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# Stanbic Bank Kenya PMI™

## Business activity recovers in February after Omicron-led downturn

### Key findings

Output and new orders return to growth

Job numbers dip slightly amid cash flow issues

Input price inflation quickens to 41-month high

Data were collected 10-24 February 2022.

Kenyan businesses saw a renewed expansion in activity during February, as new orders strengthened following a downturn at the start of the year due to the Omicron wave of the pandemic. The fall in infection rates prompted an increase in customer numbers, but cash flow issues meant that employment dropped for the first time in ten months. With input demand rising, alongside increases in tax burdens and global material prices, firms' overall costs grew at the sharpest pace since September 2018.

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 rose above the 50.0 neutral threshold, up from 47.6 in January to 52.9 in February. The index pointed to a solid improvement in the health of the private sector economy, helped by a recovery in business activity as COVID-19 cases continued to fall across the country.

New business levels at Kenyan companies rose sharply in February, as survey panellists commented on a rebound in customer demand and increased marketing efforts. The rate of growth was the second-fastest since October 2020. Export sales rose to a much greater extent than in January, but growth remained weaker than seen in the fourth quarter of last year.

### PMI

sa, >50 = improvement since previous month



Sources: Stanbic Bank, IHS Markit.

The renewed rise in new business meant that output also returned to growth. Manufacturing and agriculture firms experienced the strongest upturns in output during February. By contrast, wholesale & retail was the only sector to see activity decline.

The rise in new orders also underpinned a renewed increase in backlogs at Kenyan firms midway through the first quarter. Nevertheless, with some companies facing cash flow issues following the COVID-led downturn in sales over January, employment numbers were scaled back for the first time in ten months.

Meanwhile, Kenyan firms faced a faster rise in input costs amid reports of increased tax burdens on suppliers and higher fuel prices. The rate of overall input cost inflation was the strongest seen since September 2018. Output charges were raised at a solid pace accordingly.

Despite rising input prices, purchasing activity expanded sharply and at the quickest pace for 16 months. This helped firms to bolster their stocks amid increased confidence that sales would continue to grow.

In relation to this, business optimism surrounding future activity picked up fractionally to the highest since last September. Survey respondents often cited plans to expand into new markets and gain customers through marketing efforts.

## Comment

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

*"Domestic demand recovered strongly in February driven by increased customer numbers following a reduction in COVID-19 cases as well as heightened marketing efforts by firms. Firms responded to the higher demand by increasing their output and quantity of purchases significantly during the month. That said, input prices for firms rose at the fastest rate in 41 months largely due to higher tax burdens and rising energy costs. The recovery in demand allowed firms to increase their output prices at the fastest rate in 3 months to pass on the higher input costs and protect their margins. Finally, while the 12-month outlook by firms rose marginally from January, it is now at a 5-month high as concerns around the COVID-19 pandemic begin to dissipate."*

### 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.

February data were collected 10-24 February 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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### 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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