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# Stanbic Bank Kenya PMI™

## Growth resumes in Kenya's private sector in May

### Key findings

Business conditions improve after deterioration in April

Solid rise in new orders

Future output expectations near five-year high

Kenyan private sector firms saw a renewed improvement in operating conditions in May, after April survey data recorded the first deterioration since late-2017. Firms enjoyed a solid rise in new business, but increased output only slightly. Input cost inflation climbed markedly to the sharpest in seven months, prompting firms to raise output prices at the quickest pace this year so far. Looking ahead, the business outlook for output climbed to the highest for nearly five years.

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 reading rose from 49.3 in April to 51.3 in May to signal a modest uplift in the health of the Kenyan private sector. It was the first increase in the headline index in five months and the fastest improvement in business conditions since January.

Crucially, new orders across the private sector grew solidly midway through the second quarter, after relatively little growth in the previous month. Several panellists reported acquiring new clients, including ones from abroad. That said, export sales increased at the softest rate for 16 months.

With new orders rising, output levels expanded at Kenyan firms in May. However, the increase was marginal and



Sources: Stanbic Bank, IHS Markit.

weaker than that seen throughout the last sequence of growth, which ended in March. This was partly due to continuing cash flow problems in the economy. However, many businesses were still able to raise activity in line with higher demand.

Purchasing activity was also up from the previous month, albeit extending the trend of weakening growth to six months. Notably, many firms held back on purchases as input prices rose at a marked pace. The rate of inflation was the highest since last October, as new taxes such as importation fees on commodities came into effect. Firms responded with the quickest rise in selling charges this year so far.

Meanwhile, Kenyan businesses resumed employment growth, noting a modest rate of job creation after a slight fall in April. Panellists mostly related this to higher demand levels and increasing marketing roles. Despite this, firms were unable to keep up with new orders as backlogs grew at the fastest rate since last September.

Finally, business sentiment climbed in May, reaching the highest in nearly five years. While firms were buoyed by a renewed rise in new orders, they also cited further growth factors over the coming year. Some panellists noted hopes of greater economic stability and fewer cash flow problems, while others looked to plans of new branch openings.

## Comment

Jibran Qureishi, Regional Economist E.A at Stanbic Bank commented:

*"Activity in the Kenyan private sector recovered in May after the agriculture sector slowdown witnessed over the past couple of months. However, both input and output costs rose sharply in May perhaps due to higher power and transport costs. In any case, should the government clear arrears owed to the private sector as promised on Madaraka day, private sector activity could benefit from a huge boost."*

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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.

May 2019 data were collected 13-29 May 2019.

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. To learn more go to [ihsmarkit.com/products/pmi.html](http://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

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