News Release

Purchasing Managers' Index™
MARKET SENSITIVE INFORMATION
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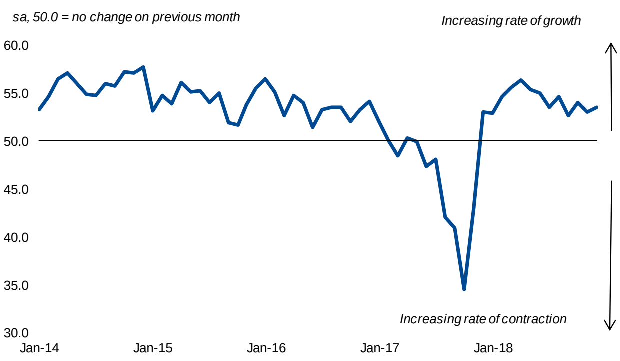
Stanbic Bank Kenya PMI™

December survey completes strong year of growth for Kenyan businesses

Data collected 5-19 December

- Output and new orders continue to rise sharply
- Backlogs decline for first time since July
- Input price inflation softens to five-month low

Stanbic Bank Kenya PMI



Sources: Stanbic Bank, IHS Markit

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

"The Stanbic PMI closed the year strongly, recording the highest average since 2014. We believe that GDP growth remains on track to test 6.0% y/y in 2018 and furthermore the good weather conditions in Q4:18 will have underpinned the agrarian sector as well. Moreover, firms scrambled to clear backlogs of stock in December which subsequently boosted output, while surprisingly costs remained steady for firms during the festive season as well."

Kenyan private sector businesses enjoyed a solid improvement in operating conditions during December. Output and new orders recorded further sharp increases, with the latter growing at a faster rate than in November. Employment growth also improved, while input buying expanded sharply. At the same time, cost inflation weakened to the least marked in five months, with output charges also seeing a softer increase.

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.

The main findings of the December survey were as follows:

At 53.6 in December, the headline PMI rose from November's reading of 53.1, signalling a solid advancement in Kenya's private sector economy. The latest survey confirmed a full calendar year of growth, and one where the average PMI reading was the strongest since 2014.

New orders at Kenyan businesses continued to rise sharply, with the pace of increase slightly faster than in November. Similarly, export orders expanded at a substantial rate, indicating that firms were buoyed by an influx of both domestic and overseas demand.

Consequently, firms raised activity levels at a marked rate, although the latest increase was the softest in three months. Moreover, firms were able to raise activity sufficiently to lead to the first fall in outstanding business since July. Panellists reported a concerted effort to clear backlogs.

Staffing levels recorded a modest rise during December. Employment growth was driven by an increase in casual workers in line with the rise in new orders. Alongside this, supply chains maintained a strong efficiency, with delivery times decreasing at a sharp rate.

Purchasing activity grew substantially during December, due to the further expansion in new orders. However, the rate at which purchases increased was the second-weakest seen over the course of 2018. Likewise, stocks of purchases rose at a slower, but still marked, pace.

On the price front, Kenyan private sector firms reported a softer rise in overall input prices in December. In fact, the pace of increase was at a five-month low, with only around 14% of panellists seeing costs increase.

Where costs did rise, firms pointed to higher transportation and food costs, as well as a sharper increase in salaries. Staff costs rose as firms reported dividing out profits earned from the recent sales growth.

Finally, companies responded with a softer markup in output prices during December, as the respective index fell to its lowest since August. Despite the increase in demand, respondents found that they were able to ease price inflation at the end of the year.

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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.