News Release

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Stanbic Bank Kenya PMI™

Rising living costs stall Kenyan economy in April

Key findings

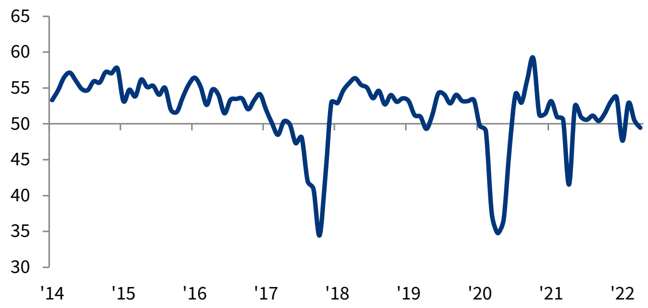
New orders decline amid record rise in selling prices

Purchasing costs continue to rise rapidly

Business confidence hits fresh record low

PMI

sa, >50 = improvement since previous month



Sources: Stanbic Bank, S&P Global.

Data were collected 11-27 April 2022.

Kenyan companies saw a renewed deterioration in business conditions in April, as PMI survey data signalled a decrease in customer demand in response to rising consumer prices and living costs. A solid fall in output was also registered as firms experienced supply shortfalls for a number of items and a near-record rise in input prices. Subsequently, selling charges were raised at the quickest rate in the survey's history, while business confidence dropped to a fresh record low.

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.

For the first time in three months, the headline PMI dropped below the 50.0 no-change mark in April, falling to 49.5 from 50.5 in March.

The decline in operating conditions was underlined by a renewed fall in new order volumes in April. The decrease was often related to clients reducing their spending due to marked increases in selling prices, fuel costs and other living expenses.

Indeed, price gauges remained extremely high during April, driven by increased reports of supply shortages due to the war in Ukraine. Input costs rose to the greatest extent in over eight years. Subsequently, average prices charged by Kenyan firms rose at the sharpest rate since the survey began (in January 2014).

With sales falling, Kenyan businesses reduced their activity for the third time in the past four months in April. The reduction was solid and faster than in March, with declines seen in the construction, agriculture and services sectors.

At the same time, however, firms looked to build buffer stocks of items at risk of being in short supply. Input purchases rose for the third month running, supporting a solid increase in overall inventories.

Employment numbers were also up during April, albeit to a lesser extent than in the previous month. The improvement in staff capacity, alongside lower demand, helped lead to a stabilisation of backlogs of work.

Meanwhile, efforts to secure clients led vendors to reduce lead times further at the start of the second quarter. However, the rate of improvement slid to a marginal pace as delivery schedules were often disrupted by fuel and raw material shortages.

Finally, business confidence regarding future activity dropped to a record low for the second successive month in April. Concerns over rapid price inflation and reduced client spend meant that only 9% of businesses gave a positive outlook.

PMI™ by S&P Global

Comment

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

"Economic activity in Kenya contracted in April due to rising inflation and supply shortfalls that negatively affected consumer demand and firms' output. The Stanbic PMI reading fell below the 50-point neutral mark in Apr to 49.5 from 50.5 in Mar. Domestic demand fell, driven by reduced client spending following significant increases in food and fuel prices. Output prices rose at the fastest rate on record as firms passed on the highest input inflation recorded over the past 8 years. In response to the lower demand, firms reduced their output at the fastest rate since the last round of lockdowns in April 2021. The inflationary pressures have further dimmed the 12-month outlook by firms to a new all-time low in April."

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Methodology

The Stanbic Bank Kenya PMI™ is compiled by S&P Global 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 11-27 April 2022.

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.

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. It's 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.

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We are widely sought after by many of the world's leading organizations to provide credit ratings, benchmarks, analytics and workflow solutions in the global capital, commodity and automotive markets. With every one of our offerings, we help the world's leading organizations plan for tomorrow, today.