KENYA

Population[1] million **56.4**	Poverty[2] millions living on less than $2.15/day **19.2**
Life expectancy at birth[3] years **62.1**	School enrollment[4] primary (% gross) **78.8**
GDP[5] current US$, billion **124.5**	GDP per capita[6] current US$ **2206.1**

Sources: WDI, MFMod, and official data. 1/ 2024. 2/ 2021 (2017 PPPs). 3/ 2022. 4/ 2019. 5/ 2024. 6/ 2024.

Despite improving macroeconomic indicators, Kenya's economy has slowed: real GDP growth is estimated at 4.5 percent in 2024, down from 5.6 percent in 2023 with poverty reducing slowly. A wide fiscal deficit and high levels of debt remain Kenya's main macroeconomic vulnerability, requiring urgent action. Medium-term priorities to create jobs and reduce poverty involve boosting productivity, exports, and climate resilience.

Key conditions and challenges

Kenya overcame a severe liquidity crunch in 2024: tighter monetary and fiscal commitments allowed the country to access international markets to roll over a US$2 billion Eurobond payment. Subsequently, economic conditions improved as the exchange rate stabilized and reserves increased. Coupled with global tailwinds, inflation came down. However, Kenya struggled to deliver on its fiscal policy commitments. The 2024 Finance Bill resulted in widespread protests, slowing fiscal consolidation. In addition, growth is slowing, a consequence of high real interest rates, floods in April 2024, and government crowding out the private sector through domestic borrowing and pending bills of ~3 percent of GDP.

Economic growth is not sufficiently inclusive, and its link to poverty reduction has weakened. While GDP per capita expanded by 43 percent during 2005-2022, the national poverty rate declined by only 7 percentage points over the same period to 40 percent. Climate shocks reduce agricultural productivity, while skilled workers have better jobs opportunities than less-skilled ones. Moreover, rural and particularly arid areas continue to lag in human capital development.

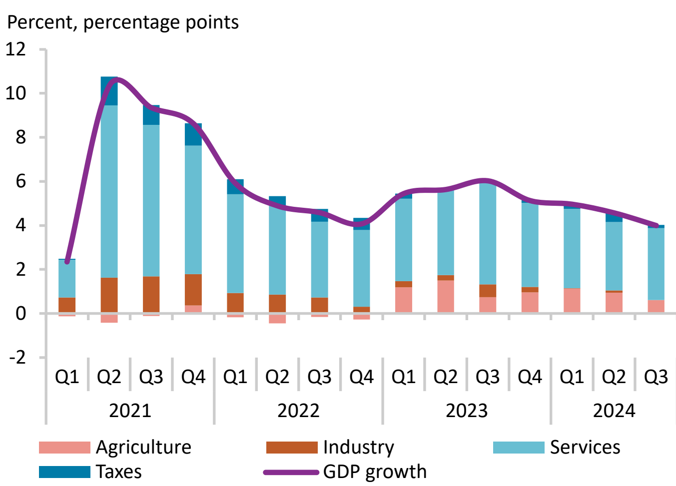
To accelerate sustained and inclusive growth that creates more and better jobs, it is critical for Kenya to ensure that past public investments, a key contributor to the high debt levels, yield a growth dividend, while removing distortions in the economy. This will help accelerate Kenya's productivity growth, estimated to be stagnant.

Recent developments

Kenya's GDP is estimated to have grown by 4.5 percent in 2024. The industry sector contracted by 0.2 percent in Q3-24, as construction fell by 2.0 percent. Manufacturing, however, helped the sector avoid a deeper slump, easing slightly compared to its Q3-23 rate (2.3 and 2.8 percent, respectively). Despite floods in April 2024, agriculture and services remain resilient. Favorable weather conditions have kept crop production strong, while lower inflation supported private consumption (Figure 1). The international poverty rate (US$2.15 a day) is expected to have dropped by half a percentage point from 35.1 percent in 2023 to 34.6 percent in 2024.

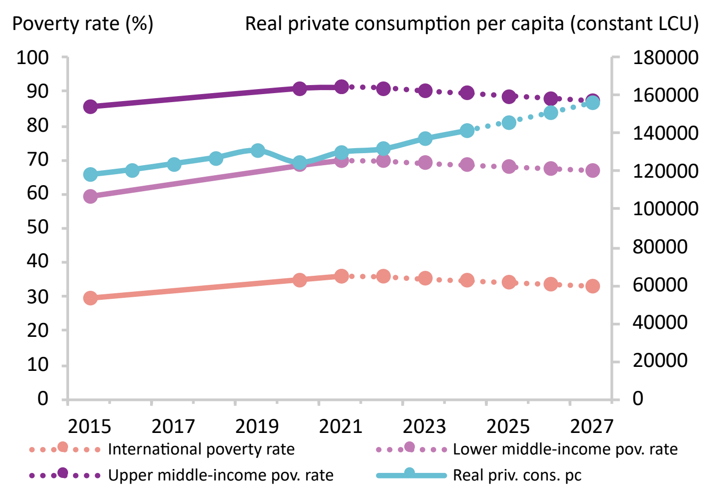
Tighter monetary policy helped tame inflation and limit capital outflows. Headline inflation stood at 3.5 percent in February 2025, down from 6.3 percent in February 2024 and below the Central

FIGURE 1 / Real GDP growth and sectoral contributions to real GDP growth



Sources: World Bank and Kenya National Bureau of Statistics.

FIGURE 2 / Actual and projected poverty rates and real private consumption per capita



Source: World Bank. Notes: See footnotes in table on the next page.

Bank of Kenya's (CBK) target mid-point of 5±2.5. Real credit growth to the private sector slowed to 3.3 percent year-on-year in December (from 8.3 percent in December 2023). With inflation easing, the CBK lowered its policy rate to 10.75 percent in February 2025, from a high of 13 percent in July 2024. Foreign exchange reserves rose to US$9,057 million (4.6 months of imports) by end-February, versus US$6,962 (3.7 months of imports) in February 2024 and above the CBK's statutory requirement. Exports of goods grew by 15.4 percent in 2024, mainly from agriculture and re-exports, while imports also recovered and grew by 9.9 percent. Moreover, remittances grew by 18 percent y/y in 2024. The current account deficit (CAD) reached 3.7 percent of GDP in the year.

Fiscal consolidation efforts continued during the first half of FY 2024/25; however, these were not enough to meet initial targets, and the fiscal deficit was revised upwards to 4.9 percent of GDP. As a share of GDP, public debt is estimated lower at 65.5 percent in FY2024/25 from 66.7 percent in 2023/24.

Outlook

Kenya's real GDP is expected to pick up gradually, reaching about 4.8 percent in 2025–27. Lower inflation and easing monetary conditions should support household and business incomes, driving private consumption and investment. Credit growth is set to accelerate under a more accommodative monetary policy. The CAD is expected to remain at 4.0 percent of GDP in the medium term, helped by a gradual recovery of exports as trade agreements, especially the AfCFTA, move forward. Currently, it is difficult to gauge the full impact of recent global trade measures as policy shifts may continue to unfold, with limited impacts through the export's channel to growth. The fiscal deficit is projected at 4.3 percent of GDP in FY 2025/26, lower than in the previous year, with a primary surplus of 1.6 percent. Without significant fiscal reforms, the target of achieving a present value of debt to GDP of 55 percent by 2029 could be missed.

Unless growth translates more efficiently to higher incomes for the poor, poverty is unlikely to decline rapidly. At current trends, the international poverty rate is projected to decline by half a percentage point to 34.0 percent in 2025.

There are significant risks to the outlook. Missing fiscal targets and delays in implementing reforms would further worsen Kenya's debt vulnerabilities, threaten macroeconomic stability, and slow private investment and jobs growth. Extreme weather events could harm agriculture and infrastructure, and increasing global geopolitical and trade policy risks could impact investment and growth. For the monetary authority, this could trigger a more delicate balance between easing inflation pressures and the risk of capital flight. On the upside, faster implementation of reforms and a better global environment could boost growth above expectations.

Recent history and projections

Recent history and projections	2022	2023	2024e	2025f	2026f	2027f
Real GDP growth, at constant market prices	4.9	5.6	4.5	4.5	4.9	5.0
Private consumption	3.3	6.2	5.2	5.3	5.3	5.5
Government consumption	8.1	3.5	2.0	1.5	1.9	3.4
Gross fixed capital investment	-0.8	1.9	2.1	3.9	5.8	6.0
Exports, goods and services	11.9	-4.5	5.5	6.2	8.4	8.6
Imports, goods and services	4.6	-3.1	2.5	4.7	5.8	7.2
Real GDP growth, at constant factor prices	4.5	5.4	4.5	4.5	4.9	5.0
Agriculture	-1.5	6.5	5.0	4.1	4.5	4.8
Industry	3.9	1.9	0.2	2.9	3.6	3.9
Services	6.6	6.2	5.6	5.1	5.4	5.4
Employment rate (% of working-age population, 15 years+)	63.4	63.2	63.4	63.6	63.6	63.7
Inflation (consumer price index)	7.6	7.7	4.5	5.0	5.0	5.0
Current account balance (% of GDP)	-5.2	-4.0	-3.7	-4.0	-4.0	-4.0
Net foreign direct investment inflow (% of GDP)	0.2	0.2	0.3	0.4	0.7	1.2
Fiscal balance (% of GDP)[1,2]	-5.7	-5.4	-5.1	-4.5	-3.6	-3.3
Revenues (% of GDP)	17.7	18.0	18.5	18.4	18.5	18.6
Debt (% of GDP)	76.2	69.9	68.1	65.8	62.9	59.9
Primary balance (% of GDP)	-0.6	0.1	0.8	1.6	1.9	1.8
International poverty rate ($2.15 in 2017 PPP)[3,4]	35.9	35.2	34.6	34.0	33.4	32.9
Lower middle-income poverty rate ($3.65 in 2017 PPP)[3,4]	69.9	69.2	68.7	68.2	67.7	67.1
Upper middle-income poverty rate ($6.85 in 2017 PPP)[3,4]	91.0	90.1	89.5	88.8	88.1	87.4
GHG emissions growth (mtCO2e)	-1.9	3.5	5.7	6.6	6.1	6.2

Source: World Bank, Poverty and Economic Policy Global Departments. Emissions data sourced from CAIT and OECD.
Notes: e = estimate, f = forecast. Data in annual percent change unless indicated otherwise.
1/ Fiscal data are in fiscal years 2022= FY2022/23.
2/ Fiscal data from Kenya's National Treasury, revised per GFS 2014. Numbers may vary from official estimates due to GDP projection differences.
3/ Projection using point to point elasticity at regional level with pass-through = 0.7 based on private consumption per capita in constant LCU. Actual data: 2021. Nowcast: 2022-2024. Forecasts are from 2025 to 2027.
4/ Actual data: 2021. Nowcast: 2022-2024. Forecasts are from 2025 to 2027.