# Kenya's Q2'2026 Balance of Payments Note

According to the Q2'2026 Quarterly Balance of Payments Report released by the Kenya National Bureau of Statistics (KNBS), Kenya's balance of payments surplus narrowed by 74.2% in Q2'2026, to Kshs 40.6 bn, from a surplus of Kshs 157.0 bn in Q2'2025. 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 264.1% to Kshs 252.5 bn in Q2'2026 from the Kshs 69.4 bn deficit recorded in Q2'2025. 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 47.9% to Kshs 481.9 bn in Q2'2026, from Kshs 325.8 bn recorded in Q2'2025, and,

ii. A 30.4% widening of the primary income deficit to Kshs 73.1 bn from Kshs 56.1 bn in Q2'2025, and a 6.5% decrease in the secondary income surplus to Kshs 227.3 bn from Kshs 243.1 bn, partly offset by an 8.2% increase in the Services Trade Balance surplus to Kshs 75.2 bn from Kshs 69.5 bn in Q2'2025,

The table below shows the breakdown of the various current account components on a year-on-year basis, comparing Q2'2026 and Q2'2025:

| Item | Q2'2025 | Q2'2026 | Y/Y % Change |
|---|---|---|---|
| Merchandise Trade Balance | (325.8) | (481.9) | 47.9% |
| Services Trade Balance | 69.5 | 75.2 | 8.2% |
| Primary Income Balance | (56.1) | (73.1) | 30.4% |
| Secondary Income (transfer) Balance | 243.1 | 227.3 | (6.5%) |
| **Current Account Balance** | **(69.4)** | **(252.5)** | 264.1% |

*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 47.9% to Kshs 481.9 bn in Q2'2026, from Kshs 325.8 bn recorded in Q2'2025. This is attributable to the 22.9% increase in merchandise imports to Kshs 920.6 bn from Kshs 749.2 bn recorded in a similar period in Q2'2025, which outpaced the 3.6% increase in merchandise exports to Kshs 438.7 bn, from Kshs 423.4 bn in Q2'2025. The increase in merchandise exports was mainly driven by the significant 785.7% increase in industrial machinery exports to Kshs 27.9 bn from Kshs 3.2 bn in Q2'2025, largely on exports of photovoltaic cells, coupled with a 17.5% increase in iron and steel exports to Kshs 7.8 bn from Kshs 6.6 bn recorded in Q2'2025 and a 5.1% increase in tea exports to Kshs 46.3 bn from Kshs 44.1 bn in Q2'2025. However, exports were weighed down by the 1.8% decrease in horticulture exports to Kshs 54.0 bn from Kshs 55.0 bn in Q2'2025. On the other hand, the increase in the import bill is attributable to the 91.4% growth in importation of petroleum products to Kshs 235.1 bn from Kshs 122.8 bn reported in Q2'2025, coupled with a 1,162.5% increase in importation of wheat to Kshs 36.5 bn from Kshs 2.9 bn in Q2'2025, and a 6.2% increase in industrial machinery imports to Kshs 97.7 bn from Kshs 92.0 bn in Q2'2025. However, imports were weighed down by the 71.5% decrease in chemical fertilizers imports to Kshs 3.2 bn from Kshs 11.1 bn and the 20.9% decrease in iron and steel imports to Kshs 32.7 bn from Kshs 41.4 bn in Q2'2025,

ii. Service Trade Balance (the difference between the imports and exports of services) recorded an 8.2% increase in Q2'2026 to a surplus of Kshs 75.2 bn, from a surplus of Kshs 69.5 bn in Q2'2025. The y/y increase in service trade balance was mainly driven by a 15.3% increase in services receipts to Kshs 292.9 bn from Kshs 254.1 bn recorded in Q2'2025,

iii. Primary income deficit (income that residents earn from, less that they pay to the rest of the world from working and financial investments) widened by 30.4% to KShs 73.1 bn in Q2'2026 from KShs 56.1 bn in Q2'2025. This was attributable to a 29.5% increase in primary income debits to KShs 90.5 bn from KShs 69.9 bn, which outpaced the 26.1% increase in primary income credits to KShs 17.4 bn from KShs 13.8 bn. The increased expenditure was driven by higher dividend payouts to direct investors and increased interest payments on the International Sovereign Bond.

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 6.5% to Kshs 227.3 bn from Kshs 243.1 bn in Q2'2025,

v. Diaspora remittances recorded an 8.9% decrease to Kshs 153.8 bn from Kshs 168.9 bn recorded in Q2'2025,

vi. Total exports increased by 18.1% in Q2'2026 to Kshs 330.7 bn, up from Kshs 280.0 bn recorded in Q2'2025. In terms of exports by region, Africa remained the largest merchandise export recipient, accounting for 41.7% of total exports in Q2'2026, registering a 30.4% increase in export earnings to Kshs 137.9 bn, from Kshs 105.7 bn in Q2'2025. The increase was mainly attributable to the 57.6% increase in exports to DRC, to Kshs 12.6 bn from Kshs 8.0 bn in Q2'2025, coupled with 77.7%, 64.3%, 57.5% and 23.5% growth in exports to South Africa, Ethiopia, Rwanda and Uganda, respectively. Asia and Europe followed in second and third place, accounting for 22.7% and 20.9% of all exports, respectively. Exports to Asia increased by 2.3% in Q2'2026 to Kshs 75.2 bn, up from Kshs 73.5 bn in Q2'2025, while exports to Europe decreased by 4.5% to Kshs 69.3 bn from Kshs 72.5 bn. Notably, exports to America surged by 88.5% to Kshs 42.7 bn from Kshs 22.6 bn, lifting its share of total exports to 12.9%, largely on exports of photovoltaic cells, coffee and maize oil to the USA, and,

vii. Total imports grew by 33.2% to Kshs 895.4 bn in Q2'2026 from Kshs 672.0 bn recorded in Q2'2025. In terms of imports by region, Asia remained the largest merchandise import source, accounting for 68.9% of total imports, with the value of imports increasing by 33.8% to Kshs 616.8 bn, up from Kshs 461.1 bn recorded in Q2'2025. The growth was mainly attributed to the increase in imports from China of 44.7% to Kshs 225.9 bn from Kshs 156.0 bn in Q2'2025 and from India of 55.4% to Kshs 112.6 bn from Kshs 72.5 bn. Europe accounted for 16.3% of total imports in Q2'2026, valued at Kshs 145.5 bn, a 75.9% increase from the Kshs 82.7 bn recorded in Q2'2025 mainly driven by the 222.7% increase in imports from Belgium and the 428.7% increase in imports from the Netherlands.

## B. Balance of Payments

Kenya's balance of payment (BoP) surplus narrowed by 74.2% in Q2'2026, to Kshs 40.6 bn, from a surplus of Kshs 157.0 bn in Q2'2025. The y/y narrowing of the BoP surplus was mainly driven by the 264.1% widening of the current account deficit to Kshs 252.5 bn from Kshs 69.4 bn in Q2'2025 and the 66.2% decline in the capital account surplus to Kshs 6.0 bn from Kshs 17.6 bn, which outweighed the 23.9% increase in net financial inflows to Kshs 244.1 bn from Kshs 197.0 bn. The table below shows the breakdown of the various balance of payments components, comparing Q2'2026 and Q2'2025:

| Item | Q2'2025 | Q2'2026 | Y/Y % Change |
|---|---|---|---|
| Current Account Balance | (69.4) | (252.5) | 264.1% |
| Capital Account Balance | 17.6 | 6.0 | (66.2%) |
| Financial Account Balance | (197.0) | (244.1) | 23.9% |
| Net Errors and Omissions | 11.8 | 43.0 | 265.5% |
| **Balance of Payments** | **157.0** | **40.6** | (74.2%) |

*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 264.1% to Kshs 252.5 bn from Kshs 69.4 bn in Q2'2025. The y/y increase of the current account deficit was brought about by the 47.9% widening in the merchandise trade balance deficit to Kshs 481.9 bn from Kshs 325.8 bn in Q2'2025.
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), declined by 66.2% to a surplus of Kshs 6.0 bn in Q2'2026, from a surplus of Kshs 17.6 bn in Q2'2025,
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 23.9% increase in net inflow to a deficit of Kshs 244.1 bn in Q2'2026, from a deficit of Kshs 197.0 bn in Q2'2025.
iv. Consequently, the Balance of Payments (BoP) surplus narrowed to Kshs 40.6 bn in Q2'2026, from a surplus of Kshs 157.0 bn recorded in Q2'2025.

**C. Public External Debt**

During the period under review, the stock of external public and public guaranteed debt increased by 5.9% to Kshs 6.0 tn as at June 2026, up from Kshs 5.7 tn recorded in June 2025, mainly driven by a 33.1% increase in International Sovereign Bonds to Kshs 1.4 tn in Q2'2026, up from Kshs 1.0 tn recorded in Q2'2025, following the issuance of two bonds worth USD 2.25 bn in February 2026, which lifted debt securities held by non-residents by 27.4% to Kshs 1.7 tn from Kshs 1.3 tn. Notably, external public debt by commercial banks decreased by 38.9% to Kshs 0.2 tn in Q2'2026, down from Kshs 0.3 tn in Q2'2025. The table below shows the breakdown of the outstanding external public and publicly guaranteed debt, comparing Q2'2026 and Q2'2025:

| Cytonn Report: Kenya's Public External Debt | | | | |
|---|---|---|---|---|
| **Debt Source** | **Q2'2025** | **Q2'2026** | **Y/Y % Change** | **% contribution** |
| Multilateral | 3.0 | 3.2 | 4.4% | 52.8% |
| Debt Securities held by non-residents | 1.3 | 1.7 | 27.4% | 27.6% |
| Bilateral | 1.0 | 1.0 | (4.1%) | 16.4% |
| Commercial Banks | 0.29 | 0.18 | (38.9%) | 2.9% |
| Suppliers Credit | 0.01 | 0.01 | (1.9%) | 0.2% |
| **Total External Public Debt** | **5.7** | **6.0** | **5.9%** | **100.0%** |

*All values in Kshs tn*

Key take-outs from the table include;

i. Multilateral debt increased by 4.4% to Kshs 3.2 tn in Q2'2026, up from Kshs 3.0 tn recorded in Q2'2025, accounting for 52.8% of the total external debt. Additionally, bilateral debt accounted for 16.4% of the total external debt, despite the amount decreasing by 4.1% to Kshs 0.99 tn, down from Kshs 1.03 tn in Q2'2025.
ii. Debt securities held by non-residents increased by 27.4% to Kshs 1.7 tn in Q2'2026, up from Kshs 1.3 tn recorded in Q2'2025, accounting for 27.6% of the total external debt. The increase was driven by the 33.1% rise in International Sovereign Bonds to Kshs 1.36 tn from Kshs 1.02 tn, following the issuance of two bonds worth USD 2.25 bn in February 2026. Non-resident holdings of Treasury bonds also rose by 6.1% to Kshs 293.0 bn from Kshs 276.1 bn, while holdings of Treasury bills increased by 22.4% to Kshs 4.4 bn.

**D. Conclusion**

Kenya's balance of payment (BoP) surplus narrowed by 74.2% in Q2'2026, to Kshs 40.6 bn, from a surplus of Kshs 157.0 bn in Q2'2025. The y/y narrowing of the BoP surplus was mainly driven by the 264.1% widening of the current account deficit to Kshs 252.5 bn from Kshs 69.4 bn in Q2'2025 and the 66.2% decline in the capital account surplus to Kshs 6.0 bn from Kshs 17.6 bn, which outweighed the 23.9% increase in net financial inflows to Kshs 244.1 bn from Kshs 197.0 bn and the rise in net errors and omissions to Kshs 43.0 bn from Kshs 11.8 bn. 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.