Embargoed until 1030 EAT (0730 UTC) 5 January 2023

Stanbic Bank
A member of Standard Bank Group

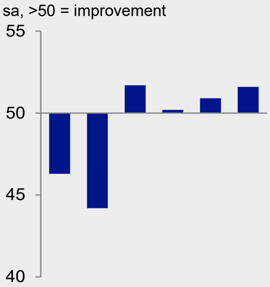
# Stanbic Bank Kenya PMI™

## Strongest rise in new business since February

51.6

KENYA PMI
DEC '22

PMI
Jul - Dec '22
sa, >50 = improvement




### Output expands for second month running

### Employment growth up to highest since March

### Input cost inflation softens to one-year low

Kenya's private sector ended 2022 on a high, according to the latest PMI data, as new business rose at the sharpest rate since February, leading to accelerated increases in output and employment. The boost to growth was helped by a softening of inflationary pressures, as firms saw costs increase to the smallest extent in a year. Businesses were nonetheless subdued about the year-ahead outlook amid continued worries about global economic conditions.

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 picked up to a three-month of 51.6 in December, rising from 50.9 in November and posting above the 50.0 neutral mark for the fourth month running. The index signalled a modest improvement in operating conditions, one that was broadly aligned with the average seen since the survey began in 2014.

Kenyan businesses pointed to a further rise in activity at the end of the year, signalling the first back-to-back expansions in 2022. The modest rate of growth was slightly faster than in November, linked by survey panellists to a range of factors including higher demand, favourable weather conditions and softer price pressures.

Likewise, new order inflows increased amid reports of improving demand conditions. Moreover, the rate of sales growth quickened to a ten-month high and was solid overall. Sectoral performances varied, with uplifts in agriculture, manufacturing and wholesale & retail contrasting with falls in construction and services. Export growth disappointed, dropping to a nine-month low.

Kenyan businesses made further

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


PMI™ by S&P Global

# Contents



additions to their staffing numbers in December, with the slight rate of job creation the fastest seen since March. Rising staff capacity allowed firms to deplete outstanding work for the second month in a row.

Companies also raised their purchasing activity at the end of the year, with the solid upturn leading to a further (albeit slight) expansion of input stocks. Vendor performance improved for the fourth month running, although greater demand pressures on suppliers meant that lead times shortened only mildly.

Positive news was also found on the prices side in December, as Kenyan firms saw input costs rise at the slowest rate for 12 months. Despite further reports of currency weakness and higher VAT, some firms noted that improving supply conditions, lower wage costs and stabilising energy prices helped to soften inflation. Subsequently, companies raised their output prices to the smallest extent since August.

Despite improving business conditions, output expectations weakened again in December and were among the lowest on record. Only 11% of firms expect output to rise in 2023, with confidence remaining subdued amid concerns about the global economy.

## Comment

Mulalo Madula, Economist at Standard Bank commented:

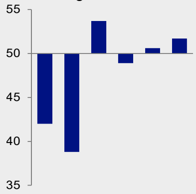
*"December PMI paints a positive picture for the Kenyan economy, in line with the series average. It comes as no surprise to see activity expand, perhaps due to favourable weather conditions and softer price pressures before a challenging 2023. But the expansion was not broad based, with agriculture, manufacturing and wholesale and retail trade in expansionary territory. In contrast, the construction and service sectors experienced a decrease in output.*

*"Going forward, businesses report only modest positivity, with 89% of respondents anticipating no change in business activity over the next 12 months. As a result, inventory gains were moderate and concentrated in the agricultural sector, with declines recorded elsewhere. This outlook partly reflects the nature of the current global environment, in which a slowdown in exports is likely to slow business activity.*

*"On the positive side, inflationary pressures appear to be easing, with input costs and output prices rising at a slower pace. Moderate inflation is likely to be one of the few positive factors in the second half of 2023, with fewer supply chain disruptions, favourable weather conditions and lower energy prices. However, idiosyncratic factors, including taxes, are likely to dislocate inflation in the first half of the year."*

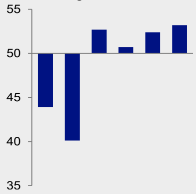
Output
Index

Jul - Dec '22
sa, >50 = growth



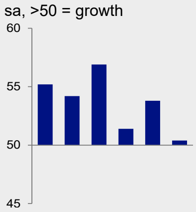

New Orders
Index

Jul - Dec '22
sa, >50 = growth




New Export
Orders Index

Jul - Dec '22
sa, >50 = growth

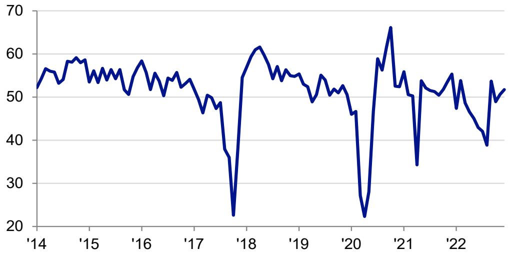



# Output and demand

## Output

Kenyan businesses pointed to a further rise in activity at the end of the year, shown by the seasonally adjusted Output Index posting above the 50.0 neutral value. The modest rate of growth was slightly faster than that seen in November and broadly aligned with the long-run trend. Firms that saw a rise in activity cited higher sales, increased marketing, favourable weather conditions and slowing inflationary pressures.

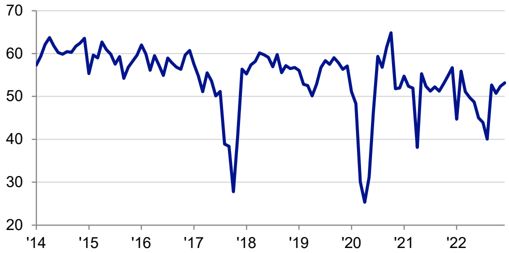
Output Index
sa, >50 = growth since previous month




## New orders

Adjusted for seasonal factors, the New Orders Index posted in growth territory for the fourth consecutive month in December, signalling a solid rise in new business that was the sharpest since February. Increased demand, greater marketing and higher output were all cited as factors driving sales growth. While new orders expanded in the agriculture, manufacturing and wholesale & retail sectors, falls were registered in construction and services.

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




## New export orders

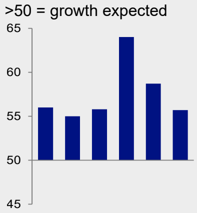
Slowing exports growth weighed on the overall upturn in sales in the Kenyan economy during December. The rise in foreign new orders softened to a marginal rate that was the weakest seen in the current nine-month growth sequence, following a solid uplift in November.

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


# Business expectations

Future
Output Index

Jul - Dec '22
>50 = growth expected




Kenyan companies indicated a further worsening in the outlook for activity in December. The Future Output Index dropped for the second straight month to one of its weakest readings in the survey's history, signalling only a modest degree of positivity. Around 11% of firms expect output to expand in 2023, with optimism related to new products, branch openings and greater marketing efforts. By comparison, 89% of respondents forecast no change in activity.

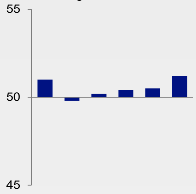
Future Output Index
>50 = growth expected over next 12 months

# Employment and capacity

Employment Index

Jul - Dec '22

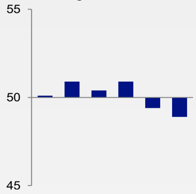
sa, >50 = growth




Backlogs of Work Index

Jul - Dec '22

sa, >50 = growth




## Employment

December survey data signalled a further slight pick up in staffing levels at Kenyan private sector firms at the end of the year. The rate of job creation accelerated to the fastest since March, but remained slightly lower than the long-run average. Panellists often commented on the hiring of short-term employees to help with higher workloads. Construction was the only broad category to register a decline in workforce numbers.

Employment Index

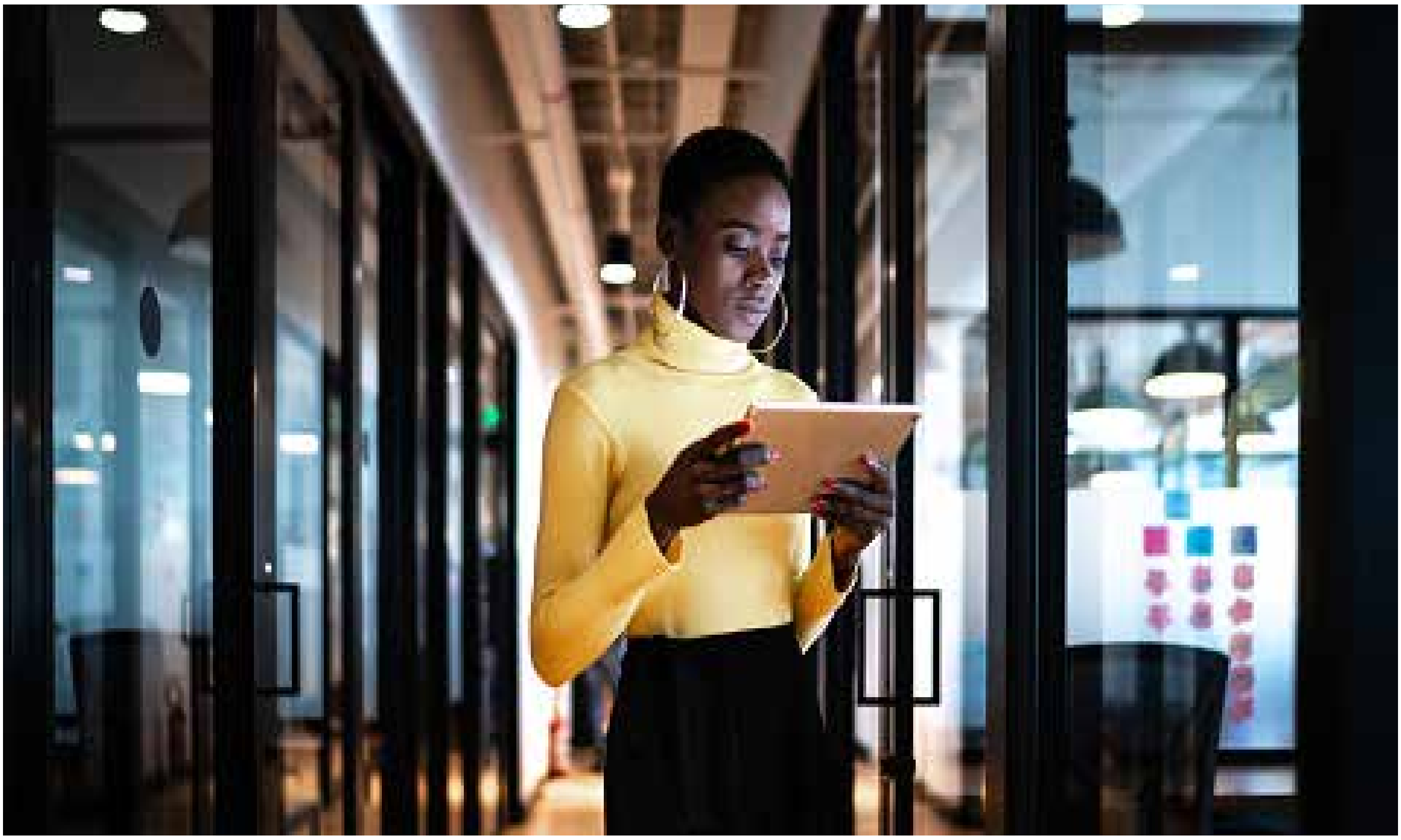
sa, >50 = growth since previous month


## Backlogs of work

For the second consecutive month, Kenyan firms depleted their volumes of outstanding business in December. The fall in backlogs was marginal overall, but nonetheless quickened from the previous survey period to the fastest in a year.

Backlogs of Work Index

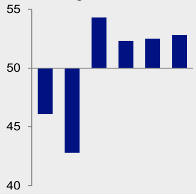
sa, >50 = growth since previous month

Quantity of Purchases Index

Jul - Dec '22

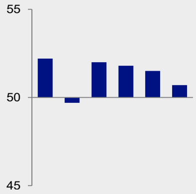
sa, >50 = growth




Suppliers' Delivery Times Index

Jul - Dec '22

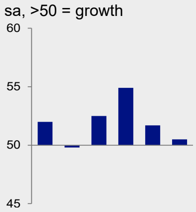
sa, >50 = faster times




Stocks of Purchases Index

Jul - Dec '22

sa, >50 = growth




# Purchasing and inventories

## Quantity of purchases

The purchasing of inputs at Kenyan private sector companies rose for the fourth successive month in December, with growth picking up slightly to the quickest since September. Higher purchasing was typically linked by surveyed firms to a rise in sales. Whilst solid overall, the rate of expansion remained slower than the average seen since the survey began in January 2014.

Quantity of Purchases Index

sa, >50 = growth since previous month


## Suppliers' delivery times

Efforts among vendors to win new clients led to a further shortening of input delivery times at the end of 2022, the fourth recorded in as many months. However, stronger demand pressures combined with shortages of some items meant that the overall improvement in supplier performance was the softest seen in this sequence and only slight.

Suppliers' Delivery Times Index

sa, >50 = faster times since previous month


## Stocks of purchases

Kenyan companies reported an expansion in input stocks during December, thereby continuing the run of growth that began in September. The uplift was in line with a further increase in new orders as well as expectations that demand will improve. However, with some firms looking to avoid holding excess stocks, the overall increase in inventories was only mild and centred on the agriculture sector, with declines recorded elsewhere.

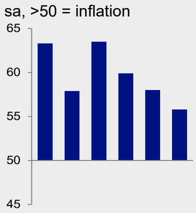
Stocks of Purchases Index

sa, >50 = growth since previous month


Input Prices Index

Jul - Dec '22

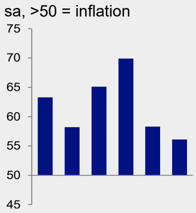
sa, >50 = inflation




Purchase Prices Index

Jul - Dec '22

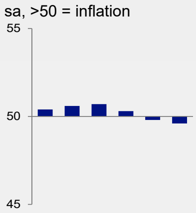
sa, >50 = inflation




Staff Costs Index

Jul - Dec '22

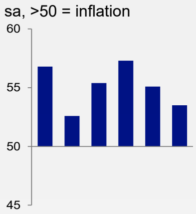
sa, >50 = inflation




Output Prices Index

Jul - Dec '22

sa, >50 = inflation




# Prices

## Input prices

Kenyan businesses continued to see an uplift in input costs in the final month of the year. However, whilst sharp overall, the rate of inflation softened for the third straight month and was at its lowest level since December 2021. The increase was also broadly in line with the series trend. Anecdotal evidence largely related the latest uptick in costs to higher purchase prices and taxation rates.

Input Prices Index

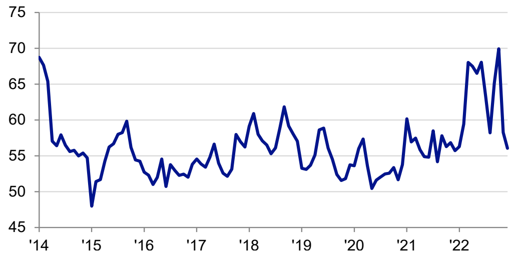
sa, >50 = inflation since previous month


## Purchase prices

Purchasing costs faced by Kenyan firms rose at a sharp, but slower pace in December. In fact, the overall uptick was the softest recorded across 2022 and fractionally less marked than the series average. While firms broadly commented on higher costs due to weakness in the exchange rate against the US dollar and elevated VAT rates, some noted that improving material supply and stabilising energy prices partly offset inflationary pressures.

Purchase Prices Index

sa, >50 = inflation since previous month




## Staff costs

Adjusted for seasonality, the Staff Costs Index remained below the 50.0 neutral threshold during December, signalling a reduction in overall labour expenses for the second month running. The decrease was fractional, but nonetheless quickened from November to the joint-fastest since February 2021. Agriculture, wholesale & retail and services firms saw reductions in staff costs, whereas construction was the only category to record a rise.

Staff Costs Index

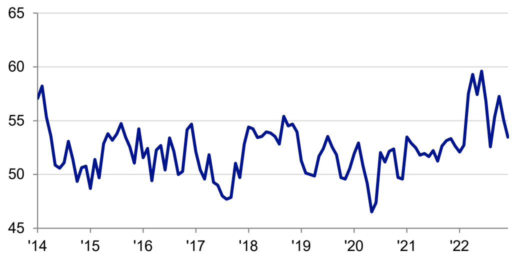
sa, >50 = inflation since previous month


## Output prices

Kenyan firms continued to raise their output charges in December, thereby stretching the current run of inflation to two years. In line with slowing cost pressures, the rise in charges softened for the second consecutive month, with most panellists linking mark-ups to efforts to maintain profitability. The solid uplift in charges was the weakest registered since August.

Output Prices Index

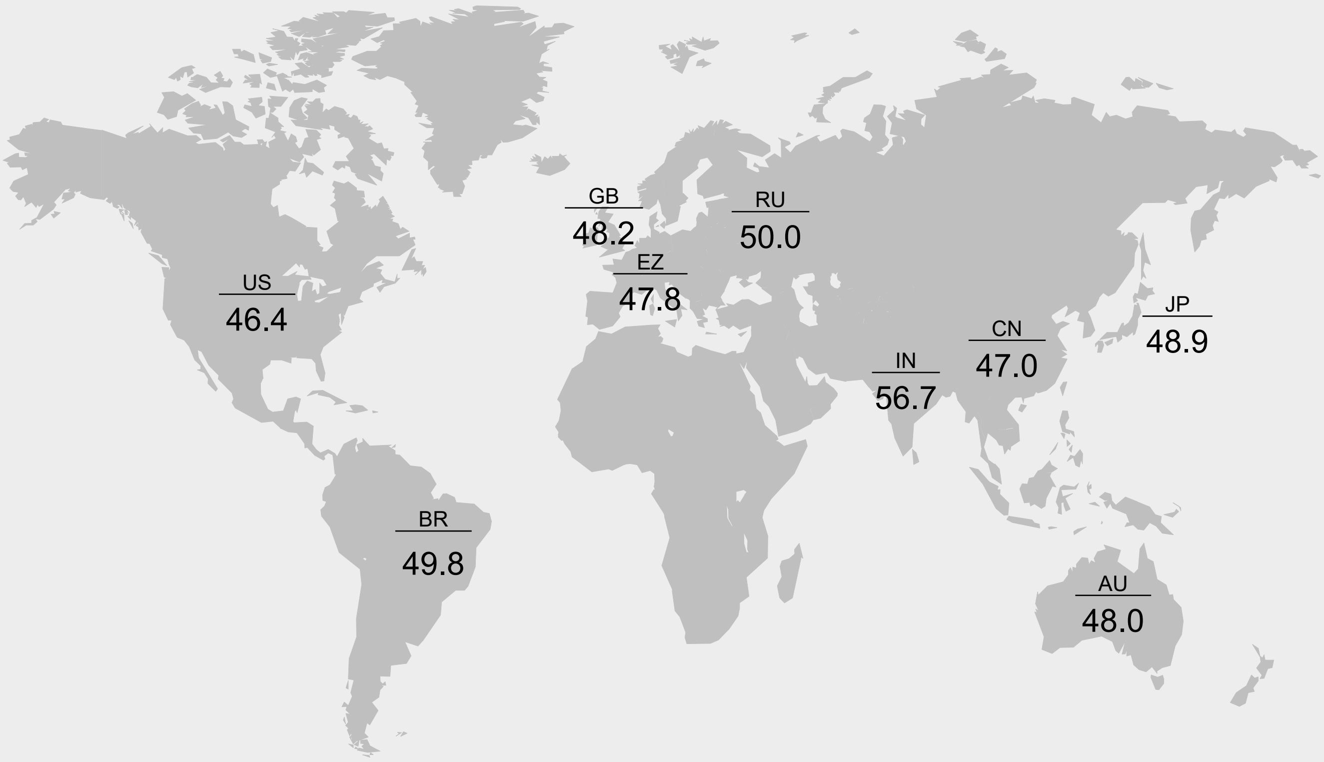
sa, >50 = inflation since previous month



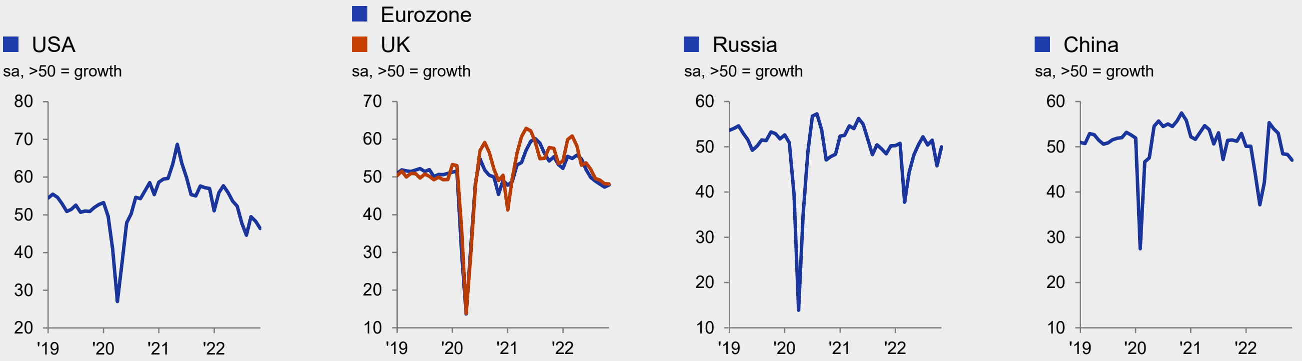
# International PMI

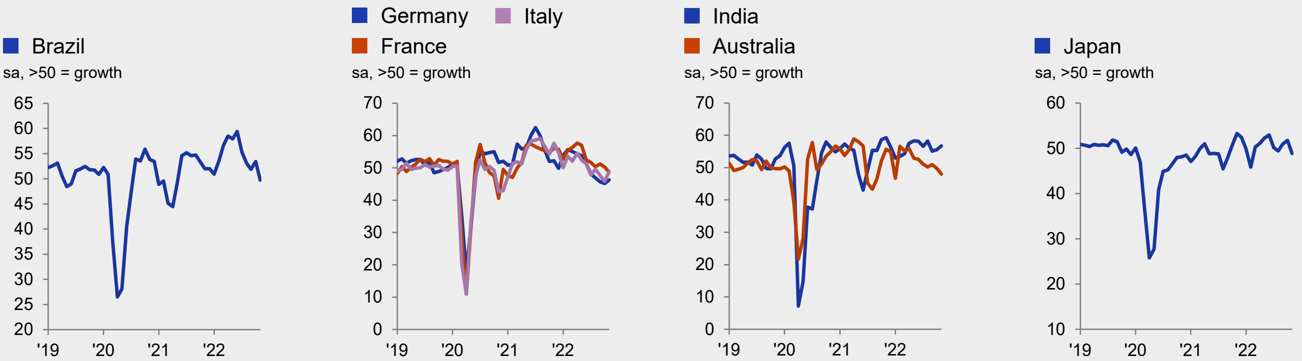
Composite Output Index, Nov '22
sa, >50 = growth since previous month

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@ihsmarkit.com.

## Survey dates

Data were collected 6-21 December 2022.

### Survey questions

Private sector

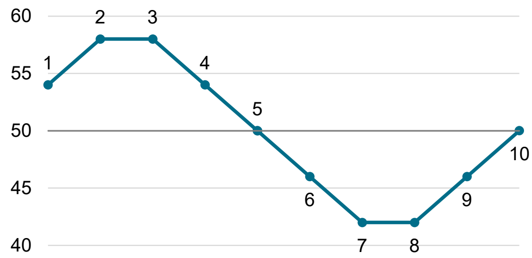
- Output
- New Orders
- New Export Orders
- Future Output
- Employment
- Backlogs Of Work
- Quantity Of Purchases
- Suppliers' Delivery Times
- Stocks Of Purchases
- Input Prices
- Purchase Prices
- Staff Costs
- Output Prices

### Index calculation

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

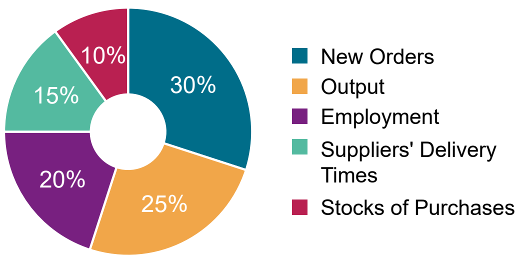
### Index interpretation

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**

Stanbic Bank Kenya is a member of the Standard Bank Group, Africa's largest bank by assets. With a solid foundation in Kenya and history spanning over 110 years, Stanbic is one of the top banks operating in Kenya focused on fostering her socio-economic growth wide with a branch network across the country providing services to individuals, businesses and Commercial clients. Standard Bank Group which is the largest financial institution in Africa by Market capitalization, has on-the-ground representation in 20 African countries - making them one of the largest banking networks on the continent. Standard Bank 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.

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

**About S&P Global**

S&P Global (NYSE: SPGI) S&P Global provides essential intelligence. We enable governments, businesses and individuals with the right data, expertise and connected technology so that they can make decisions with conviction. From helping our customers assess new investments to guiding them through ESG and energy transition across supply chains, we unlock new opportunities, solve challenges and accelerate progress for the world.

We are widely sought after by many of the world's leading organizations to provide credit ratings, benchmarks, analytics and workflow solutions in the global capital, commodity and automotive markets. With every one of our offerings, we help the world's leading organizations plan for tomorrow, today. www.spglobal.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.



PMI™ by S&P Global