Embargoed until 0900 EAT (0600 UTC) 3 August 2022

Stanbic Bank Uganda PMI™

Output falls for first time in a year

Key findings

Renewed contractions in output and new orders

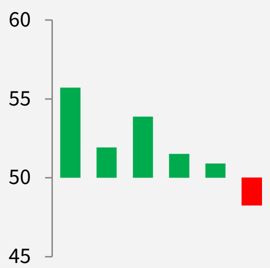
Input costs continue to rise

Employment and purchasing scaled back

Uganda PMI

JUL
48.2
JUN: 50.9

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.

Business conditions in the Ugandan private sector deteriorated in July as inflationary pressures dampened demand and led to reductions in new orders and output. Firms also scaled back their employment and purchasing activity. Higher costs reflected increases in a range of inputs, most notably fuel and transportation.

The headline PMI posted below the 50.0 no-change mark for the first time in a year during July, with the index falling to 48.2 from 50.9 in June.

New orders decreased for the first time since July 2021, with firms reporting that price rises and a lack of money in the economy had acted to dampen demand. In turn, business activity also decreased as inflationary pressures impacted the private sector. Output fell in the construction and services sectors, but rose in agriculture, industry and wholesale & retail.

Inflationary pressures were highlighted by a further increase in overall input costs, widely linked to higher fuel and transportation costs, plus rising prices for utilities and a range of raw materials. In response to higher cost burdens, firms continued to increase their selling prices.

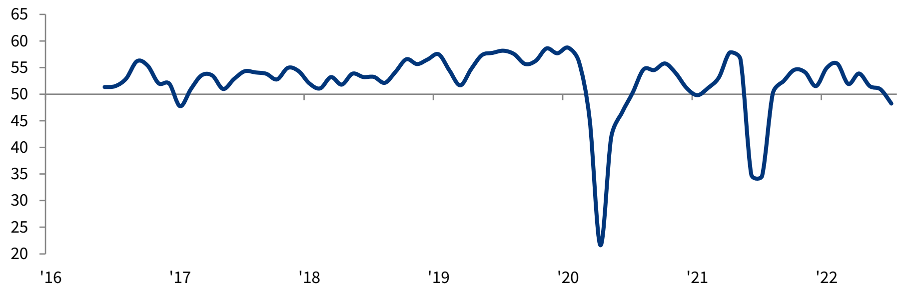
In contrast, staff costs decreased at the start of the third quarter, reflecting a reduction in employment as firms responded to lower new orders. Purchasing activity was also scaled back, ending a nine-month sequence of expansion. Stocks of purchases continued to rise, however, as a drop in activity meant that firms held excess inventories.

Suppliers' delivery times lengthened for the first time in a year, due to scarcity of fuel and materials plus higher transport costs.

Despite a decline in business conditions in July, Ugandan companies remained optimistic that output will increase over the coming year. Firms were hopeful that inflationary pressures will soften, helping to support growth of new orders.

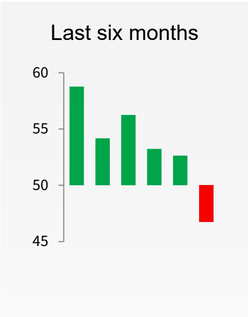
PMI

sa, >50 = improvement since previous month



PMI™ by S&P Global

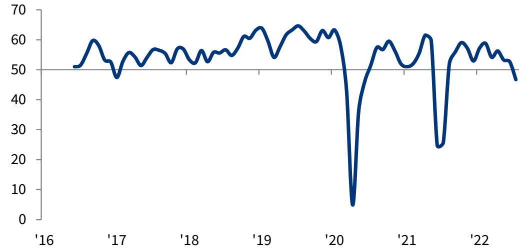
Output



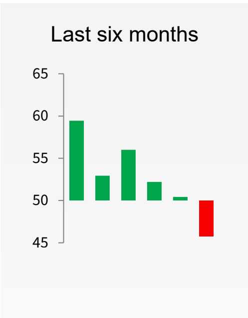
Business activity decreased in the Ugandan private sector during July, thereby ending an 11-month sequence of expansion. Respondents suggested that inflationary pressures in the economy had acted to dampen client purchasing power, resulting in a drop in new orders which fed through to lower output. Activity decreased in the construction and services sectors, but rose in agriculture, industry and wholesale & retail.

Output

sa, >50 = growth since previous month



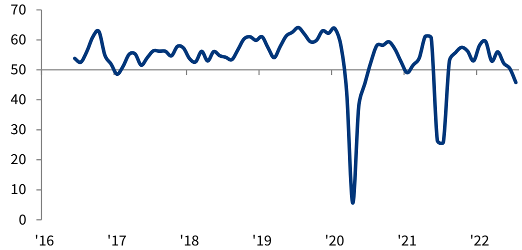
New Orders



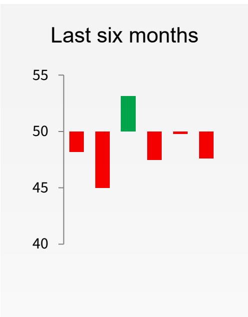
Rising prices and reports of a lack of money in the economy contributed to a renewed reduction in new business at the start of the third quarter. The decline in new orders was the first since July 2021. New business fell in the construction, services and wholesale & retail categories.

New Orders

sa, >50 = growth since previous month



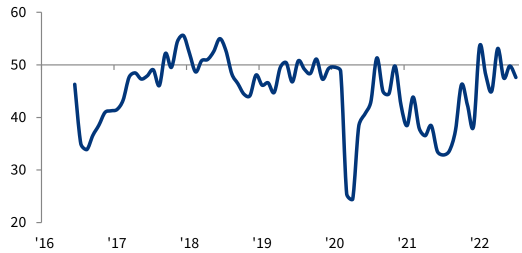
New Export Orders



Alongside a decline in total new business at Ugandan companies in July, new export orders also decreased over the course of the month. New business from abroad has now fallen in three consecutive months.

New Export Orders

sa, >50 = growth since previous month

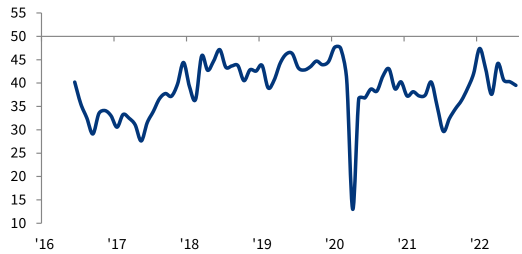


Backlogs of Work

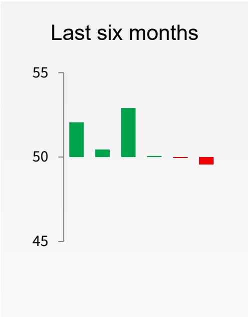
Companies in Uganda continued to reduce their backlogs of work during July, with panellists mainly linking the latest decline to falling new order inflows. Outstanding business has decreased continuously since the survey began in June 2016.

Backlogs of Work

sa, >50 = growth since previous month



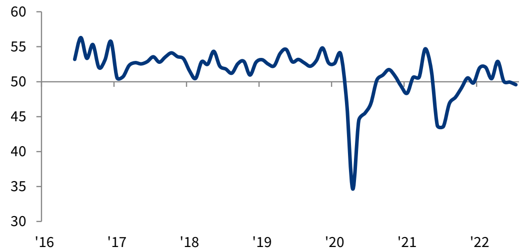
Employment



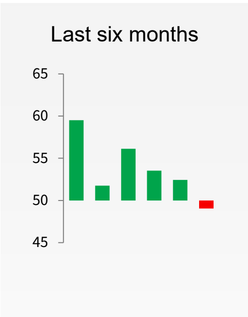
Employment decreased for the second month running during July. Some firms took on extra staff to help keep up with workloads, but this was outweighed by those companies that reduced workforce numbers due to falling new orders. Sector data suggested that the overall reduction in employment was centred on construction firms.

Employment

sa, >50 = growth since previous month



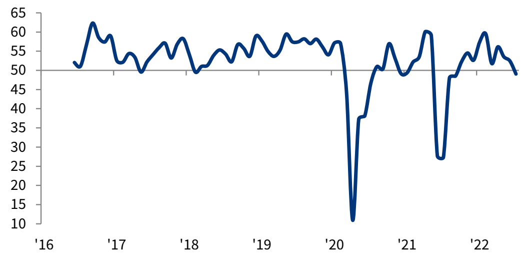
Quantity of Purchases



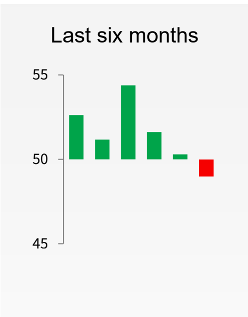
Ugandan firms scaled back their purchasing activity for the first time in ten months during July. Anecdotal evidence suggested that a combination of higher prices for purchases and lower customer demand had been behind the reduction in input buying.

Quantity of Purchases

sa, >50 = growth since previous month



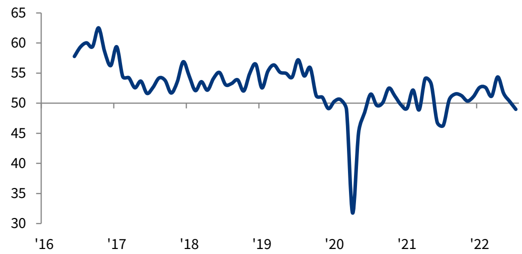
Suppliers' Delivery Times



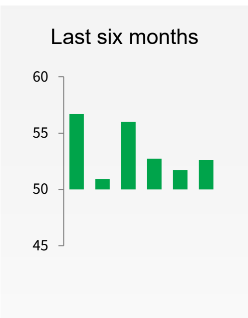
Suppliers' delivery times lengthened for the first time in a year at the start of the third quarter. Respondents indicated that scarcity of fuel and materials, plus higher transportation costs had been behind the deterioration in vendor performance.

Suppliers' Delivery Times

sa, >50 = faster times since previous month



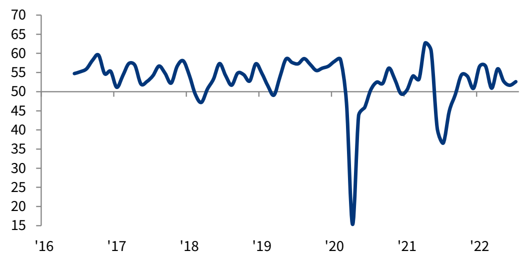
Stocks of Purchases



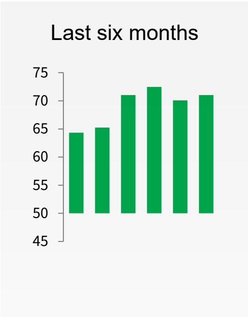
Despite a reduction in purchasing activity in July, stocks of inputs continued to increase. Firms indicated that they had excess inventories due to a drop in new orders and falling activity. Stocks of purchases have now risen in each of the past ten months.

Stocks of Purchases

sa, >50 = growth since previous month



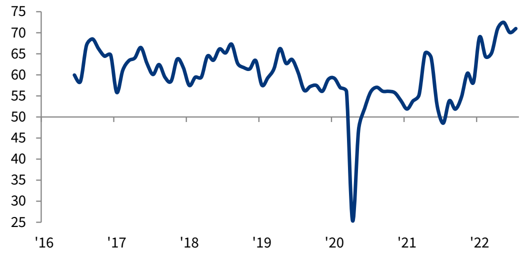
Overall Input Prices



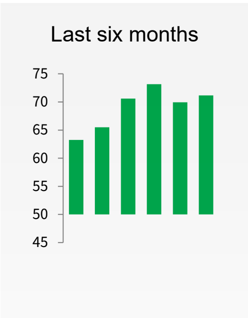
As has been the case in each of the past 12 months, Ugandan companies posted a rise in overall input costs during July. Respondents pointed to increasing fuel and transportation costs, as well as higher prices for electricity, raw materials and water.

Overall Input Prices

sa, >50 = inflation since previous month



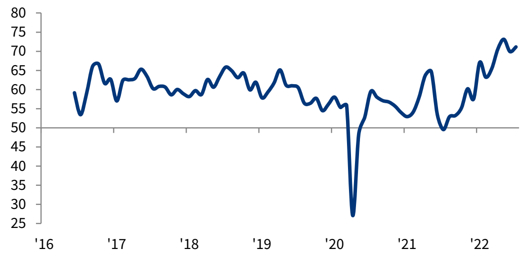
Purchase Prices



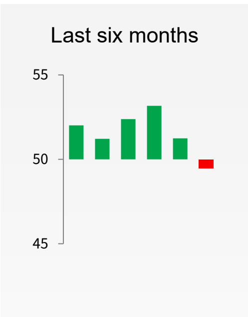
Purchase prices continued to rise during July, extending the current sequence of inflation to one year. Among the main items listed as having increased in price over the month were cement, food products, fuel and sand. Around 45% of respondents signalled a rise in purchase costs, against 3% that posted a fall.

Purchase Prices

sa, >50 = inflation since previous month



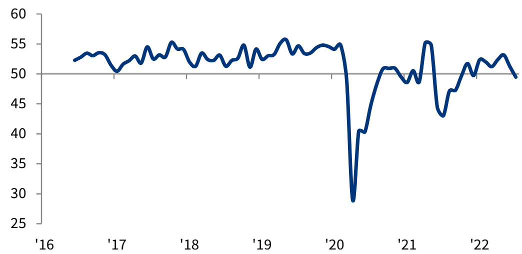
Staff Costs



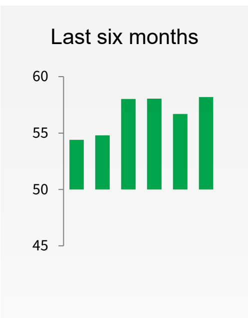
Ugandan companies signalled a reduction in staff costs during July, thereby ending a six-month period of inflation. Where staff costs fell, panellists linked this to reduced headcounts. On the other hand, some firms increased wages in response to higher living costs.

Staff Costs

sa, >50 = inflation since previous month



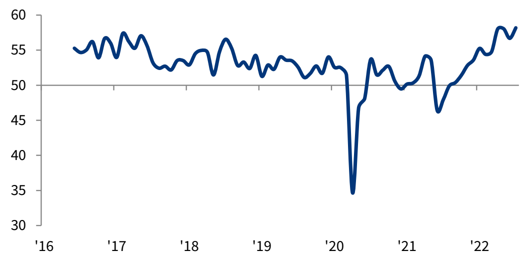
Output Prices



Output prices increased for the eleventh successive month during July as companies passed on higher input costs to their customers. Charges rose across each of the five broad sectors covered by the survey. More than 19% of respondents posted a rise in selling prices, against 4% that signalled a fall.

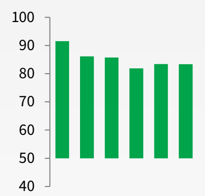
Output Prices

sa, >50 = inflation since previous month



Future Output

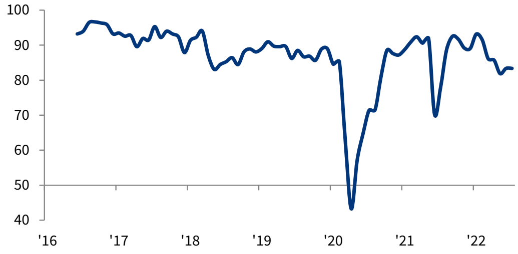
Last six months



Although activity decreased in July, firms remained confident that output will increase over the coming year. Optimism was based on expectations that inflationary pressures would moderate and new business improve. Around 72% of firms expressed confidence in the 12-month outlook.

Future Output

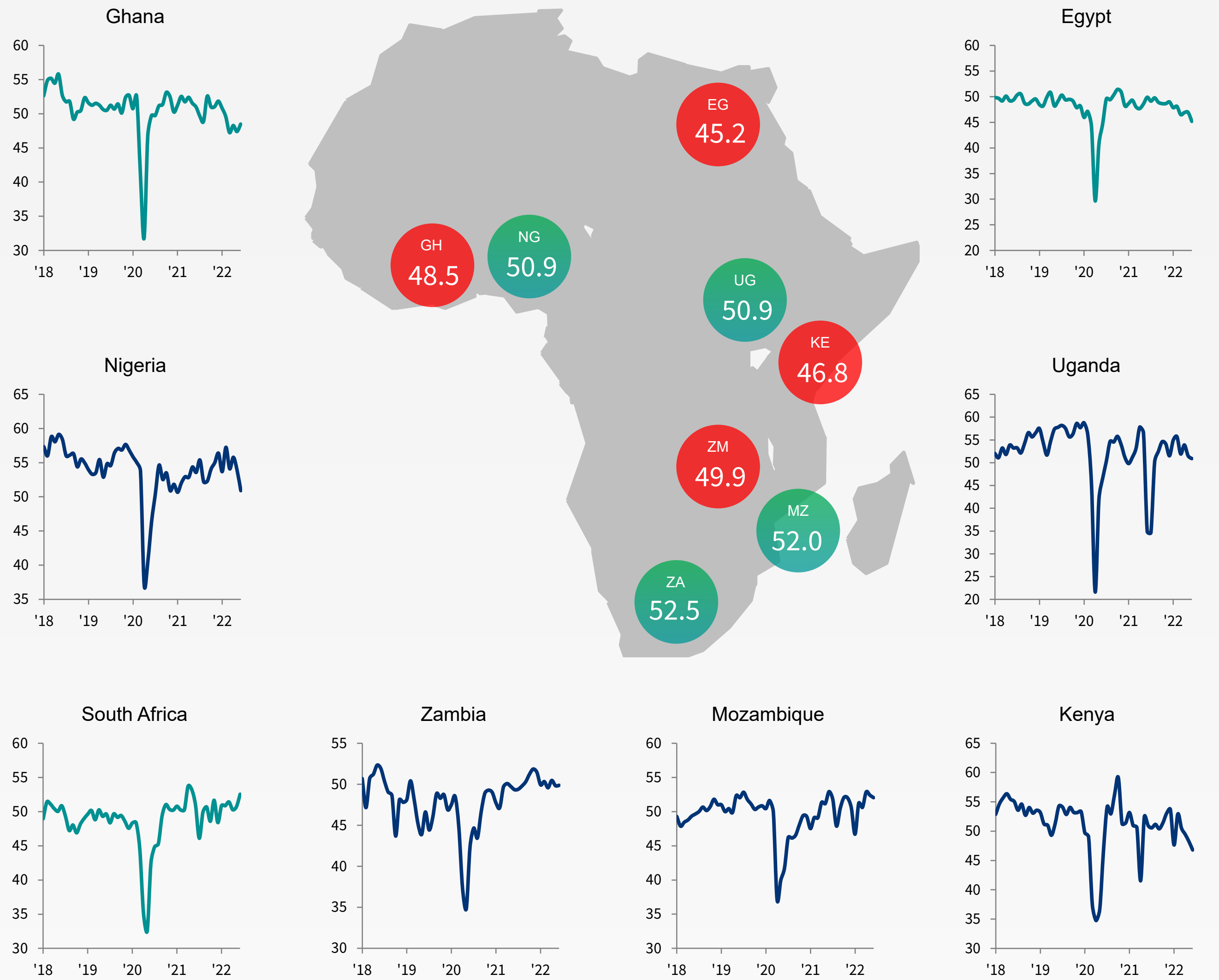
>50 = growth expected over next 12 months



Africa PMI

PMI, Jun '22

sa, >50 = improvement since previous month

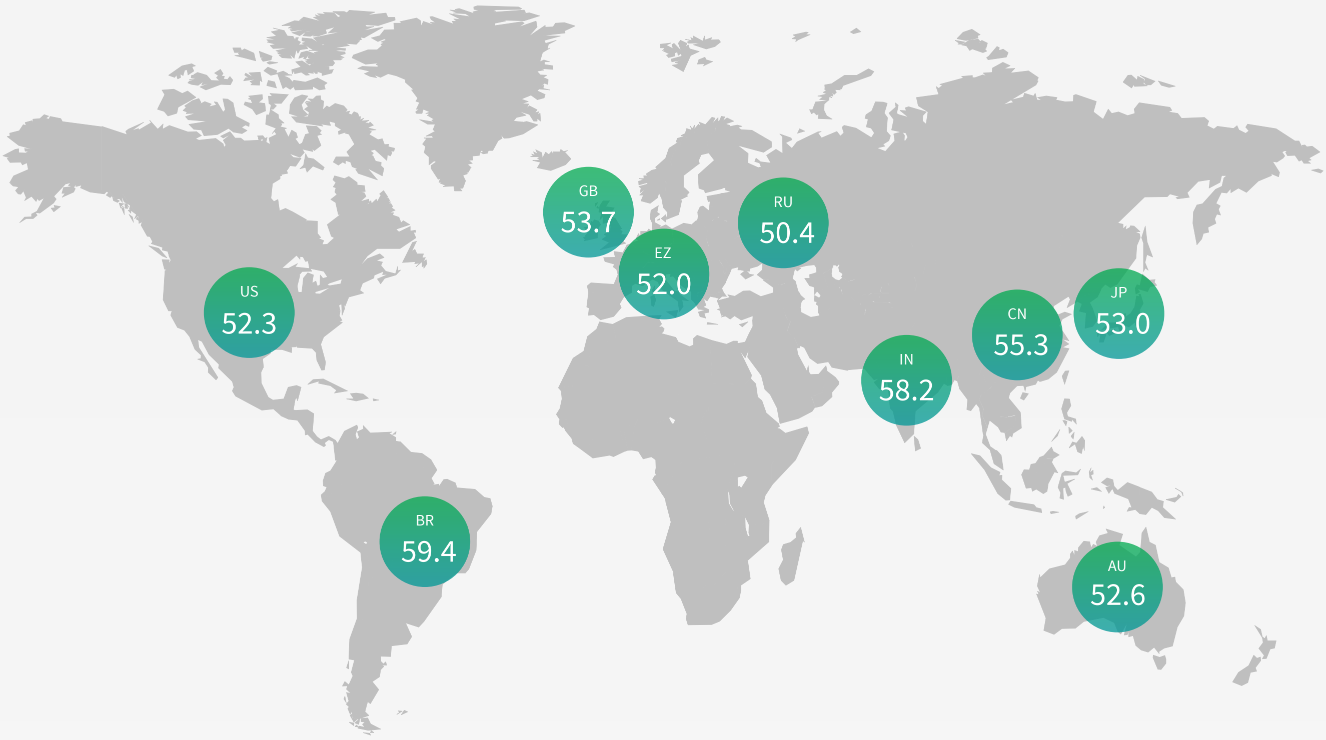


International PMI

Composite Output Index, Jun ‘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	Employ-ment	Quantity of Purchases	Suppliers' Delivery Times	Stocks of Purchases	Input Prices	Purchase Prices	Staff Costs	Output Prices	Future Output*
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
07 '22	48.2	46.7	45.8	47.6	39.5	49.6	49.0	49.0	52.6	71.0	71.2	49.5	58.2	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.

July data were collected 12-28 July 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.

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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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.

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