News Release

**Purchasing Managers' Index™**
**MARKET SENSITIVE INFORMATION**
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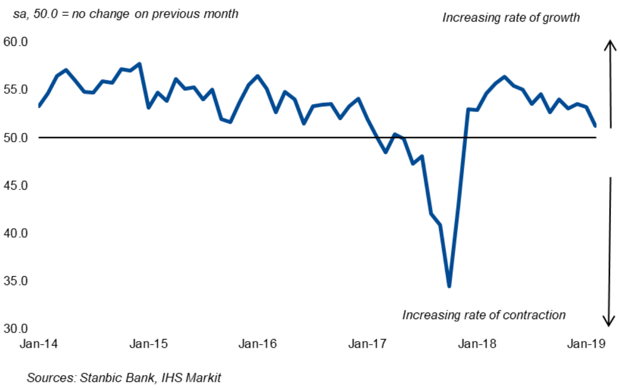
# Stanbic Bank Kenya PMI™

## Growth at Kenyan firms slows in February

### Data collected 12-26 February

- Output and new orders rise at softer rates
- Selling prices broadly unchanged
- Employment increases at quickest pace since October

**Stanbic Bank Kenya PMI**




Operating conditions in Kenya's private sector economy improved at a weaker rate in February, as firms reported softening output and new order growth. Purchasing quantities also increased at a slower rate, but employment growth accelerated to a four-month high. On the price front, output charges were broadly unchanged for the first time in over a year, as input prices rose at a softer pace.

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 53.2 in January to 51.2 in February, signalling only a modest improvement in the health of the Kenyan private sector economy. This also marked the lowest reading since November 2017 when conditions last deteriorated.

**Commenting on February's survey findings, Jibran Qureishi, Regional Economist E.A at Stanbic Bank said:**

*"The first quarter of the year is usually associated with dry weather conditions and hence it is not surprising that the PMI is falling. This is more of a cyclical trend and as the long rains commence towards March and April, activity generally tends to recover boosting domestic demand. That being said, on a positive note, new export orders remained robust in February courtesy of the valentine flower sales to Europe. This subsequently lent support to the Kenya Shilling."*

### The main findings of the February survey were as follows:

Contributing to the fall in the headline figure, new order growth slowed considerably in February to the weakest in the current sequence of expansion. Moreover, over 25% of firms saw a fall in sales amid softer customer demand.

This did not extend to foreign sales though, as new export order growth remained sharp and edged up to a four-month high. In particular, anecdotal evidence pointed to greater trade with Tanzanian businesses.

Nevertheless, a weaker rise in overall demand instigated slower output growth at Kenyan firms in February. The rate at which activity increased was the least marked in 15 months, with some panellists reducing output due to cash flow problems and unfavourable weather conditions.

At the same time, purchasing quantities rose at a slower rate, leading to a weaker increase in stocks of inputs. That said, employment continued to grow at a moderate rate, with companies hiring both permanent and casual workers in February. This led to a third consecutive decline in backlogs, although firms also linked this with the softer rise in new orders.

Selling prices charged by Kenyan private sector firms were broadly unchanged in February, following 14 months of successive increases. Some firms that saw sales decline reported lowering their prices to attract new customers. This was counterbalanced by firms that raised prices due to higher input costs.

Input prices increased solidly midway through the first quarter, although **at** the slowest pace for 16 months. Firms reported cooling inflationary pressures from purchase prices. That said, some firms highlighted increases in food and raw material charges, as well as the impact of taxation on input costs.

Meanwhile, staff wages rose at a moderate and faster rate than in January, owed to higher living costs and employees working overtime.

-Ends-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## Note to Editors:

The Stanbic Bank Kenya Purchasing Managers' Index™ is based on data compiled from monthly replies to questionnaires sent to purchasing executives in approximately 400 private sector companies, which have been carefully selected to accurately represent the true structure of the Kenyan economy, including agriculture, mining, manufacturing, services, construction and retail. The panel is stratified by Standard Industrial Classification (SIC) group, based on industry contribution to GDP. Survey responses reflect the change, if any, in the current month compared to the previous month based on data collected mid-month. For each of the indicators the 'Report' shows the percentage reporting each response, the net difference between the number of higher/better responses and lower/worse responses, and the 'diffusion' index. This index is the sum of the positive responses plus a half of those responding 'the same'.

The Purchasing Managers' Index (PMI™) is a composite index based on five of the individual indexes with the following weights: New Orders - 0.3, Output - 0.25, Employment - 0.2, Suppliers' Delivery Times - 0.15, Stock of Items Purchased - 0.1, with the Delivery Times index inverted so that it moves in a comparable direction.

Diffusion indexes have the properties of leading indicators and are convenient summary measures showing the prevailing direction of change. An index reading above 50 indicates an overall increase in that variable, below 50 an overall decrease.

IHS Markit do not revise underlying survey data after first publication, but seasonal adjustment factors may be revised from time to time as appropriate which will affect the seasonally adjusted data series. Historical data relating to the underlying (unadjusted) numbers, first published seasonally adjusted series and subsequently revised data are available to subscribers from IHS Markit. Please contact economics@ihsmarkit.com.

**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

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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. To learn more go to ihsmarkit.com/products/pmi.