

News Release

Purchasing Managers' Index™
MARKET SENSITIVE INFORMATION
Embargoed until: 10:30 (East Africa) / 07:30 (UTC) July 4th 2018

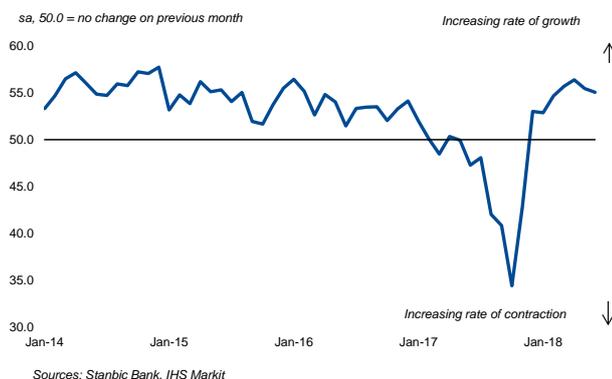
Stanbic Bank Kenya PMI™

Sustained improvement in business conditions

Data collected 12-27 June

- PMI slightly softens to 55.0 in June
- Sharp expansions in output and new business
- Input cost inflation eases to the slowest since October 2017

Stanbic Bank Kenya PMI



Latest survey data signalled a robust, albeit softer, improvement in business conditions across Kenya's private sector in June. This was signalled by sharp, albeit slower, rises in output and new business. In response to greater output requirements, firms raised their staffing levels at a solid pace. On the price front, input cost inflation eased to the slowest since October 2017, whilst output charges rose at a marked pace.

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.

Commenting on June's survey findings, Jibrán Qureishi, Regional Economist E.A at Stanbic Bank said:

"The private sector remains on a promising trajectory. In fact, the proposal in the FY2018/19 budget to repeal the interest rate capping law was a welcome development and indeed subject to approval by parliament, will unleash some much-needed private sector driven stimulus to the economy. Furthermore, while the portfolio investor community was clearly pleased with the governments plan to consolidate public finances, there are still uncertainties as most of this consolidation is really banking on very ambitious revenue assumptions."

The main findings of the June survey were as follows:

The seasonally adjusted PMI fell further from 55.4 in May to 55.0 in June. Despite edging to the lowest since February, the latest reading pointed to a sharp improvement in the health of the Kenyan private sector.

The latest upturn was driven by a further rise in business activity during June. Despite softening to the slowest since January, the rate of growth was strong in the context of historical data. Anecdotal evidence pointed to greater inflows of new work and strong demand conditions.

In line with the trend for output, new business rose for the seventh consecutive month in June. Despite easing to

the weakest since March, the rate of expansion was sharp and stronger than the series trend.

Meanwhile, new export orders rose during June. The rate of growth was sharp, but eased from the previous month. There were reports of strong demand in international markets for Kenyan goods and services.

In response to stronger demand conditions and greater output requirements, Kenyan private sector firms raised their staffing levels during June, extending the current sequence of jobs growth to seven months. Moreover, job creation accelerated from May's five-month low to a solid pace.

Firms were encouraged to engage in input buying during June, thereby stretching the current period of expansion to seven months. Despite easing to the slowest since February, the rate of growth was sharp and above the long-run average. Recent increases in purchasing activity supported another sharp rise in pre-production

inventories. There were reports that input stocks held by firms increased in line with higher output requirements.

As has been the case since February 2015, Kenyan private sector firms faced higher purchase costs during June. Although slowing to the weakest since last September, the rate of purchase price inflation remained sharp. Food and fuel were among the key items that increased in price, according to panellists. In turn, this reportedly led firms to increase their average selling prices to pass on higher cost burdens to customers. The rate of inflation was marked and broadly similar to May's three-month high.

-Ends-

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Note to Editors:

The Stanbic Bank Kenya 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, services, construction and retail. 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.

IHS 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. Historical data relating to the underlying (unadjusted) numbers, first published seasonally adjusted series and subsequently revised data are available to subscribers from IHS Markit. Please contact economics@ihsmarkit.com.

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. It's 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

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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. To learn more go to ihsmarket.com/products/pmi.

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