News Release

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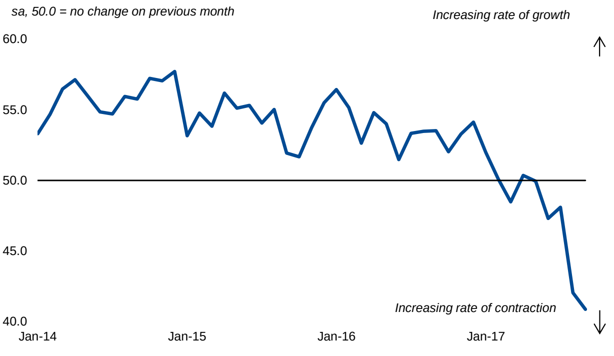
Stanbic Bank Kenya PMI™

Decline in business conditions intensifies in September

Data collected 12-27 September

- PMI falls to new record low of 40.9
- Another record contraction in output signalled
- Employment and new business fall for the second consecutive month

Stanbic Bank Kenya PMI



Sources: Stanbic Bank, IHS Markit

The deterioration of the Kenyan private sector intensified during September, driven by an unfavourable political climate. The overall decline of the private sector was driven by sharp contractions in output and new orders. In response to lower output requirements, firms decreased their payroll numbers. Meanwhile, firms continued to face increases in input costs at the end of the third quarter, but reduced their charges again.

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 dipped to a new survey-record low of 40.9 in September from 42.0 in August. This was consistent with a sharp deterioration in the health of the private sector. The headline PMI has now recorded below the 50.0 no-change mark for five consecutive months, the longest period of decline observed in the survey's history.

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

"For a fifth consecutive month conditions in Kenya's private sector continued to deteriorate which is reflective of the protracted political impasse in the country. That said, in addition to the aforementioned, firms continue to bemoan the unavailability of access to credit which has been restrained as a consequence of the interest rate capping law. A rebound in the second quarter GDP print to 5.0% was in line with our expectation; however we retain our full year estimate for GDP growth to expand by around 4.8% in 2017, despite the possibility of higher tea production in the fourth quarter of the year, which could be counterbalanced by an entrenched slowdown in the industrial sector."

The main findings of the September survey were as follows:

Output fell for the fifth month in succession, contributing to the deterioration in business conditions. Moreover, the rate of contraction was the fastest recorded over nearly four years of data collection. The fall was linked to limited money circulation and a lower customer turnout, according to panellists.

Amid reports of weak customer demand, new business declined for the second month in succession. The rate of contraction was the fastest since the inception of the series. Mirroring the trend for total new business, new export orders declined for the second consecutive month. Moreover, the rate of contraction was solid. Panellists commented on weak international demand and political uncertainty.

In response to lower output requirements, employment in the Kenyan private sector fell for the second successive month in September. That said, the rate of job shedding was marginal. Meanwhile, outstanding business continued to decline.

Destocking was recorded for the third time in the past four months. Furthermore, the rate of reduction was sharp overall. Respondents reported that input stocks fell in line with weaker demand conditions and a sharp drop in purchasing activity.

On the price front, overall input prices rose further during September. The rate of inflation was modest despite accelerating slightly from the preceding month. Private sector firms reported that there was a general increase in raw material prices. Although firms faced higher cost burdens, they reportedly continued to offer discounts to stimulate demand amid competitive conditions.

Lastly, average lead times continued to shorten during September. This was linked by panellists to competition among suppliers.

-Ends-

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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).

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About PMI

Purchasing Managers' Index™ (PMI™) surveys are now available for over 40 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.