

Embargoed until 0900 EAT (0600 UTC) 5 August 2019

Stanbic Bank Uganda PMI™

Uganda output growth sequence extended to two-and-a-half years

Key findings

Improving demand supports rise in new orders

Job creation continues

Businesses optimistic around 12-month outlook

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.

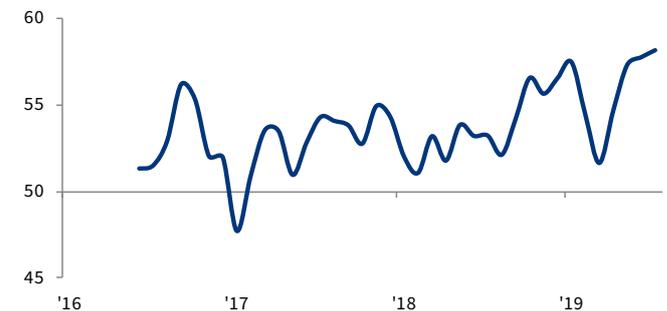
Ugandan firms recorded further growth of output, new orders and employment in July as business conditions improved again. Moreover, companies were confident that output will continue to rise over the coming year.

The headline PMI posted 58.2 in July, up from 57.8 in June and above the average since the survey began in June 2016. Improving business conditions were seen across the agriculture, construction, industry, services and wholesale & retail sectors.

Both output and new orders continued to rise in July, extending the respective periods of expansion to two-

PMI

sa, >50 = improvement since previous month



Sources: Stanbic Bank, IHS Markit.

and-a-half years. According to respondents, good quality products and customer recommendations had helped support growth of new orders, while recent advertising efforts was a factor behind the rise in activity.

Rising workloads encouraged companies to increase staffing levels again in July. Efforts to keep on top of orders were generally successful, as shown by a further reduction in backlogs of work.

Purchasing activity also rose in line with improving client demand, feeding through to an increase in inventories.

Ugandan companies recorded a rise in overall input prices, with purchase prices, staff costs and electricity bills all reportedly contributing to inflation. With input costs rising, and customer demand improving, firms were able to raise their selling prices again in July. Higher charges have been recorded throughout the 38-month survey history so far.

Business sentiment remained positive in July, with around 79% of respondents predicting an increase in output over the coming year. Some firms plan to expand operations over the next 12 months, while predictions of higher new orders and ongoing advertising efforts also supported confidence at the start of the third quarter.

Comment

Benoni Okwenje, Fixed Income Manager at Stanbic Bank commented:

“For the second month in a row, the PMI rose to a survey record high of 58.2 in July, backed by a continued pickup in private sector activity. This is consistent with the macro-economic environment that reflects annual private sector credit growing to 15.1% in Q2 2019. Companies across different sectors have been forced to expand in order to meet rising demand. Despite higher input costs, the rise in new orders has supported overall output. With business sentiment remaining positive, we suspect this trend will carry through for the most part of the year.”

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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.

July 2019 data were collected 12-30 July 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 (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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