News Release

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Stanbic Bank Kenya PMI™

New order growth strengthens to 11-month high in July

Key findings

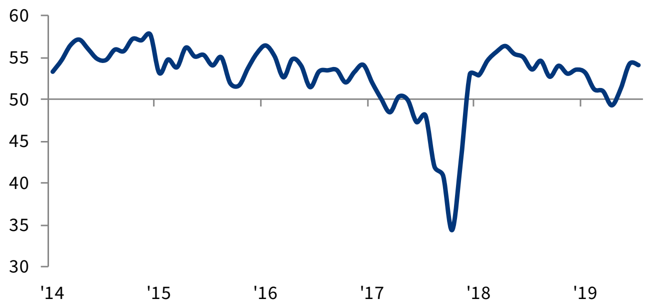
Sharp rise in new orders at Kenyan firms

Activity grows solidly but at slower rate than in June

Output expectations climb to new survey-record high

PMI

sa, >50 = improvement since previous month



Sources: Stanbic Bank, IHS Markit.

Kenyan companies reported another sharp increase in demand in July, according to latest PMI data. Output and employment rose further but at softer rates, while selling prices were driven up solidly. In addition, sentiment for future activity posted a new survey-record high.

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.

Despite falling slightly from 54.3 in June to 54.1 in July, the headline PMI signalled another strong improvement in the health of the private sector. The rate of growth was above that seen throughout most of the past year, and extended the current sequence of expansion to three months.

Helping Kenyan businesses at the start of the third quarter was an even sharper rise in new orders, following another strong increase in demand during June. Many firms reported acquiring new clients over the month, often due to referrals or marketing efforts. Companies also continued to register higher sales from abroad, with the rate of growth sharp but softer than in the previous month.

In response, firms raised output levels solidly in July. However, the pace of expansion was less marked than in June, as there were signs that some businesses struggled to keep up with demand growth. This was indicated by a sharp increase in backlogs of work, the quickest since May 2017, with panellists often noting insufficient staff numbers to keep capacity levels elevated.

As such, hiring activity continued for the third month running, although the rate of job creation did ease from the two-and-a-half year high recorded in June. Firms meanwhile intensified their input buying, with purchases growing at the quickest rate since last November. This led to another substantial increase in companies' inventories.

At the same time, overall input prices rose at a notable pace in July. Staff cost inflation remained modest, while purchasing costs increased at a sharp, albeit slower rate. According to panel members, taxes, fuel prices and exchange rates were key factors inflating purchase prices.

Along with sharper demand growth, the increase in input prices led firms to mark-up their selling prices in July. The overall increase was solid and the quickest since last December.

Finally, the outlook for future activity improved even further in July, beating June's previous record high as 94% of surveyed companies expect output to grow in the next 12 months. Again, this was often due to investment and expansion plans at several firms.

Comment

Jibran Qureishi, Regional Economist E.A at Stanbic Bank commented:

"There is clearly a positive shift in private sector sentiment that's become evident over the past couple of months. We don't think it's a coincidence that the government has begun releasing some withheld payments during this period that is subsequently boosting business confidence and further emboldening firms to increase their purchasing activities. That being said, it will be paramount for the clearance of private sector arrears to be consistent in order to continue anchoring the private sector."

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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.

July 2019 data were collected 12-29 July 2019.

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. To learn more go to ihsmarkit.com/products/pmi.html.

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. 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 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.

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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