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Stanbic Bank Kenya PMI™

Output collapses in April amid stricter lockdown measures

Key findings

Output falls markedly, driven by weaker new orders

Business expectations hit record low

Employment, purchases and inventories decline

Data were collected 12-28 April 2021.

The Kenyan economy suffered a sharp contraction during April, as the latest PMI survey data indicated the first declines in activity and new business since June 2020. The partial lockdown in five counties including Nairobi, and increased curfew hours, had a considerable impact on movement and demand, with the decrease in new orders the most marked since May last year.

Subsequently, employment numbers, input purchases and inventories were all lowered, but cost pressures continued to rise due to higher fuel prices and supply shortages. Meanwhile, the outlook for future activity weakened to the lowest seen since the survey began in 2014.

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 sharply below the 50.0 neutral value in April, posting 41.5 to indicate a marked deterioration in business conditions. The index was down from 50.6 in March and at its lowest reading since May 2020.

Increased restrictions on businesses in several counties meant that output levels fell at a severe rate during April, as roughly 43% of respondents saw an overall decline.

PMI

sa, >50 = improvement since previous month



Sources: Stanbic Bank, IHS Markit.

New business also decreased markedly, and at a pace beginning to approach those seen in the first half of 2020 during the initial COVID-19 lockdown.

As a result, firms cut employment numbers for the first time in seven months and reduced backlogs at a quicker rate compared to March. Input buying was also lowered, contributing to a solid contraction in overall inventories.

At the same time, input costs rose sharply due to an increase in fuel prices and raw material shortages linked to global supply issues. While this led to a fourth successive rise in output charges, the rate of inflation eased to the weakest seen in this sequence as several businesses offered discounts to try to improve sales.

With demand for inputs falling, supply chain performance improved again in April as vendors had fewer deliveries to make. However, lockdown restrictions led to delays for a number of firms, with the overall reduction in lead times the slowest for 11 months.

Companies were notably less confident about future output growth in April as a result of the severe impact of lockdown measures. The degree of optimism for the forthcoming 12 months fell to the weakest seen since the survey began in 2014, with just over one-in-five respondents predicting an expansion in output.

Comment

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

“Business activity contracted in April following the re-imposition of more stringent public health restrictions at the end of March. The increased restrictions resulted in lower demand which forced firms to cut back on output and spending on inputs. Despite a continued rise in input prices driven by higher global commodity prices, several firms offered discounts to customers to try improve sales. The 12-month outlook for business conditions fell to the lowest level since the survey started in 2014.”

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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.

April data were collected 12-28 April 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.

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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.

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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