



# Stanbic Bank Kenya PMI™

## Business activity rises sharply in January

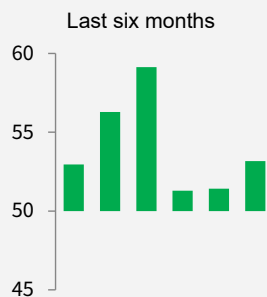
### Key findings

New order growth quickens to three-month high

Strongest optimism since last June

Input cost inflation accelerates after VAT hike

### Kenya PMI



Economic conditions in the Kenyan private sector improved at a solid pace in January, driven by sharp increases in output and new business. Workforce numbers rose at a faster rate, while firms also expressed stronger optimism towards the next year of activity. Inflationary pressures intensified, however, as VAT returned to the level seen before the coronavirus disease 2019 (COVID-19) pandemic.

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 PMI posted 53.2 in January, up from 51.4 in December to the highest reading for three months. The index pointed to a solid improvement in the health of the private sector economy, and the seventh consecutive month of growth since the COVID-19 outbreak.

Output and new orders both rose sharply in the new year, with growth of each quickening to the fastest since last October. Firms highlighted that the reopening of businesses and improved cash flow in the economy helped to generate higher customer spending. Export sales also continued to rise, although the upturn slowed to the weakest for seven months.

Rising levels of new work led to a solid

increase in backlogs during January, encouraging a number of businesses to hire additional staff. Consequently, employment rose at a solid rate that was one of the fastest seen over the past year.

Input cost inflation accelerated in January, mainly due to a hike in VAT to 16% that led many suppliers to increase their prices. Raw material shortages and rising demand for inputs also contributed to an uptick in purchase costs, which rose at the quickest rate since September 2018. Firms often passed on higher costs to clients, with output charges rising at the strongest rate in a year-and-a-half.

Expansions in supplier capacity, and stronger competition among vendors, led to a further shortening of overall delivery times in January. The rate of improvement picked up to a three-month high. Rising purchasing activity, meanwhile, supported a solid increase in inventories, albeit the softest recorded in seven months.

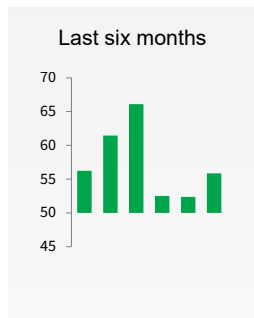
Business expectations for the year ahead improved sharply at the start of 2021, to the strongest since last June. Companies were hopeful of carrying out expansion plans and investing in new capital, amid optimism that the COVID-19 pandemic will end. Over one-in-three surveyed firms predicted a rise in output by January 2022, with the rest giving a neutral outlook.

### PMI

sa, >50 = improvement since previous month



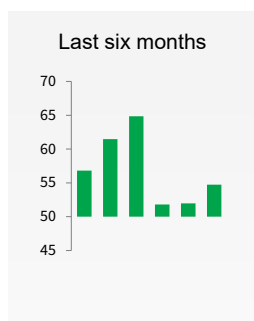
## Output Index



Continuing the run of growth seen since July 2020, the latest data indicated an increase in Kenyan private sector activity in January. The seasonally adjusted Output Index rose to its highest for three months, and was above the series average. Faster output growth was commonly attributed to an upturn in client spending and improved cash flow.



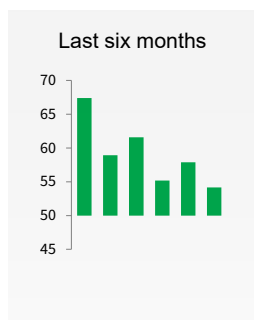
## New Orders Index



New order inflows rose at a faster pace at the beginning of 2021, extending the sequence of growth to a seventh straight month. That said, the increase was slower than the trend level over this period, after having reached a record speed last October. Stronger cash flow in the economy helped to improve demand, according to panellists, in turn linked to the reopening of businesses.



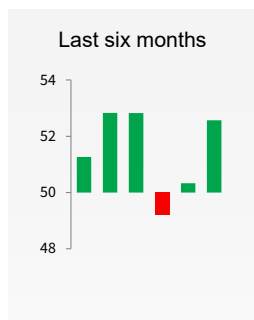
## New Export Orders Index



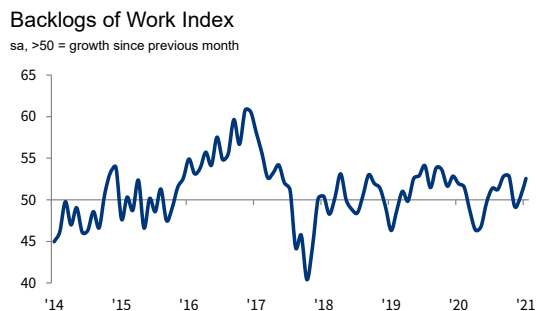
Sales to foreign clients helped to drive growth in the new year, although the rate of increase slowed to the weakest since last June. This was in part due to stricter lockdown measures in some regions such as Europe, leading clients to pause new orders. The latest expansion was broadly aligned with the average seen over the seven-year series history.



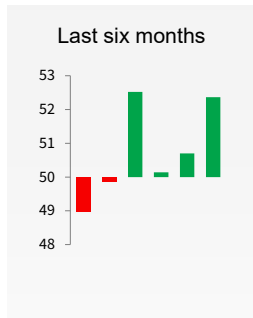
## Backlogs of Work Index



Capacity at Kenyan firms came under pressure during January, as the level of incomplete business rose at a solid rate over the month. Higher backlogs were generally linked to a rise in new work inflows, with some panellists also citing machine breakdowns and delays in the arrival of inputs.



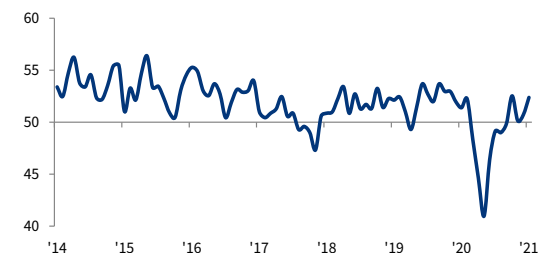
## Employment Index



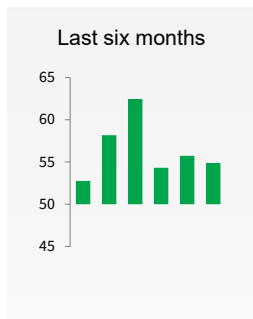
Kenyan businesses added to their workforces for the fourth consecutive month in January. Moreover, the rate of growth quickened from the previous survey period, and was just shy of October's recent high. Increased workloads and backlog volumes were cited as the main factors leading firms to hire new staff.

Employment Index

sa, >50 = growth since previous month



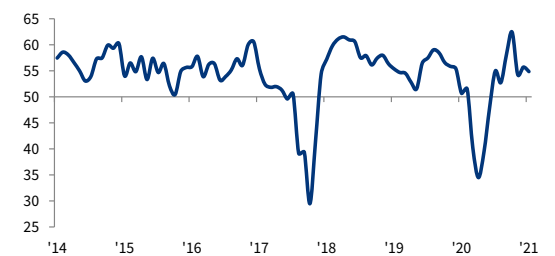
## Quantity of Purchases Index



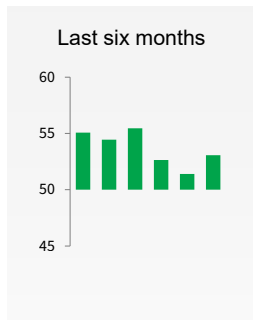
January data indicated a sharp rate of purchasing activity growth, albeit easing slightly from that seen in December. Businesses seeing higher input requirements linked this to a sharp increase in new work. The rate of expansion was marginally stronger than the series average.

Quantity of Purchases Index

sa, >50 = growth since previous month



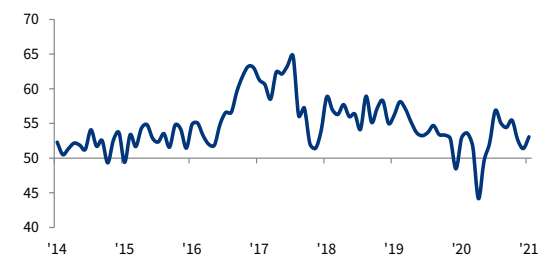
## Suppliers' Delivery Times Index



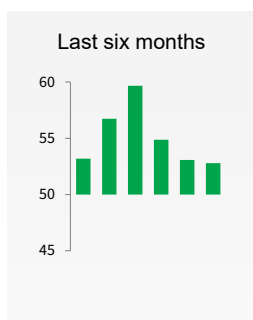
Suppliers' delivery times continued to shorten in the new year, extending the run of improvement to eight consecutive months. Furthermore, the rate of improvement strengthened for the first time since last October. According to respondents, vendors were often able to make quicker deliveries due to higher capacity, more efficient operations and stronger competition from other suppliers.

Suppliers' Delivery Times Index

sa, >50 = faster times since previous month



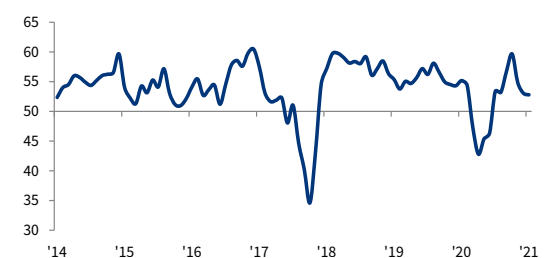
## Stocks of Purchases Index



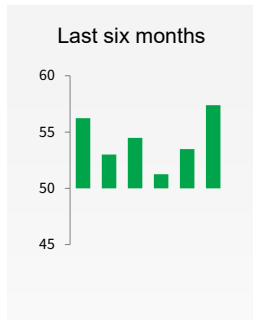
Inventory growth slowed for the third month running in January, to the weakest seen in the current seven-month sequence of expansion. That said, the overall increase in stocks was solid, driven by efforts to complete new orders and in anticipation of a future rise in client sales.

Stocks of Purchases Index

sa, >50 = growth since previous month



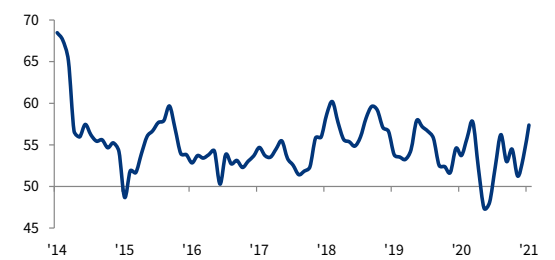
## Overall Input Prices Index



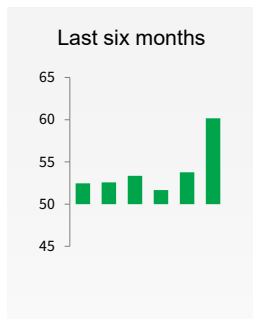
Overall input price inflation accelerated to a ten-month high in January, with exactly 15% of businesses reporting higher prices compared to December. Rising taxation and input shortages were cited as the main factors leading to the uptick. Purchase prices rose sharply over the latest survey period, but staff costs were reduced for the third month running.

Overall Input Prices Index

sa, >50 = inflation since previous month



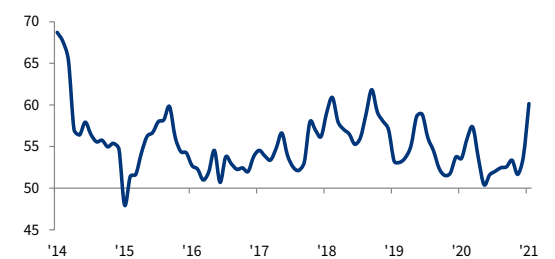
## Purchase Prices Index



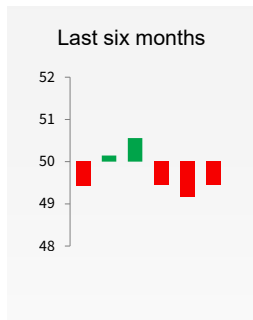
Prices paid for input goods in Kenya soared at the beginning of 2021, largely due to a rise in VAT from 14% to 16%, reversing the cut implemented in April 2020. Shortages of some raw materials added to inflationary pressures, according to panellists. As a result, the seasonally adjusted Purchase Prices Index rose to its highest since September 2018, and indicated a marked rise in purchasing costs.

Purchase Prices Index

sa, >50 = inflation since previous month



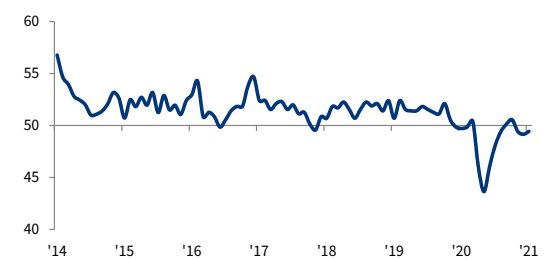
## Staff Costs Index



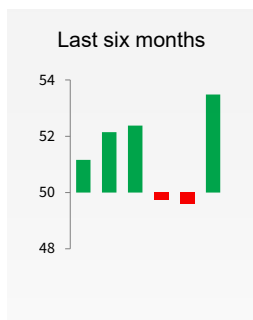
January data signalled another marginal fall in staff costs at Kenyan companies, and the eighth recorded in ten months. Those firms reporting a decrease often lowered salaries due to weak output. That said, the vast majority of respondents (99%) saw no change in payroll costs since December.

Staff Costs Index

sa, >50 = inflation since previous month



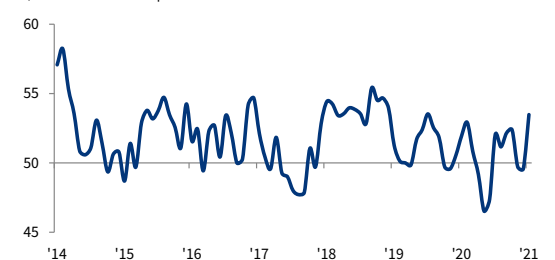
## Output Prices Index



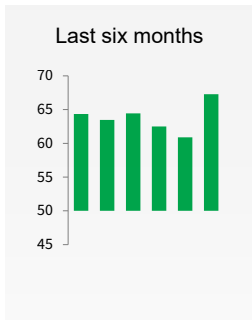
After stagnating towards the end of 2020, output prices rose at a solid pace during January. Moreover, the rate of inflation was the sharpest for a year-and-a-half. Where an increase was recorded, firms mostly linked this to the rise in VAT and associated uptick in input costs.

Output Prices Index

sa, >50 = inflation since previous month



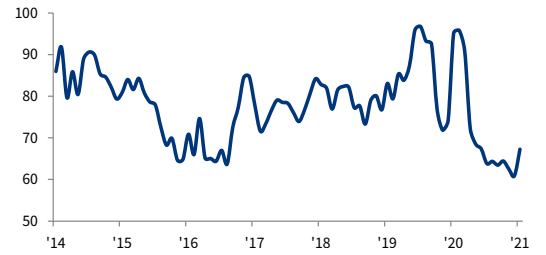
## Future Output Index



Business expectations for the coming 12 months picked up for the first time since last October in January, and to the highest for seven months. Firms often expressed confidence towards expanding their businesses and raising investment, in part due to hopes of a receding of the COVID-19 pandemic. Over one-in-three respondents expect a rise in activity, with the remaining firms giving a neutral outlook.

### Future Output Index

>50 = growth expected over next 12 months

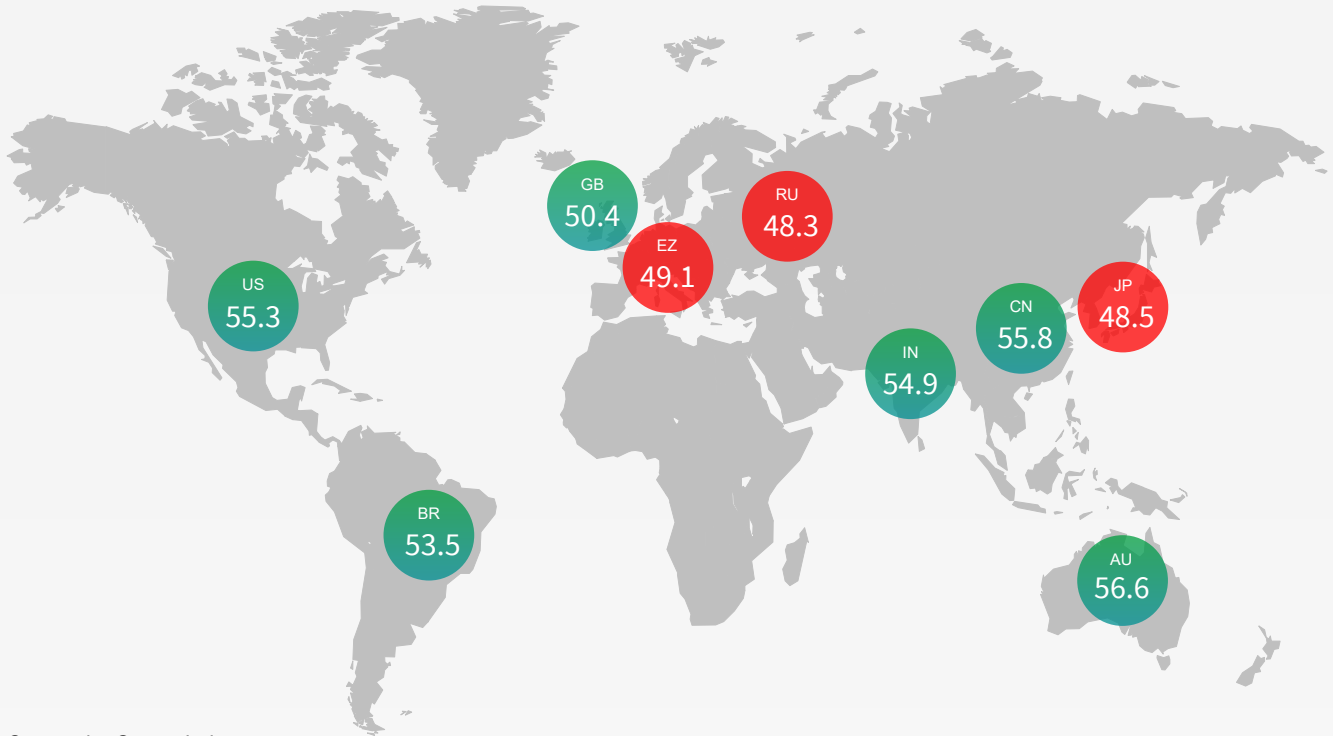


## International PMI

### Composite Output Index, Dec '20

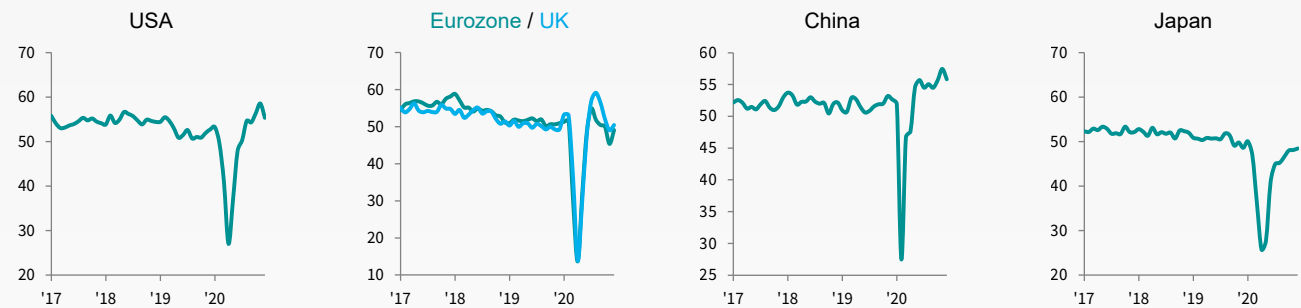
sa, >50 = growth since previous month

The Composite Output Index is a GDP-weighted average of the Manufacturing Output Index and the Services Business Activity Index.



### Composite Output Index

sa, >50 = growth since previous month



## 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.

January data were collected 12-27 January 2021.

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. [ihsmarkit.com/products/pmi.html](https://ihsmarkit.com/products/pmi.html).

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## 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](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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