

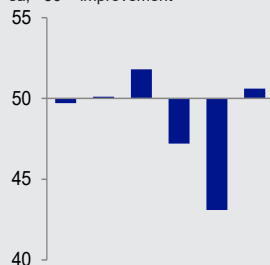
# Stanbic Bank Kenya PMI®

## Business conditions pick up slightly in August

# 50.6

KENYA PMI  
AUG '24

PMI  
Mar - Aug '24  
sa, >50 = improvement



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

Stanbic Bank Kenya PMI  
sa, >50 = improvement since previous month



PMI®

by S&P Global

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the uplift was only slight. Some firms continued to highlight weak spending power at customers. With 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.

## 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.”*

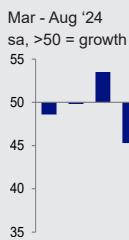


PMI®

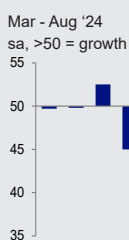
by **S&P Global**

## Output and demand

### Output Index



### New Orders Index



### Output

Business activity across Kenya's private sector rose for the first time in three months in August. The expansion was modest, suggesting only a partial recovery after July's sharp downturn. Panellists often mentioned that an end to political demonstrations had enabled them to resume normal trading operations and improve sales volumes. Renewed growth was registered in the construction, wholesale & retail and services categories.

### New orders

Like output, order books at Kenyan companies recovered slightly in August amidst greater political stability. The upturn in sales was the first recorded since May, albeit marginal in nature. Many businesses noted that weak spending power at clients had dampened growth in overall demand.

### Output Index

sa, >50 = growth since previous month



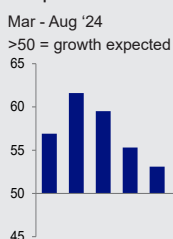
### New Orders Index

sa, >50 = growth since previous month



## Business expectations

### Future Output Index



Business confidence sank further in August. In fact, the Future Output Index dropped below its previous nadir in February to indicate the lowest level of optimism among Kenyan firms since the survey began in 2014. Only 5% of the survey panel were confident that output levels will increase over the next 12 months. Marketing and new branches were often cited by those panellists as reasons to be hopeful.

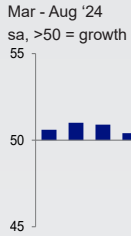
### Future Output Index

>50 = growth expected over next 12 months



# Employment and capacity

## Employment Index



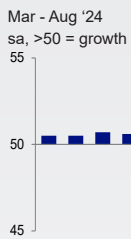
## Employment

Job creation ended in August according to the seasonally adjusted Employment Index, which dropped below the 50.0 neutral threshold for the first time in 2024 so far. Firms signalled that recent declines in output were to blame for the cut in staffing. Although employment decreased, it did so at only a marginal pace and mostly in the agriculture sector.

## Employment Index



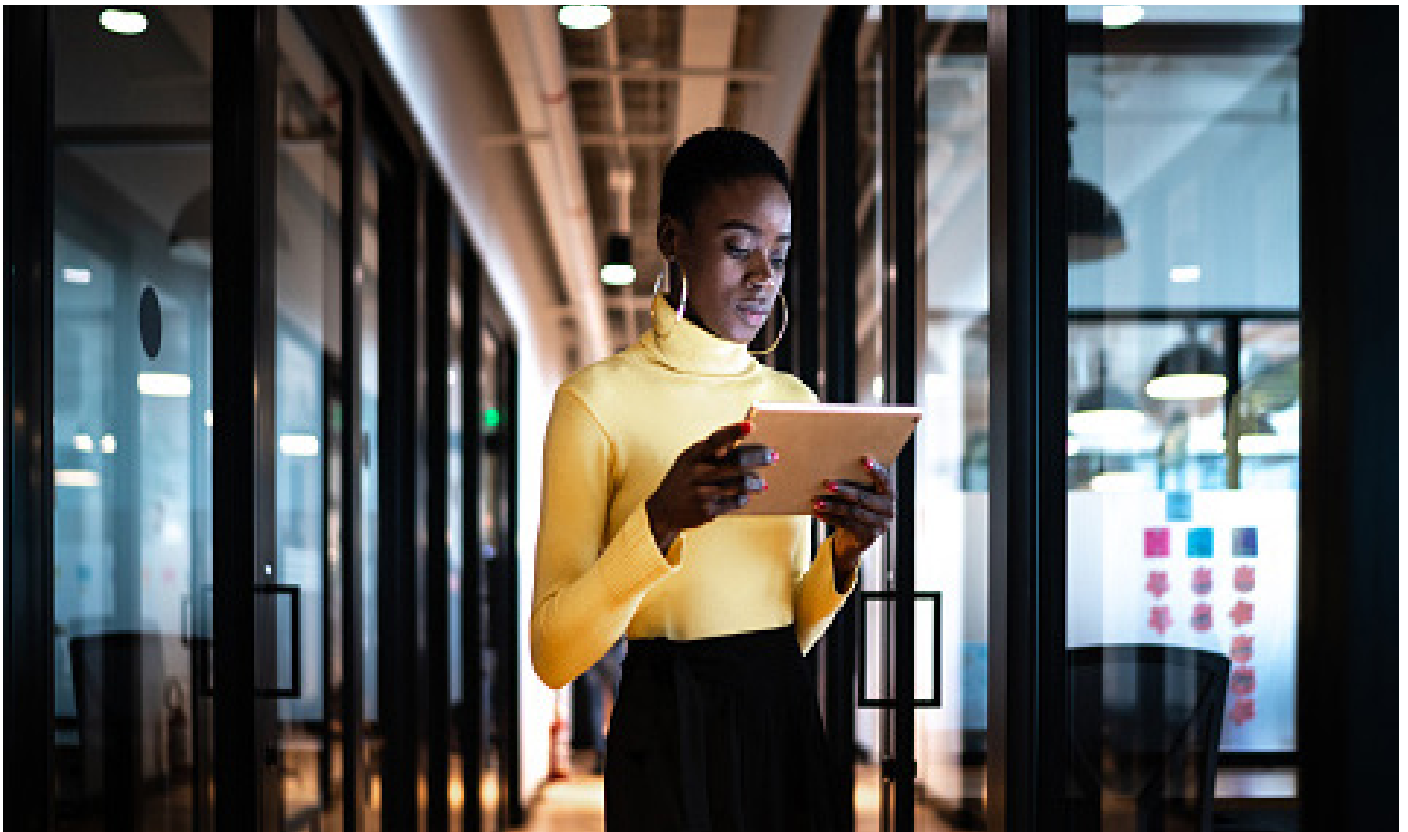
## Backlogs of Work Index



## Backlogs of work

Kenyan companies faced additional challenges with the completion of new work in August, as shown by a further increase in outstanding business volumes. However, the rate at which backlogs accumulated was marginal and slower than in the previous survey period.

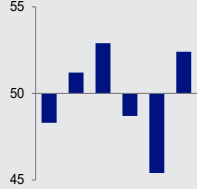
## Backlogs of Work Index



# Purchasing and inventories

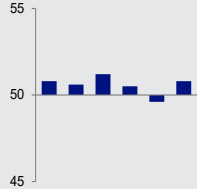
## Quantity of Purchases Index

Mar - Aug '24  
sa, >50 = growth



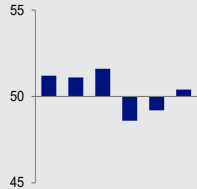
## Suppliers' Delivery Times Index

Mar - Aug '24  
sa, >50 = faster times



## Stocks of Purchases Index

Mar - Aug '24  
sa, >50 = growth



## Quantity of purchases

In response to higher activity and demand, Kenyan firms raised their input purchases for the first time in three months during August. The uplift was solid and the second fastest since the end of 2022, with only May 2024 recording a stronger expansion. Higher input buying was centred on the construction, services and agriculture sectors.

## Suppliers' delivery times

Suppliers' delivery times improved midway through the third quarter, following the first deterioration for ten months in July. Firms suggested that shorter delivery times were partly due to reduced disruption from protests, while others mentioned that vendors had fewer items to deliver. Although the shortening of lead times was the most marked since May, it was only slight overall.

## Stocks of purchases

As well as raising buying activity, Kenyan businesses accumulated greater volumes of inputs in stock over August. This marked the first expansion for three months. Manufacturing was the only monitored part of the economy to see a fall in inventories.

## Quantity of Purchases Index

sa, >50 = growth since previous month



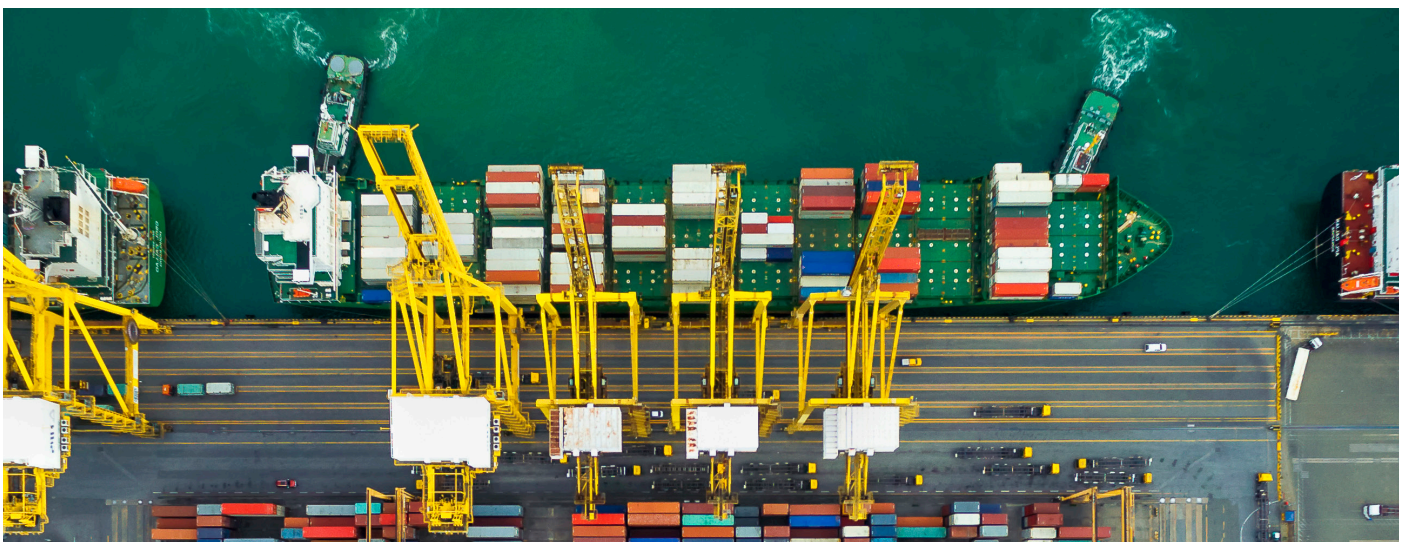
## Suppliers' Delivery Times Index

sa, >50 = faster times since previous month



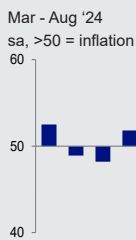
## Stocks of Purchases Index

sa, >50 = growth since previous month



# Prices

## Input Prices Index



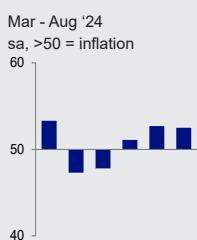
## Input prices

August survey data signalled a rise in input prices across the Kenyan private sector for the third consecutive month. Moreover, the rate of inflation climbed to its highest since February, though remained softer than the long-run average. All five monitored sectors registered an increase in expenses, with panellists mainly attributing the uptick to higher purchase prices.

## Input Prices Index



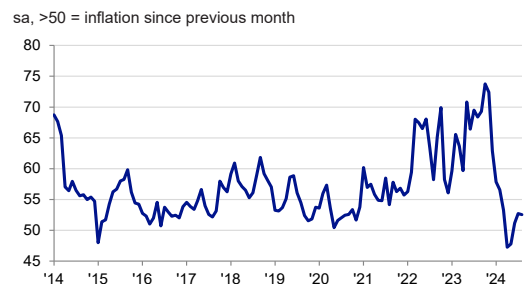
## Purchase Prices Index



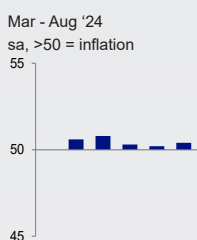
## Purchase prices

Kenyan firms saw a third successive monthly rise in purchase costs half-way through the third quarter of the year. The latest increase was solid, but eased slightly from July. Survey respondents noted higher taxes, increased import prices and material shortages as reasons for heightened costs.

## Purchase Prices Index



## Staff Costs Index



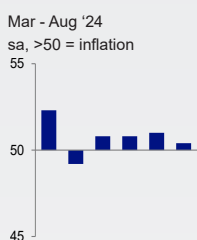
## Staff costs

Wage costs remained largely stable in August. Although the respective seasonally adjusted index registered above the 50.0 no-change mark for the fifth month running, the rise in payroll expenses was only marginal, with the vast majority of panellists seeing no change since July.

## Staff Costs Index



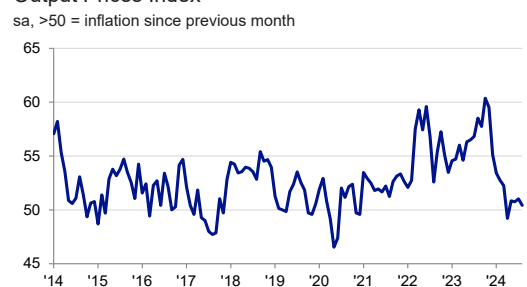
## Output Prices Index



## Output prices

Prices charged for goods and services at Kenyan firms rose in August, as companies on average passed on higher input prices to their customers. That said, there were some reports of firms offering discounts in order to attract more clients. Subsequently, the overall rate of charge inflation eased to a four-month low and was minimal.

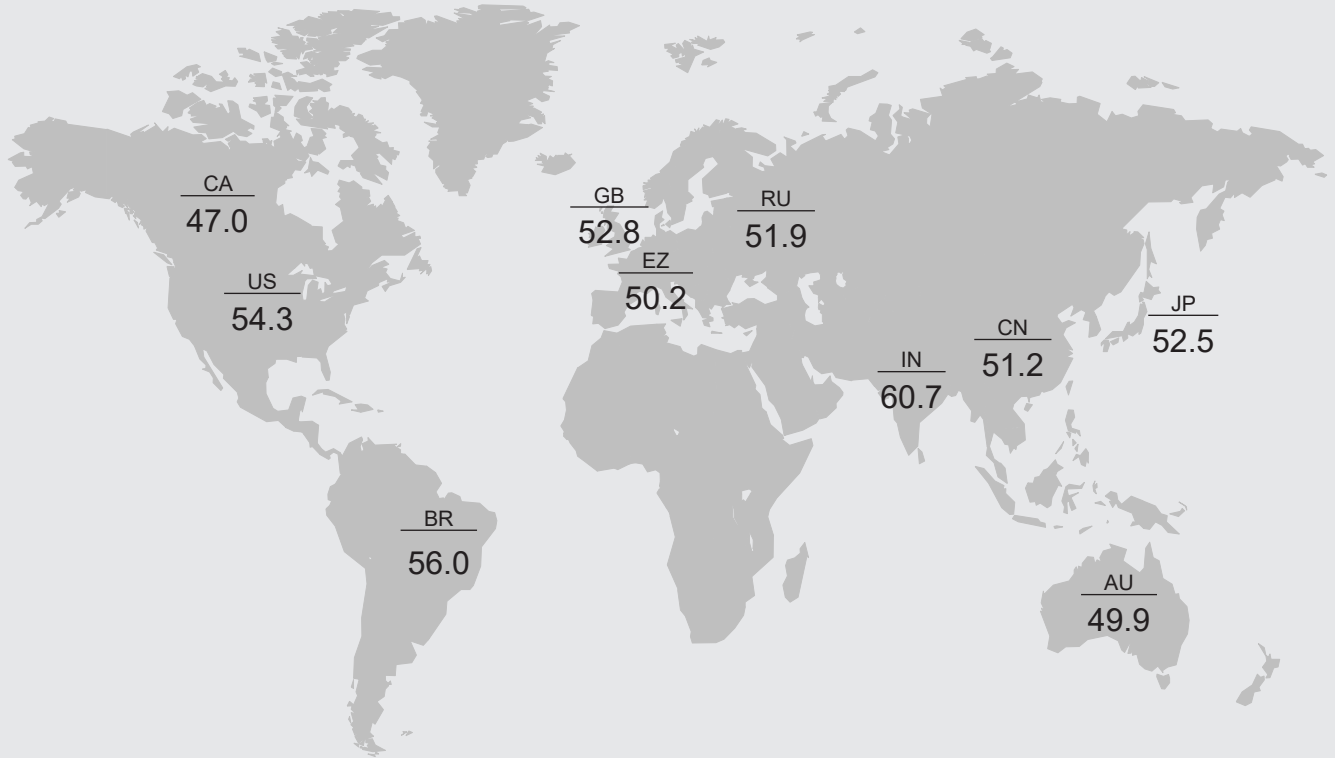
## Output Prices Index



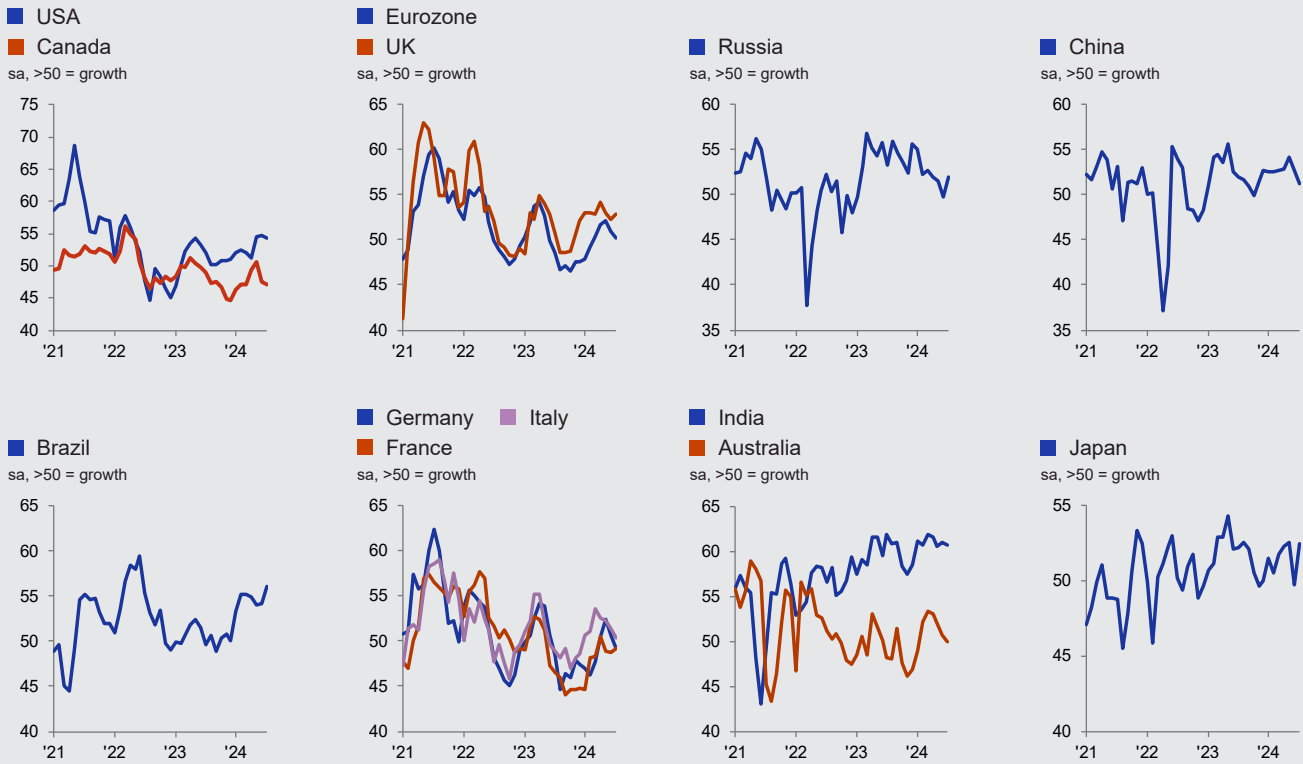
# International PMI

Composite Output Index, Jul '24  
sa, >50 = growth since previous month

The Composite Output Index is a GDP-weighted average of the Manufacturing Output Index and the Services Business Activity Index.



## Composite Output Index



# 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](mailto:economics@spglobal.com).

## Survey dates

Data were collected 12-28 August 2024.

### Survey questions

Private sector

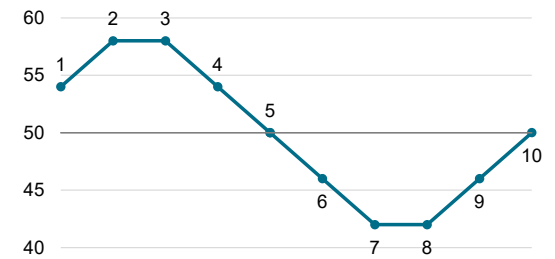
Output	Suppliers' Delivery Times
New Orders	Stocks Of Purchases
New Export Orders	Input Prices
Future Output	Purchase Prices
Employment	Staff Costs
Backlogs Of Work	Output Prices
Quantity Of Purchases	

### Index calculation

$$\% \text{ "Higher"} + (\% \text{ "No change"})/2$$

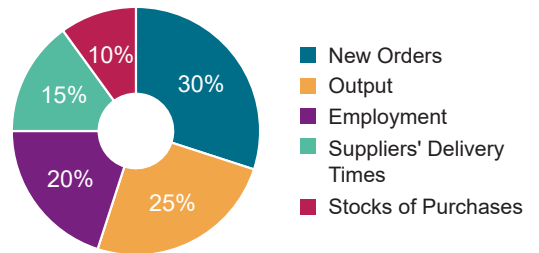
### Index interpretation

50.0 = no change since previous month



- |                          |                            |
|--------------------------|----------------------------|
| 1 Growth                 | 6 Decline, from no change  |
| 2 Growth, faster rate    | 7 Decline, faster rate     |
| 3 Growth, same rate      | 8 Decline, same rate       |
| 4 Growth, slower rate    | 9 Decline, slower rate     |
| 5 No change, from growth | 10 No change, from decline |

### PMI component weights



### Sector coverage

PMI data include responses from companies operating in sectors classified according to the following ISIC Rev.4 codes:

A Agriculture, Forestry and Fishing	K Financial and Insurance Activities
B Mining and Quarrying	M Professional, Scientific and Technical Activities
C Manufacturing	N Administrative and Support Service Activities
F Construction	P Education*
G Wholesale and Retail Trade; Repair of Motor Vehicles and Motorcycles	Q Human Health and Social Work Activities*
H Transportation and Storage	R Arts, Entertainment and Recreation
I Accommodation and Food Service Activities	S Other Service Activities
J Information and Communication	

\*Private sector



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### About Stanbic Bank Kenya

Stanbic Bank Kenya is a member of the Standard Bank Group, Africa's largest bank by assets. With a solid foundation in Kenya and history spanning over 110 years, Stanbic is one of the top banks operating in Kenya focused on fostering her socio-economic growth wide with a branch network across the country providing services to individuals, businesses and Commercial clients. Standard Bank Group which is the largest financial institution in Africa by Market capitalization, has on-the-ground representation in 20 African countries - making them one of the largest banking networks on the continent. Standard Bank Group's largest shareholder is Industrial and Commercial Bank of China (ICBC), the world's largest bank, with a 20.1% shareholding. Standard Bank Group has direct, on-the-ground representation in 20 African countries.

At Stanbic Bank, we are proudly Kenyan with a clear purpose which is Kenya is our Home, we drive her Growth. This informs everything we do as an organization as we are committed to the growth and development of Kenya, its people and industries. It is with this drive that Stanbic Bank Kenya continues to move forward with its purposeful strategy to drive Kenya's growth by actively seeking opportunities to partner with both Government and private Sector to unlock their potential and contribution to the economy.

Stanbic Bank Kenya provides the full spectrum of financial services. The Consumer and High Net-worth division Stanbic Bank continue to serve the people of Kenya with a range

of personal banking products and solutions. Stanbic Bank also offers Wealth services and product offerings, including insurance, investment, fiduciary, bespoke banking and multi-generational wealth preservation solutions to high net worth individuals, retail, business, commercial, and corporate clients across the Bank's footprint.

Its Corporate and Investment Banking division serves a wide range of requirements for banking, finance, trading, investment, risk management and advisory services. Corporate and Investment Banking delivers this comprehensive range of products and services relating to investment banking; global markets; and global transactional products and services. Stanbic Bank's Corporate and Investment Banking expertise is focused on industry sectors that are most relevant to emerging markets. It has strong offerings in oil, gas and renewables; power and infrastructure and agriculture.

With regard to Business and Commercial unit, Stanbic Bank Kenya offers banking and other financial services to medium-sized enterprises and high value small businesses. This unit serves the increasing need among Africa's small business and individual customers for banking products that can meet their shifting expectations and growing wealth.

Stanbic Bank is listed on the Nairobi Securities Exchange (NSE).

<http://www.stanbicbank.co.ke>

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We are widely sought after by many of the world's leading organizations to provide credit ratings, benchmarks, analytics and workflow solutions in the global capital, commodity and automotive markets. With every one of our offerings, we help the world's leading organizations plan for tomorrow, today.

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### 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.

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