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## Stanbic Bank Kenya PMI™

### Kenya ends 2019 on solid growth path despite weak rise in business activity

#### Key findings

New orders grow sharply in December

Output rises only marginally amid weather disruption

Lead times lengthen for first time in almost five years

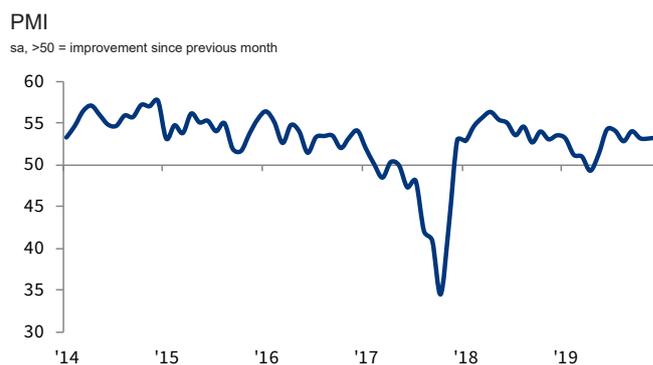
The latest PMI survey signalled a solid improvement in the Kenyan private sector economy, despite some headwinds at the end of the year. Sales growth remained sharp, but output increased only slightly as heavy rains delayed activity and input deliveries. Suppliers thus raised prices at a faster pace, while cost-cutting measures meant that job numbers grew at the weakest rate in seven months.

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.

Posting at 53.3 in December, the headline PMI indicated a solid improvement in business conditions, and one that was stronger than the average for 2019 (52.6). Moreover, with a reading of 53.2 in both October and November, growth throughout the fourth quarter has remained stable.

New orders increased at a sharp and slightly quicker pace during December. Businesses found that new projects and increased referrals from clients drove the overall upturn. New export orders also rose at a steep rate, due to greater demand from European clients. However, while overall sales growth improved from November, it was still one of the slowest in the second half of 2019.

Kenyan firms saw some disruption to business activity in December. Output growth was marginal overall, as a number of panellists commented on cash flow problems



Sources: Stanbic Bank, IHS Markit.

and poor weather conditions. In particular, heavy rains made some roads inaccessible, leading to the first slowdown in delivery times for nearly five years.

With new orders outpacing activity, firms saw a solid rise in backlogs during December. Job numbers were subsequently raised, albeit at the softest rate in seven months. Notably, some companies reduced their workforces as part of cost-cutting measures.

Meanwhile, output prices increased for the first time in three months in December. The uptick was marginal overall, and attributed to higher cost burdens. In fact, the rate of input cost inflation climbed to a four-month high, mainly due to suppliers raising their charges amid disruption from heavy rains.

Purchasing activity grew sharply at the end of the year, although the rate of expansion eased back for the fourth month running. As a result, stock levels also increased at a softer pace.

After falling to a near three-year low in November, the outlook for business activity improved only slightly in December. Where firms gave a positive forecast, this was attributed to new products, branch openings and advertising efforts.

## Comment

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

"Heavy rains towards the end of the year has somewhat disrupted trade due to complications associated with transporting goods. Of course, these rains could subsequently prove to be positive for the tea sector over the coming year. That being said, private sector arrears should be the main priority for the government in order to alleviate severe cash flow shortages which firms are grappling with."

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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 5-19 December 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

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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