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Stanbic Bank Uganda PMI™

Current sequence of output growth extended to three years

Key findings

Further rises in output and new orders

Companies take on additional staff

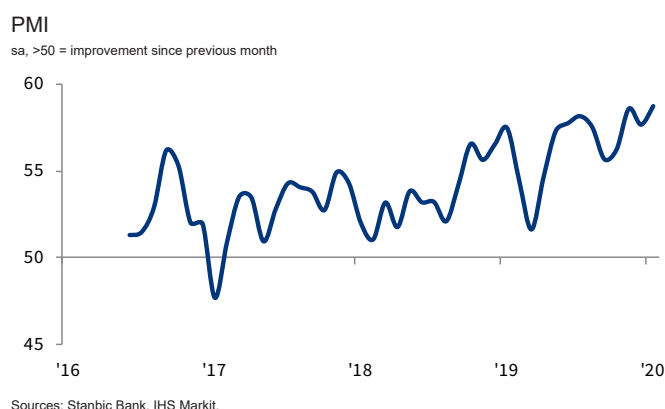
Input prices continue to increase

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.

The start of 2020 saw a further improvement in business conditions in the Ugandan private sector, amid increases in output, new orders and employment. Input costs also continued to rise, with companies often opting to pass higher cost burdens on to clients through increased selling prices.

The headline PMI posted 58.8 in January, up from 57.7 in December and signalling an improvement in the health of the Ugandan private sector for the thirty-sixth successive month. The reading was also higher than the average since the survey began in June 2016 (54.2).



Central to the latest positive PMI figure was a further expansion of new orders at the start of the year. Respondents indicated that rising customer numbers and good quality products had been behind the increase.

Rising sales led companies to expand their business activity, with the latest increase extending the current period of growth to three years. Higher output was recorded across the agriculture, construction, industry, services and wholesale & retail sectors.

Rising new orders imparted some pressure on capacity at firms in Uganda. Continued hiring meant that companies were still able to reduce their backlogs of work, however.

Companies also expanded their purchasing activity, leading to a further accumulation of inventories. Suppliers' delivery times quickened, reversing a deterioration in vendor performance in December.

Overall input prices increased, with higher prices for rent and utilities mentioned alongside rises in purchase and staff costs. Companies subsequently passed on higher cost burdens to customers through an increase in output prices.

Business investment and expected increases in new orders contributed to optimism that output will rise over the next 12 months. More than 71% of panellists were positive regarding the outlook.

Comment

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

“Private sector activity started off the year well. This is a trend we broadly expect to persist over the coming year as the capital stock is likely to rise on the back of increased public investment in infrastructure. Additionally, we would expect a rebound in the agriculture sector too as weather conditions are likely to be more favourable than 2019. This should help GDP growth recover to around 6.0% from our estimate of 5.5% in 2019.”

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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.

January data were collected 13-30 January 2020.

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 (NYSE: 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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