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News Release

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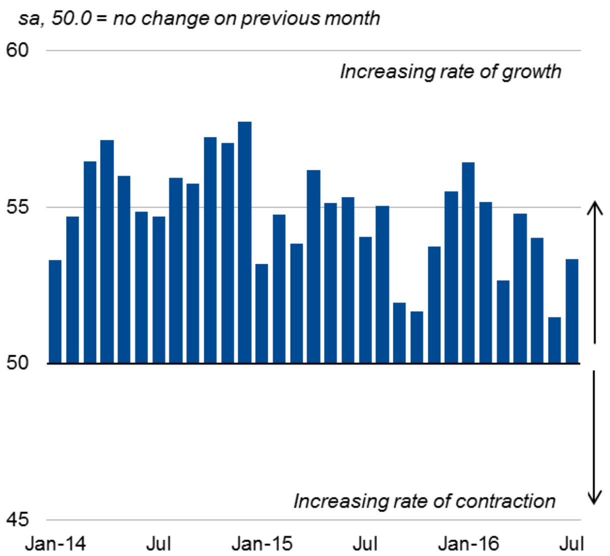
CfC Stanbic Bank Kenya PMI™

July PMI signals rebound in private sector growth

Data collected 12-27 July

- Headline index picks up from June's record low
- Output growth accelerates amid sharp rise in new business...
- ...but employment nears stagnation

CfC Stanbic Bank Kenya PMI



Sources: CfC Stanbic Bank, IHS Markit

Growth of Kenya's private sector economy picked up in July, as business conditions improved at a faster pace. June had seen the overall rate of expansion ease to a record low but the slowing trend was reversed in the latest period, helped by sharper rises in output and new work. Notably, new orders rose at a marked pace in spite of a stagnation in exports. Employment barely increased, however, suggesting that firms remain cautious about the sector's longer term outlook. Meanwhile, both input and output prices rose, though cost pressures remained relatively subdued.

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.

After having dropped to a survey-record low of 51.5 in June, the seasonally adjusted PMI signalled a rebound in growth during July. At 53.3, the latest reading pointed to a solid improvement in business conditions, albeit one that was weaker than the series trend (54.8).

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

"The Kenyan private sector regained momentum in July after dropping to a survey record low in the previous month. Indeed, the chief driver of this rebound was a sharp rise in new orders. This was largely down to robust domestic demand as export growth trended sideways probably due to suppressed global growth. Uncertainty surrounding the impact of the Brexit vote could continue to weigh down export growth in coming months. Firms also voiced concerns around cost pressures owing to the newly introduced tax measures in the budget, however these pressures could be relatively muted going forward as international oil prices continue to remain benign and the exchange rate also remains broadly stable. Nonetheless, the government's expansionary fiscal policy could begin to kickstart economic activity and support growth in the second half of 2016."

The main findings of the July survey were as follows:

Data showed that higher new work was the main driver of private sector expansion in July. New business rose at the quickest rate in three months, with panellists indicating that enhanced marketing strategies had helped them to take advantage of an improvement in underlying demand.

Growth of total new business was centred on the domestic market, however, as exports were unchanged in July. Some respondents suggested that they had been unable to raise production sufficiently to meet foreign demand.

Output rose solidly in July, following a negligible expansion in the previous month. That said, the rate of increase was weaker than that seen for new work and below the series average.

Purchasing activity also increased, and at a faster pace. Anecdotal evidence highlighted new business gains as the key factor behind the rise. This enabled firms to build up their stocks of pre-production items. Some panellists attributed inventory building to expectations of future improvements in demand.

Job creation almost stalled in July, however. The rate of hiring eased to the weakest in 31 months of data collection so far. A lack of workforce growth coupled with sharply rising new orders led to a ninth successive accumulation of backlogs of work.

On the price front, both input costs and output charges rose more quickly than in June. The respective increases had neared stagnation at the end of the second quarter, but the latest rises were solid. According to respondents, costs rose on the back of high taxation and the strength of the US dollar, and this fed through to charges in a number of cases.

-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:

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.

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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/product/pmi.