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Private sector performance
finishes 2025 strong, with PMI
at 53.7, albeit slower than in
November

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WEEKLY FIXED INCOME REPORT

3Q25 GPD growth edges upwards to 4.9% vs 4.2% in 3Q24
as construction, mining sectors recover

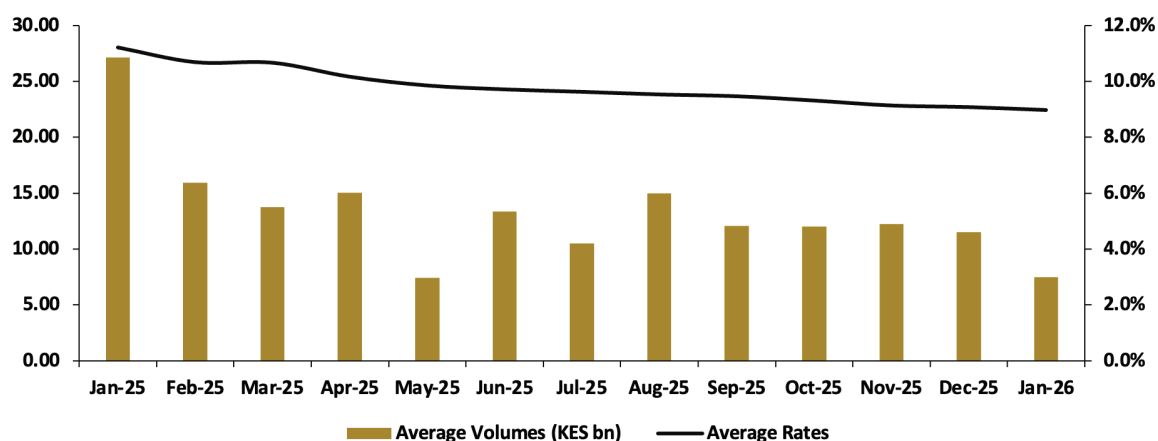
MONEY MARKET STATISTICS

Liquidity conditions remained largely stable in the week, with the Kenya Shilling Overnight Interbank Average (KESONIA) edging lower by 0.97ps w/w to an average of 8.98%. Interbank lending softened during the week, with average traded volumes trending lower by 20.2% w/w to KES 7.5bn, from KES 9.4bn in the prior week. The reduction was mirrored in lower transaction count (-28.6% w/w to 10). Find a summary below:

Average	Previous Week – ended 31st December 2025	Current Week – ended 8 th January 2026	Change
Interbank Deals	14.00	10.00	(28.57%)
Inter-Bank volumes (KES bn)	9.39	7.49	(20.19%)
KESONIA (bps)	8.99%	8.98%	(0.97)
Window Borrowing Volumes (KES bn)	2.0	-	-

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

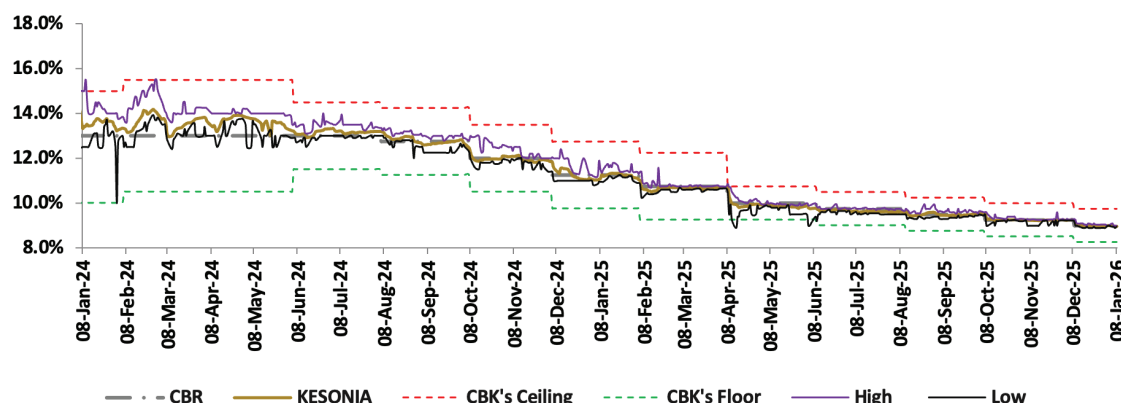
Average Interbank Rates & Volumes



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

The weighted average interbank rate (KESONIA) continues to track the Central Bank Rate (CBR) closely, underscoring the stability and effectiveness of the monetary policy framework:

Interbank Rate Spreads



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

GOVERNMENT SECURITIES MARKET

T-Bills:

This week, demand for Treasury Bills remained robust, with the overall subscription rate climbing to 130.3% from 108.0% in the previous week. The accepted amount was slightly higher than the maturity amount, resulting in a net borrowing of KES 7.4bn. In absolute terms, the 364-day paper received the highest demand, garnering 55.4% of the total submitted bids and a subscription rate of 173.2%. The 91-day paper recorded a performance rate of 108.5%, while the 184-day paper recorded a performance rate of 96.1%. Overall, KES 26.2bn was accepted, with the weighted average rate of accepted bids at 7.73% (-0.09 bps w/w), 7.80% (flat for the fourth consecutive auction), and 9.20% (-0.50bps w/w) for the 91-day, 182-day, and 364-day papers, respectively, as shown below;

KES Bn

12-Jan-26	91-day	182-day	364-day	Totals
	13-Apr-26	13-Jul-26	11-Jan-27	
Amount offered	4.00	10.00	10.00	24.00
Bids received	4.34	9.61	17.32	31.27
Subscription rate (%)	108.5%	96.1%	173.2%	130.3%
Amount accepted	4.32	9.61	12.24	26.16
Acceptance rate (%)	99.5%	100.0%	70.6%	83.7%
Of which: Competitive Bids	2.18	8.66	10.97	21.81
Non-competitive bids	2.14	0.94	1.26	4.35
Rollover/Redemptions	3.61	9.27	5.90	18.78
New Borrowing/(Net Repayment)	0.70	0.33	6.34	7.38
Weighted Average Rate of Accepted Bids	7.73%	7.80%	9.20%	
Inflation	4.5%	4.5%	4.5%	
Real Return	3.2%	3.3%	4.7%	

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

T-Bonds:

In the primary bond market, the fiscal agent successfully raised KES 60.6bn through two reopened bonds: FXD1/2019/020 and FXD1/2022/025. Notably, the Government opted to absorb slightly more funds than its target of KES 60.0bn while rejecting aggressive bids. The auction garnered bids worth KES 71.5bn, resulting in a subscription rate of 119.3%. As anticipated, FXD1/2022/025 received the highest demand, indicating investor preference for greater returns despite a longer duration, supported by an appealing coupon rate. In particular, the paper recorded a subscription rate of 80.3% vs 38.9% printed by FXD1/2019/020. The weighted average rate of accepted bids stood at 13.262% and 13.756% (marginally higher than the 13.746% recorded in the November 2025 auction) for FXD1/2019/020 and FXD1/2022/025, respectively. See a summary of the performance below:

12-Jan-26	FXD1/2019/020	FXD1/2022/025	Totals
Due Date	21-Mar-39	23-Sept-47	
Amount offered (KES 'Mn)			60,000.00
Bids received (KES 'Mn)	23,363.01	48,180.98	71,543.99
Subscription rate (%)	38.94%	80.30%	119.27%
Amount accepted	20,239.59	40,341.94	60,581.53
Acceptance rate (%)	86.63%	83.73%	84.68%
Of which: Competitive Bids	12,296.58	31,687.62	43,984.20
Non-competitive bids	7,943.01	8,654.32	16,597.33
Bid to Cover ratio	1.15	1.19	1.18
Redemptions	0.00	0.00	0.00
New Borrowing/(Net Repayment)			60,581.53
Market weighted average rate of accepted bids	13.26%	13.76%	
Coupon Rate	12.87%	14.19%	
Price per KES 100 at average yield	101.02	106.18	
Inflation	4.50%	4.50%	
Real Return	8.76%	9.26%	

The CBK is concurrently offering a bond switch from FXD1/2016/010 to the reopened FXD1/2022/018, targeting up to KES 20.0bn (c.19.3% of the outstanding amount) via multi-price auction from 9th December 2025 to 19th January 2026. This marks the first switch auction in FY25/26, which is part of the Government's liability management operations that seek to use buybacks and switches to actively manage maturity risk, reduce borrowing costs, and smooth the redemption profile of domestic debt. In particular, FXD1/2016/010 had been earmarked for two liability management operations (October 2025 and January 2026). The offer is on a voluntary basis for investors with unencumbered holdings in FXD1/2016/010 as at 19th January 2026.

We opine that the switch auction will provide investors the opportunity to extend duration of their portfolios (especially fund managers who are keen on managing their cashflows), locking in the comparatively attractive 13.942% coupon rate on FXD1/2022/015 amid recent rate declines. Furthermore, the switch may also help investors address potential reinvestment risk if yields in the market fall even further, should the paper be held till August 2026.

See a summary of the offer below:

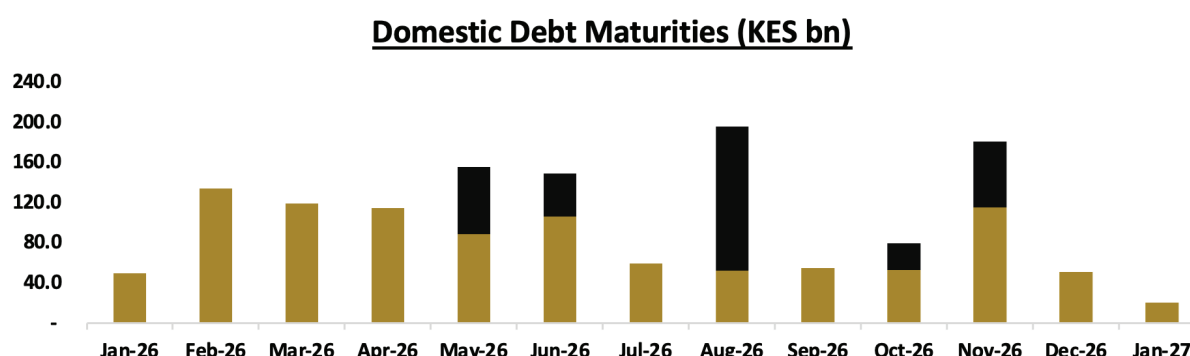
	Source Bond	Destination Bond
Issue Number	FXD1/2016/010	FXD1/2022/015
Effective tenor	0.6 years	11.3 years
Coupon Rates	15.04%	13.94%
Maturity Dates	17/08/2026	06/04/2037
Amount (KES - bn)	20.0	
Period of Sale	09th December 2025 – 19th January 2026	
Bid Submission Deadline	19th January 2026	

Source: Nairobi Stock Exchange (NSE) | Table: SIB

Looking at the secondary bond market, turnover surged to KES 61.2bn (+12.8x w/w) in the week from KES 4.4bn in the previous week, spurred by increased activity after the festive season.

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

As of this week, the Government's outstanding maturities to January 2027 are at c.KES 1,017.39bn in T-Bills and c.KES 345.76bn in T-Bonds. When we factor in coupons, the total maturity profile comes in at c.KES 2.0tn. Notably, the next bond maturity is expected in May 2026 (c.KES 86.8bn), affording the government much-needed breathing space on its repayment schedule. See the chart below;

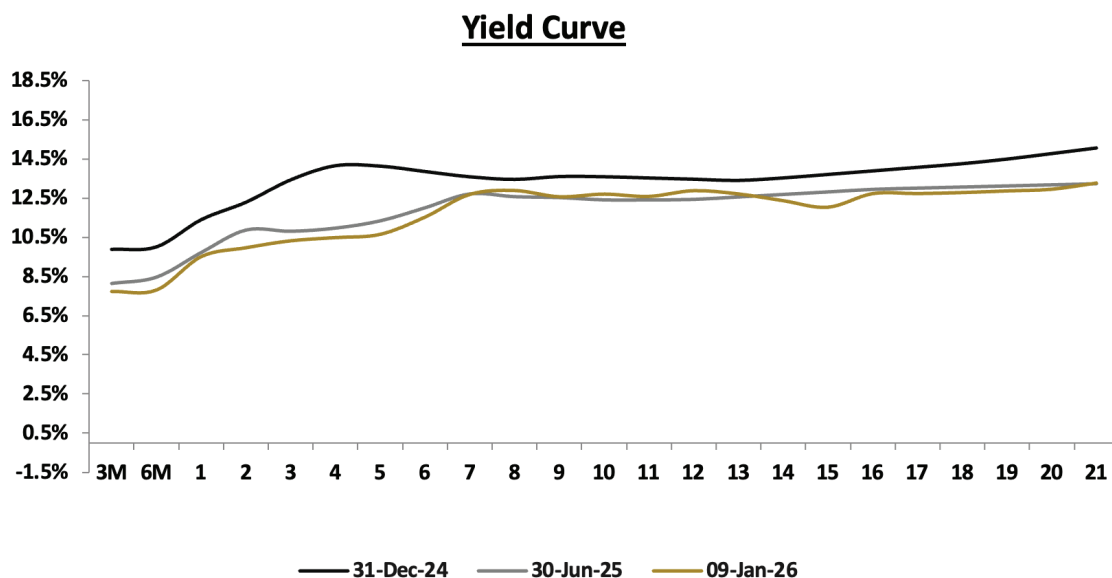


Source: Nairobi Securities Exchange (NSE), Chart: SIB

This week's auction pushed the Government's net domestic borrowing position to KES c.577.82bn, above the prorated target (performance rate of c.185.0%).

Yield Curve:

Week-on-week, yields declined by an average of 18.2 bps w/w across all tenors, with securities towards the tail end of the curve experiencing a notable downward shift. Below is a visual representation;



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

THE INTERNATIONAL SCENE

Kenyan Eurobonds:

Yields on Kenyan Eurobonds jumped in the week, with rates rising by an average of c.24bps for the week dated 2nd January 2026 to 8th January 2026. Though the movement remained modest, we believe they reflect evolving global risk perceptions in the market. The table below summarizes the performance across maturities:

Kenyan Eurobonds					
Issuance	10-Year 2028	6-Year 2031	12-Year 2032	13-Year 2034	30-Year 2048
31-Dec-25	6.0%	7.1%	7.2%	7.8%	8.8%
02-Jan-26	6.1%	7.1%	7.2%	7.8%	8.8%
05-Jan-26	6.1%	7.1%	7.2%	7.8%	8.8%
06-Jan-26	6.1%	7.1%	7.3%	7.9%	8.9%
07-Jan-26	6.1%	7.2%	7.3%	8.0%	9.0%
08-Jan-26	6.2%	7.3%	7.4%	8.1%	9.1%
Weekly Change	0.180%	0.230%	0.279%	0.336%	0.222%
YTD Change	0.2%	0.2%	0.3%	0.3%	0.2%

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

Currency Performance

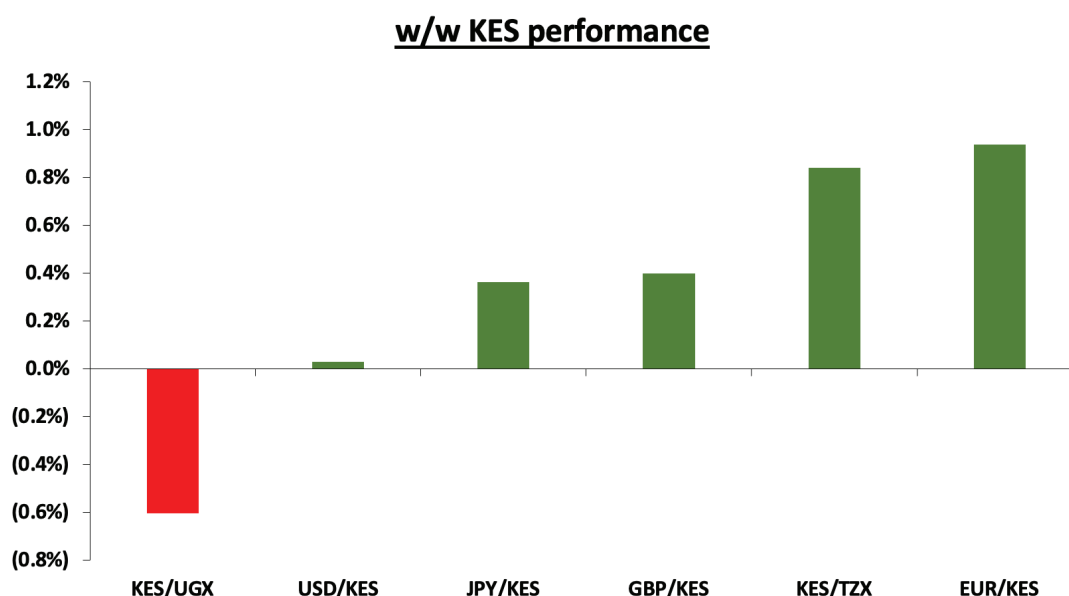
The Kenyan shilling exhibited mixed performance during the week compared to the currencies we track. In particular, the shilling gained ground against the Euro and Tanzanian Shilling, strengthening by 0.9% w/w and 0.8% w/w, respectively. In addition, the local unit appreciated by 0.4% w/w against the British Pound and Japanese Yen. On the other hand, the shilling remained largely unchanged against the dollar, while weakening by 0.6%w/w against the Ugandan Shilling. During the week ended 8th January 2026, the U.S. Dollar Index strengthened by 0.62%. This increase was primarily driven by safe-haven demand and limited market liquidity, as investors favored the dollar amidst subdued end-of-year trading conditions. See the table below;

Currencies	31 Dec 2025	Previous Week	Current	w/w Change	YTD change – 31 st Dec 2025
KES/UGX	28.06	28.05	27.88	(0.6%)	(0.6%)
USD/KES	129.01	129.05	129.01	0.0%	0.0%
JPY/KES	82.39	82.29	81.99	0.4%	0.5%
GBP/KES	173.65	173.95	173.26	0.4%	0.2%
KES/TZS	19.03	19.18	19.34	0.8%	1.6%
EUR/KES	151.43	151.73	150.31	0.9%	0.7%

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

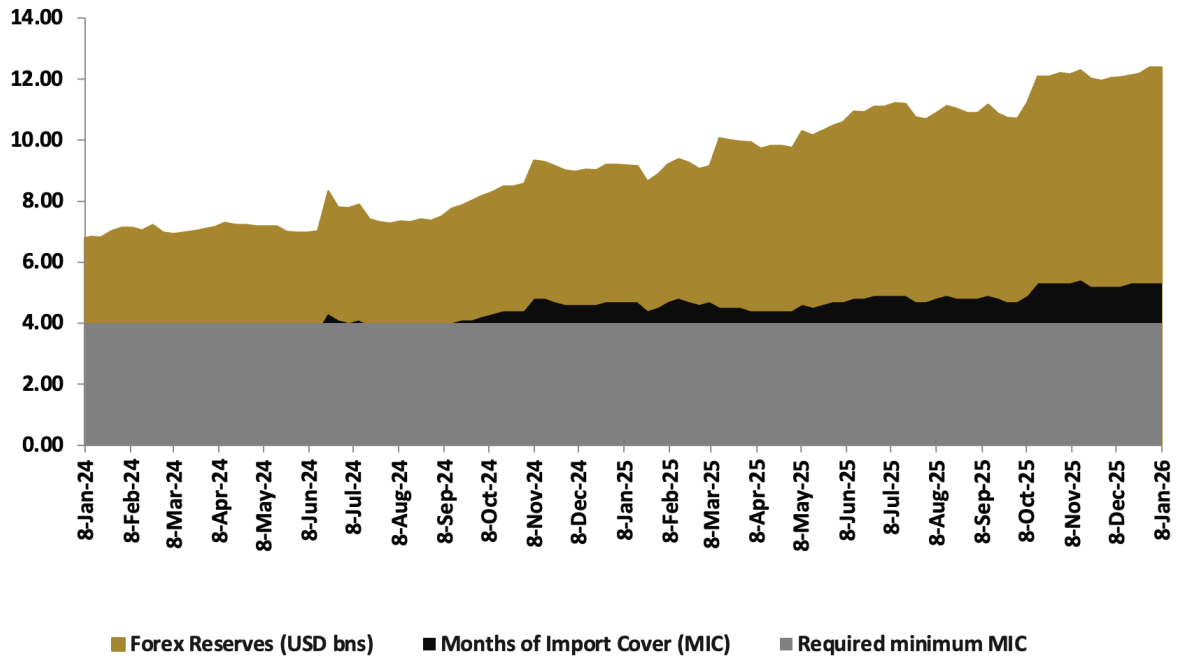
See also a visual representation;



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

Kenya's foreign exchange reserves remained steady at USD 12.38bn (-0.1% w/w), maintaining the import cover at 5.3 months. See the chart below for a visual summary;

Import Cover by Forex Reserves

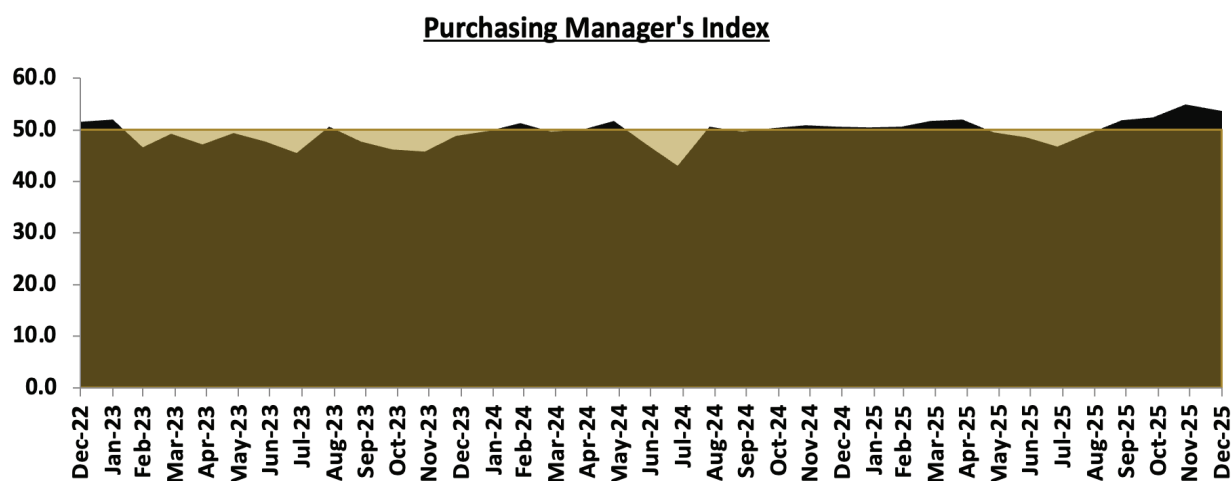


Source: Central Bank of Kenya (CBK), Chart: SIB

THE MACRO WRAP

1. Private sector performance finishes 2025 strong, with PMI at 53.7, albeit slower than in November

According to the PMI survey conducted by Stanbic Bank Kenya, business conditions in the private sector continued to improve in December 2025, buoyed by sustained customer demand and mild cost pressures. In particular, the index came in at 53.7 – a slight dip from 55.0 recorded in November 2025. Markedly, the last two monthly PMI numbers are the highest recorded in four years. See the chart below.



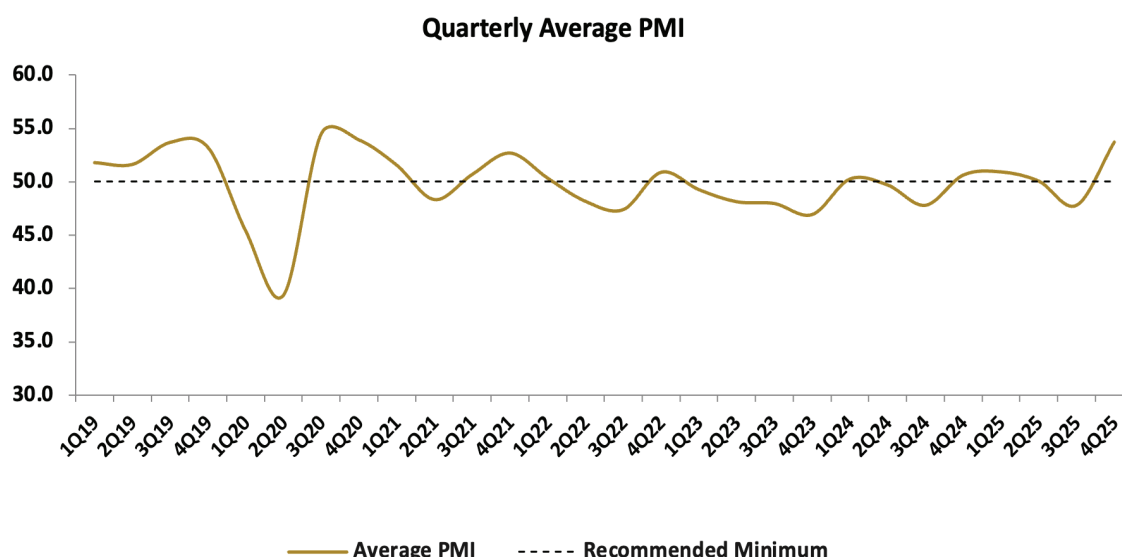
Source: Stanbic, S&P Global, Chart: SIB

**The headline figure derived from the survey is the Stanbic Bank Kenya PMI®(PMI). Readings above 50.0 signal an improvement in business conditions on the previous month, while readings below 50.0 show a deterioration.*

A solid growth in purchasing activity, new orders, and business outputs, coupled with growth in the non-oil sector, largely drove the upturn in December 2025. In particular, business output grew sharply, though less than November's five-year high, due to robust new sales volumes linked to better demand and competitive pricing from subdued costs. Employment expanded at the fastest pace since November 2019, especially in the construction industry, spurred by government stimulus efforts. Purchasing activity rose markedly for the third month, supported by the strongest supply chain improvements in over four years, enabling faster deliveries and stock builds. Some headwinds persisted in the month, with input price inflation reaccelerating from last month's 18-month low, rising at the quickest pace in four months due to higher taxes, fuel, materials, and production costs, though still below the survey's long-run trend.

Regarding firms' assessments towards 2026, survey respondents signalled optimism about output growth, spurred by investment and diversification plans, staffing growth, product rebrands, and increased advertising. In our view, the latest figures reflect a strengthening macroeconomic backdrop. For now, we are cautiously optimistic that various measures (e.g., Central Bank rate cuts, pump price stabilization initiatives, affordable housing projects) put in place by authorities are trickling into the real economy, which is a good sign for sustained growth. The healthy year-end output and employment trends suggest positive momentum, but moderating inflation and supply chain stability will be key amid lingering cost concerns. Indeed, business confidence remains vulnerable to fiscal pressures, potential inflation uptick, external and regional shocks, and the impact of higher taxation.

From a year-on-year vantage point, the PMI metric hit an average of 51.0 – the highest since 2019 - signalling an overall improvement in business conditions in the year. Furthermore, the average PMI printed in 4Q25 was the highest since 4Q20.



Source: Stanbic, S&P Global, Chart: SIB

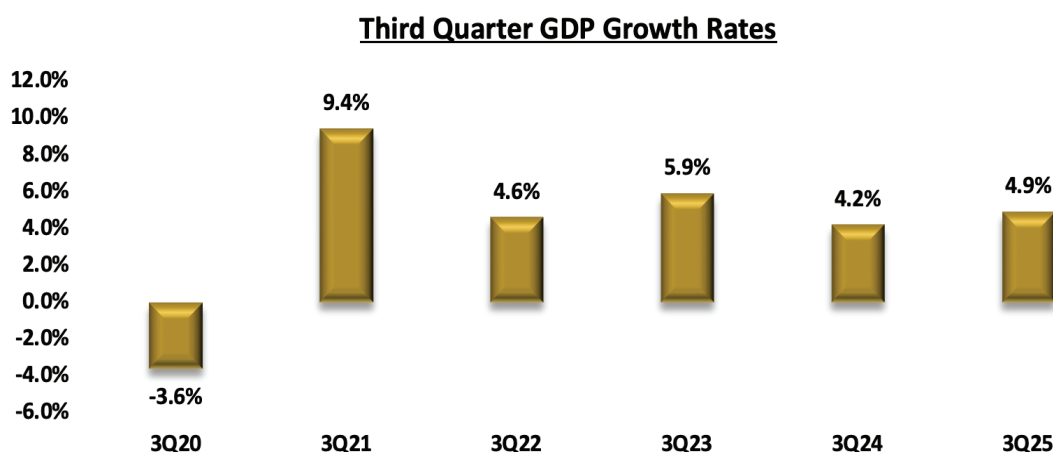
The Stanbic Bank Kenya PMI®(PMI) is compiled by S&P Global from responses to questionnaires sent to purchasing managers in a panel of around 400 private sector companies. The panel is stratified by detailed sector and company workforce size, based on contributions to GDP.

2. Economic Growth: 3Q25 GDP growth edges upwards to 4.9% from 4.2% in 3Q24

The Kenya National Bureau of Statistics (KNBS) released the third-quarter GDP report this week, highlighting that the Kenyan economy expanded by 4.9% in 3Q25 (slightly slower than the 5.0% recorded in 2Q25) compared to 4.2% in 3Q24.

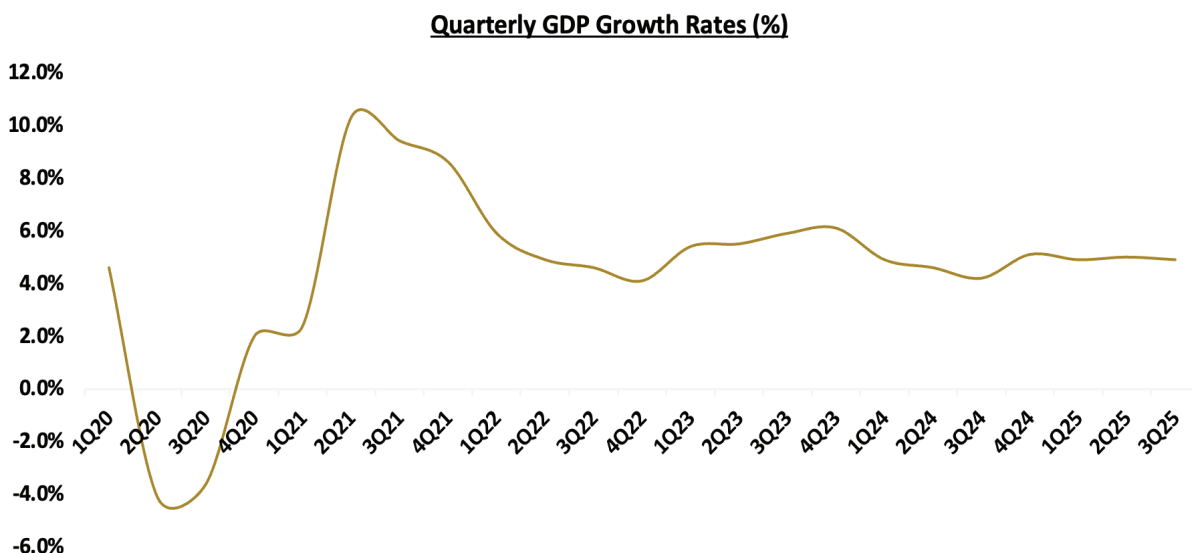
The performance was primarily supported by growth in various sectors, i.e., the Agriculture, Forestry, and Fishing sector (albeit slower at 3.2% – the slowest 1Q23 vs 4.0% in 3Q24, squeezed by a decline in the exports of coffee, vegetables, and fruits despite an increase in milk production and the export of cut flowers), the Transportation and Storage sector (5.2% vs 4.6% in 3Q24), and the Financial and Insurance sector (5.4% vs 7.3% in 3Q24). Additionally, the Mining and Quarrying activities and Construction sectors rebounded in the period, growing by 16.6% and 6.7%, respectively (from -12.2% and -2.6%, respectively, in 3Q24), with real estate up by 5.7% vs 4.8% in 3Q24 on increased activity and investment in these sectors. Though resilient, the Accommodation and Food Services sector experienced a slightly slower growth (expanding by 17.7%, partly supported by increased visitor arrivals as Kenya co-hosted the African Nations Championship (CHAN) in 3Q25) compared to 22.9% in 3Q24. The Manufacturing sector expanded by 2.5% vs 2.3% in 3Q24, with growth primarily driven by the non-food sub-sector, while the food sub-sector recorded a decline due to low levels of activity in the manufacture of food products (specifically sugar and soft drinks).

See below a chart showing the evolution of Kenya's GDP:



Source: KNBS, Chart: SIB

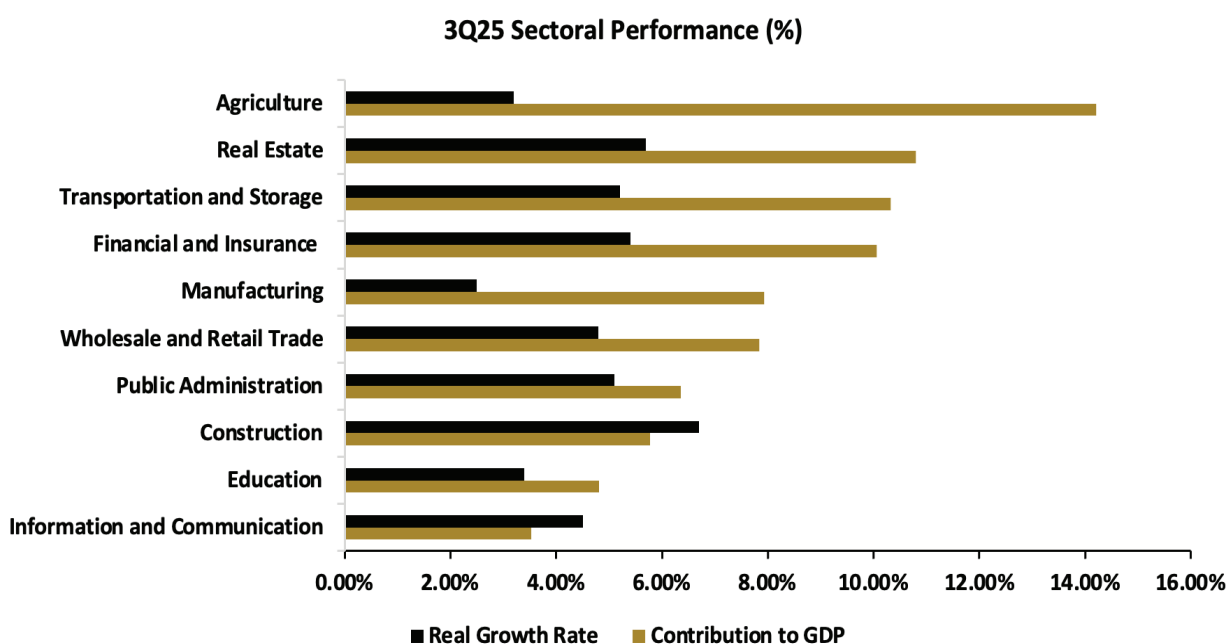
See the chart below for a visual summary of quarterly GDP performance so far:



Source: KNBS, Chart: SIB

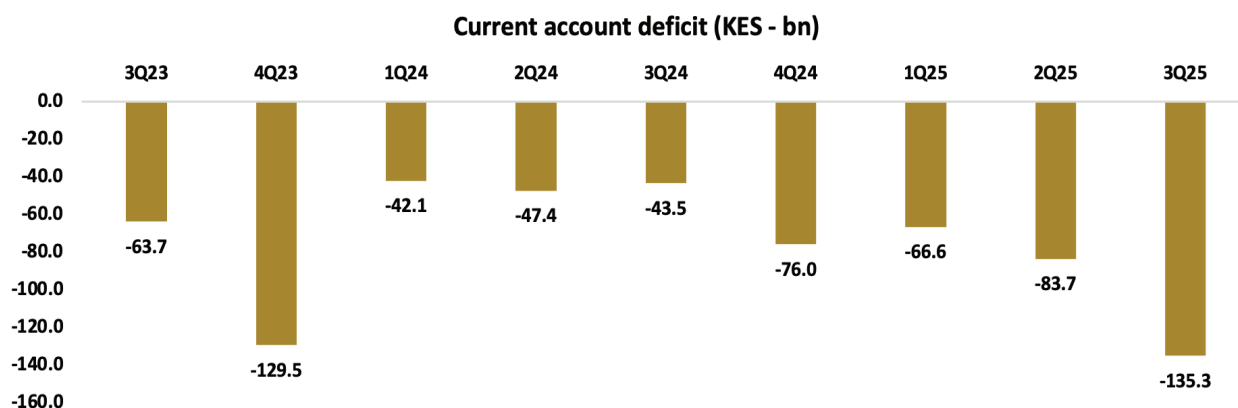
The Services sector remains the dominant force in the economy, followed by the Industrial (secondary) sector, while the Agricultural sector trails behind. In the third quarter of 2025 (3Q25), the Industrial sector showed a strong rebound, expanding by 4.8%, compared to a contraction of -0.4% in the same quarter of the previous year (3Q24). Meanwhile, the Services sector continued to demonstrate robust growth of 5.5%, driven by strong performance in accommodation and food services, real estate, finance and insurance, as well as transport and storage sectors.

Overall, the Construction sector emerged as the highest-growing among the ten largest contributors in 3Q25, which we link to increased spending on affordable housing projects and resumption of road construction projects following continued verification and settlement of pending bills. Resultantly, cement consumption jumped by 16.2% to 2,664.1k metric tonnes, with iron and steel imports surging by 52.7%y/y to 336,262.0 metric tonnes compared to 220,284.6 metric tonnes in 3Q24. The Agricultural sector maintained its position as the largest single contributor to GDP, accounting for c.14.2%, followed by the Real Estate sector at c.10.8% as of 3Q25. See below a chart showing select sectoral GDP growth numbers.



Source: KNBS, Chart: SIB

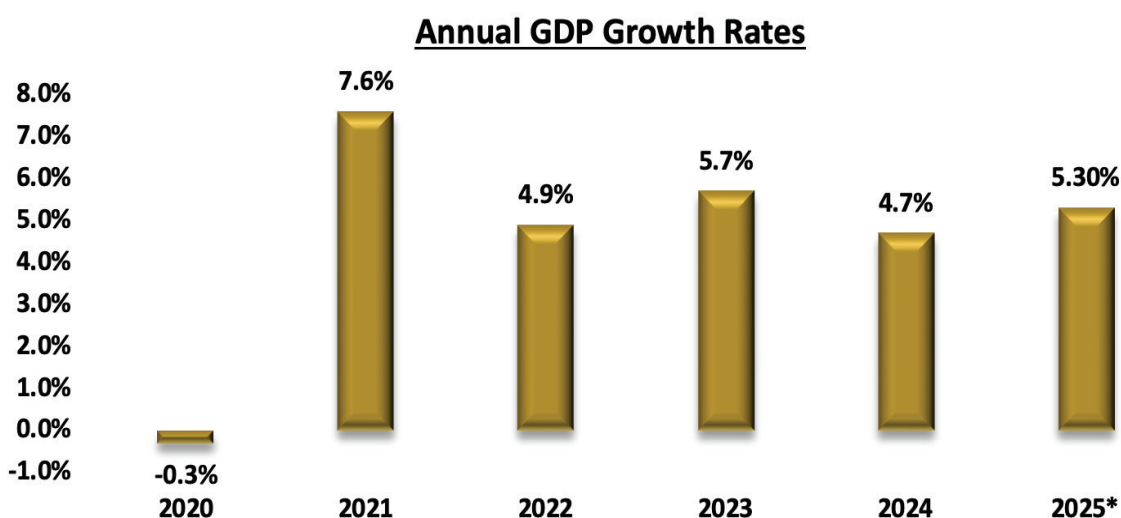
The current account deficit widened from KES 43.5bn in 3Q24 to KES 135.3bn in 3Q25, largely driven by a wider merchandise trade deficit, valued on a free on-board basis, as well as a decline in the service account surplus. In particular, the merchandise trade deficit expanded from KES 321.1bn in 3Q24 to KES 355.8bn in 3Q25, reflecting a sharper increase in import expenditure relative to earnings from total exports. Imports rose by KES 82.7bn in the period, compared to an increase of KES 48.0bn in exports. The higher import bill was mainly attributed to increased imports of industrial machinery, iron and steel, and road motor vehicles. However, the overall Balance of Payments position improved to a surplus of KES 63.7bn from a deficit of KES 17.8bn. See a visual summary below:



Source: KNBS, Chart: SIB

According to the National Treasury, Kenya's economic performance is projected to pick up in 2025 and 2026, with real GDP growth projected at 5.3% (CBK estimates at 5.2% in 2025, 5.5% in 2026, World Bank at 4.9% for both 2025 and 2026). In particular, the country's medium-term economic growth is projected to be supply-driven by resilient agriculture bolstered by favorable weather and government interventions, steady services expansion in finance, ICT, and eco-friendly tourism, and industrial recovery through lower production costs, stable exchange rates, and construction resurgence from settling pending bills.

On the demand side, private consumption and investment are anticipated to maintain their momentum amid prudent monetary policy, stable inflation, resilient remittances, lower lending rates, and enhanced competitiveness via PPPs in key sectors and fiscal consolidation that curbs public consumption while prioritizing development spending. External balances are expected to remain stable, supported by increasing exports from trade agreements, improved access to markets in China and the EU, strong growth among African partners, and resilient remittances and tourism that compensate for declines in aid. Meanwhile, import growth is associated with the demand for industrial raw materials and household needs, all while the shilling remains stable. See a visual summary of GDP trends below;



Source: KNBS, Chart: SIB

Downside risks that may undermine economic growth and stability in the medium term remain, such as unfavourable weather events, which could pose a serious threat to agricultural performance. Disruptions in food production due to droughts/floods could lead to higher food prices, exacerbating inflation and straining household incomes. Further, climate-related damage to infrastructure could disrupt economic activities and increase government expenditure on disaster response and reconstruction. Externally, the rise in fuel costs and food imports, driven by supply constraints and/or geopolitical instability, could put upward pressure on inflation, eroding household purchasing power and increasing the cost of doing business. In addition, uncertainty regarding trade policies and tariffs may hinder economic activities, along with increased financial market volatility, fiscal slippage due to weak revenue collection and high rigidity of expenditures, and tighter financial conditions.

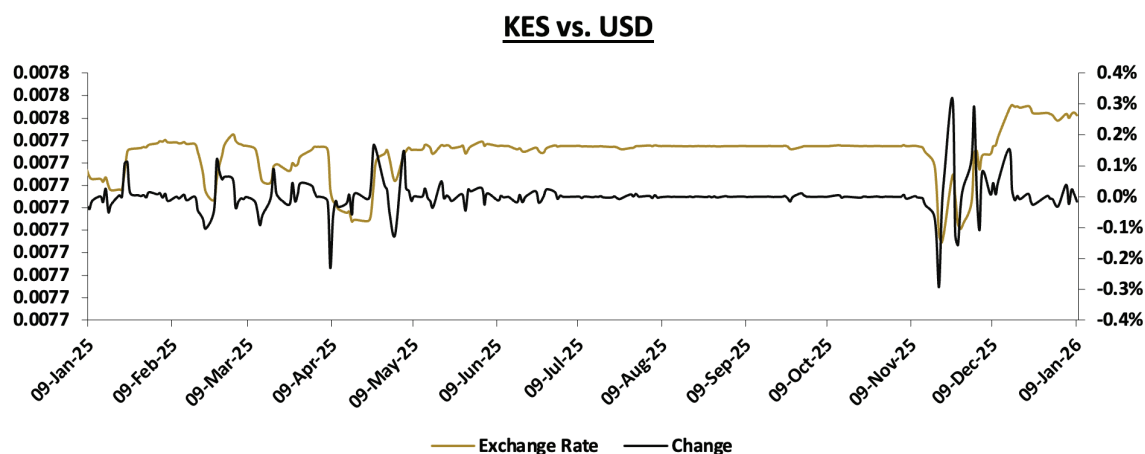
Hot on the Horizon:

- i. The Exchequer Receipts & Releases for December 2025.
- ii. EPRA review of fuel prices for the January/February 2026 cycle.



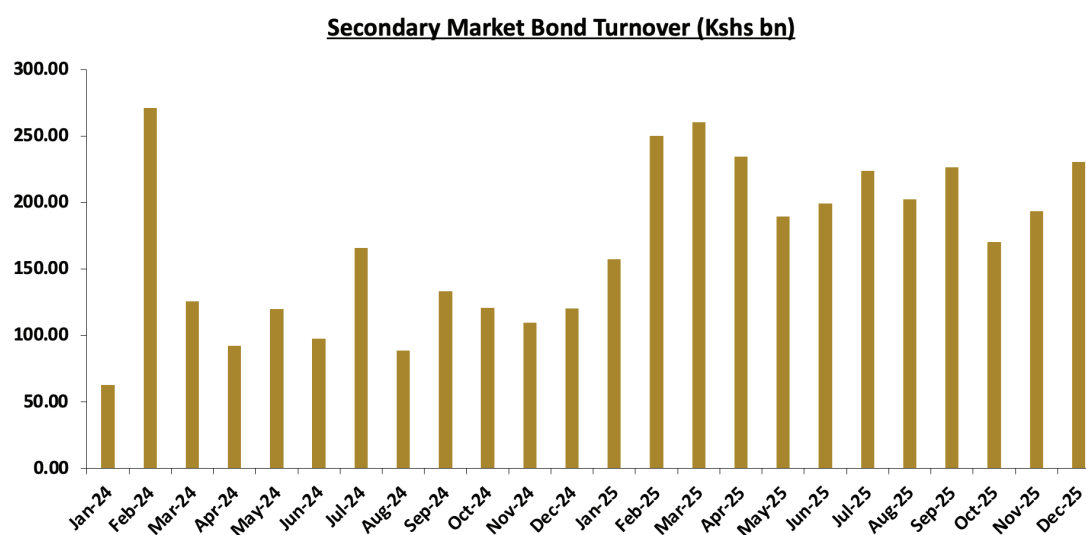
BACKGROUND CHARTS

KES/USD Performance



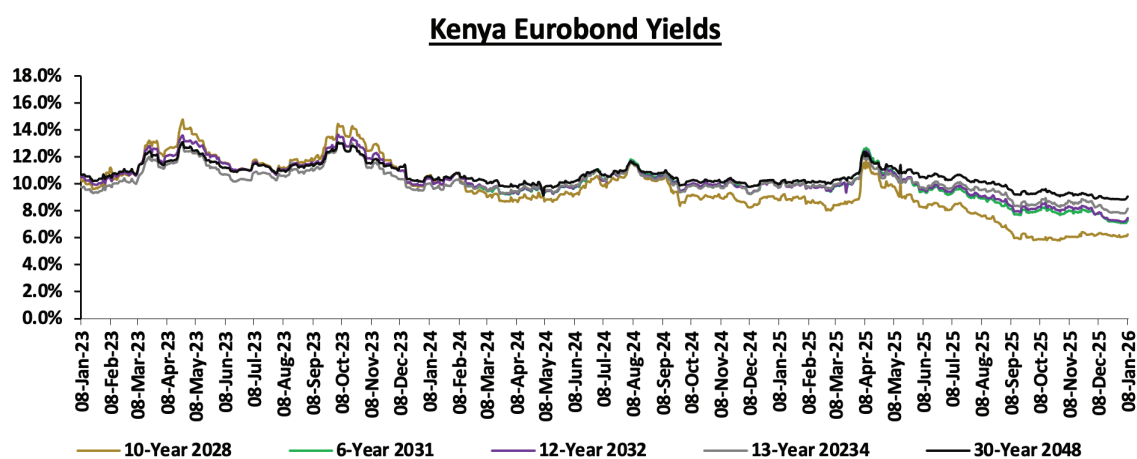
Source: Central Bank of Kenya (CBK)

Bond Turnover



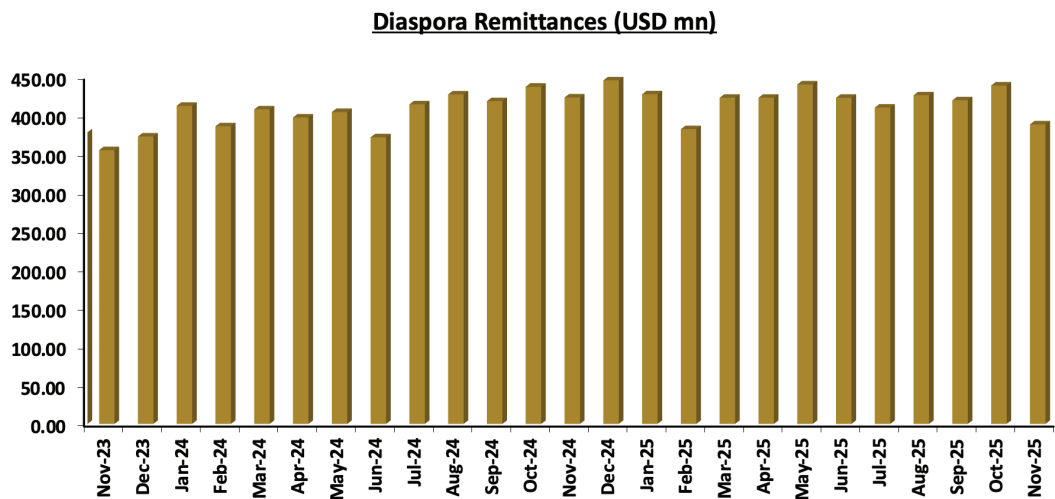
Source: Central Bank of Kenya (CBK)

Kenyan Eurobonds



Source: Central Bank of Kenya (CBK)

Diaspora Remittances



Source: Central Bank of Kenya (CBK)



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