Kenya's Q1'2025 Balance of Payments Note

According to the Q1'2025 Kenya Quarterly Balance of Payment Report released by the Kenya National Bureau of Statistics (KNBS), Kenya's balance of payments position deteriorated significantly by 313.8% in Q1'2025, with a deficit of Kshs 77.0 bn, from a surplus of Kshs 36.0 bn in Q1'2024. 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 58.3% to Kshs 66.6 bn in Q1'2025 from the Kshs 42.1 bn deficit recorded in Q1'2024. The y/y expansion registered was driven by:

i. 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) decreased by 16.5% to Kshs 230.9 bn from Kshs 276.4 bn in Q1'2024 and,

ii. A 1.8% decline in the services trade balance to a surplus of Kshs 82.3 bn from a surplus of Kshs 83.8 bn in Q1'2024,

The table below shows the breakdown of the various current account components on a year-on-year basis, comparing Q1'2025 and Q1'2024:

Item	Q1'2024	Q1'2025	Y/Y % Change
Merchandise Trade Balance	(313.3)	(306.1)	2.3%
Services Trade Balance	83.8	82.3	(1.8%)
Primary Income Balance	(89.0)	(73.8)	17.1%
Secondary Income (transfer) Balance	276.4	230.9	(16.5%)
Current Account Balance	**(42.1)**	**(66.6)**	(58.3%)

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) narrowed by 2.3% to Kshs 306.1 bn in Q1'2025, from Kshs 313.3 bn recorded in Q1'2024. This is attributable to the 8.9% decline in merchandise exports to Kshs 417.6 bn, from Kshs 458.6 bn in Q1'2024, compared to the 6.2% decline in merchandise imports to Kshs 723.7 bn from Kshs 771.9 bn recorded in a similar period in 2024. The decrease in merchandise exports was mainly driven by a 58.2% decrease in titanium ores and concentrates to Kshs 1.7 bn, from Kshs 4.1 bn recorded in Q1'2024 coupled with the 20.2% decline in exportation of tea to Kshs 46.1 bn, from Kshs 57.8 bn recorded in Q1'2024. On the other hand, the slower decline in the import bill is attributable to the 49.6% growth in importation of chemical fertilizers to Kshs 14.5 bn from Kshs 9.7 bn reported in Q1'2024 coupled with a 39.3% increase in animal and vegetable oils imports to Kshs 48.6 bn in Q1'2025 from Kshs 34.9 bn in Q1'2024 and a 19.7% increase in industrial machinery imports to Kshs 81.0 bn from Kshs 67.6 bn recorded in Q1'2024,

ii. Service Trade Balance (the difference between the imports and exports of services) recorded a 1.8% decrease in Q1'2025 to a surplus of Kshs 82.3 bn, from a surplus of Kshs 83.8 bn in Q1'2024. The y/y decrease in service trade balance was mainly driven by a 7.4% decline in services receipts to Kshs 255.8 bn from Kshs 276.2 bn recorded in Q1'2024, compared to the 9.8% decline in services outflows to Kshs 173.5 bn from Kshs 192.4 bn recorded in Q1'2024,

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 17.1% to a deficit of Kshs 73.8 bn in Q1'2025 from a deficit of Kshs 89.0 bn in Q1'2024, 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) decreased by 16.5% to Kshs 230.9 bn from Kshs 276.4 bn in Q1'2024,
v. Diaspora remittances recorded a 11.0% decline to Kshs 161.0 bn from Kshs 181.0 bn recorded in Q1'2024,
vi. Total exports declined by 6.9% in Q1'2025 to Kshs 276.7 bn, up from Kshs 297.3 bn recorded in Q1'2024. In terms of exports by region, Africa remained the largest merchandise export recipient, accounting for 36.9% of total exports in Q1'2025 despite registering a 10.2% decrease in export earnings to Kshs 102.2 bn, from Kshs 113.8 bn in Q1'2024. The decrease was mainly attributable to 26.7% decrease in exports to Ethiopia, to Kshs 3.8 bn from Kshs 5.2 bn in Q1'2024, coupled with 20.3%, and 19.8% decline in exports to DRC and South Sudan. Europe followed in second place, accounting for 24.6% of all exports and recording a decline of 10.4% in Q1'2025 to Kshs 68.0 bn, down from Kshs 75.9 in Q1'2024, and,
vii. Overall imports declined marginally by 4.5% to Kshs 652.3 bn in Q1'2025 from 683.2 bn recorded in Q1'2024. In terms of imports by region, Asia remained the largest merchandise import source, accounting for 68.3% of total imports, with the value of imports increasing by 1.5% to Kshs 445.6 bn, up from Kshs 438.8 bn recorded in Q1'2024. The growth was mainly attributed to the increase in imports from UAE of 37.4% to Kshs 92.1 bn from Kshs 67.0 bn in Q1'2024 coupled with an 18.0% increase in imports from China to Kshs 148.6 bn from Kshs 126.0 bn in Q1'2024, however weighed down by a 9.7% decrease in imports from Malaysia to Kshs 38.7 bn, from Kshs 42.8 bn recorded in Q1'2024. The European Union accounted for 19.0% of total imports in Q1'2025, valued at Kshs 52.5 bn, a 27.8% decline from the Kshs 72.7 bn recorded in Q1'2024 mainly driven by the 75.2% decrease in imports from Netherlands.

B. Balance of Payments

Kenya's balance of payment (BoP) position deteriorated significantly by 313.8% in Q1'2025, to a deficit of Kshs 77.0 bn, from a surplus of Kshs 36.0 bn in Q1'2024. The y/y negative performance in BoP was mainly driven by a significant 575.7% increase in financial account deficit to Kshs 48.6 bn from a deficit of Kshs 7.2 bn in Q1'2024. The performance was however supported by a significant 1,093.8% improvement in the net errors and omissions to a surplus of Kshs 95.0 bn from a deficit of Kshs 9.6 bn in Q1'2024. The table below shows the breakdown of the various balance of payments components, comparing Q1'2025 and Q1'2024:

Item	Q1'2024	Q1'2025	Y/Y % Change
Current Account Balance	(42.1)	(66.6)	(58.3%)
Capital Account Balance	8.5	-	-
Financial Account Balance	(7.2)	(48.6)	(575.7%)
Net Errors and Omissions	(9.6)	95.0	1093.8%
Balance of Payments	**36.0**	**(77.0)**	(313.8%)

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 58.3% to Kshs 66.6 bn from Kshs 42.1 bn in Q1'2024. The y/y widening of the current account was brought about by the 16.5% decline in the secondary income/transfers to a surplus of Kshs 230.9 bn from a surplus of Kshs 276.4 bn in Q1'2024, coupled with a 1.8% decrease in services trade balance to Kshs 82.3 bn from Kshs 83.8 bn in Q1'2024,
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), stood at 0.0 bn in Q1’2025, down from a surplus of Kshs 8.5 bn in Q1’2024,

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 575.7% increase in net inflow to a deficit Kshs 48.6 billion in Q1’2025, from a deficit of Kshs 7.2 billion in Q1’2024.

iv. Consequently, the Balance of Payments (BoP) position declined to a deficit of Kshs 77.0 bn in Q1’2025, from a surplus of Kshs 36.0 bn recorded in Q1’2024.

C. Public External Debt

During the period under review, the stock of external public and public guaranteed debt increased by 1.8% to Kshs 5.2 tn as at March 2025, up from Kshs 5.1 tn recorded in March 2024, mainly driven by a 8.4% increase in multilateral debt to Kshs 2.9 tn in Q1’2025, up from Kshs 2.7 tn recorded in Q1’2024. Notably, external public debt by commercial banks decreased by 24.4% to Kshs 0.3 tn in Q1’2025, down from Kshs 0.4 tn in 2024. The table below shows the breakdown of the outstanding external public and publicly guaranteed debt, comparing Q1’2025 and Q1’2024:

Cytonn Report: Kenya’s Public External Debt				
Debt Source	**Q1'2024**	**Q1'2025**	**Y/Y % Change**	**% contribution**
Multilateral	2.7	2.9	8.4%	55.8%
Bilateral	1.1	1.0	(5.9%)	19.5%
Debt Securities held by non-residents	0.9	1.0	3.1%	18.8%
Commercial Banks	0.4	0.3	(24.4%)	5.7%
Suppliers Credit	0.01	0.01	(6.3%)	0.3%
Total External Public Debt	**5.1**	**5.2**	**1.8%**	**100.0%**

All values in Kshs tn

Key take-outs from the table include;

i. Multilateral debt increased by 8.4% to Kshs 2.9 tn in Q1’2025, up from Kshs 2.7 tn recorded in Q1’2024, accounting for 55.8% of the total external debt. Additionally, bilateral debt accounted for 19.5% of the total external debt, despite the amount decreasing by 5.9% to Kshs 1.0 tn, down from Kshs 1.1 tn in Q1’2024.

D. Conclusion

Kenya's balance of payments deteriorated in Q1’2025, mainly on the back of a significant 575.7% increase in financial account deficit to Kshs 48.6 bn from a deficit of Kshs 7.2 bn in Q1’2024. The current account deficit (value of goods and services imported exceeds the value of those exported widened by 58.3% to Kshs 66.6 bn in Q1’2025 from the Kshs 42.1 bn deficit recorded in Q1’2024. The y/y widening of the current account was brought about by the decrease of 16.5% to Kshs 230.9 bn from Kshs 276.4 bn in Q1’2024 in the secondary income/transfers coupled with a 1.8% decline in the services trade balance to a surplus of Kshs 82.3 bn from a surplus of Kshs 83.8 bn in Q1’2024. 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.