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Stanbic Bank Uganda PMI™

Increase in customer numbers supports growth of new orders

Key findings

Further improvements in output and new business

Firms optimistic regarding outlook for coming year

Employment rises for second month running

Success in securing new customers had a positive impact on the Ugandan private sector during May, resulting in further expansions in new orders and business activity. In turn, companies increased their own input buying and raised staffing levels. Meanwhile, there was widespread optimism that business activity will continue to expand over the coming 12 months.

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 rose to 57.4 in May, up from 55.4 in April and above the 50.0 no-change mark for the seventh time in as many months. The latest reading was also higher than the series average of 52.5.

Anecdotal evidence from the latest survey often pointed to higher customer numbers. This enabled firms to secure greater volumes of new orders for the tenth consecutive month, with each of the five broad sectors covered by the survey signalling growth.

Alongside the increase in new orders, economic stability reportedly helped firms to expand their business activity midway through the second quarter of the year. As was the case with new business, output was up for the tenth month running, with the overall increase broad-based across the five monitored sectors.

The prospect of further improvements in customer numbers in the months ahead supported confidence among firms regarding the 12-month outlook for business activity. In fact, some 92% of respondents predicted an expansion in output, with just 1% of firms pessimistic in May.

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sa, >50 = improvement since previous month



Sources: Stanbic Bank, S&P Global.
Data were collected 12-30 May 2023.

Comment

Mulalo Madula, Economist at Standard Bank commented:

"The Ugandan economy expanded further in May, per the Stanbic Bank Uganda PMI, with a significant uptick in business activity. Indeed, overall output growth extended its upward trend to 10 months due to economic stability as well as rising new orders being broad-based across the monitored sectors. All other components of the PMI were positive — yet the external demand picture remains dismal. Naturally, this economic spike may contribute to increased inflationary pressures alongside reported increases in staff, electricity, fuel, and construction material costs. Agriculture, industry, and services saw increased selling prices; however, wholesale and retail saw a decline, and construction no change. The PMI reading was above 50 for current as well as the next 12 months' anticipated business conditions, indicating guarded optimism about the Ugandan economy."

PMI™

by **S&P Global**

Companies responded to higher new orders by increasing both their purchasing activity and staffing levels.

Input buying was up for the seventh month running, feeding through to greater inventory holdings as some firms opted to build safety stocks in case of any future supply problems. May saw another improvement in delivery times, the second in as many months.

Meanwhile, employment rose for the second consecutive month, helping companies to keep on top of workloads despite the sustained growth of new business.

Overall input costs were up again midway through the second quarter, reflecting increases in both purchase prices and staff costs. In particular, firms noted higher prices for construction materials such as cement, as well as for electricity, fuel and stationery. Wages were reportedly increased to help staff members deal with higher living costs.

The passing on of increased input costs to customers resulted in a second consecutive monthly rise in selling prices. Data showed that inflation was centred on the agriculture, industry and services sectors.

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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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