

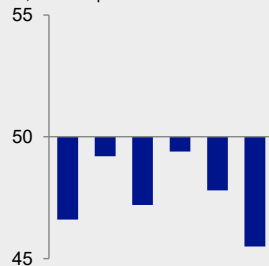
# Stanbic Bank Kenya PMI™

## Business downturn deepens in July

# 45.5

**KENYA PMI**  
**JUL '23**

PMI  
Feb - Jul '23  
sa, >50 = improvement



**New orders fall sharply amid protests and weak customer demand**

**Output contraction the sharpest in almost a year**

**Input costs rise at third-fastest rate in series history**

Kenyan businesses suffered a marked fall in demand at the start of the third quarter of the year, latest PMI data showed, as customers continued to rein in spending amid steep inflation. Political protests accelerated the downturn, according to surveyed firms, leading to a sharp contraction in output that was the fastest since August last year.

Meanwhile, a deterioration in the exchange rate and reports of rising fuel prices and taxes culminated in another substantial rise in business costs in July, with the rate of input price inflation among the quickest since the survey began in 2014. Output prices subsequently increased to a sharper degree. Business optimism waned slightly, while jobs growth eased.

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 latest reading indicated a greater

slump in operating conditions over July, with the pace of deterioration accelerating to the fastest in almost a year. At 45.5, the index was down from 47.8 in June, registering below the 50.0 neutral mark for the sixth month in a row.

Deteriorating operating conditions were driven by a sharp and accelerated fall in new business inflows, as Kenyan firms highlighted a drop in client demand due to the cost-of-living crisis. Alongside this, several firms noted that political demonstrations had adversely affected sales.

Four of the five monitored sectors recorded a decline in sales in July. Agriculture was the only category to post inside growth territory.

With overall sales falling rapidly, Kenyan businesses indicated a sharp drop in output over the course of July, which was the second-worst since 2017 when excluding lockdown-affected periods. Firms often noted that weak orders resulted in cash flow issues that limited activity.

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



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Price pressures at Kenyan companies remained severe in July, amid reports of a sharp rise in input costs due to a decline in the shilling exchange rate. Higher fuel prices and increased tax burdens were also cited, while some firms reportedly upped their workers' salaries amid the cost-of-living crisis. Notably, the rise in overall input costs was one of the sharpest seen since data collection began in 2014, resulting in a robust and faster uplift in selling charges.

Heightened costs and weak demand contributed to a cooling of employment growth in July, with firms posting only a slight rise in workforce numbers. Concurrently, businesses cut their input

purchases sharply, and ended a four-month run of inventory growth as stock levels were unchanged. Lead times on inputs continued to shorten, but the rate of improvement slowed from June and was only mild.

Regarding future output, only 14% of surveyed Kenyan firms forecast growth over the next 12 months, leading to a slight weakening in the overall level of confidence.

## Comment

Christopher Legilisho, Economist at Standard Bank commented:

*“July’s PMI headline trajectory comes as no surprise given events during the past month. Political protests, an increase in pump prices by approximately KES12.61 in July, the further tightening of financial conditions as well as a further depreciation of the shilling — all of which saw the private sector deteriorating for a sixth straight month. Notably, the survey results show that the July contraction in output was the deepest since August 2022.*

*“Inflation seems set to stay stickily high due to Kenyan businesses facing intractable input, output and wage price pressures. The survey noted input price inflation in July as being higher than in June, and also the third-highest since data collection began in 2014.*

*“Nevertheless, some positive indications spell economic resilience in the medium term. The agricultural sector rebounding has been supporting economic activity despite the construction, wholesale & retail and services sectors slowing. Export orders remain in expansionary territory, buoyed by the weaker shilling. However, new export order growth slowed considerably. Though employment in the private sector is still robust, momentum there too has cooled.”*



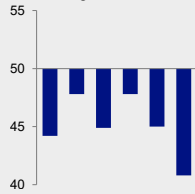
PMI™

by **S&P Global**

# Output and demand

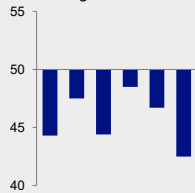
## Output Index

Feb - Jul '23  
sa, >50 = growth



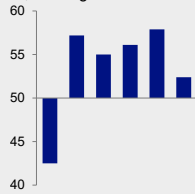
## New Orders Index

Feb - Jul '23  
sa, >50 = growth



## New Export Orders Index

Feb - Jul '23  
sa, >50 = growth



## Output

July survey data indicated a worsening picture for output in the Kenyan economy. Business activity fell for the sixth consecutive month, and the rate of contraction accelerated to the sharpest since August last year. Beyond that, the decline was the worst recorded since 2017 when excluding periods affected by COVID-19 measures. Firms noted that reduced cash flow, falling new orders and political unrest were behind the decrease in activity.

## New orders

New order volumes fell at a sharp and accelerated pace in July, as the respective index dropped for the second straight month to its lowest in almost a year. More than one-third of survey respondents found that orders had declined since June, with many associating this with lower customer spending and political demonstrations. Marked contractions were seen in all monitored sectors, except for agriculture where a strong upturn was noted.

## New export orders

Weak business activity reportedly hit export sales in July, according to surveyed Kenyan firms. New export orders remained in expansion mode, but the pace of increase slowed considerably and was the softest recorded in the ongoing five-month run of growth.

## Output Index

sa, >50 = growth since previous month



## New Orders Index

sa, >50 = growth since previous month



## New Export Orders Index

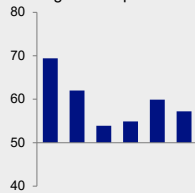
sa, >50 = growth since previous month



# Business expectations

## Future Output Index

Feb - Jul '23  
>50 = growth expected



Sentiment at Kenyan firms regarding the year-ahead outlook for activity took a slight knock in July. After climbing to a three-month high in June, the degree of confidence slipped in line with worsening demand conditions, with most respondents projecting only a neutral outlook. Approximately 14% of firms were positive regarding output, often commenting on plans to expand their businesses with new branches, improved stock volumes and diversification.

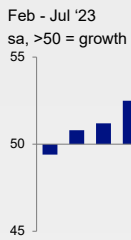
## Future Output Index

>50 = growth expected over next 12 months



## Employment and capacity

### Employment Index



### Employment

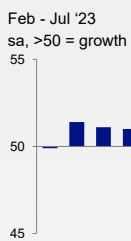
Declines in output and new orders further impeded the rate of hiring growth at the start of the third quarter. Kenyan businesses reported only a marginal rise in employment over July, which was the softest recorded in four months. The upturn was mostly driven by the agriculture sector, contrasting with reductions in construction, wholesale & retail and services as sales there decreased.

### Employment Index

sa, >50 = growth since previous month



### Backlogs of Work Index

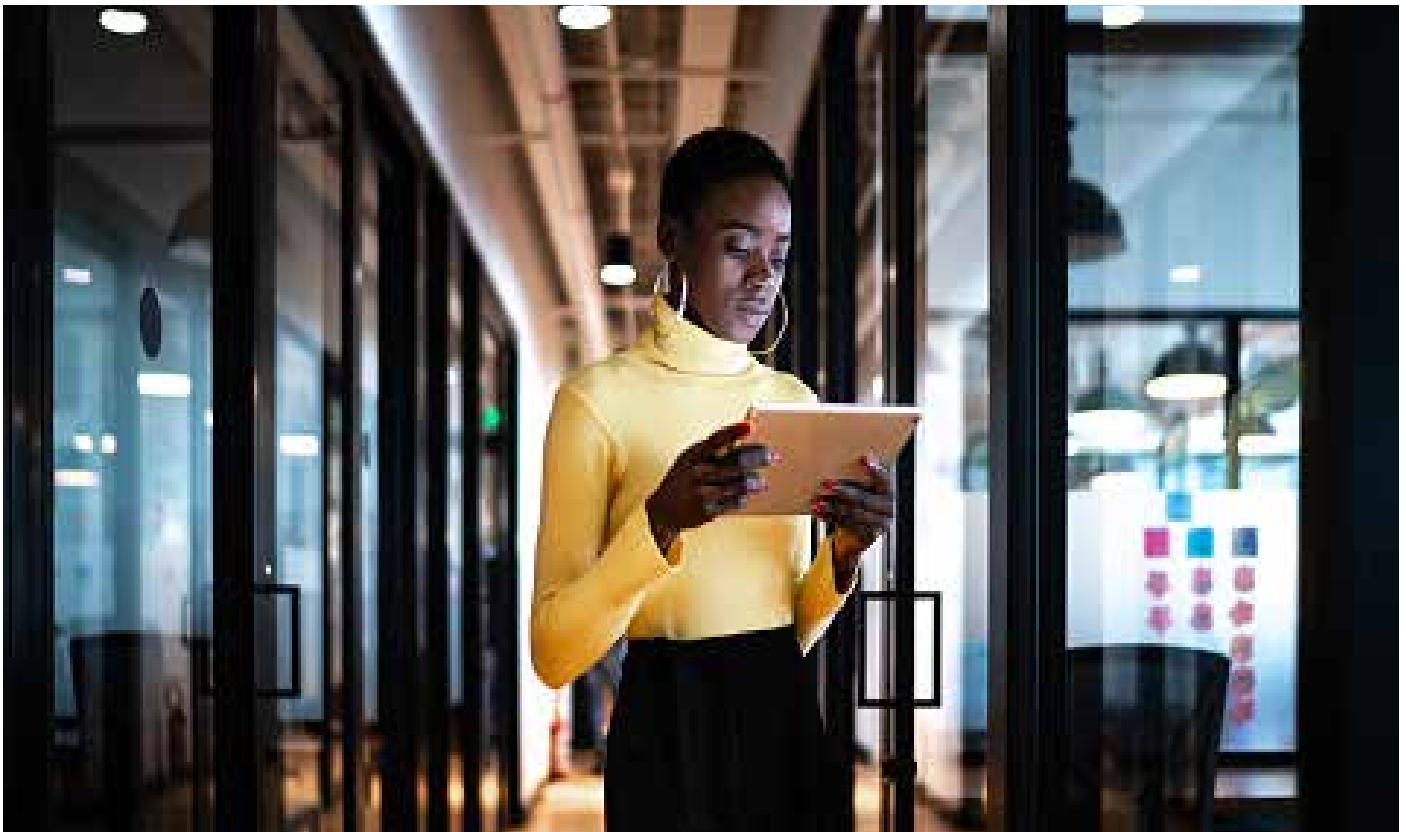


### Backlogs of work

Kenyan companies saw an increase in their backlogs of work for the fifth month in a row during July. That said, the rate of backlog growth continued to exhibit a slowing trend, shown by a further drop in the seasonally adjusted index. Indeed, the latest uptick in outstanding orders was only fractional.

### Backlogs of Work Index

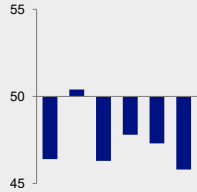
sa, >50 = growth since previous month



# Purchasing and inventories

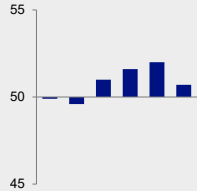
## Quantity of Purchases Index

Feb - Jul '23  
sa, >50 = growth



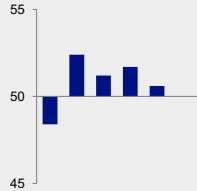
## Suppliers' Delivery Times Index

Feb - Jul '23  
sa, >50 = faster times



## Stocks of Purchases Index

Feb - Jul '23  
sa, >50 = growth



## Quantity of purchases

Kenyan companies ran down their procurement levels in July, extending a sequence of decline that began at the start of the second quarter. Panellists generally attributed lower input buying to weak demand. With the contraction in new orders accelerating, the latest fall in purchases was the sharpest registered since August 2022 and spread across all monitored sectors, except agriculture.

## Suppliers' delivery times

Vendor performance improved for the fourth consecutive month in July, as some businesses mentioned receiving inputs more quickly due to better supplier relationships and weaker input demand. However, with improvements only registered in the construction and services sectors, offset by delays elsewhere, the reduction in average lead times was only marginal.

## Stocks of purchases

Stocks of inputs held at Kenyan firms were unmoved at the start of the third quarter, thereby ending a previous four-month sequence of growth. This was largely due to some firms actively reducing their holdings as new orders fell, offsetting others who reported stocking more inputs due to hopes that sales will recover.

## Quantity of Purchases Index

sa, >50 = growth since previous month



## Suppliers' Delivery Times Index

sa, >50 = faster times since previous month



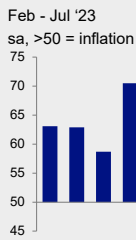
## Stocks of Purchases Index

sa, >50 = growth since previous month

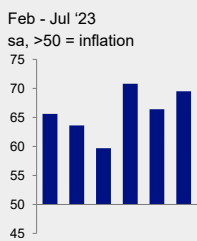


# Prices

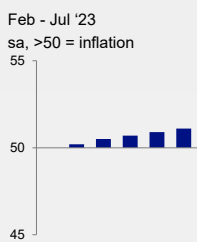
## Input Prices Index



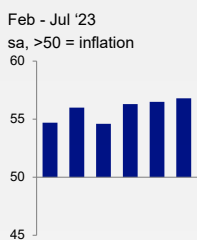
## Purchase Prices Index



## Staff Costs Index



## Output Prices Index



## Input prices

July survey data indicated another substantial rise in overall input prices across the Kenyan economy. Adjusted for seasonal factors, the Input Prices Index ticked up from June and was the third-highest since data collection began in 2014. According to surveyed firms, rising expenses were mainly linked to increased taxes and higher prices for purchased items. Cost inflation remained marked in all five sectors covered by the survey.

## Purchase prices

Over 40% of surveyed Kenyan businesses reported a monthly increase in purchase prices in July, placing the overall rise among the fastest recorded in the series history. Firms often based higher purchase costs on a further depreciation of the shilling against the US dollar, thereby driving input costs higher. Rising fuel prices and higher taxes were also mentioned.

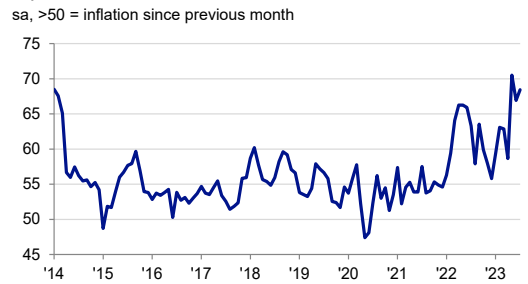
## Staff costs

In comparison to purchase prices, companies in Kenya signalled only a marginal rise in staffing costs over July. Nevertheless, the rate of wage inflation picked up for the fourth successive month and was the quickest since June 2022. Some panellists reported raising wages to support employees with the higher cost of living.

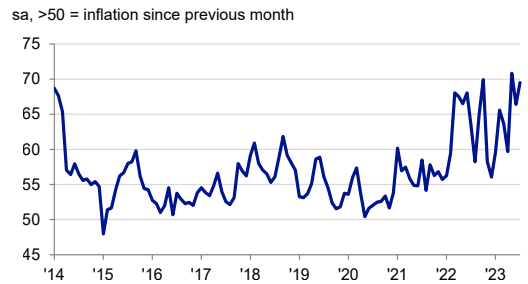
## Output prices

Severe cost pressures at Kenyan businesses led to another marked rise in selling prices in July. The respective seasonally adjusted index rose for the third month running, to signal the fastest rate of output charge inflation since October last year. That said, the uplift remained much slower than that of input costs, with around 14% of respondents upping their charges since the previous survey period.

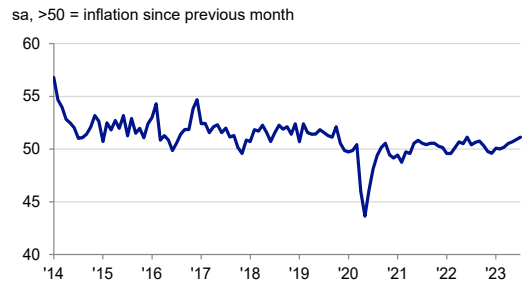
## Input Prices Index



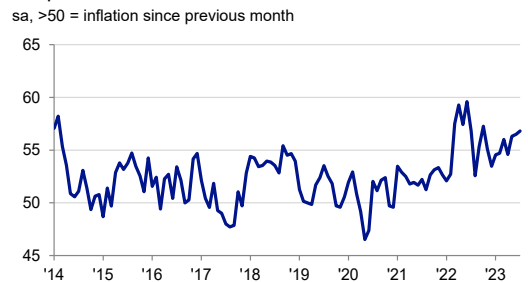
## Purchase Prices Index



## Staff Costs Index



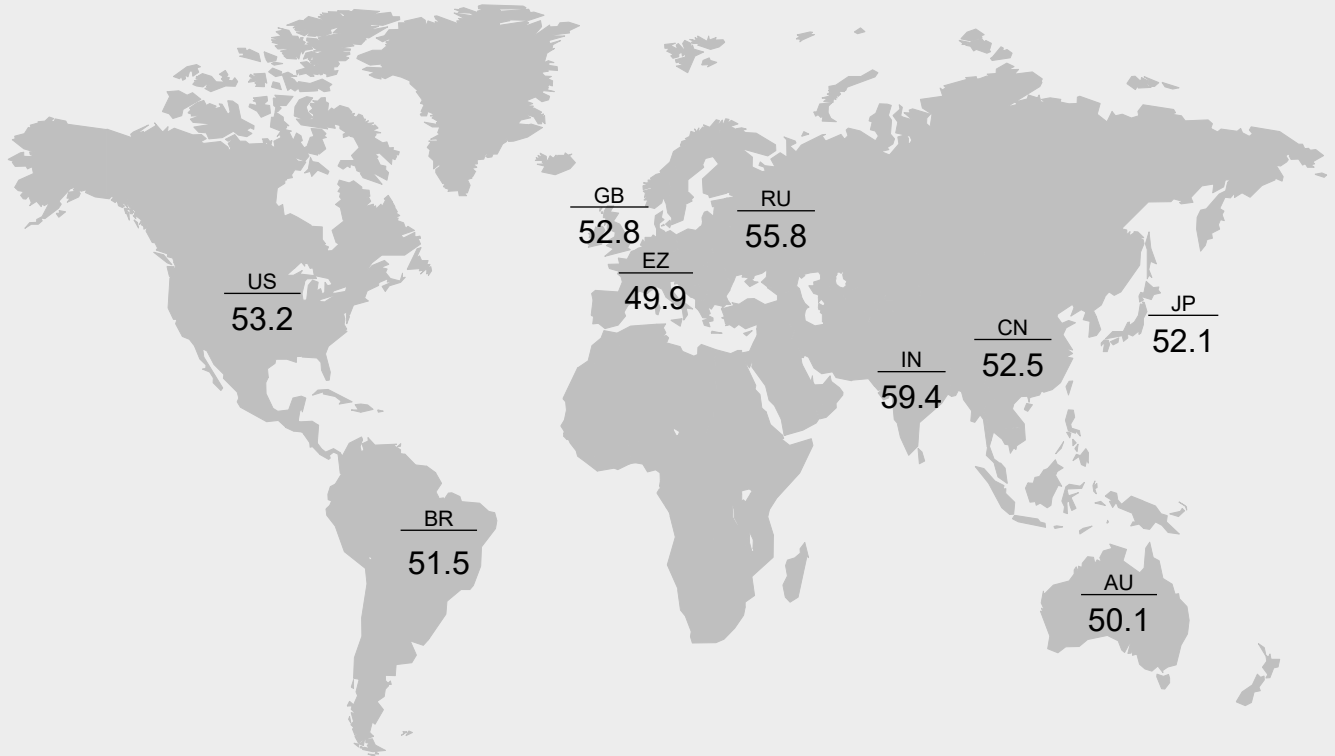
## Output Prices Index



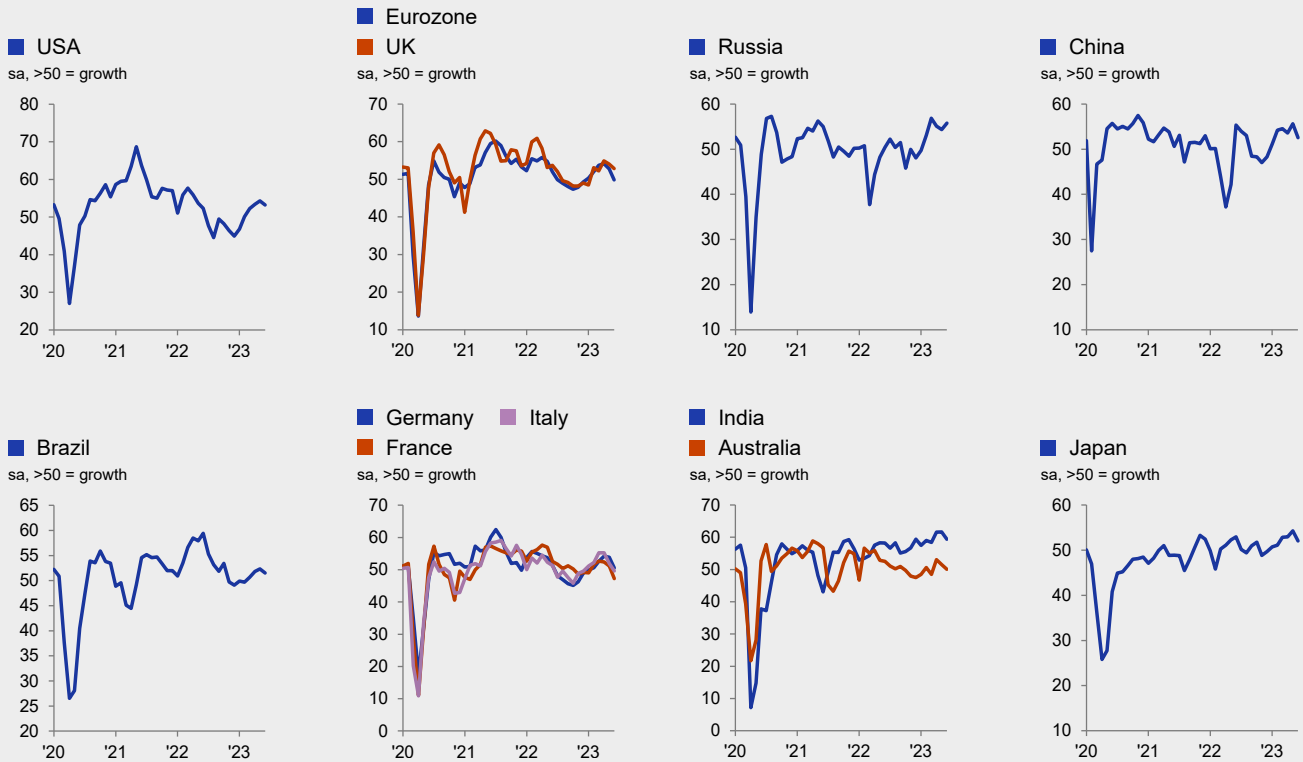
# International PMI

Composite Output Index, Jun '23  
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



# 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@ihsmarkit.com](mailto:economics@ihsmarkit.com).

## Survey dates

Data were collected 12-27 July 2023.

### Survey questions

Private sector

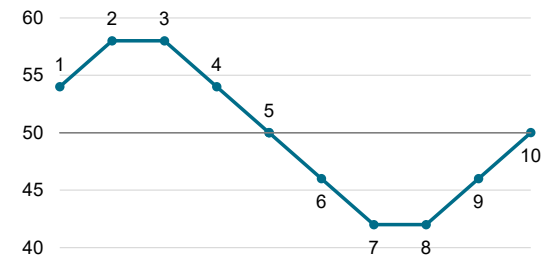
Output	Suppliers' Delivery Times
New Orders	Stocks Of Purchases
New Export Orders	Input Prices
Future Output	Purchase Prices
Employment	Staff Costs
Backlogs Of Work	Output Prices
Quantity Of Purchases	

### Index calculation

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

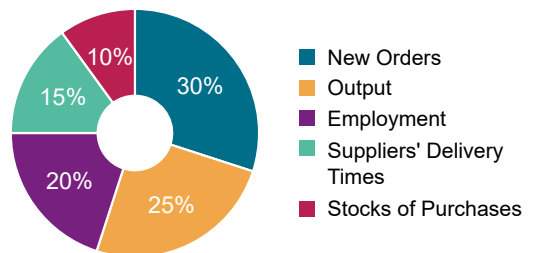
### Index interpretation

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.

[ihsmarkit.com/products/pmi.html](https://ihsmarkit.com/products/pmi.html)

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