News Release

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Stanbic Bank Kenya PMI™

New orders increase for second month running in August

Key findings

Business output rises sharply as restrictions ease

New work increases at strong, but slower, pace

Employment falls slightly as firms cut wage bills

Latest PMI data indicated a second straight month of growth in the Kenyan private sector in August, with output and new orders rising solidly amid looser travel restrictions. Exports grew at a record rate, but job numbers fell amid efforts to cut wage costs. Sentiment improved for the first time since February, but remained relatively 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 headline index posted at 53.0 in August, signalling a second consecutive month of improving business conditions in the Kenyan private sector economy. Despite falling from 54.2 in July, the index suggested that the rate of growth remained solid overall.

Kenyan firms reported a sharp upturn in new orders during August, as the easing of coronavirus disease 2019 (COVID-19) related restrictions led to rising customer demand. The rate of expansion slowed from July’s recent high, but remained marked.

Notably, export sales growth reached a new record high, as the reopening of international travel supported an uplift in tourism. Firms also reported that new orders from Europe increased strongly.

In a similar fashion, output at Kenyan companies grew for a second consecutive month in August, albeit at a softer rate than seen in July. The rise in demand reportedly helped businesses to expand and recover some output lost during the lockdown period.

Companies increased their purchasing activity solidly midway through the third quarter, amid efforts to build up stocks as firms anticipate demand will grow further in the coming months. Purchased items were delivered at a quicker pace, as lead times shortened for the third month running.

On the other hand, employment continued to fall in August, reflecting concerns that costs remained too high. The decrease in jobs was slightly faster than in July, but only marginal overall. Backlogs meanwhile rose at a modest rate.

Higher input demand led suppliers to raise their prices during August, with the rate of purchase cost inflation accelerating to a four-month high. Fuel prices also increased at some companies. Conversely, staff costs fell for the fifth month in a row, albeit at the softest pace in this sequence.

As overall input prices rose, firms passed these on to customers with a slight increase in selling charges. The rate of inflation slowed from July, however.

Business expectations improved for the first time in six months in August, amid plans for new investment and branches. Sentiment remained relatively subdued though, ticking up only slightly from July.
Comment

Jibran Qureishi, Head of Africa Research at Stanbic Bank commented:

“A second consecutive month of growth continues to indicate that the private sector is moderately emerging from the trough in April. Easier curfew restrictions and ameliorating external demand continue to support purchasing activity. That said, the employment sub-component index still remains below the 50 level, largely reflecting firms scaling back on wage costs. Weaker jobs growth indicates the underlying challenges the road ahead presents, even as business confidence has improved over the past two months.”

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 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. August data were collected 12-26 August 2020.

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.

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 USD143 billion) 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.

Stanbic Bank Group has direct, on-the-ground representation in 20 African countries. Standard Bank Group has 1,221 branches and 8,151 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. It’s 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 related 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: MKT) 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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