

News Release

Purchasing Managers' Index™ MARKET SENSITIVE INFORMATION

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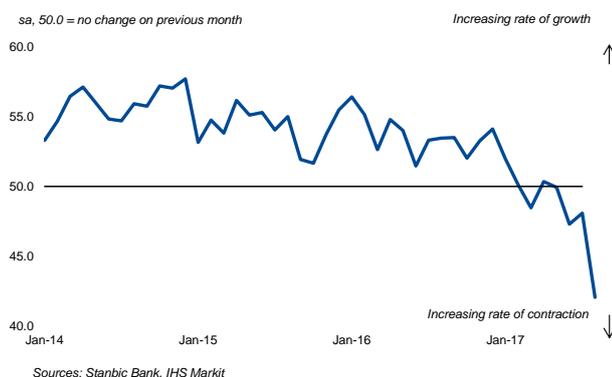
Stanbic Bank Kenya PMI™

Business conditions deteriorate at survey-record pace

Data collected 11-29 August

- PMI falls to new low of 42.0
- Record contraction in output
- Employment and new orders fall for first time since the inception of the survey in January 2014

Stanbic Bank Kenya PMI



Latest survey data indicated the worst deterioration in the health of the Kenyan private sector in the short survey history during August. This was driven by sharp falls in output, new orders and stocks of purchases. In response to lower output requirements, firms reduced their payroll numbers. On the price front, divergent trends were observed as overall input costs rose, while firms continued to reduce output charges.

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 fell to a survey-record low of 42.0 in August from 48.1 in July. This was consistent with a sharp deterioration in business conditions across

Kenya's private sector. The headline PMI index has now recorded below the 50.0 no-change mark for five of the past six months.

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

"The Stanbic Bank PMI fell to another survey record low of 42.0 in August and has now been in contractionary territory, for four consecutive months. Notably, the anxiety around a tense general election in August was one of the major factors that weighed down the private sector; however this angst is likely to extend over the coming months due to the recent decision by the Supreme Court to nullify the presidential election results. The decision by the court is indeed a reflection of Kenya's strengthening institutions and will certainly appease the foreign investor community. That said, as we have been pointing out previously, the promise of the private sector remains under risk should the ease of access to credit remain a challenge.

Yet, a stronger EUR currency will probably be quite beneficial for horticultural earnings while tourist arrivals are probably likely to increase further as political temperatures eventually cool down after the re-run of the presidential elections. "

The main findings of the August survey were as follows:

The overall downturn was driven by a fall in business activity. Output fell for the fourth month in succession. Moreover, the rate of contraction was the sharpest recorded since the inception of the survey in January 2014. Low money circulation and weak demand conditions were the key reasons cited by panellists behind a fall in output.

New orders fell for the first time in the survey's history. Also, the rate of contraction was sharp overall. Firms attributed a decline in domestic demand to a lower customer turnout due to the political climate and weaker purchasing power among clients. New export orders fell for the first time in over three years as international demand for Kenyan goods and services was reduced.

Employment in the Kenyan private sector fell during August, the first decline in the survey history. The rate of job shedding was marginal, however. A number of monitored companies commented on weak demand and staff voluntarily leaving for better job opportunities.

Purchasing activity in the Kenyan private sector decreased for the second month in succession during August. The rate of contraction was the fastest recorded in the survey's history. Subsequently, inventories held by private sector firms contracted during August.

On the price front, divergent trends were observed across the Kenyan private sector. Firms continued to offer

discounts despite greater cost pressures. The rate of decline in output charges was modest, but the fastest observed in the survey's history. The rise in overall input costs reflected higher purchasing and staff costs. The rate of inflation eased to the slowest since June 2016 and was weaker than the long-run average, however.

-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. Its 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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