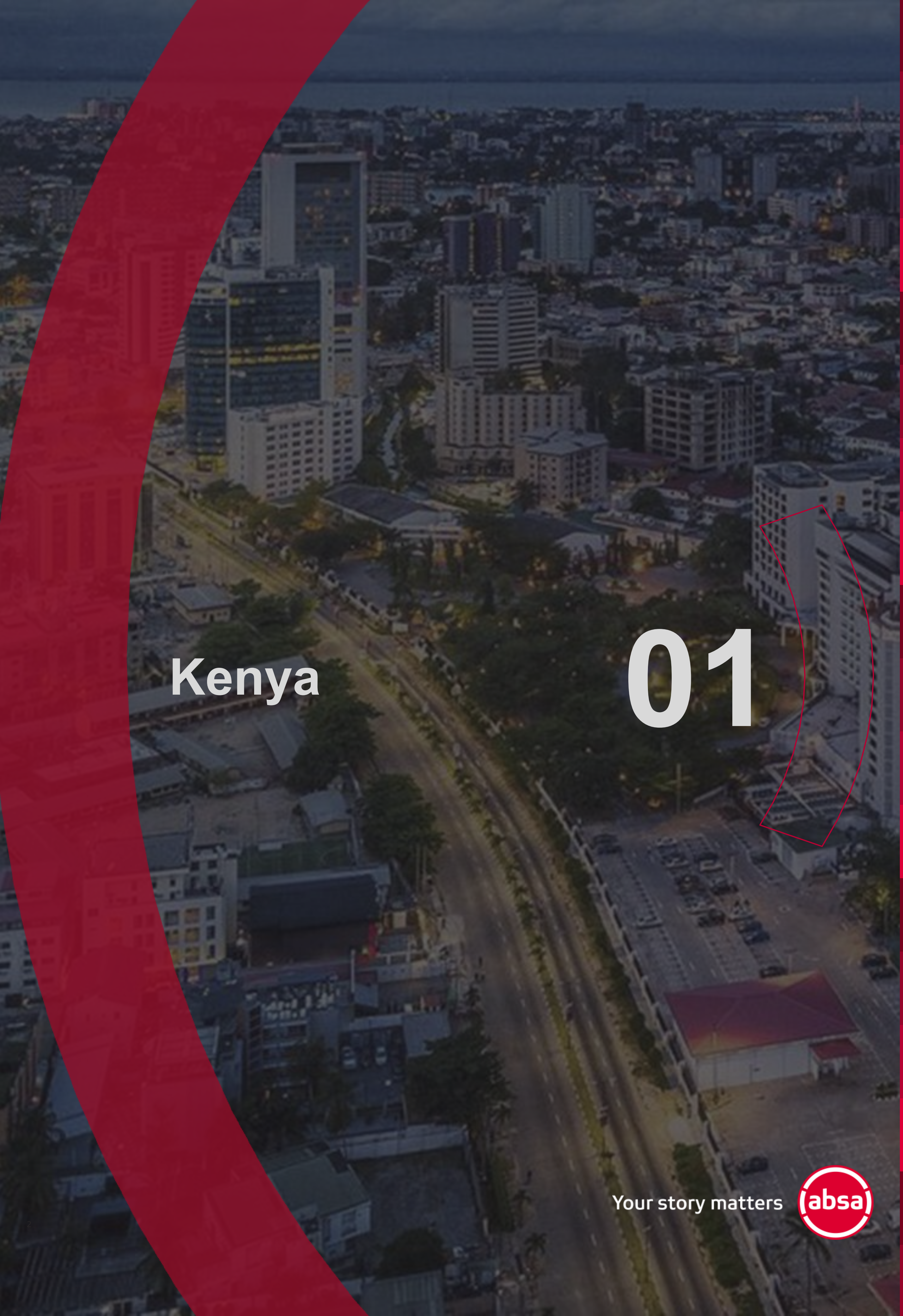
Debt Capital Markets 2026 Outlook

January 2026



Kenya

01

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Kenya Outlook

1 Kenya's macroeconomic conditions stabilised in 2025

Kenya's economy showed gradual improvement in 2025 following the slowdown experienced in 2024. Growth stabilised as activity recovered across key sectors, supported by easing inflationary pressures and improved private-sector sentiment. While fiscal constraints persisted, macroeconomic conditions were notably more stable than in the prior year.

2 Contained inflation allowed for a supportive monetary policy stance

Inflation remained contained through most of 2025 with the full year inflation average at 4.1% and ending the year at 4.5% in December 2025. This was aided by a stable exchange rate and moderated fuel and food costs. The Central Bank of Kenya has projected that inflation will remain steady at 5.25% This allowed the Central Bank of Kenya to maintain a broadly accommodative policy stance, supporting liquidity conditions in the domestic market.

3 Shilling stability was underpinned by strong external buffers

Kenya's markets remained particularly stable during the year. For most of 2025, the Kenya shilling traded in a narrow **KES 129–130/USD** range, reflecting strong external buffers. This stability was supported by a healthy accumulation of foreign exchange reserves, driven by robust diaspora remittances and successful Eurobond issuances. Proceeds from these issuances were partly used to **buy back upcoming Eurobond maturities in 2027 and 2028**, reducing near-term external refinancing risks.

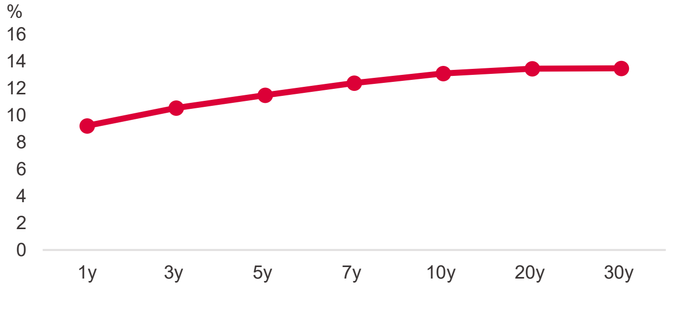
4 Yield curve steepening risks emerge as fiscal deployment accelerates in 2026

Looking ahead to **2026**, the shilling is expected to remain **rangebound**, supported by reserve adequacy and disciplined external debt management. However, as government agencies deploy increased cash flows into development projects, we anticipate **steepening pressure on the yield curve**, with a **bearish bias** in longer-dated bonds. Although fiscal consolidation efforts are ongoing, high debt-servicing costs remain a structural challenge and are likely to continue influencing investor sentiment in the Debt Capital Market.

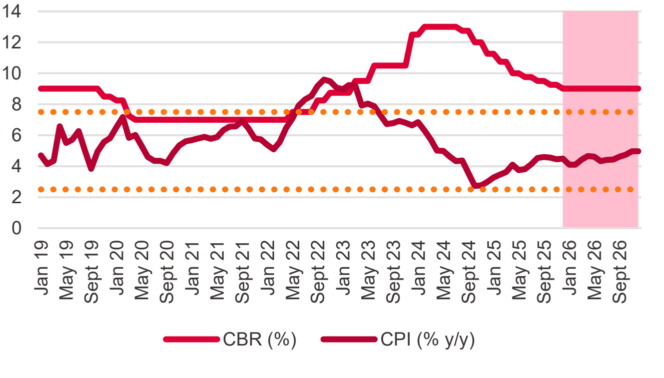
5 Capital markets activity gained momentum through landmark corporate transactions

Kenya's capital markets strengthened in 2025, led by EABL's KES 16.76bn oversubscribed bond issue and Sanlam Kenya's KES 2.5bn rights issue—both advised by Absa as Lead Transaction Advisor—alongside Safaricom's KES 15bn green bond, collectively signalling rising issuer confidence and robust investor appetite across debt and equity markets.

KENGB Yield Curve



Kenya CPI and CBR



02 Tanzania

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Tanzania Outlook

1 Tanzania's growth momentum remained robust in 2025

Tanzania's economy remained resilient in 2025 with mainland GDP growing an estimated 5.9%,, supported by strong performance in **services, construction, mining, agriculture, and tourism**. Public investment continued to underpin growth, while private-sector activity benefitted from a stable macroeconomic environment, keeping growth above regional averages. The Bank of Tanzania (BoT) has projected c6% growth in early 2026 as well.

2 Low inflation supported accommodative financial conditions

Headline inflation remained low throughout 2025, staying comfortably within the BoT's 3–5 % target range, which allowed continued accommodative monetary policy and liquidity support for the private sector. The central bank expects inflation to remain within this band in 2026.

3 Policy discipline and strong reserves supported a strengthening shilling

The Tanzanian shilling maintained a **strengthening bias in 2025**, supported by restrained government spending ahead of the **October elections** and disciplined monetary policy. **Gross reserves rose to USD 6.7bn as at September 2025**, equivalent to about **five months of import cover**, providing a solid external buffer. By December 2025, the currency landed at 2466/USD.

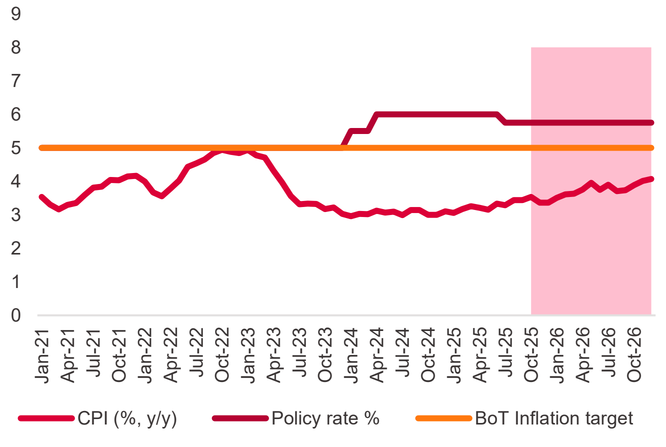
4 Tanzania enters 2026 with a constructive and stable outlook

Looking ahead to **2026**, Tanzania's outlook remains positive, underpinned by strong external buffers, resilient agriculture, favourable commodity dynamics, and recovering tourism activity. Stable inflation and prudent policy settings should continue to support macro and market stability.

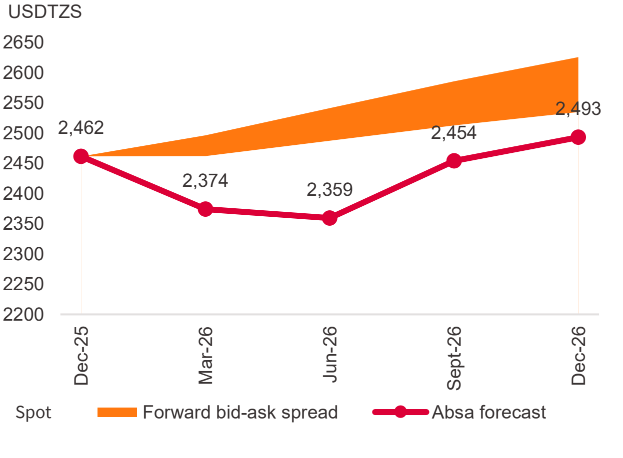
5 The 2025 elections introduced political noise but had limited macroeconomic impact

Tanzania's **October 2025 general elections** marked a significant political event and were accompanied by **isolated incidents of unrest**, representing a departure from the largely peaceful elections of previous cycles. President Samia Suluhu Hassan was declared the winner with a reported c.97.7% of the vote, securing a second term and providing policy continuity. While post-election tensions raised short-term concerns around investor sentiment—particularly for tourism and investment—the broader macroeconomic impact was contained. Strong export performance, resilient services activity, and prudent macroeconomic management helped preserve overall economic stability, with limited spillovers into FX and rates markets.

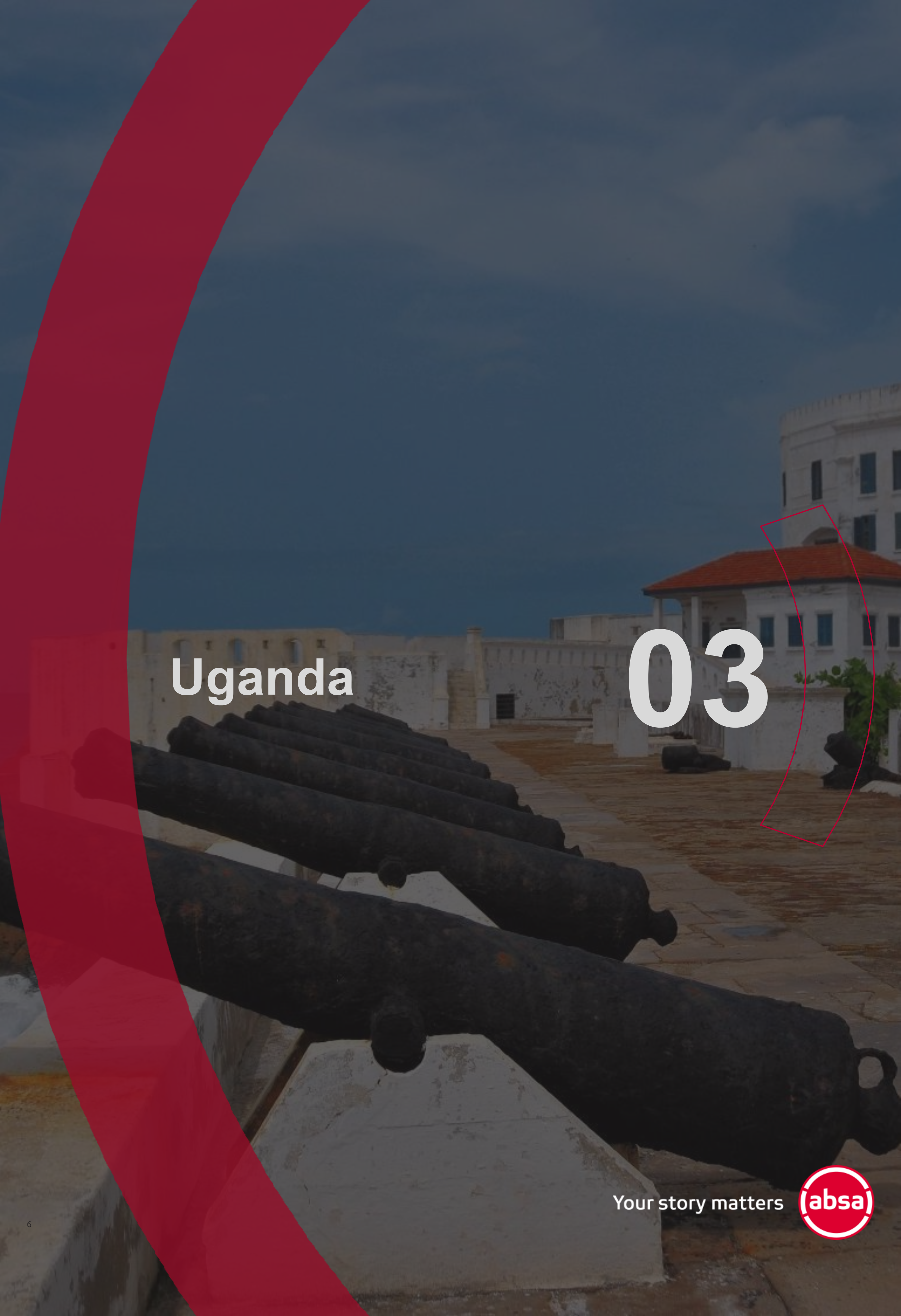
Tanzania CPI and CBR



TZS forecasts vs forwards



Uganda 03



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Uganda Outlook

1 Uganda's economic recovery gained traction in 2025

Uganda's economy continued its recovery in 2025, with real GDP expanding around 6.3% in FY2024/25, up from approximately 6.1% the prior year, driven by strong activity in agriculture, industry, and services.

2 Disinflation allowed monetary policy to remain supportive

Inflation remained well below the Bank of Uganda's medium-term target of 5%, averaging around 3.5% in FY2024/25, supported by stable food supply, contained energy costs, and prudent monetary policy.

3 Exchange rate stability improved as external inflows strengthened

The Ugandan shilling was relatively stable in 2025, averaging 3602/USD and ending the year off at 3623/USD. This was supported by improved export receipts, remittance inflows, and prudent monetary management. While periodic FX pressures persisted, these were largely contained, contributing to improved market confidence and reduced volatility compared to prior years.

4 Fiscal pressures persisted, but debt dynamics remained manageable

Fiscal consolidation efforts continued in 2025, although elevated financing needs remained a constraint. Domestic borrowing remained a key funding source, while Uganda's public debt profile benefited from a relatively long maturity structure and a significant concessional component, helping to contain near-term refinancing risks.

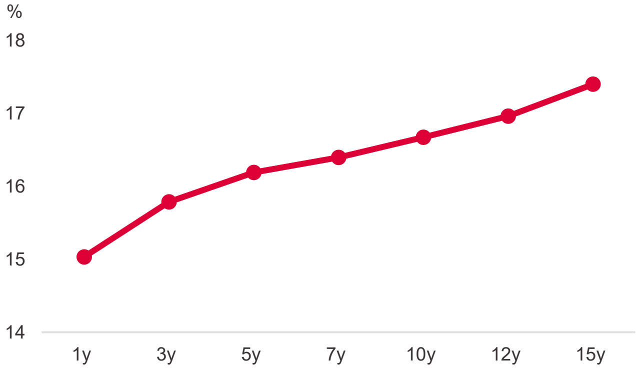
5 Oil sector developments underpin a constructive 2026 outlook

Looking ahead to **2026**, Uganda's outlook is supported by ongoing progress in the **oil and gas sector**, infrastructure development, and resilient domestic demand. Inflation is expected to remain contained, allowing policy settings to stay supportive. While fiscal discipline will remain important, improved growth momentum and strengthening external inflows position Uganda for a more stable macro and market environment in 2026.

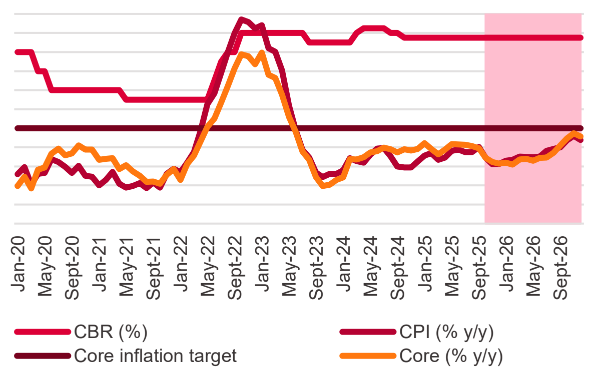
6 Uganda's 2026 elections confirmed continued leadership continuity

Uganda's January 2026 general election resulted in the re-election of President Yoweri Museveni, 81, who secured 72% of the vote, extending his rule into a seventh term and continuing his leadership that began in 1986, according to the Electoral Commission. His main challenger, Robert Kyagulanyi (Bobi Wine), received around 25%, with official turnout at roughly 52.5%. The process was marked by a nationwide internet shutdown and was criticised by some domestic and regional observers for intimidation and irregularities, although official bodies maintained the results reflected the will of voters.

UGANGB Yield Curve



Uganda CPI and CBR



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