Stanbic Bank Uganda PMI™

Demand continues to strengthen, leading to further growth of output

Key findings

- Thirty-seventh successive month of rising output
- Higher new orders lead to ongoing job creation
- Input costs and output prices 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.

Improving underlying demand and higher customer numbers led to continued growth in the Ugandan private sector during February. Employment and purchasing activity also rose further midway through the first quarter of the year.

The headline PMI posted 56.2 in February, down from January’s reading of 58.8 but still above the survey average of 54.2.

Business activity increased, amid reports of improving customer demand. Marketing efforts were also mentioned as having had a positive impact on output. Activity increased across each of the five sectors covered by the survey.

New orders also rose, with panellists citing increased customer numbers. New business has now expanded in each of the past 37 months.

Despite ongoing growth of new orders imparting pressure on operating capacity, companies were again able to reduce their backlogs of work. According to respondents, higher staffing levels helped them to keep on top of workloads. Employment has increased throughout the history of the survey which began in June 2016.

An improving demand environment also encouraged companies to expand their purchasing activity, extending the current sequence of growth to two years. Subsequently, stocks of purchases also increased.

Higher input costs were recorded in February, with rising prices for crops, electricity, water and products from China all mentioned. The outbreak of coronavirus affected the supply of some goods from China, but vendor lead times shortened overall. Output prices continued to rise, with only the construction sector posting a reduction.

Plans for business expansion and greater marketing, alongside predictions of further new order growth, supported confidence that output will rise over the next 12 months.
Comment

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

"The coronavirus outbreak remains the most notable downside risk to economic growth over the next six months. Not only could output prices rise due to importing raw materials and other finished goods from more expensive alternatives other than China, but general trade could also ease due to this outbreak. Of course, depending on how long it lasts, tourism arrivals may also reduce. Nonetheless, public investment in infrastructure projects in 2020 along with more favourable weather conditions for agricultural productivity is likely to underpin economic growth in 2020."

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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.

February data were collected 12-27 February 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.

ihsmarkit.com/products/pmi.html

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) as 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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