News Release

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Stanbic Bank Uganda PMI™

Output falls for first time in a year

Key findings

Renewed contractions in output and new orders

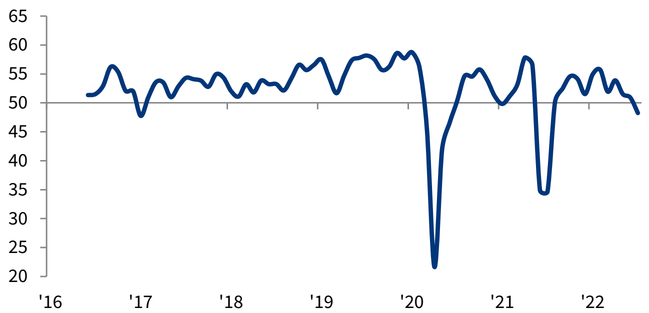
Input costs continue to rise

Employment and purchasing scaled back

Data were collected 12-28 July 2022

PMI

sa, >50 = improvement since previous month



Sources: Stanbic Bank, S&P Global.

This report contains the latest analysis of data collected from the monthly survey of business conditions in the Ugandan private sector. The survey, sponsored by Stanbic Bank and produced by S&P Global, has been conducted since June 2016 and covers the agriculture, industry, construction, wholesale & retail and service sectors. The headline figure derived from the survey is the Purchasing Managers' Index™ (PMI™) which provides an early indication of operating conditions in Uganda.

The PMI is a composite index, calculated as a weighted average of five individual sub-components: New Orders (30%), Output (25%), Employment (20%), Suppliers' Delivery Times (15%) and Stocks of Purchases (10%). Readings above 50.0 signal an improvement in business conditions on the previous month, while readings below 50.0 show a deterioration.

Business conditions in the Ugandan private sector deteriorated in July as inflationary pressures dampened demand and led to reductions in new orders and output. Firms also scaled back their employment and purchasing activity. Higher costs reflected increases in a range of inputs, most notably fuel and transportation.

The headline PMI posted below the 50.0 no-change mark for the first time in a year during July, with the index falling to 48.2 from 50.9 in June.

New orders decreased for the first time since July 2021, with firms reporting that price rises and a lack of money in the economy had acted to dampen demand. In turn, business activity also decreased as inflationary pressures impacted the private sector. Output fell in the construction and services sectors, but rose in agriculture, industry and wholesale & retail.

Inflationary pressures were highlighted by a further increase in overall input costs, widely linked to higher fuel and transportation costs, plus rising prices for utilities and a range of raw materials. In response to higher cost burdens, firms continued to increase their selling prices.

In contrast, staff costs decreased at the start of the third quarter, reflecting a reduction in employment as firms responded to lower new orders. Purchasing activity was also scaled back, ending a nine-month sequence of expansion. Stocks of purchases continued to rise, however, as a drop in activity meant that firms held excess inventories.

Suppliers' delivery times lengthened for the first time in a year, due to scarcity of fuel and materials plus higher transport costs.

Despite a decline in business conditions in July, Ugandan companies remained optimistic that output will increase over the coming year. Firms were hopeful that inflationary pressures will soften, helping to support growth of new orders.

Comment

Ferishka Bharuth, Economist - Africa Regions at Stanbic Bank commented:

"Stanbic Uganda's PMI dropped to 48.2 in July from 50.9 in June. For around a year, headline PMI had remained consistently above 50, which connotes expansion. Within the PMI, the new orders sub-component declined for the first time since July 2021, with firms reporting that price rises are weighing on demand. Furthermore, inflationary pressures were visible in further increases in overall input costs, which are linked to higher fuel and transportation costs, combined with higher utilities and raw material prices. Firms continued to pass on higher input costs by increasing their selling prices. Notwithstanding inflationary pressures, Ugandan companies were hopeful that inflationary pressures will soften over the next year, which would support growth of new orders."

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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.

Survey responses are collected in the second half of each month and indicate the direction of change compared to the previous month. A diffusion index is calculated for each survey variable. The index is the sum of the percentage of 'higher' responses and half the percentage of 'unchanged' responses. The indices vary between 0 and 100, with a reading above 50 indicating an overall increase compared to the previous month, and below 50 an overall decrease. The indices are then seasonally adjusted.

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 Index is inverted so that it moves in a comparable direction to the other indices.

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.

July data were collected 12-28 July 2022.

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.

About Stanbic Bank

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.

For further information go to www.stanbicbank.co.ug

About S&P Global

S&P Global (NYSE: SPGI) S&P Global provides essential intelligence. We enable governments, businesses and individuals with the right data, expertise and connected technology so that they can make decisions with conviction. From helping our customers assess new investments to guiding them through ESG and energy transition across supply chains, we unlock new opportunities, solve challenges and accelerate progress for the world.

We are widely sought after by many of the world's leading organizations to provide credit ratings, benchmarks, analytics and workflow solutions in the global capital, commodity and automotive markets. With every one of our offerings, we help the world's leading organizations plan for tomorrow, today.