News Release

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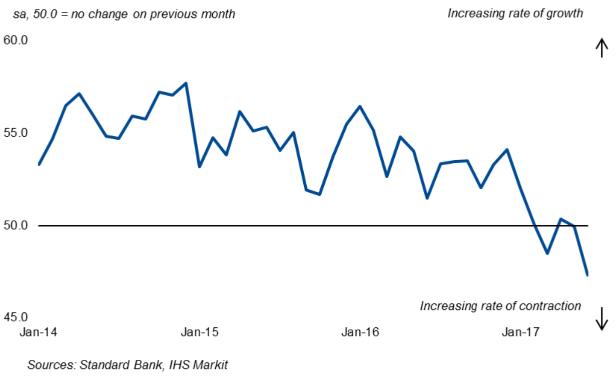
Stanbic Bank Kenya PMI™

PMI declines to record low in June

Data collected 12-28 June

- Output contracts at solid pace
- New orders growth slows to survey-record low
- Purchasing activity and stocks fall for first time in survey history

Stanbic Bank Kenya PMI



PMI™ data signalled a solid deterioration of the Kenyan private sector economy in June, the third contraction in the past four months and the fastest recorded since the inception of the series in January 2014. The overall downturn in business conditions was led by a fall in output, while new orders were broadly unchanged. Meanwhile, employment rose only marginally, which contributed to a rise in backlogs despite flat new business. The weakness in demand led to reductions in purchasing activity and input stocks for the first time in the survey history. Firms continued to face higher input prices, but continued to offer discounts amid reports of intense competition.

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.

Down from 49.9 in May to 47.3 in June, the seasonally adjusted PMI fell to a survey-record low. Overall, the second quarter was the worst-performing quarter in the series history.

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

"Following the recovery in the Stanbic PMI back in April, we had rightly urged caution due to the headwinds abound. The private sector continues to slowdown due to the political uncertainty ahead while reduced access to credit has also led to subdued domestic demand. Furthermore, Kenya's GDP expanded by just 4.7% in the first quarter of 2017 which in a way verifies the weaker growth trend being indicated by the Stanbic PMI since January 2016. Looking ahead, political uncertainty is likely to take centre stage and thus the private sector will probably not come out of the woods just yet."

The main findings of the June survey were as follows:

Kenyan firms reported a contraction in output for the second successive month during June. The rate of contraction was the second-strongest in the survey history. Firms frequently linked lower business activity to a lower customer turnout due to the political climate and weaker purchasing power among clients.

New business stagnated during June, signalled by the respective index registering close to the crucial 50.0 threshold and falling to a survey-record low. Firms that noted higher new work commented on more sales, while those that reported lower new orders linked this to weak demand and money shortages faced by customers. New export order growth was marginal and the weakest in the current 11-month sequence of expansion.

At the same time, employment rose at the weakest pace in four months and one that was only marginal overall. Subsequently, outstanding business continued to rise, but at the slowest pace in 19 months.

In response to lower output requirements, firms were discouraged to engage in purchasing activity in June. Subsequently, inventories held by firms fell, though only modestly. In both cases, the respective indexes fell below 50.0 for the first time in the series history. Panellists commented on lower output requirements.

Although the rate of input cost inflation was solid overall, June saw an easing of inflationary pressures to a seven-month low. Data showed input inflationary pressures were mainly driven by a general increase in raw material costs and staff costs, with the sharper rise in the former. Despite greater cost burdens, firms continued to offer discounts to stimulate demand.

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Note to Editors:

The 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.

IHS 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 IHS Markit. Please contact economics@ihsmarkit.com.

Stanbic Bank:
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.

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.

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.

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/product/pmi.