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Stanbic Bank Kenya PMI[®]

Business conditions weaken slightly in September

Key findings

Output and new orders return to contraction

Staff numbers stabilise

Input price inflation recedes

The latest survey data signalled a slight deterioration in Kenyan private sector conditions in September. The Stanbic Bank Kenya PMI[®] dipped below the neutral mark, after recording a slight recovery in August following disruption to companies caused by protests. Reports of economic challenges for both businesses and households prompted a reduction in sales, leading to a renewed cutback in activity. Positively, the slowdown helped to ease the rate of input price inflation, contributing to only a marginal rise in output prices.

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.

September saw the headline PMI drop below the 50.0 no-change mark, falling to 49.7 from 50.6 in August, to indicate a slight deterioration in the health of the Kenyan private sector economy. The decline followed the first improvement in business conditions for three months in August.

Surveyed businesses registered a slight decline in their activity levels at the end of the quarter, coinciding with a renewed drop in new business intakes. Anecdotal evidence suggested that challenging economic conditions at clients such as reduced cash flow led to lower intakes of work placed at surveyed firms. That said, the pace of contraction was only marginal, with several panellists continuing to see sales improve amid greater customer turnout, higher investment and a positive impact from marketing.

A renewed decline in new business across the service sector coincided with sustained contractions in the agriculture and wholesale & retail segments. At the same time, manufacturers and construction firms registered higher sales.

Despite lower demand on average, Kenyan firms reported an expansion in their purchasing activity for the second month running. Survey respondents linked the move to the shoring up of stocks amid hopes that sales will strengthen. Inventories of

Stanbic Bank Kenya PMI

sa, >50 = improvement since previous month



Sources: Stanbic Bank, S&P Global PMI.
Data were collected 12-26 September 2024.

Comment

Christopher Legilisho, Economist at Standard Bank commented:

“Business conditions contracted slightly in September, implying that the pickup in August was due to some recovery after the disruptions caused by protests earlier this year. New orders and output were weak due to subdued consumer demand – notwithstanding some firms reporting increased client turnout and higher investments. The agricultural sector, wholesale and retail sectors and services recorded declines, though the manufacturing and construction sectors both ticked up.

“Positively, employment in the private sector stabilised in September, after declining in August, while firms noted higher inventory stocks held as well as input purchases made, reflecting expectations for demand conditions improving in Q4:24.

“Furthermore, there was a moderation in the expansion of purchase prices and wages in September, reflecting stable input prices for most businesses. Notably, the exchange rate and fuel prices have stayed unchanged over the past two months, as reflected in the survey. We anticipate inflation to be muted in September at around 4-4.5%.

“However, business expectations for the coming year remain at their weakest levels in a decade due to the economic headwinds of this year.”

PMI[®]

by **S&P Global**

inputs rose at a modest pace that was the quickest since May, supported by a slight reduction in average lead times.

Stable workforce numbers were also recorded in September, as firms noted there was little need to hire new staff or replace voluntary leavers. This was partly due to a softening of capacity pressures, with the survey data indicating little change in firms' outstanding business after a recent run of accumulation. In addition, Kenyan firms continued to show a subdued level of confidence towards future activity, with only 4% of survey members expecting an upturn over the coming year.

On prices, the September survey data provided hopeful signs of an easing in inflationary pressures at the end of the third quarter. A softer increase in purchase prices led to the weakest uptick in total business expenses in the current four-month sequence of inflation. The marginal rise in input costs led to a similarly mild uplift in prices charged, as companies with inflated costs generally opted to pass these on to customers.

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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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