

Embargoed until 0900 EAT (0600 UTC) 3 July 2019

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.

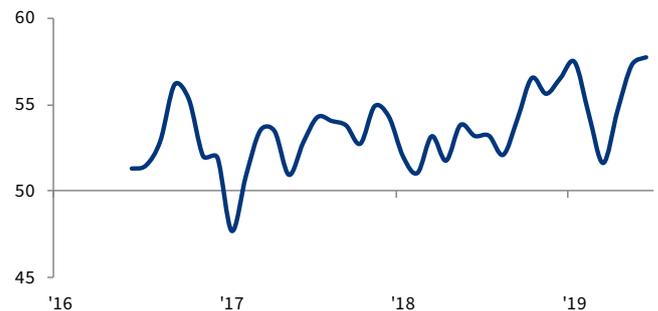
The PMI is a composite index, calculated as a weighted average of five individual sub-components: New Orders (30%), Output (25%), Employment (20%), Suppliers' Delivery Times (15%) and Stocks of Purchases (10%). Readings above 50.0 signal an improvement in business conditions on the previous month, while 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.

PMI

sa, >50 = improvement since previous month



Sources: Stanbic Bank, IHS Markit.

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.

Comment

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

“The PMI once again rose to a survey record high of 57.8 in June as economic activity in the private sector remained robust. Indeed, the expansionary fiscal policy outlined in the FY2019/20 budget should continue to support activity especially if the absorption of the development budget improves. Moreover, the good rains over the past couple of months will also probably bode well for the agriculture sub-sector in the second half of 2019. Interestingly, private sector firms in Uganda seemed to have shrugged off the trade stand-off with neighbouring Rwanda as they have perhaps realigned their business models and looked for alternative markets.”

Contact

Stanbic Bank

Jibran Qureishi
Regional Economist E.A, Global
Markets
T: +254 20 363 8138
jibran.qureishi@stanbic.com

Benoni Okwenje
Fixed Income Manager
T: +256 31 222 4991
SimeonBenoniO@stanbic.com

IHS Markit

Andrew Harker
Associate Director
T: +44 1491 461 016
andrew.harker@ihsmarkit.com

Joanna Vickers
Corporate Communications
T: +44-207-260-2234
joanna.vickers@ihsmarkit.com

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.

Disclaimer

The intellectual property rights to the data provided herein are owned by or licensed to IHS Markit. Any unauthorised use, including but not limited to copying, distributing, transmitting or otherwise of any data appearing is not permitted without IHS Markit's prior consent. IHS Markit shall not have any liability, duty or obligation for or relating to the content or information ("data") contained herein, any errors, inaccuracies, omissions or delays in the data, or for any actions taken in reliance thereon. In no event shall IHS Markit be liable for any special, incidental, or consequential damages, arising out of the use of the data. Purchasing Managers' Index™ and PMI™ are either registered trade marks of Markit Economics Limited or licensed to Markit Economics Limited. IHS Markit is a registered trademark of IHS Markit Ltd. and/or its affiliates.

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.

IHS Markit is a registered trademark of IHS Markit Ltd. and/or its affiliates. All other company and product names may be trademarks of their respective owners © 2019 IHS Markit Ltd. All rights reserved.

If you prefer not to receive news releases from IHS Markit, please email joanna.vickers@ihsmarkit.com. To read our privacy policy, click [here](#).