News Release

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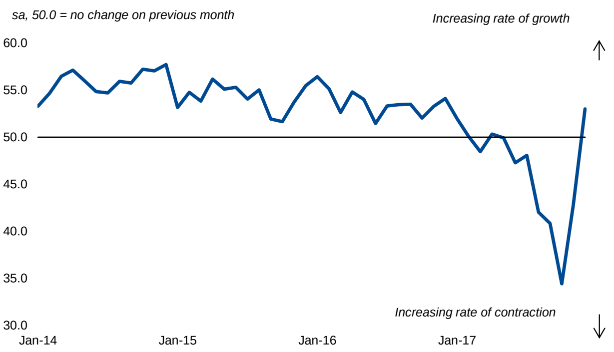
Stanbic Bank Kenya PMI™

PMI highest in a year as political situation stabilises

Data collected 5-19 December

- PMI rises to 53.0
- Sharpest increase in output since September 2016
- New orders rise for first time in five months

Stanbic Bank Kenya PMI



Sources: Stanbic Bank, IHS Markit

Business conditions improved for the first time in eight months amid reports of greater political stability. Growth was underpinned by expansions in output, new orders, stocks of purchases and employment, thereby reversing the recent downward trend. On the price front, firms continued to face intense cost inflationary pressures. Subsequently, firms raised their average selling prices which they linked to the pass-through of higher cost burdens to clients.

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.

Rising to 53.0 in December from 42.8 in November, the latest PMI reading signalled that the Kenyan private sector economy returned to expansion territory. The reading was consistent with a solid improvement in the overall health of the sector, and one that was the strongest since December 2016.

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

"The Stanbic PMI rose above the 50.0 level mark for the first time since April as the private sector began to benefit from political stability. Looking ahead, we remain optimistic that growth will recover over the coming year supported by the agriculture and tourism sector, while a resumption in public spending will also add some much needed stimulus."

The main findings of the December survey were as follows:

The upward movement in the headline index was supported by a rise in business activity for the first time in eight months during December. Furthermore, the rate of expansion was the fastest since September 2016 and sharp overall. Panellists reported that reduced political tensions and improved customer demand were the key factors behind greater output.

New business at Kenyan private sector companies rose for the first time in five months during December. Furthermore, the rate of growth was the strongest in nearly a year. There were reports that a less heated political climate led to a greater customer turnout.

Mirroring the trend for new orders, new export orders rose for the first time in five months amid reports of greater international demand for Kenyan products. Moreover, the rate of expansion was sharp and the fastest since December 2016.

In response to greater output requirements (and subsequent capacity pressures), firms increased their payroll numbers during December. That said, the rate of jobs growth was only marginal.

On the price front, the Kenyan private sector faced greater overall input costs. Moreover, the rate of input price inflation intensified to the sharpest in 26 months. Anecdotal evidence pointed to a general rise in raw material prices. Meanwhile, the private sector saw a renewed increase in average selling prices following a marginal decline in November. Panellists attributed higher output charges to the pass-through of higher cost burdens to customers amid supportive demand conditions. The rate of output charge inflation was the fastest in a year and solid overall.

Reversing the downward trend in purchasing activity, input buying rose for the first time in five months during December. Subsequently, firms added to their pre-production inventories, thereby ending a four-month sequence of depletion. Overall, the rate of accumulation was the most pronounced since January.

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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 Kenya is a member of the Standard Bank Group, Africa's largest bank by assets.

Standard Bank Group reported total assets of R1,95 trillion (about USD143billion) at 31 December 2016, while its market capitalisation was R246 billion (about USD18 billion). The group's largest shareholder is Industrial and Commercial Bank of China (ICBC), the world's largest bank, with a 20.1% shareholding.

Standard Bank Group has direct, on-the-ground representation in 20 African countries. Standard Bank Group has 1 221 branches and 8 815 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 the bank has a network of 26 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 Securities Exchange (NSE).

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

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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.