

CfC Stanbic Bank Kenya PMI™

compiled by markit

PMI signals rebound in growth of Kenyan private sector

Key findings:

- Rates of expansion in output and employment pick up from record lows
- Strongest rise in new business since August
- Cost pressures ease to seven-month low

Kenya's private sector expansion regained some momentum in November, as highlighted by the strongest improvement in business conditions since August. There were rebounds in growth of output, employment and input buying, underpinned by a faster increase in new orders. Notably, the rise in new business came in spite of a stagnation in new export work. On the price front, currency weakness against the US dollar had less of an impact in November, leading overall cost pressures to moderate. As a result, the rate of charge inflation eased further.

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.

After having posted at record lows in September (51.9) and October (51.7), the headline PMI signalled a rebound in private sector growth during November. At 53.7, the latest reading pointed to a solid improvement in business conditions. It was still below the series average (55.0), however.

The overall expansion was supported by a robust increase in output during November. Growth quickened to a three-month high, having eased to the weakest in the series history at the start of Q4. According to panellists, a strong client turnout was the key factor behind rises in activity.

New orders placed with Kenyan private sector firms rose

sharply in November. The rate of expansion accelerated to the fastest since August, and was broadly in line with the average so far in 2015. Gains in new business were widely linked to enhanced marketing and the introduction of new product lines.

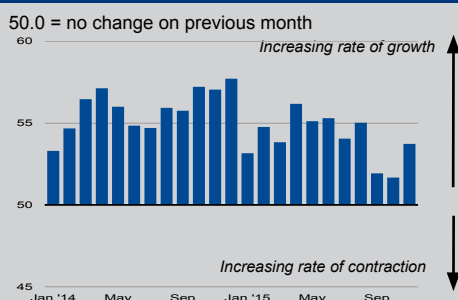
In contrast, new business from abroad stagnated in November, following 15 successive months of growth. Some companies saw their advertising efforts lead to new foreign orders, but others reported weak demand in key export markets.

Reflective of the trends in output and total new work, input buying rose more quickly in November. The rate of inventory building slowed to a record low, however, as some firms were still using stocks built up in prior months to fulfil incoming orders.

November data signalled a further expansion in the Kenyan private sector workforce. The rate of hiring picked up to the sharpest in four months, as firms looked to raise employment in line with the opening of new branches. Meanwhile, with new order growth gathering speed, backlogs of work rose for the first time in three months, albeit only modestly.

A depreciation of the Kenyan shilling versus the US dollar was again cited as the main reason behind higher purchase prices. That said, the effects were less severe than in previous months, as both input costs and output charges rose at slower rates.

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



Purchasing Managers' Index

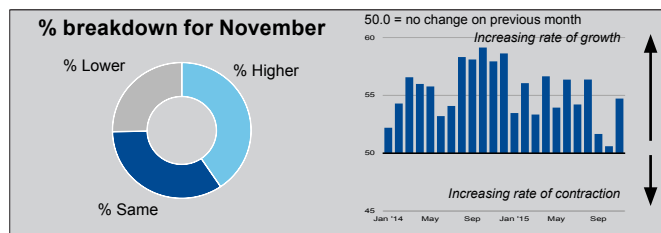
		Unadj.	Seas. Adj.
2015	Sep	51.4	51.9
	Oct	52.3	51.7
	Nov	55.1	53.7

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.

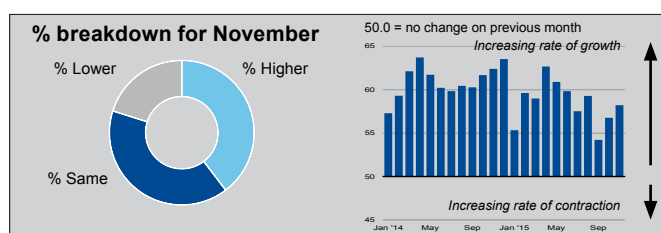
Growth of Kenyan private sector output rebounded in November, having eased to consecutive record lows in each of the previous two months. The latest expansion was robust overall, with roughly 41% of respondents noting an increase in business activity. Panellists were reportedly motivated to raise their output by a strong customer turnout, generated in part by enhanced marketing strategies.



New Orders Index

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

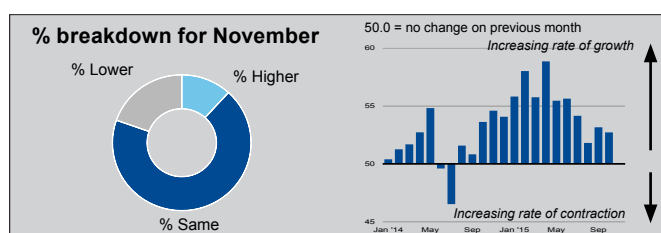
New orders showed a similar trend to output in November, as the respective index ticked up to a three-month high. The reading pointed to a sharp pace of expansion overall, albeit one that was slower than those seen throughout much of 2014. Higher new work was evident at nearly 40% of surveyed firms, with new product launches and better advertising both cited as contributors to growth.



New Export Orders Index

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

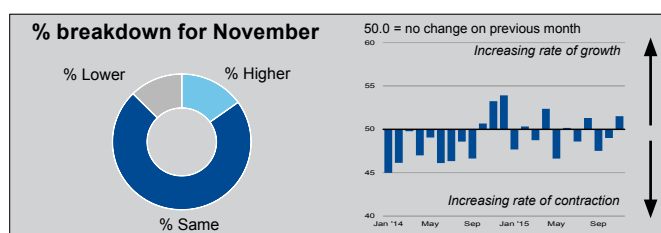
Kenyan private sector companies recorded no change in new export work during November, as signalled by the seasonally adjusted index posting exactly at the 50.0 no-change mark. The stagnation in foreign orders marked the end of a 15-month period of expansion. Anecdotal evidence indicated that the positive impact of new product lines and stronger marketing was offset by weaker demand in key international markets.



Backlogs of Work Index

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

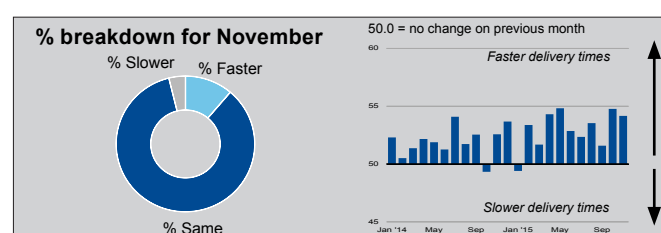
The increase in total new work led to renewed pressure on operating capacity in November. Backlogs of work rose for the first time in three months, with around 15% of survey participants seeing an expansion in the latest period. Though only modest, the rate of accumulation was the fastest since April.



Suppliers' Delivery Times Index

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

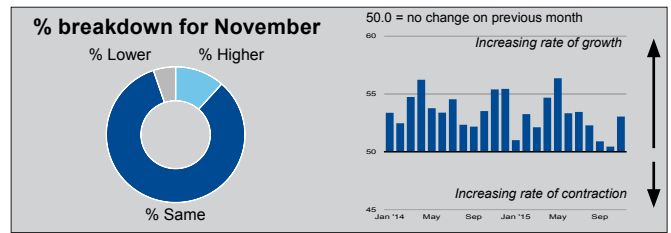
Average lead times shortened in November, as has been the case in every month since February. The respective index pointed to a solid improvement in vendor performance, with 11% of the panel noting faster deliveries in comparison with October. The intensity of competition among suppliers reportedly led them to deliver to quicker timescales.



Employment Index

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

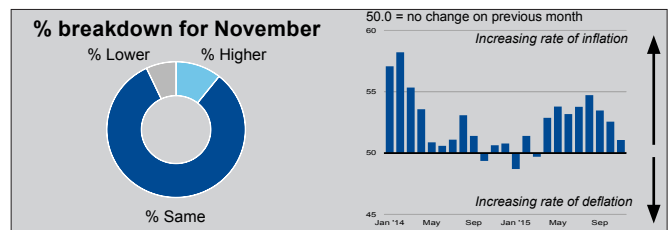
The rate of job creation accelerated in November, having previously eased to survey-record lows in September and October. The latest rise in employment was the quickest in four months, with more than twice as many panellists signalling an expansion (12%) as opposed to a contraction (5%). Some firms mentioned that they had taken on extra staff 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.

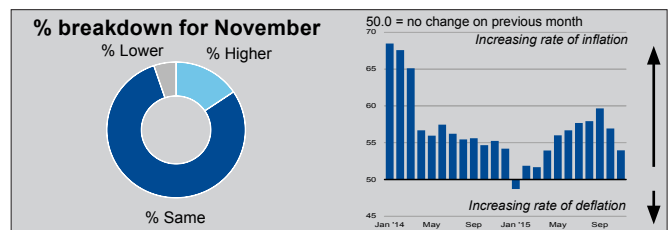
Prices charged by Kenyan private sector businesses rose for the eighth straight month in November. That said, the rate of inflation eased to the weakest in that period. Those firms that raised their tariffs did so mainly on the back of another rise in purchasing costs, although in some cases discounts were offered in an effort to attract new clients.



Overall Input Prices Index

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

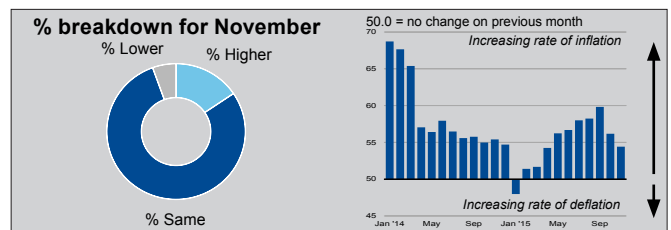
Total input costs increased at the slowest rate since April midway through the fourth quarter. Underlying data indicated that slower rises in both salaries and purchase prices were behind the overall easing in cost pressures. Nonetheless, the rate of inflation was still solid overall, with roughly three times as many respondents noting a rise as those that reported a fall.



Input Costs: Purchase Prices Index

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

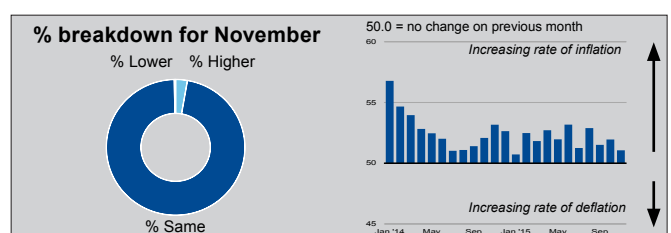
Reflective of the weaker increase in overall input prices, purchasing costs rose more slowly in November. Reports of currency weakness against the US dollar were less prevalent than in preceding months, but they remained sufficient to keep the respective index comfortably above the crucial 50.0 threshold. Purchase prices have now risen in each of the past ten months.



Input Costs: Staff Costs Index

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

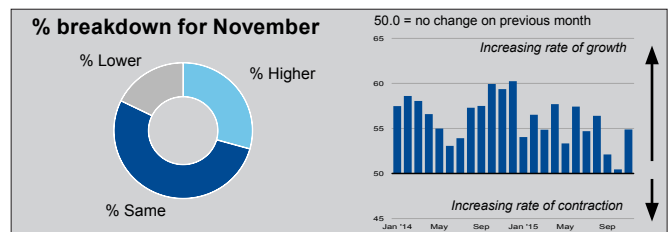
November data pointed to another rise in average staff costs in the Kenyan private sector, continuing the trend observed throughout the survey's near-two year history. That said, the rate of salary growth slowed to the weakest since the beginning of 2015, with the vast majority of panel members (97%) seeing no change since October.



Quantity of Purchases Index

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

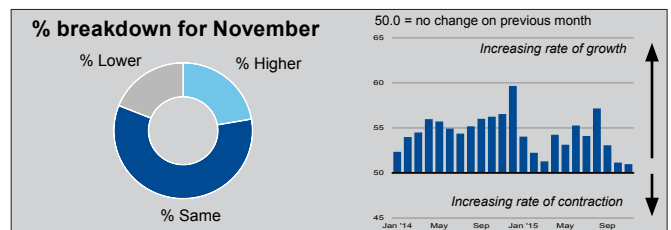
After having eased to near-stagnation in October, growth of purchasing activity quickened to a three-month high in November. The rate of expansion was robust overall, albeit still slower than the series average. Latest data indicated that the upturn in input buying was driven by sharper rises in new work and output requirements.



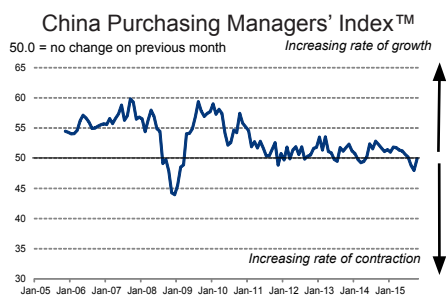
Stocks of Purchases Index

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

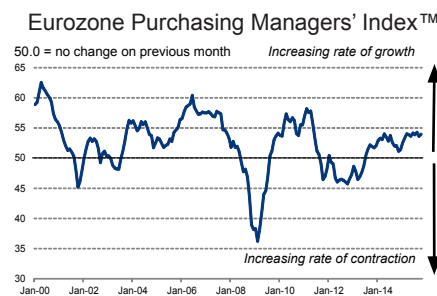
Contrasting with faster growth of buying activity, the rate of pre-production inventory building moderated further in November. In fact, the latest rise was the weakest in the series history. Some panellists raised their input stocks in response to new business inflows, while others suggested that they were still using inventories built up over previous months.



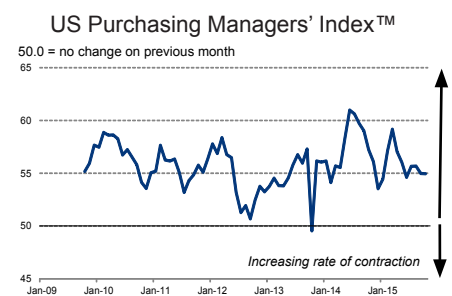
International PMI summary



Sources: Caixin, Markit



Source: Markit



Source: Markit

Caixin China Composite PMI data (which covers both manufacturing and services) pointed to a broad stabilisation of Chinese business activity in October. This was highlighted by the Caixin Composite Output Index posting only fractionally below the neutral 50.0 value at 49.9, up from September's 80-month low of 48.0.

The eurozone economy registered a mild growth acceleration at the start of the final quarter, with the rate expansion edging up from September's four-month low (53.6). At 53.9, the Markit Eurozone PMI Composite Output Index signalled growth for the twenty-eighth successive month.

The seasonally adjusted Markit U.S. Composite PMI Output Index posted 55.0 in October, unchanged from September's three-month low, but still pointing to a robust rate of growth. Sector data indicated that a stronger expansion of manufacturing output was offset by slower service sector growth.

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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