

Stanbic Bank Kenya PMI™

PMI rises to ten-month high in November

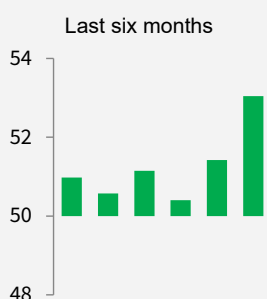
Key findings

Fastest rises in output and new orders since May

Employment growth at two-year high

Weakest improvement in supplier performance for 18 months

Kenya PMI



The Kenya PMI™ pointed to a resurgence of growth across the private sector economy in November, as firms enjoyed a sharp increase in demand through the lifting of curfew measures. Stronger rises in output and new orders contributed to the fastest uplift in employment for two years, which helped firms to reduce their backlogs.

However, input costs continued to rise at a sharp pace, driving the quickest increase in selling prices since the beginning of the year, whilst confidence in future output remained historically 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 latest reading of 53.0 in November was up from 51.4 in October to a ten-month high, signalling a solid upturn in the health of the private sector economy.

New orders rose steeply and at the fastest rate since May, which businesses often related to an increase in demand from the lifting of night-time curfew measures. This led to a solid upturn in activity that was also the strongest seen for six months.

Sector data suggested that the expansion was largely driven by the construction, services and wholesale & retail sectors.

By contrast, agriculture and manufacturing posted a decline in output.

Meanwhile, private sector employment was reportedly boosted by higher sales, with latest data signalling the quickest rise in job numbers for exactly two years. The increase in staff capacity allowed firms to reduce their backlogs for the first time since May.

Input purchasing also rose to a greater extent in November, particularly as some businesses looked to stockpile goods amid expectations that demand will improve. However, there were increased reports of delays to supplier deliveries amid freight slowdowns and supply shortages. Subsequently, the overall improvement in vendor performance was the weakest in one-and-a-half years.

Supply shortfalls also contributed to a sharp rise in purchase prices during November, which panellists found was exacerbated by exchange rate weakness and higher taxes. Wage inflation and rising fuel prices meanwhile added to another marked increase in overall costs. The uptick in expenses led companies to raise their output charges at the fastest pace since January.

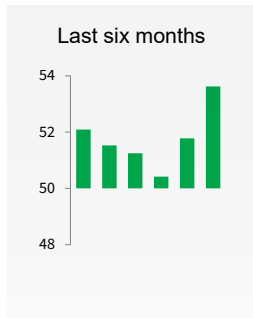
Despite a solid improvement in business conditions, output forecasts remained subdued in November, with just over a quarter of firms expecting activity to rise over the coming year.

PMI

sa, >50 = improvement since previous month



Output Index



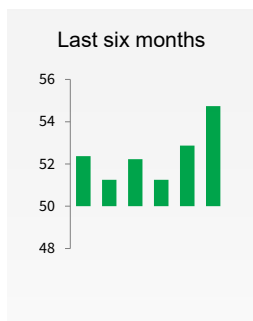
November data indicated a solid and accelerated upturn in output levels across the Kenyan private sector economy. Businesses frequently mentioned that the lifting of the national curfew had led to increased economic activity and customer demand, though some firms continued to report cash flow problems. The pace of output growth was the fastest seen since May, driven by expansions in the construction, wholesale & retail and services sectors.

Output Index

sa, >50 = growth since previous month



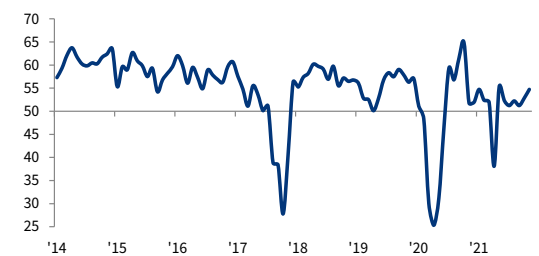
New Orders Index



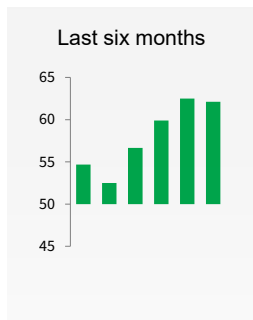
New business at Kenyan companies rose sharply midway through the final quarter, with the rate of growth accelerating for a second straight month to the quickest since May. Firms reporting higher sales commented on an increase in customer numbers that was often linked to the removal of curfew hours. In line with output, new orders rose among construction, wholesale & retail and services firms, but were largely unchanged in agriculture and manufacturing.

New Orders Index

sa, >50 = growth since previous month



New Export Orders Index



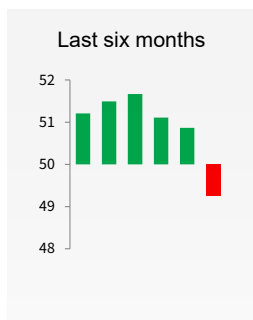
Strong demand for Kenyan exports was recorded again in November, with firms particularly highlighting a rise in orders from European clients. Despite ticking down for the first time in four months, the rate of new export order growth was among the sharpest seen in the series history (which began in January 2014).

New Export Orders Index

sa, >50 = growth since previous month



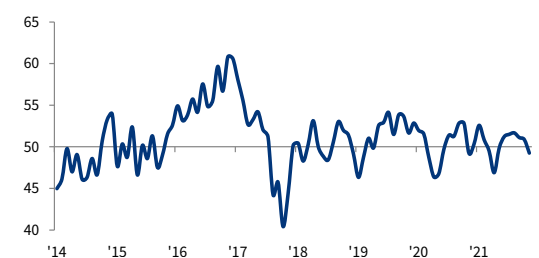
Backlogs of Work Index



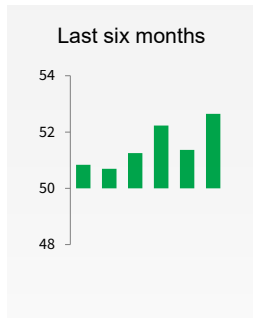
Increased output and hiring enabled firms to manage their workloads better during November. Backlogs of work decreased slightly, bringing to an end a five-month sequence of expansion that was the longest recorded since early-2020. That said, there were still some mentions of capacity pressures linked to higher new orders.

Backlogs of Work Index

sa, >50 = growth since previous month



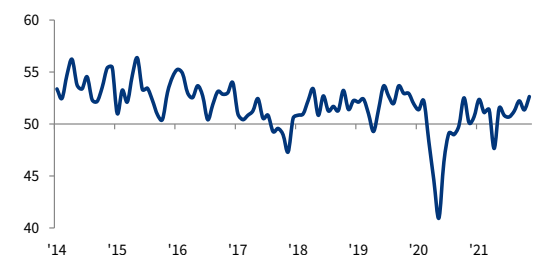
Employment Index



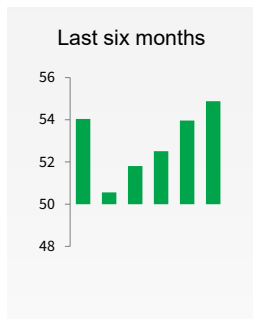
The seasonally adjusted Employment Index pointed to a solid expansion in job numbers during November, and the seventh in as many months. Moreover, the rate of workforce expansion was the quickest seen in exactly two years, which respondents often attributed to higher workloads. Four of the five sectors covered by the survey saw an increase in employment, the exception being manufacturing.

Employment Index

sa, >50 = growth since previous month



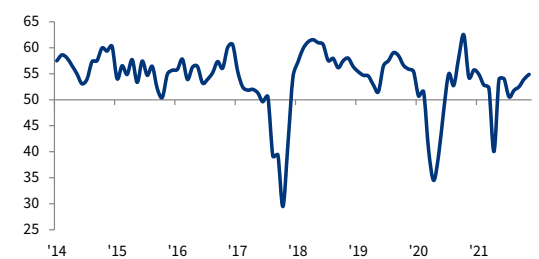
Quantity of Purchases Index



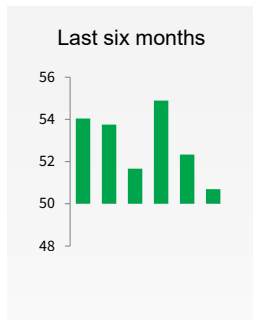
For the fourth month running, the rate of input purchasing growth at Kenyan companies accelerated in November, with the latest upturn the sharpest since the beginning of the year. Firms that recorded higher purchases largely cited a rise in new orders. Notably, the overall increase in input buying climbed above the series long-run trend.

Quantity of Purchases Index

sa, >50 = growth since previous month



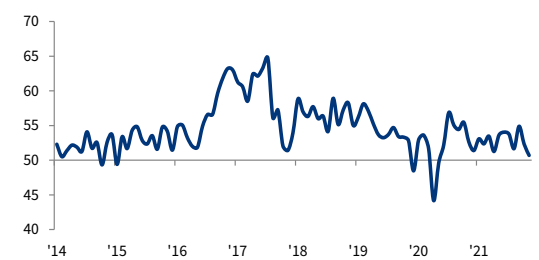
Suppliers' Delivery Times Index



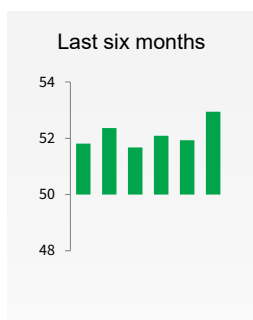
While latest data signalled an overall upturn in supplier performance during November, the rate of improvement slipped for a second month running to the weakest in one-and-a-half years. Faster deliveries were often reported in places where suppliers faced strong competition. However, difficulties sourcing inputs due to a lack of supply led to slowdowns elsewhere. Only the services and construction sectors saw a reduction in average lead times.

Suppliers' Delivery Times Index

sa, >50 = faster times since previous month



Stocks of Purchases Index



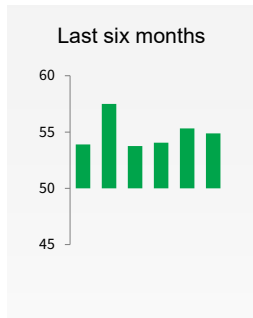
After running broadly flat over the past few months, the seasonally adjusted Stocks of Purchases Index ticked up in November to signal a stronger rise in inventories at Kenyan firms. The rate of growth was also the fastest seen since December 2020. With the surge in new orders, firms often reported efforts to stockpile inputs amid expectations that demand will continue to improve.

Stocks of Purchases Index

sa, >50 = growth since previous month



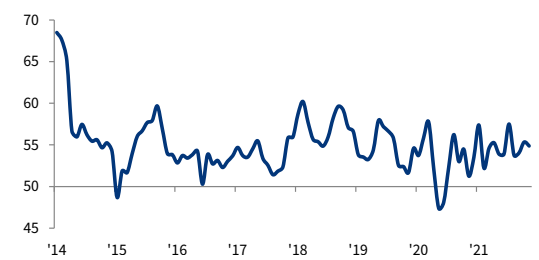
Overall Input Prices Index



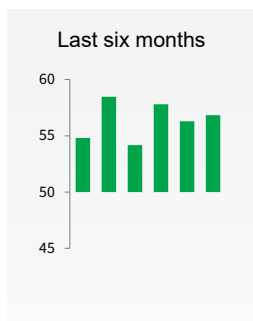
Input prices across the Kenyan private sector economy rose in November, as firms continued to see a marked uplift in expenses related to purchased items. Fuel bills were also quoted as being higher, while staff costs rose to a lesser extent. Whilst sharp overall, the rate of input cost inflation eased for the first time since August.

Overall Input Prices Index

sa, >50 = inflation since previous month



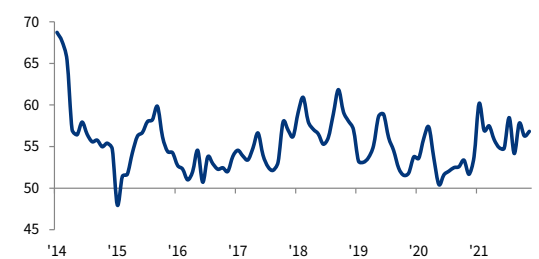
Purchase Prices Index



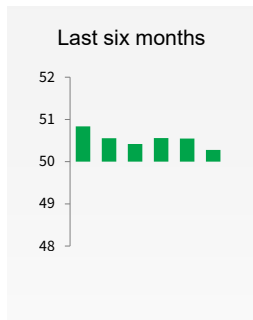
Inflationary pressures from higher purchase prices remained widespread midway through the fourth quarter. Around 16% of businesses saw purchasing costs rise over the month, compared to 1% that registered a decline. Anecdotal evidence indicated that a fall in the exchange rate against the US dollar and recent tax rises were often behind an uptick in import prices. Some firms noted that supply issues also added to inflationary pressures.

Purchase Prices Index

sa, >50 = inflation since previous month



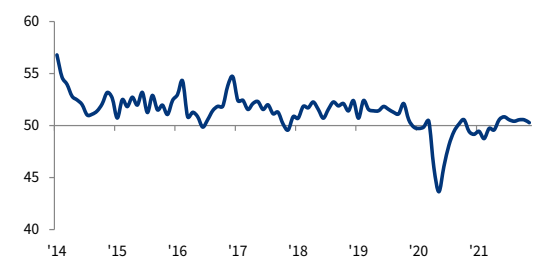
Staff Costs Index



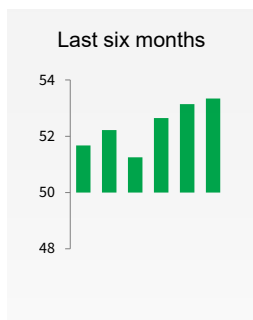
As has been the case since May, the seasonally adjusted Staff Costs Index pointed to a rise in salaries at Kenyan companies during November. The rate of wage inflation was only fractional, however, and the slowest recorded in this sequence. Firms noted that pay increases were often a result of strike action and higher living costs.

Staff Costs Index

sa, >50 = inflation since previous month



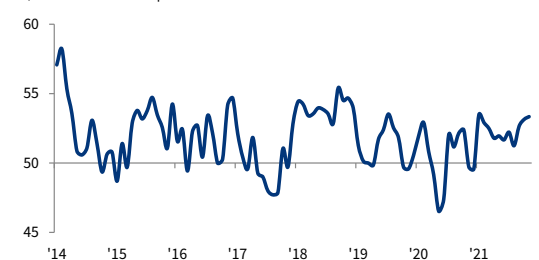
Output Prices Index



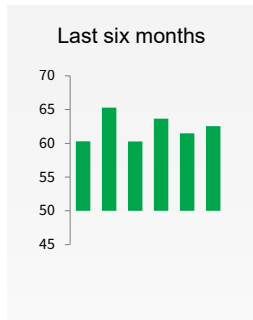
Businesses largely passed on a rise in input costs to their customers in November, as latest data indicated a strong mark-up of average selling charges. Furthermore, the pace of charge inflation accelerated for the third month running to the highest since the start of the year, and was above the series trend. Notably, all five monitored sectors posted a rise in output prices.

Output Prices Index

sa, >50 = inflation since previous month



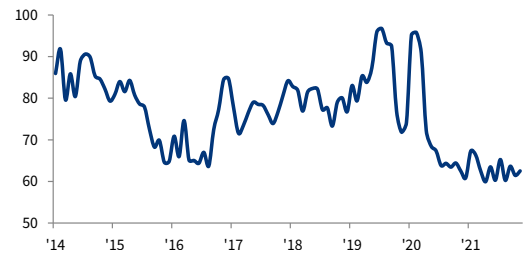
Future Output Index



Business confidence among Kenyan firms remained at a subdued level in the penultimate month of the year. The Future Output Index ticked up slightly from October, but was still among the lowest readings in the series history. Around a quarter of firms expect output to rise over the coming 12 months, amid expectations of new branches, increased marketing and higher investment.

Future Output Index

>50 = growth expected over next 12 months

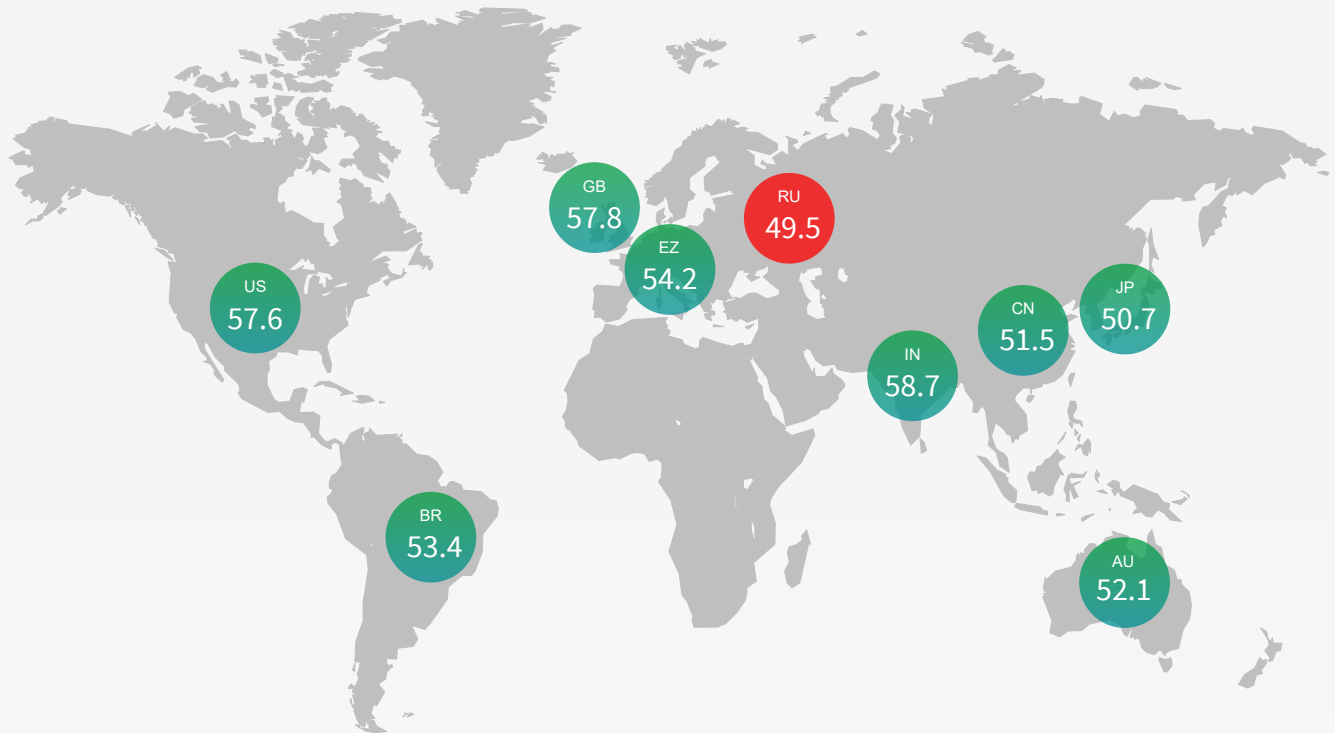


International PMI

Composite Output Index, Oct '21

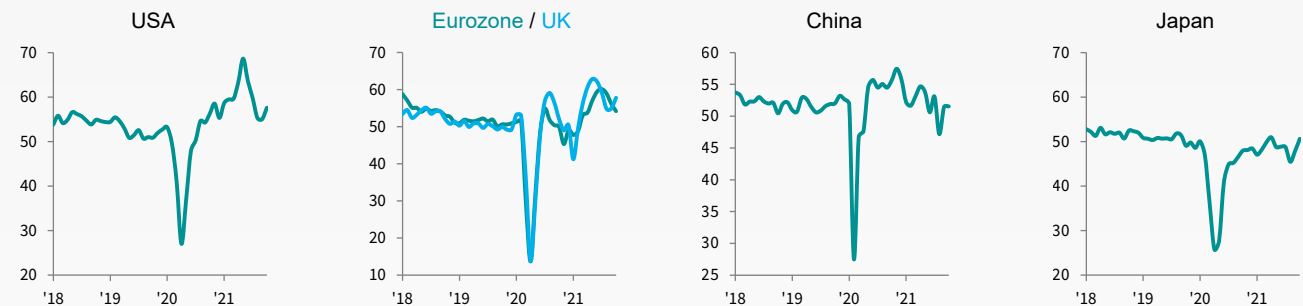
sa, >50 = growth since previous month

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.

November data were collected 12-26 November 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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