



ECONOMICS AND RESEARCH **MONTHLY ECONOMIC REPORT**

November 2025

HIGHLIGHTS

- ❖ So far, the global economy remains steady and resilient. However, with persistent uncertainty, lower global economic growth is projected in 2026.
- ❖ In the US, the Federal Reserve lowered interest rates in October. However, in the near-term, the ongoing US government shutdown may obscure clear insight into the current state of the US economy.
- ❖ In the Eurozone, against the backdrop of success on inflation and steady economic growth, we expect minimal changes to the current policy stance in the near term.
- ❖ Domestically, while agriculture faces mixed outcome due to potential adverse weather, public sector and services activity will buttress economic growth toward 5.0%.
- ❖ In Uganda, real GDP grew by 5.5% in the second quarter of 2025, relative to 5.7% in a similar period in 2024. Near-term risks stem from adverse weather conditions and election related uncertainty.
- ❖ Tanzania conducted general elections in October, which led to significant protests and disruptions nationwide. These events will have adverse effects on the tourism sector and donor relations, presenting potential risks to the currency and overall growth.
- ❖ Rwanda's economy continues to demonstrate strength and resilience despite facing consecutive external shocks.

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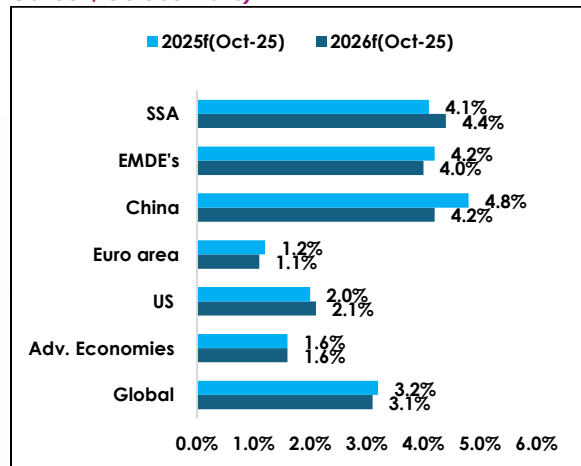
GLOBAL

The global economy remains steady and resilient despite ongoing US trade actions. Accordingly, the IMF, in its latest World Economic Outlook (October 2025) revised the 2025 global growth projection to 3.2% from 3.0% previously and maintained a 3.1% forecast for 2026.

At country level, the United States is now expected to grow by 2.0%, up from an earlier forecast of 1.9%. In the Euro area, the real GDP projection points to a growth rate of 1.2% from the previous estimate of 1.0%.

More recent data underscores this resilience – the global manufacturing PMI, by S&P Global held above 50 at 50.8 in October relative to 50.7 in September.

Figure 1: IMF Global Growth Forecast (World Economic Outlook, October 2025)



Source: IMF, NCBA Research

On inflation, while trade policy uncertainty and geopolitical events have added volatility, downside risks dominate for most commodities driven by slower global growth momentum relative to 2024 and oversupply in the market. For example, in the oil market, overall price trend remains downward

supported by higher production by the OPEC+ countries.

Meanwhile, the World Bank projects the prices of agricultural commodities such as sugar, coffee, and maize to decline next year, with tea, wheat, and palm oil expected to record volatility. Overall, these developments are anticipated to contribute to lower global inflation- from 4.2% this year to 3.7% in 2026, thereby creating additional room for more accommodative policy measures, in as much as the relief may prove to be temporary.

Table 1: World Bank Commodity Markets Outlook, October 2025

Select Commodity Price Forecasts				
	Unit	2024	2025f	2026f
Energy		101.5	88.9	79.9
Non-Energy		112.5	114.4	112.7
Brent Oil	\$/bbl	80.7	68	60
Coffee Arabica	\$/kg	5.62	8.3	7.25
Tea, average	\$/kg	3.04	2.9	2.95
Maize	\$/mt	191	198	195
Wheat, U.S., HRW	\$/mt	269	249	258
Sugar, World	\$/kg	0.45	0.38	0.37
Iron ore	\$/dmt	109	98	94
Gold	\$/toz	2388	3400	3575

Source: Bloomberg, NCBA Research

All said, headwinds from trade policy and uncertainty remains. Navigating this landscape is likely to see investors continue picking favorable assets across the advanced, emerging and frontier markets.

Positively, emerging and frontier markets have significantly upgraded their policy frameworks, with deeper local currency bond markets and a greater capacity to absorb external shocks.

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To this end, due to their relatively low trade exposure to the US, several Sub-Saharan African countries, including Kenya appear to weather the impact of higher US tariffs. Nevertheless, conclusion of current trade measures including intra-Africa trade driven by a diversification objective would build investor confidence further.

US ECONOMY

In the first half of 2025, US growth stood at 1.6%, marginally slower than the 2.2% growth recorded in a similar period last year. More recently, economic activity appears to hold up well as signalled by an increase in the composite PMI to 54.8 in October relative to 53.9 in September. Both services and manufacturing activity expanded – with accelerated growth in the former.

Concerns on the fiscal front are mounting with the US government shutdown now the longest in American history. The shutdown, which began on 1st October, was prompted by the inability of Congress to agree on a new fiscal year budgetary financing deal. Resultantly, several federal workers are furloughed, while millions of Americans lack essential services. Additionally, government data publication has been delayed.

The Federal Open Market Committee (FOMC) cut the policy rate by 25-basis points to 3.75% - 4.0% in October. Despite federal data delays, the outlook for employment and inflation supported by available surveys and private sector data has not changed much since their September meeting. Specifically, the labour market is gradually cooling, and inflation, somewhat elevated due to trade tariffs is still perceived as a temporary impact.

Furthermore, despite broad support for a 25bps rate cut, there were strongly differing committee views on whether to cut interest rates in the December meeting. One member of the committee voted against the majority and argued for a larger cut, while another preferred unchanged interest rates. The committee appeared to create an optionality for the December meeting by stating that a cut then is not a foregone conclusion.

EUROPE

In the Euro Area, with headline inflation at 2.1% in October and steady economic growth, the European Central Bank (ECB) kept its policy rate unchanged at 2%. This marked the third consecutive meeting in which the ECB kept the policy rate unchanged.

Past policy easing, a solid labour market and a strong private sector is propping up activity levels. Indicatively, the EU September unemployment rate remained unchanged at 6.3%. Demonstrating this, economic growth continues to show marginal expansion. The composite PMI rose to 52.5 in October from 51.2 in September with strong output in Germany, Italy and Spain. Concerningly, a turbulent political landscape in France is weighing on sentiment and activity. Consequently, Moody's Ratings cut France's economic outlook to negative on fiscal and political risks but affirmed the aa3 rating.

Nonetheless, according to ECB President Lagarde, Europe is in a good place regarding current interest rates, which would mean that the ECB does not intend to raise or lower rates in the near-term.

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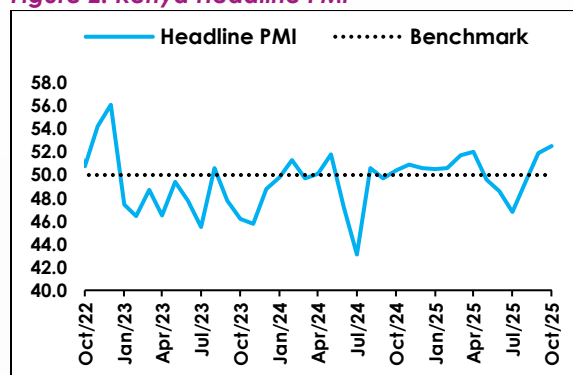
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KENYA

The domestic economy continues to mirror the global trend – resilient and showing marginal expansion in activity. Notably, the headline PMI rose to 52.5 in October, up from 51.9 in September. This is further evidenced by the growth in private sector credit, now at 5.0% as of September relative to a contraction of 1.4% in 2024. However, while the trend is positive, we predominantly link this growth to public sector activity. Notwithstanding the recovery in personal lending, strong growth has been recorded in the industrial sectors, specifically building and construction. We thus maintain the view that aggregate demand is below potential.

Into the close of 2025, domestic credit growth and services activity - boosted by festive season spending will drive growth, while agriculture faces mixed output due to potential adverse weather. Overall, we project real GDP growth to reach 5.0% this year and slightly higher at 5.1% in 2026.

Figure 2: Kenya Headline PMI



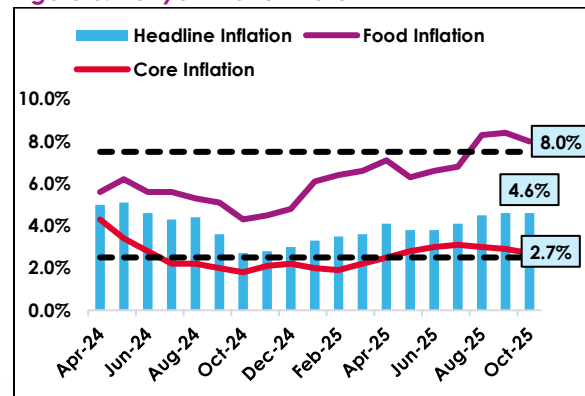
Source: S&P Global, NCBA Research

As a proxy to aggregate demand, core inflation is yet to materially break above the 3.0% level – with the latest reading declining to 2.7% in October from 2.9% in the month prior. Contrastingly, the non-core index has

remained elevated at 9.9% from 9.6% in September. Into December, we forecast a gradual increase in overall inflation underpinned by non-core price increments.

Against this backdrop, we anticipate that the monetary policy committee's reduction of the policy rate to 9.25% in October will be succeeded by an additional rate cut at the December meeting if the US Fed cuts in December.

Figure 3: Kenya Inflation Rate



Source: KNBS, NCBA Research

On the fiscal front, tax revenue registered a growth of 5.3% YoY as of September, reaching KES 553Bn (21.1% of budget). Recurrent disbursements are up 40% in the same period at KES 366.5Bn (25% of budget). Meanwhile, disbursements under the consolidated fund services (CFS), accounting mainly for debt service stood at KES 546Bn. Resultantly, spending on development appears delayed with only KES 43Bn disbursed thus far, while payments to counties are relatively flat YoY (+4%).

To support budgetary spending, the government has so far succeeded in frontloading domestic borrowing supported

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by ample market liquidity. Net domestic borrowing hit 61.75% of the annual target for the fiscal year 2025/2026. However, we see sustained appetite for debt into the second half of the fiscal year driven by elevated domestic debt maturities and increased spending requirements.

Externally, debt liability management has been successful following the recent refinancing of the 2028 Eurobond note. This reflects sustained interest in sovereign risk and positive investor sentiment. In as much as uncertainty remains around a new IMF program, global financial easing may present other opportunities for external credit for budget support.

Externally, we anticipate negligible pressure on the current account deficit in the immediate term on account of lower export flows. Indicatively, in the twelve months to August 2025, exports grew by 3.6% relative to 2024. Agriculture export earnings could face a mixed performance due to uncertain rainfall. On the upside, tourism sector could pick momentum following the recent developments in Tanzania. Diaspora remittances too provide a strong anchor for current account receipts in Q4.

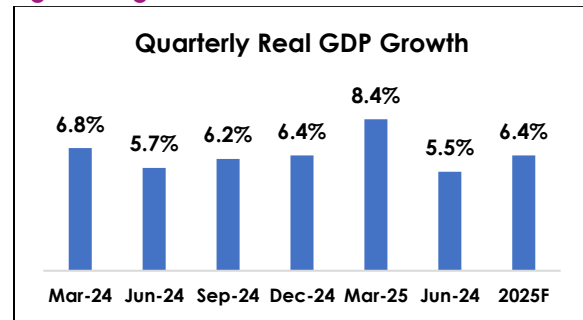
For the currency, the exchange rate is expected to hold relatively steady amidst moderate import demand. Furthermore, high official FX reserves, at over 5-months of import cover will provide sufficient buffer.

UGANDA

Uganda's economy continues to expand at a steady pace. However, against an annual GDP projection of 6.4%, the latest GDP print points to a slower economic momentum than anticipated. Real GDP growth was 5.5%

in the second quarter of 2025 in comparison to 5.7% in the corresponding period in 2024. Underpinning this growth was strong outturn in the industrial sector at 7.6% from 1.1% in 2024, chiefly driven by construction sector activity. On the flip side, growth waned in agriculture and services to 3.5% and 5.0%, respectively from 10.5% and 6.5%, respectively.

Figure 4: Uganda Real GDP Growth - %



Source: UBOS, NCBA Research

Looking ahead, investment in the extractive sector and agro-industrial development will buttress growth. However, adverse weather conditions affecting agricultural output, reduced external aid inflows, and heightened uncertainty surrounding the upcoming elections, may dampen both investment and consumption.

We expect Uganda to pursue negotiations with the IMF on a new Extended Credit Facility (ECF) program after the general elections scheduled for January 2026. In the interim, we expect accelerated efforts toward tax revenue mobilization and improvement in the budgetary process to eliminate inefficiencies and supplementary budgets, among other reforms. The World Bank's commitment to provide concessional financing toward Uganda's development to the tune of US \$ 2.0 Billion over the next three years may aid in the negotiations.

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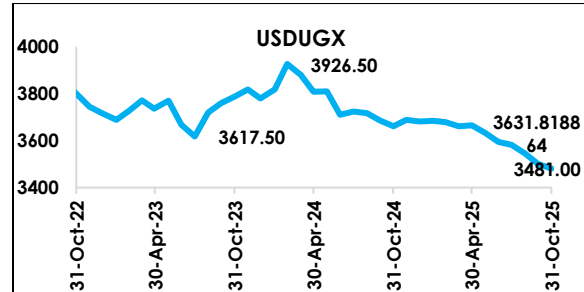
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In the FY 2025/26 so far, domestic revenue mobilization has recorded a shortfall of UGX 392.26 billion at UGX 7,545.3 billion against a prorated target of UGX 7,937.55 billion mainly due to tax compliance and administration challenges. At the same time, government spending remains elevated, placing pressure on the fiscal deficit – suggesting further distance from the fiscal consolidation path. Overall, we see this sustaining high appetite for local borrowing and thus yields are likely to remain attractive in the near term.

The general price level in the economy remains well anchored within the central bank's target. In October, annual headline inflation declined to 3.4% from 4.0% recorded in September. Similarly, core prices dropped to 2.6% from 3.0% in the prior month. We attribute the trend to lower food prices – with food inflation registering 130-basis points lower at 6.1% relative to September's reading of 7.4%.

Easing inflation could provide scope for policy rate cuts by the monetary policy committee in November. However, we expect the decision to be balanced by risks from the exchange rate. Notably, the USDUGX has had a great run this year – appreciating by 5.4% – but upside risks loom. While we expect support from portfolio inflows, recent data indicates falling export volumes specifically with trading partners in the EAC region. Additionally, a fall in coffee prices portends risk of lower export receipts. However, the Bank of Uganda appears ready to mitigate against currency volatility, having shored up its FX reserves. In 2025, the reserves have risen by US \$ 1,408 Million to US \$ 4,771.2 Million. Overall, we project the currency to trade within a narrow range into year end.

Figure 5: USD/UGX Exchange Rate



Source: Bloomberg, NCBA Research

TANZANIA

The October general elections saw majority of the incumbent candidates from the ruling Chama Cha Mapinduzi (CCM) claim victory. To this end, President Samia Suluhu Hassan was sworn in after winning 97.8% of the vote.

However, election-related protests saw widespread disruptions in the country, resulting in public transport closure, business interruptions, and sharp increases in food and fuel prices.

On prices, given the spike in food and energy prices, albeit brief, we anticipate slight upward pressure on inflation in the near term, exacerbated further by erratic rainfall given the likely impact to food and crop production. Currently, headline inflation stands at 3.4% but could climb toward 4.0% levels by December. Even so, private consumption remains upbeat underpinning our expectations for minimal changes to the current monetary policy stance.

To be sure, extension of credit to the private sector remains robust. In August, private sector credit grew 16.2%, up from 15.9% in July. Agriculture continued to register the highest growth, expanding by 30.1%, followed by trade at 29.2% and transport and communication at 18.8%. Meanwhile, credit to the personal segment has remained

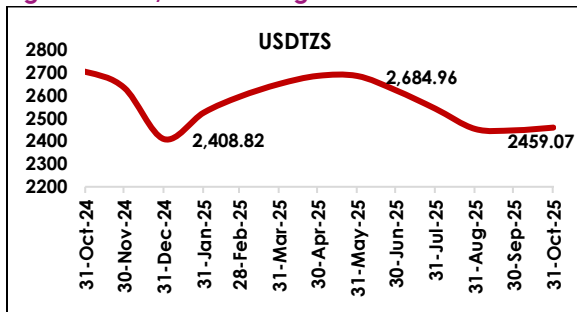
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steady at 15% levels. Overall, we project credit growth to average 14%-15% this year.

In the local FX market, the central bank actively intervened to maintain stability on the local unit in the lead up to the elections. As a result, the USD/TZS pair stabilized around 2450 levels. Favourable gold prices will support foreign currency earnings. However, the domestic shock on the tourism sector is likely to see a sharp decline on receipts from this sector.

Figure 6: USD/TZS Exchange Rate



Source: Bloomberg, NCBA Research

RWANDA

The IMF maintained Rwanda's growth forecast at 7.1% and 7.5% in 2025 and 2026, respectively, according to the October World Economic Outlook report. However, medium-term projections remain cautious due to the possible contractionary effects of fiscal consolidation and tight external financing conditions.

Notably, the fiscal deficit is estimated at 6.3% this year relative to 6.6% in 2024 and is projected to narrow substantially to 3.3% by next year – perhaps reflecting softer public spending owing to the completion of key infrastructure projects.

On the demand side, private consumption and investment remain the main growth

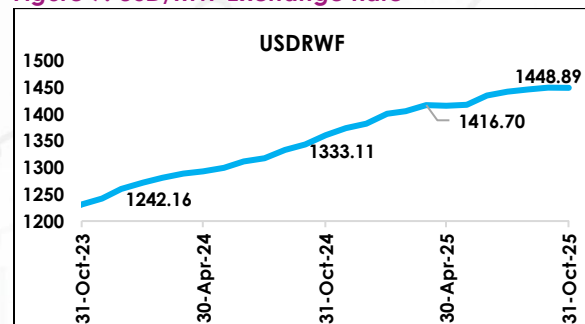
drivers, although ongoing fiscal consolidation and the decline in external grant financing will create headwinds. Moreover, elevated inflationary pressures pose further constraints.

In the latest figures, headline CPI stood at 7.3% in September, relative to 7.1% in August. Relatedly, the producer price index registered at 13.5% in September, relative to 11% in August. This elevated level of inflation in the economy suggests that the current restrictive policy stance could hold for longer.

In the FX market, the USD/RWF recorded a marginal pace of depreciation in the month – bringing year-to-date losses to 4.9%. The local currency closed the month at 1448 levels to the dollar and we project trading at 1465 by December. Pressure will primarily stem from a persistent widening of the current account deficit projected at 13.8% of GDP in 2025, up from 12.7% in 2024.

Overall, on the external side, despite facing consecutive shocks, Rwanda's economy continues to demonstrate strength and resilience. On its external relations, the IMF staff and the Rwandan authorities reached a staff-level agreement on the sixth and final review under the country's Policy Coordination Instrument. With all quantitative targets met, discussion on additional financing is likely to be easier.

Figure 7: USD/RWF Exchange Rate



Source: Bloomberg, NCBA Research



NCBA

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