KAM BI-MONTHLY ECONOMIC UPDATE: JULY – AUGUST 2025
Summary Highlights

Exchange Rate

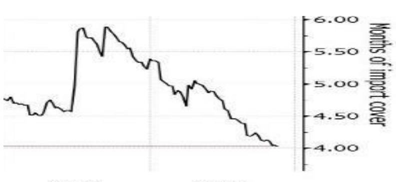
The Kenya Shilling remained relatively stable against major international and regional currencies through July and August 2025, exchanging at an average of Ksh129.24 per USD.

Interest Rate

The Monetary Policy Committee reduced the Central Bank Rate (CBR) by 25 basis points from 9.75% to 9.50% at its 12th August 2025 meeting, signaling a shift to an expansionary monetary policy.

Purchasing Managers' Index (PMI)

The headline PMI increased to 49.4 in August, from a 12-month low of 46.8 in July. Whilst still below the 50.0 no change mark, the index signaled a much softer decline in operating conditions midway through the third quarter.



Import Cover

The usable foreign exchange reserves remained adequate at USD 10,889 million (4.8 months of import cover) as of 28th August, meeting the Central Bank of Kenya's statutory requirement of maintaining at least 4 months of import cover.

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1. Introduction

Kenya Association of Manufacturers (KAM), established in 1959, is the representative body for over 1,500 manufacturing value-add industries across 14 sectors in Kenya. It champions policy advocacy, serving as a vital link between manufacturers, government, and related agencies for cooperation and dialogue. KAM publishes a bi-monthly Economic update that provides insights into the business environment, analyzing key economic indicators, tracking regional and global market trends, and highlighting policy changes impacting Kenya's manufacturing sector.

2. Global Economic Outlook

2.1. General outlook

The global economy is projected to grow at 3% for 2025 and 3.1% in 2026, an upward revision from April 2025 World Economic Outlook (*Table 1*). This Global growth is expected to be supported by fiscal stimulus in major economies, particularly in China, Germany and USA (WEO,2025).

2.2. USA, China, Japan etc

The U.S. economy is projected to grow moderately by 1.9% in 2025, supported by consumption and tax measures. China's growth is projected to slow moderately to 4.8% in 2025, and 4.2% in 2026. Japan's growth is projected to grow by 0.7% in 2025 amid global uncertainties and trade pressures (Table 1).

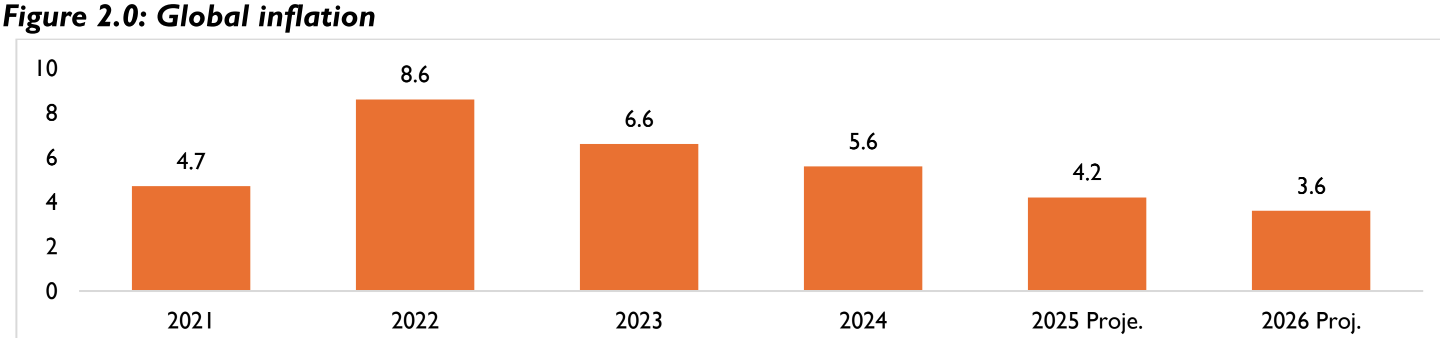
Table 1: GDP growth rates (%) for selected regions of the world 2024 - 2026

Global Economic Outlook	2024	2025 Projections - JUL	2026 Projections
World	3.3	3.0	3.1
United States	2.8	1.9	2.0
United Kingdom	1.1	1.2	1.4
China	5.0	4.8	4.2
India	6.5	6.4	6.4
Japan	0.2	0.7	0.5

Source: WEO, 2025

Global inflation is projected to decline to 4.2% in 2025, driven by lower energy prices, and reduced global demand and further 3.6% in 2026 (Figure 2.0).

Figure 2.0: Global inflation

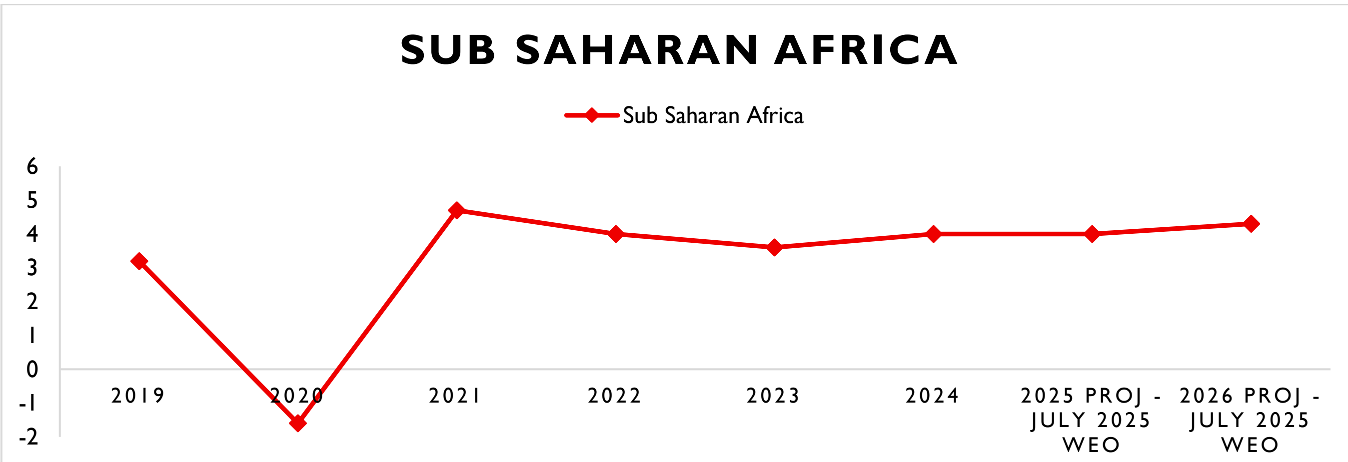


Source: *CBK, 2025*

2.3. Sub-Saharan Africa

Sub-Saharan Africa (SSA) maintained resilient growth in 2024, with real GDP expanding by 4.0%, up from 3.6% in 2023. This was supported by the gradual easing of supply constraints and favourable weather conditions. However, growth is projected to moderate slightly to 4.0 % in 2025, and 4.3% (Figure 2.1).

Figure 2.1: Regional Economic Outlook (2019 - 2025)

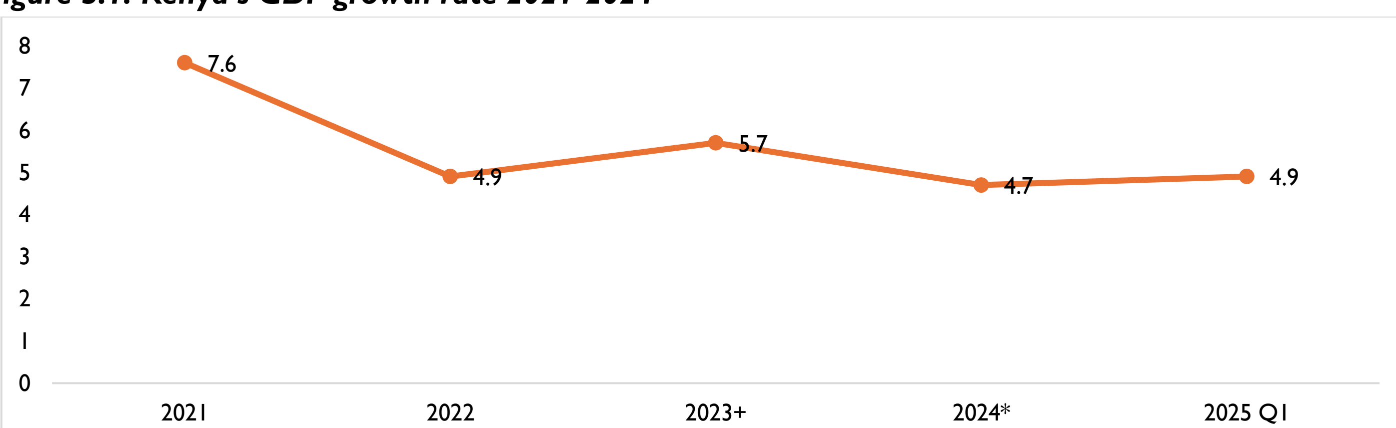


*Data Source: KNBS Economic Survey 2025); *Revised, [1]Projected*

3. Kenya's Manufacturing Sector Performance

Kenya's growth is expected to remain above the global, Emerging Market and Developing Economies, and SSA averages, reflecting the economy's resilience and diversity. In the first quarter of 2025, the real GDP grew by 4.9 %, and the growth is expected to strengthen throughout the year, supported by robust performance in key service sectors and agriculture, expected recovery in growth of credit to the private sector, and improved exports (Figure 3.1).

Figure 3.1: Kenya's GDP growth rate 2021-2024



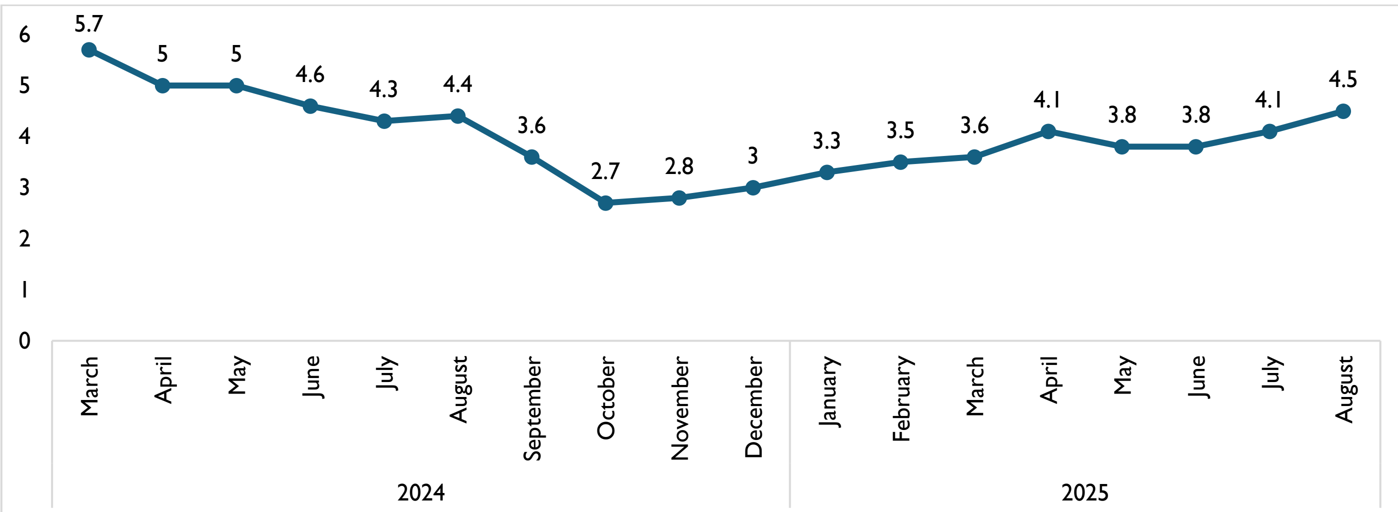
*Source: KNBS Economic Survey 2025; Note *= Provisional; +=Revised*

4. Key Economic Indicators

4.1. Inflation Rate

Overall inflation, as measured by the Consumer Price Index, has largely remained within the target band of 5±2.5%, since April 2024. In the month of August, the overall inflation increased to 4.5% from 4.1% recorded in July (*Figure 4.1*) The price increase was primarily driven by a rise in prices of items in the Food and Non-Alcoholic Beverages (8.3%); Transport (4.4%), and Housing, Water, Electricity, Gas and other fuels (0.8%) over the one-year period (*Table 2*).

Figure 4.1: Monthly Inflation Rates March 2024 - August 2025



Data Source: KNBS, Consumer Price Index (CPI) and monthly inflation rates August 2025

Between July and August 2025 (*Table 2*), the Food and Non-Alcoholic Beverages Index increased by 0.6%; the Housing, Water, Electricity, Gas and Other Fuels' Index increased by 0.1%.

Table 2: One and Twelve-Month Changes in the Consumer Price Indices (selected commodity groups)

Broad commodity Group	Weight %	% Change on last month (August 2025/ July 2025)	% Change on same month of the previous year (August 2025/ August 2024)
Food and Non-Alcoholic Beverages	32.9094	0.6	8.3
Alcoholic Beverages, Tobacco and Narcotics	3.3289	0.2	3.4
Housing, Water, Electricity, Gas and Other Fuels	14.6124	0.1	0.8
Transport	9.6468	0.5	4.4

Source: KNBS, consumer price indices and inflation rates for August 2025

Electricity charges decreased, with 50kWh band prices dropping by 2.3% and 200kWh band price declined by 2.1% (*Table 3*).

Table 3: National Average Retail Prices for Electricity

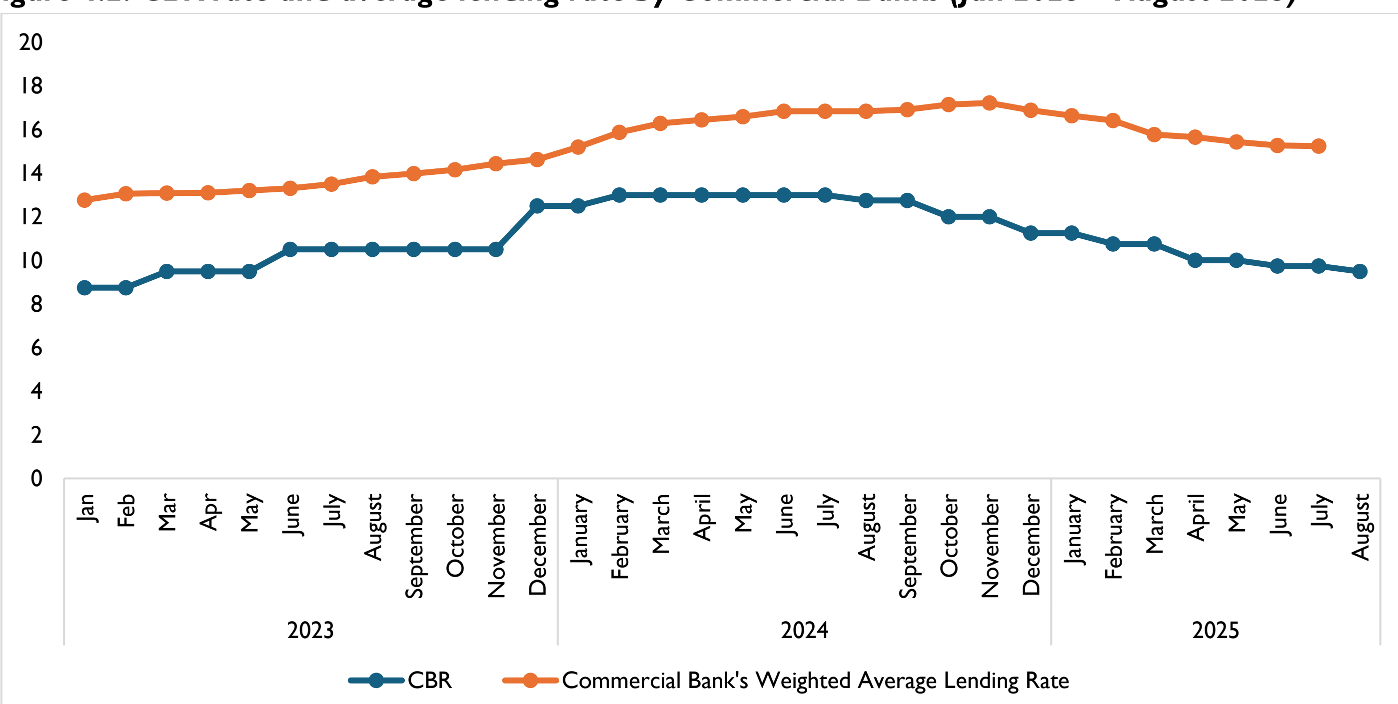
Commodity Name	Quantity	Average Price August 2025 (Ksh)	Average Price July2025	% Change over last month August 2025/ July 2025
Electricity	200kWh	5,539.54	5,656.22	-2.1
Electricity	50kWh	1,259.65	1,288.82	-2.3

Source: KNBS, CPI and Inflation monthly release, August 2025

4.2. Interest Rate

The Monetary Policy Committee reduced the Central Bank Rate (CBR) by 25 basis points from 9.75% to 9.50% at its 12th August 2025 meeting, signaling a shift to an expansionary monetary policy (Figure 4.2). This move aims to lower borrowing costs and boost private sector credit, enabling manufacturers to access cheaper loans for expansion and working capital, as well as easing cash flows for reinvestment.

Figure 4.2: CBK rate and average lending rate by Commercial Banks (Jan 2023 – August 2025)

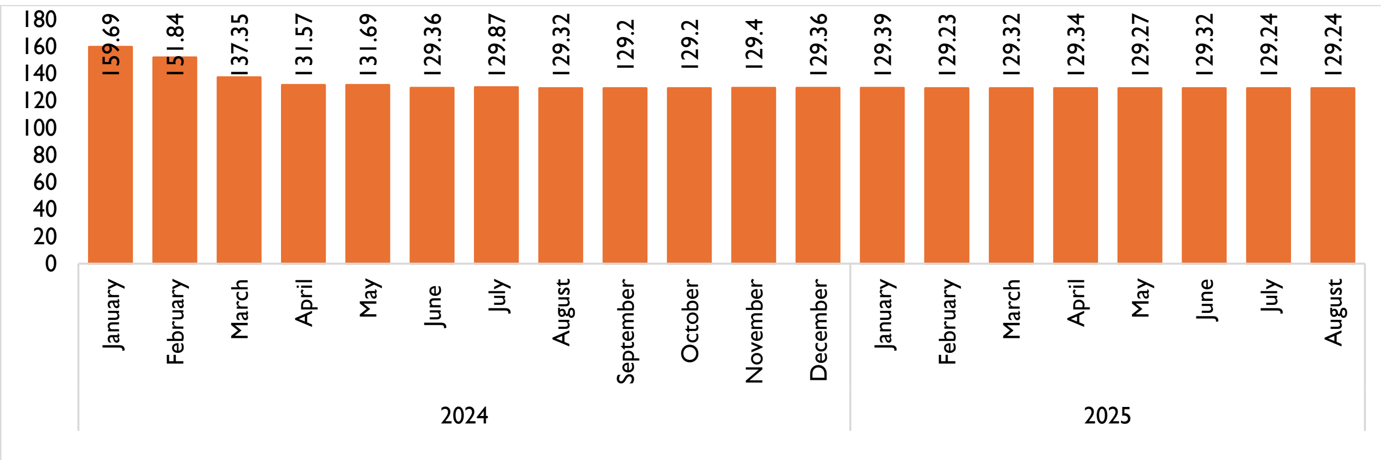


Data source: Central Bank of Kenya

4.3. Exchange Rate

The Kenya Shilling remained relatively stable against major international and regional currencies through July and August 2025, exchanging at an average of Ksh129.24 per USD (*Figure 4.3*). The strengthening of the shilling was supported by recent foreign exchange reforms, which would ease the cost of imported raw materials and capital goods, potentially reducing production costs for manufacturers.

Figure 4.3: Monthly average exchange rate of KSh/USD (January 2023 - August 2025)

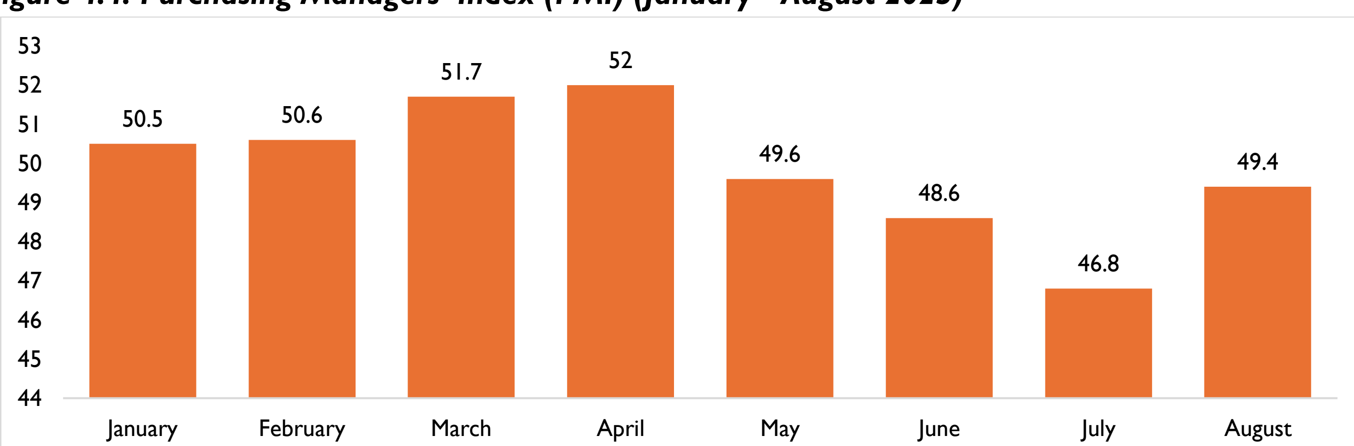


Data source: Central Bank of Kenya

4.4. Purchasing Managers' Index (PMI)

The Purchasing Managers' Index (PMI) measures factors that make a business more competitive, such as business output, employment rates, supplier performance among others. The headline PMI increased to 49.4 in August, from a 12-month low of 46.8 in July. Whilst still below 50.0 no change mark, the index signaled a much softer decline in operating conditions midway through the third quarter (*Figure 4.4*).

Figure 4.4: Purchasing Managers' Index (PMI) (January - August 2025)



Source: Stanbic Bank Kenya PMI Report

- If the PMI reading is above 50, it means that business activity is growing, and the economy is expanding.
- If the reading is 50, it means the economy remains neutral and business activity remains the same.
- If the PMI reading is below 50, it means the economy is heading towards a recession.

Table 4: Usable Foreign Exchange Reserves (USD Million)

	31-Jul-25	7-Aug-25	14-Aug-25	21-Aug-25	28-Aug-25
1. CBK Usable Foreign Exchange Reserves (USD Million)*	10,692	10,893	11,112	11,037	10,889
2. CBK Usable Foreign Exchange Reserves (Months of Import Cover)**	4.7	4.8	4.9	4.8	4.8

**Excludes encumbered reserves*

***Based on 36 months average of imports of goods and non –factor services (Source: Central Bank of Kenya)*

5. Policies and regulations within the period

During the review period, key policy shifts aimed at easing cost pressures and stimulating growth were implemented. The Central Bank of Kenya reduced the Central Bank Rate (CBR) from 9.75% to 9.50% in August 2025, signaling a more accommodative stance to spur private sector credit growth. This was complemented by stable foreign exchange reserves, supported by reforms in the forex market, which improved liquidity and moderated volatility. On the fiscal side, the government-maintained subsidies on essential energy inputs and continued implementing targeted interventions in food and transport to cushion households and industries against inflationary shocks. These policy measures collectively contributed to stabilizing macroeconomic fundamentals and improving investor confidence.

6. Conclusion

Kenya's economy showed resilience in July – August 2025, supported by easing inflation, stable exchange rates, and improved business sentiment as reflected in the PMI. The Central Bank of Kenya lowered the CBR to 9.50%, boosting credit access, while fiscal measures such as energy subsidies and targeted support in food and transport cushioned cost pressures. Stable reserves and forex reforms further enhanced confidence. Despite progress, risks from global uncertainty, public debt, and supply shocks persist, underscoring the need for continued monetary flexibility, prudent fiscal management, and structural reforms to sustain growth.

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