

MOMENTUM AFRICA OUTLOOK

MOMENTUM AFRICA OUTLOOK 2026 | GOVERNING UNDER PRESSURE

KENYA'S FISCAL PRESSURE AND MARKET SIGNALS BUSINESS LEADERS ARE ACTING ON



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Public brief (non-attributable). Prepared from public fiscal context and non-attributable market signals surfaced in executive engagements with CEOs from various sectors.

Outlook 2026 update: the 5 megatrends and what's shifting now

DEMOGRAPHY	URBANISATION	DIGITAL TRANSFORMATION	GEOPOLITICS	CLIMATE & RESOURCES
<p>Youth becomes a market force.</p> <p>Legitimacy and fairness shape behaviour.</p>	<p>Cost-of-living pressure rises.</p> <p>Informality expands; services strain.</p>	<p>Payment rails reshape markets.</p> <p>AI and misinformation causing legitimacy strain</p> <p>Crypto remains a watch item.</p>	<p>Middle East shock is leading to FX, fuel, corridors strain.</p> <p>Value chains feel it fast.</p>	<p>Climate shocks hit food systems.</p> <p>Asset monetisation accelerates.</p>

This note is a short addendum to Momentum Africa Outlook 2026 (Governing Under Pressure), highlighting how Kenya's fiscal squeeze is amplifying these megatrends and the market signals business leaders are acting on.

Executive summary

- Fiscal pressure is no longer a background condition; it is shaping state behaviour, market liquidity, enforcement intensity and policy predictability.
- Liquidity is the first transmission channel: unpaid government obligations (trade payables / pending bills) and domestic borrowing tighten the economy and raise counterparty risk.
- As political tolerance for new taxes narrows, enforcement and administrative intensity rise—expanding illicit markets and increasing compliance risk.
- Geopolitical shocks and regional integration strain (notably within the EAC) increasingly affect value chains, corridors and cross-border growth assumptions.
- Seven market signals and a short set of policy implications can help stabilise confidence and protect competitiveness as Kenya moves toward the 2027 election cycle.

Context: fiscal squeeze and key transmission channels

- Debt and fiscal arithmetic: high debt service and persistent revenue shortfalls narrow fiscal room and push the state toward tighter control and more assertive revenue mobilisation.
- Liquidity: unpaid obligations transmit fiscal pressure into firms, suppliers and households; government exposure should be treated as counterparty risk.
- Domestic borrowing: heavier reliance on domestic financing can crowd out private credit and keep cost of capital elevated.
- Enforcement: when new taxes become politically difficult, compliance tools and administrative measures intensify; the 'application of rules' becomes the uncertainty.
- Politics and trust: rising cost of living and perceived inequities increase policy resistance and raise the premium on predictability and transparency.
- External shocks: energy, FX, shipping and input corridors transmit geopolitical events into domestic inflation, working capital and supply chain risk.

The 7 market signals

1. Youth / Gen Z as a market and legitimacy force

Youth are shaping legitimacy, consumption patterns and protest tempo; fiscal choices are now interpreted through fairness, access and accountability.

- Business implications: Brand trust and social licence; talent attraction/retention; faster reputational cycles; higher sensitivity to tax/service delivery narratives.
- Leader moves: Segment youth markets; refresh narrative and engagement posture; strengthen internal 'social safety nets' and grievance sensing.

2. Geopolitical shocks (Middle East) now transmit directly into domestic risk

Trade, fuel, FX, remittances, shipping and input supply chains are exposed; corridor and value-chain fragility becomes a board issue.

- Business implications: Cost inflation, working-capital stress, corridor delays; fertiliser/input volatility (agri); higher insurance/freight and FX risk.
- Leader moves: Map corridor exposure and critical inputs; build routing/supplier redundancy; tighten FX and liquidity scenarios.

3. EAC strain: regional integration friction is rising

Payment rails, movement of goods/people and tariff/tax frictions are becoming less predictable for this cohort of leaders.

- Business implications: Cross-border growth assumptions weaken; compliance costs rise; trade delays disrupt inventory and receivables cycles.
- Leader moves: Run an 'EAC stress test' (revenue, treasury, supply chain); adjust cross-border assumptions; strengthen compliance and documentation.

4. Tax pressure increases illicit markets

When rates hit political limits, enforcement rises; price distortions widen the illicit/counterfeit market across sectors.

- Business implications: Volume leakage, margin compression, brand erosion; enforcement exposure and channel risk; consumer safety and reputational risk.
- Leader moves: Develop an illicit-market response playbook (pricing, channel controls, traceability); coordinate industry enforcement partnerships.

5. Policy and regulatory opaqueness intensifies towards elections

Risk shifts from 'rules' to 'application'; administrative discretion and enforcement intensity become the core uncertainty.

- Business implications: Higher compliance and audit risk; investment delays; unpredictable licensing/regulatory outcomes; stakeholder volatility.
- Leader moves: Strengthen compliance posture (shadow audits); define scenario triggers; structured, non-partisan stakeholder engagement.

The 7 market signals (Cont'd)

6. Crypto: a smaller but growing watch item

Payments, remittances and fraud dynamics may evolve; regulatory reaction could be abrupt as fiscal pressure rises.

- Business implications: Financial crime and reputational risk; disruption to traditional rails; compliance and product strategy impacts (FS and fintech).
- Leader moves: Create a policy watch + compliance position; monitor customer behaviour; prepare a response to sudden regulatory change.

7. Securitisation / privatisation of government assets

Asset monetisation increases as fiscal pressure tightens; opportunities and governance risks expand in parallel.

- Business implications: New deal flow and access models in ports, roads, utilities and data infrastructure; regulatory and political risk around allocation and pricing.
- Leader moves: Identify sector intersections; build criteria for 'bankable' opportunities; track governance safeguards and stakeholder risks.

Policy implications to stabilise confidence and competitiveness

- Payment discipline and transparency: publish a time-bound settlement plan for trade payables/pending bills and ring-fence statutory remittances to reduce liquidity contagion.
- Predictability in tax administration: commit to clear enforcement principles and reduce discretionary opacity; prioritise risk-based audits with due process and predictable timelines.
- Anti-illicit market strategy: align enforcement, customs, standards and industry to reduce counterfeit/illicit trade that expands under tax stress and distorts competition.
- EAC friction reduction: prioritise payment rail interoperability, targeted tariff/NTB resolution and corridor facilitation measures to protect cross-border trade and investment.
- Geopolitical and corridor resilience: strengthen logistics contingency planning, FX liquidity measures and strategic input supply resilience for key value chains (notably agriculture).
- Asset monetisation safeguards: where securitisation/privatisation is pursued, establish transparent governance, pricing integrity and investor protections to avoid politicised allocation and preserve trust.

Momentum follow-through

- Quarterly 'Governing Under Pressure' CEO watchlist with early-warning indicators.
- Closed-door peer roundtables focused on priority themes surfaced by CEOs (illicit markets, geopolitics/corridors, EAC integration strain).
- Optional 1:1 sector stress tests and stakeholder mapping for leaders making decisions in the next 90 days.

Non-attribution note: This brief contains no quotes, attributions, or participant listing. It is designed for responsible circulation and decision support.

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