



Stanbic Bank Uganda PMI™

Output rises for fourth month in a row

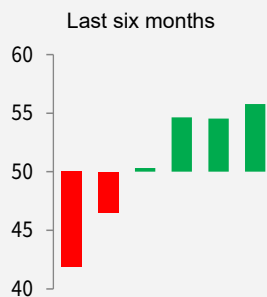
Key findings

Ongoing improvements in output and new orders

Job creation sustained

Firms confident in 12-month outlook

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.

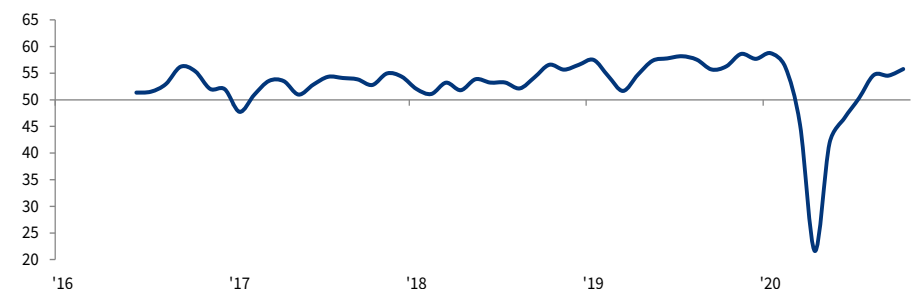
The PMI is a composite index, calculated as a weighted average of five individual sub-components: New Orders (30%), Output (25%), Employment (20%), Suppliers' Delivery Times (15%) and Stocks of Purchases (10%). Readings above 50.0 signal an improvement in business conditions on the previous month, while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

The Ugandan private sector continued to recover from the downturn caused by the coronavirus disease 2019 (COVID-19) pandemic during October. Demand improved again following the easing of restrictions, leading to further expansions in output, new orders and employment.

The headline PMI rose to 55.8 in October, up from 54.5 in September and above the 50.0 no-change mark for the fourth successive month. The latest reading was also above the series average of 53.1.

PMI

sa, >50 = improvement since previous month



Companies indicated that more normal business conditions and greater customer numbers helped support an increase in new orders during October. In turn, business activity expanded, the fourth month running in which this has been the case. All five monitored sectors saw output increase.

Growth of new orders encouraged firms to take on extra staff, which they did for the third month running in October. This expansion of capacity meant that companies were able to keep on top of workloads and reduce outstanding business.

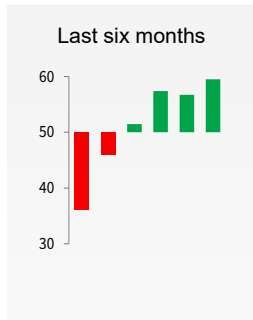
Purchasing activity also increased, with prompt deliveries by suppliers helping to support a rise in inventory holdings.

Costs of purchases increased for the fifth month running, with higher prices for a range of raw materials mentioned. Staff costs also rose, while there were reports of higher prices for utilities such as electricity and water. As a result, overall input cost inflation was recorded.

The covering of higher input costs led to a further rise in selling prices, the fourth in as many months.

Less stringent COVID-19 restrictions and predictions of further improvements in business conditions supported confidence that output will continue to rise over the coming year. Optimism was signalled at more than 80% of firms.

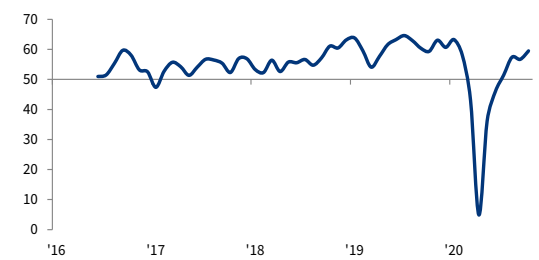
Output



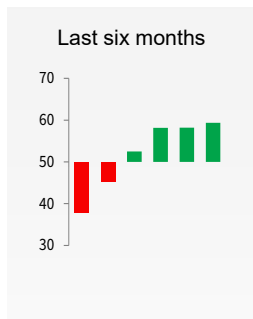
Business activity continued to increase in the Ugandan private sector during October, extending the current sequence of expansion to four months. Respondents indicated that new orders had improved in line with a loosening of COVID-19 restrictions. A number of panellists noted that the reopening of schools had contributed to higher activity. All five monitored sectors posted increases in output.

Output

sa, >50 = growth since previous month



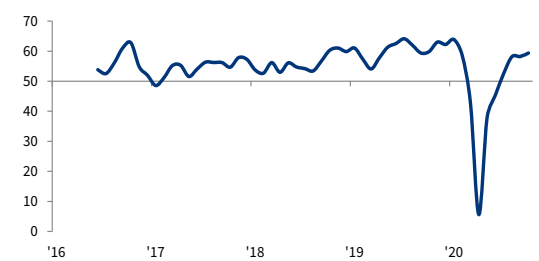
New Orders



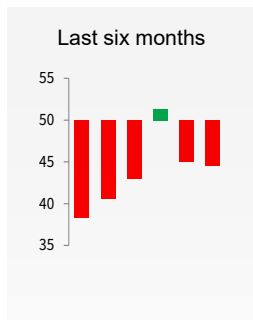
A return to more normal business conditions and rising customer numbers due to the relaxation of COVID-19 restrictions led to a further rise in new orders during October. New business has now increased in each of the past four months, with growth recorded across the agriculture, construction, industry, services and wholesale & retail sectors.

New Orders

sa, >50 = growth since previous month



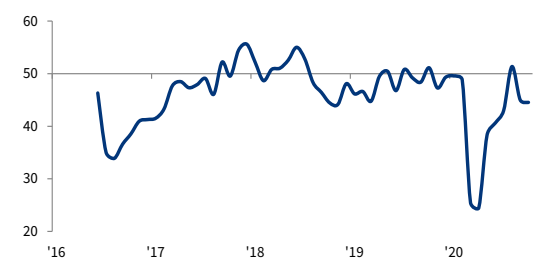
New Export Orders



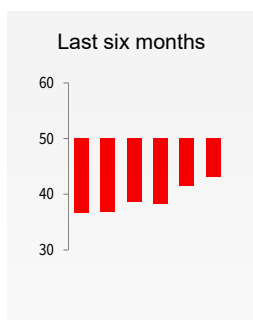
The expansion in total new business was recorded in spite of a reduction in new export orders at Ugandan companies at the start of the fourth quarter. New business from abroad has decreased in two successive months.

New Export Orders

sa, >50 = growth since previous month



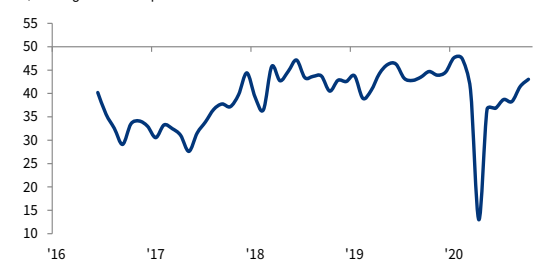
Backlogs of Work



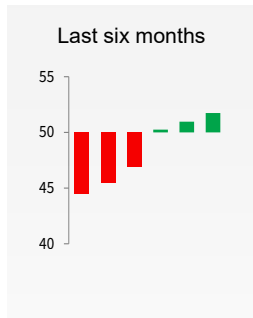
Although some firms noted pressure on capacity as a result of new order growth, this was outweighed by those that indicated that resources were more than sufficient to deal with current workloads. As a result, backlogs of work decreased in October, as has been the case in each month since the survey began in June 2016.

Backlogs of Work

sa, >50 = growth since previous month



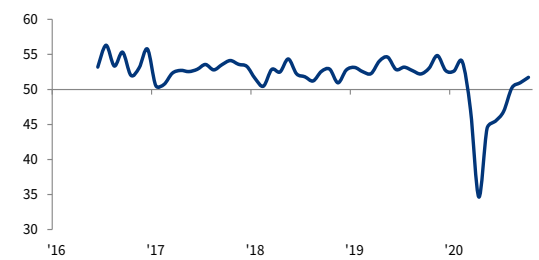
Employment



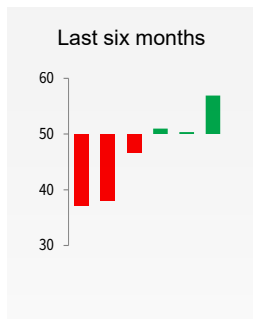
Companies in Uganda increased their staffing levels in October, the third month running in which this has been the case. According to respondents, higher employment was largely in response to rising new orders. Workforce numbers increased in the agriculture, industry and services sectors, but decreased at construction and wholesale & retail companies.

Employment

sa, >50 = growth since previous month



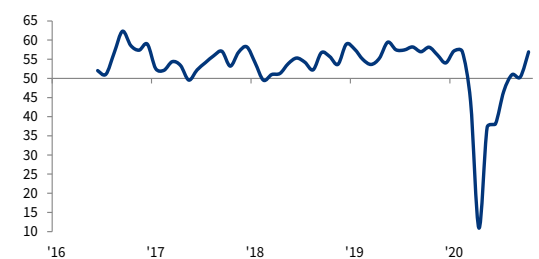
Quantity of Purchases



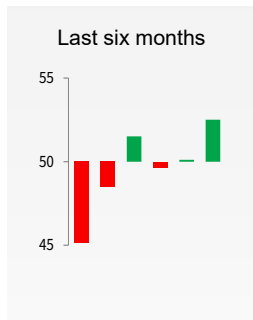
Rising customer demand encouraged firms operating in Uganda's private sector to expand their purchasing activity during October. The latest rise was the third in as many months and widespread across the sectors covered.

Quantity of Purchases

sa, >50 = growth since previous month



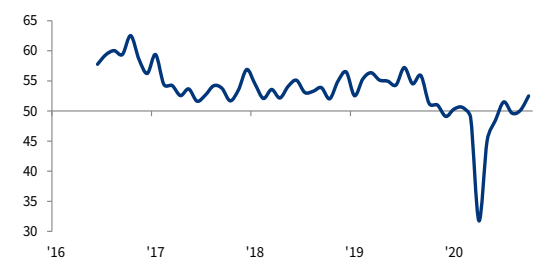
Suppliers' Delivery Times



October data pointed to a shortening of suppliers' delivery times, the third in the past four months. Respondents indicated that quicker deliveries reflected reduced disruption from COVID-19 and competition among vendors. Sector data suggested that the overall improvement was centred on construction and wholesale & retail.

Suppliers' Delivery Times

sa, >50 = faster times since previous month



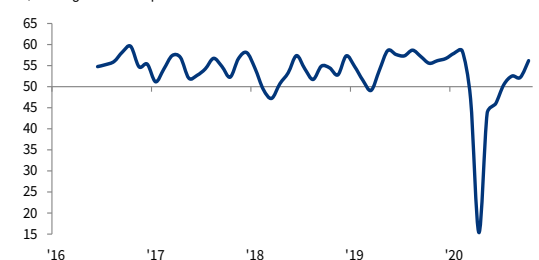
Stocks of Purchases



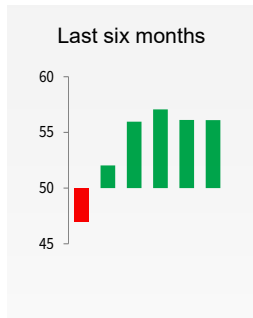
As has been the case in each of the past four months, stocks of purchases increased during October. Anecdotal evidence suggested that the accumulation of inventories was in response to improving customer demand.

Stocks of Purchases

sa, >50 = growth since previous month



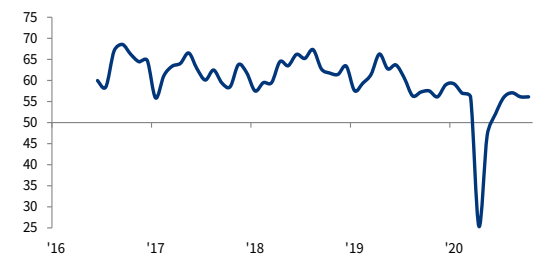
Overall Input Prices



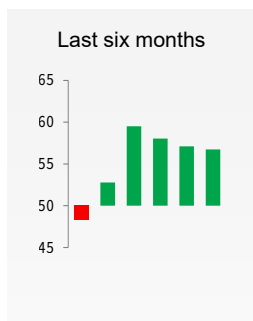
Overall input prices increased again in October, with all five monitored sectors reporting a rise. Panellists widely reported higher prices for utilities such as electricity and water. Meanwhile, underlying data pointed to increases in purchase prices and staff costs.

Overall Input Prices

sa, >50 = inflation since previous month



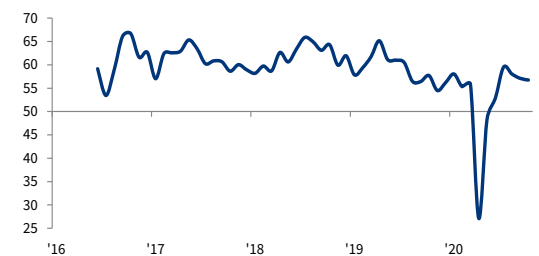
Purchase Prices



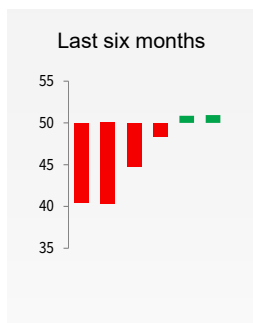
As has been the case in each of the past five months, purchase costs increased during October. Respondents largely attributed higher prices to rising costs for raw materials including cement, food, fuel and paper. Increases in purchase prices were widespread across the five sectors covered by the survey.

Purchase Prices

sa, >50 = inflation since previous month



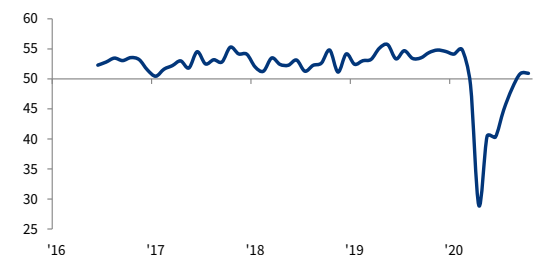
Staff Costs



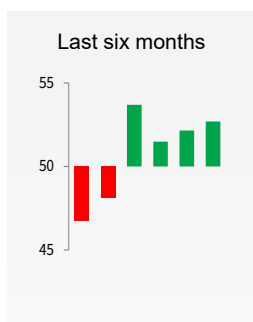
The hiring of additional workers resulted in higher staff costs during October, with wages and salaries up for the second month running. Staff costs increased in the industry, services and wholesale & retail categories, but fell in agriculture and construction.

Staff Costs

sa, >50 = inflation since previous month



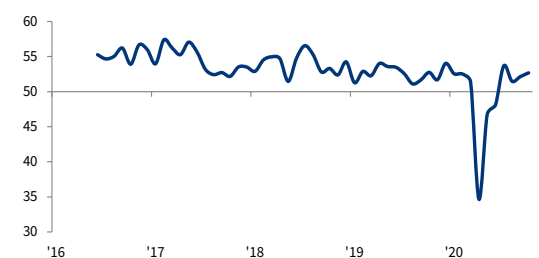
Output Prices



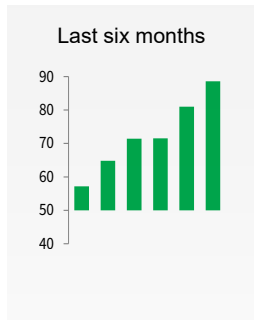
Ugandan private sector firms increased their selling prices in October, extending the current sequence of inflation to four months. Where charges rose, panellists reported that this was due to the covering of higher input costs. Industry was the only sector not to record a rise in selling prices during the month.

Output Prices

sa, >50 = inflation since previous month



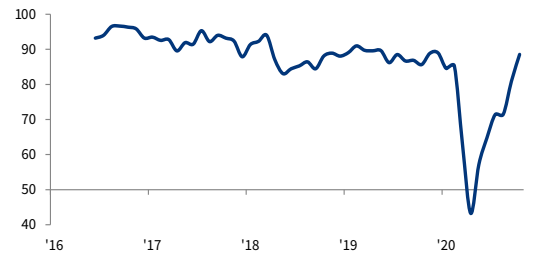
Future Output



Companies were optimistic in October that output will increase over the coming year, with more than 80% of respondents signalling positive expectations. A relaxation of COVID-19 measures and predictions of further improvements in business conditions were central to optimism.

Future Output

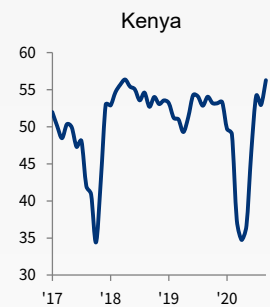
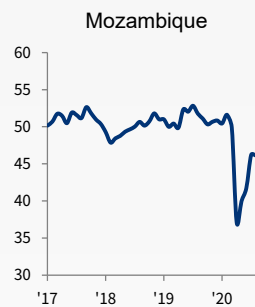
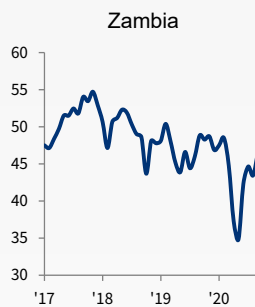
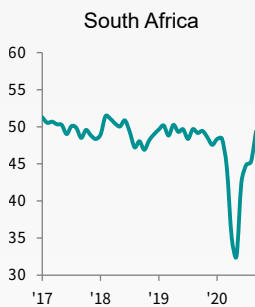
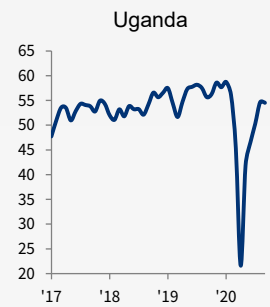
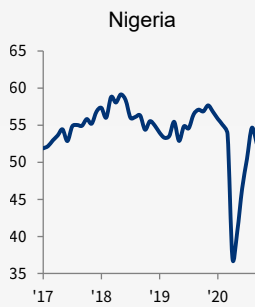
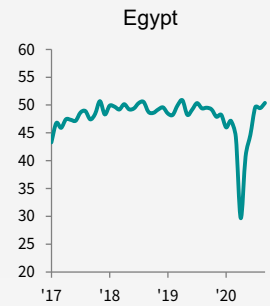
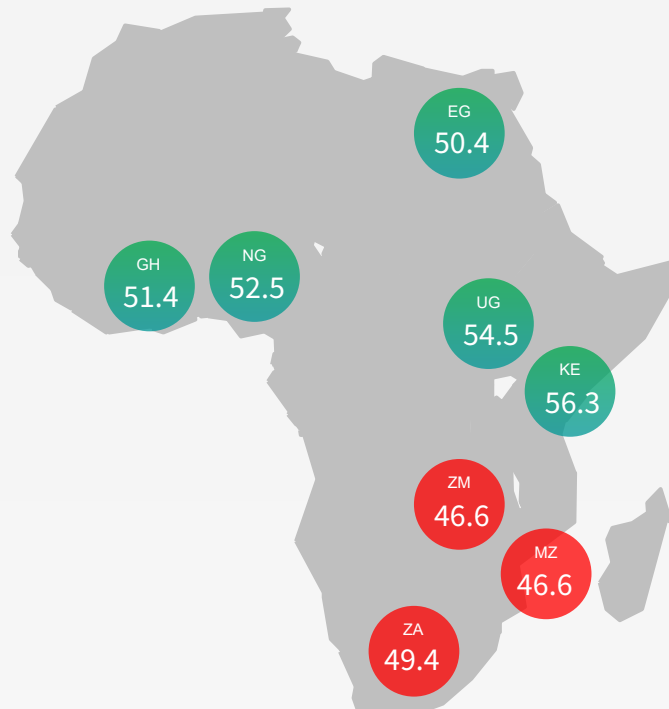
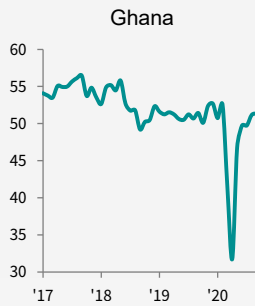
>50 = growth expected over next 12 months



Africa PMI

PMI, Sep '20

sa, >50 = improvement since previous month

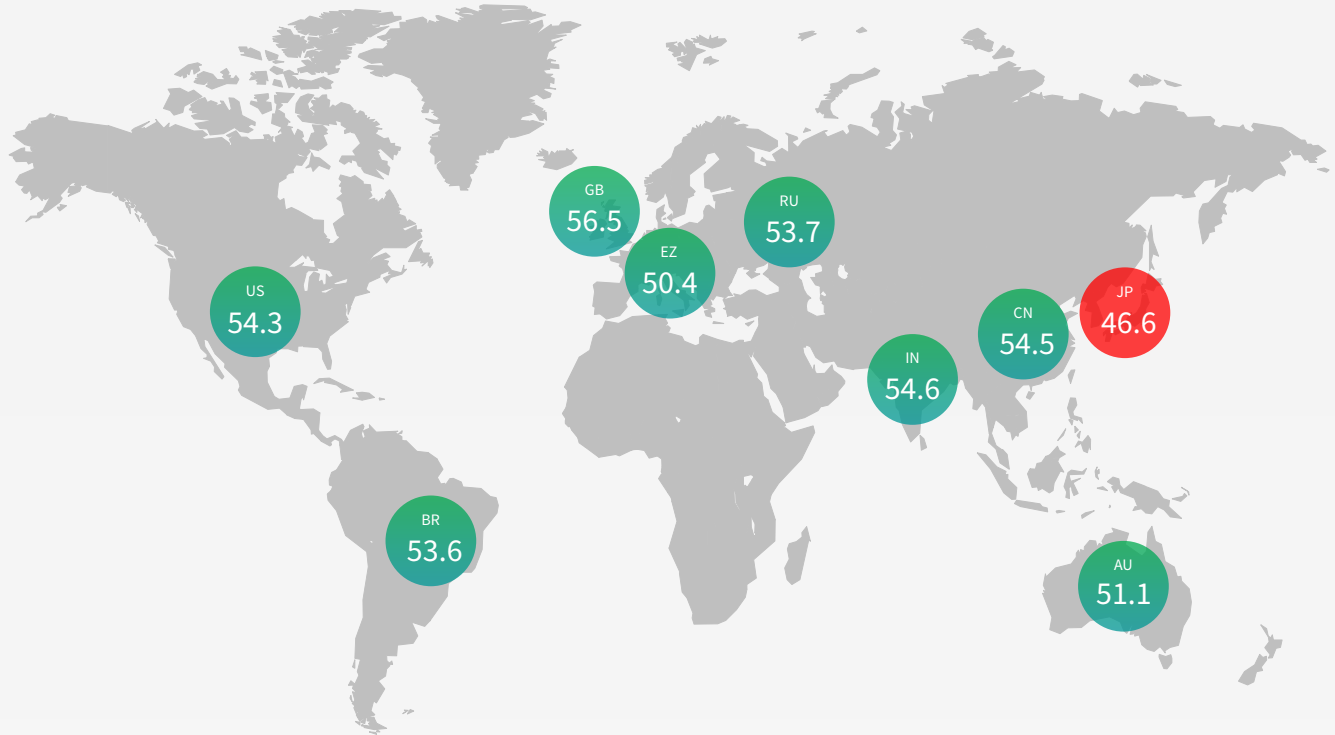


International PMI

Composite Output Index, Sep '20

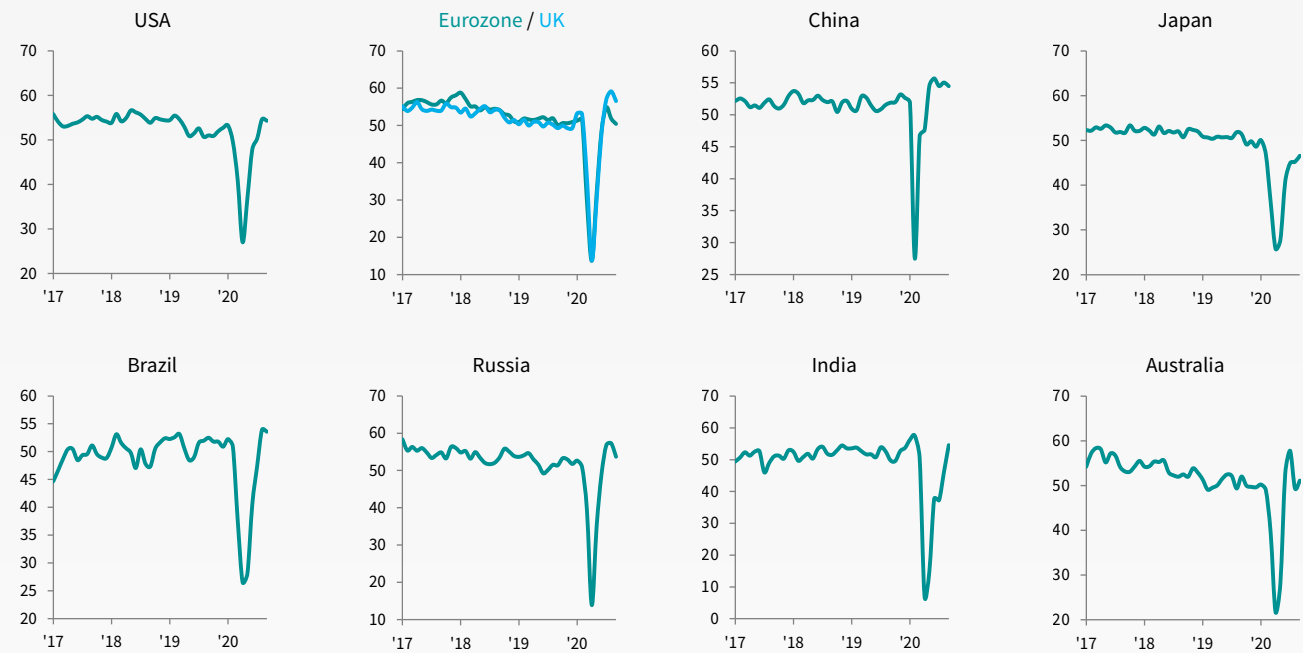
sa, >50 = growth since previous month

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



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.

October data were collected 12-29 October 2020.

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

About IHS Markit

IHS Markit (NYSE: 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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