Stanbic Bank Uganda PMI™

Improving demand leads to ongoing output growth

Key findings

- New orders and business activity expand
- Companies take on extra staff
- Input prices continue to rise

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 companies continued to secure greater volumes of output and new orders in June. In response, firms took on extra staff and purchased additional inputs. Meanwhile, further increases in both input costs and output prices were registered. At 57.8 in June, up from 57.3 in May, the headline PMI signalled a further improvement in business conditions in the Ugandan private sector. The latest reading was comfortably above the survey average of 53.6 at the end of the second quarter.

General improvements in demand and successful advertising campaigns were reportedly behind rises in both output and new orders. Some companies reportedly offered additional training to marketing staff. In both cases, growth was signalled across all five monitored sectors.

Efforts to complete projects on time resulted in a further reduction in backlogs of work. To help in this regard, companies took on extra staff. Industry was the only monitored sector not to see a rise in employment, a picture that was repeated with regards to staff costs. Alongside higher staff costs, rises in prices for purchases, electricity and water were reported in June. As a result, overall input prices increased, as has been the case in each month since the survey began in June 2016.

Output prices also rose as companies passed on higher cost burdens to their customers. Stronger client demand and positive expectations around future activity levels led firms to increase their purchasing activity at the end of the second quarter. Stocks of purchases were also up.

Predictions of further improvements in demand and business expansion plans supported confidence that output will rise over the coming year. Around three-quarters of respondents were optimistic regarding the 12-month outlook.
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.

June 2019 data were collected 12-27 June 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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