News Release

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Stanbic Bank Kenya PMI™

Business conditions improve for first time since January

Key findings

Output and new orders increase slightly

Employment growth quickens amid improved outlook

Inflationary pressures remain at historic highs

Stanbic Bank Kenya PMI

sa, >50 = improvement since previous month

Sources: Stanbic Bank, S&P Global PMI.
Data were collected 10-29 August 2023.

The August Stanbic Bank Kenya PMI pointed to a slight improvement in the health of the private sector for the first time in seven months, as output and new orders returned to expansion territory amid greater political stability. Job creation accelerated and purchasing activity picked up, whilst firms grew more confident about their output prospects.

That said, the improvement in business conditions was only mild, and continued to be weighed down by elevated price pressures. Indeed, input prices continued to rise at an historically strong pace, leading to the fastest increase in selling charges since June 2022.

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.

At 50.6 in August, up from 45.5 in July, the headline PMI signalled an expansion in business conditions for the first time since January. However, the index was only slightly above the 50.0 mark, indicating that the expansion was only marginal.

After deteriorating at the sharpest rate in almost a year in July, output levels recovered slightly in August. Surveyed companies often noted that greater political stability had helped to boost demand and lead to higher activity, especially in the services and manufacturing sectors where growth resumed.

Similarly, inflows of new work expanded over the course of August, bringing to an end a six-month sequence of decline. However, the rate of growth was only fractional, as improvements arising from reduced political unrest and stronger demand conditions were almost completely offset by the negative impact of price increases.

Moreover, August survey data signalled that inflationary pressures were still historically marked and continued to hit business expenses. Nearly 38% of firms saw a monthly rise in their input costs, marking one of the sharpest rates of cost

Comment

Christopher Legilisho, Economist at Standard Bank commented:

"The August Purchasing Managers Index (PMI) implies economic growth recovering compared to July, as well as a likely positive economic performance in Q3:23. There was a notable expansion of output in August, specifically in services and manufacturing. New orders too ticked up in August, with export orders received by firms rising for a sixth straight month. Firms noted that improved food supply, increased marketing of products and a calm political environment supported new orders growth. Employment prospects remained promising as firms indicated hiring for a sixth successive month to complement existing teams and ramp up business activity. Quantities purchased increased marginally, in line with output and new orders, while suppliers' delivery times improved as vendors delivered items timeously to improve their cash positions.

"However, tough business conditions and inflation pressures remain a pressing concern for Kenyan businesses, as input prices and staffing costs were seen rising due to a weaker exchange rate as well as higher taxes related to the recently enacted tax measures in the Finance Act."

inflation in the survey's near-decade history. Panellists often linked higher costs to sustained currency weakness, although increased fuel prices and higher taxes were also mentioned.

As a result, the rate at which selling prices increased was also among the fastest seen since the survey began, rising to the highest level in over a year. Businesses often reported having to keep margins stable by passing higher purchase prices through to clients.

The latest survey data signalled a quicker rate of job creation in August, as firms sought to build workforce sizes and support higher activity. Likewise, input purchasing grew for the first time in five months and to the greatest degree since January, leading to a renewed expansion in firms' inventories.

Lead times on inputs meanwhile improved modestly and for the fifth month running. According to panellists, vendors often delivered items more quickly in a bid to improve cash flow.

Business confidence regarding the year ahead picked up to a five-month high in August. Firms with a positive outlook often cited expansion plans such as opening new branches and broadening their product and services offerings.

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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.

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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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).
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