# **CPF** Asset Managers

# QUARTER 2 2025 ECONOMIC AND FINANCIAL MARKET REVIEW



#### Global Markets close on a high for first half of year

Offshore markets closed out 2Q25 at record highs, buoyed by easing inflationary pressures and resilient corporate earnings despite persistent global uncertainties including geopolitical tensions and evolving trade policies. U.S. equities led the rally, with the S&P soaring 10.6%, driven by continued enthusiasm around AI and tech stocks. The FTSE 100 posted a modest 2.08% gain, supported by optimism over potential rate cuts in the UK as inflation moderated and the monetary policy stance softened. Emerging markets returns during the quarter were marginally stronger than developed markets, supported by a weaker US dollar and easing trade tensions, the MSCI Emerging Markets Index rose 11.02% while the MSCI World Index gained

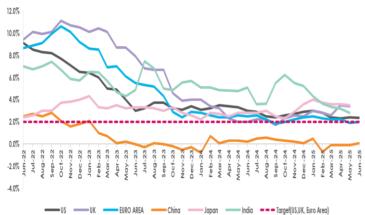
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	30-Jun-24	30-Sep-24	31-Dec-24	31-Mar-25	30-Jun-25	Q-on-Q	YTD	Y-o-Y
S&P 500	5,460.48	5,762.48	5,881.63	5,611.85	6,204.95	▲10.57%	▲5.50%	+13.63%
Djones	39,118.86	42,330.15	42,544.22	42,001.76	44,094.77	<b>▲</b> 4.98%	▲3.64%	+12.72%
Nasdaq Composite	17,732.60	18,189.17	19,310.79	17,299.29	20,369.73	<b>△</b> 17.75%	<b>△</b> 5.48%	+14.87%
FTSE 100	8,164.12	8,236.95	8,173.02	8,582.81	8,760.96	<b>2.08%</b>	<b>△</b> 7.19%	+7.31%
Nikkei225	39,583.08	37,919.55	39,894.54	35,617.56	40,487.39	<b>△</b> 13.67%	▲1.49%	+2.28%
Shanghai Composite	2,967.40	3,336.50	3,351.76	3,335.75	3,444.43	▲3.26%	▲2.76%	+16.08%
MSCI World	3,511.78	3,723.03	3,707.84	3,628.64	4,026.44	<b>▲</b> 10.96%	▲8.59%	+14.66%
MSCI Emerging Markets	1,086.25	1,170.85	1,075.48	1,101.40	1,222.78	<b>△</b> 11.02%	<b>△</b> 13.70%	+12.57%
MSCI Frontier Markets	523.38	541.36	532.65	571.90	624.06	<b>△</b> 9.12%	▲17.16%	+19.24%
Brent Oil	85.00	71.70	73.79	74.77	66.74	<b>(10.74%)</b>	<b>(</b> 9.55%)	(21.48%)
Gold	2,339.60	2,659.40	2,641.00	3,150.30	3,307.70	▲5.00%	▲25.24%	+41.38%

#### Source: Google Finance; Bloomberg

#### Inflation Trends: Moderating but Risks Remain

Inflation continued its downward trajectory across most major economies in 2Q25, driven by easing global supply chains and cautious monetary policy stances. In the U.S., headline inflation remained steady at 2.4% in both May and June, inching closer to the Fed's 2% target. The Euro Area ended the quarter at 2.0% in June. The UK inflation slightly eased to 3.4% in May compared to 3.5% in April, still elevated due to sticky service sector prices.

In China, inflation edged back into positive territory at 0.1% in June ending a five-month stretch of deflation, signaling tentative domestic demand recovery. India's inflation declined to 2.8% in May, driven by a slowdown in food and fuel prices.



## Source: Google Finance; Bloomberg

Despite easing in inflation across major economies, escalating trade tensions and the introduction of new tariffs and retaliatory measures are expected to reignite inflationary risks in the medium term, posing potential headwinds for monetary policy and market stability.

## Trade Tensions Reignite Global Risk Sentiment in 2Q25

Tariff tensions re-emerged as a key market driver in 2Q25, introducing both volatility and opportunity across global markets. The quarter opened with heightened investor anxiety following the U.S. government's unilateral move to impose broad-based tariffs on key trading partners an aggressive stance branded as "Liberation Day" tariffs. While the initial announcement triggered a brief risk-off sentiment, markets quickly stabilized after the U.S. paused implementation and resumed diplomatic negotiations, particularly with China. The mid-June trade détente which included concessions on critical mineral supply chains helped restore confidence and supported a rebound in global equities. However, the outlook remained clouded by geopolitical tensions, as the U.S. signaled potential tariffs on EU industrial goods, Mexican agriculture, and Brazilian copper toward the end of the quarter.

## Geopolitical Tensions Add to Global Uncertainty in 2Q25

Geopolitical tensions intensified in the second quarter of 2025, heightening uncertainty across global financial markets. Notably Israeli airstrikes on Iranian nuclear and missile infrastructure in mid-June reignited fears of a protracted Middle East conflict, briefly pushing oil prices higher. The U.S. imposed unilateral tariffs on Israeli goods and floated potential duties on EU industrial exports, Mexican products, and Brazilian copper, raising fresh concerns over global trade policy uncertainty. The elevated trade tensions, particularly between the US and China, introduced pervasive uncertainty, with the persistent threat of tariffs contributing to market volatility and inflation concerns.

## Federal Reserve keeps interest rates unchanged

At its June meeting the Federal reserve maintained the federal funds rate at **4.25%-4.50%**, signaling the expectation of two 25 bps rate cuts later in 2025, likely starting in September, based on strengthened labor markets and moderated inflation. The Fed flagged that tariff-driven price spikes remain a risk.

## Global Economic Outlook

The World Bank projects the global economy to expand by 2.3% in 2025 down from an earlier estimate of 2.7%, the slowest rate of global growth since 2008. The downgrade reflects intensified trade tensions, rising tariffs and geopolitical uncertainty. Growth in emerging and developing economies is expected to average 3.8%. The downside risks remain significant, particularly if inflationary pressures re-emerge or geopolitical tensions escalate further.

#### | EAST AFRICAN MARKETS

#### Uganda

#### Uganda Maintains Solid Private Sector Momentum in 2Q25

Uganda's private sector sustained robust growth in the second quarter of 2025, with the Stanbic Bank Uganda Composite PMI averaging 55.6, signaling a vibrant and expanding business environment. Although the index eased marginally from 56.4 in May to 55.6 in June, it remained firmly above the 50-point expansion threshold, underpinned by continued gains in new orders, output, employment, and faster supplier delivery time. Firms broadly reported elevated demand across agriculture, manufacturing, and services leading to increased hiring and stockpiling to clear backlogs even as input costs, particularly wages and raw materials, edged higher.

#### Economic Growth Rises by 6.7% in 1Q25

The economy grew by 6.7% for the quarter ended March 2025 compared to 5.6% growth registered for the same period of 2024. This was driven by increased activity in food crop production, trade and repairs, and construction. The Agriculture sector rose by 8.7% compared to a growth of 4.9% in 1Q24. This growth was due to food crop growing activities(+9.6%). The Industry sector expanded by 5.9% compared to 9.2% in the same quarter of 2024 attributed to strong performance of construction(+7.0%) and manufacturing(+6.1%). The Services sector grew by 5.6% compared to a rate of 3.0% in the first quarter of the previous year. This was driven by Trade & Repairs(+8.9%) activities as well as Transport & Storage(+12.0%).

#### Inflation Remains Well-Anchored Amid Global Pressures

Inflation in Uganda rose to 3.9% in March 2025, from 3.6% in May and below the Central Bank's target of 5%. The relatively low inflation rate was attributed to a stable domestic food and fuel price environment. Despite global macro economic uncertainties Uganda's inflation remains well-controlled, supporting maintaining stability in the domestic economy.

#### Monetary Policy Remains on Hold Amid External Uncertainty

The Bank of Uganda maintained its benchmark interest rate at 9.75% during its May 2025 meeting, citing both domestic resilience and rising global uncertainties. The Monetary policy stance reflected a cautious approach amid low and stable inflation and steady economic growth.

#### Uganda' s Economic Outlook

Uganda's economic outlook for 2025 remains broadly positive, supported by robust export growth particularly in coffee and a stable financial sector. These fundamentals are expected to underpin continued macroeconomic resilience in the near term. However, potential headwinds from global trade dynamics and commodity price fluctuations could introduce moderate inflationary pressures.

#### Rwanda

### Rwanda's Economy Grows by 7.8% in 1Q25

Rwanda's economy expanded by 7.8% y/y in the first quarter of 2025 declining from 8.0% expansion in the previous quarter. The deceleration was largely attributed to a slowdown in the services and agriculture sectors. The services sector expanded by 9% compared to 11% in Q4. Agricultural output grew 2% compared to 3% last quarter. The industrial activity accelerated to 9%.

## Rwanda Inflation Surges to 8.3%

Inflationary pressures intensified over the quarter. Headline inflation rose from 6.3% in April to 8.3% in June 2025, largely driven by higher food prices and urban consumer costs. Rising transport and energy prices also contributed to inflationary pressure.

## Rwanda Central Bank Maintains Key Rate at 6.5%

The National Bank of Rwanda kept its key interest rate unchanged at 6.5% during its May 2025 meeting, citing that despite inflationary pressures, it remained within the target band of 3%-8%. The central bank's cautious stance aims to balance inflation control with supporting economic growth.

## Rwanda's Economic Outlook

Growth is expected to be supported by strong infrastructure spending, sustained regional trade, and agricultural output. However, inflation dynamics remain a key risk.

## Tanzania

## Tanzania Economic Growth

The economy of Tanzania expanded 5.5% year-on-year in the second quarter of 2025, down from 5.8% in 1Q25. Growth was supported by strong performance in the agriculture, construction and financial services.

## Inflation and Policy rate

Headline inflation in Mainland Tanzania averaged 3.2% during 2Q25, staying reliably within the Bank of Tanzania's 3-5% target range .After modest increases from 3.1% in 1Q25, inflation experienced a slight uptick to 3.3% in June, primarily due to rising food prices food inflation surged to 7.3%, up from 5.6% in May

## Tanzania Central Bank Maintains Key Rate at 6.0%

During the second quarter of 2025, the Bank of Tanzania (BoT) maintained its Central Bank Rate (CBR) at 6.0%, reflecting the central bank's confidence in continued price stability and economic growth.

## Tanzania's Economic Outlook

Tanzania's economy is expected to maintain steady growth in 2025, supported by strong sectors like trade, manufacturing, and services. While inflation remains moderate and fiscal policy focuses on infrastructure and debt management, external risks such as global economic uncertainty and regional geopolitical developments could pose challenges.



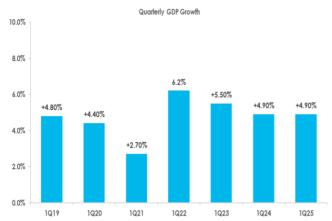
#### | ECONOMIC PERFORMANCE

#### Kenya's economic resilience in 2Q25

Kenya's economic performance moderated in the second quarter of 2025 amid rising political tensions and fiscal uncertainty. The Kenya Shilling remained relatively stable, buoyed by robust diaspora remittances and improved forex reserves. Inflation rose slightly to an average of 3.9%, still within the CBK's target range. The Central Bank eased monetary policy, lowering the CBR by 25 basis points to 9.75% to support credit uptake and domestic demand. Yields declined across the short end of the yield curve, reflecting high liquidity. The PMI softened to a neutral 50.0, with June's downturn reflecting disruptions from Gen Z-led protests. Equities continued their bullish run, with the Nairobi All Share Index gaining 17.3% quarter-on-quarter, supported by strong gains in key counters and increased local participation. However, concerns over public debt, projected at KES 12.6trn (68% of GDP), continue to weigh on the medium-term outlook.

#### Economy Grew by 4.9% in 1Q25

The economy grew by 4.9% in the first quarter of 2025 similar to the expansion reported in the first quarter of 2024. All sectors of the economy recorded positive growths. Year-on-year, the growth was buoyed by rebound in mining & quarrying (+10.0%), Agriculture, Forestry, and Fishing grew by (+6.0%) driven by favorable weather conditions. The growth was also supported by notable expansions in Information and Communication (+5.8%), Wholesale and Retail Trade (+5.4%), Real estate (+5.3%), Financial and Insurance (+5.1), Public Administration (+6.5%), Professional, Administrative and Support services (+4.6%) and Transport and Storage(+3.8%).



#### Source KNBS

#### The 4.3 trn Budget

The FY2025/26 budget estimates total expenditure and net lending of **KES 4.2trn**, representing a **5.8%** year-on-year increase from the FY2024/25 revised estimate of **KES 4.0trn**. Recurrent expenditure which continues to take the lion share accounting for **73%** of total expenditure (**16.2%** of **GDP**) is majorly assigned to interest payments, the public wage bill and transfer to county governments. Development expenditure received **15.0%** of total expenditure (**3.3%** of **GDP**). The expenditure priority sectors for the government in FY2025/26 are; Infrastructure energy & ICT (7.4% of total expenditure), education (16.4% of total expenditure), national security (10.8% of expenditure) and healthcare (3.1% of expenditure). With an anticipated increased economic activity, total revenue is forecast at **KES 3.32Bn**, a **2.3%** growth from the previous fiscal year (FY 2024/25) target of **KES 3.07Bn**. The upward revision was majorly on the ordinary revenue target. Ordinary revenue is estimated at **KES 2.76Bn**, an **6.9%** year-on-year increase from FY2024/25 revised estimates.

## The fiscal budget deficit narrows

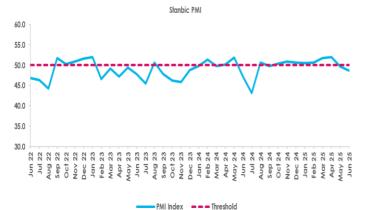
The fiscal deficit for the FY 2025/26 budget is projected at **KES 876.1Bn**, equivalent to **4.5% of GDP** (FY2024/25: 5.1% of GDP). To finance the deficit, the net domestic borrowing target is **KES 591.9bn** (3.1% of GDP) while the net external borrowing target is **KES 284.2bn** (1.5% of GDP).

## Concerns on public debt Intensify

Kenya's public debt is estimated to reach **KES 12.6tm** in the FY2025/26 budget, equivalent to 68% of GDP. This figure surpasses the statutory debt ceiling of 55% of GDP (in net present value terms), signaling heightened fiscal risks. The external debt is estimated at 45% of the gross debt while the remainder is the domestic debt. The national Treasury has emphasized a commitment to fiscal consolidation to stabilize debt dynamics and improve key debt sustainability indicators over the medium term.

## Business Confidence Dips as protests weigh on private sector performance

Kenya's private sector performance moderated in the second quarter of 2025, with the average Stanbic Bank PMI settling at a neutral **50.0**, down from **50.9** in 1Q25. While April began on a strong footing with an expansionary reading of 52.0 driven by improved output and domestic orders the momentum quickly faded. May's reading dipped to 49.6 and further declined to 48.6 in June, reflecting a contraction in private sector activity. The downturn was largely attributed to heightened political uncertainty following the eruption of Gen Z-led anti-government protests in June, which disrupted business operations, weighed on consumer confidence, and suppressed foot traffic, particularly in urban retail and service segments. Firms also reported subdued demand conditions, rising input costs due to concerns over the fiscal outlook as headwinds to growth. Overall business confidence deteriorated, with hiring and purchasing activity remaining cautious.



Source: Stanbic Kenya

#### Tax Collections

The national treasury gazetted revenue collections for the period ending March,2025 indicating that tax collections increased by **7.0%**, , a slowdown, compared to a growth of **10.0%** by end March 2024. The tax collection was **KES 1,697.3Bn** against a target of **KES 1,840.1Bn**. This growth was attributed to growth in income tax by 6.0%, import duty 9.5% and excise taxes by 5.3%, however tax collections was weighted down by Value Added Tax(-2.1)

#### **Current Account Deficits narrows on higher exports**

The current account deficit narrowed to 1.8% of GDP in the 12 months to April 2025 compared to 2.2% of GDP in a similar period in 2024. The growth in diaspora remittances and exports offset the import growth of 7.6%. Goods exports increased by 3.8% while diaspora remittances grew by 12.1% in the 12 months to April 2025. The current account deficit in the 12 months to April 2025 was more than fully financed by financial account inflows, resulting in an overall balance of payments surplus of USD 2,104 Mn.

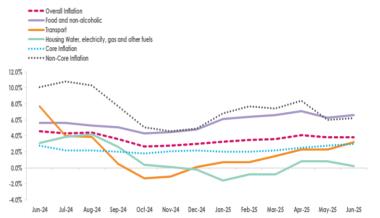
#### **Economic Outlook**

Kenya's economy is projected to grow at 4.5%-5.3%, supported by improved agricultural output, infrastructure investment, and a recovery in tourism and services. However significant downside persist including high public debt levels, tight fiscal space and recent socio-political unrest.

#### Kenya's 2Q 2025 Inflation

Average annual headline Inflation for 2Q25 rose to **3.9%** compared to **3.5%** in the previous quarter, remaining below the Central Bank of Kenya's midrange target of 5.0%, but above its lower limit of 2.5%.

Monthly inflation rates were 4.1% in April, 3.8% in May, and 3.8% in June



#### Source, KNBS

The food index increased to an average of **6.7%** in 2Q2025, up from **6.4%** in the previous quarter driven by increase in key food prices. The transport index rose to an average of **2.6%** compared to 1.0 in 1Q25, due to increase in prices petrol and bus fares. The housing, water, electricity, gas, and other fuels index reversed from a contraction of 1.1% in 1Q25 to a modest 0.6% increase in 2Q25, as rising solid fuel costs and rent increments exerted upward pressure.

## Inflation Outlook

Kenya's inflation is expected to remain broadly within the Central Bank's 2.5%-7.5% target range in the near term, supported by easing food prices and a stable exchange rate. However, upward risks persist due to potential fuel price shocks and fiscal pressures.



## Kenya Shilling Holds Steady in 4Q2024

The Kenya Shilling marginally increased against the US Dollar (+0.1%) in 2Q25, closing at KES 129.23. This was on account of adequate foreign exchange reserves. The Central Bank of Kenya foreign exchange reserves increased to USD 11.1bn (4.9 months of import cover) at the end of June 2025 from USD 9.9bn (5.1 months of import cover) as at the end of the first quarter of 2021. Additionally, low import activity and higher remittances supported the shilling.

	30-Jun-24	30-Sep-24	31-Dec-24	31-Mar-25	30-Jun-25	Q-on-Q	YTD	Y-o-Y
USD/KES	129.53	129.20	129.29	129.32	129.23	▲0.06%	▲0.05%	+0.23%
GBP/KES	163.90	173.03	162.27	167.35	177.52	<b>~</b> (6.08%)	<b>(</b> 9.40%)	(8.31%)
EUR/KES	138.87	144.24	134.29	139.51	151.65	<b>~</b> (8.70%)	<b>~</b> (12.93%)	(9.21%)
KES/TSH	20.27	21.13	18.99	20.65	20.51	<b>~</b> (0.69%)	<b>△</b> 7.99%	+1.18%
KES/USH	28.64	28.58	28.41	28.34	27.82	<b>▼</b> (1.85%)	<b>~</b> (2.08%)	(2.88%)
KES/RWF	10.09	10.38	10.73	10.90	11.14	▲2.27%	<b>△</b> 3.87%	+10.48%



Source. CBK

The Kenya shilling during the quarter it recorded a **6.1%** decline against the Sterling Pound and **8.7%** decrease on the Euro. Regionally, during the quarter, the KES depreciated by **1.9%** against the Uganda shilling and **0.7%** against the Tanzania shilling.

## Currency Outlook

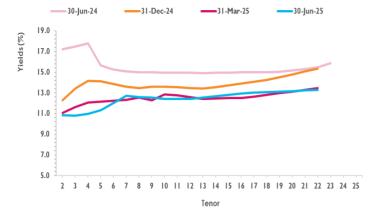
The shilling is expected to remain relatively stable in the near term, supported by sustained diaspora remittance, resilient level of forex reserve and a narrowing current account deficit. However, the debt servicing and global macro economic uncertainties is likely to exert pressure on the currency.



## FIXED INCOME, MONEY MARKET AND INTEREST RATES

#### Yields decline on the short end of the curve

The yield curve slightly shifted downwards by 8 bps on average during the guarter. The shift was more pronounced on the short end of the curve (2-5 years bonds) with an average decline of 74 bps. This was an indication of investor demand arising from high liquidity in the market, dovish monetary policy stance and government move to reject expensive bids. The midend(6-12 years tenors) of the curve remained relatively stable with yields declining by 7 bps on average while the long- end yields (bonds above 12 years) edged upwards by 17 bps.



#### Source: NSE

During the quarter, bond issuances were oversubscribed, with total bids amounting to KES 297.8bn against the KES 210.0bn offered. The government accepted bids worth KES 233.8bn.

#### Treasury Bills Rates Sustained downward trajectory

Short term rates sustained downward trajectory during the quarter. The 91day T-bill closed at 8.1% ( -65 bps), the 182-day T-Bill closed at 8.5% (-60 bps) while the 364-day T-Bill declined by 69 bps to close at 9.7%.

Quarterly averages were 8.34%, 8.62% and 9.98% for the 91-day T-Bill, 182day T-Bill and the 364-day T-Bill, respectively.

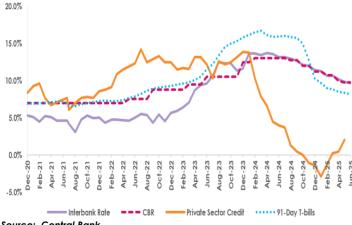
Treasury Bill Quarterly Average Rates	2Q24	3Q24	4Q24	1Q25	2Q25	Q/Q%	YTD	Y-o-Y
91 Day	15.97%	15.86%	12.59%	9.21%	8.34%	-0.87%	-4.25%	-7.63%
182 Day	16.63%	16.72%	12.99%	9.54%	8.62%	-0.92%	-4.37%	-8.01%
364 Day	16.65%	16.86%	13.86%	10.83%	9.98%	-0.85%	-3.88%	-6.67%

#### Source Averages Computed from CBK weekly data

The interbank remained relatively liquid with the average interbank rate declining to 9.9% from 10.9% in the previous quarter.

#### Central Bank Rate (CBR) reduced key rate to 9.75%

The Monetary Committee meeting on June 10,2025 decided to lower the Central Bank Rate(CBR) by 25 basis points to 9.75% from 10.00%. This decision reflects a continued effort to ease monetary policy, primarily to boost lending by banks to the private sector and support broader economic activity. The Committee noted that overall inflation had declined to 3.8% in May (within the  $5\% \pm 2.5\%$  target range) and observed a modest recovery in private sector credit growth alongside declining average lending rates. Despite global uncertainties and a downward revision of Kenya's 2025 growth forecast to 5.2%, the MPC expressed confidence that the rate cut would maintain exchange rate stability, anchor inflation expectations, and support domestic demand.



Source: Central Bank

dit arew **2 0%** in May 2025 a contradiction of -2.9% in January. This growth reflects improved demand in line with the declining lending rates , and dissipation of exchange rate valuation effects on foreign currency denominated loans following the appreciation of the shilling.

Average lending rates declined to 15.4% in May 2025 from 15.7% in April.

## Interest Rates Outlook

Interest rates are expected to remain stable in the short term, supported by declining inflation, improving liquidity in the money market and recent easing in the CBR. However, upward pressure on long-term bond yields may persist, driven by investor concerns over fiscal risks and debt sustainability. Additionally, global uncertainties, including trade tensions and geopolitical risks, coupled with domestic concerns about subdued consumer demand could contribute to interest rate volatility.

## **|STOCK MARKET PERFORMANCE** NSE Extends Bull Run in 2Q25

In the second quarter of 2025, the equities market sustained its bullish momentum, driven by improved investor sentiment, favorable solid macroeconomic conditions, performance and telecommunications and banking counters. The Nairobi All Share Index (NASI) gained 17.29% during the augreter (+24.25% year-to-date), while the NSE 20 Index rose by 9.58% (+21.37% year-to-date), and the NSE-10 Index advanced 13.00% (+16.48% year-to-date). The rally was largely supported by declining inflation, easing interest rates, and increased local investor participation

	30-Jun-24	30-Sep-24	31-Dec-24	31-Mar-25	30-Jun-25	Q-on-Q	YTD	Y-o-Y
NSE 20	1,656.50	1,775.67	2,010.65	2,226.88	2,440.26	<b>△</b> 9.58%	<b>△</b> 21.37%	+47.31%
NASI	109.49	107.08	123.48	130.81	153.43	<b>△</b> 17.29%	<b>△</b> 24.25%	+40.13%
NSE 25	2,861.04	2,899.20	3,402.80	3,532.38	3,938.28	▲11.49%	▲15.74%	+37.65%
NSE-10	1,117.39	1,124.72	1,302.31	1,342.38	1,516.93	<b>△</b> 13.00%	▲16.48%	+35.76%

Source: NSE

Safaricom was the most traded counter during the quarter, accounting for 33.9% of total turnover, trailed by Equity Bank at 13.8%, KCB Group at 14.0%, EABL at 7.2% and Stanbic Holdings at 4.3%.

The table below shows the price performance of top stocks by market cap.

	2Q24	3Q24	4Q24	1Q25	2Q25	YTD	Y-o-Y
Safaricom	(2.54%)	(13.29%)	+13.67%	+7.33%	+36.61%	+46.63%	+44.51%
Equity Group	(10.39%)	+3.79%	+10.15%	(2.48%)	+3.82%	+1.24%	+15.74%
KCB Bank	+3.99%	+11.04%	+19.88%	+1.32%	+10.56%	+12.02%	+49.12%
EABL	+12.45%	+5.45%	+13.41%	+2.56%	+2.50%	+5.13%	+25.72%
Co-operative Bank	(15.33%)	+5.12%	+23.22%	(2.74%)	+11.88%	+8.81%	+40.94%
ABSA Bank	+0.36%	+0.36%	+28.47%	+5.26%	+1.05%	+6.37%	+37.14%
Stanchart Bank	(1.90%)	+8.25%	+33.21%	+6.97%	+0.17%	+7.15%	+54.51%
BAT	(14.66%)	(2.90%)	+9.46%	(1.26%)	(2.76%)	(3.99%)	+2.05%
NCBA Bank	(6.16%)	+3.89%	+12.88%	+8.92%	+13.33%	+23.44%	+44.77%
Stanbic Holdings	(9.68%)	+2.63%	+17.06%	+17.85%	+1.70%	+19.85%	+43.98%
I&M Bank	(2.27%)	+9.05%	+54.26%	(10.76%)	+10.51%	(1.38%)	+65.89%
Bamburi Cement	(10.97%)	+40.55%	(6.38%)	+2.73%	(4.42%)	(1.82%)	+29.19%

#### Banking Sector posts subdued growth amid asset quality concerns in 1Q25

In the first quarter of 2025, Kenya's banking sector posted subdued growth, weighed down by a decline in non-funded income and persistent asset auglity concerns. The drop in non-funded income was largely attributed to reduced foreign exchange trading income, following a slowdown in dollar demand. HFC Group (+118.1%), I&M Holdings (+17.3%), and Diamond Trust Bank (+9.9%) recorded strong earnings growth. In contrast, Stanbic (-16.6%) and Standard Chartered (-13.5%) reported significant profit declines.

Bank's 1Q25 Performance	ROE	Earning Growth	Loan Growth	Deposit Growth	NPL Ratio
Equity Group	19.9%	(3.90%)	3.3%	7.0%	15.5%
Stanbic Bank	20.0%	(16.60%)	(4.60%)	(5.00%)	8.7%
Co-operative Bank	18.2%	5.3%	1.7%	9.0%	17.3%
Stanchart Bank	27.9%	(13.50%)	(10.20%)	(6.80%)	8.3%
KCB Bank	23.4%	0.4%	0.1%	(4.90%)	20.4%
I & M Holdings	17.1%	17.3%	0.7%	6.0%	11.1%
ABSA Bank	25.2%	3.7%	(5.60%)	4.6%	13.1%
Diamond Trust Bank	11.5%	9.9%	5.7%	9.0%	13.2%
NCBA Bank	20.5%	3.4%	(10.40%)	-9.6%	12.6%
HFC Group	5.6%	118.1%	+102.20%	14.5%	25.2%

## **Source: Company Filings**

Loan growth remained weak or negative across several institutions, with NCBA, Stanchart ,ABSA and Stanbic contracting their loan books, while HFC stood out with exceptional credit expansion of +102.2%. Similarly, asset quality deteriorated, with rising non-performing loan (NPL) ratios, particularly at HFC (25.2%), KCB (20.4%), and Co-operative Bank (17.3%) highlighting the sustained credit risk pressures facing the sector.

## Safaricom earnings rises 10.8% in FY'25

Safaricom released its full-year results for FY'25, reporting a 10.8% increase in Profit After Tax (PAT) to KES 69.8Bn and an 11.2% rise in total revenue to KES 388.7Bn, supported by strong growth in M-PESA and mobile data, which expanded by 15.1% and 16.5%, respectively. However, losses from the Ethiopian operation, amounting to KES 25.7Bn, along with forex pressures, weighed on profitability, causing the EBITDA margin to decline to 44.3% from 46.7% in the previous year. The Board of Directors recommended a final DPS of KES 0.65, which in addition to the interim DPS of KES 0.55, brought FY25 DPS to KES 1.20

## EABL Raises Stake in UBL to 98.32%

East African Breweries Limited (EABL) successfully closed its tender offer to acquire up to 2,177,995 shares (1.81%) of Uganda Breweries Limited (UBL) at UGX 5,630 per share. A total of 151,156 shares were tendered by shareholders, with 78,268 shares already transferred and paid for, with the remaining 72,888 shares pending completion. Following the completion of the transaction. EABL will increase its stake in UBL to 98.32%, reinforcing its dominant ownership position.

## **Equity Markets Outlook**

Equity markets are expected to sustain a cautiously optimistic trajectory supported by improving macroeconomic fundamentals including easing inflation, a more stable currency and moderated interest rates. Sentiment is expected to be buoyed by resilient corporate earnings, however credit risk within the banking sector, uncertainty over the global interest rates and geopolitical developments may dampens market performance.

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