News Release

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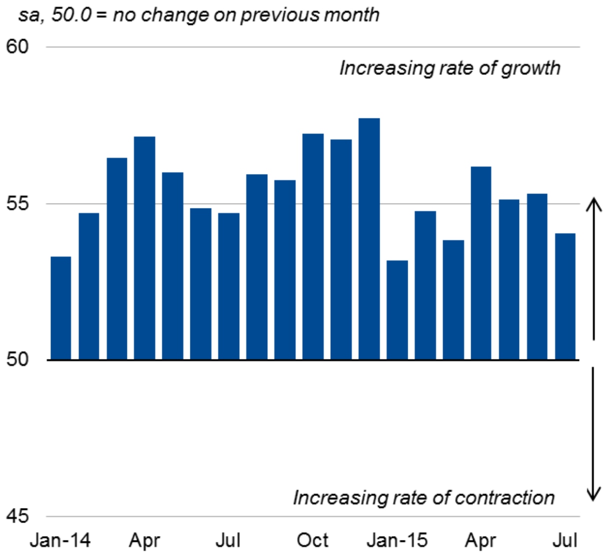
# CfC Stanbic Bank Kenya PMI™

## Kenyan private sector remains in solid growth territory

**Data collected 13-29 July**

- PMI slips to four-month low, but still signals strong expansion
- Growth rates for output and new business ease
- Currency weakness leads to sharp rise in purchase costs

**CfC Stanbic Bank Kenya PMI**




Sources: CfC Stanbic Bank, Markit

Kenya's private sector lost some growth momentum in July, as business conditions improved at the weakest pace in four months. That said, the overall rate of expansion remained solid, driven by further rises in both output and new orders. Employment also contributed to growth of the sector as a whole, with the rate of hiring little-changed from June's solid pace. Meanwhile, cost pressures picked up to a 16-month high amid further currency depreciation.

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 slipped to a four-month low of 54.1 in July, down from 55.3 in the previous month. The rate of improvement in business conditions at the start of Q3 was solid overall, albeit weaker than the series average.

**Commenting on July's survey findings, Jibran Qureishi, Economist at CfC Stanbic Bank said:**

*"The third quarter of the year has started off rather slowly as the PMI fell to 54.1 in July, which is lower than the 55.5 average recorded in the second quarter although slightly better than first quarter average of 53.9. New order growth fell to a six-month low, while cost pressures intensified to a 16-month high predominantly due to the pass through effects of the weaker Shilling. We however feel the regulator has been pre-emptive in addressing the concerns around the currency thus far, and if the much needed stability materialises from their actions, the recent cost pressures that have been slowing down growth are likely to be contained."*

**The main findings of the July survey were as follows:**

Relatively subdued expansions in output and new orders were partly to blame for the overall slowdown in July. Output growth eased since June, while new business rose at the slowest pace since January. Nonetheless, the respective rates of increase remained robust overall. Commercial initiatives and high customer turnout were reported to have boosted demand, leading to a further rise in activity.

New export work at Kenyan private sector firms also rose more slowly in July, with the latest expansion the weakest recorded so far in 2015. That said, it remained strong in the context of historical data.

Higher new orders continued to drive growth of purchasing activity in July. The rate of increase slowed in line with new work, but remained solid overall and led to another rise in stocks of raw materials and semi-manufactured goods.

Employment continued to increase in July, with the pace of job creation little-changed since June and solid overall. There were reports that new business gains had led companies to hire additional staff in the latest period.

Meanwhile, firms were able to reduce their backlogs of work. Some panellists commented on investment in machinery which improved their efficiency in production.

On the price front, total input costs increased at the sharpest rate since March 2014 during July. The overall rise was mainly driven by a marked expansion in purchase prices, while salaries rose only modestly. According to anecdotal evidence, the strength of the US dollar versus the Kenyan shilling continued to place upward pressure on purchasing costs.

Subsequently, companies in Kenya raised their output charges for the fourth straight month in July.

-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:**

CfC 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.

CfC 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.

CfC 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.

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

For further information log on to www.cfcstanbicbank.co.ke

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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/economics.