

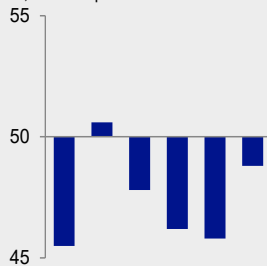
Stanbic Bank Kenya PMI®

Inflationary pressures soften markedly in December

48.8

KENYA PMI
DEC '23

PMI
Jul - Dec '23
sa, >50 = improvement



Input prices and output charges rise at much softer rates

New orders decrease only slightly

Declines in output and employment ease

The latest Kenya PMI® findings signalled a strong move towards stability in private sector business conditions in December, helped by a considerable cooling of inflationary pressures. Rises in input costs and output prices were the softest since April, having slowed markedly from record highs in October. Subsequently, many companies saw a recovery in new work amid improved client spending, offsetting the impact of cost-of-living pressures. As such, new orders, output and employment all declined to lesser degrees.

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 moved three points higher in December, up to 48.8 from 45.8 in November, to signal a modest and softer decline in operating conditions across Kenya. Private sector conditions

have now deteriorated for four months running, although the latest decline was the weakest in this sequence.

Output levels at Kenyan companies fell to a lesser extent at the end of the year, as firms highlighted a partial rebound in demand conditions. Similarly, new order inflows dropped at the softest pace in four months and only slightly. According to anecdotal evidence, customer turnout and purchasing power improved amid a softening in inflationary pressures, especially across the services sector. Firms were also supported by the sharpest increase in new export business in exactly two years.

On the flip side, contractions in output and new orders remained sharp in the manufacturing and construction sectors, as firms continued to signal cost-of-living pressures and weak demand conditions.

December survey data also highlighted a marked slowdown in input cost inflation across the private sector. After reaching a survey-record peak in October, the rate

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



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of inflation slowed for the second month running and by the greatest degree ever noted. While firms indicated that currency weakness and tax burdens continued to lift overall input costs, the settling of fuel prices somewhat alleviated the rise.

In a similar fashion, average output charges rose to a much softer degree in December, albeit remaining sharp and faster than the long-run average. Sector data showed a cooling of inflationary pressures in all segments except agriculture, with manufacturers even reducing factory gate prices.

With cost pressures easing and the downturn in sales softening, purchasing activity at Kenyan firms was broadly stable

in December, helping businesses to raise their inventories and deplete backlogs of work. Lead times on purchased items shortened for the third month running.

The drop in employment levels was also tempered at the end of the year, with the latest data indicating the softest fall since September. Agriculture was the only sector to see a rise in staffing.

Nonetheless, Kenyan businesses were less optimistic about future activity in December, with the degree of confidence slipping to a seven-month low. Expectations were also among the lowest seen on record, with just 11% of panellists predicting growth over 2024.

Comment

Christopher Legilisho, Economist at Standard Bank commented:

“The Purchasing Managers Index (PMI) improved in December, despite still difficult business conditions for the private sector. Service sector companies reported an uplift in activity while declines persisted particularly in manufacturing and construction sectors, as firms continued to signal cost-of-living pressures and weak demand conditions. That said, inflationary pressures are noted to have eased, amid better cash flow prospects for clients. The rate of job declines also softened compared to previous months with the agricultural sector seeing an increase in hiring.

“Furthermore, Kenyan businesses reported elevated inventories, with a slowdown in price increases in December. Firms indicated that input costs and purchase cost pressures were primarily due to higher taxes among other factors. There was notable reprieve from fuel and transport costs that moderated during the month. Still, business expectations for the year ahead remain quite weak based on the survey results from respondents.”



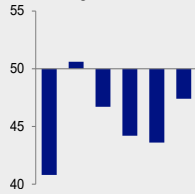
PMI®

by **S&P Global**

Output and demand

Output Index

Jul - Dec '23
sa, >50 = growth



Output

December survey data indicated a fourth consecutive monthly drop in Kenyan private sector output at the end of 2023. The pace of decline slowed considerably from November and was moderate, however, which firms broadly linked to a softer downturn in demand conditions. Service sector companies even reported an uplift in activity, compared with decreases in the four remaining sectors.

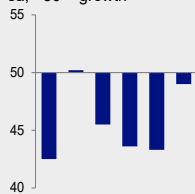
Output Index

sa, >50 = growth since previous month



New Orders Index

Jul - Dec '23
sa, >50 = growth



New orders

Adjusted for seasonality, the New Orders Index rose considerably in December to signal a much weaker and only marginal fall in new order inflows. While cost-of-living pressures continued to dampen client spending levels, many survey respondents noted an uptick in demand amid improvements in cash flow and customer travel. The overall decrease in sales was the softest recorded in four months.

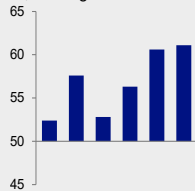
New Orders Index

sa, >50 = growth since previous month



New Export Orders Index

Jul - Dec '23
sa, >50 = growth



New export orders

Kenyan firms continued to see a sharp improvement in new orders from foreign clients in the final month of the year. Notably, the rate of growth accelerated further to the strongest since December 2021, with over 41% of respondents reporting a month-on-month increase. The upturn continued the run of expansion that began in March.

New Export Orders Index

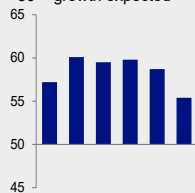
sa, >50 = growth since previous month



Business expectations

Future Output Index

Jul - Dec '23
>50 = growth expected



Kenyan private sector firms showed only a mild degree of optimism in the year-ahead outlook in December. The Future Output Index even slid to its weakest since May, and was amongst the lowest readings since data collection began in 2014. All five monitored sectors were subdued in their output forecasts, especially the construction industry.

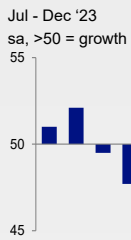
Future Output Index

>50 = growth expected over next 12 months



Employment and capacity

Employment Index



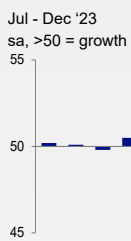
Employment

Employment numbers in the Kenyan private sector dropped for the fourth consecutive month in December, as firms signalled that weaker new order inflows resulted in lower workloads. However, after recording the sharpest fall since June 2020 in November, the pace at which job numbers fell was softer and only slight overall.

Employment Index



Backlogs of Work Index



Backlogs of work

The seasonally adjusted Backlogs of Work Index posted below the 50.0 neutral threshold for a second month running in December, signalling the first sustained decline in outstanding work at Kenyan companies for a year. Although mild overall, the rate of reduction was also the sharpest seen in that timeframe.

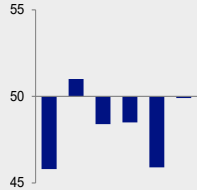
Backlogs of Work Index



Purchasing and inventories

Quantity of Purchases Index

Jul - Dec '23
sa, >50 = growth



Quantity of purchases

The latest survey data indicated a broad stabilisation of purchasing activity across Kenya during December, as shown by the respective seasonally adjusted index running close to the 50.0 neutral mark. This followed three successive months of contraction. Anecdotal reports suggest that a much softer fall in sales encouraged companies to maintain procurement levels.

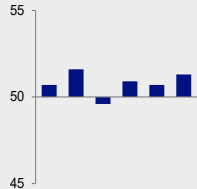
Quantity of Purchases Index

sa, >50 = growth since previous month



Suppliers' Delivery Times Index

Jul - Dec '23
sa, >50 = faster times



Suppliers' delivery times

Kenyan firms continued to see a shortening of delivery times on purchased items at the end of the year. The improvement was modest and slower than the long-run trend, but also the strongest since August. Survey panellists often mentioned that vendors provided items more quickly in order to gain customers and improve cash flow.

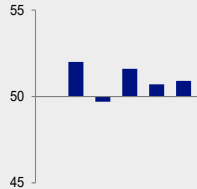
Suppliers' Delivery Times Index

sa, >50 = faster times since previous month



Stocks of Purchases Index

Jul - Dec '23
sa, >50 = growth

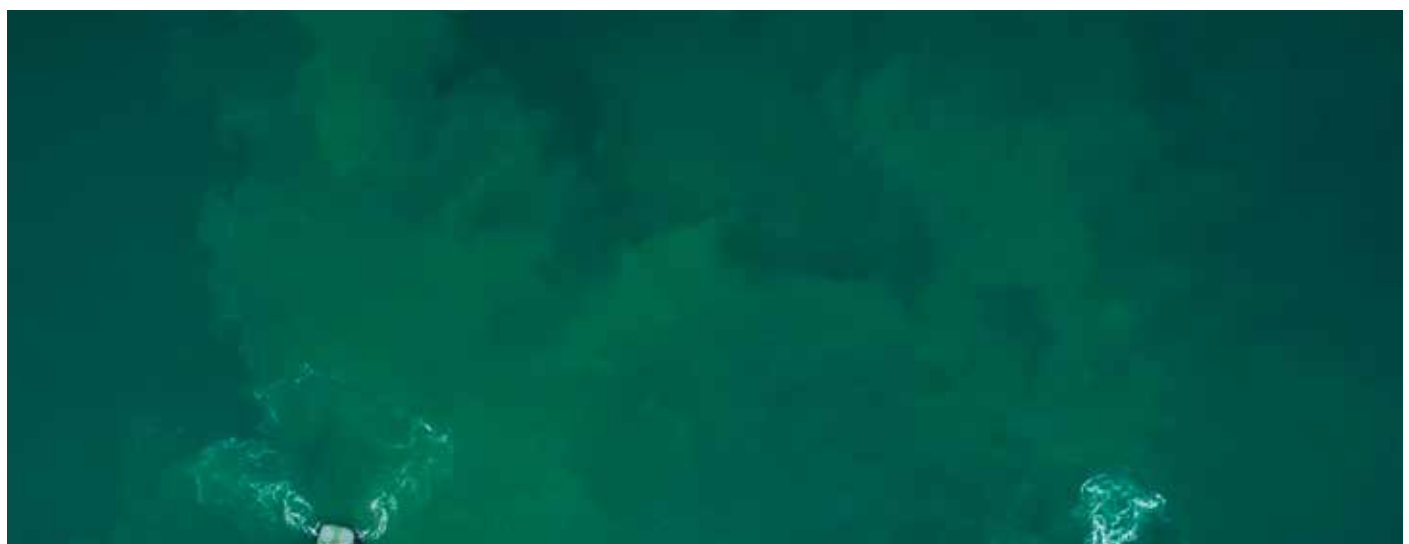


Stocks of purchases

December data pointed to another slight increase in the level of purchases held at Kenyan businesses. The expansion was fractionally quicker than in the previous survey period, but still markedly slower than the historical trend. While some firms boosted their inventories due to new customer wins and strong sales expectations, others disposed of old stocks amid lower new business.

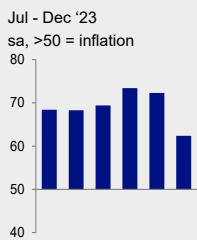
Stocks of Purchases Index

sa, >50 = growth since previous month

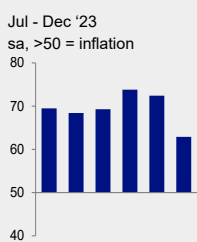


Prices

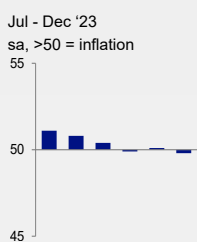
Input Prices Index



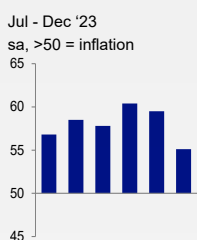
Purchase Prices Index



Staff Costs Index



Output Prices Index



Input prices

Input price pressures in the Kenyan private sector recorded a considerable slowdown at the end of 2023, after hitting a record high in October. In fact, the near ten-point monthly drop in the respective seasonally adjusted index was the largest ever, bringing the rate of inflation down to its softest since April. That said, the increase in costs was still historically severe, as firms highlighted a further sharp rise in purchase prices.

Purchase prices

The seasonally adjusted Purchase Prices Index fell substantially in December, but stayed above its series trend to signal a sharp increase in costs related to purchases. Firms often reported that a weaker exchange rate drove import costs higher, while some cited a greater tax burden. However, this was partly offset by an alleviation of fuel and transport costs.

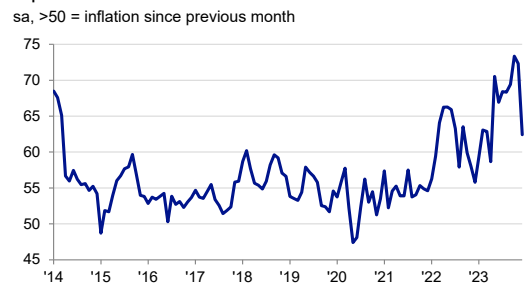
Staff costs

Wages awarded to staff in the Kenyan private sector fell over the course of December, leading to a decrease in average labour costs for the second time in three months. That said, the pace of decline was only fractional, with most survey respondents indicating no change from the previous survey period.

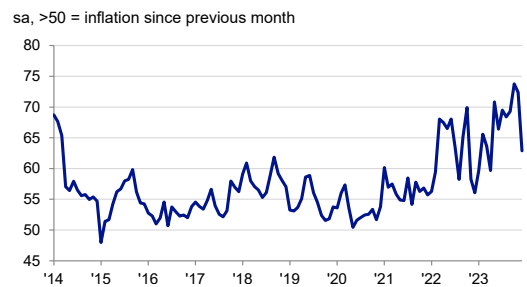
Output prices

The softening of input cost inflation led to a considerable slowing of output price inflation in the final month of 2023. Adjusted for seasonal factors, the respective index fell for the second straight month from October's record high, with the latest drop also the largest seen in the series history. That said, efforts to pass through elevated input costs to clients remained widespread according to panellists.

Input Prices Index



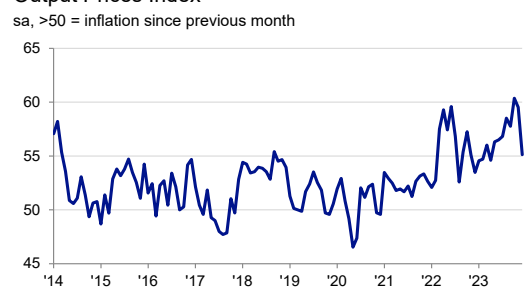
Purchase Prices Index



Staff Costs Index



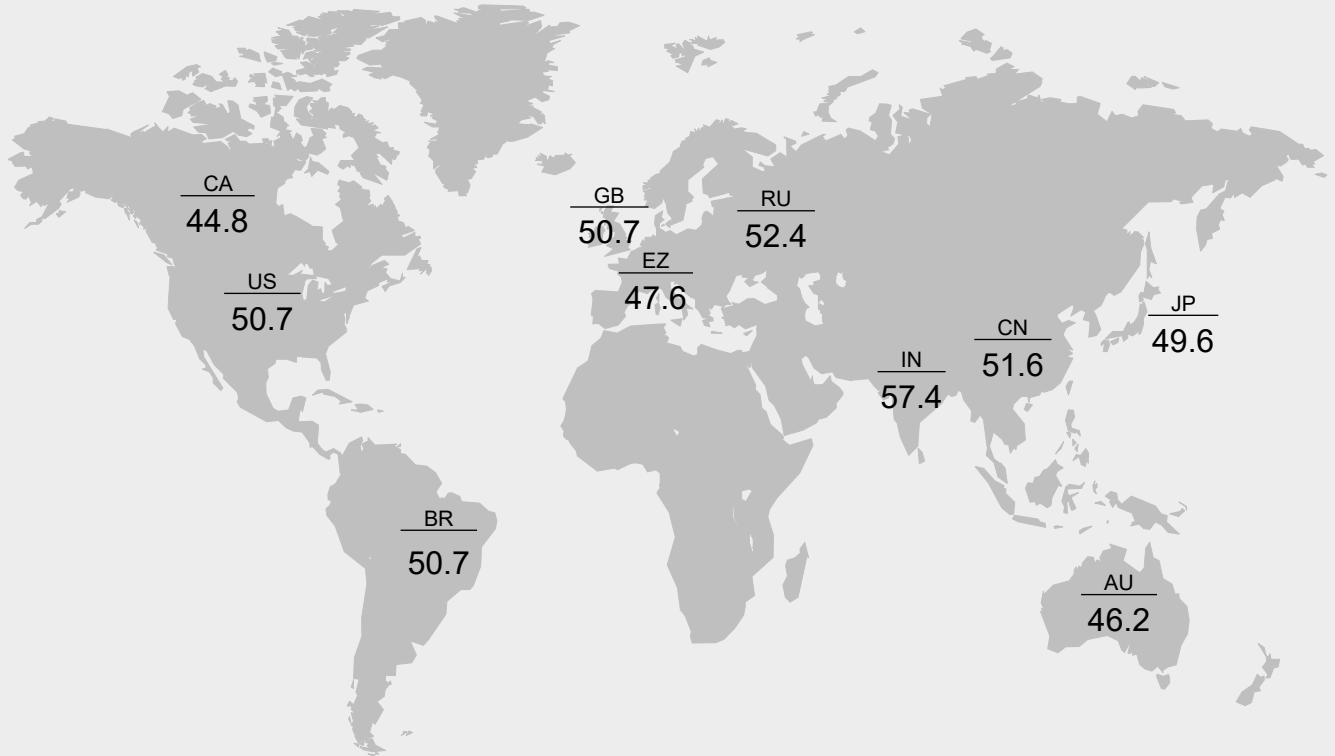
Output Prices Index



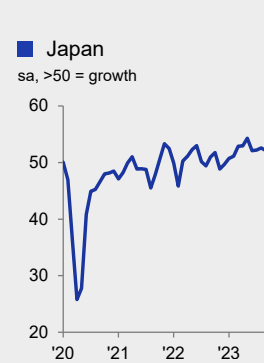
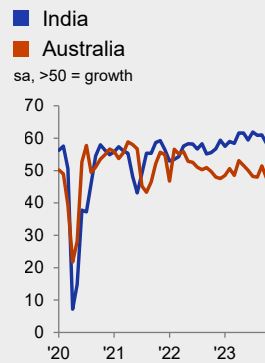
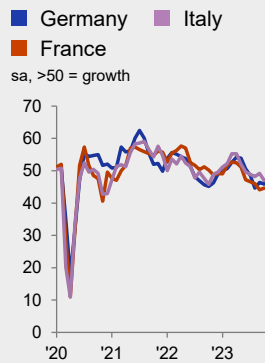
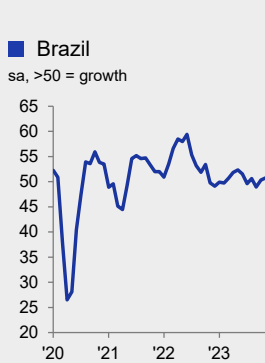
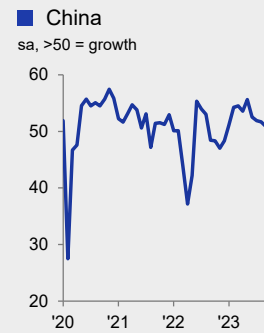
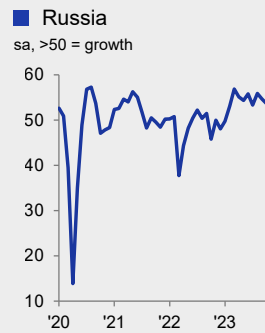
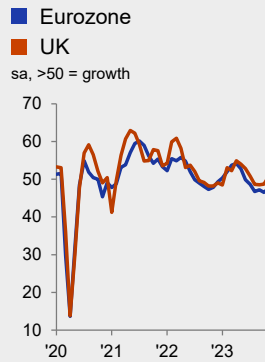
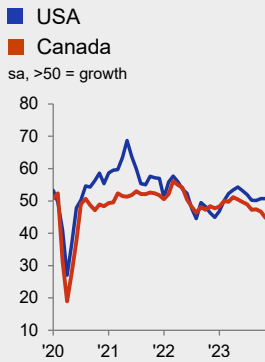
International PMI

Composite Output Index, Nov '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@spglobal.com.

Survey dates

Data were collected 6-20 December 2023.

Survey questions

Private sector

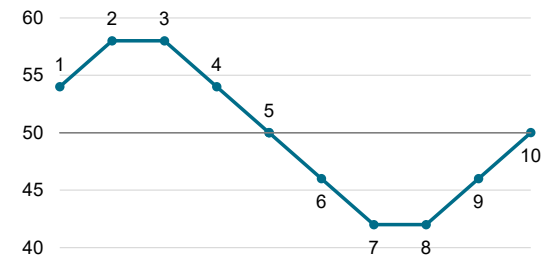
Output	Suppliers' Delivery Times
New Orders	Stocks Of Purchases
New Export Orders	Input Prices
Future Output	Purchase Prices
Employment	Staff Costs
Backlogs Of Work	Output Prices
Quantity Of Purchases	

Index calculation

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

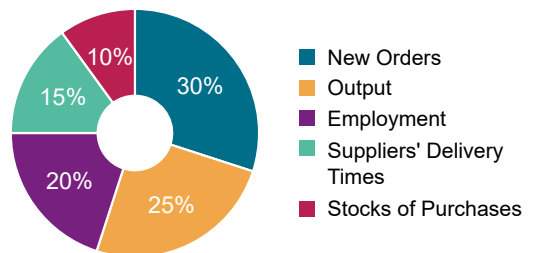
Index interpretation

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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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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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.

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