



3Q26 PERFORMANCE REVIEW:
MPC HOLDS BENCHMARK RATE, UPGRADES KENYA GROWTH
TO 5.0% FROM 4.9%

TOP NEWS THIS QUARTER

Macro View.....	3
MPC maintains Base Rate at 8.75% in 3Q26; as committee upgrades economic growth target.....	3
El Niño Risks Could Renew Food Inflation Pressures.....	4
Renewed Energy Pressures Keep Global Inflation Risks Elevated.....	5
Kenya's Private Sector Activity Rebounds into Expansion in September.....	6
The International Scene: Shilling Remains Unmoved Against the Dollar Amid Robust Reserves.....	7
Fixed Income	10
Domestic Borrowing Intensifies as Treasury Returns to Cash-Raising Mode.....	10
Overall T-bills Subscription Rate Hits 180%, with Growing Focus on the 91-Day Paper.....	11
Government's Cost of Borrowing Eases as Rates Fall.....	11
Money Market: KESONIA Takes Centre Stage	12
Regional Macros.....	13
Uganda.....	13
Uganda's Private Sector Growth Moderates but Confidence Remains Positive.....	13
Uganda's Growth Accelerates.....	14
Tanzania.....	15
Tanzania Inflation Remains Contained, but Core Pressures Build.....	15
Monetary Policy Remains Less Accommodative.....	15
Fitch Rating Outlook Turns Positive	16
IMF Programme Supports Macroeconomic Credibility	17
Rwanda	17
Upcoming Developments.....	19
Africa Launches Credit Rating Agency to Address Financing Challenges.....	19
Background Charts.....	20

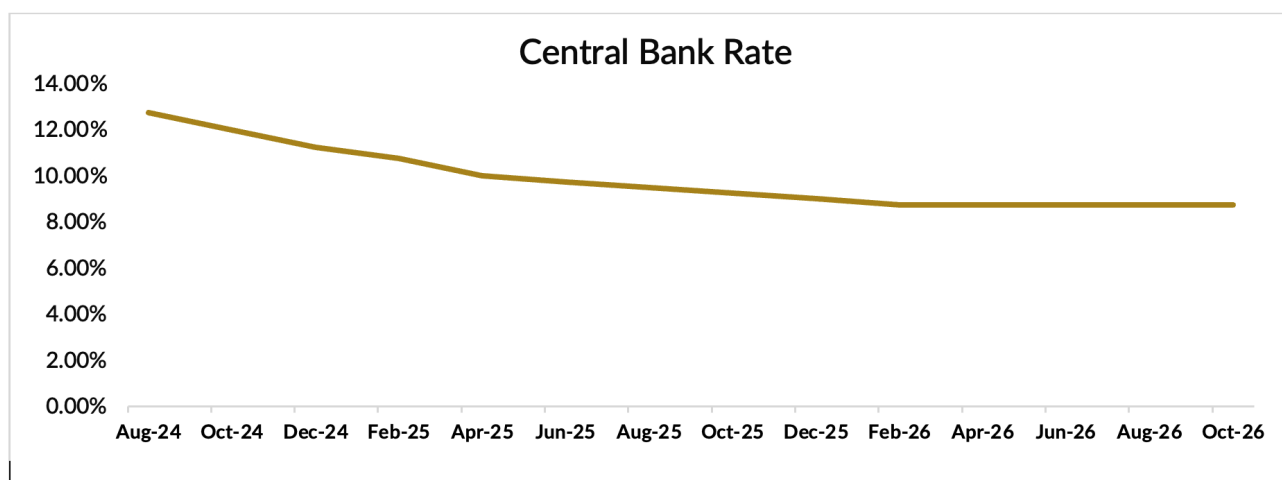


MARO VIEW

MPC maintains Base Rate at 8.75% in 3Q26; as committee upgrades economic growth target

The Central Bank of Kenya (CBK) maintained the **Central Bank Rate (CBR) at 8.75%** at its **7 October 2026 MPC meeting**, citing the need to keep inflation expectations anchored and support exchange-rate stability.

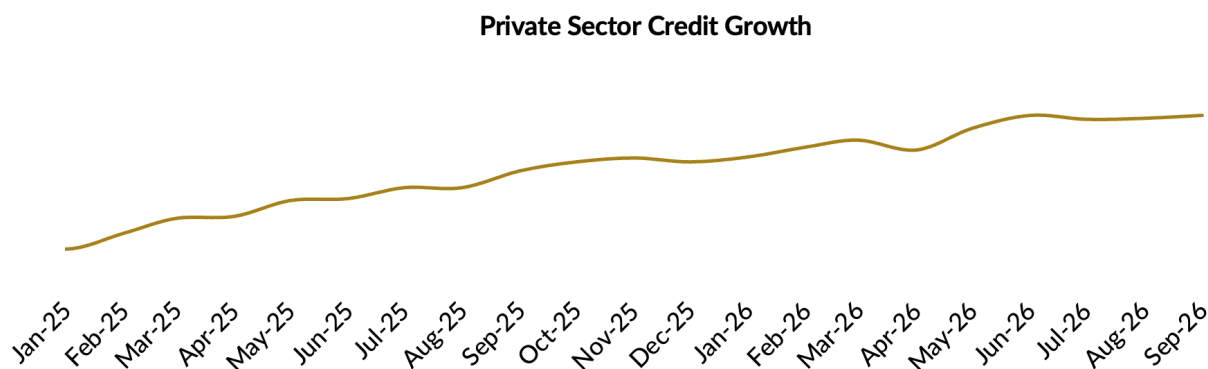
Externally, the MPC estimates the current account deficit at **3.2% of GDP in 2026**, up from 2.1% in 2025, reflecting a wider trade deficit, higher mineral fuel imports and lower remittance inflows. Goods exports increased by **11.8%**, while imports rose by **15.8%**, largely due to higher food, fuel, intermediate and capital goods imports.



Source: CBK, Chart: SIB

While credit conditions remain below historical levels, the recovery has strengthened, with **private-sector credit growth rising to 10.6% in September 2026**, from 10.3% in August and -2.9% in January 2025. The improvement reflects stronger credit demand alongside lower lending rates, with borrowing remaining robust across **trade, building and construction, agriculture, finance and insurance, and consumer durables**. At the same time, the banking sector remains stable and resilient, supported by strong liquidity and capital adequacy. Asset quality has also improved, with the **gross NPL ratio declining to 13.9% in September**, from 14.8% in June and 17.6% in August 2025.

Looking ahead, we expect the CBK to maintain a **cautious and data-dependent monetary policy stance**, with the CBR currently held at **8.75%**. While inflation remains within the target range, rising core inflation and renewed global energy-price pressures warrant continued vigilance. The CBK is likely to balance the need to **anchor inflation expectations and preserve exchange-rate stability** with supporting the ongoing recovery in private-sector credit. The MPC will continue to monitor global oil prices, geopolitical developments and potential second-round effects on domestic inflation, with the next meeting scheduled for **December 2026**.



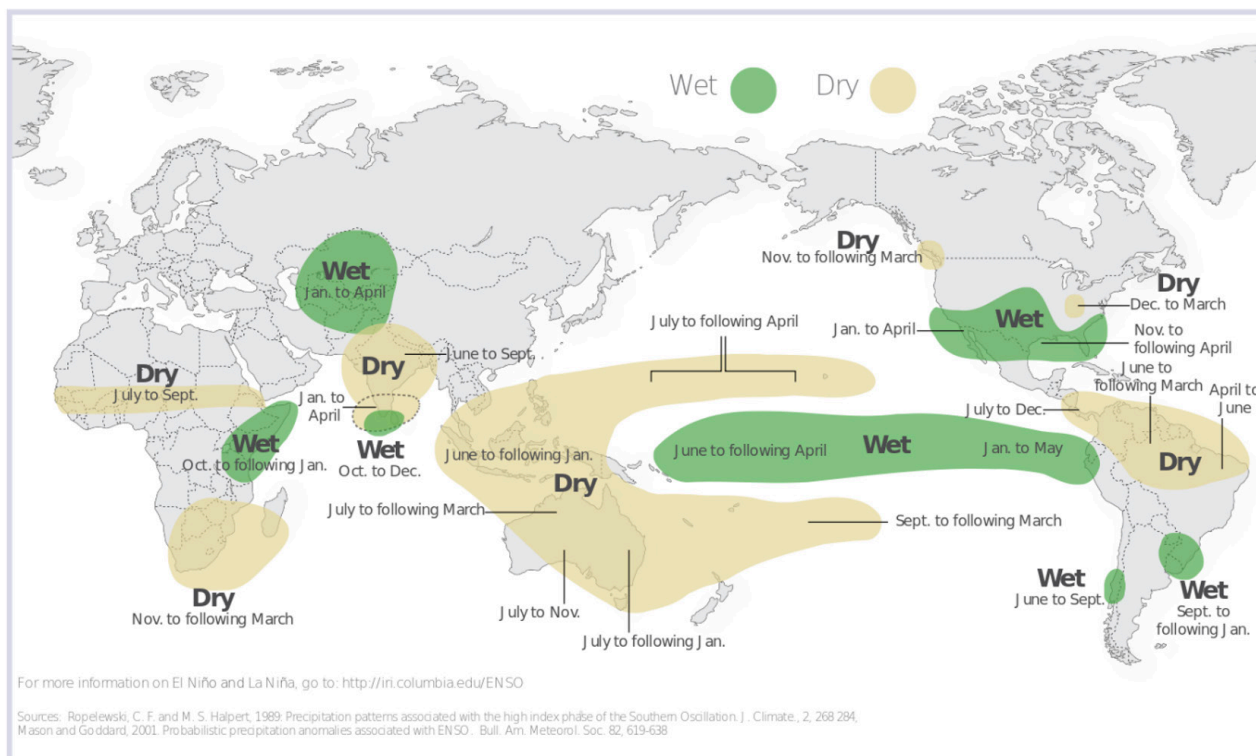
Source: CBK | Chart: SIB

El Niño Risks Could Renew Food Inflation Pressures

Kenya's **headline inflation accelerated from 6.6% in August to 6.8% in September**, remaining within the Central Bank of Kenya's **2.5–7.5% target range**. The increase was primarily driven by a sharp rise in **core inflation**, which climbed from **3.4% to 4.0%**, alongside higher **food inflation**, which rose from **9.0% to 9.5%**.

El Niño and Rainfall

El Niño conditions in the tropical Pacific are known to shift rainfall patterns in many different parts of the world. Although they vary somewhat from one El Niño to the next, the strongest shifts remain fairly consistent in the regions and seasons shown on the map below.



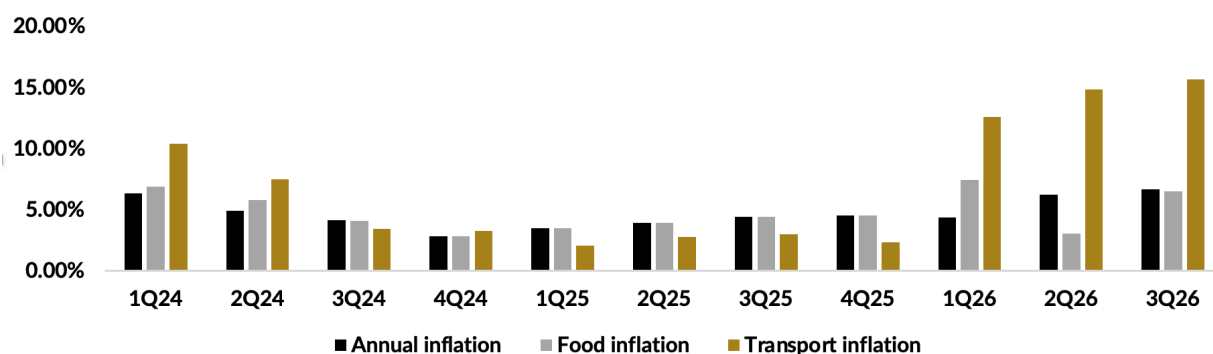
Persistent supply-side pressures, particularly from the ongoing **dry spell**, pushed up the prices of milk, beef and fresh produce, with **potatoes, kale, cabbages and tomatoes** recording notable annual increases. Meanwhile, **energy and transport costs remained elevated**, with annual petrol and diesel prices rising by **15.8% and 26.9%**, respectively, contributing to a **15.6% increase in the transport index**.

Weather Risks Add to Inflation Uncertainty

Overall, **weather-related risks are becoming an increasingly important factor in Kenya's inflation outlook**. Improved rainfall could support agricultural production and ease food-price pressures, but excessive rainfall and flooding could instead damage crops, disrupt transport networks and raise distribution costs. These risks come alongside elevated energy prices and ongoing global uncertainty, creating a challenging environment for monetary policy.

For the **fixed-income market**, a renewed food or energy shock would complicate the disinflation process and could limit the scope for further yield compression. While inflation remains within the CBK's target range, **higher food prices, weather-related supply disruptions and potential second-round effects remain key risks to monitor**, particularly as the CBK balances the need to support economic growth against the risk of renewed inflationary pressures.

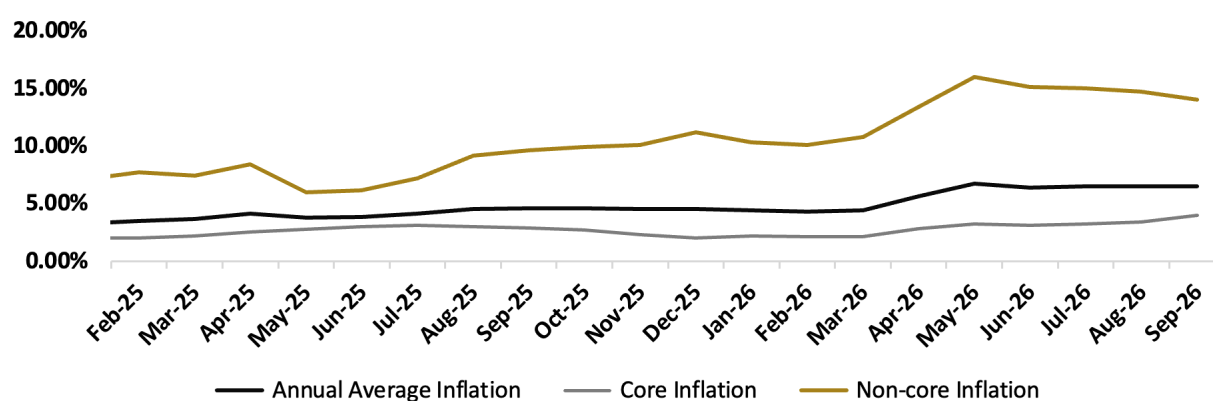
Average inflation



Source: KNBS | Chart: SIB

Despite a slight uptick in annual inflation rates in recent months, the metric remains below the mid-point of CBK's target range of $5 \pm 2.5\%$.

Consumer Prices



Source: KNBS | Chart: SIB

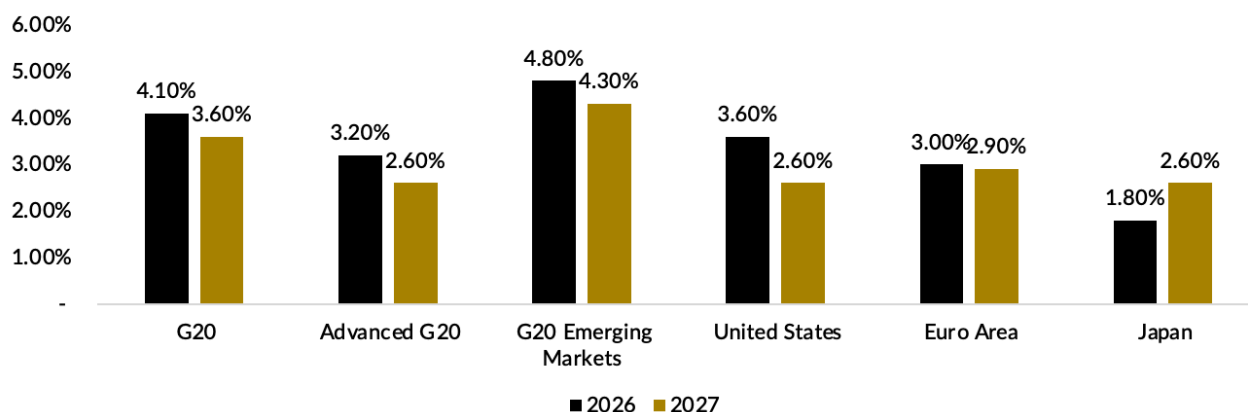
Renewed Energy Pressures Keep Global Inflation Risks Elevated

The global inflation outlook has become more challenging as **renewed disruptions to energy production and exports in the Middle East have pushed oil and gas prices higher**, reversing some of the moderation seen earlier in the year. The OECD estimates that headline inflation across the G20 is set to rise to **4.1% in 2026 from 3.4% in 2025**, while more than half of G20 economies are currently recording inflation above their central banks' targets. The renewed energy shock is also feeding into business costs, particularly through higher fuel and refining costs, raising the risk of further **second-round effects on consumer prices**.

The impact is already becoming evident across major economies. In the **euro area**, **headline inflation rose to 3.2% in August from 3.0% in July**, with energy inflation increasing sharply to **14.3%**, while core inflation remained broadly stable at **2.5%**. Meanwhile, **U.S. headline inflation stood at 3.4% in August**, with energy prices rising 16.3% y/y, highlighting the growing contribution of energy costs to overall price pressures. In Japan, energy inflation also turned positive for the first time since November 2025.

For emerging markets, the renewed energy shock presents a particularly important risk given the potential pass-through to **transport, electricity, food production and imported goods**. While underlying inflation remains relatively contained in some economies, persistent energy costs could slow the disinflation process and **limit the scope for monetary easing**. For Kenya, where higher fuel prices can quickly transmit through transport and production costs, the global energy environment remains an important external risk to the inflation outlook and domestic fixed-income market.

OECD September 2026 Inflation projections

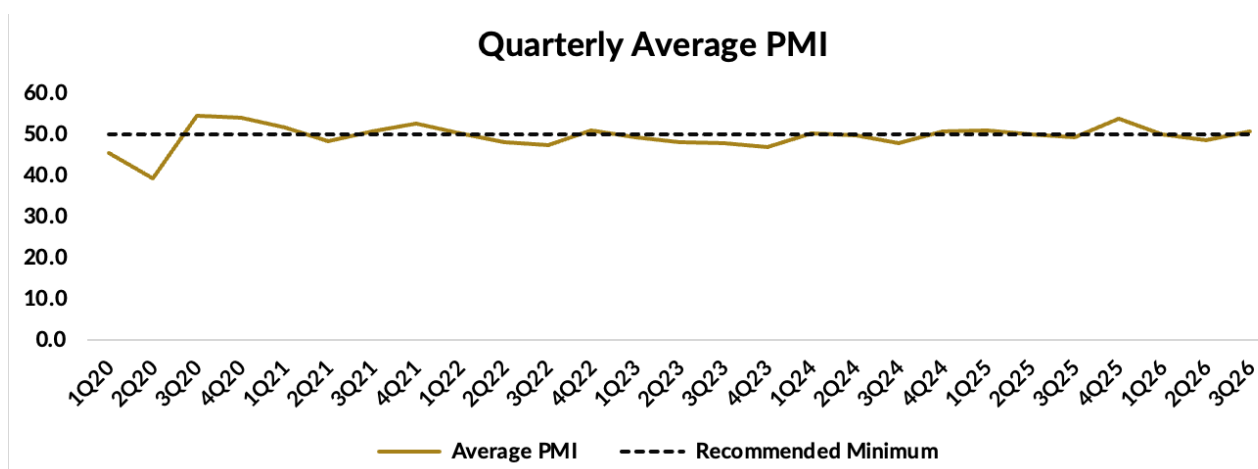


Source: OECD | Chart: SIB

Kenya's Private Sector Activity Rebounds into Expansion in September

Kenya's private-sector activity showed tentative signs of recovery in September, with the **Stanbic Bank Kenya PMI rising to 51.3 from 49.7 in August**, moving back above the 50.0 threshold and signalling a modest improvement in business conditions. The rebound was primarily **demand-led**, with new orders recording a fourth consecutive monthly increase, supported by stronger customer demand, improved cash flows, customer referrals and marketing activity. However, the improvement in headline sentiment has yet to translate into a broad-based recovery in output, which **contracted for a seventh consecutive month**, albeit at the softest pace in the current downturn.

See the chart below illustrating PMI trends over the years:



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

Cost Pressures Intensify, Selling Prices Accelerate: inflationary pressures across Kenyan businesses strengthened in September, with around **30% of firms reporting higher input costs**, compared with just 1% reporting a decline. Higher fuel, transport and agricultural prices pushed up overall cost burdens, while businesses raised selling prices sharply to protect margins. **Output price inflation accelerated to its second-fastest pace since November 2023**, surpassed only by the rate recorded in June 2026, signalling a growing pass-through of elevated operating costs to consumers.

Purchasing Activity and Inventories Rebound: Firms increased purchasing activity for the first time in four months, albeit marginally, alongside a renewed build-up in input inventories. Supplier delivery times also improved for a second consecutive month, although only slightly, as **material shortages continued to constrain supply chains**. The improvement in purchasing and inventory accumulation suggests that firms are preparing for sustained demand, even as supply-side constraints remain binding.

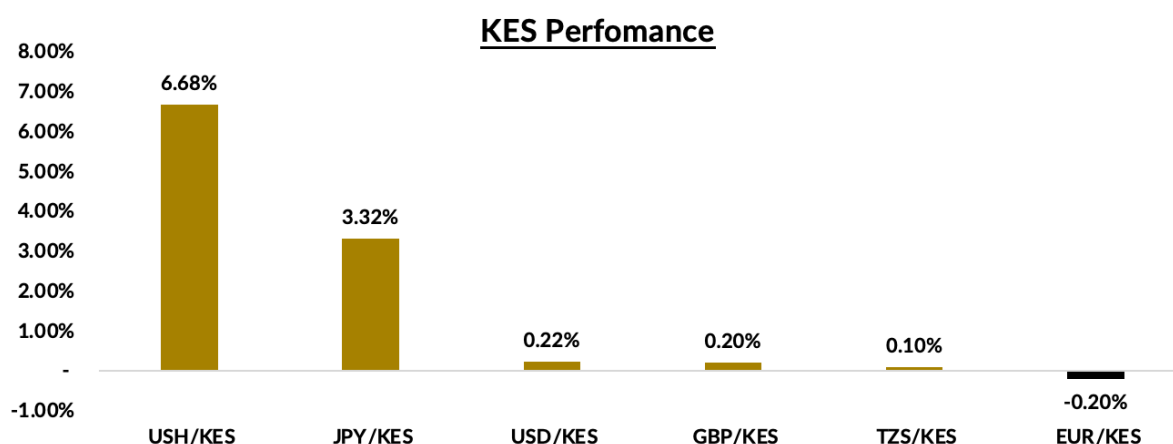
Hiring Holds Up Despite Weak Output: Employment continued to increase in September, while outstanding work rose for a fourth consecutive month, pointing to strengthening workloads and expectations of sustained demand. However, business confidence eased to a **four-month low**, highlighting continued caution around the durability of the recovery.

Overall, the September reading points to **improving demand momentum but increasingly binding supply and cost constraints**, suggesting that the near-term outlook remains cautiously positive, but that a sustained recovery will depend on **easing inflationary pressures and improved input availability**.

The International Scene: Shilling Remains Unmoved Against the Dollar Amid Robust Reserves

The Kenyan shilling was broadly stable against major currencies during the quarter, with **USD/KES appreciating by 0.22% q/q** and **GBP/KES by 0.20%**, while **EUR/KES declined by 0.20%**. The shilling recorded a stronger move against the **USH/KES at 6.68%** and **JPY/KES at 3.32%**, while **TZS/KES increased marginally by 0.10%**. Overall, the relatively limited movements against major global currencies point to continued exchange-rate stability.

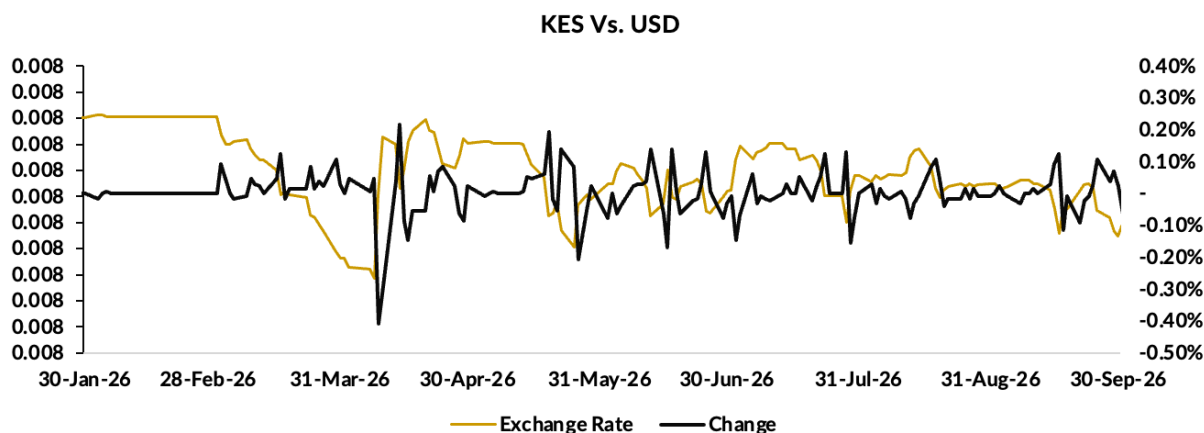
See the chart below for illustration:



Source: CBK, Chart: SIB

For nearly a year, the USD/KES exchange rate has remained anchored around the resistance level of 128–129. This sustained stability is largely attributed to reduced dollar demand and a strong foreign exchange reserves position, which affords the Central Bank the flexibility to intervene in the market when necessary.

See the illustration below;



Source: CBK, SIB Estimates, Chart: SIB

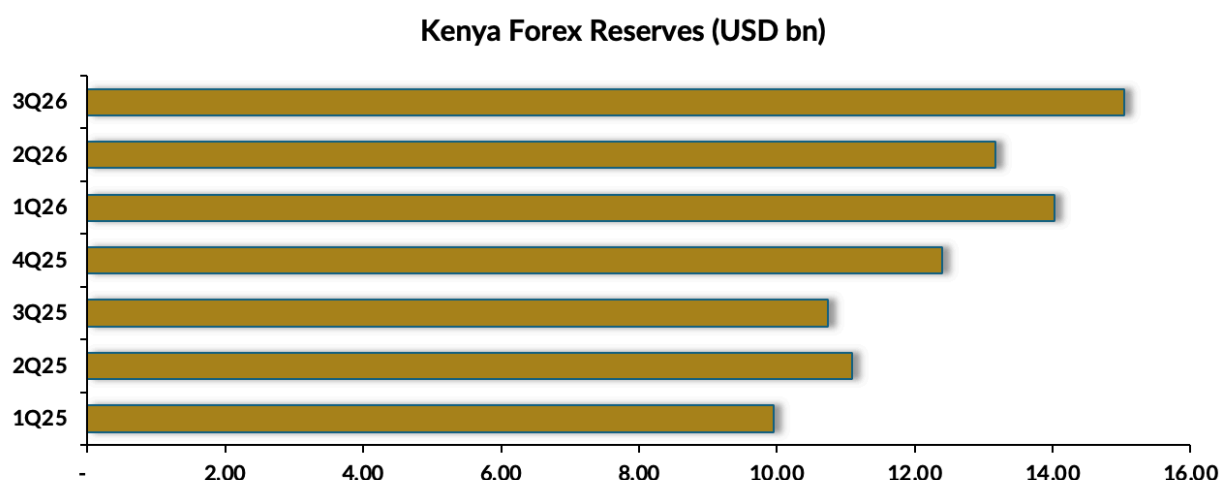
Exchange rate stability remains at risk from a **widening current account deficit and potential disruptions to diaspora remittance inflows**, largely linked to ongoing geopolitical tensions. The performance of the Kenya shilling continues to depend on **external trade dynamics, remittance inflows, and external debt management operations**.

Overall, **exchange rate stability remains vulnerable to external shocks, including geopolitical tensions, energy price fluctuations, and trade disruptions**, which are likely to **heighten volatility and sustain depreciation pressures in the near term**.

Kenya's foreign exchange reserves have risen to USD 15.04bn (c. 6 months of import cover) as of September 2026, providing a robust external buffer as the economy faces rising risks from elevated global oil prices and escalating Middle East tensions. This figure marks a 14% from the levels recorded at the end of the second quarter in June 2026.

The reserve position comfortably exceeds both the CBK's statutory requirement of 4 months and the East African Community's convergence criteria of 4.5-months. Additional external financing is likely to improve this position in coming months.

See the chart below;



Source: CBK | Chart: SIB

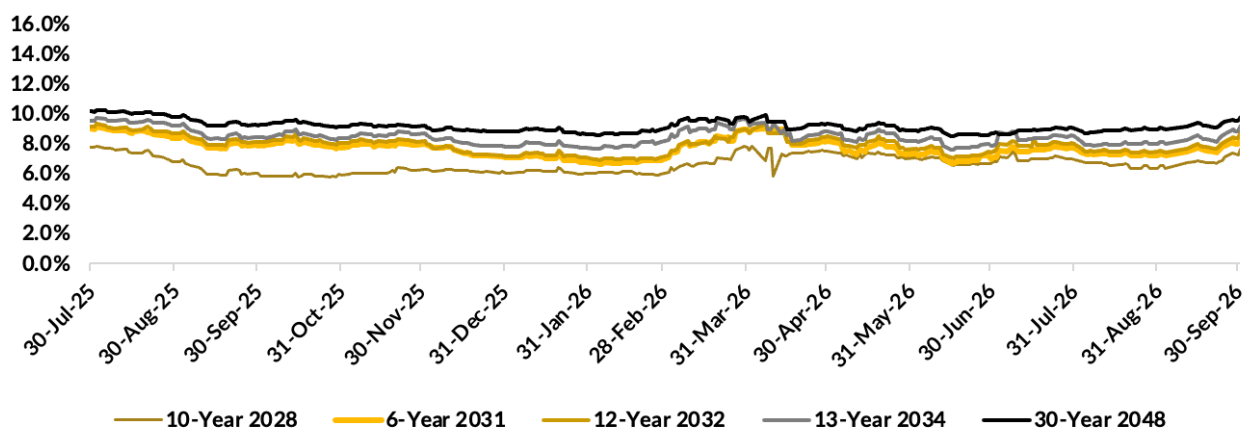
The improved reserve position comes at a critical time, as **elevated global oil prices and escalating Middle East tensions** pose downside risks to Kenya's external balance. As a net oil importer, sustained price pressures could widen the current account deficit and introduce renewed FX pressures.

Nonetheless, the current buffer should help **anchor currency stability in the near term**. However, given that the reserve accumulation is partly driven by **non-recurring inflows**, underlying external vulnerabilities remain, particularly in the face of tightening global financial conditions.

Kenyan Eurobond yields rose across all maturities in 3Q26, reversing the decline recorded in 2Q26. Yields increased by 0.6–1.0% q/q, with the increase becoming more pronounced at the longer end of the curve. **The 2048 bond recorded the largest rise of 1.0% q/q to 9.5%**, while the 2028 bond increased by 0.6% to 7.3%. The broad-based repricing reflects **higher investor risk premiums and renewed upward pressure on external borrowing costs**, particularly for longer-dated sovereign debt, amid a more cautious global market environment.

Kenyan Eurobond yields are likely to remain **elevated in the near term**, with the longer end of the curve particularly sensitive to movements in global benchmark yields, oil prices and investor risk appetite. While improved domestic macroeconomic stability and progress on fiscal consolidation could support renewed yield compression, **persistent inflationary pressures, elevated external financing needs and global rate uncertainty** are likely to limit the pace of any decline. The planned external borrowing will also remain an important market test, with pricing expected to depend on prevailing global conditions and investor confidence in Kenya's fiscal trajectory.

Kenya Eurobond Yields



Source: CBK | Chart: SIB

Issuance	10-Year 2028	6-Year 2031	12-Year 2032	13-Year 2036	30-Year 2048
Maturity Date	28-Feb-28	16-Feb-31	22-May-32	1-Jun-34	28-Feb-48
Tenor to Maturity	1.4	4.3	5.6	7.6	21.4
4Q24	9.1%	10.1%	10.1%	10.1%	10.3%
1Q25	8.8%	10.4%	10.4%	10.4%	10.8%
2Q25	8.3%	9.4%	9.6%	9.8%	10.5%
3Q25	6.1%	7.9%	8.1%	8.4%	9.2%
4Q25	6.0%	7.1%	7.2%	7.8%	8.8%
1Q26	7.8%	9.0%	9.0%	9.6%	9.8%
2Q26	6.7%	7.2%	7.5%	8.0%	8.6%
3Q26	7.3%	8.0%	8.4%	8.9%	9.5%
q/q	0.6%	0.8%	0.9%	0.9%	1.0%
y/y	1.3%	1.0%	1.5%	1.5%	0.6%

Source: CBK | Table: SIB

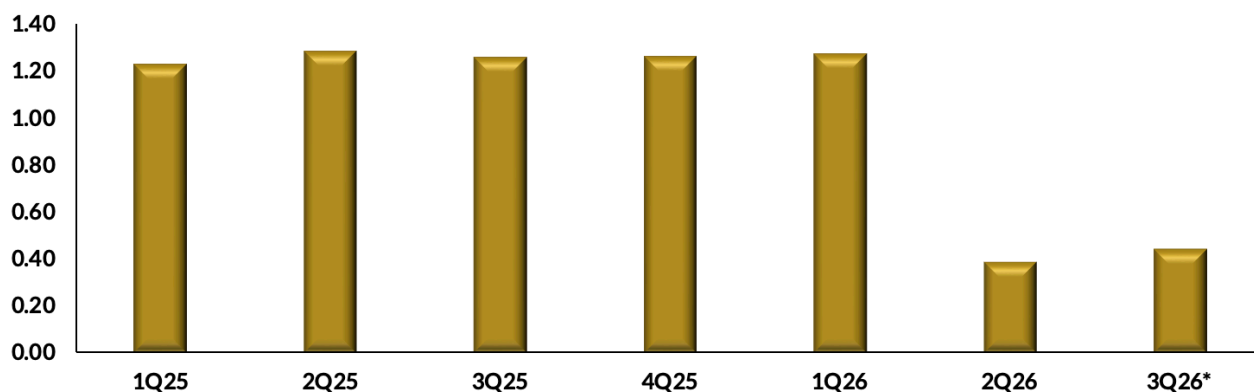
The cumulative diaspora remittances for the first two months of 3Q26 **increased** by 14% to **USD 888 Bn** from KES 792 Bn recorded in the first two months of 1Q26.

Kenya's diaspora remittances rose to a record **US\$451.85 million in August 2026**, up **3.5% m/m** and **6.0% y/y**, surpassing the previous high of US\$450.29 million recorded in March. However, the record monthly inflow masks a continued shift in the composition of remittance sources, with US inflows **falling 15.4% y/y to US\$205.22 million** and their share declining to **45.4%**.

The weakness from the US has been increasingly offset by stronger inflows from Europe, Africa and other markets, with European receipts rising **23.7% y/y** and inflows from markets outside North America and Europe increasing **42.5%**.

Overall, remittance inflows remain **a key pillar supporting Kenya's external position**, helping to cushion the current account and support FX reserve accumulation.

Cumulative Diaspora Remittances (USD Bn)



Source: CBK, SIB Estimates | Chart: SIB

Diaspora remittances to Kenya are expected to remain resilient in 2026, with the Central Bank of Kenya projecting ~4% growth to USD 5.24bn, supported by a recovery in inflows from the Middle East—particularly Saudi Arabia—following prior disruptions linked to Labor policy changes. Monthly inflows are likely to remain stable in the USD 400–420mn range, anchored by strong contributions from North America. Remittances will continue to play a critical role in supporting FX reserves and shilling stability, although risks remain tilted to the downside from potential global growth moderation and tightening external financial conditions.

Looking ahead, **diaspora remittances—particularly from key sources such as the UAE and Saudi Arabia—face potential headwinds** amid ongoing disruptions in the Middle East. Similarly, **tea exports to Gulf markets could be adversely affected if the conflict persists**, posing risks to export revenues.

FIXED INCOME

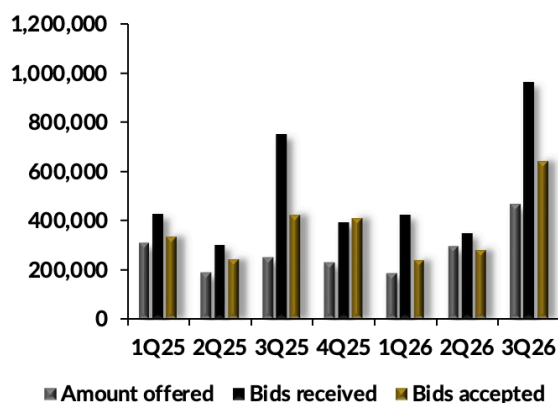
Domestic Borrowing Intensifies as Treasury Returns to Cash-Raising Mode

In 3Q26, the Central bank sought to raise KES 465Bn up from KES 295Bn the previous quarter, with investors submitting bids worth KES 965bn. This translated to a subscription rate of 207%, with the government accepting KES 643Bn.

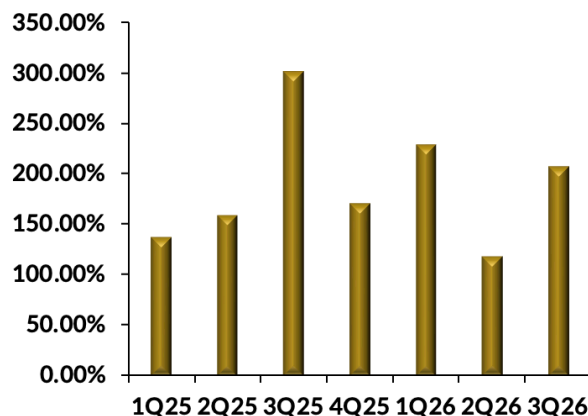
Despite liquid market conditions, **funding pressures are intensifying**. Consequently, the government recorded a **domestic borrowing surplus of KSh595Bn**, equivalent to **35.3% of the FY2026/27 net domestic borrowing target of KES 919Bn**, providing some early-year headroom against the borrowing requirement.

In parallel, **external financing remains constrained**, with no IMF disbursements to date and limited flexibility from project-linked loans, shifting greater reliance onto the domestic capital market.

T-Bonds performance (KES Bn)



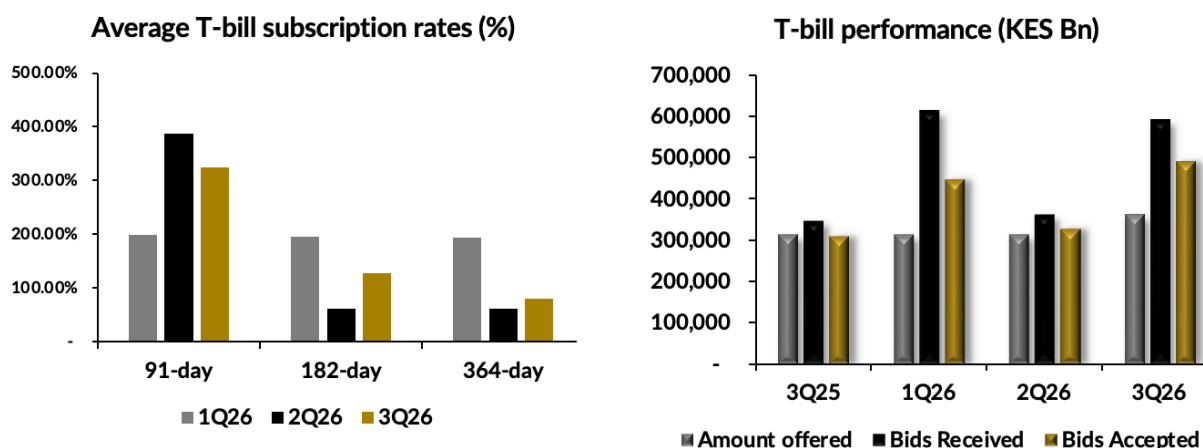
T-bonds subscription rates (%)



Source: CBK, Chart: SIB

Overall T-bills Subscription Rate Hits 180%, with Growing Focus on the 91-Day Paper

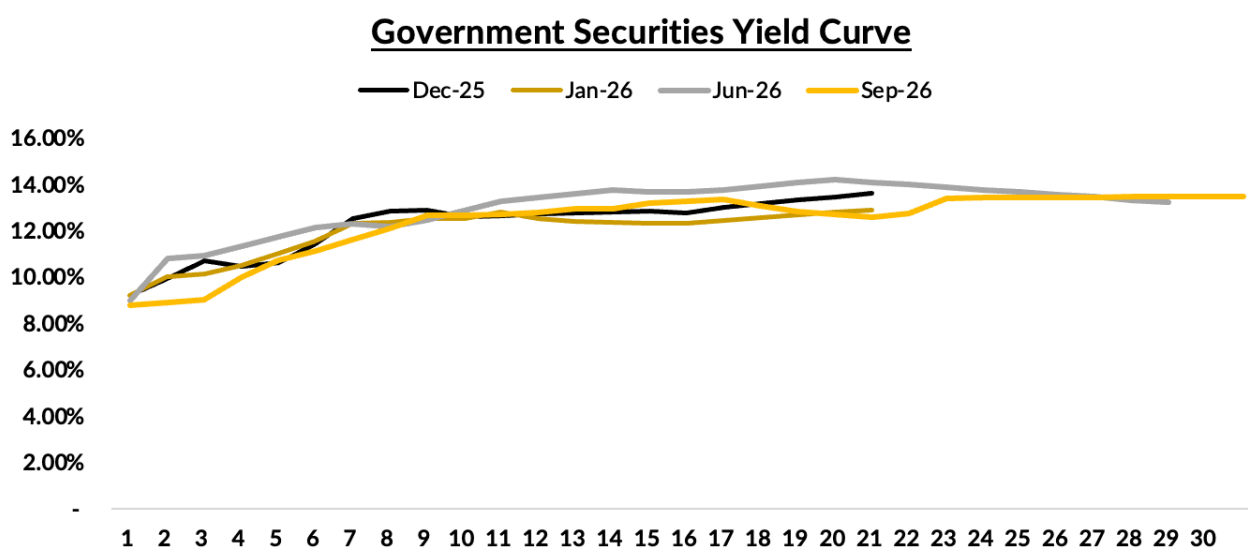
Investor demand for T-bills remained robust in 3Q26, with overall subscription averaging 180%, up from 170% in 2Q26, reflecting sustained liquidity in the market. Demand was concentrated on the 91-day paper recording an average subscription of 323% (vs. 199% in 1Q26 and 387% in 2Q26), highlighting continued investor preference for shorter-dated instruments. Similarly, the 182-day and 364-day papers recorded strong uptake at 128% and 81%, (vs. 61% and 61% in 2Q26), respectively.



Source: CBK, Chart: SIB

Government's Cost of Borrowing Eases as Rates Fall

Overall, Treasury bonds secondary market trading yields for 2026 remained below the 2025 yield curve. In the third quarter of 2026, the yield curve remained upward sloping with a slight hump observed in the medium-term tenors. This structure reflects prevailing monetary conditions and investor expectations alongside robust investor demand for long-dated government securities.

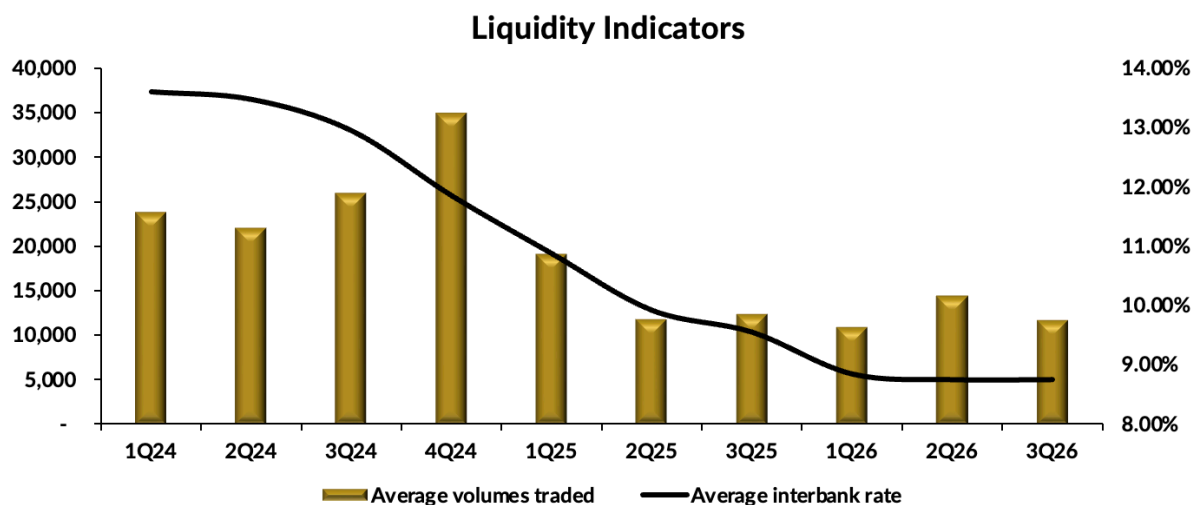


Source: NSE, Chart: SIB

Money Market: KESONIA Takes Centre Stage

In the interbank market, average traded volumes decreased by 19% q/q to KES 12bn, from KES 15bn in 2Q26. Conversely, the average interbank lending rate remained unchanged at 8.75%, in line with the downward adjustments of the CBR and consequently the interbank corridor.

See the chart below;



Source: CBK, Chart: SIB

S&P Affirms Kenya's 'B/B' Rating with Stable Outlook.

S&P Global Ratings affirmed Kenya's **'B/B' sovereign rating with a Stable Outlook**, citing stronger external buffers and resilient economic growth, while highlighting **high interest costs, slower fiscal consolidation and elevated external financing needs** as key constraints. FX reserves reached a **record US\$15.3 billion in August 2026**, up from US\$6.6 billion in December 2023, providing greater resilience against external shocks. However, S&P expects the FY2026/27 fiscal deficit to widen to **7.1% of GDP**, above the government's 5.5% target, amid revenue shortfalls, election-related spending and elevated debt-servicing costs. The agency also lowered its **2026 GDP growth forecast to 4.9%** and expects the current account deficit to widen to **3.0% of GDP**, reflecting higher energy costs and external pressures. Overall, while stronger reserves and continued growth support the rating, **fiscal slippage, high interest burdens and substantial financing requirements** remain key downside risks.

Credit Rating Action- S&P Rating



Source: S&P Global Ratings, Chart: SIB

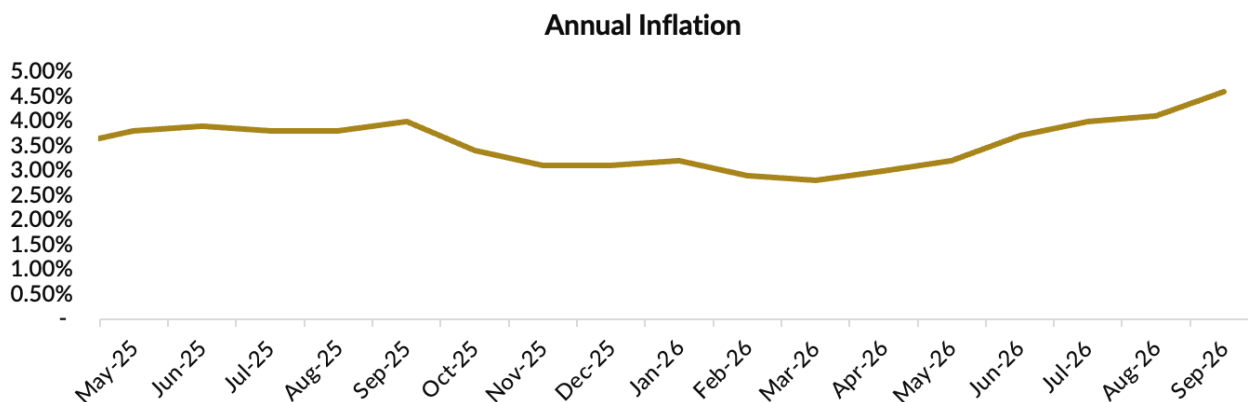
Fitch Ratings scheduled sovereign reviews for 2026 were set for 23 January and 17 July, both of which have passed. Moody's last recorded rating update was on 27 January 2026, while S&P Global Ratings' latest rating listed by Kenya's Public Debt Management Office was dated 22 August 2025. No further confirmed review dates for these agencies have been established from the available calendars.

REGIONAL MACROS

Uganda

Uganda's annual headline inflation increased to **4.6% in September 2026**, from 4.1% in August, largely reflecting **higher food crop prices and rising core inflation**. Food crops and related items inflation climbed to **4.5% from 2.1%**, while core inflation edged up to **3.7% from 3.5%**. Meanwhile, energy, fuel and utilities inflation remained elevated at **14.5%**, with petrol and diesel prices rising **30.9% and 42.5% y/y**, respectively.

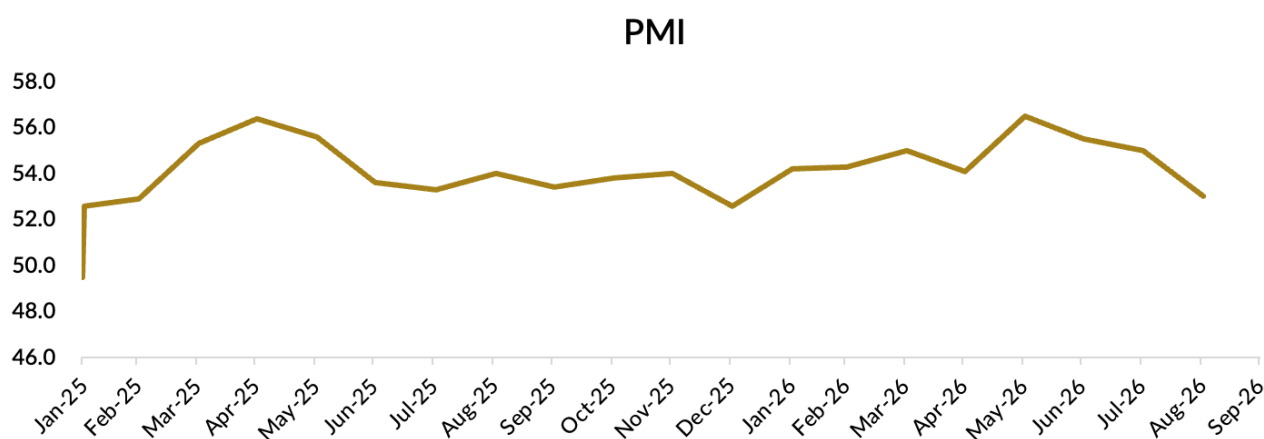
The impact of rising global oil prices was, however, moderated by government efforts to ensure a stable fuel supply through centralized fuel imports by Uganda National Oil Company (UNOC) and the management of strategic fuel reserves in Jinja. As a result, fuel pump prices in Uganda remained relatively stable and lower than in other EAC countries.



Source: BOU, Chart: SIB

Uganda's Private Sector Growth Moderates but Confidence Remains Positive

Uganda's private sector continued to expand in September 2026, although the pace of improvement moderated, with the **Stanbic Bank Uganda PMI easing to 53.0 from 55.0** in August. Despite the decline, the index remained firmly above the **50.0 threshold**, indicating a continued improvement in business conditions and marking the **20th consecutive month of output growth**. The expansion was supported by sustained customer demand, with **new orders and output increasing**, while successful advertising campaigns and promotional activity also contributed to stronger business inflows. However, growth was uneven across sectors, **with agriculture and wholesale & retail recording contractions in output**.



Source: Stanbic Uganda, Chart: SIB

Firms increased **employment, purchasing activity and inventories**, with inventories rising for the **19th consecutive month** as businesses anticipated stronger demand. Meanwhile, backlogs increased for a fourth month, partly due to delayed payments. Supply-side pressures intensified as **higher fuel and transport costs and international shipping delays** disrupted supplier performance. Rising fuel, utilities, transport and wage costs also pushed up input prices, with firms increasingly passing these costs on to customers. Despite these pressures, **business confidence remained positive across all monitored**

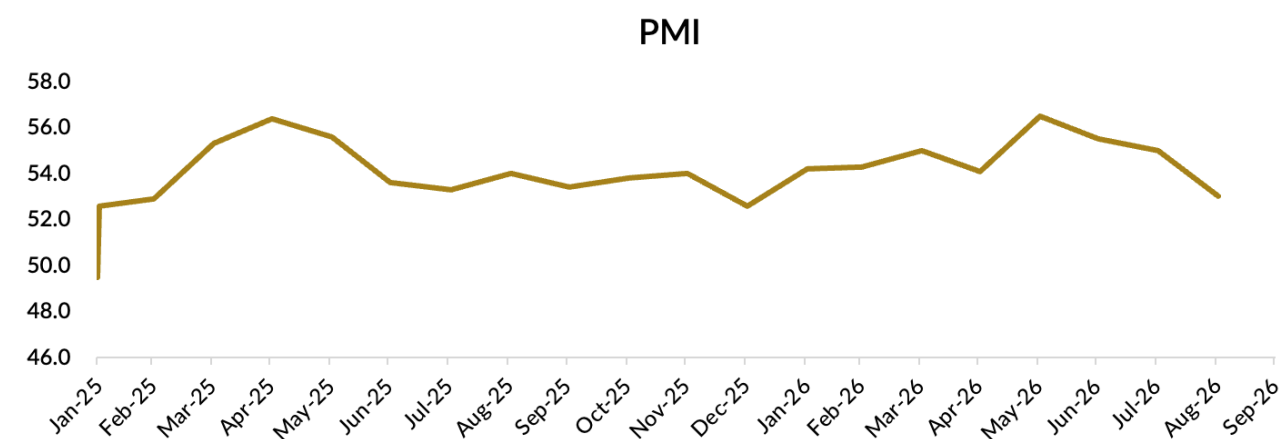
sectors, with firms expecting higher output over the coming year.

The Bank of Uganda (BoU) maintained the **Central Bank Rate (CBR) at 9.75% in August 2026**, citing the need to preserve price stability amid elevated energy-related risks. The BoU expects headline inflation to average **5.5–6.0%** and core inflation **4.0–4.5%** over the next 12 months. Although the inflation outlook has improved, risks remain tilted to the upside from **volatile oil prices, geopolitical tensions, exchange-rate pressures and adverse weather conditions**. The Bank therefore maintained a cautious, data-dependent policy stance while assessing the persistence of these pressures.

Uganda's Growth Accelerates

Despite enduring headwinds from global shifts and geopolitical instability, Uganda's economy expanded by 8.5% in 2Q FY2025/26, up from 5.4% in the same period a year earlier, lifting first-half growth to 6.7% from 5.8%. The stronger performance was supported by higher aggregate demand, investment and exports, which boosted activity across agriculture, industry and services.

Looking ahead, the GDP growth forecast for the 2026/27 fiscal year remains mostly unchanged compared to the projections made in February 2026. While ongoing conflict in the Middle East may shift which specific sectors drive the economy, higher global oil prices are expected to boost the value of Uganda's own oil exports, even though they will simultaneously pressure household budgets and escalate operating costs for businesses. Over the medium term, the economic outlook remains highly positive, with growth projected to average around 7.0% due to a combination of stronger export performance and rising corporate investment.



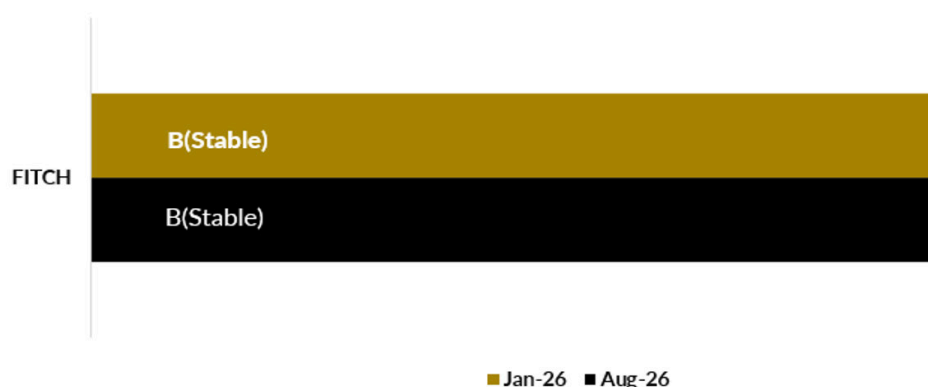
Source: Stanbic Uganda, Chart: SIB

Fitch Affirms Uganda at 'B'; Outlook Stable

Fitch Ratings **affirmed Uganda's 'B' sovereign rating with a Stable Outlook on 7 August 2026**, citing the country's record of macroeconomic stability and strong medium-term growth prospects, particularly with **oil production expected to begin in 1H27**. Fitch forecasts GDP growth of **6.3% in 2026 and 7.5% in 2027**, supported by the ramp-up of oil production. However, the rating remains constrained by **wide fiscal and current-account deficits, rising public debt, high interest costs and weak revenue mobilisation**. Public debt is expected to reach **56.1% of GDP in FY27**, while the interest-to-revenue ratio is projected to remain elevated at 31.5%, significantly above the 'B' median. The external position also remains a vulnerability, with the current-account deficit projected to widen to **6.8% of GDP in 2026** and FX reserve coverage declining to **2.7 months of current external payments**. Fitch noted that oil exports should gradually strengthen both fiscal and external positions from 2027, although governance and succession-related political uncertainty remain key risks.

As of 12 October 2026, no further sovereign rating review dates for Uganda have been confirmed from the published calendars reviewed for Fitch, Moody's and S&P Global Ratings. Any additional rating action will depend on the respective agencies' review schedules and assessment of the country's credit fundamentals

Credit Rating Action - Fitch Rating



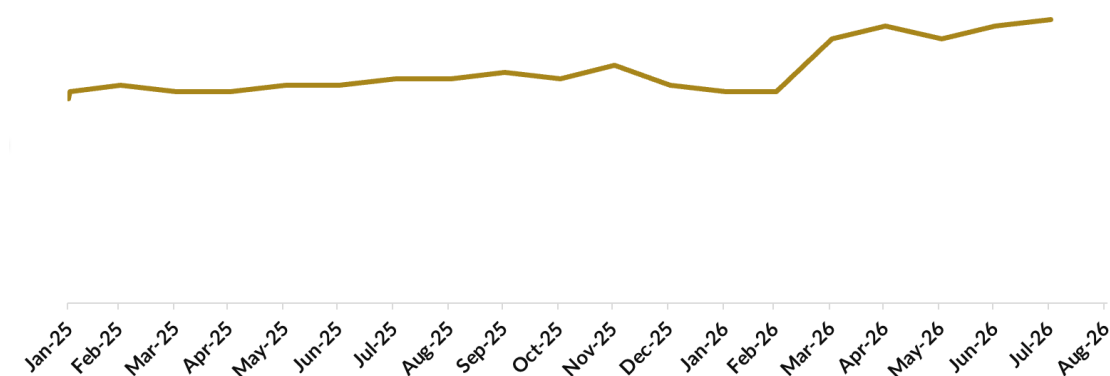
Source: Fitch Ratings, Chart: SIB

Tanzania

Tanzania Inflation Remains Contained, but Core Pressures Build

Fitch Ratings affirmed Uganda's 'B' sovereign rating with a Stable Outlook on 7 August 2026, citing the country's record of macroeconomic stability and strong medium-term growth prospects, particularly with **oil production expected to begin in 1H27**. Fitch forecasts GDP growth of **6.3% in 2026 and 7.5% in 2027**, supported by the ramp-up of oil production. However, the rating remains constrained by **wide fiscal and current-account deficits, rising public debt, high interest costs and weak revenue mobilisation**. Public debt is expected to reach **56.1% of GDP in FY27**, while the interest-to-revenue ratio is projected to remain elevated at 31.5%, significantly above the 'B' median. The external position also remains a vulnerability, with the current-account deficit projected to widen to **6.8% of GDP in 2026** and FX reserve coverage declining to **2.7 months of current external payments**. Fitch noted that oil exports should gradually strengthen both fiscal and external positions from 2027, although governance and succession-related political uncertainty remain key risks.

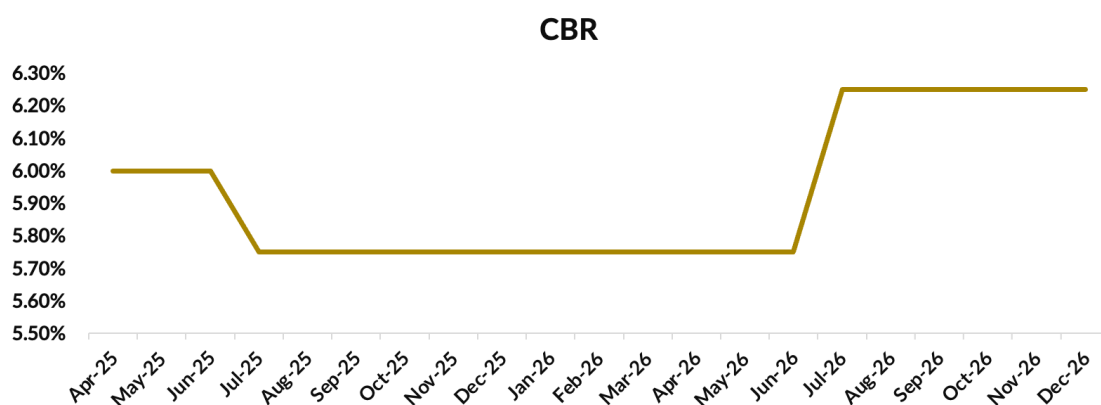
Annual Inflation



Source: NBS TZ, Chart: SIB

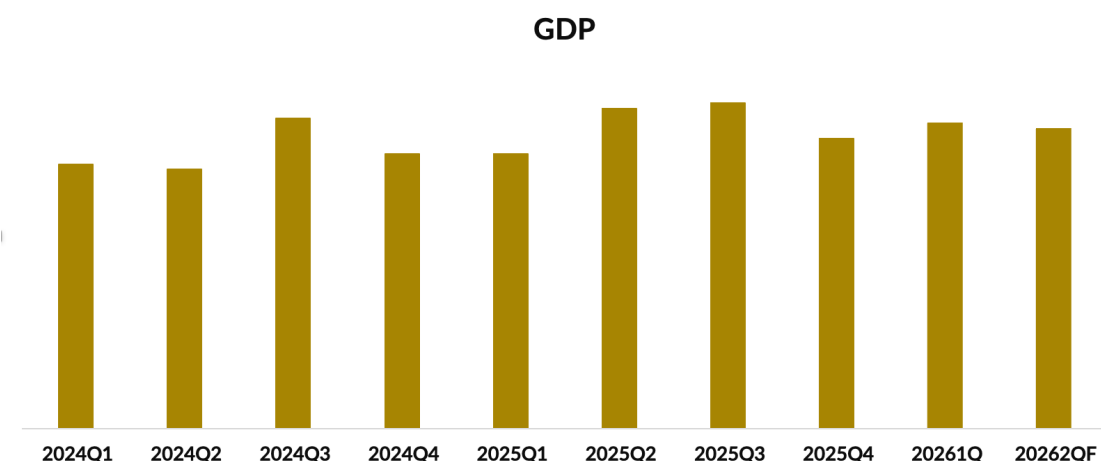
Monetary Policy Remains Less Accommodative

The Bank of Tanzania (BoT), in its Monetary Policy Committee Statement for July 2026, announced an increase in the **Central Bank Rate (CBR) from 5.75% to 6.25% for 3Q26**. The decision was aimed at containing emerging inflationary pressures arising from **higher energy, fertiliser and transportation costs**, which have been exacerbated by the ongoing geopolitical conflict in the Middle East.



Source: BOT, Chart: SIB

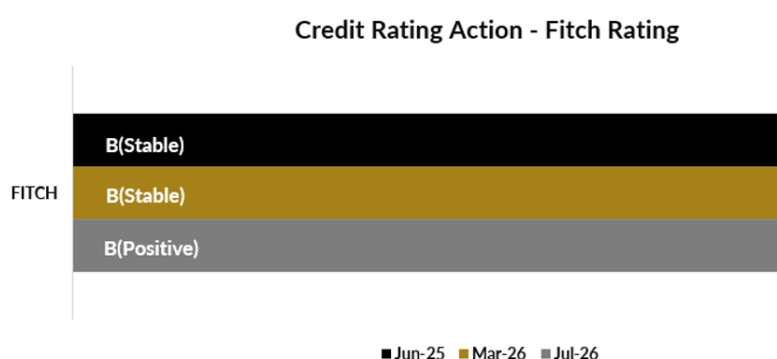
Tanzania's economy maintained strong momentum through mid-2026 despite a volatile global environment. Real GDP growth accelerated to **6.0% in Q1 2026**, up from **4.3% a year earlier**, supported by strong performance in **agriculture, financial and insurance services, and transport and storage**. The Bank of Tanzania (BoT) projects growth of **5.9% in Q2 2026**, underpinned by **expanding private-sector credit, reliable power supply, strong mineral production and continued infrastructure investment**.



Source: NBS TZ, Chart: SIB

Fitch Rating Outlook Turns Positive

The recent Fitch rating action may have helped cushion investor concerns, although the principal risk remains a potential deterioration in perceptions of **sociopolitical stability and policy continuity**. On **21 August 2026**, Fitch affirmed Tanzania's **sovereign rating at 'B+' and revised the outlook to Positive from Stable**. The improved outlook is particularly relevant as the government seeks to deepen its capital markets following the recent liberalisation allowing **non-resident investors to participate in Treasury bills and government bonds**.



Source: Fitch Rating, Chart: SIB

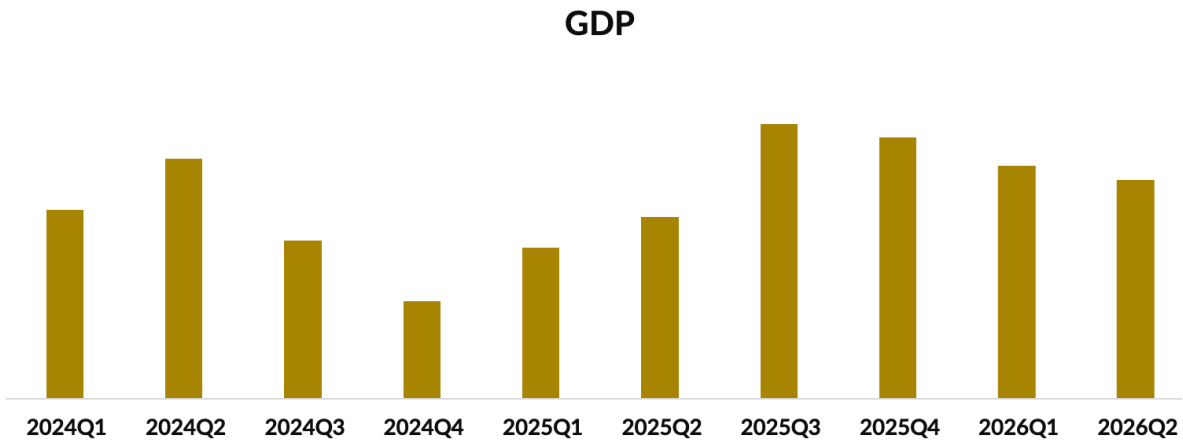
Fitch's scheduled sovereign rating reviews for 2026 were set for 27 March and 21 August, both of which have passed. No further confirmed review dates for Moody's or S&P Global Ratings have been established from the available calendars. Further rating actions remain possible before year-end.

IMF Programme Supports Macroeconomic Credibility

Tanzania's engagement with the IMF also provides an important anchor for macroeconomic stability and investor confidence. In July 2026, the IMF completed the final reviews of Tanzania's Extended Credit Facility (ECF) and Resilience and Sustainability Facility (RSF) arrangements, unlocking approximately US\$443.9 million in financing. Continued IMF engagement and progress under the programmes should support policy credibility, fiscal reforms and external financing resilience, while strengthening the country's position as it seeks to attract foreign investment and deepen domestic capital markets.

Rwanda

Rwanda's economy recorded an impressive 10% growth in the first quarter of 2026, compared to the same period in 2025, according to official figures released today by the National Institute of Statistics of Rwanda (NISR).

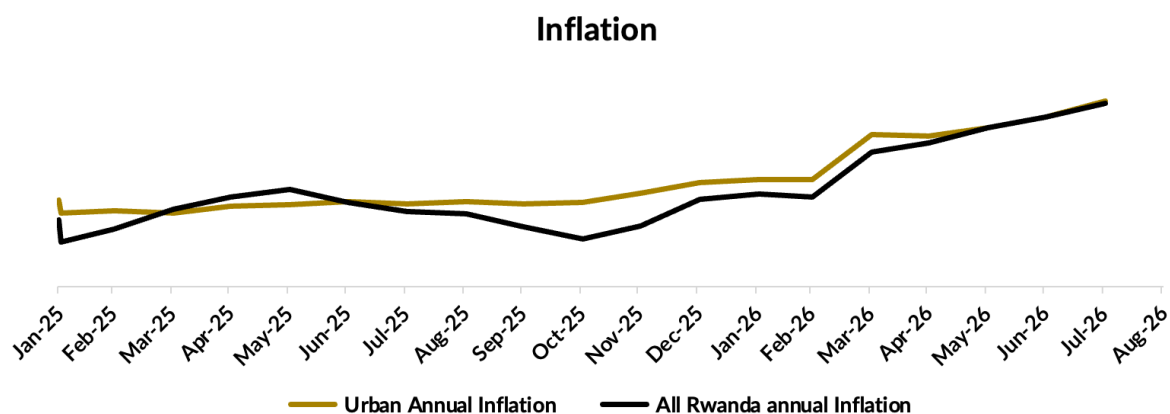


Source: National Institute of Statistics of Rwanda (NISR), Chart: SIB

Rwanda's Headline inflation is projected to remain **above 8% in 2026**, reflecting continued upward pressures across **core, food and energy prices**, driven by rising import prices and persistent domestic cost pressures.

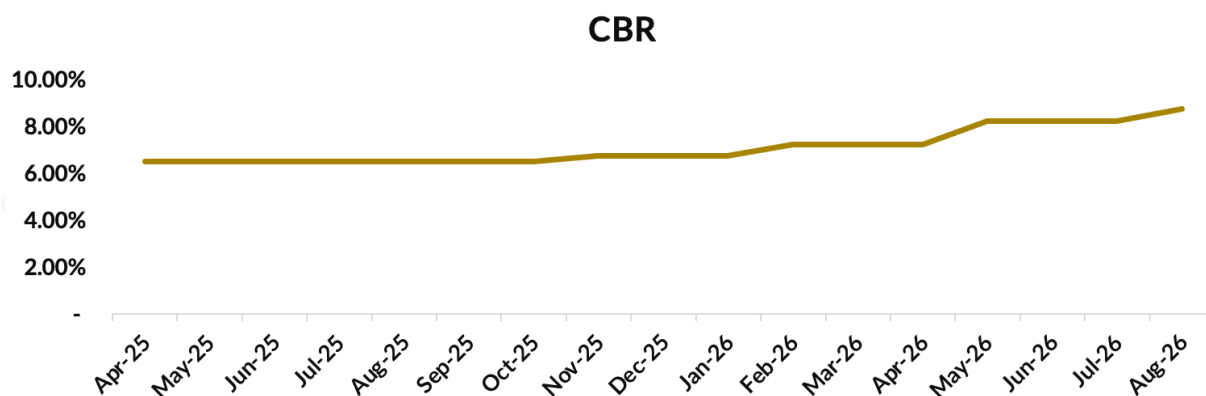
Rwanda's headline inflation accelerated to **15.9% in August 2026**, up from **13.8% in July**, marking the **highest level since September 2023** and extending the upward trend to five consecutive months. Price pressures remained broad-based, led by **transportation (27.5%), communications (27.6%), housing and utilities (19.9%), and food and non-alcoholic beverages (16.7%, up from 12.6%)**, while inflation in restaurants and hotels increased to **13.7% from 12.8%**. On a monthly basis, the CPI rose sharply by **2.6%**, the fastest increase in four months, compared with a **0.3% increase in July**, pointing to a continued intensification of near-term price pressures.

In **2Q26**, headline inflation accelerated sharply to **13.2% y/y from 9.1% in 1Q26**, reflecting broad-based increases across all three components. Core inflation rose to 12.3% from 9.3%, driven primarily by higher prices for core transport, housing and food, while **fresh food inflation increased to 7.3% from 5.2%** on the back of higher vegetable prices. Energy inflation recorded the sharpest acceleration, more than doubling to **45.7% from 21.1%**, largely due to higher prices for solid fuels, liquid fuels and propane gas.



Source: National Institute of Statistics of Rwanda (NISR), Chart: SIB

The National Bank of Rwanda (NBR) raised its policy rate by **50 bps to 8.75%** from **8.25%** in August 2026, marking a further tightening of monetary policy as inflation remained significantly above the bank's **2–8% target range**. The move is intended to **anchor inflation expectations, limit second-round effects and support inflation returning to the target range in 2H27**. The central bank projects average inflation at **13.1% in 2026**, slightly below its previous forecast of 13.9%, before moderating to around **7.9% in 2027**. Despite the inflation shock, economic activity remained resilient, with GDP growth reaching **10.0% in Q1 2026**, up from 6.5% a year earlier, supported by strong performance in the **services and industry sectors**.



Source: National Institute of Statistics of Rwanda (NISR), Chart: SIB

S&P Global Ratings

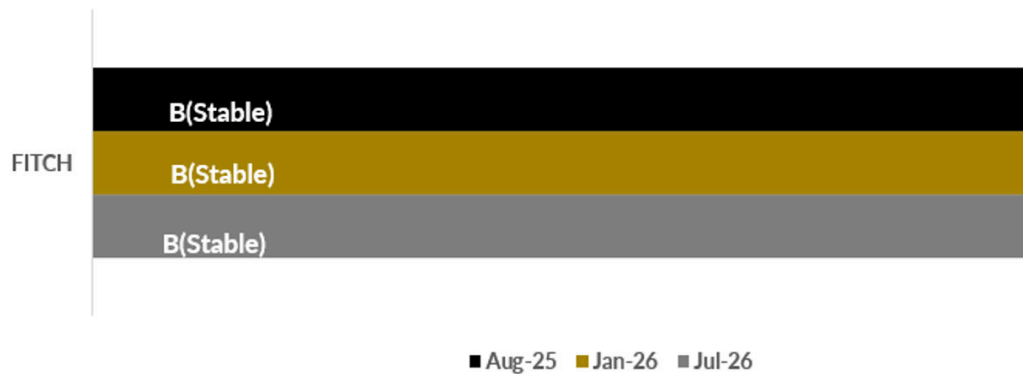
S&P affirmed Rwanda's '**B+/B**' **sovereign ratings with a Stable Outlook**, supported by resilient economic growth, strong official support and a largely concessional debt structure. Growth is expected to average **7.3% through 2028**, underpinned by services, infrastructure investment and favourable terms of trade. However, persistent fiscal and current-account deficits, elevated public debt and regional security risks remain key constraints.

Fitch Ratings

Fitch affirmed Rwanda's '**B+**' **sovereign rating with a Stable Outlook**, citing strong medium-term growth prospects, concessional financing access and relatively strong governance. It expects GDP growth of **7.8% in 2026**, although inflation is projected to average **11.7%** and the current-account deficit to widen to nearly **15% of GDP**. Public debt is expected to decline gradually, but regional security risks, external financing needs and high foreign-currency exposure remain key vulnerabilities.

Fitch's scheduled reviews for 2026 were set for 13 March and 11 September, both of which have passed. S&P Global Ratings has a scheduled publication date of 13 November 2026, making it the next identified review date among the agencies considered. No further confirmed Moody's review date has been identified.

Credit Rating Action - Fitch Rating



Source: Fitch Ratings, Chart: SIB

UPCOMING DEVELOPMENTS

Africa Launches Credit Rating Agency to Address Financing Challenges

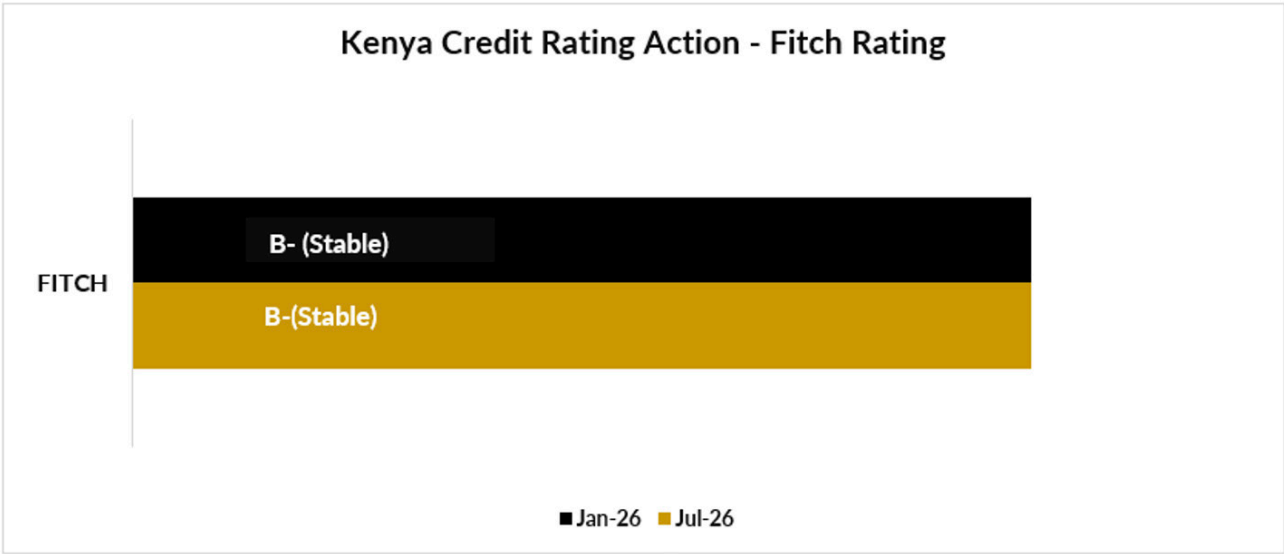
Africa officially launched the Africa Credit Rating Agency (AfCRA) in Mauritius on 7 October 2026, marking a step towards improving the assessment of African economies and addressing concerns over elevated sovereign borrowing costs. The agency is intended to complement existing international rating agencies by incorporating deeper regional knowledge, additional data and a more nuanced understanding of African economic fundamentals.

According to the UN Economic Commission for Africa (ECA), persistent risk premiums are estimated to cost the continent approximately US\$75 billion annually in excess interest payments. AfCRA is expected to assess sovereigns, subnational entities and corporates, potentially broadening access to credit information and supporting the development of domestic capital markets. For Kenya, the initiative could provide an additional perspective on sovereign creditworthiness and help improve investor understanding of its economic and fiscal position.

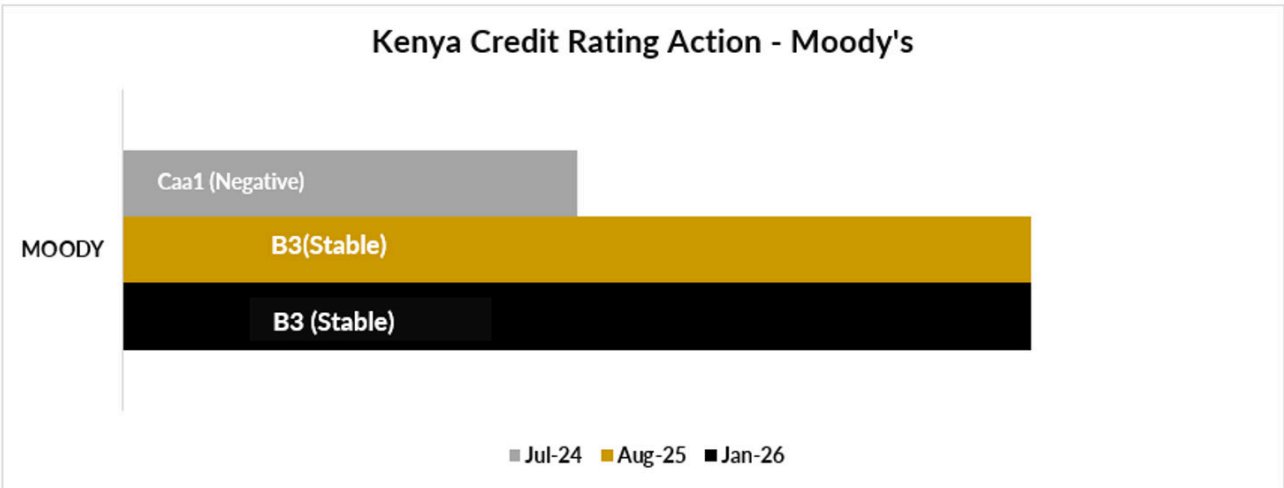
However, any impact on borrowing costs will depend on the agency's independence, methodological rigour, regulatory recognition and acceptance among international investors. AfCRA is therefore a potentially positive long-term development for African fixed-income markets, although it is unlikely to reduce Kenya's financing costs materially in the near term without complementary fiscal consolidation, stronger debt dynamics and sustained macroeconomic stability.

BACKGROUND CHARTS

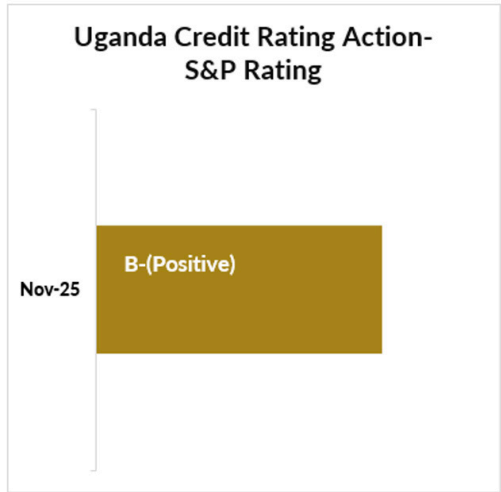
Credit Rating Actions



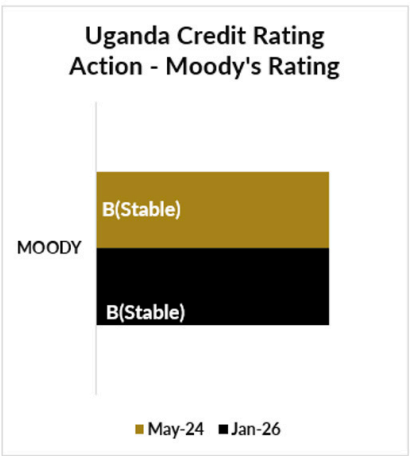
Source: Fitch Ratings, Chart: SIB



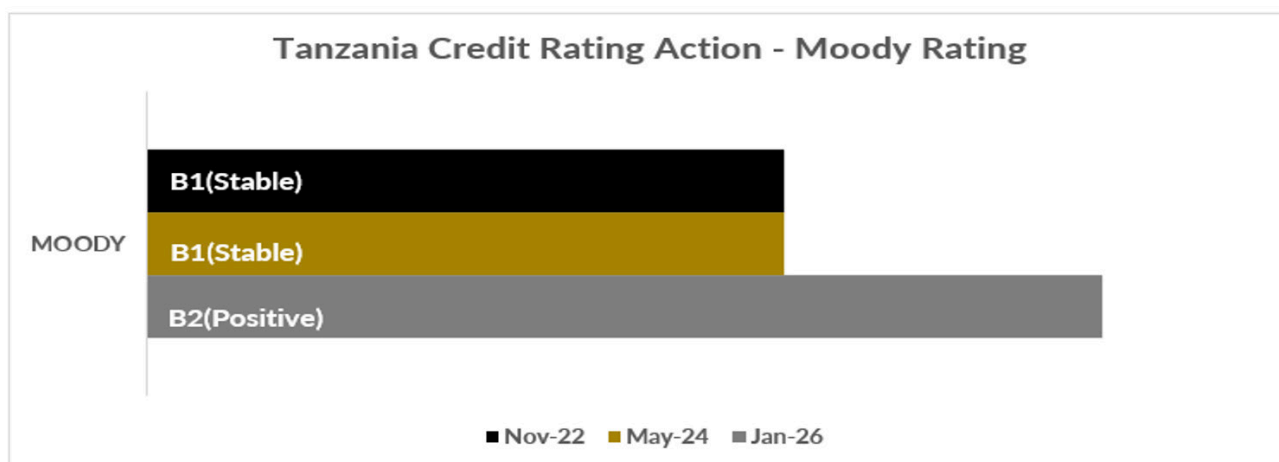
Source: Moody's, Chart: SIB.



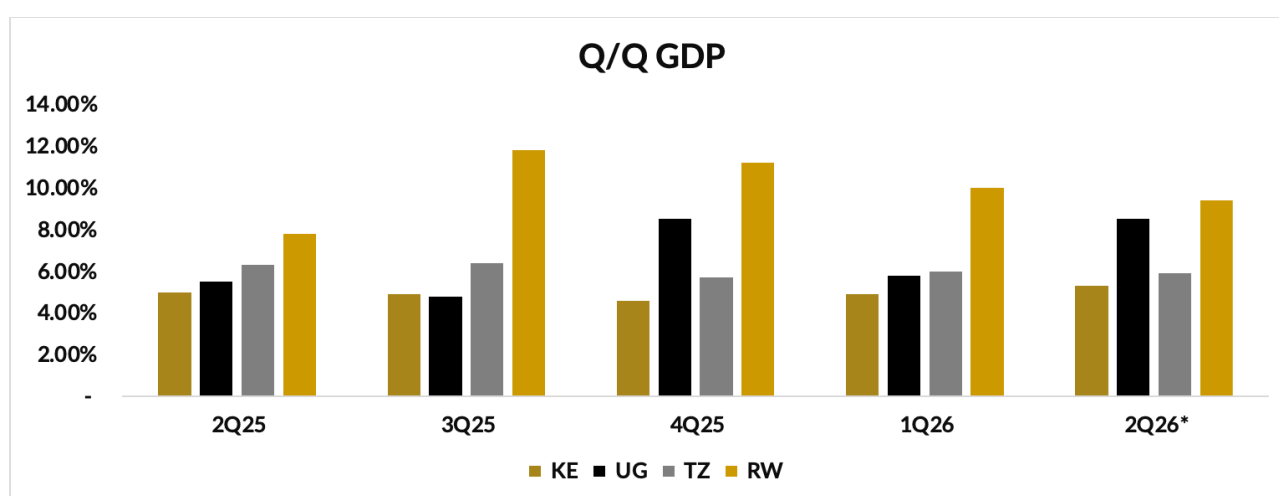
Source: S&P Ratings, Chart: SIB



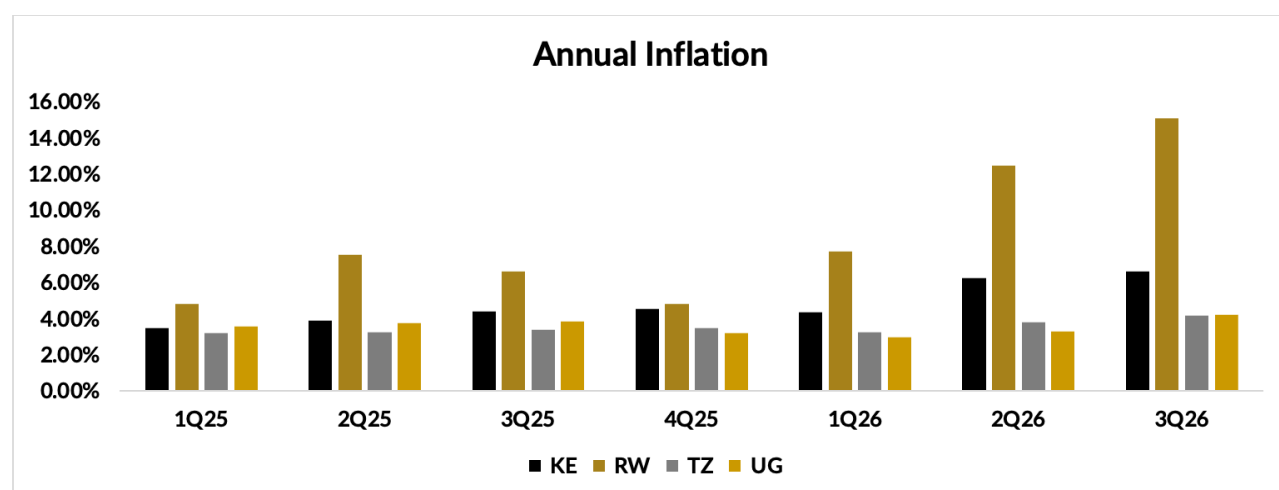
Source: Moody's, Chart: SIB.



Source: Moody's, Chart: SIB



Source: KNBS, NISR, NBS Tz, BoU, Chart: SIB



Source: KNBS, NISR, NBS Tz, BoU, Chart: SIB

Disclosure and Disclaimer

Analyst Certification Disclosure: The research analyst or analysts responsible for the content of this research report certify that: (1) the views expressed and attributed to the research analyst or analysts in the research report accurately reflect their personal opinion(s) about the subject securities and issuers and/or other subject matter as appropriate; and, (2) no part of his or her compensation was, is or will be directly or indirectly related to the specific recommendations or views contained in this research report.

Shariah Compliant Disclosure: The research analyst or analysts responsible for the content of this research report certify that: The information provided in this report reflects SIB's approach to Sharia Compliant investing as at the date of this report and is subject to change without notice. We do not undertake to update any of such information in this report. Any references to Halal equities or similar terms in this report are intended as references to the internally defined criteria of the Firm or our businesses only, as applicable, and not to any jurisdiction-specific regulatory definition.

Global Disclaimer: Standard Investment Bank (SIB) and/or its affiliates makes no representation or warranty of any kind, express, implied or statutory regarding this document or any information contained or referred to in the document. The information in this document is provided for information purposes only. It does not constitute any offer, recommendation or solicitation to any person to enter into any transaction or adopt any hedging, trading or investment strategy, nor does it constitute any prediction of likely future movements in rates or prices, or represent that any such future movements will not exceed those shown in any illustration. The stated price of the securities mentioned herein, if any, is as of the date indicated and is not any representation that any transaction can be effected at this price. While reasonable care has been taken in preparing this document, no responsibility or liability is accepted for errors of fact or for any opinion expressed herein. The contents of this document may not be suitable for all investors as it has not been prepared with regard to the specific investment objectives or financial situation of any particular person. Any investments discussed may not be suitable for all investors. Users of this document should seek professional advice regarding the appropriateness of investing in any securities, financial instruments or investment strategies referred to in this document and should understand that statements regarding future prospects may not be realised. Opinions, forecasts, assumptions, estimates, derived valuations, projections and price target(s), if any, contained in this document are as of the date indicated and are subject to change at any time without prior notice. Our recommendations are under constant review. The value and income of any of the securities or financial instruments mentioned in this document can fall as well as rise and an investor may get back less than invested. Future returns are not guaranteed, and a loss of original capital may be incurred. Foreign-currency denominated securities and financial instruments are subject to fluctuation in exchange rates that could have a positive or adverse effect on the value, price or income of such securities and financial instruments. Past performance is not indicative of comparable future results and no representation or warranty is made regarding future performance. While we endeavour to update on a reasonable basis the information and opinions contained herein, there may be regulatory, compliance or other reasons that prevent us from doing so. Accordingly, information may be available to us which is not reflected in this material, and we may have acted upon or used the information prior to or immediately following its publication. SIB is not a legal or tax adviser, and is not purporting to provide legal or tax advice. Independent legal and/or tax advice should be sought for any queries relating to the legal or tax implications of any investment. SIB and/or its affiliates may have a position in any of the securities, instruments or currencies mentioned in this document. SIB has in place policies and procedures and physical information walls between its Research Department and differing business functions to help ensure confidential information, including 'inside' information is not disclosed unless in line with its policies and procedures and the rules of its regulators. Data, opinions and other information appearing herein may have been obtained from public sources. SIB makes no representation or warranty as to the accuracy or completeness of such information obtained from public sources. You are advised to make your own independent judgment (with the advice of your professional advisers as necessary) with respect to any matter contained herein and not rely on this document as the basis for making any trading, hedging or investment decision. SIB accepts no liability and will not be liable for any loss or damage arising directly or indirectly (including special, incidental, consequential, punitive or exemplary damages) from the use of this document, howsoever arising, and including any loss, damage or expense arising from, but not limited to, any defect, error, imperfection, fault, mistake or inaccuracy with this document, its contents or associated services, or due to any unavailability of the document or any part thereof or any contents or associated services. This material is for the use of intended recipients only and, in any jurisdiction in which distribution to private/retail customers would require registration or licensing of the distributor which the distributor does not currently have, this document is intended solely for distribution to professional and institutional investors.

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
clientservice@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 20 222 0225,
+254 20 227 7000, +254 20 227 7100

Email: clientservices@sib.co.ke