

# CfC Stanbic Bank Kenya PMI™

compiled by markit

## Business conditions improve at weaker pace in March

### Key findings:

- PMI ticks down since February, but still signals solid improvement
- Output, new orders and employment all rise at slower rates
- Cost pressures remain historically muted

Operating conditions in the Kenyan private sector continued to improve in March, extending the current sequence which has run throughout the survey's brief history. However, March data pointed to an overall slowdown in growth, with the rates of expansion in output, new orders and employment all easing since the previous month. Meanwhile, the rate at which total input costs increased remained moderate and much weaker than the average seen during 2014.

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.

Despite falling from 54.8 in February to 53.8, the seasonally adjusted PMI continued to signal solid growth at Kenyan private sector companies in March. That said, the latest improvement in business conditions was the third-weakest in the series history, with the quarterly average for Q1 2015 (53.9) the lowest recorded by the survey so far.

The overall slowdown was reflected by a milder expansion in output at Kenyan private sector firms in March. The rate of growth eased to a nine-month low, although remained solid overall. According to panellists, activity growth was supported by commercial initiatives and strong customer turnout.

New orders continued to rise strongly in March, amid reports of

robust demand conditions. This was highlighted by the respective index posting comfortably above the crucial 50.0 threshold. However, the latest expansion was weaker than that seen in February and below the series average. Likewise, new export business rose more slowly in March, mirroring the trend observed for total new work.

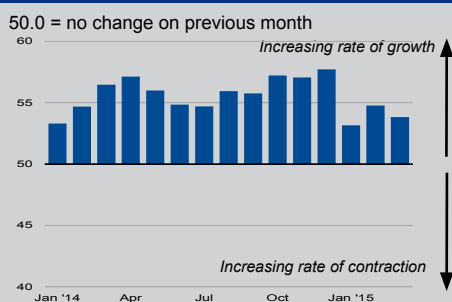
Purchasing activity in the Kenyan private sector increased again in March. That said, the rate of growth eased in line with output and new work intakes during the month, leading to the slowest rise in pre-production inventories since the survey began at the beginning of 2014.

Growth of private sector employment in Kenya also weakened in March. The rate of job creation was only moderate overall, reflective of slower expansions in activity and new orders. Where hiring was reported, this was associated by panellists with efforts to achieve a greater level of efficiency.

Overall cost pressures remained moderate in March. Moreover, the pace of increase was muted in comparison with the trend seen over the first 15 months of data collection. Purchasing prices and staff costs both rose modestly during the month.

Meanwhile, output charges were reduced for the second time in the past three months, albeit only fractionally.

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



Purchasing Managers' Index

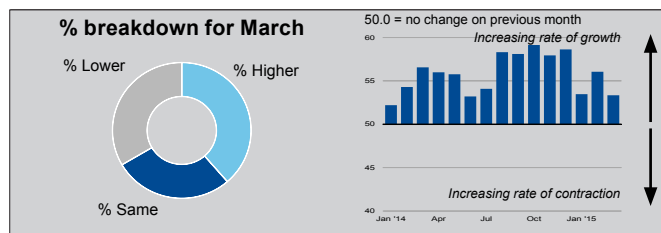
		Unadj.	Seas. Adj.
<b>2015</b>	Jan	44.1	53.2
	Feb	56.7	54.8
	Mar	54.4	53.8

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.*

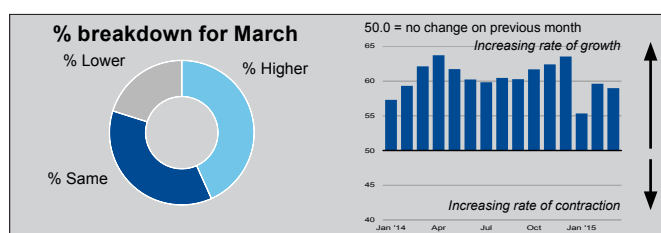
Kenyan private sector output increased again in March, as signalled by the seasonally adjusted index posting above the 50.0 no-change threshold for the fifteenth consecutive month. Although consistent with solid growth, the latest reading was the third-lowest since the survey began in January 2014. Marketing initiatives and strong customer turnout were cited by panellists as the principal factors behind the expansion in activity.



## New Orders Index

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

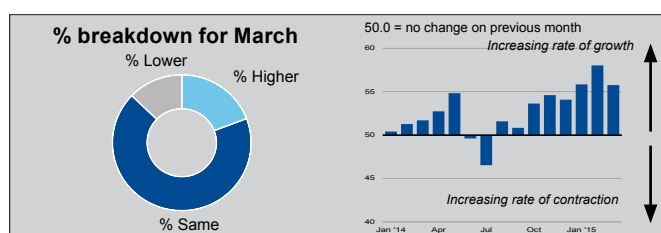
According to panel members, strong customer turnout and new client wins led to ongoing growth of new business in March. However, the respective index weakened since February and was below the historical trend, despite remaining comfortably inside expansionary territory. Around 43% of surveyed firms registered higher new work intakes, versus 20% that noted a reduction.



## New Export Orders Index

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

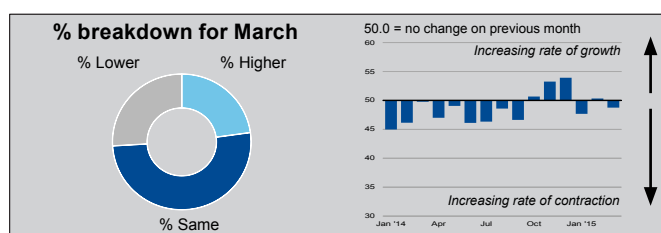
New export orders at Kenyan private sector companies rose more slowly in March, mirroring the trend observed for total new work. Nonetheless, the rate of expansion remained robust overall, with just under one-fifth of survey respondents reporting an improvement in foreign business. Anecdotal evidence linked export growth to new contract wins in countries across Africa and the Middle East.



## Backlogs of Work Index

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

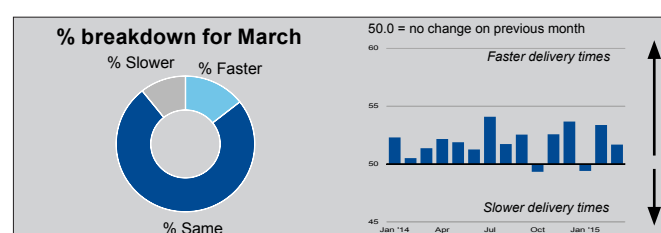
The level of outstanding business in the Kenyan private sector fell for the second time in the past three months in March. The rate of decline in backlogs was moderate overall and broadly in line with the average observed over the first 15 months of data collection. Several panellists mentioned that the slowdown in new order growth had enabled them to focus on existing workloads.



## Suppliers' Delivery Times Index

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

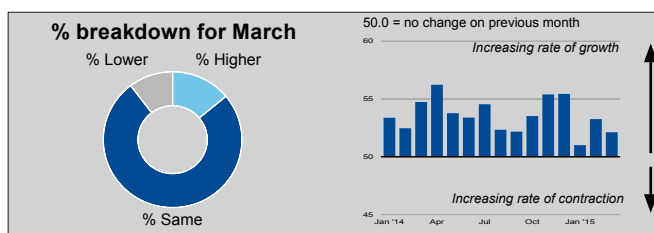
After adjusting for seasonality, the Suppliers' Delivery Times Index posted above the neutral 50.0 mark for the second straight month in March, and signalled a moderate shortening in average lead times during the month. Survey responses suggested that improvements in vendor performance were mainly driven by greater demand for inputs and competition among suppliers.



### Employment Index

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

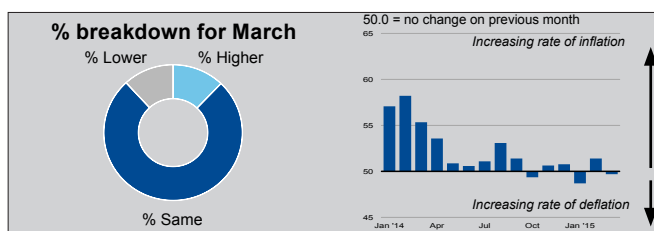
The rate of job creation at Kenyan private sector firms slowed in line with output and new orders in March. In fact, the latest increase in employment was the second-weakest in the survey's brief history. Where payroll numbers were reported to have risen, this was sometimes attributed to attempts to achieve a greater level of efficiency.



### Output Prices Index

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

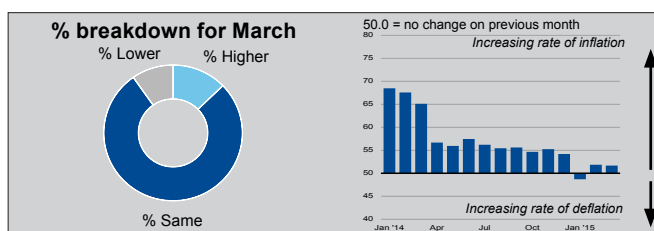
Prices charged by companies operating in Kenya's private sector decreased in March for only the third time since the survey began at the start of 2014. That said, the rate of decline was only marginal, as highlighted by the respective index posting slightly below the crucial 50.0 threshold. Some panel members reduced selling prices in efforts to attract new clients, while others raised tariffs as a result of higher input costs.



### Overall Input Prices Index

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

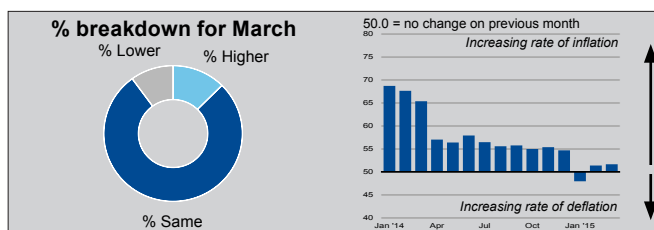
Overall cost pressures remained relatively muted in March, with the rate of increase little-changed from February's moderate pace. Roughly 13% of survey participants noted higher input prices during the month, in comparison with 10% that recorded a fall. Underlying data indicated that the overall increase was supported by modest rises in both staff costs and purchasing prices.



### Input Costs: Purchase Prices Index

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

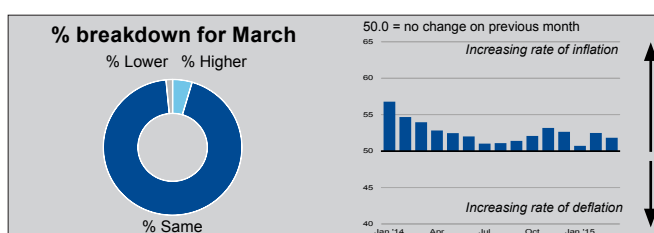
March data pointed to a further moderate rise in average purchase prices faced by Kenyan private sector companies. Purchasing costs have now increased in 14 of the first 15 months of data collection, with the exception being January of this year. There were reports of higher raw material costs and unfavourable exchange rates during the month.



### Input Costs: Staff Costs Index

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

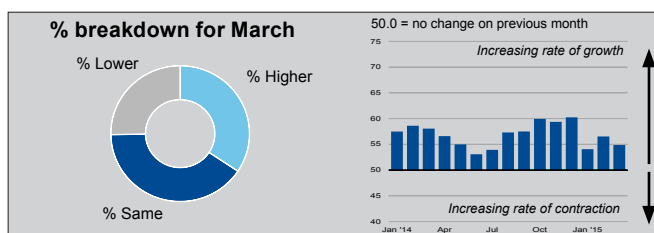
Continuing the trend observed throughout the survey history to date, average prices paid for wages and salaries increased in March. That said, the rate of salary growth was weaker than the historical trend and moderate overall. A number of monitored firms reported having raised wages in order to allow their employees a better standard of living.



**Quantity of Purchases Index**

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

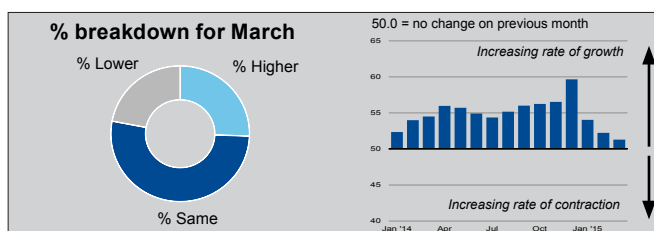
Reflective of slower expansions in output and new orders, purchasing activity in the Kenyan private sector rose at a weaker pace in March. Despite posting below the series average, the latest increase was robust overall. More than one-third of respondents raised their input buying in the latest period, versus one-quarter that noted a contraction.



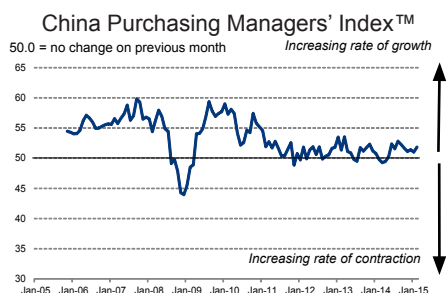
**Stocks of Purchases Index**

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

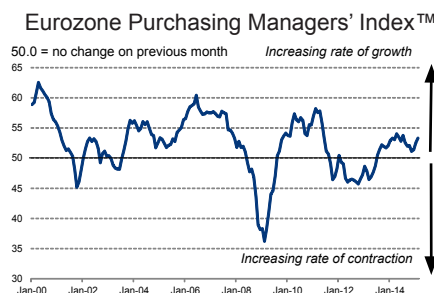
Stocks of raw materials and semi-manufactured goods increased again in March, as highlighted by the seasonally adjusted index posting above the 50.0 no-change mark that separates growth from contraction. However, the rate of pre-production inventory building eased for the third month running to the slowest in the survey's history so far.



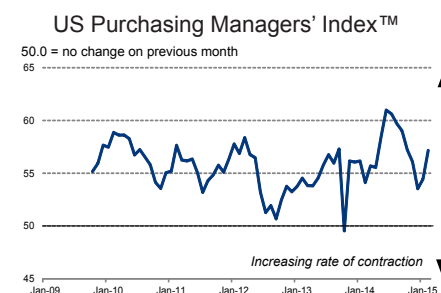
**International PMI summary**



Sources: Markit, HSBC



Source: Markit



Source: Markit

HSBC China Composite PMI data (which covers both manufacturing and services) pointed to a further increase in Chinese business activity in February, thereby extending the current trend to ten months. Though modest, the rate of expansion quickened to a five-month high, with the HSBC Composite Output Index posting at 51.8 in February, up from January's recent low of 51.0.

The growth rate of eurozone economic output accelerated for the third straight month in February, rising to its highest since July of last year. At 53.3, the Markit Eurozone PMI Composite Output Index signalled an expansion for the twentieth month in a row.

The seasonally adjusted Markit U.S. Composite PMI Output Index (covering manufacturing and services) registered 57.2 in February, up from 54.4 in January and the highest reading since October 2014. Faster private sector output growth reflected stronger contributions from both manufacturing and services in February.

**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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