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## Stanbic Bank Kenya PMI®

### Business activity and employment return to growth

#### Key findings

Output levels rise marginally as sales broadly stabilise

Job numbers up for first time since July

Cost pressures remain modest

Kenyan firms saw a renewed improvement in operating conditions at the start of the fourth quarter. Activity levels expanded amid a broad stabilisation of new work, while employment increased for the first time in three months. Purchasing efforts accelerated, leading to the greatest upturn in inventories since August 2023. Input cost pressures remained mild, prompting a slower increase in average prices charged.

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 ticked back above the 50.0 no-change mark in October, rising from 49.7 in September to 50.4. The reading signalled a renewed but marginal upturn in the health of the private sector, with output, new orders and employment all moving into expansion.

Total output at Kenyan businesses rose for the second time in three months during October, albeit only slightly overall. Whilst a third of firms surveyed saw their activity increase since the prior month, this was largely offset by declining activity at 29% of panellists. Sector data further muddled the picture, as expansions in agriculture, construction and wholesale & retail were countered by decreases in manufacturing and services.

According to surveyed businesses, rising sales and greater client interest drove the increase in activity in October. That said, the overall uplift in sales was only fractional, as many firms continued to struggle with cash flow constraints, tough economic conditions, rising costs and political uncertainty.

The slight rise in output at Kenyan firms led to a similarly mild uptick in employment levels. Nonetheless, this marked the first instance of workforce growth since July, which allowed for a fresh depletion of backlogs of work.

Capacity building in October also included purchases, as the volume of inputs bought rose for the third month running.

Stanbic Bank Kenya PMI

sa, >50 = improvement since previous month



Sources: Stanbic Bank, S&P Global PMI.  
Data were collected 10-29 October 2024.

#### Comment

Mulalo Madula, Senior Analyst at Standard Bank commented:

*“The latest Stanbic Bank Kenya PMI data reveals a cautiously optimistic outlook for the Kenyan private sector as business activity and employment levels returned to growth in October. The PMI rose to 50.4, slightly above the neutral mark, indicating a marginal upturn in operating conditions, after having declined in September. This improvement implies the challenges faced in previous months as now easing, albeit slowly, setting the stage for economic recovery.*”

*“The increase in output, driven by a broad stabilization of new orders, underscores the resurgence in sales and client interest, particularly in sectors such as agriculture, construction, and wholesale & retail. However, growth was tempered by declines in manufacturing and services, highlighting the mixed performance across the sectors.*”

*“Employment levels ticked up slightly, marking the first increase since July. Further, firms have been ramping up purchasing efforts, leading to the sharpest increase in inventories since August 2023, signalling that businesses are preparing for anticipated demand.*”

*“Despite this positive momentum, input cost pressures remain mild. The interplay of higher material prices and tax payments, against the backdrop of reduced fuel costs, has led to only marginal increases in average selling prices. However, while the Future Output Index shows a rise in confidence among businesses regarding future activity, it remains at one of its lowest levels historically.”*

**PMI®**

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Businesses meanwhile stocked more inputs in anticipation of new customers. Inventories rose at a modest pace that was the fastest observed in just over a year.

Greater spending by firms partly reflected a pick-up in output expectations at the start of the fourth quarter. Confidence regarding activity in the year ahead rose to a four-month high, with new outlets, reoriented marketing strategies and greater investment often cited as expected drivers of growth. That said, sentiment remained subdued when compared with historical trends.

Despite increased hiring and purchases, Kenyan firms continued to see a mild rate of input cost inflation. While tax payments and higher material prices drove expenses up at several firms, this was partly countered by reduced fuel prices. Cost burdens were particularly weak compared to those seen last year.

As a result, average prices charged rose only marginally. Notably, a softer rise in August and a drop in April marked the only instances in almost four years where inflationary pressures on selling charges have been cooler.

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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](mailto: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](http://www.spglobal.com/marketintelligence/en/mi/products/pmi)

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