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Stanbic Bank Uganda PMI™

Rising new orders support continued job creation

Key findings

Output and new orders expand

Companies continue to take on additional staff

Input costs 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.

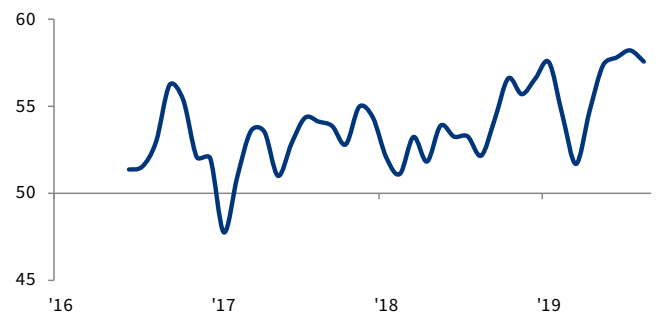
Strengthening customer demand resulted in continued improvements in business conditions for Ugandan companies in August. Output, new orders and employment were all up, with panellists confident of continued increases in activity over the coming year.

The headline PMI posted 57.5 in August, down from the reading of 58.2 in July, but still above the average since the survey began in June 2016.

Improving demand led to a rise in new orders in August, the thirty-first in as many months. As a result, business activity also increased. In both cases, expansions were

PMI

sa, >50 = improvement since previous month



Sources: Stanbic Bank, IHS Markit.

seen across the agriculture, construction, industry, services and wholesale & retail sectors.

Companies responded to higher new orders by taking on additional staff. Construction was the only sector not to record a rise in employment, and was also the only category to see staff costs decrease.

The private sector as a whole posted a rise in wages and salaries, linked to the aforementioned increase in employment and the payment of bonuses to staff.

Higher staff costs, alongside purchase price rises and reports of increases in costs for electricity, fuel and water led to inflation of total input prices.

Companies responded to higher input costs by raising their output prices accordingly. That said, there were some reports from panellists that competitive pressures had led to price discounting.

Purchasing activity rose in August, as has been the case throughout the past year-and-a-half. Reflecting this, stocks of purchases also increased, extending the current period of accumulation to five months.

Expectations of further improvements in customer demand and business expansion plans supported confidence that activity will increase further over the coming year.

Comment

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

“The latest PMI reading continues to anchor our view that domestic demand in Uganda has been performing well. In fact, despite the likelihood that the Final Investment Decision (FID) on commercial oil production could be postponed into 2020, we doubt that economic growth will suffer just because of this postponement. The ongoing public investment in infrastructure in addition to strong domestic demand driven by the private sector, will probably continue to keep GDP growth on a multi-year basis above the 6.0% level.”

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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.

August 2019 data were collected 12-29 August 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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