

Embargoed until 0900 EAT (0600 UTC) 5 July 2023

Stanbic Bank Uganda PMI™

Output expands for eleventh successive month

Key findings

Output and new orders continue to rise

Higher new business spurs job creation

Selling prices increase for third month running

The end of the second quarter of 2023 saw a continued improvement in the health of the Ugandan private sector. Improving customer demand supported growth of output and new orders, with firms expanding their purchasing activity and employment accordingly. Meanwhile, companies remained optimistic that output will continue to increase over the coming year.

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 headline PMI posted 56.4 in June, down from 57.4 in May but still above the 50.0 no-change mark. The latest reading signalled an eighth consecutive monthly strengthening of business conditions, with the figure coming in above the series average of 52.5.

Output has now risen on a monthly basis for just under a year, with the latest expansion linked to stronger customer demand and some signs of economic conditions improving. Activity was up in the agriculture, construction, industry, services and wholesale & retail categories.

In line with the picture for output, new orders increased for the eleventh consecutive month at the end of the second quarter. Panellists reported success in securing new customers.

Rises in new orders encouraged companies to expand their workforce numbers and purchasing activity during June.

Employment was up for the third month running, with job creation seen across all five broad sectors. Increased workforce numbers meant that firms were able to keep

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sa, >50 = improvement since previous month



Sources: Stanbic Bank, S&P Global PMI.
Data were collected 12-29 June 2023.

Comment

Mulalo Madula, Economist at Standard Bank commented:

"Despite a little dip, the PMI indicated that the private sector remained in expansionary territory for the 11th consecutive month while remaining above the series average. The index's persistence above the series average since Mar 23 corroborates other data showing robust growth. Rising new orders boosted economic activity in the face of a less favourable external environment, since new export orders have been in contractionary territory since the beginning of the year. Indeed, personal consumption expenditures account for approximately 74% of Ugandan GDP, with net exports in the negative. Growth in output that is backed by rising demand is a sign of a robust business environment. The increase in purchasing activity that has caused inventories to rise may portend a potential increase in production in the short to medium term. Additionally, expenditure on investments in the oil sector should still underpin growth. Hence, firms continued to be optimistic about the upcoming 12 months based on increased demand."

on top of workloads and reduce outstanding business, despite some reports from panellists of new order growth beginning to impart pressure on capacity.

The latest expansion in purchasing activity and a quickening of deliveries from suppliers meant that inventories increased for the eighth consecutive month.

Input costs rose amid higher prices for construction materials, electricity and water, alongside increases in purchase prices and staff costs. Wages and salaries rose due to both the hiring of additional staff and higher pay offered to existing workers to help them deal with increases in the cost of living.

The passing on of higher input costs to customers meant that output prices rose for the third successive month. Industry was the only sector to buck the wider trend and post a fall in selling prices in June.

Companies in Uganda remained optimistic that output will increase over the coming 12 months, with positive sentiment often reflecting confidence in the securing of new customers. More than 87% of respondents predicted an expansion in activity.

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Survey methodology

The Stanbic Bank Uganda PMI™ is compiled by S&P Global from responses to questionnaires sent to purchasing managers in a panel of around 400 private sector companies. The panel is stratified by detailed sector and company workforce size, based on contributions to GDP. The sectors covered by the survey include agriculture, mining, manufacturing, construction, wholesale, retail and services. Data were first collected June 2016.

Survey responses are collected in the second half of each month and indicate the direction of change compared to the previous month.

The headline figure is the Purchasing Managers' Index™ (PMI). The PMI is a weighted average of the following five indices: New Orders (30%), Output (25%), Employment (20%), Suppliers' Delivery Times (15%) and Stocks of Purchases (10%). For the PMI calculation the Suppliers' Delivery Times series is inverted so that it moves in a comparable direction to the other series.

Underlying survey data are not revised after publication, but seasonal adjustment factors may be revised from time to time as appropriate which will affect the seasonally adjusted data series.

For further information on the PMI survey methodology, please contact economics@ihsmarkit.com.

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. ihsmarkit.com/products/pmi.html

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Stanbic Bank Uganda is a member of the Standard Bank Group, Africa's largest bank by assets. Standard Bank Group reported total assets of R1,98 trillion (about USD128 billion) at 31 December 2015, while its market capitalisation was R184 billion (about USD11,8 billion).

The 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.

Stanbic Bank Uganda provides the full spectrum of financial services. Its Corporate & Investment Banking division serves a wide range of requirements for banking, finance, trading, investment, risk management and advisory services. Corporate & Investment Banking delivers this comprehensive range of products and services relating to: investment banking; global markets; and global transactional products and services.

Stanbic Bank Uganda personal & 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. <http://www.stanbicbank.co.ug>

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