News Release

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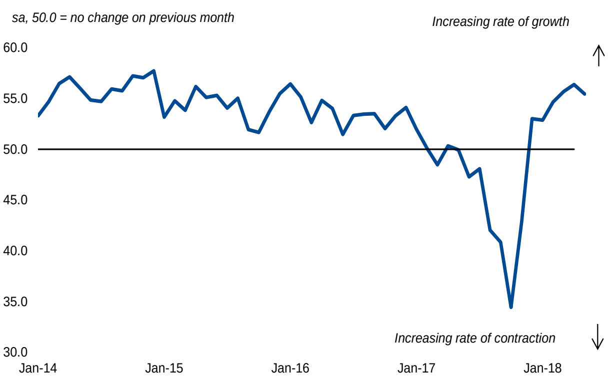
Stanbic Bank Kenya PMI™

Robust improvement in business conditions but at a slightly softer pace

Data collected 11-29 May

- PMI softens to 55.4 in May
- Output growth eases from April's survey record, but remains strong
- Expansion in new orders eases from April's 16-month high

Stanbic Bank Kenya PMI



Sources: Stanbic Bank, IHS Markit

May PMI data signalled a further, albeit softer, improvement in operating conditions across Kenya's private sector during May. This was reflected by softer expansions in output, new orders and employment. On the price front, cost inflationary pressures also eased since April. On the other hand, firms raised their output charges at a marked pace that was the strongest in three months amid 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.

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

"Private sector activity rose in May, however at a slightly slower pace. Nonetheless, the recovery in business activity over the past 5 months is notable. The PMI average of 55.0 in the 5 months to May 18 is much higher than the 42.6 average registered in the previous 5 months. However, all eyes will now shift towards the FY2018/19 budget that will be read later this month. The market will be keen to see what measures the government will put in place to consolidate its public finances, something that is long overdue. Moreover, any additional details of the Financial Market Conduct Bill will also be sought out for given the broad concern currently that the draft Bill may not result in a more favourable environment for credit extension to the private sector and also that it may not amend the complications with monetary policy signalling that the current interest rate capping law framework has brought about."

The main findings of the May survey were as follows:

The seasonally adjusted PMI fell from April's 27-month high of 56.4 to 55.4 in May. Despite softening, the latest reading signalled a sharp improvement in operating conditions. Notably, the headline index was above the historical average (52.8).

Output rose midway through the second quarter, thereby stretching the current period of expansion to six months. Slightly easing from April's survey record, the rate of growth remained strong and above the series average. According to anecdotal evidence, favourable economic conditions and strong underlying demand were the key factors behind the latest expansion.

Mirroring the trend for output, new business placed at Kenyan private sector firms rose for the sixth month in succession in May. Despite softening from April's 16-month high, the rate of growth remained sharp overall. Panellists attributed new client wins to stronger market demand. Amid reports of stronger demand from international markets, growth in new export orders also remained strong.

Purchasing activity rose sharply on the back of robust client demand. In fact, growth was only slightly slower than the survey record seen in April. Pre-production inventories across Kenyan firms rose as a result, and at a marked pace.

In response to greater output requirements, firms raised their staffing levels during May. That said, jobs growth moderated from April's 16-month high and was only marginal. Meanwhile, outstanding business across the Kenyan private sector was unchanged in May, thereby ending a two-month period of growth.

On the price front, firms continued to face higher input costs during May. According to anecdotal evidence, firms faced upward cost pressures mainly due to higher demand and a limited supply of raw materials. Meanwhile, wages rose at a modest pace.

Subsequently, firms raised their average selling prices for the sixth consecutive month in May. Output charge inflation was sharp and the strongest in three months. Anecdotal evidence indicated that improving demand helped firms to pass higher costs through to clients.

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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).

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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.