Kenya's Q2'2025 Balance of Payments Note

According to the Q2'2025 Kenya Quarterly Balance of Payment Report released by the Kenya National Bureau of Statistics (KNBS), Kenya's balance of payments position deteriorated significantly by 86.6% in Q2'2025, with a deficit of Kshs 157.0 bn, from a deficit of Kshs 84.1 bn in Q2'2024. 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 76.6% to Kshs 83.7 bn in Q2'2025 from the Kshs 47.4 bn deficit recorded in Q2'2024. 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 11.7% to Kshs 348.4 bn in Q2'2024, from Kshs 311.8 bn recorded in Q2'2024, and,

ii. A 7.5% decline in the services trade balance to a surplus of Kshs 65.5 bn from a surplus of Kshs 70.8 bn in Q2'2024,

The table below shows the breakdown of the various current account components on a year-on-year basis, comparing Q2'2025 and Q2'2024:

Item	Q2'2024	Q2'2025	Y/Y % Change
Merchandise Trade Balance	(311.8)	(348.4)	11.7%
Services Trade Balance	70.8	65.5	(7.5%)
Primary Income Balance	(45.2)	(43.8)	(3.1%)
Secondary Income (transfer) Balance	238.8	243.1	1.8%
Current Account Balance	**(47.4)**	**(83.7)**	76.6%

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 11.7% to Kshs 348.4 bn in Q2'2025, from Kshs 311.8 bn recorded in Q2'2024. This is attributable to the 16.5% decline in merchandise exports to Kshs 351.0 bn, from Kshs 420.2 bn in Q2'2024, compared to the 4.5% decline in merchandise imports to Kshs 699.4 bn from Kshs 732.0 bn recorded in a similar period in 2024. The decrease in merchandise exports was mainly driven by a 4.4% decrease in petroleum products exports to Kshs 3.4 bn, from Kshs 3.6 bn recorded in Q2'2024 coupled with the 1.5% decline in exportation of tea to Kshs 44.1 bn, from Kshs 44.7 bn recorded in Q2'2024. On the other hand, the slower decline in the import bill is attributable to the 84.0% growth in importation of iron and steel to Kshs 41.4 bn from Kshs 22.5 bn reported in Q2'2024 coupled with a 18.0% increase in industrial machinery imports to Kshs 92.0 bn in Q2'2025 from Kshs 78.0 bn in Q2'2024 and a 10.8% increase in rice imports to Kshs 12.9 bn from Kshs 11.6 bn recorded in Q2'2024,

ii. Service Trade Balance (the difference between the imports and exports of services) recorded a 7.5% decrease in Q2'2025 to a surplus of Kshs 65.5 bn, from a surplus of Kshs 70.8 bn in Q2'2024. The y/y decrease in service trade balance was mainly driven by a 2.6% increase in services receipts to Kshs 259.8 bn from Kshs 253.2 bn recorded in Q2'2024, compared to the 6.6% increase in services outflows to Kshs 194.4 bn from Kshs 182.4 bn recorded in Q2'2024,

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 3.1% to a deficit of Kshs 43.8 bn in Q2'2025 from a deficit of Kshs 45.2 bn in Q2'2024, 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) increased by 1.8% to Kshs 243.1 bn from Kshs 238.8 bn in Q2'2024,

v. Diaspora remittances recorded a 7.3% growth to Kshs 168.9 bn from Kshs 157.4 bn recorded in Q2'2024,

vi. Total exports increased by 1.7% in Q2'2025 to Kshs 280.0 bn, up from Kshs 275.4 bn recorded in Q2'2024. In terms of exports by region, Africa remained the largest merchandise export recipient, accounting for 37.7% of total exports in Q2'2025, registering a 6.8% increase in export earnings to Kshs 105.7 bn, from Kshs 98.9 bn in Q2'2024. The increase was mainly attributable to 21.6% increase in exports to DRC, to Kshs 8.0 bn from Kshs 6.6 bn in Q2'2024, coupled with 16.3%, and 7.8% growth in exports to Uganda and South Africa. Asia followed in second place, accounting for 26.3% of all exports and recording a decline of 19.8% in Q2'2025 to Kshs 73.5 bn, down from Kshs 91.7 in Q2'2024, and,

vii. Overall imports grew marginally by 5.7% to Kshs 693.6 bn in Q2'2025 from 656.0 bn recorded in Q2'2024. In terms of imports by region, Asia remained the largest merchandise import source, accounting for 66.5% of total imports, with the value of imports increasing by 6.2% to Kshs 461.1 bn, up from Kshs 434.3 bn recorded in Q2'2024. The growth was mainly attributed to the increase in imports from India of 25.7% to Kshs 72.5 bn from Kshs 57.7 bn in Q2'2024 coupled with an 18.9% increase in imports from China to Kshs 156.0 bn from Kshs 131.3 bn in Q2'2024, however weighed down by a 4.5% decrease in imports from UAE to Kshs 86.6 bn, from Kshs 90.6 bn recorded in Q2'2024. The European Union accounted for 7.6% of total imports in Q2'2025, valued at Kshs 52.9 bn, a 6.7% decline from the Kshs 56.7 bn recorded in Q2'2024 mainly driven by the 58.7% decrease in imports from Netherlands.

B. Balance of Payments

Kenya's balance of payment (BoP) position deteriorated significantly by 86.6% in Q2'2025, to a deficit of Kshs 157.0 bn, from a deficit of Kshs 84.1 bn in Q2'2024. The y/y negative performance in BoP was mainly driven by a significant 282.8% increase in financial account deficit to Kshs 136.5 bn from a deficit of Kshs 35.7 bn in Q2'2024. The performance was however supported by a significant 118.9% improvement in the capital account balance to a surplus of Kshs 17.6 bn from a surplus of Kshs 8.0 bn in Q2'2024. The table below shows the breakdown of the various balance of payments components, comparing Q2'2025 and Q2'2024:

Item	Q2'2024	Q2'2025	Y/Y % Change
Current Account Balance	(47.4)	(83.7)	76.6%
Capital Account Balance	8.0	17.6	118.9%
Financial Account Balance	(35.7)	(136.5)	282.8%
Net Errors and Omissions	87.8	86.6	(1.4%)
Balance of Payments	**(84.1)**	**(157.0)**	86.6%

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 76.6% to Kshs 83.7 bn from Kshs 47.4 bn in Q2'2024. The y/y widening of the current account was brought about by the 11.7% widening in the merchandise trade account deficit to a Kshs 348.4 bn from a Kshs 311.8 bn in Q2'2024, coupled with a 7.4% decrease in services trade balance to Kshs 65.5 bn from Kshs 70.8 bn in Q2'2024,

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), increased by 118.9% to a surplus Kshs 17.6 bn in Q2'2025, up from a surplus of Kshs 8.0 bn in Q2'2024,

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 282.8% increase in net inflow to a deficit Kshs 136.5 billion in Q2'2025, from a deficit of Kshs 35.7 billion in Q2'2024.
iv. Consequently, the Balance of Payments (BoP) position declined to a deficit of Kshs 157.0 bn in Q2'2025, from a deficit of Kshs 84.1 bn recorded in Q2'2024.

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 9.3% increase in multilateral debt to Kshs 3.0 tn in Q2'2025, up from Kshs 2.8 tn recorded in Q2'2024. Notably, external public debt by commercial banks decreased by 10.4% to Kshs 0.29 tn in Q2'2025, down from Kshs 0.32 tn in Q2'2024. The table below shows the breakdown of the outstanding external public and publicly guaranteed debt, comparing Q2'2025 and Q2'2024:

Cytonn Report: Kenya's Public External Debt				
Debt Source	**Q2'2024**	**Q2'2025**	**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	1.3%	0.3%
Total External Public Debt	**5.1**	**5.4**	**6.6%**	**100.0%**

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 Q2'2025, up from Kshs 2.8 tn recorded in Q2'2024, 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 Q2'2024.

D. Conclusion

Kenya's balance of payments deteriorated in Q2'2025, mainly on the back of a significant 282.8% increase in financial account deficit to Kshs 136.5 bn from a deficit of Kshs 35.7 bn in Q2'2024. The current account deficit (value of goods and services imported exceeds the value of those exported) widened by 76.6% to Kshs 83.7 bn in Q2'2025 from the Kshs 47.4 bn deficit recorded in Q2'2024. The y/y widening of the current account was brought about by the 11.7% widening in the merchandise trade account deficit to a Kshs 348.4 bn from a Kshs 311.8 bn in Q2'2024, coupled with a 7.4% decrease in services trade balance to Kshs 65.5 bn from Kshs 70.8 bn in Q2'2024. Looking ahead, the outlook for Kenya's current account is optimistic, as continued growth in key export sectors and sustained diaspora remittances are expected to further improve the current account balance. Efforts to diversify exports and enhance value addition in agricultural products, along with prudent fiscal and monetary policies, will be crucial in sustaining this positive trajectory. Furthermore, the ongoing stability of Kenyan Shilling against most trading currencies is expected to lower the import bill hence narrowing the current account deficit. We expect that the current administration's focus on fiscal consolidation will improve the balance of payments performance by minimizing the costs of servicing external debts. Additionally, the favorable weather conditions and government intervention through subsidy programs are set to boost agricultural production in the country, thereby increasing the export of agricultural products, and supporting the current account. We anticipate that the balance of payments will continue being stable with the help of multiple trade agreements, such as the one between Kenya and the EU and the one among the EAC, SADC and COMESA, as the agreements will boost the amount and variety of exports that are needed and offer more opportunities to sell them.