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Stanbic Bank Kenya PMI®

Output growth slows to four-month low

Key findings

New orders rise marginally

Price pressures remain solid, but ease from December

Employment falls for first time in five months

Kenyan business conditions improved further as 2025 began, according to the Stanbic Bank Kenya PMI®, with expansions in output and new orders signalled for the fourth month running. Activity growth nevertheless fell to its softest pace in this sequence, as businesses highlighted challenging economic conditions and a slowdown in client demand.

Price pressures remained solid, but moderated from December's 11-month high. Firms responded by increasing their selling charges further, whilst staffing numbers dropped for the first time since last August.

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 recorded 50.5 in the first month of 2025, which was little-changed from a reading of 50.6 in December. The index was above the 50.0 neutral mark for the fourth successive month, thereby extending the current period of private sector growth.

Kenyan companies saw sustained upturns in their activity levels and new work intakes during January. Survey panellists commented that new client referrals, increased marketing, improved cash flow and an easing of inflationary pressures underscored the rise in sales. Firmer stock volumes – as evidenced by a renewed uplift in purchased item inventories – were also cited as supporting activity.

Growth momentum regarding output and new orders faded somewhat, however. The latest data signalled that January's rise in output was the weakest recorded in the current four-month expansionary sequence and only marginal. Sales growth also eased to its slowest since last October.

As a result, Kenyan firms reported a milder uplift in purchasing activity at the start of the year. Similarly, employment numbers fell fractionally, ending a three-month run of growth in the final

Stanbic Bank Kenya PMI

sa, >50 = improvement since previous month



Sources: Stanbic Bank, S&P Global PMI.
Data were collected 9-29 January 2025.

Comment

Christopher Legilisho, Economist at Standard Bank commented:

“The Kenyan Purchasing Managers Index (PMI) expanded for a fourth month running in January but at a slightly weaker pace than in the two preceding months, reflecting the ongoing resilience of the private sector at the start of this year. Positively, firms reported increases in both output and new orders, implying higher sales, more marketing, client referrals, and lower inflationary pressures. Firms were able to increase stocks purchased and inventories held – to cover higher sales as well as the future likelihood of difficulty in finding materials. Some firms nevertheless reported harsh economic conditions. Still, employment conditions were relatively stable.

“Kenyan businesses reported an increase in purchase prices for imported commodities, albeit a slower one than the preceding month, still attributed to higher taxes. Staff costs remained stable. Output prices increased but less briskly so as firms passed on higher input and purchase prices to customers. We would therefore foresee a slight easing in inflationary pressure during January than was the case in December.

“The private sector’s confidence in January about the business outlook for the next 12 months remains weak, though better than in December.”

PMI®

by **S&P Global**

quarter of 2024. Most respondents kept their staffing levels unchanged.

On prices, the latest survey data offered mixed results in January. Overall input prices continued to rise at a solid pace, which companies largely attributed to the impact of higher taxation on imported material prices. However, the rate of inflation softened from December when it reached its highest level since January 2024.

In many cases, firms reporting higher purchasing costs raised their selling charges accordingly. The overall increase was solid, but the softest recorded in three months.

Finally, expectations for business activity over the next 12 months remained among the weakest observed on record in January, despite improving slightly since the end of last year. Only 6% of surveyed companies gave a positive output projection, with strategic focuses such as new products and services and increased marketing activity reportedly driving these forecasts.

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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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