News Release

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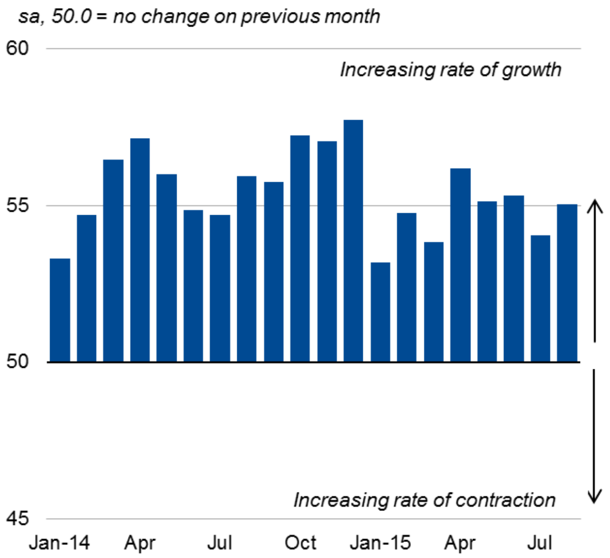
CfC Stanbic Bank Kenya PMI™

Private sector growth sustained at robust pace

Data collected 12-26 August

- PMI signals further strong improvement in business conditions
- Output and new orders rise more quickly, but jobs growth eases
- Cost pressures intensify amid currency depreciation

CfC Stanbic Bank Kenya PMI



Sources: CfC Stanbic Bank, Markit

Kenyan private sector firms reported sharper expansions in both output and new business during August, leading to faster growth of the sector as a whole. In contrast, data for employment was less buoyant, as the rate of hiring moderated to a five-month low. Meanwhile, a further depreciation of the Kenyan shilling against the US dollar contributed to another marked rise in input prices.

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 55.0, the seasonally adjusted PMI was consistent with a robust improvement in business conditions midway through Q3. The August reading was above the average recorded so far in 2015 (54.7), and higher than the July's four-month low of 54.1.

Commenting on August's survey findings, Jibran Qureishi, Economist at CfC Stanbic Bank said:

"Business conditions improved in August, underpinned by strong expansions in output and new orders. Cost pressures remained elevated, rising to a 17-month high which isn't surprising as the currency still remains under pressure. We still think there is a bias for the MPC to tightening its policy stance further in order to curb inflationary expectations from rising while also ensuring that the currency pressures subside. Given the current risk averse philosophy that foreigners have adopted towards Africa, a tighter monetary policy stance will have to be supplemented with higher real yields in the money market to stabilize the currency. New export orders also fell sharply in August despite the weaker local unit, which perhaps is a reflection of the weak performance of our source markets. However, at the same time it's encouraging to note that domestic demand was probably the main driver of the expansion in growth in August, which underlines the resilient and diversified nature of the Kenyan economy."

The main findings of the August survey were as follows:

The rise in the headline index was mainly driven by ongoing growth of both activity and new work inflows in August. The respective rates of expansion quickened since July, and were marked overall. There were reports that commercial initiatives and the opening of new branches had contributed to new client wins, which in turn led to output growth.

Growth of new business was slightly undermined by a weaker rise in new export work, however. The pace of increase eased to an 11-month low, and was subdued in the context of historical data.

Input buying in the Kenyan private sector rose more quickly in August, reflective of the trends seen for output and new orders. As a result, stocks of purchases increased at a faster pace. The rate of inventory building was the most marked since December 2014, with higher new work widely reported as the reason behind growth of input stocks.

Meanwhile, the rate of job creation slowed to the weakest in five months during August. The respective index was below the series average, and signalled only a moderate rise in employment at companies in Kenya.

On the price front, cost pressures picked up to a 17-month high in August. Data suggested that the overall rise in input prices was underpinned by a sharp increase in purchasing costs, although further salary growth also contributed. The rate of expansion in purchase prices accelerated for the sixth consecutive month, with the weakness of the shilling versus the dollar continually mentioned as the driving factor.

Charges also rose solidly in August, with the latest rise the steepest since March 2014. According to panellists, a combination of higher input costs and stronger client demand placed upward pressure on selling prices.

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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:

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).

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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/economics.