

News Release

Purchasing Managers' Index™ MARKET SENSITIVE INFORMATION

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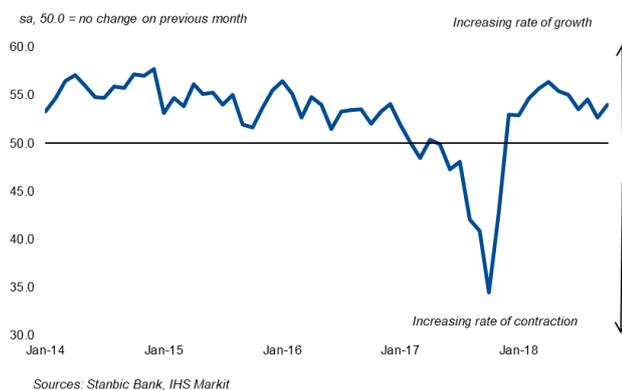
Stanbic Bank Kenya PMI™

Strong improvement in business conditions during October

Data collected 12-29 October

- Output and new order growth strengthens
- Employment rises at quickest pace in six months
- Cost pressures dip slightly but remain strong

Stanbic Bank Kenya PMI



Kenyan private sector firms saw a stronger improvement in operating conditions in October, as latest survey data indicated solid growth in new business. In particular, export demand grew rapidly, while new projects and favourable weather conditions also boosted output. As a result, firms raised employment at the fastest rate in six months. Price pressures were slightly weaker than in September, but remained historically elevated overall.

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

"The onset of the short rain season which so far seems quite positive for the agrarian sector, could help GDP growth recover in the fourth quarter of 2018. The decline in the PMI in the third quarter, which we largely believe was due to waning business confidence and enhanced anxiety owing to the new fiscal year tax measures that were introduced, weighed on economic activity. However, the latest increase in the PMI probably vindicates our decision to upgrade our 2018 GDP estimate to 5.8% y/y from 5.6% y/y previously as we expect a notable recovery in agricultural productivity in the fourth quarter."

The main findings of the October survey were as follows:

At 54.0 in October, the latest PMI reading was up from 52.7 in September to signal a solid improvement in business conditions across Kenya's private sector. Following September's ten-month low, the latest figure suggested a return to the buoyant health seen earlier in the year.

Output continued to expand in October, with the rate of increase stronger than seen in September. On the other hand, it was marginally weaker than the average seen in the year-to-date.

Higher output levels were driven by a sharp increase in new business, as a number of companies reported new client wins. Both domestic and foreign demand picked up at a rapid pace, with new export orders rising at the joint-second quickest rate across the series history.

Concurrently, firms raised staffing levels at the strongest rate in six months. Panellists commented that job creation was mainly driven by temporary staff hires to meet current demand. Others took on additional staff in anticipation that output will grow in the future. Despite this, backlogs of work rose for the third successive month in October.

In order to meet higher demand, Kenyan private sector firms raised their purchasing activity at a faster pace in October. As a result, inventory levels also grew rapidly. Supplier delivery times shortened again, with firms commenting that greater competition had contributed to improved vendor performance.

Firms continued to raise selling prices in October. The rate of inflation was slightly slower than September's 55-month high, albeit remaining sharp overall.

The slowdown partly reflected a marginal easing in the rate of input price inflation. Higher fuel taxes continued to exert pressure on purchasing costs, while food commodities and raw materials also experienced price rises in the latest survey period. Staff wages continued to grow, with the rate of inflation marginally quicker than seen in September.

-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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