News Release

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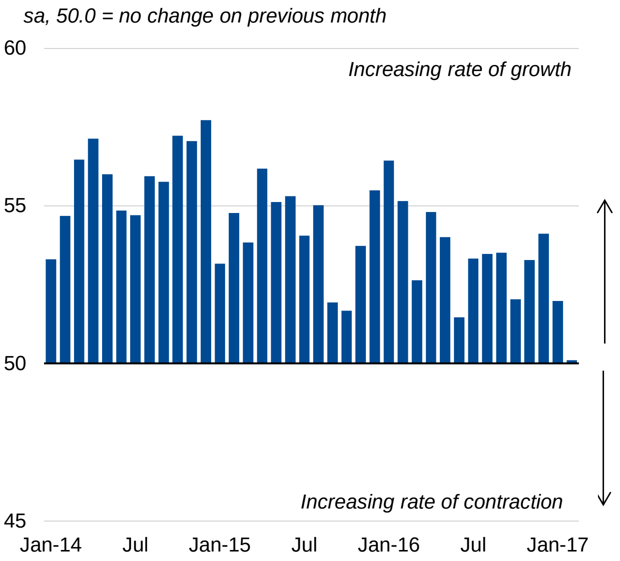
Stanbic Bank Kenya PMI™

PMI declines to record low in February

Data collected 10-24 February

- PMI falls to record low to signal broadly stagnant business conditions
- Output declines for first time since survey began in January 2014
- Employment growth eases to marginal pace

Stanbic Bank Kenya PMI



Sources: Stanbic Bank, IHS Markit

Latest survey data signalled broadly stagnant business conditions across Kenya's private sector economy with the PMI posting its lowest reading since the inception of the series in January 2014. Weighing on the headline index was a fall in output albeit marginal while growth in new orders eased to the second-weakest in the series history. Employment meanwhile increased only fractionally, which contributed to a further rise in backlogs of work. Firms raised their input buying at a modest pace to cater for an increased volume of new orders. Output charges rose only slightly, to reflect efforts at some firms to stimulate demand despite a further increase in input costs.

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 50.1 in February, down from 52.0 in January, the seasonally adjusted PMI signalled broadly stagnant business conditions. Notably, the index reading was the lowest seen over 38 months of data collection.

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

"As we pointed out in our previous report, the ongoing drought and decline in private sector credit access will inevitably lead to deterioration in business conditions within the Kenyan private sector. This month's historic low reading is symptomatic of these risks that we are flagging. In addition, potentially higher input costs over the coming months could also hinder the private sectors progress. More importantly, the long rains season beginning in March will be pivotal for the agricultural sector, and in the event that the rains are inadequate, we may potentially see an entrenched slowdown within the business operating environment."

The main findings of the February survey were as follows:

The fall in the PMI index was partly driven by reduced output, which declined for the first time since the inception of the survey in January 2014, albeit only marginally. Fewer than expected sales and cash shortages among clients were cited as the key reasons behind lower output.

Moreover, data indicated that growth of new business eased to a 17-month low, though marked overall. This was despite a stronger increase in new export business in February, which reportedly occurred due to increased international demand and expansion into new export markets.

With growth of new business outstripping that for output, backlogs of work continued to rise markedly. Panellists commented that cash flow difficulties had also contributed to greater amounts of unfinished work. At the same time, employment rose at the joint-weakest rate on record in February, rising only slightly overall.

In line with the trend for new business, growth of buying activity eased in February and was the slowest seen in 16 months. As a result, stocks of purchases rose at a rate that, though solid, was the weakest since June 2016.

On the prices front, output charge inflation eased to a four-month low as firms' abilities to pass on higher input costs to clients were restricted due to efforts to stimulate customer demand. Greater market prices for raw materials were reported to have driven input costs higher, while staff costs also rose in February.

Finally, delivery times continued to improve sharply amid reports of increased competition between suppliers.

-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.

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@ihsmarkit.com.

Stanbic Bank:
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.

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 Stock Exchange (NSE).

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About PMI

Purchasing Managers' Index® (PMI®) 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/product/pmi.