News Release

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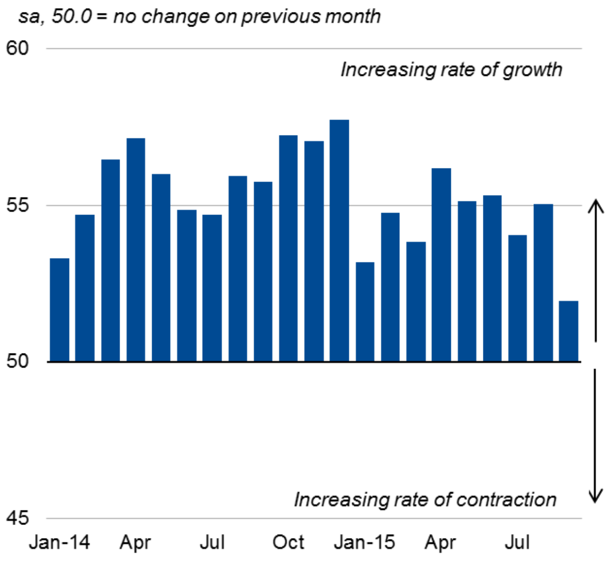
CfC Stanbic Bank Kenya PMI™

PMI drops to survey-record low

Data collected 11-28 September

- Business conditions improve at weakest pace in series history
- Slower expansions in output, new business and employment
- Cost pressures hit 18-month high amid currency weakness

CfC Stanbic Bank Kenya PMI



Sources: CfC Stanbic Bank, Markit

Latest data indicated that Kenyan private sector growth stalled somewhat at the end of Q3. Business conditions improved only modestly in September, with the respective rates of expansion in output and new work easing to record lows. Employment also rose at the weakest pace in the series history, further restricting growth of the sector as a whole. Meanwhile, purchasing costs were affected by another depreciation of the Kenyan shilling against the US dollar.

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.

The seasonally adjusted PMI dropped to a survey-record low of 51.9 in September. Down from 55.0 in August, the latest figure signalled only a modest improvement in business conditions at Kenyan private sector firms. As a result, the third quarter was the weakest on average (53.7) since the survey began at the beginning of last year.

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

"The PMI has fallen to its lowest level in September since data collection began back in January 2014. The weaker exchange rate has certainly increased import costs for most firms which has consequently suppressed their profit margins, perhaps also leading to the significant slowdown in workforce growth. However, the currency is likely to appreciate in the coming months due to the rise in real yields in the Kenyan money markets which will probably increase portfolio inflows and thus lend some much needed support to the balance of payments. Nonetheless, economic growth which expanded by a healthy 5.5% y/y in Q2 2015 from 4.9% y/y in the previous quarter will probably subside in the third quarter this year judging by the activity of the CfC Stanbic PMI. Higher interest rates will stifle growth in the private sector; however this may only be temporary as rates eventually move lower."

The main findings of the September survey were as follows:

Rates of expansion in output and new business were both the slowest on record in September, mirroring the overall trend signalled by the headline index. Activity rose only modestly, with data pointing to a sharp easing in new order growth. New business gains were reportedly undermined by a number of factors including currency weakness and teachers' strikes. Meanwhile, new export

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work increased at a faster pace, with panellists commenting on expansions into new foreign markets.

The slowdown of the Kenyan private sector as a whole was reinforced further by the weakest rise in employment in the series history. Payroll numbers increased only marginally in September, with the majority of respondents (83%) noting no change since August.

Similarly, input buying rose at the slowest pace since the survey began in January 2014. Anecdotal evidence generally linked changes in purchasing activity to the perceived strength of client demand. Subsequently, the rate of pre-production inventory building also eased, with reports of higher new work less frequent than in previous months.

A final by-product of slower new business growth was spare capacity at companies in Kenya. Backlogs of work fell solidly during the month.

On the price front, total input costs rose sharply in September. The latest increase was the most marked in a year-and-a-half, driven by a steep hike in purchase prices. Higher costs stemmed from the weakness of the shilling versus the dollar, and a number of firms were able to pass on these pressures by way of raising output charges.

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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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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.

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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.

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