

Stanbic Bank Kenya PMI™

compiled by markit

Kenyan private sector stabilises during April

Key findings:

- Headline PMI index posts slightly above the 50.0 no-change threshold in April
- Business activity increases for the first time in three months
- Sharper increase in new orders

Following a deterioration in March, conditions in the Kenyan private sector broadly stabilised in April. A renewed increase in business activity, albeit marginal, and a sharp rise in new orders were central to the upturn in the health of the private sector. In response to higher output requirements, firms increased their payroll numbers at a modest pace amid reports of continued pressure on operating capacity. On the price front, charges rose modestly amid continued cost pressures.

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 50.3, up from March's record low of 48.5, the seasonally adjusted PMI signalled a stabilisation in Kenyan private sector business conditions. Although above the 50.0 no-change mark, the latest figure was still the third-lowest recorded since the inception of the series in January 2014.

The rise in the headline index was supported by a return to growth of business activity, following two successive months of decline. However, the rate of expansion was marginal overall. Anecdotal evidence highlighted improved underlying demand and favourable economic conditions.

Underpinning the increase in output was a sharp rise in new

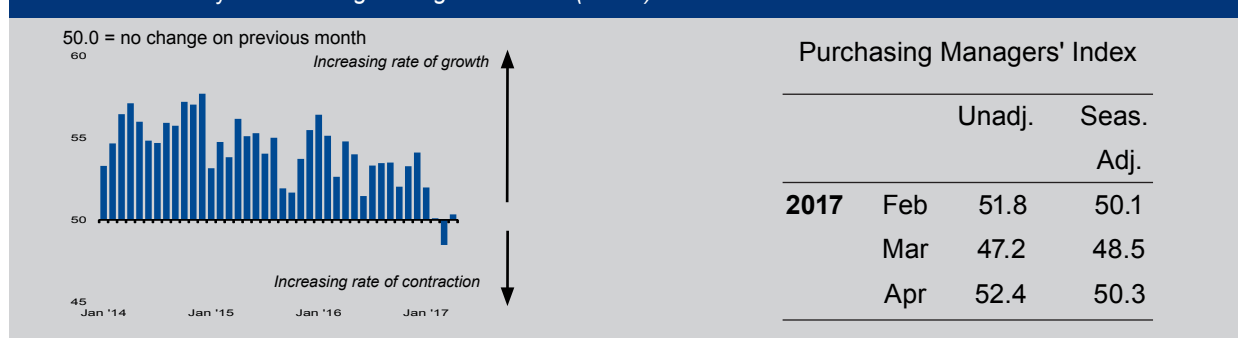
orders. The rate of expansion quickened from March's record low. According to anecdotal evidence, new orders had been boosted by improved client demand, which was further supported by marketing initiatives. Another factor leading total new work to rise was a sharp expansion in new export work, which reportedly occurred due to an increase in demand from international markets.

Work-in-hand continued to increase at the start of the second quarter. However, the rate of backlog accumulation was weaker than the average over the current 18-month sequence of expansion. According to panellists, stronger demand conditions and unavailability of funds led to greater work outstanding. In spite of greater backlogs, the pace of job creation was only moderate, continuing the trend observed so far in 2017.

Purchasing activity continued to rise in the face of stronger demand during April. Subsequently, stocks of purchases continued to accumulate. However, the respective rates of growth were modest and weaker than the series averages.

Lastly, on the price front, firms signalled a renewed increase in output charges as firms were able to pass on higher cost burdens to clients amid reports of stronger demand conditions. Latest data pointed to the twenty-seventh consecutive rise in purchase costs. The rate of inflation was solid overall. Staff costs also continued to rise in April.

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

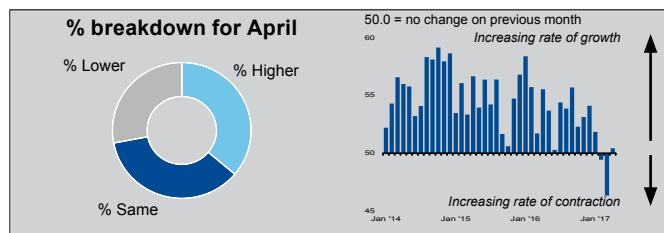


The Stanbic Bank Kenya Purchasing Managers' Index™ (PMI™) is a composite indicator designed to provide an overall view of activity in the Kenyan economy. The indicator is derived from individual diffusion indices which measure changes in output, new orders, employment, suppliers' delivery times and stocks 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 trademarks of Markit Economics Limited or licensed to Markit Economics Limited. Stanbic Bank use the above marks under licence. IHS Markit is a registered trademark of IHS Markit Group Limited.

Output Index

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

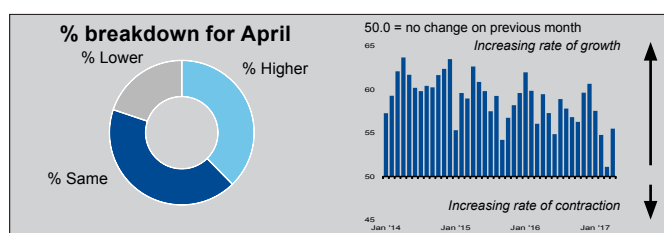
Following a contraction for two straight months, private sector companies operating in Kenya observed a renewed expansion in business activity during April. That said, the rate of growth was marginal overall and weaker than the long-run series average. Roughly 36% of firms noted higher output, with firms widely commenting on improved underlying demand and favourable economic conditions.



New Orders Index

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

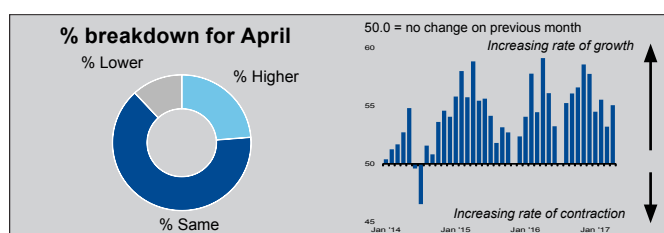
As has been the case since the inception of the survey in January 2014, total new business across Kenyan's private sector rose during April. Furthermore, the rate of expansion accelerated markedly from March's survey-record low, and was sharp overall. According to anecdotal evidence, new orders had been boosted by improved client demand, which was further supported by marketing initiatives.



New Export Orders Index

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

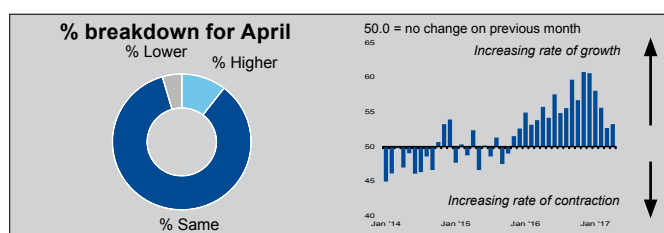
In line with the trend for total new work, export sales continued to increase at the start of the second quarter. The rate of expansion quickened from the preceding month and was sharp overall. A number of monitored companies commented on an increase in demand for Kenyan goods and services from international markets.



Backlogs of Work Index

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

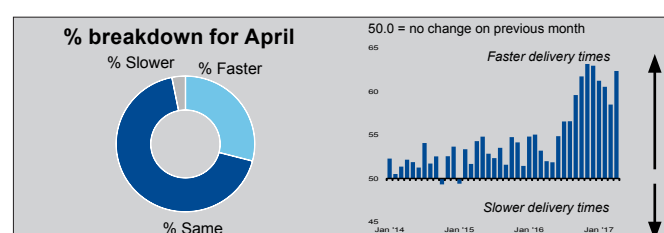
Higher levels of incoming new business placed further pressure on the operating capacity, with backlogs rising for the eighteenth consecutive month in April. The rate of accumulation quickened slightly from that seen in March. Greater demand alongside unavailability of funds led to delays in production, according to some panellists.



Suppliers' Delivery Times Index

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

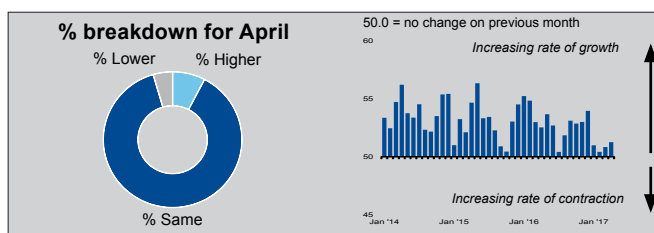
Average lead times faced by Kenyan private sector firms shortened further at the start of the second quarter. The current sequence of improving vendor performance has now been extended to 27 months. The extent to which delivery times improved was the sharpest in four months. Survey respondents indicated that shorter lead times reflected intense competition among suppliers.



Employment Index

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

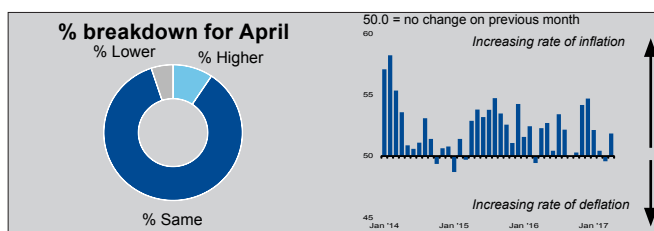
The ongoing increase in payroll numbers was extended to April, mirroring the trend observed since the inception of the series in January 2014. However, the rate of job creation was modest overall and weaker than the long-run series average. Underlying data suggested that firms increased their staff numbers due to rising output requirements.



Output Prices Index

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

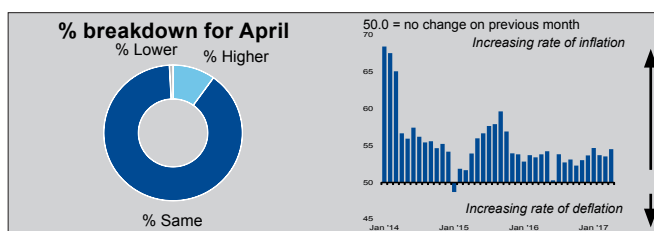
Kenyan private sector firms signalled a renewed increase in output charges during April. The rate of inflation was modest, but the fastest in three months. Increased selling prices were linked by respondents to the passing on of higher cost burdens to clients amid reports of improved demand conditions.



Overall Input Prices Index

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

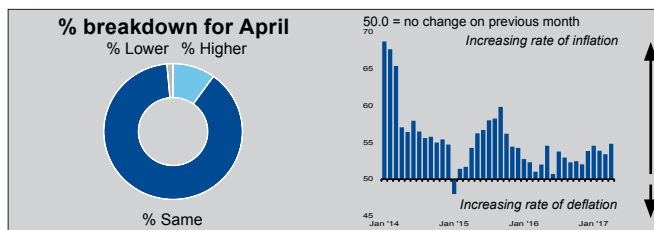
Latest data pointed to a sharp rise in total input costs faced by the Kenyan private sector firms at the start of the second quarter. Notably, the rate of total input price inflation picked up further from March's recent four-month low to reach its strongest since January. Underlying data suggested that cost pressures had mainly stemmed from higher purchasing prices, as staff costs rose only modestly.



Input Costs: Purchase Prices Index

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

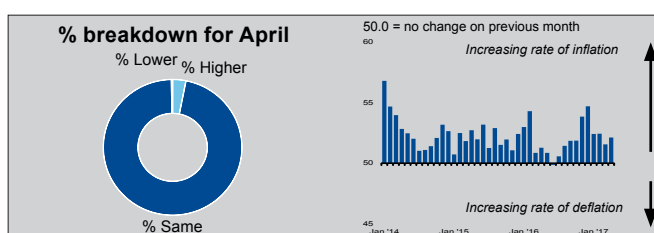
Average purchase costs rose for the twenty-seventh month in succession in April. Furthermore, the latest increase was the sharpest in one-and-a-half years. Survey respondents blamed increased raw material costs on higher taxation, alongside rising commodity prices. Around one-in-ten panellists reported a rise in purchase 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.

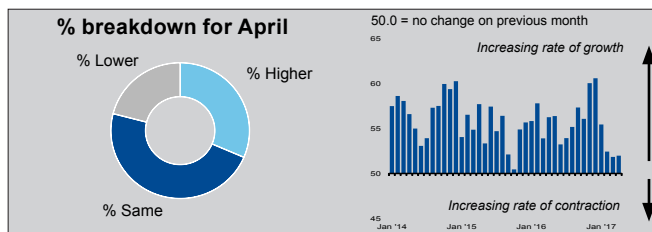
Average salaries awarded to Kenya's private sector employees rose during April. Furthermore, the rate of inflation was modest overall and in line with the trend recorded over the current ten-month sequence of inflation. Panellists commented on compensating employees for working overtime hours.



Quantity of Purchases Index

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

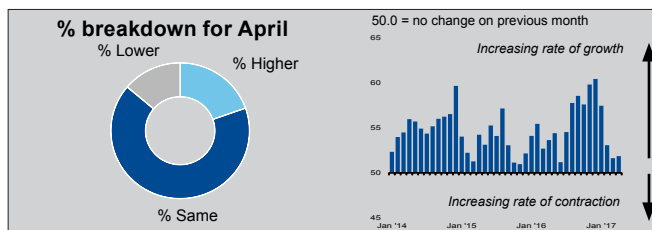
Purchasing activity increased across Kenya's private sector, as has been recorded since the survey began in January 2014. Furthermore, the rate of expansion was broadly similar to March and modest overall. Stronger client demand and increasing output requirements were both cited as key factors behind the rise in input buying.



Stocks of Purchases Index

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

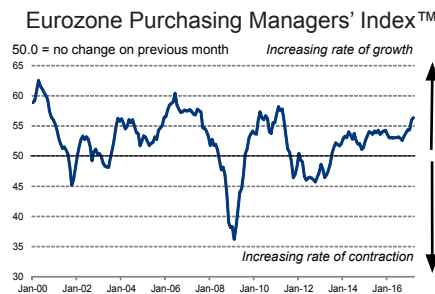
A modest rise in purchasing activity contributed to a further accumulation in stocks of purchases held by Kenyan private sector firms during April. The rate of inventory accumulation was moderate, but slightly faster than in March. A number of surveyed companies commented on expectations of further improvements in demand conditions.



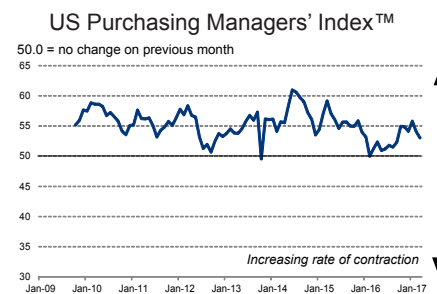
International PMI summary



Sources: Caixin, IHS Markit



Source: IHS Markit



Source: IHS Markit

The Caixin China Composite PMI data (which covers both manufacturing and services) pointed to a weaker increase in total Chinese output at the end of the first quarter. At 52.1 in March, the Composite Output Index fell from 52.6 in February to signal the slowest increase in Chinese business activity for six months.

Eurozone output and new order growth accelerated to near six-year records in March, rounding off the best quarter for the currency union's economy since the second quarter of 2011. The Markit Eurozone PMI Composite Output Index rose to a 71-month high of 56.4 in March, up from 56.0 in February.

The seasonally adjusted Markit U.S. Composite PMI Output Index eased to 53.0 during March, down from a reading of 54.1 in the previous survey period. Although solid, the latest increase in output was the lowest recorded for six months.

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.

Warning

The intellectual property rights to the Stanbic Bank Kenya PMI™ provided herein are owned by or licensed to IHS Markit. Any unauthorised use, including but not limited to copying, distributing, transmitting or otherwise of any data appearing is not permitted without IHS Markit's prior consent. IHS Markit shall not have any liability, duty or obligation for or relating to the content or information ("data") contained herein, any errors, inaccuracies, omissions or delays in the data, or for any actions taken in reliance thereon. In no event shall IHS Markit be liable for any special, incidental, or consequential damages, arising out of the use of the data. Purchasing Managers' Index™ and PMI™ are either registered trade marks of Markit Economics Limited or licensed to Markit Economics Limited. Stanbic Bank use the above marks under licence. IHS Markit is a registered trade mark of IHS Markit Limited.