THE RETAIL TRADE ASSOCIATION OF KENYA

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Kenya Retail: Navigating September's Inflationary Headwinds Amid Global Retail Reset

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EXECUTIVE SUMMARY

Kenya's retail sector showed cautious resilience in September 2025, weathering persistent cost pressures and an evolving regulatory landscape as global retail dynamics continued to shift.

Inflation Holds Steady at 4.6%

Kenya's annual consumer price inflation edged up to 4.6% in September from 4.5% in August, according to official data. The uptick was driven primarily by an 8.4% year-on-year increase in food and non-alcoholic beverage prices, alongside a 4% rise in transport costs.

While households continue to feel the pinch from elevated living costs, some relief was recorded in key staples such as maize flour, kale, and sugar, which registered slight price declines. Fuel costs also eased marginally, tempering inflationary pressure heading into the final quarter of the year.

The retail sentiment remained "cautiously resilient", buoyed by stable global growth anchors even as demand weakness persisted in European markets.

Regulatory Momentum: Digital Payments in Focus

The most consequential policy development in September came from the Central Bank of Kenya (CBK), which proposed a sweeping plan to reduce mobile money transaction costs by 50–57%—from an average of KES 23 to KES 10 per transaction by 2028.

Contrary to some reports framing the proposal as an immediate "cut," the CBK's initiative outlines a phased cost-reduction roadmap. If enacted, this would significantly lower the cost friction of digital payments, potentially boosting consumer uptake and improving profitability for retailers reliant on mobile transactions.

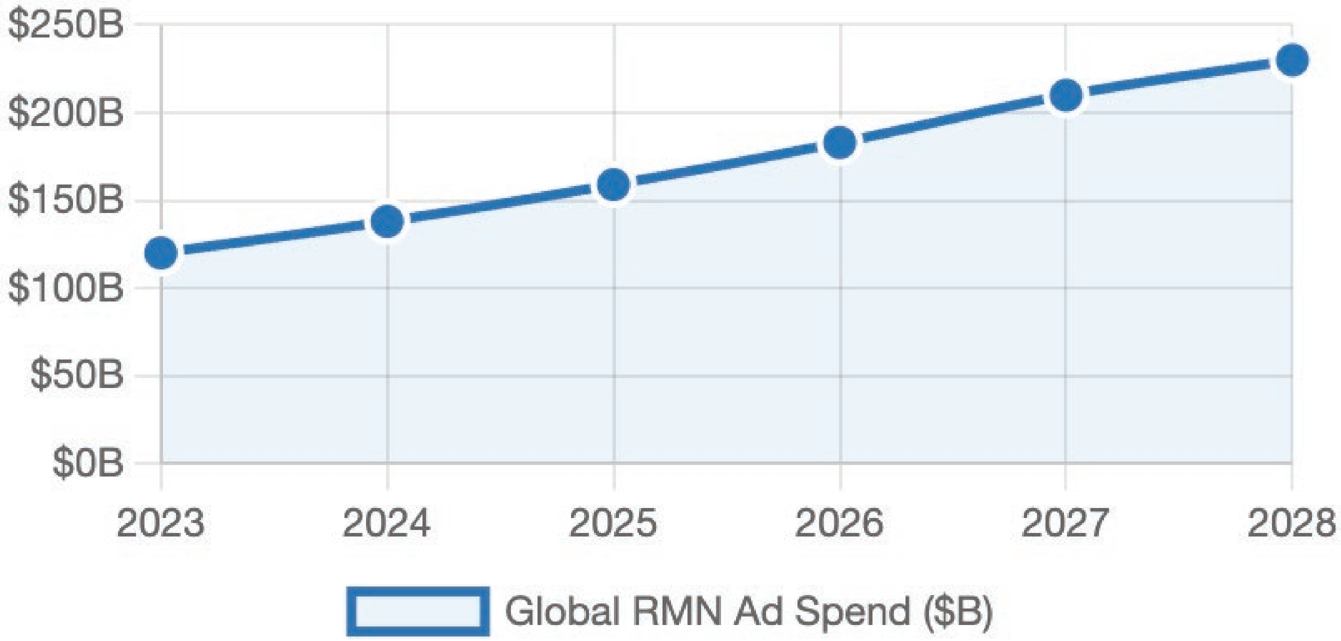
This regulatory drive underscores Kenya's intent to deepen digital commerce penetration, aligning with global efforts to enhance efficiency and financial inclusion.

2. Global Retail Shifts: From Clicks to Bricks

Globally, retail continues to evolve rapidly. In September, fast-fashion giant Shein announced plans to open six permanent physical stores in France's high-end department stores, including Galeries Lafayette and BHV Marais. The move marks a pivotal moment for digital-native brands embracing omnichannel strategies.

For Kenyan retailers, this signals an important validation: brick-and-mortar stores remain vital assets for consumer engagement and brand experience. As e-commerce competition intensifies—driven by advances in AI merchandising tools like Amazon's "Rufus"—local retailers are being urged to integrate smarter digital systems into physical retail environments.

Globally, Retail Media Networks (RMNs) continue to redefine profitability. With global ad spend projected to grow 15% annually to $230 billion by 2028, monetizing first-party data has become a key growth lever for major players like Walmart and Amazon. Kenyan retailers could tap into similar opportunities by building data-driven supplier marketing ecosystems.



3. African Retail Dynamics

African Retail Dynamics: Value Wins the Day

Across Africa, resilience remains anchored in value-focused and essential goods retail formats. South Africa's Pepkor Holdings Limited entered Deloitte's Global Powers of Retailing Top 250 after recording 6.7% retail revenue growth in FY2023, driven by strong performance in discount categories like babywear and schoolwear.

Similarly, The SPAR Group Limited achieved double-digit growth (10.1%) through efficient FMCG expansion. North African markets, meanwhile, benefited from steady infrastructure demand, maintaining robust imports of construction inputs such as bitumen.

Regional Winners: Strength in Value and FMCG

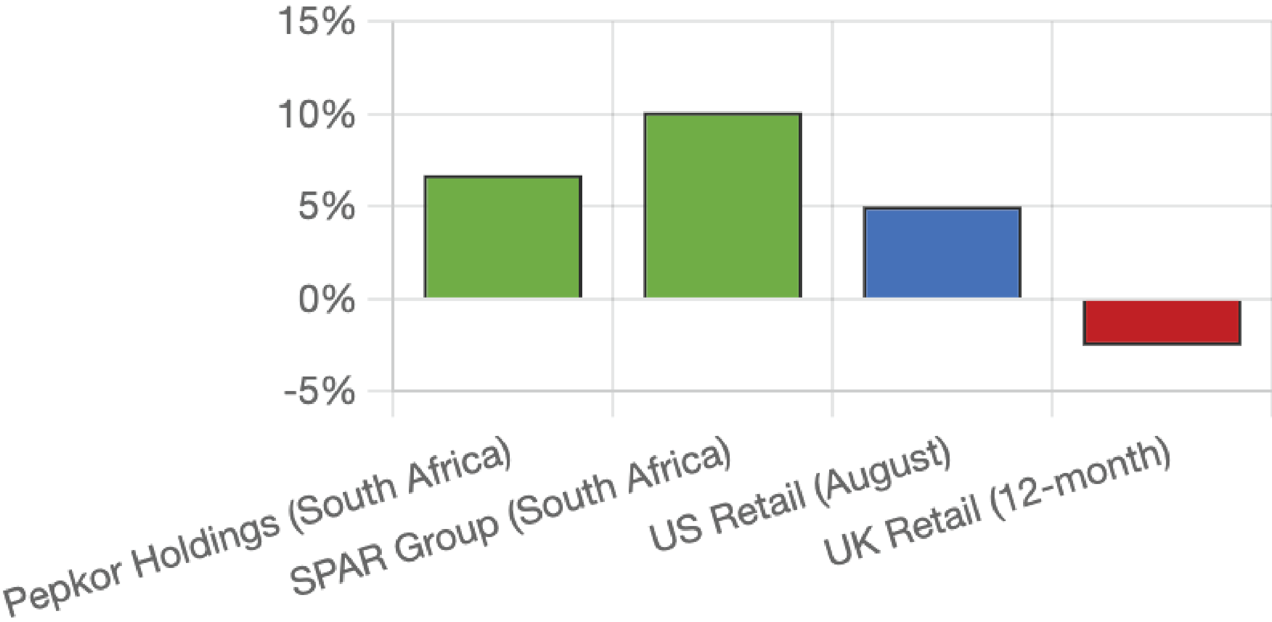


Figure 2: African and Global Retail Performance Comparison (FY2023)

Innovation Case Study: Mobile Commerce and Governance

The integration of fintech and mobile commerce remains paramount in Africa. While the Kenyan regulatory landscape sees a significant proposed reduction in mobile money fees, the foundation for operational excellence is also being strengthened regionally. In Ghana, a new regulatory framework was introduced specifically for the bitumen industry to enhance supply chain practices and operational standards. This push toward governance and transparency is pivotal for sustainable industry growth.

4. Kenya Retail Market Performance: Inflation and Consumer Value-Seeking

Kenya's annual inflation rate in September 2025 rose to 4.6%, up from 4.5% in August. The core drivers remain persistent high costs in essential household spending areas: food and non-alcoholic beverages increased by 8.4% year-on-year, while transport costs climbed 4%. This persistent pressure compels consumers toward value, reinforcing the strength of discount and essential goods retailers. While overall cost pressures remain, the price of several staples, including loose maize grain, sifted maize flour (2kg), sukuma wiki (kale), and sugar, eased slightly in September. Paraffin and cooking gas prices also saw marginal decreases.

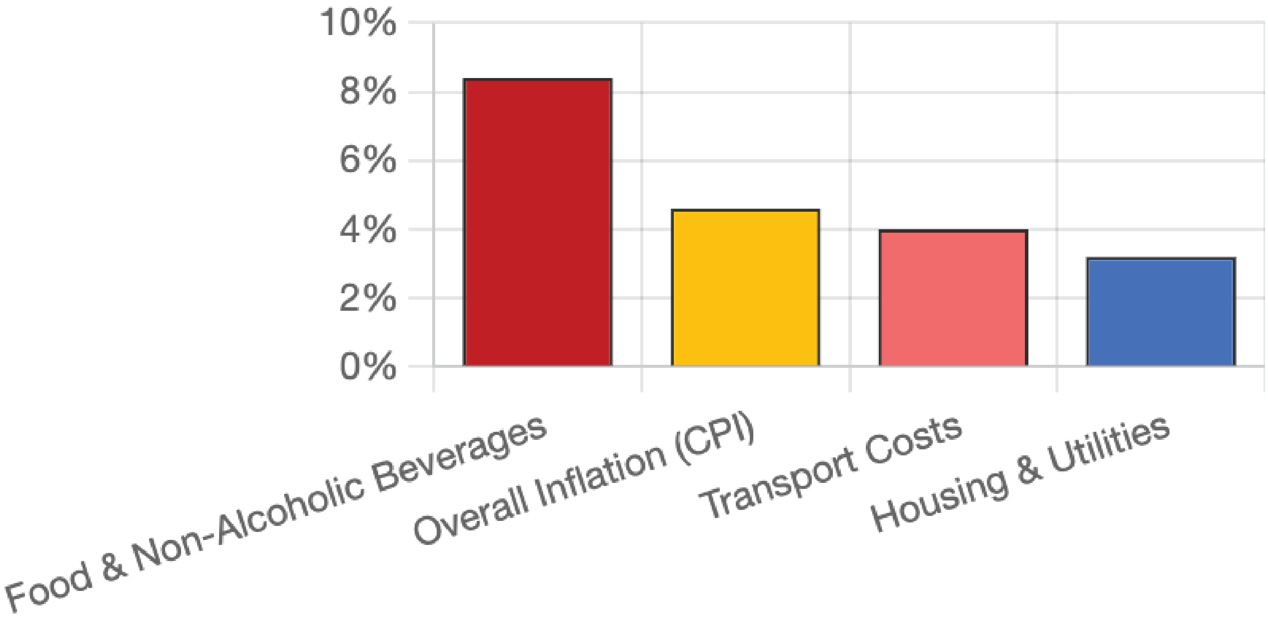


Figure 3: Kenya Inflation Breakdown by Category - September 2025

Local Success Story:

Beyond price pressures, retailers are innovating on sustainability fronts. Major retail developments in Nairobi are positioning themselves as leaders in building sustainable urban lifestyles in East Africa. This highlights a growing focus on integrating sustainability into commercial property development. An existing benchmark for sustainable retail operations is demonstrated by leading grocery retailers operating in Kenya, where up to 99% of the thousands of items in their stores are sourced from local suppliers. This strategic commitment minimizes supply chain risks associated with volatile exchange rates and international trade, simultaneously strengthening local economic resilience.

5. DATA DASHBOARD

Metric	Latest Data (Sep 2025)	QoQ/YoY Comparison	Insight
Kenya Inflation (CPI)	**4.6%**	Up 0.1 pp from Aug 2025 (4.5%)	Cost-push pressure persists, driven by food (8.4% YoY).
Transport Costs (Kenya)	Climbed 4.0% YoY	YoY increase	Fuel and logistics costs remain a significant challenge.
Staple Food Prices (Kenya)	Maize flour, sugar, kale prices eased slightly	Marginal decrease MoM	Consumer relief is targeted in key household commodities.
Global Retail Proxy (US Sales)	$732.0 Billion (Aug 2025)	Up 0.6% MoM; 5.0% YoY	Resilience observed in bellwether market.
Digital Payment Sentiment	CBK proposes 50%–57% fee cut (KES 23 to KES 10)	Major proposed reduction	Regulatory drive to reduce friction in mobile commerce.

6. ACTIONABLE TAKEAWAYS FOR RETAILERS

Experts advise that the coming months will be critical for strategic realignment. Key focus areas include:

1. Reviewing Digital Payment Strategies — Conduct audits to assess readiness for CBK's proposed mobile money fee reduction and align with payment partners to capture emerging cost efficiencies.

2. Deepening Local Sourcing — Strengthen local supplier relationships to mitigate exposure to volatile global supply chains.

3. Optimizing Inventory — Respond to weak European demand with tactical markdowns and avoid overstocking ahead of the festive season.

4. Exploring Retail Media Opportunities — Begin developing data monetization frameworks to attract supplier ad spend.

5. Expanding Value Offerings — Strengthen discount formats and private label products to cater to price-sensitive consumers.

The Road Ahead

Retailers will be closely watching October's key economic releases, including the U.S. Census Bureau's Advance Monthly Retail Report (October 16). Domestically, attention remains on the government's settlement of pending bills and the legal proceedings surrounding the Housing Levy—both crucial factors for business and consumer confidence heading into Q4 2025.

Intelligence provided by Pied Piper

Marketing Sources: Based on analysis of 40+ industry reports from ABSA, African Leadership Magazine, European Central Bank, Xinhua, Bureau of Market Research (UNISA), and other leading retail intelligence providers.