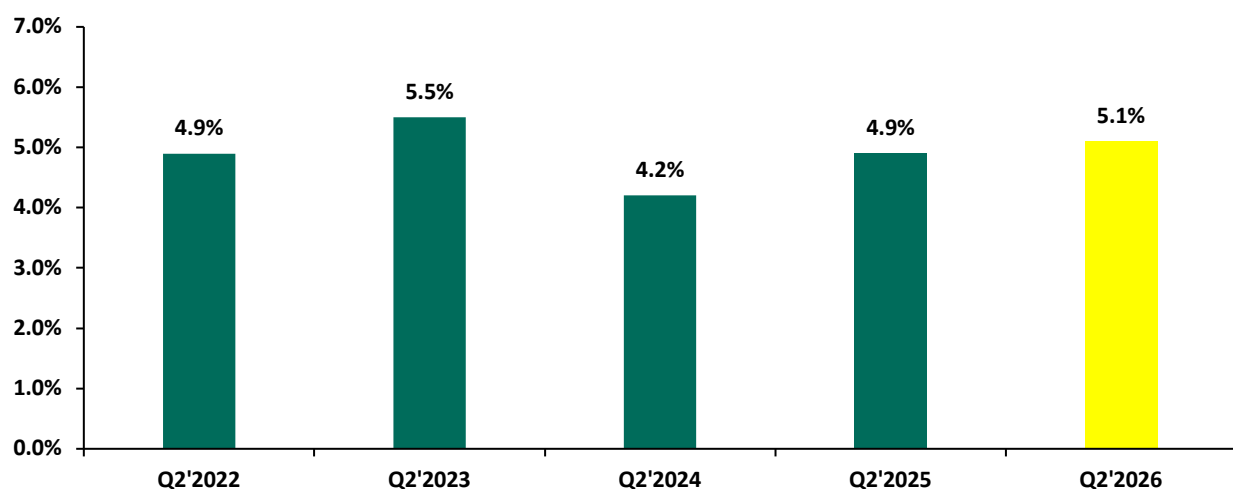


Kenya Q2'2026 GDP Note

The Kenya National Bureau of Statistics (KNBS) released the [Q2'2026 Quarterly Gross Domestic Product Report](#), highlighting that the Kenyan economy recorded a 5.1% growth in Q2'2026, higher than the 4.9% growth recorded in Q2'2025. The main contributor to Kenyan GDP remains the Agriculture, Forestry and Fishing sector, which grew by 3.5% in Q2'2026, lower than the 4.0% expansion recorded in Q2'2025, as the early cessation of the long rains weighed on crop production. At most all sectors except Financial Services Indirectly Measured recorded positive growths in Q2'2026, with varying magnitudes across activities. Notably, Electricity and Water Supply, Accommodation and Food Services and Information and Communication recorded the highest growth rates of 7.7%, 7.4% and 7.2% respectively. The chart below shows the second Quarter Kenyan GDP growth rates;

Cytonn Report: Second Quarter Kenyan GDP growth rates



Source: KNBS

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

Cytonn Report: Q2'2025 and Q2'2026 GDP Contribution and Growth rates				
Sector	Contribution Q2' 2025	Contribution Q2'2026	Q2'2025 Growth	Q2'2026 Growth
Agriculture and Forestry	19.6%	19.3%	4.0%	3.5%
Real estate	10.3%	10.2%	4.3%	5.5%
Financial & Insurance	9.8%	10.0%	7.1%	6.1%
Transport and Storage	9.4%	9.2%	3.3%	4.4%
Taxes on Products	7.6%	7.6%	3.8%	5.3%
Manufacturing	7.6%	7.5%	1.3%	2.2%
Wholesale and retail trade	7.3%	7.2%	2.6%	4.7%
Public administration	6.4%	6.7%	8.7%	7.0%
Construction	5.0%	5.1%	7.3%	6.0%
Education	4.2%	4.3%	3.8%	5.2%
Information and Communication	3.3%	3.3%	5.9%	7.2%
Professional admin	2.8%	2.8%	7.0%	3.7%
Electricity and Water Supply	2.3%	2.4%	6.5%	7.7%

Health	2.4%	2.4%	7.0%	4.5%
Other services	2.0%	2.0%	2.3%	2.2%
Accommodation & Food Services	1.6%	1.8%	12.8%	7.4%
Mining and quarrying	1.0%	0.9%	13.7%	5.8%
Financial Services Indirectly Measured	(2.7%)	(2.6%)	2.2%	(3.6%)
GDP at Constant Prices	100.0%	100.0%	4.9%	5.1%

Source: KNBS

The key take-outs from the report are:

- Sectoral contribution to growth:** The biggest gainers in terms of sectoral contribution to GDP were Public Administration, which increased by 0.3% points to 6.7% in Q2'2026 from 6.4% in Q2'2025, and the Financial & Insurance and Accommodation & Food Services sectors, which each increased by 0.2% points to 10.0% and 1.8% respectively from 9.8% and 1.6%. Agriculture and Forestry was the biggest loser, declining by 0.3% points to 19.3% in Q2'2026 from 19.6% in Q2'2025, followed by Transport and Storage, which declined by 0.2% points to 9.2% from 9.4%. Electricity and Water Supply recorded the highest growth rate in Q2'2026 at 7.7%, from the 6.5% recorded in Q2'2025.
- Decelerated growth in the Agricultural Sector:** Agriculture and Forestry recorded a growth of 3.5% in Q2'2026, a decrease of 0.5% points from the 4.0% expansion recorded in Q2'2025. The sector remains the major contributor to GDP, although its contribution eased to 19.3% in Q2'2026 from 19.6% in Q2'2025. The slowdown was partly attributed to unfavorable weather conditions, which affected crop production. The early cessation of the March–May long rains in May 2026, particularly during the critical stages of crop development, which led to downward revisions of expected crop production. The sector's growth was, however, supported by;
 - i. Increased production of tea, which rose by 11.1% to 162.6 thousand metric tonnes in Q2'2026 from 146.3 thousand metric tonnes in Q2'2025, while cane deliveries almost doubled to 2,419.7 thousand metric tonnes from 1,259.4 thousand metric tonnes.
 - ii. Increased exports of coffee, which rose by 10.0% to 22,046.4 metric tonnes from 20,041.8 metric tonnes, vegetables, which rose to 16,025.9 metric tonnes from 13,326.8 metric tonnes, and cut flowers, which edged up to 33,105.8 metric tonnes from 32,953.9 metric tonnes.

The sector's growth was, however, slowed down by;

 - i. A decline in milk intake by processors, which fell by 3.1% to 263.6 mn litres in Q2'2026 from 272.0 mn litres in Q2'2025.
 - ii. Fruit exports, which contracted by 5.8% to 76,084.0 metric tonnes in the period under review.
- Accelerated growth in the electricity and water supply sector** - The Electricity and Water Supply sector recorded a growth of 7.7% in Q2'2026 compared to a 6.5% growth in Q2'2025, with the sectoral contribution to GDP rising by 0.1% points to 2.4% in Q2'2026 from 2.3% in Q2'2025. Growth was supported by increased generation from renewable sources, coupled with reduced reliance on thermal generation, while total electricity sales increased by 15.0% to 3,511.6 mn kilowatt per hour (KWh) from 3,054.9 mn KWh in Q2'2025. Notably;
 - i. Electricity generated from geothermal sources increased by 10.1% to 1,628.7 mn KWh in Q2'2026.
 - ii. Electricity generated from wind increased by 13.5% to 469.8 mn KWh from 413.8 mn KWh, while hydro generation increased to 956.0 mn KWh from 919.6 mn KWh in Q2'2025.
 - iii. Electricity generated from thermal sources declined by 16.3% to 288.4 mn KWh from 344.4 mn KWh in Q2'2025, reflecting lower reliance on costlier thermal generation

- **Stable growth in the Accommodation and Food Service sector:** The Accommodation and Food Services sector recorded growth of 7.4% in Q2'2026, slower than the 12.8% recorded in Q2'2025. The sector's contribution to GDP rose by 0.2% points to 1.8% in Q2'2026 from 1.6% in Q2'2025. Some of the notable developments include:
 - i. International visitor arrivals through the two major airports, Jomo Kenyatta International Airport (JKIA) and Mombasa International Airport (MIA), increased marginally by 1.4% to 424,220 passengers in Q2'2026 from 418,193 passengers in Q2'2025
- **Decelerated growth in the Financial and Insurance Services Sector:** The Financial and Insurance sector grew by 6.1% in Q2'2026 compared to 7.1% in Q2'2025. Nonetheless, the sector's contribution to GDP increased by 0.2% points to 10.0% in Q2'2026 from 9.8% in Q2'2025. Some of the notable developments include:
 - i. The Central Bank Rate (CBR) was at 8.75% in June 2026 compared to 9.75% in June 2025.
 - ii. The cost of credit declined, with average interest rates on loans and other advances by commercial banks easing to 14.4% in June 2026 from 15.3% in June 2025. Over the same period, the interbank rate decreased to 8.75% from 9.72%, while the average yield for the 91-day Treasury Bill was 8.7% in June 2026, compared to 8.2% in June 2025.
 - iii. Broad money supply (M3) grew by 11.9% to Kshs 7,215.5 bn as at end of June 2026, while total domestic credit grew by 8.5% to Kshs 8,199.6 bn, driven by a 10.3% growth in credit to the private sector, which stood at Kshs 5,344.1 bn in June 2026.
 - iv. The NSE 20 Share Index rose to 3,755 points in June 2026 from 2,440 points in June 2025, with the value of shares traded increasing to Kshs 233.6 bn from Kshs 12.0 bn, signalling improved performance in the equity market.
- **Stable growth in the construction sector:** The Construction sector recorded a growth rate of 6.0% in Q2'2026 compared to a 7.3% expansion in the same period last year. The contribution to GDP increased by 0.1% points to 5.1% in Q2'2026 from 5.0% in Q2'2025. Growth in the sector was supported by:
 - i. Increased access to credit, with credit advanced to enterprises in the sector rising by 29.8% to Kshs 210.8 bn as at June 2026, from Kshs 162.4 bn in June 2025.
 - ii. Cement consumption increased by 11.1% to 2,692.2 thousand metric tonnes in Q2'2026 from 2,424.4 thousand metric tonnes in the corresponding period of 2025.
 - iii. Production of galvanized sheets and steel bars and rods increased by 19.7% and 5.0%, to 92,424.0 metric tonnes and 138,364.7 metric tonnes, respectively.
- **Accelerated growth in the Transport and Storage Sector:** The Transport and Storage sector grew by 4.4% in Q2'2026 compared to 3.3% in Q2'2025. The contribution to GDP stood at 9.2% in Q2'2026, compared to 9.4% in Q2'2025. The growth in this sector was supported by;
 - i. Consumption of light diesel, a key indicator of road transport activity, increased by 7.7% to 629.2 thousand metric tonnes in Q2'2026 from 584.4 thousand metric tonnes in Q2'2025.
 - ii. The volume of cargo transported via the Standard Gauge Railway (SGR) increased by 17.7% to 2,051.3 thousand metric tonnes, while SGR passenger numbers increased to 715.2 thousand from 658.6 thousand in Q2'2025.
 - iii. Mombasa Port throughput rose by 5.0% to 11,264.3 thousand metric tonnes in Q2'2026 from 10,732.4 thousand metric tonnes in Q2'2025.

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

- i. International passenger arrivals through JKIA and MIA, which declined by 5.5% to 809,460 in Q2'2026 from 856,347 in Q2'2025.

- **Accelerated growth in the Information and Communication sector:** The Information and Communication sector recorded an expansion rate of 7.2% in Q2'2026, faster than the 5.9% growth recorded in the same period last year. The contribution to GDP stood at 3.3% in Q2'2026, remaining relatively unchanged from Q2'2025. Growth in the sector was supported by:
 - i. Domestic mobile voice traffic, which increased to 33.0 bn minutes in Q2'2026 from 29.2 bn minutes in Q2'2025. Similarly, international domestic voice traffic increased by 13.2% to 33.0 bn minutes in Q1'2025 from 29.2 bn minutes in Q2'2025
 - ii. Mobile money transactions, which increased marginally to 639.1 mn in Q2'2026 from 639.0 million in Q2'2025.
 - iii. Total utilized international bandwidth, which increased by 42.0% to 19,432.1 Gigabits from 13,689.3 Gigabits, reflecting continued growth in internet usage and connectivity.
 However, the sector's growth was slowed down by;
 - i. Domestic Short Messaging Services (SMS) traffic, which decreased by 7.4% to 14.1 bn messages in Q2'2026, mainly attributed to increased uptake of over-the-top messaging services such as WhatsApp.

Kenya's economy is projected to grow by 4.4%–5.3% in 2026, a downward revision from earlier forecasts due to heightened global uncertainty from the Middle East conflict and evolving international trade policies. The economy grew by 5.1% in Q2'2026, up from 4.9% in Q2'2025, despite disruptions in the global energy market, with the average price of crude oil [rising](#) to USD 104.45 per barrel from USD 67.44 a year earlier, and the early cessation of the long rains. Price pressures have continued to build, with annual inflation rising to 6.8% in September 2026 from 6.6% in August, its highest level since January 2024 and the sixth consecutive month above the 5.0% mid-point of the CBK's 2.5%–7.5% target range, driven mainly by food at 9.5% and transport at 15.6%. Against this backdrop, the CBK's Monetary Policy Committee maintained the Central Bank Rate (CBR) at 8.75% in October 2026, its fourth consecutive hold, to keep inflation expectations anchored and the exchange rate stable. While the shortened long rains, higher fuel prices and a [widening](#) current account deficit, to Kshs 252.5 bn in Q2'2026 from Kshs 69.4 bn in Q2'2025 pose downside risks, resilient domestic fundamentals, lower borrowing costs and strong private sector credit growth support a cautiously optimistic outlook for 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 stability. Elevated global oil prices are expected to keep production and transport costs high, sustaining upward pressure on food and transport prices and limiting room for further monetary easing, while the weak performance of the long rains poses a downside risk to agricultural output and food prices. Growth is also likely to be weighed down by increased taxation, which may constrain consumer purchasing power. We therefore project economic growth of 4.9%–5.3% in 2026

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