# News Release

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# Stanbic Bank Kenya PMI®

## Business activity rises strongly as input costs continue to ease

### Key findings

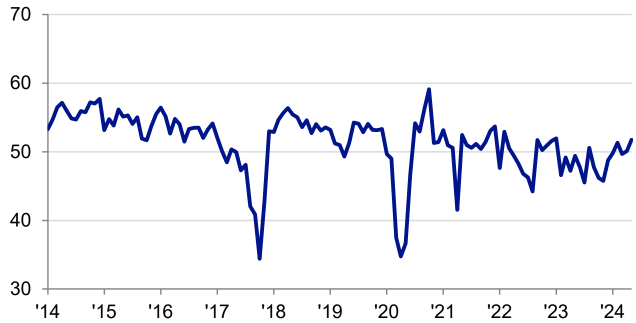
Output rises at sharpest rate in 20 months

New order volumes strengthen

Input costs fall for second month in a row

Stanbic Bank Kenya PMI

sa, >50 = improvement since previous month




Sources: Stanbic Bank, S&P Global PMI.

Data were collected 10-29 May 2024.

The Stanbic Bank Kenya PMI® signalled an improvement in private sector business conditions during May, as falling cost burdens and rising new business contributed to a solid expansion in activity. The upturn in activity was the sharpest recorded in 20 months, as was input buying growth. Job creation continued at a mild pace.

Reductions in fuel prices and import costs led to a further drop in overall input prices in May, after the first decrease in nearly four years during April. Selling prices started to rise again, albeit slowly.

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 latest headline PMI reading of 51.8 marked the index's best performance since January 2023. Rising from 50.1 in April, the index signalled a moderate improvement in the health of the private sector economy.

The strengthening of private sector conditions was largely due to a turnaround in inflationary pressures at Kenyan companies. After pointing to record-high rises in costs in late-2023, May survey data signalled a fall in overall input prices for the second month running, and the fastest ever outside of the 2020 COVID-19 lockdown. The drop was mostly linked by panellists to lower fuel prices, plus decreases in import costs as shilling-dollar exchange rates remained strong.

With costs falling, Kenyan firms increased their output for the first time since February, and at a solid pace that was the quickest for 20 months. Firms also saw a renewed uplift in new order inflows as falling inflationary pressures led to stronger customer spending. The rate of sales growth was the fastest recorded since January 2023.

Notably though, output expansions were only registered in the services, manufacturing and wholesale & retail sectors. By

### Comment

Christopher Legilisho, Economist at Standard Bank commented:

*"Private sector activity was surprisingly strong in May, implying a further improvement in economic activity, as we had expected to see some impact from the recent floods. Output and new orders recorded strong gains in May as firms reported increased consumer demand. There were expansions in the services, manufacturing, and wholesale and retail sectors. However, heavy rains saw output declining in the agricultural and construction sectors.*

*"Job creation continued for a fifth successive month amid larger workloads and prospects of new business. Firms also purchased larger quantities, raising their inventory levels and improving their buffers.*

*"Encouragingly, input prices fell in May for a second month, with respondents noting a decline in fuel prices and lower imports costs due to a more favourable exchange rate. Meanwhile, output prices increased only slightly. This aligns with our view that inflationary pressures have eased. Nonetheless, wage pressures remained prevalent as firms continued to hire because they foresee improved demand.*

*"Though firms are positive about expectations over the next 12 months, this optimism is still well below the long-term average."*

contrast, agriculture and construction saw output decrease, as firms highlighted the impact of heavy rainfall and floods.

Kenyan firms increased their purchasing activity at a quicker rate in May amid rising sales and output requirements. The rate of purchasing growth was the fastest for 20 months and contributed to a stronger uplift in inventories. Additionally, firms hired more workers for the fifth month running.

After falling for the first time in over three years in April, average prices charged by private sector firms rose slightly in May. The increase in prices was broadly related to efforts to improve margins, though there were many reports of firms passing on cost reductions to clients.

Kenyan businesses remained more confident about future activity than at the start of the year, despite the degree of confidence slipping from April's 13-month high. Growth projections partly reflected plans to open branches, purchase new vehicles and boost marketing spending.

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### 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.

### 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.
www.spglobal.com/marketintelligence/en/mi/products/pmi

### About S&P Global

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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. www.spglobal.com

### 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