



Stanbic Bank Kenya PMI™

Kenyan economy returns to growth in September following election

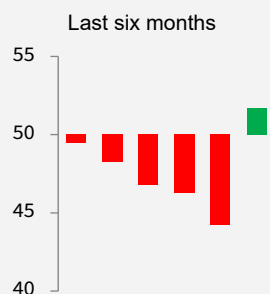
Key findings

Renewed expansions in output and new business

Inflationary pressures grow amid higher fuel prices

Outlook remains subdued

Kenya PMI



The Kenya PMI signalled an improvement in business conditions for the first time in six months in September, as firms saw customer demand and business activity increase following the end of the elections. An improvement in supply chains also encouraged firms to purchase more inputs, but employment was largely stable amid ongoing concerns about the cost-of-living crisis. Cost pressures were particularly lifted by higher fuel prices in September, which led to an accelerated uptick in firms' selling charges.

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 51.7 in September, up sharply from 44.2 in August and above the 50.0 no-change mark for the first time since March. The reading signalled a renewed and modest improvement in overall business conditions.

According to surveyed firms, the end of the elections was the key factor driving the upturn in September.

Output levels returned to growth for the first time since February, increasing at a solid pace. Expansions were seen in the agriculture, wholesale & retail and services categories, whereas declines

were registered in manufacturing and construction.

Similarly, new business volumes rose in September, thereby ending a five-month period of decline. Firms often highlighted an increase in customer turnout as concerns about post-election disruption faded. Despite this, backlogs of work grew only marginally.

The upturn in new orders encouraged businesses to raise their purchasing activity sharply in September, in line with a shortening of input lead times following election-led delays in the previous month. Stocks of purchases rose accordingly and at the strongest rate since April.

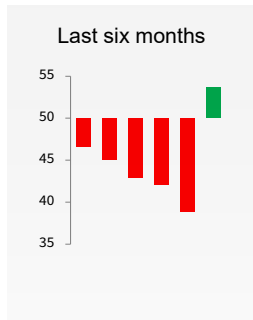
Despite improving slightly, the outlook for future activity remained subdued in September, amid ongoing concerns surrounding the cost-of-living crisis. Expectations at Kenyan firms for the next 12 months remained one of the worst on record, with just 12% of panellists predicting output to expand. Job creation was weak as a result, with employment numbers rising only fractionally.

According to a number of panellists, the removal of fuel subsidies in September led to a marked increase in purchase costs. The rate of overall cost inflation accelerated for the first time in five months. Subsequently, after sliding to a seven-month low, the rate of increase in selling prices picked up.

PMI
sa, >50 = improvement since previous month



Output Index

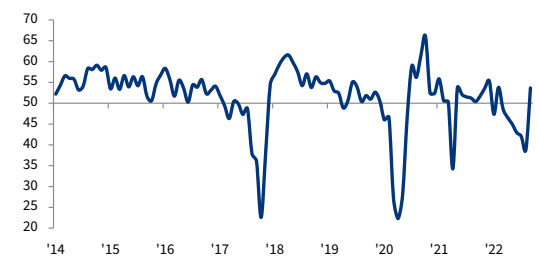


Kenyan companies reported a renewed increase in private sector activity due to the end of the national elections in September. The uplift was solid and the first recorded in seven months. However, many panellists noted that the cost-of-living crisis and low money circulation had continued to weigh on growth.

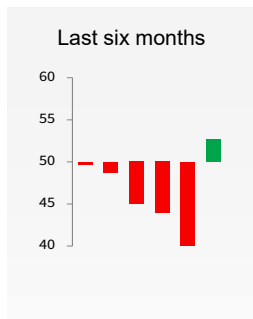
Three of the five monitored sectors saw activity increase during the month, namely agriculture, wholesale & retail and services.

Output Index

sa, >50 = growth since previous month



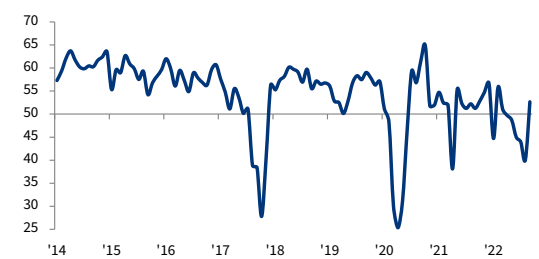
New Orders Index



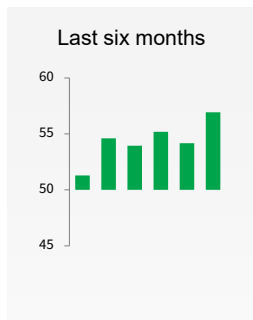
New business growth at Kenyan firms resumed at the end of the third quarter of the year, as the seasonally adjusted New Orders Index posted above the 50.0 neutral level. The rise in new business was solid and the first recorded since March, but weaker than the long-run trend. Survey respondents cited that the end of the election period had led to higher customer turnout, but inflationary pressures remained a key constraint.

New Orders Index

sa, >50 = growth since previous month



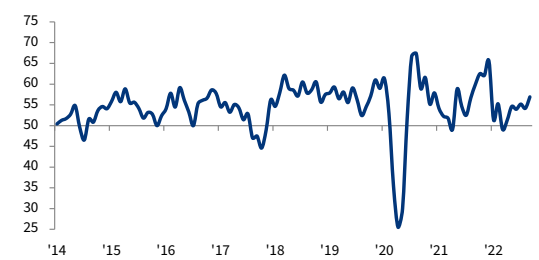
New Export Orders Index



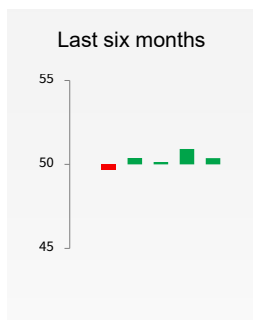
New export orders rose at a sharp and accelerated pace in September, extending the current sequence of growth to six months. In fact, the uplift was the strongest recorded in 2022 so far, as some companies noted that higher output allowed them to sell more items to foreign clients.

New Export Orders Index

sa, >50 = growth since previous month



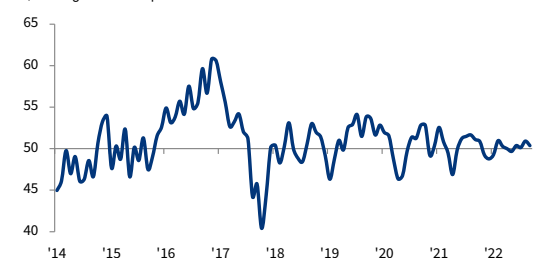
Backlogs of Work Index



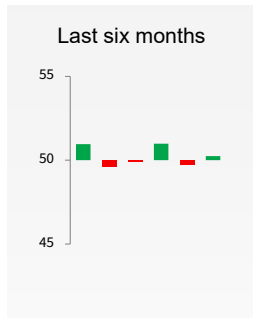
Backlogs of work continued to grow at Kenyan businesses in the final month of the third quarter, although with the respective seasonally adjusted index registering only just above the 50.0 threshold. The uplift extended the current run of accumulation to four months. Higher backlogs were partly linked to sustained capacity shortfalls due to the election.

Backlogs of Work Index

sa, >50 = growth since previous month



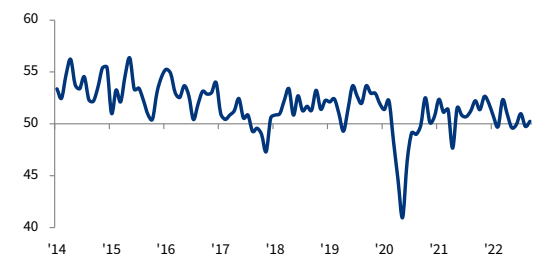
Employment Index



September data signalled only a marginal uptick in employment numbers across the Kenyan economy, following a similarly mild reduction in August. Several firms highlighted an increase in staffing to support higher new order inflows. However, others cited the non-replacement of leavers and efforts to reduce the number of casual employees.

Employment Index

sa, >50 = growth since previous month



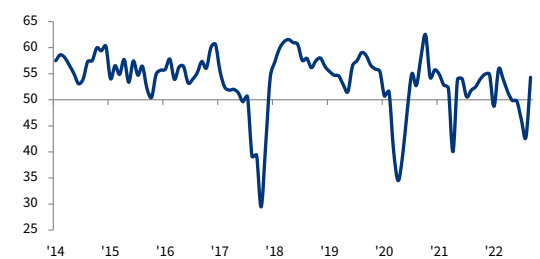
Quantity of Purchases Index



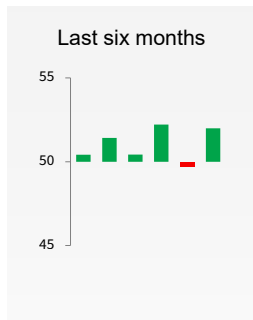
Kenyan businesses raised their purchasing activity for the first time in five months in September, after registering the quickest drop in nearly a year-and-a-half during August. The uplift was sharp and the strongest since February, with panellists often attributing this to higher client demand. Construction was the only monitored sector to record a drop in purchases.

Quantity of Purchases Index

sa, >50 = growth since previous month



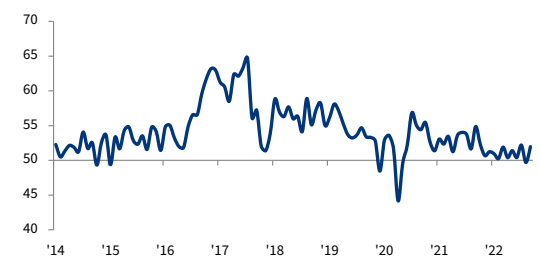
Suppliers' Delivery Times Index



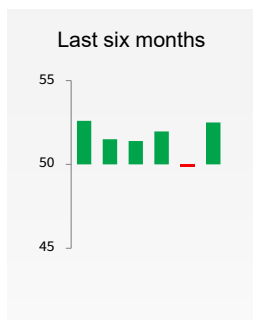
Suppliers were able to deliver items more quickly in September, after the elections led to some reports of vendor delays in the previous month. The rate of improvement in lead times was only modest, but nonetheless the second-fastest in almost a year. Some panellists commented that better availability of raw materials and high competition among vendors were behind the improvement.

Suppliers' Delivery Times Index

sa, >50 = faster times since previous month



Stocks of Purchases Index



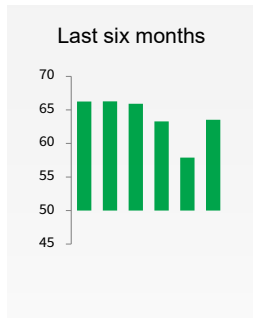
Kenyan private sector firms indicated a renewed uplift in their stocks of purchases at the end of the third quarter of the year, and the fastest seen since April. While fresh stockpiling was generally linked to an increase in sales, some firms highlighted efforts to avoid shortages in the future.

Stocks of Purchases Index

sa, >50 = growth since previous month



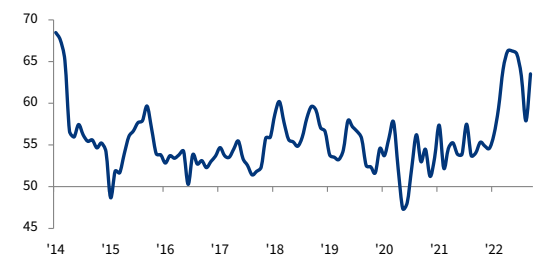
Overall Input Prices Index



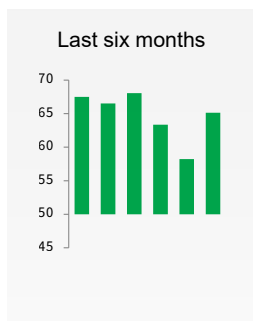
Cost pressures faced by Kenyan businesses jumped higher in September, shown by a rise in the seasonally adjusted Overall Input Prices Index for the first time in five months. The uptick in costs was the most marked since June, but remained softer than the recent peak of inflation recorded in April and May. Notably, input costs rose at a faster rate in all five sectors covered by the survey.

Overall Input Prices Index

sa, >50 = inflation since previous month



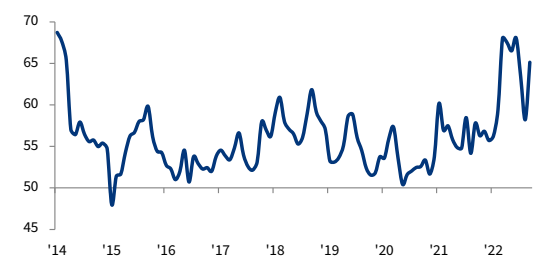
Purchase Prices Index



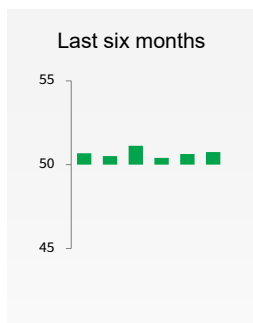
The upsurge in cost inflation was largely due to a sharp and accelerated increase in purchasing costs. The rise in purchase costs was the sharpest seen for three months, but remained weaker than in the four months prior to June. Businesses often reported that reduced subsidies on fuel prices were behind the uptick, while others cited a higher tax burden and a stronger US dollar.

Purchase Prices Index

sa, >50 = inflation since previous month



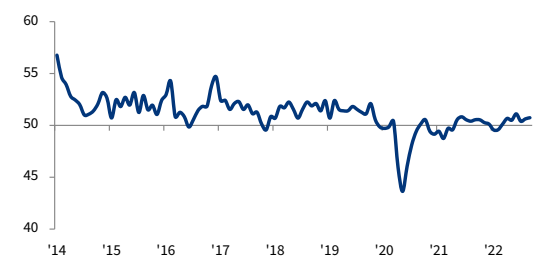
Staff Costs Index



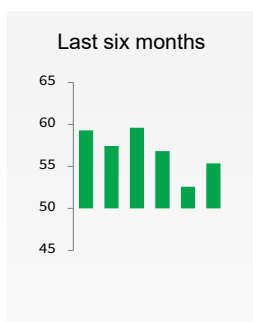
Staff costs continued to pick up marginally during September, thereby extending the current sequence of inflation to seven months. Where an increase was recorded, this was mainly associated with the higher cost of living. That said, the vast majority of respondents (98%) saw no change in their labour expenses.

Staff Costs Index

sa, >50 = inflation since previous month



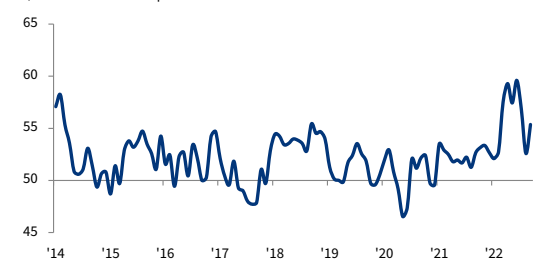
Output Prices Index



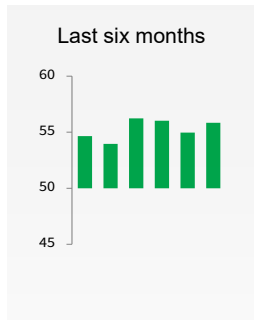
Reflecting higher cost inflation, Kenyan companies raised their output charges to a greater extent in September. While less marked than those recorded in the five months prior to August, the rise was sharp overall and above the series trend. Agriculture firms registered the quickest increase in selling prices, followed by wholesale & retail.

Output Prices Index

sa, >50 = inflation since previous month



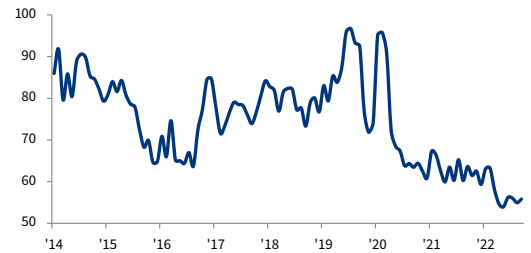
Future Output Index



Kenyan companies continued to present a relatively subdued outlook for business activity at the end of the third quarter of 2022. Despite picking up from August, the degree of optimism was one of the lowest recorded in the series history (since January 2014). Around 12% of respondents gave a positive outlook, amid expectations of new products and services and greater market reach.

Future Output Index

>50 = growth expected over next 12 months

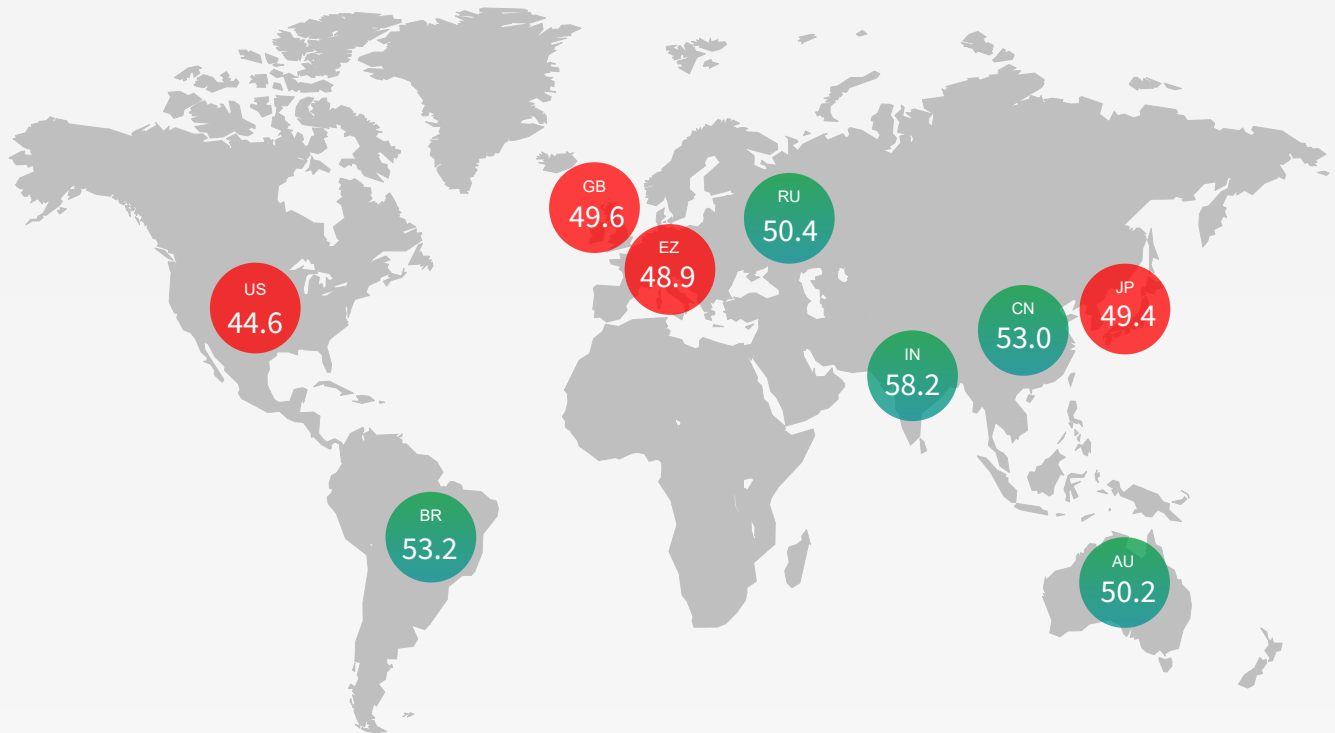


International PMI

Composite Output Index, Aug '22

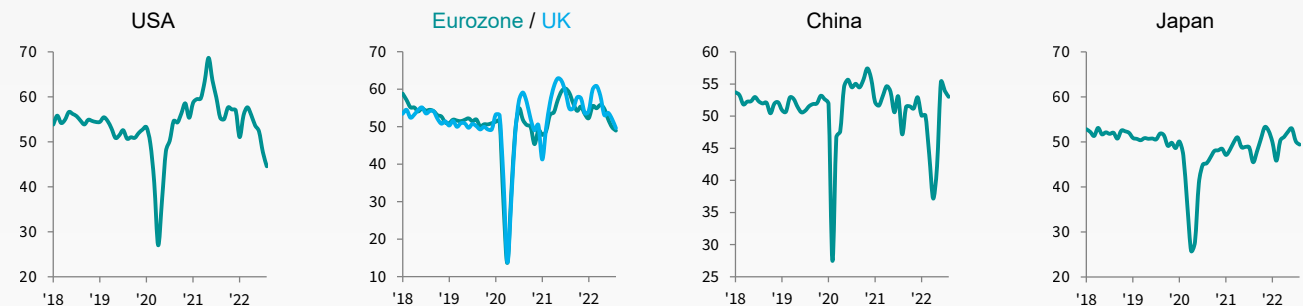
sa, >50 = growth since previous month

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



Composite Output Index

sa, >50 = growth since previous month



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.

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.

September data were collected 12-28 September 2022.

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 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 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).

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