

## News Release

### Purchasing Managers' Index™ MARKET SENSITIVE INFORMATION

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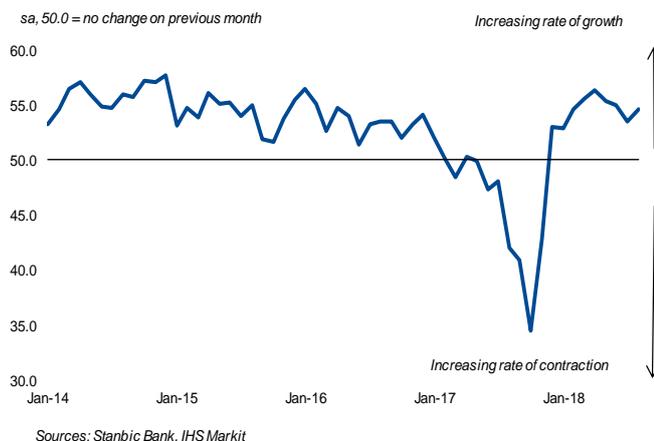
## Stanbic Bank Kenya PMI™

### Marked improvement in operating conditions during August

Data collected 13-29 August

- PMI rises to 54.6 in August
- Faster expansions in output and new business
- Overall input price inflation at six-month high

#### Stanbic Bank Kenya PMI



Operating conditions across Kenya's private sector improved at a marked pace during August, reflecting sharper rises in output and new orders. In response to improved demand conditions, firms raised their staffing levels during August. On the price front, firms faced the fastest rise in overall input costs since February. Although solid, output charge inflation eased for the third successive month.

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.

Commenting on August's survey findings, Jibrán Qureishi, Regional Economist E.A at Stanbic Bank said:

*"As we pointed out last month, there was no need to panic. The seasonally adjusted PMI recovered to 54.6 in August after falling to a six-month low in July. The recovery in output and new orders helped counterbalance cost pressures that have re-emerged over the past couple of months. Going forward, if the VAT on fuel products stays in place, there will probably be a notable second round impact in the economy. However, authorities may soon come to terms with the fact that painful tax measures are symptomatic of excessive and unrelenting expenditures."*

**The main findings of the August survey were as follows:**

The seasonally adjusted PMI rose from July's six-month low of 53.6 to 54.6 in August. This was indicative of a marked improvement in the health of the Kenyan private sector economy.

Output rose for the ninth month in succession during August. Moreover, the rate of expansion accelerated from July's recent low and was sharp overall. Higher inflows of new orders reportedly boosted output.

New orders also rose for the ninth consecutive month in August. The rate of growth quickened from July's six-month low and was stronger than the trend seen for the current sequence. Meanwhile, new export orders continued to rise. Despite softening from July's four-month high, the latest upturn was sharp overall.

As has been the case since December 2017, Kenyan private sector companies raised their payroll numbers in August. Panellists associated higher employment with increased output requirements. Despite quickening from the preceding month, the rate of expansion remained modest.

Purchasing activity rose during August, thereby extending the current period of expansion to nine months. Moreover, the rate of expansion picked-up from June's six-month low and was sharp. Meanwhile, Kenyan private sector companies raised their pre-production inventories at the sharpest pace since March.

On the price front, Kenyan private sector companies faced higher overall input costs in August. Moreover, the rate of inflation was the sharpest since February. Higher overall input costs mainly emanated from increased

purchasing prices as staff costs rose at a modest pace. There were reports that raw material shortages led to higher input prices. Fuel and food were among the key items reported to have increased in price.

August data indicated that firms raised their output charges for the ninth successive month. Panellists reportedly raised their output charges to pass on higher input costs to clients. That said, the rate of inflation eased to the weakest since the end of 2017.

-Ends-

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**Note to Editors:**

The Stanbic Bank Kenya Purchasing Managers' Index™ is based on data compiled from monthly replies to questionnaires sent to purchasing executives in approximately 400 private sector companies, which have been carefully selected to accurately represent the true structure of the Kenyan economy, including agriculture, mining, manufacturing, services, construction and retail. The panel is stratified by Standard Industrial Classification (SIC) group, based on industry contribution to GDP. Survey responses reflect the change, if any, in the current month compared to the previous month based on data collected mid-month. For each of the indicators the 'Report' shows the percentage reporting each response, the net difference between the number of higher/better responses and lower/worse responses, and the 'diffusion' index. This index is the sum of the positive responses plus a half of those responding 'the same'.

The Purchasing Managers' Index (PMI™) is a composite index based on five of the individual indexes with the following weights: New Orders - 0.3, Output - 0.25, Employment - 0.2, Suppliers' Delivery Times - 0.15, Stock of Items Purchased - 0.1, with the Delivery Times index inverted so that it moves in a comparable direction.

Diffusion indexes have the properties of leading indicators and are convenient summary measures showing the prevailing direction of change. An index reading above 50 indicates an overall increase in that variable, below 50 an overall decrease.

IHS Markit do not revise underlying survey data after first publication, but seasonal adjustment factors may be revised from time to time as appropriate which will affect the seasonally adjusted data series. Historical data relating to the underlying (unadjusted) numbers, first published seasonally adjusted series and subsequently revised data are available to subscribers from IHS Markit. Please contact [economics@ihsmarkit.com](mailto:economics@ihsmarkit.com).

#### **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](http://www.stanbicbank.co.ke)

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#### **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](http://ihsmarkit.com/products/pmi).

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