

## News Release

**Purchasing Managers' Index™**  
**MARKET SENSITIVE INFORMATION**

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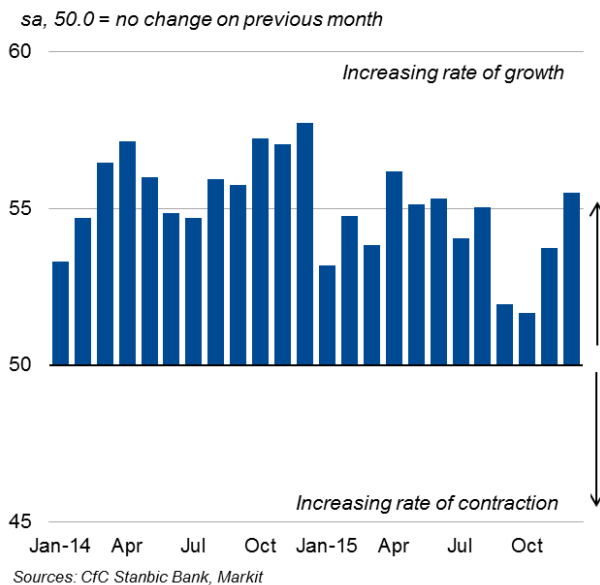
## CfC Stanbic Bank Kenya PMI™

### Kenyan private sector growth strengthens at year-end

#### Data collected 4-21 December

- PMI climbs to eight-month high
- Fastest expansion in output of 2015
- New orders and employment both rise more quickly

#### CfC Stanbic Bank Kenya PMI



Kenya's private sector expansion gathered speed in December, having stalled somewhat just two months earlier. Growth rates in output, new work and employment all accelerated, as did that for input buying. In particular, the latest rise in output was the most marked seen throughout 2015. Meanwhile, cost pressures remained relatively subdued, but charges rose more quickly as firms benefitted from an improvement in underlying demand.

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.

Rising from 53.7 in November to 55.5, the seasonally adjusted PMI highlighted a positive end to 2015 for Kenya's private sector firms. The December reading was the highest in eight months, and pointed to a marked improvement in business conditions. That said, growth in Q4 was the weakest on average (53.6) since the series began in 2014, thanks mainly to the survey-record low seen in October (51.7).

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

*"The private sector closed the year on a strong note as the PMI rose to an eight-month high of 55.5 from 53.7 in the previous month and a survey-record low of 51.7 in October. We expect the Kenyan economy to expand by 5.3% in 2015, predicated on a robust performance mainly in the construction sector. Likewise, despite the ongoing challenges in the tourism sector for the most part of 2015 and erratic weather patterns that suppressed agricultural production in the first half of the year, the Kenyan private sector has weathered the storm in what we think was an incredibly challenging global environment in 2015."*

#### The main findings of the December survey were as follows:

Underpinning the pick-up in momentum was a robust increase in output during December. Activity growth quickened to a one-year high, helped by a combination of stronger client demand and the opening of new branches.

New business showed a similar trend, with the latest expansion the sharpest since June. Enhanced marketing was cited as the key driver behind the rise, while higher new export work also contributed. Foreign orders rose

only modestly, however, following a stagnation in the prior month.

Growth of the sector as a whole was boosted further by faster job creation in December. The rate of hiring picked up to the quickest in seven months, as firms redoubled their efforts to expand operating capacity. This was in light of another increase in work-in-hand. Backlogs rose to the greatest extent since the end of last year.

With incoming new work rising sharply, growth of purchasing activity accelerated in December. Pre-production inventory building gathered pace as a result, but remained muted in the context of historical data.

On the price front, total input costs rose more slowly in December. The easing centred on a slightly weaker rise in purchase prices, as salary growth hit a four-month high. The overall rate of inflation was nevertheless solid overall, amid reports of higher raw material and transportation costs generated in part by the weakness of the Kenyan shilling.

Meanwhile, tariffs rose at the fastest rate since August, with panellists reportedly able to pass on higher costs due to the strength of client demand.

-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](mailto: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](http://www.cfcstanbicbank.co.ke)

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*Purchasing Managers' Index*<sup>®</sup> (*PMI*<sup>®</sup>) 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](http://www.markit.com/economics).

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