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Stanbic Bank
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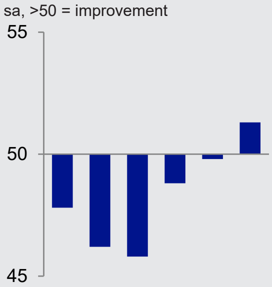
Stanbic Bank Kenya PMI®

Business conditions improve in February as price pressures subside

51.3

KENYA PMI
FEB '24

PMI
Sep '23 - Feb '24
sa, >50 = improvement



Activity and new orders rise for the first time in six months

Selling price inflation hits long-run average as cost burdens ease

Lowest confidence towards future output in survey history

Business activity expanded across the Kenyan private sector in February, according to the Stanbic Bank Kenya PMI®, as a further softening of inflationary pressures supported a fresh increase in new order volumes. Lower fuel prices helped to cool input cost inflation to a 26-month low, supporting the softest increase in output prices for one-and-a-half years.

Improving economic conditions led Kenyan companies to expand staffing levels at a faster rate and boost purchases of inputs. Nevertheless, confidence regarding future activity fell to a survey low, suggesting a broad degree of uncertainty that activity growth will be sustained.

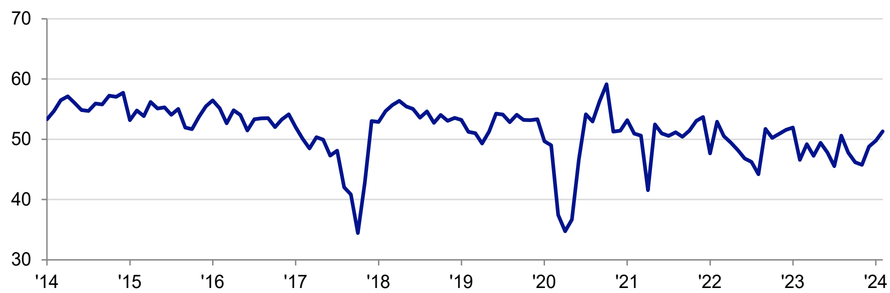
The headline figure derived from the survey is the Purchasing Managers' Index™ (PMI®). Readings above 50.0 signal an improvement in business conditions on the previous month, while readings below 50.0 show a deterioration.

The headline index rose for the third consecutive month in February, taking it above the 50.0 neutral threshold for the first time since last August. At 51.3, up from 49.8 in January, the index was also at its highest level in just over a year, with positive directional influences seen in all five of its sub-components.

The greatest movement was found in the Output sub-index in February, which rose to its highest for 13 months and pointed to a moderate expansion in private sector activity. Similar findings were also seen with respect to new orders, as companies reported that improving client demand drove the fastest upturn in sales since January 2023. Firms additionally linked this to new product releases and improved stock levels, which rose slightly, as well as the positive impact of relaxed inflationary pressures.

Notably, input costs faced by Kenyan firms rose at the weakest pace in over two years in February, as inflation continued to ease from its record high last October. Falling fuel prices were reportedly a

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



PMI® by S&P Global

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key contributor to lower cost burdens, although expenses still rose sharply overall amid mentions of currency issues and higher VAT payments.

The slowdown allowed firms to raise their selling charges to a softer degree. Charge hikes eased to the weakest recorded for a year-and-a-half and were aligned with the survey's long-run trend.

Nevertheless, rising prices continued to restrict cash flow and spending power, according to survey comments, which meant that total sales growth was only marginal. Sector data signalled that construction and wholesale & retail were still greatly impacted, with sales declining sharply in these segments.

Furthermore, overall business sentiment was at its lowest level on record in February, as companies generally refrained from projecting an increase in activity over the coming year. Only 6% of companies were optimistic of an upturn.

Despite this, employment levels rose in February on the back of higher new order intakes, with firms citing the hiring of casual workers to meet workloads. Staff increases were modest, but the fastest since last August. Purchases of inputs also expanded, ending a five-month run of decline, whereas improvements in supplier performance broadly stalled.

Comment

Christopher Legilisho, Economist at Standard Bank commented:

“There was a notable expansion in private sector activity in February, with output increasing in agriculture, manufacturing, and services. However, construction and wholesale & retail activity slipped. Firms noted improved consumer demand as assisting higher output and new orders.

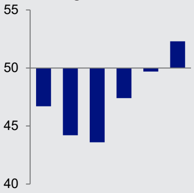
“Increased new orders spurred inventory stocking, with some firms statedly wanting to avoid product shortages during the year. However, expectations for 2024 remain subdued; the index for future expectations hit its weakest level on record.

“On the pricing front, firms noted both input and output price pressures easing due to moderating purchase costs, fuel prices declining, and the shilling appreciating during February. Staff costs were flat in February, although staffing levels increased for a second month running.”

Output and demand

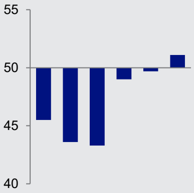
Output
Index

Sep ‘23 - Feb ‘24
sa, >50 = growth



New Orders
Index

Sep ‘23 - Feb ‘24
sa, >50 = growth



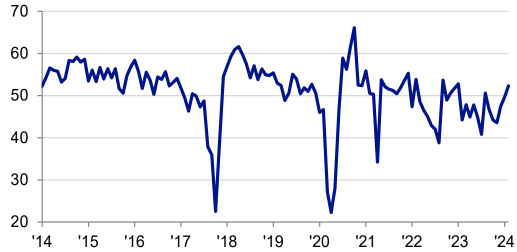
Output

The seasonally adjusted Output Index rose for the third month running in February, climbing above the 50.0 no-change mark for the first time since last August. The data thereby indicated a renewed expansion in Kenyan business activity, and one that was the fastest since January 2023.

However, performances were mixed by sector, with upturns seen in agriculture, manufacturing and services. In contrast, construction and wholesale & retail saw robust drops in output.

Output Index

sa, >50 = growth since previous month

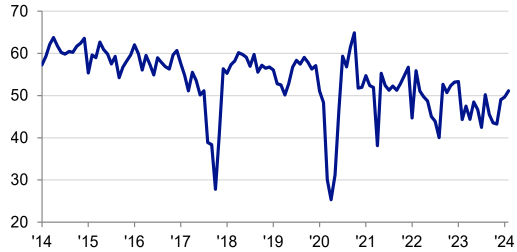


New orders

Output levels mainly expanded due to a fresh increase in new business intakes at Kenyan companies during February. Though mild, the rate of growth was the fastest observed in just over a year. Panellists often related higher new orders to greater client demand, new products and improved stocks. That said, high prices and weak cash flow reportedly dampened growth.

New Orders Index

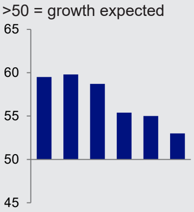
sa, >50 = growth since previous month



Business expectations

Future
Output Index

Sep ‘23 - Feb ‘24
>50 = growth expected



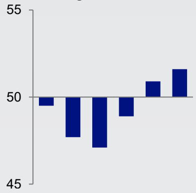
Business activity expectations slipped to their weakest on record in February. Although staying above the 50.0 neutral mark to signal overall positivity about the next 12 months, the Future Output Index indicated a subdued outlook among Kenyan businesses. Indeed, only 6% of respondents expect growth of output. Mild optimism was seen in four out of the five broad sectors, while construction firms were neutral about their activity prospects.

Future Output Index

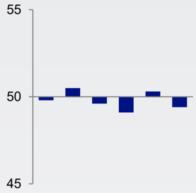
>50 = growth expected over next 12 months

Employment and capacity

Employment Index
Sep '23 - Feb '24
sa, >50 = growth



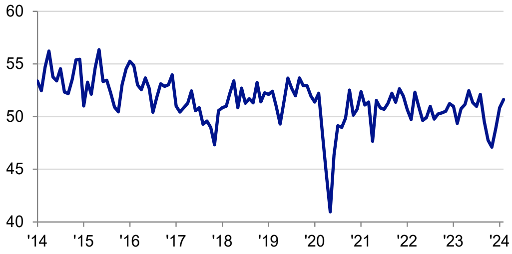
Backlogs of Work Index
Sep '23 - Feb '24
sa, >50 = growth



Employment

Staffing levels at Kenyan companies grew for the second straight month during February, further offsetting a four-month period of decline at the end of 2023. Moreover, the rate of increase quickened from January and was approximately in line with the series long-run trend. Anecdotal evidence signalled that firms generally hired casual workers to help fulfil order books.

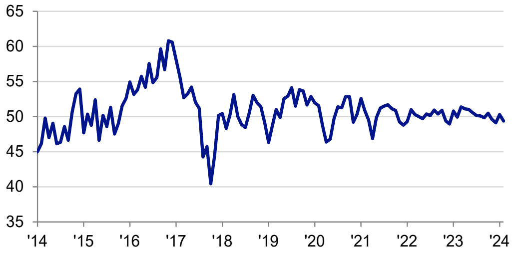
Employment Index
sa, >50 = growth since previous month

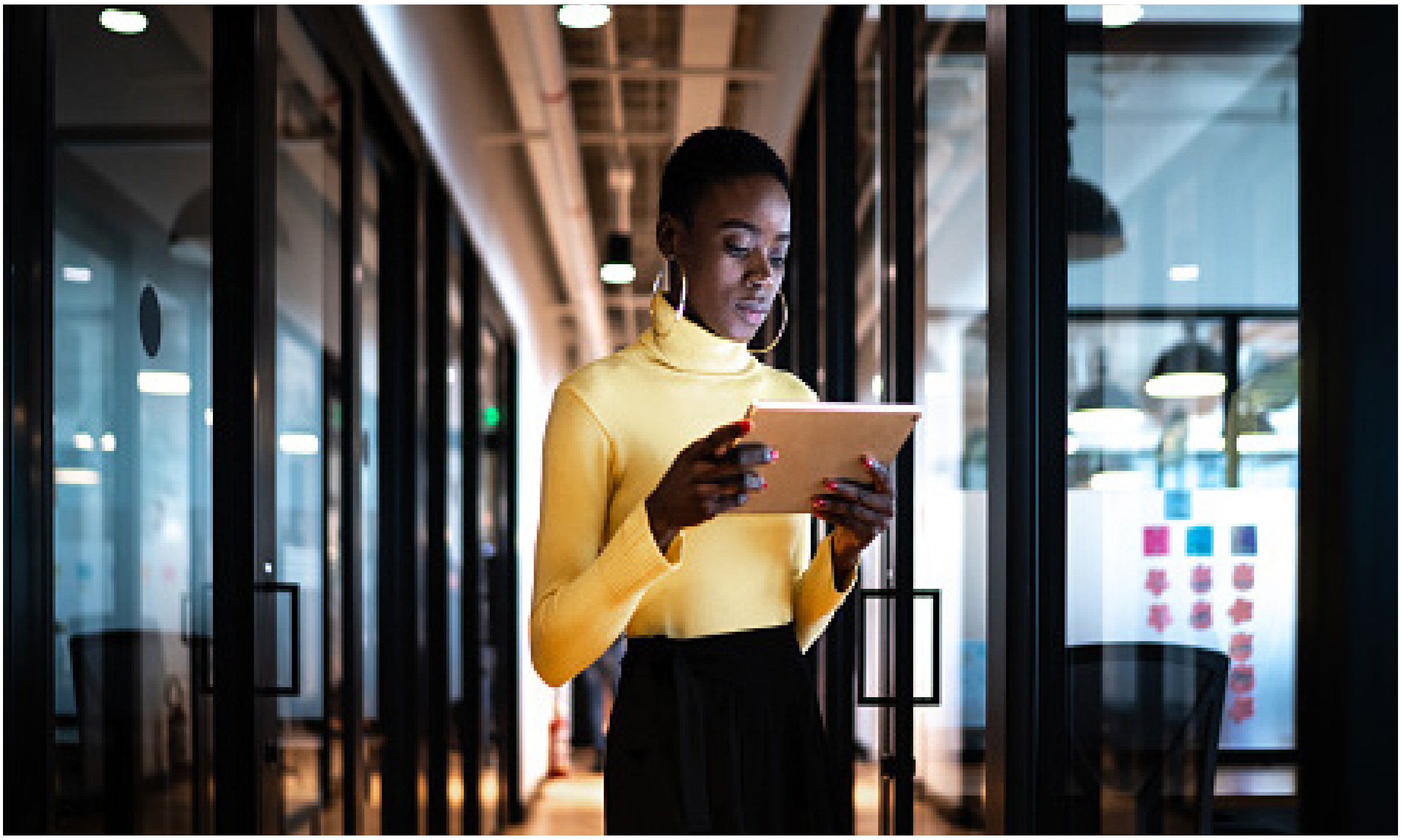


Backlogs of work

The volume of incomplete business at private sector firms dropped for the third time in four months midway through the opening quarter. However, the latest decline was similar to those recorded in recent months and only marginal overall.

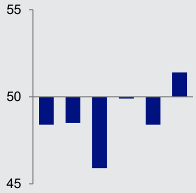
Backlogs of Work Index
sa, >50 = growth since previous month



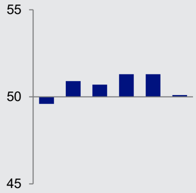


Purchasing and inventories

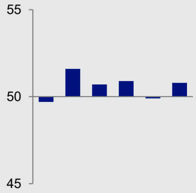
Quantity of Purchases Index
Sep '23 - Feb '24
sa, >50 = growth



Suppliers' Delivery Times Index
Sep '23 - Feb '24
sa, >50 = faster times



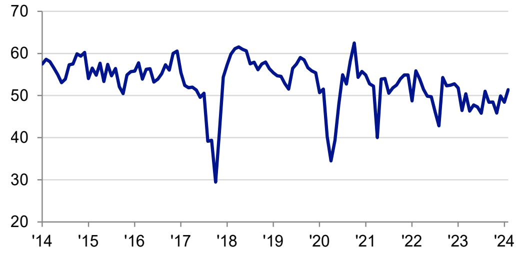
Stocks of Purchases Index
Sep '23 - Feb '24
sa, >50 = growth



Quantity of purchases

Kenyan companies began to increase their purchasing activity over the course of February, as the seasonally adjusted Quantity of Purchases Index posted in growth territory for the first time in six months. In line with the trends seen for output and new orders, the rate of expansion was the quickest registered since January 2023, albeit modest overall. Input purchases chiefly rose due to greater demand, according to respondents.

Quantity of Purchases Index
sa, >50 = growth since previous month



Suppliers' delivery times

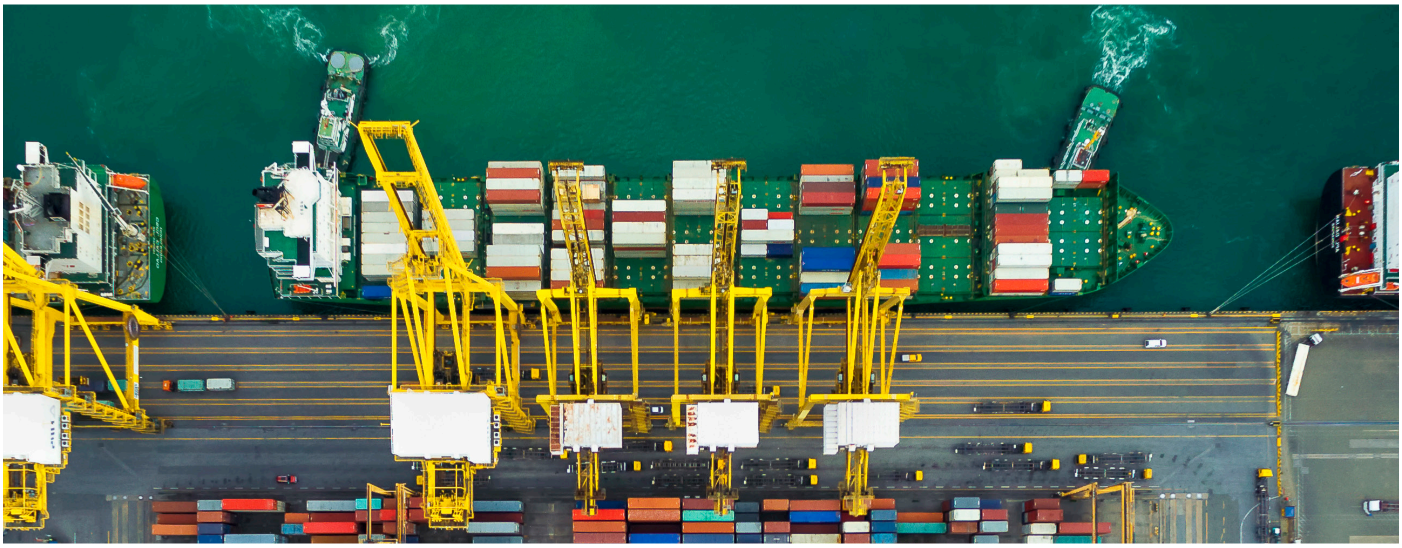
Following a run of four successive monthly improvements, supplier performance was largely unchanged during February, as firms indicated that stronger input demand had put pressure on vendor capacity. The vast majority of panellists (over 99%) reported that lead times were stable on the month.

Suppliers' Delivery Times Index
sa, >50 = faster times since previous month

Stocks of purchases

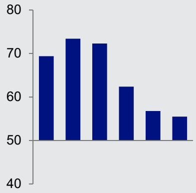
Higher purchases helped to improve holdings of inputs across the Kenyan private sector in the latest survey period. The increase in stock levels was only slight, but compared positively with a stalling of growth in January. Some firms reportedly increased their holdings to ensure they did not face shortages in the near future.

Stocks of Purchases Index
sa, >50 = growth since previous month

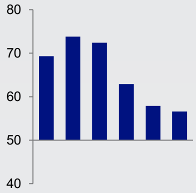


PMI® by S&P Global

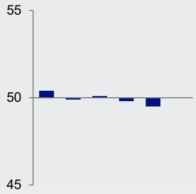
Input Prices Index
Sep '23 - Feb '24
sa, >50 = inflation



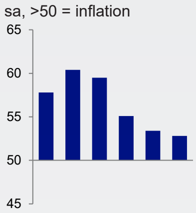
Purchase Prices Index
Sep '23 - Feb '24
sa, >50 = inflation



Staff Costs Index
Sep '23 - Feb '24
sa, >50 = inflation



Output Prices Index
Sep '23 - Feb '24
sa, >50 = inflation

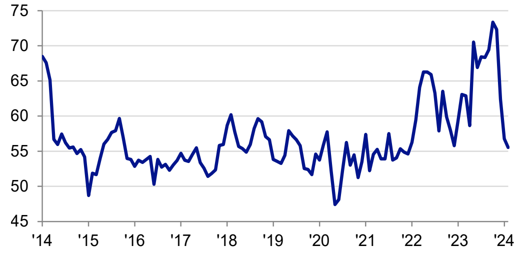


Prices

Input prices

Input cost inflation in the Kenyan economy was eroded for the fourth month in succession following the record high set last October. In fact, after adjusting for seasonality, the respective index dropped to its lowest since December 2021 and signalled that cost burdens were softer than the average seen in the survey's history. That said, around 14% of firms still saw input prices rise.

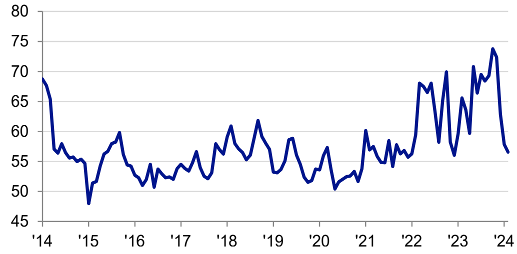
Input Prices Index
sa, >50 = inflation since previous month



Purchase prices

Softening input price inflation was again mostly driven by a cooling of purchase price pressures. February data showed a sharp increase in average purchase costs, but one that was the weakest seen for 14 months. While firms pointed to upwards pressure from weak exchange rates and higher tax burdens, this was partly offset by lower fuel prices.

Purchase Prices Index
sa, >50 = inflation since previous month



Staff costs

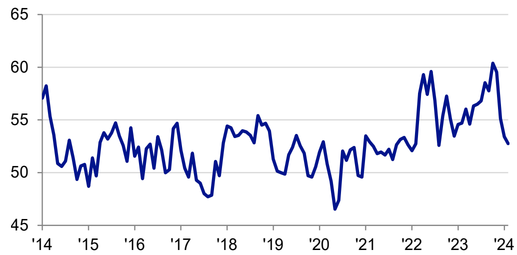
The seasonally adjusted Staff Costs Index posted on the 50.0 neutral threshold during February, indicating that wages among Kenyan companies were unchanged. This followed two successive months where firms had trimmed their labour expenses. Higher staff costs in the agriculture sector were offset by declines elsewhere.

Staff Costs Index
sa, >50 = inflation since previous month

Output prices

Average prices charged by Kenyan firms rose to the smallest degree in a year-and-a-half over February, as the rate of inflation followed the input cost trend by slowing for the fourth month running. Manufacturers even recorded a drop in output prices in line with lower purchase costs. However, charge increases in the remaining sectors meant the overall rise was solid and aligned with the series average.

Output Prices Index
sa, >50 = inflation since previous month

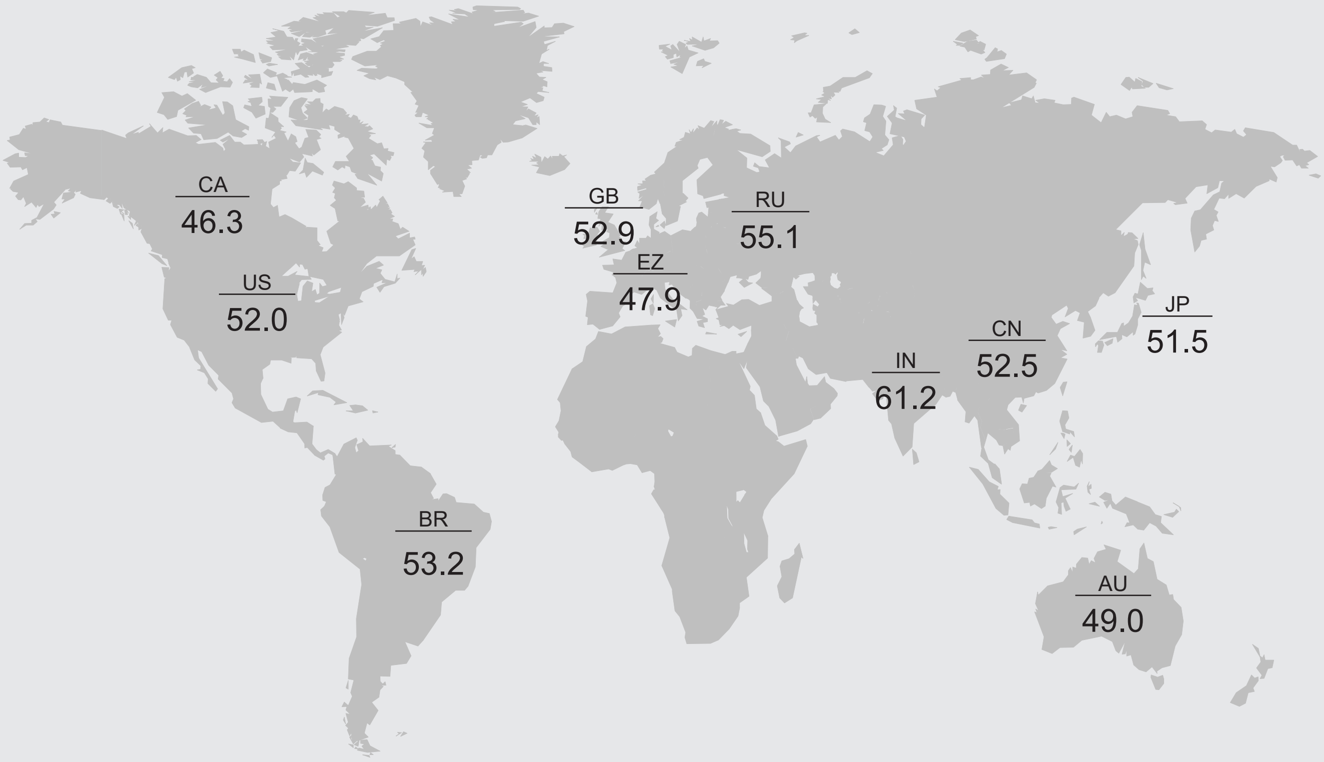


International PMI

Composite Output Index, Jan ‘24

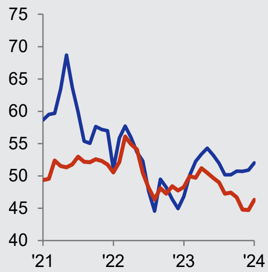
sa, >50 = growth since previous month

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

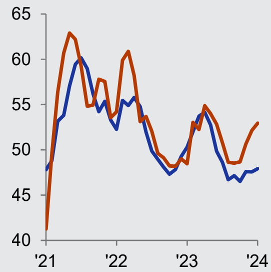


Composite Output Index

USA
Canada
sa, >50 = growth



Eurozone
UK
sa, >50 = growth

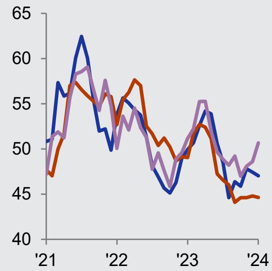


Russia
sa, >50 = growth

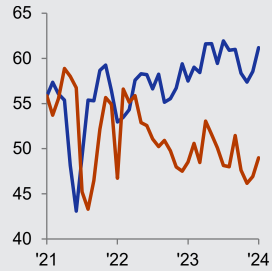
China
sa, >50 = growth

Brazil
sa, >50 = growth

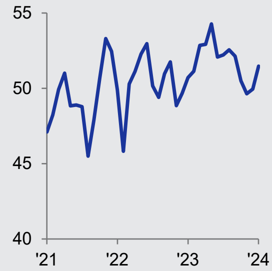
Germany
Italy
France
sa, >50 = growth



India
Australia
sa, >50 = growth



Japan
sa, >50 = growth



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 12-27 February 2024.

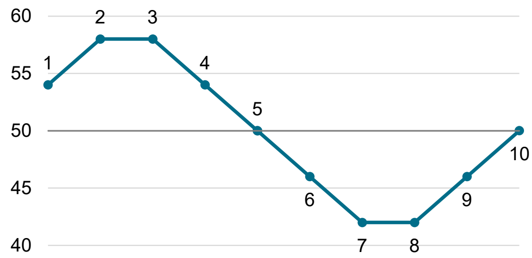
Survey questions
Private sector

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

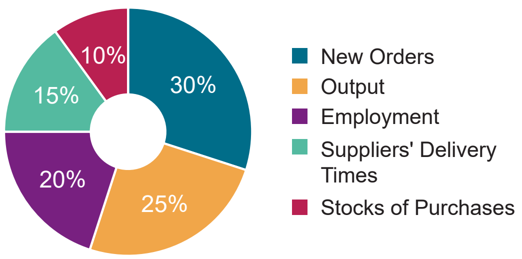
% "Higher" + (% "No change")/2

Index interpretation
50.0 = no change since previous month



1 Growth
2 Growth, faster rate
3 Growth, same rate
4 Growth, slower rate
5 No change, from growth
6 Decline, from no change
7 Decline, faster rate
8 Decline, same rate
9 Decline, slower rate
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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About Stanbic Bank Kenya

Stanbic Bank Kenya is a member of the Standard Bank Group, Africa's largest bank by assets. With a solid foundation in Kenya and history spanning over 110 years, Stanbic is one of the top banks operating in Kenya focused on fostering her socio-economic growth wide with a branch network across the country providing services to individuals, businesses and Commercial clients. Standard Bank Group which is the largest financial institution in Africa by Market capitalization, has on-the-ground representation in 20 African countries - making them one of the largest banking networks on the continent. Standard Bank 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.

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).

http://www.stanbicbank.co.ke

About S&P Global

S&P Global (NYSE: SPGI) S&P Global provides essential intelligence. We enable governments, businesses and individuals with the right data, expertise and connected technology so that they can make decisions with conviction. From helping our customers assess new investments to guiding them through ESG and energy transition across supply chains, we unlock new opportunities, solve challenges and accelerate progress for the world.

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. www.spglobal.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.
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PMI® by S&P Global