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Stanbic Bank Uganda PMI™

Output rises for sixth month running in January

Key findings

Sustained increases in output and new orders

Employment and input purchasing rise

Charges up on the back of higher input costs

The opening month of 2023 saw continued growth of the Ugandan private sector, with rising new orders supporting ongoing increases in business activity. In turn, firms also expanded their employment and purchasing activity. Meanwhile, higher fuel, utility, raw material and staff costs pushed up input prices again, with output prices raised in response.

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 above the 50.0 no-change mark for the third month running in January, rising to 53.2 following a reading of 52.0 in December. The latest figure was above the series average of 52.4.

New orders expanded for the sixth successive month at the start of the year, with some firms indicating that success in securing new clients had helped them to boost overall new order inflows.

Improving demand and advertising efforts led to a further rise in business activity. In line with the picture for new orders, output increased for the sixth month in a row. Four of the five broad sectors covered by the survey registered a rise in activity, the exception being industry.

With new orders increasing and firms keen to keep on top of workloads, employment rose further in January. Staffing levels were up for the fourth month running. Efforts to complete work on time were largely successful, resulting in a further depletion in backlogs of work.

As well as increasing employment, companies also raised their purchasing activity in January, the third successive month in which this has been the case. Similarly, stocks

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sa, >50 = improvement since previous month



Sources: Stanbic Bank, S&P Global.

Data were collected 12-30 January 2023.

Comment

Mulalo Madula, Economist at Standard Bank commented:

“Evidence from the latest PMI shows continued growth in Uganda's private sector, with headline numbers starting to outperform the series average. Private sector output increased for the sixth consecutive month on improved demand and successful advertising drive. Employment has been driven by a growing demand and the desire to manage workloads. Capacity was thus sufficient, and the work backlog was reduced. However, external demand fell for the first time in three months, creating a difficult external environment for the private sector.

“Another negative factor was that firms continued to increase selling prices in January, mainly due to rising input costs. However, inflationary pressures should ease this year, which will allow the MPC to adopt a more dovish stance later in the year. This will support private consumption in the medium term. Overall confidence improved in early 2023. The current positive business sentiment suggests that growth momentum will remain strong in the coming months.”

of purchases also expanded for the third consecutive month. Meanwhile, suppliers' delivery times shortened for the first time since October last year.

Overall input costs increased, with companies reporting higher prices for electricity, fuel and water, plus purchases and staff.

With input costs rising, companies increased their own charges accordingly. Output price inflation has now been registered in each of the past 17 months. Four of the five broad sectors posted rises in selling prices, the exception being industry.

Hopes that more new customers will be secured over the course of the coming year supported optimism in the 12-month outlook for business activity. Around 74% of respondents predicted a rise in output, while just 4% were pessimistic.

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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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