



Stanbic Bank Kenya PMI™

Output growth picks up in October

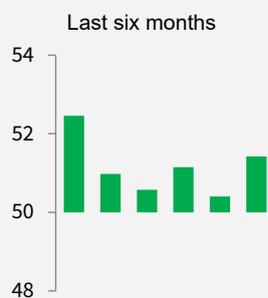
Key findings

Business activity and sales rise at stronger rates

Input costs increase sharply

Hiring growth slows as outlook remains relatively subdued

Kenya PMI



The Kenya PMI™ ticked higher in October, as output growth strengthened for the first time in five months and new business continued to grow. However, there was also a further marked increase in input costs, while hiring growth weakened to a modest pace as firms continued to signal uncertainty surrounding the economic recovery from the pandemic.

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 51.4, up from 50.4 in September, the PMI posted its highest reading for five months in October. That said, the index signalled only a modest improvement in business conditions, and one that was slower than the series long-run trend.

New business volumes continued to rise at Kenyan firms, extending the current run of growth that began in May. Furthermore, the most recent increase was the fastest in five months, which panellists linked to greater customer spending as cash flow and economic conditions improved. There was a particularly robust rise in sales across services firms, but demand fell in the agriculture and construction sectors and was unchanged in manufacturing.

The upturn in new orders supported a further rise in output during October, and one that was stronger than in the previous month. Nevertheless, output struggled to keep up with demand, leading to a slight increase in outstanding work.

Employment levels were raised for the sixth month running as firms looked to boost overall capacity. Notably though, the rate of job creation slowed and was only modest, as businesses continued to project a relatively subdued outlook for future activity amid uncertainty over how the pandemic will impact spending decisions.

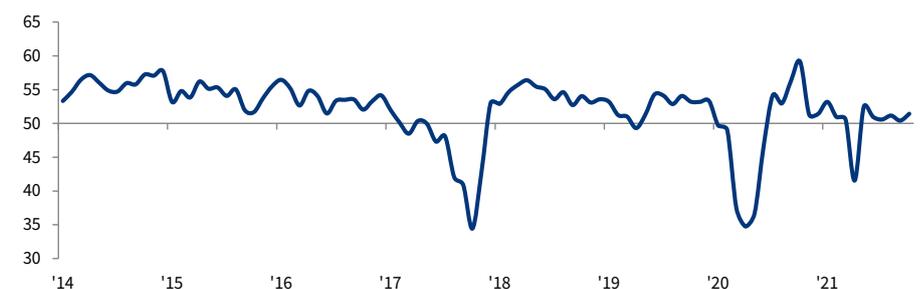
More positively, October data pointed to a solid and faster increase in purchasing activity at Kenyan firms, linked to efforts to expand stock levels. Delivery times continued to improve, albeit to a lesser extent than in September due to mentions of shortages at some vendors.

Weak material supply, higher VAT and rising energy prices combined to push total input costs higher in October, with the latest mark-up the quickest since July. Staff salaries were also up, but only slightly overall.

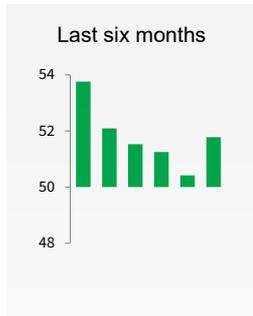
To protect profit margins, Kenyan firms often passed additional costs through to their clients. Consequently, output charges rose solidly and at the fastest rate since the beginning of the year.

PMI

sa, >50 = improvement since previous month



Output Index

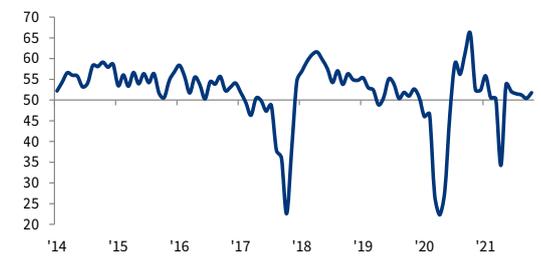


For the first time in five months, the seasonally adjusted Output Index ticked higher in October, thus signalling a faster expansion in Kenyan business activity. According to panellists, the increase was largely driven by a normalisation of business spending following pandemic-related measures. Despite climbing to a four-month high, the rate of output growth was only modest overall.

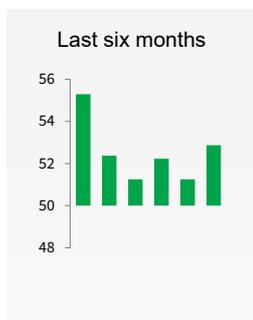
Upturns were seen in the services and construction sectors, whereas activity fell across agriculture, manufacturing and wholesale & retail.

Output Index

sa, >50 = growth since previous month



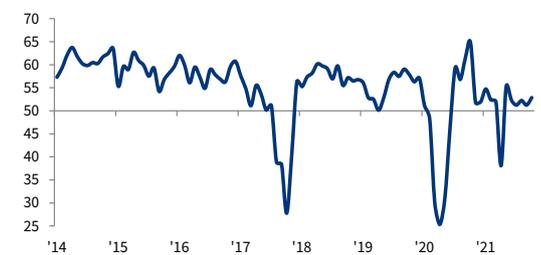
New Orders Index



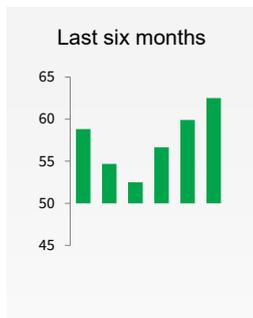
New orders received by Kenyan firms rose for the sixth month in a row during October, amid reports of increased economic activity and client spending. The expansion was particularly strong among service providers, with wholesale & retail firms also seeing an uptick. This drove the overall rate of new order growth to the highest since May, despite lower sales in the agriculture and construction sectors.

New Orders Index

sa, >50 = growth since previous month



New Export Orders Index



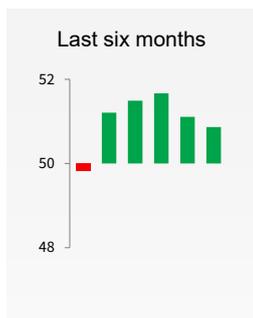
Foreign sales was a notably robust area of growth at the start of the fourth quarter. Adjusted for seasonal variance, the New Export Orders Index rose for the third straight month to its highest level since August 2020, and the third-strongest on record. Businesses often related higher new business from abroad to increasing demand from clients in Europe.

New Export Orders Index

sa, >50 = growth since previous month



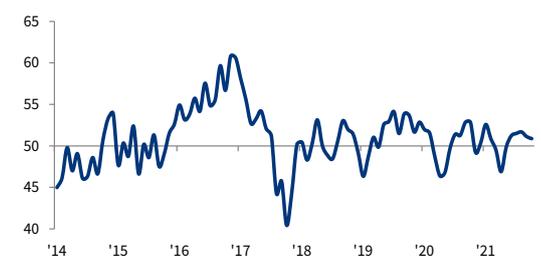
Backlogs of Work Index



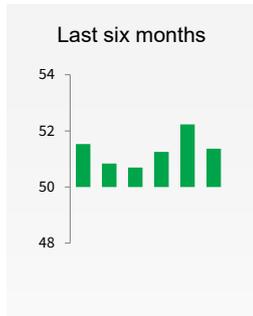
The volume of backlogged work at Kenyan businesses continued to rise during October. Panellists linked this to a number of factors, including higher demand, employee training and delayed funding. That said, the increase in outstanding orders was marginal and the softest in the current five-month sequence of accumulation.

Backlogs of Work Index

sa, >50 = growth since previous month



Employment Index



Following the trend for new business, Kenyan companies hired additional workers for the sixth month running in October. However, the pace of job creation slowed from the previous month and was modest, as some respondents cited delays in filling open positions.

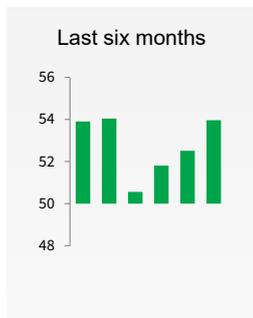
Higher employment was recorded in the agriculture, construction and services sectors in October, whereas manufacturers saw a decline for the first time in eight months.

Employment Index

sa, >50 = growth since previous month



Quantity of Purchases Index



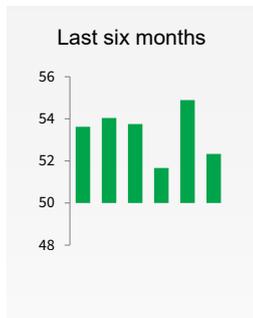
Procurement plans across the Kenyan private sector continued to strengthen in October. After signalling only marginal growth in July, the seasonally adjusted Quantity of Purchases Index rose for the third straight month to indicate a solid rise in input buying. Where purchasing rose, firms commonly linked this to higher sales. Wholesale & retail bucked the wider trend to post an outright decline in buying activity in October.

Quantity of Purchases Index

sa, >50 = growth since previous month



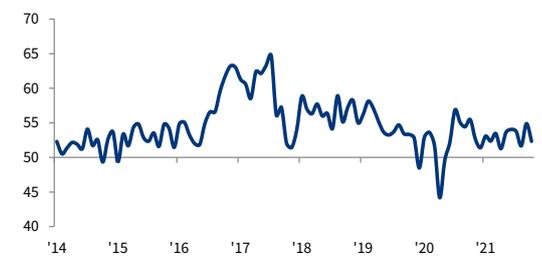
Suppliers' Delivery Times Index



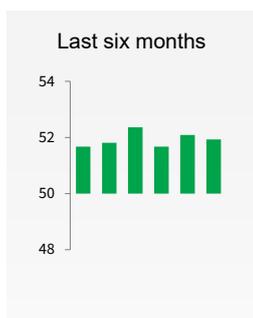
Kenyan businesses registered a further improvement in supplier performance at the start of the final quarter of the year. The latest reduction in delivery times was softer than in September and only modest, however. While many vendors sped up deliveries to retain their clients, some reportedly struggled with supply shortages. Delivery times have now shortened in each month since June 2020.

Suppliers' Delivery Times Index

sa, >50 = faster times since previous month



Stocks of Purchases Index



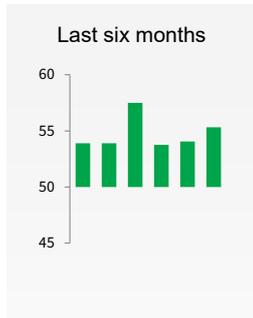
Inventory growth continued on its modest trend in October, posting a similar upturn to those seen throughout the current six-month run of expansion. Businesses that stocked more inputs cited increased new orders and confidence in future demand. Input holdings grew across four of the five broad sectors covered by the survey, the exception being manufacturing.

Stocks of Purchases Index

sa, >50 = growth since previous month



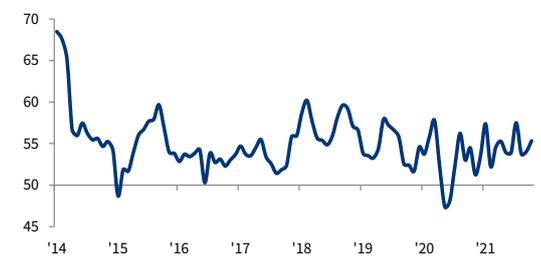
Overall Input Prices Index



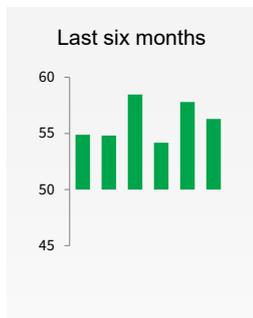
Overall input costs rose in the Kenyan economy at the start of the fourth quarter. Approximately 10% of surveyed businesses recorded an increase in costs, whilst less than 1% saw a decline. The uptick was generally attributed to higher purchase prices, though staff fees also continued to rise. The rate of overall input cost inflation quickened for the second month running and was sharp overall.

Overall Input Prices Index

sa, >50 = inflation since previous month



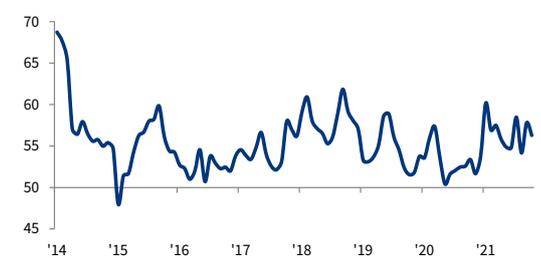
Purchase Prices Index



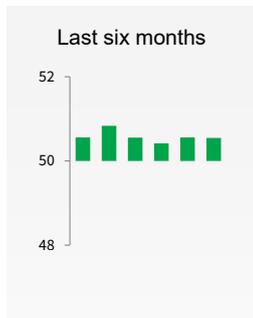
Companies reported a marked increase in purchase prices again during October. Anecdotal evidence indicated that the recent increases in VAT and energy prices continued to drive the cost of raw materials higher. Supply shortages were also reported to have led to a rise in commodity prices. Whilst sharp, the rate of purchase cost inflation was slightly weaker than in the prior survey period.

Purchase Prices Index

sa, >50 = inflation since previous month



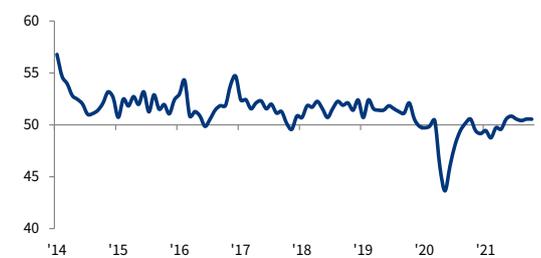
Staff Costs Index



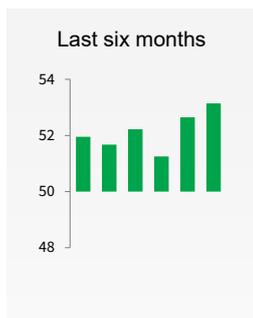
Adjusted for seasonal variance, the Staff Costs Index posted above the 50.0 no-change level for the sixth consecutive month in October, to signal a further - but marginal - increase in salaries at Kenyan companies. Where salaries rose, respondents cited efforts to improve productivity and compensate workers facing higher living costs.

Staff Costs Index

sa, >50 = inflation since previous month



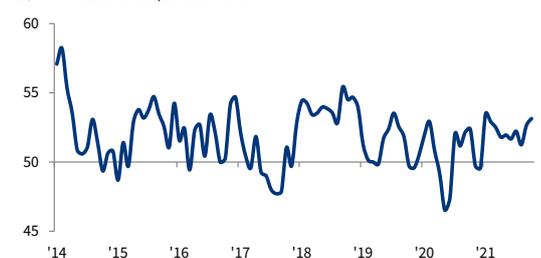
Output Prices Index



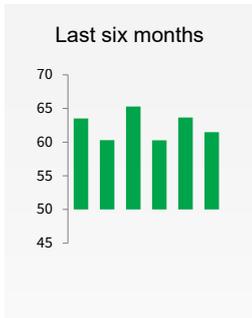
The rate of output charge inflation in the Kenyan economy accelerated for a second month running to a solid pace in October. According to panellists, charges were raised to protect profit margins as input costs also grew. Notably, the overall rise in selling charges was the strongest since the start of the year. All five sectors registered higher prices on average in October.

Output Prices Index

sa, >50 = inflation since previous month



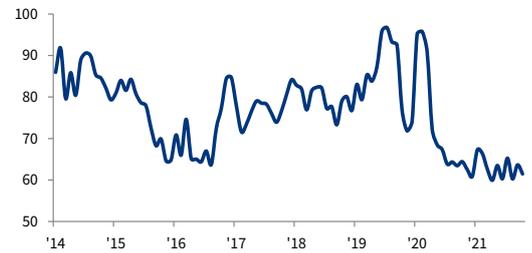
Future Output Index



Output forecasts for the year ahead remained historically weak in October, ticking down slightly from the end of the third quarter. Around 23% of respondents expect activity to improve over the coming 12 months, citing new outlets, product launches and increased marketing. The majority of firms gave a neutral outlook amid continued uncertainty surrounding the COVID-19 pandemic.

Future Output Index

>50 = growth expected over next 12 months

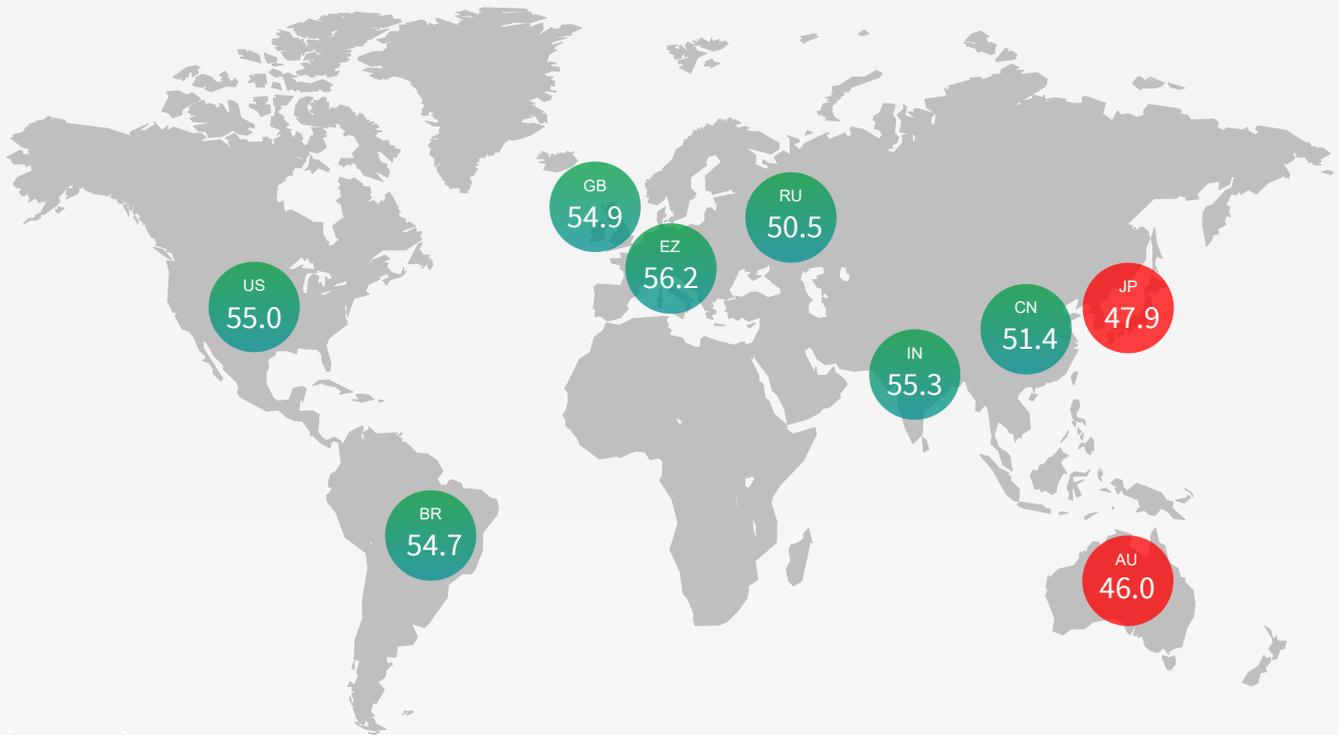


International PMI

Composite Output Index, Sep '21

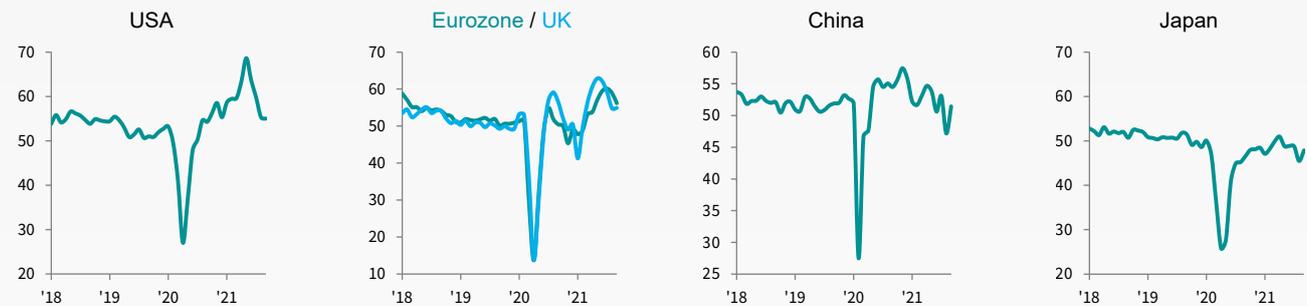
sa, >50 = growth since previous month

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



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.

October data were collected 12-27 October 2021.

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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