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Stanbic Bank Uganda PMI™

Output rises for twenty-sixth month running

Key findings

Continued growth of new orders supports rise in output

Employment growth sustained

Output prices 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.

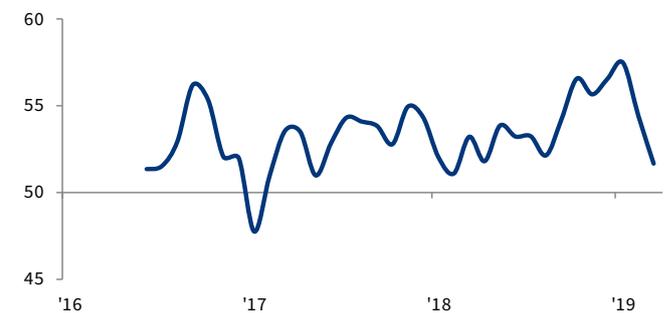
The PMI is a composite index, calculated as a weighted average of five individual sub-components: New Orders (30%), Output (25%), Employment (20%), Suppliers' Delivery Times (15%) and Stocks of Purchases (10%). Readings above 50.0 signal an improvement in business conditions on the previous month, while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

The headline seasonally adjusted PMI dipped to 51.7 in March from 54.4 in February. The latest reading signalled a twenty-sixth successive monthly improvement in business conditions, but was below the series average.

Business activity continued to rise at the end of the first quarter of the year in response to greater customer demand. Some panellists reported particularly strong growth of construction activity. Alongside construction, output also rose in the industry, service and wholesale & retail sectors. Only agriculture saw a drop in activity during the month.

PMI

sa, >50 = improvement since previous month



Sources: Stanbic Bank, IHS Markit.

Rising customer requests led to another monthly increase in new orders, although some panellists reported signs of demand having softened in the latest survey period.

Companies responded to greater output requirements by taking on extra staff. Higher operating capacity and reports of improved workforce efficiency contributed to a further depletion of outstanding business.

Input prices continued to increase in March. Overall input costs rose on the back of higher electricity and water bills alongside rises in both purchase and staff costs. Where purchase prices increased, respondents noted higher costs for materials such as food products and stationery, as well as rising land prices.

Firms responded to higher cost burdens by raising their output prices accordingly. Charges have increased throughout the 34 months of data collection so far, with only industry lowering selling prices in March.

Ugandan companies reportedly raised purchasing activity in advance of expected output growth in coming months. However, the level of inventories decreased for the first time in a year as inputs were used to support current increases in business activity.

Finally, business confidence remained positive amid advertising and expansion plans.

Comment

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

“The decline in the PMI, similar to last month is mainly due to weaker agricultural productivity owing to the dry weather conditions. But that said, delayed payments both from the public and private sector continue to hold back domestic demand. In any case, activity should start to pick up as the long rains potentially come through in April.”

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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.

March 2019 data were collected 12-28 March 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 (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.

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