

News Release

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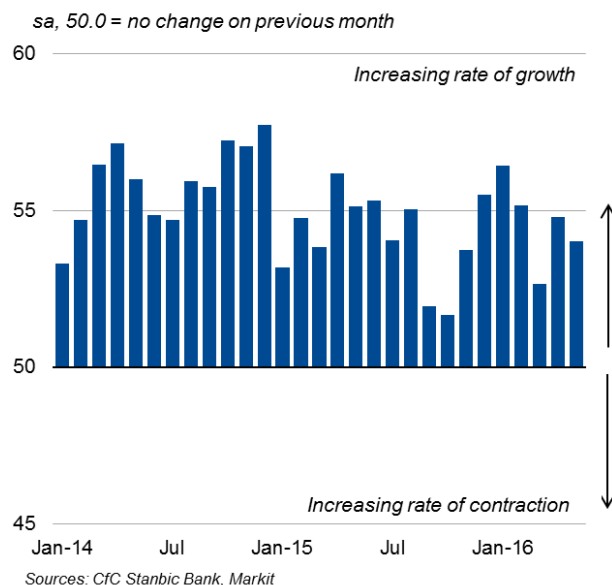
CfC Stanbic Bank Kenya PMI™

Kenyan private sector growth maintained at solid pace

Data collected 12-26 May

- PMI dips since April but still points to healthy expansion
- Both output and new work rise solidly
- Rate of job creation quickens to three-month high

CfC Stanbic Bank Kenya PMI



Kenya's private sector remained in good health during May, as business conditions improved solidly. Both output and new orders increased. That said, the respective rates of expansion eased since April, and were subdued in the context of historical data. The underlying strength of the economy was nevertheless highlighted by a faster rise in employment – job creation was at a three-month high. Firms also raised their input buying at the quickest rate in three months as they sought to keep pace with private sector expansion. Meanwhile, both input costs and output charges rose more quickly in May.

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.

Though falling from 54.8 in April to 54.0, the seasonally adjusted PMI pointed to a robust improvement in Kenyan private sector business conditions during May. The latest figure was below the overall series average (55.0), but broadly in line with the trend since the beginning of 2015 (54.3).

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

"Conditions within the Kenyan private sector continued to improve, however at a slower pace. Judging by historical standards the PMI has expanded much more softly than previous quarters. The recent easing of the monetary policy stance is thus a good move in order to kick start economic activity. On a positive front, job creation looks set to improve as backlogs of work increased for a seventh straight month. Costs for firms have also been on upward trend over the past couple of months despite the stable exchange rate as attracting labour has become more competitive forcing firms to outbid each other."

The main findings of the May survey were as follows:

Higher output and new orders continued to bolster Kenya's private sector in May. Both rose solidly, though the rates of expansion were slower than their respective trends. Panellists indicated that new client wins and incoming projects had led them to raise their output. Moreover, growth of total new work was supported by exports, which increased for the sixth straight month. Notably, some firms made particular reference to trade with Uganda.

In line with ongoing improvements in demand, employment rose again in May. Furthermore, the rate of hiring quickened since April to a three-month high. The pick-up in job creation failed to alleviate pressure on operating capacity, however, as continued new order growth meant that backlogs increased for the seventh month running.

Growth of purchasing activity was sustained at a marked pace similar to that seen in April. New business gains were reportedly behind the rise. As a result, the rate of pre-production inventory building remained strong, with the latest expansion the quickest since February.

On the price front, cost pressures intensified for the second successive month in May. The latest increase

was solid overall, but remained weaker than the average over nearly two-and-a-half years of data collection. Higher purchase prices were behind the overall rise, with firms commenting on greater raw material and transportation costs. Charges also rose more quickly, as shown by the respective index climbing to a five-month high.

-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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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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