News Release

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Stanbic Bank Kenya PMI®

Business conditions improve in February as price pressures subside

Key findings

Activity and new orders rise for the first time in six months

Selling price inflation hits long-run average as cost burdens ease

Lowest confidence towards future output in survey history

Business activity expanded across the Kenyan private sector in February, according to the Stanbic Bank Kenya PMI®, as a further softening of inflationary pressures supported a fresh increase in new order volumes. Lower fuel prices helped to cool input cost inflation to a 26-month low, supporting the softest increase in output prices for one-and-a-half years.

Improving economic conditions led Kenyan companies to expand staffing levels at a faster rate and boost purchases of inputs. Nevertheless, confidence regarding future activity fell to a survey low, suggesting a broad degree of uncertainty that activity growth will be sustained.

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.

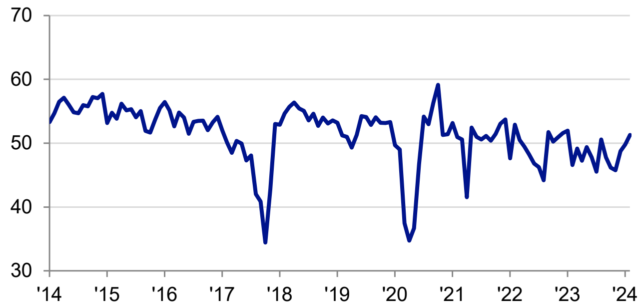
The headline index rose for the third consecutive month in February, taking it above the 50.0 neutral threshold for the first time since last August. At 51.3, up from 49.8 in January, the index was also at its highest level in just over a year, with positive directional influences seen in all five of its sub-components.

The greatest movement was found in the Output sub-index in February, which rose to its highest for 13 months and pointed to a moderate expansion in private sector activity. Similar findings were also seen with respect to new orders, as companies reported that improving client demand drove the fastest upturn in sales since January 2023. Firms additionally linked this to new product releases and improved stock levels, which rose slightly, as well as the positive impact of relaxed inflationary pressures.

Notably, input costs faced by Kenyan firms rose at the weakest pace in over two years in February, as inflation continued to ease from its record high last October. Falling fuel prices were reportedly a key contributor to lower cost burdens, although expenses still rose sharply overall amid mentions of currency issues and higher VAT payments.

Stanbic Bank Kenya PMI

sa, >50 = improvement since previous month



Sources: Stanbic Bank, S&P Global PMI.
Data were collected 12-27 February 2024.

Comment

Christopher Legilisho, Economist at Standard Bank commented:

"There was a notable expansion in private sector activity in February, with output increasing in agriculture, manufacturing, and services. However, construction and wholesale & retail activity slipped. Firms noted improved consumer demand as assisting higher output and new orders.

"Increased new orders spurred inventory stocking, with some firms statedly wanting to avoid product shortages during the year. However, expectations for 2024 remain subdued; the index for future expectations hit its weakest level on record.

"On the pricing front, firms noted both input and output price pressures easing due to moderating purchase costs, fuel prices declining, and the shilling appreciating during February. Staff costs were flat in February, although staffing levels increased for a second month running."

The slowdown allowed firms to raise their selling charges to a softer degree. Charge hikes eased to the weakest recorded for a year-and-a-half and were aligned with the survey's long-run trend.

Nevertheless, rising prices continued to restrict cash flow and spending power, according to survey comments, which meant that total sales growth was only marginal. Sector data signalled that construction and wholesale & retail were still greatly impacted, with sales declining sharply in these segments.

Furthermore, overall business sentiment was at its lowest level on record in February, as companies generally refrained from projecting an increase in activity over the coming year. Only 6% of companies were optimistic of an upturn.

Despite this, employment levels rose in February on the back of higher new order intakes, with firms citing the hiring of casual workers to meet workloads. Staff increases were modest, but the fastest since last August. Purchases of inputs also expanded, ending a five-month run of decline, whereas improvements in supplier performance broadly stalled.

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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@spglobal.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.
www.spglobal.com/marketintelligence/en/mi/products/pmi

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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. www.spglobal.com

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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