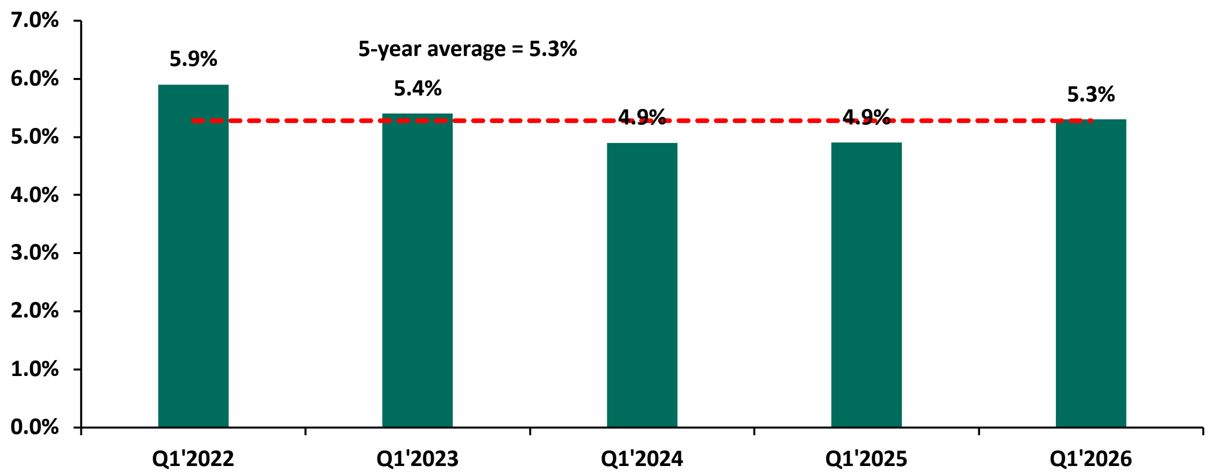
Kenya Q1’2026 GDP Note

The Kenya National Bureau of Statistics (KNBS) released the Q1’2026 Quarterly Gross Domestic Product Report, highlighting that the Kenyan economy recorded a 5.3% growth in FY’2025, higher than the 4.9% growth recorded in Q1’2026. The main contributor to Kenyan GDP remains to be the Agriculture, Fishing and Forestry sector which grew by 4.9% in Q1’2026, lower than the 5.3% expansion recorded in Q1’2025. All sectors in Q1’2026 recorded positive growths, with varying magnitudes across activities. Notably, Accommodation and Food Services, Mining and quarrying and Construction recorded the highest growth rates of 14.7%, 9.1% and 6.6% respectively. The chart below shows the first Quarter Kenyan GDP growth rates;

Cytonn Report: Q1'2026 GDP Growth Rates



Source: KNBS

The table below shows the growth of the various sectors and their overall contribution to GDP:

Cytonn Report: Q1’2025 and Q1’2026 GDP Contribution and Growth rates				
Sector	**Contribution Q1'2025**	**Contribution Q1'2026**	**Q1'2025 Growth**	**Q1'2026 Growth**
Agriculture and Forestry	19.1%	19.0%	5.3%	4.9%
Real estate	10.2%	10.1%	4.6%	5.0%
Financial & Insurance	9.0%	9.2%	5.3%	6.3%
Transport and Storage	9.0%	8.8%	3.6%	3.6%
Wholesale and retail trade	8.5%	8.3%	4.3%	4.0%
Taxes on Products	8.3%	8.0%	4.1%	4.3%
Manufacturing	7.7%	7.7%	2.8%	4.4%
Public administration	6.0%	6.2%	9.5%	5.7%
Construction	5.2%	5.3%	4.5%	6.6%
Education	4.8%	4.8%	1.8%	6.2%
Information and Communication	3.4%	3.4%	5.5%	5.0%
Professional admin	2.7%	2.7%	4.1%	2.4%
Electricity and Water Supply	2.3%	2.3%	4.1%	4.3%
Health	2.1%	2.0%	4.7%	4.3%
Other services	2.0%	1.9%	2.4%	2.1%
Accommodation & Food Services	1.6%	1.8%	8.0%	14.7%

Mining and quarrying	0.9%	0.9%	12.7%	9.1%
Financial Services Indirectly Measured	(2.8%)	(2.6%)	0.6%	(4.1%)
GDP at Constant Prices	**100.0%**	**100.0%**	**4.9%**	**5.3%**

Source: KNBS

The key take-outs from the report are:

a) **Sectoral contribution to growth:** The biggest gainer in terms of sectoral contribution to GDP was the Financial & Insurance and Accommodation & Food Services sectors, increasing by 0.1% points to 9.2% and 1.8% respectively in Q1'2026 from 9.1% and 1.7% in Q1'2025, while the Transport and Storage sector was the biggest loser, declining by 0.2% points to 8.8% in Q1'2026, from 9.0% in Q1'2025. Accommodation and Food services sector recorded the highest growth rate in Q1'2026 growing by 14.7% from the 8.0% recorded in Q1'2025.

b) **Decelerated growth in the Agricultural Sector:** Agriculture and Forestry recorded a growth of 4.9% in Q1'2026. The performance was a decrease of 0.4% points, from the expansion of 5.3% recorded in Q1'2025. Nonetheless, the sector remains the major contributor to GDP, with the sectoral contribution to GDP the stood at 19.0% in Q1'2026, remaining constant from Q1'2025. The sector's growth was, supported by;
   i. Increased production of tea, which rose by 3.1% to 141.1 thousand metric tonnes in Q1'2026 from 136.9 thousand metric tonnes in Q1'2025, increased cane deliveries which increased by 6.2% to 2.505.4 thousand metric tonnes and increased milk deliveries which increased to 249.7 mn litres from 244.4 mn litres.
   ii. Increased exports of cut flowers, which rose by 4.3% to 35,768.0 metric tonnes in Q1'2026 and increased exports of vegetables which increased marginally to 17,337.3 metric tonnes from 17,317.3 metric tonnes .

The sector's growth was, however, slowed down by;
   i. A decline in coffee production, which fell by 6.2% 15,847.6 metric tonnes in the period under review from 16,894.4 metric tonnes in the first quarter of 2025.
   ii. Fruit exports declined to 47,509.1 metric tonnes in the period under review from 68,808.6 metric tonnes in the first quarter of 2025.

c) **Accelerated growth in the electricity and water supply sector** - The Electricity and Water Supply sector recorded a growth of 4.3% in Q1'2026 compared to a 4.1% growth in Q1'2025, with the sectoral contribution to GDP stood at 2.3% in Q1'2026, remaining constant from Q1'2025. Notably, total electricity generation increased by 7.4% to 3,446.4 million kilowatt hour (KWh) in Q1'2026, from 3,208.8 million kilowatt hour (KWh) in the first quarter of 2025. The sector's performance was supported by increase in production from geothermal and hydroelectric power;
   i. Electricity generated from geothermal generation increased in the first quarter of 2026 by 21.1% to 1664.1 million KWh.
   ii. Similarly, electricity generated from hydroelectric generation increased in Q1'2026 to 852.6 KWh compared to 797.0 KWh in Q1'2025

   However, the sector's growth was slowed down by;

   i. Electricity generated from thermal declined by 6.4% to stand at 358.1 million KWh in the quarter under review,
   ii. Similarly, electricity generated from wind and solar declined by 14.1% and 7.5% to stand at 448.5 million KWh and 123.1 million KWh, respectively, in the quarter under review

d) **Significant growth in the Accommodation and Food Service sector**: Accommodation and Food Services sector recorded growth in Q1'2026, having expanded by 14.7%, higher than the 8.0%

recorded in Q1’2025. Additionally, the contribution to GDP stood at 0.9% in Q1’2026, remaining constant from Q1’2025. Some of the notable improvements include:

i. International visitor arrivals through the two major airports, the Jomo Kenyatta International Airport (JKIA) and Mombasa International Airport (MIA) rose by 13.1% in first quarter of 2026 to stand at 506,622 visitors compared to the 0.5% growth in Q1’2025

e) **Accelerated growth in the Financial and Insurance Services Sector**: The Financial and Insurance sector growth rate expanded by 1.0% points to 6.3% in Q1’2026 compared to the 5.3% in Q1’2025, attributable to higher credit uptake during the period. However, the contribution to GDP increased by 0.1% points to 9.2% in Q1’2026 from the 9.1% recorded in Q1’2025. Some of the notable improvements include:

i. The Central Bank Rate (CBR) was at 8.75% in March 2026 compared to 10.75% in March 2025 after the rate was revised downwards in February 2026.

ii. The cost of credit declined during the first quarter of 2026, with average interest rates on loans and other advances by commercial banks declining to 14.7% in March 2026 from 15.8% in March 2025.

iii. Over the same period, the interbank rate declined to 8.7% from 10.7% in March 2026. The average yield for 91-day Treasury Bills was 7.5% in March 2026, compared to an average yield of 8.9% in March 2025

f) **Expansion in the construction sector**: The construction sector recorded a growth rate of 6.6% in Q1’2026 compared to 4.5% expansion in the same period last year. Similarly, the contribution to GDP stood at 5.3% in Q1’2026, remaining constant from Q1’2025. Growth in the sector was supported by:

i. Increased access to credit with loans and advances to the construction sector rose by 27.5% to stand at Kshs 200.6 bn as at March 2026, from Kshs 157.3 bn in as at the end of March 2025.

ii. Cement consumption increased by 17.9% to stand at 2,763.6 thousand metric tonnes in Q1’2026 from 2,344.8 thousand metric tonnes in the corresponding period of 2025,

iii. Quantity of imported bitumen increased to 16,760.8 metric tonnes in the first quarter of 2026 from 14,200.3 metric tonnes in the corresponding quarter of 2025 while the quantity of the imported iron and steel expanded by 4.0% to 325,575.7 metric tonnes in the first quarter of 2026 from 313,289.1 metric tonnes in a similar quarter of 2025.

g) **Stable growth in the Transport and Storage Sector:** The Transport and Storage sector maintained a growth rate of 3.6% in Q1’2026 similar to Q1’2025. Additionally, the contribution to GDP decreased by 0.1% points, to 8.8% in Q1’2026, from 9.0% recorded in Q1’2026. The growth in this sector was supported by;

i. The number of passengers transported via Standard Gauge Railway (SGR) rose by 12.3% to 595.0 mn in Q1’2026 from 529.6 mn in Q1’2025.

ii. Consumption of light diesel, a key indicator of road transport activity, increased by 9.9% to 629.3 thousand metric tonnes in Q1'2026 from 572.7 thousand metric tonnes in Q1'2025.

iii. Mombasa Port throughput grew by 3.7% to 10,997.1 thousand metric tonnes in Q1'2026 from 10,609.6 thousand metric tonnes in Q1'2025.

iv. Similarly, the volume of cargo transported via the Standard Gauge Railway (SGR) increased by 12.7% to 2,051.9 thousand metric tonnes in Q1'2026 from 1,820.6 thousand metric tonnes in Q1'2025.

h) **Decelerated growth in the Information and Communication sector**: The Information and Communication sector recorded an expansion rate of 5.0% in Q1’2026 albeit slower than the 5.5% growth recorded in the same period last year. Similarly, the contribution to GDP stood at 3.4% in Q1’2026, remaining constant from Q1’2025. Growth in the sector was supported by:

i. On voice call traffic, total domestic calls increased by 11.9% to 32.3 bn minutes in Q1'2026 from 28.9 bn minutes in Q1'2025, while international incoming voice traffic rose to 176.4 mn minutes from 163.0 mn minutes over the same period.
ii. Total utilized international bandwidth increased by 41.6% to 17,758.8 Gbps in Q1'2026 from 12,544.2 Gbps in Q1'2025, reflecting continued growth in internet usage and connectivity.

However, the sector’s growth was slowed down by;

i. The number of mobile money transactions decreased by 13.6% to 629.1 mn in Q1’2026 from 782.5 mn in Q1’2025.
ii. The use of domestic Short Messaging Services (SMS) declined by 2.3%, from 14.3 billion messages in the first quarter of 2025 to 14.0 bn messages over the same period.

Kenya's economy is projected to grow by 4.4%–5.3% in 2026, representing a downward revision from earlier forecasts due to heightened global uncertainty stemming from the Middle East conflict and evolving international trade policies. Despite the softer outlook, economic activity continues to be supported by the relative stability of the Kenyan Shilling and the cumulative impact of monetary policy easing undertaken between August 2024 and March 2026, during which the Central Bank Rate (CBR) was reduced by a cumulative 425.0 bps over ten consecutive meetings before the Central Bank of Kenya (CBK) paused the easing cycle in April 2026. Domestic growth, however, continues to face significant headwinds, including a challenging business environment, rising taxation, and the high cost of living, which continue to weigh on consumer spending and private sector activity. While recent diplomatic engagements and indirect de-escalation talks have helped reduce the risk of severe disruptions along the Strait of Hormuz, supply chain challenges have become more persistent and structural rather than driven by acute shocks. Against this backdrop, the CBK's Monetary Policy Committee maintained the CBR at 8.75% during its June 2026 meeting, marking the second consecutive meeting without a rate adjustment. The decision reflects the Bank's continued accommodative monetary policy stance, aimed at supporting private sector credit growth and sustaining economic activity while monitoring emerging inflationary pressures. Annual inflation eased slightly to 6.4% in June 2026 from 6.7% in May, marking the first decline since February 2026. Although inflation remains on an upward trajectory compared to the beginning of the year, it continues to stay within the CBK's target range of 2.5%–7.5%, providing a degree of macroeconomic stability. Meanwhile, the agricultural sector, the largest contributor to Kenya's GDP is expected to remain the primary engine of growth, underpinned by favourable rainfall and improved agricultural output. Overall, while geopolitical risks and higher fuel prices continue to pose downside risks, resilient domestic fundamentals support a cautiously optimistic outlook for Kenya's economy in 2026.

In our view, the economy’s growth will largely depend on the pace at which inflationary pressures stabilize and the sustainability of the Kenyan Shilling’s strength. However, elevated global oil prices driven by the ongoing Iran war are expected to keep production and transport costs high, which may sustain upward pressure on food prices. Growth is also likely to be weighed down by increased taxation, which may constrain consumer purchasing power. Consequently, we project economic growth of 4.4%–5.3% in 2026.