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CBK Sees Inflation Peaking
at 6.2% in July 2026 Amid
Oil Price Shocks

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WEEKLY FIXED INCOME REPORT

Diesel prices in Kenya hit an all-time high after latest increase

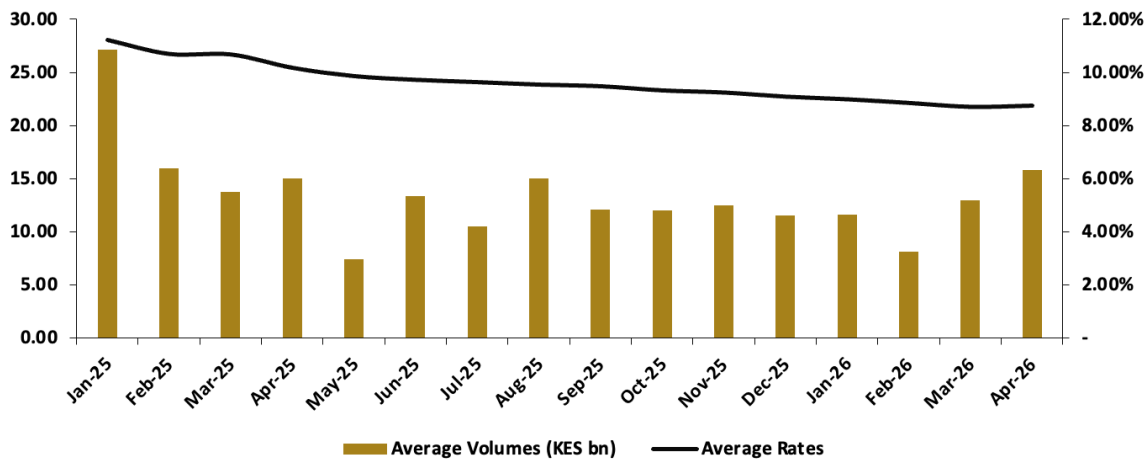
MONEY MARKET STATISTICS

Liquidity conditions remained largely stable in the week, with the Kenya Shilling Overnight Interbank Average (KESONIA) edging up 1.0bps w/w to an average of 8.76%. Interbank lending remained decreased in the week, with average traded volumes at KES 11.20bn. Notably, the average number of interbank deals came in at 21, down 35% w/w. Find the summary below:

Average	Previous Week – ended 9th April 2026	Current Week – ended 16th April 2026	w/w change
Interbank Deals (Total)	24.00	32.00	33.33%
Inter- Bank volumes (KES bn)	18.70	16.09	(13.95%)
KESONIA (bps)	8.76%	8.75%	(0.16%)
Window Borrowing Volumes (KES bn)	-	-	n/a

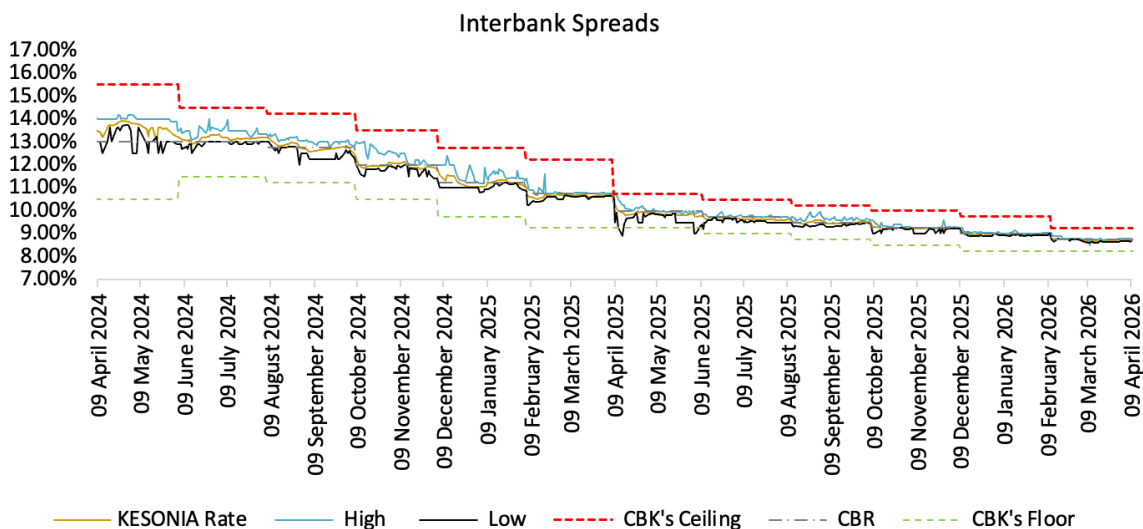
Source: Central Bank of Kenya (CBK), Table: SIB

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:



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

GOVERNMENT SECURITIES MARKET

T-Bills:

Treasury Bill demand remained steady this week, with the overall subscription rate holding at 99%. Investors submitted bids totalling KES 13.99bn, of which the fiscal agent accepted KES 13.97Bn resulting into the performance rate of 99%.

Below is a visual summary;

KES Bn

20-Apr-26	91-day 20-Jul-26	182-day 19-Oct-26	364-day 19-Apr-27	Totals
Amount offered	4.00	10.00	10.00	24.00
Bids received	2,577.90	7,666.68	3,751.35	13,995.93
Bids Accepted	2,569.29	7,661.88	3,742.46	13,973.63
Subscription rate (%)	99.67%	99.94%	99.76%	99.84%
Rollover/Redemptions	898.20	2,532.55	29,148.10	32,578.85
New Borrowing/(Net Repayment)	1,671.09	5,129.33	-25,405.64	-18,605.22
Weighted Average Rate of Accepted Bids	7.42%	7.83%	8.27%	
Inflation	4.3%	4.3%	4.3%	

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

T-Bonds:

In the primary bond market, the CBK has announced KES 20Bn domestic borrowing program for April 2026 to participate in the papers listed below: SDB1/2011/030 (Re-opened) and FXD1/2026/030 (New Issuance).

The auction recorded strong demand, indicating continued investor interest in longer-dated securities. The solid performance suggests investors are positioning for higher yields to offset compressed real returns in the shorter dated instruments.

Bids totaled KES 38.33bn against a KES 20.0bn offer, translating to a subscription rate of 191.66% and an acceptance rate of 78.42%, slightly higher than the previous auction's 187.23%. Demand was largely concentrated at the long end of the curve, with FXD1/2026/030 accounting for 81.61% of total bids.

The exchequer accepted KES 30.06bn—comprising KES 6.57bn in SDB1/2011/030 and KES 23.49bn in FXD1/2026/030—while maintaining pricing discipline by rejecting higher-yield bids despite strong demand, in line with its improved liquidity position.

Find a summary of the results below:

Issue	SDB1/2011/030 - Re-opened	FXD1/2026/030
Tenor to Maturity	14.9 Yrs	30 Yrs
Coupon Rate	12.00%	12.50%
Offered Amount	KES 20Bn	
Bids Received (KES Mn)	7,050.81	31,281.91
Amount Accepted (KES Mn)	6,570.81	23,490.30
Market Weighted Average Rate (%)	13.110%	13.867%
Weighted Average Rate of Accepted Bids (%)	12.996%	13.755%
Adjusted Average Price (Per KES 100)	95.787	91.042
New Borrowing/Net Repayment	KES 30.06Bn	
Our expected outcome ranges	12.90% -13.29%	13.50% - 14.19%

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

The fifth bond switch auction saw weak demand, attracting just KES 2.56bn in bids against a KES 20.0bn target, a performance rate of 12.80%—the lowest to date.

CBK accepted KES 1.75bn, converting a small portion of FXD1/2016/010 into FXD1/2018/015. The subdued uptake reflects limited investor appetite to extend duration, with many holders opting to retain the near-term bond given its attractive remaining yield. Investors could also be expecting other issuances in coming months at potentially attractive terms amidst rising global uncertainty.

Overall, the result marks a sharp decline from earlier switches, leaving most of the source bond to mature in August and potentially adding to near-term refinancing pressures.

Find a summary of the results below:

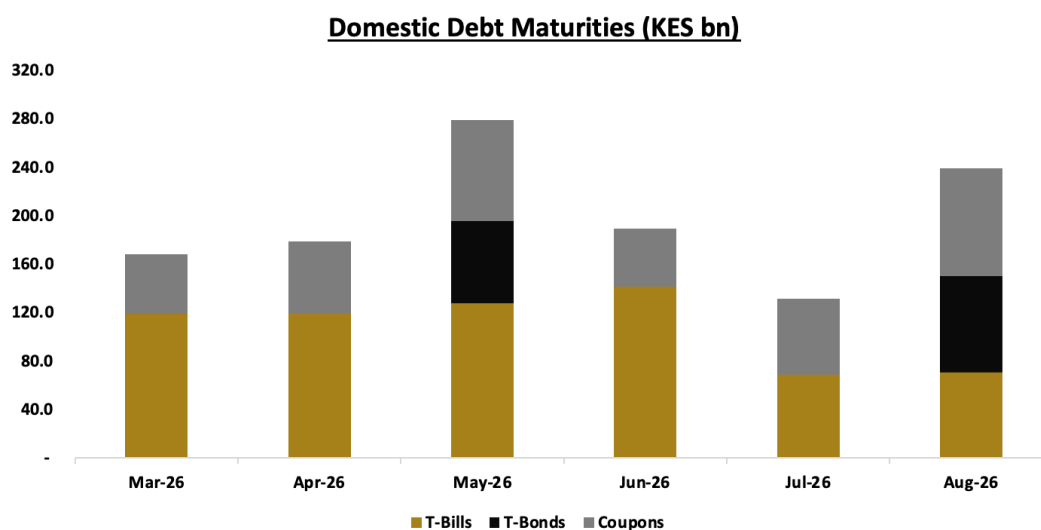
Issue	FXD1/2018/015- Destination Bond
Tenor to Maturity	7.1 Yrs
Coupon Rate	12.65%
Offered Amount	KES 20Bn
Bids Received (KES Mn)	2,559.51
Amount Accepted (KES Mn)	1,753.13
Market Weighted Average Rate (%)	12.318%
Weighted Average Rate of Accepted Bids (%)	11.966%
Adjusted Average Price (Per KES 100)	108.359

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

Looking at secondary bond market turnover, the quantum decreased to KES 41bn (-24%w/w) from KES 53bn in the prior week.

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

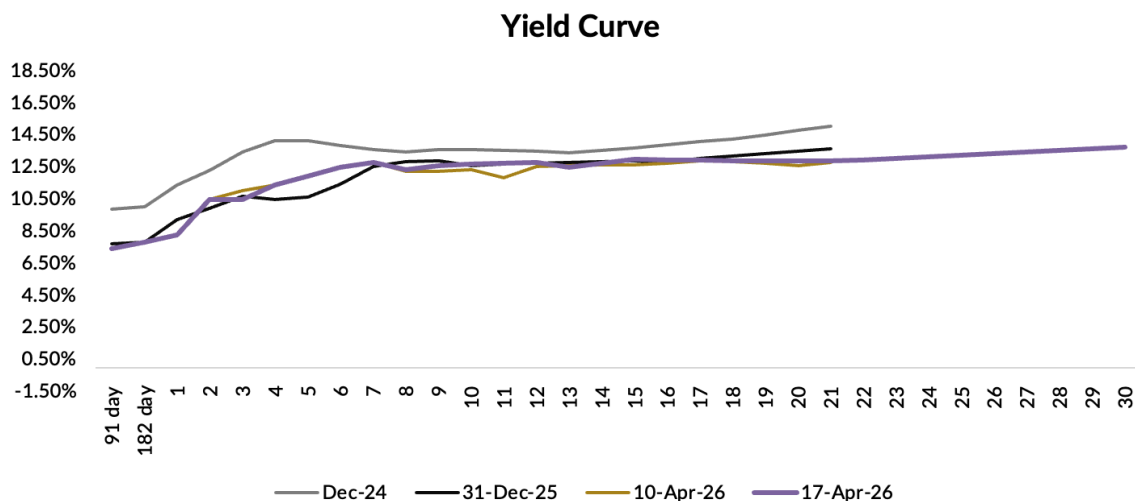
Total domestic debt maturities in April 2026 are at KES 179Bn compared to KES 168Bn in March 2026. See the chart below;



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

Yield Curve:

Local interest rates were largely stable during the week, with average government securities yields inching higher by 2.28% w/w, largely due to repricing in the 30-year bond, while declines across select tenors partly offset the increase. Below is a visual representation;



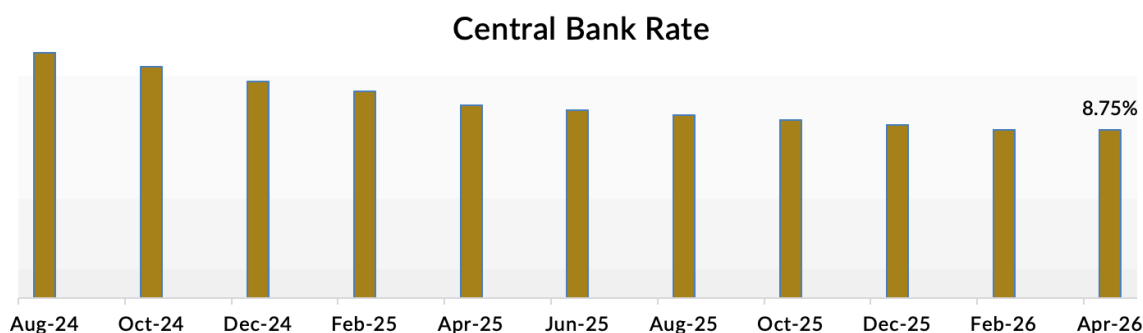
Source: Nairobi Securities Exchange (NSE), Chart: SIB

Monetary Policy Committee

On 08 April, the Monetary Policy Committee (MPC) met and opted to keep the policy rate unchanged at 8.75%, in light of the global energy price shock. The committee lowered its 2026 real GDP growth forecast to 5.3% from the previous 5.5%.

On a positive note, earlier monetary policy measures appeared to achieve credit growth momentum, which reached 8.1% in March, although the non-performing loan ratio remains elevated at 15.6%.

Inflation is expected to stay within the target range in the near term, but the committee highlighted the need for vigilance against potential second-round effects from rising oil prices. On the external front, risks have increased due to slower diaspora remittances, reduced export and service earnings, and a higher import bill. Overall, the MPC emphasized a cautious approach, stating that any changes to the policy stance will be guided by incoming data.

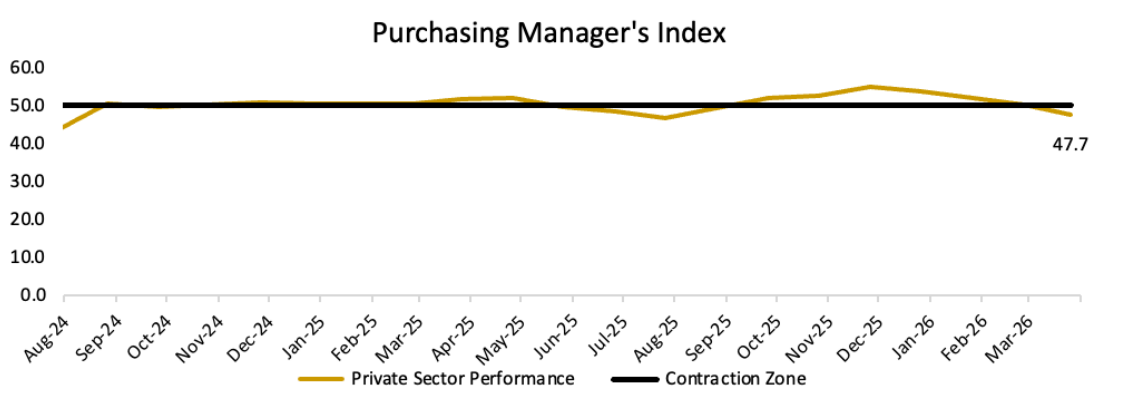


Source: Central Bank of Kenya (CBK), Chart: SIB

Private Sector Activity in March 2026 Declines Amid Softening Consumer Demand:

The latest Stanbic Bank Kenya Purchasing Managers' Index (PMI) highlights growing pressure on the Kenyan economy as the Middle East conflict begins to weigh on business activity. The PMI fell to 47.7 in March from 50.4 in February, signalling a shift into contraction territory for the first time in seven months.

Firms attributed the slowdown to weaker demand conditions and rising supply-side disruptions linked to the geopolitical tensions, which have driven up global shipping and fuel costs. As a net fuel importer, Kenya has experienced immediate transmission effects through higher transport costs, elevated input prices, and increased uncertainty in business planning. Although employment levels remained relatively stable, output and new orders declined across most sectors, while business confidence softened. Input costs rose at the fastest pace in over two years due to fuel, taxation, and logistics pressures, but firms were largely unable to fully pass these costs on to consumers amid subdued demand, resulting in tightening profit margins across the private sector.



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

Diaspora Remittances:

Diaspora remittances rose sharply to KES 58.15bn (USD 450.3mn) in March 2026, up 9.1% m/m from KES 53.31bn in February, marking the highest monthly inflow recorded this year. On a rolling 12-month basis, cumulative inflows reached USD 5.08bn, a 2.2% increase y/y, underscoring the continued importance of remittances as a key source of foreign exchange earnings and support for the balance of payments.



THE INTERNATIONAL SCENE

Kenyan Eurobonds:

Yields on Kenyan Eurobonds exhibited signs of moderate volatility, with rates increasing by an average of c.0.48bps for the week dated 9th April 2026 to 16th April 2026, partly linked to the ongoing volatility in international markets. 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%
10-Apr-26	5.8%	9.0%	8.7%	9.4%	9.5%
13-Apr-26	5.8%	9.0%	8.7%	8.7%	9.5%
14-Apr-26	5.8%	9.0%	8.7%	9.0%	9.5%
15-Apr-26	5.8%	8.3%	8.1%	8.6%	9.0%
16-Apr-26	5.8%	8.3%	8.1%	8.7%	9.0%
Weekly Change	0.010%	0.630%	0.580%	0.680%	0.500%
YTD Change	(0.2%)	1.2%	0.9%	0.9%	0.1%

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

Currency Performance

The Kenyan shilling recorded a mixed but generally stable week-on-week performance against the currencies tracked. The largest movements were seen in GBP/KES and EUR/KES, which appreciated by 0.9% w/w and 0.8% w/w respectively. Smaller gains were recorded in KES/TZS (+0.3% w/w), KES/UGX (+0.2% w/w), and JPY/KES (+0.1% w/w). Meanwhile, USD/KES remained broadly unchanged over the period, printing a flat 0.0% w/w.

Data from the Central Bank of Kenya indicates that the U.S. Dollar Index weakened by 0.6% over the week, reflecting a slight easing in safe-haven demand as global risk sentiment improved marginally.

International oil prices remained elevated during the week ending April 16, despite the US-Israel-Iran ceasefire. Murban crude oil declined marginally, trading at 89.61 per barrel on 16/04/2026, compared to USD 90.33 per barrel on 09/04/2026, reflecting continued restrictions on shipping through the Strait of Hormuz.

See the table below;

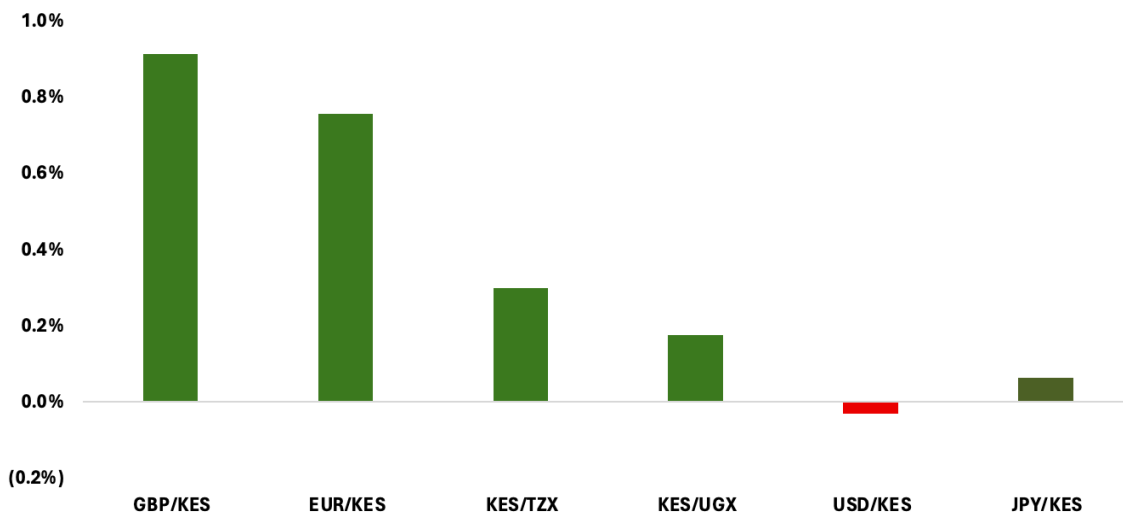
Currencies	31 Dec 2025 (vs KES)	Previous	Current	w/w Change	YTD change
GBP/KES	173.65	173.30	174.88	0.9%	0.7%
EUR/KES	151.43	150.96	152.10	0.8%	0.4%
KES/TZS	19.03	20.13	20.19	0.3%	6.1%
KES/UGX	28.06	28.57	28.62	0.2%	2.0%
JPY/KES	82.39	81.10	81.15	0.1%	(1.5%)
USD/KES	129.01	129.15	129.11	(0.0%)	0.1%

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;

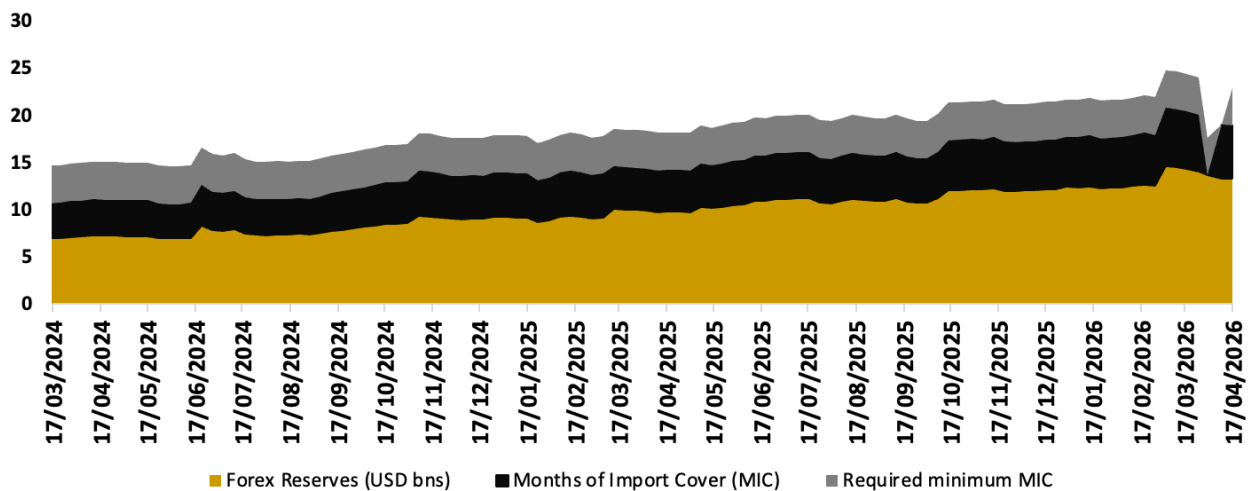
w/w KES Performance



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

Kenya's foreign exchange reserves eased slightly to USD 13.31bn, with import cover declining to 5.6 months. See the chart below for a visual summary.

Import Cover by Forex Reserves



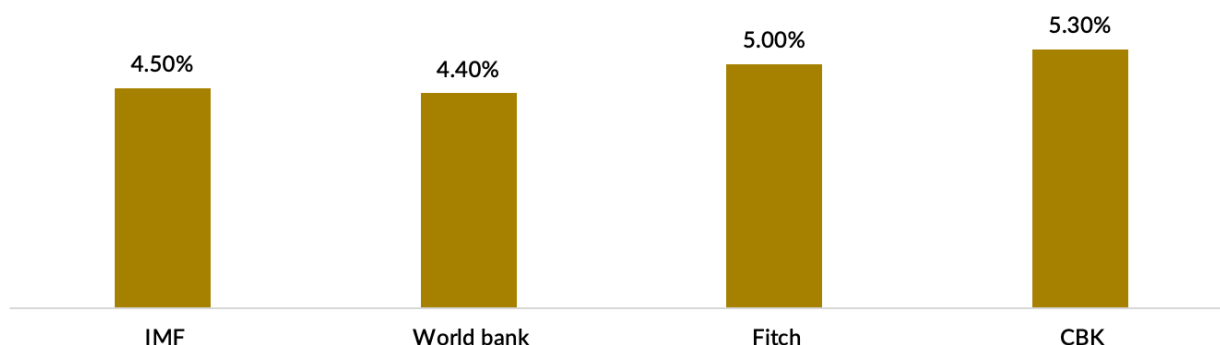
Source: Central Bank of Kenya (CBK), Chart: SIB

Kenya's GDP growth outlook trimmed on heightened external risks:

The World Bank has revised Kenya's 2026 economic growth forecast downwards to 4.4 per cent from 4.9 per cent, citing heightened geopolitical tensions linked to the Middle East conflict.

The downgrade reflects rising energy costs, potential trade disruptions, and renewed inflationary pressures, which could weigh on domestic demand and investment. Despite the weaker outlook, Kenya's economy remains supported by agriculture (especially milk production and cut-flower exports), along with steady growth in services and financial activities. However, recent indicators point to a **softening economic momentum**, with the **World Bank warning that higher fuel and food prices, tighter financial conditions, and elevated debt-service burdens could further constrain growth if global tensions persist.**

Kenya 2026 Growth Forecast Revisions



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

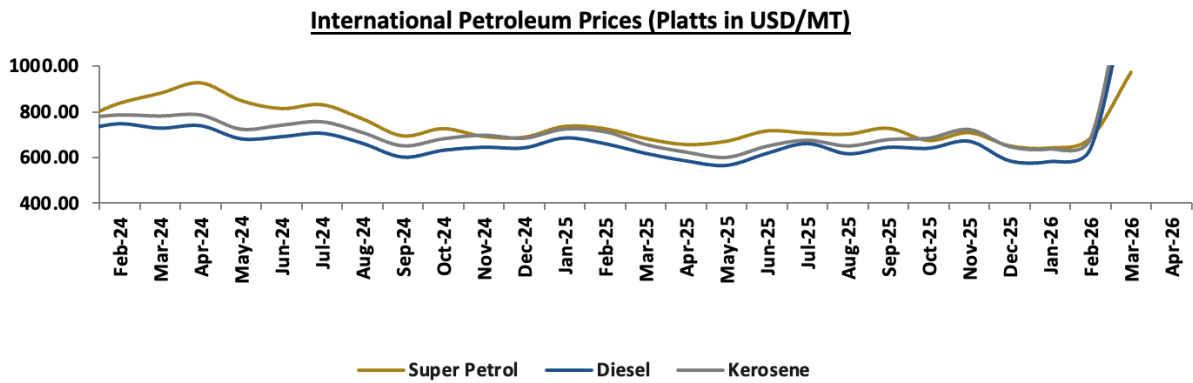
EPRA Adjusts Fuel Prices as VAT Cut Partially Offsets Earlier Increases

EPRA has adjusted April–May 2026 fuel prices following emergency government sponsored legislation to reduce Value Added Tax (VAT) on petroleum products. The rate was lowered from 13% to 8% for a three-month period, following an earlier reduction from 16% by the National Treasury. The tax adjustment triggered a downward revision of pump prices just a day after an earlier increase had reflected elevated global oil costs and supply disruptions linked to the Middle East conflict and tighter shipping flows through key routes such as the Strait of Hormuz.

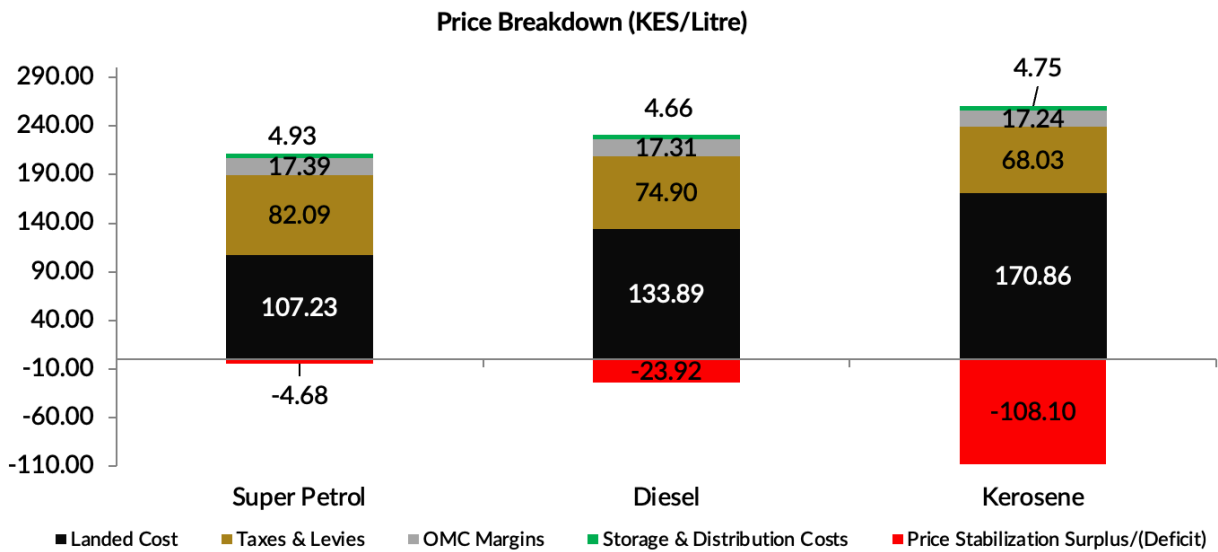
Under the latest pricing cycle, super petrol in Nairobi now retails at **KES 197.60** per litre, reflecting a reduction of **KES 9.37**, while diesel is priced at **KES 196.63** per litre, down by **KES 10.21**. Kerosene prices were left unchanged at **KES 152.78** per litre, although the subsidy level supporting kerosene has been reduced to **KES 96.56** per litre from **KES 108.10**, signalling a gradual tightening of fiscal support on household fuels.

The revision partially offsets an earlier sharp upward adjustment that had pushed petrol to KES 206.97 and diesel to KES 206.84, levels that had brought the two fuels nearly to parity and raised concerns over broad-based inflation pressures. The initial increase had been driven by higher cost of imported cargoes, particularly March–April shipments priced during a period of elevated global crude oil benchmarks.

While the VAT cut has provided some near-term relief, pump prices remain significantly higher compared to previous months, keeping transport and logistics costs elevated. This is expected to continue filtering through to food prices and general business operating costs, particularly given diesel's central role in freight, agriculture, and manufacturing activity. Should the tax cut be extended considerably, the subsequent loss of revenue may strain the national budget. This fiscal pressure could necessitate difficult trade-offs, such as the introduction of alternative tax measures or spending cuts.



Source: EPRA, Chart: SIB Research



Source: EPRA, Chart: SIB Research

Kenya Seeks World Bank Support to Cushion Iran-Linked Economic Shocks

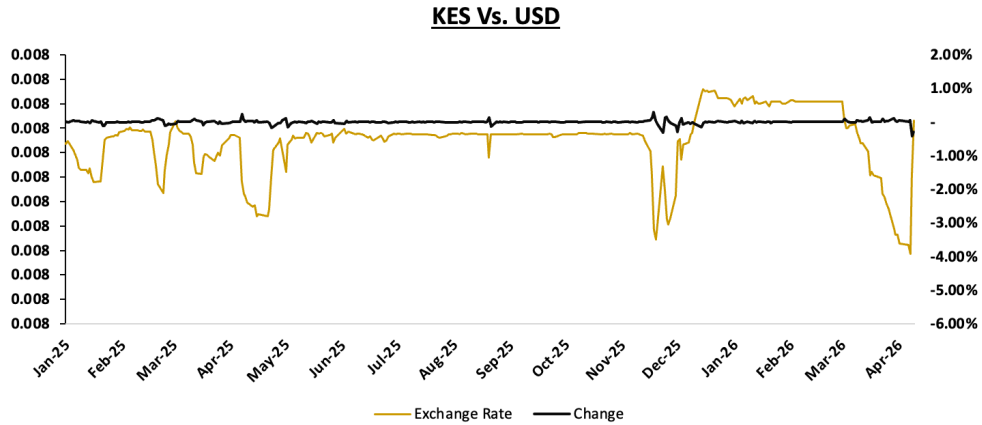
Kenya has requested rapid financial support from the World Bank to help cushion the economy against shocks stemming from the Iran war, according to the central bank governor. The country is seeking fast-disbursing “rapid response” financing, with officials describing the request as significant, though no specific amount has been disclosed.

The move comes as Kenya, heavily reliant on energy imports, faces rising pressure from higher fuel costs and potential inflationary spillovers. Authorities have also introduced tax relief measures, including a temporary reduction in VAT on petroleum products, to ease the burden on consumers.

The central bank has lowered its 2026 growth forecast and maintained that while the shilling may face pressure, any depreciation is expected to remain orderly, supported by robust foreign exchange reserves of over USD 13bn, equivalent to about 5.8 months of import cover.

BACKGROUND CHARTS

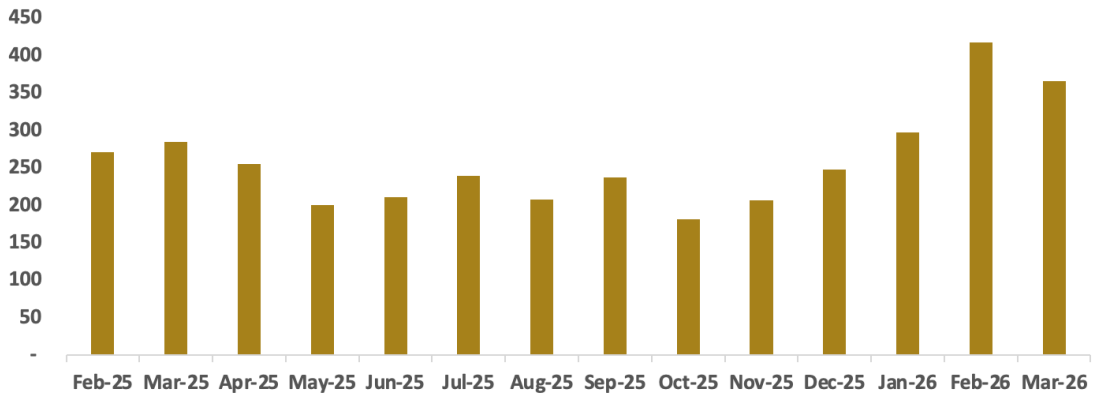
KES/USD Performance



Source: Central Bank of Kenya (CBK)

Bond Turnover

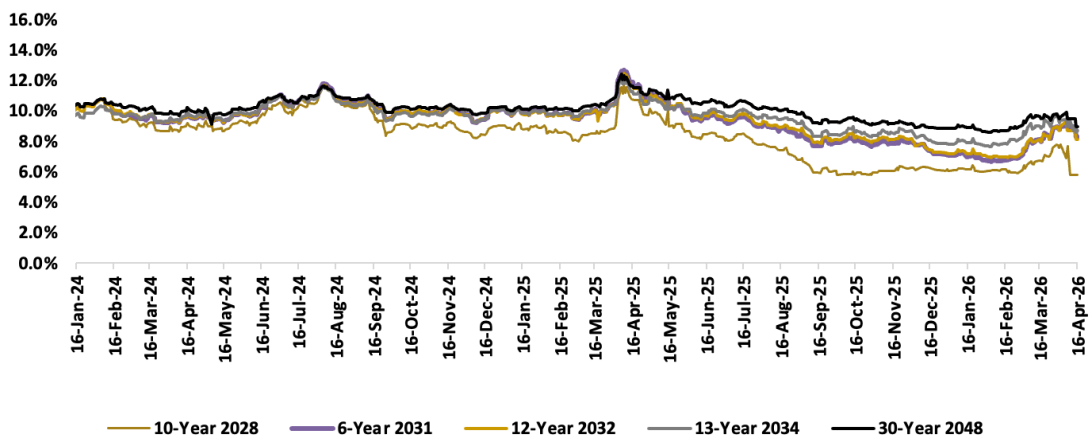
Secondary Market Bond Turnover (Kshs bn)



Source: Central Bank of Kenya (CBK)

Kenyan Eurobonds

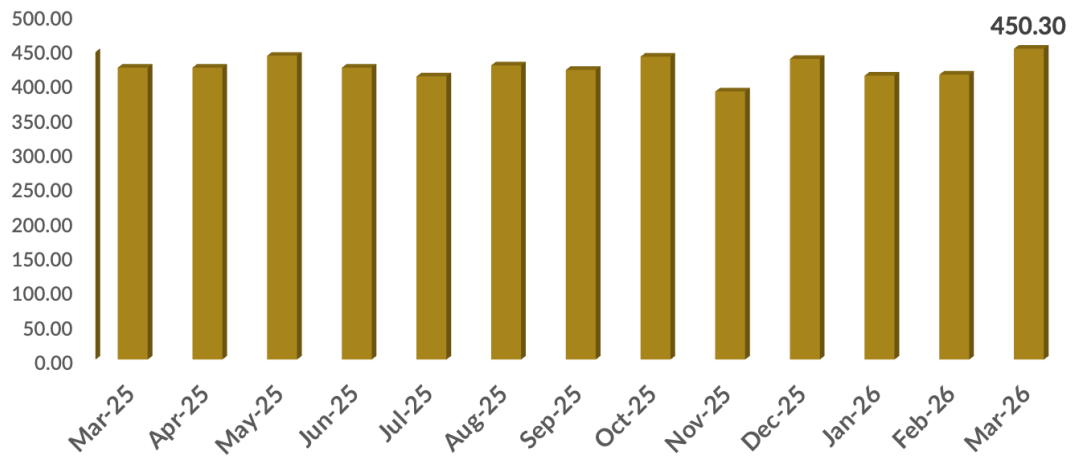
Kenya Eurobond Yields



Source: Central Bank of Kenya (CBK)

Diaspora Remittances

Diaspora Remittances (USD mn)



Source: Central Bank of Kenya (CBK)

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