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Stanbic Bank Kenya PMI™

Output expectations soar to record high in June

Key findings

Business outlook overwhelmingly positive

Output and new orders increase sharply

Employment growth reaches 30-month high

June survey data pointed to a marked improvement in the health of Kenya's private sector, as businesses drove up activity in line with an accelerated rate of growth in new business. Firms also recorded a sharp increase in workforce numbers, while expectations for output over the coming year improved to the highest in the survey history.

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.

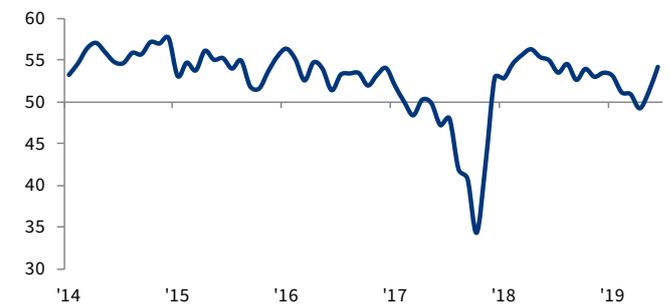
The index posted at 54.3 in June, climbing up 3 index points from 51.3 in May to the highest reading in ten months. Overall, this signalled a steep improvement in operating conditions at Kenyan private sector businesses. Positive movements were recorded in all five sub-indices contributing to the headline figure.

Firms enjoyed a sharp increase in new orders during the month. The rise was reportedly driven by demand from both domestic and external markets, with a number of panellists noting a widening of their client base. Some also mentioned an easing of cash flow issues over the past few months. Overall, sales grew at the fastest rate in the year so far.

As such, there was a strong expansion in output levels in June, with the rate of growth increasing markedly from

PMI

sa, >50 = improvement since previous month



Sources: Stanbic Bank, IHS Markit.

May to a five-month high. This fed through into a solid increase in staff numbers that was the quickest seen in two-and-a-half years.

Furthermore, business confidence for future output strengthened considerably in June, with latest data signalling the highest level of optimism in the survey's history. Alongside the sharp increase in new orders, firms stated that new government spending plans should help business growth over the year. Many panellists also reportedly intend to open new branches in the near future.

Meanwhile, increased output growth during June led Kenyan companies to raise input purchases. The rate of expansion was the quickest recorded since last November, leading to a sharp rise in stock levels. Demand for inputs also placed extra pressure on suppliers. While delivery times shortened overall, they did so at the softest pace in over one-and-a-half years.

At the same time, purchasing costs rose at the sharpest rate in eight months. Firms highlighted a number of inflationary effects, such as higher taxes, fuel hikes and increased input demand. Wages also grew, but at only a moderate rate.

As a result, overall input costs continued to rise steeply, forcing a number of companies to raise their output charges in order to maintain profit levels. That said, the full mark-up in selling prices was only modest.

Comment

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

"The Stanbic Bank PMI recovered to a ten month high in June, reflecting the upbeat sentiment from private sector firms mainly due to the government releasing payments owed to both contractors and suppliers as well VAT refunds. Furthermore, the pledge by the President at the Madaraka celebrations to ensure that containers are cleared quicker at the port while the commitment to clear private sector arrears in the FY2019/20 outlined in the budget speech, should underpin economic activity if implemented in the second half of 2019."

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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.

June 2019 data were collected 12-26 June 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.

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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 (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.

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