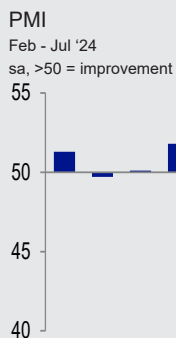


Stanbic Bank Kenya PMI®

Protests lead to steep decline in business activity

43.1

KENYA PMI
JUL '24



Output and new orders fall rapidly

Backlogs of work build up and supplier lead times lengthen

Rates of inflation remain muted

Protests in Kenya caused disruption to the private sector in July, leading to a marked deterioration in business conditions. Political instability led to a reluctance among customers to commit to new orders, while the protests themselves in some cases blocked access to businesses and prevented them from opening. These factors caused steep reductions in both output and new orders, while there was evidence of delays completing outstanding business and receiving purchased items from suppliers.

Meanwhile, input costs increased for the second month running, feeding through to a further rise in selling prices. That said, rates of inflation remained much softer than seen during 2023.

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 sharply in July to 43.1 from 47.2 in June, signalling a marked deterioration in business conditions in the Kenyan private sector at the start of the third quarter of the year. Operating conditions worsened for the second month running, and to the greatest extent since April 2021.

The deterioration in business conditions was due to rapid reductions in both output and new orders, in turn largely reflecting disruption caused by protests and political instability. A lack of money in circulation and cost of living pressures also contributed to declines in demand and business activity. In both cases, rates of contraction were the most pronounced since April 2021.

Business activity decreased across four of the five broad sectors covered, with the sharpest decline in agriculture. Manufacturing was the only category to post a rise in output.

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



Contents

- Overview and comment
- Output and demand
- Business expectations
- Employment and capacity
- Purchasing and inventories
- Prices
- International PMI
- Survey methodology
- Further information

Disruption from the protests impacted the ability of suppliers to deliver items to companies and the completion of projects by Kenyan firms themselves. As a result, suppliers' delivery times lengthened for the first time in ten months and backlogs of work accumulated to the greatest extent since March 2023.

Purchase prices increased for the second month running in July, reflecting high living costs and taxation. Although the pace of inflation quickened from that seen in June, the latest rise was still much weaker than those recorded during 2023. Meanwhile, staff costs increased marginally.

Output prices were also up modestly, and for the third successive month.

While some firms increased charges in response to higher input costs, others lowered selling prices in a bid to boost sales.

Companies scaled back purchasing activity and stocks of inputs in July, but continued to raise employment. That said, the pace of job creation was only fractional and the slowest in the current seven-month sequence of rising staffing levels.

Business confidence dropped and was the second-lowest on record, only marginally above the series nadir posted in February. Those companies that remained optimistic about the outlook for business activity generally linked this to plans to open new branches.

Comment

Christopher Legilisho, Economist at Standard Bank commented:

"The July PMI is a fair representation of business activity during the month. Private sector business activity deteriorated, reflecting ongoing demonstrations and unrest in parts of Kenya for some weeks now, discouraging output and new orders. Business operations were disrupted, and customers delayed spending decisions due to the uncertainty.

"With lower sales and orders across most sectors surveyed, purchasing quantities and inventories slipped for a second consecutive month.

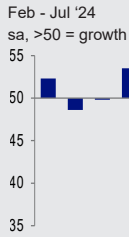
"Furthermore, there was a slight increase in input prices, purchase prices, staffing costs and output prices, reflecting the higher cost of living and taxation. However, output price increases in agriculture, services and wholesale and retail trade were counterbalanced by declines in construction and manufacturing.

"Notwithstanding reduced overall activity, job levels expanded for a seventh month in a row as firms increased their capacity to address mounting backlogs which have been exacerbated by the protests. Business confidence about the coming year weakened to a level last seen in February and was still relatively fragile."



Output and demand

Output Index



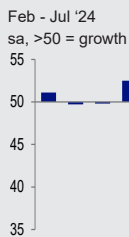
Output

Protests and political instability caused a steep contraction in business activity during July, with some companies reportedly having difficulties opening and others seeing a reluctance among customers to commit to spending. A lack of money in circulation and cost of living pressures also contributed to the fall in output, which was the steepest since April 2021.

Output Index



New Orders Index



New orders

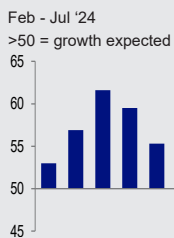
In line with the picture for business activity, new orders decreased for the second month running in July, and at a rapid pace that was the most marked in more than three years. The high cost of living and money shortages in the economy made it difficult for customers to commit to new orders, while political instability and concerns about protests also contributed to the decline in new business.

New Orders Index



Business expectations

Future Output Index



Business confidence dropped for the third month running in July and was the lowest since February's survey nadir. The vast majority of respondents (94%) predicted no change in output over the coming year. Those firms that were optimistic in the outlook generally linked this to plans to open new branches.

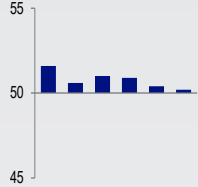
Future Output Index



Employment and capacity

Employment Index

Feb - Jul '24
sa, >50 = growth



Employment

Despite the rapid declines in output and new orders during July, companies in Kenya continued to increase employment fractionally at the start of the third quarter. That said, the pace of job creation eased for the third consecutive month and was the weakest in the current seven-month sequence of rising staffing levels.

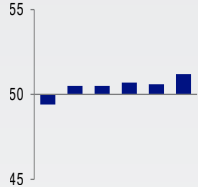
Employment Index

sa, >50 = growth since previous month



Backlogs of Work Index

Feb - Jul '24
sa, >50 = growth

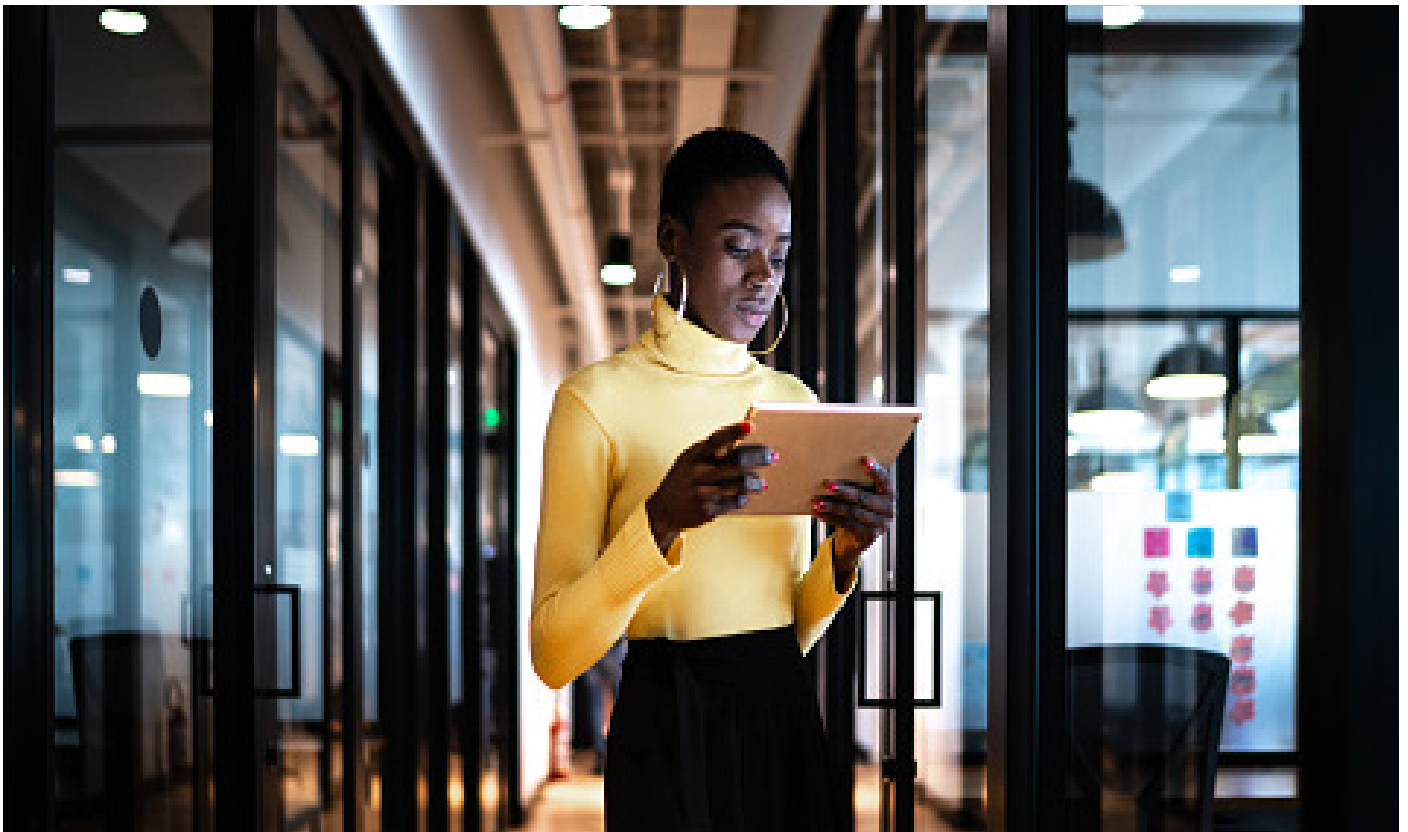


Backlogs of work

Disruption caused by protests resulted in a rise in backlogs of work during July. Outstanding business increased for the fifth consecutive month. Although only slight, the rate of accumulation quickened to the fastest since March 2023.

Backlogs of Work Index

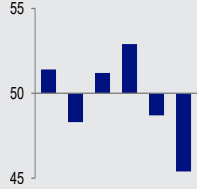
sa, >50 = growth since previous month



Purchasing and inventories

Quantity of Purchases Index

Feb - Jul '24
sa, >50 = growth



Quantity of purchases

July data pointed to a second consecutive monthly decrease in purchasing activity in the Kenyan private sector as firms reduced their input buying in response to lower new orders. The marked contraction was the sharpest in just under two years.

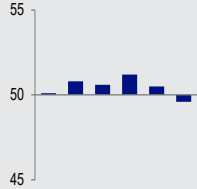
Quantity of Purchases Index

sa, >50 = growth since previous month



Suppliers' Delivery Times Index

Feb - Jul '24
sa, >50 = faster times



Suppliers' delivery times

Suppliers' delivery times lengthened in July, thereby ending a nine-month sequence of improving vendor performance. The rate at which lead times lengthened was only marginal, however. Disruption caused by protests meant that some areas were not accessible for deliveries, thus causing delays.

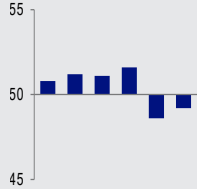
Suppliers' Delivery Times Index

sa, >50 = faster times since previous month



Stocks of Purchases Index

Feb - Jul '24
sa, >50 = growth



Stocks of purchases

Kenyan companies expressed a reluctance to hold inventories at a time of falling new orders. As a result, stocks of purchases were reduced for the second month running in July. The rate of depletion was only slight, however, and softer than that seen in June.

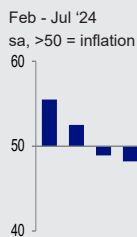
Stocks of Purchases Index

sa, >50 = growth since previous month



Prices

Input Prices Index

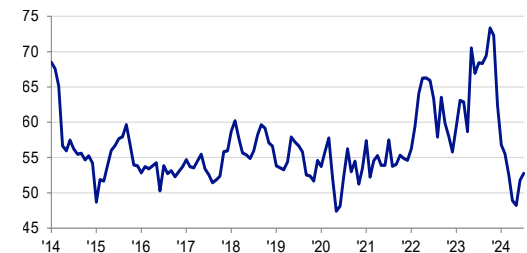


Input prices

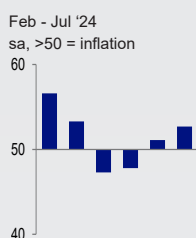
Overall input costs increased for the second successive month in July, although the pace of inflation was much weaker than seen during 2023. Inflation was recorded in each of the five broad sectors covered, led by agriculture, manufacturing and construction.

Input Prices Index

sa, >50 = inflation since previous month



Purchase Prices Index

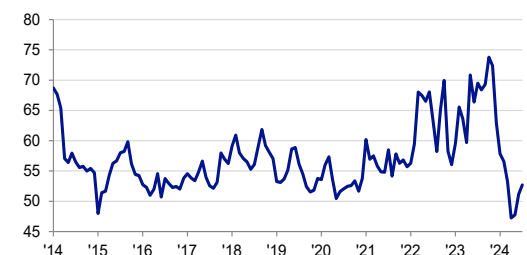


Purchase prices

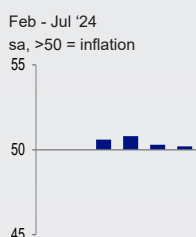
High living costs and taxation were cited as the key drivers of the latest increase in purchase prices, with firms seeing a second consecutive rise in July. The rate of inflation ticked up from that seen in June, but remained relatively muted, especially compared to the series record posted late last year.

Purchase Prices Index

sa, >50 = inflation since previous month



Staff Costs Index



Staff costs

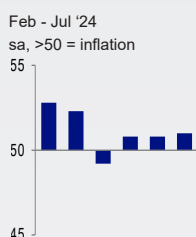
As has now been the case in four successive months, staff costs increased in the Kenyan private sector in the opening month of the third quarter of 2024. The rate of inflation remained modest, and slowed to the weakest in the current sequence of rising wages.

Staff Costs Index

sa, >50 = inflation since previous month



Output Prices Index

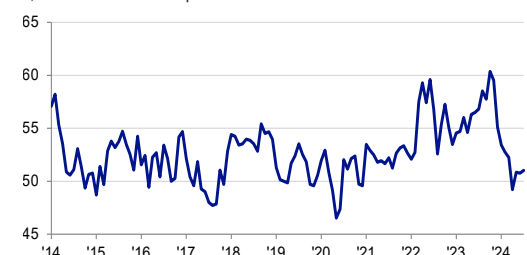


Output prices

A further modest increase in output prices was recorded in July, extending the current sequence of inflation to three months. Some firms raised charges in line with higher input costs, but others lowered selling prices as part of efforts to attract clients. Output prices rose in agriculture, wholesale & retail and services, but decreased in manufacturing and construction.

Output Prices Index

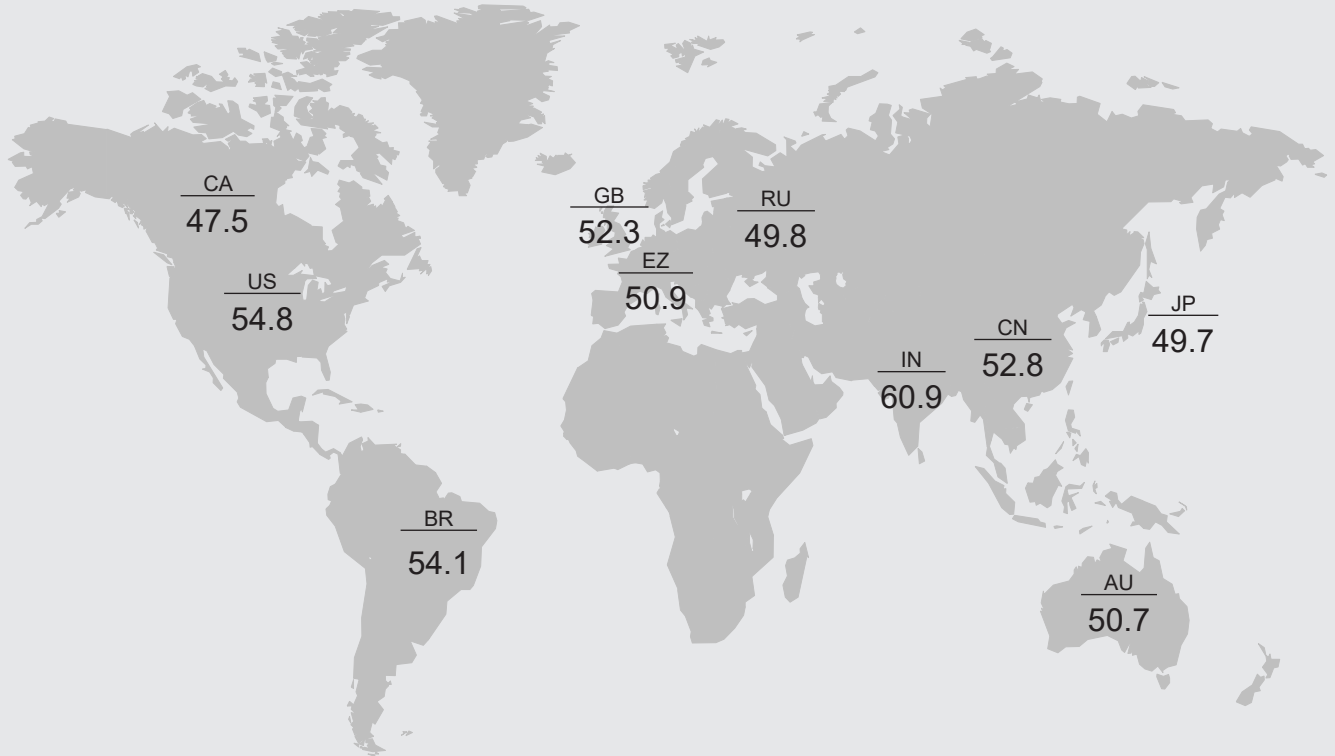
sa, >50 = inflation since previous month



International PMI

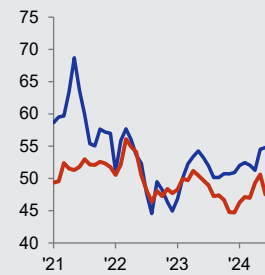
Composite Output Index, Jun '24
sa, >50 = growth since previous month

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

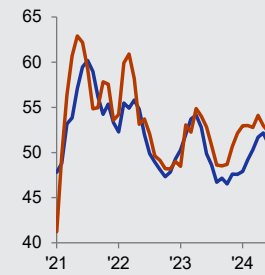


Composite Output Index

■ USA
■ Canada
sa, >50 = growth



■ Eurozone
■ UK
sa, >50 = growth



■ Russia
sa, >50 = growth



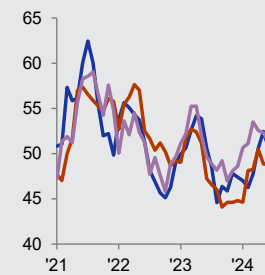
■ China
sa, >50 = growth



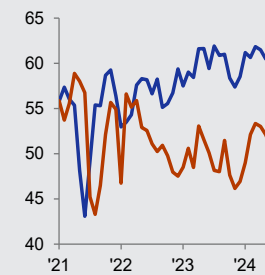
■ Brazil
sa, >50 = growth



■ Germany ■ Italy
■ 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 11-29 July 2024.

Survey questions

Private sector

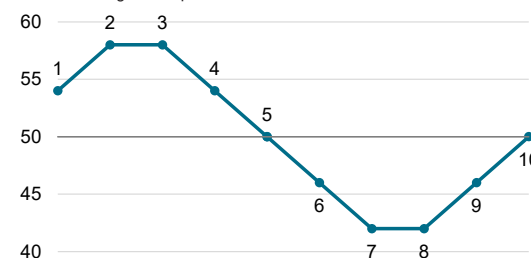
Output	Suppliers' Delivery Times
New Orders	Stocks Of Purchases
New Export Orders	Input Prices
Future Output	Purchase Prices
Employment	Staff Costs
Backlogs Of Work	Output Prices
Quantity Of Purchases	

Index calculation

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

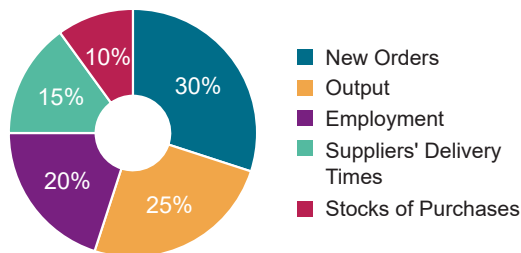
Index interpretation

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

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

Sabrina Mayeen
 Corporate Communications
 S&P Global Market Intelligence
 T: +44 7967 447 030
sabrina.mayeen@spglobal.com

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>

About S&P Global

S&P Global (NYSE: SPGI) S&P Global provides essential intelligence. We enable governments, businesses and individuals with the right data, expertise and connected technology so that they can make decisions with conviction. From helping our customers assess new investments to guiding them through ESG and energy transition across supply chains, we unlock new opportunities, solve challenges and accelerate progress for the world.

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.

www.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

Disclaimer

The intellectual property rights to the data provided herein are owned by or licensed to S&P Global and/or its affiliates. Any unauthorised use, including but not limited to copying, distributing, transmitting or otherwise of any data appearing is not permitted without S&P Global's prior consent. S&P Global shall not have any liability, duty or obligation for or relating to the content or information ("Data") contained herein, any errors, inaccuracies, omissions or delays in the Data, or for any actions taken in reliance thereon. In no event shall S&P Global be liable for any special, incidental, or consequential damages, arising out of the use of the Data. Purchasing Managers' Index™ and PMI® are either trade marks or registered trade marks of S&P Global Inc or licensed to S&P Global Inc and/or its affiliates.

This Content was published by S&P Global Market Intelligence and not by S&P Global Ratings, which is a separately managed division of S&P Global. Reproduction of any information, data or material, including ratings ("Content") in any form is prohibited except with the prior written permission of the relevant party. Such party, its affiliates and suppliers ("Content Providers") do not guarantee the accuracy, adequacy, completeness, timeliness or availability of any Content and are not responsible for any errors or omissions (negligent or otherwise), regardless of the cause, or for the results obtained from the use of such Content. In no event shall Content Providers be liable for any damages, costs, expenses, legal fees, or losses (including lost income or lost profit and opportunity costs) in connection with any use of the Content.