

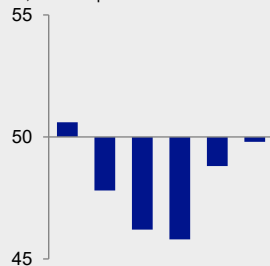
Stanbic Bank Kenya PMI®

New orders nearly stabilise in January as inflationary pressures continue to fade

49.8

KENYA PMI
JAN '24

PMI
Aug '23 - Jan '24
sa, >50 = improvement



Output and new orders fall slightly

Cost and charge inflation soften for third month in a row

First increase in employment since last August

Kenya's private sector economy moved closer to growth territory in January, according to the latest PMI® survey data. Business activity and new order volumes dropped only fractionally, while firms expanded their workforce numbers for the first time in five months.

The near stabilisation followed a continued slowdown in inflationary pressures, with both input cost and output price inflation at or near to their long-term averages – a notable turnaround from record highs last October. Nevertheless, sentiment regarding future output ticked down to an eight-month low, with just a tenth of businesses showing optimism for the year ahead.

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 headline PMI rose to a five-month high of 49.8 in January, up from 48.8 in

December, and was almost level with the 50.0 mark which signals a stabilisation. This was mainly due to slower contractions in activity and new orders, as well as a renewed uplift in staffing.

Business activity at Kenyan firms fell for the fifth month running in January, albeit at the slowest pace in this sequence and only slightly. The almost-stable trend was linked to a similar picture for new order volumes, which decreased at only a fractional pace. Weak client demand and cash flow problems continued to hit sales at many companies, whereas others noted improvements in order books and foreign sales.

The softer fall in new orders was closely linked to a softening of inflation at the start of the year. The latest survey data signalled that input prices rose at the slowest pace since December 2022, with inflation having cooled markedly from a record high last October and posting in line with the series average. Anecdotal evidence showed that a waning of fuel

Stanbic Bank Kenya PMI
sa, >50 = improvement since previous month



PMI®

by **S&P Global**

Contents

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- Business expectations
- Employment and capacity
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price pressures was a key factor, although firms continued to widely cite increases in import prices and tax burdens.

Subsequently, average prices charged by Kenyan companies rose to the softest degree in nearly a year-and-a-half. Where prices increased, firms noted a combination of higher costs and a stabilising demand environment.

Elsewhere, the latest survey data signalled a rise in employment numbers in January, the first monthly upturn since last August. The rate of job creation was only marginal, however, with comments mainly linking the rise to the addition of temporary employees. Backlogs of work also increased, but only fractionally.

Purchasing activity dropped for the fifth month in a row and at a faster pace than in December. Subsequently, inventories of inputs were largely unchanged after three successive months of growth. Lower buying meant that suppliers were able to deliver items more quickly, although the rate of improvement was only modest.

Future output expectations were subdued in January, ticking down to their lowest since May 2023. Notably, just 10% of businesses predicted a rise in output over the next year, citing efforts to increase projects, add services, boost marketing and open branches.

Comment

Christopher Legilisho, Economist at Standard Bank commented:

“The Kenya Purchasing Managers Index (PMI) rose in January as business conditions for the private sector stepped closer to stability. Agriculture, construction and service sector companies reported increased activity. However, there were further declines in manufacturing and the wholesale and retail sectors, with firms remaining under pressure from insufficient cash flow. Still, jobs increased in January as demand conditions stabilized. New export orders grew for an eleventh straight month as demand from the UK and Germany picked up, presumably due to Kenya’s weaker exchange rate.

“Furthermore, Kenyan businesses reported stable inventories, with slower price increases in January. Evidently, price pressures have eased; input price inflation is now at its lowest level in over a year. However, surveyed firms still face pressure from both high import costs and taxation. Moreover, survey results indicate that business confidence for the year ahead is still subdued.”



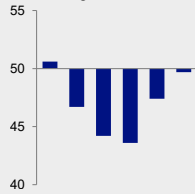
PMI®

by **S&P Global**

Output and demand

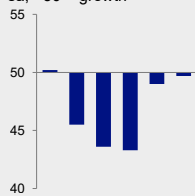
Output Index

Aug '23 - Jan '24
sa, >50 = growth



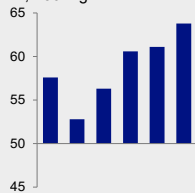
New Orders Index

Aug '23 - Jan '24
sa, >50 = growth



New Export Orders Index

Aug '23 - Jan '24
sa, >50 = growth



Output

Kenyan private sector firms saw a near stabilisation of business activity at the start of 2024. Adjusted for seasonality, the Output Index closed in on the 50.0 neutral mark, indicating only a marginal drop in output that was the softest in the current five-month contractionary sequence. Sector performances were split with falls in manufacturing and wholesale & retail offsetting expansions in agriculture, construction and services.

New orders

Output volumes moved in lockstep with the new orders trend in January, as the decline in new orders also slowed to a fractional pace that was the softest for five months. While many companies reported a drop in sales from reduced client spending and cash flow problems, higher sales and a positive impact from marketing were cited at other businesses.

New export orders

The latest survey data pointed to a notable increase in export sales at Kenyan firms during January. The rate of growth accelerated for the fourth month running to the sharpest recorded in just over two years. Roughly a quarter of respondents saw a rise in new orders from abroad, with comments often highlighting a pick-up in demand from the UK and Germany.

Output Index

sa, >50 = growth since previous month



New Orders Index

sa, >50 = growth since previous month



New Export Orders Index

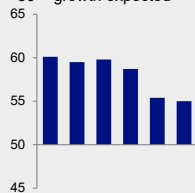
sa, >50 = growth since previous month



Business expectations

Future Output Index

Aug '23 - Jan '24
>50 = growth expected



Business confidence in the Kenyan economy weakened for the third month in succession in January. Despite falling only slightly since the end of 2023, this brought overall sentiment to the weakest level since last May. Only 10% of survey panellists held optimism for activity over the next 12 months, citing efforts to increase projects, add services, boost marketing and open branches.

Future Output Index

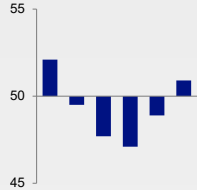
>50 = growth expected over next 12 months



Employment and capacity

Employment Index

Aug '23 - Jan '24
sa, >50 = growth



Employment

Kenyan private sector businesses reported a rise in employment numbers at the start of the year, thereby ending a four-month run of decline. However, the rate of job creation was only slight overall. Firms noting an increase in staffing often cited the hiring of short-term workers as demand conditions stabilised and outstanding workloads rose.

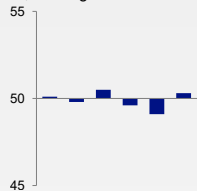
Employment Index

sa, >50 = growth since previous month



Backlogs of Work Index

Aug '23 - Jan '24
sa, >50 = growth

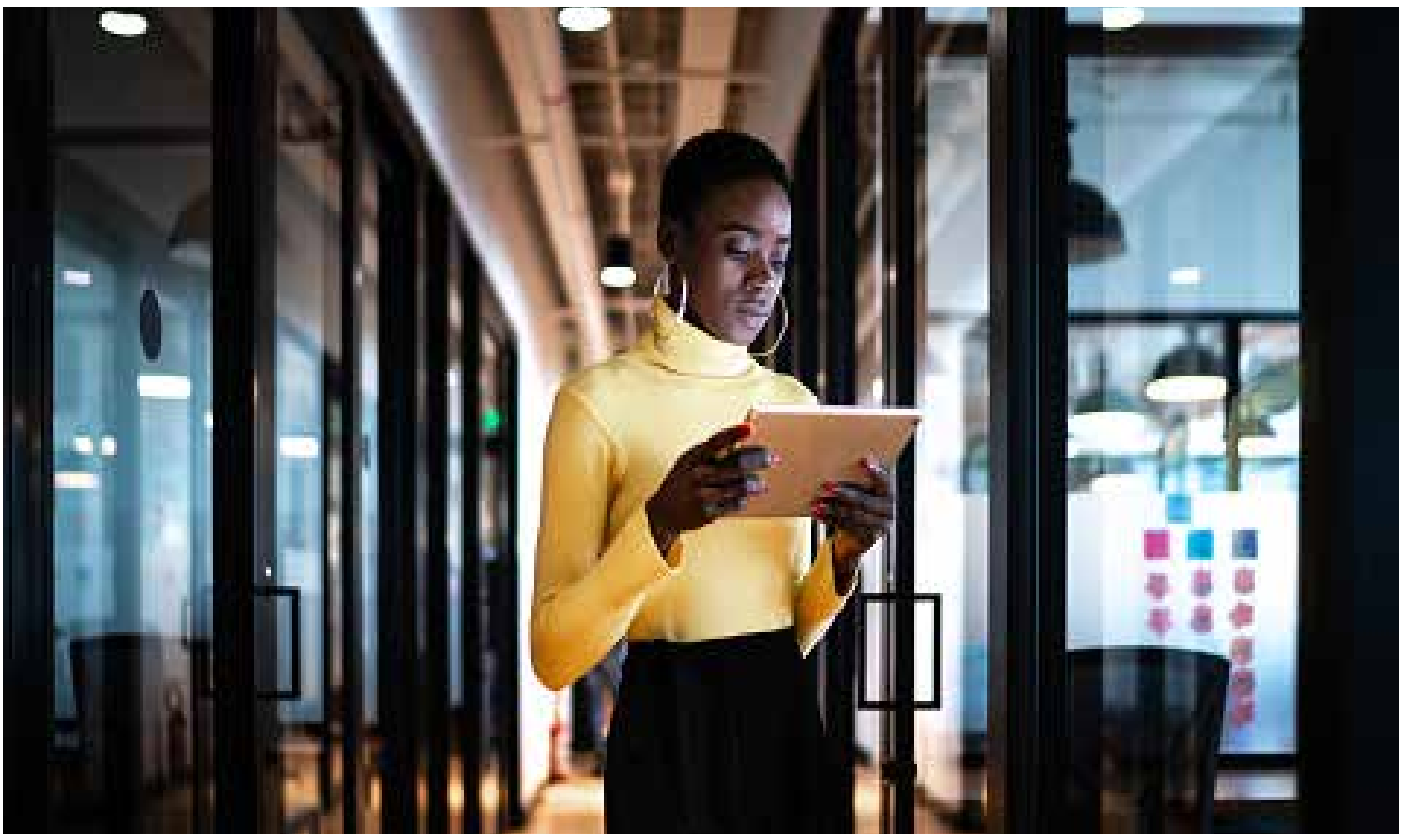


Backlogs of work

The volume of outstanding business at Kenyan firms ticked higher over the course of January. This marked the first increase for three months. That said, the rate at which backlogs rose since the previous survey period was only mild.

Backlogs of Work Index

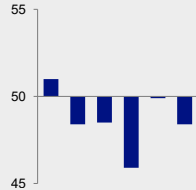
sa, >50 = growth since previous month



Purchasing and inventories

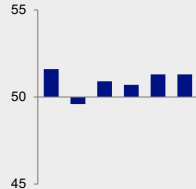
Quantity of Purchases Index

Aug '23 - Jan '24
sa, >50 = growth



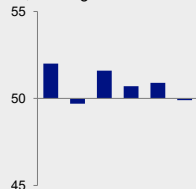
Suppliers' Delivery Times Index

Aug '23 - Jan '24
sa, >50 = faster times



Stocks of Purchases Index

Aug '23 - Jan '24
sa, >50 = growth



Quantity of purchases

After approaching the 50.0 neutral mark in December, the seasonally adjusted Quantity of Purchases Index dropped in January, signalling a modest reduction in input purchases across the private sector. The drop in buying activity was generally driven by a reduction in new orders. Indeed, the manufacturing and wholesale & retail sectors, which posted lower sales, were the main drivers of the contraction in purchasing.

Suppliers' delivery times

Supplier performance strengthened for the fourth consecutive month in January. Where an improvement was seen, panellists often related this to a drop in purchasing activity leading to quicker deliveries, with some also mentioning strong competition among vendors. That said, the rate at which lead times improved was unchanged from December and only marginal.

Stocks of purchases

The volume of inputs stored at businesses in Kenya was broadly stable at the start of the year, as signalled by the seasonally adjusted Stocks of Purchases Index posting just below the 50.0 mark. This ended a three-month run of stock accumulation. While several firms opted to cut down on inventories due to weak demand conditions and cash flow problems, others increased their holdings as new orders began to show signs of improvement.

Quantity of Purchases Index

sa, >50 = growth since previous month



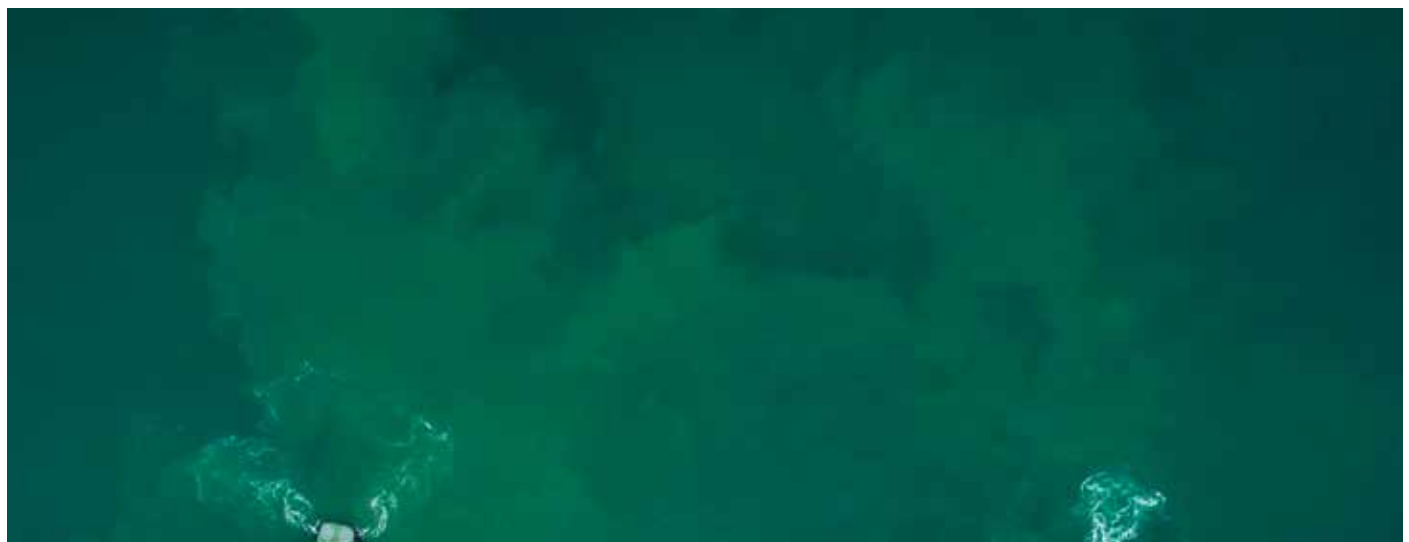
Suppliers' Delivery Times Index

sa, >50 = faster times since previous month



Stocks of Purchases Index

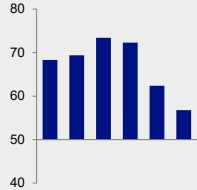
sa, >50 = growth since previous month



Prices

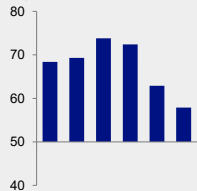
Input Prices Index

Aug '23 - Jan '24
sa, >50 = inflation



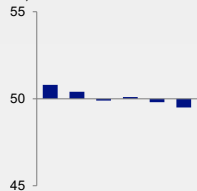
Purchase Prices Index

Aug '23 - Jan '24
sa, >50 = inflation



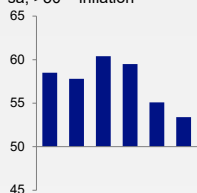
Staff Costs Index

Aug '23 - Jan '24
sa, >50 = inflation



Output Prices Index

Aug '23 - Jan '24
sa, >50 = inflation



Input prices

January survey data pointed to another sharp deceleration of input price inflation in the Kenyan economy. Adjusted for seasonal factors, the Input Prices Index fell for the third month running from October's record high, dropping to its lowest in just over a year. The index was also in line with its long-run average. Just 10% of respondents saw an increase in costs, amid a marked slowdown in purchase price pressures.

Purchase prices

The rate of purchase price inflation was sharp in January, but nonetheless softened notably from December and for the third month running. Anecdotal evidence showed that firms faced upwards pressure from import costs and taxation, but that fuel price inflation had cooled substantially. The rise in purchasing costs was close to the long-run trend and the slowest recorded since December 2022.

Staff costs

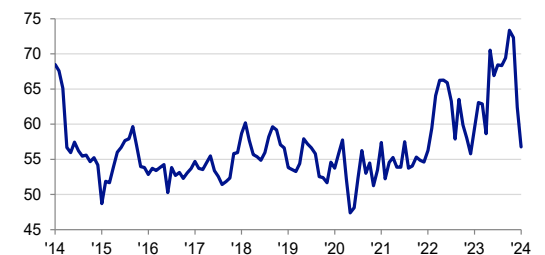
Labour costs declined for the second month in a row in January, as shown by the seasonally adjusted index recording below the 50.0 neutral threshold. Although the rate of decrease was only marginal, it was the fastest seen in just under three years.

Output prices

Kenyan companies opted to raise their output prices further at the start of 2024. Although the pace of increase was solid overall, it followed the trend for input costs and slowed for a third month running. Price rises were mainly linked to an increase in purchase costs, with several companies also attributing them to better demand conditions.

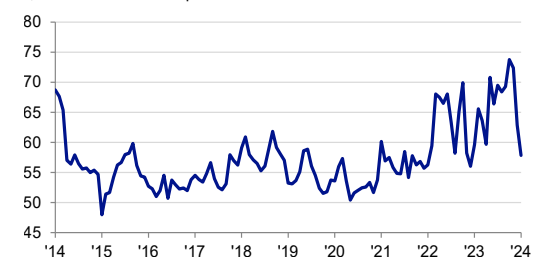
Input Prices Index

sa, >50 = inflation since previous month



Purchase Prices Index

sa, >50 = inflation since previous month



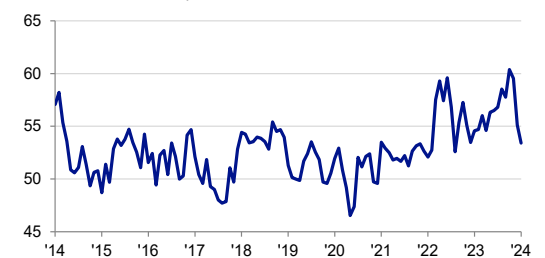
Staff Costs Index

sa, >50 = inflation since previous month



Output Prices Index

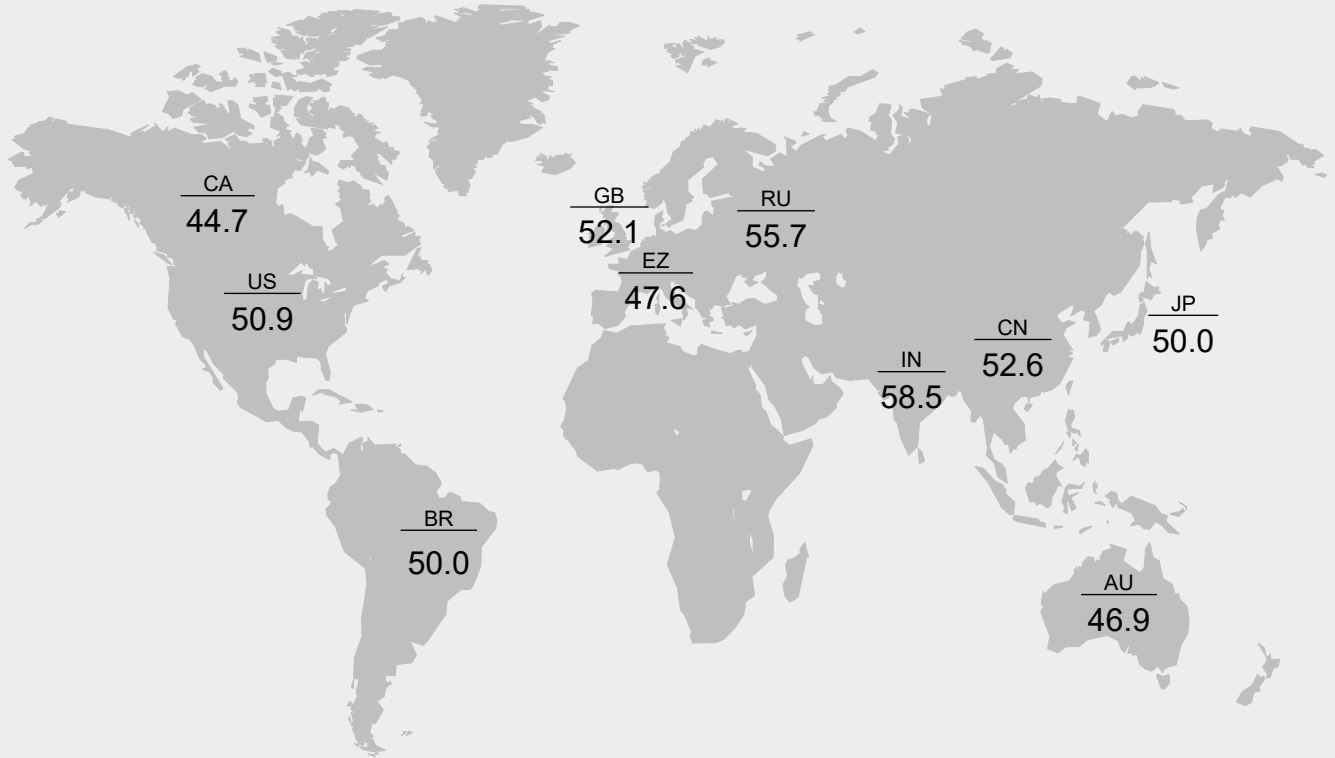
sa, >50 = inflation since previous month



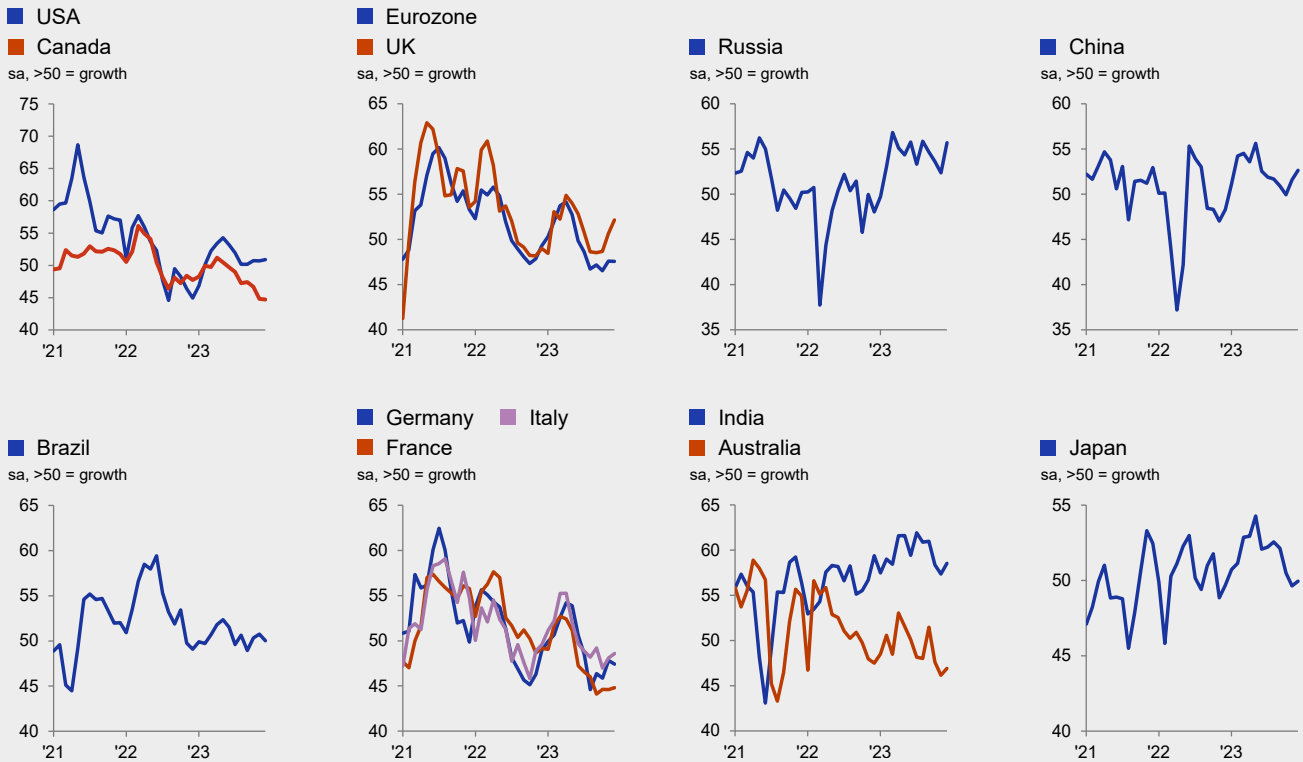
International PMI

Composite Output Index, Dec '23
sa, >50 = growth since previous month

The Composite Output Index is a GDP-weighted average of the Manufacturing Output Index and the Services Business Activity Index.



Composite Output Index



Survey methodology

The Stanbic Bank Kenya PMI® is compiled by S&P Global 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. Data were first collected January 2014.

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.

For further information on the PMI survey methodology, please contact economics@spglobal.com.

Survey dates

Data were collected 11-29 January 2024.

Survey questions

Private sector

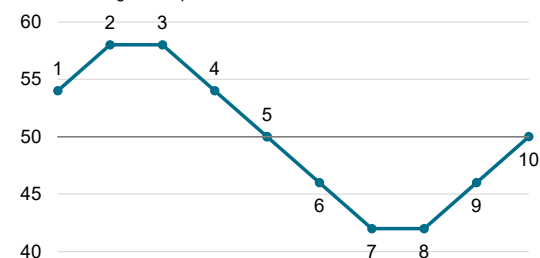
Output	Suppliers' Delivery Times
New Orders	Stocks Of Purchases
New Export Orders	Input Prices
Future Output	Purchase Prices
Employment	Staff Costs
Backlogs Of Work	Output Prices
Quantity Of Purchases	

Index calculation

$$\% \text{ "Higher"} + (\% \text{ "No change"})/2$$

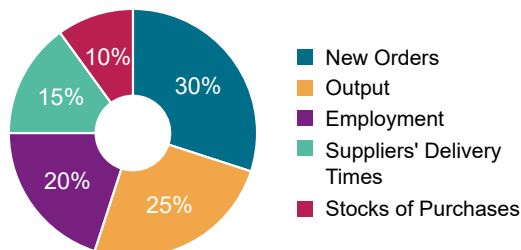
Index interpretation

50.0 = no change since previous month



- | | |
|--------------------------|----------------------------|
| 1 Growth | 6 Decline, from no change |
| 2 Growth, faster rate | 7 Decline, faster rate |
| 3 Growth, same rate | 8 Decline, same rate |
| 4 Growth, slower rate | 9 Decline, slower rate |
| 5 No change, from growth | 10 No change, from decline |

PMI component weights



Sector coverage

PMI data include responses from companies operating in sectors classified according to the following ISIC Rev.4 codes:

A Agriculture, Forestry and Fishing	K Financial and Insurance Activities
B Mining and Quarrying	M Professional, Scientific and Technical Activities
C Manufacturing	N Administrative and Support Service Activities
F Construction	P Education*
G Wholesale and Retail Trade; Repair of Motor Vehicles and Motorcycles	Q Human Health and Social Work Activities*
H Transportation and Storage	R Arts, Entertainment and Recreation
I Accommodation and Food Service Activities	S Other Service Activities
J Information and Communication	

*Private sector

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At Stanbic Bank, we are proudly Kenyan with a clear purpose which is Kenya is our Home, we drive her Growth. This informs everything we do as an organization as we are committed to the growth and development of Kenya, its people and industries. It is with this drive that Stanbic Bank Kenya continues to move forward with its purposeful strategy to drive Kenya's growth by actively seeking opportunities to partner with both Government and private Sector to unlock their potential and contribution to the economy.

Stanbic Bank Kenya provides the full spectrum of financial services. The Consumer and High Net-worth division Stanbic Bank continue to serve the people of Kenya with a range

of personal banking products and solutions. Stanbic Bank also offers Wealth services and product offerings, including insurance, investment, fiduciary, bespoke banking and multi-generational wealth preservation solutions to high net worth individuals, retail, business, commercial, and corporate clients across the Bank's footprint.

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 oil, gas and renewables; power and infrastructure and agriculture.

With regard to Business and Commercial unit, Stanbic Bank Kenya offers banking and other financial services to medium-sized enterprises and high value small businesses. 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).

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We are widely sought after by many of the world's leading organizations to provide credit ratings, benchmarks, analytics and workflow solutions in the global capital, commodity and automotive markets. With every one of our offerings, we help the world's leading organizations plan for tomorrow, today.

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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.

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