

# Stanbic Bank Kenya PMI™

## Growth softens to eight-month low in February

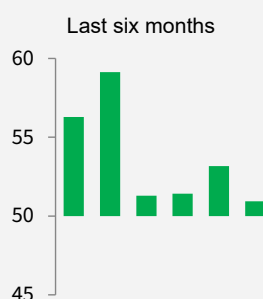
### Key findings

Output rises only slightly

New order growth eases to modest rate

Purchase price inflation remains steep amid tax hike

### Kenya PMI



Business conditions in Kenya's private sector economy continued to improve in February, according to the latest survey data, although the rate of expansion slowed to the weakest for eight months. Output rose only marginally amid a more modest increase in new order volumes, as businesses reported that weak cash flow limited household and client spending.

Purchase prices rose steeply, led by a hike in VAT at the start of the year. Input cost inflation eased though, partly due to firms lowering wages to support overall workforce numbers.

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 dropped to 50.9 in February, down from 53.2 in January and signalling the weakest rate of improvement in the current eight-month run of expansion following the initial impact of the coronavirus disease 2019 (COVID-19) pandemic.

Output and new orders continued to rise midway through the first quarter, but rates of expansion softened with the former indicating the weakest upturn in business activity for eight months. Slower sales growth was often related by panellists to a lack of cash flow in some parts of the economy,

leading to reduced customer spending and travel. New orders from foreign clients grew only modestly, and to the least extent since last June.

Consequently, firms raised purchasing activity at the slowest rate for six months, leading to a more modest uptick in inventory levels. High competition among vendors drove an improvement in delivery times, although some panellists reported delays on imported goods due to global supply shortages.

Employment numbers increased only marginally in February, with firms also seeing a softer rise in outstanding work. Moreover, to maintain current staff levels, some businesses cut workers' salaries, leading to the fastest drop in average wage costs for seven months.

Nevertheless, cost burdens were driven higher by another sharp increase in purchase prices. Respondents largely blamed the uptick on a recent hike in VAT, exacerbated by material shortages and higher fuel prices. Output charges rose for the second straight month in order to maintain firms' margins.

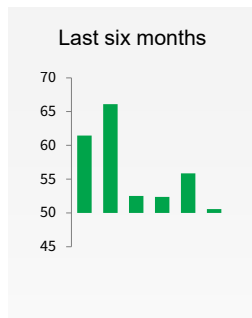
Business expectations for the year ahead dipped slightly in February, but remained above the level seen through the second half of 2020. About a third of surveyed firms expect output to rise, linked to plans for expansion and increased marketing activity.

### PMI

sa, >50 = improvement since previous month



## Output Index



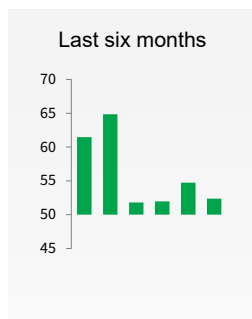
Kenyan private sector output growth softened notably in February, and was the least marked in the current eight-month sequence of expansion. Moreover, the respective seasonally adjusted index was only marginally above the 50.0 neutral mark. Panellists linked the slowdown to a weaker rise in new order inflows and a drop in household spending.

### Output Index

sa, >50 = growth since previous month



## New Orders Index



New orders received by Kenyan firms increased only modestly half-way through the opening quarter of the year. The upturn slowed from January but was still quicker than those seen in the final two months of 2020.

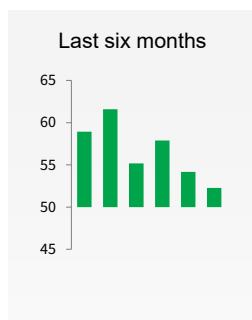
Demand trends often reflected the amount of cash flow in different parts of the economy, with some firms citing higher client demand but others reporting that a lack of cash led to a reduction in travel and spending.

### New Orders Index

sa, >50 = growth since previous month



## New Export Orders Index



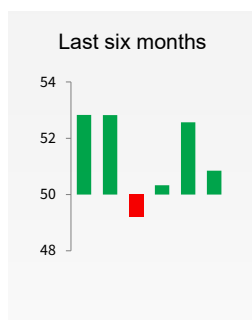
February survey data indicated the softest rise in new foreign orders for eight months. While some firms benefited from a strengthening in the global economy, others saw a drop in demand due to lockdowns in Europe. Respondents also mentioned that stronger competition hurt sales.

### New Export Orders Index

sa, >50 = growth since previous month



## Backlogs of Work Index



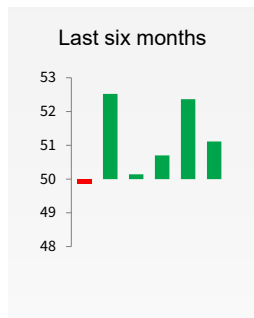
Backlogs of work increased further in February, extending the current run of accumulation to three months. That said, the latest rise was only marginal. According to anecdotal evidence, higher new order inflows, shortages of materials and strikes all contributed to a rise in outstanding business.

### Backlogs of Work Index

sa, >50 = growth since previous month



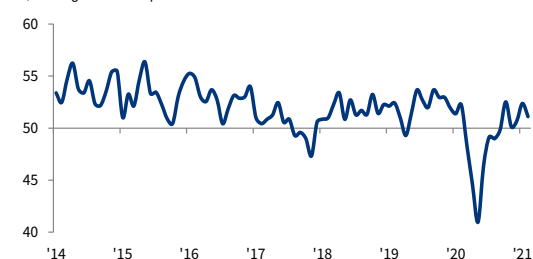
## Employment Index



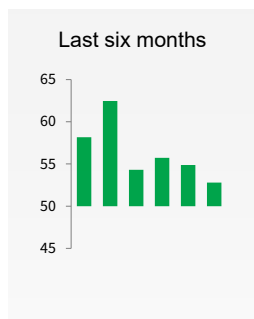
Job numbers continued to tick up in February, reflecting higher levels of demand and outstanding work, as well as future expansion plans. However, the rate of job creation eased for the first time in three months, and was softer than the series average. Roughly 7% of the survey panel saw a rise in employment, whereas 3% noted a decline.

### Employment Index

sa, >50 = growth since previous month



## Quantity of Purchases Index



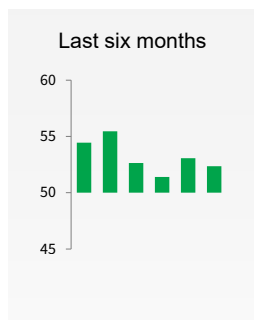
Kenyan companies expanded their purchasing activity for the eighth consecutive month during February, amid a further rise in new orders. However, with both output and demand growth softening from January, the latest rise in input buying was the slowest since last August.

### Quantity of Purchases Index

sa, >50 = growth since previous month



## Suppliers' Delivery Times Index



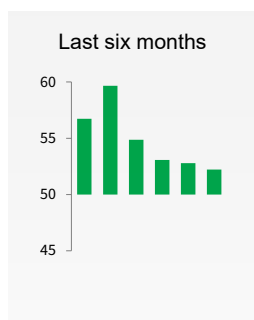
Strong competition among vendors meant that average lead times continued to shorten midway through the first quarter of the year. The rate of improvement slipped from January, however, and was the second-weakest in eight months. Companies noted that global supply chain problems such as input shortages sometimes delayed deliveries.

### Suppliers' Delivery Times Index

sa, >50 = faster times since previous month



## Stocks of Purchases Index



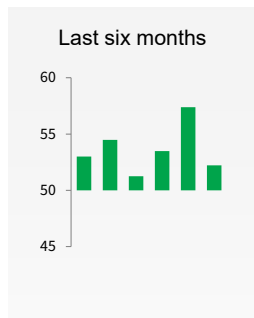
Inventory growth eased for the fourth month in a row in February, and was the weakest recorded in the current run of expansion that began last July. The modest uptick in stock levels was attributed to higher demand and expectations of stronger new business growth in the future. However, the softer upturn in sales meant that some firms chose to lower their inventories.

### Stocks of Purchases Index

sa, >50 = growth since previous month



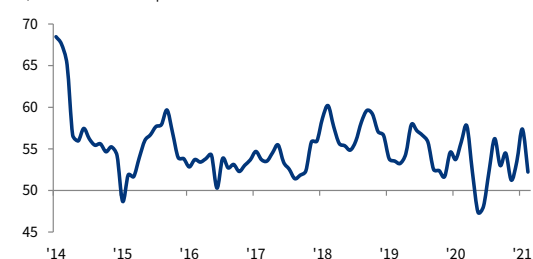
## Overall Input Prices Index



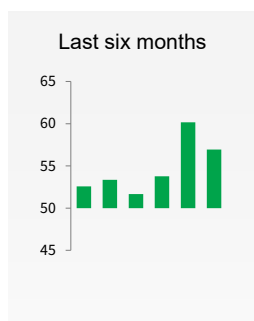
After climbing to a ten-month high in January, the rate of overall input price inflation softened to a modest pace in the second month of 2021. This was partly due to a sharper cut to workers' salaries as staff costs fell at the quickest rate since July last year. Meanwhile, purchase costs rose at a slower, albeit still marked, pace.

### Overall Input Prices Index

sa, >50 = inflation since previous month



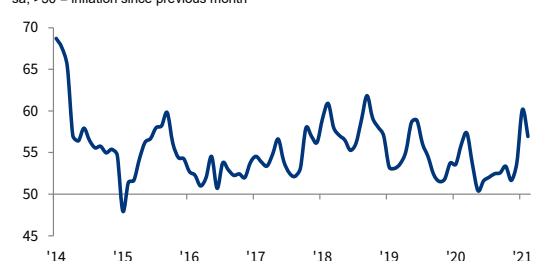
## Purchase Prices Index



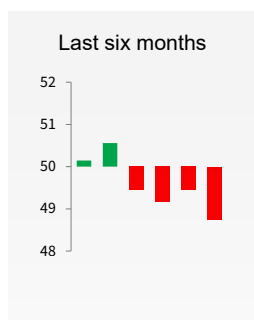
Purchase prices in the Kenyan economy were driven up steeply in February, after the rate of inflation quickened to a 28-month high at the start of the year. Over 15% of respondents saw an uptick in prices during the month, largely citing the recent increase in VAT. Material shortages, higher fuel costs and currency weakness were also mentioned.

### Purchase Prices Index

sa, >50 = inflation since previous month



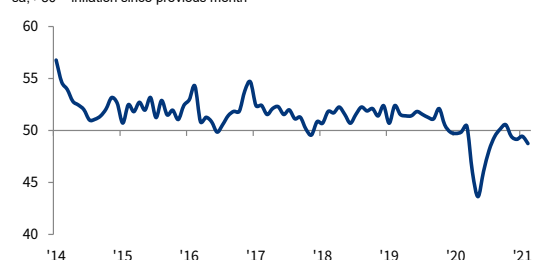
## Staff Costs Index



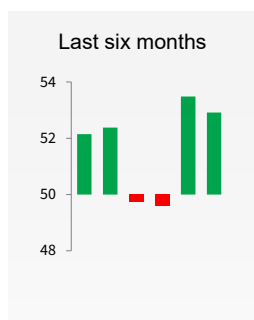
Kenyan firms continued to lower employee wages in February, as survey data indicated a fourth successive monthly decline in salary costs. Moreover, the rate of reduction accelerated to the fastest since July last year. Firms often commented on efforts to maintain their current workforce sizes amid a drop in revenues due to COVID-19.

### Staff Costs Index

sa, >50 = inflation since previous month



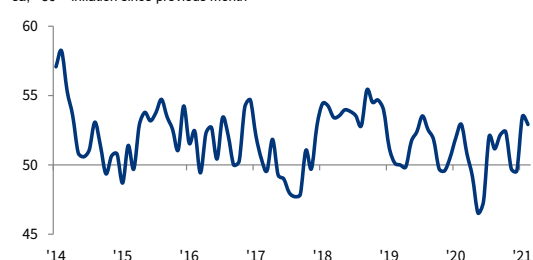
## Output Prices Index



With purchase prices up sharply, companies raised their output charges for a second month running in February. Panellists highlighted the need to maintain their profit margins. The latest rise in charges was solid, albeit slightly less marked than January's 18-month high.

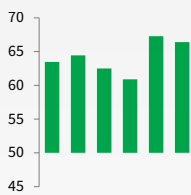
### Output Prices Index

sa, >50 = inflation since previous month



## Future Output Index

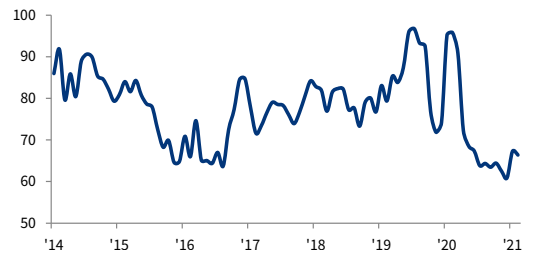
Last six months



Despite easing slightly from January, business confidence remained stronger than seen through the second half of 2020 in February, with close to one-third of panellists projecting a rise in output over the coming year. Future output growth was largely related to hopes of business expansion and increased marketing. However, the degree of optimism remained well below the average seen since the survey began in January 2014.

Future Output Index

>50 = growth expected over next 12 months

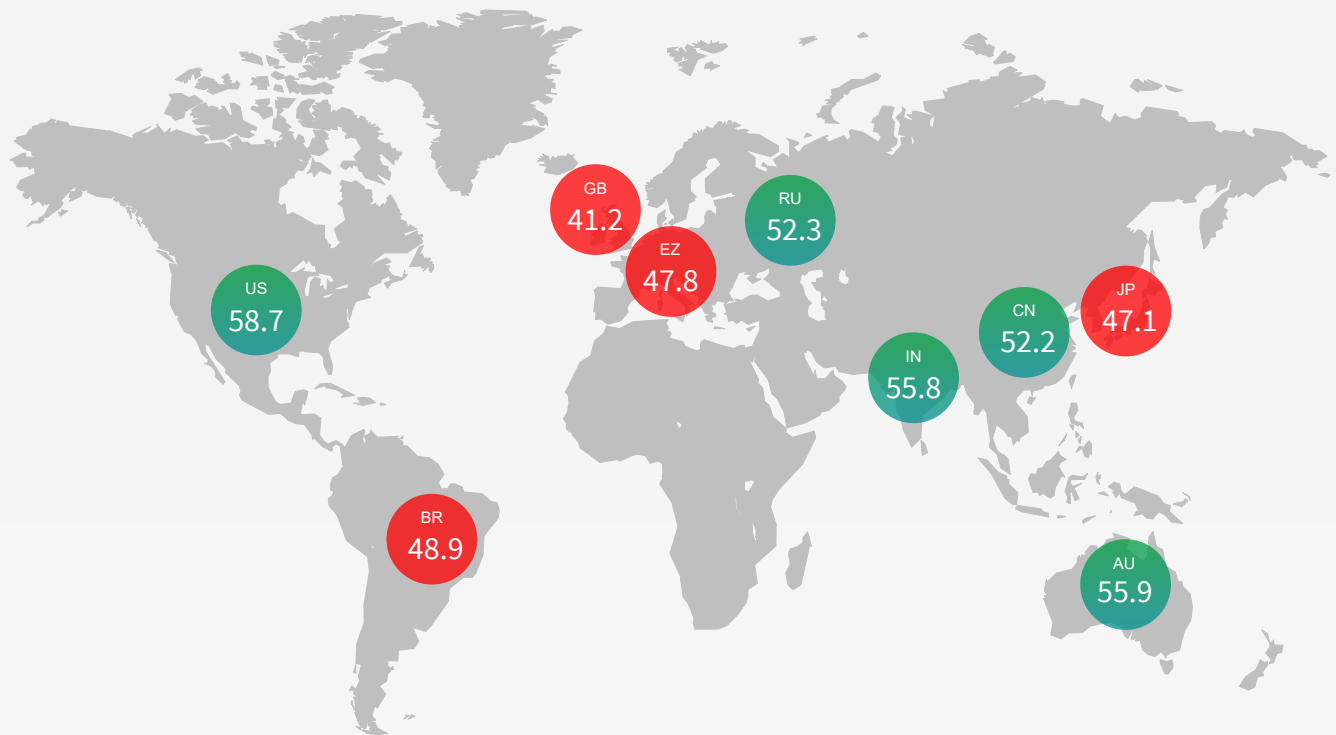


## International PMI

Composite Output Index, Jan '21

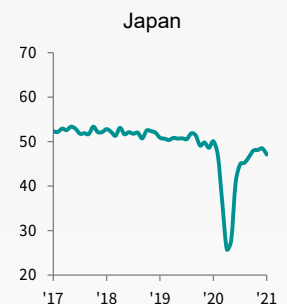
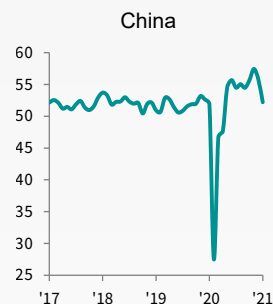
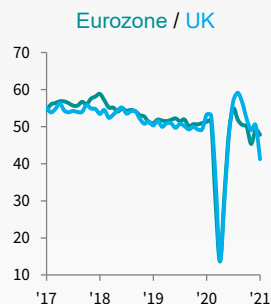
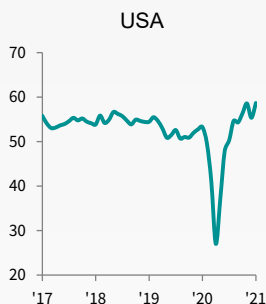
sa, >50 = growth since previous month

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



## 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.

February data were collected 11-24 February 2021.

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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