News Release

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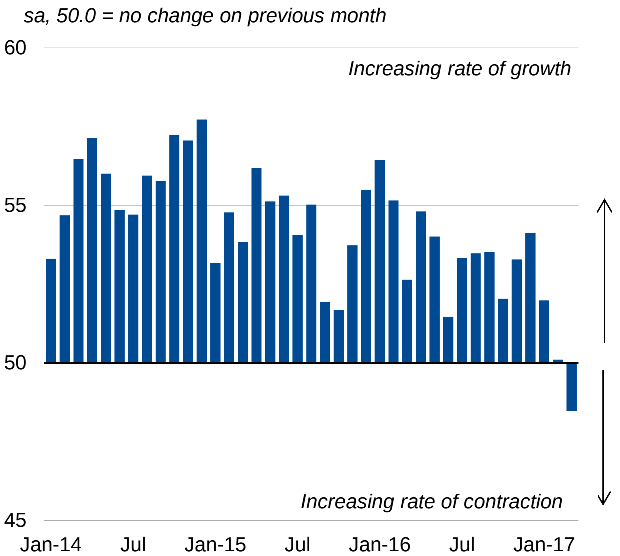
Stanbic Bank Kenya PMI™

Kenyan private sector contracts for first time in series history

Data collected 13-29 March

- Headline PMI dips below the 50.0 no-change mark in March
- Expansion of new orders eases to a survey-record low
- Output charges fall for the first time in a year

Stanbic Bank Kenya PMI



Sources: Stanbic Bank, IHS Markit

The upturn in Kenyan private sector business conditions came to an end during March, following more than three years of sustained expansion. This reflected a downturn in Kenyan private sector output for the second consecutive month. Meanwhile, growth of new business eased to a survey-record low. The rate of job creation was only marginal, while there was evidence of ongoing pressure on operating capacity. Despite increased cost burdens, firms offered discounts to attract customers amid 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.

After having slipped to a survey-record low of 50.1 in February, the seasonally adjusted PMI dropped below the crucial 50.0 threshold for the first time in the survey's history during March. At 48.5, the latest figure pointed to a modest deterioration in the health of the private sector.

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

"For the first time since collection of the data began, the seasonally adjusted PMI dropped below the 50.0 threshold that demarcates expansion from contraction. Most indicators of activity showed deceleration. Respondents to the survey indicated weaker underlying demand conditions, exacerbated by financial constraints faced by customers. The seasonally adjusted output index indicated that output contracted for the second month in a row. The pace of increase in new orders moderated further as well. Even as new export orders continued to expand, the pace of acceleration moderated. Although employment accelerated modestly, the respective index shows that it is on the brink of contraction."

The main findings of the March survey were as follows:

A key driver of the overall contraction was falling output at the end of the first quarter. In fact, the rate of contraction was marked overall. Panellists linked the fall in activity to weaker underlying demand conditions, and lower willingness to spend.

Nonetheless, new orders expanded for the thirty-ninth consecutive month during March. The rate of growth eased to a survey record-low and was marginal overall. Firms that noted an increase in new business attributed this to a rise in client demand and new projects. Data showed that higher exports contributed to the upturn in total new work. Respondents commented on increased demand from abroad and new export markets.

Outstanding business increased again during March. Anecdotal evidence highlighted an increase in incoming new business alongside financial constraints faced by customers. Despite increasing work-in-hand, the pace of job creation at Kenyan private sector firms was only marginal.

Mirroring the trend for new orders, expansion of buying activity eased again in March. Consequently, the rate of stock accumulation was modest overall and the weakest in nine months. Greater input stocks was reported to reflect expectations of improvements in demand in the months ahead.

Meanwhile, a marked rise in purchase prices meant that total cost pressures intensified during March. Anecdotal evidence linked the rise to a general increase in market prices for raw materials, alongside higher fuel prices. In spite of increasing cost burdens, Kenya's private sector firms offered discounts amid reports of intense competition.

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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.

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@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.