

REMARKS BY PRINCIPAL SECRETARY, STATE DEPARTMENT FOR ECONOMIC PLANNING DURING THE LAUNCH OF THE REPORT ON CORE AND NON-CORE INFLATION MEASURES IN KENYA ON 21ST JANUARY 2025 AT TREASURY BUILDING BOARDROOM, NAIROBI

The Governor, Central Bank of Kenya, Dr. Kamau Thugge;

The Director General, Kenya National Bureau of Statistics, Dr. Macdonald G. Obudho;

The Economic Planning Secretary,

All Directors of the National Treasury & Economic Planning,

Central Bank of Kenya and Kenya National Bureau of Statistics;

Staff of the CBK and KNBS;

Members of the Media.

Ladies and Gentlemen, Esteemed Colleagues, and Members of the Media,

Good morning, and thank you for joining us on this important occasion as we release the **first-ever report on core and non-core inflation** in our economy. This report marks a significant milestone in our ongoing efforts to provide greater transparency, deeper insights, and more effective responses to inflationary trends that affect our markets, businesses, and households.

Ladies and Gentlemen,

I wish to acknowledge with appreciation that this report was a joint effort between the **Kenya National Bureau of Statistics (KNBS)** and the **Central Bank of Kenya (CBK)**, developed in line with international best practices. This collaboration is a testament to our commitment to sound and reliable data as the foundation for informed policy and effective decision-making.

KNBS has, in line with its mandate, produced the **Consumer Price Index (CPI)** and headline inflation figures on a monthly basis. I applaud KNBS for its dedication and consistency in fulfilling this important mandate.

Ladies and Gentlemen,

Inflation is a multifaceted phenomenon influenced by numerous factors. Traditionally, a single inflation measure has served as a general gauge for price changes, but this approach can obscure critical details. Our objective is not only to respond to inflation but to proactively foster an economic environment where inflationary pressures are minimized, promoting stability and resilience.

By distinguishing between **core** and **non-core inflation**, we can better capture the subtleties of price behavior. This dual approach provides clearer insights that are essential for shaping effective policy:

- **Core inflation:** Core inflation is the change in the costs of goods and services but does not include those from the food and energy sectors.

Food and energy prices are exempt from this calculation because their prices can be too volatile or fluctuate wildly.

- **Importance of Core Inflation:** It is crucial to measure core inflation because it reflects the relationship between the price of goods and services and the level of consumer income. If prices for goods and services increase over time but consumer income doesn't change, consumers will have less purchasing power. Inflation causes the value of money or income to decrease in comparison to the prices of basic goods and services.
- **Non-Core Inflation,** by including volatile categories like food and energy, reflects immediate price shifts that impact households. This measure is crucial for assessing transient inflationary pressures and ensuring that our short-term policies are responsive.

As you all know, the **Central Bank of Kenya**, one of the primary users of CPI data, relies on inflation data to assess its achievement of price stability in the economy. This report enhances CBK's ability to respond to inflation with precision, balance, and foresight.

With the release of this report, we reinforce our commitment to a proactive, data-driven approach to economic stability. Our strategy is not merely reactive; it aligns with our broader vision for a robust economy where **price stability supports sustainable growth**. We will continue

to refine our policies using the insights provided by this and future reports on core and non-core inflation.

As we embark on this new chapter in our understanding and response to inflation, we remain dedicated to a balanced, inclusive approach. This report marks the beginning of what we anticipate will be a valuable series of insights, empowering policymakers, businesses, and households alike.

Ladies and Gentlemen,

The use of quality statistics from KNBS in shaping, monitoring, and evaluating government policies, underscores the critical role of reliable data. Such statistics are foundational to policies and programs aimed at transforming Kenya's economy, particularly through the **Bottom-Up Economic Transformation Agenda (BETA)** for Inclusive Growth. BETA is designed to drive socio-economic development by targeting high-impact sectors and advancing the economic turnaround through a value-chain approach.

The government remains committed to supporting **KNBS in its mission** to produce quality statistics that inform evidence-based decision-making by ministries, counties, departments, agencies, researchers, and other users.

In Conclusion

Let me sincerely thank the dedicated teams from **KNBS and CBK** who developed this report, as well as all contributors of statistical information,

including the private sector, for their ongoing cooperation in providing quality data.

Last but certainly not least, I am most grateful to the media for supporting Government in the dissemination of information. I urge you to continue reporting objectively and to seek audience for clarification on any matter that you may be in doubt over.

Thank you once again for being with us today, and thank you for your continued support as we work together towards a more resilient, stable, and prosperous economy for all.

Thank you.

“Proceed to Launch the Report”