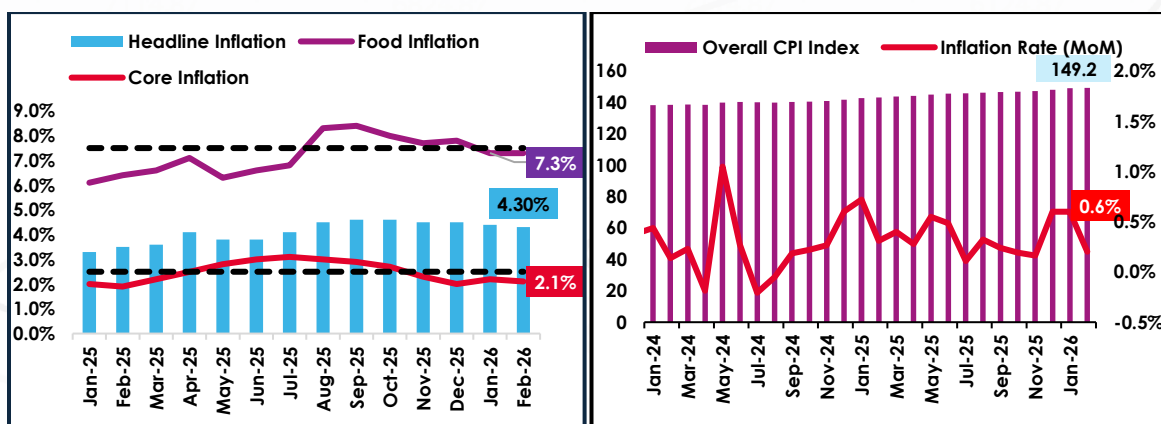


ECONOMICS AND RESEARCH INFLATION REACTION

February 2026

Headline Inflation Eases Slightly to 4.3%, But Oil-driven Inflation Concerns Emerge

- Headline inflation eased marginally to 4.3% year-on-year in February 2026, from 4.4% in January, reflecting contained overall price pressures.
- That said, food inflation remained elevated at 7.3% year-on-year, largely driven by dry weather conditions experienced through February. The increase was primarily concentrated on vegetable prices, with kales, cabbages, and tomatoes rising by 25.9%, 43.4%, and 10.0%, respectively year-on-year. Additional upward pressure was observed in staple food items, including maize flour (+9.6%), potatoes (+18.3%), and wheat flour (+3.3%).
- Transport inflation rose by 4.0% year-on-year, supported by a 1.2% increase in petrol prices, while diesel prices registered a marginal decline of 0.1%, moderating the overall increase in transport costs.
- Meanwhile, core inflation moderated slightly to 2.1% from 2.2%, indicating subdued underlying inflationary pressures amid relatively weak aggregate demand conditions.
- In the global context, heightened military attacks on Iran by the United States exert upward pressure on global oil prices, with Brent oil now trading at USD 80.0 per barrel. This poses immediate adverse effect on global commodity prices, shipping costs and disrupts the route to market for multiple goods and services.
- Following significant potential second-round inflationary effects from this, we now see Kenya's monetary policy committee (MPC) exercising caution on further policy easing in the April meeting.



Source:KNBS, NCBA Research