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Stanbic Bank Kenya PMI™

Output declines at sharpest pace in 15 months

Key findings

Contractions in output and new orders accelerate

Price pressures remain elevated

Employment returns to growth

Data were collected 12-27 July 2022.

The Kenyan private sector moved deeper into contraction territory at the start of the third quarter of the year as uncertainty around the upcoming election and the impact of strong inflationary pressures dampened demand. Both output and new orders fell at accelerated rates, while business confidence remained muted. More positive was a first rise in employment for three months. While rates of inflation generally eased in July, they remained elevated as higher costs for fuel in particular drove prices higher.

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 to 46.3 in July from 46.8 in June, thereby signalling a solid decline in the health of the Kenyan private sector, and one that was the most marked since April 2021. Business conditions have now deteriorated in each of the past four months.

Business activity fell sharply, and to the greatest extent in 15 months, with a similar picture signalled for new orders. In both cases, volumes were subdued by uncertainty around the upcoming election, plus inflationary pressures which deterred customers from committing to new projects.

Indeed, rates of inflation remained elevated at the start

PMI

sa, >50 = improvement since previous month



Sources: Stanbic Bank, S&P Global.

of the third quarter, despite softening over the month. Purchase costs again rose at one of the sharpest rates on record, with higher fuel and transportation costs widely reported. Increasing food prices, currency weakness and import taxes all added to purchase price pressures. Staff costs also rose, but only marginally.

With overall input prices continuing to increase, firms raised their selling prices in order to try to protect profitability. Although softening to a five-month low, the increase in charges was still among the fastest since the survey began in January 2014.

Declining new orders led companies to scale back their purchasing activity. Moreover, the rate of decline was the sharpest since April 2021. Stocks of purchases continued to rise, however, with some firms trying to ensure that inventory levels were sufficient for future order needs. Employment was also up, ending a two-month sequence of decline. Workforce numbers were expanded to help firms provide good quality products and services to their customers.

Suppliers were also keen to provide a good service, and speeded up delivery times for the twenty-sixth month running. The latest improvement in vendor performance was the most marked since October 2021.

Finally, business confidence remained muted, and was only just above May's series low.

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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.

July data were collected 12-27 July 2022.

For further information on the PMI survey methodology, please contact 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.

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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).

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