ECONOMICS AND RESEARCH INFLATION REACTION

July 2026

July Headline inflation Print Broadly Unchanged, But Oil-driven Inflation Concerns Hold

- July general prices rose slightly faster relative to June, largely driven by food prices, energy and transport prices.

- During the month, prices rose by 6.5% year-on-year compared to 6.4% in June. Month-on-month, general prices edged up 0.2%.

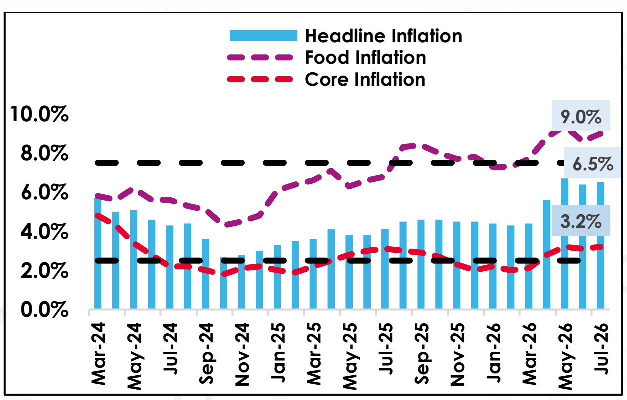
- Food prices rose to 9.0% annually from 8.4% in June. Specifically, vegetable prices remained elevated, with cabbages (+33.7%), carrots (+9.4%), Kale (+26.8%), spinach (+19.4%), potatoes (+28.4%) and onions (+11.2%). Overall, vegetable prices are expected to moderate in August, following the harvest of April replanted crop. However, food prices pressure was offset, albeit marginally by a drop in maize Flour – Sifted (-1.4%), fortified Maize flour (-1.8%) beans (-1.9%) and sugar (-10.4%) prices.

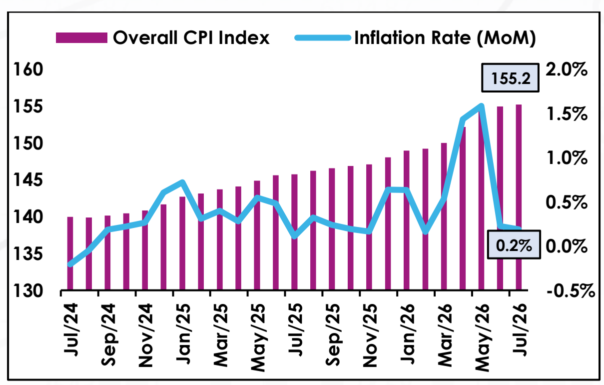
- Transport inflation print came at 15.6% annually, underlined by diesel and petrol prices that edged up by 29.7% and 14.7% respectively. Specifically, bus fares rose by 16.8% year-on-year.

- Core inflation marginally rose to 3.2% largely on food and transport prices and not necessarily on improved aggregate demand.

- Overall, we project inflation print to be dependent on intermittent escalation and de-escalation of US-Iran conflict. Specifically, while renewed conflict in July could cause an uptick in price pressure, August talks are likely to moderate oil prices, currently at $80 - $90 per barrel range.

- Domestically, we project headline inflation to average 6-7% in the third quarter of 2026. Positively, expected softening of vegetable prices is likely to tame food inflation in the near term.





Source: KNBS, CBK, NCBA Research