

Stanbic Bank Uganda PMI™

New orders rise for third month running, but employment continues to fall

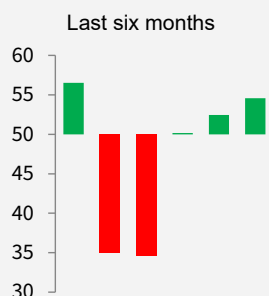
Key findings

Further increases in output and new orders

Purchasing activity returns to growth

Employment down amid cost pressures

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.

Companies in Uganda signalled further improvements in output and new orders at the start of the final quarter of the year, although cost pressures led to ongoing caution with regards to hiring activity.

The headline PMI rose to 54.6 in October from 52.5 in September and signalled a third successive improvement in business conditions following the COVID-19 lockdown earlier in the year. Moreover, the latest reading was above the average since the series began in June 2016.

Both output and new orders increased for the third month running in October as customer numbers improved and business conditions returned closer to normality. In both cases, growth was widespread across each of the five broad sectors covered by the survey.

Rises in new orders encouraged companies to expand their purchasing activity for the first time in five months, in turn leading to an accumulation of inventories.

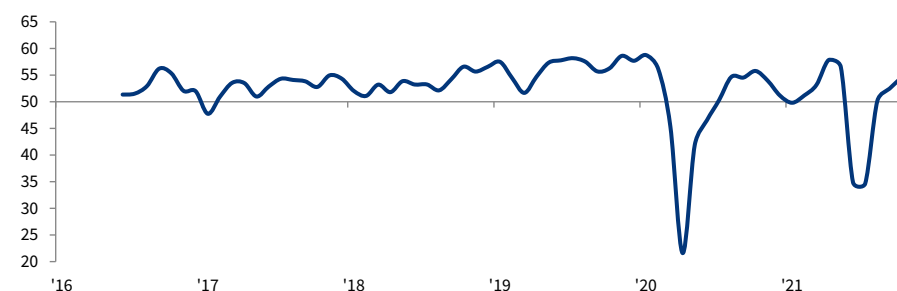
On the other hand, employment continued to fall in October as some firms were reluctant to hire additional staff amid cost pressures. Workforce numbers decreased for the fifth month running, with employee expenses also down.

Higher price pressures were reflective of increased costs for purchases including cement, food products and stationery, as well as higher charges for electricity, fuel and water.

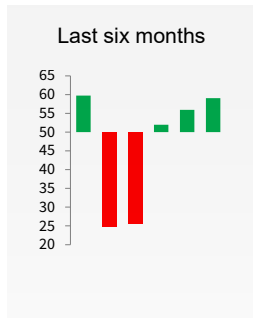
In response to rising cost burdens, and as part of efforts to protect profit margins, firms increased their selling prices for the second month running. Charges rose in the agriculture, industry and wholesale & retail sectors, but fell in construction and services.

The prospect of further increases in new business supported ongoing confidence in the 12-month outlook for activity. Close to 88% of respondents expressed optimism in October.

PMI
sa, >50 = improvement since previous month



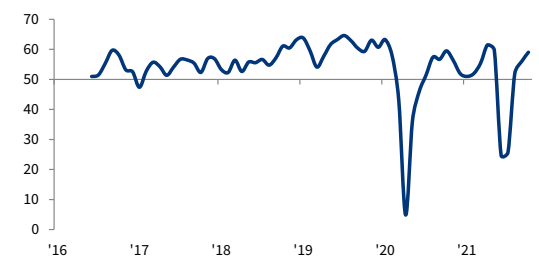
Output



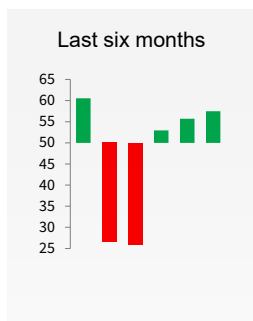
The Ugandan private sector recorded a third successive monthly increase in business activity during October. Respondents linked the rise to a return to more normal operating conditions and higher new orders. All five monitored sectors recorded output growth.

Output

sa, >50 = growth since previous month



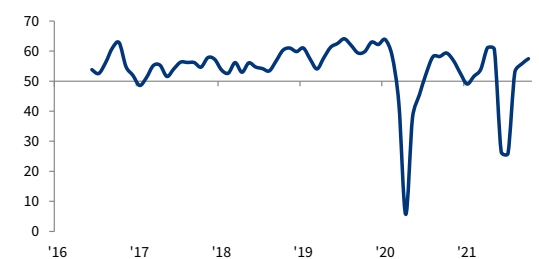
New Orders



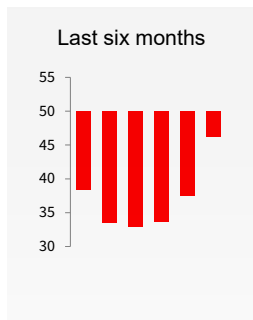
As has been the case in each of the past three months, new orders expanded at the start of the final quarter of the year. Higher customer numbers, including a number of reports of new clients being secured, were behind the latest rise in new business. As was the case with activity, increases in new orders were seen across the five broad sectors covered.

New Orders

sa, >50 = growth since previous month



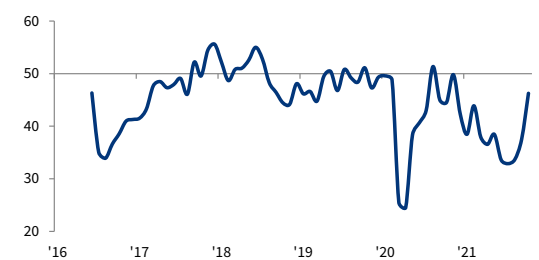
New Export Orders



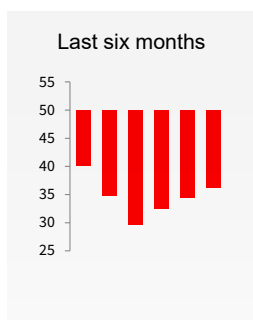
October data pointed to a reduction in new export orders in the Ugandan private sector, in contrast to the picture seen for total new business. New orders from abroad have now decreased in each of the past 14 months.

New Export Orders

sa, >50 = growth since previous month



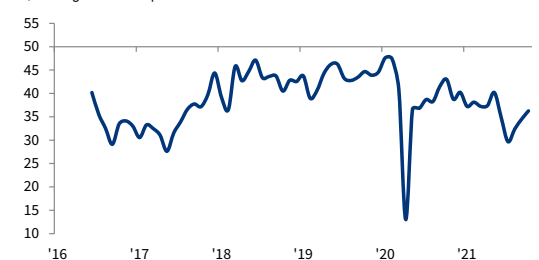
Backlogs of Work



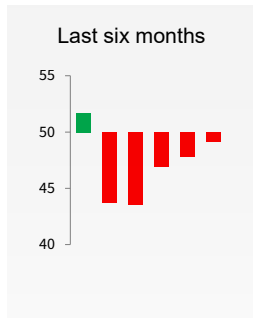
Efforts by companies to keep on top of workloads were generally successful in October as signalled by a further reduction in backlogs of work. Outstanding business has decreased in each month since the survey began in June 2016. Reductions in backlogs were widespread across the monitored sectors.

Backlogs of Work

sa, >50 = growth since previous month



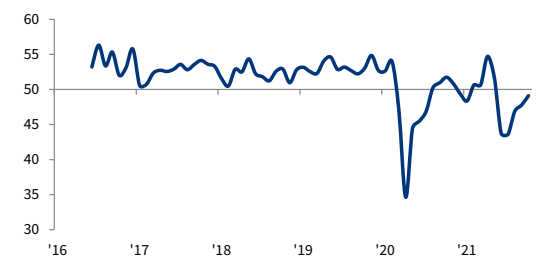
Employment



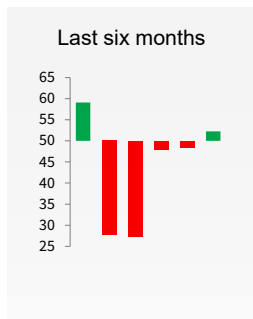
Despite sustained improvements in output and new orders in recent months, companies continued to reduce their staffing levels in October. Employment has now decreased in each of the past five months, with panellists linking the latest reduction to cost pressures. Some respondents did increase their workforce numbers, however, in response to rising new orders.

Employment

sa, >50 = growth since previous month



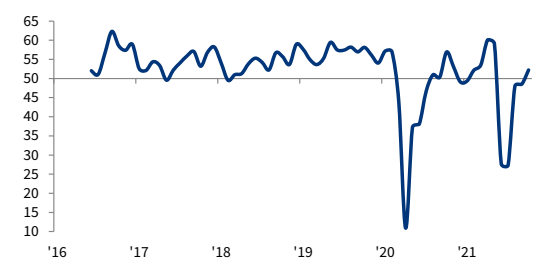
Quantity of Purchases



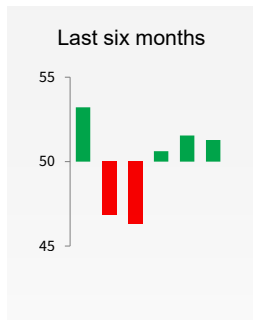
Purchasing activity returned to growth in October, thereby ending a four-month sequence of falling input buying. Respondents generally attributed higher purchasing to increases in new orders. Input buying rose in the agriculture, industry and wholesale & retail categories, but decreased in the construction sector.

Quantity of Purchases

sa, >50 = growth since previous month



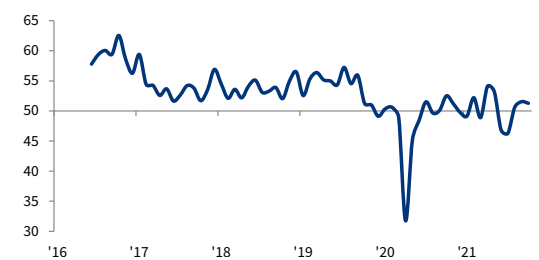
Suppliers' Delivery Times



Ugandan companies reported a third successive monthly improvement in vendor performance at the start of the final quarter of the year. Firms in the construction and wholesale & retail sectors were able to secure purchased items more quickly than in September, but agriculture and industry saw lead times lengthen.

Suppliers' Delivery Times

sa, >50 = faster times since previous month



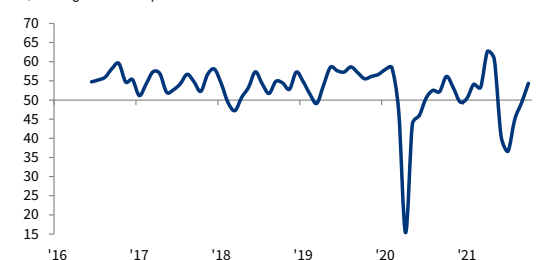
Stocks of Purchases



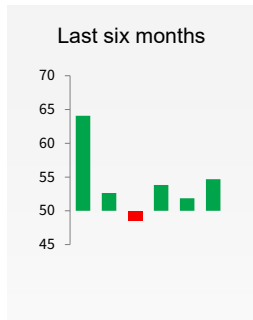
Higher purchasing activity fed through to an increase in stocks of inputs during October as companies made efforts to build inventories in line with improving customer demand. The rise in stocks of purchases was the first in five months.

Stocks of Purchases

sa, >50 = growth since previous month



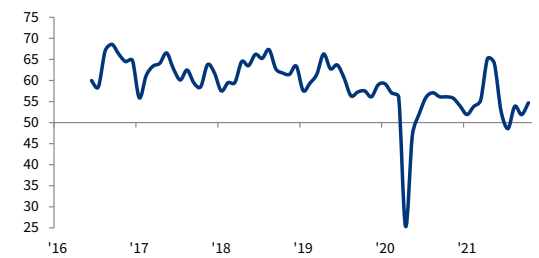
Overall Input Prices



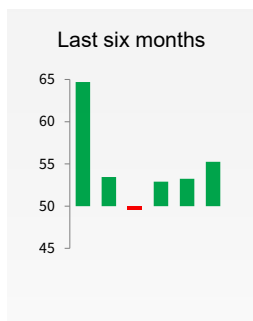
October data pointed to a third successive increase in overall input costs. Panellists reported higher electricity, fuel and water charges, alongside a rise in purchase costs. Each of the five broad sectors signalled increases in overall input prices.

Overall Input Prices

sa, >50 = inflation since previous month



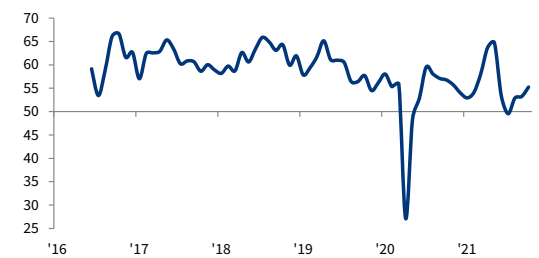
Purchase Prices



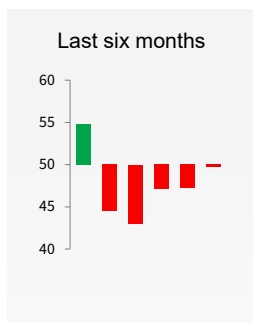
As has been the case in each of the past three months, companies in Uganda recorded a rise in purchase prices during October. In particular, firms noted increases in costs for cement, fuel, stationery, sugar and a range of other food products.

Purchase Prices

sa, >50 = inflation since previous month



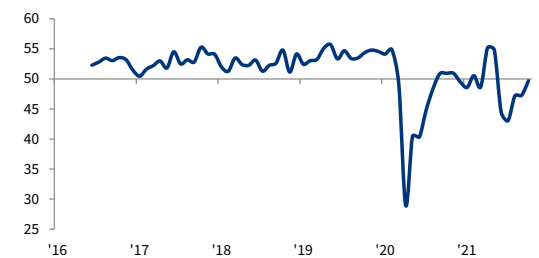
Staff Costs



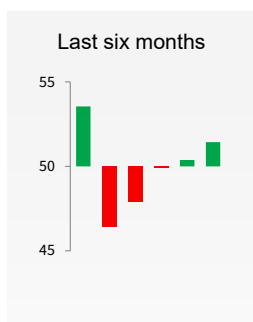
A further reduction in employment enabled companies to keep a lid on their staff costs during October. Wages and salaries were down for the fifth successive month, with each of the five broad sectors indicating that their employee expenses were lower than in September.

Staff Costs

sa, >50 = inflation since previous month



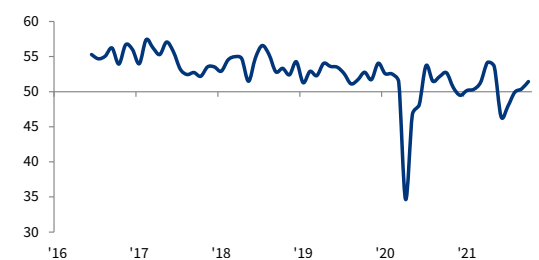
Output Prices



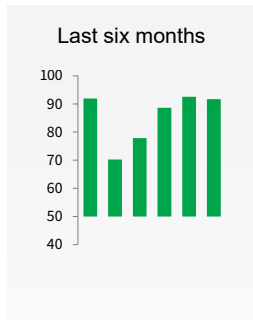
In response to higher input costs, and as part of efforts to protect profit margins, companies in Uganda increased their selling prices during October. Charges have now risen in two successive months. The agriculture, industry and wholesale & retail sectors saw output prices increase, but falls were seen in construction and services.

Output Prices

sa, >50 = inflation since previous month



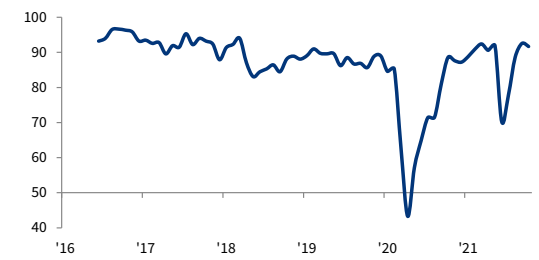
Future Output



The prospect of further increases in new orders amid improving business conditions supported ongoing confidence in the 12-month outlook for business activity. Close to 88% of panellists predicted a rise in output, with optimism widespread across the sectors covered by the survey.

Future Output

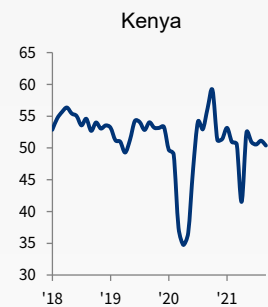
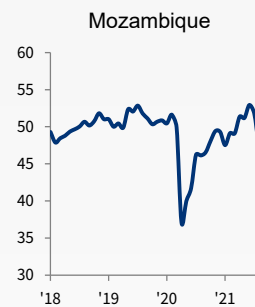
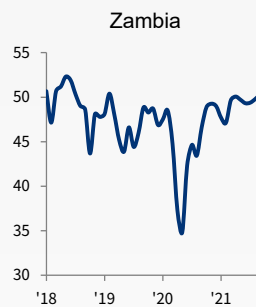
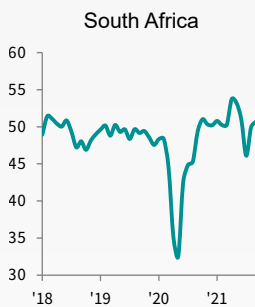
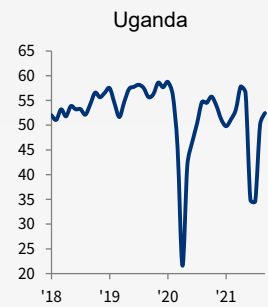
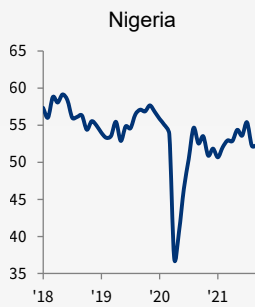
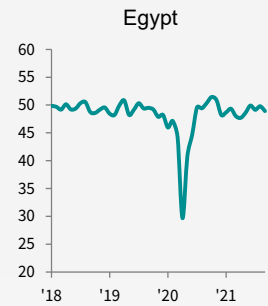
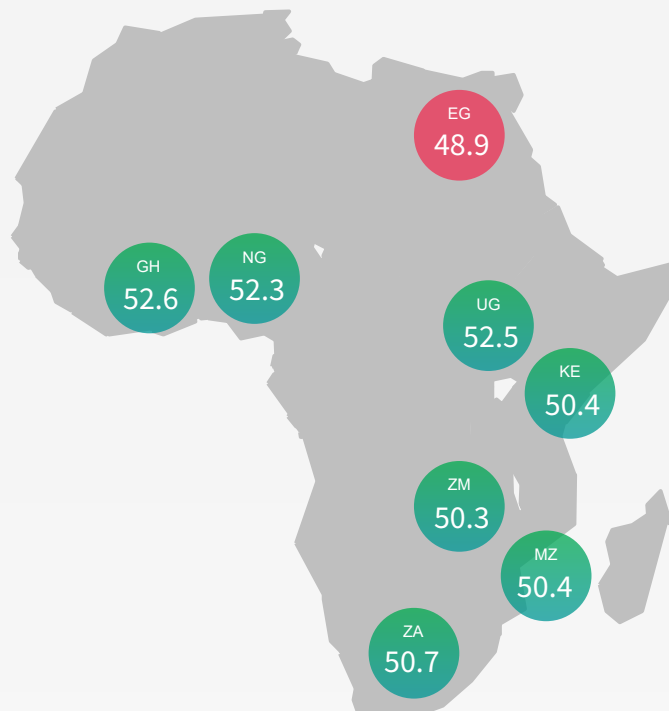
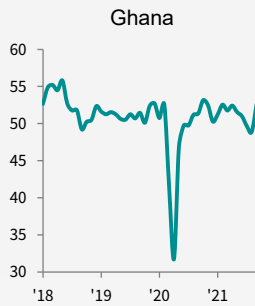
>50 = growth expected over next 12 months



Africa PMI

PMI, Sep '21

sa, >50 = improvement since previous month

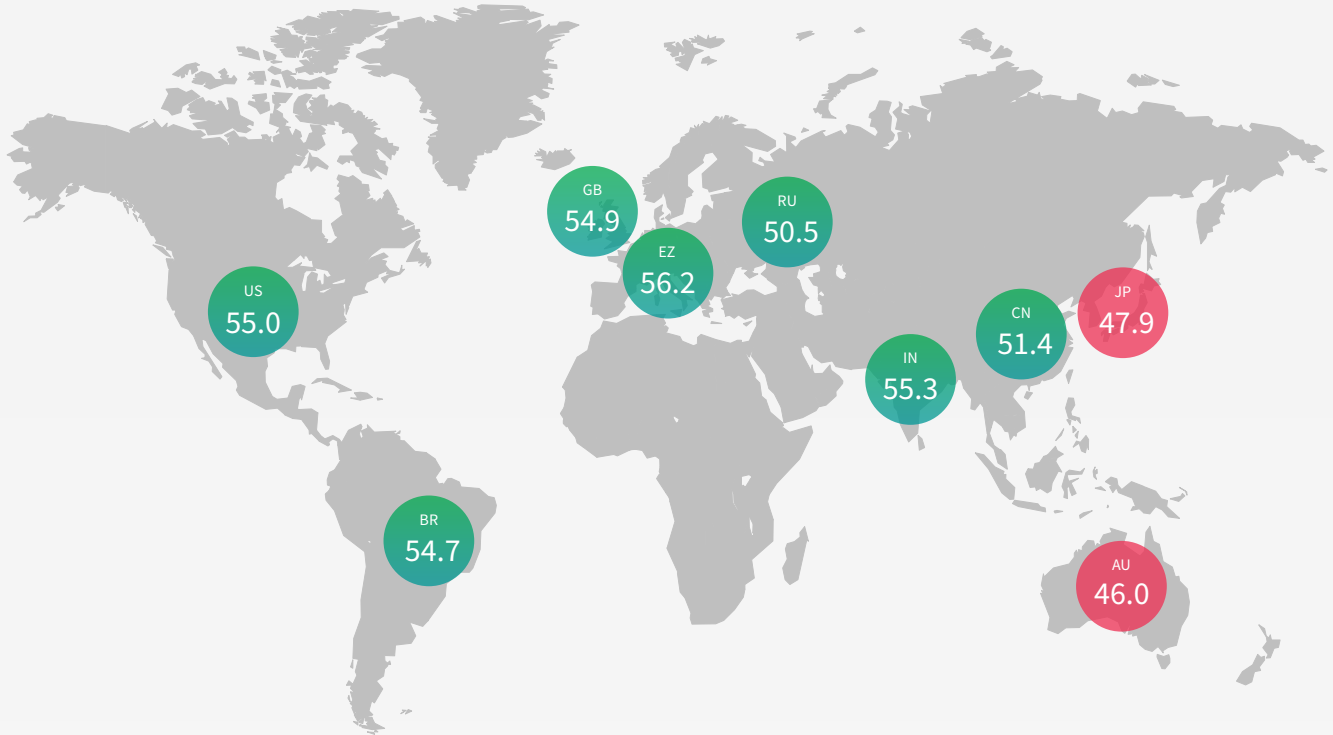


International PMI

Composite Output Index, Sep '21

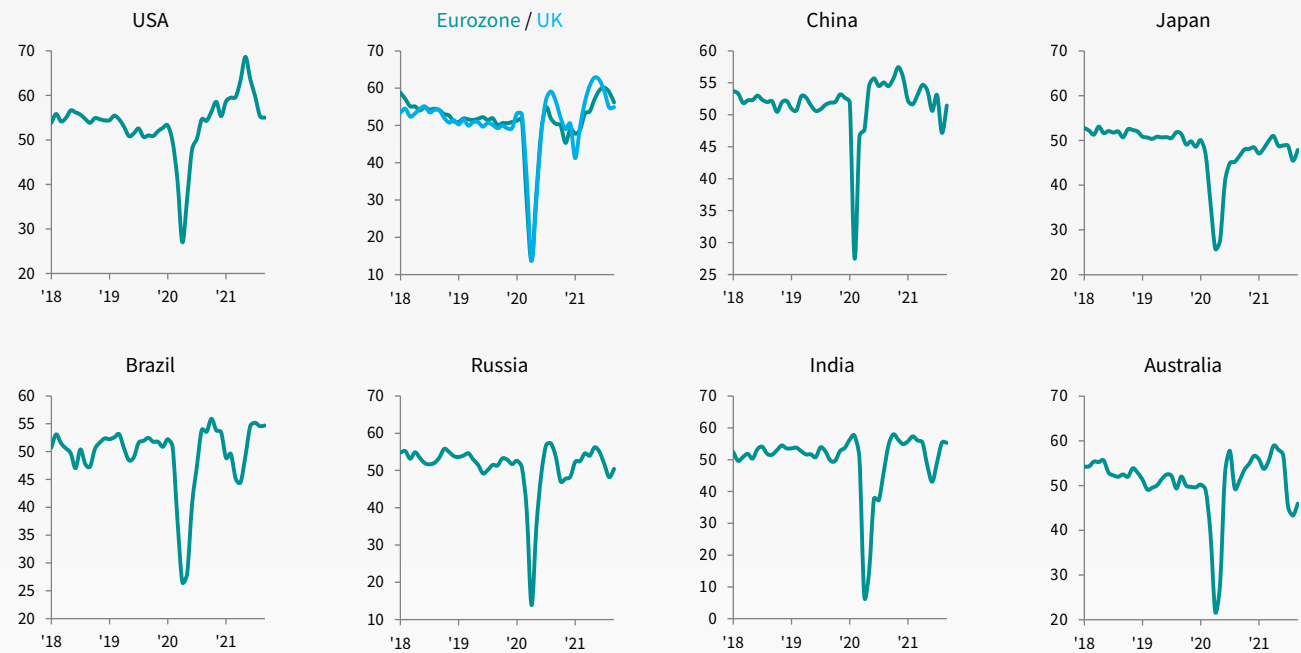
sa, >50 = growth since previous month

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



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 12-28 October 2021.

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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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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