

Stanbic Bank Uganda PMI™

Business activity boosted by the reopening of schools in January

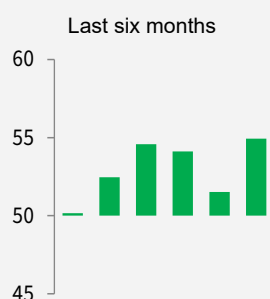
Key findings

Output and new orders increase

Firms optimistic in year-ahead outlook

Widespread reports of higher fuel costs

Uganda PMI



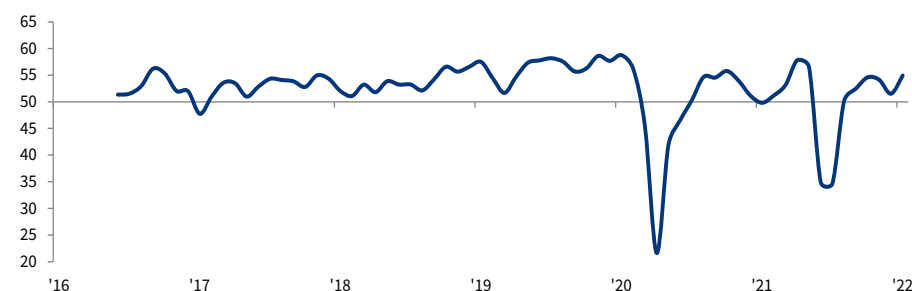
This report contains the latest analysis of data collected from the monthly survey of business conditions in the Ugandan private sector. The survey, sponsored by Stanbic Bank and produced by IHS Markit, has been conducted since June 2016 and covers the agriculture, industry, construction, wholesale & 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.

Business conditions improved in the Ugandan private sector at the start of the year, buoyed by the reopening of schools following an extended period of closure due to the COVID-19 pandemic. Demand also picked up, leading to rises in employment and purchasing. That said, inflationary pressures were evident, often linked to higher fuel costs.

The headline PMI posted 54.9 in January, up from 51.5 in December and above the average for the series which began in June 2016.

PMI
sa, >50 = improvement since previous month



Output increased for the sixth month running in January, with activity boosted by the reopening of schools and higher new orders. All five broad sectors saw business activity rise at the start of the year.

Total new orders also rose for the sixth successive month, while new business from abroad returned to growth following 16 months of decline.

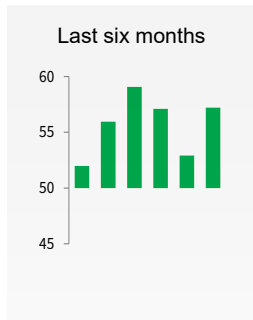
Rises in new orders showed signs of imparting capacity pressures on firms, and encouraged them to increase their staffing levels and expand purchasing activity. In turn, stocks of purchases also rose in January, helped by an improvement in suppliers' delivery times.

Panellists widely reported higher fuel costs during the month, contributing to increased purchase prices and subsequently feeding through to rising overall input prices. Higher costs for raw materials and staff were also reported.

With input costs rising, companies increased their own selling prices accordingly. Charges were up for the fifth month running in January.

Ugandan firms were optimistic in the 12-month outlook for activity, thanks to schools having reopened as well as positive expectations regarding the pandemic situation and new orders. More than 89% of respondents predicted a rise in output over the coming year.

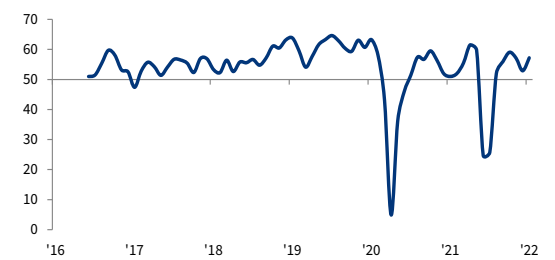
Output



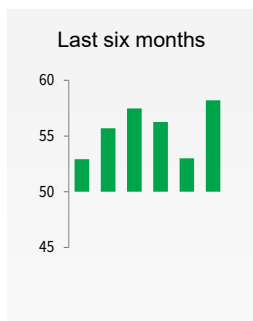
Business activity increased for the sixth month running in January. The reopening of schools after an extended period of closure was mentioned by a number of respondents, while others linked output growth to higher new orders. All five monitored sectors posted an increase in activity.

Output

sa, >50 = growth since previous month



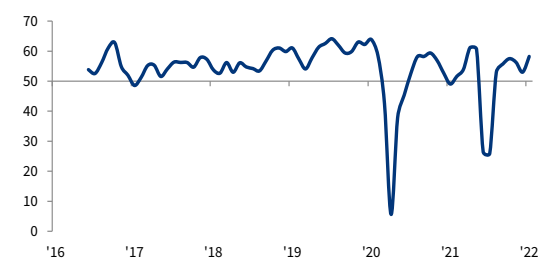
New Orders



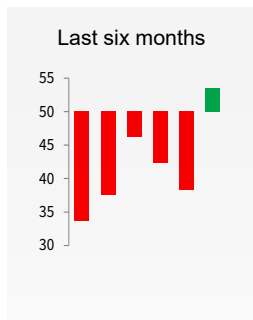
Signs of improving customer demand supported a further rise in new orders in January. As was the case with output, the reopening of schools was also highlighted as having supported the expansion. New business has now increased in each of the past six months. Construction was the only sector to buck the wider trend and post a reduction in new orders.

New Orders

sa, >50 = growth since previous month



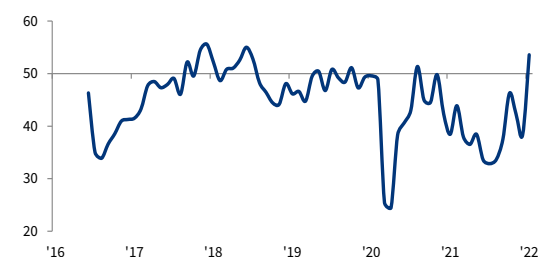
New Export Orders



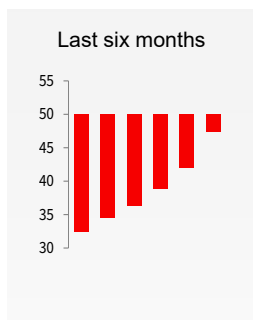
New export orders returned to growth in January, thereby ending a 16-month sequence of falling new business from abroad. Anecdotal evidence suggested that companies had been able to export to other African countries.

New Export Orders

sa, >50 = growth since previous month



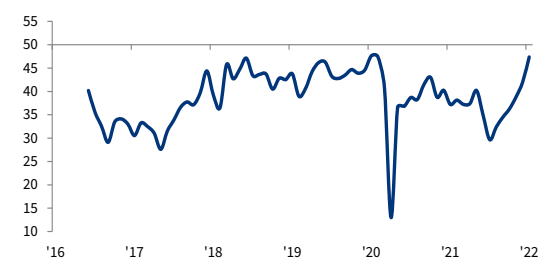
Backlogs of Work



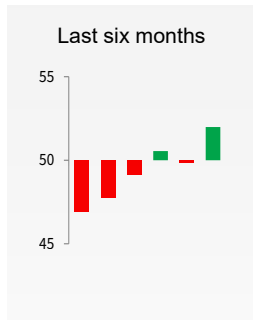
As has been the case throughout the history of the survey so far, backlogs of work decreased in January. That said, some panellists reported that higher new orders had started to place some pressure on operating capacity. All five sectors continued to record reductions in outstanding business.

Backlogs of Work

sa, >50 = growth since previous month



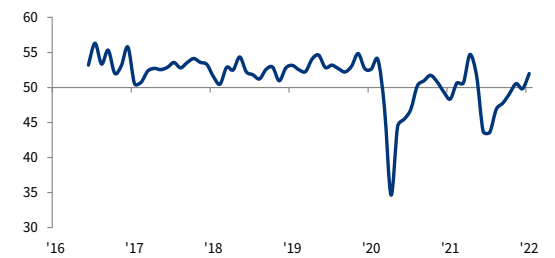
Employment



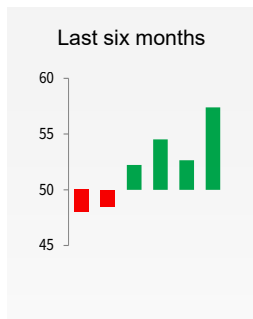
Rising workloads encouraged companies to take on additional staff at the start of the year. Employment has now increased in two of the past three months, with around 7% of respondents expanding workforce numbers in January. Staffing levels rose in the agriculture, construction and services sectors, but fell in industry and wholesale & retail.

Employment

sa, >50 = growth since previous month



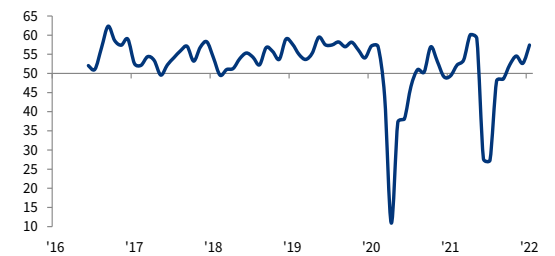
Quantity of Purchases



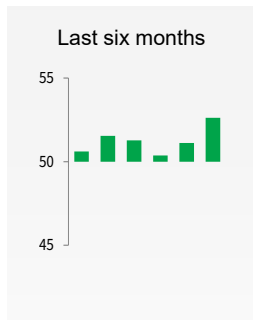
January data pointed to a further expansion in purchasing activity in Uganda's private sector, extending the current sequence of growth to four months. Where input buying rose, panellists linked this to higher new orders and increased output requirements.

Quantity of Purchases

sa, >50 = growth since previous month



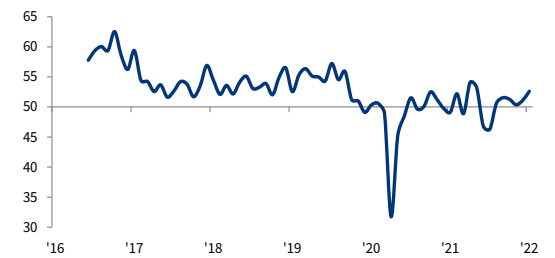
Suppliers' Delivery Times



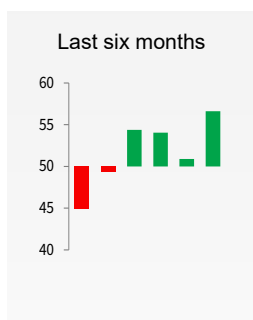
As has been the case in each of the past six months, suppliers' delivery times shortened in January. Shorter lead times were seen in the construction and wholesale & retail sectors, but agriculture and industry saw vendor performance worsen.

Suppliers' Delivery Times

sa, >50 = faster times since previous month



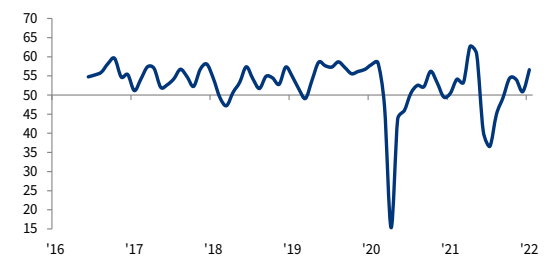
Stocks of Purchases



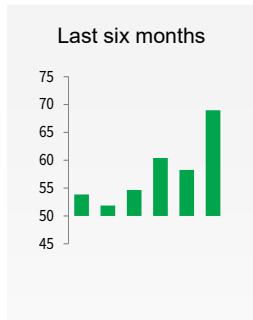
Ugandan companies continued to increase their stocks of purchases in January, with anecdotal evidence linking the latest rise to higher new orders. Inventories have now accumulated in each of the past four months.

Stocks of Purchases

sa, >50 = growth since previous month



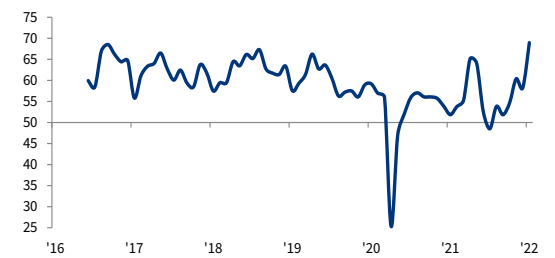
Overall Input Prices



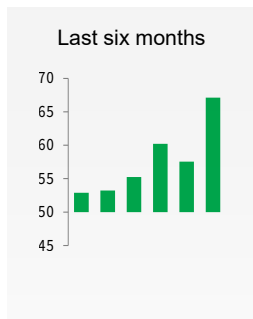
Overall input prices continued to rise in January, with panellists often reporting higher fuel and transport costs. Underlying data also signalled increases in purchase and staff costs. Overall input prices have now risen in six successive months.

Overall Input Prices

sa, >50 = inflation since previous month



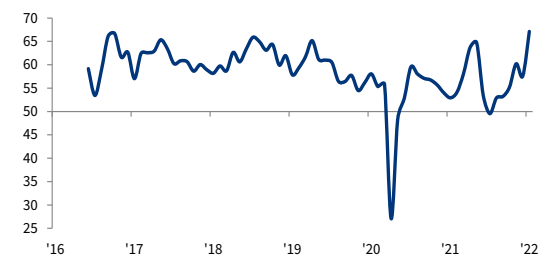
Purchase Prices



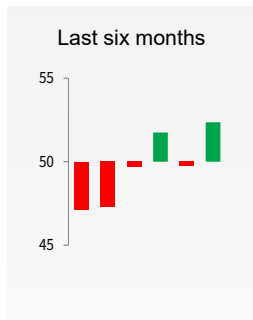
Higher fuel costs were also widely mentioned as leading to rising purchase prices in January, with firms also reporting increasing costs for raw materials such as cement, food products, sand and stationery. Around 31% of panellists reported a rise in purchase costs during the month.

Purchase Prices

sa, >50 = inflation since previous month



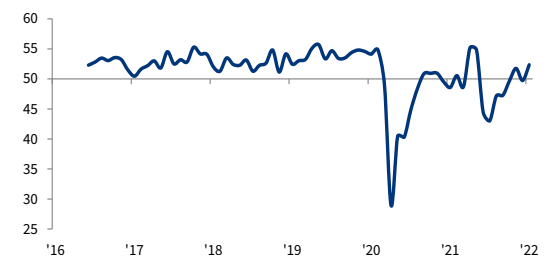
Staff Costs



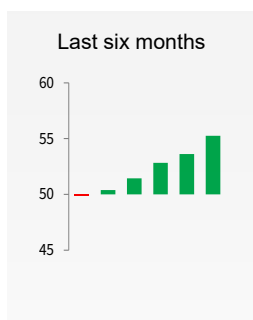
Companies in Uganda registered an increase in their staff costs for the second time in the past three months in January. Anecdotal evidence suggested that costs had risen in line with employment growth. Wages increased across all five monitored categories.

Staff Costs

sa, >50 = inflation since previous month



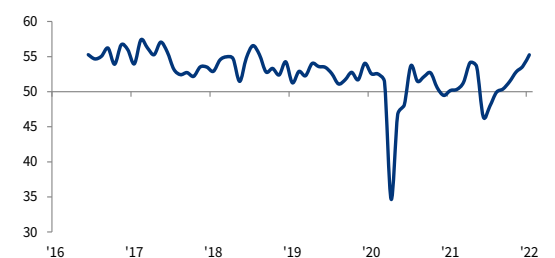
Output Prices



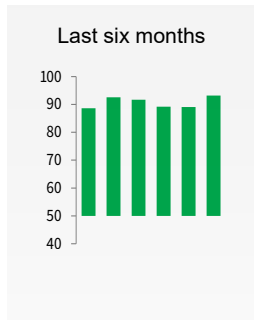
Higher input costs were often passed on to customers by way of rising selling prices in January, with inflation broad based across the monitored sectors. Selling prices have now increased in each of the past five months, with 14% of respondents raising charges at the start of the year.

Output Prices

sa, >50 = inflation since previous month



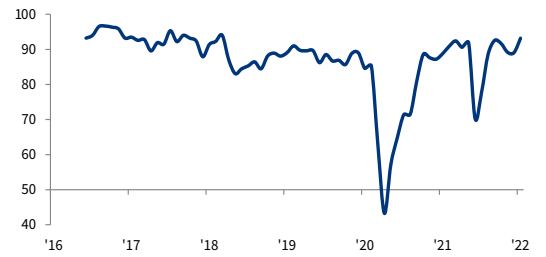
Future Output



The reopening of schools, an improving pandemic situation and expected increases in new orders supported confidence among companies that output will increase over the coming year. More than 89% of respondents predicted a rise in activity over the next 12 months, with just 3% of firms pessimistic about the outlook.

Future Output

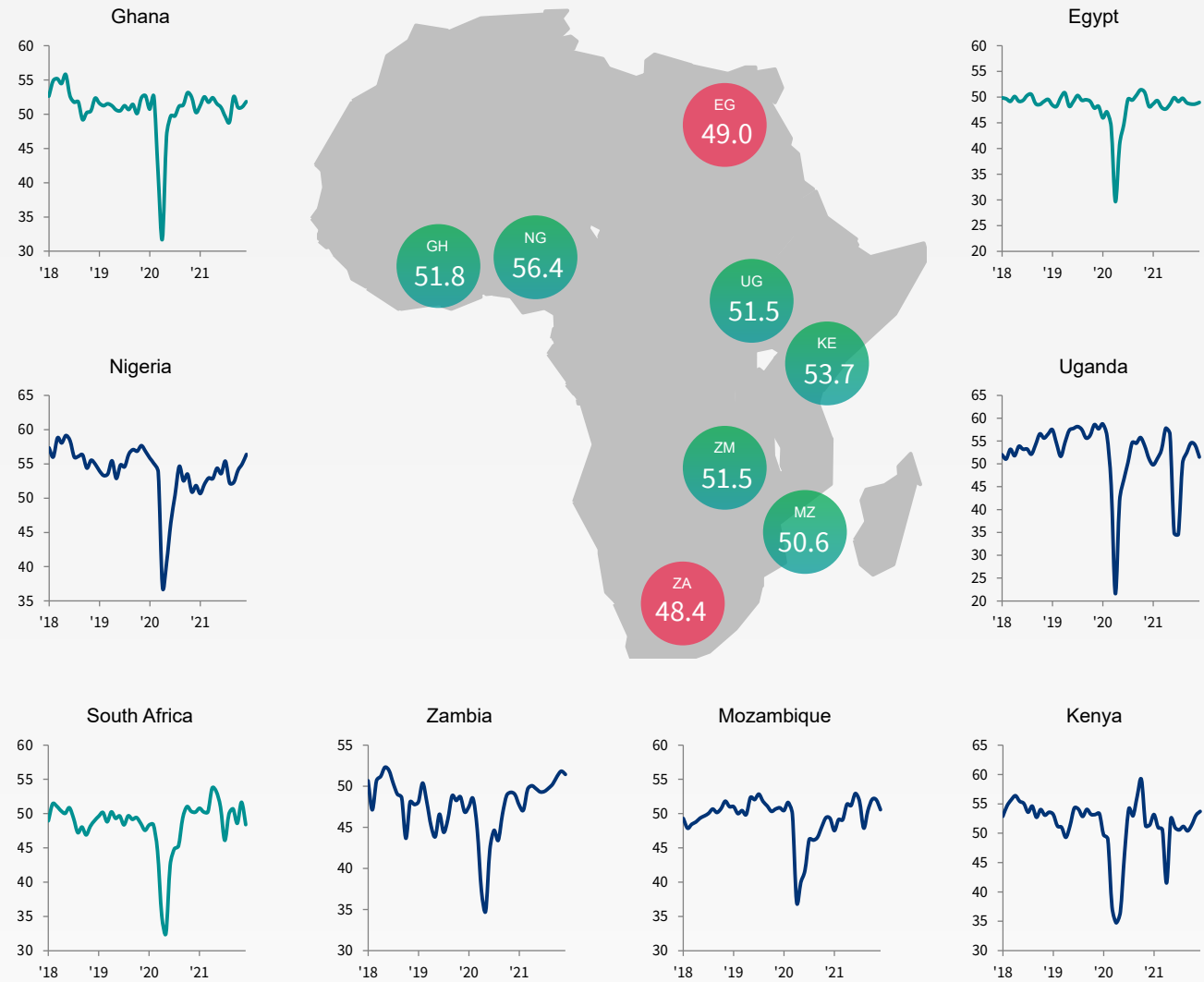
>50 = growth expected over next 12 months



Africa PMI

PMI, Dec '21

sa, >50 = improvement since previous month

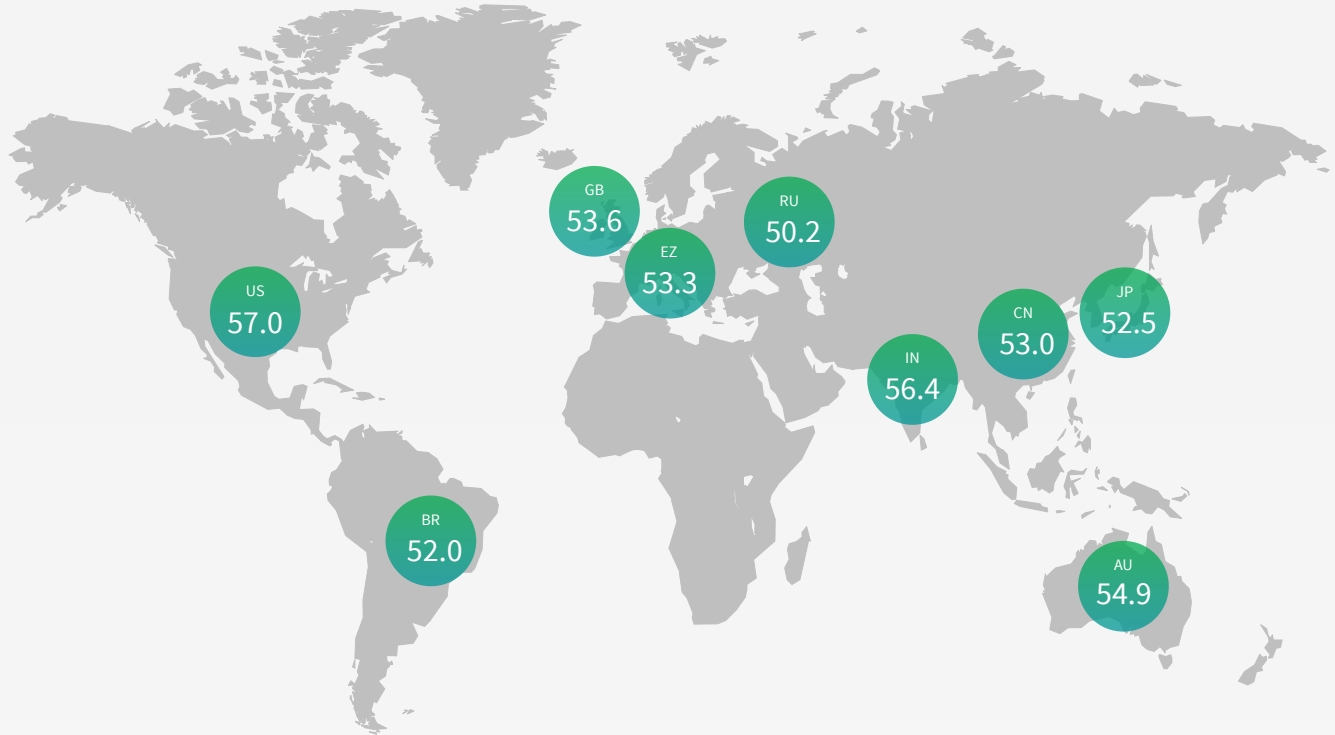


International PMI

Composite Output Index, Dec '21

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*
08 '21	50.2	52.0	52.9	33.7	32.4	46.9	48.0	50.6	44.9	53.8	52.9	47.2	49.9	88.6
09 '21	52.5	56.0	55.7	37.5	34.5	47.8	48.5	51.5	49.3	51.9	53.2	47.3	50.4	92.5
10 '21	54.6	59.1	57.5	46.3	36.3	49.1	52.2	51.3	54.4	54.7	55.3	49.7	51.4	91.7
11 '21	54.1	57.1	56.3	42.3	38.8	50.5	54.5	50.4	54.0	60.4	60.2	51.7	52.8	89.2
12 '21	51.5	52.9	53.0	38.3	42.0	49.8	52.6	51.1	50.9	58.2	57.6	49.7	53.6	89.1
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

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.

January data were collected 12-28 January 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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