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# 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

Data were collected 12-29 March 2021.

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.

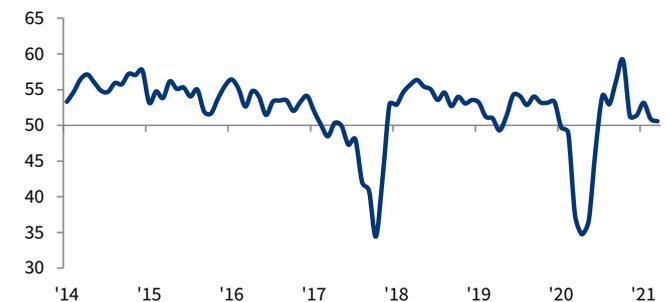
The headline figure derived from the survey is the Purchasing Managers' Index™ (PMI™). Readings above 50.0 signal an improvement in business conditions on the previous month, while readings below 50.0 show a deterioration.

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

### PMI

sa, >50 = improvement since previous month



Sources: Stanbic Bank, IHS Markit.

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.

## Comment

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

*“This month’s reading indicates a marginal improvement in business activity before the new public health restrictions were announced. Demand growth was negatively affected by a resurgence in COVID-19 which resulted in households conserving cash and prioritizing spending to essential items. Output prices continued to rise, driven by higher input prices, and employment levels increased to clear backlogs of work. Firms’ outlook for output worsened on account of the resurgence in COVID-19 which is expected to affect demand.”*

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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.

March data were collected 12-29 March 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://www.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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