <sup>th</sup> September 2025	Change
Interbank Deals	14.00	31.00	121.43%
Inter-Bank volumes (KES bn)	7.91	17.24	118.02%
KESONIA (bps)	9.455%	9.467%	1.23
Window Borrowing Volumes (KES bn)	-	500.00	n/a

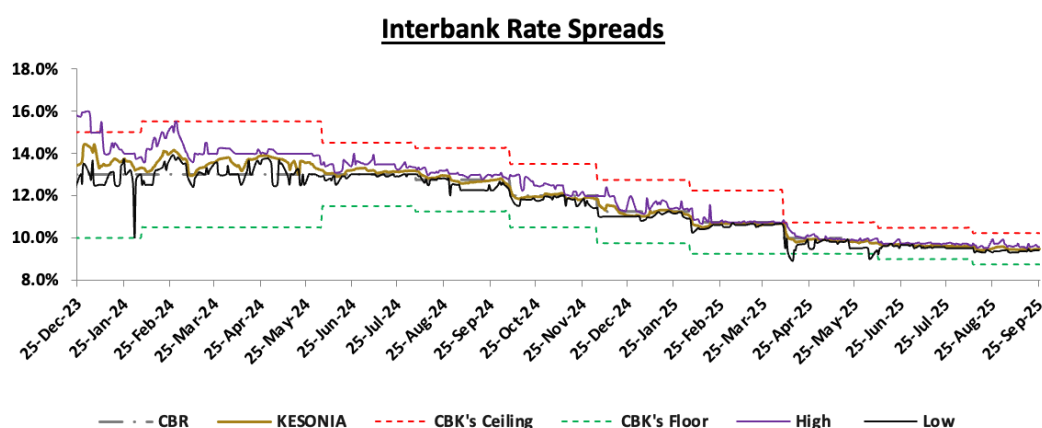
Source: Central Bank of Kenya (CBK), Table: SIB

See the chart below;



Source: Central Bank of Kenya (CBK), Chart: SIB

Interbank rates continued to trade closely in line with the Central Bank Rate (CBR), as illustrated below:



Source: Central Bank of Kenya (CBK), Chart: SIB

# GOVERNMENT SECURITIES MARKET

## T-Bills:

This week, demand for Treasury bills contracted, with overall subscription declining to 62.9% from 95.7% in the previous week. Investors submitted bids worth KES 15.09bn, of which the fiscal agent accepted 99.3%, slightly above the value of maturities, resulting in a net borrowing of KES 5.14bn.

The 364-day paper led the performance, posting a subscription rate of 115.3% (slightly lower than the 131.3% recorded in the week prior) as investors sought to lock in higher yields. Additionally, the 91-day and 182-day papers garnered much lower subscription rates at 40.5% and 19.4%, respectively.

Weighted average rates on accepted bids narrowed to 7.91% (-3.18bps), 7.99% (-2.47bps), and 9.543% (-0.36bps) for the 91-, 182-, and 364-day papers, respectively, as the fiscal agent continues to signal a softer near-term interest rate outlook.

KES Bn

29-Sept-25	91-day	182-day	364-day	Totals
	29-Dec-25	30-Mar-26	28-Sept-26	
Amount offered	4.00	10.00	10.00	24.00
Bids received	1.62	1.94	11.53	15.09
Subscription rate (%)	40.5%	19.4%	115.3%	62.9%
<b>Amount accepted</b>	<b>1.54</b>	<b>1.93</b>	<b>11.51</b>	<b>14.98</b>
Acceptance rate (%)	95.2%	99.4%	99.8%	99.3%
Of which: Competitive Bids	0.27	0.97	10.09	11.32
Non-competitive bids	1.28	0.96	1.42	3.66
Rollover/Redemptions	1.42	1.71	6.70	9.84
<b>New Borrowing/(Net Repayment)</b>	<b>0.13</b>	<b>0.21</b>	<b>4.81</b>	<b>5.14</b>
Weighted Average Rate of Accepted Bids	7.91%	7.99%	9.53%	
Inflation	4.5%	4.5%	4.5%	
<b>Real Return</b>	<b>3.4%</b>	<b>3.5%</b>	<b>5.0%</b>	

Source: Central Bank of Kenya (CBK), Table: SIB

## T-Bonds:

In the primary bond market, the CBK announced that it is seeking KES 50.0bn through two long-term reopened bonds; FXD1/2018/015 and FXD1/2021/020, with effective tenors of 7.7 and 15.9 years, respectively. The bonds have coupon rates of 12.65% and 13.44% for FXD1/2018/015 and FXD1/2021/020, respectively. The sale period for both papers will run until 15th October 2025. See below a summary of the offer:

Bond Auction	Maturity Date	Effective Tenor	Amount Offered (in KES bn)	Coupon	Sale Period
FXD1/2018/015	09-May-33	7.7	50.00	12.65%	Up to 15th October 2025
FXD1/2021/020	16-Aug-21	15.9		13.44%	

Source: Central Bank of Kenya (CBK), Table: SIB

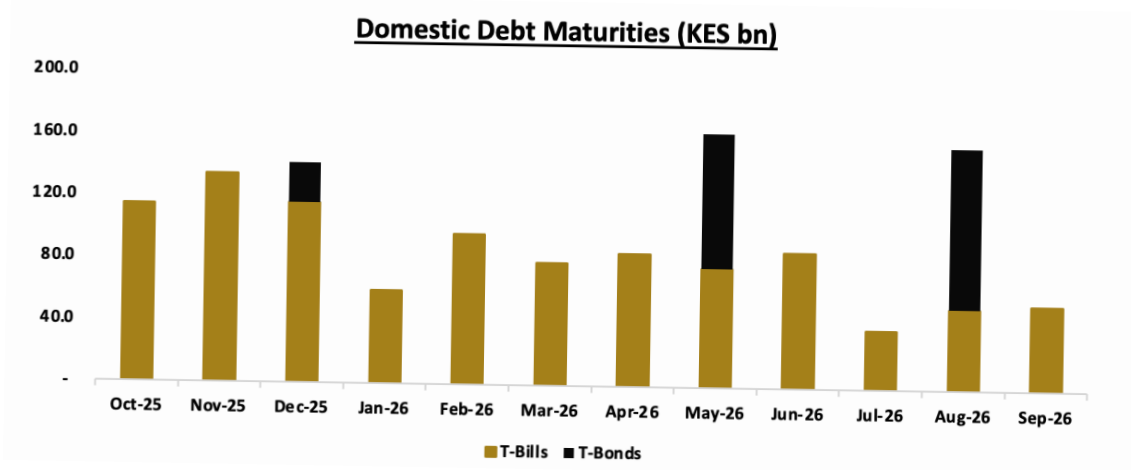
The total outstanding amount for the bonds stands at KES 176.1bn, with the shorter tenured paper (FXD1/2018/015) holding the larger allocation (KES 100.1bn). Given the steady decline in bond yields and pricing in of CBK interventions to manage financing costs, we see more investor demand for FXD1/2021/020, given its higher coupon rate.

Secondary bond market turnover notched higher by 3.4% w/w to KES 57.30bn in the week ended 26th September from KES 57.3bn the previous week.

## Outstanding Debt Maturities (T-Bills and T-Bonds):

As of this week, the Government's outstanding maturities for the next 12 months is at KES 996.35bn in T-Bills and KES 215.29bn in T-Bonds. When coupons are factored in, the total maturity profile comes in at c.KES 1.8tn. The next bond maturity is expected in December 2025, affording the government much-needed breathing space on its repayment schedule.

See the chart below;



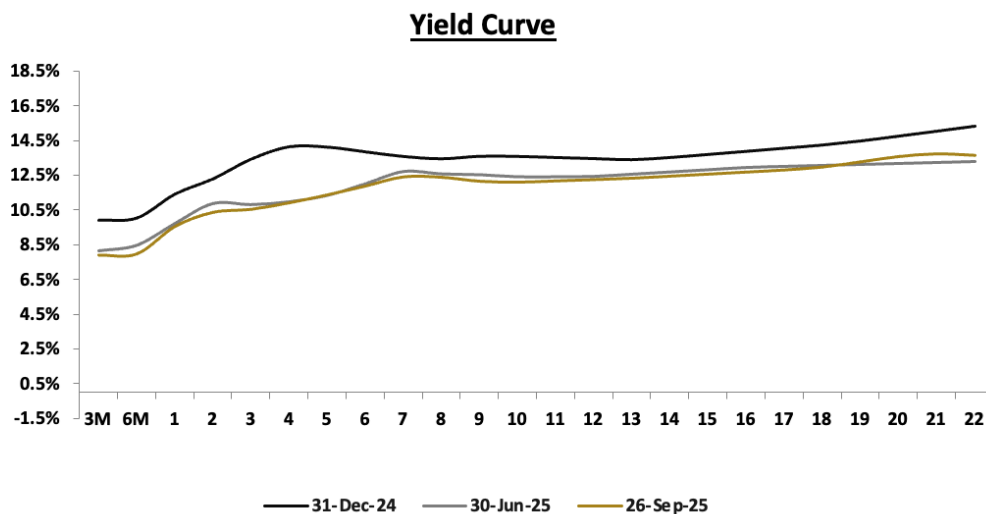
Source: Central Bank of Kenya (CBK), Chart: SIB

This week's auction pushed the Government's net domestic borrowing position to KES 323.4bn, slightly above the prorated target.

## Yield Curve:

Local interest rates showed a mixed performance across different tenors, with the majority of the papers marking an increase in the week, recording an average uptick of 33.7bps w/w.

Below is a visual representation;



Source: Nairobi Securities Exchange (NSE), Chart: SIB

## THE INTERNATIONAL SCENE

### Kenyan Eurobonds:

During the week, yields on Kenyan Eurobonds reversed their softening trend, with the rates rising by an average of 0.185%. The table below summarizes the performance across maturities:

Issuance	KENINT 02/28/2028	KENINT 02/16/2031	KENINT 05/22/2032	KENINT 01/23/2034	KENINT 02/28/2048
Maturity Date	28-Feb-28	16-Feb-31	22-May-32	1-Jun-34	28-Feb-48
Tenor to Maturity	2.4	5.4	6.7	8.7	22.5
31-Dec-24	9.1%	10.1%	10.1%	10.1%	10.3%
18-Sept-25	5.9%	7.7%	7.9%	8.3%	9.2%
19-Sept-25	6.2%	8.0%	8.2%	8.6%	9.4%
22-Sept-25	6.3%	8.1%	8.3%	8.7%	9.5%
23-Sept-25	6.2%	8.1%	8.2%	8.6%	9.4%
24-Sept-25	6.0%	7.9%	8.1%	8.4%	9.3%
25-Sept-25	6.1%	8.0%	8.2%	8.5%	9.3%
Weekly Change	0.155%	0.256%	0.281%	0.147%	0.086%
YTD Change	(3.0%)	(2.2%)	(1.9%)	(1.6%)	(1.0%)

Source: Central Bank of Kenya (CBK), Table: SIB

### Currency Performance

The Kenyan shilling recorded a mixed performance against tracked currencies in the week, with the highest decline recorded against the Tanzanian shilling (-0.8% w/w). On the other hand, the local unit strengthened against the British Pound (+1.4% w/w), Japanese Yen (+0.9% w/w), and Euro (+0.8% w/w). The unit remained largely stable against the USD. Markedly, the U.S. Dollar Index strengthened by 1.2% during the week ending 25th September 2025.

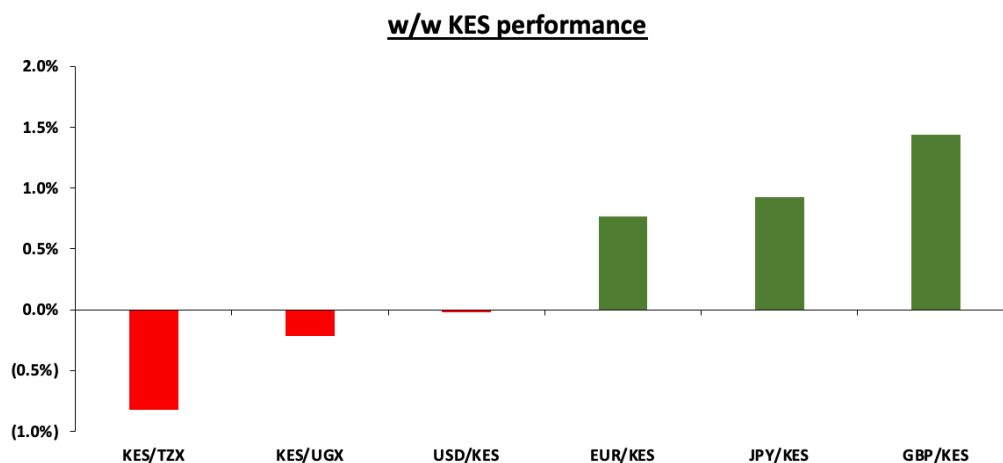
See the table below;

Currencies	31 Dec 2024	Previous Week	Current	w/w Change	Y/y change
KES/TZX	19.0	19.2	19.0	(0.8%)	2.2%
KES/UGX	28.4	27.1	27.0	(0.2%)	(3.3%)
USD/KES	129.3	129.2	129.3	(0.0%)	0.0%
EUR/KES	134.3	152.2	151.0	0.8%	(12.2%)
JPY/KES	82.1	87.3	86.5	0.9%	(7.0%)
GBP/KES	162.3	175.4	172.9	1.4%	(7.5%)

Source: Central Bank of Kenya (CBK), Chart: SIB

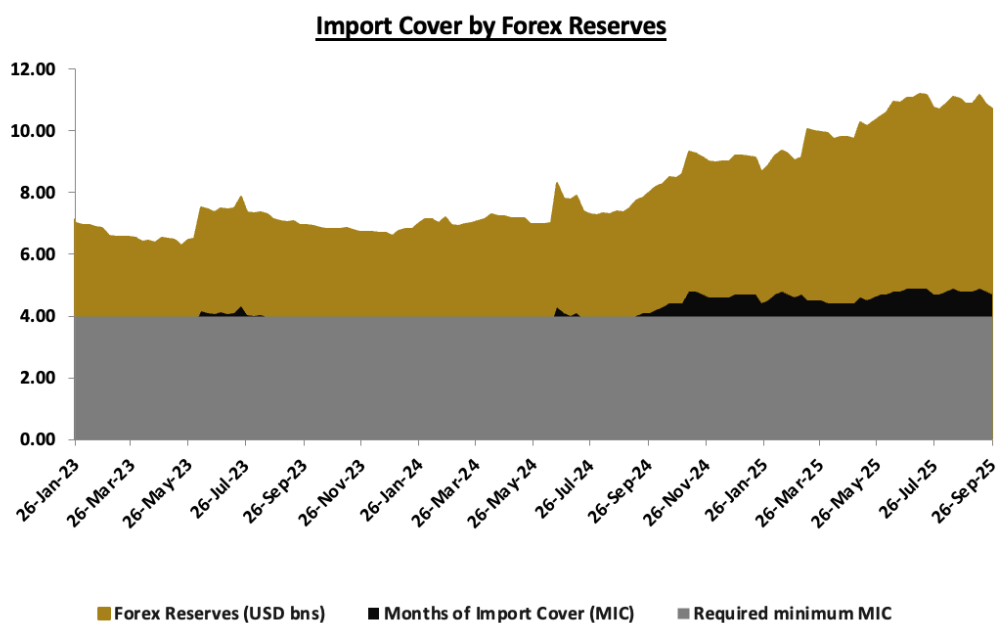
Abb: GBP – British Pound, EUR – Euro, USD – US Dollar, UGX – Ugandan Shilling, TZS – Tanzanian Shilling, JPY – Japanese Yen | FX rate is determined by calculating the weighted average rate of recorded spot trades in the interbank market

See also a visual representation;



Source: Central Bank of Kenya (CBK), Chart: SIB

Kenya's foreign exchange reserves eased marginally to USD 10.74bn from USD 10.86bn (-1.2% w/w), maintaining import cover at 4.7 months. See the chart below for a visual summary;



Source: Central Bank of Kenya (CBK), Chart: SIB

# THE MACRO WRAP

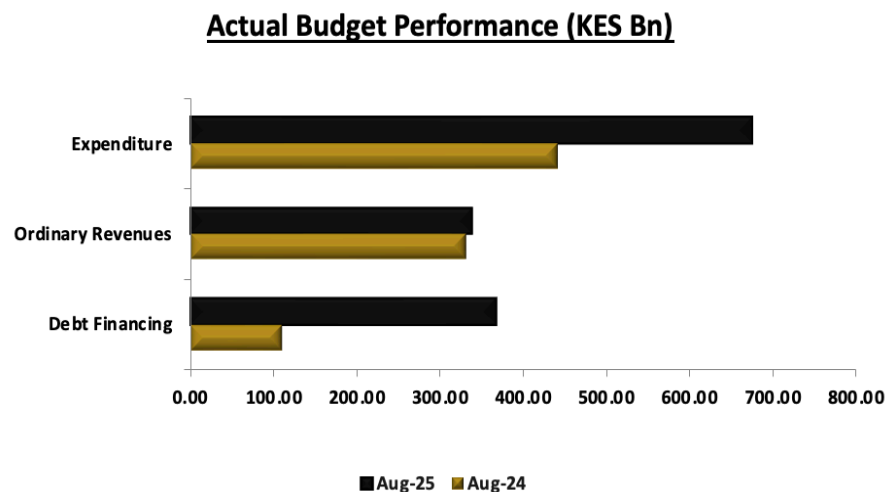
## 1. Cumulative Tax Revenues to August rise 5.1%y/y to KES 328.8bn, as domestic borrowings swell

The National Treasury published the actual receipts and releases for the first two months of FY 2025/26, and below is our assessment;

### 1.1. Year-on-year Performance

- The Government collected KES 336.97bn in ordinary revenues, reflecting a 2.0% increase from KES 330.46bn collected during the same period in FY2024/25. Within this, tax revenues rose by 5.1% y/y, reaching KES 328.75bn, up from KES 312.84bn.
- Total expenditure stood at KES 673.97bn, marking a 53.2% uptick from KES 439.95bn in the corresponding period of FY2024/25. This performance was partly attributable to a 41.9% y/y and 74.0% y/y rise in recurrent expenditure and debt servicing to KES 230.43bn and KES 385.97bn, respectively.
- The budget deficit amounted to KES 337.0bn, representing a 2.1x increase from KES 109.5bn recorded in FY2024/25 over the same period. This shortfall was financed through a mix of external and domestic borrowing, with the latter accounting for 98.7% of the amount.

See the chart below for a quick summary;



Source: Treasury, Chart: SIB

Overall, actual development spending decreased by 24.2% year-over-year to KES 13.84 billion, down from KES 18.25 billion over the same period in FY24/25. Below, we provide a breakdown of the m/m performance.

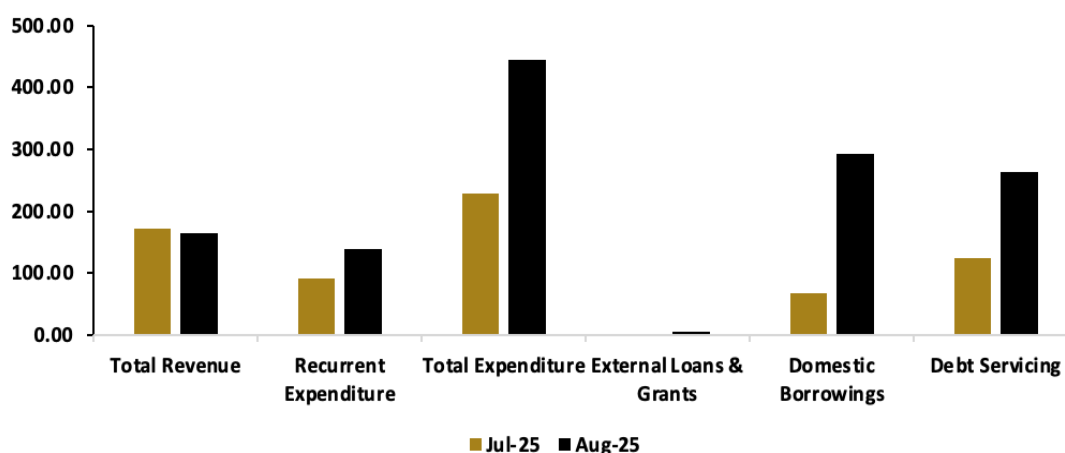
### 1.2. Month-on-month Performance

- Total expenditure for August rose by 94.1% to KES 444.8bn, from KES 229.20bn in July 2025. The performance was largely on higher disbursements towards development spending, disbursements to the County Governments, as well as a 112.6% m/m increase in debt servicing.
- Domestic borrowing for the same period surged to KES 262.51bn, compared to the KES 123.46bn borrowed in July 2025. Notably, the Government recorded redemptions of c. KES 182.8bn in August 2025 (88.2bn for T-Bills, KES 94.6bn for Treasury bonds). External financing was drawn down for the first time in the financial year, with the amount coming in at KES 4.7bn.
- Meanwhile, the total revenue performance for the month of August recorded a 4.0% decline to KES 165.03bn, from KES 171.95bn in July 2025.

See the chart below for a summary;



### Monthly Budget Performance (KES Bn)



Source: Treasury, Chart: SIB

### 1.3. Tax Revenue Performance

Over the two-month period, cumulative tax revenue grew by 5.1%y/y. In August alone, collections reached KES 157.22bn, marking a 2.5%y/y rise from KES 153.3bn in FY24/25 (-8.3% m/m from July 2025).

See the table below for a summary;

Tax Revenue Collections			
Month	FY 23/24	FY 24/25	FY 25/26
July	155.07	159.51	171.53
August	162.51	153.33	157.22
September	196.68	212.72	
October	170.48	171.13	
November	162.60	160.32	
December	203.50	217.06	
January	165.57	177.82	
February	157.61	151.82	
March	161.04	175.73	
April	210.69	221.39	
May	183.06	210.62	
June	232.26	246.36	
<b>Total</b>	<b>1,928.82</b>	<b>2,257.81</b>	<b>328.75</b>

Source: Treasury, Chart: SIB

## HOT ON THE HORIZON:

### 1. September 2025 inflation numbers

The Kenya National Bureau of Statistics (KNBS) is set to release the inflation figures for the month of September 2025 in the coming week.

### 2. September 2025 Stanbic Purchasing Managers Index release





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