

Kenya

Kenyan output sinks amid presidential elections

- Output dipped at the fastest rate since the inception of the survey in January 2014
- Employment and new orders fell for the first time in the survey's history
- The Kenyan supreme court nullified the Kenyan election held in August

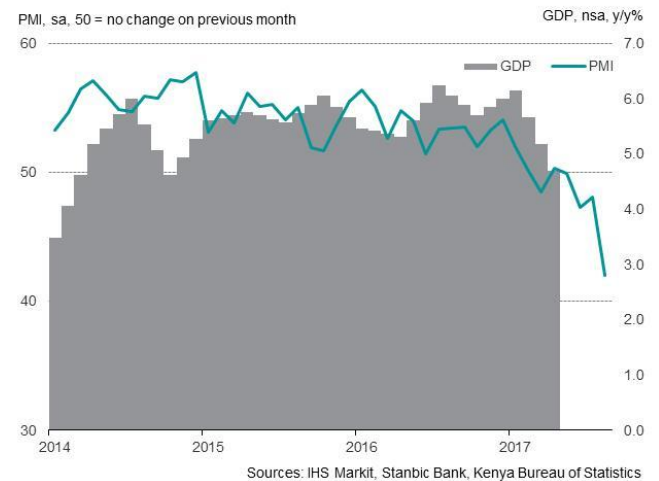
Survey results indicate that election uncertainty has hit the Kenyan economy. The Stanbic Bank Kenya PMI data for August indicated the worst deterioration in the health of the Kenyan private sector since the inception of the survey in January 2014. Companies reported that the general election choked the private sector economy, citing lower customer orders due to uncertainty amid the heated political climate.

As companies looked forward to 'business as usual' after the incumbent president, Uhuru Kenyatta, was announced the winner of the election on 8th August, confusion soon followed as the result was nullified by the Kenyan supreme court in an historic ruling on 1st September. According to Chief Justice David Maraga, the election had not been conducted in compliance with the constitution, declaring it "invalid, null and void." A re-election has been tentatively scheduled for October 17th (within 60 days). This could mean a sustained period of uncertainty and subsequent disruption for Kenyan firms.

Business reports worst downturn in recent years

The recent general election pulled the private sector economy into a sharp downturn, with August experiencing a survey record slump. The PMI survey shows that output has now fallen in four successive months, with [weak credit growth partly responsible](#).

Kenya economic growth



Anecdotal evidence suggested that business activity declined due to a lower customer turnout (due to the political climate).

Reasons cited by companies for reductions in output in August



All sectors monitored by the PMI registered falling output, with the fastest contractions in finance & insurance, followed by real estate. Agriculture also endured a contraction, but at a relatively slower pace.

Sector breakdown



What another general election means for the economy & PMI data

The election drama is likely to cause disruption and slow business activity until a new result is confirmed. Nairobi Securities Exchange closed for 30 minutes following the announcement of another general election as Kenyan shares plunged and the currency price fell as markets reacted to economic uncertainty and fears of political instability.

Currently, Kenyatta is widely expected to win the next election. Provided that the next election runs smoothly, and both parties accept the results, private sector activity should rebound going into the next year.

Longer term, the implications of the Supreme Court's decision could be positive. Stanbic Bank's Jibrán Qureshi said:

"The decision by the court is indeed a reflection of Kenya's strengthening institutions and will certainly appease the foreign investor community."

We need to watch closely the release of September PMI data alongside any further developments in the presidential race. The next PMI release covering September data is due on October 4th.

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