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## Stanbic Bank Kenya PMI™

### Business activity rises steeply in July as demand grows

#### Key findings

Output expands at quickest pace in over two years

New business rises sharply amid relaxed travel rules

Sentiment nears record low as outlook remains uncertain

Data were collected 13-29 July 2020.

Kenyan firms saw a renewed improvement in economic conditions during July, as the lifting of regional border controls led to sharp rises in output and new business. Employment fell further, but at a softer pace, while firms built up stocks in anticipation of higher sales. However, business sentiment weakened as the outlook for activity amid the coronavirus disease 2019 (COVID-19) pandemic remained unclear.

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.

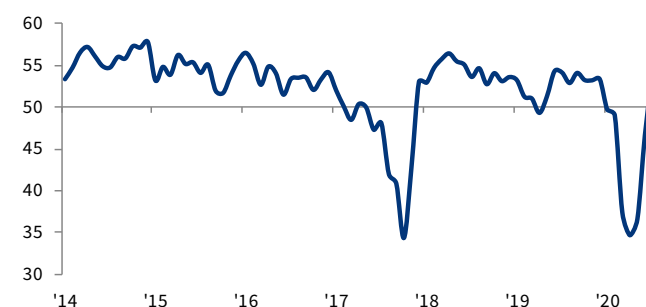
The headline index rose above the 50.0 no-change mark for the first since December 2019. At 54.2 in July, the index was notably higher than 46.6 in June and signalled a strong uplift in overall business conditions that was the sharpest seen for 13 months.

Firms indicated that the lifting of COVID-19-related restrictions helped to generate higher sales in July, most notably from the removal of regional border controls. Customer demand was reportedly much greater than in June, leading to a surge in new business that was the most marked for nearly two years. Export sales were also up steeply as Kenyan businesses saw higher new orders from European countries.

In response, output levels expanded at a sharp pace at

PMI

sa, >50 = improvement since previous month



Sources: Stanbic Bank, IHS Markit.

the start of the third quarter, one that was the fastest since May 2018. It was also the first upturn for seven months, representing a partial recovery in activity since the depths of the COVID-19 pandemic.

Purchasing activity rose solidly as firms looked to build up stocks and prepare for a return to normal levels of demand. Relaxed travel restrictions helped firms to receive inputs quicker than in June, as delivery times improved at the fastest rate for 16 months.

Workforce numbers continued to fall in July, albeit at the weakest pace in the current five-month run of job shedding. There were indications of slight pressure on capacity, while some panellists commented that workforces needed to be expanded.

Purchase prices rose at a stronger, but still modest, rate during July, amid numerous mentions of short supply of some raw materials. Consequently, firms raised output charges for the first time since March.

Whilst growth returned in the Kenyan private sector during July, businesses were still relatively downbeat regarding the year-ahead outlook. The level of sentiment was positive, albeit only fractionally higher than the record low seen in August 2016. Several firms highlighted plans to expand their businesses in the coming year, but often cautioned that these plans depended on an end to the pandemic, which remained largely uncertain.

## Comment

Jibran Qureishi, Regional Economist E.A at Stanbic Bank commented:

"Notably the removal of county travel restrictions supported output and business sentiment in July. This enabled firms to receive inputs much quicker, as supplier delivery times improved. In any case, firms remain wary of the uncertain outlook and thus future expansion plans are still not firmed up."

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### Methodology

The Stanbic Bank Kenya PMI™ is compiled by IHS Markit 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.

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.

July data were collected 13-29 July 2020.

For further information on the PMI survey methodology, please contact [economics@ihsmarkit.com](mailto:economics@ihsmarkit.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.

[ihsmarkit.com/products/pmi.html](https://ihsmarkit.com/products/pmi.html).

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Stanbic Bank Kenya is a member of the Standard Bank Group, Africa's largest bank by assets.

Standard Bank Group reported total assets of R1,95 trillion (about USD143billion) at 31 December 2016, while its market capitalisation was R246 billion (about USD18 billion). The 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. Standard Bank Group has 1 221 branches and 8 815 ATMs in Africa, making it one of the largest banking networks on the continent. It provides global connections backed by deep insights into the countries where it operates. In Kenya the bank has a network of 26 branches.

Stanbic Bank provides the full spectrum of financial services. 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 mining and metals; oil, gas and renewables; power and infrastructure; agribusiness; telecommunications and media; and financial institutions.

The bank's personal and business banking unit offers banking and other financial services to individuals and small-to-medium enterprises. 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).

For further information log on to [www.stanbicbank.co.ke](http://www.stanbicbank.co.ke).

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