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Stanbic Bank Kenya PMI®

Business conditions worsen as rising prices hit demand

Key findings

New orders fall for first time in eight months

Output and purchasing both decrease

Selling price inflation eases despite higher cost pressures

The Kenya PMI® fell into negative territory in May, as rising prices contributed to a drop in customer spending and weaker business activity. The downturn ended a seven-month run of improving business conditions, although the rate of decline was mild as businesses continued to raise their stock levels and labour capacity.

Input prices ticked up at their fastest pace in four months, but overall cost pressures remained much softer than on average. Conversely, selling charges rose at the weakest rate since last October as firms sought to ease the price burden on customers.

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 dropped from 52.0 in April to 49.6 in May, printing below the 50.0 no-change mark for the first time since last September. This indicated a slight decline in the health of the private sector economy, following improvements in each of the previous seven months.

Total business output contracted at the fastest rate in ten months in May, although the overall downturn was only slight. While 33% of survey respondents noted that output had fallen since April, 29% reported an expansion. Declines were generally driven by the construction, wholesale & retail and services sectors, whereas output increased in agriculture and manufacturing.

Order book inflows decreased at a modest pace, marking the first contraction since September 2024. According to monitored firms, customer demand was lower due to rising prices and challenging economic conditions. On the other hand, several firms still cited gaining new clients and benefitting from greater marketing.

Stocks of purchases across the private sector rose for the fifth month running in May. However, a slight dip in input buying meant that the rate of accumulation was the slowest since

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sa, >50 = improvement since previous month



Sources: Stanbic Bank, S&P Global PMI.
Data were collected 12-28 May 2025.

Comment

Christopher Legilisho, Economist at Standard Bank commented:

"The Stanbic Kenya PMI signalled fragility in the private sector's recovery. There was a moderate contraction in output, and a decline in new orders after seven months of expansion. Purchasing activity was also down, reflecting a lack of new projects. Consumers remain hesitant to spend due to concerns about their economic state and the dim outlook. Still, whereas output, new orders and purchasing activity declined, employment and inventories rose, while backlogs remained steady.

"For pricing, the survey showed a softer increase output prices, and a moderate increase in input prices, especially in the manufacturing sub-sector. Increases in materials prices were related to tax and customs obligations."

February.

Staff numbers also grew, albeit only slightly. Firms largely commented on the hiring of short-term labour in order to finalise orders.

Suppliers continued to provide inputs in a timely manner. Overall delivery times shortened for the fourth consecutive month, though only marginally.

Input price pressures accelerated over the course of May, which businesses mainly attributed to greater purchase prices and heightened tax payments. The increase in costs was the quickest since January, but remained well below the series long-run trend.

With demand weakening, Kenyan firms made some efforts to contain the impact of higher costs on customer prices. The rate of output price inflation eased to a seven-month low and was marginal.

Business expectations for the next 12 months remained subdued in May, ticking down to their second-lowest on record. Just 4% of surveyed firms anticipate an improvement in output, citing expected branch openings and new marketing strategies.

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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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