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## Stanbic Bank Kenya PMI™

### Growth strengthens to 29-month high in September

#### Key findings

Kenyan output expands at fastest rate since April 2018

New order growth reaches strongest since start of 2016

Job numbers broadly stabilise as backlogs rise

Data were collected 11-28 September 2020.

The latest PMI survey data indicated a strong upturn in Kenyan private sector output in September, with growth reaching the most marked for nearly two-and-a-half years as the government relaxed coronavirus disease 2019 (COVID-19) restrictions. Customer demand expanded at the sharpest rate since January 2016, leading to a quicker rise in backlogs. As a result, job numbers were broadly stable after falling in the six previous months. Nevertheless, future expectations dipped to their lowest since the series began in 2014.

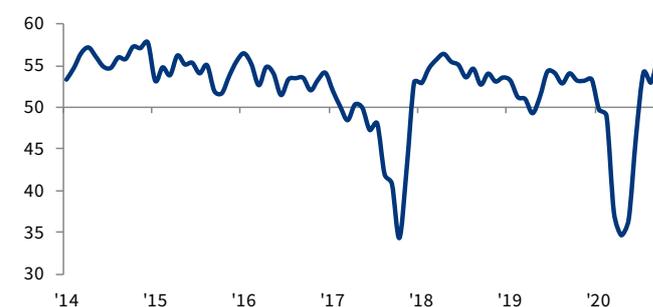
The headline figure derived from the survey is the Purchasing Managers' Index™ (PMI™). Readings above 50.0 signal an improvement in business conditions on the previous month, while readings below 50.0 show a deterioration.

Posting at 56.3 in September, the headline PMI was up to its highest reading since April 2018, and indicated a sharp improvement in the health of the private sector economy. The index rose from 53.0 in August and marked the third successive expansion since the downturn caused by the COVID-19 outbreak.

With the government easing lockdown restrictions during the third quarter of the year, firms saw a release of pent-up demand as clients largely returned to markets. New orders grew for the third month running, helped by a further increase in foreign orders, particularly from Europe and the Middle East. Notably, the rise in total sales was the strongest since January 2016.

#### PMI

sa, >50 = improvement since previous month



Sources: Stanbic Bank, IHS Markit.

Subsequently, output levels expanded at a sharp pace in the latest survey period, with companies also steeply increasing the volume of inputs purchased. Suppliers were able to deliver more quickly for the fourth month in a row, although the rate of improvement was hampered by traffic issues and the short supply of some products.

Rising demand led to a solid uptick in backlogs of work during September, which led some firms to hire new workers. This counteracted job cuts at other firms, amid efforts to reduce expenses. As such, employment was broadly level during the month, following a six-month run of decline.

Input cost inflation softened in September but remained solid overall as firms cited price rises for fuel and commodities, in addition to higher logistics costs. Firms often passed these costs onto customers, as output charges rose for the third month in a row.

Despite stronger growth, companies were less confident about the 12-month outlook in September. In fact, the level of sentiment was the weakest in the series history, with only 27% of panellists expecting output to continue expanding. Despite plans to raise investment and open into new markets, firms were concerned that the economy could face a further setback from the pandemic.

## Comment

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

*"The PMI indicated a further improvement in business confidence and operating conditions this month, thanks in large part to the lifting of some domestic Covid-19 containment measures. This should gradually continue to support activity into the end of the year. That said, we ought to be cautious around the possibility of a second wave globally that could dampen external demand again."*

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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.

September data were collected 11-28 September 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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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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