

Stanbic Bank Kenya PMI™

New orders increase for second month running in August

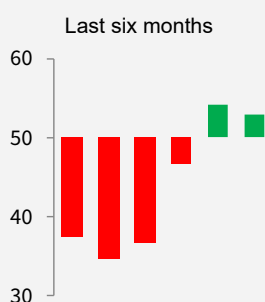
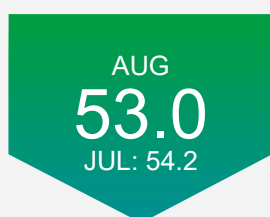
Key findings

Business output rises sharply as restrictions ease

New work increases at strong, but slower, pace

Employment falls slightly as firms cut wage bills

Kenya PMI



Latest PMI data indicated a second straight month of growth in the Kenyan private sector in August, with output and new orders rising solidly amid looser travel restrictions. Exports grew at a record rate, but job numbers fell amid efforts to cut wage costs. Sentiment improved for the first time since February, but remained relatively weak.

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 posted at 53.0 in August, signalling a second consecutive month of improving business conditions in the Kenyan private sector economy. Despite falling from 54.2 in July, the index suggested that the rate of growth remained solid overall.

Kenyan firms reported a sharp upturn in new orders during August, as the easing of coronavirus disease 2019 (COVID-19) related restrictions led to rising customer demand. The rate of expansion slowed from July's recent high, but remained marked.

Notably, export sales growth reached a new record high, as the reopening of international travel supported an uplift in tourism. Firms also reported that new orders from Europe increased strongly.

In a similar fashion, output at Kenyan companies grew for a second consecutive

month in August, albeit at a softer rate than seen in July. The rise in demand reportedly helped businesses to expand and recover some output lost during the lockdown period.

Companies increased their purchasing activity solidly midway through the third quarter, amid efforts to build up stocks as firms anticipate demand will grow further in the coming months. Purchased items were delivered at a quicker pace, as lead times shortened for the third month running.

On the other hand, employment continued to fall in August, reflecting concerns that costs remained too high. The decrease in jobs was slightly faster than in July, but only marginal overall. Backlogs meanwhile rose at a modest rate.

Higher input demand led suppliers to raise their prices during August, with the rate of purchase cost inflation accelerating to a four-month high. Fuel prices also increased at some companies. Conversely, staff costs fell for the fifth month in a row, albeit at the softest pace in this sequence.

As overall input prices rose, firms passed these on to customers with a slight increase in selling charges. The rate of inflation slowed from July, however.

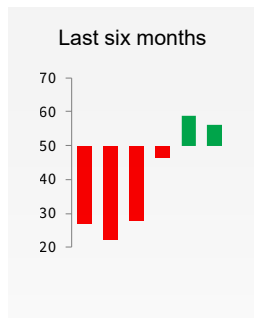
Business expectations improved for the first time in six months in August, amid plans for new investment and branches. Sentiment remained relatively subdued though, ticking up only slightly from July.

PMI

sa, >50 = improvement since previous month



Output Index



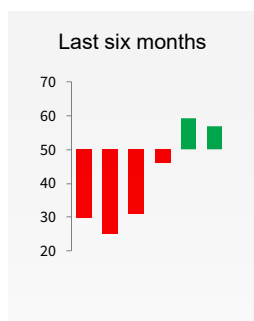
Business activity at Kenyan firms increased for the second month in a row in August. The expansion was often attributed to higher client demand as the easing of COVID-19 restrictions allowed greater travel and more businesses to reopen. That said, while the latest upturn was strong, it was weaker than seen in July.

Output Index

sa, >50 = growth since previous month



New Orders Index



New business also remained in expansion mode for the second consecutive month in August. The lifting of lockdown measures across the country reportedly led to improved economic conditions and higher customer turnout.

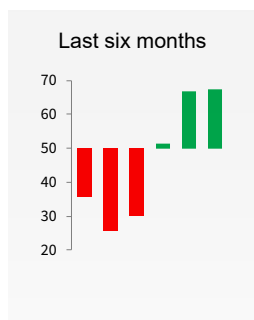
The seasonally adjusted index fell for the first time in four months, however, to signal slower growth compared to July's 23-month high. Nevertheless, the rise in sales was marked.

New Orders Index

sa, >50 = growth since previous month



New Export Orders Index



Export sales at Kenyan firms rose sharply during August. Notably, the seasonally adjusted New Export Orders Index moved higher from July's previous record.

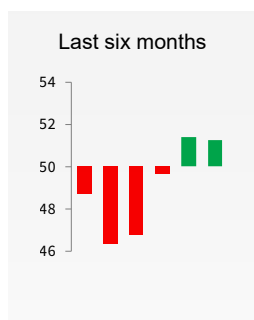
According to panellists, the lifting of COVID-19 measures in key export destinations led to higher demand for Kenyan goods and services. In particular, new orders from Europe were reportedly up since the previous month.

New Export Orders Index

sa, >50 = growth since previous month



Backlogs of Work Index



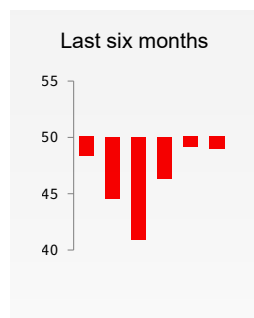
Increased new orders and heavier workloads led to a rise in backlogs at Kenyan companies midway through the third quarter. The increase was the second in as many months, and broadly similar to the modest expansion recorded in July.

Backlogs of Work Index

sa, >50 = growth since previous month



Employment Index



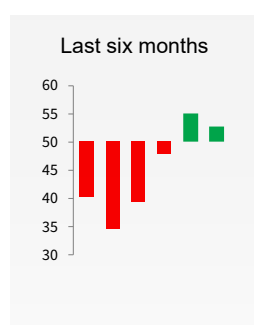
Despite rising demand and capacity pressures, employment at private sector firms continued to decrease in August. Moreover, the rate of job shedding quickened for the first time since May, albeit remaining slight overall. Firms commented that despite recovering output, they lowered job numbers in order to cut wage costs and strengthen profits.

Employment Index

sa, >50 = growth since previous month



Quantity of Purchases Index



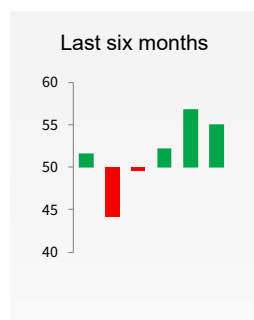
Purchasing activity at Kenyan businesses rose for the second month running in August. The upturn was mostly linked to the rise in client demand. At the same time, the rate of purchasing growth slowed from the previous month to a relatively moderate pace.

Quantity of Purchases Index

sa, >50 = growth since previous month



Suppliers' Delivery Times Index



Businesses saw a further shortening of lead times midway through the third quarter of the year. The improvement in vendor performance was strong, albeit less marked than July's 16-month high.

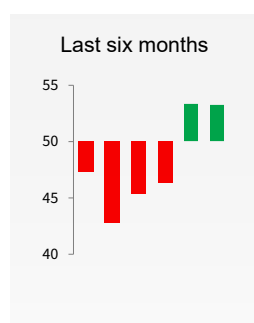
According to anecdotal evidence, suppliers sped up deliveries because of high competition and efforts to keep customers. The removal of internal travel restrictions was also mentioned.

Suppliers' Delivery Times Index

sa, >50 = faster times since previous month



Stocks of Purchases Index



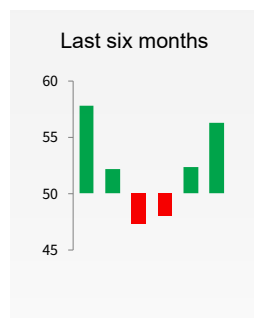
Adjusted for seasonal factors, the Stocks of Purchases Index pointed to a solid improvement in inventories at Kenyan firms during August. The rate of growth slowed only marginally from July. Panellists often commented that they anticipate higher future orders as pent-up demand is released.

Stocks of Purchases Index

sa, >50 = growth since previous month



Overall Input Prices Index



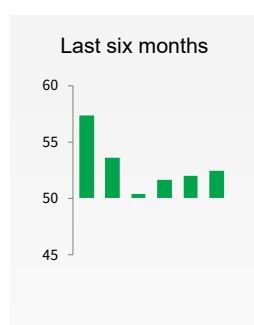
Cost pressures sharpened at Kenyan businesses in August, as the seasonally adjusted Overall Input Prices Index rose to its highest since March. Inflation of input costs was generally driven by rising supplier prices and increased fuel costs, according to surveyed firms. Meanwhile, staff costs continued to decline.

Overall Input Prices Index

sa, >50 = inflation since previous month



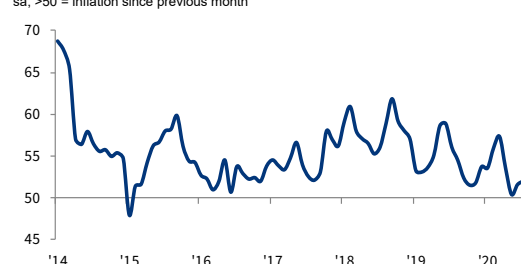
Purchase Prices Index



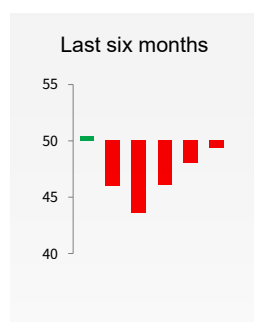
Purchase prices rose at a faster rate across the Kenyan private sector economy in the latest survey period. The pace of inflation was the strongest recorded since April, albeit still weaker than the series average. Firms reported that increased demand for inputs led to a rise in supplier prices, while fuel was also up in price.

Purchase Prices Index

sa, >50 = inflation since previous month



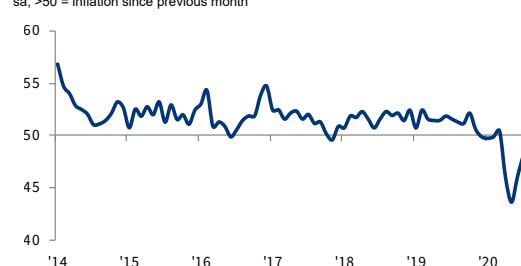
Staff Costs Index



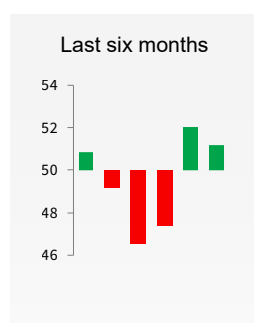
Staff costs faced by Kenyan businesses edged down slightly in August, as the rate of decline slowed to its least marked in five months of falling payroll expenses. Reductions were linked to efforts to cut wage bills. However, some firms raised wages amid higher new orders.

Staff Costs Index

sa, >50 = inflation since previous month



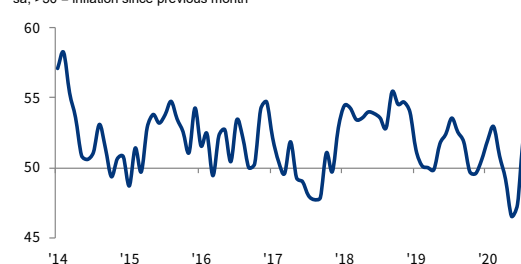
Output Prices Index



With costs rising and demand growing, Kenyan businesses raised their charges for the second successive month in August. However, the rate of inflation softened from the previous month, and was marginal. Exactly 7% of respondents increased their selling prices, against 3% that posted a fall.

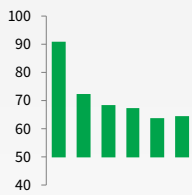
Output Prices Index

sa, >50 = inflation since previous month



Future Output Index

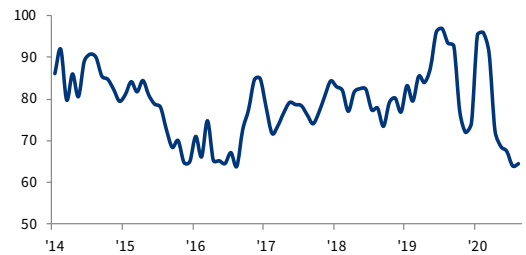
Last six months



Business sentiment regarding activity over the next 12 months picked up in August, marking the first time in six months in which the Future Output Index has risen. Several firms highlighted plans to diversify products, open more branches and raise investment. However, the uptick was only gradual, with confidence of stronger output remaining far weaker than the series trend.

Future Output Index

>50 = growth expected over next 12 months

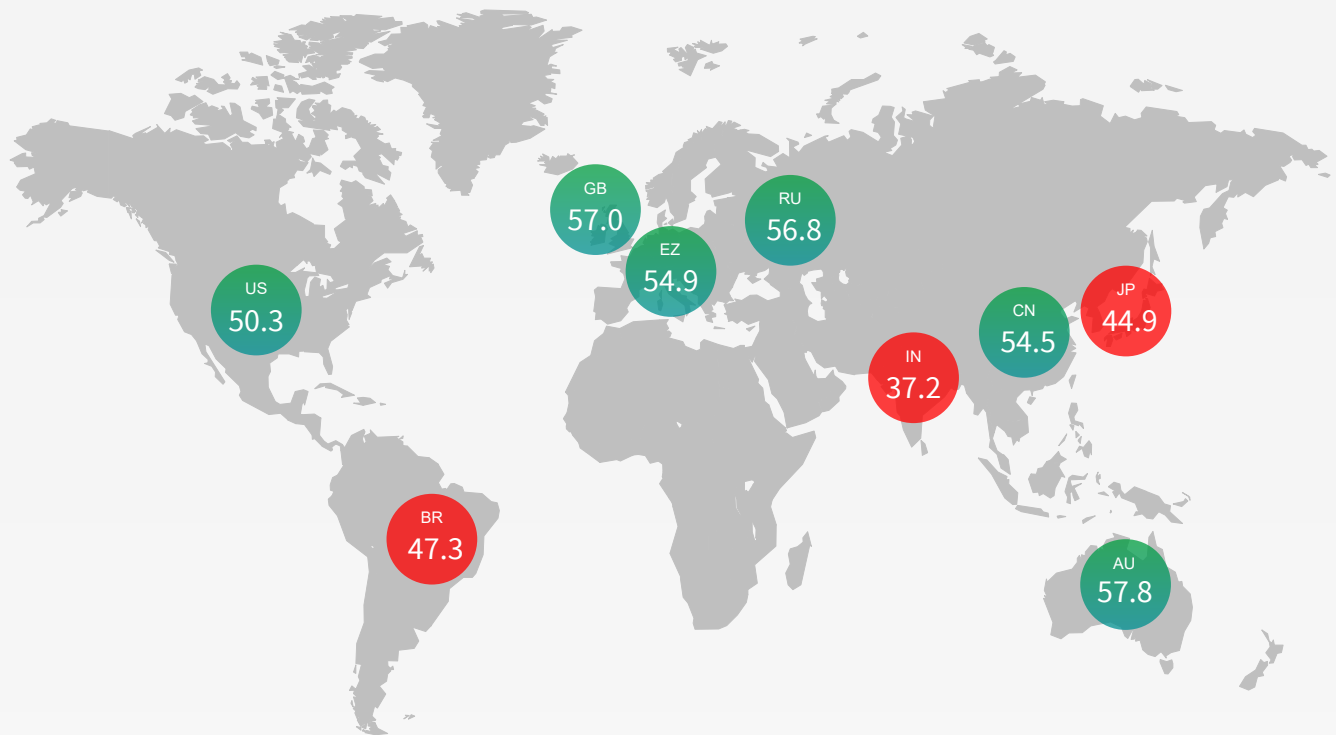


International PMI

Composite Output Index, Jul '20

sa, >50 = growth since previous month

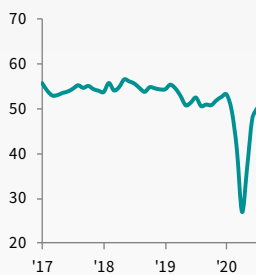
The Composite Output Index is a GDP-weighted average of the Manufacturing Output Index and the Services Business Activity Index.



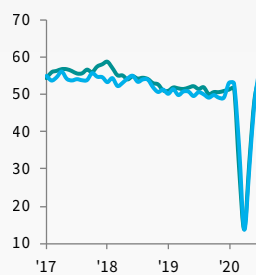
Composite Output Index

sa, >50 = growth since previous month

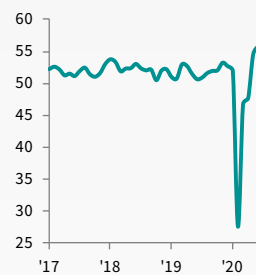
USA



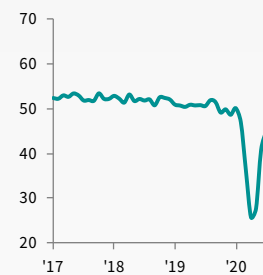
Eurozone / UK



China



Japan



Methodology

The Stanbic Bank Kenya PMI™ is compiled by IHS Markit 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.

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.

August data were collected 12-26 August 2020.

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

Stanbic Bank Kenya is a member of the Standard Bank Group, Africa's largest bank by assets.

Standard Bank Group reported total assets of R1,95 trillion (about USD143billion) at 31 December 2016, while its market capitalisation was R246 billion (about USD18 billion). The 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. Standard Bank Group has 1 221 branches and 8 815 ATMs in Africa, making it one of the largest banking networks on the continent. It provides global connections backed by deep insights into the countries where it operates. In Kenya the bank has a network of 26 branches.

Stanbic Bank provides the full spectrum of financial services. 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 mining and metals; oil, gas and renewables; power and infrastructure; agribusiness; telecommunications and media; and financial institutions.

The bank's personal and business banking unit offers banking and other financial services to individuals and small-to-medium enterprises. 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).

For further information log on to www.stanbicbank.co.ke.

About IHS Markit

IHS Markit (NYSE: INFO) is a world leader in critical information, analytics and solutions for the major industries and markets that drive economies worldwide. The company delivers next-generation information, analytics and solutions to customers in business, finance and government, improving their operational efficiency and providing deep insights that lead to well-informed, confident decisions. IHS Markit has more than 50,000 business and government customers, including 80 percent of the Fortune Global 500 and the world's leading financial institutions.

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