

CfC Stanbic Bank Kenya PMI™

compiled by markit

Private sector growth sustained at robust pace

Key findings:

- PMI signals further strong improvement in business conditions
- Output and new orders rise more quickly, but jobs growth eases
- Cost pressures intensify amid currency depreciation

Kenyan private sector firms reported sharper expansions in both output and new business during August, leading to faster growth of the sector as a whole. In contrast, data for employment was less buoyant, as the rate of hiring moderated to a five-month low. Meanwhile, a further depreciation of the Kenyan shilling against the US dollar contributed to another marked rise in input prices.

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.

At 55.0, the seasonally adjusted PMI was consistent with a robust improvement in business conditions midway through Q3. The August reading was above the average recorded so far in 2015 (54.7), and higher than the July's four-month low of 54.1.

The rise in the headline index was mainly driven by ongoing growth of both activity and new work inflows in August. The respective rates of expansion quickened since July, and were marked overall. There were reports that commercial initiatives and the opening of new branches had contributed to new client wins, which in turn led to output growth.

Growth of new business was slightly undermined by a weaker rise in new export work, however. The pace of increase eased to an 11-month low, and was subdued in the context of historical

data.

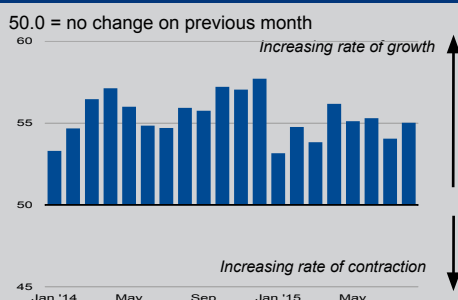
Input buying in the Kenyan private sector rose more quickly in August, reflective of the trends seen for output and new orders. As a result, stocks of purchases increased at a faster pace. The rate of inventory building was the most marked since December 2014, with higher new work widely reported as the reason behind growth of input stocks.

Meanwhile, the rate of job creation slowed to the weakest in five months during August. The respective index was below the series average, and signalled only a moderate rise in employment at companies in Kenya.

On the price front, cost pressures picked up to a 17-month high in August. Data suggested that the overall rise in input prices was underpinned by a sharp increase in purchasing costs, although further salary growth also contributed. The rate of expansion in purchase prices accelerated for the sixth consecutive month, with the weakness of the shilling versus the dollar continually mentioned as the driving factor.

Charges also rose solidly in August, with the latest rise the steepest since March 2014. According to panellists, a combination of higher input costs and stronger client demand placed upward pressure on selling prices.

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



Purchasing Managers' Index

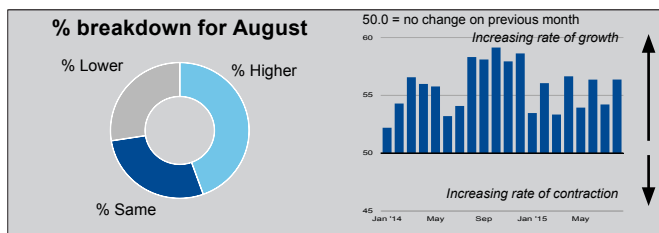
		Unadj.	Seas. Adj.
2015	Jun	54.8	55.3
	Jul	53.9	54.1
	Aug	55.8	55.0

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.

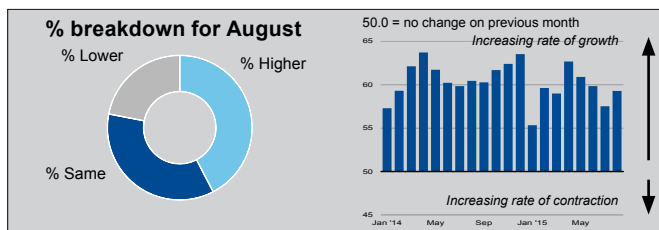
Output at Kenyan private sector firms rose further in August, continuing the trend observed throughout the survey's 20-month history. Moreover, the rate of expansion accelerated since July and was in line with the robust pace seen at the end of Q2, with nearly 45% of panellists noting a rise since the prior month. New client wins were reported to have driven activity higher in the latest period.



New Orders Index

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

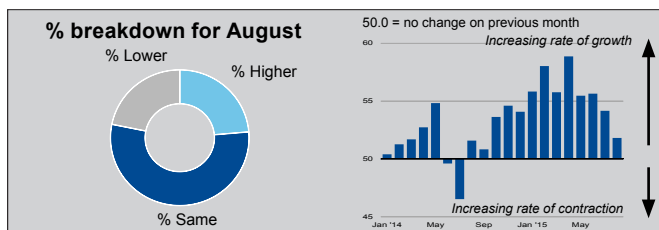
August data indicated that growth of new business accelerated from July's six-month low. The latest increase was sharp overall and similar to the average recorded so far this year. Marketing initiatives, new project opportunities and the opening of new branches were all cited as reasons behind higher new work.



New Export Orders Index

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

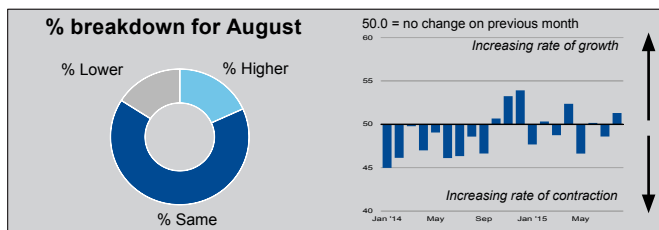
New export orders placed with Kenyan private sector firms increased at a slower pace in August, contrasting with faster growth of total new business. The rate of expansion moderated to an 11-month low, and was weaker than the series average. Panel members generally suggested that the volume of new work from abroad was dependent on the strength of demand in neighbouring African economies.



Backlogs of Work Index

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

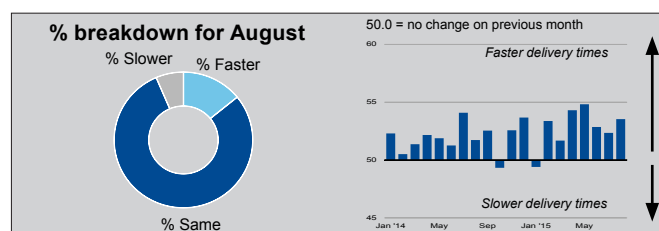
The seasonally adjusted Backlogs of Work Index rebounded above the 50.0 mark in August, thereby signalling a renewed expansion in outstanding business. That said, the pace of growth was only modest overall. Approximately 18% of monitored companies noted an increase compared with July, versus 16% that saw a contraction.



Suppliers' Delivery Times Index

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

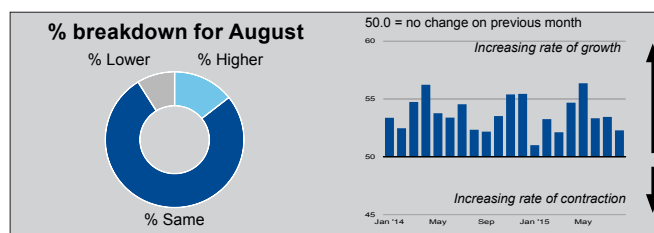
Average lead times faced by Kenya's private sector firms shortened in August, as has been the case in each of the past seven months. Furthermore, the extent to which deliveries quickened was the strongest since May. Anecdotal evidence signalled that competitive pressures had contributed to improvements in supplier performance.



Employment Index

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

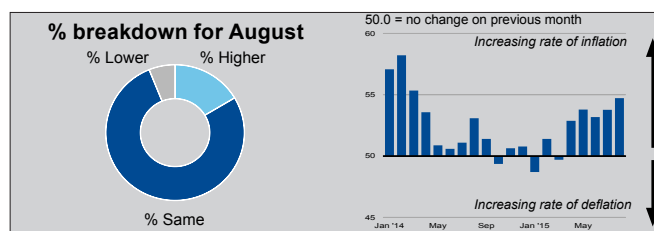
Despite sharper expansions in output and new business, growth of Kenyan private sector employment eased in August. The rate of hiring was moderate and the weakest in five months, with the majority of respondents (77%) registering no change in staffing levels. Those companies that noted job creation referred to higher workloads as the key contributing factor.



Output Prices Index

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

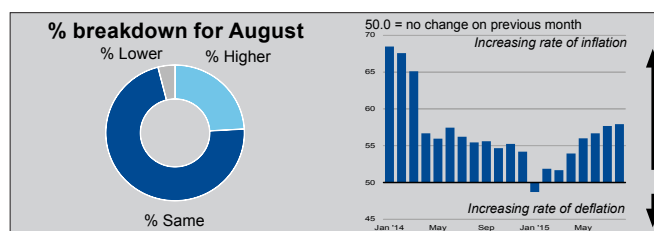
Output prices in Kenya's private sector rose for the fifth straight month in August. Moreover, the rate of increase was the most marked since March 2014, with roughly one-in-six panellists noting higher charges in the latest period. According to anecdotal evidence, the rise in selling prices reflected higher purchasing costs, while stronger client demand was also reported to have given firms greater pricing power.



Overall Input Prices Index

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

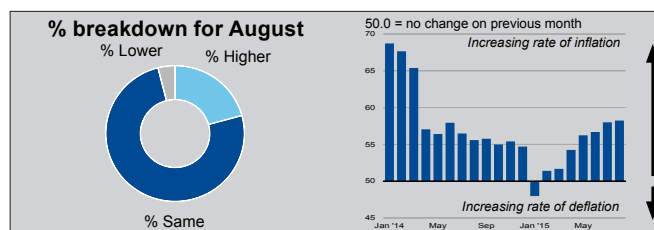
After adjusting for seasonality, the Overall Input Prices Index ticked up slightly to a 17-month high in August. The reading was consistent with a sharp rise in total input costs, although it remained lower than those recorded in the opening quarter of 2014. Both salaries and purchase prices increased in the latest period, with the faster expansion seen in the latter.



Input Costs: Purchase Prices Index

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

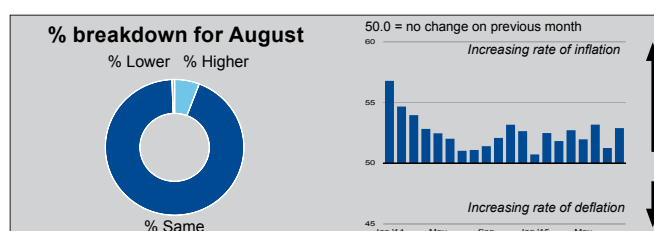
Purchasing costs in the Kenyan private sector economy increased for the seventh month running in August. The rate at which they rose picked up slightly to the quickest in nearly one-and-a-half years, mirroring the trend observed for overall input costs. There were reports that a further depreciation of the Kenyan shilling against the US dollar had placed upward pressure on purchase prices.



Input Costs: Staff Costs Index

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

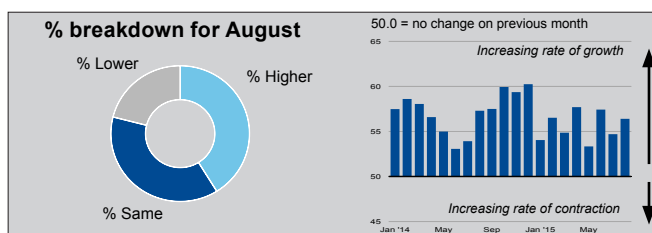
The rate of salary growth accelerated to a solid pace that was the second-strongest in nine months during August. It was also sharper than the average observed over 20 months of data collection to date. A number of surveyed firms said that they had raised wages in order to generate improvements in employee performance.



Quantity of Purchases Index

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

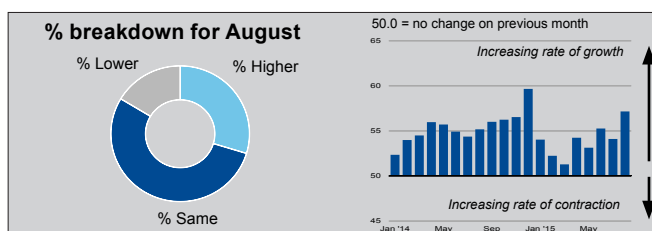
The quantity of items purchased by Kenya's private sector businesses increased in August, as highlighted by the respective index posting above the crucial 50.0 value. The rate of growth was faster than seen at the start of Q3 and robust overall, but it remained marginally below the series average. According to panellists, input buying was raised in response to new business gains.



Stocks of Purchases Index

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

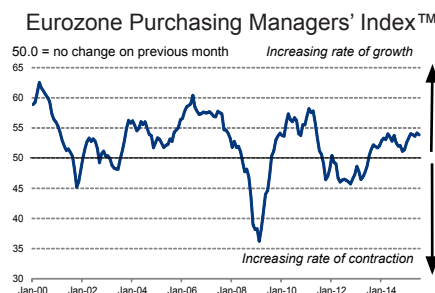
Stocks of raw materials and semi-manufactured goods rose again in August, extending the current sequence which has run throughout the survey's short history. The latest increase was the steepest registered so far in 2015, with almost 30% of monitored firms reporting an accumulation in pre-production inventories. Improving demand conditions was widely mentioned as the main reason behind higher input stocks.



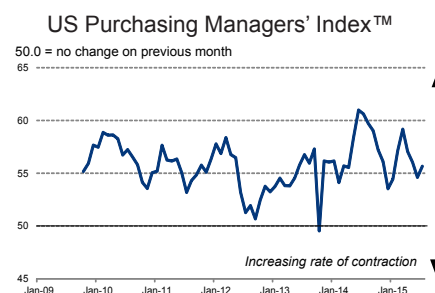
International PMI summary



Sources: Caixin, Markit



Source: Markit



Source: Markit

Caixin China Composite PMI data (which covers both manufacturing and services) signalled a further increase in Chinese business activity during July. That said, the Caixin Composite Output Index posted only fractionally above the neutral 50.0 mark at 50.2, down from 50.6 in June, and pointed to the weakest rate of expansion in 14 months.

The Markit Eurozone PMI Composite Output Index posted 53.9 in July, down from 54.2 in June. The rate of expansion in eurozone economic activity slowed slightly at the start of the third quarter, but remained close to June's four-year high. Solid expansions of output were signalled in both the manufacturing and service sectors, with the slightly faster rate of growth at service providers.

The seasonally adjusted Markit U.S. Composite PMI Output Index (covering manufacturing and services) registered 55.7 in July, up from June's five-month low of 54.6. Although the latest reading pointed to a relatively strong increase in U.S. private sector output, the rate of expansion was fractionally weaker than that recorded on average in the second quarter of 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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