

Stanbic Bank Kenya PMI™

compiled by markit

Private sector growth rebounds in November

Key findings:

- PMI climbs from four-month low to signal solid improvement in business conditions
- Fastest expansion of new work since February
- Survey-record rises in backlogs and stocks of purchases

Kenyan private sector firms reported a solid improvement in business conditions during November, after having seen growth ease to a four-month low at the start of the fourth quarter. Contributing to growth of the sector as a whole was a sharp expansion in new work. With client demand picking up, companies raised their input stocks at a record pace. Stronger order books also led to substantial pressure on operating capacity, which helped persuade a number of panellists to hire additional staff. On the price front, average charges rose at the fastest rate since December 2015.

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 rebounded to 53.3 in November, up from October's four-month low of 52.0. The latest figure was broadly in line with the average seen over the third quarter (53.4), although remained below the overall series trend (54.6).

Growth of new business was a key factor behind the improvement in business conditions during November. The rate of expansion accelerated to a nine-month high, amid reports of healthy demand both domestically and abroad. The latest rise in new export work was strong in the context of historical data and marked overall. Panellists commented on bulk orders from

nearby African economies including Uganda.

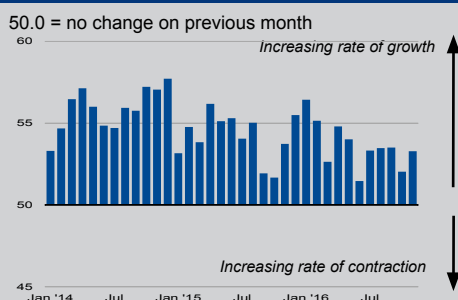
Purchasing activity increased sharply on the back of robust client demand. In fact, growth was only slightly slower than the survey-record seen in December 2014. The rate of pre-production inventory building quickened as a result, with the respective index climbing to its highest since data collection began in January 2014.

Greater work-in-hand was another by-product of improving new business in November. Backlogs rose at a survey-record pace, surpassing the previous high recorded in September. Faced with mounting capacity pressures, a number of firms chose to hire additional staff. The rate of job creation was solid overall.

Output growth also picked up, albeit to a lesser extent than that for new work. The pace of expansion remained subdued relative to the series average.

Meanwhile, total input prices rose more quickly than in October, mainly driven by higher staff costs. The rate of salary growth reached a nine-month high, with panellists linking the rise in wages to the employment of skilled workers and commission-based payments. Charges increased solidly having broadly stagnated in the previous two months. Improving demand helped firms to pass higher costs through to clients.

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



Purchasing Managers' Index

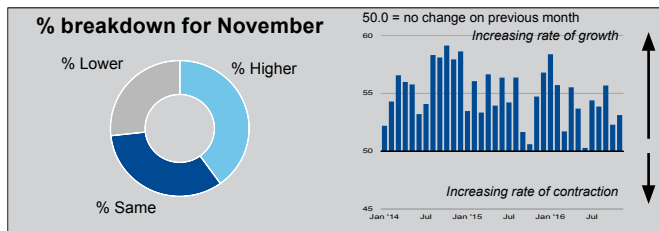
		Unadj.	Seas. Adj.
2016	Sep	53.7	53.5
	Oct	52.2	52.0
	Nov	55.5	53.3

The 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. Stanbic Bank use the above marks under licence. IHS Markit is a registered trade mark of IHS Markit Group Limited.

Output Index

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

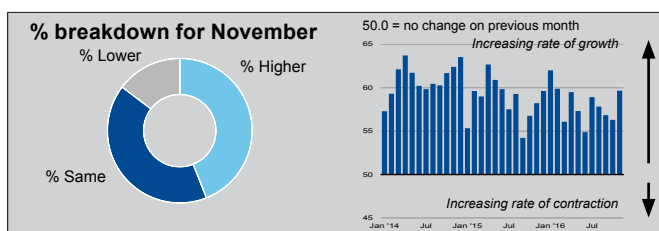
Growth of Kenyan private sector output picked up from October's four-month low during November. Activity has increased in every month since data collection started in January 2014. The latest rise was solid overall, albeit muted relative to the series average. Those firms that raised output did so in line with improving client demand.



New Orders Index

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

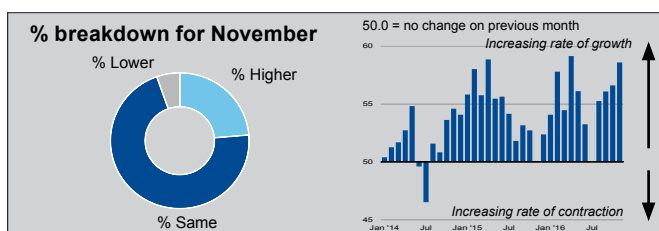
New orders continued to rise at a faster pace than output in November. The rate of expansion in new work accelerated for the first time since July, and was the most marked in nine months. Moreover, growth was slightly faster than the series trend. There were reports of a general improvement in demand conditions, both domestically and abroad.



New Export Orders Index

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

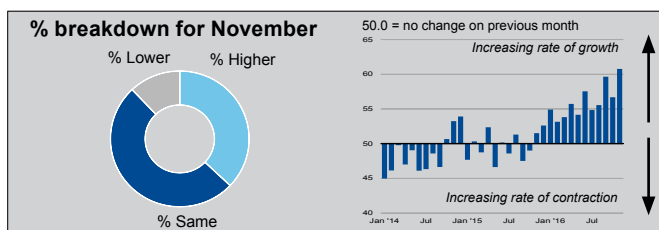
Growth of total new work was buoyed by a sharp expansion in new orders from abroad during November. Exports increased to the greatest extent since April, with panellists commenting on bulk orders from nearby countries including Uganda. Around 24% of respondents reported a rise in new export business, versus just 5% that noted a fall.



Backlogs of Work Index

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

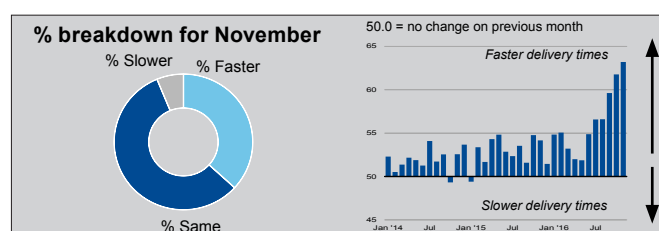
November data showed that a substantial rise in new orders led to greater pressure on operating capacity. Volumes of outstanding business were accumulated at the fastest pace in nearly three years of data collection, with roughly 37% of panel members seeing greater work-in-hand. Backlogs of work have risen continuously for the past 13 months.



Suppliers' Delivery Times Index

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

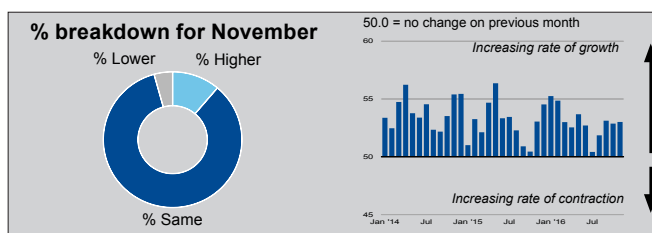
The seasonally adjusted Suppliers' Delivery Times Index climbed to a new survey peak in November, having posted at previous highs in every month since July. The latest improvement in vendor performance was marked overall, with close to 37% of respondents seeing faster deliveries. Shorter lead times were often attributed to strong competition among suppliers.



Employment Index

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

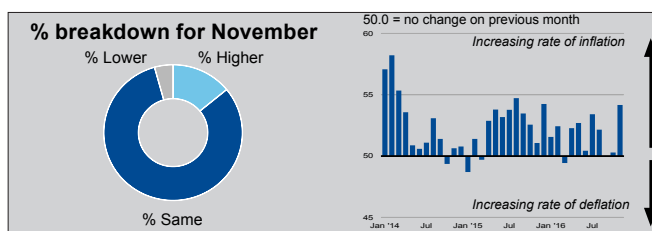
Jobs growth at Kenyan private sector companies was maintained at the steady pace seen in the preceding two months during November. Approximately 11% of respondents noted a rise in payroll numbers, against 4% that signalled a decline. Those firms that took on extra staff did so in response to greater workloads.



Output Prices Index

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

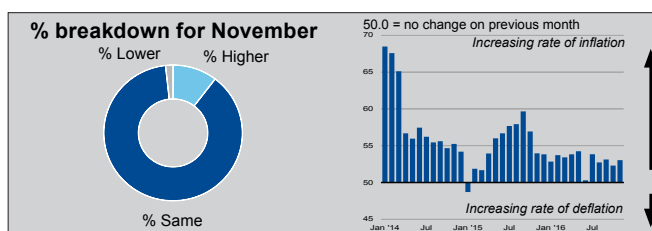
Kenyan private sector businesses reported the sharpest rise in output prices of 2016 to date during November. The robust increase contrasted with the trend seen in the previous two months, when charges had remained broadly stable. Panellists indicated that higher selling prices were largely a reflection of greater costs.



Overall Input Prices Index

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

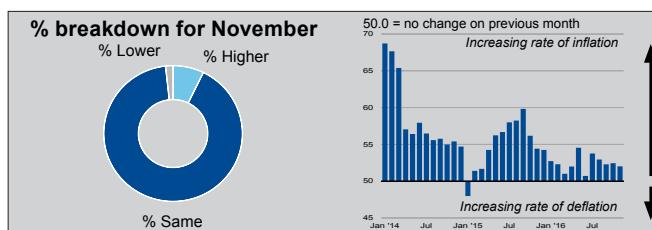
Adjusted for seasonal influences, the Overall Input Prices Index ticked up since October but remained below its long-run average in November. Underlying data suggested that cost pressures had mainly stemmed from higher salaries, as purchase prices rose only modestly. The vast majority of survey participants (88%) recorded no change in total input costs.



Input Costs: Purchase Prices Index

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

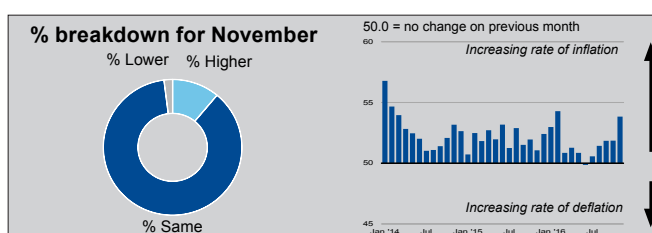
Average purchase costs rose for the twenty-second month in a row during November, albeit only modestly. The latest increase was the weakest since June and subdued in the context of historical data. Among those respondents that noted higher purchase prices (7%), a number commented on a general rise in raw material costs.



Input Costs: Staff Costs Index

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

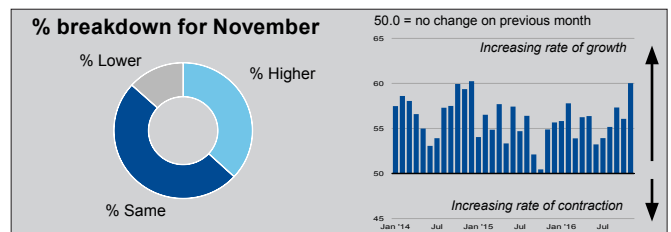
The rate of salary growth in Kenya's private sector quickened to a nine-month high during November. Higher wages were reported at around 11% of monitored firms, whereas just 2% signalled a reduction since October. Some respondents indicated that staff costs had risen due to the employment of skilled workers, while others mentioned an increase in 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.

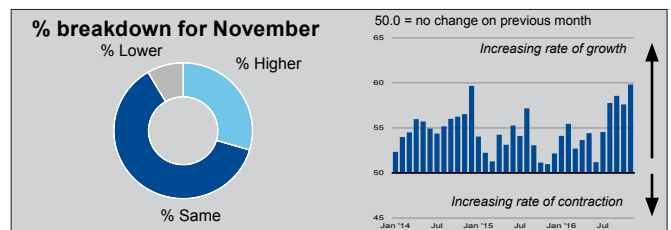
With growth of new business picking up, purchasing activity increased sharply in November. In fact, the rate of expansion was only fractionally slower than the record high seen in December 2014. Anecdotal evidence widely linked greater input buying to new client wins and generally higher inflows of new work.



Stocks of Purchases Index

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

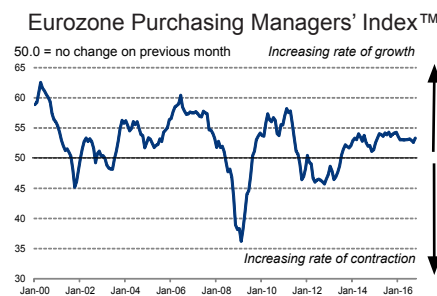
The near-record rise in buying activity contributed to the fastest expansion in stocks of purchases in the series history during November. More than three times as many panellists noted growth (30%) than a contraction (9%). Companies indicated that they had built up inventories in order to keep pace with improving demand.



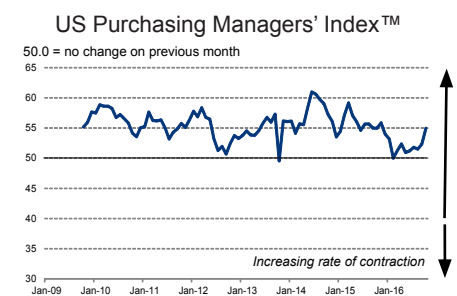
International PMI summary



Sources: Caixin, IHS Markit



Source: IHS Markit



Source: IHS Markit

Caixin China Composite PMI data (which covers both manufacturing and services) indicated the fastest expansion in Chinese business activity since early-2013 during October. This was shown by the Composite Output Index rising from 51.4 in September to 52.9 at the start of the fourth quarter.

The rate of eurozone economic expansion gathered pace at the start of the fourth quarter. The Markit Eurozone PMI Composite Output Index rose to 53.3 in October, up from 52.6 in September. Faster output growth was seen in both the manufacturing and service sectors, reaching a 30-month high in the former.

The seasonally adjusted Markit U.S. Composite PMI Output Index rose to 54.9 in October, from 52.3 in the previous month. The latest reading signalled the strongest upturn in private sector output since November 2015.

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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