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Stanbic Bank Kenya PMI®

Business conditions pick up slightly in August

Key findings

Renewed growth of output and new orders

Purchasing activity expands, but jobs decrease

Cost inflation remains muted despite accelerating

The Stanbic Bank Kenya PMI® indicated a mild recovery in business conditions during August as the impact of protests faded, allowing firms to broadly resume normal operations. Activity levels rose for the first time since May, with new orders also picking up, albeit marginally. Firms also increased their purchases of inputs, whereas employment fell for the first time so far this year.

Further pressure on import prices and taxation led to the sharpest rise in input costs since February, although overall inflationary pressures remained muted compared to the historical trend. Selling charges also rose at a subdued pace amid some reports of price discounting.

The headline figure derived from the survey is the Purchasing Managers' Index™ (PMI). Readings above 50.0 signal an improvement in business conditions on the previous month, while readings below 50.0 show a deterioration.

The headline PMI rose from 43.1 in July to 50.6 in August, posting above the 50.0 no-change mark for the first time since May. The reading thereby signalled a renewed improvement in business conditions in the Kenyan private sector. However, the pace of expansion was only marginal.

Kenyan businesses raised their output levels for the first time in three months in August. The rate of growth was moderate and the second quickest in over a year-and-a-half. Where activity increased, survey panellists reported that this was often due to the ending of political demonstrations which allowed them to resume trading and complete new work.

Output increased across three of the five broad sectors covered by the survey, with renewed growth in services, wholesale & retail and construction. By contrast, there were declines in activity across manufacturing and agriculture.

New orders placed at Kenyan businesses also picked up in August, although the uplift was only slight. Some firms continued to highlight weak spending power at customers. With

Stanbic Bank Kenya PMI

sa, >50 = improvement since previous month



Sources: Stanbic Bank, S&P Global PMI.
Data were collected 12-28 August 2024.

Comment

Christopher Legilisho, Economist at Standard Bank commented:

“August PMIs show the private sector recovering merely marginally. Output and new orders improved after slumping during the months preceding, as anti-tax protests have been fizzling out. However, concerns linger about consumer spending, with many firms noting overall demand as weak in a tougher economic and business environment. Consequently, firms cut employment after seven months of robust hiring; work backlogs therefore increased.

“Still, as output recovered in August, firms increased input purchases and inventories. Only manufacturing saw a decline in inventories, perhaps due to higher input costs. Indeed, input prices rose for a third straight month, reflecting higher taxes, increased import prices, and materials shortages. However, output prices and staffing costs increased only marginally.

“Business expectations worsened in August, implying firms as less hopeful about output over the next 12 months.”

PMI®

by **S&P Global**

the marginal rise in sales following a steep downturn in July, firms opted to reduce their staff numbers over the latest survey period, marking the first decline in 2024 so far.

However, firms did raise their purchases of inputs, which was the first expansion in three months. This led to a slight increase in input inventories, supported by a renewed improvement in suppliers' delivery times.

Cost pressures across the private sector intensified in August due to rises in import fees and tax burdens, according to survey respondents. The rate of overall input price inflation was the strongest for six months, but remained much softer than the historical trend.

Selling prices also rose in August, although the uplift was similarly subdued compared to the survey average. While there were some efforts to pass on higher costs to customers, this was partly countered by price discounting.

Despite an improvement in business conditions, confidence towards future activity levels sank further in August. In fact, the level of optimism was the lowest recorded in the series history (since 2024), with only 5% of companies expecting growth over the next 12 months.

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Survey methodology

The Stanbic Bank Kenya PMI® is compiled by S&P Global from responses to questionnaires sent to purchasing managers in a panel of around 400 private sector companies. The panel is stratified by detailed sector and company workforce size, based on contributions to GDP. The sectors covered by the survey include agriculture, mining, manufacturing, construction, wholesale, retail and services. Data were first collected January 2014.

Survey responses are collected in the second half of each month and indicate the direction of change compared to the previous month. A diffusion index is calculated for each survey variable. The index is the sum of the percentage of 'higher' responses and half the percentage of 'unchanged' responses. The indices vary between 0 and 100, with a reading above 50 indicating an overall increase compared to the previous month, and below 50 an overall decrease. The indices are then seasonally adjusted.

The headline figure is the Purchasing Managers' Index™ (PMI). The PMI is a weighted average of the following five indices: New Orders (30%), Output (25%), Employment (20%), Suppliers' Delivery Times (15%) and Stocks of Purchases (10%). For the PMI calculation the Suppliers' Delivery Times Index is inverted so that it moves in a comparable direction to the other indices.

Underlying survey data are not revised after publication, but seasonal adjustment factors may be revised from time to time as appropriate which will affect the seasonally adjusted data series.

For further information on the PMI survey methodology, please contact economics@spglobal.com.

About PMI

Purchasing Managers' Index™ (PMI®) surveys are now available for over 40 countries and also for key regions including the eurozone. They are the most closely watched business surveys in the world, favoured by central banks, financial markets and business decision makers for their ability to provide up-to-date, accurate and often unique monthly indicators of economic trends. www.spglobal.com/marketintelligence/en/mi/products/pmi

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