Kenya's FY'2024 Balance of Payments Note

According to the 2025 Economic Survey released by the Kenya National Bureau of Statistics (KNBS), Kenya's balance of payments position improved significantly by 231.0% in FY'2024, with a surplus of Kshs 176.7 bn, from a deficit of Kshs 134.8 bn in FY'2023. In this note, we provide a detailed analysis of the current account and the balance of payment before giving an outlook on both.

A. Current Account Balance

Kenya's current account deficit narrowed by 45.4% to Kshs 208.9 bn in FY'2024 from the Kshs 382.7 bn deficit recorded in FY'2023. The y/y contraction registered was driven by:

i. A 37.4% improvement in the services trade balance to a surplus of Kshs 324.4 bn from a surplus of Kshs 236.1 bn in FY'2023,

ii. Secondary income/transfers surplus (the transactions recorded in the secondary income account pertain to those current transfers between residents and non-residents that directly affect the level of gross national disposable income and thus influence the economy's ability to consume goods and services) increased marginally by 4.9% to Kshs 1,025.7 bn from Kshs 977.6 bn in FY'2023 and,

iii. The narrowing of the primary income deficit (the earnings that residents of a country receive from their investments abroad and the compensation they receive for providing labor to foreign entities) by 2.3% to Kshs 252.3 bn in FY'2024, from Kshs 258.4 bn recorded in FY'2023.

The table below shows the breakdown of the various current account components on a year-on-year basis, comparing FY'2024 and FY'2023:

Item	FY'2023	FY2024	Y/Y % Change
Merchandise Trade Balance	(1,338.0)	(1,306.7)	2.3%
Services Trade Balance	236.1	324.4	37.4%
Primary Income Balance	(258.4)	(252.3)	2.3%
Secondary Income (transfer) Balance	977.6	1,025.7	4.9%
Current Account Balance	**(382.7)**	**(208.9)**	45.4%

All values in Kshs bns

Key take-outs from the table include;

i. Merchandise trade deficit (a scenario where imports are greater than exports of goods) narrowed by 2.3% to Kshs 1,306.7 bn in FY'2024, from Kshs 1,338.0 bn recorded in FY'2023. This is attributable to the 9.1% growth in merchandise exports to Kshs 1,684.3 bn, from Kshs 1,544.0 bn in FY'2023, which outpaced the 3.8% growth in merchandise imports to Kshs 2,991.0 bn from Kshs 2,882.0 bn recorded in a similar period in 2023. The increase in merchandise exports was mainly driven by a 12.5% increase in medicinal and pharmaceutical products to Kshs 19.9 bn, from Kshs 17.7 bn recorded in FY'2023 coupled with the 11.0% growth in exportation of coffee to Kshs 38.4 bn, from Kshs 34.6 bn recorded in FY'2023. On the other hand, the slower growth in the import bill is attributable to the 20.1% decline in importation of chemical fertilizers to Kshs 50.4 bn from Kshs 63.0 bn reported in FY2023 coupled with a 15.7% decrease in iron and steel imports to Kshs 101.8 bn in FY'2024 from Kshs 120.8 bn in FY'2023 and a 8.8% decrease in petroleum products imports to Kshs 552.5 bn from Kshs 606.0 bn recorded in FY'2023,

ii. Service Trade Balance (the difference between the imports and exports of services) recorded a 37.4% increase in FY'2024 to a surplus of Kshs 324.4 bn, from a surplus of Kshs 236.1 bn in FY'2023. The y/y increase in service trade balance was mainly driven by a 9.0% growth in services receipts to Kshs 1,084.5 bn from Kshs 995.2 bn recorded in FY'2023, which outpaced the 0.1% growth in services outflows to Kshs 760.2 bn from Kshs 759.2 bn recorded in FY'2023,

iii. Primary income deficit (income that residents earn from, less that they pay to the rest of the world from working and from financial investments) narrowed by 2.3% to a deficit of Kshs 252.3 bn in

FY'2024 from a deficit of Kshs 258.4 bn in FY'2023, on the back of repayment of interest, largely on external debt of general government debt,

iv. Secondary income/transfers surplus (the transactions recorded in the secondary income account pertain to those current transfers between residents and non-residents that directly affect the level of gross national disposable income and thus influence the economy's ability to consume goods and services) increased marginally by 4.9% to Kshs 1,025.7 bn from Kshs 977.6 bn in FY2023,

v. Diaspora remittances recorded a 14.0% growth to Kshs 674.1 bn from Kshs 591.2 bn recorded in FY'2023,

vi. Total exports grew by 2.8% in FY'2024 to Kshs 932.2 bn, up from Kshs 906.3 bn recorded in FY'2023. In terms of exports by region, Africa remained the largest merchandise export recipient, accounting for 38.3% of total exports in FY'2024 despite registering a 2.1% decrease in export earnings to Kshs 425.6 bn, from Kshs 435.0 bn in FY'2023. The decrease was mainly attributable to 19.4% decrease in exports to Somalia, to Kshs 17.5 bn from Kshs 21.6 bn in FY'2023, coupled with 9.5%, and 7.0% decline in exports to South Africa and South Sudan. Asia followed in second place, accounting for 28.5% of all exports and recording a growth of 22.3% in FY'2024 to Kshs 317.5 bn, up from Kshs 259.7 in FY'2023, and,

vii. Overall imports grew marginally by 3.6% to Kshs 2,706.3 bn in FY'2024 from 2,612.0 bn recorded in FY'2023. In terms of imports by region, Asia remained the largest merchandise import source, accounting for 66.4% of total imports, with the value of imports increasing by 3.5% to Kshs 1,797.3 bn, up from Kshs 1,737.2 bn recorded in FY'2023. The growth was mainly attributed to the increase in imports from China of 25.5% to Kshs 576.1 bn from Kshs 459.0 bn in FY'2023 however weighed down by an 18.1% decrease in imports from UAE to Kshs 337.3 bn, from Kshs 411.5 bn recorded in FY'2023. The European Union accounted for 9.2% of total imports in FY'2024, valued at Kshs 249.7 bn, a 11.9% growth from the Kshs 223.1 bn recorded in FY'2023 mainly driven by the 141.2% increase in imports from Netherlands.

B. Balance of Payments

Kenya's balance of payment (BoP) position improved significantly by 231.0% in FY'2024, to a surplus of Kshs 176.7 bn, from a deficit of Kshs 134.8 bn in FY'2023. The y/y positive performance in BoP was mainly driven by a significant 722.9% increase in net errors and omissions by 722.9% to Kshs 107.8 bn from a deficit of Kshs 17.3 bn in FY'2023 coupled with an 81.0% improvement in the capital account balance to a surplus of Kshs 31.2 bn in FY'2024, from a surplus of Kshs 17.3 bn in FY'2023. The performance was however weighed down by a 0.6% deterioration in the financial account balance to a surplus of Kshs 246.5 bn from a surplus of Kshs 247.9 bn in FY'2023. The table below shows the breakdown of the various balance of payments components, comparing FY'2023 and FY'2024:

Item	FY'2023	FY'2024	Y/Y % Change
Current Account Balance	(382.7)	(208.9)	45.4%
Capital Account Balance	17.3	31.2	81.0%
Financial Account Balance	247.9	246.5	(0.6%)
Net Errors and Omissions	(17.3)	107.8	722.9%
Balance of Payments	**(134.8)**	**176.7**	231.0%

All values in Kshs bns

Key take-outs from the table include;

i. The current account deficit (value of goods and services imported exceeds the value of those exported) narrowed by 45.4% to Kshs 208.9 bn from Kshs 382.7 bn in FY'2023. The y/y narrowing of the current account was brought about by the 37.4% improvement in the services trade balance to a surplus of Kshs 324.4 bn from a surplus of Kshs 236.1 bn in FY'2023, coupled with a 4.9% increase in secondary income/transfers to Kshs 1,025.7 bn from Kshs 977.6 bn in FY'2023,

ii. The capital account balance (shows capital transfers receivable and payable between residents and non-residents, including the acquisition and disposal of non-produced non-financial items), which includes foreign direct investments (FDIs), increased by 81.0% to a surplus of Kshs 31.2 bn in FY'2024 down from a surplus of Kshs 17.3 bn in FY'2023,

iii. The financial account balance (the difference between the foreign assets purchased by domestic buyers and the domestic assets purchased by foreign buyers) recorded a 0.6% decline in net inflow to Kshs 246.5 billion in FY'2024, from a net inflow of Kshs 247.9 billion in FY'2023, attributable to increased inflows of debt securities and other investments. In 2024, the government received credit and loans from the International Monetary Fund (IMF) worth Kshs 421.2 bn,

iv. Consequently, the Balance of Payments (BoP) position improved to a surplus of Kshs 176.7 bn in FY'2024, from a deficit of Kshs 134.8 bn recorded in FY'2023.

C. Public External Debt

During the period under review, the stock of external public and public guaranteed debt decreased by 3.9% to Kshs 5.1 tn as at December 2024, down from Kshs 5.3 tn recorded in December 2023, mainly driven by a 14.3% decrease in debt securities held by non-residents to Kshs 0.9 tn in FY'2024, down from Kshs 1.0 tn recorded in FY'2023. Notably, external public debt by commercial banks decreased by 7.9% to Kshs 0.3 tn in FY'2024, down from Kshs 0.4 tn in 2023. The table below shows the breakdown of the outstanding external public and publicly guaranteed debt, comparing FY'2024 and FY'2024:

Cytonn Report: Kenya's Public External Debt				
Debt Source	**FY'2023**	**FY'2024**	**Y/Y % Change**	**% contribution**
Multilateral	2.7	2.8	5.0%	55.0%
Bilateral	1.3	1.1	(13.1%)	21.5%
Debt Securities held by non-residents	1.0	0.9	(14.3%)	16.9%
Commercial Banks	0.4	0.3	(7.9%)	6.4%
Suppliers Credit	0.01	0.01	(8.8%)	0.3%
Total External Public Debt	**5.3**	**5.1**	**(3.9%)**	**100.0%**

All values in Kshs tn

Key take-outs from the table include;

i. Multilateral debt increased by 5.0% to Kshs Kshs 2.8 tn in FY'2024, up from Kshs 2.7 tn recorded in FY'2023, accounting for 55.0% of the total external debt. Additionally, bilateral debt accounted for 21.5% of the total external debt, despite the amount decreasing by 13.1% to Kshs 1.1 tn, down from Kshs 1.3 tn in FY'2023.

D. Conclusion

Kenya's balance of payments improved in FY'2024, mainly on the back of a significant 722.9% increase in net errors and omissions by 722.9% to Kshs 107.8 bn from a deficit of Kshs 17.3 bn in FY'2023 coupled with an 81.0% improvement in the capital account balance to a surplus of Kshs 31.2 bn in FY'2024, from a surplus of Kshs 17.3 bn in FY'2023 reflecting significant inflows of financing to the country, possibly in government securities. The current account deficit (value of goods and services imported exceeds the value of those exported) narrowed by 45.4% to Kshs 208.9 bn from Kshs 382.7 bn in FY'2023. The y/y narrowing of the current account was brought about by the 2.3% narrowing in Merchandise trade deficit to Kshs 1,306.7 bn in FY'2024, from Kshs 1,338.0 bn in FY'2023 driven by the 9.1% growth in merchandise exports to Kshs 1,684.3 bn, from Kshs 1,544.0 bn in FY'2023 which outpaced the 3.8% increase in merchandise imports to Kshs 2,991.0 bn from Kshs 2,882.0 bn recorded in a similar period in 2023. Additionally, the secondary income balance saw an increase, bolstered by strong growth in diaspora remittances. Looking ahead, the outlook for Kenya's current account is optimistic, as continued growth in key export sectors and sustained diaspora remittances are expected to further improve the current account balance. Efforts to diversify exports and enhance value addition in agricultural products, along with prudent fiscal and monetary policies, will be crucial in sustaining this positive trajectory. Furthermore, the ongoing stability of Kenyan Shilling against most trading currencies is expected to lower the import bill hence narrowing the current account deficit. We expect that the current administration's focus on fiscal consolidation will improve the balance of payments performance by minimizing the costs of servicing external debts. Additionally, the favorable weather conditions and government intervention through subsidy programs are set to boost agricultural production in the country, thereby increasing the export of agricultural products, and supporting the current account. We anticipate that the balance of payments will continue being stable with the help of multiple trade agreements, such as the one between Kenya and the EU and the one among the EAC, SADC and COMESA, as the agreements will boost the amount and variety of exports that are needed and offer more opportunities to sell them.