

News Release

Purchasing Managers' Index™ MARKET SENSITIVE INFORMATION

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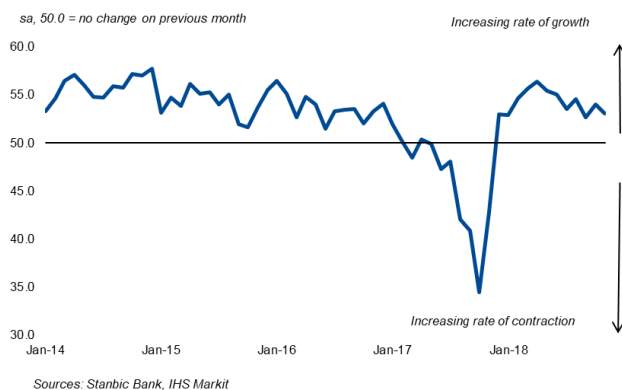
Stanbic Bank Kenya PMI™

Kenyan private sector completes one year of growth

Data collected 12-28 November

- Output growth dips slightly but remains strong
- Input price inflation at four-month low
- Weakest rise in new export orders since January

Stanbic Bank Kenya PMI



Operating conditions in Kenya's private sector economy improved solidly in November, although the rates of growth in output and new orders were marginally below those seen in October. The expansion of export demand also fell to its weakest in ten months. Firms lowered the pace of job creation, but at the same time raised purchasing activity at the sharpest pace since June. Output price inflation up-ticked marginally, while cost inflation declined to its softest in four months.

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 November's survey findings, Jibran Qureishi, Regional Economist E.A at Stanbic Bank said:

"Despite the Stanbic PMI dipping slightly in November, purchasing activity remains solid. In fact, costs remained relatively muted despite the Michuki transport rules which had raised costs earlier in the month as electricity and food prices declined. The aforementioned factors, in addition to lower international oil prices, should continue to keep costs suppressed for the private sector over the coming month and thus underpin purchasing activity."

The main findings of the November survey were as follows:

At 53.1 in November, the headline PMI was slightly lower than October's reading of 54.0, signalling a softer but still solid improvement in the health of the Kenyan private sector. The index has remained elevated all year, such that the latest reading indicated weaker-than-average growth for 2018.

New orders were uplifted sharply in November, as a large proportion of firms saw demand from clients improve. However, the rate of expansion was marginally slower than in October. Export demand also grew at a reduced pace, marking the smallest increase in new business from abroad for ten months.

The private sector raised business activity at a slightly softer rate in November. That said, the level of growth remained solid, with anecdotal evidence showing the

continued impact of rising customer numbers on the market.

Buying activity was unaffected by the softening of output growth. In fact, the rate at which purchases increased was the strongest seen since June.

Employment rose at a more gradual pace in November, following a solid rate of job creation in October. Similarly, the rate of accumulation in backlogs of work eased to a three-month low, indicating that weaker demand growth had reduced the pressure on unfinished orders.

Vendor performance improved substantially in November, as the pace at which delivery times shortened was the

strongest since August. Panellists continued to associate this with high competition among suppliers.

Meanwhile, input price inflation cooled to a four-month low, after a relatively marked increase in the past few months. Staff costs increased marginally, while purchase prices still rose sharply. Firms that saw prices inflate pointed to the rise in fuel and material costs.

Output prices grew substantially, partly due to the recent roll-out of the Michuki transport laws. Several panellists in the transport sector raised charges because of the enforcement of new penalty fares.

-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 ihsmarkit.com/products/pmi.

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