News Release

Purchasing Managers' Index™
MARKET SENSITIVE INFORMATION
Embargoed until: 10:30 (East Africa) / 07:30 (UTC) January 5th 2017

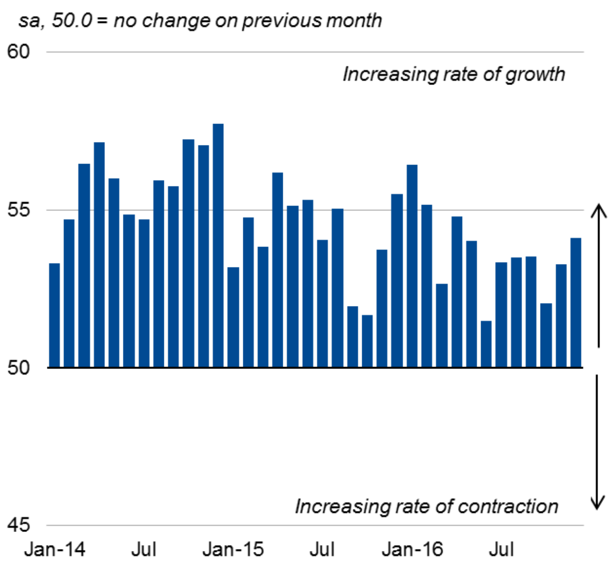
Stanbic Bank Kenya PMI™

Kenyan private sector grows at faster pace in December

Data collected 6-20 December

- New orders rise at fastest pace for 11 months
- Purchasing activity increases at sharpest rate in survey history
- Higher costs burdens continue to be passed on to clients

Stanbic Bank Kenya PMI



Sources: Stanbic Bank, IHS Markit

Private sector companies in Kenya noted another improvement in business conditions during December, thereby continuing a trend that has been evident since data collection began in January 2014. Supporting growth was another sharp rise in new orders, which, in turn, contributed to another expansion in business activity. With client demand picking up, companies raised their purchasing activity at a record pace, contributing the sharpest build-up of pre-production inventories since the survey's inception. Capacity pressures persisted despite a further round of job creation. Meanwhile, input cost inflation continued to be offset by higher selling prices.

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 accelerated to 54.1 in December, up from November's reading of 53.3. The latest figure was the sharpest since April, but remained below the long-run average for the series (54.6).

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

"Strong domestic and external demand led to an improvement in business operating conditions during the festive period. Notably, job growth rose to a ten month high as firms scrambled to increase headcount in order to mitigate backlogs that have been building up over the past couple of months. However, input costs have been on upward trend which indicates to us that headline inflation looks set to rise from January 17 onwards."

The main findings of the December survey were as follows:

Driving the improvement in sector growth was another marked rise in the level of new business placed with private sector companies in Kenya. Moreover, the latest expansion in new orders was the most marked since January.

The rise in total new orders was broad-based, as foreign demand for Kenyan goods and services also increased in December. The rate of growth softened slightly from

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November, but remained marked in the context of the series.

Data showed that favourable demand conditions had encouraged firms to raise their output levels during December. Furthermore, the rate of growth accelerated from the previous month and was solid overall, albeit marginally more subdued than the long-run average.

Higher output requirements contributed to the sharpest rise in purchasing activity in the survey's three-year history, which led to a record build-up of pre-production inventories.

Another result of higher workloads was a rise in headcounts. Moreover, the rate of job creation was the fastest in ten months. Nevertheless, backlogs continued to accumulate at a marked pace.

Meanwhile, companies were faced with a further rise in average input costs in December, with increases evident in both wages and purchase prices. Firms continued to pass higher cost burdens on to their clients by increasing their average selling prices.

Finally, average lead times on inputs shortened for the twenty-third consecutive month during December.

-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.

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@ihsmarkit.com.

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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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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