



Stanbic Bank Uganda PMI™

Higher fuel costs drive up input prices

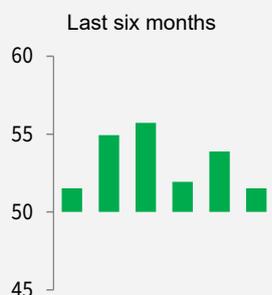
Key findings

Purchase prices and staff costs increase

Selling prices up for ninth month running

Output and new orders continue to rise

Uganda PMI



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.

Business conditions continued to improve in the Ugandan private sector during May amid ongoing increases in output and new orders. That said, there were some reports that price pressures had acted to limit demand. Higher costs were often the result of rising fuel prices.

The headline PMI posted 51.5 in May, down from 53.9 in April but signalling an improvement in business conditions for the tenth month running. That said, the latest strengthening of the health of the private sector was weaker than the six-year survey

average.

Ongoing increases in output and new orders were registered in May, with both rising for the tenth month running. Anecdotal evidence suggested that while on balance customer demand continued to improve, there were some instances of price rises deterring clients.

Output increased in the industry, services and wholesale & retail sectors, but decreased in agriculture and construction.

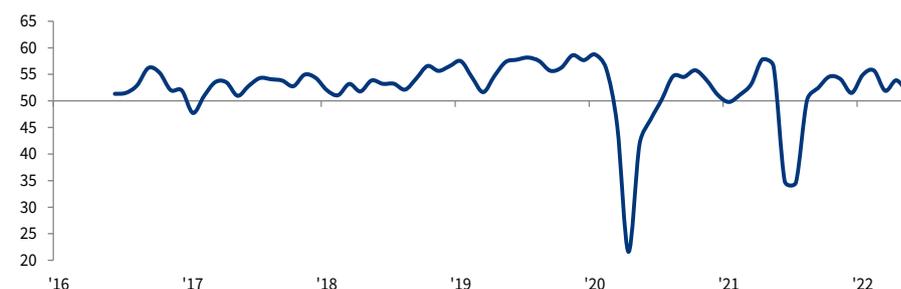
Overall input costs continued to rise in May, with higher fuel prices central to inflation. Increasing costs for a range of raw materials were also cited, while wages were up for the fifth month running. Some firms increased staff pay in response to higher living costs. With input prices continuing to rise, companies increased their own charges again in May. Price pressures were broad-based across the private sector.

Firms raised their staffing levels and purchasing activity as new orders expanded. The increase in input buying, alongside improved supplier performance, fed through to an accumulation of stocks of purchases midway through the second quarter.

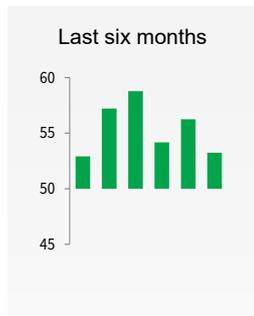
Companies remained optimistic in the 12-month outlook for activity, with positive sentiment based on predictions of new order growth and hopes for an alleviation of price pressures.

PMI

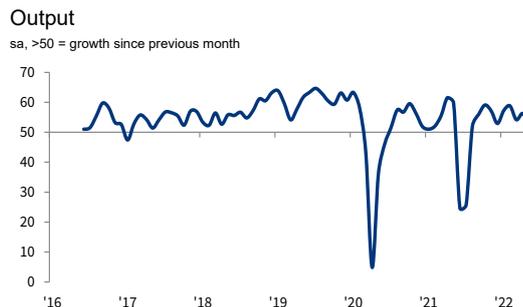
sa, >50 = improvement since previous month



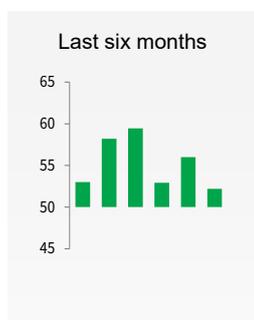
Output



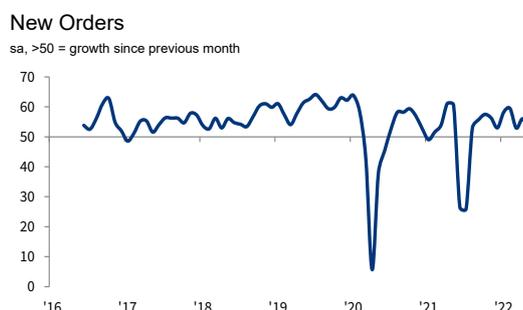
As has been the case in each of the past ten months, business activity increased in the Ugandan private sector during May. Panellists linked the rise to higher new orders and improving demand. On a less positive note, there were some reports that price pressures had limited output. Activity expanded in the industry, services and wholesale & retail categories, but fell in agriculture and construction.



New Orders



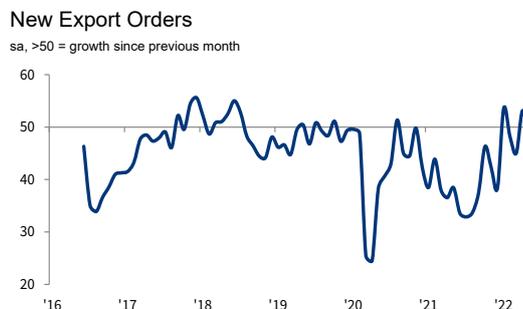
In line with the picture for business activity, new orders continued to rise midway through the second quarter, despite some reports of price rises causing challenges for firms trying to secure new work. The industry, services and wholesale & retail sectors saw new business increase, but decreases were recorded in agriculture and construction.



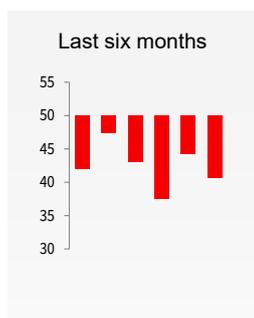
New Export Orders



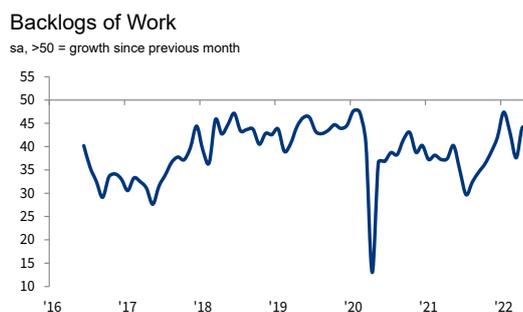
May data pointed to a reduction in new export orders in the Ugandan private sector. This followed a first expansion in three months during April. New business from abroad has fallen through much of the period following the outbreak of the COVID-19 pandemic.



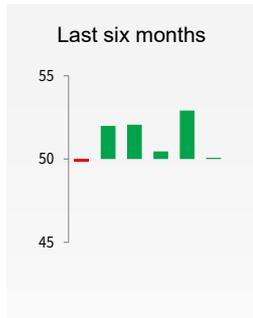
Backlogs of Work



Ugandan companies continued to see backlogs of work decline during May, with some firms indicating that new order levels had softened, leading to spare capacity. Outstanding business has decreased in each month since the survey began six years ago.



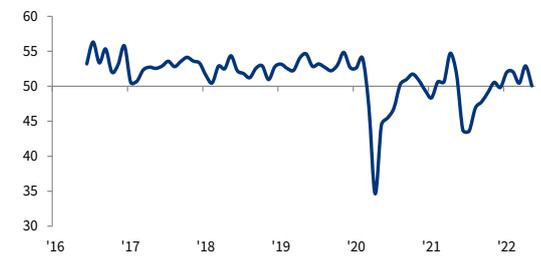
Employment



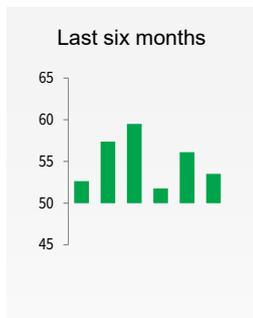
Firms operating in the Ugandan private sector posted a further increase in employment during May, extending the current sequence of job creation to five months. Those companies that raised their workforce numbers linked this to higher new orders. Construction and industry signalled increased staffing levels, while falls were registered in agriculture, services and wholesale & retail.

Employment

sa, >50 = growth since previous month



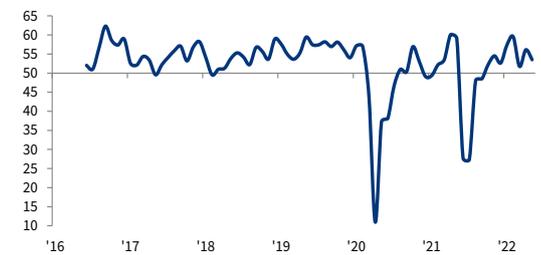
Quantity of Purchases



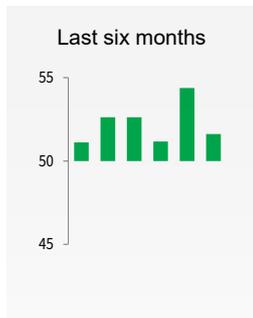
Purchasing activity grew again in May, as has been the case in each month since October last year. Anecdotal evidence suggested that the latest expansion in input buying reflected a combination of rising new orders and efforts to secure inputs ahead of predicted cost increases.

Quantity of Purchases

sa, >50 = growth since previous month



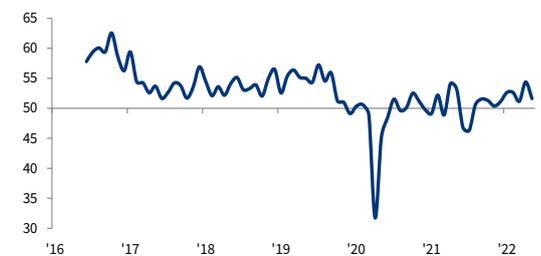
Suppliers' Delivery Times



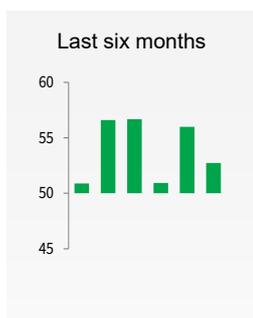
Suppliers' delivery times shortened for the tenth consecutive month midway through the second quarter of the year. Improving vendor performance was recorded in the construction, industry and wholesale & retail sectors, but agriculture posted a lengthening of lead times.

Suppliers' Delivery Times

sa, >50 = faster times since previous month



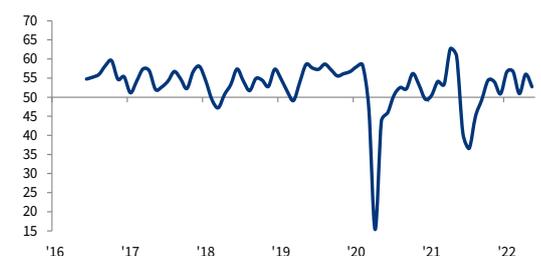
Stocks of Purchases



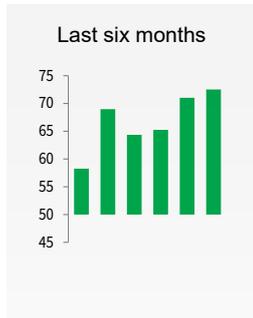
A combination of rising purchasing activity and faster supplier deliveries enabled companies to expand their stocks of inputs during May. As a result, inventories increased for the eighth month running. In contrast to the overall trend, industry posted a reduction in stocks of purchases.

Stocks of Purchases

sa, >50 = growth since previous month



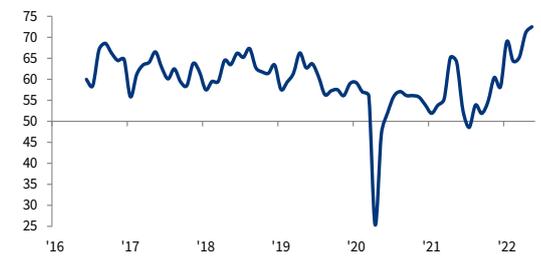
Overall Input Prices



May data pointed to a further rise in overall input prices as around 47% of respondents noted an increase over the month. There were widespread reports of higher fuel costs which fed through to rising charges for transportation. Increased utility costs were also mentioned. All five monitored sectors registered inflation of overall input prices.

Overall Input Prices

sa, >50 = inflation since previous month



Purchase Prices



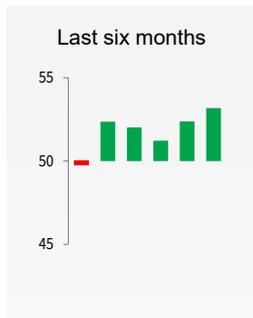
Purchase costs continued to rise in the Ugandan private sector during May. A wide range of items were reported to have risen in price, with fuel most often mentioned. Higher costs for cement, paper, soap and stationery were signalled, alongside increases in prices for coffee, sugar and other food products.

Purchase Prices

sa, >50 = inflation since previous month



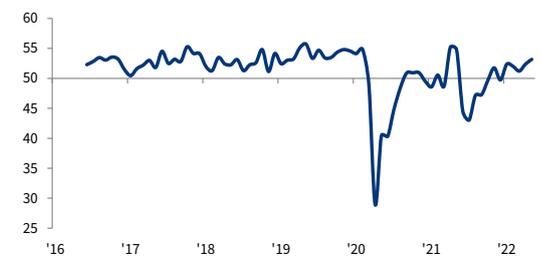
Staff Costs



As has been the case in each of the past five months, staff costs increased in the Ugandan private sector during May. According to respondents, wage increases reflected a combination of rising workforce numbers and a response to higher living costs. All five monitored sectors saw staff costs rise.

Staff Costs

sa, >50 = inflation since previous month



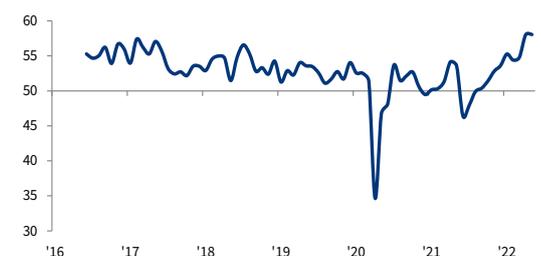
Output Prices



Selling prices rose again during May as companies responded to higher input costs. Sector data showed that increases in charges were widespread across the private sector. Output prices have now risen in each of the past nine months.

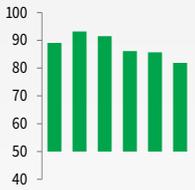
Output Prices

sa, >50 = inflation since previous month



Future Output

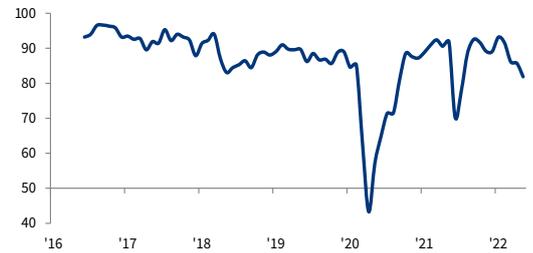
Last six months



Optimism regarding future new business volumes supported confidence in the 12-month outlook for activity in May, although positive sentiment was partly reliant on hopes that price pressures will start to abate in the months ahead. In fact, the possibility of price rises continuing led to uncertainty about the outlook at some respondents.

Future Output

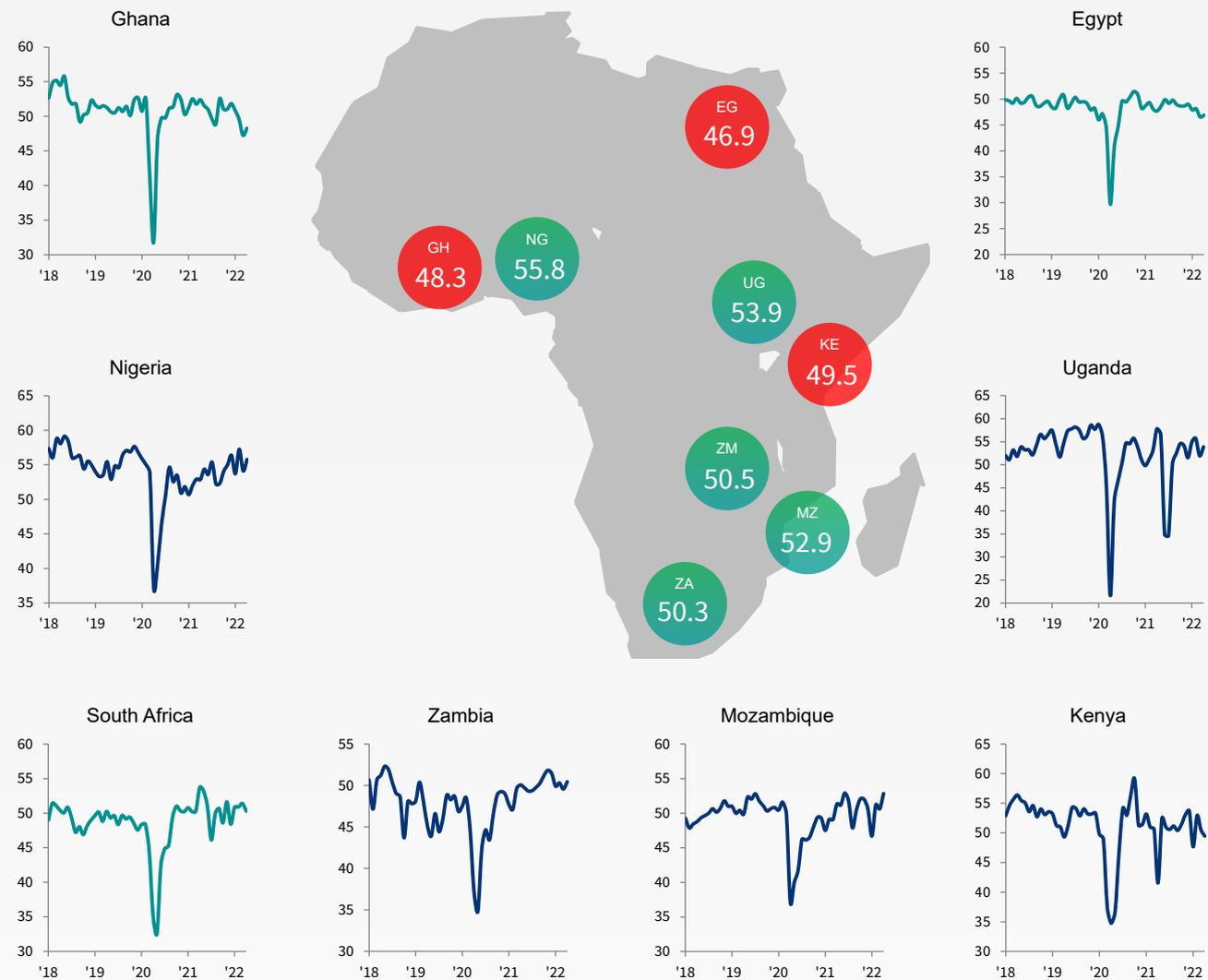
>50 = growth expected over next 12 months



Africa PMI

PMI, Apr '22

sa, >50 = improvement since previous month

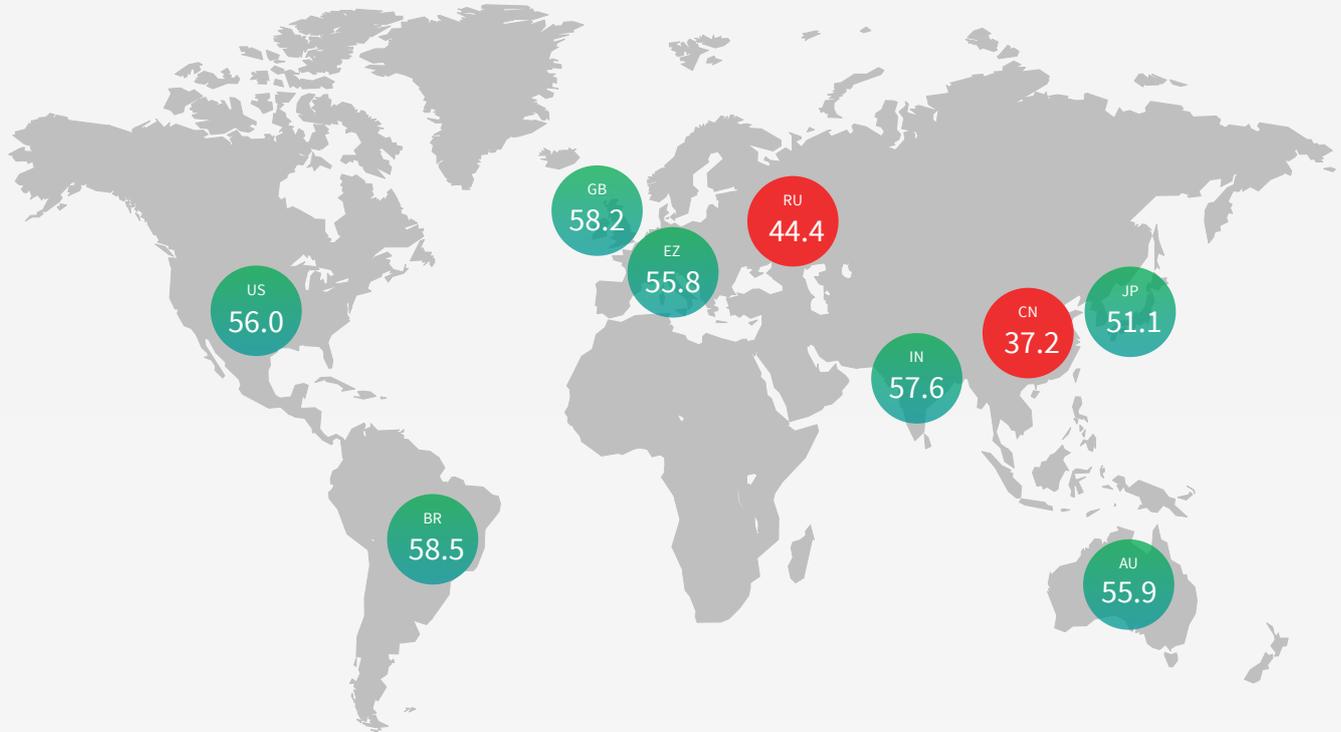


International PMI

Composite Output Index, Apr '22

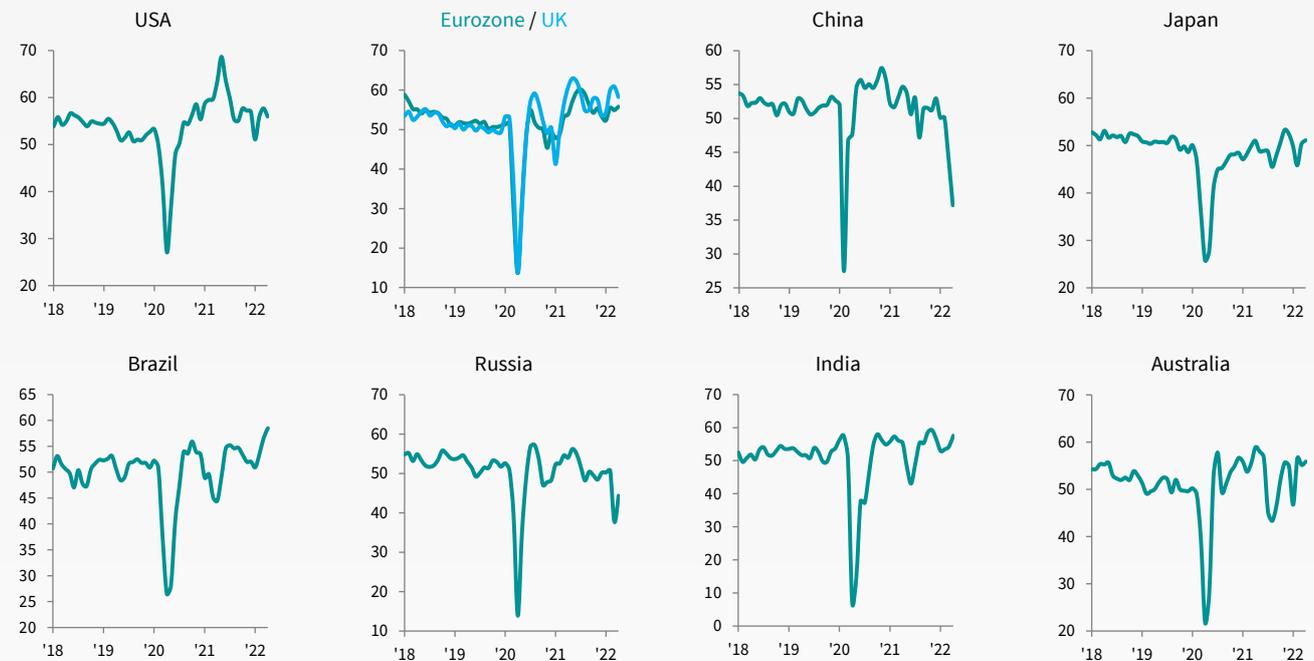
sa, >50 = growth since previous month

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



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.

May data were collected 12-30 May 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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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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We are widely sought after by many of the world's leading organizations to provide credit ratings, benchmarks, analytics and workflow solutions in the global capital, commodity and automotive markets. With every one of our offerings, we help the world's leading organizations plan for tomorrow, today.