

FOR IMMEDIATE RELEASE

“KENYA’S ECONOMY EXPECTED TO GROW BY 5.0% - 5.4% IN 2024, DRIVEN BY A REBOUND IN KEY SECTORS SUCH AS AGRICULTURE”

NAIROBI, KENYA,

“For the Kenyan economy, our outlook for 2024 is **NEUTRAL** on GDP Growth. We project the economic growth to come in at within the range of 5.0% - 5.4% in 2024. We expect to see a continued recovery of business activity, a rebound in the agricultural sector, and robust performance in the services sector driven by growth in information and technology as well as accommodation and food services as a result of increased tourism. However, the restrictive monetary policy stance, high risk of debt distress, elevated inflation, and local currency depreciation, will continue to curtail economic growth.” Said Duncan Muema, Investments Analyst at Cytonn.

Below is a Summary of the 2024 Markets Outlook:

Key: Green – POSITIVE, Grey – NEUTRAL, Red – NEGATIVE

Macroeconomic Outlook	Market Outlook for 2024
<p>Macroeconomic Environment</p>	<p>GDP Growth – Our outlook for 2024 is Neutral on GDP Growth. We are projecting the economy to register a growth within the range of 5.0%- 5.4% in 2024 supported by continued recovery of businesses and expected rebound in agricultural sector and other sectors; this is on average 0.2% points lower than the estimated 2023 growth of 5.2%. The key downside to this growth shall be tightened monetary policy, high risk of debt distress, elevated inflation, and local currency depreciation;</p> <p>Inflation - Our outlook for 2024 is Neutral on Inflation. We expect the annual average inflation rate to fall back within the government’s target of 2.5%- 7.5% coming in at an average of 6.9% as compared to 7.7% in 2023. The decline will be driven by a rebound in the agricultural sector and the expected cooling in inflation, both globally and locally as the tightened monetary policy continues to take effect. However, we expect inflationary pressures to remain elevated due to high electricity prices, high fuel costs, and continued depreciation of the Kenyan shilling;</p> <p>Currency - Our outlook for 2024 is Negative on Currency. We project the Kenya Shilling to trade within the range of between Kshs 183.2 and Kshs 189.6 against the USD in 2024, driven by the ever present current account deficit and the increasing debt servicing costs that continue to put pressure on forex reserves given the Eurobond coupons which are falling due ahead of the maturity of the 2014 issue in June 2024;</p> <p>Interest Rates – Our outlook for 2024 is Neutral on Interest Rates. The Central Bank is expected to maintain its tight monetary policy stance in the short term with the intention of anchoring inflation and mitigating the depreciation of the Kenyan shilling. However, we expect the interest rate environment to stabilize in the medium term as the government meets the coupon payments and the eventual redemption of the 10-year Eurobond due in June 2024 with the support of concessional loans and commercial financing;</p>

	<p>Government borrowing – We expect the government to borrow aggressively from both the domestic and foreign markets as it aims to plug in the fiscal deficit, which is projected to come in at Kshs 703.9 bn in the FY'2024/25, 3.9% of the GDP. Additionally, the government expects to receive more concessional financing from the IMF and the World Bank, in addition to commercial loans from commercial lenders such as the Trade & Development Bank (TDB) and the African Development Bank. On revenue collection, we expect continued improvement in 2024 due to the raft of measures proposed by the Kenya Revenue Authority such as the implementation of the Finance Act 2023. However, the upward revision of taxes comes at a time when the business environment remains subdued which will weigh down on the projected revenue performance;</p> <p>Investor Sentiment – Our outlook for 2024 is Neutral on Investor Sentiment. We expect 2024 to register lower investor sentiments in the short term mainly due to elevated inflation in the country currently at 6.6%, and continued depreciation of the Kenyan currency. However, we expect investor sentiments to improve in the medium term as the country meets its coupon payments and the eventual maturity of the USD 2.0 bn Eurobond due in June 2024. Additionally, we expect the renewed focus on Public-private Partnerships (PPP) to finance commercially viable projects to spur growth in the private sector;</p> <p>Security – Our outlook for 2023 is Positive on Security. We expect security to be maintained in 2024 with a stable political environment, following the peaceful dispute-resolution mechanisms adopted by the current regime and the opposition;</p>
Asset Class	Fixed Income & Equities Outlook for 2024
Fixed Income	We expect upward pressure on the interest rates market on the back of the government's increased borrowing for upcoming external debt maturities, budgetary support, funding of infrastructure projects and payment of domestic maturities which stand at Kshs 620.6 bn for the second half of the FY'2023/2024. Investors should be biased towards SHORT-TERM FIXED INCOME INSTRUMENTS to reduce duration risk resulting from the upwards trend of the current interest rates market;
Kenya Equities	We have a NEUTRAL outlook on the Kenyan Equities market in the short term but " BULLISH " in the medium to long term. We expect a slight improvement the listed sector's earnings growth in 2024, largely driven by the expected 5.0% - 5.4% GDP growth and the continued improvement in the country's business environment. The improvement is evidenced by an improvement in last month of 2023, with Purchasing Manager's Index (PMI) coming in at 48.8, higher than the year's average of 48.1;

For the detailed report, see [link](#);

Notes to the Editor:

Cytonn Investments is an independent investment management firm, with offices in Nairobi - Kenya and D.C. Metro - U.S. We are primarily focused on offering alternative investment solutions to Individual High-Net-Worth Investors, Global and Local Institutional Investors and Kenyans in the diaspora interested in the high-growth East-African region. We currently have over Kshs 82.0 billion of investments and projects under mandate, primarily in real estate.

Cytonn Real Estate is Cytonn's development affiliate, which is focused on developing institutional grade real estate targeted at specific institutional, high net-worth and Diaspora investors. Collective, Cytonn Investments, and Cytonn Real Estate manage over Kshs 82.0 billion of real estate projects.

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