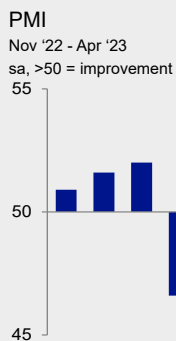


Stanbic Bank Kenya PMI™

Business expectations hit record low as inflation suppresses customer demand

47.2

KENYA PMI
APR '23



Output and new orders fall sharply

Price pressures ease but remain marked

Year-ahead outlook falls to weakest in survey's history

Kenyan companies posted their lowest confidence levels on record in April, latest PMI survey data showed, as inflation and political unrest led to a sharp fall in customer demand and clouded the business outlook. Activity levels and input purchases also fell sharply, but employment numbers continued to rise. On a positive note, input cost pressures showed further signs of having peaked, dropping to their lowest recorded in 2023 so far, though remaining steep.

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 registered below the 50.0 mark for the third month in a row in April. Dropping to 47.2 from 49.2 in March, the index also signalled a solid and faster decline in the health of the private sector economy at the start of the second quarter.

The cost-of-living crisis continued to

hinder business performance, according to survey panellists, while an associated bout of political unrest led to a marked drop in client demand. New business inflows fell sharply and at a quicker pace than in March, despite a sustained upturn in export sales.

Similarly, business activity declined for the third month in succession, and the rate of contraction was much sharper than in the previous survey period. Sector data indicated that the downturn was led by manufacturing and services, contrasting with expansions in the agriculture, construction and wholesale & retail categories.

Concerns over the impact of high inflation led to a marked drop in firms' output expectations for the next 12 months, which declined to their lowest level since the survey began in January 2014. While sentiment remained positive, only 8% of respondents predicted activity to rise over the forthcoming year.

Purchasing levels declined solidly in April, following a slight increase in March.

Stanbic Bank Kenya PMI

sa, >50 = improvement since previous month



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Despite this, a sharp cut in activity allowed firms to store higher volumes of inputs, with some respondents citing concerns that supplies could run short due to limited cash flow.

In contrast to purchasing, Kenyan companies added to their workforces in April. Employment numbers rose at the quickest pace in 2023 so far, albeit only slightly. The upturn came amid a further increase in outstanding work, the third in the past four months.

On the price front, there were signs that cost pressures were moderating at the start of the second quarter. Input prices rose at the slowest rate in four months,

helped by softening demand and reports of an improvement in the availability of local goods, which also supported a slight reduction in average lead times. That said, the pace of cost inflation remained steep overall, as firms again highlighted rising import prices due to a depreciation in the Kenyan shilling against the US dollar.

Rising costs continued to be passed on to customers in April, indicated by another steep increase in output charges. Like input prices, the rate of inflation slowed from March but remained faster than the long-run trend.

Comment

Mulalo Madula, Economist at Standard Bank commented:

“In April, Kenya's private sector output broadly deteriorated across several sectors covered by the PMI survey as the country experienced another contraction that began in February and continued through to April. Despite continued growth in export sales, deteriorating domestic market conditions due in large part to higher costs and political protests dampened business activity and domestic demand as cost pressures continued to rise. A further increase in the amount of outstanding work in April led to a slightly positive employment trend, but in the absence of sales growth, employment is unlikely to be sustained.

“The outlook for output for the upcoming 12 months significantly decreased, reaching the lowest level since the survey's inception. This was largely due to worries about the effects of high inflation as power tariffs were increased by around 19% in April. But then again, overall year-on-year inflation is likely to slow, having fallen to 7.9% in April from 9.2% in March, as statistical base effects continue to unwind, although underlying costs for firms are likely to remain elevated.”



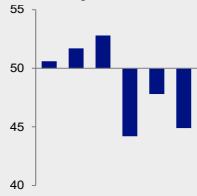
PMI™

by **S&P Global**

Output and demand

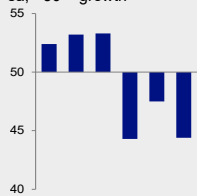
Output Index

Nov '22 - Apr '23
sa, >50 = growth



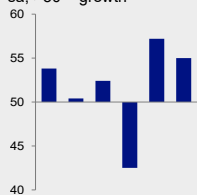
New Orders Index

Nov '22 - Apr '23
sa, >50 = growth



New Export Orders Index

Nov '22 - Apr '23
sa, >50 = growth



Output

Business activity in Kenya contracted for the third successive month in April, shown by the respective seasonally adjusted index posting below the 50.0 neutral mark. Moreover, the rate of contraction accelerated from March and was sharp, with panellists largely attributing the downturn to weak demand and cash flow problems. Manufacturing and services led the decline, contrasting with expansions in agriculture, construction and wholesale & retail.

New orders

In a similar vein to activity, new orders placed at Kenyan companies fell at a marked and quicker pace at the start of the second quarter. High inflation, cash flow issues, and a related bout of political unrest weighed negatively on client sales, according to surveyed businesses.

New export orders

New orders from abroad continued to rise in April, following a renewed upturn at the end of the first quarter. Moreover, the rate of growth was sharp and above the series trend, despite softening from the previous month. Firms that received higher volumes of orders from abroad linked this to increased marketing and a global shortage of some foodstuffs.

Output Index

sa, >50 = growth since previous month



New Orders Index

sa, >50 = growth since previous month



New Export Orders Index

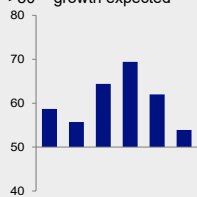
sa, >50 = growth since previous month



Business expectations

Future Output Index

Nov '22 - Apr '23
>50 = growth expected



Recent political unrest led to a marked drop in firms' output expectations in April. In fact, the Future Output Index fell to its lowest reading since data collection began in January 2014. Overall, just 8% of respondents projected an improvement in business activity over the next 12 months. Positivity was often linked to plans to open new branches and offer additional services.

Future Output Index

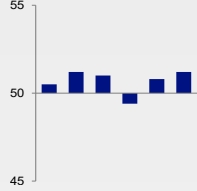
>50 = growth expected over next 12 months



Employment and capacity

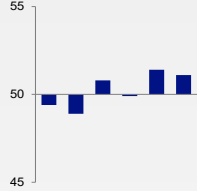
Employment Index

Nov '22 - Apr '23
sa, >50 = growth



Backlogs of Work Index

Nov '22 - Apr '23
sa, >50 = growth



Employment

Despite a sharp fall in sales, Kenyan firms added to their workforces for the second month running in April. The pace of job creation picked up slightly from March and was the fastest seen in 2023 so far, though it was only modest overall. All five monitored sectors recorded an increase in employment over the latest survey period.

Employment Index

sa, >50 = growth since previous month

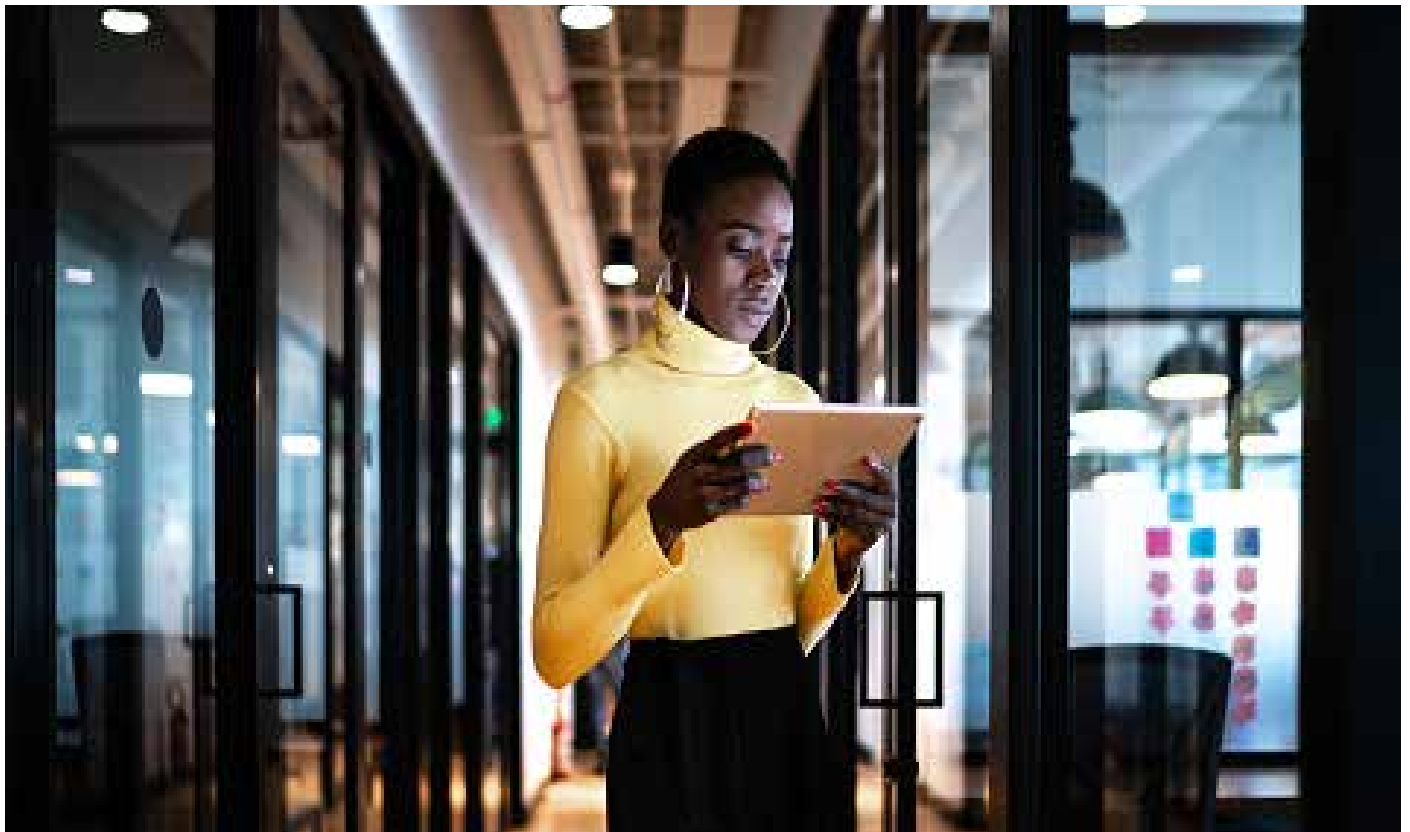


Backlogs of work

The volume of work outstanding (but not yet completed) at Kenyan companies increased further in April. The uptick was the second recorded in as many months. That said, the rate of growth slowed marginally since the end of the first quarter and was only slight.

Backlogs of Work Index

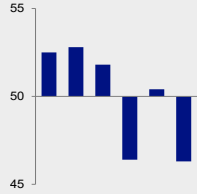
sa, >50 = growth since previous month



Purchasing and inventories

Quantity of Purchases Index

Nov '22 - Apr '23
sa, >50 = growth



Quantity of purchases

Purchasing activity returned to contraction territory at the start of the second quarter of the year. After ticking up slightly in March, the volume of inputs purchased fell at a similarly solid pace as that seen in February. Companies that reported a decrease mainly attributed this to a fall in new business.

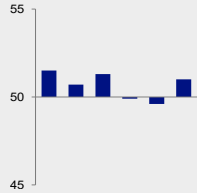
Quantity of Purchases Index

sa, >50 = growth since previous month



Suppliers' Delivery Times Index

Nov '22 - Apr '23
sa, >50 = faster times



Suppliers' delivery times

Delivery times in the Kenyan economy improved marginally in April, thereby ending a two-month sequence of deteriorating supply-chain conditions. Businesses often found that suppliers were willing to make quicker deliveries in order to win clients. Some firms also mentioned that a greater availability of goods locally meant they were more likely to receive inputs on time.

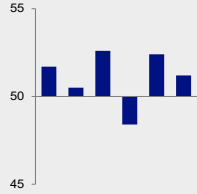
Suppliers' Delivery Times Index

sa, >50 = faster times since previous month



Stocks of Purchases Index

Nov '22 - Apr '23
sa, >50 = growth



Stocks of purchases

Kenyan firms increased their inventories of inputs for the second month in a row in April. The expansion was only slight, however, and softer than in the previous survey period. Firms that added to their stocks indicated efforts to protect against future shortages, driven in part by inflation concerns, while others hoped for a pick-up in demand.

Stocks of Purchases Index

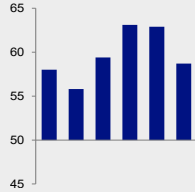
sa, >50 = growth since previous month



Prices

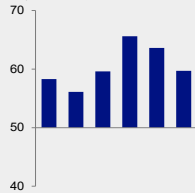
Input Prices Index

Nov '22 - Apr '23
sa, >50 = inflation



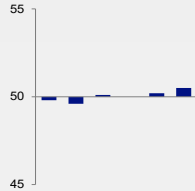
Purchase Prices Index

Nov '22 - Apr '23
sa, >50 = inflation



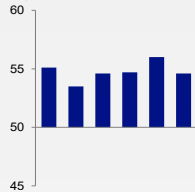
Staff Costs Index

Nov '22 - Apr '23
sa, >50 = inflation



Output Prices Index

Nov '22 - Apr '23
sa, >50 = inflation



Input prices

Input prices in the Kenyan economy increased steeply once again in April, driven by rising prices for imported items due to a depreciation in the shilling against the US dollar. That said, the rate of inflation was not as severe as in March, as the respective seasonally adjusted index dropped to its lowest in 2023 so far. All five monitored sectors registered a softer uptick in input prices than in the prior month.

Purchase prices

Purchase price inflation softened for the second consecutive month in April and was the weakest since January. However, it remained stronger than the series long-run average. While supply issues and weakness in the shilling compared to the US dollar led to price rises for imported items, some firms noted that reduced demand and the improved supply of local goods helped to alleviate cost burdens.

Staff costs

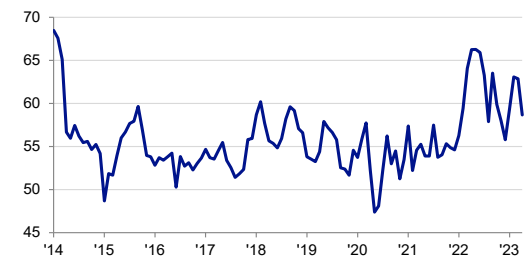
Staff costs at Kenyan companies rose for the third time in the past four months in April. The uptick was only slight overall, albeit the quickest recorded since September 2022. Construction was the only sector to buck the wider trend and see a drop in payroll expenses.

Output prices

Rapid cost increases continued to be passed on to customers in the form of higher output prices. The rate of charge inflation was sharp, but nonetheless softened from March's five-month high in line with a slowdown in cost pressures. The rise in output prices was most pronounced in the agriculture and wholesale & retail sectors.

Input Prices Index

sa, >50 = inflation since previous month



Purchase Prices Index

sa, >50 = inflation since previous month



Staff Costs Index

sa, >50 = inflation since previous month



Output Prices Index

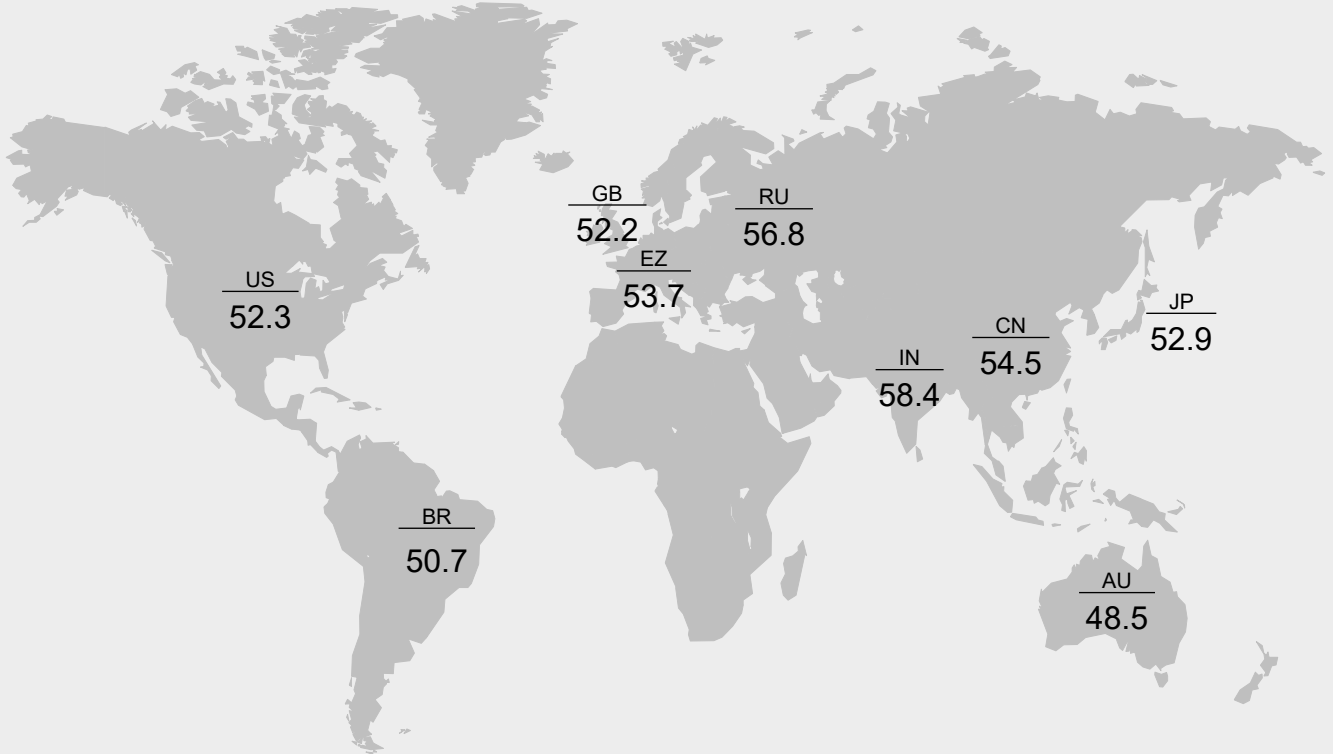
sa, >50 = inflation since previous month



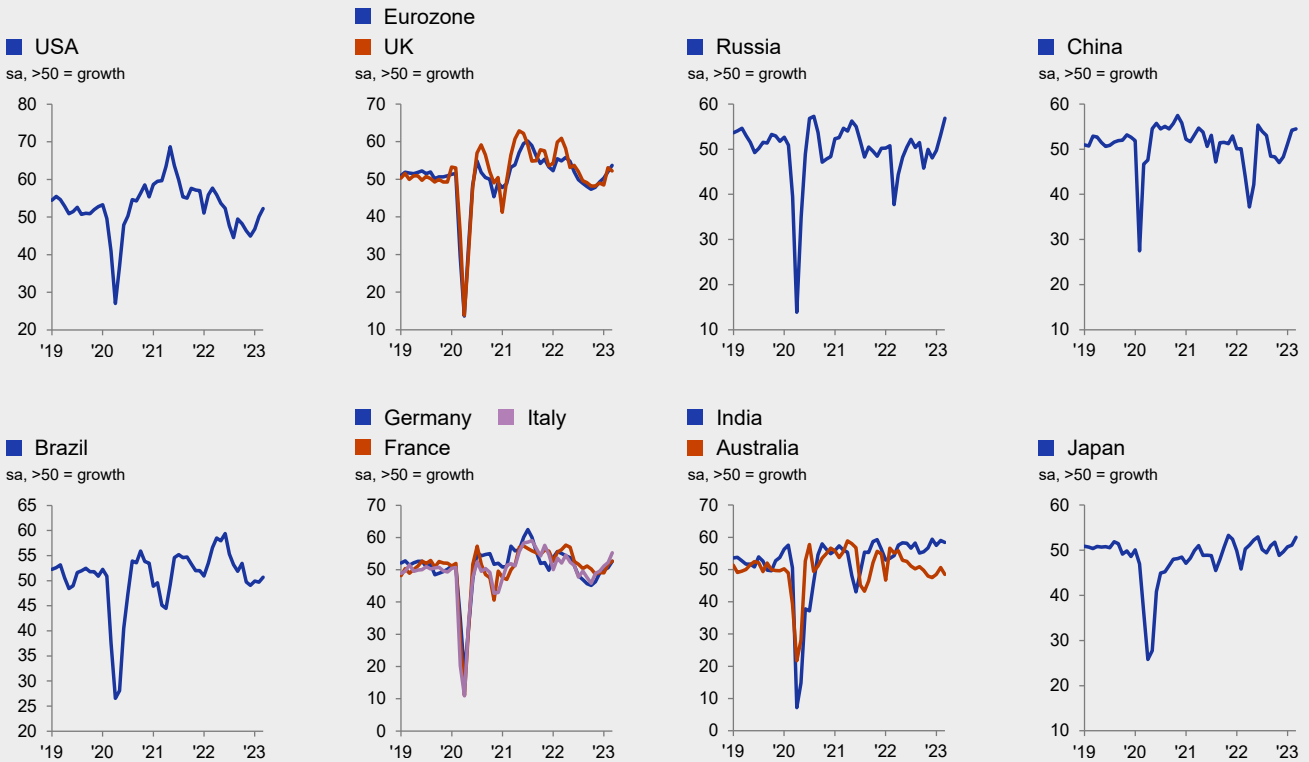
International PMI

Composite Output Index, Mar '23
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



Survey methodology

The Stanbic Bank Kenya PMI™ is compiled by S&P Global 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. Data were first collected January 2014.

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.

For further information on the PMI survey methodology, please contact economics@ihsmarkit.com.

Survey dates

Data were collected 12-26 April 2023.

Survey questions

Private sector

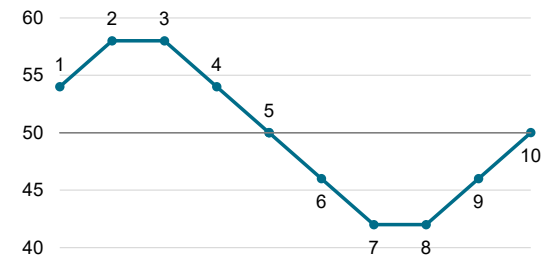
Output	Suppliers' Delivery Times
New Orders	Stocks Of Purchases
New Export Orders	Input Prices
Future Output	Purchase Prices
Employment	Staff Costs
Backlogs Of Work	Output Prices
Quantity Of Purchases	

Index calculation

$$\% \text{ "Higher" } + (\% \text{ "No change"})/2$$

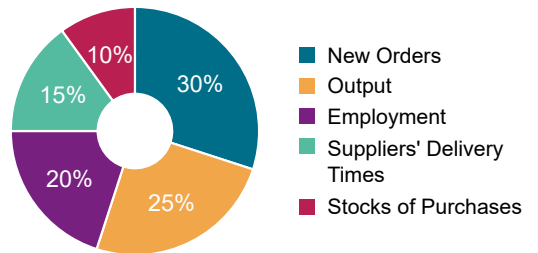
Index interpretation

50.0 = no change since previous month



- | | |
|--------------------------|----------------------------|
| 1 Growth | 6 Decline, from no change |
| 2 Growth, faster rate | 7 Decline, faster rate |
| 3 Growth, same rate | 8 Decline, same rate |
| 4 Growth, slower rate | 9 Decline, slower rate |
| 5 No change, from growth | 10 No change, from decline |

PMI component weights



Sector coverage

PMI data include responses from companies operating in sectors classified according to the following ISIC Rev.4 codes:

A Agriculture, Forestry and Fishing	K Financial and Insurance Activities
B Mining and Quarrying	M Professional, Scientific and Technical Activities
C Manufacturing	N Administrative and Support Service Activities
F Construction	P Education*
G Wholesale and Retail Trade; Repair of Motor Vehicles and Motorcycles	Q Human Health and Social Work Activities*
H Transportation and Storage	R Arts, Entertainment and Recreation
I Accommodation and Food Service Activities	S Other Service Activities
J Information and Communication	

*Private sector

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Stanbic Bank Kenya is a member of the Standard Bank Group, Africa's largest bank by assets. With a solid foundation in Kenya and history spanning over 110 years, Stanbic is one of the top banks operating in Kenya focused on fostering her socio-economic growth wide with a branch network across the country providing services to individuals, businesses and Commercial clients. Standard Bank Group which is the largest financial institution in Africa by Market capitalization, has on-the-ground representation in 20 African countries - making them one of the largest banking networks on the continent. Standard Bank 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.

At Stanbic Bank, we are proudly Kenyan with a clear purpose which is Kenya is our Home, we drive her Growth. This informs everything we do as an organization as we are committed to the growth and development of Kenya, its people and industries. It is with this drive that Stanbic Bank Kenya continues to move forward with its purposeful strategy to drive Kenya's growth by actively seeking opportunities to partner with both Government and private Sector to unlock their potential and contribution to the economy.

Stanbic Bank Kenya provides the full spectrum of financial services. The Consumer and High Net-worth division Stanbic Bank continue to serve the people of Kenya with a range

of personal banking products and solutions. Stanbic Bank also offers Wealth services and product offerings, including insurance, investment, fiduciary, bespoke banking and multi-generational wealth preservation solutions to high net worth individuals, retail, business, commercial, and corporate clients across the Bank's footprint.

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 oil, gas and renewables; power and infrastructure and agriculture.

With regard to Business and Commercial unit, Stanbic Bank Kenya offers banking and other financial services to medium-sized enterprises and high value small businesses. 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).

<http://www.stanbicbank.co.ke>

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We are widely sought after by many of the world's leading organizations to provide credit ratings, benchmarks, analytics and workflow solutions in the global capital, commodity and automotive markets. With every one of our offerings, we help the world's leading organizations plan for tomorrow, today.

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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.

ihsmarket.com/products/pmi.html

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