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Stanbic Bank Uganda PMI™

Renewed increase in new orders in August

Key findings

Output and new orders return to growth

Purchasing rises, but employment falls

Firms optimistic regarding year-ahead outlook

Data were collected 12-30 August 2022

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.

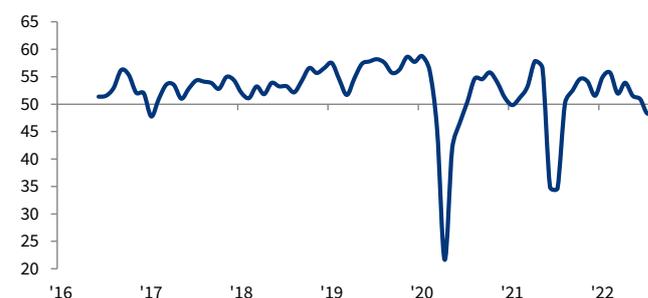
The PMI is a composite index, calculated as a weighted average of five individual sub-components: New Orders (30%), Output (25%), Employment (20%), Suppliers' Delivery Times (15%) and Stocks of Purchases (10%). Readings above 50.0 signal an improvement in business conditions on the previous month, while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

August data pointed to a renewed improvement in business conditions in the Ugandan private sector as both output and new orders returned to growth. Purchasing activity also rose, but employment continued to fall, partly reflecting cost considerations. There were ongoing reports of rising purchase costs and subsequently higher selling prices.

The headline PMI rose to 50.5 in August, up from 48.2 in July and back above the 50.0 no-change mark to signal an improvement in the health of the private sector. That said, the latest reading was still below the series average of 52.5.

PMI

sa, >50 = improvement since previous month



Sources: Stanbic Bank, S&P Global.

Renewed expansions in both output and new orders were signalled in August. Some firms reported that they had been able to secure new customers over the month, thereby leading to higher new orders. This fed through to rising activity, although there were still some reports of demand remaining muted. Four of the five monitored sectors saw output increase, the exception being services.

Overall input prices continued to rise, often linked to higher fuel and transportation costs, but also reflecting increases in the price for items such as cement, sand and food. In turn, output prices also rose further during the month.

On the other hand, staff costs decreased for the second month running. Some firms indicated that cost considerations led them to reduce employment for the third consecutive month.

In line with the picture for output and new orders, purchasing activity rose, with stocks of purchases also higher. Suppliers' delivery times lengthened for a second successive month, with delays caused by poor road conditions, material shortages and high transportation costs.

Hopes that prices will stabilise and new orders expand supported confidence in the 12-month outlook for business activity.

Comment

Mulalo Madula, Economist at Standard Bank commented:

“Business conditions in Uganda's private sector improved in August as output and new orders increased after entering contraction territory in July. Apart from the services sector, output growth was broad-based, with agriculture, industry, construction, wholesale & retail sectors increasing output. New orders increased in agriculture, industry, and wholesale & retail, but decreased in construction and services. On the other hand, new export orders fell for the past four months. Businesses are confident that output will increase in the next 12-m, supported by expectations of more new orders and stable prices.”

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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.

August data were collected 12-30 August 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.

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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.

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

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