



Stanbic Bank Uganda PMI™

Output continues to rise, but employment falls

Key findings

Further increases in output and new orders

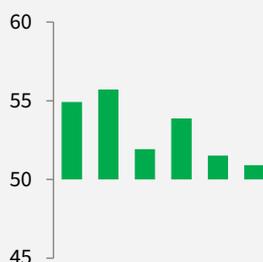
Staffing levels decrease

Input costs continue to rise

Uganda PMI



Last six months



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 S&P Global, 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.

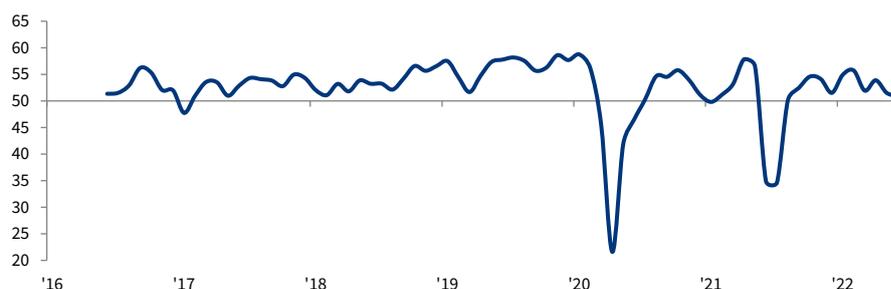
The PMI is a composite index, calculated as a weighted average of five individual sub-components: New Orders (30%), Output (25%), Employment (20%), Suppliers' Delivery Times (15%) and Stocks of Purchases (10%). Readings above 50.0 signal an improvement in business conditions on the previous month, while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

The end of the second quarter saw a further improvement in business conditions in the Ugandan private sector, with output, new orders and purchasing all continuing to rise. That said, employment decreased, while ongoing inflationary pressures remained a feature of the latest survey.

The headline PMI registered 50.9 in June, to signal a further improvement in business conditions in the Ugandan private sector, the eleventh in as many months. That said, the reading was down from 51.5 in May and below the series average.

PMI

sa, >50 = improvement since previous month



Ugandan companies continued to record increases in output and new orders in June, with some panellists reporting improvements in customer demand. That said, others mentioned that price pressures had led new business to wane. In both cases, construction bucked the wider trend and posted declines.

Firms responded to higher new orders by raising purchasing activity, with inventories also up. On the other hand, employment decreased, thereby ending a five-month sequence of job creation.

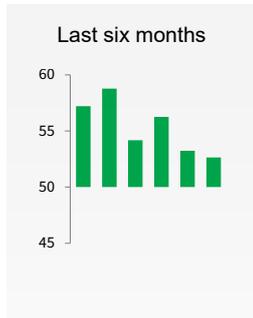
Meanwhile, suppliers continued to speed up deliveries, with lead times shortening for the eleventh month running in June.

Ongoing increases in input costs were recorded, with higher prices for electricity, fuel and water all widely mentioned by panellists. Purchase costs were driven higher by rises in price for a range of items such as cement, food products and stationery, while firms also increased staff pay in response to higher living costs.

With input prices up, companies also increased their selling prices. Charges were up across all five broad sectors covered.

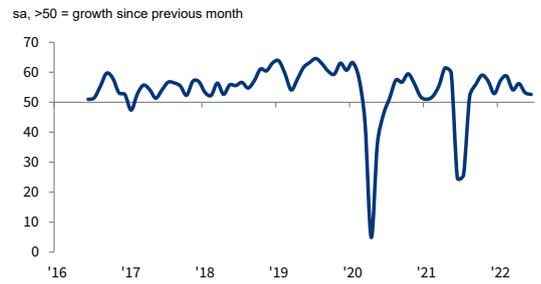
Expected increases in customer numbers and improving demand supported confidence in the 12-month outlook for business activity, with around 72% of panellists optimistic at the end of the second quarter.

Output

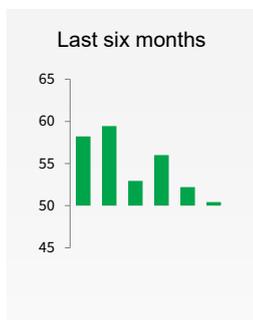


Companies in Uganda posted a further expansion in business activity during June, extending the current sequence of growth to 11 months. Where output increased, panellists linked this to improving demand and higher new orders. That said, there were some reports of price rises and a lack of money in the economy. Activity increased in agriculture, industry, services and wholesale & retail, but fell in construction.

Output

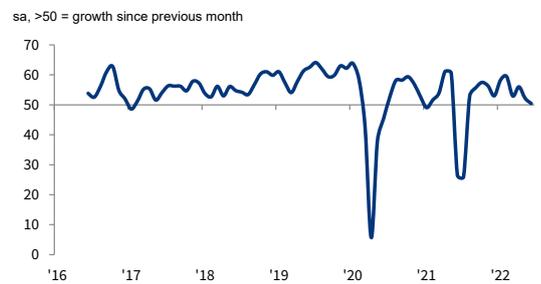


New Orders



June data pointed to a further increase in new orders in the Ugandan private sector, extending the current period of growth to 11 months. As was the case with output, construction was the only monitored sector to record a drop in new business.

New Orders

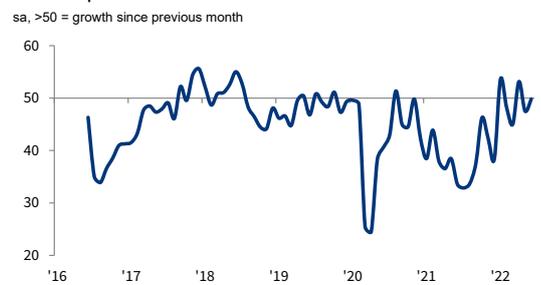


New Export Orders

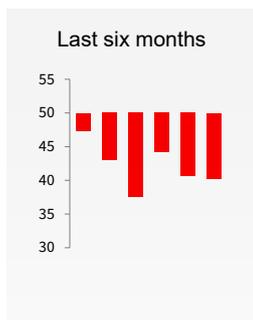


New export orders decreased for the fourth time in the past five months at the end of the second quarter of the year. Around 15% of respondents signalled a drop in new business from abroad, twice the proportion that posted a rise.

New Export Orders

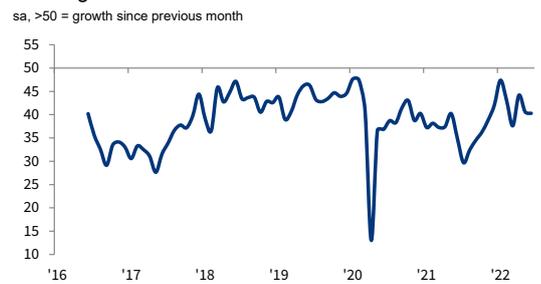


Backlogs of Work

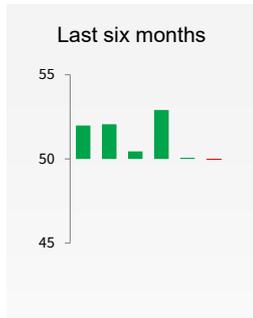


As has been the case throughout the history of the survey which began in June 2016, backlogs of work decreased during June. Anecdotal evidence suggested that muted new order inflows enabled firms to work through backlogs, with some firms indicating that all outstanding business had been cleared.

Backlogs of Work



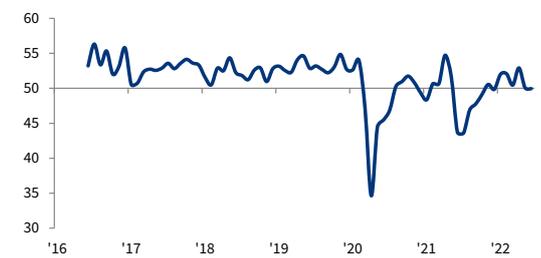
Employment



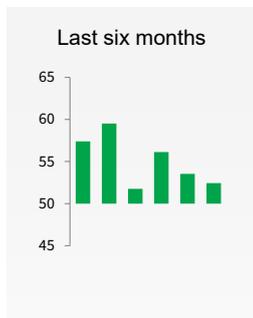
Employment decreased for the first time in six months midway through the year. Some firms lowered staffing levels amid signs of workloads waning, but others continued to expand capacity in line with higher new orders. The vast majority of respondents (94%) signalled no change in workforce numbers.

Employment

sa, >50 = growth since previous month



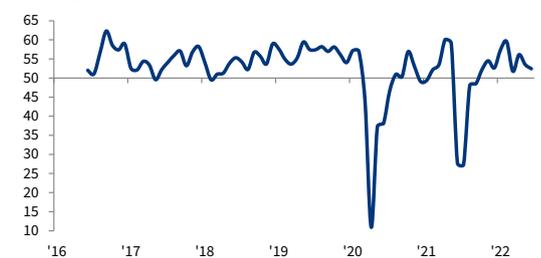
Quantity of Purchases



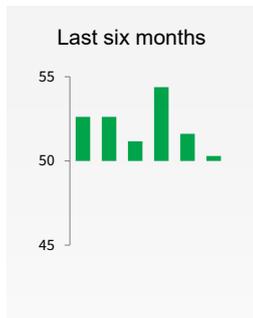
As has been the case in each of the past nine months, Ugandan companies increased their purchasing activity during June. Those panellists that expanded their input buying generally linked this to rising new orders. Companies in the agriculture, industry and wholesale & retail sectors saw purchasing increase, while construction firms posted a decrease.

Quantity of Purchases

sa, >50 = growth since previous month



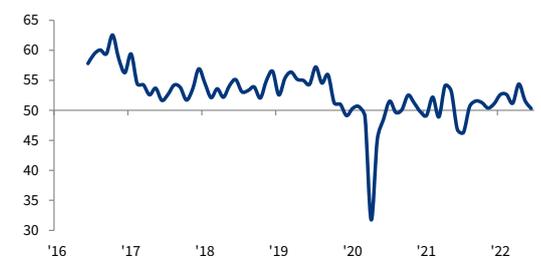
Suppliers' Delivery Times



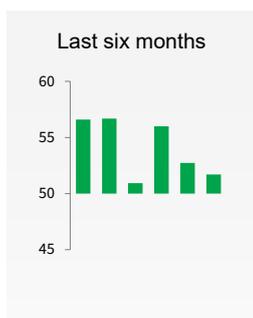
Suppliers continued to make efforts to speed up deliveries of inputs at the end of the second quarter, leading to a further improvement in vendor performance. Lead times have now shortened in each of the past 11 months.

Suppliers' Delivery Times

sa, >50 = faster times since previous month



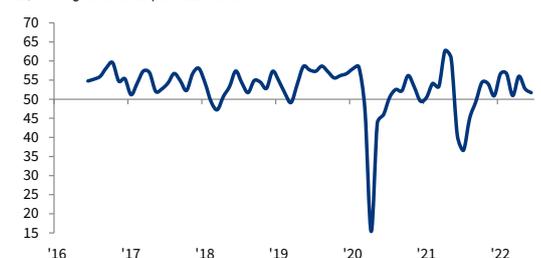
Stocks of Purchases



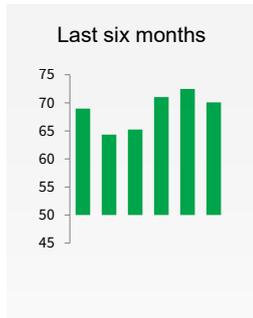
June data pointed to a further rise in stocks of purchases in the Ugandan private sector. Inventories increased for the ninth successive month. Anecdotal evidence suggested that stockpiling of inputs reflected a combination of higher purchasing activity and signs of sales weakening.

Stocks of Purchases

sa, >50 = growth since previous month

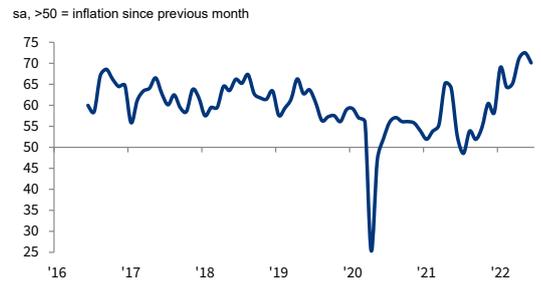


Overall Input Prices

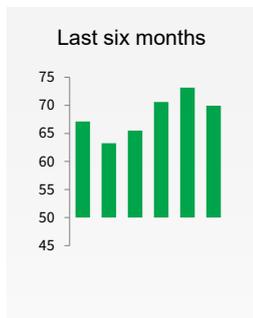


Ugandan companies continued to report increases in overall input costs during June, the eleventh month running in which this has been the case. Around 40% of respondents signalled that their cost burdens had increased during the month, with electricity, fuel and water all widely mentioned as being up in price.

Overall Input Prices



Purchase Prices

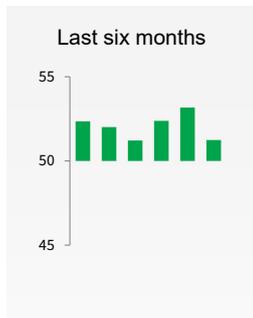


There were widespread reports of higher purchase costs again in June, with companies mentioning rising prices for cement, food products and stationery in particular. Purchase prices increased across each of the five broad sectors covered by the survey.

Purchase Prices



Staff Costs



Staff costs rose for the sixth consecutive month in the Ugandan private sector during June, with higher wages often reflecting a response to increased living costs. Industry was the only monitored category to post a reduction in staff pay, with rises seen elsewhere.

Staff Costs



Output Prices



The passing on of higher input costs to customers resulted in a further rise in selling prices at the end of the second quarter. Charges have now increased in each of the past ten months, with inflation widespread across the five broad sectors covered.

Output Prices



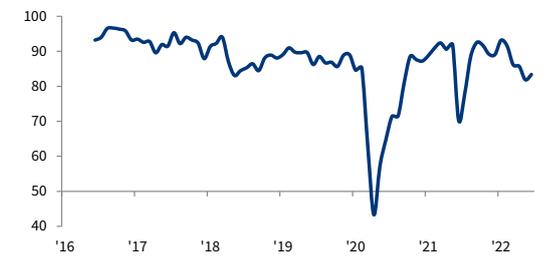
Future Output



Ugandan firms continued to predict increases in output over the coming year, with close to 72% of respondents expressing optimism in June. Positive sentiment generally reflected expectations of higher customer numbers and improving demand.

Future Output

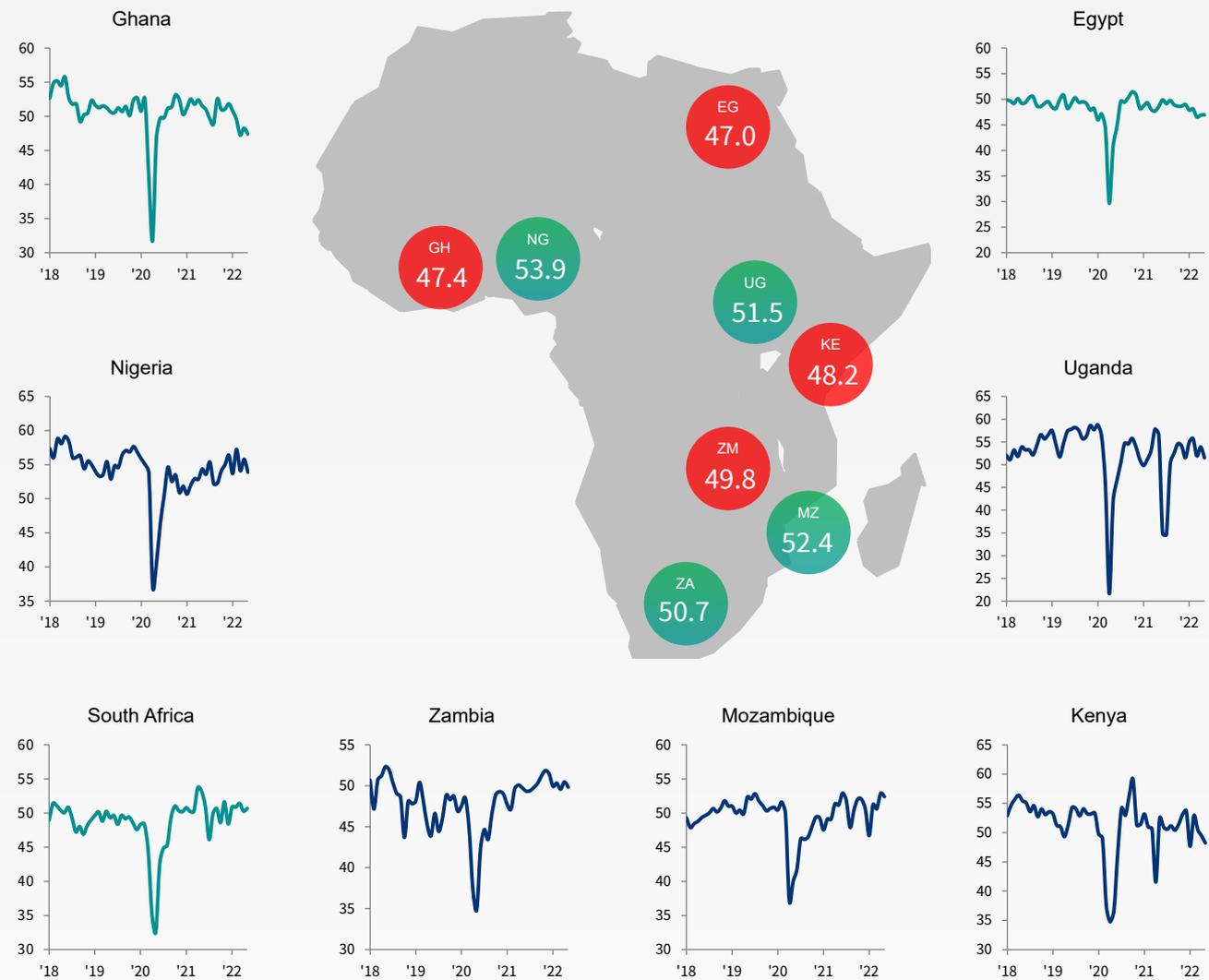
>50 = growth expected over next 12 months



Africa PMI

PMI, May '22

sa, >50 = improvement since previous month

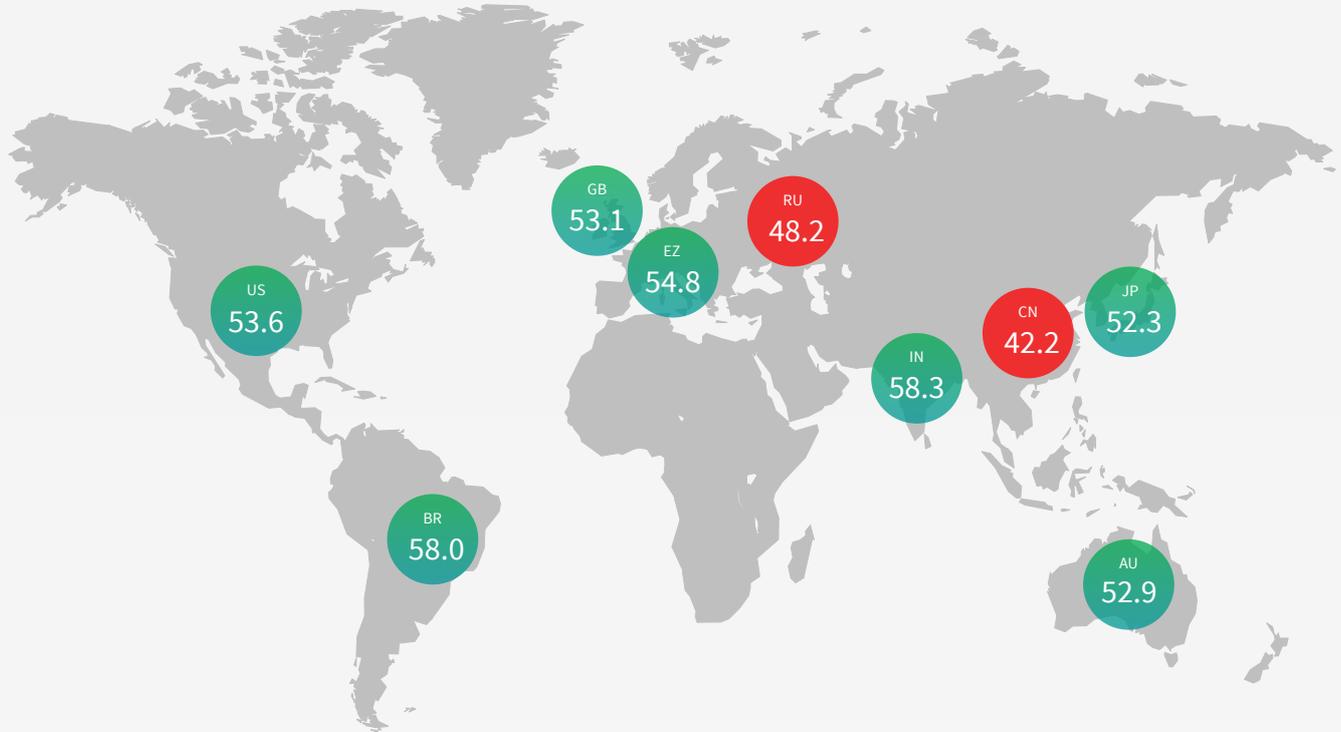


International PMI

Composite Output Index, May '22

sa, >50 = growth since previous month

The Composite Output Index is a GDP-weighted average of the Manufacturing Output Index and the Services Business Activity Index.



Composite Output Index

sa, >50 = growth since previous month



Summary

sa, 50 = no change over previous month. *50 = no change over next 12 months.

	PMI	Output	New Orders	New Export Orders	Backlogs of Work	Employment	Quantity of Purchases	Suppliers' Delivery Times	Stocks of Purchases	Input Prices	Purchase Prices	Staff Costs	Output Prices	Future Output*
01 '22	54.9	57.2	58.2	53.6	47.4	52.0	57.4	52.6	56.6	69.0	67.1	52.4	55.3	93.2
02 '22	55.7	58.8	59.4	48.2	43.0	52.1	59.5	52.6	56.7	64.3	63.3	52.0	54.4	91.5
03 '22	51.9	54.2	52.9	45.0	37.6	50.4	51.8	51.2	50.9	65.2	65.5	51.2	54.8	86.1
04 '22	53.9	56.2	56.0	53.1	44.2	52.9	56.1	54.4	56.0	71.0	70.6	52.4	58.0	85.7
05 '22	51.5	53.2	52.2	47.5	40.6	50.1	53.5	51.6	52.7	72.5	73.1	53.2	58.1	81.9
06 '22	50.9	52.6	50.4	49.8	40.3	49.9	52.4	50.3	51.7	70.1	69.9	51.2	56.7	83.4

Methodology

The Stanbic Bank Uganda PMI™ is compiled by S&P Global 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 data were collected 13-29 June 2022.

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

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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

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