

CAPITAL MARKETS RESEARCH UPDATE (CMRU)

Markets Update

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Annual Inflation Rises in April

The Kenyan inflation rose to 4.1 percent in April from 3.6 percent in March primarily driven by food and non-alcoholic beverages, transport, housing, water, electricity, gas, and other fuels¹. However, inflation has remained within the central bank target range, 2.5% - 7.5%. The rising inflation amid the central bank monetary policy committee cutting the central bank rate by 75 basis points to 10.00 in the beginning of the month².

IMF Slashes Kenyan Economic Growth Forecast³

The international Monetary Fund (IMF) revised Kenyan 2025 economic growth projection to 4.8 percent in its world economic outlook April 2025 report, previously projected at 5 percent. Similarly, the economic growth of sub-Saharan African region was revised downwards from 4 percent to 3.8 percent. The IMF cited the higher US tariffs are expected to trigger a demand shock among America's trading partners, impacting output and prices.

Key Provisions for crypto Regulations in VASPs Bill

The National Treasury submitted the Virtual Asset Service providers bill, commonly known as VASPs Bill 2025, to the National Assembly in April 2025. The bill outline provisions for crypto regulations in Kenya, intended to regulate the operations of virtual asset service providers. Among other provisions, the VASPs bill also demands for VASPs in Kenya to secure operating licenses in accordance with Kenyan laws⁴. The Bill place VASPs under the regulatory purview of the Kenyan Capital Markets Authority (CMA) and Central Bank of Kenya (CBK)⁵.

Bank of Kigali Launches Private Equity Fund (App. US\$40m)

The Bank of Kigali (BK) established a 30-40 million US dollars private equity vehicle targeting strategic investments in high growth small medium-sized enterprises (SMEs) across Rwanda and East African Community. According to the Kenyan Wall Street, the BK group intention to establish this fund was to raise capital, which is among one of two major capital moves in 2025.

African Venture Capital and Private Equity Poor Returns

According to the Kenyan Wall Street Journal, the African venture capital (VC) and private equity (PE) have significantly been underperforming over the past decade compared to

other emerging countries, the likes of China and India. It was reported that, the African VC/PE registered an average net internal rate of rate (IRRs) of 4-5 percent between 2014 and 2024. This was considerably lower than China's and Indian's annual return of 12 percent and 15 percent for the US. The reason cited for the poor returns across the African continent was due to political and macro-economic factors⁶.

The Kenya Shilling remained stable against major international and regional currencies

Currency	Mar-25	Apr-25	% Change
1 USD	129.32	129.27	0.04%
1 Sterling (£)	167.35	173.18	3.48%
1 Euro (€)	139.51	147.05	5.40%
1 SA Rand	7.08	6.97	1.55%
1 USHS	0.04	0.04	0.00%
1 TSHS	0.05	0.05	0.00%
1 Brazilian Real	22.51	23.04	2.35%
1 Russian Rubble	1.53	1.58	3.27%
1 Indian Rupee	1.51	1.52	0.66%
1 Chinese Yuan	17.80	17.77	0.17%

Red-Depreciate; Green- Appreciate; Source: CMA

According to the Central Bank of Kenya, the Kenya Shilling remained stable against major international and regional currencies on a month-on-month comparison. The data shows it marginally appreciated by 0.04 percent from 129 at the end of March to 129.27 at the end of April.

Equities Market Records Growth Amid Rising Foreign Participation

Indicators	Mar-25	Apr-25	%Δ
NSE 20 Share index	2,226.88	2,135.51	4.10%
NSE 25 Share Index	3,532.38	3,412.63	3.39%
NSE 10 Share Index	1,342.38	1,284.67	4.30%
NASI	130.81	126.08	3.61%
Mkt. Cap (Kshs. Bn)	2,056.07	1,981.79	3.61%
Volume (M)	471.23	361.61	23.26%
Equity Turnover (Kshs. Mn)	8,127.21	8,159.67	0.40%
Bond Turnover (Kshs Mn)	285.16	255.91	10.26%
% Foreign Participation to ET	31.03	59.51	91.78%
Total Accepted (KShs.Bn)	35.25	83.99	138.28%

Green- Increase, Red-Decrease; Source: CMA

The NSE equity turnover recorded a month-on-month increase of 0.40 percent, amid a surge in foreign investors participation to 59.51 percent from 31.05 percent the previous month, representing 91.78 percent increase. However, bond turnover recorded a month-on-month decline of 10.26 percent to KShs.255.91 million. The government raised a total of KShs.83.99 billion in April 2025, a surge of 138.28 percent from KShs.35.25 collected in the previous month.

¹ [KNBS CPI and Inflation Report](#)

² [CBK Monetary Policy Committee](#)

³ [World Economic Outlook, April 2025](#)

⁴ [VASPs Bill, 2025](#)

⁵ [Kenya Escalates Crypto Oversight](#)

⁶ [African VC/VE Poor Returns](#)

Capital Markets Outlook

Virtual Assets Service Providers Bill, 2025

The Virtual Asset Service Providers (VASPs) Bill 2025 introduces significant policy implications for the Kenyan capital markets. By placing the investment and exchange functions under the regulatory oversight of the CMA, the bill expands the Authority mandate to include digital assets, necessitating the development of new licensing, compliance, and supervisory frameworks tailored to cryptocurrencies and blockchain-based services. This paradigm shift will require substantial investment in regulatory technology, capacity building, and coordination with both domestic institutions such as CBK and Financial Reporting Centre (FRC), as well as international institutions such as the Financial Action Task Force (FATF). The Authority should also address financial literacy, investor protection, legal harmonization challenges, ensuring that Kenya's crypto regulation space supports innovation while safeguarding market integrity and aligning with global best practices.

African Private Equity and Venture Capital underperformance

The reported poor returns on the African Venture Capital (VC) and Private Equity (PE) undergoes urgent need for policies that enhance investor confidence. This includes strengthening legal and regulatory frameworks to mitigate political and macroeconomic risks that deter capital inflows. The Authority should foster a more transparent and predictable investment environment, improves exit mechanism such as IPOs on the Nairobi Securities Exchange as well as promote cross border capital market integration. Additionally, the Authority should encourage most institutions to participate in private equity following the footsteps of the Bank of Kigali. These efforts will help build investor confidence as well as attract long term investment in the region.

Challenging Macroeconomic Environment Ahead

The downward growth trajectory, coupled with rising cost pressures, signal a challenging macroeconomic environment which may dampen investor sentiments and reduce capital markets vibrancy. With these eminent challenges, the Authority should strive to ensure stability in the capital markets by possibly reviewing capital-raising regulations to support institutions faced by tighter credit conditions. The Authority should also ensure timely disclosure of the licensees to enhance investor confidence. Additionally, with the impact of US trade policy on regional growth, the Authority should strengthen coordination with other financial regulators to ensure aligned regulatory responses that safeguard the resilience of capital markets.



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