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Stanbic Bank Kenya PMI®

Private sector continues to eke out marginal growth in February

Key findings

Output and new business rise slightly

Cost pressures drop to four-month low

Outlook dims as just 5% of firms forecast growth

Kenyan businesses reported another improvement in operating conditions in February, continuing the growth streak that began in late-2024, as survey evidence signalled that a greater stabilisation of the wider economy drove higher demand and output. Lower inflationary pressures also supported the upturn, as both input and output prices rose at the slowest rates for four months.

Nevertheless, the growth signal derived from the latest survey was relatively mild in February, particularly as several businesses continued to report challenges boosting sales. Employment and inventories also rose only slightly, in line with a subdued outlook for year-ahead activity.

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.

At 50.6 in February, up from 50.5 in January, the headline PMI was consistent with a strengthening of business conditions for the fifth month running. However, the reading was below its long-run average of 51.2 and signalled only a marginal overall improvement.

Business activity grew for the fifth straight month and at the quickest pace since November last year. Reports from surveyed firms signalled that a general uplift in the economic environment had strengthened demand and led to an increase in output. Several firms also reported expanding their product offerings and investing more in marketing.

The volume of new orders also rose for the fifth month in succession, with improving cash flow, softer price pressures and new products and services encouraging an increase in demand. However, many firms reported challenges in boosting sales, resulting in an overall rate of new business growth that was only slight.

Sector divergences were apparent in February, with output and

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sa, >50 = improvement since previous month



Sources: Stanbic Bank, S&P Global PMI.
Data were collected 10-26 February 2025.

Comment

Christopher Legilisho, Economist at Standard Bank commented:

“The February PMI for Kenya shows a private sector still growing, though only slightly faster, amid still weak demand. Still, the positive expansions in output, new orders and employment show a steady private sector over the last five months. However, the improvements in demand conditions were not widespread across all sectors surveyed. The services sectors, that saw weaker output and new orders growth, experienced increased competition as well as consumers under increased financial pressure. Further, there was less input buying in services as well as wholesale and retail in February. We reiterate that businesses remain doubtful about future output expectations. Still, lower interest rates may well resuscitate lending among firms and thereby drive economic activity.

“Positively, firms are focused on increasing inventories due to strong demand in output in agriculture, manufacturing and construction as well as improving efficiencies among their vendors. Pricing pressures were muted due to soft increases in input and purchase prices, while staff costs remained even. Output prices increased somewhat, confirming economic demand as still weak.”

new business growth driven by agriculture, manufacturing and construction. Meanwhile, wholesale & retail and services firms recorded declines in activity, new work and purchases of inputs.

February data indicated a further softening of input cost inflation across the private sector. Average input prices rose at the slowest pace in four months, due to a weaker increase in purchase prices. Firms responded with a softer markup of their own charges.

Business sentiment for the coming year dropped to one of its lowest points on record in February. Notably, only 5% of surveyed firms anticipated an upturn amid ongoing concerns about the wider economy and high competition.

Subsequently, firms made only limited improvements to staffing and inventories. Although employment growth recovered to a four-month high, it was weaker than its long-run trend. Similarly, the uplift in stocks was below-average, as purchasing activity fell for the first time since July 2024.

Contact

Christopher Legilisho
 Economist
 Standard Bank
LegilishoC@stanbic.com

David Owen
 Senior Economist
 S&P Global Market Intelligence
 T: +44 1491 461 002
david.owen@spglobal.com

Corporate Communications
 S&P Global Market Intelligence
press.mi@spglobal.com

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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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