

# Orient Asset Managers Limited

**REVIEW OF THE CENTRAL BANK OF KENYA MONETARY POLICY  
COMMITTEE MEETING – JANUARY 2025**



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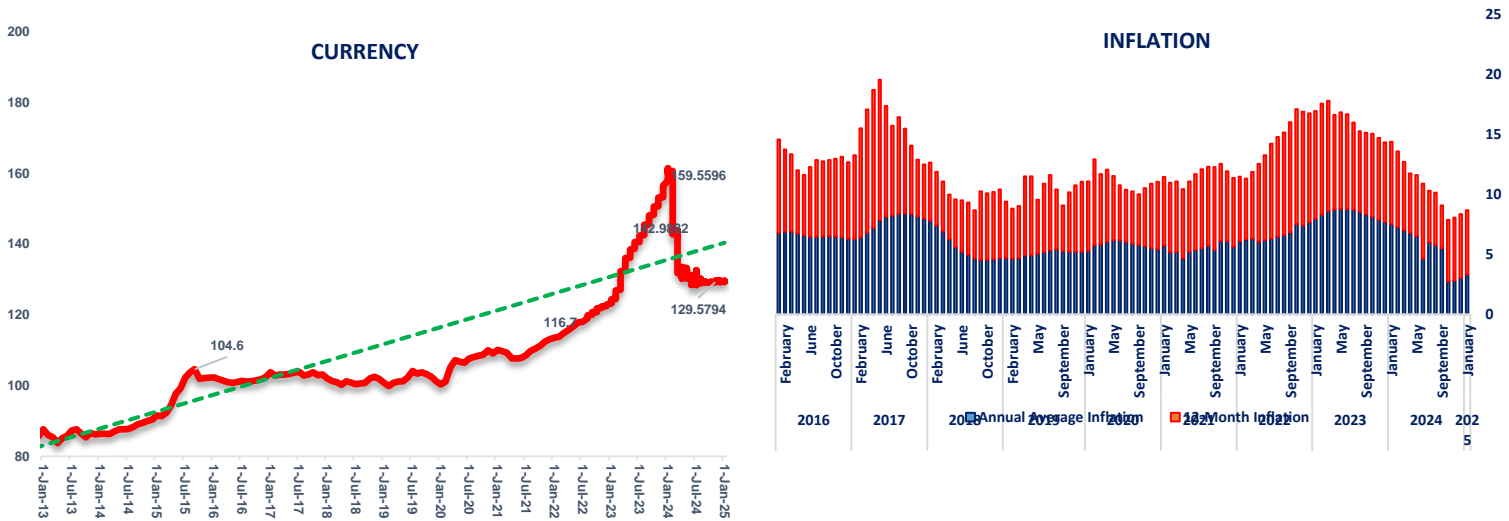
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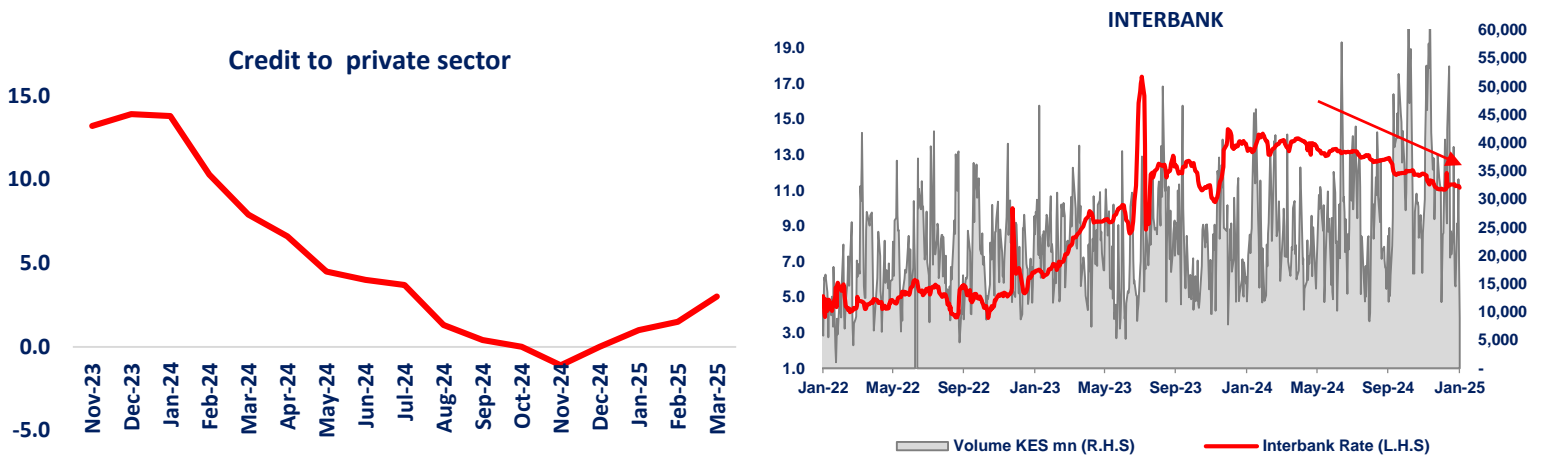
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**REVIEW OF THE CENTRAL BANK OF KENYA MONETARY POLICY COMMITTEE JANUARY 2025 – CENTRAL BANK OF KENYA RATE (CBR) CUT BY 25BPS**

Yesterday the Central Bank of Kenya (CBK) Monetary Policy Committee (MPC) cut the Central Bank Rate (CBR) by 50bps to 10.75% from 11.25%. The cut was based on expectations that overall inflation would remain below the midpoint of the 5±2.5% target range, supported by low and stable core inflation, low energy price inflation, and exchange rate stability. The regulator also took a cue from the global market, where major central banks continued to lower interest rates at different paces, with the U.S. Federal Reserve also signaling potential rate cuts.

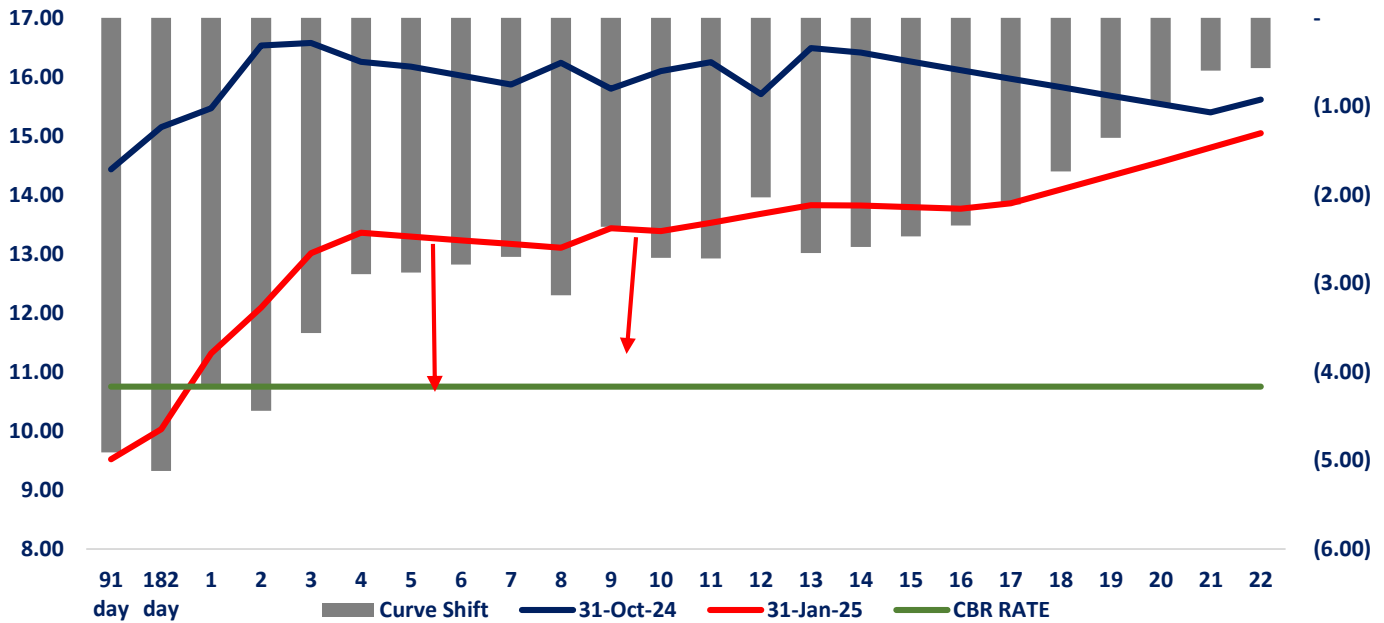


Of concern was the continued slowdown in economic growth in 2024, which created room for further easing of monetary policy to support economic activity while ensuring exchange rate stability. In addition to the CBR cut, the MPC reduced the Cash Reserve Ratio (CRR) by 100bps to 3.25% from 4.25% to complement the lower CBR and support a decline in lending rates. The reduction in the CRR is expected to inject additional liquidity into banks, lowering the cost of funds and enhancing credit growth in the private sector.



Despite the reductions in the CBR in 2025, lending rates in the banking sector had only declined marginally. To address this in 2025, lenders are expected to take necessary steps to further lower their lending rates to stimulate private sector credit growth and support economic activity. Additionally, the banking sector showed signs of stability as Gross Non-Performing Loans (NPLs) dropped to 15.5% in September 2024 from 16.0% in June 2024, reflecting improved asset quality.

The MPC will closely monitor the impact of these policy measures, as well as developments in the global and domestic economy, and remains prepared to take further action as needed in line with its mandate. The Committee will meet again in April 2025, considering further adjustments based on economic conditions and monetary policy actions by global central banks.



On the flip side, we anticipate the reopening of the Feb twin (IFBs) to absorb excess liquidity in the market. With the (GoK) set to settle payments totaling KES 250 Bn comprising KES 27 Bn in March, KES 105 Bn in April, and KES 100 Bn in May then retain only what is necessary in upcoming auctions.

Furthermore, the CBK is likely to focus on aligning mid-term bond yields with the prevailing CBR rate to ensure convergence with current monetary policy. This approach aims to maintain stability in the fixed-income market while keeping government borrowing costs sustainable. Given this stance, there is little appetite for issuing short-term securities, as doing so could trigger aggressive bidding. Consequently, we anticipate the 364-day Treasury bill yield pushing toward the 10% mark.

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