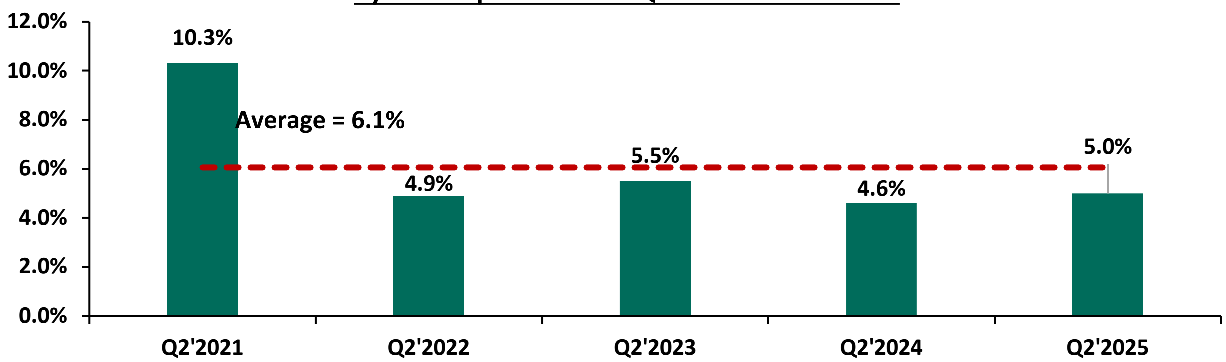
Kenya Q2’2025 GDP Note

The Kenya National Bureau of Statistics (KNBS) released the Q2’2025 Quarterly Gross Domestic Product Report, highlighting that the Kenyan economy recorded a 5.0% growth in Q2’2025, higher than the 4.6% growth recorded in Q2’2024. The main contributor to Kenyan GDP remains to be the Agriculture, forestry and fishing sector which grew by 4.4% in Q2’2025, lower than the 4.5% expansion recorded in Q2’2024. All sectors in Q2’2025 recorded positive growths, with varying magnitudes across activities. However, most sectors recorded contraction in growth rates compared to Q2’2024 with Accommodation & Food Services, Financial Services Indirectly Measured and Public Administration sectors recording growth rate declines of 27.2%, 8.9% and 3.0% points to 7.8%, 1.4% and 6.0% from 35.0%, 10.3% and 9.0% respectively. Other sectors recorded an expansion in growth rates, from what was recorded in Q2’2024, with Mining and Quarrying, Construction and Electricity & Water Supply recording the highest growths in rates of 20.8%, 9.4% and 4.5% points, to 15.3%, 5.7% and 5.7% from (5.5%), (3.7%) and 1.2% respectively. The chart below shows the second Quarter Kenyan GDP growth rates;

Cytonn Report: Second Quarter Growth Rates



Source: KNBS

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

Cytonn Report: Q2’2024 and Q2’2025 GDP Contribution and Growth rates				
Sector	Contribution Q2'2024	Contribution Q2'2025	Q2'2024 Growth	Q2'2025 Growth
Agriculture and Forestry	19.8%	19.6%	4.5%	4.4%
Real estate	10.3%	10.3%	5.9%	5.5%
Transport and Storage	9.3%	9.4%	3.4%	5.4%
Financial & Insurance	9.7%	9.8%	8.0%	6.6%
Wholesale and retail trade	7.4%	7.3%	2.5%	4.0%
Taxes on Products	7.8%	7.6%	3.8%	3.3%
Manufacturing	7.9%	7.6%	3.2%	1.0%
Public administration	6.4%	6.4%	9.0%	6.0%
Construction	5.0%	5.0%	(3.7%)	5.7%
Education	4.3%	4.2%	3.2%	3.2%
Information and Communication	3.2%	3.3%	6.7%	6.0%
Professional admin	2.7%	2.8%	6.7%	8.5%

Electricity and Water Supply	2.2%	2.3%	1.2%	5.7%
Health	2.3%	2.4%	8.1%	6.8%
Other services	2.1%	2.0%	4.8%	1.4%
Accommodation & Food Services	1.6%	1.6%	35.0%	7.8%
Mining and quarrying	0.9%	1.0%	(5.5%)	15.3%
Financial Services Indirectly Measured	(2.8%)	(2.7%)	10.3%	1.4%
GDP at Market Prices	**100.0%**	**100.0%**	**4.6%**	**5.0%**

Source: KNBS

The key take-outs from the report are:

- **Sectoral contribution to growth:** The biggest gainer in terms of sectoral contribution to GDP was the Financial and Insurance sector, increasing by 0.1% points to 9.8% in Q2’2025 from 9.7% in Q2’2024, while the Agriculture and Forestry was the biggest loser, declining by 0.2% points to 19.6% in Q2’2025, from 19.8% in Q2’2024. Agriculture and Forestry remains the major contributor to GDP, with the sectoral contribution to GDP marginally decreasing by 0.2% to 19.6% in Q2’2025, from 19.8% recorded in Q2’2024 while Real Estate was the second largest contributor to GDP at 10.3% in Q2’2025, remaining constant from Q2’2024, indicating sustained growth. Mining and quarrying sector recorded the highest growth rate in Q2’2025 growing by 15.3%, a reversal from the 5.5% decline recorded in Q2’2024.

- **Reduced growth in the Agricultural Sector:** Agriculture and Forestry recorded a growth of 4.4% in Q2’2025. The performance was a decrease of 0.1% points, from the expansion of 4.5% recorded in Q2’2024. Additionally, the sector remains the major contributor to GDP, with the sectoral contribution to GDP marginally decreasing by 0.2% to 19.6% in Q2’2025, from 19.8% recorded in Q2’2024. The sector’s decline mainly on the back of;
    i. The quantity of sugarcane produced decreased significantly by 44.5% to 1,259.4 thousand metric tonnes from 2,269.3 metric tonnes in the second quarter of 2024
    ii. Tea production decreased by 5.3% to stand at 146.3 thousand metric tonnes in the period under review, from the 154.5 thousand metric tonnes registered in a similar period last year
- The reduced growth was however supported by;
    i. The quantity of milk deliveries to processors increased by 24.1% to 272.0 million litres during the quarter under review from 219.2 million litres in the second quarter of 2024,
    ii. Coffee exports increased by 26.0% to 20,041.7 metric tonnes during the quarter under review,

- **Accelerated growth in the electricity and water supply sector** - The Electricity and Water Supply sector recorded an accelerated growth of 5.7% in Q2’2025 compared to a 1.2% growth in a similar period of review in 2024, with the sectoral contribution to GDP increasing by 0.1% to 2.3%, from the 2.2% recorded in Q2’2024. Notably, total electricity generated increased by 15.2% to 3,054.9 million-kilowatt hour (KWh) in Q2’2025, from 2,650.7 million KWh in Q2’2024. The sector’s performance was curtailed by a decline in production from Hydro sources, growth was supported by an increase in solar and wind power;

    i. Electricity generated from thermal sources increased by 24.6% in the second quarter of 2025 to 344.3 million KWh compared to 276.5 million KWh in Q2’2024,
    ii. Similarly, electricity generated from wind increased by 23.6% to stand at 413.8 million KWh in the quarter under review, compared to 334.7 million KWh in Q2’2024.

    However, the sector’s growth was weighed down by a decrease in hydroelectric power;

    i. Hydroelectric generation decreased by 11.3% to 919.6 million kWh in Q2’2025 from 1,036.5 million kWh recorded in Q2’2024,
    ii. Similarly, electricity generated from solar declined by 1.7% to stand at 112.5 million KWh from 114.4 million KWh, in similar quarter under review in 2024

- **Reduced growth in the Accommodation and Food Service sector**: Accommodation and Food Services sector recorded double digit decline in growth Q2’2025, having expanded by 7.8%, significantly slower than the 35.0% recorded in Q2’2024. Additionally, the contribution to GDP remained relatively unchanged from the 1.6% recorded in Q2’2024. Some of the notable improvements include:
    i. Arrivals through the two major airports, the Jomo Kenyatta International Airport (JKIA) and Mombasa International Airport (MIA) rose by 3.5% in the second quarter of 2025 compared to the 15.4% growth which was recorded in Q2’2024

- **Reduced growth in the Financial and Insurance Services Sector**: The Financial and Insurance sector growth rate slowed down by 1.4% points to 6.6% in Q2’2025 compared to the 8.0% in Q2’2024, despite the ease in cost of credit during the period. However, the contribution to GDP increased by 0.1% points to 9.8% from the 9.7% recorded in Q2’2024. Some of the notable improvements include:
    i. The number of shares traded in the Nairobi Securities Exchange increased significantly by 107.9% to 580.0 mn in June 2025 from 279.0 million in June 2024. Similarly, the total value of traded shares increased significantly by 140.0% in June 2025 to 12.0 billion from 5.0 billion in June 2024
    ii. The NSE 20 Share Index rose by 47.3% to 2,440.3 points in June 2025 from 1,656.5 points in June 2024, signaling improved performance in the equity market.
    iii. Broad money supply (M3) grew by 8.1% to Kshs 6.5 trillion as at end of June 2025, from Kshs 6.0 trillion recorded as at the end of June 2024.

- **Expansion in the construction sector**: The construction sector recorded an expansion rate of 5.7% in Q2’2025 compared to 3.7% growth in the same period last year, while the contribution to GDP remained unchanged from 5.0% recorded in Q2’2024.
    i. Credit extended to enterprises in the construction sector increased by 21.7% to stand at Kshs 159.6 billion as at June 2025, from Kshs 131.1 billion in Q2’2024,
    ii. Cement consumption increased by 23.9% to stand at 2,424.4 thousand tonnes from 1,957.1 thousand tonnes in the corresponding period of 2024,
    iii. The quantity of imported bitumen increased by 45.6% to 22,659.3 tonnes in the period under review from 15,566.2 tonnes recorded in the second quarter of 2024,

- **Accelerated growth in the Transport and Storage Sector:** The Transport and Storage sector registered an accelerated growth rate of 2.0% points to 5.4% in Q2’2025 compared to the 3.4% in Q2’2024. Additionally, the contribution to GDP increased by 0.1% points, to 9.4% in Q2’2025, from 9.3% recorded in Q2’2024. Growth in the sector was supported by:
    i. A rise in Mombasa Port throughput by 4.0% to 10,730.4 thousand metric tonnes in the period under review, partly driven by improved performance of Liquid Bulk, Dry Bulk and Loose Cargo,
    ii. The consumption of light diesel increased by 12.0% to 580.8 thousand tonnes in the second quarter of 2025 from 518.6 thousand tonnes in the same period last year. This underlines the growth in the sector,
    iii. Similarly, the volume of cargo transported via SGR increased by 8.7% to 1,894.4 thousand metric tonnes in the period under review while the number of passengers transported via Standard Gauge Railway (SGR) increased by 10.3% to 658.6 thousand in the second quarter of 2025

In 2025, Kenya's economy is projected to grow at a faster pace, estimated between 5.2%-5.4%. This optimistic outlook is attributed to improved business activity, supported by a stronger and more stable Kenyan Shilling, reduced borrowing costs, and the relatively lower inflation rates. However, the growth trajectory faces challenges from a tough business environment characterized by increasing taxes and a high cost of living. Despite these hurdles, recent economic developments provide a more favorable outlook. The Central Bank of Kenya (CBK) made a significant policy move in August 2025 by lowering the Central Bank Rate (CBR) by 25 basis points to 9.50%, marking the seventh consecutive rate cut, lowering by 350 basis points from 13.0% in February 2024. This accommodative monetary policy stance aims to stimulate private sector lending and boost economic activity. Inflation, while still within the CBK's target range of 2.5% to 7.5%, has been on an upward trend. In September 2025, the year-on-year inflation rate rose slightly to 4.6%, up from 4.5% recorded in August 2025. This rise is primarily driven by higher food prices, particularly in the food and non-alcoholic beverages category. Despite the gradual rise, inflation remains well within the CBK's target range, providing some assurance for economic stability. The CBK's accommodative monetary policy is expected to alleviate some pressure on the cost of credit, thereby improving access to affordable borrowing. This environment is conducive to increased investment spending by both individuals and businesses, contributing positively to economic activity. The agricultural sector, Kenya's largest contributor to GDP, is anticipated to continue supporting growth due to favorable rainfall. While risks of rising fuel prices persist due to global geopolitical tensions, the overall inflation outlook is more favorable, bolstering optimism for the economic outlook.

In our view, the economy's growth is largely pegged to how quickly inflationary pressures in the country stabilizes, and the sustainability of the strengthening of the Kenyan Shilling. We expect the reduced fuel prices to continue reducing production costs, leading to lower food prices in the country. However, growth is likely to be weighed down by increased taxation by the government thereby decreasing the purchasing power of consumers. As a result, we forecast a 5.2%-5.4%% economic growth rate in 2025.