

CfC Stanbic Bank Kenya PMI™

compiled by markit

Kenyan private sector growth strengthens at year-end

Key findings:

- PMI climbs to eight-month high
- Fastest expansion in output of 2015
- New orders and employment both rise more quickly

Kenya's private sector expansion gathered speed in December, having stalled somewhat just two months earlier. Growth rates in output, new work and employment all accelerated, as did that for input buying. In particular, the latest rise in output was the most marked seen throughout 2015. Meanwhile, cost pressures remained relatively subdued, but charges rose more quickly as firms benefitted from an improvement in underlying demand.

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.

Rising from 53.7 in November to 55.5, the seasonally adjusted PMI highlighted a positive end to 2015 for Kenya's private sector firms. The December reading was the highest in eight months, and pointed to a marked improvement in business conditions. That said, growth in Q4 was the weakest on average (53.6) since the series began in 2014, thanks mainly to the survey-record low seen in October (51.7).

Underpinning the pick-up in momentum was a robust increase in output during December. Activity growth quickened to a one-year high, helped by a combination of stronger client demand and the opening of new branches.

New business showed a similar trend, with the latest expansion the sharpest since June. Enhanced marketing was cited as the

key driver behind the rise, while higher new export work also contributed. Foreign orders rose only modestly, however, following a stagnation in the prior month.

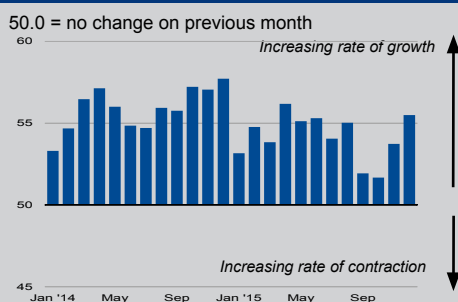
Growth of the sector as a whole was boosted further by faster job creation in December. The rate of hiring picked up to the quickest in seven months, as firms redoubled their efforts to expand operating capacity. This was in light of another increase in work-in-hand. Backlogs rose to the greatest extent since the end of last year.

With incoming new work rising sharply, growth of purchasing activity accelerated in December. Pre-production inventory building gathered pace as a result, but remained muted in the context of historical data.

On the price front, total input costs rose more slowly in December. The easing centred on a slightly weaker rise in purchase prices, as salary growth hit a four-month high. The overall rate of inflation was nevertheless solid overall, amid reports of higher raw material and transportation costs generated in part by the weakness of the Kenyan shilling.

Meanwhile, tariffs rose at the fastest rate since August, with panellists reportedly able to pass on higher costs due to the strength of client demand.

CfC Stanbic Bank Kenya Purchasing Managers' Index™ (PMI™)



Purchasing Managers' Index

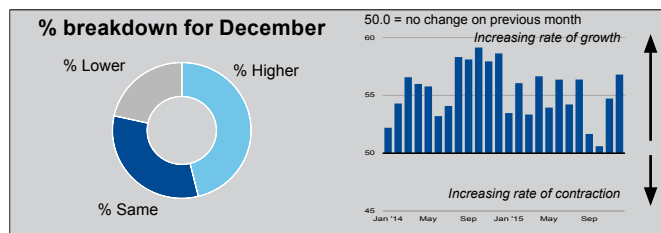
		Unadj.	Seas. Adj.
2015	Oct	52.3	51.7
	Nov	55.1	53.7
	Dec	58.1	55.5

The CfC Stanbic Bank Kenya Purchasing Managers' Index™ (PMI™) is a composite indicator designed to provide an overall view of activity in the Kenyan economy. The indicator is derived from individual diffusion indices which measure changes in output, new orders, employment, suppliers' delivery times and stocks of goods purchased. A reading of the PMI below 50.0 indicates that the economy is generally declining; above 50.0, that it is generally expanding. A reading of 50.0 signals no change. The greater the divergence from 50.0, the greater the rate of change signalled by the index. Purchasing Managers' Index™ and PMI™ are either registered trade marks of Markit Economics Limited or licensed to Markit Economics Limited. CfC Stanbic Bank use the above marks under licence. Markit is a registered trade mark of Markit Group Limited.

Output Index

Q. Please compare your production/output this month with the situation one month ago.

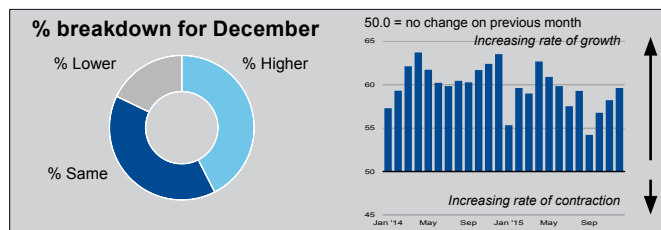
Kenya's private sector ended 2015 in good health, as signalled by the seasonally adjusted Output Index climbing to a one-year high. The rate of expansion in activity was marked overall, having accelerated for the second month running from October's survey-record low. A number of panellists cited improving client demand as the main reason behind higher output, while the opening of new branches was also mentioned.



New Orders Index

Q. Please compare the level of new orders received this month with the situation of one month ago.

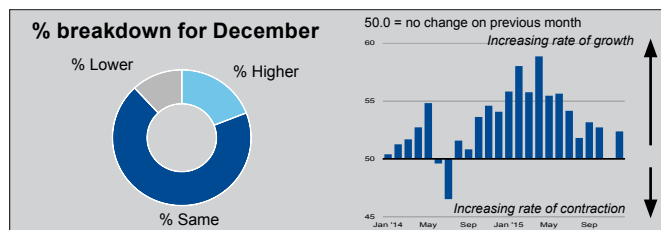
New orders rose at the fastest rate in six months during December. Growth has picked up pace throughout the fourth quarter, after having eased to a series low at the end of Q3. Approximately 43% of surveyed firms noted a rise at the end of 2015, amid reports of better marketing and subsequent new client wins.



New Export Orders Index

Q. Please compare the level of new export orders received this month with the situation of one month ago.

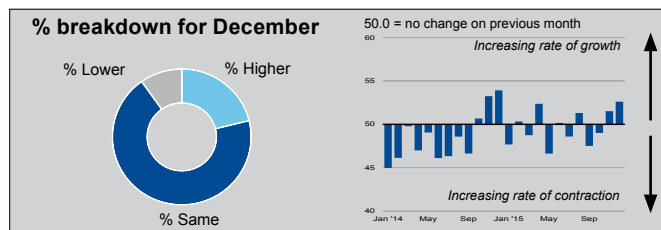
December data pointed to renewed growth of new export work in the Kenyan private sector, following a stagnation recorded in the previous month. That said, after adjusting for seasonality, the latest increase was subdued in comparison with the series average. Exactly 19% of the panel saw a rise in foreign orders, versus 12% that registered a decline.



Backlogs of Work Index

Q. Please compare the level of outstanding business in your company this month with the situation one month ago.

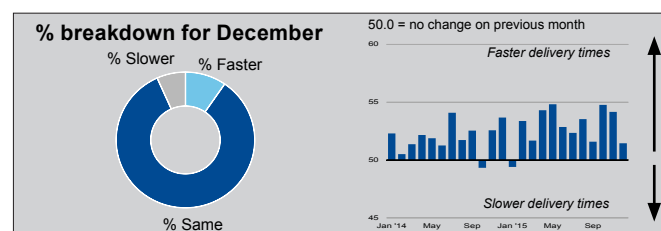
The acceleration in growth of new business placed additional pressure on operating capacity in December, as shown by the seasonally adjusted index posting further above the neutral 50.0 mark. The rate of backlog accumulation was solid and one of the sharpest in the series history, behind only those seen in the final two months of 2014.



Suppliers' Delivery Times Index

Q. Please compare your suppliers' delivery times (volume weighted) this month with the situation one month ago.

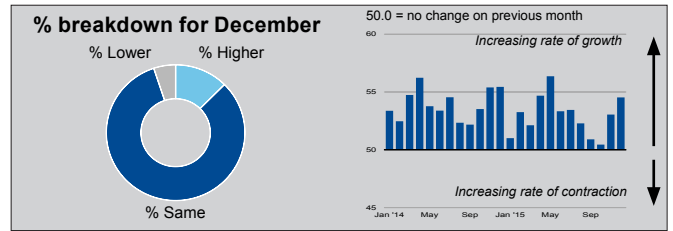
Kenyan private sector companies reported another improvement in vendor performance during December, the eleventh in as many months. However, the extent to which lead times shortened was only modest, and the weakest in the aforementioned sequence. Less than one-tenth of panel members recorded faster deliveries, while the majority (84%) signalled no change.



Employment Index

Q. Please compare the level of employment at your unit with the situation one month ago.

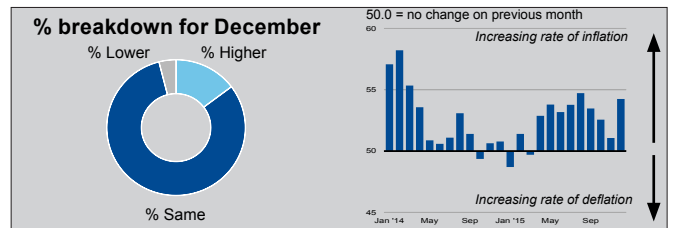
Employment showed a similar trend to output and new work in December, rising at the strongest pace since May. Staffing levels had barely risen just two months earlier in October, but the latest expansion was robust overall. According to anecdotal evidence, jobs were created in an effort to raise production. Some firms required extra workers in response to the opening of new branches.



Output Prices Index

Q. Please compare the average prices you charged this month with the situation one month ago.

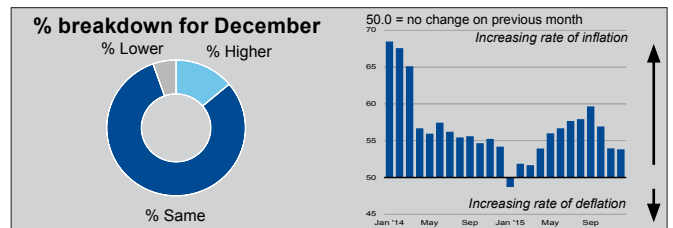
The improvement in client demand enabled more companies to raise their charges in December. The seasonally adjusted Output Prices Index posted at a four-month high, thereby signalling a solid increase in average tariffs. Nearly four times as many panellists noted a rise (15%) as opposed to a fall (4%), with a number pointing to inflationary pressure from higher purchasing costs.



Overall Input Prices Index

Q. Please compare your overall average input prices this month with the situation one month ago.

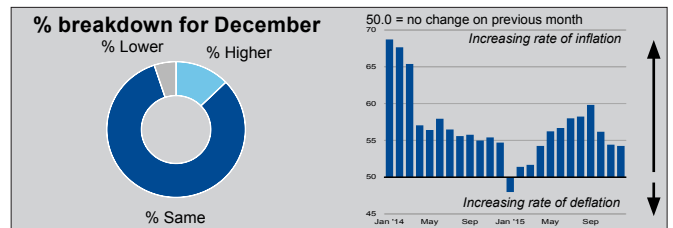
The rate of input price inflation moderated to a nine-month low at the end of 2015. Though solid, the latest rise was much slower than the average over two years of data collection, with most respondents (81%) seeing no change since November. The overall easing was linked to a relatively muted rise in purchase costs, as salaries increased more quickly in December.



Input Costs: Purchase Prices Index

Q. Please compare the price of your purchases (volume-weighted) this month with the situation one month ago.

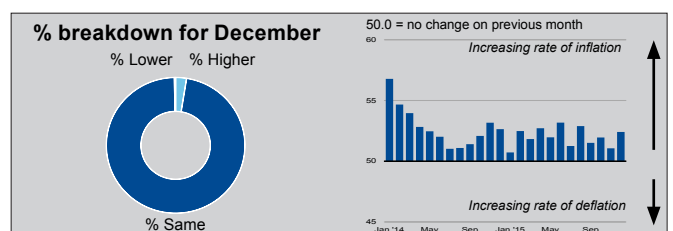
Purchase prices faced by Kenyan private sector businesses increased further in December, stretching the current sequence of inflation to 11 months. The rate at which they rose was little-changed since November, however, and slower than the 2015 average. Those firms that noted higher purchasing costs commented on higher prices paid for raw materials and transportation, with some linking this to currency weakness.



Input Costs: Staff Costs Index

Q. Please compare the average prices you paid for salaries/wages this month with the situation one month ago.

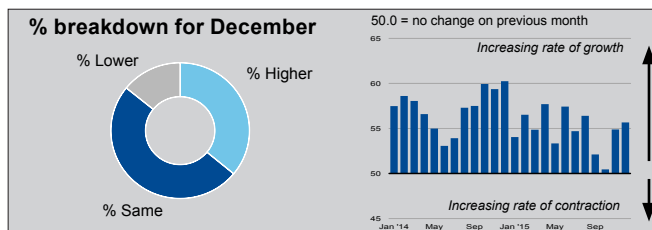
Contrasting with the slower rise in overall input prices, the rate of salary growth accelerated in December. The pace of increase was the quickest since August, and in line with the series average. Monitored companies tended to associate higher wages with overtime and commission-based payments.



Quantity of Purchases Index

Q. Please compare the quantity of items purchased (in units) this month with the situation one month ago.

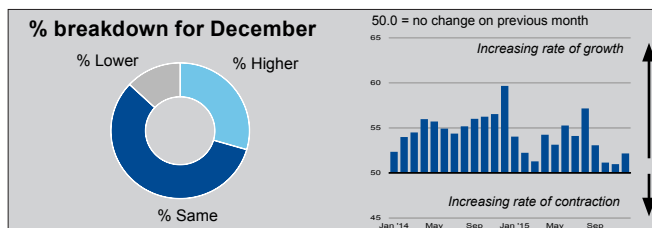
Sharper growth of new business contributed to a robust increase in purchasing activity at the end of the fourth quarter. The rate of expansion quickened for the second straight month, and was broadly in line with the series trend. Anecdotal evidence mainly attributed the rise in input buying to a high customer turnout.



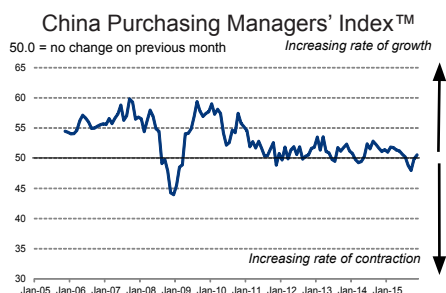
Stocks of Purchases Index

Q. Please compare your stocks of purchases (in units) with the situation one month ago.

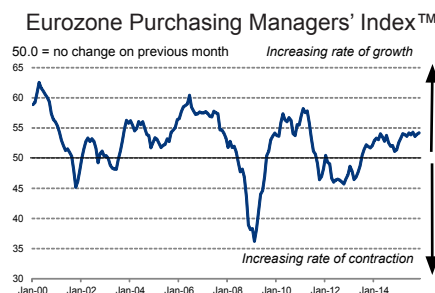
After having dropped to a survey-record low in November, the seasonally adjusted Stocks of Purchases Index ticked up to a three-month high in December. Stronger demand was cited as the key factor behind a build-up of pre-production inventories. That said, the latest rise was still slower than the historical average.



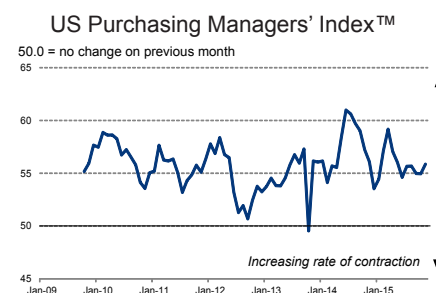
International PMI summary



Sources: Caixin, Markit



Source: Markit



Source: Markit

Caixin China Composite PMI data (which covers both manufacturing and services) indicated that business activity in China increased for the first time in four months in November. That said, the rate of expansion was only marginal, as signalled by the Caixin Composite Output Index posting 50.5, up from 49.9 in October.

November saw a further positive step forward for the eurozone economic recovery. The Markit Eurozone PMI Composite Output Index rose to 54.2 in November, up from 53.9 in October, to stay above the no-change mark of 50.0 for the twenty-ninth successive month. The average reading so far during the final quarter (54.1) is slightly above that for the prior quarter (53.9).

At 55.9 in November, up from 55.0 in October, the seasonally adjusted Markit U.S. Composite PMI Output Index signalled the strongest expansion of private sector activity since May. Faster service sector growth helped to offset a slowdown in manufacturing production during November.

Notes on the Data and Method of Presentation

The 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, construction, retail and services. 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. 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.

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