Kenya's Q1'2026 Balance of Payments Note

According to the Q1'2026 Quarterly Balance of Payments Report released by the Kenya National Bureau of Statistics (KNBS), Kenya's balance of payments position deteriorated by 128.6% in Q1'2026, to a deficit of Kshs 176.0 bn, from a deficit of Kshs 77.0 bn in Q1'2025. 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 72.7% to Kshs 120.9 bn in Q1'2026 from the Kshs 70.0 bn deficit recorded in Q1'2025. 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 19.4% to Kshs 352.3 bn in Q1'2026, from Kshs 295.0 bn recorded in Q1'2025, and,

ii. A 26.7% decrease in the Services Trade Balance to a surplus of Kshs 56.2 bn from a surplus of Kshs 76.7 bn in Q1'2025,

The table below shows the breakdown of the various current account components on a year-on-year basis, comparing Q1'2026 and Q1'2025:

Item	Q1'2025	Q1'2026	Y/Y % Change
Merchandise Trade Balance	(295.0)	(352.3)	19.4%
Services Trade Balance	76.7	56.2	(26.7%)
Primary Income Balance	(82.7)	(66.7)	(19.3%)
Secondary Income (transfer) Balance	230.9	241.8	4.7%
Current Account Balance	**(70.0)**	**(120.9)**	72.7%

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 19.4% to Kshs 352.3 bn in Q1'2026, from Kshs 295.0 bn recorded in Q1'2025. This is attributable to the 6.2% decrease in merchandise exports to Kshs 385.6 bn, from Kshs 411.2 bn in Q1'2025, compared to the 4.5% increase in merchandise imports to Kshs 737.8 bn from Kshs 706.2 bn recorded in a similar period in Q1'2025. The decrease in merchandise exports was mainly driven by a 9.4% decrease in iron and steel exports, to Kshs 6.4 bn from Kshs 7.0 bn recorded in Q1'2025 coupled with the 1.7% decrease in tea exports to Kshs 45.3 bn from Kshs 46.1 bn in Q1'2025. However, exports were supported by the 10.5% increase in horticulture exports to Kshs 62.0 bn from Kshs 56.1 bn in Q1'2025. On the other hand, the increase in the import bill is attributable to the 495.9% growth in importation of rice to Kshs 21.8 bn from Kshs 3.7 bn reported in Q1'2025 coupled with a 107.2% increase in importation of chemical fertilizers to Kshs 30.0 bn from Kshs 14.5 bn reported in Q1'2025, and a 16.3% increase in petroleum products import to Kshs 143.7 bn from Kshs 123.5 bn in Q1'2025. However, imports were weighed down by the 17.5% decrease in animal and vegetable oils imports to Kshs 40.1 bn from Kshs 48.6 bn in Q1'2025,

ii. Service Trade Balance (the difference between the imports and exports of services) recorded a 26.7% decrease in Q1'2025 to a surplus of Kshs 56.2 bn, from a surplus of Kshs 76.7 bn in Q1'2025. The y/y decrease in service trade balance was mainly driven by a slower 15.2% increase in services receipts to Kshs 289.0 bn from Kshs 251.0 bn recorded in Q1'2025, which was outpaced by the 34.8% increase in services outflows to Kshs 235.0 bn from Kshs 174.3 bn recorded in Q1'2025,

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 19.3% to a deficit of Kshs 66.7 bn in Q1'2026 from a deficit of Kshs 82.7 bn in Q1'2025, 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) increased by 4.7% to Kshs 241.8 bn from Kshs 230.9 bn in Q1'2025,
v. Diaspora remittances recorded a 4.9% increase to Kshs 168.9 bn from Kshs 161.0 bn recorded in Q1'2026,
vi. Total exports increased by 10.8% in Q1'2026 to Kshs 306.8 bn, up from Kshs 276.8 bn recorded in Q1'2025. In terms of exports by region, Africa remained the largest merchandise export recipient, accounting for 41.7% of total exports in Q1'2026, registering a 25.1% increase in export earnings to Kshs 127.9 bn, from Kshs 102.2 bn in Q1'2025. The increase was mainly attributable to 73.0% increase in exports to DRC, to Kshs 11.9 bn from Kshs 6.9 bn in Q1'2025, coupled with 47.5% and 38.7% growth in exports South Africa and Uganda. Asia followed in second place, accounting for 24.1% of all exports and recording an increase of 11.8% in Q1'2026 to Kshs 73.8 bn, down from Kshs 66.1 bn in Q1'2025, and,
vii. Total imports grew by 17.1% to Kshs 744.9 bn in Q1'2026 from Kshs 636.1 bn recorded in Q1'2025. In terms of imports by region, Asia remained the largest merchandise import source, accounting for 72.6% of total imports, with the value of imports increasing by 21.4% to Kshs 541.1 bn, up from Kshs 445.6 bn recorded in Q1'2026. The growth was mainly attributed to the increase in imports from China of 29.2% to Kshs 192.2 bn from Kshs 148.6 bn in Q1'2025, however, it was weighed down by a 10.8% decrease in imports from South Korea to Kshs 4.2 bn, from Kshs 4.7 bn recorded in Q1'2025. The Europe accounted for 12.0% of total imports in Q1'2026, valued at Kshs 89.7 bn, a 19.0% increase from the Kshs 75.4 bn recorded in Q1'2025 mainly driven by the 88.3% increase in imports from Belgium.

B. Balance of Payments

Kenya's balance of payment (BoP) position deteriorated by 128.6% in Q1'2026, to a deficit of Kshs 176.6 bn, from a deficit of Kshs 77.0 bn in Q1'2025. The y/y negative performance in BoP was mainly driven by a 72.7% widening of the current account deficit to Kshs 120.9 bn from Kshs 70.0 bn in Q1'2025. The table below shows the breakdown of the various balance of payments components, comparing Q1'2026 and Q1'2025:

Item	Q1'2025	Q1'2026	Y/Y % Change
Current Account Balance	(70.0)	(120.9)	72.7%
Capital Account Balance	-	8.9	100.0%
Financial Account Balance	(108.4)	(243.5)	124.7%
Net Errors and Omissions	38.6	44.5	15.1%
Balance of Payments	**(77.0)**	**(176.0)**	128.6%

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 72.7% to Kshs 120.9 bn from Kshs 70.0 bn in Q1'2025. The y/y increase of the current account deficit was brought about by the 19.4% widening in the merchandise trade balance deficit to Kshs 352.3 bn from a Kshs 295.0 bn in Q1'2025.
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), widened by 100.0% to a surplus Kshs 8.9 bn in Q1'2026,
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 124.7% increase in net inflow to a deficit Kshs 243.5 bn in Q1'2026, from a deficit of Kshs 108.4 bn in Q1'2025.

iv. Consequently, the Balance of Payments (BoP) position deteriorated to a deficit of Kshs 176.0 bn in Q1'2026, from a deficit of Kshs 77.0 bn recorded in Q1'2025.

C. Public External Debt

During the period under review, the stock of external public and public guaranteed debt increased by 8.2% to Kshs 5.9 tn as at March 2026, up from Kshs 5.5 tn recorded in March 2025, mainly driven by a 31.1% increase in Debt securities held by non-residents to Kshs 1.7 tn in Q1'2026, up from Kshs 1.3 tn recorded in Q1'2025. Notably, external public debt by commercial banks decreased by 38.3% to Kshs 0.2 tn in Q1'2026, down from Kshs 0.3 tn in Q1'2025. The table below shows the breakdown of the outstanding external public and publicly guaranteed debt, comparing Q1'2026 and Q1'2025:

Cytonn Report: Kenya's Public External Debt				
Debt Source	**Q1'2025**	**Q1'2026**	**Y/Y % Change**	**% contribution**
Multilateral	2.9	3.1	6.6%	51.8%
Debt Securities held by non-residents	1.3	1.7	31.5%	28.5%
Bilateral	1.0	1.0	(3.4%)	16.4%
Commercial Banks	0.3	0.18	(38.3%)	3.0%
Suppliers Credit	0.01	0.01	4.9%	0.2%
Total External Public Debt	**5.5**	**5.9**	**8.2%**	**100.0%**

All values in Kshs tn

Key take-outs from the table include;

i. Multilateral debt increased by 6.6% to Kshs 3.1 tn in Q1'2026, up from Kshs 2.9 tn recorded in Q1'2025, accounting for 51.8% of the total external debt. Additionally, bilateral debt accounted for 16.4% of the total external debt, despite the amount decreasing by 3.4% to Kshs 0.97 tn, down from Kshs 1.1 tn in Q1'2025.

D. Conclusion

Kenya's balance of payment (BoP) position deteriorated by 128.6% in Q1'2026, to a deficit of Kshs 176.0 bn, from a deficit of Kshs 77.0 bn in Q1'2025. The y/y negative performance in BoP was mainly driven by a 72.7% widening of the current account deficit to Kshs 120.9 bn from Kshs 70.0 bn in Q1'2025. Looking ahead, Kenya's external position will largely depend on the evolution of both the current and financial accounts. On the current account, continued growth in services exports, supported by tourism, transport and ICT, is expected to provide a stable source of foreign exchange earnings. However, the persistent merchandise trade deficit continues to expose Kenya's structural dependence on imported petroleum products, machinery, industrial inputs and other intermediate goods, leaving the economy vulnerable to external supply shocks.

These vulnerabilities were evident during the recent Iran-Israel conflict, which heightened concerns over disruptions to energy supplies and shipping through the Strait of Hormuz, resulting in higher oil prices, freight charges and marine insurance costs. Although the subsequent ceasefire agreement has eased immediate pressures on global commodity markets, the truce remains fragile, with any renewed escalation posing significant upside risks to energy prices and transportation costs. For a net importer such as Kenya, this would increase the import bill, widen the merchandise trade deficit and place additional pressure on the current account. Recent assessments by the World Bank also highlight that sustained geopolitical tensions in the Middle East remain a key downside risk to Kenya's macroeconomic outlook through higher fuel costs and weaker global demand.

On the export front, the extension of the African Growth and Opportunity Act (AGOA) provides greater certainty for Kenya's export-oriented industries, particularly textiles and apparel, helping safeguard export earnings and foreign exchange inflows while supporting investment into export manufacturing. However, sustaining improvements in the external position will require more than preferential market access. There remains a need to accelerate value addition, deepen local manufacturing and expand domestic production of intermediate goods to reduce reliance on imports, improve export competitiveness and gradually narrow the structural merchandise trade deficit.

The deterioration in the financial account indicates that external capital inflows were insufficient to finance the wider current account deficit during the quarter. Going forward, maintaining strong foreign direct investment inflows will be critical in supporting external stability. This is encouraging given that UNCTAD reported Kenya's FDI inflows increased by 37.7% to USD 3.2 bn in 2025 from USD 2.3 bn in 2024, reflecting continued investor interest despite a highly uncertain global investment environment. Nonetheless, with UNCTAD cautioning that global FDI is becoming increasingly concentrated amid heightened geopolitical tensions and trade policy uncertainty, Kenya will need to maintain macroeconomic stability, improve the ease of doing business and accelerate strategic investment projects to remain competitive in attracting long-term capital. Overall, while resilient services exports, improved market access and stronger FDI prospects provide some support to the external sector, persistent import dependence and heightened geopolitical risks are likely to keep Kenya's Balance of Payments position under pressure in the near term.