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Stanbic Bank Uganda PMI™

Fifth successive rise in output at end of 2022

Key findings

Growth of demand fuels rise in activity

Businesses confident heading into 2023

Employment increases for third month running

The Ugandan private sector ended 2022 on a positive note, with ongoing expansions in output, new orders and employment recorded. Firms were subsequently confident regarding the prospects for 2023. Input prices continued to rise, often reflecting higher costs for electricity, fuel and raw materials. In turn, companies raised their selling prices again.

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.

At 52.0 in December, the headline PMI was up from 50.9 in November and above the 50.0 no-change mark for the second month running. The reading therefore signalled a sustained improvement in the health of the Ugandan private sector, despite coming in just below the series average of 52.4.

Central to the latest improvement in business conditions was strengthening customer demand, which fed through to growth of new orders and output. In both cases, expansions were registered for the fifth month running.

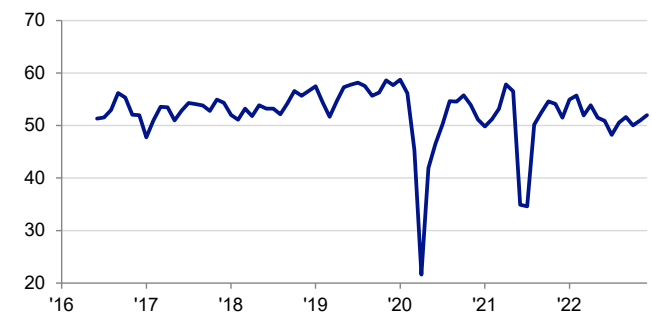
Sector data revealed some differing trends between the five broad categories covered by the survey. Business activity increased in the agriculture, industry and services sectors, but decreased in construction and wholesale & retail.

Companies again expanded their operating capacity in response to greater new orders, raising employment for the third month running. This helped firms to reduce backlogs of work.

Rising workforce numbers meant that staff costs continued to increase, the fourth month running in which

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sa, >50 = improvement since previous month



Sources: Stanbic Bank, S&P Global.

Data were collected 06-22 December 2022.

Comment

Mulalo Madula, Economist at Standard Bank commented:

“Private sector activity picked up again in Uganda in December, extending the current growth sequence to five months, but still below the series average. Production increased in the agriculture, industry, and services sectors, but decreased in construction and wholesale & retail. Price pressures remain high, largely due to the continued pass-through of electricity, fuel, and raw materials costs. The suppliers’ delivery time increased in December, anecdotally associated with heavy rains and high prices. However, in the short to medium term, we may see some positive signs, such as easing supply chain tensions making us less anxious than we were a few months ago when concerns about energy prices peaked.”

“Overall, companies were optimistic about the outlook for business activity in the coming year. 74% of respondents expect production to increase during 2023. Improved sentiment should encourage firms to increase planned investments and contribute to spending on newly produced goods and services. However weaker external demand conditions and lagged slowdown in domestic demand owing to monetary tightening pose downside risks.”

this has been the case.

Firms also faced higher costs for purchases, with raw materials including cement reportedly up in price. Overall input costs were pushed higher in particular by rising electricity and fuel charges. With input costs up again, companies increased their own selling prices for the sixteenth successive month.

Purchasing activity expanded for the second month running in response to higher new orders. Stocks of inputs were also up for the second month in a row, in part due to positive expectations for the coming year.

Meanwhile, suppliers' delivery times lengthened, with panellists reporting delays linked to heavy rains and price pressures. Vendor performance has deteriorated in five of the past six months.

Companies were optimistic that output will increase over the course of 2023, with positive sentiment mainly reflecting confidence around new order receipts. Around 74% of respondents predicted a rise in activity.

Contact

Mulalo Madula
 Economist
 Stanbic Bank
 T: +27 11 415 4552
mulalo.madula@standardbank.co.za

Andrew Harker
 Economics Director
 S&P Global Market Intelligence
 T: +44 1491 461 016
andrew.harker@spglobal.com

David Kamugisha
 Head of Trading, Global Markets
 Stanbic Bank
 T: +256 31 222 4969
kamugishad@stanbic.com

Sabrina Mayeen
 Corporate Communications
 S&P Global Market Intelligence
 T: +44 7967 447 030
sabrina.mayeen@spglobal.com

If you prefer not to receive news releases from S&P Global, please email katherine.smith@spglobal.com. To read our privacy policy, click [here](#).

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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