News Release

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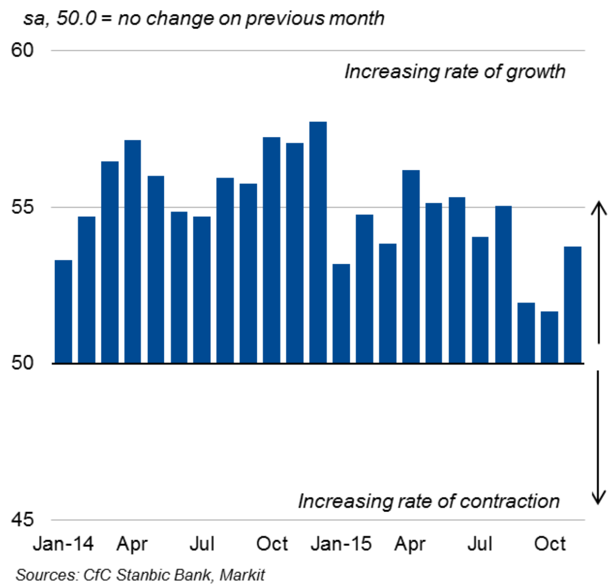
CfC Stanbic Bank Kenya PMI™

PMI signals rebound in growth of Kenyan private sector

Data collected 12-26 November

- Rates of expansion in output and employment pick up from record lows
- Strongest rise in new business since August
- Cost pressures ease to seven-month low

CfC Stanbic Bank Kenya PMI



Sources: CfC Stanbic Bank, Markit

Kenya's private sector expansion regained some momentum in November, as highlighted by the strongest improvement in business conditions since August. There were rebounds in growth of output, employment and input buying, underpinned by a faster increase in new orders. Notably, the rise in new business came in spite of a stagnation in new export work. On the price front, currency weakness against the US dollar had less of an impact in November, leading overall cost pressures to moderate. As a result, the rate of charge inflation eased further.

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.

After having posted at record lows in September (51.9) and October (51.7), the headline PMI signalled a rebound in private sector growth during November. At 53.7, the latest reading pointed to a solid improvement in business conditions. It was still below the series average (55.0), however.

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

"After a tough couple of months of growth, the private sector rebounded quite impressively in Nov 15 buoyed by a recovery mainly from output and employment. The recent broad stability in the exchange rate has also helped ease off cost pressures for most firms. The encouraging aspect of this month's PMI report is the indication of growth being driven largely by domestic demand as suggested by the rise in new business orders despite new export orders stagnating."

The main findings of the November survey were as follows:

The overall expansion was supported by a robust increase in output during November. Growth quickened to a three-month high, having eased to the weakest in the series history at the start of Q4. According to panellists, a strong client turnout was the key factor behind rises in activity.

New orders placed with Kenyan private sector firms rose sharply in November. The rate of expansion accelerated

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to the fastest since August, and was broadly in line with the average so far in 2015. Gains in new business were widely linked to enhanced marketing and the introduction of new product lines.

In contrast, new business from abroad stagnated in November, following 15 successive months of growth. Some companies saw their advertising efforts lead to new foreign orders, but others reported weak demand in key export markets.

Reflective of the trends in output and total new work, input buying rose more quickly in November. The rate of inventory building slowed to a record low, however, as some firms were still using stocks built up in prior months to fulfil incoming orders.

November data signalled a further expansion in the Kenyan private sector workforce. The rate of hiring picked up to the sharpest in four months, as firms looked to raise employment in line with the opening of new branches. Meanwhile, with new order growth gathering speed, backlogs of work rose for the first time in three months, albeit only modestly.

A depreciation of the Kenyan shilling versus the US dollar was again cited as the main reason behind higher purchase prices. That said, the effects were less severe than in previous months, as both input costs and output charges rose at slower rates.

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

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