

News Release

Purchasing Managers' Index™ MARKET SENSITIVE INFORMATION

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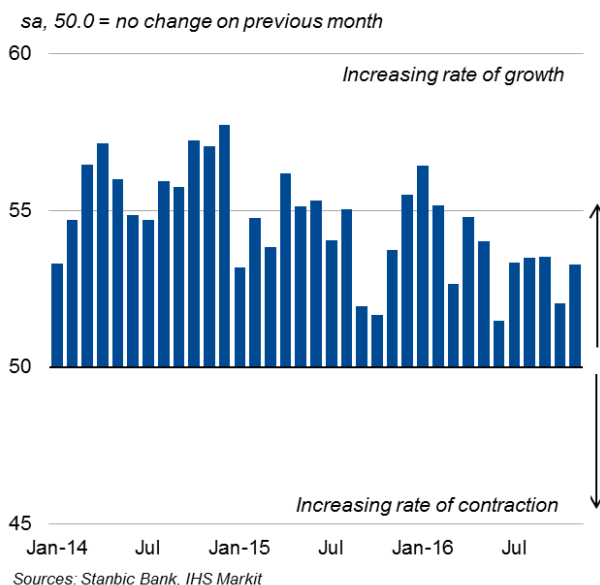
Stanbic Bank Kenya PMI™

Private sector growth rebounds in November

Data collected 11-28 November

- PMI climbs from four-month low to signal solid improvement in business conditions
- Fastest expansion of new work since February
- Survey-record rises in backlogs and stocks of purchases

Stanbic Bank Kenya PMI



Kenyan private sector firms reported a solid improvement in business conditions during November, after having seen growth ease to a four-month low at the start of the fourth quarter. Contributing to growth of the sector as a whole was a sharp expansion in new work. With client demand picking up, companies raised their input stocks at a record pace. Stronger order books also led to substantial pressure on operating capacity, which helped persuade a number of panellists to hire additional staff. On the price front, average charges rose at the fastest rate since December 2015.

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 rebounded to 53.3 in November, up from October's four-month low of 52.0. The latest figure was broadly in line with the average seen over the third quarter (53.4), although remained below the overall series trend (54.6).

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

"Buoyed by a sharp rise in new orders, the PMI rebounded from a four month low recorded in October. Demand from neighbouring Uganda which is a key trading partner for Kenya was indeed a key reason behind this recovery."

"Looking ahead, cost for firms could start edging higher owing to the weaker exchange rate, however more specifically we remain concerned around the sharp slowdown in private sector credit growth which could eventually prove to be a stumbling block for activity within Kenya's private sector. Furthermore, erratic rainfall in Q4:2016 also poses as a risk to agriculture production."

The main findings of the November survey were as follows:

Growth of new business was a key factor behind the improvement in business conditions during November. The rate of expansion accelerated to a nine-month high, amid reports of healthy demand both domestically and abroad. The latest rise in new export work was strong in the context of historical data and marked overall. Panellists commented on bulk orders from nearby African economies including Uganda.

Purchasing activity increased sharply on the back of robust client demand. In fact, growth was only slightly slower than the survey-record seen in December 2014. The rate of pre-production inventory building quickened as a result, with the respective index climbing to its highest since data collection began in January 2014.

Greater work-in-hand was another by-product of improving new business in November. Backlogs rose at a survey-record pace, surpassing the previous high recorded in September. Faced with mounting capacity pressures, a number of firms chose to hire additional staff. The rate of job creation was solid overall.

Output growth also picked up, albeit to a lesser extent than that for new work. The pace of expansion remained subdued relative to the series average.

Meanwhile, total input prices rose more quickly than in October, mainly driven by higher staff costs. The rate of salary growth reached a nine-month high, with panellists linking the rise in wages to the employment of skilled workers and commission-based payments. Charges increased solidly having broadly stagnated in the previous two months. Improving demand helped firms to pass higher costs through to clients.

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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.

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.

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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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