

## News Release

**Purchasing Managers' Index™**  
**MARKET SENSITIVE INFORMATION**  
**Embargoed until: 10:30 (East Africa) / 07:30 (UTC) August 3rd 2018**

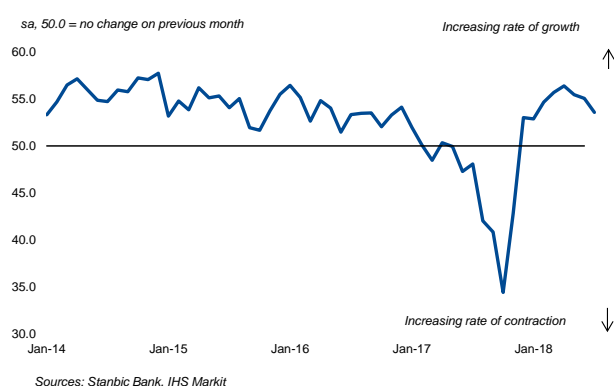
### Stanbic Bank Kenya PMI™

#### Solid, but slower improvement in operating conditions

Data collected 12-27 July

- PMI falls to 53.6 in July
- Slower, but still marked, rises in output and new business
- Input cost inflation picks up to fastest since March

#### Stanbic Bank Kenya PMI



Growth in Kenya's private sector lost momentum as expansions in output and new orders eased to the slowest rates in eight and six months respectively. Moreover, firms added to their payroll numbers at a slower and marginal pace. On the price front, firms faced the fastest rise in overall input costs since March, while firms passed on higher cost burdens to clients at a slower pace.

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.

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

*"Kenya's private sector activity continued to expand although the pace of acceleration was moderating, but there is no cause for alarm. The health of the private sector remains sound and the decline in the PMI in July is still above the historical average since data collection began. Anecdotal evidence in July seems to be pointing to rising input costs for firms. That said, other tax measures may still come through over the coming months, subject to pending court decisions. In fact, the trend of higher input costs around July is actually quite seasonal according to the PMI survey, however the recent decline in food prices should bode well for consumption spending over the coming months."*

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

The seasonally adjusted PMI fell further from 55.0 in June to 53.6 in July. The latest reading signalled the slowest improvement in the health of the sector since January, but was consistent with a marked expansion that was stronger than the long-run trend (52.9).

Kenyan private sector output rose in July, thereby extending the period of expansion to eight months. The latest upturn was marked despite easing to the slowest in this sequence. Anecdotal evidence pointed to favourable demand conditions.

New business placed at Kenyan private sector companies rose in July. The rate of growth eased to the slowest since January, but remained sharp. Strong market demand was cited as the key factor by panellists behind the latest rise in new orders. Meanwhile, new export orders rose at the fastest pace since March.

Reflecting sustained periods of expansion in output and new orders, Kenyan firms were encouraged to raise staffing levels during July. That said, job creation slowed to a marginal pace.

In response to strong demand conditions, Kenyan firms also raised their purchasing activity for the eighth consecutive month during July. Despite easing to the slowest since January, the rate of growth was sharp and outstripped the historical average. In tandem with the expansion in input buying, firms raised their pre-production inventories at a sharp pace, albeit the weakest since January.

As has been the case since February 2015, Kenyan firms faced higher overall input costs in July. Furthermore, the rate of inflation was the fastest since March. Anecdotal evidence pointed to a limited supply of raw materials and higher fuel costs. Meanwhile, staff costs rose at a modest pace.

Despite stronger inflationary pressures, firms raised their average selling prices at the slowest pace since April. However, the rate of inflation was solid overall. Where an increase in output charges was noted, firms commented on the pass through of higher cost burdens to clients.

-Ends-

**For further information, please contact:**

**Stanbic Bank:**

Jibran Qureishi, Regional Economist E.A, Global Markets  
Telephone +254 20 363 8138  
Email [jibran.quireishi@stanbic.com](mailto:jibran.quireishi@stanbic.com)

Willis Angira, Communications Manager  
Telephone +254 (20) 3268 257  
Email [willis.angira@stanbic.com](mailto:willis.angira@stanbic.com)

**IHS Markit:**

Aashna Dodhia, Economist  
Telephone +44 1491 461003  
Email [Aashna.Dodhia@ihsmarkit.com](mailto:Aashna.Dodhia@ihsmarkit.com)

Joanna Vickers, Corporate Communications  
Telephone +44-207-260-2234  
Email [joanna.vickers@ihsmarkit.com](mailto:joanna.vickers@ihsmarkit.com)

**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](mailto:economics@ihsmarkit.com).

### Stanbic Bank:

Stanbic Bank Kenya is a member of the Standard Bank Group, Africa's largest bank by assets.

Standard Bank Group reported total assets of R1,95 trillion (about USD143billion) at 31 December 2016, while its market capitalisation was R246 billion (about USD18 billion). The group's largest shareholder is Industrial and Commercial Bank of China (ICBC), the world's largest bank, with a 20.1% shareholding.

Standard Bank Group has direct, on-the-ground representation in 20 African countries. Standard Bank Group has 1 221 branches and 8 815 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 the bank has a network of 26 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 Securities Exchange (NSE).

For further information log on to [www.stanbicbank.co.ke](http://www.stanbicbank.co.ke)

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### About PMI

*Purchasing Managers' Index™ (PMI™)* surveys are now available for over 40 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 [ihsmarkit.com/products/pmi](http://ihsmarkit.com/products/pmi).

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