Embargoed until 1030 EAT (0730 UTC) 4 April 2024

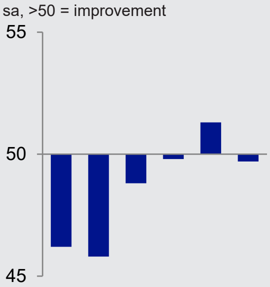
Stanbic Bank Kenya PMI®

Business conditions weaken slightly as output and new orders shrink

49.7

KENYA PMI
MAR '24

PMI
Oct '23 - Mar '24
sa, >50 = improvement



Output returns to contraction, but employment rises

New orders fall only fractionally

Input and output price inflation continue to ease

The Stanbic Bank Kenya PMI® signalled a slight deterioration in operating conditions across the private sector in March, as order book volumes and output levels contracted. The downturn was a contrast to February, which saw an improvement in the private sector for the first time in six months.

Despite the overall decline, the survey data provided some positive signals for Kenyan businesses. Staffing and inventories showed further growth, indicating potential opportunities for expansion. Additionally, input cost inflation slowed to its lowest level in over three years, amid a recovery in the shilling. Savings were passed on to customers as output prices also rose at a slower pace.

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 registered below the 50.0 neutral mark in March, falling to 49.7 from 51.3 in February. The reading was the lowest recorded for three months and signalled a slight decline in operating conditions.

In March, business activity in the Kenyan private sector reversed its course after showing the best upturn in over a year during February. Output contracted modestly, which survey panellists attributed to lower new order intakes and cash flow problems. The decline in new orders signalled by the survey was only fractional, however, as firms reported an easing of price pressures that supported customer spending.

Indeed, price metrics pointed to a sustained slowdown in inflationary pressures at the end of the first quarter. Overall input costs rose at the slowest pace since February 2021, as a stronger exchange rate in the Kenyan shilling against the US dollar helped reduce import costs. Lower fuel prices were also

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

PMI® by S&P Global

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cited, though some firms reported higher VAT payments.

The softer increase in input prices led to a weaker uptick in selling charges, the lowest since January 2022 and one that was below the long-run trend.

Kenyan firms meanwhile reduced their purchases of inputs in line with weaker sales. The rate of decrease was the quickest recorded since last November. Reduced buying contributed to shorter supplier delivery times as pressure on vendors relaxed. Concurrently, firms managed to build their inventories for the second month running, driven by hopes of improving customer demand.

For a similar reason, companies raised their employment numbers for the third month running during March. That said, job creation was marginal and the slowest in this growth sequence.

Expectations towards future output rose to a four-month high, following the lowest sentiment on record in February. Lower inflation trends boosted the demand outlook and supported expansion plans, with services and wholesale & retail firms being the most optimistic.

Comment

Christopher Legilisho, Economist at Standard Bank commented:

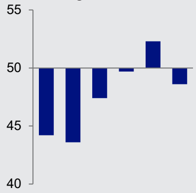
“Private sector activity softened in March, offsetting the expansion during February. Output, new orders and purchasing activity contracted due to fewer sales and less readily available cash flow. Firms noted that, despite lower inflation, a stronger shilling against the USD in March, and increased marketing efforts, cost-of-living pressures are still subduing consumer demand.

“That said, positively, firms continued to hire and increase inventories because they foresee improved demand. Though off a low base, business expectations for 2024 recovered somewhat, led by wholesale and retail services firms; the index for future expectations had hit the weakest level on record in February.

“Also encouragingly, firms noted input, purchasing and output price pressures as easing due to fuel prices declining further, and a stronger shilling against the USD in March. Further, staff costs were stable for a second month in March.”

Output and demand

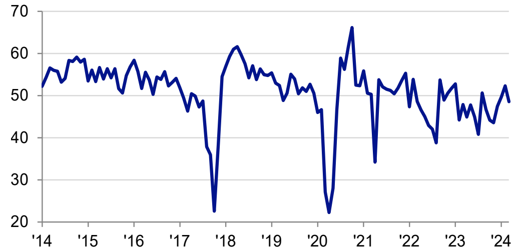
Output
Index
Oct '23 - Mar '24
sa, >50 = growth



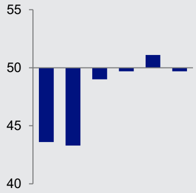
Output

Output volumes in the Kenyan private sector saw a modest fall in March, as the seasonally adjusted index fell below the neutral threshold of 50.0. The decline partially offset the expansion seen in February, which was the first in six months. The decrease in output was often attributed to lower sales and cash flow issues. However, some firms mentioned that stabilising prices had a positive impact on activity.

Output Index
sa, >50 = growth since previous month



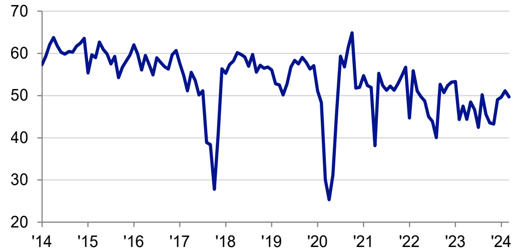
New Orders
Index
Oct '23 - Mar '24
sa, >50 = growth



New orders

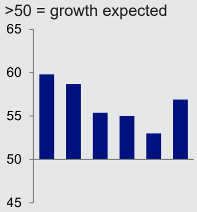
Although the seasonally adjusted New Orders Index dropped below the 50.0 neutral threshold in March, it indicated only a fractional decrease in new business across the Kenyan economy. Cost-of-living pressures continued to negatively affect demand for many firms, anecdotal evidence showed. However, there were also reports of higher sales, attributed to lower inflation, increased marketing efforts, and reduced competition.

New Orders Index
sa, >50 = growth since previous month



Business expectations

Future
Output Index
Oct '23 - Mar '24
>50 = growth expected



Business expectations recovered slightly over the course of March, after dropping to a survey-record low during February. Nearly 14% of panellists predicted an increase in output in one year's time, resulting in sentiment levels reaching their highest point in four months. However, these levels remained subdued compared to the series historical data. Wholesale & retail and services companies were the most upbeat about future output.

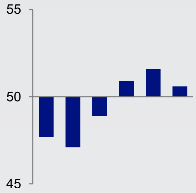
Future Output Index
>50 = growth expected over next 12 months

Employment and capacity

Employment Index

Oct '23 - Mar '24

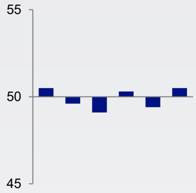
sa, >50 = growth



Backlogs of Work Index

Oct '23 - Mar '24

sa, >50 = growth

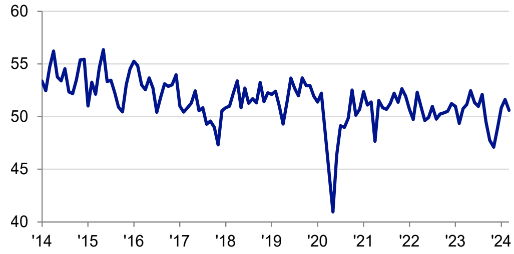


Employment

Kenyan businesses increased their workforces for the third consecutive month in March, with survey members linking this to stabler demand conditions and increased marketing efforts. However, the degree to which staff numbers rose was the softest recorded in the current sequence and only slight.

Employment Index

sa, >50 = growth since previous month

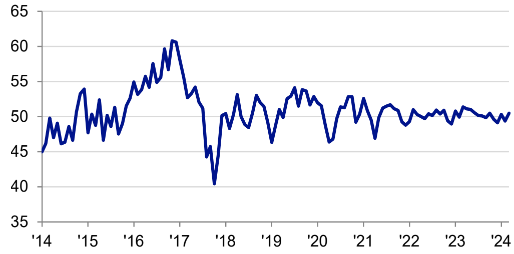


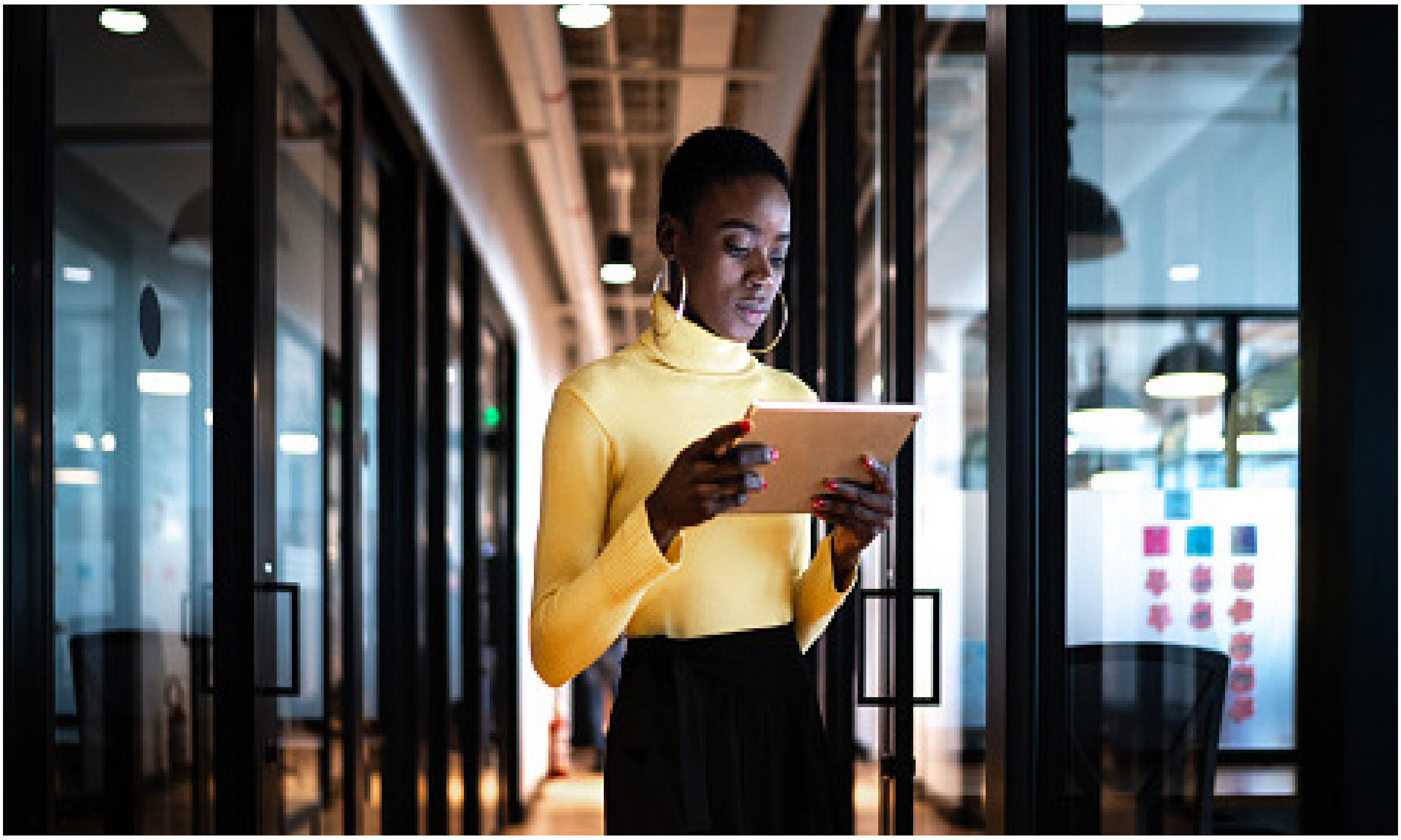
Backlogs of work

Levels of outstanding business among Kenyan firms ticked higher at the close of the first quarter. The expansion followed a decrease in the prior survey period. Although the rise was the fastest observed since October 2023, it was only mild overall.

Backlogs of Work Index

sa, >50 = growth since previous month

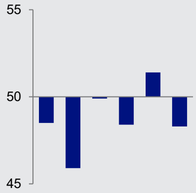




Purchasing and inventories

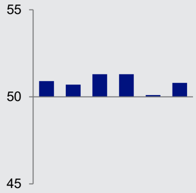
Quantity of
Purchases Index

Oct '23 - Mar '24
sa, >50 = growth



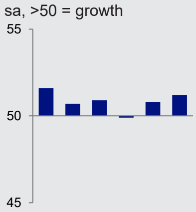
Suppliers' Delivery
Times Index

Oct '23 - Mar '24
sa, >50 = faster times



Stocks of
Purchases Index

Oct '23 - Mar '24
sa, >50 = growth



Quantity of purchases

Kenyan businesses reduced their purchasing activity in March, marking the sixth contraction in seven months. The modest decrease largely offset the improvement seen in February. The decline in purchases was primarily attributed to a drop in sales, with some firms also mentioning higher input prices as a contributing factor.

Quantity of Purchases Index
sa, >50 = growth since previous month

Suppliers' delivery times

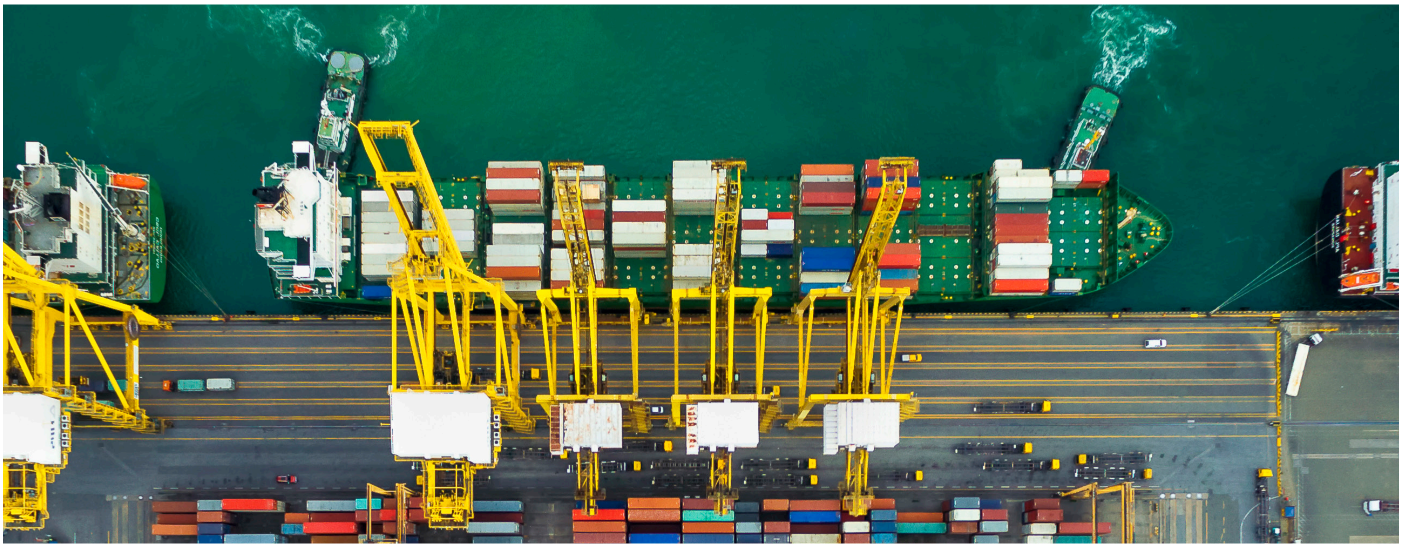
After straddling the 50.0 neutral mark in February, the seasonally adjusted Suppliers' Delivery Times Index rose in March, pointing to a marginal shortening of average lead times. Shorter delivery times were often linked to lower input buying volumes. However, some panellists found that material shortages and high prices limited gains in vendor performance.

Suppliers' Delivery Times Index
sa, >50 = faster times since previous month

Stocks of purchases

Stocks of purchases held at Kenyan companies rose for the second month running in March, with the rate of expansion quickening to the fastest since last October. That said, the increase remained modest overall, and was notably softer than the series trend. Firms often stocked more inputs due to a strengthening of demand forecasts.

Stocks of Purchases Index
sa, >50 = growth since previous month

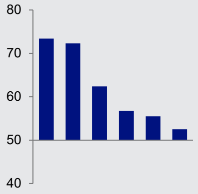


Prices

Input Prices Index

Oct '23 - Mar '24

sa, >50 = inflation

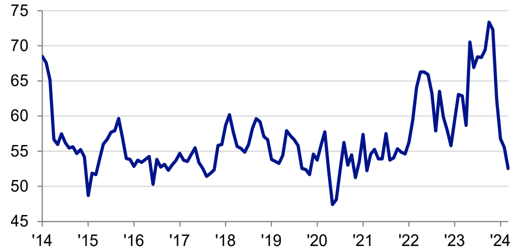


Input prices

Input cost pressures continued to cool in March, as the seasonally adjusted Input Prices Index decreased for the fifth month in a row. Furthermore, the rise in input costs was the softest recorded since February 2021, driven by a slower rate of purchase price inflation. Notably, the construction sector saw a decline in business expenses, the first since late-2021.

Input Prices Index

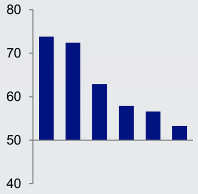
sa, >50 = inflation since previous month



Purchase Prices Index

Oct '23 - Mar '24

sa, >50 = inflation

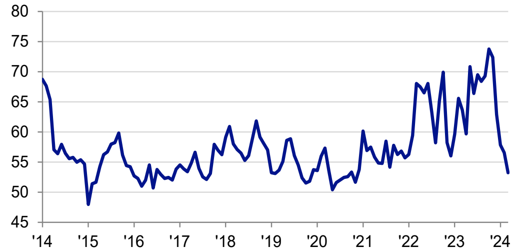


Purchase prices

Adjusting for seasonality, the Purchase Prices Index dropped to its lowest reading since November 2020 in March, indicating only a moderate rise in purchasing prices. Around 11% of respondents reported higher prices, mainly due to elevated taxes. At the same time, 3% of companies experienced lower costs, attributed to lower fuel prices and an improved exchange rate against the US dollar.

Purchase Prices Index

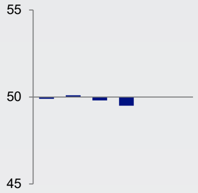
sa, >50 = inflation since previous month



Staff Costs Index

Oct '23 - Mar '24

sa, >50 = inflation



Staff costs

For the second successive month, Kenyan firms reported no change in their overall staff expenses during March. This was signalled by the seasonally adjusted Staff Costs Index registering at the 50.0 neutral threshold.

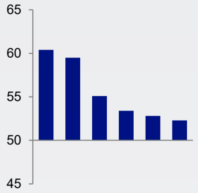
Staff Costs Index

sa, >50 = inflation since previous month

Output Prices Index

Oct '23 - Mar '24

sa, >50 = inflation

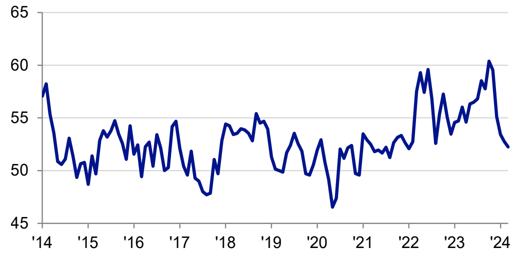


Output prices

Kenyan firms generally passed on higher input costs to their customers in March, resulting in a moderate rise in selling charges. However, the rate of charge inflation eased to the lowest level since January 2022, reflecting the softer input price inflation. Agriculture saw a much greater increase in charges compared to other sectors.

Output Prices Index

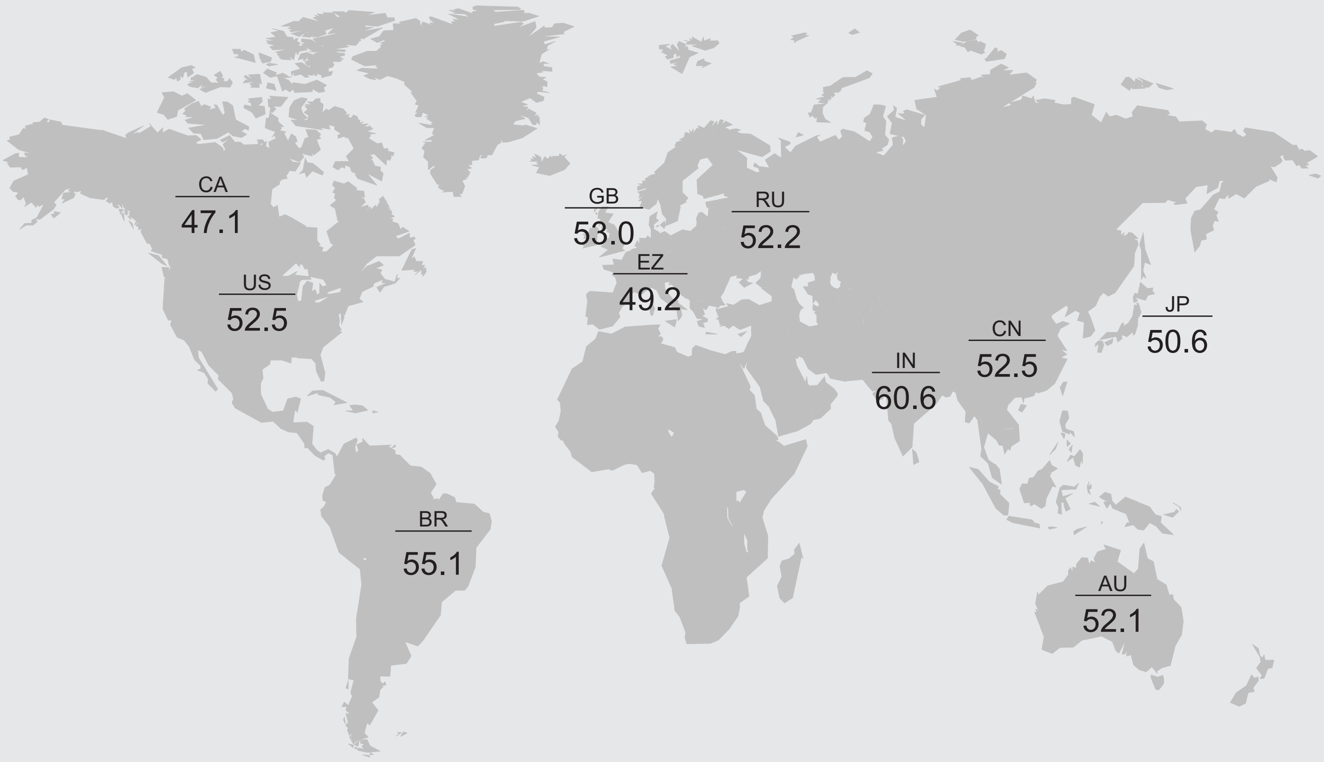
sa, >50 = inflation since previous month



International PMI

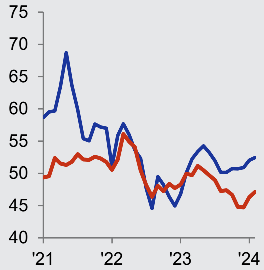
Composite Output Index, Feb '24
sa, >50 = growth since previous month

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

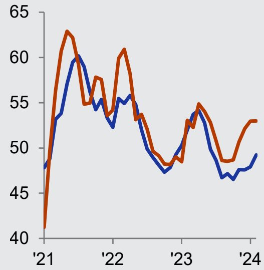


Composite Output Index

USA
Canada
sa, >50 = growth



Eurozone
UK
sa, >50 = growth

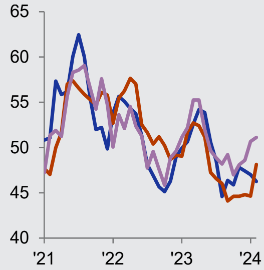


Russia
sa, >50 = growth

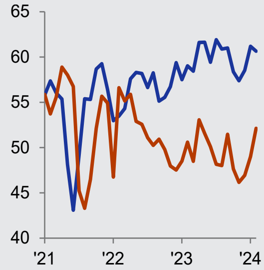
China
sa, >50 = growth

Brazil
sa, >50 = growth

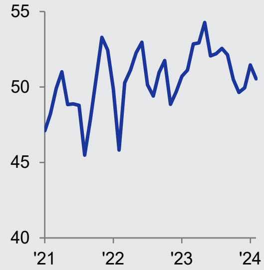
Germany
Italy
France
sa, >50 = growth



India
Australia
sa, >50 = growth



Japan
sa, >50 = growth



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 12-26 March 2024.

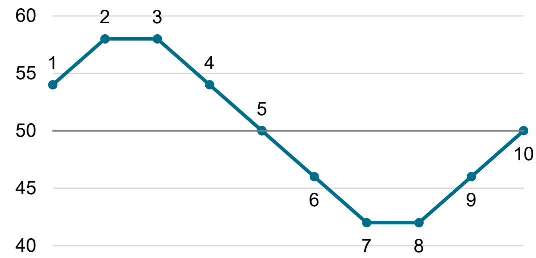
Survey questions
Private sector

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

Index calculation

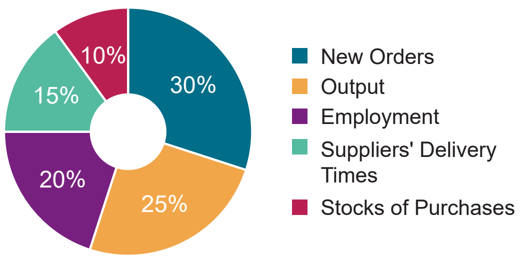
% "Higher" + (% "No change")/2

Index interpretation
50.0 = no change since previous month



1 Growth
2 Growth, faster rate
3 Growth, same rate
4 Growth, slower rate
5 No change, from growth
6 Decline, from no change
7 Decline, faster rate
8 Decline, same rate
9 Decline, slower rate
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
B	Mining and Quarrying
C	Manufacturing
F	Construction
G	Wholesale and Retail Trade; Repair of Motor Vehicles and Motorcycles
H	Transportation and Storage
I	Accommodation and Food Service Activities
J	Information and Communication
K	Financial and Insurance Activities
M	Professional, Scientific and Technical Activities
N	Administrative and Support Service Activities
P	Education*
Q	Human Health and Social Work Activities*
R	Arts, Entertainment and Recreation
S	Other Service Activities

*Private sector

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About Stanbic Bank Kenya

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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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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

PMI® by S&P Global