

ECONOMICS AND RESEARCH **POST MPC REACTION**

April 2026

MPC Retains Policy Rate at 8.75% Amid the Global Energy Price Shock

On 8th April 2026, the Monetary Policy Committee (MPC) held the policy rate steady at 8.75%, marking the first pause in monetary easing since June 2024. The meeting took place in the context of a global oil shock resulting from the conflict in the Middle East, underscoring the need for heightened vigilance.

The committee rightly recognized mounting threats to global growth following disruptions to major energy supply routes and infrastructure with negative implications to global trade flows, supply chains, commodity prices and output growth, alongside tightened global financial conditions.

Amid these risks, key central banks– the US Federal Reserve, European Central Bank and the Bank of England–similarly left interest rates unchanged in March.

From the pronouncement, the committee maintained the view that inflation remains anchored within the target range in the near term but also acknowledged the need to monitor second round effects of the oil shock on prices. The second-round effects from higher food prices are expected to be of smaller magnitude but linger longer on the back of production and crop cycles. Hence, we see a gradual increase in general prices to a range of 5% to 6% in June.

On growth, the 2026 real GDP growth outlook was expectedly revised lower to 5.3% from 5.5%, previously. Manufacturing, transport and storage, wholesale and retail trade as well as the accommodation and food service sectors are likely to be hardest hit by the oil shock. On agriculture, higher agricultural input costs for fertilizer are expected to be offset by favourable

weather conditions. Supporting recent growth outlook by the committee, S&P Global reported a decline in the headline PMI to contractionary territory for the first time in seven months at 47.7 in March from 50.4 in February.

Positively, prior monetary policy actions continue to drive credit uptake in the private sector. Consequently, in March, credit grew by 8.1% compared to 7.4% in February 2026 and -2.9% in January 2025. A slight increase was recorded in the non-performing loan ratio (NPL) to 15.6% in March 2026 compared to 15.4% in December 2025 but is a vast improvement from 17.6% in August 2025. Increases in NPLs were noted in the personal, trade, agriculture, and manufacturing sectors.

The external sector faces downside risk from slower diaspora remittance inflows, lower export and service receipts and a higher import bill. Therefore, the current account deficit is now projected at 3.0% of GDP this year, from 2.4% currently and compared to 2.2% of GDP projected earlier. Thus far, goods exports have risen 8.1%, while imports are up 10.4%. Evidently, the USDKES appears vulnerable to depreciation, but a strong FX reserve buffer at \$ 13.4 Billion (5.7 months of imports), will stem significant volatility.

Overall, to maintain macroeconomic stability, controlling inflation and exercising prudent fiscal management will be essential to navigate the current shock. The government could cushion consumers with the fuel stabilization fund, but in our view will realize only a partial and short-lived reprieve. Resultantly, the MPC will remain cautious and any adjustment on the policy stance will be data driven.