News Release

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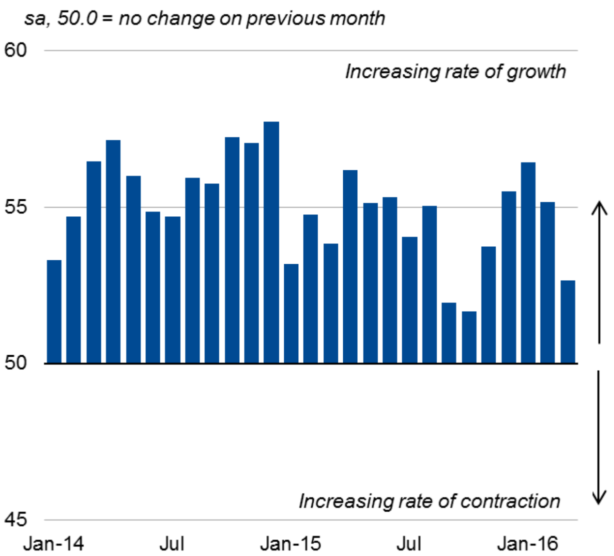
CfC Stanbic Bank Kenya PMI™

Business conditions improve at weakest pace in five months

Data collected 11-29 March

- Growth rates for output and new orders ease substantially
- Slower, but still solid, rise in employment
- Charges fall for first time in a year

CfC Stanbic Bank Kenya PMI



Sources: CfC Stanbic Bank, Markit

After starting 2016 in good health, Kenya's private sector expansion showed signs of waning in March. Business conditions improved at the weakest pace in five months, with growth rates for output and new work slipping back towards the respective lows seen in October and September last year. Nevertheless, the rises were sufficient to generate further solid expansions in employment and input buying. On the price front, lower charges was the key takeaway – the fall was the first recorded in a year.

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 five-month low of 52.6 in March, from 55.2 in February. Though still signalling growth, the latest reading pointed to a second successive loss of momentum since January (56.4). It was also the third-lowest in 27 months of data collection. That said, the improvement in business conditions across Q1 (54.7) was the strongest on average since Q2 2015.

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

"After a bright start to the year, the Kenyan private sector has shown signs of slowing momentum with the CfC Stanbic PMI falling abruptly to a five-month low. Although the headline number still suggests that business conditions are improving, it is at a much slower pace in comparison with the previous three months. Expansions of output and new orders eased sharply and we suspect this is chiefly due to subdued global growth rather than soft domestic demand. On a positive note, costs for most firms eased in March largely on the back of declining oil prices and a more stable exchange rate. Given the favourable macroeconomic conditons we suspect this slowdown could prove to be a temporary speed bump."

The main findings of the March survey were as follows:

In line with the overall trend, growth of output slowed sharply in March. The latest rise was among the weakest recorded by the survey to date, with some companies suggesting that they had lost clients.

Incoming new orders followed a similar pattern, with the latest increase the least marked in six months. However, the rate of expansion in total new work was robust, supported by improving client demand and another rise in new business from abroad.

Jobs growth was maintained at Kenyan private sector firms in March. Though easing to a four-month low, the rate of hiring was still solid overall. Meanwhile, backlogs of work rose for the fifth straight month. Anecdotal evidence linked capacity pressures to new work inflows.

Reflective of relatively subdued expansions in activity and new orders, input buying rose more slowly in March. Similarly, stocks of pre-production items increased at the weakest pace so far in 2016. Those companies that raised their purchasing did so in response to new project start-ups.

Prices data pointed to a muted rise in total input costs at the end of the first quarter. Both salaries and purchase prices rose to the least extent in 14 months. According to panellists, a lack of production had resulted in fewer overtime payments, while lower fuel costs were again mentioned.

Looking at charges, competitive pressures and subdued demand were telling factors in March. Tariffs were cut for the first time in a year, albeit only slightly.

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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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