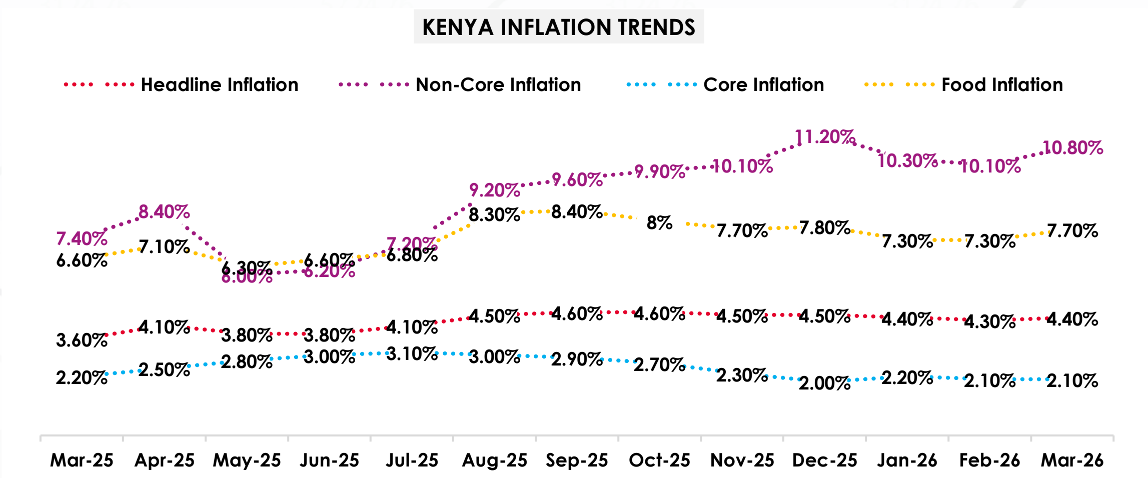
ECONOMICS AND RESEARCH INFLATION REACTION

March 2026

Headline Inflation at 4.4% in March Faces Further Acceleration Over the Current Global Oil Shock

- Reflecting food price pressure, annual headline inflation reverted to 4.4% levels in March, following a decline to 4.3% in February. On a monthly basis, the CPI rose by 0.5% in comparison to 0.2%, previously.
- Food inflation touched 7.7%, up from 7.3% in February. There was notable uplift in the cost of cabbages (+33.8%), tomatoes (+23.2%), potatoes (18.8%), and sukuma wiki (+17.9). Additionally, loose maize grain prices were up 8.8% year-on-year.
- Meanwhile, transport inflation eased to 3.8% from 4.0%, while the housing, electricity, gas and fuel index rose by 20-basis points to 2.0% on higher electricity prices.
- Overall, non-core inflation rose to 10.8% relative to 10.1%, previously. Meanwhile, the core index was unchanged at 2.1%.
- Globally, the Middle East conflict is deepening fears of an oil shock and its transmission to inflation and economic growth. Brent prices jumped 63% in March, peaking at $118 per barrel and averaging $99.6 per barrel.
- The International Energy Agency agreed to a historic, coordinated release of 400Mn barrels of oil from strategic reserves, while OPEC agreed to modest production boosts to combat disruptions caused by the conflict. However, these short-term measures do not seem to offset the effects of a prolonged energy market disruption.
- Similarly, global agricultural commodities are exhibiting pressure, with urea fertilizer prices up 48%, palm oil up 13%, and sugar prices up 7% since the onset of the conflict.
- In response, local pump prices will rise commencing in the next pricing cycle in mid-April resulting in secondary effects such as higher food production and transportation costs.
- Government intervention is probable through reinstatement of the fuel subsidy. However, given current fiscal pressures, the quantum of the fuel subsidy may be capped, suggesting only short-term reprieve for consumers.
- Overall, risks to inflation are firmly skewed to the upside, with a gradual increase expected in the coming months to a range of 5% to 6% in May and June.



Source: KNBS, CBK, NCBA Research