

# Stanbic Bank Kenya PMI™

## Weakest output growth for six months in December

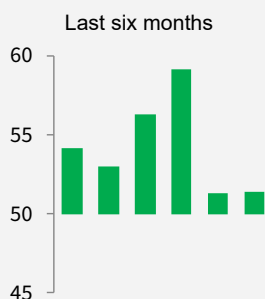
### Key findings

Output and new order growth remain moderate

Cost inflation quickens amid input shortages

Business confidence slips to new record low

### Kenya PMI



Business conditions in the Kenyan private sector economy improved only modestly again in December, according to PMI survey data, following a sharp deceleration of growth in November. Notably, output rose at the slowest rate in six months, although new order growth quickened slightly. Higher employment supported the upturn in output, but business confidence fell to a new record low.

Meanwhile, cost pressures accelerated as firms faced difficulties acquiring some inputs amid sustained disruption from the coronavirus disease 2019 (COVID-19) pandemic. Nevertheless, prices charged fell for the second month running.

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 PMI rose fractionally from 51.3 in November to 51.4 in December, to indicate another modest improvement in business conditions. The expansion was softer than those seen from July to October as the economy recovered from the COVID-19-led downturn.

Output rose at a slightly weaker pace in December, and the slowest seen in the current six-month sequence of growth. Firms found that improved cash flow, looser

restrictions and higher customer orders supported the expansion. New order growth quickened from November, but remained far softer than October's record high.

Stronger sales led to a renewed increase in backlogs of work at the end of the year, which supported a third successive monthly rise in employment. The rate of job creation was marginal though.

Purchasing activity rose further in December, although stock levels increased at the slowest rate for six months. This was partly due to issues with global supply chains as a result of COVID-19 and input shortages. Notably, lead times improved at the weakest rate in seven months.

These supply-side issues also led to an accelerated pace of cost inflation, as purchase prices rose at the quickest rate since March. However, the uptick was eased slightly by a further decline in staff costs.

Despite some firms passing higher costs on to customers, average prices charged fell for the second month running in December. This was related to discount offerings by some firms amid efforts to attract new clients.

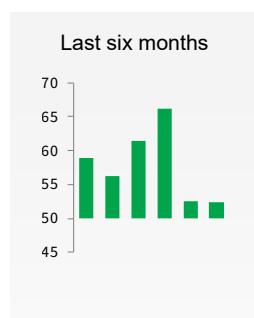
Business confidence slipped below November's previous record low at the end of the year. Despite positive forecasts from 22% of respondents, there were continued worries surrounding the impact of the COVID-19 pandemic on future activity.

### PMI

sa, >50 = improvement since previous month



## Output Index



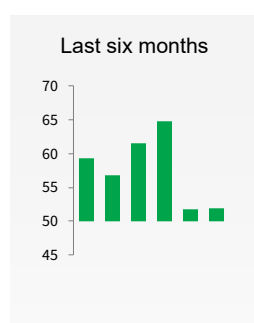
Kenyan businesses continued to expand their output modestly at the end of the year. The rate of growth eased fractionally from November, and was the softest in the current six-month run of expansion. Improved cash flow, looser COVID-19 restrictions and higher customer orders drove the upturn, according to surveyed firms, although some companies reported weak client purchasing power.

### Output Index

sa, >50 = growth since previous month



## New Orders Index



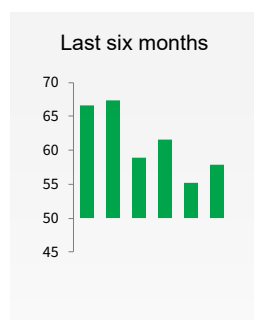
Inflows of new business in the private sector economy rose for the sixth consecutive month in December. The pace of growth accelerated slightly from the previous survey, but remained much weaker than October's record high. Panellists linked the uplift in sales to improved cash flow and greater marketing activity.

### New Orders Index

sa, >50 = growth since previous month



## New Export Orders Index



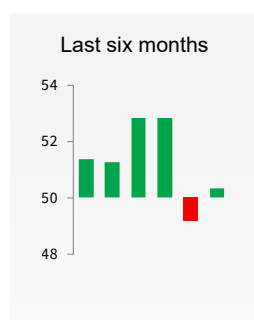
Export sales growth picked up in the final month of 2020, after slipping to a five-month low during November. Moreover, the rise in export orders was sharp overall, and attributed to relaxed lockdown rules in countries such as Ghana and France.

### New Export Orders Index

sa, >50 = growth since previous month



## Backlogs of Work Index



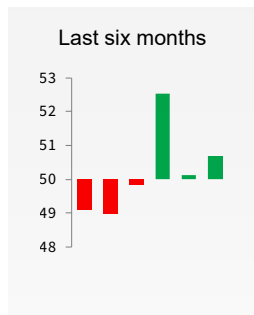
After a reduction in backlogs in November, Kenyan firms reported a renewed (albeit slight) increase in outstanding work during December. The rise was largely related by panellists to higher incoming new orders. Roughly 5% of businesses saw backlogs expand during the month, while 1% recorded a decline.

### Backlogs of Work Index

sa, >50 = growth since previous month



## Employment Index



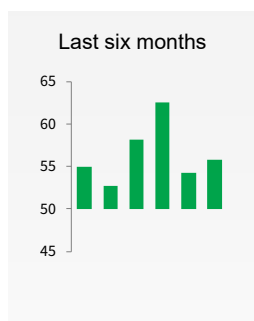
Employment in the Kenyan private sector increased for the third consecutive month in December, following a seven-month downturn due to the COVID-19 pandemic. Despite the rate of expansion quickening from November, it remained softer than October's recent high, and marginal. Firms that hired more workers generally linked this to rising workloads.

### Employment Index

sa, >50 = growth since previous month



## Quantity of Purchases Index



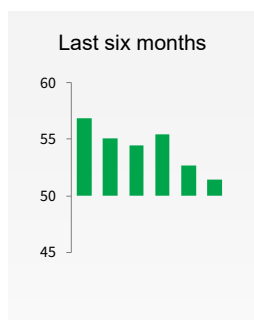
In line with the trends for business activity and demand, purchasing activity increased for the sixth month running in December. Moreover, the rise was quicker than that seen in November, and steep overall. Respondents linked the rise in purchases to increased client orders and rising backlogs.

### Quantity of Purchases Index

sa, >50 = growth since previous month



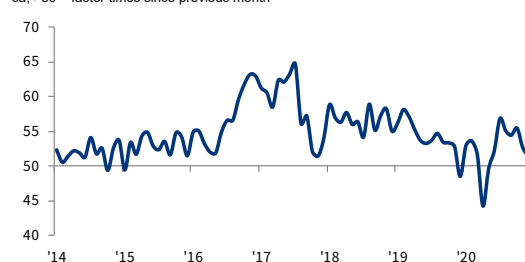
## Suppliers' Delivery Times Index



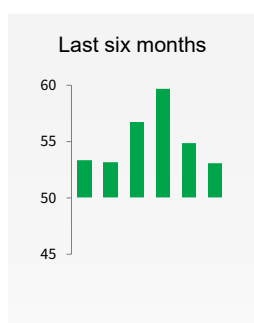
Delivery times at Kenyan companies improved for the seventh month in a row in December, but at the weakest rate in this period. Where lead times were quicker, this was often attributed to strong competition among vendors. However, some suppliers held back input deliveries due to a lack of payment, while there was also disruption to global supply chains from the pandemic.

### Suppliers' Delivery Times Index

sa, >50 = faster times since previous month



## Stocks of Purchases Index



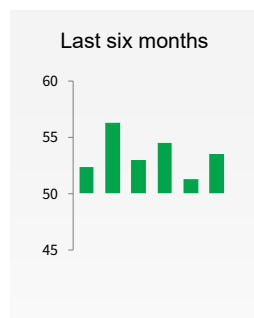
The rate of stock accumulation slowed further from October's recent high in December, and was the least marked in the current six-month sequence of expansion. That said, the overall increase in stock levels was solid. Some firms raised their inventories amid expectations of higher sales in the future.

### Stocks of Purchases Index

sa, >50 = growth since previous month



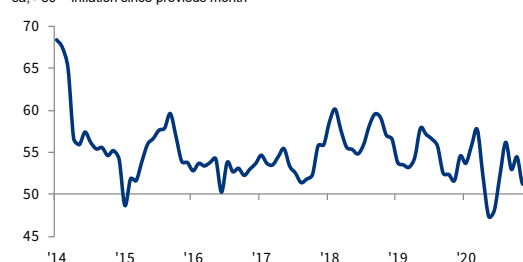
## Overall Input Prices Index



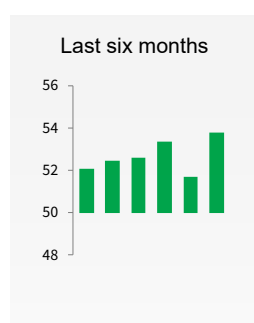
Input cost inflation faced by Kenyan companies quickened in the final month of 2020, after dipping to the lowest in five months during November. The acceleration was largely related to increased costs surrounding the purchasing of inputs. In contrast, staff pay decreased for the second month running, and at a quicker pace.

Overall Input Prices Index

sa, >50 = inflation since previous month



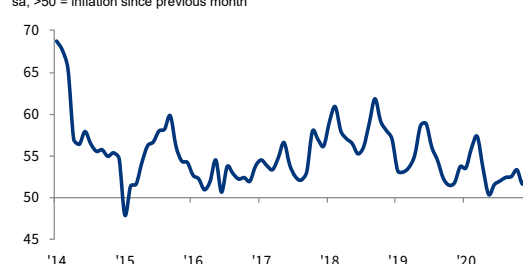
## Purchase Prices Index



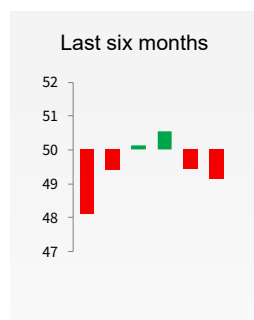
After falling in November, the seasonally adjusted Purchase Prices Index made up lost ground in December, and indicated the sharpest rate of price inflation for nine months. Overall, purchasing costs rose solidly in the latest survey. Raw material shortages, logistical issues and currency weakness were all mentioned by companies that saw higher costs.

Purchase Prices Index

sa, >50 = inflation since previous month



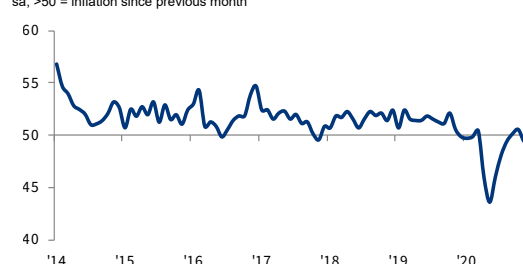
## Staff Costs Index



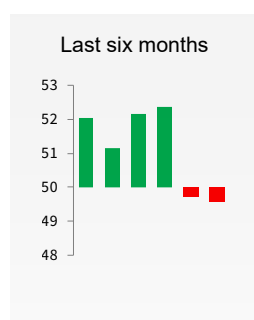
Efforts to lower wage bills led to a further drop in overall staff costs in December. The rate of decline quickened from November, but remained marginal and far softer than seen earlier in the year during the worst of the COVID-19 outbreak.

Staff Costs Index

sa, >50 = inflation since previous month



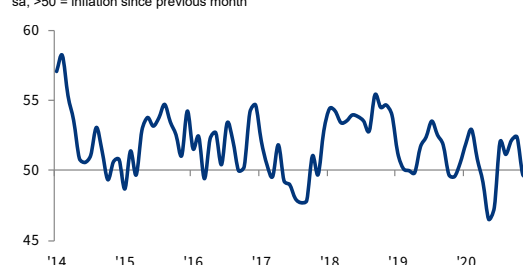
## Output Prices Index



Output charges continued to fall at a marginal pace in the latest survey period, following a renewed decrease in November. The pace of decline accelerated slightly, with discounts often related to efforts to attract more clients and support customers with weak spending power. However, this was partly offset by the pass-through of higher costs to clients.

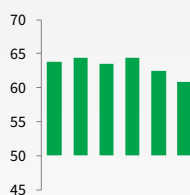
Output Prices Index

sa, >50 = inflation since previous month



## Future Output Index

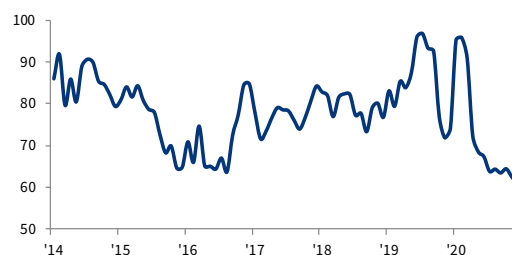
Last six months



Business confidence fell to a new record low in December, amid ongoing concerns surrounding the COVID-19 pandemic. Overall though, firms remained optimistic of an expansion in output by the end of 2021, with 22% of respondents giving a positive forecast. Most of the remaining firms (78%) gave a neutral outlook for activity.

Future Output Index

>50 = growth expected over next 12 months

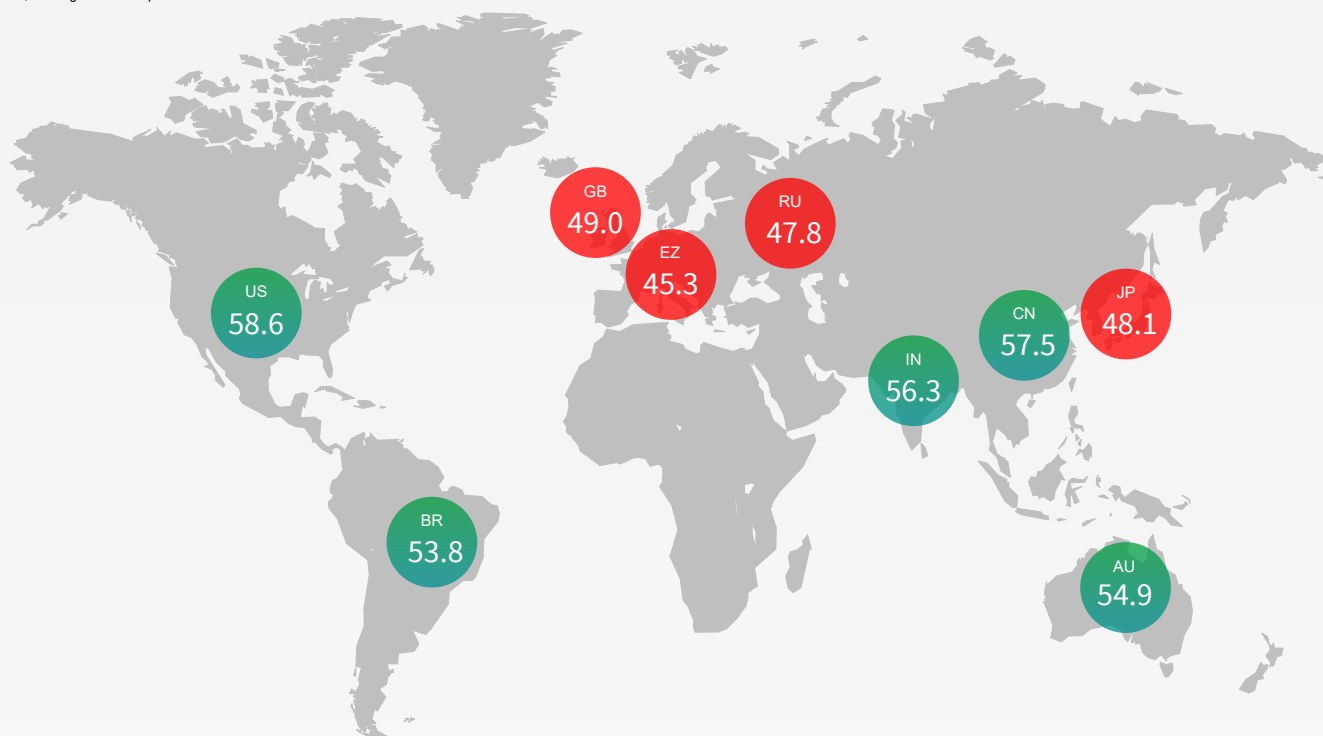


## International PMI

Composite Output Index, Nov '20

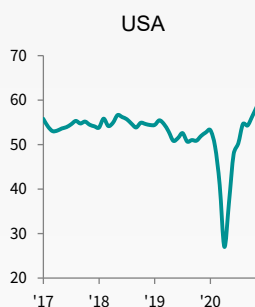
sa, >50 = growth since previous month

The Composite Output Index is a GDP-weighted average of the Manufacturing Output Index and the Services Business Activity Index.

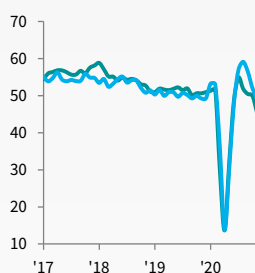


Composite Output Index

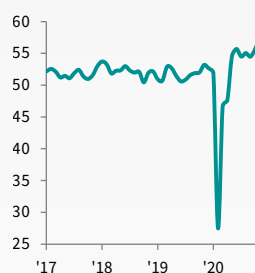
sa, >50 = growth since previous month



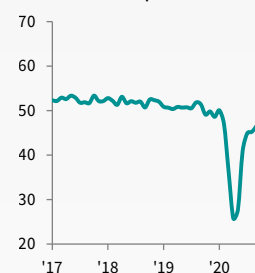
Eurozone / UK



China



Japan



## 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.

December data were collected 4-21 December 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).

## About IHS Markit

IHS Markit (NYSE: INFO) is a world leader in critical information, analytics and solutions for the major industries and markets that drive economies worldwide. The company delivers next-generation information, analytics and solutions to customers in business, finance and government, improving their operational efficiency and providing deep insights that lead to well-informed, confident decisions. IHS Markit has more than 50,000 business and government customers, including 80 percent of the Fortune Global 500 and the world's leading financial institutions.

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