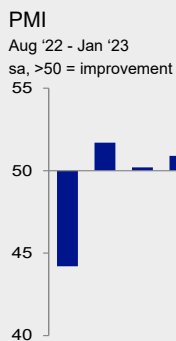


Stanbic Bank Kenya PMI™

PMI reaches 11-month high in January

52.0

KENYA PMI
JAN '23



New business growth remains solid

Cost pressures quicken amid tax rises

Output expectations climb to highest since mid-2021

The Kenyan private sector recorded a further expansion at the beginning of the year, according to latest survey data, as rising demand levels continued to boost output and employment numbers. Most notably, the rate of growth in operating conditions picked up to the fastest since February 2022, leading to a strengthening of business confidence and increased stockpiling efforts.

More negatively, the latest data also pointed to a re-acceleration of inflationary pressures, as higher tax burdens and a further depreciation of the Kenyan shilling pushed purchase prices up sharply. Output charges rose at a faster rate accordingly, although inflation of both costs and charges remained well below the highs recorded in 2022.

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 crept higher for the third consecutive month to 52.0 in January, from 51.6 in December, to signal a moderate improvement in the health of the private sector. The reading was the highest recorded in 11 months.

Central to the upturn was another solid increase in new business volumes, which rose at the quickest pace in just under a year. Firms that registered growth often linked this to greater marketing efforts. On the other hand, many businesses continued to struggle due to a lack of cash and weak household spending. For the second month running, construction was the only monitored sector to see a decline in sales, contrasting with rises in agriculture, manufacturing, services and wholesale & retail.

Kenyan firms subsequently increased their output levels in January, with the

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



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rate of expansion picking up to a four-month high. Employment also rose, though only marginally as some firms struggled to keep staff due to a lack of money. Limited hiring led to a rise in outstanding business for the first time since last October.

Stronger demand growth provided a boost to business confidence in January. Optimism towards the 12-month outlook climbed to the highest level in a year-and-a-half, with firms often expecting to expand their operations amid higher sales. Efforts to build inventories in anticipation of higher new orders intensified, leading to a further increase in purchasing and

a solid rise in stock levels.

High competition among vendors continued to drive a reduction in lead times, although some firms reported delays at ports, meaning the overall improvement was only modest.

Lastly, Kenyan firms saw a re-acceleration of cost pressures in January, notably due to a faster rise in purchasing costs. A further depreciation in the shilling against the US dollar and increased taxes were often cited by panellists. Overall input costs rose to the greatest degree in three months, leading to a sharp and faster rise in selling charges.

Comment

Mulalo Madula, Economist at Standard Bank commented:

“Kenya's private sector activity held up well into January, with new business rising for the fifth consecutive month, spurring higher output and, consequently, employment growth. Notably, the influx of new business was the strongest in eleven months, reflecting improved marketing efforts. Interestingly, domestic demand supported growth along with modest recovery in exports after exports plunged to a nine-month low in December. However, exports are likely to be boosted by floriculture exports, which typically increase in February to accommodate for the high demand for flowers during Valentine's Day. Moreover, in 2023, the sector will likely get another boost from a potentially stronger EUR.

“However, persistently high inflation has raised concerns that price pressures will remain elevated and weigh on economic activity and consumption for some time to come. Wholesalers and retailers, on the other hand, were particularly optimistic about the year ahead, as January data showed a significant increase in business expectations for the next twelve months.”



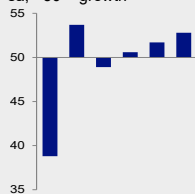
PMI™

by **S&P Global**

Output and demand

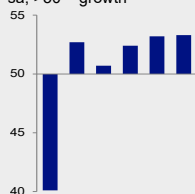
Output Index

Aug '22 - Jan '23
sa, >50 = growth



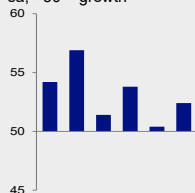
New Orders Index

Aug '22 - Jan '23
sa, >50 = growth



New Export Orders Index

Aug '22 - Jan '23
sa, >50 = growth



Output

The seasonally adjusted Output Index indicated an expansion in activity at Kenyan companies during January, the third month running in which growth has been recorded. The upturn was solid and the fastest since last September, with increases registered across the agriculture, services and manufacturing sectors. Surveyed firms mostly linked the rise in activity to an increase in new orders.

New orders

New business at Kenyan firms rose further in January, continuing the sequence of growth that began in September last year. Moreover, the rate of increase ticked slightly higher from December and was the strongest for 11 months. Firms that registered higher sales often attributed this to greater marketing efforts, whereas those seeing a decline commonly noted a lack of money in the economy. Construction bucked the wider trend and posted a fall in new work.

New export orders

Growth of new export orders recovered somewhat at the beginning of the year, after slipping to a nine-month low in December. The latest increase was modest and remained slower than the long-run trend, however. Some panellists mentioned that improvements in the quality of their products helped to generate foreign sales.

Output Index

sa, >50 = growth since previous month



New Orders Index

sa, >50 = growth since previous month



New Export Orders Index

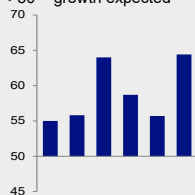
sa, >50 = growth since previous month



Business expectations

Future Output Index

Aug '22 - Jan '23
>50 = growth expected



January data signalled a substantial rise in firms' expectations towards the 12-month outlook for activity. The Future Output Index climbed nearly nine index points and was at its highest level in a year-and-a-half, despite remaining much lower than the long-run average. Panellists often cited expansion plans through the opening of new branches and the introduction of new products. Wholesale & retail firms were particularly optimistic about the upcoming year.

Future Output Index

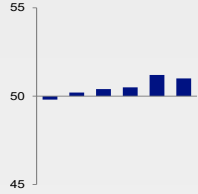
>50 = growth expected over next 12 months



Employment and capacity

Employment Index

Aug '22 - Jan '23
sa, >50 = growth



Employment

In line with sales trends, Kenyan companies increased their headcounts for the fifth month in a row during January. The rise in employment was mostly related to efforts to boost output, although some cited the need to offer higher quality services. That said, the overall pace of job creation eased slightly from December and was only marginal, as some companies noted reductions in staffing linked to a lack of cash.

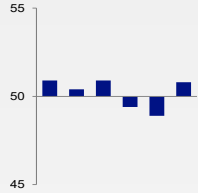
Employment Index

sa, >50 = growth since previous month



Backlogs of Work Index

Aug '22 - Jan '23
sa, >50 = growth

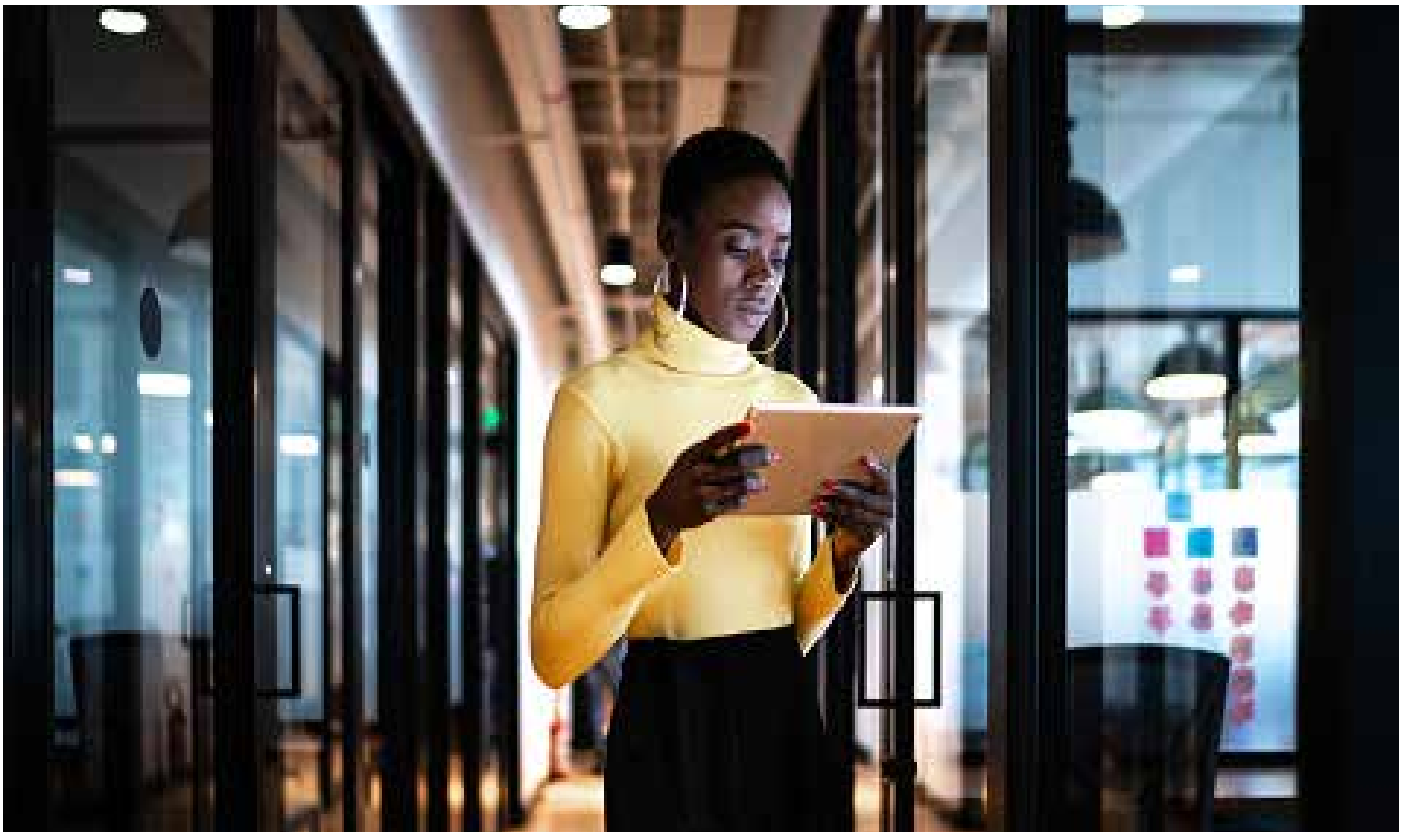


Backlogs of work

Adjusted for seasonal factors, the Backlogs of Work Index posted above the 50.0 neutral threshold for the first time in three months in January, indicating a slight rise in work-in-hand. Higher demand was cited as the main reason behind the increase in backlogs, although some panellists noted shortages of inputs. Backlogs rose in four of the five monitored sectors, the exception being construction where sales also fell.

Backlogs of Work Index

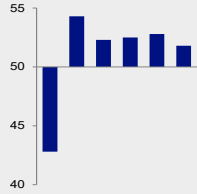
sa, >50 = growth since previous month



Purchasing and inventories

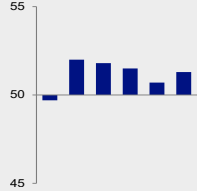
Quantity of Purchases Index

Aug '22 - Jan '23
sa, >50 = growth



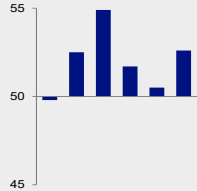
Suppliers' Delivery Times Index

Aug '22 - Jan '23
sa, >50 = faster times



Stocks of Purchases Index

Aug '22 - Jan '23
sa, >50 = growth



Quantity of purchases

Kenyan businesses expanded their purchases of inputs at the beginning of the year, extending the sequence of growth that began in September 2022. The upturn was mainly associated with a further increase in demand.

That said, the rate of growth was only modest and the slowest recorded in the current five-month sequence. Moreover, manufacturing was the only category to record an increase in purchasing, with declines registered in the four remaining sectors.

Suppliers' delivery times

High competition among suppliers continued to drive a reduction in average lead times in January, the fifth in as many months. The rate of improvement picked up slightly from December's four-month low, but remained slight. While delays in the clearance of inputs at ports weighed on supply chains, some firms noted that material shortages intensified vendor efforts to deliver on time.

Stocks of purchases

Stocks of purchased items held at Kenyan firms continued to expand in January. The upturn was the fifth in as many months and solid overall, following a marginal increase in December. According to anecdotal evidence, firms often raised their inventories to avoid running out of stocks as sales are anticipated to rise.

Quantity of Purchases Index

sa, >50 = growth since previous month



Suppliers' Delivery Times Index

sa, >50 = faster times since previous month



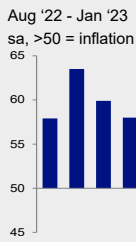
Stocks of Purchases Index

sa, >50 = growth since previous month



Prices

Input Prices Index



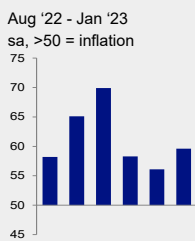
Input prices

Kenyan companies saw a pick-up in cost pressures at the start of 2023, marking only the second time in nine months where inflation has quickened. Despite a strong acceleration from the previous survey period, the overall rise in costs remained softer than those seen throughout much of last year. Purchasing costs rose at a sharper pace, while there was a renewed increase in staff wages, according to sub-index data.

Input Prices Index



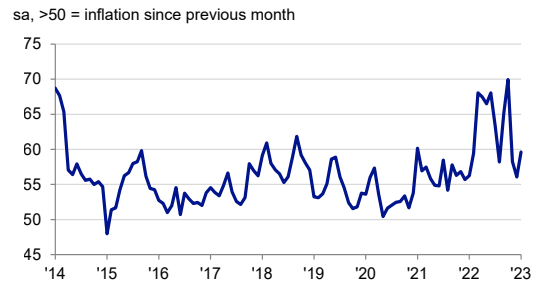
Purchase Prices Index



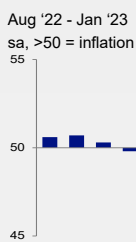
Purchase prices

The rate of purchase cost inflation accelerated to a three-month high in January, with around 19% of businesses reporting a monthly increase in costs (versus 1% that saw a decrease). The uplift was largely driven by increased taxes, according to panellists, although some mentioned rising material prices due to a further depreciation in the shilling against the US dollar. The pace of inflation remained well below the highs seen in 2022, however.

Purchase Prices Index



Staff Costs Index



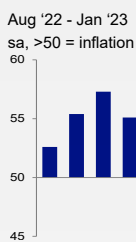
Staff costs

Kenyan companies reported a fractional rise in staff wages at the start of the year, thereby ending a two-month run of decline. This was shown by the seasonally adjusted Staff Costs Index rising just above the 50.0 no-change mark. Where salaries increased, firms mainly commented on higher workloads and cost-of-living pressures.

Staff Costs Index



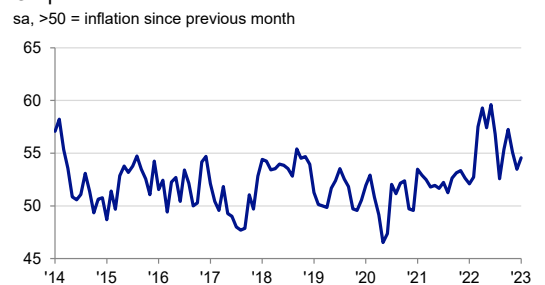
Output Prices Index



Output prices

The rate at which selling prices increased in January was sharp and slightly quicker than in December, marking the first pick-up in inflation for three months. Where charges increased, firms often cited efforts to keep up with rising purchase prices. Charge inflation was most pronounced in the agriculture and wholesale & retail sectors, whereas construction firms saw a renewed drop in output prices.

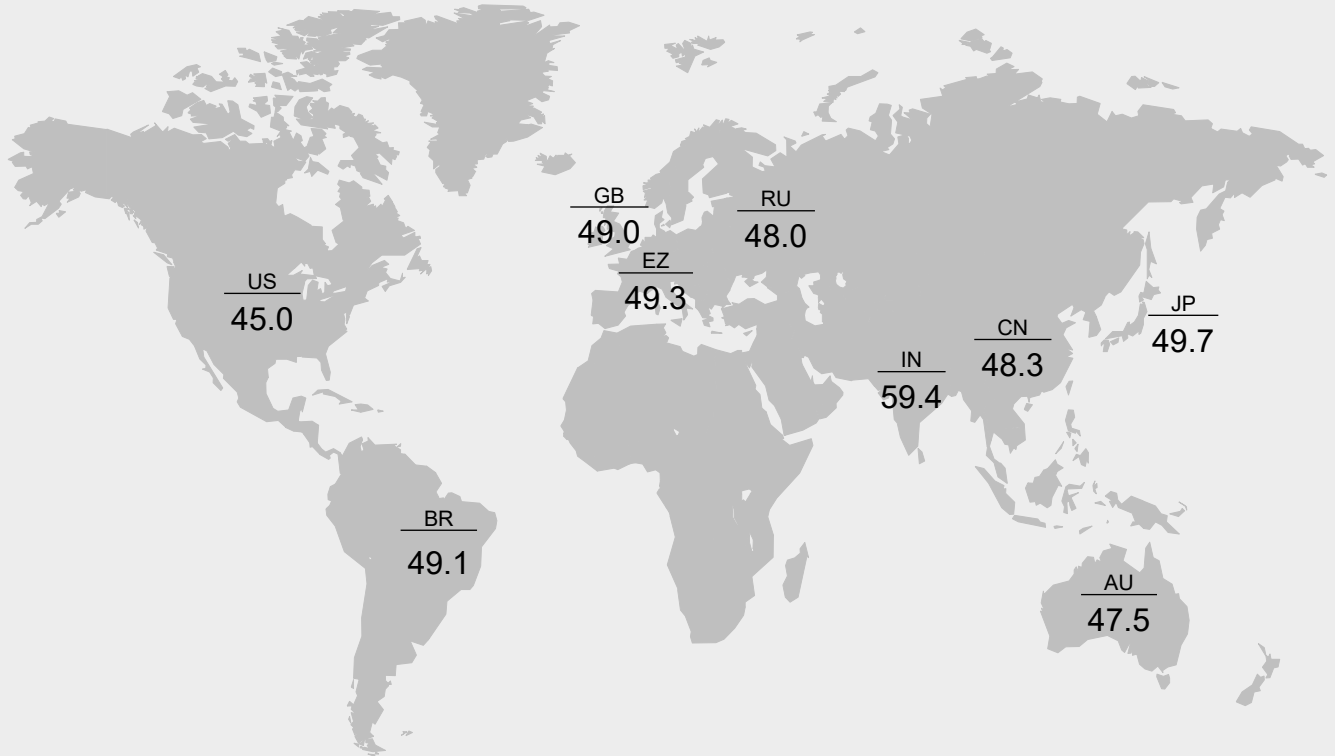
Output Prices Index



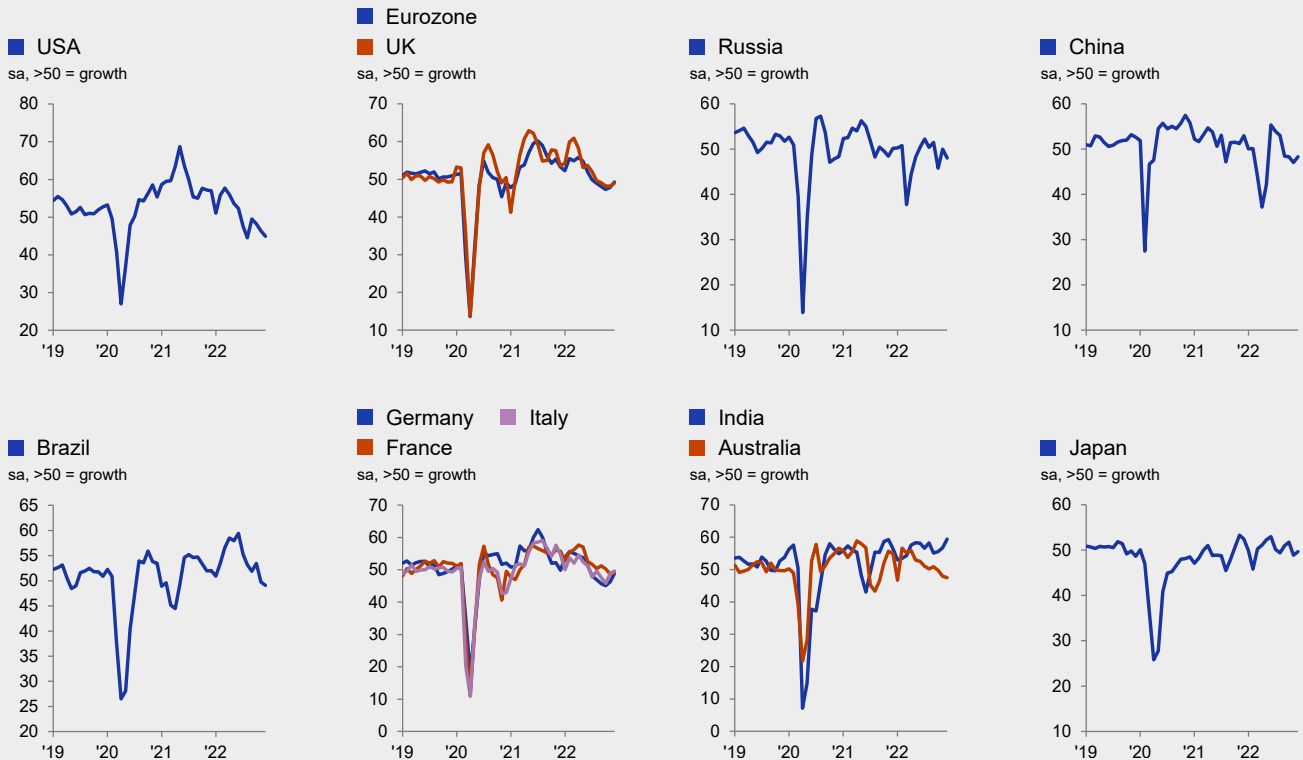
International PMI

Composite Output Index, Dec '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 12-27 January 2023.

Survey questions

Private sector

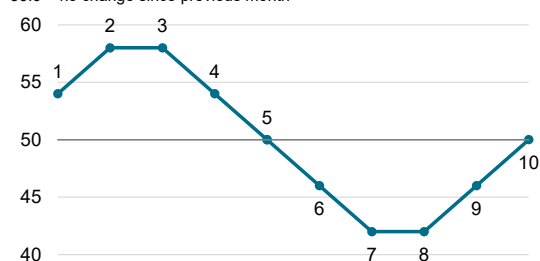
Output	Suppliers' Delivery Times
New Orders	Stocks Of Purchases
New Export Orders	Input Prices
Future Output	Purchase Prices
Employment	Staff Costs
Backlogs Of Work	Output Prices
Quantity Of Purchases	

Index calculation

$$\% \text{ "Higher"} + (\% \text{ "No change"})/2$$

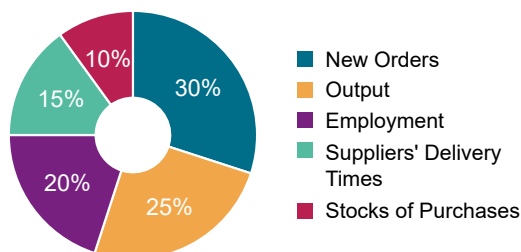
Index interpretation

50.0 = no change since previous month



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

*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>

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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.

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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.

ihsmarkit.com/products/pmi.html

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