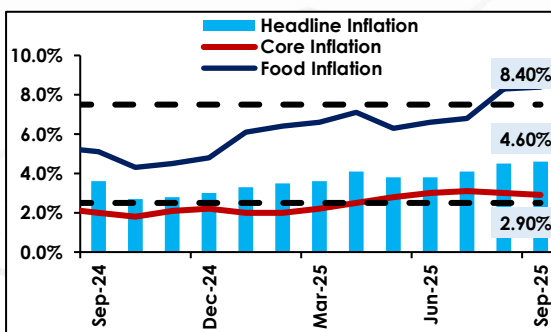


ECONOMICS AND RESEARCH INFLATION REACTION

September 2025

Inflation Touches 4.6% in September - Expected to Rise Toward 5.0% in the Near term

- Primarily on account of price increments in the food basket, headline inflation rose marginally to 4.6% in September from 4.5% in August. Month-on-month, the consumer price index rose 0.3%, similar to August.
- Illustratively, food inflation registered at 8.4%, 10-basis points higher than the August print of 8.3%.
- Pressure was evident from both cereal and vegetable prices - with loose maize grain and sifted maize flour prices up 14.3% and 17.0%, respectively, while tomato, sugar, and cabbage prices surged 40%, 20.4% and 17.0% year-on-year, respectively.
- In the housing, electricity, gas and fuel index, inflation rose to 1.4%, up from 0.8%, due to higher rent and diesel prices. In contrast, petrol (-2.0%) and electricity (200 kWh) prices (-2.1%) dropped. Reflecting this decline, passenger travel costs eased and pushed inflation in the transport index lower to 4.0% from 4.4%, previously.
- Overall, the non-core inflation index rose to 9.6% from 9.2% while the core index declined marginally to 2.9% from 3.0%.
- Into Q4-2025, the commencement of the long rains harvest for maize, augmented by the release of maize stocks held by farmers is anticipated to increase maize supply in the market and support lower prices. However, the short-rains season (Oct-Dec) which is forecast to record below long-term average rainfall across most parts of the country amid risk of a La Niña event could place pressure on vegetable prices.
- Globally, we maintain a steady oil price outlook, with Brent prices at US \$ 65-70 ranges to end year. This follows a deeper global oil surplus stemming from the announced increase in oil production by 137,000 barrels per day from October by OPEC+. However, does not rule out the risk of short-term price spikes on geopolitical tensions.
- Meanwhile, global agricultural commodity prices remain uncertain in the wake of rising trade barriers and adverse weather outcomes. For example, palm oil prices are likely to remain pressured in the fourth quarter due to a tight supply outlook in Indonesia and Malaysia.
- Overall, we forecast a gradual increase in inflation toward 5.0% - closely tracking the central bank's recent estimates for price growth.



Source: KNBS, CBK, NCBA Research

