

News Release

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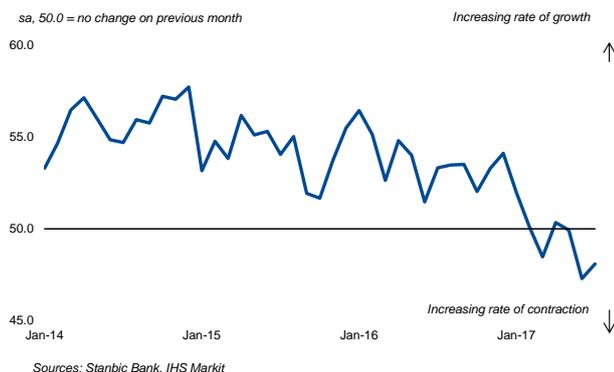
Stanbic Bank Kenya PMI™

Business conditions continue to deteriorate

Data collected 12-27 July

- Output falls further, but at a slower pace
- Marginal increase in new orders
- Renewed rises in purchasing activity and inventories

Stanbic Bank Kenya PMI



July's survey of Kenyan private sector firms indicated a further deterioration in business conditions, although at a slower and modest pace. The overall contraction of the private sector was driven by declining output, albeit a slower fall than in June. New orders and employment rose, but only marginally. Purchasing activity and inventories observed renewed gains. Despite facing higher cost burdens, firms offered discounts amid reports of intense competitive 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.

The seasonally adjusted PMI rose from a survey-record low of 47.3 to 48.1 in July. This was indicative of a modest contraction of the private sector in July, but was still the second-lowest in the series to date. The PMI has

now been registered below the neutral 50.0 threshold for the third consecutive month, the longest sequence of decline recorded since the inception of the series in January 2014.

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

"Elevated political temperatures and a lack of access to credit for firms and households, kept the Stanbic PMI in contractionary territory for the third consecutive month. Contingent on a relatively peaceful election in August, the private sector could begin to very gradually show some signs of improvement. However, in the event that the interest rate capping law remains in place for longer, economic activity is unlikely to improve meaningfully over the near to medium term."

The main findings of the July survey were as follows:

Output fell for the third consecutive month, contributing to the overall downturn in the private sector. That said, the rate of decline slowed, and was only marginal. Where a decrease was registered, firms widely linked this to the upcoming election, customers facing money shortages, high inflationary pressures and weak demand.

Having stagnated at the end of the second quarter, new orders rose in July. The rate of increase was only marginal, however. A number of surveyed firms attributed new client wins to promotional activities.

In contrast, new export orders expanded at a solid pace, but one that remained weaker than the average of the current 12-month period of growth. Panellists commented on greater demand from key international export markets.

Backlogs rose in the Kenyan private sector during July. The rate of increase eased to the weakest in the current 21-month sequence of growth, however. New customers and cash flow constraints were reported to be the key reasons behind greater capacity pressures. As a result,

employment continued to rise in July, albeit only marginally.

The falls in purchasing activity and inventories registered in June proved short-lived, as the survey signalled renewed rises in both in the latest period. Panellists linked expansions in purchasing and stocks to expectations of future improvements in demand.

On the price front, underlying data indicated further pressure on companies' margins, as firms faced higher cost burdens but continued to offer discounts amid intense competitive conditions.

-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 is part of the Standard Bank Group, Africa's largest bank by assets.

Standard Bank Group had total assets of R1 694 billion (about USD162 billion) at 31 December 2013, while its market capitalisation was R209.4 billion (about USD20 billion).

The group has direct, on-the-ground representation in 20 African countries. Standard Bank Group has almost 560 branches and 1 223 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, it has a network of 24 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 Stock Exchange (NSE).

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About PMI

Purchasing Managers' Index™ (PMI™) surveys are now available for over 30 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 www.markit.com/product/pmi.

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