

Embargoed until 1030 EAT (0730 UTC) 6 May 2019

Stanbic Bank Kenya PMI™

Business conditions deteriorate for first time since November 2017

Key findings

PMI below 50.0 as activity drops in April

New order growth slips

Employment declines slightly

Kenya's private sector economy suffered a hit to operating conditions in April, as activity and employment declined for the first time in 17 months in the wake of poor weather conditions and intensifying cash flow issues. New orders were also broadly unchanged from March after continuous growth since the end of 2017.

Firms were thus led to reduce output prices, also for the first time in 17 months. Input prices rose at a quicker pace though, as drier than expected weather inflated commodity prices.

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.

From 51.0 in March, the headline PMI slipped below the neutral 50.0 threshold to post 49.3 in April. This marked the first time in nearly one-and-a-half years that the series has fallen into contraction territory, signalling a slight deterioration in business conditions. It was also the fourth successive drop in the headline reading.

Driving the deterioration at Kenyan businesses was a marginal decline in activity in April. Some companies were affected by dry weather during the normal "long rains" season, leading to a reduction in agricultural output. In addition, many firms cited issues with money circulation in the economy which had a notable impact on activity

PMI

sa, >50 = improvement since previous month



Sources: Stanbic Bank, IHS Markit.

levels.

Cash flow issues were also noted by many firms reporting falling new orders in April. As such, private sector sales were broadly unchanged from March, ending a 16-month period of growth. New export orders were seemingly unaffected though, with latest data pointing to another sharp rise in sales from abroad.

Weakness around output and new orders led firms to reduce employment slightly in April, the first fall in job numbers since late-2017. Purchasing activity and stock levels continued to rise, albeit at a weaker pace than in March.

Input price inflation in the private sector economy reversed its recent trend, accelerating for the first time in seven months. This was mostly due to a faster increase in purchasing costs led by higher commodity prices as a result of drier weather conditions. Firms also noted a rise in fuel prices in the latest survey.

At the same time, output charges at Kenyan firms dropped, as firms looked for new customers whilst sales growth slid to a halt.

Nevertheless, business sentiment remained strongly positive in April, dipping only slightly from March's 54-month high. Firms related their optimism to plans to improve efficiency and expand into new markets over the coming year.

Comment

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

"Given the delays in the long rains, the planting season for majority of farmers has been negatively impacted. Additionally, the dry spell reduced tea production without resulting in an increase in prices, due to the fact that globally tea supply has substantially increased. Granted, the long rains have started now, however private consumption is always also dragged lower during periods where the weather is poor owing to the high dependence on the agrarian sector.

"Furthermore, various panellists continue to lament a lack of 'money circulation' which is creating cash flow issues. Clearly, the government isn't adequately addressing the arrears issue owed to the private sector."

Contact

Stanbic Bank

Jibran Qureishi
 Regional Economist E.A, Global Markets
 T: +254 20 363 8138
jibran.qureishi@stanbic.com

Willis Angira
 Communications Manager
 T: +254 (20) 3268 257
willis.angira@stanbic.com

IHS Markit

David Owen
 Economist
 T: +44-2070-646-237
david.owen@ihsmarkit.com

Joanna Vickers
 Corporate Communications
 T: +44-207-260-2234
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.

April 2019 data were collected 10-26 April 2019.

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. To learn more go to 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 (Nasdaq: 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 © 2019 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](#).