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.

At 51.4, up from 50.4 in September, the PMI posted its highest reading for five months in October. That said, the index signalled only a modest improvement in business conditions, and one that was slower than the series long-run trend.

New business volumes continued to rise at Kenyan firms, extending the current run of growth that began in May. Furthermore, the most recent increase was the fastest in five months, which panellists linked to greater customer spending as cash flow and economic conditions improved. There was a particularly robust rise in sales across services firms, but demand fell in the agriculture and construction sectors and was unchanged in manufacturing.

The upturn in new orders supported a further rise in output during October, and one that was stronger than in the previous month. Nevertheless, output struggled to keep up with demand, leading to a slight increase in outstanding work.

Employment levels were raised for the sixth month running as firms looked to boost overall capacity. Notably though, the rate of job creation slowed and was only modest, as businesses continued to project a relatively subdued outlook for future activity amid uncertainty over how the pandemic will impact spending decisions.

More positively, October data pointed to a solid and faster increase in purchasing activity at Kenyan firms, linked to efforts to expand stock levels. Delivery times continued to improve, albeit to a lesser extent than in September due to mentions of shortages at some vendors.

Weak material supply, higher VAT and rising energy prices combined to push total input costs higher in October, with the latest mark-up the quickest since July. Staff salaries were also up, but only slightly overall.

To protect profit margins, Kenyan firms often passed additional costs through to their clients. Consequently, output charges rose solidly and at the fastest rate since the beginning of the year.
Comment

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

“In October, business activity expanded at the fastest pace in the past five months driven by higher demand and output. The improvement in domestic demand was driven by increased client spending primarily in wholesale and retail trade. Export demand, meanwhile, rose at its fastest rate since August 2020 on account of increased demand from Europe where public health restrictions continue to be lifted. To meet rising demand, firms increased their output following a normalisation of business spending as pandemic-related measures were eased. That said, output prices continued to rise as firms passed on their higher input costs. The one-year outlook remains relatively low with most firms expecting output to remain the same due to the lingering effects of the COVID-19 pandemic.”

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 12-27 October 2021.

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.

PMI methodology is constantly reviewed to ensure it remains the most relevant and responsive measure of business conditions. The composition of the panel is consistent with changes in the structure of the economy, and the index is regularly benchmarked against key macroeconomic data to ensure continued relevance.

For further information log on to www.stanbicbank.co.ke.

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).

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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