News Release

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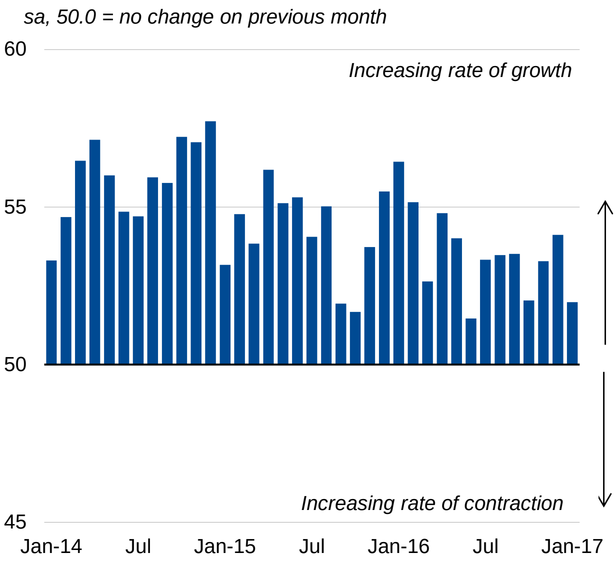
Stanbic Bank Kenya PMI™

Business conditions improve at slower rate

Data collected 12-27 January

- Business activity grows at weakest rate in seven months
- New orders increases at slower, but still sharp rate
- Purchase price inflation climbs to eight-month high

Stanbic Bank Kenya PMI



Sources: Stanbic Bank, IHS Markit

The Kenyan private sector improved further during January, although to the least extent in three months. Underpinning the latest improvement was a sharp expansion in new work which was supported by a steep increase in new export orders. Firms raised their payroll numbers slightly, while there were signs of ongoing pressure on operating capacity. Output increased at a modest pace that was the weakest since mid-2016. On the price front, charges rose for the fourth successive month amid a further increase in input costs.

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 deterioration.

At 52.0, the seasonally adjusted PMI was consistent with a modest improvement in the health of the Kenyan private sector at the start of 2017. The respective index slipped back from the eight-month high of 54.1 in December and was below the series average (54.5).

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

"The Stanbic Bank PMI fell to a 3-m low in January starting the New Year more sluggishly after a solid close in 2016. In fact, since the legislation to cap interest rates came into effect in September 2016, we can now see signs of distress within the private sector as panellists lament about cash shortages. A further slowdown in private sector credit growth and poor weather conditions will most likely lead to a downward trend in the PMI over the coming quarter, more so as costs for firms will most probably rise. "

The main findings of the January survey were as follows:

Having accelerated in the previous two months, output growth softened to a moderate pace in January. Anecdotal evidence linked the increase to improved market demand. However, growth was reportedly restricted by cash shortages.

January saw a sharp albeit softer rise in new business. A number of firms mentioned that promotional activities had boosted demand. Another factor supporting growth of total new orders was a robust expansion in new business from abroad.

Reflective of increased output, firms raised their staffing levels in January, but at the weakest rate in six months. Concurrently, capacity pressures continued to build, with backlogs accumulating for the fifteenth successive month. A number of companies indicated that greater workloads was the primary factor behind the latest increase in outstanding business. Also, some firms mentioned financial constraints.

On the price front, higher raw material costs were reported to be the primary factor behind another steep increase in overall input costs, with wage inflation softening in January. Average prices charged rose for the fourth month running, but the rate of inflation was at a three-month low. Firms were reportedly restricted in their ability to fully pass on increased cost burdens to clients as they faced intense market competition.

In response to increased production requirements, purchasing activity rose at a steep pace in January. As a result, pre-production inventories rose at the start of the year.

Finally, average vendor performance improved at the start of the year despite pressure on suppliers' capacity. The degree to which delivery times shortened was sharp.

-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:
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.

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.

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/product/pmi.