

## News Release

### Purchasing Managers' Index™ MARKET SENSITIVE INFORMATION

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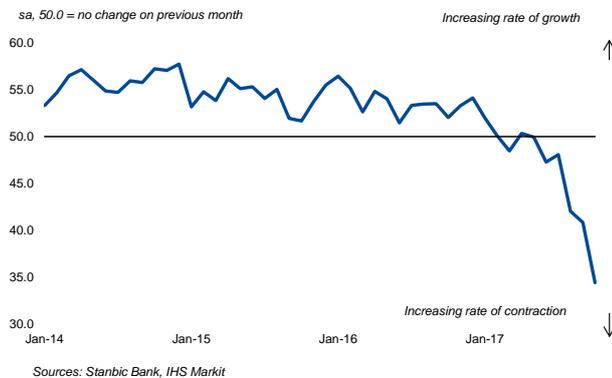
## Stanbic Bank Kenya PMI™

### PMI plunges to survey-record low amid political instability

Data collected 12-27 October

- PMI falls further to another record low of 34.4
- Sharpest contractions in output and new orders in survey so far
- Employment falls further in October

#### Stanbic Bank Kenya PMI



Political instability led to another severe contraction in the Kenyan private sector during October. The overall downturn reflected survey-record declines in output, new orders, employment and stocks of purchases. On the price front, firms raised selling prices for the first time in six months as their ability to absorb higher input costs was restricted.

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 seasonally adjusted PMI fell to a new survey-record low of 34.4 in October from 40.9 in September. This signalled the sharpest deterioration in the health of the private sector since the inception of the survey in January 2014. Moreover, the headline PMI registered below the neutral 50.0 threshold for the sixth month in succession.

**Commenting on October survey findings, Jibran Qureishi, Regional Economist E.A at Stanbic Bank said:**

*"The heated political temperature has resulted in a challenging couple of months for Kenya's private sector. Indeed, the month of October saw the PMI fall to another record low as output, new orders and employment all contracted. That being said, the recent rains should be broadly supportive of the agriculture sector and if this is combined with an end to the political impasse, then the private sector in general is likely to begin showing some much needed signs of improvement over the near to medium term."*

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

Output at Kenyan private sector firms reduced for the sixth consecutive month and at a survey-record pace. Panellists linked the fall in business activity to political instability and poor economic conditions.

New business across Kenya's private sector declined during October, contributing to the downward movement in the headline PMI. A combination of a lower customer turnout, poor demand conditions and an unfavourable economic climate were the key factors behind lower new business, according to anecdotal evidence. Alongside

reduced domestic demand, there was evidence that demand in foreign markets had faltered, as new export orders declined at the fastest pace in the survey's history.

In response to lower output requirements (and subsequent spare capacity), firms reduced their staffing levels. Although marginal, the pace of job shedding was the fastest in the survey so far.

Moreover, firms reduced purchasing activity at the sharpest rate since the inception of the survey in January 2014. Subsequently, stocks of purchases contracted substantially in October.

Cost inflationary pressures intensified further in October. Furthermore, the rate of purchase price inflation quickened to the strongest in over two years. There were reports of a general rise in raw material prices due to shortages caused by political tensions. Meanwhile, higher fuel and transportation costs were also mentioned.

A reduced ability among firms to absorb upward cost pressures was evident as they raised their selling prices in October. This ended a five-month period of decline. That said, the rate of inflation was only slight.

-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).

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Standard Bank Group had total assets of R1 694 billion (about USD162 billion) at 31 December 2013, while its market capitalisation was R209.4 billion (about USD20 billion).

The group has direct, on-the-ground representation in 20 African countries. Standard Bank Group has almost 560 branches and 1 223 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, it has a network of 24 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.

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