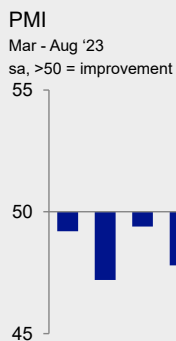


Stanbic Bank Kenya PMI™

Business conditions improve for first time since January

50.6

KENYA PMI
AUG '23



Output and new orders increase slightly

Employment growth quickens amid improved outlook

Inflationary pressures remain at historic highs

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,

Stanbic Bank Kenya PMI
sa, >50 = improvement since previous month



Contents

Overview and comment

Output and demand

Business expectations

Employment and capacity

Purchasing and inventories

Prices

International PMI

Survey methodology

Further information

marking one of the sharpest rates of cost 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.

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."



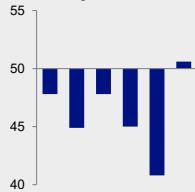
PMI™

by **S&P Global**

Output and demand

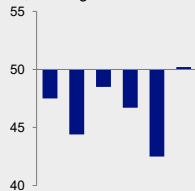
Output Index

Mar - Aug '23
sa, >50 = growth



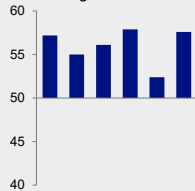
New Orders Index

Mar - Aug '23
sa, >50 = growth



New Export Orders Index

Mar - Aug '23
sa, >50 = growth



Output

The seasonally adjusted Output Index rose above the 50.0 no-change mark for the first time in seven months in August, signalling a renewed, albeit slight expansion in business activity at Kenyan companies. Survey panellists frequently cited that greater political stability led to a recovery in output, particularly in services and manufacturing. That said, high inflation and cash flow issues reportedly restricted growth.

New orders

As was the case for output, Kenyan firms reported a slight uptick in new order volumes over the course of August, thereby ending a six-month period of contraction. Firms seeing a rise linked this to several factors, including fewer political demonstrations, greater demand, increased marketing, and improved food supply. On the flip side, many businesses struggled with tough economic conditions and weaker customer spending due to higher prices.

New export orders

New export orders received by Kenyan private sector firms grew for the sixth consecutive month in August. Moreover, the rate of expansion accelerated from the previous survey period and was sharp. Several panellists noted that an increase in output allowed them to sell more items to foreign clients.

Output Index

sa, >50 = growth since previous month



New Orders Index

sa, >50 = growth since previous month



New Export Orders Index

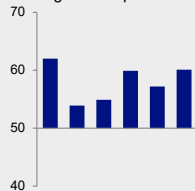
sa, >50 = growth since previous month



Business expectations

Future Output Index

Mar - Aug '23
>50 = growth expected



Business expectations towards the year ahead climbed to the strongest level for five months midway through the third quarter. Approximately one-in-five respondents predicted activity to grow, with the remaining panel members posting a neutral outlook. Several companies highlighted plans to add new branches to their businesses, while others expect to widen their range of products and services.

Future Output Index

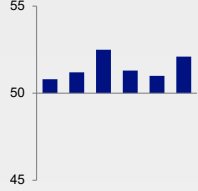
>50 = growth expected over next 12 months



Employment and capacity

Employment Index

Mar - Aug '23
sa, >50 = growth



Employment

Growth in staffing numbers across the Kenyan economy continued for a sixth successive month in August, marking the longest run of expansion since the beginning of 2022. Moreover, the latest increase in staffing was solid and among the quickest recorded for two years. Anecdotal evidence indicated that firms hired new workers to boost existing teams and support sales activities.

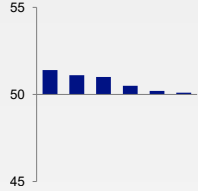
Employment Index

sa, >50 = growth since previous month



Backlogs of Work Index

Mar - Aug '23
sa, >50 = growth



Backlogs of work

The level of work-in-hand faced by Kenyan companies was broadly unchanged during August. This was indicated by the seasonally adjusted Backlogs of Work Index which fell for the fifth month in a row and was only fractionally above the 50.0 neutral mark.

Backlogs of Work Index

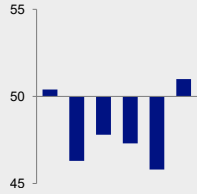
sa, >50 = growth since previous month



Purchasing and inventories

Quantity of Purchases Index

Mar - Aug '23
sa, >50 = growth



Quantity of purchases

Purchasing trends in the Kenyan economy moved in tandem with output and new orders in August, as input buying levels rose for the first time in five months following a sharp contraction in July. That said, the overall increase was only marginal. While 24% of respondents signalled a boost to purchases during the month, around 18% registered a fall.

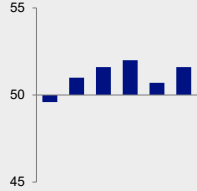
Quantity of Purchases Index

sa, >50 = growth since previous month



Suppliers' Delivery Times Index

Mar - Aug '23
sa, >50 = faster times



Suppliers' delivery times

Vendor performance improved again midway through the third quarter of the year. Firms frequently mentioned that suppliers were willing to deliver items more quickly in order to boost their cash positions. The rate at which delivery times improved was greater than that recorded in the prior month, but modest overall and softer than the survey average.

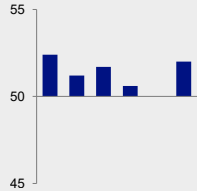
Suppliers' Delivery Times Index

sa, >50 = faster times since previous month



Stocks of Purchases Index

Mar - Aug '23
sa, >50 = growth



Stocks of purchases

Stocks of purchased inputs rose at Kenyan businesses in August, after stagnating at the start of the third quarter. While firms seeing an increase commonly associated this with higher demand, some cited efforts to avoid input shortages and keep prices stable. While the upturn in inventories was the strongest since March, it was only modest overall.

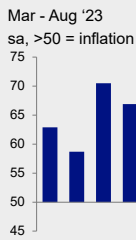
Stocks of Purchases Index

sa, >50 = growth since previous month

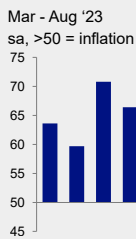


Prices

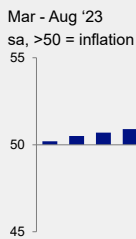
Input Prices Index



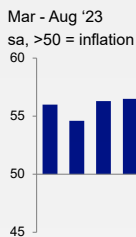
Purchase Prices Index



Staff Costs Index



Output Prices Index



Input prices

Input prices at Kenyan businesses continued to rise at an elevated pace in August, as the respective seasonally adjusted index remained close to May's record high. This was largely due to a further marked rise in purchase prices, whereas staff costs increased mildly. All five monitored sectors saw input costs rise, led by construction, then wholesale & retail.

Purchase prices

Despite ticking down in August, the seasonally adjusted Purchase Prices Index recorded one of its highest readings since the survey began in 2014, to indicate a marked rise in purchase costs faced by Kenyan firms. In total, nearly 38% of businesses registered a monthly increase in prices, against 3% that saw a decline. Weaker exchange rates (especially compared to the US dollar), increased taxes and higher fuel prices were all cited, though some firms reported lower food prices amid improved supply.

Staff costs

As has been the case in every month since March, Kenyan companies saw an increase in staff costs during August. That said, the rate of wage inflation eased for the first time in this sequence, after reaching a 13-month high in July. Wages were generally raised due the higher cost of living.

Output prices

The rate of selling price inflation quickened for the fourth successive month in August, climbing to the highest level since June 2022 and the third-strongest in the series history. Firms mainly increased their prices due to a further elevated rise in input costs, with the construction and wholesale & retail sectors leading the way with the sharpest upticks.

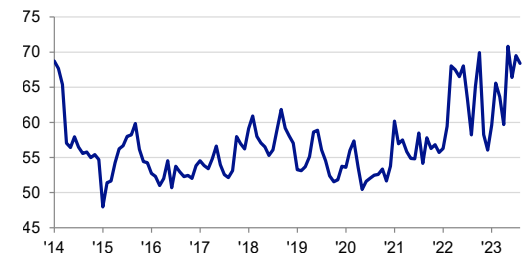
Input Prices Index

sa, >50 = inflation since previous month



Purchase Prices Index

sa, >50 = inflation since previous month



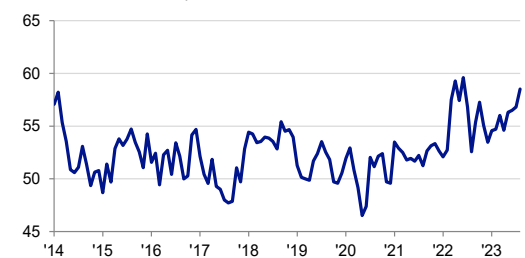
Staff Costs Index

sa, >50 = inflation since previous month



Output Prices Index

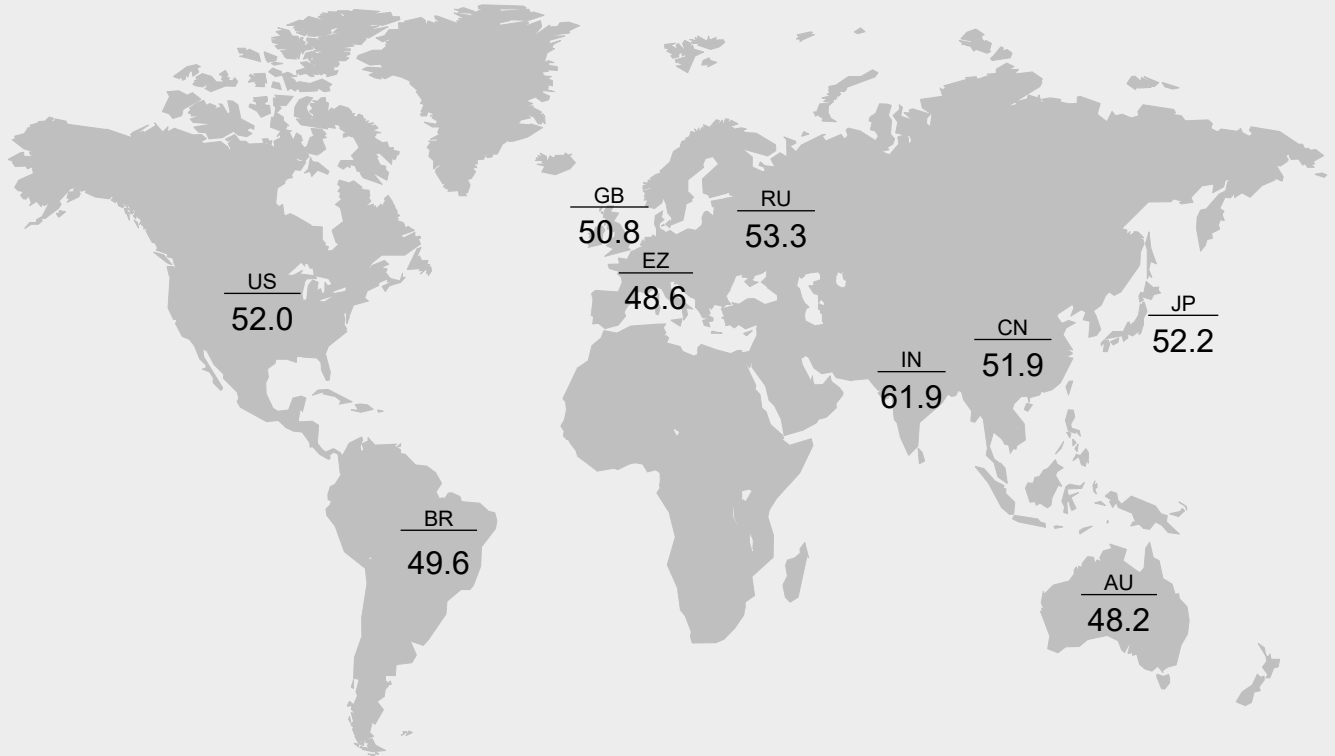
sa, >50 = inflation since previous month



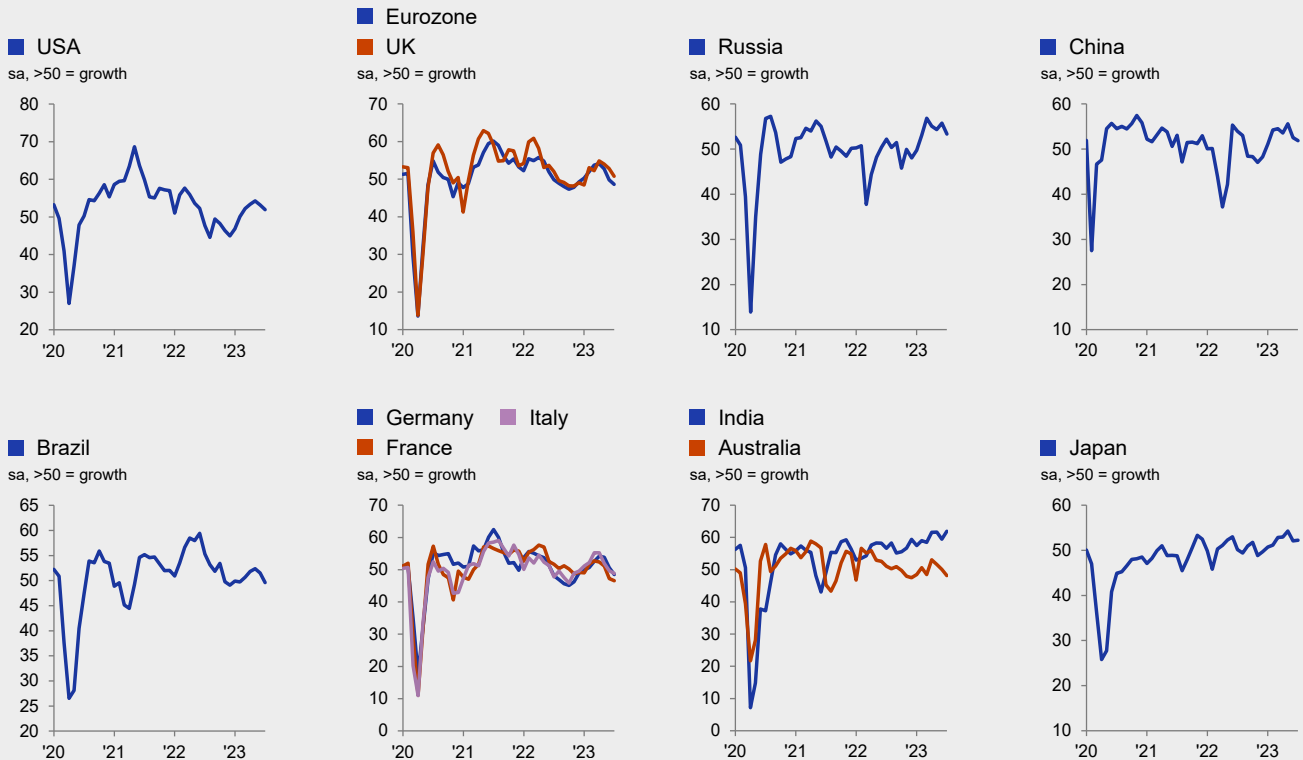
International PMI

Composite Output Index, Jul '23
sa, >50 = growth since previous month

The Composite Output Index is a GDP-weighted average of the Manufacturing Output Index and the Services Business Activity Index.



Composite Output Index



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.

Survey dates

Data were collected 10-29 August 2023.

Survey questions

Private sector

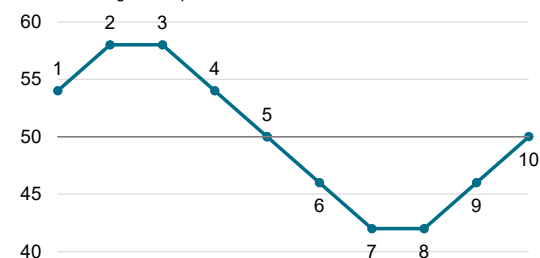
Output	Suppliers' Delivery Times
New Orders	Stocks Of Purchases
New Export Orders	Input Prices
Future Output	Purchase Prices
Employment	Staff Costs
Backlogs Of Work	Output Prices
Quantity Of Purchases	

Index calculation

$$\% \text{ "Higher" } + (\% \text{ "No change" })/2$$

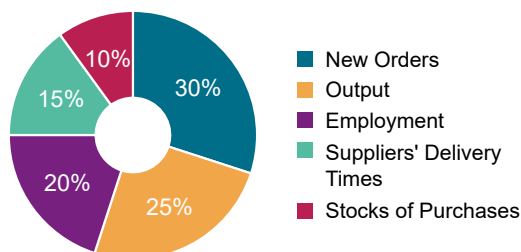
Index interpretation

50.0 = no change since previous month



- | | |
|--------------------------|----------------------------|
| 1 Growth | 6 Decline, from no change |
| 2 Growth, faster rate | 7 Decline, faster rate |
| 3 Growth, same rate | 8 Decline, same rate |
| 4 Growth, slower rate | 9 Decline, slower rate |
| 5 No change, from growth | 10 No change, from decline |

PMI component weights



Sector coverage

PMI data include responses from companies operating in sectors classified according to the following ISIC Rev.4 codes:

A Agriculture, Forestry and Fishing	K Financial and Insurance Activities
B Mining and Quarrying	M Professional, Scientific and Technical Activities
C Manufacturing	N Administrative and Support Service Activities
F Construction	P Education*
G Wholesale and Retail Trade; Repair of Motor Vehicles and Motorcycles	Q Human Health and Social Work Activities*
H Transportation and Storage	R Arts, Entertainment and Recreation
I Accommodation and Food Service Activities	S Other Service Activities
J Information and Communication	

*Private sector

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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).

<http://www.stanbicbank.co.ke>

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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.

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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.

ihsmarket.com/products/pmi.html

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