

# Stanbic Bank Uganda PMI™

## Improvements in business conditions sustained in August

### Key findings:

- Headline PMI index remains broadly unchanged at 54.1 in August
- Increases in output and new orders
- New export orders drop amid political tension in key export markets

This report contains the latest analysis of data collected from the new 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, construction, industry, services and wholesale & retail 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.

At 54.1 in August from 54.3 in July, the seasonally adjusted PMI signalled a further improvement in the health of the private sector. The PMI reading for August was above the average recorded over 15 months of data collection so far.

The headline index posted above the 50.0 no-change mark for the seventh month running, supported by improvements in new orders, output, employment and stocks of purchases.

Following stability in the preceding month, the wholesale & retail sector returned to growth in August. Improvements in business conditions across the remaining sectors (agriculture,

construction, industry and services) were maintained in the latest survey period.

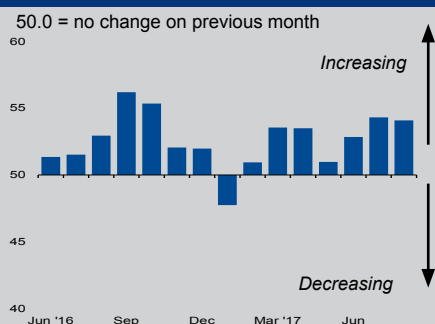
Uganda's private sector registered increases in both output and new orders for the seventh consecutive month during August. Panellists commented on greater customer purchasing power, and further improvements in demand that were complemented by promotional activities. Meanwhile, new export orders fell during August, with panellists mentioning political instability in key export markets.

In response to greater output requirements, private sector firms raised their payroll numbers accordingly. All five monitored sub-sectors increased their staffing levels during August.

The ongoing upturn in new orders prompted firms to engage in input buying. As a result, input stocks accumulated for the fifteenth month in succession. Firms raised inventories due to forecasts of further improvements in market demand, according to anecdotal evidence.

Ugandan private sector firms faced higher cost pressures during August. Cost inflation was again recorded across all five sub-sectors monitored by the survey. According to underlying data, rising overall input prices reflected higher staff costs and purchasing prices, with some food items, taxation and fuel prices reportedly up since July. At the same time, firms passed on higher cost burdens by raising output prices.

### Stanbic Bank Uganda *Purchasing Managers' Index™ (PMI™)*



Purchasing Managers' Index			
		Unadj.	Seas. Adj.
2017	Jun	52.7	52.8
	Jul	54.2	54.3
	Aug	54.5	54.1

### Summary

(seasonally adjusted, 50 = no change on previous month)

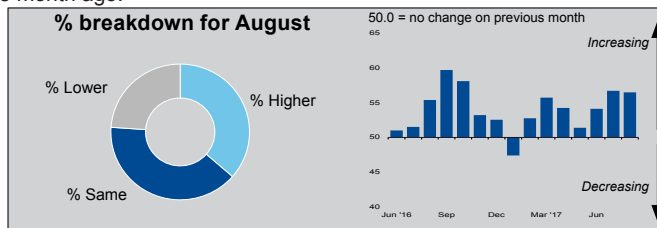
	PMI	Output	New Orders	Export Orders	Backlogs of Work	Employment	Output Prices	Overall Input Costs	Purchase Costs	Staff Costs	Delivery Times	Quantity of Purchases	Stocks of Purchases
Jun'17	52.8	54.1	54.1	47.9	31.5	52.9	55.7	62.8	63.4	54.5	51.6	52.2	52.7
Jul	54.3	56.7	56.3	49.1	33.9	53.6	53.2	60.1	60.3	52.5	52.6	54.1	54.2
Aug	54.1	56.5	56.2	46.1	36.6	52.8	52.4	62.5	60.8	53.2	54.2	55.9	56.7

The Stanbic Bank Uganda Purchasing Managers' Index™ (PMI™) is a composite indicator designed to provide an overall view of economic trends in the Ugandan economy. The indicator is derived from individual sub-components which signal changes in output, new orders, employment, suppliers' delivery times and stocks of goods purchased. A reading of the PMI below 50.0 indicates a decline; above 50.0 an expansion. A reading of 50.0 signals no change. Purchasing Managers' Index™ and PMI™ are either registered trade marks of Markit Economics Limited or licensed to Markit Economics Limited. Stanbic Bank use the above marks under licence. IHS Markit is a registered trade mark of IHS Markit Limited.

### Output

Q. Please compare your production/output this month with the situation one month ago.

		Higher %	Same %	Lower %	Net +/-	Unadj	S.Adj.
<b>2017</b>	Mar	39.5	35.1	25.3	+14.2	<b>57.1</b>	<b>55.7</b>
	Apr	38.5	31.5	29.9	+8.6	<b>54.3</b>	<b>54.2</b>
	May	31.4	36.7	31.9	-0.5	<b>49.8</b>	<b>51.4</b>
	Jun	35.9	36.1	28.0	+7.8	<b>53.9</b>	<b>54.1</b>
	Jul	39.9	32.0	28.1	+11.8	<b>55.9</b>	<b>56.7</b>
	Aug	36.4	39.7	23.9	+12.5	<b>56.3</b>	<b>56.5</b>

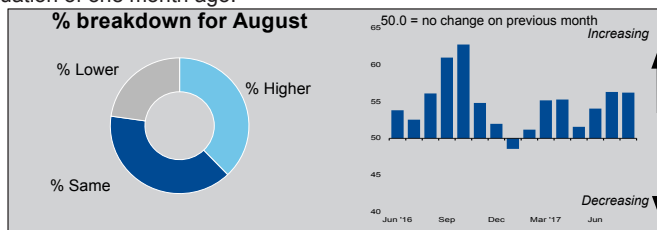


Private sector firms operating in Uganda observed a rise in business activity during August. More than 36% of survey panellists reported a rise in output, compared to 24% registering a decline. Where an increase was registered, firms widely linked this to stronger underlying demand and a rise in customer purchasing power. Output rose across all five monitored sub-sectors.

### New Orders

Q. Please compare the level of new orders received this month with the situation of one month ago.

		Higher %	Same %	Lower %	Net +/-	Unadj	S.Adj.
<b>2017</b>	Mar	38.6	38.4	23.0	+15.6	<b>57.8</b>	<b>55.2</b>
	Apr	36.2	34.1	29.7	+6.5	<b>53.3</b>	<b>55.3</b>
	May	29.8	38.3	31.9	-2.1	<b>49.0</b>	<b>51.6</b>
	Jun	36.1	36.3	27.6	+8.5	<b>54.3</b>	<b>54.1</b>
	Jul	39.9	33.7	26.4	+13.5	<b>56.8</b>	<b>56.3</b>
	Aug	37.8	39.4	22.7	+15.1	<b>57.5</b>	<b>56.2</b>

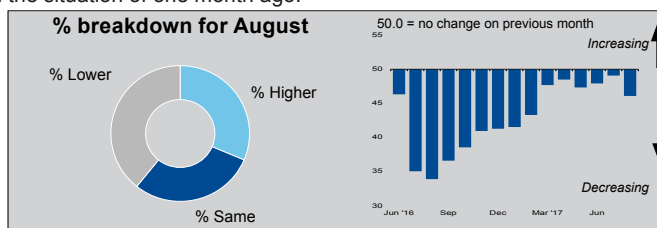


New orders rose during August. Approximately 38% of survey panellists reported greater inflows of new orders, while 23% of firms saw falling new business. Promotional activities helped contribute to further improvements in market demand, according to anecdotal evidence. All the monitored sectors seeing higher output also reported greater inflows of new work.

### New Export Orders

Q. Please compare the level of new export orders received this month with the situation of one month ago.

		Higher %	Same %	Lower %	Net +/-	Unadj	S.Adj.
<b>2017</b>	Mar	34.9	37.2	27.9	+7.0	<b>53.5</b>	<b>47.7</b>
	Apr	28.3	32.6	39.1	-10.9	<b>44.6</b>	<b>48.5</b>
	May	21.4	42.9	35.7	-14.3	<b>42.9</b>	<b>47.3</b>
	Jun	27.1	41.7	31.3	-4.2	<b>47.9</b>	<b>47.9</b>
	Jul	33.3	42.6	24.1	+9.3	<b>54.6</b>	<b>49.1</b>
	Aug	31.4	29.4	39.2	-7.8	<b>46.1</b>	<b>46.1</b>

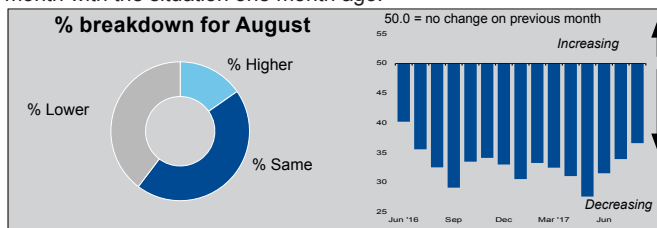


In contrast to the trend seen for total new business, new export orders fell during August. More than 39% of respondents noted a fall in new export business, in comparison to 31% of panellists registering a rise. Political instability in key export markets contributed to a fall in international demand for Ugandan goods and services, according to anecdotal evidence.

### Backlogs of Work

Q. Please compare the level of outstanding business in your company this month with the situation one month ago.

		Higher %	Same %	Lower %	Net +/-	Unadj	S.Adj.
<b>2017</b>	Mar	14.2	32.8	53.0	-38.8	<b>30.6</b>	<b>32.5</b>
	Apr	14.8	33.3	51.8	-37.0	<b>31.5</b>	<b>31.1</b>
	May	12.5	30.3	57.2	-44.6	<b>27.7</b>	<b>27.6</b>
	Jun	11.5	34.7	53.8	-42.3	<b>28.9</b>	<b>31.5</b>
	Jul	14.8	41.7	43.5	-28.6	<b>35.7</b>	<b>33.9</b>
	Aug	15.3	45.0	39.7	-24.4	<b>37.8</b>	<b>36.6</b>

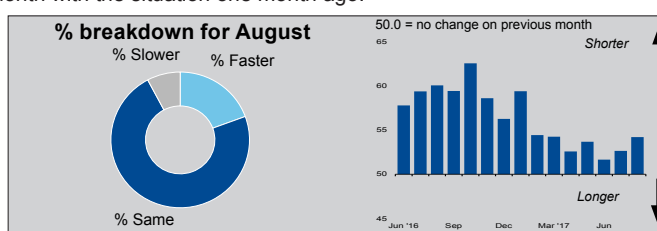


Ugandan private sector firms continued to work through their outstanding business during August. Roughly 40% of firms saw a fall in backlogs, compared to 15% that posted a rise in work-in-hand. A lack of pressure on operating capacity was observed across the agriculture, industry, construction, services and wholesale & retail sectors.

### Suppliers' Delivery Times

Q. Please compare your suppliers' delivery times (volume weighted) this month with the situation one month ago.

		Faster %	Same %	Slower %	Net +/-	Unadj	S.Adj.
<b>2017</b>	Mar	15.0	78.4	6.5	+8.5	<b>54.2</b>	<b>54.2</b>
	Apr	11.2	79.2	9.6	+1.6	<b>50.8</b>	<b>52.6</b>
	May	16.5	70.0	13.5	+2.9	<b>51.5</b>	<b>53.7</b>
	Jun	15.5	74.9	9.6	+5.9	<b>52.9</b>	<b>51.6</b>
	Jul	11.9	81.5	6.6	+5.3	<b>52.6</b>	<b>52.6</b>
	Aug	19.4	72.8	7.8	+11.6	<b>55.8</b>	<b>54.2</b>

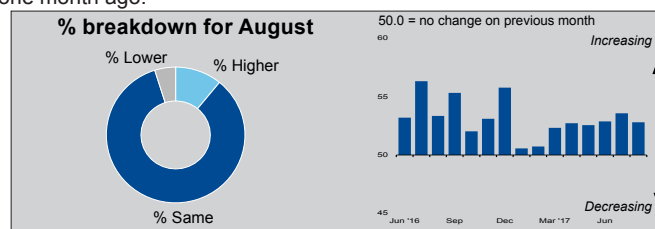


As has been the case since the inception of the survey in June 2016, average delivery times shortened during August. Roughly 19% of panellists reported faster delivery times, compared to less than 8% highlighting slower lead times.

## Employment

Q. Please compare the level of employment at your unit with the situation one month ago.

		Higher %	Same %	Lower %	Net +/-	Unadj.	S.Adj.
<b>2017</b>	Mar	12.3	80.0	7.7	+4.7	<b>52.3</b>	<b>52.3</b>
	Apr	10.9	83.1	6.0	+4.9	<b>52.5</b>	<b>52.7</b>
	May	11.8	81.1	7.1	+4.8	<b>52.4</b>	<b>52.6</b>
	Jun	13.3	80.0	6.7	+6.7	<b>53.3</b>	<b>52.9</b>
	Jul	11.6	83.3	5.2	+6.4	<b>53.2</b>	<b>53.6</b>
	Aug	10.9	84.2	4.9	+6.0	<b>53.0</b>	<b>52.8</b>

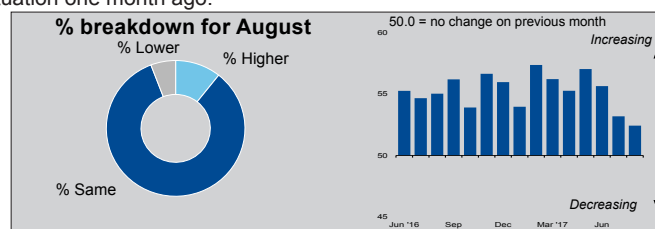


As has been the case throughout the short survey so far, firms increased their payroll numbers during August. Some companies took on extra staff to cope with higher workloads and stronger demand. A rise in staffing levels was indicated in the agriculture, construction, industry, services and wholesale & retail sectors.

## Output Prices

Q. Please compare the average prices you charged this month with the situation one month ago.

		Higher %	Same %	Lower %	Net +/-	Unadj.	S.Adj.
<b>2017</b>	Mar	18.1	76.5	5.3	+12.8	<b>56.4</b>	<b>56.2</b>
	Apr	13.5	82.6	3.9	+9.6	<b>54.8</b>	<b>55.3</b>
	May	17.3	79.0	3.6	+13.7	<b>56.8</b>	<b>57.1</b>
	Jun	15.6	79.8	4.6	+11.0	<b>55.5</b>	<b>55.7</b>
	Jul	11.8	82.8	5.4	+6.4	<b>53.2</b>	<b>53.2</b>
	Aug	10.7	83.5	5.8	+4.9	<b>52.4</b>	<b>52.4</b>

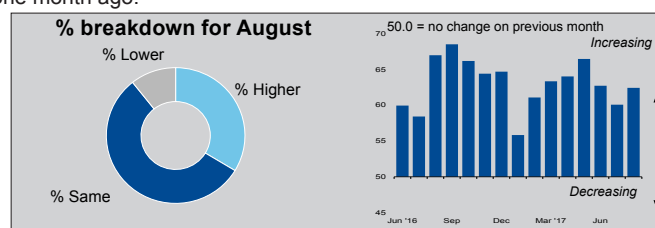


Output charges rose during August. Almost 11% of panellists registered higher average selling prices, compared to 6% that decreased output prices. Where an increase was registered, firms commented on the pass through of higher cost burdens to clients. Construction was the only sector to buck the overall upward trend.

## Overall Input Prices

Q. Please compare your overall input prices this month with the situation one month ago.

		Higher %	Same %	Lower %	Net +/-	Unadj.	S.Adj.
<b>2017</b>	Mar	37.4	51.6	10.9	+26.5	<b>63.3</b>	<b>63.4</b>
	Apr	37.8	49.5	12.8	+25.0	<b>62.5</b>	<b>64.0</b>
	May	40.5	47.4	12.1	+28.5	<b>64.2</b>	<b>66.5</b>
	Jun	32.9	55.2	12.0	+20.9	<b>60.5</b>	<b>62.8</b>
	Jul	32.3	55.7	12.1	+20.2	<b>60.1</b>	<b>60.1</b>
	Aug	33.6	55.7	10.7	+23.0	<b>61.5</b>	<b>62.5</b>

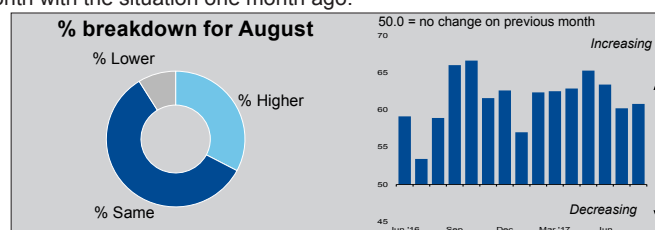


There was a further rise in input costs across Uganda's private sector. Around 34% of panellists reported a rise in overall input prices, compared to less than 11% indicating a decline. A combination of higher purchasing prices, staff costs and other operational costs such as utility bills contributed to an increase in input prices, according to underlying data. Cost inflation was registered across all five categories of economic activity.

## Input Costs: Purchase Prices

Q. Please compare the price of your purchases (volume-weighted) this month with the situation one month ago.

		Higher %	Same %	Lower %	Net +/-	Unadj.	S.Adj.
<b>2017</b>	Mar	34.9	55.3	9.8	+25.1	<b>62.6</b>	<b>62.6</b>
	Apr	35.9	52.1	12.0	+24.0	<b>62.0</b>	<b>62.9</b>
	May	39.9	48.3	11.8	+28.0	<b>64.0</b>	<b>65.3</b>
	Jun	32.9	55.2	12.0	+20.9	<b>60.5</b>	<b>63.4</b>
	Jul	29.6	58.4	12.1	+17.5	<b>58.7</b>	<b>60.3</b>
	Aug	32.7	58.5	8.8	+23.9	<b>61.9</b>	<b>60.8</b>

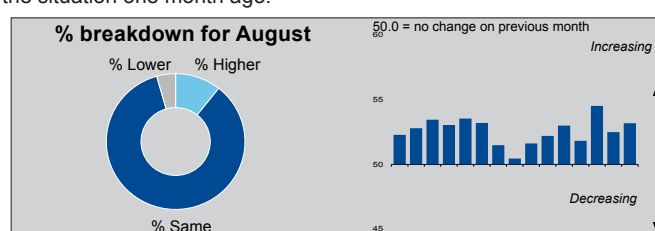


With some food items and fuel prices reportedly up since July, average purchasing costs rose during August. Nearly one-third of panellists reported a rise in purchasing costs, compared to only 9% that reported a fall. Mirroring the trend for overall input costs, purchase prices rose across all five sub-sectors covered by the survey.

## Input Costs: Staff Costs

Q. Please compare the prices you paid for salaries/wages this month with the situation one month ago.

		Higher %	Same %	Lower %	Net +/-	Unadj.	S.Adj.
<b>2017</b>	Mar	9.8	84.9	5.3	+4.4	<b>52.2</b>	<b>52.2</b>
	Apr	10.9	83.9	5.2	+5.7	<b>52.9</b>	<b>53.0</b>
	May	7.7	87.7	4.6	+3.2	<b>51.6</b>	<b>51.8</b>
	Jun	14.7	80.5	4.8	+9.9	<b>54.9</b>	<b>54.5</b>
	Jul	8.6	88.4	3.0	+5.7	<b>52.8</b>	<b>52.5</b>
	Aug	10.7	84.9	4.4	+6.3	<b>53.1</b>	<b>53.2</b>

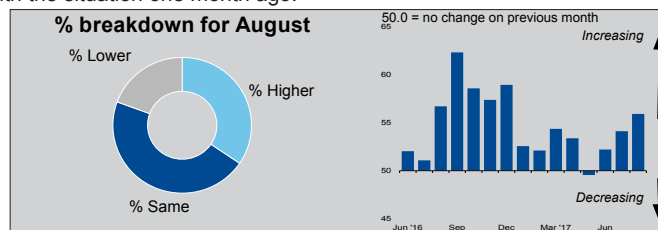


Uganda's private sector firms reported a further rise in staff costs during August. However, the vast majority of respondents (85%) noted no change in staff costs, while 11% posted an increase and only 4% a decrease. Staff costs rose across all five sub-sectors covered by the survey.

## Quantity of Purchases

Q. Please compare the quantity of items purchased (in units) this month with the situation one month ago.

		Higher %	Same %	Lower %	Net +/-	Unadj	S.Adj.
<b>2017</b>	Mar	35.5	39.4	25.2	+10.3	<b>55.2</b>	<b>54.4</b>
	Apr	31.7	34.9	33.3	-1.6	<b>49.2</b>	<b>53.4</b>
	May	23.0	42.0	35.1	-12.1	<b>44.0</b>	<b>49.6</b>
	Jun	36.0	36.0	28.0	+7.9	<b>54.0</b>	<b>52.2</b>
	Jul	35.1	41.7	23.2	+11.8	<b>55.9</b>	<b>54.1</b>
	Aug	34.5	46.1	19.4	+15.1	<b>57.5</b>	<b>55.9</b>

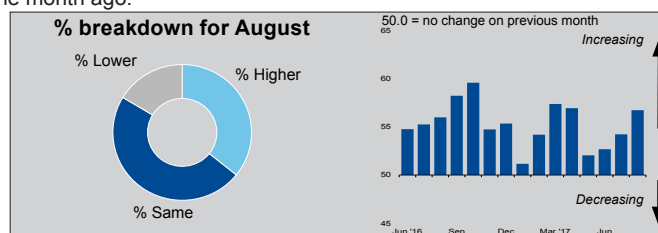


Reflective of growth of new business and output requirements, purchasing activity rose further in August. Firms were encouraged to engage in purchasing activity in response to stronger demand levels. Input buying has now increased in each of the past three months.

## Stocks of Purchases

Q. Please compare your stocks of purchases (in units) with the situation one month ago.

		Higher %	Same %	Lower %	Net +/-	Unadj	S.Adj.
<b>2017</b>	Mar	41.2	39.9	19.0	+22.2	<b>61.1</b>	<b>57.4</b>
	Apr	23.2	48.8	28.0	-4.8	<b>47.6</b>	<b>56.9</b>
	May	21.9	47.3	30.8	-8.9	<b>45.6</b>	<b>52.0</b>
	Jun	31.6	42.2	26.2	+5.3	<b>52.7</b>	<b>52.7</b>
	Jul	30.5	47.8	21.7	+8.8	<b>54.4</b>	<b>54.2</b>
	Aug	35.8	47.8	16.4	+19.4	<b>59.7</b>	<b>56.7</b>



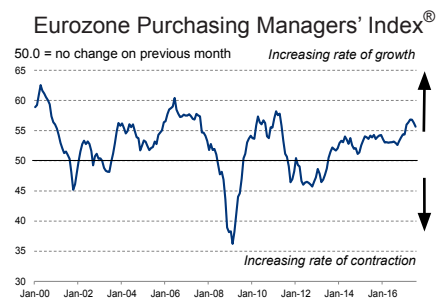
August data pointed to a rise in input stocks in Uganda's private sector. There were reports that stock building initiatives were boosted by projections of further improvements in demand levels. Stocks of purchases have risen throughout the 15 months of data collection so far.

## International PMI summary



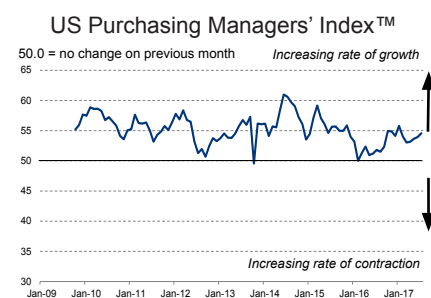
Sources: IHS Markit, Caixin

The Caixin China Composite PMI data (which covers both manufacturing and services) signalled an improvement in the rate of Chinese business activity growth at the start of the third quarter. This was shown by the Composite Output Index rising from June's recent low of 51.1 to a four-month high of 51.9 in July.



Source: IHS Markit

The IHS Markit Eurozone PMI Composite Output Index posted a six-month low of 55.7 in July, down from 56.3 in June. The headline index has signalled expansion throughout the past 49 months.



Source: IHS Markit

The seasonally adjusted IHS Markit U.S. Composite PMI Output Index rose to 54.6 in July, up from 53.9 in the previous month. The latest composite figure signalled a pick up in momentum supported by stronger output growth in both the manufacturing and service sectors.

## Notes on the Data and Method of Presentation

The Purchasing Managers' Index™ is based on data compiled from monthly replies to questionnaires sent to purchasing executives in approximately 400 private sector companies, which have been carefully selected to accurately represent the true structure of the Ugandan economy, including agriculture, construction, industry, services and wholesale & retail. The panel is stratified by GDP and company workforce size. Survey responses reflect the change, if any, in the current month compared to the previous month based on data collected mid-month. For each of the indicators the 'Report' shows the percentage reporting each response, the net difference between the number of higher/better responses and lower/worse responses, and the summary unadjusted and seasonally adjusted values. The unadjusted summary value is calculated as the sum of the positive responses plus a half of those responding 'the same'.

The Purchasing Managers' Index™ (PMI™) is a composite index based on five of the individual sub-components with the following weights: New Orders - 0.3, Output - 0.25, Employment - 0.2, Suppliers' Delivery Times - 0.15, Stock of Items Purchased - 0.1, with the Suppliers' Delivery Times sub-component inverted so that it moves in a comparable direction.

The headline PMI and individual summary values for each question have the properties of leading indicators and are convenient summary measures showing the prevailing direction of change. A reading above 50 indicates an overall increase in that variable, below 50 an overall decrease. IHS Markit do not revise underlying survey data after first publication, but seasonal adjustment factors may be revised from time to time as appropriate which will affect the seasonally adjusted data series.

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