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# Stanbic Bank Kenya PMI™

## New business growth picks up in August

### Key findings

New orders rise at faster rate, but output growth slips to four-month low

Cost inflationary pressures ease after spike in July

Business confidence slips to near-record low

Data were collected 12-26 August 2021.

Business conditions in the Kenyan private sector economy improved for a fourth straight month in August. Furthermore, the rate of growth picked up as firms saw a faster expansion in new business compared to July. Job creation also strengthened, but output rose at the slowest rate in four months and business confidence fell to a near-record low. After climbing sharply in July, the pace of input cost inflation eased in August, leading firms to increase their charges at the softest rate in 2021 so far.

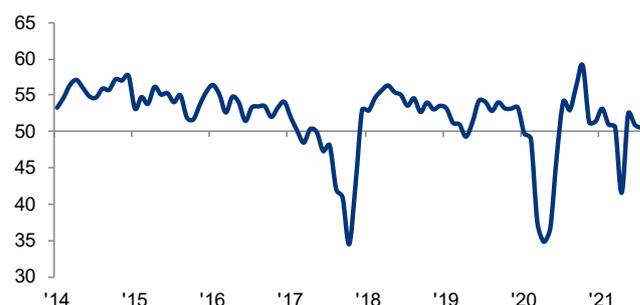
The headline figure derived from the survey is the Purchasing Managers' Index™ (PMI). Readings above 50.0 signal an improvement in business conditions on the previous month, while readings below 50.0 show a deterioration.

In August, the headline PMI picked up to 51.1 from 50.6 in July, to remain above the 50.0 neutral mark for the fourth month in a row. That said, the reading signalled only a marginal improvement in business conditions that was slower than the average seen since data collection began in 2014.

The improvement in the headline index was partially driven by an acceleration in new order growth in August. Sales rose in four of the five monitored sectors, but were unchanged among manufacturing firms. According to survey respondents, the recovery in market activity after the COVID-19 lockdown drove an improvement in cash flow and customer demand.

### PMI

sa, >50 = improvement since previous month



Sources: Stanbic Bank, IHS Markit.

The rise in sales led companies to expand output for the fourth month running in August, though the rate of expansion slipped to the weakest recorded in this sequence. Despite higher activity, there was a further accumulation of backlogs of work, which in part encouraged companies to add to their workforces.

Purchasing of inputs rose at a quicker, but only modest, pace midway through the third quarter, as firms commented on the need to facilitate higher sales and add to their inventories. Strong competition among vendors continued to drive wait times for inputs down, although material shortages and road problems meant that the latest improvement was the slowest since April.

A recent increase in taxes on products and imported goods continued to push purchasing costs higher in August, but the rate of inflation cooled markedly from July. Notably, the rate of overall input price inflation softened to a six-month low. Consequently, fewer firms raised their output prices during the month, with the latest uptick the slowest recorded in 2021 so far.

Finally, the outlook for future activity slipped to almost the weakest in the series history over August, and was only slightly above April's record low. Reports of ongoing economic instability linked to the pandemic meant that only around one-in-five surveyed firms projected output to grow over the next 12 months.

## Comment

Kuria Kamau, Fixed Income and Currency Strategist at Stanbic Bank commented:

*"In August, the pace of the recovery in business conditions accelerated; driven by higher levels of demand and employment. An increase in domestic demand was witnessed in most key sectors except manufacturing, while rising orders from clients in the Middle East and Europe boosted overall export demand. Firms were, however, unable to raise their output to meet all the additional demand and consequently, the number of backlogs rose.*

*"Looking forward, the slower increases in input and output prices reported could support further improvements in demand should less stringent public health restrictions be maintained. Firms appear to be preparing to increase their output to meet this demand as evidenced by the higher employment levels and quantities of purchases reported in August. Rising demand coupled with an increase in output should lead to a sustainable recovery in the 12-month outlook reported by businesses which remained close to its historical lows in August."*

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### 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.

August data were collected 12-26 August 2021.

For further information on the PMI survey methodology, please contact [economics@ihsmarkit.com](mailto: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](https://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](http://www.stanbicbank.co.ke).

### About IHS Markit

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