

News Release

Purchasing Managers' Index™
MARKET SENSITIVE INFORMATION

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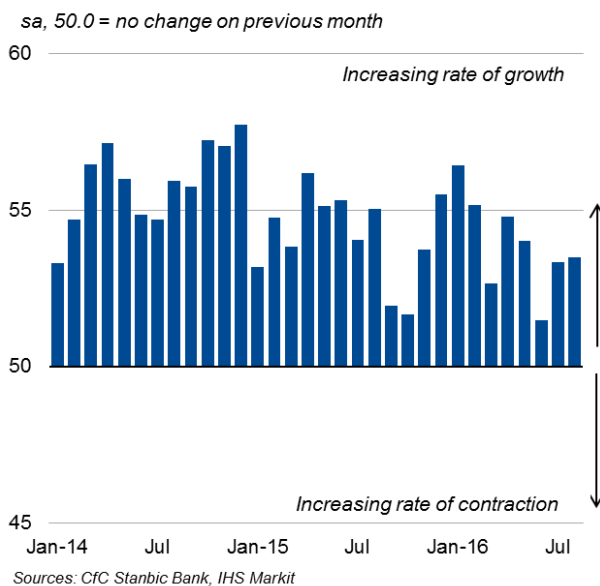
CfC Stanbic Bank Kenya PMI™

Private sector growth continues at steady pace in August

Data collected 12-26 August

- PMI edges higher, but remains below series average
- Improving demand leads to sharp rise in input stocks
- Total new work bolstered by renewed export growth

CfC Stanbic Bank Kenya PMI



As has been the case in all 32 months of data collection so far, growth was signalled in Kenya's private sector during August. The overall rate of expansion picked up slightly, supported by stronger job creation and a sharp rise in input stocks. With output and new orders also growing solidly, business conditions continued to improve. That said, the degree of improvement remained historically subdued. On the price front, muted cost pressures led to a weaker increase in 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 inched higher in August, posting 53.5 compared to 53.3 in July. The latest reading pointed to sustained steady growth of the private sector, following a marked slowdown at the end of the second quarter. However, while above June's record low (51.5), the index remained weaker than the series average (54.8).

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

"The private sector PMI continued to recover after falling to a survey record low of 51.5 in June. New orders from abroad supported business as exports rose at the fastest pace since May. Subdued costs for the remainder of the year should assist firms in boosting production and subsequently support output; however this benign outlook on costs could alter if the currency faces volatility via portfolio outflows following the recent amendment to the banking bill. Nonetheless, high profile conferences like the recently concluded TICAD are evidently underpinning an impressive recovery in the tourism sector."

The main findings of the August survey were as follows:

After having eased to a series low in June, output growth was maintained close to July's solid pace in August. A number of panellists commented on higher levels of new business, while some also mentioned having invested in machinery.

Reports of improving demand were reinforced by survey data in August. New orders rose markedly, albeit at a

slightly reduced rate compared to July. Helping to support growth of total new work was a renewed expansion of new business from abroad. Exports increased at the steepest pace since May, following a stagnation one month previously.

While higher output and new orders both contributed to the above-50.0 PMI reading, a key driver of overall growth was a sharp rise in input stocks. The rate of inventory building accelerated to the second-quickest since data collection started in January 2014. Improving demand was cited as the main reason for higher stocks. Purchasing activity also rose solidly in the latest period.

The rate of job creation rebounded in August, having slowed to near-stagnation at the start of the third quarter.

That said, hiring remained only modest overall. Subsequently, backlogs of work continued to accumulate in line with stronger order books.

Price pressures in Kenya's private sector meanwhile eased in August. Total input costs rose at a slower pace than in July, with the latest increase also muted in the context of historical data.

Charges showed a similar trend. Firms raised selling prices for the fifth month in a row, but the latest rise was only modest. Higher input costs were passed through in some cases, but this was partially offset by efforts to attract new clients elsewhere.

-Ends-

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Note to Editors:

The CfC 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.

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 Markit. Please contact economics@markit.com.

CfC Stanbic Bank:

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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.

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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.

CfC Stanbic Bank is listed on the Nairobi Stock Exchange (NSE).

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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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