

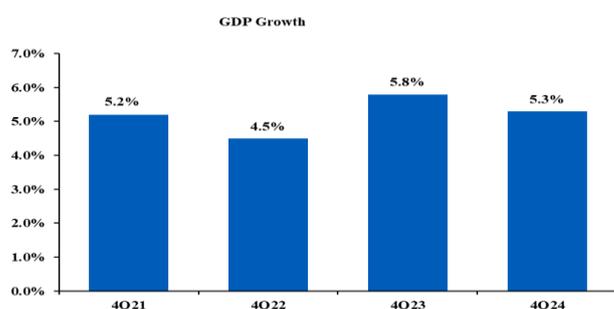
Political and Economic Review

Growth momentum continues despite fiscal moderation

Business conditions improved in 1Q25 owing to increased consumer spending despite fiscal operations being less expansionary than expected. This followed GDP growth of 5.3% y/y in 4Q24. Inflation rose in 1Q25 on rising food prices. Despite this, the Bank of Uganda maintained the Central Bank Rate (CBR) at 9.75% as risks to inflation outlook remained balanced with positive economic outlook. The UGX exhibited mixed performance during the quarter appreciating against a weak USD but depreciating against European currencies. Yields were unchanged as increasing treasury yields attracted portfolio flows. The **Local Share Index** rose by 14.2% q/q in 1Q25.

Uganda's 4Q24 GDP grew by 5.3% y/y

GDP in the fourth quarter of 2024 expanded by 5.3% year-on-year (y/y). The growth was supported by all economic sectors despite being lower than the 5.8% growth reported in 4Q23. Industry expanded by 8.4% y/y (+3.8% y/y in 4Q23), mainly on manufacturing activities (+7.6%y/y) and construction (+5.9%y/y). Agriculture grew by 7.2% y/y in 4Q24 compared to a growth of 1.7% y/y in 4Q23 mainly on food crops growing activities which registered a growth of 8.0% y/y in 4Q24. Services grew by 2.0% y/y in the quarter (+ 9.0% y/y in 4Q23) owing to trade and repairs that grew by 8.6% y/y and transport and storage (+4.3% y/y). In 2024, Uganda's aggregated GDP registered a 6.3% growth compared to 4.7% in 2023.



Source: Uganda Bureau of Statistics (UBOS)

Continued deceleration of private sector growth

The Stanbic Bank Uganda Purchasing Managers' Index (PMI) showed that the private sector business conditions for 1Q25 improved but at a slower pace recording an average PMI of 51.7 from 53.9 in 4Q24. Growth was supported by new orders, increased production and staffing to support demand.

Balance of payments (BOP) worsens in 4Q24

For the quarter ended December 2024, the Balance of Payments (BOP) registered a deficit of USD 49.0m as the financial account surplus fell short of the current account deficit (CAD). The CAD expanded by 48.2% y/y to USD 1,576.0m on account of goods imports that increased by 27.9% y/y faster than 12.2% y/y goods exports. Goods exports were supported largely by coffee exports that increased by 63.7% to USD 363.0m from a peak of USD 576.8m in 3Q24. In addition, Non-Government Organisations (NGO) inflows contracted by 14.5% to USD 120.2m, interest on external debt expanded by 13.7% and remittances only increased by 1.1% y/y to USD 355.6m. The financial account increased by 1.9% y/y to USD 818.1m on account of Foreign Direct Investments (FDI) that expanded by 20.6% y/y to USD 902m.

Overall the BOP deficit in FY2024 was USD 521.3m compared to a BOP surplus of USD 83.3m in FY2023.

FY2025/26 draft budget revised to UGX 71.7trn...

The Ministry of Finance revised the draft budget to UGX 71.7 trn, an increase from the Budget Framework Paper (BFP) FY2025/26 estimate of UGX 57.4trn. The draft budget amount is nearly close to the original 2024/25 budget of UGX 72.0trn. All expenditure and revenue estimates in the BFP were adjusted upwards. The new estimates indicate that treasury plans to increase revenue collection to UGX 35.6trn from UGX 33.7trn (BFP) and UGX 32.0trn (24/25). Other revisions include domestic debt refinancing (UGX 12.0trn), net domestic borrowing (UGX 9.2trn), external budget support (UGX 1.4trn) and project support (UGX 11.9trn). The increase in revenue is expected from new taxes (UGX 538.6bn) and administration measures (UGX 1.9trn).

...as FY2024/25 budget revised to UGX 77.3trn

In the third quarter FY2024/25, the executive made three supplementary budget requests totalling UGX 5.2trn. Consequently, the original FY2024/25 budget of UGX 72.1trn has so far increased to UGX 77.3trn. The largest, the third supplementary request, amounted to UGX 4.2trn. Of this, UGX 1.1trn was spent within the 3.0% allowance that does not require parliamentary approval, while UGX 3.1trn required approval. The supplementary is expected to be financed from commercial banks (UGX 3.1trn), external lenders (UGX 0.9trn) and the remaining from the Petroleum Fund, and domestic revenue.

Turning tide for EACOP: External financing doors reopen

In 1Q2025, the East African Crude Oil Pipeline (EACOP) announced the closure of the first round of the much-sought debt financing from a consortium of five banks. Three banks (South Africa Standard bank, its subsidiary Stanbic Bank Uganda and KCB (U) joined Africa Export-import bank (Afreximbank) and Islamic Corporation for Development of Private Sector (ICD). This development signals a resurgence of investor confidence in USD 5bn Uganda-Tanzania pipeline project. Since the signing of the Final investment decision, in 2022, EACOP has been funded by equity as the project navigated challenges in securing debt. While banks cite satisfaction with environmental and social standards, the financing also coincides with geopolitical shifts notably, the return of President Trump to the White House weakening green movements.

USAID funding to Uganda cut by 66%

Following President Trump's order to review all U.S. foreign aid to align it to America's interests and values, US International Agency for Development (USAID) funding was reduced, and consequently Uganda suffered a cut of USD 306m (66% of the 2023 USAID inflows). Thereafter, USAID was closed, and aid will now flow from the US Department of State. USAID provided aid through NGOs and budget support in the areas of healthcare, education, disaster relief and refugee assistance. However, U.S. President's Emergency Plan for AIDS Relief (PEPFAR) was spared.

Economic outlook

GDP is expected to grow between 6.0-6.5% in FY2024/25 driven by stronger consumer, private sector spending on accommodative monetary policy and government spending. Downside risks relate to geopolitical challenges that could lead to weaker global demand.

Currency, Inflation and Fixed Income Markets Review

UGX performance mixed in 1Q25

During the quarter, UGX depreciated against the Euro and GBP owing to seasonal corporate dividend repatriation to European parent companies.

On the other hand, UGX appreciated against the USD, KES, and TZS by 0.9%, 1.0% and 9.0%, respectively. UGX strengthened against the USD supported by portfolio flows on high yields treasury instruments, monetary policy actions, coffee export receipts, remittances, foreign direct investment inflows and global USD weakness. USD depreciated across all global currencies fuelled by President Trump's tariff policies.

Year-on-year, the UGX was up 5.8% against the USD.

	31-Mar-24	30-Jun-24	31-Dec-24	31-Mar-25	Q-on-Q	Y-on-Y
USD/UGX	3888.54	3706.92	3696.86	3663.32	0.9%	5.8%
GBP/UGX	4911.23	4682.95	4640.30	4740.34	-2.2%	3.5%
EUR/UGX	4208.18	3963.07	3846.58	3951.99	-2.7%	6.1%
KES/UGX	29.63	28.67	28.60	28.32	1.0%	4.4%
TZS/UGX	1.52	1.41	1.51	1.37	9.0%	10.1%

Source: Bank of Uganda

The foreign exchange reserves stood at USD 3.4bn in February 2025 representing 3.0 months of import cover, unchanged from November 2024.

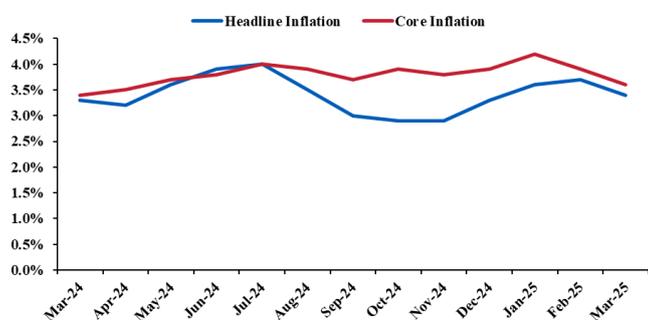
Currency outlook

The UGX is expected to depreciate in 2Q25 due to continued corporate demand, slower foreign direct investment inflows, rebuilding of foreign exchange reserves, external debt service and reduced NGO flows. The UGX may get support from improved external loan disbursement and tight domestic monetary policy.

Headline inflation accelerated

Headline inflation averaged 3.6% in 1Q25, an increase from an average of 3.0% y/y in 4Q24. The increase was due to food prices owing to drier weather conditions.

Food and energy prices moved by an average of 2.5% y/y and 0.2% y/y respectively in 1Q25 compared to -3.3% and 2.2% y/y respectively in 4Q24. The core items' prices rose by an average of 3.9% in 1Q24 unchanged from 4Q24. Core inflation remained controlled, supported by past Central Bank Rate (CBR) adjustments, a stable exchange rate, and lower global inflationary pressures.



Source: Uganda Bureau of Statistics

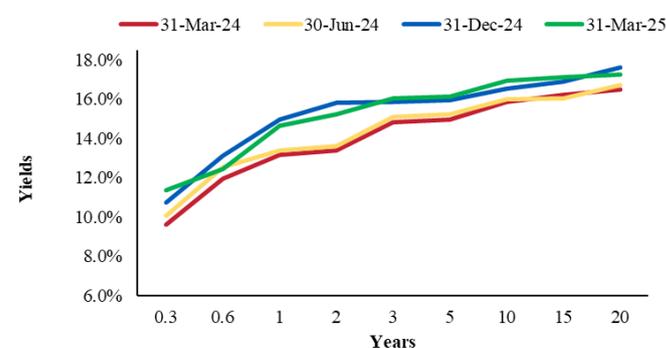
Inflation outlook

Headline inflation is projected to remain within a range of 3.0-4.0% in the second quarter of 2025 as the risks to inflation are still balanced. Inflation upside risks relate to depreciating currency and demand uptick. However, inflation downward risks relate to favourable weather conditions and lower imported and crude oil prices.

CBR maintained at 9.75% in 1Q25 while yields stabilise

Bank of Uganda (BOU) maintained the Central Bank Rate (CBR) at 9.75% in its February 2025 monetary policy committee meeting. This was based on balanced inflation risk outlook and a projected robust economy.

During the first quarter of 2025, the yield curve fell 0.04% on average. Yields on short and long end tenors fell while they rose on the medium end tenors. Yields on short-end (3 years below), mid-end (4-10 years) and long-end (bonds above 10 years) changed -0.16%, +0.30% and -0.06% q/q respectively. The minimal movement in the yield curve was on account of upward pressures on increased government borrowing offset by portfolio flows on fixed income.



Source: Bank of Uganda

For the 3 months ended February 2025, there was a consecutive deterioration in the private sector credit growth that averaged 7.4% y/y compared to 8.2% y/y for the 3 months ended November 2024. This remained below the 10-year historical average of 10.8%. Lending rates reduced by 1.24% reflecting monetary policy transmission.

	Sep-24	Oct-24	Nov-24	Dec-24	Jan-25	Feb-25
Central Bank Rate	10.00%	9.75%	9.75%	9.75%	9.75%	9.75%
Lending rates	18.84%	19.43%	18.08%	17.37%	16.50%	18.76%
PSC year-on-year growth	7.52%	8.18%	9.03%	6.78%	7.71%	7.84%

Source: Bank of Uganda

Money supply (M3) grew at an average of 7.8% for the 3 months ended February 2025 from 9.2% for the 3 months ended November 2024. This remained below the historical 10-year average of 12.0%.

Interest rate outlook

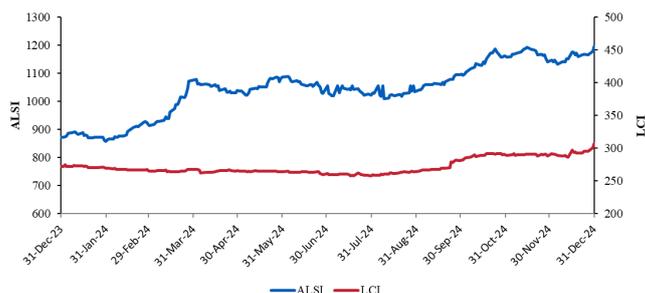
The yields are expected to rise in the 2Q25 owing to the high government domestic borrowing and refinancings as indicated in the FY2024/25 budget reinforced by the supplementary budget financing.

Equity Market Review

Uganda's stock market sustains momentum in 1Q25

The **Local Share Index (LSI)** rose by **14.2%** in 1Q25 on account of positive performance of **Airtel Uganda (61.9%)**, **CIPLA Quality chemicals (34.6%)** and **Stanbic Bank Uganda Holdings (17.2%)**. Year-on-Year (y/y), the **LSI** index was up by **31.1%**. The worst performing stocks in 1Q25 were **Uganda Clays (-12.2%)** and **MTN Uganda (-1.5%)**.

The **All-Share Index (ALSI)** rose by **9.1%** during the quarter due to rise in prices of cross-listed stocks and local stocks. Cross listed stocks with the largest increase were **Kenya Airways (31.8%)**, **Centum Limited (22.4%)**, **Jubilee Holding Limited (13.8%)** and **KCB (5.0%)**. Year-on-Year (y/y), the **ALSI** was up 21.6%.



Source: Uganda Securities Exchange

Company	31-Mar-24	30-Jun-24	30-Sep-24	31-Dec-24	31-Mar-25	Q-on-Q	Y-on-Y
Airtel Uganda	85.0	70.0	68.0	58.0	93.9	61.9%	10.5%
British American Tobacco Uganda (BATU)	15,000.0	15,000.0	15,000.0	15,000.0	15,000.0	0.0%	0.0%
Bank of Baroda Uganda (BOBU)	16.0	20.0	21.0	22.3	23.3	4.5%	45.3%
Cipla QCIL	52.5	55.5	55.0	63.5	85.5	34.6%	62.9%
DFCU	225.0	225.0	225.0	225.0	239.0	6.2%	6.2%
MTN Uganda (MINU)	170.0	170.0	197.2	275.0	271.00	-1.5%	59.4%
National Insurance Corporation (NIC)	6.1	5.5	5.5	5.0	5.00	0.0%	-18.0%
New Vision PLC (NVL)	153.0	153.0	153.0	152.0	152.00	0.0%	-0.7%
Stanbic Uganda (SBU)	34.0	37.0	44.7	39.3	46.00	17.2%	35.3%
Uganda Clays (UCL)	13.0	12.0	9.1	9.0	7.90	-12.2%	-39.2%
Umeme Ltd	434.9	460.0	430.0	415.0	415.0	0.0%	-4.6%
Market Index							
All Share Index (ALSI)	1,071.9	1,028.1	1,093.7	1,194.80	1,303.44	9.1%	21.6%
Local Share Index (LSI)	267.3	259.1	280.6	306.99	350.44	14.2%	31.1%

Source: Uganda Securities Exchange

MTN Uganda 1Q25 results sustain pace...

The telecom company's earnings grew by 30.1% y/y to UGX 641.5bn in 2024. The growth was supported by service revenue that grew by 18.9% y/y to UGX 3.20trn higher than the operating costs that grew at a slower rate of 15.6% y/y. This translated into Earnings before interest tax depreciation and amortization (EBITDA) growth of 20.7% y/y to UGX 1.65trn. The increase in service revenue was supported by subscribers' growth and better pricing across all service revenue segments: Voice, data, and mobile money. The mobile users, data users and fintech users grew by 13.2% y/y (to 22.0m), 22.6% y/y (to 10.1m) and 13.9% y/y (to 13.8m) respectively. Management announced a final dividend of UGX 8.5 per share leading to a total dividend UGX 22.6 per share.

...as the company plans to further separate fintech

MTN (U) intends to structurally separate its fintech unit (mobile money) from the GSM business (voice and data) aiming at faster scaling and increased value creation through strategic partnerships and collaborations at the group level. Management intends to protect the minority interests through a trust in the short run for the Ugandan business. The restructurings affect all seventeen countries where the MTN operates in Africa.

Airtel Uganda results sustain pace

The telecom company's earnings grew by 6.7% y/y to UGX 316.7bn in 2024 underpinned by revenue growth. Revenue grew by 11.4% y/y to UGX 2.0trn supported by voice revenue growth of 2.3% to UGX 1.0trn and data revenue that grew 25.3%. Mobile and data subscribers grew by 13.9% (to 16.9m) and 27.8% (to 7.8m) respectively. EBITDA grew by 8.1% y/y to UGX 992.4bn as operating expenses grew at 11.4%. Management recommended a final dividend of UGX 2.5 per share resulting into a total dividend of UGX 7.9 per share for FY2024.

Umeme exits, arbitration threat looms

The Umeme concession ended on 31st March 2025. Uganda Electricity Distribution Company Limited UEDCL) retook control after Government paid Umeme the Auditor General (AG)'s verified amount. The AG's buyout USD 118.3 m (plus a potential USD 9.7m upon ERA verification), significantly undercut Umeme's expected USD 234m. The buyout represents the amount Umeme spent on the network that was not recovered through power tariffs by 31st March 2025. Simultaneously, trading of Umeme stock was suspended on the Uganda Securities Exchange (USE) with a last traded price of UGX 415. Potential arbitration in London looms if ongoing negotiations fail.

Solid growth for Stanbic Bank Uganda in FY2024

The group's Profit After Tax (PAT) grew at 16.2% to UGX 478 bn in FY2024 propelled by revenue growth and operating cost efficiencies. Revenue grew by 11.8% y/y to UGX 1.3trn owing to a 7.2% rise in net interest income and a 10.8% y/y rise in non-interest income. The cost/income ratio fell to 47.2%. Loans grew by 3.5% y/y to UGX 4.4trn supported by customer deposits that grew by 12.2% y/y to UGX 7.1trn. The return on equity (ROE) stood at 24.3% with Non-Performing Loans (NPL) at 1.5%. Management proposed a final dividend of UGX 3.13 per share with a total declared dividend of UGX 5.86 per share for FY2024.

Bank of Baroda Uganda delivers robust growth in 2024

The bank's earnings grew by 15.1% to UGX 134.0bn on account of revenue growth. The income grew by 16.9% y/y to UGX 347.8bn propelled by interest income that rose by 10.7% to UGX 196.4bn and non-interest income growth of 1.7% y/y. Loans grew by 17.5% y/y to UGX 1.5trn supported by deposit growth of 8.9% y/y to UGX 2.2trn. The ROE and NPL stood at 22.8% and 0.2%, respectively. Management proposed a dividend of UGX 4.0 per share for the year, an increase of 100% over the previous year.

DFCU recovers strongly in FY2024

The bank's net income grew by 151.0% to UGX 72.1bn supported by interest income on treasury instruments that grew by 20.7% y/y and impairment recoveries of UGX 12.0bn from impairment losses of UGX 82.7bn of FY2023. Customer loans increased by 0.6% to UGX 1.1trn and treasury investments grew by 40.3% to UGX 1.4trn supported by deposit growth of 1.6% to UGX 2.4trn. The ROE stood at 10.7% from 4.5% of 2023 and NPL at 4.4%. Management proposed a dividend of UGX 20.9 per share.

Stock market outlook

The local equity market is expected to moderate in 2Q25 as stocks turn ex-dividend, treasury yields increase, and geopolitical risk heighten. However, positive domestic economic data and corporate earnings may provide support.

Political and Economic Review

Between stability and uncertainty

The Kenyan economy showed steady growth in 1Q25, with the Stanbic PMI averaging 50.9, indicating sustained private sector expansion supported by easing cost pressures and improving demand. The Kenyan Shilling held steady against the US Dollar throughout the quarter. However, inflationary pressures reemerged, with headline inflation rising to 3.5% (from 2.8% in 4Q24) primarily due to higher food and transport costs. The local stock market continued its upward momentum, with all major indices posting gains. Meanwhile, the Central Bank's reduction of the policy rate prompted a yield curve steepening, as investors shifted toward longer-duration bonds amid expectations of further monetary easing.

Private sector growth momentum continues

Stanbic Bank Kenya's *Purchasing Managers' Index (PMI)* averaged 50.9 in 1Q25 a slight increase from 50.6 in 4Q24, reflecting sustained private sector growth. The improvement was driven by easing cost pressures, steady expansion in new orders and a recovery in employment levels during the quarter.

USD 1.5bn Eurobond issued

In March 2025, Kenya successfully issued a USD 1.5bn Eurobond at a 9.5% interest rate, maturing in March 2036. The bond proceeds were primarily intended to repurchase USD 900.0m of a 2019 Eurobond (originally issued at 7%) with the balance allocated to repayment of syndicated loans maturing later in the year. However, only 64.4% (USD 579.6m) of the targeted amount was repurchased, leaving the treasury to continue servicing the remaining balance until 2027. While the buyback eases near-term refinancing pressure, the higher 9.5% rate increases Kenya's debt-servicing costs.

IMF program ends, Kenya seeks new arrangement

The IMF and the Kenyan government halted the ninth and final review of the Extended Fund Facility (EFF) and Extended Credit Facility (ECF) programs, effectively ending the arrangement that began in 2021. As a result, Kenya forfeited the final disbursement of approximately USD 493.0m. Despite the loss of IMF funding, Kenya's recent Eurobond issuance, has eased immediate liquidity pressures. However, the country still faces significant external debt servicing obligations. The government formally requested a new IMF program, but the nature and timeline of negotiations remain uncertain.

Economic outlook

The economy is expected to grow between 5.0%-5.5% in 2025, supported by the continued resilience in the service sector, positive growth in agriculture, the gradual recovery in private sector credit and improving exports. Downside risks include potential domestic fiscal pressures and external headwinds from the global economic and policy environment.

Kenya shilling posts mixed performance

The *Kenyan Shilling (KES)* held steady against the *US Dollar (USD)* on a *quarter-on-quarter (q/q)* basis to close 1Q25 at KES 129.3. *Year-on year (y/y)*, the shilling gained 1.9% against the USD. This stability was supported by higher diaspora remittances, inflows from the tourism sector, exports and disbursements from the IMF and the general US dollar weakness globally.

Currency outlook

The Kenyan Shilling is expected to remain stable against the US Dollar in the short term, supported by the high forex reserves, inflows from diaspora remittances, tourism activities and exports. However, the potential increase in import demand and external debt service may marginally affect the trend.

Inflation edges upwards

The headline inflation averaged 3.5% in 1Q25, trending upwards from 2.8% in 4Q24. This increase was mainly driven by food inflation rising by 1.8% q/q on drier weather conditions and transport index rising by 0.8% q/q mainly on higher prices of local flights. On the other hand, the Housing index declined by 1.2% q/q attributable to prices of household items rising at a slower pace and base effects.

Inflation outlook

Inflation is expected to remain within the CBK's target range (2.5%-7.5%) supported by the positive weather forecast, a stable shilling and the relative stability in fuel costs amid easing global oil prices. However, upside risks include potential supply chain disruptions stemming from heightened geopolitical challenges as well as a shift to protectionist policies.

Yield curve steepens

The yield curve saw a 1.36% decline in the quarter, with yields dropping further across all tenures. The short end of the curve (bonds with maturities under 5 years) had the highest decline of 1.62%, followed by the long end (bonds with maturities over 12 years) which dropped by 1.38%. The mid-section (5 to 12 years) declined by 1.11% q/q.

On average, Treasury bill rates dropped, with the 91-day, 182-day and 364-day papers declining by 3.4%, 3.5% and 3.0%, respectively, closing the quarter at 8.79%, 9.06% and 10.41% respectively. In February, the Central Bank of Kenya's *Monetary Policy Committee (MPC)* lowered the Central Bank Rate (CBR) by 50 *basis points (bps)* to 10.75% and the Cash Reserve Ratio (CRR) by 100 bps to 3.25%. The committee attributed these decisions to lower inflation, steady energy prices and exchange rate stability.

Interest rate outlook

Interest rates are expected to soften further in 2Q25 supported by the central bank's easing policy given lower inflation and a steady Shilling in addition to improved investor sentiment. However, increased domestic borrowing could create potential upward pressures.

Equity Market Review

Stock market bull run continues in 1Q25

The local stock market extended its bullish run into the first quarter of 2025, with all major indices posting gains due to improving macroeconomic fundamentals, dropping treasury yields and central bank easing all fueled market optimism. **NSE 20** registered a robust **10.8% q/q** gain, significantly outpacing the **Nairobi All Share Index (NASI)** (+5.9% q/q), **NSE 25** (+3.8% q/q), and **NSE 10 Share Index** (+3.1% q/q).

	31-Mar-24	28-Jun-24	30-Sep-24	31-Dec-24	28-Mar-25	Q-on-Q	Y-on-Y
NASI	113.1	109.5	107.1	123.5	130.8	5.9%	15.7%
NSE 20	1,752.4	1,656.5	1,775.7	2,010.7	2,226.9	10.8%	27.1%
NSE 25	2,975.4	2,861.0	2,899.2	3,402.8	3,532.4	3.8%	18.7%
NSE10	1,155.4	1,117.4	1,124.7	1,302.3	1,342.4	3.1%	16.2%

Source: NSE

Among the large cap, top performers were **Stanbic** (+17.85%), **NCBA** (+8.92%) and **Safaricom** (+7.33%). **I&M**, **Co-op** and **Equity** recorded losses of 10.76%, 2.74% and 2.48% respectively.

Mixed fortunes for banks amid 2024's high interest rates

Kenya's banking sector demonstrated resilient performance in 2024, with listed banks posting sturdy results supported by growth in net interest income, non-interest income and cost efficiency.

FY24	ROE	Earnings growth	Loan growth (y/y)	Deposit growth (y/y)	NPL ratio
KCB	23.9%	66.1%	-9.6%	-18.3%	19.8%
Equity	21.1%	11.0%	-7.7%	3.0%	13.6%
Coop Bank	19.7%	10.5%	-0.1%	12.1%	17.0%
ABSA	27.0%	27.6%	-7.9%	1.2%	12.6%
StanChart Bank	30.1%	45.6%	-7.1%	-13.8%	7.4%
NCBA	21.2%	1.9%	-10.4%	-13.4%	11.5%
Stanbic Bank	22.1%	14.5%	-11.6%	-2.8%	9.1%
DTB	9.8%	11.1%	-7.5%	-8.0%	12.6%
I&M Bank	21.4%	21.9%	-7.8%	-1.1%	11.5%
HF	5.6%	8.5%	1.7%	5.5%	25.3%

Source: Company filings

While most banks achieved double digit **Return on equity (ROE)**, **HF** and **DTB** lagged with lower ROE of 5.6% and 9.8% y/y, respectively. Earning growth was also impressive with **KCB** recording the highest growth of 66.1% y/y while **NCBA** recorded the lowest growth of 1.9% y/y.

However, the high-interest environment compressed balance sheets across the sector with deposits contracting sharply at **KCB** (-18.3%) while **Co-op** bucked the trend with 12.1% growth, benefiting from its strong retail focus. Similarly, loan books shrank industry-wide, led by **Stanbic's** 11.6% contraction, though **HF** registered a slight expansion of 1.7%.

Asset quality remains a pressing concern with industry **Non-Performing Loan (NPL)** ratio remaining elevated at 16.4%. **HF** and **KCB** had the highest NPL ratios of 25.3% and 19.8%

respectively, while **StanChart** and **Stanbic** demonstrated superior credit management with single digit NPLs of 7.4% and 9.1% respectively. The Central Bank's 100bps Cash Reserve Ratio (CRR) cut to 3.25% injected much needed liquidity, with the intention to ease lending rates and to spur private sector credit growth going forward.

EABL's profit soars

EABL reported its 1H25 financial results, posting a 19.6% increase in profits to KES 8.1Bn from KES 6.8bn in HY24 driven by a KES 1.2bn foreign exchange gain and efficient cost management that offset inflationary pressures. Net sales grew 2.1% y/y to KES 67.9bn, with organic sales growth (excluding currency effects) at 8.0% on the back of a modest 1.0% volume increase. Total costs declined 1.2% y/y to KES 55.8bn, as a 17.6% drop in indirect costs to KES 15.99bn offset a 7.4% rise in direct costs to KES 39.8bn. While the effective cost of debt edged up to 15.6% from 15.2%, lower debt levels saw net finance costs fall 14.4% to KES 3.4bn. The Board declared an interim dividend of KES 2.5, up from KES 1.0 in 1H24.

Positive growth trends for Safaricom Ethiopia

Safaricom Ethiopia continues to demonstrate robust growth, with active customers reaching 7.1m as at 31st December 2024, a substantial increase from 4.9m in December 2023 while population coverage expanded to 48.5% from 30% in a similar period. Service revenue was up 79% y/y (KES 6.3bn) with mobile data accounting for 76% (KES 4.8bn), supported by an 83% y/y increase in data consumption per customer. Rapid M-PESA adoption led to registered users surging to 10.8m (December 2023:3m). However, the business faces persistent challenges including declining Average Revenue Per User (ARPU) (KES 129.97 vs. KES 140.0), severe currency depreciation and high inflation (17%), which necessitated tariff adjustments pushing the EBITDA break-even timeline to FY27 from the initial FY26 projection.

Amsons moves to full ownership of Bamburi

Amsons Industries, having acquired 96.5% of Bamburi Cement at KES 65/share, issued a squeeze-out notice (27th February) for the remaining 3.5%. Trading was suspended until 9th May 2025, paving the way for Amsons to become the sole owner under Kenyan takeover laws.

Stock market outlook

We expect sustained but moderate growth in 2Q25, supported by steady corporate earnings and dividend payments. However, geopolitical risks and global monetary policy tightening on renewed inflation due to tariffs present challenges. In addition, potential profit-taking could limit gains.



Rwanda

Rwanda's economy expands by 8.0% in 4Q24

Rwanda's economy grew by 8.0% y/y in 4Q24 compared to 8.2% y/y in 4Q23. This growth was supported by the service sector, which expanded by 9.0% y/y, and the industry sector which rose by 8.5% y/y. The agricultural sector's performance remained moderate (+4.5% y/y) due to gradual recovery from earlier weather challenges. The International Monetary Fund (IMF) projects the economy to grow at an annual rate of 7.0% in 2025.

IMF and Rwanda Achieve Staff-Level Consensus

IMF staff and the Rwandan authorities reached a staff-level agreement on policies required to complete the fifth review of Rwanda's Policy Coordination Instrument (PCI). The agreement, finalized during discussions held from March 24 to April 4, 2025, is scheduled for consideration by the IMF Executive Board in May 2025. Further details on potential funding will be confirmed upon approval.

Inflation declines, CBR Steady

Rwanda's annual urban inflation rate eased to 6.3% in February 2025 from 7.4% in January, supported by stabilized food prices after improved harvests. The National Bank of Rwanda (NBR) maintained the Central Bank Rate (CBR) at 6.5% in its February 2025 meeting. They cited monetary policy and supply improvements which anchored inflation within the 2.0%-8.0% target range despite earlier pressures.

RWF depreciates against the USD

The Rwandan Franc (RWF) weakened against the USD by 2.3% in 1Q25. This was driven by increased foreign exchange demand for food imports due to delayed harvests from late 2024 weather disruptions, alongside reduced coffee export revenues.

Inflation, interest rates and currency outlook

The NBR expects inflation to average 6.5% in 2025 which is within the 2% - 8% target. The NBR views the 6.5% policy rate as suitable for price stability. The RWF is expected to face depreciation pressure from global trade tensions and a persistent current account deficit.

RSE in 1Q25

The Rwanda Stock Exchange (RSE) *Local Share Index* shed **0.02%** q/q, while the *All-Share Index* lost **0.01%** over the same period. The top performers were *I&M Bank* **+27.3%** q/q and *Bralwira* **+3.85%** q/q. *MTN Rwanda* was the top loser **-16.6%** q/q.

Stock market outlook

RSE is expected to maintain positive performance in 2Q25, supported by economic growth and positive corporate earnings. Ongoing global trade tensions, including US tariffs, pose a risk.

Tanzania

Tanzania's economy expands by 5.8% in 3Q24

Tanzania's economy grew by 5.8% y/y in 3Q24 compared to 5.3% y/y in 2Q24. This growth was driven by the Services sector (+6.2% y/y), Industry and Construction sector (+5.5% y/y), and Agricultural sector (+4.8% y/y). The International Monetary Fund (IMF) projects the economy to grow at an annual rate of 5.7% in 2025.

Tanzania Secures funding from Afreximbank

Tanzania secured a USD 1.5bn financing agreement with Afreximbank during the World Bank and IMF Spring Meetings in March 2025. A significant portion of the funds will go toward the Standard Gauge Railway (SGR) project, aimed at boosting regional connectivity and driving economic growth.

Tanzania's Oversubscribed Bond Boost Infrastructure

The Samia Infrastructure Bond (TZS 150bn), listed on the DSE with a 12.0% annual return achieved 114.8% of its target raising TZS 323bn for road projects. Concurrently, the Kijani Green Bond (TZS 40bn) issued at a 10.25% yield secured a 429.5% oversubscription raising TZS 171.8bn for renewable energy and climate-resilient projects. These bond successes reflect broader government efforts to accelerate infrastructure development across key sectors including transport, energy and sustainability.

Inflation rises, CBR maintained

The annual headline inflation rate rose to 3.2% in February 2025 from 3.1% in January 2025, driven by higher food prices (+5.0% y/y) while core inflation increased to 3.3% from 3.2%. The Bank of Tanzania (BoT) maintained the Central Bank Rate (CBR) at 6.0% in its January 2025 meeting, citing stable inflation below the 5.0% target.

TZS weakens in 1Q25

The Tanzanian Shilling (TZS) weakened against the USD by 10.7% in 1Q25. This was due to increased import demand for food and fuel, spurred by a recovery in domestic consumption coupled with external debt pressures. Foreign exchange reserves stood at USD 5.4bn by the end of January 2025, representing 4.2 months of import cover.

DSE maintains a positive trajectory

Dar-es-Salaam Stock Exchange (DSE) *Local Share Index* and the *All-Share Index* gained by **7.5%** q/q and **5.7%** q/q respectively in 1Q25. The top performers were *Nation Media (NMG)* **+16.7%** q/q and *Cooperative and Rural Development Bank (CRDB)* **+16.4%** q/q while the worst performer was *Dar es Salam Community Bank (DCB)* **-7.4%** q/q.

Stock market outlook

The bourse is anticipated to be buoyant in 2Q25, supported by modest corporate earnings and increased local investor participation. However, lower foreign investment due to currency concerns and constrained market liquidity may temper growth.



Varied performance shapes 1Q25

Global markets ended the quarter with divergent performances, shaped by different policy developments. The MSCI Euro (+11.6% q/q) and MSCI World ex USA (+5.5% q/q) delivered strong gains, supported by improving economic conditions and continued policy accommodation. The MSCI Emerging Markets Index (+2.4% q/q) advanced, benefiting from strengthening growth dynamics across select developing economies. In contrast, the S&P 500 (-4.6% q/q) and MSCI World Index (-2.1% q/q) declined, as investor sentiment was weighed down by renewed uncertainty surrounding potential Trump-era tariffs and their impact on global trade. The Shanghai Composite (-0.5% q/q) closed modestly lower, reflecting sluggish domestic momentum despite ongoing policy support.

Index	31-Mar-24	30-Jun-24	30-Sep-24	31-Dec-24	31-Mar-25	Q-on-Q	Y-on-Y
S&P 500	5,255.3	5,460.5	5,762.5	5,881.6	5,611.9	-4.6%	6.8%
MSCI World	3,437.8	3,511.8	3,723.0	3,707.8	3,628.6	-2.1%	5.6%
MSCI World ex USA	2,367.0	2,328.9	2,495.3	2,302.7	2,429.4	5.5%	2.6%
MSCI Euro	1,502.7	1,436.1	1,533.4	1,385.2	1,546.3	11.6%	2.9%
MSCI Emerging Markets	1,043.2	1,086.3	1,170.9	1,075.5	1,101.4	2.4%	5.6%
Shanghai Composite Index	3,041.2	2,967.4	3,336.5	3,351.8	3,335.8	-0.5%	9.7%

Source: MSCI, S&P 500, Shanghai Composite

US inflation ticks down

The US annual headline inflation rate eased slightly to 2.8% in February 2025, down from 3.0% in January 2025 primarily on a decline in energy and commodity prices. The Personal Consumption Expenditures (PCE) price index remained unchanged at 2.5% in February 2025, from the prior month. Federal Reserve’s preferred measure of inflation, the core PCE index (excluding food and energy) ticked up slightly to 2.8% in February 2025 from 2.7% in January 2025. This remains above the Federal Open Market Committee’s (FOMC) target of 2%.

Fed maintains rate, ups 2025 inflation outlook

The Federal Reserve Committee upheld the Fed funds rate at 4.25%-4.5% in the March 2025 meeting. The committee noted the need to carefully assess incoming data and evolving outlook as the risks remain balanced. In the same meeting, the committee revised the projections for the unemployment rate from 4.3% to 4.4% and Core PCE inflation from 2.5% to 2.8% by year end. Although, the Fed funds rate projection was maintained at 3.9% by year end.

US growth slows, FOMC lowers 2025 forecast

The United States (US) economy expanded at an annualized rate of 2.4% in 4Q24, slowing from the 3.1% growth recorded in 3Q24. This growth was supported by robust consumer spending, higher exports, and a reduction in imports. However, it was partly offset by declines in private inventories and residential fixed investments. The FOMC lowered the economy’s growth projection from 2.1% to 1.7% in 2025.

U.S trade tariffs resurfaces...

The Trump administration unveiled a broad set of tariff measures with a 10% baseline tariff on nearly all imports. This was followed by a second round of tariffs targeting countries

deemed to have unfair trade practices. Sector specific tariffs of 25% on steel, aluminium products and imported automobiles were levied by early April. In addition, country specific tariffs were also implemented, with a notable 54% total tariff imposed on Chinese products. This total combines the recent 34% and the initial 20% rate imposed earlier. The administration cited trade deficit reduction and worker protection as a basis for their tariffs.

...nations strike back

In response, countries such as China retaliated with 34% tariffs on all US goods. Canada also imposed 25% tariffs on US goods and the European Union also announced a two-phase retaliatory plan with both phases scheduled for April. These measures have raised concerns over rising inflation, supply chain disruptions, and slower global growth.

Oil prices steady amid OPEC output increase

Crude oil prices remained relatively flat, with Brent crude rising marginally by 0.1% to USD 74.7 per barrel during the quarter. This mild increment was due to oil output cuts from some OPEC members to compensate for pumping above the agreed levels. However, during most of the quarter, oil prices dropped as OPEC announced an increase in production for April, while rising trade tensions between the U.S and several countries fuelled concerns over global oil demand. The U.S Energy Information Administration lowered the forecast for Brent Crude oil prices to average USD 74.2 per barrel from USD 74.5 per barrel in 2025.

ECB reduces rates, updates inflation outlook

The European Central Bank (ECB) lowered its policy rate by 25 basis points (0.25%) to 2.5% in the March 2025 meeting. This was anchored by the committee’s assessment of the inflation outlook, dynamics of underlying inflation and the strength of monetary policy transmission. Annual core inflation decreased slightly to 2.6% in February 2025 from 2.7% in January 2025. The ECB revised the forecasts of annual headline inflation to 2.3% from 2.1%, while annual core inflation was lowered to 2.2% from 2.3% by 2025 year-end.

China's economy meets 2024 target

China's economy grew by 5.4% in 4Q24, outperforming the 4.6% growth recorded in 3Q24, meeting its 2024-year growth projection of 5.0%. This growth was attributed to rapid growth in industrial output, exports and policy stimulus that were introduced in September 2024. Despite this acceleration, challenges in the real estate sector persist, as trade related uncertainties take precedence. Chinese Premier Li Qiang set China’s 2025 targets at 5.0% real GDP growth and 2.0% annual inflation, implying a 7.0% nominal GDP growth goal.

Stock market Outlook

Global markets in 2Q25 are expected to be bearish and volatile due to heightened uncertainty from escalating trade tensions, Middle East geopolitical risks, and debt sustainability concerns in emerging markets. However, some sectors and markets may show resilience, buoyed by earnings growth, potential monetary easing and Chinese stimulus gaining traction.