

Embargoed until 0900 EAT (0600 UTC) 6 June 2022

Stanbic Bank Uganda PMI™

Higher fuel costs drive up input prices

Key findings

Purchase prices and staff costs increase

Selling prices up for ninth month running

Output and new orders continue to rise

Data were collected 12-30 May 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.

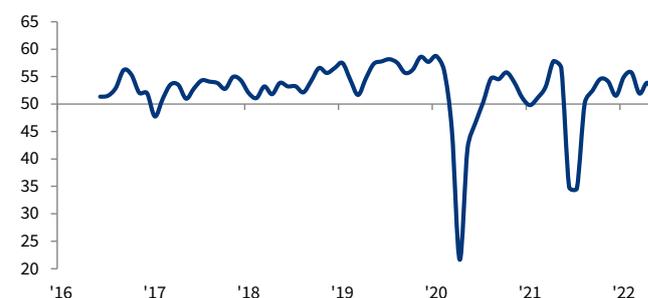
Business conditions continued to improve in the Ugandan private sector during May amid ongoing increases in output and new orders. That said, there were some reports that price pressures had acted to limit demand. Higher costs were often the result of rising fuel prices.

The headline PMI posted 51.5 in May, down from 53.9 in April but signalling an improvement in business conditions for the tenth month running. That said, the latest strengthening of the health of the private sector was weaker than the six-year survey average.

Ongoing increases in output and new orders were

PMI

sa, >50 = improvement since previous month



Sources: Stanbic Bank, S&P Global.

registered in May, with both rising for the tenth month running. Anecdotal evidence suggested that while on balance customer demand continued to improve, there were some instances of price rises deterring clients.

Output increased in the industry, services and wholesale & retail sectors, but decreased in agriculture and construction.

Overall input costs continued to rise in May, with higher fuel prices central to inflation. Increasing costs for a range of raw materials were also cited, while wages were up for the fifth month running. Some firms increased staff pay in response to higher living costs. With input prices continuing to rise, companies increased their own charges again in May. Price pressures were broad-based across the private sector.

Firms raised their staffing levels and purchasing activity as new orders expanded. The increase in input buying, alongside improved supplier performance, fed through to an accumulation of stocks of purchases midway through the second quarter.

Companies remained optimistic in the 12-month outlook for activity, with positive sentiment based on predictions of new order growth and hopes for an alleviation of price pressures.

Comment

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

“Stanbic Uganda PMI declined to 51.5 in May from 53.9 in April. Positively, PMI readings have remained above 50 since last August. The output and new orders sub-indices rose in May, even though customer demand continued to improve, price increases seem to be deterring some clients from placing new orders. Selling prices rose for 9th consecutive month. Price pressures were widespread across the private sector with overall input costs continuing to rise in May, with higher fuel prices central to overall price increases. However, companies remained optimistic in the 12-month outlook, with the positive sentiment based on the expectation that new orders will continue to grow, and price pressures should relent.”

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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.

May data were collected 12-30 May 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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