News Release

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Stanbic Bank Kenya PMI™

Business conditions improve at weaker rate in June

Key findings

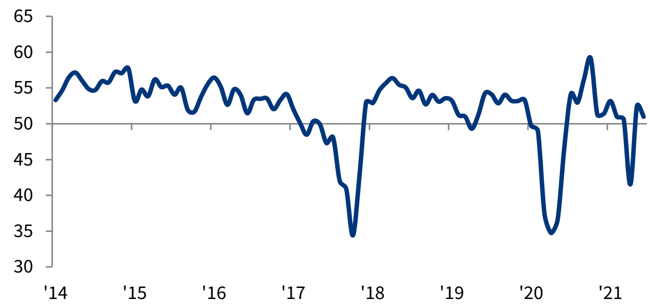
Output and new order growth slip from May

Marginal rise in employment as backlogs creep up

Outlook nears record low

PMI

sa, >50 = improvement since previous month



Sources: Stanbic Bank, IHS Markit.

Data were collected 11-28 June 2021.

The latest PMI survey data indicated a second consecutive monthly improvement in the health of the Kenyan private sector in June. The upturn was supported by further rises in output and new orders, although rates of growth slipped from May. Hiring activity continued as firms faced a renewed increase in backlogs, while there were additional efforts to build inventories ahead of predicted sales growth. However, concerns about further COVID-19 restrictions meant that the business outlook slipped to the second-weakest in the series history.

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 from 52.5 in May to 51.0 in June, indicating a sustained, but weaker, expansion in the Kenyan private sector economy. Four of the five sub-components of the PMI gave a negative directional influence, the exception being the Stocks of Purchases Index which ticked higher.

Output at Kenyan companies continued to rise at the end of the second quarter, but only at a modest pace. Survey panellists found that an improvement in customer demand and greater cash flow supported overall growth.

New orders also increased in June, but to a lesser degree than in May. A similar trend was seen for export sales, as firms noted a rise in demand from European clients.

A sustained upturn in new orders provided fresh capacity pressures, leading to the first increase in outstanding work in four months. Firms subsequently added to their workforce numbers, although the rate of job creation slowed from the previous month and was marginal.

Purchasing of inputs also expanded during June, with firms often reporting efforts to build inventories in anticipation of higher new order inflows. Meanwhile, suppliers' delivery times were shortened to the greatest extent since last October.

Rising fuel costs and increased raw material demand drove another solid increase in purchase prices in June. Firms also saw a rise in staff costs for the second month running, albeit only a marginal one. Overall input cost inflation was unchanged from May, leading businesses to raise their selling charges in a bid to sustain profit margins.

Finally, the outlook for business activity in 12 months' time worsened in June and was almost level with the series nadir recorded in April. Despite expansion plans bolstering confidence, concerns about future COVID-19 restrictions drove widespread hesitancy, with nearly four-fifths of respondents expecting no change in output.

Comment

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

"The pace of the recovery slowed in June following the strong improvement witnessed in May when some of the stringent public health restrictions were lifted. Both domestic and export demand increased on account of higher customer numbers and increased cash circulation; but the increase was at a slower rate than in May. To meet the rising demand, firms increased their purchases, staff costs and output but at a slower rate than demand which resulted in an increase in work backlogs. Interestingly, the surveyed firms' outlook for the economy over the next year worsened after more stringent public health restrictions were imposed on 13 counties."

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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.

June data were collected 11-28 June 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.