News Release

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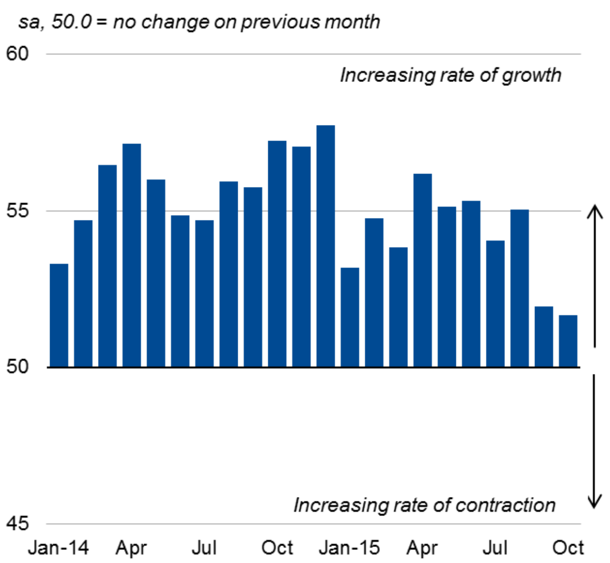
CfC Stanbic Bank Kenya PMI™

Kenyan private sector slowdown continues in October

Data collected 12-28 October

- PMI edges down to survey-record low
- Output and employment barely rise...
- ...but growth of new business accelerates

CfC Stanbic Bank Kenya PMI



Sources: CfC Stanbic Bank, Markit

Kenyan private sector growth remained at a low ebb during October, similar to the trend seen at the end of Q3. Rates of expansion in output and employment were only marginal, leading to the weakest overall improvement in operating conditions in the survey's 22-month history. In contrast, data for new business offered a rare bright spot, signalling that growth accelerated to a robust pace overall. On the price front, currency weakness remained a key source of inflationary pressure, as both input costs and output charges increased.

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 for the second straight month in October, edging down from 51.9 in September to 51.7. The latest reading pointed to a further loss of momentum in the Kenyan private sector, and signalled only a modest improvement in business conditions.

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

"The headline PMI nudged down to a survey-record low of 51.7 in October, as output dropped despite new orders rising which is probably a reflection of firms remaining cautious in their purchasing acitivities due to higher interest rates. Price pressures eased, while job creation remained sluggish. The directional bias for headline inflation will be to the upside towards the end of the year mostly due to base effects. Indeed, the trend of the PMI over the last two months suggests to us that GDP growth will probably be lower in Q3 and Q4. Sure, public investment in infrastructure will continue to underpin GDP expansion mostly via higher construction output; however it's imperative to ensure that this doesn't come at the expense of a stable macroeconomic environment."

The main findings of the October survey were as follows:

Growth of the sector as a whole was undermined by a slower expansion in output at the start of Q4. Activity increased at a marginal rate that was by far the weakest in the short series history. Some companies raised output in line with extended product ranges and new contract wins, whereas others blamed falls in activity on low customer turnout.

Similarly, the headline index was weighed down by an easing in the rate of job creation. Payroll numbers barely rose in October, reflective of the trend observed for output. Meanwhile, backlogs of work fell for the second month running, the first back-to-back contraction in more than a year.

Relatively low output requirements meant that companies were more cautious with regard to their purchasing in October. Input buying expanded at the weakest pace since the survey began in January 2014, as did stocks of purchases.

Overall private sector growth was supported by a sharp rise in new orders during October. The pace of expansion accelerated since the prior month, helped by another solid increase in new export work. New product launches and better marketing had reportedly helped to strengthen demand both domestically and abroad. That said, the rates of growth were still subdued in comparison with their respective series averages.

According to panellists, a further depreciation of the Kenyan shilling against the US dollar led to a marked rise in purchasing costs during October. As a result, the rate of total input price inflation remained sharp, despite easing to a four-month low. Charges rose for the seventh successive month, as firms were able to pass through their higher input costs to clients.

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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).

For further information log on to www.cfcstanbicbank.co.ke

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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.