

Embargoed until 1030 EAT (0730 UTC) 5 January 2022

Stanbic Bank Kenya PMI™

New business growth quickens to 14-month high, despite record-low optimism

Key findings

Output and new order growth accelerate further

Employment and purchasing continue to rise

Business confidence drops to eight-year series low

Data were collected 6-21 December 2021.

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

PMI

sa, >50 = improvement since previous month



Sources: Stanbic Bank, IHS Markit.

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.

Comment

Kuria Kamau, Fixed Income and Currency Strategist at Stanbic Bank commented:

"Economic activity ended the year on a relatively high note as evidenced by the PMI reading that was at a 14-month high. Both domestic and export demand expanded rapidly on account of fewer public health restrictions locally and around the world. Export firms particularly noted increased demand from Europe and parts of Africa. To meet the rising demand, firms increased their level of output at the fastest rate since the start of 2021 which resulted in a reduction in work backlogs. Despite this, the 12-month outlook as reported by firms fell to the lowest level on record with most firms expecting business conditions to remain largely the same in 2022."

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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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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.

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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