

ECONOMICS AND RESEARCH INFLATION REACTION

May 2026

May Headline Inflation Print Within Expectation at 6.7%

May inflation print sustained a sharp increase for the second consecutive month underlined by elevated food and transport price increases.

Consequently, the annual headline inflation rose to 6.7% in May, 110 basis points up from April's reading, while month-on-month, general prices rose faster by 1160 basis points relative to 140 basis points in the prior month.

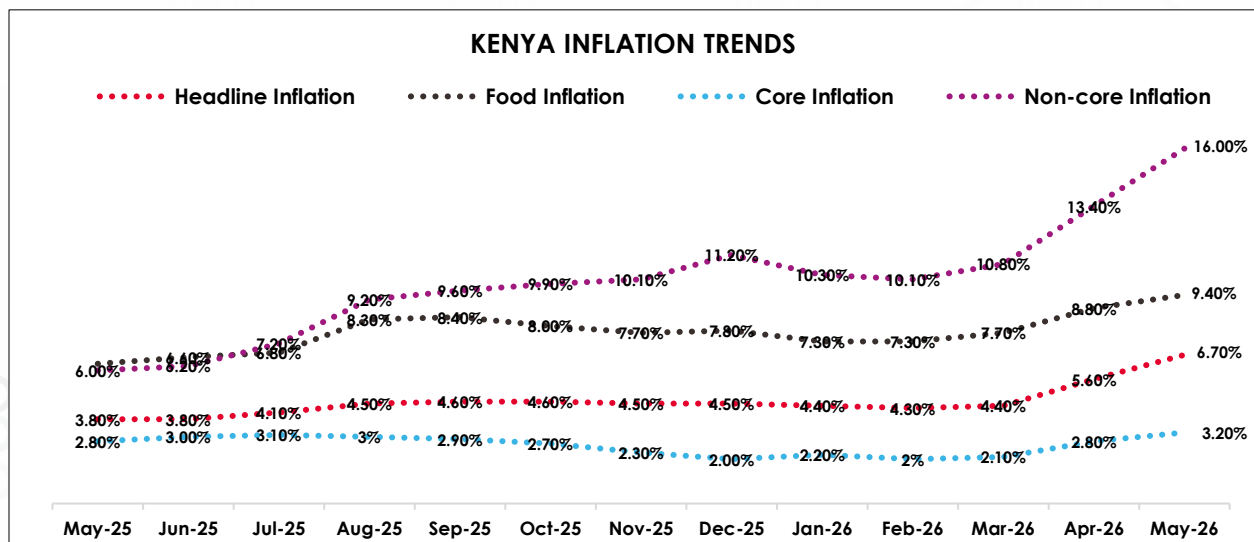
During the month, food prices rose by 9.4%, 60 basis points up from April largely on account of elevated vegetable prices. Specifically, price increases were: cabbages (+37.8%), tomatoes (+45.7%), kale (+22.9%), spinach (+18.6%), and potatoes (+23%). The increase in prices across all the vegetables resulted from the high rainfall in March and April that shocked production. Unfortunately, this could extend into June and July.

Transport prices significantly rose by 16.5% year-on-year following the second upward review in pump prices in the month with petrol and diesel prices rising by 8.4% and 18.4% respectively, month-on-month. Expectedly, elevated oil prices are likely to keep transport prices high in the near term.

Overall, core inflation ticked up to 3.3% from 2.8% largely on account of elevated food, alcoholic beverages and transport cost and not necessarily on improved aggregate demand.

In the near-term, we expect global oil prices to remain elevated with Brent oil prices now at \$93.5 per barrel. Declining oil stocks in Europe and Asia coupled with uncertainty in Middle East are likely to anchor elevated oil prices in the near-term.

Overall, against this backdrop, domestic headline inflation could rise towards 7.5% in June on account of second round effects.



Source: KNBS, CBK, NCBA Research