



REPUBLIC OF KENYA
THE NATIONAL TREASURY

NOTICE TO THE CENTRAL BANK OF KENYA ON THE PRICE STABILITY TARGET AND THE ECONOMIC POLICY OF THE GOVERNMENT

The principal objectives of the Central Bank of Kenya (CBK) as established in Cap 491, Section 4 (Subsection 1, 2 and 3) of the Central Bank of Kenya (Amendment) Act, 2015, are to:

1. Formulate and implement monetary policy directed to achieving and maintaining stability in the general level of prices;
2. Foster the liquidity, solvency and proper functioning of a stable, market-based, financial system; and
3. subject to (1) and (2) above, to support the economic policy of the Government, including its objectives for growth and employment.

Further, Section 4 (Subsections 4, 5 and 6) of the Act provides that the Cabinet Secretary responsible for Finance specifies at least once in every period of 12 months:

- the price stability target of the Government; and,
- economic policy to be taken by the Government.

The Act requires the Cabinet Secretary to publish the notice in such a manner he deems fit and lay a copy of the notice before the appropriate Committee of the National Assembly.

In fulfilment of these statutory requirements, this Notification sets out the Government's price stability target and the economic policy to be pursued during FY 2026/27 as follows:

A. Price Stability Target of the Government

To support the maintenance of macroeconomic stability in FY 2026/27, the Government has set an inflation target of 5.0 percent for the CBK, with an allowable variation of ± 2.5 percentage points to cater for the effects of adverse shocks. This target will be measured by the 12 months increase in Consumer Price Index as published by the Kenya National Bureau of Statistics. The inflation target is anchored within the macroeconomic framework that underpins the 2026 Budget Policy Statement and the FY 2026/27 Budget. This framework was agreed upon by the Macro Working Group and informed the determination of expenditure ceilings for the FY 2026/27 Budget and the Medium-Term Expenditure Framework (MTEF).

Maintaining price stability remains a key prerequisite for a stable macroeconomic environment and the successful implementation of the FY 2026/27 Budget. Accordingly, the CBK is expected to pursue policies consistent with the attainment of the inflation target and will be accountable to the Government and the public for its achievement. The flexible margin of ± 2.5 percentage points around the target is intended to accommodate the effects of unforeseen external shocks, including volatility in global commodity markets and adverse weather events, which may temporarily affect inflation outcomes and the broader macroeconomic outlook.

In the event that inflation rate deviates from the target by more than 2.5 percentage points in either direction, the CBK will provide a letter indicating:

- The factors driving inflation away from the specified target;
- The measure(s) the CBK is taking to address the deviation; and
- The time period within which CBK expects inflation to return to the target.

A copy of this Notice will be laid before the appropriate Committee of the National Assembly by the Clerk of the National Assembly upon submission by the Cabinet Secretary. In this regard, CBK when providing explanations of the deviations from target will be expected to lay a copy of the explanatory letter to the same Committee through the Clerk of the National Assembly. Where inflation remains more than 2.5 percentage points above or below the target for three consecutive months following the submission of the initial letter, the CBK shall provide a further letter outlining the reasons for the continued deviation and the measures being undertaken to restore inflation to the target range. In assessing inflation developments and the appropriateness of policy responses, due regard shall be given to the prevailing domestic and global economic conditions.

B. Economic Policy of the Government

The policy priorities of the Government for FY 2026/27 and medium-term budget will be firmly anchored on the Bottom-Up Economic Transformation Agenda (BETA), which remains the central framework for delivering inclusive growth, expanding economic opportunities, and improving livelihoods. The Government will continue to implement targeted policy, institutional, and structural reforms aimed at unlocking productivity across key value chains, reducing inequalities, and accelerating the transition to a more resilient, competitive, and self-sustaining economy.

In this respect, special emphasis continues to be placed on the following five priority areas: i) Agricultural Transformation and Inclusive Growth; ii) Micro, Small and Medium Enterprise (MSME) Economy; iii) Housing and Settlement; iv) Healthcare; and v) Digital Superhighway and Creative Industry. Through the BETA five priority pillars, the Government will be scaling targeted interventions that address binding constraints to productivity, expand economic opportunities, and

strengthen resilience across sectors. These priority pillars are deliberately structured to reinforce one another, ensuring that progress in one area catalyzes gains across the broader economy.

The Government also continues to implement complementary cross-cutting policy interventions to sustain economic resilience, accelerate inclusive growth and improve business environment. This will create a seamless transition to the next frontier of economic transformation. These interventions include:

- i. Strengthening fiscal and monetary policy coordination to safeguard economic stability and reinforce investor confidence;
- ii. Enhancing fiscal sustainability by expanding domestic revenue mobilization and improving efficiency of public expenditure;
- iii. Modernization of strategic infrastructure in transport and logistics, energy, and water sectors to improve productivity, connect markets, lower the cost of doing business and enhance competitiveness;
- iv. Supporting industrial development, trade, tourism, blue economy, MSMEs and innovation to accelerate job creation; broaden economic opportunities; and transform Kenya's economy to a net exporter of goods and services;
- v. Strengthening environmental conservation and climate change mitigation and adaptation measures to promote sustainable development and resilience;
- vi. Supporting human capital development through continued investment in quality education, universal health care, and well targeted social protection interventions;
- vii. Advancing youth empowerment through targeted investments in skills development, entrepreneurship, digital opportunities and access to affordable financing; and
- viii. Strengthening governance reforms to enhance public service delivery.

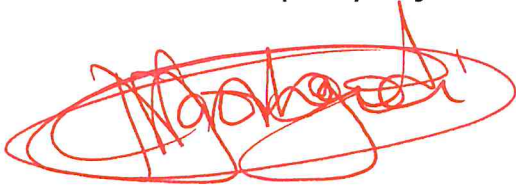
The fiscal policy stance for FY 2026/27 and the medium term is anchored on a fiscal consolidation strategy that advances the priorities of the BETA while safeguarding debt sustainability and provision of essential public services. The strategy will be supported by continuous domestic revenue mobilization and expenditure rationalization through targeted tax and expenditure reforms. As a result, the fiscal deficit including grants is projected to decline gradually from 5.5 percent of GDP in the FY 2026/27 to 3.3 percent of GDP in the FY 2028/29.

Accountability

The Central Bank of Kenya and the Monetary Policy Committee is accountable to the Government for the price stability target set out in this notice. In this respect, the accountability framework in terms of regular reporting will remain as outlined in sections 4B, 4C and 4D of the CBK Act, CAP 491. The format of reporting to the National Assembly remains as previously stated.

Revision of the Target

The revision to the price stability target will be set out in the FY 2027/28 Budget. In addition, the 2027 Budget Policy Statement will provide an update on the Government's economic policy objectives and priorities for the medium term.



HON. FCPA JOHN MBADI NG'ONGO, EGH
CABINET SECRETARY

June 29, 2026