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## Stanbic Bank Kenya PMI™

### Kenyan economy returns to growth in September following election

#### Key findings

Renewed expansions in output and new business

Inflationary pressures grow amid higher fuel prices

Outlook remains subdued

Data were collected 12-28 September 2022.

The Kenya PMI signalled an improvement in business conditions for the first time in six months in September, as firms saw customer demand and business activity increase following the end of the elections. An improvement in supply chains also encouraged firms to purchase more inputs, but employment was largely stable amid ongoing concerns about the cost-of-living crisis. Cost pressures were particularly lifted by higher fuel prices in September, which led to an accelerated uptick in firms' selling charges.

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 index posted at 51.7 in September, up sharply from 44.2 in August and above the 50.0 no-change mark for the first time since March. The reading signalled a renewed and modest improvement in overall business conditions.

According to surveyed firms, the end of the elections was the key factor driving the upturn in September.

Output levels returned to growth for the first time since February, increasing at a solid pace. Expansions were seen in the agriculture, wholesale & retail and services

#### PMI

sa, >50 = improvement since previous month



Sources: Stanbic Bank, S&P Global.

categories, whereas declines were registered in manufacturing and construction.

Similarly, new business volumes rose in September, thereby ending a five-month period of decline. Firms often highlighted an increase in customer turnout as concerns about post-election disruption faded. Despite this, backlogs of work grew only marginally.

The upturn in new orders encouraged businesses to raise their purchasing activity sharply in September, in line with a shortening of input lead times following election-led delays in the previous month. Stocks of purchases rose accordingly and at the strongest rate since April.

Despite improving slightly, the outlook for future activity remained subdued in September, amid ongoing concerns surrounding the cost-of-living crisis. Expectations at Kenyan firms for the next 12 months remained one of the worst on record, with just 12% of panellists predicting output to expand. Job creation was weak as a result, with employment numbers rising only fractionally.

According to a number of panellists, the removal of fuel subsidies in September led to a marked increase in purchase costs. The rate of overall cost inflation accelerated for the first time in five months. Subsequently, after sliding to a seven-month low, the rate of increase in selling prices picked up.

## Comment

Mulalo Madula, Economist at Standard Bank commented:

*"Kenya's business conditions saw a renewed uptick in September as concerns over post-election disruptions faded.*

*"Firms have signalled a strong rebound in output, while the sharp increase in demand also meant firms stepping up purchasing activities and stockpiling, with some firms emphasizing concerted efforts to avoid future shortages.*

*"But then, recovering demand, coupled with phasing out of fuel subsidies, will likely exert inflationary pressure. Firms reported higher input price inflation for the first time in five months. A second round of inflationary pressure could persist into 2023 due to higher electricity prices, higher domestic fuel pump prices and the excise duty hike from October. In fact, this could restrain consumer spending in the near term."*

## Contact

### Stanbic Bank

Mulalo Madula  
Economist  
Tel: +27 (0)11 415 4552  
[Mulalo.Madula@standardbank.co.za](mailto:Mulalo.Madula@standardbank.co.za)

Catherine Ngina Njoroge  
Marketing and Communications  
Tel: +254 722 664 992  
[NjorogeC@stanbic.com](mailto:NjorogeC@stanbic.com)

### S&P Global Market Intelligence

David Owen  
Economist  
T: +44 1491 461 002  
[david.owen@spglobal.com](mailto:david.owen@spglobal.com)

Sabrina Mayeen  
Corporate Communications  
T: +44 7967 447 030  
[sabrina.mayeen@spglobal.com](mailto:sabrina.mayeen@spglobal.com)

### 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.

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.

September data were collected 12-28 September 2022.

For further information on the PMI survey methodology, please contact [economics@ihsmarkit.com](mailto:economics@ihsmarkit.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. [ihsmarkit.com/products/pmi.html](https://ihsmarkit.com/products/pmi.html).

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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).

For further information log on to [www.stanbicbank.co.ke](http://www.stanbicbank.co.ke).

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