

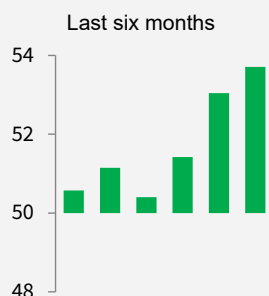
Key findings

Output and new order growth accelerate further

Employment and purchasing continue to rise

Business confidence drops to eight-year series low

Kenya PMI



Kenyan firms saw a further strengthening of output and new business growth at the end of the year, according to the latest PMI data. Overall sales volumes rose at the fastest pace since October 2020, driving further uplifts in purchasing, inventories and employment. However, business optimism dropped to the lowest level in the eight-year series history amid record-high COVID-19 cases.

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 PMI rose for the third straight month to 53.7 in December from 53.0 in November. The reading was the highest recorded in 14 months and pointed to a solid improvement in the health of the private sector economy.

Driving the upturn was a further strong increase in new work intakes at Kenyan firms. The pace of growth was the strongest seen since October 2020, as panellists commented on improving customer demand and better cash flow as economic conditions recovered further from pandemic measures.

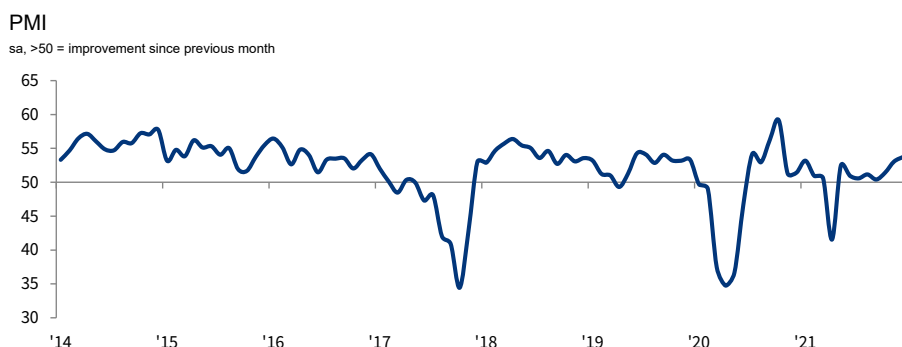
Subsequently, output levels rose sharply and at the fastest rate since the beginning of 2021. To manage higher workloads, companies also raised their staff levels,

though the pace of job creation was only modest and softer than November's two-year high. Nevertheless, this allowed firms to lower their backlogs of work for a second month in a row.

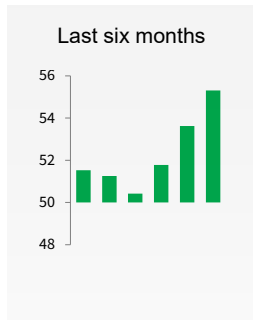
More negatively, business confidence for the upcoming year dropped in December. In fact, the level of sentiment was the weakest seen since the survey began in January 2014, with just 19% of respondents giving a positive outlook. While there were hopes of expanding premises and offering new products and services in 2022, optimism fell as COVID-19 cases rose to a record level.

December data also indicated a sharp increase in input costs across the private sector, though the rate of inflation eased slightly to a three-month low. Higher prices for raw materials were often noted due to ongoing supply issues and stronger demand. Meanwhile, purchasing activity increased at the joint-fastest pace seen in 2021, as firms reported efforts to build inventories in the face of strong new order inflows.

Output charges were also raised at the end of the year, which businesses stated was largely due to higher demand and cost burdens. Notably though, the rate of inflation softened for the first time in four months and was the least marked since September.



Output Index



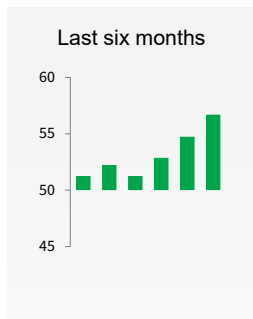
Adjusted for seasonal factors, the Output Index rose for the third successive month to indicate a robust increase in activity across the Kenyan private sector in December. Moreover, the rate of growth was the quickest seen since the start of 2021. Where a rise was recorded, firms mainly linked this to a stabilisation of economic conditions and improved new order volumes.

Output Index

sa, >50 = growth since previous month



New Orders Index



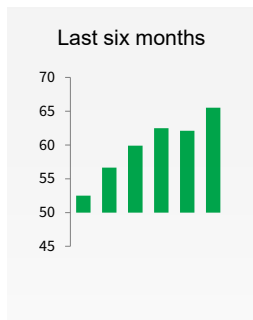
Consistent with the trend for output, the rate of expansion in new business accelerated for the third straight month in December. Panellists often commented on an increase in customer demand that was linked to an improvement in the economic situation as pandemic measures eased. Notably, the latest upturn in new work was sharp and the most marked since October 2020.

New Orders Index

sa, >50 = growth since previous month



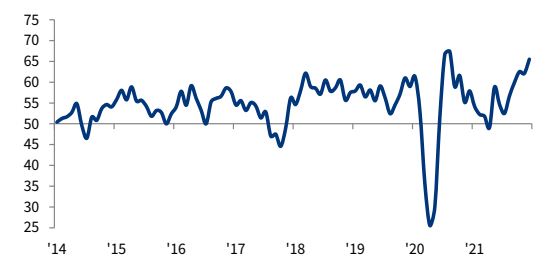
New Export Orders Index



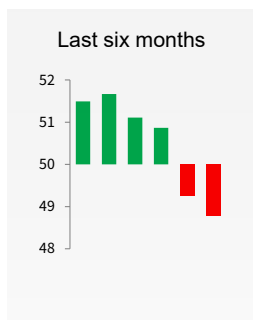
Kenyan firms found that overall sales growth was helped by an even faster increase in new export orders at the end of the year. The overall upturn was rapid and outpaced only by those seen in July and August 2020. Companies particularly noted an increase in demand from Europe and parts of Africa.

New Export Orders Index

sa, >50 = growth since previous month



Backlogs of Work Index



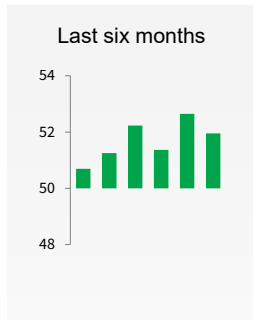
December data signalled a further decrease in outstanding work at companies in Kenya, following a renewed decline midway through the fourth quarter. The latest drop in backlogs was modest, but nonetheless the quickest seen since April.

Backlogs of Work Index

sa, >50 = growth since previous month



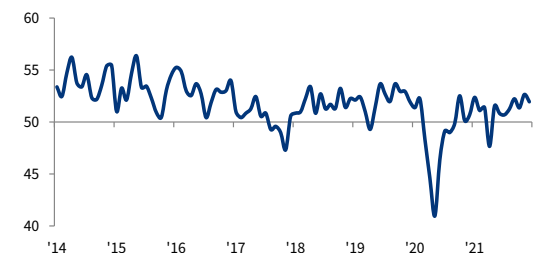
Employment Index



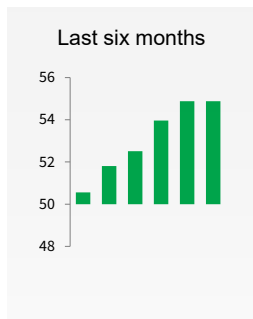
Kenyan firms added to their workforces for an eighth consecutive month in December. The rate of job creation eased slightly from November's two-year high, and was broadly in line with the series average. Respondents that hired new staff often commented on an increase in new business.

Employment Index

sa, >50 = growth since previous month



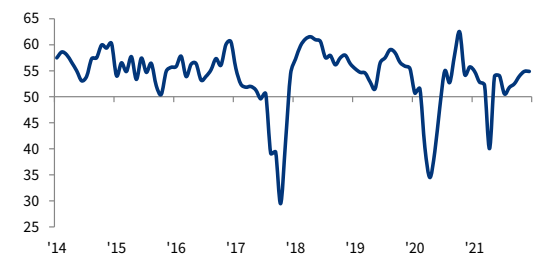
Quantity of Purchases Index



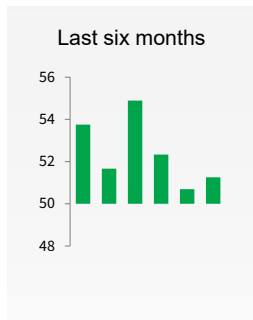
The seasonally adjusted Quantity of Purchases Index remained at its joint-highest level in 2021 during December, to signal a sharp uptick in purchases in response to higher sales. The overall expansion was faster than the average since the survey began eight years ago.

Quantity of Purchases Index

sa, >50 = growth since previous month



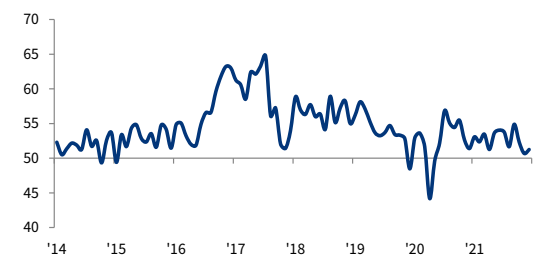
Suppliers' Delivery Times Index



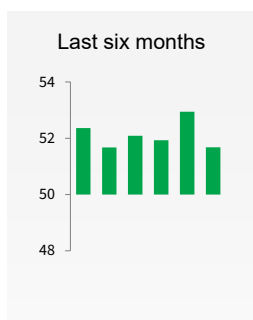
The rate at which delivery times improved in the Kenyan economy picked up from November's one-and-a-half-year low, but was still marginal. Anecdotal evidence indicated that a number of vendors were able to reduce their lead times in order to win customers. However, there were also reports that a lack of raw material supply and staff absences at suppliers led to some delays.

Suppliers' Delivery Times Index

sa, >50 = faster times since previous month



Stocks of Purchases Index



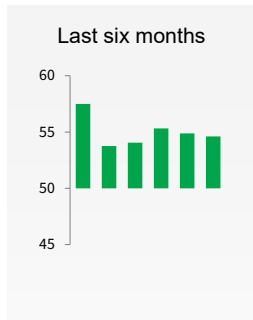
Kenyan firms continued to expand their input inventories in the final month of the year. Efforts to build stocks in anticipation of higher sales were often behind the upturn, according to panellists. That said, the rate of inventory growth slowed to the weakest since August and was modest.

Stocks of Purchases Index

sa, >50 = growth since previous month



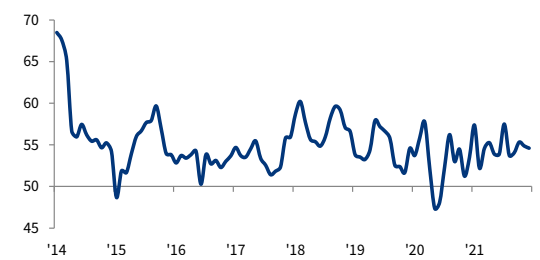
Overall Input Prices Index



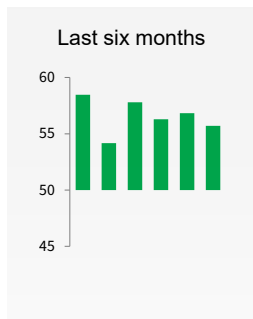
Overall cost pressures in the Kenyan private sector rose sharply in December. The increase was almost wholly driven by higher purchasing prices, whereas staff costs were broadly flat. That said, the rate of overall input cost inflation ticked down slightly to a three-month low.

Overall Input Prices Index

sa, >50 = inflation since previous month



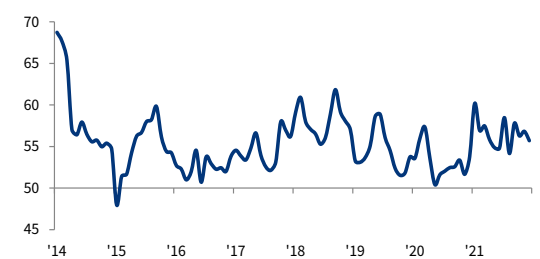
Purchase Prices Index



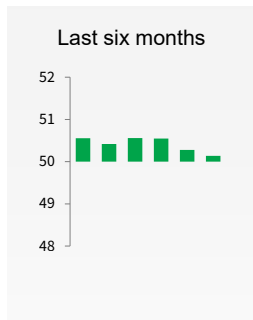
Whilst easing to the softest since August, the rate of purchase price inflation at Kenyan firms remained sharp during December. Exactly 12% of the survey panel saw a rise in costs, which anecdotal evidence related to higher taxes and raw material prices. The latter was often influenced by supply shortages.

Purchase Prices Index

sa, >50 = inflation since previous month



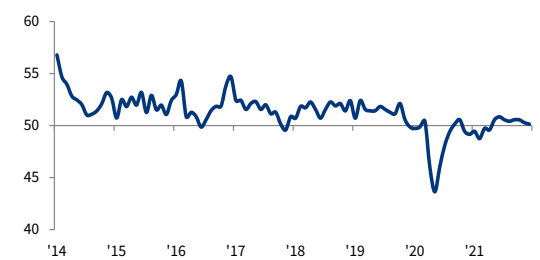
Staff Costs Index



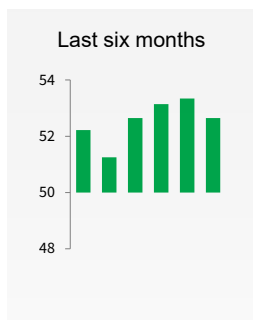
Adjusted for seasonality, the Staff Costs Index ticked down for the third month in a row in December and was just above the 50.0 neutral mark. The index signalled only a fractional increase in wages. While some companies raised salaries in a bid to motivate employees, the vast majority (99%) of panellists saw no change.

Staff Costs Index

sa, >50 = inflation since previous month



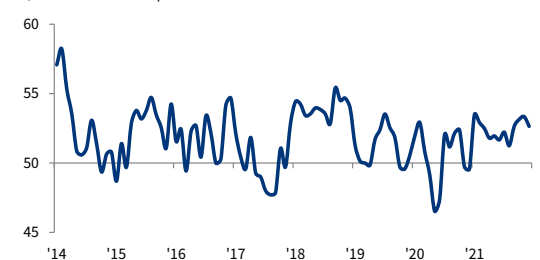
Output Prices Index



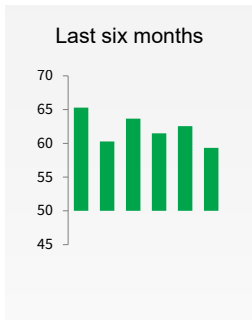
Output charges set by Kenyan private sector companies rose solidly in December, although the rate of inflation slowed down for the first time in four months to the softest since September. Panellists reported increasing their charges in response to higher demand and to maintain their profit margins.

Output Prices Index

sa, >50 = inflation since previous month



Future Output Index



The Future Output Index fell to a survey-record low in December, indicating that business sentiment was at its lowest level for at least eight years. Only 19% of the survey panel expect output to rise over the next 12 months, with these firms often citing plans for new products and services, plus branch openings. The majority of respondents instead gave a neutral outlook for 2022.

Future Output Index

>50 = growth expected over next 12 months

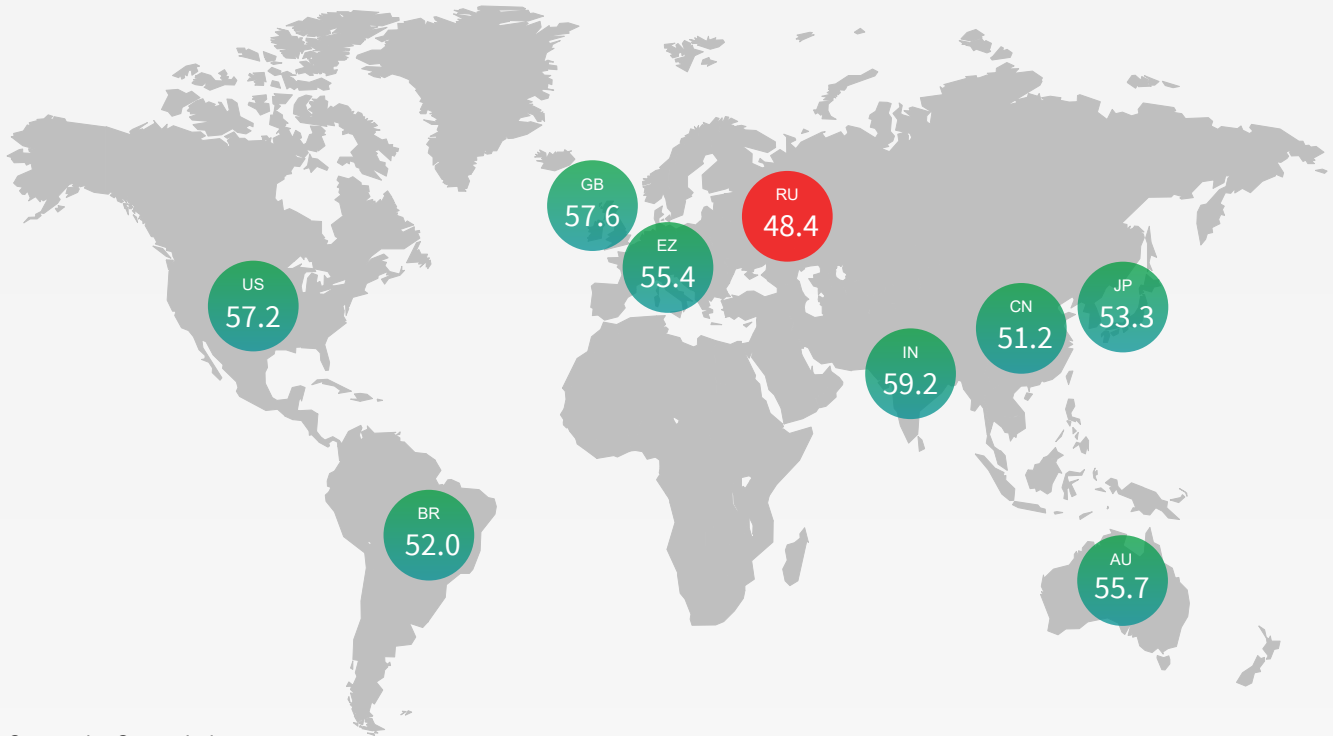


International PMI

Composite Output Index, Nov '21

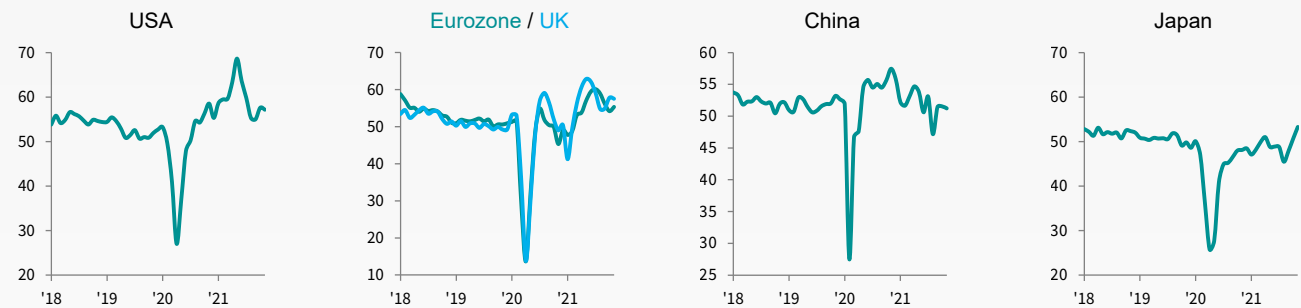
sa, >50 = growth since previous month

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.

December data were collected 6-21 December 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.

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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. 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.

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