

News Release

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

Kenya's private sector remains on strong growth path

Data collected 12-25 February

- PMI signals another marked improvement in business conditions
- Output, new orders and employment all rise sharply
- Growth of buying activity picks up to 14-month high

CfC Stanbic Bank Kenya PMI



February data showed that the strength of Kenya's private sector expansion remained intact. Higher output, new orders and employment ensured that overall business conditions improved solidly again. Though slower than in January, the respective rates of expansion were still marked overall. Subsequently, firms felt sufficiently confident to raise their input buying to the greatest extent since late-2014. On the price front, cost pressures remained relatively muted, while charges rose further amid stronger client 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.

At 55.2, the seasonally adjusted PMI was consistent with a robust improvement in business conditions in February. While below January's 13-month record of 56.4, the latest reading was broadly in line with the series average (55.1). Notably, it was higher than the trend recorded in the second half of 2015 (53.7), thereby continuing the revival in Kenyan private sector growth seen in the early part of this year.

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

"The private sector continued to maintain firm growth momentum in February, albeit at a slower pace than the previous two months. As we pointed out last month, higher backlogs of work have consequently led to higher employment within the Kenyan private sector. Likewise, the recent stability in the exchange rate should ensure both input and output costs remain well contained for firms which will help to bolster output further."

The main findings of the February survey were as follows:

Both output and new business rose substantially in February. The respective rates of growth eased since the previous month, but remained sharp overall. There were reports that a general improvement in demand conditions had helped companies to secure new clients, and activity increased accordingly.

A faster expansion in new export orders contributed to growth of total new business in February. The latest increase was the steepest in ten months, with firms commenting on high demand from neighbouring African economies including Uganda.

With incoming new work rising sharply, panellists were motivated to raise their input buying more quickly in February. The respective index climbed to a 14-month high, and pre-production inventories increased at a faster pace as a result.

The health of Kenya's private sector was reflected by a solid round of job creation at private sector companies. The rate of hiring eased slightly since January, but remained strong compared with the survey trend.

According to respondents, one of the reasons behind higher employment was a drive to cut backlogs. Work-in-hand increased for the fourth straight month.

Meanwhile, overall input prices rose for the thirteenth month in a row. Though solid overall, the latest increase was subdued in the context of historical data. Underlying the relatively slow rise was the weakest expansion in purchase prices since last March. In contrast, salary growth picked up to a two-year high.

Charges increased again in February. Firms indicated that strong client demand had enabled them to raise tariffs.

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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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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.

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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.

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

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About PMI

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