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Stanbic Bank Uganda PMI™

Strengthening demand leads to further rise in business activity

Key findings

Output rises amid continued new order growth

Employment increases

Charges up amid strong demand and higher cost burdens

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 IHS Markit, 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.

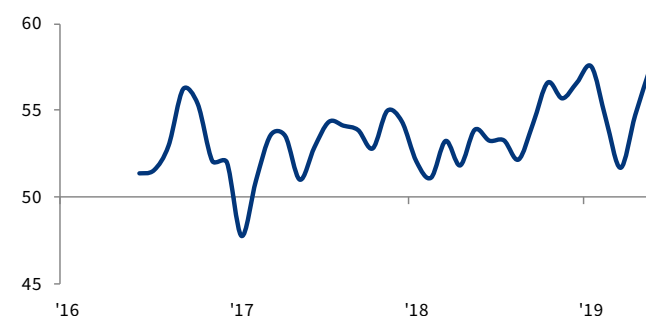
Demand conditions remained positive in the Ugandan private sector in May, leading to a further increase in business activity. Employment and purchasing activity were expanded as a result, with companies generally optimistic of continued growth over the coming year.

The headline PMI posted 57.3 in May, up from 54.7 in April and above the average since the survey began in June 2016. Improving business conditions were seen across all five monitored sectors.

New business increased again in May, with panellists often linking this to improving customer demand. As

PMI

sa, >50 = improvement since previous month



Sources: Stanbic Bank, IHS Markit.

a result, Ugandan companies raised their business activity, extending the current sequence of expansion to 28 months. Firms remained optimistic that output would increase further over the coming year, amid business expansion plans, investment and advertising.

Despite ongoing new order growth, companies were able to keep on top of workloads in May, as signalled by a further reduction in backlogs of work. This was achieved in part due to continued job creation, with some panellists indicating that they had specifically raised staffing levels to make sure that projects were completed on time.

Efforts to ensure sufficient capacity to meet new orders also led to rises in purchasing activity and inventories.

Overall input costs rose in May. Higher purchase prices and staff costs were recorded, but panellists also noted increases in bills for electricity and water, and rising internet rates. Where purchase costs increased, panellists reported higher prices for materials including cement, computer equipment, maize, paper and stationery.

Companies responded to higher input costs by raising their output prices, with strong demand helping to enable selling price hikes.

Comment

Jibran Qureishi, Regional Economist E.A at Stanbic Bank commented:

“Private sector activity remains solid. Despite higher input costs, the rise in new orders has supported overall output. Of course, once poor weather conditions are behind us, agricultural output could somewhat recover in the second half of the year. This also may coincide with a rise in investment mainly in the energy sector which will indeed support growth in the private sector.”

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Methodology

The Stanbic Bank Uganda PMI™ is compiled by IHS Markit 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 2019 data were collected 13-30 May 2019.

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. To learn more go to ihsmarkit.com/products/pmi.html.

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About Stanbic Bank

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

About IHS Markit

IHS Markit (Nasdaq: INFO) is a world leader in critical information, analytics and solutions for the major industries and markets that drive economies worldwide. The company delivers next-generation information, analytics and solutions to customers in business, finance and government, improving their operational efficiency and providing deep insights that lead to well-informed, confident decisions. IHS Markit has more than 50,000 business and government customers, including 80 percent of the Fortune Global 500 and the world's leading financial institutions.

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