

WEEKLY FIXED INCOME REPORT

Kenya's Inflation Hits 6.7% in May 2026 Amid Rising Food and Fuel Costs

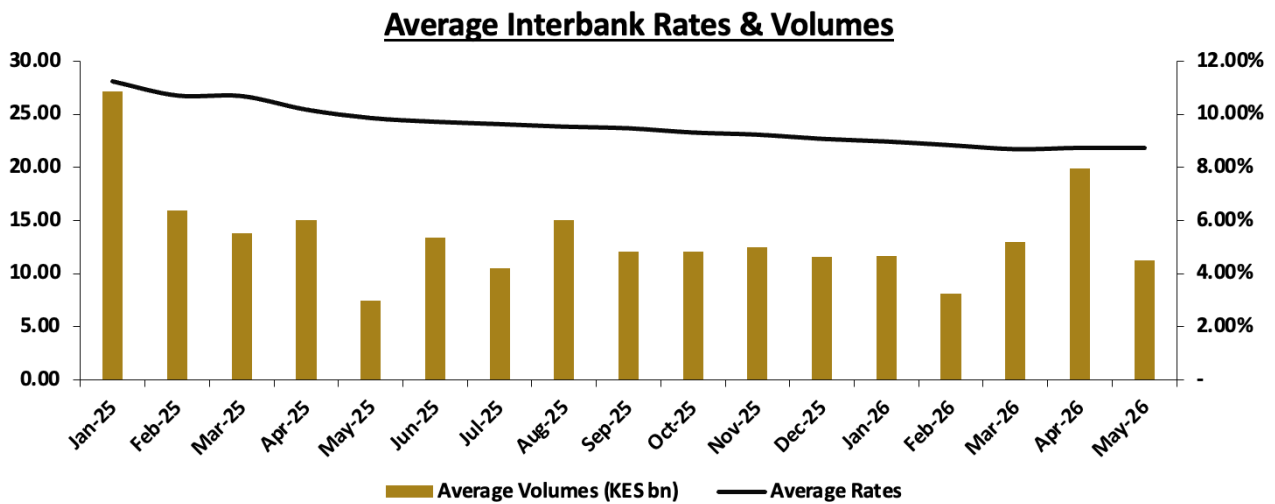
MONEY MARKET STATISTICS

Liquidity conditions remained stable in the week, with the Kenya Shilling Overnight Interbank Average (KESONIA) closing at an average of 8.75%. Interbank lending increased in the week, with average traded volumes coming in higher at KES 18.7bn. Notably, the average number of interbank deals came in at 24 increasing from last week.

Find the summary below:

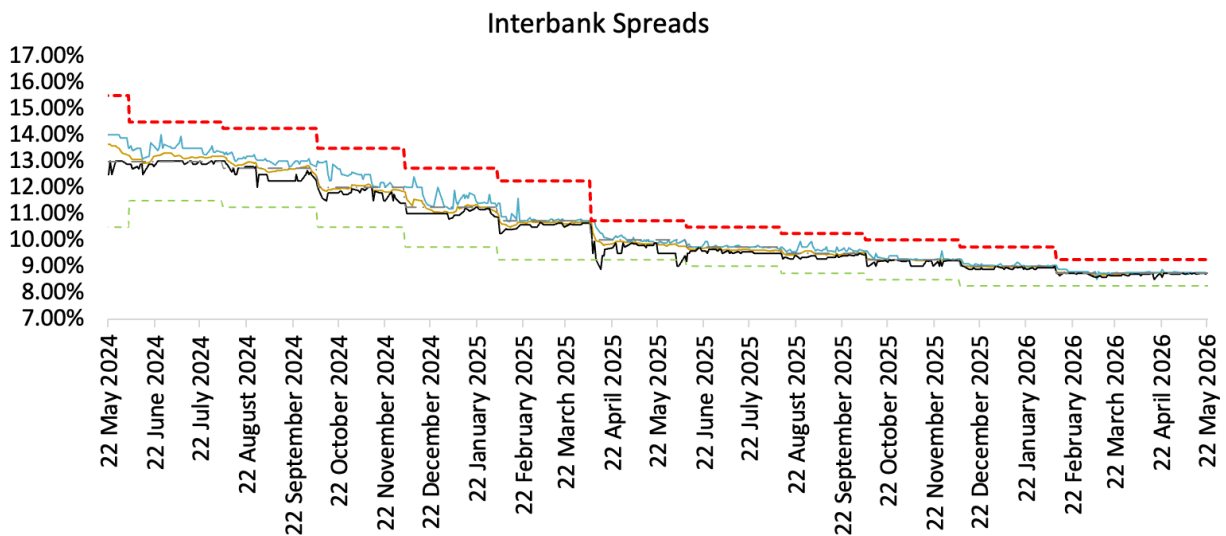
Average	Previous Week- ended 22nd May 2026	Current Week - ended 29th May 2026	Change
Interbank Deals (Total)	20.00	24.00	20.00%
Inter- Bank volumes (KES bn)			45.31%
KESONIA (bps)	8.75%	12.80	18.60
Window Borrowing Volumes (KES bn)	-	-	n/a

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



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 increased this week, with the overall subscription rate ticking to 100% from the previous 87%. Investors submitted bids totalling KES 16.64bn, of which the fiscal agent accepted KES 16.62Bn resulting into the performance rate of 100%.

The 91-day Treasury Bill remained most attractive debt instrument, registering a performance rate of 99%. The auction was significantly oversubscribed, receiving KES14Bn in bids compared to the KES 4.0Bn on offer.

Below is a visual summary;

KES Bn

01-Jun-26	91-day 31-Aug-26	182-day 30-Nov-26	364-day 31-May-27	Totals
Amount offered	4.00	10.00	10.00	24.00
Bids received	14,093.44	1,049.48	1,494.84	16,637.76
Bids Accepted	14,081.70	1,049.48	1,490.29	16,621.47
Subscription rate (%)	99.92%	100.00%	99.70%	99.90%
Rollover/Redemptions	12,429.60	508.45	17,213.60	30,151.65
New Borrowing/ (Net Repayment)	1,652.10	541.03	-15,723.31	-13,530.18
Weighted Average Rate of Accepted Bids	8.39%	8.25%	8.63%	
Inflation	5.6%	5.6%	5.6%	
Real Return	2.8%	2.7%	3.0%	

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

T-Bonds:

In the primary bond market, the CBK has announced KES 40Bn domestic borrowing program for June 2026 to participate in the re-opened papers listed below: FXD1/2020/015 and FXD1/2018/025.

Find a summary of the offer below:

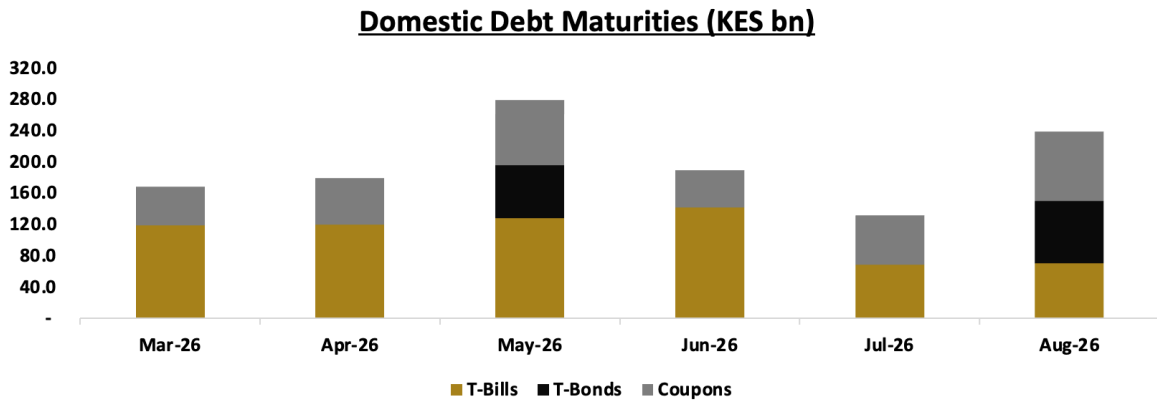
Issue	FXD1/2020/015- Re-opened	FXD1/2018/025 - Re-opened
Tenor to Maturity	8.7 Yrs	17.1 Yrs
Coupon Rate	12.76%	13.40%
Offered Amount	KES 40Bn	
Period of Sale	29th May 2026 to 03 June 2026	29th May 2026 to 03 June 2026
Value Date	08th June 2025	
Minimum Bidding Amount	KES 50,000	
Taxation	10.00%	
Our Expected Outcome Ranges		

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

Looking at secondary bond market turnover, the quantum increased to KES 37bn (+26%w/w) from KES 30bn in the prior week.

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

Total domestic debt maturities in June 2026 are at KES 189Bn compared to KES 279Bn in May 2026. See the chart below;

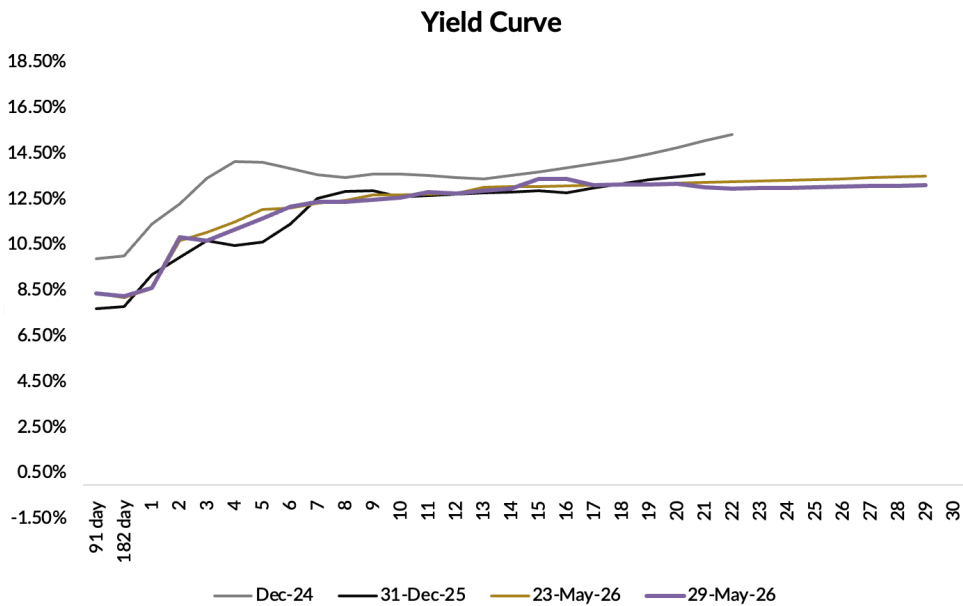


Source: Nairobi Securities Exchange (NSE), Chart: SIB

Yield Curve

Local interest rates were largely stable during the week, with average government securities yields inching lower by 0.12% 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: Central Bank of Kenya (CBK), Chart: SIB

Kenya's Inflation Hits 6.7% in May 2026 Amid Rising Food and Fuel Costs

Kenya's annual inflation rate climbed to 6.7% in May 2026, up from 5.6% the previous month, worsening the cost-of-living crisis citizens and approaching the upper MPC limit of 7.5%. Public transport fares are up 25% while diesel and petrol are up 41.2% and 22.7% respectively. Food items that are key driver of inflation include tomatoes at 45.7% and cabbages at 37.8%. Beef is up 11%.

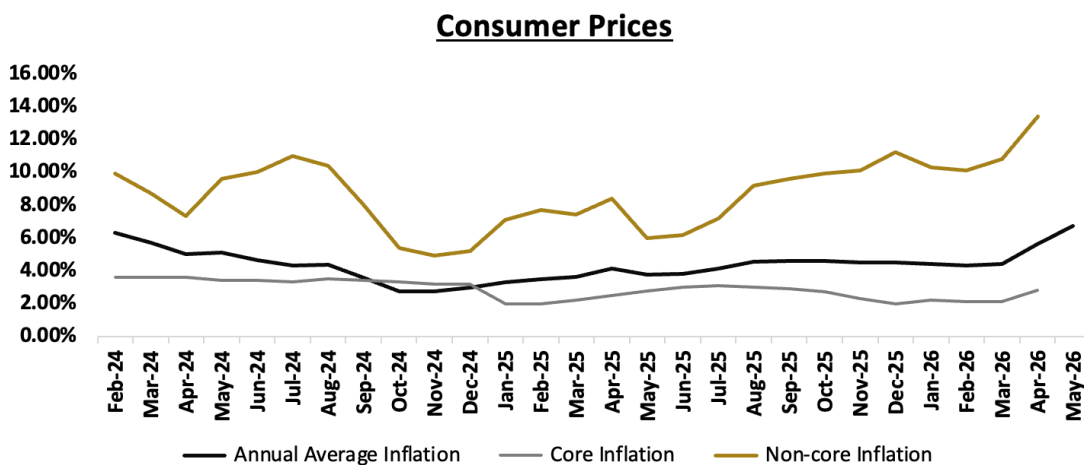
According to the newest Consumer Price Index (CPI) data from the Kenya National Bureau of Statistics (KNBS), year-on-year consumer prices jumped by 6.7%, with a month-on-month increase of 1.6% between April and May.

Key Drivers of the Increase

The overall CPI escalated from 152.15 in April to 154.56 in May. KNBS pointed to three primary sectors driving this upward trend:

- Food & Non-Alcoholic Beverages
- Transport * Housing and Utilities

Together, these three categories are the heavy hitters of household spending, making up over 57% of the weighted basket used to measure national inflation.



Source: KNBS, Table: SIB

THE INTERNATIONAL SCENE

Kenyan Eurobonds:

Yields on Kenyan Eurobonds exhibited signs of volatility, with rates increasing by an average of c.4% for the week dated 22nd May 26 to 28th May 26, 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%	9.3%
22-May-26	7.2%	7.8%	8.2%	8.7%	9.2%
25-May-26	7.2%	7.8%	8.2%	8.7%	9.2%
26-May-26	7.1%	7.7%	8.1%	8.5%	9.1%
27-May-26	7.1%	7.4%	7.8%	8.3%	8.9%
28-May-26	7.2%	7.4%	7.8%	8.3%	8.9%
Weekly Change	0.080%	0.460%	0.440%	0.430%	0.270%
YTD Change	1.1%	0.3%	0.6%	0.5%	(0.3%)

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

Currency Performance

The Kenyan Shilling experienced a mixed performance against major currencies this week. The Shilling showed strength against key international units, as the British Pound (GBP/KES) and US Dollar (USD/KES) both depreciated against it by 0.1% and 0.2% respectively, while the Japanese Yen (JPY/KES) weakened by 0.3%.

Conversely, the Shilling held completely flat against the Euro (EUR/KES) with a 0.0% change over the week. Regionally, the Shilling appreciated against its neighbours, strengthening by 0.5% against the Tanzanian Shilling (KES/TZS) and by 0.9% against the Ugandan Shilling (KES/UGX).

The U.S. Dollar Index weakened by 0.2% during the week, driven by easing safe-haven demand as investors assessed the possibility of a near-term agreement to end the Middle East conflict.

International oil prices fell, with Murban crude decreasing to USD 88.48 per barrel on May 28 from USD 97.51 per barrel for the week ending 21st May 2026.

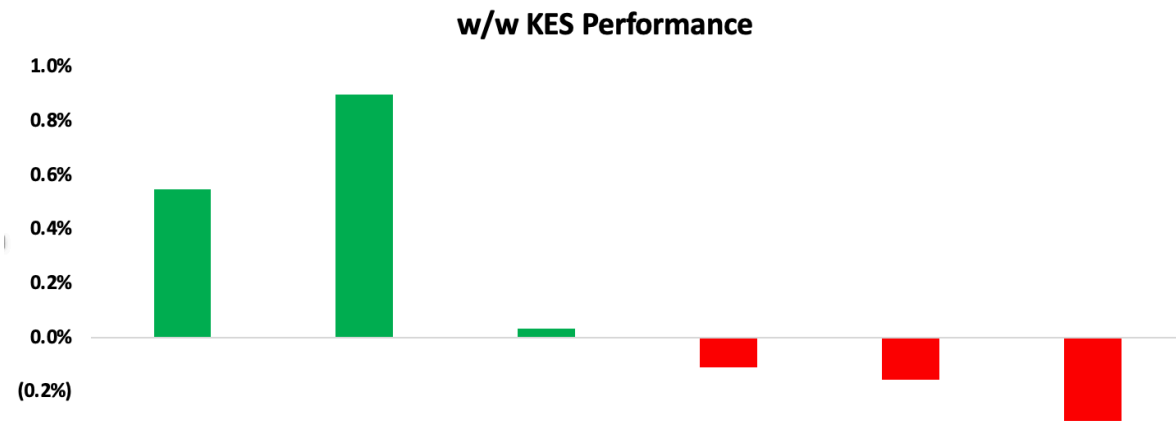
See the table below;

Currencies	31 Dec 2025 (vs KES)	Previous	Current	w/w Change	YTD change
KES/UGX	28.06	28.91	29.17	0.9%	4.0%
KES/TZX	19.03	20.07	20.18	0.5%	6.0%
EUR/KES	151.43	150.71	150.76	0.0%	(0.4%)
GBP/KES	173.65	174.26	174.07	(0.1%)	0.2%
USD/KES	129.01	129.75	129.55	(0.2%)	0.4%
JPY/KES	82.39	81.56	81.31	(0.3%)	(1.3%)

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

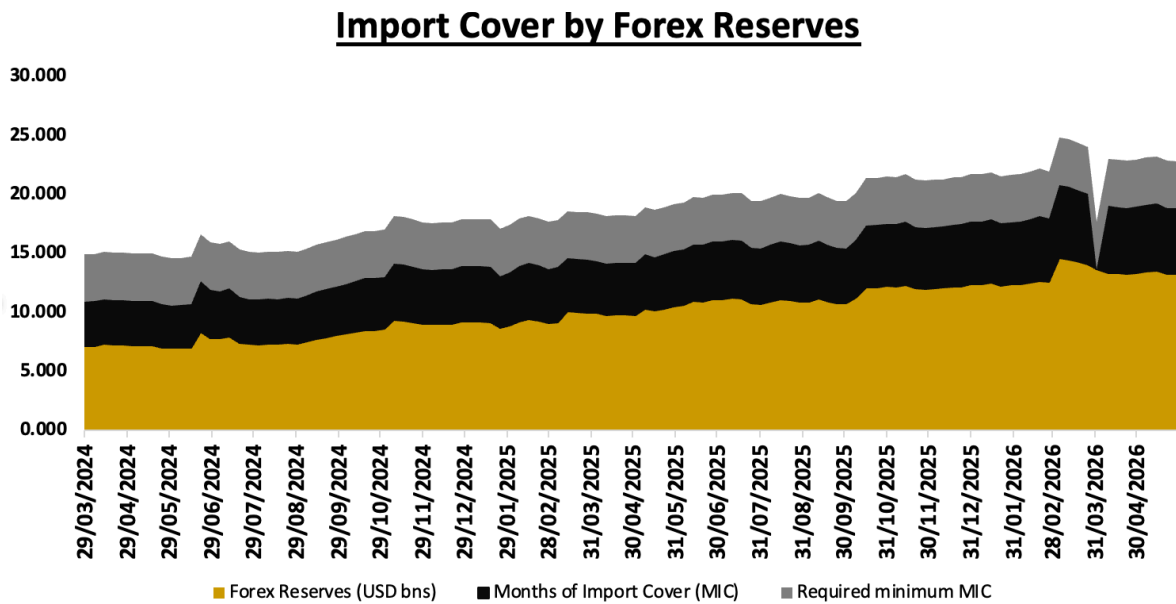
Abb: GBP – British Pound, EUR – Euro, USD – US Dollar, UGX – Ugandan Shilling, TZS – Tanzanian Shilling, JPY – Japanese Yen | FX rate is determined by calculating the weighted average rate of recorded spot trades in the interbank market

See also a visual representation;



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

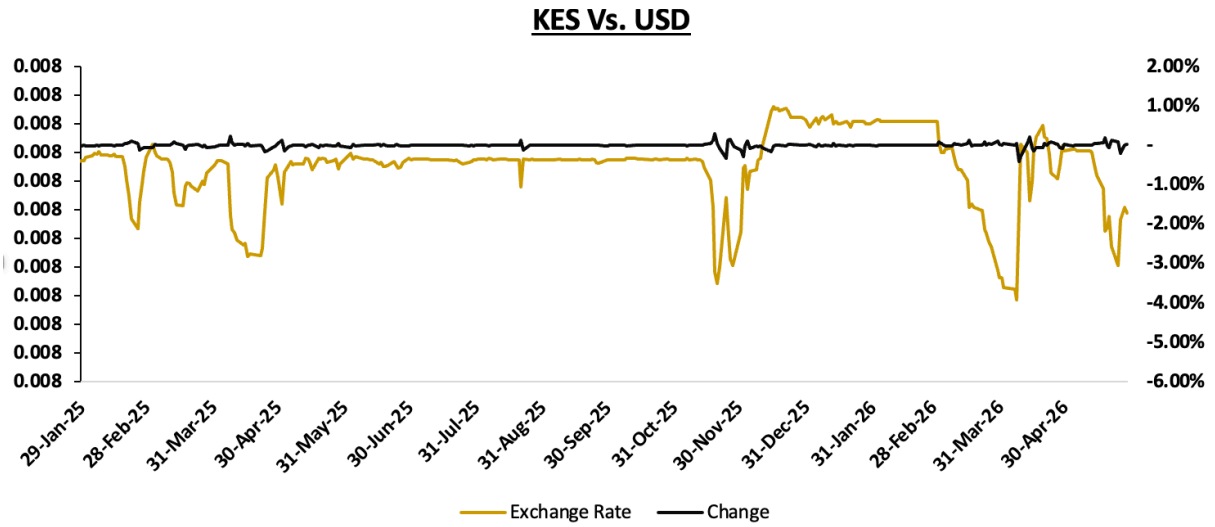
Kenya's foreign exchange reserves were stable at USD 13.22bn, with import cover closing at 5.6 months. See the chart below for a visual summary.



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

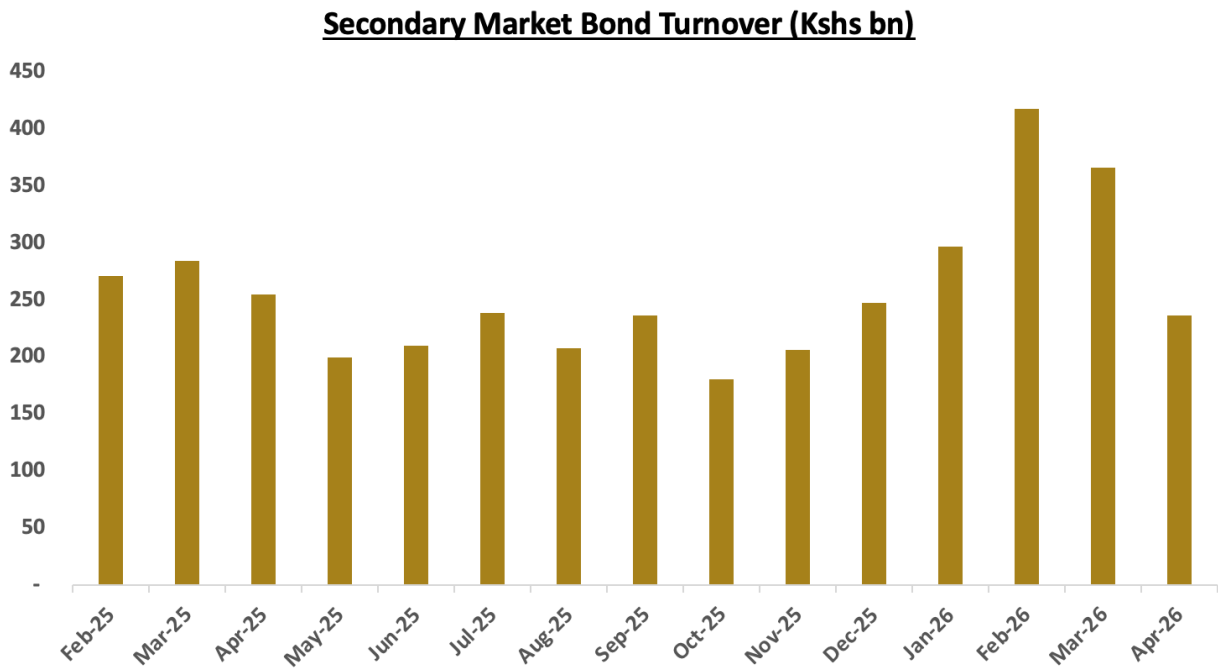
BACKGROUND CHARTS

KES/USD Performance



Source: Central Bank of Kenya (CBK)

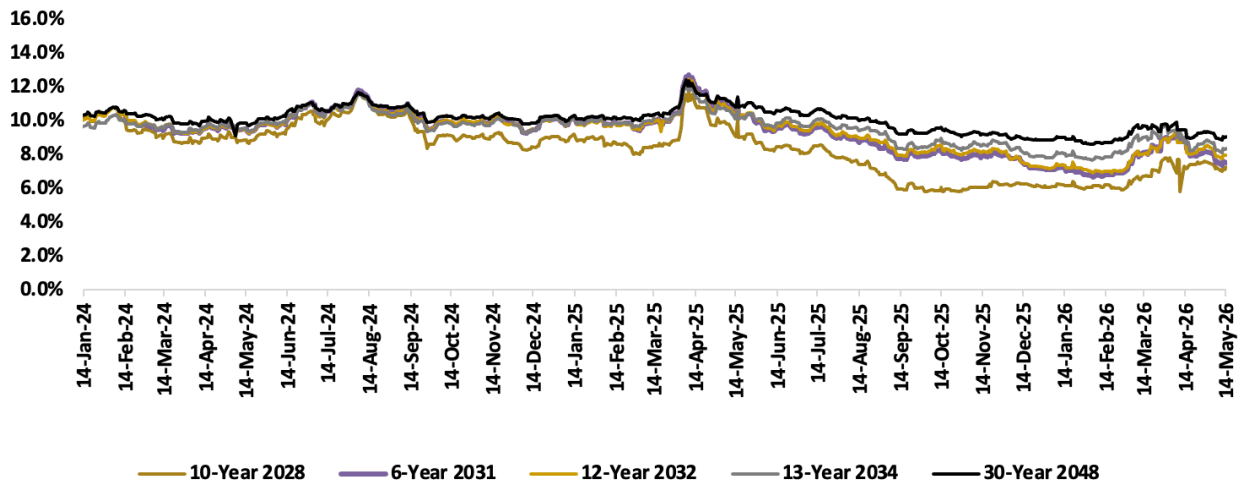
Bond Turnover



Source: Central Bank of Kenya (CBK)

Kenyan Eurobonds

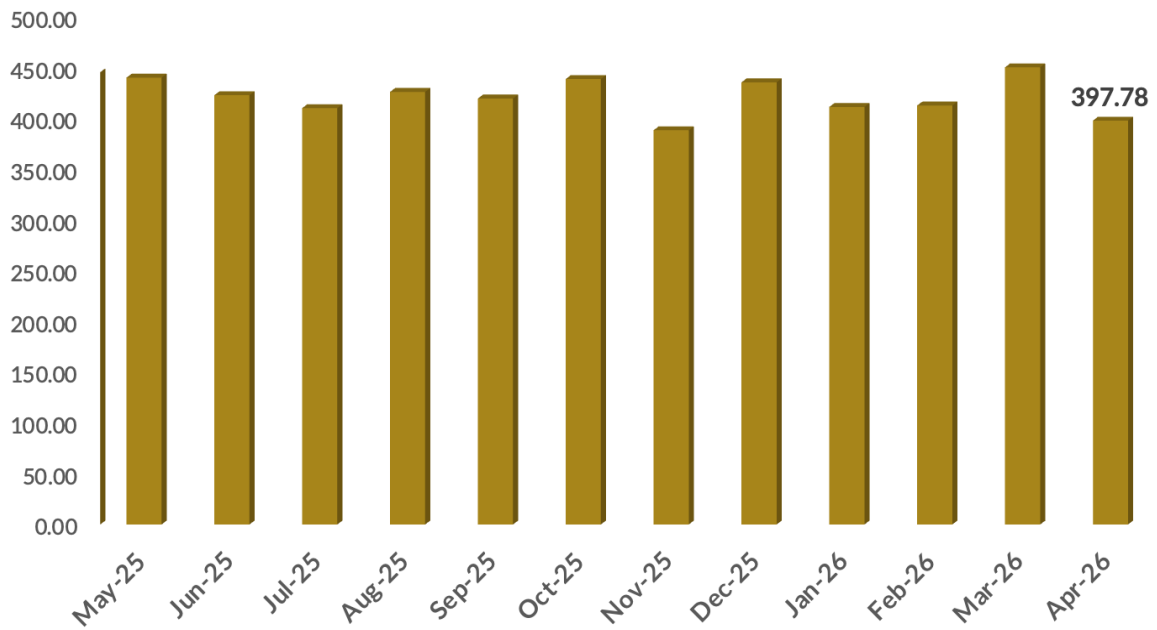
Kenya Eurobond Yields



Source: Central Bank of Kenya (CBK)

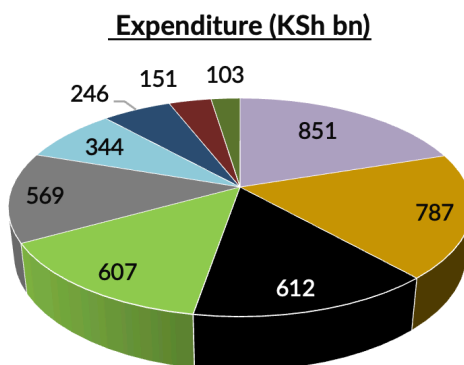
Diaspora Remittances

Diaspora Remittances (USD mn)



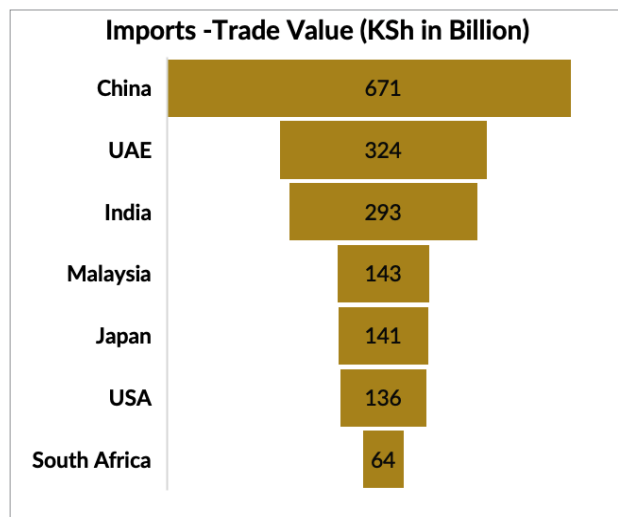
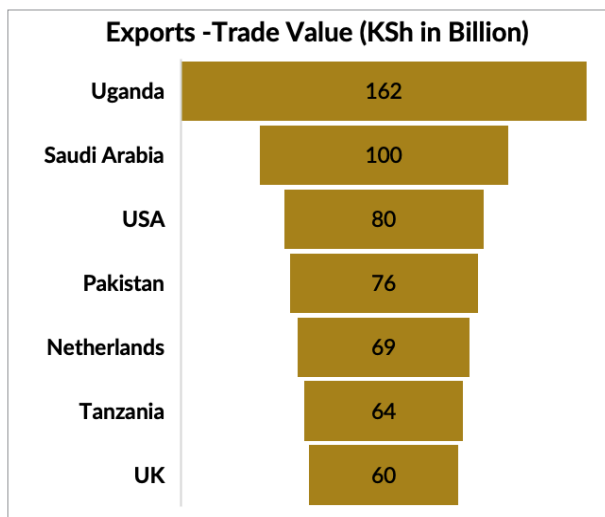
Source: Central Bank of Kenya (CBK)

National Expenditure

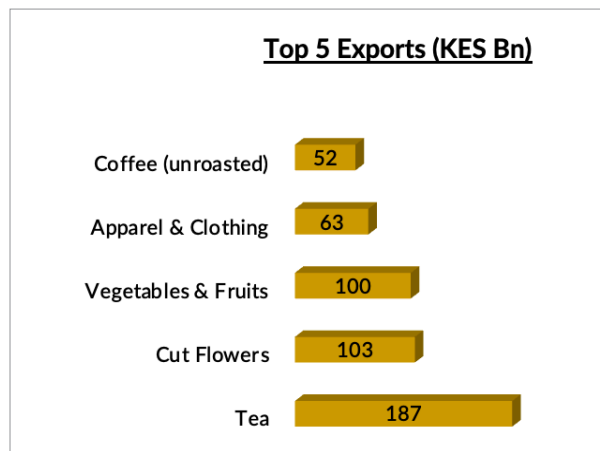
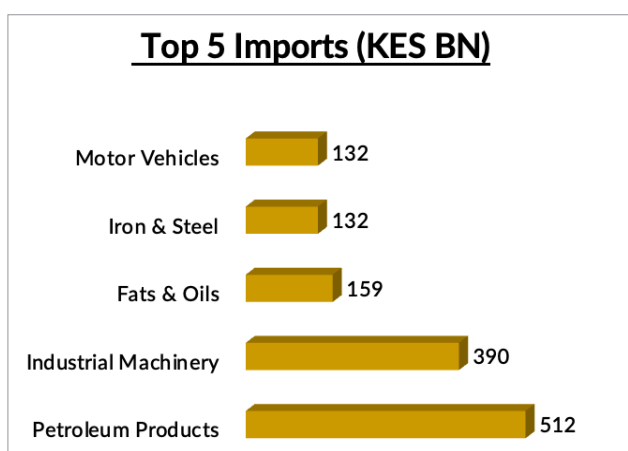


- Interest repayment (public debt)
- Education
- General Public Services
- Economic affairs
- Defense & Public order and safety
- Other public services
- Transfers to county governments
- Health
- Housing & community amenities

Source: KNBS, Chart: SIB

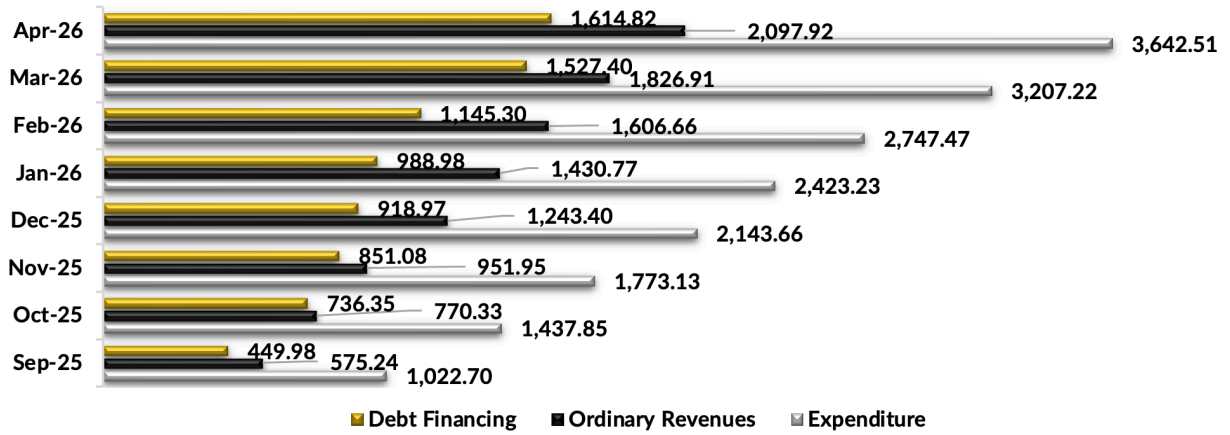


Source: KNBS, Chart: SIB



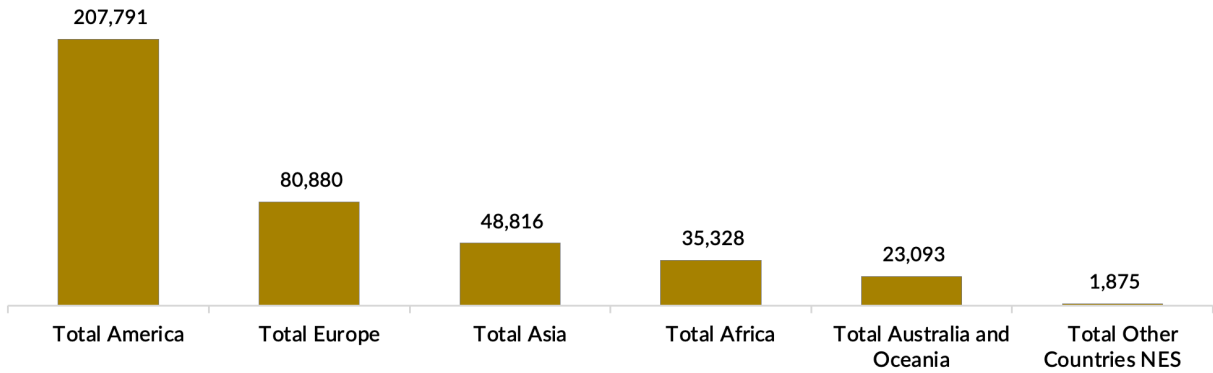
Source: KNBS, Chart: SIB

Actual Budget Performance (KES Bn)



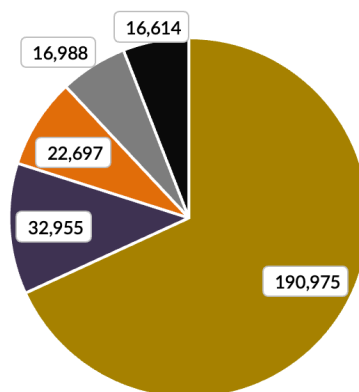
Source: The National Treasury, Chart: SIB

Top 5 Remittances By Source (USD '000) April 2026



Source: CBK, Chart: SIB

Top 5 Remittances By Country (USD '000) April 2026



Source: CBK, Chart: SIB

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CONTACTS

Research

Eric Musau
emusau@sib.co.ke

Wesley Manambo
wmanambo@sib.co.ke

Melodie Gatuguta
mgatuguta@sib.co.ke

Anjali Patel
apatel@sib.co.ke

Equity Trading

Tony Waweru
awaweru@sib.co.ke

Foreign Equity Sales

John Mucheru
jmucheru@sib.co.ke

Fixed Income Trading

Brian Mutunga
bmutunga@sib.co.ke

Barry Omotto
bomotto@sib.co.ke

Global Markets

Nahashon Mungai
nmungai@sib.co.ke

Nickay Wangunyu
nwangunyu@sib.co.ke

Corporate Finance

Job Kihumba
jkihumba@sib.co.ke

Lorna Wambui
wndungi@sib.co.ke

Marketing & Communications

Victor Ooko
communications@sib.co.ke

Client Services
clientservices@sib.co.ke

Investment Solutions

Robin Mathenge
rmathenge@sib.co.ke

Private Client Services

Boniface Kiundi
bkiundi@sib.co.ke

Frankline Kirigia
fkirigia@sib.co.ke

Laban Githuki
lgithuki@sib.co.ke

Headquarters

JKUAT Towers (Formerly ICEA Building),
16th Floor , Kenyatta Avenue, Nairobi,
Kenya.

Telephone: +254 777 333 000,
+254 20 227 7000, +254 20 227 7100

Email: clientservices@sib.co.ke

