Ruto, Money, and the Kenyan Economy

Perhaps the title may surprise many, but it is not a coincidence, given the realities of interactions among governments, money, and the economy. Ruto's 2022 presidential campaign in Kenya was marred by interventionist policies, such as the Hustler Fund, which promised rapid disbursement of microloans at lower interest rates to millions of small traders, boda-boda operators, and informal-sector participants via mobile money. This was paired with pledges to disburse tens of billions of shillings annually to SMEs, double school feeding allocations, accelerate affordable housing (hundreds of thousands of units yearly), and sharply reduce the cost of living by reviewing fuel taxes and easing other burdens on the masses.

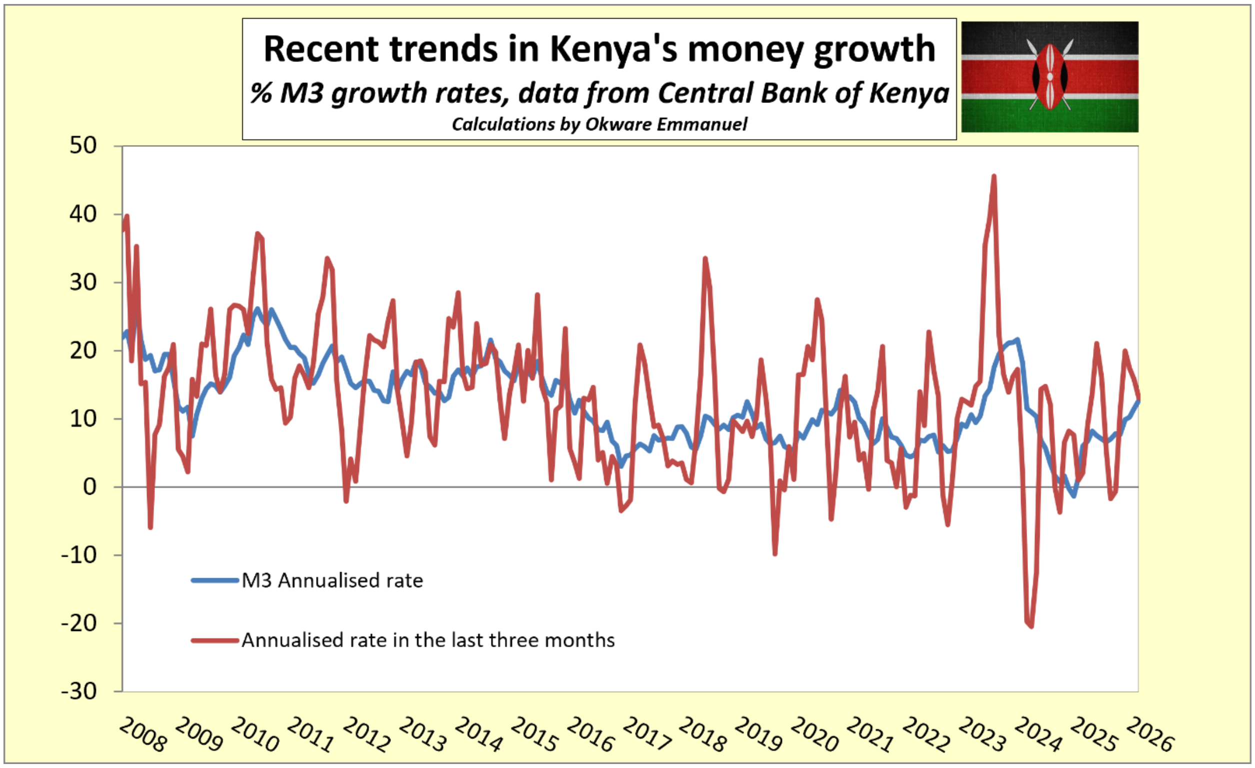
Such policies, while electorally potent in a country with high living costs and youth unemployment, were marred by fiscal vagueness and an implicit reliance on accelerated public credit creation or borrowing. Following Ruto's campaign commitments, Kenyans voted, and Ruto was eventually sworn in as president of the Republic of Kenya on 13 September 2022.

Fiscal policy by itself is largely ineffective; what matters is what happens to the quantity of money.

Follow the money closely to see what actually happened. At the time of the transition, M3 stood at roughly KSh 4.5 trillion. By late 2025, it had crossed the KSh 6 trillion threshold, representing a cumulative increase of 30–35% in nominal terms over the period, with particularly sharp acceleration in 2023.

Figure 1 shows the recent trend in Kenya's money growth. Post-Ruto money growth, which began barely two months after his swearing-in, peaked at 21.6% year-over-year, the highest since 2011 and well above levels during the COVID-19 pandemic. In that same period, the annualized rate of growth over the last three months reached 45.6%, a record high in decades. Even as the pace moderated to around 7–10% in 2024–2025, the earlier surge left a lasting monetary overhang: an excess stock of money balances relative to the productive capacity and money demand of the Kenyan economy.

Figure 1: Recent trends in Kenya's money growth



This expansion was no accident of nature. It reflected the policy choices of the new administration, the Bottom-Up Economic Transformation Agenda, with its emphasis on expanded credit to small businesses and households (via instruments such as the Hustler Fund), fiscal stimulus measures, and continued reliance on domestic borrowing to finance deficits amid ambitious spending priorities. Government net domestic assets and credit to the public sector contributed materially to M3 growth, as did foreign inflows and banking system liquidity. In monetarist terms, such injections increase the cash balances held by the private sector beyond what agents wish to hold at prevailing prices and interest rates. The inevitable result is increased nominal demand: spending rises, asset prices are bid up, and, after the usual lags, the general price level adjusts upward.

The current inflation spike in Kenya aligns with the peak in broad money (M3) growth recorded in early 2024, once again illustrating the dependable, if lagged, transmission from monetary expansion to rising prices. As the chart of M3 data from the Central Bank of Kenya shows, annual M3 growth reached an extraordinary 21.6% in January 2024, with the three-month annualized rate still strongly positive at 17.3% before plunging into negative territory in the following months. This monetary surge, building on the already elevated growth of late 2023 (often exceeding 15–20% on an annual basis), injected a substantial excess liquidity overhang into the Kenyan economy.

Given the typical monetarist lag of 12–24 months between peak money growth and its full impact on the price level, that impulse has now materialized in mid-2026 inflation figures. Kenya's headline inflation, which had been comfortably within the 2.5–7.5% target band, has risen in recent months, exactly as the quantity theory predicts when broad money expands well above the economy's sustainable nominal growth rate. Policymakers and analysts who attribute the spike solely to transient supply shocks overlook the decisive monetary fuel provided in early 2024: without that earlier acceleration in M3, the current price pressures would lack their present momentum. The data are unambiguous. Restrain money growth now, or accept further price instability ahead.

Compounding the inflationary legacy of the early-2024 money surge is the clear re-acceleration of broad money (M3) growth since late 2025, a trend that threatens to amplify Kenya's macroeconomic instability in the months ahead. After slowing markedly through much of 2024, M3 growth rebounded sharply: the annual rate climbed from the low single digits to 9.8% by December 2025, then accelerated to 10.2% in January 2026, 11.4% in February, and 12.7% by March 2026, with three-month annualized rates frequently exceeding 15–20%. If sustained, this renewed monetary impulse will add fresh excess liquidity to the still-unwinding overhang from 2023–early 2024.

In monetarist terms, such acceleration, well above Kenya's trend nominal GDP growth of roughly 9–10%, risks embedding higher inflation expectations, putting downward pressure on the shilling, and prompting the Central Bank to adopt sharper policy responses. The result could be greater volatility in interest rates, credit conditions, and the balance of payments, undermining the fragile post-2024 recovery. Unless the authorities act promptly to curb this latest burst of M3 expansion, Kenya faces a self-reinforcing cycle of faster money growth, rising prices, currency weakness, and ultimately slower real growth as instability deters investment. The chart leaves little room for doubt; the monetary foundations for renewed instability are already being laid.