

## News Release

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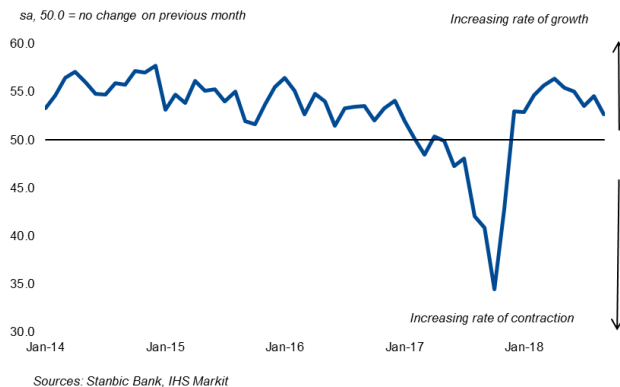
### Stanbic Bank Kenya PMI™

#### Private sector growth eases to ten-month low

##### Data collected 12-26 September

- Headline PMI falls to 52.7 in September, from 54.6 in August
- Notable slowdowns in output and new business growth
- Price pressures sharpen

##### Stanbic Bank Kenya PMI



September data signalled a slower improvement in business conditions in Kenya's private sector, with the latest expansion being the weakest in the current ten-month phase of growth. Slowdowns in output and new order growth were key factors behind the lower headline PMI figure. In terms of inflation, price pressures sharpened amid reports of higher taxation and fuel bills.

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

*"The Stanbic PMI averaged 55.6 in the second quarter of 2018 up from 54.4 in the first quarter. Indeed, the improvement in business conditions in the second quarter was consistent with the official GDP growth rate which expanded by 6.3% y/y in Q2 up from 5.7% in Q1. However, cost pressures and enhanced business uncertainty due to new fiscal year tax measures in the third quarter, is likely to moderate the pace of GDP growth. Nevertheless, we have opted to revise our 2018 GDP growth estimate upwards to 5.8% y/y from 5.6% y/y previously owing to a solid performance from the agriculture, ICT and tourism sectors in the first half of the year."*

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

At 52.7, down from 54.6 in August, the latest figure indicated an improvement in business conditions across the private sector in September; the tenth month in a row that this has been the case. That said, the rate of growth was the slowest in the aforementioned sequence. Furthermore, being only modest overall, the expansion was weaker than the historical average.

Continuing the sequence of growth seen since December last year, output improved once again in the Kenyan private sector during September. Some firms linked rising output to higher inflows of new business. That said, the rate of growth was the slowest in ten months during the latest survey period.

New order books improved in September, albeit at a slower rate than seen in August. In fact, the rate of growth was the weakest registered since January.

Contrasting with the trend seen for total new orders, foreign demand improved at an accelerated pace during September. According to anecdotal evidence, some firms utilized marketing initiatives to gain international exposure and acquire new clients.

Kenyan private sector firms continued to hire additional staff during the latest survey period. Many linked higher payroll numbers to rising output requirements. That said, the rate of growth was below the series' long-run average.

On the inflation front, higher government taxation and rising fuel bills underpinned the sharpest increase in

average cost burdens recorded for seven months during September. The rate of input price inflation was sharp overall.

Partly reflecting higher operating costs faced by businesses in the private sector, selling prices were raised at a marked pace that was the fastest since February 2014 during September. Output charges have risen for ten straight months.

Backlogs of work increased for the second month in a row, linked to slower activity growth. The rate of expansion was solid overall, however.

Meanwhile, inventories increased during September, linked to higher purchasing activity.

-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 [ihsmarkit.com/products/pmi](http://ihsmarkit.com/products/pmi).

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