News Release

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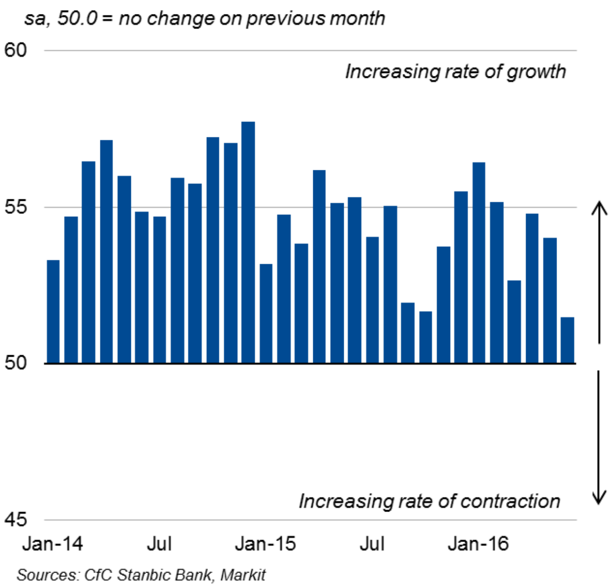
CfC Stanbic Bank Kenya PMI™

PMI slips to survey-record low in June

Data collected 13-28 June

- Headline index signals only modest private sector growth
- Output close to stagnation
- Relatively subdued rise in new work

CfC Stanbic Bank Kenya PMI



Sources: CfC Stanbic Bank, Markit

June data pointed to a near-stalling of Kenya's private sector economy, as business conditions improved to the least extent since the survey began two-and-a-half years ago. Output barely rose and the rate of expansion in new work was close to a record low. Growth of employment and purchasing activity also eased, while backlogs increased at the fastest pace in the series history. Meanwhile, input costs rose more slowly than in May, contributing to a negligible increase in charges.

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.

By dropping from 54.0 in May to 51.5, the seasonally adjusted PMI signalled a substantial slowdown in growth of Kenya's private sector during June. In fact, the latest reading was a survey-record low. It also meant that, despite solid improvements in April and May, the second quarter was the weakest on average (53.4) since the series began in 2014.

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

"The Kenyan private sector continued to post growth in June. Yet, the decline in the PMI signifies a material slowdown in the pace of growth in economic activity in the private sector. Indeed, the seasonally adjusted reading of 51.5 was the lowest since compilation of the index commenced. While the pace of growth in output decelerated, as did that of new orders, backlogs of work rose at a survey-record pace. Some survey respondents pointed to escalating political unrest as a contributing factor to the slowdown in the pace of growth in activity. But ebbing demand was also evident. The results of the Brexit vote, by exacerbating uncertainty, could crimp private sector activity in coming months."

The main findings of the June survey were as follows:

One of the key factors behind weaker growth of the sector as a whole was a near-stagnation in output. The respective index for activity posted only just above neutrality, and pointed to the slowest expansion in the survey's history. There were reports that subdued demand and political unrest had hampered growth.

While new business continued to rise solidly overall, the rate of expansion eased and was well below the series trend in June. Data highlighted a softer rise in new orders from abroad. Nonetheless, some companies indicated that they had benefitted from the introduction of new products.

In line with the slowdown in demand, Kenyan private sector firms saw the pace of growth in purchasing activity ease in June. The latest increase was muted in the context of historical data. Likewise, the rate of pre-production inventory building moderated to a seven-month low.

Meanwhile, workforce numbers rose further in June, stretching the current upturn which has run throughout the survey's history. The pace of hiring was solid overall, albeit slightly weaker than in May. Panellists suggested that jobs had been created as a result of the opening of new branches.

Sustained job creation failed to alleviate pressure on operating capacity, however. With output almost stagnant, backlogs of work rose to the greatest extent since the survey started in January 2014.

Both input costs and charges increased only marginally in June. Respondents cited weak demand for inputs as a factor leading some suppliers to lower their prices.

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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.