

CfC Stanbic Bank Kenya PMI™

compiled by markit

Kenyan private sector expansion regains momentum in April

Key findings:

- PMI picks up from five-month low to signal robust improvement in business conditions
- Rebounds in growth of output and new work
- Exports rise at fastest rate in series history

April data pointed to a rebound in growth of Kenya's private sector, following a substantial slowdown at the end of the first quarter. Business conditions improved at a solid pace, helped by sharp expansions in output and new orders. Notably, the rise in total new business was boosted by a survey-record increase in new export work. Growth of purchasing activity also picked up, but the rate of job creation eased slightly. On the price front, charges rose on the back of a sharper increase in input costs.

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.

At 54.8, the seasonally adjusted PMI was consistent with a strong improvement in the health of Kenya's private sector during April. The index had slipped back towards the lows seen in September and October last year during March (52.6), but the latest reading signalled a solid rebound in growth. The improvement in business conditions was broadly in line with that seen on average over 28 months of data collection.

Underpinning faster growth of the sector as a whole were further rises in output and new work. The respective rates of expansion accelerated, having been among the weakest recorded by the survey in March. Panellists indicated that a general improvement in demand conditions had resulted in new

client wins, which led them in turn to raise output.

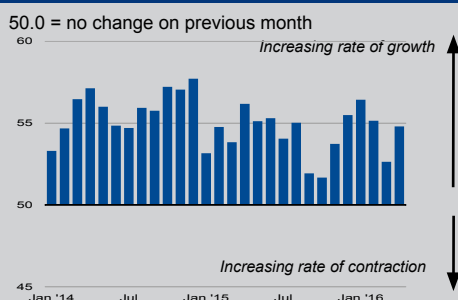
Data showed that higher new export business had also been behind the rise in total new orders during April. The rate of growth picked up to a survey-record high, with firms commenting on stronger client demand in key international markets. In particular, Uganda was mentioned as a source of new work.

Higher output requirements contributed to another rise in purchasing activity by Kenyan private sector companies. The pace of expansion was faster than in March, mirroring the trends seen for activity and new business. Stocks of purchases also rose more quickly.

Another by-product of higher workloads was growth of employment in April. That said, the rate of hiring eased to a six-month low, and was subdued relative to the survey average. With new order growth outpacing that for staffing levels, backlogs of work rose to the greatest extent since the series started in January 2014.

Cost pressures picked up slightly in April. Both salaries and purchase prices rose more quickly than in March. This led to a renewed increase in charges. Reports of competitive pressures that contributed to the previous month's decline were much less prevalent in the latest period.

CfC Stanbic Bank Kenya Purchasing Managers' Index™ (PMI™)



Purchasing Managers' Index

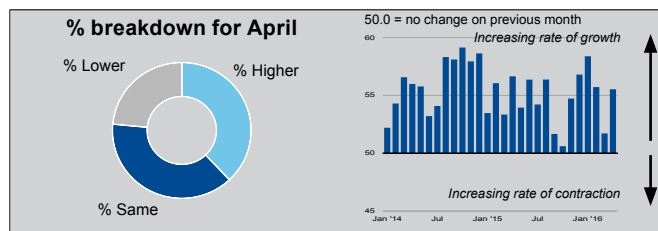
		Unadj.	Seas. Adj.
2016	Feb	56.5	55.2
	Mar	52.5	52.6
	Apr	55.6	54.8

The CfC Stanbic Bank Kenya Purchasing Managers' Index™ (PMI™) is a composite indicator designed to provide an overall view of activity in the Kenyan economy. The indicator is derived from individual diffusion indices which measure changes in output, new orders, employment, suppliers' delivery times and stocks of goods purchased. A reading of the PMI below 50.0 indicates that the economy is generally declining; above 50.0, that it is generally expanding. A reading of 50.0 signals no change. The greater the divergence from 50.0, the greater the rate of change signalled by the index. Purchasing Managers' Index™ and PMI™ are either registered trade marks of Markit Economics Limited or licensed to Markit Economics Limited. CfC Stanbic Bank use the above marks under licence. Markit is a registered trade mark of Markit Group Limited.

Output Index

Q. Please compare your production/output this month with the situation one month ago.

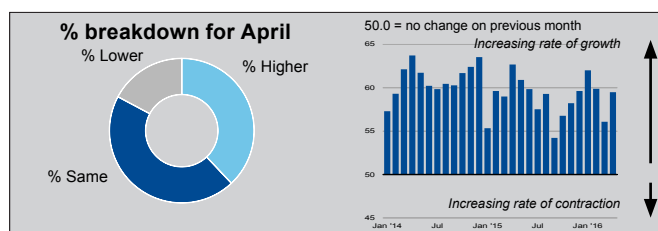
The rate of expansion in Kenyan private sector output rebounded in April. Growth had eased to one of the weakest on record during March, but the latest rise was robust and broadly in line with the series average. Higher activity was signalled by exactly 38% of surveyed firms, with a number of those commenting on new client wins and a general improvement in demand conditions.



New Orders Index

Q. Please compare the level of new orders received this month with the situation of one month ago.

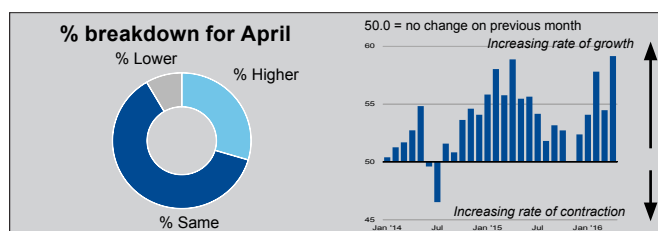
Latest data suggested that underlying client demand had strengthened in April, as new orders increased sharply having risen at the third-slowest pace in the survey's history during March. The rate of growth was broadly similar to the historical average. Exactly 38% of respondents noted an expansion in new work, more than twice the proportion that saw a decline (17%).



New Export Orders Index

Q. Please compare the level of new export orders received this month with the situation of one month ago.

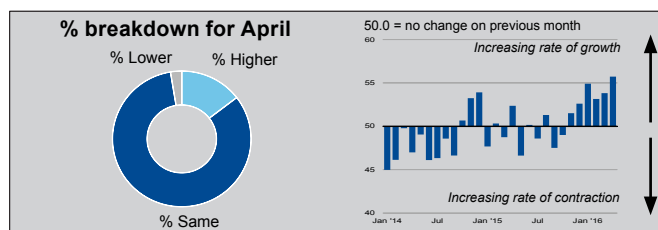
A sharp rise in new export orders bolstered growth of total new work in April. The latest expansion was the fifth in as many months. Moreover, with more than three times as many panellists noting an increase (30%) than a decrease (9%), the rate of growth picked up to a survey-record high. Companies mentioned stronger demand from key international markets, particularly Uganda.



Backlogs of Work Index

Q. Please compare the level of outstanding business in your company this month with the situation one month ago.

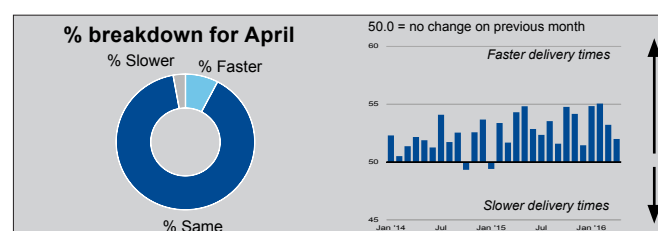
Reflective of the marked increase in new work, volumes of outstanding business in the Kenyan private sector rose at the fastest pace since the survey began in January 2014. Nearly 15% of panel members noted a build-up of unfinished work in April, against just 3% that recorded depletion. Backlogs have now been accumulated in each of the past six months.



Suppliers' Delivery Times Index

Q. Please compare your suppliers' delivery times (volume weighted) this month with the situation one month ago.

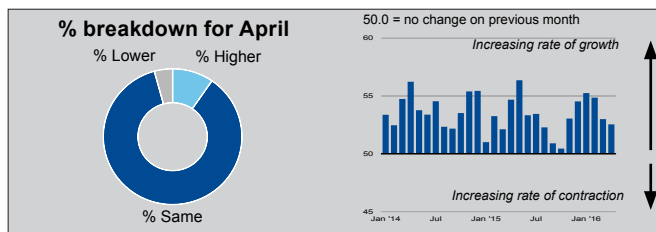
Average lead times shortened for the fifteenth month in a row during April. The extent to which vendor performance improved was only moderate, however, and the weakest since the turn of the year. Some panellists indicated that suppliers had reacted positively to greater demand for inputs. On the other hand, there were also reports of delays prompted by raw material shortages and budgetary constraints at vendors.



Employment Index

Q. Please compare the level of employment at your unit with the situation one month ago.

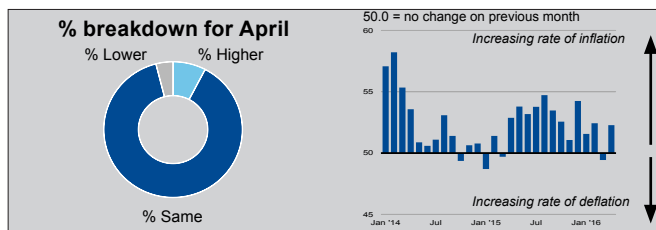
Contrasting with pick-ups in growth of output and new orders, the rate of job creation slowed in April. The latest rise in payroll numbers was the least marked since October last year, with the vast majority of respondents (86%) signalling no change from the prior month. Where hiring was evident, it was generally attributed to higher workloads.



Output Prices Index

Q. Please compare the average prices you charged this month with the situation one month ago.

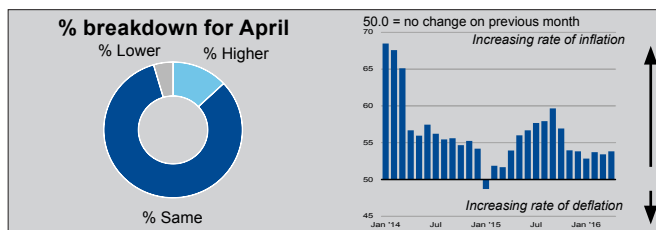
After having fallen for the first time in a year during March, prices charged by Kenyan private sector companies rose at the start of the second quarter. The latest increase was broadly in line with the average over 28 months of data collection. The rise was reportedly a response to higher input costs.



Overall Input Prices Index

Q. Please compare your overall average input prices this month with the situation one month ago.

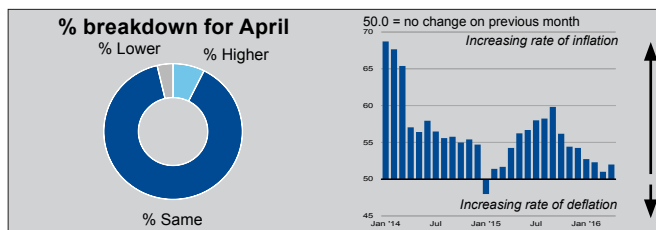
The seasonally adjusted Overall Input Prices Index posted above the neutral 50.0 mark for the fifteenth consecutive month in April. It pointed to the fastest increase in total input costs so far in 2016, with nearly three times as many firms noting a rise than a fall. Both salaries and purchase prices increased more quickly than in March.



Input Costs: Purchase Prices Index

Q. Please compare the price of your purchases (volume-weighted) this month with the situation one month ago.

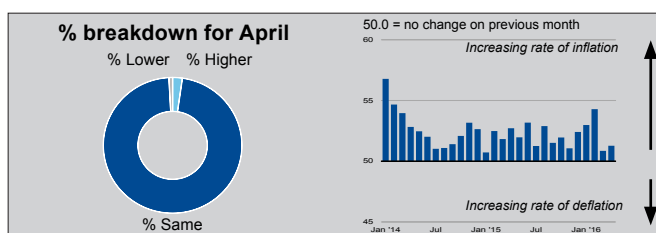
As has been the case in every month since February 2015, purchasing costs in Kenya's private sector rose in April. The rate at which they increased picked up since March, but was still well below the series average. Those firms that registered higher prices commented on rises in raw material and transportation costs.



Input Costs: Staff Costs Index

Q. Please compare the average prices you paid for salaries/wages this month with the situation one month ago.

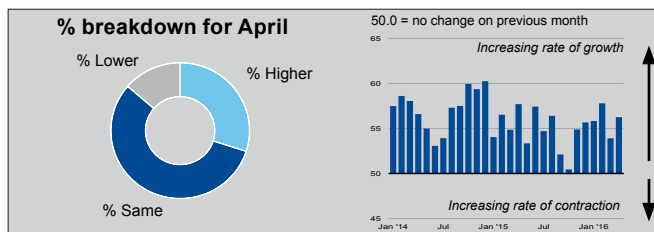
Wages and salaries rose on average in April, continuing the trend observed throughout the survey's history. As well as higher overtime and commission-based payments, companies reported having offered better wages in order to motivate employees to improve their performance. However, with most of the panel (97%) seeing no change in staff costs, the rate of salary growth was only modest overall.



Quantity of Purchases Index

Q. Please compare the quantity of items purchased (in units) this month with the situation one month ago.

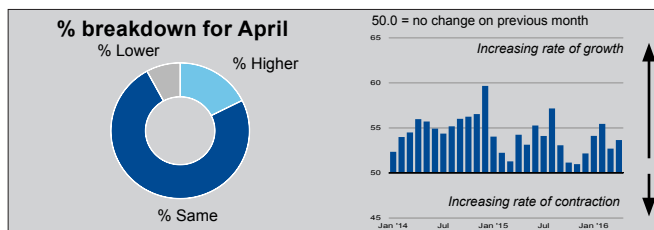
Reflective of the sharper expansion in incoming new work, purchasing activity at Kenyan private sector businesses rose markedly in April. The rate of growth quickened from March's five-month low, and was slightly faster than the overall series trend. Nearly 30% of survey participants noted an increase in input buying, versus 14% that saw a contraction.



Stocks of Purchases Index

Q. Please compare your stocks of purchases (in units) with the situation one month ago.

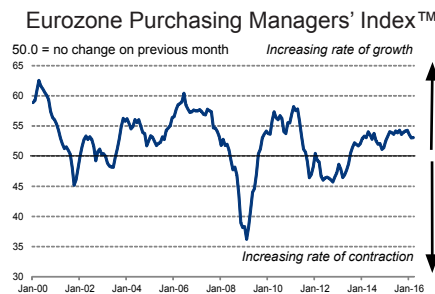
With buying activity rising again, pre-production inventory building was sustained in April. Moreover, the pace of expansion picked up since March, with more than twice as many companies recording a rise (18%) than a fall (8%). The overall improvement in demand was sufficient to lead to another increase in stocks of purchases, according to anecdotal evidence.



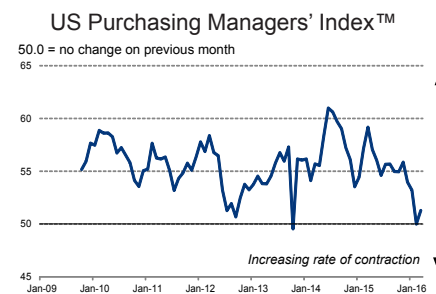
International PMI summary



Sources: Caixin, Markit



Source: Markit



Source: Markit

Caixin China Composite PMI data (which covers both manufacturing and services) signalled a renewed increase in overall Chinese business activity in March, following a slight reduction in February. The composite index posted above the neutral 50.0 mark at 51.3, up from 49.4, and the highest reading in 11 months.

March saw the rate of economic expansion in the euro area improve for the first time in three months. The extent of the acceleration was negligible, however. The Markit Eurozone PMI Composite Output Index posted 53.1 in March, up from 53.0 in February

Adjusted for seasonal influences, the Markit U.S. Composite PMI Output Index registered 51.3 in March, up from 50.0 in February, to signal a return to growth for overall U.S. private sector activity. However, the average index reading in Q1 2016 (51.5) was the weakest seen for any quarter since Q3 2012 (51.3).

Notes on the Data and Method of Presentation

The Purchasing Managers' Index™ is based on data compiled from monthly replies to questionnaires sent to purchasing executives in approximately 400 private sector companies, which have been carefully selected to accurately represent the true structure of the Kenyan economy, including agriculture, mining, manufacturing, construction, retail and services. The panel is stratified by Standard Industrial Classification (SIC) group, based on industry contribution to GDP. Survey responses reflect the change, if any, in the current month compared to the previous month based on data collected mid-month. For each of the indicators the 'Report' shows the percentage reporting each response, the net difference between the number of higher/better responses and lower/worse responses, and the 'diffusion' index. This index is the sum of the positive responses plus a half of those responding 'the same'.

The Purchasing Managers' Index™ (PMI™) is a composite index based on five of the individual indexes with the following weights: New Orders - 0.3, Output - 0.25, Employment - 0.2, Suppliers' Delivery Times - 0.15, Stock of Items Purchased - 0.1, with the Delivery Times index inverted so that it moves in a comparable direction.

Diffusion indexes have the properties of leading indicators and are convenient summary measures showing the prevailing direction of change. An index reading above 50 indicates an overall increase in that variable, below 50 an overall decrease. Markit do not revise underlying survey data after first publication, but seasonal adjustment factors may be revised from time to time as appropriate which will affect the seasonally adjusted data series.

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