News Release

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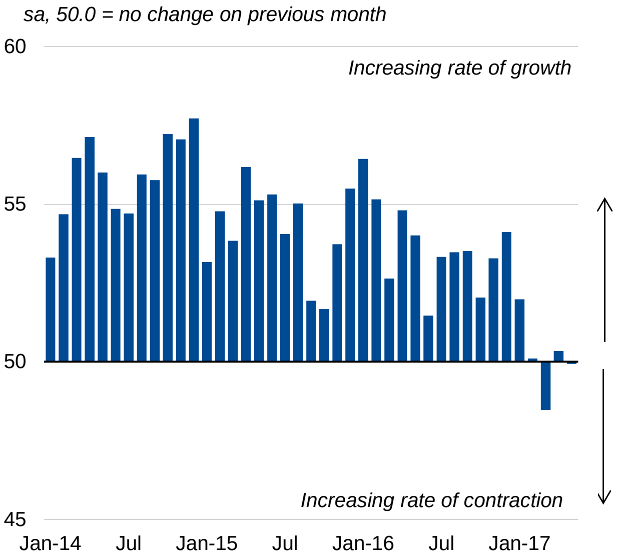
Stanbic Bank Kenya PMI™

Kenyan private sector stagnates during May

Data collected 12-26 May

- Headline PMI index registers at 49.9 in May
- Business activity declines at marginal pace
- Firms cut output charges despite greater cost pressures

Stanbic Bank Kenya PMI



Sources: Stanbic Bank, IHS Markit

The performance of the Kenyan private sector was stagnant in May as the PMI posted just below the neutral 50.0 threshold. A fall in output, albeit marginal, contributed to the weakness of overall business conditions. Meanwhile, new order growth softened from the preceding month, but was solid overall. In response to greater inflows of new business, employment growth quickened to a five-month high. Despite upward inflationary pressures on input costs faced by the private sector, output charges fell so that companies could stimulate demand amid reports of intense competition.

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.

At 49.9 in May, down from April's 50.3, the seasonally adjusted PMI signalled broadly stagnant business conditions. Notably, the index reading was the second-lowest (behind March) observed since the inception of the series.

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

"As we highlighted last month, the recovery in business conditons could prove to be transitory, due to a cocktail of dangerous headwinds. The PMI contracted again as output subsided and growth in new orders slowed. Panelists continue to attribute the deteriorating conditions to financial constraints and weak consumer demand due to the upcoming elections in August."

The main findings of the May survey were as follows:

The fall in the PMI index was mainly driven by reduced output, which declined for the third time in four months, albeit fractionally. Those firms that recorded a decrease in activity blamed the upcoming elections, weaker purchasing power among clients and a lower customer turnout.

Meanwhile, total new orders increased in May. The rate of expansion was solid overall but slowed to the second-weakest (behind March) since the inception of the series in January 2014. According to anecdotal evidence, a rise in new client wins was supplemented by promotional

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activities. New export orders expanded for the tenth consecutive month, although, the rate of growth was modest overall.

The ongoing growth in new orders (and subsequent capacity pressures) encouraged firms to increase their payroll numbers. The rate of job creation quickened to a five-month high, but was modest overall. Subsequently, the rate of backlog accumulation quickened to a three-month high and was marked. Financial constraints faced by firms, and rising new order levels were reported to have placed pressure on operating capacity, according to panellists.

Buying activity increased during May, but the rate of growth was the weakest observed in 19 months. At the same time, firms raised their input stocks at the fastest pace in three months.

Firms faced upward inflationary pressures due to higher fuel costs and a general increase in raw material prices, according to panellists. Despite higher costs, firms reportedly offered discounts to attract customers amid intensive competitive conditions.

-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.

IHS 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 IHS Markit. Please contact economics@ihsmarkit.com.

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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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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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