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Stanbic Bank Kenya PMI[®]

Private sector conditions deteriorate further in June, but confidence in future activity improves sharply

Key findings

Quicker contractions in output and new orders

Strongest outlook for year-ahead performance in 13 months

Stockpiling intensifies, but input purchases fall

Kenya's private sector faced additional challenges as the first half of 2025 ended, as the latest survey data highlighted contractions in both output and new orders for the second month running. Nevertheless, confidence about future activity strengthened and headcounts increased, while delivery times improved at the sharpest rate in almost two years. Input prices and output charges both rose, with inflation rates ticking up from May.

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 Kenya PMI fell further in June, registering below the 50.0 neutral mark for the second month running. At 48.6, down from 49.6 in May, the index signalled a modest decline in business conditions that was the sharpest in 11 months.

Weaker conditions were primarily driven by a solid contraction in business activity. Survey respondents attributed this decline to lower customer spending, challenging economic conditions and operational disruptions from protests. The downturn was compounded by a steeper fall in new orders, with over one-third of surveyed businesses reporting reduced sales intakes, compared to only 20% noting an expansion. Firms consistently cited difficult conditions for clients as the main factor behind diminishing new business.

Despite these headwinds, Kenyan firms displayed increased optimism about future prospects, as sentiment levels reached their highest since May 2024. Approximately 18% of respondents expressed confidence in their ability to boost output over the next year, citing expectations of improved sales and market expansion. This optimism represented a marked improvement from the muted sentiment levels recorded earlier in the year.

Employment conditions were also a bright spot, with staffing levels rising for the fifth consecutive month, albeit only marginally. Companies also reported improved vendor performance,

Stanbic Bank Kenya PMI

sa, >50 = improvement since previous month



Sources: Stanbic Bank, S&P Global PMI.
Data were collected 12-26 June 2025.

Comment

Christopher Legilisho, Economist at Standard Bank commented:

"In June, the Stanbic Kenya PMI contracted for a second consecutive month, with the headline index showing weaker overall business conditions. However, the additional PMI indicators show a mixed picture. The dip in activity was due to output and new orders contracting because of weaker consumer spending, challenging economic conditions, and social protests reappearing in June. Quantities of purchases also fell, per reduced output and new orders, and work backlogs declined, albeit to a smaller extent.

"Still, employment grew, and inventories expanded for a sixth month running, likely related to improved expectations for businesses over the coming year, with sentiment hitting a peak not seen since May 2024. Input prices, purchase prices, staff costs and output prices all increased in June but only matched, or came below, the long-term average — implying that inflationary pressures are both low and contained. Price increases reflect concerns about the increased tax burden being faced by businesses."

PMI[®]

by **S&P Global**

with delivery times shortening to the greatest extent in nearly two years, driven by intense competition and reduced road congestion. However, some respondents noted delays due to port clearance issues and material shortages.

Kenyan firms showed increased stockpiling activity in June, with inventory levels rising at the strongest pace since October 2022, reflecting both optimistic demand expectations and strategic purchasing amid favourable material prices. However, purchasing activity continued to decline, with June recording the steepest contraction since July 2024, as businesses adjusted their buying patterns in response to softer sales trends.

On the price front, businesses faced greater cost pressures, with input price inflation accelerating to its highest level since January. Quicker inflation was primarily attributed to rising salary burdens, while purchase price inflation moderated to a four-month low. Meanwhile, output prices rose only modestly as companies balanced cost recovery with efforts to maintain their customer base amid challenging market conditions.

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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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.

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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.

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