Embargoed until 1030 EAT (0730 UTC) 7 April 2021

# Stanbic Bank Kenya PMI™

## PMI drops to nine-month low as output and demand growth weaken

### Key findings

Output expands at weakest rate for nine months

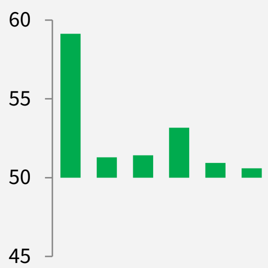
Modest upturns in new orders and employment

Purchase prices continue to rise sharply

### Kenya PMI

MAR
50.6
FEB: 50.9

Last six months




The Kenya PMI dropped to its lowest for nine months in March, as private sector companies reported only a marginal expansion in output and a slowdown in new order growth as cash flow issues limited customer spending. Employment numbers increased only modestly, while inventories rose at the slowest rate in the current growth sequence. Rising fuel prices meanwhile led to another sharp uptick in purchase prices, driving further pressure on firms' margins.

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 fell for the second month running in March, from 50.9 in February to 50.6. The latest reading pointed to just a marginal improvement in the health of the private sector, and the weakest seen since the recovery in economic conditions from the initial impact of the coronavirus disease 2019 (COVID-19) pandemic began last July.

The two largest components of the PMI, the Output and New Orders indices, signalled a slowing in both activity and demand growth in March. Businesses highlighted that cash flow problems linked to the COVID-19 pandemic meant that households often limited spending to essential items. As a result, sales grew at the slowest rate since last November, with firms also seeing a loss of momentum from export orders. Subsequently, output increased at the slowest rate for nine months.

Private sector employment improved further during March, although here the rate of growth was only moderate. Rising workforce numbers helped to reduce backlogs of work, which fell for the first time since November last year.

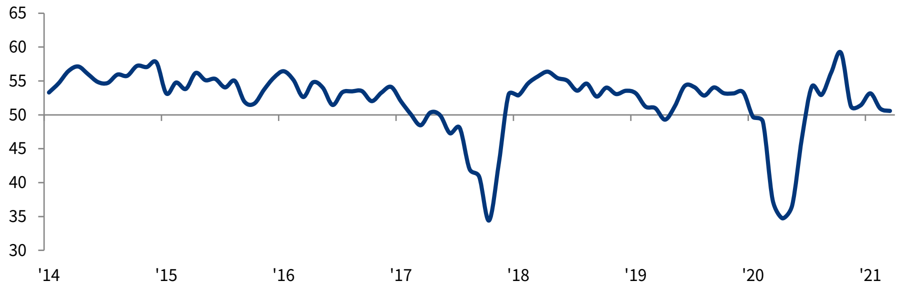
Input purchases rose at a slower rate in March, despite efforts from some companies to build stocks in anticipation of future sales growth. Meanwhile, competition among vendors led to a solid reduction in delivery times, the most marked for five months.

Input cost inflation was driven higher by a steep uptick in purchase prices at the end of the first quarter. Businesses noted that an increase in local fuel prices often led suppliers to raise their charges. Output prices subsequently rose for the third straight month, but at a slower rate than input prices.

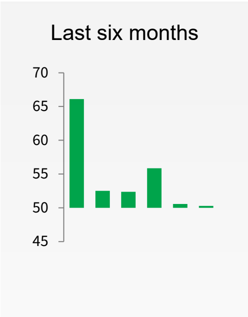
Finally, expectations for future activity slipped in March, and were the third-lowest seen in the series history. Notably, only around a quarter of survey respondents expect an increase in output over the coming year, linked to new branch openings and hopes of rising customer orders. Most remaining firms, meanwhile, predict no change in output amid worries of a further impact from COVID-19 on demand.

PMI

sa, >50 = improvement since previous month



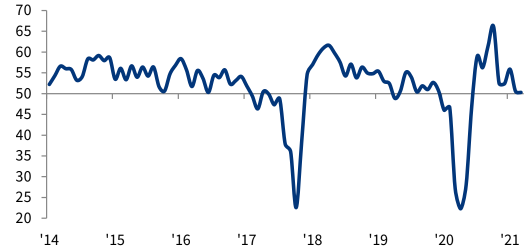
## Output Index



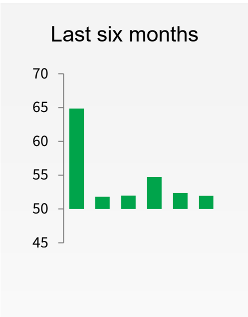

The pace of output growth among Kenyan companies remained subdued in March, and softened to the weakest in the current nine-month sequence of expansion. Where a rise was recorded, firms linked this to higher customer orders. However, others were led to reduce output due to cash flow issues and a drop in demand linked to the COVID-19 pandemic. Increased activity was largely driven by the agriculture sector, although construction was the only sector to see an outright decline.

Output Index

sa, >50 = growth since previous month



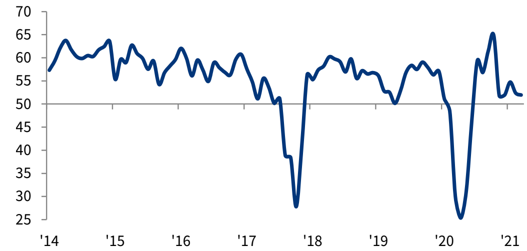

## New Orders Index



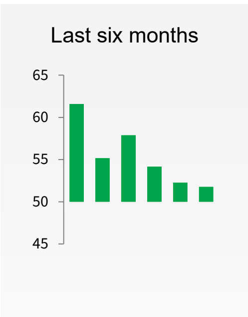

New business received by private sector firms continued to rise at the end of the first quarter, extending the run of growth seen since July 2020. The latest upturn was only modest though, and the softest for four months. Panellists reported that a reduction in cash flow due to COVID-19 meant that customers prioritised spending on essential items.

New Orders Index

sa, >50 = growth since previous month



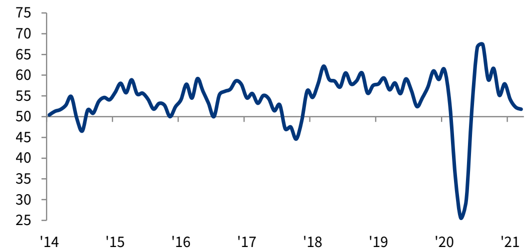

## New Export Orders Index



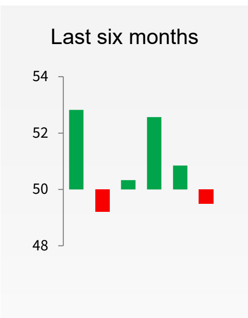

New export orders rose at a slower rate during March, as shown by the respective seasonally adjusted index falling to the lowest since June 2020. The latest upturn was moderate, with roughly a quarter of respondents seeing higher demand from abroad. These firms often cited a rise in new business from Europe.

New Export Orders Index

sa, >50 = growth since previous month



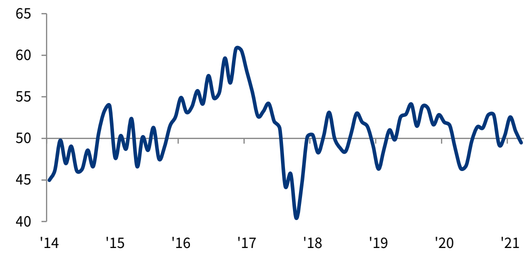

## Backlogs of Work Index



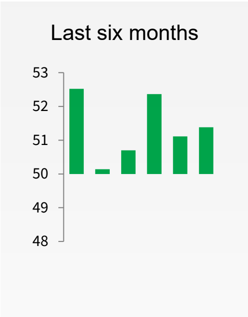

Softer new business growth helped lead to a reduction in backlogs of work in March, the first recorded since last November. That said, the overall rate of depletion was only slight. Data indicated that manufacturing and services firms were able to lower work-in-hand, with construction, wholesale & retail and agriculture seeing a rise.

Backlogs of Work Index

sa, >50 = growth since previous month



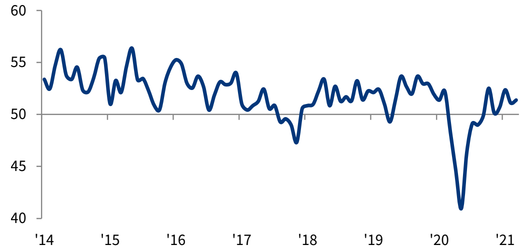
## Employment Index



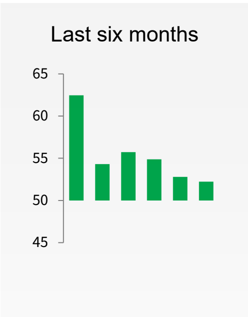

Kenyan businesses raised their workforce numbers again during March, with the rate of hiring accelerating slightly from the previous month. That said, it remained modest and slower than the series trend. Rising workloads and efforts to reduce backlogs often underpinned job creation, according to panellists.

Employment Index

sa, >50 = growth since previous month



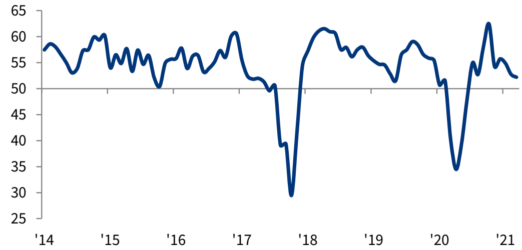

## Quantity of Purchases Index



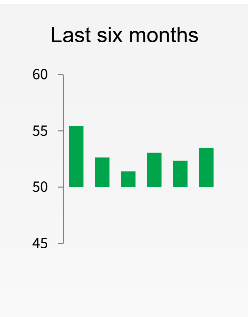

With new order growth slowing, firms increased their purchasing activity at a weaker and only modest pace during March. Moreover, the rate of expansion softened to the least marked in the current nine-month sequence of growth, with just 13% of panellists seeing an increase from February.

Quantity of Purchases Index

sa, >50 = growth since previous month



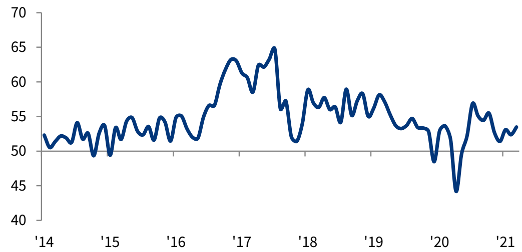

## Suppliers' Delivery Times Index



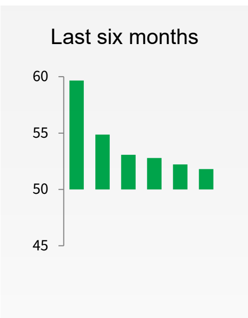

Vendors in the Kenyan economy made quicker deliveries in March, as latest data signalled a solid reduction in overall lead times. The rate of improvement strengthened to a five-month high, but remained below the series average. High levels of competition among suppliers were often linked to the improvement, as well as a good local supply of inputs.

Suppliers' Delivery Times Index

sa, >50 = faster times since previous month



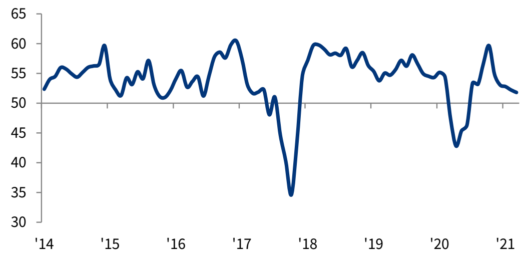

## Stocks of Purchases Index



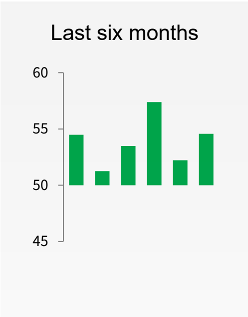

Stocks of purchases rose at a moderate rate at the end of the opening quarter of the year, as several panellists cited efforts to prepare for future increases in demand. However, the rate of growth slowed for a fifth straight month and was the softest since the current run of expansion began last July. Stock building was recorded in the agriculture, manufacturing and wholesale & retail sectors.

Stocks of Purchases Index

sa, >50 = growth since previous month

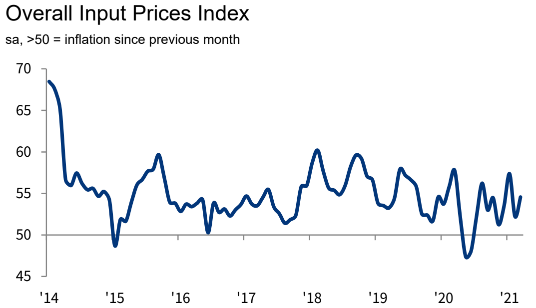


## Overall Input Prices Index

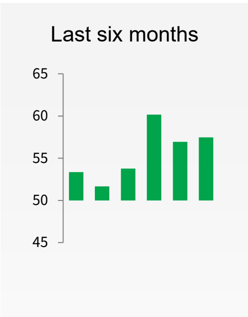



Input prices across Kenya picked up sharply during March, with the pace of inflation accelerating from the previous month. The uptick was largely driven by higher purchase prices, which was linked to a rise in fuel pries and a recent increase in VAT. At the same time, staff wages continued to fall, albeit to the least extent in five months.

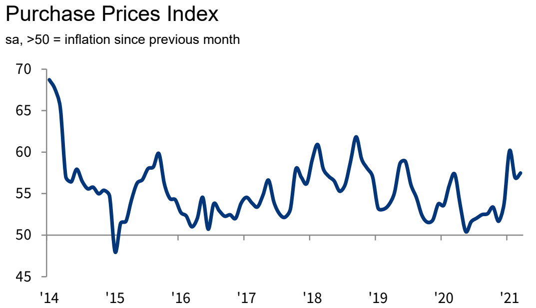
Input cost inflation was broad-based across the monitored sectors in March.



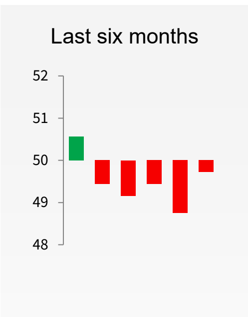

## Purchase Prices Index



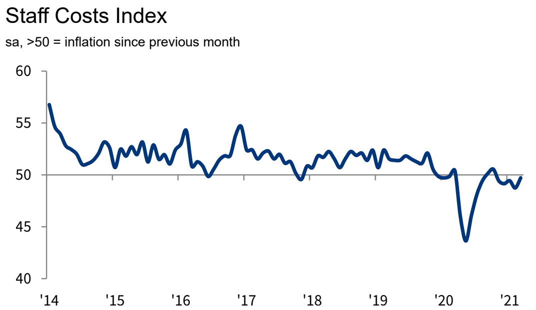

Purchasing costs rose at a marked rate in March, continuing the trend seen over the first quarter of the year. Moreover, the latest increase was the second-sharpest for 21 months, below only January's reading during that period. Surveyed firms commented that a rise in national fuel prices had led suppliers to mark up their charges, while some raw material prices rose due to the recent change in VAT.



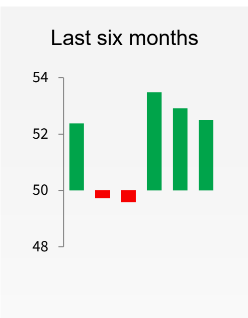

## Staff Costs Index



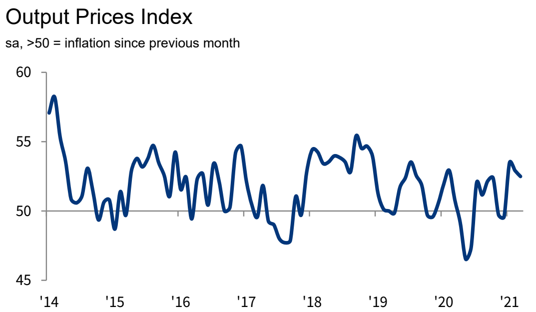

Salaries paid to workers in the Kenyan private sector fell again in March, marking a fifth successive monthly decline. The seasonally adjusted Staff Costs Index posted below the 50.0 no-change mark, but only fractionally. Moreover, the latest fall was the softest seen in the aforementioned period.




## Output Prices Index

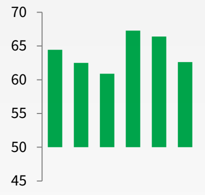



Output charges rose for a third month running in March as businesses continued to offset a sharp increase in purchase costs. That said, the rate of inflation eased from February and was only modest. About 6% of respondents raised their charges, while 2% noted a reduction amid efforts to attract new clients.



## Future Output Index

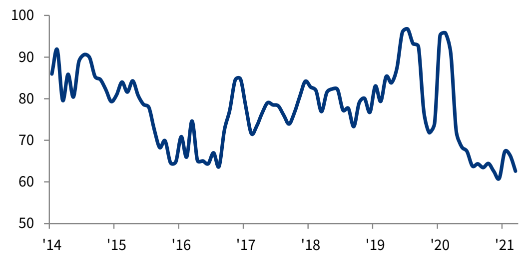
Last six months




The Future Output Index fell in March to signal a reduced level of optimism for the next 12 months of Kenyan business activity. In fact, expectations were at their third-lowest in the series history (since 2014), with only November and December 2020 recording weaker sentiment. Roughly a quarter of businesses predicted output to rise, citing hopes of stronger investment, new branch openings and rising customer orders. Conversely, around 74% of firms expect output to remain stable.

Future Output Index

>50 = growth expected over next 12 months

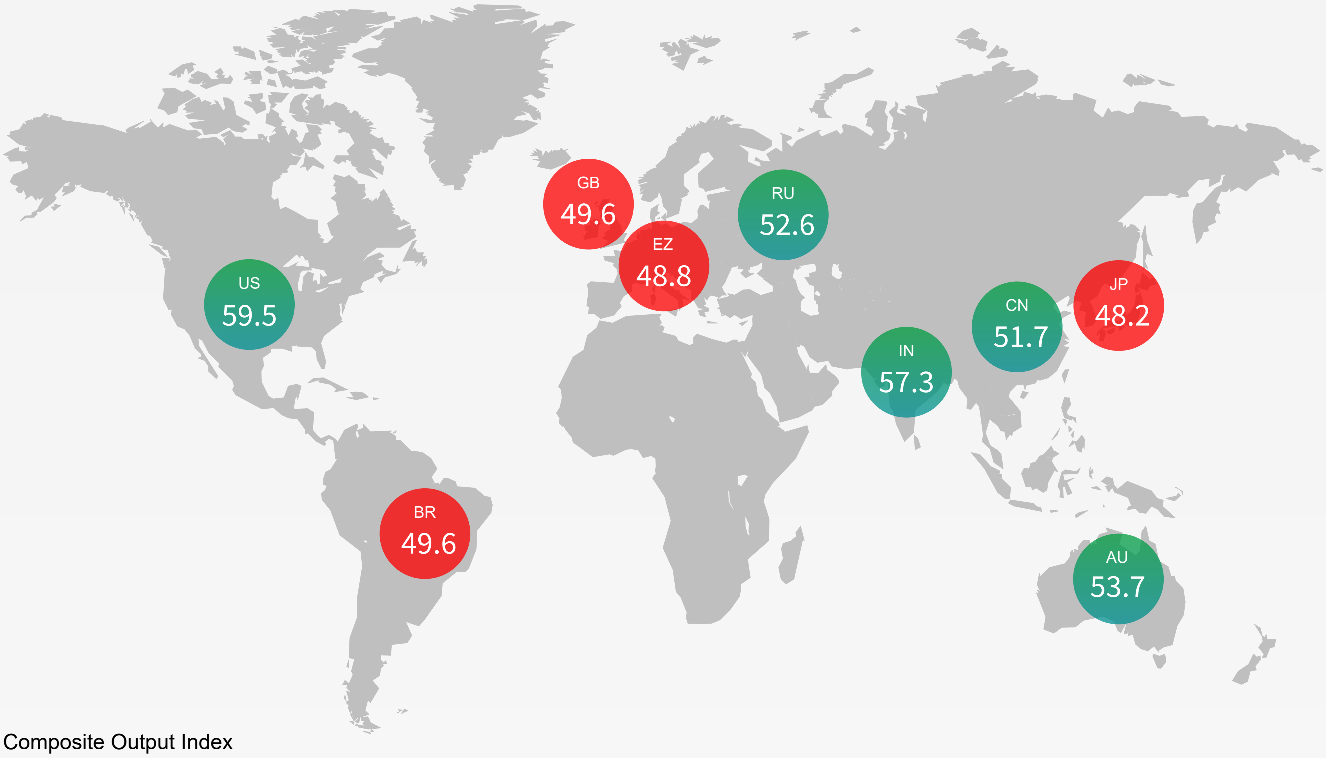



## International PMI

Composite Output Index, Feb '21

sa, >50 = growth since previous month

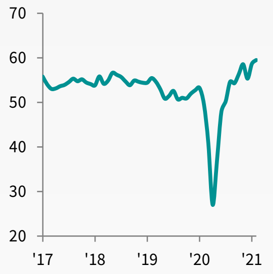
The Composite Output Index is a GDP-weighted average of the Manufacturing Output Index and the Services Business Activity Index.



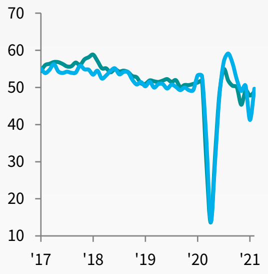

Composite Output Index

sa, >50 = growth since previous month

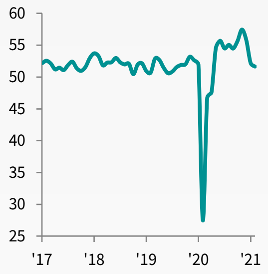
USA



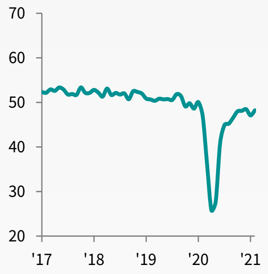

Eurozone / UK




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.

March data were collected 12-29 March 2021.

For further information on the PMI survey methodology, please contact 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.

## About Stanbic Bank
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. It's 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.

## 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.