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Stanbic Bank Uganda PMI™

Output rises for thirteenth month running in August

Key findings

Sustained growth of new orders and business activity

Companies optimistic of further expansion over year ahead

Selling prices up on the back of higher input costs

The Ugandan private sector maintained growth during August as output, new orders and employment all continued to rise. Meanwhile, companies remained optimistic that activity will expand further over the year ahead.

On the price front, there were further increases in costs related to staff and the purchases of items, while companies responded by raising their own selling prices accordingly.

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 51.6 in August, down from 53.9 in July but remaining above the 50.0 no-change mark and thereby signalling a further improvement in business conditions in the Ugandan private sector. The latest reading was below the average of 52.6 recorded since the survey began in June 2016.

August saw a further expansion in output, the thirteenth month running in which an increase has been recorded. Where output rose, panellists cited demand improvements. On the other hand, there were some reports of financial pressures in the economy restricting growth.

Activity increased in the construction and services categories, but decreased in agriculture, industry and wholesale & retail.

As was the case with output, new orders rose again midway through the third quarter of the year. A number of

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sa, >50 = improvement since previous month



Sources: Stanbic Bank, S&P Global PMI.
Data were collected 10-30 August 2023.

Comment

Christopher Legilisho, Economist at Stanbic Bank commented:

"Uganda's private sector posted a strong performance in August, shrugging off FX market volatility after the World Bank suspended project support. Private sector activity increased in August, albeit at a slower pace than in the preceding months, as respondents reported higher demand and robust new orders."

"Firms remained upbeat about business prospects, therefore further ramping up employment, inventories and purchasing activity in response to new orders. The only notable downside in August was a deterioration in export orders."

"However, prices of inputs rose in August, pointing to higher costs for a range of goods and services as well as staff costs. Interestingly, though, some firms reduced charges to stimulate demand because financial pressures have been mounting in Uganda's economy."

respondents indicated that the securing of new customers had helped to drive up order volumes.

Customer numbers and client demand are expected to improve further over the months ahead, supporting confidence in the outlook for output.

Growth of new orders encouraged companies to increase their employment and purchasing activity again in August, thereby extending the current sequences of expansion to five and ten months respectively.

Higher purchasing helped firms to expand their inventories of inputs, although issues accessing materials caused delays to the delivery of items by suppliers.

Input costs rose again amid increases in expenses for purchased items, staff and utilities.

In turn, companies also raised their own selling prices, although some firms indicated that competitive pressures and efforts to stimulate demand led them to offer discounts. Four of the five monitored sectors posted increases in selling prices, the exception being agriculture.

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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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