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# Stanbic Bank Kenya PMI™

## Steeper downturn in economic conditions in June

### Key findings

Output and new orders fall further

Selling prices rise at record pace

Employment and purchasing drop fractionally

Data were collected 13-28 June 2022.

The Kenya PMI fell further into negative territory in June, as output and new orders continued to decline amid rising price pressures. Input costs increased at a severe rate, driven by higher fuel prices, supply shortages and a strengthening US dollar, leading to a record uptick in firms' selling charges. With demand falling, companies reported slight reductions in their employment and purchases.

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 posted below the 50.0 neutral mark for the third successive month in June, falling to 46.8 from 48.2 in May. The reading was the lowest seen since April 2021 and signalled a solid decline in the health of the Kenyan private sector.

The downturn was led by further contractions in both output and new orders at the end of the second quarter. In both cases, rates of decrease quickened from May. Firms commented that rising price pressures had weighed on client demand, while weaker cash flow and the upcoming elections were also noted as contributing factors.

The downturn in sales was largely concentrated on the manufacturing, construction and wholesale & retail

### PMI

sa, >50 = improvement since previous month



Sources: Stanbic Bank, S&P Global.

sectors in June. By contrast, services firms posted a marginal rise in new business.

Meanwhile, inflationary pressures remained marked at Kenyan companies in June, often reflecting a surge in fuel prices due to the Russia-Ukraine war. A lack of availability of other inputs, a stronger US dollar, higher taxation and increased wages also weighed on business costs, which rose at one of the fastest rates in the series history.

Kenyan firms widely passed higher costs on to their customers in order to protect profit margins. Indeed, output charges rose at a survey-record pace in June.

Weaker client orders led to a further slight reduction in purchasing activity in June, although inventories continued to rise due to stockpiling efforts. At the same time, staffing capacity was down fractionally, leading to a slight increase in backlogs of work.

Kenyan firms meanwhile saw an improvement in average lead times, but one that was only marginal overall. Efforts by vendors to increase their activity were sometimes offset by input shortages.

Finally, expectations for future activity improved for the first time in four months during June, after reaching a record low in May. That said, optimism remained weaker than in any month prior to April amid concerns about the impact of inflation in the economy.

## Comment

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

*"Economic activity in Kenya contracted for the third consecutive month as inflationary pressures continued to weigh on demand by customers and output. Output, and consequently the headline PMI reading, fell to the lowest level since April 2021 when stringent public health restrictions were last imposed. Domestic demand dropped at an accelerated pace with the fastest declines being recorded in manufacturing, construction and trade.*

*"The lower domestic demand along with the increase in input prices, lower cash flows and the upcoming elections forced firms to scale back on output sharply. While the increase in input prices slowed for the second consecutive month, it remains at near record rates with firms pointing to higher fuel prices and supply shortages as the main drivers of the high inflation. Output prices also rose at an unprecedented rate as firms passed on the higher input prices to customers to avoid reporting losses.*

*"Interestingly, while the 12-month outlook by firms remains at near historical lows, it improved to a 3-month high with firms optimistic that new outlets, increased advertising and new products would lead to a recovery in output."*

## 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.

June data were collected 13-28 June 2022.

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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## Contact

### Stanbic Bank

Kuria Kamau  
 Fixed Income and Currency  
 Strategist  
 Tel: +254 (020) 363 8931  
[KamauE@stanbic.com](mailto:KamauE@stanbic.com)

Catherine Ngina Njoroge  
 Marketing and Communications  
 Tel: +254 722 664 292  
[NjorogeC@stanbic.com](mailto:NjorogeC@stanbic.com)

### S&P Global Market Intelligence

David Owen  
 Economist  
 T: +44-1491-461-002  
[david.owen@spglobal.com](mailto:david.owen@spglobal.com)

Joanna Vickers  
 Corporate Communications  
 T: +44-2072-602-234  
[joanna.vickers@spglobal.com](mailto:joanna.vickers@spglobal.com)

## 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).

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