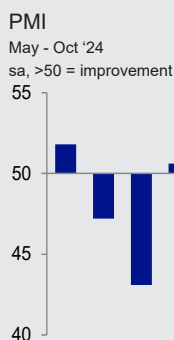


Stanbic Bank Kenya PMI®

Business activity and employment return to growth

50.4

KENYA PMI
OCT '24



Output levels rise marginally as sales broadly stabilise

Job numbers up for first time since July

Cost pressures remain modest

Kenyan firms saw 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

Stanbic Bank Kenya PMI
sa, >50 = improvement since previous month



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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. 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.

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."



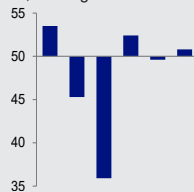
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by **S&P Global**

Output and demand

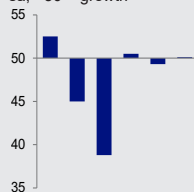
Output Index

May - Oct '24
sa, >50 = growth



New Orders Index

May - Oct '24
sa, >50 = growth



Output

Business activity across Kenya ticked higher during October, marking the second expansion in three months. Although this cancelled out September's decline, the pace of growth in activity was only mild. Approximately a third of surveyed businesses reported their output rising, due in large part to higher sales and client interest. Conversely, 29% of firms reduced their activity amid reports of cash flow challenges and the effects of political uncertainty.

New orders

Although the seasonally adjusted New Orders Index climbed above the 50.0 neutral mark, it did so only fractionally, indicating that order book levels were little changed in October. Where an upturn was seen, firms cited higher client demand and effective marketing strategies. Lower sales were meanwhile associated with the impact of tough economic factors such as higher living costs.

Output Index

sa, >50 = growth since previous month



New Orders Index

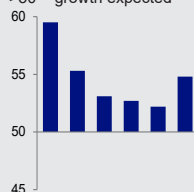
sa, >50 = growth since previous month



Business expectations

Future Output Index

May - Oct '24
>50 = growth expected



For the first time since April, the Future Output Index rose month-on-month during October. Nevertheless, the index pointed to a subdued assessment of future activity levels, with overall confidence remaining at one of its weakest levels in the survey history. Firms anticipating an expansion in output often noted plans to open new outlets. Investment into products, marketing and digital platforms were also mentioned.

Future Output Index

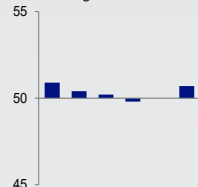
>50 = growth expected over next 12 months



Employment and capacity

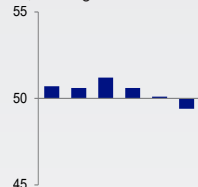
Employment Index

May - Oct '24
sa, >50 = growth



Backlogs of Work Index

May - Oct '24
sa, >50 = growth



Employment

The seasonally adjusted Employment Index rose above the 50.0 no-change mark in October, pointing to a slight increase in workforce numbers at Kenyan companies. This marked the first uplift since July and the fastest for five months, although the pace of job creation remained mild. Anecdotal reports suggest that hiring was centred on temporary workers as firms looked to boost capacity.

Backlogs of work

Outstanding business decreased across the private sector as a whole during October, pointing to the first monthly reduction since February. That said, the pace of depletion was only marginal.

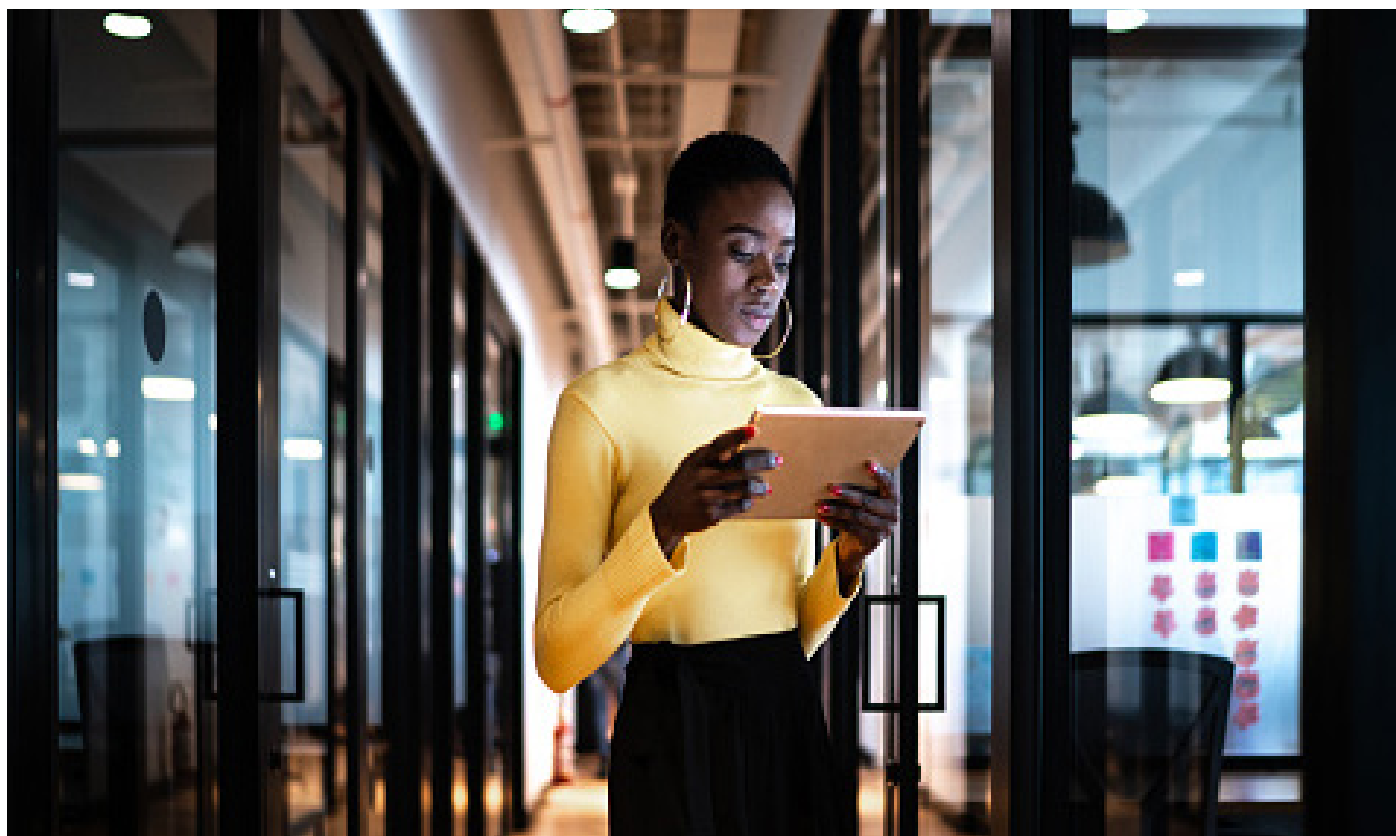
Employment Index

sa, >50 = growth since previous month



Backlogs of Work Index

sa, >50 = growth since previous month



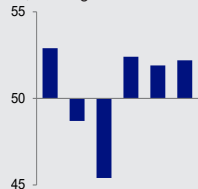
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by **S&P Global**

Purchasing and inventories

Quantity of Purchases Index

May - Oct '24
sa, >50 = growth



Quantity of purchases

Purchasing quantities grew for the third consecutive month in October, and to a similar extent as in August and September. Qualitative evidence from the survey panel showed that inputs were purchased in greater quantities to fulfil new orders and boost output.

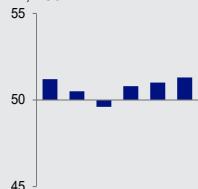
Quantity of Purchases Index

sa, >50 = growth since previous month



Suppliers' Delivery Times Index

May - Oct '24
sa, >50 = faster times



Suppliers' delivery times

Kenyan firms continued to receive inputs in a timelier manner, extending the period of improving supplier performance that began in August. Panellists largely attributed the improvement to finding local sources for some items and making early payments to vendors. Though modest, the rate at which lead times shortened was the greatest since January.

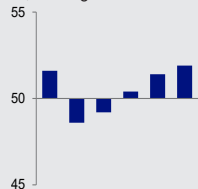
Suppliers' Delivery Times Index

sa, >50 = faster times since previous month



Stocks of Purchases Index

May - Oct '24
sa, >50 = growth

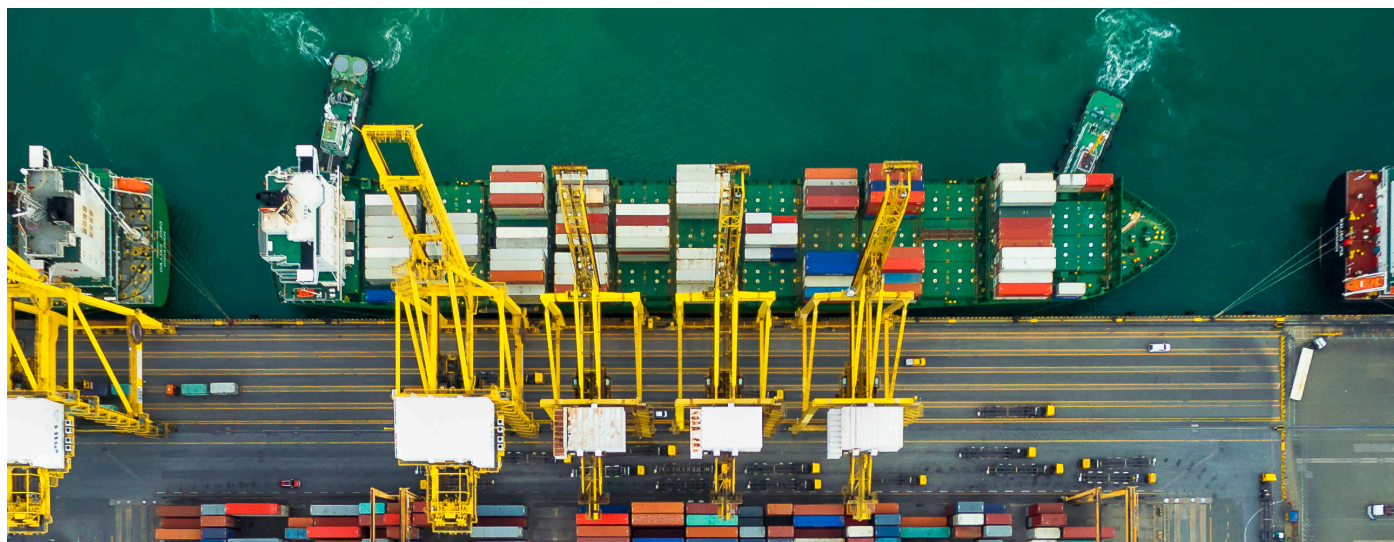


Stocks of purchases

Higher purchasing activity corresponded with a third straight monthly expansion of inventories at Kenyan firms. The rate of growth climbed to the highest in over a year, but remained modest compared to the series long-run trend. Respondents generally stocked more in anticipation of new customers and higher demand.

Stocks of Purchases Index

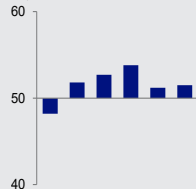
sa, >50 = growth since previous month



Prices

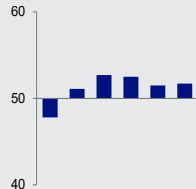
Input Prices Index

May - Oct '24
sa, >50 = inflation



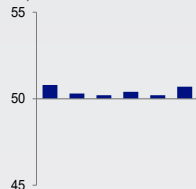
Purchase Prices Index

May - Oct '24
sa, >50 = inflation



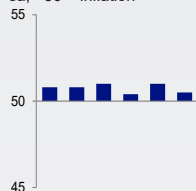
Staff Costs Index

May - Oct '24
sa, >50 = inflation



Output Prices Index

May - Oct '24
sa, >50 = inflation



Input prices

Input prices rose at a modest pace across the Kenyan private sector at the start of the final quarter of 2024. The rate of cost inflation was little changed from the prior month and much weaker than the series average. Slightly stronger increases were seen in both purchase prices and staff costs during the month.

Purchase prices

Companies in Kenya paid higher purchase prices for the fifth successive month in October. The rate of inflation quickened slightly, yet remained much lower than the trend last year. Twice as many survey respondents saw their purchase prices rise (10%) in October as those registering a fall (5%), with survey comments suggesting that the impact of higher tax payments outweighed that of lower petrol prices.

Staff costs

Firms signalled limited momentum on private sector wages in October. Although staff costs rose further, the uplift was only marginal, with most panellists keeping salaries stable. Panellists that recorded a rise in employee wages linked this to the higher cost of living.

Output prices

October data indicated a mild rise in average prices charged, with the pace of increase slowing from the previous month. Barring a drop in April, the latest mark-up in charges was the second-slowest for nearly four years (following that seen in August). Selling prices rose due to both higher buying costs and constrained margins according to panellists. That said, reduced fuel prices and efforts to attract more clients led to discounts in some places.

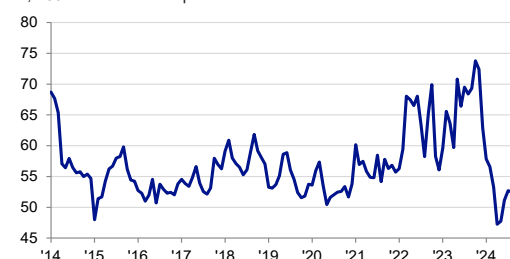
Input Prices Index

sa, >50 = inflation since previous month



Purchase Prices Index

sa, >50 = inflation since previous month



Staff Costs Index

sa, >50 = inflation since previous month



Output Prices Index

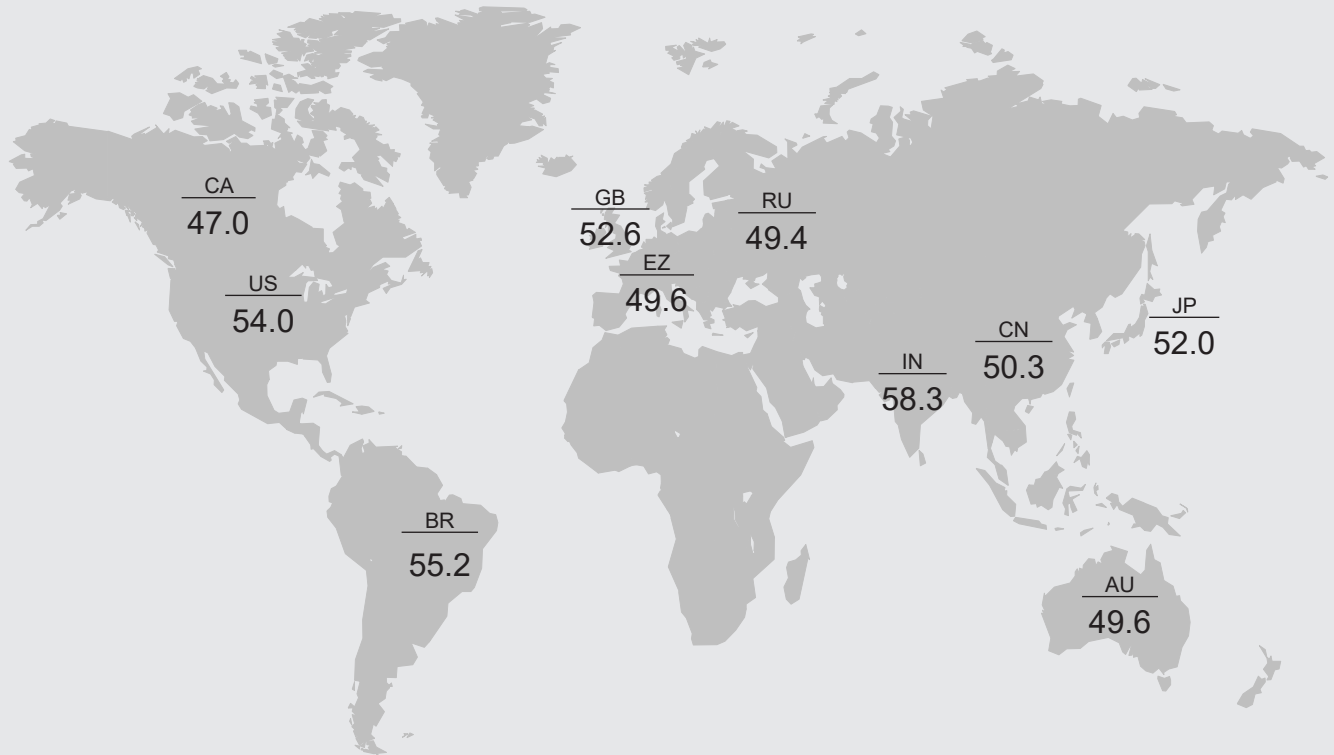
sa, >50 = inflation since previous month



International PMI

Composite Output Index, Sep '24
sa, >50 = growth since previous month

The Composite Output Index is a GDP-weighted average of the Manufacturing Output Index and the Services Business Activity Index.

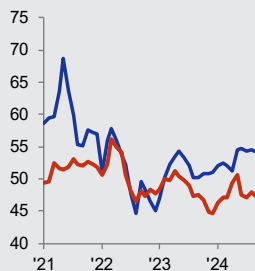


Composite Output Index

■ USA

■ Canada

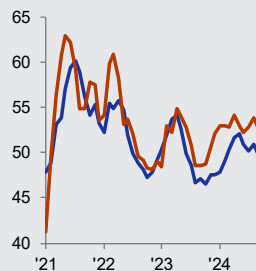
sa, >50 = growth



■ Eurozone

■ UK

sa, >50 = growth



■ Russia

sa, >50 = growth



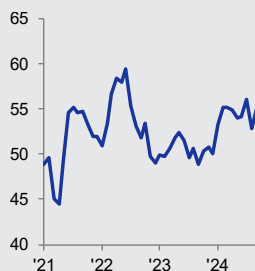
■ China

sa, >50 = growth



■ Brazil

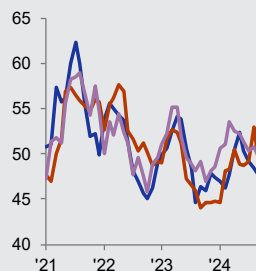
sa, >50 = growth



■ Germany

■ France

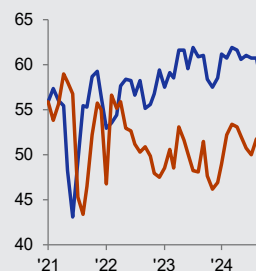
sa, >50 = growth



■ India

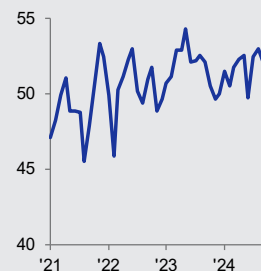
■ Australia

sa, >50 = growth



■ Japan

sa, >50 = growth



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.

Survey dates

Data were collected 10-29 October 2024.

Survey questions

Private sector

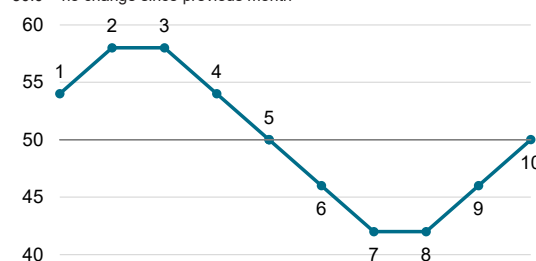
Output	Suppliers' Delivery Times
New Orders	Stocks Of Purchases
New Export Orders	Input Prices
Future Output	Purchase Prices
Employment	Staff Costs
Backlogs Of Work	Output Prices
Quantity Of Purchases	

Index calculation

$$\% \text{ "Higher"} + (\% \text{ "No change"})/2$$

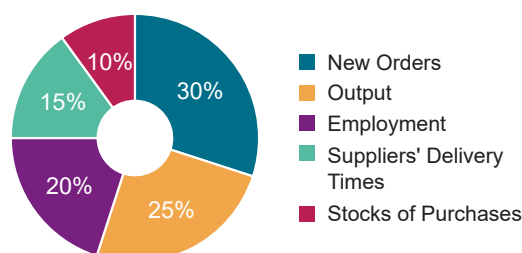
Index interpretation

50.0 = no change since previous month



- | | |
|--------------------------|----------------------------|
| 1 Growth | 6 Decline, from no change |
| 2 Growth, faster rate | 7 Decline, faster rate |
| 3 Growth, same rate | 8 Decline, same rate |
| 4 Growth, slower rate | 9 Decline, slower rate |
| 5 No change, from growth | 10 No change, from decline |

PMI component weights



Sector coverage

PMI data include responses from companies operating in sectors classified according to the following ISIC Rev.4 codes:

A Agriculture, Forestry and Fishing	K Financial and Insurance Activities
B Mining and Quarrying	M Professional, Scientific and Technical Activities
C Manufacturing	N Administrative and Support Service Activities
F Construction	P Education*
G Wholesale and Retail Trade; Repair of Motor Vehicles and Motorcycles	Q Human Health and Social Work Activities*
H Transportation and Storage	R Arts, Entertainment and Recreation
I Accommodation and Food Service Activities	S Other Service Activities
J Information and Communication	

*Private sector

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About Stanbic Bank Kenya

Stanbic Bank Kenya is a member of the Standard Bank Group, Africa's largest bank by assets. With a solid foundation in Kenya and history spanning over 110 years, Stanbic is one of the top banks operating in Kenya focused on fostering her socio-economic growth wide with a branch network across the country providing services to individuals, businesses and Commercial clients. Standard Bank Group which is the largest financial institution in Africa by Market capitalization, has on-the-ground representation in 20 African countries - making them one of the largest banking networks on the continent. Standard Bank Group's largest shareholder is Industrial and Commercial Bank of China (ICBC), the world's largest bank, with a 20.1% shareholding. Standard Bank Group has direct, on-the-ground representation in 20 African countries.

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.

Stanbic Bank Kenya provides the full spectrum of financial services. The Consumer and High Net-worth division Stanbic Bank continue to serve the people of Kenya with a range

of personal banking products and solutions. Stanbic Bank also offers Wealth services and product offerings, including insurance, investment, fiduciary, bespoke banking and multi-generational wealth preservation solutions to high net worth individuals, retail, business, commercial, and corporate clients across the Bank's footprint.

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.

Stanbic Bank is listed on the Nairobi Securities Exchange (NSE).

<http://www.stanbicbank.co.ke>

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We are widely sought after by many of the world's leading organizations to provide credit ratings, benchmarks, analytics and workflow solutions in the global capital, commodity and automotive markets. With every one of our offerings, we help the world's leading organizations plan for tomorrow, today.

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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.

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