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# Stanbic Bank Kenya PMI™

## Record expansion in business activity during October

### Key findings

Substantial growth in output and new order volumes

Sharpest increase in inventories in 31 months

Staffing expands for the first time since February

Data were collected 12-28 October 2020.

Operating conditions in Kenya's private sector improved to the greatest extent since the survey began in January 2014. Output and new order growth accelerated to the sharpest on record as lockdown restrictions, associated with the coronavirus disease 2019 (COVID-19), eased during October. In response to sustained output growth, firms were encouraged to raise staffing levels, bringing an end to seven months of job shedding. Robust increases in output requirements led to a solid expansion in purchasing activity. At the same time, strong demand for raw materials and higher staff costs led to an overall rise in average cost burdens.

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 rose from 56.3 in September to 59.1 in October, signalling the sharpest improvement in business conditions since the survey began in January 2014.

Output rose at a substantial pace at the start of the final quarter, thereby extending the current period of expansion to four months. Panellists often mentioned improvements in client demand after lockdown restrictions eased further.

In line with the trend seen for output, new orders rose

### PMI

sa, >50 = improvement since previous month



Sources: Stanbic Bank, IHS Markit.

for the fourth successive month during October, with the rate of growth accelerating to a series high. Anecdotal evidence pointed to strong demand from both domestic and international markets.

Rising output and order book volumes led companies to raise their staffing levels at the start of the fourth quarter, ending a seven-month sequence of job cuts. The rate of job creation was the strongest in 11 months. Despite the growth in employment, backlogs increased at the same pace as in September as capacity pressures continued.

Firms raised their input buying during October, with the rate of expansion the sharpest in the series so far. Subsequently, pre-production inventories rose markedly. According to respondents, stocks increased in tandem with favourable predictions for future demand.

On the price front, purchase costs faced by Kenyan private sector firms rose solidly, which firms linked to higher raw material prices. Staff cost inflation was recorded, albeit the rise was marginal. Selling prices also increased with panel members reportedly passing higher cost burdens on to customers.

Finally, after falling to a series low during September, the outlook for business activity improved slightly in October. Firms mentioned plans to offer new products, expand operations and improve marketing efforts.

## Comment

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

*"Business confidence has been on the rise over the last couple of months, courtesy of easing domestic containment measures which has boosted demand, albeit from a low base from April/May. That being said, with lockdowns being reimposed in some major international trading partners, new orders could ease over the coming months especially if external demand falters. Moreover, with Covid-19 cases also on the rise nationally, the risk of further containment measures pose downside risks to economic activity, prompting us to be cautious."*

## Contact

### Stanbic Bank

Jibran Qureishi  
 Head of Africa Research  
 T: +254 20 363 8138  
[jibran.qureishi@stanbic.com](mailto:jibran.qureishi@stanbic.com)

Catherine Ngina Njoroge  
 Marketing and Communications  
 Tel: +254 722 664 992  
[NjorogeC@stanbic.com](mailto:NjorogeC@stanbic.com)

### IHS Markit

Shreeya Patel  
 Economist  
 T: +44-134-432-8196  
[shreeya.patel1@ihsmarkit.com](mailto:shreeya.patel1@ihsmarkit.com)

Katherine Smith  
 Public Relations  
 T: +1 781 301 9311  
[katherine.smith@ihsmarkit.com](mailto:katherine.smith@ihsmarkit.com)

### 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.

October data were collected 12-28 October 2020.

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

IHS Markit (NYSE: INFO) 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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