

# Stanbic Bank Uganda PMI™

## Improved private sector business conditions in July

### Key findings:

- Headline PMI index rises to 54.3 in July
- Output and new orders increase
- Further job creation recorded

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.

The seasonally adjusted PMI rose from 52.8 in June to 54.3 in July, indicating another expansion of the Ugandan private sector. The headline PMI reading for July was above the average of 14 months of data collection so far (52.5).

The headline index posted above the neutral 50.0 threshold for the sixth consecutive month, supported by expansions in new orders, output, employment and stocks of purchases.

Offsetting the declines seen in June, the agriculture and construction sectors returned to expansion territory. Moreover, growth in the industry and service categories was maintained in

July. The wholesale & retail sector recorded no change in business conditions, following a contraction in June.

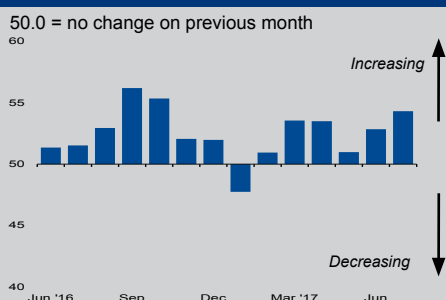
Both output and new work rose for the sixth month in succession during July. Panellists frequently attributed these increases to stronger underlying demand conditions, more projects, increased money circulation and greater customer purchasing power. Continuing the trend observed since the inception of the series, new export orders decreased during July.

The ongoing upturn in output continued to feed into the labour market, as employment growth in four of the five monitored sub-sectors more than offset a reduction in staffing levels in the wholesale & retail sector. Meanwhile, outstanding business decreased for the fourteenth consecutive month.

With new orders increasing, purchasing activity rose for the second month in succession. As a result, inventories held by private sector firms rose in July. Survey respondents attributed the rise in stock holdings to intentional replenishment programmes and stronger demand levels.

On the price front, overall input prices rose at the start of the third quarter. Inflation was recorded across all five sub-sectors monitored by the survey. Subsequently, output charges rose during July, but firms were restricted in their ability to fully pass on higher cost burdens to clients amid reports of strong competition.

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



Purchasing Managers' Index

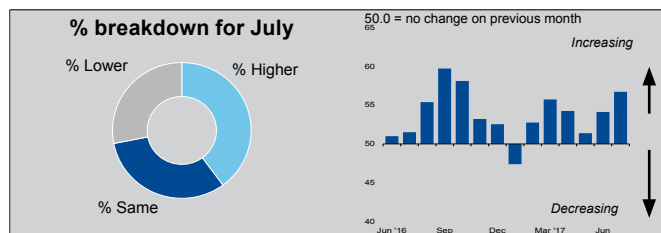
		Unadj.	Seas. Adj.
2017	May	49.4	51.0
	Jun	52.7	52.8
	Jul	54.2	54.3

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.*

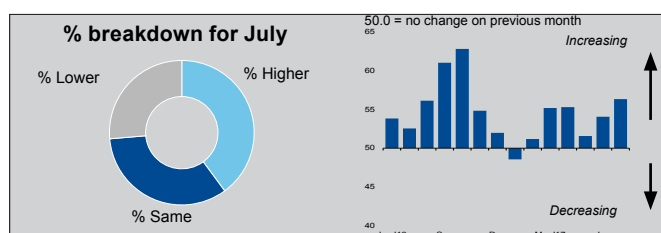
Ugandan private sector output rose for the sixth month in succession during July. Close to 40% of surveyed firms registered higher output, which they widely linked to stronger underlying demand, more projects and increased customer purchasing power. Business activity rose across the agriculture, construction, industry and service sectors. Output was unchanged in the wholesale & retail category.



## New Orders

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

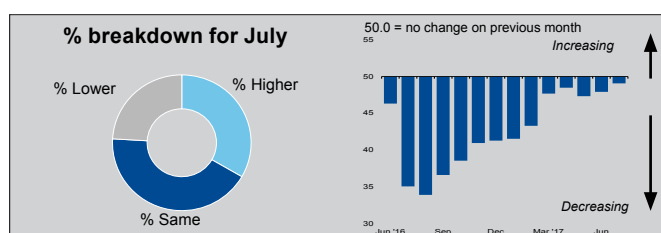
Matching the trend seen for output, new orders rose during July. According to anecdotal evidence, increased money circulation and stronger demand conditions led to a rise in new business. The wholesale & retail sector was the only category to buck the overall upward trend seen at the start of the third quarter.



## New Export Orders

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

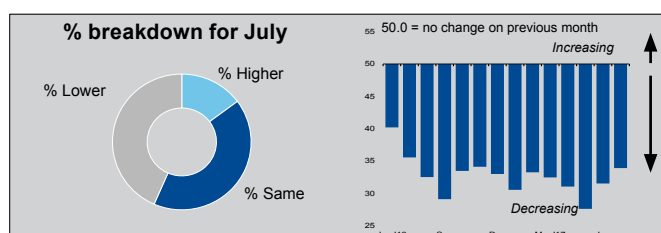
Continuing the trend observed since the inception of the series in June 2016, new export orders reduced at the start of the third quarter. One-third of panellists registered a rise in new export orders, whereas one-in-four respondents noted a reduction in overseas demand for Ugandan goods and services.



## Backlogs of Work

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

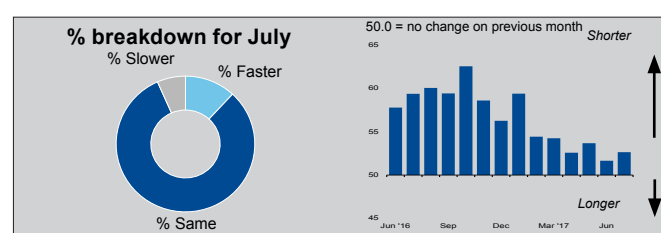
Backlogs declined for the fourteenth successive month at the start of the third quarter. Nearly 44% of panellists noted lower outstanding business. Spare capacity was evident across all five of the sub-sectors monitored by the survey.



## Suppliers' Delivery Times

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

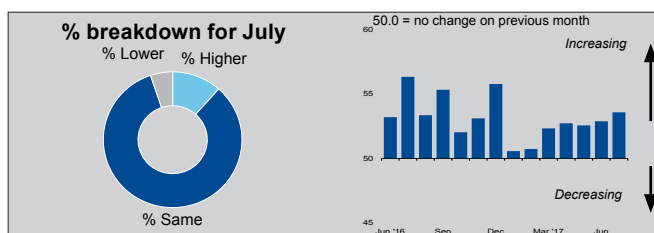
Average lead times shortened in July, thereby stretching the period of improvement to 14 months. Nearly twice as many panellists reported faster suppliers' delivery times (12%), as saw a slowdown (7%).



### Employment

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

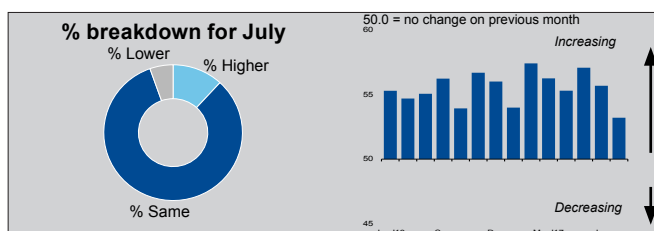
The ongoing improvement in business activity continued to feed into the labour market, as firms increased their staffing levels during July. The rise in employment was observed in the agriculture, construction, industry and service sectors. The wholesale & retail sector saw a decline in employment, however.



### Output Prices

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

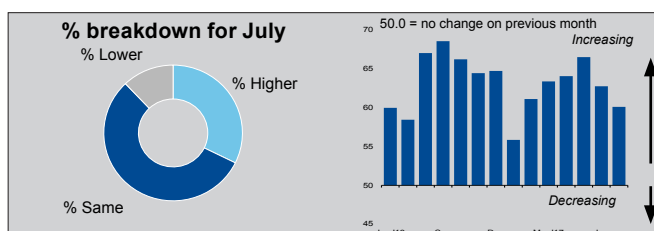
Output prices were raised by the private sector for the fourteenth consecutive month in July. According to anecdotal evidence, firms passed on higher cost burdens to customers in the form of higher average selling prices. Output charges rose across the agriculture, industry, construction, services, and wholesale & retail sectors.



### Overall Input Prices

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

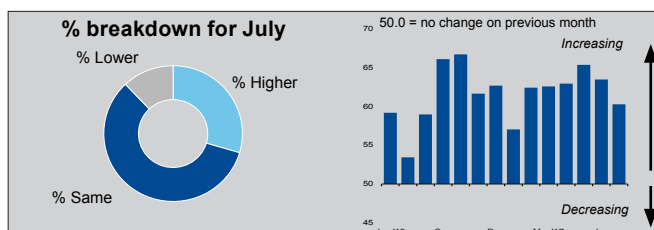
Overall input prices rose during July, thereby extending the period of inflation to 14 months. Close to three times as many panellists noted a rise (32%) in overall input prices than posted a fall (12%). Underlying data highlighted that upward pressures mainly stemmed from higher purchasing prices, although staff costs also rose.



### Input Costs: Purchase Prices

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

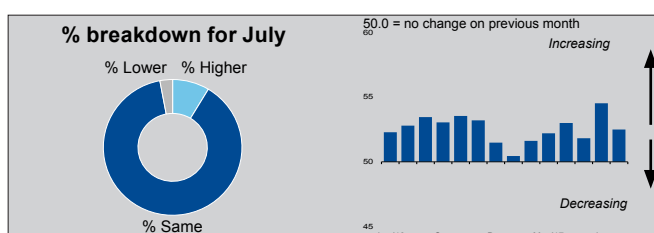
Purchase costs rose at the start of the third quarter, matching the trend seen for overall input prices. Close to 30% of panellists registered higher purchase costs, while 12% signalled a reduction. Panellists commented on a general increase in raw material prices. Inflation was recorded across all the five sub-sectors monitored by the survey.



### Input Costs: Staff Costs

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

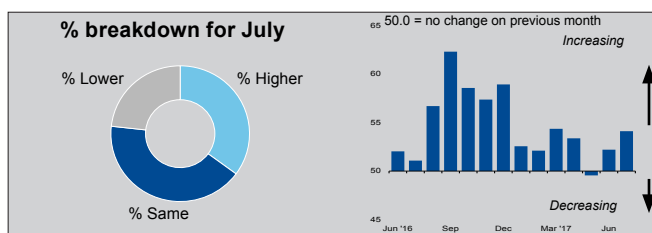
Average salaries awarded to firms operating in Uganda's private sector rose at the start of the third quarter. According to a number of monitored firms, they raised wages to motivate employees. The upward trend in average staff costs was observed across all five of the categories of economic activity.



## Quantity of Purchases

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

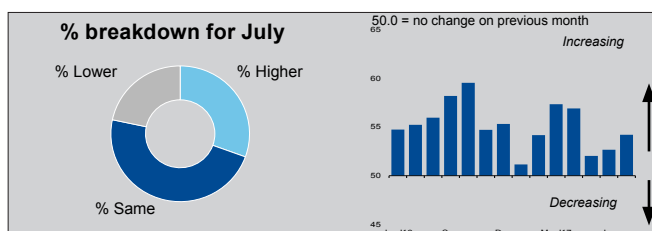
Purchasing activity in the Ugandan private sector rose for the second successive month during July. Greater business activity and inflows of new business prompted firms to engage in input buying. More than 35% of firms raised purchasing activity, compared to 23% that noted a decline since June.



## Stocks of Purchases

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

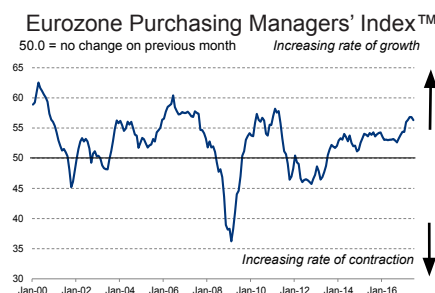
July data highlighted a further accumulation of stocks of purchases. Inventory holdings have risen throughout the survey history so far. Those survey respondents that signalled a build-up of stocks attributed this to intentional replenishment programmes and stronger demand levels.



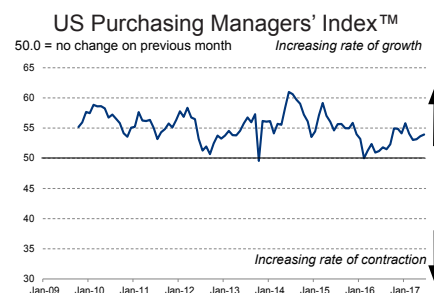
## International PMI summary



Sources: IHS Markit, Caixin



Source: IHS Markit



Source: IHS Markit

The Caixin China Composite PMI data (which covers both manufacturing and services) pointed to a marginal increase in total Chinese business activity at the end of the second quarter. At 51.1 in June, the Composite Output Index fell from 51.5 in May to signal the slowest rate of expansion in a year.

The IHS Markit Eurozone PMI Composite Output Index fell to a four-month low of 56.3 in June, but was only slightly below April and May's six-year record highs of 56.8. The average reading over the second quarter as a whole (56.6) was also the best outcome since Q1 2011.

The seasonally adjusted IHS Markit U.S. Composite PMI Output Index rose to 53.9 in June, up from 53.6 in the previous month. Although the composite figure picked up in June, the rate of growth remained historically muted.

## 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, industry, construction, 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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