

Embargoed until 1030 EAT (0730 UTC) 3 December 2021

Stanbic Bank Kenya PMI™

PMI rises to ten-month high in November

Key findings

Fastest rises in output and new orders since May

Employment growth at two-year high

Weakest improvement in supplier performance for 18 months

Data were collected 12-26 November 2021.

The Kenya PMI™ pointed to a resurgence of growth across the private sector economy in November, as firms enjoyed a sharp increase in demand through the lifting of curfew measures. Stronger rises in output and new orders contributed to the fastest uplift in employment for two years, which helped firms to reduce their backlogs.

However, input costs continued to rise at a sharp pace, driving the quickest increase in selling prices since the beginning of the year, whilst confidence in future output remained historically weak.

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 latest reading of 53.0 in November was up from 51.4 in October to a ten-month high, signalling a solid upturn in the health of the private sector economy.

New orders rose steeply and at the fastest rate since May, which businesses often related to an increase in demand from the lifting of night-time curfew measures. This led to a solid upturn in activity that was also the strongest seen for six months.

Sector data suggested that the expansion was largely driven by the construction, services and wholesale & retail sectors. By contrast, agriculture and manufacturing

PMI

sa, >50 = improvement since previous month



Sources: Stanbic Bank, IHS Markit.

posted a decline in output.

Meanwhile, private sector employment was reportedly boosted by higher sales, with latest data signalling the quickest rise in job numbers for exactly two years. The increase in staff capacity allowed firms to reduce their backlogs for the first time since May.

Input purchasing also rose to a greater extent in November, particularly as some businesses looked to stockpile goods amid expectations that demand will improve. However, there were increased reports of delays to supplier deliveries amid freight slowdowns and supply shortages. Subsequently, the overall improvement in vendor performance was the weakest in one-and-a-half years.

Supply shortfalls also contributed to a sharp rise in purchase prices during November, which panellists found was exacerbated by exchange rate weakness and higher taxes. Wage inflation and rising fuel prices meanwhile added to another marked increase in overall costs. The uptick in expenses led companies to raise their output charges at the fastest pace since January.

Despite a solid improvement in business conditions, output forecasts remained subdued in November, with just over a quarter of firms expecting activity to rise over the coming year.

Comment

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

"Business activity in November expanded at the fastest rate in 10 months following the lifting of the 10pm to 4am curfew. Domestic demand increased rapidly in response to the lifting of the curfew, with the main beneficiaries being firms in services, trade and construction. Firms, in turn, increased their output significantly to meet the rising demand ahead of the festive period, resulting in the first reduction in work backlogs in the past 5 months.

"To achieve the higher output, firms ramped up their purchases and staff levels at record rates. Employment levels, in particular, rose at the fastest pace in exactly 2 years. Output prices, meanwhile, rose at the fastest pace since the start of the year as firms passed on their higher input and energy costs. Additionally, the 1-year outlook as reported by firms continues to remain near historical lows despite a slight improvement in November."

Contact

Stanbic Bank

Kuria Kamau
 Fixed Income and Currency
 Strategist
 Tel: +254 (020) 363 8931
KamauE@stanbic.com

Catherine Ngina Njoroge
 Marketing and Communications
 Tel: +254 722 664 992
NjorogeC@stanbic.com

IHS Markit

David Owen
 Economist
 T: +44-1491-461-002
david.owen@ihsmarkit.com

Joanna Vickers
 Corporate Communications
 T: +44-2072-602-234
joanna.vickers@ihsmarkit.com

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.

November data were collected 12-26 November 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.

Disclaimer

The intellectual property rights to the data provided herein are owned by or licensed to IHS Markit. Any unauthorised use, including but not limited to copying, distributing, transmitting or otherwise of any data appearing is not permitted without IHS Markit's prior consent. IHS Markit shall not have any liability, duty or obligation for or relating to the content or information ("data") contained herein, any errors, inaccuracies, omissions or delays in the data, or for any actions taken in reliance thereon. In no event shall IHS Markit be liable for any special, incidental, or consequential damages, arising out of the use of the data. Purchasing Managers' Index™ and PMI™ are either registered trade marks of Markit Economics Limited or licensed to Markit Economics Limited. IHS Markit is a registered trademark of IHS Markit Ltd. and/or its affiliates.

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. 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.

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.

IHS Markit is a registered trademark of IHS Markit Ltd. and/or its affiliates. All other company and product names may be trademarks of their respective owners © 2021 IHS Markit Ltd. All rights reserved.

If you prefer not to receive news releases from IHS Markit, please email joanna.vickers@ihsmarkit.com. To read our privacy policy, click [here](#).