News Release

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Stanbic Bank Uganda PMI®

Strong demand supports further improvement in Ugandan private sector performance in July

Key findings

Sustained expansions in output and new orders

Purchase and staff costs rise further

Employment grows again amid positive year-ahead outlook

July PMI® data indicated a further improvement in business conditions across the Ugandan private sector, as sustained expansions in output and new orders supported the overall upturn. Optimism in the outlook for output over the coming year was also recorded, as firms raised their workforce numbers again in line with upbeat growth forecasts and greater new sales. At the same time, input buying increased amid efforts to stockpile materials. Shorter lead times for inputs aided such efforts.

Meanwhile, overall input prices rose again following hikes in both staff and purchase costs. Selling prices were also raised further.

The headline figure derived from the survey is the Purchasing Managers' Index™ (PMI). Readings above 50.0 signal an improvement in business conditions on the previous month, while readings below 50.0 show a deterioration.

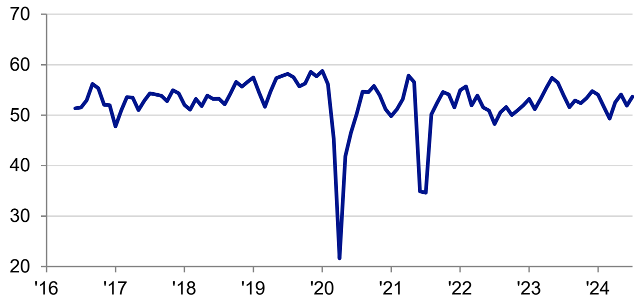
The headline PMI posted at 53.7 in July, up from 51.9 in June, to signal a fourth consecutive monthly improvement in the health of the Ugandan private sector.

Contributing to the overall upturn was another monthly increase in output at Ugandan businesses in July. Greater business activity was supported by a rise in new orders and greater client demand. Of the five monitored sectors, growth in output was broad-based.

Similarly, new orders grew for the fourth month running at the start of the third quarter. The upturn was widespread across all five monitored sectors, with firms linking the expansion to new client wins.

Stanbic Bank Uganda PMI

sa, >50 = improvement since previous month



Sources: Stanbic Bank, S&P Global PMI.
Data were collected 11-30 July 2024.

Comment

Christopher Legilisho, Economist at Stanbic Bank commented:

"The July PMI revealed a robust private sector economy performance. For the fourth month now, surveyed firms have indicated strong output and new orders, linked to strong client demand conditions across all economic sectors in July, with firms upbeat of client demand conditions persisting over the next 12 months. Firms have therefore increased employment, input buying and stocks of raw materials to support increased workloads from higher output and new customer orders.

"Notably, total input prices, purchase prices and output prices increased in July, driven by wage bill pressures as well as the higher cost of raw materials, utilities and rental prices. Only the agricultural sector reported a drop in overall prices across the board, while the industrial sector reported a fall in staff costs. The official July inflation outcome of 4% y/y, after 3.9% y/y in June, implies only a slight increase in inflationary pressures being passed on to consumers."

PMI® by S&P Global

July data, meanwhile, saw a further intensification of cost pressures, as input prices rose again. Both purchase and staff costs increased, with firms highlighting greater foodstuff, utility, rent and timber prices, alongside an uptick in wage bills.

That said, at the sector level, only construction and services saw a rise in purchase costs. Concurrently, industry was the only sector to record a decrease in wage bills.

Driving the increase in staff costs was the recruitment of additional, temporary workers to support the processing of incoming new orders in July. Employment rose for the sixteenth month running, with backlogs of work falling in each month in 2024 so far as firms noted sufficient capacity to process incomplete business.

Firms were confident of a rise in output over the coming year during July, as hopes of a continued favourable sales environment supported optimism. Companies across the five monitored sectors expressed positive sentiment in regards to their expectations (on average).

Despite higher purchase costs, firms raised their input buying in July, as pre-production inventories also grew amid efforts to stockpile materials. An eighth successive monthly improvement in suppliers' delivery times aided firms' efforts to build safety stocks.

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Survey 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. Data were first collected June 2016.

Survey responses are collected in the second half of each month and indicate the direction of change compared to the previous month.

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 series is inverted so that it moves in a comparable direction to the other series.

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.

For further information on the PMI survey methodology, please contact economics@spglobal.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.
www.spglobal.com/marketintelligence/en/mi/products/pmi

About Stanbic Bank

Stanbic Bank Uganda is a member of the Standard Bank Group, Africa's largest bank by assets. As of 30th June 2023, Standard Bank Group had total assets of R3.0 trillion (about USD 146 billion), while its market capitalisation was R297.5 billion (about USD 14.5 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.
http://www.stanbicbank.co.ug

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