

## Kenya's FY'2025 Balance of Payments Note

According to the FY'2025 [Economic Survey](#) released by the Kenya National Bureau of Statistics (KNBS), Kenya's balance of payments position deteriorated by 78.4% in FY'2025, to a deficit of Kshs 315.1 bn, from a deficit of Kshs 176.7 bn in FY'2024. 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 widened by 30.8% to Kshs 373.3 bn in FY'2025 from the Kshs 285.5 bn deficit recorded in FY'2024. The y/y expansion of the deficit registered was driven by:

- i. The widening of the merchandise trade account deficit (the value of import goods exceeds the value of export goods, resulting in a negative net foreign investment) by 2.7% to Kshs 1,377.3 bn in FY'2025, from Kshs 1,340.6 bn recorded in FY'2024, and,
- ii. A 6.8% decrease in the Secondary Income Balance to a surplus of Kshs 956.1 bn from a surplus of Kshs 1,025.7 bn in FY'2024,

The table below shows the breakdown of the various current account components on a year-on-year basis, comparing FY'2025 and FY'2024:

Item	FY'2024	FY'2025	Y/Y % Change
Merchandise Trade Balance	(1,340.6)	(1,377.3)	2.7%
Services Trade Balance	318.5	323.9	1.7%
Primary Income Balance	(289.1)	(276.0)	(4.5%)
Secondary Income (transfer) Balance	1,025.7	956.1	(6.8%)
<b>Current Account Balance</b>	<b>(285.5)</b>	<b>(373.3)</b>	<b>30.8%</b>

*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) widened by 2.7% to Kshs 1,377.3 bn in FY'2025, from Kshs 1,340.6 bn recorded in FY'2024. This is attributable to the 2.1% increase in merchandise exports to Kshs 1,685.6 bn, from Kshs 1,651.7 bn in FY'2024, compared to the 2.4% increase in merchandise imports to Kshs 3,062.9 bn from Kshs 2,992.2 bn recorded in a similar period in 2024. The increase in merchandise exports was mainly driven by a 35.5% increase in unroasted coffee exports to Kshs 52.1 bn, from Kshs 38.4 bn recorded in FY'2024 coupled with the 15.0% increase in exportation of edible products and preparations to Kshs 15.4 bn, from Kshs 13.4 bn recorded in FY'2024. On the other hand, the faster increase in the import bill is attributable to the 29.8% growth in importation of iron and steel to Kshs 132.1 bn from Kshs 101.8 bn reported in FY'2024 coupled with a 24.6% increase in industrial machinery imports to Kshs 389.9 bn in FY'2025 from Kshs 312.9 bn in FY'2024 and a 14.1% increase in animal and vegetable oils imports to Kshs 158.8 bn from Kshs 139.2 bn recorded in FY'2024,
- ii. Service Trade Balance (the difference between the imports and exports of services) recorded a 1.7% increase in FY'2025 to a surplus of Kshs 323.9 bn, from a surplus of Kshs 318.5 bn in FY'2024. The y/y increase in service trade balance was mainly driven by a 0.1% increase in services receipts to Kshs 1,085.3 bn from Kshs 1,084.3 bn recorded in FY'2024, in addition to the 0.6% decrease in services outflows to Kshs 761.4 bn from Kshs 765.8 bn recorded in FY'2024,
- 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 4.5% to a deficit of Kshs 276.0 bn in FY'2025 from a deficit of Kshs 289.1 bn in FY'2024, on the back of reduced servicing 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) decreased by 6.8% to Kshs 956.1 bn from Kshs 1,025.7 bn in FY'2024,
- v. Diaspora remittances recorded a narrow 1.9% decrease to Kshs 661.2 bn from Kshs 674.1 bn recorded in FY'2024,
  - vi. Total exports increased marginally by 0.6% in FY'2025 to Kshs 1,119.4 bn, up from Kshs 1,112.3 bn recorded in FY' 2024. In terms of exports by region, Africa remained the largest merchandise export recipient, accounting for 40.4% of total exports in FY'2025, registering a 6.4% increase in export earnings to Kshs 452.8 bn, from Kshs 425.6 bn in FY'2024. The increase was mainly attributable to 28.8% increase in exports to Uganda, to Kshs 162.3 bn from Kshs 125.9 bn in FY'2024, coupled with 24.3% and 17.9% growth in exports to DRC and South Africa. Asia followed in second place, accounting for 24.6% of all exports and recording a decline of 13.2% in FY'2025 to Kshs 275.7 bn, down from Kshs 317.5 bn in FY'2024, and,
  - vii. Overall imports grew by 2.5% to Kshs 2,772.9 bn in FY'2025 from 2,706.3 bn recorded in FY'2024. In terms of imports by region, Asia remained the largest merchandise import source, accounting for 70.0% of total imports, with the value of imports increasing by 8.1% to Kshs 1,942.4 bn, up from Kshs 1,797.3 bn recorded in FY' 2024. The growth was mainly attributed to the increase in imports from South Korea of 35.0% to Kshs 31.0 bn from Kshs 23.0 bn in FY'2024 coupled with a 16.5% increase in imports from China to Kshs 671.2 bn from Kshs 576.1 bn in FY'2024, however weighed down by a 3.9% decrease in imports from UAE to Kshs 324.1 bn, from Kshs 337.3 bn recorded in FY'2024. The European Union accounted for 8.6% of total imports in FY'2025, valued at Kshs 237.3 bn, a 5.0% decrease from the Kshs 249.7 bn recorded in FY'2024 mainly driven by the 55.0% decrease in imports from Netherlands.

## B. Balance of Payments

Kenya's balance of payment (BoP) position deteriorated by 78.4% in FY'2025, to a deficit of Kshs 315.1 bn, from a deficit of Kshs 176.7 bn in FY'2024. The y/y negative performance in BoP was mainly driven by a 30.8% widening of the current account deficit to Kshs 373.3 bn from Kshs 285.5 bn in FY'2024, coupled with a 25.2% decrease in the capital account balance to a surplus of Kshs 23.4 bn from Kshs 31.2 bn. The table below shows the breakdown of the various balance of payments components, comparing FY'2025 and FY'2024:

Item	FY'2024	FY'2025	Y/Y % Change
Current Account Balance	(285.5)	(373.3)	30.8%
Capital Account Balance	31.2	23.4	(25.2%)
Financial Account Balance	(516.2)	(524.8)	1.7%
Net Errors and Omissions	(85.3)	140.3	264.4%
<b>Balance of Payments</b>	<b>(176.7)</b>	<b>(315.1)</b>	<b>78.4%</b>

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) widened by 30.8% to Kshs 373.3 bn from Kshs 285.5 bn in FY'2024. The y/y increase of the current account deficit was brought about by the 6.8% narrowing in the secondary Income balance surplus to Kshs 956.1 bn from a Kshs 1,025.7 bn in FY'2024.
- 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), narrowed by 25.2% to a surplus Kshs 23.4 bn in FY'2025, down from a surplus of Kshs 31.2 bn in fy'2024,

- 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 1.7% decrease in net inflow to a deficit Kshs 524.8 bn in FY'2025, from a deficit of Kshs 516.2 bn in fy'2024.
- iv. Consequently, the Balance of Payments (BoP) position deteriorated to a deficit of Kshs 315.1 bn in FY'2025, from a deficit of Kshs 176.7 bn recorded in FY'2024.

### C. Public External Debt

During the period under review, the stock of external public and public guaranteed debt increased by 6.6% to Kshs 5.4 tn as at June 2025, up from Kshs 5.1 tn recorded in June 2024, mainly driven by a 19.6% increase in Debt securities held by non-residents to Kshs 1.0 tn in FY'2025, up from Kshs 0.9 tn recorded in FY'2024. Notably, external public debt by commercial banks decreased by 10.4% to Kshs 0.3 tn in FY'2025, down from Kshs 0.29 tn in FY'2024. The table below shows the breakdown of the outstanding external public and publicly guaranteed debt, comparing FY'2025 and FY'2024:

Cyttonn Report: Kenya's Public External Debt				
Debt Source	FY'2024	FY'2025	Y/Y % Change	% contribution
Multilateral	2.8	3.0	9.3%	56.3%
Bilateral	1.1	1.0	(5.5%)	19.1%
Debt Securities held by non-residents	0.9	1.0	19.6%	18.9%
Commercial Banks	0.3	0.3	(10.4%)	5.4%
Suppliers Credit	0.01	0.01	6.5%	0.3%
<b>Total External Public Debt</b>	<b>5.1</b>	<b>5.4</b>	<b>6.6%</b>	<b>100.0%</b>

*All values in Kshs tn*

Key take-outs from the table include;

- i. Multilateral debt increased by 9.3% to Kshs 3.0 tn in FY'2025, up from Kshs 2.8 tn recorded in FY'2024, accounting for 56.3% of the total external debt. Additionally, bilateral debt accounted for 19.1% of the total external debt, despite the amount decreasing by 5.5% to Kshs 1.0 tn, down from Kshs 1.1 tn in FY'2024.

### D. Conclusion

Kenya's balance of payment (BoP) position deteriorated by 78.4% in FY'2025, to a deficit of Kshs 315.1 bn, from a deficit of Kshs 176.7 bn in FY'2024. The y/y negative performance in BoP was mainly driven by a 30.8% widening in current account deficit to Kshs 373.3 bn from a Kshs 285.5 bn in FY'2024, coupled with a 25.2% decrease in capital account balance to a surplus of Kshs 23.4 bn from a surplus of Kshs 31.2 bn in FY'2024. Looking ahead, Kenya's external position will mainly rely on the sustainability of services exports and the direction of capital flows. While the strong performance in the services trade, likely supported by tourism, transport and ICT, offers a stabilizing buffer to the current account, the widening merchandise trade deficit continues to underscore structural import dependence and vulnerability to global commodity price movements. This vulnerability is likely to be exacerbated by ongoing geopolitical tensions in the Middle East, particularly the Iran conflict, which has disrupted key shipping routes and increased global freight and insurance costs. For a net importer like Kenya, higher shipping and energy costs are expected to raise the import bill, especially for fuel, machinery and intermediate goods, further widening the merchandise trade deficit. Additionally, elevated global uncertainty may dampen external demand in key export markets, potentially weighing on export growth and limiting the offsetting impact from the services sector. More critically, the sharp reversal in the financial account highlights growing sensitivity to global liquidity conditions, investor risk appetite and domestic policy credibility. Going forward, a recovery in foreign capital inflows, particularly long-term FDI, alongside prudent external debt management, will be key to strengthening the financial account and supporting overall Balance of Payments stability. As such, external pressures from rising import costs and subdued export performance could further deteriorate the current account position in the near term, and Kenya's balance of payments position may remain under pressure despite gains in the services sector.

