

## News Release

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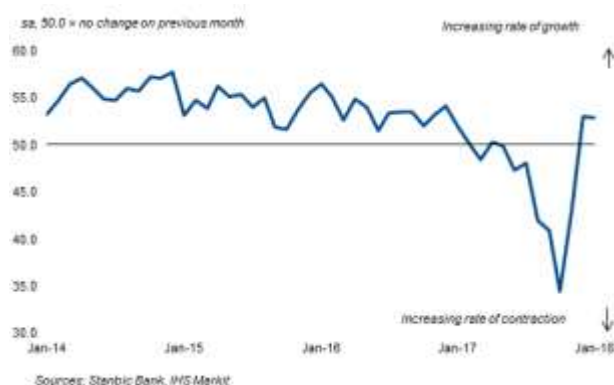
### Stanbic Bank Kenya PMI™

#### Output growth accelerates to fastest in two years

##### Data collected 12-29 January

- Upturn in business activity quickens to steep pace
- PMI second-highest since December 2016 despite falling slightly
- Input cost inflation accelerates to fastest since September 2015

##### Stanbic Bank Kenya PMI



Operating conditions across the Kenyan private sector improved at a solid rate according to January survey data. Although the latest index reading was slightly lower than the prior month, it was nonetheless the second-highest figure in just over a year. Overall growth was underpinned by a steep and faster expansion in output, with the upturn in new orders also remaining strong. Meanwhile, input cost inflation accelerated further to the fastest since September 2015, largely driven by higher purchase prices. This did not deter buying activity however, which grew at the quickest rate since December 2016. Output prices also increased strongly amid reports of more favourable demand conditions.

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.

Falling slightly to 52.9 in January from 53.0 in December, the latest PMI reading signalled a solid improvement in business conditions that was slightly weaker than the prior month. Despite this, overall private sector growth was the second-strongest since December 2016.

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

*"Output rose to its highest level since January 2016, a trend we suspect is likely to persist over the coming year. Notably, the contraction we saw in the agriculture sub-sector in the first half of 2017 is likely to reverse in the half of 2018, which should subsequently provide tailwinds for other sectors to flourish. Furthermore, the horticulture and floriculture sub-sectors should also perform well over the coming months largely underpinned by the ongoing recovery in the Eurozone as well as the recent appreciation of the EUR currency. We retain our GDP estimate for 2017 at 4.8% but we see a recovery to 5.6% in 2018."*

##### The main findings of the January survey were as follows:

Underpinning the improvement in the health of the private sector was a steep rise in business activity. Moreover, the pace of expansion accelerated to the fastest in two years. Anecdotal evidence linked the increase in output levels to more favourable demand conditions and the acquisition of new clients.

January survey data indicated an ongoing recovery in new business received by Kenyan private sector firms. Although the rate of growth softened slightly from December's 11-month high, the expansion remained

strong overall. Panellists suggested that the latest rise in new orders stemmed from greater client demand. Similarly, the upturn in new export business was extended further and the pace of increase was solid despite easing from the prior month.

On the price front, overall input costs rose at a sharp rate largely driven by a marked increase in purchase prices. Survey respondents largely stated that greater raw material costs were due to higher market prices for raw materials, especially fuel. Staffing costs also rose, but only at a marginal rate.

For the second successive month, average prices charged increased in January. Amid reports of improved demand conditions, private sector firms were reportedly

able to pass on higher input costs to clients. Moreover, the rate of charge inflation quickened and was the sharpest since December 2016.

Reflecting the recent trend in output, purchasing activity increased steeply in January. The rate of growth in buying accelerated to the strongest in over a year. Greater client demand also underpinned a faster rise in pre-production inventory levels.

Finally, greater production requirements began to place pressure on resources. Both employment and backlogs of work rose for the second month running in January, albeit at relatively modest rates.

-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](mailto: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](http://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](http://ihsmarket.com/products/pmi).*

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